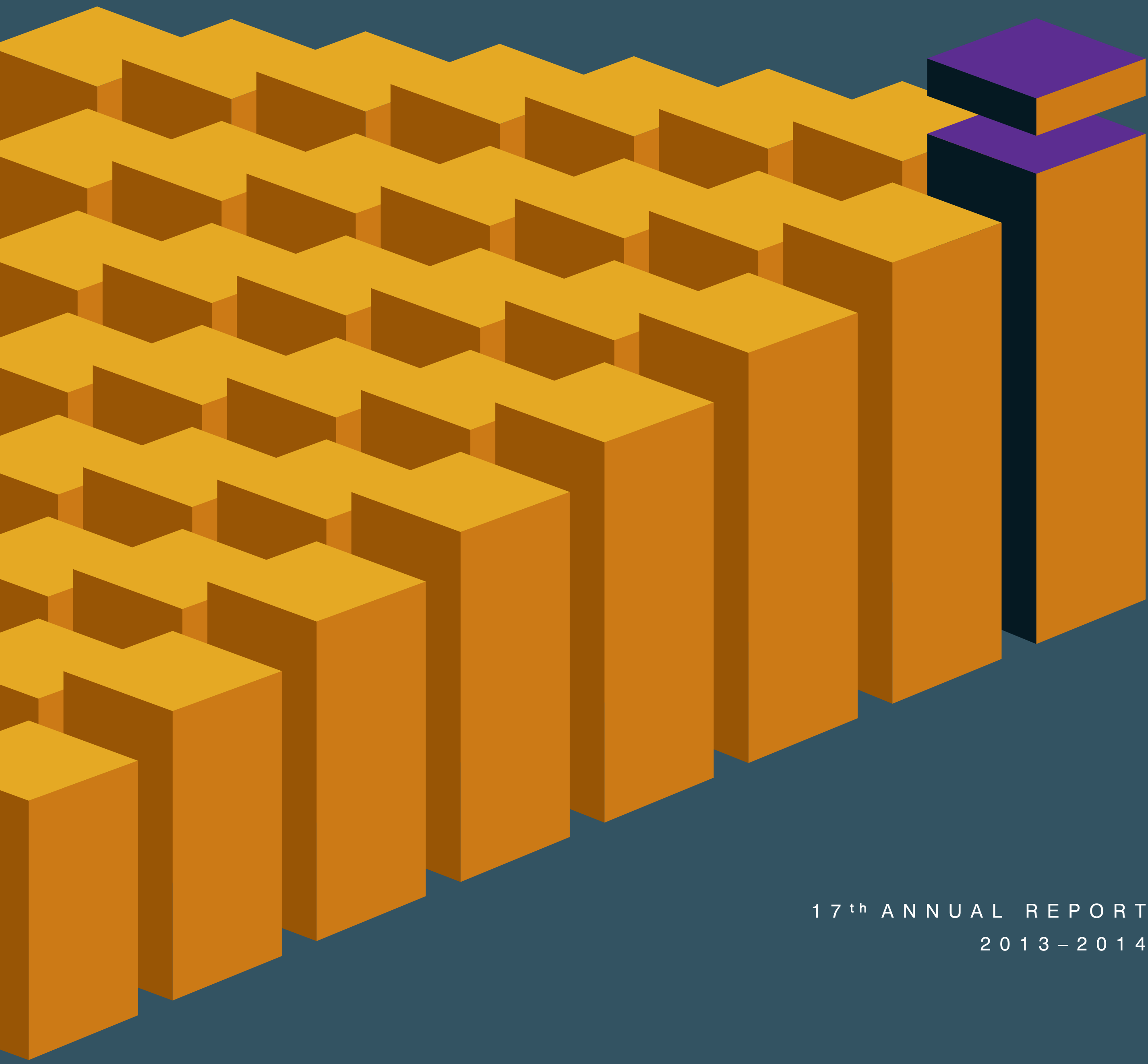
IDFC

DISCIPLINE + FORTITUDE



17th ANNUAL REPORT
2013–2014

CONTENTS

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The Companies Act, 2013, as a part of Green Initiative allows companies to go for paperless compliances by sending Notice, Annual Report and other related documents by e-mail to it's Shareholders.

Many of the Shareholders have registered their e-mail address and we thank them for the same. Those Shareholders, who have not registered their e-mail address so far, may, as a support to this initiative, register their e-mail address by sending an e-mail to 'einward.ris@karvy.com' quoting their Name, Folio No., DP ID / Client ID and e-mail address to be registered with us for enabling us to send documents in electronic form.

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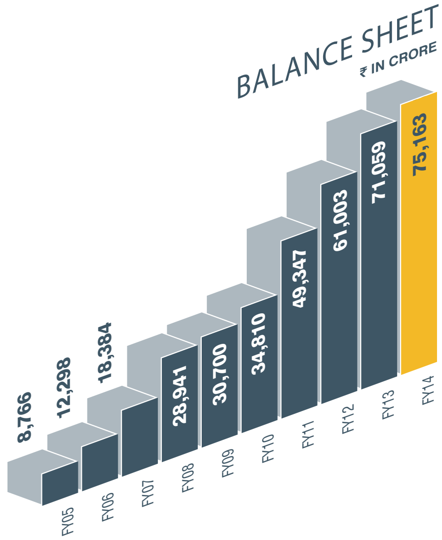
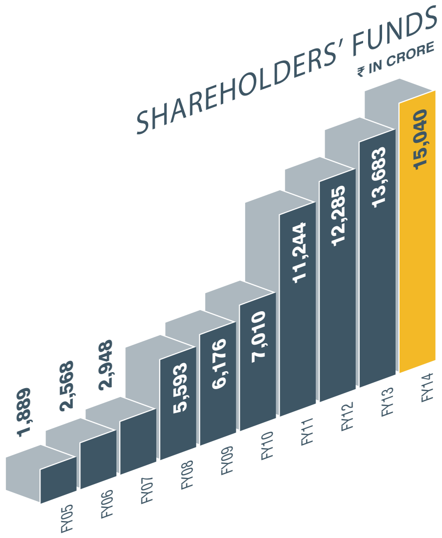
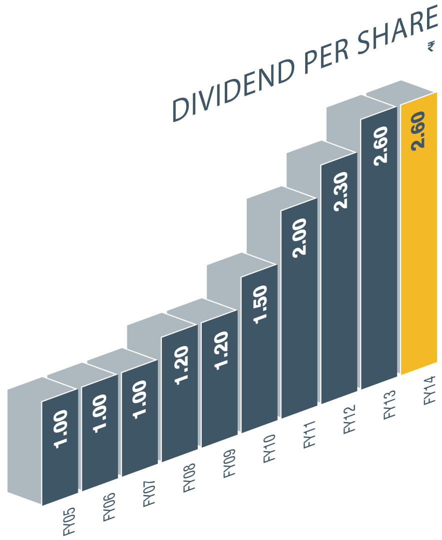
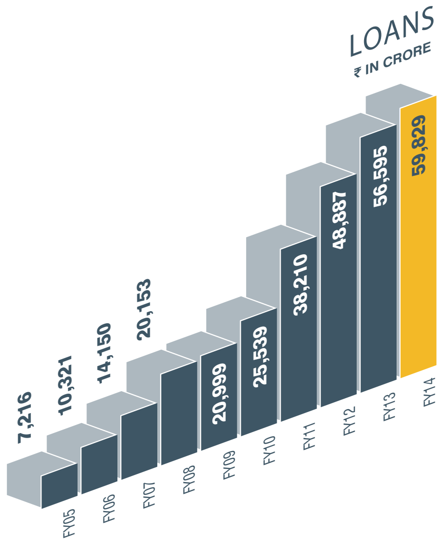
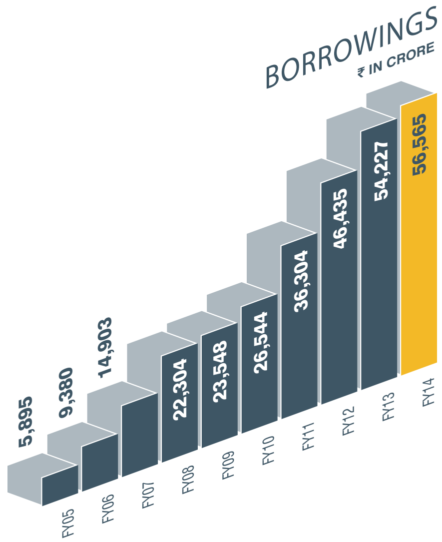
TEN YEARS' HIGHLIGHTS

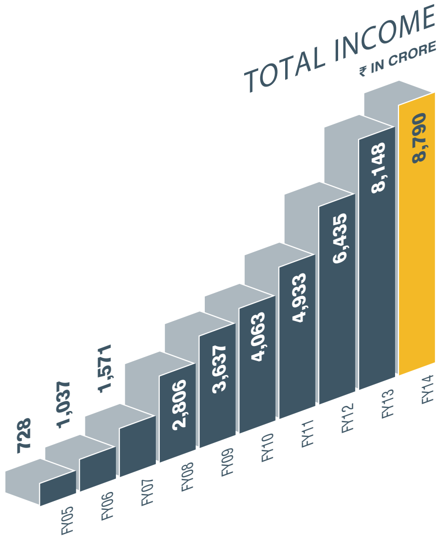








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4,933
6,435
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FY05
FY06
FY07
FY08
FY09
FY10
FY11
FY12
FY13
FY14


EARNINGS PER SHARE
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3.59
4.45
5.93
5.78
8.12
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11.88
FY05
FY06
FY07
FY08
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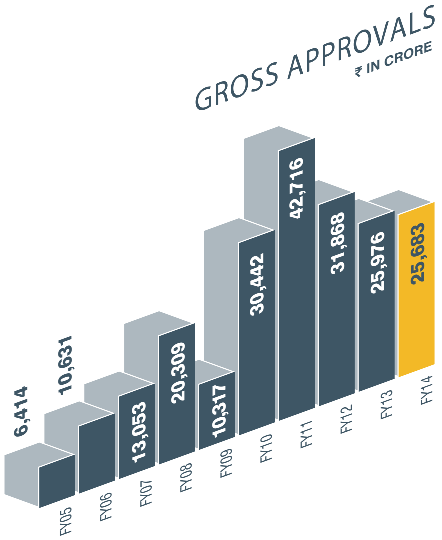
FY11
FY12
FY13
FY14


GROSS APPROVALS
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10,631
13,053
20,309
10,317
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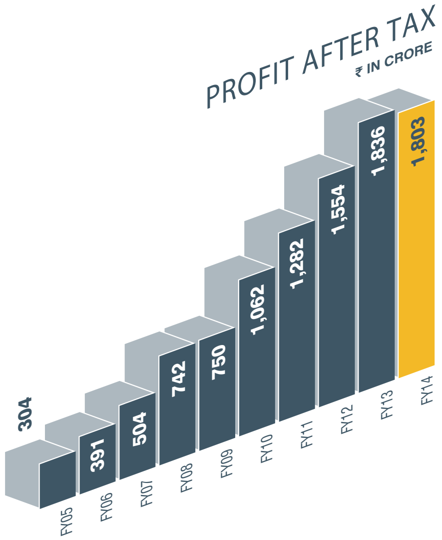
FY05
FY06
FY07
FY08
FY09
FY10
FY11
FY12
FY13
FY14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742
750
1,062
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FY06
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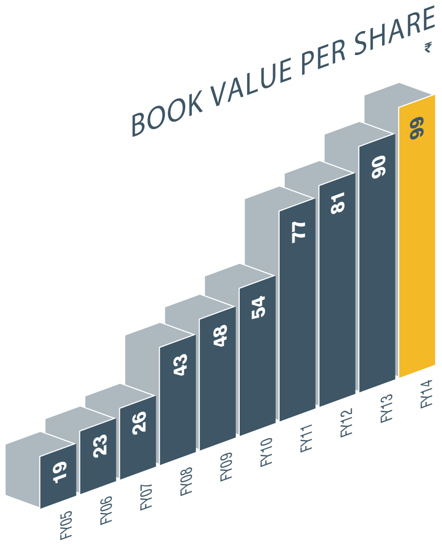
FY11
FY12
FY13
FY14


BOOK VALUE PER SHARE
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19
23
26
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FY05
FY06
FY07
FY08
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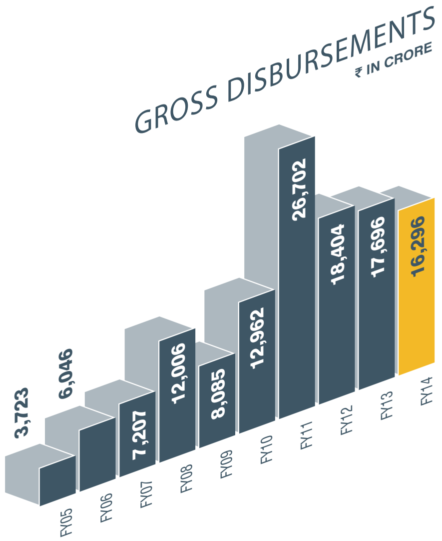
FY11
FY12
FY13
FY14


GROSS DISBURSEMENTS
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3,723
6,046
7,207
12,006
8,085
12,962
26,702
18,404
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16,296
FY05
FY06
FY07
FY08
FY09
FY10
FY11
FY12
FY13
FY14

CHAIRMAN'S STATEMENT

During FY14 India continued to show a deceleration in growth with the GDP growth rate at lower than 5 percent. The macroeconomic scenario was difficult with a slowdown in the investment cycle, persistently high headline inflation and a volatile currency and interest rates. The trend of declining private investment in Infrastructure continued during the year. The issues faced by the infrastructure sector are well known and the Government initiated some steps to reduce the bottlenecks faced in project execution.

The Cabinet Committee on Investment cleared nearly 150 stalled projects worth ~ ₹ 6 lakh crore between its inception in January 2013 and the end January 2014. There were however about 250 projects with investments of over ₹ 10 lakh crore still pending.

With the 2014 Lok Sabha elections, there is considerable optimism that with a clear majority, the new Government will be able to clear the bottlenecks that have affected the economy and the infrastructure sector in particular. It is imperative to kick start the investment cycle and restore investor confidence which has taken a beating over the past couple of years. The much cited figure of USD 1 trillion of investment in the infrastructure sector during the 12th Plan, now appears a virtual impossibility, after the dismal performance during the past couple of years. What is most troublesome is that private sector investment in infrastructure, which constituted an impressive 37 percent of total infrastructure investment (about 2.5 percent of GDP) during the period 2008–2012, is estimated to have fallen to about 30 percent of total infrastructure investment in 2013–2014 (less than 2 percent of GDP). Investments in greenfield infrastructure projects have come virtually to a standstill. Lenders have built up a large exposure to the infrastructure sector and the asset quality issues faced by banks and financial institutions will further constrict debt capital for new projects. Developers of infrastructure assets and equity investors in infrastructure have seen their investment returns decline substantially resulting in reduced risk capital for infrastructure.

Investors are looking for signs of stability and predictability in Government policy and reduced execution challenges before returning to the sector. One can hope that the government, regulators, private developers and financiers have learnt lessons from the past few years, and that we rethink how infrastructure development can be expedited.

The power sector continues to face challenges on the fuel front. With the total installed generating capacity in the country now at over 243 GW, thermal plants which constitute nearly 70 percent of total generating capacity, are struggling with inadequate supply of fuel which has led to their operating at low PLFs. Despite having

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the fourth largest coal reserves in the world, the country's power sector does not get the coal it needs. Coal India's production has been unable to keep pace with the increase in domestic coal based power capacity. It is expected that coal imports, currently at nearly 80 MT for the power sector, would continue to rise. Based on a presidential directive, Coal India has now signed Fuel Supply Agreements with nearly 78 GW of power plants which are under construction. The situation with gas based plants continues to be uncertain with no clear visibility on a resolution. Further, a healthy power distribution sector is critical for the overall viability of the power sector. The financial restructuring program for State discoms has met with mixed success. While several discoms have accepted the scheme, there is not much headway in its implementation in several states.

The road sector has witnessed a slowdown in construction activity and has suffered due to lengthy land acquisition processes and environmental clearances. There has been lack of participation from developers due to their deteriorating financial health, rising construction costs and high financing costs. Lenders have become extremely cautious about disbursing funds to projects which are yet to receive requisite clearances including right of way. The civil aviation sector is also not in good health with the financial performance of domestic carriers remaining weak. The telecom sector, which has suffered in the past due to regulatory uncertainty, is showing signs of rising investor confidence owing to easing of regulatory uncertainties and an improving competitive environment in the sector.

The most significant event for IDFC in the recent past has been obtaining an In-principle banking license from the Reserve Bank of India (**"RBI"**). IDFC was one of over 25 entities which had applied in June last year for the license. After a rigorous screening process, RBI granted the banking license to only two entities, IDFC and Bandhan Financial Services.

Over the past 17 years since its inception, IDFC has developed a consistent and superior track record and is today the largest RBI regulated private sector NBFC by asset size and profits. While we have successfully crafted a differentiated business model around our current regulatory status as an infrastructure finance company, the banking license enables us to address a much larger revenue pool within the financial services landscape while also enabling us to serve our infrastructure clients better. We will now be able to serve the full range of financial needs of our clients and evolve from being a one-stop shop for their infrastructure financial needs to a one-stop shop for all their financial needs.

Further, we feel there are large areas of the economy that are under-penetrated from a financial services perspective and present attractive opportunities. The bank license will enable IDFC to explore diversified avenues for growth, help sustain its performance and continue delivering stable earnings growth for shareholders. We intend to bring the same dedication, passion and long term perspective, that has been our hallmark so far, to building a successful bank.

There has been a significant sentiment change with the prospect of a stable Government for the next five years and one hopes that during this financial year we will see some definitive measures to bring back confidence and restart investment cycle and job creation.

RAJIV B. LALL
Executive Chairman
June 30, 2014

COMPANY INFORMATION

BOARD OF DIRECTORS

DR. RAJIV B. LALL EXECUTIVE CHAIRMAN

MS. SNEHLATA SHRIVASTAVA

MR. JOSEPH DOMINIC SILVA

MR. S. H. KHAN

MR. S. S. KOHLI

MR. GAUTAM KAJI

MR. DONALD PECK

MR. SHARDUL SHROFF (TILL JUNE 3, 2014)

DR. OMKAR GOSWAMI

MS. MARIANNE ØKLAND

MR. VIKRAM LIMAYE MANAGING DIRECTOR & CEO

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info@idfc.com

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Mahendra N. Shah

AUDITORS

Deloitte Haskins & Sells LLP
Chartered Accountants

SOLICITORS & ADVOCATES

Amarchand & Mangaldas & Suresh A. Shroff & Co.
AZB & Partners
Wadia Gandhy & Co.

PRINCIPAL BANKER

HDFC Bank Limited

DEBENTURE TRUSTEE

IDBI Trusteeship Services Limited
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Mumbai 400 001.
Tel:+91 22 4080 7000
Fax: +91 22 6631 1776

INFRASTRUCTURE REVIEW

ENERGY

During FY14, the energy sector continued to face challenges on the fuel front. While the sector witnessed some positive policy and regulatory changes, material effects of these changes are yet to be seen on the ground.

The all India installed power generation capacity increased to 243,029 MW at the end of March 2014.

As can be seen from **Table 1**, India continues to depend on coal as a major source for energy generation. Coal based power generating capacity accounts for 60% of total installed capacity. The share of the private sector in coal based power generation capacity stands at 31%. This has increased significantly from just 7% at the end of FY08.

Table 2 shows capacity addition achieved during FY14 vis-à-vis targeted addition. Private sector contribution in capacity addition continued to be robust, with over 67% of incremental installed capacity in FY14 coming from the private sector.

However, in spite of healthy additions in installed capacity over the last 6 years (total generating capacity has increased from 143,061 MW as on March 2008 to 243,029 MW as on March 2014), fuel issues have led to suboptimal utilisation of these capacities. The PLFs of coal based plants have dwindled over the last 4 years - all India PLF of coal based power plants has dropped from 75% in FY11 to 66% in FY14.

Further, the PLFs of private sector capacity have been severely affected. The all India private sector PLF of coal based power plants dropped sharply from 83% in FY11 to 62% in FY14.

For gas based power plants, the picture is gloomier. All India PLF levels of gas based plants dropped from 66% in FY11 to a meager 25% in 2014. Private sector gas based power projects (having capacity of ~ 8,100 MW) were practically stranded with average PLFs of only 18% during FY14. Around 7,000 MW of under construction gas based projects which are likely to be ready for commissioning over next 12 -18 months may also be stranded in the absence of increase in domestic gas output. **Table 3** shows the trend in PLF levels of generating plants in India.

In order to ease the fuel concerns of coal based plants, the Cabinet Committee on Economic Affairs (**"CCEA"**) has taken the following measures:

- Presidential directive to Coal India to sign FSAs with power plants likely to be commissioned by 2015 having a Letter of Allotment issued by Coal India. The total capacity of such plants is 78,000 MW.
- Amended the New Coal Distribution Policy (**"NCDP"**) to enable Coal India to import coal and supply to domestic power plants on a cost plus basis.
- The Ministry of Power has issued an advisory which enables State electricity regulators (**"SERCs"**) to allow pass-through of the cost of imported coal.

The energy sector also witnessed key orders by the Central Electricity Regulatory Commission (**"CERC"**) in case of Coastal Gujarat Power Limited (Tata UMPP) and Adani Power Limited (Mundra Power projects)

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TABLE 1	ALL INDIA INSTALLED POWER GENERATION CAPACITY FY14 (in MW)							
AS ON 31.03.2014	COAL(a)	GAS(b)	DIESEL(c)	THERMAL (d) (a+b+c)	NUCLEAR(e)	HYDRO(f)	RENEWABLE(g)	TOTAL (h) (d+e+f+g)
State	53,828	6,548	603	60,979	–	27,482	3,727	**92,188**
Private	45,520	8,168	597	54,285	–	2,694	25,736	**82,715**
Central	45,925	7,066	–	52,991	4,780	10,355	–	**68,126**
TOTAL	**145,273**	**21,782**	**1,200**	**168,255**	**4,780**	**40,531**	**29,463**	**243,029**
Share of Private sector in each fuel category	31%	37%	50%	32%	–	7%	87%	**34%**

SOURCE : MoP/CEA

allowing compensatory tariff for the hardship faced by the developers due to their fuel cost structure. However, the state distribution companies which are the off-takers of power generated by these projects, have either approached or are in process of approaching the Appellate Tribunal of Electricity (**"APTEL"**) to appeal against the order.

Pursuant to a review by the Inter Ministerial Group (**"IMG"**) of 61 coal blocks allotted to the private sector which had not come under production, 28 coal blocks have been issued a letter of de-allocation till date. The criteria for de-allocation of these coal blocks were (i) coal blocks where Environmental Clearance and Forest Clearance (Stage I) had not been obtained and (ii) coal blocks where Prospecting License has not been obtained and in cases where the same has been obtained but geological reports have not been provided within the stipulated time frame of 27 months. Pursuant to a PIL challenging the policy of allotment of coal blocks since 1993, the Hon'ble Supreme Court is currently examining the process of coal mines allocation.

TABLE 2	CAPACITY ADDITION ACHIEVED DURING FY14		
AS ON 31.03.2014	SECTOR	FY14 TARGET	FY14 ACHIEVEMENT
Thermal	Central	2,213	1,660
	State	2,572	3,322
	Private	4,875	11,785
	TOTAL	**9,660**	**16,767**
Hydro	Central	809	914
	State	45	45
	Private	149	99
	TOTAL	**1,003**	**1,058**
Nuclear	Central	1,000	0
All India	Central	4,022	2,574
	State	2,617	3,367
	Private	5,024	11,884
	TOTAL	**11,663**	**17,825**

TABLE 3	PLF LEVELS OF GENERATING PLANTS IN INDIA			
	2010-11	2011-12	2012-13	2013-14
Coal / Lignite PLF				
All India	75%	73%	70%	66%
Private Sector	83%	69%	64%	62%
Gas PLF				
All India	66%	60%	40%	25%
Private Sector	70%	59%	35%	18%

Installed capacity for wind turbine generators in India increased from 19,052 MW in March 2013 to an estimated 21,200 MW in March 2014. A bulk of the capacity addition has been based on preferential tariff based PPAs with state utilities.

Coal India Ltd.'s production continues to languish. With 462.5 MT production in FY14, production grew by 2.3% YoY, recording a CAGR of a mere 1.4% over the last 5 years. This low rate of production growth increases India's dependence on imported coal. The total import of coal in FY14 is estimated at 181 MT, up from 153 MT in FY13. The coal import for the power sector is estimated at 79 MT, up 27% from 62 MT imported in FY13.

The Government has approved the recommendations of the Rangarajan Committee for pricing of domestic gas. The pricing will be based on the simple average of the netback price of Indian LNG imports at the exporting country wellhead and weighted average of prices prevailing at the Henry Hub – USA, NBP UK and net back price at the sources of supply from Japan. This will effectively result into a domestic gas price of around $ 8.5 / mmbtu.

To address the weak financial position of the state distribution companies, the Chaturvedi Committee had recommended a Financial Restructuring Program (**"FRP"**) for the State Discoms. The plan envisaged restructuring of 50% of short-term liabilities of the discoms and replacing the balance 50% of the short-term liabilities by Bonds to be taken over by the State Governments. Further the plan also includes regular tariff hikes and reduction of AT & C losses by discoms.

The discoms of four key states - Tamil Nadu, Rajasthan, Haryana, Uttar Pradesh - have approved the FRP. These discoms account for over 60% of accumulated losses of all the discoms in India.

Discoms in another 6 states (Andhra Pradesh, Bihar, Himachal Pradesh, Jharkhand, Kerala, Meghalaya) have so far expressed their willingness to participate in the scheme, but there has not been much headway in implementation.

As a result of the FRP implementation, discoms should be able to improve their liquidity position and get some relief from servicing their short-term liabilities to banks and financial institutions. The discoms that have implemented the FRP have so far been able to reduce their payment cycle to power generation companies to within 2 months.

One of the key reasons for the weak financial position of discoms has been inadequate tariff increases in tandem with increases in operating costs for the discoms (primarily power purchase costs). This trend has however been reversed somewhat in the last couple of years with most of the discoms going for regular tariff hikes. A majority of the states which account for a significant portion of total discom losses have been regularly filing for revision in power tariffs for past 2-3 years which is a step in the right direction. Also many of the state regulators have approved mechanisms for automatic pass through of power purchase and fuel costs. However some of these states require much higher tariff hikes sustained over a period of time before their annual revenue requirements are met.

CERC has issued guidelines for tariff determination applicable for the period FY15-19 for capacities where tariff is determined as per CERC regulations. These guidelines are not applicable for bid out capacities and renewable projects. The key focus has been on reduction in fixed charges payable by discoms. Some of the major changes are as follows - (1) Incentives being paid based on actual generation against normative availability (2) A marginal reduction in Station Heat Rate threshold and sharing of efficiency gains to the extent of 25% with off-takers and (3) Marginal increase in normative availability for transmission projects. The CERC guidelines have also removed possible tax arbitrage for power generators by allowing inclusion of only actual tax paid rather than book tax in calculation of tariff.

The Ministry of Power notified the new Standard Bidding Documents (**"SBDs"**) for procurement of power on a long-term basis. As per the new bidding documents, the fuel supply and pricing risk is shared between the developer and the procurer. The documents provide for pass through of fuel charge and recovery of 70% of the fixed cost in case of non-availability of fuel.

The Ministry of Power invited bids for 2 new UMPPs – Orissa (pit head based) and Tamil Nadu (imported coal based) – each of 4,000 MW. Both the bids are based on revised bidding documents with fuel cost as pass through.

The transmission network in India is divided into 5 regional grids. Historically the southern grid was not properly connected with the rest of the grids leading to higher power deficit and power tariffs in this grid. In December 2013, PowerGrid Corporation of India Limited (**"PGCIL"**) commissioned the first of the two 765 KV lines between Sholapur in Maharashtra and Raichur in Karnataka, capable of carrying 1,500 MW of power. A second line is expected to be ready by June 2014. With this milestone, the entire transmission grid in India can operate at a single frequency and the southern region will be part of a new grid which will have capability to transfer about 40,000 MW of power capacity.

Installed capacity for wind turbine generators in India increased from 19,052 MW in March 2013 to an estimated 21,200 MW in March 2014. A bulk of the capacity addition has been based on preferential tariff based PPAs with state utilities. Most of the states which have good wind power generation potential have revised their preferential tariffs upwards over the last few years. The Generation Based Incentive (**"GBI"**) scheme of Ministry of New & Renewable Energy (**"MNRE"**) for grid interactive wind projects which had lapsed in April 2012 was renewed with retrospective effect in September 2013. The new GBI scheme provides incentives to wind producers @ ₹ 0.5 per unit of electricity with an enhanced cap of ₹ 1 crore per MW to be paid out in not less than 4 years and not more than 10 years.

Wind power projects continue to face challenges with respect to compliance with Renewable Purchase Obligation (**"RPO"**) norms by state utilities. Many of the states have not projected their RPO trajectories as suggested by National Action Plan of Climate Change (**"NAPCC"**) which specifies minimum RPO target of 5% in 2009-10 to be increased by 1% every year to reach 15% by 2019-20. Furthermore, many state regulatory commissions have stipulated RPO targets which are much lower than the minimum target of 5% stipulated by NAPCC. As a result the demand for Renewable Energy Certificates (**"RECs"**) continues to be adversely affected. The inventory for non-solar RECs has increased from 1.78 million as on March 31, 2013 to 5.52 million as on March 31, 2014 and the price of RECs continues to remain depressed at floor price of ₹ 1,500 per REC.

About 1,000 MW of solar projects were bid out under phase 1 of Jawaharlal Nehru National Solar Mission (**"JNNSM"**). Bids for phase 2 batch 1 of 750 MW were opened and allocations made to various bidders based on viability gap funding in February 2014. 375 MW each was allocated under open and Domestic Content categories. Tariff for these projects is fixed at ₹ 5.45 per unit (for projects without Accelerated Depreciation) for 25 years.

The total installed capacity for solar projects in the country as on March 31, 2014 stands at 2,631 MW, with around 687 MW under MNRE schemes,1,322 MW under various state government policies and 621 MW under other policies.

The price of solar RECs has also languished at floor price of ₹ 9,300 per REC for a major part of FY14 and the inventory for solar RECs has increased from 633 units as on March 31, 2013 to 140,338 units as on March 31, 2014.

ROADS

The financial year FY14 has been challenging for the roads sector. The construction rate of national highways was about 5 km per day (till January 31, 2014) as against a target of 20 km per day and compared to about 11 km per day in FY13. This drop in activity can be attributed to several factors viz. lengthy land acquisition processes, environmental clearances, prolonged dispute resolution procedures with concessioning authorities, lack of participation from developers due to their deteriorating financial health, rising construction costs and high financing costs.

Private sector participation has also witnessed a slowdown in the roads sector. National Highways Authority of India (**"NHAI"**) awarded only 1,400 km of projects (EPC + BOT) during FY14, against the original target of 7,300 km for FY14 and 1,156 km awarded in FY13. The decreasing interest of developers in Public Private Partnership (**"PPP"**) projects has led to only 2 BOT projects (222 km) being awarded during the year, compared to about 1,115 km of BOT projects being awarded in FY13. Developers have been reluctant to bid for new projects because of their stretched financial position and inability to raise finance viz. equity and debt.

NHAI road projects aggregating to 2,500 km which were awarded in the year FY12 have been cancelled due to non-payment of performance guarantees by developers and / or delays in land acquisition or environmental clearances. For these cancelled projects, fresh bids can be invited only after the PPP appraisal committee revises the cost escalations of the projects. In order to revive developer interest in this sector, the issue of rescheduling premium payments for road projects was taken up by the Government. The recommendations given by the Rangarajan Committee for rescheduling of premiums for road projects have recently been approved by Ministry of Finance.

Lenders have also become extremely cautious about disbursing funds to projects which are yet to receive requisite clearances including Right of Way (**"RoW"**). In some cases, lenders have refrained from approving new projects where the Government has been unable to acquire land as per the schedule. Another sign of the heightened risk perception of lenders to the road sector has been their raising the upfront equity requirement (i.e. the percentage of equity that developers need to infuse into the project before lenders commence loan disbursement) to 50% in most cases and sometimes to 100%. In the past, this percentage was usually in the range of 25% to 35%.

However debt availability for operational road projects is expected to witness some improvement due to funding by Infrastructure Debt Funds (**"IDFs"**). The model tripartite agreement for road projects has been finalised with NHAI which will help facilitate investments from IDFs to road projects. These debt funds are expected to channelise funding from long-term investors.

The year also witnessed some measures proposed by the Government to try and resolve various issues plaguing the roads sector. The key measures include relaxation of the exit clause for road developers, framing of securitisation policy, delinking of forest clearance from environmental clearance, awarding more projects through cash contracts, reschedulement of premium payments, deployment of an Electronic Toll Collection system (**"ETC"**) for national highway projects on a pan-India basis and formation of an independent roads' regulator (to set tariffs, oversee concession agreements, resolve disputes and regulate service quality).

NHAI is planning to award about 2,000 km through cash contracts or EPC mode in FY15 and is ready with 3,000 km to be bid via the PPP mode. Awarding projects through the EPC route will be facilitated if NHAI is able to acquire majority of the land.

Table 4 shows the Phase wise balance of project award status.

PORTS

Indian ports had raised their total capacity to 1,250 MT by the end FY14, increasing by about 2% from the previous year. Major ports added 7% of capacity (at Vishakhapatnam). While the optimal capacity utilisation of ports should be 70%, major ports face 90% capacity utilisation implying traffic congestion and high berth occupancy. Efficiency is also taking a hit at major ports. Given unfavourable global conditions for trade, private ports have taken the opportunity to enhance capacity in anticipation of the future growth in cargo traffic. PPPs within the ports sector are facing large concerns including delays in obtaining security clearances, heavy litigation during the tendering process, the lack of supporting infrastructure at terminals such as container freight stations and difficulties with land acquisition.

In FY14, Ennore Port Ltd. in Tamil Nadu has awarded a contract to build a container-loading facility to Adani Ports and Special Economic Zone Limited (**"APSEZL"**) at a revenue share of 37% for building the new terminal with an investment of ₹ 1,270 crore that can load 1.4 million TEUs a year. Jawaharlal Nehru Port Trust (**"JNPT"**) also awarded a 330-meter container terminal project to DP World with a capacity of 0.8 million TEUs and an estimated cost of

TABLE 4 PHASE WISE BALANCE OF PROJECT AWARD STATUS

NHDP PHASE	BALANCE FOR AWARD (KM)	% OF TOTAL REMAINING	DESCRIPTION
Phase II	372	2%	North-South & East-West Corridor
Phase III	1,685	11%	Convert from 2-lane to 4-lane
Phase IV	9,842	62%	Improve to 2-lane standards with paved shoulders
Phase V	2,419	15%	6-laning of existing 4-lane projects
Phase VI	1,000	6%	Construction of expressways
Phase VII	659	4%	Construction of ring roads, flyovers and by-passes
TOTAL	**15,977**	**100%**	

SOURCE : NHAI

Cargo traffic grew by approx 1% to 552 MT, compared to the same period in FY13. This increase was primarily due to the growth in coal traffic of 21%.

₹ 600 crore. The project would be developed by DP World's special purpose vehicle - Nhava Sheva (India) Gateway Terminal Limited (**"NSIGTL"**). In addition, development of a fourth container terminal was awarded to PSA Bharat Investments Pte. Ltd., at a revenue share bid of 36%. The fourth terminal would have the capacity of 4.8 million TEUs per annum. Gujarat Pipavav Port has received approval from the Ministry of Environment & Forests (**"MoEF"**) for its expansion plan which will increase its capacity to 65 MT.

New terminals at (i) Kandla Port in Gujarat, (ii) JNPT in Navi Mumbai, Maharashtra, (iii) Kolkata Port in West Bengal and (iv) Ennore Port in Tamil Nadu would add about 151 MT of capacity over the next 3–4 years.

In FY14, cargo traffic grew by approx 1% to 552 MT, compared to the same period in FY13. This increase was primarily due to the growth in coal traffic of 21%. Coal forms about 19% of the total traffic and 72% of this is contributed by thermal coal traffic which increased by 22% in FY14. This has been primarily due to an increase in the levels of import dependency for servicing the coal demand. The largest drop was in iron ore of 13.3%, which was attributable to the ban on iron ore mining in Karnataka and Goa. Meanwhile, a considerable drop was also seen in fertilizer traffic of ~ 7% due to high inventory levels and volatility in exchange rates.

Container volumes declined by 3.1% in FY14. Revival of container volumes would be dependent on a pickup in overall manufacturing sector activities, the global economy and correspondingly exim trade. Iron ore exports could be favourably supported by resumption of mining in certain areas; moreover, the Government of India has been exploring various options to boost export activities. India was once the third-largest exporter of iron ore, but has now slipped to No. 10. The Supreme Court recently lifted a 19 month old ban on mining in Goa although it capped annual output in the State at 20 million tonnes. In terms of location, Ennore and Paradip port have primarily led the growth in total traffic.

The non-major port entities, however, continue to report robust increase in throughput, with volumes of APSEZL increasing by 29% YoY in 9M FY14, driven by up-scaling of liquid cargo and dry bulk volumes at its flagship Mundra Port which registered a combined increase of 26%, as well as container traffic growth which picked up to show a significant increase of 57% throughput YoY in 9M FY14. Gujarat Pipavav Port Limited, has also reported a growth of 24% YoY in its container volumes.

Minor ports do not fall under any regulatory authority, as opposed to major ports which are monitored by the Tariff Authority for Major Ports (**"TAMP"**). The Ministry of Shipping (**"MoS"**) released the guidelines for Tariff Setting in Major Ports in July 2013, outlining that major port trusts will be able to link tariffs to the market, taking effect from the beginning of FY14. These guidelines offer some upside to the tariff of major ports provided they meet certain performance standards, which could partially address the tariff anomalies that exist vis-à-vis minor Ports. These new guidelines are applicable only to new projects bid out since the notification. The existing private operators and major port trusts continue to be governed by the tariff guidelines of 2005 and 2008, which are seen to have certain inherent flaws. This has led to demands from existing private cargo handling firms to migrate to the new regime to create a level-playing field where the existing players are also migrated to similar guidelines which allow market linked tariffs. Global container terminal operators such as PSA International, APM Terminals and DP World are awaiting the recommendations of an inter-ministerial panel on the migration of old cargo terminals to the new market-linked rate regime announced in July 2013.

CIVIL AVIATION

The civil aviation sector has seen much turmoil throughout the year. The financial health of almost all domestic carriers remained quite weak, with some airlines even facing insolvency e.g. Kingfisher Airlines is still not operational and the likelihood of revival seems unlikely. In 9 months of FY14, the three carriers i.e. Air India, Jet Airways and Spice Jet posted combined losses of about ₹ 5,000 crore. Indigo is the only profitable player in the Indian airline space. The pressure on profitability of airline companies is expected to continue in FY15 with entry of Air-Asia and promotional pricing wars. The industry is struggling with high Aviation Turbine Fuel (**"ATF"**) prices. Further, rupee depreciation also dented the profitability of airlines.

The Indian telecom sector has been growing rapidly over the past few years barring a brief blip in FY13 when the reported subscriber base of wireless subscribers fell. The subscriber base has reached 904.5 million by March 2014.

In one of the most significant developments over last couple of years, the Government has eased foreign investment norms in the aviation sector, by increasing Foreign Direct Investment (**"FDI"**) and Foreign Institutional Investment (**"FII"**) limits to 49% in airline companies, in an effort to bring comfort to the debt-laden domestic airlines. Jet entered into a strategic alliance with Etihad Airways (**"Etihad"**) as per which Etihad invested over USD 600 million in Jet for a 24% stake. Recently, the Malaysia-based AirAsia in a joint venture with the Tata group and Telestra Tradeplace has got Directorate General of Civil Aviation (**"DGCA"**) approval for starting scheduled airlines operations in India.

The passenger traffic is expected to be around 168 million in FY14 (154.5 million till February 2014) i.e. a growth of about 6%. Many structural changes are being seen in the sector (such as FDI, new entrants, higher penetration, etc.) which is likely to give impetus to the growth of the sector.

The privatisation of airports has been a growing trend over the last few years. Five major airports are already being operated through PPPs, viz. New Delhi, Mumbai, Bengaluru, Hyderabad and Kochi. The Government is in the process of operating / developing few airports under PPP mode such as Chennai, Kolkata, Ahmedabad, Guwahati, Jaipur, Lucknow, Goa, Navi Mumbai, Sindhudurg, Kannur, Durgapur, Gulbarga, Hassan, Sikkim, etc. RFQ documents for Navi Mumbai airport were finally issued in February 2014. However, the competitive bidding process for the privatisation of airports, intended to bring transparency to the process and reduce costs, has been unable to prevent a rise in project costs, largely due to the increasing cost of inputs and unanticipated project delays including land acquisition. This is partly reflected in the increases in the Airport Development Fee (**"ADF"**) and User Development Fee (**"UDF"**).

On the regulatory front, the Civil Aviation Authority (**"CAA"**) was approved by the Union Cabinet and will be placed in the Parliament for approval. CAA, which is to replace the DGCA as an autonomous regulatory body, will manage air traffic and air safety, issue airline licenses and set aviation standards. CAA will have the authority to conduct investigations and issue penalties. This new body is a much needed replacement because of its enhanced administrative powers and financial independence to counter the problems the DGCA currently faces in human resource management and inefficient administration.

AERA has been formed to regulate the tariff and performance standard related aspects of airports. The regulatory framework is still evolving.

TELECOM

The Indian telecom sector has been growing rapidly over the past few years barring a brief blip in FY13 when the reported subscriber base of wireless subscribers fell. The subscriber base has reached 904.5 million by March 2014. Urban wireless teledensity has remained stable at about 140% in FY14. Rural wireless teledensity on the other hand has inched upwards to 43.3%. Meanwhile, the active subscriber ratio also continues to increase and has reached 87.5% in March 2014. The key reasons behind this changing landscape are (a) a shift in focus of industry analysts from reported subscriber base to active subscribers, thereby compelling operators to improve their active subscriber ratio by derecognising inactive subscribers and (b) reduction in the competitive intensity in the telecom sector over the last 18 months accompanied by the rollback of promotional plans by the operators, thereby further reducing the multiple SIM phenomenon and hence, rationalising the subscriber base.

A similar trend was seen in the Average Revenue per Subscriber (**"ARPU"**) as well. During the year, telecom operators consistently raised tariffs, reduced promotional offers and free minutes and focused on non-voice revenue, especially data revenue. While India continues to have the lowest ARPU in the world even today, the trend of declining ARPU finally took a u-turn in FY13 and saw a steady increase throughout FY14. Industry wireless ARPU went up from ₹ 150 in the January–March 2013 quarter to ₹ 159 in the January–March 2014 quarter.

The rollout of 3G and 4G services is gradually changing the experience of data services in India. These services have the potential of bringing in higher ARPU for service providers and have certainly helped stabilise the falling ARPUs from voice traffic. Content creation and exclusivity will determine how the market progresses forward. The off-take of

3G services was slow initially, but has recently picked up pace. Bharti and Idea reported 3G subscriber base of over 11.0 million and 10.2 million respectively, as of March 2014 (approximately 75% and 100% growth over March 2013 respectively). Bharti has now launched its 4G services in 4 cities as of March 2014. No other operator has launched services using its BWA spectrum won in June 2010 although Reliance Jio is expected to launch services in the second half of FY15.

The Indian telecom tower sector saw tenancies rising steadily during the year after the sudden drop witnessed due to exit of telecom operators like Etisalat, Loop Telecom, S-Tel in end FY12 and early FY13 and curtailing of operations by Uninor and Sistema Shyam. The demand for new tenancies is coming from (a) increasing number of active subscribers and average minutes of usage; (b) exponentially increasing data traffic and (c) 3G / 4G rollouts.

The sector saw its first consolidation move after a long break which is a direct outcome of rising investor confidence owing to easing of regulatory uncertainties and improving competitive environment in the sector. Bharti Airtel announced a strategic agreement with Loop Mobile to integrate their Mumbai operations subject to regulatory and statutory approvals. The Loop acquisition strengthens Bharti Airtel's Mumbai operations and has come along expected lines after Bharti successfully bid for 5 MHz of 900 MHz spectrum in Mumbai.

The Government approved 100% FDI in the sector and Vodafone was the first to take advantage of the opportunity. Vodafone Group Plc, UK has bought out the minority investors in the Indian subsidiary for ₹ 10,100 crore and has increased its stake to 100%. Telewings is also expected to follow the same footsteps in the near future. NTT DoCoMo on the other hand has announced its plans to exercise the put option on Tata group (due to not meeting certain profitability parameters for year ending March 2014) to exit from the joint venture in Tata Teleservices. TRAI in its recommendations dated September 9, 2013 on the Valuation and Reserve Price of Spectrum recommended a reduction of nearly 37% in the price of Spectrum in the 1,800 MHz band pan India and the reduction ranging from 45% to 66% in the price of the 900 MHz Band in the three circles of Delhi, Mumbai and Kolkata. TRAI also recommended that all spectrum allocated through auction should be charged at a flat rate of 3% of AGR w.e.f. April 01, 2014 and also highest slab rate of Spectrum Usage Charge (**"SUC"**) may be brought down to 5% of AGR. On the issue of re-farming, TRAI recommended that there should be no reservation of spectrum in 900 MHz and 1,800 MHz for those whose licenses are expiring in the year 2014.

Taking cues from TRAI's recommendations, the Department of Telecommunications (**"DoT"**) fixed the reserve price for the GSM auction in the 1,800 MHz band at ₹ 1,765 crore (a 26% reduction from reserve prices of the March 2013 auction) per MHz for 20 years on a pan-India basis and the aggregate reserve price of spectrum in 900 MHz band in the 3 service areas of Mumbai, Delhi and Kolkata was fixed at ₹ 813 crore (per MHz for 20 years). Apart from placing all the available and

TABLE 5 SPECTRUM AUCTION

BAND	CIRCLES	NO. OF BLOCKS	SPECTRUM	RESERVE PRICE	WINNING PRICE	PREMIUM
			(MHz)	(₹ CR / 200 KHz)	(₹ CR / 200 KHz)	
1,800	22 Circles	1,926	385.2	353.0	454.1	28.6%
			(MHz)	(₹ CR / MHz)	(₹ CR / MHz)	
900	Delhi	16.0	16.0	360.0	740.9	105.8%
	Kolkata	14.0	14.0	125.0	194.6	55.7%
	Mumbai	16.0	16.0	328.0	563.1	71.7%
TOTAL		**46.0**	**46.0**	**813.0**	**1,498.6**	**84.3%**

SOURCE : DoT

unallocated spectrum in 1,800 MHz band (total of 385.2 MHz) as per the Supreme Court directive, DoT also auctioned the spectrum owned by existing players in 900 MHz band and whose licenses were set to expire in November 2014 (46 MHz across Mumbai, Delhi and Kolkata), thereby mandating re-farming of spectrum. The auctions were conducted successfully in February 2014 with the Government earning ₹ 61,162 crore from the auctions. The auction activity was driven largely by 4 players viz. Bharti Airtel, Vodafone, Idea Cellular and Reliance Jio. A total of 94% of the total spectrum won, was won by these 4 players. Telewings, Aircel and Reliance Communications were the remaining players who won spectrum in specific pockets.

Intense competition was seen in the 900 MHz band spectrum auction, with the final winning price was far more than the reserve price. Mumbai, Delhi and Kolkata's final winning prices were 72%, 106% and 56% higher than the reserve price. Thus the cumulative winning price of spectrum in 900 MHz band in the 3 service areas of Mumbai, Delhi and Kolkata reached ₹ 1,499 crore per MHz for 20 years, an increase of 84% over the reserve price. Vodafone and Bharti Airtel have won spectrum in all the three circles thus retaining spectrum in this critical band which will help them avoid capex on network redesigning. Idea won 5 MHz spectrum in Delhi circle and Reliance Jio has not won any spectrum in 900 MHz band.

Comparatively, the 1,800 MHz band witnessed lower intensity with the final winning price exceeding the reserve price by more than 50% in only 5 out of 22 circles [viz. Assam, Delhi, Gujarat, Maharashtra and UP (West)] (**Table 5**). In fact, as many as 11 circles did not witness any increase in reserve price. On an overall basis, pan-India 1 MHz spectrum in this band went for ₹ 2,270 crore, a modest increase of 29%.

TRAI in January 2014 released its recommendations on the crucial aspect of spectrum trading which was being demanded by the industry players since a long time. However, the recommendations only allow outright transfer and leasing of spectrum is not permitted. Further, only such spectrum acquired through an auction in or after 2010 will be allowed to be traded. Final DoT guidelines are awaited in this respect. TRAI has also released its recommendations on reserve price for auction of spectrum in the 800 MHz band. A significant increase in reserve prices compared with those set in March 2013 and premium related to the recently determined prices for the 1,800 MHz band could deter demand. On the other hand, the suggestion to auction at least one contiguous block of 5 MHz for 4G LTE launch on this band is a positive for the industry. However, DoT has asked TRAI to review its recommendations on the pricing of spectrum in this band.

In a bid to spur consolidation in the telecom sector, the DoT came out with M&A guidelines for the sector in February 2014. According to these guidelines, adjusted gross revenue / subscriber market-share cap in a particular license area for the 'resultant entity' (post-merger) has been hiked to 50%. Spectrum cap in a particular frequency band would be 50% of total spectrum in that band available in the service area, while the overall cap on spectrum-holding in a license area across frequency bands would be 25% of the total spectrum held by all operators in that service area. In case the acquired company holds a part of spectrum, which has been assigned against the entry fee paid, the acquiring company or the resultant merged entity will have to pay the Government the differential between the entry fee and the market determined price of spectrum from the date of approval of such arrangements, on a pro-rata basis for the remaining period of validity of the licenses.

After winning spectrum only in few circles during the 2010 3G spectrum auction, various telecom operators had entered into intra-circle roaming agreements with each other so as to be able to provide pan-India 3G services to its customers. DoT questioned this arrangement and asked all the operators to stop offering 3G services where it did not have spectrum allocation and levied penalties on the operators. The matter went to the Supreme Court and the Honourable Court had offered the operators protection against the order of penalty but at the same time restrained them from taking in any new subscribers on its intra-circle 3G roaming arrangement. TDSAT in its recent ruling has opined in favour of the operators and passed an order quashing DoT's directive to stop the operators from offering 3G services to its subscribers where they do not have 3G spectrum by way of intra-circle roaming.

The Government had sent demand notices to all GSM telecom operators in January 2013 asking them to pay one time excess spectrum charges in a staggered manner, for spectrum held in excess of 6.2 MHz from July 2008 to end December 2012 and from January 2013

In the 900 MHz band spectrum auction, with the final winning price was far more than the reserve price. Mumbai, Delhi and Kolkata's final winning prices were 72%, 106% and 56% higher than the reserve price. Thus the cumulative winning price of spectrum in 900 MHz band in the 3 service areas of Mumbai, Delhi and Kolkata reached ₹ 1,499 crore per MHz for 20 years, an increase of 84% over the reserve price.

to the respective license expiry period for spectrum held in excess of 4.4 MHz based on current reserve prices of spectrum. The total one-time spectrum fee demanded by the DoT from all operators was about ₹ 26,000 crore. These fees have been contested by telecom companies in various High Courts and have received stay orders on the DoT's demand. The matter continues to be sub judice.

URBAN INFRASTRUCTURE

Ongoing releases of data from 2011 Census are shedding new light on the urbanisation pattern in the country. India's urban population now stands at 377 million which is 31% of total population. The area occupied by cities and towns has increased significantly - from 78,091 square kilometers in 2001 to 102,220 in 2011.

In 2005, the Central Government had launched the Jawaharlal Nehru National Urban Renewal Mission (**"JNNURM"**) - a ₹ 66,000 crore flagship scheme for urban development with additional contributions from states and Urban Local Bodies (**"ULBs"**). Although the initial seven-year window for the scheme lapsed in 2012, a large share of projects remained incomplete. For projects approved before March 2012, the period for implementation has been extended to 2013-14 for the sub-missions Urban Infrastructure and Governance (**"UIG"**) and Urban Infrastructure Development Scheme for Small and Medium Towns (**"UIDSSMT"**). Both are run by the Ministry of Urban Development. The two sub-missions run by the Ministry of Housing and Urban Poverty Alleviation (**"MoHUPA"**) - namely Basic Services to the Urban Poor and Integrated Housing and the Slum Development Program, have been granted an extension till 2014-15 for implementation. Of the total allocation, approximately ₹ 45,000 crore had been released as of December 2013. The largest components of spending under JNNURM are on water supply, sewerage, road and transport projects.

The Planning Commission had constituted a committee to design the contours of JNNURM-II, which submitted its report last year. The committee recommended that JNNURM-II retain a focus on reform. While many of the first generation reforms undertaken during JNNURM-I remain on paper, the Committee suggested a continued push on that front, while introducing a host of second generation reforms. 10% of funds have been earmarked as an incentive fund for pushing reforms through. Reforms include the creation of a municipal cadre, municipal regulators and amendments to allow for strategic densification of cities. The committee also recommended a continued focus on the water and sanitation sectors, but this time with a view to monitor service outcomes and not just project expenditure. Capacity building is also envisioned to be a major thrust of the program. JNNURM-II is expected to cover all cities in the country, as well as peri-urban areas, through the preparation of both city and regional development plans.

Affordable housing and slum upgrading remain a critical concern for urban development going forward. MoHUPA pegs the housing shortage at 18.78 million units. The centrally sponsored flagship affordable housing scheme, Rajiv Awas Yojana (**"RAY"**) was launched in 2011 with the objective of housing slum dwellers in formal dwelling units, providing amenities to slum dwellers and preventing the rise of newer slums in Indian cities. In 2013, the Ministry gave an approval for the implementation phase of RAY for the period 2013-2022, which will presumably now happen under JNNURM. As of May 2014, RAY has been implemented in 116 cities and towns across 23 states. The total number of dwelling units sanctioned under RAY is 120,912 of which 79% are to be built *in situ*, 12% are to be relocated and 6% are to be built as rental units. Yet, of this only 1,154 units have been built so far whereas 16,064 are in progress. Housing projects under the PPP component of the scheme are being undertaken in the cities of Jaipur and Bengaluru.

Despite large investments through JNNURM, urban service delivery of basic amenities like water, sanitation, electricity remains very poor. Delivery has continued to be dogged by a lack of capacity, an

Bharat Nirman has broadened the infrastructure coverage with emphasis on essential infrastructure such as water and sanitation, housing and household electrification. With this broadened coverage, the Central Government spending on rural infrastructure quadrupled between 2000-2001 and 2010-2011. In 2013-2014 the Central Government has spent about ₹ 93,000 crore on rural infrastructure.

over-focus on asset creation (and not maintenance) and the labyrinth of overlapping institutions for delivery. Within urban areas themselves, functions are divided between state governments, quasi-government organisations and ULBs - with such divisions varying markedly across states. Critically, service delivery is hugely compromised for the large section of the urban population living in census towns, as these are typically governed as rural. JNNURM-II emphasizes the need to streamline institutional overlap, continue to strengthen municipal capacity and push through devolution of adequate funds to ULBs.

In this past year, there have been some interventions in the housing space to increase access to credit for housing. The National Housing Bank set up the Urban Housing Fund. The purpose of the fund is to provide refinancing options to primary lending institutions for loans extended by them to the lower income segments for purchase, construction and repair of dwelling units in urban areas. In addition, the India Mortgage Guarantee Corporation (**"IMGC"**), India's first mortgage guarantee company, was set up by the National Housing Bank, International Finance Corporation, Asian Development Bank and Genworth Financial Inc., to provide credit risk coverage to banks and housing finance companies against borrower's default, with an intention to increase access to housing in India.

With the objective of bringing about transparency in the real estate sector, the government introduced the Real Estate (Regulation and Development) Bill, 2013. The Bill seeks to establish Real Estate Regulatory Authorities (**"RERAs"**) for regulation and development of the real estate sector. Its aim is to protect the interest of the homeowners, promote standardisation in real estate transactions and ensure timely delivery of projects. The Bill requires mandatory registration of developers, real estate agents and all projects above a certain size, on its website. However, due to the lack of clarity on certain definitions and reluctance to introduce meaningful controls, the Bill in its current form may require further modifications.

An Act with significant implications for urban development, expansion and provision of infrastructure in peri-urban areas - the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act was passed in 2013. The Act is applicable in cases where land is acquired by a public or private body for the purposes of industrialisation, development of infrastructure and urbanisation and seeks to provide fair compensation to those whose lands are acquired and to make them beneficiaries in the development process. In its current form, the Act recommends very significant increases in acquisition costs. Further, the Act stipulates that land which is acquired but remains unutilised for more than five years should be handed back to landowners. This might render land acquisition for the purpose of planning over a long-term very difficult. Such concerns have led to policymakers recommending that the Act be amended and certain provisions be tweaked in order to mitigate its negative consequences for infrastructure development.

RURAL INFRASTRUCTURE

The Central Government with the launch of Bharat Nirman in 2005 has significantly increased spending on rural infrastructure programs. While for many years after independence the focus was on irrigation and later on village electrification and rural roads, Bharat Nirman has broadened the infrastructure coverage with emphasis on essential infrastructure such as water and sanitation, housing and household electrification. With this broadened coverage, the Central Government spending on rural infrastructure quadrupled between 2000-2001 and 2010-2011. In 2013-2014 the Central Government has spent about ₹ 93,000 crore on rural infrastructure.

In rural roads, the Pradhan Mantri Gram Sadak Yojana (**"PMGSY"**) launched in 2000 has constructed and upgraded over 4.94 lakh km of all weather rural roads connecting about 1.56 lakh habitations. The inclusion of a five-year maintenance provision along with the construction contract seeks to ensure quality.

The Rajiv Gandhi Gram Vidyutikaran Yojana (**"RGGVY"**) launched in 2005 gave a major impetus to rural electrification which involved extending the transmission grid to un-electrified villages and providing connections to households (with BPL households being provided free connections). As of September 2013, RGGVY covered about 4.08 lakh villages and in total about 94% of villages were electrified. The impact of RGGVY is also significant in covering rural households. Since its inception till December 2013 about 21.5 million BPL households were electrified under RGGVY.

Public investment in irrigation, through the Accelerated Irrigation Benefits Program (**"AIBP"**) has seen investments of about ₹ 54,000 crore between 1997 and 2012 bringing more than 7.6 million hectares of land under irrigation. Under the National Rural Drinking Water Program (**"NRDWP"**) which provides rural households access to water, as of 2013, about 74% of the rural habitations were covered fully and 20% of the habitations partially. However, the quality and quantity of water is a major issue. Also, concerns such as distance of water source and pollution remain. Rural sanitation continues to be a major area of concern. With about 67% of rural households defecating in the open, the ambitious Nirmal Bharat Abhiyan (**"NBA"**) aims to achieve 50% of all Gram Panchayats defecation free by 2017 and 100% by 2022.

Rural housing continues to be a challenge as the housing shortage in rural India has increased from 24 million units in 2001 to 44 million units in 2012. Lack of access to land and access to finance are the major constraints in meeting the rural housing shortage.

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Seventeenth Annual Report on the business and operations of the Company together with the audited accounts for the financial year ended March 31, 2014.

FINANCIAL RESULTS (STANDALONE)		(₹ IN CRORE)
PARTICULARS	FY14	FY13
Revenue from Operations	8,214.21	7,765.30
Other Income	17.72	11.19
Total Income	8,231.93	7,776.49
Less: Administrative Expenses *	237.95	249.21
Less: Provisions and Contingencies	628.83	394.11
Profit Before Finance Costs and Taxes	7,365.15	7,133.17
Less: Finance Costs	5,006.96	4,665.19
Profit Before Tax	2,358.19	2,467.98
Less: Tax Expenses **	657.07	703.00
Profit After Tax	1,701.12	1,764.98

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

APPROPRIATIONS		
Transfer to Reserves:		
Debenture Redemption Reserve	177.00	150.00
Special Reserve u/s. 36(1)(viii) of the Income-tax Act, 1961	423.00	400.00
Special Reserve u/s. 45-IC of the RBI Act, 1934	341.00	353.00
General Reserve	170.11	176.50
Dividend & Dividend Distribution Tax:		
Proposed Dividend on Equity Shares [₹ 2.60 per share (Previous Year ₹ 2.60 per share)]	394.24	393.84
Dividend on Equity Shares pertaining to previous year	0.15	0.20
Tax on proposed Equity Dividend	67.00	63.04
Tax on Equity Dividend for previous year	(4.75)	(0.04)

05

OPERATIONS REVIEW

Your Company is engaged *inter alia* in the business of financing infrastructure projects in sectors like energy, telecommunication, transportation, commercial and industrial projects including hospitals, education, tourism and hotels.

Balance Sheet grew by 5.4% Year on Year (YoY) to reach ₹ 73,764 crore and Net Loans at ₹ 58,545 crore witnessed an increase of 5% YoY. As on March 31, 2014, IDFC's total exposure was ₹ 77,621 crore, of which Energy was highest at 37%, followed by Telecommunication 28%, Transportation 22% and Others 13%.

DIVIDEND

Your Directors are pleased to recommend a dividend of ₹ 2.60 per equity share of ₹ 10 each (i.e. 26 %) for the year ended March 31, 2014.

The Register of Members and Share Transfer Books will remain closed from July 19, 2014 to July 29, 2014 (both days inclusive) for the purpose of payment of dividend for the financial year ended March 31, 2014.

Dividend will be paid to those Members whose names appear in the Register of Members as on July 18, 2014; in respect of shares held in dematerialised form, it will be paid to those Members whose names are furnished by National Securities Depository Limited and Central Depository Services (India) Limited, as beneficial owners as on that date.

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

SUBSIDIARY COMPANIES

IDFC Limited (**"IDFC"** or **"the Company"**) has thirteen direct subsidiary companies which are as follows:

- IDFC Alternatives Limited
- IDFC Trustee Company Limited
- IDFC Projects Limited
- IDFC Finance Limited
- IDFC Securities Limited
- IDFC Primary Dealership Company Limited
- IDFC Asset Management Company Limited
- IDFC AMC Trustee Company Limited
- IDFC Foundation (Section 25 Company under Companies Act, 1956)
- IDFC Housing Finance Company Limited
- IDFC Infra Debt Fund Limited
- Neopro Technologies Private Limited
- Galaxy Mercantiles Limited

In addition,

a. IDFC Alternatives Limited has a wholly owned subsidiary company namely, IDFC Project Equity Company Limited.

b. IDFC Securities Limited has four wholly owned subsidiary companies namely, IDFC Fund of Funds Limited, IDFC Capital (Singapore) Pte. Limited, IDFC Securities Singapore Pte. Limited and IDFC Capital (USA) Inc.

c. IDFC Asset Management Company Limited has two subsidiaries namely, IDFC Investment Advisors Limited and IDFC Investment Managers (Mauritius) Limited.

During the year under review, the following changes took place in the group corporate structure of your Company –

1. On August 23, 2013, the name of IDFC PPP Trusteeship Company Limited (subsidiary company of IDFC Foundation) was struck off from the Register of Registrar of Companies and was dissolved pursuant to Section 560 of the Companies Act, 1956 through Fast Track Exit Mode.
2. On October 18, 2013, the entire equity stake in IDFC Pension Fund Management Company Limited, which was held by IDFC and IDFC Asset Management Company Limited, was transferred to IDFC Securities Limited, thereby making IDFC Pension Fund Management Company Limited a wholly owned subsidiary of IDFC Securities Limited.
3. On November 16, 2013, the Scheme of Amalgamation under Sections 391 to 394 of Companies Act, 1956 was filed with the Hon'ble High Court of Bombay to amalgamate IDFC Distribution Company Limited, IDFC Capital Limited and IDFC Pension Fund Management Company Limited (the wholly owned subsidiaries of IDFC Securities Limited) with IDFC Securities Limited and their respective shareholders. The Hon'ble High Court of Bombay approved the amalgamation of the above entities on March 28, 2014.
4. By virtue of the above amalgamation, the subsidiaries of IDFC Capital Limited i.e. IDFC Fund of Funds Limited, IDFC Capital (Singapore) Pte. Limited and IDFC Securities Singapore Pte. Limited, became direct subsidiaries of IDFC Securities Limited.

Balance Sheet grew by 5.4% Year on Year (YoY) to reach ₹ 73,764 crore and Net Loans at ₹ 58,545 crore witnessed an increase of 5% YoY. As on March 31, 2014, IDFC's total exposure was ₹ 77,621 crore, of which Energy was highest at 37%, followed by Telecommunication 28%, Transportation 22% and Others 13%.

5. IDFC Housing Finance Company Limited was incorporated as a wholly owned subsidiary of IDFC on March 4, 2014.
6. IDFC Infra Debt Fund Limited was incorporated as a wholly owned subsidiary of IDFC on March 7, 2014.
7. During the year, IDFC increased its share of investment in equity shares of Galaxy Mercantiles Limited from 43.44% in previous year to 100% in current year, and by virtue of the same, Galaxy Mercantiles Limited, which was earlier an associate company of IDFC, has now become a wholly owned subsidiary of IDFC.

Detailed analysis of the performance of IDFC and its businesses, including initiatives in the areas of Risk Management, Human Resources, Information Technology and IDFC Foundation activities, has been presented in the section on Management Discussion & Analysis of this Annual Report.

The Ministry of Corporate Affairs (**"MCA"**) vide its General Circular No. 2 / 2011 dated February 8, 2011 granted general exemption under Section 212(8) of the Companies Act, 1956, to companies from attaching accounts of its subsidiaries in its Annual Report subject to fulfilment of certain conditions prescribed therein. The Board of Directors of the Company at it's meeting held on March 14, 2014, noted the provisions of the above mentioned circular of MCA and passed the necessary resolution granting the requisite approvals for not attaching copies of Balance Sheet, Statement of Profit and Loss, Reports of the Board of Directors and Auditors of each of the subsidiary companies to the accounts of the Company for FY14, subject to complying with the provisions of the said circular.

The Company undertakes that annual accounts of the subsidiary companies and the related detailed information will be made available to the Shareholders of the holding and subsidiary companies seeking such information at any point of time. The annual accounts of the subsidiary companies will be available on the Company's website: www.idfc.com and will also be available for inspection by any Shareholder at the Registered and Corporate Offices of the Company and the concerned subsidiaries. The Company shall furnish a hardcopy of details of accounts of subsidiaries to Shareholders on demand. In accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements) and Accounting Standard 23 (Accounting for Investment in Associates in Consolidated Financial Statements) notified by the Companies (Accounting Standards) Rules, 2006, the Consolidated Accounts of IDFC and its subsidiaries have been prepared and the same forms part of this Annual Report.

Statement of particulars of IDFC's subsidiaries under Section 212 of the Companies Act, 1956 is provided in Note 41 of the Notes forming part of the Consolidated Financial Statements.

JOINT VENTURES

IDFC Foundation, a Section 25 Company under the Companies Act, 1956 and a wholly owned subsidiary of the Company has following three Joint Ventures:

- Delhi Integrated Multi-Modal Transit System Limited (**"DIMTS"**)
- Infrastructure Development Corporation (Karnataka) Limited (**"iDeCK"**)
- Uttarakhand Infrastructure Development Company Limited (**"UDeC"**)

ASSOCIATES

IDFC has one associate company namely Feedback Infra Private Limited (formerly known as Feedback Infrastructure Services Private Limited).

In addition, IDFC Projects Limited, a wholly owned subsidiary of the Company, has one associate company namely Jetpur Somnath Tollways Private Limited.

PARTICULARS OF EMPLOYEES

IDFC had 225 employees as on March 31, 2014 and 570 employees at the group level. Particulars of employees as required to be furnished pursuant to Section 217(2A) of the Companies Act, 1956, read with the rules thereunder, form part of this Report.

However, as per the provisions 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

Pursuant to the resolution passed by the Members at the AGM held on August 2, 2006, IDFC had introduced Employee Stock Option Scheme 2007 (referred to as **"the Scheme"**) to enable the employees of IDFC and its

Your Directors have pleasure in informing you that RBI, vide its letter dated April 9, 2014, granted its In-principle approval to IDFC to establish a new bank in the private sector under Section 22 of the Banking Regulation Act, 1949. One of the conditions of the letter is that the bank is required to be established within 18 months from April 9, 2014.

subsidiaries to participate in the future growth and financial success of the Company.

Out of 35,568,940 Options outstanding at the beginning of the current financial year, 3,367,575 Options lapsed on account of resignation and 1,558,622 Options were exercised during the year.

Additionally, during the year, 2,246,667 Options were granted to eligible employees under the Scheme. Accordingly, 32,889,410 Options remain outstanding as of March 31, 2014.

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

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

MANAGEMENT DISCUSSION & ANALYSIS AND REPORT ON CORPORATE GOVERNANCE

In compliance with the provisions of Clause 49 of the Listing Agreement, separate detailed chapters on Management Discussion & Analysis, Report on Corporate Governance and Additional Shareholder Information forms part of this Annual Report.

BUSINESS RESPONSIBILITY REPORT

SEBI, through its circular CIR / CFD / DIL / 8 / 2012 dated August 13, 2012, mandated inclusion of Business Responsibility Report (**"BRR"**) as part of the Annual Report for top 100 listed entities based on market capitalisation at BSE and NSE as on March 31, 2012. In compliance with the said circular, a separate report called BRR forms part of this Annual Report and is also hosted on the Company's website: http://www.idfc.com/investor_relations/annual_report.htm

PUBLIC DEPOSITS

During FY14, your Company has not accepted any deposits from the public within the meaning of the provisions of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.

FOREIGN EXCHANGE

The particulars regarding foreign exchange expenditure and earnings are furnished at Item Nos. 29 & 30 respectively, in the Notes forming part of the Financial Statements.

PARTICULARS REGARDING CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

Since the Company does not carry out any manufacturing activity, the particulars regarding conservation of energy, technology absorption and other particulars as required by the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1998, are not applicable.

DIRECTORS

Mr. Shardul Shroff (DIN-00009379), an Independent Director of the Company, tendered his resignation from the Board of the Company w.e.f. June 3, 2014. The Board placed on record it's appreciation for the valuable services rendered by him during his tenure as an Independent Director of the Company.

In accordance with the Articles of Association of the Company and pursuant to the provisions of Section 152 of the Companies Act, 2013, Mr. Joseph Dominic Silva (DIN - 06388807) would retire by rotation at the ensuing AGM and being eligible, offers himself for reappointment. Mr. S. H. Khan (DIN - 00006170), Mr. Gautam Kaji (DIN - 02333127) and Mr. Donald Peck (DIN - 00140734) were liable to retire by rotation at the ensuing AGM under the erstwhile Companies Act, 1956.

Accordingly, on the recommendation of Nomination and Remuneration Committee of the Company and subject to the approval of the Members at the AGM, the Board of Directors of the Company at its meeting held on June 3, 2014, accorded its consent to appoint the above Directors as Independent Directors of the Company under the Companies Act, 2013 for a period of two (2) consecutive years to hold office from the conclusion of the Seventeenth AGM till the conclusion of the Nineteenth AGM of the Company. The Company has received a declaration from the aforesaid Directors that they meet the criteria of independence specified under sub-section (6) of Section 149 of the Companies Act, 2013, read with Rule 5 of the Companies (Appointment and Qualification of Directors) Rules 2014, for holding the position of Independent Directors and that they shall abide by the "Code for Independent Directors" as per Schedule IV of the Companies Act, 2013.

MCA vide its circular dated June 9, 2014 clarified that if the existing Independent Directors are to be appointed under Companies Act, 2013, the Company would be required to appoint those Independent Directors within a period of one year from April 1, 2014. Accordingly, the Company would appoint the remaining existing Independent Directors within the prescribed period.

The Profiles of all the above Directors are provided in the Exhibit to the Notice convening the ensuing AGM sent along with this Annual Report.

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

SHAREHOLDERS' UPDATE

BANKING LICENSE

Your Company had filed an application with the Reserve Bank of India (**"RBI"**) on July 1, 2013, seeking a banking license.

Your Directors have pleasure in informing you that RBI, vide its letter dated April 9, 2014, granted its In-principle approval to IDFC to establish a new bank in the private sector under Section 22 of the Banking Regulation Act, 1949. One of the conditions of the letter is that the bank is required to be established within 18 months from April 9, 2014.

The Board of Directors recommend the following items under special business for approval of the shareholders at the ensuing AGM.

ALTERATION IN THE OBJECT CLAUSE OF MEMORANDUM OF ASSOCIATION

On receipt of the In-principle approval from RBI to set up a new bank in the private sector, the Company is required to alter the Object Clause of Memorandum of Association(**"MoA"**) of the Company by inserting a new Object Clause no. 29A pertaining to banking business to be carried out through a subsidiary company. Also, the existing Clause no. 31 relating to restructuring / rearrangement would be required to be replaced with a new clause so as to insert few more restructuring options that the Company can opt from time to time.

The approval of the Shareholders by passing of a Special Resolution at the ensuing AGM would be required for alteration of "Objects incidental and ancillary to the attainment of the Main Objects" of MoA of the Company.

FURTHER ISSUE OF SECURITIES

RBI introduced the guidelines for licensing of new banks in the Private Sector on February 22, 2013, which *inter alia* states that the promoters eligible to promote a bank pursuant to the said guidelines should be 'owned and controlled by residents'. Your Company received In-principal approval for banking license from RBI on April 9, 2014. One of the conditions of the letter requires IDFC to reduce foreign shareholding below 50% so as to make the Company 'owned and controlled by residents'. To achieve this, IDFC proposes to offer securities to the domestic investors, in one or more tranches.

The approval of the Shareholders by passing of a Special Resolution at the ensuing AGM would be required for the aforesaid further issue of securities.

APPROVAL OF THE BORROWING LIMITS OF THE COMPANY

The Company at its 13th AGM held on June 28, 2010, had approved the proposal to borrow monies up to ₹ 80,000 crore under the then applicable Section 293(1)(d) of the Companies Act, 1956.

In compliance with the provisions of Section 180(1)(c) of the Companies Act, 2013 and after taking into consideration Circular No. 4 / 2014 of MCA dated March 25, 2014, it is proposed to seek the approval of the Shareholders by way of a Special Resolution at the ensuing AGM to approve the limit of borrowings of the Company not exceeding ₹ 80,000 crore.

APPROVAL TO OFFER & ISSUE NON-CONVERTIBLE SECURITIES UNDER PRIVATE PLACEMENT

In compliance with the provisions of Section 42 of the Companies Act, 2013 read with Rule 14 of Companies (Prospectus and Allotment of Securities) Rules 2014, it is proposed to seek the approval of the Shareholders by way of a Special Resolution at the ensuing AGM for borrowing funds through issuance of Non-Convertible Securities on Private Placement basis for an amount not exceeding the overall borrowing limit of ₹ 80,000 crore, as may be approved under Section 180(1)(c) of the Companies Act, 2013 by the Shareholders at the ensuing AGM.

AUDITORS

Deloitte Haskins & Sells LLP (**"DHS"**), Chartered Accountants (Registration No. 117366W/W-100018), along with their associates, have been Statutory Auditors of the Company for an aggregate period of more than 10 years. DHS will retire as the Statutory Auditors of the Company at the ensuing AGM.

DHS, the retiring Auditors, have confirmed that their reappointment, if made, would be in conformity with the provisions of Section 139(1) of Companies Act, 2013 read with Rule 4 of the Companies (Audit and Auditors) Rules, 2014 and Section 141 of the Companies Act, 2013 and have given their consent to be reappointed.

The approval of the Members is requested to reappoint DHS, by passing an Ordinary Resolution, as Statutory Auditors of the Company for a period of one (1) year, to hold office from the conclusion of this AGM up to the conclusion of the next AGM of the Company.

INTERNAL CONTROL SYSTEMS

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

CONCURRENT AUDIT

The Company has appointed KPMG as Concurrent Auditors for FY15 to augment the existing internal control framework and ensure compliance to the policies and procedures as laid out by the Company. The scope of coverage covers the areas of Fixed Income Treasury, Proprietary Equity, Resources and Regulatory Compliance and Reporting.

TRANSFER OF AMOUNTS TO INVESTOR EDUCATION AND PROTECTION FUND

Pursuant to the provisions of Sections 205A and 205C of the Companies Act, 1956, the dividend / interest / refund of applications which remains unclaimed / unpaid for a period of seven years from the date of transfer to the unpaid dividend / interest / refund account was required to be transferred to the Investor Education and Protection Fund (**"IEPF"**) established by the Central Government.

Accordingly, an amount of ₹ 1,722,962 being unclaimed / unpaid dividend for the year FY06 and which remained unpaid and unclaimed for a period of 7 years has been transferred by the Company to the IEPF.

The Company updates the details of unclaimed / unpaid dividend / interest on the Company's website (www.idfc.com) and on MCA website from time to time.

Further, the unpaid dividend amount pertaining to the financial year FY07 will be transferred to IEPF during this year.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- appropriate accounting policies have been selected and applied consistently and have made 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 profit of the Company for the year ended March 31, 2014;
- proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the annual accounts have been prepared on a going concern basis.

GREEN INITIATIVE

In accordance with the 'Green Initiative' the Company has been sending Annual Report, Notice of AGM etc. in electronic mode to those Shareholders whose e-mail ids are registered with the Company and / or the Depository Participants.

Your Directors are thankful to the Shareholders for actively participating in the Green Initiative.

ACKNOWLEDGEMENTS

We are grateful to the Government of India, State Governments, National Highways Authority of India, RBI, SEBI, Stock Exchanges, various Ministries and other domestic and overseas regulatory bodies for their continuous collaboration and support.

We would like to thank all our Shareholders, Bondholders, Banks and Financial Institutions for their co-operation and assistance during the year under review.

We would like to express our deep sense of appreciation for the hard work and efforts put in by the employees at all levels of the Company.

FOR AND ON BEHALF OF THE BOARD

RAJIV B. LALL
Executive Chairman

Mumbai, June 30, 2014

DISCLOSURE IN THE DIRECTORS' REPORT AS PER SEBI GUIDELINES

SR. NO.	PARTICULARS	FY14
1.	Options outstanding as at the beginning of the year	35,568,940
2.	Options granted during the year	2,246,667
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 ₹ 80.5 to ₹ 163.85
4.	Options vested during the year	6,946,400
5.	Options exercised during the year	1,558,622
6.	Total number of shares arising as a result of exercise of Options	1,558,622
7.	Options lapsed / cancelled	3,367,575
8.	Variation in terms of Options	None
9.	Money realised by exercise of Options (₹ in crore)	8.95
10.	Total number of Options in force	32,889,410
11.	Diluted Earnings Per Share pursuant to issue of shares on exercise of Options calculated in accordance with AS 20 'Earnings Per Share' (₹)	11.21

PRO FORMA ADJUSTED NET INCOME AND EARNINGS PER SHARE

SR. NO.	PARTICULARS	FY14
12.	**Net Income as Reported (₹ in crore)**	1,701.12
	Add: Intrinsic Value Compensation Cost (₹ in crore)	–
	Less: Fair Value Compensation Cost (₹ in crore)	4.20
	Adjusted Pro forma Net Income (₹ in crore)	1,696.92
	Earning Per Share: Basic	
	As Reported (₹)	11.22
	Adjusted Pro forma (₹)	11.20
	Earning Per Share: Diluted	
	As Reported (₹)	11.21
	Adjusted Pro forma (₹)	11.18
13.	**Weighted average exercise price of Options granted during the year whose:**	
	(a) exercise price equals market price (₹)	99.11
	(b) exercise price is greater than market price	N.A.
	(c) exercise price is less than market price	N.A.

PRO FORMA ADJUSTED NET INCOME AND EARNINGS PER SHARE

SR. NO.	PARTICULARS	FY14
14.	**Weighted average fair value of Options granted during the year whose:**	
	(a) exercise price equals market price (₹)	31.32
	(b) exercise price is greater than market price	N.A.
	(c) exercise price is less than market price	N.A.
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 have been considered as a separate grant for the purpose of valuation. The assumptions used in the estimation of the same have been detailed below:

VARIABLES	WEIGHTED AVERAGE VALUES FOR ALL GRANTS MADE DURING THE YEAR
Stock Price (₹)	99.11
Volatility	40.37%
Risk-free Rate	8.65%
Exercise Price (₹)	99.11
Time to Maturity (Years)	3.16
Dividend yield	2.68%
Weighted Average Value (₹)	**31.32**

Stock Price: The closing market price on NSE one day prior to the date of grant has been considered for the purpose of Option valuation.

Volatility: The daily volatility of the stock prices on NSE, over a period prior to the date of grant, corresponding with the expected life of the Options has been considered to calculate the fair value.

Risk-free rate of return: The risk-free interest rate being considered for the calculation is the interest rate applicable for a maturity equal to the expected life of the Options based on the zero-coupon yield curve for Government Securities.

Exercise Price: Price of each specific grant has been considered.

Time to Maturity: Time to Maturity / Expected Life of Options is the period for which the Company expects the Options to be live. The minimum life of a stock option is the minimum period before which the Options cannot be exercised and the maximum life is the period after which the Options cannot be exercised.

Expected dividend yield: Expected dividend yield has been calculated based on the dividend declared prior to the date of grant. The dividend yield has been derived by dividing the dividend per share for the year by the market price per share on the date of grant.

MANAGEMENT DISCUSSION & ANALYSIS

IN-PRINCIPLE APPROVAL FOR BANKING LICENSE

On April 2, 2014, two days after FY14 had drawn to a close, IDFC Limited (**"IDFC"** or **"the Company"**) was awarded an In-principle approval for a banking license by the Reserve Bank of India (**"RBI"**).

It may be recalled that on February 22, 2013 the RBI had issued its Guidelines on Licensing of New Banks in the Private Sector. In response, the central bank received 27 applications ranging from large industrial houses, Non-Banking Financial Companies (**"NBFCs"**), investment banks and capital market advisory companies, micro-finance enterprises, housing finance companies and the Indian Post. IDFC was one such applicant. Thereafter, the RBI set up a High Level Advisory Committee (**"HLAC"**) under the Chairmanship of Dr. Bimal Jalan, Ex-Governor of the RBI. Others in the HLAC were C.B. Bhave, Ex-Chairman of the Securities and Exchange Board of India (**"SEBI"**); Usha Thorat, Ex-Deputy Governor of the RBI; and Nachiket Mor, Director on the RBI's Central Board.

The HLAC considered the merits of 25 applicants, with two of the original applicants having withdrawn their applications. There was a two-part scrutiny. The first was carried out by the RBI to ensure that the applicants were eligible under the conditions prescribed in the Guidelines. Thereafter, the HLAC examined the merits of each applicant.

In doing so, the HLAC looked at various quantitative and qualitative aspects of each application. In the RBI's own words, "This included analysis of the financial statements of the key entities in the group, 10 year track record of running their businesses, proposed business model for the bank as well as the applicants' demonstrated capabilities for running a bank, plan for expanding inclusion and the culture of compliance and integrity". Based on these criteria, the HLAC and the RBI took a view on the 'fit and proper' status of each applicant.

Two of the 25 final applications were awarded the In-principle approval: IDFC and Bandhan Financial Services Private Limited, a micro-finance provider headquartered in Kolkata. Insofar as the Department of Posts was concerned, the HLAC suggested that the RBI may wish to consider the application separately in consultation with the Government of India.

The RBI's In-principle approval will be valid for a period of 18 months — a time frame within which IDFC will have to comply with the requirement of the Guidelines and fulfil such other conditions as may be specified by the RBI. Only after the RBI is satisfied that IDFC has met with all such conditions, will it grant the banking license under Section 22(1) of the Banking Regulation Act, 1949. Only after granting such a license can the two successful applicants engage in banking business.

With this development, FY15 and part of FY16 will see considerable managerial efforts being focused on meeting all the RBI requirements, in addition to conducting the normal course of business associated with IDFC.

CHART A

REAL GDP GROWTH

%

SOURCE : GoI CSO

06

FY14: OVERVIEW OF THE ECONOMIC LANDSCAPE

At the time of writing this Management Discussion and Analysis, the growth rate for FY14 has yet to be released by the Central Statistical Organisation (**"CSO"**) of the Government of India (**"GoI"**). However, the data for the first three quarters of the fiscal year as well as the CSO estimate for FY14 paint a gloomy picture.

According to CSO's advanced estimate, India's real GDP growth for FY14 is expected to be 4.9%. That would make it the second consecutive year when the country's growth has been below 5% — something that the nation has not seen for a long time. **Chart A** plots annual growth over the last three years, while **Chart B** tracks the quarterly growth rates for the first three quarters of the last three fiscal years.

Thanks to myriad political and economic difficulties — continued uncertainties about the allocation of coal blocks, lack of gas supply, the difficult monetary position of state-owned discoms, insufficient awards of highway projects plus the challenging financial state of most infrastructure companies, to name a few — there has been a distinct slowdown in activities across the various infrastructure sectors. It shows up in the data. In FY14, construction grew by a mere 1.7%, which is a far cry from 10.8% growth in FY12, or even 5.3% to 6.7% growth during FY09 to FY11.

No less worrisome is the steady decline in Gross Fixed Capital Formation (**"GFCF"**) as a share of GDP. Today's real investments determine tomorrow's GDP growth. As **Chart C** shows, GFCF as a share of GDP has fallen from a high of 37.6% in Q1 FY12 to a low of 31.2% in Q3 FY14.

It is difficult to foretell what India's GDP growth will be in FY15. One wishes it to be higher at around 6.3% to 6.5%. However, it needs to be appreciated that even this modest uptick in growth will not be easy given the current investment climate. For India to grow at around 7% per year, GFCF needs to rise to the region of 36% to 37% of GDP. That requires sound economic and political governance at the centre as well as the states and a common determination to eliminate all major barriers to investments — especially in infrastructure. Hopefully, that will happen. But till then it is problematic to take a bullish view of the economy for the next year, although there is no real reason why India should not transit to a higher growth path.

CHART B

QUARTERLY GDP GROWTH
%
SOURCE : GoI CSO

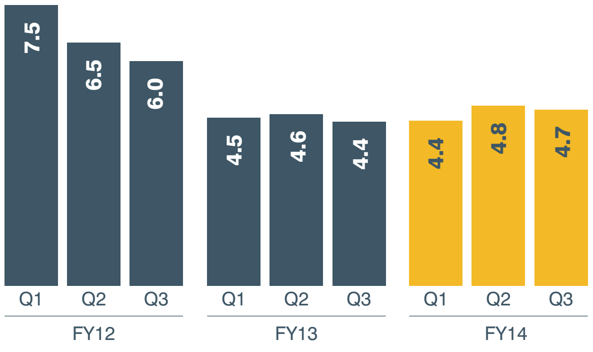
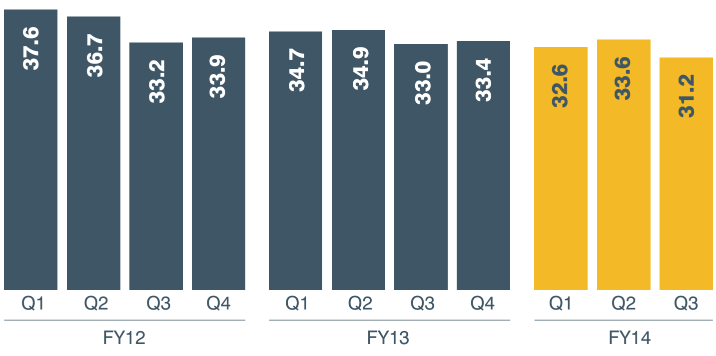


CHART C

GROSS FIXED CAPITAL FORMATION
AS % OF GDP
SOURCE : GoI CSO



BOX A

IDFC'S PERFORMANCE IN FY14: A SUMMARY

AS ON MARCH 31, 2014

Despite operating in an underperforming economic environment, IDFC has succeeded in protecting the overall health of its business

↗6%
BALANCE SHEET
₹ 75,163 CRORE

↗6%
GROSS LOAN BOOK
₹ 59,829 CRORE

↗5%
NET INTEREST INCOME
₹ 2,704 CRORE

↗5%
NET INTEREST INCOME ON LOANS
₹ 2,488 CRORE

↗8%
OPERATING INCOME
₹ 3,735 CRORE

↗8%
PRE-PROVISIONING OPERATING PROFIT
₹ 3,191 CRORE

↗35%
AVERAGE ASSETS UNDER MANAGEMENT (IDFC MUTUAL FUND)
₹ 41,636 CRORE

↗40%
TOTAL AVERAGE ASSETS UNDER MANAGEMENT
₹ 54,158 CRORE

Despite low NPLs IDFC has made significant provisions for them as a matter of abundant caution and maintained prudent level of reserves

↗35bp
NET NON-PERFORMING LOAN
0.4%

↗45bp
GROSS NON-PERFORMING LOANS
0.6%

↗79.4%
PROVISIONS ON LOANS AND INVESTMENTS
₹ 628 CRORE

↗8bp
CAPITAL ADEQUACY
22.32%
OF WHICH TIER 1 IS AT 20%

This higher provisioning has impacted PAT

↙2%
PROFIT AFTER TAX
₹ 1,803 CRORE

However, the harsh economic environment has had its effect on some indicators

↙20bp
AVERAGE SPREAD
2.3%

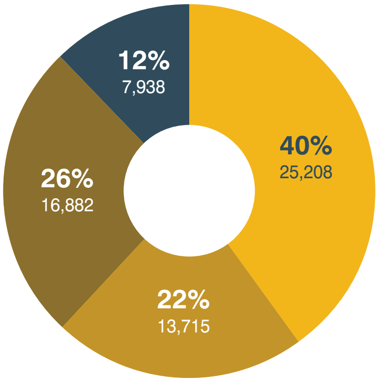
↙10bp
AVERAGE SPREAD ON LOANS
2.8%

↙0.15%
NET INTEREST MARGIN
4%

CHART D

OUTSTANDING DISBURSEMENT PROFILE

IN ₹ CRORE AS ON MARCH 31, 2014



IDFC'S KEY BUSINESSES

IDFC comprises a portfolio of businesses that attempts to meet various needs of infrastructure finance in India. Though each individual business has its own financial targets and deliverables, these have worked together to position IDFC as an end-to-end solutions provider for infrastructure finance in India.

In FY14, the Strategic Business Units (**"SBUs"**) were organised according to four platforms: (i) Corporate Finance, (ii) Investment Banking and Broking, (iii) Alternative Asset Management and (iv) Public Markets Asset Management. Policy advisory, capacity building and Public-Private Partnership (**"PPP"**) advisory services are delivered through the IDFC Foundation.

CORPORATE FINANCE

This SBU comprises project finance and fixed income and treasury.

PROJECT FINANCE

This is the core of IDFC's business as of date. Project finance evaluates infrastructure projects of varying complexities and offers alternative financing structures using a portfolio of different instruments. This business has met the debt requirements of almost all major private sector infrastructure projects across India. The key sectors addressed are energy, transportation and telecom, plus a few others.

FIXED INCOME AND TREASURY

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

INVESTMENT BANKING AND INSTITUTIONAL BROKING

IDFC's Investment Banking business comprises advisory, capital raising services and institutional broking. IDFC Capital Limited dealt with the former and provides a range of services like private equity syndication, IPOs, QIPs, as well as international offerings such as GDRs, ADRs, FCCBs, project advisory and M&A services. IDFC Securities Limited focuses on institutional broking based on research-led investment ideas, demonstrated client servicing track record and execution skills. It has a global client base and caters to a wide variety of investors including pension funds, long-only funds, hedge funds, mutual funds, banks, insurance companies and portfolio management firms.

Given the poor economic backdrop and low investor sentiment, it is not surprising that the two businesses together earned ₹ 77 crore in FY14.

During FY14, IDFC Capital Limited was merged with IDFC Securities Limited as per the Order of the Hon'ble High Court of judicature at Bombay dated March 28, 2014.

BOX B

PERFORMANCE OF PROJECT FINANCE FY14

- Gross approvals under project finance for FY14 stood at ₹ 25,683 crore, which was 1% lower than what was approved in FY13. Given the present infrastructure scenario this has been a creditable achievement.
- Gross disbursements for FY14 were ₹ 16,296 crore – 8% less than what these were in the previous year.
- The loan book stood at ₹ 59,829 crore, which was a 6% increase over the previous year.
- NII of the loan book was 5% higher than last year and stood at ₹ 2,488 crore for FY14.
- Given the current economic environment, loan related fees reduced by 39% to ₹ 115 crore in FY14.
- In the interest of prudence, loan provisions were increased from ₹ 206 crore to ₹ 604 crore in FY14. The loan loss provision ratio, therefore, was at 2.4% of loan assets.

BOX C

PERFORMANCE OF FIXED INCOME & TREASURY FY14

- Treasury assets in FY14 were ₹ 9,181 crore, representing 1% increase over the previous year.
- NII of the treasury business was ₹ 216 crore, which was 8% higher than in FY13.
- Fixed income revenue was ₹ 102 crore for the year FY14 which was 14% lower than in FY13.

BOX D

PERFORMANCE OF IDFC ALTERNATIVES IN FY14

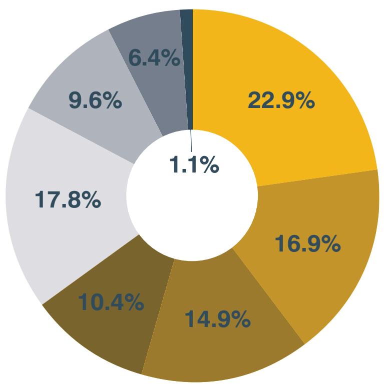
- Average Assets Under Management (**"AUM"**) in FY14 were ₹ 12 ,522 crore, versus ₹ 8,387 crore in FY13.
- This comprised: (i) ₹ 3,866 crore in private equity, (ii) ₹ 8,363 crore in project equity and (iii) ₹ 293 crore in real estate, with commitments received amounting to ₹ 750 crore.
- Asset management fees from Alternatives was ₹ 110 crore, which was marginally less than ₹ 114 crore earned in the previous year. Capital gains and carry was ₹ 25 crore for FY14, versus ₹ 15 crore in FY13.

IDFC puts special emphasis on environment risk, which is evaluated by a dedicated environment risk group and incorporated in the assessment of each proposal.

CHART E

BORROWINGS, LENDERWISE
AS AT MARCH 31, 2014

SOURCE : GOL CSO



- PENSION & PFs
- FLLs / DLs / ECBs
- MFs
- INSURANCE COMPANIES
- BANKS
- OTHERS
- CBLO
- SUB DEBT

BOX E

PERFORMANCE OF IDFC AMC IN FY14

- Average AUM in FY14 stood at ₹ 41,636 crore in FY14, which was a growth of 35% over ₹ 30,928 crore in previous year.
- The ratio of debt to equity of the AUM is 82:18.
- It was ranked 8th among all public AMCs and in FY14 had a market share of 4.6% — up from 4% in FY13.
- IDFC AMC earned asset management fees of ₹ 280 crore in FY14, which was a 56% rise over the previous year.

ALTERNATIVE ASSET MANAGEMENT

IDFC Alternatives Limited involves fund management across three asset classes: (i) Private Equity, which provides equity capital to infrastructure developers with the objective of creating value through capital appreciation; (ii) Project Equity, which offers equity capital to brown field and operational core infrastructure projects to create value through regular yields and capital appreciation; and (iii) Real Estate, which is a relatively recent addition, is focused on residential real estate across top 6 cities.

IDFC ALTERNATIVES LIMITED

- Mobilises funds from large global and domestic institutional investors for investment in each of the three asset classes;
- Monitors and adds value to its investments; and
- Exits such investments at appropriate times to generate returns for its investors.

For the Company, IDFC Alternatives Limited generates returns through three streams of revenue: (i) Asset Management fees, (ii) Investment Returns on the Company's Funds that are managed by IDFC Alternatives Limited and (iii) the Company's share of the 'carry' income generated from funds managed by it.

PUBLIC MARKETS ASSET MANAGEMENT

This is primarily IDFC's mutual funds business, which is operated through the IDFC Asset Management Company Limited (**"IDFC AMC"**). IDFC holds 75% stake and the balance stake of 25% is held by Natixis Global Asset Management, an international asset management group based out of France.

IDFC AMC manages different mutual fund products for institutional and retail investors. Income is generated through asset management fees and the focus is on growing the AUM by offering suitable products and channelling retail and corporate savings into India's debt and equity markets.

FINANCIAL RESOURCES: A LOOK AT THE LIABILITY SIDE

IDFC's outstanding borrowings as at March 31, 2014 were ₹ 56,565 crore, versus ₹ 54,227 crore as at March 31, 2013. **Table 1** gives the status of borrowing, while **Chart E** shows these according to different categories of lenders.

CONSOLIDATED FINANCIALS

BALANCE SHEET

IDFC's consolidated balance sheet grew by 6% to reach ₹ 75,163 crore as on March 31, 2014. **Table 2** gives the data.

PROFIT AND LOSS STATEMENT

Table 3 gives the consolidated profit and loss account.

RATIOS AND THE RETURN ON ASSETS ("RoA") TREE

Table 4 gives the key ratios for IDFC as a consolidated entity, while **Table 5** focuses on the RoA tree.

TABLE 1 DISTRIBUTION OF BORROWINGS, BY BROAD TYPES (₹ IN CRORE)

	AMOUNT		% OF TOTAL		% GROWTH
	31 MAR 14	31 MAR 13	31 MAR 14	31 MAR 13	YoY
LT Rupee Loans	6,336	5,271	11%	10%	20%
LT Bonds / Debentures	34,552	38,821	61%	72%	-11%
Subordinated Debt	650	650	1%	1%	–
Foreign Currency Loans	7,201	5,616	13%	10%	28%
Short Term	7,826	3,869	14%	7%	102%
TOTAL	**56,565**	**54,227**	**100%**	**100%**	**4%**

TABLE 2 IDFC'S CONSOLIDATED BALANCE SHEET (₹ IN CRORE)

PARTICULARS	31 MAR 14	31 MAR 13	% GROWTH
Shareholders' Funds	15,040	13,683	10%
Borrowings	56,565	54,227	4%
Current Liabilities	3,558	3,149	13%
TOTAL LIABILITIES	**75,163**	**71,059**	**6%**
Net Loans	*58,545*	*55,736*	*5%*
Gross Loans	*59,829*	*56,595*	*6%*
Less Provisions	*1,284*	*859*	*50%*
Treasury [1]	9,181	9,094	1%
Equity [1, 2]	3,222	3,142	3%
Other Assets	4,215	3,087	37%
TOTAL ASSETS	**75,163**	**71,059**	**6%**

[1] Net of provisions. [2] Goodwill of subsidiaries on account of consolidation as of March 31, 2014 is ₹ 957 crore.

TABLE 3 CONSOLIDATED PROFIT AND LOSS (₹ IN CRORE)

PARTICULARS	FY14	FY13	% GROWTH
OPERATING INCOME	3,735	3,468	8%
NII	2,704	2,564	5%
Loans	*2,488*	*2,365*	*5%*
Treasury	*216*	*199*	*8%*
NON-INTEREST INCOME	**1,002**	**883**	**14%**
Principal Gains and Carry	*318*	*203*	*57%*
Asset Management Fees	*390*	*294*	*33%*
Investment Banking and Broking	*77*	*78*	*-2%*
Fixed Income	*102*	*119*	*-14%*
Loan Related Fees	*115*	*189*	*-39%*
Other Income	29	21	37%
OPERATING EXPENSES	544	525	4%
HR	*288*	*292*	*-1%*
Non-HR	*256*	*233*	*10%*
PRE-PROVISION OPERATING PROFIT (PPOP)	**3,191**	**2,943**	**8%**
Provisions	**628**	**350**	**80%**
On Loans	*604*	*206*	*194%*
On Investments	*24*	*144*	*-83%*
PBT	**2,563**	**2,593**	**-1%**
Tax, Minority Interest, Profit after Tax of associated companies	760	757	-
PAT	**1,803**	**1,836**	**-2%**

BOX F

INCOME STATEMENT HIGHLIGHTS FOR FY14

- Operating income increased by 8% from ₹ 3,468 crore in FY13 to ₹ 3,735 crore in FY14.
- Net interest income (NII) grew by 5% to ₹ 2,704 crore.
- Non-interest income rose by 14% to ₹ 1,003 crore.
- Operating expenses increased by 4% to ₹ 544 crore. Adjusted for fungibility expenses, it was at ₹ 520 crore – almost the same as in FY13.
- HR costs were lower by 1% at ₹ 288 crore.
- For abundant caution, provisions were increased sharply by 80% – from ₹ 350 crore in FY13 to ₹ 628 crore in FY14.
- Thanks to higher provisioning, PBT decline by 1% to ₹ 2,563 crore.
- PAT reduced by 2% to ₹ 1,803 crore.
- PAT, net of principal gains, grew by 34% to ₹ 1,676 crore.
- Earnings per share, EPS (diluted) decreased from ₹ 12.06 in FY13 to ₹ 11.88 in FY14.

BOX G

KEY FINANCIAL RATIOS

- At a consolidated level, IDFC succeeded in lowering its cost to income ratio for FY14 by 50 bps to 14.6%. Within that, it reduced people (HR) costs by 70 bps to 7.7% of operating income.
- Gross NPL as a percentage of loans increased by 40 bps to 0.6% in FY14. The net NPL percentage also rose by 30 bps to 0.4%. It needs to be emphasised that while both gross and net NPLs have risen in percentage terms, the absolute amount is small relative to the size of IDFC's loan book.
- Even so, as a matter of extra caution in what still looks like a difficult economic scenario, IDFC has significantly increased its provisioning. In FY14, therefore, total loan provisions was increased by 60 bps to 2.4% of loans.
- Average spreads were at 2.3% in FY14 – which represented a 20 bps reduction vis-à-vis the previous year.
- Net Interest Margin (**"NIM"**) on loans remained the same at 4.5%; NIM as a whole dropped by 10 bps to 4.0% in FY14.

IDFC has a robust risk management practice that enables it to book, manage and mitigate risks in its businesses.

WHY HIGHER PROVISIONING

IDFC has opted for significantly higher provisioning of ₹ 628 crore in the aggregate for FY14 versus ₹ 350 crore in the previous year. Of this, provision on account of loans has risen almost three-fold from ₹ 206 crore in FY13 to ₹ 604 crore in FY14.

The Management and the Board of Directors have taken a call in favour of greater prudence. Given the difficult state of almost all infrastructure projects across the country, both the executive and the Board believe that asset deterioration and non-payment risks have increased. Therefore, it was felt that IDFC should increase its provisioning to mitigate future risks and create a stronger balance sheet.

IDFC's provisioning is well in excess of the regulatory minimum prescribed by the RBI for NBFCs.

TABLE 4 CONSOLIDATED FINANCIAL RATIOS

PARTICULARS	FY14	FY13
Return on Assets	**2.5%**	**2.8%**
Return on Equity	**12.2%**	**14.0%**
EPS (₹)	11.88	12.06
Leverage (closing)	5.0 x	5.2 x
Book Value (₹)	99.2	90.3
Cost / Income	**14.6%**	**15.1%**
HR / Operating Income	7.7%	8.4%
Gross NPL (% of loans)	**0.6%**	**0.2%**
Net NPL (%)	0.4%	0.1%
Total loan provisions (% of loans)	2.4%	1.8%
Average Spreads	**2.3%**	**2.5%**
of which loan spreads	2.8%	2.9%
NIMs	**4.0%**	**4.1%**
of which loan NIMs	4.5%	4.5%

RISK MANAGEMENT

IDFC has a robust risk management practice that enables it to book, manage and mitigate risks in its businesses. The Risk Management Group is headed by the Chief Risk Officer (**"CRO"**).

The Company has a comprehensive Enterprise Risk Management (**"ERM"**) framework which has been adopted across all entities in the group and covers all three types of risks — credit, market and operational risks.

The Credit Risk Group independently evaluates all proposals to estimate risks, their mitigation as well as the appropriate pricing of each of the risks. After approval of terms and conditions and credit rating from the Credit Risk Group, each proposal is considered by a Management Decision Board, which consists of members of the senior management. Thereafter, the recommended cases are sent for final sanction by the Credit Committee and, where applicable, the Executive Committee of the Board of Directors.

The Portfolio Management Group monitors the performance and compliance of covenants of all assets. The Credit and Portfolio groups conduct comprehensive reviews of all project assets and equity investments of the Company on a regular basis. The portfolio risk report is regularly presented to a Portfolio Review Committee consisting of senior management. The Committee reviews and discusses all assets with significant risks and also deliberates on the prevailing sector-specific and systematic risks in the business environment. In addition, re-rating of the entire portfolio is done on an annual basis and presented to the Risk Committee of the Board of Directors.

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

The Market Risk group also supports the Asset-Liability Management (**"ALM"**) function. The Asset Liability Management Committee (**"ALCO"**) supervises the ALM process and

The Company is one of the stocks listed on the National Stock Exchange which is included in the S&P ESG India Index — whose objective is to give investors exposure to 50 of the best performing stocks in the Indian market as measured on ESG parameters.

reviews the asset liability mismatch reports on a regular basis. The ALM reports are presented to the Board of Directors on a semi-annual basis.

The Operational Risk Management group is engaged in a continuous collection and assimilation of data related to operational risk. Such inputs are regularly analysed to highlight any critical risks and to engage with the concerned business units to effectively mitigate these risks. The operational risk at the enterprise wide level is overseen by a Group Operational Risk Committee (**"GORC"**).

The CRO presents a risk review report to the Risk Committee on a quarterly basis. This encompasses all significant aspects of the risks in the Company, as well as the mitigating measures.

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

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

TABLE 5 CONSOLIDATED FINANCIALS, THE ROA TREE (% OF AVG. TOTAL ASSETS)

PARTICULARS	FY14	FY13
OPERATING INCOME	**5.1%**	**5.2%**
NII	**3.7%**	**3.8%**
Loans	3.4%	3.5%
Treasury	0.3%	0.3%
NON-INTEREST INCOME	**1.4%**	**1.3%**
Principal Gains and Carry	0.4%	0.3%
Asset Management Fees	0.5%	0.4%
Investment Banking and Broking	0.1%	0.1%
Fixed Income	0.1%	0.2%
Loan Related Fees	0.2%	0.3%
Other Income	-	-
OPERATING EXPENSES	**0.7%**	**0.8%**
PRE-PROV OP PROFIT (PPOP)	4.4%	4.4%
Provisions	0.9%	0.5%
PBT	**3.5%**	**3.9%**
Tax, Minority Interests, Associated company PAT	1.0%	1.1%
PAT	**2.5%**	**2.8%**

HUMAN RESOURCES

STRENGTHENING LEADERSHIP

Continuing the focus on strengthening leadership in order to be future ready as well as develop leaders to perform better in the current role, Integrated Coaching Program (**"ICP"**) was extended to cover all employees at the Director Level. The Integrated Coaching Program is a unique intervention that combines elements of coaching and peer learning to drive a customised learning opportunity for each individual over a nine month period. This year ICP covered 100 senior leaders within the Firm. The program was widely appreciated. In addition to driving the expected learning outcomes the ICP has also enabled a deeper emotional connect and bonding across the entire senior leadership platform leading to improved communication and collaboration across the entire Firm.

In addition to the leadership focus we have continued with the larger learning and development efforts. This year we delivered

Being one of the early adopters of DCIM (Data Center Infrastructure Management), our focus continued in this aspect leading to better control on energy and cost. Through a successful recertification audit carried out this year, we also continue to maintain our status of Green Data Centre.

955 person days of training across all levels in the Firm focusing on improving managerial and sales effectiveness.

INFORMATION TECHNOLOGY (IT)

Given the challenging business environment, the year for the technology stream was a period of consolidation, cost control, optimisation and relevant enhancements. Our core software application called V-Smart was enhanced considerably to keep pace with the changing business environment. A document management system is also being put in place to capture all critical documents and their flow in electronic form.

Corresponding enhancements were also made on our hardware and networks and we managed to provide high uptime on all critical services. In accordance with the guideline from regulators, we migrated all our internet facing portals and devices to IPv6 well in time.

IDFC Mutual Fund and securities businesses saw improved support from our technology group which resulted in high availability and better operations on their online, real-time critical operations.

Being one of the early adopters of Data Center Infrastructure Management (**"DCIM"**), our focus continued in this aspect leading to better control on energy and cost. Through a successful recertification audit carried out this year, we also continue to maintain our status of Green Data Centre.

IDFC continued to retain its ISO 27001 certification by successful completion of the surveillance audits. Several internal and external audits were also conducted to provide assurance to the stakeholders in respect of adequate IT security. Adequate awareness programs were conducted to familiarise users with the importance of Information Security.

For its innovative unified communication initiative that progressively integrated voice, data and video into the IP domain, IDFC received the 'Networking Pioneer Awards 2013' from CIO magazine this year.

IDFC FOUNDATION

During the year, IDFC Foundation (or 'the Foundation') was reorganised into three operations verticals - Social Infrastructure, Urbanisation and Private Participation in Infrastructure and a separate vertical to handle disbursals of Philanthropic Grants. In addition, the Foundation also continued to provide oversight to the operations of its joint ventures with the Governments of Karnataka, Uttarakhand and New Delhi – namely, (i) Infrastructure Development Corporation (Karnataka) Limited (**"iDeCK"**); (ii) Uttarakhand Infrastructure Development Company Limited (**"U-DeC"**); and (iii) Delhi Integrated Multi-Modal Transit System Limited (**"DIMTS"**).

The Board of Directors of the Foundation, comprising senior executives of IDFC and an independent Chairman, met four times during the year to review the progress achieved in its core areas of engagement. Short discussions on each of the generic activities undertaken across the various verticals – research & advocacy, capacity building and programme support services are set out below.

POLICY RESEARCH AND ADVOCACY

The India Rural Development Report 2012|13 (**"IRDR"**) commissioned by the Ministry of Rural Development was released on September 26, 2013 by Shri Jairam Ramesh, then Hon'ble Minister for Rural Development, Government of India. The Report is a collaborative effort of IDFC Foundation and its partners- the Centre for Economic and Social Studies (**"CESS"**), the Institute for Rural Management Anand (**"IRMA"**) and the Indira Gandhi Institute of Development Research (**"IGIDR"**) and provides an independent assessment of the state of rural development in India and an assessment of the Mahatma Gandhi National Rural employment Guarantee Scheme. It has received appreciation from a wide range of stakeholders across the country.

Drawing upon the findings of the first IRDR, the theme for IRDR 2013|14 would be on the theme - Developmental Diversity across Regions. It would review regional patterns of rural dynamics, regional variations in non-farm employment, agricultural marketing, backwardness, ground water typology and inclusion / exclusion of social groups. Similar to the first edition, IRDR 2013|14 is being prepared under the supervision and guidance of the Advisory Council chaired by Dr. Mihir Shah, ex-Member Planning Commission. The work on the report is underway and has made significant progress.

The theme of the annual India Infrastructure Report, 2013|14 (**"IIR"**) is on Universal Health Coverage, continuing thereby our focus on social infrastructure. The IIR would discuss the issues and challenges of moving towards universal health coverage, taking into

The year marked the successful completion of the National PPP Capacity Building Programme ("NPCBP") implemented by the Foundation as the executing agency for the Department of Economic Affairs ("DEA"), Ministry of Finance, Government of India ("GoI"). Sponsored by KfW Development Bank, Germany

account the complexities of the health sector in India. The report brings together eminent researchers and practitioners to discuss a wide array of issues in the health sector and suggests pragmatic steps for universalisation of healthcare in the country and is expected to be released in the second quarter of this fiscal year.

The Foundation also commissioned a team of expert modellers and researchers to undertake a study using advanced economic modelling to generate alternate development trajectories with different energy-economy-environmental outcomes, when tested with different economic instruments and understand policy implications within this macroeconomic framework. The detailed economy-energy-environment modelling study has been completed and the study team is in the process of finalising the report.

IDFC Foundation is part of a research programme sponsored by the Australian Centre for International Agricultural Research (**"ACIAR"**) to assess the potential of Greenhouse Gas (**"GHG"**) offsets in Indian Agriculture. As part of this programme, IDFC Foundation is reviewing the international GHG policy settings and establishing broad estimates of marginal abatement costs, in order to assess the benefits that agricultural offsets could provide to energy and industry sectors in India.

IDFC Foundation provided infrastructure and administrative support to the National Transport Development Policy Committee (**"NTDPC"**), which included the drafting of the section on Railways and facilitating the publishing of the Final Report. NTDPC, which was constituted by the Government of India to assess the transport requirements of the economy for the next two decades and recommend a comprehensive policy for providing an integrated and sustainable transport system, submitted its report to the Prime Minister in April 2014.

CAPACITY BUILDING

The year marked the successful completion of the National PPP Capacity Building Programme (**"NPCBP"**) implemented by the Foundation as the executing agency for the Department of Economic Affairs (**"DEA"**), Ministry of Finance, GoI. Sponsored by KfW Development Bank, Germany, the programme completed the third year of roll out in FY14 across Administrative Training Institutes (**"ATIs"**) of 15 states and 2 central institutions, including the apex training institute for civil services in the country, the Lal Bahadur Shastri National Academy of Administration (**"LBSNAA"**), Mussoorie. By the end of the programme, 5,458 officials were trained in 157 programmes across all participating states and institutions, with 1,443 officials being trained in 53 programmes in FY14. At a workshop organised to mark the culmination of the programme in March 2014, Secretary, DEA, lauded the role of IDFC Foundation in the conceptualisation and implementation of the programme.

IDFC Foundation also assisted the Bangladesh Bank (the Central Bank of Bangladesh), in developing a cadre of PPP experts. A series of PPP capacity building programmes have been designed to train a group of 25–30 officials identified by the Government of Bangladesh. These trainees include officers from Bangladesh Prime Minister's Office, Ministry of Finance, Ministry of Rail and other central infrastructure departments. Three programmes were conducted at Dhaka during November 2013 and January 2014.

The Foundation successfully completed its mandate as a Regional Capacity Building Hub (**"RCBH"**) for the Ministry of Urban Development (**"MoUD"**) to train elected representatives and municipal officials under the Jawaharlal Nehru National Urban Renewal Mission (**"JNNURM"**) for cities and towns in 3 regions. In all, 9 programmes for a total of 392 municipal officials and elected representatives were conducted in FY14.

As part of the World-Bank supported Capacity Building for Urban Development (**"CBUD"**) programme aimed at building capacity of 30 Urban Local Bodies, IDFC Foundation conducted 3 programmes in FY14 related to project implementation for total of 51 officials which included City Commissioners, elected representatives, mayors and chief engineers.

PROGRAMME SUPPORT SERVICES

IDFC Foundation continued its support to the Government of Meghalaya for the Integrated Basin Development and Livelihood Promotion Programme. It prepared a business plan for the setting up of an institution to bridge the existing gaps and enhance the capacities of government departments and contractors for development and implementation of projects. The Foundation help to identify locations for Small Multi-purpose Water Reservoirs (**"SMRs"**) to promote water harvesting practices and serve as livelihood nodes in areas such as fisheries, livestock rearing, horticulture, sericulture and apiculture, for the community. In the area of renewable energy, detailed project reports for availing funds from the Ministry of New and Renewable Energy (**"MNRE"**), Government of India were prepared for 7 locations. The Foundation would provide oversight in the implementation of these projects.

Under the Memorandum of Cooperation with the Delhi Urban Shelter Improvement Board (**"DUSIB"**), IDFC Foundation has developed a pilot project involving *in situ* redevelopment benefiting approximately 550 households for implementation under a PPP structure. IDFC Foundation has also been assisting DUSIB in creating a mechanism for efficient and effective management of the night shelters being operated in Delhi and a zone has been identified to implement a pilot project.

The Foundation has been supporting the Society for Nutrition, Education and Health Action (**"SNEHA"**) for its "Maternal & Newborn Health Beyond Boundaries" programme since June 2012 through grants and capacity building support. This has helped strengthen SNEHA's operational and project delivery capabilities through strategic capacity building in personnel management and monitoring and evaluation. Since June 2012, 28,850 pregnant women with normal conditions and 9,624 with high risk conditions benefited from SNEHA's engagement with the municipal health system.

As part of a long-term engagement, IDFC Foundation has been supporting Masoom, an organisation providing alternate education through night schools in Mumbai since FY12. Masoom has since scaled up its operations to 30 night schools impacting the life of 2,400 students. IDFC also helped Masoom transform its operating model through support in business and strategy planning, changes in the organisation structure and new HR policies.

In June 2013, IDFC Foundation signed a MoU with the Government of Uttarakhand (**"GoUK"**) for implementing a 15-month Early Child Care and Education (**"ECCE"**) pilot project in 6,000 Anganwadi Centers in five districts of Uttarakhand (Dehradun, Haridwar, Uddham Singh Nagar, Tehri-Garhwal & Nainital), impacting the lives of 150,000 children in the age-group 0-6 years. The project seeks to improving the learning levels of children, build capacities of Anganwadi workers in using newer learning systems and increase community involvement in early childhood development. The Foundation is partnering with Sesame Workshop India for implementing the pilot.

OTHER INITIATIVES AND ACTIVITIES

To assist the Government of Uttarakhand in anchoring and integrating the multiple rehabilitation and reconstruction efforts of various agencies in the wake of the Himalayan flash floods that hit various parts of Uttarakhand in June 2013, the Foundation initiated a programme - Civil Society and Corporate Partnership for Action (**"CPACT"**). CPACT coordinates the work of various civil society organisations and corporates involved in the relief and reconstruction efforts; this is expected to streamline the various initiatives underway to help the affected communities, expeditiously.

IDFC Foundation under the aegis of the IIR started the **'In Our Hands'** initiative with the aim of taking the issue of sustainable infrastructure development to the youth of the country through various modes of social communication. By engaging with college students in various cities, the initiative provides a platform to express and share their thoughts and ideas.

IDFC Foundation under the aegis of the IIR started the 'In Our Hands' initiative with the aim of taking the issue of sustainable infrastructure development to the youth of the country through various modes of social communication.

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

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 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.

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OUTLOOK

The economic situation remains difficult. Even if the new Government at the centre focuses on removing the various impediments to the growth of infrastructure in India, the fact is that most companies in the business of thermal or hydro electric power plants, of building or operating roads, toll-ways and highways, of telecommunications, of land and property development and of airports are financially stretched with high leverage and inadequate cash flows to service their debts. Many need to have their debt and interest obligations restructured through corporate debt restructuring. And even those that do not will need some breathing space to strengthen their balance sheets and profit and loss accounts.

Therefore, even with the best of Government intent and a focused commitment to reforms in the infrastructure sector, IDFC believes that FY15 will remain a challenging year. That is why the Company has opted for higher provisioning. And that is also why it is looking for ways to bring about even sharper operational efficiencies.

As was stated in the previous year's Management Discussion and Analysis, while IDFC hopes to see reforms, it chooses to be cautious and restrained about the near future, especially the state of business in FY15.

CAUTIONARY STATEMENT

Statements in this Management Discussion and 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

IDFC'S PHILOSOPHY ON CORPORATE GOVERNANCE

Being a professionally run enterprise with no single promoter or promoter group, effective board oversight and sound Corporate Governance practices are fundamental to IDFC's quest of delivering long-term value to all its stakeholders. Good Corporate Governance is intrinsic to the management of the affairs of IDFC.

IDFC Limited (**"IDFC"** or **"the Company"**) is fundamentally a financial intermediary. Its businesses focus on maximising return on assets, while managing inherent risks. The Company believes that sound Corporate Governance is critical for enhancing and retaining investor trust. Therefore, it always seeks to ensure that its performance goals are met with integrity. By adopting such a framework as it does, IDFC emphasises on appropriate and timely disclosures and transparency in its business dealings.

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

In India, Corporate Governance standards for listed companies are regulated by the Securities and Exchange Board of India (**"SEBI"**) through Clause 49 of the Listing Agreement with the Stock Exchanges. The New Companies Act, 2013 is brought in line with certain provisions of Clause 49 of the Listing Agreement. As a Company which believes in implementing Corporate Governance practices that go beyond just meeting the letter of law, IDFC not only meets with the mandated elements of Clause 49, but also incorporates the certain non-mandatory recommendations.

Recently, SEBI sought to amend the equity listing agreement to bring in additional corporate governance norms for listed entities which would be effective October 1, 2014. These norms provide for stricter disclosures and protection of investor rights, including equitable treatment for minority and foreign shareholders.

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

BOARD OF DIRECTORS

COMPOSITION

As on March 31, 2014, IDFC's Board consisted of 11 Directors, comprising (i) two Whole-time Directors consisting of an Executive Chairman and Managing Director & CEO; (ii) seven Independent Directors (**"IDs"**); (iii) one Nominee Director of an institution which has invested in the Company and (iv) one Nominee Director of the Government of India (**"GoI"**). The Directors bring to the Board a wide range of experience

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and skills which include banking, global finance, law, accounting and economics. None of the Directors of the Company is related to each other.

At the Board Meeting held on June 3, 2014, Mr. Shardul Shroff resigned as an Independent Director of the Company.

As per the provisions of Section 149(4) of the Companies Act, 2013, every listed company shall have at least one-third of the total number of Directors as Independent Directors. However, the provisions of Clause 49 state that where the Chairman is an Executive Director of the Company, at least half of the Board should comprise Independent Directors. The Chairman of IDFC is an Executive Director and accordingly, majority of the Board consists of Independent Directors. Thus, the composition of the Board of Directors of the Company is in compliance of Companies Act, 2013 and Clause 49 of the Listing Agreement.

The Directors oversee the management functions to ensure that these are effective and enhance shareholder value. The Board's mandate *inter alia* is to have oversight of the Company's strategic direction, to review corporate performance, assess the adequacy of risk management and mitigation measures, to authorise and monitor strategic investments, to ensure regulatory compliance as well as high standards of governance and safeguard interests of all stakeholders.

Table 1 gives details of composition of Board of Directors for FY14 including their other Directorships and Memberships / Chairmanships of Committees.

BOARD MEETINGS

The Board meets at least once a quarter to review the quarterly results and other items on the agenda and also on the occasion of the Annual General Meeting (**"AGM"**) of the Shareholders. Additional meetings are held whenever necessary.

In consultation with the Chairman, the Company Secretary prepares the agenda and the explanatory notes and circulates these in advance to the Directors. Members of the Board are also free to recommend inclusion of any matter in the agenda for discussion.

Since the Board of IDFC includes Directors from various parts of the world, the Company does make use of video conferencing facility and other audio-visual means, when necessary, to enable larger participation of Directors in the meetings.

Members of the Senior Management are invited to attend the Board Meetings, make presentations and provide additional inputs to the items under discussion. The Minutes of each Board / Committee Meeting are recorded in the Minutes Book. The Minutes of Board Meetings of unlisted subsidiary companies of IDFC are periodically tabled at the Company's Board Meetings. A statement of all significant transactions and arrangements entered into by the unlisted subsidiary companies are also placed before the Board.

During FY14, the Board met six times and the gap between any two meetings was less than four months. The dates of the meetings were: May 1, 2013; June 18, 2013; July 29, 2013; October 31, 2013; January 31, 2014 and March 14, 2014.

INFORMATION PROVIDED TO THE BOARD

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

- Annual operating plans and budgets and updates thereof.
- Capital budgets and updates thereof.
- Quarterly results of the Company, its operating divisions and business segments. These results are reviewed by the Audit Committee and recommended to the Board.
- Minutes of the meetings of the Audit and other Committees of the Board and abstracts of circular resolutions passed.
- Minutes of the Board Meetings of subsidiary companies.
- Information on recruitment and terms of appointment of the Executive Directors (**"EDs"**), the Chief Financial Officer (**"CFO"**) and Company Secretary. The terms of appointment of the CFO are also considered by the Audit Committee of the Company.
- Materially important show cause, demand, prosecution notices and penalty notices, if any.
- Any material default in financial obligations to and by the Company, or substantial non-payment for services rendered by the Company, if any.
- Details of any joint venture or collaboration agreements.

TABLE 1 COMPOSITION OF BOARD OF DIRECTORS FOR FY14

NAME OF THE DIRECTOR	DIN NO.	POSITION
Mr. Deepak S. Parekh [2]	00009078	Non-Executive Chairman
Dr. Rajiv B. Lall	00131782	Executive Chairman (w.e.f. May 2, 2013); (Vice Chairman & Managing Director till May 1, 2013)
Mr. Vikram Limaye	00488534	Managing Director & CEO (w.e.f. May 2, 2013); (Deputy Managing Director till May 1, 2013)
Ms. Snehlata Shrivastava	06478173	Nominee of Ministry of Finance, GoI, Non-Executive
Mr. Joseph Dominic Silva	06388807	Nominee of Domestic and Foreign Institutional Shareholders, Non-Executive
Mr. S. S. Kohli	00169907	Independent Director
Mr. Donald Peck	00140734	Independent Director
Mr. S. H. Khan	00006170	Independent Director
Mr. Shardul Shroff [3]	00009379	Independent Director
Mr. Gautam Kaji	02333127	Independent Director
Dr. Omkar Goswami	00004258	Independent Director
Ms. Marianne Økland	03581266	Independent Director

[1] Excluding Directorship in Foreign Companies, Private Limited Companies, Companies under erstwhile Section 25 of the Companies Act, 1956 and Companies in which the Directors hold office as an Alternate Director. Includes membership and chairmanship of only Audit Committee and Investors Grievance Committee / Stakeholders Relationship Committee as mandated by Clause 49 of the Listing Agreement.

[2] Ceased to be a Director & Non-Executive Chairman w.e.f. May 1, 2013.

[3] Resigned as an Independent Director w.e.f. June 3, 2014.

- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- Significant developments in human resources and employee relations.
- Sale of a material nature of investments, subsidiaries, assets, which is not in the normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by Management to limit the risks of adverse exchange rate movement, if and where material.
- Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer, if any.

The Board periodically reviews compliances of all laws applicable to IDFC, as well as steps taken to rectify instances of non-compliances, if these exist.

CODE OF CONDUCT

The Board of Directors have laid down a Code of Conduct for all Directors and designated Senior Management Personnel (**"SMPs"**) of the Company. The code is available on the website of the Company www.idfc.com . All Board members and designated SMPs have affirmed their compliance with the Code. A duly signed declaration to this effect signed by the Chief Executive Officer is enclosed at the end of the chapter on Additional Shareholder Information.

All the IDs of the Company have given a declaration of Independence pursuant to Section 149(6) and 149(7) of the Companies Act, 2013 read with Rule 5 of Companies (Appointment and Qualification of Directors) Rules, 2014 alongwith their affirmance to the Code of Independent Directors as prescribed under Schedule IV of the Companies Act, 2013.

ADVISORY COUNCIL

During the year, IDFC constituted the Advisory Council, comprising four eminent personalities. These are given in **Table 2.**

The Advisory Council of IDFC is a high level consultative body that provides support and advice to Management and Board of Directors of IDFC on issues pertaining to business strategy including, but not limited to, foray into new business areas, acquisitions and diversification of the business, corporate citizenship and corporate governance. The vast experience of the members of the Council and their insights would add great value to the Board of Directors and Management to appropriately advance IDFC's mission and business goals.

The Advisory Council members would provide unique industry insights and support the exploration of new business ideas. The Council would help the Board of Directors to understand external environment, potential risks and future drivers of growth. The Council would provide guidance for active leadership on operational, environment and sustainability related matters, relevant to

NO. OF MEETINGS HELD IN FY14	NO. OF MEETINGS ATTENDED IN FY14	WHETHER ATTENDED LAST AGM ON JULY 29, 2013	NO. OF DIRECTORSHIPS OF OTHER PUBLIC COMPANIES[1]	NUMBER OF COMMITTEES (INCLUDING IDFC)	
				MEMBER	CHAIRPERSON
1	1	N.A.	N.A.	N.A.	N.A.
6	6	YES	8	2	2
6	6	YES	11	3	–
6	4	NO	2	3	–
6	2	YES	–	–	–
6	6	YES	7	4	3
6	4	YES	–	–	–
6	6	YES	6	5	4
6	3	NO	6	3	–
6	4	YES	1	1	–
6	6	YES	9	7	3
6	6	YES	–	1	–

the business through outreach to network of contacts. The Council will help increase stakeholder confidence in the Company, including among investors, government, regulators and other public organisations. The 1st Meeting of the Council was held on April 14, 2014.

Brief Profiles of the members of the Council is as follows:

MR. DEEPAK PAREKH

Mr. Deepak Parekh had been the Non-Executive Founding Chairman of IDFC from inception till May 1, 2013. He is currently the Chairman of Housing Development Finance Corporation Limited (**"HDFC"**), India's premier Housing Finance Institution. A Chartered Accountant by profession, Mr. Parekh is at the financial helm of India Inc. Mr. Parekh began his career with Ernst & Ernst Management Consultancy Services in New York and later worked with Grindlays Bank and Chase Manhattan Bank. Subsequently, he joined HDFC in 1978 and has served as its chairman since 1993. He has been associated with various committees set up by the Government of India. He was conferred the Padma Bhushan by the President of India in 2006 for his contribution in the field of trade and industry. He has been associated with various committees set up by the Government of India, Advisory Group for "Securities Market Regulation"; High Level Group for the restructuring of 3 weak Public Sector Banks. He was awarded the "Businessman of the Year" in 1996 from Business India and the JRD Tata corporate leadership award from the All India Management Association. Mr. Parekh received a Bachelor of Commerce degree from Sydenham College of Commerce & Economics of Bombay University.

MR. R. CHANDRASHEKHAR

Mr. R. Chandrashekhar, was the Chairman of Telecom Commission and Secretary to the Department of Telecommunication till March 2013 and is currently serving as the President of Nasscom. He has extensive experience of formulating and implementing policies, strategies and action plans to foster the growth of both Telecom and IT industries covering the entire enabling eco-system including Infrastructure, Human Resource Development, e-governance and establishing Public Private Partnerships. Mr. Chandrashekhar was instrumental in establishing the first department of Information Technology in the country in Andhra Pradesh and was Secretary of the department from June 1997 to December 1999. The policies and strategies he formulated catapulted the state to the forefront of the country in the sector and AP became a role model for other states and countries. He was conferred the Prime Minister's Award for excellence in public administration for the year 2007-08. He has been conferred several awards including Data Quest Path Breaker of the Year Award in 2005 and Distinguished Alumnus award of IIT-Mumbai in 2010. He obtained a M.Sc. in Chemistry from IIT, Bombay and a MS degree in Computer Science from Pennsylvania State University.

MR. VINOD RAI

Mr. Vinod Rai was Comptroller and Auditor General of India. He is the current chairman of UN Panel of External Auditors. Mr. Rai has wide experience of working in various capacities at both, the Central and State Governments. His previous position was as Secretary in the Ministry of Finance - GoI, where he was responsible for managing the Financial Services sector, including banks and insurance companies. He had been a Director on several Boards including the State Bank of India, ICICI Bank, IDBI Bank, Life Insurance Corporation of India and IDFC. Mr. Rai was instrumental in setting up the India

TABLE 2 COMPOSITION OF ADVISORY COUNCIL

NAME	DESIGNATION
Mr. Deepak Parekh	Chairman
Mr. R. Chandrashekhar	Member
Mr. Vinod Rai	Member
Dr. Jaimini Bhagwati	Member

Infrastructure Finance Company Limited and was also on the Board of this company. Mr. Rai has also been the Principal Secretary (Finance) in the State Government of Kerala, apart from holding senior positions in the Ministries of Commerce and Defence, GoI. Mr. Vinod Rai has a Masters Degree in Economics from Delhi School of Economics, University of Delhi. He has a Masters Degree in Public Administration from Harvard University, USA.

DR. JAIMINI BHAGWATI

Dr. Jaimini Bhagwati, a noted economist and veteran diplomat, is a member of the 1976 batch of the Indian Foreign Service (**"IFS"**). He brings with him rich experience, having served *inter alia* as the Indian Ambassador to Belgium, Luxembourg and the EU, in the Ministry of External Affairs in various senior positions, in the Ministry of Finance and also the World Bank besides being India's envoy to the UK during his 33 years of diplomatic career. Immediately prior to being appointed India's Ambassador to Belgium, Luxembourg and the EU, Dr. Bhagwati served as Additional Secretary in the Ministry of External Affairs, GoI and earlier as Chief, Corporate Finance in the World Bank. He has also served as Joint Secretary (Capital Markets, External Commercial Borrowings and Pension Reforms) in the Department of Economic Affairs in the GoI. During his career he has developed wide experience in financial and economic matters with specialisation in capital markets. He also has considerable experience of working on foreign policy issues related to Central Asia, Europe, Russia, Bangladesh, Sri Lanka and Cuba. He holds Doctorate in Finance and Masters in Physics.

COMMITTEES OF THE BOARD

As of March 31, 2014, IDFC had the following Board-level Committees: (i) the Audit Committee; (ii) the Compensation Committee; (iii) the Nomination Committee; (iv) the Risk Committee; (v) the Investors' Grievance Committee (Stakeholders' Relationship Committee) and (vi) the Executive Committee. All decisions pertaining to the constitution of committees, appointment of members in different committees and fixing of terms of reference for the committees are taken by the Board of Directors.

These Committees help to delegate particular matters that require greater and more focused attention. They also prepare the groundwork for decision making and recommend their views to the Board. Majority of the members of all the above Committees consist of IDs. Mr. Mahendra N. Shah officiates as the Secretary to all the Committees.

Details on the role and composition of these committees, including the number of meetings held during FY14 and the attendance of each member, are given hereinafter.

A| AUDIT COMMITTEE

As on March 31, 2014, the Audit Committee comprised six members, five of whom are IDs and one Nominee Director. The Committee met four times during FY14: on May 1, 2013; July 29, 2013; October 31, 2013 and January 31, 2014. The time gap between any two meetings was less than four months. Attendance details of the Audit Committee Meetings are given in **Table 3**.

The CFO and the representatives of the Statutory Auditors and Internal Auditors are permanent invitees to the Audit Committee Meetings. Mr. Mahendra N. Shah, Company Secretary of IDFC, is the Secretary to the Committee. The quorum of the meeting is 3 members.

All members of the Audit Committee are financially literate and have accounting and financial management expertise. Mr. S. H. Khan, Chairman of the Audit Committee, was present at the Company's previous AGM held on July 29, 2013.

The functions of the Audit Committee include the following:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of the Statutory Auditors and the fixation of audit fees.
- Approving appointment of the CFO after assessing the qualifications, experience and background, etc. of the candidate.
- Approving payment to Statutory Auditors for statutory audits and any other services rendered by them.
- Reviewing, with Management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - **a.** matters required to be included in the Directors Responsibility Statement and in the Board's Report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
  - **b.** changes, if any, in accounting policies and practices and reasons for the same.
  - **c.** major accounting entries involving estimates based on the exercise of judgement by Management.

d. significant adjustments made in the financial statements arising out of audit findings, if any.
e. compliance with listing and other legal requirements relating to financial statements.
f. disclosure of related party transactions, where these exist.
g. qualifications in the draft audit report, if any.

- Reviewing, with Management, the quarterly financial statements before submission to the Board for approval.
- Reviewing with Management, performance of Statutory and Internal Auditors, adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, including coverage and frequency of internal audits.
- Discussing with the internal auditor any significant findings and follow-up thereof.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting such matters to the Board.
- Discussing with Statutory Auditors regarding the nature and scope of their audit, going forward, as well as post-audit discussions to ascertain any area of concern.
- Examining the reasons for any substantial defaults in the payment to the depositors, debenture-holders, shareholders (in case of non-payment of declared dividends) and creditors, if any.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
- Any other terms of reference as may be, included from time to time in Clause 49 of the Listing Agreement.

The Audit Committee is also empowered to: (i) investigate any activity within its terms of reference and seek any information it requires from any employee and (ii) obtain legal or other independent professional advice and to secure the services of outsiders with relevant experience and expertise, when necessary.

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

- Statement of significant related party transactions, submitted by Management;
- Management letters / letters of internal control weaknesses issued by the Statutory Auditors;
- Internal audit reports relating to internal control weaknesses, if any;
- The appointment, removal and terms of remuneration of the Internal Auditor;
- Whenever applicable, monitoring the end use / application of funds raised through public issues, rights issues, preferential issues by major category, as part of the quarterly and annual declaration of financial results;
- If applicable, on an annual basis, statement certified by the Statutory Auditors, detailing the use of funds raised through public issues, rights issues, preferential issues for purposes other than those stated in the offer document / prospectus / notice;
- The Management Discussion & Analysis of the financial condition and results of operations;

TABLE 3 ATTENDANCE DETAILS OF AUDIT COMMITTEE MEETINGS IN FY14

NAME OF THE MEMBER	POSITION	STATUS	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED
Mr. S. H. Khan	Independent Director	Chairman	4	4
Mr. Gautam Kaji	Independent Director	Member	4	3
Mr. Shardul Shroff [1]	Independent Director	Member	4	2
Dr. Omkar Goswami	Independent Director	Member	4	4
Ms. Marianne Økland	Independent Director	Member	4	4
Ms. Snehlata Shrivastava [2]	Nominee Director	Member	3	2

[1] Resigned as an Independent Director and Member of the Committee w.e.f June 3, 2014
[2] Appointed as a Member of the Committee w.e.f. May 1, 2013

TABLE 4 ATTENDANCE DETAILS OF COMPENSATION COMMITTEE MEETINGS FOR FY14

NAME OF THE MEMBER	POSITION	STATUS	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED
Dr. Omkar Goswami	Independent Director	Chairman	5	4
Mr. S. H. Khan	Independent Director	Member	5	5
Mr. S. S. Kohli	Independent Director	Member	5	5
Mr. Shardul Shroff [1]	Independent Director	Member	5	3
Mr. Donald Peck	Independent Director	Member	5	3

[1] Resigned as an Independent Director and Member of the Committee w.e.f. June 3, 2014.

TABLE 5 CRITERIA FOR PAYMENT OF COMMISSION TO NON-EXECUTIVE DIRECTORS

PARTICULARS	PROPOSED AMOUNT (₹ PER ANNUM)
Fixed Remuneration for member of the Board	1,050,000
Chairman of the Board	1,050,000
Chairman of the Audit Committee	300,000
Chairman of Other Committees	150,000
Member of the Audit Committee	150,000
Member of Other Committees	75,000
Variable remuneration (Depending on attendance at Board Meetings either in person or through video conferencing)	450,000

TABLE 6 DETAILS OF THE REMUNERATION PAID TO THE DIRECTORS (AMOUNT IN ₹)

NAME OF THE DIRECTOR	SITTING FEES	SALARY AND PERQUISITES	CONTRIBUTION TO PROVIDENT AND OTHER FUNDS	PERFORMANCE LINKED INCENTIVE	COMMISSION FOR FY13	PAID DURING FY14 TOTAL
Mr. Deepak Parekh [1]	40,000	–	–	–	2,250,000	2,290,000
Dr. Rajiv B. Lall [2]	–	24,665,596	1,402,771	29,500,000	–	55,568,367
Mr. Vikram Limaye [2]	–	22,324,352	1,280,766	25,000,000	–	48,605,118
Ms. Snehlata Shrivastava	–	–	–	–	–	–
Mr. Donald Peck	180,000	–	–	–	1,050,000	1,230,000
Mr. S. H. Khan	680,000	–	–	–	1,450,000	2,130,000
Mr. Shardul Shroff [3]	200,000	–	–	–	1,100,000	1,300,000
Mr. Gautam Kaji	220,000	–	–	–	1,200,000	1,420,000
Dr. Omkar Goswami	440,000	–	–	–	1,350,000	1,790,000
Mr. S. S. Kohli	720,000	–	–	–	1,100,000	1,820,000
Ms. Marianne Økland	280,000	–	–	–	1,150,000	1,430,000
Mr. Abdul Rahim Abu Bakar [4]	-	–	–	–	508,333	508,333
Mr. Joseph Dominic Silva [5]	40,000	–	–	–	341,667	381,667

[1] Ceased to be a Director and Non- Executive Chairman of the Company w.e.f. May 1, 2013.
[2] During the year, no stock options were granted to Dr. Rajiv B. Lall and Mr. Vikram Limaye.
[3] Resigned from Board as an Independent Director w.e.f. June 3, 2014.
[4] Resigned from Board w.e.f. October 26, 2012.
[5] Appointed as a Nominee Director w.e.f. October 26, 2012.

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

The Audit Committee is also appraised on information with regard to related party transactions by being presented and having its views taken on:

- A statement in summary form of transactions with related parties in the ordinary course of business;
- Details of materially significant individual transactions with related parties which are not in the normal course of business; and
- Details of materially significant individual transactions with related parties or others, which are not on an arm's length basis along with Management's justification for the same.

The Minutes of the Audit Committee are circulated to the Members of the Board and are taken note of.

B| COMPENSATION COMMITTEE

As of March 31, 2014, the Compensation Committee of IDFC comprised five Directors, none of whom is an Executive of the Company. The Committee met five times during FY14: on April 25, 2013; May 1, 2013; October 31, 2013; February 25, 2014 and March 14, 2014. Dr. Omkar Goswami, the Chairman of the Compensation Committee, was present at the AGM held on July 29, 2013. Attendance details of the Compensation Committee Meetings are given in **Table 4.**

The Compensation Committee recommends to the Board the compensation terms of EDs and key SMP one level below the Board. It has the overall responsibility of approving and evaluating compensation plans, policies and programmes for EDs and SMP.

IDFC pays remuneration to EDs by way of salary, perquisites and retirement benefits (fixed component) and a variable component based on the recommendation of the Compensation Committee and approval of the Board and the Shareholders of the Company, which is separately disclosed in the financial statements. The remuneration paid to EDs is determined keeping in view the industry benchmark and the relative performance of the Company vis-à-vis industry performance. The minutes of the Compensation Committee are reviewed by the Board.

The Non-Executive Directors (**"NEDs"**) are paid remuneration by way of commission and sitting fees. In FY14, IDFC paid sitting fees of ₹ 20,000 per meeting for attending the Board and the Committee Meetings. Commission is paid as per the limit approved by the shareholders of the Company at the 16th AGM held on July 29, 2013 of a sum not exceeding 1% of the net profits of IDFC Limited, computed in accordance with Section 309(5) of the Companies Act, 1956. The Commission is distributed on the basis of attendance and contribution at the Board and Committee Meetings as well as Chairmanship of Committees. The Company has not granted any stock options to NEDs / IDs. The criteria for payment of commission to NEDs are given in **Table 5**. For FY14, IDFC will pay a sum of ₹ 15,000,000 as commission to its NEDs.

Table 6 gives details of remuneration paid to the Directors during FY14. During FY14, the Company did not advance loans to any of its Directors. None of the Directors is entitled to severance fee and none of the NEDs hold any stock options as at March 31, 2014. The notice period for Dr. Rajiv B. Lall, the Executive Chairman and Mr. Vikram Limaye, Managing Director & CEO is three months. None of the employees of the Company is related to any of the Directors. There are no inter-se relationships between Board members.

C| NOMINATION COMMITTEE

The Nomination Committee assists the Board in identifying, screening and reviewing individuals qualified to serve as EDs, NEDs and IDs consistent with the criteria approved by the Board. It also works with the Board for orderly succession of leadership within the Board and the Company. The Committee met on

TABLE 7 ATTENDANCE DETAILS OF NOMINATION COMMITTEE MEETINGS FOR FY14

NAME OF THE MEMBER	POSITION	STATUS	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED
Mr. Deepak Parekh [1]	Non-Executive Chairman	Chairman	1	0
Dr. Rajiv B. Lall [2]	Executive Chairman	Chairman	N.A.	N.A.
Mr. Gautam Kaji	Independent Director	Member	1	1
Mr. Donald Peck	Independent Director	Member	1	0
Dr. Omkar Goswami	Independent Director	Member	1	1

[1] Resigned as a Member of the Committee w.e.f May 1, 2013.

[2] Inducted as Member and Chairman of the Committee w.e.f. May 1, 2013.

May 1, 2013. Attendance details of Nomination Committee Meetings are given in **Table 7.**

Pursuant to the provisions of Section 178(1) of the Companies Act, 2013, the Board of Directors of the Company, at its meeting held on June 3, 2014, combined the Nomination Committee and Compensation Committee of the Company and the new Committee named as "Nomination and Remuneration Committee" (**"NRC"**) was formed to handle / manage all the matters / issues previously handled / managed by Nomination Committee and Compensation Committee.

The composition of the NRC is given in **Table 8**.

D| RISK COMMITTEE

IDFC has in place mechanisms to inform the Board about its risk assessment and minimisation procedures with periodical reviews to ensure that the Executive Management controls risk through a Board-approved properly defined framework. This is done through its Board-level Risk Committee and it monitors risk management of the Company on a regular basis.

The Risk Committee reviews and monitors mainly four types of risks across the organisation: credit risk, market risk, liquidity risk and operational risk. This is done under the overall framework of the Enterprise Risk Management System. The quorum for any meeting of this Committee is three. Mr. Gautam Kaji, Chairman of the Committee, reports the findings / observations of the Committee to the Board.

The Committee met four times during the year under review on May 1, 2013; July 29, 2013; October 31, 2013 and January 31, 2014. Attendance details of Risk Committee Meetings are given in **Table 9.**

E| INVESTORS' / SHAREHOLDERS' GRIEVANCE COMMITTEE ("IGC")

As of March 31, 2014, the IGC consists of four Directors, two being Independent. Mr. S. H. Khan, the Chairman of the Committee is an Independent Director and was present at the AGM held on July 29, 2013. The Committee met four times during the year: on May 1, 2013; July 29, 2013; October 31, 2013 and January 31, 2014.

Section 178 of the Companies Act, 2013 *inter alia* requires the listed company to constitute a Stakeholders Relationship Committee for resolving the grievances of it's security holders. The aforesaid IGC takes care of the issues for which Stakeholders Relationship Committee is required to be constituted. Accordingly, in terms of the said Section 178 of the Companies Act, 2013, the Board of Directors of the Company, at its meeting held on April 25, 2014, renamed the existing IGC as "Stakeholders Relationship Committee" having same terms of reference and composition.

Attendance details of IGC meetings are given in **Table 10**.

The Committee is empowered to perform the functions of the Board in relation to handling of shareholders' and other investors' complaints and grievances. It primarily focuses on:

- Review of investor complaints and their redressal.
- Review of queries received from investors.
- Review of work done by the share transfer agent.
- Review of corporate actions related to investor issues.

Mr. Mahendra N. Shah, the Company Secretary is designated as Compliance Officer in terms of the Listing Agreement with the Stock Exchanges. In terms of Clause 47(f) of the Listing Agreement, the designated e-mail address for investor complaints is mahendra.shah@idfc.com .

Details of queries and grievances received and attended by the Company during FY14 for Equity Shares and Infrastructure Bonds are given in **Table 10A** and **Table 10B** respectively.

F| CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

As per the Companies Act, 2013, all companies having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year will be required to constitute a Corporate Social Responsibility (**"CSR"**) Committee of the Board consisting of three or more directors, out of which atleast one director shall be an Independent Director. Accordingly, the Board of Directors of the Company, at its meeting held on April 25, 2014 constituted the "CSR Committee" pursuant to Section 135 of the Companies Act, 2013 and corresponding Rules pertaining to CSR. The Composition of CSR Committee is given in **Table 11**.

The purpose of the Committee is to formulate and monitor the CSR policy of the Company.

SHARES AND CONVERTIBLE INSTRUMENTS HELD BY NEDs

As on March 31, 2014, none of the NEDs held any shares or convertible instruments of the Company.

APPOINTMENT / REAPPOINTMENT OF DIRECTORS

Pursuant to provisions of Section 152(6) of Companies Act, 2013, Mr. Joseph Dominic Silva would be retiring by rotation and being eligible, offers himself for reappointment in the ensuing AGM.

Mr. S. H. Khan, Mr. Donald Peck and Mr. Gautam Kaji, IDs of the Company, were liable to retire by rotation at the ensuing AGM under the erstwhile Companies Act, 1956. Accordingly, the Board of Directors at its Meeting held on June 3, 2014 recommended to the Shareholders, the appointment of the above three Directors as IDs. MCA vide its circular dated June 9, 2014 clarified that if the existing IDs are to be appointed under the Companies Act, 2013, the Company would be required to appoint those IDs within period of one year from April 1, 2014. Accordingly, the Company would appoint the remaining IDs within the prescribed period. The Members are requested to consider the appointment of Mr. S. H. Khan, Mr. Donald Peck and Mr. Gautam Kaji as IDs for a period of two consecutive years from the date of the ensuing Seventeenth AGM to the conclusion of the Nineteenth AGM of the Company.

Brief profiles of all the Directors getting appointed / reappointed is given in the Exhibit to Notice of the AGM.

MANAGEMENT

MANAGEMENT DISCUSSION AND ANALYSIS

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

DISCLOSURES

During the year, there were no materially significant related party transactions that could have any potential for conflict with the interest of the Company at large. 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.

TABLE 8 COMPOSITION OF THE NOMINATION AND REMUNERATION COMMITTEE

NAME OF THE MEMBER	POSITION	STATUS
Dr. Omkar Goswami	Independent Director	Chairman
Mr. Donald Peck	Independent Director	Member
Mr. Gautam Kaji	Independent Director	Member
Dr. Rajiv B. Lall	Executive Chairman	Member

TABLE 9 ATTENDANCE DETAILS OF RISK COMMITTEE MEETINGS FOR FY14

NAME OF THE MEMBER	POSITION	STATUS	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED
Mr. Gautam Kaji	Independent Director	Chairman	4	3
Mr. Shardul Shroff [1]	Independent Director	Member	4	2
Mr. S. H. Khan	Independent Director	Member	4	4
Ms. Marianne Økland	Independent Director	Member	4	4
Dr. Rajiv B. Lall	Executive Chairman	Member	4	4
Mr. Vikram Limaye [2]	Managing Director & CEO	Member	3	3

[1] Resigned as an Independent Director and Member of the Committee w.e.f. June 3, 2014.

[2] Inducted as a Member of the Committee w.e.f. May 1, 2013.

TABLE 10 ATTENDANCE DETAILS OF INVESTOR'S GRIEVANCE COMMITTEE MEETINGS FOR FY14

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 [1]	Independent Director	Member	3	3
Mr. Shardul Shroff [2]	Independent Director	Member	N.A.	N.A.
Mr. Deepak Parekh [3]	Non-Executive Chairman	Member	1	1
Dr. Rajiv B. Lall	Executive Chairman	Member	4	4
Mr. Vikram Limaye [4]	Managing Director & CEO	Member	3	3

[1] Resigned as a Member of the Committee w.e.f. December 30, 2013.

[2] Appointed as a Member of the Committee w.e.f. January 31, 2014 and resigned as an Independent Director and Member of the Committee w.e.f June 3, 2014.

[3] Resigned as a Member of the Committee w.e.f. May 1, 2013.

[4] Inducted as a Member of the Committee w.e.f. May 1, 2013.

TABLE 10A	NATURE OF COMPLAINTS RECEIVED AND ATTENDED DURING FY14 FOR EQUITY SHARES				
SR. NO.	NATURE OF COMPLAINT	PENDING AS ON APRIL 1, 2013	RECEIVED DURING THE YEAR	ANSWERED DURING THE YEAR	PENDING AS ON MARCH 31, 2014
1.	Transfer / Transmission / Duplicate	–	–	–	–
2.	Non-receipt of Dividend	–	441	441	–
3.	Dematerialisation / Rematerialisation of shares	–	–	–	–
	Complaints received from:				
4.	SEBI	–	14	14	–
5.	Stock Exchanges	–	3	3	–
6.	Registrar of Companies / Department of Company Affairs	–	–	–	–
7.	Legal	–	–	–	–
8.	Non-receipt of Refund order	–	–	–	–
9.	Non-receipt of Electronic Credits	–	–	–	–
10.	Non-receipt of Annual Report	–	48	48	–
11.	Status of Application	–	–	–	–
12.	Non-receipt of Securities	–	2	2	–

TABLE 10B	NATURE OF COMPLAINTS RECEIVED AND ATTENDED DURING FY14 FOR INFRASTRUCTURE BONDS				
SR. NO.	NATURE OF COMPLAINT	PENDING AS ON APRIL 1, 2013	RECEIVED DURING THE YEAR	ANSWERED DURING THE YEAR	PENDING AS ON MARCH 31, 2014
1.	Transfer / Transmission / Duplicate	–	–	–	–
2.	Non-receipt of Interest	–	8,044	8,044	–
3.	Dematerialisation / Rematerialisation of Bonds	–	–	–	–
	Complaints received from:				
4.	SEBI	–	44	44	–
5.	Stock Exchanges	–	3	3	–
6.	Registrar of Companies / Department of Company Affairs	–	1	1	–
7.	Legal	–	–	–	–
8.	Non-receipt of Refund order	–	22	22	–
9.	Non-receipt of Electronic Credits	–	–	–	–
10.	Non-receipt of Bond Certificates	–	5,340	5,340	–
11.	Status of Application	–	10	10	–

DISCLOSURE OF ACCOUNTING TREATMENT IN PREPARATION OF FINANCIAL STATEMENTS

The Financial Statements of the Company have been prepared in accordance with Generally Accepted Accounting Principles in India (**"Indian GAAP"**) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ('the 1956 Act') [which continues to be applicable in respect of Section 133 of the Companies Act, 2013 ('the 2013 Act') in terms of General Circular 15 / 2013 dated September 13, 2013 of the Ministry of Corporate Affairs] and the relevant provisions of the 1956 Act / 2013 Act, as applicable.

CONFIRMATION OF COMPLIANCE

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

CODE FOR PREVENTION OF INSIDER TRADING

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

ANTI-MONEY LAUNDERING AND KNOW YOUR CUSTOMER POLICY

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

SUBSIDIARY COMPANIES

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

CEO AND CFO CERTIFICATION

The CEO and CFO certification of the financial statements for FY14 is enclosed at the end of the chapter on Additional Shareholder Information.

SHAREHOLDERS

MEANS OF COMMUNICATION WITH SHAREHOLDERS

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

Pursuant to Clause 52 of the Listing Agreement, information about the financial results, shareholding pattern and other

TABLE 11 COMPOSITION OF CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

NAME OF THE MEMBER	POSITION	STATUS
Dr. Rajiv B. Lall	Executive Chairman	Chairman
Mr. Vikram Limaye	Managing Director & CEO	Member
Dr. Omkar Goswami	Independent Director	Member

specified details are now electronically filed through the Corporate Filing & Dissemination System (**"CFDS"**). Investors can visit the website www.corpfilling.co.in to view such data. NSE and BSE have introduced their respective electronic platforms namely NSE Electronic Application Processing System (**"NEAPS"**) and BSE Corporate Listing Centre Online Portal for submission of various filings by listed companies. IDFC ensures that the requisite compliances are also done / filed through these systems in addition to dissemination of information by e-mail and fax.

The quarterly, half-yearly and annual results of IDFC's performance are published in leading newspapers like the Hindu Business Line & Makkal Kural in Chennai and are also displayed on the website of the Company.

SPECIAL RESOLUTIONS SOUGHT TO BE PASSED AT THE ENSUING AGM

IDFC seeks the approval of Members of the Company by way of Special Resolution in respect of the following proposals:

- **i.** Approval of the Borrowing Limits of the Company
- **ii.** Offer & Issue Non-Convertible Securities under Private Placement
- **iii.** Further issue of Securities
- **iv.** Alteration of the Object Clause of the Memorandum of Association of the Company

Detailed explanatory statement pursuant to Section 102 of the Companies Act, 2013 in respect of the above items forms part of the Notice of the Seventeenth AGM.

ANNUAL AND EXTRA-ORDINARY GENERAL MEETINGS OF SHAREHOLDERS

Table 12 gives the details of the AGM held in last three financial years.

No Extra-Ordinary General Meeting of the Company was held during the last three financial years.

POSTAL BALLOT

During FY14, pursuant to Section 192(A) of the Companies Act, 1956 read with Companies (passing of the resolution by postal ballot) Rules, 2011, approval of the shareholders of the Company was sought by way of special resolution vide Notice dated December 23, 2013 circulated through postal ballot for reduction in the ceiling limit on the aggregate holdings of Foreign Institutional Investors (**"FIIs"**) / SEBI approved sub-accounts of FIIs, Foreign Direct Investment (**"FDI"**), Foreign Nationals, Non-resident Indians (**"NRIs"**) and Overseas Corporate Bodies (**"OCBs"**) (collectively referred to as the **"Foreign Shareholding"**) from 54% to 49.90% of the total paid-up equity share capital of the Company.

The Company also offered e-voting facility to its Shareholders through Karvy Computershare Private Limited (**"Karvy"**) to enable the Members to cast their votes electronically.

The Company appointed Ms. Savita Jyoti, a practicing Company Secretary, as the Scrutinizer for the postal ballot process both for e-voting and physical ballot papers received. The special resolution was passed by the requisite majority and the Scrutinizer submitted her report to the Chairman. The result was announced on Thursday, January 30, 2014 and the same was displayed at the Corporate Office and the Registered Office of the Company. The said result was posted on the website www.idfc.com, besides being communicated to the stock exchanges where the securities of IDFC are listed.

The Company may seek to pass Special Resolution(s) in FY15 through Postal Ballot, as and when required, subject to applicable Act and Rules.

COMPLIANCE

STATUS OF COMPLIANCE WITH THE LISTING AGREEMENT

Table 13 gives the data. As is evident, IDFC is fully compliant.

ADOPTION OF NON-MANDATORY REQUIREMENTS

A| REMUNERATION COMMITTEE

The Board has in place a duly constituted Compensation Committee. Details of this Committee have been provided earlier in the chapter.

B| AUDIT QUALIFICATIONS

During the period under review, there were no audit qualifications in the Company's financial statements. IDFC continues to adopt best practices to ensure a regime of unqualified financial statements.

C| WHISTLE BLOWER POLICY

Pursuant to provisions of Section 177(9) of the Companies Act, 2013 and Clause 49 of Equity Listing Agreement (as amended by the Securities and Exchange Board of India (**"SEBI"**) vide its Circular No. CIR / CFD / POLICY CELL / 2 / 2014 dated April 17, 2014, the Company has established the Vigil Mechanism, as part of the Whistle Blower Policy, for the Directors and Employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. It also provides adequate safeguards against the victimisation of employees who avail of the mechanism and allows direct access to the Chairman of the Audit Committee in exceptional cases. The Whistle Blower policy and establishment of Vigil Mechanism have been appropriately communicated within the Company and also disclosed on the Company's website www.idfc.com .

TABLE 12 ANNUAL GENERAL MEETINGS HELD DURING THE LAST THREE YEARS

FINANCIAL YEAR	LOCATION OF THE MEETING	DATE	TIME	SPECIAL RESOLUTIONS PASSED WITH REQUISITE MAJORITY
FY11	Tapovan Hall, Chinmaya Heritage Centre, No. 2, 13th Avenue, Harrington Road, Chetpet, Chennai 600 031	July 27, 2011	2.00 p.m.	(i) Appointment of Statutory Auditors.
FY12	The Music Academy, New No. 168 (Old No. 306), T.T.K. Road, Royapettah, Chennai 600 014	July 09, 2012	11.00 a.m.	(i) Appointment of Statutory Auditors; (ii) Change of Name of the Company; and (iii) Alteration of Articles of Association of the Company.
FY13	The Music Academy, New No. 168 (Old No. 306), T.T.K. Road, Royapettah, Chennai 600 014	July 29, 2013	2.30 p.m.	(i) Appointment of Statutory Auditors; (ii) Decreasing the limit of FII holding and SEBI approved sub-accounts in equity share capital from 74% to 54% at an appropriate time as may be decided by the Board; (iii) Additional 2% equity shares under the Employment Stock Option Scheme; (iv) Approval for payment of commission to NEDs in accordance with the provisions of the Companies Act, 1956.

TABLE 13 COMPLIANCE WITH THE LISTING AGREEMENT

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**

ADDITIONAL SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING

Date: Tuesday, July 29, 2014
Time: 2.00 p.m.
Venue: The Music Academy
New No. 168 (Old No. 306), T.T.K. Road,
Royapettah, Chennai - 600 014.

FINANCIAL CALENDAR

Financial year - April 1, 2013 to March 31, 2014

For the year ended March 31, 2014, results were announced on:

- July 29, 2013 for the first quarter.
- October 31, 2013 for the second quarter and half year.
- January 31, 2014 for the third quarter.
- April 25, 2014 for the fourth quarter and annual.

For the year ending March 31, 2015, results will be announced by:

- Second week of August, 2014 first quarter.
- Second week of November, 2014 second quarter and half year.
- Second week of February, 2015 third quarter.
- Last week of May, 2015 fourth quarter and annual.

IDFC'S LISTINGS AND STOCK EXCHANGE CODES

At present, the equity shares of IDFC are listed on BSE Limited (**"BSE"**) and National Stock Exchange of India Limited (**"NSE"**). **Table 1** gives the data. The annual listing fees for FY14 have been paid.

TABLE 1 IDFC'S STOCK EXCHANGE CODES FOR EQUITY SHARES

NAME OF THE STOCK EXCHANGE	STOCK SYMBOL / SCRIP CODE
National Stock Exchange of India Limited	IDFC EQ
BSE Limited	532659
ISIN	**INE043D01016**

TABLE 2 UNCLAIMED SHARES LYING IN THE ESCROW ACCOUNT

PARTICULARS	NO. OF CASES / MEMBERS	NO. OF SHARES OF ₹ 10 EACH
Aggregate number of Shareholders and the outstanding shares in the suspense account lying at the beginning of the year.	103	29,175
Number of Shareholders who approached to issuer / registrar for transfer of shares from suspense account during the year 2013-14	2	494
Number of Shareholders to whom shares were transferred from suspense account during the year 2013-14	2	494
Aggregate number of Shareholders and the outstanding shares in the suspense account lying at the end of the year i.e. as on March 31, 2014	101	28,681

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BOOK CLOSURE

The dates of book closure are from July 19, 2014 to July 29, 2014 (inclusive of both days).

DIVIDEND PAYMENT

A final dividend of ₹ 2.60 per equity share will be paid from July 30, 2014, subject to approval by shareholders at the ensuing AGM.

UNCLAIMED SHARES LYING IN THE ESCROW ACCOUNT

Pursuant to SEBI's Circular No. CIR / CFD / DIL / 10 / 2010 dated December 16, 2010, IDFC has credited the unclaimed shares lying in the escrow account, allotted in the Initial Public Offer of the Company during July–August 2005, into a Demat Suspense Account opened specifically for this purpose. The voting rights on the shares outstanding shall remain frozen till the rightful owner claims their shares. The details are given in **Table 2**.

STOCK PRICES

Table 3 gives details of the stock market prices of IDFC's shares. A comparison of the share prices of the Company at NSE and BSE with their respective indices are given in **Charts A** and **B**.

DISTRIBUTION OF SHAREHOLDING

The distribution of the shareholding of IDFC's equity shares by size and by ownership as on March 31, 2014 are given in **Table 4** and **Table 5** respectively.

TABLE 3 HIGH, LOW AND VOLUMES OF IDFC'S EQUITY SHARES FOR FY14

	BSE			NSE		
	HIGH	LOW	VOLUME	HIGH	LOW	VOLUME
Mar 2014	128.65	93.10	31,896,255	126.30	93.00	240,298,550
Feb 2014	99.75	88.10	12,788,306	99.85	88.05	107,406,333
Jan 2014	111.40	91.10	20,214,750	111.40	91.10	167,588,965
Dec 2013	117.70	100.45	19,967,442	117.80	100.55	169,723,325
Nov 2013	115.50	99.30	25,970,035	115.50	99.15	202,396,985
Oct 2013	106.60	88.25	30,953,493	106.65	88.20	218,276,299
Sep 2013	103.50	78.70	45,195,966	103.50	78.70	284,779,370
Aug 2013	114.25	76.25	39,927,680	114.20	76.10	315,318,344
Jul 2013	138.45	108.25	20,691,769	138.40	108.55	229,664,191
Jun 2013	150.90	124.65	13,039,688	151.10	124.20	119,957,061
May 2013	165.45	142.40	18,277,386	165.45	142.30	129,315,900
Apr 2013	162.25	139.10	10,402,029	162.35	139.15	98,565,390

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

CHART A

IDFC VS NIFTY

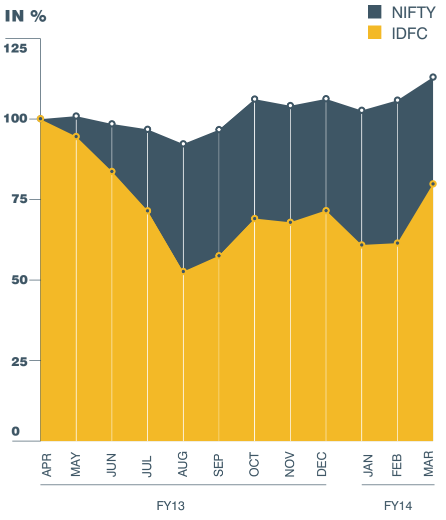
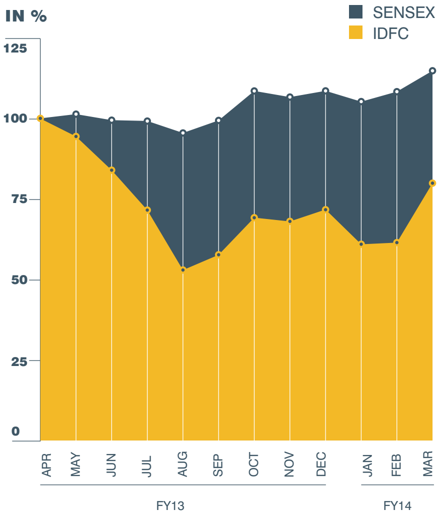


CHART B

IDFC VS SENSEX



DEMATERIALISATION OF SHARES

The Company's shares are compulsorily traded in dematerialised form and are available for trading on both the depositories in India NSDL and CDSL. As on March 31, 2014, over 99.99% shares of IDFC were held in dematerialised form. **Table 6** gives the details.

UNCLAIMED / UNPAID DIVIDEND / INTEREST

Pursuant to the provisions of Sections 205A and 205C of the Companies Act, 1956, any dividend / interest / refund which remains unclaimed / unpaid for a period of seven years from the date of transfer to the unpaid dividend / interest / refund account is required to be transferred to the Investor Education and Protection Fund (**"IEPF"**) established by the Central Government. No claim shall lie against the Company or IEPF after such a transfer.

Dividends for and up to the financial year ended March 31, 2006 have already been transferred to IEPF. The unpaid dividend amount pertaining to FY07 will be transferred to IEPF during this year. Hence members who have not yet encashed their dividend warrant(s) pertaining to dividend for FY07 are requested to make their claims without any delay to IDFC / Registrar.

Pursuant to Section 125 of the Companies Act, 2013, it is clarified that claims in respect of dividend amounts that have remained unclaimed or unpaid beyond the period of seven years from the date of payment shall be made with IEPF (i.e. with the Central Government). In other words, once the same is transferred to IEPF, no claims shall lie against the Company in respect thereof.

The status of dividend and interest remaining unclaimed is given in **Table 7A** and **Table 7B** respectively:

SHARE TRANSFER SYSTEM

IDFC has appointed Karvy as its Registrar and Transfer Agent. All share transfers and related operations are conducted by Karvy, which is registered with the SEBI as a Category 1 Registrar. The shares sent for physical transfer are effected after giving a 15 days' notice to the seller for confirmation of the sale. IDFC has an Investors' Grievance Committee for redressing Shareholders' and investors' complaints.

As required under Clause 47(c) of the Listing Agreement, a Practising Company Secretary examines the records relating to Share Transfer Deeds, Registers and other related documents on a half-yearly basis and has certified compliance with the provisions of the above Clause.

As required by SEBI, Reconciliation of Share Capital Audit is conducted by a Practising Company Secretary on a quarterly basis, for the purpose, *inter alia*, of reconciliation of the total admitted equity share capital with the depositories and in the physical form with the total issued / paid-up equity capital of the Company.

Certificates issued in this regard to the above are forwarded to BSE and NSE on periodic basis.

TABLE 4 IDFC'S DISTRIBUTION OF SHAREHOLDING PATTERN BY SIZE

CATEGORY (SHARES)	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHARES
1 - 5000	358,242	98.96	102,384,376	6.75
5001 - 10000	1,858	0.51	13,601,847	0.90
10001 - 20000	773	0.21	11,016,729	0.73
20001 - 30000	262	0.07	6,526,178	0.43
30001 - 40000	149	0.04	5,258,164	0.35
40001 - 50000	99	0.03	4,599,159	0.30
50001 - 100000	220	0.06	15,702,993	1.04
100001 & Above	451	0.12	1,357,196,805	89.50
TOTAL	**362,054**	**100.00**	**1,516,286,251**	**100.00**

TABLE 5 IDFC'S EQUITY SHAREHOLDING PATTERN BY OWNERSHIP

SR. NO.		MARCH 31, 2014		MARCH 31, 2013	
		NO. OF EQUITY SHARES (FACE VALUE OF ₹ 10 EACH)	% OF SHARES	NO. OF EQUITY SHARES (FACE VALUE OF ₹ 10 EACH)	% OF SHARES
PROMOTERS HOLDING					
i.	Promoters	–	0.00	–	0.00
	Indian Promoters	–	0.00	–	0.00
	Foreign Promoters	–	0.00	–	0.00
ii.	Persons acting in concert	–	0.00	–	0.00
NON-PROMOTERS HOLDING					
i.	President of India	261,400,000	17.24	261,400,000	17.26
ii.	Banks, Financial Institutions, Insurance Companies (Central / State Government Institutions / Non-Government Institutions)	132,805,249	8.76	159,059,956	10.50
iii.	Foreign Institutional Investors (**"FIIs"**)	797,727,524	52.62	806,343,554	53.25
iv.	Foreign Direct Investment (**"FDI"**)	10,501,271	0.69	10,501,271	0.69
v.	Mutual Funds	41,269,614	2.72	51,576,265	3.40
vi.	Private Bodies Corporate	107,103,577	7.06	99,440,410	6.56
vii.	Indian Public	142,049,580	9.37	114,665,591	7.57
viii.	NRIs / OCBs / Foreign Nationals	5,934,734	0.39	4,290,692	0.28
ix.	Any other	–	0.00	–	0.00
x.	Clearing Member	9,700,774	0.64	2,129,585	0.14
xi.	Trusts	2,186,482	0.14	822,743	0.05
xii.	H U F	5,607,446	0.37	4,497,562	0.30
GRAND TOTAL		**1,516,286,251**	**100.00**	**1,514,727,629**	**100.00**

TABLE 6 DEMATERIALISATION OF SHARES AS ON MARCH 31, 2014

CATEGORY	NO. OF SHARES	%
Physical	21,397	0.00
NSDL	1,477,818,918	97.46
CDSL	38,445,936	2.54
TOTAL	**1,516,286,251**	**100.00**

TABLE 7A STATUS OF UNCLAIMED DIVIDEND

PARTICULARS	UNCLAIMED DIVIDEND (₹)	DATE OF DECLARATION OF THE DIVIDEND	LAST DATE FOR CLAIMING DIVIDEND
2006–07	1,241,233	June 28, 2007	July 30, 2014
2007–08	2,187,838	July 18, 2008	August 21, 2015
2008–09	1,730,178	July 20, 2009	August 23, 2016
2009–10	1,978,479	June 28, 2010	July 31, 2017
2010–11	2,845,158	July 27, 2011	August 29, 2018
2011–12	3,284,159	July 9, 2012	August 12, 2019
2012–13	2,775,191	July 29, 2013	August 29, 2020

TABLE 7B STATUS OF UNCLAIMED INTEREST

PARTICULARS	UNCLAIMED INTEREST (₹)	DATE OF PAYMENT OF INTEREST	LAST DATE FOR CLAIMING INTEREST
Interest Payment - Tranche 1 - Series 3/2010–11	1,509,450	November 12, 2011	November 12, 2018
Interest Payment - Tranche 1 - Series 1/2010–11	697,560	November 12, 2011	November 12, 2018
Interest Payment - Tranche 2 - Series 1/2010–11	7,064,120	February 21, 2012	February 20, 2019
Interest Payment - Tranche 3 - Series 1/2010–11	3,347,735	March 30, 2012	March 29, 2019
Interest Payment - Tranche 1 - Series 3/2010–11	1,638,375	November 12, 2012	November 11, 2019
Interest Payment - Tranche 1 - Series 1/2010–11	699,600	November 12, 2012	November 11, 2019
Interest Payment - Tranche 1 - Series 1/2011–12	4,669,650	December 31, 2012	December 30, 2019
Interest Payment - Tranche 2 - Series 1/2010–11	8,337,600	February 21, 2013	February 20, 2020
Interest Payment - Tranche 2 - Series 1/2011–12	12,700,782	March 21, 2013	March 20, 2020
Interest Payment - Tranche 3 - Series 1/2010–11	3,613,511	March 30, 2013	March 30, 2020
Interest Payment - Tranche 3 - Series 1/2011–12	4,761,698	March 30, 2013	March 30, 2020
Interest Payment - Tranche 1 - Series 3/2010–11	1,740,225	November 12, 2013	November 11, 2020
Interest Payment - Tranche 1 - Series 1/2010–11	877,600	November 12, 2013	November 11, 2020
Interest Payment - Tranche 1 - Series 1/2011–12	5,193,450	December 30, 2013	December 29, 2020
Interest Payment - Tranche 2 - Series 1/2010–11	14,051,200	February 21, 2014	February 20, 2021
Interest Payment - Tranche 2 - Series 1/2011–12	40,376,917	March 21, 2014	March 20, 2021
Interest Payment - Tranche 3 - Series 1/2010–11	22,679,385	March 28, 2014	March 27, 2021
Interest Payment - Tranche 3 - Series 1/2011–12	23,618,629	March 28, 2014	March 27, 2021

INVESTOR CORRESPONDENCE SHOULD BE ADDRESSED TO

REGISTRAR AND SHARE TRANSFER AGENT

Karvy Computershare Pvt. Ltd.
(Unit: IDFC Limited)
Plot No. 17 to 24,
Vittalrao Nagar, Madhapur
Hyderabad 500 081
Tel: +91 40 4465 5000
Fax: +91 40 2343 1551
E-mail: einward.ris@karvy.com

THE COMPANY SECRETARY

IDFC 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
Website: www.idfc.com

REGISTERED OFFICE ADDRESS

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

DETAILS OF THE DEBENTURE TRUSTEE FOR DEBENTURES / BONDS ISSUED BY IDFC

IDBI Trusteeship Services Limited
Mr. Shivaji Gunware,
Sr. Vice President
Asian Building, Ground Floor,
17, R. Kamani Marg, Ballard
Estate, Mumbai 400 001
Tel: +91 22 4080 7000
Fax: +91 22 6631 1776
E-mail: sgunware@idbitrustee.com

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CERTIFICATION BY CEO AND CFO

We, Vikram Limaye, Managing Director & Chief Executive Officer and Sunil Kakar, Chief Financial Officer, of IDFC 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 controls 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.

VIKRAM LIMAYE
Managing Director & Chief Executive Officer

SUNIL KAKAR
Chief Financial Officer

Mumbai
April 17, 2014

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AUDITORS' CERTIFICATE

TO THE MEMBERS OF IDFC LIMITED (FORMERLY, INFRASTRUCTURE DEVELOPMENT FINANCE COMPANY LIMITED)

We have examined the compliance of conditions of corporate governance by IDFC LIMITED (Formerly, Infrastructure Development Finance Company Limited) ("the Company") for the year ended March 31, 2014 as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

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

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

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

FOR DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(ICAI Registration No. 117366W/W-100018)

Z. F. BILLIMORIA
Partner
(Membership No. 42791)

Mumbai
June 13, 2014

AWARDS AND RECOGNITION

"India's Most Admired Company"

BY HAY GROUP in collaboration with Fortune India, the study is underpinned by a unique method of "peer rating", where leaders in a given industry rate their peers across 9 business critical parameters.

The second largest Private Sector Issuer of Debt in 2012-2013

BY PRIME DATABASE which is the top capital market database in India, covering both equity and debt markets.

Ranked #3 globally in PPP deals and #4 in Asia in overall PF loans

BY DEALOGIC PROJECT FINANCE REVIEW, a quarterly compilation of global and regional project finance activity and participant rankings.

In-house Communication Excellence Award 2013

AT ICE AWARDS 2013 "The Times of IDFC" annual internal newsletter was judged best for design and layout.

Best Asian & South Pacific Legal Department Award

AT LEGAL ALLIANCE SUMMIT AND AWARDS, one of the most prestigious awards for business performance which recognizes the best legal department of companies across the continent.

Networking Pioneer 2013

CIO MAGAZINE recognized 100 CIOs from leading Indian organizations for being imaginative and innovative with their IT deployments in difficult economic conditions.

Top Green IT Enterprise

BY CIO MAGAZINE in association with Schneider Electric for the sustained monitoring and improvement in the green initiative taken on by IDFC.

Silver Trophy for "15 Years" Corporate video

AT ABCI AWARDS 2013 over 1,050 nominations in 32 categories from over 115 companies across the nation were received.

BUSINESS RESPONSIBILITY REPORT

The Securities and Exchange Board of India ("SEBI") as per its circular dated August 13, 2012 has mandated the inclusion of a "Business Responsibility Report" ("BRR") as part of a company's Annual Report for top 100 listed entities based on market capitalisation at the BSE Limited ("BSE") and the National Stock Exchange of India Limited ("NSE") as on March 31, 2012. The reporting framework is based on the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business ("NVGs")' released by the Ministry of Corporate Affairs, Government of India, in July 2011 which contains 9 Principles and Core Elements for each of the 9 Principles.

PRINCIPLE 1

ETHICS, TRANSPARENCY AND ACCOUNTABILITY

Businesses should conduct and govern themselves with Ethics, Transparency and Accountability At IDFC ethics, transparency and responsible governance are deeply ingrained in our value systems. We ensure that there is complete transparency in all our disclosures and that our stakeholders are well aware of all the business decisions that might impact them. We are committed to conduct our business affairs with utmost integrity and follow the highest standards of professionalism and ethics.

PRINCIPLE 2

PRODUCT LIFE CYCLE SUSTAINABILITY

Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle IDFC is conscious of the need for sustainable development in the country. We are committed to the cause of responsible investing. We have a dedicated Environment Risk Group (**"ERG"**) that works proactively with clients to identify and address any social / environmental concerns in the life cycle of the projects (construction and operation) financed by us. Our efforts in this direction set an example to the industry.

PRINCIPLE 3

EMPLOYEE WELL-BEING

Businesses should promote the well-being of all employees We recognize our employees as our most valuable asset. We constantly strive to provide all employees opportunities for learning, professional growth and development. We have several policy initiatives in place to ensure the well-being of all our employees. We also have robust mechanisms in place to provide a workplace which is completely free of any discrimination and harassment.

PRINCIPLE 4

STAKEHOLDER ENGAGEMENT

Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised IDFC has done a mapping of all its internal and external stakeholders. The

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Company also understands stakeholders' priorities w.r.t. our operations and has developed suitable stakeholder engagement plans accordingly. Our employees, clients, investors, business partners and various regulatory bodies are among our most important stakeholders. IDFC works extensively with NGOs like SNEHA and MASOOM for health and education of under privileged sections of society. IDFC Foundation, a not-for-profit wholly-owned subsidiary of IDFC, which carries out all of our CSR activities, including research and policy advocacy, programme management support to State Governments and capacity building also provides programme management support for the creation of livelihood opportunities (Meghalaya Basin Development Authority), increasing learning levels of children (Integrated Child Development Services, ICDS, Uttarakhand) and improving the efficacy of disaster rehabilitation programmes (Civil Society and Corporate Partnership for Action, CPACT, Uttarakhand).

PRINCIPLE 5

HUMAN RIGHTS

Businesses should respect and promote human rights IDFC is a signatory to the ten principles of the United Nations Global Compact, which underlines our commitment to promotion of human rights. All the aspects of human rights are considered thoroughly before taking any management decisions. We consciously promote awareness about human rights issues in our suppliers and such considerations are included in our "Major Suppliers' Code of Responsible Business Conduct".

PRINCIPLE 6

ENVIRONMENTAL PROTECTION

Business should respect, protect and make efforts to restore the environment IDFC considers the conservation of nature and natural resources to be of paramount importance. We constantly endeavour to minimize the environmental impact of our operations through measures aimed at resource efficiency and conservation. As part of its CSR activities, IDFC also provides programme management support for sustainable livelihood development and use of renewable energy in Meghalaya. IDFC has been tracking its carbon footprint annually since FY11 (disclosed on our website). We further recognize that the most significant impact we can make is through the projects we finance. To this effect, we work with our clients, helping them identify potential environmental issues and possible safeguards. IDFC became the first Indian Financial Institution to adopt Equator Principles (**"EPs"**) in June 2013. The EPs are a Risk Management framework, adopted by Financial Institutions, for determining, assessing and managing environmental and social risk in projects and are primarily intended to provide minimum standard for due diligence to support responsible risk decision making. We are also the first Indian Financial Institution to become a signatory to the UN-sponsored Principles for Responsible Investment for our fund initiatives.

PRINCIPLE 7

POLICY ADVOCACY

Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner Another significant area where we are involved in active and responsible policy advocacy, is in sustainable infrastructure service delivery. Since inception, IDFC has played a pivotal role in advising governments at various levels on developing policy and regulatory frameworks that would enable sustainable growth and development of infrastructure in the country. We engage with our business partners, clients and regulators in this regard.

PRINCIPLE 8

INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT

Businesses should support inclusive growth and equitable development Our mission is nation building and infrastructure development; nation building in true spirit is not possible without inclusive growth. We have set up a dedicated entity - IDFC Foundation. The focus areas of such activities include health, education, infrastructure development, affordable housing and livelihoods development.

PRINCIPLE 9

CUSTOMER VALUE

Businesses should engage with and provide value to their customers and consumers in a responsible manner IDFC, as a responsible lender has worked with several clients over the year. We draw on this experience to help our clients mitigate any potential environmental and social risks associated with their projects. Our clients and communities at large, have benefitted immensely from our insights gained by working with project proponents - big and small - from several industry sectors.

SECTION A

GENERAL INFORMATION

1 CIN of the Company: L65191TN1997PLC037415

2 Name of the Company:
IDFC Limited (formerly known as Infrastructure Development Finance Company Limited)

3 Registered address:
KRM Tower, 8th Floor, No. 1, Harrington Road, Chetpet, Chennai 600 031, Tamil Nadu.
TEL +91 (44) 4564 4000 FAX +91 (44) 4564 4022

4 Website: www.idfc.com

5 E-mail id: mahendra.shah@idfc.com

6 Financial Year reported: 2013-2014

7 Sector(s) that the Company is engaged in (industrial activity code-wise):
Group: 649 Class: 6492 Sub class: 64920
Description: This class includes financial service activities primarily concerned with making loans by institutions not involved in monetary intermediation (such as venture capital companies, industrial banks, investment clubs), where the granting of credit can take a variety of forms, such as loans, mortgages, credit cards etc.

8 List three key products / services that the Company manufactures / provides (as in balance sheet)
IDFC Limited provides services in the following domain:
- Project Finance
- Fixed Income & Treasury

Following activities are carried out by our group companies:
- Investment Banking
- Securities & Investment Research
- Alternative asset management: Private Equity, Infrastructure Fund, Real Estate Fund
- Public market asset management: Mutual Fund

9 Total number of locations where business activity is undertaken by the Company

i. Number of International Locations (Provide details of major 5)
IDFC Limited has no operations in international locations. However, our group companies have offices in Mauritius, Singapore and New York (USA).

ii. Number of National Locations
IDFC Limited has 4 offices in India, located at Chennai, Mumbai, Delhi and Bengaluru.
Our group companies have 40 offices across the country.

10 Markets served by the Company: Local / State / National / International
- IDFC Limited serves national market only.
- Our subsidiaries serve international markets too (namely Singapore and USA).

SECTION B

FINANCIAL DETAILS

1 Paid-up Capital (₹ in crore)

IDFC Limited (Standalone) **1,516.29**

IDFC Group (Consolidated) **1,516.29**

2 Total Turnover (₹ in crore)

IDFC Limited (Standalone) **8,231.93**

IDFC Group (Consolidated) **8,789.99**

3 Total Profit after Taxes (₹ in crore)

IDFC Limited (Standalone) **1,701.12**

IDFC Group (Consolidated) **1,802.68**

4 Total Spending on Corporate Social Responsibility ("CSR") as authorised by the Board, as percentage of Profit after Tax (%) approximately 1.70%.

5 List of activities in which expenditure in 4 above has been incurred.

- Policy Advocacy
- Capacity Building
- Community Engagement in the areas of Education & Health Care
- Programme Management Support in the areas of livelihood development and education

SECTION C

OTHER DETAILS

1 Does the Company have any Subsidiary Company / Companies?

IDFC has following 20 subsidiary companies

1. **Domestic direct / indirect Subsidiaries**

i. IDFC AMC Trustee Company Limited
ii. IDFC Asset Management Company Limited
iii. IDFC Finance Limited
iv. IDFC Investment Advisors Limited
v. IDFC Alternatives Limited
vi. IDFC Project Equity Company Limited
vii. IDFC Projects Limited
viii. IDFC Securities Limited
ix. IDFC Trustee Company Limited
x. IDFC Foundation (Section 25 Company)
xi. IDFC Primary Dealership Company Limited
xii. Neopro Technologies Private Limited
xiii. IDFC Infra Debt Fund Limited
xiv. IDFC Housing Finance Company Limited
xv. Galaxy Mercantiles Limited

2. **Foreign Subsidiaries**

i. IDFC Capital (Singapore) Pte. Ltd.
ii. IDFC Fund of Funds Limited
iii. IDFC Capital (USA) Inc.
iv. IDFC Investment Managers (Mauritius) Limited
v. IDFC Securities Singapore Pte. Ltd.

2 Do the Subsidiary Company / Companies participate in the Business Responsibility ("BR") Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)

BR initiatives of the parent company are also participated by the subsidiaries.

3 Do any other entity / entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity / entities? [Less than 30%, 30-60%, More than 60%] ▪ YES

There are various entities that IDFC does business which take part in our BR initiatives. Majority of our BR initiatives are driven through IDFC Foundation. We engage with our business associates and also clients to carry out our BR related initiatives. Given the nature of our operations, we have a limited scope of such interventions but we continue to look for opportunities and conduct our operations responsibly. Entities participating in the Company's BR activities constitute less than 30%.

SECTION D

BUSINESS RESPONSIBILITY INFORMATION

1 Details of Director / Directors responsible for BR

a. **Details of the Director / Directors responsible for implementation of the BR policy / policies**

Implementation of BR policies is the responsibility of the Chairman of the Board

DIN Number: **00131782**

Name: **Dr. Rajiv B. Lall**

Designation: **Executive Chairman**

b. **Details of the BR head**

DIN Number: **Not Applicable (N.A.)**

Name: **Mr. Animesh Kumar**

Designation: **Group Head - Human Resources & Corporate Services**

Telephone number: **022 42222000**

E-mail id: **animesh.kumar@idfc.com**

2 Principle-wise (as per NVGs) BR Policy / policies

2.1 Do you have a policy / policies for:

P1 ETHICS, TRANSPARENCY & ACCOUNTABILITY ▪ YES

IDFC Code of Conduct and Whistle Blower Policy

P2 SUSTAINABILITY IN LIFE CYCLE OF PRODUCT ▪ YES

Environment & Social Policy

P3 EMPLOYEE WELL-BEING ▪ YES

- Equal Opportunity and Diversity
- Anti-Harassment Policy
- Joining Formalities
- Employee Welfare
- Employee Healthcare
- Secondment Policy
- Learning & Development
- Leave Policy

P4 STAKEHOLDER ENGAGEMENT ▪ YES

- IDFC Code of Conduct
- Corporate Social Responsibility Policy
- Fair Practices Code

P5 PROMOTION OF HUMAN RIGHTS ▪ YES

- Whistle Blower Policy
- Equal Opportunity and Diversity
- Anti-Harassment Policy

P6 ENVIRONMENTAL PROTECTION ▪ YES

- Corporate Social Responsibility Policy
- Environment and Social Policy

P7 RESPONSIBLE PUBLIC POLICY ADVOCACY ▪ NO

P8 INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT ▪ YES

- Corporate Social Responsibility Policy

P9 CUSTOMER VALUE ▪ YES

Environment & Social (**"E&S"**) Policy.

The E&S Policy is applicable only to business conducted by IDFC and relates to lending (project finance) and equity business.

IDFC has a robust E&S risk management framework and processes in place which provides guidelines for various stages of project appraisal process. The Environmental Risk Group (**"ERG"**) at IDFC Limited works proactively with clients (and other internal teams) to identify and help mitigate E&S risks associated with project—thereby benefitting clients and the community at large. Other policies are applicable to all the group companies as well.

2.2 Has the policy been developed in consultation with relevant stakeholders?

P1 ETHICS, TRANSPARENCY & ACCOUNTABILITY ▪ YES

P2 SUSTAINABILITY IN LIFE CYCLE OF PRODUCT ▪ YES

P3 EMPLOYEE WELL-BEING ▪ YES

P4 STAKEHOLDER ENGAGEMENT ▪ YES

P5 PROMOTION OF HUMAN RIGHTS ▪ YES

P6 ENVIRONMENTAL PROTECTION ▪ YES

P7 RESPONSIBLE PUBLIC POLICY ADVOCACY ▪ YES

P8 INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT ▪ YES

P9 CUSTOMER VALUE ▪ NO

2.3 Does the policy conform to any national / international standards?

P1 ETHICS, TRANSPARENCY & ACCOUNTABILITY ▪ YES

The Code of Conduct is based on the 10 principles of the United Nations Global Compact (**"UNGC"**) (IDFC is one of the signatory to the UNGC principles)

P2 SUSTAINABILITY IN LIFE CYCLE OF PRODUCT ▪ YES

IDFC has aligned its E&S policy and framework to IFC performance standards, operational policies and EHS guidelines of World Bank and E&S safeguards guidelines of Asian Development Bank and also conform to the national regulatory framework on environmental management and social impact assessment.

P3 EMPLOYEE WELL-BEING ▪ YES

The 10 principles of the UNGC

P4 STAKEHOLDER ENGAGEMENT ▪ NO

P5 PROMOTION OF HUMAN RIGHTS ▪ YES

The 10 principles of the UNGC

P6 ENVIRONMENTAL PROTECTION ▪ YES

IDFC has aligned its E&S policy and framework to IFC performance standards, operational policies and EHS guidelines of World Bank and E&S safeguards guidelines of Asian Development Bank and also conform to the national regulatory framework on environmental management and social impact assessment.

P7 RESPONSIBLE PUBLIC POLICY ADVOCACY ▪ N.A.

P8 INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT ▪ NO

P9 CUSTOMER VALUE ▪ YES

E&S framework aligned to IFC Performance standards, World Bank Operational Policies and Asian Development Bank's environmental and social safeguards framework.

2.4 Has the policy being approved by the Board? If yes, has it been signed by MD / owner / CEO / appropriate Board Director?

P1 ETHICS, TRANSPARENCY & ACCOUNTABILITY ▪ YES
MD & CEO

P2 SUSTAINABILITY IN LIFE CYCLE OF PRODUCT ▪ YES
MD & CEO

P3 EMPLOYEE WELL-BEING ▪ YES
MD & CEO

P4 STAKEHOLDER ENGAGEMENT ▪ YES
MD & CEO

P5 PROMOTION OF HUMAN RIGHTS ▪ YES
MD & CEO

P6 ENVIRONMENTAL PROTECTION ▪ YES
MD & CEO

P7 RESPONSIBLE PUBLIC POLICY ADVOCACY ▪ N.A.

P8 INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT ▪ YES
MD & CEO

P9 CUSTOMER VALUE ▪ YES
MD & CEO

2.5 Does the Company have a specified committee of the Board / Director / Official to oversee the implementation of the policy?

P1 ETHICS, TRANSPARENCY & ACCOUNTABILITY ▪ YES
The Whistle Blower Committee oversees the implementation of the Whistle Blower Policy; implementation of Code of Conduct is overseen by the Operations Committee & Management Committee.

P2 SUSTAINABILITY IN LIFE CYCLE OF PRODUCT ▪ YES
Chief Risk Officer is a Member of the Management Committee. E&S Risk related issues are reported to the Risk Committee on a quarterly basis.

P3 EMPLOYEE WELL-BEING ▪ YES
Operations Committee & Management Committee

P4 STAKEHOLDER ENGAGEMENT ▪ YES
Operations Committee & Management Committee

P5 PROMOTION OF HUMAN RIGHTS ▪ YES
Operations Committee & Management Committee

P6 ENVIRONMENTAL PROTECTION ▪ YES
Management Committee (Chief Risk Officer)

P7 RESPONSIBLE PUBLIC POLICY ADVOCACY ▪ N.A.

P8 INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT ▪ YES
Operations Committee & Management Committee

P9 CUSTOMER VALUE ▪ YES
Management Committee (Chief Risk Officer)

2.6 Web-link for the policy

P1 ETHICS, TRANSPARENCY & ACCOUNTABILITY ▪ YES
Code of Conduct: http://www.idfc.com/pdf/code_of_conduct.pdf
Whistle Blower policy: http://www.idfc.com/pdf/whistle_blower_policy.pdf

P2 SUSTAINABILITY IN LIFE CYCLE OF PRODUCT ▪ YES
E&S Policy: http://www.idfc.com/our-firm/environment_and_social_policy.htm

P3 EMPLOYEE WELL-BEING ▪ YES
All policies listed for this section are on our internal portal.

P4 STAKEHOLDER ENGAGEMENT ▪ PARTIAL
Fair Practices Code: http://www.idfc.com/pdf/fairPracticeCode.pdf
The web-link to Code of Conduct has been provided above; the CSR policy is not available online.

P5 PROMOTION OF HUMAN RIGHTS ▪ YES
The Web-link for Whistle Blower Policy has been provided above; other policies are not available online.

P6 ENVIRONMENTAL PROTECTION ▪ YES
E&S Policy: http://www.idfc.com/our-firm/environment_and_social_policy.htm

P7 RESPONSIBLE PUBLIC POLICY ADVOCACY ▪ N.A.
Currently the Company does not have any policies on policy advocacy.

P8 INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT ▪ NO
CSR policy is not available online.

P9 CUSTOMER VALUE ▪ YES
E&S Policy: http://www.idfc.com/our-firm/environment_and_social_policy.htm

2.7 Has the policy been communicated to the relevant internal and external stakeholders?

P1 ETHICS, TRANSPARENCY & ACCOUNTABILITY ▪ YES

P2 SUSTAINABILITY IN LIFE CYCLE OF PRODUCT ▪ YES

P3 EMPLOYEE WELL-BEING ▪ YES

P4 STAKEHOLDER ENGAGEMENT ▪ YES

P5 PROMOTION OF HUMAN RIGHTS ▪ YES

P6 ENVIRONMENTAL PROTECTION ▪ YES

P7 RESPONSIBLE PUBLIC POLICY ADVOCACY ▪ N.A.

P8 INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT ▪ YES

P9 CUSTOMER VALUE ▪ YES

2.8 Does the Company have an in-house structure to implement the policy?

P1 ETHICS, TRANSPARENCY & ACCOUNTABILITY ▪ YES

P2 SUSTAINABILITY IN LIFE CYCLE OF PRODUCT ▪ YES

P3 EMPLOYEE WELL-BEING ▪ YES

P4 STAKEHOLDER ENGAGEMENT ▪ YES

P5 PROMOTION OF HUMAN RIGHTS ▪ YES

P6 ENVIRONMENTAL PROTECTION ▪ YES

P7 RESPONSIBLE PUBLIC POLICY ADVOCACY ▪ N.A.

P8 INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT ▪ YES

P9 CUSTOMER VALUE ▪ YES

2.9 Does the Company have a grievance redressal mechanism related to the policy / policies to address stakeholder's grievances related to the policy / policies?

P1 ETHICS, TRANSPARENCY & ACCOUNTABILITY ▪ YES

P2 SUSTAINABILITY IN LIFE CYCLE OF PRODUCT ▪ NO

P3 EMPLOYEE WELL-BEING ▪ YES

P4 STAKEHOLDER ENGAGEMENT ▪ YES

P5 PROMOTION OF HUMAN RIGHTS ▪ YES **(EXCEPT FOR CSR POLICY)**

P6 ENVIRONMENTAL PROTECTION ▪ NO

P7 RESPONSIBLE PUBLIC POLICY ADVOCACY ▪ N.A.

P8 INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT ▪ NO

P9 CUSTOMER VALUE ▪ NO

2.10 Has the company carried out independent audit / evaluation of the working of this policy by an internal or external agency?

P1 ETHICS, TRANSPARENCY & ACCOUNTABILITY ▪ NO

Currently, there are no systems in place for independent audit of the implementation of the Code of Conduct and Whistle Blower Policy.

P2 SUSTAINABILITY IN LIFE CYCLE OF PRODUCT ▪ NO

Currently there are no systems in place for conducting audits of our E&S policy.

P3 EMPLOYEE WELL-BEING ▪ YES

All our Human Resources related policies undergo regular audits. An internal audit is conducted for effectiveness of the policies and the related processes & an external audit is conducted for the execution of the said policies. Both internal and external audits are conducted once every six months.

P4 STAKEHOLDER ENGAGEMENT ▪ NO

Currently there are no systems in place for conducting audits of policies listed for this principle.

P5 PROMOTION OF HUMAN RIGHTS ▪ YES

Only HR related polices undergo audits, details of which have been given above.

P6 ENVIRONMENTAL PROTECTION ▪ NO

Currently, there are no systems in place for conducting audits of our E&S and CSR policies.

P7 RESPONSIBLE PUBLIC POLICY ADVOCACY ▪ N.A.

P8 INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT ▪ NO

Currently, there are no systems in place for conducting audits of our CSR policy.

P9 CUSTOMER VALUE ▪ NO

Currently, there are no systems in place for conducting audits of our E&S policy.

2A If answer to S. No. 1 against any principle, is 'No', please explain why (Tick up to 2 options)

1. **The Company has not understood the Principles.** ▪ N.A.
2. **The Company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles.** ▪ N.A.
3. **The Company does not have financial or manpower resources available for the task.** ▪ N.A.
4. **It is planned to be done within next 6 Months.** ▪ N.A.
5. **It is planned to be done within the next 1 year.** ▪ N.A.
6. **Any other reason (please specify):**

Currently, IDFC does not have any policies for Principle 7; the Company already has taken several initiatives in the field of responsible lending and actively engages with clients, regulators, lenders and other business partners. The Company also publishes the 'India Infrastructure Report' with specific insights. Hence, the need for a separate policy on public policy advocacy has not been felt.

If necessity arises, a specific policy will be developed in the future.

3 Governance related to Business Responsibility

■ **Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year**

The Company reviews its BR performance annually.

■ **Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?**

The Company publishes BR Report Annually which is available on the website www.idfc.com.

SECTION E

PRINCIPLE-WISE PERFORMANCE

PRINCIPLE 1
ETHICS, TRANSPARENCY & ACCOUNTABILITY

1 Does the policy relating to ethics, bribery and corruption cover only the Company? Yes / No. Does it extend to the Group / Joint Ventures / Suppliers / Contractors / NGOs / Others?
IDFC has developed its Code of Conduct and Whistle Blower Policy which pertain to ethics, bribery and corruption. The Code of Conduct and the Whistle Blower policy are applicable to IDFC and our group companies. Furthermore, all our major suppliers are also required to agree to conform to the Code of Responsible Business Conduct (which covers ethical business practices) for the duration of their contract with IDFC.

2 How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management?
There were no stakeholder complaints received in the reporting period with regard to ethics, bribery and corruption.

PRINCIPLE 2
SUSTAINABILITY IN LIFE CYCLE OF PRODUCT

1 List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and / or opportunities.
Our Project Finance business incorporates social and environmental concerns in its lending operations. IDFC is a signatory to EPs. EPs are a Financial Industries Benchmark for determining, assessing and managing environmental and social risk in Project Finance transactions. Environmental and Social Due Diligence (**"ESDD"**) is undertaken for the project finance deals at the time of project appraisal. Annual Environmental and Social Monitoring and Review (**"ESMR"**) a review is undertaken for portfolio projects as per EPs requirements to identify and mitigate E&S risks (if any). Other group companies (e.g. private equity) also conduct ESDD and annual ESMR depending upon the sector and project contours and associated E&S risks.

2 For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional).

i. Reduction during sourcing / production / distribution achieved since the previous year throughout the value chain? ▪ **N.A.**

ii. Reduction during usage by consumers (energy, water) has been achieved since the previous year? ▪ **N.A.**

3 Does the Company have procedures in place for sustainable sourcing (including transportation)? If Yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.
IDFC, being a Financial Institution, is relatively less resource intensive in terms of material inputs. Our major material requirements are office, communications and IT related equipments. Despite the limited scope of our procurement needs, we continue to take initiatives to ensure responsible sourcing in our supply chain. We have a Code of Responsible Business Conduct for our major suppliers, which outlines our expectations from them in the areas of labour standards, environment and ethical business practices. It would not be possible to ascertain the percentage of inputs that are sourced sustainably.

4 Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work? If Yes, what steps have been taken to improve their capacity and capability of local and small vendors?
We will prefer locally available goods and services, other considerations being comparable. We have taken several initiatives for the development of local suppliers of goods and services. Some of the examples are:

- We have empanelled a courier agency operated by physically challenged people;
- We undertake regular trainings to upgrade skills of our housekeeping and security staff;
- In a recent renovation project at our Delhi office, all efforts were taken to source goods from local suppliers.

5 Does the Company have a mechanism to recycle products and waste? If Yes what is the percentage of recycling of products and waste (as <5%, 5–10%, >10%)?
We have adopted an e-waste Management Policy with the specific aim of minimising and responsible disposal of the entire quantum of e-waste generated throughout our operations. This policy has been formulated keeping in mind some of the international best practices and ensures compliance with local environmental laws. Additionally, all recyclable waste collected at our premises are separated (dry and wet waste); the waste is then handed over to an authorised waste processor. We recycle more than 10% of total waste generated from of our operations.

PRINCIPLE 3
EMPLOYEE WELL-BEING

1 Please indicate the total number of employees

Permanent Employees:

IDFC Limited – **225**

IDFC Group – **570**

2 Please indicate the total number of employees hired on temporary / contractual / casual basis

Temporary / Contractual / Casual Employees – **259**

Contractual employees handle work related to IT, Finance, Operations and Administration; these are commonly referred to as Shared Services. It would not be possible to ascertain the number of such employees working for IDFC Limited and other group entities (figures provided above correspond to the number of contracted employees working for whole of IDFC group).

3 Please indicate the number of permanent women employees

IDFC Limited – **59**

IDFC Group – **138**

4 Please indicate the number of permanent employees with disabilities

IDFC Limited – **0**

IDFC Group – **1**

5 Do you have an employee association that is recognised by management?

No, we do not have any employee associations.

6 What percentage of your permanent employee(s) is a member(s) of this recognised employee association? ▪ N.A.

7 Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.

1. **Child labour / forced labour / involuntary labour ▪ NIL**
2. **Sexual harassment ▪ NIL**
3. **Discriminatory employment ▪ NIL**

8 What percentage of your under mentioned employees were given safety and skill up-gradation training in the last year?

Permanent Employees **60%**

Permanent Women Employees **79%**

Casual / Temporary / Contractual Employees **0%**

Employees with disabilities **100%**

NOTE: Safety related trainings were provided to all employees w.r.t. fire and building safety. Fire safety drills were also conducted as per applicable regulations at our office locations.

PRINCIPLE 4
STAKEHOLDER ENGAGEMENT

1 Has the Company mapped its internal and external stakeholders? Yes / No

YES IDFC has mapped its internal and external stakeholders. We recognise employees, business associates (network of suppliers and vendors), clients, NGOs, communities, Shareholders / investors, regulatory authorities and other Government bodies and intermediaries as our key stakeholders.

2 Out of the above, has the Company identified the disadvantaged, vulnerable & marginalised stakeholders?

YES IDFC identifies communities at the bottom of the pyramid as the disadvantaged, vulnerable & marginalised stakeholders. In our engagements with this category of stakeholders, we lay special emphasis on rural unemployed in the youth. We contribute to enhancing the employability of the youth, leading to income generation and economic empowerment in this marginalised section of the community.

3 Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalised stakeholders? If so, provide details thereof, in about 50 words or so.

YES IDFC regularly undertakes initiatives to engage with its internal and external stakeholders. These are briefly described below.

Employees Stakeholder group

- We have processes in place to ensure upholding of the rights of our employees and protect them against any form of discrimination.
- We conduct regular learning and development activities for our employees for their skill enhancement.

Communities Stakeholder group

IDFC, through IDFC Foundation, undertakes various CSR initiatives with primary focus in the areas of education and healthcare. We support and collaborate with various agencies to carry out our CSR activities aimed at inclusive growth.

Business associates Stakeholder group

- We conduct dedicated capacity building programs for local and small vendors.
- Our Code of Responsible Business Conduct for our major suppliers encourages them to carry out their operations with a focus on labour standards, environment and ethical business practices.

Shareholders / Investors Stakeholder group

We have robust mechanisms in place which ensure full, fair, accurate, timely and understandable disclosure to all our Shareholders and investors.

Clients Stakeholder group

Our Fair Practices Code specifies the ethical principles to be followed in all our services, products and client interactions and also provides for a grievance redressal mechanism to our clients.

PRINCIPLE 5
PROMOTION OF HUMAN RIGHTS

1 Does the policy of the Company on human rights cover only the Company or extend to the Group / Joint Ventures / Suppliers / Contractors / NGOs / Others?
IDFC is a signatory to UNGC since 2001. All our business operations are guided by a set of principles outlined in UNGC and this include principles on human rights as well. This is applicable to all our group companies and service providers.

2 How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?
There were no stakeholder complaints in the reporting period pertaining to human rights.

PRINCIPLE 6
ENVIRONMENTAL PROTECTION

1 Does the policy related to Principle 6 cover only the Company or extends to the Group / Joint Ventures / Suppliers / Contractors / NGOs / others?
Our policy pertaining to environmental protection is applicable to all our group companies. Furthermore, clients (project finance) are required to be compliant to our E&S policy in their operations.

2 Does the Company have strategies / initiatives to address global environmental issues such as climate change, global warming, etc.? Y / N. If Yes, please give hyperlink for web page etc.
YES IDFC as one of the leading and responsible organisation, has undertaken several initiatives to minimise its environmental impact. The details of which can be found in our website http://www.idfc.com/our-firm/environment_management.htm

3 Does the Company identify and assess potential environmental risks? Y / N
YES IDFC identifies and assesses potential environmental and social risks in all the infrastructure investments made. IDFC has been in the forefront of integrating environmental risk assessment and mitigation into its overall investment risk assessment process. Each investment proposal that we receive is categorised based on its environmental and social impact into environmental category A (high impact), B (medium to moderate impact) and C (low impact) depending upon degree of the impact. We have a detailed E&S risk management framework and process in place which provides guidelines for various stages of project appraisal process. As part of the project appraisal, a detailed Environmental and Social Due diligence is carried out that includes site visits, secondary information collection and analysis, review of applicable compliances and consents, E&S performance of the project on E&S mitigation and regulatory compliance. An annual Environmental and Social Review and Monitoring through site visits, secondary data collection and periodic desk reviews ensure robust supervision of portfolio projects and mitigation of any emerging E&S risks.

4 Does the Company have any project related to Clean Development Mechanism? If Yes, whether any environmental compliance report is filed? NO

5 Has the Company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y / N. If Yes, please give hyperlink for web page etc.
We have (internal) Environment Policy which was adopted under the "Go Green" initiative with the objective of minimizing resource consumption and reducing environmental impact of our internal operations through resource efficiency and conservation.
Some of the initiatives we have undertaken are as follows:

- Energy efficient certification for our central data centre;
- LEED "Gold" certification for our registered office at Chennai;
- We have been doing carbon footprint assessment of our operations since 2011 with the aim of becoming a carbon neutral organisation in future;
- Various energy conservation measures have been undertaken at our major office premises including use of double glazed windows, use of recycled material, green IT, use of renewable source of energy etc.;
- We have also taken several measures to minimise our environmental impact due to business travel. These measures include car pooling, company bus service, video / audio conferencing facilities at all our major offices and using green fleet air lines for our business travel;
- We have installed sewage treatment plant at our Naman Chambers Office (Mumbai) to recycle sewage water and we are also in the

process of installing a rain water harvesting system in the same office.

6 Are the Emissions / Waste generated by the company within the permissible limits given by CPCB / SPCB for the financial year being reported? ▪ N.A.

7 Number of show cause / legal notices received from CPCB / SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year. ▪ N.A.

PRINCIPLE 7
RESPONSIBLE PUBLIC POLICY ADVOCACY

1 Is your Company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with

IDFC is an active member of several trade bodies and associations. Some of the major ones are listed below:

- Indian Bank's Association
- ASSOCHAM
- Confederation of Indian Industry
- FICCI
- Bombay Chamber of Commerce & Industry
- Indian Merchants Chamber
- Bombay Management Association
- Asia Society India Centre
- Association of Business Communicators of India
- Indo-American Chamber of Commerce
- World Economic Forum

2 Have you advocated / lobbied through above associations for the advancement or improvement of public good? Yes / No; if Yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)

We provide thought leadership and advocacy in areas of infrastructure policy and governance, with a thrust on sustainable infrastructure. Climate change, urban, water, education, land acquisition are some of the pressing issues that IDFC focuses on and also advocates through its policy advocacy initiatives. IDFC is actively working with Government agencies, other financial institutions and industry associations like CII and FICCI on formulating innovative financing mechanism to attract private sector investment in the low carbon sector. IDFC has been part of the Committee for reforms on Infrastructure financing and reforms on roads and railways.

PRINCIPLE 8
INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT

1 Does the Company have specified programmes / initiatives / projects in pursuit of the policy related to Principle 8? If Yes details thereof.

- I Care IDFC Foundation currently manages an employee voluntary participation programme (called I-Care) under which employees from across the IDFC group volunteer time with various Non-Government Organisations (**"NGOs"**). In doing so, the skills of the IDFC group employees are utilised by these NGOs in bringing dynamism and professionalism in their way of working as well as enable them scale up their operations to make a larger impact in their respective areas of engagement, in a sustainable manner. The themes for engagement and selection of agencies are youth, inclusion and environment. In addition, employees through a voluntary giving (donation) programme and IDFC Foundation through philanthropic grants would commit funds to these initiatives, with the expectation that we would stay engaged for long periods.
- Meghalaya Basin Development Authority (**"MBDA"**) IDFC Foundation is assisting MBDA in programme management that would lead to the development of infrastructure necessary for a large livelihood support programme launched by the Government at "no-cost basis". The aim of the programme is to create sustainable water storage facilities in the state, put in place infrastructure like roads, ropeways, renewable energy generating units and telecom and IT infrastructure to facilitate market access and which would support a range of activities for the community such as horticulture, aquaculture and sericulture. This is expected to create a culture of entrepreneurship in the state and help improve the quality of life for communities, through cooperation and policy dialogue among various stakeholders.
- Delhi Urban Shelter Improvement Board (**"DUSIB"**) IDFC Foundation is assisting DUSIB in developing low cost housing model for the EWS section. These houses may be awarded to the slum dwellers residing in the vicinity.
- Masoom IDFC Foundation is assisting Masoom in development of its management structure, accounting and providing funding support. Masoom is an NGO which works towards enhancing the quality of education made available in night schools in Maharashtra.

- **Society for Nutrition, Education and Health Action ("SNEHA")** IDFC Foundation is assisting SNEHA in development of its management structure, accounting. Funding support is also been provided to implement a pilot project involving establishment of a community resource centre that would deliver a range of health services and products. SNEHA is an NGO which enables the delivery of health services and nutrition care to urban under privileged populations in slums of Mumbai through models which extend and improve existing public health systems positively impacting population health & morbidity with a special focus on women and children.
- **Integrated Child Development Services ("ICDS") in Uttarakhand** IDFC foundation is implementing a 15 month Early Child Care and Education (**"ECCE"**) pilot in five districts of Uttarakhand, impacting the lives of 1,50,000 children in the age-group 0-6 years by improving learning levels on children Health & Hygiene and Pre-Literacy of the children, building capacities of Anganwadi Workers to effectively transact ECCE using traditional print media as well as multimedia and digital tools and increase community involvement in early childhood development. Civil Society and Corporate Partnership for Action (**"CPACT"**) - IDFC Foundation is assisting the Government of Uttarakhand, by anchoring and integrating the multiple rehabilitation and reconstruction efforts of various agencies in the wake of the Himalayan flash floods that hit various parts of Uttarakhand. This is expected to facilitate faster relief to the affected communities.
- **Pipal Tree Ventures ("PTV")** IDFC Foundation has invested in PTV to address the skill gap in the construction industry. PTV is providing vocational training to unemployed youths in the rural area. It trains and provides livelihood to poor unemployed rural youth in India, which in turn would help economic development of the country.
- **Ziqitza Health Care Limited ("ZHL")** IDFC Foundation has invested in ZHL to save human lives by providing emergency medical response services (Ambulances). ZHL provides its services across 17 states in India.
- **Grow-Tree e-Certificates** IDFC Foundation has graced the dignitaries in its functions with grow trees e-certificates, i.e. specific number of trees are planted on behalf of each dignitary. In all 65 trees were planted last year.
- **Short Films on life of Eminent Persons** IDFC Foundation has prepared short films on the life of 5 eminent persons who have made a significant contribution to building modern India. The new generation could draw lessons and inspiration from the life of these eminent persons.
- **In Our Hands** We started IDFC In Our Hands a youth connective programme a year ago. We see it as an opportunity to widen the debate around development, ensuring that the youth take greater ownership for their action and can become influencers of behavior in their immediate social circle. This year the programme has been extended to 15 cities in both online and offline activities debates; quiz etc. reaching estimated 2 lakh students in these cities.

2 Are the programmes / projects undertaken through in-house team / own foundation / external NGO / Government structures / any other organisation?

IDFC Foundation is the nodal agency for the implementation of the programmes. The approach adopted by IDFC Foundation is to enhance the capacity and capability of other governmental and non-governmental organisations in delivering a better service to the community. IDFC Foundation provides capacity building support (training, organisation structuring etc.), programme design and management support in the areas of education, affordable housing and livelihood development, or direct financial support, depending upon the requirement of the project / programme.

3 Have you done any impact assessment of your initiative?

IDFC Foundation has a system of reviewing of all its initiatives wherein the progress of each initiative is evaluated along with its impact on the touch points. The desired objectives (performance parameters) of the initiatives are generally stated at the commencement stage of the initiative and reviewed periodically and course correction measures are taken, if required.

4 What is your Company's direct contribution to community development projects - Amount in ₹ and the details of the projects undertaken? ▪ N.A.

5 Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.

In implementing its initiatives, IDFC Foundation undertakes a considerable amount of capacity building of the partner organisations in order to ensure the quality and sustainability of outcomes.

PRINCIPLE 9
CUSTOMER VALUE

1 What percentage of customer complaints / consumer cases are pending as on the end of financial year.

All the customer complaints that were received in the reporting period have been resolved and there are no complaints pending as at the end of financial year.

2 Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes / No / N.A. / Remarks (additional information) ▪ N.A.

3 Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and / or anti-competitive behaviour during the last five years and pending as on end of financial year?
There are no cases filed / pending as at the end of financial year 2013–14

4 Did your Company carry out any consumer survey / consumer satisfaction trends?
IDFC periodically measures the satisfaction among its customers, understand their expectation and essentially to gauge our competitiveness in the industry.

SECTION F

APPENDIX

PRINCIPLE 1
ETHICS, TRANSPARENCY & ACCOUNTABILITY

Businesses should conduct and govern themselves with Ethics, Transparency and Accountability

- Businesses should develop governance structures, procedures and practices that ensure ethical conduct at all levels; and promote the adoption of this principle across its value chain. Businesses should communicate transparently and assure access to information about their decisions that impact relevant stakeholders.
- Businesses should not engage in practices that are abusive, corrupt or anti-competition.
- Businesses should truthfully discharge their responsibility on financial and other mandatory disclosures.
- Businesses should report on the status of their adoption of these Guidelines as suggested in the reporting framework in this document.
- Businesses should avoid complicity with the actions of any third party that violates any of the principles contained in these Guidelines

PRINCIPLE 2
SUSTAINABILITY IN LIFE CYCLE OF PRODUCT

Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

- Businesses should assure safety and optimal resource use over the life cycle of the product – from design to disposal – and ensure that everyone connected with it- designers, producers, value chain members, customers and recyclers are aware of their responsibilities.
- Businesses should raise the consumer's awareness of their rights through education, product labeling, appropriate and helpful marketing communication, full details of contents and composition and promotion of safe usage and disposal of their products and services.
- In designing the product, businesses should ensure that the manufacturing processes and technologies required to produce it are resource efficient and sustainable.
- Businesses should regularly review and improve upon the process of new technology development, deployment and commercialisation, incorporating social, ethical and environmental considerations.
- Businesses should recognise and respect the rights of people who may be owners of traditional knowledge and other forms of intellectual property.
- Businesses should recognise that over-consumption results in unsustainable exploitation of our planet's resources and should therefore promote sustainable consumption, including recycling of resources.

PRINCIPLE 3
EMPLOYEE WELL-BEING

Businesses should promote the well-being of all employees

- Businesses should respect the right to freedom of association, participation, collective bargaining and provide access to appropriate grievance redressal mechanisms.
- Businesses should provide and maintain equal opportunities at the time of recruitment as well as during the course of employment

irrespective of caste, creed, gender, race, religion, disability or sexual orientation.

■ Businesses should not use child labour, forced labour or any form of involuntary labour, paid or unpaid.

■ Businesses should take cognizance of the work-life balance of its employees, especially that of women.

■ Businesses should provide facilities for the well-being of its employees including those with special needs. They should ensure timely payment of fair living wages to meet basic needs and economic security of the employees.

■ Businesses should provide a workplace environment that is safe, hygienic humane and which upholds the dignity of the employees. Businesses should communicate this provision to their employees and train them on a regular basis.

■ Businesses should ensure continuous skill and competence upgrading of all employees by providing access to necessary learning opportunities, on an equal and non-discriminatory basis. They should promote employee morale and career development through enlightened human resource interventions.

■ Businesses should create systems and practices to ensure a harassment free workplace where employees feel safe and secure in discharging their responsibilities.

PRINCIPLE 4
STAKEHOLDER ENGAGEMENT

Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised.

■ Businesses should systematically identify their stakeholders, understand their concerns, define purpose and scope of engagement and commit to engaging with them.

■ Businesses should acknowledge, assume responsibility and be transparent about the impact of their policies, decisions, product & services and associated operations on the stakeholders.

■ Businesses should give special attention to stakeholders in areas that are underdeveloped.

■ Businesses should resolve differences with stakeholders in a just, fair and equitable manner.

PRINCIPLE 5
PROMOTION OF HUMAN RIGHTS

Businesses should respect and promote human rights

■ Businesses should understand the human rights content of the Constitution of India, national laws and policies and the content of International Bill of Human Rights. Businesses should appreciate that human rights are inherent, universal, indivisible and interdependent in nature.

■ Businesses should integrate respect for human rights in management systems, in particular through assessing and managing human rights impacts of operations and ensuring all individuals impacted by the business have access to grievance mechanisms.

■ Businesses should recognise and respect the human rights of all relevant stakeholders and groups within and beyond the workplace, including that of communities, consumers and vulnerable and marginalised groups.

■ Businesses should, within their sphere of influence, promote the awareness and realisation of human rights across their value chain.

■ Businesses should not be complicit with human rights abuses by a third party.

PRINCIPLE 6
ENVIRONMENTAL PROTECTION

Business should respect, protect and make efforts to restore the environment

■ Businesses should utilise natural and man-made resources in an optimal and responsible manner and ensure the sustainability of resources by reducing, reusing, recycling and managing waste.

■ Businesses should take measures to check and prevent pollution. They should assess the environmental damage and bear the cost of pollution abatement with due regard to public interest.

■ Businesses should ensure that benefits arising out of access and commercialisation of biological and other natural resources and associated traditional knowledge are shared equitably.

■ Businesses should continuously seek to improve their environmental performance by adopting cleaner production methods, promoting use of energy efficient and environment friendly technologies and use of renewable energy.

■ Businesses should develop Environment Management Systems (**"EMS"**) and contingency plans and processes that help them in preventing, mitigating and controlling environmental damages and disasters, which may be caused due to their operations or that of a member of its value chain.

■ Businesses should report their environmental performance, including the assessment of potential environmental risks associated with their operations, to the stakeholders in a fair and transparent manner.

■ Businesses should proactively persuade and support its value chain to adopt this principle.

PRINCIPLE 7
RESPONSIBLE PUBLIC POLICY ADVOCACY

Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

■ Businesses, while pursuing policy advocacy, must ensure that their advocacy positions are consistent with the Principles and Core Elements contained in these Guidelines.

■ To the extent possible, businesses should utilise the trade and industry chambers and associations and other such collective platforms to undertake such policy advocacy.

PRINCIPLE 8
INCLUSIVE GROWTH

Businesses should support inclusive growth and equitable development

■ Businesses should understand their impact on social and economic development and respond through appropriate action to minimise the negative impacts.

■ Businesses should innovate and invest in products, technologies and processes that promote the well-being of society.

■ Businesses should make efforts to complement and support the development priorities at local and national levels and assure appropriate resettlement and rehabilitation of communities who have been displaced owing to their business operations.

■ Businesses operating in regions that are underdeveloped should be especially sensitive to local concerns.

PRINCIPLE 9
CUSTOMER VALUE

Businesses should engage with and provide value to their customers and consumers in a responsible manner

■ Businesses, while serving the needs of their customers, should take into account the overall well-being of the customers and that of society.

■ Businesses should ensure that they do not restrict the freedom of choice and free competition in any manner while designing, promoting and selling their products.

■ Businesses should disclose all information truthfully and factually, through labelling and other means, including the risks to the individual, to society and to the planet from the use of the products, so that the customers can exercise their freedom to consume in a responsible manner. Where required, businesses should also educate their customers on the safe and responsible usage of their products and services.

■ Businesses should promote and advertise their products in ways that do not mislead or confuse the consumers or violate any of the principles in these Guidelines.

■ Businesses should exercise due care and caution while providing goods and services that result in over exploitation of natural resources or lead to excessive conspicuous consumption.

■ Businesses should provide adequate grievance handling mechanisms to address customer concerns and feedback.

Independent Auditors' Report

TO THE BOARD OF DIRECTORS OF IDFC LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying Consolidated Financial Statements of IDFC LIMITED (the “Company”) and its subsidiaries (the Company and its subsidiaries constitute “the Group”), which comprise the Consolidated Balance Sheet as at March 31, 2014, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information. The Consolidated Financial Statements include investments in associates accounted on the equity method in accordance with Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements) as notified under the Companies Act, 1956 (which continues to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs).

Management’s Responsibility for the Consolidated Financial Statements

The Company’s Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries and associates referred to below in the Other Matter paragraph, the aforesaid consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2014;

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

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

Other Matter

We did not audit the financial statements of nine subsidiaries, whose financial statements reflect total assets of ₹ 363.25 crore as at March 31, 2014, total revenues of ₹ 289.67 crore and net cash inflows amounting to ₹ 13.54 crore for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group’s share of net profit of ₹ 2.01 crore for the year ended March 31, 2014, as considered in the consolidated financial statements, in respect of two associates, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associates, is based solely on the reports of the other auditors.

Our opinion is not qualified in respect of this matter.

FOR DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(Firm’s Registration No. 117366W/W-100018)

P. R. RAMESH
Partner
(Membership No. 70928)

Mumbai, April 25, 2014

Consolidated Balance Sheet

AS AT MARCH 31, 2014

(₹ IN CRORE)

	NOTES	AS AT MARCH 31, 2014	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
EQUITY AND LIABILITIES				
SHAREHOLDERS' FUNDS				
(a) Share capital	6	1,516.29		1,514.73
(b) Reserves and surplus	7	13,524.02		12,167.89
			15,040.31	13,682.62
SHARE APPLICATION MONEY PENDING ALLOTMENT	8		0.12	0.30
MINORITY INTEREST	9		40.16	25.39
NON-CURRENT LIABILITIES				
(a) Long-term borrowings	10	39,320.09		36,803.33
(b) Other long-term liabilities	11	531.37		323.05
(c) Deferred tax liability	20	3.66		3.29
(d) Long-term provisions	12	150.50		143.28
			40,005.62	37,272.95
CURRENT LIABILITIES				
(a) Short-term borrowings	13	7,826.23		3,869.37
(b) Trade payables	14	874.87		349.53
(c) Other current liabilities	15	10,895.00		15,314.93
(d) Short-term provisions	16	480.72		544.22
			20,076.82	20,078.05
TOTAL			**75,163.03**	**71,059.31**
ASSETS				
NON-CURRENT ASSETS				
(a) Fixed assets				
(i) Tangible assets	17(a)	324.71		340.56
(ii) Intangible assets	17(b)	2.89		3.89
(iii) Intangible assets under development		0.90		–
			328.50	344.45
(b) Goodwill on consolidation	18		957.09	957.09
(c) Non-current investments	19		3,888.24	3,309.25
(d) Deferred tax assets (net)	20		491.16	397.05
(e) Long-term loans and advances				
(i) Loans	21	50,049.94		48,126.83
(ii) Others	22	603.69		517.03
			50,653.63	48,643.86
(f) Other non-current assets	23		175.31	620.67
			56,493.93	54,272.37
CURRENT ASSETS				
(a) Current investments	24		7,420.46	7,694.92
(b) Trade receivables	25		657.99	160.57
(c) Cash and bank balances	26		390.38	262.72
(d) Short-term loans and advances				
(i) Loans	21	8,495.59		7,609.63
(ii) Others	22	511.97		378.03
			9,007.56	7,987.66
(e) Other current assets	23		1,192.71	681.07
			18,669.10	16,786.94
TOTAL			**75,163.03**	**71,059.31**

See accompanying notes forming part of the consolidated financial statements.

IN TERMS OF OUR REPORT ATTACHED.

FOR DELOITTE HASKINS & SELLS LLP
Chartered Accountants

P. R. RAMESH
Partner

Mumbai | April 25, 2014

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF IDFC LIMITED

RAJIV B. LALL
Executive Chairman

VIKRAM LIMAYE
Managing Director & CEO

SUNIL KAKAR
Chief Financial Officer

MAHENDRA N. SHAH
Company Secretary

Consolidated Statement of Profit and Loss

FOR THE YEAR ENDED MARCH 31, 2014

(₹ IN CRORE)

		NOTES	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
I	**INCOME**			
	Revenue from operations	27	8,772.04	8,138.59
	Other income	28	17.95	9.83
	TOTAL INCOME (I)		**8,789.99**	**8,148.42**
II	**EXPENSES**			
	Employee benefits expense	29	288.28	291.64
	Finance costs	30	5,055.24	4,675.83
	Provisions and contingencies	31	628.30	349.63
	Other expenses	32	224.56	203.36
	Depreciation and amortisation expense	17(a) & (b)	30.96	34.40
	TOTAL EXPENSES (II)		**6,227.34**	**5,554.86**
III	**PROFIT BEFORE TAX (I - II)**		**2,562.65**	**2,593.56**
IV	**TAX EXPENSE**			
	Current tax		907.55	826.54
	Deferred tax	20	(112.58)	(75.72)
	Tax adjustment for prior years		(56.16)	0.39
	[net of deferred tax liability of ₹ 18.88 crore (Previous Year ₹ Nil)] [see note 20]			
	Minimum alternate tax credit		(0.35)	(0.08)
	TOTAL TAX EXPENSE (IV)		**738.46**	**751.13**
V	**PROFIT AFTER TAX (before share of profit from associates and adjustment for minority interest) (III - IV)**		**1,824.19**	**1,842.43**
VI	**SHARE OF NET PROFIT FROM ASSOCIATES**		2.01	1.86
VII	**SHARE OF PROFIT OF MINORITY INTEREST**	9	(23.52)	(8.09)
VIII	**PROFIT FOR THE PERIOD (V+VI+VII)**		**1,802.68**	**1,836.20**
IX	**EARNINGS PER EQUITY SHARE (Nominal value of share ₹ 10 each)**	37		
	Basic (₹)		**11.89**	**12.13**
	Diluted (₹)		**11.88**	**12.06**

See accompanying notes forming part of the consolidated financial statements.

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P. R. RAMESH
Partner

Mumbai | April 25, 2014

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SUNIL KAKAR
Chief Financial Officer

MAHENDRA N. SHAH
Company Secretary

Consolidated Cash Flow Statement

(₹ IN CRORE)

	NOTES	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
A. CASH FLOW FROM OPERATING ACTIVITIES				
PROFIT BEFORE TAX			2,562.65	2,593.56
Adjustments for:				
Depreciation and amortisation expense	17(a) & (b)	30.96		34.40
Provision for employee benefits		0.39		(7.57)
Expense under the ESOS	29	–		0.21
Provisions and contingencies	31	628.30		349.63
Provisions / (utilisation) against stock futures		–		(0.50)
Provision utilised against non-performing loans / other receivables		(164.07)		(21.08)
(Amortisation) / writeback of premium on long-term investments		(9.26)		3.01
Unrealised loss on foreign currency revaluation		221.47		57.22
Profit on sale of other investments (net)	27(d)	(597.88)		(401.33)
(Utilisation) / writeback securities premium account (gross of tax)		0.14		(13.35)
Foreign currency translation reserve	7(h)	11.06		4.48
(Profit) / loss on sale of fixed assets (net)		(10.56)		0.38
Gain on buy back of debentures & commercial papers		(1.27)		(0.55)
			109.28	4.95
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES			**2,671.93**	**2,598.51**
CHANGES IN WORKING CAPITAL:				
Adjustments for (increase) / decrease in operating assets				
Trade receivables		20.59		(126.26)
Long-term loans & advances		15.45		(14.81)
Short-term loans & advances		(2.70)		(7.74)
Other non-current assets		445.24		(250.33)
Other current assets		(480.74)		(69.24)
Adjustments for increase / (decrease) in operating liabilities				
Trade payables		20.06		20.30
Other long-term liabilities		179.63		176.49
Other current liabilities		(284.74)		464.54
			(87.21)	192.95
Direct taxes paid			(991.95)	(818.91)
CASH GENERATED FROM OPERATIONS			**1,592.77**	**1,972.55**
Loans disbursed (net of repayments)			(3,078.76)	(7,470.33)
NET CASH USED IN OPERATING ACTIVITIES			**(1,485.99)**	**(5,497.78)**

Consolidated Cash Flow Statement

(₹ IN CRORE)

	NOTES	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(16.53)	(8.95)
(including intangible assets under development)			
Decrease in capital work-in-progress on sale of a subsidiary		–	36.48
Sale of fixed assets		12.09	9.72
Bank deposits matured (net)		0.41	516.93
Investment / subscription of shares in subsidiaries		(193.73)	(194.44)
Purchase of other investments		(525,616.11)	(251,123.33)
Sale proceeds of investment in subsidiaries		–	4.18
Sale proceeds of investment in an associate		–	15.00
Sale proceeds of other investments		525,998.07	248,728.42
Opening adjustment	4 & 7(i)	0.04	9.73
NET CASH FROM / (USED IN) INVESTING ACTIVITIES		**184.24**	**(2,006.26)**
C. CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from fresh issue of shares		6.83	19.04
Proceeds from borrowings (net of repayments)		6,198.49	10,759.46
Buy back of debentures & commercial papers		(4,310.73)	(2,781.49)
Dividend paid (including dividend distribution tax)		(454.20)	(407.06)
Decrease in minority interest	9	(8.75)	(0.49)
NET CASH FROM FINANCING ACTIVITIES		**1,431.64**	**7,589.46**
Net increase in cash and cash equivalents (A+B+C)		129.89	85.42
Cash and cash equivalents as at the beginning of the year	26	189.54	104.12
Cash and cash equivalents as at the end of the year	26	319.43	189.54
		129.89	**85.42**

See accompanying notes forming part of the consolidated financial statements.

IN TERMS OF OUR REPORT ATTACHED.

FOR DELOITTE HASKINS & SELLS LLP
Chartered Accountants

P. R. RAMESH
Partner

Mumbai | April 25, 2014

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF IDFC LIMITED

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Chief Financial Officer

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Company Secretary

01 Group information

IDFC Limited ('the Holding Company') is a public company, incorporated in India and regulated by the Reserve Bank of India ('the RBI') as an Infrastructure Finance Company - Non-Banking Finance Company ('IFC-NBFC'). During the year, the Holding Company and its twenty three subsidiary companies, one entity over which the Holding Company has indirect control and three jointly controlled entities constituted the Group. The Group also has two associate companies. The Group is engaged in financing by way of loans, asset management and investment banking & institutional broking. The Holding Company had applied for banking license in response to the guidelines for licensing of new banks in the private sector issued by the RBI in February 2013 and has received in-principle approval from RBI to set-up a bank.

02 Basis of preparation

The Consolidated Financial Statements of the Group have been prepared in accordance with Generally Accepted Accounting Principles in India ('Indian GAAP') to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ('the 1956 Act') [which continues to be applicable in respect of Section 133 of the Companies Act, 2013 ('the 2013 Act') in terms of General Circular 15 / 2013 dated September 13, 2013 of the Ministry of Corporate Affairs], the relevant provisions of the 1956 Act / 2013 Act, and the guidelines issued by the RBI, as applicable. The financial statements have been prepared on the accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year unless stated otherwise.

03 Basis of consolidation

(a) The Consolidated Financial Statements comprise the individual financial statements of the Holding Company, its subsidiaries and associates as on March 31, 2014 and for the year ended on that date. The Consolidated Financial Statements have been prepared on the following basis:

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

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

iii. The financial statements of the subsidiaries and the associates used in the consolidation are drawn up to the same Balance Sheet date as that of the Holding Company, i.e. March 31, 2014.

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

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

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

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

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

	NAME OF SUBSIDIARY	MARCH 31, 2014 PROPORTION OF EFFECTIVE OWNERSHIP INTEREST (%)	MARCH 31, 2013 PROPORTION OF EFFECTIVE OWNERSHIP INTEREST (%)
i.	IDFC Alternatives Limited	100.00	100.00
ii.	IDFC Asset Management Company Limited	75.00	75.00
iii.	IDFC AMC Trustee Company Limited	75.00	75.00
iv.	IDFC Capital Limited [see note 4(b)] (Subsidiary of IDFC Securities Limited upto October 31, 2013) (Merged with IDFC Securities Limited w.e.f. November 1, 2013)	–	100.00

NAME OF SUBSIDIARY	MARCH 31, 2014 PROPORTION OF EFFECTIVE OWNERSHIP INTEREST (%)	MARCH 31, 2013 PROPORTION OF EFFECTIVE OWNERSHIP INTEREST (%)
v. IDFC Capital (Singapore) Pte. Limited [see note 4(b)] (Subsidiary of IDFC Capital Limited upto October 31, 2013) (Subsidiary of IDFC Securities Limited w.e.f. November 1, 2013)	100.00	100.00
vi. IDFC Capital (USA) Inc. (Subsidiary of IDFC Securities Limited)	100.00	100.00
vii. IDFC Distribution Company Limited [see note 4(b)] (Subsidiary of IDFC Securities Limited upto October 31, 2013) (Merged with IDFC Securities Limited w.e.f. November 1, 2013)	–	100.00
viii. IDFC Finance Limited	100.00	100.00
ix. IDFC Fund of Funds Limited [see note 4(b)] (Subsidiary of IDFC Capital Limited upto October 31, 2013) (Subsidiary of IDFC Securities Limited w.e.f. November 1, 2013)	100.00	100.00
x. IDFC General Partners Limited [see note 4(i)] (Subsidiary of IDFC Capital Limited up to September 21, 2012)	–	–
xi. IDFC Housing Finance Company Limited [see note 4(c)] (Incorporated on March 4, 2014)	100.00	–
xii. IDFC Infra Debt Fund Limited [see note 4(d)] (Incorporated on March 7, 2014)	100.00	–
xiii. IDFC Investment Advisors Limited (Subsidiary of IDFC Asset Management Company Limited)	75.00	75.00
xiv. IDFC Investment Managers (Mauritius) Limited (Subsidiary of IDFC Asset Management Company Limited)	75.00	75.00
xv. IDFC Pension Fund Management Company Limited [see note 4(a) & (b)] (Subsidiary of IDFC Asset Management Company Limited upto October 15, 2013) (Wholly owned subsidiary of IDFC Securities Limited w.e.f. October 16, 2013 upto October 31, 2013) (Merged into IDFC Securities Limited w.e.f. November 1, 2013)	–	87.50
xvi. IDFC Project Equity Company Limited [see note 4(e)] (Subsidiary of IDFC Alternatives Limited w.e.f. May 17, 2012)	100.00	100.00
xvii. IDFC Projects Limited	100.00	100.00
xviii. IDFC Primary Dealership Company Limited	100.00	100.00
xix. IDFC Securities Limited	100.00	100.00
xx. IDFC Securities Singapore Pte. Limited [see note 4(b) & (f)] (Subsidiary of IDFC Capital Limited upto October 31, 2013) (Subsidiary of IDFC Securities Limited w.e.f. November 1, 2013)	100.00	100.00
xxi. IDFC Trustee Company Limited	100.00	100.00
xxii. Dheeru Powergen Limited [see note 4(h)] (Subsidiary of IDFC Projects Limited) (up to April 13, 2012)	–	–

All the subsidiaries are incorporated in India, except:

i. IDFC Capital (Singapore) Pte. Limited, a Company incorporated in Singapore.
ii. IDFC Capital (USA) Inc., a Company incorporated in the United States of America.
iii. IDFC Fund of Funds Limited, a Company incorporated in Guernsey.
iv. IDFC General Partners Limited, a Company incorporated in Guernsey.
v. IDFC Investment Managers (Mauritius) Limited, a Company incorporated in Mauritius.
vi. IDFC Securities Singapore Pte. Limited, a Company incorporated in Singapore.

(c) The Holding Company has made an investment in IDFC Foundation, a Section 25 company under Companies Act, 1956, wherein the profits will be applied for promoting its objects. Accordingly, the Consolidated Financial Statements 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.

(d) During the year the Holding Company has increased its share of investment in equity shares of Neopro Technologies Private Limited from 72.11% in the previous year to 80.44% in the current year. However, the Company has not been consolidated as a subsidiary since the shares are held exclusively with a view to dispose off in the near future.

(e) During the year the Holding Company has increased its share of investment in equity shares of Galaxy Mercantiles Limited from 43.44% in the previous year to 100.00% in the current year. However, the Company has not been consolidated as a subsidiary since the shares are held exclusively with a view to dispose off in the near future.

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

NAME OF ASSOCIATE	MARCH 31, 2014 PROPORTION OF EFFECTIVE OWNERSHIP INTEREST (%)	MARCH 31, 2013 PROPORTION OF EFFECTIVE OWNERSHIP INTEREST (%)
i. Jetpur Somnath Tollways Private Limited (Associate of IDFC Projects Limited)	**26.00**	26.00
ii. Feedback Infra Private Limited (formerly known as Feedback Infrastructure Services Private Limited)	**24.61**	24.61
iii. Dheeru Powergen Limited [see note 4(h)] (Associate of IDFC Projects Limited) (w.e.f. April 14, 2012 upto March 26, 2013)	–	–

04 Change in holding in subsidiaries and associates:

(a) The shares of IDFC Pension Fund Management Company Limited were transferred by the Holding Company and IDFC Asset Management Company Limited to IDFC Securities Limited on October 15, 2013. Accordingly, IDFC Pension Fund Management Company Limited became a wholly owned subsidiary of IDFC Securities Limited.

(b) Consequent to the approval from the Hon'ble Bombay High Court vide order dated March 28, 2014, with appointed date of November 1, 2013 and effective date April 5, 2014, IDFC Capital Limited, IDFC Distribution Company Limited and IDFC Pension Fund Management Company Limited have been merged with IDFC Securities Limited. Post merger subsidiaries of IDFC Capital Limited namely IDFC Capital (Singapore) Pte. Limited, IDFC Fund of Funds Limited and IDFC Securities Singapore Pte. Limited have become direct subsidiaries of IDFC Securities Limited.

(c) IDFC Housing Finance Company Limited was incorporated as a subsidiary of the Holding Company on March 4, 2014.

(d) IDFC Infra Debt Fund Limited was incorporated as a subsidiary of the Holding Company on March 7, 2014.

(e) The shares of IDFC Project Equity Company Limited were transferred by the Holding Company to IDFC Alternatives Limited on May 17, 2012. Consequently, IDFC Project Equity Company Limited is now an indirect subsidiary of the Holding Company.

(f) IDFC Securities Singapore Pte. Limited was incorporated in Singapore as a subsidiary of IDFC Capital Limited on November 21, 2012. Consequent to the merger, IDFC Securities Singapore Pte. Limited is a wholly owned subsidiary of IDFC Securities Limited.

(g) IDFC PPP Trusteeship Company Limited (Subsidiary of IDFC Foundation) was wound up on August 23, 2013.

(h) IDFC Projects Limited had sold 25% in Dheeru Powergen Limited in April 2012. Accordingly, Dheeru Powergen Limited ceased to be a subsidiary of IDFC Projects Limited. In view of the 26% holding, the investment in Dheeru Powergen Limited was classified as an associate company. Subsequently, in March 2013, IDFC Projects Limited had sold balance 26% in Dheeru Powergen Limited and accordingly Dheeru Powergen Limited ceased to be an associate company [see note 27(d)(i)].

(i) IDFC General Partners Limited was wound up and has ceased to be a subsidiary with effect from September 21, 2012.

Consequent to the changes in the ownership interest as detailed above in 4(a) & (h), certain previous year balances have been considered on current ownership and accordingly the same is reflected in the 'Surplus in the Statement of Profit and Loss' as 'Opening Adjustment'.

05 Significant accounting policies

(a) Cash and cash equivalents

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

(b) Cash flow statement

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

(c) Investments

NBFC in the Group

- Investments which are readily realisable and intended to be held for not more than one year from the date on which such investments are made are classified as current investments in accordance with the RBI guidelines and Accounting Standard 13 on 'Accounting for Investments' as notified under the Companies (Accounting Standards) Rules, 2006. Current investments also include current maturities of long-term investments. All other investments are classified as long-term investments.
- All investments are initially recorded at cost. The cost of an investment includes purchase price, directly attributable acquisition charges and reduced by recovery of costs, if any. On disposal of an investment, the difference between its carrying amount and the net disposal proceeds is charged or credited to the Statement of Profit and Loss. Purchase and sale of investments are recorded on trade date.
- Current investments are valued scrip-wise and depreciation / appreciation is aggregated for each category. Net appreciation in each category, if any, being unrealised gain is ignored, while net depreciation is provided for. Commercial papers, certificate of deposits and treasury bills are valued at carrying cost. Long-term investments are carried at acquisition cost. A provision is made for diminution other than temporary on an individual basis against long-term investments. Premium paid over the face value of long-term investments is amortised over the life of the investments.
- Inter-class transfer of investments from one category to the other, if any, is done in accordance with the RBI guidelines at lower of book value and fair value / market value on the date of transfer.

Other than NBFCs in the Group

- 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) Repurchase and resale transactions (Repo)

Repo transactions are treated as collateralised lending and borrowing transactions, with an agreement to repurchase, on the agreed terms, as per the RBI guidelines and accordingly disclosed in the financial statements. The difference between consideration amounts of the first leg and second leg of the repo are reckoned as repo interest. As regards repo / reverse repo transactions outstanding on the Balance Sheet date, only the accrued expenditure / income till the Balance Sheet date is taken to the Statement of Profit and Loss. Any repo expenditure / income for the remaining period is reckoned for the next accounting period. The securities sold under repo transactions are continued to be marked-to-market as per the investment classification of the security.

(e) Loans

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

(f) Tangible fixed assets

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

(g) Depreciation on tangible fixed assets

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

(h) Intangible assets and amortisation

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

(i) Impairment of assets

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

(j) Expense under employee stock option schemes

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

(k) Employee benefits

Defined contribution plan

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

Defined benefit plan

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

Compensated absences

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

(l) Borrowing costs

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

(m) Segment reporting

Primary segment (Business segment)

The major activities of the Group dovetails around financing activity. The other business segment like asset management, investment banking & institutional broking do not individually have income and / or assets more than 10% of the total income and /or assets of the Group. Accordingly, segment information for asset management, investment banking & institutional broking is grouped under business segment 'others'.

Secondary segment (Geographical segment)

Most of the subsidiaries operate only in the domestic market. As a result, the Group does not have any reportable geographical segment.

(n) Revenue recognition

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

- Interest is accounted on accrual basis except in the case of non-performing loans where it is recognised upon realisation, as per the income recognition and asset classification norms prescribed by the RBI.
- Income on discounted instruments is recognised over the tenure of the instrument on a straight-line method.
- Dividend is accounted when the right to receive is established.
- Front end fees on processing of loans are recognised upfront as income.
- Brokerage is recognised on trade date basis and is net of statutory payments.

- Asset management fees is recognised on accrual basis.
- Underwriting commission earned to the extent not reduced from the cost of acquisition of securities is recognised as fees on closure of issue.
- All other fees and charges are recognised when reasonable right of recovery is established, revenue can be reliably measured and as and when they become due, except guarantee commission which is recognised pro-rata over the period of the guarantee.
- Premium on interest rate reduction is accounted on accrual basis over the residual life of the loan.
- Profit / loss on sale of investments is recognised on trade date basis. Profit / loss on sale of investments is determined based on the 'first in first out' cost for current investments and weighted average cost for long-term investments.
- Profit on sale of loan assets through direct assignment / securitisation is recognised over the residual life of the loan / pass through certificate in terms of the RBI guidelines. Loss arising on account of direct assignment / securitisation is recognised upfront on sale in the Statement of Profit and Loss.
- Revenue from power supply is accounted on accrual basis.
- Income from trading in derivatives is recognised on final settlement or squaring up of the contracts.

(o) Leases

Where the assets are taken on lease

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

Where the assets are given on lease

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

(p) Earnings per share

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

(q) Taxes on income

- Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income-tax Act, 1961.
- Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the Balance Sheet date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Deferred tax assets are recognised for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and right for such set off are legally enforceable. Deferred tax assets are reviewed at each Balance Sheet date for their realisability. Current and deferred tax relating to items directly recognised in reserves are recognised in reserves and not in the Statement of Profit and Loss.
- Minimum alternate tax paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that normal income tax will be payable. Accordingly, it is recognised as an asset in the Balance Sheet when it is probable that future economic benefits associated with it will flow.
- Since the Holding Company has passed a Board resolution that it has no intention to make withdrawal from the Special Reserve created and maintained under Section 36(1)(viii) of the Income-tax Act, 1961, the special reserve created and maintained is not capable of being reversed and thus a permanent difference. Accordingly, no deferred tax liability has been created in books of account.

(r) Derivative contracts

Interest rate swaps

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

Currency interest rate swaps

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

Stock futures

- Stock futures are marked-to-market on a daily basis. The debit or credit balance in the 'Mark-to-market margin – stock futures account' disclosed under loans and advances or current liabilities represents the net amount paid or received on the basis of the movement in the prices of stock futures till the Balance Sheet date.
- Credit balance in the 'Mark-to-market margin – stock futures account' in the nature of anticipated profit, is ignored and no credit is taken to the Statement of Profit and Loss. However, the debit balance in the 'Mark-to-market margin – stock futures account' in the nature of anticipated loss is recognised in the Statement of Profit and Loss.
- On final settlement or squaring-up of contracts for stock futures, the profit / loss is calculated as the difference between the settlement / squaring-up price and the contract price. Accordingly, debit or credit balance pertaining to the settled / squared-up contract in 'Mark-to-market margin – stock futures account' is recognised in the Statement of Profit and Loss upon expiry of the contracts. When more than one contract in respect of the relevant series of stock futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of such contract is determined using the weighted average method for calculating profit / loss on squaring-up.
- 'Initial margin account – stock futures', representing initial margin paid is disclosed under loans and advances.

(s) Foreign currency transactions and translations

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

(t) Provisions and contingencies

Provision against loans and advances

- Contingent provision against standard assets is made at 0.25% of the outstanding standard assets in accordance with the RBI guidelines.
- In addition, the Holding Company maintains a general provision as Provision for Contingencies in accordance with the provisioning policy of the Holding Company and additional provision based on the assessment of portfolio including provision against stressed assets that qualifies for deduction under Section 36(1)(viia) of the Income-tax Act, 1961.
- The policy of provisioning against non-performing loans and advances has been decided by the management considering norms prescribed by the RBI under Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 2007. As per the policy adopted by the Holding Company, the provision against non-performing loans and advances are created on a conservative basis, taking into account management's perception of the higher risk associated with the business. Certain non-performing loans and advances are considered as loss assets and full provision has been made against such assets.
- In January 2014, the RBI has issued guidelines on Restructuring of Advances applicable to Non-Banking Finance Companies. As per the guidelines, a provision is required on standard accounts restructured prior to January 24, 2014 at 2.75% from March 31, 2014, and would further increase to 3.50% from March 31, 2015, 4.25% from March 31, 2016 and 5.00% from March 31, 2017. Restructuring of standard accounts subsequent to January 23, 2014 would attract a provision at 5.00%. The Holding Company has complied with the aforesaid guidelines and on prudent basis a provision at 5.00% has been made on all outstanding restructured accounts in addition to the provision against diminution in fair value of restructured advances. Unrealised income represented by Funded Interest Term Loan ("FITL") on standard accounts restructured after January 23, 2014 are fully provided and such provision against FITL will be reversed on repayment of FITL.

Other provisions

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

(u) Securities issue expenses

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

(v) Brokerage expenses

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

(w) Misdeal stock

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

(x) Service tax input credit

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

(y) Operating cycle

Based on the nature of products / activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

06 Share capital

	AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
	NUMBER	(₹ IN CRORE)	NUMBER	(₹ IN CRORE)
AUTHORISED				
Equity shares of ₹ 10 each	4,000,000,000	4,000.00	4,000,000,000	4,000.00
Preference shares of ₹ 100 each	100,000,000	1,000.00	100,000,000	1,000.00
		5,000.00		**5,000.00**
ISSUED, SUBSCRIBED & FULLY PAID-UP				
Equity shares of ₹ 10 each	1,516,286,251	1,516.29	1,514,727,629	1,514.73
TOTAL ISSUED, SUBSCRIBED AND FULLY PAID-UP SHARE CAPITAL		**1,516.29**		**1,514.73**

(a) Reconciliation of the number of shares and amount outstanding as at the beginning and at the end of the year:

	AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
EQUITY SHARES	NUMBER	(₹ IN CRORE)	NUMBER	(₹ IN CRORE)
Outstanding as at the beginning of the year	1,514,727,629	1,514.73	1,512,362,768	1,512.36
Issued during the year - stock options exercised under the ESOS [see note (c)]	1,558,622	1.56	2,364,861	2.37
Outstanding as at the end of the year	**1,516,286,251**	**1,516.29**	**1,514,727,629**	**1,514.73**

(b) Terms / rights attached to equity shares

- The Holding Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share and ranks *pari passu*. The dividend proposed by the Board of Directors is subject to approval of the shareholders at the ensuing Annual General Meeting. During the year ended March 31, 2014, dividend of ₹ 2.60 per share (Previous Year ₹ 2.60 per share) is recognised as amount distributable to equity shareholders.
- In the event of liquidation of the Holding Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Holding Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. However, no such preferential amounts exists currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Movement in stock options granted under the ESOS is as under:

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
	NUMBER	NUMBER
Outstanding as at the beginning of the year	35,568,940	37,970,105
Add: Granted during the year	2,246,667	883,000
Less: Exercised during the year [see note (a)]	1,558,622	2,364,861
Less: Lapsed / forfeited during the year	3,367,575	919,304
Outstanding as at the end of the year	**32,889,410**	**35,568,940**

07 Reserves and surplus

(₹ IN CRORE)

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
(a) SECURITIES PREMIUM ACCOUNT		
Opening balance	5,244.37	5,232.88
Add: Premium on exercise of stock options under the ESOS	8.62	21.64
Less: Premium utilised / (writeback) during the year [see note 5(u) & 30] [net of current tax of ₹ Nil (Previous Year ₹ 3.20 crore]	(0.14)	10.15
Closing balance	**5,253.15**	**5,244.37**
(b) STOCK OPTIONS OUTSTANDING [see note 6(c)]		
Opening balance	28.86	33.90
Add: Net charge for the year [see note 29]	–	0.21
Less: Transferred to general reserve [see note 7(f)]	0.29	0.57
Less: Stock options exercised / cancelled	3.18	4.68
Closing balance	**25.39**	**28.86**
(c) DEBENTURE REDEMPTION RESERVE		
Opening balance	364.60	214.60
Add: Transfer from surplus in the Statement of Profit and Loss	177.00	150.00
Closing balance	**541.60**	**364.60**

Debenture redemption reserve has been created in accordance with Section 117C of the Companies Act, 1956 in respect of the public issues of long-term Infrastructure Bonds. The Holding Company creates Debenture Redemption Reserve (DRR) upto 25% of the value of debentures issued through public issue plus accrued interest thereon over the expected life of such debentures in accordance with circular no. 4 / 2013 dated February 11, 2013 issued by the Ministry of Corporate Affairs. The Holding Company is not required to create DRR in respect of privately placed debentures as on March 31, 2014.

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
(d) SPECIAL RESERVE u/s. 36(1)(viii) OF THE INCOME-TAX ACT, 1961 [see note 5(q)]		
Opening balance	1,950.25	1,550.25
Add: Transfer from surplus in the Statement of Profit and Loss	423.00	400.00
Closing balance	**2,373.25**	**1,950.25**
(e) SPECIAL RESERVE u/s. 45-IC OF THE RBI ACT, 1934		
Opening balance	1,871.93	1,516.47
Add: Transfer from surplus in the Statement of Profit and Loss	346.57	355.46
Closing balance	**2,218.50**	**1,871.93**
(f) GENERAL RESERVE		
Opening balance	662.91	478.91
Add: Transfer from surplus in the Statement of Profit and Loss	180.27	183.43
Add: Transfer from stock options outstanding [see note 7(b)]	0.29	0.57
Closing balance	**843.47**	**662.91**

		AS AT MARCH 31, 2014		(₹ IN CRORE) AS AT MARCH 31, 2013
(g) CAPITAL RESERVE ON CONSOLIDATION				
Opening balance		1.25		1.25
Add: Changes due to change in shareholding in group companies		–		–
Closing balance		**1.25**		**1.25**
(h) FOREIGN CURRENCY TRANSLATION RESERVE [see note 3(a)(vii)]				
Opening balance		9.94		5.46
Add: Foreign exchange translation in relation to non-integral foreign operations		11.08		4.49
Less: Share of minority interest		0.02		0.01
Closing balance		**21.00**		**9.94**
(i) SURPLUS IN THE STATEMENT OF PROFIT AND LOSS				
Opening balance		2,033.78		1,738.96
Profit for the year		1,802.68		1,836.20
Add: Opening adjustment (see note 4 & 9)		0.04		9.73
Less: Impact of amount utilised by an associate against securities premium account		1.84		1.29
LESS: APPROPRIATIONS				
TRANSFER TO RESERVES:				
Debenture redemption reserve	177.00		150.00	
Special reserve u/s. 36(1)(viii) of the Income-tax Act, 1961	423.00		400.00	
Special reserve u/s. 45-IC of the RBI Act, 1934	346.57		355.46	
General reserve	180.27		183.43	
DIVIDEND & DIVIDEND DISTRIBUTION TAX:				
Proposed dividend on equity shares	394.24		393.84	
[₹ 2.60 per share (Previous Year ₹ 2.60 per share)]				
Dividend on equity shares pertaining to previous year [see note (i)]	0.15		0.20	
Tax on proposed equity dividend [see note (ii)]	67.00		66.93	
Tax on equity dividend for previous year [see note (i) & (ii)]	0.02		(0.04)	
Total appropriations		1,588.25		1,549.82
Closing balance		**2,246.41**		**2,033.78**
TOTAL RESERVES AND SURPLUS		**13,524.02**		**12,167.89**

(i) In respect of equity shares issued pursuant to exercise of stock options under the ESOS, the Company paid dividend of ₹ 0.15 crore for the year 2012-13 (Previous Year ₹ 0.20 crore for the year 2011-12) as approved by the shareholders at the respective Annual General Meetings and tax on dividend of ₹ 0.02 crore (Previous Year credit of ₹ 0.04 crore) as approved by the shareholders at the respective Annual General Meetings.

(ii) Tax on proposed dividend is net of dividend distribution tax of ₹ Nil (Previous Year ₹ 0.24 crore) paid by the subsidiary companies under Section 115-O of the Income-tax Act, 1961.

08 Share application money pending allotment

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

	AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
	NUMBER	(₹ IN CRORE)	NUMBER	(₹ IN CRORE)
Equity shares of face value ₹ 10 each proposed to be issued	24,500	0.02	44,799	0.04
Total amount of securities premium		0.10		0.26
		0.12		**0.30**

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

09 Minority Interest

	AS AT MARCH 31, 2014 %	AS AT MARCH 31, 2013 %
DIRECT		
IDFC Asset Management Company Limited	25.00	25.00
IDFC AMC Trustee Company Limited	25.00	25.00
INDIRECT (Through IDFC Asset Management Company Limited)		
IDFC Investment Advisors Limited	25.00	25.00
IDFC Investment Managers (Mauritius) Limited	25.00	25.00
IDFC Pension Fund Management Company Limited [see note 4(a)]	–	12.50

Consequent to the transfer of shares of IDFC Pension Fund Management Company Limited by IDFC Asset Management Company Limited to IDFC Securities Limited and merger of IDFC Pension Fund Management Company Limited into IDFC Securities Limited, minority interest in IDFC Pension Fund Mangement Company Limited has reduced to zero [see note 4(b)].

(₹ IN CRORE)

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Opening minority interest	25.39	17.79
Add: Share of profit of minority interest	23.52	8.09
Less: Dividend and dividend distribution tax by subsidiaries	8.73	0.50
Add: Fluctuation in foreign currency translation reserve	0.02	0.01
Less: Reduction due to change in shareholding in IDFC Pension Fund Management Company Limited	0.04	–
Closing Balance	**40.16**	**25.39**

10 Long-term borrowings

(₹ IN CRORE)

	AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
	NON-CURRENT	CURRENT	NON-CURRENT	CURRENT
DEBENTURES & BONDS (NON-CONVERTIBLE) (SECURED) [see note (a) & (c)]				
Face value	26,462.41	8,396.90	27,693.13	11,522.00
Less: Unexpired discount on zero percent debentures & bonds [see note (b)]	281.55	25.58	366.24	27.73
	26,180.86	8,371.32	27,326.89	11,494.27
TERM LOANS (SECURED) [see note (a)]				
From banks [see note (d)]	4,380.74	850.00	3,005.74	1,000.00
From others [see note (e)]	758.84	–	–	918.00
	5,139.58	850.00	3,005.74	1,918.00
EXTERNAL COMMERCIAL BORROWINGS (SECURED) [see note (a)]				
From banks [see note (f)]	4,903.95	–	3,382.83	–
From others [see note (g)]	2,445.70	197.68	2,437.87	142.32
	7,349.65	197.68	5,820.70	142.32
SUBORDINATED DEBT FROM THE GOVERNMENT OF INDIA (UNSECURED) [see note (h)]	650.00	–	650.00	–
Amount disclosed under 'other current liabilities' (see note 15)	–	(9,419.00)	–	(13,554.59)
TOTAL LONG-TERM BORROWINGS	**39,320.09**	**–**	**36,803.33**	**–**
The above amount includes:				
Secured borrowings [see note (a)]	38,670.09	9,419.00	36,153.33	13,554.59
Unsecured borrowings	650.00	–	650.00	–
	39,320.09	**9,419.00**	**36,803.33**	**13,554.59**

(a) Borrowings of ₹ 48,089.09 crore (Previous Year ₹ 49,707.92 crore) are secured by way of a first floating *pari passu* charge over investments, other assets, trade receivables, cash and bank balances and loans & advances excluding investments in and other receivables from subsidiaries and affiliates of the Holding Company and lien marked assets.

(b) Unexpired discount is net of ₹ 251.00 crore (Previous Year ₹ 154.46 crore) towards interest accrued but not due.

(c) Interest and repayment terms of long-term borrowings - debentures & bonds (non-convertible) (secured):

(₹ IN CRORE)

RESIDUAL MATURITY	AS AT MARCH 31, 2014 BALANCE OUTSTANDING	AS AT MARCH 31, 2014 INTEREST RATE (%)	AS AT MARCH 31, 2013 BALANCE OUTSTANDING	AS AT MARCH 31, 2013 INTEREST RATE (%)
Fixed Rate				
Above 5 years	12,084.53	7.75 to 9.68	8,437.53	7.75 to 9.35
3-5 years	2,036.73	7.98 to 9.45	3,837.37	8.43 to 9.54
1-3 years	12,301.15	7.45 to 9.57	15,378.23	7.25 to 9.80
Floating Rate				
3-5 years	40.00	MIBOR+150 bps	40.00	MIBOR+150 bps
TOTAL	**26,462.41**		**27,693.13**	

(d) Interest and repayment terms of long-term loans from banks (secured):

(₹ IN CRORE)

RESIDUAL MATURITY	AS AT MARCH 31, 2014 BALANCE OUTSTANDING	AS AT MARCH 31, 2014 INTEREST RATE (%)	AS AT MARCH 31, 2013 BALANCE OUTSTANDING	AS AT MARCH 31, 2013 INTEREST RATE (%)
Fixed Rate				
1-3 years	255.74	7.41	255.74	7.41
Floating Rate				
3-5 years	–	NA	200.00	Bank Base rate
1-3 years	4,125.00	Bank Base rate+5 bps	2,550.00	Bank Base rate+10 bps
TOTAL	**4,380.74**		**3,005.74**	

(e) Interest and repayment terms of long-term loans from others (secured):

(₹ IN CRORE)

RESIDUAL MATURITY	AS AT MARCH 31, 2014 BALANCE OUTSTANDING	AS AT MARCH 31, 2014 INTEREST RATE (%)	AS AT MARCH 31, 2013 BALANCE OUTSTANDING	AS AT MARCH 31, 2013 INTEREST RATE (%)
Fixed Rate				
Above 5 years	71.22	2.00	–	NA
3-5 Years	26.59	2.00	–	NA
1-3 years	18.03	2.00	–	NA
Floating Rate				
3-5 Years	643.00	Base rate	–	NA
TOTAL	**758.84**		**–**	

(f) Interest and repayment terms of external commercial borrowings from banks (secured):

(₹ IN CRORE)

RESIDUAL MATURITY	AS AT MARCH 31, 2014 BALANCE OUTSTANDING	AS AT MARCH 31, 2014 INTEREST RATE (%)	AS AT MARCH 31, 2013 BALANCE OUTSTANDING	AS AT MARCH 31, 2013 INTEREST RATE (%)
Floating Rate				
3-5 years	2,404.00	USD 6M LIBOR+185 to 250 bps	1,903.65	USD 6M LIBOR+210 to 275 bps
3-5 years	276.25	3M BBSY+270 bps	282.60	3M BBSY+270 bps
1-3 years	2,223.70	USD 6M LIBOR+150 to 275 bps	1,196.58	USD 6M LIBOR+150 to 175 bps
TOTAL	**4,903.95**		**3,382.83**	

(g) Interest and repayment terms of external commercial borrowings from others (secured):

(₹ IN CRORE)

RESIDUAL MATURITY	AS AT MARCH 31, 2014 BALANCE OUTSTANDING	AS AT MARCH 31, 2014 INTEREST RATE (%)	AS AT MARCH 31, 2013 BALANCE OUTSTANDING	AS AT MARCH 31, 2013 INTEREST RATE (%)
Floating Rate				
Above 5 years	130.33	USD 6M LIBOR+235 bps	165.73	USD 6M LIBOR+235 bps
Above 5 years	1,352.26	USD 3M LIBOR+225 bps	1,359.75	USD 3M LIBOR+225 bps
Above 5 years	308.27	INBMK+183.50 bps	346.80	INBMK+183.50 bps
3-5 years	38.53	INBMK+183.50 bps	–	NA
3-5 years	150.25	USD 3M LIBOR+225 bps	–	NA
3-5 years	127.05	USD 6M LIBOR+ 60.20 to 235 bps	212.10	USD 6M LIBOR+60.20 to 235 bps
1-3 years	339.01	USD 6M LIBOR+60.20 to 235 bps	353.49	USD 6M LIBOR+60.20 to 235 bps
TOTAL	**2,445.70**		**2,437.87**	

(h) Interest and repayment terms of subordinated debt from the Government of India (unsecured):

(₹ IN CRORE)

REPAYMENT DATE	AS AT MARCH 31, 2014 BALANCE OUTSTANDING	AS AT MARCH 31, 2014 INTEREST RATE (%)	AS AT MARCH 31, 2013 BALANCE OUTSTANDING	AS AT MARCH 31, 2013 INTEREST RATE (%)
29-Sep-47	350.00	5 Year G-Sec+25 bps	350.00	5 Year G-Sec+25 bps
17-Mar-47	300.00	5 Year G-Sec+25 bps	300.00	5 Year G-Sec+25 bps
TOTAL	**650.00**		**650.00**	

11 Other long-term liabilities

(₹ IN CRORE)

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Lease equalisation (see note 36)	2.35	3.67
Interest accrued but not due on borrowings	483.83	301.27
Income received in advance (unearned revenue)	1.61	3.22
Security deposits	8.33	8.33
Debenture Application money	–	1.30
Payables against derivative contracts	35.23	5.24
Retention money	0.02	0.02
Other payables	ß	ß
TOTAL	**531.37**	**323.05**

12 Long-term provisions

(₹ IN CRORE)

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Provision for employee benefits (see note 33)	0.09	0.08
Contingent provision against standard assets [see note (a) & (b)]	150.41	143.20
TOTAL	**150.50**	**143.28**

(a) A contingent provision against standard assets has been created at 0.25% of the outstanding standard assets in terms of the RBI circular (Ref. No. DNBS (PD) CC No. 333 / 03.02.001 / 2013-14 dated July 1, 2013).

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

(₹ IN CRORE)

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Opening balance	143.20	124.40
Additions during the year	7.21	18.80
Closing balance	**150.41**	**143.20**

13 Short-term borrowings

(₹ IN CRORE)

		AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
TERM LOANS (SECURED) [see note (a)]			
From banks		1,200.00	1,218.90
TERM LOANS (UNSECURED)			
From others		10.00	3.38
COLLATERALISED BORROWINGS AND LENDING OBLIGATIONS (CBLO) (SECURED) [see note (b)]		2,229.14	597.23
REPURCHASE AGREEMENT (REPO) (SECURED) [see note (c)]		1,361.96	–
COMMERCIAL PAPERS (UNSECURED)			
Face value	2,771.00		857.00
Less: Unexpired discount [see note (d)]	45.87		32.14
		2,725.13	824.86
CASH CREDIT / BANK OVERDRAFT (SECURED) [see note (a)]		300.00	1,225.00
TOTAL SHORT-TERM BORROWINGS		**7,826.23**	**3,869.37**
The above amount includes:			
Secured borrowings [see note (a)]		5,091.10	3,041.13
Unsecured borrowings		2,735.13	828.24
		7,826.23	**3,869.37**

(a) Borrowings of ₹ 1,500.00 crore (Previous Year ₹ 2,443.90 crore) are secured by way of a first floating *pari passu* charge over investments, other assets, trade receivables, cash and bank balances and loans and advances excluding investments in and other receivables from subsidiaries and affiliates of the Holding Company and lien marked assets.

(b) Borrowings under CBLO are secured by pledge of investments in government securities and treasury bills of ₹ 3,085.89 crore (Previous Year ₹ 631.24 crore).

(c) Borrowings under REPO are secured by assignment of treasury bills of ₹ 1,364.45 crore (Previous Year ₹ Nil).

(d) Unexpired discount on commercial papers is net of ₹ 61.35 crore (Previous Year ₹ 32.25 crore) towards interest accrued but not due.

14 Trade payables

(₹ IN CRORE)

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Payables against derivative contracts	145.31	81.05
Payables against purchase of investments	574.26	108.52
Other trade payables (see note 40)	8.78	12.19
Provision for expenses	146.52	147.77
Total	**874.87**	**349.53**

15 Other current liabilities

		(₹ IN CRORE)
	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Current maturities of long-term borrowings (see note 10)	9,419.00	13,554.59
Interest accrued but not due on borrowings	1,393.35	1,710.25
Income and other amounts received in advance	45.99	31.10
Funds received for investor education	9.46	1.84
Unclaimed dividend	1.60	1.54
Unclaimed interest	15.76	3.78
Security deposit	2.02	2.50
Lease equalisation (see note 36)	0.85	1.67
Other payables		
Payable to gratuity fund	0.64	0.24
Statutory dues	5.52	6.84
Other liabilities	0.81	0.58
TOTAL	**10,895.00**	**15,314.93**

16 Short-term provisions

		(₹ IN CRORE)
	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Provision for employee benefits (see note 33)	0.03	0.05
Provision for income tax (net of advance payment of tax)	16.40	87.13
Provision for wealth tax (net of advance payment of tax)	0.14	0.12
Provision for fringe benefit tax (net of advance payment of tax)	0.06	0.04
Proposed equity dividend [see note 6(b) & 7(i)]	394.24	393.84
Tax on proposed equity dividend [see note 7(ii)]	69.85	63.04
TOTAL	**480.72**	**544.22**

17 (a) Tangible assets

(₹ IN CRORE)

	GROSS BLOCK							ACCUMULATED DEPRECIATION							NET BLOCK	
	Balance as at April 1, 2013	Opening adjustment (See note 4)	Translation exchange difference	Additions	Disposals	Transfer in / (out) (see note 1)	Balance as at March 31, 2014	Balance as at April 1, 2013	Opening adjustment (see note 4)	Translation exchange difference	Depreciation charge for the year	On disposals	Transfer in / (out) (see note 1)	Balance as at March 31, 2014	Balance as at March 31, 2014	Balance as at March 31, 2013
Freehold Land	–	–	–	4.36	–	–	4.36	–	–	–	–	–	–	–	4.36	–
(Previous Year)	(5.07)	(5.07)	–	–	–	–	–	–	–	–	–	–	–	–	–	
Leasehold Land	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(Previous Year)	(4.51)	(4.51)	–	–	–	–	–	–	–	–	–	–	–	–	–	
Buildings																
Own use	326.64	–	–	–	2.31	18.81	343.14	63.98	–	–	13.31	1.15	10.39	86.53	256.61	262.66
(Previous Year)	(326.64)	–	–	–	–	–	(326.64)	(50.16)	–	–	(13.82)	–	–	(63.98)	(262.66)	
Under operating lease	18.81	–	–	–	–	(18.81)	–	10.13	–	–	0.26	–	(10.39)	–	–	8.68
(Previous Year)	(18.81)	–	–	–	–	–	(18.81)	(9.67)	–	–	(0.46)	–	–	(10.13)	(8.68)	
Leasehold improvements	15.24	–	0.09	0.24	3.02	–	12.55	10.68	–	0.08	1.90	3.02	–	9.64	2.91	4.56
(Previous Year)	(14.78)	–	(0.05)	(0.43)	(0.02)	–	(15.24)	(8.48)	–	(0.05)	(2.15)	ß	–	(10.68)	(4.56)	
Furniture and fixtures																
Own use	11.57	–	0.05	0.48	0.96	0.42	11.56	6.15	–	0.02	0.99	0.86	0.16	6.46	5.10	5.42
(Previous Year)	(12.14)	(0.03)	(0.02)	(0.65)	(1.21)	–	(11.57)	(6.09)	(0.02)	(0.01)	(1.07)	(1.00)	–	(6.15)	(5.42)	
Under operating lease	0.42	–	–	–	–	(0.42)	–	0.15	–	–	0.01	–	(0.16)	–	–	0.27
(Previous Year)	(0.42)	–	–	–	–	–	(0.42)	(0.13)	–	–	(0.02)	–	–	(0.15)	(0.27)	
Vehicles	1.29	–	–	5.81	0.13	–	6.97	0.63	–	–	1.10	0.11	–	1.62	5.35	0.66
(Previous Year)	(1.08)	–	–	(0.21)	–	–	(1.29)	(0.46)	–	–	(0.17)	–	–	(0.63)	(0.66)	
Office equipment																
Own use	16.84	–	0.04	1.28	0.62	0.02	17.56	7.23	–	0.02	1.95	0.43	0.02	8.79	8.77	9.61
(Previous Year)	(14.35)	(0.06)	(0.01)	(3.32)	(0.78)	–	(16.84)	(6.01)	(0.04)	ß	(1.88)	(0.62)	–	(7.23)	(9.61)	
Under operating lease	0.02	–	–	–	–	(0.02)	–	0.02	–	–	–	–	(0.02)	–	–	–
(Previous Year)	(0.02)	–	–	–	–	–	(0.02)	(0.02)	–	–	–	–	–	(0.02)	–	
Computers	20.66	–	0.04	1.95	1.16	–	21.49	16.28	–	0.04	2.20	1.11	–	17.41	4.08	4.38
(Previous Year)	(20.02)	(0.05)	(0.02)	(1.61)	(0.94)	–	(20.66)	(14.59)	(0.03)	(0.02)	(2.58)	(0.88)	–	(16.28)	(4.38)	
Wind mills	101.25	–	–	–	–	–	101.25	56.93	–	–	6.79	–	–	63.72	37.53	44.32
(Previous Year)	(101.25)	–	–	–	–	–	(101.25)	(48.91)	–	–	(8.02)	–	–	(56.93)	(44.32)	
TOTAL	**512.74**	**–**	**0.22**	**14.12**	**8.20**	**–**	**518.88**	**172.18**	**–**	**0.15**	**28.51**	**6.67**	**–**	**194.17**	**324.71**	**340.56**
(Previous Year)	(519.09)	(9.72)	(0.10)	(6.22)	(2.95)	–	(512.74)	(144.52)	(0.09)	(0.08)	(30.17)	(2.50)	–	(172.18)	(340.56)	

Note:

1) The operating lease relating to certain assets has expired during the current year.

17 (b) Intangible assets (other than internally generated)

(₹ IN CRORE)

	GROSS BLOCK							ACCUMULATED AMORTISATION							NET BLOCK	
	Balance as at April 1, 2013	Opening adjustment (See note 4)	Translation exchange difference	Additions	Disposals	Transfer in / (out)	Balance as at March 31, 2014	Balance as at April 1, 2013	Opening adjustment (see note 4)	Translation exchange difference	Amortisation charge for the year	On disposals	Transfer in / (out)	Balance as at March 31, 2014	Balance as at March 31, 2014	Balance as at March 31, 2013
Computer software	20.54	–	0.01	1.45	–	–	22.00	16.72	–	–	2.44	–	–	19.16	2.84	3.82
(Previous Year)	(17.68)	(0.04)	ß	(2.90)	–	–	(20.54)	(12.50)	(0.01)	(0.01)	(4.22)	–	–	(16.72)	(3.82)	
Tenancy rights	0.11	–	–	–	–	–	0.11	0.04	–	–	0.01	–	–	0.06	0.05	0.07
(Previous Year)	(0.11)	–	–	–	–	–	(0.11)	(0.03)	–	–	(0.01)	–	–	(0.04)	(0.07)	
TOTAL	**20.65**	**–**	**0.01**	**1.45**	**–**	–	**22.11**	**16.76**	**–**	**–**	**2.45**	**–**	–	**19.22**	**2.89**	**3.89**
(Previous Year)	(17.79)	(0.04)	(ß)	(2.90)	–	–	(20.65)	(12.53)	(0.01)	(0.01)	(4.23)	–	–	(16.76)	(3.89)	
TOTAL TANGIBLE AND INTANGIBLE ASSETS	**533.39**	**–**	**0.23**	**15.57**	**8.20**	–	**540.99**	**188.94**	**–**	**0.15**	**30.96**	**6.67**	–	**213.39**	**327.60**	**344.45**
(Previous Year)	(536.88)	(9.76)	(0.10)	(9.12)	(2.95)	–	(533.39)	(157.05)	(0.10)	(0.09)	(34.40)	(2.50)	–	(188.94)	(344.45)	

18 Goodwill on consolidation

(₹ IN CRORE)

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Opening Balance	957.09	966.75
Less: On disposal of subsidiaries during the year [see note 4(h)]	–	9.66
Closing Balance [see note 3(a)(iv)]	**957.09**	**957.09**

19 Non-current investments (at cost)

(₹ IN CRORE)

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
INVESTMENT IN ASSOCIATES		
Equity shares	52.93	36.81
Add: Goodwill on acquisition	9.80	9.80
Add: Adjustment for post acquisition share of profit and reserve of associates	9.87	10.51
	72.60	57.12
INVESTMENT IN A SUBSIDIARY		
Equity shares [see note 3(c)]	13.00	13.00
OTHER INVESTMENTS		
Equity shares [see note (a)]	827.93	690.89
Preference shares [see note (d)]	155.72	469.22
Venture capital units [see note (d)]	881.87	707.77
Debentures & bonds	540.59	64.94
Government securities [see note 13(b)]	1,517.06	1,517.06
Mutual funds [see note (b)]	15.00	5.00
Security receipts	196.46	21.24
TOTAL NON-CURRENT INVESTMENTS	**4,220.23**	**3,546.24**
Less: Provision for diminution in value of investments	330.56	236.73
Less: Premium amortised on debentures, bonds and government securities	1.43	0.26
NET NON-CURRENT INVESTMENTS	**3,888.24**	**3,309.25**
(a) Aggregate amount of quoted investments		
Cost	298.02	298.39
Market value	152.18	148.44
(b) Aggregate amount of investments in unquoted mutual funds		
Cost	15.00	5.00
Market value	15.90	5.06
(c) Aggregate amount of unquoted investments - cost	3,907.21	3,242.87

(d) Investments include ₹ 0.47 crore (Previous Year ₹ 0.47 crore) in respect of preference shares and ₹ 881.87 crore (Previous Year ₹ 707.79 crore) in respect of venture capital units which are subject to restrictive covenants.

20 Deferred tax (net)

(₹ IN CRORE)

	AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
(a) Provisions	514.40	–	414.18	–
(b) Others	2.64	–	9.13	–
(c) Fixed assets: Impact of difference between tax depreciation and depreciation / amortisation charged to the Statement of Profit and Loss	(25.88)	3.66	(26.26)	3.29
DEFERRED TAX (NET)	**491.16**	**3.66**	**397.05**	**3.29**

In compliance with Accounting Standard 22 on 'Accounting for Taxes on Income' as notified under the Companies (Accounting Standards) Rules, 2006, the Company has taken credit of ₹ 93.70 crore (Previous Year ₹ 75.72 crore) in the Statement of Profit and Loss towards deferred tax assets (net) on account of timing differences and ₹ 0.04 crore (Previous Year ₹ ß) in the Foreign Currency Translation Reserve.

21 Loans

(₹ IN CRORE)

	AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
	NON-CURRENT	CURRENT	NON-CURRENT	CURRENT
Rupee loans [see note (a), (c) & (d)]	50,807.63	8,000.49	47,643.27	7,627.71
Debentures & bonds [see note (a) & (d)]	453.68	567.50	1,298.77	24.80
	51,261.31	**8,567.99**	**48,942.04**	**7,652.51**
Less: Provision against non-performing loans [see note (c)]	40.00	72.40	13.33	42.88
Less: Provision against restructured loans & others	158.03	–	–	–
Less: Provision for contingencies	1,013.34	–	801.88	–
TOTAL	**50,049.94**	**8,495.59**	**48,126.83**	**7,609.63**
(a) The above amount includes				
Secured [see note (b)]	47,552.97	8,093.39	44,699.73	7,306.49
Unsecured	3,708.34	474.60	4,242.31	346.02
	51,261.31	**8,567.99**	**48,942.04**	**7,652.51**

(b) Loans to the extent of ₹ 55,646.36 crore (Previous Year ₹ 52,006.22 crore) are secured by:
  (i) Hypothecation of assets and / or
  (ii) Mortgage of property and / or
  (iii) Trust and retention account and / or
  (iv) Bank guarantee, company guarantee, sponsor guarantee or personal guarantee and / or
  (v) Assignment of receivables or rights and / or
  (vi) Pledge of shares and / or
  (vii) Negative lien and / or
  (viii) Undertaking to create a security.

(c) Loans includes non-performing loans of ₹ 332.98 crore (Previous Year ₹ 85.12 crore) against which provisions of ₹ 112.40 crore (Previous Year ₹ 56.21 crore) has been made in accordance with the RBI circular (Ref. No. DNBS (PD) CC No. 333 / 03.02.001 / 2013-14 dated July 1, 2013 [see note (d)].

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

(₹ IN CRORE)

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
(i) Standard assets	59,496.32	56,509.43
(ii) Sub-standard assets	332.98	14.01
(iii) Doubtful assets	–	43.61
(iv) Loss assets	–	27.50
	59,829.30	**56,594.55**

22 Loans and advances - others (considered good, unless stated otherwise)

(₹ IN CRORE)

	AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
	NON-CURRENT	CURRENT	NON-CURRENT	CURRENT
UNSECURED				
Inter corporate deposits	–	19.00	–	175.00
Loans and advances to related parties (see note 34)	–	21.50	–	24.15
Receivables against derivative contracts	206.56	438.48	207.47	159.68
Loans and advances to employees	1.00	0.21	1.00	0.36
Advance against investments	–	0.05	–	ß
Security deposits	37.32	11.36	39.80	1.15
Other deposits	–	0.33	–	3.04
Advance payment of income tax (net of provision)	341.67	–	252.95	–
Advance payment of fringe benefit tax (net of provision)	0.53	–	0.53	–
Other loans and advances				
Supplier advances	–	1.27	–	2.21
Capital advances	0.38	–	0.62	–
Other advances	–	0.01	–	–
Prepaid expenses	8.00	16.88	3.31	10.43
Stamp paper on hand	–	0.11	–	0.05
Minimum alternate tax credit	0.52	–	0.17	–
Balances with government authorities - cenvat credit available [includes ₹ 0.67 crore (Previous Year ₹ 0.64 crore), considered doubtful]	–	3.44	0.16	2.60
Initial margin account - stock futures	0.60	–	4.50	–
Initial margin account - government securities	7.11	–	6.52	–
	603.69	512.64	517.03	378.67
Less: Provision against doubtful advances	–	0.67	–	0.64
TOTAL	**603.69**	**511.97**	**517.03**	**378.03**

23 Other assets (considered good, unless stated otherwise)

(₹ IN CRORE)

	AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
	NON-CURRENT	CURRENT	NON-CURRENT	CURRENT
Other receivables [includes ₹ 0.89 crore (Previous Year ₹ 1.17 crore), considered doubtful]	–	2.13	–	7.82
Less: Provision against doubtful receivables	–	0.89	–	1.17
	–	1.24	–	6.65
Bank deposits [see note (a)]	1.18	–	3.10	–
Interest accrued on deposits & loan to financial institution	0.07	0.28	0.10	2.99
Interest accrued on investments	–	85.20	–	136.00
Interest accrued on loans	102.20	1,050.84	557.49	495.77
Unamortised expenses				
Premium on forward contracts	–	32.71	–	24.37
Ancilliary borrowing costs	71.86	22.44	59.98	15.29
TOTAL	**175.31**	**1,192.71**	**620.67**	**681.07**

(a) Balances with bank include deposits under lien of ₹ 1.18 crore (Previous Year ₹ 2.99 crore) against bank guarantee.

(b) Interest accured on loans - current is net of provision of ₹ 1.15 crore (Previous Year ₹ 31.77 crore).

24 Current investments

			(₹ IN CRORE)
		AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
INVESTMENT IN A SUBSIDIARY [see note 3(d) & (e)]			
Equity shares	344.08		164.46
Preference shares	122.94		25.03
		467.02	189.49
INVESTMENT IN AN ASSOCIATE [see note 3(e)]			
Equity shares	–		73.81
Preference shares	–		9.99
		–	83.80
OTHER INVESTMENTS			
Equity shares [see note (a)]	63.69		78.29
Debentures & bonds	903.82		2,028.46
Pass through certificates	0.41		0.58
Certificate of deposits	1,085.27		2,213.57
Commercial papers	72.53		–
Government securities [see note 13(b)]	33.95		1,429.89
Treasury bills [see note 13(b) & (c)]	4,496.43		613.15
Mutual funds [see note (b)]	337.34		530.36
		6,993.44	6,894.30
CURRENT MATURITIES OF LONG-TERM INVESTMENTS			
Mutual funds [see note (b)]	–		1.20
		–	1.20
CURRENT PORTION OF LONG-TERM INVESTMENTS			
Equity shares	–		69.42
Debentures & bonds	–		498.15
Government securities	–		25.63
		–	593.20
TOTAL CURRENT INVESTMENTS		**7,460.46**	**7,761.99**
Less: Provision for diminution in value of investments		40.00	56.64
Less: Premium amortised on current maturities of long-term debentures & bonds		–	10.43
NET CURRENT INVESTMENTS		**7,420.46**	**7,694.92**
(a) Aggregate amount of quoted investments			
Cost		63.69	78.29
Market value		24.07	35.84
(b) Aggregate amount of investments in unquoted mutual funds			
Cost		337.34	531.56
Market value (Net asset value)		345.74	542.12
Market value of investments in unquoted mutual funds represents the repurchase price of the units issued by the mutual fund.			
(c) Aggregate amount of other unquoted investments - cost		7,059.43	7,152.14

25 Trade receivables (unsecured)

(₹ IN CRORE)

		AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
CONSIDERED GOOD			
Outstanding for a period less than six months from the date they are due for payment [see note (i)]		655.42	154.38
Outstanding for a period exceeding six months from the date they are due for payment		2.57	6.19
CONSIDERED DOUBTFUL			
Outstanding for a period less than six months from the date they are due for payment	0.11		20.43
Outstanding for a period exceeding six months from the date they are due for payment	109.65		89.04
		109.76	109.47
Less: Provision against doubtful receivables		109.76	109.47
		–	–
TOTAL		**657.99**	**160.57**

(i) Includes ₹ 632.64 crore (Previous Year ₹ 114.31 crore) on deals recognised on trade date basis, subsequently realised.

26 Cash and bank balances

(₹ IN CRORE)

		AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
CASH AND CASH EQUIVALENTS			
Cash on hand	0.02		0.02
Cheques on hand	3.36		22.18
Balances with banks:			
In current accounts	128.68		99.20
In deposit accounts	187.37		68.14
		319.43	189.54
OTHERS			
Balances with banks:			
In earmarked accounts:			
- unclaimed dividend	1.60		1.54
- unclaimed interest	15.76		3.78
In deposit accounts [see note (a), (b) & (c)]	53.59		67.86
		70.95	73.18
TOTAL		**390.38**	**262.72**

(a) Balances with banks in deposit accounts include deposits under lien of ₹ 4.00 crore (Previous Year ₹ 21.00 crore) to the National Securities Clearing Corporation Limited for meeting margin requirements.

(b) Balances with banks include deposits under lien of ₹ 49.59 crore (Previous Year ₹ 46.86 crore) against bank guarantees and overdraft facility.

(c) Balances with banks include deposits of ₹ 24.95 crore (Previous Year ₹ 45.85 crore) having original maturity of more than 12 months.

Notes forming part of the Consolidated Financial Statements

27 Revenue from operations

(₹ IN CRORE)

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Interest [see note (a)]	7,544.19	7,112.32
Other financial services [see note (b)]	575.05	555.57
Dividend income [see note (c)]	20.24	32.48
Net profit on sale of investments [see note (d)]	597.88	401.33
Brokerage	24.03	25.10
Other operating income [see note (e)]	10.65	11.79
TOTAL	**8,772.04**	**8,138.59**

(a) DETAILS OF INTEREST INCOME

(₹ IN CRORE)

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Interest on loans [see note (i)]	6,732.59	6,367.80
Interest on deposits and loan to a financial institution	19.01	111.97
Interest on investments		
Current investments	640.13	506.44
Long-term investments	152.46	126.11
TOTAL	**7,544.19**	**7,112.32**

(i) Interest on loans includes interest on debentures & bonds of ₹ 216.20 crore (Previous Year ₹ 243.36 crore).

(b) DETAILS OF INCOME FROM OTHER FINANCIAL SERVICES

(₹ IN CRORE)

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Fees (net) [see note (i)]	575.03	554.64
Profit amortised on assignment / sale of loans	0.02	0.93
TOTAL	**575.05**	**555.57**

(i) Fees income is net of fees shared on sell down of loans of ₹ Nil (Previous Year ₹ 2.26 crore).

(c) DETAILS OF DIVIDEND INCOME

(₹ IN CRORE)

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Current investments	2.13	10.54
Long-term investments	18.11	21.94
TOTAL	**20.24**	**32.48**

(d) DETAILS OF NET PROFIT ON SALE OF INVESTMENTS

(₹ IN CRORE)

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Current investments	277.67	219.06
Long-term investments [see note (i)]	320.21	182.27
TOTAL	**597.88**	**401.33**

(i) Profit on sale of long-term investments for the previous year is net of loss of ₹ 17.01 crore on sale of Dheeru Powergen Limited [see note 4(h)].

(e) DETAILS OF OTHER OPERATING INCOME

(₹ IN CRORE)

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Sale of power	10.65	11.79
TOTAL	**10.65**	**11.79**

28 Other income

(₹ IN CRORE)

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Interest on income tax refund	6.06	6.77
Other interest	0.06	0.07
Profit on sale of fixed assets (net)	10.56	–
Miscellaneous income [see note 36(ii)]	1.27	2.99
TOTAL	**17.95**	**9.83**

29 Employee benefits expense

(₹ IN CRORE)

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Salaries	262.67	265.57
Contribution to provident and other funds [see note 33]	17.70	14.70
Gratuity expense	0.06	0.05
Expense under the ESOS [see note 7(b)]	–	0.21
Staff welfare expenses	7.85	11.11
TOTAL	**288.28**	**291.64**

30 Finance costs

(₹ IN CRORE)

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Interest expense *	4,990.13	4,614.88
Other borrowing cost	64.84	57.93
Net loss on foreign currency transactions and translation	0.27	3.02
TOTAL	**5,055.24**	**4,675.83**

* excludes ₹ Nil (Previous Year ₹ 13.35 crore) charged to securities premium account [see note 7(a)].

31 Provisions and contingencies

(₹ IN CRORE)

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Contingent provision against standard assets [see note 12(b)]	7.21	18.80
Provision for contingencies	313.97	175.13
Provision against non-performing loans, restructured loans, doubtful debts / advances & others (net)	282.93	119.34
Provision for diminution in value of investments (net)	24.19	36.36
TOTAL	**628.30**	**349.63**

32 Other expenses

		(₹ IN CRORE)
	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Rent [see note 36(i)]	18.61	21.59
Rates and taxes	9.76	4.94
Electricity	4.54	3.80
Repairs and maintenance		
Buildings	2.50	2.33
Equipments	3.43	3.38
Others	5.14	4.40
Insurance charges	0.73	0.86
Travelling and conveyance	16.18	17.86
Printing and stationery	3.83	3.17
Communication costs	7.96	6.56
Advertising and publicity	8.82	8.58
Professional fees	45.41	51.70
Loss on foreign exchange fluctuation (net)	0.37	0.38
Loss on trading in stock futures	0.28	4.40
Directors' sitting fees	0.68	0.48
Commission to directors	1.44	1.33
Bad debts written off	2.50	1.78
Loss on retirement of fixed assets (net)	–	0.37
Brokerage	4.08	6.21
Miscellaneous expenses	21.16	17.19
Donation	13.01	5.03
Auditors' remuneration [see note (a)]	3.33	2.85
Shared service costs recovered [see note (b)]	(1.41)	(2.32)
Other operating expenses	52.21	36.49
TOTAL	**224.56**	**203.36**

(a) Break up of auditors' remuneration:

		(₹ IN CRORE)
	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Audit fees	1.50	1.26
Tax audit fees	0.24	0.25
Taxation matters	0.43	0.30
Other services	0.98	0.93
Out-of-pocket expenses	0.05	0.01
Service tax	0.27	0.29
	3.47	3.04
Less: Service tax set off claimed	0.14	0.19
TOTAL	**3.33**	**2.85**

(b) Shared service costs recovery includes ₹ 0.44 crore (Previous Year ₹ 0.60 crore) recovered from an associate company under a shared service agreement.

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

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

(₹ IN CRORE)

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Provident fund	8.32	7.66
Pension fund	1.31	1.04
Superannuation fund	1.21	1.27

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

(₹ IN CRORE)

	FOR THE YEAR ENDED MARCH 31, 2014		FOR THE YEAR ENDED MARCH 31, 2013	
	FUNDED	**NON-FUNDED**	**FUNDED**	**NON-FUNDED**
CHANGE IN THE DEFINED BENEFIT OBLIGATIONS:				
Liability at the beginning of the year	26.75	0.09	16.18	5.53
Converted from non-funded to funded	–	–	5.14	(5.14)
Current service cost	4.99	0.05	4.68	0.10
Interest cost	2.42	0.01	2.08	0.03
Liabilities settled on divestiture	(0.40)	–	(0.05)	–
Benefits paid	(4.03)	(0.03)	(1.98)	(0.47)
Actuarial loss	1.98	ß	0.70	0.04
Liability at the end of the year	31.71	0.12	26.75	0.09
FAIR VALUE OF PLAN ASSETS:				
Fair value of plan assets at the beginning of the year	26.59	–	13.87	–
Expected return on plan assets	2.19	–	1.10	–
Contributions	4.63	–	12.57	0.47
Benefits paid	(4.03)	–	(1.98)	(0.47)
Actuarial gain / (loss) on plan assets	0.03	–	1.03	–
Fair value of plan assets at the end of the year	29.41	–	26.59	–
Total actuarial loss / (gain) to be recognised	1.95	ß	(0.33)	0.04
ACTUAL RETURN ON PLAN ASSETS:				
Expected return on plan assets	2.19	–	1.10	–
Actuarial gain / (loss) on plan assets	0.03	–	1.03	–
Actual return on plan assets	2.22	–	2.13	–
AMOUNT RECOGNISED IN THE BALANCE SHEET:				
Liability at the end of the year	31.71	0.12	26.75	0.09
Fair value of plan assets at the end of the year	29.41	–	26.59	–
Unrecognised past service cost	(0.05)	–	(0.08)	–
Amount recognised in the Balance Sheet under 'Provision for employee benefits'				
Current	2.25	0.03	0.08	0.05
Non-Current	–	0.09	–	0.04
EXPENSE RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS:				
Current service cost	4.99	0.05	4.68	0.10
Interest cost	2.42	0.01	2.08	0.03
Expected return on plan assets	(2.19)	–	(1.10)	–
Net actuarial loss / (gain) to be recognised	1.95	ß	(0.33)	0.04
Recovery of past service cost	0.08	–	0.19	–
Liabilities settled on divestiture	(0.40)	–	(0.05)	–
Expense recognised in the Statement of Profit and Loss under 'Employee benefits expense'	6.86	0.06	5.47	0.17

Employee Benefits Disclosures *(continued)*

(₹ IN CRORE)

	FOR THE YEAR ENDED MARCH 31, 2014		FOR THE YEAR ENDED MARCH 31, 2013	
	FUNDED	**NON-FUNDED**	**FUNDED**	**NON-FUNDED**
RECONCILIATION OF THE LIABILITY RECOGNISED IN THE BALANCE SHEET:				
Opening net liability	0.07	0.04	7.18	0.39
Expense recognised	6.86	0.06	5.47	0.17
Contribution by the Group	(4.63)	–	(12.57)	(0.47)
Amount recognised in the Balance Sheet under 'Provision for employee benefits'	2.30	0.12	0.08	0.09
Expected employer's contribution next year	4.48	0.03	4.48	0.01

(₹ IN CRORE)

	FOR THE YEAR ENDED				
EXPERIENCE ADJUSTMENTS:	MARCH 31, 2014	MARCH 31, 2013	MARCH 31, 2012	MARCH 31, 2011	MARCH 31, 2010
Defined benefit obligation	31.83	26.84	21.71	16.75	10.71
Plan assets	29.41	26.59	13.87	11.96	8.29
Deficit	(2.42)	(0.25)	(7.84)	(4.79)	(2.42)
Experience adjustments on plan liabilities	3.67	(0.12)	1.04	2.74	(0.27)
Experience adjustments on plan assets	0.03	1.03	(0.48)	(0.13)	1.30

	AS AT MARCH 31, 2014 (%)	AS AT MARCH 31, 2013 (%)
INVESTMENT PATTERN:		
Insurer managed funds	100.00	100.00
Government securities	27.06	26.30
Deposit and money market securities	8.48	6.61
Debentures / bonds	51.70	55.41
Equity shares	12.76	11.68
PRINCIPAL ASSUMPTIONS:		
Discount rate (p.a.)	8.85 to 9.20	8.05
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.

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

SUBSIDIARIES:

(a) **Direct**

IDFC Foundation [see note 3(c)]

Neopro Technologies Private Limited (w.e.f. March 30, 2013) [see note 3(d)]

Galaxy Mercantiles Limited (w.e.f. December 6, 2013) [see note 3(e)]

(b) **Through subsidiary**

IDFC PPP Trusteeship Company Limited (dissolved on August 23, 2013) [see note 4(g)]

JOINTLY CONTROLLED ENTITIES OF IDFC FOUNDATION:

(a) Delhi Integrated Multi-Modal Transit System Limited

(b) Infrastructure Development Corporation (Karnataka) Limited

(c) Uttarakhand Infrastructure Development Company Limited

ASSOCIATES:

(a) **Direct**

Galaxy Mercantiles Limited (upto December 5, 2013)

Feedback Infra Private Limited (formerly Feedback Infrastructure Services Private Limited).

Related Party Disclosures *(continued)*

(b) **Through subsidiary**
Jetpur Somnath Tollways Private Limited

ENTITIES OVER WHICH CONTROL IS EXERCISED BY IDFC FOUNDATION:

(a) India PPP Capacity Building Trust

(b) India Infrastructure Initiative Trust (upto June 30, 2012)

KEY MANAGEMENT PERSONNEL OF THE HOLDING COMPANY:

(a) Dr. Rajiv B. Lall - Executive Chairman

(b) Mr. Vikram Limaye - Managing Director & CEO

RELATIVES OF KEY MANAGEMENT PERSONNEL (where transactions exist):

(a) Ms. Bunty Chand

(b) Mr. Bharat Mukund Limaye

I. The nature and volume of transactions of the Holding Company with the above mentioned related parties are summarised below:

(₹ IN CRORE)

PARTICULARS	SUBSIDIARY COMPANIES		ASSOCIATES		JOINTLY CONTROLLED ENTITIES		ENTITIES OVER WHICH CONTROL IS EXERCISED		KEY MANAGEMENT PERSONNEL		RELATIVES OF KEY MANAGEMENT PERSONNEL	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
INCOME												
Dividend	–	–	0.81	0.70	–	–	–	–	–	–	–	–
Interest	8.84	–	21.26	27.20	–	–	–	–	–	–	–	–
Other Fees	–	–	–	0.11	–	–	–	–	–	–	–	–
Other Income	–	–	ß	0.01	–	–	–	–	–	–	–	–
EXPENDITURE												
Remuneration paid	–	–	–	–	–	–	–	–	10.42	10.78	–	–
Shared service cost recovery	–	–	0.44	0.60	–	–	–	–	–	–	–	–
Fees paid	1.55	3.25	0.08	0.18	1.78	0.35	0.03	–	–	–	–	–
Donation	13.00	5.00	–	–	–	–	–	–	–	–	–	–
Interest expense on 80CCF Bonds	–	–	–	–	–	–	–	–	ß	ß	ß	ß
Rent paid	–	–	–	–	0.02	0.02	–	–	–	–	–	–
Advances written off	–	0.02	–	–	–	–	–	–	–	–	–	–
ASSETS / TRANSACTION												
Purchase / subscription of Investments	45.34	29.98	34.05	12.00	–	–	–	–	–	–	–	–
Sale of fixed assets	–	–	–	–	ß	–	–	–	–	–	–	–
Subscription of OCDs	–	–	27.56	–	–	–	–	–	–	–	–	–
Advances recovered	1.00	19.00	1.65	–	–	–	–	–	–	–	–	–
Advances recoverable - balance outstanding	21.50	22.50	ß	1.74	–	–	–	–	–	–	–	–
Interest accrued on loans - balance outstanding	0.08	–	9.05	10.02	–	–	–	–	–	–	–	–
Outstanding investment in Debentures	163.68	–	40.00	176.12	–	–	–	–	–	–	–	–
LIABILITIES / TRANSACTION											–	–
Trade payable - balance outstanding	1.07	2.21	–	–	0.71	0.08	0.04	0.07	–	–	–	–
ESOPs exercised	–	–	–	–	–	–	–	–	3.38	–	–	–
Amount received in advance	0.04	–	0.48	–	–	–	–	–	–	–	–	–
80CCF Bonds outstanding	–	–	–	–	–	–	–	–	0.01	0.01	0.01	0.01

Related Party Disclosures *(continued)*

II. The nature and volume of transactions of the Holding Company with the above mentioned related parties are detailed below:

(₹ IN CRORE)

PARTICULARS	SUBSIDIARY COMPANIES		ASSOCIATES		JOINTLY CONTROLLED ENTITIES		ENTITIES OVER WHICH CONTROL IS EXERCISED		KEY MANAGEMENT PERSONNEL		RELATIVES OF KEY MANAGEMENT PERSONNEL	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
INCOME												
Dividend												
Feedback Infra Private Limited	–	–	**0.81**	0.70	–	–	–	–	–	–	–	–
Interest income												
Feedback Infra Private Limited	–	–	**5.39**	4.05	–	–	–	–	–	–	–	–
Galaxy Mercantiles Limited	**8.84**	–	**15.87**	23.15	–	–	–	–	–	–	–	–
Other fees												
Feedback Infra Private Limited	–	–	–	0.11	–	–	–	–	–	–	–	–
Other Income												
Feedback Infra Private Limited	–	–	**ß**	0.01	–	–	–	–	–	–	–	–
EXPENDITURE												
Remuneration paid												
Dr. Rajiv B. Lall	–	–	–	–	–	–	–	–	**5.56**	5.85	–	–
Mr. Vikram Limaye	–	–	–	–	–	–	–	–	**4.86**	4.93	–	–
Shared Service cost recovery												
Jetpur Somnath Tollways Private Limited	–	–	**0.44**	0.60	–	–	–	–	–	–	–	–
Fees paid												
IDFC Foundation	**1.55**	3.25	–	–	–	–	–	–	–	–	–	–
Feedback Infra Private Limited	–	–	**0.08**	0.18	–	–	–	–	–	–	–	–
India PPP Capacity Building Trust	–	–	–	–	–	–	**0.03**	–	–	–	–	–
Uttarakhand Infrastructure Development Company Limited	–	–	–	–	**0.57**	0.06	–	–	–	–	–	–
Infrastructure Development Corporation (Karnataka) Limited	–	–	–	–	**1.21**	0.29	–	–	–	–	–	–
Donation												
IDFC Foundation	**13.00**	5.00	–	–	–	–	–	–	–	–	–	–
Interest expense on 80 CCF Bonds												
Dr. Rajiv B. Lall	–	–	–	–	–	–	–	–	**ß**	ß	–	–
Mr. Vikram Limaye	–	–	–	–	–	–	–	–	**ß**	ß	–	–
Ms. Bunty Chand	–	–	–	–	–	–	–	–	–	–	**ß**	ß
Mr. Bharat Mukund Limaye	–	–	–	–	–	–	–	–	–	–	**ß**	ß
Rent paid												
Infrastructure Development Corporation (Karnataka) Limited	–	–	–	–	**0.02**	0.02	–	–	–	–	–	–
Advances written off												
IDFC PPP Trusteeship Company Limited	–	0.02	–	–	–	–	–	–	–	–	–	–

Related Party Disclosures *(continued)*

(₹ IN CRORE)

PARTICULARS	SUBSIDIARY COMPANIES		ASSOCIATES		JOINTLY CONTROLLED ENTITIES		ENTITIES OVER WHICH CONTROL IS EXERCISED		KEY MANAGEMENT PERSONNEL		RELATIVES OF KEY MANAGEMENT PERSONNEL	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
ASSETS / TRANSACTION												
Purchase / subscription of Investments												
IDFC Foundation	–	4.95	–	–	–	–	–	–	–	–	–	–
Neopro Technologies Private Limited	–	25.03	–	–	–	–	–	–	–	–	–	–
Galaxy Mercantiles Limited	45.34	–	34.05	–	–	–	–	–	–	–	–	–
Feedback Infra Private Limited	–	–	–	12.00	–	–	–	–	–	–	–	–
Sale of fixed assets												
Infrastructure Development Corporation (Karnataka) Limited	–	–	–	–	ß	–	–	–	–	–	–	–
Subscription of OCDs												
Galaxy Mercantiles Limited	–	–	27.56	–	–	–	–	–	–	–	–	–
Advances recovered												
Galaxy Mercantiles Limited	–	–	1.65	–	–	–	–	–	–	–	–	–
IDFC Foundation	1.00	19.00	–	–	–	–	–	–	–	–	–	–
Advances recoverable - balance outstanding												
Galaxy Mercantiles Limited	–	–	–	1.65	–	–	–	–	–	–	–	–
IDFC Foundation	21.50	22.50	–	–	–	–	–	–	–	–	–	–
Feedback Infra Private Limited	–	–	ß	–	–	–	–	–	–	–	–	–
Jetpur Somnath Tollways Private Limited	–	–	–	0.09	–	–	–	–	–	–	–	–
Interest accrued on loans - balance outstanding												
Galaxy Mercantiles Limited	0.08	–	–	5.40	–	–	–	–	–	–	–	–
Feedback Infra Private Limited	–	–	9.05	4.62	–	–	–	–	–	–	–	–
Outstanding Investment in debentures												
Feedback Infra Private Limited	–	–	40.00	40.00	–	–	–	–	–	–	–	–
Galaxy Mercantiles Limited	163.68	–	–	136.12	–	–	–	–	–	–	–	–
LIABILITIES / TRANSACTION												
Trade Payable - Balance outstanding												
IDFC Foundation	1.07	2.21	–	–	–	–	–	–	–	–	–	–
Infrastructure Development Corporation (Karnataka) Limited	–	–	–	–	0.58	0.08	–	–	–	–	–	–
Uttarakhand Infrastructure Development Company Limited	–	–	–	–	0.13	–	–	–	–	–	–	–
India PPP Capacity Building Trust	–	–	–	–	–	–	0.04	0.07	–	–	–	–
ESOPs exercised												
Mr. Vikram Limaye	–	–	–	–	–	–	–	–	3.38	–	–	–
Amount received in advance												
Feedback Infra Private Limited	–	–	0.48	–	–	–	–	–	–	–	–	–
Galaxy Mercantiles Limited	0.04	–	–	–	–	–	–	–	–	–	–	–
80CCF Bonds outstanding												
Dr. Rajiv B. Lall	–	–	–	–	–	–	–	–	ß	ß	–	–
Mr. Vikram Limaye	–	–	–	–	–	–	–	–	0.01	0.01	–	–
Ms. Bunty Chand	–	–	–	–	–	–	–	–	–	–	ß	ß
Mr. Bharat Mukund Limaye	–	–	–	–	–	–	–	–	–	–	0.01	0.01

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

(₹ IN CRORE)

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
I SEGMENT OPERATING REVENUE		
(a) Financing	8,304.89	7,774.63
(b) Others	496.05	390.40
TOTAL	**8,800.94**	**8,165.03**
Less: Inter segment revenue	28.90	26.44
TOTAL OPERATING INCOME	**8,772.04**	**8,138.59**
II SEGMENT RESULTS		
(a) Financing	2,355.94	2,464.52
(b) Others	200.65	122.27
(c) Unallocated	6.06	6.77
PROFIT BEFORE TAX	**2,562.65**	**2,593.56**
Less: Provision for tax	738.46	751.13
PROFIT AFTER TAX	**1,824.19**	**1,842.43**

(₹ IN CRORE)

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
III SEGMENT ASSETS		
(a) Financing	72,708.76	68,886.68
(b) Others	1,620.92	1,522.63
(c) Unallocated	833.35	650.00
TOTAL	**75,163.03**	**71,059.31**
IV SEGMENT LIABILITIES		
(a) Financing	59,946.78	57,161.91
(b) Others	115.40	98.66
(c) Unallocated	20.26	90.43
TOTAL	**60,082.44**	**57,351.00**
V CAPITAL EMPLOYED		
(a) Financing	12,761.98	11,724.89
(b) Others	1,505.52	1,424.01
(c) Unallocated	813.09	559.41
TOTAL	**15,080.59**	**13,708.31**

(₹ IN CRORE)

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
VI CAPITAL EXPENDITURE (INCLUDING CAPITAL WORK-IN-PROGRESS)		
(a) Financing	12.64	5.31
(b) Others	3.83	3.78
TOTAL	**16.47**	**9.09**
VII DEPRECIATION AND AMORTISATION		
(a) Financing	24.30	27.47
(b) Others	6.66	6.93
TOTAL	**30.96**	**34.40**
VIII SIGNIFICANT NON-CASH EXPENSES OTHER THAN DEPRECIATION AND AMORTISATION		
(a) Financing	850.81	409.14
(b) Others	0.10	(0.36)
TOTAL	**850.91**	**408.78**

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

i. The Group companies have taken office premises under operating leases, which expire between December 2015 to September 2018 (Previous Year June 2015 to September 2018). Rent includes gross rental expenses of ₹ 13.59 crore (Previous Year ₹ 8.81 crore). The committed lease rentals in the future are:

		(₹ IN CRORE)
	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Not later than one year	12.84	17.17
Later than one year and not later than five years	10.49	33.89
Later than five years	–	0.57

ii. The Holding Company has given office premises under non-cancellable operating lease, which expired in October 2013 (Previous Year April 2013). Miscellaneous income includes income from such leases of ₹ 0.97 crore (Previous Year ₹ 2.05 crore). The future minimum lease rentals is as follows:

		(₹ IN CRORE)
	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Not later than one year	–	0.14

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

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

		(₹ IN CRORE)
	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Net profit after tax available for equity shareholders	1,802.68	1,836.20
Weighted average number of equity shares	1,515,648,733	1,513,583,202

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

		(₹)
	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Basic earnings per share	11.89	12.13
Effect of outstanding stock options	(0.01)	(0.07)
Diluted earnings per share	11.88	12.06

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

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Weighted average number of shares for computation of basic earnings per share	1,515,648,733	1,513,583,202
Dilutive effect of outstanding stock options	2,228,919	9,446,844
Weighted average number of shares for computation of diluted earnings per share	1,517,877,652	1,523,030,046

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

(₹ IN CRORE)

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
(a) CONTINGENT LIABILITIES		
(i) Claims not acknowledged as debts in respect of:		
Income-tax demands under appeal (net of amounts provided) [including ₹ 0.01 crore (Previous Year ₹ Nil) on account of proportionate share in an associate company]	140.83	160.01
Other claims	8.61	8.88
(ii) Guarantees issued:		
As a part of project assistance, the following guarantees have been issued:		
Financial guarantees	1,421.41	1,845.78
Performance guarantees	0.75	0.75
Sponsors undertaking	25.08	25.08
Other financial guarantees	10.94	156.31
[including ₹ 22.89 crore (Previous Year ₹ 21.93 crore) on account of proportionate share in an associate company]		
(b) CAPITAL COMMITMENTS		
(i) Uncalled liability on shares and other investments partly paid [including ₹ Nil (Previous Year ₹ 136.67 crore) on account of proportionate share in associate companies]	2,030.76	1,167.35
(ii) Estimated amount of contracts remaining to be executed on capital account (net of advances)	99.83	1.01
[including ₹ 97.91 crore (Previous Year ₹ Nil) on account of proportionate share in associate companies]		

39 The Holding Company has entered into interest rate swaps in the nature of 'fixed / floating' or 'floating / fixed' for notional principal of ₹ 4,396.00 crore outstanding as on March 31, 2014 (Previous Year ₹ 3,696.00 crore) for varying maturities linked to various benchmarks for asset liability management and hedging.

The Holding Company has foreign currency borrowings equivalent to ₹ 7,240.47 crore (Previous Year ₹ 6,160.12 crore), against which the Company has undertaken currency interest rate swaps and forward contracts to hedge foreign currency risk.

The Holding Company has also entered into coupon only currency swaps for notional principal equivalent to ₹ 391.16 crore (Previous Year ₹ 967.37 crore) and forward contracts of ₹ 14.16 crore (Previous Year ₹ 8.03 crore) to hedge the foreign currency risk towards interest on the foreign currency borrowings.

40 No amount is payable to 'Suppliers' registered under the Micro, Small and Medium Enterprises Development Act, 2006. No interest has been paid / payable by the Company during the year to the 'Suppliers' covered under the Micro, Small and Medium Enterprises Development Act, 2006. The above information takes into account only those suppliers who have responded to inquiries made by the Company for this purpose.

41 Statement of information of Subsidiaries# in compliance with Section 212 of the Companies Act, 1956:

(₹ IN CRORE)

Name of subsidiary companies	Capital	Reserves	Total assets	Total liabilities	Details of investment (excluding investment in subsidiary companies)								Turnover	Profit before tax	Provision for tax	Profit after tax	Proposed dividend
					Equity	Mutual funds	Trust units	Govt. securities	Bonds	CDs	CPs	Venture capital units					
IDFC Alternatives Limited	0.05	58.83	85.51	26.63	ß	–	–	–	–	–	–	2.00	58.07	25.23	6.40	18.83	–
(Previous Year)	*0.05*	*47.67*	*78.95*	*31.23*	–	–	–	–	–	–	–	*1.39*	*56.66*	*36.66*	*9.48*	*27.18*	*11000%*
IDFC AMC Trustee Company Limited	0.05	0.04	0.10	0.01	–	–	–	–	–	–	–	–	0.08	0.03	0.01	0.02	–
(Previous Year)	*0.05*	*0.02*	*0.09*	*0.02*	–	–	–	–	–	–	–	–	*0.08*	*ß*	*ß*	*ß*	–
IDFC Asset Management Company Limited	2.68	78.03	212.50	131.79	–	143.00	–	–	–	–	–	–	260.09	137.77	46.69	91.08	2500%
(Previous Year)	*2.68*	*64.46*	*124.93*	*57.79*	–	*73.17*	–	–	–	–	–	–	*159.66*	*41.95*	*15.31*	*26.64*	*750%*
IDFC Capital (Singapore) Pte. Ltd. *	65.32	(57.88)	9.24	1.80	–	–	–	–	–	–	–	–	1.71	(11.11)	–	(11.11)	–
(Previous Year)	*56.38*	*(48.52)*	*10.17*	*2.31*	–	–	–	–	–	–	–	–	–	*(11.56)*	*0.06*	*(11.60)*	–
IDFC Capital (USA) Inc. *	4.62	0.66	5.42	0.14	–	–	–	–	–	–	–	–	4.51	0.25	0.08	0.17	–
(Previous Year)	*4.62*	*0.01*	*5.35*	*0.72*	–	–	–	–	–	–	–	–	*4.79*	*0.27*	*(0.13)*	*0.40*	–
IDFC Finance Limited	21.00	13.05	34.07	0.02	–	33.46	–	–	–	–	–	–	2.41	2.37	0.10	2.27	–
(Previous Year)	*21.00*	*10.77*	*31.82*	*0.05*	–	*31.56*	–	–	–	–	–	–	*1.71*	*1.67*	*0.26*	*1.41*	–
IDFC Foundation (unaudited)	13.00	3.10	45.04	28.94	30.68	–	2.47	–	–	–	–	–	14.08	0.78	–	0.78	–
(Previous Year)	*13.00*	*2.32*	*40.74*	*25.41*	*30.73*	–	*2.05*	–	–	–	–	–	*9.13*	*0.11*	–	*0.11*	–
IDFC Fund of Funds Limited *	118.15	1.84	120.14	0.15	–	–	–	–	–	–	–	113.64	0.45	0.03	–	0.03	–
(Previous Year)	*96.48*	*(6.87)*	*89.77*	*0.16*	–	–	–	–	–	–	–	*89.57*	*0.96*	*0.53*	–	*0.53*	–
IDFC Investment Advisors Limited	10.00	13.16	25.99	2.83	–	19.70	–	–	–	–	–	ß	19.63	12.50	3.75	8.75	–
(Previous Year)	*10.00*	*10.26*	*27.53*	*7.27*	–	*16.99*	–	–	–	–	–	*ß*	*19.79*	*10.17*	*4.17*	*6.00*	–
IDFC Investment Managers (Mauritius) Limited*	0.26	(0.30)	0.04	0.08	–	–	–	–	–	–	–	–	–	(0.77)	–	(0.77)	–
(Previous Year)	*0.26*	*0.39*	*0.70*	*0.05*	–	–	–	–	–	–	–	–	*0.23*	*(0.30)*	–	*(0.30)*	–
IDFC Primary Dealership Company Limited	200.00	34.97	1,132.59	897.62	–	50.90	–	941.98	25.00	73.90	24.66	–	93.88	38.71	13.18	25.53	–
(Previous Year)	*200.00*	*9.45*	*917.26*	*707.81*	–	–	–	*669.89*	*82.41*	*73.61*	–	–	*33.84*	*16.04*	*5.18*	*10.86*	–
IDFC PPP Trusteeship Company Limited [(see note 4(g)]	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
(Previous Year)	*0.05*	*(0.05)*	–	–	–	–	–	–	–	–		–	–	*0.02*	–	*0.02*	–
IDFC Project Equity Company Limited	0.05	9.91	34.86	24.90	–	–	–	–	–	–	–	–	51.15	11.29	3.49	7.80	–
(Previous Year)	*0.05*	*7.37*	*33.38*	*25.96*	–	–	–	–	–	–	–	–	*57.55*	*22.32*	*7.03*	*15.29*	*16000%*
IDFC Projects Limited	34.05	(52.96)	43.04	61.95	42.64	–	–	–	–	–	–	–	–	(0.21)	–	(0.21)	–
(Previous Year)	*34.05*	*(52.75)*	*43.06*	*61.76*	*26.52*	–	–	–	–	–	–	–	–	*(22.62)*	–	*(22.62)*	–
IDFC Securities Limited	14.14	242.46	398.88	142.28	2.06	99.02	–	–	–	–	–	–	67.83	28.27	6.33	21.94	–
(Previous Year)	*14.14*	*99.62*	*246.03*	*132.27*	*ß*	*33.82*	–	–	–	–	–	–	*35.94*	*0.66*	*0.61*	*0.05*	–
IDFC Securities Singapore Pte. Ltd.*	3.73	(3.06)	1.05	0.38	–	–	–	–	–	–	–	–	0.93	(2.56)	–	(2.56)	–
(Previous Year)	*1.35*	*(0.60)*	*1.48*	*0.73*	–	–	–	–	–	–	–	–	*0.43*	*(0.59)*	–	*(0.59)*	–
IDFC Trustee Company Limited	0.05	2.78	2.84	0.01	–	2.81	–	–	–	–	–	–	0.64	0.75	0.19	0.56	–
(Previous Year)	*0.05*	*2.22*	*2.28*	*0.01*	–	*2.25*	–	–	–	–	–	–	*0.55*	*0.60*	*0.17*	*0.43*	–
IDFC Housing Finance Company Limited	12.00	(0.06)	11.95	0.01	–	–	–	–	–	–	–	–	–	(0.09)	(0.03)	(0.06)	–
(Previous Year)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
IDFC Infra Debt Fund Limited	12.00	(0.09)	11.93	0.02	–	–	–	–	–	–	–	–	–	(0.10)	0.01	(0.09)	–
(Previous Year)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
IDFC Capital Limited [(see note 4(b)]	–	–	–	–	–	–	–	–	–	–	–	–	9.86	2.31	0.86	1.45	–
(Previous Year)	*6.04*	*124.92*	*267.47*	*136.51*	*2.06*	*61.91*	–	–	–	–	–	–	*41.88*	*21.61*	*5.86*	*15.75*	–
IDFC Pension Fund Management Company Limited [(see note 4(b)]	–	–	–	–	–	–	–	–	–	–	–	–	–	1.42	0.29	1.13	–
(Previous Year)	*12.00*	*0.34*	*12.41*	*0.07*	–	*11.79*	–	–	–	–	–	–	*ß*	*0.05*	*0.02*	*0.03*	–
IDFC Distribution Company Limited [(see note 4(b)]	–	–	–	–	–	–	–	–	–	–	–	–	–	0.09	0.02	0.07	–
(Previous Year)	*1.50*	*0.66*	*2.28*	*0.12*	–	*1.12*	–	–	–	–	–	–	*0.32*	*0.42*	*0.11*	*0.31*	–
Neopro Technologies Private Limited	0.47	73.43	279.73	205.83	–	–	–	–	–	–	–	–	56.98	(1.53)	1.90	(3.43)	–
(Previous Year)	*0.47*	*76.86*	*289.39*	*212.06*	–	–	–	–	–	–	–	–	*45.07*	*(17.57)*	*3.05*	*(20.62)*	–
Galaxy Mercantiles Limited [(see note 3(e)]	74.02	45.27	305.78	186.49	–	0.14	–	–	–	–	–	–	51.25	(0.86)	(0.11)	(0.75)	–
(Previous Year)	*N.A.*	*N.A.*	*N.A.*	*N.A.*	*N.A.*	*N.A.*	*N.A.*	*N.A.*	*N.A.*	*N.A.*	*N.A.*	*N.A.*	*N.A.*	*N.A.*	*N.A.*	*N.A.*	*N.A.*

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

* Exchange rate: Closing Rate : 1 USD = ₹ 60.10 Average Rate : 1 USD = ₹ 60.94

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

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF IDFC LIMITED

RAJIV B. LALL
Executive Chairman

VIKRAM LIMAYE
Managing Director & CEO

SUNIL KAKAR
Chief Financial Officer

MAHENDRA N. SHAH
Company Secretary

Mumbai | April 25, 2014

Independent Auditors' Report

TO THE MEMBERS OF IDFC LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **IDFC LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;

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

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
   (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
   (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
   (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs).
   (e) On the basis of the written representations received from the directors as on March 31, 2014 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014 from being appointed as a director in terms of Section 274(1)(g) of the Act.

FOR DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(Registration No. 117366W/W-100018)

P. R. RAMESH
Partner
(Membership No. 70928)

Mumbai, April 25, 2014

Annexure to the Independent Auditors' Report

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

(i) Having regard to the nature of the Company's business/ activities/ results during the year, Clauses (ii), (viii), (x), (xiii) and (xx) of paragraph 4 of the Order are not applicable to the Company.

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

(c) The fixed assets disposed off 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) The Company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the Register maintained under Section 301 of the Act.

(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 Act, according to the information and explanations given to us:

(a) At the year-end, the outstanding balance of infrastructure bonds aggregated ₹ 0.03 crore (number of parties seven) and the maximum amount involved during the year was ₹ 0.03 crore.

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

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

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

(vi) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Act, 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 of the Act 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 (iv) above) is in excess of ₹ 5 lakh in respect of any party, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices wherever applicable, at the relevant time.

(vii) According to the information and explanations given to us, the Company has not accepted any deposit from the public during the year within the meaning of Sections 58A & 58AA of the Act.

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

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

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

(b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Cess and other material statutory dues in arrears as at March 31, 2014 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, 2014 on account of disputes are given below:

NATURE OF STATUTE	NATURE OF DUES	FORUM WHERE DISPUTE IS PENDING	PERIOD TO WHICH THE AMOUNT RELATES	AMOUNT INVOLVED (₹ IN CRORE)
Income-tax Act, 1961	Income Tax	Commissioner of Income Tax (Appeals)	A.Y. 2007-08	2.08
		Commissioner of Income Tax (Appeals)	A.Y. 2008-09	1.06
		Commissioner of Income Tax (Appeals)	A.Y. 2010-11	17.48
		Commissioner of Income Tax (Appeals)	A.Y. 2011-12	33.82

(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.

Annexure to the Independent Auditors' Report

(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, other than those securities for which exemption has been granted under Section 49 of the Act.

(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 by the Company during the year for the purposes for which they were obtained, other than temporary deployment pending application.

(xv) According to the information and explanations give 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 Statement of Structural Liquidity submitted to the Reserve Bank of India, liabilities maturing in the next one year are not in excess of the assets of similar maturity.

(xvi) According to the information and explanations given to us, the Company has made preferential allotment of shares on exercise of options granted in earlier years under the ESOP scheme to parties covered in the Register maintained under Section 301 of the Act, at a price which, in our opinion, is *prima facie* not prejudicial to the interest 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.

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

FOR DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(Registration No. 117366W/W-100018)

P. R. RAMESH
Partner
(Membership No. 70928)

Mumbai, April 25, 2014

Balance Sheet

	NOTES	AS AT MARCH 31, 2014	AS AT MARCH 31, 2014	(₹ IN CRORE) AS AT MARCH 31, 2013
EQUITY AND LIABILITIES				
SHAREHOLDERS' FUNDS				
(a) Share capital	4	1,516.29		1,514.73
(b) Reserves and surplus	5	13,192.66		11,942.58
			14,708.95	13,457.31
SHARE APPLICATION MONEY PENDING ALLOTMENT	6		0.12	0.30
NON-CURRENT LIABILITIES				
(a) Long-term borrowings	7	39,320.09		36,803.33
(b) Other long-term liabilities	8	530.46		323.03
(c) Long-term provisions	9	150.41		143.20
			40,000.96	37,269.56
CURRENT LIABILITIES				
(a) Short-term borrowings	10	6,932.53		3,272.14
(b) Trade payables	11	791.69		169.68
(c) Other current liabilities	12	10,863.08		15,284.27
(d) Short-term provisions	13	467.00		540.99
			19,054.30	19,267.08
TOTAL			**73,764.33**	**69,994.25**
ASSETS				
NON-CURRENT ASSETS				
(a) Fixed assets				
(i) Tangible assets	14(a)	275.87		289.25
(ii) Intangible assets	14(b)	1.80		2.41
(iii) Intangible assets under development		0.90		–
			278.57	291.66
(b) Non-current investments	15		5,177.81	4,630.99
(c) Deferred tax assets (net)	16		487.20	393.20
(d) Long-term loans and advances				
(i) Loans	17	50,049.94		48,126.83
(ii) Others	18	519.36		456.67
			50,569.30	48,583.50
(e) Other non-current assets	19		174.06	617.47
			56,686.94	54,516.82
CURRENT ASSETS				
(a) Current investments	20		6,021.07	6,641.41
(b) Trade receivables	21		643.10	50.76
(c) Cash and bank balances	22		217.46	127.52
(d) Short-term loans and advances				
(i) Loans	17	8,495.59		7,609.63
(ii) Others	18	510.29		380.62
			9,005.88	7,990.25
(e) Other current assets	19		1,189.88	667.49
			17,077.39	15,477.43
TOTAL			**73,764.33**	**69,994.25**

See accompanying notes forming part of the financial statements.

IN TERMS OF OUR REPORT ATTACHED.

FOR DELOITTE HASKINS & SELLS LLP
Chartered Accountants

P. R. RAMESH
Partner

Mumbai | April 25, 2014

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF IDFC LIMITED

RAJIV B. LALL
Executive Chairman

VIKRAM LIMAYE
Managing Director & CEO

SUNIL KAKAR
Chief Financial Officer

MAHENDRA N. SHAH
Company Secretary

Statement of Profit and Loss

FOR THE YEAR ENDED MARCH 31, 2014

(₹ IN CRORE)

		NOTES	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
I	**INCOME**			
	Revenue from operations	23	8,214.21	7,765.30
	Other income	24	17.72	11.19
	TOTAL INCOME (I)		**8,231.93**	**7,776.49**
II	**EXPENSES**			
	Employee benefits expense	25	129.00	136.99
	Finance costs	26	5,006.96	4,665.19
	Provisions and contingencies	27	628.83	394.11
	Other expenses	28	84.66	84.77
	Depreciation and amortisation expense	14(a)&(b)	24.29	27.45
	TOTAL EXPENSES (II)		**5,873.74**	**5,308.51**
III	**PROFIT BEFORE TAX (I - II)**		**2,358.19**	**2,467.98**
IV	**TAX EXPENSE**			
	Current tax		824.00	781.50
	Deferred tax	16	(112.88)	(78.30)
	Tax adjustment for prior years [net of Deferred tax liability of ₹ 18.88 crore (Previous Year ₹ Nil)]		(54.05)	(0.20)
	TOTAL TAX EXPENSE (IV)		**657.07**	**703.00**
V	**PROFIT AFTER TAX (III - IV)**		**1,701.12**	**1,764.98**
VI	**EARNINGS PER EQUITY SHARE** **(Nominal value of share ₹ 10 each)**	36		
	Basic (₹)		**11.22**	**11.66**
	Diluted (₹)		**11.21**	**11.59**

See accompanying notes forming part of the financial statements.

IN TERMS OF OUR REPORT ATTACHED.

FOR DELOITTE HASKINS & SELLS LLP
Chartered Accountants

P. R. RAMESH
Partner

Mumbai | April 25, 2014

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF IDFC LIMITED

RAJIV B. LALL
Executive Chairman

VIKRAM LIMAYE
Managing Director & CEO

SUNIL KAKAR
Chief Financial Officer

MAHENDRA N. SHAH
Company Secretary

(₹ IN CRORE)

	NOTES	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
A. CASH FLOW FROM OPERATING ACTIVITIES				
PROFIT BEFORE TAX			2,358.19	2,467.98
Adjustments for:				
Depreciation and amortisation expense	14(a)&(b)	24.29		27.45
Provision for employee benefits		0.01		0.14
Expense under the ESOS	25	–		0.21
Provisions and contingencies	27	628.83		394.11
Provision / (utilisation) against stock futures		–		(0.50)
Provision utilised against non-performing loans / other receivables		(163.70)		(21.28)
Unrealised loss on foreign currency revaluation		221.44		57.22
Profit on sale of investments in group companies	24	(0.68)		(3.73)
Profit on sale of other investments (net)	23(d)	(549.81)		(401.60)
(Utilisation) / writeback of securities premium account (gross of tax)	5(a)	0.14		(13.35)
(Amortisation) / writeback of premium on long-term investments		(9.26)		3.01
(Profit) / loss on sale of fixed assets (net)	24 / 28	(10.61)		0.36
Gain on buy back of debentures and commercial papers		(1.27)		(0.55)
			139.38	41.49
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES			**2,497.57**	**2,509.47**
CHANGES IN WORKING CAPITAL:				
Adjustments for (increase) / decrease in operating assets				
Trade receivables		(1.56)		(100.82)
Long-term loans and advances		26.87		(12.71)
Short-term loans and advances		1.55		5.01
Other non-current assets		443.42		(251.57)
Other current assets		(491.85)		(71.70)
Adjustments for increase / (decrease) in operating liabilities				
Trade payables		8.21		13.28
Other long-term liabilities		178.74		172.05
Other current liabilities		(285.61)		466.49
			(120.23)	220.03
Direct taxes paid			(902.90)	(790.86)
CASH GENERATED FROM OPERATIONS			**1,474.44**	**1,938.64**
Loans disbursed (net of repayments)			(3,078.76)	(7,470.33)
NET CASH USED IN OPERATING ACTIVITIES			**(1,604.32)**	**(5,531.69)**

Cash Flow Statement

(₹ IN CRORE)

	NOTES	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets (including intangible assets under development)		(12.62)	(5.13)
Sale of fixed assets		12.04	ß
Bank deposits matured (net)		–	501.00
Investments / subscription of shares in subsidiaries		(217.73)	(514.44)
Purchase of other investments		(496,733.50)	(241,307.08)
Sale proceeds of investments in a subsidiary		6.68	3.78
Sale proceeds of other investments		497,498.52	239,889.76
NET CASH FROM / (USED IN) INVESTING ACTIVITIES		**553.39**	**(1,432.11)**
C. CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from fresh issue of shares		6.83	19.04
Proceeds from borrowings (net of repayments)		5,902.01	10,168.91
Buy back of debentures and commercial papers		(4,310.73)	(2,781.49)
Dividend paid (including dividend distribution tax)		(452.28)	(402.84)
NET CASH FROM FINANCING ACTIVITIES		**1,145.83**	**7,003.62**
Net increase in cash and cash equivalents (A+B+C)		94.90	39.82
Cash and cash equivalents as at the beginning of the year	22	101.20	61.38
Cash and cash equivalents as at the end of the year	22	196.10	101.20
		94.90	**39.82**

See accompanying notes forming part of the financial statements.

IN TERMS OF OUR REPORT ATTACHED.

FOR DELOITTE HASKINS & SELLS LLP
Chartered Accountants

P. R. RAMESH
Partner

Mumbai | April 25, 2014

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF IDFC LIMITED

RAJIV B. LALL
Executive Chairman

VIKRAM LIMAYE
Managing Director & CEO

SUNIL KAKAR
Chief Financial Officer

MAHENDRA N. SHAH
Company Secretary

Notes forming part of the Financial Statements

01 Corporate information

IDFC Limited ('the Company') is a public company incorporated in India and regulated by the Reserve Bank of India ('RBI') as an Infrastructure Finance Company - Non-Banking Finance Company ('IFC-NBFC') engaged in financing infrastructure projects in sectors like energy, telecommunication, transportation, commercial and industrial projects including hospital, education, tourism and hotels. The Company had applied for banking license in response to the guidelines for licensing of new banks in the private sector issued by RBI in February 2013 and has received in-principle approval to set-up the bank.

02 Basis of preparation

The financial statements of the Company have been prepared in accordance with Generally Accepted Accounting Principles in India ('Indian GAAP') to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ('the 1956 Act') [which continues to be applicable in respect of Section 133 of the Companies Act, 2013 ('the 2013 Act') in terms of General Circular 15 / 2013 dated September 13, 2013 of the Ministry of Corporate Affairs] and the relevant provisions of the 1956 Act / 2013 Act, as applicable. The financial statements have been prepared on the accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year unless stated otherwise.

03 Significant accounting policies

(a) Use of estimates

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

(b) Cash and cash equivalents

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

(c) Cash flow statement

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

(d) Investments

- Investments which are readily realisable and intended to be held for not more than one year from the date on which such investments are made are classified as current investments in accordance with the RBI guidelines and Accounting Standard 13 on 'Accounting for Investments' as notified under the Companies (Accounting Standards) Rules, 2006. Current investments also include current maturities of long-term investments. All other investments are classified as long-term investments.
- The Company follows trade date method of accounting for recording of purchase and sale of investments. All investments are initially recorded at cost. The cost of an investment includes purchase price, directly attributable acquisition charges and reduced by recovery of costs, if any. On disposal of an investment, the difference between its carrying amount and the net disposal proceeds is charged or credited to the Statement of Profit and Loss.
- Current investments are valued scrip-wise and depreciation / appreciation is aggregated for each category. Net appreciation in each category, if any, being unrealised gain is ignored, while net depreciation is provided for. Commercial papers, certificate of deposits and treasury bills are valued at carrying cost. Long-term investments are carried at acquisition cost. A provision is made for diminution other than temporary on an individual basis against long-term investments. Premium paid over the face value of long-term investment is amortised over the life of the investment.
- Inter-class transfer of investments from one category to the other, if any, is done in accordance with the RBI guidelines at the lower of book value and fair value / market value on the date of transfer.

(e) Repurchase and Resale Transactions (Repo)

Repo transactions are treated as collateralised lending and borrowing transactions, with an agreement to repurchase, on the agreed terms, as per the RBI guidelines and accordingly disclosed in the financial statements. The difference between consideration amounts of the first leg and second leg of the repo are reckoned as repo interest. As regards repo / reverse repo transactions outstanding on the balance sheet date, only the accrued expenditure / income till the Balance Sheet date is taken to the Statement of Profit and Loss. Any repo expenditure / income for the remaining period is reckoned in the next accounting period. The securities sold under repo transactions are continued to be marked-to-market as per the investment classification of the security.

(f) Loans

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

(g) Tangible fixed assets

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

(h) Depreciation on tangible fixed assets

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

(i) Intangible assets and amortisation

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

(j) Impairment of assets

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

(k) Expense under employee stock option schemes

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

(l) Employee benefits

Defined contribution plans

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

Defined benefit plan

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

Compensated absences

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

(m) Borrowing costs

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

(n) Revenue recognition

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

- Interest is accounted on accrual basis except in the case of non-performing loans where it is recognised upon realisation, as per the income recognition and asset classification norms prescribed by the RBI.
- Income on discounted instruments is recognised over the tenure of the instrument on a straight-line method.
- Dividend is accounted when the right to receive is established.
- Front end fees on processing of loans are recognised upfront as income.
- Underwriting commission earned to the extent not reduced from the cost of acquisition of securities is recognised as fees on closure of issue.

- All other fees and charges are recognised when reasonable right of recovery is established, revenue can be reliably measured and as and when they become due except guarantee commission which is recognised pro-rata over the period of the guarantee.
- Premium on interest rate reduction is accounted on accrual basis over the residual life of the loan.
- Profit / loss on sale of investments is recognised on trade date basis. Profit / loss on sale of investments is determined based on the 'first in first out' cost for current investments and weighted average cost for long-term investments.
- Profit on sale of loan assets through direct assignment / securitisation is recognised over the residual life of the loan / pass through certificate in terms of the RBI guidelines. Loss arising on account of direct assignment / securitisation is recognised upfront on sale in the Statement of Profit and Loss.
- Revenue from power supply is accounted on accrual basis.
- Income from trading in derivatives is recognised on final settlement or squaring up of the contracts.

(o) Segment Reporting

The Company's primary business segments are reflected based on the principal business carried out i.e. financing. The risk and returns of the business of the Company is not associated with geographical segmentation, hence there is no secondary segment reporting based on geographical segment.

(p) Leases

Where the Company is lessee

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

Where the Company is lessor

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

(q) Earnings per share

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

(r) Taxes on income

- Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income-tax Act, 1961.
- Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantially enacted as at the Balance Sheet date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Deferred tax assets are recognised for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability. Current and deferred tax relating to items directly recognised in reserves are recognised in reserves and not in the Statement of Profit and Loss.
- Since the Company has passed a Board resolution that it has no intention to make withdrawal from the Special Reserve created and maintained under Section 36(1)(viii) of the Income-tax Act, 1961, the special reserve created and maintained is not capable of being reversed and thus a permanent difference. Accordingly, no deferred tax liability has been created in books of account.

(s) Derivative contracts

Interest rate swaps

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

Currency Interest rate swaps

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

Stock Futures

- Stock Futures are marked-to-market on a daily basis. The debit or credit balance in the 'Mark-to-market margin – stock futures account' disclosed under loans and advances or current liabilities represents the net amount paid or received on the basis of the movement in the prices of stock futures till the Balance Sheet date.
- Credit balance in the 'Mark-to-market margin – stock futures account' in the nature of anticipated profit is ignored and no credit is taken to the Statement of Profit and Loss. However, the debit balance in the 'Mark-to-market margin – stock futures account' in the nature of anticipated loss is recognised in the Statement of Profit and Loss.
- On final settlement or squaring-up of contracts for stock futures, the profit or loss is calculated as the difference between the settlement / squaring-up price and the contract price. Accordingly, debit or credit balance pertaining to the settled / squared-up contract in 'Mark-to-market margin – stock futures account' is recognised in the Statement of Profit and Loss upon expiry of the contracts. When more than one contract in respect of the relevant series of stock futures contract, to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of such contract is determined using the weighted average method for calculating profit / loss on squaring-up.
- 'Initial margin account – stock futures' representing initial margin paid is disclosed under loans and advances.

(t) Foreign currency transactions and translations

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

(u) Provisions and contingencies

Provision against loans and advances

- Contingent provision against standard assets is made at 0.25% of the outstanding standard assets in accordance with the RBI guidelines.
- In addition to above, the Company maintains a general provision as Provision for Contingencies in accordance with the provisioning policy of the Company and additional provision based on the assessment of portfolio including provision against stressed assets that qualifies for deduction under Section 36(1)(viia) of the Income-tax Act, 1961.
- The policy of provisioning against non-performing loans and advances has been decided by the Management considering norms prescribed by the RBI under Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 2007. As per the policy adopted, the provision against non-performing loans and advances are created on a conservative basis, taking into account Management's perception of the higher risk associated with the business of the Company. Certain non-performing loans and advances are considered as loss assets and full provision has been made against such assets.
- In January 2014, the RBI has issued guidelines on Restructuring of Advances applicable to Non-Banking Finance Companies. As per the guidelines, a provision is required on standard accounts restructured prior to January 24, 2014 at 2.75% from March 31, 2014, and would further increase to 3.50% from March 31, 2015, 4.25% from March 31, 2016 and 5.00% from March 31, 2017. Restructuring of standard accounts subsequent to January 23, 2014 would attract a provision at 5.00%. The Company has complied with the aforesaid guidelines and on prudent basis a provision at 5.00% has been made on all outstanding restructured accounts in addition to the provision against diminution in fair value of restructured advances. Unrealised income represented by Funded Interest Term Loan ("FITL") on standard accounts restructured after January 23, 2014 are fully provided and such provision against FITL will be reversed on repayment of FITL.

Other provisions

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

(v) Securities issue expenses

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

(w) Service tax input credit

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

(x) Operating cycle

Based on the nature of products / activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

04 Share capital

	AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
	NUMBER	(₹ IN CRORE)	NUMBER	(₹ IN CRORE)
AUTHORISED				
Equity shares of ₹ 10 each	4,000,000,000	4,000.00	4,000,000,000	4,000.00
Preference shares of ₹ 100 each	100,000,000	1,000.00	100,000,000	1,000.00
		5,000.00		**5,000.00**
ISSUED, SUBSCRIBED & FULLY PAID-UP				
Equity shares of ₹ 10 each	1,516,286,251	1,516.29	1,514,727,629	1,514.73
TOTAL ISSUED, SUBSCRIBED AND FULLY PAID-UP SHARE CAPITAL		**1,516.29**		**1,514.73**

(a) Reconciliation of the number of shares and amount outstanding as at the beginning and at the end of the year

	AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
EQUITY SHARES	NUMBER	(₹ IN CRORE)	NUMBER	(₹ IN CRORE)
Outstanding as at the beginning of the year	1,514,727,629	1,514.73	1,512,362,768	1,512.36
Issued during the year - stock options exercised under the ESOS [see note (e)]	1,558,622	1.56	2,364,861	2.37
Outstanding as at the end of the year	**1,516,286,251**	**1,516.29**	**1,514,727,629**	**1,514.73**

(b) Terms / rights attached to equity shares

- The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share and ranks *pari passu*. The dividend proposed by the Board of Directors is subject to approval of the shareholders at the ensuing Annual General Meeting. During the year ended March 31, 2014 dividend of ₹ 2.60 per share (Previous Year ₹ 2.60 per share) is recognised as amount distributable to equity shareholders.
- In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company after distribution of all preferential amounts. However, no such preferential amounts exists currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Details of shareholders holding more than 5% of the shares in the Company

	AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
EQUITY SHARES	NUMBER	% OF HOLDING	NUMBER	% OF HOLDING
President of India	261,400,000	17.24	261,400,000	17.26
Sipadan Investments (Mauritius) Limited	151,145,989	9.97	151,145,989	9.98
National Westminster Bank Plc	88,666,784	5.85	–	–

(d) Shares reserved for issue under stock options

Refer to note (e) for details of shares reserved for issue under the ESOS of the Company.

(e) Movement in stock options granted under the ESOS is as under:

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
	NUMBER	NUMBER
Outstanding as at beginning of the year	35,568,940	37,970,105
Add: Granted during the year	2,246,667	883,000
Less: Exercised during the year [see note (a)]	1,558,622	2,364,861
Less: Lapsed / forfeited during the year	3,367,575	919,304
Outstanding as at the end of the year	**32,889,410**	**35,568,940**

05 Reserves and surplus

			(₹ IN CRORE)
		AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
(a)	**SECURITIES PREMIUM ACCOUNT**		
	Opening balance	5,228.47	5,216.97
	Add: Premium on exercise of stock options under the ESOS	8.63	21.65
	Less: Premium utilised / (writeback) during the year [net of current tax of ₹ Nil (Previous Year ₹ 3.20 crore)] [see note 3(v) & 26]	(0.14)	10.15
	Closing balance	**5,237.24**	**5,228.47**
(b)	**STOCK OPTIONS OUTSTANDING**		
	Opening balance	28.86	33.90
	Add: Net charge for the year (see note 25)	–	0.21
	Less: Transferred to general reserve	0.29	0.57
	Less: Stock options exercised / cancelled	3.17	4.68
	Closing balance	**25.40**	**28.86**
(c)	**DEBENTURE REDEMPTION RESERVE**		
	Opening balance	364.60	214.60
	Add: Transfer from surplus in the Statement of Profit and Loss	177.00	150.00
	Closing balance	**541.60**	**364.60**

Debenture redemption reserve has been created in accordance with Section 117C of the Companies Act, 1956 in respect of the public issues of long-term Infrastructure Bonds. The Company creates Debenture Redemption Reserve (DRR) upto 25% of the value of debentures issued through public issue plus accrued interest thereon over the expected life of such debentures in accordance with circular no. 4/2013 dated February 11, 2013 issued by the Ministry of Corporate Affairs. The Company is not required to create DRR in respect of privately placed debentures as on March 31, 2014.

		AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
(d)	**SPECIAL RESERVE u/s. 36(1)(viii) OF THE INCOME-TAX ACT, 1961 [see note 3(r)]**		
	Opening balance	1,950.25	1,550.25
	Add: Transfer from surplus in the Statement of Profit and Loss	423.00	400.00
	Closing balance	**2,373.25**	**1,950.25**
(e)	**SPECIAL RESERVE u/s. 45-IC OF THE RBI ACT, 1934**		
	Opening balance	1,867.60	1,514.60
	Add: Transfer from surplus in the Statement of Profit and Loss	341.00	353.00
	Closing balance	**2,208.60**	**1,867.60**
(f)	**GENERAL RESERVE**		
	Opening balance	628.74	451.67
	Add: Transfer from surplus in the Statement of Profit and Loss	170.11	176.50
	Add: Transfer from stock options outstanding [see note 5(b)]	0.29	0.57
	Closing balance	**799.14**	**628.74**

				(₹ IN CRORE)
		AS AT MARCH 31, 2014		AS AT MARCH 31, 2013
(g) SURPLUS IN THE STATEMENT OF PROFIT AND LOSS				
Opening balance		1,874.06		1,645.62
Profit for the year		1,701.12		1,764.98
LESS: APPROPRIATIONS				
TRANSFER TO RESERVES:				
Debenture redemption reserve	177.00		150.00	
Special reserve u/s. 36(1)(viii) of the Income-tax Act, 1961	423.00		400.00	
Special reserve u/s. 45-IC of the RBI Act, 1934	341.00		353.00	
General reserve	170.11		176.50	
DIVIDEND & DIVIDEND DISTRIBUTION TAX:				
Proposed dividend on equity shares [₹ 2.60 per share (Previous Year ₹ 2.60 per share)]	394.24		393.84	
Dividend on equity shares pertaining to previous year [see note (i)]	0.15		0.20	
Tax on proposed equity dividend [see note (ii)]	67.00		63.04	
Tax on equity dividend for previous year [see note (i) & (ii)]	(4.75)		(0.04)	
Total appropriations		1,567.75		1,536.54
Closing balance		**2,007.43**		**1,874.06**
TOTAL RESERVES AND SURPLUS		**13,192.66**		**11,942.58**

(i) In respect of equity shares issued pursuant to exercise of stock options under the ESOS, the Company paid dividend of ₹ 0.15 crore in the year 2012-13 (Previous Year ₹ 0.20 crore for the year 2011-12) as approved by the shareholders at the respective Annual General Meetings and tax on dividend of ₹ 0.02 crore (Previous Year credit of ₹ 0.04 crore) as approved by the shareholders at the respective Annual General Meetings.

(ii) Tax on dividend is net of dividend distribution tax of ₹ 4.77 crore (Previous Year ₹ 4.14 crore) paid by the subsidiary companies under Section 115-O of the Income-tax Act, 1961.

06 Share application money pending allotment

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

	AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
	NUMBER	(₹ IN CRORE)	NUMBER	(₹ IN CRORE)
Equity shares of face value ₹ 10 each proposed to be issued	24,500	0.02	44,799	0.04
Total amount of securities premium		0.10		0.26
TOTAL		**0.12**		**0.30**

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

07 Long-term borrowings

(₹ IN CRORE)

	AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
	NON-CURRENT	CURRENT	NON-CURRENT	CURRENT
DEBENTURES & BONDS (NON-CONVERTIBLE) (SECURED) [see note (a) & (d)]				
Face value	26,462.41	8,396.90	27,693.13	11,522.00
Less: Unexpired discount on zero percent debentures & bonds [see note (c)]	281.55	25.58	366.24	27.73
	26,180.86	8,371.32	27,326.89	11,494.27
TERM LOANS (SECURED) [see note (a)]				
From banks [see note (e)]	4,380.74	850.00	3,005.74	1,000.00
From others [see note (f)]	758.84	–	–	918.00
	5,139.58	850.00	3,005.74	1,918.00
EXTERNAL COMMERCIAL BORROWINGS (SECURED) [see note (a)]				
From banks [see note (g)]	4,903.95	–	3,382.83	–
From others [see note (h)]	2,445.70	197.68	2,437.87	142.32
	7,349.65	197.68	5,820.70	142.32
SUBORDINATED DEBT FROM THE GOVERNMENT OF INDIA (UNSECURED) [see note (i)]	650.00	–	650.00	–
Amount disclosed under 'other current liabilities' (see note 12)	–	(9,419.00)	–	(13,554.59)
TOTAL LONG-TERM BORROWINGS	**39,320.09**	**–**	**36,803.33**	**–**
The above amount includes:				
Secured borrowings [see note (a)]	38,670.09	9,419.00	36,153.33	13,554.59
Unsecured borrowings	650.00	–	650.00	–
	39,320.09	**9,419.00**	**36,803.33**	**13,554.59**

(a) Borrowings of ₹ 48,089.09 crore (Previous Year ₹ 49,707.92 crore) are secured by way of a first floating *pari passu* charge over investments, other assets, trade receivables, cash and bank balances and loans & advances excluding investments in and other receivables from subsidiaries and affiliates and lien marked assets.

(b) In terms of the RBI circular (Ref. No. DNBS (PD) CC No. 333 / 03.02.001 / 2013-14 dated July 1, 2013) no borrowings remained overdue as on March 31, 2014 (Previous Year ₹ Nil).

(c) Unexpired discount is net of ₹ 251.00 crore (Previous Year ₹ 154.46 crore) towards interest accrued but not due.

(d) Interest and repayment terms of long-term borrowings - debentures (non-convertible) (secured):

(₹ IN CRORE)

	AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
RESIDUAL MATURITY	BALANCE OUTSTANDING	INTEREST RATE (%)	BALANCE OUTSTANDING	INTEREST RATE (%)
Fixed Rate				
Above 5 years	12,084.53	7.75 to 9.68	8,437.53	7.75 to 9.35
3-5 years	2,036.73	7.98 to 9.45	3,837.37	8.43 to 9.54
1-3 years	12,301.15	7.45 to 9.57	15,378.23	7.25 to 9.80
Floating Rate				
3-5 years	40.00	MIBOR+150 bps	40.00	MIBOR+150 bps
TOTAL	**26,462.41**		**27,693.13**	

(e) Interest and repayment terms of long-term loans from banks (secured):

(₹ IN CRORE)

RESIDUAL MATURITY	AS AT MARCH 31, 2014 BALANCE OUTSTANDING	INTEREST RATE (%)	AS AT MARCH 31, 2013 BALANCE OUTSTANDING	INTEREST RATE (%)
Fixed Rate				
1-3 years	255.74	7.41	255.74	7.41
Floating Rate				
3-5 years	–	NA	200.00	Bank Base rate
1-3 years	4,125.00	Bank Base rate+5 bps	2,550.00	Bank Base rate+10 bps
TOTAL	**4,380.74**		**3,005.74**	

(f) Interest and repayment terms of long-term loans from others (secured):

(₹ IN CRORE)

RESIDUAL MATURITY	AS AT MARCH 31, 2014 BALANCE OUTSTANDING	INTEREST RATE (%)	AS AT MARCH 31, 2013 BALANCE OUTSTANDING	INTEREST RATE (%)
Fixed Rate				
Above 5 years	71.22	2.00	–	NA
3-5 Years	26.59	2.00	–	NA
1-3 Years	18.03	2.00	–	NA
Floating Rate				
3-5 Years	643.00	Base rate	–	NA
TOTAL	**758.84**		**–**	

(g) Interest and repayment terms of external commercial borrowings from banks (secured):

(₹ IN CRORE)

RESIDUAL MATURITY	AS AT MARCH 31, 2014 BALANCE OUTSTANDING	INTEREST RATE (%)	AS AT MARCH 31, 2013 BALANCE OUTSTANDING	INTEREST RATE (%)
Floating Rate				
3-5 years	2,404.00	USD 6M LIBOR+185 to 250 bps	1,903.65	USD 6M LIBOR+210 to 275 bps
3-5 years	276.25	3M BBSY+270 bps	282.60	3M BBSY+270 bps
1-3 years	2,223.70	USD 6M LIBOR+150 to 275 bps	1,196.58	USD 6M LIBOR+150 to 175 bps
TOTAL	**4,903.95**		**3,382.83**	

(h) Interest and repayment terms of external commercial borrowings from others (secured):

(₹ IN CRORE)

RESIDUAL MATURITY	AS AT MARCH 31, 2014 BALANCE OUTSTANDING	INTEREST RATE (%)	AS AT MARCH 31, 2013 BALANCE OUTSTANDING	INTEREST RATE (%)
Floating Rate				
Above 5 years	130.33	USD 6M LIBOR+235 bps	165.73	USD 6M LIBOR+235 bps
Above 5 years	1,352.26	USD 3M LIBOR+225 bps	1,359.75	USD 3M LIBOR+225 bps
Above 5 years	308.27	INBMK+183.50 bps	346.80	INBMK+183.50 bps
3-5 years	38.53	INBMK+183.50 bps	–	NA
3-5 years	150.25	USD 3M LIBOR+225 bps	–	NA
3-5 years	127.05	USD 6M LIBOR+60.20 to 235 bps	212.10	USD 6M LIBOR+60.20 to 235 bps
1-3 years	339.01	USD 6M LIBOR+60.20 to 235 bps	353.49	USD 6M LIBOR+60.20 to 235 bps
TOTAL	**2,445.70**		**2,437.87**	

(i) Interest and repayment terms of subordinated debt from the Government of India (unsecured):

(₹ IN CRORE)

REPAYMENT DATE	AS AT MARCH 31, 2014 BALANCE OUTSTANDING	INTEREST RATE (%)	AS AT MARCH 31, 2013 BALANCE OUTSTANDING	INTEREST RATE (%)
29-Sep-47	350.00	5 Year G-Sec+25 bps	350.00	5 Year G-Sec+25 bps
17-Mar-47	300.00	5 Year G-Sec+25 bps	300.00	5 Year G-Sec+25 bps
TOTAL	**650.00**		**650.00**	

Notes forming part of the Financial Statements

08 Other long-term liabilities

	AS AT MARCH 31, 2014	(₹ IN CRORE) AS AT MARCH 31, 2013
Lease equalisation (see note 35)	1.46	3.67
Interest accrued but not due on borrowings	483.83	301.27
Income received in advance (unearned revenue)	1.61	3.22
Debenture application money	–	1.30
Security deposit	8.33	8.33
Payables against derivative contracts	35.23	5.24
TOTAL	**530.46**	**323.03**

09 Long-term provisions

	AS AT MARCH 31, 2014	(₹ IN CRORE) AS AT MARCH 31, 2013
Contingent provision against standard assets	150.41	143.20
TOTAL	**150.41**	**143.20**

(a) A contingent provision against standard assets has been created at 0.25% of the outstanding standard assets in terms of the RBI circular (Ref. No. DNBS (PD) CC No. 333 / 03.02.001 / 2013-14 dated July 1, 2013).

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

	AS AT MARCH 31, 2014	(₹ IN CRORE) AS AT MARCH 31, 2013
Opening balance	143.20	124.40
Additions during the year	7.21	18.80
Closing balance	**150.41**	**143.20**

10 Short-term borrowings

		AS AT MARCH 31, 2014		(₹ IN CRORE) AS AT MARCH 31, 2013
TERM LOANS (SECURED) [see note (a)]				
From banks		1,200.00		1,218.90
TERM LOANS (UNSECURED)				
From others		10.00		3.38
COLLATERALISED BORROWING AND LENDING OBLIGATIONS (CBLO) (SECURED) [see note (b)]		1,335.44		–
REPURCHASE AGREEMENT (REPO) (SECURED) [see note (c)]		1,361.96		–
COMMERCIAL PAPERS (UNSECURED)				
Face value	2,771.00		857.00	
Less: Unexpired discount [see note (d)]	45.87		32.14	
		2,725.13		824.86
CASH CREDIT / BANK OVERDRAFT (SECURED) [see note (a)]		300.00		1,225.00
TOTAL SHORT-TERM BORROWINGS		**6,932.53**		**3,272.14**
The above amount includes:				
Secured borrowings [see note (a)]		4,197.40		2,443.90
Unsecured borrowings		2,735.13		828.24
		6,932.53		**3,272.14**

(a) Borrowings of ₹ 1,500.00 crore (Previous Year ₹ 2,443.90 crore) are secured by way of a first floating *pari passu* charge over investments, other assets, trade receivables, cash and bank balances and loans and advances excluding investments in and other receivables from subsidiaries and affiliates and lien marked assets.

(b) Borrowings under CBLO is secured against investments in government securities and treasury bills of ₹ 2,143.92 crore (Previous Year ₹ Nil).

(c) Borrowings under REPO are secured by assignment of treasury bills of ₹ 1,364.45 crore (Previous Year ₹ Nil).

(d) Unexpired discount on commercial papers is net of ₹ 61.35 crore (Previous Year ₹ 32.25 crore) towards interest accrued but not due.

(e) In terms of the RBI circular (Ref. No. DNBS (PD) CC No. 333 / 03.02.001 / 2013-14 dated July 1, 2013) no borrowings remained overdue as on March 31, 2014 (Previous Year ₹ Nil).

11 Trade payables

(₹ IN CRORE)

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Payables against derivative contracts	145.31	81.05
Payables against purchase of investments	574.26	–
Other trade payables (see note 39)	2.45	2.86
Provision for expenses	69.67	85.77
TOTAL	**791.69**	**169.68**

12 Other current liabilities

(₹ IN CRORE)

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Current maturities of long-term borrowings (see note 7)	9,419.00	13,554.59
Interest accrued but not due on borrowings	1,392.30	1,709.47
Income and other amounts received in advance	29.08	8.54
Unclaimed dividend [see note (a)]	1.60	1.54
Unclaimed interest [see note (a)]	15.76	3.78
Security deposit	2.02	2.50
Lease equalisation	0.70	0.53
Other payables		
Intercompany payables	–	0.05
Payable to gratuity fund	0.14	0.14
[net of receivable from fund of ₹ 0.91 crore (Previous Year ₹ Nil)]		
Statutory dues	2.11	2.96
Other liabilities	0.37	0.17
TOTAL	**10,863.08**	**15,284.27**

(a) No amount of unclaimed dividend and unclaimed interest was due for transfer to the Investor Education and Protection Fund under Section 205C of the Companies Act, 1956 as at the Balance Sheet date.

13 Short-term provisions

(₹ IN CRORE)

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Provision for income tax	5.62	83.99
[Net of advance payment of tax of ₹ 506.50 crore (Previous Year ₹ 1,227.67 crore)]		
Provision for wealth tax	0.14	0.12
[Net of advance payment of tax of ₹ 0.52 crore (Previous Year ₹ 0.40 crore)]		
Proposed equity dividend [see note 4(b) & 5(i)]	394.24	393.84
Tax on proposed equity dividend [see note 5(ii)]	67.00	63.04
TOTAL	**467.00**	**540.99**

14 (a) Tangible assets

(₹ IN CRORE)

	GROSS BLOCK					ACCUMULATED DEPRECIATION					NET BLOCK	
	Balance as at April 1, 2013	Additions	Disposals	Transfer in / (out) (see note 2)	Balance as at March 31, 2014	Balance as at April 1, 2013	Depreciation charge for the year	On disposals	Transfer in / (out) (see note 2)	Balance as at March 31, 2014	Balance as at March 31, 2014	Balance as at March 31, 2013
Land	–	4.36	–	–	4.36	–	–	–	–	–	4.36	–
(Previous Year)	–	–	–	–	–	–	–	–	–	–	–	–
Buildings												
Own use	274.28	–	2.32	18.81	290.77	54.18	11.18	1.17	10.39	74.58	216.19	220.10
(Previous Year)	(274.28)	–	–	–	(274.28)	(42.60)	(11.58)	–	–	(54.18)	(220.10)	
Under operating lease	18.81	–	–	(18.81)	–	10.13	0.26	–	(10.39)	–	–	8.68
(Previous Year)	(18.81)	–	–	–	(18.81)	(9.67)	(0.46)	–	–	(10.13)	(8.68)	
Leasehold improvements	6.71	–	3.00	–	3.71	4.30	0.53	3.00	–	1.83	1.88	2.41
(Previous Year)	(6.49)	(0.22)	–	–	(6.71)	(3.77)	(0.53)	–	–	(4.30)	(2.41)	
Furniture and fixtures												
Own use	8.76	0.40	0.94	0.42	8.64	4.70	0.72	0.84	0.16	4.74	3.90	4.06
(Previous Year)	(9.64)	(0.33)	(1.21)	–	(8.76)	(4.91)	(0.79)	(1.00)	–	(4.70)	(4.06)	
Under operating lease	0.42	–	–	(0.42)	–	0.15	0.01	–	(0.16)	–	–	0.27
(Previous Year)	(0.42)	–	–	–	(0.42)	(0.13)	(0.02)	–	–	(0.15)	(0.27)	
Vehicles	1.06	4.20	0.13	–	5.13	0.53	0.80	0.11	–	1.22	3.91	0.53
(Previous Year)	(0.93)	(0.13)	–	–	(1.06)	(0.38)	(0.15)	–	–	(0.53)	(0.53)	
Office equipment												
Own use	10.47	0.70	0.38	0.02	10.81	4.15	1.10	0.25	0.02	5.02	5.79	6.32
(Previous Year)	(8.95)	(2.19)	(0.67)	–	(10.47)	(3.63)	(1.05)	(0.53)	–	(4.15)	(6.32)	
Under operating lease	0.02	–	–	(0.02)	–	0.02	ß	–	(0.02)	–	–	ß
(Previous Year)	(0.02)	–	–	–	(0.02)	(0.02)	ß	–	–	(0.02)	ß	
Computers	11.19	1.04	0.65	–	11.58	8.63	1.26	0.63	–	9.26	2.32	2.56
(Previous Year)	(11.00)	(0.93)	(0.74)	–	(11.19)	(7.84)	(1.51)	(0.72)	–	(8.63)	(2.56)	
Wind mills	101.25	–	–	–	101.25	56.93	6.80	–	–	63.73	37.52	44.32
(Previous Year)	(101.25)	–	–	–	(101.25)	(48.91)	(8.02)	–	–	(56.93)	(44.32)	
TOTAL	**432.97**	**10.70**	**7.42**	**–**	**436.25**	**143.72**	**22.66**	**6.00**	**–**	**160.38**	**275.87**	**289.25**
Previous Year	(431.79)	(3.80)	(2.62)	–	(432.97)	(121.86)	(24.11)	(2.25)	–	(143.72)	(289.25)	

Notes:

1. Buildings include ₹ 500 (Previous Year ₹ 500) being the cost of unquoted fully paid shares held in co-operative housing societies.
2. The operating lease relating to certain assets has expired during the current year.

14 (b) Intangible assets (other than internally generated)

(₹ IN CRORE)

	GROSS BLOCK					ACCUMULATED AMORTISATION					NET BLOCK	
	Balance as at April 1, 2013	Additions	Disposals	Transfer in / (out)	Balance as at March 31, 2014	Balance as at April 1, 2013	Amortisation charge for the year	On disposals	Transfer in / (out)	Balance as at March 31, 2014	Balance as at March 31, 2014	Balance as at March 31, 2013
Computer software	13.74	1.02	–	–	14.76	11.33	1.63	–	–	12.96	1.80	2.41
(Previous Year)	(12.25)	(1.49)	–	–	(13.74)	(7.99)	(3.34)	–	–	(11.33)	(2.41)	
TOTAL	**13.74**	**1.02**	**–**	**–**	**14.76**	**11.33**	**1.63**	**–**	**–**	**12.96**	**1.80**	**2.41**
Previous Year	(12.25)	(1.49)	–	–	(13.74)	(7.99)	(3.34)	–	–	(11.33)	(2.41)	
TOTAL TANGIBLE AND INTANGIBLE ASSETS	**446.71**	**11.72**	**7.42**	**–**	**451.01**	**155.05**	**24.29**	**6.00**	**–**	**173.34**	**277.67**	**291.66**
Previous Year	(444.04)	(5.29)	(2.62)	–	(446.71)	(129.85)	(27.45)	(2.25)	–	(155.05)	(291.66)	

15 Non-current investments (at cost)

	FACE VALUE (₹)	AS AT MARCH 31, 2014 QUANTITY	AS AT MARCH 31, 2014 (₹ IN CRORE)	AS AT MARCH 31, 2013 QUANTITY	AS AT MARCH 31, 2013 (₹ IN CRORE)
TRADE INVESTMENTS					
INVESTMENTS IN EQUITY SHARES (FULLY PAID)					
SUBSIDIARIES (UNQUOTED)					
IDFC Alternatives Limited	10	50,000	0.05	50,000	0.05
IDFC Asset Management Company Limited	10	2,009,283	629.49	2,009,283	629.49
IDFC AMC Trustee Company Limited	10	37,499	0.05	37,499	0.05
IDFC Finance Limited	10	21,000,200	21.00	21,000,200	21.00
IDFC Foundation	10	13,000,000	13.00	13,000,000	13.00
IDFC Infra Debt Fund Limited	10	12,000,000	12.00	–	–
IDFC Housing Finance Company Limited	10	12,000,000	12.00	–	–
IDFC Pension Fund Management Company Limited	10	–	–	5,999,999	6.00
IDFC Primary Dealership Company Limited	10	200,000,000	200.00	200,000,000	200.00
IDFC Projects Limited	10	34,050,000	34.07	34,050,000	34.07
IDFC Securities Limited	10	14,137,200	440.10	14,137,200	440.10
IDFC Trustee Company Limited	10	50,000	0.05	50,000	0.05
ASSOCIATE (UNQUOTED)					
Feedback Infra Private Limited (formerly Feedback Infrastructure Services Private Limited)	10	4,026,689	20.09	4,026,689	20.09
			1,381.90		**1,363.90**
NON-TRADE INVESTMENTS					
INVESTMENT IN EQUITY SHARES (QUOTED) (FULLY PAID)					
Adani Port and Special Economic Zone Limited	2	124,068	1.69	124,068	1.69
Andhra Cements Limited	10	28,784,722	55.03	28,784,722	55.03
Bharti Airtel Limited	5	109,800	0.25	269,800	0.61
DQ Entertainment (International) Limited	10	255,375	1.74	258,097	1.76
Gateway Distriparks Limited	10	80,946	1.20	80,946	1.20
IRB Infrastructure Developers Limited	10	162,546	2.37	162,546	2.37
Jaypee Infratech Limited	10	3,791,842	38.68	3,791,842	38.68
JSW Energy Limited	10	2,394,595	23.94	2,394,595	23.94
KSK Energy Ventures Limited	10	3,125,000	75.00	3,125,000	75.00
Lanco Infratech Limited	1	6,200,000	11.90	6,200,000	11.90
Larsen & Toubro Limited	2	169,368	13.65	112,912	13.65
Nava Bharat Ventures Limited	2	77,247	1.51	77,247	1.51
PTC India Limited	10	470,000	2.49	470,000	2.49
Sanghvi Movers Limited	2	80,813	0.85	80,813	0.85
Sarda Energy & Minerals Limited	10	1,842,105	35.00	1,842,105	35.00
SJVN Limited	10	6,447,279	16.76	6,447,279	16.76
Torrent Power Limited	10	1,056,220	10.39	1,056,220	10.39
Tulip Telecom Limited	2	56,075	0.83	56,075	0.83
VA Tech Wabag Limited	2	95,975	4.73	95,975	4.73
			298.01		**298.39**
INVESTMENT IN EQUITY SHARES (UNQUOTED) (FULLY PAID)					
Asset Reconstruction Company (India) Limited	10	27,197,743	113.77	27,197,743	113.77
Asia Bio Energy (India) Limited	10	2,500,000	2.50	2,500,000	2.50
Athena Energy Ventures Private Limited [Previous Year 50,000,000 shares disclosed under current portion of long-term investments (see note 20)]	10	50,000,000	50.00	–	–
Avantika Gas Limited	10	3,500	ß	3,500	ß
BSCPL Infrastructure Limited	10	436,300	25.00	436,300	25.00
Carried forward			**191.27**		**141.27**

Non-current investments (at cost) *(continued)*

	FACE VALUE (₹)	AS AT MARCH 31, 2014 QUANTITY	AS AT MARCH 31, 2014 (₹ IN CRORE)	AS AT MARCH 31, 2013 QUANTITY	AS AT MARCH 31, 2013 (₹ IN CRORE)
INVESTMENT IN EQUITY SHARES (UNQUOTED) (FULLY PAID) *(continued)*					
Brought forward			**191.27**		**141.27**
Coastal Projects Limited	10	3,385,939	67.00	–	–
Ennore SEZ Company Limited	10	25,000	0.03	25,000	0.03
GMR Kamalanga Energy Limited	10	56,750,000	56.75	56,750,000	56.75
GMR Energy Limited	10	4,451,331	5.41	–	–
GR Infraprojects Limited	10	132,635	2.72	132,635	2.72
Green Gas Limited	10	10,000	0.01	10,000	0.01
Indian Commodity Exchange Limited	5	10,000,000	5.00	10,000,000	5.00
Indian Energy Exchange Limited	10	1,250,000	1.25	1,250,000	1.25
Indu Projects Limited	10	2,053,480	26.70	2,053,480	26.70
Intarvo Technologies Limited	10	71,320	1.41	71,320	1.41
KMC Constructions Limited	10	542,977	23.90	542,977	23.90
National Stock Exchange of India Limited [Previous Year 775,000 shares disclosed under current portion of long-term investments (see note 20)]	10	2,396,410	60.06	1,846,410	46.27
One 97 Communication Limited	10	121,682	3.02	121,682	3.02
Petronet CCK Limited	10	19,973,332	19.97	19,973,332	19.97
Pipal Tree Ventures Private Limited	10	192,885	2.25	192,885	2.25
STCI Finance Limited	10	3,530,136	54.04	3,530,136	54.04
SSIPL Retail Limited	10	304,599	5.00	304,599	5.00
Uniquest Infra Ventures Private Limited	10	1,518,071	1.52	298,500	0.30
			527.31		**389.89**
INVESTMENT IN PREFERENCE SHARES (UNQUOTED) (FULLY PAID) [see note (c)]					
0.10% GMR Energy Limited (convertible)	1,000	237,189	23.72	541,136	54.14
0% Human Value Developers Private Limited (convertible)	10	23,749,200	23.75	23,749,200	23.75
0% Intarvo Technologies Limited (convertible)	10	26,595	0.18	26,595	0.18
0% Moser Baer Solar Limited (optionally convertible)	10	61,290,000	61.29	61,290,000	61.29
0% Regen Powertech Private Limited (convertible)	10	62,190	4.39	62,190	4.39
0% TRIL Infopark Limited (convertible)	100	–	–	7,500,000	75.00
13.50% Viom Networks Limited (optionally partially convertible)	10	–	–	250,000,000	250.00
0.02% Ziqitza Healthcare Limited (convertible)	10	2,209	0.47	2,209	0.47
0% GMR Infrastructure Limited (convertible) Series A	1,000	209,550	20.96	–	–
0% GMR Infrastructure Limited (convertible) Series B	1,000	209,550	20.96	–	–
			155.72		**469.22**
INVESTMENT IN GOVERNMENT SECURITIES (UNQUOTED [see note 10(b)]			**1,517.07**		**1,517.07**
INVESTMENT IN DEBENTURES & BONDS (UNQUOTED) (FULLY PAID)					
SUBSIDIARY					
IDFC Securities Limited (optionally convertible)	1,000,000	1,250	125.00	1,250	125.00
OTHERS					
Axis Bank Limited	1,000,000	250	25.00	–	–
Dewan Housing Finance Corporation Limited (formerly First Blue Home Finance Limited)	1,000,000	150	14.98	–	–
HDFC Bank Limited	1,000,000	59	5.90	–	–
ICICI Bank Limited	1,000,000	180	18.00	–	–
L&T Infrastructure Finance Company Limited	1,000,000	200	19.47	–	–
Reliance Gas Transportation Infrastructure Limited	1,000,000	1,824	189.62	–	–
Sharekhan Limited (convertible)	145.35	3,435,527	49.94	3,435,527	49.94
Sharekhan Limited (convertible)	264.27	567,601	15.00	567,601	15.00
Sundaram Finance Limited	1,000,000	250	24.90	–	–
Shriram Transport Finance Company Limited	1,000,000	545	54.82	–	–
Vizag General Cargo Berth Private Limited	1,000,000	1,250	122.95	–	–
			665.58		**189.94**

Non-current investments (at cost) *(continued)*

	FACE VALUE (₹)	AS AT MARCH 31, 2014 QUANTITY	AS AT MARCH 31, 2014 (₹ IN CRORE)	AS AT MARCH 31, 2013 QUANTITY	AS AT MARCH 31, 2013 (₹ IN CRORE)
INVESTMENT IN VENTURE CAPITAL UNITS (UNQUOTED) [see note (c)]					
Faering Capital India Evolving Fund (fully paid)	1,000	170,564	17.06	115,351	11.54
LICHFL Urban Development Fund (₹ 2,870 paid) (Previous Year ₹ 2,000 paid)	10,000	20,000	5.74	20,000	4.00
India Development Fund - Class A (redeemed during the year) (Previous Year ₹ 99.79 paid)	100	–	–	10,000,000	0.10
India Development Fund - Class B (redeemed during the year) (fully paid)	100	–	–	700	0.01
India Infrastructure Fund - Class B (fully paid)	1	4,070	ß	4,070	ß
IDFC Project Equity Domestic Investors Trust I (fully paid)	100	33,143,680	331.44	25,758,480	257.58
IDFC Project Equity Domestic Investors Trust II (fully paid)	100	506,318	5.06	446,031	4.46
IDFC Private Equity Fund II - Class A (₹ 5.21 paid) (Previous Year ₹ 9.20 paid)	10	135,000,000	70.35	135,000,000	85.05
IDFC Private Equity Fund II - Class C (fully paid)	10	6,621	0.01	6,621	0.01
IDFC Private Equity Fund III - Class A (₹ 6.27 paid) (Previous Year ₹ 5.93 paid) (commitment restricted to ₹ 7.14 per unit)	10	280,000,000	179.27	280,000,000	151.86
IDFC Private Equity Fund III - Class B (fully paid)	10	3,571	ß	3,571	ß
IDFC Private Equity Fund III - Class C (₹ 5.85 paid) (Previous Year ₹ 5.43 paid) (commitment restricted to ₹ 7.14 per unit)	10	1,350,000	0.84	1,350,000	0.66
IDFC Private Equity Fund III - Class D (₹ 8.95 paid) (Previous Year ₹ 5.24 paid)	10	79,996,000	71.66	79,996,000	41.95
IDFC Private Equity Fund III - Class E (fully paid)	10	1,429	ß	1,429	ß
IDFC Private Equity Fund III - Class F (₹ 8.91 paid) (Previous Year ₹ 5.13 paid)	10	385,695	0.34	385,695	0.20
IDFC Spice Fund (fully paid)	1	244,843,565	24.49	174,637,525	17.46
Urban Infrastructure Opportunities Fund - Class A (fully paid)	87,500	2,700	23.82	2,700	24.03
India Infrastructure Fund II - Class A5 (₹ 1 paid) (Previous Year ₹ Nil)	100	46,797,050	4.68	–	–
IDFC Real Estate Yield Fund - Class A3 (₹ 400 paid) (Previous Year ₹ Nil)	1,000	291,416	11.68	–	–
			746.44		**598.91**
INVESTMENT IN SECURITY RECEIPTS (UNQUOTED) (see note 45)					
Asset Reconstruction Company (India) Limited			118.94		21.24
Edelweiss Asset Reconstruction Company Limited			77.51		–
			196.45		**21.24**
TOTAL NON-CURRENT INVESTMENTS			**5,488.48**		**4,848.56**
Less: Provision for diminution in value of investments			309.24		217.31
Less: Premium amortised on debentures, bonds & government securities			1.43		0.26
NET NON-CURRENT INVESTMENTS			**5,177.81**		**4,630.99**

(a) Aggregate amount of quoted investments		
Cost	298.01	298.39
Market value	152.18	148.44
(b) Aggregate amount of unquoted investments - cost	5,190.47	4,550.17

(c) Investments include ₹ 0.47 crore (Previous Year ₹ 0.47 crore) in respect of preference shares and ₹ 746.44 crore (Previous Year ₹ 598.91 crore) in respect of venture capital units which are subject to restrictive covenants.

(d) Investments exclude equity shares held by the Company having face value ₹ 10.42 crore (Previous Year ₹ 10.42 crore), where the Company has no beneficial interest.

16 Deferred tax assets (net)

(₹ IN CRORE)

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
DEFERRED TAX ASSETS		
(a) Provisions	514.02	413.09
(b) Others	2.57	8.85
	516.59	421.94
DEFERRED TAX LIABILITY		
(a) Fixed assets: Impact of difference between tax depreciation and depreciation / amortisation charged to the Statement of Profit and Loss	29.39	28.74
DEFERRED TAX ASSETS (NET)	**487.20**	**393.20**

In compliance with Accounting Standard 22 on 'Accounting for Taxes on Income' as notified under the Companies (Accounting Standards) Rules, 2006, the Company has taken credit of ₹ 94.00 crore (Previous Year ₹ 78.30 crore) in the Statement of Profit and Loss towards deferred tax assets (net) on account of timing differences.

17 Loans

(₹ IN CRORE)

	AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
	NON-CURRENT	CURRENT	NON-CURRENT	CURRENT
Rupee loans [see note (a), (d) & (e)]	50,807.63	8,000.49	47,643.27	7,627.71
Debentures & bonds [see note (a), (c) & (e)]	453.68	567.50	1,298.77	24.80
	51,261.31	**8,567.99**	**48,942.04**	**7,652.51**
Less: Provision against non-performing loans [see note (d)]	40.00	72.40	13.33	42.88
Less: Provision against restructured loans & others (see note 46)	158.03	–	–	–
Less: Provision for contingencies	1,013.34	–	801.88	–
TOTAL	**50,049.94**	**8,495.59**	**48,126.83**	**7,609.63**
(a) The above amount includes:				
Secured [see note (b)]	47,552.97	8,093.39	44,699.73	7,306.49
Unsecured	3,708.34	474.60	4,242.31	346.02
	51,261.31	**8,567.99**	**48,942.04**	**7,652.51**

(b) Loans to the extent of ₹ 55,646.36 crore (Previous Year ₹ 52,006.22 crore) are secured by:
- (i) Hypothecation of assets and / or
- (ii) Mortgage of property and / or
- (iii) Trust and retention account and / or
- (iv) Bank guarantee, company guarantee, sponsor guarantee or personal guarantee and / or
- (v) Assignment of receivables or rights and / or
- (vi) Pledge of shares and / or
- (vii) Negative lien and / or
- (viii) Undertaking to create a security.

(c) Loans includes debentures of ₹ 1,021.18 crore (Previous Year ₹ 1,323.57 crore) as detailed below:

	FACE VALUE (₹)	AS AT MARCH 31, 2014 QUANTITY	AS AT MARCH 31, 2014 (₹ IN CRORE)	AS AT MARCH 31, 2013 QUANTITY	AS AT MARCH 31, 2013 (₹ IN CRORE)
DEBENTURES (REDEEMABLE)					
Associate					
Feedback Infra Private Limited (formerly Feedback Infrastructure Services Private Limited)	1,000	400,000	40.00	400,000	40.00
Others					
Asianet Satellite Communications Limited	1,000,000	–	–	148	14.80
DEBENTURES (CONVERTIBLE)					
Subsidiary					
Galaxy Mercantiles Limited	20,000	81,842	163.68	–	–
Associate					
Galaxy Mercantiles Limited	20,000	–	–	68,060	136.12
Others					
Coastal Projects Limited	1,000,000	1,000	33.00	1,000	100.00
Gati Infrastructure Limited	100	–	–	2,000,000	20.00
Green Infra Limited	1,000	–	–	2,281,477	228.15
Mytrah Energy (India) Limited	300	5,000,000	150.00	5,000,000	150.00
Regen Powertech Private Limited	100,000	10,000	100.00	10,000	100.00
Simpson Unitech Wireless Private Limited	10	534,500,000	534.50	534,500,000	534.50
TOTAL			**1,021.18**		**1,323.57**

(d) Loans includes non-performing loans of ₹ 332.98 crore (Previous Year ₹ 85.12 crore) against which provisions of ₹ 112.40 crore (Previous Year ₹ 56.21 crore) has been made in accordance with the RBI circular (Ref. No. DNBS (PD) CC No. 333 / 03.02.001 / 2013-14 dated July 1, 2013) [see note (e) & 40(f)].

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

(₹ IN CRORE)

		AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
(i)	Standard assets	59,496.32	56,509.43
(ii)	Sub-standard assets	332.98	14.01
(iii)	Doubtful assets	–	43.61
(iv)	Loss assets	–	27.50
		59,829.30	**56,594.55**

18 Loans and advances - others (considered good, unless stated otherwise)

(₹ IN CRORE)

	AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
	NON-CURRENT	CURRENT	NON-CURRENT	CURRENT
UNSECURED				
Inter corporate deposits	–	19.00	–	175.00
Loans and advances to related parties	–	83.40	–	84.38
[includes ₹ 45.22 crore (Previous Year ₹ 45.22 crore) considered doubtful]				
Receivables against derivative contracts	206.56	438.48	207.47	159.68
Loans and advances to employees	1.00	0.07	1.00	0.24
Advance against investments	–	ß	–	ß
Security deposits	19.05	10.72	25.30	0.61
Other deposits	–	0.03	–	3.03
Advance payment of income tax	284.99	–	211.52	–
[net of provision of ₹ 3,310.60 crore (Previous Year ₹ 1,925.87 crore)]				
Other loans and advances				
Supplier advances	–	0.66	–	1.72
Capital advances	0.05	–	0.37	–
Prepaid expenses	–	2.23	–	0.78
Balances with government authorities - cenvat credit available	–	0.81	–	0.35
Stamp Paper on hand	–	0.11	–	0.05
Initial margin account - stock futures	0.60	–	4.50	–
Initial margin account - government securities	7.11	–	6.51	–
	519.36	555.51	456.67	425.84
Less: Provision against doubtful advances	–	45.22	–	45.22
TOTAL	**519.36**	**510.29**	**456.67**	**380.62**

19 Other assets (considered good, unless stated otherwise)

(₹ IN CRORE)

	AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
	NON-CURRENT	CURRENT	NON-CURRENT	CURRENT
Other receivables	–	0.77	–	2.67
[includes ₹ 0.72 crore (Previous Year ₹ 0.66 crore) considered doubtful]				
Less: Provision against doubtful receivables	–	0.72	–	0.66
	–	0.05	–	2.01
Interest accrued on deposits & loan to financial institution	–	0.15	–	1.13
Interest accrued on investments	–	83.69	–	128.91
Interest accrued on loans [see note (a)]	102.20	1,050.84	557.49	495.77
Unamortised expenses				
Premium on forward contracts	–	32.71	–	24.38
Ancilliary borrowing costs	71.86	22.44	59.98	15.29
TOTAL	**174.06**	**1,189.88**	**617.47**	**667.49**

(a) Interest accrued on loans - current is net of provision of ₹ 1.15 crore (Previous Year ₹ 31.77 crore).

20 Current investments

	FACE VALUE (₹)	AS AT MARCH 31, 2014 QUANTITY	AS AT MARCH 31, 2014 (₹ IN CRORE)	AS AT MARCH 31, 2013 QUANTITY	AS AT MARCH 31, 2013 (₹ IN CRORE)
CURRENT PORTION OF LONG-TERM INVESTMENTS (AT COST)					
NON-TRADE INVESTMENTS					
INVESTMENT IN EQUITY SHARES (UNQUOTED) (FULLY PAID)					
Athena Energy Ventures Private Limited (Current Year shown under non-current investments) (see note 15)	10	–	–	50,000,000	50.00
National Stock Exchange of India Limited (Current Year 550,000 quantity shown under non-current investments) (see note 15)	10	–	–	775,000	19.42
INVESTMENT IN DEBENTURES & BONDS (UNQUOTED) (FULLY PAID)					
Corporation Bank Limited	1,000,000	–	–	250	24.97
Future Capital Holdings Limited	1,000,000	–	–	500	49.49
Infotel Broadband Services Private Limited	1,000,000	–	–	500	48.24
L&T Infrastructure Finance Company Limited	1,000,000	–	–	250	24.51
Power Finance Corporation Limited	1,000,000	–	–	950	103.59
Power Grid Corporation Limited	300,000	–	–	90	2.83
Reliance Gas Transportation Infrastructure Limited	1,000,000	–	–	1,424	158.26
Reliance Utilities and Power Private Limited	1,000,000	–	–	500	50.96
Shriram Transport Finance Company Limited	1,000,000	–	–	350	35.30
INVESTMENT IN GOVERNMENT SECURITIES (UNQUOTED)			–		25.63
			–		**593.20**
CURRENT INVESTMENTS (LOWER OF COST AND FAIR VALUE / MARKET VALUE)					
TRADE INVESTMENTS					
INVESTMENT IN EQUITY SHARES (UNQUOTED) (FULLY PAID)					
Subsidiaries					
Neopro Technologies Private Limited - Class A	10	259,504	137.88	259,504	137.88
Neopro Technologies Private Limited - Class B	10	10	0.01	10	0.01
Neopro Technologies Private Limited - Ordinary shares	10	85,961	52.99	50,162	26.57
Galaxy Mercantiles Limited - Class A	100	84,472	152.85	–	–
Galaxy Mercantiles Limited - Class B	100	100	0.14	–	–
Galaxy Mercantiles Limited - Class C	100	100	0.21	–	–
Associate					
Galaxy Mercantiles Limited - Class A	100	–	–	35,048	73.60
Galaxy Mercantiles Limited - Class C	100	–	–	100	0.21
			344.08		**238.27**
INVESTMENT IN PREFERENCE SHARES (UNQUOTED) (FULLY PAID)					
Subsidiaries					
Neopro Technologies Private Limited (redeemable)	10	42,000	25.03	42,000	25.03
Galaxy Mercantiles Limited (redeemable)	100	7,317,329	97.91	–	–
			122.94		**25.03**
Associate					
Galaxy Mercantiles Limited (redeemable)	100	–	–	999,426	9.99
			–		**9.99**
NON-TRADE INVESTMENTS					
INVESTMENT IN EQUITY SHARES (QUOTED) (FULLY PAID)					
Hathway Cable & Datacom Limited	10	236,129	5.67	268,840	6.46
Indiabulls Power Limited	10	3,423,184	15.40	3,423,184	15.40
NHPC Limited	10	–	–	10,555,729	38.00
Vascon Engineers Limited	10	864,225	14.26	864,225	14.26
Engineers India Limited	5	–	–	143,961	4.17
Jet Airways (India) Limited	10	553,954	28.39	–	–
Deccan Chronicle Holdings Limited	2	1,000	ß	1,000	ß
			63.72		**78.29**

Current investments (at cost) *(continued)*

	FACE VALUE (₹)	AS AT MARCH 31, 2014 QUANTITY	AS AT MARCH 31, 2014 (₹ IN CRORE)	AS AT MARCH 31, 2013 QUANTITY	AS AT MARCH 31, 2013 (₹ IN CRORE)
INVESTMENT IN DEBENTURES & BONDS (UNQUOTED) (FULLY PAID)					
Axis Bank Limited	1,000,000	–	–	250	25.00
Dewan Housing Finance Corporation Limited (formerly First Blue Home Finance Limited)	1,000,000	–	–	150	15.00
Fullerton India Credit Company Limited	1,000,000	–	–	850	85.07
Food Corporation of India	1,000,000	2,500	249.80	–	–
Gruh Finance Limited	1,000,000	–	–	250	24.89
HDFC Bank Limited	1,000,000	–	–	59	5.90
Hindalco Industries Limited	1,000,000	–	–	300	30.85
Hindustan Petroleum Corporation Limited	1,000,000	–	–	300	29.94
Housing Development Finance Corporation Limited	1,000,000	–	–	1,250	125.00
ICICI Bank Limited	1,000,000	–	–	200	20.00
ICICI Home Finance Limited	1,000,000	38	3.80	88	8.80
India Infrastructure Finance Company Limited	1,000	834,500	83.45	750,000	75.00
Indian Railways Finance Corporation Limited	1,000,000	–	–	1,000	100.00
ING Vysya Bank Limited	100,000	–	–	500	4.39
L&T Finance Limited	1,000	821,491	82.15	821,491	82.15
L&T Infrastructure Finance Company Limited	1,000,000	50	4.95	–	–
LIC Housing Finance Limited	1,000,000	2,200	220.00	700	70.06
Mahindra & Mahindra Financial Services Limited	1,000,000	250	24.90	350	34.87
Manappuram Finance Limited	1,000	–	–	227,519	22.81
National Housing Bank	1,000,000	700	70.00	–	–
National Bank for Agriculture and Rural Development	1,000,000	250	25.37	1,000	100.37
NTPC Limited	1,000,000	–	–	250	25.00
Power Finance Corporation Limited	1,000,000	250	25.09	4,444	445.04
Power Grid Corporation of India Limited	1,250,000	190	14.40	1,910	207.53
Reliance Gas Transportation Infrastructure Limited	1,000,000	–	–	1,150	124.68
Rural Electrification Corporation Limited	1,000,000	–	–	2,000	200.06
Shriram Transport Finance Company Limited	1,000,000	–	–	195	19.52
State Bank of India	1,000,000	–	–	190	19.00
Sundaram Finance Limited	1,000,000	300	29.70	250	25.00
Tata Sons Limited	1,000,000	350	35.12	50	5.00
The Great Eastern Shipping Company Limited	1,000,000	100	10.09	100	10.09
Yes Bank Limited	1,000,000	–	–	50	5.00
			878.82		**1,946.02**
INVESTMENT IN PASS THROUGH CERTIFICATES (UNQUOTED)					
India MBS 2002 Certificates Series I D			0.41		0.58
INVESTMENT IN CERTIFICATE OF DEPOSITS WITH SCHEDULED BANKS (UNQUOTED)			1,011.37		2,139.95
INVESTMENT IN COMMERCIAL PAPERS (UNQUOTED)			47.87		–
INVESTMENT IN GOVERNMENT SECURITIES (UNQUOTED) [see note 10 (b)]			33.95		1,052.21
INVESTMENT IN TREASURY BILLS (UNQUOTED) [see note 10 (b) & 10 (c)]			3,554.45		320.35
INVESTMENT IN MUTUAL FUNDS (UNQUOTED)					
IDFC Banking Debt Fund - Direct Plan - Growth	10	–	–	300,000,000.000	300.00
IDFC Money Manager Fund - Treasury - Daily Dividend	10	3,436,570.801	3.46	3,929,035.060	3.96
			3.46		**303.96**
TOTAL CURRENT INVESTMENTS			**6,061.07**		**6,707.85**
Less: Provision for diminution in value of investments			40.00		56.01
Less: Premium amortised on current maturities of long-term debentures & bonds			–		10.43
NET CURRENT INVESTMENTS			**6,021.07**		**6,641.41**

Current investments (at cost) *(continued)*

	AS AT MARCH 31, 2014 (₹ IN CRORE)	AS AT MARCH 31, 2013 (₹ IN CRORE)
(a) Aggregate amount of quoted investments		
Cost	63.72	78.29
Market value	24.07	35.84
(b) (i) Aggregate amount of investments in unquoted mutual funds		
Cost	3.46	303.96
Market value	3.46	306.16
Market value of investments in unquoted mutual funds represents the repurchase price of the units issued by the mutual funds.		
(ii) Aggregate amount of other unquoted investments - cost	5,993.89	6,325.60

21 Trade receivables (unsecured)

		AS AT MARCH 31, 2014	(₹ IN CRORE) AS AT MARCH 31, 2013
CONSIDERED GOOD			
Outstanding for a period less than six months from the date they are due for payment [see note (a)]		643.10	50.76
CONSIDERED DOUBTFUL			
Outstanding for a period less than six months from the date they are due for payment	0.11		20.43
Outstanding for a period exceeding six months from the date they are due for payment	109.46		88.89
		109.57	109.32
Less: Provision against doubtful receivables		109.57	109.32
		–	–
TOTAL		**643.10**	**50.76**

(a) Includes ₹ 632.64 crore (Previous Year ₹ 41.61 crore) on deals recognised on trade date basis, subsequently realised.

22 Cash and bank balances

		AS AT MARCH 31, 2014	(₹ IN CRORE) AS AT MARCH 31, 2013
CASH AND CASH EQUIVALENTS			
Cash on hand	0.01		0.01
Cheques on hand	3.36		4.27
Balances with banks:			
In current accounts	91.73		69.92
In deposit accounts	101.00		27.00
		196.10	101.20
OTHERS			
Balances with banks:			
In earmarked accounts:			
- unclaimed dividend	1.60		1.54
- unclaimed interest	15.76		3.78
In deposit accounts [see note (a) and (b)]	4.00		21.00
		21.36	26.32
		217.46	**127.52**

(a) Balances with banks in deposit accounts include deposits under lien of ₹ 4.00 crore (Previous Year ₹ 21.00 crore), to the National Securities Clearing Corporation Limited for meeting margin requirements.

(b) Balances with banks include deposits of ₹ Nil (Previous Year ₹ 21.00 crore) having original maturity of more than 12 months.

23 Revenue from operations

(₹ IN CRORE)

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Interest [see note (a)]	7,477.09	7,091.82
Other financial services [see note (b)]	129.50	209.24
Dividend income [see note (c)]	47.16	50.85
Net profit on sale of investments [see note (d)]	549.81	401.60
Other operating income [see note (e)]	10.65	11.79
TOTAL	**8,214.21**	**7,765.30**
(a) DETAILS OF INTEREST INCOME		
Interest on loans [see note (i)]	6,732.59	6,367.80
Interest on deposits and loan to a financial institution	15.80	111.30
Interest on investments		
Current investments	576.24	486.61
Long-term investments	152.46	126.11
TOTAL	**7,477.09**	**7,091.82**

(i) Interest on loans includes interest on debentures & bonds of ₹ 216.21 crore (Previous Year ₹ 243.36 crore).

(b) DETAILS OF INCOME FROM OTHER FINANCIAL SERVICES		
Fees (net) [see note (i)]	129.48	208.31
Profit amortised on assignment / sale of loans	0.02	0.93
TOTAL	**129.50**	**209.24**

(i) Fees income is net of fees shared on sell down of loans of ₹ Nil (Previous Year ₹ 2.26 crore).

(c) DETAILS OF DIVIDEND INCOME		
Current investments	0.25	2.77
Long-term investments		
Subsidiary companies	28.07	25.51
Associate company	0.81	0.70
Others	18.03	21.87
TOTAL	**47.16**	**50.85**
(d) DETAILS OF NET PROFIT ON SALE OF INVESTMENTS		
Current investments	229.62	202.32
Long-term investments	320.19	199.28
TOTAL	**549.81**	**401.60**
(e) DETAILS OF OTHER OPERATING INCOME		
Sale of power	10.65	11.79
TOTAL	**10.65**	**11.79**

24 Other income

	(₹ IN CRORE) FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Interest on income tax refund	5.02	5.09
Other interest	0.06	0.07
Profit on sale of long-term investments [see note (a)]	0.68	3.73
Profit on sale of fixed assets (net)	10.61	–
Miscellaneous income [see note 35(ii)]	1.35	2.30
TOTAL	**17.72**	**11.19**

(a) Profit on sale of long-term investments of ₹ 0.68 crore for the year ended March 31, 2014 is the profit on sale of 49.99% stake in IDFC Pension Fund Management Company Limited, subsidiary of the Company to IDFC Securities Limited. Profit on sale of long-term investments of ₹ 3.73 crore for the year ended March 31, 2013 is the profit on sale of 100% stake in IDFC Project Equity Company Limited, wholly-owned subsidiary of the Company to IDFC Alternatives Limited.

25 Employee benefits expense

	(₹ IN CRORE) FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Salaries	116.94	123.10
Contribution to provident and other funds (see note 32)	7.93	7.40
Expense under the ESOS [see note 5(b)]	–	0.21
Staff welfare expenses	4.13	6.28
TOTAL	**129.00**	**136.99**

26 Finance costs

	(₹ IN CRORE) FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Interest expense*	4,943.41	4,605.50
Other borrowing costs*	63.23	56.67
Net loss on foreign currency transactions and translation	0.32	3.02
TOTAL	**5,006.96**	**4,665.19**

*excludes ₹ Nil (Previous Year ₹ 13.35 crore) charged to securities premium account [see note 5(a)].

27 Provisions and contingencies

	(₹ IN CRORE) FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Contingent provision against standard assets [see note 9 (b)]	7.21	18.80
Provision for contingencies	313.97	175.13
Provision against non-performing loans, restructured loans, doubtful debts / advances & others (net) (see note 45 & 46)	282.83	164.45
Provision for diminution in value of investments (net)	24.82	35.73
TOTAL	**628.83**	**394.11**

28 Other expenses

(₹ IN CRORE)

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Rent [see note (35(i)]	6.69	11.01
Rates and taxes [see note (a)]	8.74	5.17
Electricity	3.35	2.55
Repairs and maintenance		
Buildings	2.50	2.32
Equipments	2.98	2.92
Others	2.11	1.80
Insurance charges	0.23	0.33
Travelling and conveyance	6.15	7.82
Printing and stationery	1.24	1.10
Communication costs	3.24	3.29
Advertising and publicity	1.29	3.47
Professional fees	21.89	26.92
Loss on foreign exchange fluctuation (net)	0.01	0.05
Loss on trading in stock futures	0.28	4.44
Directors' sitting fees	0.29	0.26
Commission to directors	1.44	1.33
Bad debts written off	1.36	1.49
Loss on retirement of fixed assets (net)	–	0.36
Brokerage	0.81	2.78
Miscellaneous expenses	13.61	10.49
Donation	13.01	5.03
Auditors' remuneration [see note (b)]	1.88	1.49
Shared service costs recovered [see note (c)]	(8.44)	(11.65)
TOTAL	**84.66**	**84.77**

(a) Rates and taxes include provision for wealth tax for the current year amounting to ₹ 0.14 crore (Previous Year ₹ 0.13 crore) and securities transaction tax amounting to ₹ 0.12 crore (Previous Year ₹ 0.86 crore).

(b) Break up of auditors' remuneration:

(₹ IN CRORE)

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Audit fees	0.50	0.40
Tax audit fees	0.15	0.12
Taxation matters	0.41	0.26
Other services	0.66	0.61
Out-of-pocket expenses	0.04	0.01
Service tax	0.22	0.18
	1.98	1.58
Less: Service tax set off claimed	0.10	0.09
TOTAL	**1.88**	**1.49**

(c) Shared service costs recovery includes ₹ 7.24 crore (Previous Year ₹ 9.32 crore) recovered from subsidiary companies and ₹ 0.44 crore (Previous Year ₹ 0.60 crore) recovered from an associate company under a shared service agreeement.

29 Expenditure in foreign currencies

(₹ IN CRORE)

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Interest expense	7.80	2.63
Other borrowing costs	19.70	11.03
Travelling expenses	0.07	0.57
Legal & professional fees	0.26	0.52
Others	2.12	2.67

30 Earnings in foreign currencies

(₹ IN CRORE)

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Others	ß	0.09

31 Remittance in foreign currencies for dividends

The Company has not remitted any amount in foreign currencies on account of dividends paid 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 paid to non-resident shareholders which were declared during the year, are as under:

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Number of non-resident shareholders	4,693	4,864
Number of equity shares held by them	794,909,862	759,118,625
Gross amount of dividend (₹ in crore)	206.68	174.60
Dividend relating to the year	2012-13	2011-12

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

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

(₹ IN CRORE)

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Provident fund	3.79	3.52
Superannuation fund	0.68	0.73
Pension fund	0.61	0.47

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:

(₹ IN CRORE)

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
CHANGE IN THE DEFINED BENEFIT OBLIGATIONS:		
Liability at the beginning of the year	14.87	11.65
Current service cost	2.31	2.02
Interest cost	1.31	1.10
Liabilities settled on divestiture	(0.63)	(0.03)
Benefits paid	(1.28)	(0.53)
Actuarial loss	1.15	0.66
Liability at the end of the year	17.73	14.87
FAIR VALUE OF PLAN ASSETS:		
Fair value of plan assets at the beginning of the year	14.73	11.75
Expected return on plan assets	1.20	0.96
Contributions	1.93	2.45
Benefits paid	(1.28)	(0.53)
Actuarial gain on plan assets	0.08	0.10
Fair value of plan assets at the end of the year	16.66	14.73
Total actuarial loss to be recognised	1.07	0.56
ACTUAL RETURN ON PLAN ASSETS:		
Expected return on plan assets	1.20	0.96
Actuarial gain on plan assets	0.08	0.10
Actual return on plan assets	1.28	1.06
AMOUNT RECOGNISED IN THE BALANCE SHEET:		
Liability at the end of the year	17.73	14.87
Fair value of plan assets at the end of the year	16.66	14.73
Amount recognised in the Balance Sheet under 'Provision for employee benefits'	1.07	0.14
EXPENSE RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS:		
Current service cost	2.31	2.02
Interest cost	1.31	1.10
Expected return on plan assets	(1.20)	(0.96)
Net actuarial loss to be recognised	1.07	0.56
Liabilities settled on divestiture	(0.63)	(0.03)
Expense recognised in the Statement of Profit and Loss under 'Employee benefits expense'	2.86	2.69
RECONCILIATION OF THE LIABILITY RECOGNISED IN THE BALANCE SHEET:		
Opening net asset	0.14	0.10
Expense recognised	2.86	2.69
Contribution by the Company	(1.93)	(2.45)
Expected employer's contribution next year	2.00	2.00

(₹ IN CRORE)

	FOR THE YEAR ENDED				
	MARCH 31, 2014	MARCH 31, 2013	MARCH 31, 2012	MARCH 31, 2011	MARCH 31, 2010
EXPERIENCE ADJUSTMENTS:					
Defined benefit obligation	17.73	14.87	11.65	8.96	6.72
Plan assets	16.66	14.73	11.75	9.00	7.23
Surplus / (deficit)	(1.07)	(0.14)	0.10	0.04	0.51
Experience adjustments on plan liabilities	2.12	0.19	1.38	1.71	(0.54)
Experience adjustments on plan assets	0.08	0.10	(0.32)	(0.16)	1.29

Employee Benefits Disclosures *(continued)*

	AS AT MARCH 31, 2014 (%)	AS AT MARCH 31, 2013 (%)
INVESTMENT PATTERN:		
Insurer managed funds	100.00	100.00
Government securities	27.06	26.30
Deposit and money market securities	8.48	6.61
Debentures / bonds	51.70	55.41
Equity shares	12.76	11.68
PRINCIPAL ASSUMPTIONS:		
Discount rate (p.a.)	8.85	8.05
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.

33 The Company's main business is financing by way of loans. All other activities revolve around the main business. The Company does not have any geographic segments. As such, there are no separate reportable segments as per Accounting Standard 17 on 'Segment Reporting' as notified under the Companies (Accounting Standards) Rules, 2006.

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

I. SUBSIDIARIES:

(a) Direct

Galaxy Mercantiles Limited (w.e.f. December 6, 2013)
IDFC Alternatives Limited
IDFC Asset Management Company Limited
IDFC AMC Trustee Company Limited
IDFC Finance Limited
IDFC Foundation
IDFC Housing Finance Company Limited (incorporated on March 4, 2014)
IDFC Infra Debt Fund Limited (incorporated on March 7, 2014)
IDFC Primary Dealership Company Limited
IDFC Project Equity Company Limited (up to May 16, 2012)
IDFC Projects Limited
IDFC Securities Limited
IDFC Trustee Company Limited
Neopro Technologies Private Limited (w.e.f. March 30, 2013)

(b) Through subsidiaries

Dheeru Powergen Limited (up to April 13, 2012)
IDFC Capital Limited (up to October 31, 2013)
IDFC Capital (USA) Inc.
IDFC Capital (Singapore) Pte. Ltd.
IDFC Distribution Company Limited (up to October 31, 2013)
IDFC Fund of Funds Limited
IDFC General Partners Limited (up to September 21, 2012)
IDFC Investment Advisors Limited
IDFC Investment Managers (Mauritius) Limited
IDFC Pension Fund Management Company Limited (up to October 31, 2013)
IDFC PPP Trusteeship Company Limited (dissolved on August 23, 2013)
IDFC Project Equity Company Limited (w.e.f. May 17, 2012)
IDFC Securities Singapore Pte. Limited (incorporated on November 21, 2012)

Related Party Disclosures *(continued)*

II. JOINTLY CONTROLLED ENTITIES:

(a) **Through subsidiaries**

Delhi Integrated Multi-Modal Transit System Limited
Infrastructure Development Corporation (Karnataka) Limited
Uttarakhand Infrastructure Development Company Limited

III. ASSOCIATES:

(a) **Direct**

Galaxy Mercantiles Limited (up to December 5, 2013)
Feedback Infra Private Limited (formerly Feedback Infrastructure Services Private Limited)

(b) **Through subsidiaries**

Jetpur Somnath Tollways Private Limited
Dheeru Powergen Limited (from April 14, 2012 to March 26, 2013)

IV. ENTITIES OVER WHICH CONTROL IS EXERCISED:

(a) **Through subsidiaries**

India Infrastructure Initiative Trust (up to June 30, 2012)
India PPP Capacity Building Trust

V. KEY MANAGEMENT PERSONNEL:

(a) Dr. Rajiv B. Lall - Executive Chairman
(b) Mr. Vikram Limaye - Managing Director & CEO

VI RELATIVES OF KEY MANAGEMENT PERSONNEL (WHERE TRANSACTIONS EXIST):

(a) Ms. Bunty Chand
(b) Mr. Bharat Mukund Limaye

1. The nature and volume of transactions of the Company with the above mentioned related parties are as summarised below:

(₹ IN CRORE)

PARTICULARS	SUBSIDIARY COMPANIES		ASSOCIATES		JOINTLY CONTROLLED ENTITIES		ENTITIES OVER WHICH CONTROL IS EXERCISED		KEY MANAGEMENT PERSONNEL		RELATIVES OF KEY MANAGEMENT PERSONNEL	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
INCOME												
Dividend	28.07	25.51	0.81	0.70	–	–	–	–	–	–	–	–
Interest	11.06	5.35	21.25	27.20	–	–	–	–	–	–	–	–
Other Fees	–	1.27	–	0.11	–	–	–	–	–	–	–	–
Other Income	0.17	–	ß	0.01	–	–	–	–	–	–	–	–
EXPENDITURE												
Remuneration paid	–	–	–	–	–	–	–	–	10.42	10.78	–	–
Shared service cost recovery	7.24	9.32	0.44	0.60	–	–	–	–	–	–	–	–
Fees paid	1.56	3.25	0.08	0.18	1.78	0.35	0.03	–	–	–	–	–
Professional fees paid	0.81	0.82	–	–	–	–	–	–	–	–	–	–
Interest expense on bonds	0.20	–	–	–	–	–	–	–	–	–	–	–
Donation	13.00	5.00	–	–	–	–	–	–	–	–	–	–
Brokerage on sale of investments	0.02	0.21	–	–	–	–	–	–	–	–	–	–
Brokerage on stock futures	0.01	0.03	–	–	–	–	–	–	–	–	–	–
Interest expense on 80CCF Bonds	–	–	–	–	–	–	–	–	ß	ß	ß	ß
Rent paid	–	–	–	–	0.02	0.02	–	–	–	–	–	–
Advances written off	–	0.02	–	–	–	–	–	–	–	–	–	–
ASSETS / TRANSACTION												
Sale of Treasury bills & Commercial papers	48.92	–	–	–	–	–	–	–	–	–	–	–
Sale of investments in Subsidiary Company	6.68	3.78	–	–	–	–	–	–	–	–	–	–
Purchase / subscription of investments	69.34	224.98	34.05	12.00	–	–	–	–	–	–	–	–
Subscription of OCDs	–	125.00	27.56	–	–	–	–	–	–	–	–	–
Sale of fixed assets	–	–	–	–	ß	–	–	–	–	–	–	–
Purchase of fixed assets	–	0.03	–	–	–	–	–	–	–	–	–	–
Inter-corporate deposits (placed and matured)	2,720.00	2,353.25	–	–	–	–	–	–	–	–	–	–
Advances given	16.99	18.84	–	–	–	–	–	–	–	–	–	–
Advances recovered	16.30	52.16	1.65	–	–	–	–	–	–	–	–	–

Related Party Disclosures *(continued)*

(₹ IN CRORE)

PARTICULARS	SUBSIDIARY COMPANIES		ASSOCIATES		JOINTLY CONTROLLED ENTITIES		ENTITIES OVER WHICH CONTROL IS EXERCISED		KEY MANAGEMENT PERSONNEL		RELATIVES OF KEY MANAGEMENT PERSONNEL	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
ASSETS / TRANSACTION *(continued)*												
Advances recoverable - balance outstanding	83.40	82.72	ß	1.74	–	–	–	–	–	–	–	–
Interest accrued on loans - balance outstanding	0.08	–	9.05	10.02	–	–	–	–	–	–	–	–
Outstanding investment in Debentures	288.68	125.00	40.00	176.12	–	–	–	–	–	–	–	–
LIABILITIES / TRANSACTION												
Trade payable - balance outstanding	1.07	2.25	–	–	0.71	0.08	0.04	0.07	–	–	–	–
ESOPs exercised	–	–	–	–	–	–	–	–	3.38	–	–	–
Amount received in advance	0.04	–	0.48	–	–	–	–	–	–	–	–	–
80CCF Bonds outstanding	–	–	–	–	–	–	–	–	0.01	0.01	0.01	0.01
Buyback of Bonds	28.15	–	–	–	–	–	–	–	–	–	–	–
Counter gurantees outstanding	–	76.30	–	–	–	–	–	–	–	–	–	–

2. The nature and volume of transactions of the Company with the above mentioned related parties are as detailed below:

(₹ IN CRORE)

PARTICULARS	SUBSIDIARY COMPANIES		ASSOCIATES		JOINTLY CONTROLLED ENTITIES		ENTITIES OVER WHICH CONTROL IS EXERCISED		KEY MANAGEMENT PERSONNEL		RELATIVES OF KEY MANAGEMENT PERSONNEL	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
INCOME												
Dividend												
IDFC Alternatives Limited	13.00	24.00	–	–	–	–	–	–	–	–	–	–
IDFC Asset Management Company Limited	15.07	1.51	–	–	–	–	–	–	–	–	–	–
Feedback Infra Private Limited	–	–	0.81	0.70	–	–	–	–	–	–	–	–
Interest income												
IDFC Primary Dealership Company Limited	2.22	5.33	–	–	–	–	–	–	–	–	–	–
IDFC Finance Limited	ß	–	–	–	–	–	–	–	–	–	–	–
IDFC Project Equity Company Limited	–	ß	–	–	–	–	–	–	–	–	–	–
IDFC Securities Limited	–	0.02	–	–	–	–	–	–	–	–	–	–
Feedback Infra Private Limited	–	–	5.38	4.05	–	–	–	–	–	–	–	–
Galaxy Mercantiles Limited	8.84	–	15.87	23.15	–	–	–	–	–	–	–	–
Other fees												
IDFC Projects Limited	–	1.22	–	–	–	–	–	–	–	–	–	–
IDFC Capital (Singapore) Pte. Limited	–	0.05	–	–	–	–	–	–	–	–	–	–
Feedback Infra Private Limited	–	–	–	0.11	–	–	–	–	–	–	–	–
Other Income												
IDFC Asset Management Company Limited	0.17	–	–	–	–	–	–	–	–	–	–	–
Feedback Infra Private Limited	–	–	ß	0.01	–	–	–	–	–	–	–	–
EXPENDITURE												
Remuneration paid												
Dr. Rajiv B. Lall	–	–	–	–	–	–	–	–	5.56	5.85	–	–
Mr. Vikram Limaye	–	–	–	–	–	–	–	–	4.86	4.93	–	–
Shared Service cost recovery												
IDFC Alternatives Limited	0.58	1.08	–	–	–	–	–	–	–	–	–	–
IDFC Securities Limited	2.43	2.79	–	–	–	–	–	–	–	–	–	–
IDFC Project Equity Company Limited	1.03	1.02	–	–	–	–	–	–	–	–	–	–
IDFC Primary Dealership Company Limited	0.29	0.06	–	–	–	–	–	–	–	–	–	–
IDFC Projects Limited	–	0.66	–	–	–	–	–	–	–	–	–	–
IDFC Capital Limited	1.24	1.37	–	–	–	–	–	–	–	–	–	–
IDFC Asset Management Company Limited	1.67	2.34	–	–	–	–	–	–	–	–	–	–
Jetpur Somnath Tollways Private Limited	–	–	0.44	0.60	–	–	–	–	–	–	–	–

Related Party Disclosures *(continued)*

(₹ IN CRORE)

PARTICULARS	SUBSIDIARY COMPANIES		ASSOCIATES		JOINTLY CONTROLLED ENTITIES		ENTITIES OVER WHICH CONTROL IS EXERCISED		KEY MANAGEMENT PERSONNEL		RELATIVES OF KEY MANAGEMENT PERSONNEL	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
EXPENDITURE *(continued)*												
Fees paid												
IDFC Foundation	1.55	3.25	–	–	–	–	–	–	–	–	–	–
IDFC Securities Limited	0.01	–	–	–	–	–	–	–	–	–	–	–
Feedback Infra Private Limited	–	–	0.08	0.18	–	–	–	–	–	–	–	–
India PPP Capacity Building Trust	–	–	–	–	–	–	0.03	–	–	–	–	–
Uttarakhand Infrastructure Development Company Limited	–	–	–	–	0.57	0.06	–	–	–	–	–	–
Infrastructure Development Corporation (Karnataka) Limited	–	–	–	–	1.21	0.29	–	–	–	–	–	–
Professional fees paid												
IDFC Investment Advisors Limited	0.81	0.82	–	–	–	–	–	–	–	–	–	–
Interest expense on bonds												
IDFC Primary Dealership Company Limited	0.20	–	–	–	–	–	–	–	–	–	–	–
Interest expense on 80CCF Bonds												
Dr. Rajiv B. Lall	–	–	–	–	–	–	–	–	ß	ß	–	–
Mr. Vikram Limaye	–	–	–	–	–	–	–	–	ß	ß	–	–
Ms. Bunty Chand	–	–	–	–	–	–	–	–	–	–	ß	ß
Mr. Bharat Mukund Limaye	–	–	–	–	–	–	–	–	–	–	ß	ß
Donation												
IDFC Foundation	13.00	5.00	–	–	–	–	–	–	–	–	–	–
Brokerage on sale of investment												
IDFC Securities Limited	0.02	0.21	–	–	–	–	–	–	–	–	–	–
Brokerage on stock futures												
IDFC Securities Limited	0.01	0.03	–	–	–	–	–	–	–	–	–	–
Rent paid												
Infrastructure Development Corporation (Karnataka) Limited	–	–	–	–	0.02	0.02	–	–	–	–	–	–
Advances written off												
IDFC PPP Trusteeship Company Limited	–	0.02	–	–	–	–	–	–	–	–	–	–
ASSETS / TRANSACTION												
Sale of Treasury Bills & Commercial Papers												
IDFC Primary Dealership Company Limited	48.92	–	–	–	–	–	–	–	–	–	–	–
Sale of investment in Subsidiary Company												
IDFC Alternatives Limited	–	3.78	–	–	–	–	–	–	–	–	–	–
IDFC Securities Limited	6.68	–	–	–	–	–	–	–	–	–	–	–
Purchase / subscription of Investments												
IDFC Foundation	–	4.95	–	–	–	–	–	–	–	–	–	–
IDFC Housing Finance Company Limited	12.00	–	–	–	–	–	–	–	–	–	–	–
IDFC Infra Debt Fund Limited	12.00	–	–	–	–	–	–	–	–	–	–	–
IDFC Primary Dealership Company Limited	–	195.00	–	–	–	–	–	–	–	–	–	–
Neopro Technologies Private Limited	–	25.03	–	–	–	–	–	–	–	–	–	–
Galaxy Mercantiles Limited	45.34	–	34.05	–	–	–	–	–	–	–	–	–
Feedback Infra Private Limited	–	–	–	12.00	–	–	–	–	–	–	–	–
Subscription of OCDs												
Galaxy Mercantiles Limited	–	–	27.56	–	–	–	–	–	–	–	–	–
IDFC Securities Limited	–	125.00	–	–	–	–	–	–	–	–	–	–
Sale of fixed assets												
Infrastructure Development Corporation (Karnataka) Limited	–	–	–	–	ß	–	–	–	–	–	–	–

Related Party Disclosures *(continued)*

(₹ IN CRORE)

PARTICULARS	SUBSIDIARY COMPANIES		ASSOCIATES		JOINTLY CONTROLLED ENTITIES		ENTITIES OVER WHICH CONTROL IS EXERCISED		KEY MANAGEMENT PERSONNEL		RELATIVES OF KEY MANAGEMENT PERSONNEL	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
ASSETS / TRANSACTION *(continued)*												
Purchase of fixed assets												
IDFC Securities Limited	–	0.03	–	–	–	–	–	–	–	–	–	–
IDFC Capital Limited	–	ß	–	–	–	–	–	–	–	–	–	–
Inter-corporate deposits (placed and matured)												
IDFC Finance Limited	5.00	–	–	–	–	–	–	–	–	–	–	–
IDFC Primary Dealership Company Limited	2,715.00	2,300.00	–	–	–	–	–	–	–	–	–	–
IDFC Securities Limited	–	53.25	–	–	–	–	–	–	–	–	–	–
Advances given												
IDFC Projects Limited	16.98	15.34	–	–	–	–	–	–	–	–	–	–
IDFC Project Equity Company Limited	–	3.50	–	–	–	–	–	–	–	–	–	–
Advances recovered												
Galaxy Mercantiles Limited	–	–	1.65	–	–	–	–	–	–	–	–	–
IDFC Foundation	1.00	19.00	–	–	–	–	–	–	–	–	–	–
IDFC Project Equity Company Limited	–	3.50	–	–	–	–	–	–	–	–	–	–
IDFC Projects Limited	15.30	29.66	–	–	–	–	–	–	–	–	–	–
Advances recoverable - balance outstanding												
Galaxy Mercantiles Limited	–	–	–	1.65	–	–	–	–	–	–	–	–
IDFC Foundation	21.50	22.50	–	–	–	–	–	–	–	–	–	–
IDFC Projects Limited	61.90	60.22	–	–	–	–	–	–	–	–	–	–
Feedback Infra Private Limited	–	–	ß	–	–	–	–	–	–	–	–	–
Jetpur Somnath Tollways Private Limited	–	–	–	0.09	–	–	–	–	–	–	–	–
Interest accrued on loans - balance outstanding												
Galaxy Mercantiles Limited	0.08	–	–	5.40	–	–	–	–	–	–	–	–
Feedback Infra Private Limited	–	–	9.05	4.62	–	–	–	–	–	–	–	–
Outstanding Investment in debentures				–								
IDFC Securities Limited	125.00	125.00	–	–	–	–	–	–	–	–	–	–
Feedback Infra Private Limited	–	–	40.00	40.00	–	–	–	–	–	–	–	–
Galaxy Mercantiles Limited	163.68	–	–	136.12	–	–	–	–	–	–	–	–
LIABILITIES / TRANSACTION												
Trade Payable - Balance outstanding												
IDFC Securities Limited	–	0.04	–	–	–	–	–	–	–	–	–	–
IDFC Foundation	1.07	2.21	–	–	–	–	–	–	–	–	–	–
Infrastructure Development Corporation (Karnataka) Limited	–	–	–	–	0.58	0.08	–	–	–	–	–	–
Uttarakhand Infrastructure Development Company Limited	–	–	–	–	0.13	–	–	–	–	–	–	–
India PPP Capacity Building Trust	–	–	–	–	–	–	0.04	0.07	–	–	–	–
ESOPs exercised												
Mr. Vikram Limaye	–	–	–	–	–	–	–	–	3.38	–	–	–
Amount received in advance												
Feedback Infra Private Limited	–	–	0.48	–	–	–	–	–	–	–	–	–
Galaxy Mercantiles Limited	0.04	–	–	–	–	–	–	–	–	–	–	–
80CCF Bonds outstanding												
Dr. Rajiv B. Lall	–	–	–	–	–	–	–	–	ß	ß	–	–
Mr. Vikram Limaye	–	–	–	–	–	–	–	–	0.01	0.01	–	–
Ms. Bunty Chand	–	–	–	–	–	–	–	–	–	–	ß	ß
Mr. Bharat Mukund Limaye	–	–	–	–	–	–	–	–	–	–	0.01	0.01
Buyback of Bonds												
IDFC Primary Dealership Company Limited	28.15	–	–	–	–	–	–	–	–	–	–	–
Counter guarantees outstanding												
IDFC Projects Limited	–	76.30	–	–	–	–	–	–	–	–	–	–

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

i The Company has taken office premises under operating leases, which expires between December 2015 and September 2018 (Previous Year December 2015 and September 2018). Rent includes gross rental expenses of ₹ 7.23 crore (Previous Year ₹ 8.63 crore). The committed lease rentals in the future are:

		(₹ IN CRORE)
	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Not later than one year	5.63	9.27
Later than one year and not later than five years	10.52	27.25
Later than five years	–	0.57

ii. The Company had given office premises under non-cancellable operating lease, which expired in October 2013 (Previous Year April 2013). Miscellaneous income includes income from such leases of ₹ 1.14 crore (Previous Year ₹ 2.05 crore). The future minimum lease rental is as follows:

		(₹ IN CRORE)
	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Not later than one year	–	0.14

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

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

		(₹ IN CRORE)
	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Net profit after tax	1,701.12	1,764.98
Weighted average number of equity shares	1,515,648,733	1,513,583,202

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

		(₹)
	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Basic earnings per share	11.22	11.66
Effect of outstanding stock options	(0.01)	(0.07)
Diluted earnings per share	11.21	11.59

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

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Weighted average number of shares for computation of basic earnings per share	1,515,648,733	1,513,583,202
Dilutive effect of outstanding stock options	2,228,919	9,446,844
Weighted average number of shares for computation of diluted earnings per share	1,517,877,652	1,523,030,046

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

(₹ IN CRORE)

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
(a) CONTINGENT LIABILITIES		
(i) Claims not acknowledged as debts in respect of:		
Income-tax demands disputed by the Company (net of amounts provided). The matters in dispute are under appeal. The demands have been partly paid / adjusted and will be received as refund if the matters are decided in favour of the Company.	135.71	152.02
Other claims	7.20	7.20
(ii) Guarantees issued:		
As a part of project assistance, the Company has also provided the following guarantees:		
Financial guarantees	1,398.42	1,922.08
Performance guarantees	0.75	0.75
(iii) Other financial gurantees	0.33	47.30
(b) CAPITAL COMMITMENTS		
(i) Uncalled liability on shares and other investments partly paid	1,955.77	912.88
(ii) Estimated amount of contracts remaining to be executed on capital account (net of advances)	0.86	0.51

38 The Company has entered into interest rate swaps in the nature of 'fixed / floating' or 'floating / fixed' for notional principal of ₹ 4,396.00 crore outstanding as on March 31, 2014 (Previous Year ₹ 3,696.00 crore) for varying maturities linked to various benchmarks for asset liability management and hedging.

The Company has foreign currency borrowings equivalent to ₹ 7,240.47 crore (Previous Year ₹ 6,160.12 crore), against which the Company has undertaken currency interest rate swaps and forward contracts to fully hedge foreign currency risk.

The Company has also entered in to coupon only currency swaps for notional principal equivalent to ₹ 391.16 crore (Previous Year ₹ 967.37 crore) and forward contracts of ₹ 14.16 crore (Previous Year ₹ 8.03 crore) to hedge the foreign currency risk towards interest on the foreign currency borrowings.

39 No amount is payable to 'Suppliers' registered under the Micro, Small and Medium Enterprises Development Act, 2006. No interest has been paid / payable by the Company during the year to the 'Suppliers' covered under the Micro, Small and Medium Enterprises Development Act, 2006. The above information takes into account only those suppliers who have responded to inquiries made by the Company for this purpose.

40 The following additional information is disclosed in terms of the RBI circular (Ref. No. DNBS (PD) CC No. 333 / 03.02.001 / 2013-14 dated July 1, 2013) :

(a) CAPITAL TO RISK ASSETS RATIO (CRAR):

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
CRAR (%)	**22.32**	22.24
CRAR - Tier I Capital (%)	**20.09**	19.96
CRAR - Tier II Capital (%)	**2.23**	2.28

(b) EXPOSURES TO REAL ESTATE SECTOR (Based on amounts sanctioned):

(₹ IN CRORE)

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
DIRECT EXPOSURE		
(i) **Commercial Real Estate**	**3,600.51**	3,613.16
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	**0.41**	0.58
(b) Commercial Real Estate	–	–
INDIRECT EXPOSURE		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	**308.78**	243.74

(c) MATURITY PATTERN OF CERTAIN ITEMS OF ASSETS AND LIABILITIES

(₹ IN CRORE)

	1 day to 30/31 days (one month)	Over one month to two months	Over two months to three months	Over three months to six months	Over six months to one year	Over one year to three years	Over three years to five years	Over five years	Total
LIABILITIES									
Borrowing from banks	**500.00**	**–**	**150.00**	**300.00**	**1,400.00**	**6,604.44**	**2,680.25**	**–**	**11,634.69**
Market borrowing	**4,268.67**	**2,503.71**	**1,257.39**	**2,795.10**	**3,176.66**	**12,514.51**	**3,039.45**	**14,481.44**	**44,036.93**
ASSETS									
Advances	**2,372.95**	**1,148.61**	**1,503.45**	**3,980.27**	**6,136.55**	**8,279.66**	**19,455.73**	**16,839.68**	**59,716.90**
Investments	**4,891.13**	**15.35**	**236.31**	**143.89**	**137.54**	**245.02**	**327.40**	**5,202.24**	**11,198.88**

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	1,275.00	643.90	675.00	725.00	125.00	4,002.32	2,386.25	–	9,832.47
Market borrowing	846.17	898.12	1,100.96	4,190.07	6,347.50	15,298.62	4,289.09	10,827.06	43,797.59
ASSETS									
Advances	1,814.11	678.74	1,075.22	2,119.45	5,163.64	9,306.92	12,457.40	23,922.86	56,538.34
Investments	5,130.26	0.02	0.92	76.74	80.05	87.53	114.61	5,782.27	11,272.40

(d) BORROWER GROUP-WISE CLASSIFICATION OF ASSETS FINANCED:

(₹ IN CRORE)

		AS AT MARCH 31, 2014 AMOUNT NET OF PROVISION *	AS AT MARCH 31, 2013 AMOUNT NET OF PROVISION *
1	**RELATED PARTIES**		
	(a) Subsidiaries	163.68	–
	(b) Companies in the same group	–	–
	(c) Other related parties	40.00	176.12
2	**OTHER THAN RELATED PARTIES**	59,513.22	56,362.22
	TOTAL	**59,716.90**	**56,538.34**

* Excludes provision for contingencies and restructured loans.

(e) INVESTOR GROUP WISE CLASSIFICATION OF ALL INVESTMENTS

(current and non-current) in shares and securities (both quoted and unquoted):

(₹ IN CRORE)

		AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
		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	1,238.88	1,953.83	887.92	1,658.30
	(b) Companies in the same group	–	–	–	–
	(c) Other related parties	19.33	20.09	56.77	103.89
2	**OTHER THAN RELATED PARTIES**	9,340.49	9,224.96	9,890.16	9,510.21
TOTAL		**10,598.70**	**11,198.88**	**10,834.85**	**11,272.40**

(f) OTHER INFORMATION:

(₹ IN CRORE)

		AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
1	**GROSS NON-PERFORMING ASSETS**		
	(a) Related parties	–	–
	(b) Other than related parties	332.98	85.12
2	**NET NON-PERFORMING ASSETS**		
	(a) Related parties	–	–
	(b) Other than related parties	220.58	28.91
3	**ASSETS ACQUIRED IN SATISFACTION OF DEBT**	71.00	–

41 The following additional information is disclosed in terms of the RBI circular (Ref. No. RBI / 2009-2010 / 356 / IDMD / 4135 / 11.08.43 / 2009-10) dated March 23, 2010:

REPO TRANSACTIONS (IN FACE VALUE TERMS)

(₹ IN CRORE)

	YEAR ENDED MARCH 31, 2014				YEAR ENDED MARCH 31, 2013			
	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as at March 31, 2014	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as at March 31, 2013
SECURITIES SOLD UNDER REPOS								
(i) Government securities	–	5,014.73	2,203.20	1,401.67	–	1,625.00	229.55	–
(ii) Corporate debt securities	–	75.00	0.21	–	–	–	–	–
SECURITIES PURCHASED UNDER REVERSE REPOS								
(i) Government securities	–	402.15	3.24	–	–	–	–	–
(ii) Corporate debt securities	–	–	–	–	–	–	–	–

42 Penalties / fines imposed by the RBI

The following information is disclosed in terms of RBI circular (Ref. No. RBI / 2010-11 / 115 IDMD.17 / 11.01.01 (B) 2010-11) dated July 14, 2010: During the year ended March 31, 2014 there was no penalty imposed by the RBI (Previous Year ₹ 0.05 crore). Previous year penalty was on account of one instance of SGL bounce and the penalty was paid to the RBI.

43 Disclosure of complaints

The following table sets forth the movement and outstanding number of complaints.

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
SHAREHOLDERS' COMPLAINTS :		
No. of complaints pending at the beginning of the year	Nil	Nil
No. of complaints received during the year	508	474
No. of complaints disposed off during the year	508	474
No. of complaints remaining unresolved at the end of the year	Nil	Nil
INFRASTRUCTURE RETAIL BONDHOLDERS' COMPLAINTS :		
No. of complaints pending at the beginning of the year	Nil	Nil
No. of complaints received during the year	13,464	34,814
No. of complaints disposed off during the year	13,464	34,814
No. of complaints remaining unresolved at the end of the year	Nil	Nil

44 Securitisation

The Company sells loans through securitisation and direct assignment. The following table sets forth the information on securitisation and direct assignment activity of the Company as an originator.

(₹ IN CRORE)

		AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
1	No. of SPVs sponsored by the Company for securitisation transaction	–	–
2	Total amount of securitised assets as per books of the SPVs sponsored by the Company	–	–
3	Total amount of exposures retained by the Company to comply with MRR as on the date of Balance Sheet	–	–
	(a) Off-balance sheet exposures		
	First loss	–	–
	Others	–	–
	(b) On-balance sheet exposures		
	First loss	–	–
	Others	–	–
4	Amount of exposures to securitisation transactions other than MRR		
	(a) Off-balance sheet exposures		
	Exposure to own securitisations		
	First loss	–	–
	Others	–	–
	Exposure to third party securitisations		
	First loss	–	–
	Others	–	–
	(b) On-balance sheet exposures		
	Exposure to own securitisations		
	First loss	–	–
	Others	–	–
	Exposure to third party securitisations		
	First loss	–	–
	Others	0.41	0.58

45 Details of financial assets transferred to securitisation / reconstruction companies:

The Company has transferred certain assets to Asset Reconstruction Companies (ARC) for cash / security receipts. For the purpose of the valuation of the underlying security receipts issued by the underlying trusts managed by ARCs, the security receipts are valued in accordance with the provisioning policy of the Company.

(₹ IN CRORE)

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Number of accounts	4	–
Aggregate value (net of provisions) of accounts sold to ARC	133.43	–
Aggregate consideration:		
Security receipts	175.30	–
Cash	16.23	–
Aggregate gain over net book value not credited to the Statement of Profit and Loss	51.11	–
Aggregate gain over net book value credited to the Statement of Profit and Loss [see note (a)]	7.00	–

Note:

(a) Represents excess provision written back on sale of a non-performing advance to an ARC in cash, on a non-recourse basis, since no longer required.

46 Disclosure on accounts subjected to restructuring

(as required by RBI guidelines under reference DNBS. CO. PD. No. 367 / 03.10.01 / 2013-14 dated January 23, 2014):
Restructuring guidelines for NBFC were issued in current year and hence previous year numbers are not produced below:

(₹ IN CRORE)

S. No.	Type of Restructuring		Under CDR Mechanism					Under SME Mechanism					Others					Total				
	Asset Classification Details		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	Restructured accounts as on April 1, 2013	No. of borrowers					–					–	11	–	–	–	11	11	–	–	–	11
		Amount outstanding (restructured facility)					–					–	1,471.47	–	–	–	1,471.47	1,471.47	–	–	–	1,471.47
		Amount outstanding (other facility)					–					–	38.00	–	–	–	38.00	38.00	–	–	–	38.00
		Provision thereon					–					–	–	–	–	–	–	–	–	–	–	–
2	Movement for balance in account appearing in opening balance (see note 1)	No. of borrowers					–					–	7	–	–	–	7	7	–	–	–	7
		Amount outstanding (restructured facility)					–					–	(24.07)	–	–	–	(24.07)	(24.07)	–	–	–	(24.07)
		Amount outstanding (other facility)					–					–	22.00	–	–	–	22.00	22.00	–	–	–	22.00
		Provision thereon					–					–	62.26	–	–	–	62.26	62.26	–	–	–	62.26
3	Fresh restructuring during the year	No. of borrowers					–					–	7	–	–	–	7	7	–	–	–	7
		Amount outstanding (restructured facility)					–					–	1,430.27	–	–	–	1,430.27	1,430.27	–	–	–	1,430.27
		Amount outstanding (other facility)					–					–	–	–	–	–	–	–	–	–	–	–
		Provision thereon					–					–	71.52	–	–	–	71.52	71.52	–	–	–	71.52
4	Upgradations to restructured standard category during the year	No. of borrowers					–					–	–	–	–	–	–	–	–	–	–	–
		Amount outstanding (restructured facility)					–					–	–	–	–	–	–	–	–	–	–	–
		Amount outstanding (other facility)					–					–	–	–	–	–	–	–	–	–	–	–
		Provision thereon					–					–	–	–	–	–	–	–	–	–	–	–
5	Advances not shown as restructured standard advances at the beginning of the next year (see note 1)	No. of borrowers					–					–	–	2	–	–	2	–	2	–	–	2
		Amount outstanding (restructured facility)					–					–	–	202.51	–	–	202.51	–	202.51	–	–	202.51
		Amount outstanding (other facility)					–					–	–	–	–	–	–	–	–	–	–	–
		Provision thereon					–					–	–	46.60	–	–	46.60	–	46.60	–	–	46.60
6	Down gradation of restructured accounts during the year (see note 1)	No. of borrowers					–					–	(2)	–	–	–	(2)	(2)	–	–	–	(2)
		Amount outstanding (restructured facility)					–					–	(202.51)	–	–	–	(202.51)	(202.51)	–	–	–	(202.51)
		Amount outstanding (other facility)					–					–	–	–	–	–	–	–	–	–	–	–
		Provision thereon					–					–	(20.25)	–	–	–	(20.25)	(20.25)	–	–	–	(20.25)
7	Write-offs restructured accounts during the year (see note 1)	No. of borrowers					–					–	–	–	–	–	–	–	–	–	–	–
		Amount outstanding (restructured facility)					–					–	–	(96.47)	–	–	(96.47)	–	(96.47)	–	–	(96.47)
		Amount outstanding (other facility)					–					–	–	–	–	–	–	–	–	–	–	–
8	Restructured accounts as on March 31, 2014 (see note 2)	No. of borrowers					–					–	16	2	–	–	18	16	2	–	–	18
		Amount outstanding (restructured facility)					–					–	2,675.16	106.04	–	–	2,781.20	2,675.16	106.04	–	–	2,781.20
		Amount outstanding (other facility)					–					–	60.00	–	–	–	60.00	60.00	–	–	–	60.00
		Provision thereon					–					–	133.78	46.60	–	–	180.38	133.78	46.60	–	–	180.38

Notes:

1. Includes restructured accounts which has a opening balance of ₹ 208.89 crore of which ₹ 6.38 crore has been repaid during the year, ₹ 96.47 crore is written off and remaining ₹ 106.04 crore is downgraded to sub-standard asset.
2. Represents provision against sub-standard assets of ₹ 46.60 crore.
3. Unrealised income of ₹ 24.25 crore represented by FITL on standard accounts restructured after January 23, 2014 are fully provided.

47 The figures for the previous year have been reclassified, wherever necessary to conform with the current year's classification.

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

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF IDFC LIMITED

RAJIV B. LALL
Executive Chairman

VIKRAM LIMAYE
Managing Director & CEO

SUNIL KAKAR
Chief Financial Officer

MAHENDRA N. SHAH
Company Secretary

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