



**IDFC FIRST BHARAT LIMITED**

**CIN** U65929TN2003PLC050856

**DIRECTORS** Mr. M. S. Sundara Rajan (Part time Non-Executive Chairman)  
Mr. A. Krishnamoorthy  
Dr. J. Sadakkadulla  
Mr. N. Seshadri  
Mr. Ashish Singh  
Mrs. P.V.Bharathi  
Mr. Praveen Vecha

**KEY MANAGERIAL PERSONAL** Mr. Praveen Vecha - Managing Director and CEO  
Mr. Bobby Xavier - Company Secretary

**STATUTORY AUDITORS** M/s. Walker Chandiok & Co LLP Chartered Accountants

**SECRETARIAL AUDITORS** M/s. Vinod Kothari & Company Practicing Company Secretaries

**PRINCIPLE BANKER** IDFC FIRST Bank Limited

**REGISTERED OFFICE** "S.A.N. Complex", No. 04 Williams Road,  
Cantonment, Tiruchirappalli,  
Tamil Nadu - 620 001.  
**Tel:** +91 431 4500000  
**Website:** [www.idfcbharat.com](http://www.idfcbharat.com)  
**Email ID:** [sampark@idfcbharat.com](mailto:sampark@idfcbharat.com)

## BOARD'S REPORT

### TO THE MEMBERS

Your Directors are pleased to present the Eighteenth 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, 2021.

### FINANCIAL HIGHLIGHTS

(Amount in INR in Lakhs)

PARTICULARS	FOR THE YEAR ENDED MARCH 31, 2021	FOR THE YEAR ENDED MARCH 31, 2020
Total Income	46,370	37,688
Less: Expenditure	40,958	33,150
Profit / (Loss) before depreciation	5,412	4,538
Less: Depreciation	1,378	1,507
Profit / (Loss) before tax and exceptional Items	4,034	3,031
Less : Exceptional items	0	0
Profit Before tax	4,034	3,031
Less: Taxes	1,164	1,136
<b>Net Profit / (Loss)</b>	<b>2,870</b>	<b>1,895</b>

### 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 viz., Joint Group Liability Loan, Micro Housing Loan, Micro Enterprises Loan, Two-Wheeler Loan, Housing Loan & Loan against Property. During the year, the Company has started distributing Consumer Durable Loan and Personal Loan. The Company is in the process of introducing new products such as Commercial Vehicles, Gold Loan and other allied products in the next financial year. Since October 2016 has been acting as the BC of the Holding Company and there was no change in the nature of business during the year under review.

### TRANSFER TO RESERVES

Since the Company is no longer register 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 45IC(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, 2021 was 384 with operations in Tamil Nadu, Maharashtra, Puducherry, Kerala and Karnataka.

For the year ended March 31, 2021, total income of the Company was INR 463.70 Crore as compared to INR 376.88 crore during the Previous Year, the income during the year grew by 23% the Profit Before Tax for the year stood at INR 40.34 crore as compared to INR 30.31 crore and the Net Profit for the year was INR 28.70 crore as compared to profit of INR 18.95 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 IDFC FIRST Bank Limited. 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

Your Company has grown with a talent base of 10,691 employees as of March 31, 2021 as against 9,358 employees as of March 31, 2020. The Company has a well-defined process of recruiting employees after rigorous screening of their capabilities as assessed by the organisation for the requirements of the new dynamic ecosystem of the country. Your Company has a merit-oriented culture where performance appraisal is conducted on an annual basis for all employees through a rigorous process. Employees are allocated ratings based on the performance and such performance ratings are linked with employees' rewards and compensation. In general, the work environment in the organisation continued to be vibrant during the year.

Since the company is not listed in any of the stock exchanges both in India and abroad, the provisions of Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is not applicable to your Company.

## SHARE CAPITAL UPDATE

The Company did not issue any fresh equity shares, during the FY2020-21.

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, 2021 was as follows:

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

## PUBLIC DEPOSITS

The company has not accepted any deposits as per Chapter V of the Companies Act, 2013. 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 2020-21. Hence, the particulars of loans, guarantees and investments under section 134(3)(g) is not required to be disclosed.

Further the Company has not borrowed any sum, during the year under review and no amount were outstanding during the year. Hence, the disclosure under Section 134(3)(q) read with Rule 8(5)(xii) of Companies (Accounts) Rules 2014 relating to valuation done at the time of availment of loans and settlement of such loans is not applicable.

## **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 21 complaints under this policy and necessary actions were taken as per the policy of the Company. The Whistle Blower Policy is available on the website of the Company [www.idfcbharat.com](http://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, 2021.

## **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 Rule 8 (3)(A)&(B) of 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**

All the appointments of Directors are made in accordance with the relevant provisions of the Companies Act, 2013 and the Rules framed thereunder and effective for the time being in force.

The Board of Directors based on the recommendation of the Nomination and Remuneration Committee (NRC) has approved the appointment of Mrs. P V Bharathi (DIN:06519925) as the additional director in the category of Independent Director (ID) of the Company with effect from August 18, 2020 for a period of 5 consecutive years, subject to approval of shareholders at the ensuing AGM.

The Board of Directors based on the recommendation of the NRC has approved the appointment of Mr. Praveen Vecha (DIN: 09060904) as the additional director and designated him as the Managing Director & Chief Executive Officer (MD & CEO) of the Company with effect from February 17, 2021 for a period of 5 years, subject to approval of shareholders at the ensuing AGM.

Mr. Arjun Muralidharan (DIN: 02726409) has tendered his resignation from the post of MD and CEO of the Company effective from November 05, 2020, and the same was noted by the Board at its meeting held on November 06, 2020, citing personal reasons.

None of the Directors of the Company are disqualified to be appointed as Directors in accordance with Section 164 of the Companies Act, 2013 (the Act). In the opinion of the Board, the IDs possess the requisite integrity, experience, expertise and proficiency required under all applicable laws and the policies of the Company.

Further all the IDs of the Company have complied and affirmed to abide by Rule 6 (creation and Maintenance of Databank of Persons offering to become Independent Directors) of the Companies (Appointment and Qualifications of Directors) Rules 2014 as amended and have also declared their enrollment in the data bank of Independent Directors maintained by Indian Institute of Corporate Affairs (IICA).

Further it is reported by the Company's Secretarial Auditor that during the financial year under review, the Board of Directors of the Company is duly constituted with proper composition of Executive, Non-Executive and Independent Directors. The Changes in the composition of the Board of Directors that took place during the period under review was carried out in compliance with the provisions of the Act.

In accordance with the provisions of Section 152 of the Act, Mr. Ashish Singh (DIN 01768711) Director of the Company would retire by rotation at the ensuing AGM and being eligible offers himself for re-appointment.

During the year under review, Mr. Arjun Muralidharan had resigned from the post of MD and CEO and Mr. Praveen Vecha had been appointed as the new MD and CEO. Following officials of the Company are the KMP pursuant to the provisions of Section 203 of the Act:

- i. Mr. Praveen Vecha - MD & CEO
- ii. Mr. Bobby Xavier - Company Secretary

## DECLARATION OF INDEPENDENCE

The Company had received declaration from all the ID, at the time of appointment and also at the first meeting of the Board of Directors held in FY2020-21, that they meet the criteria of independence specified under sub-section (6) of Section 149 of the Act, read with Rule 5 and 6 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 Six (6) times during FY 2020-21 viz., on May 02, 2020; July 21, 2020; October 20, 2020; November 06, 2020; January 21, 2021; & March 18, 2021. The maximum interval between any two meetings did not exceed 120 days.

The attendance details of the Board Meetings held during the year is table below:

Name of Director	DIN	Position	Number of Meeting	
			Held	Attended
Mr. M. S. Sundara Rajan	00169775	Part time Non-Executive Chairman	6	6
Mr. A. Krishnamoorthy	00386122	Independent Director	6	6
Dr. J. Sadakkadulla	07544406	Independent Director	6	6
Mr. N. Seshadri	03486485	Independent Director	6	6
Ms. P V Bharathi*	06519925	Independent Director	4	4
Mr. Ashish Singh	01768711	Non-Executive Director	6	6
Mr. Praveen Vecha^	09060904	Managing Director & CEO	1	1
Mr. Arjun Muralidharan^*	02726409	Managing Director & CEO	3	3

\* Ms. P V Bharathi was appointed as the Independent Director of the Company with effect from August 18, 2020.

^ Mr. Praveen Vecha was appointment as the MD & CEO of the Company with effect from February 17, 2021.

^\* Mr. Arjun Muralidharan has resigned from the post of MD & CEO of the Company with effect from November 05, 2020.

## 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 October 10, 2020. The composition of the Audit Committee is in compliance with the provisions of the Act. During the year, the Audit Committee met Four (04) times viz., on May 02, 2020; July 21, 2020; October 20, 2020; & January 21, 2021. 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. N. Seshadri
- v. Ms. P V Bharathi
- vi. Mr. Ashish Singh

Attendance details of the Audit Committee Meetings held during year is tabled below:

Name of Director	DIN	Position in		Number of Meeting	
		Committee	Board	Held	Attended
Mr. A. Krishnamoorthy	00386122	Chairman	Independent Director	4	4
Dr. J. Sadakkadulla	07544406	Member	Independent Director	4	4
Mr. M. S. Sundara Rajan	00169775	Member	Independent Director	4	4
Mr. N. Seshadri	03486485	Member	Independent Director	4	4
Ms. P V Bharathi*	06519925	Member	Independent Director	2	2
Mr. Ashish Singh	01768711	Member	Nominee Director	4	4

\* Member of the Committee with effect from October 10, 2020

**b. NOMINATION AND REMUNERATION COMMITTEE**

During the year under review, there were no change in the composition of the Nomination and Remuneration Committee. The composition of the NRC is in compliance with the Act. During the year, the NRC met Four (4) times on May 01, 2020; July 21, 2020; November 06, 2020; & January 21, 2021. All the recommendations of the Committee during the year were accepted by the Board.

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 year is tabled below:

Name of Director	DIN	Position in		Number of Meeting	
		Committee	Board	Held	Attended
Mr. Ashish Singh	01768711	Chairman	Nominee Director	4	4
Mr. A. Krishnamoorthy	00386122	Member	Independent Director	4	4
Dr. J. Sadakkadulla	07544406	Member	Independent Director	4	4
Mr. M. S. Sundara Rajan	00169775	Member	Independent Director	4	4

### 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. The CSR policy of the Company is available at the website of the Company [www.idfcbharat.com](http://www.idfcbharat.com).

During the year under review, there were no change in the composition of the CSR Committee. During the year, the CSR Committee met one (01) time on May 01, 2020. All the recommendations of the Committee during the year were accepted by the Board.

The CSR Committee comprises of the following members:

- i. Dr. J. Sadakkadulla, Chairman
- ii. Mr. M. S. Sundara Rajan
- iii. Mr. N. Seshadri
- iv. Mr. Ashish Singh

Attendance details of the CSR Committee Meetings held during year is tabled below:

Name of Director	DIN	Position in		Number of Meeting	
		Committee	Board	Held	Attended
Dr. J. Sadakkadulla	07544406	Chairman	Independent Director	1	1
Mr. M. S. Sundara Rajan	00169775	Member	Independent Director	1	1
Mr. N. Seshadri	03486485	Member	Independent Director	1	1
Mr. Ashish Singh	01768711	Member	Nominee Director	1	1

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 reconstituted twice on October 10, 2020 and March 18, 2021. During the year, the Committee met Four (04) times viz., on May 01, 2020; July 21, 2020; October 20, 2020 and January 21, 2021.

All the recommendations of the Committee during the year were accepted by the Board.

The RMC of the Company comprises of the following members:

- i. Mr. N. Seshadri, Chairman
- ii. Mr. A. Krishnamoorthy
- iii. Mr. M. S. Sundara Rajan
- iv. Ms. P V Bharathi
- v. Mr. Ashish Singh
- vi. Mr. Praveen Vecha

Attendance details of the RMC Meetings held during year is tabled below:

Name of Director	DIN	Position in		Number of Meeting	
		Committee	Board	Held	Attended
Mr. N. Seshadri	03486485	Chairman	Independent Director	4	4
Mr. A. Krishnamoorthy	00386122	Member	Independent Director	4	4
Mr. M. S. Sundara Rajan	00169775	Member	Independent Director	4	4
Ms. P. V. Bharathi*	06519925	Member	Independent Director	2	2
Mr. Ashish Singh	01768711	Member	Nominee Director	4	4

Name of Director	DIN	Position in		Number of Meeting	
		Committee	Board	Held	Attended
Mr. Praveen Vecha^	09060904	Member	Managing Director & Chief Executive Officer	0	0
Mr. Arjun Muralidharan*^	02726409	Member	Managing Director & Chief Executive Officer	3	3

\* Member of the Committee with effect from October 10, 2020

^ Member of the Committee with effect from March 18, 2021

\*^ Member of the Committee upto November 05, 2020

#### e. Meeting of Independent Directors

During year under review, the IDs of the Company met one (01) time on May 01, 2020, 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 Un-Qualified Audit Report for the financial year ended March 31, 2021. Hence the disclosure under Section 134(3)(f)(i) of the Companies Act 2013 is not applicable.

Subject to the approval of Members at the General Meeting, the Board of Directors at the meeting held on April 23, 2021, based on the Recommendations of the Audit Committee, had approved the re-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.

#### SECRETARIAL AUDIT REPORT

Pursuant to Section 204 of the Act read with Rule 9 of Companies(Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s. Vinod Kothari and Company, Practicing Company Secretaries, Mumbai to undertake the Secretarial Audit of the Company for the financial year ended March 31, 2021. The Secretarial Audit Report forms part of this Board's Report as **Annexure II**. The Company has provided all assistance and facilities to the Secretarial Auditors for conducting their audit.

There were no qualifications or observations, or other remarks made by the Secretarial Auditors for the financial year ended March 31, 2021. Hence the disclosure under Section 134(3)(f)(ii) of the Act is not applicable.

#### COMPLIANCE WITH SECRETARIAL STANDARDS

The Company has generally complied with the applicable secretarial standards issued by the Institute of Company Secretaries of India.

#### RELATED PARTY TRANSACTION

All the Related Party Transactions (RPT) that were entered into during the financial year were on arm's length basis and in the ordinary course of business of the Bank. The Company have always been committed to good corporate governance practices, including matters relating to related party



transactions. All the related party transactions are placed before the Audit Committee and Board of Directors for their approval. The required disclosures are made to the Audit Committee on a quarterly basis in terms of the omnibus approval of the Committee.

Pursuant to the provisions of Companies Act, 2013 and Rules made thereunder, and in the backdrop of the Company's philosophy on such matters, the Company has in place a Board approved policy on Related Party Transactions.

The said policy is also uploaded on the website of the Company [www.idfcbharat.com](http://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 as prescribed under Section 134(3)(h) of the Companies Act, 2013 is not applicable to the Company. Refer Point No. 32 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 controls 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 14 instances of Fraud with respect to, Misappropriation of Cash, etc., aggregating to Rs.14,18,398/-. Necessary actions including Disciplinary Actions have been taken in compliance with the Policies of the Company. Further, the Management has recovered Rs. 3,94,962/- by March 31, 2021.

## **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, 2021 and the date of the Board Meeting in which the Directors' Report was approved i.e. April 23, 2021.

## **SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS**

There are no significant and material orders passed by the Regulators or Courts or Tribunals which would impact the going concern status of the Company. Hence, disclosure under section 134(3)(q) read with Rule 8(5)(vii) of Companies (Accounts) Rules 2014 is not required.

## **ANTI-SEXUAL HARASSMENT POLICY**

Your Company has an Internal Committee to investigate and inquire into sexual harassment complaints in line with The Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013. Your Company has in place a policy on Anti-Sexual Harassment, which reflects the Company's zero-tolerance towards any form of prejudice, gender bias and sexual harassment at the workplace. Your Company has set up an Internal Committee ('IC') to receive and redress complaints of sexual harassment. Your Company undertakes ongoing trainings to create awareness on this policy. The complete framework adopted by the Company to report the instances of sexual harassment etc., is hosted on the Company's website [www.idfcbharat.com](http://www.idfcbharat.com)

During the year under review, 04 (Four) sexual harassment cases were filed, all of which were resolved as on March 31, 2021. During the year, employees were given online training and classroom training was imparted to all IC members in order to understand the Policy on Prevention of Sexual Harassment and framework for reporting and resolving instances of sexual harassment.

## **ANNUAL RETURN**

The Annual Return of the Company is available at the website of the Company [www.idfcbharat.com](http://www.idfcbharat.com)

## **IMPLEMENTATION OF RISK MANAGEMENT POLICY.**

Risk Management Committee of the Board is entrusted with the responsibilities to identify 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 identify and mitigate the risk associated with the Company on a day-to-day basis. The Committee 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](http://www.idfcbharat.com)

## **COST AUDIT AND RECORDS**

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 disclosure under Section 134(3)(q) read with Rule 8(5)(ix) of Companies (Accounts) Rules 2014 is not required.

## **DETAILS OF APPLICATIONS MADE UNDER IBC**

No proceedings against the company were pending under the Insolvency and Bankruptcy Code, 2016 (the Code) and the company has not made any application under the said code. Hence, the disclosure under Section 134(3)(q) read with Rule 8(5)(xi) of Companies (Accounts) Rules 2014 is not required.

## **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.

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: April 23, 2021  
Place: Chennai

## Annexure - I to Board Report

### Annual Report on CSR Activities to be included in the Board's Report for FY21

#### 1. Brief outline on CSR Policy of the Company:

The CSR Committee of IFBL has approved the below mentioned activities:

- (a) Eradicating hunger, poverty and malnutrition, promoting health care and sanitation and making available safe drinking water
- (b) Promoting education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
- (c) 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. Composition of CSR Committee:

#	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Dr. J. Sadakkadulla	Independent Director	1	1
2	Mr. M. S. Sundara Rajan	Independent Director	1	1
3	Mr. N. Seshadri	Independent Director	1	1
4	Mr. Ashish Singh	Nominee Director	1	1

- 3. Web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company: [www.idfcbharat.com](http://www.idfcbharat.com)
- 4. Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014. **Not applicable**
- 5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any: **Not applicable**
- 6. Average net profit of the company as per section 135(5). : Rs.4,086 Lakhs
- 7. (a) Two percent of average net profit of the company as per section 135(5) Rs. 81.36 Lakhs  
(b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years. : **Nil**  
(c) Amount required to be set off for the financial year: **Nil**  
(d) Total CSR obligation for the financial year (7a+7b-7c).: Rs. 81.36 Lakhs
- 8. (a) CSR amount spent or unspent for the financial year: The Company had spent a sum of Rs. 102.25 Lakhs against the budgeted amount of Rs.101 Lakhs as approved by the Board of Directors based on the recommendations of the CSR committee, during the FY 2020-21 itself. Hence no sum remained unspent during the year.

(b) Details of CSR amount spent against ongoing projects for the financial year: **Nil**, as the entire sum approved had been spent on projects, other than ongoing projects.

(c) Details of CSR amount spent against **other than ongoing projects** for the financial year: Annexed as **Annexure A**

(d) Amount spent in Administrative Overheads : Nil

(e) Amount spent on Impact Assessment, if applicable : Nil

(f) Total amount spent for the Financial Year (8b+8c+8d+8e) Rs. 102.25

(g) Excess amount for set off, if any

Sl. No.	Particular	Amount (in Rs. In Lakhs)
(i)	Two percent of average net profit of the company as per section 135(5)	81.36
(ii)	Total amount spent for the Financial Year	102.25
(iii)	Excess amount spent for the financial year [(ii)-(i)]	20.89
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	Nil
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	20.89

9. (a) Details of Unspent CSR amount for the preceding three financial years: **Nil**. All the sum ought to be spent as per the CSR requirements had been spent in the same year itself.

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s): **Nil**. All the sum had been allocated to projects other than ongoing projects.

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year

**(asset-wise details).**

(a) Date of creation or acquisition of the capital asset(s). Nil

(b) Amount of CSR spent for creation or acquisition of capital asset. Nil

(c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc. Nil

(d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset). Nil

11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5). : Not Applicable

Praveen Vecha  
DIN 09060904  
MD and CEO  
Date: April 23, 2021  
Place: Tiruchirappalli

J. Sadakkadulla  
DIN: 07544406  
Chairman CSR Committee  
Date: April 23, 2021  
Place: Chennai

**Annexure - A to Annual Report on CSR Activities**

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sl. No.	Name of the Project	Item from the list of activities in schedule VII to the Act.	Local area (Yes/ No).	Location of the project.		Amount spent for the project (in Rs. Lakhs).	Mode of implementation - Direct (Yes/No).	Mode of implementation - Through implementing agency.	
				State.	Dist.			Name	CSR Regn. No
1.	Eradication of hunger	VII (i)	Yes	Karnataka, Kerala & Maharastra , Pondichery & Tamilnadu	Chamrajannagara, Hassan, Mandya, Mysore, Ramanagara, Tumkur, Alapuzha, Ernakulam, Kollam, Palakkad, Pathanamthitta, Thiruvananthapuram, Thrissur, Ahmednagar, Akola, Aurangabad, Beed, Buldhana, Dhule, Jalgaon, Nandurbar, Nashik, Pune, Satara, Solapur, Pondichery, Ariyalur, Chengalpattu, Chennai, Covai, Cuddalore, Dindugal, Erode, Kallakuruchi, Kanchipuram, Kanniyakumari, Karur, Madurai, Mayiladuthurai, Nagapattinam, Namakkal, Perambalur, Pudukottai, Ramanathapuram, Ranipettai, Salem, Sivagangai, Tanjore, Theni, Thenkasi, Thirupathur, Thiruvallur, Thiruvannamalai, Thiruvarur, Thoothukudi, Tirunelveli, Tirupur, Trichy, Vellore, Villupuram & Viruthunagar	11.31	Yes	<i>Not applicable: As all the projects were directly implemented by the Company.</i>	

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sl. No.	Name of the Project	Item from the list of activities in schedule VII to the Act.	Local area (Yes/No).	Location of the project.		Amount spent for the project (in Rs. Lakhs).	Mode of implementation - Direct (Yes/No).	Mode of implementation - Through implementing agency.	
				State.	Dist.			Name	CSR Regn. No
2.	Women Empowerment	VII (iii)	Yes	Karnataka, Kerala & Maharastra & Tamilnadu	Chamrajannagara, Hassan, Mandya, Mysore, Ramanagara, Tumkur, Ernakulam, Karungappally, Kollam, Palakkad, Thiruvananthapuram, Ahmednagar, Beed, Buldhana, Pune, Solapur, Pondichery, Ariyalur, Chengalpattu, Chennai, Covai, Cuddalore, Dindugal, Erode, Kallakuruchi, Kanchipuram, Kanniyakumari, Karur, Madurai, Mayiladuthurai, Nagapattinam, Namakkal, Perambalur, Pudukottai, Ramanathapuram, Ranipettai, Salem, Sivagangai, Tanjore, Theni, Thenkasi, Thirupathur, Thiruvallur, Thiruvannamalai, Thiruvarur, Thoothukudi, Tirunelveli, Tirupur, Trichy, Vellore, Villupuram & Viruthunagar	10.61	Yes		

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sl. No.	Name of the Project	Item from the list of activities in schedule VII to the Act.	Local area (Yes/No).	Location of the project.		Amount spent for the project (in Rs. Lakhs).	Mode of implementation - Direct (Yes/No).	Mode of implementation - Through implementing agency.	
				State.	Dist.			Name	CSR Regn. No
3.	Health and environment	VII (i)	Yes	Karnataka, Kerala & Maharastra & Tamilnadu	Chamrajannagara, Hassan, Mandya, Mysore, Ramanagara, Tumkur, Alapuzha, Ernakulam, Idukki, Kannur, Karungappally, Kollam, Kottayam, Palakkad, Pathanamthitta, Thiruvananthapuram, Thrissur, Ahmednagar, Akola, Aurangabad, Beed, Buldhana, Dhule, Jalgaon, Nandurbar, Nashik, Pune, Satara, Solapur, Pondichery, Ariyalur, Chengalpattu, Chennai, Covai, Cuddalore, Dindugal, Erode, Kallakuruchi, Kanchipuram, Kanniyakumari, Karur, Madurai, Mayiladuthurai, Nagapattinam, Namakkal, Perambalur, Pudukottai, Ramanathapuram, Ranipettai, Salem, Sivagangai, Tanjore, Theni, Thenkasi, Thirupathur, Thiruvallur, Thiruvannamalai, Thiruvarur, Thoothukudi, Tirunelveli, Tirupur, Trichy, Vellore, Villupuram & Viruthunagar	28.57	Yes		



(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sl. No.	Name of the Project	Item from the list of activities in schedule VII to the Act.	Local area (Yes/No).	Location of the project.		Amount spent for the project (in Rs. Lakhs).	Mode of implementation - Direct (Yes/No).	Mode of implementation - Through implementing agency.	
				State.	Dist.			Name	CSR Regn. No
4	Education	VII (ii)	Yes	Karnataka, Kerala & Maharastra & Tamilnadu	Ahamadnagar, Aurangabad, Beed, Buldhana, Chengalpattu, Covai, Dindugal, Erode, Hassan, Kallakuruchi, Karur, Madurai, Mandya, Mayiladuthurai, Mysore, Nagapattinam, Namakkal, Nashik, Palkad, Perambalur, Pudukottai, Salem, Sivagangai, Tanjore, Thiruvallur, Tirunelveli, Tirupur & Trichy.	20.12	Yes		
5	Sanitation	VII (i)	Yes	Tamil Nadu	Trichy, Dindugul, Covai, Chennai, Madurai & Chidambaram	28.42	Yes		
6	Relief Measures on Natural Calamities	VII (xii)	Yes	Tamil Nadu and Karnataka	Ahmednagar, Chamrajannagar, Chennai, Mysore, Nagapattinam, Pudukottai, Tanjore, Thoothukudi, Trichy, Villupuram, Tanjore, Pudukottai, Cuddalore, Pondichery, Mayiladuthurai, Chennai	3.21	Yes		
Total						102.25			

**Form No. MR-3**

**Secretarial Audit Report**

FOR THE YEAR ENDED MARCH 31, 2021

*[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 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)

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 known as IDFC Bharat Limited) [hereinafter called '**the Company**'] for the year ended March 31, 2021 [**"period under review"**] in terms of Audit Engagement Letter dated September 30, 2020. The secretarial audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conduct/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 authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the period under review, has complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the period under review, according to the provisions of applicable law provided hereunder:

1. The Companies Act, 2013 ('the Act') and the rules made thereunder including any re-enactment thereof;
2. **Laws specifically applicable to the industry to which the Company belongs, as identified by the management, that is to say:**
  - a. RBI Master Circular on Branch Authorisation dated 1<sup>st</sup> July, 2014 to the extent of obligations of the Business Correspondent, as amended from time to time.

We have also examined compliance with the applicable clauses of the Secretarial Standards 1 & 2 issued by the Institute of Company Secretaries of India.

We report that during the period under review, the Company has complied with the provisions of the Act, rules, regulations, guidelines, standards etc. mentioned above.

**Recommendations as a matter of best practice:**

In the course of our audit, we have made certain recommendations for good corporate practices to the compliance team, for its necessary consideration and implementation by the Company.

**We further report that:**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Director 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 and other applicable laws.

Adequate notice is given to all directors to schedule the Board Meetings and Committee 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.

All the decisions were unanimous and there was no instance of dissent in Board or Committee Meetings.

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

**We further report that** during the period under review, the Company has not undertaken following specific events/ actions that can have a major bearing on the Company's compliance responsibility in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc., except as follows:

**(i) Resignation and subsequent appointment of Managing Director and Chief Executive Officer (MD & CEO) and constitution of committee in the interim**

Mr. Arjun Muralidharan, the former MD & CEO of the Company, resigned from the Company with effect from November 05, 2020. The Board of Directors, at its meeting held on November 06, 2020, constituted an Internal Operations Management Committee ('IOMC') to exercise the powers entrusted with the MD & CEO till appointment of a new MD & CEO. Subsequently, the Board of Directors, in its meeting held on January 21, 2021, appointed Mr. Praveen Vecha as the MD & CEO of the Company with effect from February 17, 2021 within the timeline prescribed under Section 203 (4) of the Act. The IOMC was dissolved by the Board with effect from March 18, 2021 consequent to the appointment of the MD & CEO.

**Management and Auditor Responsibility:**

1. Maintenance of secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit. The list of documents for the purpose, as seen by us, is listed in **Annexure I**;
2. We have followed the audit practices and the 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 followed provide a reasonable basis for our opinion;
3. Our Audit examination is restricted only upto legal compliances of the applicable laws to be done by the Company, we have not checked the practical aspects relating to the same.
4. Wherever our Audit has required our examination of books and records maintained by the Company, we have also relied upon electronic versions of such books and records, as provided to us through online communication. Wherever for the purposes of our Audit, there was a need for physical access to any of the places of business of the Company, the same was not possible due to the lockdowns and travel restrictions imposed by Central and State Governments respectively. We have conducted online verification & examination of records, as facilitated by the Company, due to Covid 19 and subsequent lockdown situation for the purpose of issuing this Report.
5. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company as well as correctness of the values and figures reported in various disclosures and returns as required to be submitted by the Company under the specified laws, though we have relied to a certain extent on the information furnished in such returns.
6. Wherever required, we have obtained the management representation about the compliance of laws, rules and regulation and happening of events etc.
7. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of the management. Our examination was limited to the verification of procedure on test basis.

8. Due to the inherent limitations of an audit including internal, financial, and operating controls, there is an unavoidable risk that some misstatements or material non-compliances may not be detected, even though the audit is properly planned and performed in accordance with audit practices.
9. The contents of this Report has to be read in conjunction with and not in isolation of the observations, if any, in the report(s) furnished/to be furnished by any other auditor(s)/agencies/authorities with respect to the Company.
10. 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 M/s Vinod Kothari & Company**  
**Practicing Company Secretaries**  
**Unique Code: P1996WB042300**

**Place: Mumbai**  
**Date: April 20, 2021**

**Vinita Nair**  
**Senior Partner**  
**Membership No.: F10559**  
**CP No.: 11902**  
**UDIN: F010559C000140238**  
**Peer Review Certificate No.: 781/2020**

## **Annexure 1: List of Documents**

1. Unsigned minutes of the following meetings (final draft of minutes furnished electronically, on account of COVID-19 restrictions):
  - Board Meeting;
  - Audit Committee Meeting;
  - Nomination and Remuneration Committee Meeting;
  - Risk Management Committee Meeting;
  - CSR Committee Meeting;
  - Annual General Meeting;
2. Notice for Board and Committee Meetings;
3. Director's Report of FY 19-20;
4. Directors disclosure under Act, 2013 and rules made thereunder
5. Statutory Registers under Act, 2013;
6. Forms and returns filed with the ROC;
7. Agreement between the Company and IDFC FIRST Bank Limited for engagement as Business Correspondent, including amendments thereto.
8. Unaudited quarterly financials
9. Quarterly compliance certificate and update sent to the Holding Company on a sample basis.

## **Independent Auditor's Report**

**To the Members of IDFC FIRST Bharat Limited**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

1. We have audited the accompanying financial statements of IDFC FIRST Bharat Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2021, 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 of the Company as at 31 March 2021, and its profit (including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

#### **Basis for Opinion**

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. The other information comprises the information included in the Board's Report, but 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

5. The accompanying financial statements have been approved by the Company's Board of Directors. 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 financial position, 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 is 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 skepticism 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 with reference to financial statements 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 has also prepared a separate set of audited financial statements for the year ended 31 March 2021 in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, read with rule 7 of Companies

(Accounts) Rules, 2014 (as amended) on which we have issued an unmodified auditor's report to the members of the Company dated 23 April 2021. Our conclusion is not modified in respect of this matter.

### **Report on Other Legal and Regulatory Requirements**

11. As required by section 197(16) of the Act, based on our audit 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.
12. 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.
13. Further to our comments in Annexure A, as required by section 143(3) of the Act, based on our audit, we report, to the extent applicable, 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 2021 from being appointed as a director in terms of section 164(2) of the Act;
  - f) we have also audited the internal financial controls with reference to financial statements of the Company as on 31 March 2021 in conjunction with our audit of the financial statements of the Company for the year ended on that date and our report dated 23 April 2021 as per Annexure B expressed unmodified opinion; and
  - 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 2021.
    - 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 2021.
    - 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 2021 and
    - 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 financial statements. Hence, reporting under this clause is not applicable.

**For Walker Chandiok & Co LLP**

Chartered Accountants

Firm's Registration No.: 001076N/N500013

**Praveen Warriar**

Partner

Membership No.: 214767

UDIN: 21214767AAAABD8487

**Place:** Kannur

**Date:** 23 April 2021



## Annexure A to the Independent Auditor's Report

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 Property') are held in the name of the Company except for the following property which according to the information and explanation given to us, are under dispute pending with High Court of Madras (Madurai Bench) as to the ownership of the property, as stated in note 5 to the financial statements.

Nature of property	Total Number of Cases	Whether leasehold / freehold	Gross and net block as on 31 March 2021 (in Lakhs)	Remarks
Land	1	Freehold	376	The property is a subject matter of an order from Tiruchirappalli Corporation citing encroachment of land. 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.

- (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. Undisputed amounts payable in respect thereof, which were outstanding at the year-end for a period of more than six months from the date they became payable are as follows:

**Annexure A to the Independent Auditor's Report**

Name of the statute	Nature of the dues	Amount in lakhs (₹)	Period to which amount relates	Due Date	Date of Payment
Good and Service Tax Act	Payment under reverse charge mechanism	11	2019-20 and 2020-21	20 <sup>th</sup> of subsequent month	Not paid

- (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:

Name of the statute	Nature of dues	Amount in lakhs (₹)	Amount paid under Protest (₹)	Period to which amount relates	Forum where dispute is pending
Income Tax, 1961	Income Tax	1,218	-	AY 2012-13	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 explanation given to us, no fraud on or by the Company has been noticed or reported during the year, except for 15 cases of misappropriation of cash by the employees of the Company to the extent of ₹ 4.36 lakhs identified by the management during the year regarding which the Company has initiated disciplinary action against the employees and recovered ₹ 2.05 lakhs, by 31 March 2021.
- (xi) Managerial remuneration has been paid 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 Act, where applicable, and the requisite details have been disclosed in the financial statements etc., as required by the applicable Ind AS.
- (xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures.
- (xv) In our opinion, the Company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act.
- (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

**Praveen Warriar**

Partner

Membership No.: 214767

UDIN: 21214767AAAABD8487

**Place:** Kannur

**Date:** 23 April 2021

## **Annexure B to the Independent Auditor's Report**

### **Independent Auditor's Report on the internal financial controls with reference to the financial statements 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 ('the Company') as at and for the year ended 31 March 2021, we have audited the internal financial controls with reference to financial statements of the Company as at that date.

### **Responsibilities of Management and Those Charged with Governance for Internal Financial Controls**

2. The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on 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 the 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.

### **Auditor's Responsibility for the Audit of the Internal Financial Controls with Reference to Financial Statements**

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India ('ICAI') prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements, 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 internal financial controls with reference to financial statements 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 internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements includes obtaining an understanding of such internal financial controls, 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 internal financial controls with reference to financial statements.

### **Meaning of Internal Financial Controls with Reference to Financial Statements**

6. A company's internal financial controls with reference to financial statements 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 internal financial controls with reference to financial statements include 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

## **Annexure B to the Independent Auditor's Report**

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 with Reference to Financial Statements**

7. Because of the inherent limitations of internal financial controls with reference to financial statements, 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 internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements 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 with reference to financial statements and such controls were operating effectively as at 31 March 2021, based on 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

**Praveen Warriar**

Partner

Membership No.: 214767

UDIN: 21214767AAAABD8487

**Place:** Kannur

**Date:** 23 April 2021

**IDFC FIRST Bharat Limited****Balance sheet as at 31 March 2021***(All amounts are in lakhs of Indian Rupees (in ₹), unless otherwise stated)*

	Note	As at 31 March 2021	As at 31 March 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4		
Tangible assets		2,264	2,679
Intangible assets		301	359
Investment property	5	376	376
Right-of-use assets	6	325	389
Financial assets			
Loans	7	-	21
Other financial assets	8	48	48
Deferred tax assets (net)	9	219	298
Income tax assets (net)	10	2,097	1,476
Other non-current assets	11	9	150
		<b>5,639</b>	<b>5,796</b>
<b>Current assets</b>			
Financial assets			
Trade receivables	12	4,918	10,186
Cash and cash equivalents	13	12,194	1,123
Bank balances other than cash and cash equivalents	13	5,232	2,232
Loans	7	21	222
Other financial assets	8	1,038	1,252
Other current assets	11	1,320	535
		<b>24,723</b>	<b>15,550</b>
		<b>30,362</b>	<b>21,346</b>
<b>Total assets</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	14	558	558
Other equity	15	17,731	14,661
<b>Total equity</b>		<b>18,289</b>	<b>15,219</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financial liabilities			
Lease liability	16	323	370
		<b>323</b>	<b>370</b>
<b>Current liabilities</b>			
Financial liabilities			
Lease liability	16	46	40
Other financial liabilities	17	10,609	4,467
Other current liabilities	18	920	741
Provisions	19	175	509
		<b>11,750</b>	<b>5,757</b>
		<b>12,073</b>	<b>6,127</b>
<b>Total liabilities</b>			
		<b>30,362</b>	<b>21,346</b>
<b>Total equity and liabilities</b>			
<b>The accompanying notes form an integral part of these financial statements</b>			

In terms of our report attached

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

For and on behalf of the Board of Directors of  
**IDFC FIRST Bharat Limited**

**Praveen Warriar**  
Partner  
Membership No: 214767

**Praveen Vecha**  
Managing Director and CEO  
DIN: 09060904

**M S Sundara Rajan**  
Chairman  
DIN: 00169775

**Boby Xavier**  
Company Secretary

**Place:** Kannur  
**Date:** 23 April 2021

**Place:** Tiruchirappalli  
**Date:** 23 April 2021

**Place:** Chennai  
**Date:** 23 April 2021

**IDFC FIRST Bharat Limited**  
**Statement of profit and loss for the Period ended 31 March 2021**  
*(All amounts are in lakhs of Indian Rupees, unless otherwise stated)*

	Note	Year ended 31 March 2021	Year ended 31 March 2020
<b>Income</b>			
Revenue from operations	20	46,088	37,262
Other income	21	282	426
<b>Total income</b>		<b>46,370</b>	<b>37,688</b>
<b>Expenses</b>			
Employee benefits expense	22	32,680	26,883
Finance cost	23	47	39
Depreciation and amortisation expense	24	1,378	1,507
Other expenses	25	8,231	6,228
<b>Total expense</b>		<b>42,336</b>	<b>34,657</b>
<b>Profit before tax</b>		<b>4,034</b>	<b>3,031</b>
<b>Tax expense</b>	26		
- Current tax		1,029	906
- Tax for earlier periods		113	304
- Deferred tax		22	(74)
		<b>1,164</b>	<b>1,136</b>
<b>Profit for the year</b>		<b>2,870</b>	<b>1,895</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
- Re-measurement of post-employment benefit plans		227	(189)
- Income tax relating to the above item		(57)	48
<b>Other comprehensive income for the year, net of tax</b>		<b>170</b>	<b>(141)</b>
<b>Total comprehensive income for the year</b>		<b>3,040</b>	<b>1,754</b>
<b>Earnings per equity share of face value ₹ 10 each fully paid up</b>			
Basic and diluted (in ₹)	27	51.43	33.96

**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**

**Praveen Warriar**  
Partner  
Membership No: 214767

**Praveen Vecha**  
Managing Director and CEO  
DIN: 09060904

**M S Sundara Rajan**  
Chairman  
DIN: 00169775

**Boby Xavier**  
Company Secretary

**Place:** Kannur  
**Date:** 23 April 2021

**Place:** Tiruchirappalli  
**Date:** 23 April 2021

**Place:** Chennai  
**Date:** 23 April 2021

**IDFC FIRST Bharat Limited****Statement of changes in equity for the Period ended 31 March 2021***(All amounts are in lakhs of Indian Rupees (in ₹), unless otherwise stated)*

Particulars	Equity share capital	Other equity					
		Capital redemption reserve	Securities Premium	Retained Earnings	Accumulated other comprehensive income	ESOS contribution from parent	Total
<b>Balances as at 01 April 2019</b>	<b>558</b>	<b>750</b>	<b>4,374</b>	<b>7,892</b>	<b>(496)</b>	<b>-</b>	<b>12,520</b>
Profit for the year	-	-	-	1,895	-	-	1,895
Other comprehensive income	-	-	-	-	(141)	-	(141)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,895</b>	<b>(141)</b>	<b>-</b>	<b>1,754</b>
ESOS contribution from parent	-	-	-	-	-	387	387
<b>Balances as at 31 March 2020</b>	<b>558</b>	<b>750</b>	<b>4,374</b>	<b>9,787</b>	<b>(637)</b>	<b>387</b>	<b>14,661</b>
Profit for the year	-	-	-	2,870	-	-	2,870
Other comprehensive income	-	-	-	-	170	-	170
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,870</b>	<b>170</b>	<b>-</b>	<b>3,040</b>
ESOS contribution from parent	-	-	-	-	-	30	30
<b>Balances as at 31 March 2021</b>	<b>558</b>	<b>750</b>	<b>4,374</b>	<b>12,657</b>	<b>(467)</b>	<b>417</b>	<b>17,731</b>

**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****Praveen Warriar**

Partner

Membership No: 214767

**Praveen Vecha**

Managing Director and CEO

DIN: 09060904

**M S Sundara Rajan**

Chairman

DIN: 00169775

**Boby Xavier**

Company Secretary

**Place:** Kannur**Date:** 23 April 2021**Place:** Tiruchirappalli**Date:** 23 April 2021**Place:** Chennai**Date:** 23 April 2021

**IDFC FIRST Bharat Limited**  
**Statement of Cash flows for the year ended 31 March 2021**  
*(All amounts are in lakhs of Indian Rupees, unless otherwise stated)*

	Year ended 31 March 2021	Year ended 31 March 2020
<b>Cash flows from operating activities</b>		
<b>Profit before income tax</b>	4,034	3,031
Adjustments for		
Depreciation and amortisation expense	1,378	1,507
Advances written off	9	66
Interest expenses	47	39
Interest income from deposits	(262)	(373)
Profit on sale of property, plant and equipment	(10)	(19)
Gratuity expenses	363	391
Employee stock option expenses	30	387
<b>Operating profit before working capital changes</b>	<b>5,589</b>	<b>5,029</b>
(Decrease) in provisions	(781)	(558)
Increase / (Decrease) in other financial liabilities	6,142	(1,995)
Increase in other current liabilities	179	182
Decrease / (Increase) in trade receivables	5,268	(7,637)
Decrease in loans	222	55
Decrease / (Increase) in other financial assets	205	(516)
(Increase) in other assets	(472)	(257)
<b>Cash flow from / (used in) operating activities</b>	<b>16,352</b>	<b>(5,697)</b>
Income taxes paid (net)	(1,763)	(2,061)
<b>Net cash generated from / (used in) operating activities</b>	<b>14,589</b>	<b>(7,758)</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible including capital advances	(657)	(2,609)
Purchase of intangible assets	(56)	(99)
Proceeds from sale of property, plant and equipment	21	102
Proceeds from maturity of deposits, net	(2,843)	4,888
Interest collected from deposits	105	516
<b>Net cash (used in) / generated from investing activities</b>	<b>(3,430)</b>	<b>2,798</b>
<b>Cash flows from financing activities</b>		
Payment of lease liability	(88)	(70)
<b>Net cash used in financing activities</b>	<b>(88)</b>	<b>(70)</b>
<b>Net increase / decrease in cash and cash equivalents</b>	<b>11,071</b>	<b>(5,030)</b>
Cash and cash equivalents as at the beginning of the year	1,123	6,153
<b>Cash and cash equivalents as at the end of the year</b>	<b>12,194</b>	<b>1,123</b>
<b>Notes (Also, refer note 13):</b>		
Cash and cash equivalents comprises of		
Cash on hand	17	80
Balances with banks in current accounts	8,176	1,043
- in deposit account (with maturity up to 3 months)	4,001	-
	<b>12,194</b>	<b>1,123</b>

**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**

**Praveen Warriar**  
Partner  
Membership No: 214767

**Praveen Vecha**  
Managing Director and CEO  
DIN: 09060904

**M S Sundara Rajan**  
Chairman  
DIN: 00169775

**Boby Xavier**  
Company Secretary

**Place:** Kannur  
**Date:** 23 April 2021

**Place:** Tiruchirappalli  
**Date:** 23 April 2021

**Place:** Chennai  
**Date:** 23 April 2021



## **1. Background**

IDFC FIRST 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 S.A.N.Complex, No.4, Williams Road, Cantonment, Tiruchirappalli Tamil Nadu, India.

The financial statements were approved by the Board of Directors and authorized for issue on 23 April 2021.

## **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").

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 significant 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.

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**b) Use of estimates and judgements (continued)****Income taxes**

Significant judgments are involved in determining the provision for income taxes, including amount expected to be paid/recovered for uncertain tax positions

In assessing the realizability of deferred income tax assets, management considers whether some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred income tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred income tax assets are deductible, management believes that the company will realize the benefits of those deductible differences. The amount of the deferred income tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

**Leases**

Ind AS 116 requires lessees to determine the lease term as the non-cancellable period of a lease adjusted with any option to extend or terminate the lease, if the use of such option is reasonably certain. The Company makes an assessment on the expected lease term on a lease-by-lease basis and thereby assesses whether it is reasonably certain that any options to extend or terminate the contract will be exercised. In evaluating the lease term, the Company considers factors such as any significant leasehold improvements undertaken over the lease term, costs relating to the termination of the lease and the importance of the underlying asset to IDFC's operations taking into account the location of the underlying asset and the availability of suitable alternatives. The lease term in future periods is reassessed to ensure that the lease term reflects the current economic circumstances. After considering current and future economic conditions, the company has concluded that no changes are required to lease period relating to the existing lease contracts

**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**

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 except for leasehold improvements which are depreciated over lease term.

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

**e) Investment properties**

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.

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**f) Intangible assets**

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 comprises consideration received from rendering Business correspondence services ('services'). Revenue is recognised upon satisfying its performance obligations which coincides with rendering of services as per the contract with customers and is measured at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those 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 business correspondence agreement, measured based on the cost incurred during the year plus mark up as specified in the agreement. 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) Share based payment**

The Holding Company has formulated Employee Stock Option Schemes ('the ESOS') in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 / 2014 ('the Guidelines'). The ESOS provides for grant of stock options to employees of the Company to acquire equity shares of the Holding Company that vest in a graded manner and that are to be exercised within a specified period.

The above share awards are treated as an equity settled share based payment transaction. The fair value of options granted under the scheme is recognized as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined with reference to the fair value of the options granted excluding the impact of any service conditions. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on service conditions. It recognises the impact of revision to original estimates, if any, in the Statement of Profit and Loss, with a corresponding adjustment to equity.

**k) Leases**

The company has applied Ind AS 116 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under Ind AS 17.

**As a lessee**

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Holding company borrowing are considered for determining the incremental Borrowing rate

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- Amounts expected to be payable under a residual value guarantee.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, or if company changes its assessment of whether it will exercise a purchase, extension or termination option.

The company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

**Short-term leases and leases of low-value assets**

The company has elected not to recognise right-of-use assets and lease liabilities for short term leases of real estate properties that have a lease term of 12 months and low value lease. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**The following is the summary of practical expedients elected on initial application:**

- a) Applied a single discount rate to a portfolio of leases of similar assets in similar economic environment with a similar end date
- b) Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term on the date of initial application
- c) Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- d) Applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17

**l) 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.

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**l) Income taxes(Continued)**

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 set off the recognised amounts and where it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**m) 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.

**n) Financial instruments****Financial assets and financial liability****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.

**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.

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**n) Financial instruments (continued)**

**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:

**iv) Impairment of financial assets:**

-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.

**o) 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

**p) 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.

**q) 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**

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from 1 April 2021.

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**IDFC FIRST Bharat Limited**
**Summary of significant accounting policies and other explanatory information for the year ended 31 March 2021**
*(All amounts are in lakhs of Indian Rupees (in ₹), unless otherwise stated)*
**4 Property, plant and equipment**

Particulars	Tangible assets						Intangible assets
	Computers & accessories	Leasehold Improvement	Furniture and fittings	Office equipment	Vehicles	Total	Software
<b>Gross block</b>							
<b>As at 31 March 2019</b>	<b>1,764</b>	<b>-</b>	<b>467</b>	<b>277</b>	<b>183</b>	<b>2,691</b>	<b>486</b>
Additions	701	217	1,066	536	-	2,520	99
Disposals	(11)	-	(52)	(62)	(72)	(197)	-
<b>As at 31 March 2020</b>	<b>2,454</b>	<b>217</b>	<b>1,481</b>	<b>751</b>	<b>111</b>	<b>5,014</b>	<b>585</b>
Additions	228	249	147	172	-	796	56
Disposals	(1)	-	(6)	(24)	(7)	(38)	-
<b>As at 31 March 2021</b>	<b>2,681</b>	<b>466</b>	<b>1,622</b>	<b>899</b>	<b>104</b>	<b>5,772</b>	<b>641</b>
<b>Accumulated depreciation/amortisation</b>							
<b>As at 31 March 2019</b>	<b>736</b>	<b>-</b>	<b>154</b>	<b>131</b>	<b>79</b>	<b>1,100</b>	<b>120</b>
Charge for the year	673	18	462	176	20	1,349	106
Reversal on disposal of assets	(11)	-	(33)	(40)	(30)	(114)	-
<b>As at 31 March 2020</b>	<b>1,398</b>	<b>18</b>	<b>583</b>	<b>267</b>	<b>69</b>	<b>2,335</b>	<b>226</b>
Charge for the year	651	146	234	154	15	1,200	114
Reversal on disposal of assets	-	-	(6)	(15)	(6)	(27)	-
<b>As at 31 March 2021</b>	<b>2,049</b>	<b>164</b>	<b>811</b>	<b>406</b>	<b>78</b>	<b>3,508</b>	<b>340</b>
<b>Net block</b>							
<b>As at 31 March 2020</b>	<b>1,056</b>	<b>199</b>	<b>898</b>	<b>484</b>	<b>42</b>	<b>2,679</b>	<b>359</b>
<b>As at 31 March 2021</b>	<b>632</b>	<b>302</b>	<b>811</b>	<b>493</b>	<b>26</b>	<b>2,264</b>	<b>301</b>

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**IDFC FIRST Bharat Limited****Summary of significant accounting policies and other explanatory information for the year ended 31 March 2021***(All amounts are in lakhs of Indian Rupees (in ₹), unless otherwise stated)***5 Investment property**

	As at 31 March 2021	As at 31 March 2020
Gross carrying amount	376	376
Accumulated depreciation	-	-
	<b>376</b>	<b>376</b>

<b>Fair value</b>	<b>421</b>	<b>404</b>
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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 2021 and 31 March 2020. 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.

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 Right-of-use assets**

	As at 31 March 2021	As at 31 March 2020
<b>Balance at the beginning of the year</b>	389	-
Additions	-	441
Amortisation for the year	(64)	(52)
<b>Balance at the end of the year</b>	<b>325</b>	<b>389</b>

**7 Loans****Unsecured, considered good**

Loans to employees

As at 31 March 2021		As at 31 March 2020	
Non-current	Current	Non-current	Current
-	21	21	222
-	<b>21</b>	<b>21</b>	<b>222</b>

**8 Other financial assets**

Rental deposits  
Security deposits  
Unbilled revenue  
Other advances

As at 31 March 2021		As at 31 March 2020	
Non-current	Current	Non-current	Current
48	966	48	955
-	13	-	12
-	-	-	153
-	59	-	132
<b>48</b>	<b>1,038</b>	<b>48</b>	<b>1,252</b>

**9 Deferred tax assets (net)**

The balance comprises temporary differences attributable to:-

- Depreciation/ amortisation as per books and depreciation as per tax
- Adjustments on account of provision for employee benefits

	As at 31 March 2021	As at 31 March 2020
	298	212
	(79)	86
	<b>219</b>	<b>298</b>



**IDFC FIRST Bharat Limited**
**Summary of significant accounting policies and other explanatory information for the year ended 31 March 2021**
*(All amounts are in lakhs of Indian Rupees (in ₹), unless otherwise stated)*
**9 Deferred tax assets (net) (continued)**
**Movement in deferred tax (liabilities) / assets**
**As at 31 March 2019**

(Charged)/ Credited

- to statement of profit or loss
- to other comprehensive income

**As at 31 March 2020**

(Charged)/ Credited

- to statement of profit or loss
- to other comprehensive income

**As at 31 March 2021**

Depreciation and amortisation	Defined benefits obligation	Total
86	90	176
126	(52)	74
-	48	48
<b>212</b>	<b>86</b>	<b>298</b>
86	(222)	(136)
-	57	57
<b>298</b>	<b>(79)</b>	<b>219</b>

**10 Income tax assets (net)**

Advance income tax (net of provision)

As at 31 March 2021	As at 31 March 2020
2,097	1,476
<b>2,097</b>	<b>1,476</b>

**11 Other assets**

- Capital advances
- Gratuity asset (Also, refer note 19(a)(iii))
- Prepaid expenses

As at 31 March 2021		As at 31 March 2020	
Non-current	Current	Non-current	Current
-	-	139	-
-	311	-	-
9	1,009	11	535
<b>9</b>	<b>1,320</b>	<b>150</b>	<b>535</b>

**12 Trade receivables**

Unsecured, considered good

Receivable from related party (Also, refer note 32(c))

As at 31 March 2021	As at 31 March 2020
4,918	10,186
<b>4,918</b>	<b>10,186</b>

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.

**13 Cash and bank balances**
**Cash and cash equivalents**

- Cash on hand
- Balances with banks
- in current accounts
- in deposit accounts (with maturity up to 3 months)

As at 31 March 2021	As at 31 March 2020
17	80
8,176	1,043
4,001	-
<b>(A) 12,194</b>	<b>1,123</b>

**Other bank balances**

- Deposits with maturity up to 12 months
- Balances with banks in restricted accounts @

5,193	2,137
39	95
<b>5,232</b>	<b>2,232</b>
<b>(A) + (B) 17,426</b>	<b>3,355</b>

@ The amount collected as a security deposit from employee pending to be refunded and amount received from LIC towards gratuity settlement of employee are considered as balances with banks in restricted accounts.

**IDFC FIRST Bharat Limited****Summary of significant accounting policies and other explanatory information for the year ended 31 March 2021***(All amounts are in lakhs of Indian Rupees (in ₹), unless otherwise stated)*

	As at 31 March 2021		As at 31 March 2020	
	Number*	Amount	Number*	Amount
<b>14 Equity share capital</b>				
<b>Authorised</b>				
Equity shares of ₹ 10 each	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
	<b>5,00,00,000</b>	<b>5,000</b>	<b>5,00,00,000</b>	<b>5,000</b>
<b>Issued, subscribed and fully paid up</b>				
Equity shares of ₹ 10 each	55,79,996	558	55,79,996	558
	<b>55,79,996</b>	<b>558</b>	<b>55,79,996</b>	<b>558</b>

\*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

Number*	Amount	Number*	Amount
55,79,996	558	55,79,996	558

**c) Shareholders holding more than 5% of the shares**

Equity shares of ₹ 10 each

IDFC FIRST Bank Limited together with its nominees

Number*	%	Number*	%
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 2021.

**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 2021 and 31 March 2020.

**15 Other equity****Capital redemption reserve**

As at	As at
31 March 2021	31 March 2020

750 750

**Securities premium**

4,374 4,374

**Retained earnings**

Balance at the beginning of the year

9,787 7,892

Add : Transferred from Statement of profit and loss

2,870 1,895

**Balance at the end of the year**

12,657 9,787

**Accumulated other comprehensive income**

Balance at the beginning of the year

(637) (496)

Add : Transfer from other comprehensive income

170 (141)

**Balance at the end of the year**

(467) (637)

**ESOS contribution from parent**

Balance at the beginning of the year

387 -

Add : Employee stock option expenses

30 387

**Balance at the end of the year**

417 387

**Total other equity**

17,731 14,661

**IDFC FIRST Bharat Limited****Summary of significant accounting policies and other explanatory information for the year ended 31 March 2021***(All amounts are in lakhs of Indian Rupees (in ₹), unless otherwise stated)***Other equity (continued)****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.

**d) ESOS contribution from parent**

The account is used to recognise the grant date fair value of options issued to the employees of the Company by IDFC First Bank Limited (Formerly IDFC Bank Limited) under the group share based payment arrangement.

**Employee share based payment****Group share based payment scheme (equity settled)**

- i) IDFC FIRST Bank Limited (holding company) has introduced IDFC Employee Stock Option Scheme(ESOS), IDFC BANK ESOS 2015 to enable the employees of the group companies to participate in the future growth and financial success of the IDFC Group. The scheme is in compliance with the SEBI (Share Based Employee Benefits) Regulations, 2014. The ESOS provides for grant of stock options to employees of the Company to acquire equity shares of the IDFC FIRST Bank Limited, that will vest in a graded manner and that are to be exercised within a specified period.

Options granted under the plan to the employees of the Company are without any consideration and carry no dividend or voting rights at the Holding Company. When exercisable, each option is convertible into one equity share of IDFC FIRST Bank Limited. Since the Company does not have an obligation to settle the award granted to its employees, the award is treated as an equity-settled share-based payment in the Company's accounts.

- ii) A summary of the status of the options granted under 2015 plan as at 31 March 2021 and 31 March 2020 presented below:

Particulars	Number of options	Weighted average remaining contractual life (in years)	Weighted average exercise price
Granted during the year	17,40,000	5.79	31.95
Exercised during the year	-	-	-
Options forfeited / surrendered	(75,000)	-	68.92
Outstanding as at 31 March 2021	11,41,500	2.66	69.46
<b>Exercisable as at 31 March 2021</b>	<b>10,66,500</b>	<b>1.82</b>	<b>69.50</b>

Particulars	Number of options	Weighted average remaining contractual life (in years)	Weighted average exercise price
Granted during the year	-	-	-
Exercised during the year	-	-	-
Outstanding as at 31 March 2020	11,41,500	2.66	69.46
<b>Exercisable as at 31 March 2020</b>	<b>10,14,900</b>	<b>2.47</b>	<b>70.84</b>

- iii) Total expenses arising from share-based payment transactions recognised in the Statement of Profit and Loss as part of employee benefit expense amounting to ₹ 30 lakhs (Previous year ₹ 387 lakhs)

**IDFC FIRST Bharat Limited****Summary of significant accounting policies and other explanatory information for the year ended 31 March 2021***(All amounts are in lakhs of Indian Rupees (in ₹), unless otherwise stated)***Group share based payment scheme (equity settled) (continued)**

iv) The fair value of the options granted is determined on the date of the grant using the Black-Scholes option pricing model

	As at 31 March 2020	As at 31 March 2020
Expected - Weighted average volatility	42.76%	-
Expected dividends	-	-
Expected term (In years)	4.50	-
Risk free rate	5.41%	-
Fair value of the option at grant date (₹)	51.40	-

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

	As at 31 March 2021		As at 31 March 2020	
	Non-current	Current	Non-current	Current
<b>16 Lease liability</b>				
Lease liability	323	46	370	40
	<b>323</b>	<b>46</b>	<b>370</b>	<b>40</b>

	As at 31 March 2021	As at 31 March 2020
<b>(a) Movement in lease liability</b>		
Balance at the beginning of the year	410	-
Additions	-	441
Interest expenses on remeasurement of lease liability for the year	47	39
Payment of lease liabilities	(88)	(70)
Balance at the end of the year	<b>369</b>	<b>410</b>

**(b) Summary of contractual maturities of lease liabilities**

Particulars	As at 31 March 2021	As at 31 March 2020
Less than one year	88	88
One year to five years	340	379
More than five years	90	116
Total undiscounted lease liabilities at the end of the year	<b>518</b>	<b>583</b>

	As at 31 March 2021		As at 31 March 2020	
	Non-current	Current	Non-current	Current
<b>17 Other financial liabilities</b>				
Security deposits from employees	-	6	-	69
Payable towards business correspondent services (Also, refer note 32(c))	-	7,658	-	3,231
Employee related payables	-	1,790	-	813
Other payables (Also, refer note 32(c))	-	1,155	-	354
	<b>-</b>	<b>10,609</b>	<b>-</b>	<b>4,467</b>

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**IDFC FIRST Bharat Limited****Summary of significant accounting policies and other explanatory information for the year ended 31 March 2021***(All amounts are in lakhs of Indian Rupees (in ₹), unless otherwise stated)*

	As at 31 March 2021	As at 31 March 2020
<b>18 Other current liabilities</b>		
Statutory dues payable	920	741
	<b>920</b>	<b>741</b>
<b>19 Short term provisions</b>		
Provision for gratuity	-	334
Provision for pending litigations	175	175
	<b>175</b>	<b>509</b>

**(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.

	As at 31 March 2021	As at 31 March 2020
<b>i) Change in projected benefit obligation</b>		
Projected benefit obligation at the beginning of the year	2,111	1,609
Current service cost	367	389
Interest cost	143	102
Benefits paid	(209)	(175)
Actuarial (gain)/ loss	(252)	186
<b>Projected benefit obligation at the end of the year</b>	<b>2,160</b>	<b>2,111</b>
<b>ii) Change in plan assets</b>		
Fair value of plan assets at the beginning of the year	1,777	1,297
Expected return on plan assets	147	100
Employer contributions	781	558
Benefits paid	(209)	(175)
Actuarial (loss)/gain	(25)	(3)
<b>Fair value of plan assets at the end of the year</b>	<b>2,471</b>	<b>1,777</b>
<b>Thereof</b>		
Funded	2,160	1,777
un-funded	-	334
<b>iii) Reconciliation of present value of obligation on the fair value of plan assets to the liability recognised</b>		
Present value of projected benefit obligation at the end of the year	2,160	2,111
Fair value of plan assets at the end of the year	(2,471)	(1,777)
<b>Assets / (Liability) recognized in the balance sheet</b>	<b>(311)</b>	<b>334</b>
<b>iv) Gratuity cost for the year</b>		
Current service cost	367	389
Interest cost	143	102
Expected returns on plan assets	(147)	(100)
<b>Total amount recognised in profit or loss</b>	<b>363</b>	<b>391</b>
Actuarial loss/(gain)	(227)	189
<b>Total amount recognised in other comprehensive income</b>	<b>(227)</b>	<b>189</b>
<b>Net gratuity cost</b>	<b>136</b>	<b>580</b>
<b>v) Principal actuarial assumptions used:</b>		
Discount rate	7.15%	6.63%
Long-term rate of compensation increase	10.00%	8% to 10%
Attrition rate	15% and 35%	15.00%
Expected rate of return on plan assets	7.15%	6.63%

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

**IDFC FIRST Bharat Limited****Summary of significant accounting policies and other explanatory information for the year ended 31 March 2021***(All amounts are in lakhs of Indian Rupees (in ₹), unless otherwise stated)***19 Provisions for employee benefits (continued)**

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 2021	(206)	187	(215)	257	(60)	69
31 March 2020	206	(180)	(206)	245	(37)	42

vii) The weighted average duration of the defined benefit obligation as at 31 March 2021 is 10.94 years (31 March 2020: 12.64 years ).

viii) The Company expects to contribute ₹ 200 Lakhs to the gratuity fund in the financial year ending 31 March 2022.

**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 2021	As at 31 March 2020
1	159	153
2	154	148
3	133	145
4	113	127
5	122	105
6 to 10	487	489
More than 10	4,671	4,018

(b) Provision for pending litigations is made based on the likelihood of the cases pending with the relevant authorities for the financial years 2011-12 . The timing of the outflow would depend on the settlements of the cases.

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**IDFC FIRST Bharat Limited****Summary of significant accounting policies and other explanatory information for the year ended 31 March 2021***(All amounts are in lakhs of Indian Rupees (in ₹), unless otherwise stated)*

	Year ended 31 March 2021	Year ended 31 March 2020
<b>20 Revenue from operations</b>		
Servicer fees from business correspondent services (Also, refer note 32(b))	46,088	37,262
	<b>46,088</b>	<b>37,262</b>
<b>21 Other income</b>		
Interest income on fixed deposits with banks (Also, refer note 32(b))	262	373
Interest income on staff loans	9	28
Other non-operating income	11	25
	<b>282</b>	<b>426</b>
<b>22 Employee benefits expense</b>		
Salaries and wages	28,066	21,967
Employee stock option expenses (Also, refer note 15(d))	30	387
Gratuity expense (Also, refer note 19(a)(iv))	363	391
Contribution to provident and other funds	2,259	2,098
Staff welfare expenses	1,962	2,040
	<b>32,680</b>	<b>26,883</b>
<b>23 Finance cost</b>		
Interest expenses on remeasurement of lease liability (Also, refer note 16(a))	47	39
	<b>47</b>	<b>39</b>
<b>24 Depreciation and amortisation expense</b>		
Depreciation of tangible assets (Also, refer note 4)	1,200	1,349
Amortisation of intangible assets (Also, refer note 4)	114	106
Amortisation of right-of-use assets (Also, refer note 6)	64	52
	<b>1,378</b>	<b>1,507</b>
<b>25 Other expenses</b>		
Rent and amenities	1,683	1,067
Repairs and maintenance - Others	1,118	1,214
Power and fuel	177	154
Insurance	10	9
Rates and taxes	6	53
Legal and professional charges	1,197	276
Payments to auditors*	-	-
Statutory audit	32	32
Other services	-	20
Reimbursement of expenses	-	2
Business promotion expenses	2	352
Director sitting fees	52	27
Travelling, conveyance and lodging expenses	2,231	1,655
Postage and courier	221	194
Printing and stationery	531	585
Communication expenses	177	162
Cash management charges	3	179
Bank charges	680	97
Contribution towards corporate social responsibility	102	84
Advances written off	9	66
	<b>8,231</b>	<b>6,228</b>

\* includes fees for 2018-19 billed in 2019-20 ₹ 14 Lakhs

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**IDFC FIRST Bharat Limited****Summary of significant accounting policies and other explanatory information for the year ended 31 March 2021***(All amounts are in lakhs of Indian Rupees (in ₹), unless otherwise stated)***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 25.626% (2019-20: 25.626%) and the reported tax expense in the statement of profit and loss are as follows:

	Year ended 31 March 2021	Year ended 31 March 2020
Accounting profit before taxes	4,034	3,031
Enacted tax rates	25.168%	25.168%
Tax on profit at enacted tax rate	1,015	763
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Corporate social responsibility expenditure	26	22
Others	9	37
Remeasurement of deferred tax assets at substantively enacted tax rates	-	10
<b>Actual tax expense</b>	<b>1,050</b>	<b>832</b>
Current tax	1,029	906
Deferred tax	22	(74)
<b>Tax expense reported in the statement of profit and loss</b>	<b>1,051</b>	<b>832</b>

**27 Earnings per Share (EPS)****Basic and Diluted EPS**

	Year ended 31 March 2021	Year ended 31 March 2020
Nominal value of equity shares (in ₹)	10	10
Profit for the year (A)	2,870	1,895
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 ₹)	51.43	33.96

**28 Corporate social responsibility expenditure**

<b>Amount required to be spent as per section 135 of the Act</b>	81	75
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	In cash	Yet to be paid	Total
<b>For the Year ended 31 March 2021</b>			
On Construction/acquisition of any asset	-	-	-
On purposes other than as specified above	102	-	102
<b>For the Year ended 31 March 2020</b>			
On Construction/acquisition of any asset	-	-	-
On purposes other than as specified above	84	-	84

**29 Leases**

The Company has lease contracts for office premises and these lease contracts are cancellable/ renewable for further period on mutually agreeable terms during the tenure of lease contracts. These lease contracts are classified as short term lease contracts under Ind AS 116 .

	Year ended 31 March 2021	Year ended 31 March 2020
Lease expense during the year, representing the minimum lease payments	1,683	1,067

**30 Payables to micro and small enterprises**

Based on the information available with the Company, as at 31 March 2021 and 31 March 2020, 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.

**31 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 2021 and 31 March 2020.



**IDFC FIRST Bharat Limited****Summary of significant accounting policies and other explanatory information for the year ended 31 March 2021***(All amounts are in lakhs of Indian Rupees (in ₹), unless otherwise stated)***32 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**

<b>Name of related party</b>	<b>Nature of relationship</b>
Holding Company	IDFC FIRST Bank Limited
Key management personnel (KMP)	Arjun Muralidharan (up to 05 November 2020) Praveen Vecha (from 17 February 2021) Krishnamoorthy Arunachalam J Sadakkadulla Narasimhan Seshadri Bharathi Ashish Singh M S Sundararajan

**b) Transactions with related parties**

<b>Transaction</b>	<b>Related party</b>	<b>Year ended 31 March 2021</b>	<b>Year ended 31 March 2020</b>
Fees for business correspondent services	IDFC FIRST Bank Limited	46,088	37,262
Proceeds from fixed deposits, net	IDFC FIRST Bank Limited	27,600	4,593
Interest income on fixed deposits	IDFC FIRST Bank Limited	247	373
Remuneration*	Key management personnel and their relatives	177	132
Director sitting fees	Key management personnel and their relatives	52	27

**c) Balances with related parties**

<b>Particulars</b>	<b>Related party</b>	<b>As at 31 March 2021</b>	<b>As at 31 March 2020</b>
Trade receivable	IDFC FIRST Bank Limited	4,918	10,186
Unbilled revenue	IDFC FIRST Bank Limited	-	153
Fixed deposits including accrued interest	IDFC FIRST Bank Limited	9,194	2,137
Payable towards business correspondent services	IDFC FIRST Bank Limited	7,658	3,231
Other payables	IDFC FIRST Bank Limited	88	-
Bank balances	IDFC FIRST Bank Limited	6,050	782
Incentive payable	Key management personnel	-	26

\*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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**33 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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**IDFC FIRST Bharat Limited****Summary of significant accounting policies and other explanatory information for the year ended 31 March 2021***(All amounts are in lakhs of Indian Rupees (in ₹), unless otherwise stated)***34 Contingent liabilities and commitments****i) Contingent liabilities**

	As at 31 March 2021	As at 31 March 2020
<b>Claims against the company not acknowledged as debt in respect of:</b>		
- Income tax for financial year 2011-12 where the company has appealed	1,218	-
	<b>1,218</b>	<b>-</b>

During the current year, the Company has received a demand notice from the Income-tax authorities for the Assessment Year 2012-13 (Financial Year 2011-12), enhancing the returned income. During the year, the Company has filed an appeal with CIT(A), Tiruchirappalli against the said order. The Management, based on the experts opinion, believes that the Company has good chance of succeeding in the case.

ii) Commitment towards capital expenditure as at 31 March 2021 is Nil (31 March 2020: ₹ 284 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.

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In terms of our report attached

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

For and on behalf of the Board of Directors of  
**IDFC FIRST Bharat Limited**

**Praveen Warriar**  
Partner  
Membership No: 214767

**Praveen Vecha**  
Managing Director and CEO  
DIN: 09060904

**M S Sundara Rajan**  
Chairman  
DIN: 00169775

**Boby Xavier**  
Company Secretary

**Place:** Kannur  
**Date:** 23 April 2021

**Place:** Tiruchirappalli  
**Date:** 23 April 2021

**Place:** Chennai  
**Date:** 23 April 2021