NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

1A. BACKGROUND

IDFC Limited ('the Company') is a public limited company incorporated in India under the provisions of Companies Act, 2013 applicable in India and is a Non-Banking Finance Company (NBFC) regulated by the Reserve Bank of India ('RBI'). The Company is listed on both the stock exchange (Bombay Stock exchange and National Stock exchange). The registered office of the Company is located at 4th Floor, Capitale Tower, 555 Anna Salai, Thiru Vi Ka Kudiyiruppu, Teynampet Chennai – 600 018 , Tamil Nadu and the corporate office is located at 906/907, 9th Floor, Embassy Centre, Jamnalal Bajaj Road, Nariman Point, Mumbai – 400 021.

The Company was operating as an Infrastructure Finance Company, i.e. financing infrastructure projects in sectors like energy, telecommunication, transportation, commercial and industrial projects including hospital, education, and tourism and hotels upto September 30, 2015. The Company had received in principle approval from the RBI to set up a new private sector bank in April 2014. Since October 1, 2015 the company is operating as NBFC – Investment and Credit Company (NBFC – ICC).

These standalone financial statements were authorized for issue in accordance with a resolution of the Board of Directors on June 14, 2021.

1B. NEW AND AMENDED STANDARDS ADOPTED

There are no new standards and amendments applicable to the Company for the annual reporting period commencing on April 1, 2020.

2. BASIS OF PREPARATION

(i) *Compliance with Ind AS*

The standalone financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

(ii) *Historical cost convention*

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities and contingent consideration is measured at fair value;
- assets held for sale – measured at fair value less cost to sell;
- defined benefit plans – plan assets measured at fair value; and
- share-based payments – measured at fair value.

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(iii) *Presentation of financial statements*

The Company presents its balance sheet in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in Note 37.

Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- The normal course of business
- The event of default
- The event of insolvency or bankruptcy of the Company and/or its counterparties

3. INVESTMENT IN SUBSIDIARY AND ASSOCIATES

Investment in subsidiaries and associates are measured at cost less accumulated impairment. See note 12 (iv) below for the accounting policy for Impairment of Non-financial assets.

4. REVENUE RECOGNITION

Revenue (other than for those items to which Ind AS 109 Financial Instruments are applicable) is measured at fair value of the consideration received or receivable. Ind AS 115 Revenue from contracts with customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found within Ind ASs.

The Company recognises revenue from contracts with customers based on a five step model as set out in Ind As 115:

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

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Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the Company satisfies a performance obligation

(i) Interest income

Under Ind AS 109 interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost, debt instrument measured at FVOCI and debt instruments designated at FVTPL. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Company recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk. The adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through interest income in the statement of profit and loss.

The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Company calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVTPL is recognised using the contractual interest rate in net gain on fair value changes.

(ii) Dividend income

Dividend income (including from FVOCI investments) is recognised when the Company's right to receive the payment is established, it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of the dividend can be measured reliably. This is generally when the shareholders approve the dividend.

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(iii) Revenue from power supply

Revenue from power supply is accounted on accrual basis unless there is any uncertainty relating to its recovery.

5. INCOME TAX

The income tax expense or credit for the period is the tax payable on the taxable income of the current period based on the applicable income tax rates adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

i. Current Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii. Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

6. GOODS AND SERVICE TAX

Expenses and assets are recognised net of the goods and services tax paid, except:

- When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of tax included

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

7. LEASES

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

(i) Company as a lessee

Leases that do not transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term, unless the increase is in line with expected general inflation, in which case lease payments are recognised based on contractual terms. Contingent rental payable is recognised as an expense in the period in which they it is incurred.

(ii) Company as a lessor

Leases where the Company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in rental income in the statement of profit or loss, unless the increase is in line with expected general inflation, in which case lease income is recognised based on contractual terms. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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8. FINANCIAL INSTRUMENT

(i) Date of recognition

Financial assets and liabilities, with the exception of loans, debt securities, deposits and borrowings are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans are recognised when funds are transferred to the customer's account. The Company recognises debt securities, deposits and borrowings when funds reach the Company.

(ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for the Day 1 profit or loss, as described below.

(iii) Day 1 gain and loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Company recognises the difference between the transaction price and fair value in net gain on fair value changes. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

(iv) Measurement categories of financial assets and liabilities

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost,
- Fair value through other comprehensive income (FVOCI),
- Fair value through profit and loss (FVTPL)

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The Company classifies and measures its derivatives (other than those designated in a cash flow hedging relationship) and trading portfolio at FVTPL. The Company may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at FVTPL when they are derivative instruments or the fair value designation is applied.

9. FINANCIAL ASSETS AND LIABILITIES

(i) Bank balance, Loans, Trade receivables and financial investment at amortised cost.

The Company measures Bank balances, Loans, Trade receivables and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

a) Business model test

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- how managers of the business are compensated
- the expected frequency, value and timing of sales are also important aspects of the Company's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

b) SPPI test

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instrument's cash flows represent solely payments of principal and interest (the 'SPPI test').

In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

(ii) Financial assets held for trading

The Company classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is an evidence of a recent pattern of short-term profit-taking. Held-for-trading assets and liabilities are recorded and measured in the balance sheet at fair value. Changes in fair value are recognised in net gain on fair value changes. Interest and dividend income or expense is recorded in net gain on fair value changes according to the terms of the contract, or when the right to payment has been established. Included in this classification investments in mutual fund units, debt securities and equities that have been acquired principally for the purpose of selling or repurchasing in the near term.

(iii) Equity instruments at FVOCI

The Company subsequently measures all equity investments at fair value through profit or loss, unless the Company's management has elected to classify irrevocably some of its equity investments as equity instruments at FVOCI, when such instruments meet the definition of definition of Equity under Ind AS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

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Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognised in profit or loss as dividend income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

(iv) *Debt instruments and other borrowed funds*

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

10. RECLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

11. DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

(i) *Derecognition of financial assets due to substantial modification of terms and conditions*

The Company derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Company considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty

If the modification is such that the instrument would no longer meet the SPPI criteria.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

(ii) *Derecognition of financial assets other than due to substantial modification of terms and conditions*

a) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Company has transferred the financial asset if, and only if, either:

- The Company has transferred its contractual rights to receive cash flows from the financial asset, or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement

A transfer only qualifies for derecognition if either:

- The Company has transferred substantially all the risks and rewards of the asset, or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

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12. IMPAIRMENT OF FINANCIAL ASSET

(i) Overview of the ECL principles

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 36 details how the Company determines whether there has been a significant increase in credit risk.

The ECL allowance is based on the credit losses expected to arise over the life of the asset, unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12m ECL). The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 36.

Based on the above process, the Company categorises its loans into Stage 1, Stage 2, Stage 3 as described below:

Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12- month expected credit losses ('ECL') are recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the ECL that result from default events that are possible within 12 months after the reporting date.

Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the ECL that result from all possible default events over the maximum contractual period during which the entity is exposed to credit risk.

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised and interest revenue is calculated on the net carrying amount.

(ii) The calculation of ECLs

The Company calculates ECLs based on a four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

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The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD: The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

Loss Given Default (LGD) represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be made it the default occurs over the remaining expected lifetime of the loan.

When estimating the ECLs, the Company considers four scenarios (a base case, an upside, a mild downside ('downside 1') and a more extreme downside ('downside 2')). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

(iii) Trade receivables and contract assets

For trade receivables only, the Company applies the simplified approach required by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Company uses a provision matrix to determine impairment loss allowance on its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated for changes in the forward-looking estimates.

(iv) Impairment of subsidiary and Associates

The Company is required to assess on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. As per IND AS 36 investments are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. In assessing whether there is any impairment management considers indications through external and internal sources of information.

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13. DETERMINATION OF FAIR VALUE

The Company measures certain financial instruments at fair value at each balance sheet date. 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 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. In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

Level 1 includes financial instruments measured using quoted prices. This includes listed equity instruments, traded bonds and mutual funds that have quoted price. The mutual funds are valued using the closing NAV.

Level 2 financial instruments the fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3 - If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The Company evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary based on the facts at the end of the reporting period. This is further explained in Note 35.

14. CASH AND CASH EQUIVALENTS

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

15. PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

(i) Depreciation methods, estimated useful lives and residual value

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Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives prescribed in Schedule II to the Companies Act, 2013 except in respect of following categories of assets, in which case life of asset has been assessed based on the technical advice.

a) Mobile Phone – 2 years b) Motor Cars – 4 years

Depreciation on additions during the year is provided on a pro-rata basis. Assets costing less than ₹ 5,000 each are fully depreciated in the year of capitalisation.

The useful lives have been determined based on technical evaluation done by the management's expert which are higher than those specified by Schedule II to the Companies Act; 2013, in order to reflect the actual usage of the assets. The residual values are not more than 5% of the original cost of the asset.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other gains/ (losses).

16. IMPAIRMENT OF NON-FINANCIAL ASSET

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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17. EMPLOYEE BENEFITS

(i) Defined contribution plan

The Company pays provident fund contributions to publicly administered provident funds as per local regulations. The Company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognised as employee benefit expense when they are due.

(ii) Defined benefit plan

The liability or asset recognised in the balance sheet in respect of 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. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation denominated in INR 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. The estimated future payments which are denominated in a currency other than INR, are discounted using market yields determined by reference to high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

(iii) Compensated absences

Based on the leave rules of the group companies, employees are not permitted to accumulate leave. Any unavailed privilege leave to the extent encashable is paid to the employees and charged to the Statement of Profit and Loss for the year. Short term compensated absences are provided based on estimates of availment / encashment of leaves.

18. PROVISIONS

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Company determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

19. SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Company's primary business segments are reflected based on the principal business carried out, i.e. investing. The risk and returns of the business of the Company is not associated with geographical segmentation, hence there is no secondary segment.

20. FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Indian rupee (INR), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of ex-change ruling at the date of the transaction. However, for practical reasons, the Company uses an average rate if the average approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. All differences arising on non–trading activities are taken to other income/expense in the statement of profit and loss.

Non–monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

21. SHARE-BASED PAYMENTS

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

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The fair value of options granted under the ESOS is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g., the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

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 the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

22. EARING PER SHARE

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company
- by the weighted average number of equity shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
- the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

23. ROUNDING OFF

All amounts disclosed in the financial statements and notes have been rounded off to the nearest “crores” as per the requirement of Schedule III, unless otherwise stated.

24. CONTRIBUTED EQUITY

Equity shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceed.

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25. DIVIDENDS

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

NOTE 2: SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as 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.

JUDGEMENTS

In the process of applying the Company's accounting policies, management has made the following judgements, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1. BUSINESS MODEL ASSESSMENT

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how Company's of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken

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from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. For further details about determination of fair value please see Note 35.

3. EFFECTIVE INTEREST RATE (EIR) METHOD

The Company's EIR methodology, recognises interest income / expense using a rate of return that represents the best estimate of a constant rate of return over the expected behavioral life of loans given / taken and recognises the effect of potentially different interest rates at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges).

This estimation, by nature, requires an element of judgement regarding the expected behavior and life-cycle of the instruments, as well expected changes to India's base rate and other fee income/expense that are integral parts of the instrument.

4. IMPAIRMENT OF FINANCIAL ASSETS

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Company's internal credit grading model, which assigns PDs to the individual grades
- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

It has been the Company's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

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5. PROVISION AND OTHER CONTINGENT LIABILITIES

The Company operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings in the ordinary course of the Company's business.

When the Company can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Company records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Company takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

6. TRANSFER FROM SPECIAL RESERVE U/S. 36(1)(VIII) OF THE INCOME-TAX ACT, 1961

As per section 36(1)(viii) of Income tax act, 1961, deduction shall be allowed in respect of any special reserve created and maintained by specified entities, for an amount not exceeding twenty percent (20%) of the profits derived from eligible business (computed under the head "Profits and gains of business or profession" (before making any deduction under this clause) carried to such reserve account.

Provided that where the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid up share capital and of the general reserves of the specified entity, no allowance under this clause shall be made in respect of such excess.

The Company has created special reserve under section 36(i)(viii) of The Income Tax Act, 1961 on its infrastructure assets. As the Company is an investment company now, no further reserve under the said section is being created. The Company has claimed deduction for the creation of these reserves in earlier years. Section 41(4A) states that, "Where a deduction has been allowed in respect of any special reserve created and maintained under clause (viii) of sub- section (1) of section 36, any amount subsequently withdrawn from such special reserve shall be deemed to be the profits and gains of business or profession and accordingly be chargeable to income-tax as the income of the previous year in which such amount is withdrawn".

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3. CASH AND CASH EQUIVALENTS

(₹ in crore)

	As at March 31, 2021	As at March 31, 2020
Cash on hand	ß	ß
Balances with banks:		
In current accounts	2.14	0.69
Total	2.14	0.69

i) The Company has not taken bank overdraft, therefore the cash and cash equivalents for the cash flow statement is same as cash and cash equivalents given above.

4. BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS ABOVE

(₹ in crore)

	As at March 31, 2021	As at March 31, 2020
Balances with banks:		
In earmarked accounts		
- unclaimed dividend	1.85	1.48
Total	1.85	1.48

5. TRADE RECEIVABLES

(₹ in crore)

	As at March 31, 2021	As at March 31, 2020
Receivables considered good - Secured	-	-
Receivables considered good - Unsecured	-	-
Receivables - Credit impaired	5.90	5.90
(Less): Impairment loss allowance	(5.90)	(5.90)
Total	-	-

6. OTHER RECEIVABLES

(₹ in crore)

	As at March 31, 2021	As at March 31, 2020
Receivables considered good - Secured	-	-
Receivables considered good - Unsecured	-	7.85
Receivables - Credit impaired	-	-
(Less): Impairment loss allowance	-	(7.83)
Total	-	0.02

i) No trade receivables are due from director or other officer of the Company either severally or jointly with any other person.

ii) No trade receivables are due from firms or private companies (including LLPs) in which any director of the Company is a partner, a director or a member.

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7. **INVESTMENTS**

(₹ in crore)

	At amortised Cost	At fair value through profit and loss	Others*	Total
As at March 31, 2021				
Subsidiaries [see note (a) and (b) below]	-	-	9,288.32	9,288.32
Associates	-	-	35.62	35.62
Venture capital fund units	-	67.00	-	67.00
Total (A) - Gross	-	67.00	9,323.94	9,390.94
(Less): Impairment loss allowance [see note (c) below]	-	-	(95.67)	(95.67)
Total (A) - Net	-	67.00	9,228.27	9,295.27
Investments outside India	-	-	-	-
Investments in India	-	67.00	9,323.94	9,390.94
Total (B) - Gross	-	67.00	9,323.94	9390.94
(Less): Impairment loss allowance [see note (c) below]	-	-	(95.67)	(95.67)
Total (B) - Net	-	67.00	9,228.27	9,295.27

(₹ in crore)

	At amortised Cost	At fair value through profit and loss	Others*	Total
As at March 31, 2020				
Subsidiaries [see note (a) and (b) below]	-	-	9,291.37	9,291.37
Associates	-	-	35.62	35.62
Venture capital fund units	-	54.64	-	54.64
Total (A) - Gross	-	54.64	9,326.99	9,381.63
(Less): Impairment loss allowance [see note (c) below]	-	-	(95.67)	(95.67)
Total (A) - Net	-	54.64	9,231.32	9,285.96
Investments outside India	-	-	-	-
Investments in India	-	54.64	9,326.99	9,381.63
Total (B) - Gross	-	54.64	9,326.99	9,381.63
(Less): Impairment loss allowance [see note (c) below]	-	-	(95.67)	(95.67)
Total (B) - Net	-	54.64	9,231.32	9,285.96

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* Investment in subsidiaries and associates are measured at cost in accordance with Ind AS 27.

a) The Board of Directors of the Company on November 8, 2019 had approved transfer of 100% equity shares of IDFC Alternatives Limited and IDFC Trustee Company Limited held by IDFC Financial Holding Company Limited (wholly owned subsidiary of the Company) at book value to the Company for ₹ 200.05 crore and ₹ 0.05 crore respectively.

b) IDFC Financial Holding Company Limited (''IDFC FHCL") had filed application u/s 66 (i) of the Companies Act 2013 for reduction of share capital by ₹ 650 crore on December 12, 2019 with Hon'ble National Company Law Tribunal (''NCLT"). Hon'ble NCLT, Chennai Branch passed order on February 04, 2021 approving the reduction of share capital and had given time of 30 days to effect the reduction. However the shareholders of IDFC FHCL passed a special resolution in the Extra Ordinary General Meeting held on March 2, 2021 to not give effect to the said capital reduction. Based on the legal advice obtained, IDFC FHCL has communicated its decision of not being able to comply to the NCLT order to the Registrar of companies ("ROC") vide MGT-14 dated March 02, 2021 and to NCLT vide their letter dated March 02, 2021. No communication has been received by FHCL from ROC or NCLT upto the date of approval of these financial statements.

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c) Impairment loss allowance

(i) During the previous year, the Company had made provision of ₹ 35.62 crore on Novopay Solutions Private Limited ("Novopay") (associate of the Company). Performance of Novopay had lead to substantial erosion of its net worth. Accordingly investment was completley impaired.

(ii) IDFC Projects Limited, a wholly owned subsidiary of the Company has suspended its business operations and there are no definitive future business plans for its commercial operations. The net worth of IDFC Projects Limited has eroded significantly due to accumulated losses from prior years of operation to such an extent that it's networth has turned negative, the recoverable amount of the entire equity investment is considered to be less than its carrying value. Consequently, in the previous years the Company had made a provision for impairment of ₹ 47.05 crore in the statement of profit and loss. Entire Investment in IDFC Projects Limited has been provided for.

(iii) IDFC Foundation, wholly owned subsidiary of the Company is a section 8 company under Companies Act 2013. Upon winding up or dissolution of IDFC Foundation, if there remains, after satisfaction of all debts and liabilities, any surplus whatsoever, the same shall not be distributed to IDFC Limited but will be transferred to such other company having objects similar to the objects of IDFC Foundation. Accordingly, in the previous years the entire investment of ₹ 13 crores in IDFC Foundation was full provided for by the Company.

More information regarding the valuation methodologies are disclosed in Note 35.

8. OTHER FINANCIAL ASSETS

(₹ in crore)

	As at March 31, 2021	As at March 31, 2020
Security deposits	0.29	0.37
Advance given to related party (refer note 39)	0.52	0.50
Impairment provision on advance given to related party	(0.52)	(0.50)
Total	0.29	0.37

9. INCOME TAX ASSETS (NET)

(₹ in crore)

	As at March 31, 2021	As at March 31, 2020
Income tax paid in advance	1.51	3.03
[net of provision for tax for ₹ 16.06 crores (March 31, 2020: ₹ 35.08 crores)]		
Total	1.51	3.03

10. PROPERTY, PLANT AND EQUIPMENT

(₹ in crore)

	Vehicles	Office Equipments	Computers	Windmills	Total
Year ended March 31, 2021					
Gross carrying amount					
Opening gross carrying amount	0.29	0.18	1.81	59.96	62.24
Additions	0.16	ß	-	-	0.16
Disposals and transfers	-	-	-	(59.96)	(59.96)
Closing gross carrying amount	0.45	0.18	1.81	-	2.44
Accumulated depreciation					
Opening accumulated depreciation	0.18	0.17	1.78	21.96	24.09
Depreciation charge during the year	0.07	ß	0.01	1.43	1.51
Disposals and transfers [see note (a) below]	-	-	-	(23.39)	(23.39)
Closing accumulated depreciation	0.25	0.17	1.79	-	2.21
Net carrying amount as at March 31, 2021	0.20	0.01	0.02	-	0.23

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10. PROPERTY, PLANT AND EQUIPMENT (₹ in crore)

	Vehicles	Office Equipments	Computers	Windmills	Total
Year ended March 31, 2020					
Gross carrying amount					
Opening gross carrying amount	0.29	0.17	1.80	59.96	62.22
Additions	-	0.01	0.01	-	0.02
Disposals and transfers	-	-	-	-	-
Closing gross carrying amount	0.29	0.18	1.81	59.96	62.24
Accumulated depreciation					
Opening accumulated depreciation	0.13	0.05	0.91	9.20	10.29
Depreciation charge during the year	0.05	0.12	0.87	4.62	5.66
Impairment during the year	-	-	-	8.14	8.14
Disposals and transfers	-	-	-	-	-
Closing accumulated depreciation	0.18	0.17	1.78	21.96	24.09
Net carrying amount as at March 31, 2020	0.11	0.01	0.03	38.00	38.15

a) Based on the Business Transfer Agreement executed on August 14, 2020, windmills have been sold to Champak Pragati Foundation for aggregate consideration of ₹ 20.34 crore. The Company has recognised loss of ₹ 16.57 crore on sale on Windmill. Post the sale of Windmills, transfer application has been made to Rajasthan Renewable Energy Corporation (RRECL) for transfer of Power Purchase Agreement (PPA) in favour of the buyer. The Company has received part consideration and balance amount of ₹ 2.32 crore will be received post this transfer.

11. OTHER NON-FINANCIAL ASSETS (₹ in crore)

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	As at March 31, 2021	As at March 31, 2020
Prepaid expenses	0.17	2.00
Supplier advances	ß	ß
Balances with government authorities - cenvat/GST credit available	ß	0.04
Receivable from gratuity fund [net of provision of ₹ 0.08 crore (refer note 28)]	-	0.12
Others [refer note 10 (a)]	2.32	0.01
Total	2.49	2.18

12. TRADE PAYABLES (₹ in crore)

	As at March 31, 2021	As at March 31, 2020
- Total outstanding dues of micro enterprises and small enterprises	-	-
- Total outstanding dues of creditors other than micro enterprises and small enterprises	1.59	1.58
Total	1.59	1.58

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The information as required under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) has been determined to the extent such parties have been identified on the basis of information received from suppliers regarding their status under the said act as available with the Company and is as follows:

(₹ in crore)

	As at March 31, 2021	As at March 31, 2020
Outstanding principal amount and interest due to suppliers registered under MSMED Act and remaining unpaid at the year end:		
- Principal amount	-	-
- Interest due thereon	-	-
Interest paid other than under section 16 of MSMED Act, to suppliers registered under MSMED Act, beyond the appointed day during the period.	-	-
Interest paid under section 16 of MSMED Act, to suppliers registered under MSMED Act, beyond the appointed day during the period.	-	-
Amount of interest due and payable (where the principal has already been paid but interest has not been paid).	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year.	-	-
The amount of further interest remaining due and payable even in succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of MSMED Act.	-	-

13. DEPOSITS

(₹ in crore)

	As at March 31, 2021	As at March 31, 2020
Inter corporate deposits from related parties [see note 39]	35.33	37.76
Total	35.33	37.76

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Net debt reconciliation

The section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

(₹ in crore)

	As at March 31, 2021	As at March 31, 2020
Cash and cash equivalents	2.14	0.69
Intercoporate deposits	(35.33)	(37.76)
Net debt	(33.19)	(37.07)

Particulars	Other assets		Liabilities from financing activity	Total
	Cash and Bank Balance	Liquid assets	Inter Corporate deposit	
Net debt as at April 1, 2019	0.54	371.20	-	371.74
Cash outflows	0.15	(371.20)	-	(371.05)
Inter corporate deposits taken			(37.00)	(37.00)
Interest on Inter corporate deposits	-	-	(0.76)	(0.76)
Net debt as at March 31, 2020	0.69	-	(37.76)	(37.07)
Cash outflows	1.45	-	-	1.45
Inter corporate deposits taken	-	-	(39.50)	(39.50)
Inter corporate deposits repaid	-	-	42.76	42.76
Interest on Inter corporate deposits	-	-	(0.83)	(0.83)
Net debt as at March 31, 2021	2.14	-	(35.33)	(33.19)

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14. OTHER FINANCIAL LIABILITIES

(₹ in crore)

	As at March 31, 2021	As at March 31, 2020
Unclaimed dividend *	1.85	1.48
Employee benefits payable	1.80	3.80
Total	3.65	5.28

* Amount required to be transferred has been transferred to Investor Education Protection Fund account as required under section 125 of the Companies Act, 2013

15. INCOME TAX LIABILITIES (NET)

(₹ in crore)

	As at March 31, 2021	As at March 31, 2020
Provision for income tax	0.21	1.21
[net of advance tax of ₹ 14.15 crores (March 31, 2020: ₹ 36.25 crore)		
Total	0.21	1.21

16. DEFERRED TAX LIABILITIES (NET)

(₹ in crore)

	As at March 31, 2021	As at March 31, 2020
Property, plant and equipments	-	8.15
Fair value adjustments		
- Venture capital fund units	0.57	(1.01)
Total	0.57	7.14

a) Movement in deferred tax liabilities

The balance comprises temporary differences attributable to the below items and corresponding movement in deferred tax liabilities:

(₹ in crore)

Particulars	As at March 31, 2020	Charged/ (credited) to profit and loss	Charged/ (credited) to OCI	As at March 31, 2021
Deferred tax liability :				
Property, plant and equipment	8.15	(8.15)	-	-
Fair valuation gain/(loss) on financial instruments	(1.01)	1.58	-	0.57
Total	7.14	(6.57)	-	0.57

17. PROVISIONS

(₹ in crore)

	As at March 31, 2021	As at March 31, 2020
Loan commitment [refer note 32(b)]	-	22.63
Provision for gratuity [refer note 28]	0.17	-
Total	0.17	22.63

18. OTHER NON-FINANCIAL LIABILITIES

(₹ in crore)

	As at March 31, 2021	As at March 31, 2020
Statutory dues	0.67	0.72
Other payables	0.49	-
Total	1.16	0.72

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19A. EQUITY SHARE CAPITAL

(₹ in crore)

	As at March 31, 2021		As at March 31, 2020	
	Number	₹ In crore	Number	₹ In crore
Authorised shares				
Equity shares of ₹ 10 each	4,000,000,000	4,000.00	4,000,000,000	4,000.00
Preference shares of ₹ 100 each	100,000,000	1,000.00	100,000,000	1,000.00
Issued, subscribed & fully paid-up shares				
Equity shares of ₹ 10 each	1,596,358,316	1,596.36	1,596,358,316	1,596.36
Total	1,596,358,316	1,596.36	1,596,358,316	1,596.36

a) Movements in equity share capital

	As at March 31 2,021		As at March 31 2,020	
	Number	₹ In crore	Number	₹ In crore
Outstanding at the beginning of the year	1,596,358,316	1,596.36	1,596,358,316	1,596.36
Shares issued during the year	-	-	-	-
Outstanding at the end of the year	1,596,358,316	1,596.36	1,596,358,316	1,596.36

b) Terms and rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts. However, no such preferential amounts exists currently. The distribution will be in proportion to the number of equity shares held by the shareholders. The dividend proposed by the board of directors is subject to the approval of shareholders at the ensuing annual general meeting, except in case of interim dividend.

During the previous year, the Board of the Company had declared its first interim dividend of ₹ 2.50/- per share on September 30, 2019 and the same was paid on October 4, 2019 and had declared second interim dividend of ₹ 0.65/- per share on November 14, 2019 which was paid on November 26, 2019.

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c) Shares reserved for issue under options

Information relating to the IDFC Limited Employee Stock Option Scheme (ESOS), including details regarding options issued, exercised and lapsed during the year and options outstanding at the end of the reporting period is set out in note 38.

d) Details of shareholders holding more than 5% of the shares in the Company

Equity shareholders	As at March 31, 2021		As at March 31, 2020	
	Number	% holding	Number	% holding
President of India	261,400,000	16.37	261,400,000	16.37
Sipadan Investments (Mauritius) Limited	-	-	151,145,989	9.47

19B. OTHER EQUITY

(₹ in crore)

	As at March 31, 2021	As at March 31, 2020
Surplus in the statement of profit and loss	872.18	454.08
Securities premium	2,505.88	2,505.88
General reserve	631.02	631.02
Special reserve u/s. 36(1)(viii) of the Income-tax Act, 1961	2,642.23	3,053.25
Special reserve u/s. 45-IC of the RBI Act, 1934	997.65	995.85
Share options outstanding account	15.78	19.12
Total	7,664.74	7,659.20

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a) Surplus in the statement of profit and loss (₹ in crore)

	Year ended March 31, 2021	Year ended March 31, 2020
Opening balance	454.08	986.61
Net profit for the period	8.98	64.18
Items of other comprehensive income recognised directly in retained earnings		
- Remeasurements of post-employment benefit obligation, net of tax	(0.11)	0.04
Vested options lapsed during the year	-	0.98
Dividends (including DDT)	-	(584.88)
Transfer from Special reserve u/s. 36(1)(viii) of the Income-tax Act, 1961 [see note 19(c) (e)]	411.02	-
Transfer to special reserve u/s. 45-IC of RBI Act, 1934	(1.80)	(12.85)
Closing balance	872.18	454.08

b) Securities premium (₹ in crore)

	Year ended March 31, 2021	Year ended March 31, 2020
Opening balance	2,505.88	2,505.88
Changes during the year	-	-
Closing balance	2,505.88	2,505.88

c) General reserve (₹ in crore)

	Year ended March 31, 2021	Year ended March 31, 2020
Opening balance	631.02	631.02
Appropriations during the year	-	-
Closing balance	631.02	631.02

d) Special reserve u/s. 36(1)(viii) of the Income-tax Act, 1961 (₹ in crore)

	Year ended March 31, 2021	Year ended March 31, 2020
Opening balance	3,053.25	3,053.25
Appropriations during the year [see note 19(c) (e)]	(411.02)	-
Closing balance	2,642.23	3,053.25

e) Special reserves u/s 45-IC of RBI Act, 1934 (₹ in crore)

	Year ended March 31, 2021	Year ended March 31, 2020
Opening balance	995.85	983.00
Appropriations during the year	1.80	12.85
Closing balance	997.65	995.85

f) Share options outstanding account (₹ in crore)

	Year ended March 31, 2021	Year ended March 31, 2020
Opening balance	19.12	22.62
Employee stock option expense	-	1.10
Vested options lapsed during the year	(3.34)	(4.62)
Options granted to the employees of subsidiaries	-	0.02
Closing balance	15.78	19.12

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19C. NATURE AND PURPOSE OF SPECIAL RESERVES

a) Securities premium

Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of the Companies Act, 2013.

b) General reserve

Under the earstwhlie Companies Act, 1956, general reserve was created through an annual transfer of net income at specified percentage in accordance with applicable regulations. The purpose of these transfer was to ensure that if dividend distribution in the given year is more than 10% of paid up capital of the Company of that year, then the total dividend distribution is less than the total distributable results of the year. Consequent to introduction of Companies Act, 2013, the requirement to transfer a specified percentage of the net profit to general reserve has been withdrawn. However, the amount previously transferred to the general reserve can be utilised only in accordance with the specific requirements of the Companies Act, 2013.

c) Special reserves u/s 45-IC of RBI Act, 1934

As per section 45-IC of RBI Act, 1934, Every non-banking financial company (NBFC) shall create a reserve fund and transfer therein a sum not less than twenty per cent (20%) of its net profit every year as disclosed in the profit and loss account and before any dividend is declared. No appropriation of any sum from the reserve fund shall be made by the non-banking financial company except for the purpose as may be specified by RBI.

d) Share options outstanding account

The share options outstanding account is used to recognise the grant date fair value of options issued to employees under Employee Stock Option Scheme (ESOS) over the vesting period. (Refer Note 38)

e) Special reserve u/s. 36(1)(viii) of the Income-tax Act, 1961

As per section 36(1)(viii) of Income tax act, 1961, deduction shall be allowed in respect of any special reserve created and maintained by specified entities, for an amount not exceeding twenty percent (20%) of the profits derived from eligible business computed under the head “Profits and gains of business or profession” (before making any deduction under this clause) carried to such reserve account.

Provided that where the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid up share capital and of the general reserves of the specified entity, no allowance under this clause shall be made in respect of such excess.

Before demerger of its financing undertaking, the Company was a notified public financial institution engaged in lending to infrastructure projects. The Company had created special reserve u/s 36(1)(viii) of the Income Tax Act,1961 on profits derived from eligible business. The Company has claimed deduction for the creation of these reserves in earlier years. Section 41(4A) states that, “Where a deduction has been allowed in respect of any special reserve created and maintained under clause (viii) of sub- section (1) of section 36, any amount subsequently withdrawn from such special reserve shall be deemed to be the profits and gains of business or profession and accordingly be chargeable to income-tax as the income of the previous year in which such amount is withdrawn.” During the current year, based on the legal opinion provided by the external legal advisor and in consultation with the tax consultant, the Company transferred excess reserves of ₹ 411.02 crores on which deduction was not allowed in any of the previous years to “Surplus in the statement of profit and loss”. The transfer of reserves have been approved by the Board of Directors.

20. INTEREST INCOME

(₹ in crore)

	Year ended March 31, 2021	Year ended March 31, 2020
On financial assets measured at amortised costs:		
Interest on deposits with banks	0.01	0.02
Interest income on inter corporate deposits	-	0.01
On financial assets measured at FVTPL:		
Interest on debt securities	-	1.93
Total	0.01	1.96

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21. NET GAIN / (LOSS) ON FAIR VALUE CHANGES

(₹ in crore)

	Year ended March 31, 2021	Year ended March 31, 2020
Net gain/(loss) on financial instruments at FVTPL:		
(i) On trading portfolio		
- Mutual fund units	0.19	16.58
- Debt securities	-	1.45
(ii) On financial instruments designated at FVTPL		
- Alternative investment fund units	-	1.15
- Venture capital units	7.52	27.54
Total (A)	7.71	46.72
Fair Value changes:		
Realised	1.41	48.75
Unrealised	6.30	(2.03)
Total (B)	7.71	46.72

22. OTHER INCOME

(₹ in crore)

	Year ended March 31, 2021	Year ended March 31, 2020
Sale of power	4.74	10.72
Miscellaneous income	-	0.81
Reversal of provision of earlier years*	30.46	-
Total	35.20	11.53

* Out of the above for details of reversal amounting to ₹ 22.63 crores refer note 32(b). The balance amount pertains to reversal of impairment on other receivables amounting to ₹ 7.83 crores as the same have been recovered during the year.

23. FINANCE COST

(₹ in crore)

	Year ended March 31, 2021	Year ended March 31, 2020
On financial liabilities measured at amortised cost:		
Interest on inter corporate deposits (refer note 39)	2.59	0.85
Total	2.59	0.85

24. IMPAIRMENT ON FINANCIAL INSTRUMENTS

(₹ in crore)

	Year ended March 31, 2021	Year ended March 31, 2020
On financial instruments measured at amortised cost:		
Other receivables	-	7.83
Advances given to related party	0.02	0.50
Total	0.02	8.33

25. EMPLOYEE BENEFITS EXPENSES

(₹ in crore)

	Year ended March 31, 2021	Year ended March 31, 2020
Salaries, wages and bonus	8.01	10.58
Contribution to provident and other funds [refer note 28 (a)]	0.70	0.78
Contribution to gratuity fund	0.02	0.14
Employee share based payment expense	-	1.10
Employee share based payment expense- Bank	(0.28)	1.89
Staff welfare expenses	0.02	0.03
Total	8.47	14.52

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26. OTHER EXPENSES

(₹ in crore)

	Year ended March 31, 2021	Year ended March 31, 2020
Rent	0.52	0.09
Rates and taxes	1.18	1.69
Repairs and maintenance		
- Equipments	1.26	2.89
- Others	-	β
Loss on sale of Plant, Property and Equipment [refer note 10 (a)]	16.57	-
Insurance charges	0.16	0.13
Travelling and conveyance	0.16	0.61
Printing and stationery	0.01	0.41
Communication costs	0.27	0.07
Advertising and publicity	0.03	0.03
Professional fees	2.39	3.60
Directors' sitting fees	0.35	0.26
Commission to directors	0.66	0.16
Contribution for corporate social responsibility (CSR) [refer note (b) below]	0.36	1.61
Auditors' remuneration [refer note (a) below]	0.47	0.66
Shared service cost (net)	-	1.66
Miscellaneous expenses	0.36	0.23
Total	24.75	14.10

a) Breakup of Auditors' remuneration

(₹ in crore)

	Year ended March 31, 2021	Year ended March 31, 2020
Audit fees *	0.34	0.47
Tax audit fees	0.02	0.02
Other Services	0.09	0.15
Out-of-pocket expenses	0.02	0.02
Total	0.47	0.66

* Audit fees for the year ended March 31, 2020 includes amount of ₹ 0.13 crore relating to prior year cost overrun billed during the previous year.

b) Contribution for corporate social responsibility (CSR)

i) As per Section 135 of the Companies Act, 2013, amount required to be spent by the Company on Corporate Social Responsibility (CSR) related activities during the period is ₹ 0.91 crore (previous year ₹ 1.06 crore).

ii) Amount spent towards CSR during the year and recognised as expense in the Statement of Profit and Loss on CSR related activities is ₹ 0.36 crore (previous year ₹ 1.61 crore), which comprise of following:

(₹ in crore)

	Year ended March 31, 2021	Year ended March 31, 2020
CSR Expenditure:		
IDFC Foundation	0.36	0.76
Prime Minister's CARES Fund*	0.55	0.85
	0.91	1.61
Amount spent during the year on:		
(i) Construction/acquisition of an asset	-	-
(ii) On purposes other than (i) above	0.91	1.61
Total	0.91	1.61

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Details of ongoing CSR projects under Section 135(6) of the Act

(₹ in crores)

Balance as at April 1, 2020		Amount spent during the year			Balance as at March 31, 2021	
With the Company	In separate CSR unspent account	Amount required to be spent during the year	From the Company's bank account	From Separate CSR Unspent account	With the Company	In separate CSR unspent account
-	-	-	-	-	-	-

Details of CSR expenditure under Section 135(5) of the Act in respect of other than ongoing projects

(₹ in crores)

Balance unspent as at April 1, 2020	Amount deposited in Specified Fund of Schedule VII of the Act within 6 months	Amount required to be spent during the year	Amount spent during the year	Balance unspent as at March 31, 2021
-	-	0.91	0.91	-

Details of excess CSR expenditure under Section 135(5) of the Act

(₹ in crores)

Balance excess spent as at April 1, 2020	Amount required to be spent during the year	Amount spent during the year	Balance excess spent as at March 31, 2021
0.55	-	0.55	-

There is no amount outstanding to be paid in cash, out of total amount required to be spent on Corporate Social Responsibility (CSR) related activities.

*Based on the Appeal received from the Government of India, Ministry of Corporate Affairs, the Company had additionally contributed ₹ 0.55 crore towards Prime Minister's CARES fund in the previous year which the Company has offset against the CSR obligation arising in the current year. Also Ministry of Corporate Affairs (MCA) has issued a circular - clarification on offsetting the excess CSR spent for financial year 2019-20 dated May 20, 2021.

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27. INCOME TAX

a) The components of income tax expense for the years ended March 31, 2021 and March 31, 2020 are: (₹ in crore)

	Year ended March 31, 2021	Year ended March 31, 2020
Current tax		
Current tax on profits for the year	1.71	14.34
Adjustment for current tax of earlier periods	1.46	0.04
Total current tax expense	3.17	14.38
Deferred tax		
Decrease in deferred tax liabilities	(6.57)	(1.68)
Total deferred tax expense	(6.57)	(1.68)
Income tax expense	(3.40)	12.70

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b) Reconciliation of the total tax charge

The tax charge shown in the statement of profit and loss differs from the tax charge that would apply if all profits had been charged at India corporate tax rate. A reconciliation between the tax expense and the accounting profit multiplied by India's domestic tax rate for the years ended March 31, 2021 and March 31, 2020 is, as follows:

(₹ in crore)

	Year ended March 31, 2021	Year ended March 31, 2020
Accounting profit before tax	5.58	76.88
Tax at India's statutory income tax rate of 25.17% (previous year 25.17%)	1.41	19.35
Tax effect of the amount which are not taxable:		
- Dividend income	-	(26.15)
- Income already taxed in the previous year	-	(0.22)
- Provisions disallowed in previous year hence not taxable	(7.67)	-
Expenses not deductible for tax purposes		
- Disallowance under section 14A	-	21.06
- Book loss on sale of Windmill	4.17	-
- Others	0.44	0.31
Long term capital gain taxed on windmill - in tax books	4.58	-
Difference in tax rates (due to business loss set off)	0.29	-
Adjustment of current tax of prior periods	1.46	0.04
Effect of reversal of opening deferred tax liability	(6.57)	(1.68)
Others	(1.50)	(0.01)
Income tax expense at effective tax rate	(3.40)	12.70
Effective tax rate	-60.92%	16.52%

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c) Unrecognised temporary differences

(₹ in crore)

	Year ended March 31, 2021	Year ended March 31, 2020
Temporary differences relating to impairment loss	0.02	52.09

The Company has not created deferred tax asset on the impairment loss recognised on financial assets in current year and on investment in subsidiary in previous year, as there is no reasonable certainty that future taxable profits will be available against which deferred tax asset can be utilised.

d) Change in tax

Taxation Laws (Amendment) Ordinance 2019, had inserted section 115BAA in the Income Tax Act, 1961, providing existing domestic companies with an option to pay tax at a concessional rate of 22% plus applicable surcharge and cess. Once exercised, such an option cannot be withdrawn for the same or subsequent AYs.

These financial results are prepared on the basis that the Company would avail the option to pay income tax at the lower rate. Consequently, the Company has recognized Provision for Income Tax for the year ended March 31, 2020 and re-measured its Deferred tax assets / liability as at March 31, 2020 basis the revised rate of 25.17%. During the year, the Company continues to follow the same rate.

e) Deferred tax expenses include reversal of deferred tax of ₹ 8.15 crores created on Windmill which has been sold during the year. (see note 27(a)]

f) The Direct Tax Vivad Se Vishwas (VSV) Act, 2020 introduced a dispute resolution scheme, which is applicable to all appeals / petitions filed by the tax payer on the income tax department, which were pending until January 31, 2020, before any appellate forum. Under the Scheme, a taxpayer can settle a litigation pending before any forum by paying the tax on the disputed income and get a full waiver of interest and / or penalty. The Company has settled its liability for Assessment Year 2017-18 by paying ₹ 1.53 crores under VSV scheme.

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28. EMPLOYEE BENEFIT OBLIGATIONS

a) Defined contribution plans

The Company has recognised the following amounts in the statement of profit and loss towards contribution to defined contribution plans which are included under contribution to provident and other funds:

(₹ in crore)

	Year ended March 31, 2021	Year ended March 31, 2020
Provident fund	0.39	0.48
Pension fund	0.29	0.28
Superannuation fund	0.02	0.02
Total	0.70	0.78

b) Defined benefit plans

The Company has a defined benefit gratuity plan in India (funded). The Company's defined benefit gratuity plan is a final salary plan for Indian employees, which requires contributions to be made to a separately administered fund. The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the act, employee who has completed five years of service is entitled to specific benefit. The level of benefits provided depends on the member's length of service and salary at retirement age.

The following tables summarise the components of net benefit expense recognised in the statement of profit or loss and the funded status and amounts recognised in the balance sheet for the respective plans:

i) Balance Sheet

(₹ in crore)

	Present value of obligation	Fair value of plan assets	Net amount
As at March 31, 2020	2.53	2.45	0.08
Current service cost	0.03	-	0.03
Interest expense/(income)	0.07	0.08	(0.01)
Actuarial loss / (gain) arising from change in financial assumptions	(0.04)	-	(0.04)
Actuarial loss / (gain) arising on account of experience changes	0.33	-	0.33
Actual return on plan assets less interest on plan assets	-	0.14	(0.14)
Employer contributions	-	0.08	(0.08)
Benefit payments	(0.18)	(0.18)	-
As at March 31, 2021	2.74	2.57	0.17

(₹ in crore)

	As at March 31, 2021	As at March 31, 2020
Present value of plan liabilities	2.74	2.53
Fair value of plan assets	2.57	2.45
Plan liability net of plan assets	0.17	0.08

ii) Statement of Profit and Loss

(₹ in crore)

	Year ended March 31, 2021	Year ended March 31, 2020
Employee Benefit Expenses:		
Current service cost	0.03	0.12
Interest cost	(0.01)	0.02
Total	0.02	0.14
Finance cost	-	-
Net impact on the profit before tax	0.02	0.14
Remeasurement of the net defined benefit liability:		
Actuarial gains/(losses) arising from changes in demographic assumptions	-	-
Actuarial gains/(losses) arising from changes in financial assumptions	(0.04)	0.02
Actuarial gains/(losses) arising from changes in experience	0.33	0.03
Actual return on plan assets less interest on plan assets	(0.14)	(0.11)
Net impact on the other comprehensive income before tax	0.15	(0.06)

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iii) Defined benefit plans assets

Category of assets (% allocation)	As at March 31, 2021	As at March 31, 2020
Insurer managed funds		
- Government securities	50.86%	37.51%
- Deposit and money market securities	5.94%	5.13%
- Debentures / bonds	37.44%	51.75%
- Equity shares	5.76%	5.61%
Total	100.00%	100.00%

iv) Actuarial assumptions

With the objective of presenting the plan assets and plan liabilities of the defined benefits plans and post retirement medical benefits at their fair value on the balance sheet, assumptions under Ind AS 19 are set by reference to market conditions at the valuation date.

	As at March 31, 2021	As at March 31, 2020
Discount rate	3.90%	5.50%
Salary escalation rate*	5%	9%

* takes into account the inflation, seniority, promotions and other relevant factors

v) Demographic assumptions

Mortality in Service : Indian Assured Lives Mortality (2012-14)

vi) Sensitivity

As at March 31, 2021	Change in assumption	Impact on defined benefit obligation	
		Increase	Decrease
Discount rate	0.50%	(0.24%)	0.26%
Salary escalation rate	0.50%	0.26%	(0.24%)

As at March 31, 2020	Change in assumption	Impact on defined benefit obligation	
		Increase	Decrease
Discount rate	0.50%	(0.35%)	0.39%
Salary escalation rate	0.50%	0.37%	(0.34%)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

vii) Maturity

The defined benefit obligations shall mature after year end as follows:

(₹ in crore)

	As at March 31, 2021	As at March 31, 2020
within 12 months	2.64	2.40
Between 2-5 years	0.02	0.01
Between 5-10 years	0.03	0.04
Beyond 10 years	0.13	0.27

The weighted average duration to the payment of these cash flows is 0.50 years (previous year 0.73 years).

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29. SEGMENT INFORMATION

The Company's main business is to carry out Investment activity in India. All other activities of the Company revolve around the main business of the Company. Accordingly, there are no separate reportable segments, as per Ind AS 108 "Operating Segment."

30. DIVIDEND PAID AND PROPOSED DURING THE YEAR

(₹ in crore)

	Year ended March 31, 2021	Year ended March 31, 2020
A. Declared and paid during the year		
Dividends on ordinary shares:		
Dividend Paid in 2020: Nil per share (2019: Nil per share)	-	-
Interim dividend for 2021: Nil per share (2020: 3.15 per share)	-	502.85
Total dividends paid	-	502.85
B. Proposed for approval at Annual General Meeting (not recognised as a liability as at year end)		
Dividend on ordinary shares:		
Final dividend for 2021: Nil per share (2020: Nil per share)	-	-

31. EARNINGS PER SHARE (EPS)

a) The basic earnings per share has been calculated based on the following:

	Year ended March 31, 2021	Year ended March 31, 2020
Net profit after tax available for equity shareholders	8.98	64.18
Weighted average number of equity shares	1,596,358,316	1,596,358,316

b) The reconciliation between the basic and the diluted earnings per share is as follows:

	Year ended March 31 2,021	Year ended March 31 2,020
Basic earnings per share	0.06	0.40
Effect of outstanding stock options	-	-
Diluted earnings per share	0.06	0.40

c) Weighted average number of equity shares is computed for the purpose of calculating diluted earning per share, after giving the dilutive impact of the outstanding stock options for the respective years.

	Year ended March 31 2,021	Year ended March 31 2,020
Weighted average number of shares for computation of Basic EPS	1,596,358,316	1,596,358,316
Dilutive effect of outstanding stock options	-	-
Weighted average number of shares for computation of Diluted EPS	1,596,358,316	1,596,358,316

32. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

(₹ in crore)

	As at March 31, 2021	As at March 31, 2020
Commitments		
Uncalled liability on shares and other investments partly paid	10.81	19.36
Claims not acknowledged as debts	4.51	1.53
Letter of comfort (see note a)	14.57	-
Other commitments (see note b)	-	69.37
Total	29.89	90.26

a) The Company has issued letter of comfort to IDFC Foundation - wholly owned subsidiary of the Company, if there is any short fall in meeting its obligations towards its contingent liabilities amounting to ₹ 14.57 crore and any related penalty. The Company will provide financial support to IDFC Foundation during next 13 months from March 31, 2021, to enable the subsidiary to achieve its planned operations.

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b) IDFC Projects Limited, a wholly owned subsidiary of the Company holds 19.90% stake on fully diluted basis in Jetpur Somnath Tollways Private Limited ("JSTPL"). JSTPL had executed the concession agreement with National Highway Authority of India ("NHAI") for construction, operation and maintenance of the 127 km section of National Highway (NH) 8D connecting Jetpur and Somnath in the state of Gujarat. Due to certain disputes, JSTPL along with its lenders had initiated arbitration proceeding against NHAI to make payment of 90% of the debt due under terms of the arrangement. The Hon'ble Supreme Court of India directed NHAI to pay ₹ 348.60 crore in the Escrow Account with the Lead Lender, Punjab National Bank (PNB) within 6 (six) weeks from January 05, 2018. Following that, NHAI had released the amount of ₹ 348.60 crore on January 29, 2018 which was distributed to lenders on proportionate basis. However, JSTPL had provided a bank guarantee of the amount of ₹ 348.60 crore to NHAI in compliance with order of the Court.

The Hon'ble Delhi High Court pronounced the judgement on January 4, 2021 in favour of JSTPL. NHAI challenged this judgment under section 37 and next hearing was scheduled on April 29, 2021 which got adjourned and is rescheduled on July 19, 2021. JSTPL filed execution petition on January 13, 2021 and based on the petition filed Hon'ble Delhi High Court directed NHAI to handover the original bank guarantee before March 15, 2021. JSTPL collected the bank guarantee from NHAI on March 17, 2021 and returned it to PNB. Accordingly IDFC Projects share of commitment (19.90% on fully dilutive basis) which was counter guaranteed by IDFC for ₹ 69.37 crore was disclosed as commitments in previous year. However, as bank guarantee is revoked, it is no more shown as outstanding commitment in current year. Consequently, provision on loan commitment created in IDFC Limited for ₹ 22.63 crore has also been revered in current year.

c) The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and postemployment received Indian Parliament approval and Presidential assent in September 2020. The Code has been published in the Gazette of India and subsequently on November 13, 2020 draft rules were published and invited for stakeholders' suggestions. However, the date on which the Code will come into effect has not been notified. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.

33 EVENTS OCCURRING AFTER THE REPORTING PERIOD

On March 25, 2021 the Company received letter from Government of India, Ministry of Finance , Department of Financials Services informing about the withdrawal of Mr. Anshuman Sharma and Mr. Soumyajit Ghosh as Nominee directors from the Board of IDFC Limited with immediate effect.

Pursuant to Regulation 17(1)(c) of SEBI Listing Obligations and Disclosure Requirements (LODR) Regulations 2015, the Board of Directors of IDFC Limited shall comprise of not less than six directors. Due to sudden and immediate withdrawal of Government Nominees from the Board, the number of Directors on the Board of the Company reduced from 6 to 4 and the composition of the Board as well as constitution of Board's committees were impacted. As on March 31, 2021 the Company was in process of appointing New Directors, other than Government Nominee, on the Board to comply with Regulation 17(1)(c) of SEBI LODR Regulations 2015.

Subsequently, the Company based on the recommendation of Nomination and Remuneration Committee at its meeting held on May 25, 2021 approved nomination of Mr. Jaimini Bhagwati and Mr. Anil Singhvi as an additional director in the category of independent director for a period of 3 years. These nominations are subject to approval of the shareholders of the Company and other statutory / regulatory approvals.

34 CAPITAL MANAGEMENT

The Company maintains a capital base to cover risks inherent in the business and is meeting capital adequacy requirements of the regulator, Reserve Bank of India (RBI) of India. The adequacy of the Company's capital is monitored using, among other measures, the regulations issued by RBI. Company has complied in full with all its externally imposed capital requirements over the reported period. The primary objectives of the Company's capital management policy are to ensure that the Company complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The Company manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes have been made to the objectives, policies and processes from the previous years. However, they are under constant review by the Board.

The following additional information is disclosed in terms of the RBI circular (Ref No. DNBR .PD. 008 / 03.10.119 / 2016-17 dated September 01, 2016); RBI circular DNBR(PD) CC No. 053 / 03.10.119 / 2015-16 and RBI circular DOR (NBFC).CC.PD. No.109/22.10.106/2019-20 dated March 13, 2020 :

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(₹ in crore)

Capital to risk assets ratio (CRAR):	As at March 31, 2021	As at March 31, 2020
Tier I capital	952.84	945.45
Tier II capital	-	-
Total capital	952.84	945.45
Risk weighted assets	1,015.71	1,065.04
CRAR (%)	93.81%	88.77%
CRAR - Tier I capital (%)	93.81%	88.77%
CRAR - Tier II capital (%)	-	-
Amount of subordinated debt considered as Tier II capital	-	-
Amount raised by issue of perpetual debt instruments	-	-

Regulatory capital Tier I capital, which comprises share capital, share premium, special reserves, share option outstanding account, retained earnings including current year profit and non-controlling interests less accrued dividends. Certain adjustments are made to Ind AS–based results and reserves, as prescribed by the Reserve Bank of India.

35. FAIR VALUE MEASUREMENT

The significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in the note below:

Financial Instruments by Category (₹ in crore)

Year ended March 31, 2021	At fair value through profit and loss	Amortised cost
Financial Assets:		
Cash and cash equivalents	-	2.14
Bank Balances other than cash and cash equivalents	-	1.85
Investments:		
- Venture capital fund units	67.00	-
Other financial assets	-	0.29
Total Financial Assets	67.00	4.28
Financial Liabilities:		
Trade and other payables	-	1.59
Deposits	-	35.33
Other financial liabilities	-	3.65
Total Financial Liabilities	-	40.57

(₹ in crore)

Year ended March 31, 2020	At fair value through profit and loss	Amortised cost
Financial Assets:		
Cash and cash equivalents	-	0.69
Bank Balances other than above	-	1.48
Other receivables	-	0.02
Investments:		
- Venture capital fund units	54.64	-
Other financial assets	-	0.37
Total Financial Assets	54.64	2.56
Financial Liabilities:		
Trade and other payables	-	1.58
Deposits	-	37.76
Other financial liabilities	-	5.28
Total Financial Liabilities	-	44.62

The Equity instruments in subsidiaries and associates are measured at cost and not included in the above table.

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a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the standalone financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

As at March 31, 2021 (₹ in crore)

Assets measured at fair value - recurring fair value measurements	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Financial Investments at FVTPL	7				
- Venture capital fund units		-	-	67.00	67.00
Total financial assets		-	-	67.00	67.00

Year ended March 31, 2020 (₹ in crore)

Assets measured at fair value - recurring fair value measurements		Level 1	Level 2	Level 3	Total
Financial assets					
Financial Investments at FVTPL	7				
- Venture capital fund units		-	-	54.64	54.64
Total financial assets		-	-	54.64	54.64

i) There are no transfers between levels 1, 2 and 3 during the year.

ii) The Companies policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The Company uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:

The fair value of financial instruments are classified into three categories i.e. Level 1, 2 or 3 depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active market for identical assets or liabilities (level 1 measurements) and lowest priority to unobservable inputs (level 3 measurements).

The hierarchies used are as follows:

Level 1: Hierarchy includes financial instruments measured using quoted prices in an active market.

Level 2: The fair value of financial instruments that are not traded in an active market (such as mutual fund units) is determined using observable market data and not the entity specific estimates. These investments are valued at closing Net Asset Value (NAV), which represents the repurchase price at which the issuer will redeem the units from investors. Since all significant inputs required to fair value an instrument are observable, the investments are included in Level 2.

Level 3: Inputs are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

b) Valuation technique used to determine fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique.

Specific valuation techniques used to value financial instruments include:

- the fair value of the mutual fund units is determined using observable NAV at the reporting date as declared by the issuer.
- the fair value of the venture capital units (VCFs) is determined using NAV at the reporting date as declared by the issuer. ^
- the fair value of unlisted equity shares are has been valued by an independent valuer.

^During the previous year, considering the scenario with respect to the Covid-19 pandemic and the stress in various sectors of the economy, the Company had taken appropriate haircuts and had provided for an additional diminution over and above the NAV communicated by the VCFs in order to appropriately reflect the fair value as on March 31, 2020. In current year, the Company has taken illiquidity discount over and above the NAV communicated by the VCFs in order to appropriately reflect the fair value as on March 31, 2021.

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c) Valuation Process

In order to assess Level 3 valuations as per Company's investment policy, the management reviews the performance of the investee companies (including unlisted portfolio companies of venture capital funds and alternative investment funds) on a regular basis by tracking their latest available financial statements / financial information, valuation report of independent valuers, recent transaction results etc. which are considered in valuation process.

The finance team which performs the above process reports directly to the Chief Financial Officer (CFO) of the Company. Discussions of valuation processes and results are held between the finance team and CFO on regular basis. Investment valuation is placed before the members of the board at least once every three months which is in line with the Company's quarterly reporting periods.

d) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the periods ended March 31, 2021 and March 31, 2020:

(₹ in crore)

	Venture capital fund units	Total
Year ended March 31, 2019	206.05	206.05
Disposals (net) during the year	(158.65)	(158.65)
Gains recognised in profit and loss	7.24	7.24
Year ended March 31, 2020	54.64	54.64
Acquisitions (net) during the year	6.06	6.06
Gains recognised in profit and loss	6.30	6.30
Year ended March 31, 2021	67.00	67.00

e) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. See (b) above for the valuation techniques adopted.

	Fair Value as at 31st March 2021	Fair Value as at 31st March 2020	Significant unobservable inputs	Probability-weighted range	Sensitivity
Venture capital fund units	67.00	54.64	Net Asset Value	10%	Whilst these investments are not traded on any market, they are exposed to price risk in respect of their underlying investments. 10% is the sensitivity rate used when reporting price risk internally to key management personnel and represents management's assessment of the possible net change in underlying prices. A 10% increase/(decrease) in the net asset value would increase/(decrease) the Company's gain/(loss) by ₹ 5.01 crores.(31st March 2020-4.09 crores)

f) Fair value of financial assets and liabilities measured at amortised cost

For financial assets and financial liabilities that have a short-term maturity (less than twelve months), the carrying amounts are a reasonable approximation of their fair value. Such instruments include cash and bank balances, bank deposits, security deposits, short term loans and advances, trade and other receivables, trade and other payable, and debt securities.

Advance to related parties and security deposits are evaluated by the Company based on parameters such as interest rates and individual creditworthiness of the counterparty. Based on this evaluation, allowances are taken to account for expected losses of these financial assets. Accordingly, fair value of such instruments is not materially different from their carrying amounts.

36. FINANCIAL RISK MANAGEMENT

Risk management is an integral part of the business practices of the Company. The Company's senior management has the overall responsibility for the establishment and oversight of the Company's risk policies. These risk management policies are reviewed regularly to reflect changes in market conditions and the Company's activities.

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The objective is that these financial risks are identified, measured and managed in accordance with the Company's policies in a timely manner. The activities are designed to:

- protect the Company's financial results and position from financial risks;
- maintain market risks within acceptable parameters, while optimizing returns;
- protect the Company's financial investments, while maximising returns.

a) Credit risk

Credit risk is the risk of suffering financial loss, should any of the Company's customers, clients or market counterparties fail to fulfil their contractual obligations to the Company. Credit risk arises mainly from cash and cash equivalents, deposits with banks, trade and other receivable, loans measured at amortised cost.

Expected credit loss methodology:

Ind As 109 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition as summarised below:

- Stage 1 - A financial instrument that is not credit impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company. The Company has established credit quality review process which considers net asset position, financial strength and leverage; operational & financial performance; cash flows, etc. in identification of creditworthiness of counterparties.
- Stage 2 - Financial instruments with significant increase in credit risk, but not yet deemed to be credit impaired are moved to Stage 2.
- Stage 3 - Credit impaired financial instruments are moved to stage 3.

The Company performs internal risk assessment on an individual basis and not on a portfolio basis due to the limited number of counterparties involved. The assessment of credit risk of a loans (including loan commitments) entails estimations as to the likelihood of loss occurring due to default of counterparties. The estimation of credit exposure for risk management purposes is complex and considers expected cash flows and the passage of time.

Default and credit-impaired asset:

The Company defines a financial asset as in default or credit-impaired, when it meets one or more of the following criteria:

- Quantitative criteria:

The borrower is more than 90 days past due on its contractual payments to be considered in default.

- Qualitative criteria:

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty.

For all financial instruments held by the Company, if the borrower is on the watch list and/or the instrument meets one or more of the following criteria:

- Significant increase in credit spread
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans

Policy for write-off of financial assets

All loans which in the opinion of management are not recoverable are written off. The Company may write off financial assets that are still subject to enforcement activity. The Company still seeks to recover amounts it is legally owed in full, but which have been written off due to no reasonable expectation of full recovery.

Explanation of inputs and assumptions considered in the ECL model:

PD Estimation:

- "Probability of default" (PD) is defined as the probability of whether the borrowers will default on their obligations in the future.

For Stage 1, 12 month PD are calculated.

For Stage 2, Lifetime PD are calculated by considering the survival rate of the counterparty for the remaining maturity.
For Stage 3, Lifetime PD is taken as 100%.

Exposure at default:

- "Exposure at default" (EAD) represents the expected exposure in the event of a default and is the gross carrying amount in case of the financial assets held by the Company.

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For the loan commitments, the exposure at default (EAD) is predicted by aggregating total unfunded credit exposure and applying a "credit conversion factor (CCF)" which considers any further amount that is expected to be lent under arrangement at the time of default. CCF denotes the probability of off-balance sheet exposure (i.e. loan commitment) becoming credit exposure shifting onto the balance sheet if the loan commitment is called.

Loss given default:

- "Loss given default" (LGD) is an estimate of loss from a transaction given that a default occurs. LGD varies by type of counterparty, type and seniority of claim. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

In case of loan commitment to IDFC Projects, on account of limited credit information available and no prior history with other forms of operations, the Company has used the standard LGD prescribed in the RBI norms for Capital Adequacy — "Internal Ratings Based (IRB) Approach to Calculate Capital Requirement for Credit Risk" after giving considerations to the required threshold levels of collateralization.

The Expected Credit Loss (ECL) is measured either on a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit impaired. Expected credit losses are the product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD).

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

In determining the ECL, management assesses a range of possible outcomes, taking into account past events, current conditions and the economic outlook. Additional facts and circumstances, that in management's judgment are considered to have been inadequately addressed in the ECL Model, are taken into consideration through the application of a management overlay framework. ECL adjustments arising from the exercise of the management overlay are subject to a review.

Credit risk exposure:

The following table contains an analysis of Company's exposure to credit risk towards loan commitments for which and ECL allowance is recognised:

(i) Reconciliation of ECL - Loan commitments*

(₹ in crore)

	Stage 1 (12M ECL)	Stage 2 (12M ECL)	Stage 3 (Lifetime ECL)	Total
Impairment allowance as at March 31, 2019	-	-	22.63	22.63
- arising during the year	-	-	-	-
- utilised	-	-	-	-
Impairment allowance as at March 31, 2020	-	-	22.63	22.63
- arising during the year	-	-	-	-
- reversed	-	-	(22.63)	(22.63)
Impairment allowance as at March 31, 2021	-	-	-	-

*Refer note 32 for details of loan commitments provided to IDFC Projects Limited.

ii) Trade and other receivables

Concentrations of credit risk with respect to trade and other receivables are limited, due to the customer base being limited. All trade receivables are reviewed and assessed for default on a individual basis. Historical experience of collecting receivables of the Company is supported by low level of past default and hence the credit risk is perceived to be low.

Reconciliation of impairment allowance on trade and other receivables

	₹ in crore
Impairment allowance as at March 31, 2019	6.01
Add/(less): changes in loss allowance	7.72
Impairment allowance as at March 31, 2020	13.73
Add/(less): changes in loss allowance	(7.83)
Impairment allowance as at March 31, 2021	5.90

iii) Other financial assets

The Company maintains exposure in cash and cash equivalents, deposits with banks. Cash and cash equivalents and bank deposits are held with only high rated banks/financial institutions only, therefore credit risk is perceived to be low.

For investment in mutual fund units and venture capital fund units carried at fair value through profit and loss, the Company does not have significant concentration of credit risk.

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The maximum exposure at the end of the reporting period is the carrying amount of these investments ₹ 67.00 crores (March 31, 2020: ₹ 54.64 crores)

The Company continues to provide the financial support to its Wholly Owned Subsidiay "IDFC Projects Limited" to meet its obligations as and when they fall due for payment; as the networth of the subsidiary is fully errorded. During the year, the Company has provided an advance of ₹ 0.02 crore (Previous year ₹ 0.50 crore) which has been fully provided.

Reconciliation of impairment allowance on other financial assets

	₹ in crore
Impairment allowance as at March 31, 2019	-
Add/(less): changes in loss allowance	0.50
Impairment allowance as at March 31, 2020	0.50
Add/(less): changes in loss allowance	0.02
Impairment allowance as at March 31, 2021	0.52

b) Market risk

Market risk is the risk of loss of future earnings, fair values or future cash flows that may result from a change in the value of a financial asset. The value of a financial asset may change as a result of changes in the interest rates, foreign currency exchange rates, equity prices and other market changes that affect market risk sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments.

i) Fair value interest rate risk:

Interest rate risk is the risk where the company is exposed to the risk that the fair value or future cash flows of its financial instruments will fluctuate as a result of a changes in market interest rates.

The Company is exposed to interest rate risk from investments held in debt oriented mutual fund units. These funds invests in debt securities. Sensitivity analysis for exposure to interest rate risk in case of units backed by debt securities is not disclosed as there are no investments outstanding as on March 31, 2021 and March 31, 2020.

ii) Foreign currency risk:

The Company does not have any foreign currency exposures in respect of financial assets and financial liabilities as at the balance sheet date.

iii) Price risk:

The price risk arises from investments in venture capital fund units classified in the balance sheet as financial instruments measured at fair value through profit and loss. The future uncertain changes in the Net Asset Value of the Company's investment exposes the Company to the price risk.

Exposure		(₹ in crore)
	As at March 31, 2021	As at March 31, 2020
Investment in venture capital fund units	67.00	54.64
Total	67.00	54.64

Sensitivity - Investment in venture capital fund

The table below summarises the impact of increases/decreases in the net asset value of Company's investment in venture capital fund units.

	Impact on profit after tax*	Impact on profit after tax*
	Year ended March 31, 2021	Year ended March 31, 2020
Investment in venture capital fund units:		
- Increase 10% (previous year 10%)	5.01	4.09
- Decrease 10% (previous year 10%)	(5.01)	(4.09)

*Profit for the period would change as a result of gain/loss on financial instruments classified as at fair value through profit and loss.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Prudent liquidity risk management implies maintaining sufficient cash and liquid investments. The Company believes that current cash and bank balances, bank deposits and investments in liquid investments are sufficient to meet liquidity requirements since Company has no external borrowings. Accordingly, liquidity risk is perceived to below.

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Maturity analysis:

The following table shows the maturity analysis of financial liabilities of the Company based on contractually agreed undiscounted cash flows as at the balance sheet date:

(₹ in crore)

As at March 31, 2021	Note No.	Less than 12 months	More than 12 months	Total
Financial liabilities:				
Trade and other payable	12	1.59	-	1.59
Deposits	13	19.89	15.44	35.33
Other financial liabilities	14	3.65	-	3.65
Total financial liabilities		25.13	15.44	40.57

As at March 31, 2020	Note No.	Less than 12 months	More than 12 months	Total
Financial liabilities:				
Trade and other payable	12	1.58	-	1.58
Deposits	13	37.76	-	37.76
Other financial liabilities	14	5.28	-	5.28
Total		44.62	-	44.62

37. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

(₹ in crore)

	As at March 31, 2021			As at March 31, 2020		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Financial assets						
Cash and cash equivalents	2.14	-	2.14	0.69	-	0.69
Bank balance other than cash and cash equivalents above	1.85	-	1.85	1.48	-	1.48
Receivables						
(I) Trade receivables	-	-	-	-	-	-
(II) Other receivables	-	-	-	0.02	-	0.02
Investments	-	9,295.27	9,295.27	-	9,285.96	9,285.96
Other financial assets	-	0.29	0.29	-	0.37	0.37
Non-financial assets						
Income tax assets	-	1.51	1.51	-	3.03	3.03
Property, plant and equipment	-	0.23	0.23	38.00	0.15	38.15
Other non-financial assets	2.49	-	2.49	2.18	-	2.18
Total assets	6.48	9,297.30	9,303.78	42.37	9,289.51	9,331.88
Financial liabilities						
Payables						
(I) Trade payables						
(i) total outstanding dues of micro enterprises and small enterprises	-	-	-	-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	-	-	-	-	-	-
(II) Other payables						
(i) total outstanding dues of micro enterprises and small enterprises	-	-	-	-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	1.59	-	1.59	1.58	-	1.58
Deposits	19.89	15.44	35.33	37.76	-	37.76
Other financial liabilities	3.65	-	3.65	5.36	-	5.36
Non-financial Liabilities						
Income tax liabilities (Net)	0.21	-	0.21	1.21	-	1.21
Deferred tax liabilities (Net)	0.57	-	0.57	7.14	-	7.14
Provisions	0.17	-	0.17	0.06	22.63	22.69
Other non-financial liabilities	1.16	-	1.16	0.58	-	0.58
Total liabilities	27.24	15.44	42.68	53.69	22.63	76.32

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38. EMPLOYEE SHARE BASED PAYMENTS

a) Employee stock option scheme (equity settled) - IDFC Limited

The Company introduced IDFC Employee Stock Option Scheme, 2016 ("IDFC ESOS - 2016") to enable the employees of the Company and its subsidiaries 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 [including employees of subsidiary companies and IDFC FIRST Bank Limited (an associate of the Company)] to acquire equity shares of the Company, that will vest in a graded manner and that are to be exercised within a specified period.

The fair value of options granted to the employees of the Company under the ESOS is recognised as an employee benefits expense with a corresponding increase in 'Share Option Outstanding Account' under 'Other Equity'. The fair value of options granted to the employees of subsidiaries or associate of the Company is recognised as an increase in the investment in the respective subsidiaries or associate, with a corresponding credit to 'Share Option Outstanding Account' under 'Other Equity' in accordance with group share based payment guidance under Ind AS 102.

Options are granted under the plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company. The options granted will vest upon the completion of service condition as specified in scheme in a graded manner. Vested options are exercisable for the period of five years after the vesting.

i) Set out below is a summary of options granted under the plan:

	Year ended March 31, 2021		Year ended March 31, 2020	
	Average exercise price	Number of options	Average exercise price	Number of options
Opening balance	61.64	13,281,418	68.52	27,216,085
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Forfeited during the year	80.94	(2,658,640)	66.87	(6,104,000)
Lapsed/expired during the year	48.77	(18,000)	81.48	(7,830,667)
Closing balance	56.82	10,604,778	61.64	13,281,418
Vested and exercisable	56.82	10,604,778	61.63	13,240,018

The weighted average share price at the date of exercise of options exercised during the year ended March 31, 2021 was ₹ Nil (previous year ₹ Nil).

ii) Share options outstanding at the March 31, 2021 have the following expiry date and exercise prices:

Grant date	Expiry date	Exercise price	Outstanding as at March 31, 2021	Outstanding as at March 31, 2020
2-Sep-13	02-Sep-19 to 02-Sep-21	48.77	24,000	42,000
7-Aug-14	07-Aug-19 to 07-Aug-21	90.56	400,000	700,000
3-Aug-15	15-Jul-19 to 03-Aug-23	90.81	-	1,500,000
5-Oct-15	18-Apr-17 to 05-Oct-23	60.35	1,175,924	2,034,564
5-Feb-16	05-Feb-22 to 05-Feb-24	41.15	300,000	300,000
29-Apr-16	14-Jul-17 to 29-Apr-23	43.4	100,000	100,000
26-Jul-16	14-Jul-17 to 26-Jul-23	53.9	158,754	158,754
14-Sep-16	14-Sep-22 to 14-Sep-24	59.2	100,000	100,000
14-Mar-17	14-Mar-23 to 14-Mar-25	51.85	42,600	42,600
9-May-17	31-May-18 to 09-May-24	63.25	103,500	103,500
27-Apr-18	27-Apr-23	55.4	8,200,000	8,200,000
Total			10,604,778	13,281,418
Weighted average remaining contractual life of options outstanding at end of period			2.21	3.20

iii) Fair value of options granted

The fair value at grant date is determined using the Black Scholes Model which takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the stock option.

There are no ESOPs granted during the year ended March 31, 2021 and year ended March 31, 2020.

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b) Employee stock option scheme (equity settled) - IDFC FIRST Bank Limited

IDFC FIRST Bank Limited (earlier known as IDFC Bank Limited), an indirect associate of the Company, got demerged from the Company under the sanctioned scheme of arrangement in October 2015. Pursuant to Scheme of Demerger, IDFC FIRST Bank Limited has allotted employee stock options to the employees of the Company and it's subsidiaries. The employee share based payments arrangement between the Company and its associate is outside the scope of Ind AS 102 - Group share based payment arrangement, as associate is not a part of the same group. However, under Ind AS 8, the Company has taken a policy choice to account the said employee share based payments arrangement as per the provisions of Ind AS 102.

Applying Ind AS 102 - Group share based payments arrangement guidance, the fair value of options granted to the employees of the Company is recognised as an employee benefits expense with a corresponding decrease in investment in associate. However, the fair value of options granted to the employees of subsidiaries of the Company is recognised as an increase in the investment in the respective subsidiaries and a decrease in investment in associate.

c) Amounts recognised in statement of profit and loss and investment in subsidiary:

The Company had established an intermediate Non-Operating Financial Holding Company (NOFHC) (i.e. IDFC Financial Holding Company Limited) to hold the investment in IDFC FIRST Bank Limited (an associate of the Company) and other subsidiaries of the Company due to regulatory requirements of RBI. Since the Company does not hold direct investment in its associate and other subsidiaries involved in group, the Company increases or decreases its investment in IDFC Financial Holding Company Limited, to give the effect of increase or decrease in the investment in subsidiary or associate for accounting employee stock options.

i) Total expenses arising from share-based payment transactions recognised in statement of profit and loss as part of employee benefit expense for the year ended March 31, 2021 is ₹ Nil (previous year ₹ 1.11 crores).

ii) Under group share based payment arrangement, the total increase in the investment in IDFC Financial Holding Company Limited for the year ended March 31, 2021 amounted ₹ Nil (previous year ₹ 0.02 crores).

39. RELATED PARTY TRANSACTIONS

List of related party where transaction exists.

a) Subsidiaries

Direct:

Name	Place of incorporation	Ownership Interest	
		As at March 31, 2021	As at March 31, 2020
IDFC Foundation	India	100%	100%
IDFC Financial Holding Company Limited	India	100%	100%
IDFC Alternatives Limited (w.e.f November 14, 2019)	India	100%	100%
IDFC Trustee Company Limited (w.e.f November 14, 2019)	India	100%	100%
IDFC Projects Limited	India	100%	100%

Indirect:

IDFC Alternatives Limited (till November 13, 2019)

IDFC Trustee Company Limited (till November 13, 2019)

IDFC Asset Management Company Limited

IDFC AMC Trustee Company Limited

IDFC Securities Limited (till June 10, 2020)

b) Joint ventures

Indirect:

Delhi Integrated Multi-Modal Transit System Limited

Infrastructure Development Corporation (Karnataka) Limited

c) Associates

Direct:

Novopay Solutions Private Limited

Indirect:

IDFC FIRST Bank Limited

Jetpur Somnath Tollways Private Limited

NIIF Infrastructure Finance Limited (formerly known as IDFC Infrastructure Finance Limited) (w.e.f March 12, 2019 till March 30, 2020)

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d) Key management personnel

Mr. Sunil Kakar - Managing Director & CEO
Mr. Bipin Gemani - Chief Financial Officer
Mr. Vinod Rai - Independent director
Mr. Soumyajit Ghosh - Nominee Director (upto March 25, 2021)
Mr. Anshuman Sharma - Nominee Director (upto March 25, 2021)
Ms. Ritu Anand -Independent director (w.e.f. August 16, 2019)
Ms. Marriane Okland - Independent director (upto September 30, 2019)
Mr. Chintamani Bhagat - Nominee Director (upto September 30, 2019)
Mr. S S Kohli - Independent director (upto September 30, 2019)
Mr. Ajay Sondhi - Independent director (w.e.f. November 08, 2019)

e) Key management personnel compensation

(₹ in crore)

	Year ended March 31, 2021	Year ended March 31, 2020
Short-term employee benefit	7.16	7.16
Long-term employee benefit	0.62	1.04
Total	7.77	8.20

Sitting fees and Commission to directors has been disclosed as “Directors’ Sitting Fees” & “Commission to directors” under “other expenses” in note 26.

I) The nature and volume of transactions of the Company with the above mentioned related parties are as summarised below:

(₹ in crore)

	Subsidiaries		Associates		Joint Ventures	
	2021	2020	2021	2020	2021	2020
INCOME						
Dividend	-	103.88	-	-	-	-
Interest	-	0.01	0.01	1.95	-	-
EXPENDITURE						
Shared service cost recovery	(0.08)	(2.54)	(0.32)	(1.29)	-	(0.40)
Shared service cost (including reim of exp)	0.08	1.56	-	0.27	-	-
CSR contribution	0.36	0.76	-	-	-	-
Interest cost	2.59	0.85	-	-	-	-
ASSETS / TRANSACTIONS						
Purchase / subscription of investments	-	200.10	-	-	-	-
Purchase of Vehicle	-	-	0.02	-	-	-
Sale of investments	-	105.79	-	-	-	-
Current account balance	-	-	3.38	2.15	-	-
Fixed deposits placed	-	-	6.00	24.89	-	-
Fixed deposits matured	-	-	6.00	24.89	-	-
Inter-corporate deposits (placed)	-	1.00	-	-	-	-
Inter-corporate deposits (matured)	-	1.00	-	-	-	-
Advances given	0.03	0.50	-	-	-	-
Advances repaid	(0.01)	-	-	-	-	-
Advances Outstanding	0.52	0.50	-	-	-	-
Outstanding Equity investment - At cost	9,327.89	9,327.89	35.62	35.62	-	-
LIABILITIES / TRANSACTIONS						
Inter-corporate deposits taken	39.50	37.00	-	-	-	-
Inter-corporate deposits repaid including interest	44.54	-	-	-	-	-
Inter-corporate deposits -Balance outstanding	34.50	37.00	-	-	-	-
Interest accrued on inter corporate deposit taken - balance outstanding	0.83	0.76	-	-	-	-
Trade payable-balance outstanding	-	-	-	-	4.99	4.99

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40. The following additional information is disclosed in terms of the RBI circular (Ref. No. DNBS (PD) CC No. 008 /03.10.119 /2016-17 dated July 1, 2016) :

(a) Investor group wise classification of all investments (current and non-current) in shares and securities (both quoted and unquoted):

(₹ in crore)

		As at March 31, 2021		As at March 31, 2020	
		Market value / Break up value / Fair value / NAV	Book value net of provision	Market value / Break up value / Fair value / NAV	Book value net of provision
1	**Related parties**				
	(a) Subsidiaries	9,336.83	9,228.27	9,289.61	9,231.32
	(b) Companies in the same group	-	-	-	-
	(c) Other related parties	-	-	-	-
2	**Other than related parties**	67.00	67.00	54.64	54.64
	Total	9,403.83	9,295.27	9,344.25	9,285.96

(b) Asset Liability Management Maturity pattern of certain items of Assets and Liabilities

(₹ in crore)

	upto 30/31 days	Over 1 month upto 2 months	Over 2 month upto 3 months	Over 3 month & upto 6 month	Over 6 months & upto 1 year	Over 1 year & upto 3 years	Over 3 year & upto 5 years	Over 5 years	Total
Deposits	-	-	-	-	19.89	15.44	-	-	35.33
Advances	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	67.00	-	-	9,228.27	9,295.27
Borrowing	-	-	-	-	-	-	-	-	-
Foreign currency assets	-	-	-	-	-	-	-	-	-
Foreign currency liabilities	-	-	-	-	-	-	-	-	-

Previous Year (₹ in crore)

	upto 30/31 days	Over 1 month upto 2 months	Over 2 month upto 3 months	Over 3 month & upto 6 month	Over 6 months & upto 1 year	Over 1 year & upto 3 years	Over 3 year & upto 5 years	Over 5 years	Total
Deposits	-	-	-	-	37.76	-	-	-	37.76
Advances	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	54.64	-	-	9,231.32	9,285.96
Borrowing	-	-	-	-	-	-	-	-	-
Foreign currency assets	-	-	-	-	-	-	-	-	-
Foreign currency liabilities	-	-	-	-	-	-	-	-	-

In computing the above information, certain estimates, assumptions and adjustments have been made by the Management which have been relied upon by the auditors

(c) Exposures to Capital Market

(₹ in crore)

		As at March 31, 2021	As at March 31, 2020
(i)	Direct investments in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt	-	-
(ii)	Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures and units of equity-oriented mutual funds	-	-

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(₹ in crore)

	As at March 31, 2021	As at March 31, 2020
(iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity-oriented mutual funds are taken as primary security	-	-
(iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity-oriented mutual funds i.e. where primary security other than shares/convertible bonds/convertible debentures/units of equity-oriented mutual funds does not fully cover the advances	-	-
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	-	-
(vi) Loans sanctioned to corporates against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	-	-
(vii) Bridge loans to companies against expected equity flows/issues	-	-
(viii) All exposures to Venture Capital Funds (both registered and unregistered)	77.81	74.00
Total Exposure to Capital Market	77.81	74.00

(d) Penalties / fines imposed by the RBI

During the year ended March 31, 2021 there was no penalty imposed by the RBI (Previous Year Nil).

41. The following additional information is disclosed in terms of the RBI circular (Ref. No. RBI/2019-20/170 DOR (NBFC).CC.PD. No.109/22.10.106/2019-20 dated March 13, 2020)

For year ended March 31, 2021 (₹ in crore)

Asset Classification as per RBI Norms	Asset classification as per Ind AS 109	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
1	2	3	4	(5)=(3)-(4)	6	(7)=(4)-(6)
Performing Assets						
Standard	-	-	-	-	-	-
Non-Performing Assets (NPA)						-
Substandard	Stage 3	-	-	-	-	-
Doubtful						-
up to 1 year	-	-	-	-	-	-
1 to 3 years	-	-	-	-	-	-
More than 3 years	-	-	-	-	-	-
Loss	Stage 3	6.42	6.42	-	6.42	-
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 3	-	-	-	-	-
Total		6.42	6.42	-	6.42	-

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For year ended March 31, 2020 (₹ in crore)

Asset Classification as per RBI Norms	Asset classification as per Ind AS 109	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
1	2	3	4	(5)=(3)-(4)	6	(7)=(4)-(6)
Performing Assets						
Standard	-	-	-	-	-	-
Non-Performing Assets (NPA)						-
Substandard	Stage 3	7.83	7.83	-	0.78	7.05
Doubtful						-
up to 1 year	-	-	-	-	-	-
1 to 3 years	-	-	-	-	-	-
More than 3 years	-	-	-	-	-	-
Loss	Stage 3	6.40	6.40	-	0.64	-
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 3	69.37 *	22.63	46.74	-	22.63
Total		83.60	36.86	46.74	7.18	29.68

* Asset is not recognised in books of accounts. The Company has applied Credit conversion factor (CCF) of 50% and probability of default (PD) of 65% on contingent liability of ₹ 69.37 crore as disclosed in note 32.

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42. Additional Disclosures

(a) Provisions and Contingencies

Break up of 'Provisions and Contingencies' shown under the head expenditure in the Statement of Profit and Loss:

(₹ in crore)

	As at March 31, 2021	As at March 31, 2020
Impairment on financial instruments	0.02	8.33
Impairment on investment in associates	-	35.62
Impairment on Plant, Property and Equipment	-	8.14
Total	0.02	52.09

(b) Disclosure of complaints

The following table sets forth, the movement and the outstanding number of complaints:

	For the year ended March 31, 2021	For the year ended March 31, 2020
Shareholders' complaints:		
No. of complaints pending at the beginning of the year	Nil	17
No. of complaints received during the year	64	561
No. of complaints disposed off during the year	64	578
No. of complaints remaining unresolved at the end of the year	Nil	Nil

The above information is certified by management and relied upon by the auditors

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43. Ratings assigned by credit rating agencies and migration of ratings during the year :

The said rating was withdrawn on January 27, 2020.

44. Considering the nature of the business of the entity and transactions entered during the year ended March 31, 2021 and March 31, 2020 following disclosures required as per NBFC circular DNBR (PD) CC.No.008/03.10.119/2016-17 are not applicable to the Company and hence are not disclosed:

(i) Disclosures regarding Derivatives.

(ii) Disclosures relating to Securitization.

(iii) Exposure to Real Estate Sector.

(iv) Details of financing of parent company products.

(v) Detail of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the NBFC.

(vi) Unsecured Advances.

(vii) Concentration of Deposits, Advances, Exposures and NPAs.

(viii) Sector-wise NPAs.

(ix) Overseas Assets (for those with Joint Ventures and Subsidiaries abroad).

(x) Off-balance sheet SPVs sponsored.

45. IMPACT OF COVID

In addition to the widespread public health implications, the COVID-19 pandemic has had an extraordinary impact on macroeconomic conditions in India and around the world. During the previous year, people and economies around the world, witnessed serious turbulence caused by the first wave of the pandemic, the consequent lockdowns, the gradual easing of restrictions and the emergence of new variants of the virus. The first half of the year was worst affected due to pandemic. However, there was an economic recovery in the later half as lockdowns eased consequent to reduction in COVID-19 cases. Although government has started vaccination drive, COVID-19 cases have significantly increased in recent months due to second wave as compared to earlier levels in India. Various state governments have again announced strict measures include lockdowns to contain this spread. As COVID vaccines get administered to more and more people, businesses in sectors impacted by pandemic may pick up. However, the continuing and evolving nature of the virus has created uncertainty regarding estimated time required for businesses and lives to get back to normal.

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The Company continues to closely monitor the situation and in response to this health crisis has implemented protocols and processes to execute its business continuity plans and help protect its employees and support its clients.

The Company is an investing company for the group. The Company has its investments in subsidiaries and associates of the group. In lights of the Covid-19 outbreak and based on the information available upto the date of the approval of these Financial Statements, the Company has assessed its liquidity position for the next one year which factors uncertainties due to the current situation.

The Company has further assessed the recoverability and carrying value of its assets comprising of Property, Plant and Equipment and Investments as at March 31, 2021, and has concluded that there are no material adjustments required in the financial statements, other than those already considered. The Management has performed an analysis of the fair value of its unquoted and illiquid investments and the same has been considered in the financial statements. The future direct and indirect impact of COVID-19 on the Company business, results of operations, financial position and cash flows remains uncertain. The Company will continue to monitor any material changes to future economic conditions.

46. The figures of ₹ 50,000 or less have been denoted by β.

For Price Waterhouse & Co Chartered Accountants LLP
(Firm Registration Number : 304026E/E-300009)

Sharad Vasant
Partner
Membership Number : 101119

Mumbai, June 14, 2021

For and on behalf of the Board of Directors of
IDFC Limited
CIN: L65191TN1997PLC037415

Vinod Rai
Non-Executive Chairman
(DIN: 00041867)

Sunil Kakar
Managing Director & CEO
(DIN: 03055561)

Mahendra N. Shah
Company Secretary
(ACS: 4222)

Bipin Gemani
Chief Financial Officer
(PAN: AACPG6412A)

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