IDFC FIRST BHARAT LIMITED

CIN	U65929TN2003PLC050856
DIRECTORS	Mr. M. S. Sundara Rajan (Part time Non-Executive Chairman) Dr. J. Sadakkadulla Mr. A. Krishnamoorthy Mr. N. Seshadri Mr. Ashish Singh Mr. Arjun Muralidharan
KEY MANAGERIAL PERSONAL	Mr. Arjun Muralidharan – Managing Director and CEO Mr. Boby Xavier – Company Secretary
AUDITORS	M/s. Walker Chandiok & Co LLP Chartered Accountants
PRINCIPLE BANKER	IDFC FIRST Bank Limited
REGISTERED OFFICE	No. 9, Paripoorna Towers, Manoranjitham Street, Annamalai Nagar, Tiruchirappalli, Tamil Nadu - 620 018 **Tel:** +91 431 4500000 **Fax:** +91 431 2750393 Website www.idfcbharat.com Email ID sampark@idfcbharat.com

BOARD'S REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting the Sixteenth Annual Report of **IDFC FIRST Bharat Limited (formerly IDFC Bharat Limited) ('IFBL' / 'Company')** together with the audited financial statements for the financial year ended March 31, 2019.

FINANCIAL HIGHLIGHTS (SUMMARY)

(Amount in INR in Lakhs)

PARTICULARS	FOR THE YEAR ENDED MARCH 31, 2019	FOR THE YEAR ENDED MARCH 31, 2018
Total Income	26,198	17,633
Less: Expenditure	19,416	14,005
Profit / (Loss) before depreciation	6,782	3,628
Less: Depreciation	764	473
Profit / (Loss) before tax and exceptional Items	6,018	3,155
Less : Exceptional items	0	0
Profit Before tax	6,018	3,155
Less: Taxes	2,223	1,122
Net Profit / (Loss)	**3,795**	**2,033**

CHANGE OF NAME

The Board of Directors and Shareholders of the Company had approved the change of name of the Company from 'IDFC Bharat Limited' to 'IDFC FIRST Bharat Limited' and the consequential amendment to the Memorandum and Articles of Association.

The name of the Company has changed from IDFC Bharat Limited to 'IDFC FIRST Bharat Limited' with effect from April 29, 2019 by virtue of 'Certificate of Incorporation pursuant to change of name' issued by the Registrar of Companies, Chennai.

BUSINESS & OVERVIEW

The Company has entered into an Agreement for provision of Independent Services as Business Correspondent ('BC') with IDFC FIRST Bank Limited (formerly known as IDFC Bank Limited) ('the Bank' / 'the Holding Company') dated September 01, 2016, by which it agreed to act as a BC to the Bank for distribution of its products. In addition, to the distribution of existing products, during the year, the Company has started accepting Regular Savings Deposits product, granting Micro Housing Loan, Micro Enterprises Loan. The Company is in the process of introducing new products such as Loan against Property, Gold Loan and other allied products in the next financial year.

TRANSFER TO RESERVES

Since the Company is no longer registered with RBI under Section 45IA of the Reserve Bank of India Act, 1934, the requirement of creating a Reserve Fund (Statutory Reserve) in terms of Section 45-IC(1) of the Reserve Bank of India Act, 1934 and transferring 20% of the profit to the Statutory Reserve does not arise. Consequently, no amount has been transferred to the said Reserve Fund during the year.

REVIEW OF PERFORMANCE

The total number of branches of the Company as on March 31, 2019 was 346 with operations in Tamil Nadu, Maharashtra, Puducherry, Kerala and Karnataka as compared to 326 Branches during the previous year.

For the year ended March 31, 2019, total income of the Company was INR 261.98 crore as compared to INR 176.33 crore during the Previous Year which grew by 48%, however, the Profit Before Tax for the year has gone up by 90% and stood at INR 60.18 crore as compared to INR 31.55 crore and the Net Profit for the year was INR 37.95 crore as compared to profit of INR 20.33 crore in the previous year.

DIVIDEND

Your Directors do not recommend any dividend on equity shares for the financial year under review with a view to conserve resources to attain long term objectives of the Company.

HOLDING COMPANY / SUBSIDIARY COMPANY / JOINT VENTURES / ASSOCIATE COMPANY

The Company is a wholly owned subsidiary of the Bank. The Company does not have any Subsidiary Company / Joint Venture / Associate Company and therefore, disclosure under section 134(3)(q) read with Rule 8(1) of Companies (Accounts) Rules 2014 is not applicable.

PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES

The total number of employees of the Company as on March 31, 2019 was 5,610 as compared to 3,856 as on March 31, 2018.

SHARE CAPITAL UPDATE

The Company did not issue any fresh equity shares, during the FY 2018-19.

The Company has so far issued a total of 5,579,996 equity shares of INR 10/- each. The Capital Structure of the Company as on March 31, 2019 was as follows:

SHARE CAPITAL	AMOUNT IN INR
AUTHORIZED	
Equity Shares	250,000,000
Preference Shares	250,000,000
TOTAL	500,000,000
ISSUED, SUBSCRIBED AND FULLY PAID-UP	
Equity Shares	55,799,960
Preference Shares	-
TOTAL	55,799,960

PUBLIC DEPOSITS

Except the ‘security deposits’ collected from the employees whose name appear in the Company’s muster roll, the Company has neither invited nor accepted, any ‘Public Deposits’ during FY 2018-19. Hence, disclosure under section 134(3)(q) read with Rule 8(5)(v) & (vi) of the Companies (Accounts) Rules, 2014 is not required.

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

The Company has not provided any loans / guarantees or made investments during FY 2018-19.

Hence, the particulars of loans, guarantees and investments under section 134(3)(g) is not required to be disclosed.

VIGIL MECHANISM / WHISTLE BLOWER POLICY

Your Company has in place a Whistle Blower Policy, so-as-to establish a Vigil Mechanism to enable Directors and employees to report genuine concerns about unethical behavior, actual or suspected fraud or violation of the Company's code of conduct. The Audit Committee of the Board reviews the Complaints received, redressed, objected, withdrawn and dismissed for, every quarter in their meeting. During the year, there were no complaints under this policy. During the period under review no complaints have been received under this Mechanism. The Whistle Blower policy is available on the website of the Company at www.idfcbharat.com.

FOREIGN EXCHANGE EARNINGS AND EXPENDITURE

Your Company has neither incurred any Foreign Exchange expenditure nor earned any foreign exchange income during the financial year ended March 31, 2019.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

Since the Company does not own any manufacturing facility, the particulars regarding conservation of energy, technology absorption and other particulars as required by Section 134 (3)(m) of the Act, read with the Companies (Accounts) Rules, 2014 are not applicable.

The Company's activities do not require any technology to be absorbed on the lines of what is mentioned in the aforesaid Rules. However, the Company makes all efforts towards conservation of energy, environment and ensuring safety.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

During the year under review, the appointment of Mr. Ashish Singh (DIN: 01768711) as Nominee Director was approved by the members in the 15th Annual General Meeting of the Company held on July 17, 2018.

Further, the Board of Directors ('Board'), based on the recommendation of Nomination & Remuneration Committee ('NRC'), appointed Mr. M. S. Sundara Rajan (DIN: 00169775) as an Additional Director in the category of Independent Director of the Company as per provisions of Companies Act, 2013 ('Act') and applicable laws for a term of five (5) years with effect from February 01, 2019 to hold office up to January 31, 2024. The aforesaid appointment of Mr. M. S. Sundara Rajan was approved by the members at the Extra-Ordinary General Meeting of the Company held on March 05, 2019. The office of Dr. S. Devaraj (DIN: 01936417), Executive Chairman of the Company stands vacated due to the expiry of his tenure with effect from March 31, 2019 and Mr. M. S. Sundara Rajan was appointed as the Part-time Non-Executive Chairman of the Company from April 01, 2019 until the expiry of his tenure in the Company.

Subsequent to the year under review, the Board of Directors, based on the recommendation of Nomination & Remuneration Committee, appointed Mr. Narasimhan Seshadri (DIN: 03486485) as an Additional Director in the category of Independent Director of the Company as per provisions of Companies Act, 2013 and applicable laws, for a term of five years with effect from May 03, 2019 until the conclusion of the ensuing Annual General Meeting of the Company.

None of the Directors of the Company are disqualified to be appointed as Directors in accordance with Section 164 of the Act.

During the year under review, there was no change in the Key Managerial Personnel ('KMP') of the Company and as on the date of this report, the following officials of the Company are the KMP pursuant to the provisions of Section 203 of the Companies Act, 2013:

i. Mr. Arjun Muralidharan - Managing Director and Chief Executive Officer

ii. Mr. Boby Xavier - Company Secretary

DECLARATION OF INDEPENDENCE

The Company had received declaration from all the Independent Directors ('IDs'), at the time of appointment and also at the first meeting of the Board of Directors held in FY 2018-19, that they meet the criteria of independence specified under sub-section (6) of Section 149 of the Act, read with Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014, for holding the position of ID and that they shall abide by the 'Code for Independent Directors' as per Schedule IV of the Act.

BOARD MEETINGS

The Board met five (5) times during FY 2018-19 viz., on April 19, 2018; July 16, 2018; October 22, 2018; February 01, 2019 & March 27, 2019. The maximum interval between any two meetings did not exceed 120 days.

The attendance details of the Board Meetings held during the FY 2018-19 is given in the table below:

Name of Director	DIN	Position	Number of Meeting	
			Held	Attended
Dr. S. Devaraj[1]	01936417	Executive Chairman	5	4
Mr. Arjun Muralidharan	02726409	Managing Director & Chief Executive Officer	5	5
Mr. A. Krishnamoorthy	00386122	Independent Director	5	5
Dr. J. Sadakkadulla	07544406	Independent Director	5	5
Mr. Ashish Singh	01768711	Non-Executive Director	5	5
Mr. M. S. Sundara Rajan[2]	00169775	Independent Director	2	2

[1] up to March 31, 2019

[2] with effect from February 01, 2019

COMMITTEES OF THE BOARD

During the year under review, in accordance with the requirements of Companies Act, 2013 read with Rules, the Company has following Committees in place:

a. Audit Committee
b. Nomination and Remuneration Committee
c. Corporate Social Responsibility Committee
d. Risk Management Committee

a. AUDIT COMMITTEE

During the year under review, the Audit Committee was re-constituted once on February 01, 2019. The composition of the Audit Committee is in compliance with the provisions of the Act. During the year, the Audit Committee met Five (5) times viz., on April 19, 2018; July 16, 2018; October 22, 2018; February

01, 2019 & March 27, 2019. All the recommendation made by the Audit Committee during the year were accepted by the Board.

The Audit Committee of the Company comprises of the following Members:

i. Mr. A. Krishnamoorthy, Chairman
ii. Dr. J. Sadakkadulla
iii. Mr. M. S. Sundara Rajan
iv. Mr. Ashish Singh

Attendance details of the Audit Committee Meetings held during financial year 2018-19 are given below:

Name of Director	DIN	Position in		Number of Meeting	
		Committee	Board	Held	Attended
Mr. A. Krishnamoorthy	00386122	Chairman	Independent Director	5	5
Dr. J. Sadakkadulla	07544406	Member	Independent Director	5	5
Mr. M. S. Sundara Rajan[1]	00169775	Member	Independent Director	1	1
Mr. Ashish Singh	01768711	Member	Nominee Director	5	5

[1] with effect from February 01, 2019

b. NOMINATION AND REMUNERATION COMMITTEE

During the year under review, the Nomination and Remuneration Committee (NRC) was reconstituted twice, on February 01, 2019 and March 27, 2019. The composition of the NRC is in compliance with the Act. During the year, the NRC met three (3) times on April 19, 2018; February 01, 2019 & March 27, 2019.

The NRC of the Company comprises of the following members:

i. Mr. Ashish Singh, Chairman
ii. Mr. A. Krishnamoorthy
iii. Dr. J. Sadakkadulla
iv. Mr. M. S. Sundara Rajan

Attendance details of the NRC Meetings held during financial year 2018-19 are given below:

Name of Director	DIN	Position in		Number of Meeting	
		Committee	Board	Held	Attended
Mr. Ashish Singh	01768711	Chairman	Nominee Director	3	3
Mr. S. Devaraj[1]	01936417	Member	Executive Chairman	3	2
Mr. A. Krishnamoorthy	00386122	Member	Independent Director	3	3
Dr. J. Sadakkadulla	07544406	Member	Independent Director	3	3
Mr. M. S. Sundara Rajan[2]	00169775	Member	Independent Director	1	1

[1] up to March 27, 2019

[2] with effect from February 01, 2019

c. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Company has duly constituted a Corporate Social Responsibility (CSR) Committee as per the provisions of Section 135 of the Act and has devised a policy for the implementation of the CSR framework, broadly defining the areas of spending for promotion / development, at least two per cent of its average net profits made during the three immediately preceding Financial Years on the activities mentioned under Schedule VII of the Act.

During the year under review, the CSR Committee was re-constituted twice on February 01, 2019 and March 31, 2019. During the year, the CSR Committee met one (1) time on April 19, 2018.

The CSR Committee comprises of the following members:

i. Dr. J. Sadakkadulla
ii. Mr. M. S. Sundara Rajan
iii. Mr. Ashish Singh

Attendance details of the CSR Committee Meetings held during financial year 2018-19 are given below:

Name of Director	DIN	Position in		Number of Meeting	
		Committee	Board	Held	Attended
Dr. J. Sadakkadulla[1]	07544406	Chairman	Independent Director	1	1
Mr. S. Devaraj[2]	01936417	Member	Executive Chairman	1	1
Mr. M. S. Sundara Rajan[3]	00169775	Member	Independent Director	0	0
Mr. Ashish Singh	01768711	Member	Nominee Director	1	1

[1] appointed as the chairman of this committee from March 27, 2019
[2] up to March 27, 2019
[3] with effect from February 01, 2019

The disclosure of contents of CSR Policy as prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014 is appended as **Annexure I.**

d. RISK MANAGEMENT COMMITTEE

The Board of the Company has the ultimate responsibility for the Company's risk management framework. To ensure that the Company has a sound system of risk management and internal controls in place, the Board has established the Risk Management Committee ('RMC'), which endeavors to review the risk register at regular intervals. The members of the RMC ensure the measurement and control of risk factors and advice on the same to the Management of the Company. The Company has in place a well-defined Risk Management Policy.

During the year under review, the Risk Management Committee of the Company was re-constituted once on February 01, 2019. During the year, the RMC met twice (2) times on October 22, 2019 and March 01, 2019.

The RMC of the Company comprises of the following members:

i. Mr. Ashish Singh, Chairman
ii. Mr. A. Krishnamoorthy
iii. Mr. M. S. Sundara Rajan
iv. Mr. Arjun Muralidharan

Attendance details of the Risk Management Committee Meetings held during FY19 are given below:

Name of Director	DIN	Position in		Number of Meeting	
		Committee	Board	Held	Attended
Mr. Ashish Singh	01768711	Chairman	Nominee Director	2	2
Mr. A. Krishnamoorthy	00386122	Member	Independent Director	2	2
Mr. M. S. Sundara Rajan[1]	00169775	Member	Independent Director	1	1
Mr. Arjun Muralidharan	02726409	Member	Managing Director & Chief Executive Officer	2	2

[1] with effect from February 01, 2019

e. Meeting of Independent Directors

During FY 2018-19, the IDs of the Company met one (1) time on April 19, 2018, without the presence of the Non-Independent Directors and Senior Management team of the Company. The ID's attended the said meeting and discussed matters as required under the relevant provisions of the Companies Act, 2013.

AUDITORS

The Shareholders of the Company at their meeting held on July 30, 2016 had approved the appointment of M/s. Walker Chandiok & Co LLP, Chartered Accountants (Registration No: 001076N / N500013) as the Statutory Auditors of the Company for a period of five (5) years to hold office from the conclusion of the Thirteenth Annual General Meeting up to the conclusion of the Eighteenth Annual General Meeting of the Company. Accordingly, the Statutory Auditors had issued an Unqualified Audit Report for the financial year ended March 31, 2019. Hence the disclosure under Section 143(3)(f) of the Companies Act 2013 is not applicable.

SECRETARIAL AUDIT REPORT

Pursuant to Section 204 of the Act and the rules made thereunder, the Company has appointed M/s. Bhandari and Associates, Company Secretaries in Practice as the Secretarial Auditors of the Company to undertake Secretarial Audit of the Company for the FY 2018-19. The Secretarial Audit Report forms part of this Board's Report as **Annexure II.** There are no qualifications or observations or other remarks made by the Secretarial Auditors for the financial year 2018-19. Hence the disclosure under Section 134(3)(e) of the Act is not applicable.

COMPLIANCE WITH SECRETARIAL STANDARDS

Pursuant to the Secretarial Standard I issued by the Institute of Company Secretaries of India pertaining to Board of Directors, the Company confirms that all applicable secretarial standards have been duly complied with during the period under review.

RELATED PARTY TRANSACTION

The Company has in place Policy on Related Party Transactions (RPT) and the same has been uploaded on the website of the Company www.idfcbharat.com. Since all RPTs entered into by the Company during the period under review were in the ordinary course of business and were on arm's length basis, Form AOC-2 is not applicable to the Company. Refer Point No. 31 of Notes forming part of the Financial Statement.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

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. This ensures orderly and efficient conduct of its business, including adherence to the Company's policies, safeguarding of its assets, prevention of errors, accuracy and completeness of the accounting records and the timely preparation of reliable financial information. The internal auditors of the Company check and verify the internal control and monitor them in accordance with policies adopted by the Company. The internal financial controls with reference to the financial statements were adequate and operating effectively.

INSTANCES OF FRAUD, IF ANY, REPORTED BY THE AUDITORS AND MANAGEMENT

There have been no instances of fraud reported by the Auditors under Section 143(12) of the Act. However, the Risk Control and Review department of the Company has identified 219 instances of

Fraud with respect to manipulation of Know Your Customer (KYC) Documents and 33 instances of misappropriation of Cash by the employees of the Company amounting to Rs. 69 Lakhs and Rs. 2 Lakhs respectively have been identified by the Management of the Company. Necessary actions including Disciplinary Actions have been taken in compliance with the Policies of the Company. Further, the management has recovered Rs. 52 Lakh of Frauds on KYC and entire amount of Cash misappropriation by March 31, 2019.

MATERIAL CHANGES AFFECTING THE FINANCIAL POSITION OF THE COMPANY

There are no material changes and commitments, affecting the financial position of the Company between the end of the financial year of the Company i.e. March 31, 2019 and the date of the Board Meeting in which the Directors' Report was approved i.e. May 03, 2019.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

The Regional Director of the Ministry of Corporate Affairs, Chennai has passed an order and imposed a compounding fee of Rs. 50,000/- for the Company and for each Executive Directors and each officers in default, pursuant to the voluntary compounding application made by the Company under section 441 read with section 149 of the Act, read with the rules made thereunder. The compounding fees as imposed by the Regional Director have been paid by the Company, Executive Directors and Officers in default with the Ministry and necessary filings have been made in this regard. Except the above there were no significant and material orders passed by the Regulators or Courts or Tribunals which would impact the going concern status of the Company.

ANTI-SEXUAL HARASSMENT POLICY

The Company has in place a policy on Anti-Sexual Harassment. The Company undertakes ongoing trainings to create awareness on this policy. During the year under review, one (1) sexual harassment case was filed, which was resolved as on March 31, 2019.

EXTRACT OF ANNUAL RETURN

An extract of the Annual Return as of March 31, 2019 pursuant to the sub-section (3) of Section 92 of the Companies Act, 2013 read with Rule 12 (1) of the Companies (Management and Administration) Rules, 2014 and forming part of this report is placed on the Bank's website: www.idfcbharat.com under the 'Investor Relations' section as per provisions of Section 134(3)(a) and is also set out in **Annexure III** to this Annual Report.

The Annual Return of the Bank has been placed on the website of the Bank and can be accessed under the 'Investor Relations' section.

IMPLEMENTATION OF RISK MANAGEMENT POLICY.

RMC of the Board is entrusted with the responsibilities to identity the risk associated with the industry also to formulate plans/ways to mitigate the said risks. Further, the Board has approved Fraud Risk Management Policy, Vigilance Policy, Operations Management Policy, Whistle Blower Policy, Business Continuity Management Policy and Information Security Management System Policy, which will guide the management to identity and mitigate the risk associated with the Company on a day-to-day basis. The RMC meets frequently and reviewed the potential risks faced by the Company and the ways to mitigate the same.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 134(5) of the Act, it is hereby confirmed that:

a) in the preparation of Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

b) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial year and of the profit and loss of the Company for that period;

c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

d) the Directors had prepared the annual accounts on a going concern basis;

e) the Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and

f) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

REMUNERATION POLICY

The Board has a Remuneration Policy in place for the Directors, Key Managerial Personnel, Senior Management Personnel and other employees, which is formulated in line with the requirements of the Companies Act, 2013. The said Remuneration Policy is available on the website of the Company www.idfcbharat.com

COST AUDIT

As per the provisions of Section 148 of the Act, read with Companies (Cost Records and Audit) Rules, 2014, as effective for the time being in force, the applicability of Cost Audit and maintenance of Cost Records as specified by the Central Government is not applicable to the Company for the financial year under review, hence the same is not reported.

ACKNOWLEDGEMENT

Your Directors would like to thank our clients, vendors and bankers for their continued support during the year. We would like to place on record our appreciation for the support received from the regulatory agencies. We would also 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. Your Directors also express their gratitude for the unstinted support and guidance received from IDFC Limited, IDFC FIRST Bank Limited and other Group Companies.

For and on behalf of the Board of Directors of
IDFC FIRST Bharat Limited
(formerly IDFC Bharat Limited)

M. S. Sundara Rajan
Chairman
DIN: 00169775

Date: May 03, 2019
Place: Mumbai

ANNEXURE I
IDFC FIRST Bharat Annual Corporate Social Responsibility Report FY 2018-19

[Pursuant to clause (o) of sub-section (3) of section 134 of the Act and Rule 9 of the Companies (Corporate Social Responsibility) Rules, 2014]

1. **A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.**

   The CSR policy of IDFC FIRST Bharat Limited is framed with the following objectives:

   Strive for economic development that positively impacts the society at large with a minimal resource footprint.

   Embrace responsibility for the Company's actions and encourage a positive impact through its activities on hunger, poverty, malnutrition, environment, communities, stakeholders and the society.

   CSR Activities:

   The Company has undertaken some of the activities which fall in the ambit of the activities listed in Schedule VII of the Act. The list of activities as provided in Schedule VII of the Act are included in the CSR Policy of the Company and some of the main areas are:

   i. Eradicating hunger, poverty and malnutrition, promoting health care and sanitation and making available safe drinking water

   ii. Promoting education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;

   iii. Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;

2. **The Composition of the CSR Committee.**

   The Board of Directors of the Company had constituted the CSR Committee of the Board comprising of the following members as on March 31, 2019:

S. No	Name	Designation	Position in Committee
01	Dr. J. Sadakkadulla	Independent Director	Chairman
02	Mr. M. S. Sundara Rajan	Independent Director	Member
03	Mr. Ashish Singh	Non-Executive Director	Member

3. Average net profit of the Company for last three Financial Years: Rs. 39.14 Lakhs

4. Prescribed CSR Expenditure (two percent of the amount as in item 3 above: Rs. 78.28 Lakhs

5. Details of CSR spent during the financial year

   (a) Total amount spent for the Financial year: Rs. 140.00 Lakhs

   (b) Amount unspent if any: Nil

   (c) Manner in which the amount spent during the financial year is detailed below: Annexure – A

6. In case the Company has failed to spend 2% of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report: Not Applicable

7. The CSR Committee of the Company hereby confirms that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company

For and on behalf of the Board of Directors of
IDFC FIRST Bharat Limited
(formerly IDFC Bharat Limited)

J. Sadakkadulla	**Ashish Singh**	
Chairman - CSR Committee	Member - CSR Committee	Date: May 03, 2019
DIN: 07544406	DIN: 01768711	Place: Mumbai

ANNEXURE-A

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sr no	**CSR project or activity identified**	**Sector in which the project is covered (clause no of Schedule VII to the Companies Act, 2013, as amended)**	**Projects or programs (1) local area or other (2) specify the state & district where projects or programs was undertaken.**	**Amount outlay (budget)**	**Amount spent on the projects or programs Subheads: 1. direct expenditure on projects or programs overheads**	**Cumulative expenditure upto the reporting period**	**Amount spent: direct or through implementing agency**
1	Distribution of food	Cl.(i) Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation	Local Area, Tamil Nadu, Kerala, Karnataka and Maharashtra.	Rs. 52.00 Laksh	Rs. 48.71 Lakhs	Rs. 48.71 Lakhs	Direct Spending
2	Health Camps			Rs. 16.00 Laksh	Rs. 38.56 Lakhs	Rs. 87.27 Lakhs	
3	GAJA Cyclone and Kerala Floods Relive activities.			-	Rs. 42.35 Lakhs	Rs. 129.62 Lakhs	
4	Federation Level Meeting	Cl(ii) promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.		Rs. 45.00 Laksh	Rs. 10.38 Lakhs	Rs. 140.00 Lakhs	

Annexure II

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2019

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
IDFC FIRST BHARAT LIMITED
(Formerly known as IDFC Bharat Limited)

CIN: U65929TN2003PLC050856

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **IDFC FIRST BHARAT LIMITED** (formerly IDFC Bharat Limited) (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on **31st March, 2019** complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2019 according to the provisions of:

i. The Companies Act, 2013 (the Act) and the Rules made thereunder;

ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder#;

iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment External Commercial Borrowings#;

v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

  a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011#;

  b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015#;

  c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018#;

  d. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014#;

e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008#;

f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009#; and

h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018#;

 # The Regulations or Guidelines, as the case may be were not applicable for the period under review.

We have also examined compliance with the applicable clauses of:

i. Secretarial Standards issued by The Institute of Company Secretaries of India;

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above, to the extent applicable.

We further report that -

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

During the period under review, decisions were carried through unanimously and no dissenting views were observed, while reviewing the minutes.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period the Company has no specific events/actions, having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards etc.

For **Bhandari & Associates**
Company Secretaries

S. N. Bhandari
Partner
FCS No: 761; C P No. : 366
Mumbai| May 03, 2019

This report is to be read with our letter of even date which is annexed as Annexure 'A' and forms an integral part of this report.

Annexure ‘A’

To,
The Members,
IDFC FIRST BHARAT LIMITED
(Formerly known as IDFC Bharat Limited)
CIN: U65929TN2003PLC050856

Our Secretarial Audit Report for the Financial Year ended on March 31, 2019 of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in Secretarial records. We believe that the processes and practices, we follow provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For **Bhandari & Associates**
Company Secretaries

S. N. Bhandari
Partner
FCS No: 761; C P No.: 366
Mumbai| May 03, 2019

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Annexure III

FORM NO. MGT-9

Extract of Annual Return as on the Financial Year ended on March 31, 2019

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

i)	CIN	U65929TN2003PLC050856
ii)	Registration Date	May 12, 2003
iii)	Name of the Company	IDFC FIRST Bharat Limited (Formerly IDFC Bharat Limited)
iv)	Category / Sub-Category of the Company	Company Limited by SharesIndian Non-Government Company
v)	Address of the Registered office and contact details	No. 9, Paripoorna Towers, Manoranjitham Street, Annamalai Nagar, Tiruchirappalli, Tamil Nadu - 620 018 Tel: +91 431 4500000; Fax: +91 431 2750393
vi)	Whether listed company	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	NSDL Database Management Limited* 4th Floor, Trade World A Wing, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013 Tel: +91 22 4914 2700; Fax: +91 22 4914 2503

* For electronic connectivity with Depositories.

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the Company shall be stated: -

SR. NO.	NAME AND DESCRIPTION OF MAIN PRODUCTS / SERVICES	NIC CODE OF THE PRODUCT / SERVICE	% TO TOTAL TURNOVER OF THE COMPANY
1	Business Correspondent (“BC”)	66190	100

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

SR. NO.	NAME AND ADDRESS OF THE COMPANY	CIN / GLN	HOLDING / SUBSIDIARY / ASSOCIATE	% OF SHARES HELD	APPLICABLE SECTION
i)	IDFC FIRST Bank Limited	L65110TN2014PLC097792	Holding Company	100	Section 2(46)

IV. SHARE HOLDING PATTERN (EQUITY SHARE CAPITAL BREAKUP AS PERCENTAGE OF TOTAL EQUITY)

(i) Category-wise Share Holding

CATEGORY OF SHAREHOLDERS		NO. OF SHARES HELD AT THE BEGINNING OF THE YEAR				NO. OF SHARES HELD AT THE END OF THE YEAR				% CHANGE DURING THE YEAR
		DEMAT	PHYSICAL	TOTAL	% OF TOTAL SHARES	DEMAT	PHYSICAL	TOTAL	% OF TOTAL SHARES	
A	**PROMOTERS**									
(1)	Indian									
a)	Individual /HUF	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b)	Central Govt	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
c)	State Govt(s)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
d)	Bodies Corp.	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
e)	Banks / FI	5,579,990	6	5,579,996	100.00	5,579,990	6	5,579,996	NIL	NIL
f)	Any Other.	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
SUB-TOTAL (A) (1)		**5,579,990**	**6**	**5,579,996**	**100.00**	**5,579,990**	**6**	**5,579,996**	**NIL**	**NIL**

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CATEGORY OF SHAREHOLDERS		NO. OF SHARES HELD AT THE BEGINNING OF THE YEAR				NO. OF SHARES HELD AT THE END OF THE YEAR				% CHANGE DURING THE YEAR
		DEMAT	PHYSICAL	TOTAL	% OF TOTAL SHARES	DEMAT	PHYSICAL	TOTAL	% OF TOTAL SHARES	
(2) Foreign										
a)	NRIs - Individuals	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b)	Other - Individuals	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
c)	Bodies Corp.	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
d)	Banks / FI	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
e)	Any Other....	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
SUB-TOTAL (A) (2)		NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
TOTAL SHARE HOLDING OF PROMOTER (A) = (A)(1)+(A)(2)		**5,579,990**	**6**	**5,579,996**	**100.00**	**5,579,990**	**6**	**5,579,996**	NIL	NIL
B	**PUBLIC SHAREHOLDING**									
1	Institutions									
a)	Mutual Funds	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b)	Banks / FI	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
c)	Central Govt	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
d)	State Govt(s)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
e)	Venture Capital Funds	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
f)	Insurance Companies	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
g)	FIIs	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
h)	Foreign Venture Capital Funds	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
i)	Others (Trusts)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
SUB-TOTAL (B) (1)		**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**
2	**Non –Institutions**									
a)	Bodies Corp									
i)	Indian	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
ii)	Overseas	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b)	Individuals	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
i)	Individual shareholders holding nominal share capital up to ` 1 lakh	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
ii)	Individual shareholders holding nominal share capital in excess of ` 1 lakh	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
SUB-TOTAL (B) (2)		**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**
TOTAL PUBLIC SHARE HOLDING = (B) (B)(1)+(B)(2)		**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**
C	**SHARES HELD BY CUSTODIAN FOR GDR & ADR**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**
GRAND TOTAL (A+B+C)		**5,579,990**	**6**	**5,579,996**	**100.00**	**5,579,990**	**6**	**5,579,996**	NIL	NIL

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(ii) Shareholding of Promoters

SR. NO.	SHAREHOLDER'S NAME	SHAREHOLDING AT THE BEGINNING OF THE YEAR			SHARE HOLDING AT THE END OF THE YEAR			% CHANGE IN SHARE HOLDING DURING THE YEAR
		NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY	%OF SHARES PLEDGED / ENCUMBERED TO TOTAL SHARES	NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY	%OF SHARES PLEDGED / ENCUMBERED TO TOTAL SHARES	
1	IDFC FIRST Bank Limited	5,579,996	100.00	NIL	5,579,996	100.00	NIL	100.00
TOTAL		**5,579,996**	**100.00**	**NIL**	**5,579,996**	**100.00**	**NIL**	**100.00**

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

	SHAREHOLDING AT THE BEGINNING OF THE YEAR		CUMULATIVE SHAREHOLDING DURING THE YEAR	
	NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY	NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY
No Change				

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

SI No	SHAREHOLDER'S NAME	SHAREHOLDING AT THE BEGINNING OF THE YEAR		CUMULATIVE SHAREHOLDING DURING THE YEAR	
		NO. OF SHARES	% OF HOLDING	NO. OF SHARES	% OF THE SHARES OF THE COMPANY
1	ÌDFC FIRST Bank Limited	**5579990**	99.99989247	**5579990**	**99.99989247**
2	IDFC FIRST Bank Limited with Rinkoo Somani	**1**	0.00001792	**5579991**	**99.99991039**
3	IDFC FIRST Bank Limited with Mayuri Chhichhiya	**1**	0.00001792	**5579992**	**99.99992831**
4	IDFC FIRST Bank Limited with Goretti Deabreo	**1**	0.00001792	**5579993**	**99.99994623**
5	IDFC FIRST Bank Limited with Prachiti Karandikar	**1**	0.00001792	**5579994**	**99.99996415**
6	IDFC FIRST Bank Limited with Hari Kumar	**1**	0.00001792	**5579995**	**99.99998207**
7	IDFC FIRST Bank Limited with Ashish Singh	**1**	0.00001792	**5579996**	**100.0000000**

(v) Shareholding of Directors and Key Managerial Personnel:

		SHAREHOLDING AT THE BEGINNING OF THE YEAR		CUMULATIVE SHAREHOLDING DURING THE YEAR	
		NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY	NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY
1	Mr. Ashish Singh*	01	0.00001792	1	0.00001792

* Mr. Ashish Singh is the second (joint holder) of one equity share along with IDFC FIRST Bank Limited and other than Mr. Ashish Singh none of the directors or Key Managerial Personnel hold shares either individually or jointly.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment IN `INR

	SECURED LOANS EXCLUDING DEPOSITS	UNSECURED LOANS	DEPOSITS	TOTAL INDEBTEDNESS
Indebtedness at the beginning of the financial year				
i) Principal Amount	NIL	NIL	NIL	NIL
ii) Interest due but not Paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due	NIL	NIL	NIL	NIL
TOTAL (I+II+III)	**NIL**	**NIL**	**NIL**	**NIL**
Change in Indebtedness during the financial year				
Addition	NIL	NIL	NIL	NIL
Reduction	NIL	NIL	NIL	NIL
Net Change				

	SECURED LOANS EXCLUDING DEPOSITS	UNSECURED LOANS	DEPOSITS	TOTAL INDEBTEDNESS
Indebtedness at the end of the financial year				
i) Principal Amount	NIL	NIL	NIL	NIL
ii) Interest due but not Paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due	NIL	NIL	NIL	NIL
TOTAL (I+II+III)	**NIL**	**NIL**	**NIL**	**NIL**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and / or Manager: IN `INR

SR. NO.	PARTICULARS OF REMUNERATION	NAME OF MD / WTD MANAGER		TOTAL AMOUNT
		MR. S. DEVARAJ	MR. ARJUN MURALIDHARAN	
1.	Gross salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	295,60,000**	1,40,25,000**	4,35,85,000
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	NIL	NIL	NIL
	(c) Profits in lieu of salary under Section 17(3) Income- tax Act, 1961	NIL	NIL	NIL
2.	Stock Option	NIL	NIL	NIL
3.	Sweat Equity	NIL	NIL	NIL
4.	Commission	NIL	NIL	NIL
	- as % of profit	NIL	NIL	NIL
	- others, specify...	NIL	NIL	NIL
5.	Others, please specify	NIL	NIL	NIL
	TOTAL (A)	**295,60,000**	**1,40,25,000**	**4,35,85,000**
	Ceiling as per the Act			

** Remuneration paid to Executive Chairman and Managing Director does not include Leave Encashment payments made to them during the year

B. Remuneration to other directors: IN INR

Sr. Particulars of Remuneration	Name of Directors			
	MR. A. KRISHNAMOORTHY	DR. J. SADAKKADULLA	Mr. M. S. Sundara Rajan	Total Amount
1. Independent Directors				
Fee for attending board committee meetings	5,00,000	4,75,000	1,75,000	11,50,000
Commission	NIL	NIL	NIL	NIL
Others, please specify	NIL	NIL	NIL	NIL
TOTAL (1)	5,00,000	4,75,000	1,75,000	11,50,000
2. Other Non-Executive Directors				
Fee for attending board committee meetings	NIL	NIL	NIL	NIL
Commission	NIL	NIL	NIL	NIL
Others, please specify	NIL	NIL	NIL	NIL
TOTAL (2)	NIL	NIL	NIL	NIL
TOTAL (B) = (1 + 2)	**5,00,000**	**4,75,000**	**1,75,000**	**11,50,000**
Overall Ceiling as per the Act				Refer Note

Note: In terms of the provisions of the Companies Act, 2013, the remuneration payable to Directors other than executive Directors shall not exceed 3% of the net profit of the Company. The remuneration paid to the directors is well within the limit.

C. Remuneration to Key Managerial Personnel other than MD / Manager / WTD.

IN INR

SR. NO	PARTICULARS OF REMUNERATION	KEY MANAGERIAL PERSONNEL MR. BOBY XAVIER (CS)	TOTAL
1.	Gross salary		
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	36,00,000**	36,00,000
	(b) Value of Perquisites u/s 17(2) Income-tax Act, 1961	NIL	NIL
	(c) Profits in lieu of Salary under Section 17(3) Income-tax Act, 1961	NIL	NIL
2.	Stock Option	NIL	NIL
3.	Sweat Equity	NIL	NIL
	- as % of profit	NIL	NIL
	- others, specify...	NIL	NIL
5.	Others, please specify	NIL	NIL
TOTAL (A)		**36,00,000**	**36,00,000**

** Remuneration paid to Company Secretary does not include Leave Encashment payments made to him during the year.

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES:

TYPE	SECTION OF THE COMPANIES ACT	BRIEF DESCRIPTION**	DETAILS OF PENALTY / PUNISHMENT / COMPOUNDING FEES IMPOSED	AUTHORITY [RD / NCLT / COURT]	APPEAL MADE, IF ANY (GIVE DETAILS)
A. COMPANY					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	149(4)	-	50,000	RD	Nil
B. DIRECTORS					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	149(4)	-	1,00,000	RD	Nil
C. OTHER OFFICERS IN DEFAULT					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	149(4)	-	1,50,000	RD	Nil

**As per the provisions of Section 149(4) of the Companies Act, 2013, the Company shall have minimum 2 Independent Directors on the Board. Consequent to the resignation of Mr. Rajmani Janakiraman with effect from August 05, 2015. Mr. Peter Manohar was appointed as an Independent Director with effect from July 15, 2016. However, for the period from August 05, 2015 to July 15, 2016, the Company has violated the provisions of Section 149(4) of the Companies Act, 2013. Hence the Company has applied for Voluntary Compounding with the Regional Director, Southern Region. On December 21, 2018, the Regional Director had passed an order of levying a compounding fee of Rs. 3,00,000/- as detailed above. The Company has abided by the said order by paying the Compounding Fee with the Statutory Authority.

For and on behalf of the Board of Directors of

IDFC FIRST Bharat Limited

(formerly IDFC Bharat Limited)

Arjun Muralidharan
Managing Director and Chief Executive Officer
DIN: 02726409

Ashish Singh
Nominee Director
DIN: 01768711

Date: May 03, 2019
Place: Mumbai

Independent Auditor's Report

To the Members of IDFC FIRST Bharat Limited (Formerly known as IDFC Bharat Limited)

Report on the Audit of the Financial Statements

Opinion

1. We have audited the accompanying financial statements of IDFC FIRST Bharat Limited (Formerly known as IDFC Bharat Limited) ('the Company'), which comprise the Balance Sheet as at 31 March 2019, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

2. 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 Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under section 133 of the Act, of the state of affairs (financial position) of the Company as at 31 March 2019, and its profit (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

3. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the Financial Statements and Auditor's Report thereon

4. The Company's Board of Directors is responsible for the other information. Other information does not include the financial statements and our auditor's report thereon.

   Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

   In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.
   If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. Reporting under this section is not applicable as no other information is obtained at the date of this auditor's report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

5. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Ind AS specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making

judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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.

6. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

7. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

8. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

9. As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.

    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

    - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

    - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

10. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

11. The Company had prepared separate sets of statutory financial statements for the year ended 31 March 2017 and 31 March 2018 in accordance with Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) on which we issued auditor's reports to the shareholders of the Company dated 20 April 2017 and 19 April 2018 respectively. These financial statements have been adjusted for the differences in the accounting principles adopted by the Company on transition to Ind AS, which have also been audited by us. Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

12. As required by section 197(16) of the Act, we report that the Company has paid remuneration to its directors during the year in accordance with the provisions of and limits laid down under section 197 read with Schedule V to the Act.

13. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of section 143(11) of the Act, we give in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order.

14. Further to our comments in Annexure A, as required by section 143(3) of the Act, we report that:

    a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose 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 financial statements dealt with by this report are in agreement with the books of account;

    d) in our opinion, the aforesaid financial statements comply with Ind AS specified under section 133 of the Act;

    e) on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of section 164(2) of the Act;

    f) we have also audited the internal financial controls over financial reporting (IFCoFR) of the Company as on 31 March 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date and our report dated 03 May 2019 as per Annexure B expressed unmodified opinion.

    g) with respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:

        i. the Company, as detailed in note 34 to the financial statements, has disclosed the impact of pending litigations on its financial position as at 31 March 2019;

        ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at 31 March 2019;

        iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended 31 March 2019;

iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016, which are not relevant to these standalone financial statements. Hence, reporting under this clause is not applicable.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Sumesh E S
Partner
Membership No.: 206931

Place: Mumbai
Date: 03 May 2019

Annexure A to the Independent Auditor's Report of even date to the members of IDFC FIRST Bharat Limited (Formerly known as IDFC Bharat Limited) on the financial statements for the year ended 31 March 2019

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

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

(b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.

(c) The title deeds of all the immovable properties (which are included under the head 'Investment properties') according to the information and explanation given to us, is subject matter of an order from the Tiruchirappalli Corporation citing encroachment of land. In response to this, the company has filed a petition with the High Court of Madras (Madurai Bench) for stay and quashing of the order for which an interim stay has been granted.

Nature of property	Total Number of Cases	Whether leasehold /freehold	Gross block as on 31 March 2019 in (₹ lakhs)	Net block on 31 March 2019 in (₹ lakhs)
Land	1	Freehold	376	376

(ii) The Company does not have any inventory. Accordingly, the provisions of clause 3(ii) of the Order are not applicable.

(iii) The Company has not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships (LLPs) or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable.

(iv) In our opinion, the Company has not entered into any transaction covered under Sections 185 and 186 of the Act. Accordingly, the provisions of clause 3(iv) of the Order are not applicable.

(v) In our opinion, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) The Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, in respect of Company's services. Accordingly, the provisions of clause 3(vi) of the Order are not applicable.

(vii)(a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, have generally been regularly deposited to the appropriate authorities, though there has been a slight delay in a few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.

(b) The dues outstanding in respect of income-tax, sales-tax, service tax, duty of customs, duty of excise and value added tax on account of any dispute, are as follows:
Statement of Disputed Dues

Name of the statute	Nature of dues	Amount (₹ in lakhs)	Amount paid Under Protest (₹ lakhs)	Period to which the amount relates	Forum where dispute is pending
Finance Act, 1994	Penalty	53	Nil	2007-08 to 2009-10	CESTAT, Chennai
	Service tax	135	36	2009-10 to 2013-14	
	Penalty	135	Nil	2009-10 to 2013-14	
Income Tax Act, 1961	Income Tax	149	149	Assessment year 2014 – 15	ITAT, Chennai
Income Tax Act, 1961	Income Tax	129	26	Assessment year 2016 - 17	CIT(A) Tiruchirappalli

(viii) The Company has no loans or borrowings payable to a financial institution or a bank or government and no dues payable to debenture-holders during the year. Accordingly, the provisions of clause 3(viii) of the Order are not applicable.

(ix) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments) and did not have any term loans outstanding during the year. Accordingly, the provisions of clause 3(ix) of the Order are not applicable.

(x) According to the information and explanations given to us, no fraud on or by the company, has been noticed or reported during the year, except for, 219 cases of manipulation of KYC documents and 33 cases of misappropriation of cash by the employees of the company to the extent of ₹ 69 lakhs and ₹ 2 lakhs, respectively, identified by the management during the year regarding which the company has initiated disciplinary action against the employees and recovered ₹ 52 lakhs and ₹ 2 lakhs, respectively, by 31 March 2019.

(xi) Managerial remuneration has been provided by the company in accordance with the requisite approvals mandated by the provisions of Section 197 of the Act read with Schedule V to the Act.

(xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.

(xiii) In our opinion all transactions with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable, and the requisite details have been disclosed in the financial statements etc., as required by the applicable accounting standards.

(xiv) During the year, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures.

(xvi) The company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Sumesh E S
Partner
Membership No.: 206931

Place: Mumbai
Date: 03 May 2019

Annexure B to the Independent Auditor's Report of even date to the members of IDFC FIRST Bharat Limited (Formerly known as IDFC Bharat Limited), on the financial statements for the year ended 31 March 2019

Independent Auditor's report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

1. In conjunction with our audit of the financial statements of IDFC FIRST Bharat Limited (Formerly known as IDFC Bharat Limited) ("the Company") as of and for the year ended 31 March 2019, we have audited the internal financial controls over financial reporting (IFCoFR) of the company as of that date.

Management's Responsibility for Internal Financial Controls

2. The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the company's business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's IFCoFR based on our audit. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India (ICAI) and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR included obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's IFCoFR.

Meaning of Internal Financial Controls over Financial Reporting

6. A company's IFCoFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's IFCoFR includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the IFCoFR to future periods are subject to the risk that IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI").

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Sumesh E S
Partner
Membership No.: 206931
Place: Mumbai
Date: 03 May 2019

IDFC FIRST Bharat Limited (Formerly, IDFC Bharat Limited)
Balance sheet as at 31 March 2019
(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

	Note	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
ASSETS				
Non-current assets				
Property, plant and equipment	4	1,591	1,069	719
Investment property	5	376	376	376
Other Intangible assets	4	366	167	82
Intangible assets under development	4	-	-	55
Financial assets				
- Bank balances	6	533	395	248
- Loans	7	14	11	16
Deferred tax assets	8	176	135	200
Income tax assets (net)	9	554	454	454
Other non-current assets	10	50	17	21
		3,660	**2,624**	**2,171**
Current assets				
Financial assets				
- Trade receivables	11	2,549	2,131	1,096
- Cash and cash equivalents	12	6,153	6,184	16,871
- Bank balances other than cash and cash equivalents	12	6,730	11,287	2,200
- Loans	7	284	177	256
- Other financial assets	13	850	453	545
Other current assets	10	289	74	216
		16,855	**20,306**	**21,184**
Total assets		**20,515**	**22,930**	**23,355**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	14	558	558	558
Other equity	15	12,520	16,959	16,241
Total equity		**13,078**	**17,517**	**16,799**
Liabilities				
Non-current liabilities				
Financial liabilities				
- Other financial liabilities	16	498	338	194
Provisions	17	-	-	165
		498	**338**	**359**
Current liabilities				
Financial liabilities				
- Other financial liabilities	16	5,964	4,263	5,919
Provisions	17	312	152	134
Current tax liabilities (net)	18	104	220	-
Other current liabilities	19	559	440	144
		6,939	**5,075**	**6,197**
Total liabilities		**7,437**	**5,413**	**6,556**
Total equity and liabilities		**20,515**	**22,930**	**23,355**

The accompanying notes form an integral part of these financial statements
In terms of our report attached

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No: 001076N/N500013

For and on behalf of the Board of Directors of
IDFC FIRST Bharat Limited
(Formerly, IDFC Bharat Limited)

Sumesh E S
Partner
Membership No: 206931

Arjun Muralidharan
Managing Director and CEO
DIN: 02726409

M S Sundara Rajan
Director
DIN: 00169775

Place : Mumbai
Date: 03 May 2019

Boby Xavier
Company Secretary

Place : Mumbai
Date: 03 May 2019

IDFC FIRST Bharat Limited (Formerly, IDFC Bharat Limited)
Statement of profit and loss for the year ended 31 March 2019
(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

	Note	Year ended 31 March 2019	Year ended 31 March 2018
Income			
Revenue from operations	20	25,569	16,900
Other income	21	629	733
Total income		**26,198**	**17,633**
Expenses			
Employee benefits expense	22	15,532	11,083
Depreciation and amortisation expense	23	764	473
Other expenses	24	3,884	2,922
Total expense		**20,180**	**14,478**
Profit before tax		**6,018**	**3,155**
Income tax expense	26		
- Current tax		2,178	1,072
- Deferred tax		45	50
		2,223	**1,122**
Profit for the year		**3,795**	**2,033**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
- Re-measurement of post-employment benefit plans		(248)	43
- Income tax relating to the above item		86	(15)
Other comprehensive income for the year, net of tax		**(162)**	**28**
Total comprehensive income for the year		**3,633**	**2,061**
Earnings per equity share of face value ₹ 10 each fully paid up			
Basic and diluted (in ₹)	27	68.01	36.43

The accompanying notes form an integral part of these financial statements

In terms of our report attached

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No: 001076N/N500013

Sumesh E S
Partner
Membership No: 206931

Place : Mumbai
Date: 03 May 2019

For and on behalf of the Board of Directors of
IDFC FIRST Bharat Limited
(Formerly, IDFC Bharat Limited)

Arjun Muralidharan
Managing Director and CEO
DIN: 02726409

M S Sundara Rajan
Director
DIN: 00169775

Boby Xavier
Company Secretary

Place : Mumbai
Date: 03 May 2019

IDFC FIRST Bharat Limited (Formerly, IDFC Bharat Limited)
Statement of changes in equity for the year ended 31 March 2019
(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

Particulars	Equity share capital	Other equity				
		Capital redemption reserve	Securities Premium	Retained Earnings	Accumulated other comprehensive income	Total
Balances as at 01 April 2017	**558**	**750**	**4,374**	**11,479**	**(362)**	**16,241**
Profit for the year	-	-	-	2,033	-	2,033
Other comprehensive income	-	-	-	-	28	28
Total comprehensive income for the year	**-**	**-**	**-**	**2,033**	**28**	**2,061**
Dividends paid	-	-	-	(1,116)	-	(1,116)
Dividend distribution tax paid	-	-	-	(227)	-	(227)
Balances as at 31 March 2018	**558**	**750**	**4,374**	**12,169**	**(334)**	**16,959**
Profit for the year	-	-	-	3,795	-	3,795
Other comprehensive income	-	-	-	-	(162)	(162)
Total comprehensive income for the year	**-**	**-**	**-**	**3,795**	**(162)**	**3,633**
Dividends paid	-	-	-	(6,696)	-	(6,696)
Dividend distribution tax paid	-	-	-	(1,376)	-	(1,376)
Balances as at 31 March 2019	**558**	**750**	**4,374**	**7,892**	**(496)**	**12,520**

The accompanying notes form an integral part of these financial statements
In terms of our report attached

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No: 001076N/N500013

For and on behalf of the Board of Directors of
IDFC FIRST Bharat Limited
(Formerly, IDFC Bharat Limited)

Sumesh E S
Partner
Membership No: 206931

Arjun Muralidharan
Managing Director and CEO
DIN: 02726409

M S Sundara Rajan
Director
DIN: 00169775

Place : Mumbai
Date: 03 May 2019

Boby Xavier
Company Secretary

Place : Mumbai
Date: 03 May 2019

IDFC FIRST Bharat Limited (Formerly, IDFC Bharat Limited)
Statement of Cash flows for the year ended 31 March 2019
(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

	Year ended 31 March 2019	Year ended 31 March 2018
Cash flows from operating activities		
Profit before income tax	6,018	3,155
Adjustments for		
Depreciation and amortisation expense	764	473
Bad debts and advances written off	11	5
Interest income from deposits	(584)	(668)
Profit on sale of tangible assets	(3)	2
Operating profit before working capital changes	**6,206**	**2,967**
Decrease in provisions	(88)	(104)
Decrease/(increase) in other financial liabilities	1,861	(1,512)
Decrease in other current liabilities	119	296
(Increase) in trade receivables	(418)	(1,035)
(Increase)/Decrease in loans	(121)	79
(Increase)//Decrease in other financial assets	(397)	92
(Increase)/Decrease in other assets	(215)	146
Cash flow from operating activities	**6,947**	**929**
Income taxes paid (net)	(2,394)	(852)
Net cash generated from operating activities	**4,553**	**77**
Cash flows from investing activities		
Purchase of tangible assets including capital advances	(1,251)	(806)
Purchase of intangible assets	(281)	(68)
Proceeds from sale of tangible assets	17	23
Proceeds from maturity of deposits	21,700	41,537
Investments in deposits	(17,288)	(50,679)
Interest collected from deposits	591	572
Net cash generated from / (used in) investing activities	**3,488**	**(9,421)**
Cash flows from financing activities		
Equity dividend paid including dividend distribution tax	(8,072)	(1,343)
Net cash used in financing activities	**(8,072)**	**(1,343)**
Net increase in cash and cash equivalents	(31)	(10,687)
Cash and cash equivalents as at the beginning of the year	6,184	16,871
Cash and cash equivalents as at the end of the year	**6,153**	**6,184**
Notes (Also, refer note 12):		
Cash and cash equivalents comprises of		
Cash on hand	34	29
Balances with banks		
- in current accounts	6,119	6,155
	6,153	**6,184**

The accompanying notes form an integral part of these financial statements
In terms of our report attached

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No: 001076N/N500013

For and on behalf of the Board of Directors of
IDFC FIRST Bharat Limited
(Formerly, IDFC Bharat Limited)

Sumesh E S
Partner
Membership No: 206931

Arjun Muralidharan
Managing Director and CEO
DIN: 02726409

M S Sundara Rajan
Director
DIN: 00169775

Place : Mumbai
Date: 03 May 2019

Boby Xavier
Company Secretary

Place : Mumbai
Date: 03 May 2019

1. Background

IDFC FIRST Bharat Limited (formerly known as IDFC Bharat Limited) (the 'Company') is a wholly owned subsidiary of IDFC FIRST Bank Limited (the 'Parent'). The Company provides business correspondent services to its parent. The Company is domiciled in India and has its registered office at No.9, Manoranjitham Street, Annamalai Nagar, Tiruchirappalli, Tamil Nadu, India. The Company had changed its name from IDFC Bharat Limited to IDFC FIRST Bharat Limited with effect from 29 April 2019.

2. Summary of significant accounting policies

a) Basis of preparation and presentation of financial statements
i) Accounting convention

The financial statements are prepared in accordance with the Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 read with Section 133 of the Companies Act, 2013 (the "Act").

For all periods upto and including the year ended 31 March 2018, the Company prepared its financial statements in accordance with the accounting standards notified under the Section 133 of the Companies Act, 2013, read together with Companies (Accounts) Rules 2014 (Indian GAAP). These are the Company's first annual financial statements prepared in accordance with Indian Accounting Standards (Ind AS). The Company has adopted all applicable standards and the adoption was carried out in accordance with Ind AS 101 – 'First Time Adoption of Indian Accounting Standards'.

An explanation of how the transition to Ind AS has affected the reported financial position, financial performance and cash flows of the Company are provided under note 33 of these financial statements.

All amounts included in the financial statements are reported in Indian Rupees and have been rounded off to nearest decimal of Lakhs ₹.

ii) Basis of measurement

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain financial instruments measured at fair value at the end of each reporting period as explained in the accounting policies below. These financial statements comply in all material aspects with the Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 read with Section 133 of the Companies Act, 2013 (the "Act") and other relevant provisions of the Act.

b) Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The Company bases its estimates and assumptions on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The signfiicant judgments used by the management in the treatment of pending litigations against the Company are disclosed in Note 34.
The following are the other significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Defined benefit obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

Recoverability of advances / receivables

At each balance sheet date, based on historical default rates observed over expected life, the management assesses the expected credit loss on outstanding receivables and advances.

Useful lives of depreciable / amortisable assets

Management reviews its estimate of the useful lives of depreciable / amortizable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of certain items of property, plant and equipment.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry forward can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions

Evaluation of indicators for impairment of assets
The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets. In assessing impairment, management estimates the recoverable amount of each asset or cash generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Fair value measurements
Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

c) Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification.

An asset is treated as current when it is:
- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is treated as current when:
- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

The operating cycle is the time between the acquisition of assets for processing and their realization in cash and cash equivalents. The Company has evaluated and considered its operating cycle as 12 months.

d) Property, plant and equipment

The Company has elected to continue with the carrying value for all of its property, plant and equipment as recognized in its Previous GAAP financial statements as deemed cost at the transition date, viz., 1 April 2017.

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment, if any. Costs directly attributable to acquisition are capitalised until the property, plant and equipment are ready or substantially ready for use, as intended by management.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-current assets. Subsequent expenditures relating to property, plant and equipment is capitalised only when it is probable that future economic benefits associated with these will flow to the company and the cost of the item can be measured reliably.

The cost and related accumulated depreciation are eliminated from the financial statements upon sale or retirement of the asset and the resultant gains or losses are recognised in the statement of profit and loss. Assets to be disposed off are reported at the lower of the carrying value or the fair value less cost to sell.

Property, plant and equipment are depreciated using straight line method over the estimated useful lives of the assets, which are in line with the lives prescribed under Schedule II to the Companies Act, 2013.

Particulars	**Useful life (years)**
Computers and accessories	3-6
Furniture and fittings	10
Office equipment	5
Vehicles	8

Depreciation methods, useful lives and residual values are reviewed periodically and updated as required, including at each financial year end.

e) Investment properties

The Company has elected to continue with the carrying value for all of its Investment properties as recognized in its Previous GAAP financial statements as deemed cost at the transition date, viz., 1 April 2017.

Investment properties are properties held to earn rentals or for capital appreciation, or both and include land held for a currently undetermined future use. Investment properties are measured initially at their cost of acquisition. The cost comprises purchase price, borrowing cost, if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company. All other costs are recognized in statement of profit or loss as incurred. Investment properties are subsequently measured at cost less accumulated depreciation and impairment losses. Investment properties are de-recognised either when they have been disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in statement of profit or loss in the period of de-recognition.

f) Intangible assets

The Company has elected to continue with the carrying value for all of its intangible assets as recognized in its previous GAAP financial statements as deemed cost at the transition date, viz., 1 April 2017.

Intangible assets are recorded at the consideration paid for the acquisition of such assets and are carried at cost less accumulated amortization and impairment. Advances paid towards the acquisition of intangible assets outstanding at each balance sheet date are disclosed as other non-current assets and the cost of intangible assets not ready for their intended use before such date are disclosed as intangible assets under development. Intangible assets are amortised on a straight line basis over the estimated useful economic life.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.

The residual values, useful lives and methods of amortization of intangible assets are reviewed at each financial year end and adjusted prospectively, if appropriate.

g) Impairment of property, plant and equipment and intangible assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired, based on internal or external factors. If any such indication exists, the Company estimates the recoverable amount of the asset or the cash generating unit. If such recoverable amount of the asset or cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Statement of Profit and Loss. If, at the reporting date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount. Impairment losses previously recognised are accordingly reversed in the Statement of Profit and Loss.

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

h) Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The specific recognition criteria described below must also be met before revenue is recognized.

(i) Fees for business correspondent services

Revenue is recognized on accrual basis in accordance with terms of the agreement and is measured based on the interest realised, as communicated by the customer. The services are attributable to a single performance obligation to which the transaction price is attributable.

(ii) Interest income

Interest income is reported on an accrual basis using the effective interest method and is included under the head “other income” in the statement of profit and loss.

i) Employee benefits

Expenses and liabilities in respect of employee benefits are recorded in accordance with Ind AS 19, Employee Benefits.

Defined contribution plan

(i) Provident fund
This is a defined contribution plan where contributions are remitted to provident fund authorities in accordance with the relevant statute and charged to the Statement of Profit and Loss in the period in which the related employee services are rendered. The Company has no further obligations for future provident fund benefits in respect of these employees other than its monthly contributions.

Defined benefit plan
(i) Gratuity
The liability or asset recognised in the balance sheet in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets (if any). The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

Service cost on the Company’s defined benefit plan is included in employee benefits expense. Employee contributions, all of which are independent of the number of years of service, are treated as a reduction of service cost. Net interest expense on the net defined benefit liability is included in finance costs. Gains and losses through re-measurements of the defined benefit plans are recognized in other comprehensive income, which are not reclassified to profit or loss in a subsequent period.

j) Leases
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is / or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.
For arrangements entered into prior to 1 April 2017 (date of transition to Ind AS), the Company has determined whether the arrangement contain lease on the basis of facts and circumstances existing on the date of transition.

Operating Lease
Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor’s expected inflationary cost increases.

k) Income taxes

Income tax expense comprises current and deferred income tax. Current and deferred tax is recognised in the Statement of Profit and Loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognised as income or expense in the period that includes the enactment or the substantive enactment date. A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised. The Company offsets current tax assets and current tax liabilities, where it has a legally enforceable right to setoff the recognised amounts and where it intends either to settle on a net basis, or to realise the asset and settle the liability

l) Provisions and contingencies

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that is reasonably estimable, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or it cannot be measured with sufficient reliability. The Company does not recognise a contingent liability but discloses its existence in the financial statements.

Contingent assets

Contingent assets are neither recognised nor disclosed. However, when realisation of income is virtually certain, related asset is recognised.

m) Financial instruments

Financial assets

i) Classification, initial recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets other than equity instruments are classified into categories: financial assets at fair value through profit or loss and at amortised cost. Financial assets that are equity instruments are classified as fair value through profit or loss or fair value through other comprehensive income. Financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

Financial instruments are recognized on the balance sheet when the Company becomes a party to the contractual provisions of the instrument

Initially, a financial instrument is recognized at its fair value. Transaction costs directly attributable to the acquisition or issue of financial instruments are recognized in determining the carrying amount, if it is not classified as at fair value through profit or loss. Subsequently, financial instruments are measured according to the category in which they are classified.

Financial assets at amortised cost: Financial assets having contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding and that are held within a business model whose objective is to hold such assets in order to collect such contractual cash flows are classified in this category. Subsequently, these are measured at amortized cost using the effective interest method less any impairment losses.

Financial assets at fair value through profit or loss: Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are immediately recognised in profit or loss.

Equity instruments: An equity instrument is any contract that evidences residual interests in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities: These are measured at amortized cost using the effective interest method.

m) Financial instruments (continued)

ii) Determination of fair value:
The fair value of a financial instrument on initial recognition is normally the transaction price (fair value of the consideration given or received). Subsequent to initial recognition, the Company determines the fair value of financial instruments that are quoted in active markets using the quoted bid prices (financial assets held) or quoted ask prices (financial liabilities held) and using valuation techniques for other instruments. Valuation techniques include discounted cash flow method and other valuation models.

iii) Derecognition of financial assets and financial liabilities:
The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities are derecognised when these are extinguished, that is when the obligation is discharged, cancelled or has expired.

iv) Impairment of financial assets:

In accordance with Ind AS 109 Financial Instruments, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss for financial assets.
The Company tracks credit risk and changes thereon for customer. For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

-All contractual terms of the financial instrument over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity uses the remaining contractual term of the financial instrument.

- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Company uses default rate for credit risk to determine impairment loss allowance on portfolio of its trade receivables.

Trade receivables
The Company applies approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of receivables.

Other financial assets
For recognition of impairment loss on other financial assets and risk exposure, the Company determines whether there has been a significant increase in the credit risk since initial recognition and if credit risk has increased significantly, impairment loss is provided.

n) Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

o) Cash flow statement
Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future receipts or payments. Cash and cash equivalent in the cash flow statement and balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

p) Earnings/ (Loss) per Share (EPS)

Basic EPS are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue that have changed the number of equity shares outstanding, without a corresponding change in resources.

Diluted EPS amounts are calculated by dividing the profit attributable to equity holders of the Company (after adjusting for interest on the convertible preference shares, if any) by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

3. Recent accounting pronouncements

Ind AS 116 Leases : On 30 March 2019, Ministry of Corporate Affairs has notified Ind AS 116, Leases. Ind AS 116 will replace the existing leases Standard, Ind AS 17 Leases, and related Interpretations. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. Currently, operating lease expenses are charged to the statement of Profit & Loss. The Standard also contains enhanced disclosure requirements for lessees. Ind AS 116 substantially carries forward the lessor accounting requirements in Ind AS 17. The effective date of adoption of Ind AS 116 is annual periods beginning on or after 01 April 2019. The Company is currently evaluating the effect of this amendment on the financial statements.

Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments : On 30 March 2019, Ministry of Corporate Affairs has notified Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The effective date for adoption of Ind AS 12 Appendix C is annual periods beginning on or after 01 April 2019. The Company is currently evaluating the effect of this amendment on the financial statements.

The standard permits two possible methods of transition - i) Full retrospective approach – Under this approach, Appendix C will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, without using hindsight and ii) Retrospectively with cumulative effect of initially applying Appendix C recognized by adjusting equity on initial application, without adjusting comparatives.

Amendment to Ind AS 12 – Income taxes : On 30 March 2019, Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12, 'Income Taxes', in connection with accounting for dividend distribution taxes. The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. Effective date for application of this amendment is annual period beginning on or after 01 April 2019. The Company does not have any impact on account of this amendment.

Amendment to Ind AS 19 – plan amendment, curtailment or settlement- On 30 March 2019, Ministry of Corporate Affairs issued amendments to Ind AS 19, 'Employee Benefits', in connection with accounting for plan amendments, curtailments and settlements.

The amendments require an entity:

- to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

Effective date for application of this amendment is annual period beginning on or after 01 April 2019. The Company does not have any impact on account of this amendment.

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(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

4 Property, plant and equipment and Intangible assets

Particulars	Property, plant and equipment					Intangible assets	Total
	Computers & accessories	Furniture and fittings	Office equipment	Vehicles	Total	Software	
Gross block							
As at 01 April 2017 (Deemed cost)	**316**	**78**	**134**	**191**	**719**	**82**	**82**
Additions	554	198	58	-	810	123	123
Disposals	(2)	(2)	(1)	(20)	(25)	-	-
As at 31 March 2018	**868**	**274**	**191**	**171**	**1,504**	**205**	**205**
Additions	896	209	101	12	1,218	281	281
Disposals	-	(16)	(15)	-	(31)	-	-
As at 31 March 2019	**1,764**	**467**	**277**	**183**	**2,691**	**486**	**486**
Accumulated depreciation/amortisation							
Depreciation/amortisation charge	280	59	53	43	435	38	38
As at 31 March 2018	**280**	**59**	**53**	**43**	**435**	**38**	**38**
Depreciation/amortisation charge	456	102	88	36	682	82	82
Reversal on disposal of assets	-	(7)	(10)	-	(17)	-	-
As at 31 March 2019	**736**	**154**	**131**	**79**	**1,100**	**120**	**120**
Net block							
As at 01 April 2017 (Deemed cost)	**316**	**78**	**134**	**191**	**719**	**82**	**82**
As at 31 March 2018	**588**	**215**	**138**	**128**	**1,069**	**167**	**167**
As at 31 March 2019	**1,028**	**313**	**146**	**104**	**1,591**	**366**	**366**

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(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
5 Investment property			
Gross carrying amount (Deemed cost at 01 April 2017)	376	376	376
Accumulated depreciation	-	-	-
Fair value	404	402	399

Investment property pertains to free hold land held by the company for a currently undetermined future use

Estimation of fair value

The Company obtains independent valuation for its investment property at least annually. The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available, the Company consider information from a variety of sources including:

- Current prices in an active market for properties of different nature or recent price of similar properties is less than active markets, adjusted to reflect those differences
- Discounted cash flow projections based on reliable estimates of future cash flows
- Capitalised income projections based upon estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

The Company has obtained independent valuation for its investment property as on 31 March 2019, 31 March 2018, 01 April 2017. The fair value of investment properties have been determined by independent land valuer. The main inputs used are comparable transactions and industry data. All resulting fair value estimates for investment properties are included in level 3.

b) The Company has received an order during financial year 2012-13 from the Tiruchirappalli Corporation citing encroachment of land. In response to this the Company has filed a petition with the High Court of Madras (Madurai Bench) for stay and quashing of the order for which an interim stay has been granted.

6 Bank balances	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Non-current bank balances (Also, refer note 12)	533	395	248
	533	**395**	**248**

	As at 31 March 2019		As at 31 March 2018		As at 01 April 2017	
7 Loans	Non-current	Current	Non-current	Current	Non-current	Current
Unsecured, considered good						
Loans to employees	14	284	11	177	16	256
	14	**284**	**11**	**177**	**16**	**256**

8 Deferred tax assets	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
The balances comprise temporary differences attributable to:-			
Depreciation and amortisation	70	89	135
Defined benefit obligations	106	46	65
	176	**135**	**200**

Movement in deferred tax (liabilities) / assets

	Depreciation and amortisation	Defined benefits obligation	Total
As at 01 April 2017	135	65	200
(Charged)/ Credited			
-to statement of profit or loss	(46)	(4)	(50)
-to other comprehensive income	-	(15)	(15)
As at 31 March 2018	**89**	**46**	**135**
(Charged)/ Credited			
-to statement of profit or loss	(19)	(26)	(45)
-to other comprehensive income	-	86	86
As at 31 March 2019	**70**	**106**	**176**

9 Income tax assets (net)	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Advance income tax (net of provision)	554	454	454
	554	**454**	**454**

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(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

10 Other assets	**As at 31 March 2019**		**As at 31 March 2018**		**As at 01 April 2017**	
	Non-current	**Current**	**Non-current**	**Current**	**Non-current**	**Current**
Capital advances	50	-	17	-	21	-
Prepaid expenses	-	289	-	74	-	65
Balances with government authorities	-	-	-	-	-	151
	50	**289**	**17**	**74**	**21**	**216**

11 Trade receivables	**As at 31 March 2019**	**As at 31 March 2018**	**As at 01 April 2017**
Unsecured, considered good			
Receivable from related party (Also, refer note 31(c))	2,549	2,131	1,096
	2,549	**2,131**	**1,096**

The carrying amount of the current trade receivable is considered as a reasonable approximation of fair value as it is expected to be collected within six months, such that the effect of any difference between the effective interest rate applied and the estimated current market rate is not significant.

The Company provides services to a single customer viz. its holding Company. Customer credit risk is managed based on the Company's established policy, procedures and control relating to customer credit risk management, pursuant to which outstanding customer receivables are regularly monitored by the management to ensure the risk of credit loss is minimal. Based on the management assessment there were no indicators for impairment identified.

12 Cash and bank balances		**As at 31 March 2019**	**As at 31 March 2018**	**As at 01 April 2017**
Also, refer note 31(c))				
Cash and cash equivalents				
Cash on hand		34	29	12
Balances with banks				
- in current accounts		6,119	6,155	12,118
- in deposit accounts (with maturity up to 3 months)		-	-	4,741
	(A)	**6,153**	**6,184**	**16,871**
Other bank balances				
Deposits with maturity up to 12 months		6,730	11,287	-
Balances with bank held as security against other commitments and borrowings		-	-	2,200
Balances with banks in restricted accounts		533	395	248
		7,263	11,682	2,448
Less : Amounts disclosed as 'Non-current bank balances' (Also, refer note 6)		(533)	(395)	(248)
	(B)	**6,730**	**11,287**	**2,200**
	(A) + (B)	**12,883**	**17,471**	**19,071**

13 Other financial assets			
Interest strip retained on securitisation of receivables	-	-	161
Rental deposits	622	388	333
Security deposits	16	15	15
Other advances	212	50	36
	850	**453**	**545**

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(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

	As at 31 March 2019		As at 31 March 2018		As at 01 April 2017	
	Number*	Amount	Number*	Amount	Number*	Amount
14 Equity share capital						
Authorised						
Equity shares of ₹ 10 each	2,50,00,000	2,500	2,50,00,000	2,500	2,50,00,000	2,500
Preference shares of ₹ 10 each	2,50,00,000	2,500	2,50,00,000	2,500	2,50,00,000	2,500
	5,00,00,000	**5,000**	**5,00,00,000**	**5,000**	**5,00,00,000**	**5,000**
Issued, subscribed and fully paid up						
Equity shares of ₹ 10 each	55,79,996	558	55,79,996	558	55,79,996	558
	55,79,996	**558**	**55,79,996**	**558**	**55,79,996**	**558**

*Number of shares are in absolute number

a) Reconciliation of total number of shares
There has been no movement in equity share capital during the current and previous years.

b) Shares held by the holding company

Equity shares of ₹ 10 each						
IDFC FIRST Bank Limited together with its nominees	55,79,996	558	55,79,996	558	55,79,996	558
	55,79,996	**558**	**55,79,996**	**558**	**55,79,996**	**558**

c) Shareholders holding more than 5% of the shares

	Number	%	Number	%	Number	%
Equity shares of ₹ 10 each						
IDFC FIRST Bank Limited together with its nominees	55,79,996	100%	55,79,996	100%	55,79,996	100%
	55,79,996	**100%**	**55,79,996**	**100%**	**55,79,996**	**100%**

d) Bonus issue, buy back and issue of shares without payment being received in cash
There were no shares issued pursuant to contract without payment being received in cash allotted as fully paid up by way of bonus issues or bought back during the last 5 years immediately preceding 31 March 2019.

e) Rights, preferences and restrictions attached to equity share capital
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. The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors in any financial year, other than interim dividend, is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. The equity shares shall be transferable subject to the provisions contained in the Articles of Association and in the agreements entered / to be entered into with the investors / shareholders from time to time.

f) Capital Management
The key objective of the Company's capital management is to ensure that it maintains a stable capital structure with the focus on total equity to uphold investor, creditor, and customer confidence and to ensure future development of its business. The Company focused on keeping strong total equity base to ensure independence, security, as well as a high financial flexibility for potential future borrowings, if required without impacting the risk profile of the Company.
There are no borrowings in the Company as at 31 March 2019, 31 March 2018 and 01 April 2017.

g) Dividends

	Year ended 31 March 2019		Year ended 31 March 2018	
	₹/ Share	**Amount**	**₹/ Share**	**Amount**
Interim dividend for the current year	120	6,696	20	1,116
Dividend distribution tax on Interim dividend	-	1,376	-	227
		8,072		1,343

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(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

15 Other equity	As at 31 March 2019	As at 31 March 2018
Capital redemption reserve	**750**	**750**
Securities premium	**4,374**	**4,374**
Retained earnings		
Balance at the beginning of the year	12,169	11,479
Add : Transferred from Statement of profit and loss	3,795	2,033
Less : Dividend paid on equity shares	(6,696)	(1,116)
Less : Dividend Distribution Tax on equity shares	(1,376)	(227)
Balance at the end of the year	**7,892**	**12,169**
Accumulated other comprehensive income		
Balance at the beginning of the year	(334)	(362)
Add : Transfer from other comprehensive income	(162)	28
Balance at the end of the year	**(496)**	**(334)**
Total other equity	**12,520**	**16,959**

Notes to other equity:

a) Capital redemption reserve

The Companies Act, 2013 (the "Companies Act") requires that where a company purchases its own shares out of free reserves or securities premium account, a sum equal to the nominal value of the shares so purchased shall be transferred to a capital redemption reserve account and details of such transfer shall be disclosed in the balance sheet. The capital redemption reserve account may be applied by the company, in paying up unissued shares of the company to be issued to shareholders of the company as fully paid bonus shares. The Company established this reserve pursuant to the redemption of preference shares in earlier years.

b) Securities premium reserve

Securities premium reserve comprises of the amount of share issue price received over and above the face value of ₹ 10 each.

c) Accumulated other comprehensive income

Represents remeasurement of defined benefit liability which comprises of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability.

	As at 31 March 2019		As at 31 March 2018		As at 01 April 2017	
	Non-current	Current	Non-current	Current	Non-current	Current
16 Other financial liabilities						
Security deposits from employees	498	15	338	61	194	28
Payables towards securitisation/assignment transactions	-	-	-	-	-	5,229
Payable towards business correspondent services (Also, refer note 31(c)	-	4,892	-	3,004	-	-
Employee related payables	-	817	-	963	-	499
Other payables	-	240	-	235	-	163
	498	**5,964**	**338**	**4,263**	**194**	**5,919**

	As at 31 March 2019		As at 31 March 2018		As at 01 April 2017	
17 Provisions	Non-current	Current	Non-current	Current	Non-current	Current
Provision for gratuity (Also, refer note (a) below)	-	312	-	152	165	134
	-	**312**	**-**	**152**	**165**	**134**

a) Employee benefits

In accordance with applicable Indian laws, the Company provides for gratuity, a defined benefit retirement plan ("the Gratuity Plan") covering eligible employees. The Gratuity plan provides for a lump sum payment to vested employees on retirement (subject to completion of five years of continuous employment), death, incapacitation or termination of employment that are based on last drawn salary and tenure of employment. Liabilities with regard to the Gratuity plan are determined by actuarial valuation on the reporting date and the Company makes annual contribution to the gratuity fund maintained by LIC.

The following tables summaries the components of net benefit expense recognised in the Statement of profit and loss and the funded status and amounts recognised in the balance sheet for the gratuity.

17 Provisions
Employee benefits (continued)

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
i) Change in projected benefit obligation			
Projected benefit obligation at the beginning of the year	1,126	1,027	673
Current service cost	240	126	93
Interest cost	83	69	50
Benefits paid	(101)	(49)	(55)
Actuarial (gain)/ loss	261	(47)	266
Projected benefit obligation at the end of the year	**1,609**	**1,126**	**1,027**
ii) Change in plan assets			
Fair value of plan assets at the beginning of the year	974	727	635
Expected return on plan assets	84	61	55
Employer contributions	327	239	91
Benefits paid	(101)	(49)	(55)
Actuarial (loss)/gain	13	(4)	1
Fair value of plan assets at the end of the year	**1,297**	**974**	**727**
The scheme is managed on funded basis.			
iii) Reconciliation of present value of obligation on the fair value of plan assets to the liability recognised			
Present value of projected benefit obligation at the end of the year	1,609	1,126	1,027
Fair value of plan assets at the end of the year	(1,297)	(974)	(727)
Liability recognized in the balance sheet	**312**	**152**	**300**
Thereof			
Funded	312	152	300
iv) Gratuity cost for the year			
Current service cost	240	126	93
Interest cost	83	69	50
Expected returns on plan assets	(84)	(61)	(55)
Total amount recognised in profit or loss	**239**	**134**	**88**
Actuarial (gain)/loss	248	(43)	265
Total amount recognised in other comprehensive income	**248**	**(43)**	**265**
Net gratuity cost	**487**	**91**	**353**
v) Principal actuarial assumptions used:			
Discount rate	7.75%	7.45%	6.90%
Long-term rate of compensation increase	10.00%	8.00%	8.00%
Attrition rate	15.00%	15.00%	15.00%
Expected rate of return on plan assets	7.45%	7.45%	8.20%

The Company assesses these assumptions with the projected long-term plans of growth and prevalent industry standards.

vi) The table below outlines the effect on the defined benefit obligation in the event of a decrease/increase of 1% in the rate of assumptions:

	Future salary increases		**Discount rate**		**Attrition rate**	
	Increase	**Decrease**	**Increase**	**Decrease**	**Increase**	**Decrease**
31 March 2019	141	(124)	(143)	168	(12)	13
31 March 2018	103	(90)	(104)	124	(7)	9
01 April 2017	43	(41)	(57)	65	(5)	7

vii) The weighted average duration of the defined benefit obligation as at March 31, 2019 is 12.66 years (March 31, 2018 : 6.07 years, 1 April 2017 : 5.89 years).

viii) The Company expects to contribute ₹ 300 Lakhs to the gratuity fund in the financial year ending 31 March 2020.

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

17 Provisions
Employee benefits (continued)

ix) Risk exposure
The defined benefit plan exposes the Company to actuarial risks such as interest rate risk, investment risk, longevity risk and inflation risk.

Interest rate risk
The present value of the defined benefit liability is calculated using a discount rate determined by reference to market yields of high quality corporate bonds. The estimated term of the bonds is consistent with the estimated term of the defined benefit obligation and it is denominated in Indian rupees. A decrease in market yield on high quality corporate bonds will increase the Company's defined benefit liability, although it is expected that this would be offset partially by an increase in the fair value of certain of the plan assets.

Investment risk
The company maintains plan assets in the form of fund with Life Insurance Corporation of India. The fair value of the plan assets is exposed to the market risks (in India).

Longevity risk
The Company is required to provide benefits for life for the members of the defined benefit liability. Increase in the life expectancy of the members, will increase the defined benefit liability.

Inflation risk
A significant proportion of the defined benefit liability is linked to inflation. An increase in the inflation rate will increase the Company's liability.

x) Maturity analysis
The expected maturity analysis of undiscounted gratuity benefit obligation after balance sheet date is as follow:

Year	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
1	140	111	162
2	134	101	148
3	124	88	135
4	121	86	123
5	105	78	112
6 to 10	413	312	430
More than 10	3,277	2305	687

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
18 Current tax liabilities (net)			
Provision for tax	104	220	-
	104	**220**	**-**
19 Other current liabilities			
Servicing liability	-	-	34
Statutory dues payable	559	440	110
	559	**440**	**144**

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(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

		Year ended 31 March 2019	Year ended 31 March 2018
20	**Revenue from operations**		
	Fees for business correspondent services	25,569	16,734
	Income from managed portfolio	-	166
		25,569	**16,900**
21	**Other income**		
	Interest income on fixed deposits with banks	584	668
	Interest income on staff loans	37	56
	Other non-operating income	8	9
		629	**733**
22	**Employee benefits expense**		
	Salaries and wages	13,385	9,578
	Gratuity expense (Also, refer note 17(a))	239	134
	Contribution to provident and other funds	1,036	740
	Staff welfare expenses	872	631
		15,532	**11,083**
23	**Depreciation and amortisation expense**		
	Depreciation of tangible assets (Also, refer note 4)	682	435
	Amortisation of intangible assets (Also, refer note 4)	82	38
		764	**473**
24	**Other expenses**		
	Repairs and maintenance - Others	548	357
	Communication expenses	151	117
	Power and fuel	119	104
	Rent and amenities	671	558
	Rates and taxes	39	7
	Legal and professional charges	95	46
	Travelling, conveyance and lodging expenses	944	769
	Insurance	14	7
	Printing and stationery	449	346
	Business promotion expenses	297	264
	Postage and courier	121	74
	Cash management charges	248	146
	Bad debts and advances written off	11	5
	Contribution towards corporate social responsibility (Also, refer note 28)	140	86
	Payments to auditors		
	Statutory audit	12	12
	Limited review	12	11
	Reimbursement of expenses	1	1
	Miscellaneous expenses	12	12
		3,884	**2,922**

25 Payables to micro and small enterprises

Based on the information available with the Company, as at 31 March 2019, there are no suppliers who are registered as micro and small enterprises under the provisions of the Micro, Small and Medium Enterprises Development Act, 2006.

26 Income tax

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of the Company at 34.608% (2016-17: 34.608%) and the reported tax expense in the statement of profit and loss are as follows:

	Year ended 31 March 2019	Year ended 31 March 2018
Accounting profit before taxes	6,018	3,155
Enacted tax rates	34.608%	34.608%
Tax on profit at enacted tax rate	2,083	1,092
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Corporate social responsibility expenditure	48	28
Others	11	2
Remeasurement of deferred tax assets at substantively enacted tax rates	83	-
Actual tax expense	**2,225**	**1,122**
Current tax	2,178	1,072
Deferred tax	45	50
Tax expense reported in the statement of profit and loss	**2,223**	**1,122**

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

	Year ended 31 March 2019	Year ended 31 March 2018
27 Earnings per Share (EPS)		
Basic and Diluted EPS		
Nominal value of equity shares (in ₹)	10	10
Profit for the year (A)	3,795	2,033
Weighted average number of equity shares outstanding during the year (B)	55,79,996	55,79,996
Basic and diluted earnings per equity share (A/B) (in ₹)	68.01	36.43
28 Corporate social responsibility expenditure		
Amount required to be spent as per section 135 of the Act	78	74
Amount spent during the year on:		
(i) Construction / acquisition of an asset	-	-
(ii) On purposes other than (i) above	140	86

29 Leases

The Company has operating leases for office premises and the lease arrangements range for a period between 12 months to 36 months. These leases are cancellable and are renewable for further period on mutually agreeable terms and also include escalation clauses.

	Year ended 31 March 2019	Year ended 31 March 2018
Lease expense during the year, representing the minimum lease payments	671	558

30 Segment reporting

The Company operates in a single operating segment, viz. “Business correspondent services" which is the only reportable business segment as per Indian "Accounting Standard 108" Operating Segments. Since the Company's entire business is providing Business correspondent services solely to its Holding Company and is operating in India, the Chief operating decision maker review the financial statement as one segment (business and geographic) for making operating and financial decision accordingly, there are no other primary segment. Thus, the segment revenue, segment results, total carrying value of segment assets, total carrying amount of segment liabilities, total cost incurred to acquire segment assets, total amount of depreciation and amortization during the year are all as reflected in the financial statement as at and for the year ended 31 March 2019. During the year ended, the Company had an insignificant portion of operations in servicing of loans out its erstwhile Non-Banking Financial Institution activity.

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(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

31 Related parties

As per the Ind AS 24 “Related Party Disclosures” as referred to in Accounting Standard Rules, the disclosure of transactions with the related parties as defined therein are given below. All transactions entered into by the Company with related parties, were in ordinary course of business and on arm’s length basis.

a) Names of related parties and nature of relationship

Name of related party	Nature of relationship
Holding Company	IDFC FIRST Bank Limited
Key management personnel (KMP)	S Devaraj Arjun Muralidharan Krishnamoorthy Arunachalam J Sadakkadulla Ashish Singh M.S.Sundararajan
Entities in which directors of the Company are able to exercise control or have significant influence	Grama Vidiyal Enterprises Private Limited Grama Vidiyal Trust Activist for Social Alternatives Swarnodhayam Credits Private Limited
Relatives of KMP	D Shirley - Daughter of S Devaraj D Satish - Son of S Devaraj and Brother of D Shirley

b) Transactions with related parties

Transaction	Related party	Year ended 31 March 2019	Year ended 31 March 2018
Fees for business correspondent services	IDFC FIRST Bank Limited	25,569	16,721
Investment in fixed deposits (net)	IDFC FIRST Bank Limited	(4,550)	6,450
Interest income on fixed deposits	IDFC FIRST Bank Limited	584	591
Dividend paid	IDFC FIRST Bank Limited	6,696	1,116
Remuneration*	Key management personnel and their relatives	609	466
Expenses			
Rent and amenities	Grama Vidiyal Trust	61	41
Rent and amenities	Activist for Social Alternatives	30	23
Repairs and maintenance - Others	Grama Vidiyal Trust	-	28
Sale of asset	Swarnodhayam Credits Private Limited	-	20

c) Balances with related parties

Particulars	Related party	As at 31 March 2019	As at 31 March 2018	As at 31 March 2017
Trade receivable	IDFC FIRST Bank Limited	2,549	2,131	1,054
Fixed deposits including accrued interest	IDFC FIRST Bank Limited	6,730	11,287	4,664
Payable towards business correspondent services	IDFC FIRST Bank Limited	4,892	3,004	4,338
Bank balances	IDFC FIRST Bank Limited	5,855	4,677	6,390
Incentive payable	KMP and their relatives	-	162	160
Rent payable	Activist for Social Alternatives	-	3	-
Rental deposit	Grama Vidiyal Trust	40	40	40

*Remuneration pertain to short term employee benefits. As the present value of obligation towards gratuity is determined for all the employees in aggregate, the post-employment benefits and other long-term benefits relating to key management personnel cannot be ascertained individually.

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32 Financial instruments

a) Categories of financial assets and financial liabilities
All financial assets and financial liabilities are measured at amortised cost as at the reporting date. The Company considers the carrying value of the financial assets and financial liabilities as an approximate estimate of the fair value.

b) Financial instruments risk
The Company's principal financial liabilities comprise of amount payable towards business correspondence service and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include loans, trade and other receivables, cash and deposits that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's senior management is supported by the Treasury team that advises on financial risks and the appropriate financial risk governance framework in accordance with the Company's policies and risk objectives.

i) Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include loans and deposits.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate on deposits with banks are fixed and hence do not carry a risk due to change in market rates.

Foreign currency risk
The Company does not contain balances denominated in foreign currency and hence not subject to foreign currency risk .

ii) Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments, for example trade receivables, deposits and loans. The Company's maximum exposure to credit risk is limited to the carrying amount reported in the balance sheet.

In respect of trade receivables, the Company is exposed to insignificant credit risk exposure since the amount is recoverable in entirety from its Holding company. Based on historical information about customer default rates management consider the credit quality of trade receivables to be good.

The credit risk for cash and cash equivalents and fixed deposits are considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Other financial assets mainly comprises of rental deposits and loans given to employees which are given to landlords or employees and are assessed by the Company for credit risk on a continuous basis.

iii) Liquidity risk

Liquidity risk is that the Company might be unable to meet its obligations. The Company manages its liquidity needs by monitoring forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on a monthly, quarterly, and yearly basis depending on the business needs. Net cash requirements are compared to available funds in order to determine headroom or any shortfalls. This analysis shows that available assets are expected to be sufficient over the lookout period.

The Company's objective is to maintain cash and fixed deposits to meet its liquidity requirements for 30-day periods at a minimum. This objective was met for the reporting periods. The Company's non-derivative financial liabilities having maturities upto 12 months and more than 12 months are as reported in balance sheet.

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Company's existing cash resources and trade receivables significantly exceed the current cash outflow requirements evaluated on the basis of non-derivative financial liabilities having maturities upto 12 months and more than 12 months as reported in the balance sheet.

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33 First-time adoption of Ind AS

This note explains the principal adjustments made by the Company in restating its statement of financial position as at 01 April 2017 and its previously published financial statements as at and for the year ended 31 March 2018 under previous GAAP.

a) Exemptions applied

Upon transition, Ind AS 101 permits certain exemptions from full retrospective application of Ind AS. The Company has applied the mandatory exceptions and certain optional exemptions, as set out below:

Mandatory exemptions adopted by the Company

(i) De-recognition of financial assets and liabilities

The de-recognition criteria of Ind AS 109 Financial Instruments has been applied prospectively for transactions occurring on or after the date of transition to Ind AS. Non-derivative financial assets and non-derivative financial liabilities derecognized before date of transition under previous GAAP are not recognized on the opening Ind AS balance sheet.

(ii) Estimates

Hindsight is not used to create or revise estimates. The estimates made by the Company under previous GAAP were not revised for the application of Ind AS except where necessary to reflect any differences in accounting policies or errors.

Optional exemptions availed by the Company

(i) Deemed cost

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment, intangible assets and investment property as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition. The Company has elected to use carrying value under previous GAAP as the deemed cost on the date of transition to Ind AS for such assets .

(ii) Leases

Appendix C to Ind AS 17, Leases, requires an entity to assess whether a contract or arrangement contains a lease. As per Ind AS 17, this assessment should be carried out at inception of the contract or arrangement. However, the Company has used Ind AS 101 exemption and assessed all arrangements based for embedded leases based on conditions in place as at the date of transition.

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(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

33 First-time adoption of Ind AS (Continued)

b) Reconciliation of Equity

Reconciliation of Equity as at 01 April 2017

	Foot notes	Previous GAAP*	Adjustments	Ind AS
ASSETS				
Non-current assets				
Property, plant and equipment		719	-	719
Investment property		376	-	376
Other intangible assets		82	-	82
Intangible assets under development		55	-	55
Financial assets				-
- Bank balances		248	-	248
-Loans		16	-	16
Deferred tax assets	v	239	(39)	200
Income tax assets (net)		454	-	454
Other non-current assets		21	-	21
		2,210	**(39)**	**2,171**
Current assets				
Financial assets				
- Trade receivables		1,096	-	1,096
- Cash and cash equivalents		16,871	-	16,871
- Bank balances other than cash and cash equivalents		2,200	-	2,200
- Loans		256	-	256
- Other financial assets		545	-	545
Other current assets		216	-	216
		21,184	**-**	**21,184**
Total assets		**23,394**	**(39)**	**23,355**
EQUITY AND LIABILITIES				
Equity				
Equity share capital		558	-	558
Other equity	ii, iii	16,161	80	16,241
Total equity		**16,719**	**80**	**16,799**
Non-current liabilities				
Financial liabilities				
- Other financial liabilities		194	-	194
Provisions		165	-	165
		359	**-**	**359**
Current liabilities				
Financial liabilities				
- Other financial liabilities		5,919	-	5,919
Provisions		134	-	134
Other current liabilities	ii, iii	263	(119)	144
		6,316	**(119)**	**6,197**
Total liabilities		**6,675**	**(119)**	**6,556**
Total equity and liabilities		**23,394**	**(39)**	**23,355**

*The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purposes of this note.

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(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

33 First-time adoption of Ind AS (Continued)
Reconciliation of Equity as at 31 March 2018

	Foot notes	Previous GAAP*	Adjustments	Ind AS
ASSETS				
Non-current assets				
Property, plant and equipment		1,069	-	1,069
Investment property		376	-	376
Other Intangible assets		167	-	167
Financial assets				
- Bank balances		395	-	395
-Loans		11	-	11
Deferred tax assets	v	142	(7)	135
Income tax assets (net)		454	-	454
Other non-current assets		17	-	17
		2,631	**(7)**	**2,624**
Current assets				
Financial assets				
- Trade receivables		2,131	-	2,131
- Cash and cash equivalents		6,184	-	6,184
- Bank balances other than cash and cash equivalents		11,287	-	11,287
- Loans	iv	155	22	177
- Other financial assets		453	-	453
Other current assets		74	-	74
		20,284	**22**	**20,306**
Total assets		**22,915**	**15**	**22,930**
EQUITY AND LIABILITIES				
Equity				
Equity share capital		558	-	558
Other equity	iv	16,944	15	16,959
Total equity		**17,502**	**15**	**17,517**
Non-current liabilities				
Financial liabilities				
- Other financial liabilities		338	-	338
		338	**-**	**338**
Current liabilities				
Financial liabilities				
- Other financial liabilities		4,263	-	4,263
Provisions		152	-	152
Current tax liabilities (net)		220	-	220
Other current liabilities		440	-	440
		5,075	**-**	**5,075**
Total liabilities		**5,413**	**-**	**5,413**
Total equity and liabilities		**22,915**	**15**	**22,930**

*The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purposes of this note.

c) Reconciliation of profit and loss for the year ended 31 March 2018

	Foot notes	Previous GAAP	Adjustments	Ind AS
Income				
Revenue from operations	ii, iii	17,019	(119)	16,900
Other income	iv	711	22	733
Total income		**17,730**	**(97)**	**17,633**
Expenses				
Employee benefits expense	i	11,040	43	11,083
Depreciation and amortisation expense		473	-	473
Other expenses		2,922	-	2,922
Total expense		**14,435**	**43**	**14,478**
Profit before tax		**3,295**	**(140)**	**3,155**
Tax expense				
a) Current tax		1,072	-	1,072
b) Deferred tax	v	97	(47)	50
		1,169	(47)	**1,122**
Profit for the year		**2,126**	**(93)**	**2,033**
Other comprehensive income				
Items that will not be reclassified to profit and loss				
- Re-measurement losses on defined benefit plans	i	-	43	43
- Income tax relating to the above item		-	(15)	(15)
Other comprehensive income for the year, net of tax		**-**	**28**	**28**
Total comprehensive income for the year		**2,126**	**(65)**	**2,061**

33 First-time adoption of Ind AS (Continued)

d) Reconciliation of other equity as at 01 April 2017

Particulars	Foot notes	Capital redemption reserve	Securities premium reserve	Retained Earnings	Accumulated other comprehensive income	Total
Balance as at 01 April 2017 (Previous GAAP)		750	4,374	11,037	-	16,161
Ind AS Adjustments						
Actuarial loss transferred to other comprehensive income	i	-	-	362	(362)	-
Derecognition of unrealised gain on loan transfer transactions	ii	-	-	154	-	154
Recognition of service fee liability	iii	-	-	(34)	-	(34)
Tax impact on above items		-	-	(40)	-	(40)
Balance as at 01 April 2017 (Ind AS)		**750**	**4,374**	**11,479**	**(362)**	**16,241**

e) Footnotes to reconciliation

i. Defined benefit obligation
Both under previous GAAP and Ind AS, the Company recognised costs related to its post-employment defined benefit plan on an actuarial basis. Under previous GAAP, the entire cost, including actuarial gains and losses, are charged to profit or loss. Under Ind-AS, remeasurements [comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets excluding amounts included in net interest on the net defined benefit liability] are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through Other Comprehensive Income.

ii. Unrealised gain on loan transfer transactions
Under previous GAAP, the Company had recognised interest strip asset retained on non-recourse securitisation transactions (where loan assets were derecognised), where the Company had contractual rights to receive the excess interest spread. A corresponding liability for deferred income was recognised under the head "unrealised gain on loan transfer transactions" in accordance with Guidelines on securitisation transactions issued by Reserve Bank of India. Under Ind AS, the income on derecognition of securitised loan assets will be recognised on such derecognition.

iii. Service fee liability
Under Ind AS, If an entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it shall recognise either a servicing asset or a servicing liability for that servicing contract. The Company has applied this in light of the derecognition of securitised asset and the servicing agreement entered for collection on behalf of the counter party. Since the fee to be received is not expected to compensate the Company adequately for performing the servicing, a servicing liability for the servicing obligation has been recognised at its fair value. There is no such accounting treatment prescribed under previous GAAP.

iv. Loans to employees
Under Ind AS, the loans to employees qualify for subsequent measurement as financial asset at amortised cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Under the previous GAAP, these financial assets were valued as the sum of cash flows receivables during their period of life.

v. Deferred tax have been recognised on the adjustments made on transition to Ind AS.

34 Contingent liabilities and commitments

i) Demand for service tax received from service tax authorities in respect of which the Company has gone for appeal is ₹ 323 lakhs (31 March 2018: ₹ 323 lakhs). Based on the management assessment, crystallization of liability on these items is not considered probable and hence not acknowledged as debt by the Company.

ii) Demand from Income tax authorities in respect of which the company has gone for appeal is ₹ 278 lakhs (31 March 2018: ₹ 149 lakhs). Based on the management assessment, crystallization of liability on these items is not considered probable and hence not acknowledged as debt by the Company.

iii) Commitment towards capital expenditure as at 31 March 2019 is ₹ 71 lakhs (31 March 2018: ₹ 50 lakhs).

35 Events after the reporting period

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation of the financial statements.

In terms of our report attached

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No: 001076N/N500013

Sumesh E S
Partner
Membership No: 206931

Place : Mumbai
Date: 03 May 2019

For and on behalf of the Board of Directors of
IDFC FIRST Bharat Limited
(Formerly, IDFC Bharat Limited)

Arjun Muralidharan
Managing Director and CEO
DIN: 02726409

M S Sundara Rajan
Director
DIN: 00169775

Boby Xavier
Company Secretary

Place : Mumbai
Date: 03 May 2019