MANAGEMENT DISCUSSION & ANALYSIS

Macro-Economic Environment
FY19 (April 1, 2018 to March 31, 2019) witnessed global headwinds in terms of rising trade tensions and protectionism, geo-political uncertainties in some parts of the world, slow-down in China, Brexit tribulations and crude volatility. Notwithstanding these, the India story looked good. India's full year annual GDP growth for FY19 at about 7% was not very different from the growth in FY18. Growth in the second half of FY19 was slower due to base effect as also slower consumption growth represented by contraction in passenger vehicles sales, slower growth in two-wheeler sales and weak rural wage growth.

Fiscal deficit for FY19 was manageable though there was a shortfall in goods and services tax (GST) revenues. Inflation was benign. Headline consumer price index (CPI) inflation averaged 3.4% in FY19 providing the Reserve Bank of India (RBI) room to cut repo rates.

India is emerging as an important player in the world economy as reflected in World Bank's ease of doing business 2019 report, which improves India's ranking by 23 positions to 77th rank in 2018.

The insolvency and bankruptcy code (IBC) provides more teeth to lenders and could positively impact credit behaviour of borrowers going forward. Although the progress to date per se has been a mixed-bag, a positive attitudinal change of borrowers towards lenders would go a long way in establishing a healthy credit culture.

The IL&FS crisis and drying up of liquidity for non-banks will impact sectors that were dependent on non-bank funding for growth i.e. housing construction, small and medium enterprises (SME) and consumer durables amongst others. As a fall-out of this crisis, the lending market could see a mean reversion as banks recoup from bonds and non-banks. The crisis would also narrow the regulatory arbitrage between banks and non-banks going forward.

Although global flows during the fiscal have been volatile, the Fed's signal of no interest rate hikes going forward, as this fiscal was drawing to a close, augurs well for inflows to emerging economies. How well we are in a position to harvest more than our fair share of these flows would be a function of the relative attractiveness of India as an investment destination, which in turn would depend on geo-politics and the reform agenda of the government.

Geo-political tensions in our part of the world escalated near the end of the fiscal but have abated since – auguring well for the economy going forward. Politics too was at the centre stage in this period, with high decibel campaigns and election rhetoric dominating the media space. A stable government would help consolidate the India growth story post major structural reforms like GST and propel it to its next phase.

Addressing concerns on jobs and agrarian stress will be key to the next phase of our growth story. So far, the debate on jobs and demographic dividend has been noisy. However, a look at the sectoral break-up of job creation indicates that there is a structural change in the right direction that is taking place in India. A significant amount of work-force has been moving out of the agriculture sector and the biggest absorber of this labour force is the construction sector. On agrarian stress, not entirely clear whether farm-loan waivers and hiking minimum support prices are the only way forward or a comprehensive review and reform of the agriculture sector is the critical need of the hour.

IDFC Limited

Status

IDFC Limited ("IDFC") is registered with the Reserve Bank of India as an NBFC. It has investments in various financial services businesses such as Banking, Asset Management (both public markets and private markets), Investment Banking, Institutional Broking & Research, and Infrastructure Debt Fund. All these businesses are carried out through independent entities. IDFC holds all these investments under IDFC Financial Holding Company Limited (NOFHC). IDFC and IDFC FIRST Bank are two listed entities of IDFC Group ("Group") and the rest of the businesses are conducted through unlisted entities.

During the year, Balance Sheet size decreased from ₹ 9,823 crore as on March 31, 2018 to ₹ 9,821 crore as on March 31, 2019. Profit after tax and other comprehensive income was lower at ₹ 127.66 crore for FY 2018-19 as compared to ₹ 184.14 crore in FY 2017-18. Net worth of the Company increased from ₹ 9,761 crore as on March 31, 2018 to ₹ 9,779 crore as on March 31, 2019.

Strategic review and unlocking value for shareholders

Focus on retail businesses and unlock value from non-retail ones

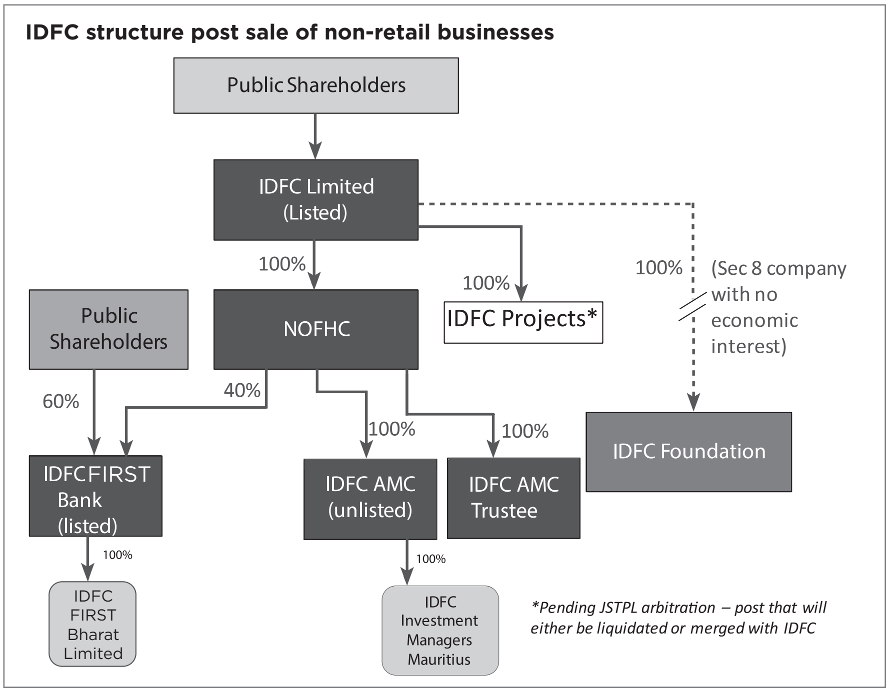
Post a strategic review exercise undertaken during the year, IDFC arrived at a strategic decision of focusing on and growing its retail oriented businesses i.e. IDFC FIRST Bank and IDFC Asset Management Company(AMC) and exiting its non-retail businesses i.e. private asset management, infrastructure debt fund and investment banking & institutional broking & research to unlock value for its shareholders. This twin-pronged strategy vis-à-vis retail and non-retail businesses was well articulated and shared amongst internal and external stakeholders.

IDFC FIRST Bank (post-merger with a non-banking retail franchise i.e. Capital First) is well on its course towards becoming a mass retail bank focused on both retail assets and retail liabilities. Retail assets now contribute more than third to the bank's funded credit. Retail liabilities is a longer journey and the bank is committed to making the requisite investments to aggressively expand its branch network in larger cities and offering attractive price incentives for savings and deposits to customers.

The mutual fund industry witnessed a turbulent year in which major events such as regulatory changes impacting future profitability and credit quality led liquidity contagion threatening debt funds and flows, took place. IDFC Mutual Fund withstood these challenges well and its strategy of investing in a distribution architecture to grow its retail investor base and launching new products to bridge product-gaps is playing out well. The coming fiscal will give us a better sense on how the regulatory changes will impact our profitability but we are confident that with the right investments now in place for retail distribution and new products, IDFC AMC is well poised to harvest its fair share in an industry that is growing and is expected to do well.

Our wholesale and infrastructure legacies are responsible for our clarity on moving away from concentrated exposures, distributing risk and granularising our balance sheet. Hence, the strategic call to divest our non-retail businesses and in the process unlock value for our shareholders. Update on exiting non-retail businesses as on March 31, 2019:

- IDFC Alternatives:
  - India business – sale of infrastructure vertical to Global Infrastructure Partners (GIP) has been consummated. Sale of private equity and real estate verticals to Investcorp has been completed.
  - Singapore business – Investment in Fund of Funds sold to Aberdeen.
- Infrastructure Debt Fund – Definitive agreement for sale to National Investment and Infrastructure Fund (NIIF) signed. The deal is being structured in two tranches. The first tranche on signing of definitive



agreement was completed this fiscal whereas the second tranche post fulfillment of conditions precedent is expected to be completed somewhere in the middle of coming fiscal.

- IDFC securities (includes the investment banking business)– Deal closure on this business is expected by the end of coming fiscal.

The strategic sale of non-retail businesses of IDFC and transfer of value so realized are expected to be completed by the end of coming fiscal. This should translate to value creation of ₹ 7-8 per share for IDFC shareholders on a pre-tax basis.

Overview of group companies

IDFC FIRST BANK

In Jan '18, IDFC Bank and Capital First Limited announced an understanding to merge, with shareholders of Capital First Limited to be allotted 139 shares in the bank for every 10 shares held (swap ratio). Merger was completed on December 18, 2018.

The Competition Commission of India approved the transaction in March 2018 and the Reserve Bank of India (RBI) approved the transaction in June 2018. Shareholders of both IDFC Bank and Capital First approved the merger in an overwhelming manner with 99.98% and 99.9% votes respectively. Mr. Vaidyanathan, who was the Chairman of Capital First, was appointed as the first MD & CEO of IDFC FIRST Bank.

The license conditions for the bank stipulated that by Oct '18 (end of 3rd year of operations), the holding of the promoter (IDFC) will be brought down to 40% (from 53% as on Oct '15) and will be maintained at exactly 40% till Oct '20 (end of 5th year of operations). The swap ratio for the merger would have resulted in IDFC's holding in the bank falling below 40%. To prevent this, IDFC bought about 12 crore shares from the open market before consummating the merger with Capital First Limited.

Vision and strategy

The vision of IDFC FIRST Bank is to transform itself into a profitable mass retail bank with a focus on retailisation of both assets and liabilities. Retail book contribution of about 35% to total funded assets (Dec '18) would be enhanced to over 70% in the coming 5-6 years. The focus will also be on increasing retail liabilities (CASA and retail term deposits) as a proportion of total borrowings from about 10% (Dec '18) to over 50% in the next 5-6 years. Within this, the effort is to target a CASA ratio of about 30%. Towards these objectives, IDFC FIRST Bank plans to set-up 600-700 more bank branches.

The metrics that the bank will focus on over the next 5-6 years is given below:

Merger rationale – IDFC Bank and Capital First

IDFC BANK

- Strong systems and processes
- Launched retail liability operation. Opened 200 bank branches (Dec '18), raised retail CASA of Rs. 2,800 crores (Dec '18)
- Built efficient treasury management systems
- Strong presence in corporate and infrastructure financing
- Launched contemporary payment systems, internet and mobile banking
- Launched retail lending businesses successfully

+

CAPITAL FIRST

- Strong retail franchise in niche segments with strong credit skills
- Track record of continuous growth
- Expanded to more than 220 locations across India supported by 102 branches
- Consistently increasing profitability (5 year CAGR 39%) with high ROE (15%)
- High asset quality across cycles including increasing interest rate, demonetization and GST
- Customer base of over seven million and 4 million live customers

=

IDFC FIRST Bank

- Strong loan assets of over 1 lac crore
- A third of loans in retail segment
- Substantial margin increase
- Diversified asset profile
- Strong platform to grow retail deposits and CASA
- A large retail customer base of more than 7 million live customers including 3 million rural customers

IDFC FIRST Bank - 5-6 years - Milestones

Retail Assets	> Rs. 1,00,000 Crores
% Retail Funded Assets	> 70% of total funded assets
Net Interest Margin %	~ 5.0-5.5%
Cost to Income Ratio %	~ 50-55%
RoA%	~ 1.4-1.6%
RoE %	~ 13-15%
% Retail Liabilities	> 50%
% CASA	~ 30%
Branches	~ 800-900

Business overview

During the year, the wholesale banking business successfully navigated a challenging business environment, and leveraged expertise and corporate relationships to deliver on its strategy of reducing its exposure to infrastructure and opportunistically growing its book in the non-infra sectors. The bank successfully managed to transition itself from an infrastructure player to a preferred bank in the non-infra corporate space.

In its third full year of operations, IDFC FIRST Bank continued to expand its retail network, digital payment channels and product suite across customer segments, gaining significant momentum in terms of market coverage and customer acquisition. Within its 'click and mortar' ecosystem the bank will now more aggressively ramp-up its physical network to enable customers to conduct their banking business flexibly, interacting directly with people at physical outlets and / or digitally. IDFC FIRST Bank has also adopted a granular perspective of customer segments and geographies. This has enabled it to find growth in segments that have been hitherto under served.

Distribution network

The urgency for branches particularly to raise liabilities from retail customers in larger cities is now visible with branch presence in such cities gaining greater momentum. With a modest presence in metros when the bank was launched in Oct '15, the bank now has 242 branches across the length and breadth of the country. Going forward, further acceleration of branch roll-out in top cities will be witnessed.

Customers

IDFC FIRST Bank now has more than 7 million live customers, of which about 3 million are rural customers.

Distribution Network

Urban Bank Branches	133
Rural Bank Branches	109
ATMs	141
Asset Service Branches (Erstwhile Capital First Branches)	102
Rural BC Branches (IFBL)	354
Other BC Branches	100

Funded credit

As on March 31, 2019, of the ₹ 1,10,400 crore funded credit, retail was ₹ 40,812 crore constituting 37% of total. Retail loans cover the consumer; Micro, Small and Medium Enterprise (MSME) and rural segments and have financed 7.3 million customers. Credit assessment is based on analytics and broader sources of information about customers, making it possible to speed up credit decisions and disburse loans instantly, wherever applicable. Customers range from salaried and self-employed to first time borrowers. The bank has enabled many customers to start their first business or buy their first home.

Consumer segment offers customers loans for two wheelers, consumer durables, used cars, personal loans, home loans and such other common consumer financing needs. The retail book to this segment stood at ₹ 19,860 crore as on March 31, 2019.

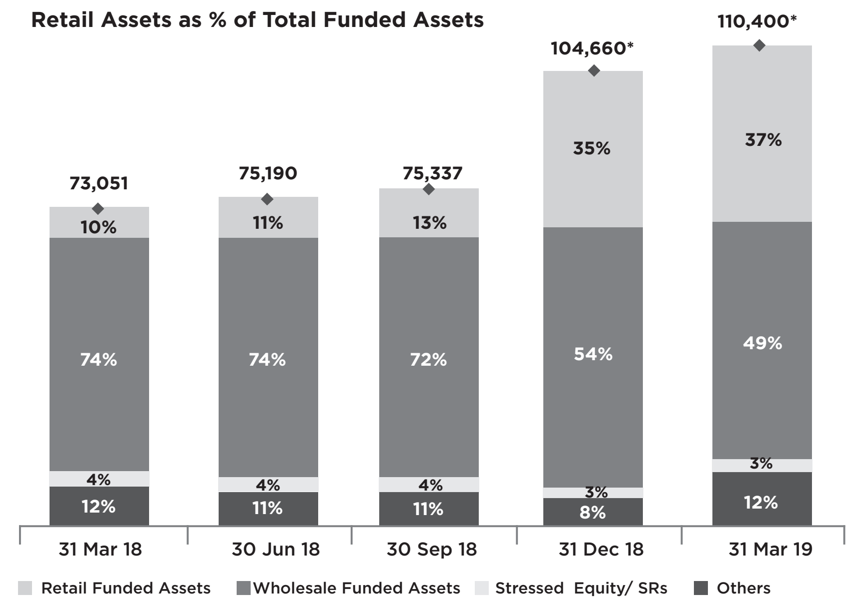
The Bank offers various fund based and non-fund facilities to its MSME customers and entrepreneurs. Under the fund-based products, the bank offers secured long term loans, usually against property as collateral after a thorough cash flow analysis, credit bureau and reference checks as well as legal and technical valuation of the security. These loans are usually EMI based long term funding to fulfill the capital investment requirements of MSME customers. The bank also caters to working capital and capex financing requirements of the fast growing trading, service and manufacturing entities through fund based facilities of cash credit/ over draft, working capital demand loans, term loans, export finance and bill discounting. Under the non-fund based facilities, the bank offers forex services, letters of credit and bank guarantees to these customers. The bank caters to retail and strategic transporters, logistic companies, captive users and school bus operators primarily for their commercial vehicle asset purchases. The retail financing loan book for the MSME segment stood at ₹ 15,767 crore as on March 31, 2019.

The Bank has been focused on ensuring financial inclusion and serving the bottom of the pyramid. With a distribution network connecting small hamlets and towns, the bank has emerged as one of the front runners in providing the entire gamut of banking products and services, across both assets and liabilities. The value proposition of the bank in the rural segment hinges on customer, community and capability building (3Cs). The bank has designed an array of products customized to the specific needs of our customers in rural locations. These include the flagship group loan product, Sakhi Shakti, which aims to financially empower rural women by providing them with credit facility for income generation. Other products include Vyapar Vriddhi or micro enterprise loan to

Breakup of Loan Assets

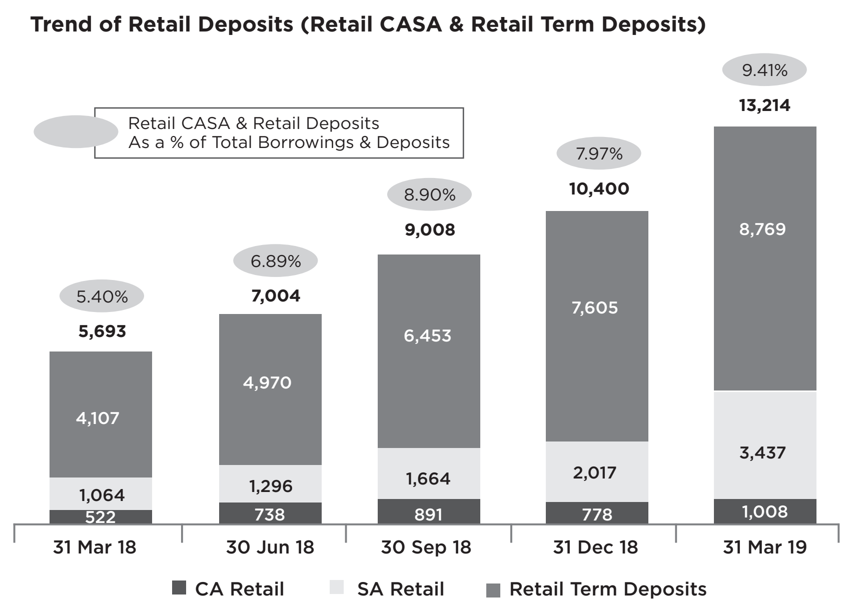
FUNDED ASSETS (IN ₹ CR)	MAR-18 (ERSTWHILE IDFC BANK)	JUN-18 (ERSTWHILE IDFC BANK)	SEP-18 (ERSTWHILE IDFC BANK)	DEC-18 (MERGED NEW ENTITY IDFC FIRST BANK)	MAR-19 (MERGED NEW ENTITY IDFC FIRST BANK)
Retail Funded Assets	7,038	8,208	9,916	36,236	40,812
Rural	3,218	3,616	4,242	4,705	5,185
SME	1,794	2,153	2,772	13,574	15,767
Consumer	2,026	2,439	2,902	17,957	19,860
Wholesale Funded Assets	53,871	55,414	54,084	56,809	53,649
Corporates	27,039	28,861	30,447	34,098	32,190
- Emerging Large Corporates	6,829	7,174	7,960	7,886	7,845
- Large Corporates	5,617	5,473	6,073	5,852	2,951
- Domestic Financial Institutional Group	4,668	6,484	6,330	10,645	12,436
- Others	9,925	9,730	10,085	9,715	8,958
Infrastructure	26,832	26,553	23,637	22,710	21,459
PSL Inorganic	**8,980**	**8,466**	**8,256**	**8,575**	**12,924**
Stressed Equity and SRs	**3,162**	**3,102**	**3,081**	**3,040**	**3,016**
Total Funded Assets	**73,051**	**75,190**	**75,337**	**1,04,660**	**1,10,400**

All figures are in ₹ crore unless specified



** Post merger with Capital First. Figures of prior quarters pertain to erstwhile IDFC Bank.*

All figures are in ₹ crore unless specified



support local businesses and enterprises; Suvidha Shakti which is uniquely crafted to offer assistance to our customers home improvement requirements; Sowbhagya Shakti or regular savings deposit to inculcate the habit of savings among our rural customers. The bank is committed to supporting the communities in locations it operates in. Corporate Social Responsibility in such locations include financial literacy initiatives, enabling the enhancement of dairy livelihoods, and offering rural-specific banking solutions. The bank has tied up with Banking Correspondents such as ASA and Saggraha to reach new geographies. It has also collaborated with international not-for-profit organizations like Water.org that work towards raising awareness about the need for improved access to water and sanitation facilities. The bank is focused on job creation and capability building in the states that it is present in and offers comprehensive solutions for the agri-corporate customers. Its retail agri-business solution is geared to meet the needs of individuals and businesses engaged in agricultural and agro-allied activities. The seasonal nature of agricultural business increases the scope of unpredictability and hence, requires a flexible financial solution. The retail agri-business extends credit to farmers for crop cultivation, purchase of inputs, maintenance of farm implements and other agri-related activities. The retail financing loan book for the rural segment stood at ₹ 5,185 crore as on March 31, 2019.

Retail CASA and deposits

Of the ₹ 1,40,462 crore borrowings and deposits, as on March 31, 2019, the contribution of retail CASA and deposits was ₹ 13,214 crore. With a 7% p.a. rate on Savings Accounts (SA), the focus is now on aggressively ramping up SA.

IDFC ASSET MANAGEMENT COMPANY

Mutual Fund Industry

The monthly Average Assets Under Management (AAUM) of the industry grew by about 8% to ₹ 24.6 lakh crore in March 2019 over March 2018. Equity AAUM grew 12% {excluding Exchange Traded Funds (ETFs)}, while equity markets saw record polarisation in performance with select mega-cap stocks gaining handsomely, while the broader market – including mid and small cap stocks – being adversely impacted. With several fund Net Asset Value's (NAV's) under performing headline Indices, equity MF flows slowed down.

Government mandated ETFs (CPSE and CMPFO) witnessed significant traction during the year, with ETF AAUM growing by 66.6% to ₹ 1.3 lakh crore in March 2019.

Retail investors continued to invest through the Systematic Investment Plan (SIP) route, which led to a growth of about 24% in live SIP count to 2.6 crore by March 2019, demonstrating their growing faith in mutual funds.

In Fixed Income, AAUM grew 2% during the year. Concerns about credit events and liquidity led to cash segment being the preferred category of investment, which witnessed a growth in AAUM of about 24%. AAUM of non-cash fixed income declined by about 11%.

During the year, SEBI announced significant changes in mutual fund regulations that aim to improve investor experience and benefit long-term industry growth. These include standardization of product categories, reduction in expense ratios, discontinuation of upfront distribution commissions, scheme expense accounting changes amongst others. A significant change being implemented as we enter next fiscal is reduction in total fund expense structure. While impact on fee margins for AMCs with AUM concentrated in large funds is expected to be significant, impact on relatively diversified equity funds like ours is anticipated to be modest.

Focused execution of operating plan
During the year, our AAUM grew about 7% to ₹ 71,933 crore. Equity AAUM grew about 15% supported by a growing distribution network, which helped steadily build our SIP base and offset mark-to-market loss with positive net flows.

Fixed income AAUM grew 3% overall. We recovered our non-cash AUM market share while retaining our focus on high quality portfolios. While the industry saw higher yield (lower credit quality) oriented strategies benefiting from higher inflows during the first half of FY19, flows turned sharply towards high quality, cash-equivalent and short term strategies during the second half. This aligned well with our stated investment strategy, leading to a sharp increase in inflows. During last quarter of the fiscal, our non-cash fixed income AAUM grew about 21%.

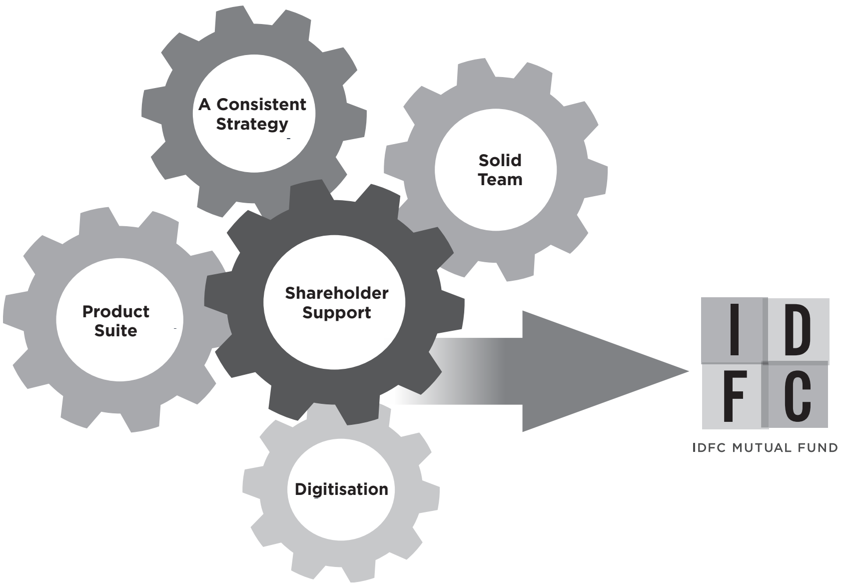
Building on our existing product suite, we launched our overnight fund, ultra-short term fund and a series of fixed maturity plans (FMPs). We also launched the India equity hedge tactical alternative investment fund (AIF), further building on our liquid alternatives investment platform. We repositioned our banking and PSU fund, the arbitrage plus fund (as equity savings fund) and we reopened premier equity fund (now, IDFC multi-cap fund) for lump-sum investments.

More importantly on customers, we steadily grew the number of unique investors we serve by 22% during the year.

We significantly added to our capabilities in digital communication, leveraging data analytics to optimize our marketing campaigns.

Our virtual relationship manager (RM) program helped increase our reach to places where we did not have a significant presence through unique distributor activation programs.

IDFC MUTUAL FUND - Way Forward



The IDFC Saathi app, launched to support our distributors with their client transactions and portfolio tracking, has been downloaded over 10,000 times.

Our social media outreach enables us to reach 1,27,000 followers on facebook, 12,000 on twitter, 33,000 on Youtube. During the year, we went live on LinkedIn and have already reached over 17,000 followers.

At CNBC mutual fund awards 2018, among the various categories we were nominated in, our dynamic bond fund, ELSS fund, focused fund and medium duration fund won the best funds award in each of their respective categories. Suyash Choudhary, head – fixed income, won the award for the best fund manager – debt at the Business Today – Money Today awards 2019.

Way forward
Shareholder Support – the decision to invest in and grow IDFC Mutual Fund post the strategic review exercise at IDFC, has translated to further increase in confidence of customers and partners in our funds.

Solid team – we continue to invest in building a strong team, creating an enabling environment that will foster innovation, excellence and develop talent.

Consistent strategy– our plan continues to focus on 'retailising' our franchise by expanding distribution coverage, increasing client engagement, diversifying product offerings and improving efficiency.

Product suite– we will continue to build and grow a product suite that will remain true-to-label, with each fund offering a distinct and clearly defined investment thesis as an opportunity to investors. We are excited about emerging opportunities in the space of alternatives and passive strategies.

Digitisation – we plan to serve our distribution partners as well as to enhance investor experience by leveraging evolved analytics, an upgraded website and the latest digital technologies.

IDFC Securities
Deal closure on this business is expected by the end of coming fiscal.

NIIF INFRASTRUCTURE FINANCE LIMITED (formerly IDFC Infrastructure Finance Limited)
Definitive agreement for sale to National Investment and Infrastructure Fund (NIIF) has been signed. This deal is being

structured in two tranches. The first tranche on signing of definitive agreement was completed this fiscal whereas the second tranche post fulfillment of conditions precedent is expected to be completed somewhere in the middle of coming fiscal.

IDFC ALTERNATIVES

- India Business – sale of infrastructure vertical to GIP has been consummated. Sale of private equity and real estate verticals to Investcorp has been completed.
- Singapore Business – definitive agreement in place to sell the Fund of Funds investment to Aberdeen. Complete closure of the deal is expected in the first half of coming fiscal.

IDFC will endeavor to reorganise it's corporate structure to unfold it's value through a process that is fully compliant from text and regulatory prospectives.

IDFC FOUNDATION

Livelihood enhancement through financial inclusion

India has been making major strides in reducing poverty. The Government of India has been working tirelessly to support the most vulnerable communities including the elderly, widows, disabled, daily wage earners, poor migrants, women, SC/ST communities etc. The increased number of bank accounts and DBT through Aadhaar linkage has helped the government transfer social assistance like pensions, subsidies and wages into the bank accounts of the beneficiaries. However, millions of poor in continue to face difficulties in accessing these entitlements from their bank accounts due to the following reasons:

- *Distance*: Community members across thousands of villages still have to travel 10-15 kms every time to deposit or withdraw cash from their bank accounts.
- *Time*: Remote villages are usually the least connected. The absence or limited frequency of transport result in long waits.
- *Cost*: The travel and out of pocket expenses that the poor have to bear to access the DBT is very high.
- *Apprehensions*: Many among the vulnerable groups hesitate to engage with the banks (unless absolutely required) given the paper work, processes and systems.

The opportunity cost of the time spent in accessing own funds is very significant particularly in the case of daily wage earners. In the case of the elderly, disabled and women, the sheer effort proves prohibitive

The financial inclusion initiative of IDFC Foundation, implemented with the help of IDFC FIRST Bank, has focused on enabling this much needed last mile access. The financial inclusion model has two key components: a) the financial inclusion device and b) village based micro-entrepreneurs as Mitras.

a) *The financial inclusion device*

The most important component of the model is the financial inclusion device. The foundation has been able to leverage IDFC FIRST Bank's award winning and cutting edge banking technology to enable services across banks even in remote locations. The A4 size state-of-the-art integrated tab along with the banking application has been custom built to provide services to beneficiaries using debit cards and/or Aadhaar linked bank accounts at negligible or no cost. The following are the key features of the Device:

- The financial inclusion device can be used to perform a variety of financial and non-financial transactions
- The beneficiaries can deposit, withdraw, transfer funds and do balance enquiry.
- Authentication can be done either through Aadhaar biometric or ATM PIN
- The A4 size device is portable and can be easily carried from one place another
- The device is equipped with biometric scanner, printer and camera and print outs a receipt after every transaction
- The device gets connected on WI-FI and GPRS. For GPRS, the Mitra can use SIM of any network operator with 2G/3G data

b) *Mitras*: For effective implementation of the financial inclusion model, it is important to have a Mitra at the village level. A person who already has an existing micro enterprise in the village would be identified as a Mitra. By doing this, it will be ensured that the Mitra is able to i) run the services in a truly entrepreneurial manner ii) has existing working capital and iii) has a larger stake since any non-performance on the financial inclusion program will also adversely impact his/her enterprise. Given that the Mitra is part of the community and known to everyone in the village, the community members would find it easy to avail his/her services.

The financial inclusion program has resulted in creation of over 10,000 social entrepreneurship opportunities across 25 states and 3 union territories. The initiative has been effective in reaching out to the poor and vulnerable in over 43,000 villages across the country. In the state of Andhra Pradesh alone, around ₹ 175 crore of pension disbursals have been made till date.

In addition to its work on last mile access to financial services, the foundation has also been actively promoting financial literacy. 80,000 community members have participated in the financial literacy sessions in FY19.

Rural development through dairy farming: the Shwetdhara Program

Dairy farming is a key source of income for around 70 million households in rural India. Poorer households which depend on farming for a living, prefer dairy farming. This is primarily because dairy farming has one of the best cash flows among all farm based activities. The biggest challenge in dairy farming in India is low productivity of milch animals. A number of reasons have contributed towards low productivity. These include inadequate knowledge of good dairy farming practices among farmers, low quality of dairy animals, suboptimal access to veterinary and breed improvement services etc. The low productivity of dairy farming thus traps poor households in a low income cycle. The 'Shwetdhara-cattle care program', initiated by the foundation, has been focusing on increasing the income of small and marginal farmers in the states of Madhya Pradesh and Karnataka. The foundation carries out a number of activities to promote the productivity of dairy animals.

In order to address the issue of inadequate knowledge, Shwetdhara program invested heavily in awareness and capacity building. During FY19, the foundation carried out more than 800 community level trainings to disseminate best practices on dairy farming. These trainings focused on key aspects of dairying like breed improvement and nutrition.

The capacity building exercise was complemented with mechanisms that promote behaviour change among farmers. Over 200 Shwetdhara groups met every month to discuss the best practices in dairying. During these meetings, the members reviewed the adoption of best practices among themselves and supported one another in case of any difficulty. This process was duly supported by a cadre of village level volunteers called the Gram Sakhis.

As part of the Shwetdhara program, the foundation established 7 pashu vikas kendras (PVK) in rural and under served areas. The PVKs acted as an important source of information for the farmers in nearby villages. These kendras are also manned by a veterinary doctor and extension officers. The last mile service delivery is being carried out by a cadre of artificial insemination technicians (AITs). The AITs provide the farmers a range of dairy related services including artificial insemination, pregnancy diagnosis, infertility treatment, deworming, deticking etc. at their doorstep.

The program has enabled over 10,000 rural households across over 200 villages, access good quality inputs and services required for effective dairy farming. During the year, the AITs engaged with the program have provided around 5000 breed improvement services. The veterinary doctors not only managed overall support and supervision but also provided veterinary services on call at the farmers' doorstep.

Projects of social importance

During FY19, the IDFC foundation also implemented selected projects of social and environmental importance. The foundation quickly responded to the devastating floods in Kerala with prompt relief measures. Based on a rigorous need assessment, the foundation provided targeted relief support to over 8500 affected families across 6 districts of Kerala.

During the year, the foundation continued to support Masoom, a Mumbai based NGO, in implementing the 'night school transformation program' in 10 night schools. The program has been working towards transforming the quality of education in these schools by enhancing the school infrastructure, management systems and education techniques. More than 800 students from underprivileged backgrounds benefited from this program.

The foundation also supported the environmental efforts of municipal corporation of Gurugram in redeveloping the Badshahpur corridor as a green corridor and public space for the citizens of the city.

IDFC Institute

IDFC Institute has been set up as an independent, not-for-profit, think/do tank to investigate the political, economic and spatial dimensions of India's ongoing transition from a low-income, state-led country to a prosperous market-based economy. Our approach to public policy issues rests on a solid foundation of evidence-based research. The Institute's research focuses on two broad areas: a) growth and job creation in the context of India's transition from farm to non-farm, rural to urban and informal to formal economic activity; and b) improving the delivery of essential services and welfare. All our research, reports, databases and recommendations are in the public domain and freely accessible through our website: www.idfcinstitute.org.

IDFC Institute's survey, safety trends and reporting of crime (SATARC), was a 4-city, 21,000 household, crime victimization survey that measured the gap between the true extent of crime and official crime records. Earlier this year, the ministry of home affairs' bureau of police research and development announced the launch of a nationwide crime victimisation survey at the national level, modeled on the initial IDFC Institute survey. IDFC Institute will serve on the Executive Committee, which will guide and monitor the survey.

In June 2018, Hardeep Singh Puri, union minister of state for housing and urban affairs, government of India launched our "India Infrastructure Report 2018: Making Housing Affordable". The report focused on key supply-side constraints in the housing market in urban India.

IDFC Institute continues to be a thought leader for the urban sector. The Institute has been nominated to be a part of a working group convened by the ministry of housing and urban affairs for formulating a road map for cities to build a culture of data driven governance. The first output of this working group – a strategy document and a data maturity assessment framework, was officially launched by the ministry at the second apex conference of smart city CEOs held in February.

IDFC Institute has also been nominated to the core working group of the newly launched National Urban Learning Platform (NULP) initiative at the National Institute of Urban Affairs. NULP is a priority initiative for which the core working group will drive design and implementation across the nation.

Risk Management

IDFC Limited is a holding company for its various businesses. The group has a robust risk management practice in place to pro-actively identify and manage various types of risks, namely, credit, market and operational risks.

Credit risk management

IDFC Limited is the holding company with no direct lending operations. The lending business is carried out by IDFC FIRST Bank Limited and IDFC Infrastructure Finance Limited. These entities have credit risk policy and delegation of authority approved by their respective boards. The lending business is done with adherence to these board approved documents.

Market risk management

IDFC Limited is the holding company with no direct businesses that has significant market risk. Market risk governance frameworks exist in subsidiaries exposed to market risk. The group has set up robust market risk management process, which sets out the broad guidelines for managing market risk that the group is exposed to. Management of market risk encompasses risk identification, measurement, setting up of limits, monitoring and control. The market risk management process at the group level ensures that the products that are exposed to market risk are within the risk appetite laid down by the board of respective subsidiaries. The board of respective subsidiaries approved risk appetite is monitored and reported as per the guidelines laid down from time to time.

Operational risk management

A strong operational risk framework and governance structure is in place.

IDFC FIRST Bank Limited has put in place board approved governance and organizational structure that specifies roles and responsibilities of business and shared service units, Operational risk management department and other stakeholders towards operational risk management. Operational risk management department engages with the first line of defense (business & operating units) on a continuous basis to identify and mitigate operational risks to minimize their impact.

Internal Controls and their adequacy

The company has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition and that the transactions are authorised, recorded and reported correctly. Such internal controls are supplemented by an extensive programme of internal audits, review by management and documented policies, guidelines and procedures. These are designed to ensure that financial and other records are reliable for preparing financial information and other reports and for maintaining regular accountability of the company's assets. The internal auditors present their report on a quarterly basis in operating companies and half yearly basis in holding companies to the audit committee of the respective boards.

Human Resources

IDFC had 9 employees as on March 31, 2019 and 404 employees at the group level.

People agenda of the group in FY19 was guided by three themes – talent development, employee engagement and digitisation.

Nurturing Talent

In a fast-moving and fiercely competitive business environment, employees are required to constantly adapt to changing customer expectations. Learning, therefore, plays a critical role in developing employee capability and empowering them so that they can effectively contribute to the organisation's objectives. The group continued to invest in its people in a significant way in FY19. Talent development initiatives included extensive training programs, learning events and mentoring. These provided an enabling environment in which employees could perform to their potential and navigate in a challenging business environment. The group's new leadership programs encouraged innovation and collaboration across businesses, functions and geographies.

Creating an engaging work place

As an employee-first organisation, engagement continued to be a valuable theme for the human resource function during the year. Several engagement initiatives were implemented structurally within the organization to make employees more collaborative and enable them to lead better work lives.

Digitizing benefits

IDFC introduced innovative digital solutions at group level that not only drove efficiencies at an organizational level, but also enhanced convenience for employees, empowering them to manage their benefits on-the-go. One of the solutions was the IDFC benefits card in partnership with Zeta. The end-to-end digital solution integrates the full suite of allowances and reimbursements offered by IDFC into one preloaded card.

Technology

IDFC's technology framework underpins its focus on digital banking that has led innovations in product, channel, reach, cost of acquisition, and most importantly, service. These elements come together to enhance customer engagement and experience.