Growing Steadily

15TH ANNUAL REPORT 2011–12

IDFC

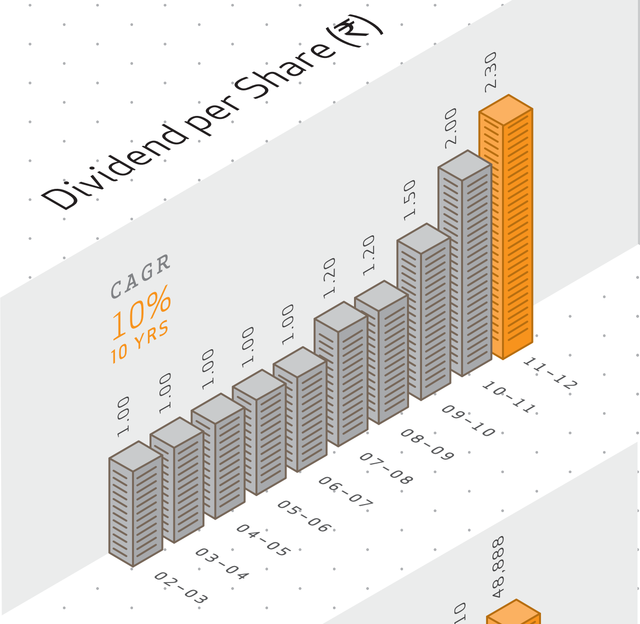
CONTENTS

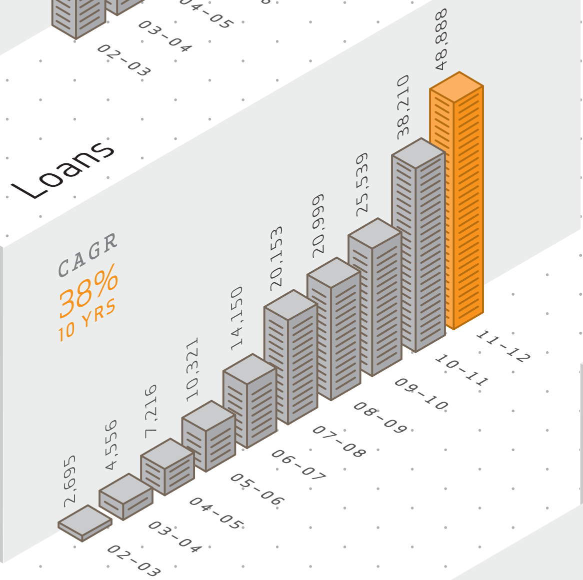
ACCOUNTS

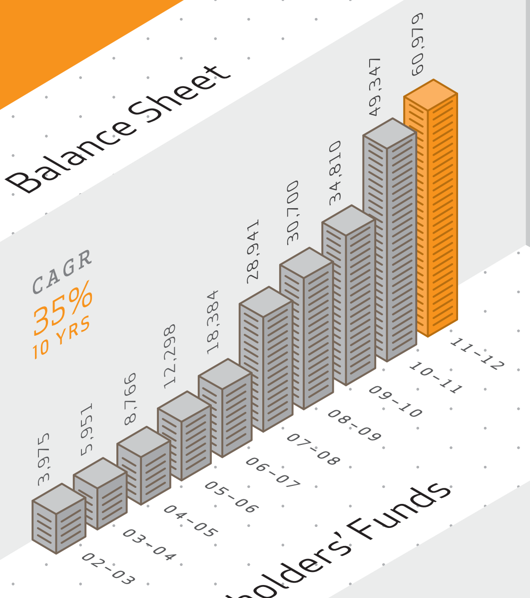
A REQUEST TO THE MEMBERS, The Ministry of Corporate Affairs had, pursuant to its Green Initiative in the Corporate Governance, allowed paperless compliances by companies. It has issued circulars allowing the companies to serve notice/documents including Annual Report by email to its members. Many of the shareholders have registered their emails pursuant to the said initiative. We thank those shareholders for the same. Those shareholders, who have not registered their email addresses so far, may, as a support to this initiative, register their email addresses by sending an email to 'idfc.cs@karvy.com' quoting their Name, Folio No., DP ID/ Client ID and email address to be registered with us for sending documents in electronic form.

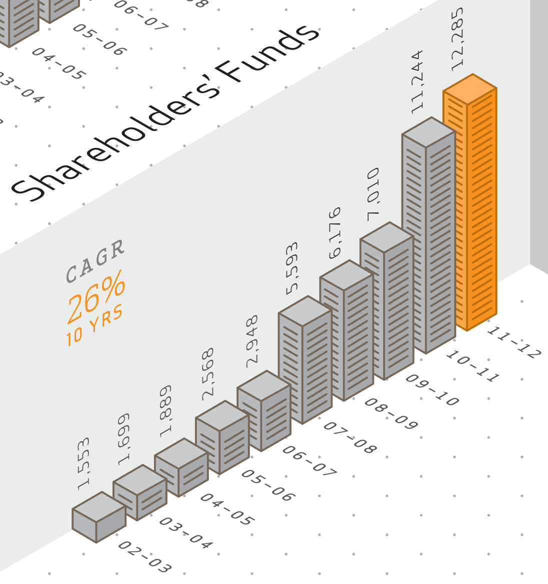
TEN YEARS' HIGHLIGHTS

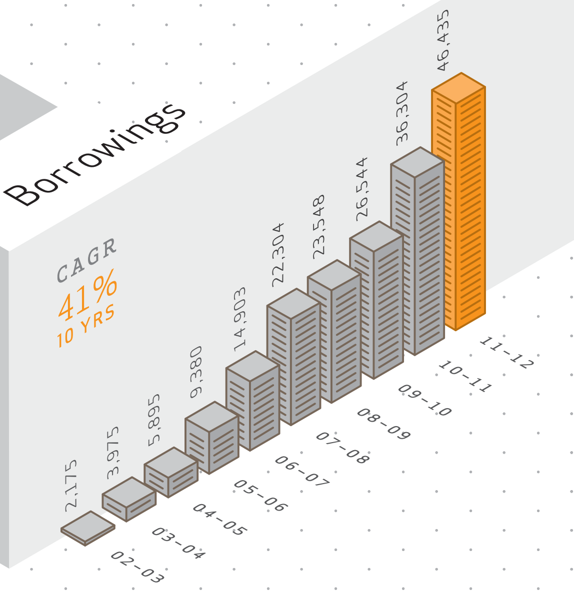
₹ IN CRORE

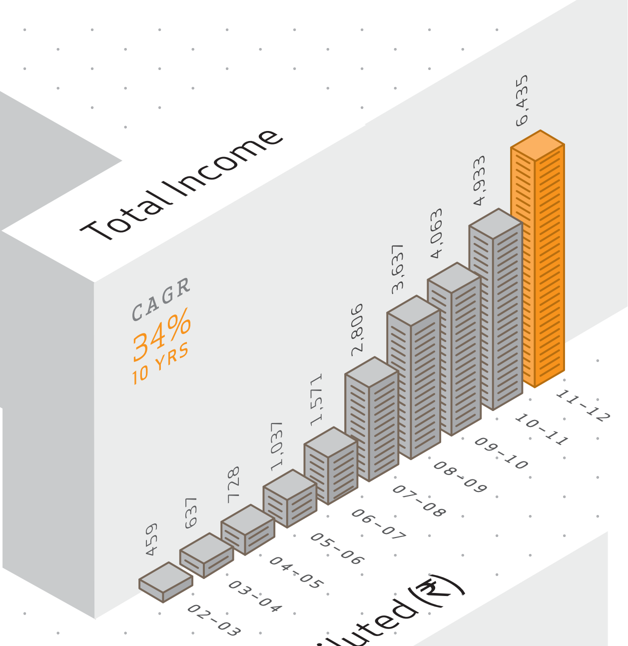











Total Income
CAGR
34%
10 YRS
459
637
728
1,037
1,571
2,806
3,637
4,063
4,933
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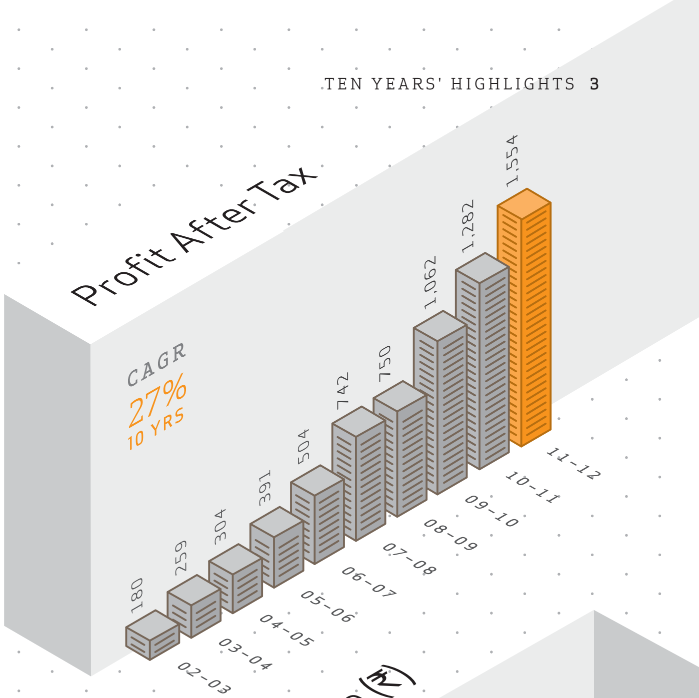
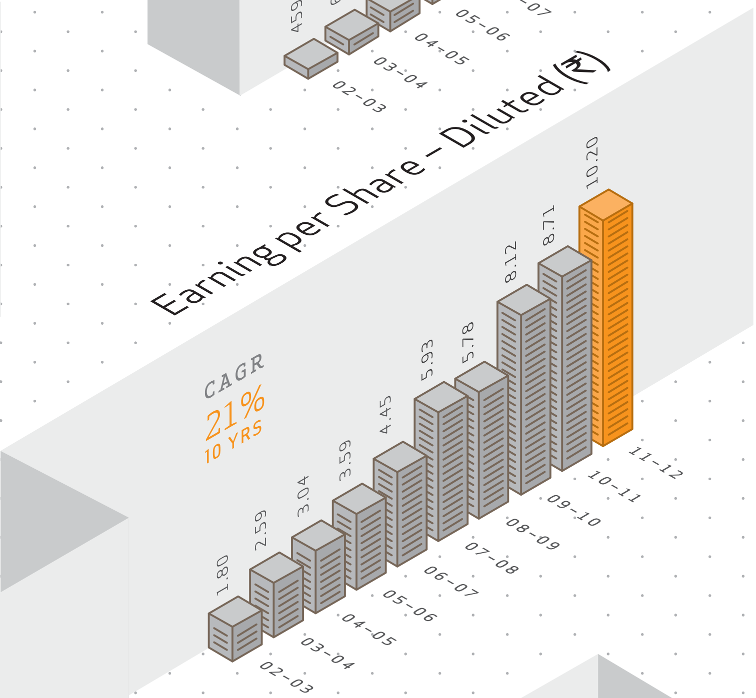
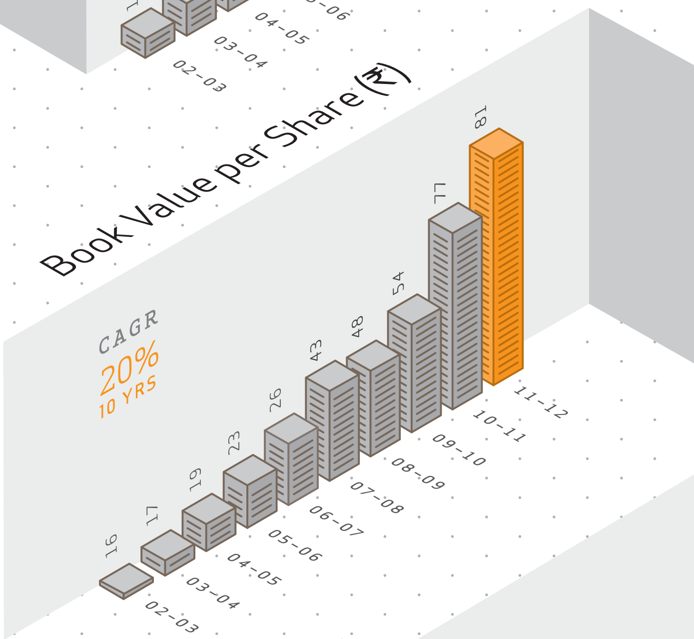
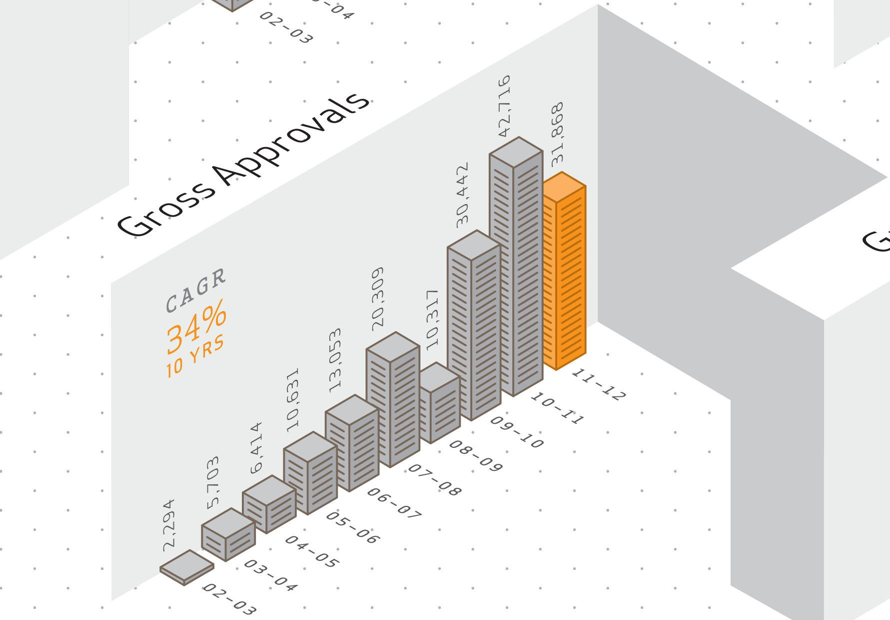
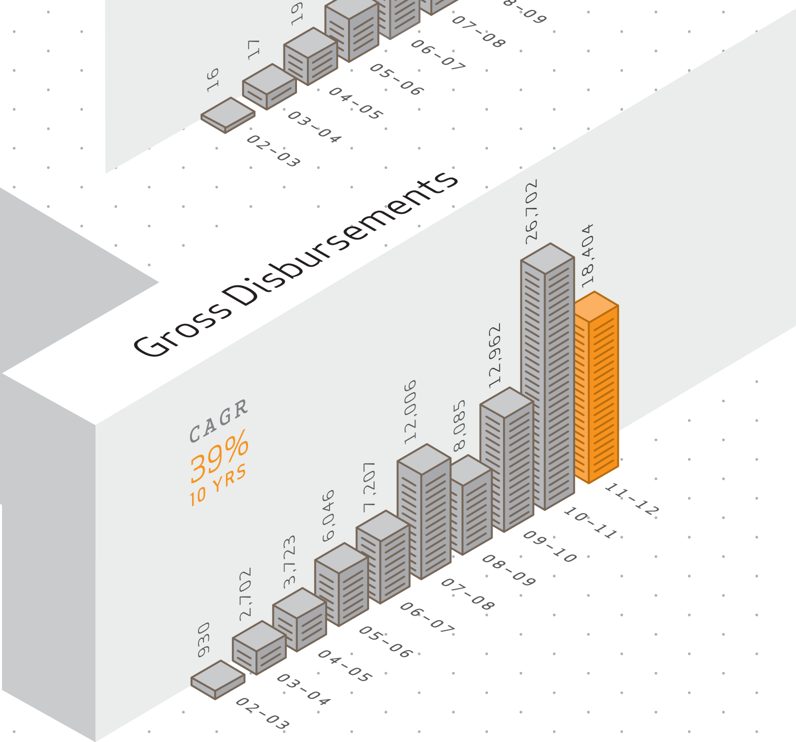
02-03
03-04
04-05
05-06
06-07
07-08
08-09
09-10
10-11
11-12


Profit After Tax
CAGR
27%
10 YRS
180
259
304
391
504
742
750
1,062
1,282
1,554
02-03
03-04
04-05
05-06
06-07
07-08
08-09
09-10
10-11
11-12

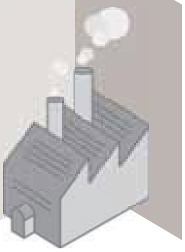

Earning per Share – Diluted (₹)
CAGR
21%
10 YRS
1.80
2.59
3.04
3.59
4.45
5.93
5.78
8.12
8.71
10.20
02-03
03-04
04-05
05-06
06-07
07-08
08-09
09-10
10-11
11-12


Book Value per Share (₹)
CAGR
20%
10 YRS
16
17
19
23
26
43
48
54
77
81
02-03
03-04
04-05
05-06
06-07
07-08
08-09
09-10
10-11
11-12


Gross Approvals
CAGR
34%
10 YRS
2,294
5,703
6,414
10,631
13,053
20,309
10,317
30,442
42,716
31,868
02-03
03-04
04-05
05-06
06-07
07-08
08-09
09-10
10-11
11-12


Gross Disbursements
CAGR
39%
10 YRS
930
2,702
3,723
6,046
7,207
12,006
8,085
12,962
26,702
18,404
02-03
03-04
04-05
05-06
06-07
07-08
08-09
09-10
10-11
11-12

CHAIRMAN'S STATEMENT



As IDFC completes its 15th year, our footprint extends across all major infrastructure sectors. We have funded a fifth of the National Highways being constructed with private participation. Our contribution has helped create more than half of our country's telecom towers and two-thirds of the wireless subscriber base.

As Infrastructure Development Finance Company Limited (IDFC) completes its 15th year, our footprint extends across all major infrastructure sectors. We have funded a fifth of the National Highways being constructed with private participation. Our contribution has helped create more than half of our country's telecom towers and two-thirds of the wireless subscriber base. We have financed more than half of the container cargo capacity addition at Indian ports, and the airports aided by us handle over a fourth of India's passenger and cargo traffic. We have also helped create more than half of India's private sector thermal and large hydro-generation capacity. Last but not the least, we have the largest renewable portfolio in the country. IDFC also continued to be recognised in various fora for its performance in different streams: Project Finance, AMC, Legal and Financial Reporting. In particular, IDFC was recognised as a Business Superbrand this year. In addition to awards conferred to some of our verticals, the quality and transparency of our corporate governance structure was also acknowledged – our Annual Report for FY11 was awarded the silver shield in the financial services sector by ICAI for excellence in financial reporting. IDFC was ranked first in India for Carbon Ranking by the Environmental Investment Organisation.

Our commitment to building India's infrastructure goes beyond business, and extends to advising Government and other stakeholders in developing infrastructure. IDFC Foundation's research, advocacy, and capacity building activities in areas of infrastructure policy and governance have continued. Over the last year, we have engaged with policy makers on a variety of issues of infrastructure financing, distribution reforms in electricity, preparing a strategic vision for the Indian Railways and transport policy in India. IDFC has also participated actively in the preparation of the 12th Five Year Plan through a number of working groups. Increasingly now, our efforts are focused on research and policy discussions related to sustainable and inclusive infrastructure development, including climate change, affordable housing, and natural resource management. The flagship India Infrastructure Report, which completed its 10th edition was on the water sector. Internationally, IDFC is helping in the preparation of the National Infrastructure Financing Policy for Nigeria.

It is important to note that IDFC's performance has been in the context of a challenging domestic economic environment. The standstill in policy reforms has accentuated the difficulties in infrastructure development in energy, telecom, and ports. Prospects for the coming year are going to be increasingly dependent on how effectively these governance issues are dealt with.

The private sector's managerial capabilities should be harnessed for efficient operation of the distribution business to tackle the high distribution, financial losses and poor quality of supply. Segregating the carriage (or distribution network) from the content (or retail supply) business will allow ownership of the existing network to remain with state discoms while the supply business could be better managed by the private sector.

ENERGY

Notwithstanding the huge increase in capacity addition last year, the power sector is facing a growing crisis of supply arising from domestic fuel availability constraints and the mounting financial losses of the distribution companies (discoms). The present impediments have resulted in about 20 GW of stranded generation capacity. The mess ailing the sector has reached a point where the initial euphoria of investing in power generation is beginning to wane. Although several committees have been constituted to find ways to unshackle the sector, some immediate steps should be taken.

- The private sector's managerial capabilities should be harnessed for efficient operation of the distribution business to tackle the high distribution, financial losses and poor quality of supply. Segregating the carriage (or distribution network) from the content (or retail supply) business will allow ownership of the existing network to remain with state discoms while the supply business could be better managed by the private sector. The private sector company would have the responsibility of operating and maintaining the distribution network and supplying electricity to the consumers in its supply area, as well as investing in the system if needed to improve quality of supply. The two options here, the franchisee model or the PPP concessionaire model, are differentiated in terms of the flexibility of the concessionaire under the PPP model to procure power, which may not be possible under the franchisee model. The franchisee model is already operating in Bhiwandi, Nagpur, Jalgaon, Aurangabad and Agra, but the PPP model has not yet been tried out anywhere. Although several complexities need to be ironed out as more and more such initiatives get rolled out, states should be encouraged to choose one of the two models and announce a programme for each distribution circle.
- Coal and natural gas supplies to electricity should be augmented to deal with fuel risks. Besides the recent government initiatives to improve inter-ministerial coordination to deal with coal supply challenges, the private sector should be invited as Mine Development Operators (MDOs) through the PPP route. MDOs would bring with them capital, superior technology and skill, to increase the production of coal in a cost-effective manner. A competitive and transparent process for selection of MDOs would add credibility to this initiative. Further, the development of the captive coal blocks has also lagged: only 26 out of 208 allotted blocks have been brought to the development stage. These should be closely monitored and an effective incentive-penalty mechanism instituted to ensure speedy development of the blocks. It is also a matter of serious concern that the initially projected availability of gas from Krishna-Godavari basin has come down to less than half and is further decreasing. The impasse between the Ministry and developers claiming recovery of additional costs incurred for development of the gas block needs to be urgently resolved. Meanwhile, we should accelerate the development of port handling capacity to import and regassify LNG.
- Ensuring the financial viability of discoms needs tariff reforms and state governments to keep their commitments on subsidy support. With mounting pressures on discoms due to drying up of short-term funds from banks and financial institutions, discoms are looking to restructure loans and facing the imperatives of tariff revisions. Some State Electricity Regulatory Commissions (SERCs) have raised

Ensuring a supportive regulatory environment for renewable energy is important in meeting rising energy demand as well as providing an alternative to thermal fuels that are affected by supply risks. Both, from an energy security and low carbon perspective, it is extremely important that the potential of hydro, wind and solar energy is realised.

tariffs in the past year, albeit with delays. One of the key developments last year was the judgment of the Appellate Tribunal of Electricity (APTEL), which directed SERCs to, *suo moto*, determine tariffs in case of delays in filing annual revenue requirement and tariff petitions. To give effect to this, SERCs would require information on statements of accounts from the distribution utilities. It is therefore urgent to put in place, systems and processes to ensure maintenance and timely availability of such information. In addition, the subsidy dependence of the discoms is extremely high at ₹ 43,000 crore, and thus timely disbursement of subsidy by states is extremely important for maintaining the liquidity position of discoms. In particular, Rajasthan and Andhra Pradesh have defaulted significantly in meeting their subsidy commitments over the last few years.

- Ensuring a supportive regulatory environment for renewable energy is important in meeting rising energy demand as well as providing an alternative to thermal fuels that are affected by supply risks. Both, from an energy security and low carbon perspective, it is extremely important that the potential of hydro, wind and solar energy is realised. To this effect it is critical for the government to extend support – at least initially – in various ways such as providing balanced fiscal and financial incentives, developing financial support, risk guarantee, specifying Renewable Purchase Obligations (RPOs) and ensuring their implementation, facilitating tradability of Renewable Energy Certificates (RECs) and building a repository of data and information on renewable resources.

TELECOM

The telecom sector is illustrative of how the government needs to regain momentum in the policy domain. The cancellation of 122 licenses will impact nearly 70 million subscribers and 8 companies which were new entrants to the telecom market in India. Proactive action on this issue is even more imperative as subscriber growth has slowed down, and there is limited progress on broadband access.

- Most critical for sustaining growth in the sector is to resolve spectrum related issues. TRAI has already made recommendations on issues of spectrum allocation that emerge from the Supreme Court directives. The much awaited New Telecom Policy now needs to take a definitive view on these recommendations and provide specific and time-bound policy directions to address the following issues:
    - maximum spectrum that one operator can hold;
    - minimum price for spectrum and how spectrum would be allocated;
    - mergers and acquisition norms for telecom operators within a circle;
    - license renewal and how spectrum held by the incumbents (spectrum refarming) will be treated.

  The government also needs to immediately respond to the Supreme Court directives with an action plan for re-awarding the 2G licenses while balancing the license fees, consumer interests on tariff issues and overall viability of the sector.
- As India seeks to get on to the information superhighway, greater broadband penetration is necessary. The government needs to put in place the National Broadband Network, providing the backbone for a pan-India network rollout by private operators. This connectivity

should extend to all government offices and departments so that the benefit of various e-governance programmes instituted by state governments can be fully realised. Such a network would also encourage private operators to speed up the rollout of 3G & 4G services and also provide a market for the development of localised and vernacular content. In effect, greater access to such value added services for a larger part of our population is necessary, not just for growth, but also for improving our quality of life.

PORTS

There is no doubt that private sector operation has grown significantly in Indian ports. The private or non-major ports have grown to account for nearly 42% of total port capacity in India. Moreover, as much as 88% of total container traffic at Indian ports is handled by private players. Until recently, bulk cargo traffic was predominantly operated by Port Trusts themselves and hence was government-controlled. Privatisation of bulk terminals is picking up; however progress has been slow. As a result, capacity in major ports is stagnating and there is need for greater modernisation. There are a few key issues that should be immediately addressed:

- The regulatory uncertainty due to differential tariff regimes in major ports needs to be resolved. The 2005 tariff guidelines followed by the Tariff Authority for Major Ports (TAMP) provided for three-yearly tariff reviews for private terminals in major ports. These were revised in 2008, with the new guidelines setting tariffs for the entire concession period. It is important that concessionaires under each of these regimes be brought on a level playing field in terms of tariff regulation. Moreover, the role of TAMP in an increasingly competitive environment and a move towards tariff based competitive bidding should be explored.
- Project awards in major ports need to be expedited. If the proposed target of nearly 200 mt of new capacity at major ports in FY13 is to be met, a time-bound programme for the award of all pending projects at major ports needs to be announced and adhered to. Procedural issues related to security and environmental clearances, need to be resolved such, that investors' interest in the sector increases. Here, it would be useful to have a pre-qualification process, similar to that for the NHDP, where private developers are empanelled at the beginning of every year. This could include a set of technical, financial and security related eligibility criteria.
- Connectivity, particularly to non-major ports, needs to be ensured. While there is a programme for connectivity of major ports that the National Highways Authority of India has nearly completed with only 31 km remaining, there needs to be a similar thrust towards connecting non-major ports. This needs to include both the road and rail sectors. Thus, state governments need to take proactive steps for ensuring road connectivity, as well as greater participation by the Railways in providing rail connectivity. One of the most important projects for connectivity and efficiency, the dedicated freight corridor; needs to be urgently executed. Various PPP modes could also be explored for ensuring timely execution of projects.

IDFC PERFORMANCE

In such a difficult environment, your Company has worked very hard to deliver results. Careful underwriting, anticipating energy risks and proactive problem solving have allowed us to protect our asset quality. Diversification of funding sources, aided in part by our status as an Infrastructure Finance Company, has allowed us to manage our cost of funds and margins in a hostile interest rate environment. Considering how challenging the operating environment has been, your Company has delivered a strong performance. I compliment my colleagues at IDFC for their hard work and determination.

CONCLUSION

Urgent action is required in the coming year so that we see an improvement in regulatory processes; we make progress in finding the right balance between growth and environmental concerns; we remove the most troublesome supply bottlenecks; and we make the environment more conducive to private investment in Indian infrastructure. I can assure you of IDFC's strong continued commitment to building sustainable and inclusive infrastructure in India.

DEEPAK S. PAREKH
Chairman

BOARD OF DIRECTORS

MR. DEEPAK S. PAREKH
Chairman

MR. SUNIL SONI
Appointed w.e.f. May 8, 2012

MR. BIMAL JULKA
Up to May 8, 2012

MR. S. S. KOHLI

MR. ABDUL RAHIM ABU BAKAR

MR. S. H. KHAN

MR. GAUTAM KAJI

MR. DONALD PECK

MR. SHARDUL SHROFF

DR. OMKAR GOSWAMI

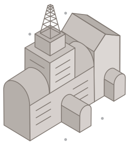
MS. MARIANNE ØKLAND

DR. RAJIV B. LALL
Vice Chairman & Managing Director

MR. VIKRAM LIMAYE
Deputy Managing Director

MR. MICHAEL FERNANDES
Alternate to Mr. Abdul Rahim Abu Bakar

OFFICES



REGISTERED OFFICE

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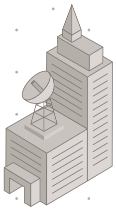
Chennai - 600 031
TEL +91 44 4564 4000
FAX +91 44 4564 4022



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TEL +91 22 4222 2000
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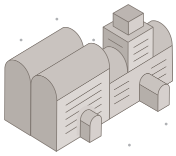

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8th Main, RMV Extension,
Sadashiv Nagar, Bengaluru - 560 080
TEL +91 80 4344 8000
FAX +91 80 2361 3016

CORPORATE INFORMATION

COMPANY SECRETARY
Mr. Mahendra N. Shah

AUDITORS
Deloitte Haskins & Sells
Chartered Accountants

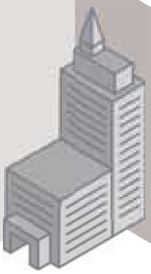
DEBENTURE TRUSTEE
IDBI Trusteeship Services Limited

PRINCIPAL BANKERS
HDFC Bank Limited
State Bank of India
Bank of Baroda

SOLICITORS & ADVOCATES
Amarchand & Mangaldas &
Suresh A. Shroff & Co.

Wadia Ghandy & Co.

INFRASTRUCTURE REVIEW



INFRASTRUCTURE DEVELOPMENT CONTINUED LAST YEAR, but regulatory issues have put a brake on the pace of growth. Capacity addition in the power sector was the highest it has ever been, with nearly twice as much added as in FY11. But the challenges of fuel and financial weakness of distribution companies (discoms) came to a head, resulting in a loss in electricity generation and stranded capacity. Similarly, in telecom, although 3G services have been rolled out, the protracted regulatory uncertainty is affecting further development of this sector. In the ports sector, uncertainty with respect to the tariff regime in major ports is impeding development and fresh investment. In the non-major ports traffic has been affected because of issues in the power sector and rail / road connectivity. The only exception is the roads sector which had a notable increase in project awards.

TELECOM

The telecom sector continued to grow during FY12 albeit at a much slower pace compared to the previous year. Net addition of wireless subscribers dropped by over 50% to about 9 million per month during FY12 compared to approximately 19 million per month in FY11. The fall in net additions was primarily due to urban saturation without a sustained increase in rural penetration as telecom operators slowed the pace of network roll out in rural areas (Figure A). The wireless subscriber base at the end of March 2012 was 919 million as against 812 million in March 2011. According to TRAI's standard for recognition of active subscribers, India had 683 million active wireless subscribers as of March 2012, that is, 74% of the reported subscriber base. Wireline subscriber base declined from 34.7 million in March 2011 to 32.2 million in March 2012. The overall teledensity increased from 71% in March 2011 to 79% in March 2012. Urban teledensity reached 169% while rural teledensity stood at 39% by the end of March 2012. The teledensity growth has slowed down considerably during FY12 as compared to FY11.

The year FY12 was fairly subdued for the telecom tower sector both in terms of organic growth and M&A activities. The tower companies have been rather cautious in rolling out new towers; instead they have been focusing on increasing the tenancy on their existing towers. Roll out of 3G services by telecom operators has helped the tower companies increase their tenancies during this year. No major M&A transactions have taken place during the year.

Broadband penetration continues to be a major challenge for the Indian economy. Broadband subscriber base reached

13.8 million in March 2012 from 11.5 million in March 2011, a growth of almost 15%. National Broadband Policy (NBP) released by the Telecom Regulatory Authority of India (TRAI) in December 2010 had suggested a roadmap to increase the Broadband subscriber base to 75 million connections by 2012 and to 154 million subscribers by 2014. NBP had also envisaged development of National Broadband Network (NBN), an open access optical fibre network connecting all habitation with population of 500 and above, planned to be built with an investment of approximately ₹ 60,000 crore by National Optical Fibre Agency, a special organisation proposed to execute this project. The last mile connectivity was to be provided by mix of 3G / 4G network, cable network and wireline broadband. No action has been taken on this front so far.

Auction for 3G spectrum, which is envisaged as one of the last mile wireless technology for Broadband, was completed in May 2010. Almost all the telecom operators who had won spectrum during 3G auction, launched operations in their respective circles. Most of the players also entered into 3G roaming pacts with other operators thereby providing pan-India 3G network to their customers. While the official numbers for the 3G subscriber base have not been disclosed by the operators, the continuous investment by them in roll out of 3G network suggests that the service is finding good traction. The 3G roaming agreements signed by the telecom operators have been declared invalid by the Department of Telecom (DoT) in December 2011. The Telecom Disputes Settlement and Appellate Tribunal (TDSAT) however immediately gave a stay order on DoT's notice to the telecom operators. The matter is currently sub-judice with the TDSAT.

Broadband Wireless Access (BWA) auction was also conducted in FY11 to facilitate the introduction of 4G technology in India. Out of all the auction winners, Airtel is the only operator which has formally launched the 4G services so far, in Kolkata and Bengaluru. Reliance Industries had won pan-India BWA spectrum in this auction and since then has been signing deals on the content side, which may be leveraged by the Company while offering 4G services. Augere, which won the spectrum in Madhya Pradesh, awarded the 4G network roll out contract to Ericsson in October 2011.

While the 3G / 4G network roll out by the operators is happening in a phased manner, to promote greater broadband access and usage in the country, it is imperative that NBN, envisaged in the TRAI recommendations of December 2010, is put in place. Efforts are also required to generate regional language content and applications which address the specific needs of the different regions / sections of the society, to truly realise the potential of broadband penetration in India.

The other policy development from FY11, Mobile Number Portability (MNP), was launched in February 2011 on an all India basis and has had a mixed impact on the telecom operators so far. As of end March 2012, over 41.9 million subscribers had submitted their requests to various service providers for porting their mobile numbers. Although prima facie this is a fairly small number compared to the 660 million active wireless subscribers, it is important from the perspective that a large part of these subscribers are active long-term subscribers.

1 Policy announcements in the telecom sector

Item	Current status	Proposed change
License fee	6-10% of Adjusted Gross Revenue based on service area	Uniform license fee at 8% of Adjusted Gross Revenue phased in over next two years
Extension of license	Current license tenure is 20 years	To be extended for 10 years at a time
		License fee at time of extension; ₹ 20 mn for Metros and 'A' circle; ₹ 10 mn for 'B' circle; ₹ 5 mn for 'C' circle
	Start-up spectrum (4.4MHz on GSM) was bundled with license	Spectrum to be paid for separately
		Spectrum over prescribed limit to be surrendered. Limit is 10MHz in Metros and 8MHz in other circles
Spectrum sharing	Legality of the 3G roaming arrangements by Bharti, Idea and Vodafone under review by the Telecom Tribunal	Spectrum sharing now permitted on 2G but not on 3G
M&A	40% resultant revenue market share	Allowed automatically upto 35% resultant revenue market share DoT to await TRAI recommendation before extending it to beyond 35% up to 60%

Source IDFC compilation

2 Telecom licenses cancelled in the 2G scam

Company	Licenses issued post Jan 2008	Spectrum held (MHz)	Affected subscribers (MN)	Remarks
Videocon	21	88.0	5.4	Licenses cancelled. Spectrum withdrawn
Loop Telecom	21	88.0	3.2	Licenses cancelled. Spectrum withdrawn
Uninor	22	92.4	36.3	Licenses cancelled. Spectrum withdrawn
Sistema Shyam	21	52.5**	12.6	Licenses cancelled. Spectrum withdrawn
Etisalat	15	66.0	1.7	Licenses cancelled. Spectrum withdrawn
Stel	6	26.4	3.5	Licenses cancelled. Spectrum withdrawn
Idea Cellular	13*	52.8	6.7	13 circle licenses cancelled & spectrum withdrawn
TTSL	3	7.5**	0.2	3 CDMA licenses cancelled & spectrum withdrawn
Total	122	473.6	69.6	

Source IDFC compilation
Note * Includes 6 overlapping licenses of Idea and erstwhile Spice which were non-operational
** CDMA spectrum

Hence their movement may lead to much higher revenue loss for the wireless operators that loose customers than the subscriber numbers suggest.

The regulatory uncertainty for the sector continued during the year. The New Telecom Policy 2011 (NTP 2011) was expected to be announced during FY12 but the policy has been delayed as the Government could not reach consensus on various key issues. These include issues like the maximum amount of spectrum an operator can hold, spectrum pricing and price discovery mechanism, spectrum refarming, license renewal norms and M&A norms. The draft NTP 2011 released in October 2011 did not delve into the policy steps required to deal with these issues. A detailed NTP is expected later this calendar year. Meanwhile the Government has been making periodic announcements on various aspects of NTP 2011. Some of the key announcements made so far are given in Table 1.

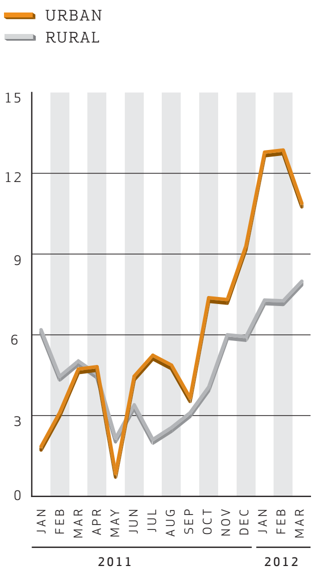
On the 2G scam, the Supreme Court in February 2012 cancelled 122 telecom licenses issued after January 2008 for process lapses during their allotment (Table 2). The Supreme Court also asked the Government to issue fresh licenses and spectrum by August 31, 2012 by way of an auction process. TRAI has thereafter released its recommendations to DoT on auction of spectrum in various spectrum bands. During FY13 TRAI has recommended auctioning only 5 MHz spectrum in each telecom circle. This auction will be open for all participants including the incumbent operators, the operators who have lost their license due to Supreme Court order and any new entrant. If these recommendations are accepted, there would be a maximum of one new operator per circle, as against 4-7 operators whose licenses have been cancelled. TRAI has also recommended a detailed plan for auction of spectrum in all frequency bands (700 MHz, 800 MHz, 900 MHz, 1800 MHz, 2100 MHz and 2300 MHz) till FY15 and the reserve price for each of these spectrum bands. A roadmap for spectrum refarming is also provided in these recommendations. These recommendations are due for review by the Telecom Commission and Empowered Group of Ministers (EGoM) in the coming weeks.

ENERGY

The power sector added more than 13.3 GW of generation capacity between April 2011 and February 2012, the maximum in any single year, although it still fell short of the target 17.6 GW (Table 3). The total installed capacity in February 2012 was nearly 191 GW and the capacity added over the 11th Plan period is more than 53 GW though again, this is smaller

A DECLINING NET SUBSCRIBER ADDITIONS IN TELECOM

FIGURES IN MN.



Source TRAI press releases

than even the downward revised target of 63 GW. The encouraging story here is the increasing share of private sector which has reached 40% of total capacity added during 2007-12, the highest over any plan period.

Growth in installed capacity at more than 10% outpaced power generation which grew at 8.6% during FY12. In thermal, capacity registered a growth of 24% while generation increased by only 7% during April 2011-February 2012. This was primarily due to inadequate and poor quality of fuel, resulting in a decline in the Plant Load Factor (PLF). The coal stock position at various thermal plants continued to remain critical, with 34 plants having less than 7 days reserves on February 29, 2012. Of this, 25 plants had coal stock of less than 4 days. The deficit in domestic coal availability could only partially be covered using imported coal due to transportation bottlenecks at ports, high prices of imported coal, and lack of demand for such expensive power. Similarly, gas based plants suffered due to non-availability of domestic gas and high prices of imported LNG resulting in lower generation compared to last year. In contrast, hydro generation delivered a growth of more than 16% during April 2011-February 2012 due to a good monsoon, while hydro capacity addition lagged due to difficulties in accessing potential sites, issues in land acquisition as well as rehabilitation, complexities in addressing environmental and forest issues and clearances, inter-state conflicts, inadequate infrastructure to access and develop the project as well as evacuation infrastructure and geological surprises. In view of these constraints, the Working Group on Power of the 12th Five Year Plan has estimated 76 GW of capacity addition during the 12th Five Year Plan period, including of 62.7 GW of coal based capacity with a proviso to revise this target in light of emerging fuel supply trends.

The aggregate demand for coal by all sectors has risen by 8% per annum during the 11th Plan to about 650 million tons (mt) in FY12 and is expected to increase to 981 mt by the end of the 12th Plan. Domestic coal production was originally targeted to reach 680 mt per annum at the end of the 11th Plan. This was scaled down to 630 mt per annum in the Mid Term Appraisal and it is expected to be only 448 mt in FY12. The shortfall in coal production in FY12 is about 142 mt. Estimates indicate that the aggregate demand for coal at the end of the 12th Plan is likely to be between 900 and 1000 mt, while domestic output is unlikely to exceed 750 mt leaving more than 200 mt shortfall to be met from imports. In captive coal blocks also, only 26 blocks out of 208 blocks allotted, have been brought to the development stage, and production is expected at 38.5 mt in

3 Capacity addition during April 11-February 12 (MW)

Fuel wise / sector wise	Target	Achievement
Thermal		
Central	3,570	3,070
State	4,101	1,851
Private	6,965	7,131
Total	14,636	12,052
Hydro		
Central	615	100
State	195	81
Private	1,170	1,100
Total	1,980	1,281
Nuclear		
Central	1,000	0
Total	1,000	0
All India		
Central	5,185	3,170
State	4,296	1,932
Private	8,135	8,230
Total	17,616	13,332

Source CEA

FY12 as against 80.9 mt projected in the Mid Term Appraisal. The reasons for lower output of coal include infrastructure bottlenecks, slow process of environmental clearance, stringent environment norms imposed through Comprehensive Environmental Pollution Index (CEPI) and land acquisition problems. Poor coal production has resulted in Coal India Limited (CIL) not being able to supply the full quantity of coal as per fuel supply agreements to power plants. Moreover, no fuel supply agreement has been inked since 2009, even when large numbers of Letters of Assurance (LoAs) were granted. Generation loss of 8.7 billion units has been reported by the power utilities during April 2011-February 2012 due to inadequate availability of coal. The requirement and availability of coal for power utilities during the next three years as estimated by the Working Group on Power for the 12th Plan submitted by Ministry of Power to Planning Commission shows emerging dependence on imported coal (Table 4). It is also important to recognise that additional coal production is envisaged mainly from 6 major coalfields of CIL – North Karanpura of CCL, Korba & Mand-Raigarh of SECL, Ib Valley & Talcher of MCL and Rajmahal of ECL and these large coal bearing areas are also highly industrial with very high CEPI. Several of the thermal projects are planned to be concentrated in these areas and many of the captive coal blocks also belong to these coal bearing areas. This would have an important bearing on the environmental and social implications of the projects. Unless properly planned, taking these impacts and availability of resources into consideration, the implementation of projects would be significantly affected.

Further, emerging dependence on imported coal has increased the risk of the present as well as prospective developers of coal based plants due to regulatory uncertainty in the coal exporting countries and its impact on their bidding power prices. The Ultra Mega Power Plants (UMPPs) based on imported coal (viz. Mundra and Krishnapatnam) have also been affected due to increase in cost of imported coal. Generation utilities are constrained by not only the phenomenal rise in imported coal prices making the cost of the power generated uncompetitive, but also constrained by the technical ability of the plants to accommodate imported coal and infrastructural constraints to evacuate the coal from the port. The price of imported coal has increased twice as rapidly as domestic coal over the last six years.
A Group of Ministers has been constituted to consider environmental and developmental issues relating to coal mining and other developmental projects.

The gas story for power sector in India is no less worrying. Estimates indicate that gas supplies would go up to only 153 million matric standard cubic meter per day (mmscmd) in FY15 from 143 mmscmd in FY11, which is much lower than the earlier estimate of 195 mmscmd. This shortfall is primarily due to the fall in KG D6 production to 43 mmscmd in FY12 from the 55.9 mmscmd in FY11 and projected to go down further to 28 mmscmd in FY13 and 24 mmscmd in FY14, compared to the earlier anticipated

4 Estimated requirement and availability of coal in power sector

(Million Tonnes)

Description		FY13	FY14	FY15
1	Total coal requirement	515	572	650
2	Likely coal availability:			
	(a) From CIL	347	364	381
	(b) From SCCL	34	34	34
	(c) From captive mines	27	38	56
	Total coal availability	416	436	471
3	Demand-Supply gap (1-2)	99	136	179
4	Coal requirement for imported coal-based projects – to be arranged by Project Developers	23	44	51
5	Imported coal required to meet the demand-supply gap for Thermal Power Stations designed on domestic coal (3-4)	76	92	128
6	Additional Imported coal required to meet the gap indicated in (5) above	51	61	85

Sources Government of India, Ministry of Power, Lok Sabha, Unstarred Question No. 2873 answered on dt. 30.03.2012, Shortage of Coal (Annexure II reference Report of Working Group on Power submitted by Ministry of Power to Planning Commission)

It is also important to recognise that additional coal production is envisaged mainly from 6 major coalfields of CIL – North Karanpura of CCL, Korba & Mand-Raigarh of SECL, Ib Valley & Talcher of MCL and Rajmahal of ECL and these large coal bearing areas are also highly industrial with very high CEPI.

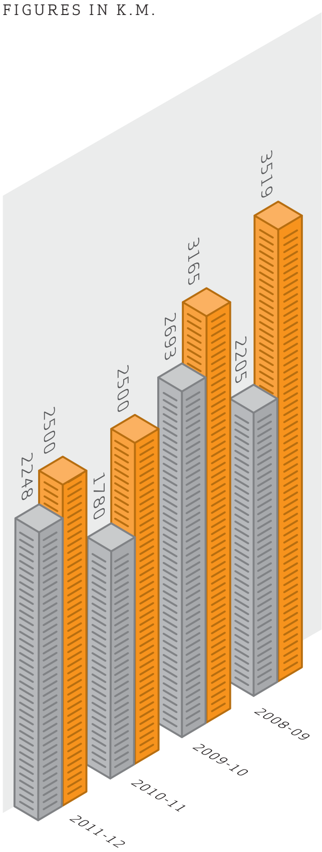
production levels of 60-80 mmscmd. The rapidly reducing gas availability situation, coupled with high imported gas prices, has been reflected in the negative growth of gas-based generation. The initial high projections for gas from KG basin have had the unfortunate consequence of installed gas capacity growing to 18.1 GW by February 2012. As a result, gas based plants are operating at a low of about 66% PLF. Imported LNG could be used to address this gap though that could render the power cost completely unviable if the proportion of imported gas is very large. Realising the gravity of this situation, the Ministry of Power has advised against planning for domestic gas-based plants till FY16, and the Inter-ministerial Committee on Gas Allocation has suggested preferential allotment of available domestic natural gas to core sectors power and fertiliser.

To address these fuel supply risks which have resulted in about 20 GW of stranded capacity, a Committee of Secretaries led by Principal Secretary to the Prime Minister has also been set up for growth of the power sector where investment to the tune of US$ 200 billion is proposed during the 12th Five Year Plan. The Committee has identified five key areas for immediate action of the Government – gas allocation and linkage, CIL's Fuel Supply Agreement (FSA), diversion of surplus coal from captive mines, forest clearance for allocated captive coal mines located in dense forests, and Indonesian coal pricing issues relating to the Mundra and Krishnapatnam UMPPs. The Committee has suggested that FSAs should be signed in FY12 for power plants that have been commissioned upto December 31, 2011. It also suggested that CIL should sign FSAs with power plants commissioned by FY15, that have already entered into long-term Power Purchase Agreements (PPAs). The Prime Minister's Office (PMO), on the suggestions of the Committee, has directed CIL to sign the FSA for a period of 20 years and for the entire quantity of coal mentioned in the Letter of Assurance (LoAs). PMO further directed that to the extent that the supply falls below 80% of the assured amount, the miner will have to pay a penalty. The directive of PMO to CIL is expected to not only bring relief to the plants under distress but would also facilitate achieving the capacity additions targeted for the 12th Five Year Plan.

On the distribution side, the estimated losses accounting for State subsidy were about ₹ 80,000 crore in FY12, up from ₹ 63,500 crore in FY10. ICRA and CRISIL have estimated that the overall subsidy support in FY12 is likely to be only ₹ 43,000 crore, thus implying a large book loss. Just six States – Uttar Pradesh, Tamil Nadu, Madhya Pradesh, Rajasthan, Punjab and Haryana – account for nearly 70% of the total losses. The subsidy dependence of some of the States like Rajasthan is as high as 50% and thus timely receipt of subsidy is extremely important for maintaining the liquidity position of the discoms. The other reasons for the mounting losses, are higher distribution losses, compared to targets laid down by regulators, and rising power purchase costs without commensurate increases in tariff. Facing large cumulative losses, discoms have also avoided procuring expensive thermal power and resorted to load shedding and power cuts at will. This specifically affects thermal IPPs, as discoms rely on cheap hydro in years of good monsoons such as in FY12. Further, the financially strapped discoms often fail to make timely payment to IPPs. These issues have accentuated the risk exposure of the power generators and financial institutions.

B PROGRESS IN THE CONSTRUCTION OF NHDP

FIGURES IN K.M.



Source Ministry of Road Transport and Highways

Air traffic in India has grown rapidly over the last few years with domestic traffic growing at 18.5% and international traffic at 14% between FY05 and FY11, an aggregate increase of 16.5% during this period. India remained one of the fastest growing aviation markets with the second highest growth in the world, after Brazil.

1

RENEWABLE ENERGY CERTIFICATE SCHEME

The REC scheme, as a mechanism to meet RPO, has accredited capacity over 2,500 MW in FY12, with 2,359 MW added in FY12 alone. This accounts for about 10% of the total installed RE capacity in the country and more than 1 million RECs were traded in FY12. Of the total accredited capacity under the REC scheme, the share of wind at 46% is the highest, followed by biofuel at 25% and biomass at 21%. Maharashtra, Tamil Nadu and Uttar Pradesh alone contribute nearly 75% of the total accredited capacity. RECs provide an additional stream of finance for renewable projects.

Following a directive from the Reserve Bank of India to banks to stop lending to discoms with large losses, some discoms have started to restructure their debts with support from the State Governments. In restructuring the Rajasthan discom's ₹ 35,000 crore debt, banks have increased interest rates in lieu of a moratorium on principal repayment and longer loan tenure. Banks have also been assured of timely revision of tariffs in addition to State Governments committing to timely payment of subsidies. The 'Rajasthan Framework' is now being proposed to negotiate terms with financially weak discoms in other States as well.

In addition, 11 discoms have increased tariffs in FY12. Out of these, Rajasthan, which had the highest loss and shortfall in subsidy support in FY12, also had the largest hike of 24%. In addition, the Rajasthan discoms have filed a proposal to raise tariffs further by 21% in FY13. Similarly, Delhi, Nagaland, Andhra Pradesh, Orissa, Bihar, Jharkhand, Jammu and Kashmir increased tariff by more than 15% in FY12. On the regulatory side, the Appellate Tribunal of Electricity (ATE) has issued directions to State Electricity Regulatory Commissions (SERCs) to determine tariffs annually and also to ensure that the tariffs are decided before the beginning of the financial year. SERCs can also initiate suo moto proceedings in case of delays. The effectiveness of this action, however, would depend on the Regulatory Commissions operating in an independent manner. As all discoms move forward on tariff increases, pushed either by regulatory interventions such as ATE directions, or due to conditions imposed by banks to allow debt restructuring, the revenue gap in discoms is likely to come down over time.

Given the fuel risks with thermal power, investors are now turning towards renewable energy as is clear from the successful completion of the bidding process of Phase I of the Jawaharlal Nehru National Solar Mission (JNNSM). The second round of Phase I bidding for the allotment of 350 MW solar PV projects witnessed fierce competition with the lowest winning bid at ₹ 7.49 / kWh and an average bid price of ₹ 12.15 / kWh. This is significantly lower than the Batch I winning bids ranging from ₹ 10.95 / kWh to ₹ 12.76 / kWh. Bidding participation increased from larger companies due to an increase in project size from 5 MW to 20 MW as also in the maximum allocation per bidding company of up to 50 MW. In wind energy, India has reached the fifth position globally in terms of wind-based generation installed capacity, but the potential is much larger still. In general, successful augmentation of renewable capacity would depend on balanced incentives – fiscal and financial – for all renewable sources; financial support for project development; risk guarantee schemes; Renewable Purchase Obligations (RPO) specified and implemented appropriately and facilitating tradability of Renewable Energy Certificates (REC) (Box 1); and building a repository of data and information on resources.

In a regime of power shortage, enhanced focus on energy efficiency is imperative. The Perform, Achieve and Trade (PAT) Scheme was introduced to incentivise energy-intensive industrial units to pursue efficiency improvement measures. In the process of introducing PAT, the Ministry of Power notified Energy Conservation Rules with procedures for laying down consumption norms and standards for designated consumers, as well as for issuing energy savings certificates. This was followed by notifying a list of 478 designated consumers for 8 energy-intensive sectors and the consumption norms and standards against their current consumption to be achieved by FY15.

TRANSPORTATION

CIVIL AVIATION

Air traffic in India has grown rapidly over the last few years with domestic traffic growing at 18.5% and international traffic at 14% between FY05 and FY11, an aggregate increase of 16.5% during this period. India remained one of the fastest growing aviation markets with the second highest growth in the world, after Brazil. However, there has been a slowdown during the last one year with growth in February 2012 being only 12.3% over February 2011 as a result of Kingfisher Airlines, one of the largest carriers in FY11, withdrawing a large part of its fleet. The Centre for Asia Pacific Aviation estimates that of all the domestic carriers in India, only IndiGo is profitable, with the industry likely to report a net loss of US$ 2 billion in FY12. This difficult situation can, in part, be attributed to increasing fuel costs and the high sales tax on aviation fuels. Acknowledging these concerns, the Empowered Group of Ministers on Civil Aviation allowed direct import of fuels by domestic carriers. Until this point, however, only Air India has started the process of appointing a service provider to obtain the fuel as well as provide the necessary infrastructure for storage and distribution.

In terms of airport infrastructure, there are six existing airports with private participation. These accounted for over 58% of the total passenger traffic and 69% of the air freight traffic in March 2012. In addition, Government of India has granted 'in-principle' approval for setting up greenfield airports at Mopa in Goa; Navi Mumbai, Sindhudurg and Shirdi in Maharashtra; Shimoga, Gulbarga, Hassan and Bijapur in Karnataka; Kannur in Kerala; Durgapur in West Bengal; Pakyong in Sikkim; Datia / Gwalior (Cargo) in Madhya Pradesh; Kushinagar in Uttar Pradesh; Karaikal in Puducherry. The Navi Mumbai airport, perhaps the most urgently required from this list so as to mitigate the pressure on the existing Mumbai airport, was expected to begin construction in December 2012. However, given that land acquisition and forest clearances have lagged the original schedule, the airport is expected to be operational only towards the end of 2015, a year after the original planned opening in December 2014.

The issues related to the Development Fee (DF) charged by the Delhi and Mumbai joint venture airports were also resolved this year. The Supreme Court termed the DF as illegal, since it was not approved by the airports regulator, Airports Economic Regulatory Authority (AERA). In response, the Government introduced the Airports Authority of India (Major Airports) Development Fee Rules, 2011, allowing AERA to set development fees that airports could charge. AERA has allowed the Delhi and Mumbai airports to charge a development fee for a period of 18 months starting December 2011 in the case of Delhi, and 23 months starting May 2012 in the case of Mumbai. The DF charges are ₹ 200 for domestic travellers and ₹ 1,300 for international travellers in Delhi and ₹ 100 for domestic travellers and ₹ 600 for international travellers in Mumbai. Interestingly, these were the DF rates in the previous regime as well, that was struck down by the Supreme Court as being illegal.

RAILWAYS

Railways continued their sluggish trend with the number of passengers and volume of freight increasing by just about 5% in FY12 as compared to FY11. Earnings increased by just over 10% during this period. Unfortunately, the modest increase in passenger fares proposed in the current Railway Budget ranging from 2 to 30 paise per km was partially rolled back except for AC 2-tier (15 paise per km) and AC first class (30 paise per km). This is despite the Railway Budget acknowledging that the surplus of ₹ 1,492 crore in FY12 was much smaller than the projected ₹ 5,258 crore.

To augment their own resources, Indian Railways have sought greater private participation in some areas. A number of such initiatives launched in the past, such as the R3i policy for engaging private industry in creating freight capacity with private capital has not progressed. Another scheme for private participation in augmenting freight handling capacities with the Railways is discussed in Box 2.

On a broader and strategic level, the Expert Group for Modernisation of Indian Railways submitted its report in February 2012. The Group has argued that an investment of ₹ 560,000 crore can be achieved by diversifying funding sources to include monetisation

2

PRIVATE INVESTMENT IN FREIGHT TERMINALS

In this scheme, private freight terminals are either be 'green field' facilities developed by private parties on private land or 'brown field' facilities, that is, existing private sidings /container terminals on private land which can be permitted to be converted to private freight terminals. This allows a private operator a Concession Agreement for 20 years based on 50% revenue share of terminal charges. A total of 18 proposals have been received so far under the Scheme, out of which 7 proposals for Bamanhari, Nabha (Northern Railway), Rudrapur (North Eastern Railway), Wardha, Tadali, Kalamboli and Somathane (Central Railway) have been given 'in principle' approval by the zonal railways, and one Private Freight Terminal at Timmapur (South Central Railway) has been operationalised.

Source Ministry of Railways

The roads sector was a relatively encouraging story in FY12. The Government awarded BOT contracts amounting to nearly 8,000 km in FY12, an increase of 54% over the previous year. This includes almost 6,500 km with National Highways Authority of India (NHAI) comprising a total of 49 projects. The remaining contracts were awarded directly by the Ministry of Road Transport and Highways (MoRTH) comprising 1,446 km.

3

SUMMARY OF KEY RECOMMENDATIONS OF THE EXPERT GROUP FOR MODERNISATION OF INDIAN RAILWAYS

The Expert Group has recommended PPP in stations and terminals, high speed railway lines, elevated rail corridor, private freight terminals, leasing of wagons, loco and coach manufacturing, captive power generation and renewable energy projects. The implementation of the recommendations is suggested to be in a 'Mission Mode' for 15 focus areas, namely, tracks and bridges, signalling, rolling stock, stations and terminals, PPPs, land, dedicated freight corridors, high speed trains, review of existing and proposed projects, ICT, indigenous development, safety, funding, human resource and organisation. In terms of organisational restructuring, the Railway Board is to be restructured to respond more effectively to consumer needs and market conditions.

Source Ministry of Railways

of existing assets and greater private participation, in addition to budgetary support and internal generation by Railways. However, this calls for significant reforms in the Railways, making the organisation more nimble and responsive to consumer needs (Box 3).

In terms of existing capacity augmentation in the Railways, a key project is the ongoing Dedicated Freight Corridor (DFC) comprising Eastern Corridor (Dankuni-Ludhiana) and the Western Corridor (Jawaharlal Nehru Port Terminal to Tughlakabad / Dadri). Dedicated Freight Corridor Corporation of India Limited (DFCCIL), a Special Purpose Vehicle, has been formed by the Ministry of Railways to implement this project. Funding for Phase-I (Rewari-Vadodara) of Western DFC has been tied up with Japan International Cooperation Agency (JICA). On Eastern DFC, a loan of US$ 975 million has been sanctioned by World Bank for construction of Eastern DFC between Bhaupur near Kanpur to Khurja. Civil construction contracts for 105 kilometres in Eastern DFC and for 54 major and important bridges on Western DFC have been awarded. The project is targeted to be completed in FY17.

PORTS

Cargo traffic at India's 12 major ports in FY12 was 560 million tonnes, a fall of nearly 2% over the same period last year. This fall is attributed to the slowdown in the global economy and a 30% fall in iron ore exports due to the mining ban in Karnataka and Orissa. The highest growth rates were reported for imports: coal (16%) and fertiliser (8%). In terms of the performance of major ports, Ennore recorded highest growth in traffic at 35% with Cochin next at 12%. Mormugao, Haldia, Chennai, Kolkata and Paradip reported a fall in traffic. Traffic throughput in non-major ports is also slowing down, particularly for ports dependent on iron ore and coal traffic. Delays in the commissioning of thermal IPPs which, in turn, have been affected by the rising fuel and off-taker risks in the electricity sector, have also contributed to lower-than-expected coal traffic.

The capacity of all Indian ports had risen to 1,172 million tonnes by March 2012, with nearly 42% of this capacity in minor ports. During FY12, there has been a marginal increase in the capacity of major ports and a 15% increase in the capacity of minor ports. The sluggish capacity addition at the major ports reflects the delays in the award of PPP projects. Out of the 23 projects with a total capacity of 232 million tonnes and with an investment of ₹ 16,744 crore identified for award in FY12, only three projects worth a total of ₹ 7,978 crore have been awarded , of which the JNPT Terminal 4 is worth ₹ 7,000 crore is by far the largest. This continues the trend from the previous year where from the target of 21 PPP projects, only 9 projects were awarded out of which five were carry forward projects from the previous year. The delay in award of projects was mainly due to reasons such as poor response to the bids, delay in security clearance and environment clearance and delay in fixation of tariff by Tariff Authority for Major Ports (TAMP). For FY13, 25 port projects with a combined total capacity of 197 million tonnes are targeted for award, at an estimated cost of ₹ 13,898 crore.

There were two initiatives in FY12 to bring all port developers in the country on a level playing field. The first of these was to resolve the incongruity between the TAMP tariff guidelines of 2005 and 2008. The difference between the two tariff regimes is in terms of the tenure of the regulated tariff – the 2005 guidelines allow for three-yearly revisions in tariffs while the 2008 guidelines set tariffs for the entire concession period, with annual escalations linked to the WPI. As a result, concessionaires under the 2008 guidelines do not face the periodic uncertainty that affects the concessionaires under the 2005 guidelines. The 2005 guidelines also result in tariff revisions (downward) that penalise efficiency improvements which could be achieved through handling higher volumes. This also results in neighbouring terminals providing similar services charging different tariffs as they are governed by different guidelines. Unfortunately, there does not appear to be a resolution immediately, and the Ministry of Shipping is continuing consultations on this issue.

The second initiative relates to efforts at bringing all ports in India under a uniform regulatory regime, including that for tariffs. A draft of the Port Regulatory Authority Bill 2011 was proposed by the Central Government in FY12. This would lead to the establishment of Regulatory Authorities at the Central and State levels to regulate rates for the facilities and services provided at all ports and monitor the performance standards of port facilities. This is intended to replace the present regulatory body, TAMP, which regulates tariff only at major ports (Box 4). This proposal has been rejected by all the maritime States in India during the XIII Maritime States Development Council (MSDC) and has effectively been put on the backburner. These States argue that with the private sector having invested large amounts to develop and operate these ports, they require the flexibility to set tariffs to ensure enough traffic to achieve viability.

ROADS

The roads sector was a relatively encouraging story in FY12. The Government awarded BOT contracts amounting to nearly 8,000 km in FY12, an increase of 54% over the previous year. This includes almost 6,500 km with National Highways Authority of India (NHAI) comprising a total of 49 projects. The remaining contracts were awarded directly by the Ministry of Road Transport and Highways (MoRTH) comprising 1,466 km. As compared to this, NHAI awarded a total of 5,058 km in FY11 and 108 km were awarded directly by MoRTH, which itself was a significant jump over the previous years. Policy initiatives like pre-qualification of bidders on an annual basis, instead of a project by project as was the case earlier, helped NHAI expedite project awards. Other initiatives such as e-tendering have brought transparency, thus bringing about greater efficiency in the award process. In parallel, was a 21% increase in the length of national highways completed in FY12 compared to FY11 (Figure B). Recognising the importance of keeping up the momentum of projects awarded, the target for FY13 is now 8,800 km. With the increase in pace of award, length available for completion and actual completed length is expected to increase.

Out of the 49 NHAI projects awarded in FY12, 32 projects fetched a total premium of about ₹ 3,000 crore. Similarly, 5 of the directly awarded projects by the Ministry of Road Transport and Highways fetched a premium of ₹ 38 crore. In such premium projects, the private developer is willing to pay NHAI a fixed amount every year over the life of the concession for the right to build and collect toll on a national highway. There is some concern that some of these premium bids are aggressive and some developers may have very optimistic projections. Apart from engaging the private sector to improve efficiency, NHAI is also exploring options such as the use of technology in toll collections to reduce leakages and improve speed (Box 5).

URBAN INFRASTRUCTURE

The recent data from Census 2011 confirms the upswing in urbanisation in the country. India's urban population currently stands at 31% of the total population, up from 27% in 2001, with 7,935 cities and towns, against 5,161 in 2001. The number of cities with population over one million has increased from 35 in 2001 to 53 in 2011.

The year 2012 marks the completion of the initial seven years window envisaged for the Government of India's reform-linked flagship programme for urban development, the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) launched in December 2005 with a Central Government allocation of ₹ 66,000 crore and additional contributions from the State and Urban Local Bodies (ULBs). A total of about ₹ 26,000 crore was disbursed by the Centre with additional contribution of about ₹ 22,000 crore from the State and ULBs under the two sub-missions run by the Ministry of Urban Development, namely, the Urban Infrastructure and Governance and Urban

4

DRAFT PORT REGULATORY AUTHORITY BILL, 2011

The Draft Port Regulatory Authority Bill, 2011, proposes to set up a Major Ports Regulatory Authority that will 'formulate and notify tariff guidelines' and 'lay down the performance norms and standards' for major ports. This would replace TAMP. In addition, each maritime State would constitute a State Ports Regulatory Authority and follow the 'common principles, approach and methodology' which will be adopted by the State Ports Regulatory Authority in their tariff guidelines and while prescribing performance standards. In effect, the State level regulator would end up being regulated by the Central Government regulator, unlike the electricity sector where the State and Central regulators have mutually exclusive domains.

The tariff guidelines set by the Major Ports Regulatory Authority will contain broad norms for different components of operations and expenditure to be considered in determining rates, periodicity of rates revision, and other conditions governing provision of services. The proposed Ports Regulatory Authority will also have powers to decide on land utilisation policies. In addition, the Central Government would also set up a Ports Regulatory Authority Appellate Tribunal for dispute resolution between 'service providers' (ports in this case) and between 'service providers and groups of consumers'.

Currently, grievances are taken by private parties straight to Court. Another provision in this Bill is one that allows the 'appropriate government' to direct the regulatory authority to cancel or modify any regulation and supersede the regulatory authority, if it deems fit. This clearly undermines the independence of any regulatory authority.

Source Ministry of Shipping

Infrastructure Development Scheme for Small and Medium Towns sub-missions. About ₹ 13,000 crore was disbursed by the Centre under the two sub-missions run by the Ministry of Housing and Urban Poverty Alleviation, namely, Basic Services to the Urban Poor, and Integrated Housing and Slum Development Program, with contribution of about ₹ 9,000 crore by State and ULBs, during the entire Mission period.

JNNURM has now been extended for another two years for completion of projects sanctioned till March 2012. The Government has already signalled its intentions to launch a new phase of the Mission, with outlay from the Centre expected to increase from 0.1% of GDP per year to about 0.35% of GDP per year. While this should give a fillip to the huge financing requirements of the sector, given the investment needs, it is imperative to also pursue other means of financing. Public-Private Partnerships (PPPs) have not helped finance urban infrastructure, with only about ₹ 1,000 crore of private sector investment coming in. The Mission period saw some activity in PPPs, especially in the solid waste management sector, but the results have overall been a mixed bag. Management contracts in water distribution (like in Nagpur), cluster approach to solid waste management (in Uttar Pradesh) and city bus services (as in Surat and Indore) provide positive learnings for the future. However, the limited capacity at the local level to conceptualise and manage projects, lack of legal and regulatory frameworks and availability of JNNURM money meant that PPPs were not actively and adequately pursued. Where assets were created, sufficient attention was not paid towards the operation and maintenance of the physical infrastructure.

Without doubt, JNNURM-I helped place the urban agenda on the national scene, with increasing recognition of the need to address the urban challenges. While the Mission attempted to address some of the structural aspects of urban governance through a reform-linked agenda, much of the reforms remained on paper, especially on user charges and land related reforms. The expectation from JNNURM was that States and Urban local bodies would take up reforms once the projects got underway and initial central grants flowed in. This did not happen, and the pressure to finish incomplete projects meant that subsequent tranches of JNNURM funds had to be released without much progress on the reform front. Poorly prepared City Development Plans (CDPs) meant that a holistic approach to city planning was not adopted. For example, sanctioning of water distribution projects was done independent of waste management projects, without real consideration for whether sufficient capacity exists to dispose / treat the water made available.

Taking the urban agenda forward will hinge on what shape JNNURM-II takes and whether adequate focus is given to aspects like urban planning, leveraging capital, land management and building institutional capacity for conceptualising, implementing and managing urban projects, which the first phase could not sufficiently address. Small and medium towns, which received only about 35% of the total fund released under the mission, will become increasingly important in the overall urban landscape and should be nurtured as important conduits to connect the rural with the urban.

Finally, the two-year pilot of Rajiv Awas Yojana (RAY) – a national initiative for slum-free cities, aimed at addressing the problems of the slum dwellers and the urban poor is underway (Box 6). RAY replaces and expands the reach of a sub-mission of JNNURM that addressed provision of basic services including shelter and security of tenure to slum dwellers. The budget for the RAY pilot is ₹ 5,000 crore.

RURAL INFRASTRUCTURE

Infrastructure is an important enabler for rural development. The role of rural infrastructure, almost all of which is publically funded, becomes even more critical as India's rural economy transitions from an agriculture led to a non-farm economy. With a budget of close to ₹ 100,000 crore for FY12, and expected to grow 20% over the next 5 years, the Ministry of Rural Development currently has the second largest outlay amongst all Ministries in the Government of India. Historically also, the Government of India has laid significant emphasis on addressing the needs of the rural population, starting with the First Five Year Plan, and numerous sector specific programmes for development of rural infrastructure with different targets and timeframes undertaken. To achieve universal access to basic infrastructure services, the Government of India launched the Bharat Nirman in 2005, a 'time bound business plan for action in rural infrastructure' that brought under its fold key programmes of the Government in the areas of

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ELECTRONIC TOLL COLLECTION ON NHAI ROADS

To improve the collection of tolls on NHAI controlled roads and eliminate congestion caused at toll collection booths, NHAI has decided to roll out the Electronic Toll Collection (ETC) system across the country, replacing the existing cash and receipt tax payment system. In a pilot project for implementation of ETC, a few lanes on toll plazas on Delhi-Chandigarh national highways record the movement of vehicles fitted with the Radio Frequency Identification Tags (RFIT). The pre-paid card of each vehicle is then debited with the pre-fixed toll amount.

Source Ministry of Road Transport and Highways

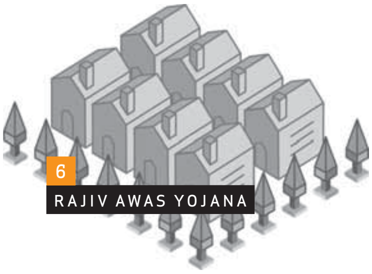
Infrastructure is an important enabler for rural development. The role of rural infrastructure, almost all of which is publically funded, becomes even more critical as India's rural economy transitions from an agriculture led to a non-farm economy. With a budget of close to ₹ 100,000 crore for FY12, and expected to grow 20% over the next 5 years, the Ministry of Rural Development currently has the second largest outlay amongst all Ministries in the Government of India.

roads, electricity, and irrigation amongst others – with the objective of imparting a sense of urgency for rural infrastructure creation.

In the roads sector, the Pradhan Mantri Gram Sadak Yojana (PMGSY), launched in the year 2000 as a 100% publically sponsored scheme towards development of the rural road network, has contributed significantly to improving the socio-economic conditions of people in rural areas. With the Central Government investing ₹ 98,000 crore, the scheme has to date constructed over 300,000 km of rural roads. The challenge moving forward would be to ensure the existing network is adequately maintained and sufficient funds are available to connect remote habitations. In augmenting resources available for this scheme, models of PPP partnership like modified annuity are being proposed. Road construction also provides ample opportunities to look at rural infrastructure from a green lens, including the use of local materials for construction and plantation of tress along the road network.

To boost agricultural productivity, the Accelerated Irrigation Benefits Programme (AIBP), has seen public investment of about ₹ 35,000 crore during 2005-2012, with focus mainly on large irrigation projects and the use of ground water. A reorientation here is required with a greater adoption of traditional methods, thrust on minor irrigation systems, conjunctive management of surface and groundwater water for irrigation and innovative models of Public Private Partnerships. The other aspect of agricultural infrastructure is warehousing facilities. With record production of foodgrains of over 250 million tonnes and storage capacity shortages of about 35 million tonnes, storage enhancement and the agricultural marketing infrastructure form important elements to enhancing agricultural productivity and improving rural livelihoods.

In rural electrification, the Government moved beyond just increasing energisation of irrigation pump-sets and increasing agricultural productivity in 2005. The launch of the Rajiv Gandhi Gram Vidyutikaran Yojna (RGGVY) in 2005 saw a thrust towards providing electricity to all rural households. Structured as a 90% grant and 10% loan by the Ministry of Power, nearly 1 lakh villages and 21 million households have been connected to the grid until March 2012 at a total cost of about ₹ 28,000 crore. Apart from the RGGVY, the Remote Village Electrification (RVE) programme of the Ministry of New and Renewable Energies (MNRE) has been operational since 2005 for connecting remote un-electrified villages not covered under the RGGVY and focusing on the use of renewable energy. About 8,000 villages have been electrified until January 2011 under the RVE scheme.



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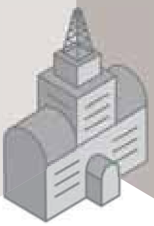
RAJIV AWAS YOJANA

RAY envisages a 'slum-free India' with inclusive and equitable cities and aims to tackle the problem of slums by a multi-pronged approach – addressing existing slums as well as preventing new slums from forming and emphasises that slum dwellers be granted property rights. Funding is contingent on implementation of certain key reforms and legislative amendments e.g. States must issue a Bill that mandates reserving 20-25% of developed land in all new housing projects for Economically Weaker Sections (EWS) and Low Income Group (LIG) households, and internal earmarking within ULB budgets for basic services to the urban poor.

Source Ministry of Housing & Urban Poverty Alleviation

DIRECTORS' REPORT



DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Fifteenth Annual Report together with the audited accounts for the year ended March 31, 2012.

FINANCIAL RESULTS (STANDALONE)

₹ IN CRORE

Particulars	FY12	FY11
Revenue from Operations	6,094.32	4,524.00
Other Income	101.69	36.35
Total Income	6,196.01	4,560.35
Less: Administrative Expenses *	255.57	208.45
Less: Provisions and contingencies	283.85	234.94
Profit Before Finance costs and Taxes	5,656.59	4,116.96
Less: Finance costs	3,455.23	2,386.52
Profit Before Tax	2,201.36	1,730.44
Less: Tax Expense **	598.40	453.30
Profit After Tax	1,602.96	1,277.14

* Administrative expenses include employee benefits expense, other expenses, depreciation and amoritisation expense.
** Tax expense is net of deferred tax.

Revenue from Operations of Infrastructure Development Finance Company Limited (IDFC) increased by 34.71% from ₹ 4,524.00 crore in FY11 to ₹ 6,094.32 crore in FY12. Other Income increased by 179.75% from ₹ 36.35 crore in FY11 to ₹ 101.69 crore in FY12. Total Income increased by 35.87% from ₹ 4,560.35 crore in FY11 to ₹ 6,196.01 crore in FY12.

Profit Before Tax (PBT) increased by 27.21% from ₹ 1,730.44 crore in FY11 to ₹ 2,201.36 crore in FY12. Profit After Tax (PAT) increased by 25.51% from ₹ 1,277.14 crore in FY11 to ₹ 1,602.96 crore in FY12.

IDFC's quality of assets continued to be good with net NPAs at ₹ 71.43 crore as on March 31, 2012.

DIVIDEND

Your Directors are pleased to recommend a dividend of ₹ 2.30 per share (i.e. 23%) for the year ended March 31, 2012 on equity shares.

Above dividend would be paid subject to approval by the Members in the ensuing Annual General Meeting (AGM).

On February 11, 2012, 84,000,000 Compulsorily Convertible Cumulative Preference Shares having a face value of ₹ 100 each (CCCPS), issued by the Company in August 2010, were converted into 47,727,272 equity shares of ₹ 10 each at a conversion price of ₹ 176 per share. As per the terms and conditions of CCCPS, the Company paid dividend @ 6% p.a. to the preference shareholders, at the time of conversion of CCCPS into equity shares, for the period starting from April 1, 2011 to February 10, 2012.

More cost-effective sources of borrowings such as Commercial Paper, Bonds, Infrastructure Bonds having tax benefits under Section 80CCF of the Income-tax Act, 1961, Foreign Currency Loans, were utilised, which resulted in lower increase in cost of funds.

OPERATIONS REVIEW

The Company is engaged in financing infrastructure projects in sectors like energy, telecommunication, transportation, commercial and industrial projects including hospitals, education, tourism and hotels.

Balance Sheet grew by 24% Year on Year (YoY) to reach ₹ 60,706 crore and Net Loans at ₹ 48,185 crore witnessed an increase of 28% YoY.

As on March 31, 2012, IDFC's total exposure was ₹ 69,718 crore, of which Energy was highest 41%, followed by Transportation 28%, Telecommunication 21% and Others 10%.

Net Interest Income from Treasury operations for IDFC increased by 78% from ₹ 121 crore in FY11 to ₹ 216 crore. During the year, IDFC reduced it's dependence on bank borrowings. More cost-effective sources of borrowings such as Commercial Paper, Bonds, Infrastructure Bonds having tax benefits under Section 80CCF of the Income-tax Act, 1961, Foreign Currency Loans, were utilised, which resulted in lower increase in cost of funds. Investment Banking and Institutional Broking Income was at ₹ 72 crore in FY12. For Alternative business, Assets Under Management (AUM) were ₹ 8,174 crore in FY12. For Public Market Asset Management business, AUM were YoY increased by 33% to ₹ 28,037 crore in FY12.

SUBSIDIARY COMPANIES

During the year, IDFC sold 25% plus one equity share each in IDFC Asset Management Company Limited and IDFC AMC Trustee Company Limited to Natixis Global Asset Management Asia Pte. (a 100% subsidiary of Natixis Global Asset Management "NGAM"). By virtue of this, IDFC now owns approximately 75% stake in the following two companies:

1 IDFC Asset Management Company Limited
2 IDFC AMC Trustee Company Limited

IDFC's effective ownership in IDFC Investment Advisors Limited and IDFC Investment Managers (Mauritius) Limited is reduced from 100% to 75% and the proportion of effective ownership in IDFC Pension Fund Management Company Ltd. is reduced from 100% to 87.5%.

During the year, the following direct / indirect subsidiaries of IDFC have ceased to be it's subsidiaries:

- The name of Jetpur Somnath Highway Limited has been struck off from the register by the Registrar of Companies.
- Uniquest Infra Ventures Private Limited (UIVPL) was a wholly owned subsidiary company of IDFC. During the year, Ghir Investment (Mauritius) Limited invested in the equity shares of UIVPL and accordingly, IDFC's equity stake in UIVPL has been reduced to 19.9%.
- Jetpur Somnath Tollways Limited (JSTL) was a subsidiary of IDFC Projects Limited. Further, 48% equity stake of JSTL held earlier by IDFC Projects Limited was transferred to UIVPL and consequently, the equity stake of IDFC Projects Limited in JSTL is reduced to 26%. During FY13, the status of JSTL was converted from a public company to a private company.

During FY13, IDFC Private Equity Company Limited, one of the direct subsidiaries of IDFC acquired the entire stake of IDFC Project Equity Company Limited from IDFC, making it a step down subsidiary of IDFC. Thereafter, the name of IDFC Private Equity Company Limited has changed to IDFC Alternatives Limited (IAL). It is proposed that the alternative asset management business, involving the project equity and private equity would be carried out through IAL and in future, the private and project equity funds would be managed through IAL.

IDFC has seven direct wholly owned subsidiary companies as follows:

1 IDFC Alternatives Limited (earlier known as IDFC Private Equity Company Limited)
2 IDFC Trustee Company Limited
3 IDFC Finance Limited
4 IDFC Securities Limited
5 IDFC Projects Limited
6 IDFC Foundation (Section 25 Company)
7 IDFC Primary Dealership Company Limited (Incorporated during the year on March 17, 2012)

In addition,

A IDFC Securities Limited has three wholly owned subsidiary companies namely, IDFC Capital Limited, IDFC Distribution Company Limited and IDFC Capital (USA) Inc. Further, IDFC Capital Limited has three wholly owned subsidiaries called IDFC Capital (Singapore) Pte. Limited, IDFC Fund of Funds Limited and IDFC General Partners Limited.

B IDFC Projects Limited has a subsidiary company, namely Dheeru Powergen Limited.

C IDFC Asset Management Company Limited also has three subsidiaries, namely IDFC Pension Fund Management Company Limited, IDFC Investment Advisors Limited and IDFC Investment Managers (Mauritius) Limited.

D IDFC Foundation is a Non-Profit Organisation. IDFC PPP Trusteeship Company

Limited which was hitherto a wholly owned subsidiary of IDFC has now become a wholly owned subsidiary of IDFC Foundation.

A statement of particulars of IDFC's subsidiaries is annexed to this Annual Report.

Detailed analysis of the performance of IDFC and it's businesses — financing and advisory, including initiatives in the areas of Resource Raising, Human Resources, Information Technology and Risk Management has been presented in the section on Management Discussion & Analysis of this Annual Report.

The Ministry of Corporate Affairs (MCA) vide it's General Circular No. 2/2011 dated February 8, 2011 has granted general exemption under Section 212(8) of the Companies Act, 1956, to companies from attaching accounts of it's subsidiaries in it's Annual Report subject to fulfillment of certain conditions prescribed therein. The Board of Directors of the Company at it's meeting held on March 30, 2012, noted the provisions of the abovementioned circular of MCA and passed the necessary resolution granting the requisite approvals for not attaching copies of Balance Sheet, Statement of Profit and Loss, Reports of the Board of Directors and Auditors of each of the subsidiary companies to the accounts of the Company for FY12. The Company also undertakes that annual accounts of the subsidiary companies and the related detailed information will be made available to the shareholders of the holding and subsidiary companies seeking such information at any point of time. The annual accounts of the subsidiary companies will be available on the Company's website: www.idfc.com and will also be available for inspection by any shareholders at the Registered and Corporate Offices of the Company and the concerned subsidiaries. The Company will also furnish a hard copy of the details of accounts of subsidiaries to any shareholder on demand. In accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements) and Accounting Standard 23 (Accounting for Investment in Associates in Consolidated Financial Statements) notified by the Companies (Accounting Standards) Rules, 2006], the Consolidated Accounts of IDFC and it's subsidiaries have been prepared and the same are annexed to this Annual Report.

PARTICULARS OF EMPLOYEES

IDFC had 575 employees as on March 31, 2012. Particulars of employees as required to be furnished pursuant to Section 217(2A) of the Companies Act, 1956, read with the rules thereunder, forms part of this Report. However, as per the provision of Section 219(1)(b)(iv) of the Companies Act, 1956, the reports and accounts are being sent to all the shareholders of the Company excluding the statement of particulars of employees. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary of the Company.

EMPLOYEE STOCK OPTION SCHEME (ESOS)

Pursuant to the resolution passed by the Members at the Annual General Meeting held on August 2, 2006, IDFC had introduced Employee Stock Option Scheme 2007 (referred to as "the Scheme") to enable the employees of IDFC and it's subsidiaries to participate in the future growth and financial success of the Company. Out of 20,750,721 options outstanding at the beginning of the current financial year, 1,340,668 options lapsed on account of resignations and 3,687,948 options were exercised during the year.

Additionally, during the year, 22,248,000 options were granted to eligible employees under the Scheme. Accordingly, 37,970,105 options remain outstanding as of March 31, 2012.

All options vest in graded manner and are required to be exercised within a specific period. The Company has used the intrinsic value method to account for the compensation cost of stock to employees of the Company. Intrinsic value is the amount by which the quoted market price of the underlying share on the date, prior to the date of the grant, exceeds the exercise price on the option.

Disclosures as required by Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, are annexed to this Report.

CORPORATE GOVERNANCE

Separate detailed chapters on Corporate Governance, Additional Shareholder Information and Management Discussion & Analysis are attached herewith and form part of this Annual Report.

PUBLIC DEPOSITS

During FY12, 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.

FOREIGN EXCHANGE

The particulars regarding foreign exchange earnings and expenditure are furnished at Item Nos. 28 & 29 in the Notes to Financial Statements. Since the Company does not own any manufacturing facility, other particulars in the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1998, are not applicable.

PUBLIC ISSUE OF INFRASTRUCTURE BONDS

During the financial year, your Company made a public issue aggregating to ₹ 1,387.46 crore by way of issuance of Long-Term Infrastructure Bonds of face value of ₹ 5,000 each, in the nature of secured, redeemable, non-convertible debentures, having benefits under Section 80CCF of the Income-tax Act, 1961, under the applicable SEBI Guidelines. These funds have been utilised for the purpose of business as mentioned in the Prospectus for the issue.

DIRECTORS

The Board appointed Ms. Marianne Økland and Mr. Sunil Soni, as Additional Directors with effect from October 1, 2011 and May 8, 2012, respectively. Mr. S. S. Kohli, who was the nominee of the Government of India, was appointed in the category of an Independent Director on May 8, 2012. They will hold office up to the date of the ensuing AGM. The Company has received notices from Members of the Company under Section 257 of the Companies Act, 1956, proposing the appointment of Ms. Marianne Økland, Mr. Sunil Soni and Mr. S. S. Kohli as Directors at the ensuing AGM.

Mr. Dimitris Tsitsiragos and Mr. Bimal Julka, who were on the Board of the Company, resigned as Directors of the Company with effect from October 14, 2011 and May 8, 2012 respectively. The Board has placed on record it's appreciation for the valuable services rendered by them during their tenure as Directors of the Company.

In accordance with the Articles of Association of the Company and provisions of the Companies Act, 1956, Mr. Donald Peck and Mr. Gautam Kaji would retire by rotation and being eligible, offer themselves for re-appointment at the ensuing AGM.

The Nomination Committee (NC) of the Company, at it's meeting held on May 8, 2012, recommended:

I re-appointment of Mr. Deepak Parekh as the Non-Executive Chairman of the Company for a period of 3 years w.e.f. May 8, 2012;

II re-appointment and re-designation of Dr. Rajiv Lall as Vice Chairman & Managing Director of the Company for a period of 3 years w.e.f. May 8, 2012;

III re-appointment and re-designation of Mr. Vikram Limaye as Deputy Managing Director of the Company for a period of 3 years w.e.f. May 8, 2012.

IV appointment of Mr. S. S. Kohli in the capacity of an Independent Director.

The Compensation Committee (CC) of the Company, at it's meeting held on May 8, 2012, recommended the terms of re-appointment of Dr. Rajiv Lall and Mr. Vikram Limaye.

The Board of Directors, at it's meeting held on the same day, based on the recommendation of NC and CC and subject to the approval of the members at the AGM, granted it's approval for the re-appointment of Mr. Deepak Parekh as Non-Executive Chairman. It also approved re-appointment and re-designation of Dr. Rajiv Lall and Mr. Vikram Limaye.

The profiles of the above Directors are provided in the Notice convening the ensuing AGM.

The Board of Directors recommends appointment / re-appointment / re-designation of all the above Directors at the ensuing AGM.

SHAREHOLDERS' UPDATE

A. ALTERATION OF ARTICLES OF ASSOCIATION

It is proposed to alter the Articles of Association ('Articles') by amending the Article No. 124 of the Articles, thereby reducing the number of nominees of domestic and foreign investors from 3 to 2 and by reducing the number of Whole-time / Executive Directors from 4 to 3 and increasing the number of independent directors from 5 to 7. It is also proposed that the number of directors under categories of independent directors and those nominated by domestic and foreign investors be interchangeable.

B. CHANGE OF NAME

The Board of Directors as its meeting held on May 8, 2012 proposed to change the name of the Company from Infrastructure Development Finance Company Limited to IDFC Limited. The Company has received the no objection from the Reserve Bank of India for the proposed change of name. The Registrar of Companies, Tamil Nadu, Chennai has confirmed the availability of the proposed name 'IDFC Limited'. Detailed background for the proposed change of name is provided in the Notice convening the ensuing AGM.

INTERNAL CONTROL SYSTEMS

The Company has in place adequate systems of Internal Control to ensure compliance with policies and procedures. It is being constantly assessed and strengthened with new / revised standard operating procedures and tighter Information Technology controls. Internal Audits of all the units of the Company are regularly carried out to review the internal control systems. The Internal Audit Reports along with the recommendations and implementation contained therein are regularly reviewed by the Audit Committee of the Board.

AUDITORS

M/s. Deloitte Haskins & Sells, Chartered Accountants, will retire as the Statutory Auditors of the Company at the ensuing AGM. The Members are requested to re-appoint M/s. Deloitte Haskins & Sells, Chartered Accountants, as Statutory Auditors of the Company for FY13 and to authorise the Directors to fix their remuneration by way of Special Resolution as per Notice convening the AGM.

M/s. Deloitte Haskins & Sells, the retiring auditors, have confirmed that their re-appointment, if made, would be in conformity with the provisions of Sections 224 and 226 of the Companies Act, 1956, and also indicated their willingness to be re-appointed.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- appropriate accounting policies have been selected and applied consistently, and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2012 and of the profit of the Company for the year ended March 31, 2012;
- proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENTS

IDFC has developed close relationships with the Ministry of Finance, Banking Division, Department of Economic Affairs; Ministry of Surface Transport; National Highways Authority of India; Ministry of Power; Department of Telecommunications; Ministry of Petroleum and other Ministries of the Government of India involved with infrastructure development; Reserve Bank of India; Securities and Exchange Board of India and regulatory bodies; Telecom Regulatory Authority of India; the Central Electricity Regulatory Commission and State Electricity Regulatory Commissions; Planning Commission; State Governments and all IDFC's shareholders and bondholders. The Board of Directors would like to thank all Banks and Financial Institutions for their on going co-operation and support. Your Directors wish to place on record their warm appreciation to employees at all levels for their dedication, commitment and creativity contributing to the growth of the Company.

For and on behalf of the Board

DEEPAK S. PAREKH
Chairman

Mumbai, June 8, 2012

DISCLOSURE IN THE DIRECTORS' REPORT AS PER SEBI GUIDELINES

	Particulars	FY 2011-12
1	Options outstanding as at the beginning of the year	20,750,721
2	Options granted during the year	22,248,000
3	Pricing Formula	Options may be granted at a price not less than the face value per share. Options have been granted in the range of ₹ 113.50 to ₹ 160.10
4	Options Vested during the year	4,458,712
5	Options Exercised during the year	3,687,948
6	Total no. of shares arising as result of exercise of Options	3,687,948
7	Options lapsed / cancelled	1,340,668
8	Variation in terms of Options	None
9	Money realised by exercise of Options (₹ in crore)	19.17
10	Total number of Options in force	37,970,105
11	Diluted Earnings Per Share pursuant to issue of shares on exercise of options calculated in accordance with AS 20 'Earnings Per Share' (₹)	10.54

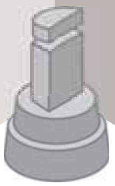
PROFORMA ADJUSTED NET INCOME AND EARNINGS PER SHARE

₹ IN CRORE

	Particulars	
12	**Net Income as Reported**	1,602.96
	Add: Intrinsic Value Compensation Cost	4.31
	Less: Fair Value Compensation Cost	75.00
	Adjusted Proforma Net Income	1,532.27
	Earning Per Share: Basic	
	As Reported (₹)	10.57
	Adjusted Proforma (₹)	10.09
	Earning Per Share: Diluted	
	As Reported (₹)	10.54
	Adjusted Proforma (₹)	10.06
13	**Weighted average exercise price of Options granted during the year whose**	
	(a) Exercise price equals market price	135.30
	(b) Exercise price is greater than market price	NA
	(c) Exercise price is less than market price	NA
14	**Weighted average fair value of Options granted during the year whose**	
	(a) Exercise price equals market price	56.54
	(b) Exercise price is greater than market price	NA
	(c) Exercise price is less than market price	NA
15	**Description of method and significant assumptions used to estimate the fair value of options**	The fair value of the options granted has been estimated using the Black-Scholes option pricing Model. Each tranche of vesting has been considered as a separate grant for the purpose of valuation. The assumptions used in the estimation of the same has been detailed below:

Variables	Weighted average values for all grants made during the year
Stock Price (₹)	135.30
Volatility	55.17%
Riskfree Rate	8.22%
Exercise Price (₹)	135.30
Time to Maturity (Yrs.)	3.00
Dividend yield	1.15%
Weighted Average Value (₹)	56.54

Stock Price: The closing market price on NSE one day prior to the date of grant has been considered for the purpose of option valuation.
Volatility: The daily volatility of the stock prices on NSE, over a period prior to the date of grant, corresponding with the expected life of the options has been considered to calculate the fair value.
Risk-free rate of return: The risk-free interest rate being considered for the calculation is the interest rate applicable for a maturity equal to the expected life of the options based on the zero-coupon yield curve for Government Securities.
Exercise Price: Price of each specific grant has been considered.
Time to Maturity: Time to Maturity / Expected Life of options is the period for which the Company expects the options to be live. The minimum life of a stock option is the minimum period before which the options cannot be exercised and the maximum life is the period after which the options cannot be exercised.
Expected dividend yield: Expected dividend yield has been calculated as an average of dividend yields for the five financial years preceding the date of the grant.



IDFC AWARDS & RECOGNITION

SUNIL KAKAR, CFO

CFO 100-ROLL OF HONOUR 2012 'WINNING EDGE' IN RAISING CAPITAL/FUND MANAGEMENT

by **CFO INDIA**

IDFC

RANKED 5TH AS LEAD ARRANGER / UNDERWRITER IN ASIA

by **DEALOGIC** for the period January 2012 to March 2012 in Golbal Project Finance. DEALOGIC is a platform used by global and regional investment Banks worldwide to help optimise their performance and improve competitiveness.

IDFC ANNUAL REPORT

SILVER SHIELD FOR EXCELLENCE IN FINANCIAL REPORTING UNDER CATEGORY V - FINANCIAL SERVICE SECTOR

by the **INSTITUTE OF CHARTERED ACCOUTANTS OF INDIA**.

IDFC LEGAL TEAM

BEST LEGAL TEAM OF THE YEAR AWARD

DR. RAJEEV UBEROI

GENERAL COUNSEL OF THE YEAR AWARD

by **IDEAS EXCHANGE AND LEX WITNESS** at the **LEGAL COUNCIL CONGRESS AWARD** Function organised jointly.

IDFC LEGAL TEAM

BEST PROJECT FINANCE IN HOUSE TEAM OF THE YEAR AWARD

In the **IFLR AWARD–2011.** IFLR stands for International Financial Law Review and it celebrates innovation, novelty and complexity, whether structural or regulatory and are universally acknowledged as the legal industry's benchmark for achievement at events in New York, London, Dubai and Hong Kong.

IDFC LEGAL TEAM

PROJECT FINANCE IN HOUSE TEAM OF THE YEAR AWARD

by **LEGAL ERA.**

IDFC

TIER III DESIGN CERTIFICATION

by **UPTIME INSTITUTE** for their central data centres. Tier III Certification signifies true 24X7 availability as the data centres are designed specifically to ensure that no downtime occurs due to equipment maintenance or replacement.

IDFC PREMIER EQUITY FUND

7–STAR RATING

over Past 3 Years period ending December 31, 2011 at the **9TH ICRA MUTUAL FUND AWARD** in the Open-ended Equity – Small & Midcap category.

IDFC DYNAMIC BOND FUND

7–STAR RATING

over Past 1 Year period ending December 31, 2011 at the **9TH ICRA MUTUAL FUND AWARD** in the Open-ended Debt – Long Term category.

IDFC SUPER SAVER INCOME FUND–MT

CNBC–TV18

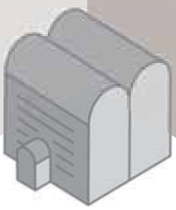
for the year 2011 as the best performing fund in the Short Term Debt Fund category.

ANUPAM JOSHI

BEST DEBT FUND MANAGER

by **BUSINESS WORLD MAGAZINE** for the Year 2011.

MANAGEMENT DISCUSSION & ANALYSIS



Sustaining India's economic growth requires major efforts at developing infrastructure across the nation. Infrastructure Development Finance Company Limited ('IDFC' or 'the Company') has been at the vanguard of supporting private sector infrastructure development in the country and, thus, in playing a central role in fostering long-term growth.

TWO CONFLICTING SCENARIOS

There are two conflicting aspects of this centrality. The first is the urgent need for infrastructure investments to support the GDP growth needed for significantly increasing employment and reduce poverty. This is both obvious and well understood. In its Faster, Sustainable and More Inclusive Growth: An Approach to the Twelfth Five Year Plan (October 2011), the Planning Commission had estimated that achieving a GDP growth of 9% during 2012-17 will require: (i) an overall investment rate, i.e. Gross Capital Formation, at 38.7% of GDP; (ii) Gross Fixed Capital Formation (GFCF) at 33.5% of GDP and (iii) infrastructure investment rising from a baseline of 8% of GDP in FY12 to 10% in FY17. It has also come up with an evaluation of the required quantum of total infrastructure investment during the five-year period — US$ 1 trillion, or approximately ₹ 55 lakh crore at the present exchange rate, of which at least half needs to come through Public-Private Partnership (PPP). There can be no doubt about these numbers. If at all, the estimates may be a bit on the lower side.

India needs at least US$ 200 billion of investment in infrastructure every year for the next five years, is understood, which then opens up the second, and unfortunately, conflicting issue. This relates to the declining quality of economic governance, especially over the last year, which is now translating to both lower growth rates and investments. Here are some facts:

- After recovering quite smartly post the Lehman Brothers crisis, India has witnessed nine successive quarters of declining GDP growth — from 9.4% in January-March 2010 to 5.3% in January- March 2012. On an annual basis, GDP growth has fallen 1.9% from 8.4% in FY11 to 6.5% in FY12.
- The 12th Five Year Plan Approach Paper says that 9% growth needs GFCF at no less than 33.5% of GDP. Unfortunately, GFCF as a share of GDP has fallen from 34% in July-September 2010 to 30% in October-December 2011. Growth in GFCF, compared to the same quarter of the previous year, has dropped from 11.1% in October-December 2010, to 4.9% in April-June 2011, to (-)4% in July-September 2011 and then to (-)1.2% in October-December 2011.
- The fiscal deficit has also burgeoned. For FY12, the revised estimate of the central government's fiscal deficit stood at 5.9% of GDP. Add to that another 3.1% of GDP on account of the deficits incurred by state governments and other 'below line' items, and the consolidated deficit climbs to 9% of GDP — almost as bad as it was in FY91.
- Producer-price (or wholesale price) inflation had reduced from 10% in September 2011 to 6.9% in January 2012. Unfortunately, it has

Note: FY12 refers to financial year April 1, 2011 to March 31, 2012, and analogously, FY11 as well as other years. ₹ 10 crore, for example, refers to ₹ 100 million; and ₹ 100 crore to ₹ 1 billion.

reversed, and is creeping up yet again. This, coupled with a large budget deficit, bodes poorly for a softer interest rate regime.

- Although shrinking, the current account deficit stood at 4% of GDP at a time when the capital inflows have become more skittish. Not surprisingly, therefore, between April 2011 and mid-May 2012, the rupee depreciated by 24% against the US dollar — more than any other significant currency in the world. That has not only raised the cost of international funds, but has also increased the cost of large infrastructure projects that require imported capital goods, consumables and intermediates.

Moreover, a number of other developments have eroded investor sentiments, such as:

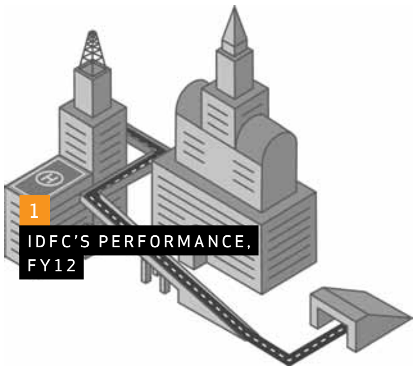
- The cancellation of 122 telecom licenses by the Supreme Court involving almost 70 million mobile subscribers has forced several global telecom majors to take large write-offs. The Telecom Regulatory Authority of India's (TRAI) note of April 23, 2012 has recommended re-auction of the cancelled licenses at an all-India reserve price of ₹ 3,622 crore per mega-hertz (MHz), an exceptionally high and arguably commercially unsustainable, reserve price of ₹ 18,110 crore for pan-India spectrum in the 1800 MHz band.
- The 19 retrospective tax amendments in the Union Budget for FY13, of which the most prominent is the change brought about that involves purchase and sale of any Indian asset between two foreign entities — which legislatively reverses a landmark Supreme Court decision.
- There were potentially draconian provisions envisaged in the General Anti-Avoidance Rules (GAAR) outlined in the Union Budget. While GAAR has been pushed back by a year, the uncertainties remain.
- The energy story continues to be worrying. One of the principal concerns here is the shortage of coal to power new generating capacities that is coming on stream. At the end of February 2012, 34 thermal power plants had coal stock of less than seven days and 25 plants had stock of less than four days. The domestic coal deficit was only partially met by using imported coal, thanks to bottlenecks at ports, high imported coal prices and lack of demand for more expensive power.
- The gas story is equally distressing. Estimates indicate that gas supplies would increase by only 7% from 143 million metric standard cubic metres per day (mmscmd) in FY11 to 153 mmscmd in FY15 — a far cry from the earlier estimate of 195 mmscmd. This is primarily due to the fall in KG D6 production in the Bay of Bengal — from 55.9 mmscmd in FY11 to 43 mmscmd in FY12, which may decline further to 24 mmscmd in FY14, versus earlier estimates of 60-80 mmscmd. Initially, high projections for gas from the KG basin led to substantial growth in the capacity of gas-based power plants. Today, these are operating at a low plant load factor of 66%.
- Regarding power distribution, estimated losses to be met by state subsidy were around ₹ 80,000 crore in FY12, up by more than 25% from where these were in FY10. Credit rating agencies such as ICRA and CRISIL have estimated that the overall subsidy support in FY12 will not exceed ₹ 43,000 crore — which implies a large book loss amounting to roughly ₹ 37,000 crore. Six states — Uttar Pradesh, Tamil Nadu, Madhya Pradesh, Rajasthan, Punjab and Haryana — account for almost 70% of the total losses. The upshot: load shedding and rampant power cuts.
- The only positive for FY12 was roads. The Government awarded Build-Operate-Transfer (BOT) contracts covering almost 8,000 kms — an increase of 54% over the previous year. Of this, some 6,500 kms were through the National Highways Authority of India (NHAI); and the remaining were awarded directly by the Ministry of Road Transport and Highways. There was also a 21% increase in the kilometres of national highways completed in FY12 vis-à-vis FY11.

More details on the infrastructure situation can be gleaned from the chapter, Infrastructure Review, in this Annual Report. For this chapter on Management Discussion & Analysis, it suffices to say that the nation faces a serious conundrum. On the one hand, it desperately needs large and sustained infrastructure investments to achieve 9% GDP growth. On the other, both the macro and the sector-specific scenarios are turning out to be inimical to such investments.

IDFC'S PERFORMANCE IN FY12

How did IDFC fare in such a difficult situation? The short answer is that it continued to do very well, both operationally and financially. Box 1 gives the key highlights.

IDFC performed well in a very difficult economic and policy environment is testament to its managerial strength and business commitment. To understand how the various



1 IDFC'S PERFORMANCE, FY12

↑ 24% Balance Sheet FY12 was 'The Year of the Balance Sheet'. The Company's Balance Sheet grew by 24% to ₹ 60,979 crore as on March 31, 2012.

↑ 28% Net loans The net loan book (i.e. gross loan book less provisions) increased by 28% to ₹ 48,185 crore as on March 31, 2012.

21% CRAR The capital risk assets ratio (CRAR) was robust at 20.8% as on March 31, 2012, of this, Tier I capital was 18.5%.

0.3% Gross NPAs As on March 31, 2012, the non-performing assets (NPAs) ratios were: (i) gross NPAs as a share of gross assets at 0.30%, and (ii) net NPAs as a share of net assets at 0.15%.

↑ 28% NII Operating income increased by 17% in FY12, to ₹ 2,980 crore. Of this, net interest income was ₹ 2,113 crore and grew by 28% over the previous year.

↓ 2% Opex Operating expenses were tightly controlled. Indeed, these shrank by 2% to ₹ 523 crore in FY12.

↑ 22% PBT Profits before tax (PBT) grew by 22% in FY12, to ₹ 2,173 crore. PBT as a percentage of operating income grew by 300 basis points — from 69.9% in FY11 to 72.9% in FY12.

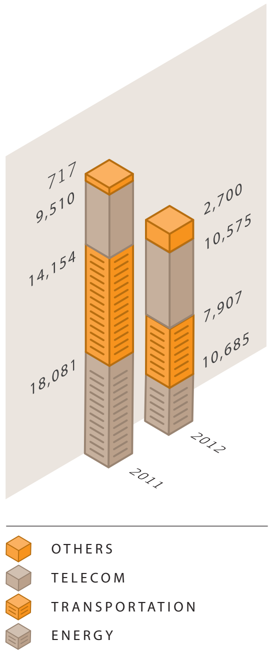
↑ 21% PAT Profits after tax (PAT) rose by 21% to ₹ 1,554 crore.

↑ 1.8% PAT as % to operating income PAT as a percentage of operating income grew by 180 basis points — from 50.3% in FY11 to 52.1% in FY12.

↑ 17% EPS Diluted earnings per share (EPS) grew by 17% — from ₹ 8.71 in FY11 to ₹ 10.20 in FY12.

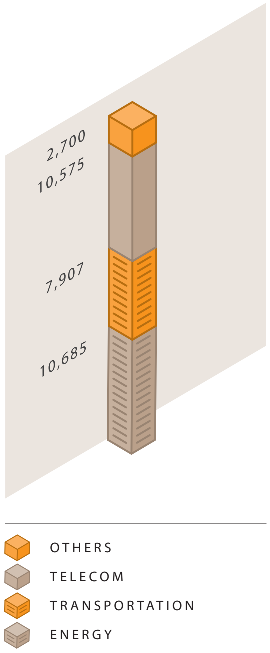
A GROSS APPROVALS FY11 – FY12

₹ IN CRORE



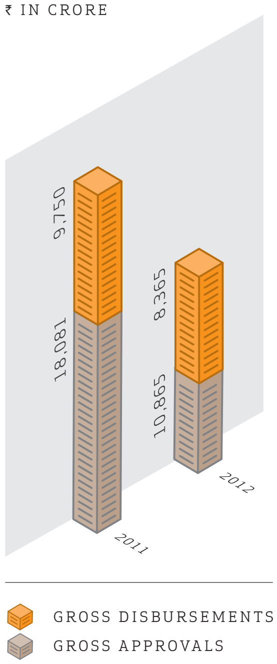
B GROSS APPROVALS FY12

₹ IN CRORE



C ENERGY: GROSS APPROVALS & DISBURSEMENTS FY11 – FY12

₹ IN CRORE



businesses fared, it is necessary to get into the details — to which the chapter now turns.

STRATEGIC BUSINESS UNITS

IDFC represents a portfolio of businesses which serves the needs of infrastructure finance in India. It is a conglomeration of 10 direct subsidiaries, 11 indirect subsidiaries and the IDFC Foundation which, in turn, captures three Joint Ventures (JVs) and two trusts. While the individual businesses each have their own financial deliverables, together they underpin IDFC's positioning as a 'complete solutions provider' in the infrastructure space.

The different Strategic Business Units (SBUs) are structured into four broad platforms: (i) Corporate Finance, (ii) Investment Banking, (iii) Alternative Asset Management and (iv) Public Markets Asset Management. Through IDFC Foundation, the Company also does Policy Advisory, Capacity Building, and Public-Private Partnership (PPP) advisory.

CORPORATE FINANCE

This platform consists of the following businesses: (i) project finance and (ii) fixed income and treasury.

PROJECT FINANCE

This forms the core of the Company's business model. It evaluates various infrastructure projects of differing complexities and offers alternative financing structures using various instruments. In doing so, it meets the debt requirements of key private sector infrastructure projects across India.

We now move on to various elements of the project finance business according to the key sectors: (i) Energy; (ii) Transportation; (iii) Telecom and (iv) Others.

While the stock of loan approvals and disbursements were naturally higher as on March 31, 2012 versus a year earlier, the flow, i.e. the increment, has clearly reduced (Chart 'A'). This is worrying for the economy as well as for IDFC, as it indicates that private entrepreneurs are less inclined to invest in long gestation infrastructure projects in an environment of slower growth and acute policy uncertainties. Chart 'B' gives the share of the different sectors in IDFC's gross approval for FY12.

Energy

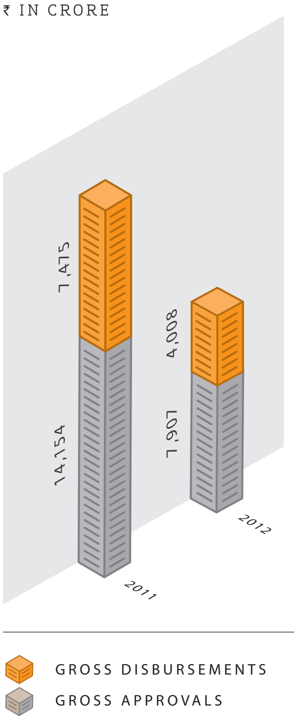
As mentioned earlier, the energy sector is going through severe difficulties: major coal

PROJECT FINANCE

- **The Lending business: gross loan book increased by 28% — from ₹ 38,210 crore on March 31, 2011 to ₹ 48,888 crore on March 31, 2012. After provisions, the net loan book grew similarly by 28%, from ₹ 37,648 crore to ₹ 48,185 crore over the same period.**
- **Net Interest Income (NII) on the loan book rose by 25%, from ₹ 1,501 crore in FY11 to ₹ 1,880 crore in FY12.**
- **Loan book related fee income for FY12 was ₹ 139 crore. It was less than ₹ 194 crore in FY11 largely on account of a lesser magnitude of front-end fees.**

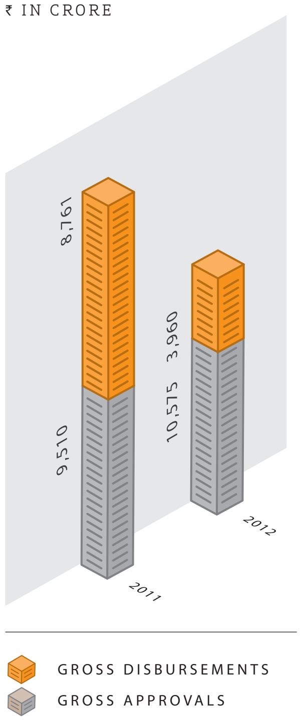
D TRANSPORTATION: GROSS APPROVALS & DISBURSEMENTS FY11 – FY12

₹ IN CRORE



E TELECOM: GROSS APPROVALS & DISBURSEMENTS FY11 – FY12

₹ IN CRORE



shortages; high input prices; limited ability to pass on higher costs to consumers; serious delays in getting requisite permissions, especially those related to environment; rising finance costs and growing receivables from cash strapped State Electricity Boards (SEBs). Chart 'C' plots gross approvals and disbursement over the last two years.

Transportation

The road sector was, as mentioned earlier, the one bright light in infrastructure. However, it really took off in the second half of FY12. Consequently, IDFC's loans approved and disbursed for this sector were lower than the previous year. The Company, however, expects a healthy growth in the transportation loan book in FY13. Chart 'D' plots gross approvals and disbursements over the last two years.

Telecom

Despite difficulties after the Supreme Court judgement of February 2, 2012 cancelling 122 mobile network licenses, IDFC has seen some growth in business in the telecom sector.

Chart 'E' plots gross approvals and disbursement over the last two years.

Others

This is the residual category. For FY12, IDFC's loan book business in this segment was as follows:

FIXED INCOME & TREASURY

This business focuses on the fixed income market. It comprises: (i) the treasury business, which relates to active management of liquidity and investment in debt instruments; and (ii) the debt capital markets business, which focuses on advising clients on raising debt funds and helps them mobilise debt capital from the market.

During FY12, IDFC also created a separate entity called IDFC Primary Dealership Company Limited as the vehicle for its foray into the debt market primary dealership business.

INVESTMENT BANKING

IDFC's Investment Banking business is comprised of an advisory / capital raising services and institutional broking. For the Company, equity capital market & M&A focused advisory services are carried out by IDFC

LOAN BOOK - THE ENERGY BUSINESS

- With a stock of ₹ 28,560 crore of cumulative outstanding approvals and ₹ 22,765 crore of outstanding disbursements as on March 31, 2012, energy accounted for 41% of cumulative outstanding approvals, and 43% of outstanding disbursements.
- For FY12, fresh approvals for the sector were ₹ 10,685 crore, or 34% of total approvals during the year. With the energy situation being what it was in the year, it is not surprising that approvals in FY12 were 41% less than the previous year.
- The disbursement for the sector was ₹ 8,365 crore in FY12.

LOAN BOOK – THE TRANSPORTATION BUSINESS

- With a stock of ₹ 19,210 crore of cumulative outstanding approvals and ₹ 12,611 crore of outstanding disbursements as on March 31, 2012, transportation comprised 28% of cumulative outstanding approvals and 24% of outstanding disbursements.
- For FY12, fresh approvals were ₹ 7,907 crore, or 25% of total approvals during the year. New loan approvals in FY12 were 44% lower than the previous year.
- The disbursement for the sector was worth ₹ 4,008 crore in FY12.

LOAN BOOK – THE TELECOM BUSINESS

- With a stock of ₹ 14,850 crore of cumulative outstanding approvals and ₹ 12,263 crore of outstanding disbursements as on March 31, 2012, telecom accounted for 21% of cumulative outstanding approvals, and 23% of outstanding disbursements.
- In FY12, fresh approvals were ₹ 10,575 crore, or 33% of total approvals during the year. New approvals in FY12 were 11% higher than in FY11. The disbursement for the sector, however, was worth ₹ 3,960 crore in FY12, which were 55% lower compared to FY11.

LOAN BOOK – OTHER BUSINESS

- **With a stock of ₹ 7,098 crore of cumulative outstanding approvals and ₹ 5,883 crore of outstanding disbursements as on March 31, 2012, others accounted for 10% of cumulative outstanding approvals, and 11% of outstanding disbursements.**
- **In FY12, fresh approvals under this category amounted to ₹ 2,700 crore, or 8% of total approvals during the year. New approvals in FY12 were 178% higher than in FY11. The disbursement for the sector was worth ₹ 2,071 crore in FY12, which was 189% higher than in FY11.**

FIXED INCOME & TREASURY

- **Treasury assets increased by 2% from ₹ 6,446 crore as on March 31, 2011 to ₹ 6,605 crore on March 31, 2012.**
- **Net interest income from treasury increased by 62% — from ₹ 144 crore in FY11 to ₹ 233 crore in FY12.**

INVESTMENT BANKING AND INSTITUTIONAL BROKING

- **Income from this business in FY12 was ₹ 75 crore* — which was 62% below ₹ 199 crore achieved in FY11.**

***Includes debt syndication fees.**

- **Given the virtual famine of IPOs, QIPs, FCCBs, project advisories and M&A activities within the country, investment banking fared worse than institutional broking. Income for the former fell by 77% in FY12 compared to FY11; for the latter, the drop was more modest at 23%.**

Capital Limited, while the institutional broking business is undertaken by IDFC Securities Limited.

IDFC Capital provides a range of advisory services like private equity syndication, IPOs, QIPs, international offerings like GDRs, ADRs, FCCBs, and project advisory and merger & acquisition services.

IDFC Securities' institutional broking business is based on research-led investment ideas, high-class client servicing track record and excellent execution skills. It has a global client base of over 100 large customers, and caters to a wide variety of investors including pension funds, long-only funds, hedge funds, mutual funds, banks, insurance companies as well as portfolio management firms.

Despite the ability to offer all key investment banking and institutional brokerage services to global and Indian clients, poor investor sentiments regarding India and generally bearish market conditions through FY12 led to the business faring worse than the previous year.

ALTERNATIVE ASSET MANAGEMENT

As at March 31, 2012, the Alternative Asset Management business has Assets Under Management (AUM) of ₹ 8,174 crore spread over four funds between two asset classes:

- Private Equity: focused on providing growth equity capital to Infrastructure developers and enablers and creating value through capital appreciation and
- Project Equity / Core Infrastructure: focused on providing equity capital to brownfield and completed core infrastructure projects and creating value by regular yield generation and capital appreciation.

The management of the Alternative Asset Management business has been consolidated under the Company's wholly owned subsidiary, IDFC Alternatives Ltd. ("IDFC Alternatives"). This was done by transferring 100% of IDFC's ownership in IDFC Project Equity Company Ltd. (manager of the India Infrastructure Fund) to IDFC Private Equity Ltd. (manager of the three Private Equity Funds) and renaming IDFC Private Equity Co. Ltd. as IDFC Alternatives Ltd. IDFC Alternatives is in the process of establishing its presence in a third asset class i.e. Real Estate and has, during the year, put a team in place to manage the investment under that asset class.The business of IDFC Alternatives involves:

- Mobilising funds from large global and domestic institutional investors for investment in each of the three specific asset classes
- Monitoring and adding value to the portfolio investments and
- Exiting the portfolio investments to generate returns for its investors.

For the Company, IDFC Alternatives generates returns through three distinct streams of revenue (i) asset management fees, (ii) investment returns on the Company's commitment to Funds managed by IDFC Alternatives and (iii) Company's share of carry income generated on Funds managed by IDFC Alternatives.

The key statistics of the two asset class of Funds managed by IDFC Alternatives are given along side.

PUBLIC MARKETS ASSET MANAGEMENT

This primarily comprises IDFC's mutual funds business, which is operated through the IDFC Asset Management Company ("IDFC AMC"). IDFC AMC manages different mutual fund products for institutional and retail investors. Income is generated through asset management fees and the focus is on growing Assets Under Management, by offering suitable products and channelling private and corporate savings into India's debt and equity markets.

Last year's Management Discussion & Analysis mentioned that IDFC had entered into a strategic partnership with Natixis Global Asset Management (NGAM), an international asset management group with Assets Under Management of US$ 719 billion as of December 31, 2010. The partnership involved selling 25% plus one equity share of the asset management business, subject to regulatory approvals.

During FY12, the sales was completed. IDFC sold 25% plus one equity share each in IDFC AMC and IDFC AMC Trustee Company Limited to Natixis Global Asset Management Asia Pte Ltd. a 100% subsidiary of NGAM. Headquartered in Paris, NGAM is a multi-boutique firm, with over 20 independent investment affiliates that offers a range of products across asset classes, styles and geographic zones to institutional and individual investors. In addition, NGAM possesses a proprietary distribution network to distribute its affiliate products in Europe, the Middle East, the Americas and Asia. NGAM is owned by Natixis, a French investment banking and financial services firm.

After the sale, the proportion of effective ownership in IDFC Investment Advisors Limited through IDFC Investment Managers (Mauritius) Limited is reduced from 100% to 75%. Further, the proportion of effective ownership in IDFC Pension Fund Management Company Limited stands reduced from 100% to 87.5%.

Given along are the key indicators for IDFC's business of public markets asset management.

CONSOLIDATED FINANCIALS

This section highlights the key audited consolidated financial results for FY12 and compares these to FY11. It also sets out the important ratios.

CONSOLIDATED BALANCE SHEET

Table 1 gives the key balance sheet items for IDFC. The main findings are:

- IDFC's borrowings increased by 28% to ₹ 46,435 crore as on March 31, 2012, compared to a year earlier.
- The gross loan book grew by 28% to ₹ 48,888 crore as on March 31, 2012. The net loan book (i.e. after provisions) also grew by 28% to ₹ 48,185 crore.
- At ₹ 48,185 crore, the net loan book accounted for 79% of IDFC's total assets as on March 31, 2012. This ratio was 76% on March 31, 2011.

It should be noted that FY12 saw IDFC increasing its equity base. During the year,

1 IDFC's Consolidated Balance Sheet — Key Highlights

₹ IN CRORE

	As on March 31, 2011	As on March 31, 2012	% Growth FY12 vs. FY11
Shareholders' Funds	11,244	12,285	9%
Borrowings	36,304	46,435	28%
Current Liabilities	1,799	2,259	26%
Total Liabilities	**49,347**	**60,979**	**24%**
Net Loan Book	37,648	48,185	28%
Gross Loan Book	38,210	48,888	28%
Less Provision	563	704	25%
Treasury	6,446	6,605	2%
Consolidated Equity	3,082	3,098	1%
Current Assets	2,172	3,092	43%
Total Assets	**49,347**	**60,979**	**24%**

2 IDFC's Consolidated Statement of Profit and Loss

₹ IN CRORE

For the year ended March 31	FY11	FY12	% Growth
Operating Income	**2,547**	**2,980**	**17%**
Net Interest Income	1,645	2,113	28%
Loans	1,501	1,880	25%
Treasury	144	233	62%
Non-Interest Income	**875**	**844**	**-4%**
Principal Investment	191	350	83%
Asset Management *(including Capital Gains & Carry)*	291	280	-4%
Investment Bank & Broking Income	199	75	-62%
Loan Related & Other Fees	194	139	-28%
Other Income	26	23	-11%
Operating Expenses	**533**	**523**	**-2%**
HR	295	305	3%
Non-HR	238	218	-8%
Provisions	235	285	21%
PBT	1,779	2,173	22%
Tax, minority interest, etc.	497	619	24%
PAT	**1,282**	**1,554**	**21%**

PRIVATE EQUITY

- **As at March 31, 2012 Private Equity has three funds under management with an AUM of ₹ 4,337 crore, comprising: (i) India Development Fund ("Fund I") with an AUM ₹ 206 crore (ii) IDFC Private Equity Fund II ("Fund II") with an AUM ₹ 1,228 crore and (iii) IDFC Private Equity Fund III ("Fund III") with an AUM of ₹ 2,903 crore.**
- **As at March 31, 2012, Fund I has returned the capital to its investors. Fund II is fully invested and has returned 23% of the capital committed to its investors. Fund III has invested/ committed 63% of its AUM.**
- **The operating income of IDFC Alternatives (formally IDFC Private Equity Company Limited) was ₹ 64 crore in FY12, 24% less than ₹ 85 crore earned in FY11.**
- **In FY12 the business earned a PAT of ₹ 22 crore versus a PAT of ₹ 38 crore in FY11.**

PROJECT EQUITY/CORE INFRASTRUCTURE

- **As at March 31, 2012, Project Equity managed the India Infrastructure Fund ("IIF") with an AUM of ₹ 3,837 crore.**
- **As at March 31, 2012, IIF had invested/ committed 66% of its AUM.**
- **The operating income of IDFC Project Equity was ₹ 59 crore for FY12, marginally less than ₹ 60 crore earned in FY11.**
- **In FY12, the business earned a PAT of ₹ 13 crore, versus a PAT of ₹ 19 crore in FY11.**

PUBLIC MARKETS ASSET MANAGEMENT: IDFC AMC

- **In FY12, the average AUM was ₹ 28,037 crore. This was 33% greater than ₹ 21,112 crore, the average for FY11.**
- **Of the average AUM for FY12, debt funds accounted for ₹ 22,369 crore, or 80%. Equity and others constituted ₹ 5,668 crore. Debt funds grew by 41% compared to the previous year, while equity and others increased AUM by 7%.**
- **In FY12, IDFC AMC had the tenth largest AUM among public mutual fund companies in India.**
- **The AMC fees earned in FY12 was ₹ 122 crore — 11% higher than ₹ 110 crore earned in FY11.**
- **IDFC AMC reported a PAT of ₹ 14 crore in FY12, compared to ₹(-)2 crore in the FY11.**

compulsorily convertible cumulative preference shares of ₹ 100 each, aggregating ₹ 840 crore, which were issued to two investors – Sipadan Investments (Mauritius) Limited (Sipadan) (₹ 380 crore) and Actis Hawk Limited (Actis) (₹ 460 core) – were converted to equity shares at a price of ₹ 176 per share. Consequently, 47,727,272 equity shares of the Company were issued to Sipadan and Actis.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Table 2 gives the P&L numbers. For FY12, the key takeaways are:

- Operating income increased by 17% to ₹ 2,980 crore.
- Net-Interest Income grew by 28% to ₹ 2,113 crore.
- Non-Interest Income reduced by 4% to ₹ 844 crore.
- Operating Expenses were brought down by 2% to ₹ 523 crore.
- PBT was up by 22% to ₹ 2,173 crore.
- PAT after netting out minority interests, grew by 21% to ₹ 1,554 crore.

FINANCIAL RATIOS

The key financial ratios are given in Table 3. The headline items are:

- The share of Net Interest Income (NII) to Operating Income rose from 65% in FY11 to 71% in FY12.
- The ratio of Cost to Income reduced from 20.9% in FY11 to 17.5% in FY12.
- Return On Assets reduced from 3.0% in FY11 to 2.9% in FY12. This is further broken down in the next section .
- Return On Equity increased from 12.9% in FY11 to 13.0% in FY12 .
- Leverage as on March 31, 2012 was 5.0x versus 4.2x a year earlier.
- Average spreads grew from 2.24% in FY11 to 2.41% in FY12.
- The Net Interest Margin increased from 4.19% in FY11 to 4.33% in FY12.

RETURN ON ASSETS (ROA)

IDFC has consistently delivered good ROA. The ROA analysis tracking the profitability of the consolidated IDFC platform for FY10, FY11 and FY12 is given in Table 4.

RESOURCE RAISING

IDFC's borrowing profile is well diversified wherein IDFC raises resources both from the domestic market through term loans from banks, issuance of bonds and commercial papers and from the international market through External Commercial Borrowings (ECBs). The borrowing mix of IDFC-investor base wise is given as Chart 'F'.

Given its pedigree and robust balance sheet, IDFC is one of the largest issuers of bonds in the domestic capital markets, with the investors being Banks, Mutual Funds, Insurance Companies and Provident Funds and Corporates. With its IFC status, IDFC has also been able to tap into the limits set for FIIs to invest in the corporate bonds issued by companies in the infrastructure sector in a meaningful way and at competitive costs, thereby facilitating flow of international funds into the Indian infrastructure sector. IDFC Bonds are rated "LAAA" and "AAA(ind)" by ICRA and Fitch respectively.

During FY12, the Company also made three tranches of public issue of Long Term Infrastructure Bonds of face value of ₹ 5,000

3 IDFC's Consolidated Key Financial Ratios

Particulars	FY11	FY12
NII / Operating Income	65%	71%
HR / Operating Income	12%	10%
Cost / Income	**20.9%**	**17.5%**
RoA	**3.0%**	**2.9%**
RoE	**12.9%**	**13.0%**
Leverage (Closing)	**4.2 x**	**5.0 x**
Total Loans Provisioning / Loans Outstanding	1.73%	1.69%
Gross NPA (Closing)	0.21%	0.30%
Net NPA (Closing)	0.10%	0.15%
Average Spreads	**2.24%**	**2.41%**
NIMs	**4.19%**	**4.33%**

each under Section 80CCF of the Income-tax Act, 1961, collecting in aggregate ₹ 1,387 crore from above 7 lakh retail investors. This has further enhanced the brand image of IDFC in the retail market.

IDFC has, in the past, utilised the ECB channel to raise funds from various sources, including commercial banks and multilateral agencies. In FY12, in addition to syndicated loans, it signed a US$ 60 million Line of Credit agreement with Japan Bank for International Cooperation (JBIC) for funding projects with Japanese interest. Further, IDFC has listed a US$ 1.5 billion Medium Term Note (MTN) programme on Singapore Stock Exchange this year which would help in tapping into the international market in a bigger way through bond issuance. IDFC has also obtained an Issuer Default rating of 'BBB-' from Fitch and Standard and Poors in line with the sovereign rating.

IDFC has been actively managing its asset-liability position to take care of interest rate and currency risks. As on March 31, 2012, the adjusted asset duration of was 1.64 years, while the adjusted liability duration was 1.92 years, ensuring minimal gap between the duration of its assets and liabilities. IDFC has been adequately using interest rate swaps, forwards and currency swaps to manage its interest rate and currency risks.

RISK MANAGEMENT

IDFC has always adopted strong risk management practices that have enabled the Company to take an appropriate level of risk in its businesses and enhanced its ability to manage and mitigate such risks.

In terms of the management structure, the Risk Management Group is headed by the Chief Risk Officer (CRO), who reports to the Vice Chairman and Managing Director (VC & MD) of the Company. IDFC has adopted a comprehensive Enterprise Risk Management (ERM) framework covering all the three types of risks – credit risk, market risk and operational risk. The ERM framework has been adopted across all entities in the IDFC group.

The Credit group independently evaluates all proposals with a view to estimating the risk, mitigation for each of them and the appropriate pricing of the risk . After approval of terms and conditions and credit rating from the Credit Risk Group, each proposal is considered by a Decision Board, which comprises members of the Senior Management, before being recommended for final sanction by the Credit / Executive (Board) Committee.

The Portfolio Management group monitors the performance and compliance of covenants of all assets on a continuous basis. The Credit and Portfolio groups conduct a comprehensive review of all project assets and equity investments of the Company on a regular basis. The overall portfolio risk report is regularly presented to a Portfolio Review Committee of Senior Management. The Committee reviews and discusses all assets with significant risks in detail and also deliberates on the prevailing sector-specific and systematic risks in the business environment. In addition a rerating of the entire portfolio is done on an annual basis and presented to the Risk Committee of the Board.

The Market Risk group monitors the risks on account of interest rate, liquidity, currency, and equity price in the trading books. Several applications and models are used to support the continuous monitoring of these risks. In order to enhance the effectiveness of the current process of regular monitoring of these risks, the tools, models, and underlying risk factors are also reviewed periodically.

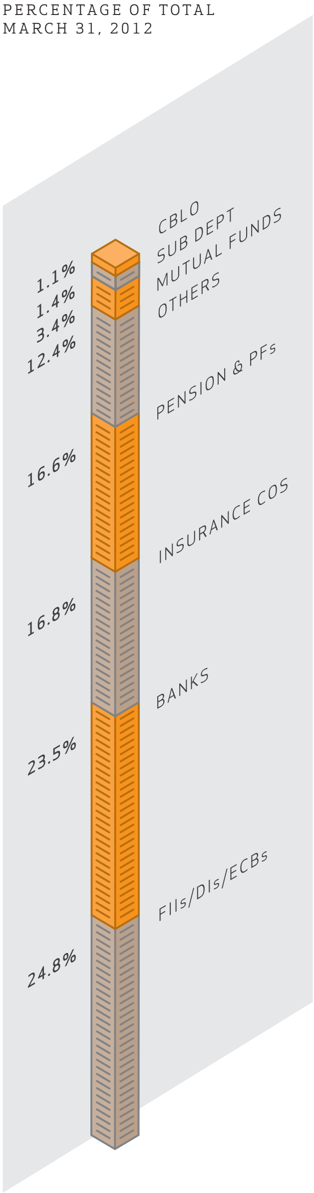
The Market Risk group also supports the Asset-Liability Management (ALM) function. The Asset Liability Management Committee (ALCO) supervises the ALM process and reviews the asset liability mismatch reports on a regular basis. The ALCO deliberates on the external business environment and the internal business and risk parameters, with a view to managing the risks across the balance sheet. The ALM reports are also presented to the Board on a semi-annual basis.

The Operational Risk Management group is engaged in a continuous collection and assimilation of operational risk related data from each business unit. These inputs are analysed on a regular basis for highlighting any critical risks and engaging with the concerned business units to mitigate those risks effectively. The operational risk at the enterprise wide level is overseen by a Group Operational Risk Committee (GORC).

The Chief Risk Officer (CRO) presents a Risk review report to the Risk Committee of the Board of Directors on a quarterly basis. This report encompasses all significant aspects of the risks in the Company, and the same is

F LENDERWISE OUTSTANDING BORROWING

PERCENTAGE OF TOTAL
MARCH 31, 2012



discussed for effectively dealing with those risks.

IDFC puts special emphasis on environment risk, which is a key risk that is evaluated by a dedicated environment risk group and incorporated in the assessment of each proposal. An Environment Risk officer is specially engaged in the evaluation and monitoring of environment risks for each project before and after the sanction of a Loan.

IDFC continues to be a signatory to global initiatives on Environment, Social and Governance (ESG) issues such as the Carbon Disclosure Project (www.cdproject.net), the United Nations Global Compact (www.unglobalcompact.org) and the UN-sponsored Principles for Responsible Investment (www.unpri.org). Incidentally, IDFC is one of the stocks listed on the National Stock Exchange that is included in the S&P ESG India Index — whose objective is to give investors exposure to 50 of the best performing stocks in the Indian market as measured on ESG parameters.

HUMAN RESOURCES

Three years ago, IDFC identified three broad areas as the pillars of its success:

- a strong 'One Firm' aligned around a shared purpose and culture;
- robust internal processes and systems; and
- a well developed leadership bench.

Together, these three outcomes should help build a sustainable, high performing company capable of delivering consistent growth through business cycles. In FY12, IDFC has continued to focus on these areas.

ONE FIRM

The Company launched its 'IDFC Partners' programme this year. 'IDFC Partners' is a small group that is collectively accountable for ensuring that the Company as a whole meets its short and medium-term as well as strategic objectives. Members of 'IDFC Partners' act as stewards of the Company's reputation and franchise and are responsible for leading initiatives and driving collaboration across all parts of the platform. Inter-alia, this group also serves the purpose of building the Company's leadership pipeline.

The Company has continued its focus of embedding values and building a One Firm culture through various firm-wide interventions and business unit level action plans. These efforts, coupled with the 'IDFC Partners' programme, have delivered results.

The measurement of our efforts in embedding our values and building a culturally coherent organisation is done by YSC Inc., an international consulting company. The diagnostic that was responded to by over 90% of the employees, measures three elements: (i) How do we perform on the key drivers of employee engagement? (ii) Are we building an organisation that delivers sustainable business performance and social impact? and (iii) Are we living our values? IDFC's score on the culture diagnostic has improved from 4.57 to 4.81, an increase of 6%. We continued to retain our position as a top quartile company in FY12.

ROBUST PROCESSES AND SYSTEMS

This year IDFC continued its focus on building systems rigour and process discipline. Across the board, all processes and systems have been audited and refined to improve delivery consistency. A key outcome of this effort has been a significant improvement in the cycle time of our performance management process, with all performance reviews being completed within the first fortnight of the new fiscal.

HR also initiated an internal customer satisfaction study with Nielsen to help us arrive at a measure of internal client satisfaction

4 IDFC's Consolidated RoA, FY10 to FY12

% of average total assets	FY10	FY11	FY12
Operating Income	**6.7%**	**5.9%**	**5.6%**
Net Interest Income	3.6%	3.8%	3.9%
Non-Interest Income	3.0%	2.0%	1.6%
Operating Expenses	**1.8%**	**1.2%**	**1.0%**
Provisions	0.4%	0.5%	0.5%
PBT	**4.6%**	**4.1%**	**4.1%**
PAT	**3.4%**	**3.0%**	**2.9%**

This year IDFC continued its focus on building systems rigour and process discipline. Across the board, all processes and systems have been audited and refined to improve delivery consistency. A key outcome of this effort has been a significant improvement in the cycle time of our performance management process, with all performance reviews being completed within the first fortnight of the new fiscal.

and identify areas that the Company needs to focus on in the next year. The internal client satisfaction score was above average. A key focus area is to improve the HR score on this front every year.

STRENGTHENING LEADERSHIP

In addition to the 'IDFC Partners' programme, there were a number of initiatives we have launched during the year which should significantly enhance the leadership and managerial capability at all levels across the Company.

We have initiated intensive coaching interventions at the senior-most levels in the Company while continuing with the effective IDFC Senior Leaders Programme for our key managers. Together, these two interventions are contributing to improve the leadership capability at the top and senior management of IDFC.

All employees at the mid-management level have gone through the first phase of the IDFC Mid-Management programme. It has been well received, and the second phase will be conducted in FY13.

These interventions have been designed and delivered in partnership with global leaders in training and development. The Company also designed and rolled out an in-house programme called Game Changers, which covered the sales team in IDFC AMC and focused on supporting a new sales strategy.

As on March 31, 2012, the total headcount of IDFC as a consolidated entity was 575.

INFORMATION TECHNOLOGY (IT)

The IT department, which operates as a shared service at IDFC, has matured over the years to become a driver in leading the organisation towards using technology to facilitate rapid and broad-based business growth, without compromising on security. Some of the key initiatives in FY12 were:

- Selective introduction of new mobile gadgets across platforms for 'on the move' employees to connect to and work on the IDFC network in a seamless manner.
- The IT disaster recovery plan was revamped to enhance availability of critical infrastructure and application environment during disasters. This was achieved by the internal IT team with minimal investment and in record time.
- Considerable upgrading was done to iSmart, a bespoke application for IDFC which helps manage the Company's infrastructure financing activities. iSmart now provides better interface with additional features to include more products and offerings that are being served to IDFC's customers.
- Functional and technological enhancements and upgrades were carried out on IDFC's intranet platform.
- Several applications including a Customer Relationship Management (CRM) platform and a legal tracker have been rolled out for improved automation of regular processes.
- IDFC AMC introduced innovative solutions to mutual fund customers. These were: (i) the Short Messaging Service (SMS) and (ii) the Unstructured Supplementary Services Data (USSD), which involves secure interactive sessions between mobiles and servers. These were among the first within the mutual fund industry.
- IDFC AMC was also one of the few mutual funds that partnered with the Securities and Exchange Board of India (SEBI) to generate and submit reports in the XBRL (eXtensible Business Reporting Language) format.

Another significant capacity building engagement is the Foundation's role as a Regional Capacity Building Hub for the Ministry of Urban Development (MoUD) for training elected representatives and municipal officials under the Jawaharlal Nehru National Urban Renewal Mission for cities in three regions of the country.Under this programme, a total of 25 urban local bodies were covered, and 14 programmes for 379 officials were conducted up to March 31, 2012.

- IDFC became the first financial services company in India to achieve the Tier III design certification from The Uptime Institute, USA. This gives an assurance that IDFC Central Data Centre can provide an uptime of 99.98%.
- IDFC's IT systems continued to maintain their ISO 27001 certification for the sixth consecutive year.
- IDFC also received the 'Efficient Enterprise Award' from the CIO magazine in November 2011, for its various initiatives on going green and on data-centre efficiency. It was one of the five companies in India to have received this award last year.

INTERNAL CONTROLS AND THEIR ADEQUACY

The Company has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition, and that the transactions are authorised, recorded and reported correctly.

Internal controls are supplemented by an extensive programme of internal audits, review by management and documented policies, guidelines and procedures. These controls are designed to ensure that financial and other records are reliable for preparing financial information and other reports, and for maintaining regular accountability of the Company's assets.

IDFC FOUNDATION

IDFC Foundation (or 'the Foundation') was set up in March 2011 to oversee and coordinate the various development activities being pursued by the Company. It became fully operational during FY12. It also oversees the operations of the joint ventures with the Governments of Karnataka, Uttarakhand and New Delhi. These are: (i) Infrastructure Development Corporation (Karnataka) Limited (iDeCK) (ii) Uttarakhand Infrastructure Development Company Limited (U-DeC) and (iii) Delhi Integrated Multi-Modal Transit System Limited (DIMTS).

The Board of the Foundation, comprising senior executives of IDFC and an independent Chairman, met five times during the year to review the progress achieved in its core areas of engagement, namely Policy Advocacy, Capacity Building, Government Advisory and Program Support Services and Community Engagement. Short discussions on each of these are given below.

POLICY ADVOCACY

The focus areas of engagement for the Foundation's policy advocacy work are (i) low carbon-based infrastructure development in the context of global climate change; (ii) urbanisation challenges; (iii) social infrastructure such as education and healthcare; and (iv) rural transformation.

The Foundation has designed and launched a low carbon growth research programme, which includes developing a quantitative economic model for low-carbon development. Some of the research output is expected to be presented at various global meetings on climate change during FY13.

Quarterly research notes on themes of biomass-based decentralised distributed power generation, waste water recycling, green office buildings and Energy Saving Companies (ESCOs) were published during the year. These have received positive responses from a wide range of stakeholders. The Foundation collaborated with the Indian Institute of Human Settlements to host a conference on urban issues and prepared background papers on the history of housing policy and models for affordable housing. It also initiated research on urban morphology based on a sample of medium sized towns and a detailed study on affordable rental housing.

The Foundation has been commissioned by the Ministry of Rural Development (MoRD) to bring out an annual publication titled The India Rural Development Report. Under this engagement, over the next three years, the IDFC Foundation Network — which includes the Institute of Rural Management, Anand (IRMA), the Indira Gandhi Institute of Development Research (IGIDR) and the Centre for Economic and Social Studies (CESS) — will produce a rural development report to provide an independent assessment of the state of rural development in India. In addition, it will cover a specific theme. For the current year it is an assessment of the Mahatma Gandhi National Rural Employment Guarantee scheme. The report is expected to advocate appropriate policy changes and good practices that could bring about the necessary transformation and change in India's rural economy.

The annual India Infrastructure Report (IIR) for FY11, Water: Policy and Performance for Sustainable Development, was released in December 2011. It has received positive responses from a range of stakeholders across the country. The release was followed up with a campaign among university students in Mumbai on the subject of water conservation, which received an enthusiastic response. Engagements through regional workshops in different states with state and local state government officials will also be carried out — hopefully to trigger concerted action in water conservation and management.

Work on IIR 2012 is actively underway. The theme is Private Sector in Education. The report is expected to be released in the quarter of October-December 2012.

IDFC Foundation provided inputs to various ministries and departments of the government through the representation of its senior executives on various committees. These included:

- the National Transport Policy Development Committee;
- the High Level Committee for Financing of Infrastructure;
- various groups and sub-groups constituted by the ministries of Urban Development, Railways, Road Transport and Highways, and Finance for preparation of the 12th Five Year Plan; and
- the advisory group on functioning of the Irrigation and Water Resources Corporation.

The Foundation actively supported the Expert Group constituted under the chairmanship of Dr. Sam Pitroda for the Modernisation of Indian Railways and assisted in the preparation of the report. It also prepared a report for the design of Rajiv Awas Yojana for the Ministry of Housing and Urban Poverty Alleviation. The Energy Advisory Board of the Foundation discussed and actively engaged with policy makers on some of the key problems currently being faced in the energy sector. These include the financial health of electricity distribution companies, open access, fuel supply for power generating units, emerging issues in tariff based competitive bidding and pricing of natural gas.

CAPACITY BUILDING INITIATIVES

During the year, IDFC Foundation took over the function of I-Cap as the executing agency for the Department of Economic Affairs, Ministry of Finance, Government of India, to implement the National PPP Capacity Building Programme for officials of state governments, urban local bodies and select central government departments.

It has enabled the commencement of training programmes in 11 states and two central training institutions including the Lal Bahadur Shastri National Academy of Administration, Mussoorie (LBSNAA). Till March 31, 2012, a total of 43 programmes have been held and over 1,400 officials have been trained in PPP. Eight Training of Trainers programmes have been held and around 110 trainers have been trained under this programme.

The course content and training modules have received positive feedback from the participating institutions. LBSNAA has already incorporated these in its training courses both at the foundation level for IAS probationers (Phases 1 and 2) and in-service training (Phases 3 and 4), which has given a fillip to the programme. In FY13, it is expected that close to 100 programmes would be held for 2,500 officials across the country.

Another significant capacity building engagement is the Foundation's role as a Regional Capacity Building Hub for the Ministry of Urban Development (MoUD) for training elected representatives and municipal officials under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) for cities in three regions of the country. Under this programme, a total of 25 urban local bodies were covered, and 14 programmes for 379 officials were conducted up to March 31, 2012. The PPP course material developed by IDFC Foundation received positive reviews from various stakeholders, and will be placed on the MoUD website. This programme will continue through FY13.

IDFC Foundation also conducted a PPP programme for officials of the Audit and Accounts Service, and expects to extend this to a longer term capacity building engagement. In addition, officials of the Town Development Fund, Nepal, have participated in capacity building programmes conducted by the Foundation. It is expected that capacity building in PPPs will be an important area for many developing countries — and that the Foundation shall play a pivotal role in some of these initiatives.

The Foundation is also assisting the Naya Raipur Development Authority (NRDA) through a dedicated Project Support Cell (PSC) based at Raipur in rolling out the development plan for the new state capital, i.e. Naya Raipur. This includes on-going assistance in identifying and preparing infrastructure projects under the PPP framework. The PSC, with six staff members, has helped finalise contracts for 32 projects being rolled out for the city, covering a range of infrastructure and support services to be provided by private players.

GOVERNMENT ADVISORY & PROGRAMME SUPPORT

The Foundation's advisory services to government departments and agencies resulted in several projects reaching closure during FY12. Examples are:

- The Concession Agreement for four-laning of a 117 km Ara-Mohania stretch in Bihar under a BOT toll framework was signed by the Bihar State Road Development Corporation.
- Concession Agreements were executed by the Delhi State Industrial and Infrastructure Development Corporation for the renovation of industrial areas in Delhi at Narela and Bawana; and by the Delhi Police for the development of a police housing complex at Dheerpur. Both involve annuity payments to the private partners.
- A private investor was identified to develop a new port at Maroli, near Umbergaon in Gujarat, on behalf of the Gujarat Maritime Board.

Going forward, the Foundation plans to move from discrete advisory services assignments to higher impact programme management initiatives on behalf of the central and state governments. To begin with, it will assist the Government of Meghalaya in implementing a state-wide economic development programme that is expected to create necessary infrastructure and market access to promote entrepreneurship and livelihood activities for communities across the state. Other opportunities include a low-cost affordable housing programme for the Indore Development Authority and development of a supplementary education and vocational training programme for Chhattisgarh, using citizen service centres set up in villages across the state.

The joint venture companies, iDeCK, U-DeC and DIMTS, continued their engagement in project development and advisory services across various infrastructure sectors. In addition, DIMTS has been assisting the Government of Delhi's transport department on a range of project management, construction and operations and maintenance services.

COMMUNITY ENGAGEMENT

In FY12 IDFC Foundation launched a programme (iCare) that is focused on substantively improving the effectiveness of "not for profit entities" in the areas of Youth, Inclusion and Environment. The aim of the programme is to deliver systemic capacity enhancement by improving infrastructure, preparedness for scale and management practices in these entities. This capacity building effort combined with our philanthropic grants will, we believe, have an exponential impact in these areas. More than 10% of IDFC's professional staff are actively engaged through the iCare initiative, volunteering their expertise in helping enhance capacity of Masoom and Society for Nutrition, Education and Health Action (SNEHA), the two entities that Foundation is partnering.

Masoom, works toward enhancing the quality of education in night schools in Maharashtra with a view to improving access and student performance amongst the urban underprivileged communities. SNEHA focuses on improving maternal, neonatal health and nutrition in the slum clusters of Mumbai by improving the delivery of existing public health services through education and advocacy.

Sustainability is a lynchpin of IDFC's mission and business strategy. IDFC is a signatory to the UN Global Compact and the Carbon Disclosure Project, and is India's first signatory to the UN Principles for Responsible Investment. IDFC is now one of the 50 stocks comprising the S&P ESG India Index. The S&P ESG India Index (Bloomberg: INSPESG, Reuters: NSEESG) provides investors with exposure to 50 of the best performing stocks in the Indian market as measured by environmental, social and governance (ESG) parameters. Internally, IDFC is committed to monitor and minimise its environmental footprint through resource efficiency and conservation.

CARBON FOOTPRINT

Carbon footprint is a measure of the impact that any organisation's activities have on the environment and in particular climate change. It is expressed in tonnes of carbon dioxide (CO_2) emitted equivalent (tCO_2e) and is reported under three categories:

Scope 1 Emissions from company owned or operated GHG sources

Scope 2 Emissions from assets owned by others but energy is bought by the company

Scope 3 Emissions other than Scope 2 that are a consequence of an organisation's activities, but arise from greenhouse gas sources controlled by other organisations (non mandatory reporting)

IDFC is committed to building a sustainable future, and, therefore, is focused on reducing the carbon intensity of its operations. It will measure carbon footprint as a function of operating income and Profit after Tax (PAT); and hold itself to account on increasing resource use efficiency and therefore reducing the Carbon footprint in each succeeding year. It will use ratios (tCO_2e/ Operating Income & tCO_2e / PAT) to measure the incremental emissions for every rupee of revenue generated and profit respectively.

IDFC has done the carbon footprint assessment for FY12 as per ISO-14064 standard, which has been verified by the British Standards Institution (BSI), India. The carbon footprint for IDFC in FY12 is as given in Table 5.

OUTLOOK

As mentioned in the Infrastructure Review and earlier sections of this chapter, FY12 has been a disappointing year for India's economy and its infrastructure. The real question that faces any player in the infrastructure space is whether the policy and implementation malaise of FY12 will spill over to FY13. In addition, there are huge global risks. If the second Greek election of June 17, 2012, has as divisive a result as the earlier one, or if it overwhelmingly elects the anti-German, anti-austerity populist leader Alexis Tsipras of the Syriza Party, will that force a Grexit from the Euro zone? And, if so, how soon? The implications of such an exit would be calamitous for Portugal, Ireland and Spain — and seriously grim for the rest of the world.

In such a difficult global scenario, will India grasp the nettle and get back to basic reforms: in power, coal, energy, environment, corporate laws, pending legislations, and in basic executive actions and decision-making?

If she does — and does so consistently — there is no reason to believe that India cannot get to 8% GDP growth in an otherwise challenging global economic milieu. We at IDFC are working with the prospect that the macro & policy environment in FY13 will not be materially better or worse than in FY12. Under such circumstances, we are reasonably confident of maintaining an overall growth momentum similar to that we delivered in FY12.

If however, India drifts further into an environment of macro / policy malaise it is difficult to predict what the outlook for infrastructure would be — other than to say that it would be disappointing.

CAUTIONARY STATEMENT

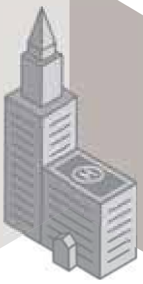
Statements in this Management Discussion & Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include unavailability of finance at competitive rates — global or domestic or both, reduction in number of viable infrastructure projects, significant changes in political and economic environment in India or financial markets abroad, tax laws, litigation, exchange rate fluctuations, interest and other costs.

5 Carbon Footprint for IDFC in FY12

	FY11	FY12
Total tCO_2e	7,108	10,114*
Total tCO_2e / op income (in ₹ crore)	2.791	3.394
Total tCO_2e / PAT (in ₹ crore)	5.544	6.508

* This year we have improved upon the baseline assessment framework (FY11) and increased the scope of our carbon footprint measurement. Our carbon footprint estimates for this year provide a more comprehensive assessment including the activities from all our businesses and geographies as well as third party resource use.

CORPORATE GOVERNANCE REPORT



IDFC'S PHILOSOPHY ON CORPORATE GOVERNANCE

Being a professionally run enterprise with no single promoter or promoter group, effective Board oversight and sound corporate governance practices are inherent to IDFC's pursuit of delivering value to all it's stakeholders on a sustainable basis.

Infrastructure Development Finance Company Limited ('IDFC' or 'the Company') is fundamentally a financial intermediary. The business focuses on maximising return on assets, while effectively managing the inherent risks. For efficient and responsible decision making and execution in this pursuit, it is imperative to develop sound governance structures and best-in-class processes that have strong reliance on ethics and values. By adopting such a framework as it does, IDFC emphasises on appropriate and timely disclosures and transparency in its business dealings.

Corporate governance is a continuous process at IDFC. Systems, policies and frameworks are regularly upgraded to effectively meet the challenges of rapid growth in a dynamic external business environment. Governance practices not only have to deal with the growing size of the business, but also the increase in complexities of the organisational structure that supports such growth.

In India, corporate governance standards for listed companies are regulated by the Securities and Exchange Board of India (SEBI) through Clause 49 of the Listing Agreement with the Stock Exchanges. As a Company which believes in implementing corporate governance practices that go beyond just meeting the letter of law, IDFC has not only adopted practices mandated in the new Clause 49, but also incorporated the relevant non-mandatory recommendations.

This chapter, read with the chapters on Management Discussion & Analysis and Additional Shareholder Information, reports IDFC's compliance with Clause 49.

BOARD OF DIRECTORS

COMPOSITION OF THE BOARD

As on March 31, 2012, the Company's Board consisted of 12 Directors, comprising (i) a non-promoter non-executive Chairman, (ii) six Independent Directors, (iii) one nominee of an institution which has invested in the Company, (iv) two nominee Directors of the Government of India, and (v) two whole-time Directors. The Directors bring to the Board a wide range of experience and skills which include banking, global finance, law, accounting and economics.

One-half of the Board consists of Independent Directors. Thus, the composition of the Board exceeds what is called for under Clause 49, namely that if the Chairman is non-executive and not a promoter, one-third of the Board should be Independent.

BOARD MEETINGS

The Board meets at least once a quarter to review the quarterly results and other items on the agenda and also on the occasion of the Annual General Meeting (AGM) of the shareholders. Additional meetings are held whenever necessary. The gap between any two meetings is less than four months.

During FY12, the Board met five times: on April 29, 2011, July 27, 2011, November 8, 2011, February 10, 2012 and March 30, 2012.

DIRECTORS' ATTENDANCE RECORD AND DIRECTORSHIPS HELD

As mandated by Clause 49, none of the Directors are members of more than 10 Board level committees; and nor are they Chairman of more than 5 committees in which they are members. Table 1 gives the details.

INFORMATION SUPPLIED TO THE BOARD

The Board has complete access to all information about the Company. Moreover, the following information is regularly provided to the Board as a part of the agenda papers well in advance of the Board meetings or, when considered appropriate, tabled in the course of the Board meeting:

- Annual operating plans and budgets and updates thereof.
- Capital budgets and updates thereof.
- Quarterly results of the Company, its operating divisions and business segments.
- Minutes of the meetings of the Audit Committee and other Committees of the Board.
- Minutes of the Board meetings of subsidiary companies.
- Information on terms of appointment of the Executive Director, the Chief Financial Officer (CFO) and Company Secretary. The terms of appointment of the CFO is also considered by the Audit Committee of the Company.
- Materially important show cause, demand, prosecution notices and penalty notices.
- Any material default in financial obligations to and by the Company, or substantial non-payment for services rendered by the Company, if any.
- Details of any joint venture or collaboration agreements.
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- Significant developments in human resources and employee relations.
- Sale of a material nature of investments, subsidiaries, assets, which is not in the normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by Management to limit the risks of adverse exchange rate movement, if and where material.
- Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer, if any.

The Board periodically reviews compliance reports of all laws applicable to IDFC, as prepared by the Company, as well as steps taken to rectify instances of non-compliances, if and where these exist. In addition to the above, the minutes of the Board meetings of subsidiary companies and a statement of all significant transactions and arrangements entered into by the unlisted subsidiary companies are also placed before the Board.

1 Composition of the Board of Directors for FY12

Name of the Director	Position	No. of meetings held in FY12	No. of meetings attended in FY12	Whether attended last AGM on July 27, 2011	No. of directorships of Public Companies*	Number of Committees #	
						Member	Chairperson
Mr. Deepak Parekh	Non-Executive Chairman	5	5	Yes	8	3	2
Dr. Rajiv Lall@	Vice Chairman & Managing Director	5	4	No	9	2	NIL
Mr. Vikram Limaye@	Deputy Managing Director	5	5	Yes	14	NIL	NIL
Mr. Bimal Julka**	Nominee of Ministry of Finance, GoI, Non-Executive	5	NIL	No	2	NIL	NIL
Mr. S. S. Kohli	Nominee of Ministry of Finance, GoI, Non-Executive	5	5	Yes	7	1	4
Mr. Abdul Rahim Abu Bakar	Nominee of Domestic and Foreign Institutional Shareholders, Non-Executive	5	4$	Yes	NIL	NIL	NIL
Mr. Dimitris Tsitsiragos***	Nominee of Domestic and Foreign Institutional Shareholders, Non-Executive	2	1	Yes	NA	NA	NA
Mr. Donald Peck	Independent Director	5	2	No	1	1	NIL
Mr. S. H. Khan	Independent Director	5	5	Yes	7	5	3
Mr. Shardul Shroff	Independent Director	5	4	Yes	6	1	NIL
Mr. Gautam Kaji	Independent Director	5	3	Yes	1	NIL	NIL
Dr. Omkar Goswami	Independent Director	5	4	No	9	2	4
Ms. Marianne Økland****	Independent Director	3	3	NA	NIL	NIL	NIL

* Excluding Directorship in Foreign Companies, Private Limited Companies, Companies under Section 25 of the Companies Act, 1956 and Companies in which the Directors hold office as an Alternate Director. | ** Ceased to be a Director w.e.f. May 8, 2012. | *** Ceased to be a Director w.e.f. October 14, 2011. | **** Appointed as an Additional Director w.e.f. October 1, 2011. | # Only Audit Committee and Investors' Grievance Committee. | $ Two meetings were attended by Mr. Michael Fernandes, Alternate Director to Mr. Abdul Rahim Abu Bakar. | @ Re-designated w.e.f. May 8, 2012.

REMUNERATION PAID TO THE DIRECTORS

The Compensation Committee of the Company recommends to the Board the compensation payable to the Managing Director, the Executive Director and key Senior Managerial Personnel one level below the Board. The compensation of the whole-time Directors is also approved by the shareholders and separately disclosed in the financial statements.

Section 309 of the Companies Act, 1956, provides that a Director, who is neither in the whole-time employment of the Company nor a Managing Director, may be paid remuneration by way of commission, if the Company, by special resolution, authorises such payment. Members of the Company at the 11th AGM held on July 18, 2008, approved payment of remuneration by way of commission to the Non-Executive Directors, of a sum not exceeding 1% of the net profits of IDFC as a stand-alone entity.

For FY12, IDFC would be paying a sum of ₹ 11,115,000 as commission to its Non-Executive Directors. The aggregate amount payable to Non-Executive Directors was arrived as per the following criteria:

- Fixed remuneration: ₹ 700,000 per annum.
- Chairman of the Board: An additional ₹ 700,000 per annum.
- Chairman of the Audit Committee: An additional ₹ 200,000 per annum.
- Members of the Audit Committee: An additional ₹ 100,000 per annum.
- Chairman of other Committees of the Board: ₹ 100,000 per annum.
- Members of such other Committees: ₹ 50,000 per annum.
- Variable remuneration: Up to ₹ 300,000 per annum, which is paid to the Directors depending on their attendance at the Board meetings either in person or through video conference.

The Non-Executive Directors were also paid sitting fees for attending the Board meetings as well as Committee meetings. Table 2 gives the details.

During FY12, the Company did not advance loans to any of its Directors. None of the Directors is entitled to severance fee. The notice period for the Vice Chairman & Managing Director, Dr. Rajiv Lall and Deputy Managing Director, Mr. Vikram Limaye, is three months. None of the employees of the Company are related to any of the Directors. There are no inter-se relationships between Board members. The basis of criteria for the evaluation of performance is decided by the Compensation Committee which is based on the Company's performance and individual's performance.

CODE OF CONDUCT

IDFC's Board of Directors has laid down a code of conduct for all Board members and designated Senior Management Personnel of the Company. The Code is available on the website of the Company: www.idfc.com. All Board members and designated Senior Management Personnel have affirmed compliance with the Code. A declaration signed by the Chief Executive Officer (CEO) to this effect is enclosed at the end of the chapter on Additional Shareholder Information.

RISK MANAGEMENT

IDFC follows a comprehensive risk management framework that details risk assessment and minimisation procedures. It especially focuses on improving sensitivity to assessment of risks and improving methods of computation of risk weights and capital charges. The risk assessment and mitigation procedures are periodically reviewed by the Board.

In addition, IDFC has a Board-level Risk Committee that monitors risk management of the Company on a regular basis. It comprises Mr. Gautam Kaji (Chairman), Mr. Shardul Shroff, Mr. S. H. Khan, Dr. Rajiv Lall and Ms. Marianne Økland. The Risk Committee reviews and monitors mainly three types of risks across the organisation: credit risk, market risk and operational risk. This is done

2 Details of remuneration paid to Directors for FY12

(₹)

Name of the Director	Sitting Fees	Salary and Perquisites	Contribution to Provident and Other Funds	Performance Linked Incentive	Commission & others $	Total
Mr. Deepak Parekh	840,000	–	–	–	2,200,000	3,040,000
Dr. Rajiv Lall#	–	25,303,861	1,402,771	33,200,000	–	59,906,632
Mr. Vikram Limaye##	–	20,526,300	1,280,765	27,500,000	–	49,307,065
Mr. Donald Peck	100,000	–	–	–	850,000	950,000
Mr. S. H. Khan	540,000	–	–	–	1,450,000	1,990,000
Mr. Shardul Shroff	220,000	–	–	–	1,150,000	1,370,000
Mr. Gautam Kaji	200,000	–	–	–	1,200,000	1,400,000
Dr. Omkar Goswami	320,000	–	–	–	1,400,000	1,720,000
Mr. S. S. Kohli	320,000	–	–	–	1,050,000	1,370,000
Ms. Marianne Økland*	100,000	–	–	–	–	100,000
Mr. Abdul Rahim Abu Bakar	80,000	–	–	–	1,000,000	1,080,000
Mr. Dimitris Tsitsiragos**	–	–	–	–	–	–
Mr. Bimal Julka***	–	–	–	–	–	–

Dr. Rajiv Lall has been granted 3,500,000 stock options under IDFC ESOP Scheme. | ## Mr. Vikram Limaye has been granted 2,000,000 stock options under IDFC ESOP Scheme. | The stock options granted to Dr. Lall and Mr. Limaye would vest in graded manner over a period of 3 years from the date of grant of options and are exercisable over a period of 5 years from the date of vesting. | *Appointed as an Additional Director w.e.f. October 1, 2011. | ** Resigned w.e.f. October 14, 2011.| *** Resigned w.e.f. May 8, 2012. | $ This commission pertains to FY 11, paid in FY12.

3 Attendance details of Audit Committee in FY12

Name of the Member	Position	Status	No. of Meetings held	No. of Meetings Attended
Mr. S. H. Khan	Independent Director	Chairman	4	4
Mr. Shardul Shroff	Independent Director	Member	4	3
Dr. Omkar Goswami	Independent Director	Member	4	3
Mr. Gautam Kaji	Independent Director	Member	4	3
Ms. Marianne Økland*	Independent Director	Member	1	1

* Ms. Marianne Økland was inducted on the Audit Committee w.e.f. November 8, 2011.

4 Attendance details of Compensation Committee in FY12

Name of the Member	Position	Status	No. of Meetings held	No. of Meetings Attended
Dr. Omkar Goswami	Independent Director	Chairman	2	2
Mr. S. S. Kohli	Nominee of Ministry of Finance, GoI	Member	2	2
Mr. S. H. Khan	Independent Director	Member	2	2
Mr. Shardul Shroff	Independent Director	Member	2	2
Mr. Donald Peck	Independent Director	Member	2	Nil

under the overall framework of the Enterprise Risk Management System.

The Risk Committee was reconstituted on November 8, 2011, by inducting Ms. Marianne Økland as a member. The quorum for any meeting of this Committee is three. The Committee met three times during the year under review: on July 27, 2011, November 8, 2011 and February 8, 2012.

COMMITTEES OF THE BOARD

IDFC has Board-level committees to delegate particular matters that require greater and more focused attention in the affairs of the Company. These committees prepare the groundwork for decision making and report to the Board.

All decisions pertaining to the constitution of committees, appointment of members in different committees and fixing of terms of service for committee members are taken by the Board of Directors. Details on the role and composition of these committees, including the number of meetings held during FY12 and the attendance, are provided below.

A. AUDIT COMMITTEE

As on March 31, 2012, the Audit Committee comprised five members, all of whom are Independent Directors. The Committee met four times during the year under review: on April 29, 2011, July 27, 2011, November 8, 2011 and February 8, 2012. The time gap between any two meetings was less than four months. Details of the Audit Committee meetings are given in Table 3.

The Audit Committee was reconstituted on November 8, 2011, by inducting Ms. Marianne Økland as a member of the Committee.

The CFO and the representative of the statutory auditors and internal auditors are permanent invitees to the Audit Committee meetings. Mr. Mahendra Shah, Company Secretary of IDFC, is the secretary to the Committee. The quorum of the meeting is three members.

All members of the Audit Committee have accounting and financial management expertise. Mr. S. H. Khan, Chairman of the Audit Committee, was present at the Company's previous AGM held on July 27, 2011.

The functions of the Audit Committee include the following:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approving appointment of the CFO after assessing the qualifications, experience and background, etc. of the candidate.
- Approving payment to statutory auditors for statutory audits and any other services rendered by them.
- Reviewing, with the Management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - Matters required to be included in the Directors' Responsibility Statement and in the Board's report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
  - Changes, if any, in accounting policies and practices and reasons for the same.
  - Major accounting entries involving estimates based on the exercise of judgment by Management.
  - Significant adjustments made in the financial statements arising out of audit findings.
  - Compliance with listing and other legal requirements relating to financial statements.
  - Disclosure of related party transactions, where these exist.
  - Qualifications in the draft audit report, if any.
- Reviewing, with Management, the quarterly financial statements before submission to the Board for approval.
- Reviewing, with Management, performance of statutory and internal auditors, adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, including coverage and frequency of internal audits.

- Discussing with the internal auditor any significant findings and follow-up thereof.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting such matters to the Board.
- Discussing with statutory auditors regarding the nature and scope of their audit, going forward, as well as post-audit discussions to ascertain any area of concern.
- Examining the reasons for any substantial defaults in the payment to the depositors, debenture-holders, shareholders (in case of non payment of declared dividends) and creditors, if any.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee is empowered to:

- investigate any activity within its terms of reference and seek any information it requires from any employee;
- obtain legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, when considered necessary.

IDFC has systems and procedures in place to ensure that the Audit Committee mandatorily reviews:

- the Management Discussion & Analysis of the financial condition and results of operations;
- statement of significant related party transactions, as defined by the Audit Committee, submitted by Management;
- Management letters / letters of internal control weaknesses issued by the statutory auditors;
- Internal audit reports relating to internal control weaknesses;
- the appointment, removal and terms of remuneration of the internal auditor;
- whenever applicable, the use / application of funds raised through public issues, rights issues, preferential issues by major category, as part of the quarterly and annual declaration of financial results;
- if applicable, on an annual basis, statement certified by the statutory auditors, detailing the use of funds raised through public issues, rights issues, preferential issues for purposes other than those stated in the offer document / prospectus / notice.

In addition, the Audit Committee also reviews the financial statements, in particular, the investments made by the unlisted subsidiary companies.

The Audit Committee is also appraised on information with regard to related party transactions by being presented:

- a statement in summary form of transactions with related parties in the ordinary course of business;
- details of materially significant individual transactions with related parties which are not in the normal course of business;
- details of material significant individual transactions with related parties or others,

5 Attendance details of Nomination Committee in FY12

Name of the Member	Position	Status	No. of Meetings held	No. of Meetings Attended
Mr. Deepak Parekh	Non-Executive Chairman	Chairman	1	1
Mr. Gautam Kaji	Independent Director	Member	1	1
Mr. Donald Peck	Independent Director	Member	1	Nil
Dr. Omkar Goswami	Independent Director	Member	1	Nil

6 Attendance details of Investors' Grievance Committee in FY12

Name of the Member	Position	Status	No. of Meetings held	No. of Meetings Attended
Mr. S. H. Khan	Independent Director	Chairman	4	4
Mr. Deepak Parekh*	Non-Executive Chairman	Member	3	2
Dr. Omkar Goswami	Independent Director	Member	4	3
Dr. Rajiv Lall	Vice Chairman & Managing Director	Member	4	3

* Mr. Deepak Parekh was inducted in the Committee w.e.f. July 27, 2011.

which are not on an arm's length basis along with Management's justification for the same.

B. COMPENSATION COMMITTEE

As of March 31, 2012, the Compensation Committee of IDFC comprised five Directors, none of whom are executives of the Company. The Committee met on April 29, 2011 and March 30, 2012. Details of the Compensation Committee are given in Table 4.

The Compensation Committee recommends to the Board the compensation terms of Whole-time Directors and Senior Managerial Personnel. The minutes of the Committee are reviewed by the Board.

C. NOMINATION COMMITTEE

The Nomination Committee assists the Board in the appointment of new Board members, and other matters like succession planning. The Committee met on July 27, 2011. Details of the Nomination Committee are give in Table 5.

D. INVESTORS' GRIEVANCE COMMITTEE

As of March 31, 2012, the Investors' Grievance Committee consists of four Directors, two of whom are Independent. The Committee met four times during the year: on April 29, 2011, July 27, 2011, November 8, 2011 and February 8, 2012. The Committee was reconstituted on July 27, 2011, by inducting Mr. Deepak Parekh as a member. Details are given in Table 6.

Mr. Mahendra Shah, Company Secretary of IDFC, is the Compliance Officer. Details of queries and grievances received and attended by the Company during FY12 for Equity Shares and Infrastructure Bonds are given in Tables 7A and 7B.

SUBSIDIARY COMPANIES

Clause 49 defines a 'material non-listed Indian subsidiary' as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid-up capital and free reserves) exceeds 20% of the consolidated turnover or net worth of the listed holding company and its subsidiaries in the immediately preceding accounting year. By this definition, IDFC does not have a 'material non-listed Indian subsidiary'.

SHARES AND CONVERTIBLE INSTRUMENTS HELD BY NON-EXECUTIVE DIRECTORS

As on March 31, 2012, none of the Non-Executive Directors held any shares or convertible instruments of the Company.

APPOINTMENT OR RE-APPOINTMENT OF DIRECTORS

During FY12 and leading up to the publishing of this Annual Report, Ms. Marianne Økland and Mr. Sunil Soni were appointed as Additional Directors w.e.f. October 1, 2011 and May 8, 2012, respectively. On May 8, 2012, Mr. S.S. Kohli was appointed as an Additional Director in the capacity of an Independent Director. They will hold office till the date of the ensuing AGM. The Company has received notices from Members of the Company under Section 257 of the Companies Act, 1956, proposing their candidature as Directors.

Mr. Dimitris Tsitsiragos and Mr. Bimal Julka ceased to be Directors w.e.f. from October 14, 2011 and May 8, 2012, respectively. The Board placed on record its appreciation of the invaluable guidance provided by them to the Company.

Seven Directors are liable to retire by rotation and one-third of them will retire at the ensuing AGM. Mr. Donald Peck and Mr. Gautam Kaji are retiring by rotation and being eligible, offer themselves for re-appointment in the ensuing AGM.

The Nomination Committee of the Company, at its meeting held on May 8, 2012, recommended (i) the re-appointment of Mr. Deepak Parekh as the Non-Executive Chairman of the Company for a period of three years w.e.f. May 8, 2012; (ii) the re-appointment and re-designation of Dr. Rajiv Lall as Vice Chairman & Managing Director, for a period of 3 years w.e.f. May 8, 2012 and (iii) the re-appointment and re-designation of Mr. Vikram Limaye as Deputy Managing Director for a period of 3 years w.e.f. May 8, 2012.

The Compensation Committee of the Company, at its meeting held on May 8, 2012, recommended the terms of re-appointment of Dr. Rajiv Lall and Mr. Vikram Limaye, which are provided in the Notice convening the ensuing AGM.

Based on the recommendation of Nomination and Compensation Committees and subject to the approval of the Members at the AGM, the Board of Directors, at its meeting held on May 8, 2012, granted its approval for the re-appointment of

7A Nature of complaints received and attended to during FY12 – for Equity Shares

Nature of Complaint	Pending as on April 1, 2011	Received during the year	Answered during the year	Pending as on March 31, 2012
1. Transfer / Transmission / Duplicate	NIL	NIL	NIL	NIL
2. Non-receipt of Dividend	NIL	337	337	NIL
3. Dematerialisation / Rematerialisation of shares	NIL	NIL	NIL	NIL
4. Complaints received from:				
a) Securities and Exchange Board of India	NIL	4	4	NIL
b) Stock Exchanges	NIL	3	3	NIL
c) Registrar of Companies	NIL	NIL	NIL	NIL
5. Legal	NIL	NIL	NIL	NIL
6. Non-receipt of Refund Order	NIL	1	1	NIL
7. Non-receipt of Electronic Credits	NIL	2	2	NIL
8. Non-receipt of Annual Reports	NIL	23	23	NIL

Mr. Deepak Parekh, re-appointment and re-designation of Dr. Rajiv Lall and Mr. Vikram Limaye. Brief resumes of the Directors getting appointed or re-appointed are given in the Exhibit to the Notice of the AGM.

MANAGEMENT

MANAGEMENT DISCUSSION & ANALYSIS

The Annual Report has a separate chapter entitled Management Discussion & Analysis.

DISCLOSURES

Transactions with related parties entered into by the Company in the normal course of business were placed before the Audit Committee. Details of related party transactions are included in the Notes to the Accounts.

DISCLOSURE OF ACCOUNTING TREATMENT IN PREPARATION OF FINANCIAL STATEMENTS

The Company has complied with applicable Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006, as amended in preparation of its financial statements.

CONFIRMATION OF COMPLIANCE

IDFC has complied with all the requirements of regulatory authorities. No penalties or strictures were imposed on the Company by stock exchanges or SEBI or any statutory authority on any matter related to capital market during the last three years.

CODE FOR PREVENTION OF INSIDER TRADING

In compliance with the SEBI Regulation on Prevention of Insider Trading, the Company has instituted a comprehensive Code of Conduct for its Management and staff. It lays down guidelines which advises employees on procedures to be followed and disclosures to be made while dealing with the shares of the Company and cautions them of the consequences of violations.

ANTI-MONEY LAUNDERING AND KNOW YOUR CUSTOMER POLICY

In keeping with specific requirements for Non-Banking Financial Company, the Company has formulated an Anti-Money Laundering and Know Your Customer Policy.

CEO AND CFO CERTIFICATION

The CEO and CFO certification of the financial statements for the year is enclosed at the end of the chapter on Additional Shareholder Information.

SHAREHOLDERS

MEANS OF COMMUNICATION WITH SHAREHOLDERS

As per Clause 54 of the Listing Agreement, IDFC maintains a website (www.idfc.com) containing basic information about the Company, such as details of its business, financial information, shareholding pattern, compliance with corporate governance, contact information of the designated officials of the Company who are responsible for assisting and handling investor grievances, etc. It also displays all official press releases and presentation to analysts made by the Company. Information on this website is regularly updated.

As per Clause 52 of the Listing Agreement, information about the financial results, shareholding pattern and other specified details are now electronically filed through the Corporate Filing and Dissemination System (CFDS). Investors can visit the website www.corpfiling.co.in to view such data.

The quarterly, half-yearly and annual results of the Company's performance are published in leading newspapers like the Business Standard for all-India, and Makkal Kural in Chennai.

ALTERATION OF ARTICLES OF ASSOCIATION AND CHANGE OF NAME

The Company proposes to alter it's Articles of Association and change it's Name from Infrastructure Development Finance Company Limited to IDFC Limited. The details thereof are provided in Notice convening the AGM & Directors' Report.

ANNUAL AND EXTRA-ORDINARY GENERAL MEETING OF SHAREHOLDERS

Table 8 gives the details of the last three financial years.

The following Special Resolutions were taken up in the last three AGMs and were passed with requisite majority.

- AGM held on July 20, 2009: (i) appointment of statutory auditors, and (ii) grant of stock options in excess of 1% in one year under Employee Stock Option Scheme of the Company.

7B Nature of complaints received and attended to during FY12 – for Infrastructure Bonds

Nature of Complaint	Pending as on April 1, 2011	Received during the year	Answered during the year	Pending as on March 31, 2012
1. Transfer / Transmission / Duplicate	NIL	134	134	NIL
2. Non-receipt of Interest on Bonds	NIL	917	917	NIL
3. Dematerialisation / Rematerialisation of Bonds	NIL	NIL	NIL	NIL
4. Complaints received from:				
a) Securities and Exchange Board of India	NIL	239	239	NIL
b) Stock Exchanges	NIL	3	3	NIL
c) Registrar of Companies	NIL	NIL	NIL	NIL
5. Legal	NIL	NIL	NIL	NIL
6. Non-receipt of Refund Order	NIL	1,407	1,407	NIL
7. Non-receipt of Electronic Credits	NIL	2,237	2,237	NIL
8. Non-receipt of Securities	NIL	28,074	28,074	NIL

8 Annual / Extra-Ordinary General Meetings

Financial Year	Category	Location of the meeting	Date	Time
FY09	AGM	Tapovan Hall, Chetpet, Chennai	July 20, 2009	2.30 p.m.
FY10	AGM	Tapovan Hall, Chetpet, Chennai	June 28, 2010	2.30 p.m.
FY11	AGM	Tapovan Hall, Chetpet, Chennai	July 27, 2011	2.00 p.m.

9 Compliance Report

Particulars	Clause of Listing Agreement	Compliance status
I. Board of Directors	**49 I**	**Compliant**
(A) Composition of Board	49 (IA)	Compliant
(B) Non-Executive Directors' Compensation & Disclosures	49 (IB)	Compliant
(C) Other provisions as to Board and Committees	49 (IC)	Compliant
(D) Code of Conduct	49 (ID)	Compliant
II. Audit Committee	**49 (II)**	**Compliant**
(A) Qualified & Independent Audit Committee	49 (IIA)	Compliant
(B) Meeting of Audit Committee	49 (IIB)	Compliant
(C) Powers of Audit Committee	49 (IIC)	Compliant
(D) Role of Audit Committee	49 (IID)	Compliant
(E) Review of Information by Audit Committee	49 (IIE)	Compliant
III. Subsidiary Companies	**49 (III)**	**Compliant**
IV. Disclosures	**49 (IV)**	**Compliant**
(A) Basis of related party transactions	49 (IVA)	Compliant
(B) Disclosure of Accounting Treatment	49 (IVB)	Compliant
(C) Board Disclosures	49 (IVC)	Compliant
(D) Proceeds from public, rights, preference issues, etc.	49 (IVD)	Compliant
(E) Remuneration of Directors	49 (IVE)	Compliant
(F) Management	49 (IVF)	Compliant
(G) Shareholders	49 (IVG)	Compliant
V. CEO / CFO Certification	**49 (V)**	**Compliant**
VI. Report on Corporate Governance	**49 (VI)**	**Compliant**
VII. Compliance	**49 (VII)**	**Compliant**

- AGM held on June 28, 2010: (i) appointment of statutory auditors, and (ii) raising of capital.
- AGM held on July 27, 2011: (i) appointment of statutory auditors.

POSTAL BALLOT

During the FY12, through a notice dated September 30, 2011, approval of shareholders was sought by voting through postal ballot of an ordinary resolution to authorise creation of mortgage / hypothecation of charge on the assets of the Company under the provisions of Section 293(1)(a) of the Companies Act, 1956.

The Company appointed Ms. Savita Jyoti, a practicing Company Secretary, as the scrutinizer for conducting the postal ballot voting. The scrutinizer submitted her report to the Chairman, and the result was announced on Tuesday, November 1, 2011. The result was also displayed at the corporate office and the registered office of the Company and was posted on the website, www.idfc.com, besides being communicated to the stock exchanges where IDFC is listed.

COMPLIANCE

STATUS OF COMPLIANCE WITH THE LISTING AGREEMENT

Table 9 gives the relevant data. IDFC is fully compliant.

ADOPTION OF NON-MANDATORY REQUIREMENTS

The Board has constituted a Compensation Committee. Details of the Committee have been provided earlier in this chapter. The Company has also adopted a Whistle Blower Policy. In addition, the Company's financial statements are free from any qualifications by the statutory auditors.

The Ministry of Corporate Affairs, Government of India, published its Corporate Governance Voluntary Guidelines in 2009 to encourage the use of better corporate governance and Board practices through voluntary adoption. IDFC substantially complies with these guidelines.

ADDITIONAL SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING

Date: July 9, 2012
Time: 11.00 a.m.
Venue: The Music Academy, New No. 168 (Old No. 306) T.T.K. Road, Royapettah, Chennai - 600014

FINANCIAL CALENDAR

Financial year: April 1, 2011 to March 31, 2012
For the year ended March 31, 2012, results were announced on:

- July 27, 2011: First quarter
- November 8, 2011 : Half yearly
- February 10, 2012 : Third quarter
- May 8, 2012: Fourth quarter and annual.

For the year ending March 31, 2013, results will be announced by:

- Second week of August 2012 : First quarter
- Second week of November 2012: Half yearly
- Second week of February 2013: Third quarter
- Last week of May 2013: Fourth quarter and annual.

BOOK CLOSURE

The dates of book closure are from June 30, 2012 to July 9, 2012 (inclusive of both days).

DIVIDEND PAYMENT

A final dividend of ₹ 2.30/- (23%) per equity share will be paid from July 10, 2012, subject to approval by the shareholders at the ensuing AGM.

UNCLAIMED SHARES LYING IN THE ESCROW ACCOUNT

Pursuant to SEBI's circular no **CIR/CFD/DIL/10/2010 dated December 16, 2010** the

1 Unclaimed shares lying in the Escrow Account

Particulars	No. of cases / members	No. of shares of ₹ 10/- each
Aggregate number of shareholders and the outstanding shares lying in the Demat Suspense Account at the beginning of the year	103	29,175
Number of shareholders who approached to Issuer / Registrar for transfer of shares from Demat Suspense Account during FY12	0	0
Number of shareholders to whom shares were transferred from Demat Suspense Account during FY12	0	0
Aggregate number of shareholders and the outstanding shares lying in the Demat Suspense Account at the end of the year i.e. as on March 31, 2012	103	29,175

2 IDFC's Stock Exchange Codes

Name of the Stock Exchange	Stock Code
National Stock Exchange of India Limited (NSE)	IDFC EQ
BSE Limited (BSE)	532659
ISIN	INE043D01016

3 Highs, lows and volumes of Company's equity shares for FY12 at NSE and BSE

	NSE			BSE		
	High	Low	Volume	High	Low	Volume
Mar-12	154.40	125.90	184,547,816	154.35	126.00	24,216,838
Feb-12	161.00	128.30	217,379,556	160.80	128.50	25,609,487
Jan-12	134.50	90.40	204,527,611	134.50	90.25	29,243,046
Dec-11	119.35	90.90	157,350,518	119.40	91.20	26,674,797
Nov-11	135.95	101.25	130,061,378	135.60	101.35	18,803,919
Oct-11	135.00	107.00	97,487,230	134.70	106.55	12,316,803
Sep-11	118.45	106.55	130,228,492	118.40	106.55	19,992,533
Aug-11	130.30	103.25	179,594,750	130.35	103.20	28,358,892
Jul-11	145.00	122.40	166,292,047	144.60	122.85	24,809,890
Jun-11	142.90	111.15	180,518,013	142.95	111.25	33,542,187
May-11	145.95	125.50	148,119,269	145.50	125.55	20,741,215
Apr-11	167.20	143.45	91,706,853	167.00	143.70	11,281,286

Note: High and low are in ₹ per traded share. Volume is the total monthly volume of trade in number of IDFC's shares.
A comparison of the share prices of the Company in the NSE and BSE with their respective indicative indices are given in Chart A and B

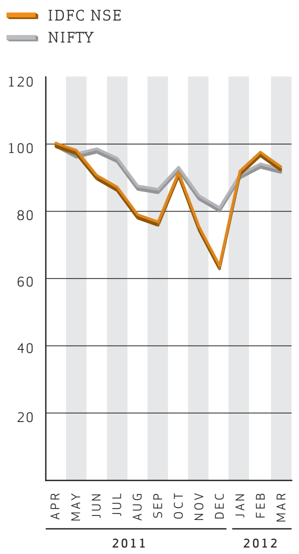
4 Equity shareholding pattern by size

Number of shares	No. of shareholders	% of shareholders	No. of shares	% of shares
1-5000	350,729	99.07	93,977,318	6.21
5001-10000	1,476	0.42	10,739,007	0.71
10001-20000	608	0.17	8,693,996	0.57
20001-30000	245	0.07	6,082,892	0.40
30001-40000	111	0.03	3,923,266	0.26
40001-50000	79	0.02	3,656,031	0.24
50001-100000	195	0.06	13,720,864	0.91
100001 and above	554	0.16	1,371,569,394	90.70
Total	353,997	100.00	1,512,362,768	100.00

5 Equity shareholding pattern by ownership

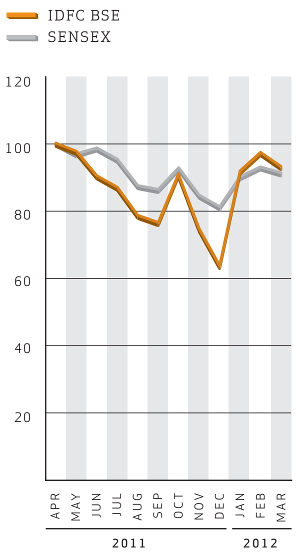
	March 31, 2012		March 31, 2011	
	NO. OF EQUITY SHARES (FACE VALUE OF ₹ 10/- EACH)	SHARES HELD PERCENTAGE	NO. OF EQUITY SHARES (FACE VALUE OF ₹ 10/- EACH)	SHARES HELD PERCENTAGE
A. Promoters Holding				
Promoters	-	0.00%	-	0.00%
Indian Promoters	-	0.00%	-	0.00%
Foreign Promoters	-	0.00%	-	0.00%
Persons acting in concert	-	0.00%	-	0.00%
B. Non-Promoters Holding				
a) President of India	261,400,000	17.28%	261,400,000	17.89%
b) Banks, Financial institutions, Insurance Companies (Central/State Govt. Institutions/Non-Govt. Institutions)	206,276,869	13.64%	205,713,945	14.08%
c) Foreign Institutional Investors (FIIs)	733,722,823	48.52%	734,689,241	50.29%
d) Foreign Direct Investment (FDI)	11,803,311	0.78%	11,803,311	0.81%
e) Mutual Funds	57,507,462	3.80%	55,687,159	3.81%
f) Private Corporate Bodies	96,341,331	6.37%	56,387,709	3.86%
g) Indian Public	125,980,752	8.33%	120,678,996	8.26%
h) NRIs/OCBs/Foreign Nationals	4,692,379	0.31%	4,744,899	0.32%
i) Any other				
Clearing Member	7,945,573	0.53%	4,066,204	0.28%
Trusts	1,071,908	0.07%	565,361	0.04%
HUF	5,620,360	0.37%	5,210,723	0.36%
Grand Total	1,512,362,768	100%	1,460,947,548	100%

A IDFC V/S NIFTY



Note The share prices of the Company at NSE and NSE Nifty have been indexed to 100 as on the last working day of FY12

B IDFC V/S SENSEX



Note The share prices of the Company at BSE and BSE Sensex have been indexed to 100 as on the last working day of FY12

Company has credited the unclaimed shares lying in the escrow account allotted pursuant to the Initial Public Offer of the Company during July-August 2005, into a Demat Suspense Account opened specifically for this purpose. The voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares. The details as required to be disclosed in the Annual Report are given in Table 1.

LISTING

At present, the equity shares of the Company are listed on National Stock Exchange of India Limited (NSE) and BSE Limited (BSE). The annual listing fees for FY13 to NSE and BSE have been paid. Refer Table 2.

STOCK MARKET DATA

Table 3, Chart A and Chart B give details of Stock Market data of the Company's shares.

DISTRIBUTION OF SHAREHOLDING

The distribution of the shareholding of the equity shares of the Company by size and by ownership as on March 31, 2012 are listed in Table 4 and Table 5.

DEMATERIALISATION OF SHARES

As on March 31, 2012, over 99.99% shares of the Company were held in dematerialised form.

DETAILS OF CONVERSION OF CONVERTIBLE INSTRUMENTS AND FUNDS RAISED FROM PUBLIC ISSUE OF INFRASTRUCTURE BONDS

During FY12, 84,000,000 Compulsorily Convertible Cumulative Preference Shares (CCCPS) of ₹ 100 each, which were issued by the Company on preferential basis in FY11 were converted into 47,727,272 equity shares of ₹ 10 each.

During FY12, the Company made a public issue of Long Term Infrastructure Bonds of face value of ₹ 5,000 each, in the nature of secured, redeemable, non-convertible debentures, having benefits under Section 80CCF of the Income-tax Act, 1961, under the applicable SEBI Guidelines, aggregating to ₹ 1,387.46 crore.

SHARE TRANSFER SYSTEM

The Company has appointed Karvy Computershare Private Limited (Karvy) as its Registrar and Transfer Agent. All share transfers and related operations are conducted by Karvy, which is registered with SEBI as a Category 1 Registrar. The Company has constituted an Investors' Grievances Committee for redressing shareholders' / investors' complaints.

INVESTOR CORRESPONDENCE SHOULD BE ADDRESSED TO:

1) REGISTRAR AND TRANSFER AGENT

Unit : IDFC
Karvy Computershare Pvt. Ltd.
Plot No. 17 to 24, Vittal Rao Nagar,
Madhapur, Hyderabad - 500 081
Tel.: +91 40 4465 5000
Fax: +91 40 2343 1551

2) MAHENDRA N. SHAH COMPANY SECRETARY

Infrastructure Development Finance Company Limited
Naman Chambers,
C-32, G Block, Bandra-Kurla Complex,
Bandra (East), Mumbai - 400 051
Tel.: +91 22 4222 2016
Fax: +91 22 2654 0354
E-mail: mahendra.shah@idfc.com

REGISTERED OFFICE ADDRESS:

Infrastructure Development Finance Company Limited
KRM Tower, 8th Floor,
No. 1, Harrington Road, Chetpet,
Chennai - 600 031
Tel.: +91 44 4564 4000
Fax: +91 44 4564 4022

CERTIFICATION BY CEO & CFO

We, Rajiv Lall, Managing Director & Chief Executive Officer and Sunil Kakar, Chief Financial Officer, of Infrastructure Development Finance Company Limited (the Company), hereby certify to the Board that:

(a) We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:

- (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

(b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.

(c) We are responsible for establishing and maintaining internal controls for financial reporting in the Company and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting. We have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

(d) We have indicated to the Auditors and the Audit committee

- (i) Significant changes in internal control over financial reporting during the year;
- (ii) Significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements; and
- (iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system

(e) We affirm that we have not denied any personnel access to the Audit Committee of the Company (in respect of matters involving alleged misconduct, if any)

(f) We further declare that all Board members and Senior Management have affirmed compliance with the code of conduct for the current year.

RAJIV LALL
Managing Director & CEO

SUNIL KAKAR
Chief Financial Officer

Mumbai
May 8, 2012

AUDITORS' CERTIFICATE

TO THE MEMBERS OF INFRASTRUCTURE DEVELOPMENT FINANCE COMPANY LIMITED

We have examined the compliance of conditions of corporate governance by **INFRASTRUCTURE DEVELOPMENT FINANCE COMPANY LIMITED** ("the Company") for the year ended March 31, 2012 as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

FOR DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 117366W)

ZUBIN F. BILLIMORIA
Partner
Membership No. 42791

Mumbai
June 8, 2012

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF INFRASTRUCTURE DEVELOPMENT FINANCE COMPANY LIMITED

1. We have audited the attached Consolidated Balance Sheet of INFRASTRUCTURE DEVELOPMENT FINANCE COMPANY LIMITED ("the Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group") as at March 31, 2012, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. The Consolidated Financial Statements include investments in associates accounted on the equity method in accordance with Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of twelve subsidiaries, whose financial statements reflect total assets of ₹ 281.32 crore as at March 31, 2012, total revenues (net) of ₹ 185.96 crore and net cash inflow amounting to ₹ 0.76 crore for the year ended on that date as considered in the Consolidated Financial Statements. We have also not audited the financial statements of two associates in which the Company's share of profit amounts to ₹ 1.87 crore. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries and associates, is based solely on the reports of the other auditors.

4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements) and Accounting Standard 23 (Accounting for Investment in Associates in Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006.

5. Based on our audit and on consideration of the separate audit reports on the individual financial statements of the Company, the aforesaid subsidiaries and associates, and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2012;

   (ii) in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and

   (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

FOR DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 117366W)

P. R. RAMESH
Partner
Membership No. 70928

Mumbai
May 8 , 2012

BALANCE SHEET

CONSOLIDATED AS AT MARCH 31,2012

(₹ in crore)

	NOTES	AS AT MARCH 31, 2012	AS AT MARCH 31, 2012	AS AT MARCH 31, 2011
EQUITY AND LIABILITIES				
Shareholders' funds				
(a) Share capital	6	1,512.36		2,300.95
(b) Reserves and surplus	7	10,772.68		8,943.35
			12,285.04	11,244.30
Share application money pending allotment	8		0.60	4.14
Minority interest			17.78	0.17
Non-current liabilities				
(a) Long-term borrowings	9	29,837.20		26,786.08
(b) Other long-term liabilities	10	141.62		53.86
(c) Deferred tax liabilities (net)	17	2.18		1.53
(d) Long-term provisions	11	128.93		100.26
			30,109.93	26,941.73
Current liabilities				
(a) Short-term borrowings	12	7,351.01		1,686.99
(b) Trade payables	38	223.16		283.43
(c) Other current liabilities	13	10,548.21		8,784.21
(d) Short-term provisions	14	443.41		402.20
			18,565.79	11,156.83
TOTAL			**60,979.14**	**49,347.17**
ASSETS				
Non-current assets				
(a) Fixed assets				
(i) Tangible assets	15(a)	374.57		403.55
(ii) Intangible assets	15(b)	5.26		8.97
(iii) Capital work-in-progress		36.65		34.24
(iv) Intangible assets under development		-		0.13
			416.48	446.89
(b) Goodwill on consolidation			966.75	1,163.80
(c) Non-current investments	16		2,433.11	2,631.29
(d) Deferred tax assets (net)	17		320.22	249.56
(e) Long-term loans and advances				
(i) Loans	18	42,083.86		33,042.78
(ii) Others	19	472.39		922.56
			42,556.25	33,965.34
(f) Other non-current assets	20		368.14	950.94
			47,060.95	39,407.82
Current assets				
(a) Current investments	21		5,100.75	4,329.85
(b) Trade receivables	22		383.48	57.56
(c) Cash and bank balances	23		698.11	562.24
(d) Short-term loans and advances				
(i) Loans	18	6,100.72		4,604.84
(ii) Others	19	1,024.38		75.39
			7,125.10	4,680.23
(e) Other current assets	20		610.75	309.47
			13,918.19	9,939.35
TOTAL			**60,979.14**	**49,347.17**

See accompanying notes forming part of the consolidated financial statements.

IN TERMS OF OUR REPORT ATTACHED.

FOR DELOITTE HASKINS & SELLS
Chartered Accountants

P. R. RAMESH
Partner

Mumbai | May 8, 2012

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF
INFRASTRUCTURE DEVELOPMENT FINANCE COMPANY LIMITED

DEEPAK S. PAREKH
Chairman

RAJIV B. LALL
Managing Director & CEO

SUNIL KAKAR
Chief Financial Officer

MAHENDRA N. SHAH
Company Secretary

STATEMENT OF PROFIT AND LOSS

CONSOLIDATED FOR THE YEAR ENDED MARCH 31, 2012

(₹ in crore)

		NOTES	FOR THE YEAR ENDED MARCH 31, 2012	FOR THE YEAR ENDED MARCH 31, 2011
I	INCOME			
	Revenue from operations	24	6,336.45	4,915.98
	Other income	25	98.55	17.05
	TOTAL INCOME (I)		6,435.00	4,933.03
II	EXPENSES			
	Employee benefits expense	26	304.71	295.93
	Finance costs	27	3,456.16	2,387.53
	Provisions and contingencies	28	284.58	234.61
	Other expenses	29	178.44	195.95
	Depreciation and amortisation expense	15 (a) & (b)	38.44	40.17
	TOTAL EXPENSES (II)		4,262.33	3,154.19
III	PROFIT BEFORE TAX (I - II)		2,172.67	1,778.84
IV	TAX EXPENSE			
	Current tax		692.38	572.42
	Current tax expense relating to prior years		(0.21)	-
	Deferred tax	17	(70.00)	(72.67)
	Minimum alternate tax credit		(0.31)	-
	TOTAL TAX EXPENSE (IV)		621.86	499.75
V	PROFIT AFTER TAX (before share of profit from associates and adjustment for minority interest) (III-IV)		1,550.81	1,279.09
VI	SHARE OF NET PROFIT FROM ASSOCIATES		1.87	2.23
VII	SHARE OF LOSS OF MINORITY INTEREST		1.33	0.34
VIII	PROFIT FOR THE YEAR (V+VI+VII)		1,554.01	1,281.66
IX	EARNINGS PER EQUITY SHARE (nominal value of share ₹ 10 each)	34		
	Basic (₹)		10.24	8.77
	Diluted (₹)		10.20	8.71

See accompanying notes forming part of the consolidated financial statements.

IN TERMS OF OUR REPORT ATTACHED.

FOR DELOITTE HASKINS & SELLS
Chartered Accountants

P. R. RAMESH
Partner

Mumbai | May 8, 2012

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF
INFRASTRUCTURE DEVELOPMENT FINANCE COMPANY LIMITED

DEEPAK S. PAREKH
Chairman

RAJIV B. LALL
Managing Director & CEO

SUNIL KAKAR
Chief Financial Officer

MAHENDRA N. SHAH
Company Secretary

CASH FLOW STATEMENT

CONSOLIDATED FOR THE YEAR ENDED MARCH 31, 2012

(₹ in crore)

	NOTES	FOR THE YEAR ENDED MARCH 31, 2012	FOR THE YEAR ENDED MARCH 31, 2012	FOR THE YEAR ENDED MARCH 31, 2011
A. CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax			2,172.67	1,778.84
ADJUSTMENTS FOR:				
Depreciation and amortisation expense	15(a) & (b)	38.44		40.17
Provision for employee benefits		1.49		(1.91)
Expense under the ESOS	26	4.31		16.75
Provisions and contingencies	28	284.58		234.61
(Gain) / loss on foreign currency revaluation		31.82		(7.42)
Profit on sale of investments in group companies	25	(83.82)		(0.76)
Profit on sale of other investments (net)	24	(412.35)		(254.78)
Utilisation of securities premium account (gross of tax)		(132.19)		(243.44)
Amortisation of premium on investments		3.32		3.01
Foreign currency translation reserve		7.22		(1.27)
Profit on sale of fixed assets (net)	25	(4.30)		(6.88)
			(261.48)	(221.92)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES			1,911.19	1,556.92
CHANGES IN WORKING CAPITAL:				
Adjustments for increase in operating assets		(181.51)		(320.93)
Adjustments for increase in operating liabilities		354.64		243.22
			173.13	(77.71)
Direct taxes paid			(660.64)	(481.51)
CASH GENERATED FROM OPERATIONS			1,423.68	997.70
Loans disbursed (net of repayments)			(10,679.47)	(12,669.28)
NET CASH USED IN OPERATING ACTIVITIES			**(9,255.79)**	**(11,671.58)**
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets (including capital work-in-progress and intangible assets under development)			(9.04)	(52.46)
Sale of fixed assets			5.30	13.78
Bank deposits matured / (placed) (net)			208.91	(726.00)
Investments in associates			(101.29)	-
Investment in a subsidiary			(8.00)	(0.05)
Purchase of other investments			(180,266.63)	(187,441.32)
Sale proceeds of other investments			179,815.49	186,893.88
Sale proceeds of investments in subsidiaries and jointly controlled entities			297.79	45.45
Goodwill on acquisitions			-	(4.17)
Capital reserve due to change in shareholding in group companies			ß	ß
Opening adjustment			0.33	0.03
NET CASH USED IN INVESTING ACTIVITIES			**(57.14)**	**(1,270.86)**

CASH FLOW STATEMENT

CONSOLIDATED FOR THE YEAR ENDED MARCH 31, 2012

(₹ in crore)

	NOTES	FOR THE YEAR ENDED MARCH 31, 2012	FOR THE YEAR ENDED MARCH 31, 2012	FOR THE YEAR ENDED MARCH 31, 2011
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from fresh issue of shares (net of issue expenses)			15.63	3,505.24
Securities premium on issue of shares by a subsidiary company			2.25	-
Proceeds from borrowings (net of repayments)			9,494.41	9,779.10
Dividend paid (including dividend distribution tax)			(422.20)	(225.08)
Increase / (decrease) in minority interest			17.68	(5.81)
NET CASH FROM FINANCING ACTIVITIES			9,107.77	13,053.45
Net increase / (decrease) in cash and cash equivalents (A+B+C)			(205.16)	111.01
Cash and cash equivalents as at the beginning of the year	23		309.28	198.27
Cash and cash equivalents as at the end of the year	23		104.12	309.28
			(205.16)	111.01

See accompanying notes forming part of the consolidated financial statements.

IN TERMS OF OUR REPORT ATTACHED.
FOR DELOITTE HASKINS & SELLS
Chartered Accountants

P. R. RAMESH
Partner

Mumbai | May 8, 2012

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF
INFRASTRUCTURE DEVELOPMENT FINANCE COMPANY LIMITED

DEEPAK S. PAREKH
Chairman

RAJIV B. LALL
Managing Director & CEO

SUNIL KAKAR
Chief Financial Officer

MAHENDRA N. SHAH
Company Secretary

NOTES TO FINANCIAL STATEMENTS

CONSOLIDATED FOR THE YEAR ENDED MARCH 31, 2012

1 GROUP INFORMATION

Infrastructure Development Finance Company Limited ('the Holding Company') is a public company, incorporated in India and regulated by the Reserve Bank of India (RBI) as an Infrastructure Finance Company-Non Banking Finance Company (IFC-NBFC). The Holding Company and its twenty four subsidiary companies, three entities over which the Holding Company has direct or indirect significant influence and three jointly controlled entities constitute the Group. The Group also has three associate companies. The Group is engaged in financing by way of loans, asset management and investment banking.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP). The Holding Company has prepared these financial statements to comply in all material respects with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended), the relevant provisions of the Companies Act, 1956 and the applicable guidelines issued by the RBI. The financial statements have been prepared on the accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

3 BASIS OF CONSOLIDATION

(a) The Consolidated Financial Statements comprise the individual financial statements of the Holding Company, its subsidiaries as on March 31, 2012 and for the year ended on that date. The consolidated financial statements have been prepared on the following basis:

i. The financial statements of the Holding Company and its subsidiaries have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses as per Accounting Standard 21 on 'Consolidated Financial Statements' as notified under the Companies (Accounting Standards) Rules, 2006.

ii. Investments in associates by the Holding Company and its subsidiaries are accounted under the equity method and its share of pre-acquisition profits / losses is reflected as capital reserve / goodwill in the carrying value of investments in accordance with Accounting Standard 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements' as notified under the Companies (Accounting Standards) Rules, 2006.

iii. The financial statements of the subsidiaries and the associates used in the consolidation are drawn up to the same Balance Sheet date as that of the Holding Company, i.e. March 31, 2012.

iv. The excess of the cost to the Holding Company of its investment in the subsidiaries and the associates over the Holding Company's portion of equity is recognised in the financial statements as goodwill and is tested for impairment on an annual basis.

v. The excess of the Holding Company's portion of equity of the subsidiaries and the associates on the acquisition date over its cost of investment is treated as capital reserve.

vi. Minority interest in the net assets of the subsidiaries consists of the amount of equity attributable to minorities at the date on which investment in a subsidiary is made. Net profit / loss for the year of the subsidiaries attributable to minorities is identified and adjusted against the profit after tax of the Group.

vii. In case of foreign subsidiaries, being non-integral operations, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at the rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognised in the foreign currency translation reserve.

(b) The financial statements of the following subsidiaries have been consolidated as per Accounting Standard 21 on 'Consolidated Financial Statements' as notified under the Companies (Accounting Standard) Rules, 2006:

NAME OF SUBSIDIARY	MARCH 31, 2012 PROPORTION OF OWNERSHIP INTEREST (%)	MARCH 31, 2011 PROPORTION OF OWNERSHIP INTEREST (%)
Dheeru Powergen Limited (Subsidiary of IDFC Projects Limited)	51.00	51.00
Emerging Markets Private Equity Fund, L.P. (Subsidiary of IDFC Fund of Funds Limited up to January 26, 2012) [see note 4(a)]	-	100.00
IDFC Asset Management Company Limited (75% with effect from December 7, 2011) [see note 4(b)]	75.00	100.00
IDFC AMC Trustee Company Limited (75% with effect from December 7, 2011) [see note 4(b)]	75.00	100.00
IDFC Capital Limited (Subsidiary of IDFC Securities Limited)	100.00	100.00

NOTES TO FINANCIAL STATEMENTS

CONSOLIDATED FOR THE YEAR ENDED MARCH 31, 2012

NAME OF SUBSIDIARY	MARCH 31, 2012 PROPORTION OF OWNERSHIP INTEREST (%)	MARCH 31, 2011 PROPORTION OF OWNERSHIP INTEREST (%)
IDFC Capital (Singapore) Pte. Ltd. (Subsidiary of IDFC Capital Limited) [see note 4(a)]	100.00	100.00
IDFC Capital (USA) Inc. (Subsidiary of IDFC Securities Limited)	100.00	100.00
IDFC Distribution Company Limited (Subsidiary of IDFC Securities Limited)	100.00	100.00
IDFC Finance Limited	100.00	100.00
IDFC Fund of Funds Limited (Subsidiary of IDFC Capital Limited)	100.00	100.00
IDFC General Partners Limited (Subsidiary of IDFC Capital Limited) [see note 4(a)]	100.00	100.00
IDFC Investment Advisors Limited (Subsidiary of IDFC Asset Management Company Limited) (75% with effect from December 7, 2011) [see note 4(b)]	75.00	100.00
IDFC Investment Managers (Mauritius) Limited (Subsidiary of IDFC Asset Management Company Limited) (75% with effect from December 7, 2011) [see note 4(b)]	75.00	100.00
IDFC Pension Fund Management Company Limited (Subsidiary of IDFC Asset Management Company Limited) (87.50% with effect from December 7, 2011) [see note 4(b)]	87.50	100.00
IDFC Project Equity Company Limited	100.00	100.00
IDFC Projects Limited	100.00	100.00
IDFC PPP Trusteeship Company Limited (up to March 22, 2012) [see note 4(c)]	-	100.00
IDFC Primary Dealership Company Limited (with effect from March 17, 2012) [see note 4(d)]	100.00	-
IDFC Private Equity Company Limited	100.00	100.00
IDFC Securities Limited	100.00	100.00
IDFC Trustee Company Limited	100.00	100.00
Jetpur Somnath Highway Limited (Subsidiary of IDFC Projects Limited up to August 10, 2011) [see note 4(e)]	-	100.00
Jetpur Somnath Tollways Limited (with effect from January 11, 2011 up to August 11, 2011) [see note 4(f)]	-	100.00
Uniquest Infra Ventures Private Limited (with effect from February 3, 2011 up to June 3, 2011) [see note 4(g)]	-	100.00

All the subsidiaries are incorporated in India, except:

IDFC Capital (Singapore) Pte. Ltd., a Company incorporated in Singapore.

IDFC General Partners Limited, a Company incorporated in Guernsey.

IDFC Fund of Funds Limited, a Company incorporated in Guernsey.

Emerging Markets Private Equity Fund L.P., a Limited Partnership registered in Guernsey.

IDFC Investment Managers (Mauritius) Limited, a Company incorporated in Mauritius.

IDFC Capital (USA) Inc., a Company incorporated in USA.

(c) The Holding Company has made an investment in IDFC Foundation, a Section 25 Company under Companies Act, 1956, wherein the profits will be applied for promoting its objects. Accordingly, the consolidated accounts of IDFC Foundation are not consolidated in these financial statements, since the Holding Company will not derive any economic benefits from its investments in IDFC Foundation.

NOTES TO FINANCIAL STATEMENTS

CONSOLIDATED FOR THE YEAR ENDED MARCH 31, 2012

(d) The Holding Company and its subsidiary company has investment in three associates, of which two are accounted for on the Equity Method in accordance with Accounting Standard 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements' as notified under the Companies (Accounting Standards) Rules, 2006:

NAME OF ASSOCIATE	MARCH 31, 2012 PROPORTION OF OWNERSHIP INTEREST (%)	MARCH 31, 2011 PROPORTION OF OWNERSHIP INTEREST (%)
Jetpur Somnath Tollways Limited (Associate of IDFC Projects Limited) (with effect from August 12, 2011) [see note 4(f)]	26.00	-
Feedback Infrastructure Services Private Limited	24.61	24.61
Galaxy Mercantiles Limited (with effect from December 2, 2011) [see note 4(h)]	43.44	-

4 DURING THE YEAR

(a) IDFC Capital (Singapore) Pte. Ltd. has assigned its rights as a manager of Emerging Markets Private Equity Fund, L.P. with effect from January 26, 2012. Consequently, Emerging Markets Private Equity Fund, L.P. has ceased to be an entity over which control is exercised by the Holding Company. Further, IDFC General Partners Limited has also assigned its rights and discontinued managing the Emerging Market Private Equity Fund, L.P. in its capacity as general partner of the fund and is under liquidation.

(b) The Holding Company has sold 25% stake in IDFC Asset Management Company Limited and IDFC AMC Trustee Company Limited to Natixis Global Asset Management. Consequent to sale, the proportion of ownership interest in IDFC Asset Management Company Limited and IDFC AMC Trustee Company Limited has reduced from 100% to 75% and the proportion of effective ownership in IDFC Investment Advisors Limited, IDFC Investment Managers (Mauritius) Limited is reduced from 100% to 75%. Further, the proportion of effective ownership in IDFC Pension Fund Management Company Limited is reduced from 100% to 87.50%.

(c) The Holding Company has sold 50,000 shares of IDFC PPP Trusteeship Company Limited to IDFC Foundation on March 22, 2012.

(d) IDFC Primary Dealership Company Limited was incorporated as a wholly owned subsidiary.

(e) Jetpur Somnath Highway Limited, a subsidiary was wound up on August 10, 2011 pursuant to approvals from the Registrar of Companies.

(f) Jetpur Somnath Tollways Limited has ceased to be a subsidiary with effect from August 11, 2011 on account of fresh capital infusion by new investors. Consequently, the ownership interest has reduced from 100% to 26%.

(g) Uniquest Infra Ventures Private Limited has ceased to be a subsidiary with effect from June 3, 2011 on account of fresh capital infusion by new investor.

(h) The Holding Company has acquired 43.44% of equity shares in Galaxy Mercantiles Limited. However, the same has not been consolidated as an associate since the shares are held exclusively with a view to dispose of in the near future.

5 SIGNIFICANT ACCOUNTING POLICIES

a. CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purpose of the Cash Flow Statement comprises cash on hand, cash in bank, fixed deposits and other short-term highly liquid investments with an original maturity of three months or less, that are readily convertible into known amount of cash and which are subject to an insignificant risk of change in value.

b. CASH FLOW STATEMENT

Cash flows are reported using the indirect method whereby cash flows from operating, investing and financing activities of the Group are segregated and profit before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments.

c. INVESTMENTS

NBFC

Investments which are readily realisable and intended to be held for not more than one year from the date on which such investments are made are classified as current investments in accordance with the RBI guidelines and Accounting Standard 13 on 'Accounting for Investments' as notified under the Companies (Accounting Standards) Rules, 2006. Current investments also include current maturities of long-term investments. All other investments are classified as long-term investments.

NOTES TO FINANCIAL STATEMENTS

CONSOLIDATED FOR THE YEAR ENDED MARCH 31, 2012

All investments are initially recorded at cost. The cost of an investment includes purchase price, directly attributable acquisition charges and reduced by recovery of costs, if any. On disposal of an investment, the difference between its carrying amount and the net disposal proceeds is charged or credited to the Statement of Profit and Loss.

Current investments are individually carried at the lower of cost and fair value / market value. Commercial papers, certificate of deposits and treasury bills are valued at carrying cost. Long-term investments are carried at acquisition cost. A provision is made for diminution other than temporary on an individual basis against long-term investment. Premium paid over the face value of long-term investment is amortised over the life of the investment.

Inter-class transfer of investments from one category to the other, if any, is done in accordance with the RBI guidelines at lower of book value and fair value / market value on the date of transfer.

Other than NBFC

Long-term Investments are valued at cost except where there is a diminution in value other than temporary in which case the carrying value is reduced to recognise the decline. Current Investments are valued at lower of cost and market value.

d. LOANS

In accordance with the RBI guidelines, all loans are classified under any of four categories i.e. (i) standard assets (ii) sub-standard assets (iii) doubtful assets and (iv) loss assets.

e. TANGIBLE FIXED ASSETS

Fixed assets are stated at cost of acquisition, including any cost attributable for bringing the asset to its working condition, less accumulated depreciation. Profit or loss arising from derecognition of fixed assets are measured as difference between the net disposal proceeds and the cost of the assets less accumulated depreciation up to the date of disposal and are recognised in the Statement of Profit and Loss.

f. DEPRECIATION ON TANGIBLE FIXED ASSETS

Depreciation on tangible fixed assets, excluding certain electronic items and leasehold improvements, is provided on the written down value method, at the rates prescribed in Schedule XIV to the Companies Act, 1956. Certain electronic items are depreciated over a period of two years on a straight-line method based on the Management's estimate of the useful life of these assets. Depreciation on additions during the year is provided on a pro-rata basis. Assets costing less than ₹ 5,000 each are fully depreciated in the year of capitalisation. Depreciation in respect of leasehold improvements is provided on a straight-line method over the primary period of the lease, except in case of a subsidiary where leasehold improvements are amortised on a straight-line method over period of extended lease or five years whichever is shorter.

g. INTANGIBLE ASSETS AND AMORTISATION

Intangible assets comprising of computer software are stated at cost of acquisition, including any cost attributable for bringing the asset to its working condition, less accumulated amortisation. Any technology support cost or annual maintenance cost for such software is charged annually to the Statement of Profit and Loss. Intangible assets are being amortised over a period of three years on a straight-line method. Tenancy rights are amortised over a period of ten years on a straight-line method. Website development cost is charged to Statement of Profit and Loss in the year in which such cost is incurred.

h. IMPAIRMENT OF ASSETS

The carrying amount of assets at each Balance Sheet date are reviewed for impairment. If any indication of impairment based on internal / external factors exists, the recoverable amount of such assets is estimated and impairment is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and its value in use, which is arrived at by discounting the future cash flows to their present value based on an appropriate discounting factor. If at the Balance Sheet date, there is an indication that previously recognised impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount, subject to a maximum of the depreciable historical cost and reversal of such impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

i. EXPENSE UNDER EMPLOYEE STOCK OPTION SCHEMES

The Holding Company has formulated Employee Stock Option Schemes ('the ESOS') in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ('the Guidelines'). The ESOS provides for grant of stock options to employees (including employees of subsidiary companies) to acquire equity shares of the Holding Company that vest in a graded manner and that are to be exercised within a specified period. In accordance with the Guidelines and the guidance note on 'Accounting for Employees Share-based Payments' issued by the Institute of Chartered Accountants of India, the excess, if any, of the closing market price on the day prior to the grant of the stock options under the ESOS over the exercise price is amortised on a straight-line method over the vesting period and is charged to the Statement of Profit and Loss as employee benefits expense.

NOTES TO FINANCIAL STATEMENTS

CONSOLIDATED FOR THE YEAR ENDED MARCH 31, 2012

j. EMPLOYEE BENEFITS

- Defined contribution plan

  The contribution to provident fund, superannuation fund and pension fund are considered as defined contribution plans and are charged to the Statement of Profit and Loss as they fall due, based on the amount of contribution required to be made.

- Defined benefit plan

  The net present value of obligation towards gratuity to employees is actuarially determined as at the Balance Sheet date based on the projected unit credit method. Actuarial gains and losses are recognised in the Statement of Profit and Loss for the year.

- Compensated absences

  Based on the leave rules of the group companies, employees are not permitted to accumulate leave. Any unavailed privilege leave to the extent encashable is paid to the employees and charged to the Statement of Profit and Loss for the year.

k. BORROWING COSTS

Borrowing costs include interest, amortisation of ancillary costs incurred and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Interest cost in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss over the tenure of the loan. Ancillary costs in connection with long-term external commercial borrowings are amortised to the Statement of Profit and Loss over the tenure of the loan. Issue expenses of certain securities are charged to the securities premium account as stated in note 5(s).

l. REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow and the revenue can be reliably measured. In addition, the following criteria must also be met before revenue is recognised:

- Interest and other dues are accounted on accrual basis except in the case of non-performing loans where it is recognised upon realisation, as per the income recognition and asset classification norms prescribed by the RBI.
- Income on discounted instruments is recognised over the tenure of the instrument on a straight-line method.
- Dividend is accounted when the right to receive is established.
- Front end fees on processing of loans are recognised upfront as income. .
- Brokerage is recognised on trade date basis and is net of statutory payments.
- Assets management fees is recognised on accrual basis.
- Underwriting commission earned to the extent not reduced from the cost of acquisition of securities is recognised as fees on closure of issue.
- All other fees are recognised when reasonable right of recovery is established, revenue can be reliably measured and as and when they become due except commission income on guarantees which is recognised pro-rata over the period of the guarantee.
- Premium on interest rate reduction is accounted on accrual basis over the residual life of the loan.
- Profit / loss earned on sale of investments is recognised on trade date basis. Profit / loss on sale of investments is determined based on the ‘first in first out’ cost for current investments and weighted average cost for long-term investments.
- Profit / loss on sale of loan assets through direct assignment, without any recourse obligation, is recognised at the time of sale. Profit on securitisation is recognised over the residual life of the pass through certificate in terms of the RBI guidelines. Net loss arising on account of securitisation is recognised at the time of sale.
- Revenue from power supply is accounted on accrual basis.
- Income from trading in derivatives is recognised on final settlement or squaring-up of the contracts.

m. LEASES

Where the assets are taken on lease

Leases under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Amount due under the operating leases are charged to the Statement of Profit and Loss, on a straight-line method, over the lease term in accordance with Accounting Standard 19 on ‘Leases’ as notified under the Companies (Accounting Standards) Rules, 2006. Initial direct costs incurred specifically for operating leases are recognised as expense in the year in which they are incurred.

NOTES TO FINANCIAL STATEMENTS

Where the assets are given on lease

Leases under which risks and benefits of ownership of the asset are not substantially transferred are classified as operating leases. Assets subject to operating leases are included in fixed assets. Lease income in respect of operating leases is recognised in the Statement of Profit and Loss on a straight-line method over the lease term in accordance with Accounting Standard 19 on 'Leases' as notified under the Companies (Accounting Standards) Rules, 2006. Maintenance costs including depreciation are recognised as an expense in the Statement of Profit and Loss.

n. EARNINGS PER SHARE

Basic earnings per share is computed by dividing the profit after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit after tax as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the year, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each year.

o. TAXES ON INCOME

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income-tax Act, 1961.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantially enacted as at the Balance Sheet date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Deferred tax assets are recognised for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and right for such set off are legally enforceable. Deferred tax assets are reviewed at each Balance Sheet date for their realisability. Current and deferred tax relating to items directly recognised in reserves are recognised in reserves and not in the Statement of Profit and Loss.

Minimum alternate tax paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that normal income tax will be payable. Accordingly, it is recognised as an asset in the Balance Sheet when it is probable that future economic benefits associated with it will flow.

p. DERIVATIVE CONTRACTS

- Interest rate swaps

  Interest rate swaps are booked with the objective of managing the interest rate risk on liabilities. Interest rate swaps in the nature of hedge are recorded on accrual basis and these transactions are not marked-to-market. Any resultant profit or loss on termination of the hedge swaps is amortised over the life of the swap or underlying asset / liability, whichever is shorter.

- Currency Interest rate swaps

  Currency interest rate swaps in the nature of hedge, booked with the objective of managing the currency and interest rate risk on foreign currency liabilities are recorded on accrual basis and these transactions are not marked-to-market. Any resultant profit or loss on termination of hedge swaps is amortised over the life of swap or underlying asset / liability, whichever is shorter. The foreign currency balances on account of principal of currency interest rate swaps outstanding as at the Balance Sheet date are revalued using the closing rate.

- Stock Futures

  Stock Futures are marked-to-market on a daily basis. The debit or credit balance in the 'Mark-to-market margin – stock futures account' disclosed under loans and advances or current liabilities represents the net amount paid or received on the basis of the movement in the prices of stock futures till the Balance Sheet date.

  Credit balance in the 'Mark-to-market margin – stock futures account' in the nature of anticipated profit, is ignored and no credit is taken to the Statement of Profit and Loss. However, the debit balance in the 'Mark-to-market margin – stock futures account' in the nature of anticipated loss is recognised in the Statement of Profit and Loss.

NOTES TO FINANCIAL STATEMENTS

On final settlement or squaring-up of contracts for stock futures, the profit or loss is calculated as the difference between the settlement / squaring-up price and the contract price. Accordingly, debit or credit balance pertaining to the settled / squared-up contract in 'Mark-to-market margin – stock futures account' is recognised in the Statement of Profit and Loss upon expiry of the contracts. When more than one contract in respect of the relevant series of stock futures contract, to which the squared-up contract pertains, is outstanding at the time of the squaring-up of the contract, the contract price of such contract is determined using the weighted average method for calculating profit / loss on squaring-up.

'Initial margin account – stock futures', representing initial margin paid, is disclosed under loans and advances.

q. FOREIGN CURRENCY TRANSACTIONS AND TRANSLATIONS

Foreign currency transactions are accounted at the exchange rate prevailing on the date of the transaction. Foreign currency monetary items outstanding as at the Balance Sheet date are reported using the closing rate. Gain or loss resulting from the settlement of such transactions and translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit and Loss. Premium in respect of forward contracts is accounted over the period of the contract. Forward contracts outstanding as at the Balance Sheet date are revalued at the closing rate.

r. PROVISIONS AND CONTINGENCIES

Provision against loans

- Provision is made in accordance with the RBI guidelines applicable to non-performing loans. In addition, provision is made in accordance with the provisioning policy of the Holding Company against non-performing loans.
- Provision on restructured loans is computed in accordance with the RBI guidelines.
- Provision for contingencies is made as per the provisioning policy of the Holding Company which includes provision under Section 36(1)(viia) of the Income-tax Act, 1961.
- A general provision is made at 0.25% of the outstanding standard assets in accordance with the RBI guidelines.

Other provisions

- A provision is recognised for a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation as at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed separately.

s. SECURITIES ISSUE EXPENSES

Securities issue expenses and redemption premium are adjusted against the securities premium account as permissible under Section 78(2) of the Companies Act, 1956, to the extent balance is available for utilisation in the securities premium account.

t. BROKERAGE EXPENSES

Brokerage paid to the brokers on closed ended funds and commitments in portfolio management schemes are amortised over the tenure of the product or commitment period.

u. MISDEAL STOCK

Misdeal stock comprises of stock that devolves due to erroneous execution of trades in the normal course of business. These securities are valued at lower of cost or market value on an individual basis. Any profit or loss on such deals is recognised in the Statement of Profit and Loss.

v. EXPENDITURE INCURRED DURING PROJECT DEVELOPMENT

- Expenditure incurred during pre-project development stage is charged to the Statement of Profit and Loss as and when incurred.
- Expenditure incurred in respect of acquisitions are charged to the Statement of Profit and Loss as and when incurred.
- Expenditure incurred during project development stage are capitalised and transferred to project companies, in case the bid is successful, else the same is charged to the Statement of Profit and Loss.

w. SERVICE TAX INPUT CREDIT

Service tax input credit is accounted in the period in which the underlying services are received and when there is no uncertainty in availing / utilising the credit.

NOTES TO FINANCIAL STATEMENTS

CONSOLIDATED FOR THE YEAR ENDED MARCH 31, 2012

6 SHARE CAPITAL

	AS AT MARCH 31, 2012		AS AT MARCH 31, 2011	
	NUMBER	(₹ in crore)	NUMBER	(₹ in crore)
AUTHORISED				
Equity shares of ₹10 each	4,000,000,000	4,000.00	4,000,000,000	4,000.00
Preference shares of ₹100 each	100,000,000	1,000.00	100,000,000	1,000.00
		5,000.00		5,000.00
ISSUED, SUBSCRIBED & FULLY PAID-UP				
Equity shares of ₹10 each	1,512,362,768	1,512.36	1,460,947,548	1,460.95
6% Compulsorily convertible cumulative preference shares (CCCPS) of ₹100 each	-	-	84,000,000	840.00
TOTAL ISSUED, SUBSCRIBED AND FULLY PAID-UP SHARE CAPITAL		1,512.36		2,300.95

(a) RECONCILIATION OF THE NUMBER OF SHARES AND AMOUNT OUTSTANDING AS AT THE BEGINNING AND AT THE END OF THE YEAR

	AS AT MARCH 31, 2012		AS AT MARCH 31, 2011	
EQUITY SHARES	NUMBER	(₹ in crore)	NUMBER	(₹ in crore)
Outstanding as at the beginning of the year	1,460,947,548	1,460.95	1,300,612,393	1,300.61
Issued during the year – stock options exercised under the ESOS	3,687,948	3.69	2,583,065	2.59
Issued during the year – conversion of CCCPS into equity shares [see note (c)]	47,727,272	47.72	-	-
Issued during the year – Qualified Institutional Placement	-	-	157,752,090	157.75
Outstanding as at the end of the year	1,512,362,768	1,512.36	1,460,947,548	1,460.95

	AS AT MARCH 31, 2012		AS AT MARCH 31, 2011	
PREFERENCE SHARES	NUMBER	(₹ in crore)	NUMBER	(₹ in crore)
Outstanding as at the beginning of the year	84,000,000	840.00	-	-
Issued during the year [see note (c)]	-	-	84,000,000	840.00
Converted to equity shares during the year [see note (c)]	84,000,000	840.00	-	-
Outstanding as at the end of the year	-	-	84,000,000	840.00

(b) TERMS / RIGHTS ATTACHED TO EQUITY SHARES

The Holding Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share and ranks *pari passu*. The dividend proposed by the Board of Directors is subject to approval of the shareholders at the ensuing Annual General Meeting. During the year ended March 31, 2012, dividend of ₹ 2.30 per share (Previous Year ₹ 2.00 per share) is recognised as amount distributable to equity shareholders.

In the event of liquidation of the Holding Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Holding Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) TERMS / RIGHTS ATTACHED TO PREFERENCE SHARES

The Holding Company had raised ₹ 840.00 crore through the issue of CCCPS during the year ended March 31, 2011. The preference shares were convertible at any time into equity shares of face value of ₹ 10 each until the date falling 18 months from the date of issuance of the preference shares, at the option of the holders, at ₹ 176 per equity share and carry dividend @ 6% p.a. During the year ended March 31, 2012, the preference shares were converted into 47,727,272 equity shares of ₹ 10 each at a premium of ₹ 166 per equity share.

(d) MOVEMENT IN STOCK OPTIONS GRANTED UNDER THE ESOS IS AS UNDER:

	FOR THE YEAR ENDED MARCH 31, 2012	FOR THE YEAR ENDED MARCH 31, 2011
	NUMBER	NUMBER
Outstanding as at the beginning of the year	20,750,721	16,548,268
Add: Granted during the year	22,248,000	7,459,308
Less: Exercised during the year	3,687,948	2,583,065
Less: Lapsed / forfeited during the year	1,340,668	673,790
Outstanding as at the end of the year	37,970,105	20,750,721

NOTES TO FINANCIAL STATEMENTS

CONSOLIDATED FOR THE YEAR ENDED MARCH 31, 2012

7 RESERVES AND SURPLUS

		AS AT MARCH 31, 2012 (₹ in crore)	AS AT MARCH 31, 2011 (₹ in crore)
(a)	**SECURITIES PREMIUM ACCOUNT**		
	Opening balance	4,515.93	2,191.43
	Add: Premium on issue of equity shares by the Holding Company	-	2,510.12
	Add: Premium on issue of equity shares by a subsidiary company	2.25	-
	Add: Premium on conversion of CCCPS into equity shares [see note 6(c)]	792.27	-
	Add: Premium on exercise of stock options under the ESOS	17.18	5.82
	Less: Premium utilised during the year [see note 5(s)]	94.19	191.44
	[net of current tax of ₹ 38.00 crore (Previous Year ₹ 61.10 crore)]		
	Less: Minority interest in a subsidiary company	0.56	-
	Closing balance	5,232.88	4,515.93
(b)	**STOCK OPTIONS OUTSTANDING** [see note 6(d)]		
	Opening balance	31.29	20.36
	Add: Net charge for the year (see note 26)	4.31	16.75
	Less: Stock options exercised	1.70	5.82
	Closing balance	33.90	31.29
(c)	**DEBENTURE REDEMPTION RESERVE**		
	Opening balance	72.60	-
	Add: Transfer from surplus in the Statement of Profit and Loss	142.00	72.60
	Closing balance	214.60	72.60
	Debenture redemption reserve has been created in accordance with Section 117C of the Companies Act, 1956 in respect of public issue of long-term Infrastructure Bonds.		
(d)	**SPECIAL RESERVE U/S. 36(1)(viii) OF THE INCOME-TAX ACT, 1961**		
	Opening balance	1,160.68	914.68
	Add: Transfer from surplus in the Statement of Profit and Loss	390.00	246.00
	Less: Transfer to general reserve	0.43	-
	Closing balance	1,550.25	1,160.68
(e)	**SPECIAL RESERVE U/S. 45-IC OF THE RBI ACT, 1934**		
	Opening balance	1,197.15	941.06
	Add: Transfer from surplus in the Statement of Profit and Loss	321.58	256.09
	Less: Transfer to general reserve	2.26	-
	Closing balance	1,516.47	1,197.15
(f)	**GENERAL RESERVE**		
	Opening balance	311.67	208.67
	Add: Transfer from surplus in the Statement of Profit and Loss	164.81	103.00
	Add: Transfer from special reserve u/s. 36(1)(viii)	0.43	-
	Add: Transfer from special reserve u/s. 45-IC	2.26	-
	Less: Share of minority interest	0.26	-
	Closing balance	478.91	311.67
(g)	**CAPITAL RESERVE ON CONSOLIDATION**		
	Opening balance	1.25	1.25
	Add: Changes due to change in shareholding in group companies	ß	ß
	Closing balance	1.25	1.25
(h)	**FOREIGN CURRENCY TRANSLATION RESERVE** [see note 3(vii)]		
	Opening balance	(1.76)	(0.48)
	Add / (Less): Foreign exchange translation in relation to non-integral foreign operations	7.24	(1.28)
	Less: Share of minority interest	0.02	-
	Closing balance	5.46	(1.76)

NOTES TO FINANCIAL STATEMENTS

CONSOLIDATED FOR THE YEAR ENDED MARCH 31, 2012

		AS AT MARCH 31, 2012		AS AT MARCH 31, 2011	
			(₹ in crore)		(₹ in crore)
(i)	**SURPLUS IN THE STATEMENT OF PROFIT AND LOSS**				
	Opening balance		1,654.54		1,432.48
	Profit for the year		1,554.01		1,281.66
	Add: Opening adjustment (see note 46)		0.33		0.03
	Less: Impact of amount written off by an associate against securities premium account		0.58		-
	LESS: APPROPRIATIONS				
	TRANSFER TO RESERVES:				
	Special reserve u/s. 36(1)(viii) of the Income-tax Act, 1961	390.00		246.00	
	Debenture redemption reserve	142.00		72.60	
	Special reserve u/s. 45-IC of the RBI Act, 1934	321.58		256.09	
	General reserve	164.81		103.00	
	DIVIDEND & DIVIDEND DISTRIBUTION TAX:				
	Proposed dividend on equity shares	347.87		292.36	
	[₹ 2.30 per share (Previous Year ₹ 2.00 per share)]				
	Dividend paid on preference shares	43.63		-	
	[₹ 5.19 per share (Previous Year ₹ Nil per share)]				
	Proposed dividend on preference shares	-		32.17	
	[₹ Nil per share (Previous Year ₹ 3.83 per share)]				
	Dividend on equity shares pertaining to previous year [see note (i)]	0.24		0.15	
	Tax on proposed equity dividend [see note (ii)]	53.39		57.24	
	Tax on equity dividend for previous year [see note (i)]	0.04		0.02	
	Tax on preference dividend [see note (ii)]	5.78		-	
	TOTAL APPROPRIATIONS		1,469.34		1,059.63
	Closing balance		1,738.96		1,654.54
	TOTAL RESERVES AND SURPLUS		**10,772.68**		**8,943.35**

(i) In respect of equity shares issued pursuant to exercise of stock options under the ESOS, the Holding Company paid dividend of ₹ 0.24 crore for the year 2010-11 (Previous Year ₹ 0.15 crore for the year 2009-10) and tax on dividend of ₹ 0.04 crore (Previous Year ₹ 0.02 crore) as approved by the shareholders at the respective Annual General Meetings.

(ii) Tax on proposed dividend for the year is net of dividend distribution tax of ₹ 11.24 crore (Previous Year ₹ 7.60 crore) paid by the subsidiary companies under Section 115-O of the Income-tax Act, 1961.

8 SHARE APPLICATION MONEY PENDING ALLOTMENT

Share application money pending allotment represents applications received from employees on exercise of stock options granted and vested under the ESOS by the Holding Company.

	AS AT MARCH 31, 2012		AS AT MARCH 31, 2011	
	NUMBER	(₹ in crore)	NUMBER	(₹ in crore)
Equity shares of face value ₹ 10 each proposed to be issued	103,682	0.10	865,692	0.86
Total amount of securities premium		0.50		3.28
		0.60		**4.14**

The equity shares are expected to be allotted against the share application money within a reasonable period, not later than three months from the Balance Sheet date.

NOTES TO FINANCIAL STATEMENTS

CONSOLIDATED FOR THE YEAR ENDED MARCH 31, 2012

9 LONG-TERM BORROWINGS

	AS AT MARCH 31, 2012 (₹ in crore)		AS AT MARCH 31, 2011 (₹ in crore)	
	NON-CURRENT PORTION	CURRENT MATURITIES	NON-CURRENT PORTION	CURRENT MATURITIES
DEBENTURES (NON CONVERTIBLE) (SECURED) [see note (a) & 39]				
Face value	23,297.92	7,844.00	18,978.46	5,804.00
Less: Unexpired discount on zero percent debentures [see note (b)]	191.57	17.26	202.38	78.78
	23,106.35	7,826.74	18,776.08	5,725.22
DEBENTURES (CONVERTIBLE) (UNSECURED) (see note 40)	6.67	-	6.67	-
TERM LOANS (SECURED) [see note (a)]				
From banks (see note 41)	4,237.62	785.57	6,049.04	1,998.16
From others (see note 42)	1,836.56	634.93	1,304.29	107.49
	6,074.18	1,420.50	7,353.33	2,105.65
SUBORDINATED DEBT FROM THE GOVERNMENT OF INDIA (UNSECURED) (see note 43)	650.00	-	650.00	-
Amount disclosed under 'Other current liabilities' (see note 13)	-	(9,247.24)	-	(7,830.87)
TOTAL LONG-TERM BORROWINGS	**29,837.20**	**-**	**26,786.08**	**-**
THE ABOVE AMOUNT INCLUDES				
Secured borrowings	29,180.53	9,247.24	26,129.41	7,830.87
Unsecured borrowings	656.67	-	656.67	-
TOTAL	**29,837.20**	**9,247.24**	**26,786.08**	**7,830.87**

(a) Borrowings of ₹ 38,427.77 crore (Previous Year ₹ 33,960.28 crore) are secured by way of a first floating *pari passu* charge over investments, current assets and loans and advances excluding investments in and other receivables from subsidiaries and affiliates.

(b) Unexpired discount is net of ₹ 117.72 crore (Previous Year ₹ 227.96 crore) towards interest accrued but not due.

10 OTHER LONG-TERM LIABILITIES

	AS AT MARCH 31, 2012 (₹ in crore)	AS AT MARCH 31, 2011 (₹ in crore)
Trade payables (see note 38)	-	23.76
Lease equalisation (see note 33)	6.71	5.71
Interest accrued but not due on borrowings	126.67	14.83
Income received in advance (unearned revenue)	4.83	6.46
Security deposit	0.64	0.64
Retention money	2.77	2.46
TOTAL	**141.62**	**53.86**

11 LONG-TERM PROVISIONS

	AS AT MARCH 31, 2012 (₹ in crore)	AS AT MARCH 31, 2011 (₹ in crore)
Provision for employee benefits	4.53	3.51
Contingent provision against standard assets [see note (a) & (b)]	124.40	96.75
TOTAL	**128.93**	**100.26**

(a) A contingent provision against standard assets has been created at 0.25% of the outstanding standard assets in terms of the RBI circular Ref. No. DNBS (PD) CC No. 225 / 03.02.001 / 2011-12 dated July 1, 2011.

(b) Movement in contingent provision against standard assets during the year is as under:

	AS AT MARCH 31, 2012 (₹ in crore)	AS AT MARCH 31, 2011 (₹ in crore)
Opening balance	96.75	-
Additions during the year	27.65	96.75
Closing balance	**124.40**	**96.75**

NOTES TO FINANCIAL STATEMENTS

CONSOLIDATED FOR THE YEAR ENDED MARCH 31, 2012

12 SHORT-TERM BORROWINGS

		AS AT MARCH 31, 2012 (₹ in crore)		AS AT MARCH 31, 2011 (₹ in crore)
TERM LOANS (SECURED) [see note (a)]				
From banks		3,606.09		1,225.00
COLLATERALISED BORROWINGS AND LENDING OBLIGATIONS (CBLO) [see note (b)]		499.38		249.73
COMMERCIAL PAPERS (UNSECURED)				
Face value	3,132.00		210.00	
Less: Unexpired discount [see note (c)]	136.44		3.65	
		2,995.56		206.35
CASH CREDIT / BANK OVERDRAFT (SECURED) [see note (a)]		249.98		-
CASH CREDIT / BANK OVERDRAFT (UNSECURED)		-		5.91
TOTAL SHORT-TERM BORROWINGS		7,351.01		1,686.99
THE ABOVE AMOUNT INCLUDES				
Secured borrowings		4,355.45		1,474.73
Unsecured borrowings		2,995.56		212.26
TOTAL		7,351.01		1,686.99

(a) Borrowings of ₹ 3,856.07 crore (Previous Year ₹ 1,225.00 crore) are secured by way of a first floating *pari passu* charge over investments, current assets and loans and advances excluding investments in and other receivables from subsidiaries and affiliates.

(b) Borrowings under CBLO is secured against investments in Government securities.

(c) Unexpired discount on commercial papers is net of ₹ 100.27 crore (Previous Year ₹ 7.74 crore) towards interest accrued but not due.

13 OTHER CURRENT LIABILITIES

		AS AT MARCH 31, 2012 (₹ in crore)		AS AT MARCH 31, 2011 (₹ in crore)
Current maturities of long-term borrowings (see note 9)		9,247.24		7,830.87
Interest accrued but not due on borrowings		1,217.56		878.30
Income and other amounts received in advance		49.44		24.12
Unclaimed dividend		1.22		0.96
Unclaimed interest		5.22		-
Security deposit		8.33		-
Other payables				
Statutory dues	12.13		15.61	
Payable to gratuity fund	2.31		0.52	
Advance against sale	-		2.42	
Other amounts received in advance	2.67		31.41	
		17.11		49.96
Other Liabilities		2.09		-
TOTAL		10,548.21		8,784.21

NOTES TO FINANCIAL STATEMENTS

CONSOLIDATED FOR THE YEAR ENDED MARCH 31, 2012

14 SHORT-TERM PROVISIONS

	AS AT MARCH 31, 2012 (₹ in crore)	AS AT MARCH 31, 2011 (₹ in crore)
Provision for employee benefits	0.98	0.51
Other provisions		
Provision for income tax (net of advance payment of tax)	38.91	26.80
Provision for wealth tax (net of advance payment of tax)	0.27	0.28
Provision for fringe benefit tax (net of advance payment of tax)	0.24	0.43
Proposed equity dividend [see note 6 (b)]	347.87	292.36
Proposed preference dividend	-	32.17
Tax on proposed equity dividend	55.14	44.43
Tax on proposed preference dividend	-	5.22
TOTAL	443.41	402.20

15(a) TANGIBLE ASSETS

	GROSS BLOCK (₹ in crore)					ACCUMULATED DEPRECIATION (₹ in crore)					NET BLOCK (₹ in crore)	
	Balance as at April 1, 2011	Translation exchange difference	Additions	Disposals	Balance as at March 31, 2012	Balance as at April 1, 2011	Translation exchange difference	Depreciation charge for the year	On disposals	Balance as at March 31, 2012	Balance as at March 31, 2012	Balance as at March 31, 2011
Freehold Land	5.07	-	-	-	5.07	-	-	-	-	-	5.07	5.07
Leasehold Land	4.51	-	-	-	4.51	-	-	-	-	-	4.51	4.51
Buildings												
Own use	327.93	-	0.19	1.48	326.64	36.30	-	14.56	0.70	50.16	276.48	291.63
Under operating lease [see note 33(iii)]	18.81	-	-	-	18.81	9.19	-	0.48	-	9.67	9.14	9.62
Leasehold improvements	13.80	0.10	0.88	-	14.78	5.26	0.10	3.12	-	8.48	6.30	8.54
Furniture and fixtures												
Own use	11.77	0.04	0.37	0.04	12.14	4.88	0.02	1.24	0.05	6.09	6.05	6.89
Under operating lease [see note 33(iii)]	0.42	-	-	-	0.42	0.11	-	0.02	-	0.13	0.29	0.31
Vehicles	1.03	-	0.47	0.42	1.08	0.65	-	0.17	0.36	0.46	0.62	0.38
Office equipment												
Own use	13.85	0.03	1.02	0.55	14.35	4.74	-	1.72	0.45	6.01	8.34	9.11
Under operating lease [see note 33(iii)]	0.02	-	-	-	0.02	0.02	-	-	-	0.02	-	-
Computers	17.80	0.05	2.66	0.49	20.02	12.13	0.03	2.85	0.42	14.59	5.43	5.67
Windmills	101.25	-	-	-	101.25	39.43	-	9.48	-	48.91	52.34	61.82
TOTAL	516.26	0.22	5.59	2.98	519.09	112.71	0.15	33.64	1.98	144.52	374.57	403.55
Previous Year	502.94	(0.01)	24.08	10.75	516.26	83.01	(0.01)	35.96	6.25	112.71	403.55	

15(b) INTANGIBLE ASSETS

	GROSS BLOCK (₹ in crore)					ACCUMULATED AMORTISATION (₹ in crore)					NET BLOCK (₹ in crore)	
	Balance as at April 1, 2011	Translation exchange difference	Additions	Disposals	Balance as at March 31, 2012	Balance as at April 1, 2011	Translation exchange difference	Amortisation charge for the year	On disposals	Balance as at March 31, 2012	Balance as at March 31, 2012	Balance as at March 31, 2011
Tenancy rights	0.11	-	-	-	0.11	0.03	-	-	-	0.03	0.08	0.08
Computer software	16.58	0.01	1.09	-	17.68	7.69	0.01	4.80	-	12.50	5.18	8.89
TOTAL	16.69	0.01	1.09	-	17.79	7.72	0.01	4.80	-	12.53	5.26	8.97
Previous Year	11.64	-	7.84	2.79	16.69	6.19	-	4.21	2.68	7.72	8.97	
TOTAL TANGIBLE AND INTANGIBLE ASSETS	532.95	0.23	6.68	2.98	536.88	120.43	0.16	38.44	1.98	157.05	379.83	412.52
Previous Year	514.58	(0.01)	31.92	13.54	532.95	89.20	(0.01)	40.17	8.93	120.43	412.52	

NOTES TO FINANCIAL STATEMENTS

CONSOLIDATED FOR THE YEAR ENDED MARCH 31, 2012

16 NON-CURRENT INVESTMENTS (AT COST)

		AS AT MARCH 31, 2012 (₹ in crore)		AS AT MARCH 31, 2011 (₹ in crore)
INVESTMENT IN ASSOCIATES				
Equity shares	27.78		10.29	
Add: Goodwill on acquisition	9.80		9.80	
Add: Adjustment for post acquisition share of profit and reserve for associates	10.66		10.29	
		48.24		30.38
INVESTMENT IN A SUBSIDIARY				
Equity shares		8.05		0.05
OTHER INVESTMENTS				
Equity shares [see note (c) & (d)]		765.20		756.83
Preference shares		544.18		668.72
Venture capital units [see note (d)]		618.48		466.69
Bonds		563.14		734.85
Government securities		49.99		49.99
Security receipts		21.38		21.71
TOTAL NON-CURRENT INVESTMENTS		2,618.66		2,729.22
Less: Provision for diminution in value of investments		178.24		93.57
Less: Premium amortised on bonds and Government securities		7.31		4.36
NET NON-CURRENT INVESTMENTS		2,433.11		2,631.29
(a) Aggregate amount of quoted investments				
Cost		308.81		286.04
Market value		243.96		293.27
(b) Aggregate amount of unquoted investments - cost		2,309.85		2,443.18

(c) Investments include ₹ Nil (Previous Year ₹ 47.69 crore) in respect of equity shares which are subject to a lock-in-period.

(d) Investments include ₹ 0.47 crore (Previous Year ₹ 0.47 crore) in respect of equity shares and ₹ 618.48 crore (Previous Year ₹ 466.69 crore) in respect of venture capital units which are subject to restrictive covenants.

17 DEFERRED TAX

	AS AT MARCH 31, 2012 (₹ in crore)		AS AT MARCH 31, 2011 (₹ in crore)	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
(a) Provisions	339.14	0.50	265.13	0.62
(b) Others	1.40	-	8.18	-
(c) Fixed assets: Impact of difference between tax depreciation and depreciation / amortisation charged to the Statement of Profit and Loss	(20.32)	(2.68)	(23.75)	(2.15)
DEFERRED TAX (NET)	320.22	(2.18)	249.56	(1.53)

In compliance with Accounting Standard 22 relating to 'Accounting for Taxes on Income' as notified under the Companies (Accounting Standards) Rules, 2006, ₹ 70.00 crore (Previous Year ₹ 72.67 crore) has been credited to the Statement of Profit and Loss towards deferred tax (net) on account of timing differences.

NOTES TO FINANCIAL STATEMENTS

CONSOLIDATED FOR THE YEAR ENDED MARCH 31, 2012

18 LOANS

	AS AT MARCH 31, 2012 (₹ in crore)		AS AT MARCH 31, 2011 (₹ in crore)	
	NON-CURRENT PORTION	CURRENT MATURITIES	NON-CURRENT PORTION	CURRENT MATURITIES
Rupee loans [see note (a), (c) & (d)]	41,654.01	6,147.05	32,977.53	4,399.54
Debentures [see note (a) & (d)]	1,086.34	0.83	594.00	239.23
	42,740.35	6,147.88	33,571.53	4,638.77
Less: Provision against non-performing loans [see note (c)]	29.73	47.16	6.90	33.93
Less: Provision for contingencies	626.76	-	521.85	-
TOTAL	42,083.86	6,100.72	33,042.78	4,604.84

(a) The above amount includes				
Secured [see note (b) & (c)]	38,021.08	5,865.38	32,887.53	4,548.77
Unsecured	4,719.27	282.50	684.00	90.00
	42,740.35	6,147.88	33,571.53	4,638.77

(b) Loans to the extent of ₹ 43,886.46 crore (Previous Year ₹ 37,436.30 crore) are secured by:

- (i) Hypothecation of assets and / or
- (ii) Mortgage of property and / or
- (iii) Trust and retention account and / or
- (iv) Bank guarantees, company guarantee, sponsor guarantee or personal guarantee and / or
- (v) Assignment of receivables or rights and / or
- (vi) Pledge of shares and / or
- (vii) Negative lien and / or
- (viii) Undertaking to create a security

(c) Rupee loans – secured includes non-performing loans of ₹ 148.32 crore (Previous Year ₹ 79.73 crore) against which provisions of ₹ 76.89 crore (Previous Year ₹ 40.83 crore) has been made in accordance with the RBI circular (Ref. No. DNBS (PD) CC No. 225 / 03.02.001 / 2011-12 dated July 1, 2011) [see note (d)].

(d) The classification of loans under the RBI guidelines is as under:

	AS AT MARCH 31, 2012 (₹ in crore)	AS AT MARCH 31, 2011 (₹ in crore)
(i) Standard assets	48,739.91	38,130.57
(ii) Sub-standard assets	70.78	6.25
(iii) Doubtful assets	50.04	45.98
(iv) Loss assets	27.50	27.50
	48,888.23	38,210.30

NOTES TO FINANCIAL STATEMENTS

CONSOLIDATED FOR THE YEAR ENDED MARCH 31, 2012

19 LOANS AND ADVANCES – OTHERS (CONSIDERED GOOD, UNLESS STATED OTHERWISE)

	AS AT MARCH 31, 2012 (₹ in crore)		AS AT MARCH 31, 2011 (₹ in crore)	
	NON-CURRENT PORTION	CURRENT MATURITIES	NON-CURRENT PORTION	CURRENT MATURITIES
SECURED				
Lending in CBLO	-	49.95	-	-
UNSECURED				
Inter corporate deposits	-	412.65	577.65	-
Loans and advances to related parties (see note 31)	-	41.52	44.73	0.79
Loan to a financial institution	-	30.00	30.00	-
Receivables against derivative contracts	196.29	173.57	24.13	2.30
Receivable against retail infrastructure bonds	-	179.17	-	-
Loans and advances to employees	1.00	0.97	1.00	0.20
Advance against investments	18.61	100.00	7.35	50.00
Security deposits	36.46	12.37	36.29	5.50
Other deposits	0.07	6.00	3.16	0.07
Capital advance	1.67	-	0.13	1.00
Other loans and advances				
Advance payment of income tax (net of provision)	210.21	-	191.82	-
Prepaid expenses	3.08	10.37	1.10	4.09
Supplier advances	-	2.21	0.27	1.61
Balance with defined benefit plan	-	1.32	-	0.54
Insurance claim receivable	-	2.89	-	0.73
Stamp paper on hand	-	0.12	-	-
Initial margin account - stock futures	5.00	-	4.00	-
Minimum alternate tax credit	-	0.31	-	-
Miscellaneous	-	0.04	0.93	-
Balances with Government authorities - cenvat credit available [includes ₹ 0.64 crore (Previous Year ₹ 0.64 crore) considered doubtful]	-	1.56	-	9.20
Less: Provision against doubtful balances	-	0.64	-	0.64
TOTAL	472.39	1,024.38	922.56	75.39

20 OTHER ASSETS (CONSIDERED GOOD, UNLESS STATED OTHERWISE)

	AS AT MARCH 31, 2012 (₹ in crore)		AS AT MARCH 31, 2011 (₹ in crore)	
	NON-CURRENT PORTION	CURRENT MATURITIES	NON-CURRENT PORTION	CURRENT MATURITIES
Other receivables	-	5.69	-	5.02
[includes ₹ 0.53 crore (Previous Year ₹ 0.36 crore), considered doubtful]				
Less: Provision against doubtful receivables	-	0.53	-	0.36
	-	5.16	-	4.66
Bank deposits [see note (a)]	2.08	-	542.69	-
Interest accrued on deposits & loan to financial institution	0.16	70.56	14.56	10.31
Income accrued on investments	-	67.28	-	68.96
Interest accrued on loans [see note (b)]	334.97	453.61	373.93	170.19
Mark-to-market margin – stock futures account	-	-	-	0.16
Less: Provision for loss – stock futures account	-	-	-	0.16
Unamortised expenses				
Premium on forward contracts	-	5.30	0.47	50.95
Ancillary borrowing costs	30.93	8.84	19.29	4.40
TOTAL	368.14	610.75	950.94	309.47

(a) Balances with banks include deposits under lien of ₹ 1.09 crore (Previous Year ₹ 41.58 crore) against bank guarantees.

(b) Current maturities of interest accrued on loans is net of provision of ₹ 20.71 crore (Previous Year ₹ 3.75 crore).

NOTES TO FINANCIAL STATEMENTS

CONSOLIDATED FOR THE YEAR ENDED MARCH 31, 2012

21 CURRENT INVESTMENTS (LOWER OF COST AND FAIR VALUE / MARKET VALUE, UNLESS STATED OTHERWISE)

	AS AT MARCH 31, 2012 (₹ in crore)	AS AT MARCH 31, 2011 (₹ in crore)
INVESTMENT IN ASSOCIATES		
Equity shares	73.81	-
Preference shares	9.99	-
OTHER INVESTMENTS		
Equity shares [see note (c)]	90.46	81.83
Bonds	1,596.98	1,168.96
Pass through certificates	0.84	1.28
Certificate of deposits	1,147.90	1,889.89
Commercial papers	1,324.68	821.47
Convertible warrants	ß	ß
Government securities	181.51	165.47
Treasury bills	354.66	96.27
Mutual funds	264.79	150.51
CURRENT MATURITIES OF LONG-TERM INVESTMENTS – BONDS (at cost)	116.37	-
TOTAL CURRENT INVESTMENTS	5,161.99	4,375.68
Less: Provision for diminution in value of investments	60.86	45.83
Less: Premium amortised on current maturities of long-term bonds	0.38	-
NET CURRENT INVESTMENTS	5,100.75	4,329.85

(a) Aggregate amount of quoted investments		
Cost	81.83	81.83
Market value	40.38	50.40
(b) (i) Aggregate amount of investments in unquoted mutual funds		
Cost	264.79	150.51
Market value	275.35	151.37
Market value of investments in unquoted mutual funds represents the repurchase price of the units issued by the mutual funds		
(ii) Aggregate amount of other unquoted investments - cost	4,815.37	4,143.34

(c) Investments include ₹ 8.63 crore (Previous Year ₹ Nil) in respect of equity shares which are subject to a lock-in period.

22 TRADE RECEIVABLES (UNSECURED) (CONSIDERED GOOD, UNLESS STATED OTHERWISE)

		AS AT MARCH 31, 2012 (₹ in crore)		AS AT MARCH 31, 2011 (₹ in crore)
Outstanding for a period less than six months from the date they are due for payment		377.07		47.19
Outstanding for a period exceeding six months from the date they are due for payment		6.41		10.37
Considered doubtful				
Outstanding for a period exceeding six months from the date they are due for payment	2.23		3.97	
Less: Provision against doubtful receivables	2.23		3.97	
		-		-
TOTAL		383.48		57.56

NOTES TO FINANCIAL STATEMENTS

CONSOLIDATED FOR THE YEAR ENDED MARCH 31, 2012

23 CASH AND BANK BALANCES

	AS AT MARCH 31, 2012 (₹ in crore)		AS AT MARCH 31, 2011 (₹ in crore)	
CASH AND CASH EQUIVALENTS				
Cash on hand	0.02		0.02	
Cheques on hand	2.29		0.91	
Balances with banks:				
In current accounts [see note (a)]	25.57		247.56	
In deposit accounts	76.24		60.79	
		104.12		309.28
OTHERS				
Balances with banks:				
In earmarked accounts				
- unclaimed dividend	1.22		0.96	
- unclaimed interest	5.22		-	
In deposit accounts [see note (b), (c) & (d)]	587.55		252.00	
		593.99		252.96
TOTAL		698.11		562.24

(a) Balances with banks in current accounts include ₹ Nil (Previous Year ₹ 223.43 crore) being amount raised by the Holding Company on issue of long-term Infrastructure Bonds - Tranche III, that remained unutilised as at the Balance Sheet date, pending regulatory approvals.

(b) Balances with banks include deposits under lien of ₹ 50.44 crore (Previous Year ₹ 10.10 crore) against bank guarantees.

(c) Balances with banks in deposit accounts include deposits under lien of ₹ 21.00 crore (Previous Year ₹ 17.00 crore) to the National Securities Clearing Corporation Limited for meeting margin requirements.

(d) Balances with banks include deposits of ₹ 501.00 crore (Previous Year ₹ 25.00 crore) having original maturity of more than 12 months.

NOTES TO FINANCIAL STATEMENTS

CONSOLIDATED FOR THE YEAR ENDED MARCH 31, 2012

24 REVENUE FROM OPERATIONS

	FOR THE YEAR ENDED MARCH 31, 2012 (₹ in crore)	FOR THE YEAR ENDED MARCH 31, 2011 (₹ in crore)
Interest [see note (a)]	5,434.45	3,947.91
Other financial services [see note (b)]	415.83	593.96
Dividend income [see note (c)]	24.92	44.92
Net profit on sale of investments [see note (d)]	412.35	254.78
Brokerage	37.18	53.16
Other operating income [see note (e)]	11.72	21.25
TOTAL	6,336.45	4,915.98

(a) DETAILS OF INTEREST INCOME

Interest on loans [see note (i) & (ii)]	4,793.71	3,446.17
Interest on deposits and loan to financial institution	175.38	108.21
Interest on investments		
Current investments	402.46	328.35
Long-term investments	62.90	65.18
TOTAL	5,434.45	3,947.91

(i) Interest on loans includes interest on debentures of ₹ 182.05 crore (Previous Year ₹ 105.77 crore)

(ii) Interest on loans includes exchange gain of ₹ 10.33 crore (Previous Year ₹ 48.41 crore)

(b) DETAILS OF INCOME FROM OTHER FINANCIAL SERVICES

Fees (net) [see note (i)]	412.36	588.10
Profit on assignment / sale of loans	3.47	5.86
TOTAL	415.83	593.96

(i) Fees income is net of fees shared on sell down of loans of ₹ 7.87 crore (Previous Year ₹ 31.64 crore)

(c) DETAILS OF DIVIDEND INCOME

Current investments	8.98	32.39
Long-term investments	15.94	12.53
TOTAL	24.92	44.92

(d) DETAILS OF NET PROFIT ON SALE OF INVESTMENTS

Current investments	82.58	48.43
Long-term investments	329.77	206.35
TOTAL	412.35	254.78

(e) DETAILS OF OTHER OPERATING INCOME

Sale of power	11.72	10.06
Income from trading in stock futures	-	2.81
Income on renunciation of rights	-	8.38
TOTAL	11.72	21.25

NOTES TO FINANCIAL STATEMENTS

CONSOLIDATED FOR THE YEAR ENDED MARCH 31, 2012

25 OTHER INCOME

	FOR THE YEAR ENDED MARCH 31, 2012 (₹ in crore)	FOR THE YEAR ENDED MARCH 31, 2011 (₹ in crore)
Interest on income tax refund	1.34	5.92
Other interest	0.14	0.06
Profit on sale of long-term investments [see note (a)]	83.82	0.76
Profit on sale of fixed assets (net)	4.30	6.88
Miscellaneous income [see note 33(iii)]	8.95	3.43
TOTAL	98.55	17.05

(a) Profit on sale of long-term investments includes ₹ 83.77 crore (Previous Year ₹ Nil) on sale of 25% stake in IDFC Asset Management Company Limited and IDFC AMC Trustee Company Limited, wholly-owned subsidiaries of the Holding Company, to Natixis Global Asset Management and ₹ 0.05 crore (Previous Year ₹ 0.76 crore) on account of sale of certain investments to a wholly-owned subsidiary by the Holding Company.

26 EMPLOYEE BENEFITS EXPENSE

	FOR THE YEAR ENDED MARCH 31, 2012 (₹ in crore)	FOR THE YEAR ENDED MARCH 31, 2011 (₹ in crore)
Salaries [see note 33(i)]	272.25	256.98
Contribution to provident and other funds [see note 30]	14.83	12.65
Gratuity expenses [see note 30]	1.61	-
Expense under the ESOS [see note 7(b)]	4.31	16.75
Staff welfare expenses	11.71	9.55
TOTAL	304.71	295.93

27 FINANCE COSTS

	FOR THE YEAR ENDED MARCH 31, 2012 (₹ in crore)	FOR THE YEAR ENDED MARCH 31, 2011 (₹ in crore)
Interest expense *	3,370.05	2,298.52
Other borrowing costs *	53.36	57.43
Net loss on foreign currency transactions and translation	32.75	31.58
TOTAL	3,456.16	2,387.53

* excludes costs charged to securities premium account

28 PROVISIONS AND CONTINGENCIES

	FOR THE YEAR ENDED MARCH 31, 2012 (₹ in crore)	FOR THE YEAR ENDED MARCH 31, 2011 (₹ in crore)
Contingent provision against standard assets [see note 11(b)]	27.65	96.75
Provision for contingencies [including provision u/s. 36(1)(viia) of the Income-tax Act, 1961]	104.91	51.73
Provision against non-performing loans and debtors	52.02	7.52
Write back of provision against restructured loans	-	(1.42)
Provision for diminution in value of investments (net)	100.16	79.87
Provision for / (writeback of) mark-to-market on stock futures account	(0.16)	0.16
TOTAL	284.58	234.61

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CONSOLIDATED FOR THE YEAR ENDED MARCH 31, 2012

29 OTHER EXPENSES

	FOR THE YEAR ENDED MARCH 31, 2012 (₹ in crore)	FOR THE YEAR ENDED MARCH 31, 2011 (₹ in crore)
Rent [see note 33(ii)]	25.39	23.16
Rates and taxes	4.13	4.41
Electricity	3.34	3.48
Repairs and maintenance		
Buildings	1.60	2.06
Equipments	2.66	2.06
Others	2.54	1.98
Insurance charges	0.92	0.86
Travelling and conveyance	18.51	18.35
Printing and stationery	1.37	4.29
Communication costs	7.01	8.48
Advertising and publicity	5.66	6.50
Professional fees	39.74	58.35
Loss on trading in stock futures	2.63	-
Loss on foreign exchange fluctuation (net)	0.30	-
Directors' sitting fees	0.55	0.55
Commission to directors	1.04	1.11
Bad debts written off	1.43	5.38
Miscellaneous expenses	39.27	23.49
Auditors' remuneration [see note (a)]	3.29	2.96
Shared service costs recovered [see note (b)]	(0.83)	-
Other operating expenses	17.89	28.48
TOTAL	**178.44**	**195.95**

(a) Break up of auditors' remuneration:

	FOR THE YEAR ENDED MARCH 31, 2012 (₹ in crore)	FOR THE YEAR ENDED MARCH 31, 2011 (₹ in crore)
Audit fee	1.36	1.39
Tax audit fee	0.29	0.30
Taxation matters	0.43	0.23
Other services	1.07	1.01
Out of pocket expenses	0.01	0.02
Service tax	0.37	0.25
	3.53	3.20
Less: Service tax set off claimed	0.24	0.24
TOTAL	**3.29**	**2.96**

The above amounts exclude professional fees of ₹ 0.19 crore (Previous Year ₹ 0.67 crore) debited to other accounts.

(b) Shared service costs recovery of ₹ 0.83 crore (Previous Year ₹ Nil) represents recovery from an associate company and others under a shared service agreement.

NOTES TO FINANCIAL STATEMENTS

CONSOLIDATED FOR THE YEAR ENDED MARCH 31, 2012

30 In accordance with Accounting Standard 15 on 'Employee Benefits' as notified under the Companies (Accounting Standards) Rules, 2006 the following disclosures have been made:

i. The Group has recognised the following amounts in the Statement of Profit and Loss towards contribution to defined contribution plans which are included under contribution to provident and other funds:

	FOR THE YEAR ENDED MARCH 31, 2012 (₹ in crore)		FOR THE YEAR ENDED MARCH 31, 2011 (₹ in crore)	
	FUNDED	NON FUNDED	FUNDED	NON FUNDED
Provident fund	4.86	2.32	4.31	2.07
Pension fund	0.59	-	-	-
Superannuation fund	0.85	0.44	0.62	0.36

ii. The details of the Group's post-retirement benefit plans for gratuity for its employees are given below which are certified by the actuary and relied upon by the auditors:

	FOR THE YEAR ENDED MARCH 31, 2012 (₹ in crore)		FOR THE YEAR ENDED MARCH 31, 2011 (₹ in crore)	
	FUNDED	NON FUNDED	FUNDED	NON FUNDED
CHANGE IN THE DEFINED BENEFIT OBLIGATIONS:				
Liability at the beginning of the year	12.59	4.16	8.43	2.12
Current service cost	2.93	1.39	2.53	1.10
Interest cost	1.25	0.44	0.84	0.24
Liabilities settled on divestiture	-	-	(0.32)	(0.02)
Benefits paid	(1.07)	(0.55)	(0.68)	(0.42)
Actuarial loss	1.38	0.09	0.95	0.79
Past service cost	-	-	0.84	0.35
Liability at the end of the year	17.08	5.53	12.59	4.16
FAIR VALUE OF PLAN ASSETS:				
Fair value of plan assets at the beginning of the year	11.96	-	8.09	-
Expected return on plan assets	0.96	-	0.77	-
Contributions	3.40	-	4.03	-
Benefits paid	(1.07)	-	(0.68)	-
Actuarial loss on plan assets	0.48	-	0.25	-
Fair value of plan assets at the end of the year	14.77	-	11.96	-
Total actuarial loss to be recognised	1.86	0.09	1.20	0.79
ACTUAL RETURN ON PLAN ASSETS:				
Expected return on plan assets	0.96	-	0.77	-
Actuarial loss on plan assets	0.48	-	0.25	-
Actual return on plan assets	0.48	-	0.52	-
AMOUNT RECOGNISED IN THE BALANCE SHEET:				
Liability at the end of the year	17.08	5.53	12.59	4.16
Fair value of plan assets at the end of the year	14.77	-	11.96	-
Unrecognised past service cost	0.09	0.18	0.19	0.30
Amount recognised in the Balance Sheet under 'Provision for employee benefits'	2.32	5.35	0.52	3.86
EXPENSE RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS:				
Current service cost	2.93	1.39	2.53	1.10
Interest cost	1.25	0.44	0.84	0.24
Expected return on plan assets	(0.96)	-	(0.77)	-
Net actuarial loss to be recognised	1.86	0.09	1.20	0.79
Recovery of past service cost	0.10	0.12	0.65	0.06
Liabilities settled on divestiture	-	-	(0.32)	(0.02)
Expense recognised in the Statement of Profit and Loss under 'Employee benefits expense'	5.18	2.04	4.13	2.17
RECONCILIATION OF THE LIABILITY RECOGNISED IN THE BALANCE SHEET:				
Opening net liability	0.62	3.88	0.33	2.12
Expense recognised	5.18	2.04	4.13	2.17
Contribution by the Group	(3.40)	(0.50)	(4.03)	(0.42)
Amount recognised in the Balance Sheet under 'Provision for employee benefits'	2.32	5.35	0.52	3.86
Expected employer's contribution next year	1.70	0.36	2.30	0.23

NOTES TO FINANCIAL STATEMENTS

CONSOLIDATED FOR THE YEAR ENDED MARCH 31, 2012

	FOR THE YEAR ENDED MARCH 31, 2012	MARCH 31, 2011	MARCH 31, 2010	MARCH 31, 2009	MARCH 31, 2008 (₹ in crore)
EXPERIENCE ADJUSTMENTS:					
Defined benefit obligation	22.61	16.75	10.71	8.84	4.88
Plan assets	14.77	11.96	8.29	6.68	3.45
Unrecognised past service cost	-	0.19	-	-	-
Deficit	7.58	4.17	2.42	2.17	1.43
Experience adjustments on plan liabilities	1.04	2.74	(0.27)	2.24	0.80
Experience adjustments on plan assets	(0.48)	(0.13)	1.30	(0.74)	(0.02)

	AS AT MARCH 31, 2012 (%)	AS AT MARCH 31, 2011 (%)
INVESTMENT PATTERN:		
Insurer managed funds	100.00	100.00
Government securities	18.64	23.40
Deposit and money market securities	33.53	13.51
Debentures / bonds	31.98	41.68
Equity shares	15.85	21.41
PRINCIPAL ASSUMPTIONS:		
Discount rate (p.a.)	8.38	8.30
Expected rate of return on assets (p.a.)	8.00	8.00
Salary escalation rate (p.a.)	8.00	8.00

The estimate of future salary increase, considered in the actuarial valuation takes account of inflation, seniority, promotion and other relevant factors.

31 As per Accounting Standard 18 on 'Related Party Disclosures' as notified under the Companies (Accounting Standards) Rules, 2006, the related parties of the Group are as follows:

I. **SUBSIDIARIES:**
- (a) **Direct:**
  - IDFC Foundation [see note 3(c)]
- (b) **Through subsidiary:**
  - IDFC PPP Trusteeship Company Limited [see note 4(c)]

II. **JOINTLY CONTROLLED ENTITIES OF IDFC FOUNDATION**
- (a) Delhi Integrated Multi-Modal Transit System Limited (with effect from March 24, 2011)
- (b) Infrastructure Development Corporation (Karnataka) Limited (with effect from March 24, 2011)
- (c) Uttarakhand Infrastructure Development Company Limited (with effect from March 24, 2011)

III. **ASSOCIATES:**
- (a) **Direct**
  - Galaxy Mercantiles Limited (with effect from December 2, 2011)
  - Feedback Infrastructure Services Private Limited (Formerly Feedback Ventures Private Limited)
- (b) **Through subsidiary**
  - Jetpur Somnath Tollways Limited (with effect from August 12, 2011)

IV. **ENTITIES OVER WHICH CONTROL IS EXERCISED BY IDFC FOUNDATION:**
- (a) India Infrastructure Initiative Trust (with effect from March 24, 2011)
- (b) India PPP Capacity Building Trust (with effect from March 24, 2011)

V. **KEY MANAGEMENT PERSONNEL OF THE HOLDING COMPANY:**
- (a) Dr. Rajiv B. Lall – Managing Director & CEO
- (b) Mr. Vikram Limaye – Whole-time Director

The nature and volume of transactions carried out with the above related parties in the ordinary course of business are as follows:

NAME OF RELATED PARTY AND NATURE OF RELATIONSHIP		FOR THE YEAR ENDED MARCH 31, 2012 (₹ in crore)	FOR THE YEAR ENDED MARCH 31, 2011 (₹ in crore)
(a) **SUBSIDIARIES:**			
IDFC Foundation	Fees paid	3.63	-
	Advances recovered during the year	4.00	-
	Sale of investments	0.05	45.45
	Advances recoverable – balance outstanding	41.50	45.50
	Share subscription	8.00	-
	Amount payable	0.52	-

NOTES TO FINANCIAL STATEMENTS

CONSOLIDATED FOR THE YEAR ENDED MARCH 31, 2012

NAME OF RELATED PARTY AND NATURE OF RELATIONSHIP			FOR THE YEAR ENDED MARCH 31, 2012 (₹ in crore)	FOR THE YEAR ENDED MARCH 31, 2011 (₹ in crore)
	IDFC PPP Trusteeship Company Limited	Advances given	0.02	-
		Advances – balance outstanding	0.02	-
(b)	**JOINTLY CONTROLLED ENTITIES:**			
	Uttarakhand Infrastructure Development Company Limited	Fees paid	0.09	-
	Infrastructure Development Corporation (Karnataka) Limited	Fees paid	0.04	-
		Rent paid	0.02	-
		Deputation charges recovered	-	-
		Trade payables – balance outstanding	0.16	0.37
(c)	**ASSOCIATES:**			
	Feedback Infrastructure Services Private Limited	Dividend received	0.81	0.73
		Miscellaneous Income	ß	ß
		Fees paid	0.25	-
		Subscription to redeemable debentures	28.00	-
		Interest on redeemable debentures	1.41	-
		Interest accrued on loans – balance outstanding	1.41	-
	Galaxy Mercantiles Limited	Interest on optionally convertible debentures (OCDs)	6.21	-
		Subscription to equity shares	73.81	-
		Subscription to cumulative preference shares	9.99	-
		Interest accrued on loans – balance outstanding	0.08	-
		Investment in OCDs	136.12	-
		Loan given and balance outstanding	1.65	-
(d)	**ENTITIES OVER WHICH CONTROL IS EXERCISED:**			
	India PPP Capacity Building Trust	Fees paid	6.83	2.39
		Trade payables – balance outstanding	0.79	2.23
(e)	**KEY MANAGEMENT PERSONNEL OF THE HOLDING COMPANY:**			
	Dr. Rajiv B. Lall	Remuneration paid	5.99	6.26*
	Mr. Vikram Limaye	Remuneration paid	4.93	6.78*
	Dr. Rajiv B. Lall	80CCF bonds	ß	ß
	Mr. Vikram Limaye	80CCF bonds	ß	ß

* includes perquisites on exercise of employee stock options under the ESOS.

32 The Group is engaged in financing by way of loans, asset management and investment banking. The Group does not have any reportable geographic segment. Since the revenues, profit or assets of the asset management segment and investment banking segment individually do not exceed 10% of the Group's revenues, profit or assets, the Group has one reportable segment i.e. Financing in terms of Accounting Standard 17 on 'Segment Reporting' as notified by the Companies (Accounting Standards) Rules, 2006.

		FOR THE YEAR ENDED MARCH 31, 2012 (₹ in crore)	FOR THE YEAR ENDED MARCH 31, 2011 (₹ in crore)
I	**SEGMENT OPERATING REVENUE**		
	(a) Financing	6,092.45	4,522.53
	(b) Others	333.44	454.08
	TOTAL	6,425.89	4,976.61
	Less: Inter segment revenue	89.44	60.63
	TOTAL OPERATING INCOME	**6,336.45**	**4,915.98**
II	**SEGMENT RESULTS**		
	(a) Financing	2,113.43	1,658.26
	(b) Others	57.90	114.66
	(c) Unallocated	1.34	5.92
	Profit before tax	2,172.67	1,778.84
	Less: Provision for tax	621.86	499.75
	Profit after tax (before share of profit from associates and adjustment for minority interest)	**1,550.81**	**1,279.09**

NOTES TO FINANCIAL STATEMENTS

CONSOLIDATED FOR THE YEAR ENDED MARCH 31, 2012

		AS AT MARCH 31, 2012 (₹ in crore)	AS AT MARCH 31, 2011 (₹ in crore)
III	SEGMENT ASSETS		
	(a) Financing	59,111.86	47,316.42
	(b) Others	1,336.85	1,616.19
	(c) Unallocated	530.43	414.56
	TOTAL	60,979.14	49,347.17
IV	SEGMENT LIABILITIES		
	(a) Financing	48,518.57	37,933.99
	(b) Others	115.55	162.33
	(c) Unallocated	41.60	2.24
	TOTAL	48,675.72	38,098.56
V	CAPITAL EMPLOYED		
	(a) Financing	10,593.29	9,382.43
	(b) Others	1,221.30	1,453.86
	(c) Unallocated	488.83	412.32
	TOTAL	12,303.42	11,248.61

		FOR THE YEAR ENDED MARCH 31, 2012 (₹ in crore)	FOR THE YEAR ENDED MARCH 31, 2011 (₹ in crore)
VI	CAPITAL EXPENDITURE (INCLUDING CAPITAL WORK-IN-PROGRESS)		
	(a) Financing	6.65	44.58
	(b) Others	2.32	5.60
	TOTAL	8.97	50.18
VII	DEPRECIATION AND AMORTISATION		
	(a) Financing	31.36	32.81
	(b) Others	7.08	7.36
	TOTAL	38.44	40.17
VIII	SIGNIFICANT NON CASH EXPENSES OTHER THAN DEPRECIATION AND AMORTISATION		
	(a) Financing	323.41	245.31
	(b) Others	9.35	(1.55)
	TOTAL	332.76	243.76

33 In accordance with Accounting Standard 19 on 'Leases' as notified under the Companies (Accounting Standards) Rules, 2006, the following disclosures in respect of operating leases are made:

i. The Group companies have taken vehicles for certain employees under Operating Leases, which expire between April 2012 to March 2016 (Previous Year August 2011 to March 2015). Salaries include gross rental expenses of ₹ 1.40 crore (Previous Year ₹ 0.54 crore). The committed lease rentals in the future are:

	AS AT MARCH 31, 2012 (₹ in crore)	AS AT MARCH 31, 2011 (₹ in crore)
Not later than one year	1.43	0.99
Later than one year and not later than five years	2.14	1.96

ii. The Group companies have taken office premises under operating leases, which expire between June 2015 to September 2018 (Previous Year April 2013 to September 2018). Rent includes gross rental expenses of ₹ 20.92 crore (Previous Year ₹ 16.51 crore). The committed lease rentals in the future are:

	AS AT MARCH 31, 2012 (₹ in crore)	AS AT MARCH 31, 2011 (₹ in crore)
Not later than one year	13.98	18.37
Later than one year and not later than five years	36.37	42.84
Later than five years	1.89	7.74

iii. The Holding Company has given office premises under non-cancellable operating lease, which expires in October 2012 (Previous Year October 2012). Miscellaneous income includes income from such leases of ₹ 2.26 crore (Previous Year ₹ 2.08 crore). The future minimum lease rentals is as follows:

	AS AT MARCH 31, 2012 (₹ in crore)	AS AT MARCH 31, 2011 (₹ in crore)
Not later than one year	1.32	2.26
Later than one year and not later than five years	-	1.32

NOTES TO FINANCIAL STATEMENTS

CONSOLIDATED FOR THE YEAR ENDED MARCH 31, 2012

34 In accordance with Accounting Standard 20 on 'Earnings Per Share' as notified under the Companies (Accounting Standards) Rules, 2006:

i. The basic earnings per share has been calculated based on the following:

	FOR THE YEAR ENDED MARCH 31, 2012 (₹ in crore)	FOR THE YEAR ENDED MARCH 31, 2011 (₹ in crore)
Net profit after tax	1,554.01	1,281.66
Less: Adjustment for dividend and dividend distribution tax on CCCPS	49.41	37.39
Net amount available for equity shareholders	1,504.60	1,244.27
Weighted average number of equity shares	1,469,679,676	1,418,087,937

ii. The reconciliation between the basic and the diluted earnings per share is as follows:

	FOR THE YEAR ENDED MARCH 31, 2012 (₹)	FOR THE YEAR ENDED MARCH 31, 2011 (₹)
Basic earnings per share	10.24	8.77
Effect of outstanding stock options	(0.04)	(0.06)
Diluted earnings per share	10.20	8.71

iii. The basic earnings per share has been computed by dividing the net profit after tax for the year available for equity shareholders by the weighted average number of equity shares for the respective years, whereas the diluted earnings per share has been computed by dividing the net profit after tax for the year available for equity shareholders by the weighted average number of equity shares, after giving dilutive effect of the outstanding stock options for the respective periods. Since, the effect of the conversion of CCCPS was anti-dilutive in the previous year, it has been ignored in the previous year. The relevant details as described above are as follows:

	AS AT MARCH 31, 2012	AS AT MARCH 31, 2011
Weighted average number of shares for computation of basic earnings per share	1,469,679,676	1,418,087,937
Dilutive effect of outstanding stock options	4,741,438	10,165,050
Weighted average number of shares for computation of diluted earnings per share	1,474,421,114	1,428,252,987

35 Contingent liabilities and commitments (to the extent not provided for)

		AS AT MARCH 31, 2012 (₹ in crore)	AS AT MARCH 31, 2011 (₹ in crore)
(a)	CONTINGENT LIABILITIES		
(i)	Claims not acknowledged as debts in respect of:		
	Income-tax demands under appeal	111.66	120.90
(ii)	Guarantees issued:		
	As a part of project assistance, the following guarantees have been issued:		
	Financial guarantees	2,255.98	1,234.45
	Performance guarantees [including ₹ 10.76 crore (Previous Year ₹ Nil) on account of proportionate share in an associate company]	237.77	259.00
	Risk participation facility	-	5.31
	Sponsors undertaking	25.08	-
	Other financial guarantees [including ₹ 9.08 crore (Previous Year ₹ 5.92 crore) on account of proportionate share in an associate company]	87.49	41.77
(b)	CAPITAL COMMITMENTS		
(i)	Uncalled liability on shares and other investments partly paid [including ₹ 214.52 crore (Previous Year ₹ 5.49 crore) on account of proportionate share in associate companies]	1,227.76	730.16
(ii)	Estimated amount of contracts remaining to be executed on capital account (net of advances)	1.56	6.87

36 The Holding Company has entered into interest rate swaps in the nature of "fixed / floating" or "floating / fixed" for notional principal of ₹ 3,066.00 crore outstanding as on March 31, 2012 (Previous Year ₹ 2,391.00 crore) for varying maturities linked to various benchmarks for asset liability management and hedging.

The Holding Company has foreign currency borrowings of USD 81.18 crore (Previous Year USD 62.56 crore), against which the Company has undertaken currency interest rate swaps and forward contracts of USD 81.18 crore (Previous Year USD 60.91 crore) to hedge foreign currency risk. One of the subsidiaries had un-hedged foreign currency exposure of USD 0.08 crore in previous year.

The Holding Company has also entered into coupon only currency swaps for notional principal of USD 8.41 crore (Previous Year USD 11.11 crore) to hedge the foreign currency risk towards interest on the foreign currency borrowings.

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CONSOLIDATED FOR THE YEAR ENDED MARCH 31, 2012

37 There were no open interest in stock futures as at March 31, 2012. The details of open interest in stock futures as at March 31, 2011 are as under:

LONG POSITION:

NAME OF FUTURE	SERIES OF FUTURE	NUMBER OF CONTRACTS	NUMBER OF UNITS
Rural Electrification Corporation Limited	28-Apr-11	2	250,000

SHORT POSITION:

NAME OF FUTURE	SERIES OF FUTURE	NUMBER OF CONTRACTS	NUMBER OF UNITS
Larsen & Tubro Limited	28-Apr-11	1	35,000
Shree Renuka Sugars Limited	28-Apr-11	2	700,000

38 No interest has been paid / payable by the group companies during the year to the 'Suppliers' covered under the Micro, Small and Medium Enterprises Development Act, 2006. Current liabilities - Trade payable include ₹ ß (Previous Year ₹ ß) payable to 'Suppliers' registered under the Micro, Small and Medium Enterprises Development Act, 2006 by one of the subsidiary companies. The above information takes into account only those suppliers who have responded to inquiries made by the group companies for this purpose.

39 INTEREST AND REPAYMENT TERMS OF LONG-TERM BORROWINGS - DEBENTURES (NON CONVERTIBLE) (SECURED)

	AS AT MARCH 31, 2012		AS AT MARCH 31, 2011	
		(₹ in crore)		(₹ in crore)
RESIDUAL MATURITY	BALANCE OUTSTANDING	INTEREST RATE (%)	BALANCE OUTSTANDING	INTEREST RATE (%)
FIXED RATE				
Above 5 years	12,402.92	7.50 to 9.91	10,615.46	7.50 to 9.35
3-5 years	1,880.00	7.45 to 9.40	2,275.00	7.25 to 8.20
1-3 years	8,975.00	6.00 to 11.66	5,928.00	6.00 to 11.66
FLOATING RATE				
Above 5 years	40.00	MIBOR+150bps	40.00	MIBOR+150bps
1-3 years	-	NA	120.00	MIBOR+170bps to 183 bps
TOTAL	23,297.92		18,978.46	

40 INTEREST AND REPAYMENT TERMS OF LONG-TERM BORROWINGS - DEBENTURES (CONVERTIBLE) (UNSECURED)

	AS AT MARCH 31, 2012		AS AT MARCH 31, 2011	
		(₹ in crore)		(₹ in crore)
RESIDUAL MATURITY	BALANCE OUTSTANDING	INTEREST RATE (%)	BALANCE OUTSTANDING	INTEREST RATE (%)
3-5 years	-	NA	6.67	Zero coupon
1-3 years	6.67	Zero coupon	-	NA
TOTAL	6.67		6.67	

41 INTEREST AND REPAYMENT TERMS OF LONG-TERM LOANS - FROM BANKS (SECURED)

	AS AT MARCH 31, 2012		AS AT MARCH 31, 2011	
		(₹ in crore)		(₹ in crore)
RESIDUAL MATURITY	BALANCE OUTSTANDING	INTEREST RATE (%)	BALANCE OUTSTANDING	INTEREST RATE (%)
FIXED RATE				
3-5 years	255.74	7.41	555.74	7.25 to 7.50
1-3 years	1,441.67	8.35 to 10.65	3,977.24	7.00 to 9.89
FLOATING RATE				
3-5 years	1,790.60	6M LIBOR + 175 bps to 275 bps	891.80	6M LIBOR+ 175 bps
1-3 years	749.61	6M LIBOR + 300 bps to 345 bps	624.26	6M LIBOR+ 300 bps
TOTAL	4,237.62		6,049.04	

NOTES TO FINANCIAL STATEMENTS

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42 INTEREST AND REPAYMENT TERMS OF LONG-TERM LOANS - FROM OTHERS (SECURED)

	AS AT MARCH 31, 2012	(₹ in crore)	AS AT MARCH 31, 2011	(₹ in crore)
RESIDUAL MATURITY	BALANCE OUTSTANDING	INTEREST RATE (%)	BALANCE OUTSTANDING	INTEREST RATE (%)
FIXED RATE				
1-3 years	668.00	10.10	-	NA
FLOATING RATE				
Above 5 years	346.80	INBMK + 184 bps	346.80	INBMK + 184 bps
Above 5 years	522.56	6M LIBOR + 60 bps to 235 bps	175.18	6M LIBOR+ 60 bps
3-5 years	299.20	6M LIBOR + 70 bps to 115 bps	97.54	6M LIBOR+ 115 bps
1-3 years	-	NA	684.77	6M LIBOR+ 45 bps to 70 bps
TOTAL	1,836.56		1,304.29	

43 INTEREST AND REPAYMENT TERMS OF SUBORDINATED DEBT FROM THE GOVERNMENT OF INDIA (UNSECURED)

	AS AT MARCH 31, 2012	(₹ in crore)	AS AT MARCH 31, 2011	(₹ in crore)
RESIDUAL MATURITY	BALANCE OUTSTANDING	INTEREST RATE (%)	BALANCE OUTSTANDING	INTEREST RATE (%)
29-Sep-47	350.00	5 Year G-Sec+ 25 bps	350.00	5 Year G-Sec+ 25 bps
17-Mar-47	300.00	5 Year G-Sec+ 25 bps	300.00	5 Year G-Sec+ 25 bps
TOTAL	650.00		650.00	

44 Statement of information of Subsidiaries# in compliance with Section 212 of the Companies Act, 1956 as on March 31, 2012

(₹ in crore)

NAME OF SUBSIDIARY COMPANIES	CAPITAL	RESERVES	TOTAL ASSETS	TOTAL LIABILITIES	DETAILS OF INVESTMENT (excluding investment in subsidiary companies)				TURNOVER	PROFIT BEFORE TAX	PROVISION FOR TAX	PROFIT AFTER TAX	PROPOSED DIVIDEND
					EQUITY	MUTUAL FUND	TRUST UNITS	VENTURE CAPITAL UNITS					
Dheeru Powergen Limited	1.97	(2.08)	57.73	57.83	-	-	-	-	-	(0.20)	ß	(0.20)	-
(Previous Year)	1.97	(1.87)	54.96	54.86	-	-	-	-	-	(0.47)	-	(0.47)	-
IDFC AMC Trustee Company Limited	0.05	0.02	0.08	0.01	-	-	-	-	0.06	(0.02)	-	(0.02)	-
(Previous Year)	0.05	0.04	0.10	0.01	-	-	-	-	0.04	(0.01)	-	(0.01)	-
IDFC Asset Management Company Limited	2.68	61.33	92.59	28.59	-	26.22	-	-	110.00	15.72	5.35	10.37	75%
(Previous Year)	2.67	51.04	84.87	31.15	-	17.57	-	-	93.09	(3.26)	(0.45)	(2.81)	-
IDFC Capital (Singapore) Pte. Ltd.*	39.25	(37.07)	5.73	3.43	-	-	-	-	7.16	(3.44)	0.54	(3.98)	-
(Previous Year)	36.74	(33.22)	7.95	4.44	-	-	-	-	7.41	(12.05)	-	(12.05)	-
IDFC Capital Limited	6.04	109.17	148.64	33.43	2.06	0.08	-	-	27.77	1.19	0.35	0.85	-
(Previous Year)	6.04	108.32	150.85	36.49	2.06	7.77	-	-	103.06	44.91	14.32	30.59	-
IDFC Capital (USA) Inc.*	4.62	(0.64)	4.66	0.67	-	-	-	-	2.78	(0.49)	(0.14)	(0.35)	-
(Previous Year)	4.62	(0.77)	4.01	0.16	-	-	-	-	-	(0.62)	-	(0.62)	-
IDFC Distribution Company Limited	1.50	0.35	1.97	0.12	-	0.79	-	-	0.23	0.10	0.02	0.08	-
(Previous Year)	1.50	0.27	2.00	0.23	-	0.64	-	-	0.30	0.11	0.02	0.09	-
IDFC Finance Limited	21.00	9.36	30.99	0.62	-	30.20	-	-	2.62	2.58	0.17	2.41	-
(Previous Year)	21.00	6.96	28.58	0.62	-	27.76	-	-	0.51	0.46	0.01	0.45	-
IDFC Foundation (unaudited)	8.05	2.28	52.98	42.65	30.66	-	11.80	-	3.95	3.10	0.80	2.30	-
(Previous Year) (unaudited)	0.05	(0.02)	45.53	45.51	30.68	-	14.85	-	ß	(0.02)	-	(0.02)	-
IDFC Fund of Funds Limited *	77.18	(11.57)	65.71	0.10	-	-	-	-	-	(16.02)	-	(16.02)	-
(Previous Year)	53.68	(2.48)	51.33	0.12	-	-	-	-	-	(0.32)	-	(0.32)	-
IDFC General Partners Limited *	0.08	0.01	0.08	-	-	-	-	-	-	-	-	-	-
(Previous Year)	0.08	ß	0.07	-	-	-	-	-	-	-	-	-	-

NOTES TO FINANCIAL STATEMENTS

CONSOLIDATED FOR THE YEAR ENDED MARCH 31, 2012

(₹ in crore)

NAME OF SUBSIDIARY COMPANIES	CAPITAL	RESERVES	TOTAL ASSETS	TOTAL LIABILITIES	DETAILS OF INVESTMENT (excluding investment in subsidiary companies)				TURNOVER	PROFIT BEFORE TAX	PROVISION FOR TAX	PROFIT AFTER TAX	PROPOSED DIVIDEND
					EQUITY	MUTUAL FUND	TRUST UNITS	VENTURE CAPITAL UNITS					
IDFC Investment Advisors Limited	10.00	4.26	26.75	12.48	-	18.38	-	ß	11.57	3.99	1.29	2.70	-
(Previous Year)	10.00	1.56	14.80	3.24	-	9.83	-	-	16.53	1.46	0.80	0.67	-
IDFC Investment Managers (Mauritius) Limited *	0.26	0.63	0.99	0.10	-	-	-	-	2.00	0.57	0.02	0.55	-
(Previous Year)	0.26	ß	0.32	0.06	-	-	-	-	0.16	0.01	ß	ß	-
IDFC Pension Fund Management Company Limited	12.00	0.31	12.67	0.36	-	12.51	-	-	ß	0.17	0.02	0.15	-
(Previous Year)	12.00	0.16	12.18	0.02	-	11.70	-	-	ß	0.30	0.01	0.28	-
IDFC Primary Dealership Company Limited	5.00	(1.42)	5.00	1.42	-	-	-	-	-	(1.42)	-	(1.42)	-
(Previous Year)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
IDFC PPP Trusteeship Company Limited	0.05	(0.07)	ß	0.03	-	-	-	-	ß	(0.02)	-	(0.02)	-
(Previous Year)	0.05	(0.05)	ß	0.01	-	-	-	-	ß	(0.01)	-	(0.01)	-
IDFC Private Equity Company Limited	0.05	53.52	82.81	29.24	-	-	-	1.29	62.02	31.54	9.91	21.63	-
(Previous Year)	0.05	55.14	84.06	28.87	-	-	-	0.90	81.26	57.13	18.65	38.48	-
IDFC Project Equity Company Limited	0.05	3.72	29.28	25.51	-	-	-	-	57.55	18.75	5.61	13.14	-
(Previous Year)	0.05	14.99	40.89	25.85	-	-	-	-	57.55	26.97	8.29	18.68	-
IDFC Projects Limited	34.05	(30.13)	80.14	76.22	17.49	-	-	-	1.87	(5.04)	-	(5.04)	-
(Previous Year)	34.05	(25.09)	58.10	49.13	-	-	-	-	3.62	(7.17)	0.01	(7.18)	-
IDFC Securities Limited	14.14	99.56	127.03	13.33	ß	-	-	-	40.85	1.11	0.17	0.94	-
(Previous Year)	14.14	98.63	179.63	66.87	ß	72.64	-	-	78.93	19.54	4.63	14.91	-
IDFC Trustee Company Limited	0.05	1.79	1.85	0.01	-	1.69	-	-	0.55	0.56	0.16	0.40	-
(Previous Year)	0.05	1.39	1.48	0.03	-	1.23	-	-	0.56	0.58	0.16	0.42	-
Jetpur Somnath Highway Limited	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(Previous Year)	0.10	(0.10)	0.01	0.01	-	-	-	-	-	0.02	ß	0.02	-
Jetpur Somnath Tollways Limited	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(Previous Year)	0.10	(0.45)	0.10	0.45	-	-	-	-	-	(0.45)	-	(0.45)	-
Uniquest Infra Ventures Private Limited	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(Previous Year)	0.01	(0.02)	0.01	0.02	-	-	-	-	-	(0.02)	-	(0.02)	-

Subsidiary as defined under Section 4 of the Companies Act, 1956
* Exchange Rate:
Closing Rate: 1 USD = ₹ 51.16
Average Rate: 1 USD = ₹ 47.92

45 The Revised Schedule VI to the Companies Act, 1956 has become effective from April 1, 2011 for preparation and presentation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Accordingly, the figures for the previous year have been reclassified, wherever necessary to conform with the current year's classification.

46 Consequent to the change in the control in some entities, certain opening balances have been considered based on current ownership and accordingly the differences are reflected as 'Opening Adjustment'.

47 Figures of ₹ 50,000 or less have been denoted by ß.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF
INFRASTRUCTURE DEVELOPMENT FINANCE COMPANY LIMITED

DEEPAK S. PAREKH
Chairman

RAJIV B. LALL
Managing Director & CEO

SUNIL KAKAR
Chief Financial Officer

MAHENDRA N. SHAH
Company Secretary

Mumbai | May 8, 2012

AUDITORS' REPORT

TO THE MEMBERS OF INFRASTRUCTURE DEVELOPMENT FINANCE COMPANY LIMITED

1. We have audited the attached Balance Sheet of **INFRASTRUCTURE DEVELOPMENT FINANCE COMPANY LIMITED** ("the Company") as at March 31, 2012, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:

   (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

   (c) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (d) as required by Article 215(4)(f) of the Articles of Association of the Company, we report that in our opinion, the transactions of the Company which have come to our notice have been within the powers of the Company;

   (e) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;

   (f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

      (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;

      (ii) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date, and

      (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

5. On the basis of the written representations received from the Directors as on March 31, 2012 taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2012 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

FOR DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 117366W)

P. R. RAMESH
Partner
Membership No. 70928

Mumbai
May 8, 2012

ANNEXURE

TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

(i) Having regard to the nature of the Company's business / activities / result / transactions, etc., clauses (ii), (viii), (x) and (xiii) of CARO are not applicable.

(ii) In respect of its fixed assets:

(a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.

(b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.

(c) The fixed assets disposed of during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.

(iii) In respect of loans, secured or unsecured, granted by the Company to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:

(a) The Company has granted short term loans aggregating ₹ 350.00 crore to one party during the year. At the year-end, the outstanding balances of such loans aggregated ₹ Nil and the maximum amount involved during the year was ₹ 350.00 crore.

(b) The rate of interest and other terms and conditions of such loans are, in our opinion, prima facie not prejudicial to the interests of the Company.

(c) The receipts of principal amounts and interest have been regular.

(iv) In case of loans, secured or unsecured, taken by the Company from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:

(a) Five parties have subscribed to the public issue of Infrastructure Bonds during the year. At the year-end, the outstanding balance of such bonds aggregated ₹ 0.05 crore (number of parties fourteen) and the maximum amount involved during the year was ₹ 0.05 crore.

(b) The rate of interest and other terms and conditions of such loans are, in our opinion, prima facie not prejudicial to the interests of the Company.

(c) The payments of principal amounts and interest have been regular / as per stipulations.

(v) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets and the sale of services. During the course of our audit, we have not observed any major weakness in such internal control system.

(vi) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:

(a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.

(b) Where each of such transactions (excluding loans reported under paragraph (iii) and (iv) above) is in excess of ₹ 5 lakh in respect of any party, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices wherever applicable, at the relevant time.

(vii) The Company has not accepted any deposit from the public within the meaning of Sections 58A & 58AA of the Companies Act, 1956.

(viii) In our opinion, the internal audit functions carried out during the year by a firm appointed by the Management have been commensurate with the size of the Company and the nature of its business.

(ix) According to the information and explanations given to us in respect of statutory dues:

(a) The Company has been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Income-tax, Sales Tax, Wealth Tax, Service Tax, Cess and other material statutory dues applicable to it with the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Income-tax, Sales Tax, Wealth Tax, Service Tax, Cess and other material statutory dues in arrears as at March 31, 2012 for a period of more than six months from the date they became payable.

(c) Details of dues of Income-tax which have not been deposited as on March 31, 2012 on account of disputes are given below:

ANNEXURE

TO THE AUDITORS' REPORT

STATUTE	NATURE OF DUES	FORUM WHERE DISPUTE IS PENDING	PERIOD TO WHICH THE AMOUNT RELATES	AMOUNT INVOLVED (₹ in crore)
Income- tax Act, 1961	Income Tax	Income Tax Appellate Tribunal	A.Y. 2007-08	8.07
Income- tax Act, 1961	Income Tax	Commissioner of Income Tax (Appeals)	A.Y. 2008-09	0.80
Income- tax Act, 1961	Income Tax	Commissioner of Income Tax (Appeals)	A.Y. 2009-10	33.33

(x) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks, financial institutions and debenture holders.

(xi) In our opinion, the Company has maintained adequate records where it has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xii) Based on our examination of the records and evaluation of the related internal controls, the Company has maintained proper records of the transactions and contracts in respect of its dealing in shares, securities, debentures and other investments and timely entries have been made therein. The aforesaid securities have been held by the Company in its own name, except to the extent of the exemption granted under Section 49 of the Companies Act, 1956.

(xiii) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks and financial institutions are not prima facie prejudicial to the interests of the Company.

(xiv) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained, other than temporary deployment pending application.

(xv) According to the information and explanations given to us and on the basis of the maturity profile of assets and liabilities with a maturity profile of one year as given in the Asset Liability Management Report, liabilities maturing in the next one year are in excess of the assets of similar maturity by ₹ 6,309.46 crore.

(xvi) According to the information and explanations given to us, the Company has made preferential allotment of shares to parties covered in the Register maintained under Section 301 of the Companies Act, 1956 at a price which is prima facie not prejudicial to the interests of the Company.

(xvii) According to the information and explanations given to us and the records examined by us, securities / charges have been created in respect of all debentures issued during the year except in respect of debentures aggregating ₹ 2,934.17 crore for which securities / charges have been created subsequently.

(xviii) We have verified the end use of money raised by public issue of Infrastructure Bonds during the year as disclosed in Note 45 to the Accounts.

(xix) To the best of our knowledge and according to the information and explanations given to us, no fraud by or on the Company has been noticed or reported during the year.

FOR DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 117366W)

P. R. RAMESH
Partner
Membership No. 70928

Mumbai
May 8, 2012

BALANCE SHEET

AS AT MARCH 31,2012

(₹ in crore)

	NOTES	AS AT MARCH 31, 2012	AS AT MARCH 31, 2012	AS AT MARCH 31, 2011
EQUITY AND LIABILITIES				
Shareholders' funds				
(a) Share capital	4	1,512.36		2,300.95
(b) Reserves and surplus	5	10,627.61		8,765.05
			12,139.97	11,066.00
Share application money pending allotment	6		0.60	4.14
Non-current liabilities				
(a) Long-term borrowings	7	29,830.53		26,779.41
(b) Other long-term liabilities	8	136.12		49.08
(c) Long-term provisions	9	124.40		96.75
			30,091.05	26,925.24
Current liabilities				
(a) Short-term borrowings	10	7,351.01		1,686.99
(b) Trade payables	39	176.62		172.62
(c) Other current liabilities	11	10,505.54		8,746.51
(d) Short-term provisions	12	441.18		396.16
			18,474.35	11,002.28
TOTAL			**60,705.97**	**48,997.66**
ASSETS				
Non-current assets				
(a) Fixed assets				
(i) Tangible assets	13(a)	309.93		334.58
(ii) Intangible assets	13(b)	4.26		7.39
(iii) Capital work-in-progress		0.16		0.51
(iv) Intangible assets under development		-		0.13
			314.35	342.61
(b) Non-current investments	14		3,474.75	3,717.97
(c) Deferred tax assets (net)	15		314.90	244.90
(d) Long-term loans and advances				
(i) Loans	16	42,083.86		33,042.78
(ii) Others	17	396.12		895.84
			42,479.98	33,938.62
(e) Other non-current assets	18		365.90	906.65
			46,949.88	39,150.75
Current assets				
(a) Current investments	19		5,010.96	4,389.45
(b) Trade receivables	20		371.46	11.09
(c) Cash and bank balances	21		589.82	467.54
(d) Short-term loans and advances				
(i) Loans	16	6,100.72		4,604.84
(ii) Others	17	1,078.60		65.84
			7,179.32	4,670.68
(e) Other current assets	18		604.53	308.15
			13,756.09	9,846.91
TOTAL			**60,705.97**	**48,997.66**

See accompanying notes forming part of the financial statements.

IN TERMS OF OUR REPORT ATTACHED.

FOR DELOITTE HASKINS & SELLS
Chartered Accountants

P. R. RAMESH
Partner

Mumbai | May 8, 2012

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF INFRASTRUCTURE DEVELOPMENT FINANCE COMPANY LIMITED

DEEPAK S. PAREKH
Chairman

RAJIV B. LALL
Managing Director & CEO

SUNIL KAKAR
Chief Financial Officer

MAHENDRA N. SHAH
Company Secretary

STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED MARCH 31, 2012

(₹ in crore)

		NOTES	FOR THE YEAR ENDED MARCH 31, 2012	FOR THE YEAR ENDED MARCH 31, 2011
I	**INCOME**			
	Revenue from operations	22	6,094.32	4,524.00
	Other income	23	101.69	36.35
	TOTAL INCOME (I)		6,196.01	4,560.35
II	**EXPENSES**			
	Employee benefits expense	24	152.39	106.62
	Finance costs	25	3,455.23	2,386.52
	Provisions and contingencies	26	283.85	234.94
	Other expenses	27	71.90	69.13
	Depreciation and amortisation expense	13(a) & (b)	31.28	32.70
	TOTAL EXPENSES (II)		3,994.65	2,829.91
III	**PROFIT BEFORE TAX (I - II)**		2,201.36	1,730.44
IV	**TAX EXPENSE**			
	Current tax		668.70	523.90
	Current tax expense relating to prior years		(0.30)	-
	Deferred tax	15	(70.00)	(70.60)
	TOTAL TAX EXPENSE (IV)		598.40	453.30
V	**PROFIT FOR THE YEAR (III -IV)**		1,602.96	1,277.14
VI	**EARNINGS PER EQUITY SHARE** (nominal value of share ₹ 10 each)	35		
	Basic (₹)		10.57	8.74
	Diluted (₹)		10.54	8.68

See accompanying notes forming part of the financial statements.

IN TERMS OF OUR REPORT ATTACHED.

FOR DELOITTE HASKINS & SELLS
Chartered Accountants

P. R. RAMESH
Partner

Mumbai | May 8, 2012

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF
INFRASTRUCTURE DEVELOPMENT FINANCE COMPANY LIMITED

DEEPAK S. PAREKH
Chairman

RAJIV B. LALL
Managing Director & CEO

SUNIL KAKAR
Chief Financial Officer

MAHENDRA N. SHAH
Company Secretary

CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2012

(₹ in crore)

	NOTES	FOR THE YEAR ENDED MARCH 31, 2012	FOR THE YEAR ENDED MARCH 31, 2012	FOR THE YEAR ENDED MARCH 31, 2011
A. CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax			2,201.36	1,730.44
ADJUSTMENTS FOR:				
Depreciation and amortisation expense	13(a) & (b)	31.28		32.70
Provision for employee benefits		-		(2.31)
Expense under the ESOS	24	4.31		16.75
Provisions and contingencies	26	283.85		234.94
(Gain) / loss on foreign currency revaluation		31.82		(7.42)
Profit on sale of investments in group companies	23	(89.00)		(21.95)
Profit on sale of other investments (net)	22	(408.41)		(252.18)
Utilisation of securities premium account (gross of tax)		(146.41)		(243.44)
Amortisation of premium on investments		3.32		3.01
Profit on sale of fixed assets (net)	23	(4.38)		(7.00)
			(293.62)	(246.90)
Operating profit before working capital changes			1,907.74	1,483.54
Changes in working capital:				
ADJUSTMENTS FOR (INCREASE) / DECREASE IN OPERATING ASSETS				
Trade receivables		(3.25)		35.06
Long-term loans and advances		125.32		(115.40)
Short-term loans and advances		(83.01)		3.96
Other current assets		(313.35)		(113.64)
Other non-current assets		39.75		(183.79)
ADJUSTMENTS FOR INCREASE / (DECREASE) IN OPERATING LIABILITIES				
Trade payable		(16.48)		18.81
Other current liabilities		342.66		288.67
Other long-term liabilities		87.04		27.35
			178.68	(38.98)
Direct taxes paid			(630.26)	(422.75)
CASH GENERATED FROM OPERATIONS			1,456.16	1,021.81
Loans disbursed (net of repayments)			(10,679.47)	(12,673.35)
NET CASH USED IN OPERATING ACTIVITIES			**(9,223.31)**	**(11,651.54)**
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets (including capital work-in-progress and intangible assets under development)			(3.88)	(17.26)
Sale of fixed assets			5.24	11.40
Bank deposits matured / (placed)			225.00	(726.00)
Investments in subsidiaries			(11.57)	(34.60)
Investments in associates			(83.80)	-
Purchase of other investments			(179,783.97)	(186,786.45)
Sale proceeds of investments in subsidiaries and jointly controlled entities			297.79	65.29
Sale proceeds of other investments			179,316.22	186,251.30
NET CASH USED IN INVESTING ACTIVITIES			**(38.97)**	**(1,236.32)**

CASH FLOW STATEMENT (continued)

FOR THE YEAR ENDED MARCH 31, 2012

(₹ in crore)

	NOTES	FOR THE YEAR ENDED MARCH 31, 2012	FOR THE YEAR ENDED MARCH 31, 2012	FOR THE YEAR ENDED MARCH 31, 2011
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from fresh issue of shares (net of issue expenses)			15.63	3,505.24
Proceeds from borrowings (net of repayments)			9,494.41	9,793.41
Dividend paid (including dividend distribution tax)			(410.96)	(217.48)
NET CASH FROM FINANCING ACTIVITIES			**9,099.08**	**13,081.17**
Net increase / (decrease) in cash and cash equivalents (A+B+C)			(163.20)	193.31
Cash and cash equivalents as at the beginning of the year	21		224.58	31.27
Cash and cash equivalents as at the end of the year	21		61.38	224.58
			(163.20)	**193.31**

See accompanying notes forming part of the financial statements.

IN TERMS OF OUR REPORT ATTACHED.

FOR DELOITTE HASKINS & SELLS
Chartered Accountants

P. R. RAMESH
Partner

Mumbai | May 8, 2012

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF
INFRASTRUCTURE DEVELOPMENT FINANCE COMPANY LIMITED

DEEPAK S. PAREKH
Chairman

RAJIV B. LALL
Managing Director & CEO

SUNIL KAKAR
Chief Financial Officer

MAHENDRA N. SHAH
Company Secretary

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

1 CORPORATE INFORMATION

Infrastructure Development Finance Company Limited ('the Company') is a public company incorporated in India and regulated by the Reserve Bank of India (RBI) as an Infrastructure Finance Company-Non Banking Finance Company (IFC-NBFC) engaged in financing infrastructure projects in sectors like energy, telecommunication, transportation, commercial and industrial projects including hospital, education, tourism and hotels.

2 BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended), the relevant provisions of the Companies Act, 1956 and the applicable guidelines issued by the RBI. The financial statements have been prepared on the accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

3 SIGNIFICANT ACCOUNTING POLICIES

a. USE OF ESTIMATES

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

b. CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purpose of the Cash Flow Statement comprises cash on hand, cash in bank, fixed deposits and other short-term highly liquid investments with an original maturity of three months or less that are readily convertible into known amount of cash and which are subject to an insignificant risk of change in value.

c. CASH FLOW STATEMENT

Cash flows are reported using the indirect method whereby cash flows from operating, investing and financing activities of the Company are segregated and profit before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments.

d. INVESTMENTS

Investments which are readily realisable and intended to be held for not more than one year from the date on which such investments are made are classified as current investments in accordance with the RBI guidelines and Accounting Standard 13 on 'Accounting for Investments' as notified under the Companies (Accounting Standards) Rules, 2006. Current investments also include current maturities of long-term investments. All other investments are classified as long-term investments.

All investments are initially recorded at cost. The cost of an investment includes purchase price, directly attributable acquisition charges and reduced by recovery of costs, if any. On disposal of an investment, the difference between its carrying amount and the net disposal proceeds is charged or credited to the Statement of Profit and Loss.

Current investments are individually carried at the lower of cost and fair value / market value. Commercial papers, certificate of deposits and treasury bills are valued at carrying cost. Long-term investments are carried at acquisition cost. A provision is made for diminution other than temporary on an individual basis against long-term investments. Premium paid over the face value of a long-term investment is amortised over the life of the investment.

Inter-class transfer of investments from one category to the other, if any, is done in accordance with the RBI guidelines at the lower of book value and fair value / market value on the date of transfer.

e. LOANS

In accordance with the RBI guidelines, all loans are classified under any of four categories i.e. (i) standard assets (ii) sub-standard assets (iii) doubtful assets and (iv) loss assets.

f. TANGIBLE FIXED ASSETS

Fixed assets are stated at cost of acquisition, including any cost attributable for bringing the asset to its working condition, less accumulated depreciation. Profit or loss arising from derecognition of fixed assets are measured as difference between the net disposal proceeds and the cost of the assets less accumulated depreciation upto the date of disposal and are recognised in the Statement of Profit and Loss.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

g. DEPRECIATION ON TANGIBLE FIXED ASSETS

Depreciation on tangible fixed assets, excluding certain electronic items and leasehold improvements, is provided on the written down value method, at the rates prescribed in Schedule XIV to the Companies Act, 1956. Certain electronic items are depreciated over a period of two years on a straight-line method based on the Management's estimate of the useful life of these assets. Depreciation on additions during the year is provided on a pro-rata basis. Assets costing less than ₹ 5,000 each are fully depreciated in the year of capitalisation. Depreciation in respect of leasehold improvements is provided on a straight-line method over the primary period of the lease.

h. INTANGIBLE ASSETS AND AMORTISATION

Intangible assets comprising of computer software are stated at cost of acquisition, including any cost attributable for bringing the asset to its working condition, less accumulated amortisation. Any technology support cost or annual maintenance cost for such software is charged annually to the Statement of Profit and Loss. Intangible assets are being amortised over a period of three years on a straight-line method.

i. IMPAIRMENT OF ASSETS

The carrying amount of assets at each Balance Sheet date are reviewed for impairment. If any indication of impairment based on internal / external factors exists, the recoverable amount of such assets is estimated and impairment is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and its value in use, which is arrived at by discounting the future cash flows to their present value, based on an appropriate discounting factor. If at the Balance Sheet date, there is an indication that previously recognised impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of the depreciable historical cost and reversal of such impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

j. EXPENSE UNDER EMPLOYEE STOCK OPTION SCHEMES

The Company has formulated Employee Stock Option Schemes ('the ESOS') in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ('the Guidelines'). The ESOS provides for grant of stock options to employees (including employees of subsidiary companies) to acquire equity shares of the Company that vest in a graded manner and that are to be exercised within a specified period. In accordance with the Guidelines and the Guidance Note on 'Accounting for Employees Share-based Payments' issued by the Institute of Chartered Accountants of India, the excess, if any, of the closing market price on the day prior to the date of grant of the stock options under the ESOS over the exercise price is amortised on a straight-line method over the vesting period and is charged to the Statement of Profit and Loss as employee benefits expense.

k. EMPLOYEE BENEFITS

- Defined contribution plans

  The Company's contribution to provident fund, superannuation fund and pension fund are considered as defined contribution plans and are charged to the Statement of Profit and Loss as they fall due, based on the amount of contribution required to be made.

- Defined benefit plan

  The net present value of the Company's obligation towards gratuity to employees is funded and actuarially determined as at the Balance Sheet date based on the projected unit credit method. Actuarial gains and losses are recognised in the Statement of Profit and Loss for the year.

- Compensated absences

  Based on the leave rules of the Company, employees are not permitted to accumulate leave. Any unavailed privilege leave to the extent encashable is paid to the employees and charged to the Statement of Profit and Loss for the year.

l. BORROWING COSTS

Borrowing costs include interest, amortisation of ancillary costs incurred and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Interest cost in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss over the tenure of the loan. Ancillary costs in connection with long-term external commercial borrowings are amortised to the Statement of Profit and Loss over the tenure of the loan. Issue expenses of certain securities are charged to the securities premium account as stated in note 3(t).

m. REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. In addition, the following criteria must also be met before revenue is recognised:

- Interest and other dues are accounted on accrual basis except in the case of non-performing loans where it is recognised upon realisation, as per the income recognition and asset classification norms prescribed by the RBI.

NOTES TO FINANCIAL STATEMENTS

- Income on discounted instruments is recognised over the tenure of the instrument on a straight-line method.
- Dividend is accounted when the right to receive is established.
- Front end fees on processing of loans are recognised upfront as income.
- Underwriting commission earned to the extent not reduced from the cost of acquisition of securities is recognised as fees on closure of issue.
- All other fees are recognised when reasonable right of recovery is established, revenue can be reliably measured and as and when they become due except commission income on guarantees which is recognised pro-rata over the period of the guarantee.
- Premium on interest rate reduction is accounted on accrual basis over the residual life of the loan.
- Profit / loss on sale of investments is recognised on trade date basis. Profit / loss on sale of investments is determined based on the 'first in first out' cost for current investments and weighted average cost for long-term investments.
- Profit / loss on sale of loan assets through direct assignment, without any recourse obligation, is recognised at the time of sale. Profit on securitisation is recognised over the residual life of the pass through certificate in terms of the RBI guidelines. Loss arising on account of securitisation is recognised at the time of sale.
- Revenue from power supply is accounted on accrual basis.
- Income from trading in derivatives is recognised on final settlement or squaring-up of the contracts.

n. LEASES

Where the Company is lessee

Leases under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Amount due under the operating leases are charged to the Statement of Profit and Loss, on a straight-line method over the lease term in accordance with Accounting Standard 19 on 'Leases' as notified under the Companies (Accounting Standards) Rules, 2006. Initial direct costs incurred specifically for operating leases are recognised as expense in the year in which they are incurred.

Where the Company is lessor

Leases under which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Assets subject to operating leases are included in fixed assets. Lease income in respect of operating leases is recognised in the Statement of Profit and Loss on a straight-line method over the lease term in accordance with Accounting Standard 19 on 'Leases' as notified under the Companies (Accounting Standards) Rules, 2006. Maintenance costs including depreciation are recognised as an expense in the Statement of Profit and Loss.

o. EARNINGS PER SHARE

Basic earnings per share is computed by dividing the profit after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit after tax as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the year, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each year.

p. TAXES ON INCOME

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income-tax Act, 1961.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantially enacted as at the Balance Sheet date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Deferred tax assets are recognised for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability. Current and deferred tax relating to items directly recognised in reserves are recognised in reserves and not in the Statement of Profit and Loss.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

q. DERIVATIVE CONTRACTS

- Interest rate swaps

  Interest rate swaps are booked with the objective of managing the interest rate risk on liabilities. Interest rate swaps in the nature of hedge are recorded on accrual basis and these transactions are not marked-to-market. Any resultant profit or loss on termination of the hedge swaps is amortised over the life of the swap or underlying asset / liability, whichever is shorter.

- Currency Interest rate swaps

  Currency interest rate swaps in the nature of hedge, booked with the objective of managing the currency and interest rate risk on foreign currency liabilities are recorded on accrual basis and these transactions are not marked-to-market. Any resultant profit or loss on termination of hedge swaps is amortised over the life of swap or underlying asset / liability, whichever is shorter. The foreign currency balances on account of principal of currency interest rate swaps outstanding as at the Balance Sheet date are revalued using the closing rate.

- Stock Futures

  Stock Futures are marked-to-market on a daily basis. The debit or credit balance in the 'Mark-to-market margin – stock futures account' disclosed under loans and advances or current liabilities represents the net amount paid or received on the basis of the movement in the prices of stock futures till the Balance Sheet date.

  Credit balance in the 'Mark-to-market margin – stock futures account' in the nature of anticipated profit is ignored and no credit is taken to the Statement of Profit and Loss. However, the debit balance in the 'Mark-to-market margin – stock futures account' in the nature of anticipated loss is recognised in the Statement of Profit and Loss.

  On final settlement or squaring-up of contracts for stock futures, the profit or loss is calculated as the difference between the settlement / squaring-up price and the contract price. Accordingly, debit or credit balance pertaining to the settled / squared-up contract in 'Mark-to-market margin – stock futures account' is recognised in the Statement of Profit and Loss upon expiry of the contracts. When more than one contract in respect of the relevant series of stock futures contract, to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of such contract is determined using the weighted average method for calculating profit / loss on squaring-up.

  'Initial margin account – stock futures' representing initial margin paid is disclosed under loans and advances.

r. FOREIGN CURRENCY TRANSACTIONS AND TRANSLATIONS

Foreign currency transactions are accounted at the exchange rates prevailing on the date of the transaction. Foreign currency monetary items outstanding as at the Balance Sheet date are reported using the closing rate. Gain or loss resulting from the settlement of such transactions and translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit and Loss. Premium in respect of forward contracts is accounted over the period of the contract. Forward contracts outstanding as at the Balance Sheet date are revalued at the closing rate.

s. PROVISIONS AND CONTINGENCIES

Provision against loans

- Provision is made in accordance with the RBI guidelines applicable to non-performing loans. In addition, provision is made in accordance with the provisioning policy of the Company against non-performing loans.
- Provision on restructured loans is computed in accordance with the RBI guidelines.
- Provision for contingencies is made as per the provisioning policy of the Company which includes provision under Section 36(1)(viia) of the Income-tax Act, 1961.
- A general provision is made at 0.25% of the outstanding standard assets in accordance with the RBI guidelines.

Other provisions

- A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation as at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed separately.

t. SECURITIES ISSUE EXPENSES

Issue expenses of certain securities and redemption premium are adjusted against the securities premium account as permissible under Section 78(2) of the Companies Act, 1956, to the extent balance is available for utilisation in the securities premium account.

u. SERVICE TAX INPUT CREDIT

Service tax input credit is accounted in the period in which the underlying services are received and when there is no uncertainty in availing / utilising the credits.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

4 SHARE CAPITAL

	AS AT MARCH 31, 2012		AS AT MARCH 31, 2011	
	NUMBER	(₹ in crore)	NUMBER	(₹ in crore)
AUTHORISED				
Equity shares of ₹10 each	4,000,000,000	4,000.00	4,000,000,000	4,000.00
Preference shares of ₹100 each	100,000,000	1,000.00	100,000,000	1,000.00
		5,000.00		5,000.00
ISSUED, SUBSCRIBED & FULLY PAID-UP				
Equity shares of ₹10 each	1,512,362,768	1,512.36	1,460,947,548	1,460.95
6.00% Compulsorily convertible cumulative preference shares (CCCPS) of ₹100 each	-	-	84,000,000	840.00
TOTAL ISSUED, SUBSCRIBED AND FULLY PAID-UP SHARE CAPITAL		1,512.36		2,300.95

(a) RECONCILIATION OF THE NUMBER OF SHARES AND AMOUNT OUTSTANDING AS AT THE BEGINNING AND AT THE END OF THE YEAR

	AS AT MARCH 31, 2012		AS AT MARCH 31, 2011	
EQUITY SHARES	NUMBER	(₹ in crore)	NUMBER	(₹ in crore)
Outstanding as at the beginning of the year	1,460,947,548	1,460.95	1,300,612,393	1,300.61
Issued during the year – stock options exercised under the ESOS	3,687,948	3.69	2,583,065	2.59
Issued during the year – conversion of CCCPS into equity shares [see note (c)]	47,727,272	47.72	-	-
Issued during the year – Qualified Institutional Placement	-	-	157,752,090	157.75
Outstanding as at the end of the year	1,512,362,768	1,512.36	1,460,947,548	1,460.95

	AS AT MARCH 31, 2012		AS AT MARCH 31, 2011	
PREFERENCE SHARES	NUMBER	(₹ in crore)	NUMBER	(₹ in crore)
Outstanding as at the beginning of the year	84,000,000	840.00	-	-
Issued during the year [see note (c)]	-	-	84,000,000	840.00
Converted to equity shares during the year [see note (c)]	84,000,000	840.00	-	-
Outstanding as at the end of the year	-	-	84,000,000	840.00

(b) TERMS / RIGHTS ATTACHED TO EQUITY SHARES

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share and ranks *pari passu*. The dividend proposed by the Board of Directors is subject to approval of the shareholders at the ensuing Annual General Meeting. During the year ended March 31, 2012, dividend of ₹ 2.30 per share (Previous Year ₹ 2.00 per share) is recognised as amount distributable to equity shareholders.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) TERMS / RIGHTS ATTACHED TO PREFERENCE SHARES

The Company had raised ₹ 840.00 crore through the issue of CCCPS during the year ended March 31, 2011. The preference shares were convertible at any time into equity shares of face value of ₹ 10 each until the date falling 18 months from the date of issuance of the preference shares, at the option of the holders, at ₹ 176 per equity share and carry dividend @ 6% p.a. During the year ended March 31, 2012, the preference shares were converted into 47,727,272 equity shares of ₹ 10 each at a premium of ₹ 166 per equity share.

(d) DETAILS OF SHAREHOLDERS HOLDING MORE THAN 5% OF THE SHARES IN THE COMPANY

	AS AT MARCH 31, 2012		AS AT MARCH 31, 2011	
EQUITY SHARES	NUMBER	% OF HOLDING	NUMBER	% OF HOLDING
President of India	261,400,000	17.28	261,400,000	17.89
Sipadan Investments (Mauritius) Limited	151,145,989	9.99	116,755,080	7.99

	AS AT MARCH 31, 2012		AS AT MARCH 31, 2011	
PREFERENCE SHARES	NUMBER	% OF HOLDING	NUMBER	% OF HOLDING
Actis Hawk Limited	-	-	46,000,000	54.76
Sipadan Investments (Mauritius) Limited	-	-	38,000,000	45.24

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

(e) SHARES RESERVED FOR ISSUE UNDER STOCK OPTIONS

Refer to note (f) for details of shares reserved for issue under the ESOS of the Company and refer to note (c) for details regarding the terms of conversion of CCCPS.

(f) MOVEMENT IN STOCK OPTIONS GRANTED UNDER THE ESOS IS AS UNDER:

	FOR THE YEAR ENDED MARCH 31, 2012	FOR THE YEAR ENDED MARCH 31, 2011
	NUMBER	NUMBER
Outstanding as at the beginning of the year	20,750,721	16,548,268
Add: Granted during the year	22,248,000	7,459,308
Less: Exercised during the year	3,687,948	2,583,065
Less: Lapsed / forfeited during the year	1,340,668	673,790
Outstanding as at the end of the year	**37,970,105**	**20,750,721**

5 RESERVES AND SURPLUS

	AS AT MARCH 31, 2012	AS AT MARCH 31, 2011
	(₹ in crore)	(₹ in crore)
(a) SECURITIES PREMIUM ACCOUNT		
Opening balance	4,515.93	2,191.43
Add: Premium on issue of equity shares	-	2,496.43
Add: Premium on conversion of CCCPS into equity shares [see note 4(c)]	792.27	-
Add: Premium on exercise of stock options under the ESOS	17.18	19.51
Less: Premium utilised during the year [see note 3(t)] [net of current tax of ₹ 38.00 crore (Previous Year ₹ 61.10 crore)]	108.41	191.44
Closing balance	5,216.97	4,515.93
(b) STOCK OPTIONS OUTSTANDING [see note 4(f)]		
Opening balance	31.29	20.36
Add: Net charge for the year (see note 24)	4.31	16.75
Less: Stock options exercised	1.70	5.82
Closing balance	33.90	31.29
(c) DEBENTURE REDEMPTION RESERVE		
Opening balance	72.60	-
Add: Transfer from surplus in the Statement of Profit and Loss	142.00	72.60
Closing balance	214.60	72.60
Debenture redemption reserve has been created in accordance with Section 117C of the Companies Act, 1956 in respect of the public issues of long-term Infrastructure Bonds.		
(d) SPECIAL RESERVE U/S. 36(1)(viii) OF THE INCOME-TAX ACT, 1961		
Opening balance	1,160.25	914.25
Add: Transfer from surplus in the Statement of Profit and Loss	390.00	246.00
Closing balance	1,550.25	1,160.25
(e) SPECIAL RESERVE U/S. 45-IC OF THE RBI ACT, 1934		
Opening balance	1,193.50	937.50
Add: Transfer from surplus in the Statement of Profit and Loss	321.10	256.00
Closing balance	1,514.60	1,193.50
(f) GENERAL RESERVE		
Opening balance	291.37	195.58
Add: Transfer from surplus in the Statement of Profit and Loss	160.30	95.79
Closing balance	451.67	291.37

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

		AS AT MARCH 31, 2012		AS AT MARCH 31, 2011	
			(₹ in crore)		(₹ in crore)
(g)	**SURPLUS IN THE STATEMENT OF PROFIT AND LOSS**				
	Opening balance		1,500.11		1,263.12
	Profit for the year		1,602.96		1,277.14
	LESS: APPROPRIATIONS				
	TRANSFERS TO RESERVES:				
	Debenture redemption reserve	142.00		72.60	
	Special reserve u/s. 36(1)(viii) of the Income-tax Act, 1961	390.00		246.00	
	Special reserve u/s. 45-IC of the RBI Act, 1934	321.10		256.00	
	General reserve	160.30		95.79	
	DIVIDEND & DIVIDEND DISTRIBUTION TAX:				
	Proposed dividend on equity shares	347.87		292.36	
	[₹ 2.30 per share (Previous Year ₹ 2.00 per share)]				
	Dividend paid on preference shares	43.63		-	
	[₹ 5.19 per share (Previous Year ₹ Nil per share)]				
	Proposed dividend on preference shares	-		32.17	
	[₹ Nil per share (Previous Year ₹ 3.83 per share)]				
	Dividend on equity shares pertaining to previous year [see note (i)]	0.24		0.15	
	Tax on proposed equity dividend [see note (ii)]	46.49		39.84	
	Tax on equity dividend for previous year [see note (i)]	0.04		0.02	
	Tax on preference dividend [see note (ii)]	5.78		5.22	
	TOTAL APPROPRIATIONS		1,457.45		1,040.15
	Closing balance		1,645.62		1,500.11
	TOTAL RESERVES AND SURPLUS		**10,627.61**		**8,765.05**

(i) In respect of equity shares issued pursuant to exercise of stock options under the ESOS, the Company paid dividend of ₹ 0.24 crore for the year 2010-11 (Previous Year ₹ 0.15 crore for the year 2009-10) and tax on dividend of ₹ 0.04 crore (Previous Year ₹ 0.02 crore) as approved by the shareholders at the respective Annual General Meetings.

(ii) Tax on proposed dividend for the year is net of dividend distribution tax of ₹ 11.24 crore (Previous Year ₹ 7.60 crore) paid by the subsidiary companies under Section 115-O of the Income-tax Act, 1961.

6 SHARE APPLICATION MONEY PENDING ALLOTMENT

Share application money pending allotment represents applications received from employees on exercise of stock options granted and vested under the ESOS.

	AS AT MARCH 31, 2012		AS AT MARCH 31, 2011	
	NUMBER	(₹ in crore)	NUMBER	(₹ in crore)
Equity shares of face value ₹ 10 each proposed to be issued	103,682	0.10	865,692	0.86
Total amount of securities premium	-	0.50	-	3.28
		0.60		**4.14**

The equity shares are expected to be allotted against the share application money within a reasonable period, not later than three months from the Balance Sheet date.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

7 LONG-TERM BORROWINGS

	AS AT MARCH 31, 2012 (₹ in crore)		AS AT MARCH 31, 2011 (₹ in crore)	
	NON-CURRENT PORTION	CURRENT MATURITIES	NON-CURRENT PORTION	CURRENT MATURITIES
DEBENTURES (NON CONVERTIBLE) (SECURED) [see note (a) & 41]				
Face value	23,297.92	7,844.00	18,978.46	5,804.00
Less: Unexpired discount on zero per cent debentures [see note (c)]	191.57	17.26	202.38	78.78
	23,106.35	7,826.74	18,776.08	5,725.22
TERM LOANS (SECURED) [see note (a)]				
From banks (see note 42)	4,237.62	785.57	6,049.04	1,998.16
From others (see note 43)	1,836.56	634.93	1,304.29	107.49
	6,074.18	1,420.50	7,353.33	2,105.65
SUBORDINATED DEBT FROM THE GOVERNMENT OF INDIA (UNSECURED) (see note 44)	650.00	-	650.00	-
AMOUNT DISCLOSED UNDER 'OTHER CURRENT LIABILITIES' (see note 11)	-	(9,247.24)	-	(7,830.87)
TOTAL LONG-TERM BORROWINGS	29,830.53	-	26,779.41	-
The above amount includes				
Secured borrowings	29,180.53	9,247.24	26,129.41	7,830.87
Unsecured borrowings	650.00	-	650.00	-
TOTAL	29,830.53	9,247.24	26,779.41	7,830.87

(a) Borrowings of ₹ 38,427.77 crore (Previous Year ₹ 33,960.28 crore) are secured by way of a first floating *pari passu* charge over investments, current assets and loans and advances excluding investments in and other receivables from subsidiaries and affiliates.

(b) In terms of the RBI circular (Ref. No. DNBS (PD) CC No. 225 / 03.02.001 / 2011-12 dated July 1, 2011) no borrowings remained overdue as on March 31, 2012 (Previous Year ₹ Nil).

(c) Unexpired discount is net of ₹ 117.72 crore (Previous Year ₹ 227.96 crore) towards interest accrued but not due.

8 OTHER LONG-TERM LIABILITIES

	AS AT MARCH 31, 2012 (₹ in crore)	AS AT MARCH 31, 2011 (₹ in crore)
Trade payables (see note 39)	-	23.47
Lease equalisation (see note 34)	3.98	3.68
Interest accrued but not due on borrowings	126.67	14.83
Income received in advance (unearned revenue)	4.83	6.46
Security deposit	0.64	0.64
TOTAL	136.12	49.08

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

9 LONG-TERM PROVISIONS

	AS AT MARCH 31, 2012 (₹ in crore)	AS AT MARCH 31, 2011 (₹ in crore)
Contingent provision against standard assets [see note (a) & (b)]	124.40	96.75
TOTAL	**124.40**	**96.75**

(a) A contingent provision against standard assets has been created at 0.25% of the outstanding standard assets in terms of the RBI circular (Ref. No. DNBS (PD) CC No. 225 / 03.02.001 / 2011-12 dated July 1, 2011).

(b) Movement in contingent provision against standard assets during the year is as under:

Opening balance	96.75	-
Additions during the year	27.65	96.75
Closing balance	**124.40**	**96.75**

10 SHORT-TERM BORROWINGS

		AS AT MARCH 31, 2012 (₹ in crore)		AS AT MARCH 31, 2011 (₹ in crore)
TERM LOANS (SECURED) [see note (a)]				
From banks		3,606.09		1,225.00
COLLATERALISED BORROWINGS AND LENDING OBLIGATIONS (CBLO) [see note (b)]		499.38		249.73
COMMERCIAL PAPERS (UNSECURED)				
Face value	3,132.00		210.00	
Less: Unexpired discount [see note (c)]	136.44		3.65	
		2,995.56		206.35
CASH CREDIT / BANK OVERDRAFT (SECURED) [see note (a)]		249.98		-
CASH CREDIT / BANK OVERDRAFT (UNSECURED)		-		5.91
TOTAL SHORT-TERM BORROWINGS		**7,351.01**		**1,686.99**
The above amount includes				
Secured borrowings		4,355.45		1,474.73
Unsecured borrowings		2,995.56		212.26
TOTAL		**7,351.01**		**1,686.99**

(a) Borrowings of ₹ 3,856.07 crore (Previous Year ₹ 1,225.00 crore) are secured by way of a first floating *pari passu* charge over investments, current assets and loans & advances excluding investments in and other receivables from subsidiaries and affiliates.

(b) Borrowings under CBLO is secured against investments in Government securities.

(c) Unexpired discount on commercial papers is net of ₹ 100.27 crore (Previous Year ₹ 7.74 crore) towards interest accrued but not due.

(d) In terms of the RBI circular (Ref. No. DNBS (PD) CC No. 225 / 03.02.001 / 2011-12 dated July 1, 2011) no borrowings remained overdue as on March 31, 2012 (Previous Year ₹ Nil).

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

11 OTHER CURRENT LIABILITIES

		AS AT MARCH 31, 2012 (₹ in crore)		AS AT MARCH 31, 2011 (₹ in crore)
Current maturities of long-term borrowings (see note 7)		9,247.24		7,830.87
Interest accrued but not due on borrowings		1,217.56		878.30
Income and other amounts received in advance		19.09		24.12
Unclaimed dividend [see note (a)]		1.22		0.96
Unclaimed interest [see note (a)]		5.22		-
Security deposit		8.33		-
Other payables				
Statutory dues	4.21		5.48	
Advance against sale	-		2.42	
Other amounts received in advance	2.67		4.36	
		6.88		12.26
TOTAL		**10,505.54**		**8,746.51**

(a) No amount of unclaimed dividend and unclaimed interest was due for transfer to the Investor Education and Protection Fund under Section 205C of the Companies Act, 1956 as at the Balance Sheet date.

12 SHORT-TERM PROVISIONS

	AS AT MARCH 31, 2012 (₹ in crore)	AS AT MARCH 31, 2011 (₹ in crore)
Provision for income tax	38.03	25.90
[Net of advance payment of tax of ₹ 1,148.53 crore		
(Previous Year ₹ 530.54 crore)]		
Provision for wealth tax	0.27	0.28
[Net of advance payment of tax of ₹ 1.57 crore		
(Previous Year ₹ 1.43 crore)]		
Provision for fringe benefit tax	0.20	0.39
[Net of advance payment of tax of ₹ 11.10 crore		
(Previous Year ₹ 16.59 crore)]		
Proposed equity dividend [see note 4(b)]	347.87	292.36
Proposed preference dividend	-	32.17
Tax on proposed equity dividend	54.81	39.84
Tax on proposed preference dividend	-	5.22
TOTAL	**441.18**	**396.16**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

13 (a) TANGIBLE ASSETS

	GROSS BLOCK (₹ in crore)				ACCUMULATED DEPRECIATION (₹ in crore)				NET BLOCK (₹ in crore)	
	Balance as at April 1, 2011	Additions	Disposals	Balance as at March 31, 2012	Balance as at April 1, 2011	Depreciation charge for the year	On disposals	Balance as at March 31, 2012	Balance as at March 31, 2012	Balance as at March 31, 2011
Buildings										
Own use	275.57	0.19	1.48	274.28	31.10	12.20	0.70	42.60	231.68	244.47
Under operating lease [see note 34(iii)]	18.81	-	-	18.81	9.19	0.48	-	9.67	9.14	9.62
Leasehold improvements	5.72	0.77	-	6.49	2.28	1.49	-	3.77	2.72	3.44
Furniture and fixtures										
Own use	9.34	0.33	0.03	9.64	3.99	0.95	0.03	4.91	4.73	5.35
Under operating lease [see note 34(iii)]	0.42	-	-	0.42	0.11	0.02	-	0.13	0.29	0.31
Vehicles	0.88	0.47	0.42	0.93	0.59	0.15	0.36	0.38	0.55	0.29
Office equipment										
Own use	8.35	0.62	0.02	8.95	2.58	1.06	0.01	3.63	5.32	5.77
Under operating lease [see note 34(iii)]	0.02	-	-	0.02	0.02	ß	-	0.02	-	-
Computers	9.69	1.36	0.05	11.00	6.18	1.70	0.04	7.84	3.16	3.51
Windmills	101.25	-	-	101.25	39.43	9.48	-	48.91	52.34	61.82
TOTAL	**430.05**	**3.74**	**2.00**	**431.79**	**95.47**	**27.53**	**1.14**	**121.86**	**309.93**	**334.58**
Previous Year	425.97	14.14	10.06	430.05	71.56	29.66	5.75	95.47	334.58	

Buildings include ₹ 500 (Previous Year ₹ 500) being the cost of unquoted fully paid shares held in co-operative housing societies.

13 (b) INTANGIBLE ASSETS

	GROSS BLOCK (₹ in crore)				ACCUMULATED AMORTISATION (₹ in crore)				NET BLOCK (₹ in crore)	
	Balance as at April 1, 2011	Additions	Disposals	Balance as at March 31, 2012	Balance as at April 1, 2011	Amortisation charge for the year	On disposals	Balance as at March 31, 2012	Balance as at March 31, 2012	Balance as at March 31, 2011
Computer software	11.63	0.62	-	12.25	4.24	3.75	-	7.99	4.26	7.39
TOTAL	**11.63**	**0.62**	**-**	**12.25**	**4.24**	**3.75**	**-**	**7.99**	**4.26**	**7.39**
Previous Year	7.29	7.12	2.78	11.63	3.88	3.04	2.68	4.24	7.39	
TOTAL TANGIBLE AND INTANGIBLE ASSETS	**441.68**	**4.36**	**2.00**	**444.04**	**99.71**	**31.28**	**1.14**	**129.85**	**314.19**	**341.97**
Previous Year	433.26	21.26	12.84	441.68	75.44	32.70	8.43	99.71	341.97	

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

14 NON-CURRENT INVESTMENTS (AT COST)

	FACE VALUE (₹)	AS AT MARCH 31, 2012 QUANTITY	AS AT MARCH 31, 2012 (₹ in crore)	AS AT MARCH 31, 2011 QUANTITY	AS AT MARCH 31, 2011 (₹ in crore)
TRADE INVESTMENTS					
EQUITY SHARES (FULLY PAID) [see note (c) & (d)]					
INVESTMENT IN SUBSIDIARIES (UNQUOTED)					
IDFC Asset Management Company Limited	10	2,009,283	629.49	2,009,283	630.92
IDFC AMC Trustee Company Limited	10	37,499	0.05	37,499	0.05
IDFC Finance Limited	10	21,000,200	21.00	21,000,200	21.00
IDFC Foundation	10	8,050,000	8.05	50,000	0.05
IDFC Pension Fund Management Company Limited	10	5,999,999	6.00	5,999,999	6.00
IDFC PPP Trusteeship Company Limited	10	-	-	50,000	0.05
IDFC Primary Dealership Company Limited	10	5,000,000	5.00	-	-
IDFC Private Equity Company Limited	10	50,000	0.05	50,000	0.05
IDFC Project Equity Company Limited	10	50,000	0.05	50,000	0.05
IDFC Projects Limited	10	34,050,000	34.07	34,050,000	34.07
IDFC Securities Limited	10	14,137,200	440.10	14,137,200	440.10
IDFC Trustee Company Limited	10	50,000	0.05	50,000	0.05
Uniquest Infra Ventures Private Limited	10	-	-	10,000	0.01
INVESTMENT IN ASSOCIATES (UNQUOTED)					
Feedback Infrastructure Services Private Limited (formerly Feedback Ventures Private Limited)	10	4,026,689	20.09	4,026,689	20.09
			1,164.00		1,152.49
NON-TRADE INVESTMENTS					
INVESTMENT IN EQUITY SHARES (QUOTED) (FULLY PAID)					
Adani Port and Special Economic Zone Limited (formerly Mundra Port and Special Economic Zone Limited)	2	86,014	1.21	-	-
Andhra Cements Limited	10	28,784,722	55.03	15,760,611	40.24
Bharti Airtel Limited	5	466,800	1.05	466,800	1.05
DQ Entertainment (International) Limited	10	258,097	1.76	258,097	1.76
Gateway Distriparks Limited	10	46,519	0.70	-	-
Godrej Properties Limited	10	-	-	423,791	20.76
IRB Infrastructure Developers Limited	10	82,683	1.33	-	-
Jaypee Infratech Limited	10	3,791,842	38.68	3,791,842	38.68
JSW Energy Limited	10	2,394,595	23.94	2,394,595	23.94
KSK Energy Ventures Limited	10	3,125,000	75.00	3,125,000	75.00
Lanco Infratech Limited	1	4,600,000	9.92	-	-
Larsen & Toubro Limited	2	84,678	10.29	-	-
Nava Bharat Ventures Limited	2	61,838	1.20	-	-
PTC India Limited	10	470,000	2.49	-	-
Sanghvi Movers Limited	2	76,695	0.81	-	-
Sarda Energy & Minerals Limited	10	1,842,105	35.00	1,842,105	35.00
SJVN Limited	10	6,447,279	16.76	6,447,279	16.76
Tata Consultancy Services Limited	1	-	-	62,055	0.04
Torrent Power Limited	10	3,900,000	28.08	3,900,000	28.08
Tulip Telecom Limited	2	56,075	0.83	-	-
VA Tech Wabag Limited (face value changed from ₹ 5 to ₹ 2 per share during the year)	2	95,975	4.73	38,390	4.73
			308.81		286.04
INVESTMENT IN EQUITY SHARES (UNQUOTED) (FULLY PAID)					
Asset Reconstruction Company (India) Limited	10	27,197,743	113.77	27,197,743	113.77
Asia Bio Energy (India) Limited	10	2,500,000	2.50	2,500,000	2.50
Athena Energy Ventures Private Limited	10	50,000,000	50.00	50,000,000	50.00
Avantika Gas Limited	10	3,500	ß	3,500	ß
BSCPL Infrastructure Limited	10	436,300	25.00	436,300	25.00
Delhi Mumbai Industrial Corridor Development Corporation Limited	10	-	-	1,000,000	1.00
Ennore SEZ Company Limited	10	25,000	0.03	25,000	0.03
GMR Kamalanga Energy Limited	10	31,060,180	31.06	17,730,000	17.73
GR Infraprojects Limited	10	132,304	2.71	111,256	1.98
Green Gas Limited	10	10,000	0.01	10,000	0.01
Indian Commodity Exchange Limited	5	10,000,000	5.00	10,000,000	5.00
Indian Energy Exchange Limited	10	1,250,000	1.25	1,250,000	1.25
Indu Projects Limited	10	2,053,480	26.70	2,053,480	26.70
Intarvo Technologies Limited	10	71,105	1.41	69,800	1.40
Carried forward			259.44		246.36

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

NON-CURRENT INVESTMENTS (Continued)

	FACE VALUE (₹)	AS AT MARCH 31, 2012 QUANTITY	AS AT MARCH 31, 2012 (₹ in crore)	AS AT MARCH 31, 2011 QUANTITY	AS AT MARCH 31, 2011 (₹ in crore)
INVESTMENT IN EQUITY SHARES (UNQUOTED) (FULLY PAID) *(Continued)*					
Brought forward			259.44		246.36
KMC Constructions Limited	10	542,977	23.90	542,977	23.90
MVR Infrastructure and Tollways Private Limited	100	1,200,000	12.00	1,200,000	12.00
National Stock Exchange of India Limited	10	2,947,990	73.88	3,547,990	88.91
One 97 Communication Limited	10	121,388	3.02	119,867	2.96
Orbis Capital Limited	10	-	-	7,500,000	8.63
Petronet CCK Limited	10	19,973,332	19.97	19,973,332	19.97
Pipal Tree Ventures Private Limited	10	192,885	2.25	192,885	2.25
Quickjet Cargo Airlines Private Limited	10	-	-	90,909	0.10
Rohan Rajdeep Toll Roads Limited	10	-	-	4,070,000	4.07
Securities Trading Corporation of India Limited	10	3,530,136	54.04	3,530,136	54.04
SSIPL Retail Private Limited	10	304,599	5.00	304,599	5.00
Uniquest Infra Ventures Private Limited	10	298,500	0.30	-	-
			453.80		468.20
INVESTMENT IN PREFERENCE SHARES (UNQUOTED) (FULLY PAID)					
Others (Non-trade)					
0.10% GMR Energy Limited (convertible)	1,000	541,033	54.12	540,088	54.01
0% Human Value Developers Private Limited (convertible)	10	23,749,200	23.75	23,749,200	23.75
0% Intarvo Technologies Limited (convertible)	10	26,515	0.18	-	-
0% Moser Baer Solar Limited (optionally convertible)	10	61,290,000	61.29	61,290,000	61.29
0% Quickjet Cargo Airlines Private Limited (convertible)	11	-	-	15,181,818	16.70
0% Regen Powertech Private Limited (convertible)	10	61,974	4.37	-	-
0% TRIL Infopark Limited (convertible)	100	15,000,000	150.00	26,250,000	262.50
13.50% Viom Networks Limited (optionally partially convertible)	10	250,000,000	250.00	250,000,000	250.00
0.02% Ziqitza Healthcare Limited (convertible)	10	2,209	0.47	2,209	0.47
			544.18		668.72
INVESTMENT IN GOVERNMENT SECURITIES (UNQUOTED)			49.99		49.99
INVESTMENT IN BONDS (UNQUOTED) (FULLY PAID)					
10.05% Axis Bank Limited	1,000,000	-	-	250	25.00
8.25% Corporation Bank Limited	1,000,000	250	24.97	250	24.97
10.25% Future Capital Holdings Limited	1,000,000	500	49.49	500	49.49
9.92% HDFC Bank Limited	1,000,000	-	-	59	5.90
9.98% ICICI Bank Limited	1,000,000	-	-	200	20.00
6.25% ING Vysya Bank Limited	100,000	-	-	500	4.39
8.95% Infotel Broadband Services Private Limited	1,000,000	500	48.24	500	48.24
8.91% L&T Infrastructure Finance Company Limited	1,000,000	250	24.51	250	24.51
8.60% Power Finance Corporation Limited	1,000,000	250	25.00	250	25.00
11.00% Power Finance Corporation Limited	1,000,000	700	78.59	700	78.59
10.90% Power Grid Corporation Limited (partly redeemed)	400,000	90	2.88	90	3.83
[Previous Year face value of ₹ 500,000]					
10.90% Reliance Gas Transportation Infrastructure Limited	1,000,000	100	10.75	100	10.75
10.95% Reliance Gas Transportation Infrastructure Limited	1,000,000	1,324	147.51	1,324	147.51
9.20% Reliance Utilities and Power Private Limited	1,000,000	500	50.96	500	50.96
7.15% Rural Electrification Corporation Limited	1,000,000	-	-	500	50.00
7.90% Rural Electrification Corporation Limited	1,000,000	-	-	650	65.47
0% Sharekhan Limited (convertible)	145.35	3,435,527	49.94	3,435,527	49.94
0% Sharekhan Limited (convertible)	264.27	567,601	15.00	567,601	15.00
10.60% Shriram Transport Finance Company Limited	1,000,000	100	10.00	100	10.00
11.00% Shriram Transport Finance Company Limited	1,000,000	250	25.30	250	25.30
			563.14		734.85

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

NON-CURRENT INVESTMENTS (Continued)

	FACE VALUE (₹)	AS AT MARCH 31, 2012 QUANTITY	AS AT MARCH 31, 2012 (₹ in crore)	AS AT MARCH 31, 2011 QUANTITY	AS AT MARCH 31, 2011 (₹ in crore)
INVESTMENT IN VENTURE CAPITAL UNITS (UNQUOTED) [see note (d)]					
Faering Capital India Evolving Fund (fully paid)	1,000	72,000	7.20	45,000	4.50
India Development Fund - Class A (₹ 99.79 paid)	100	10,000,000	0.10	10,000,000	0.10
India Development Fund - Class B (fully paid)	100	700	0.01	700	0.01
India Infrastructure Fund - Class B (fully paid)	1	4,070	ß	4,070	ß
IDFC Project Equity Domestic Investors Trust I (fully paid)	100	23,415,280	234.15	15,628,280	156.28
IDFC Project Equity Domestic Investors Trust II (fully paid)	100	371,411	3.71	-	-
IDFC Private Equity Fund II - Class A (₹ 9.15 paid) (Previous Year ₹ 8.90 paid)	10	135,000,000	92.18	135,000,000	95.22
IDFC Private Equity Fund II - Class C (fully paid)	10	6,621	0.01	6,621	0.01
IDFC Private Equity Fund III - Class A (₹ 5.46 paid) (Previous Year ₹ 4.79 paid) (commitment restricted to ₹ 7.14 per unit)	10	280,000,000	152.85	280,000,000	134.24
IDFC Private Equity Fund III - Class B (fully paid)	10	3,571	ß	-	-
IDFC Private Equity Fund III - Class C (₹ 4.94 paid) (Previous Year ₹ 4.23 paid) (commitment restricted to ₹ 7.14 per unit)	10	1,350,000	0.67	1,350,000	0.57
IDFC Private Equity Fund III - Class D (₹ 3.81 paid) (Previous Year ₹ 1.75 paid)	10	79,996,000	30.49	79,996,000	13.99
IDFC Private Equity Fund III - Class E (fully paid)	10	1,429	ß	-	-
IDFC Private Equity Fund III - Class F (₹ 3.74 paid) (Previous Year ₹ 1.72 paid)	10	385,695	0.14	385,695	0.07
IDFC Spice Fund (fully paid)	1	68,676,350	6.87	-	-
Urban Infrastructure Opportunities Fund - Class A (fully paid)	100,000	2,700	25.11	2,700	27.40
			553.49		432.39
INVESTMENT IN SECURITY RECEIPTS (UNQUOTED)					
Asset Reconstruction Company (India) Limited			21.38		21.71
TOTAL NON-CURRENT INVESTMENTS			3,658.79		3,814.39
Less: Provision for diminution in value of investments			176.73		92.06
Less: Premium amortised on bonds and Government securities			7.31		4.36
NET NON-CURRENT INVESTMENTS			3,474.75		3,717.97

(a) Aggregate amount of quoted investments		
Cost	308.81	286.04
Market value	243.96	293.27
(b) Aggregate amount of unquoted investments - cost	3,349.98	3,528.35

(c) Investments include ₹ Nil (Previous Year ₹ 47.69 crore) in respect of equity shares which are subject to a lock-in-period.

(d) Investments include ₹ 0.47 crore (Previous Year ₹ 0.47 crore) in respect of equity shares and ₹ 553.49 crore (Previous Year ₹ 432.39 crore) in respect of venture capital units which are subject to restrictive covenants.

(e) Investments exclude equity shares held by the Company having face value ₹ 13.58 crore (Previous Year ₹ 13.58 crore), where the Company has no beneficial interest.

15 DEFERRED TAX ASSETS (NET)

	AS AT MARCH 31, 2012	(₹ in crore)	AS AT MARCH 31, 2011	(₹ in crore)
DEFERRED TAX ASSETS				
(a) Provisions	336.58		262.56	
(b) Others	0.29		7.18	
		336.87		269.74
DEFERRED TAX LIABILITY				
(a) Fixed assets: Impact of difference between tax depreciation and depreciation / amortisation charged to the Statement of Profit and Loss		21.97		24.84
DEFERRED TAX ASSETS (NET)		314.90		244.90

In compliance with Accounting Standard 22 on 'Accounting for Taxes on Income' as notified under the Companies (Accounting Standards) Rules, 2006, the Company has taken credit of ₹ 70.00 crore (Previous Year ₹ 70.60 crore) in the Statement of Profit and Loss towards deferred tax assets (net) on account of timing differences.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

16 LOANS

	AS AT MARCH 31, 2012	(₹ in crore)	AS AT MARCH 31, 2011	(₹ in crore)
	NON-CURRENT PORTION	CURRENT MATURITIES	NON-CURRENT PORTION	CURRENT MATURITIES
Rupee loans [see note (a), (d) & (e)]	41,654.01	6,147.05	32,977.53	4,399.54
Debentures [see note (a), (c) & (e)]	1,086.34	0.83	594.00	239.23
	42,740.35	6,147.88	33,571.53	4,638.77
Less: Provision against non-performing loans [see note (d)]	29.73	47.16	6.90	33.93
Less: Provision for contingencies	626.76	-	521.85	-
TOTAL	42,083.86	6,100.72	33,042.78	4,604.84
(a) The above amount includes				
Secured [see note (b) & (d)]	38,021.08	5,865.38	32,887.53	4,548.77
Unsecured	4,719.27	282.50	684.00	90.00
	42,740.35	6,147.88	33,571.53	4,638.77

(b) Loans to the extent of ₹ 43,886.46 crore (Previous Year ₹ 37,436.30 crore) are secured by:

(i) Hypothecation of assets and / or
(ii) Mortgage of property and / or
(iii) Trust and retention account and / or
(iv) Bank guarantees, company guarantee, sponsor guarantee or personal guarantee and / or
(v) Assignment of receivables or rights and / or
(vi) Pledge of shares and / or
(vii) Negative lien and / or
(viii) Undertaking to create a security

(c) Loans includes debentures of ₹ 1,087.17 crore (Previous Year ₹ 833.23 crore) as detailed below:

	FACE VALUE (₹)	AS AT MARCH 31, 2012 QUANTITY	(₹ in crore)	AS AT MARCH 31, 2011 QUANTITY	(₹ in crore)
DEBENTURES (REDEEMABLE)					
ASSOCIATE					
Feedback Infrastructure Services Private Limited	1,000	280,000	28.00	-	-
OTHERS					
Andhra Cements Limited	100	500,000	5.00	500,000	5.00
Arkay Energy (Rameswarm) Limited	10	-	-	99,622,885	42.70
Asianet Satellite Communications Limited	1,000,000	148	14.80	260	26.00
Asianet Satellite Communications Limited	312,500	-	-	1	0.03
GVK Airport Developers Private Limited	1,000,000	-	-	2,250	225.00
DEBENTURES (CONVERTIBLE)					
ASSOCIATE					
Galaxy Mercantiles Limited	20,000	68,060	136.12	-	-
OTHERS					
Coastal Projects Limited	1,000,000	1,000	100.00	-	-
Greenko Energies Private Limited	100	1,875,000	18.75	-	-
Mytrah Energy (India) Limited	300	5,000,000	150.00	-	-
Regen Powertech Private Limited	100,000	10,000	100.00	-	-
Simpson Unitech Wireless Private Limited	10	534,500,000	534.50	534,500,000	534.50
TOTAL			1,087.17		833.23

(d) Rupee loans - secured includes non-performing loans of ₹ 148.32 crore (Previous Year ₹ 79.73 crore) against which provisions of ₹ 76.89 crore (Previous Year ₹ 40.83 crore) has been made in accordance with the RBI circular (Ref. No. DNBS (PD) CC No. 225 / 03.02.001 / 2011-12 dated July 1, 2011) [see note (e) & 40 (f)].

(e) The classification of loans under the RBI guidelines is as under:

	AS AT MARCH 31, 2012 (₹ in crore)	AS AT MARCH 31, 2011 (₹ in crore)
(i) Standard assets	48,739.91	38,130.57
(ii) Sub-standard assets	70.78	6.25
(iii) Doubtful assets	50.04	45.98
(iv) Loss assets	27.50	27.50
	48,888.23	38,210.30

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

17 LOANS AND ADVANCES - OTHERS (CONSIDERED GOOD)

	AS AT MARCH 31, 2012 (₹ in crore)		AS AT MARCH 31, 2011 (₹ in crore)	
	NON-CURRENT PORTION	CURRENT MATURITIES	NON-CURRENT PORTION	CURRENT MATURITIES
SECURED				
Lending in CBLO	-	49.95	-	-
UNSECURED				
Inter corporate deposits	-	412.65	577.65	-
Loans and advances to related parties (see note 33)	-	117.36	91.60	0.02
Loan to a financial institution	-	30.00	30.00	-
Receivables against derivative contracts	196.29	173.57	24.13	2.30
Receivable against retail infrastructure bonds	-	179.17	-	-
Loans and advances to employees	1.00	0.21	1.00	0.09
Advance against investments	18.61	100.00	7.35	50.00
Security deposits	22.04	4.38	15.73	4.46
Other deposits	0.03	6.00	3.01	0.02
Other loans and advances				
Advance payment of income tax [(net of provision of ₹ 1,147.57 crore (Previous Year ₹ 1,147.57 crore)]	153.15	-	141.36	-
Prepaid expenses	-	1.95	0.01	0.50
Supplier advances	-	2.20	-	0.90
Balances with Government authorities - Cenvat credit available	-	0.93	-	6.46
Balance with defined benefit plan	-	0.11	-	0.36
Insurance claim receivable	-	-	-	0.73
Stamp paper on hand	-	0.12	-	-
Initial margin account – stock futures	5.00	-	4.00	-
TOTAL	396.12	1,078.60	895.84	65.84

18 OTHER ASSETS (CONSIDERED GOOD, UNLESS STATED OTHERWISE)

	AS AT MARCH 31, 2012 (₹ in crore)		AS AT MARCH 31, 2011 (₹ in crore)	
	NON-CURRENT PORTION	CURRENT MATURITIES	NON-CURRENT PORTION	CURRENT MATURITIES
Other receivables	-	5.03	-	4.72
[includes ₹ 0.53 crore (Previous Year ₹ 0.36 crore), considered doubtful]				
Less: Provision against doubtful receivables	-	0.53	-	0.36
	-	4.50	-	4.36
Bank deposits	-	-	501.00	-
Interest accrued on deposits & loan to financial institution	-	65.00	11.96	9.38
Interest accrued on investments	-	67.28	-	68.87
Interest accrued on loans [see note (a)]	334.97	453.61	373.93	170.19
Mark-to-market margin – stock futures account	-	-	-	0.16
Less: Provision for loss – stock futures account	-	-	-	0.16
Unamortised expenses				
Premium on forward contracts	-	5.30	0.47	50.95
Ancillary borrowing costs	30.93	8.84	19.29	4.40
TOTAL	365.90	604.53	906.65	308.15

(a) Current maturities of interest accrued on loans is net of provision of ₹ 20.71 crore (Previous Year ₹ 3.75 crore).

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

19 CURRENT INVESTMENTS

	FACE VALUE (₹)	AS AT MARCH 31, 2012 QUANTITY	AS AT MARCH 31, 2012 (₹ in crore)	AS AT MARCH 31, 2011 QUANTITY	AS AT MARCH 31, 2011 (₹ in crore)
CURRENT PORTION OF LONG-TERM INVESTMENTS (AT COST)					
INVESTMENT IN BONDS (UNQUOTED) (FULLY PAID) (CURRENT MATURITIES)					
10.90% Power Grid Corporation Limited (part redemption)		-	0.90	-	0.90
7.15% Rural Electrification Corporation Limited	1,000,000	500	50.00	-	-
7.90% Rural Electrification Corporation Limited	1,000,000	650	65.47	-	-
INVESTMENT IN BONDS (UNQUOTED) (FULLY PAID)					
10.05% Axis Bank Limited	1,000,000	250	25.00	-	-
9.92% HDFC Bank Limited	1,000,000	59	5.90	-	-
9.98% ICICI Bank Limited	1,000,000	200	20.00	-	-
6.25% ING Vysya Bank Limited	100,000	500	4.39	-	-
INVESTMENT IN EQUITY SHARES (TRADE) (UNQUOTED) (FULLY PAID)					
INVESTMENT IN SUBSIDIARIES [see note (c)]					
IDFC Asset Management Company Limited	10	-	-	664,719	208.72
IDFC AMC Trustee Company Limited	10	-	-	12,501	0.02
INVESTMENT IN EQUITY SHARES (NON-TRADE) (UNQUOTED) (FULLY PAID) [see note (d)]					
Orbis Capital Limited	10	7,500,000	8.63	-	-
			180.29		209.64
CURRENT INVESTMENTS (LOWER OF COST AND FAIR VALUE / MARKET VALUE)					
INVESTMENT IN EQUITY SHARES (QUOTED) (FULLY PAID)					
Hathway Cable & Datacom Limited	10	416,650	10.00	416,650	10.00
Indiabulls Power Limited	10	3,423,184	15.40	3,423,184	15.40
NHPC Limited	10	10,555,729	38.00	10,555,729	38.00
Vascon Engineers Limited	10	864,225	14.26	864,225	14.26
Engineers India Limited	5	143,961	4.17	143,961	4.17
			81.83		81.83
INVESTMENT IN EQUITY SHARES (UNQUOTED) (FULLY PAID)					
INVESTMENT IN AN ASSOCIATE					
Galaxy Mercantiles Limited - Class A	100	35,048	73.60	-	-
Galaxy Mercantiles Limited - Class C	100	100	0.21	-	-
			73.81		-
INVESTMENT IN PREFERENCE SHARES (UNQUOTED) (FULLY PAID)					
INVESTMENT IN AN ASSOCIATE					
0.01% Galaxy Mercantiles Limited (redeemable)	100	999,426	9.99	-	-
			9.99		-
INVESTMENT IN CONVERTIBLE WARRANTS (QUOTED)					
Housing Development Finance Corporation Limited	55	850	ß	850	ß
INVESTMENT IN BONDS (UNQUOTED) (FULLY PAID)					
Floating Rate Bond Advanta India Limited	1,000,000	1,540	148.23	-	-
9.25% Deccan Chronicle Holdings Limited	1,000,000	-	-	500	50.00
12.00% Deccan Chronicle Holdings Limited	1,000,000	-	-	1,000	100.00
10.10% First Blue Home Finance Limited	1,000,000	150	15.00	150	15.00
(formerly Deutsche Post Bank Home Finance Limited)					
0% Dewan Housing Finance Limited	10,000,000	-	-	100	100.00
10.75% Dishergarh Power Supply Company Limited	200,000	-	-	2,350	47.00
9.25% Fullerton India Credit Company Limited	1,000,000	850	85.08	850	85.07
9.60% Great Eastern Shipping Company Limited	1,000,000	100	10.09	100	10.09
8.10% Housing and Urban Development Corporation Limited	1,000	247,814	24.78	-	-
8.20% Housing and Urban Development Corporation Limited	1,000	83,851	8.39	-	-
0% Housing Development Finance Corporation Limited	1,000,000	-	-	500	50.00
6.84% Housing Development Finance Corporation Limited	1,000,000	-	-	200	20.19
8.35% Housing Development Finance Corporation Limited	1,000,000	-	-	200	20.00
9.29% ICICI Home Finance Limited	1,000,000	88	8.80	88	8.80
10.24% L&T Finance Limited	1,000	821,491	82.15	821,491	82.15
9.56% LIC Housing Finance Limited	1,000,000	350	35.00	-	-
12.20% Manappuram Finance Limited	1,000	250,000	25.06	-	-
12.50% Manappuram Finance Limited	1,000,000	1,000	99.35	-	-
Carried forward			541.93		588.30

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

19 CURRENT INVESTMENTS (Continued)

	FACE VALUE (₹)	AS AT MARCH 31, 2012 QUANTITY	(₹ in crore)	AS AT MARCH 31, 2011 QUANTITY	(₹ in crore)
INVESTMENT IN BONDS (UNQUOTED) (FULLY PAID) *(continued)*					
Brought forward			541.93		588.30
13.25% MGM Consulting Services Private Limited	10,000,000	150	150.00	-	-
6.55% National Housing Bank	1,000,000	-	-	450	44.59
8.20% National Highway Authority of India	1,000	941,714	94.64	-	-
9.18% National Bank for Agriculture and Rural Development	1,000,000	350	35.00	-	-
7.00% Power Finance Corporation Limited	1,000,000	-	-	250	25.06
8.20% Power Finance Corporation Limited	1,000	848,051	86.24	-	-
8.49% Power Finance Corporation Limited	1,000,000	-	-	300	30.73
8.80% Power Finance Corporation Limited	1,000,000	400	40.00	400	40.00
9.33% Power Finance Corporation Limited	1,000,000	500	49.98	-	-
11.15% Power Finance Corporation Limited	1,000,000	-	-	25	2.65
8.64% Power Grid Corporation of India Limited	1,250,000	80	10.00	80	10.00
8.84% Power Grid Corporation of India Limited	1,250,000	560	70.00	640	80.00
9.22% Reliance Capital Limited	1,000,000	250	25.28	250	25.28
9.25% Reliance Capital Limited	1,000,000	450	45.49	450	45.49
10.90% Reliance Gas Transportation Infrastructure Limited	1,000,000	650	69.20	650	69.20
10.95% Reliance Gas Transportation Infrastructure Limited	1,000,000	500	55.48	500	55.49
7.60% Rural Electrification Corporation Limited	1,000,000	-	-	350	35.35
10.90% Shriram Transport Finance Company Limited	1,000,000	195	19.52	200	20.02
9.05% State Bank of India	1,000,000	190	19.00	190	19.00
9.95% State Bank of India	10,000	-	-	45,000	46.90
10.00% Sundaram Finance Limited	1,000,000	250	25.00	250	25.00
10.30% Tata Sons Limited	1,000,000	50	5.00	50	5.00
9.20% United Bank of India	1,000,000	2,000	199.93	-	-
			1,541.69		1,168.06
INVESTMENT IN PASS THROUGH CERTIFICATES (UNQUOTED)					
India MBS 2002 Certificates Series I D			0.84		1.06
Loan Securitisation Trust (Series XVII)			-		0.22
			0.84		1.28
INVESTMENT IN CERTIFICATE OF DEPOSITS WITH SCHEDULED BANKS (UNQUOTED)			1,147.90		1,889.89
INVESTMENT IN COMMERCIAL PAPERS (UNQUOTED)			1,324.68		821.47
INVESTMENT IN GOVERNMENT SECURITIES (UNQUOTED)			181.51		165.47
INVESTMENT IN TREASURY BILLS (UNQUOTED)			354.66		96.27
INVESTMENT IN MUTUAL FUNDS (UNQUOTED)					
IDFC SSIF Short Term Plan C - Growth	10	149,757,970.586	175.00	-	-
IDFC Money Manager Fund - Daily Dividend	10	-	-	1,355,620.214	1.37
			175.00		1.37
TOTAL CURRENT INVESTMENTS			5,072.20		4,435.28
Less: Provision for diminution in value of investments			60.86		45.83
Less: Premium amortised on current maturities of long-term bonds			0.38		-
NET CURRENT INVESTMENTS			5,010.96		4,389.45

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

	AS AT MARCH 31, 2012 (₹ in crore)	AS AT MARCH 31, 2011 (₹ in crore)
(a) Aggregate amount of quoted investments		
Cost	81.83	81.83
Market value	40.38	50.40
(b) (i) Aggregate amount of investments in unquoted mutual funds		
Cost	175.00	1.37
Market value	184.74	1.37
Market value of investments in unquoted mutual funds represents the repurchase price of the units issued by the mutual funds		
(ii) Aggregate amount of other unquoted investments - cost	4,815.37	4,352.08

(c) In the previous year, the Company had entered into an agreement with Natixis Global Asset Management to sell 25% stake in IDFC Asset Management Company Limited and IDFC AMC Trustee Company Limited, subject to regulatory approvals. In view of this agreement, the Company did not have intention to hold 25% of the investment for more than 12 months as at March 31, 2011. Hence the Company has disclosed its investments in these equity shares as current investments. However, for valuation purposes, the investments continue to be treated as long-term investments.

(d) Investments include ₹ 8.63 crore (Previous Year ₹ Nil) in respect of equity shares which are subject to a lock-in-period.

20 TRADE RECEIVABLES (UNSECURED) (CONSIDERED GOOD, UNLESS STATED OTHERWISE)

		AS AT MARCH 31, 2012 (₹ in crore)		AS AT MARCH 31, 2011 (₹ in crore)
Outstanding for a period less than six months from the date they are due for payment [see note (a)]		371.46		11.09
Considered doubtful Outstanding for a period exceeding six months from the date they are due for payment	1.86		3.30	
Less: Provision against doubtful receivables	1.86		3.30	
		-		-
TOTAL		371.46		11.09

(a) Trade receivables include debts of ₹ 0.28 crore (Previous Year ₹ Nil) due from private company in which a director is a director.

21 CASH AND BANK BALANCES

		AS AT MARCH 31, 2012 (₹ in crore)		AS AT MARCH 31, 2011 (₹ in crore)
CASH AND CASH EQUIVALENTS				
Cash on hand	0.01		0.01	
Cheques on hand	1.90		0.90	
Balances with banks:				
In current accounts [see note (a)]	9.47		223.67	
In deposit accounts	50.00		-	
		61.38		224.58
OTHERS				
Balances with banks:				
In earmarked accounts				
- unclaimed dividend	1.22		0.96	
- unclaimed interest	5.22		-	
In deposit accounts [see note (b) & (c)]	522.00		242.00	
		528.44		242.96
		589.82		467.54

(a) Balances with banks in current accounts include ₹ Nil (Previous Year ₹ 223.43 crore) being amount raised on issue of long-term Infrastructure Bonds – Tranche III, that remained unutilised as at the Balance Sheet date pending regulatory approvals.

(b) Balances with banks in deposit accounts include deposits under lien of ₹ 21.00 crore (Previous Year ₹ 17.00 crore) to the National Securities Clearing Corporation Limited for meeting margin requirements.

(c) Balances with banks include deposits of ₹ 501.00 crore (Previous Year ₹ 25.00 crore) having original maturity of more than 12 months.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

22 REVENUE FROM OPERATIONS

	FOR THE YEAR ENDED MARCH 31, 2012 (₹ in crore)	FOR THE YEAR ENDED MARCH 31, 2011 (₹ in crore)
Interest [see note (a)]	5,428.87	3,941.60
Other financial services [see note (b)]	157.53	227.10
Dividend income [see note (c)]	87.79	81.88
Net profit on sale of investments [see note (d)]	408.41	252.18
Other operating income [see note (e)]	11.72	21.24
TOTAL	6,094.32	4,524.00

(a) DETAILS OF INTEREST INCOME

Interest on loans [see note (i) & (ii)]	4,793.71	3,446.19
Interest on deposits and loan to a financial institution	169.80	101.88
Interest on investments		
Current investments	402.46	328.35
Long-term investments	62.90	65.18
TOTAL	5,428.87	3,941.60

(i) Interest on loans includes interest on debentures of ₹ 182.05 crore (Previous Year ₹ 105.77 crore).

(ii) Interest on loans includes exchange gain of ₹ 10.33 crore (Previous Year ₹ 48.41 crore).

(b) DETAILS OF INCOME FROM OTHER FINANCIAL SERVICES

Fees (net) [see note (i)]	154.06	221.24
Profit on assignment / sale of loans	3.47	5.86
TOTAL	157.53	227.10

(i) Fees income is net of fees shared on sell down of loans of ₹ 7.87 crore (Previous Year ₹ 31.64 crore).

(c) DETAILS OF DIVIDEND INCOME

Current investments	1.82	22.91
Long-term investments		
Subsidiary companies	69.27	45.75
Associate company	0.81	0.73
Others	15.89	12.49
TOTAL	87.79	81.88

(d) DETAILS OF NET PROFIT ON SALE OF INVESTMENTS

Current investments	78.70	47.85
Long-term investments	329.71	204.33
TOTAL	408.41	252.18

(e) DETAILS OF OTHER OPERATING INCOME

Sale of power	11.72	10.05
Income from trading in stock futures	-	2.81
Income on renunciation of rights	-	8.38
TOTAL	11.72	21.24

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

23 OTHER INCOME

	FOR THE YEAR ENDED MARCH 31, 2012 (₹ in crore)	FOR THE YEAR ENDED MARCH 31, 2011 (₹ in crore)
Interest on income tax refund	-	5.06
Other interest	0.13	0.06
Profit on sale of long-term investments [see note (a)]	89.00	21.95
Profit on sale of fixed assets (net)	4.38	7.00
Miscellaneous income [see note 34(iii)]	8.18	2.28
TOTAL	101.69	36.35

(a) Profit on sale of long-term investments includes ₹ 89.00 crore (Previous Year ₹ Nil) on sale of 25% stake in IDFC Asset Management Company Limited and IDFC AMC Trustee Company Limited, wholly-owned subsidiaries of the Company, to Natixis Global Asset Management and ₹ Nil (Previous Year ₹ 21.95 crore) on account of sale of certain investments to a wholly-owned subsidiary.

24 EMPLOYEE BENEFITS EXPENSE

	FOR THE YEAR ENDED MARCH 31, 2012 (₹ in crore)	FOR THE YEAR ENDED MARCH 31, 2011 (₹ in crore)
Salaries [see note (a) & 34(i)]	134.23	78.97
Contribution to provident and other funds [see note 31]	7.46	5.22
Expense under the ESOS [see note 5(b)]	4.31	16.75
Staff welfare expenses	6.39	5.68
TOTAL	152.39	106.62

(a) Expenditure on account of salaries is after adjusting ₹ Nil (Previous Year ₹ 5.24 crore) recovered from subsidiary companies and a jointly controlled entity.

25 FINANCE COSTS

	FOR THE YEAR ENDED MARCH 31, 2012 (₹ in crore)	FOR THE YEAR ENDED MARCH 31, 2011 (₹ in crore)
Interest expense *	3,370.00	2,298.47
Other borrowing costs *	52.48	56.47
Net loss on foreign currency transactions and translation	32.75	31.58
TOTAL	3,455.23	2,386.52

* excludes costs charged to securities premium account.

26 PROVISIONS AND CONTINGENCIES

	FOR THE YEAR ENDED MARCH 31, 2012 (₹ in crore)	FOR THE YEAR ENDED MARCH 31, 2011 (₹ in crore)
Contingent provision against standard assets [see note 9(b)]	27.65	96.75
Provision for contingencies [including provision u/s. 36(1)(viia) of the Income-tax Act, 1961]	104.91	51.73
Provision against non-performing loans and debtors	51.76	7.85
Write back of provision against restructured loans	-	(1.42)
Provision for diminution in value of investments (net)	99.69	79.87
Provision for / (writeback of) mark-to-market on stock futures account	(0.16)	0.16
	283.85	234.94

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

27 OTHER EXPENSES

	FOR THE YEAR ENDED MARCH 31, 2012 (₹ in crore)	FOR THE YEAR ENDED MARCH 31, 2011 (₹ in crore)
Rent [see note 34(ii)]	11.81	9.66
Rates & taxes [see note (a)]	3.15	3.61
Electricity	2.24	2.61
Repairs and maintenance		
Buildings	1.59	2.02
Equipments	2.17	1.58
Others	0.04	0.03
Insurance charges	0.55	0.45
Travelling and conveyance	7.68	5.10
Printing and stationery	0.77	1.22
Communication costs	3.69	3.67
Advertising and publicity	1.65	2.03
Professional fees	25.36	29.75
Loss on foreign exchange fluctuation (net)	0.11	ß
Loss on trading in stock futures	2.63	-
Directors' sitting fees	0.28	0.27
Commission to directors	1.04	1.11
Bad debts written off	0.78	2.93
Miscellaneous expenses	19.16	13.10
Auditors' remuneration [see note (b)]	1.81	1.37
Shared service costs recovered [see note (c)]	(14.61)	(11.38)
TOTAL	**71.90**	**69.13**

(a) Rates and taxes include provision for wealth tax amounting to ₹ 0.13 crore (Previous Year ₹ 0.14 crore) and securities transaction tax amounting to ₹ 1.01 crore (Previous Year ₹ 0.86 crore).

(b) Break up of auditors' remuneration:

	FOR THE YEAR ENDED MARCH 31, 2012 (₹ in crore)	FOR THE YEAR ENDED MARCH 31, 2011 (₹ in crore)
Audit fees	0.40	0.40
Tax audit fees	0.12	0.12
Taxation matters	0.40	0.20
Other services	0.75	0.64
Out-of-pocket expenses	0.01	0.01
Service tax	0.26	0.12
	1.94	1.49
Less: Service tax set off claimed	0.13	0.12
TOTAL	**1.81**	**1.37**

The above amounts exclude professional fees of ₹ 0.19 crore (Previous Year ₹ 0.67 crore) debited to other accounts.

(c) Shared service costs recovery includes ₹ 13.78 crore (Previous Year ₹ 11.38 crore) recovered from subsidiary companies under a shared service agreement.

28 EXPENDITURE IN FOREIGN CURRENCIES

	FOR THE YEAR ENDED MARCH 31, 2012 (₹ in crore)	FOR THE YEAR ENDED MARCH 31, 2011 (₹ in crore)
Interest expense	24.34	-
Other borrowing costs	7.11	0.73
Travelling expenses	0.25	0.09
Professional fees	2.04	1.83
Others	8.12	2.40

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

29 EARNINGS IN FOREIGN CURRENCIES

	FOR THE YEAR ENDED MARCH 31, 2012 (₹ in crore)	FOR THE YEAR ENDED MARCH 31, 2011 (₹ in crore)
Fees	0.15	0.11
Others	0.03	0.84

30 REMITTANCE IN FOREIGN CURRENCIES FOR DIVIDENDS

The Company has not remitted any amount in foreign currencies on account of dividends during the year and does not have information as to the extent to which remittances, if any, in foreign currencies on account of dividends have been made by / on behalf of non-resident shareholders. The particulars of dividends payable to non-resident shareholders which were declared during the year, are as under:

	FOR THE YEAR ENDED MARCH 31, 2012	FOR THE YEAR ENDED MARCH 31, 2011
Number of non-resident shareholders	4,913	3,973
Number of equity shares held by them	713,105,443	589,863,715
Gross amount of dividend (₹ in crore)	142.62	88.48
Dividend relating to the year	2010-11	2009-10

31 In accordance with Accounting Standard 15 on 'Employee Benefits' as notified under the Companies (Accounting Standards) Rules, 2006 the following disclosures have been made:

i. The Company has recognised the following amounts in the Statement of Profit and Loss towards contribution to defined contribution plans which are included under contribution to provident and other funds:

	FOR THE YEAR ENDED MARCH 31, 2012 (₹ in crore)	FOR THE YEAR ENDED MARCH 31, 2011 (₹ in crore)
Provident fund	2.91	2.28
Superannuation fund	0.74	0.57
Pension fund	0.39	-

ii. The details of the Company's post-retirement benefit plans for gratuity for its employees are given below which are certified by the actuary and relied upon by the auditors:

	FOR THE YEAR ENDED MARCH 31, 2012 (₹ in crore)	FOR THE YEAR ENDED MARCH 31, 2011 (₹ in crore)
CHANGE IN THE DEFINED BENEFIT OBLIGATIONS:		
Liability at the beginning of the year	8.96	6.72
Current service cost	1.57	1.15
Interest cost	0.85	0.60
Liabilities settled on divestiture	-	(0.32)
Benefits paid	1.07	0.68
Actuarial loss	1.34	1.50
Liability at the end of the year	11.65	8.96
FAIR VALUE OF PLAN ASSETS:		
Fair value of plan assets at the beginning of the year	9.06	7.23
Expected return on plan assets	0.68	0.66
Contributions	3.40	2.01
Benefits paid	1.07	0.68
Actuarial loss on plan assets	0.32	0.16
Fair value of plan assets at the end of the year	11.75	9.06
Total actuarial loss to be recognised	1.66	1.66
ACTUAL RETURN ON PLAN ASSETS:		
Expected return on plan assets	0.68	0.66
Actuarial loss on plan assets	0.32	0.16
Actual return on plan assets	0.36	0.50

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

	FOR THE YEAR ENDED MARCH 31, 2012 (₹ in crore)	FOR THE YEAR ENDED MARCH 31, 2011 (₹ in crore)
AMOUNT RECOGNISED IN THE BALANCE SHEET:		
Liability at the end of the year	11.65	8.96
Fair value of plan assets at the end of the year	11.75	9.06
Amount recognised in the Balance Sheet under 'Provision for employee benefits'	-	-
EXPENSE RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS:		
Current service cost	1.57	1.15
Interest cost	0.85	0.60
Expected return on plan assets	0.68	0.66
Net actuarial loss to be recognised	1.66	1.66
Liabilities settled on divestiture	-	(0.32)
Expense recognised in the Statement of Profit and Loss under 'Employee benefits expense'	3.40	2.43
RECONCILIATION OF THE LIABILITY RECOGNISED IN THE BALANCE SHEET:		
Opening net asset	0.10	0.51
Expense recognised	3.40	2.43
Contribution by the Company	3.40	2.01
Expected employer's contribution next year	1.50	1.00

	FOR THE YEAR ENDED				
	MARCH 31, 2012	MARCH 31, 2011	MARCH 31, 2010	MARCH 31, 2009	MARCH 31, 2008 (₹ in crore)
EXPERIENCE ADJUSTMENTS:					
Defined benefit obligation	11.65	8.96	6.72	5.83	3.85
Plan assets	11.75	9.06	7.23	5.85	3.10
Surplus / (deficit)	0.10	0.10	0.51	0.02	(0.75)
Experience adjustments on plan liabilities	1.38	1.71	(0.54)	1.45	0.80
Experience adjustments on plan assets	(0.32)	(0.16)	1.29	(0.74)	(0.02)

	AS AT MARCH 31, 2012 (%)	AS AT MARCH 31, 2011 (%)
INVESTMENT PATTERN:		
Insurer managed funds	100.00	100.00
Government securities	8.99	12.92
Deposit and money market securities	41.67	17.21
Debentures / bonds	30.94	43.50
Equity shares	18.40	26.37
PRINCIPAL ASSUMPTIONS:		
Discount rate (p.a.)	8.38	8.30
Expected rate of return on assets (p.a.)	8.00	8.00
Salary escalation rate (p.a.)	8.00	8.00

The estimate of future salary increase, considered in the actuarial valuation takes account of inflation, seniority, promotion and other relevant factors.

32 The Company's main business is financing by way of loans. All other activities revolve around the main business. The Company does not have any geographic segments. As such, there are no separate reportable segments as per Accounting Standard 17 on 'Segment Reporting' as notified under the Companies (Accounting Standards) Rules, 2006.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

33 As per Accounting Standard 18 on 'Related Party Disclosures' as notified under the Companies (Accounting Standards) Rules, 2006, the related parties of the Company are as follows:

I. SUBSIDIARIES:

(a) Direct

IDFC Asset Management Company Limited
IDFC AMC Trustee Company Limited
IDFC Finance Limited
IDFC Foundation (with effect from March 4, 2011)
IDFC PPP Trusteeship Company Limited (up to March 22, 2012)
IDFC Primary Dealership Company Limited (with effect from March 17, 2012)
IDFC Private Equity Company Limited
IDFC Project Equity Company Limited
IDFC Projects Limited
IDFC Securities Limited
IDFC Trustee Company Limited
Jetpur Somnath Highway Limited (up to November 14, 2010)
Uniquest Infra Ventures Private Limited (with effect from February 3, 2011 up to June 3, 2011)

(b) Through subsidiaries

Dheeru Powergen Limited
IDFC Capital Limited
IDFC Capital (USA) Inc. (with effect from August 4, 2010)
IDFC Capital (Singapore) Pte. Ltd.
IDFC Distribution Company Limited
IDFC Fund of Funds Limited
IDFC General Partners Limited
IDFC Investment Advisors Limited
IDFC Investment Managers (Mauritius) Limited (with effect from September 13, 2010)
IDFC Pension Fund Management Company Limited
IDFC PPP Trusteeship Company Limited (with effect from March 23, 2012)
Jetpur Somnath Highway Limited (with effect from November 15, 2010 up to August 10, 2011)
Jetpur Somnath Tollways Limited (with effect from January 11, 2011 up to August 11, 2011)

II. JOINTLY CONTROLLED ENTITIES:

(a) Direct

Delhi Integrated Multi-Modal Transit System Limited (up to March 23, 2011)
Infrastructure Development Corporation (Karnataka) Limited (up to March 23, 2011)
Uttarakhand Infrastructure Development Company Limited (up to March 23, 2011)

(b) Through subsidiaries

Delhi Integrated Multi-Modal Transit System Limited (with effect from March 24, 2011)
Infrastructure Development Corporation (Karnataka) Limited (with effect from March 24, 2011)
Uttarakhand Infrastructure Development Company Limited (with effect from March 24, 2011)

III. ASSOCIATES:

(a) Direct

Galaxy Mercantiles Limited (with effect from December 2, 2011)
Feedback Infrastructure Services Private Limited (formerly Feedback Ventures Private Limited)

(b) Through subsidiaries

Jetpur Somnath Tollways Limited (with effect from August 12, 2011)

IV. ENTITIES OVER WHICH CONTROL IS EXERCISED:

(a) Direct

India Infrastructure Initiative Trust (up to March 23, 2011)
India PPP Capacity Building Trust (up to March 23, 2011)

(b) Through subsidiaries

Emerging Markets Private Equity Fund, L.P. (up to January 26, 2012)
India Infrastructure Initiative Trust (with effect from March 24, 2011)
India PPP Capacity Building Trust (with effect from March 24, 2011)

V. KEY MANAGEMENT PERSONNEL:

(a) Dr. Rajiv B. Lall - Managing Director & CEO
(b) Mr. Vikram Limaye - Whole-time Director

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

The nature and volume of transactions carried out with the above related parties in the ordinary course of business are as follows:

NAME OF RELATED PARTY AND NATURE OF RELATIONSHIP		MARCH 31, 2012 (₹ in crore)	MARCH 31, 2011 (₹ in crore)
(a) SUBSIDIARIES:			
Dheeru Powergen Limited	Trade receivables - balance outstanding	0.02	-
IDFC Asset Management Company Limited	Acquisition of equity shares	-	20.00
	Inter corporate deposits placed and repaid	-	15.00
	Redemption of preference shares	-	19.79
	Shared service cost recovered	1.84	0.90
IDFC Capital Limited	Fees paid	16.51	17.87
	Purchase of fixed assets	0.05	-
	Shared service cost recovered	1.75	2.53
	Trade payables - balance outstanding	13.09	-
IDFC Capital (Singapore) Pte. Ltd.	Shared service fees	5.80	5.01
	Trade payable - balance outstanding	3.73	3.84
IDFC Finance Limited	Advance given and recovered	-	9.01
	Purchase of investments	-	9.05
IDFC Foundation	Fees paid	3.63	-
	Advances recovered during the year	4.00	-
	Sale of investments	0.05	45.45
	Advances recoverable - balance outstanding	41.50	45.50
	Share subscription	8.00	-
	Amount payable	0.52	-
IDFC Investment Advisors Limited	Deputation charges recovered	-	5.74
	Management fees paid	0.56	0.71
IDFC Private Equity Company Limited	Dividend received	20.00	32.00
	Shared service costs recovered	2.99	0.50
IDFC Projects Limited	Advance given (net of repayments)	30.95	31.85
	Bank guarantees outstanding	76.30	66.89
	Fees received	1.21	0.97
	Shared service costs recovered	1.55	1.84
	Sale of investments	-	0.05
	Advances - balance outstanding	74.54	46.10
IDFC Project Equity Company Limited	Advances given and recovered	-	2.69
	Dividend received	21.00	13.75
	Shared service costs recovered	2.69	2.28
IDFC PPP Trusteeship Company Limited	Advances given	0.02	-
	Advances - balance outstanding	0.02	-

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

	NAME OF RELATED PARTY AND NATURE OF RELATIONSHIP		MARCH 31, 2012 (₹ in crore)	MARCH 31, 2011 (₹ in crore)
	IDFC Securities Limited	Brokerage paid	0.07	0.10
		Dividend received	28.27	-
		Inter corporate deposits given and repaid	-	79.00
		Interest received on inter corporate deposits	-	0.02
		Shared service costs recovered	4.37	4.55
		Sale of fixed assets	-	0.05
		Advances - balance outstanding	1.30	-
	Jetpur Somnath Tollways Limited	Shared service costs recovered	0.29	-
		Advances - balance outstanding	0.11	-
(b)	**JOINTLY CONTROLLED ENTITIES:**			
	Uttarakhand Infrastructure Development Company Limited	Fees paid	0.09	-
	Infrastructure Development Corporation (Karnataka) Limited	Fees paid	0.04	0.59
		Rent paid	0.02	0.02
		Deputation charges recovered	-	0.04
		Trade payables - balance outstanding	0.16	0.37
	Delhi Integrated Multi-Modal Transit System Limited	Miscellaneous income	-	ß
(c)	**ASSOCIATES:**			
	Feedback Infrastructure Services Private Limited	Dividend received	0.81	0.73
		Miscellaneous income	ß	ß
		Fees paid	0.25	-
		Subscription to redeemable debentures	28.00	-
		Interest on redeemable debentures	1.41	-
		Interest accrued on loans - balance outstanding	1.41	-
	Galaxy Mercantiles Limited	Interest on optionally convertible debentures (OCDs)	6.21	-
		Subscription to equity shares	73.81	-
		Subscription to cumulative preference shares	9.99	-
		Interest accrued on loans - balance outstanding	0.08	-
		Investment in OCDs	136.12	-
		Loan given and balance outstanding	1.65	-
(d)	**ENTITIES OVER WHICH CONTROL IS EXERCISED:**			
	India PPP Capacity Building Trust	Fees paid	6.83	2.39
		Trade payables - balance outstanding	0.79	2.23
(e)	**KEY MANAGEMENT PERSONNEL:**			
	Dr. Rajiv B. Lall	Remuneration paid	5.99	6.26 *
	Mr. Vikram Limaye	Remuneration paid	4.93	6.78 *
	Dr. Rajiv B. Lall	80CCF bonds	ß	ß
	Mr. Vikram Limaye	80CCF bonds	ß	ß

* includes perquisites on exercise of employee stock options under the ESOS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

34 In accordance with Accounting Standard 19 on 'Leases' as notified under the Companies (Accounting Standards) Rules, 2006, the following disclosures in respect of operating leases are made:

i. The Company has taken vehicles for certain employees under operating leases, which expire between April 2012 and March 2016 (Previous Year August 2011 and March 2015). Salaries include gross rental expenses of ₹ 0.80 crore (Previous Year ₹ 0.37 crore). The committed lease rentals in the future are:

	AS AT MARCH 31, 2012 (₹ in crore)	AS AT MARCH 31, 2011 (₹ in crore)
Not later than one year	0.89	0.93
Later than one year and not later than five years	1.23	1.94

ii. The Company has taken office premises under operating leases, which expire between December 2015 and September 2018 (Previous Year December 2015 and September 2018). Rent includes gross rental expenses of ₹ 8.54 crore (Previous Year ₹ 7.79 crore). The committed lease rentals in the future are:

	AS AT MARCH 31, 2012 (₹ in crore)	AS AT MARCH 31, 2011 (₹ in crore)
Not later than one year	8.63	8.54
Later than one year and not later than five years	35.20	37.99
Later than five years	1.89	7.74

iii. The Company has given office premises under non-cancellable operating lease, which expires in October 2012 (Previous Year October 2012). Miscellaneous income includes income from such leases of ₹ 2.26 crore (Previous Year ₹ 2.08 crore). The future minimum lease rental is as follows:

	AS AT MARCH 31, 2012 (₹ in crore)	AS AT MARCH 31, 2011 (₹ in crore)
Not later than one year	1.32	2.26
Later than one year and not later than five years	-	1.32

35 In accordance with Accounting Standard 20 on 'Earnings Per Share' as notified under the Companies (Accounting Standards) Rules, 2006:

i. The basic earnings per share has been calculated based on the following:

	FOR THE YEAR ENDED MARCH 31, 2012 (₹ in crore)	FOR THE YEAR ENDED MARCH 31, 2011 (₹ in crore)
Net profit after tax	1,602.96	1,277.14
Less: adjustment for dividend and dividend distribution tax on CCCPS	49.41	37.39
Net amount available for equity shareholders	1,553.55	1,239.76
Weighted average number of equity shares	1,469,679,676	1,418,087,937

ii. The reconciliation between the basic and the diluted earnings per share is as follows:

	FOR THE YEAR ENDED MARCH 31, 2012 (₹)	FOR THE YEAR ENDED MARCH 31, 2011 (₹)
Basic earnings per share	10.57	8.74
Effect of outstanding stock options	(0.03)	(0.06)
Diluted earnings per share	10.54	8.68

iii. The basic earnings per share has been computed by dividing the net profit after tax for the year available for equity shareholders by the weighted average number of equity shares for the respective years, whereas the diluted earnings per share has been computed by dividing the net profit after tax for the year available for equity shareholders by the weighted average number of equity shares, after giving dilutive effect of the outstanding stock options for the respective periods. Since, the effect of the conversion of CCCPS was anti-dilutive in the previous year, it has been ignored in the previous year. The relevant details as described above are as follows:

	AS AT MARCH 31, 2012	AS AT MARCH 31, 2011
Weighted average number of shares for computation of basic earnings per share	1,469,679,676	1,418,087,937
Dilutive effect of outstanding stock options	4,741,438	10,165,050
Weighted average number of shares for computation of diluted earnings per share	1,474,421,114	1,428,252,987

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

36 CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)

		AS AT MARCH 31, 2012 (₹ in crore)	AS AT MARCH 31, 2011 (₹ in crore)
(a)	**CONTINGENT LIABILITIES**		
(i)	Claims not acknowledged as debts in respect of :		
	Income-tax demands disputed by the Company (net of amounts provided). The matters in dispute are under appeal. The demands have been paid / adjusted and will be received as refund if the matters are decided in favour of the Company	94.99	109.50
(ii)	Guarantees issued:		
	As a part of project assistance, the Company has also provided the following guarantees:		
	Financial guarantees	2,245.27	1,301.34
	Performance guarantees	227.01	259.00
	Risk participation facility	-	5.31
	Other financial guarantees	78.31	35.75
(b)	**CAPITAL COMMITMENTS**		
(i)	Uncalled liability on shares and other investments partly paid	854.06	506.38
(ii)	Estimated amount of contracts remaining to be executed on capital account (net of advances)	0.16	1.38

37 The Company has entered into interest rate swaps in the nature of "fixed / floating" or "floating / fixed" for notional principal of ₹ 3,066.00 crore outstanding as on March 31, 2012 (Previous Year ₹ 2,391.00 crore) for varying maturities linked to various benchmarks for asset liability management and hedging.

The Company has foreign currency borrowings of USD 81.18 crore (Previous Year USD 62.56 crore), against which the Company has undertaken currency interest rate swaps and forward contracts of USD 81.18 crore (Previous Year USD 60.91 crore) to hedge foreign currency risk.

The Company has also entered in to coupon only currency swaps for notional principal of USD 8.41 crore (Previous Year USD 11.11 crore) to hedge the foreign currency risk towards interest on the foreign currency borrowings.

38 There were no open interest in stock futures as at March 31, 2012. The details of open interest in stock futures as at March 31, 2011 are as under:

LONG POSITION:

NAME OF FUTURE	SERIES OF FUTURE	NUMBER OF CONTRACTS	NUMBER OF UNITS
Rural Electrification Corporation Limited	28-Apr-11	2	250,000

SHORT POSITION:

NAME OF FUTURE	SERIES OF FUTURE	NUMBER OF CONTRACTS	NUMBER OF UNITS
Larsen & Toubro Limited	28-Apr-11	1	35,000
Shree Renuka Sugars Limited	28-Apr-11	2	700,000

39 No amount is payable to 'Suppliers' registered under the Micro, Small and Medium Enterprises Development Act, 2006. No interest has been paid / payable by the Company during the year to the 'Suppliers' covered under the Micro, Small and Medium Enterprises Development Act, 2006. The above information takes into account only those suppliers who have responded to inquiries made by the Company for this purpose.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

40 The following additional information is disclosed in terms of the RBI circular (Ref. No. DNBS (PD) CC No. 225 / 03.02.001 / 2011-12 dated July 1, 2011):

(a) **CAPITAL TO RISK ASSETS RATIO (CRAR):**

	AS AT MARCH 31, 2012	AS AT MARCH 31, 2011
CRAR (%)	20.79	24.48
CRAR - Tier I Capital (%)	18.52	21.86
CRAR - Tier II Capital (%)	2.27	2.62

(b) **EXPOSURES TO REAL ESTATE SECTOR*:**

	AS AT MARCH 31, 2012 (₹ in crore)	AS AT MARCH 31, 2011 (₹ in crore)
DIRECT EXPOSURE		
(i) Commercial Real Estate	3,159.22	2,670.40
Lending fully secured by mortgage (including securities in the process of being created) on commercial real estates (office building, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits.		
(ii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures		
a. Residential	0.84	1.06
b. Commercial Real Estate	-	-
INDIRECT EXPOSURE		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	173.44	258.58

* based on amounts sanctioned.

(c) **MATURITY PATTERN OF CERTAIN ITEMS OF ASSETS AND LIABILITIES**

(₹ in crore)

	1 DAY TO 30/31 DAYS (ONE MONTH)	OVER ONE MONTH TO TWO MONTHS	OVER TWO MONTHS TO THREE MONTHS	OVER THREE MONTHS TO SIX MONTHS	OVER SIX MONTHS TO ONE YEAR	OVER ONE YEAR TO THREE YEARS	OVER THREE YEARS TO FIVE YEARS	OVER FIVE YEARS	TOTAL
LIABILITIES									
Borrowing from Banks	449.98	302.24	783.33	1,706.09	1,400.00	2,191.28	2,046.34	-	8,879.26
Market Borrowing	1,910.11	1,447.30	405.48	2,118.04	6,075.68	9,579.87	2,234.01	13,779.03	37,549.52
ASSETS									
Advances	1,284.51	515.78	649.49	1,023.84	2,627.10	10,652.84	9,728.95	22,328.83	48,811.34
Investments	3,111.87	0.02	11.22	571.49	493.47	217.09	215.42	4,110.41	8,730.99

PREVIOUS YEAR

(₹ in crore)

	1 DAY TO 30/31 DAYS (ONE MONTH)	OVER ONE MONTH TO TWO MONTHS	OVER TWO MONTHS TO THREE MONTHS	OVER THREE MONTHS TO SIX MONTHS	OVER SIX MONTHS TO ONE YEAR	OVER ONE YEAR TO THREE YEARS	OVER THREE YEARS TO FIVE YEARS	OVER FIVE YEARS	TOTAL
LIABILITIES									
Borrowing from Banks	308.13	208.68	765.00	610.00	1,337.26	4,601.50	1,447.54	-	9,278.11
Market Borrowing	1,512.68	262.37	594.08	662.19	3,257.47	6,640.09	2,476.05	11,614.23	27,019.16
ASSETS									
Advances	981.23	187.60	293.42	797.09	2,345.50	8,235.02	6,198.74	19,130.87	38,169.47
Investments	3,198.17	229.54	94.71	148.12	17.05	350.10	90.13	4,121.85	8,249.67

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

(d) BORROWER GROUP-WISE CLASSIFICATION OF ASSETS FINANCED:

		AS AT MARCH 31, 2012 (₹ in crore) AMOUNT NET OF PROVISION *	AS AT MARCH 31, 2011 (₹ in crore) AMOUNT NET OF PROVISION *
1.	RELATED PARTIES		
	(a) Subsidiaries	-	-
	(b) Companies in the same group	-	-
	(c) Other related parties	165.77	-
2.	OTHER THAN RELATED PARTIES	48,645.57	38,169.47
	TOTAL	48,811.34	38,169.47

* excludes provision for contingencies.

(e) INVESTOR GROUP-WISE CLASSIFICATION OF ALL INVESTMENTS (CURRENT AND NON-CURRENT) IN SHARES AND SECURITIES (BOTH QUOTED AND UNQUOTED):

		AS AT MARCH 31, 2012 (₹ in crore)		AS AT MARCH 31, 2011 (₹ in crore)	
		MARKET VALUE / BREAK UP VALUE / FAIR VALUE / NAV	BOOK VALUE NET OF PROVISION	MARKET VALUE / BREAK UP VALUE / FAIR VALUE / NAV	BOOK VALUE NET OF PROVISION
1.	RELATED PARTIES				
	(a) Subsidiaries	468.08	1,143.91	515.92	1,341.14
	(b) Companies in the same group	-	-	-	-
	(c) Other Related Parties	79.29	103.89	19.78	20.09
2.	OTHER THAN RELATED PARTIES	7,962.33	7,237.91	6,890.39	6,746.19
	TOTAL	8,509.70	8,485.71	7,426.09	8,107.42

(f) OTHER INFORMATION:

		AS AT MARCH 31, 2012 (₹ in crore)	AS AT MARCH 31, 2011 (₹ in crore)
1.	GROSS NON-PERFORMING ASSETS		
	(a) Related parties	-	-
	(b) Other than Related parties	148.32	79.73
2.	NET NON-PERFORMING ASSETS		
	(a) Related parties	-	-
	(b) Other than Related parties	71.43	38.90
3.	ASSETS ACQUIRED IN SATISFACTION OF DEBT	-	-

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

41 INTEREST AND REPAYMENT TERMS OF LONG-TERM BORROWINGS - DEBENTURES (NON CONVERTIBLE) (SECURED)

	AS AT MARCH 31, 2012 (₹ in crore)		AS AT MARCH 31, 2011 (₹ in crore)	
RESIDUAL MATURITY	BALANCE OUTSTANDING	INTEREST RATE (%)	BALANCE OUTSTANDING	INTEREST RATE (%)
FIXED RATE				
Above 5 years	12,402.92	7.50 to 9.91	10,615.46	7.50 to 9.35
3-5 years	1,880.00	7.45 to 9.40	2,275.00	7.25 to 8.20
1-3 years	8,975.00	6.00 to 11.66	5,928.00	6.00 to 11.66
FLOATING RATE				
Above 5 years	40.00	MIBOR+150 bps	40.00	MIBOR+150 bps
1-3 years	-	NA	120.00	MIBOR+170 bps to 183 bps
TOTAL	23,297.92		18,978.46	

42 INTEREST AND REPAYMENT TERMS OF LONG-TERM LOANS - FROM BANKS (SECURED)

	AS AT MARCH 31, 2012 (₹ in crore)		AS AT MARCH 31, 2011 (₹ in crore)	
RESIDUAL MATURITY	BALANCE OUTSTANDING	INTEREST RATE (%)	BALANCE OUTSTANDING	INTEREST RATE (%)
FIXED RATE				
3-5 years	255.74	7.41	555.74	7.25 to 7.50
1-3 years	1,441.67	8.35 to 10.65	3,977.24	7.00 to 9.89
FLOATING RATE				
3-5 years	1,790.60	6M LIBOR + 175 bps to 275 bps	891.80	6M LIBOR + 175 bps
1-3 years	749.61	6M LIBOR + 300 bps to 345 bps	624.26	6M LIBOR + 300 bps
TOTAL	4,237.62		6,049.04	

43 INTEREST AND REPAYMENT TERMS OF LONG-TERM LOANS - FROM OTHER (SECURED)

	AS AT MARCH 31, 2012 (₹ in crore)		AS AT MARCH 31, 2011 (₹ in crore)	
RESIDUAL MATURITY	BALANCE OUTSTANDING	INTEREST RATE (%)	BALANCE OUTSTANDING	INTEREST RATE (%)
FIXED RATE				
1-3 years	668.00	10.10	-	NA
FLOATING RATE				
Above 5 years	346.80	INBMK + 184 bps	346.80	INBMK + 184 bps
Above 5 years	522.56	6M LIBOR + 60 bps to 235 bps	175.18	6M LIBOR + 60 bps
3-5 years	299.20	6M LIBOR + 70 bps to 115 bps	97.54	6M LIBOR+115 bps
1-3 years	-	NA	684.77	6M LIBOR + 45 bps to 70 bps
TOTAL	1,836.56		1,304.29	

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

44 INTEREST AND REPAYMENT TERMS OF SUBORDINATED DEBT FROM THE GOVERNMENT OF INDIA (UNSECURED)

	AS AT MARCH 31, 2012	(₹ in crore)	AS AT MARCH 31, 2011	(₹ in crore)
RESIDUAL MATURITY	BALANCE OUTSTANDING	INTEREST RATE (%)	BALANCE OUTSTANDING	INTEREST RATE (%)
29-Sep-47	350.00	5 Year G-Sec + 25 bps	350.00	5 Year G-Sec + 25 bps
17-Mar-47	300.00	5 Year G-Sec + 25 bps	300.00	5 Year G-Sec + 25 bps
TOTAL	650.00		650.00	

45 UTILISATION OF MONEY RAISED THROUGH PUBLIC ISSUES

During the year, the Company raised ₹ 1,387.46 crore (Previous Year ₹ 1,451.76 crore) through public issue of long-term Infrastructure Bonds eligible for deduction under Section 80CCF of the Income-tax Act, 1961 of which ₹ 1,208.29 crore (Previous Year ₹ 1,228.33 crore) has been utilised towards lending to infrastructure projects. ₹ 179.17 crore (Previous Year ₹ 223.43 crore) remained unutilised as on the Balance Sheet date pending regulatory approvals.

During the previous year, the Company had issued and allotted 157,752,090 equity shares of ₹ 10 each at a premium of ₹ 158.25 per share and 84,000,000 CCCPS of ₹ 100 each at par pursuant to a qualified institutional placement. The proceeds of the issue were utilised for general business purposes.

46 The Revised Schedule VI to the Companies Act, 1956 has become effective from April 1, 2011 for preparation and presentation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Accordingly, the figures for the previous year have been reclassified, wherever necessary to conform with the current year's classification.

47 Figures of ₹ 50,000 or less have been denoted by ß.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF
INFRASTRUCTURE DEVELOPMENT FINANCE COMPANY LIMITED

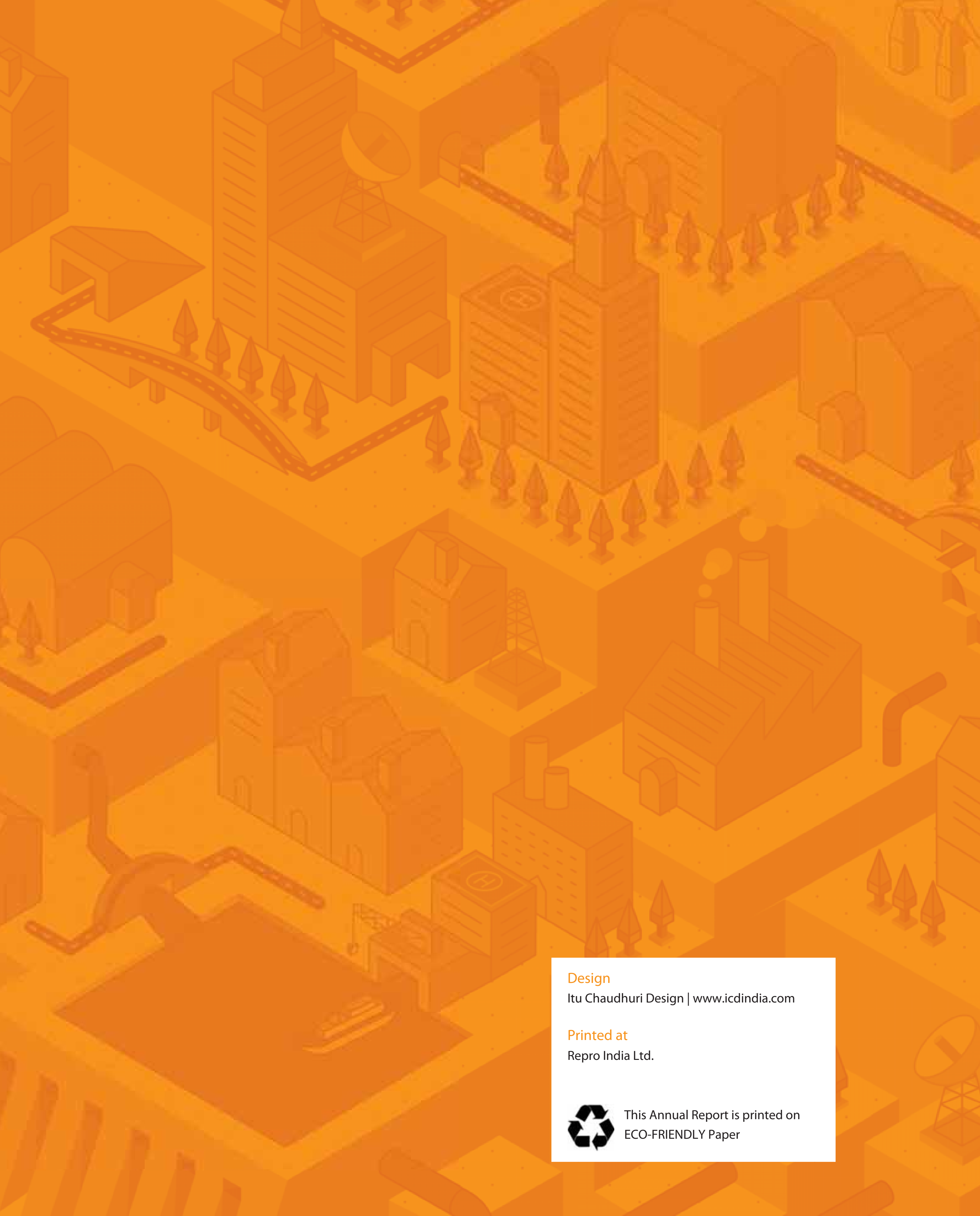
DEEPAK S. PAREKH
Chairman

RAJIV B. LALL
Managing Director & CEO

SUNIL KAKAR
Chief Financial Officer

MAHENDRA N. SHAH
Company Secretary

Mumbai | May 8, 2012



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