

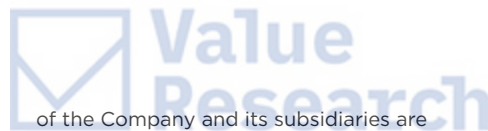
BOARD'S REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Twenty-Fourth Annual Report on the business and operations of the Company together with the audited financial statements, prepared under Ind-AS, for the financial year ended March 31, 2021.

OPERATIONS REVIEW

Effective October 1, 2015 post demerger of Financing Undertaking into IDFC FIRST Bank Limited (earlier known as IDFC Bank), IDFC Limited ("IDFC" or "the Company") is operating as an NBFC – Investment Company mainly holding investment in IDFC Financial Holding Company Limited ("IDFC FHCL") which is a non-operative financial holding company. IDFC FHCL in turn holds investments in IDFC FIRST Bank and IDFC Asset Management Company Limited. During the year, Balance Sheet size decreased from Rs. 9,331.88 crore as on March 31, 2020 to Rs. 9,303.78 crore as on March 31, 2021. Profit after tax and other comprehensive income was lower at Rs. 8.87 crore for FY 2020-21 as compared to Rs. 64.22 crore in FY 2019-20. Net worth of the Company increased from Rs. 9,255.56 crore as on March 31, 2020 to Rs. 9,261.10 crore as on March 31, 2021. During the year, the Company transferred Rs. 1.80 crore to Special Reserve u/s 45-IC of Reserve Bank of India ("RBI") Act, 1934. Details of business overview and outlook



of the Company and its subsidiaries are appearing in the chapter Management Discussion and Analysis which forms part of this report.

DIVIDEND

The Board of Directors has not recommended any dividend for FY21.

DIVIDEND DISTRIBUTION POLICY

In accordance with the Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations"), IDFC had formulated a Dividend Distribution Policy. The policy was adopted to set out the parameters and circumstances that will be taken into account by the Board in determining the distribution of dividend to its Shareholders and / or retaining profits earned by the Company. The said policy is hosted on the website of the Company and can be viewed at http://www.idfc.com/investor_relations/corporate_governance_policies.htm.

SUBSIDIARY COMPANIES

The Company has seven domestic direct indirect subsidiaries, one foreign indirect Subsidiary, Four Associate Companies and two Joint Ventures as on March 31, 2021 which are given in **Table 1**.

IDFC SECURITIES LIMITED

During FY20, IDFC & IDFC FHCL had entered into an understanding with Mr. Dharmesh Mehta along with other investors ("Acquirers") to sale its entire equity stake (100%) held in IDFC Securities Limited after obtaining the necessary regulatory approvals. IDFC Securities was an indirect subsidiary company of IDFC Limited as on March 31, 2020. During the year, on June 10, 2020, IDFC transferred equity stake in IDFC Securities Limited to the Acquirers, after obtaining all necessary regulatory approvals, at a consideration of Rs. 86 crore. The same was informed to the stock exchanges. Accordingly, as on March 31, 2021, IDFC Securities Limited ceased to be subsidiary company of IDFC FHCL.

Consequently, IDFC Securities Singapore Pte. Ltd and IDFC Capital USA which were subsidiaries of IDFC Securities Limited also ceased to be subsidiaries of the group.

IDFC Capital(Singapore) Pte. Ltd.

During the year, an application was filed for liquidation of IDFC Capital (Singapore) Pte Ltd, which has since been liquidated on February 24, 2021 after obtaining all necessary regulatory approvals and completing all necessary formalities.

CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors of IDFC reviews the affairs of its subsidiary companies regularly. In accordance with the provisions of Section 129(3) of the Companies Act, 2013 ("the act"), the Company has prepared Consolidated Financial Statements including requisite details of all the subsidiaries. Further, a statement containing the salient features of performance and financial positions of all the subsidiary companies / associates/ joint ventures in the format AOC-I is appended as **Annexure 1**.

In accordance with Section 136 of the Act, the Audited Financial Statements

together with the Consolidated Financial Statements and related information of the Company and audited accounts of each subsidiary company are available on the website of the Company: www.idfc.com. Detailed analysis of the performance of IDFC and its businesses, including initiatives in the areas of Risk Management, Human Resources and IDFC Foundation activities, have been presented in the section on Management Discussion & Analysis which forms part of this Annual Report.

PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES

IDFC had 6 employees as on March 31, 2021 and 336 employees at the group level. In terms of the provisions of Section 197(12) of the Act, read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended from time to time, a statement showing the names and other particulars of the employees drawing remuneration in excess of the limits set out in the said rules is provided in this Annual Report. Having regard to the provisions of the first proviso to Section 136(1) of the Act, the Annual Report excluding the aforesaid information is being sent to the Shareholders of the Company. The said information is available for inspection at

the Registered Office and Corporate Office of the Company during working hours and any Member interested in obtaining such information may write to the Company Secretary and the same will be furnished on request.

Disclosure pertaining to remuneration & other details as required under section 197(12) of the Act, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended from time to time, are appended as **Annexure 2**.

SHARE CAPITAL UPDATE

There was no change in the share capital of the Company during FY21. As on March 31, 2021, the total paid up capital of IDFC was 1,596,358,316 equity shares of Rs. 10 each.

MANAGEMENT DISCUSSION ANALYSIS AND REPORT ON CORPORATE GOVERNANCE

In compliance with Regulation 34 of SEBI LODR Regulations, separate detailed chapters on Management Discussion & Analysis, Report on Corporate Governance and Additional Shareholder Information forms part of this Annual Report.

01 SUBSIDIARY COMPANIES

SR. NO.	NAME OF THE SUBSIDIARY	DIRECT / INDIRECT SUBSIDIARY	% OF SHAREHOLDING
Domestic Subsidiaries			
i.	IDFC Financial Holding Company Limited ("IDFC FHCL")	Direct	100%
ii.	IDFC Foundation (a Company within the meaning of section 8 of the Act)	Direct	100%
iii.	IDFC Projects Limited	Direct	100%
iv.	IDFC Alternatives Limited	Direct	100%
v.	IDFC Trustee Company Limited	Direct	100%
vi.	IDFC AMC Trustee Company Limited	Indirect through IDFC FHCL	100%
vii.	IDFC Asset Management Company Limited ("IDFC AMC")	Indirect through IDFC FHCL	99.96%
Foreign Subsidiaries			
i.	IDFC Investment Managers (Mauritius) Ltd.	Indirect through IDFC AMC	99.96%
Associate			
i.	Novopay Solutions Private Limited	Direct	23.83%
ii.	IDFC FIRST Bank Limited	Indirect through IDFC FHCL	39.98%
iii.	IDFC FIRST Bharat Limited	Indirect through IDFC FIRST Bank	39.98%
iv.	Jetpur Somnath Tollways Private Limited	Indirect through IDFC Projects Limited	26%
Joint Ventures			
i.	Delhi Integrated Multi - Modal Transit System Limited	Indirect through IDFC Foundation	50%
ii.	Infrastructure Development Corporation (Karnataka) Limited ("iDeck")	Indirect through IDFC Foundation	49.49%

BUSINESS RESPONSIBILITY REPORT

As per Regulation 34(2)(f) of SEBI LODR Regulations and Notifications issued from time to time, a separate report called Business Responsibility Report (“BRR”) describing the initiatives taken by IDFC from an environmental, social and governance perspective is hosted on the Company’s website: www.idfc.com which forms part of this Annual Report.

PUBLIC DEPOSITS

During FY21, your Company has not accepted any deposits from the public within the meaning of the provisions of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 or under Chapter V of the Act.

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

Post demerger of financing undertaking into IDFC Bank w.e.f. October 1, 2015, IDFC is registered with RBI as NBFC – Investment Company. Being an investment company, the provisions of Section 186 of the Act are not applicable to IDFC. Hence, the requisite details of loans, guarantees and investments are not given.

VIGIL MECHANISM / WHISTLE BLOWER POLICY

IDFC has put in place a Whistle Blower Policy, which includes reporting to the Management instances of unethical behaviour, actual or suspected fraud or violation of the Company’s Code of Conduct. The Audit Committee directly oversees the Vigil Mechanism. The provisions of the policy are also in line with the provisions of Section 177 (9) & (10) of the Act. The details of Whistle Blower Policy /Vigil Mechanism are posted on the website of the Company: www.idfc.com.

FOREIGN EXCHANGE

There were no foreign exchange earnings or expenditure during the year under review.

PARTICULARS REGARDING CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

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

DIRECTORS AND KEY MANAGERIAL PERSONNEL

During the year, Government of India, Ministry of Finance, Department of Financial Services withdrew nominations of Mr. Anshuman Sharma (DIN: 07555065) and Mr. Soumyajit Ghosh (DIN: 07698741) as Nominee Directors from the Board of IDFC Limited vide its letter dated March 25, 2021 with immediate effect.

The Board places on record its sincere appreciation for the valuable contribution and services rendered by them.

The Shareholders of the Company vide a special resolution passed at its 23rd AGM held on September 25, 2020, reappointed Mr. Sunil Kakar (DIN: 03055561) as Managing Director & Chief Executive Officer of IDFC Limited wef July 16, 2020 till September 30, 2022.

The Shareholders of the Company at its 23rd AGM held on September 25, 2020 approved the appointment of Mr. Ajay Sondhi (DIN: 01657614), as an Independent Director of the Company for a period of 3 (three) consecutive years, from w.e.f. November 08, 2019 to November 07, 2022.

The Shareholders of the Company, at its 21st AGM held on July 31, 2018, appointed Mr. Vinod Rai (DIN : 00041867) as an Independent Non-executive Chairman for the second term for a period of 3 (three) consecutive years, from July 31, 2018 to July 30, 2021. The Nomination and Remuneration Committee and Board of Directors of IDFC Limited, at its respective meetings held on May 25, 2021 proposed the appointment of Mr. Vinod Rai as a Non-Executive Director (Non-Independent) on the Board of IDFC Limited with immediate effect up to May 22, 2023.

The Nomination and Remuneration Committee and Board of Directors of IDFC Limited, at its respective meetings held on May 25, 2021 also proposed the appointment of Dr. Jaimini Bhagwati (DIN: 07274047) and Mr. Anil Singhvi (DIN: 00239589) as Additional Directors in the category of Independent Director of the Company with immediate effect for a consecutive period of 3 (three) years.

The Company has only 6 (six) directors out of which 4 (four) are Independent Directors. Apart from Managing Director whose term is upto September 2022, only Non-Independent Director is Mr. Rai whose appointment will be considered by shareholders at this AGM. Accordingly, there is no Director who is liable to retire by rotation at this AGM.

The Shareholders of the Company are requested to approve the appointment of Mr. Vinod Rai, Dr. Jaimini Bhagwati and Mr. Anil Singhvi which forms part of the Notice for convening the ensuing AGM.

FRAMEWORK FOR APPOINTMENT OF DIRECTORS

The Company has in place a framework for Board Diversity, Fit & Proper Criteria and Succession Planning for appointment of Directors on the Board of the Company.

DECLARATION OF INDEPENDENCE

The Company has received a declaration from all IDs that they meet the criteria of independence specified under Section 149 of the Act, read with Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014 and Regulation 16(1)(b) of SEBI LODR Regulations for holding the position of ID and that they shall abide by the "Code for Independent Directors" as per Schedule IV of the Act. Pursuant to IICA, Companies (Accounts) Amendments Rules, 2019 Companies (Creation and Maintenance of Databank of Independent Directors) Rules, 2019 and Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019 dated 22nd October, 2019, all Independent Directors on the Board of the Company completed registration on Data Bank.

SPECIAL BUSINESS

The Board of Directors recommends the following items under special business

for approval of the Shareholders at the ensuing AGM:

- i. Appointment of Mr. Vinod Rai
- ii. Appointment of Dr. Jaimini Bhagwati as an Independent Director
- iii. Appointment of Mr. Anil Singhvi as an Independent Director
- iv. Payment of commission to Non-Executive Directors

SHAREHOLDERS' UPDATE BOARD AND ITS COMMITTEES

During the year, 9 (Nine) Board Meetings and 4 (four) Audit Committee Meetings were held. The Audit Committee was reconstituted on June 09, 2021. The Committee is chaired by Mr. Anil Singhvi (DIN: 00239589) and has Ms. Ritu Anand (DIN: 05154174), Mr. Vinod Rai (DIN: 00041867) and Mr. Ajay Sondhi (DIN: 01657614) as its Members All the recommendations made by the Audit Committee during the year were accepted by the Board. The details of the constitution and meetings of the Board, Audit Committee and other Committees held during the year are provided in the Corporate Governance Report which forms part of this Annual Report.

BOARD EVALUATION

Pursuant to SEBI LODR Regulations and the Act, the process indicating the manner in which formal annual evaluation of the Chairman, Directors, Board as a whole and Board level committees is given in the Corporate Governance Report, which forms part of this Annual Report.

NOMINATION & REMUNERATION COMMITTEE / REMUNERATION POLICY

The Company has a policy in place for identification of independence, qualifications and positive attributes of Directors. IDFC has put in place a Remuneration Policy for the Directors, Key Managerial Personnel, Senior Management and Other Employees.

The remuneration of the Executive Director and KMPs is recommended by NRC to the Board for its approval.

AUDITORS

STATUTORY AUDITORS

At the 20th AGM of the Company held on July 28, 2017, the Shareholders

had approved the appointment of Price Waterhouse & Co, Chartered Accountants LLP (FRN 304026E/E300009) ("PWC") as Statutory Auditors for a period of 5 years to hold office from the conclusion of the 20th AGM till the conclusion of the 25th AGM of the Company.

As per the guidelines issued by RBI vide RBI/ 2020-21/25 ref no. DOS.CO.ARG/ SEC.01/08.091.001/2021-22 dated April 27, 2021 for appointment/reappointment Statutory Central Auditors (SCAs)/ Statutory Auditors (SAs) of Commercial Banks excluding Regional Rural Banks (RRBs), United Co-operative Banks (UCBs) and NBFCs including Housing Finance Companies (HFCs) entities regulated by the Reserve Bank of India have to mandatorily rotate Statutory Auditors at the end of 3 (three) years. The said guidelines would be applicable for FY 2021-22 and onwards. NBFCs shall have flexibility to adopt these guidelines from H2(second half) of FY 2021-22. Accordingly, The Audit Committee and Board of Directors of IDFC Limited, at its respective meeting held on July 28, 2021 and August 11, 2021 proposed the appointment of Khimji Kunverji Co LLP as Statutory Auditors of the IDFC Limited for a period of 3 years'. The Shareholders of the Company are requested to approve the appointment of Khimji Kunverji Co LLP which forms part of the Notice for convening the ensuing AGM.

COST AUDIT

In terms of the Section 148 of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, the Company is not required to undertake cost audit.

SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Act and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed M/s. BNP & Associates, Company Secretaries to undertake the Secretarial Audit of the Company for FY21. The Secretarial Audit Report is appended as **Annexure 3**. There are no qualifications or observations or adverse remarks made by the Statutory Auditors and Secretarial Auditors in their respective reports.

COMPLIANCE WITH SECRETARIAL STANDARDS

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

INTERNAL CONTROL SYSTEMS

The Company has in place, adequate systems of Internal Control to ensure compliance with policies and procedures. It is being constantly assessed and strengthened with new / revised standard operating procedures and tighter Information Technology controls. Internal Audit of the Company is regularly carried out. The Audit Reports of Internal Auditors i.e. M/s Grant Thornton India LLP ("GT"), along with their recommendations and implementation contained therein are regularly reviewed by the Audit Committee.

GT verified the key Internal Financial Control by reviewing key controls impacting financial reporting and overall risk management procedures of the Company and found the same satisfactory. Subsequently, it was placed before the Audit Committee of the Company.

RISK MANAGEMENT POLICY

IDFC as a group, has a robust risk management practice that enables it to book, manage and mitigate risks in all its businesses. The Company has a comprehensive Enterprise Risk Management framework which has been adopted across all entities in the group and covers all three types of risks—credit, market and operational risks. The Board through its Risk Management Committee monitors and reviews risk management of the group on a regular basis. The details of Risk Management Framework are provided in Management Discussion and Analysis.

MATERIAL CHANGES AND COMMITMENT AFFECTING FINANCIAL POSITION OF THE COMPANY

There are no material changes and commitments, affecting the financial

position of IDFC which has occurred between the end of FY21 and the date of this Board's report.

INSTANCES OF FRAUD REPORTED BY THE AUDITORS

There have been no instances of fraud reported by the Auditors under Section 143(12) of the Act.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS / COURTS / TRIBUNALS

During the year under review, there were no significant and material orders passed by the Regulators / Courts / Tribunals.

ANTI SEXUAL HARASSMENT POLICY

The Company has in place the policy on Anti Sexual Harassment. The Company undertakes ongoing trainings to create awareness on this policy. There were no instances of Sexual Harassment that were reported during the period under review. The Company has constituted an Internal Complaints Committee for redressal of complaints and to prevent sexual harassment.

DIRECTORS' RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3)(c) of the Act:

- In that in the preparation of the annual financial statements for the year ended March 31, 2021, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- In that such accounting policies have been selected and applied consistently and judgement and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2021 and of the Profit of the Company for the year ended on that date;
- In that proper and sufficient care has been taken for the

maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- In that the annual financial statements have been prepared on a going concern basis;
- In that proper internal financial controls were in place and that the financial controls were adequate and were operating effectively;
- In that systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

GREEN INITIATIVE

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

Your Directors are thankful to the Shareholders for their active participation in this Green Initiative.

ANNUAL RETURN

An Annual Return of the Company is available on the website: www.idfc.com

CORPORATE SOCIAL RESPONSIBILITY

The Corporate Social Responsibility ("CSR") was re-constituted on June 09, 2021. Dr. Jaimini Bhagwati was inducted as the Chairman of the CSR Committee wef June 09, 2021. The CSR Committee consists of three Directors:

- i. Dr. Jaimini Bhagwati (DIN: 07274047),
Chairman
- ii. Mr. Ajay Sondhi (DIN: 01657614)
- iii. Mr. Sunil Kakar (DIN: 03055561)

The disclosure of contents of the Corporate Social Responsibility Policy of the Company as prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014 forms part of the Board's Report and appended as **Annexure 4**.

Pursuant to MCA circular read with The Companies (amendment) Act, 2020 the Company had made contribution of Rs. 0.55 crore to PM CARES fund as CSR activities in addition to the minimum prescribed requirement for FY20, which was offset against the CSR obligation arose in FY21.

RELATED PARTY TRANSACTIONS

The Company has in place the policy on Related Party Transactions and the same has been uploaded on the website of the Company i.e. www.idfc.com. In all related party transactions that were entered into during the financial year, an endeavour was made consistently that they were on an arm's length basis and were in the ordinary course of business. IDFC has always been committed to good corporate governance practices, including matters relating to Related Party Transactions.

Since all related party transactions entered into by the Company were in the ordinary course of business and were on an arm's length basis, Form AOC-2 is not applicable to the Company. No Material Related Party Transactions, i.e. transactions exceeding 10% of the annual consolidated turnover of the Company as per the last audited financial statements, were entered during the year by your Company.

EMPLOYEE STOCK OPTION SCHEME

Pursuant to the resolution passed by the Members through Postal Ballot dated June 25, 2016, IDFC introduced IDFC Employee Stock Option Scheme, 2016 ("IDFC ESOS 2016") to enable the employees of IDFC and its subsidiaries to participate in the future growth and financial success of the Company. The Scheme is in compliance with the SEBI (Share Based Employee Benefits) Regulations, 2014.

The Company determines the fair value of options using the black shoes model which takes into account the exercise price, the term of the option, share price at grant date, expected price volatility, dividend yield and risk free interest rate for the term of the option.

The fair value so determined is charged to profit & loss account as employee benefit expense over the vesting period of the grant.

Disclosures as required under the SEBI (Share Based Employee Benefits) Regulations, 2014, are hosted on the Company's website: www.idfc.com which forms part of this Annual Report.

ACKNOWLEDGEMENTS

We are grateful to the Government of India, State Governments, RBI, SEBI, Stock Exchanges, various Ministries and other domestic and overseas regulatory bodies for their continuous collaboration and support. We would like to thank all our Shareholders, Banks for their co-operation and assistance during the year under review.

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

FOR AND ON BEHALF OF THE BOARD

Vinod Rai

Non-Executive Chairman

New Delhi

Date: June 14, 2021