# PARTNERING FOR GROWTH

FOURTEENTH ANNUAL REPORT 2010–11

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## Important Communication to Members

The Ministry of Corporate Affairs has, pursuant to its Green Initiative in the Corporate Governance, allowed paperless compliances by companies. It has issued circulars allowing the companies to service 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, in respect of electronic holdings, with the Depository through their respective Depository Participant. Members who hold shares in physical mode are requested to download the form for registering email address from the website of the Company and send it to Karvy Computershare Private Limited.

# ten years' highlights

Our growth has been driven by the substantial investment requirements of the infrastructure sector in India combined with the growth in the Indian economy over the last several years. Our ability to tap global as well as Indian financial resources makes us the acknowledged experts in infrastructure finance.

(FIGURES IN ` CRORE)

| | '01 '02 | '02 '03 | '03 '04 | '04 '05 | '05 '06 | '06 '07 | '07 '08 | '08 '09 | '09 '10 | '10 '11 | CAGR |
|---|---|---|---|---|---|---|---|---|---|---|---|
| LOANS – GROSS APPROVALS | 3,018 | 2,294 | 5,703 | 6,414 | 10,631 | 13,053 | 20,309 | 10,317 | 30,442 | 42,716 | LAST 10 YEARS 34%<br>LAST 5 YEARS 34% |
| LOANS – GROSS DISBURSEMENTS | 1,506 | 930 | 2,702 | 3,723 | 6,046 | 7,207 | 12,006 | 8,085 | 12,962 | 26,702 | LAST 10 YEARS 38%<br>LAST 5 YEARS 39% |

| | '01 '02 | '02 '03 | '03 '04 | '04 '05 | '05 '06 | '06 '07 | '07 '08 | '08 '09 | '09 '10 | '10 '11 | CAGR |
|---|---|---|---|---|---|---|---|---|---|---|---|
| TOTAL INCOME | 405 | 459 | 637 | 728 | 1,037 | 1,571 | 2,806 | 3,637 | 4,063 | 4,933 | LAST 10 YEARS 32% LAST 5 YEARS 33% |
| PROFIT AFTER TAX | 187 | 180 | 259 | 304 | 391 | 504 | 742 | 750 | 1,062 | 1,282 | LAST 10 YEARS 24% LAST 5 YEARS 26% |
| SHAREHOLDERS' FUNDS | 1,469 | 1,553 | 1,699 | 1,889 | 2,568 | 2,948 | 5,593 | 6,176 | 7,010 | 11,248 | LAST 10 YEARS 25% LAST 5 YEARS 40% |
| BORROWINGS | 1,650 | 2,175 | 3,975 | 5,895 | 9,380 | 14,903 | 22,304 | 23,548 | 26,544 | 36,304 | LAST 10 YEARS 41% LAST 5 YEARS 25% |
| BALANCE SHEET SIZE | 3,119 | 3,728 | 5,674 | 8,434 | 11,949 | 17,850 | 27,921 | 29,752 | 33,562 | 47,554 | LAST 10 YEARS 35% LAST 5 YEARS 28% |
| LOANS OUTSTANDING | 2,036 | 2,695 | 4,556 | 7,216 | 10,321 | 14,150 | 20,153 | 20,999 | 25,539 | 38,215 | LAST 10 YEARS 39% LAST 5 YEARS 28% |
| DIVIDEND (%) | 10% | 10% | 10% | 10% | 10% | 10% | 12% | 12% | 15% | 20% | LAST 10 YEARS 08% LAST 5 YEARS 19% |
| BOOK VALUE PER SHARE (IN ₹) | 15 | 16 | 17 | 19 | 23 | 26 | 43 | 48 | 54 | 77 | LAST 10 YEARS 20% LAST 5 YEARS 31% |
| EARNING PER SHARE – DILUTED (IN ₹) | 1.87 | 1.80 | 2.59 | 3.04 | 3.59 | 4.45 | 5.93 | 5.78 | 8.12 | 8.71 | LAST 10 YEARS 19% LAST 5 YEARS 18% |

# chairman's statement

**The year 2010-11 was notable in IDFC's growth and development for several reasons. This has been a year where our performance on financial metrics has been more than satisfactory despite overall sluggishness in infrastructure sector growth. More importantly, IDFC put into effect a key element of our longer term strategy of diversifying our resource-raising.**

In July 2010, IDFC got the Infrastructure Finance Company (IFC) status within the NBFC category from the Reserve Bank of India (RBI). We leveraged this status to raise debt capital through the issue of infrastructure bonds. As a measure of our efforts to widen our reach among ordinary households, we raised ` 1,451 crore from over 7.3 lakh retail investors. In addition, the IFC status, by allowing us to raise capital through External Commercial Borrowing (ECB), has also opened access to a new class of international debt finance agencies. Going forward, we would use our new relationship with these foreign financial institutions to leverage capital in forms other than ECBs, including rupee bonds.

This year IDFC entered the list of top 50 Indian companies in the Standard & Poor's Environmental, Social and Corporate Governance (ESG) India Index. Our presence on this Index is an indicator to our investors that their portfolio is consciously balancing the interests of all stakeholders, thereby creating a platform for strong long-term performance.

Complementing our core activities in financing infrastructure development in the country, we have carved out our development agenda under the rubric of the IDFC Foundation. The Foundation has now been registered as a company under Section 25 of the Companies Act, 1956, which deals with not-for-profit companies. IDFC will support the Foundation through a certain percentage of its profits every year. The Foundation will also be able to raise more third-party non-commercial development funds for activities such as training government employees and advising the government in policy matters, one of the prime objectives behind the setting up of IDFC. Moreover, I am happy to inform you that IDFC actively continues to contribute to the policy formulation and development strategies of several sectors. IDFC has been nominated on several committees set up by the Union Government including in the transport sector, on electricity distribution, urban water and sanitation, and several financial sector reform committees.

Notwithstanding a good financial year, there are serious challenges mounting in the infrastructure sector. Lack of effective governance and policy/regulatory uncertainty is perhaps the biggest challenge facing not just the infrastructure sectors, but the country at large. Corruption issues that came to the fore in the past year have had a serious negative fall-out. Besides eroding investor confidence, the working environment has become more difficult due to extreme risk aversion in decision-making and consequent delays.

In the power sector, the impact of poor governance by states, lack of political will for reforms, and stalled regulatory processes is leading to a critical situation. This is clearly a matter of concern since this is a priority sector accounting for nearly one-third of the projected investments in infrastructure during the Eleventh Five Year Plan. The private sector's role has been growing in power generation capacity, as evidenced by the increase in its share in capacity addition from 13% in the Tenth Five Year Plan to 30% in the first four years of the Eleventh Five Year Plan. While an additional 40,000 MW is expected to be commissioned in the next four years, effectively doubling existing private sector installed generation capacity, there could well be a slowing down of this new capacity coming on-stream. Essentially, this is due to two key risks that the sector is facing – fuel risk and off-taker risk. As a result, many thermal plants are operating below capacity and the commissioning of some new ones is being delayed.

On the fuel risk, shortfalls in domestic coal supply have emerged as a major speed-breaker to electricity production. Despite having the fourth largest coal reserves in the world, our power sector cannot get the coal it needs. Coal India's production has been unable to keep pace with the increase in domestic coal-based power capacity. A firm commitment for the supply of domestic coal in the form of a Fuel Supply Agreement is difficult for power developers to obtain and the agreement is skewed in favour of the fuel supplier, leaving the developer with great uncertainty and limited recourse. Given the recent increased pace of power generation capacity addition and the substantial project pipeline, the coal demand-supply gap is only likely to worsen. To meet the incremental coal demand from the power sector alone, we estimate that domestic coal production has to increase annually by 11% as against a historical average growth rate of 6%. Failure to keep up with rising demand will increase our dependence on imported coal to achieve desired capacity utilisation levels (plant load factors) which, in turn, would imply an increase in the cost of generation and vulnerability to global fluctuations in coal prices and freight charges. I must add here that the reliance on imported coal to improve capacity utilisation of existing domestic coal-based power plants is, of course, limited by the technology already locked into, as well as the available infrastructure capacity, mainly ports and road and rail connectivity. It is therefore urgent to solve the fuel problem so as not to have stranded assets.

The expected increase in the cost of power generation brings to the fore another key challenge facing the power sector – the stalling of tariff reforms. Tariff revisions have not kept pace with the rising fuel prices. Some State governments, on their part, have been reluctant to levy even nominal user charges for large consumer categories such as agriculture, while resisting attempts to rationalise electricity tariffs for other categories such as domestic consumers. The total amount due to State governments' decision to subsidise such consumer categories more than doubled in 3 years from ` 12,233 crore in 2005-06 to ` 29,665 crore in 2008-09, and has increased even further over the two subsequent years. This clearly has an impact on the fiscal position of State governments. In fact, because of the constrained fiscal situation, the subsidy payments by State governments have not matched their commitments, with consequent cash losses having to be incurred by the discoms (distribution companies). All three factors – delays in tariff revisions, increasing subsidy burden, and shortfalls in subsidy payments from State governments – have contributed to the poor financial health of the discoms as characterised by their increasing cash losses, which have risen to an estimated ` 70,000 crore or 0.9% of GDP in 2010-11, up from 0.4% of GDP in 2004-05. This is despite several discoms bringing about operational improvements and reducing their Aggregate Technical & Commercial (AT&C) losses. As a result, some discoms have resorted to load-shedding rather than purchasing power. This has led to the investor community arguing strongly in favour of urgent corrective action to deal with such off-taker risks. After all, it reflects a serious crisis of governance that consumers have to face blackouts when power generators have surplus power that is not purchased because the State-owned discoms are bleeding financially. It is thus critical that

**VIOM NETWORKS LIMITED** FINANCE BY IDFC IS INDIA'S LEADING INDEPENDENT TELECOM TOWER COMPANY WITH A PAN-INDIA PRESENCE SPANNING ALL CIRCLES

effective regulatory action keep pace with the changing market and economic conditions to ensure the long-term viability of the sector.

These challenges in the power sector underscore the need to escalate our efforts in harnessing renewable energy sources and reducing our dependence on increasingly expensive fossil fuel based power generation. An increased share of clean and renewable energy sources in the nation's energy portfolio would have a double dividend – mitigating a critical constraint to our continued growth and development, as well as lowering greenhouse gas emissions (GHG) and local pollution. Electricity sources such as wind and solar energy, which do not have the fuel supply risks associated with coal-based power plants, also benefit from a favourable regulatory and policy regime. Here initiatives such as feed-in tariffs for renewable energy and capital subsidies for construction of the renewable power plants go a long way in mitigating the risks associated with thermal power plants. As electricity generation constitutes the bulk of our GHG inventory (38%), even the co-benefits from such a strategy are significant. The recently released Kirit Parikh Committee Report on Low Carbon Strategies for Inclusive Growth estimates that nearly 145 million tonnes of $CO_2$, over 9% of the baseline emissions in 2020, could be reduced in electricity supply with aggressive efforts to increase the share of clean coal, nuclear, wind and solar energy in our electricity generation mix.

Besides the larger governance issues afflicting the infrastructure sector, project execution risks have grown, especially difficulties in land acquisition, and unaddressed environmental and social impacts. Environmental and social impacts of

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power, mining and other major infrastructure projects continue to be significant. Several large projects have been held up for both these reasons, including some of the proposed Ultra Mega Power Plants (UMPPs). Delays in land acquisition, environmental clearances, and declaration of several resource-rich but ecologically sensitive areas as 'No-go areas' have also contributed to the tardiness in developing coal mines.

The strict application of the 'Go – No Go Area' policy by the Ministry of Environment and Forests points to how critical the environmental challenge is. Much of the untapped resources lie in areas that are more sensitive, both ecologically and socially. It is crucial that a clear, sustainable development policy emerge to address this apparent deadlock between environmental conservation and social inclusion on one hand and infrastructure development on the other. Further, the processes of environmental clearances need to allow for greater engagement with local civil society right from the inception and planning stages to ensure some ownership and effective participation of local populations. Moreover, schemes and projects need to be designed whereby local populations also share in the benefits from infrastructure development. Unless the execution risks associated with environmental and land acquisition issues are resolved urgently, it will be difficult to sustain even the current pace of infrastructure development.

While the challenges at hand are clearly significant and require urgent action, there is no doubt that the targeted GDP growth of 9-9.5% envisaged in the Twelfth Five Year Plan would depend crucially on increased investments in the infrastructure sectors. This is also recognised in the issues for approach to the Twelfth Plan, which argues for a reprioritisation in the allocation of resources in favour of social and economic infrastructure sectors, and a greater role for public private partnerships in infrastructure development alongwith urgent attention to policy and institutional bottlenecks. Thus, the medium to long-term outlook does present significant growth opportunities. IDFC, being a key player in bringing together private financing of infrastructure projects, would continue to play an important role.

My colleagues at IDFC recognise that we have to enhance and expand our efforts in the coming years and meet the high performance expectations that the nation has come to expect from IDFC. Here I would like to thank my colleagues for the efforts put in this year.

**DEEPAK S. PAREKH**
Chairman

# board of directors

**MR. DEEPAK S. PAREKH**
Chairman

**MR. G. C. CHATURVEDI**
Upto November 7, 2010

**MR. BIMAL JULKA**
Appointed w.e.f. November 8, 2010

**MR. S. S. KOHLI**

**MR. ABDUL RAHIM ABU BAKAR**

**MR. DIMITRIS TSITSIRAGOS**

**MR. S. H. KHAN**

**MR. GAUTAM KAJI**

**MR. DONALD PECK**

**MR. SHARDUL SHROFF**

**DR. OMKAR GOSWAMI**

**DR. RAJIV B. LALL**
Managing Director & CEO

**MR. VIKRAM LIMAYE**
Whole-Time Director

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

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# corporate information

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Mahendra N. Shah

**AUDITORS**
Deloitte Haskins & Sells
Chartered Accountants

**DEBENTURE TRUSTEE**
IDBI Trusteeship Services Limited

**PRINCIPAL BANKERS**
- HDFC Bank Limited
- State Bank of India
- Deutsche Bank

**SOLICITORS & ADVOCATES**
- Amarchand & Mangaldas & Suresh A. Shroff & Co.
- Wadia Ghandy & Co.

# infrastructure review

**The Indian economy continued its strong performance with advance estimates of the Central Statistics Office (CSO) indicating an 8.6% growth rate for FY 11 on the back of an 8% growth in the previous year. The infrastructure sector continues to benefit in terms of higher investments which are projected by the Planning Commission to increase from 7.2% of GDP in FY 09 to 8.4% in FY 12.**

Notwithstanding continued growth, most infrastructure sectors were still unable to meet their capacity addition targets due to delays in land acquisition and environmental clearances, inability to secure fuel linkages, and inadequate project execution capacity due to a shortage of skilled workforce. Rural infrastructure, though, has progressed rapidly. In rural roads and power, the annual targets for FY 11 are likely to be achieved or bettered (see Table 1). Rural teledensity has also increased substantially from 24% in FY 10 to 34% in FY 11 on the back of greater network coverage and customer penetration.

Financing – both equity and debt was not a constraint to the planned projects. Equity financing was strong in the first half of the financial year though lackluster in the second half due to subdued equity market conditions. Debt financing expanded rapidly, driven by the demand from the telecom sector 3G and BWA auctions and power generation.

Going forward, the pace of infrastructure credit may be constrained since banks, the largest providers of debt finance, are facing asset-liability maturity mismatch (ALM) problems due to the longer duration of infrastructure loans they extend as against their shorter duration borrowings. Banks would need to look for long-term sources (as a matter of prudential balance sheet management), such as long maturity bonds, to be able to continue to aggressively lend to infrastructure. The country's largest bank State Bank of India (SBI) has recently issued long-term (10 year and 15 year) bonds.

Further, the growth in bank lending to infrastructure has been primarily coming from the public sector banks (PSBs). These banks have their limitations in raising fresh equity capital for growth as they need to maintain a minimum of 51% government stake to retain the PSB status. So unless government infuses equity capital, PSBs cannot dilute much equity as many banks are close to the mandated 51%. This curtails their growth and restricts incremental advances to be capitalised out of the retained earnings.

The government is taking steps to maintain the financing momentum. In FY 11, government infused about ` 20,000 crore[1] into PSBs so that they could meet their Tier-I capital subscription as well as fund their expansion plans. It has also allowed government entities to raise funds through tax-free bonds up to ` 30,000 crore[2].

[1] Source Union Budget 2011-12

[2] Indian Railway Finance Corporation (IRFC) – ` 10,000 crore, National Highways Authority of India (NHAI) – ` 10,000 crore, HUDCO – ` 5,000 crore and Ports – ` 5,000 crore.

Among other initiatives, some new proposals were announced in the recent Union Budget, with an aim to attract investments from foreign institutions. First, a reduction in withholding tax rate (from 20% to 5%) on income to Foreign Institutional Investors (FIIs) from Infrastructure Debt Funds. Second, an increase in the FIIs investment limit (from $ 5 billion to $ 25 billion) for investments in corporate bonds of infrastructure companies with a residual maturity of over five years. FIIs can invest in unlisted bonds, even at Special Purpose Vehicle (SPV) level, and can trade among themselves during the lock-in period of three years. While this move is positive, its impact will not be significant in the short-term due to limited FII appetite currently on account of low liquidity in the corporate bond markets, inherent credit risk (absence of credit enhancement agencies) and a high withholding tax rate. The impact of these measures should be visible over the medium term.

### 1 Progress of infrastructure in FY 11

| | UNIT | FY 10 | FY 11 | | |
|---|---|---|---|---|---|
| | | ACHIEVEMENT | TARGET | ACHIEVEMENT | % ACHIEVED |
| **Power** | | | | | |
| Installed capacity | MW | 9585 | 21441 | 12161 | 57% |
| Increase in energy generated | mn units | 771173 | 830757 | 811104 | 98% |
| **Roads** | | | | | |
| National highways – road length completed | kms. | 2693 | n.a. | 1007* | n.a. |
| National highways – road length awarded | kms. | 3360 | 9000 | 5083 | 42% |
| **Ports** | | | | | |
| Capacity of major ports | mn tonnes | 618 | n.a. | 645 | n.a |
| Capacity of non-major ports | mn tonnes | 346 | n.a. | 375 | n.a. |
| **Rural infrastructure** | | | | | |
| Rural roads under Bharat Nirman $ | | | | | |
| New connectivity | kms. | 20752 | 14320 | 10947 | 76% |
| Upgradation | kms. | 42438 | 12500 | 18151 | 145% |
| Habitations connected | No. | 4188 | 3000 | 2463 | 82% |
| Electrification under Bharat Nirman | | | | | |
| Village electrification | No. | 18374 | 17500 | 18306 | 105% |
| BPL households electrification | No. | 4718468 | 4700000 | 3973327 | 85% |
| Rural teledensity | % | 24% | n.a. | 34% | n.a. |

**Sources:** Central Electricity Authority, Economic Survey 2011, Indian Ports Association, Ministry of Power, Ministry of Rural Development, TRAI

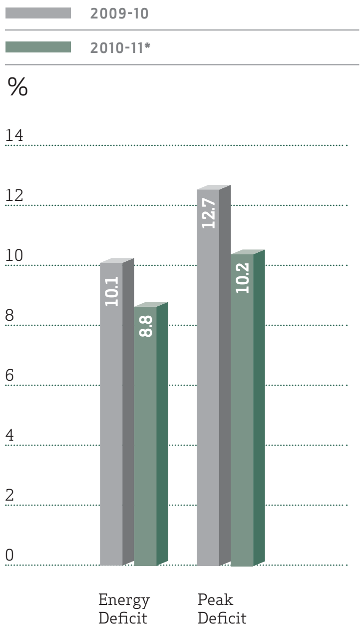
**Notes:** * Up to November 2010 | $ Up to end-December 2010

## TELECOM

The telecom sector continued to grow at a healthy pace during FY 11 adding close to 19 million wireless subscribers a month on average. The wireline subscriber base continued to decline marginally. The wireless and wireline subscriber base at the end of March 2011 was 846 million as against 621 million in March 2010. According to Telecom Regulatory Authority of India (TRAI) standard for recognition of active subscribers, India had 574 million active wireless subscribers as of January 2011, i.e. 71% of the reported subscriber base. The overall teledensity increased from 53% in March 2010 to 71% in March 2011. Urban teledensity reached 157% while rural teledensity stood at 34% as on March 2011. Broadband subscriber base also grew to reach 11.9 million in March 2011. The frantic growth in wireless subscriber base over the last few years has been fuelled by dropping call rates, growing network reach of the telecom operators (both old and new operators), increasingly affordable feature rich handsets, innovative tariff plans and growing income levels.

Apart from the unprecedented growth in subscriber base, FY 11 saw the much awaited 3G and BWA auctions. The 3G auction was conducted for 71 spectrum slots of 2 x 5 MHz each across the 22 circles. The auction closed at all-India bid for 3G spectrum at ` 16,751 crore. BSNL/MTNL which had already been allotted one slot of 3G spectrum in each circle matched the winning bids for their respective circles. The total revenue earned by the government from the 3G auction was ` 67,719 crore. In the BWA auction 44 spectrum slots of 20 MHz each (unpaired) were auctioned across the 22 circles. The auction closed with an all-India bid for BWA spectrum at ` 12,848 crore. BSNL/MTNL once again had received one slot in each circle prior to the auction and had to pay the winning bid price for their respective circles. The exchequer received ` 38,543 crore from the BWA auction, taking the overall receipts from the two auctions to ` 106,262 crore. The 3G and BWA auction payments resulted in significantly leveraged balance sheets for some of the telecom operators. Almost all 3G auction winners have launched 3G services in their winning circles and are in the process of entering into roaming arrangements with other players in the remaining circles, thereby providing all-India

**A** Energy and Peak Power Shortage in India




SOURCE CEA
Note *April-December 2010

## The power sector continues to face energy and peaking power shortages though the level of shortage has come down in comparison to last year due to a good monsoon and improved availability of water.

3G network to their customers. However none of the BWA auction winners have launched services as yet.

FY 11 was a fairly subdued year 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 and roll out of operations in new circles by the new telecom operators have helped the tower companies increase their tenancies impressively during this year. On the M&A front, GTL Infrastructure's acquisition of Aircel's 17,500 towers was the only notable deal during the year. GTL Infrastructure and Reliance Infratel were in discussion to merge the two entities during August-September 2010 however the discussion fell through midway.

The long awaited Mobile Number Portability (MNP) was introduced in Haryana in November 2010 and in the rest of India in January 2011. As on end-March 2011, over 6.4 million subscribers had submitted their request to various service providers for porting their mobile numbers. These are still initial days in the MNP regime and its impact is yet to be seen.

On the regulatory front, TRAI made various recommendations to Department of Telecommunications (DoT) during the financial year, most notably the "Spectrum Management and Licensing Framework" report in May 2010, "Recommendations on National Broadband Plan" in December 2010 and "Report on the 2010 Value of Spectrum in the 1800 MHz Band" in January 2011. The May 2010 and January 2011 reports provide the pricing framework for allocation of spectrum to the telecom operators. These recommendations also suggest a one-time levy on the telecom operators for the spectrum held by them over and above 2 x 6.2 MHz in various telecom circles. The report on National Broadband Plan envisages the government to play a key role in broadband growth by establishing a fiber optic backbone across the country. TRAI recommends formation of a National Optical Fiber Agency (NOFA) and State Optical Fiber Agency (SOFA) in each state which will be responsible for establishing the backbone fiber network. The report expects broadband penetration to increase from 11 million in 2010 to nearly 154 million in 2014. DoT has not come out with any new policy guidelines based on these recommendations as yet. The new telecom minister Mr. Kapil Sibal had announced in January 2011 his plan to come out with a new National Telecom Policy 2011 (NTP 2011) which will comprehensively address various issues such as telecom licenses, spectrum management, M&A guidelines and introduction of new technologies like 4G. The telecom sector is looking forward to the new NTP 2011 which will guide the way forward for the sector.

FY 11 was a year of controversies for the telecom sector. Comptroller and Auditor General of India (CAG) presented its "Performance Audit Report on the Issue of Licenses and Allocation of 2G Spectrum by the Department of Telecommunications" to the Parliamentary Accounts Committee (PAC) in November 2010. This report alleged serious irregularities in the process followed for the allocation of new telecom licenses and spectrum during FY 08. The report estimated a loss of ` 1.76 lakh crore to the exchequer due to these process irregularities. The CAG report further highlighted that many of the new licenses allocated during FY 08 were given to ineligible players as they did not meet various license conditions stipulated by DoT.

The Parliament also, after much ado, had set up a Joint Parliamentary Committee (JPC) in March 2011 to look into the license and spectrum allotment process since the year 2000. Meanwhile Central Bureau of Investigation (CBI) and Enforcement Directorate (ED) have been conducting their investigation into any possible acts of corruption associated with the license allocation process during FY 08.
CBI & ED investigation is being directly monitored by the Hon'ble Supreme Court.

Looking forward, the year FY 12 is very critical for the telecom sector. During this year regulatory clarity is expected to emerge on various critical issues. Also PAC, JPC and the Supreme Court are expected to conclude their investigations and put to justice the guilty parties, if any.

## ENERGY

The power sector continues to face energy and peaking power shortages though the level of shortage has come down in comparison to last year due to a good monsoon and improved availability of water (see Chart A). During FY 11, actual hydro generation was 3% more than target generation as against an 8% shortfall in the previous year (see Table 2).

However, the sector continues to slip on its capacity addition targets. Against a target of 21441 MW for the year, only 12161 MW was added, though it is the highest capacity addition in a year (see Table 3).

Further, the Mid-term Appraisal of the 11th Plan projected a revised target of 62374 MW of capacity addition as against the original Plan target of 78700 MW. But the achievement is now expected to be a little over 42000 MW, as only 7675 MW is likely to be added in FY 12, the final year of the Plan. The biggest shortfall comes from hydro power and coal-based power projects.

Several policy initiatives have been taken for the development of hydro power in the country. These include the 50000 MW hydro power development initiative, New Hydro Policy 2008 and strategy to enhance the pace of hydro power development in the North Eastern Region. But hydro power development continues to suffer due to slow progress on environment and forest (E&F) clearances for projects, lack of access infrastructure to potential sites, land acquisition and related resettlement and rehabilitation issues, lack of power evacuation infrastructure and availability of a limited number of capable contractors. The use of advanced state-of-the-art techniques for investigations have minimised but not eliminated geological risks.

E&F clearances have also been a contentious issue facing coal-based power projects. In fact, the two new Ultra Mega Power Projects (UMPPs) announced by the Ministry of Power at Orissa and Chhattisgarh have been held up due to issues related to environmental clearance regarding the coal blocks for these projects and the dates for submission of qualification bids by developers have been extended. While power project and captive coal block developers cite procedural delays in and slow award of E&F clearances as a major problem facing projects, there is no denying that both hydro and coal-based projects have deleterious environmental and social impacts. Much of the hydro power potential that remains to be tapped lies in ecologically sensitive areas and the coal needed by proposed power projects lies in areas that are both environmentally and socially sensitive.

The delays in E&F clearances are expected to add to the growing shortage of domestic coal. The Planning Commission has estimated that the gap between demand for coal and supply of domestic coal is likely to widen further to 200 MT in the Twelfth Plan. In its Mid-Term Appraisal of the 11th Plan, the Planning Commission has suggested that in view of the constraints on expanding supply of domestic coal, the present nationalisation of the coal sector needs to be reconsidered in order to open up new coal mines for private sector exploitation beyond the captive use currently allowed. The Planning Commission has further opined that since private sector

### 2 Energy generation during 2010-11 (MU)

| FUEL WISE/SECTOR WISE | TARGET | ACHIEVEMENT |
|---|---|---|
| **Thermal** | | |
| Central | 269999 | 273679 |
| State | 317093 | 280359 |
| Private | 103766 | 110875 |
| Total | 690857 | 664913 |
| **Hydro** | | |
| Central | 41642 | 46032 |
| State | 63990 | 62924 |
| Private | 5720 | 5340 |
| Total | 111352 | 114296 |
| **Nuclear** | | |
| Central | 22000 | 26284 |
| Total | 22000 | 26284 |
| **Power import from Bhutan** | | |
| Total | 6548 | 5610 |
| **All India** | | |
| Central | 333641 | 345996 |
| State | 381083 | 343284 |
| Private | 109485 | 116214 |
| Total | 830757 | 811104 |

**Source:** CEA
**Note:** Totals may differ due to rounding off

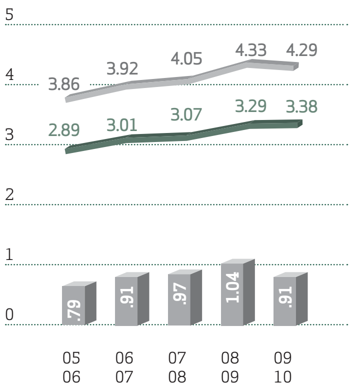
## B Cost Recovery in power sector

GAP

AVERAGE REVENUE REALISED

AVERAGE COST OF SUPPLY

`/kwh




SOURCE Planning Commission

## 3 Capacity addition during 2010-11 (MW)

| FUEL WISE/SECTOR WISE | TARGET | ACHIEVEMENT |
|---|---|---|
| **Thermal** | | |
| Central | 6015 | 3740 |
| State | 6549 | 2581 |
| Private | 6191 | 4930 |
| Total | 18755 | 11251 |
| **Hydro** | | |
| Central | 649 | 320 |
| State | 356 | 178 |
| Private | 461 | 192 |
| Total | 1466 | 690 |
| **Nuclear** | | |
| Central | 1220 | 220 |
| Total | 1220 | 220 |
| **All India** | | |
| Central | 7884 | 4280 |
| State | 6905 | 2979 |
| Private | 6652 | 5122 |
| Total | 21441 | 12161 |

**Source:** CEA
**Note:** Totals may differ due to rounding off

exploitation of petroleum resources, which are much scarcer, is freely allowed, there is every reason for private sector coal development to be favourably considered.

Besides these issues related to project development, another major concern of the power sector is the sharply deteriorating viability of the distribution utilities. Financial losses of the distribution business are estimated to touch ` 68,000 crore this year[3]. The main reasons behind the rising financial losses are inadequacy of tariffs (see Chart B), inefficiency of utilities, and a slowdown in the momentum of Aggregate Technical and Commercial (AT&C) loss reduction. Growing subsidies committed by State Governments to distribution utilities have not been matched by the payout of subsidy (see Chart C). As a result, distribution utilities have now started resorting to higher load shedding to avoid the burden of extra power purchase costs and prevent their financial position from worsening.

The year saw a consolidation of the efforts being made towards energy efficiency; with the launch of the National Mission for Enhanced Energy Efficiency (NMEEE). The NMEEE, which is one of the eight Missions under the National Action Plan on Climate Change (NAPCC), aims to devise efficient and cost effective strategies through demand side management initiatives and promotion of energy efficient processes, products and services. Proposed to be implemented over five years, it envisages a reduced need for capacity addition of the order of 19598 MW and accordingly, reduced total $CO_2$ emissions to the extent of 98 million tonnes. To operationalise the NMEEE, the Government of India (GoI) has set up the Energy Efficiency Services Ltd. (EESL) as a joint venture with equity participation by four Central Public Sector Units (CPSUs) viz. Rural Electrification Corporation, Power Finance Corporation, Power Grid Corporation of India Ltd. and NTPC Ltd.

One of the main initiatives under the NMEEE is the Perform, Achieve and Trade (PAT) scheme that aims at improving energy efficiency in nine industrial sectors viz. Aluminium, Cement, Chlor-alkali, Fertilizer, Iron and Steel, Pulp and Paper, Railways, Textiles and Thermal power plants. Under this scheme, units in these sectors would be given individual energy efficiency improvement targets; implying that each unit would be required to reduce

[3] Thirteenth Finance Commission

its specific energy consumption (SEC) by a fixed percentage, based on its current SEC (or baseline SEC). Any additional certified energy savings would take the form of Energy Savings Certificates (ESCerts) and can be traded with other units who could use these certificates to comply with their SEC reduction targets. The ESCerts will be traded on special trading platforms to be created in the two power exchanges in the country. The first cycle of PAT scheme would be operational between April 2011 and March 2014, during which all sectors except Railways, have been included. Railways have been excluded in this phase because the sectoral energy scenario and energy usage pattern in Railways is still under study.

The other components of NMEEE include an Energy Efficiency Financing Platform involving the creation of mechanisms that would help finance demand side management programme by capturing future energy savings and a framework for Energy Efficient Economic Development which would involve the development of fiscal instruments to promote energy efficiency.

On the renewable energy front, the GoI has awarded the setting up of grid connected solar power projects of 700 MW capacity under the first phase of the National Solar Mission (NSM). The projects in the first phase (up to March 2013) are being awarded in batches. In the first batch, 620 MW capacity (470 MW of solar thermal and 150 MW of PV) was taken up. Besides this, 84 MW (30 MW of solar thermal and 54 MW of PV) of projects have migrated under the NSM from earlier schemes. The NSM was launched in January 2010 with a target of 20000 MW grid solar power in three phases by March 2022. However, several concerns have been raised about the viability of bids against which projects have been awarded. The bids involve heavy discounts on tariffs determined by the Central Electricity Regulatory Commission by many new and inexperienced players. There are apprehensions that these discounts would ultimately result in unviable tariffs, the use of cheap and unreliable technology and equipment, and lead to difficulties in financial closures of concerned projects.

## TRANSPORTATION

### CIVIL AVIATION

On the backdrop of strong economic growth and high demand both from travel and trade, the civil aviation sector grew robustly. However, with rising oil prices, there has been a sharp increase in the price of aviation turbine fuel (ATF). Fuel expenses comprise about 40% of the operating cost of domestic air carriers. This has added to the problems of the industry which was already under severe cost pressures.

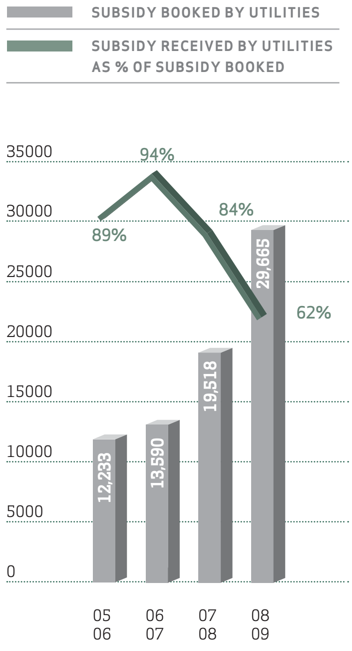
Capacity expansion of the airports has lagged and been substantially costlier than initial estimates. In July 2010, Delhi International Airport Ltd. (DIAL) had its T3 terminal inaugurated with a capital cost of ` 9,000 crore and a capacity to handle 34 million passengers annually. After several months of delay, the Navi Mumbai Airport finally got its environmental clearance and construction is expected to start towards end of FY 12. The first phase is likely to have a capacity of 10 million passengers per annum.

Progress on the non-metro airports has been slow. Of the 35 non-metro airports identified in June 2006, work has been completed on 12 airports with another 23 under progress or in the planning stage. Modernisation includes technological upgrades as well as improvement of the terminal building and other facilities. Not only have the privatised airports seen cost overruns, but also airports such as Kolkata and Chennai, developed by Airports Authority of India (AAI).

These cost overruns have resulted in the developers imposing higher fees from passengers in the form of airport development fees (ADF). However, recently the Supreme Court disallowed the levy of ADF by Mumbai International Airport Limited (MIAL) since MIAL did not have the approval of Airports Economic Regulatory Authority (AERA) to levy the ADF. On the other hand, Delhi International Airport Ltd. (DIAL) continues to charge an ADF since it received AERA's approval.

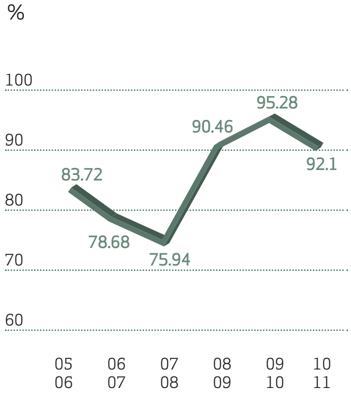
During the year, AERA also came up with tariff guidelines for airport operators of major airports (those which handle over 1.5 million passengers per annum). The guidelines also cover review of tariff proposals, procedure to determine the aggregate revenue required for the regulated service, consultation process between operators and users and the quality

**C** Subsidies Booked and Received by Distribution Unit




**SOURCES** Power Finance Corporation Ltd., IDFC analysis

## D Operating ratio of Indian Railways




SOURCE Indian Railways

of service with benchmarks. It also advocates setting up an Airport Users Consultative Committee involving representatives of airlines, passengers, cargo facility users, government representatives, among others.

With an aim to advise the Ministry of Civil Aviation on economic policy matters, the Civil Aviation Economic Advisory Council (CAEAC) has been set up under the Chairmanship of the Secretary, Civil Aviation. The CAEAC met twice during FY 11 and has formed two working groups to look at issues and advise the government on air cargo/express service and protection of consumer interests.

### RAILWAYS

After a few years of upsurge, the finances of Indian Railways are once again deteriorating. The growth rate in traffic and earnings achieved in the previous years could not be sustained during FY 09 and FY 10 owing partly to the slowdown in the economy. The average annual growth rate of freight (originating tonnage) in the first three years of the 11th Plan is estimated at 6.6% against the targeted 8.6%. The lower growth of freight was primarily on account of low growth in iron ore freight. Iron ore is the second largest revenue earning item for Indian Railways, the largest being coal. In fact, iron ore has seen a negative growth during FY 11 due to the restrictions on iron ore exports imposed by the State Governments of Orissa and Karnataka, and disruption of train movement in iron ore rich areas as well as in other areas.

The financial impact of shortfall in earnings has been compounded by an unprecedented increase in expenditure due to implementation of the recommendations of the 6th Central Pay Commission (CPC) in FY 09 and FY 10. Consequently, the operating ratio of Railways has declined again (see Chart D).

Railways have planned and implemented a number of measures during the 11th Plan to improve its share in freight traffic. These measures include freight marketing of select commodities by third parties, liberalised wagon investment scheme, improved freight incentive policies and creation of capacity. Railways have revised their Railways Infrastructure for Industry Initiative (R3i) policy that aims to attract private investments into some of the last mile rail connectivity projects with the objective of creating additional rail transport capacity and increasing rail share in freight traffic.

THE POLICY PROVIDES FOR FOUR MODELS:

- COST SHARING: freight rebate model where the private sector would have to make contributions towards cost sharing in advance and would be allowed to recover this advance through a freight rebate of 10%-12% on incremental outward traffic. The ownership of the lines would be with Railways.
- FULL CONTRIBUTION: apportioned earning model where the private sector would construct and maintain the line for a period of 25 years and would receive the apportioned earnings from the line in excess of the O&M costs incurred by the railways on the line.
- Special Purpose Vehicle model where the Railways would form an SPV with the private sector and Railways' share in equity would be 26%. The SPV would be given a concession to construct, operate and maintain the line for which it would get a share in the revenue generated by the project.
- Private line model where the private sector builds a private line on non-railway land acquired by it and seeks connectivity to the railway network. Railways would levy a fee on the gross apportioned earnings of the line.

While the applicants may choose and indicate preference for one of the models, the Ministry of Railways would decide which model would be applicable. Further, only railway lines that are 20 metres or more in length (excluding the length of siding which may take off from this line) are eligible under this Policy. Finally, the policy is not applicable to railway lines intending to provide connectivity to coal mines and iron ore mines directly or indirectly.

The accounting reforms initiated by Railways during the 10th Five Year Plan (FYP) for separating the accounts for major segments of railway services are still not complete. These reforms are critical for generating costing data on commercial lines as well as for making railway accounting in India in line with the commercial accounting requirements adopted internationally for railways. A firm time line is needed to accomplish this task.

PORTS

FY 11 has been a mixed year for the Indian ports sector. The private ports (also referred to as non-major ports) continue to perform better than the major ports (government controlled) on cargo handling as well as project execution. Cargo handled at the non-major ports in Gujarat (which account for about 50% of the country) increased by 18%. On the other hand, the traffic handled at major ports increased marginally from 561 MT in FY 10 to 570 MT in FY 11, against a target of over 600 MT for FY 11. This negligible traffic growth in major ports, just as for freight growth in the railways, has been attributed to the iron ore export ban in Karnataka and restrictions on illegal mining in Orissa.

Port capacity in India has crossed 1 billion tonnes, with non-major ports now accounting for as much as 37% of the total port capacity. Mundra Port and Special Economic Zone Ltd. (MPSEZL), the largest private port operator commenced operations in end-August at Dahej Port, a dry bulk cargo port with 20 million tonnes per annum (MTPA) capacity. In addition to commencing operations on the world's largest coal receiving terminal at Mundra Port, MPSEZL is also making its footprint on the east coast by setting up a coal import terminal at Vishakhapatnam Port. The Dhamra Port (joint venture of L&T and Tata Steel) in Orissa with a total capacity of 100 MTPA (first unit 25 MTPA) has commenced operations from May 2011. This port has the deepest draught in India and is capable of accommodating super cape-size vessels up to 180,000 dead weight tonnes.

The performance of major ports has been disappointing in the award of new projects. As against an annual target of awarding 21 projects worth ` 13,890 crore, until mid-March 2011, only 8 projects were awarded worth ` 3,250 crore. Seven of the projects awarded were for developing cargo berths and one was for development of a container terminal at Ennore. The reasons for the delays in awarding projects vary. Some of the issues include litigation, stalling bidding, lack of interest due to project structuring and rehabilitation. Despite this poor progress, the Ministry plans to award 25 projects in FY 12 (including 13 identified and unawarded in FY 11).

**GUJARAT PIPAVAV PORT** IDFC FINANCED PORT WAS THE 5TH FASTEST GROWING PORT ACROSS THE WORLD IN 2010

The key problems in case of major ports continue to be:

- Inadequate infrastructure – major ports lack deep drafts and adequate connectivity
- Lack of freedom on tariff fixation – unlike non-major ports, major ports are regulated by Tariff Authority for Major Ports (TAMP) which does not give them freedom to fix tariffs
- Shortage of financial resources to undertake common infrastructure development such as drafts, connectivity – major ports rely on the major port trusts for financial resources. Major port trusts undertake expansions from their own resources or from Central Government support.

It is heartening to observe that the above issues are beginning to be addressed. The Shipping Ministry is considering involvement of the private sector in capital intensive activities such as dredging, backed by viability gap funding. The recent Union Budget has proposed that the Ministry of Shipping can raise ` 5,000 crore of tax-free bonds. These funds would be utilised for dredging operations and infrastructure development at major ports. Further, in order to give the major ports more flexibility on tariff setting, the Ministry of

## 4 Phase-wise balance for project award as of March 31, 2011

| PHASE | BALANCE FOR AWARD (KM) | % OF TOTAL REMAINING | DESCRIPTION |
|---|---|---|---|
| Phase II | 421 | 2% | North-South & East-West Corridor |
| Phase III | 4,098 | 17% | Convert from 2-lane to 4-lane |
| Phase IV | 14,034 | 58% | Improve to 2-lane standards with paved shoulders |
| Phase V | 4,088 | 17% | 6-laning of existing 4-lane projects |
| Phase VI | 1,000 | 4% | Construction of expressways |
| Phase VII | 659 | 3% | Construction of ring roads, flyovers and by-passes |
| Total | 24,300 | 100% | |

**Source:** NHAI

Shipping has released a draft Port Regulatory Bill which aims to replace TAMP by the Major Ports Regulatory Authority. With this, private port terminals operating at major ports will have freedom to price their tariffs and compete with their counterparts in minor ports that are not regulated by TAMP. Corporatisation of some of the major port trusts is on the anvil. The Ennore Port Ltd., India's first corporate port, has also got Board approval to go public and raise funds for expansion. While individual initiatives such as these are a good beginning, it is desirable to draw a road map for the sector in terms of industry structure, regulatory and institutional reforms and regulation in the days to come. This would bring about clarity for Public Private Partnership (PPP) investors and the users. Further, to avert litigation and have greater clarity on investor eligibility for bidding, it is essential to lay down a comprehensive policy map on PPP (such as investor entry criteria, eligibility).

### ROADS

The current year started positively for the road sector, with several projects being awarded. For a while, the pace of projects awarded had slowed down on account of a number of issues, including controversies relating to project award, change of guard at the political level, lack of full time Chairman for NHAI for a substantial part of the year and financing plan for National Highways Development Programme (NHDP). However, ramping up the award of projects towards the end of the year led to 5,083 km being awarded in FY 11, the largest number of kilometres awarded in a year. By the end of the year, 14,270 km of the NHDP had been completed, with 34,372 km remaining. This includes 22 km of Phase 1 (GQ) and 388 km under the Special Accelerated Road Development Programme for North Eastern Region.

As on March 31, 2011, under 25,000 km of the NHDP (- 50% of the total programme) projects are yet to be awarded (see Table 4). NHAI plans to award these 25,000 km over the next three financial years. However, the pace of award of projects may be slower on account of likely increase in NHAI's financial commitment for the rest of the NHDP. It may be noted that a substantial number of projects are likely to come up in relatively low density road corridors leading to an increase in annuity commitments and viability gap funding requirement. Therefore, the award of new projects may be staggered in line with the financial capacity of NHAI. On the revenue side, NHAI has its recurring revenues primarily from three sources viz. share of cess from the Central Road Fund (CRF), toll collections on stretches completed with BOT-Annuity and EPC contracts and the premium that some concessionaires on BOT-Toll projects pay. To fund its expansion plans, NHAI needs to rely on budgetary allocations and bond issuances to bridge the gap. Both of these have their limitations as they have a fiscal impact.

A major issue in the sector has been the cost overruns. Land acquisition is one of the biggest causes of delays, eventually leading to cost overruns. During FY 10, NHAI had set up special land acquisition units (SLAUs) at state level to quickly resolve issues relating to land. As a result, the pace of land acquisition has improved significantly since then.

On rural roads, progress has been good. Up to December 2010, new connectivity achieved under Pradhan Mantri Gram Sadak Yojana (PMGSY) is 11,000 km as against the annual target of 14,300 km for FY 11. Upgradation of rural roads has been remarkable with over 18,000 km being achieved until December 2010 as against the annual FY 11 target of 12,500 km.

### URBAN INFRASTRUCTURE

Though cities are well recognised as the drivers of economic growth, the level and quality of infrastructure remains acutely inadequate. The investment required is huge. According to an estimate by The High Powered Expert

## 5 Progress of JNNURM up to end-March 2011 (` crore)

| PROGRAMME | NO. OF PROJECTS | APPROVED COST | FUNDS RELEASED |
|---|---|---|---|
| Urban Infrastructure & governance | 532 | 60,215 | 29,474 |
| Urban Infrastructure Development Scheme for small & medium towns | 766 | 12,933 | 8,989 |

**Source:** JNNURM

Committee (HPEC) for urban infrastructure services, the total investment required to meet the current backlog and future needs for eight core urban infrastructure sectors during FY 12-31 is ` 39.2 lakh crore (at FY 10 prices), equivalent to an annual average of ` 2 lakh crore. A large part of this investment is required for urban roads (about 44%) whereas water supply, sewerage, solid waste management, and storm water drains account for about 20% of estimated investment requirements. In addition, an estimated ` 19.9 lakh crore, or almost ` 1 lakh crore a year is required for O&M on urban infrastructure.

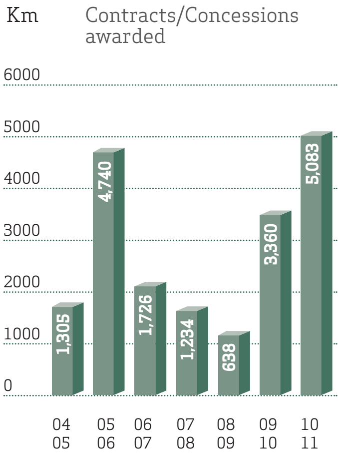
Against these requirements, actual investment has been minimal. The largest government-led programme for urban infrastructure development, the Jawaharlal Nehru National Urban Renewal Mission (JNNURM), which has supported the development of core urban services over the period 2007-2012, has disbursed ` 38,463 crore [centre, state and urban local bodies (ULBs)] in four years (see Table 5). About 58% of the projects that have been approved are in the water supply and sanitation (sewerage and solid waste) sectors.

Financing the requisite investment will require a concerted effort on all fronts – increased and timely State Finance Commission transfers from state to ULBs, strengthening of own ULBs revenues and additional mechanisms for funding including market borrowings. Strengthening ULB revenue, though important for sustainability of investment in urban services is a challenge. The Ministry of Urban Development (MoUD) initiated a programme for Service Level Benchmarks (SLBs) as a mechanism for improving accountability in service delivery. The principle of benchmarking has been endorsed by the 13th Finance Commission which has included Service Level Benchmarking as one of the conditionalities for allocation of performance based grants to ULBs, which amount to around ` 8,000 crore during 2010-15.

Being a reform linked scheme, JNNURM, tried to instill reforms on a number of fronts (institutional, planning, financial, community participation), but progress has been far from satisfactory. ULBs continue to reel under the problems of weak governance and poor finances that have impaired their capability to undertake any improvement in urban services. As a result, the involvement of the private sector in financing urban infrastructure has been minimal. In order to kickstart the functioning of the market, the planned PPP Urban Infrastructure Fund at the national level is expected to encourage PPP by actively engaging in capacity building, project identification, development, structuring and funding bankable PPP projects in the urban infrastructure sector.

Attempts are now being made to integrate the various components of urban infrastructure. The approval this year of the National Mission on Sustainable Habitat is an important opportunity to demonstrate holistic development of urban infrastructure across the nation. The Mission seeks to promote sustainability of habitats through improvements in energy efficiency in buildings, urban planning, improved management of solid and liquid waste including recycling and power generation and a modal shift towards public transport and conservation. It also seeks to improve ability of habitats to adapt to climate change by improving the resilience of infrastructure, community based disaster management and measures for improving advance warning systems for extreme weather events ■

## E Progress in the National Highway Development Programme




**SOURCE** Ministry of Road Transport & Highways

# directors' report

Your Directors have pleasure in presenting the Fourteenth Annual Report together with the audited accounts for the year ended March 31, 2011.

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Fourteenth Annual Report together with the audited accounts for the year ended March 31, 2011.

### Financial Results (Standalone)

(Figures in ` crore)

| Particulars | FY 2010-11 | FY 2009-10 |
|---|---|---|
| Operating Income | 4,545.96 | 3,569.98 |
| Other Income | 14.40 | 27.13 |
| Total Income | 4,560.36 | 3,597.11 |
| Less: Administrative Expenses * | 208.45 | 199.38 |
| Less: Provision for assets and losses | 234.94 | 130.36 |
| Profit Before Interest and Taxes | 4,116.97 | 3,267.37 |
| Less: Interest and Other Charges | 2,386.52 | 1,950.23 |
| Profit Before Tax | 1,730.45 | 1,317.14 |
| Less: Provision for Tax ** | 453.30 | 304.30 |
| Profit After Tax | 1,277.15 | 1,012.84 |

* Administrative expenses include staff expenses; travelling & conveyance; postage, telephone & telex; establishment expenses; other expenses and depreciation as reduced by shared service cost recovered from subsidiaries.

** Provision for Tax is net of Deferred Tax.

Income from operations increased by 27.34% from ` 3,569.98 crore in FY 10 to ` 4,545.96 crore in FY 11. Other income reduced by 46.92% from ` 27.13 crore in FY 10 to ` 14.40 crore in FY 11. IDFC's total income, increased by 26.78% from ` 3,597.11 crore in FY 10 to ` 4,560.36 crore in FY 11.

Profit Before Tax (PBT) increased by 31.38% from ` 1,317.14 crore in FY 10 to ` 1,730.45 crore in FY 11. Profit After Tax (PAT) increased by 26.10% from ` 1,012.84 crore in FY 10 to ` 1,277.15 crore in FY 11.

IDFC's quality of assets continued to be good with Net NPAs at ` 38.91crore as on March 31, 2011.

## DIVIDEND

Your Directors are pleased to recommend a dividend of ` 2/- per share (i.e. 20%) for the year ended March 31, 2011 on equity shares.

The Company will pay a dividend @ 6% on Compulsorily Convertible Cumulative Preference Shares as per the terms of issue.

### OPERATIONS REVIEW

The global economy witnessed two speed growths. While the emerging economies grew by 7% in 2010, the advanced economies grew by 3% in 2010. World output, which had fallen by 0.6% in 2009 grew by 5% in 2010. Clearly, the global economy is in recovery mode. With the financial turbulence firmly behind it, global financial markets also recovered and capital flows re-emerged with increase in flows into emerging economies. However, issues with Government finances in the Euro area provided vulnerability to the system. Overall, while the global financial system is improving from the debacle of 2008, there are still some uncertainties and volatility in the system. The other factor has been growing commodity and oil prices, which is leading to inflation and a higher interest regime. In this environment, IDFC has had to be very proactive in raising capital and managing liquidity for the operations of its financing business.

While domestic GDP is expected to record an impressive 8.5% growth in FY 11, there were some issues with the infrastructure sector. Consequently, after a flurry of activity in the first half, project development opportunities in the market reduced substantially in the second half. The slowdown was particularly apparent in the road and power sectors. However, the slowdown was primarily due to administrative issues while the intrinsic demand for infrastructure continues to grow.

Leveraging the opportunities provided by a growing economy, the Company adopted a high growth model focused on significantly increasing the project finance operations by growing the balance sheet. Gross approvals increased by 40% to ` 42,716 crore (` 427 billion) in FY 11. Gross disbursements, increased by 106% to ` 26,702 crore (` 267 billion) in FY 11.

**GMR ENERGY** - 220 MW BARGE MOUNTED POWER PLANT

- Net loans increased by 50% to ` 37,652 crore, while the balance sheet has grown by 42% to ` 47,367 crore.
- As on March 31, 2011, IDFC's total exposure to infrastructure projects was ` 58,273 crore of which Energy was the highest 45.8%, followed by Transportation 28.7%, Telecommunication & IT 15.8% and Commercial & Industrial sector 9.7% .

While the investment strategy for treasury operations continues to ensure adequate levels of liquidity to support core business requirements, it has started focusing on optimising levels of return and functioning as a profit centre investing in fixed income assets, while maintaining prudent safety norms. Net interest income from treasury operations for IDFC increased by 61% from ` 75 crore in FY 10 to ` 121 crore in FY 11.

The financial markets were volatile during FY 11. Consequently, there was a fall in fee-based non interest income. The investment banking business under IDFC Capital and the institutional brokerage business under IDFC Securities witnessed a drop in incomes. The mutual fund business that was acquired in FY 09 and operated by IDFC-AMC also saw a reduction in assets under management and management fees.

The Policy Advisory Group and CSR activities have been brought under one umbrella with the formation of IDFC Foundation in FY 11. This SBU continued to contribute to IDFC's mandate of leading private capital to infrastructure projects, by providing impetus to rationalisation of policy and regulatory frameworks, promoting PPP models, policy advocacy and direct CSR activities.

IDFC Private Equity and IDFC Project Equity continue to be committed to the development of infrastructure in the country. IDFC Private Equity manages three funds – India Development Fund, IDFC Private Equity Fund II and IDFC Private Equity Fund III having a total capital commitment of ` 5,735 crore or ` 57.3 billion and IDFC Project Equity manages the ` 3,837 crore India Infrastructure fund. The focus on asset management was on maintenance of the funds.

During the year, fee income from managing third party asset decreased by 14% from ` 290 crore in FY 10 to ` 249 crore in FY 11.

Detailed analysis of the performance of the Company and its businesses, including initiatives in the area of Information Technology, has been presented in the section on Management Discussion & Analysis of this Annual Report.

## SUBSIDIARY COMPANIES

IDFC has eleven direct wholly owned subsidiary companies – IDFC Private Equity Company Limited, IDFC Trustee Company Limited, IDFC Project Equity Company Limited, IDFC Finance Limited, IDFC Securities Limited, IDFC PPP Trusteeship Company Limited, IDFC Projects Limited, IDFC Asset Management Company Limited, IDFC AMC Trustee Company Limited, IDFC Foundation (a Section 25 Company) and Uniquest Infra Ventures Private Limited. In addition IDFC Securities Limited has three wholly owned subsidiary companies namely, IDFC Capital Limited (earlier known as IDFC-SSKI Limited), IDFC Distribution Company Limited (earlier known as IDFC-SSKI Stock Broking Limited) and IDFC Capital USA Inc. IDFC Capital Limited has three wholly owned subsidiaries called IDFC Capital (Singapore) Pte. Limited, IDFC Fund of Funds Limited and IDFC General Partners Limited.

During the year, Jetpur Somnath Highway Limited (earlier known as IDFC Capital Company Limited and a direct subsidiary of IDFC) has become a subsidiary of IDFC Projects Limited. A company under the name of Jetpur Somnath Tollways Limited, has been incorporated as a Subsidiary of IDFC Projects Limited. IDFC Projects, alongwith the other companies, has further floated Dheeru Powergen Limited, which was converted from Private Limited Company to a Public Limited Company.

IDFC Asset Management Company Limited has further floated IDFC Pension Fund Management Limited, one of the Pension Fund Managers appointed by the Pension Fund Regulatory and Development Authority (PFRDA) to manage retirement funds under the New Pension Scheme (NPS) open to individuals in the private sector, and IDFC Investment Advisors Ltd. A company under the name of IDFC Investment Managers (Mauritius) Limited, has been incorporated as a Subsidiary of IDFC Asset Management Company Limited.

During the year, IDFC Foundation (a Non-Profit Organisation) was incorporated under Section 25 of the Companies Act, 1956, as a wholly owned subsidiary company of IDFC. Further, the shares of the three Joint ventures namely, Infrastructure Development Corporation (Karnataka) Limited (iDeCK), Uttarakhand Infrastructure Development Company Limited (UDeC) and Delhi Integrated Multi-Modal Transit System Limited (DIMTS), which were initially held by IDFC, have been transferred to IDFC Foundation and similarly, the units of the Trust, namely India Infrastructure Initiative Trust & India PPP Capacity Building Trust which were initially held by IDFC have also been transferred to IDFC Foundation. Further during the year, Uniquest Infra Ventures Private Limited was incorporated as a direct subsidiary of the Company and IDFC Capital USA Inc. was also incorporated as a subsidiary company of IDFC Securities Limited.

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

Detailed analysis of the performance of IDFC and its businesses — financing and advisory, including initiatives in the area of Human Resources, Information Technology, and Risk Management has been presented in the

Leveraging the opportunities provided by a growing economy, the Company adopted a high growth model focused on significantly increasing the project finance operations by growing the balance sheet.

section on Management Discussion & Analysis of this Annual Report.

In view of the General Circular no. 2/2011 dated February 8, 2011 issued by the Ministry of Corporate Affairs, granting a general exemption under Section 212(8) of the Companies Act, 1956, copies of Balance Sheet, Profit and Loss Account, Reports of the Board of Directors and Auditors of each of the subsidiary companies have not been attached to the accounts of the Company for the FY 11. The Company undertakes to make available these documents/details upon request by any member of the Company at any point of time. These documents/details will be available on the Company's website www.idfc.com and will also be available for inspection by any of the members of the Company at its Registered and Corporate Offices and also at the Registered Office of the concerned subsidiaries. In accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements), Accounting Standard 23 (Accounting for Investment in Associates in Consolidated Financial Statements) and Accounting Standard 27 [Financial Reporting of Interests in Joint Ventures notified by the Companies (Accounting Standards)] Rules, 2006, the Consolidated Accounts of IDFC and its subsidiaries have been prepared and the same are annexed to this Annual Report.

## PARTICULARS OF EMPLOYEES

IDFC had 586 employees as on March 31, 2011. 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 has introduced Employee Stock Option Scheme 2007 (referred to as "the Scheme") to enable the employees of IDFC and its subsidiaries to participate in the future growth and financial success of the Company. Out of the 16,548,268 options outstanding at the beginning of the year, 673,790 options lapsed on account of resignations and 2,583,065 options were exercised during the year.

Additionally, during the year, 7,459,308 options were granted to eligible employees under the Scheme. Accordingly, 20,750,721 options remain outstanding as of March 31, 2011.

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 & 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.

While the investment strategy for treasury operations continues to ensure adequate levels of liquidity to support core business requirements, it has started focusing on optimising levels of return and functioning as a profit centre investing in fixed income assets, while maintaining prudent safety norms.

## PUBLIC DEPOSITS

During the year FY 11, your Company has not accepted any deposits from the public within the meaning of the provisions of the Non-Banking Financial Companies (Reserve Bank) Directions, 1998.

## FOREIGN EXCHANGE

The particulars regarding foreign exchange earnings and expenditure are furnished at Item Nos. 24 & 25 in the Notes to the Accounts. Since the Company does not own any manufacturing facility, the other particulars in the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1998 are not applicable.

## FUND RAISING

During the year, the Company had issued and allotted 157,752,090 equity shares of ` 10/- each to Qualified Institutional Buyers (QIBs) under Chapter VIII of the Securities & Exchange Board of India (Issue of Capital & Disclosure Requirements) Regulations, 2009 at a premium of ` 158.25 per equity share aggregating to ` 2,654.18 crore.

During the year, the Company had issued 84,000,000 Compulsorily Convertible Cumulative Preference Shares (CCCPS) having face value of ` 100 each of the Company on preferential basis in terms of Chapter VII of the Securities & Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 aggregating to ` 840 crore.

During the financial year, the Company also made a fresh issue aggregating to ` 1,451.76 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 80 CCF of the Income-tax Act, 1961, under the applicable SEBI Guidelines.

## LISTING OF SHARES

The Company's shares are listed on National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE).

## DIRECTORS

Ministry of Finance, Government of India, nominated Mr. Bimal Julka, Director General, Currency, Department of Economic Affairs, Ministry of Finance and Additional Secretary to Government of India, Ministry of Finance, as a Nominee Director on the Board of IDFC in place of Mr. G. C. Chaturvedi, Additional Secretary, Department of Financial Services. Accordingly, Mr. G. C. Chaturvedi ceased to be Director with effect from November 07, 2010. The Board placed on record its appreciation of the invaluable guidance provided by Mr. G. C. Chaturvedi to the Company.

The Board, at its meeting held on November 08, 2010, appointed Mr. Bimal Julka, as a Director with effect from November 08, 2010 and he holds office up to the date of the ensuing Annual General Meeting (AGM). The Company has received notice from a Member of the Company under Section 257 of the Companies Act, 1956 proposing the candidature of Mr. Bimal Julka as a Director.

In accordance with the Articles of Association of the Company and provisions of the Companies Act, 1956, Dr. Omkar Goswami, Mr. Shardul Shroff and Mr. S. H. Khan would retire by rotation and being eligible, offer themselves for re-appointment at the AGM.

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

## INTERNAL CONTROL SYSTEMS

The Company has in place adequate systems of Internal Control to ensure compliance with policies and procedures. Internal Audits of all the units of the Company are regularly carried out to review the internal control systems. The Internal Audit Reports alongwith implementation and recommendations contained therein are constantly reviewed by the Audit Committee of the Board.

## AUDITORS

Messrs Deloitte Haskins & Sells, Chartered Accountants, will retire as the statutory auditors of the Company at the ensuing AGM. The Board at its meeting held on April 29, 2011, has proposed their re-appointment as Auditors to audit the accounts of the Company for the financial year ending March 31, 2012.

Messrs 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

The Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed;
- they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits of the Company for the year;
- they have taken proper and sufficient care for the 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; and
- they have prepared the annual accounts on a going concern basis.

## ACKNOWLEDGEMENTS

IDFC has developed close relationships with the Ministry of Finance (MoF), Banking Division, 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 & Exchange Board of India and regulatory bodies, TRAI, the Central Electricity Regulatory Commission and State Electricity Regulatory Commissions; the Planning Commission; IIT (Kanpur); IIM (Ahmedabad); the State Governments and all IDFC's shareholders. The Board of Directors wishes to gratefully acknowledge the assistance and guidance received from all of them. IDFC could make the progress it has in these years due to the dedication and creativity of its staff at all levels. The Board of Directors wishes to place on record their warm appreciation for these efforts.

For and on behalf of the Board

**DEEPAK S. PAREKH**
Chairman

Mumbai, June 13, 2011

## DISCLOSURE IN THE DIRECTORS' REPORT AS PER SEBI GUIDELINES

| | PARTICULARS | 2010 - 2011 |
|---|---|---|
| 1 | Options outstanding as at the beginning of the year | 16,548,268 |
| 2 | Options granted during the year | 7,459,308 |
| 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 strike price of ` 115.91 to ` 212.60 |
| 4 | Options Vested | 6,297,356 |
| 5 | Options Exercised during the year | 2,583,065 |
| 6 | Total no. of shares arising as result of exercise of Options | 2,583,065 |
| 7 | Options lapsed * | 673,790 |
| 8 | Variation in terms of Options | None |
| 9 | Money realised by exercise of Options (`) | 100,861,601 |
| 10 | Total number of Options in force<br>* Lapsed Options includes options cancelled/lapsed | 20,750,721 |
| 11 | Diluted Earnings Per Share pursuant to issue of shares on exercise of options calculated in accordance with AS 20 'Earnings Per Share' (`) | 8.68 |

## PROFORMA ADJUSTED NET INCOME AND EARNINGS PER SHARE

| | PARTICULARS | ` |
|---|---|---|
| 12 | **Net Income as Reported** | 12,771,485,453 |
| | Add: Intrinsic Value Compensation Cost | 167,493,624 |
| | Less: Fair Value Compensation Cost | (429,351,575) |
| | **Adjusted Proforma Net Income** | 12,509,627,502 |
| | **Earning Per Share: Basic** | |
| | As Reported (`) | 8.74 |
| | Adjusted Proforma (`) | 8.56 |
| | **Earning Per Share: Diluted** | |
| | As Reported (`) | 8.68 |
| | Adjusted Proforma (`) | 8.50 |
| 13 | **Weighted average exercise price of Options granted during the year whose** | |
| | (a) Exercise price equals market price | 154.56 |
| | (b) Exercise price is greater than market price | NIL |
| | (c) Exercise price is less than market price | 115.91 |
| 14 | **Weighted average fair value of Options granted during the year whose** | |
| | (a) Exercise price equals market price | 80.57 |
| | (b) Exercise price is greater than market price | NIL |
| | (c) Exercise price is less than market price | 88.33 |
| 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 (`) | 154.55 |
| Volatility | 61.65% |
| Riskfree Rate | 7.12% |
| Exercise Price (`) | 123.32 |
| Time to Maturity (Yrs.) | 4.12 |
| Dividend yield | 1.20% |
| **Weighted Average Value (`)** | **86.85** |

Stock Price: Closing price on NSE as on the date of grant has been considered for valuing the grants.

Volatility: The historical volatility from the date of listing till the date of grant 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 three financial years preceding the date of the grant.

# IDFC awards & recognition

## IDFC

- **IDFC RANKED 7TH GLOBALLY AND 5TH IN ASIA IN THE PROJECT FINANCE MANDATED ARRANGER** category in 2 separate polls conducted by Dealogic and Thomson Reuters for the full year 2010.

- **IDFC RANKED 4TH GLOBALLY IN THE PUBLIC PRIVATE PARTNERSHIP (PPP) MANDATED ARRANGER** category league table published by Dealogic.

- **IDFC ENTERS THE LIST OF TOP 50 INDIAN COMPANIES** in the S&P ESG India Index.

- **IDFC WAS RANKED 4TH AS GLOBAL MANDATED LEAD MANAGERS** for the period January to September 2010 in the Project Finance League Table published by Thomson Reuters.

- **"THE BEST DEBT FINANCIER OF THE YEAR 2010"** award at Infrastructure Excellence Awards 2010 .

- **I-CAP RECOGNISED AS THE EXECUTING AGENCY FOR THE NPCBP** launched by Mr. Pranab Mukherjee, FM – India.

- **IDFC WAS NAMED ASSET MANAGER OF THE YEAR** by AsianInvestor magazine, for our work in private equity, mutual funds and sustainable investments in emerging markets.

- **IDFC FINANCIAL RESULTS DECLARATION FORMAT AND PRESENTATION ACHIEVED SILVER SHIELD –** 2nd Best Entry Award from ICAI Awards for Excellence in Financial Reporting.

## IDFC Private Equity & IDFC Project Equity

- **IDFC PE AWARDED INDIAN PE FIRM OF THE YEAR** by Global M&A Network.

- Won awards by the Infrastructure Investor for the **ASIA INFRASTRUCTURE FUND MANAGER OF THE YEAR** and the **ASIAN INFRASTRUCTURE DEAL OF THE YEAR** and by **PRIVATE EQUITY INTERNATIONAL** for the Indian Private Equity Fund of the year.

- **Most Admired Equity Financier in Infrastructure Sector** awarded by KPMG and ASAPP Media.

## IDFC Capital Limited

### INVESTMENT BANKING

- Ranked 2nd Investment Bank in private sector as per Bloomberg League Table for 2010.
- IDFC Capital has been ranked 3rd in terms of number of deals as per Bloomberg League Table for 2010.
- In the Wall Street Journal Asia Best Analyst Survey 2011, Pathik Gandotra has been named Asia's Best Analyst for Financial Services.

## IDFC Asset Management Company Limited

### WEALTH FORUM AMC AWARDS 2010

- **BEST EQUITY FUND MANAGER:** 2010 – 3rd position Kenneth Andrade, IDFC
- **BEST EQUITY FUND:** 2010 – 3rd position IDFC Premier Equity Fund

### BUSINESSWORLD AWARDS 2010

- **IDFC PREMIER EQUITY - PLAN A:** Mid cap and small equity category

### ICRA MUTUAL FUND AWARDS 2010

- **IDFC PREMIER EQUITY FUND:** Ranked as a 7 Star Fund for its 3 year performance for the year ending December 31, 2010. The fund has been getting this award for 3 consecutive years now.

### CNBC-TV18-CRISIL MUTUAL FUND AWARDS WINNERS 2011

- **IDFC SUPER SAVER INCOME FUND:** Medium Term under Income Funds - Short Term category

### LIPPER FUND AWARDS 2010 INDIA

- **IDFC PREMIER EQUITY FUND - PLAN A, GROWTH:** Best Fund over 3 years Equity, India

### NDTV PROFIT MUTUAL FUND AWARDS 2010

- **IDFC IMPERIAL EQUITY PLAN A:** Runner up under **EQUITY: LARGE-CAP CATEGORY**
- **IDFC SUPER SAVER INCOME FUND:** Medium Term Plan A : Runner up under **DEBT: INCOME CATEGORY**

# management discussion & analysis

Infrastructure Development Finance Company Limited ('IDFC' or 'the Company') has been at the forefront of supporting private sector infrastructure development in India, which is critical to the country's long-term sustainable economic growth.

## OVERVIEW

There are two facets to this criticality. First, the quantum of investments into infrastructure development required to support the sustained high growth of the Indian economy is increasing rapidly. The Planning Commission's XIth Five-Year Plan (2007-2012) estimates a steady rise in infrastructure investments as a ratio to GDP from 5.71% in FY 07 to 8.37% in FY 12. Second, within the infrastructure space, the private sector has an increasingly larger role. The share of the private sector investments has increased rapidly and is estimated to go up even more. While in the Xth Plan, the private sector accounted for 24.9% of investments, during the XIth Plan, it is expected to contribute 36.2% of the proposed investments. Already, between FY 08 and FY 10, the private sector has contributed to 34.3% of the investments. Clearly, the private sector infrastructure finance space in India is on track for compounded growth.

Such rapid growth is naturally accompanied by greater market complexities. So, while the market provides much greater opportunities, it brings with it greater exposure to more varied types of risks. A proper understanding and planning for risk-return profiles of different projects become even more important for the success of financial intermediaries like IDFC that operate in this domain. As a group, IDFC has always focused on this aspect of its business. The Company continuously invests in developing its intellectual capital and promotes a business model that leverages the competitive strength of its internal domain knowledge. The emphasis is on growing the business by providing appropriate financing solutions to its diverse customer base.

This guiding strategic intent has translated into different operational prerogatives in line with the needs of a changing business environment. The challenge has been to lead the evolving infrastructure finance landscape in India and position the Company to best utilise the opportunities. Pursuing this endeavour, IDFC has evolved in a calibrated manner through certain distinct phases of development since its inception in 1997. This development path can be broadly divided into three phases.

## IDFC: THE EVOLUTION PATH

During the initial days, IDFC focused on the core business of project finance and government advisory. The focus was on enhancing its existing highly proficient internal knowledge base and fine tuning it to the needs of infrastructure development in India. Essentially, this was a phase when the Company developed deep understanding of risks and opportunities associated with different infrastructure projects across the various stages of their project life-cycles. IDFC created a distinct market position for itself by devising innovative products and financing structures for successful infrastructure financing. This resulted in the delivery of good value propositions to its customer base, and established IDFC as a credible and leading player in infrastructure finance in India.

In the second phase, IDFC diversified into several businesses through organic and inorganic routes. As a result, businesses like asset management (both private and public), loan syndication, corporate advisory, investment banking and institutional brokerage were added to its portfolio. This diversification helped strengthen non interest income for the Company. More importantly, the wider presence across different products and services contributed significantly in positioning IDFC as a 'complete solutions provider' in the infrastructure finance space in India. This widened the scope of engagements with customers and enhanced the Company's competitive strength in the market.

Having created a diversified conglomerate, IDFC, in its third phase of growth, was focused on consolidating its different businesses. In the backdrop of a tough domestic and global business environment, the Company focused on further improving its execution skills and stressed on cost management. In addition, it focused on creating a common organisation that leveraged the synergies between different businesses to generate a series of revenue streams by catering to the entire infrastructure financing value chain. In this pursuit, the Company initiated a major internal programme to integrate various different businesses within the IDFC group to create a 'One Firm' culture across all its entities. Although this initiative continues to be 'work-in-progress', the Company witnessed considerable success across various aspects surrounding the 'One Firm'.

**MUNDRA PORT** IDFC ASSISTED TO BUILD STATE OF THE ART FACILITIES FOR HANDLING AND WAREHOUSING OF DRY CARGO

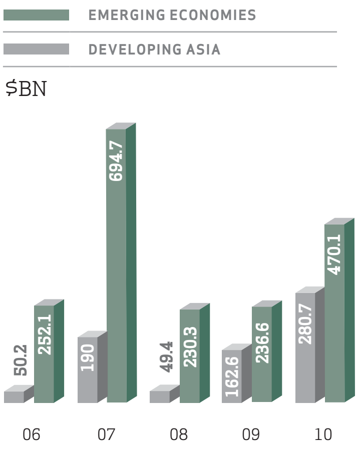
## EMBARKING ON THE NEXT GROWTH PHASE

Having evolved as a Company through these different phases, by the beginning of FY 11, IDFC was well positioned in terms of internal capabilities as well as armed with the confidence of over a decade of successful delivery, to push for a new round of accelerated growth. And, FY 11 signalled the beginning of this phase. With a significant growth in infrastructure development projects in India, IDFC is now focused on aggressively leveraging opportunities and rapidly increasing its business size. This translates into acceleration in project finance activities and a significant growth in the loan book. At the beginning of FY 11, the Company stated its goal of tripling its balance sheet over the next 3-4 years to reach a size of ` 100,000 crore by March 31, 2013/2014.

There have been certain specific developments in FY 11 that highlight the beginning of this new phase of growth for IDFC. Some of the major developments during FY 11 include:

- INCREASING THE COMPANY'S EQUITY BASE: IDFC augmented its Tier-1 capital by ` 3,494 crore through a Qualified Institutional Placement (QIP) and a preferential issue during the second quarter. Through the QIP, it raised

**A** Net Private Financial Inflow




SOURCE International Monetary Fund

` 2,654 crore at a share price of ` 168.25 per share. The remaining ` 840 crore was raised through Compulsorily Convertible Cumulative Preference Shares (CCCPS), which were preferentially issued to two investors – Khazanah (` 380 crore), an existing shareholder and Actis (` 460 crore), a founder investor who after exiting IDFC was reinvesting. The CCCPS involves a cash dividend of 6% per annum and can be converted to equity shares any time during the next 18 months at a conversion price of ` 176 per share. This increased equity base will help further leverage the Company to support its balance sheet growth in the future.

■ RAISING DIRECT RETAIL BONDS FROM THE PUBLIC: For the first time in its history, IDFC raised bonds directly from the Indian public by floating long-term IDFC Infrastructure bonds in three tranches. This bond was positioned to leverage market opportunities arising out of the ` 20,000 income tax exemption under Section 80CCF of the Income Tax Act, 1961 provided to individuals by the Government of India (GoI) for investments in long-term infrastructure debt issued by Infrastructure Finance Companies (IFCs). The total money raised from the three tranches was over ` 1,400 crore from over 7.3 lakh investors. This not only facilitated diversification of the Company's sources for mobilising long-term funds but also provided retail investors an opportunity to connect with India's infrastructure development and progress. The various communication efforts of the Company surrounding the bonds played a meaningful role in creating brand IDFC amongst relevant constituencies.

■ FINANCIAL DEVELOPMENTS: Driven by a 106% growth in gross disbursements to ` 26,702 crore in FY 11, the net loans increased by 50% to ` 37,652 crore. Consequently, the balance sheet has grown by 42% from ` 33,562 crore to ` 47,554 crore.

In addition, as was discussed in the Annual Report for FY 10, the Company was notified as an infrastructure finance company by the Reserve Bank of India. IDFC became the first Company to get this status. Amongst other things, this means that since April 2010, the Company could now avail of the automatic route for External Commercial Borrowing (ECBs) for up to 50% of its net worth and also, very significantly, issue infrastructure bonds to retail investors.

## THE EXTERNAL ENVIRONMENT AND IDFC

Essentially, as a financial intermediary, IDFC's role is to mobilise global capital – debt and equity – for investments in infrastructure related projects in India. It also provides certain other financial services, which are all related to infrastructure financing. Therefore, on the supply side, the Company is affected by global developments that affect international capital flows and the signalling effect that they have on India's domestic financial markets. On the demand side, it caters to the financing needs of private sector infrastructure developers in India, which is directly related to the pace of new project development in the economy. In addition, IDFC also caters to the refinancing requirements of long-term project investments.

The global recovery is gaining strength with world output recovering from 0.6% contraction in 2009 to 5% growth in 2010. However, the growth is two-paced. The developing and emerging economies witnessed 7.1% growth in 2010 compared to 2.6% in 2009, while the advanced economies recovered from a 3.6% contraction in output during 2009 to a growth of 3% in 2010. Consequently, unemployment remains high in advanced economies, and new macroeconomic risks are building in emerging market economies. In advanced economies, the handoff from public to private demand is advancing, reducing concerns that diminishing fiscal policy support might cause a "double-dip" recession. Financial conditions continue to improve, although they remain fragile. In many emerging market economies, demand is robust and overheating is a growing policy concern. Rising food and commodity prices pose a threat to inflationary pressures on economies across the world. In addition, oil prices have increased significantly since January 2011 and the Middle East and North Africa are going through widespread social unrest since the beginning of 2011.

During 2010, global financial conditions broadly improved, amid lingering vulnerabilities. Equity markets rose, risk spreads continued to tighten and bank lending conditions in major advanced economies eased, even for small and medium-sized firms. Nonetheless, pockets of vulnerability persisted; real estate markets and household income were still weak in some major advanced

## The global recovery is gaining strength with world output recovering from 0.6% contraction in 2009 to 5% growth in 2010.

economies like the United States, and securitisation remained subdued. Financial turbulence re-emerged in the periphery of the Euro area in the last quarter of 2010. Concerns about banking sector losses and fiscal sustainability — triggered this time by the situation in Ireland — led to widening spreads in these countries, in some cases reaching highs not seen since the launch of the European Economic and Monetary Union. During this bout of turbulence, markets have been more discriminating. Measures of risk aversion have not risen, equity markets in most regions have posted significant gains, and financial stresses have been limited.

Credit growth remains very subdued in the advanced economies. Bank lending conditions in the major advanced economies, including those of the Euro area, are slowly easing after a prolonged period of incremental tightening. In the meantime, credit growth has again reached high levels in many emerging market economies, particularly in Asia and Latin America. Global capital flows rebounded sharply, following the collapse during the crisis, especially into emerging markets. Chart A tracks the growth of net private capital inflow into emerging economies and especially into developing Asia, including India. There has been steady growth in 2010 over 2009 and for developing Asia, it has surpassed pre-crisis levels.

Accordingly, stock markets and credit in emerging market economies have rebounded unusually fast from deep falls during the crisis of 2008. Strong growth prospects and relatively high yields are attracting flows into emerging markets. Sluggish activity and damaged financial systems continue to depress flows between advanced economies.

The recovery has been led so far by portfolio and bank flows, with a falling share of foreign direct investment inflows. These developments mark a departure from earlier experience and may raise the risk of future instability, including capital outflows in an environment where advanced economies tighten their monetary policy and raise interest rates. However, during fall 2010, the capital flow-driven rally in emerging market assets slowed again. While long-term signs are positive, there is still much uncertainty in the global financial system including widespread sovereign risk issues, particularly in Europe. So, given the global cues, while signs were positive for the Indian financial system, it remained exposed to significant volatility.

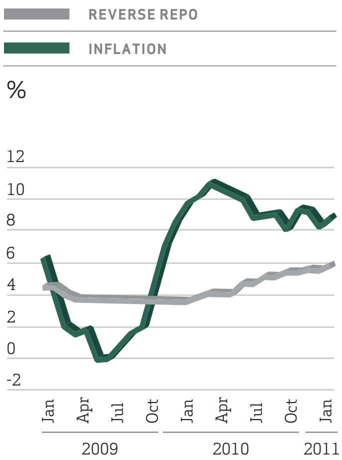
India, too, is facing the pressure of food and commodity price-based inflation. Given the continuously high levels of inflation through FY 11, the Reserve Bank of India (RBI) has had no option but to tighten monetary policies. This has resulted in an increase in domestic interest rates. Chart B shows the gradual increase in benchmark interest rates in line with the high levels of inflation. One can see that inflation continues to be over 8% for most of FY 11, while the repo rate (benchmark interest rate) has increased from 4.75% in January 2010 to 6.5% in January 2011.

The environment of high interest rates has a negative impact on sentiments of developers who are investing long-term in infrastructure projects. Such an interest rate scenario also affects the profitability of long-term infrastructure projects and if this continues for a while, there could be an adverse impact on investments.

On a positive note, India continued to maintain its high growth trajectory – advanced GDP estimates suggest a growth of 8.5% in FY 11 compared to 8.0% in FY 10. The growth in the core infrastructure sectors in FY 11 continued to be in line with the over 5.5% growth in FY 10 (Chart C).

The sustained economic growth has led to positive sentiments amongst infrastructure developers in India and there is a strong propensity to invest. The fact that the core infrastructure sectors have grown by over 5.5% shows that there has been implementation of past projects. However, given the needs of an economy growing by over 8% on a sustained basis, there is much greater scope of growth in infrastructure development. The impetus in new project development seen in the last quarter of FY 10 and in the first half of FY 11 started slowing down as the year progressed.

**B** Inflation (WPI Based) & Reverse Repo Rate



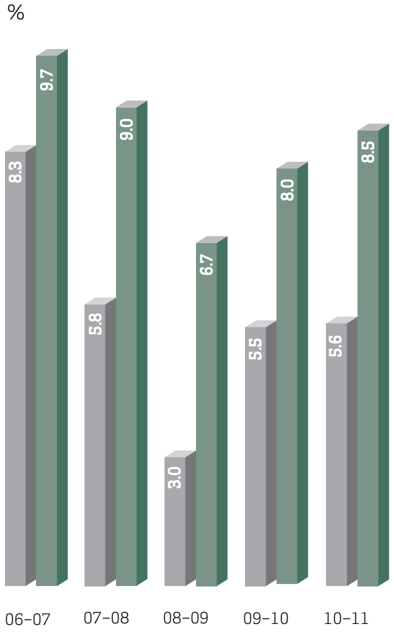

**SOURCE** Reserve Bank of India

C

GDP & Infrastructure Growth

GROSS DOMESTIC PRODUCTION

INFRASTRUCTURE INDEX




April to January for Infrastructure Growth

SOURCE CSO, Finance Ministry (Government of India)

In a political environment where several past irregularities related to private-public dealings came to light in the infrastructure sector, there was very little progress in infrastructure development in India during the second half of FY 11. Importantly, there was a dampener in the two large sectors – roads and power. The roads sector witnessed some administrative problems with the nodal agency – National Highways Authority of India (NHAI), and the pace at which it planned and developed projects was not in sync with the proposed targets announced at the beginning of 2010. The new power projects are also facing certain developmental issues, especially to do with coal linkages. Also, there has been an increase in risk perception of these power projects, given the continuous deterioration in the financial health of their principal clients – the State Electricity Boards. Having said so, given the needs of a growing economy, there continue to be large market opportunities in these businesses.

Given the prevailing business environment and the positioning of the Company, IDFC accelerated the growth of its loan book. Some of this growth had already started in the second half of FY 10, when approvals increased significantly. Much of these also translated into disbursements during the first half of FY 11. While emphasising balance sheet growth, IDFC took care to maintain its standards of credit selection. Its portfolio of assets are reviewed periodically during the year at the Board level and reviews are also carried out to stress test the health of the portfolio for current issues. Impact of fuel linkages and offtaker risk on the health of the power portfolio were assessed when these issues began to threaten the power growth story. This business growth thrust was supported by an aggressive, multi-pronged fund raising programme, which also tapped the retail market for the first time. As discussed before, the Company has enhanced its equity base, which can be further leveraged in the future. Across the entire group, there was strong focus on controlling costs and reducing operating expenses to enhance profitability. These developments are reflected in the financial performance of the Company during FY 11.

## FY 11: IDFC'S PERFORMANCE HIGHLIGHTS

The Company's business performance is given in Highlights of Consolidated Performances given on next page.

2011 was the year of the balance sheet. The balance sheet size increased by 42% to ` 47,554 crore and net loans increased by 50% to ` 37,652 crore.

Operating income increased by 21% to ` 2,547 crore in FY 11. This growth has been the result of a significant increase in lending activities – net interest income increased by 47% to ` 1,645 crore in FY 11. On the other hand, due to headwinds in the public markets, asset management business and lower principal gains in FY 11, non-interest fee based businesses witnessed some slowdown – non interest income decreased by 8% to ` 875 crore in FY 11. Although loan related and other fees increased by 35% to ` 194 crore, income from the Company's subsidiaries which have been transferred to IDFC Foundation (a Section 25 Company) is no longer included under this revenue line. Normalised for this structural change, the increase in loan related and other fees would have been 81%.

Alongwith the growth, IDFC maintained its focus on the quality of its assets. As of March 31, 2011, IDFC had only 0.2% gross Non-Performing Assets (NPA) and 0.1% net Non-Performing Assets (NPA).

The balance sheet continues to be strong and well positioned to support the growth trajectory ahead. IDFC has guided the market towards tripling its balance sheet over the next 3-4 years (` 100,000 crore balance sheet by March 31, 2014). With the infusion of equity, the Company's capital adequacy ratio increased from 20% as of March 31, 2010 to 24% as of March 31, 2011, out of which Tier I capital increased from 17% to 22%. As of March 31, 2011, leverage was at 4.2x, which is reflective of the fact that IDFC can grow the balance sheet to its guided path of ` 100,000 crore.

Operating expenses declined by 3% to ` 533 crore. The creation of a Section 25 Company, i.e. IDFC Foundation, resulted in expenses of subsidiaries transferred to the Foundation not being included. On a normalised basis, operating expenses increased by 3%. The focus on streamlining costs and optimisation of its operating leverage translated to cost/

income ratio declining to 20.9% in FY 11 from 24.5% (normalised) in FY 10. These efforts also contributed to improved margins at the pre-provisioning PBT (Profit before Tax) level – PBT/Operating income increased from 74% in FY 10 to 79% in FY 11. And, PBT has grown by 25%, while PAT (Profit after Tax) increased by 21%.

## STRATEGIC BUSINESS UNITS (SBUs)

Today, IDFC is essentially a multiple portfolio of businesses, which together serve the needs of infrastructure development in India. It is a conglomeration of 11 direct subsidiaries, 12 indirect subsidiaries and IDFC Foundation which encapsulates 3 Joint Ventures (JVs) and 2 Trusts. While the individual businesses have their own operational models and financial deliverables, they provide specific focused services, often working in conjunction to support IDFC's overall 'complete solutions provider' offering.

The different SBUs are structured into 4 broad platforms – **Corporate and Investment Bank (CIB), Alternative Asset Management (AAM), Public Market Asset Management (PAM) and Other Businesses.** In addition, the Company also does policy advisory, Corporate Social Responsibility (CSR) and Private Public Partnership (PPP) advisory through the IDFC Foundation, which was incorporated in FY 11, as a Section 25 Company. The activities of this Foundation are detailed out in a separate chapter in this Annual Report.

### CORPORATE AND INVESTMENT BANK

This platform comprises the following SBUs – project finance, fixed income and treasury and investment banking and institutional brokerage.

The first two SBUs – project finance and fixed income and treasury – have strong direct inter-linkages. They are capital intensive businesses whose activities have a direct bearing on the Company's own balance sheet. These SBUs are the primary source of interest income for the Company. The other businesses mainly generate fee based income and are much less capital intensive. These businesses have very strong correlation with developments in the Indian financial markets.

A more detailed description of the different SBUs are given below:

1. PROJECT FINANCE: Project Finance is the core of the Company's business model, meeting the debt requirements of projects and companies dominant focus. At times, the SBU opportunistically invests in equity of projects/ Companies. The increased capital base of the Company has facilitated the SBU 's engagement with the larger infrastructure groups in a more meaningful manner. The SBU also provides opportunities to other SBUs to better leverage the Company's equation with various groups focused on infrastructure. Going forward, the thrust will be on symbiotic harvesting of strong client relationships across the platform. The 'One Firm' initiative should manifest itself both internally and externally.
2. FIXED INCOME AND TREASURY: This SBU focuses on the fixed income market. It comprises treasury business which relates to active management of liquidity and investment in debt instruments and debt capital markets business (was earlier a part of investment banking) which focuses on advising clients on their debt fund raising and helps them mobilise debt capital from the market. This SBU also manages a small proprietary equity trading book focused on harvesting equity trading opportunities that the listed market could offer.
3. INVESTMENT BANKING AND INSTITUTIONAL BROKERAGE: These businesses were earlier under the IDFC-SSKI platform. Today, the investment banking is carried out by IDFC Capital Limited, while IDFC Securities undertakes the institutional brokerage business. Both these businesses are impacted by capital market volatility as the investment bank focuses on advisory fees primarily for raising equity and the institutional brokerage business generates transaction based brokerage fees.

### ALTERNATIVE ASSET MANAGEMENT

This includes alternative asset management businesses including project equity and private equity. Returns are typically in the form of fund management fees – which have a fixed element and may be supplemented by a 'carry'. IDFC typically invests 5-10% in the funds it manages in the alternative space. Going forward, IDFC's participation in the equity space would dominantly be through its various alternative funds and/or through co-investments.

### Highlights of Consolidated Performances

(` in Crore)

| | Change | FY 10 | FY 11 |
|---|---|---|---|
| NET LOANS | ↗ 50% | 25,031 | **37,652** |
| OPERATING INCOME | ↗ 21% | 2,107 | **2,547** |
| NET INTEREST INCOME | ↗ 47% | 1,117 | **1,645** |
| NON INTEREST INCOME | ↙ 8% | 950 | **875** |
| PROFIT BEFORE TAX | ↗ 24% | 1,429 | **1,779** |
| PROFIT AFTER TAX | ↗ 21% | 1,062 | **1,282** |
| DILUTED EARNING PER SHARE | ↗ 7% | 8.12 | **8.71** |

Diluted Earning Per Share is in `

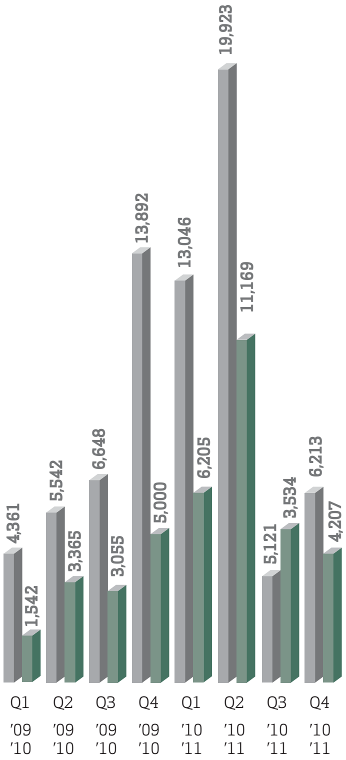
D

Gross approvals & Gross disbursements (09-10 & 10-11)

GROSS APPROVALS

GROSS DISBURSEMENTS

(` in Crore)




PUBLIC MARKETS ASSET MANAGEMENT

This primarily comprises IDFC's mutual funds business, which is operated through the IDFC Asset Management Company – IDFC (AMC). This business was acquired from Standard Chartered Bank. Here, the Company manages different mutual fund products for institutional and retail investors. Income is generated through asset management fees and the focus is on growing the assets under management by offering suitable products and channelling private and corporate savings into the debt and equity markets. IDFC is in the process of doing a strategic alliance by divesting 25% of its stake in the AMC to Natixis Global Asset Management, a French company, which is a large asset manager in Europe. The divestment is awaiting regulatory approvals.

These business platforms are well supported by a shared services platform that includes Information Technology (IT), Human Resource (HR), Compliance, Secretarial, Risk Management, Corporate Communication and Accounts.

## RETURN ON ASSETS (RoAs)

IDFC has consistently delivered the best-in-class RoAs. The RoA analysis tracks the profitability of the consolidated IDFC platform and the revenue contribution of various businesses.

The Net Interest Income (NII) increased from 3.6% in FY 10 to 3.8% in FY 11. NII infrastructure increased from 3.3% to 3.5% whereas NII treasury was stable at 0.3% over the two years.

Contribution from Non Interest Income declined from 3.0% to 2.0%. Contributions to RoA from Principal Investment, Asset Management and Investment Banking & Broking were at 0.8%, 1.2% and 0.6% respectively in FY 10 and they declined to

### 1 Return on Average Total Assets (RoA) tree

| PARTICULARS | 2010 – 2011 | 2009 – 2010 |
|---|---|---|
| | % OF DAILY AVERAGE TOTAL ASSETS | |
| **Net Interest Income** | 3.7 | 3.5 |
| Infrastructure | 3.4 | 3.2 |
| Treasury | 0.3 | 0.3 |
| **Non Interest Income** | 2.1 | 3.1 |
| **Principal Investment** | 0.4 | 0.8 |
| **Asset Management** | 0.7 | 1.2 |
| Management Fees | 0.6 | 0.9 |
| Mutual Funds | 0.3 | 0.4 |
| Alternatives | 0.3 | 0.5 |
| Capital Gains & Carry | 0.1 | 0.3 |
| **Investment Banking & Broking** | 0.5 | 0.6 |
| Investment Banking | 0.3 | 0.4 |
| Institutional Broking | 0.2 | 0.2 |
| **Loan Related & Other Fees** | 0.5 | 0.5 |
| **Other Income** | 0.1 | 0.1 |
| **Operating Income** | 5.9 | 6.7 |
| **Operating expenses** | 1.2 | 1.7 |
| **Pre Provision Profits** | 4.7 | 5.0 |
| **Provisions** | 0.5 | 0.4 |
| **Profit Before Tax** | 4.2 | 4.6 |
| **Less: Provision for Tax, Profit in Associate Co, Minority Interest** | 1.2 | 1.2 |
| **Profit After Tax (RoA)** | 3.0 | 3.4 |

## While there has been significant focus on growth, IDFC has continued to maintain its prudent measures on risk exposure.

0.4%, 0.7% and 0.5% respectively in FY 11. Contribution to RoA from loan related and other fees was stable at 0.5% across the two years. Operating expenses and provisions in FY 10 were at 1.7% and 0.4% respectively versus 1.2% and 0.5% respectively in FY 11. Impact of tax across the two years was stable at 1.2%. Return on Assets declined from 3.4% in FY 10 to 3.0% in FY 11.

The cost to income ratio decreased from 26.0% in FY 10 to 20.9% in FY 11 reflecting the operating leverage in the Company and the focus on streamlining expenses. Effective tax rate increased from 25.6% in FY 10 to 28.0% in FY 11. Leverage as on March 31, 2011 was 4.2 times and RoE decreased from 15.8% in FY 10 to 12.9% in FY 11.

In the next section, we will do a more detailed evaluation of performance and developments of the different business platforms in FY 11.

## CORPORATE AND INVESTMENT BANK

### PROJECT FINANCE

The project finance SBU undertakes the fundamental role of evaluating projects and financing customers by developing different financing structures through using various financial instruments.

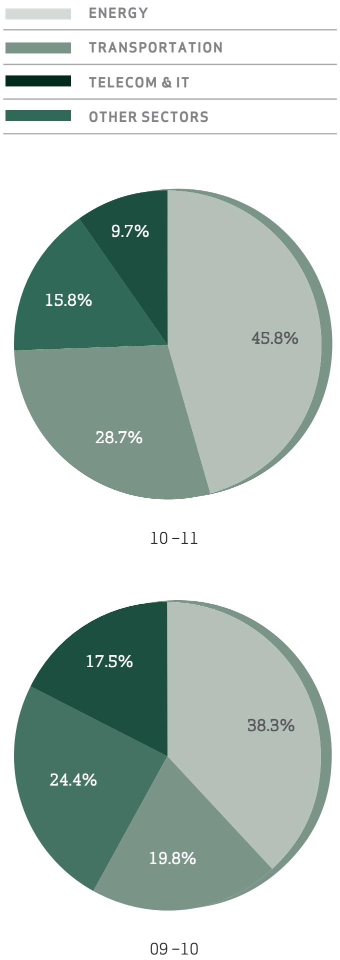
FY 11 saw a significant growth in the project funding business, both in terms of disbursements and approvals. Chart D tracks the gross approvals and disbursements on a quarterly basis over FY 10 and FY 11. As discussed in last year's Annual Report, IDFC had witnessed a quantum increase in approvals in Q4, FY 10. Many of these actually translated into disbursements in the first half of FY 11. In addition, gross approvals continued to maintain its high levels in Q1 and Q2 of FY 11. Consequently, the first half witnessed a massive 116% increase in disbursements compared to the second half of FY 10. Clearly, the secular growth trend witnessed in Q4, FY 10 continued through the first half of FY 11. Subsequently, in the second half, there has been a slight slowdown in both approvals and disbursements. There has been a slight tempering to the flurry of activities seen at the beginning of the year. Essentially, FY 11 has been a year when there has been a good flow of approvals and past approvals have been converted to disbursements. Consequently, the underlying project finance asset base has reached a different level in terms of size.

- Annual gross approvals, including equity and non-funded assistance, increased by 40% to ` 42,716 crore (` 427.1 billion) in FY 11, while net approvals grew by 29% to ` 27,424 crore (` 274.2 billion).
- Annual gross disbursements, including equity, rose by 106% to ` 26,702 crore (` 267.0 billion) in FY 11, while net disbursements grew by 184% to ` 14,009 crore (` 140.0 billion).
- Net interest income from infrastructure lending activities increased by 47% from ` 1,021 crore (` 10.2 billion) in FY 10 to ` 1,501 crore (` 15.0 billion) in FY 11.

While there has been significant focus on growth, IDFC has continued to maintain its prudent measures on risk exposure. The financial instruments used to structure project finance include corporate loans, project loans, subordinated debt, and loans against shares, mezzanine finance, and equity. Each of these instruments has a different risk profile. While loans and quasi-debt have lower risk exposure, equity and quasi-equity have higher risk exposure. Having said so, the higher risk instruments naturally have higher potential returns on an upside.

IDFC has stated that going forward, its participation in the equities space would essentially be through its various alternative funds or through co-investments. Consequently, proportion of loans and sub-debt in IDFC's total exposure continues to grow at the expense of equity and equity related instruments. Share of loans and sub-debt increased from 91.2% as on March 31, 2010 to 91.7% as on March 31, 2011, while that of equity and preference shares have reduced from 6.6% as on March 31, 2010 to 4.7% as on March 31, 2011. Within loans, too, the relatively riskier loans against shares reduced

**E** Share of IDFC's Total Exposure



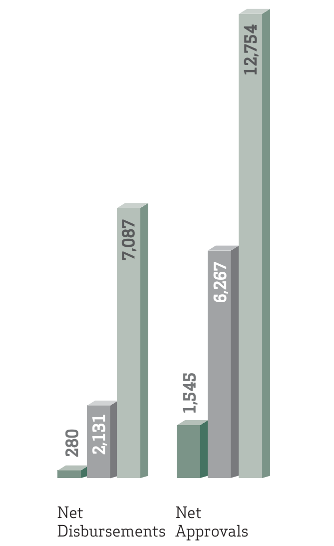
**F** Net approvals & Net disbursements - Energy (08-09, 09-10 & 10-11)

2008-09

2009-10

2010-11

(` in Crore)




from 3.3% as on March 31, 2010 to 1.1% as on March 31, 2011.

These activities led to a 50% increase in the net loan book from ` 25,031 crore (` 250.3 billion) in FY 10 to ` 37,652 crore (` 376.5 billion) in FY 11.

IDFC's project finance business concentrates on four infrastructure sectors — Energy, Transportation, Telecom and IT and Others.

Total exposure increased by 32.9% to ` 58,273 crore. It is evident from Chart E that the two traditionally dominant sectors – Energy and Transportation – continued to increase its share in IDFC's total exposure during FY 11. The Energy sector share increased significantly from 38.3% in FY 10 to 45.8% in FY 11, while that of Transportation also increased from 19.8% in FY 10 to 28.7% in FY 11. In contrast, the share of Telecom and IT decreased significantly from 24.4% in FY 10 to 15.8% in FY 11, while that of Others reduced from 17.5% in FY 10 to 9.7% in FY 11. Others include industrial, commercial and tourism, new players in steel and cement and some equity investments. These trends are in line with IDFC's risk return based investment philosophy and the business environment.

Essentially, the Energy and Transportation sectors are witnessing large new investments, while Telecom and IT has large players who are well entrenched in their business. The risk profiles of the other sectors, on average, are higher.

## ENERGY

There is a vast opportunity for growth in the field of power generation, transmission, and distribution in India, as there remains a large supply-demand gap.

Within this sector, IDFC focuses on financing electricity generation. By the end of 2012, estimates suggest that the country needs an additional 100000 MW of generation capacity. Meeting such demand requires huge capital investments, and numerous power generation companies both domestic and from across the globe, have been establishing their operations in the country. Most of these have adopted Private Public Partnership (PPP) models. Thus, it is a market with major opportunities. However, two factors have slowed down the sector to some extent. First, new power generation projects are finding road blocks in getting adequate coal linkages. Often, this is also hampered due to environmental reasons. Second, most of the PPP models are based on purchase guarantees from State Electricity Boards (SEBs). The SEBs are witnessing financial problems and this in turn is increasing the risk of the power generation projects that rely on SEB off-takes. The hydro-electric sector is also witnessing several issues related to environment degradation and the pace of development has been thwarted.

**JAS TOLL ROAD** ONE OF THE EARLIEST BOT ROAD PROJECTS IN INDIA FINANCED BY IDFC

IDFC has mainly catered to the thermal power generation projects. It has made an entry into the hydro-electric sector. However, as stated above, these projects have slowed down significantly. Renewable energy generation is another area where the Company has been actively partnering players, especially in the wind energy space. Riding on market growth, IDFC has significantly increased its play in financing energy projects.

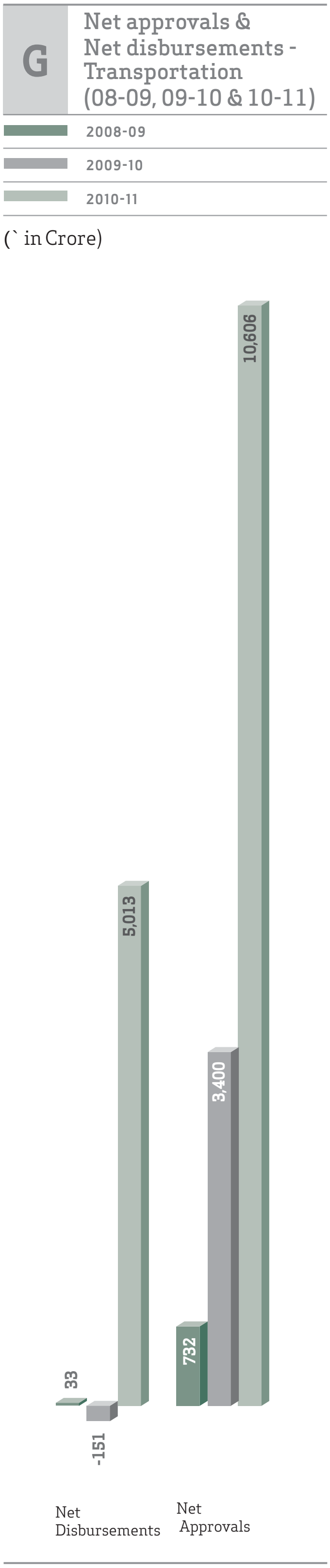
- As on March 31, 2011, IDFC's total exposure in the Energy sector was ` 26,707 crore (` 267.0 billion).
- Gross approvals increased by 98% from ` 9,131 crore (` 91.3 billion) in FY 10 to ` 18,081 crore (` 180.8 billion) in FY 11.
- Gross disbursements rose by 137% from ` 4,113 crore (` 41.1 billion) in FY 10 to ` 9,750 crore (` 97.5 billion) in FY 11.

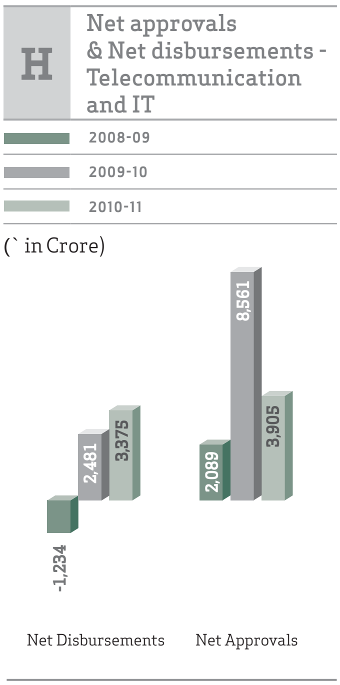
Chart F plots the secular trend in growth in net approvals and net disbursements in the Energy sector in the last 3 years.

## TRANSPORTATION

In Transportation, IDFC works on the financing of roads, airports, ports, container terminals, and gas and oil pipelines. While the roads development programme gained momentum at the beginning of the year with several large projects being developed, as the year progressed, there was virtual stagnation. There has again been some pick-up in the last quarter of FY 11. IDFC made most of the opportunities in the last quarter of FY 10 and Q1, FY 11 and evaluated and approved several projects. Consequently, there has been a significant increase, both in terms of approvals and disbursements in this sector. Chart G plots the growth in net approvals and net disbursements in Transportation sector in the last 3 years.

- As on March 31, 2011, IDFC's total exposure in the Transportation sector was ` 16,717 crore (` 167.1 billion).
- Gross approvals increased by 188% from ` 4,912 crore (` 49.1 billion) in FY 10 to ` 14,154 crore (` 141.5 billion) in FY 11.
- Gross disbursements grew by 317% from ` 1,793 crore (` 17.9 billion) in FY 10 to ` 7,475 crore (` 74.7 billion) in FY 11.






## TELECOMMUNICATION AND IT

The Telecommunication (telecom) industry in India has witnessed one of the most successful growth stories in infrastructure development in modern India. Today, the industry is dominated by some very large players who have very strong balance sheets and own investing capacities. There is, however, scope of financing projects that deal with technology upgradation in this space like the advent of 3G and mobile applications. The industry has witnessed some turmoil given the allegations on discrepancies arising out of the process used in allocating 2G spectrum licenses to certain new players in FY 08. However, IDFC's telecom portfolio is comfortably positioned and is not affected by the new 2G licenses issue.

Naturally, given the market, IDFC's exposure to this sector reduced in FY 11. However, many of the large approvals in the last quarter of FY 10 were disbursed in the first half of FY 11 contributing to a large growth in disbursals. IDFC also continued to focus on other opportunities in the telecom infrastructure space, especially telecom towers and those dealing with technology advancements.

- **As on March 31, 2011, IDFC's total exposure in the telecommunication sector was ` 9,222 crore (` 92.2 billion).**
- **Gross approvals reduced by 23% from ` 12,401 crore (` 124.0 billion) in FY 10 to ` 9,510 crore (` 95.1 billion) in FY 11.**
- **Gross disbursements increased by 139% from ` 3,670 crore (` 36.7 billion) in FY 10 to ` 8,761 crore (` 87.6 billion) in FY 11.**

Chart H plots net approvals and net disbursements in the telecommunication and IT sector in the last 3 years.

## OTHER SECTORS

This segment used to rely a lot on real estate. However, given the fact that real estate does not qualify as infrastructure and hence, as an IFC IDFC can only have a very limited exposure to this space and given the uncertainties in the real estate sector – primarily commercial real estate – IDFC is cautious in this segment. However, in a calibrated manner, and based on the past record of various promoters, the Company does make some investments.

- **As on March 31, 2011, IDFC's total exposure to Other Sectors was ` 5,626 crore (` 56.2 billion).**
- **Gross approvals decreased by 76% from ` 3,998 crore (` 39.9 billion) in FY 10 to ` 971 crore (` 9.7 billion) in FY 11.**
- **Gross disbursements decreased by 79% from ` 3,385 crore (` 33.8 billion) in FY 10 to ` 717 crore (` 7.1 billion) in FY 11.**

Chart I plots the net approvals and net disbursements in Commercial and Industrial Infrastructure sectors, forming part of Other Sectors, in the last 3 years.

## INVESTMENT BANKING AND INSTITUTIONAL BROKERAGE

This SBU is the erstwhile IDFC-SSKI platform that focuses on investment banking and institutional brokerage. In this business, positioning and quality delivery is critical. The SBU utilises the in-house expertise and brand positioning of IDFC to create a niche for itself in the market place. Total income from this SBU increased by 9% from ` 183 crore (` 1.8 billion) in FY 10 to ` 199 crore (` 1.9 billion) in FY 11.

In the investment banking part of the operations, it provided a gamut of advisory services across different areas like syndication, structured finance, corporate debt and equity market advisory. As discussed before, at the end of the year there has been an internal restructuring to provide better focus and support to the SBUs, where the debt capital market business has been hived out of the investment banking business and positioned with the treasury function. Consequently, the investment bank will have concerted focus mainly on the equity markets. As a SEBI-registered Category-1 merchant banker, IDFC Investment Banking has already led initial public offerings (IPOs) of some of the most prominent Indian companies. It also undertakes activities like private equity syndication, QIPs, international offerings like GDRs, ADRs, FCCBs, and project advisory and merger and acquisition services.

Given the volatility in markets, there was a slowdown in primary market activities in the middle of the year. In this environment, income from investment banking activities increased by 28% from ` 101 crore (` 1.0 billion) in FY 10 to ` 129 crore (` 1.3 billion) in FY 11.

IDFC Institutional Equities caters to most of the prominent financial institutions, foreign and domestic, investing in Indian equities. This institutional brokerage business is based on strong research-led investment ideas, superior client servicing track record and exceptional execution skills. It caters to a wide variety of investors including Pension Funds, Long-only Funds, Hedge Funds, Mutual Funds, Banks, Insurance companies and Portfolio Management companies and has a client base of over 100 large clients spread across India, Far East, UK and USA. Market volatilities during FY 11 resulted in higher risk perception and lower participation in the Indian equity market. Consequently, transactions were lower and the business, which is based on transaction fees, was affected. Income from the institutional brokerage business (net of statutory dues) decreased by 24% from ` 70 crore (` 0.7 billion) in FY 10 to ` 53 crore (` 0.5 billion) in FY 11.

Notwithstanding the volatility in the capital markets, FY 11 witnessed the SBU being ranked as the number 2 investment bank in the private sector as per Bloomberg League Table for 2010. Also, two of the research team analysts were ranked in the Top 10 by Asia Money for 2010.

## FIXED INCOME AND TREASURY

After the recent restructuring, this SBU now includes treasury management, the proprietary equity trading book for equity trading. In addition, with the integration, it will also include the corporate bond underwriting book for active participation in the primary corporate bond market and the structured finance book to originate, structure and sell-down or distribute structured products.

## TREASURY

As the focus of the Company shifted to high growth based on expanding the balance sheet, much of treasury function's challenge was to raise capital and maintain sufficient liquidity to support the project finance operations. In an environment of higher costs of finance, by developing effective duration relationships between its assets and liabilities, the treasury function successfully supported the objective of balance sheet growth and maintained interest spread.

- **As on March 31, 2011, the asset duration was 2.07 years while the liability duration was 2.74 years. This bears testimony to the business' ability to forecast and take appropriate calls in the fixed income markets without taking undue risks.**
- **Treasury assets increased by 28% from 5,049 crore (` 50.4 billion) on March 31, 2010 to ` 6,464 crore (` 64.6 billion) on March 31, 2011.**
- **Net interest income from treasury operations increased by 49% from ` 96 crore (` 0.96 billion) in FY 10 to ` 144 crore (` 1.4 billion) in FY 11.**

## DEBT CAPITAL MARKETS

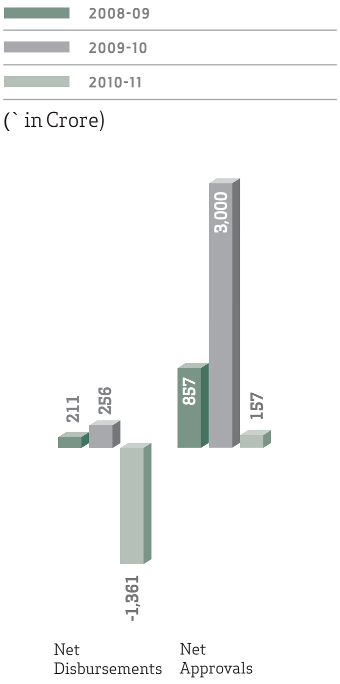
During FY 11, this business was carried out through the investment bank – IDFC Capital. Since bond underwriting and structured finance activities require active balance sheet support, at the end of the year, it has been integrated into the fixed income and treasury SBU. It generated an operating income of around ` 30 crore (` 0.3 billion) in FY 11.

## PRINCIPAL INVESTMENTS

Principal investments are directly made from the Company's own balance sheet, which form part of proprietary investments. There are different objectives with which principal investments are made. Most of these are to support the larger IDFC business platform. There are some investments that have long-term exit plans, which can be termed active and generate most of the returns, while others are more passive. The relatively more active parts of the proprietary equity book are the:

- INFRASTRUCTURE INVESTMENTS, which are generally made to build longer term relationships with sponsors by supplementing project finance with some direct equity stake in projects and supporting them by sharing risks. This is essentially intrinsically linked to the project finance business. Even here given the Company's focus on creating more stable asset base, there is less emphasis on making equity investments while financing projects.

I Net approvals & Net disbursements - Commercial & Industrial Infrastructure




**IIR 2010 RELEASE** SHRI SURESH PRABHU, CHAIRMAN OF COUNCIL OF ENVIRONMENT, POWER & WATER, WITH DR. LALL MD & CEO, IDFC RELEASING THE IIR 2010 "INFRASTRUCTURE DEVELOPMENT IN A LOW CARBON ECONOMY"

The other 3 broad categories of investments are fairly passive. These include:

- STRATEGIC INVESTMENTS, where IDFC picks up stake in entities to further strengthen its business offering or for some strategic purpose that is central to the Company's long-term objectives. These investments total ` 1,365 crore (` 13.6 billion) as on March 31, 2011.
- FINANCIAL INVESTMENTS, includes investments in NSE, STCI and ARCIL. These investments total ` 373 crore (` 3.7 billion) as on March 31, 2011.
- INVESTMENT IN VENTURE CAPITAL UNITS, for funds which are sponsored and managed by IDFC. These investments total ` 454 crore (` 4.5 billion) as on March 31, 2011.

Given the volatility in equity markets, the returns in terms of capital gains and dividends decreased during FY 11.

- **As on March 31, 2011, total exposure on IDFC's equity asset book, excluding strategic investments, was ` 2,936 crore (` 29.3 billion).**
- **Outstanding disbursements, or the equity book, decreased by 1% from ` 2,057 crore (` 20.5 billion) as on March 31, 2010 to ` 2,042 crore (` 20.4 billion) as on March 31, 2011.**
- **Income from the Company's principal investments, which includes dividends and capital gains, decreased by 27% from ` 261 crore (` 2.6 billion) in FY 10 to ` 191 crore (` 1.9 billion) in FY 11.**

## ALTERNATIVE ASSET MANAGEMENT

The SBU focuses on mobilising and managing third party equity based funds. There are two broad groups – private equity and project equity. As of March 31, 2011, the total Assets Under Management (AUM) across private equity and project equity business was ` 8,681 crore (US$ 2 billion at exchange rate of US$ 1 = ` 44.59).

## PRIVATE EQUITY

The private equity business is carried out through the Company's wholly owned subsidiary – IDFC Private Equity Company Limited ('IDFC Private Equity'). Its activities are centred on mobilising private equity into infrastructure centric funds and providing equity-based risk capital to early stage as well as fast growing infrastructure companies. Returns are generated through asset management fees and a 'carry' on capital appreciation.

Given the volatile global financial market conditions, IDFC Private Equity continued to focus on maintaining the existing funds. The three funds under management are:

- INDIA DEVELOPMENT FUND: This manages assets worth ` 265 crore (US$ 0.1 billion). The original corpus of the fund has been already paid back to investors.
- IDFC PRIVATE EQUITY FUND II: Assets Under Management (AUM) is ` 1,677 crore (US$ 0.4 billion), which has been fully invested.
- IDFC PRIVATE EQUITY FUND III: This has an AUM of ` 2,903 crore (US$ 0.8 billion). With investment calls in FY 11, Fund III is now 51% committed.

Apart from pure fund management through the private equity platform, IDFC also supplements its project lending activities by providing critical equity capital to some of its clients.

- As of March 31, 2011, total assets under IDFC Private Equity's management were US$ 1.1 billion or ` 4,845 crore (` 48.4 billion at exchange rate of US$1 = ` 44.59). Operating income from Private Equity reduced by 14% to ` 85 crore in FY 11.

## PROJECT EQUITY

IDFC's project equity invests in operating assets of infrastructure projects. Much of these investments are in the post-construction and stabilisation stage. Being investments in the post-implementation phase, these have lower risk-return profiles compared to the pure private equity plays.

It manages ` 3,837 crore (US$ 0.9 billion) India Infrastructure Fund, which had achieved final closure in June 2009. As of March 31, 2011, total assets under IDFC Project Equity's management were US$ 0.4 billion or ` 1,628 crore. IDFC has made a US$ 100 million investment into this fund. The investment objective of this fund is to:

- achieve attractive risk-adjusted returns over the long-term by investing in infrastructure in India
- seek investments in infrastructure that are expected to deliver strong, predictable and stable cash flows in the form of dividend distributions with low volatility of returns and potential for capital growth.

To achieve this goal, it has deployed a strategy of focusing on infrastructure equity, attractive risk return equation, diversified portfolio, long-term investment horizon and active management and governance through investment rights.

While the focus was on fund maintenance, the India Infrastructure fund has called 44% of its total capital commitments as of March 31, 2011. The fund has invested ` 1,423 crore across 13 portfolio companies. Operating income from Project Equity reduced marginally by 2% to ` 60 crore in FY 11.

## PUBLIC MARKETS ASSET MANAGEMENT

This SBU is administered through the asset management company – IDFC AMC. Their primary business is the IDFC Mutual Fund, which was acquired from Standard Chartered Bank in 2008. The AMC offers a slew of funds that cater to the different investment needs of both institutions and individuals. These include equity schemes, income or liquid funds and hybrid products. It continues to focus on creating and nurturing wider and improved channels and offering a larger basket of products to target a wider customer base.

While the AMC continued with its aggressive growth efforts, market conditions were volatile in FY 11. Consequently, the assets under the Mutual Fund's management decreased from ` 25,775 crore (` 257.7 billion) as on March 31, 2010 to ` 23,702 crore (` 237.0 billion) as on March 31, 2011. IDFC Mutual Fund has the twelfth largest AUM amongst mutual funds in India.

IDFC AMC also manages a private wealth management company called IDFC Investment

Advisors (IDFC IA) that targets High Networth Individuals (HNIs) for personal wealth management. IDFC IA has an AUM of ` 690 crore as on March 31, 2011. Total operating income of IDFC AMC & IDFC IA decreased by 16% to ` 112 crore (` 1.1 billion) in FY 11.

In December 2010, IDFC and Natixis Global Asset Management (NGAM) entered into a strategic partnership for the public markets asset management business. This partnership will allow both players to mutually leverage their positioning. While IDFC AMC will get the opportunity to significantly enhance its international distribution and gain access to global investors who are keen to participate in India's growth and invest in Indian equity markets, NGAM will get to expand its global footprint. NGAM already has a significant presence in Asia, including Japan, Taiwan, Singapore and China. In addition, this partnership will give IDFC AMC the ability to offer domestic investors access to international investment opportunities through investment products managed by NGAM. As part of the deal, NGAM will acquire a 25% minority stake in IDFC AMC and the Trustee Company subject to regulatory approvals.

## RISK MANAGEMENT

IDFC is into the second year of implementing a comprehensive Enterprise Risk Management (ERM) framework that adopts an integrated approach to manage all the three types of risks – market risk, credit risk and operational risk. The ERM has been adopted across all entities in the IDFC group.

Traditionally, IDFC has had strong risk management practices related to market risk and credit risk front. Regarding market risk, there is focus on loan portfolio assessment, asset-liability management, and loan pricing. Given the rising volatility of interest rates as well as introduction of new products in the treasury portfolio, IDFC has also increased the level of monitoring of market risk. This involves measuring interest rate risk on a regular basis as well as testing newer models for analysis. In addition, the Company has been developing various market risk modules.

On the credit risk front, there is a comprehensive portfolio review of all project assets and equity investments of the Company on a semi-annual basis. Each credit risk is analysed individually and then integrated at the portfolio level. The overall portfolio risk report is regularly presented to a Board Committee comprising entirely independent directors. The Risk Group also closely focuses on Asset-Liability Management (ALM). To enhance the effectiveness of the current process of regular monitoring of liquidity and interest rate risks, IDFC has sourced a sophisticated software-based ALM system.

Since FY 10 there has been a concerted effort to focus on an organisation-wide operations risk management framework. Initially, awareness was created at the Board level and downwards. However, the implementation process followed a bottoms-up approach that makes every unit across different business segments aware of the risks related to its operations. Post creating awareness, the focus is on managing some of the top risks in terms of probability of occurrence and impact. A system has also been devised to convert these into SBU-wise and unit-wise heat maps.

The risk management system is supported by customised software, which:

- allows real-time tracking and monitoring of all types of risks;
- provides precise information on activities, risks and controls to all;
- has the capability to track, understand and manage information across the organisation;
- generates risk heat maps at all levels of the business;
- shows the list of open issues at any point of time;
- sets up central repository for all policy and procedures;
- standardised policies and procedures;
- provides trend analysis on risk history to take proactive measures.

The entire Company, including the risk management system, is governed by a structure that cuts across the different businesses. At the top of this structure are six Board-level committees – the Executive Committee, the Audit Committee, the Compensation Committee, the Investors' Grievance Committee, the Risk Committee and the Nomination Committee. The terms of reference, mandate, constitution, quorum and periodicity of meetings has been re-defined in line with concepts of enterprise-wide risk management. These committees are supported by sub-committees at the unit level and responsibilities and reporting structures are linked across all entities within IDFC.

Especially on risk management front, there are separate active sub-committees. These include the Portfolio Review Committee (for portfolio or credit risk), the Asset Liability Committee (for market risk) and the Operational Risk Committee (for operational risk). The Managing Director or his nominee and a Board member are part of these committees, in addition to other functional Managers.

## INFORMATION TECHNOLOGY

IDFC recognises Information Technology (IT) as a critical business enabler that connects people, offices, companies and all stakeholders through automation and applications. The IT function at IDFC has focused on providing end-user satisfaction by ensuring high uptimes, latest modes of communication, business aligned applications and proactive compliance to industry and regulatory needs.

In FY 11, focus was on communications channels, uptime, new business application deployment and new 'industry first' initiatives. To adopt latest technology and provide better computing experience some of the key infrastructure system software was improvised and the exchange services were upgraded. New communication channels were introduced to users to make information and network available to them inside as well as outside the office premise. In order to enhance user experience, multiple channels of communications like office communicator and wireless access across office facilities were established. In addition, a mechanism to work remotely in a secure manner was established on SSL VPN.

Many small and large application roll-outs during FY 11 not only addressed and improved transactional capabilities but also ensured higher levels of effectiveness across the IDFC group. One of the large implementations involved considerable enhancements in the enterprise wide e-business suite. New modules of asset management and procurement were introduced to support the group-wide centralised management of all assets. Besides these, the entire platform supporting the application and database of e-business suite were also upgraded to enable better support and stability. The core treasury application underwent an upgrade and an integration of the front, mid and back office solutions was completed. An intranet platform, 'iConnect' was also developed. This is the startup portal for all employees. A few applications were also built for improvised operations in customer management, deal tracking, branch automation and business unit assessments in the asset management businesses.

Many office processes were also automated to enable better facilities management at all the key offices. The internal software development team has now started to deliver many new applications across the group, thereby providing better cost realisations in addition to improvised process orientation.

IDFC recognises that while technology provides considerable business enablement

## 2 Financial Review

The abridged consolidated profit and loss accounts of IDFC for 2009-10 and 2010-11 are presented in Table 2.

` CRORE

| PARTICULARS | FY 2011 | FY 2010 | %GROWTH |
|---|---|---|---|
| **Net Interest Income** | **1,645** | 1,117 | 47% |
| Infrastructure | 1,501 | 1,021 | 47% |
| Treasury | 144 | 96 | 50% |
| **Non Interest Income** | **875** | 950 | (8%) |
| **Principal Investment** | **191** | 261 | (27%) |
| **Asset Management** | **291** | 362 | (20%) |
| **Management Fees** | 248 | 290 | (14%) |
| Mutual Funds | 110 | 132 | (17%) |
| Alternatives | 138 | 158 | (12%) |
| Capital Gains & Carry | 43 | 72 | (40%) |
| **Investment Banking & Broking** | **199** | 183 | 9% |
| Investment Banking | 146 | 111 | 32% |
| Institutional Broking | 53 | 72 | (27%) |
| **Loan Related & Other Fees** | 194 | 144 | 35% |
| **Other Income** | 26 | 40 | (34%) |
| **Operating Income** | 2,547 | 2,107 | 21% |
| **Operating expenses** | 533 | 549 | (3%) |
| **Pre Provision Profits** | 2,013 | 1,558 | 29% |
| **Provisions** | 235 | 130 | 81% |
| **Profit Before Tax** | 1,779 | 1,429 | 25% |
| **Less: Provision for Tax, Profit in Associate Co, Minority Interest, etc.** | 497 | 367 | 37% |
| **Profit After Tax** | 1,282 | 1,062 | 21% |

and efficiency, it comes with its own inherent risks. To mitigate these risks, IDFC adopts standards that help in deploying technology in a secure manner. One such initiative is the adherence to ISO 27001 standards. This year the IT operations of our securities and capital market businesses were certified as ISO 27001 compliant. With this, all critical businesses of IDFC are now certified according to global standards. As an annual process, the Company consistently engages a reputed IT audit firm to do a comprehensive audit of all IT equipment, networks, applications, processes and facilities supporting the IT infrastructure. This assurance by expert agencies helps in redefining security systems.

Higher reliability was built based on the organisation's disaster recovery strategies for all the critical real time systems. Regular testing to ensure stability of this process and minimal downtime during disaster scenarios was also ensured. With a focus on corporate responsibility, FY 11 saw IDFC's data centre become the first Data Centre in India to be certified as Green (Energy Efficient) by TUV Rheinland. Since inception of the project, the Data Centre has registered a 16% improvement in energy consumption.

## IDFC FOUNDATION

During the year, IDFC's development agenda was pursued through its dedicated division – IDFC Foundation, exclusively set up for this purpose. The Governing Board of IDFC Foundation met four times during the year to review the progress achieved in its core development areas, viz. Policy Advocacy, Capacity Building, Government Transaction Advisory Services and Corporate Social Responsibility (CSR) initiatives.

In March 2011, IDFC Foundation was incorporated as a not-for-profit company under Section 25 of the Companies Act, 1956. As on March 31, 2011, IDFC's shareholdings in its joint ventures with the Governments of Karnataka, Uttarakhand and Delhi [Infrastructure Development Corporation (Karnataka) Limited - iDeCK, Uttarakhand Infrastructure Development Company Limited – U-DEC and Delhi Integrated Multi-Modal Transit System Limited – DIMTS] and its investments in India PPP Capacity Building Trust (I-Cap) and India Infrastructure Initiative Trust (Triple-I, set up in partnership with Feedback Ventures Private Limited) for project development and advisory services, were transferred to IDFC Foundation. The entire gamut of development activities being pursued by IDFC is now coordinated and overseen by IDFC Foundation.

### POLICY ADVOCACY

Since inception, IDFC has played a pivotal role in advising governments at various levels in developing policy, legal and regulatory frameworks that enable the sustainable growth and development of various infrastructure sectors, provide affordable and high quality services to users and encourage private investment in infrastructure.
While much progress has been made in telecommunications, roads, ports and airports, the Foundation now focuses on energy, urban development, and sustainable and inclusive infrastructure development. Sectoral Advisory Boards have been constituted, comprising prominent and knowledgeable persons, to advise on private financing issues as well as to advocate policies to remove impediments to the growth of these sectors.

In the energy sector, the Foundation's focus continues to be on promoting market development and competition as well as in enlarging the scope of power generation from cleaner and renewable sources of energy. The Foundation is also looking into issues of increasing energy access. In the urban sector, the focus is on water supply and sanitation, land, and affordable housing. We are working with several Ministries and high-level Committees on transport, infrastructure finance, and urban issues.

A key initiative taken during the year was the development and launch of an Infrastructure Index that tracks physical infrastructure development over time across States and at the national level. IDFC also released the India Infrastructure Report (IIR) 2010 focusing on infrastructure development in a low carbon economy, a contemporary issue for a rapidly growing country with massive infrastructure requirements. In line with the Foundation's thrust of working on sustainable and inclusive infrastructure development, the forthcoming IIR 2011 would focus on Water, in


**IDFC SUPPORTS** EDUCATION OF THE UNDERPRIVILEGED GIRL CHILD THROUGH THE NANHI KALI PROGRAMME

particular the challenges India faces in water security and sustainability.

## CAPACITY BUILDING INITIATIVES

I-Cap is the executing agency for the Department of Economic Affairs, Ministry of Finance, Government of India, for implementing the National PPP Capacity Building Programme for officials of State governments, urban local bodies and select Central government departments, through existing institutes of public administration across fourteen States and three central training institutes. The first phase of this programme is largely funded by a grant from KfW Development Bank. Together with a consortium of consultants appointed by the World Bank, I-Cap developed the entire syllabus, training material and course schedules for the programme. I-Cap also conducted pilot programmes to test the material prior to finalisation.

The programme was formally launched with the release of the training material developed for the programme by the Union Finance Minister (FM) at the India PPP Conclave held in December 2010. Especially noteworthy is the fact that the programme found special mention in the FM's Budget speech in February 2011. Since then I-Cap has successfully conducted three Training of Trainers (ToT) programmes for selected trainers from these institutes. The programme roll out would commence in the current year, which is consequently expected to result in improved capacities among government officials in preparing and managing PPP projects across various infrastructure sectors in these States. I-Cap is also assisting the Naya Raipur Development Authority through a dedicated project support team based at Raipur to identify and develop infrastructure projects under PPP frameworks. During the year, it also conducted programmes for senior government officials in Chhattisgarh and Assam.

The IDFC/I-Cap combine was appointed by the Ministry of Urban Development (MoUD) as the Regional Capacity Building Hub for developing and implementing a capacity building programme for elected representatives and municipal officials under


**IDFC'S 13TH ANNUAL REPORT FY 2009-2010 WINS SILVER SHIELD**

IDFC's Thirteenth Annual Report for FY 2009 - 2010 has received **Silver Shield** – 2nd best entry award for 'ICAI Awards for Excellence in Financial Reporting' under the Category VII – Service Sector (other than Banking & Insurance) (turnover equal to or more than ` 500 crore). The awardees have been selected by the panel of judges on review of accounting practices adopted by the participating enterprises in the preparation of financial statements and the policies adopted for disclosure and presentation of financial statements and other information in the Annual Reports without regard to their financial condition and operating performance.

Shri Salman Khurshid, ex-Union Minister of State (I/C), Corporate Affairs, giving the award to Shri L. K. Narayan, ex-Group CFO, IDFC and Shri Bipin Gemani, Group Director - Finance.

the Jawaharlal Nehru National Urban Renewal Mission for mission cities in three regions. These include the Northern Region (States of Uttarakhand, Delhi, Rajasthan and Haryana), North Eastern Region (all eight North Eastern States) and Western Region (Gujarat and Madhya Pradesh). Stakeholder consultations with key state and city officials have been held in each region to finalise the modalities of roll-out, and to understand their current and future training needs. The first programme was conducted in Rajasthan in February 2011. Subject material is presently being customised to suit the needs of various cities and the roll-out is also expected to gain momentum in the current year. I-Cap has also been conducting capacity building programmes for the urban sector in partnership with the Administrative Staff College of India, Hyderabad.

## GOVERNMENT TRANSACTION ADVISORY SERVICES

IDFC Foundation continued to pursue its strategy of providing transaction advisory services to governments and agencies which demonstrate a propensity to change as well as to promote private sector engagement in new areas of infrastructure, in order to provide improved standards of service to users. The Foundation has been advising the Governments of Bihar, Chhattisgarh, Madhya Pradesh, Karnataka, Gujarat, Delhi, Maharashtra and Uttarakhand, the Andaman & Nicobar (A&N) Islands administration, agencies like the Central Warehousing Corporation, Gujarat Maritime Board, Andhra Pradesh State Road Transport Corporation and Tirupati Urban Development Authority and Central Ministries such as the Ministry of Home Affairs (Delhi Police) and Ministry of Rural Development.

Some of the projects where private investors have been identified/concession agreements have been signed for implementation of infrastructure projects include state highways in Bihar, Karnataka and Gujarat, bus concessions in Delhi, tourism properties in A&N Islands, integrated solid waste management facilities in an industrial estate in Hardwar and horticulture gardens and food parks in Karnataka. Some of the newer areas where private participation is being promoted include the mechanism for authentication/certification of payments to beneficiaries under the NREGA Scheme, projects in traditional areas of medicine (AYUSH), bus terminals, bus transit systems, management services for water distribution, police housing, amusement parks and animal husbandry projects.

A substantial part of this work is accomplished through iDeCK, U-DeC and DIMTS. While iDeCK and U-DeC focus largely on project development and advisory services, DIMTS has, in addition, been assisting the Government of Delhi, Transport Department, in a range of project management, construction and O&M services. DIMTS has set up a state-of-art transportation monitoring and intelligent-signalling system and manages the issuance of driving licences on behalf of the Transport Department. It also manages a GPS-based vehicle tracking system for all the public buses in Delhi, which is currently one of the largest systems in the world. It has been acknowledged that the involvement of these agencies has made a substantial difference to the way infrastructure has been developed in these states. Especially gratifying was the public attestation of iDeCK's usefulness both by present and former officials of the Government of Karnataka at its tenth anniversary celebrations in July 2010 in Bangalore.

**3 Carbon Footprint for the financial year 2010 –2011**

| TYPE OF EMISSION | DESCRIPTION | IDFC'S EMISSION | AMOUNT |
|---|---|---|---|
| **Scope 1** | Direct GHG emissions from owned or controlled assets | Fuel used in Company vehicles, own DG sets | 137 tCO2e |
| **Scope 2** | Indirect GHG emissions from the generation of energy procured from third parties for own consumption | Electricity purchased from the grid | 3929 tCO2e |
| **Scope 3** (optional reporting) | Indirect GHG emissions from the generation of energy consumed by third parties but which is a direct consequence of own activities | Fuel used in employee travel by air/train/local car hire, or energy used in the production of paper consumed by IDFC, printing of retail bond application forms, illumination of hoardings, etc. | 3042 tCO2e |

IDFC's mission statement setting out nation-building as a core theme has ensured that social responsibility is intrinsic to the Company's culture. In FY 2011, IDFC continued to take effective steps to make its internal operations more environmentally sustainable by obtaining, for its new registered office in Chennai, the US Green Business Council's LEED Gold Certification (Commercial Interiors), and for its central data centre, "Energy-Efficient Data Centre" certification from TUV Rheinland. It also obtained an assessment of the total carbon footprint of its internal operations from British Standards Institution (BSI) Management Systems, making it one of the few Indian companies to get such external assessment; this initial assessment will be refined and monitored in subsequent years, with the ultimate objective of making IDFC a carbon-neutral organisation.

IDFC continued 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). IDFC is one of the stocks listed on the National Stock Exchange which comprises the S&P ESG India Index, an index whose objective is to give investors exposure to 50 of the best performing stocks in the Indian market as measured on ESG parameters.

IDFC Foundation continued to support socially relevant initiatives in the infrastructure space. It invested in the equity of Pipal Tree Ventures Pvt. Ltd., a for-profit enterprise founded by professionals, engaged in providing vocational training to rural unemployed youth for semi-skilled work in the construction industry. Pipal Tree Ventures has technical partnerships with Technical & Further Education, NSW, Australia, one of the largest vocational training providers in the world, and SES, Germany and with equipment manufacturers such as Doosan, Schwing Stetter and Volvo. With its focus on rural unemployed youth and the construction sector, Pipal Tree Ventures is in a unique position to contribute to inclusive growth while also meeting a critical need of IDFC's clients in the construction sector.

IDFC Foundation also collaborated with Chennai City Connect Foundation, an NGO engaged in developing sustainable solutions for urban governance, to redesign two major road junctions adjacent to its Chennai office, so as to improve traffic flow, pedestrian mobility and safety; the detailed designs are under consideration by the Chennai Corporation for implementation, and would be used by CCCF as a template for other such studies.

## CARBON FOOTPRINT

The carbon footprint of an entity is a measure of the impact its activities have on the environment in terms of the amount of greenhouse gases (GHG) produced, usually expressed in metric tonnes equivalent of carbon dioxide (tCO2e). We have measured our carbon footprint for the first time for FY 11, and this will constitute the baseline for subsequent monitoring and reduction. The carbon footprint covers all the entities and offices (with minor exceptions) controlled by IDFC, except for the joint ventures of IDFC Foundation engaged in providing government advisory services and the project SPVs/companies of IDFC Projects and IDFC Private Equity. The carbon footprint has been independently verified by BSI Management Systems India Ltd. (a subsidiary of the British Standards Institution, UK) and conforms to the ISO 14064-1 standard. Our carbon footprint for the FY 11 is given in Table 3.

## HUMAN RESOURCES

Last year we unveiled the One Firm strategy that would create a better aligned and more integrated organisation that has a sense of shared purpose and values.

Having launched this last year, this fiscal, the focus has been two pronged – first, to measure the effectiveness of our efforts in building a common culture and embedding our Values – INSPIRE across the organisation. Second, to align the senior leaders and enhance their ability to drive this initiative effectively across the entire Company.

The impact measurement and assessment of our progress in embedding the Values was done through a culture diagnostic run by YSC Inc., a leading change management consultancy, in Q1 this year. The diagnostic that was responded to by over 90% of the employees measured three elements, a) how well do we perform on the key drivers of employee engagement, b) are we building an organisation that will deliver sustainable business performance and social impact and finally c) are we living our Values.

The IDFC score of 4.57 (on a 5 point scale), puts us in the global top quartile on employee engagement, an organisation that delivers sustainable performance & social impact and living the Values. Within the overall results the relative areas of focus for development are, improving internal partnership and collaboration, focusing more sharply on talent development and creating inspirational leadership at all levels within the Company.

The results have been followed up with team level action planning to continue to enhance our effectiveness on these measures. This is a journey of continuous improvements. We truly believe that we have an opportunity to build IDFC into an iconic organisation that would be a beacon for the best talent around the world.

## STRENGTHENING LEADERSHIP

"Leadership is the capacity and will to rally men and women to a common purpose and the character which inspires confidence", so quoted the famous WWII British Field Marshal, Bernad Montgomery. Creating a strong and committed cadre of leaders who will inspire employees across the organisation to make this journey is a lynchpin in the efforts of building a more integrated, aligned organisation that delivers an enhanced value proposition to clients and consequently, superior shareholder returns.

The IDFC Senior Leaders' Programme (ISLP), is a unique leadership development initiative launched this year in partnership with the First Ascent Group of UK. The programme is designed specifically for IDFC keeping in mind our growth plans and the transformation journey that we have embarked on. It will help senior managers sharpen their judgement, enhance their ability to influence others and help them improve on a range of leadership attributes such as self assurance, ambition and emotional intelligence.

The top 75 leaders across all businesses and functions have already completed the first phase of the leadership training. The second phase is planned in FY12.

## PROTECTING OUR KNOWLEDGE CAPITAL

IDFC has always been acknowledged as the last word on infrastructure development. This reputation, built on our deep insight and understanding of infrastructure development in India, is key to our competitive advantage. Ensuring that we retain this edge is critical. In FY 11, we have invested extensively in institutionalising a robust framework of identifying the key learning and development needs of the businesses. These development needs have been addressed through training programme that are co-designed with leading firms specialising in this area such as YSC, Franklin Covey, Strategic Decision Group, to name a few. In FY 11 we achieved a training intensity of 4 person days per annum and we expect to continue to invest in Learning and Development at a similar pace in the next year.

## ENHANCING PERFORMANCE

This year we rolled out an upgraded, technology enabled performance management framework in the organisation. The focus was on improving the alignment of individual businesses and employees with the overall Firm performance and driving clear, sharply defined metrics that would emphasise the focus that the

IDFC continued to be a signatory to global initiatives on Environment, Social and Governance issues such as the Carbon Disclosure Project, the United Nations Global Compact and the UN-sponsored Principles for Responsible Investment.

Management has on driving a high performance culture at IDFC.

The entire exercise was facilitated by McKinsey. They worked with the MD & CEO and refined the success measures for all businesses and functions to create a scorecard that ensures that all aspects of the Firm performance are embedded in the performance metrics of the top management team and the individual teams across Company. The measures agreed, cover the 4 key elements – Financial Performance, Customer Engagement, Internal & External Standards and Employee Engagement, the achievement of which together results in a profitable and sustainable enterprise.

Using the technology enabled interface developed alongwith PwC, annual plans get cascaded across Company in a timely manner which ensures that all employees are clear about what is expected of them early in the year. Performance reviews have also become more effective (greater fairness and transparency), which results in more engaged employees, critical to building a high performance culture.

## 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.

## 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. ■

# corporate governance report

**Being a professionally run Company with no single promoter or promoter group, effective Board oversight and sound Corporate Governance practices are inherent to the pursuit of Infrastructure Development Finance Company Limited ('IDFC' or 'the Company') of delivering value to all its stakeholders on a sustainable basis.**

## COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Being a professionally run Company with no single promoter or promoter group, effective Board oversight and sound Corporate Governance practices are inherent to the pursuit of Infrastructure Development Finance Company Limited ('IDFC' or 'the Company') of delivering value to all its stakeholders on a sustainable basis.

IDFC is fundamentally a financial intermediary. The business focuses on maximising returns on assets, while effectively managing the inherent risks. In this pursuit, for efficient and responsible decision making and execution, it is imperative to develop good governance structures and "best in class" processes that have strong reliance on ethics and value systems. Adopting such a framework, IDFC emphasises on appropriate and timely disclosures and transparency in business dealings.

Corporate Governance is an ongoing 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 have to not only deal with the growing size of the business but also the increase in complexities of the organisation structure that supports such aggressive growth.

In India, Corporate Governance standards for listed companies are regulated by the Securities & 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, alongwith the chapters on Management Discussion & Analysis and Additional Shareholder Information, reports IDFC's compliance with the prevalent Clause 49.

## BOARD OF DIRECTORS

### COMPOSITION OF THE BOARD

As on March 31, 2011 the Company's Board comprises twelve Directors, including a non executive Chairman, five independent Directors, two nominees of institutions which have invested in or lent to the Company, two Government Nominated Directors and two Whole-Time Directors. The Chairman of the Board is a non promoter, non executive Director. The composition of the Board is in conformity with Clause 49 of the Listing Agreement, which stipulates that 50 per cent of the Board should comprise of non executive Directors, and if the Chairman is non executive and not a promoter, one-third of the Board should be independent.

### NUMBER OF BOARD MEETINGS

The Board of Directors met six times during the year under review on April 27, 2010, June 28, 2010, August 04, 2010, November 08, 2010, January 31, 2011 and March 28, 2011. The gap between any two meetings was less than four months.

### DIRECTORS' ATTENDANCE RECORD AND DIRECTORSHIP HELD

As mandated by the Clause 49, none of the Directors are members of more than ten Board level committees nor are they Chairman of more than five committees in which they are members. Refer Table 1 for details.

### INFORMATION SUPPLIED TO THE BOARD

The Board has complete access to all information about the Company. *Inter alia*, the following information is regularly provided to the Board as a part of

## 1 Composition of the Board of Directors

| NAME OF DIRECTOR | POSITION | NO. OF MEETINGS HELD IN 2010-11 | NO. OF MEETINGS ATTENDED IN 2010-11 | WHETHER ATTENDED LAST AGM ON JUNE 28, 2010 | NO. OF OUTSIDE DIRECTORSHIPS OF PUBLIC COMPANIES* | NO. OF COMMITTEE MEMBERSHIPS# OTHER THAN IDFC | NO. OF CHAIRMANSHIPS OF COMMITTEES# OTHER THAN IDFC |
|---|---|---|---|---|---|---|---|
| Mr. Deepak Parekh | Non Executive Chairman | 6 | 6 | Yes | 12* | 7 | 5 |
| Dr. Rajiv B. Lall | Managing Director & CEO | 6 | 6 | Yes | 12* | 2 | NIL |
| Mr. Vikram Limaye | Whole-Time Director | 6 | 6 | Yes | 14 | 6 | 5 |
| Mr. G. C. Chaturvedi** | Nominee – Non Executive | 3 | NIL | No | 1 | NIL | NIL |
| Mr. Bimal Julka *** | Nominee – Non Executive | 3 | 2 | NA | 1 | NIL | NIL |
| Mr. S. S. Kohli | Nominee – Non Executive | 6 | 5 | Yes | 6 | 3 | 2 |
| Mr. Abdul Rahim Abu Bakar | Nominee – Non Executive | 6 | 6+ | Yes$ | NIL | NIL | NIL |
| Mr. Dimitris Tsitsiragos | Nominee – Non Executive | 6 | 1 | No | NIL | NIL | NIL |
| Mr. Donald Peck | Independent Director | 6 | NIL | No | 3 | NIL | NIL |
| Mr. S. H. Khan | Independent Director | 6 | 6 | Yes | 7 | 8 | 3 |
| Mr. Shardul Shroff | Independent Director | 6 | 4 | No | 5 | 1 | NIL |
| Mr. Gautam Kaji | Independent Director | 6 | 5 | No | NIL* | NIL | NIL |
| Dr. Omkar Goswami | Independent Director | 6 | 6 | Yes | 9 | 6 | 4 |

* 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 Alternate Directors. | ** Ceased to be a Director w.e.f. November 7, 2010. | *** Appointed as an Additional Director in place of Mr. G. C. Chaturvedi w.e.f. November 8, 2010. | # Only Audit Committee and Shareholders' Grievance Committee. | + Four meetings were attended by Mr. Michael Fernandes, Alternate Director to Mr. Abdul Rahim Abu Bakar. | $ Attended the Annual General Meeting through Mr. Michael Fernandes, Alternate Director to Mr. Abdul Rahim Abu Bakar.

the agenda papers well in advance of the Board meetings or is tabled in the course of the Board meeting.

- Annual operating plans and budgets and any update thereof
- Capital budgets and any updates thereof
- Quarterly results for the Company and 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 appointment or removal of Chief Financial Officer and Company Secretary. The Appointment of Chief Financial Officer is also considered at 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
- Details of any joint venture or collaboration agreement
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property
- Significant developments in human resources/employee relations front
- Sale of 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 material
- Non compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer, etc.

The Board periodically reviews compliance reports of all laws applicable to the Company, prepared by the Company as well as steps taken by the Company to rectify instances of non compliances. In addition to the above, pursuant to the Clause 49, the minutes of the Board meetings of your Company's unlisted subsidiary companies and a statement of all significant transactions and arrangements entered into by the unlisted subsidiary companies are also placed before the Board.

### REMUNERATION PAID TO DIRECTORS

The Compensation Committee of the Company recommends to the Board the compensation payable to Whole-Time Directors and senior managerial personnel. 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 Annual General Meeting held on July 18, 2008, approved payment of remuneration by way of commission to non executive directors, at a sum not exceeding 1% of the net profits. IDFC would be paying a sum of ` 11,100,000/- as commission to its non executive directors for FY 11. The aggregate amount payable to non executive directors was arrived as per the following criteria:

1. Fixed remuneration
` 700,000/- per annum
2. Chairman of the Board
` 700,000/- per annum
3. Chairman of the Audit Committee
` 200,000/- per annum
4. Members of the Audit Committee
` 100,000/- per annum
5. Chairman of Other Committees
` 100,000/- per annum
6. Members of Other Committees
` 50,000/- per annum
7. Variable remuneration
` 300,000/- per annum

## 2 Details of remuneration paid to Directors for FY 11

(figures in `)

| NAME OF THE DIRECTOR | SITTING FEES | SALARY AND PERQUISITES | CONTRIBUTION TO PROVIDENT AND OTHER FUNDS | PERFORMANCE LINKED INCENTIVE | COMMISSION & OTHERS | TOTAL |
|---|---|---|---|---|---|---|
| Mr. Deepak Parekh | 800,000 | – | – | – | 2,000,000 | 2,800,000 |
| Dr. Rajiv B. Lall * | – | 41,030,414 | 1,341,562 | 20,213,581 | – | 62,585,557 |
| Mr. Vikram Limaye** | – | 55,354,367 | 1,219,800 | 11,261,820 | – | 67,835,987 |
| Mr. Donald Peck | – | – | – | – | 1,150,000 | 1,150,000 |
| Mr. S. H. Khan | 640,000 | – | – | – | 1,400,000 | 2,040,000 |
| Mr. Shardul Shroff | 240,000 | – | – | – | 1,075,000 | 1,315,000 |
| Mr. Gautam Kaji | 240,000 | – | – | – | 1,250,000 | 1,490,000 |
| Dr. Omkar Goswami | 460,000 | – | – | – | 1,275,000 | 1,735,000 |
| Mr. S.S. Kohli | 360,000 | – | – | – | – | 360,000 |
| Mr. G. C. Chaturvedi*** | – | – | – | – | – | – |
| Mr. Abdul Rahim Abu Bakar | – | – | – | – | 1,000,000 | 1,000,000 |
| Mr. Dimitris Tsitsiragos | – | – | – | – | – | – |
| Mr. Bimal Julka^ | – | – | – | – | – | – |

* Dr. Rajiv B. Lall has been granted 359,403 stock options under IDFC ESOP Scheme. | ** Mr. Vikram Limaye has been granted 226,158 stock options under IDFC ESOP Scheme. The stock options granted to Dr. Lall and Mr. Limaye would vest in a graded manner over a period of 2 years from the date of grant of options and are exercisable over a period of 5 years from the date of vesting. | *** Ceased to be a Director w.e.f. November 7, 2010. | ^ Appointed as an Additional Director in place of Mr. G. C. Chaturvedi w.e.f. November 8, 2010.

The variable remuneration is paid to the directors depending on their attendance at the Board meetings, either in person or through teleconference.

The non executive Directors are also paid sitting fees for attending the Board meetings as well as Committee meetings.

During FY 11, 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 Managing Director & CEO, Dr. Rajiv Lall and Whole-Time Director, Mr. Vikram Limaye, is 3 months. None of the employees of the Company are related to any of the Directors. 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. Refer Table 2.

### 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 of Conduct 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 of Conduct. A declaration signed by the Chief Executive Officer (CEO) to this effect is enclosed at the end of this Report.

### RISK MANAGEMENT

IDFC follows well-established and detailed risk assessment and minimisation procedures. The Company 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 reviewed by the Board periodically. The Company has a comprehensive risk management framework.

Additionally, IDFC has constituted a Board-level committee that monitors risk management of the Company. This committee named the Risk Committee, comprises of Mr. Gautam Kaji (Chairman), Mr. Shardul Shroff, Mr. S. H. Khan and Dr. Rajiv B. Lall. The quorum for any meeting of this committee is two. The Committee met four times during the year under review i.e. on April 26, 2010, August 4, 2010, November 08, 2010 and January 31, 2011. The Risk Committee reviews and monitors mainly three types of risks across the organisation – Credit Risk, Market Risk and Operational Risk. This is done under the overall framework of the Enterprise Risk Management System.

### COMMITTEES OF THE BOARD

IDFC has constituted 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 the 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 FY 11 and the related attendance, are provided below:

### A. Audit Committee

As on March 31, 2011, the Audit Committee comprises of four members, all of whom are independent Directors. The Audit Committee met five times during the year under review; on April 26, 2010, August 4, 2010, September 01, 2010, November 08, 2010 and January 31, 2011. The time gap between any two meetings was less than four months. The details of the Audit Committee are given in Table 3.

The Chief Financial Officer and the representative of the statutory auditors and internal auditors are regularly invited by the Audit Committee to its meetings. Mr. Mahendra Shah, Company Secretary of IDFC, is the Secretary to the Committee.

All members of the Audit Committee have accounting and financial management

## 3 Attendance record of IDFC's Audit Committee

| NAME OF THE MEMBER | POSITION | STATUS | NO. OF MEETINGS HELD | NO. OF MEETINGS ATTENDED |
|---|---|---|---|---|
| Mr. S. H. Khan | Independent Director | Chairman | 5 | 5 |
| Mr. Shardul Shroff | Independent Director | Member | 5 | 4 |
| Dr. Omkar Goswami | Independent Director | Member | 5 | 5 |
| Mr. Gautam Kaji | Independent Director | Member | 5 | 4 |

expertise. Mr. S. H. Khan, Chairman of the Audit Committee, was present at the Company's previous Annual General Meeting (AGM) held on June 28, 2010 to answer shareholder queries.

The functions of the Audit Committee of the Company 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 Chief Financial Officer
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors
- 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 to be included 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 judgement 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 any related party transactions
  - qualifications in the draft audit report.
- Reviewing, with the Management, the quarterly financial statements before submission to the Board for approval
- Reviewing, with the Management, performance of statutory and internal auditors, adequacy of the internal control systems
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit
- Discussion with internal auditor on any significant findings and follow up thereon
- 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 the matter to the Board
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

**The Audit Committee is empowered, pursuant to its terms of reference to:**

- investigate any activity within its terms of reference and to 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.

**The Company has systems and procedures in place to ensure that the Audit Committee mandatorily reviews:**

- Management Discussion & Analysis of 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 uses/applications of funds raised through public issues, rights issues, preferential issues by major category (capital expenditure, sales and marketing, working capital, etc.), as part of the quarterly 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 of the Company also reviews the financial statements, in particular, the investments made by the unlisted subsidiary companies.

**The Audit Committee is also apprised 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 material individual transactions with related parties which are not in the normal course of business.

Details of material individual transactions with related parties or others, which are not on an arm's length basis alongwith Management's justification for the same.

## B. Compensation Committee

As of March 31, 2011, IDFC's Compensation Committee comprises of five Directors. The Compensation Committee met on February 14, 2011. Table 4 below gives the details.

The Compensation Committee of the Company recommends to the Board the compensation terms of Whole-Time Directors and senior managerial personnel. The minutes of the Compensation Committee are reviewed by the Board.

## C. Nomination Committee

The Nomination Committee assists the Board in the appointment of new Board members, and other related matters like succession planning etc. No meeting of the Nomination Committee was held during the FY 11. The members of the Committee include, Mr. Deepak Parekh as Chairman and Mr. Gautam Kaji, Mr. Donald Peck and Dr. Omkar Goswami as Independent Directors.

## D. Investors' Grievance Committee

As of March 31, 2011, the Investors' Grievance Committee consists of three Directors, two of whom are Independent. The Committee met four times during the year under review; on April 26, 2010, August 04, 2010, November 08, 2010 and January 31, 2011. Table 5 gives the details.

Mr. Mahendra Shah, Company Secretary of the Company, is the Compliance Officer.

Details of queries and grievances received and attended by the Company during FY 11 are given in Tables 6A & 6B.

### SUBSIDIARY COMPANIES

Clause 49 of the Listing Agreement 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 respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

Under this definition, the Company does not have a 'material non-listed Indian subsidiary'.

**Shares and convertible instruments held by the non executive Directors**

As on March 31, 2011, none of the non executive Directors held any shares or convertible instruments of the Company.

## 4 Attendance details of IDFC's Compensation Committee

| NAME OF THE MEMBER | POSITION | STATUS | NO. OF MEETINGS HELD | NO. OF MEETINGS ATTENDED |
|---|---|---|---|---|
| Dr. Omkar Goswami | Independent Director | Chairman | 1 | 1 |
| Mr. S. S. Kohli | Nominee Director | Member | 1 | 1 |
| Mr. S. H. Khan | Independent Director | Member | 1 | 1 |
| Mr. Shardul Shroff | Independent Director | Member | 1 | 1 |
| Mr. Donald Peck | Independent Director | Member | 1 | – |

## 5 Attendance details of IDFC's Shareholders/Investors' Grievance Committee

| NAME OF THE MEMBER | POSITION | STATUS | NO. OF MEETINGS HELD | NO. OF MEETINGS ATTENDED |
|---|---|---|---|---|
| Mr. S. H. Khan | Independent Director | Chairman | 4 | 4 |
| Dr. Omkar Goswami | Independent Director | Member | 4 | 4 |
| Dr. Rajiv B. Lall | Managing Director & CEO | Member | 4 | 4 |

## 6A Nature of complaints received and attended to during FY 11 – for Equity Shares

| NATURE OF COMPLAINT | PENDING AS ON APRIL 1, 2010 | RECEIVED DURING THE YEAR | ANSWERED DURING THE YEAR | PENDING AS ON MARCH 31, 2011 |
|---|---|---|---|---|
| 1. Transfer/Transmission /Duplicate | NIL | 1 | 1 | NIL |
| 2. Non-receipt of Dividend | NIL | 118 | 118 | NIL |
| 3. Dematerialisation/Rematerialisation of shares | NIL | 0 | 0 | NIL |
| 4. Complaints received from: | | | | |
| - Securities & Exchange Board of India | NIL | 5 | 5 | NIL |
| - Stock Exchanges | NIL | 2 | 2 | NIL |
| - Registrar of Companies/ Ministry of Corporate Affairs | NIL | 0 | 0 | NIL |
| 5. Legal | NIL | 0 | 0 | NIL |
| 6. Non-receipt of Refund Order | NIL | 14 | 14 | NIL |
| 7. Non-receipt of Electronic Credits | NIL | 18 | 18 | NIL |
| 8. Non-receipt of Annual Reports | NIL | 14 | 14 | NIL |

# MANAGEMENT

### MANAGEMENT DISCUSSION & ANALYSIS

The Annual Report has a detailed separate section on 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, in preparation of its financial statements.

### CONFIRMATION OF COMPLIANCE

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

## 6B Nature of complaints received and attended to during FY 11 – for Infrastructure Bonds

| NATURE OF COMPLAINT | PENDING AS ON APRIL 1, 2010 | RECEIVED DURING THE YEAR | ANSWERED DURING THE YEAR | PENDING AS ON MARCH 31, 2011 |
|---|---|---|---|---|
| 1. Transfer/Transmission /Duplicate | NIL | 0 | 0 | NIL |
| 2. Non-receipt of Interest on Bonds | NIL | 0 | 0 | NIL |
| 3. Dematerialisation/Rematerialisation of Bonds | NIL | 0 | 0 | NIL |
| 4. Complaints received from: | | | | |
| a) Securities & Exchange Board of India | NIL | 142 | 142 | NIL |
| b) Stock Exchanges | NIL | 0 | 0 | NIL |
| c) Registrar of Companies/ Department of Company Affairs | NIL | 0 | 0 | NIL |
| 5. Legal | NIL | 1 | 1 | NIL |
| 6. Non-receipt of Refund Order | NIL | 1,761 | 1,761 | NIL |
| 7. Non-receipt of Electronic Credits | NIL | 8,163 | 8,163 | NIL |
| 8. Non-receipt of Securities | NIL | 11,194 | 11,194 | NIL |

## 7 Annual/Extra-Ordinary General Meetings

| FINANCIAL YEAR | CATEGORY | LOCATION OF THE MEETING | DATE | TIME |
|---|---|---|---|---|
| 2007-08 | AGM | Rani Seethai Hall, 603, Anna Salai, Chennai | July 18, 2008 | 2.30 p.m. |
| 2008-09 | AGM | Tapovan Hall , Chetpet, Chennai | July 20, 2009 | 2.30 p.m. |
| 2009-10 | AGM | Tapovan Hall , Chetpet, Chennai | June 28, 2010 | 2.30 p.m. |

### CODE FOR PREVENTION OF INSIDER TRADING PRACTICES

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. The code lays down guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with shares of the Company, and cautioning them of the consequences of violations.

### ANTI MONEY LAUNDERING AND KNOW YOUR CUSTOMER POLICY

In keeping with specific requirements for NBFCs, the Company has also formulated an Anti Money Laundering and Know Your Customer Policy.

### CEO/CFO CERTIFICATION

The CEO and CFO certification of the financial statements for the year is enclosed at the end of this Report.

### RE-APPOINTMENT/APPOINTMENT OF DIRECTORS

Out of the total strength of the number of Directors, eight Directors are liable to retire by rotation. Of the said eight Directors, at least one-third directors retire every year and if eligible, qualify for re-appointment. Dr. Omkar Goswami, Mr. Shardul Shroff and Mr. S. H. Khan are retiring by rotation and being eligible, offer themselves for re-appointment in the ensuing Annual General Meeting. Mr. Bimal Julka was appointed as an Additional Director w.e.f. November 08, 2010 and he will hold the office of Director till the date of the ensuing Annual General Meeting. The Company has received notice from a member of the Company under Section 257 of the Companies Act, 1956 proposing the candidature of Mr. Bimal Julka as a Director.

The brief resumes of the Directors getting appointed/re-appointed are given in the Explanatory Statement annexed to the Notice of the Annual General Meeting.

## SHAREHOLDERS

### MEANS OF COMMUNICATION WITH SHAREHOLDERS

As per the newly inserted Clause 54 of the Listing Agreement, the Company has maintained a functional website www.idfc.com containing basic information about the Company e.g. 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. and the same are updated at any given point of time. The website also displays all official press releases and presentations to analysts made by the Company.

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 view this information by visiting the website www.corpfiling.co.in

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

### GENERAL BODY MEETINGS

Table 7 gives the details of the last three General Meetings.

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

#### AGM held on July 18, 2008:

1. Appointment of Auditors
2. Payment of Commission to Non Executive Directors
3. Increase in limit for issuance of shares under ESOS from 2% to 5%
4. Alteration in the Articles of Association of the Company
5. Issue of Securities

#### AGM held on July 20, 2009:

1. Appointment of Auditors
2. Grant of Stock Options in excess of 1% in one year under Employee Stock Option Scheme of the Company

## AGM held on June 28, 2010:

1. Appointment of Auditors
2. Raising of Capital

### POSTAL BALLOT

During FY 09, the approval of the members was sought by voting through postal ballot vide Notice dated March 29, 2008 to amend the Main Object Clause of its Memorandum of Association by adding new activities as described in the Special Resolution.

The Company had appointed Ms. Savita Jyoti, Practicing Company Secretary, as Scrutiniser for conducting the postal ballot voting in a fair and transparent manner. The Scrutiniser had submitted her report to the Chairman after completion of scrutiny of Postal Ballot Forms received and the results of the postal ballot were announced at the Corporate Office of the Company at 5.00 p.m. on Tuesday, May 20, 2008. The result of the postal ballot was also displayed at the Corporate Office and the Registered Office of the Company and posted on the Company's website: www.idfc.com, besides being communicated to the Stock Exchanges where the securities of the Company are listed.

During FY 11, approval of the members was sought by voting through postal ballot vide Notice dated July 7, 2010 to offer, issue and allot 84,000,000 Compulsorily Convertible Cumulative Preference Shares of ` 100/- each aggregating to ` 840 crore to identified investors on the terms and conditions determined by the Board of Directors of the Company and contained in the Explanatory Statement annexed to the said Notice.

The Company had appointed Mr. S. N. Bhandari, Practicing Company Secretary, as Scrutiniser for conducting the postal ballot voting in a fair and transparent manner. The Scrutiniser had submitted his report to the Chairman after completion of scrutiny of Postal Ballot Forms received and the results of the postal ballot were announced at the Corporate Office of the Company at 7.30 p.m. on Friday, August 6, 2010. The Special Resolution as set out in the Notice was approved by the members with an overwhelming majority of 99.90%. The result of the postal ballot was declared on August 6, 2010, and the same was displayed at the Registered Office and Corporate Office and website of the Company, besides being communicated to the Stock Exchanges where the securities of the Company are listed.

During FY 12, the Company may pass Special Resolution through Postal Ballot, as and when required, pursuant to the applicable rules pertaining to the same.

**8** 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 II(D) | 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 (IV A) | Compliant |
| (B) Disclosure of Accounting Treatment | 49 (IV B) | Compliant |
| (C) Board Disclosures | 49 (IV C) | Compliant |
| (D) Proceeds from public, rights, preference issues etc. | 49 (IV D) | Compliant |
| (E) Remuneration of Directors | 49 (IV E) | Compliant |
| (F) Management | 49 (IV F) | Compliant |
| (G) Shareholders | 49 (IV G) | Compliant |
| V. CEO/CFO Certification | 49 (V) | Compliant |
| VI. Report on Corporate Governance | 49 (VI) | Compliant |
| VII. Compliance | 49 (VII) | Compliant |

## COMPLIANCE

### MANDATORY REQUIREMENTS

The Company is fully compliant with the applicable mandatory requirements of the revised Clause 49 of the Listing Agreement. The Compliance Report is given in Table 8.

### ADOPTION OF NON-MANDATORY REQUIREMENTS

Although it is not mandatory, the Board of the Company has constituted a Compensation Committee. Details of the Committee have been provided under the Section 'Compensation Committee'. The Company has also adopted a Whistle Blower Policy. In addition, it is important to note that the Company's financial statements are free from any qualifications by the Auditors of the Company.

The Board of Directors of the Company, at its meeting held on April 27, 2010 noted the guidelines issued by the Ministry of Corporate Affairs (MCA) on Corporate Governance to be voluntarily adopted by the listed public companies in addition to the mandatory requirements prescribed under Clause 49 of the Listing Agreement relating to Corporate Governance. Whilst the Company is in compliance with the mandatory provisions of the said Clause, the Board felt that the Company could adopt the relevant non-mandatory provisions of the said guidelines at an appropriate time. ■

# additional shareholder information

## ANNUAL GENERAL MEETING

Date: July 27, 2011
Time: 2.00 p.m.
Venue: Tapovan Hall, Chinmaya Heritage Centre, No. 2, 13th Avenue, Harrington Road, Chetpet, Chennai - 600 031.

## FINANCIAL CALENDAR

Financial year: April 1, 2010 to March 31, 2011.
For the year ended March 31, 2011, results were announced on:

- August 4, 2010: First quarter
- November 8, 2010: Half yearly
- January 31, 2011: Third quarter
- April 29, 2011: Fourth quarter and annual.
- For the year ending March 31, 2012, results will be announced by
- Second week of August 2011: First quarter
- Second week of November 2011: Half yearly
- Second week of February 2012: Third quarter
- Last week of May 2012: Fourth quarter and annual.

## BOOK CLOSURE

The dates of book closure are from July 16, 2011 to July 27, 2011 inclusive of both days.

## DIVIDEND PAYMENT

A final dividend of ` 2/- per equity share will be paid from July 28, 2011, subject to approval by the shareholders at the ensuing Annual General Meeting. The Company will pay 6% dividend on Compulsorily Convertible Cumulative Preference Shares.

## UNCLAIMED SHARES LYING IN THE ESCROW ACCOUNT

Pursuant to SEBI's circular no. **SEBI/CFD/DIL/LA/2009/24/04 dated April 24, 2009** the 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 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 Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE). The annual listing fees for FY 2011-12 to NSE and BSE have been paid. Refer Table 2.

## STOCK MARKET DATA

Table 3 gives details of Stock Market data of the Company's shares. A comparison of IDFC share prices in the BSE and NSE with

| 1 PARTICULARS | NO. OF CASES/ MEMBERS | NO. OF SHARES OF ` 10/- EACH |
|---|---|---|
| Aggregate number of shareholders and the outstanding shares in the Demat Suspense Account lying at the time of opening of the Account. | 112 | 32,099 |
| Number of shareholders who approached to issuer/Registrar for transfer of shares from Demat Suspense Account during FY 11 | 9 | 2,924 |
| Number of shareholders to whom shares were transferred from Demat Suspense Account during FY 11 | 9 | 2,924 |
| Aggregate number of shareholders and the outstanding shares in the Demat Suspense Account lying at the end of the year i.e. as on March 31, 2011 | 103 | 29,175 |

**2 IDFC's Stock Exchange Codes**

| NAME OF THE STOCK EXCHANGE | STOCK CODE |
|---|---|
| National Stock Exchange of India Limited | IDFC EQ |
| Bombay Stock Exchange Limited | 532659 |
| ISIN | INE043D01016 |

## 3 Highs, lows and volumes of Company's equity shares for FY 11 at BSE and NSE

| | BSE | | | NSE | | |
|---|---|---|---|---|---|---|
| | HIGH | LOW | VOLUME | HIGH | LOW | VOLUME |
| Mar-11 | 161.50 | 140.40 | 19,658,403 | 161.55 | 140.35 | 126,867,538 |
| Feb-11 | 150.20 | 115.90 | 32,318,362 | 150.40 | 115.45 | 249,860,960 |
| Jan-11 | 185.65 | 144.80 | 14,540,002 | 185.65 | 144.60 | 96,317,430 |
| Dec-10 | 194.00 | 161.45 | 14,820,443 | 193.95 | 161.25 | 112,335,222 |
| Nov-10 | 218.20 | 168.20 | 22,185,955 | 218.25 | 168.20 | 140,551,873 |
| Oct-10 | 215.00 | 195.45 | 14,508,939 | 214.65 | 195.10 | 96,265,259 |
| Sep-10 | 210.80 | 178.35 | 18,525,940 | 210.80 | 178.05 | 133,663,286 |
| Aug-10 | 189.80 | 175.30 | 13,234,630 | 189.75 | 166.00 | 79,379,175 |
| Jul-10 | 195.80 | 176.70 | 25,616,747 | 196.35 | 177.05 | 155,315,529 |
| Jun-10 | 181.00 | 150.75 | 21,654,546 | 181.70 | 149.00 | 109,239,523 |
| May-10 | 170.80 | 141.35 | 18,133,425 | 174.00 | 141.10 | 100,826,823 |
| Apr-10 | 175.70 | 158.10 | 20,189,514 | 175.90 | 155.00 | 105,381,081 |

**Note:** High and low are in ` per traded share. Volume is the total monthly volume of trade in number of IDFC's shares.

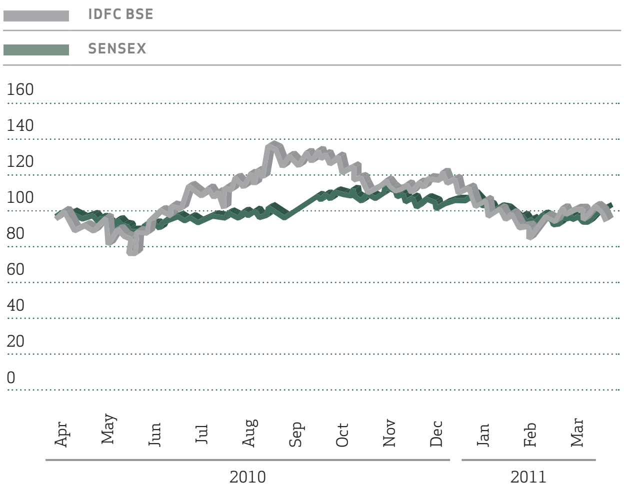
## 4 Equity shareholding pattern by size

| NUMBER OF SHARES | NO. OF SHAREHOLDERS | % OF SHAREHOLDERS | TOTAL SHARES | % OF SHARES |
|---|---|---|---|---|
| Upto 5000 | 302,446 | 87.29% | 44,909,467 | 3.07% |
| 5001-10000 | 27,118 | 7.83% | 19,366,233 | 1.33% |
| 10001-20000 | 9,115 | 2.63% | 13,390,394 | 0.92% |
| 20001-30000 | 2,679 | 0.77% | 6,821,399 | 0.46% |
| 30001-40000 | 1,113 | 0.32% | 4,006,024 | 0.27% |
| 40001-50000 | 924 | 0.27% | 4,371,212 | 0.30% |
| 50001-100000 | 1,338 | 0.39% | 9,723,676 | 0.67% |
| 100001 and above | 1,730 | 0.50% | 1,358,359,143 | 92.98% |
| Total | 346,463 | 100% | 1,460,947,548 | 100% |

## 5 Equity shareholding pattern by ownership

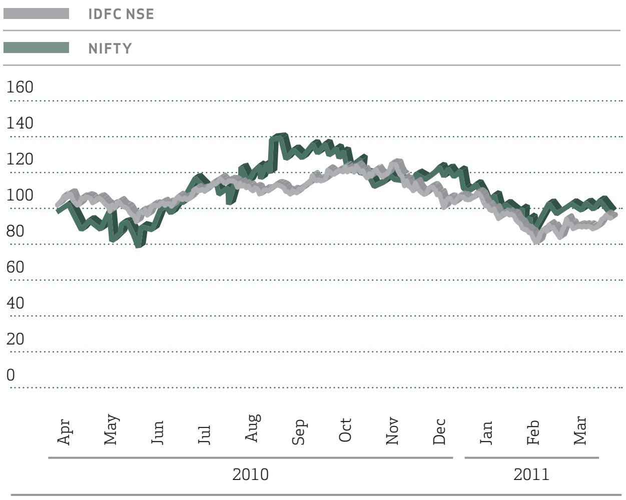
| | MARCH 31, 2011 | | MARCH 31, 2010 | |
|---|---|---|---|---|
| | NO. OF EQUITY SHARES (FACE VALUE OF ` 10/- EACH) | SHARES HELD PERCENTAGE | NO. OF EQUITY SHARES (FACE VALUE OF ` 10/- EACH) | SHARES HELD PERCENTAGE |
| A. PROMOTERS HOLDING | | | | |
| PROMOTERS | | | | |
| Indian Promoters | 0 | 0.00% | 0 | 0.00% |
| Foreign Promoters | 0 | 0.00% | 0 | 0.00% |
| Persons acting in concert | 0 | 0.00% | 0 | 0.00% |
| B. NON-PROMOTERS HOLDING | | | | |
| a) President of India | 261,400,000 | 17.89% | 261,400,000 | 20.10% |
| b) Banks, Financial institutions, Insurance Companies (Central/State Govt. Institutions/Non-Govt. Institutions) | 205,713,945 | 14.08% | 213,646,350 | 16.43% |
| c) Foreign Institutional Investors (FIIs) | 734,689,241 | 50.29% | 577,536,022 | 44.40% |
| d) Foreign Direct Investment (FDI) | 11,803,311 | 0.81% | 12,950,000 | 1.00% |
| e) Mutual Funds | 55,687,159 | 3.81% | 71,999,642 | 5.54% |
| f) Private Corporate Bodies | 56,387,709 | 3.86% | 38,244,753 | 2.94 |
| g) Indian Public | 120,678,996 | 8.26% | 115,020,414 | 8.84% |
| h) NRIs/OCBs/Foreign Nationals | 4,744,899 | 0.32% | 3,966,398 | 0.30% |
| i) Any other | | | | |
| Clearing Member | 4,066,204 | 0.28% | 903,685 | 0.07% |
| Trusts | 565,361 | 0.04% | 409,592 | 0.03% |
| H U F | 5,210,723 | 0.36% | 4,535,537 | 0.35% |
| Grand Total | 1,460,947,548 | 100% | 1,300,612,393 | 100% |

**A** IDFC V/S SENSEX




**Note:** IDFC share prices at the BSE and the BSE Sensex have been indexed to 100 as on the first working day of 2010-11.

**B** IDFC V/S NIFTY




**Note:** IDFC share prices at the NSE and the NSE Nifty have been indexed to 100 as on the first working day of 2010-11.

their respective indicative indices are given in Charts A and B.

## DISTRIBUTION OF SHAREHOLDING

Tables 4 and 5 lists the distribution of the shareholding of the equity shares of the Company by size and by ownership class as on March 31, 2011.

## DEMATERIALISATION OF SHARES

As on March 31, 2011, over 99.99% shares of the Company were held in dematerialised form.

## DETAILS OF FUNDS RAISED FROM PREFERENTIAL ISSUE OF SHARES AND PUBLIC ISSUE OF BONDS

During the year, the Company had issued and allotted 157,752,090 equity shares of ` 10 each to Qualified Institutional Buyers (QIBs) under Chapter VIII of the Securities & Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 at a premium of ` 158.25 per equity share aggregating to ` 2,654.18 crore.

During the year 2010-11, the Company had issued 84,000,000 Compulsorily Convertible Cumulative Preference Shares (CCCPS) having face value of ` 100 each on preferential basis in terms of Chapter VII of the Securities & Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 aggregating to ` 840 crore. The said CCCPS can be converted at any time before 18 (eighteen) months from the date of allotment @ ` 176 per share and post conversion, there will be an equity dilution of 3.16%.

During the financial year, the Company also 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 80 CCF of the Income Tax Act, 1961, under the applicable SEBI Guidelines, aggregating to ` 1,451.76 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' and investors' complaints.

INVESTOR CORRESPONDENCE SHOULD BE ADDRESSED TO:

### 1) Registrar and Transfer Agent

**Unit : Infrastructure Development Finance Company Limited**
Karvy Computershare Pvt. Ltd.
Plot No. 17 to 24, Vithalrao Nagar,
Madhapur, Hyderabad - 500 081
Tel: +91 40 2342 0815-28

### 2) The 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:

KRM Tower, 8th Floor,
No. 1, Harrington Road, Chetpet,
Chennai - 600 031
Tel: +91 44 4564 4000

## CERTIFICATION BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER OF THE COMPANY

We, Rajiv B. 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 IDFC 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 IDFC 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 B. LALL**
Managing Director & Chief Executive Officer

**SUNIL KAKAR**
Chief Financial Officer

Mumbai
April 29, 2011

## 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 on March 31, 2011, 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 abovementioned 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)

**NALIN M. SHAH**
Partner
Membership No. 15860

Mumbai
June 13, 2011

# 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, 2011, the Consolidated Profit and Loss Account 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 an associate 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 eleven subsidiaries, whose financial statements reflect total assets of ` 2,965,037,082 as at March 31, 2011, total revenues (net) of ` 1,738,387,796 and net cash outflow amounting to ` 232,021,611 for the year ended on that date as considered in the Consolidated Financial Statements. We have also not audited the financial statements of one associate in which the Company's share of profit amounts to ` 22,273,705. 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 associate, 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 the associate, 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, 2011;

   (ii) in the case of the Consolidated Profit and Loss Account, 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)

**NALIN M. SHAH**
Partner
Membership No. 15860

Mumbai
April 29, 2011

| | SCHEDULE ↘ | ` | ` AS AT MARCH 31, 2011 | ` AS AT MARCH 31, 2010 |
|---|---|---|---|---|
| **SOURCES OF FUNDS :** | | | | |
| Shareholders' Funds | | | | |
| Capital | 1 | 23,009,475,480 | | 13,006,123,930 |
| Share Application Money | | 41,425,329 | | 2,563,997 |
| Reserves and Surplus | 2 | 89,433,527,766 | | 57,094,567,294 |
| | | | 112,484,428,575 | 70,103,255,221 |
| Loan Funds | 3 | | | |
| Secured | | 354,350,149,984 | | – |
| Unsecured | | 8,689,340,276 | | 265,438,628,642 |
| | | | 363,039,490,260 | 265,438,628,642 |
| Minority Interest | | | 1,733,376 | 63,273,606 |
| Deferred Tax Liability (See Schedule 18 Note 22) | | | 15,342,000 | 11,123,518 |
| | | | 475,540,994,211 | 335,616,280,987 |
| **APPLICATION OF FUNDS :** | | | | |
| Fixed Assets | 4 | | | |
| Gross Block | | 5,329,584,528 | | 5,184,174,458 |
| Less: Depreciation and Amortisation | | 1,204,255,434 | | 907,410,471 |
| | | 4,125,329,094 | | 4,276,763,987 |
| Add: Capital Work-in-Progress | | 6,442,966 | | 54,620,121 |
| Add: Pre-operative Expenses pending capitalisation | | 337,288,896 | | 83,706,961 |
| | | | 4,469,060,956 | 4,415,091,069 |
| Goodwill on Consolidation | | | 11,638,014,347 | 11,596,304,199 |
| Investments | 5 | | 69,611,476,590 | 46,553,986,474 |
| Infrastructure Loans | 6 | | 376,523,158,142 | 250,310,645,435 |
| Deferred Tax Asset (See Schedule 18 Note 22) | | | 2,495,612,522 | 1,766,206,997 |
| Current Assets, Loans and Advances | | | | |
| Income accrued on Investments | | 689,565,001 | | 454,857,387 |
| Interest accrued on Infrastructure Loans | | 5,441,213,003 | | 3,598,209,916 |
| Sundry Debtors | 7 | 621,682,920 | | 859,124,016 |
| Cash and Bank balances | 8 | 11,049,068,106 | | 2,714,698,979 |
| Loans and Advances | 9 | 10,628,566,711 | | 25,830,180,195 |
| | | 28,430,095,741 | | 33,457,070,493 |
| Less: Current Liabilities and Provisions | | | | |
| Current Liabilities | 10 | 12,863,082,587 | | 10,185,729,828 |
| Provisions | 11 | 4,763,341,500 | | 2,297,293,852 |
| | | 17,626,424,087 | | 12,483,023,680 |
| Net Current Assets | | | 10,803,671,654 | 20,974,046,813 |
| | | | 475,540,994,211 | 335,616,280,987 |
| Notes to the Accounts | 18 | | | |
| Schedules 1 to 18 form an integral part of the Accounts | | | | |

**IN TERMS OF OUR REPORT ATTACHED**

**FOR DELOITTE HASKINS & SELLS**
Chartered Accountants

**NALIN M. SHAH**
Partner

Mumbai | April 29, 2011

**FOR AND ON BEHALF OF THE BOARD**

**DEEPAK S. PAREKH**
Chairman

**RAJIV B. LALL**
Managing Director & CEO

**SUNIL KAKAR**
Chief Financial Officer

**MAHENDRA N. SHAH**
Company Secretary

| | SCHEDULE | ` | APRIL 1, 2010 TO MARCH 31, 2011 ` | APRIL 1, 2009 TO MARCH 31, 2010 ` |
|---|---|---|---|---|
| **INCOME** | | | | |
| Operating and Other Income | 12 | | 49,330,287,135 | 40,626,410,905 |
| **EXPENDITURE** | | | | |
| Interest and Other Charges | 13 | 23,875,265,740 | | 19,534,659,942 |
| Staff Expenses | 14 | 2,955,922,314 | | 3,083,660,252 |
| Establishment Expenses | 15 | 361,288,736 | | 405,981,195 |
| Other Expenses | 16 | 1,601,563,845 | | 1,630,320,629 |
| Provisions and Contingencies | 17 | 2,346,138,173 | | 1,282,526,807 |
| Depreciation and Amortisation | | 401,726,338 | | 405,742,123 |
| | | | 31,541,905,146 | 26,342,890,948 |
| **PROFIT BEFORE TAXATION** | | | 17,788,381,989 | 14,283,519,957 |
| Less: Provision for Taxation | | | | |
| Current Tax | | 5,724,207,032 | | 3,999,628,119 |
| Less: Deferred Tax Credit (See Schedule 18 Note 22) | | 726,665,378 | | 333,869,109 |
| | | | 4,997,541,654 | 3,665,759,010 |
| **PROFIT AFTER TAXATION** (before share of profit from Associates and adjustment for Minority Interest) | | | 12,790,840,335 | 10,617,760,947 |
| Add: Share of Net Profit from Associates (Equity method) | | | 22,273,705 | 10,754,759 |
| Less: Share of Profit/(Loss) of Minority Interest | | | (3,418,268) | 1,004,831 |
| Less: Pre acquisition Profit for the year of Subsidiaries (net) | | | – | 4,594,461 |
| **PROFIT AFTER TAXATION** | | | 12,816,532,308 | 10,622,916,414 |
| Add: Balance as per last Balance Sheet | | | 14,324,848,269 | 10,885,845,000 |
| Add: Opening Adjustment (See Schedule 18 Note 25) | | | 313,773 | 24,083,297 |
| **AVAILABLE FOR APPROPRIATION** | | | 27,141,694,350 | 21,532,844,711 |
| Appropriations: | | | | |
| Debenture Redemption Reserve (See Schedule 18 Note 7) | | | 726,000,000 | – |
| Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961 | | | 2,460,000,000 | 2,340,989,999 |
| (See Schedule 18 Note 8) | | | | |
| Special Reserve u/s 45-IC of RBI Act, 1934 | | | 2,560,908,732 | 2,038,352,575 |
| General Reserve | | | 1,029,976,000 | 553,323,000 |
| Proposed Dividend | | | | |
| Equity Shares | | | 2,925,128,345 | 1,951,251,394 |
| [` **2.00** per equity share (Previous Year ` 1.50 per equity share)] | | | | |
| (See Schedule 18 Note 9) | | | | |
| **PREFERENCE SHARES** | | | 321,731,507 | – |
| [**@ 6% p.a.** (Previous Year Nil)] | | | | |
| (See Schedule 18 Note 5) | | | | |
| Tax on Dividend | | | 572,595,785 | 324,079,474 |
| Balance carried forward | | | 16,545,353,981 | 14,324,848,269 |
| | | | 27,141,694,350 | 21,532,844,711 |
| Earnings per share (Face Value ` 10) (See Schedule 18 Note 21) | | | | |
| Basic | | | 8.77 | 8.20 |
| Diluted | | | 8.71 | 8.12 |
| Notes to the Accounts | 18 | | | |
| Schedules 1 to 18 form an integral part of the Accounts | | | | |

**IN TERMS OF OUR REPORT ATTACHED**

**FOR DELOITTE HASKINS & SELLS**
Chartered Accountants

**NALIN M. SHAH**
Partner

Mumbai | April 29, 2011

**FOR AND ON BEHALF OF THE BOARD**

**DEEPAK S. PAREKH**
Chairman

**RAJIV B. LALL**
Managing Director & CEO

**SUNIL KAKAR**
Chief Financial Officer

**MAHENDRA N. SHAH**
Company Secretary

| | ` | ` | ` |
|---|---|---|---|
| | | FOR THE YEAR ENDED MARCH 31, 2011 | FOR THE YEAR ENDED MARCH 31, 2010 |
| **A. CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Profit before Taxation | | 17,788,381,989 | 14,283,519,957 |
| Adjustments for: | | | |
| Depreciation and Amortisation | 401,726,338 | | 405,742,123 |
| Provision for Employee Benefits | (19,136,519) | | 11,037,564 |
| ESOP compensation cost | 167,493,624 | | 53,382,037 |
| Provision for Contingencies | 1,484,775,667 | | 1,026,200,000 |
| Provision for Doubtful Loans, Debtors and Restructured Loans | 61,055,341 | | 36,022,452 |
| Provision for Diminution in value of Investments | 798,685,465 | | 220,304,355 |
| Provision for Mark to Market on Derivatives | 1,621,700 | | – |
| (Gain)/Loss on Foreign Currency Revaluation | (74,185,461) | | 358,406,574 |
| Amortisation of Premium on Investments | 30,068,206 | | 13,147,575 |
| Foreign Currency Translation Reserve | (12,704,524) | | (11,433,177) |
| Profit on sale of Investments | (2,555,409,102) | | (4,286,094,945) |
| Profit on sale of Fixed Assets | (68,854,505) | | (118,952,133) |
| | | 215,136,230 | (2,292,237,575) |
| Changes in: | | | |
| Current Assets, Loans and Advances | (3,409,299,915) | | 1,070,440,799 |
| Current Liabilities | 835,003,555 | | 1,915,944,085 |
| | | (2,574,296,360) | 2,986,384,884 |
| Direct Taxes paid | | (4,815,134,322) | (3,299,985,374) |
| **CASH GENERATED FROM OPERATIONS** | | 10,614,087,537 | 11,677,681,892 |
| Infrastructure Loans disbursed (net of repayments) | | (126,739,739,359) | (44,936,679,433) |
| **NET CASH USED IN OPERATING ACTIVITIES** | | (116,125,651,822) | (33,258,997,541) |
| **B. CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Purchase of Fixed Assets (including Capital Work-in-Progress and Pre-operative Expenses pending capitalisation) | | (524,617,345) | (399,343,699) |
| Sale of Fixed Assets | | 137,775,624 | 240,817,681 |
| Purchase of Investments | | (1,874,280,487,961) | (1,017,624,964,934) |
| Sale Proceeds of Investments | | 1,869,393,316,917 | 1,018,717,531,978 |
| Goodwill on acquisitions | | (41,710,148) | (904,487,428) |
| Capital Reserve on increase of stake in Subsidiary/Joint Venture | | (1,269) | 1,269 |
| Opening Adjustment (See Schedule 18 Note 25) | | 313,773 | 24,083,297 |
| **NET CASH FROM/(USED) IN INVESTING ACTIVITIES** | | (5,315,410,409) | 53,638,164 |
| **C. CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Proceeds from fresh issue of shares (net of issue expenses) | | 35,052,369,151 | 207,455,365 |
| Proceeds from Borrowings (net of repayments) | | 97,067,589,863 | 29,368,119,263 |
| Dividend paid (including dividend tax) | | (2,250,791,857) | (1,852,785,221) |
| Decrease in Minority Interest | | (58,121,962) | (218,786,058) |
| **NET CASH FROM FINANCING ACTIVITIES** | | 129,811,045,195 | 27,504,003,349 |
| Net increase/(decrease) in cash and cash equivalents (A+B+C) | | 8,369,982,964 | (5,701,356,028) |
| Cash and cash equivalents as at the beginning of the period/year (See Schedule 18 Note 12) | | 1,982,695,741 | 7,684,051,769 |
| Cash and cash equivalents as at the end of the period/year (See Schedule 18 Note 12) | | 10,352,678,705 | 1,982,695,741 |
| | | 8,369,982,964 | (5,701,356,028) |

**IN TERMS OF OUR REPORT ATTACHED**

**FOR DELOITTE HASKINS & SELLS**
Chartered Accountants

**NALIN M. SHAH**
Partner

Mumbai | April 29, 2011

**FOR AND ON BEHALF OF THE BOARD**

**DEEPAK S. PAREKH**
Chairman

**RAJIV B. LALL**
Managing Director & CEO

**SUNIL KAKAR**
Chief Financial Officer

**MAHENDRA N. SHAH**
Company Secretary

## SCHEDULE 1 Capital

| | ` AS AT MARCH 31, 2011 | ` AS AT MARCH 31, 2010 |
|---|---|---|
| **AUTHORISED:** | | |
| 4,000,000,000 Equity Shares of ` 10 each | 40,000,000,000 | 40,000,000,000 |
| 100,000,000 Preference Shares of ` 100 each | 10,000,000,000 | 10,000,000,000 |
| | 50,000,000,000 | 50,000,000,000 |
| **ISSUED, SUBSCRIBED AND PAID-UP:** | | |
| (See Schedule 18 Notes 4 & 5) | | |
| **1,460,947,548** (Previous Year 1,300,612,393) Equity Shares of ` 10 each, fully paid-up | 14,609,475,480 | 13,006,123,930 |
| **84,000,000** (Previous Year Nil) 6% compulsorily convertible cumulative Preference Shares of ` 100 each fully paid-up | 8,400,000,000 | – |
| | 23,009,475,480 | 13,006,123,930 |

## SCHEDULE 2 Reserves and Surplus

| | ` | ` AS AT MARCH 31, 2011 | ` AS AT MARCH 31, 2010 |
|---|---|---|---|
| **SECURITIES PREMIUM ACCOUNT** | | | |
| Opening Balance | 21,914,270,425 | | 22,037,481,915 |
| Add: Received during the year | 25,101,204,403 | | 152,052,448 |
| Add: Options exercised | 58,183,450 | | 1,397,289 |
| Less: Utilised during the year | 1,914,422,206 | | 276,661,227 |
| | | 45,159,236,072 | 21,914,270,425 |
| **EMPLOYEES' STOCK OPTIONS OUTSTANDING** | | | |
| (See Schedule 18 Note 6) | | | |
| Opening Balance | 203,647,842 | | 151,663,094 |
| Add: Net charge for the year | 167,493,624 | | 53,382,037 |
| Less: Options exercised | 58,183,450 | | 1,397,289 |
| | | 312,958,016 | 203,647,842 |
| **CAPITAL RESERVE ON CONSOLIDATION** | | | |
| Opening Balance | 12,542,703 | | 12,541,434 |
| Add: Increase in holding of Joint Venture | – | | 1,269 |
| Less: Sale of holding in Joint Venture | 1,269 | | – |
| | | 12,541,434 | 12,542,703 |
| **FOREIGN CURRENCY TRANSLATION RESERVE** | | | |
| [See Schedule 18 Note 2(I)(viii)] | | | |
| Opening Balance | (4,842,272) | | 6,590,905 |
| Add/(Less): Foreign Exchange translation in relation to non-integral foreign operations | (12,704,524) | | (11,433,177) |
| | | (17,546,796) | (4,842,272) |
| **DEBENTURE REDEMPTION RESERVE** | | | |
| (See Schedule 18 Note 7) | | | |
| Opening Balance | – | | – |
| Add: Transfer from Profit and Loss Account | 726,000,000 | | – |
| | | 726,000,000 | – |
| **SPECIAL RESERVE U/S 36(1)(viii) OF INCOME-TAX ACT, 1961** | | | |
| (See Schedule 18 Note 8) | | | |
| Opening Balance | 9,146,806,496 | | 6,805,816,497 |
| Add: Transfer from Profit and Loss Account | 2,460,000,000 | | 2,340,989,999 |
| | | 11,606,806,496 | 9,146,806,496 |
| **SPECIAL RESERVE U/S 45-IC OF RBI ACT, 1934** | | | |
| Opening Balance | 9,410,584,308 | | 7,372,231,733 |
| Add: Transfer from Profit and Loss Account | 2,560,908,732 | | 2,038,352,575 |
| | | 11,971,493,040 | 9,410,584,308 |
| **GENERAL RESERVE** | | | |
| Opening Balance | 2,086,709,523 | | 1,533,386,523 |
| Add: Transfer from Profit and Loss Account | 1,029,976,000 | | 553,323,000 |
| | | 3,116,685,523 | 2,086,709,523 |
| **PROFIT AND LOSS ACCOUNT** | | 16,545,353,981 | 14,324,848,269 |
| | | 89,433,527,766 | 57,094,567,294 |

| **SCHEDULE 3** Loan Funds | ` | ` | ` |
|---|---|---|---|
| | | **AS AT MARCH 31, 2011** | **AS AT MARCH 31, 2010** |
| **LOAN FUNDS** (Secured) [See Schedule 18 Note 10(a)] | | | |
| **LONG-TERM** | | | |
| **DEBENTURES (NON-CONVERTIBLE)** [Refer Note (i)] | 247,824,605,000 | | – |
| Less: Unexpired discount on zero percent debentures [Refer Note (v)] | 2,811,586,678 | | – |
| | | 245,013,018,322 | – |
| **TERM LOANS** [Refer Note (iii)] | | | |
| From Banks | 80,472,032,782 | | – |
| From Others | 14,117,842,442 | | – |
| | | 94,589,875,224 | – |
| | | 339,602,893,546 | – |
| **SHORT-TERM** | | | |
| **TERM LOANS** | | | |
| From Banks | 12,250,000,000 | | – |
| Collateralised Borrowing and Lending Obligation [See Schedule 18 Note 10(b)] | 2,497,256,438 | | – |
| | | 14,747,256,438 | – |
| Total Secured Loan Funds | | 354,350,149,984 | – |
| **LOAN FUNDS** (Unsecured) | | | |
| **LONG-TERM** | | | |
| Subordinated Debt from Government of India | | 6,500,000,000 | 6,500,000,000 |
| Loan from Government of Karnataka | | – | 146,072,789 |
| Debentures (Convertible) | | 66,732,000 | 63,772,100 |
| Debentures (Non-Convertible) [Refer Note (ii)] [See Schedule 18 Note 10(c)] | – | | 162,866,000,000 |
| Less: Unexpired discount on zero percent debentures [Refer Note (v)] | – | | 4,092,546,142 |
| | | – | 158,773,453,858 |
| **TERM LOANS** [Refer Note (iv)] | | | |
| From Banks | – | | 50,455,497,768 |
| From Others | – | | 11,656,312,500 |
| | | – | 62,111,810,268 |
| | | 6,566,732,000 | 227,595,109,015 |
| **SHORT-TERM** | | | |
| **DEBENTURES (NON-CONVERTIBLE)** | – | | 7,500,000,000 |
| Less: Unexpired discount on zero percent debentures [Refer Note (v)] | – | | 187,928,402 |
| | | – | 7,312,071,598 |
| **TERM LOANS** | | | |
| From Banks | – | | 11,300,000,000 |
| From Others | – | | 2,000,000,000 |
| | | – | 13,300,000,000 |
| **COMMERCIAL PAPER** | 2,100,000,000 | | 17,500,000,000 |
| Less: Unexpired discount on commercial papers [Refer Note (v)] | 36,496,733 | | 268,551,971 |
| | | 2,063,503,267 | 17,231,448,029 |
| Bank Overdraft | | 59,105,009 | – |
| | | 2,122,608,276 | 37,843,519,627 |
| Total Unsecured Loan Funds | | 8,689,340,276 | 265,438,628,642 |

**NOTES:**

(i) Debentures include ` **58,040,000,000** (Previous Year ` Nil) repayable within a year.

(ii) Debentures include ` **Nil** (Previous Year ` 48,580,000,000) repayable within a year.

(iii) Term Loans from Banks include ` **19,981,597,085** (Previous Year ` Nil) and from Others include ` **1,074,937,245** (Previous Year ` Nil) repayable within a year.

(iv) Term Loans from Banks include ` **Nil** (Previous Year ` 13,162,285,085) and from Others include ` **Nil** (Previous Year ` 922,874,743) repayable within a year.

(v) Unexpired discount is net of ` **2,357,045,237** (Previous Year ` 1,631,380,732) towards interest accrued but not due.

## SCHEDULE 4 Fixed Assets

`

| DESCRIPTION | GROSS BLOCK | | | | | | DEPRECIATION AND AMORTISATION | | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | As at April 1, 2010 | Additions | Deletions | Translation Exchange Difference | Opening Adjustment * | As at March 31, 2011 | As at April 1, 2010 | Charge for the year | Deletions | Translation Exchange Difference | Opening Adjustment * | As at March 31, 2011 | As at March 31, 2011 | As at March 31, 2010 |
| **Tangible** | | | | | | | | | | | | | | |
| Land - Freehold | 50,646,516 | 4,000 | – | – | – | 50,650,516 | – | – | – | – | – | – | 50,650,516 | 50,646,516 |
| Land - Leasehold | – | 45,058,537 | – | – | – | 45,058,537 | – | – | – | – | – | – | 45,058,537 | – |
| Buildings | | | | | | | | | | | | | | |
| Own Use | 3,296,799,539 | 58,414,115 | 75,934,134 | – | – | 3,279,279,520 | 247,573,298 | 151,960,201 | 36,514,492 | – | – | 363,019,007 | 2,916,260,513 | 3,049,226,241 |
| Under Operating Lease | 188,120,350 | – | – | – | – | 188,120,350 | 86,885,372 | 5,061,749 | – | – | – | 91,947,121 | 96,173,229 | 101,234,978 |
| Leasehold improvements | 89,463,353 | 49,874,505 | 616,510 | (52,247) | (711,508) | 137,957,593 | 25,547,942 | 28,092,844 | 251,432 | (78,959) | (711,508) | 52,598,887 | 85,358,706 | 63,915,411 |
| Computer Hardware | 164,260,727 | 35,401,475 | 11,220,677 | (24,554) | (10,290,933) | 178,126,038 | 107,165,923 | 29,901,012 | 10,825,196 | (23,898) | (5,096,930) | 121,120,911 | 57,005,127 | 57,094,804 |
| Furniture, Fittings and Office Equipments | | | | | | | | | | | | | | |
| Owned | 245,952,333 | 51,956,500 | 17,885,357 | (28,166) | (23,752,679) | 256,242,631 | 87,006,209 | 30,951,591 | 13,387,191 | (17,016) | (8,312,075) | 96,241,518 | 160,001,113 | 158,946,124 |
| Under Operating Lease | 4,344,305 | – | – | – | – | 4,344,305 | 1,048,746 | 235,688 | – | – | – | 1,284,434 | 3,059,871 | 3,295,559 |
| Windmills | 1,012,500,000 | – | – | – | – | 1,012,500,000 | 282,363,895 | 111,929,865 | – | – | – | 394,293,760 | 618,206,240 | 730,136,105 |
| Vehicles | 13,521,910 | 124,800 | 1,987,475 | – | (1,313,853) | 10,345,382 | 7,276,237 | 1,426,475 | 1,529,976 | – | (661,413) | 6,511,323 | 3,834,059 | 6,245,673 |
| **Intangible** | | | | | | | | | | | | | | |
| Computer Software | 117,482,225 | 78,363,015 | 27,782,735 | (4,569) | (2,181,480) | 165,876,456 | 62,424,142 | 42,058,593 | 26,829,435 | (5,280) | (636,574) | 77,011,446 | 88,865,010 | 55,058,083 |
| Tenancy Rights | 1,083,200 | – | – | – | – | 1,083,200 | 118,707 | 108,320 | – | – | – | 227,027 | 856,173 | 964,493 |
| Total | 5,184,174,458 | 319,196,947 | 135,426,888 | (109,536) | (38,250,453) | 5,329,584,528 | 907,410,471 | 401,726,338 | 89,337,722 | (125,153) | (15,418,500) | 1,204,255,434 | 4,125,329,094 | 4,276,763,987 |
| Previous Year | 5,111,516,822 | 290,775,657 | 232,809,961 | (1,784,094) | (16,476,034) | 5,184,174,458 | 612,579,446 | 405,742,123 | 110,944,413 | (30,199) | (63,514) | 907,410,471 | 4,276,763,987 | |

* See Schedule 18 Note 25

Note: Buildings include ` **500** (Previous Year ` 1,000) being the cost of shares in co-operative housing societies.

## SCHEDULE 5 Investments

| | ` | ` | ` |
|---|---|---|---|
| | | **AS AT MARCH 31, 2011** | **AS AT MARCH 31, 2010** |
| **I. LONG-TERM** | | | |
| **INVESTMENT IN ASSOCIATES:** | | | |
| Equity Shares | 102,877,304 | | 102,877,304 |
| Add: Goodwill on acquisition of Associates | 97,993,681 | | 97,993,681 |
| | 200,870,985 | | 200,870,985 |
| Add: Adjustment for post-acquisition share of profit and reserves of Associates (Equity method) | 102,936,355 | | 87,910,690 |
| | | 303,807,340 | 288,781,675 |
| **OTHER INVESTMENTS:** | | | |
| Equity Shares | 7,568,949,150 | | 7,267,468,837 |
| Preference Shares | 6,687,178,543 | | 7,622,090,543 |
| Venture Capital Units | 4,666,929,819 | | 3,979,378,730 |
| Bonds | 7,357,352,861 | | 11,869,854,139 |
| Government Securities | 499,862,500 | | 256,262,500 |
| Security Receipts | 217,172,886 | | 220,031,677 |
| Trust Units | – | | 5,000,000 |
| | | 26,997,445,759 | 31,220,086,426 |
| | | 27,301,253,099 | 31,508,868,101 |
| **II. CURRENT** | | | |
| Equity Shares | 818,391,339 | | 871,752,699 |
| Bonds | 11,680,563,063 | | 5,226,798,900 |
| Pass Through Certificates | 12,802,283 | | 1,102,632,104 |
| Certificate of Deposits with Scheduled Banks | 18,898,927,298 | | 3,710,542,969 |
| Commercial Papers | 8,214,683,135 | | 1,441,284,534 |
| Government Securities | 2,617,356,559 | | – |
| Mutual Funds | 1,505,100,989 | | 3,300,954,671 |
| Convertible Warrants | 46,750 | | 46,750 |
| | | 43,747,871,416 | 15,654,012,627 |
| **TOTAL (I + II)** | | 71,049,124,515 | 47,162,880,728 |
| Less : Provision for Diminution in Value of Investments | | 1,437,647,925 | 608,894,254 |
| | | 69,611,476,590 | 46,553,986,474 |

Continued...

## SCHEDULE 5 Investments (Continued)

| | ` AS AT MARCH 31, 2011 | ` AS AT MARCH 31, 2010 |
|---|---|---|
| **NOTES:** | | |
| (1) Aggregate amount of quoted investments | | |
| Cost | 3,678,903,578 | 3,142,224,439 |
| Market Value | 3,436,733,060 | 4,144,842,552 |
| (2) Aggregate amount of unquoted investments – Cost | 67,370,220,937 | 44,020,656,289 |
| (3) Aggregate amount of investments in Unquoted Mutual Funds | | |
| Cost | 1,505,100,989 | 3,300,954,671 |
| Market Value | 1,513,670,497 | 3,302,022,935 |

Market value of Investments in Unquoted Mutual Funds represents the repurchase price of the units issued by the Mutual Funds.

(4) Investments include ` **476,853,181** (Previous Year ` 17,578,988) in respect of equity shares which are subject to a lock-in-period.

(5) Investments include ` **4,698,543** (Previous Year ` 544,698,543) in respect of equity shares and ` **4,657,908,833** (Previous Year ` 3,979,376,890) in respect of Venture Capital Units which are subject to restrictive covenants.

## SCHEDULE 6 Infrastructure Loans (See Schedule 18 Note 11)

| | ` | ` AS AT MARCH 31, 2011 | ` AS AT MARCH 31, 2010 |
|---|---|---|---|
| **LOANS** | 373,817,657,099 | | 248,877,968,919 |
| **DEBENTURES** | 8,332,267,721 | | 6,516,784,194 |
| | | 382,149,924,820 | 255,394,753,113 |
| Less: Provision for Doubtful Infrastructure Loans | | 408,291,011 | 368,707,678 |
| Provision against Restructured Loans | | – | 14,200,000 |
| Provision for Contingencies | | 5,218,475,667 | 4,701,200,000 |
| | | 376,523,158,142 | 250,310,645,435 |
| Whereof: | | | |
| (i) Considered good | | 381,741,633,809 | 255,026,045,435 |
| (ii) Considered doubtful | | 408,291,011 | 368,707,678 |

## SCHEDULE 7 Sundry Debtors (Unsecured)

| | ` | ` AS AT MARCH 31, 2011 | ` AS AT MARCH 31, 2010 |
|---|---|---|---|
| **CONSIDERED GOOD** | | | |
| Over six months | 261,097,800 | | 24,988,031 |
| Others | 360,585,120 | | 834,135,985 |
| | | 621,682,920 | 859,124,016 |
| **CONSIDERED DOUBTFUL** | | | |
| Over six months | 43,159,669 | | 45,169,030 |
| Others | 101,280 | | 229,976 |
| | | 43,260,949 | 45,399,006 |
| | | 664,943,869 | 904,523,022 |
| Less : Provision for Doubtful Debts | | 43,260,949 | 45,399,006 |
| | | 621,682,920 | 859,124,016 |

## SCHEDULE 8 Cash and Bank Balances (See Schedule 18 Note 12)

| | ` | ` AS AT MARCH 31, 2011 | ` AS AT MARCH 31, 2010 |
|---|---|---|---|
| **CASH** | | 9,267,420 | 41,589,851 |
| (includes Cheques on Hand ` **9,072,100**; Previous Year ` 41,382,707) | | | |
| **BALANCE WITH BANKS** | | | |
| Saving Accounts | – | | 2,037,388 |
| Current Accounts | 2,485,067,060 | | 538,351,487 |
| Deposit Accounts | 8,554,733,626 | | 2,132,720,253 |
| | | 11,039,800,686 | 2,673,109,128 |
| | | 11,049,068,106 | 2,714,698,979 |

## SCHEDULE 9 Loans and Advances (Unsecured)

| | ` | ` | ` |
|---|---|---|---|
| | | AS AT MARCH 31, 2011 | AS AT MARCH 31, 2010 |
| **CONSIDERED GOOD** | | | |
| Interest accrued on Deposits & Loan to Financial Institution | | 248,657,808 | 66,818,920 |
| Advances recoverable in cash or in kind or for value to be received | | 1,590,201,264 | 421,689,450 |
| Loan to Financial Institution | | 300,000,000 | 300,000,000 |
| Inter Corporate Deposits | | 5,776,500,000 | 22,200,000,000 |
| Advance against Investments | | 573,182,869 | 454,233,149 |
| Other Deposits | | 450,035,020 | 389,874,938 |
| Advance payment of Income Tax (Net of provision) | | 1,649,979,682 | 1,996,570,241 |
| Advance payment of Fringe Benefit Tax (Net of provision) | | 10,068 | 993,497 |
| Initial margin account – Stock Futures | | 40,000,000 | – |
| Mark-to-Market margin – Stock Futures account | 1,621,700 | | – |
| Less: Provision for loss – Stock Futures account | 1,621,700 | | – |
| | | – | – |
| | | 10,628,566,711 | 25,830,180,195 |
| **CONSIDERED DOUBTFUL** | | | |
| Advances recoverable in cash or in kind or for value to be received | 6,392,114 | | 8,192,114 |
| Less : Provision against Doubtful Advances | 6,392,114 | | 8,192,114 |
| | | – | – |
| | | 10,628,566,711 | 25,830,180,195 |

## SCHEDULE 10 Current Liabilities

| | ` | ` |
|---|---|---|
| | AS AT MARCH 31, 2011 | AS AT MARCH 31, 2010 |
| Sundry Creditors | 3,066,351,286 | 2,990,398,638 |
| Interest Accrued but not due on Loan Funds | 8,931,300,722 | 5,501,554,146 |
| Fees/Other Amounts Received in Advance | 647,044,856 | 1,043,574,510 |
| Other Liabilities | 218,385,723 | 650,202,534 |
| | 12,863,082,587 | 10,185,729,828 |

## SCHEDULE 11 Provisions

| | ` | ` |
|---|---|---|
| | AS AT MARCH 31, 2011 | AS AT MARCH 31, 2010 |
| Proposed Dividend | 3,245,357,987 | 1,950,990,402 |
| Tax on Proposed Dividend | 496,361,313 | 222,065,118 |
| Contingent Provision against Standard Assets (See Schedule 18 Note 13) | 967,500,000 | – |
| Provision for Employee Benefits (See Schedule 18 Note 17) | 47,054,284 | 66,190,803 |
| Provision for Income Tax (Net of advance payment of tax) | 387,572 | 50,732,498 |
| Provision for Wealth Tax (Net of advance payment of tax) | 2,778,377 | 2,380,377 |
| Provision for Fringe Benefit Tax (Net of advance payment of tax) | 3,901,967 | 4,934,654 |
| | 4,763,341,500 | 2,297,293,852 |

## SCHEDULE 12 Operating and Other Income

| | ` | ` APRIL 1, 2010 TO MARCH 31, 2011 | ` APRIL 1, 2009 TO MARCH 31, 2010 |
|---|---|---|---|
| **OPERATING INCOME** | | | |
| Interest on Infrastructure Loans [See Schedule 18 Note 14(b)] | 34,461,939,227 | | 25,674,664,424 |
| Interest on Deposits and Loan to Financial Institution and Others | 1,081,844,007 | | 693,573,060 |
| Interest on Investments [See Schedule 18 Note 14(a)] | 3,935,366,818 | | 2,548,186,542 |
| Dividend on Investments [See Schedule 18 Note 14(a)] | 449,387,591 | | 792,871,020 |
| Profit on assignment/sale of Loans | 58,557,171 | | 26,838,299 |
| Profit on sale of Investments [See Schedule 18 Note 14(a)] | 2,555,409,102 | | 4,286,094,945 |
| Income from trading in derivatives | 28,119,763 | | – |
| Brokerage | 531,508,861 | | 701,962,708 |
| Fees (Net) | 5,881,001,528 | | 5,479,988,724 |
| Sale of Power | 100,446,439 | | 126,121,060 |
| Other operating income | 83,813,837 | | – |
| | | 49,167,394,344 | 40,330,300,782 |
| **OTHER INCOME** | | | |
| Interest on Income Tax Refund | 59,209,389 | | 130,245,181 |
| Other Interest | 599,999 | | 1,384,184 |
| Profit on Sale of Fixed Assets (Net) | 68,854,505 | | 118,952,133 |
| Miscellaneous Income [See Schedule 18 Notes 14(c) & 20(iii)] | 34,228,898 | | 45,528,625 |
| | | 162,892,791 | 296,110,123 |
| | | 49,330,287,135 | 40,626,410,905 |

## SCHEDULE 13 Interest and Other Charges

| | ` | ` APRIL 1, 2010 TO MARCH 31, 2011 | ` APRIL 1, 2009 TO MARCH 31, 2010 |
|---|---|---|---|
| **INTEREST** | | | |
| On Fixed Loans | 22,983,333,484 | | 19,195,107,686 |
| On Others | 1,683,697 | | 28,257,570 |
| | | 22,985,017,181 | 19,223,365,256 |
| **OTHER CHARGES** [See Schedule 18 Note 14(d)] | | 890,248,559 | 311,294,686 |
| | | 23,875,265,740 | 19,534,659,942 |

## SCHEDULE 14 Staff Expenses

| | ` APRIL 1, 2010 TO MARCH 31, 2011 | ` APRIL 1, 2009 TO MARCH 31, 2010 |
|---|---|---|
| Salaries [See Schedule 18 Notes 6 & 20(i)] | 2,739,883,741 | 2,850,369,078 |
| Contribution to Provident and Other Funds (See Schedule 18 Note 17) | 121,921,671 | 93,746,026 |
| Staff Welfare Expenses | 94,116,902 | 139,545,148 |
| | 2,955,922,314 | 3,083,660,252 |

## SCHEDULE 15 Establishment Expenses

| | ` | ` APRIL 1, 2010 TO MARCH 31, 2011 | ` APRIL 1, 2009 TO MARCH 31, 2010 |
|---|---|---|---|
| Rent [See Schedule 18 Note 20(ii)] | | 231,612,035 | 260,867,188 |
| Rates & Taxes | | 25,978,314 | 23,901,457 |
| Electricity | | 34,884,408 | 38,316,700 |
| Repairs & Maintenance: | | | |
| Buildings | 20,563,449 | | 32,960,588 |
| Equipments | 19,844,571 | | 22,956,427 |
| Others | 19,816,353 | | 21,015,901 |
| | | 60,224,373 | 76,932,916 |
| Insurance Charges | | 8,589,606 | 5,962,934 |
| | | 361,288,736 | 405,981,195 |

## SCHEDULE 16 Other Expenses

| | APRIL 1, 2010 TO MARCH 31, 2011 ₹ | APRIL 1, 2009 TO MARCH 31, 2010 ₹ |
|---|---:|---:|
| Travelling and Conveyance | 184,301,067 | 193,198,803 |
| Printing and Stationery | 42,894,300 | 32,179,101 |
| Postage, Telephone and Fax | 98,314,066 | 84,887,026 |
| Advertising and Publicity | 64,947,917 | 114,339,078 |
| Professional Fees | 582,899,119 | 512,276,270 |
| Profit/(Loss) on Foreign Exchange Fluctuation (Net) | – | 180,148 |
| Directors' Fees | 5,505,562 | 3,984,270 |
| Commission to Directors | 11,100,000 | 5,626,786 |
| Other Operating Expenses | 285,009,803 | 442,376,440 |
| Bad Debts written off | 54,200,138 | 15,184,670 |
| Miscellaneous Expenses | 242,826,837 | 200,378,068 |
| Auditors' Remuneration (See Schedule 18 Note 15) | 29,565,036 | 25,709,969 |
| | 1,601,563,845 | 1,630,320,629 |

## SCHEDULE 17 Provisions and Contingencies

| | APRIL 1, 2010 TO MARCH 31, 2011 ₹ | APRIL 1, 2009 TO MARCH 31, 2010 ₹ |
|---|---:|---:|
| Provision for Contingencies | 1,484,775,667 | 1,026,200,000 |
| Provision for Doubtful Loans, Debtors and Restructured Loans | 61,055,341 | 36,022,452 |
| Provision for Diminution in Value of Investments (Net) | 798,685,465 | 220,304,355 |
| Provision for Mark-to-Market on Stock Futures account | 1,621,700 | – |
| | 2,346,138,173 | 1,282,526,807 |

## 1 Significant Accounting Policies

### A. Accounting Convention

These accounts have been prepared in accordance with historical cost convention, applicable Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006, relevant provisions of the Companies Act, 1956 and the applicable guidelines issued by the Reserve Bank of India (RBI).

### B. System of Accounting

The Group adopts accrual concept in the preparation of the accounts. The preparation of the financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

### C. Investments

(i) Non Banking Financial Company (NBFC)

The Holding Company is regulated as NBFC – IFC (Infrastructure Finance Company) and a subsidiary company is regulated as NBFC by the Reserve Bank of India (RBI). Accordingly, Investments are classified under two categories i.e. Current and Long-Term, and are valued in accordance with the RBI guidelines and Accounting Standard 13 on 'Accounting for Investments' as notified by the Companies (Accounting Standards) Rules, 2006.

- 'Long-Term Investments' are carried at acquisition cost. A provision is made for diminution other than temporary on an individual basis.
- 'Current Investments' are carried at the lower of cost and fair value on an individual basis. Commercial Papers, Certificate of Deposits and Treasury Bills are valued at carrying cost.

(ii) 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. Infrastructure Loans and Advances

In accordance with the RBI guidelines, all loans and advances are classified under any of four categories i.e. (i) Standard Assets, (ii) Sub-standard Assets, (iii) Doubtful Assets and (iv) Loss Assets.

### E. 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.

### F. Intangible Assets

Intangible Assets comprising of system 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 Profit and Loss Account. Consideration paid by a subsidiary for transfer of Tenancy Rights is capitalised as an Intangible Asset.

### G. Impairment

The Group assesses at each Balance Sheet date whether there is any indication that an asset may be impaired based on internal/external factors. If any such indication exists, the Group estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs, is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss Account. If at the Balance Sheet date there is an indication that a previously assessed 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.

### H. Provisions and Contingencies

- Adequate provision for diminution is made as per the regulatory guidelines applicable to Non-Performing Advances and the provisioning policy of the Holding Company in respect of Loans and Debentures in the nature of advances.
- Provision on restructured advances is arrived at in accordance with the RBI guidelines.
- Provision for Contingencies is made as per the provisioning policy of the Holding Company, which includes a general provision at 0.25% of the outstanding standard assets in accordance with the RBI guidelines and provision under Section 36(1)(viia) of the Income-tax Act, 1961.

### I. Depreciation and Amortisation

- Tangible Assets

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

- Intangible Assets

Intangible assets consisting of computer software are being amortised over a period of three years on straight line method. Tenancy Rights are amortised over a period of ten years on straight line method.

## J. Operating Leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term. Lease rental income is recognised in accordance with Accounting Standard 19 on 'Leases' as notified by the Companies (Accounting Standards) Rules, 2006. Initial direct costs incurred specifically for operating leases are recognised as expenses in the year in which they are incurred.

## K. Employee Benefits

- Defined Contribution Plans

The Group's contribution paid/payable during the year towards Provident Fund and Superannuation Fund is charged to the Profit and Loss Account.

- Defined Benefit Plan

The net present value of the Group's 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 Profit and Loss Account.

## L. Income-Tax

The accounting treatment for income-tax is based on Accounting Standard 22 on 'Accounting for Taxes on Income' as notified by the Companies (Accounting Standards) Rules, 2006. The provision made for income-tax in the accounts comprises both, the current tax and the deferred tax. The deferred tax assets and liabilities for the year arising on account of timing differences are recognised in the Profit and Loss Account and the cumulative effect thereof is reflected in the Balance Sheet.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets, other than on carry forward losses and unabsorbed depreciation, are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets on carry forward losses and unabsorbed depreciation is recognised only to the extent there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income.

## M. Revenue Recognition

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

(b) Income on discounted instruments is recognised over the tenure of the instrument on straight line basis.

(c) Dividend is accounted on accrual basis when the right to receive is established.

(d) Front end fees on processing of loans are recognised upfront as income.

(e) Brokerage is recognised on trade date basis and is net of statutory payments.

(f) Management Fees are recognised on accrual basis.

(g) Performance Fees relating to Investment Advisory are recognised on an annual basis.

(h) All 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, is recognised pro-rata over the period of the guarantee.

(i) Premium on interest rate reduction is accounted on accrual basis over the residual life of the loan.

(j) Profit/loss earned on sale of investments is recognised on trade date basis. Profit/loss on sale of investments is determined based on the FIFO cost for current investments and weighted average cost for long-term investments.

(k) Profit on securitisation is recognised over the residual life of the loan in terms of the RBI guidelines. Profit on sale of loan assets through direct assignment, without any recourse obligation, is recognised at the time of sale. Net loss arising on account of securitisation and direct assignment of loan assets is recognised at the time of sale.

(l) Revenue from Power Supply is accounted on accrual basis.

(m) Income from trading in derivatives is recognised on final settlement or squaring up of the contracts.

## N. Foreign Currency Transactions

Foreign currency transactions are accounted at the exchange rates prevailing on the dates of the transactions. Foreign currency monetary items outstanding as at the Balance Sheet date are reported using the closing rates of exchange. Gains and losses resulting from the settlement of such transactions and translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account. 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.

[See Note 2 (I)(viii)]

## O. Derivatives

- 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 an accrual basis and these transactions are not marked to market. Any resultant gain or loss on termination of hedge swaps is amortised over the life of swap or underlying asset/liability whichever is shorter.

- Currency Interest Rate Swaps

Currency interest rate swaps in the nature of hedge are recorded on an accrual basis and these transactions are not marked to market. Any resultant gain 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 cross currency 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. Debit or credit balance disclosed under Loans and Advances or Current Liabilities, respectively, in the "Mark-to-Market Margin – Stock Futures Account", represents the net amount paid or received on the basis of movement in the prices of Stock Futures till the Balance Sheet date.

As on the Balance Sheet date, the profit/loss on open positions in Stock Futures are accounted for as follows:

(a) Credit balance in the "Mark-to-Market Margin – Stock Futures Account", being anticipated profit, is ignored and no credit is taken in the Profit and Loss Account.

(b) Debit balance in the "Mark-to-Market Margin – Stock Futures Account", being anticipated loss, is recognised in the Profit and Loss Account.

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 Profit and Loss Account 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 the contract so squared-up 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.

## P. Employee Stock Option Scheme

The Holding Company has formulated Employee Stock Option Schemes (ESOS) in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The Schemes provides for grant of options to employees of the Holding Company and its Subsidiaries 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 SEBI Guidelines, the excess, if any, of the closing market price on the day prior to the grant of the options under ESOS over the exercise price is amortised on a straight line basis over the vesting period.

## 2 Basis of Consolidation

I. The Consolidated Financial Statements comprise the individual financial statements of Infrastructure Development Finance Company Limited ('the Holding Company'), its subsidiaries and associate as on March 31, 2011 and for the period 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 by the Companies (Accounting Standards) Rules, 2006.

ii. The financial statements of the jointly controlled entities 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 27 on 'Financial Reporting of Interests in Joint Ventures' as notified by the Companies (Accounting Standards) Rules, 2006 using the "proportionate consolidation" method.

iii. The Holding Company's investments in associates 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 by the Companies (Accounting Standards) Rules, 2006.

iv. The financial statements of the subsidiaries and the associate used in the consolidation are drawn up to the same reporting date as that of the Holding Company, i.e. March 31, 2011.

v. The excess of the cost to the Holding Company of its investment in the subsidiaries, the jointly controlled entities 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.

vi. The excess of the Holding Company's portion of equity of the subsidiaries, the jointly controlled entities and the associates on the acquisition date over its cost of investment is treated as Capital Reserve.

vii. 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 for the year of the subsidiaries attributable to minorities is identified and adjusted against the Profit After Tax of the Group.

viii. 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.

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

| NAME OF SUBSIDIARY | CURRENT YEAR PROPORTION OF OWNERSHIP INTEREST (%) | PREVIOUS YEAR PROPORTION OF OWNERSHIP INTEREST (%) |
|---|---:|---:|
| Dheeru Powergen Limited (formerly Dheeru Powergen Private Limited) (Subsidiary of IDFC Projects Limited) | 51.00 | 51.00 |
| Emerging Markets Private Equity Fund, L.P. (Subsidiary of IDFC Fund of Funds Limited) | 100.00 | 100.00 |
| IDFC Asset Management Company Limited [See Note 3(a)] | 100.00 | 100.00 |
| IDFC AMC Trustee Company Limited | 100.00 | 100.00 |
| IDFC Capital Limited (Subsidiary of IDFC Securities Limited) | 100.00 | 100.00 |
| IDFC Capital (Singapore) Pte. Ltd. (Subsidiary of IDFC Capital Limited) | 100.00 | 100.00 |
| IDFC Distribution Company Limited (formerly IDFC-SSKI Stock Broking 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) | 100.00 | 100.00 |
| IDFC Investment Advisors Limited (Subsidiary of IDFC Asset Management Company Limited) | 100.00 | 100.00 |
| IDFC Investment Managers (Mauritius) Limited (Subsidiary of IDFC Asset Management Company Limited) [See Note 3(b)] | 100.00 | Nil |
| IDFC Pension Fund Management Company Limited (Subsidiary of IDFC Asset Management Company Limited) | 100.00 | 100.00 |
| IDFC PPP Trusteeship Company Limited | 100.00 | 100.00 |
| IDFC Private Equity Company Limited | 100.00 | 100.00 |
| IDFC Project Equity Company Limited | 100.00 | 100.00 |
| IDFC Projects Limited | 100.00 | 100.00 |
| IDFC Securities Limited | 100.00 | 100.00 |
| IDFC Capital (USA) Inc. (Subsidiary of IDFC Securities Limited) [See Note 3(c)] | 100.00 | Nil |
| IDFC Trustee Company Limited | 100.00 | 100.00 |
| India Infrastructure Initiative Trust [See Note 3(d)] | Nil* | 60.00 |

Continued...

| NAME OF SUBSIDIARY | CURRENT YEAR PROPORTION OF OWNERSHIP INTEREST (%) | PREVIOUS YEAR PROPORTION OF OWNERSHIP INTEREST (%) |
|---|---|---|
| India PPP Capacity Building Trust [See Note 3(d)] | Nil* | 100.00 |
| Jetpur Somnath Highway Limited (formerly IDFC Capital Company Limited) (Subsidiary of IDFC Projects Limited) [See Note 3(e)] | 74.00 | 100.00 |
| Jetpur Somnath Tollways Limited (Subsidiary of IDFC Projects Limited) [See Note 3(f)] | 74.00 | Nil |
| Uniquest Infra Ventures Private Limited [See Note 3(g)] | 100.00 | Nil |

*Subsidiary of IDFC Foundation, a wholly owned subsidiary which is not consolidated.

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 LP, 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.

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.

(b) The financial statements of the following jointly controlled entities have been consolidated as per Accounting Standard 27 on 'Financial Reporting of Interests in Joint Ventures' as notified by the Companies (Accounting Standards) Rules, 2006.

| NAME OF JOINTLY CONTROLLED ENTITY | CURRENT YEAR PROPORTION OF OWNERSHIP INTEREST (%) | PREVIOUS YEAR PROPORTION OF OWNERSHIP INTEREST (%) |
|---|---|---|
| Delhi Integrated Multi-Modal Transit System Limited | Nil* | 50.00 |
| Infrastructure Development Corporation (Karnataka) Limited | Nil* | 49.50 |
| Uttarakhand Infrastructure Development Company Limited | Nil* | 50.44 |

*Jointly controlled entities of IDFC Foundation, a wholly owned subsidiary which is not consolidated. [See Note 3(d)]

All the jointly controlled entities are incorporated in India.

The following amounts are included in the Financial Statements in respect of the jointly controlled entities referred to in Note (b) above, based on the proportionate consolidation method:

| | CURRENT YEAR ` | PREVIOUS YEAR ` |
|---|---|---|
| **ASSETS** | | |
| Fixed Assets (Net Block) | Nil | 22,512,346 |
| Investments | Nil | 56,333,724 |
| Infrastructure Loans | Nil | 40,678,116 |
| Deferred Tax Asset | Nil | 1,608,749 |
| Interest accrued on Infrastructure Loans | Nil | Nil |
| Sundry Debtors | Nil | 46,908,448 |
| Cash and Bank Balances | Nil | 598,582,355 |
| Loans and Advances | Nil | 82,314,538 |
| **LIABILITIES** | | |
| Reserves and Surplus | Nil | 160,488,894 |
| Unsecured Loans | Nil | 146,072,789 |

Continued...

| | CURRENT YEAR<br>` | PREVIOUS YEAR<br>` |
|---|---|---|
| Current Liabilities | Nil | 377,278,642 |
| Provisions | Nil | 40,411,792 |
| Deferred Tax Liability | Nil | 130,419 |
| **INCOME** | | |
| Interest on Infrastructure Loans | Nil | 4,949,310 |
| Interest on Deposits and Loan to Financial Institution and Others | Nil | 39,759,595 |
| Dividend on Investments | Nil | 1,428,960 |
| Profit on sale of Investments | Nil | 19,167,114 |
| Fees | Nil | 204,423,009 |
| Profit/(Loss) on sale of Fixed Assets | Nil | (207,245) |
| Other Interest | Nil | 766,016 |
| Miscellaneous Income | Nil | 995,376 |
| **EXPENSES** | | |
| Interest | Nil | Nil |
| Staff Expenses | Nil | 67,068,372 |
| Establishment Expenses | Nil | 8,068,471 |
| Other Expenses | Nil | 115,922,649 |
| Provisions and Contingencies | Nil | (1,424,184) |
| Depreciation | Nil | 5,261,234 |
| Provision for Taxation | Nil | 21,178,499 |

(c) The Holding Company has investment in an associate, which is accounted for on the Equity Method in accordance with Accounting Standard 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements' as notified by the Companies (Accounting Standards) Rules, 2006:

| NAME OF ASSOCIATE | CURRENT YEAR<br>PROPORTION OF OWNERSHIP INTEREST (%) | PREVIOUS YEAR<br>PROPORTION OF OWNERSHIP INTEREST (%) |
|---|---|---|
| Feedback Ventures Private Limited | 24.61 | 24.61 |

### 3 During the year,

(a) the Holding Company subscribed 64,000 equity shares of IDFC Asset Management Company Limited.

(b) IDFC Asset Management Company Limited has subscribed 100% equity shares of IDFC Investment Managers (Mauritius) Limited.

(c) IDFC Securities Limited has subscribed 100% equity shares of IDFC Capital (USA) Inc.

(d) the Holding Company sold its holding in Delhi Integrated Multi-Modal Transit System Limited, Infrastructure Development Corporation (Karnataka) Limited and Uttarakhand Infrastructure Development Company Limited and transferred its beneficial interest in India PPP Capacity Building Trust and India Infrastructure Initiative Trust, to IDFC Foundation, a wholly owned subsidiary.

(e) IDFC Projects Limited has subscribed 240,000 equity shares of Jetpur Somnath Highway Limited.

(f) IDFC Projects Limited has subscribed 74% equity shares of Jetpur Somnath Tollways Limited.

(g) the Holding Company purchased 10,000 shares of Uniquest Infra Ventures Private Limited.

(h) the Holding Company subscribed to 50,000 shares of IDFC Foundation.

4 On July 7, 2010 the Holding Company issued and allotted **157,752,090** equity shares of ` 10 each at a premium of ` **158.25** per share pursuant to a Qualified Institutional Placement. Further, the Holding Company issued and allotted **84,000,000** Compulsorily Convertible Cumulative Preference Shares (CCCPS) of ` 100 each at par on August 11, 2010 pursuant to a Qualified Institutional Placement. Additionally, **2,583,065** equity shares of ` 10 each were allotted under the Employee Stock Option Scheme. Accordingly, the issued equity share capital has increased from ` 13,006,123,930 to ` **14,609,475,480** and an amount of ` **25,101,204,403** has been credited to the Securities Premium Account. The proceeds of the issue have been utilised for general business purposes.

5 The Holding Company had raised ` **8,400,000,000** through the issue of CCCPS. The preference shares are 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.

6 During the year, the Holding Company granted to eligible employees **7,459,308** (Previous Year 603,000) options under the Employee Stock Option Schemes. The details of outstanding options are as under:

| PARTICULARS | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|
| Options outstanding as at the beginning | 16,548,268 | 21,766,956 |
| Add: Options granted during the year | 7,459,308 | 603,000 |
| Less: Options exercised during the year | 2,583,065 | 5,336,332 |
| Less: Options lapsed during the year | 673,790 | 485,356 |
| Options outstanding as at the end of the year | 20,750,721 | 16,548,268 |

The charge towards ESOP Compensation included under Salaries is ` **167,493,624** (Previous Year ` 53,382,037).

7 Debenture Redemption Reserve has been created by the Holding Company in accordance with Section 117C of the Companies Act, 1956 in respect of public issue of long-term Infrastructure Bonds.

8 Special Reserve has been created in terms of Section 36(1)(viii) of the Income-tax Act, 1961 out of the distributable profits of the Holding Company.

9 In respect of equity shares issued pursuant to Employee Stock Option Scheme, the Holding Company paid dividend of ` **1,501,865** for the year 2009-10 (` 260,992 for the year 2008-09) and tax on dividend of ` **249,441** (Previous Year ` 44,356) as approved by the shareholders at the Annual General Meeting held on June 28, 2010.

10 (a) Secured Loans of ` **351,852,893,546** (Previous Year ` Nil) are secured by way of a first floating *pari passu* charge over investments, infrastructure loans, current assets and loans and advances excluding investments in and other receivables from subsidiaries and affiliates.

(b) Secured Loans in the nature of borrowings under Collateralised Borrowing and Lending Obligation are secured against Investments in Government of India Loans.

(c) Unsecured Loans – Debentures of ` **Nil** (Previous Year ` 162,866,000,000) are secured by a mortgage on certain immovable properties up to a value of ` 1,000,000.

11 Infrastructure loans to the extent of ` **374,409,924,820** (Previous Year ` 247,654,753,113) 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.

12 Cash and cash equivalents represent:

| PARTICULARS | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|
| | ` | ` |
| Cash and Bank Balances (As per Schedule 8) | 11,049,068,106 | 2,714,698,979 |
| Current Accounts held for Unclaimed Dividends | 9,605,775 | 7,623,995 |
| Bank Deposits under lien | 686,783,626 | 724,379,243 |
| Cash and cash equivalents as at the end of the year | 10,352,678,705 | 1,982,695,741 |

13 (a) During the year, a contingent provision against standard assets has been created by the Holding Company at 0.25% of the outstanding standard assets in terms of the RBI Circular No. DNBS.PD.CC. No. 207/03.02.002/2010-11 dated January 17, 2011.

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

| PARTICULARS | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|
| | ` | ` |
| Opening Balance | Nil | Nil |
| Additions during the year | 967,500,000 | Nil |
| Closing Balance | 967,500,000 | Nil |

**14** (a) Interest on Investments, Dividend on Investments and Profit on sale of Investments include ` **3,283,539,210** (Previous Year ` 2,298,776,294), ` **323,935,995** (Previous Year ` 699,262,171) and ` **484,288,186** (Previous Year ` 1,036,345,464) respectively, in respect of Current Investments. Provision for diminution in value of Investments includes amortised premium of ` **30,068,206** (Previous Year ` 13,487,870) on purchase of Long-Term Investments.

(b) Interest on Infrastructure Loans includes exchange gain of ` **484,052,986** (Previous Year ` 56,879,384).

(c) Miscellaneous income includes exchange gain of ` **520,767** (Previous Year ` 28,532,594).

(d) Interest – Other Charges includes exchange loss of ` **315,806,898** (Previous Year ` 61,320,748).

**15** Auditors' Remuneration:

| PARTICULARS | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|
| | ` | ` |
| Audit Fees | 13,948,887 | 12,967,341 |
| Tax Audit Fees | 2,975,000 | 2,547,025 |
| Other Services | 10,108,476 | 8,850,517 |
| Taxation Matters | 2,264,500 | 1,140,000 |
| Out of Pocket Expenses | 176,180 | 118,360 |
| Service Tax | 2,454,427 | 2,116,580 |
| | 31,927,470 | 27,739,823 |
| Less: Service tax set off claimed | 2,362,434 | 2,029,854 |
| | 29,565,036 | 25,709,969 |

**16** Tax on proposed dividend for the year 2010-11 is net of dividend distribution tax of ` **75,985,031** (Previous Year ` 101,970,000) paid by Subsidiary Companies on interim dividend of ` **457,500,000** (Previous Year ` 600,000,000) under Section 115-O of the Income-tax Act, 1961.

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

i. The Group has recognised the following amounts in the Profit and Loss Account towards contribution to defined contribution plans which are included under Contribution to Provident and Other Funds:

| PARTICULARS | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|
| | ` | ` |
| Provident Fund | 63,725,680 | 52,651,479 |
| Superannuation Fund | 9,845,119 | 32,624,396 |

ii. The details of post–retirement benefit plans for gratuity are given below which are certified by the actuary and relied upon by the auditors:

| PARTICULARS | CURRENT YEAR | | PREVIOUS YEAR | |
|---|---|---|---|---|
| | ` | ` | ` | ` |
| | FUNDED | NON-FUNDED | FUNDED | NON-FUNDED |
| **CHANGE IN THE DEFINED BENEFIT OBLIGATIONS:** | | | | |
| Liability at the beginning of the year | 84,256,165 | 21,150,737 | 72,326,809 | 16,125,943 |
| Current Service Cost | 25,280,984 | 11,046,035 | 21,118,194 | 6,301,243 |
| Interest Cost | 8,394,600 | 2,419,257 | 7,243,285 | 1,467,028 |
| Liabilities Extinguished on Settlement | Nil | Nil | 5,426,826 | Nil |
| Liabilities assumed on acquisition/(Settled on Divestiture) | (3,238,244) | (254,224) | Nil | Nil |
| Benefits Paid | 6,802,946 | 4,155,426 | 3,821,647 | 2,201,375 |
| Actuarial (Loss)/Gain | (9,524,452) | (7,850,135) | 5,518,928 | 542,102 |
| Past Service Cost | 8,399,630 | 3,541,862 | Nil | Nil |
| Liability at the end of the year | 125,814,641 | 41,598,376 | 85,920,887 | 21,150,737 |
| **FAIR VALUE OF PLAN ASSETS:** | | | | |
| Fair Value of Plan Assets at the beginning of the year | 80,943,196 | Nil | 66,752,436 | Nil |
| Expected Return on Plan Assets | 7,748,719 | Nil | 5,327,126 | Nil |
| Contributions | 40,300,000 | 435,766 | 2,038,460 | Nil |
| Benefits paid | 6,802,946 | 435,766 | 3,821,647 | Nil |
| **ACTUARIAL (LOSS)/GAIN ON PLAN ASSETS:** | (2,460,920) | Nil | 12,620,081 | Nil |
| Fair Value of Plan Assets at the end of the year | 119,728,049 | Nil | 82,916,456 | Nil |
| Total Actuarial (Loss)/Gain to be recognised | (11,985,372) | (7,850,135) | 18,139,009 | 542,102 |

Continued...

| PARTICULARS | CURRENT YEAR | | PREVIOUS YEAR | |
|---|---|---|---|---|
| | ` | ` | ` | ` |
| | FUNDED | NON-FUNDED | FUNDED | NON-FUNDED |
| **ACTUAL RETURN ON PLAN ASSETS:** | | | | |
| Expected Return on Plan Assets | 7,748,719 | Nil | 5,327,126 | Nil |
| Actuarial (Loss)/Gain on Plan Assets | (2,460,920) | Nil | 12,620,081 | Nil |
| Actual Return on Plan Assets | 5,287,799 | Nil | 17,947,207 | Nil |
| **AMOUNT RECOGNISED IN THE BALANCE SHEET:** | | | | |
| Liability at the end of the year | 125,814,641 | 41,598,376 | 85,920,887 | 21,150,737 |
| Fair Value of Plan Assets at the end of the year | 119,728,049 | Nil | 82,916,456 | Nil |
| Unrecognised Past Service Cost | 1,893,829 | 2,951,552 | Nil | Nil |
| Amount recognised in the Balance Sheet under "Provision for Employee Benefits" | 5,223,517 | 38,646,824 | 3,004,431 | 21,150,737 |
| **EXPENSE RECOGNISED IN THE PROFIT AND LOSS ACCOUNT:** | | | | |
| Current Service Cost | 25,280,984 | 11,046,035 | 21,118,194 | 6,301,243 |
| Interest Cost | 8,394,600 | 2,419,257 | 7,243,285 | 1,467,028 |
| Expected Return on Plan Assets | 7,748,719 | Nil | 5,327,126 | Nil |
| Net Actuarial (Loss)/Gain to be recognised | (11,985,372) | (7,850,135) | 18,139,009 | 542,102 |
| Recovery of past service cost | 6,505,801 | 590,310 | Nil | 1,885,505 |
| Liabilities assumed on acquisition/(Settled on Divestiture) | (3,238,244) | (254,224) | Nil | Nil |
| Unfunded obligation on transfer of employees | Nil | Nil | Nil | 5,426,826 |
| Expense recognised in the Profit and Loss Account under staff expenses | 41,179,794 | 21,651,513 | 4,895,344 | 10,767,490 |
| **RECONCILIATION OF THE LIABILITY RECOGNISED IN THE BALANCE SHEET:** | | | | |
| Opening Net Liability | 3,312,969 | 21,150,737 | 5,574,373 | 16,125,943 |
| Expense recognised | 41,179,794 | 21,651,513 | 4,895,344 | 10,767,490 |
| Contribution by the Group | (40,300,000) | (4,155,426) | 2,038,460 | Nil |
| Benefits paid net of recovery of past service cost | Nil | Nil | Nil | 315,870 |
| Liabilities Extinguished on Settlement | Nil | Nil | 5,426,826 | Nil |
| Unfunded obligation on transfer of employees | Nil | Nil | Nil | 5,426,826 |
| Amount recognised in the Balance Sheet under "Provision for Employee Benefits" | 5,223,517 | 38,646,824 | 3,004,431 | 21,150,737 |
| Estimated Contribution | 23,000,000 | 2,326,351 | 23,000,000 | 1,086,876 |

| | CURRENT YEAR | PREVIOUS YEAR | MARCH 31, 2009 | MARCH 31, 2008 | MARCH 31, 2007 |
|---|---|---|---|---|---|
| **EXPERIENCE ADJUSTMENTS:** | ` | ` | ` | ` | ` |
| Defined Benefit Obligation | 163,366,901 | 107,071,624 | 88,452,752 | 48,841,884 | 20,577,193 |
| Plan Assets | 119,728,049 | 82,916,456 | 66,752,436 | 34,528,319 | 18,416,688 |
| Unrecognised past service cost | 1,893,829 | Nil | Nil | Nil | Nil |
| Deficit | 41,745,023 | 24,155,168 | 21,700,316 | 14,313,565 | 2,160,505 |
| Experience Adjustments on Plan Liabilities | 27,414,063 | (2,675,139) | 22,351,939 | 8,037,218 | (171,688) |
| Experience Adjustments on Plan Assets | (1,326,636) | 13,025,909 | (7,391,316) | (182,483) | (311,306) |

| | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|
| **INVESTMENT PATTERN:** | (%) | (%) |
| **INSURER MANAGED FUNDS** | 100.00 | 100.00 |
| Government Securities | 23.40 | 13.95 |
| Deposit and Money Market Securities | 13.51 | 14.90 |
| Debentures/Bonds | 41.68 | 50.89 |
| Equity Shares | 21.41 | 20.26 |
| **PRINCIPAL ASSUMPTIONS:** | | |
| Discount Rate (p.a.) | 8.30 | 8.00 – 8.10 |
| Expected Rate of Return on Assets (p.a.) | 8.00 | 8.00 – 10.00 |
| Salary Escalation (p.a.) | 8.00 | 5.00 – 9.00 |

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

**18** The Group is engaged in providing finance and advisory services for infrastructure projects, 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. Infrastructure Operations in terms of Accounting Standard 17 on 'Segment Reporting' as notified by the Companies (Accounting Standards) Rules, 2006.

| | | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|---|
| | | ` | ` |
| **I.** | **SEGMENT OPERATING REVENUE** | | |
| | (a) Infrastructure Operations | 45,232,849,041 | 36,143,186,175 |
| | (b) Others | 4,540,806,926 | 4,861,031,130 |
| | Total | 49,773,655,967 | 41,004,217,305 |
| | Less: Inter Segment Revenue | (606,261,623) | (673,916,523) |
| | Total Income | 49,167,394,344 | 40,330,300,782 |
| **II.** | **SEGMENT RESULTS** | | |
| | (a) Infrastructure Operations | 16,582,620,014 | 12,509,553,573 |
| | (b) Others | 1,146,552,586 | 1,643,721,204 |
| | (c) Unallocated | 59,209,389 | 130,245,180 |
| | **PROFIT BEFORE TAXATION** | 17,788,381,989 | 14,283,519,957 |
| | Less: Provision for Taxation | 4,997,541,654 | 3,665,759,010 |
| | **PROFIT AFTER TAXATION** | 12,790,840,335 | 10,617,760,947 |
| | (before Share of profit from Associates and adjustment for Minority Interest) | | |
| **III.** | **SEGMENT ASSETS** | | |
| | (a) Infrastructure Operations | 472,866,871,899 | 327,956,642,395 |
| | (b) Others | 16,154,944,125 | 16,378,891,538 |
| | (c) Unallocated | 4,145,602,274 | 3,763,770,734 |
| | Total | 493,167,418,298 | 348,099,304,667 |
| **IV.** | **SEGMENT LIABILITIES** | | |
| | (a) Infrastructure Operations | 379,044,292,886 | 275,866,660,330 |
| | (b) Others | 1,616,286,921 | 2,060,218,070 |
| | (c) Unallocated | 22,409,916 | 69,171,046 |
| | Total | 380,682,989,723 | 277,996,049,446 |
| **V.** | **CAPITAL EMPLOYED** | | |
| | (a) Infrastructure Operations | 93,822,579,013 | 52,089,982,065 |
| | (b) Others | 14,538,657,204 | 14,318,673,468 |
| | (c) Unallocated | 4,123,192,358 | 3,694,599,688 |
| | Total | 112,484,428,575 | 70,103,255,221 |
| **VI.** | **CAPITAL EXPENDITURE (INCLUDING CAPITAL WORK-IN-PROGRESS)** | | |
| | (a) Infrastructure Operations | 445,753,900 | 303,299,274 |
| | (b) Others | 56,015,873 | 97,861,834 |
| | Total | 501,769,773 | 401,161,108 |
| **VII.** | **DEPRECIATION AND AMORTISATION** | | |
| | (a) Infrastructure Operations | 328,084,372 | 334,121,460 |
| | (b) Others | 73,641,967 | 71,620,663 |
| | Total | 401,726,339 | 405,742,123 |
| **VIII.** | **SIGNIFICANT NON CASH EXPENSES OTHER THAN DEPRECIATION AND AMORTISATION** | | |
| | (a) Infrastructure Operations | 2,453,130,672 | 1,724,906,597 |
| | (b) Others | (15,457,173) | (17,839,216) |
| | Total | 2,437,673,499 | 1,707,067,381 |

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

- RELATIONSHIPS:

**I. ASSOCIATE**

Feedback Ventures Private Limited

**II. KEY MANAGEMENT PERSONNEL**

[of the Holding Company]

Dr. Rajiv B. Lall – Managing Director and CEO
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 | PARTICULARS | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|---|
| | | ` | ` |
| **(a) ASSOCIATE:** | | | |
| Feedback Ventures Private Limited | Dividend received | 7,288,040 | 3,699,036 |
| | Miscellaneous Income | 40,000 | 70,000 |
| | Sundry Debtors | Nil | 109,959 |
| **(b) KEY MANAGEMENT PERSONNEL:** | | | |
| Dr. Rajiv B. Lall | Remuneration paid | 62,585,557 | 16,757,312 |
| Mr. Vikram Limaye | Remuneration paid | 67,835,987 | 17,031,531 |

**20** In accordance with Accounting Standard 19 on 'Leases' as notified by 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 **August 2011 to March 2015** (Previous Year June 2010 to November 2013). Salaries include gross rental expenses of ` **5,442,846** (Previous Year ` 12,753,879). The committed lease rentals in the future are:

| PARTICULARS | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|
| | ` | ` |
| Not later than one year | 9,878,451 | 6,320,542 |
| Later than one year and not later than five years | 19,630,147 | 6,433,337 |

(ii) Properties under Operating Leases have been acquired by the Group which expires between **April 2013 to September 2018** (Previous Year December 2015 to September 2018). The total minimum lease payments for the current year, in respect thereof, included under Rent amounts to ` **165,129,666** (Previous Year ` 70,801,549). The future lease payments in respect of the above are as follows:

| PARTICULARS | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|
| | ` | ` |
| Not later than one year | 183,696,919 | 68,665,609 |
| Later than one year and not later than five years | 428,375,847 | 320,410,927 |
| Later than five years | 77,358,085 | 167,325,350 |

(iii) The Holding Company has given one of its office premises under non cancellable Operating Lease, which expires on **October 31, 2012.** Miscellaneous Income includes income from such leases of ` **19,585,800** (Previous Year ` 8,160,750). The future minimum lease payment are as follows:

| PARTICULARS | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|
| | ` | ` |
| Not later than one year | 19,585,800 | 19,585,800 |
| Later than one year and not later than five years | 11,425,050 | 31,010,850 |

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

i. The Basic Earnings Per Share has been calculated based on the following:

| PARTICULARS | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|
| | ` | ` |
| Net Profit after Tax | 12,816,532,308 | 10,622,916,414 |
| Less: Adjustment for Dividend and Dividend Distribution Tax on CCCPS | 373,924,401 | Nil |
| Net amount available for Equity Shareholders | 12,442,607,907 | 10,622,916,414 |
| Weighted average number of Equity Shares (Nos.) | 1,418,087,937 | 1,295,934,260 |

ii. The reconciliation between the Basic and the Diluted Earnings Per Share is as follows:

| PARTICULARS | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|
| | ` | ` |
| Basic Earnings Per Share | 8.77 | 8.20 |
| Effect of Outstanding Stock Options | (0.06) | (0.08) |
| Diluted Earnings Per Share | 8.71 | 8.12 |

iii. The Basic Earnings Per Share has been computed by dividing the Net Profit After Tax 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 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, it has been ignored. The relevant details as described above are as follows:

| PARTICULARS | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|
| Weighted average number of shares for computation of Basic Earnings Per Share | 1,418,087,937 | 1,295,934,260 |
| Dilutive effect of outstanding Stock Options | 10,165,050 | 12,596,753 |
| Weighted average number of shares for computation of Diluted Earnings Per Share | 1,428,252,987 | 1,308,531,013 |

**22** In compliance with Accounting Standard 22 relating to 'Accounting for Taxes on Income' as notified by the Companies (Accounting Standards) Rules, 2006, credit has been taken in the Profit and Loss Account of ` **726,665,378** (Previous Year ` 333,869,109) towards deferred tax asset (net) on account of timing differences. The major components of deferred tax assets and liabilities arising on account of timing differences are:

| PARTICULARS | | CURRENT YEAR | | PREVIOUS YEAR | |
|---|---|---|---|---|---|
| | | ` | ` | ` | ` |
| | | Assets | Liabilities | Assets | Liabilities |
| (a) | Depreciation | (237,484,698) | 21,570,069 | (193,693,169) | 16,532,898 |
| (b) | Provisions | 2,659,856,075 | (6,228,069) | 1,943,992,555 | (4,676,324) |
| (c) | Others | 73,241,145 | Nil | 15,907,611 | (733,056) |
| | | 2,495,612,522 | 15,342,000 | 1,766,206,997 | 11,123,518 |

Deferred Tax opening Assets & Liabilities include ` 1,608,749 and ` 130,414 respectively, being proportionate share of the Deferred Tax in the jointly controlled entities that have been transferred to IDFC Foundation, a wholly owned subsidiary during the current year.

**23** Contingent liabilities not provided for in respect of:

| PARTICULARS | | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|---|
| | | ` | ` |
| (a) | Capital Commitments | 7,288,887,415 | 6,896,557,752 |
| (b) | Estimated amount of contracts remaining to be executed on capital account (net of advances) [including ` **54,881,304** (Previous Year ` 1,255,133) on account of proportionate share in an associate company and ` **Nil** (Previous Year ` 661,800) on account of proportionate share in a jointly controlled entity] | 75,070,174 | 42,750,088 |
| (c) | Claims not acknowledged as debts in respect of Income-tax demands under appeal amount to [including ` **Nil** (Previous Year ` 12,193,292) on account of proportionate share in jointly controlled entities] | 1,184,774,318 | 723,667,359 |
| (d) | Guarantees issued by Holding Company | (` in crore) | (` in crore) |
| | 1. Financial Guarantees | 1,234.45 | 280.12 |
| | 2. Performance Guarantees | 259.00 | 40.30 |
| | 3. Risk Participation Facility | 5.31 | 29.39 |

**24** The Holding Company has entered into Interest Rate Swaps in the nature of "fixed/floating" or "floating/fixed" for notional principal of ` **2,391** crore outstanding as on March 31, 2011 (Previous Year ` 1,660 crore) for varying maturities linked to various benchmarks for asset liability management and hedging.

The Holding Company has foreign currency borrowings of **USD 62.56** crore (Previous Year USD 48.83 crore), against which the Company has undertaken currency interest rate swaps and forward contracts of **USD 60.91** crore (Previous Year USD 38.32 crore) to hedge foreign currency risk. One of the subsidiaries has **USD 0.08** crore (Previous Year USD 0.49 crore) of unhedged foreign currency exposure as on the Balance Sheet date.

The Holding Company has also entered in to coupon only currency swaps for notional principal of **USD 11.11** crore (Previous Year USD 15.61 crore) to hedge the foreign currency risk towards interest on the foreign currency borrowings.

**25** 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'.

## 26 Statement of information of Subsidiaries# in compliance with Section 212 of the Companies Act, 1956 as on March 31, 2011

| Name of Subsidiary Companies | Capital | Reserves | Total Assets | Total Liabilities | Details of investment | | | | Turnover | Profit before taxation | Provision for taxation | Profit after taxation | Proposed dividend |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Equity | Mutual Fund | Trust Units | Venture Capital Units | | | | | |
| Dheeru Powergen Limited | 19,729,000 | (18,718,023) | 549,637,640 | 548,626,662 | – | – | – | – | – | (4,675,201) | – | (4,675,201) | – |
| (Previous Year) | 19,729,000 | (14,042,823) | 280,350,005 | 274,663,828 | – | – | – | – | – | (12,428,177) | 2,505,975 | (14,934,152) | – |
| IDFC AMC Trustee Company Limited | 500,000 | 378,289 | 1,252,411 | 374,122 | – | – | – | – | 400,000 | (143,941) | – | (143,941) | – |
| (Previous Year) | 500,000 | 522,230 | 1,408,317 | 386,087 | – | – | – | – | 500,000 | 218,647 | 68,000 | 150,647 | – |
| IDFC Asset Management Company Limited | 26,740,020 | 510,390,759 | 848,672,769 | 311,541,991 | – | 175,702,090 | – | – | 930,897,151 | (32,565,168) | (4,451,000) | (28,114,168) | – |
| (Previous Year) | 224,025,020 | 339,144,927 | 1,054,936,258 | 491,766,311 | – | 499,483,872 | – | – | 1,042,167,512 | 21,547,695 | 4,480,654 | 17,067,041 | – |
| IDFC Capital (Singapore) Pte. Ltd.* | 367,380,570 | (332,228,119) | 79,537,883 | 44,385,431 | – | – | – | – | 74,077,727 | (120,536,075) | – | (120,536,075) | – |
| (Previous Year) | 216,718,695 | (208,276,976) | 29,479,553 | 21,037,834 | – | – | – | – | 10,038,692 | (110,802,874) | – | (110,802,874) | – |
| IDFC Capital (USA) Inc. | 46,240,000 | (7,711,762) | 40,091,514 | 1,563,275 | – | – | – | – | – | (6,185,093) | – | (6,185,093) | – |
| (Previous Year) | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA |
| IDFC Capital Limited | 60,352,200 | 1,083,223,453 | 1,508,455,450 | 364,879,797 | 20,585,060 | 77,699,215 | – | – | 1,030,599,770 | 449,072,591 | 143,170,757 | 305,901,834 | – |
| (Previous Year) | 60,352,200 | 777,321,619 | 1,134,704,962 | 297,031,143 | 20,585,060 | 46,075,461 | – | – | 813,957,873 | 440,020,668 | 158,833,437 | 281,187,231 | – |
| IDFC Distribution Company Limited | 15,000,000 | 2,681,086 | 20,007,900 | 2,326,813 | – | 6,397,764 | – | – | 2,982,575 | 1,123,422 | 222,537 | 900,885 | – |
| (Previous Year) | 15,000,000 | 1,780,201 | 17,163,253 | 383,052 | – | 6,820,300 | – | – | – | 1,126,662 | 350,000 | 776,662 | – |
| IDFC Finance Limited | 210,002,000 | 69,555,800 | 279,777,833 | 220,033 | – | 277,574,256 | – | – | 5,131,849 | 4,648,662 | 105,000 | 4,543,662 | – |
| (Previous Year) | 210,002,000 | 65,012,138 | 275,230,925 | 216,787 | – | 184,062,068 | – | – | 7,554,870 | 7,254,040 | 141,132 | 7,112,908 | – |
| IDFC Foundation | 500,000 | (214,443) | 455,340,707 | 455,055,150 | 306,771,900 | – | 148,467,700 | – | 40,707 | (214,443) | – | (214,443) | – |
| (Previous Year) | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA |
| IDFC Fund of Funds Limited* | 536,826,562 | (24,809,685) | 513,253,115 | 1,236,238 | – | – | – | – | – | (3,181,355) | – | (3,181,355) | – |
| (Previous Year) | 303,648,301 | (1,175,571) | 303,717,913 | 1,200,779 | – | – | – | – | – | (1,153,369) | – | (1,153,369) | – |
| IDFC General Partners Limited* | 769,725 | (34,016) | 735,709 | – | – | – | – | – | – | – | – | – | – |
| (Previous Year) | 769,725 | – | 769,725 | – | – | – | – | – | – | – | – | – | – |
| IDFC Investment Advisors Limited | 100,000,000 | 15,587,980 | 148,021,809 | 32,433,829 | – | 98,281,920 | – | – | 165,309,995 | 14,622,674 | 7,955,803 | 6,666,871 | – |
| (Previous Year) | 100,000,000 | 8,921,109 | 191,342,150 | 82,039,937 | – | 40,043,030 | – | – | 269,842,048 | 74,500,907 | 5,031,104 | 69,469,803 | – |
| IDFC Investment Managers (Mauritius) Limited* | 2,569,224 | 25,546 | 3,152,381 | 557,611 | – | – | – | – | 1,553,283 | 58,439 | 17,250 | 41,189 | – |
| (Previous Year) | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA |
| IDFC Pension Fund Management Company Limited | 120,000,000 | 1,568,739 | 121,817,580 | 248,841 | – | 117,028,760 | – | – | 115 | 2,980,458 | 135,646 | 2,844,812 | – |
| (Previous Year) | 120,000,000 | (1,276,073) | 120,886,406 | 2,162,480 | – | 119,027,255 | – | – | – | (1,728,486) | (452,413) | (1,276,073) | – |
| IDFC PPP Trusteeship Company Limited | 500,000 | (544,417) | 560,666 | 60,666 | – | – | – | – | 25,000 | (126,111) | – | (126,111) | – |
| (Previous Year) | 500,000 | (418,306) | 555,150 | 55,150 | – | – | – | – | 9,041 | (135,234) | – | (135,234) | – |
| IDFC Private Equity Company Limited | 500,000 | 551,379,603 | 839,904,013 | 288,024,410 | – | – | – | 9,020,986 | 812,608,701 | 571,257,390 | 186,480,000 | 384,777,390 | – |
| (Previous Year) | 500,000 | 539,750,213 | 886,681,408 | 346,431,195 | – | – | – | 1,840 | 968,500,071 | 705,165,006 | 236,942,000 | 468,223,006 | – |
| IDFC Project Equity Company Limited | 500,000 | 149,901,066 | 408,866,352 | 258,465,286 | – | – | – | – | 575,508,582 | 269,727,742 | 82,915,492 | 186,812,250 | – |
| (Previous Year) | 500,000 | 123,425,847 | 579,202,372 | 455,276,526 | – | – | – | – | 605,593,024 | 287,947,451 | 57,862,431 | 230,085,020 | – |
| IDFC Projects Limited | 340,500,000 | (250,881,675) | 580,962,774 | 491,344,449 | – | – | – | – | 36,224,559 | (71,729,268) | 54,160 | (71,783,428) | – |
| (Previous Year) | 340,500,000 | (179,098,247) | 320,406,397 | 159,004,643 | – | – | – | – | 10,465,733 | (83,798,069) | – | (83,798,069) | – |
| IDFC Securities Limited | 141,372,000 | 986,269,562 | 1,796,339,449 | 668,697,887 | 10,000 | 726,446,130 | – | – | 789,256,266 | 195,412,378 | 46,273,816 | 149,138,562 | 200% |
| (Previous Year) | 141,372,000 | 1,165,743,145 | 1,705,363,841 | 398,248,696 | 10,000 | 964,434,605 | – | – | 981,130,970 | 358,887,853 | 122,226,067 | 236,661,786 | – |
| IDFC Trustee Company Limited | 500,000 | 13,919,316 | 14,719,629 | 300,313 | – | 12,319,860 | – | – | 5,600,000 | 5,842,905 | 1,616,493 | 4,226,412 | – |
| (Previous Year) | 500,000 | 9,692,904 | 10,266,178 | 73,274 | – | 9,755,556 | – | – | 5,600,000 | 5,638,553 | 1,663,000 | 3,975,553 | – |
| Jetpur Somnath Highway Limited | 1,000,000 | (1,006,318) | 55,954 | 62,272 | – | – | – | – | – | 246,201 | 45,700 | 200,501 | – |
| (Previous Year) | 500,000 | (1,206,819) | 184,241 | 891,060 | – | – | – | – | – | (144,275) | – | (144,275) | – |
| Jetpur Somnath Tollways Limited | 1,000,000 | (4,536,729) | 1,000,000 | 4,536,729 | – | – | – | – | – | (4,536,729) | – | (4,536,729) | – |
| (Previous Year) | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA |
| Uniquest Infra Ventures Private Limited | 100,000 | (246,513) | 100,000 | 246,513 | – | – | – | – | – | (246,513) | – | (246,513) | – |
| (Previous Year) | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA |

# Subsidiary as defined under Section 4 of the Companies Act, 1956.

* Exchange Rate:

Closing Rate: 1 US$ = ` 44.59

Average Rate: 1 US$ = ` 44.51

## 27 Previous year's figures have been regrouped/rearranged wherever necessary to conform to the current year's classification.

**FOR AND ON BEHALF OF THE BOARD**

**DEEPAK S. PAREKH**
Chairman

**RAJIV B. LALL**
Managing Director & CEO

**SUNIL KAKAR**
Chief Financial Officer

**MAHENDRA N. SHAH**
Company Secretary

Mumbai | April 29, 2011

## 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, 2011, the Profit and Loss Account 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 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. 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 Profit and Loss Account 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 Profit and Loss Account 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, 2011;

      (ii) in the case of the Profit and Loss Account, 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, 2011 taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2011 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)

**NALIN M. SHAH**
Partner
Membership No. 15860

Mumbai
April 29, 2011

**(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) During the year, the fixed assets have not been physically verified by the Management. However, the Company has a regular programme of physical verification of its fixed assets whereby all fixed assets are verified in a phased manner at regular intervals. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.

(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 ` 940,000,000 to two parties during the year. At the year-end, the outstanding balances of such loans aggregated ` Nil and the maximum amount involved during the year was ` 400,000,000.

(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) Thirteen parties have subscribed to the public issue of Infrastructure Bonds during the year. At the year-end, the outstanding balance of such bonds aggregated ` 370,000 and the maximum amount involved during the year was the amount subscribed.

(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) No payment of the principal amount and interest were due during the year.

(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) above) is in excess of ` 5 lakhs 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 generally 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 Income-tax, Service Tax, Wealth Tax, Cess and other material statutory dues in arrears as at March 31, 2011 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, 2011 on account of disputes are given below:

| STATUTE | NATURE OF DUES | FORUM WHERE DISPUTE IS PENDING | PERIOD TO WHICH THE AMOUNT RELATES | AMOUNT INVOLVED (`) |
|---|---|---|---|---|
| Income-tax Act, 1961 | Income Tax | Commissioner of Income Tax (Appeals) | A.Y. 2007-08 | 388,394,270 |
| Income-tax Act, 1961 | Income Tax | Commissioner of Income Tax (Appeals) | A.Y. 2008-09 | 8,021,093 |

(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 ` 1,900.14 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 ` 19,760,000,000 for which securities/charges have been subsequently created.

(xviii) We have verified the end use of money raised by public issue of Infrastructure Bonds during the year as disclosed in Note 8 of Schedule 18 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)

**NALIN M. SHAH**
Partner
Membership No. 15860

Mumbai
April 29, 2011

# BALANCE SHEET

| | SCHEDULE ↘ | ` | ` | ` |
|---|---|---|---|---|
| | | AS AT MARCH 31, 2011 | | AS AT MARCH 31, 2010 |
| **SOURCES OF FUNDS** | | | | |
| Shareholders' Funds | | | | |
| Capital | 1 | 23,009,475,480 | | 13,006,123,930 |
| Share Application Money | | 41,425,329 | | 2,563,997 |
| Reserves and Surplus | 2 | 87,650,605,932 | | 55,222,447,121 |
| | | | 110,701,506,741 | 68,231,135,048 |
| Loan Funds | 3 | | | |
| Secured | | 354,350,149,984 | | – |
| Unsecured | | 8,622,608,276 | | 265,228,783,753 |
| | | | 362,972,758,260 | 265,228,783,753 |
| | | | 473,674,265,001 | 333,459,918,801 |
| **APPLICATION OF FUNDS** | | | | |
| Fixed Assets | 4 | | | |
| Gross Block | | 4,416,728,878 | | 4,332,599,865 |
| Less: Depreciation and Amortisation | | 997,081,323 | | 754,441,687 |
| | | 3,419,647,555 | | 3,578,158,178 |
| Add: Capital Work-in-Progress | | 6,442,966 | | 46,340,563 |
| | | | 3,426,090,521 | 3,624,498,741 |
| Investments | 5 | | 81,074,153,914 | 57,826,891,944 |
| Infrastructure Loans | 6 | | 376,523,158,142 | 250,269,967,319 |
| Deferred Tax Asset (See Schedule 18 Note 34) | | | 2,449,000,000 | 1,743,000,000 |
| Current Assets, Loans and Advances | | | | |
| Income accrued on Investments | | 688,705,501 | | 454,702,161 |
| Interest accrued on Infrastructure Loans [See Schedule 18 Note 10(d)] | | 5,441,213,003 | | 3,598,209,916 |
| Sundry Debtors | 7 | 154,481,197 | | 459,308,243 |
| Cash and Bank Balances | 8 | 9,685,465,454 | | 320,298,097 |
| Loans and Advances | 9 | 10,237,723,699 | | 25,107,785,120 |
| | | 26,207,588,854 | | 29,940,303,537 |
| Less : Current Liabilities and Provisions | | | | |
| Current Liabilities | 10 | 11,335,694,929 | | 7,742,264,013 |
| Provisions | 11 | 4,670,031,501 | | 2,202,478,727 |
| | | 16,005,726,430 | | 9,944,742,740 |
| Net Current Assets | | | 10,201,862,424 | 19,995,560,797 |
| | | | 473,674,265,001 | 333,459,918,801 |
| Notes to the Accounts | 18 | | | |
| Schedules 1 to 18 form an integral part of the Accounts | | | | |

**IN TERMS OF OUR REPORT ATTACHED**

**FOR DELOITTE HASKINS & SELLS**
Chartered Accountants

**NALIN M. SHAH**
Partner

Mumbai | April 29, 2011

**FOR AND ON BEHALF OF THE BOARD**

**DEEPAK S. PAREKH**
Chairman

**RAJIV B. LALL**
Managing Director & CEO

**SUNIL KAKAR**
Chief Financial Officer

**MAHENDRA N. SHAH**
Company Secretary

| | SCHEDULE ↘ | ` | ` APRIL 1, 2010 TO MARCH 31, 2011 | ` APRIL 1, 2009 TO MARCH 31, 2010 |
|---|---|---|---|---|
| **INCOME** | | | | |
| Operating and Other Income | 12 | | 45,603,534,228 | 35,971,062,777 |
| **EXPENDITURE** | | | | |
| Interest & Other Charges | 13 | 23,865,209,137 | | 19,502,308,368 |
| Staff Expenses | 14 | 1,065,206,532 | | 1,049,967,930 |
| Establishment Expenses | 15 | 181,528,853 | | 171,907,831 |
| Other Expenses | 16 | 624,593,408 | | 443,486,064 |
| Provisions and Contingencies | 17 | 2,349,366,132 | | 1,303,628,179 |
| Depreciation & Amortisation | | 326,976,713 | | 328,390,687 |
| | | 28,412,880,775 | | 22,799,689,059 |
| Less: Shared Service Cost recovered [See Schedule 18 Note 19(b)] | | 113,832,000 | | – |
| | | | 28,299,048,775 | 22,799,689,059 |
| **PROFIT BEFORE TAXATION** | | | 17,304,485,453 | 13,171,373,718 |
| Less: Provision for Taxation | | | | |
| Current Tax | | 5,239,000,000 | | 3,393,000,000 |
| Less: Deferred Tax (See Schedule 18 Note 34) | | 706,000,000 | | 350,000,000 |
| | | | 4,533,000,000 | 3,043,000,000 |
| **PROFIT AFTER TAXATION** | | | 12,771,485,453 | 10,128,373,718 |
| Add: Balance as per last Balance Sheet | | | 12,631,228,854 | 9,552,716,004 |
| **AVAILABLE FOR APPROPRIATION** | | | 25,402,714,307 | 19,681,089,722 |
| Appropriations: | | | | |
| Special Reserve u/s 36(1) (viii) of Income-tax Act, 1961 | | | 2,460,000,000 | 2,340,000,000 |
| (See Schedule 18 Note 5) | | | | |
| Debenture Redemption Reserve (See Schedule 18 Note 6) | | | 726,000,000 | – |
| Special Reserve u/s 45-IC of RBI Act, 1934 | | | 2,560,000,000 | 2,030,000,000 |
| General Reserve | | | 957,900,000 | 506,500,000 |
| Proposed Dividend on | | | | |
| Equity Shares | | | 2,925,128,345 | 1,951,251,394 |
| [ ` **2.00** per equity share (Previous Year ` 1.50 per equity share)] | | | | |
| (See Schedule 18 Note 28) | | | | |
| Preference Shares | | | 321,731,507 | – |
| [**@ 6% p.a.** (Previous Year Nil)] | | | | |
| (See Schedule 18 Note 3) | | | | |
| Tax on Dividend | | | 450,742,611 | 222,109,474 |
| (See Schedule 18 Notes 18 & 28) | | | | |
| Balance carried forward | | | 15,001,211,844 | 12,631,228,854 |
| | | | 25,402,714,307 | 19,681,089,722 |
| Earnings per share (Face Value ` 10) (See Schedule 18 Notes 4 & 33) | | | | |
| Basic | | | 8.74 | 7.82 |
| Diluted | | | 8.68 | 7.74 |
| Notes to the Accounts | 18 | | | |
| Schedules 1 to 18 form an integral part of the Accounts | | | | |

**IN TERMS OF OUR REPORT ATTACHED**

**FOR DELOITTE HASKINS & SELLS**
Chartered Accountants

**NALIN M. SHAH**
Partner

Mumbai | April 29, 2011

**FOR AND ON BEHALF OF THE BOARD**

**DEEPAK S. PAREKH**
Chairman

**RAJIV B. LALL**
Managing Director & CEO

**SUNIL KAKAR**
Chief Financial Officer

**MAHENDRA N. SHAH**
Company Secretary

| | ` | ` | ` |
|---|---|---|---|
| | | FOR THE YEAR ENDED MARCH 31, 2011 | FOR THE YEAR ENDED MARCH 31, 2010 |
| **A. CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Profit before Taxation | | 17,304,485,453 | 13,171,373,718 |
| Adjustments for: | | | |
| Depreciation and Amortisation | 326,976,713 | | 328,390,687 |
| Provision for Employee Benefits | (23,140,863) | | (3,884,909) |
| ESOP compensation cost | 167,493,624 | | 53,382,037 |
| Provision for Contingencies | 1,484,775,667 | | 1,026,200,000 |
| Provision for Doubtful Loans, Debtors and Restructured Loans | 64,283,333 | | 48,926,711 |
| Provision for Diminution in value of Investments | 798,685,432 | | 228,501,468 |
| Provision for Mark-to-Market on Derivatives | 1,621,700 | | – |
| (Gain)/Loss on Foreign Currency Revaluation | (74,185,460) | | 358,406,574 |
| Profit on sale of Investments | (2,741,336,565) | | (4,252,624,857) |
| Amortisation of Premium on Investments | 30,068,206 | | 13,147,575 |
| Profit on sale of Fixed Assets (Net) | (69,953,102) | | (127,400,931) |
| | | (34,711,315) | (2,326,955,645) |
| Changes in: | | | |
| Current Assets, Loans and Advances | (3,938,126,895) | | 2,124,181,888 |
| Current Liabilities | 1,751,081,712 | | 580,997,943 |
| | | (2,187,045,183) | 2,705,179,831 |
| Direct Taxes paid | | (4,227,596,546) | (2,590,546,285) |
| CASH GENERATED FROM OPERATIONS | | 10,855,132,409 | 10,959,051,619 |
| Infrastructure Loans disbursed (net of repayments) | | (126,780,417,475) | (44,940,426,583) |
| **NET CASH USED IN OPERATING ACTIVITIES** | | (115,925,285,066) | (33,981,374,964) |
| **B. CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Purchase of Fixed Assets (including Capital Work-in-Progress) | | (172,589,688) | (156,969,641) |
| Sale of Fixed Assets | | 113,974,297 | 236,725,239 |
| Investments in Subsidiaries | | (346,025,233) | (1,409,999,990) |
| Purchase of other Investments | | (1,867,731,013,255) | (1,012,016,009,548) |
| Sale proceeds of Investments in Subsidiaries and Jointly Controlled Entities | | 652,899,100 | 80,000,000 |
| Sale proceeds of other Investments | | 1,862,512,960,345 | 1,013,804,006,793 |
| **NET CASH FROM/(USED) IN INVESTING ACTIVITIES** | | (4,969,794,434) | 537,752,853 |
| **C. CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Proceeds from fresh issue of shares (net of issue expenses) | | 35,052,369,151 | 207,455,365 |
| Proceeds from Borrowings (net of repayments) (net of public issue expenses) | | 97,210,702,752 | 28,744,128,128 |
| Dividend paid (including dividend tax) | | (2,174,806,826) | (1,750,815,221) |
| **NET CASH FROM FINANCING ACTIVITIES** | | 130,088,265,077 | 27,200,768,272 |
| Net increase/(decrease) in cash and cash equivalents (A+B+C) | | 9,193,185,577 | (6,242,853,839) |
| Cash and cash equivalents as at the beginning [See Schedule 18 Note 12(a)] | | 312,674,102 | 6,555,527,941 |
| Cash and cash equivalents as at the end of the year [See Schedule 18 Note 12(a)] | | 9,505,859,679 | 312,674,102 |
| | | 9,193,185,577 | (6,242,853,839) |

**IN TERMS OF OUR REPORT ATTACHED**

**FOR DELOITTE HASKINS & SELLS**
Chartered Accountants

**NALIN M. SHAH**
Partner

Mumbai | April 29, 2011

**FOR AND ON BEHALF OF THE BOARD**

**DEEPAK S. PAREKH**
Chairman

**RAJIV B. LALL**
Managing Director & CEO

**SUNIL KAKAR**
Chief Financial Officer

**MAHENDRA N. SHAH**
Company Secretary

## SCHEDULE 1 Capital

| | ` | ` |
|---|---|---|
| | AS AT MARCH 31, 2011 | AS AT MARCH 31, 2010 |
| **AUTHORISED:** | | |
| 4,000,000,000 Equity Shares of ` 10 each | 40,000,000,000 | 40,000,000,000 |
| 100,000,000 Preference Shares of ` 100 each | 10,000,000,000 | 10,000,000,000 |
| | 50,000,000,000 | 50,000,000,000 |
| **ISSUED, SUBSCRIBED AND PAID-UP:** | | |
| (See Schedule 18 Notes 2 & 3) | | |
| **1,460,947,548** (Previous Year 1,300,612,393) Equity Shares of ` 10 each, fully paid-up | 14,609,475,480 | 13,006,123,930 |
| **84,000,000** (Previous Year Nil ) 6% compulsorily convertible cumulative Preference Shares of ` 100 each fully paid-up | 8,400,000,000 | – |
| | 23,009,475,480 | 13,006,123,930 |

## SCHEDULE 2 Reserves and Surplus

| | ` | ` | ` |
|---|---|---|---|
| | | AS AT MARCH 31, 2011 | AS AT MARCH 31, 2010 |
| **SECURITIES PREMIUM ACCOUNT** | | | |
| Opening Balance | 21,914,270,425 | | 22,037,481,915 |
| Add: Received during the year | 25,101,204,403 | | 152,052,448 |
| Add: Options exercised | 58,183,450 | | 1,397,289 |
| Less: Utilised during the year | 1,914,422,206 | | 276,661,227 |
| | | 45,159,236,072 | 21,914,270,425 |
| **EMPLOYEES' STOCK OPTIONS OUTSTANDING** | | | |
| (See Schedule 18 Note 4) | | | |
| Opening Balance | 203,647,842 | | 151,663,094 |
| Add: Net charge for the year | 167,493,624 | | 53,382,037 |
| Less: Options exercised | 58,183,450 | | 1,397,289 |
| | | 312,958,016 | 203,647,842 |
| **SPECIAL RESERVE U/S 36(1)(viii) OF INCOME-TAX ACT, 1961** | | | |
| (See Schedule 18 Note 5) | | | |
| Opening Balance | 9,142,500,000 | | 6,802,500,000 |
| Add: Transfer from Profit and Loss Account | 2,460,000,000 | | 2,340,000,000 |
| | | 11,602,500,000 | 9,142,500,000 |
| **SPECIAL RESERVE U/S 45-IC OF RBI ACT, 1934** | | | |
| Opening Balance | 9,375,000,000 | | 7,345,000,000 |
| Add: Transfer from Profit and Loss Account | 2,560,000,000 | | 2,030,000,000 |
| | | 11,935,000,000 | 9,375,000,000 |
| **DEBENTURE REDEMPTION RESERVE** | | | |
| (See Schedule 18 Note 6) | | | |
| Opening Balance | – | | – |
| Add: Transfer from Profit and Loss Account | 726,000,000 | | – |
| | | 726,000,000 | – |
| **GENERAL RESERVE** | | | |
| Opening Balance | 1,955,800,000 | | 1,449,300,000 |
| Add: Transfer from Profit and Loss Account | 957,900,000 | | 506,500,000 |
| | | 2,913,700,000 | 1,955,800,000 |
| **PROFIT AND LOSS ACCOUNT** | | 15,001,211,844 | 12,631,228,854 |
| | | 87,650,605,932 | 55,222,447,121 |

## SCHEDULE 3 Loan Funds

| | ` | ` | ` |
|---|---|---|---|
| | | AS AT MARCH 31, 2011 | AS AT MARCH 31, 2010 |
| **LOAN FUNDS** (Secured) [See Schedule 18 Note 7(a)] | | | |
| **LONG-TERM** | | | |
| **DEBENTURES (NON-CONVERTIBLE)** [Refer Note (i)] | 247,824,605,000 | | – |
| (See Schedule 18 Notes 7(d) & 8) | | | |
| Less: Unexpired discount on zero percent debentures [Refer Note (vi)] | 2,811,586,678 | | – |
| (Redeemable from **April 5, 2011 to March 28, 2026**) | | | |
| | | 245,013,018,322 | – |
| **TERM LOANS** [Refer Note (iii)] | | | |
| From Banks | 80,472,032,782 | | – |
| From Others | 14,117,842,442 | | – |
| | | 94,589,875,224 | – |
| | | 339,602,893,546 | – |
| **SHORT-TERM** | | | |
| **TERM LOANS** | | | |
| From Banks | 12,250,000,000 | | – |
| Collateralised Borrowing and Lending Obligation [See Schedule 18 Note 7(b)] | 2,497,256,438 | | – |
| | | 14,747,256,438 | – |
| **TOTAL SECURED LOAN FUNDS** | | 354,350,149,984 | – |
| | | | |
| **LOAN FUNDS (UNSECURED)** | | | |
| **LONG-TERM** | | | |
| **SUBORDINATED DEBT FROM GOVERNMENT OF INDIA** | | 6,500,000,000 | 6,500,000,000 |
| (Repayable from March 17, 2047 to September 29, 2047) | | | |
| **DEBENTURES (NON-CONVERTIBLE)** [Refer Note (ii)] | – | | 162,866,000,000 |
| [See Schedule 18 Note 7(c)] | | | |
| Less: Unexpired discount on zero percent debentures [Refer Note (vi)] | – | | 4,092,546,142 |
| (Previous Year Redeemable from April 6, 2010 to January 17, 2026) | | | |
| | | – | 158,773,453,858 |
| **TERM LOANS** [Refer Note (iv)] | | | |
| From Banks | – | | 50,455,497,768 |
| From Others | – | | 11,656,312,500 |
| | | – | 62,111,810,268 |
| | | 6,500,000,000 | 227,385,264,126 |
| **SHORT-TERM** | | | |
| **DEBENTURES (NON-CONVERTIBLE)** | – | | 7,500,000,000 |
| Less: Unexpired discount on zero percent debentures [Refer Note (vi)] | – | | 187,928,402 |
| (Previous Year Redeemable from June 21, 2010 to September 29, 2010) | | | |
| | | – | 7,312,071,598 |
| **TERM LOANS** | | | |
| From Banks | – | | 11,300,000,000 |
| From Others | – | | 2,000,000,000 |
| | | – | 13,300,000,000 |
| **COMMERCIAL PAPER** | 2,100,000,000 | | 17,500,000,000 |
| Less: Unexpired discount on commercial papers [Refer Note (vi)] | 36,496,733 | | 268,551,971 |
| (Maximum amount outstanding during the year ` **29,750,000,000** | | 2,063,503,267 | 17,231,448,029 |
| Previous Year ` 21,760,000,000) | | | |
| **BANK OVERDRAFT** | | 59,105,009 | – |
| | | 2,122,608,276 | 37,843,519,627 |
| **TOTAL UNSECURED LOAN FUNDS** | | 8,622,608,276 | 265,228,783,753 |
| **TOTAL LOAN FUNDS** | | 362,972,758,260 | 265,228,783,753 |

**NOTES:**

(i) Debentures include ` **58,040,000,000** (Previous Year ` Nil) repayable within a year.

(ii) Debentures include ` **Nil** (Previous Year ` 48,580,000,000) repayable within a year.

(iii) Term Loans from Banks include ` **19,981,597,085** (Previous Year ` Nil) and from Others include ` **1,074,937,245** (Previous Year ` Nil) repayable within a year.

(iv) Term Loans from Banks include ` **Nil** (Previous Year ` 13,162,285,085) and from Others include ` **Nil** (Previous Year ` 922,874,743) repayable within a year.

(v) In terms of the Reserve Bank of India Circular (Ref. No. DNBS (PD) CC No. 178/03.02.001/2010-11 dated July 1, 2010) no loans remained overdue as on March 31, 2011 and March 31, 2010.

(vi) Unexpired discount is net of ` **2,357,045,237** (Previous Year ` 1,631,380,732) towards interest accrued but not due.

## SCHEDULE 4 Fixed Assets

`

| DESCRIPTION | GROSS BLOCK | | | | DEPRECIATION AND AMORTISATION | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|
| | AS AT APRIL 1, 2010 | ADDITIONS | DELETIONS | AS AT MARCH 31, 2011 | AS AT APRIL 1, 2010 | CHARGE FOR THE YEAR | DELETIONS | AS AT MARCH 31, 2011 | AS AT MARCH 31, 2011 | AS AT MARCH 31, 2010 |
| **Tangible** | | | | | | | | | | |
| Buildings | | | | | | | | | | |
| Own Use | 2,773,236,423 | 58,414,115 | 75,934,134 | 2,755,716,404 | 220,304,983 | 127,207,781 | 36,514,492 | 310,998,272 | 2,444,718,132 | 2,552,931,440 |
| Under Operating Lease | 188,120,350 | – | – | 188,120,350 | 86,885,372 | 5,061,749 | – | 91,947,121 | 96,173,229 | 101,234,978 |
| Leasehold Improvements | 34,410,436 | 22,828,373 | – | 57,238,809 | 10,022,544 | 12,760,946 | – | 22,783,490 | 34,455,319 | 24,387,892 |
| Computer Hardware | 82,426,328 | 23,353,843 | 8,886,415 | 96,893,756 | 52,254,144 | 18,178,053 | 8,672,143 | 61,760,054 | 35,133,702 | 30,172,184 |
| Furniture, Fittings and Office Equipments | | | | | | | | | | |
| Owned | 155,109,210 | 36,619,556 | 14,853,173 | 176,875,593 | 57,176,550 | 20,162,311 | 11,621,626 | 65,717,235 | 111,158,358 | 97,932,660 |
| Under Operating Lease | 4,344,305 | – | – | 4,344,305 | 1,048,746 | 235,688 | – | 1,284,434 | 3,059,871 | 3,295,559 |
| Windmills | 1,012,500,000 | – | – | 1,012,500,000 | 282,363,895 | 111,929,865 | – | 394,293,760 | 618,206,240 | 730,136,105 |
| Vehicles | 9,581,826 | 124,800 | 901,815 | 8,804,811 | 5,509,311 | 1,066,067 | 699,381 | 5,875,997 | 2,928,814 | 4,072,515 |
| **Intangible** | | | | | | | | | | |
| Computer Software | 72,870,987 | 71,146,598 | 27,782,735 | 116,234,850 | 38,876,142 | 30,374,253 | 26,829,435 | 42,420,960 | 73,813,890 | 33,994,845 |
| Total | **4,332,599,865** | **212,487,285** | **128,358,272** | **4,416,728,878** | **754,441,687** | **326,976,713** | **84,337,077** | **997,081,323** | **3,419,647,555** | **3,578,158,178** |
| Previous Year | 4,377,128,101 | 150,679,215 | 195,207,451 | 4,332,599,865 | 511,934,143 | 328,390,687 | 85,883,143 | 754,441,687 | 3,578,158,178 | |

NOTE:
Buildings include ` **500** (Previous Year ` 1,000) being the cost of shares in co-operative housing societies.

## SCHEDULE 5 Investments

| | | | ` AS AT MARCH 31, 2011 | ` AS AT MARCH 31, 2010 |
|---|---|---|---|---|
| [See Schedule 18 Note 39(e)] | | | | |
| **I. LONG-TERM** | | | | |
| **A. EQUITY SHARES (FULLY PAID)** | | | | |
| | **NUMBER OF SHARES** | **FACE VALUE** | | |
| **QUOTED (NON TRADE)** | | | | |
| Andhra Cements Limited | 15,760,611 | 10 | 402,353,430 | 249,964,000 |
| (7,020,611 shares acquired during the year) | | | | |
| Bharti Airtel Limited | 466,800 | 5 | 10,503,000 | 14,004,000 |
| (155,600 shares sold during the year) | | | | |
| DQ Entertainment (International) Limited | 258,097 | 10 | 17,578,988 | 17,578,988 |
| Godrej Properties Limited | 423,791 | 10 | 207,657,590 | 207,657,590 |
| Gujarat State Petronet Limited | | | – | 16,800,000 |
| (840,000 shares sold during the year) | | | | |
| Jaypee Infratech Limited | 3,791,842 | 10 | 386,767,884 | – |
| JSW Energy Limited | 2,394,595 | 10 | 239,459,500 | 239,459,500 |
| KSK Energy Ventures Limited | 3,125,000 | 10 | 750,000,000 | 750,000,000 |
| Mundra Port and Special Economic Zone Limited | | | – | 143,578,712 |
| (1,675,000 shares sold during the year) | | | | |
| (Face value changed from ` 10 to ` 2 per share during the year) | | | | |
| Sarda Energy & Minerals Limited | 1,842,105 | 10 | 349,999,950 | 349,999,950 |
| SJVN Limited | 6,447,279 | 10 | 167,629,254 | – |
| Tata Consultancy Services Limited | 62,055 | 1 | 436,688 | 582,250 |
| (20,685 shares sold during the year) | | | | |
| Torrent Power Limited | 3,900,000 | 10 | 280,800,000 | 280,800,000 |
| VA Tech Wabag Limited | 38,390 | 5 | 47,279,205 | – |
| *Carried forward* | | | 2,860,465,489 | 2,270,424,990 |

## SCHEDULE 5 Investments (Continued)

| | NUMBER OF SHARES | FACE VALUE | ` AS AT MARCH 31, 2011 | ` AS AT MARCH 31, 2010 |
|---|---|---|---|---|
| *Brought forward* | | | 2,860,465,489 | 2,270,424,990 |
| **UNQUOTED** | | | | |
| **SUBSIDIARIES (TRADE)** | | | | |
| IDFC Asset Management Company Limited | 2,674,002 | 10 | 8,396,417,338 | 8,141,717,338 |
| (64,000 shares subscribed during the year) | | | | |
| IDFC AMC Trustee Company Limited | 50,000 | 10 | 662,351 | 662,351 |
| Jetpur Somnath Highway Limited | | | – | 500,000 |
| (Formerly IDFC Capital Company Limited) | | | | |
| (50,000 shares transferred to a wholly owned subsidiary during the year) | | | | |
| IDFC Finance Limited | 21,000,200 | 10 | 210,002,000 | 210,002,000 |
| IDFC Foundation | 50,000 | 10 | 500,000 | – |
| IDFC Pension Fund Management Company Limited | 5,999,999 | 10 | 59,999,990 | 59,999,990 |
| (Subsidiary of a Subsidiary Company) | | | | |
| IDFC PPP Trusteeship Company Limited | 50,000 | 10 | 500,000 | 500,000 |
| IDFC Private Equity Company Limited | 50,000 | 10 | 500,000 | 500,000 |
| IDFC Project Equity Company Limited | 50,000 | 10 | 500,000 | 500,000 |
| IDFC Projects Limited | 34,050,000 | 10 | 340,726,233 | 250,001,000 |
| (9,049,900 shares purchased from a wholly owned subsidiary during the year) | | | | |
| IDFC Securities Limited | 14,137,200 | 10 | 4,400,973,117 | 4,400,973,117 |
| IDFC Trustee Company Limited | 50,000 | 10 | 500,000 | 500,000 |
| Uniquest Infra Ventures Private Limited | 10,000 | 10 | 100,000 | – |
| **OTHERS (NON TRADE)** | | | | |
| Asset Reconstruction Company (India) Limited | 27,197,743 | 10 | 1,137,708,410 | 1,137,708,410 |
| Asia Bio Energy (India) Limited | 2,500,000 | 10 | 25,000,000 | 25,000,000 |
| Athena Energy Ventures Private Limited | 50,000,000 | 10 | 500,000,000 | 420,000,000 |
| (8,000,000 shares subscribed during the year) | | | | |
| Avantika Gas Limited | 3,500 | 10 | 35,000 | 35,000 |
| BSCPL Infrastructure Limited | 436,300 | 10 | 249,999,900 | 249,999,900 |
| [Formerly B. Seenaiah & Company (Projects) Limited] | | | | |
| (218,150 bonus shares received during the year) | | | | |
| Delhi Integrated Multi-Modal Transit System Limited | | | – | 73,045,000 |
| (73,045 shares sold to a wholly owned subsidiary during the year) | | | | |
| Delhi Mumbai Industrial Corridor Development Corporation Limited | 1,000,000 | 10 | 10,000,000 | 10,000,000 |
| Ennore SEZ Company Limited | 25,000 | 10 | 250,000 | 250,000 |
| Feedback Ventures Private Limited | 4,026,689 | 10 | 200,870,985 | 200,870,985 |
| GMR Kamalanga Energy Limited | 17,730,000 | 10 | 177,300,000 | 177,300,000 |
| GR Infraprojects Limited | 111,256 | 10 | 19,773,529 | – |
| Green Gas Limited | 10,000 | 10 | 100,000 | 100,000 |
| Indian Commodity Exchange Limited | 10,000,000 | 5 | 50,000,000 | 50,000,000 |
| Indian Energy Exchange Limited | 1,250,000 | 10 | 12,500,000 | 12,500,000 |
| Indu Projects Limited | 2,053,480 | 10 | 266,952,400 | 266,952,400 |
| Intarvo Technologies Limited | 69,800 | 10 | 14,029,800 | – |
| Infrastructure Development Corporation (Karnataka) Limited | | | – | 49,499,960 |
| (4,949,996 shares sold to a wholly owned subsidiary during the year) | | | | |
| KMC Constructions Limited | 542,977 | 10 | 238,997,884 | 238,997,884 |
| L & T Infrastructure Development Projects Limited | | | – | 540,000,000 |
| (5,400,000 shares sold during the year) | | | | |
| MVR Infrastructure and Tollways Private Limited | 1,200,000 | 100 | 120,000,000 | 120,000,000 |
| National Stock Exchange of India Limited | 3,547,990 | 10 | 889,161,443 | 889,161,443 |
| One 97 Communication Limited | 119,867 | 10 | 29,607,149 | – |
| *Carried forward* | | | 20,214,133,018 | 19,797,701,768 |

**SCHEDULE 5** Investments (Continued)

| | NUMBER OF SHARES | FACE VALUE | ` AS AT MARCH 31, 2011 | ` AS AT MARCH 31, 2010 |
|---|---|---|---|---|
| *Brought forward* | | | 20,214,133,018 | 19,797,701,768 |
| Orbis Capital Limited | 7,500,000 | 10 | 86,250,000 | – |
| Petronet CCK Limited | 19,973,332 | 10 | 199,733,320 | 199,733,320 |
| Pipal Tree Ventures Private Limited | 192,885 | 10 | 22,500,000 | – |
| Quickjet Cargo Airlines Private Limited | 90,909 | 10 | 999,999 | 999,999 |
| Rohan Rajdeep Toll Roads Limited | 4,070,000 | 10 | 40,700,000 | 40,700,000 |
| Securities Trading Corporation of India Limited | 3,530,136 | 10 | 540,428,382 | 540,428,382 |
| SSIPL Retail Private Limited | 304,599 | 10 | 50,002,890 | 50,002,890 |
| Uttarakhand Infrastructure Development Company Limited | | | – | 2,395,170 |
| (239,517 shares sold to a wholly owned subsidiary during the year) | | | | |
| | | (A) | 21,154,747,609 | 20,631,961,529 |
| **B. PREFERENCE SHARES (FULLY PAID – UNQUOTED)** [See Schedule 18 Note 9(b)] | | | | |
| **SUBSIDIARIES (TRADE)** | | | | |
| IDFC Asset Management Company Limited | | | – | 197,925,000 |
| (19,792,500 shares redeemed during the year) | | | | |
| **OTHERS (NON TRADE)** | | | | |
| 1% Asian Hotels Limited | | | – | 450,000,000 |
| (5,000,000 shares redeemed during the year) | | | | |
| 0.10% GMR Energy Limited (convertible) | 540,088 | 1,000 | 540,088,000 | – |
| 0% Human Value Developers Private Limited (convertible) | 23,749,200 | 10 | 237,492,000 | 237,492,000 |
| 0% Moser Baer Solar Limited (optionally convertible) | 61,290,000 | 10 | 612,900,000 | 612,900,000 |
| (Formerly P. V. Technologies India Limited) | | | | |
| 0% Quickjet Cargo Airlines Private Limited (convertible) | 15,181,818 | 11 | 167,000,000 | 167,000,000 |
| 0.10% SMMS Investments Private Limited | | | – | 2,150,000,000 |
| (215,000 shares redeemed during the year) | | | | |
| 0% TRIL Infopark Limited (convertible) | 26,250,000 | 100 | 2,625,000,000 | 1,500,000,000 |
| (3,750,000 shares redeemed during the year) | | | | |
| (15,000,000 shares subscribed during the year) | | | | |
| (Previous year optionally convertible) | | | | |
| 13.50% Viom Networks Limited (optionally partially convertible) | 250,000,000 | 10 | 2,500,000,000 | 2,500,000,000 |
| (Formerly Wireless-TT Info Services Limited) | | | | |
| 0.02% Ziqitza Healthcare Limited (convertible) | 2,209 | 10 | 4,698,543 | 4,698,543 |
| | | (B) | 6,687,178,543 | 7,820,015,543 |
| **C. VENTURE CAPITAL UNITS (UNQUOTED)** | | | | |
| | **NUMBER OF UNITS** | **FACE VALUE** | | |
| Faering Capital India Evolving Fund (fully paid) | 45,000 | 1,000 | 45,000,000 | – |
| India Development Fund - Class A (` 99.79 paid) | 10,000,000 | 100 | 1,000,000 | 1,000,000 |
| India Development Fund - Class B (fully paid) | 700 | 100 | 70,000 | 70,000 |
| India Infrastructure Fund - Class B (fully paid) | 4,070 | 1 | 4,070 | – |
| IDFC Project Equity Domestic Investors Trust I (fully paid) | 15,628,280 | 100 | 1,562,828,000 | 1,418,200,000 |
| (2,539,200 units subscribed during the year) | | | | |
| (1,092,920 units redemeed during the year) | | | | |
| IDFC Private Equity Fund II - Class A (` 8.90 paid) | 135,000,000 | 10 | 952,234,650 | 1,050,042,150 |
| (` 141,817,500 repaid during the year) | | | | |
| IDFC Private Equity Fund II - Class C (` 10 paid) | 6,621 | 10 | 66,210 | 66,210 |
| IDFC Private Equity Fund III - Class A (` 4.79 paid) | 280,000,000 | 10 | 1,342,443,116 | 1,040,200,000 |
| IDFC Private Equity Fund III - Class C (` 4.23 paid) | 1,350,000 | 10 | 5,709,345 | – |
| IDFC Private Equity Fund III - Class D (` 1.75 paid) | 79,996,000 | 10 | 139,913,004 | – |
| IDFC Private Equity Fund III - Class F (` 1.72 paid) | 385,695 | 10 | 662,625 | – |
| Urban Infrastructure Opportunities Fund - Class A (fully paid) | 2,700 | 100,000 | 274,000,000 | 274,000,000 |
| | | (C) | 4,323,931,020 | 3,783,578,360 |

| | NUMBER OF BONDS | FACE VALUE | ` AS AT MARCH 31, 2011 | ` AS AT MARCH 31, 2010 |
|---|---|---|---|---|
| **D. BONDS (FULLY PAID – UNQUOTED)** [See Schedule 18 Note 9(c)] | | | | |
| 10.05% Axis Bank Limited | 250 | 1,000,000 | 249,950,000 | 249,950,000 |
| 8.25% Corporation Bank Limited | 250 | 1,000,000 | 249,721,250 | 249,721,250 |
| 9.50% Delhi Transco Limited | | | – | 500,050,000 |
| (5,000 bonds sold during the year) | | | | |
| 10.25% Future Capital Holdings Limited | 500 | 1,000,000 | 494,946,000 | – |
| 9.92% HDFC Bank Limited | 59 | 1,000,000 | 59,000,000 | 59,000,000 |
| 9.98% ICICI Bank Limited | 200 | 1,000,000 | 200,000,000 | 200,000,000 |
| 6.25% ING Vysya Bank Limited | 500 | 100,000 | 43,864,450 | 43,864,450 |
| 8.95% Infotel Broadband Services Private Limited | 500 | 1,000,000 | 482,377,500 | – |
| 8.91% L&T Infrastructure Finance Company Limited | 250 | 1,000,000 | 245,118,200 | – |
| Floating Rate Bond LIC Housing Finance Limited | | | – | 200,000,000 |
| (200 bonds sold during the year) | | | | |
| 7.00% Power Finance Corporation Limited | | | – | 252,932,500 |
| (250 bonds sold during the year) | | | | |
| 8.49% Power Finance Corporation Limited | | | – | 309,440,100 |
| (300 bonds sold during the year) | | | | |
| 8.60% Power Finance Corporation Limited | 250 | 1,000,000 | 250,000,000 | 250,000,000 |
| 8.80% Power Finance Corporation Limited | | | – | 400,000,000 |
| (400 bonds sold during the year) | | | | |
| 11.00% Power Finance Corporation Limited | 700 | 1,000,000 | 785,913,800 | 785,913,800 |
| 11.15% Power Finance Corporation Limited | | | – | 26,475,750 |
| (25 bonds sold during the year) | | | | |
| 8.84% Power Grid Corporation Limited | | | – | 4,200,000,000 |
| (3,360 bonds sold during the year) | | | | |
| 10.90% Power Grid Corporation Limited | 90 | 500,000 | 47,294,640 | 56,753,568 |
| 10.90% Reliance Gas Transportation Infrastructure Limited | 100 | 1,000,000 | 107,451,700 | 372,677,950 |
| (250 bonds sold during the year) | | | | |
| 10.95% Reliance Gas Transportation Infrastructure Limited | 1,324 | 1,000,000 | 1,475,125,856 | 1,475,125,856 |
| 9.20% Reliance Utilities and Power Private Limited | 500 | 1,000,000 | 509,555,000 | – |
| 7.15% Rural Electrification Corporation Limited | 500 | 1,000,000 | 500,000,000 | 500,000,000 |
| 7.90% Rural Electrification Corporation Limited | 650 | 1,000,000 | 654,725,950 | 654,725,950 |
| 0% Sharekhan Limited (convertible) | 3,435,527 | 145.35 | 499,353,849 | 499,353,849 |
| 0% Sharekhan Limited (convertible) | 567,601 | 264.27 | 149,999,916 | 149,999,916 |
| 10.60% Shriram Transport Finance Company Limited | 100 | 1,000,000 | 100,000,000 | – |
| 11.00% Shriram Transport Finance Company Limited | 250 | 1,000,000 | 252,954,750 | – |
| 10.10% State Bank of India | | | – | 100,496,200 |
| (100 bonds sold during the year) | | | | |
| 9.90% State Bank of Patiala | | | – | 99,349,600 |
| (100 bonds sold during the year) | | | | |
| 8.32% Tamilnadu Electricity Board | | | – | 234,023,400 |
| (234 bonds sold during the year) | | | | |
| | | (D) | 7,357,352,861 | 11,869,854,139 |
| **E. GOVERNMENT SECURITIES (UNQUOTED)** | | (E) | 499,862,500 | 256,262,500 |
| **F. SECURITY RECEIPTS (UNQUOTED)** | | | | |
| Issued by Asset Reconstruction Company (India) Limited | | (F) | 217,172,886 | 220,031,677 |

| | | | AS AT MARCH 31, 2011 ` | AS AT MARCH 31, 2010 ` |
|---|---|---|---|---|
| **G. TRUST UNITS (UNQUOTED)** | | | | |
| India Infrastructure Initiative | | | – | 60,000,000 |
| (60,000 units transferred to a wholly owned subsidiary during the year) | | | | |
| India PPP Capacity Building Trust | | | – | 50,000,000 |
| (250,000 units transferred to a wholly owned subsidiary during the year) | | | | |
| | | (G) | – | 110,000,000 |
| **TOTAL LONG-TERM INVESTMENTS** | | **(A + B + C + D + E + F + G )** | 40,240,245,419 | 44,691,703,748 |

**II. CURRENT (NON TRADE)**

**A. EQUITY SHARES (FULLY PAID – QUOTED)** [See Schedule 18 Note 9(a)]

| | NUMBER OF SHARES | FACE VALUE | AS AT MARCH 31, 2011 | AS AT MARCH 31, 2010 |
|---|---|---|---|---|
| Hathway Cable & Datacom Limited | 416,650 | 10 | 99,996,000 | 99,996,000 |
| Indiabulls Power Limited | 3,423,184 | 10 | 154,043,280 | 154,043,280 |
| NHPC Limited | 10,555,729 | 10 | 380,006,244 | 380,006,244 |
| Oil India Limited | | | – | 95,110,050 |
| (90,581 shares sold during the year) | | | | |
| Vascon Engineers Limited | 864,225 | 10 | 142,597,125 | 142,597,125 |
| Engineers India Limited | 143,961 | 5 | 41,748,690 | – |
| | | (A) | 818,391,339 | 871,752,699 |

**B. BONDS (FULLY PAID – UNQUOTED)** [See Schedule 18 Note 9(c)]

| | NUMBER OF BONDS | FACE VALUE | AS AT MARCH 31, 2011 | AS AT MARCH 31, 2010 |
|---|---|---|---|---|
| 9.25% Deccan Chronicle Holdings Limited | 500 | 1,000,000 | 500,000,000 | – |
| 12.00% Deccan Chronicle Holdings Limited | 1,000 | 1,000,000 | 1,000,000,000 | – |
| 10.10% Deutsche Post Bank Home Finance Limited | 150 | 1,000,000 | 150,000,000 | 150,000,000 |
| 0% Dewan Housing Finance Limited | 100 | 10,000,000 | 1,000,000,000 | – |
| 10.75% Dishergarh Power Supply Company Limited | 2,350 | 200,000 | 470,000,000 | – |
| 5.60% Export Import Bank of India (Series M-01) | | | – | 250,000,000 |
| (250 bonds sold during the year) | | | | |
| 9.25% Fullerton India Credit Company Limited | 850 | 1,000,000 | 850,720,000 | – |
| 9.35% Great Eastern Shipping Company Limited | | | – | 315,000,000 |
| (315 bonds sold during the year) | | | | |
| 9.60% Great Eastern Shipping Company Limited | 100 | 1,000,000 | 100,928,600 | 100,928,600 |
| 0% Housing Development Finance Corporation Limited | 500 | 1,000,000 | 500,000,000 | – |
| 6.84% Housing Development Finance Corporation Limited | 200 | 1,000,000 | 201,846,400 | 453,795,600 |
| (250 bonds sold during the year) | | | | |
| 8.35% Housing Development Finance Corporation Limited | 200 | 1,000,000 | 200,000,000 | – |
| 8.40% Housing Development Finance Corporation Limited | | | – | 250,000,000 |
| (250 bonds sold during the year) | | | | |
| 9.29% ICICI Home Finance Limited | 88 | 1,000,000 | 88,000,000 | 88,000,000 |
| 10.24% L&T Finance Limited | 821,491 | 1,000 | 821,491,000 | 821,491,000 |
| 0% LIC Housing Finance Limited | | | – | 188,679,800 |
| (200 bonds sold during the year) | | | | |
| 6.55% National Housing Bank | 450 | 1,000,000 | 445,919,850 | 500,000,000 |
| (50 bonds sold during the year) | | | | |
| 7.00% Power Finance Corporation Limited | 250 | 1,000,000 | 250,600,000 | – |
| 8.49% Power Finance Corporation Limited | 300 | 1,000,000 | 307,260,000 | – |
| 8.80% Power Finance Corporation Limited | 400 | 1,000,000 | 400,000,000 | – |
| 11.15% Power Finance Corporation Limited | 25 | 1,000,000 | 26,475,750 | – |
| *Carried forward* | | | 7,313,241,600 | 3,117,895,000 |

**SCHEDULE 5** Investments (Continued)

| | | | ` AS AT MARCH 31, 2011 | ` AS AT MARCH 31, 2010 |
|---|---|---|---|---|
| *Brought forward* | | | 7,313,241,600 | 3,117,895,000 |
| 8.64% Power Grid Corporation Limited | 80 | 1,250,000 | 99,991,463 | – |
| 8.84% Power Grid Corporation Limited | 640 | 1,250,000 | 800,000,000 | – |
| 9.22% Reliance Capital Limited | 250 | 1,000,000 | 252,810,000 | 252,810,000 |
| 9.25% Reliance Capital Limited | 450 | 1,000,000 | 454,893,950 | 606,093,900 |
| (150 bonds sold during the year) | | | | |
| 10.90% Reliance Gas Transportation Infrastructure Limited | 650 | 1,000,000 | 692,028,050 | – |
| 10.95% Reliance Gas Transportation Infrastructure Limited | 500 | 1,000,000 | 554,844,000 | – |
| 7.60% Rural Electrification Corporation Limited | 350 | 1,000,000 | 353,501,050 | – |
| 10.90% Shriram Transport Finance Company Limited | 200 | 1,000,000 | 200,232,000 | – |
| 9.05% State Bank of India | 190 | 1,000,000 | 190,000,000 | 500,000,000 |
| (310 bonds sold during the year) | | | | |
| 9.95% State Bank of India | 45,000 | 10,000 | 469,020,950 | – |
| 10.00% Sundaram Finance Limited | 250 | 1,000,000 | 250,000,000 | 250,000,000 |
| 10.30% Tata Sons Limited | 50 | 1,000,000 | 50,000,000 | 500,000,000 |
| | | (B) | 11,680,563,063 | 5,226,798,900 |
| **C. PASS THROUGH CERTIFICATES (UNQUOTED)** [See Schedule 18 Note 9(d)] | | | | |
| India MBS 2002 Certificates Series I D | | | 10,586,045 | 12,969,693 |
| NOVO IV Trust - Locomotive Series D | | | – | 617,866,749 |
| Loan Securitisation Trust (Series XVII) | | | 2,216,238 | 9,584,310 |
| Standard Chartered Bank Series A2 | | | – | 462,211,352 |
| | | (C) | 12,802,283 | 1,102,632,104 |
| **D. CERTIFICATE OF DEPOSITS WITH SCHEDULED BANKS (UNQUOTED)** | | (D) | 18,898,927,298 | 3,710,542,969 |
| **E. COMMERCIAL PAPERS (UNQUOTED)** | | (E) | 8,214,683,135 | 1,441,284,534 |
| **F. GOVERNMENT SECURITIES AND TREASURY BILLS (UNQUOTED)** | | (F) | 2,617,356,559 | – |
| **G. MUTUAL FUNDS (UNQUOTED)** | | | | |
| | **NUMBER OF UNITS** | **FACE VALUE** | | |
| IDFC Money Manager Fund - Treasury - Daily Dividend | 1,355,620.214 | 10 | 13,650,960 | 53,389,494 |
| Religare Liquid Fund Super Institutional Plan Growth | | | – | 1,322,500,000 |
| | | (G) | 13,650,960 | 1,375,889,494 |
| **H. CONVERTIBLE WARRANTS (QUOTED)** | | | | |
| | **NUMBER OF WARRANTS** | **FACE VALUE** | | |
| Housing Development Finance Corporation Limited | 850 | 2 | 46,750 | 46,750 |
| (Face value changed from ` 10 to ` 2 per warrant during the year) | | | | |
| | | (H) | 46,750 | 46,750 |
| **TOTAL CURRENT INVESTMENTS** | | **(A + B + C + D + E + F + G + H)** | 42,256,421,387 | 13,728,947,450 |
| **GRAND TOTAL (I + II)** | | | 82,496,666,806 | 58,420,651,198 |
| Less: Provision for Diminution in Value of Investments | | | 1,422,512,892 | 593,759,254 |
| | | | 81,074,153,914 | 57,826,891,944 |
| **NOTES:** | | | | |
| (1) Aggregate amount of quoted investments | | | | |
| Cost | | | 3,678,903,578 | 3,142,224,439 |
| Market Value | | | 3,436,733,060 | 4,144,842,552 |
| (2) Aggregate amount of investments in Unquoted Mutual Funds | | | | |
| Cost | | | 13,650,960 | 1,375,889,494 |
| Market Value | | | 13,650,960 | 1,376,078,404 |
| Market value of Investments in Unquoted Mutual Funds represents the repurchase price of the units issued by the Mutual Funds. | | | | |
| (3) Aggregate amount of unquoted investments – Cost | | | 78,804,112,268 | 53,902,537,265 |

(4) Investments include ` **476,853,181** (Previous Year ` 17,578,988) in respect of equity shares which are subject to a lock-in-period.

(5) Investments include ` **4,698,543** (Previous Year ` 544,698,543) in respect of equity shares and ` **4,323,931,020** (Previous Year ` 3,783,578,360) in respect of Venture Capital Units which are subject to restrictive covenants.

(6) Investments exclude equity shares held by the Company having face value of ` **135,836,000** (Previous Year ` 135,556,040), where the Company has no beneficial interest.

## SCHEDULE 6 Infrastructure Loans

| | ` | ` | ` |
|---|---|---|---|
| | | AS AT MARCH 31, 2011 | AS AT MARCH 31, 2010 |
| [See Schedule 18 Notes 11, 39(d) & 39(f)] | | | |
| **A. LOANS** | 373,817,657,099 | | 248,837,290,803 |
| **B. DEBENTURES** [See Schedule 18 Notes 10(a) & 10(b)] | 8,332,267,721 | | 6,516,784,194 |
| | | 382,149,924,820 | 255,354,074,997 |
| Less: Provision for Doubtful Infrastructure Loans | | 408,291,011 | 368,707,678 |
| Provision against Restructured Loans | | – | 14,200,000 |
| Provision for Contingencies | | 5,218,475,667 | 4,701,200,000 |
| | | 376,523,158,142 | 250,269,967,319 |
| Whereof: | | | |
| (i) Considered good | | 381,741,633,809 | 254,985,367,319 |
| (ii) Considered doubtful | | 408,291,011 | 368,707,678 |

## SCHEDULE 7 Sundry Debtors (Unsecured)

| | ` | ` | ` |
|---|---|---|---|
| | | AS AT MARCH 31, 2011 | AS AT MARCH 31, 2010 |
| **CONSIDERED GOOD** - Less than six months | | 154,481,197 | 459,308,243 |
| **CONSIDERED DOUBTFUL** | | | |
| Over six months | 36,498,720 | | 34,970,024 |
| Others | 101,280 | | 229,976 |
| | | 36,600,000 | 35,200,000 |
| Debtors | | 191,081,197 | 494,508,243 |
| Less: Provision for Doubtful Debts | | 36,600,000 | 35,200,000 |
| | | 154,481,197 | 459,308,243 |

## SCHEDULE 8 Cash and Bank Balances

| | ` | ` | ` |
|---|---|---|---|
| | | AS AT MARCH 31, 2011 | AS AT MARCH 31, 2010 |
| [See Schedule 18 Note 12(a)] | | | |
| Cash and Cheques on Hand | | 9,114,299 | 40,486,167 |
| (includes Cheques on Hand ` **9,033,267**; Previous Year ` 40,404,901) | | | |
| With Scheduled Banks | | | |
| Current Accounts (See Schedule 18 Note 8) | 2,246,335,861 | | 279,796,405 |
| Deposit Accounts | 7,430,000,000 | | – |
| | | 9,676,335,861 | 279,796,405 |
| With Non-Scheduled Bank in Current Account | | 15,294 | 15,525 |
| [See Schedule 18 Note 12(b)] | | | |
| | | 9,685,465,454 | 320,298,097 |

## SCHEDULE 9 Loans and Advances (Unsecured, considered good)

| | ` | ` | ` |
|---|---|---|---|
| | | AS AT MARCH 31, 2011 | AS AT MARCH 31, 2010 |
| Interest accrued on Deposits & Loan to Financial Institution | | 213,411,328 | 24,123,288 |
| Advances recoverable in cash or in kind or for value to be received [See Schedule 18 Note 12(c)] | | 1,947,723,987 | 414,383,140 |
| Loan to Financial Institution | | 300,000,000 | 300,000,000 |
| Inter Corporate Deposits | | 5,776,500,000 | 22,200,000,000 |
| Advance against Investments | | 573,182,869 | 440,001,457 |
| Other Deposits | | 232,113,682 | 174,479,948 |
| Advance payment of Income Tax (Net of provision) | | 1,154,791,833 | 1,554,797,287 |
| Initial margin account – Stock Futures | | 40,000,000 | – |
| Mark-to-market margin – Stock Futures account (See Schedule 18 Note 38) | 1,621,700 | | – |
| Less: Provision for loss – Stock Futures account | 1,621,700 | | – |
| | | – | – |
| | | 10,237,723,699 | 25,107,785,120 |

## SCHEDULE 10 Current Liabilities

| | ` | ` |
|---|---|---|
| | AS AT MARCH 31, 2011 | AS AT MARCH 31, 2010 |
| Sundry Creditors – Other than Micro and Small Enterprises | 1,914,959,126 | 1,322,617,931 |
| [See Schedule 18 Note 13] | | |
| Interest Accrued but not due on Loan Funds | | |
| [See Schedule 3 Note (vi) and Schedule 18 Note 14(b)] | 8,931,300,722 | 5,501,554,146 |
| Fees/Other Amounts Received in Advance | 376,958,513 | 683,270,694 |
| Other Liabilities [See Schedule 18 Note 14(a)] | 112,476,568 | 234,821,242 |
| | 11,335,694,929 | 7,742,264,013 |

## SCHEDULE 11 Provisions

| | ` | ` |
|---|---|---|
| | AS AT MARCH 31, 2011 | AS AT MARCH 31, 2010 |
| Proposed Dividend | 3,245,357,987 | 1,950,990,402 |
| Tax on Proposed Dividend (See Schedule 18 Note 18) | 450,493,170 | 222,065,118 |
| Contingent Provision against Standard Assets (See Schedule 18 Note 15) | 967,500,000 | – |
| Provision for Employee Benefits [See Schedule 18 Note 29(ii)] | – | 23,140,863 |
| Provision for Wealth Tax (Net of advance payment of tax) | 2,778,377 | 2,380,377 |
| Provision for Fringe Benefit Tax (Net of advance payment of tax) | 3,901,967 | 3,901,967 |
| | 4,670,031,501 | 2,202,478,727 |

## SCHEDULE 12 Operating and Other Income

| | ` | ` | ` |
|---|---|---|---|
| | | APRIL 1, 2010 TO MARCH 31, 2011 | APRIL 1, 2009 TO MARCH 31, 2010 |
| **OPERATING INCOME** | | | |
| Interest on Infrastructure Loans [See Schedule 18 Notes 10(c) & 16] | 34,461,939,227 | | 25,669,043,288 |
| Interest on Deposits and Loan to Financial Institution and Others | 1,018,762,531 | | 571,487,905 |
| Interest on Investments [See Schedule 18 Note 17(a)] | 3,935,366,818 | | 2,548,186,542 |
| Dividend on Investments [See Schedule 18 Notes 17(a) & 18] | 818,793,470 | | 1,321,465,273 |
| Fees (Net) [See Schedule 18 Note 19(a)] | 2,212,417,499 | | 1,183,980,768 |
| Profit on assignment/sale of Loans | 58,557,171 | | 26,838,299 |
| Profit on sale/redemption of Investments | | | |
| [See Schedule 18 Notes 17 (a) & (b)] | 2,741,336,565 | | 4,252,624,857 |
| Income from trading in Stock Futures | 28,119,763 | | – |
| Sale of Power (See Schedule 18 Note 20) | 100,446,439 | | 126,121,060 |
| Other Operating Income | 83,813,837 | | – |
| (Tax deducted at source ` **1,611,889,359**; Previous Year ` 511,586,650) | | | |
| | | 45,459,553,320 | 35,699,747,992 |
| **OTHER INCOME** | | | |
| Interest on Income Tax Refund | 50,623,841 | | 127,881,567 |
| Other Interest | 599,999 | | 618,168 |
| Profit on Sale of Fixed Assets (net) | 69,953,102 | | 127,400,931 |
| Miscellaneous Income [See Schedule 18 Note 32(iii)] | 22,803,966 | | 15,414,119 |
| | | 143,980,908 | 271,314,785 |
| | | 45,603,534,228 | 35,971,062,777 |

## SCHEDULE 13 Interest & Other Charges

| | ` | ` | ` |
|---|---|---|---|
| | | APRIL 1, 2010 TO MARCH 31, 2011 | APRIL 1, 2009 TO MARCH 31, 2010 |
| **INTEREST** | | | |
| On Fixed Loans | 22,983,333,484 | | 19,195,107,686 |
| On Others | 1,395,669 | | 2,553,700 |
| | | 22,984,729,153 | 19,197,661,386 |
| **OTHER CHARGES** | | 880,479,984 | 304,646,982 |
| (including exchange loss ` **315,806,898**; Previous Year ` 61,320,748) | | | |
| | | 23,865,209,137 | 19,502,308,368 |

## SCHEDULE 14 Staff Expenses

| | ` APRIL 1, 2010 TO MARCH 31, 2011 | ` APRIL 1, 2009 TO MARCH 31, 2010 |
|---|---|---|
| Salaries [See Schedule 18 Notes 4, 21 & 32 (i)] | 957,155,875 | 922,505,958 |
| Contribution to Provident and Other Funds [See Schedule 18 Note 29(i)] | 52,204,473 | 36,957,430 |
| Staff Welfare Expenses | 55,846,184 | 90,504,542 |
| | **1,065,206,532** | **1,049,967,930** |

## SCHEDULE 15 Establishment Expenses

| | ` | ` APRIL 1, 2010 TO MARCH 31, 2011 | ` APRIL 1, 2009 TO MARCH 31, 2010 |
|---|---|---|---|
| Rent [See Schedule 18 Note 32 (ii)] | | 96,613,047 | 84,947,544 |
| Rates & Taxes | | 17,957,950 | 15,467,167 |
| Electricity | | 26,124,404 | 17,939,286 |
| Repairs and Maintenance | | | |
| Buildings | 20,205,568 | | 31,844,438 |
| Equipments | 15,822,883 | | 18,787,030 |
| Others | 319,193 | | 351,996 |
| | | 36,347,644 | 50,983,464 |
| Insurance Charges | | 4,485,808 | 2,570,370 |
| | | **181,528,853** | **171,907,831** |

## SCHEDULE 16 Other Expenses

| | ` APRIL 1, 2010 TO MARCH 31, 2011 | ` APRIL 1, 2009 TO MARCH 31, 2010 |
|---|---|---|
| Travelling and Conveyance | 51,001,974 | 52,514,885 |
| Printing and Stationery | 12,245,792 | 12,423,581 |
| Postage, Telephone and Fax | 36,683,341 | 34,786,284 |
| Advertising and Publicity | 20,325,032 | 14,508,196 |
| Professional Fees | 297,540,834 | 182,667,303 |
| Loss on Foreign Exchange Fluctuation (Net) | 6,658 | 27,916 |
| Directors' Fees | 2,740,000 | 1,920,000 |
| Commission to Directors [See Schedule 18 Note 22(b)] | 11,100,000 | 5,626,786 |
| Bad Debts written off | 29,291,178 | – |
| Miscellaneous Expenses (See Schedule 18 Note 23) | 150,014,162 | 128,824,611 |
| Auditors' Remuneration (See Schedule 18 Note 26) | 13,644,437 | 10,186,502 |
| | **624,593,408** | **443,486,064** |

## SCHEDULE 17 Provisions and Contingencies

| | ` APRIL 1, 2010 TO MARCH 31, 2011 | ` APRIL 1, 2009 TO MARCH 31, 2010 |
|---|---|---|
| Provision for Contingencies | 1,484,775,667 | 1,026,200,000 |
| [including provision u/s. 36(1)(viia) of Income-tax Act, 1961] | | |
| Provision for Doubtful Loans, Debtors and Restructured Loans | 64,283,333 | 48,926,711 |
| Provision for Diminution in Value of Investments (Net) | 798,685,432 | 228,501,468 |
| Provision for Mark-to-Market on Stock Futures account | 1,621,700 | – |
| | **2,349,366,132** | **1,303,628,179** |

## 1 Significant Accounting Policies

### A. Accounting Convention

These accounts have been prepared in accordance with historical cost convention, applicable Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006, relevant provisions of the Companies Act, 1956 and the applicable guidelines issued by the Reserve Bank of India (RBI).

### B. System of Accounting

The Company adopts the accrual concept in the preparation of the accounts. The preparation of the financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

### C. Investments

The Company is regulated as a Non-Banking Financial Company (NBFC) – Infrastructure Finance Company by the RBI. Accordingly, Investments are classified under two categories i.e. Current and Long-term and are valued in accordance with the RBI guidelines and Accounting Standard 13 on 'Accounting for Investments' as notified by the Companies (Accounting Standards) Rules, 2006.

- 'Long-term Investments' are carried at acquisition cost. A provision is made for diminution other than temporary on an individual basis.
- 'Current Investments' are carried at the lower of cost or fair value on an individual basis. Commercial Papers, Certificate of Deposits and Treasury Bills are valued at carrying cost.

### D. Infrastructure Loans and Advances

In accordance with the RBI guidelines, all loans and advances are classified under any of four categories i.e. (i) Standard Assets, (ii) Substandard Assets, (iii) Doubtful Assets and (iv) Loss Assets.

### E. 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.

### F. Intangible Assets

Intangible Assets comprising of system 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 Profit and Loss Account.

### G. Impairment

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount.

### H. Provisions and Contingencies

- Adequate provision for diminution is made as per the regulatory guidelines applicable to Non-Performing Advances and the provisioning policy of the Company in respect of Loans and Debentures in the nature of advances.
- Provision on restructured advances is computed in accordance with the RBI guidelines.
- Provision for Contingencies is made as per the provisioning policy of the Company, which includes a general provision at 0.25% of the outstanding standard assets in accordance with the RBI guidelines and provision under Section 36(1)(viia) of the Income-tax Act, 1961.

### I. Depreciation and Amortisation

- Tangible Assets

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

- Intangible Assets

Intangible assets consisting of computer software are being amortised over a period of three years on straight-line method.

### J. Operating Leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Profit and Loss Account, on a straight-line basis, over the lease term. Lease rental income in respect of leases is recognised in accordance with Accounting Standard 19 on 'Leases' as notified by 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.

## K. Employee Benefits

- Defined Contribution Plans

The Company's contribution to Provident Fund is deposited with the Regional Provident Fund Commissioner and is charged to the Profit and Loss Account every year.

The Company has taken a superannuation policy for future payment of superannuation and the Company's contribution paid/payable during the year is charged to the Profit and Loss Account every year.

- 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 Profit and Loss Account.

## L. Income-Tax

The accounting treatment for income-tax in respect of the Company's income is based on Accounting Standard 22 on 'Accounting for Taxes on Income' as notified by the Companies (Accounting Standards) Rules, 2006. The provision made for income-tax in the accounts comprises both, the current tax and the deferred tax. The deferred tax assets and liabilities for the year arising on account of timing differences are recognised in the Profit and Loss Account and the cumulative effect thereof is reflected in the Balance Sheet.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carried forward losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that the same can be realised against future taxable profits.

## M. Revenue Recognition

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

(b) Income on discounted instruments is recognised over the tenure of the instrument on straight-line basis.

(c) Dividend is accounted on accrual basis when the right to receive is established.

(d) Front end fees on processing of loans are recognised upfront as income.

(e) All 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, is recognised pro-rata over the period of the guarantee.

(f) Premium on interest rate reduction is accounted on accrual basis over the residual life of the loan.

(g) Profit/loss earned on sale of investments is recognised on trade date basis. Profit/loss on sale of investments is determined based on the FIFO cost for current investments and weighted average cost for long-term investments.

(h) Profit on securitisation is recognised over the residual life of the loan in terms of the RBI guidelines. Profit on sale of loan assets through direct assignment, without any recourse obligation, is recognised at the time of sale. Net loss arising on account of securitisation and direct assignment of loan assets is recognised at the time of sale.

(i) Revenue from Power Supply is accounted on accrual basis.

(j) Income from trading in derivatives is recognised on final settlement or squaring-up of the contracts.

## N. Foreign Currency Transactions

Foreign currency transactions are accounted at the exchange rates prevailing on the dates of the transactions. Foreign currency monetary items outstanding as at the Balance Sheet date are reported using the closing rate. Gains and losses resulting from the settlement of such transactions and translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account. 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.

## O. Derivatives

- 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 an accrual basis and these transactions are not marked-to-market. Any resultant gain or loss on termination of hedge swaps is amortised over the life of swap or underlying asset/liability whichever is shorter.

- Currency Interest Rate Swaps

Currency interest rate swaps in the nature of hedge are recorded on an accrual basis and these transactions are not marked-to-market. Any resultant gain 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 cross currency 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. Debit or credit balance disclosed under Loans and Advances or Current Liabilities, respectively, in the "Mark-to-Market Margin – Stock Futures Account", represents the net amount paid or received on the basis of movement in the prices of Stock Futures till the Balance Sheet date.

As on the Balance Sheet date, the profit/loss on open positions in Stock Futures are accounted for as follows:

a. Credit balance in the "Mark-to-Market Margin – Stock Futures Account", being anticipated profit, is ignored and no credit is taken in the Profit and Loss Account.

b. Debit balance in the "Mark-to-Market Margin – Stock Futures Account", being anticipated loss, is recognised in the Profit and Loss Account.

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 Profit and Loss Account 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 the contract so squared-up 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.

## P. Employee Stock Option Scheme

The Company has formulated Employee Stock Option Schemes (ESOS) in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The Schemes provide for grant of options to employees (including employees of the subsidiaries) 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 SEBI Guidelines, the excess, if any, of the closing market price on the day prior to the grant of the options under ESOS over the exercise price is amortised on a straight-line basis over the vesting period.

2 On July 7, 2010 the Company issued and allotted **157,752,090** equity shares of ` 10 each at a premium of ` **158.25** per share pursuant to a Qualified Institutional Placement. Further, the Company issued and allotted **84,000,000** compulsorily convertible cumulative preference shares (CCCPS) of ` 100 each at par on August 11, 2010 pursuant to a Qualified Institutional Placement. Additionally, **2,583,065** equity shares of ` 10 each were allotted under the Employee Stock Option Scheme. Accordingly, the issued equity share capital has increased from ` 13,006,123,930 to ` **14,609,475,480** and an amount of ` **25,101,204,403** has been credited to the Securities Premium Account. The proceeds of the issue have been utilised for general business purposes.

3 The Company had raised ` **8,400,000,000** through the issue of CCCPS. The preference shares are 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.

4 During the year, the Company granted to eligible employees **7,459,308** (Previous Year 603,000) options under the Employee Stock Option Schemes. The details of the outstanding options are as under:

| PARTICULARS | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|
| Options outstanding as at the beginning | 16,548,268 | 21,766,956 |
| Add: Options granted during the year | 7,459,308 | 603,000 |
| Less: Options exercised during the year | 2,583,065 | 5,336,332 |
| Less: Options lapsed during the year | 673,790 | 485,356 |
| Options outstanding as at the end of the year | 20,750,721 | 16,548,268 |

The net charge towards ESOP Compensation included under Salaries is ` **75,720,933** (Previous Year ` 53,382,037).

5 Special Reserve has been created in terms of Section 36(1)(viii) of the Income-tax Act, 1961 out of the distributable profits of the Company.

6 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.

7 (a) Secured Loans of ` **351,852,893,546** (Previous Year ` Nil) are secured by way of a first floating *pari passu* charge over investments, infrastructure loans, current assets and loans and advances excluding investments in and other receivables from subsidiaries and affiliates.

(b) Secured Loans in the nature of borrowings under Collateralised Borrowing and Lending Obligation are secured against Investments in Government of India Loans.

(c) Unsecured Loans – Debentures of ` **Nil** (Previous Year ` 162,866,000,000) are secured by a mortgage on certain immovable properties up to a value of ` 1,000,000.

(d) Secured Loans include ` **130,000** (Previous Year ` Nil) from Directors.

8 During the year, the Company raised ` **14,517,605,000** through public issues of long-term Infrastructure Bonds eligible for deduction under Section 80CCF of the Income-tax Act, 1961 in three tranches of which ` **12,283,295,000** has been utilised towards lending to Infrastructure projects. ` **2,234,310,000**, representing amount raised in tranche III remained unutilised as on March 31, 2011 pending regulatory approvals.

9 During the year, the following investments were purchased and sold/redeemed:

| (A) EQUITY SHARES | NO. OF SHARES | FACE VALUE ` | COST ` |
|---|---|---|---|
| Ashoka Buildcon Limited | 52,757 | 10.00 | 17,093,268 |
| GMR Energy Limited | 1,000 | 10.00 | 51,320 |
| Apollo Tyres Limited | 800,000 | 1.00 | 53,952,955 |
| Bharat Heavy Electricals Limited | 50,000 | 10.00 | 110,651,342 |
| Biocon Limited | 250,000 | 5.00 | 96,628,307 |
| Cairn India Limited | 250,000 | 10.00 | 82,554,680 |
| Cipla Limited | 375,000 | 2.00 | 133,287,070 |
| Educomp Solutions Limited | 190,000 | 2.00 | 103,873,510 |
| GAIL (India) Limited | 175,000 | 10.00 | 77,406,945 |
| HCL Technologies Limited | 150,000 | 2.00 | 60,541,508 |
| Hindustan Zinc Limited | 30,000 | 2.00 | 40,464,425 |
| Hindalco Industries Limited | 700,000 | 1.00 | 148,467,979 |
| ICICI Bank Limited | 75,000 | 10.00 | 86,853,690 |
| Idea Cellular Limited | 700,000 | 10.00 | 49,534,976 |
| ITC Limited | 100,000 | 1.00 | 16,769,352 |
| Jaiprakash Associates Limited | 900,000 | 2.00 | 93,193,840 |
| Larsen & Toubro Limited | 80,000 | 2.00 | 125,546,664 |
| Mphasis Limited | 75,000 | 10.00 | 49,991,723 |
| NTPC Limited | 300,000 | 10.00 | 53,382,480 |
| Punj Lloyd Limited | 1,100,000 | 2.00 | 120,808,850 |
| Ranbaxy Laboratories Limited | 185,000 | 5.00 | 105,610,801 |
| Shipping Corporation of India Limited | 345,226 | 10.00 | 48,331,640 |
| State Bank of India | 80,000 | 10.00 | 220,155,744 |
| Sterlite Industries (India) Limited | 200,000 | 1.00 | 32,351,000 |
| Tata Motors Limited | 75,000 | 10.00 | 93,787,245 |
| Tata Steel Limited | 400,000 | 10.00 | 245,360,210 |

| (B) PREFERENCE SHARES | NO. OF SHARES | FACE VALUE | COST |
|---|---|---|---|
| GMR Energy Limited | 2,500,000 | 1,000 | 2,500,000,000 |

| (C) BONDS | NO. OF BONDS | FACE VALUE | COST |
|---|---|---|---|
| Aditya Birla Nuvo Limited | 250 | 1,000,000 | 242,975,000 |
| Ashok Leyland Limited | 280 | 10,000,000 | 2,739,086,250 |
| Bajaj Auto Finance Limited | 130 | 10,000,000 | 1,297,080,950 |
| Bank of India | 100 | 1,000,000 | 101,552,400 |
| Bharat Forge Limited | 250 | 1,000,000 | 250,000,000 |
| Bharat Petroleum Corporation Limited | 500 | 1,000,000 | 491,956,000 |
| Brassco Estates Private Limited | 2,000 | 1,000,000 | 2,000,000,000 |
| Central Bank of India | 1,650 | 1,000,000 | 1,645,205,000 |
| Citi Financial Consumer Finance India Limited | 1,000 | 1,000,000 | 1,008,876,000 |
| Deccan Chronicle Holdings Limited | 2,650 | 1,000,000 | 2,650,054,500 |
| DPSC Limited | 150 | 200,000 | 333,333,333 |
| E.I.D. Parry India Limited | 100 | 1,000,000 | 100,000,000 |
| ETHL Communications Holdings Limited | 11,000 | 1,000,000 | 10,452,457,100 |
| Export Import Bank of India | 12,900 | 1,000,000 | 12,887,982,200 |
| Fullerton India Credit Company Limited | 1,700 | 1,000,000 | 4,016,218,333 |
| Gammon India Limited | 30 | 10,000,000 | 300,000,000 |
| Gujarat NRE Coke Limited | 500 | 1,000,000 | 500,000,000 |
| HDFC Bank Limited | 1,993 | 1,000,000 | 1,993,000,000 |
| Hindustan Petroleum Corporation Limited | 3,200 | 1,000,000 | 3,200,636,050 |
| Housing Development Finance Corporation Limited | 12,650 | 1,000,000 | 13,396,653,500 |
| ICICI Securities Limited | 500 | 500,000 | 250,000,000 |
| IDBI Bank Limited | 1,500 | 1,000,000 | 1,529,400,000 |
| IFCI Limited | 350 | 1,000,000 | 350,150,000 |

Continued...

| | | | | |
|---|---|---|---|---|
| | | | ` | ` |
| **(C)** | **BONDS** | **NO. OF BONDS** | **FACE VALUE** | **COST** |
| | Infrastructure Leasing and Financial Services Limited | 1,150,000 | 1,000 | 1,150,000,000 |
| | India Bulls Financial Services Limited | 400 | 1,000,000 | 400,000,000 |
| | India Infoline Investment Services Limited | 500 | 1,000,000 | 500,000,000 |
| | India Infrastructure Finance Company Limited | 7,750 | 100,000 | 792,825,000 |
| | Indian Oil Corporation Limited | 1,700 | 1,000,000 | 1,679,007,100 |
| | Indian Overseas Bank | 1,000 | 1,000,000 | 1,000,400,000 |
| | Indian Railway Finance Corporation Limited | 6,910 | 1,000,000 | 6,936,986,750 |
| | Infotel Broadband Services Private Limited | 2,400 | 1,000,000 | 3,478,011,808 |
| | Indian Renewable Energy Development Agency Limited | 1,500 | 1,000,000 | 1,512,000,000 |
| | Jai Prakash Associates Limited | 450 | 1,000,000 | 464,945,000 |
| | L&T Finance Limited | 750,000 | 1,000 | 745,681,500 |
| | L&T Finance Limited | 500 | 1,000,000 | 501,061,500 |
| | L&T Finance Limited | 30 | 10,000,000 | 300,000,000 |
| | Larsen & Toubro Limited | 350 | 1,000,000 | 350,784,650 |
| | LIC Housing Finance Limited | 7,940 | 1,000,000 | 7,903,777,550 |
| | LIC of India Limited | 250 | 1,000,000 | 244,251,000 |
| | National Bank for Agriculture and Rural Development | 42,000 | 20,000 | 473,966,760 |
| | National Bank for Agriculture and Rural Development | 14,250 | 1,000,000 | 14,217,831,600 |
| | National Aviation Company India Limited | 3,115 | 1,000,000 | 3,222,707,497 |
| | National Housing Bank | 35,000 | 10,000 | 183,572,750 |
| | National Housing Bank | 1,300 | 1,000,000 | 1,299,595,700 |
| | Nuclear Power Corporation of India Limited | 1,000 | 1,000,000 | 1,034,553,500 |
| | ONGC Videsh Limited | 2,600 | 1,000,000 | 2,608,144,050 |
| | Power Finance Corporation Limited | 12,115 | 1,000,000 | 12,220,454,446 |
| | Power Grid Corporation of India Limited | 2,040 | 1,250,000 | 2,776,889,126 |
| | Reliance Capital Limited | 4,100 | 1,000,000 | 4,100,210,200 |
| | Reliance Industries Limited | 100 | 1,000,000 | 100,171,800 |
| | Religare Finvest Limited | 250 | 1,000,000 | 254,275,000 |
| | RIL Utilities and Power Private Limited | 3,250 | 1,000,000 | 4,322,198,077 |
| | Rural Electrification Corporation Limited | 8,330 | 30,000 | 109,135,328 |
| | Rural Electrification Corporation Limited | 7,870 | 1,000,000 | 10,676,093,387 |
| | Shree Cements Limited | 600 | 1,000,000 | 586,943,400 |
| | Shriram Transport Finance Company Limited | 2,000 | 100,000 | 201,127,000 |
| | Shriram Transport Finance Company Limited | 880 | 1,000,000 | 1,381,151,000 |
| | Small Industries Development Bank of India | 6,850 | 1,000,000 | 6,819,221,050 |
| | Simplex Infrastructure Limited | 130 | 10,000,000 | 1,300,000,000 |
| | State Bank of India | 84,000 | 10,000 | 2,057,836,948 |
| | State Bank of India | 500 | 1,000,000 | 497,378,500 |
| | Sundaram Finance Limited | 1,050 | 1,000,000 | 854,408,000 |
| | Tata Bluescope Steel Limited | 500 | 1,000,000 | 500,000,000 |
| | Tata Capital Limited | 1,850 | 1,000,000 | 1,831,752,700 |
| | Tata Communications Limited | 1,300 | 1,000,000 | 1,303,710,850 |
| | Tata International Limited | 1,300 | 1,000,000 | 791,965,200 |
| | Tata Motors Limited | 1,100 | 1,000,000 | 1,193,250,450 |
| | Tata Motors Limited | 48 | 50,000,000 | 2,288,497,785 |
| | Tata Power Limited | 285 | 2,000,000 | 570,000,000 |
| | Tata Power Limited | 570 | 2,500,000 | 1,425,000,000 |
| | Tata Sons Limited | 3,300 | 1,000,000 | 3,300,000,000 |
| | Tata Steel Limited | 1,250 | 1,000,000 | 1,262,500,000 |
| | UCO Bank | 650 | 1,000,000 | 652,370,000 |
| | Union Bank of India | 1,000 | 1,000,000 | 998,750,000 |
| **(D)** | **PASS THROUGH CERTIFICATES** | **NO. OF CERTIFICATES** | **FACE VALUE** | **COST** |
| | Vodafone Essar Cellular Limited IRST Series V - A1 | 450 | 10,063,220 | 4,528,449,000 |
| | Tata Motors Finance IRST Trust SR III SR A1 | 38 | 10,161,625 | 386,141,750 |
| | Tata Motors Finance IRST Trust SR III SR A2 | 215 | 10,175,742 | 2,187,784,552 |

## 10 Infrastructure Loans:

| NAME OF COMPANY | NUMBER OF DEBENTURES | FACE VALUE | CURRENT YEAR COST | PREVIOUS YEAR COST |
|---|---|---|---|---|
| | | ` | ` | ` |
| **(a) DEBENTURES (REDEEMABLE)** | | | | |
| Andhra Cements Limited | 500,000 | 100 | 50,000,000 | Nil |
| Arkay Energy (Rameswarm) Limited | 99,622,885 | 10 | 426,955,221 | 569,277,681 |
| Asianet Satellite Communications Limited | 260 | 1,000,000 | 260,000,000 | 552,506,513 |
| Asianet Satellite Communications Limited | 1 | 312,500 | 312,500 | Nil |
| GVK Airport Developers Private Limited | 2,250 | 1,000,000 | 2,250,000,000 | Nil |
| **(b) DEBENTURES (CONVERTIBLE)** | | | | |
| Simpson Unitech Wireless Private Limited | 534,500,000 | 10 | 5,345,000,000 | 5,345,000,000 |
| Andhra Cements Limited | | | Nil | 50,000,000 |
| (a+b) | | | 8,332,267,721 | 6,516,784,194 |

(c) Interest on Infrastructure Loans includes ` **1,057,712,259** (Previous Year ` 1,201,675,537) from Infrastructure Loans – Debentures and ` **Nil** (Previous Year ` 205,077,279) from Infrastructure Loans – Pass Through Certificates.

(d) Interest accrued on Infrastructure Loans is net of provision of ` **37,500,000** (Previous Year ` Nil).

**11** Infrastructure loans to the extent of ` **374,409,924,820** (Previous Year ` 247,614,074,997) 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.

## 12 (a) Cash and cash equivalents represent:

| PARTICULARS | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|
| | ` | ` |
| Cash and Bank Balances | 9,685,465,454 | 320,298,097 |
| Current Accounts held for Unclaimed Dividends | 9,605,775 | 7,623,995 |
| Bank Fixed Deposits under Lien | 170,000,000 | – |
| Cash and cash equivalents as at the end of the year | 9,505,859,679 | 312,674,102 |

### (b) Bank Balance with Non-Scheduled Banks:

| NAME OF BANK | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|
| | ` | ` |
| Bank of America | 15,294 | 15,525 |
| [Maximum amount outstanding during the year ` **16,334** (Previous Year ` 17,350 )] | | |

(c) Advances recoverable in cash or in kind include amount due from Subsidiaries ` **916,177,210** (Previous Year `121,511,872).

**13** No interest has been paid/is 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.

**14** (a) Other liabilities include ` **9,605,775** (Previous Year ` 7,623,995) towards Unclaimed Dividend of which no amount (Previous Year ` Nil) was due for transfer to the Investor Education and Protection Fund under Section 205C of the Companies Act, 1956.

(b) Interest Accrued but not due includes ` **614** (Previous Year ` Nil) due to Managing Director & CEO of the Company.

**15** (a) During the year, a contingent provision against standard assets has been created at 0.25% of the outstanding standard assets in terms of the RBI Circular No. DNBS.PD.CC. No. 207/03.02.002/2010-11 dated January 17, 2011.

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

| PARTICULARS | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|
| | ` | ` |
| Opening Balance | Nil | Nil |
| Additions during the year | 967,500,000 | Nil |
| Closing Balance | 967,500,000 | Nil |

**16** Interest on Infrastructure Loans includes exchange gain of ` **484,052,986** (Previous Year ` 56,879,384).

**17** (a) Interest on Investments, Dividend on Investments and Profit on Sale of Investments include ` **3,283,539,210** (Previous Year ` 2,298,776,294), ` **229,113,834** (Previous Year ` 624,157,388) and ` **478,492,633** (Previous Year ` 1,026,308,223) respectively, in respect of Current Investments. Provision for diminution in value of Investments include amortised premium of ` **30,068,206** (Previous Year ` 13,487,870) on purchase of Long-term Investments.

(b) Profit on Sale of Investments includes ` **219,533,970** (Previous Year ` Nil) on account of sale of investments to a wholly owned subsidiary.

**18** Dividend on Investments includes ` **457,500,000** (Previous Year ` 600,000,000) from Subsidiary Companies. Tax on proposed dividend for the year 2010-11 is net of dividend distribution tax of ` **75,985,031** (Previous Year ` 101,970,000) paid by the Subsidiary Company under Section 115-O of the Income-tax Act, 1961.

**19** (a) Fees income is net of fees paid on sell down of loans and fee sharing of ` **316,414,990** (Previous Year ` 81,052,176).

(b) Shared service cost recovery of ` **113,832,000** (Previous Year ` Nil) represents recovery from subsidiary companies under a shared service agreement.

**20** Total number of electricity units generated during the year – **27,612,245 KWH** (Previous Year 34,975,283 KWH) and sold during the year – **27,575,519** KWH (Previous Year 34,939,405 KWH).

**21** Expenditure on account of Salaries is after adjusting ` **52,388,656** (Previous Year ` 32,185,896) recovered from Subsidiary Companies and a Jointly Controlled Entity.

### 22 (a) Managerial Remuneration:

| PARTICULARS | | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|---|
| | | ` | ` |
| (i) | Salary # | 67,929,062 | 28,368,225 |
| (ii) | Contribution to Provident and Other Funds | 2,561,362 | 2,829,355 |
| (iii) | Perquisites | 59,931,120 | 2,591,263 |
| | | 130,421,544 | 33,788,843 |

# Includes Bonus on cash basis and ESOP Compensation Cost on allotment.

### (b) Commission to Non Whole-Time Directors:

| | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|
| | ` | ` |
| Commission to Non Whole-Time Directors | 11,100,000 | 5,626,786 |
| (net of excess provision of ` **Nil** Previous Year ` 3,523,214) | | |

Computation of net profits in accordance with Section 198 read with Section 309(5) of the Companies Act, 1956

| | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|
| | ` | ` |
| Profit Before Taxation as per Profit and Loss Account | 17,304,485,453 | 13,171,373,718 |
| Add: | | |
| Managerial Remuneration | 130,421,544 | 33,788,843 |
| Directors' Fees | 2,740,000 | 1,920,000 |
| Directors' Commission | 11,100,000 | 5,626,786 |
| Provisions and Contingencies | 2,378,657,310 | 1,303,628,179 |
| Less: | | |
| Profit on Sale of Fixed Assets | Nil | 41,517,788 |
| Profit on Sale of Investments | 2,741,336,565 | 4,252,624,857 |
| Net Profits as per Section 198 | 17,086,067,742 | 10,222,194,881 |
| Commission @ 1% of Net Profits | 170,860,677 | 102,221,949 |
| Commission to Non Whole-Time Directors | 11,100,000 | 9,150,000 |

**23** Miscellaneous expenses include Provision for Wealth Tax amounting to ` **1,400,000** (Previous Year ` 1,002,000) and Securities Transaction Tax amounting to ` **8,592,030** (Previous Year ` 4,656,083).

## 24 Expenditure in foreign currencies: (on accrual basis)

| | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|
| | ` | ` |
| Interest – Other Charges | 7,276,725 | 3,956,862 |
| Travelling expenses | 851,283 | 1,556,974 |
| Professional Fees | 18,323,741 | 1,431,303 |
| Others | 23,986,531 | 69,854,122 |

## 25 Earnings in foreign currencies: (on accrual basis)

| | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|
| | ` | ` |
| Fees | 1,141,989 | Nil |
| Others | 8,403,286 | Nil |

## 26 Auditors' Remuneration:

| | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|
| | ` | ` |
| Audit Fees | 4,000,000 | 3,000,000 |
| Tax Audit Fees | 1,200,000 | 900,000 |
| Other Services | 6,416,000 | 5,475,500 |
| Taxation Matters | 1,964,500 | 740,000 |
| Out of Pocket Expenses | 63,937 | 71,002 |
| Service Tax | 1,248,302 | 1,086,520 |
| | 14,892,739 | 11,273,022 |
| Less: Service tax set off claimed | 1,248,302 | 1,086,520 |
| | 13,644,437 | 10,186,502 |

The above amounts exclude professional fees of ` **6,705,000** (Previous Year ` 615,000) and Service tax of ` **690,615** (Previous Year ` 63,345) debited to other accounts.

## 27 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:

| | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|
| Number of Non-Resident Shareholders | 3,973 | 3,975 |
| Number of Ordinary Shares held by them | 589,863,715 | 599,867,184 |
| Gross Amount of Dividend (`) | 884,795,923 | 719,840,562 |
| Dividend relating to the year | 2009-10 | 2008-09 |

**28** In respect of equity shares issued pursuant to Employee Stock Option Scheme, the Company paid dividend of ` **1,501,865** for the FY 10 (` 260,992 for the FY 09) and tax on dividend of ` **249,441** (Previous Year ` 44,356) as approved by the shareholders at the Annual General Meeting held on June 28, 2010.

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

i. The Company has recognised the following amounts in the Profit and Loss Account towards contribution to defined contribution plans which are included under Contribution to Provident and Other Funds:

| | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|
| | ` | ` |
| Provident Fund | 22,813,394 | 17,891,000 |
| Superannuation Fund | 5,663,596 | 21,458,837 |

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:

| | CURRENT YEAR ` | PREVIOUS YEAR ` |
|---|---|---|
| **CHANGE IN THE DEFINED BENEFIT OBLIGATIONS:** | | |
| Liability at the beginning of the year | 67,159,497 | 58,324,352 |
| Current Service Cost | 11,491,246 | 11,847,352 |
| Interest Cost | 5,961,418 | 5,426,886 |
| Liabilities Extinguished on Settlement | Nil | 5,426,826 |
| Liabilities assumed on Acquisition/(Settled on Divestiture) | (3,238,244) | Nil |
| Benefits Paid | 6,802,946 | 3,699,590 |
| Actuarial Loss | 14,982,916 | 687,323 |
| Liability at the end of the year | 89,553,887 | 67,159,497 |
| **FAIR VALUE OF PLAN ASSETS:** | | |
| Fair Value of Plan Assets at the beginning of the year | 72,252,101 | 58,543,569 |
| Expected Return on Plan Assets | 6,601,201 | 4,496,635 |
| Contributions | 20,100,000 | Nil |
| Benefits paid | 6,802,946 | 3,699,590 |
| Actuarial Loss/(Gain) on Plan Assets | 1,565,715 | (12,911,487) |
| Fair Value of Plan Assets at the end of the year | 90,584,641 | 72,252,101 |
| Total Actuarial Loss/(Gain) to be recognised | 16,548,631 | (12,224,164) |
| **ACTUAL RETURN ON PLAN ASSETS:** | | |
| Expected Return on Plan Assets | 6,601,201 | 4,496,635 |
| Actuarial Loss/(Gain) on Plan Assets | 1,565,715 | (12,911,487) |
| Actual Return on Plan Assets | 5,035,486 | 17,408,122 |
| **AMOUNT RECOGNISED IN THE BALANCE SHEET:** | | |
| Liability at the end of the year | 89,553,887 | 67,159,497 |
| Fair Value of Plan Assets at the end of the year | 90,584,641 | 72,252,101 |
| Amount recognised in the Balance Sheet under "Provision for Employee Benefits" | Nil | Nil |
| **EXPENSE RECOGNISED IN THE PROFIT AND LOSS ACCOUNT:** | | |
| Current Service Cost | 11,491,246 | 11,847,352 |
| Interest Cost | 5,961,418 | 5,426,886 |
| Expected Return on Plan Assets | 6,601,201 | 4,496,635 |
| Net Actuarial Loss/(Gain) to be recognised | 16,548,631 | (12,224,164) |
| Liabilities assumed on acquisition/(Settled on Divestiture) | (3,238,244) | Nil |
| Expense recognised in the Profit and Loss Account under staff expenses | 24,161,850 | 553,439 |
| **RECONCILIATION OF THE LIABILITY RECOGNISED IN THE BALANCE SHEET:** | | |
| Opening Net Asset | 5,092,604 | 219,217 |
| Expense recognised | 24,161,850 | 553,439 |
| Contribution by the Company | 20,100,000 | Nil |
| Amount recognised in the Balance Sheet under "Provision for Employee Benefits" | Nil | Nil |
| Expected Employer's Contribution Next Year | 10,000,000 | 10,000,000 |

| EXPERIENCE ADJUSTMENTS: | CURRENT YEAR ` | PREVIOUS YEAR ` | MARCH 31, 2009 ` | MARCH 31, 2008 ` | MARCH 31, 2007 ` |
|---|---|---|---|---|---|
| Defined Benefit Obligation | 89,553,887 | 67,159,497 | 58,324,352 | 38,490,873 | 20,577,193 |
| Plan Assets | 90,584,641 | 72,252,101 | 58,543,569 | 30,970,208 | 18,416,688 |
| Surplus/(Deficit) | 1,030,754 | 5,092,604 | 219,217 | (7,520,665) | (2,160,505) |
| Experience Adjustments on Plan Liabilities | 17,095,179 | (5,352,411) | 14,503,430 | 8,037,218 | (171,688) |
| Experience Adjustments on Plan Assets | (1,565,715) | 12,911,487 | (7,394,891) | (182,483) | (311,306) |

| INVESTMENT PATTERN: | CURRENT YEAR (%) | PREVIOUS YEAR (%) |
|---|---|---|
| **INSURER MANAGED FUNDS** | 100.00 | 100.00 |
| Government Securities | 12.92 | 7.74 |
| Deposit and Money Market Securities | 17.21 | 16.81 |
| Debentures/Bonds | 43.50 | 53.08 |
| Equity Shares | 26.37 | 22.37 |
| **PRINCIPAL ASSUMPTIONS:** | | |
| Discount Rate (p.a.) | 8.30 | 8.10 |
| 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.

30 The Company's main business is to provide finance for infrastructure projects including through ownership of infrastructure assets. 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 by the Companies (Accounting Standards) Rules, 2006.

31 As per Accounting Standard 18 on 'Related Party Disclosures' as notified by 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

IDFC Private Equity Company Limited

IDFC Project Equity Company Limited

IDFC Projects Limited

IDFC Securities Limited

IDFC Trustee Company Limited

Jetpur Somnath Highway Limited

(formerly IDFC Capital Company Limited) (up to November 14, 2010)

Uniquest Infra Ventures Private Limited (with effect from February 3, 2011)

(b) Through Subsidiaries

Dheeru Powergen Limited

(formerly Dheeru Powergen Private Limited) (with effect from February 5, 2010)

IDFC Capital Limited

IDFC Capital (USA) Inc. (with effect from August 4, 2010)

IDFC Capital (Singapore) Pte. Ltd.

IDFC Distribution Company Limited (formerly IDFC-SSKI Stock Broking Limited)

IDFC Fund of Funds Limited (with effect from October 28, 2009)

IDFC General Partners Limited (with effect from November 30, 2009)

IDFC Investment Advisors Limited

IDFC Investment Managers (Mauritius) Limited (with effect from September 13, 2010)

IDFC Pension Fund Management Company Limited

Jetpur Somnath Highway Limited

(formerly IDFC Capital Company Limited) (with effect from November 15, 2010)

Jetpur Somnath Tollways Limited (with effect from January 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:**

Athena Energy Ventures Private Limited (up to July 23, 2009)

Feedback Ventures Private Limited

**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. (with effect from October 28, 2009)

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:**

Dr. Rajiv B. Lall – Managing Director & CEO

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 | PARTICULARS | CURRENT YEAR ` | PREVIOUS YEAR ` |
|---|---|---|---|
| **(A) SUBSIDIARIES:** | | | |
| IDFC Foundation | Sale of Investments | 454,474,100 | NA |
| | Advances Recoverable–Balance outstanding | 455,000,000 | NA |
| IDFC Asset Management Company Limited | Inter Corporate Deposits placed and repaid | 150,000,000 | Nil |
| | Sale of Investments | Nil | 80,000,000 |
| | Acquisition of Equity Shares | 200,000,000 | Nil |
| | Redemption of Preference Shares | 197,925,000 | Nil |
| | Shared Services Fees | 8,960,772 | Nil |
| Jetpur Somnath Highway Limited (formerly IDFC Capital Company Limited) | Professional Fees paid | 453,634 | Nil |
| | Advances Recoverable – Balance outstanding | Nil | 835,910 |
| IDFC Capital Limited | Fees Shared | 114,381,100 | 58,136,373 |
| | Professional Fees paid | 64,339,757 | 65,884,396 |
| | Shared Services Fees | 25,320,468 | Nil |
| IDFC Capital (Singapore) Pte. Ltd. | Shared Service Cost | 50,074,523 | Nil |
| | Sundry Creditors – Balance outstanding | 38,440,430 | Nil |
| IDFC Finance Limited | Advance given and recovered | 90,050,000 | 20,000 |
| | Purchase of Investments | 90,499,000 | Nil |
| IDFC Investment Advisors Limited | Management Fees paid | 7,130,337 | 7,835,000 |
| | Advances Recoverable – Balance outstanding | Nil | 4,137,462 |
| | Deputation charges recovered | 57,424,433 | Nil |
| IDFC Pension Fund Management Company Limited | Subscription of Equity Shares | Nil | 49,999,990 |
| IDFC Private Equity Company Limited | Dividend Received | 320,000,000 | 600,000,000 |
| | Shared Services Fees | 4,963,500 | Nil |
| IDFC Projects Limited | Subscription of Equity Shares | Nil | 250,000,000 |
| | Sale of Investments | 500,000 | Nil |
| | Fees Received | 9,708,953 | 4,103,677 |
| | Advance given | 318,534,987 | 116,538,500 |
| | Advances Recoverable – Balance outstanding | 460,965,515 | 116,538,500 |
| | Shared Services Fees | 18,384,804 | Nil |

Continued...

| NAME OF RELATED PARTY AND NATURE OF RELATIONSHIP | PARTICULARS | CURRENT YEAR ` | PREVIOUS YEAR ` |
|---|---|---|---|
| IDFC Project Equity Company Limited | Advances given and repaid | 26,900,000 | Nil |
| | Dividend Received | 137,500,000 | Nil |
| | Fees Received | Nil | 1,770,836 |
| | Sale of Fixed Assets | Nil | 489,261 |
| | Shared Services Fees | 22,805,628 | Nil |
| | Rent recovered | Nil | 407,399 |
| IDFC Securities Limited | Brokerage paid | 1,043,063 | 5,672,744 |
| | Inter Corporate Deposits given and repaid | 790,000,000 | 5,819,000,000 |
| | Interest received on Inter Corporate Deposits | 194,795 | 2,224,889 |
| | Shared Services Fees | 45,452,424 | Nil |
| | Sale of Fixed Assets | 450,170 | Nil |
| IDFC Trustee Company Limited | Advance given and recovered | Nil | 50,000 |
| **(B) JOINTLY CONTROLLED ENTITIES:** | | | |
| Delhi Integrated Multi-Modal Transit System Limited | Subscription of Equity Shares | Nil | 6,000 |
| | Sponsorship Fees paid | Nil | 500,000 |
| | Miscellaneous Income | 35,000 | 60,000 |
| Infrastructure Development Corporation (Karnataka) Limited | Fees paid | 5,857,329 | 1,055,571 |
| | Rent paid | 165,874 | 136,992 |
| | Deputation Charges recovered | 360,254 | Nil |
| | Sundry Creditors – Balance outstanding | 3,694,206 | 776,543 |
| **(C) ASSOCIATES:** | | | |
| Athena Energy Ventures Private Limited | Miscellaneous Income | N.A. | 39,000 |
| Feedback Ventures Private Limited | Dividend Received | 7,288,040 | 3,699,036 |
| | Miscellaneous Income | 40,000 | 70,000 |
| | Debtors – Balance outstanding | Nil | 109,959 |
| **(D) ENTITIES OVER WHICH CONTROL IS EXERCISED:** | | | |
| India PPP Capacity Building Trust | Fees paid | 23,913,011 | 32,569,672 |
| | Sundry Creditors – Balance outstanding | 22,296,387 | 22,941,289 |
| **(E) KEY MANAGEMENT PERSONNEL:** | | | |
| Dr. Rajiv B. Lall | Remuneration paid | 62,585,557 | 16,757,312 |
| Mr. Vikram Limaye | Remuneration paid | 67,835,987 | 17,031,531 |

32 In accordance with Accounting Standard 19 on 'Leases' as notified by 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 **August 2011 to March 2015** (Previous Year June 2010 to November 2013). Salaries include gross rental expenses of ` **3,729,629** (Previous Year ` 3,357,564). The committed lease rentals in the future are:

| PARTICULARS | CURRENT YEAR ` | PREVIOUS YEAR ` |
|---|---|---|
| Not later than one year | 9,271,383 | 5,396,538 |
| Later than one year and not later than five years | 19,427,791 | 5,205,440 |

ii. The Company has taken office premises under Operating Leases, which expire between **December 2015 to September 2018** (Previous Year October 2016 to September 2018). Rent includes gross rental expenses of ` **77,901,171** (Previous Year ` 67,319,687). The committed lease rentals in the future are:

| PARTICULARS | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|
| | ` | ` |
| Not later than one year | 85,439,208 | 68,289,480 |
| Later than one year and not later than five years | 379,860,765 | 320,410,927 |
| Later than five years | 77,358,085 | 167,325,350 |

iii. The Company has given an office premise under non cancellable Operating Lease, which expires on October 31, 2012. Miscellaneous Income includes income from such leases of ` **19,585,800** (Previous Year ` 8,160,750). The future minimum lease rental is as follows:

| PARTICULARS | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|
| | ` | ` |
| Not later than one year | 19,585,800 | 19,585,800 |
| Later than one year and not later than five years | 11,425,050 | 31,010,850 |

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

i. The Basic Earnings Per Share has been calculated based on the following:

| PARTICULARS | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|
| | ` | ` |
| Net Profit after Tax | 12,771,485,453 | 10,128,373,718 |
| Less: Adjustment for Dividend and Dividend Distribution Tax on CCCPS | 373,924,401 | Nil |
| Net amount available for Equity Shareholders | 12,397,561,052 | 10,128,373,718 |
| Weighted average number of Equity Shares (Nos.) | 1,418,087,937 | 1,295,934,260 |

ii. The reconciliation between Basic and Diluted Earnings Per Share is as follows:

| PARTICULARS | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|
| | ` | ` |
| Basic Earnings Per Share | 8.74 | 7.82 |
| Effect of outstanding Stock Options | (0.06) | (0.08) |
| Diluted Earnings Per Share | 8.68 | 7.74 |

iii. The Basic Earnings Per Share has been computed by dividing the Net Profit After Tax 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 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 is anti-dilutive, it has been ignored. The relevant details as described above are as follows:

| PARTICULARS | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|
| Weighted average number of shares for computation of Basic Earnings Per Share | 1,418,087,937 | 1,295,934,260 |
| Dilutive effect of outstanding Stock Options | 10,165,050 | 12,596,753 |
| Weighted average number of shares for computation of Diluted Earnings Per Share | 1,428,252,987 | 1,308,531,013 |

**34** In compliance with Accounting Standard 22 relating to 'Accounting for Taxes on Income' as notified by the Companies (Accounting Standards) Rules, 2006, the Company has taken credit of ` **706,000,000** (Previous Year ` 350,000,000) in the Profit and Loss Account towards deferred tax asset (net) on account of timing differences. The major components of deferred tax assets and liabilities arising on account of timing differences are:

| PARTICULARS | CURRENT YEAR | PREVIOUS YEAR | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|---|---|
| | ASSETS (`) | | LIABILITIES (`) | |
| (a) Depreciation | Nil | Nil | 248,400,000 | 200,300,000 |
| (b) Provisions | 2,625,600,000 | 1,932,000,000 | Nil | Nil |
| (c) Others | 71,800,000 | 11,300,000 | Nil | Nil |
| | 2,697,400,000 | 1,943,300,000 | 248,400,000 | 200,300,000 |
| Net Deferred Tax Asset | 2,449,000,000 | 1,743,000,000 | | |

35 In compliance with Accounting Standard 27 on 'Financial Reporting of Interests in Joint Ventures' as notified by the Companies (Accounting Standards) Rules, 2006, the Company has interests in the following jointly controlled entities, which are incorporated in India:

(` in crore)

| NAME OF COMPANIES | PERCENTAGE OF SHAREHOLDING | AMOUNT OF INTEREST BASED ON ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011 | | | | |
|---|---|---|---|---|---|---|
| | | ASSETS | LIABILITIES | INCOME | EXPENDITURE | CONTINGENT LIABILITY |
| Infrastructure Development Corporation (Karnataka) Limited (Audited) | Nil<br>(49.50) | Nil<br>(34.07) | Nil<br>(18.62) | Nil<br>(8.82) | Nil<br>(4.34) | Nil<br>(0.25) |
| Uttarakhand Infrastructure Development Company Limited (Audited) | Nil<br>(49.90) | Nil<br>(0.82) | Nil<br>(0.36) | Nil<br>(0.30) | Nil<br>(0.41) | Nil<br>(Nil) |
| Delhi Integrated Multi-Modal Transit System Limited (Unaudited) | Nil<br>(50.00) | Nil<br>(50.05) | Nil<br>(37.42) | Nil<br>(18.05) | Nil<br>(15.00) | Nil<br>(Nil) |

Figures in bracket pertain to the Previous Year.

36 Contingent liabilities not provided for in respect of:

| PARTICULARS | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|
| | ` | ` |
| **(a) CAPITAL COMMITMENTS** | 5,063,844,420 | 6,259,327,510 |
| **(b) ESTIMATED AMOUNT OF CONTRACTS REMAINING TO BE EXECUTED ON CAPITAL ACCOUNT (NET OF ADVANCES)** | 20,188,870 | 38,070,155 |
| **(c) 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 | 1,095,004,432 | 639,221,887 |
| | (` in crore) | (` in crore) |
| **(d) GUARANTEES ISSUED:** | | |
| As a part of project assistance, the Company has also provided the following guarantees: | | |
| 1. Financial Guarantees | 1,301.34 | 221.18 |
| 2. Performance Guarantees | 259.00 | 40.30 |
| 3. Risk Participation Facility | 5.31 | 29.39 |

37 The Company has entered into Interest Rate Swaps in the nature of "fixed/floating" or "floating/fixed" for notional principal of ` **2,391** crore outstanding as on March 31, 2011 (Previous Year ` 1,660 crore) for varying maturities linked to various benchmarks for asset liability management and hedging.

The Company has foreign currency borrowings of **USD 62.56 crore** (Previous Year USD 48.83 crore), against which the Company has undertaken currency interest rate swaps and forward contracts of **USD 60.91 crore** (Previous Year USD 38.32 crore) to hedge foreign currency risk.

The Company has also entered in to coupon only currency swaps for notional principal of **USD 11.11 crore** (Previous Year USD 15.61 crore) to hedge the foreign currency risk towards interest on the foreign currency borrowings.

38 Open interest in Stock Futures as at the Balance Sheet date:

Long Position

| SR. NO. | NAME OF FUTURE | SERIES OF FUTURE | NUMBER OF CONTRACTS | NUMBER OF UNITS INVOLVED |
|---|---|---|---|---|
| 1 | Rural Electrification Corporation Limited | April 28, 2011 | 2 | 250,000 |

Short Position

| SR. NO. | NAME OF FUTURE | SERIES OF FUTURE | NUMBER OF CONTRACTS | NUMBER OF UNITS INVOLVED |
|---|---|---|---|---|
| 1 | Larsen & Toubro Limited | April 28, 2011 | 1 | 35,000 |
| 2 | Shree Renuka Sugars Limited | April 28, 2011 | 2 | 700,000 |

**39** The following additional information is disclosed in terms of the RBI Circular (Ref. No. DNBS (PD) CC No. 178/03.02.001/2010-11 dated July 1, 2010):

(a) Capital to Risk Assets Ratio (CRAR):

| ITEMS | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|
| CRAR (%) | 24.48 | 20.39 |
| CRAR – Tier I Capital (%) | 21.86 | 17.24 |
| CRAR – Tier II Capital (%) | 2.62 | 3.15 |

(b) Exposures to Real Estate Sector*:

(` in crore)

| CATEGORY | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|
| **(a) DIRECT EXPOSURE** | | |
| (i) Commercial Real Estate | 2,670.40 | 2,979.20 |
| Lending fully secured by mortgage (including securities in the process of being created) on commercial real estates (office building, retail space, multipurpose 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 | 1.06 | 1.30 |
| b. Commercial Real Estate | Nil | Nil |
| **(b) INDIRECT EXPOSURE** | | |
| Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs). | 258.58 | 265.20 |

* Based on amounts sanctioned.

**(c) MATURITY PATTERN OF CERTAIN ITEMS OF ASSETS AND LIABILITIES**

Current 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 | 1,937.22 | 4,001.55 | 1,447.54 | Nil | 9,278.12 |
| Market Borrowing | 1,488.83 | 258.22 | 596.66 | 662.21 | 3,273.76 | 6,667.09 | 3,728.20 | 10,344.19 | 27,019.16 |
| **ASSETS** | | | | | | | | | |
| Advances | 331.23 | 187.60 | 293.85 | 797.52 | 2,910.78 | 8,323.39 | 6,198.92 | 19,130.87 | 38,174.16 |
| Investments | 3,198.17 | 229.54 | 94.71 | 148.12 | 17.05 | 350.10 | 90.13 | 4,121.85 | 8,249.67 |

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 | Nil | 612.35 | 1,401.54 | 735.00 | 2,549.40 | 621.52 | Nil | 255.74 | 6,175.55 |
| Market Borrowing | 599.04 | 1,547.60 | 592.19 | 1,735.07 | 2,848.03 | 6,573.47 | 1,826.66 | 4,625.27 | 20,347.33 |
| **ASSETS** | | | | | | | | | |
| Advances | 225.72 | 292.68 | 183.91 | 2,343.80 | 1,819.52 | 7,066.44 | 4,949.80 | 8,616.67 | 25,498.54 |
| Investments | 503.23 | 47.01 | 0.28 | 92.87 | 176.96 | 358.49 | 189.26 | 4,473.97 | 5,842.07 |

Continued...

**(d) BORROWER GROUP-WISE CLASSIFICATION OF ASSETS FINANCED**

| CATEGORY | | CURRENT YEAR AMOUNT NET OF PROVISION * (`) | PREVIOUS YEAR AMOUNT NET OF PROVISION * (`) |
|---|---|---|---|
| 1. | **RELATED PARTIES** | | |
| (a) | Subsidiaries | Nil | Nil |
| (b) | Companies in the same group | Nil | Nil |
| (c) | Other Related Parties | Nil | Nil |
| 2. | **OTHER THAN RELATED PARTIES** | 381,741,633,809 | 254,971,167,319 |
| | Total | 381,741,633,809 | 254,971,167,319 |

*Excludes Provision for Contingencies.

**(e) INVESTOR GROUP-WISE CLASSIFICATION OF ALL INVESTMENTS (CURRENT AND LONG-TERM) IN SHARES AND SECURITIES (BOTH QUOTED AND UNQUOTED)**

| CATEGORY | | CURRENT YEAR (`) | | PREVIOUS YEAR (`) | |
|---|---|---|---|---|---|
| | | 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 | 5,159,207,642 | 13,411,381,029 | 893,750,831 | 13,263,780,796 |
| (b) | Companies in the same group | Nil | Nil | Nil | Nil |
| (c) | Other Related Parties | 197,760,282 | 200,870,985 | 600,968,735 | 435,811,115 |
| 2 | **OTHER THAN RELATED PARTIES** | 68,903,904,529 | 67,461,901,900 | 46,749,340,723 | 44,127,300,033 |
| | Total | 74,260,872,453 | 81,074,153,914 | 48,244,060,289 | 57,826,891,944 |

**(f) OTHER INFORMATION**

| PARTICULARS | | CURRENT YEAR ` | PREVIOUS YEAR ` |
|---|---|---|---|
| 1. | **GROSS NON-PERFORMING ASSETS** | | |
| (a) | Related Parties | Nil | Nil |
| (b) | Other than Related Parties | 797,343,115 | 797,343,115 |
| 2. | **NET NON-PERFORMING ASSETS** | | |
| (a) | Related Parties | Nil | Nil |
| (b) | Other than Related Parties | 389,052,103 | 428,635,437 |
| 3. | **ASSETS ACQUIRED IN SATISFACTION OF DEBT** | Nil | Nil |

40 Previous year's figures have been regrouped/rearranged wherever necessary to conform to the current year's classification.

**FOR AND ON BEHALF OF THE BOARD**

**DEEPAK S. PAREKH**
Chairman

**RAJIV B. LALL**
Managing Director & CEO

**SUNIL KAKAR**
Chief Financial Officer

**MAHENDRA N. SHAH**
Company Secretary

Mumbai | April 29, 2011

# BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Submitted in terms of Part IV of the Companies Act, 1956)

## I. REGISTRATION DETAILS

| | |
|---|---|
| Registration No. | 37415 |
| State Code | 18 |
| Balance Sheet Date | 31 03 2011 |

## II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN ` '000)

| | | | |
|---|---|---|---|
| Public Issue | NIL | Right Issue | NIL |
| Bonus Issue | NIL | Stock Options | 25831 |
| Qualified Institutional Placement – Equity | 1577521 | Preferential Issue – Preference Shares | 8400000 |

## III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN ` '000)

| | | | |
|---|---|---|---|
| Total Liabilities | 489679991 | Total Assets | 489679991 |

### SOURCES OF FUNDS

| | | | |
|---|---|---|---|
| Paid-up Capital | 23009475 | Share Application Money | 41425 |
| Reserves and Surplus | 87650606 | Secured Loans | 354350150 |
| Unsecured Loans | 8622608 | | |

### APPLICATION OF FUNDS

| | | | |
|---|---|---|---|
| Net Fixed Assets | 3426091 | Investments | 81074154 |
| Infrastructure Loans | 376523158 | Net Current Assets | 10201862 |
| Deferred Tax Asset | 2449000 | Miscellaneous Expenditure | NIL |

## IV. PERFORMANCE OF THE COMPANY (AMOUNT IN ` '000)

| | | | |
|---|---|---|---|
| Total Income | 45603534 | Total Expenditure | 28299049 |
| Profit Before Tax | 17304485 | Profit After Tax | 12771485 |
| Earnings per Share (in `) | 8.74 | Dividend % | 20.00 |

## V. GENERIC NAMES OF PRINCIPAL SERVICES OF THE COMPANY (AS PER MONETARY TERMS)

| | |
|---|---|
| Item Code No. (ITC Code) | NIL |
| Product Description | INFRASTRUCTURE FINANCE |
| Item Code No. (ITC Code) | NIL |
| Product Description | FINANCIAL SERVICES |

## RELATING TO SUBSIDIARY COMPANIES

| NAME OF SUBSIDIARY COMPANIES | DHEERU POWERGEN LIMITED | IDFC ASSET MANAGEMENT COMPANY LIMITED | IDFC AMC TRUSTEE COMPANY LIMITED | IDFC CAPITAL LIMITED | IDFC CAPITAL (SINGAPORE) PTE. LTD.* | IDFC CAPITAL (USA) INC. | IDFC DISTRIBUTION COMPANY LIMITED | IDFC FINANCE LIMITED | IDFC FOUNDATION | IDFC FUND OF FUNDS LIMITED* | IDFC GENERAL PARTNERS LIMITED* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| The financial year of the Subsidiary Companies ended on | March 31, 2011 | March 31, 2011 | March 31, 2011 | March 31, 2011 | March 31, 2011 | March 31, 2011 | March 31, 2011 | March 31, 2011 | March 31, 2011 | March 31, 2011 | March 31, 2011 |
| Number of shares in the Subsidiary Companies held by Infrastructure Development Finance Company Limited and its subsidiaries at the above date. | 5,100 shares of ` 10 each | 2,674,002 shares of ` 10 each | 50,000 shares of ` 10 each | 6,035,220 shares of ` 10 each | 10,970,000 shares of SD 1 each | 100,000,000 shares of USD 0.01 each | 1,500,000 shares of ` 10 each | 21,000,200 shares of ` 10 each | 50,000 shares of ` 10 each | 11,577,712 shares of USD 1 each | 10,000 shares of USD 1.65 each |
| Holding Company's interest in percentage | 51.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| The net aggregate of profits of the Subsidiary Companies so far as these concern the member of Infrastructure Development Finance Company Limited. | | | | | | | | | | | |
| (i) dealt with in the accounts of Infrastructure Development Finance Company Limited amounted to: | | | | | | | | | | | |
| (a) for subsidiaries' financial year ended on March 31, 2011 | – | – | – | – | – | – | – | – | – | – | – |
| (b) for previous financial years of the subsidiaries since these became subsidiaries of Infrastructure Development Finance Company Limited | – | – | – | – | – | – | – | – | – | – | – |
| (ii) not dealt with in the accounts of Infrastructure Development Finance Company Limited amounted to: | | | | | | | | | | | |
| (a) for subsidiaries' financial year ended on March 31, 2011 | (2,384,352) | (28,114,168) | (143,941) | 305,901,835 | (120,536,075) | (6,185,093) | 900,885 | 4,543,662 | (214,443) | (3,181,355) | – |
| (b) for previous financial years of the subsidiaries since these became subsidiaries of Infrastructure Development Finance Company Limited. | (1,147,679) | 38,081,559 | 195,501 | 513,932,415 | (301,685,438) | – | 1,751,404 | 70,021,281 | – | (1,153,369) | – |
| Capital | 19,729,000 | 26,740,020 | 500,000 | 60,352,200 | 367,380,570 | 46,240,000 | 15,000,000 | 210,002,000 | 500,000 | 536,826,562 | 769,725 |
| Reserves | (18,718,023) | 510,390,759 | 378,289 | 1,083,223,453 | (332,228,119) | (7,711,762) | 2,681,086 | 69,555,800 | (214,443) | (24,809,685) | (34,016) |
| Total Assets | 549,637,640 | 848,672,769 | 1,252,411 | 1,508,455,450 | 79,537,883 | 40,091,514 | 20,007,900 | 279,777,833 | 455,340,707 | 513,253,115 | 735,709 |
| Total Liabilities | 548,626,662 | 311,541,991 | 374,122 | 364,879,797 | 44,385,431 | 1,563,275 | 2,326,813 | 220,033 | 455,055,150 | 1,236,238 | – |
| Details of investment | | | | | | | | | | | |
| Equity | – | – | – | 20,585,060 | – | – | – | – | 306,771,900 | – | – |
| Mutual Fund | – | 175,702,090 | – | 77,699,215 | – | – | 6,397,764 | 277,574,256 | – | – | – |
| Trust Units | – | – | – | – | – | – | – | – | 148,467,700 | – | – |
| Venture Capital Units | – | – | – | – | – | – | – | – | – | – | – |
| Turnover | – | 930,897,151 | 400,000 | 1,030,599,770 | 74,077,727 | – | 2,982,575 | 5,131,849 | 40,707 | – | – |
| Profit before taxation | (4,675,201) | (32,565,168) | (143,941) | 449,072,591 | (120,536,075) | (6,185,093) | 1,123,422 | 4,648,662 | (214,443) | (3,181,355) | – |
| Provision for taxation | – | (4,451,000) | – | 143,170,757 | – | – | 222,537 | 105,000 | – | – | – |
| Profit after taxation | (4,675,201) | (28,114,168) | (143,941) | 305,901,834 | (120,536,075) | (6,185,093) | 900,885 | 4,543,662 | (214,443) | (3,181,355) | – |
| Proposed dividend | – | – | – | – | – | – | – | – | – | – | – |

* Exchange Rate:

Closing Rate: 1 US$ = ` 44.59

Average Rate: 1 US$ = ` 44.51

## RELATING TO SUBSIDIARY COMPANIES

| NAME OF SUBSIDIARY COMPANIES | IDFC INVESTMENT ADVISORS LIMITED | IDFC INVESTMENT MANAGERS (MAURITIUS) LIMITED* | IDFC PENSION FUND MANAGEMENT COMPANY LIMITED | IDFC PPP TRUSTEESHIP COMPANY LIMITED | IDFC PRIVATE EQUITY COMPANY LIMITED | IDFC PROJECT EQUITY COMPANY LIMITED | IDFC PROJECTS LIMITED | IDFC SECURITIES LIMITED | IDFC TRUSTEE COMPANY LIMITED | JETPUR SOMNATH HIGHWAY LIMITED | JETPUR SOMNATH TOLLWAYS LIMITED | UNIQUEST INFRA VENTURES PRIVATE LIMITED |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| The financial year of the Subsidiary Companies ended on | March 31, 2011 | March 31, 2011 | March 31, 2011 | March 31, 2011 | March 31, 2011 | March 31, 2011 | March 31, 2011 | March 31, 2011 | March 31, 2011 | March 31, 2011 | March 31, 2011 | March 31, 2011 |
| Number of shares in the Subsidiary Companies held by Infrastructure Development Finance Company Limited and its subsidiaries at the above date. | 10,000,000 shares of ` 10 each | 57,290 shares of USD 1 each | 12,000,000 shares of ` 10 each | 50,000 shares of ` 10 each | 50,000 shares of ` 10 each | 50,000 shares of ` 10 each | 34,050,000 shares of ` 10 each | 14,137,200 shares of ` 10 each | 50,000 shares of ` 10 each | 74,000 shares of ` 10 each | 74,000 shares of ` 10 each | 10,000 shares of ` 10 each |
| Holding Company's interest in percentage | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 74.00% | 74.00% | 100.00% |
| The net aggregate of profits of the Subsidiary Companies so far as these concern the member of Infrastructure Development Finance Company Limited. | | | | | | | | | | | | |
| (i) dealt with in the accounts of Infrastructure Development Finance Company Limited amounted to: | | | | | | | | | | | | |
| (a) for subsidiaries' financial year ended on March 31, 2011 | – | – | – | – | 320,000,000 | 137,500,000 | – | – | – | – | – | – |
| (b) for previous financial years of the subsidiaries since these became subsidiaries of Infrastructure Development Finance Company Limited | – | – | – | – | 1,000,000,000 | – | – | 942,579 | – | – | – | – |
| (ii) not dealt with in the accounts of Infrastructure Development Finance Company Limited amounted to: | | | | | | | | | | | | |
| (a) for subsidiaries' financial year ended on March 31, 2011 | 6,666,871 | 41,190 | 2,844,812 | (126,111) | 11,629,390 | 26,475,219 | (71,783,428) | 149,138,562 | 4,226,412 | 148,371 | (3,357,179) | (246,513) |
| (b) for previous financial years of the subsidiaries since these became subsidiaries of Infrastructure Development Finance Company Limited. | 8,921,109 | – | (1,276,073) | (418,306) | 539,750,213 | 123,425,847 | (179,098,247) | 578,913,181 | 9,692,904 | (1,206,819) | – | – |
| Capital | 100,000,000 | 2,569,224 | 120,000,000 | 500,000 | 500,000 | 500,000 | 340,500,000 | 141,372,000 | 500,000 | 1,000,000 | 1,000,000 | 100,000 |
| Reserves | 15,587,980 | 25,546 | 1,568,739 | (544,417) | 551,379,603 | 149,901,066 | (250,881,675) | 986,269,562 | 13,919,316 | (1,006,318) | (4,536,729) | (246,513) |
| Total Assets | 148,021,809 | 3,152,381 | 121,817,580 | 560,666 | 839,904,013 | 408,866,352 | 580,962,774 | 1,796,339,449 | 14,719,629 | 55,954 | 1,000,000 | 100,000 |
| Total Liabilities | 32,433,829 | 557,611 | 248,841 | 60,666 | 288,024,410 | 258,465,286 | 491,344,449 | 668,697,887 | 300,313 | 62,272 | 4,536,729 | 246,513 |
| Details of investment | | | | | | | | | | | | |
| Equity | – | – | – | – | – | – | – | 10,000 | – | – | – | – |
| Mutual Fund | 98,281,920 | – | 117,028,760 | – | – | – | – | 726,446,130 | 12,319,860 | – | – | – |
| Trust Units | – | – | – | – | – | – | – | – | – | – | – | – |
| Venture Capital Units | – | – | – | – | 9,020,986 | – | – | – | – | – | – | – |
| Turnover | 165,309,995 | 1,553,283 | 115 | 25,000 | 812,608,701 | 575,508,582 | 36,224,559 | 789,256,266 | 5,600,000 | – | – | – |
| Profit before taxation | 14,622,674 | 58,439 | 2,980,458 | (126,111) | 571,257,390 | 269,727,742 | (71,729,268) | 195,412,378 | 5,842,905 | 246,201 | (4,536,729) | (246,513) |
| Provision for taxation | 7,955,803 | 17,250 | 135,646 | – | 186,480,000 | 82,915,492 | 54,160 | 46,273,816 | 1,616,493 | 45,700 | – | – |
| Profit after taxation | 6,666,871 | 41,189 | 2,844,812 | (126,111) | 384,777,390 | 186,812,250 | (71,783,428) | 149,138,562 | 4,226,412 | 200,501 | (4,536,729) | (246,513) |
| Proposed dividend | – | – | – | – | – | – | – | 200% | – | – | – | – |

* Exchange Rate:
Closing Rate: 1 US$ = ` 44.59
Average Rate: 1 US$ = ` 44.51

Mumbai | April 29, 2011

**FOR AND ON BEHALF OF THE BOARD**

**DEEPAK S. PAREKH**
Chairman

**RAJIV B. LALL**
Managing Director & CEO

**SUNIL KAKAR**
Chief Financial Officer

**MAHENDRA N. SHAH**
Company Secretary

Design

Itu Chaudhuri Design | www.icdindia.com

Printed at

Repro India Ltd.

This Annual Report is printed on
ECO-FRIENDLY Paper

Selected Business Superbrand INDIA 2010/11 Industry Validated

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