# INDEPENDENT AUDITOR'S REPORT

**TO THE MEMBERS OF IDFC LIMITED**

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

**Opinion**

1. We have audited the accompanying consolidated financial statements of IDFC Limited (hereinafter referred to as the "Holding Company") and its subsidiaries (Holding Company and its subsidiaries together referred to as "the Group"), its associates and joint ventures (refer Note 50 to the attached consolidated financial statements), which comprise the consolidated Balance Sheet as at March 31, 2021, and the consolidated Statement of Profit and Loss (including Other Comprehensive Income), the consolidated Statement of Changes in Equity and the consolidated Cash Flows Statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information prepared based on the relevant records. (hereinafter referred to as "the consolidated financial statements").

2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group, its associates and joint ventures as at March 31, 2021, of consolidated total comprehensive expense (comprising of loss and other comprehensive income), consolidated changes in equity and its consolidated cash flows for the year then ended.

**Basis for Opinion**

3. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group, its associates and joint ventures in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in India in terms of the Code of Ethics issued by ICAI and the relevant provisions of the Act, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph 20 of the Other Matters paragraph below, other than the unaudited financial statements as certified by the management and referred to in sub-paragraph 21 of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of Matters**

4. In respect of

   i. the Holding Company, we draw attention to note 22C (f) to the Consolidated Financial Statement, regarding transfer of excess reserve created and maintained under section 36(1)(viii) of the Income Tax Act, 1961. Based on the opinion provided by the external legal advisor and in consultation with its tax consultants and the approval of its Board of Directors, the Company has transferred the excess reserve amounting to ₹ 411.02 crores from "Special reserve under section 36(1)(viii) of the Income-tax Act, 1961"to the "Surplus in the statement of profit and loss".

   ii. the Holding Company and three subsidiaries of the Group audited by us including (IDFC Asset Management Company Limited, IDFC Financial Holding Company Limited and IDFC Foundation), we draw your attention to note 54 to Consolidated Financial Statement, which describes the Group's assessment of the impact of the outbreak of Coronavirus (Covid-19) on the business operations of the Group. As mentioned in the note, in view of the uncertain economic environment, a definitive assessment of the impact on the subsequent periods is highly dependent upon circumstances as they evolve.

   iii. IDFC Alternatives Limited (a subsidiary of the Holding Company) audited by us, we draw attention to note 43(a) to the Consolidated Financial Statement, regarding preparation of financial statements on realizable value basis, pursuant to the Group's decision to discontinue the operations of the Company in view of reasons stated therein. Further, we also draw reference to note 54 to the Statements which describes the management's assessment of the impact of the outbreak of Coronavirus (Covid-19) on the realisable values. As mentioned in the note, in view of the uncertain economic environment, a definitive assessment of the impact on the subsequent periods is highly dependent upon circumstances as they evolve.

   iv. IDFC Trustee Company Limited and IDFC Projects Limited (subsidiaries of the Holding Company) audited by us, we draw attention to note 43(a) to the Consolidated Financial Statement regarding preparation of the financial statements of these companies on a realisable value basis, pursuant to the Group's decision to discontinue the operations of these companies.

   v. IDFC Financial Holding Company Limited (a subsidiary of the Holding Company) audited by us, we draw attention to Note 43(c)(i) to the Consolidated Financial Statement, regarding not giving effect to the NCLT Order dated February 4, 2021 regarding capital reduction in view of the reasons stated therein. Based on the legal advice, the Company has communicated its decision of not been able to comply with NCLT Order to the Registrar of Companies, Chennai and NCLT.

   Our opinion is not modified in respect of these matters.

5. We draw attention to following emphasis of matter paragraph as included in the audit report on the special purpose condensed consolidated financial information of IDFC FIRST Bank Limited (an associate of the Holding Company), its subsidiary and its associate, issued by their auditors vide report dated May 21, 2021 reproduced as follows:

   "As more fully described in Note 3 to the reporting package, the extent to which the COVID-19 pandemic will have an impact on the Bank's financial performance is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of the above matters."

Note 3 as mentioned above corresponds to note 48 of the consolidated financial statements.

6. We draw attention to the following emphasis of matter paragraphs as included in the audit report on the special purpose consolidated financial information of Infrastructure Development Corporation (Karnataka) Limited (a joint venture of the Holding Company), and its subsidiary, issued by their auditors vide report dated June 08, 2021 reproduced as follows:

   i. "Note No. 5(c) to the accompanying financial statements –in relation to Trade Receivables:

      The Company's Trade receivables is relatively high as compared to annual turnover, reflecting low receivable turnover ratio, extending credit terms and poor collection process from customers."

   ii. "Note No. 34 to the accompanying financial statements – in relation to Non Furnishing of Balance confirmation from Debtors:

      The Company has not received the Confirmation of balances from Debtors as on the date of this report, the balances are subject to such confirmations and reconciliations.

      Our opinion is not modified in respect of these matters"

      Note No. 5(c) as mentioned in the point i. above corresponds to note 43(f)(i) of the consolidated financial statement.

      Note No. 34 as mentioned in point ii. above corresponds to note 43(f)(ii) of the consolidated financial statement.

7. We draw attention to the following emphasis of matter paragraphs as included in the audit report on the financial statements of Delhi Integrated Multi Modal Transit System Limited (a joint venture of the Holding Company), and its subsidiary, issued by their auditors vide report dated June 09, 2021 reproduced as follows:

   i. "We draw attention to Note 39 to the Financial Statements which explains that COVID-19 has caused significant disruptions in the business operations of companies across India and has also caused significant accounting and auditing challenges. As per this note the Company has considered the possible effects that may result from the pandemic relating to COVID-19 on the carrying amounts of property, plant and equipment, inventories, receivables and other current assets. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of this pandemic, the Company, as at the date of approval of these financial results has used internal and external sources on the expected future performance of the Company. The Company expects that the carrying amount of these assets will be recovered and sufficient liquidity is available to fund the business operations for at least another 12 months. Given the uncertainty because of COVID-19, the final impact on the Company assets in future may differ from that estimated as at the date of approval of these financial results.

   Our opinion is not modified in respect of above matter.

   ii. We draw attention to Note 34 that some of the balances appearing under the heads Trade Receivable, Trade Payable and Advances Recoverable are subject to confirmation.

      Our opinion is not modified in respect of above matter."

      Note 39 mentioned in point i. above corresponds to note 43(g)(i) of the consolidated financial statement.

      Note 34 mentioned in point ii. above corresponds to note 43(g)(ii) of the consolidated financial statement.

**Key Audit Matter**

8. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| **Key audit matter** | **How our audit addressed the key audit matter** |
|---|---|
| **Assessment of valuation of investments measured at fair value for which no listed price in an active market is available and valuation is carried out basis market information and significant unobservable inputs.**<br><br>**(Refer note 6 to the consolidated financial statements.)**<br><br>The Group has investments in Venture Capital Funds and Alternate Investment Funds ("VCF & AIF") units amounting to ₹ 197.85 crores measured at fair value, where no listed price in an active market is available. The corresponding fair value change is recognised in statement of profit and loss in accordance with related Accounting Standard (Ind-AS 109). | The following procedures were performed by us to test the valuation of investments which are measured at fair value for which no listed price in an active market is available:<br><br>• We obtained an understanding from the management, assessed and tested the design and operating effectiveness of the Company's control over assessment of fair value of investments.<br><br>• We verified that requisite approvals are in place with regards to Management's assessment of fair valuation of investments in VCF and AIF. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| In measuring the fair value of these investments, the Management considers the net asset value ("NAV") declared by the investment managers of the VCF and AIF unit. NAV is considered as a significant unobservable input as the Company does not have direct access to the valuations of the underlying portfolio companies in which the VCFs and the AIFs have invested.<br><br>The Management also reviews the performance of the portfolio companies on a regular basis by tracking the latest available financial statements/financial information, valuation report of independent valuers, investor communications and basis the said assessment determines whether any discount is required to be applied on the NAV communicated by the investment managers of VCF and AIF. The assessment made by the Management also takes into consideration the illiquidity considering the said investments are not actively traded in the market. The assessment prepared by the Management is placed before the Board of Directors for their approval at regular intervals.<br><br>Considering the inherent subjectivity in the valuation of the above investments, relative significance of these investments to the consolidated financial statements and the nature and extent of the audit procedures involved, we determined this to be a key audit matter. | • We independently obtained the NAVs from the investment managers of VCF and AIF and also held discussions with them in relation to the fund performance as well as for understanding the process followed by the investment manager for declaring NAVs so as to evaluate the appropriateness of the assessment made by the Management.<br><br>• We evaluated together with the auditor's expert, the reasonableness of the discount applied by the Management on the NAVs declared by the VCF and AIF issuers.<br><br>• We traced the inputs used in the calculation from the source data (Statement of Accounts, NAV declared etc.) to verify the arithmetical accuracy of the calculation of valuation of investments.<br><br>• We evaluated the adequacy of the disclosures in the consolidated financial statements.<br><br>Based on our above audit procedures, we consider that the management's assessment of the fair value of the above investments for which no listed price in an active market is available is reasonable. |

**Other Information**

9. The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's report including Annexures to Board's Report and Corporate Governance, but does not include the consolidated financial statements and our auditor's report thereon.

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

11. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed and the reports of the other auditors as furnished to us (Refer paragraph 20 below), we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

12. The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows, and changes in equity of the Group including its Associates and joint ventures in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. The respective Board of Directors of the companies included in the Group and of its associates and joint ventures are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

13. In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group and of its associates and joint ventures are responsible for assessing the ability of the Group and of its associates and joint ventures to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

14. The respective Board of Directors of the companies included in the Group and of its associates and joint ventures are responsible for overseeing the financial reporting process of the Group and of its associates and joint ventures.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

16. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

    - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associates and jointly controlled entities to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

17. We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

18. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

19. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Other Matters**

20. We did not audit the financial statements of three subsidiaries, whose special purpose financial statements reflect total assets of ₹ 54.07 crores and net assets of ₹ 53.57 crores as at March 31, 2021, total revenues of ₹ 8.11 crores, total net loss after tax of ₹ 6.91 crores, total comprehensive income of ₹ (6.91) crores and net cashflow of ₹ 3.34 crores for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of loss after tax of ₹ 466.37 crores and total comprehensive income (comprising of loss and other comprehensive income) of ₹ (243.19) crores for the year ended March 31, 2021, as considered in the consolidated financial statements, in respect of one associate and two joint venture, whose special purpose financial statements/special purpose financial information have not been audited by us. These special purpose financial statements/ special purpose financial information have been audited by the other auditors whose reports

have been furnished to us by the other auditors, and our opinion on the consolidated financial statements insofar as it relates to the amounts and disclosures included in respect of these subsidiaries, associate and joint ventures company and our report in terms of sub-section (3) of Section 143 of the Act including report on Other Information insofar as it relates to the aforesaid subsidiaries, joint ventures and associates, is based solely on the reports of the other auditors.

21. We did not audit the financial statements of five subsidiaries, whose financial statements reflect total assets of ₹ 0.99 crores and net liability of ₹ 0.81 crores as at March 31, 2021, total revenue of 0.43 crores, total net loss after tax of ₹ 0.85 crores, total comprehensive income of ₹ (0.85) crores and net cashflow of ₹ 0.09 crores for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also includes the Group's share of net loss after tax of ₹ 0.44 crores and total comprehensive income (comprising of loss and other comprehensive income) ₹ (0.44) crores for the year ended March 31, 2021, as considered in the consolidated financial statements, in respect of two associates, whose financial statements have not been audited by us. These financial statements are unaudited and have been furnished to us by the Management, and our opinion on the consolidated financial statements insofar as it relates to the amounts and disclosures included in respect of these subsidiaries and associate companies and our report in terms of sub-section (3) of Section 143 of the Act including report on Other Information insofar as it relates to the aforesaid subsidiaries and associates, is based solely on such unaudited financial statements/ financial information. In our opinion and according to the information and explanations given to us by the Management, these financial statements/ financial information are not material to the Group.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the unaudited financial statements certified by the Management.

**Report on Other Legal and Regulatory Requirements**

22. As required by Section 143(3) of the Act, we report, to the extent applicable, that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

(c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including other comprehensive income), Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account and records maintained for the purpose of preparation of the consolidated financial statements.

(d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act.

(e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2021 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies, associate companies and joint ventures incorporated in India, none of the directors of the Group companies, its associate companies and joint ventures incorporated in India is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164(2) of the Act.

(f) With respect to the adequacy of internal financial controls with reference to consolidated financial statements of the Group and the operating effectiveness of such controls, refer to our separate report in "Annexure A".

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

i. The consolidated financial statements disclose the impact, if any, of pending litigations on the consolidated financial position of the Group, its associates and joint ventures– Refer Note 39 and Note 50(b)(i) to the consolidated financial statements.

ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts as at March 31, 2021– Refer (a) Note 47.3 to the consolidated financial statements in respect of such items as it relates to the Group, its associates and joint ventures and (b) Note 50 for the Group's share of net profit/loss in respect of its associates.

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies, associate companies and joint ventures incorporated in India.

iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Group for the year ended March 31, 2021.

23. The Group, its associates and joint ventures has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act. The provisions of Section 197 read with Schedule V of the Act are applicable only to Public Companies. Accordingly, reporting under Section 197(16) of the Act is not applicable to subsidiaries, associates and joint ventures which are not Public Companies. Further the following paragraph was communicated by the auditors of IDFC FIRST Bank Limited, vide their email dated June 11, 2o21, as reproduced below:

    "In our opinion and to the best of our information and according to the explanations given to us, being a banking company, Section 35B (2A) of the Banking Regulation Act, 1949 regarding managerial remuneration applies to the Bank and Section 197 (16) of the Act is not applicable and based on the reports of the statutory auditor of such subsidiary company which were not audited by us, the remuneration paid during the current year by the subsidiary company to its directors is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director by the subsidiary company is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us."

**For Price Waterhouse & Co Chartered Accountants LLP**

Firm Registration Number: 304026E/E-300009

**Sharad Vasant**
Partner
Membership Number: 101119
UDIN: 21101119AAAAFB8962

Place: Mumbai
Date: June 14, 2021

# ANNEXURE A TO INDEPENDENT AUDITORS' REPORT

**Referred to in paragraph 24(f) of the Independent Auditors' Report of even date to the members of IDFC Limited on the consolidated financial statements for the year ended March 31, 2021**

**Report on the Internal Financial Controls with reference to consolidated financial statements under Clause (i) of Sub-section 3 of Section 143 of the Act**

1. In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2021, we have audited the internal financial controls with reference to consolidated financial statements of IDFC Limited (hereinafter referred to as "the Holding Company") and its subsidiary companies, its associate companies and joint ventures, which are companies incorporated in India, as of that date.

**Management's Responsibility for Internal Financial Controls**

2. The respective Board of Directors of the Holding company, its subsidiary companies, its associate companies and joint ventures, to whom reporting under clause (i) of sub section 3 of Section 143 of the Act in respect of the adequacy of the internal financial controls with reference to consolidated financial statements, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

**Auditor's Responsibility**

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and the Standards on Auditing deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to consolidated financial statements was established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Holding Company's internal financial controls system with reference to consolidated financial statements.

**Meaning of Internal Financial Controls with reference to consolidated financial statements**

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

**Inherent Limitations of Internal Financial Controls with reference to consolidated financial statements**

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

**Opinion**

8. In our opinion, the Holding Company, its subsidiary companies, its associate companies and jointly controlled companies, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system with reference to consolidated financial statements and such internal financial controls with reference to consolidated financial statements were

operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. (Also refer paragraphs 4 to 7 of the main audit report).

**Other Matter**

9. Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to consolidated financial statements insofar as it relates to one associate company and two joint ventures, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India. Our opinion is not modified in respect of this matter.

**For Price Waterhouse & Co Chartered Accountants LLP**

Firm Registration Number: 304026E/E-300009

**Sharad Vasant**
Partner
Membership Number: 101119
UDIN: 21101119AAAAFB8962

Place: Mumbai
Date: June 14, 2021

# CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2021

(₹ in crore)

| | Notes | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|---|
| **ASSETS** | | | |
| **Financial assets** | | | |
| Cash and cash equivalents | 3 | 42.11 | 677.90 |
| Bank balances other than cash and cash equivalents | 4 | 23.38 | 46.10 |
| Derivative financial instruments | 13 | 0.54 | 4.29 |
| Receivables | | | |
| (i) Trade receivables | 5A | 12.71 | 17.95 |
| (ii) Other receivables | 5B | 0.05 | 0.50 |
| Investments | 6 | | |
| - Accounted for using equity method | | 6,818.02 | 6,259.84 |
| - Others | | 567.77 | 421.00 |
| Other financial assets | 7 | 11.90 | 17.72 |
| **Non-financial assets** | | | |
| Income tax assets (net) | 8 | 26.29 | 51.54 |
| Deferred tax assets (net) | 9 | 10.34 | 0.66 |
| Property, plant and equipment | 10 | 16.05 | 86.01 |
| Right of Use Asset | 15 | 34.27 | 45.64 |
| Goodwill | 11a | 779.17 | 779.17 |
| Other intangible assets | 11 | 4.56 | 7.50 |
| Other non-financial assets | 12 | 23.66 | 34.62 |
| Assets directly associated with disposal group classified as held for sale | 36 | - | 118.62 |
| Total assets | | 8,370.82 | 8,569.06 |
| **LIABILITIES AND EQUITY** | | | |
| **LIABILITIES** | | | |
| **Financial liabilities** | | | |
| Derivative financial instruments | 13 | - | 0.42 |
| Payables | | | |
| (I) Trade payables | 14A | | |
| (i) total outstanding dues of micro enterprises and small enterprises | | 0.04 | 0.25 |
| (ii) total outstanding dues of creditors other than micro enterprises and small enterprises | | 12.66 | 13.49 |
| (II) Other payables | 14B | | |
| (i) total outstanding dues of micro enterprises and small enterprises | | - | - |
| (ii) total outstanding dues of creditors other than micro enterprises and small enterprises | | 3.08 | 0.03 |
| Lease liabilities | 15 | 37.52 | 47.34 |
| Other financial liabilities | 16 | 38.82 | 60.93 |
| **Non-financial Liabilities** | | | |
| Income tax liabilities (net) | 17 | 14.60 | 11.68 |
| Provisions | 18 | 1.97 | 26.01 |
| Deferred tax liabilities (net) | 19 | 8.33 | 5.78 |
| Other non-financial liabilities | 20 | 38.92 | 37.86 |
| Liabilities directly associated with disposal group classified as held for sale | 36 | - | 44.58 |
| **EQUITY** | | | |
| Equity share capital | 21 | 1,596.36 | 1,596.36 |
| Other equity | 22 | 6,618.52 | 6,724.33 |
| **Equity attributable to owners of IDFC Limited** | | 8,214.88 | 8,320.69 |
| **Total liabilities and equity** | | 8,370.82 | 8,569.06 |

See accompanying notes to the consolidated financial statements

This is the consolidated balance sheet referred to in our report of even date.

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

**Sharad Vasant**
Partner
Membership Number : 101119

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)

Mumbai, June 14, 2021

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED MARCH 31, 2021

(₹ in crore)

| | Notes | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|---|
| **REVENUE FROM OPERATIONS** | | | |
| Interest income | 23 | 9.52 | 20.14 |
| Net gain / (loss) on fair value changes | 24 | 49.80 | 12.68 |
| Fees and commission income | | 347.31 | 306.16 |
| Dividend income | 25 | 0.29 | 1.74 |
| **Total revenue from operations** | | 406.92 | 340.72 |
| Other income | 26 | 48.04 | 32.13 |
| Total income | | 454.96 | 372.85 |
| **EXPENSES** | | | |
| Finance costs | 27 | 13.04 | 2.58 |
| Impairment on financial instruments | 28 | (0.82) | 11.22 |
| Loss on winding up of subsidiary | | 2.56 | - |
| Employee benefits expenses | 29 | 107.29 | 118.94 |
| Depreciation, amortisation and impairment | 30 | 20.27 | 31.57 |
| Other expenses | 31 | 112.24 | 120.20 |
| Total expenses | | 254.58 | 284.51 |
| **Profit/(Loss) before share of net profits of investments accounted for using equity method and tax** | | 200.38 | 88.34 |
| Share of net profit/(loss) of associates and joint ventures accounted for using equity method | | (466.81) | (1,004.45) |
| **Profit/(Loss) before tax from continuing operations** | | (266.43) | (916.11) |
| **INCOME TAX EXPENSE:** | 32 | | |
| - Current tax | | 70.79 | 67.47 |
| - Deferred tax (net) | | (7.13) | (7.22) |
| - Tax adjustment for prior years | | 7.01 | 0.14 |
| Total tax expense | | 70.67 | 60.39 |
| Profit/(Loss) from continuing operations | | (337.10) | (976.50) |
| **DISCONTINUED OPERATIONS** | | | |
| Profit/(loss) from discontinued operations | | 0.07 | (19.18) |
| Income tax expense of discontinued operations | | (0.29) | 0.45 |
| Net profit/(loss) from discontinued operation | | 0.36 | (19.63) |
| Profit/(loss) for the year | | (336.74) | (996.13) |
| **Other comprehensive income ('OCI')** | | | |
| Items that will be reclassified to profit or loss | | | |
| - Share of OCI of associates and joint ventures accounted for using equity method | | 248.68 | (378.87) |
| - Income tax relating to these items | | - | - |
| Items that will not be reclassified to profit or loss | | | |
| - Remeasurements of post-employment benefit obligations | | 1.28 | (0.85) |
| - OCI arising from discontinued operation | | - | 1.12 |
| - Share of OCI of associates and joint ventures accounted for using equity method | | (25.50) | (56.47) |
| - Income tax relating to these items | | (0.29) | 0.20 |
| **Other comprehensive income (net of tax)** | | 224.17 | (434.87) |
| **Total comprehensive income** | | (112.57) | (1,431.00) |

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED MARCH 31, 2021

(₹ in crore)

| | Notes | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|---|
| **Net Profit/(Loss) is attributable to:** | | | |
| - Owners | | (336.02) | (994.90) |
| - Non-controlling interests | | (0.72) | (1.23) |
| **Other comprehensive income is attributable to:** | | | |
| - Owners | | 224.17 | (434.87) |
| - Non-controlling interests | | - | - |
| **Total comprehensive income is attributable to:** | | | |
| - Owners | | (111.85) | (1,429.77) |
| - Non-controlling interests | | (0.72) | (1.23) |
| **Total comprehensive income attributable to owners:** | | | |
| - Continuing operations | | (112.93) | (1,412.50) |
| - Discontinued operations | | 0.36 | (18.50) |
| **Earnings per equity share (for continuing operations):** | 38 | | |
| - Basic (₹) | | (2.11) | (6.12) |
| - Diluted (₹) | | (2.11) | (6.12) |
| **Earnings per equity share (for discontinued operations):** | | | |
| - Basic (₹) | | 0.00 | (0.12) |
| - Diluted (₹) | | 0.00 | (0.12) |
| **Earnings per equity share (for continuing and discontinued operations):** | | | |
| - Basic (₹) | | (2.11) | (6.24) |
| - Diluted (₹) | | (2.11) | (6.24) |

See accompanying notes to the consolidated financial statements

This is the consolidated statement of profit and loss referred to in our report of even date.

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

**Sharad Vasant**
Partner
Membership Number : 101119

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)

Mumbai, June 14, 2021

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



**A. Equity share capital** (₹ in crore)

| | Number | Amount |
|---|---|---|
| **As at March 31, 2019** | 1,596,358,316 | 1,596.36 |
| Issued during the year | - | - |
| **As at March 31, 2020** | 1,596,358,316 | 1,596.36 |
| Issued during the year | - | - |
| **As at March 31, 2021** | 1,596,358,316 | 1,596.36 |

**B. Other equity** (₹ in crore)

| | Reserves and surplus | | | | | | Other comprehensive income | | |
|---|---|---|---|---|---|---|---|---|---|
| | Securities premium | Special reserve u/s. 36(1) (viii) of the Income-tax Act, 1961 | Special reserve u/s. 45-IC of the RBI Act, 1934 | General reserve | Surplus in the statement of profit and loss | Share options outstanding account | Foreign currency translation reserve | Equity instru-ments through OCI | Total other equity |
| **As at March 31, 2019** | 2,523.47 | 3,053.25 | 1,117.97 | 314.55 | 1,724.86 | 22.61 | 27.77 | 3.97 | 8,788.45 |
| Change in accounting policy (refer note 53) | | | | | (2.21) | | | | (2.21) |
| **Restated balance at April 1, 2019** | 2,523.47 | 3,053.25 | 1,117.97 | 314.55 | 1,722.65 | 22.61 | 27.77 | 3.97 | 8,786.24 |
| Loss for the year | - | - | - | - | (994.90) | - | - | - | (994.90) |
| Other comprehensive income | - | - | - | - | (434.87) | - | - | - | (434.87) |
| Total comprehensive income for the year | - | - | - | - | (1,429.77) | - | - | - | (1,429.77) |
| Transactions with owners in their capacity as owners: | | | | | | | | | |
| - Share based payments: | | | | | | | | | |
| i) Employee stock option expense for the year | - | - | - | - | - | 1.10 | - | - | 1.10 |
| ii) Options exercised during the year | - | - | - | - | - | - | - | - | - |
| iii) Options lapsed during the year | - | - | - | - | 0.98 | (4.62) | - | - | (3.64) |
| iv) Options cancelled during the year | - | - | - | - | - | - | - | - | - |
| - Dividends paid | - | - | - | - | (502.85) | - | - | - | (502.85) |
| - Dividend distribution tax | - | - | - | - | (128.12) | - | - | - | (128.12) |
| - Others | - | - | - | - | (13.31) | - | - | - | (13.31) |
| - Share of reserves of associates accounted using equity method of accounting net of deferred tax | - | - | - | - | 24.37 | - | - | - | 24.37 |
| - Exchange differences on translation of foreign operations | - | - | - | - | - | - | (9.69) | - | (9.69) |
| - Transfers to: | | | | | | | | | |
| i) Special reserve u/s. 45-IC of the RBI Act, 1934 | - | - | 39.37 | - | (39.37) | - | - | - | - |
| **As at March 31, 2020** | 2,523.47 | 3,053.25 | 1,157.34 | 314.55 | (365.42) | 19.09 | 18.08 | 3.97 | 6,724.33 |
| Loss for the year | - | - | - | - | (336.02) | - | - | - | (336.02) |
| Other comprehensive income | - | - | - | - | 224.17 | - | - | - | 224.17 |
| **Total comprehensive income for the year** | - | - | - | - | (111.85) | - | - | - | (111.85) |
| Transactions with owners in their capacity as owners: | | | | | | | | | |
| - Share based payments: | | | | | | | | | |
| i) Employee stock option expense for the year | - | - | - | - | - | - | - | - | - |
| ii) Options exercised during the year | - | - | - | - | - | - | - | - | - |
| iii) Options lapsed during the year | - | - | - | - | - | (3.34) | - | - | (3.34) |
| iv) Options cancelled during the year | - | - | - | - | - | - | - | - | - |
| - Others | - | - | - | - | (3.76) | - | - | - | (3.76) |
| - Share of reserves of associates accounted using equity method of accounting net of deferred tax | - | - | - | - | 13.14 | - | - | - | 13.14 |
| - Exchange differences on translation of foreign operations | - | - | - | - | - | - | - | - | - |
| - Transfers to/ from: | | | | | | | | | |
| i) Special reserve u/s. 45-IC of the RBI Act, 1934 | - | - | 11.81 | - | (11.81) | - | - | - | - |
| ii) Special reserve u/s. 36(1)(viii) of the Income-tax Act, 1961 [refer note 22C (f)] | - | (411.02) | - | - | 411.02 | - | - | - | - |
| iii) Foreign currency translation reserve [refer note 22C (g)] | - | - | - | - | 18.05 | - | (18.05) | - | - |
| **As at March 31, 2021** | 2,523.47 | 2,642.23 | 1,169.15 | 314.55 | (50.63) | 15.75 | 0.03 | 3.97 | 6,618.52 |

Total equity (primarily surplus in statement of profit and loss) includes ₹ 32.98 crores (March 31, 2020: ₹ 42.16 crores) pertaining to IDFC Foundation held for specified purposes.

See accompanying notes to the consolidated financial statements

This is the consolidated statement of changes in equity referred to in our report of even date.

**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)

## CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED MARCH 31, 2021

(₹ in crore)

| | Notes | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES :** | | | |
| **Profit/(Loss) before tax from:** | | | |
| - Continuing operations | | (266.43) | (916.11) |
| - Discontinued operations | | 0.07 | (19.18) |
| - Other Comprehensive Income | | 224.17 | (434.87) |
| **Loss before tax including discontinued operations** | | (42.19) | (1,370.16) |
| Adjustments : | | | |
| Depreciation, amortisation and impairment | 30 | 20.27 | 31.57 |
| Net loss on sale of property, plant and equipments | 26 | (0.07) | (0.02) |
| Impairment of financial instruments | 28 | (0.82) | 11.22 |
| Employee share based payment expense | 29 | 3.22 | 5.94 |
| Net loss on sale of investments including fair valuation | 24 | (49.80) | (12.68) |
| Loss on winding up of subsidiary | | 2.56 | - |
| Dividend income | 25 | (0.29) | (1.74) |
| Interest expense | 27 | 13.04 | 2.58 |
| Interest income | 23 | (9.52) | (20.14) |
| **Operating loss before working capital changes** | | (63.60) | (1,353.43) |
| **Adjustments for (increase)/ decrease in operating assets:** | | | |
| Trade receivables | 5 | 5.69 | (1.87) |
| Other financial assets | 7 & 13 | 9.42 | 31.49 |
| Other non financial assets | 12 | 10.95 | 90.99 |
| **Adjustments for increase/ (decrease) in operating liabilities** | | | |
| Trade payables | 14 | 2.01 | (10.83) |
| Other financial liabilities | 16 | (7.66) | 10.34 |
| Other non financial liabilities | 15 18,& 20 | (32.79) | 72.18 |
| Cash (used in) / generated from operations | | (12.38) | 192.30 |
| Less : Income taxes paid (net of refunds) | | (49.25) | (44.93) |
| **Net cash outflow from operating activities** | | (125.23) | (1,206.06) |
| **CASH FLOW FROM INVESTING ACTIVITIES :** | | | |
| Assets directly associated with disposal group classified as held for sale | 36 | 74.04 | 356.95 |
| Decrease / (Increase) in investments * | 6 | (657.71) | 2,005.90 |
| Decrease / (Increase) in property, plant and equipments | 10 | 52.63 | (19.38) |
| Right of use Assets | 15 | 11.37 | (45.64) |
| Dividends received | 25 | 0.29 | 1.74 |
| Interest received | | 10.48 | 18.93 |
| Bank fixed deposits placed / matured | | 22.72 | 67.84 |
| **Net cash (outflow) / inflow from investing activities** | | (486.18) | 2,386.34 |
| **CASH FLOW FROM FINANCING ACTIVITIES :** | | | |
| Dividend paid (including dividend distribution tax) | 22a | - | (630.97) |
| Interest paid | 27 | (13.04) | (2.58) |
| Decrease in minority interest | | (14.15) | (9.59) |
| Opening Adjustment | | 2.81 | (9.33) |
| **Net cash outflow from financing activities** | | (24.39) | (652.47) |
| **NET (DECREASE) / INCREASE IN CASH AND BANK BALANCES** | | (635.79) | 527.81 |
| Add : Cash and cash equivalents at beginning of the year | 3 | 677.90 | 150.09 |
| **Cash and cash equivalents at end of the year** | 3 | 42.11 | 677.90 |

*Purchase of investments include ₹ Nil (March 31, 2020: ₹ Nil) and proceeds from disposal / redemption of investments include ₹ 4.28 crores (March 31, 2020: ₹ NiL) held by IDFC Foundation, formed for conducting corporate social responsibility activities of the Group.

The accompanying notes are integral part of these financial statements.

This is the statement of cash flow referred to in our report of even date.

**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)

**BACKGROUND**

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

These financial statements are for the group consisting the Company and its subsidiaries, associates and joint ventures (Refer note 50). The Group is a financial conglomerate with interests in Bank, Asset Management - public and alternate, Investment Banking, Broking as its businesses. In accordance with RBI guideline on licensing of new bank in private sector, the Group has implemented Holding Company structure through its 100% subsidiary, IDFC Financial Holding Company Limited ('IDFC FHCL'). Under the guidelines, all regulated financial services entities should be held through a Non-Operating Financial Holding Company. Non-financial services entities i.e. IDFC Projects, IDFC Alternatives Limited, IDFC Trustee Company Limited and IDFC Foundation are direct subsidiaries of the Company.

All investment in regulated financial subsidiaries i.e. IDFC Asset Management Company Limited, IDFC AMC Trustee Company Limited, and IDFC Securities Limited are held through its wholly owned subsidiary, IDFC FHCL. Some of these regulated financial subsidiaries had investments in foreign subsidiaries i.e. IDFC Capital (Singapore) PTE Limited, IDFC Securities Singapore PTE Limited, IDFC Capital (USA) Inc., IDFC Investment Managers (Mauritius) Limited (Refer note 52).

Investments in associates comprise of IDFC First Bank Limited by IDFC FHCL, Jetpur Somnath Tollways Limited by its wholly owned subsidiary, IDFC Projects Limited and Novopay Solutions Private Limited directly by IDFC Limited.

The shares of the Company and its associate, IDFC First Bank Limited are listed on National Stock Exchange of India (NSE) Limited and Bombay Stock Exchange (BSE) Limited.

These consolidated financial statements were authorised for issue by the Board of Directors on June 14, 2021.

**1. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**a) Basis of preparation**

(i) Compliance with Ind AS

The consolidated financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) prescribed 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 assets and liabilities which have been measured at fair value or revalued amounts:

- certain financial assets and liabilities (including derivative instruments) are 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.

(iii) Order of liquidity

The Group is covered in the definition of Non-Banking Financial Company as defined in Companies (Indian Accounting Standards) (Amendment) Rules, 2016. Pursuant to Ind AS 1 and amendment to Division III of Schedule III to the Companies Act, 2013 on October 11, 2018, the Group presents its balance sheet in the order of liquidity. This is since the Group does not supply goods or services within a clearly identifiable operating cycle, therefore making such presentation more relevant. A maturity analysis of recovery or settlement of assets and liabilities within 12 months after the reporting date and more than 12 months after the reporting date is presented in Note 45.

**b) Principles of consolidation and equity accounting**

*(i) Subsidiaries*

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations.

The Group combines the financial statements of the Company and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised gains on transactions within Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit and loss, consolidated statement of changes in equity and balance sheet respectively.

*(ii) Associates*

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Refer Note 2 for significant judgements and assumptions made in determining that the Group has significant influence over certain entities it even though it holds less than 20% of their voting.

*(iii) Joint ventures*

Under Ind AS 111 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet.

*(iv) Equity method*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit and loss, and the Group's share of other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity accounted investments are tested for impairment in accordance with the policy described in note p below.

*(v) Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

**c) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The board of directors of IDFC Limited assesses the financial performance and position of the Group and makes strategic decisions. The board of directors, which has been identified as being the chief operating decision maker, consists of the directors of the Group (both executive and independent). Refer note 36 for segment information presented.

**d) Foreign currency translation**

*(i) Functional and presentation currency*

Items included in the financial statements of each of the Group'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 IDFC Limited'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 Group 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.

*(iii) Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of that balance sheet
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- All resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

**e) Financial instruments**

**Initial Recognition and Measurement**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

**Financial assets**

**(i) Classification and subsequent measurement of financial assets:**

The Group classifies its financial assets in the following measurement categories:

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

The classification requirements for debt and equity instruments are described below:

***Debt Instruments***

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective such as loans, mutual fund units, venture capital fund and corporate bonds.

For investments in debt instruments, measurement will depend on the classification of debt instruments depending on:

(i) the Group's business model for managing the asset; and

(ii) the cash flow characteristics of the asset.

***Equity Instruments***

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Group measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

The Group has designated at FVOCI investments in a small portfolio of equity securities. The Group chose this presentation alternative because the investments were made for strategic purposes rather than with a view to profit on a subsequent sale, and there are no plans to dispose of these investments in the short or medium term.

Gains and losses on equity investments at FVTPL are included in the statement of profit and loss.

**(ii) Impairment**

The Group assesses on a forward-looking basis the expected credit loss ('ECL') associated with its financial instrument. The Group recognises a loss allowance for such losses at each repotting date. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money, and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 47 provides more detail of how the expected credit loss allowance is measured

**Interest Income**

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

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance). The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts paid or received that are integral to the effective interest rate, such as origination fees, commitment fees, etc.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial asset is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Group 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 Group reverts to calculating interest income on a gross basis.

**(iii) De-recognition of financial assets**

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either

(i) the Group transfers substantially all the risks and rewards of ownership, or

(ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss if such gain or loss would have otherwise been recognised in profit or loss on disposal of that financial asset.

**Financial liabilities and equity instruments**

**(i) Classification as debt or equity:**

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

**(ii) Classification and subsequent measurement**

Financial liabilities (including borrowings and debt securities) are subsequently measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the gross carrying amount of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

**(iii) De-recognition of financial liabilities**

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. A substantial modification of the terms of an existing financial liability (whether attributable to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration.

If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred are adjusted to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

**f) Derivative financial instruments**

The Group holds derivative financial instruments to meet the investment objective of the fund or the product. Derivatives are initially recognised at fair value at the date the derivative contracts are entered and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

**g) Offsetting financial instruments**

Financial assets and liabilities are offset, and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the group or the counterparty.

**h) Revenue recognition**

Revenue 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. The standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. A five-step process must be applied before revenue can be recognised:

- identify contracts with customers
- identify the separate performance obligation
- determine the transaction price of the contract
- allocate the transaction price to each of the separate performance obligations, and
- recognise the revenue as each performance obligation is satisfied.

(i) Brokerage fees income

a) Brokerage fees – over time

Fees earned for the provision of services are recognised over time as the customer simultaneously receives and consumes the benefits, as the services are rendered. These include brokerage fees which is fixed at inception irrespective of number of transactions executed. The revenue for such contracts is recognised over the term of the contract.

b) Brokerage fees – point in time

Revenue from contract with customer is recognised point in time when performance obligation is satisfied (when the trade is executed). These include brokerage fees which is charged per transaction executed.

(ii) Interest Income

Interest income is recognised using effective interest rate method.

(iii) Dividend income

Dividend income (including from FVOCI investments) is recognised when the Group'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.

(iv) Fees, commission and other income

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. Fees and commission that are not integral to effective interest rate are recognised on accrual basis over the life of instrument.

Fees integral to the effective interest rate include origination fees, commissions received or paid by the Group relating to the creation or acquisition of a financial asset or issuance of a financial liability. Loan origination fees is deferred as a part of interest income under the effective interest rate method.

All other fees, commissions and other income and expense items are generally recognised on an accrual basis by reference to completion of the specific transaction assessed based on the actual service provided as a proportion of the total services to be provided, except guarantee commission which is recognised pro-rata over the period of the guarantee.

Asset management and other service fees principally includes asset-based asset management fees, which are recognized in the period in which the services are performed. In certain asset management fee arrangements, the Group is entitled to receive performance-based incentive fees when the return on assets under management exceeds certain benchmark returns or other performance targets. The Group may be required to return all, or part, of such performance-based incentive fee depending on future performance of these assets relative to performance benchmarks. The Group records performance-based incentive fee revenue when the contractual terms of the asset management fee arrangement have been satisfied such that the performance fee is no longer subject to claw back or contingency. Under this principle the Group records a deferred performance-based incentive fee liability to the extent it receives cash related to the performance-based incentive fee prior to meeting the revenue recognition criteria delineated above.

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

**i) Income Tax**

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

(i) Current tax

The current income tax charge is calculated based on 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 based on 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 utilized.

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 enough 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 way the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

**j) Goods and service tax**

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

(i) 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

(ii) 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.

**k) 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 fulfillment 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.

For arrangements entered into prior to April 1, 2017, the Group has determined whether the arrangement contains lease on the basis of facts and circumstances existing on the date of transition to Ind AS 116.

**Group as a lessee**

From April 1, 2019, leases are recognised as a right-of-use asset and corresponding liability at the date at which the leased asset is available for use by the Group. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group has is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Asset and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If the rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses a indicative AAA equivalent borrowing rate.

Lease payment are allocated between principal and finance cost. The finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payment associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

**l) Non-current assets (or disposal groups) held for sale and discontinued operations**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not more than any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit and loss.

**m) Cash and cash equivalents**

For 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.

**n) 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 Group 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*

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, 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.

**o) Intangible assets**

*(i) Goodwill*

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, which in our case are the operating segments.

*(ii) Computer Software*

Intangible assets comprising of computer software are stated at cost of acquisition, including any cost attributable for bringing the asset to its working condition, less accumulated amortisation. Any technology support cost or annual maintenance cost for such software is recognised as an expense when incurred. The Group amortises intangible assets using straight-line method over a period of three years.

**p) Impairment of non-financial asset**

i) 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. In assessing whether there is any impairment management considers indications through external and internal sources of information. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

ii) Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 considered. 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.

**q) Retirement and other employee benefits**

*(i) Defined contribution plan*

The contribution to provident fund, superannuation fund and pension fund are considered as defined contribution plans and are charged to the Statement of Profit and Loss as they fall due, based on the amount of contribution required to be made as and when services are rendered. The group 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 defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

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

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 unveiled 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.

**r) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) because 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 Group 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.

**s) Borrowing costs**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

**t) Share-based payments**

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

Fair value is determined by using option valuation models, which consider the exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the share price over the life of the option and other relevant factors. When the options are exercised, the exercise price proceeds together with the amount initially recorded in equity are credited to common shares.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in Statement of Profit and Loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

For cash-settled share-based payments, the fair value of the amount payable to employees is recognised as 'employee benefit expenses' with a corresponding increase in liabilities, over the period of non-market vesting conditions getting fulfilled. The liability is remeasured at each reporting period up to, and including the settlement date, with changes in fair value recognised in employee benefits expenses. Refer Note 49 for details.

**u) Earnings per share**

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the group
- by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year and excluding treasury shares.

(ii) Dilutive earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to consider:

- 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.

**v) 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.

**w) Dividends**

Provision is made for 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.

**x) 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.

**y) Change in accounting policy during previous year**

The Company had applied the following standards and amendments for the first time for the annual reporting period commencing on April 1, 2019:

- Ind AS 116, Leases;
- Uncertainty over Income Tax Treatments - Appendix C to Ind AS 12, Income taxes

The Company had to change its accounting policies as a result of adopting IND AS 116. This is disclosed in note 53.

## 2. SIGNIFICANT ACCOUNTING JUDGMENTS ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated 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 Group'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.

**a) Business model assessment**

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a business objective. This assessment includes judgement considered by the Group in determining the business model 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 Group monitors financial assets 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 Group'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.

**b) 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 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 46.

**c) Effective Interest Rate (EIR) method**

The Group'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.

**d) 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 Group'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 Group's internal credit grading model, which assigns PDs to the individual grades
- The Group'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 Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

**e) 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 Group'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 Group 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 Group 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.

**f) 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."

**g) Consolidation decision**

For details regarding consolidation of;

i) Section 8 company, as a subsidiary, Refer note 50.

## 3. CASH AND CASH EQUIVALENTS

(₹ in crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Cash on hand | 4.26 | ß |
| Cheques on hand | - | - |
| Balances with banks: | | |
| - In current accounts | 36.55 | 74.14 |
| - In saving accounts * | 1.30 | 0.76 |
| - In deposit accounts | - | 602.99 |
| Total | 42.11 | 677.90 |

* Balances pertaining to IDFC Foundation held for specified purposes.

i) The Group 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

(₹ in crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Balances with banks: | | |
| - In earmarked accounts | | |
| Investor education awareness on behalf of IDFC mutual fund | 2.50 | 0.32 |
| Unclaimed dividend | 1.85 | 1.48 |
| - In deposit accounts* | 19.03 | 44.21 |
| Balance held as margin money | - | 0.09 |
| Total | 23.38 | 46.10 |

* Includes ₹ 3.47 crores (March 31, 2020: ₹ 11.88 crores) pertaining to IDFC Foundation held for specified purposes.

## 5A. TRADE RECEIVABLES

(₹ in crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Receivables considered good - Secured | - | - |
| Receivables considered good - Unsecured | 12.71 | 17.95 |
| Receivables - Credit impaired | 5.90 | 5.90 |
| (less): Allowance for impairment loss | (5.90) | (5.90) |
| Total | 12.71 | 17.95 |

## 5B. OTHER RECEIVABLES

(₹ in crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Receivables considered good - Unsecured | 0.05 | 0.50 |
| Receivables - Credit impaired | - | 7.83 |
| (less): Allowance for impairment loss | - | (7.83) |
| Total | 0.05 | 0.50 |

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

ii) No trade receivables and other 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.

## 6. INVESTMENTS

(₹ in crore)

| | At fair value through | | | | |
|---|---|---|---|---|---|
| | Other comprehensive income | Profit and loss | Subtotal | Others* | Total |
| **As at March 31, 2021** | | | | | |
| Mutual fund units # | - | 348.30 | 348.30 | - | 348.30 |
| Venture Capital Fund (VCFs) / Alternative Investment Fund (AIFs) @ | - | 197.85 | 197.85 | - | 197.85 |
| Alternative investment fund | - | - | - | - | - |
| Equity instruments | 0.05 | 21.56 | 21.61 | - | 21.61 |
| Associates | - | - | - | 6,714.85 | 6,714.85 |
| Joint Ventures | - | - | - | 105.60 | 105.60 |
| Trustee units | - | 0.01 | 0.01 | - | 0.01 |
| **Total (A) - Gross** | 0.05 | 567.72 | 567.77 | 6,820.45 | 7,388.22 |
| (Less): Impairment loss allowance (see note ii) | - | - | - | (2.43) | (2.43) |
| **Total (A) - Net** | 0.05 | 567.72 | 567.77 | 6,818.02 | 7,385.79 |
| Investments outside India | - | - | - | - | - |
| Investments in India | 0.05 | 567.72 | 567.77 | 6,820.45 | 7,388.22 |
| **Total (B) - Gross** | 0.05 | 567.72 | 567.77 | 6,820.45 | 7,388.22 |
| (Less): Impairment loss allowance | - | - | - | (2.43) | (2.43) |
| **Total (B) - Net** | 0.05 | 567.72 | 567.77 | 6,818.02 | 7,385.79 |
| **As at March 31, 2020** | | | | | |
| Mutual fund units # | - | 216.85 | 216.85 | - | 216.85 |
| Venture Capital Fund (VCFs) / Alternative Investment Fund (AIFs) @ | - | 166.39 | 166.39 | - | 166.39 |
| Equity instruments | 0.05 | 37.70 | 37.75 | - | 37.75 |
| Associates | - | - | - | 6,154.91 | 6,154.91 |
| Joint Ventures | - | - | - | 107.80 | 107.80 |
| Trustee Units | - | 0.01 | 0.01 | - | 0.01 |
| **Total (A) - Gross** | 0.05 | 420.95 | 421.00 | 6,262.71 | 6,683.71 |
| (Less): Impairment loss allowance (see note ii) | - | - | - | (2.87) | (2.87) |
| **Total (A) - Net** | 0.05 | 420.95 | 421.00 | 6,259.84 | 6,680.84 |
| Investments outside India | - | - | - | - | - |
| Investments in India | 0.05 | 420.95 | 421.00 | 6,262.71 | 6,683.71 |
| **Total (B) - Gross** | 0.05 | 420.95 | 421.00 | 6,262.71 | 6,683.71 |
| (Less): Impairment loss allowance | - | - | - | (2.87) | (2.87) |
| **Total (B) - Net** | 0.05 | 420.95 | 421.00 | 6,259.84 | 6,680.84 |

* Investment in associates and joint ventures measured using equity method of accounting as per Ind AS 28 are classified as others.

\# Includes ₹ 8.63 crores (March 31, 2020: ₹ 11.90 crores) pertaining to IDFC Foundation held for specified purposes.

@ The above investments in venture capital units / AIF's are subject to restrictive covenants.

i) The investment in certain equity shares are strategic investments and not held for trading purpose. Therefore, the Group has made an irrevocable election at initial recognition to recognise changes in fair value through OCI rather than profit or loss and the Group considered this to be more relevant.

ii) Performance of Novopay Solutions Private Limited (Associate of the Group) has lead to substantial erosion of its net worth. Accordingly investment has been completley impaired.

iii) More information regarding the valuation methodologies are disclosed in Note 46.

## 7. OTHER FINANCIAL ASSETS

(₹ in crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Interest accrued on deposits / other advances | 0.25 | 1.21 |
| Security deposits | 12.16 | 16.62 |
| Other receivables | 1.25 | 1.88 |
| Other deposits | 0.32 | - |
| Total (A) - Gross | 13.98 | 19.71 |
| (Less): Impairment loss allowance | (2.08) | (1.99) |
| Total (B) - Net | 11.90 | 17.72 |

## 8. INCOME TAX ASSETS

(₹ in crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Advance payment of fringe benefit tax (net of provision) | 0.01 | 0.01 |
| Advance payment of Income tax (net of provision) | 26.28 | 51.53 |
| Total | 26.29 | 51.54 |

## 9. DEFERRED TAX ASSETS

The balance comprises temporary differences attributable to:

(₹ in crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Lease Liability | 7.87 | 9.70 |
| Security Deposit | 0.70 | 0.12 |
| Property, plant and equipments | 1.77 | (9.16) |
| Total | 10.34 | 0.66 |

## 10. PROPERTY, PLANT AND EQUIPMENT

(₹ in crore)

| | Buildings | Leasehold improve-ments | Furniture and fixtures | Vehicles | Office Equipments | Computers | Windmills | Total |
|---|---|---|---|---|---|---|---|---|
| **Year ended March 31, 2020** | | | | | | | | |
| Opening gross carrying amount | 42.79 | 6.46 | 1.65 | 1.62 | 2.18 | 8.67 | 59.96 | 123.33 |
| Additions | - | 1.35 | 0.12 | 0.81 | 0.51 | 4.47 | - | 7.26 |
| Disposals | - | - | - | (0.21) | (0.02) | (0.15) | - | (0.38) |
| **Closing gross carrying amount** | 42.79 | 7.81 | 1.77 | 2.22 | 2.67 | 12.99 | 59.96 | 130.21 |
| **Accumulated depreciation** | | | | | | | | |
| Opening accumulated depreciation | 2.89 | 2.55 | 0.52 | 0.82 | 1.14 | 3.58 | 9.20 | 20.70 |
| Depreciation charge during the year | 0.82 | 2.45 | 0.18 | 0.46 | 0.62 | 2.85 | 4.62 | 12.00 |
| Impairment loss | 3.37 | 0.27 | - | - | - | - | 8.14 | 11.78 |
| Disposals | - | - | - | (0.14) | (0.02) | (0.12) | - | (0.28) |
| **Closing accumulated depreciation** | 7.08 | 5.27 | 0.70 | 1.14 | 1.74 | 6.31 | 21.96 | 44.20 |
| **Net carrying amount as at March 31, 2020** | 35.71 | 2.54 | 1.07 | 1.08 | 0.93 | 6.68 | 38.00 | 86.01 |
| **Year ended March 31,2021** | | | | | | | | |
| Gross carrying amount | | | | | | | | |
| Opening gross carrying amount | 42.79 | 7.81 | 1.77 | 2.22 | 2.67 | 12.99 | 59.96 | 130.21 |
| Additions | - | 4.95 | 0.25 | 0.75 | 0.66 | 2.28 | - | 8.89 |
| Disposals | (42.79) | (3.68) | (0.04) | (0.03) | (0.01) | (0.01) | (59.96) | (106.52) |
| **Closing gross carrying amount** | - | 9.08 | 1.98 | 2.94 | 3.31 | 15.25 | - | 32.58 |
| **Accumulated depreciation** | | | | | | | | |
| Opening accumulated depreciation | 7.08 | 5.27 | 0.70 | 1.14 | 1.74 | 6.31 | 21.96 | 44.20 |
| Depreciation charge during the year [see note (b)] | - | 1.25 | 0.12 | 0.52 | 0.51 | 2.51 | 1.43 | 6.34 |
| Disposals | (7.08) | (3.48) | (0.02) | (0.03) | (0.01) | (0.01) | (23.39) | (34.02) |
| **Closing accumulated depreciation** | - | 3.04 | 0.81 | 1.63 | 2.24 | 8.81 | - | 16.52 |
| **Net carrying amount as at March 31, 2021** | - | 6.04 | 1.18 | 1.31 | 1.07 | 6.45 | - | 16.05 |

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 Holding 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 Holding Company has received part consideration and balance amount of ₹ 2.32 crore will be received post this transfer.

b) Depreciation amounting ₹ 0.18 crores (Previous year ₹ 1.10 crores) has been recovered from sub leased tenants and hence no impact of depreciation can be seen in Statement of profit and loss.

c) The additions amounting to ₹ Nil ( March 31, 2020 ₹ 0.05 crores) is on account of purchase of computers and office equipments out of restricted grants. The opening and closing balances amounting to ₹ 0.04 crores and ₹ 0.02 crores respectively is on account of purchase of computers and office equipments out of restricted grant.

## 11. INTANGIBLE ASSETS

(₹ in crore)

| | Computer software | Total |
|---|---|---|
| **Year ended March 31, 2020** | | |
| Opening gross carrying amount | 6.02 | 6.02 |
| Additions | 7.10 | 7.10 |
| Disposals and transfers | - | - |
| **Closing gross carrying amount** | 13.12 | 13.12 |
| **Accumulated amortisation** | | |
| Opening accumulated amortisation | 2.95 | 2.95 |
| Amortisation during the year | 2.67 | 2.67 |
| Disposals and transfers | - | - |
| **Closing accumulated amortisation** | 5.62 | 5.62 |
| **Net carrying amount as at March 31, 2020** | 7.50 | 7.50 |
| **Year ended March 31,2021** | | |
| **Gross carrying amount** | | |
| Opening gross carrying amount | 13.12 | 13.12 |
| Additions | 0.90 | 0.90 |
| Disposals and transfers | (0.58) | (0.58) |
| **Closing gross carrying amount** | 13.44 | 13.44 |
| **Accumulated amortisation** | | |
| Opening accumulated amortisation | 5.62 | 5.62 |
| Amortisation during the year | 3.62 | 3.62 |
| Disposals and transfers | (0.36) | (0.36) |
| **Closing accumulated amortisation** | 8.88 | 8.88 |
| **Net carrying amount as at March 31, 2021** | 4.56 | 4.56 |

**a) Impairment tests for goodwill on consolidation**

For the purpose of impairment testing, goodwill is allocated to a cash generating unit (CGU), representing the lowest level within the Group at which goodwill is monitored for internal management purposes. The Group tests whether goodwill has suffered any impairment on an annual basis. The goodwill pertaining to the CGU's are as follows:

(₹ in crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| CGU's of IDFC Asset Management Company Limited [Refer note (i) below] | 779.17 | 779.17 |
| Total | 779.17 | 779.17 |

**i) IDFC Asset Management Company Limited**

The recoverable amount of this CGU is based on its value in use. The recoverable amount is determined based on value-in-use, after considering current economic conditions and trends, estimated future operating results, growth rates. The calculations uses cash flow projections based on financial budgets approved by management and are extrapolated using estimated growth rates.

The carrying amount does not exceed the recoverable amount of the cash generating units. Accordingly, there were no impairment recorded for the year ended March 31, 2021 and March 31, 2020. An analysis of the sensitivity of the computation to a change in key parameters (operating results, discount rates and growth rates), based on reasonably probable assumptions, did not identify any probable scenario in which the recoverable amount of the CGU would decrease below its carrying amount.

## 12. OTHER NON-FINANCIAL ASSETS

(₹ in crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Prepaid expenses | 6.76 | 9.14 |
| Supplier advances | 0.88 | 2.47 |
| Balances with government authorities - cenvat credit available | 13.61 | 14.72 |
| Receivable from gratuity trust | - | 0.99 |
| Other advances | 5.01 | 9.60 |
| Advances to Employees | 0.07 | 0.14 |
| Less: Allowance for impairment loss | (2.67) | (2.44) |
| Total | 23.66 | 34.62 |

## 13. DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into derivatives as per its funds investment strategies i.e long / short investment approaches. Derivative instruments are held for generating returns as per funds investment strategy purposes and not limited to risk management purpose.

Details of the derivative instrument in which the funds invests includes Equity and Index Futures and Options. The details of the derivative instrument is given below:

(₹ in crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Fair value assets | | |
| - Equity options (at fair value) | 0.54 | 4.29 |
| Total | 0.54 | 4.29 |
| Fair value liabilities | | |
| - Equity futures (at fair value) | - | 0.42 |
| Total | - | 0.42 |

The Group is exposed to certain risks relating to its ongoing business operations. The primary risks managed using derivative instruments is market rate risk.

The Group's risk management strategy and how it is applied to manage risk are explained in Note 47.

## 14A. TRADE PAYABLES

(₹ in crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| - Total outstanding dues of micro enterprises and small enterprises | 0.04 | 0.25 |
| - Total outstanding dues of creditors other than micro enterprises and small enterprises | 12.66 | 13.49 |
| Total | 12.70 | 13.74 |

## 14B. OTHER 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 | 3.08 | 0.03 |
| Total | 3.08 | 0.03 |

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 | 0.04 | 0.25 |
| - 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. | - | - |

## 15. LEASES

The Group leases various offices. Rental contracts are typically made for fixed periods of 11 months to 9 years, but may have extension options as described in (iii) below.

### (i) Amount recognised in balance sheet

The balance sheet shows the following amounts relating to leases:

(₹ in crore)

| | As at March 31, 2021 | As at April 1, 2020 |
|---|---|---|
| **Right-of-use assets** | | |
| Buildings | 34.27 | 45.64 |
| Total | 34.27 | 45.64 |

| | As at March 31, 2021 | As at April 1, 2020 |
|---|---|---|
| **Lease Liabilities** | | |
| Within one year | 9.53 | 9.51 |
| More than one year | 27.99 | 37.83 |
| Total | 37.52 | 47.34 |

| | As at March 31, 2021 | As at April 1, 2020 |
|---|---|---|
| **Provision: Asset Restoration Obligations** | | |
| Current | - | - |
| Non-current | 0.21 | - |
| Total | 0.21 | - |

*For adjustments recognised on adoption of Ind AS 116 on April 1, 2019, please refer note 53.

Addition to the right-of-use assets during the current financial year is ₹ 0.51 crores (previous year ₹ 34.06 crores).

Deletion to the right-of-use assets during the current financial year is ₹ 0.32 crores (previous year ₹ Nil).

**(ii) Amount recognised in the statement of profit and loss**

The statement of profit and loss account shows the following amounts relating to leases:

(₹ in crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **Depreciation charge of right-of-use assets** | | |
| Buildings | 10.49 | 6.49 |
| Total | 10.49 | 6.49 |

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Interest expense | 3.24 | 2.41 |
| Expense relating to short-term leases | 2.04 | 7.16 |
| Other income - interest on unwinding of deposit | (0.19) | (0.22) |
| Total | 5.09 | 9.35 |

The total cash outflow for leases for the year ended March 31, 2021 was ₹ 11.91 crores (previous year ₹ 7.22 crores)

**(iii) Extension and termination options**

Extension and termination options are included in a number of property and equipment leases of the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

## 16. OTHER FINANCIAL LIABILITIES

(₹ in crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Unclaimed dividend | 1.85 | 1.48 |
| Security deposits | - | 1.69 |
| Amount payable to Minority shareholder | 2.81 | 17.69 |
| Employee benefit payable | 34.16 | 36.50 |
| Other payables | - | 3.57 |
| Total | 38.82 | 60.93 |

## 17. INCOME TAX LIABILITIES

(₹ in crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Provision for income tax (net of advance tax) | 14.60 | 11.68 |
| Total | 14.60 | 11.68 |

## 18. PROVISIONS

(₹ in crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Provision for gratuity [Refer note 34(b)] | 1.76 | 3.26 |
| Loan commitment [Refer note 40(b)] | - | 22.63 |
| Asset Restoration Obligations * | 0.21 | - |
| Other Funds | - | 0.12 |
| Total | 1.97 | 26.01 |

* Movement in Asset Restoration Obligations

(₹ in crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| At the beginning of year | - | - |
| Provision created during the year# | 0.21 | - |
| Reversed during the year | - | - |
| At the end of year | 0.21 | - |

# It includes the initial estimate of the costs of dismantling, removing the item and restoring the site on which it is located, amounting to ₹ 0.21 crore (March 31, 2020 - ₹ Nil) referred to as Asset Restoration Obligation.

## 19. DEFERRED TAX LIABILITIES

The balance comprises temporary differences attributable to: (₹ in crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Property, plant and equipments | 7.06 | 8.15 |
| Financial assets at fair value through profit or loss | 5.69 | (1.01) |
| Cash settled share based payments | (4.42) | (1.36) |
| Total deferred tax liabilities | 8.33 | 5.78 |

## 20. OTHER NON-FINANCIAL LIABILITIES

(₹ in crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Income and other amounts received in advance | - | 0.07 |
| Liabilities for restricted grants* | 3.74 | 7.02 |
| Cash settled share based payments | 17.56 | 5.40 |
| Statutory dues | 17.00 | 15.32 |
| Other Payables | 0.62 | 10.05 |
| Total | 38.92 | 37.86 |

* Liabilities for restricted grants includes ₹ 3.74 crores (March 31, 2020: ₹ 7.02 crores) pertaining to IDFC Foundation held for specified purposes.

## 21. EQUITY SHARE CAPITAL

(₹ in crore)

| | As at March 31, 2021 | | As at March 31, 2020 | |
|---|---|---|---|---|
| | Number | ₹ | Number | ₹ |
| **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

(₹ in crore)

| | As at March 31, 2021 | | As at March 31, 2020 | |
|---|---|---|---|---|
| | Number | ₹ | Number | ₹ |
| 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 Group has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share.

The 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.

**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 49.

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

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

## 22A. OTHER EQUITY

(₹ in crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Surplus in the statement of profit and loss | (50.63) | (365.42) |
| Securities premium | 2,523.47 | 2,523.47 |
| General reserve | 314.55 | 314.55 |
| Special reserve u/s. 36(1)(viii) of the Income-tax Act, 1961 | 2,642.23 | 3,053.25 |
| Share options outstanding account | 15.75 | 19.09 |
| FVOCI - equity investments | 3.97 | 3.97 |
| Foreign currency translation reserve | 0.03 | 18.08 |
| Statutory reserves | 1,169.15 | 1,157.34 |
| Total | 6,618.52 | 6,724.33 |

**a) Surplus in the statement of profit and loss**

(₹ in crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Opening balance | (365.42) | 1,724.86 |
| Change in accounting policy (refer note 54) | - | (2.21) |
| **Restated balance at April 1, 2020** | (365.42) | 1,722.65 |
| Net profit for the period | (336.02) | (994.90) |
| Other comprehensive income | 224.17 | (434.87) |
| Share based payments | | |
| - Options lapsed during the year | - | 0.98 |
| - *Dividends paid* | - | (502.85) |
| - Dividend distribution tax | - | (128.12) |
| - Others | (3.76) | (13.31) |
| - Share of reserves of associates accounted using equity method of accounting net of deferred tax | 13.14 | 24.37 |
| Transfers to/ from : | | |
| - Special reserve u/s. 45-IC of the RBI Act,1934 | (11.81) | (39.37) |
| - Special reserve u/s. 36(1)(viii) of the Income-tax Act, 1961 [refer note 22C (f)] | 411.02 | - |
| - Foreign currency translation reserve | 18.05 | - |
| **Closing Balance** | (50.63) | (365.42) |

**b) Securities premium**

(₹ in crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Opening balance | 2,523.47 | 2,523.47 |
| Changes during the year | - | - |
| **Closing balance** | 2,523.47 | 2,523.47 |

**c) General reserve**

(₹ in crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Opening balance | 314.55 | 314.55 |
| Appropriations during the year | - | - |
| **Closing balance** | 314.55 | 314.55 |

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

(₹ in crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Opening balance | 3,053.25 | 3,053.25 |
| Appropriations during the year | (411.02) | - |
| **Closing balance** | 2,642.23 | 3,053.25 |

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

(₹ in crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Opening balance | 1,157.34 | 1,117.97 |
| Appropriations during the year | 11.81 | 39.37 |
| **Closing balance** | 1,169.15 | 1,157.34 |

**f) Share options outstanding account**

(₹ in crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Opening balance | 19.09 | 22.61 |
| Employee stock option expense for the year | - | 1.10 |
| Options cancelled during the year | (3.34) | (4.62) |
| **Closing balance** | 15.75 | 19.09 |

**22B. OTHER RESERVES**

(₹ in crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| FVOCI - equity investments | 3.97 | 3.97 |
| Foreign currency translation reserve | 0.03 | 18.08 |
| Total | 4.00 | 22.05 |

**a) FVOCI - equity investments**

(₹ in crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Opening balance | 3.97 | 3.97 |
| Change in fair value of FVOCI - equity investments | - | - |
| **Closing balance** | 3.97 | 3.97 |

**b) Foreign currency translation reserve**

(₹ in crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Opening balance | 18.08 | 27.77 |
| Exchange differences on translation of foreign operations | - | (9.69) |
| Transfer to retained earnings | (18.05) | - |
| **Closing balance** | 0.03 | 18.08 |

**22C. Nature and purpose of reserve**

**a) Securities premium**

It 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 erstwhile 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) FVOCI - equity investments**

The Group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income. These changes are accumulated within the FVOCI - equity investments reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

**d) 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.

**e) 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 49)

**f) 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 Holding Company was a notified public financial institution engaged in lending to infrastructure projects. The Holding Company had created special reserve u/s 36(1)(viii) of the Income Tax Act,1961 on profits derived from eligible business. The Holding 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 Holding 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.

**g) Foreign currency translation reserve**

Exchange difference arising on translation of foreign operations are recognised in other comprehensive income as described in accounting policy are accumulated in special reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed off.

**23. INTEREST INCOME**

(₹ in crore)

| | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| **On financial assets measured at amortised costs:** | | |
| Interest on investments | 0.65 | 2.91 |
| Interest on deposits with banks | 8.87 | 17.23 |
| Total | 9.52 | 20.14 |

## 24. 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** | | |
| On trading portfolio | | |
| - Debt instrument at FVTPL | - | 1.45 |
| On financial instruments designated at FVTPL | 49.80 | 11.23 |
| Total (A) | 49.80 | 12.68 |
| **Fair value changes:** | | |
| Realised | 5.72 | 71.57 |
| Unrealised | 44.08 | (58.89) |
| Total (B) | 49.80 | 12.68 |

## 25. DIVIDEND INCOME

(₹ in crore)

| | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Dividend income from financial instruments at FVTPL | 0.29 | 1.74 |
| Total | 0.29 | 1.74 |

## 26. OTHER INCOME

(₹ in crore)

| | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Interest on income tax refund | 0.63 | 0.59 |
| Other interest | 0.19 | 0.22 |
| Other donations | 0.40 | - |
| Rental income | 2.57 | 3.68 |
| Trusteeship Fees | 0.30 | 0.50 |
| Restricted grants | 8.39 | 6.70 |
| Sitting fees | 0.03 | 0.03 |
| Gain on sale of property, plant and equipment | 0.07 | 0.02 |
| Sale of power | 4.74 | 10.72 |
| Forex gain | - | 6.72 |
| Reversal of provision of earlier years* | 30.46 | - |
| Miscellaneous income | 0.26 | 2.95 |
| Total | 48.04 | 32.13 |

* For details of reversal of ₹ 22.63 crores refer note 40 (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.

## 27. FINANCE COST

(₹ in crore)

| | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| **On financial liabilities measured at amortised cost:** | | |
| - Interest expense on loan * | 9.53 | - |
| Other borrowing costs | 3.51 | 2.58 |
| Total | 13.04 | 2.58 |

* In June 2020, IDFC FIRST Bank had raised equity capital through preferential allotment. Being promoter of the Bank, IDFC Financial Holding Company Limited (IDFC FHCL) was required to hold 40% of IDFC FIRST Bank to comply with RBI guidelines and was required to contribute ₹ 800 crores in the said preferential allotment. To subscribe to preferential issue of IDFC FIRST Bank, IDFC FHCL borrowed ₹ 200 crores from HDFC Limited @ 12% p.a. and contributed balance amount out of its own funds. IDFC FHCL utilised resources of the Group and pledged 9.95% shares of IDFC Asset Management Company Limited, 450,000 units of Investcorp Score Funds and 7,332,581 units of Investcorp Private Equity Fund II. As at March 31, 2021 entire loan has been repaid to HDFC Limited and the pledge on the securities provided has been released.

## 28. IMPAIRMENT ON FINANCIAL INSTRUMENTS

(₹ in crore)

| | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| **On Financial instruments measured at Amortised Cost:** | | |
| Provision on doubtful debts | (0.18) | 7.53 |
| Impairment on loans | - | 0.82 |
| **Others** | | |
| ECL on Security deposit | (0.21) | - |
| Impairment on investment in associate | (0.44) | 2.87 |
| Total | (0.82) | 11.22 |

## 29. EMPLOYEE BENEFIT EXPENSE

(₹ in crore)

| | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Salaries, wages and bonus | 94.37 | 103.66 |
| Contribution to provident and other funds [Refer note 34(a)] | 4.29 | 4.36 |
| Gratuity expense [Refer note 34(b)] | 3.09 | 2.57 |
| Employee share based payment expense [Refer note 49(d]) | 3.22 | 5.94 |
| Staff welfare expense | 2.32 | 2.41 |
| Total | 107.29 | 118.94 |

## 30. DEPRECIATION, AMORTISATION AND IMPAIRMENT

(₹ in crore)

| | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Depreciation and impairment of property, plant and equipment | 6.16 | 22.41 |
| Amortisation of intangible assets | 3.62 | 2.67 |
| Depreciation on Right to Use Asset | 10.49 | 6.49 |
| Total | 20.27 | 31.57 |

## 31. OTHER EXPENSES

(₹ in crore)

| | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Rent | 2.82 | 8.41 |
| Rates and taxes | 4.77 | 5.37 |
| Electricity | 0.98 | 1.54 |
| Repairs and maintenance | | |
| - Equipments | 2.02 | 3.78 |
| - Others | 6.08 | 6.43 |
| Insurance charges | 0.42 | 0.38 |
| Travelling and conveyance | 0.53 | 4.47 |
| Printing and stationery | 0.30 | 1.62 |
| Communication costs | 2.64 | 2.49 |
| Advertising and publicity | 16.02 | 14.22 |
| Professional fees | 18.29 | 20.16 |
| Directors' sitting fees | 0.88 | 0.68 |
| Commission to directors | 0.85 | 0.40 |
| Bad debts written off | 0.25 | 0.36 |
| Loss on disposal of property, plant and equipment (net) [refer note 10(a)] | 16.78 | - |
| Other operating expenses | 4.50 | 20.61 |
| Membership and subscription | 6.84 | 6.27 |
| Computer software expenses | 10.05 | 8.92 |
| Contribution for corporate social responsibility (CSR) [Refer note (b) below] | 1.30 | 3.93 |
| Auditors' remuneration [refer note (a) below] | 1.18 | 1.65 |
| Shared service costs recovered | - | 1.67 |
| Grants to implementing partners | 1.13 | 2.46 |
| Income tax write off | 5.74 | - |
| Bank charges | 0.02 | 0.02 |
| Project expenses (COVID-19) | 2.10 | - |
| Miscellaneous expenses | 5.75 | 4.36 |
| Total | 112.24 | 120.20 |

**a) Breakup of Auditors' remuneration**

(₹ in crore)

| | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Audit fees | 0.75 | 1.06 |
| Tax audit fees | 0.09 | 0.08 |
| Other Services | 0.29 | 0.46 |
| Out-of-pocket expenses | 0.05 | 0.05 |
| Total | 1.18 | 1.65 |

**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 ₹ 3.57 crore (previous year ₹ 3.42 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 ₹ 1.30 crore (previous year ₹ 3.93 crore) (post intercompany elimiations), which comprise of following:

(₹ in crore)

| | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| CSR Expenditure: | | |
| School and Teachers Innovating for Results (India) | 0.39 | - |
| Govandi Education Society | 0.17 | - |
| Tns India Foundation | 0.16 | - |
| Saajha | 0.22 | - |
| K C Mahindra Education Trust - A/c Nanhi Kali | 0.36 | 0.72 |
| Prime Minister's CARES Fund* | 1.56 | 1.85 |
| Prime Minister's Relief Fund | - | 0.82 |
| United Way of Mumbai | - | 0.54 |
| | 2.86 | 3.93 |
| Amount spent during the year on: | | |
| (i) Construction/acquisition of an asset | - | - |
| (ii) On purposes other than (i) above | 2.86 | 3.93 |
| Total | 2.86 | 3.93 |

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 |
|---|---|---|---|---|
| - | - | 2.86 | 2.86 | - |

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 |
|---|---|---|---|
| 1.56 | - | 1.56 | - |

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 Group had additionally contributed ₹ 1.56 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.

## 32. 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 |
|---|---|---|
| **I. Tax expense recognised in statement of profit and loss** | | |
| **Current tax** | | |
| Current tax on profit for the year | 70.50 | 67.92 |
| Adjustments for current tax of prior years | 7.01 | 0.14 |
| Total current tax expense | 77.51 | 68.06 |
| **Deferred tax** | | |
| Decrease / (Increase) in deferred tax assets | 1.74 | (2.53) |
| (Decrease) / Increase in deferred tax liabilities | (8.87) | (4.69) |
| Total deferred tax expense/(benefit) | (7.13) | (7.22) |
| **Total tax expense for the year** | 70.38 | 60.84 |
| Income tax attributable to: | | |
| - Profit from continuing operations | 70.67 | 60.39 |
| - Profit from discontinued operations | (0.29) | 0.45 |
| | 70.38 | 60.84 |

**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 |
|---|---|---|
| Loss from continuing operations before tax expense | (266.43) | (916.11) |
| Profit from discontinued operations before tax expense | 0.07 | (19.18) |
| **Tax at India's statutory income tax rate of 25.17% (previous year 25.17%)** | (67.04) | (235.41) |
| Tax effect of the amount which are not taxable in calculating taxable income | (7.67) | (0.36) |
| Effect of tax on Share of net loss of associates and joint ventures accounted for using equity method | 117.54 | 253.13 |
| Tax impact of income not included in determining taxable profit above | 17.94 | - |
| Effect of tax on income taxable under different tax rates | 2.08 | 9.67 |
| Changes in opening deferred tax asset/ liability due to changes in tax rates | - | (1.25) |
| Expenses not deductible for tax purposes | 9.96 | 14.40 |
| Adjustments for current tax of prior periods | 7.01 | (8.45) |
| Effect of reversal of opening deferred tax asset/ liability | (6.57) | (0.72) |
| Different statutory tax rates applied by the group entities | (0.36) | 8.93 |
| Tax impact on reversal of income | - | 18.66 |
| Other | (2.51) | 2.24 |
| **Income tax expense at effective tax rate** | 70.38 | 60.84 |
| **Effective tax rate** | (26.42%) | (6.64%) |

**c) Tax losses**

(₹ in crore)

| | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Unused tax losses for which no deferred tax asset has been recognised | 5.36 | 7.35 |
| Potential tax benefit at 25.17% (March 31, 2020: 25.17%) | 1.35 | 1.85 |

**d) Unrecognised temporary differences**

(₹ in crore)

| | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Temporary differences relating to investment in subsidiaries and joint ventures for which deferred tax liabilities have not been recognised | | |
| - Undistributed earnings of subsidiary* | 357.59 | 284.93 |
| - Undistributed earnings of joint venture** | 71.66 | 73.15 |
| - Unrecognised deffered tax liabilities relating to the above temporary differences | 108.04 | 90.13 |

* Certain subsidiaries of the Group have undistributed earnings of ₹ 357.59 crores (March 31, 2020: ₹ 284.93 Crores ) which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the parent entity has ability to control the timing of distributions from these subsidiaries.

The Group has not recognised deferred tax asset on accumulated losses of subsidiaries and associates, as the Group does not foresee a reasonable certainty of sufficient future income available against which these accumulated losses can be utilised.

** The joint ventures of the Group have undistributed earnings of ₹ 71.66 crores (March 31, 2020: ₹ 73.15 Crores) which will be remitted to IDFC Foundation having joint control over these joint venture. IDFC Foundation is a Section 8 Company registered for specified purpose with an intention to prohibit payment of dividends to its shareholders i.e. IDFC Limited and hence no differed tax liability is recognised as the Group will not receive any distribution out of these profits in the foreseeable future.

**33. Operating lease commitments – Group as lessee**

The Company had entered into cancellable as well as non-cancellable leasing arrangements for office premises at various locations in India generally for a period of 36 months. Rent includes gross rental expenses of ₹ 0.64 crores (March 31, 2020: ₹ 11.75 crores). The committed lease rentals in the future are:

(₹ in crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Not later than one year | - | 0.64 |
| Later than one year and not later than five years | - | - |
| Later than five years | - | - |

From April 01, 2019, the Group has recognised right-of-use assets for these leases, see note 15 on leases and note 53 for change in accounting policy.

**34. 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 | 3.51 | 3.50 |
| Pension fund | 0.66 | 0.70 |
| Superannuation fund | 0.12 | 0.16 |
| Total | 4.29 | 4.36 |

**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** | 19.66 | 16.40 | 3.26 |
| Current service cost | 2.92 | - | 2.92 |
| Interest expense/(income) | 1.21 | 0.98 | 0.23 |
| Return on plan assets | - | 0.16 | (0.16) |
| Actuarial loss / (gain) arising from change in financial assumptions | (0.33) | 0.02 | (0.35) |
| Actuarial loss / (gain) arising on account of experience changes | (0.70) | - | (0.70) |
| Actual return on plan assets less interest on plan assets | - | 0.14 | (0.14) |
| Adjustment to recognise the effect of asset ceiling | - | (0.01) | 0.01 |
| Employer contributions | - | 3.31 | (3.31) |
| Benefit payments | (1.60) | (1.60) | - |
| **As at March 31, 2021** | 21.16 | 19.40 | 1.76 |

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Present value of plan liabilities | 21.16 | 19.66 |
| Fair value of plan assets | 19.40 | 16.40 |
| Plan liability net of plan assets | 1.76 | 3.26 |

ii) **Statement of Profit and Loss**

(₹ in crore)

| | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| **Employee Benefit Expenses:** | | |
| Current service cost | 2.93 | 2.43 |
| Interest cost | (0.01) | 0.31 |
| (Gains) / losses on settlement | - | (0.17) |
| **Total** | 2.92 | 2.57 |
| Finance cost | 0.17 | - |
| Net impact on the profit before tax | 3.09 | 2.57 |
| **Remeasurement of the net defined benefit liability:** | | |
| Return on plan assets excluding amounts included in interest expense/ income | (0.10) | (0.10) |
| Actuarial gains/(losses) arising from changes in demographic assumptions | - | - |
| Actuarial gains/(losses) arising from changes in financial assumptions | (0.33) | 2.18 |
| Actuarial gains/(losses) arising from changes in experience | (0.70) | (1.13) |
| Actual return on plan assets less interest on plan assets | (0.16) | (0.12) |
| Adjustment to recognize the effect of asset ceiling | 0.01 | - |
| Income tax relating to above | 0.29 | (0.20) |
| Net impact on the other comprehensive income before tax | (0.99) | 0.64 |

iii) **Defined benefit plan assets**

| Category of assets (% allocation) | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Insurer managed funds | | |
| - Government securities | 40.41% | 30.70% |
| - Deposit and money market securities | 4.65% | 2.68% |
| - Debentures / bonds | 53.50% | 64.75% |
| - Equity shares | 1.44% | 1.87% |
| 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% to 7.00% | 5.50% to 6.85% |
| Salary escalation rate* | 5% to 10% | 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 | 3.98 | 3.32 |
| Between 2-5 years | 3.70 | 3.26 |
| Between 5-10 years | 3.73 | 3.31 |
| Beyond 10 years | 26.27 | 22.04 |

The weighted average duration to the payment of these cash flows is 0.50 years to 10.31 years (previous year 0.73 years to 10.58 years).

## 35. DISCONTINUED OPERATION

### a) IDFC Securities Limited

On November 7, 2019 IDFC FHCL entered into a Share Purchase Agreement (''SPA'') with Mr. Dharmesh Mehta & other strategic investors ("DM") for sale of entire investment in IDFC Securities Limited ("ISL"). As per the said agreement, the entire stake in the equity shares of ISL would be sold to DM for a total consideration of ₹ 86.00 crore as against the carrying value of ISL in the books of the Company amounting to ₹ 162.00 crore post impairment of ₹ 278.10 crore in earlier years.

Further, as the fair value less cost to sell this investment was lower than the carrying value as at March 31, 2020 ; an impairment loss of ₹ 76.00 crore had been recognised in the statement of profit and loss and the said investment in ISL was carried at the Net realisable value of ₹ 86.00 crore as at March 31, 2020.

Under the SPA, the sale was subject to certain terms, conditions and regulatory approvals and the Company considered it highly probable that the said sale will be completed in next 12 months. Accordingly, the investment in ISL was classified as held for sale as on March 31, 2020.

The sale was concluded in June 2020 post receiving all regulatory approvals. With the sale, ISL, IDFC Securities (Singapore) Pte Ltd and IDFC Capital (USA) Inc. have ceased to be subsidiaries of the Group.

**i) Financial performance and cash flow information (after inter-company eliminations)**

(In ₹ crore)

| | Period ended June 10, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Revenue | 11.00 | 42.77 |
| Expenses | (10.93) | (50.35) |
| Impairment loss | - | (11.60) |
| Loss before tax | 0.07 | (19.18) |
| Tax expense (net) | (0.29) | 0.44 |
| Loss after tax | 0.36 | (19.63) |
| Other comprehensive income | - | 1.12 |
| Total comprehensive loss from discontinued operation attributable to owner | 0.36 | (18.51) |
| Net cash inflow from operating activities | 20.88 | (41.51) |
| Net cash inflow (outflow) from investing activities | (1.27) | 82.86 |
| Net cash (outflow) from financing activities | (15.86) | (57.40) |
| Net increase in cash generated from discontinued operation | 3.75 | (16.05) |

**ii) The carrying amounts of assets and liabilities as at March 31, 2020 are as follows:**

(In ₹ crore)

| | As at March 31, 2020 |
|---|---|
| Cash and cash equivalents | 9.99 |
| Bank balances other than cash and cash equivalents | 25.35 |
| Receivables | 5.07 |
| Loans | 0.04 |
| Investments | - |
| Other financial assets | 43.89 |
| Income tax assets | 11.88 |
| Deferred tax assets | 2.20 |
| Property, plant and equipment | 5.98 |
| Goodwill | 12.24 |
| Intangible assets | 14.43 |
| Other non-financial assets | 3.49 |
| Total assets | 134.56 |
| Payables | 42.67 |
| Provisions | - |
| Income tax liabilities | 0.02 |
| Other non-financial liabilities | 2.55 |
| Total liabilities | 45.24 |
| Net assets | 89.32 |

**36. Segment information**

(₹ in crore)

| | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| **Segment revenues** | | |
| - Financing | 77.00 | 246.99 |
| - Asset management | 396.60 | 335.42 |
| - Others | 1.30 | 4.23 |
| Total segment revenues | 474.90 | 586.64 |
| Add: Unallocated revenues | - | - |
| Less: Inter-segment adjustments | (67.98) | (245.92) |
| Total Revenues | 406.92 | 340.72 |
| **Segment results** | | |
| - Financing | 4.79 | (18.89) |
| - Asset management | 202.65 | 107.63 |
| - Others | (7.06) | (0.40) |
| Total segment results | 200.38 | 88.34 |
| Add / (Less): Unallocated | - | - |
| Add: Share of profit from associates and joint ventures accounted under equity method | (466.81) | (1,004.45) |
| Profit before tax | (266.43) | (916.11) |
| **Segment assets** | | |
| - Financing | 78.50 | 705.67 |
| - Asset management | 1,411.29 | 1,389.98 |
| - Others | 26.38 | 42.77 |
| Total segment assets | 1,516.17 | 2,138.42 |
| **Unallocated** | | |
| - Banking | 6,712.42 | 6,152.03 |
| - Others | 142.23 | 159.99 |
| - Disposal group held for sale | - | 118.62 |
| Total assets | 8,370.82 | 8,569.06 |
| **Segment liabilities** | | |
| - Financing | 24.64 | 39.15 |
| - Asset management | 92.65 | 129.73 |
| - Others | 11.30 | 17.09 |
| Total segment liabilities | 128.59 | 185.97 |
| **Unallocated** | | |
| - Others | 27.35 | 17.82 |
| - Disposal group held for sale | - | 44.58 |
| Total liabilities | 155.94 | 248.37 |
| **Capital employed** | | |
| - Financing | 53.86 | 666.52 |
| - Asset management | 1,318.64 | 1,260.25 |
| - Others | 15.08 | 25.68 |
| Total segment capital employed | 1,387.58 | 1,952.45 |
| **Unallocated** | | |
| - Banking | 6,712.42 | 6,152.03 |
| - Others | 114.88 | 142.17 |
| - Disposal group held for sale | - | 74.04 |
| Total capital employed | 8,214.88 | 8,320.69 |

i) The Group identifies primary segments based on the dominant source, nature of risk and returns and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit / loss amounts are evaluated by the Chief Operating Decision Maker.

ii) Segment composition :

- Financing includes investing activity

- Asset Management segment includes portfolio management, mutual fund and other alternative funds.

**37. 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: | | |
| Final dividend for 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) | - | - |

**38. EARNINGS PER SHARE**

**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 | (336.74) | (996.13) |
| Weighted average number of equity shares | 1,59,63,58,316 | 1,59,63,58,316 |

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

| | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Basic earnings per share | (2.11) | (6.24) |
| Effect of outstanding stock options | - | - |
| Diluted earnings per share | (2.11) | (6.24) |

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, 2021 | Year ended March 31, 2020 |
|---|---|---|
| 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 |

**39. CONTINGENT LIABILITIES**

(₹ in crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Claims not acknowledged as debts in respect of: | | |
| - Income-tax demands under appeal (net of provision) | 10.43 | 10.50 |
| - Other claims | 1.50 | 1.50 |
| Total | 11.93 | 12.00 |

**40. CAPITAL COMMITMENTS**

(₹ in crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Uncalled liability on shares and other investments partly paid | 58.53 | 85.85 |
| Estimated amount of contracts remaining to be executed on capital account (net of advances) | 0.36 | 3.76 |
| Letter of comfort (see note a) | 14.57 | - |
| Other commitments (see note b) | - | 69.37 |
| Total | 73.46 | 158.98 |

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

b) IDFC Projects Limited, a wholly owned subsidiary of the Group 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 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 the Holding Company 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 by the Group for ₹ 22.63 crore has also been reversed in current year.

c) The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post employment 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 Group 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.

**41. EVENTS OCCURRING AFTER THE REPORTING PERIOD**

(i) On March 25, 2021 the Holding 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 Board of the Holding 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 Holding 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 Holding 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 Holding Company and other statutory / regulatory approvals.

**42.** The figures of ₹ 50,000 or less have been denoted by ß.

**43. UPDATE ON SUBSIDIARIES AND ASSOCIATES**

**(a) Financial statements of subsidiaries prepared on non-going concern basis**

In view of discontinuance of business operations of IDFC Alternatives Limited, IDFC Trustee Company Limited and IDFC Projects Limited, the financial statements of these subsidiaries have been prepared on realisable value basis and accordingly, all assets and liabilities are stated at the value at which they are expected to be realised/ settled.

**(b) IDFC Foundation:**

IDFC Foundation did not lay before the Shareholders the consolidated financial statements for the year ended March 31, 2018 in the Annual General Meeting held on September 28, 2018 as required under section 129(3) of the Companies Act, 2013 ("Act") due to non- availability of audited financial statements of one of its material jointly controlled entities Delhi Integrated Multi- Modal Transit System Limited (a joint venture between IDFC Foundation and Government of Delhi) and consequently, compliances as per the provisions of section 137(1) of the Act have not been done to the extent this section is applicable to the consolidated financial statements. These were adopted by the Board of Directors in its meeting held on February 13, 2019 and the same was approved by the Shareholders in its Extraordinary General Meeting held on March 11, 2019. IDFC Foundation has filed applications with the Hon'ble Company Law Tribunal on May 10, 2019, for compounding of aforesaid non-compliance, and has paid the required compounding fee of ₹ 0.05 crore (March 31, 2020- Nil) and consequently received the final compounding order dated December 17, 2020.

**(c) IDFC Financial Holding Company Limited:**

(i) IDFC Financial Holding Company Limited (IDFC FHCL), Wholly Owned Subsidiary ('WOS') of the Holding Company 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.

(ii) The Board of Directors of IDFC FHCL and the Holding Company on November 8, 2019 had approved transfer of 100% equity shares of IDFC Alternatives Limited and IDFC Trustee Company Limited held by IDFC FHCL to the Holding Company.

(iii) The lock in IDFC FHCL's pre-preferential holding in the equity shares of IDFC FIRST Bank was extended from October 1, 2020 to December 24, 2020 pursuant to ICDR Guidelines. As at March 31, 2021, the pre-preferential holding of IDFC FIRST Bank by IDFC FHCL are not subject to lock in. However, as per RBI Guidelines IDFC FHCL will continue to hold required percentage of equity shares of IDFC FIRST Bank till the time required subject to any amendment/ guidelines issued by RBI.

**(d) IDFC FIRST Bank Limited:**

(i) IDFC FIRST Bank Limited (the Bank) (an associate of the Group) had sought for renewal of dispensation from the RBI, which was valid till December 31, 2019, to grandfather certain loan accounts which were given by the erstwhile Capital First Limited as a Non Banking Financial Company (NBFC). In this regard, the RBI vide letter dated March 4, 2021, having not acceded to the dispensation, had advised the Bank to hold 100% provisions in respect of non-compliant non-performing loans. Further, for other non-compliant standard loans with insignificant outstanding balance, the Bank is required to assign additional risk weight of 25% and make such loan accounts compliant with the extant regulatory instructions by June 30, 2021. The Bank has made additional ECL provision of ₹ 60.84 crore for the year ended March 31, 2021 for such non-compliant non-performing (Impaired) loans and assigned additional risk weight of 25% on other non-compliant standard loans.

(ii) During the year ended March 31, 2021, the Bank raised additional capital aggregating to ₹ 2,000 crore (rounded off) on a preferential basis through issuance of 862,440,704 equity shares, fully paid-up, at the price of ₹ 23.19/- per equity share (including premium).

(iii) The Capital Raising Committee of the Board of Directors of the Bank at its meeting held on April 6, 2021, approved the issue and allotment of 523,103,660 equity shares of face value of ₹ 10 each to qualified institutional buyers at an issue price of ₹ 57.35 per equity share (including a premium of ₹ 47.35 per equity share), aggregating to ₹ 3,000 crore (rounded off), pursuant to the Issue.

(iv) In accordance with the instructions in the RBI circular RBI/2021-22/17 DOR.STR.REC.4/21.04.048/2021-22 dated April 7, 2021, the Bank shall refund / adjust 'interest on interest' to all borrowers including those who had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed. As required by the RBI notification, the methodology for calculation of such interest on interest has been circulated by the Indian Banks' Association. The Bank is in process of implementing this circular. As at March 31, 2021, the Bank has created a liability towards estimated interest relief ₹ 55.00 crore and reduced the same from the interest income.

(v) The Finance Act, 2021 has provided that goodwill of a business or profession will not be considered as a depreciable asset and no depreciation on goodwill would be allowed effective April 1, 2020. The Bank had claimed depreciation on goodwill while computing provision for tax that arose pursuant to the merger with erstwhile Capital First Limited and its subsidiaries in FY2018, and a deferred tax asset had been recognised on carrying value of such goodwill as per Income Tax Act. Pursuant to the change in law, the Bank has now written off the deferred tax asset of ₹ 338.00 crores on depreciation on goodwill in excess of the depreciation claimed in its returns of income filed till FY 2020 by debiting the profit and loss account. Further, as at March 31, 2021, the Bank has reassessed the continuing recognition of deferred tax assets by assessing availability of sufficient future taxable profits, based on financial projections which have been approved by the Board of Directors, to absorb the carrying amount of deferred tax asset.

(vi) The Bank pays loan servicing fees to business correspondents for services rendered towards sourcing and servicing of loans and other related activities. These were hitherto netted off from "Total Income" till December 31, 2020. During the quarter ended March 31, 2021, the Bank has changed this presentation and accordingly reclassified them as part of "Operating Expenses" with the corresponding change in the previous periods. Basis this change, all relevant disclosures have been regrouped / reclassified wherever applicable.

(₹ in crore)

| | Year ended March 31, 2020 |
|---|---|
| Total Income - As reported | 7,036.46 |
| Total Income - As per reclassification | 7,104.09 |

**(e) Liqudated entites:**

(i) On October 31, 2019 Monetary Authority of Singapore ('MAS') cancelled the Capital Market Services ('CMS') license issued to IDFC Capital (Singapore) Pte. Ltd., WOS of IDFC Alternatives Limited. The liquidation of IDFC Capital (Singapore) Pte. was completed on November 20, 2020 and Liquidation returns have been filed with Accounting and Corporate Regulatory Authority "ACRA" on November 23, 2020 and since then IDFC Capital (Singapore) Pte. ceased to be a subsidiary of the Group.

(ii) The Board of Directors of IDFC Asset management Company Limited ('the Investment Manager') had approved the winding up of IDFC IEH Tactical Fund, subsidiary of IDFC Asset Management Company Limited, vide its meeting dated October 30, 2020. Approval from the investors holding more than 75% in the value was received by the Board of Directors of IDFC Asset Management Company Limited on February 16, 2021. All the assets of IDFC IEH Tactical Fund were liquidated by March 16, 2021 and paid to investors. Hence with effect from March 16, 2021, IEH Tactical Fund has ceased to be subsidiary of the Group.

**(f) Infrastructure Development Corporation (Karnataka) Limited ("Ideck"), a joint venture of the Group:**

(i) Trade receivables are relatively high as compared to annual turnover, reflecting low receivable turnover ratio, extending credit terms and poor collection process from customers.

(ii) Ideck has not received the Confirmation of balances from Debtors as on the date of this report, the balances are subject to such confirmations and reconciliations.

**(g) Delhi Integrated Multi Modal Transit System Limited ("DIMTS"), a joint venture of the Group:**

(i) COVID-19 has caused significant disruptions in the business operations across India and has also caused significant accounting and auditing challenges. As per this note DIMTS has considered the possible effects that may result from the pandemic relating to COVID-19 on the carrying amounts of property, plant and equipment, inventories, receivables and other current assets. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of this pandemic, DIMTS, as at the date of approval of these financial results has used internal and external sources on the expected future performance of the Company. DIMTS expects that the carrying amount of these assets will be recovered and sufficient liquidity is available to fund the business operations for at least another 12 months. Given the uncertainty because of COVID-19, the final impact on its assets in future may differ from that estimated as at the date of approval of these financial results.

(ii) Some of the balances appearing under the heads 'Trade Receivable, Trade Payable and Advances Recoverable' are subject to confirmation.

## 44. CAPITAL MANAGEMENT

The capital structure of the Group is based on management's judgement of the appropriate balance of key elements in order to meet its strategic and day-to-day needs. The Group consider the amount of capital in proportion to risk and manage the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. The Group policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditors and market confidence and to sustain future development and continue as a going concern entity.

The Group 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 Group 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 management monitors the return on capital as well as the level of dividends to the shareholders. The Group's goal is to continue to be able to provide return to the shareholders by continuing to distribute dividends in future period.

**45. 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 | 42.11 | - | 42.11 | 677.90 | - | 677.90 |
| Bank balance other than cash and cash equivalents above | 23.38 | - | 23.38 | 45.85 | 0.25 | 46.10 |
| Derivative financial instruments | 0.54 | - | 0.54 | 4.29 | - | 4.29 |
| Receivables | | | | | | - |
| (I) Trade receivables | 12.71 | - | 12.71 | 17.95 | - | 17.95 |
| (II) Other receivables | 0.05 | - | 0.05 | 0.50 | - | 0.50 |
| Investments | 567.77 | 6,818.02 | 7,385.79 | 421.00 | 6,259.84 | 6,680.84 |
| Other financial assets | 3.52 | 8.38 | 11.90 | 9.32 | 8.40 | 17.72 |
| **Non-financial assets** | | | | | | |
| Income tax assets (Net) | - | 26.29 | 26.29 | - | 51.54 | 51.54 |
| Deferred tax assets (Net) | - | 10.34 | 10.34 | - | 0.66 | 0.66 |
| Property, plant and equipment | - | 16.05 | 16.05 | 38.00 | 12.30 | 50.30 |
| Intangible assets under development | - | 34.27 | 34.27 | - | 45.64 | 45.64 |
| Investment Property | - | - | - | 35.71 | - | 35.71 |
| Goodwill | - | 779.17 | 779.17 | - | 779.17 | 779.17 |
| Other intangible assets | - | 4.56 | 4.56 | - | 7.50 | 7.50 |
| Other non-financial assets | 23.66 | - | 23.66 | 34.62 | - | 34.62 |
| Disposal group held for sale | - | - | - | 118.62 | - | 118.62 |
| **Total assets** | 673.74 | 7,697.08 | 8,370.82 | 1,403.76 | 7,165.30 | 8,569.06 |
| **Financial liabilities** | | | | | | |
| Derivative financial instruments | - | - | - | 0.42 | - | 0.42 |
| Payables | | | | | | |
| (I) Trade payables | | | | | | |
| (i) total outstanding dues of micro enterprises and small enterprises | 0.04 | - | 0.04 | 0.25 | - | 0.25 |
| (ii) total outstanding dues of creditors other than micro enterprises and small enterprises | 12.66 | - | 12.66 | 13.49 | - | 13.49 |
| (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 | 3.08 | - | 3.08 | 0.03 | - | 0.03 |
| Lease liabilities | 9.53 | 27.99 | 37.52 | 9.51 | 37.83 | 47.34 |
| Other financial liabilities | 36.01 | 2.81 | 38.82 | 43.24 | 17.69 | 60.93 |
| **Non-financial Liabilities** | | | | | | |
| Income tax liabilities (Net) | 14.60 | - | 14.60 | 11.68 | - | 11.68 |
| Deferred tax liabilities (Net) | - | 8.33 | 8.33 | - | 5.78 | 5.78 |
| Provisions | 1.76 | 0.21 | 1.97 | 26.01 | - | 26.01 |
| Other non-financial liabilities | 21.36 | 17.56 | 38.92 | 32.46 | 5.40 | 37.86 |
| Disposal group held for sale | - | - | - | 44.58 | - | 44.58 |
| **Total liabilities** | 99.04 | 56.91 | 155.94 | 181.67 | 66.69 | 248.37 |
| **Net** | 574.70 | 7,640.18 | 8,214.88 | 1,222.09 | 7,098.61 | 8,320.69 |

## 46. FAIR VALUE MEASUREMENT

### a) Financial Instruments by Category

The following table provides categorization of all financial instruments at carrying value except non-current investments in joint venture and associates which are carried at cost.

(₹ in crore)

| As at March 31, 2021 | At FVTPL | At FVOCI | Amortised Cost |
|---|---|---|---|
| **Financial Assets** | | | |
| Investments | | | |
| - Mutual fund units# | 348.30 | - | - |
| - Venture capital fund units / AIF's | 197.85 | - | - |
| - Equity instruments* | 21.56 | 0.05 | - |
| - Trustee units # | 0.01 | - | - |
| Derivative financial assets | 0.54 | - | - |
| Cash and Cash Equivalents | - | - | 42.11 |
| Bank balances other than cash and cash equivalents | - | - | 23.38 |
| Trade receivables | - | - | 12.76 |
| Other financial assets | - | - | 11.90 |
| Total financial assets | 568.26 | 0.05 | 90.15 |
| **Financial Liabilities** | | | |
| Derivative financial liabilities | - | - | - |
| Trade payables | - | - | 12.70 |
| Other payables | - | - | 3.08 |
| Lease liabilities | - | - | 37.52 |
| Other financial liabilities | - | - | 38.82 |
| Total financial liabilities | - | - | 92.12 |

| As at March 31, 2020 | At FVTPL | At FVOCI | Amortised Cost |
|---|---|---|---|
| **Financial Assets** | | | |
| Investments | | | |
| - Mutual fund units# | 216.85 | - | - |
| - Venture capital fund units / AIF's | 166.39 | - | - |
| - Equity instruments* | 37.70 | 0.05 | - |
| - Trustee units # | 0.01 | - | - |
| Derivative financial assets | 4.29 | - | - |
| Cash and Cash Equivalents | - | - | 677.90 |
| Bank balances other than cash and cash equivalents | - | - | 46.10 |
| Trade receivables | - | - | 18.45 |
| Other financial assets | - | - | 17.72 |
| Total financial assets | 425.24 | 0.05 | 760.16 |
| **Financial Liabilities** | | | |
| Derivative financial liabilities | 0.42 | - | - |
| Trade payables | - | - | 13.74 |
| Other payables | - | - | 0.03 |
| Lease liabilities | - | - | 47.34 |
| Other financial liabilities | - | - | 60.93 |
| Total financial liabilities | 0.42 | - | 122.04 |

# Includes ₹ 8.63 crores (March 31, 2020: ₹ 11.90 crores) pertaining to IDFC Foundation held for specified purposes.

* The equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value through OCI rather than profit or loss as these are strategic investments and the Group considered this to be more relevant.

b) **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 financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group 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 and liabilities measured at fair value - recurring fair value measurements | Note | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Financial Investments at FVTPL | 6 | | | | |
| - Mutual fund units | | - | 348.30 | - | 348.30 |
| - Venture capital fund units / AIF's | | - | - | 197.85 | 197.85 |
| - Equity shares | | 15.55 | 6.01 | - | 21.56 |
| - Trustee Units | | 0.01 | - | - | 0.01 |
| Financial Investments at FVOCI | | | | | |
| - Equity shares | 6 | - | 0.05 | - | 0.05 |
| Derivative not designated as hedge | | | | | |
| - Equity / Index option contracts | 13 | 0.54 | - | - | 0.54 |
| Total financial assets | | 16.10 | 354.36 | 197.85 | 568.31 |
| **Financial liabilities** | | | | | |
| Derivative not designated as hedge | | | | | |
| - Equity / Index futures contracts | 14 | - | - | - | - |
| Total financial liabilities | | - | - | - | - |

**As at March 31, 2020** (In ₹ crore)

| Assets and liabilities measured at fair value - recurring fair value measurements | Note | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Financial Investments at FVTPL | | | | | |
| - Mutual fund units | 6 | - | 216.85 | - | 216.85 |
| - Venture capital fund units / AIF's | | - | - | 166.39 | 166.39 |
| - Equity shares | | 28.76 | 8.94 | - | 37.70 |
| - Trustee Units | | 0.01 | - | - | 0.01 |
| Financial Investments at FVOCI | | | | | |
| - Equity shares | 6 | - | 0.05 | - | 0.05 |
| Derivative not designated as hedge | | | | | |
| - Equity / Index option contracts | 13 | 4.29 | - | - | 4.29 |
| Total financial assets | | 33.05 | 225.84 | 166.39 | 425.29 |
| **Financial liabilities** | | | | | |
| Derivative not designated as hedge | | | | | |
| - Equity / Index futures contracts | 13 | 0.42 | - | - | 0.42 |
| Total financial liabilities | | 0.42 | - | - | 0.42 |

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

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

**The Group 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.

**c) 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 use of quoted market prices for listed equity instruments, future contracts and option contracts.
- 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 is determined using NAV at the reporting date as declared by the issuer. ^
- the fair values of derivative instruments are valued at the settlement price provided by the respective stock exchange.
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis, market comparable method and based on recent transactions.

^ During the previous year, considering the scenario with respect to the Covid-19 pandemic and the stress in various sectors of the economy, the Group 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 Group has taken illiquidity discount and haircut with respect to covid-19 over and above the NAV communicated by the VCFs in order to appropriately reflect the fair value as on March 31, 2021.

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

**d) Valuation Process**

In order to assess Level 3 valuations as per Group'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 Group. 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 Group's quarterly reporting periods.

**e) 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, trade and other receivables, other financial assets, trade and other payables, and other financial liabilities.

**f) Fair value measurement using significant unobservable inputs (level 3)**

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

(In ₹ crore)

| | Venture capital units | Contingent Consideration | Total |
|---|---|---|---|
| **As at March 31, 2019** | 309.46 | 36.52 | 345.98 |
| Disposal during the year (net) | (137.34) | - | (137.34) |
| Gains/(losses) recognised profit and loss | (5.73) | (36.52) | (42.25) |
| **As at March 31, 2020** | 166.39 | - | 166.39 |
| Acquisitions (net) | 16.07 | - | 16.07 |
| Gains/(losses) recognised profit and loss | 15.39 | - | 15.39 |
| **As at March 31, 2021** | 197.85 | - | 197.85 |

**g) 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 March 31, 2021 | Fair value as at March 31, 2020 | Significant unobservable inputs* | Probability-weighted range | Sensitivity |
|---|---|---|---|---|---|
| Venture Capital Funds | 197.85 | 166.39 | Net asset Value | 10% | Whilist 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's assessment of the possible net change in underlying prices. A 10% increase / (decrease) in the net asset value would increase/ (decrease) in the Groups' gain / (loss) by ₹ 14.81 crore (March 31, 2020 : ₹ 12.45 crore) |

## 47. FINANCIAL RISK MANAGEMENT

### 47.1 Introduction

Risk management is an integral part of the business practices of the Group. The framework of risk management concentrates on formalising a system to deal with the most relevant risks, building on existing management practices, knowledge and structures. The process of risk management is paramount to the Group and each employee is accountable for risks relating to his/her responsibilities. The key risk management tenets adopted by the Group includes maker-checker principle and three levels of defence (first level - employee, second level - risk team, third level - internal audit). The Group is exposed to credit risk, interest rate risk, liquidity risk, price risk and operations risk through its business operations.

### 47.2 Risk management structure

The Group has set up a robust risk governance framework based on the following key principles:

- The Board has ultimate responsibility for the Group's risk management framework. The board is principally responsible for approving the Group's risk related strategies and policies.
- To ensure that the Group has appropriate system of risk management and internal controls in place, the board has established a risk committee. The risk committee assists the board in relation to the oversight and review of the Group's risk management principles and policies, strategies, appetite, processes and controls. The risk committee has direct access to the Group's management and has open communication with them.
- Policies, processes and systems are put in place for effective risk management.
- The Group's Resources team is primarily responsible for funding and liquidity risks and is guided by the asset liability management policy. The market risks of the Group are supervised by the asset liability committee.
- The Business team monitors project assets on regular basis and highlights pending compliances to senior management on quarterly basis. It also conducts annual site visits and monitors financial covenants.
- Annual review of financial and operational performance of projects and their re-rating is conducted by the risk team.
- Risk management processes are also audited half yearly by internal audit and findings and recommendations are provided to the audit committee.

### 47.3 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 and investment measured at FVTPL (viz, debt securities, mutual fund units, alternative investment fund units and venture capital fund units).

**a) 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:

- 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 Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Refer note 47(b)(i) below for a description of how the Group determines when a significant increase in credit risk has occurred.

- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Refer note 47(b)(ii) below for a description of how the Group defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with Ind AS 109 is that it should consider forward-looking information.

The following diagram summarises the impairment requirements under Ind AS 109:

**Change in credit quality since initial recognition**

| **Stage 1** | **Stage 2** | **Stage 3** |
|---|---|---|
| (Initial recognition) | (Significant increase in credit risk since initial recognition) | (Credit-impaired assets) |
| **12-month expected credit losses** | **Lifetime expected credit losses** | **Lifetime expected credit losses** |

**i) Significant increase in credit risk (SICR)**

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the quantitative, qualitative or backstop criteria have been met.

***Quantitative criteria:***

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

***Qualitative criteria:***

For all financial instruments held by the Group, 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

The assessment of SICR incorporates forward-looking information and is performed on a regular basis for all financial instruments held by the Group. In relation to financial instruments, where a watch list is used to monitor credit risk, this assessment is performed at the counterparty level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the risk committee.

**ii) 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.

**iii) Measuring ECL – Explanation of inputs, assumptions and estimation techniques**

The Expected Credit Loss (ECL) is measured on either 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 discounted product of the probability of default (PD), exposure at default (EAD), and loss given default (LGD), defined as follows:

***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:***

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

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) represents the Group'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 if the default occurs over the remaining expected lifetime of the loan.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type and security coverage.

In case of re-financing of operating road project, the Group enters into a tripartite agreement with the concessionaire and NHAI/any other project authority for ensuring a compulsory buyout with termination payments. The LGD for road project loans is taken as nil since the entire credit exposure arising out of loan agreement is secured by way of tripartite agreement with Government authorities.

***ECL computation:***

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month).

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

**b) Credit risk exposure**

**i)** The following table explains the changes in the loss allowance between the beginning and at the end of the annual period in loan commitments due to various factors:

| | Stage 1 (12M ECL) | Stage 2 (Lifetime ECL) | Stage 3 (Lifetime ECL) | Total |
|---|---|---|---|---|
| Impairment allowance as at March 31, 2019 | - | - | 9.65 | 9.65 |
| - arising during the year | - | - | 12.98 | 12.98 |
| - utilised | - | - | - | - |
| Impairment allowance as at March 31, 2020 | - | - | 22.63 | 22.63 |
| - arising during the year | - | - | (22.63) | (22.63) |
| - utilised / reversed | - | - | (22.63) | (22.63) |
| **Impairment allowance as at March 31, 2021** | - | - | - | - |

*Refer note 40 for details of financial guarantee provided to lenders of Jetpur Somnath Tollways Private 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 Group is supported by low level of past default and hence the credit risk is perceived to be low.

The following table explains the changes in the loss allowance on trade and other receivables between the beginning and at the end of the annual period due to various factors:

| | (₹ in crore) |
|---|---|
| Loss allowance as at March 31, 2019 | 6.01 |
| Add/(less): changes during the year | 7.72 |
| Loss allowance as at March 31, 2020 | 13.73 |
| Add/(less): changes during the year | (7.83) |
| **Loss allowance as at March 31, 2021** | 5.90 |

**(iii)** The following table contains an analysis of the credit risk exposure of security deposits for which an ECL allowance is recognised. The gross carrying amount of security deposit below also represents the Company's maximum exposure to credit risk on these assets.

**As at March 31, 2021**

| Particulars | Risk rating | Lessor type | Exposure at default (₹ in crores) | Probability of default | Loss given default | Expected credit loss (₹ in crores) |
|---|---|---|---|---|---|---|
| Security Deposit | Stage 1 (12 month ECL) | Corporate | 1.96 | 26.92% | 45.00% | 0.24 |
| | | Others | 7.91 | 26.92% | 65.00% | 1.38 |
| | Total | | 9.87 | | | 1.62 |

**As at March 31, 2020**

| Particulars | Risk rating | Lessor type | Exposure at default (₹ in crores) | Probability of default | Loss given default | Expected credit loss (₹ in crores) |
|---|---|---|---|---|---|---|
| Security Deposit | Stage 1 (12 month ECL) | Corporate | 3.46 | 26.92% | 45.00% | 0.42 |
| | | Others | 8.08 | 26.92% | 65.00% | 1.41 |
| | Total | | 11.54 | | | 1.83 |

**47.3.1 Other financial assets**

The Group has credit risk exposure in cash and cash equivalents, deposits with banks, and other financial assets. 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. The Group has no significant concentration of credit risk.

**47.4 Liquidity risk**

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. To limit this risk, management has adopted a policy of managing assets with liquidity in mind and monitoring future cash flows. The Group has developed internal control processes for managing liquidity risk.

Prudent liquidity risk management implies maintaining sufficient cash and liquid investments. The Group maintains investments in highly marketable securities that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow.

The table below summarises the maturity profile of the undiscounted cash flows of the Group's financial liabilities balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| **As at March 31, 2021** | Within 12 months | More than 12 months | Total |
|---|---|---|---|
| **Financial liabilities** | | | |
| Trade payables | 15.78 | - | 15.78 |
| Lease Liabilities | 9.53 | 27.99 | 37.52 |
| Other financial liabilities | 36.01 | 2.81 | 38.82 |
| **Total undiscounted financial liabilities** | 61.32 | 30.80 | 92.12 |

| **As at March 31, 2020** | Within 12 months | More than 12 months | Total |
|---|---|---|---|
| **Financial liabilities** | | | |
| Trade payables | 13.77 | - | 13.77 |
| Derivative liabilities (net settled) | 0.42 | - | 0.42 |
| Lease Liabilities | 9.51 | 37.83 | 47.34 |
| Other financial liabilities | 43.24 | 17.69 | 60.93 |
| **Total undiscounted financial liabilities** | 66.94 | 55.52 | 122.46 |

**47.5 Market Risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and prices.

**47.5.1 Interest Rate Risk - Investment in debt oriented mutual fund**

**i) Exposure**

The exposure of the Group towards interest rate changes arising from investment in following securities at the end of the reporting period are as follows:

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Investment in debt oriented mutual funds | 319.79 | 199.92 |
| Total | 319.79 | 199.92 |

**ii) Sensitivity***

The Groups' investments in debt-oriented mutual funds are in highly rated schemes and financial institutions. The Group's objective is to invest in debt-oriented mutual fund scheme which further make investments in high quality debt and money market instruments.

The table summarises the impact of the increase/(decrease) of the benchmark on the Group's profit for the period. The analysis is based on the assumption that the relevant benchmark has increased by 100 bps or decreased by 100 bps with all other variables held constant, and that all the Group's investments moved in line with the benchmark.

| | Impact on profit after tax | |
|---|---|---|
| | Year ended March 31, 2021 | Year ended March 31, 2020 |
| Benchmark: Increase 100 bps (previous year 100 bps) | 2.31 | 1.81 |
| Benchmark: Decrease 100 bps (previous year 100 bps) | (2.31) | (1.81) |

* Group has made investments in various debt securities which are tracked to different benchmarks. The sensitivity analysis for these investments is performed with reference to their respective benchmarks.

The mutual fund has direct exposure to interest rate changes on the cash flows of its interest bearing assets. Due to these investments, the Group has indirect exposure to interest rate changes on Net Asset Value of mutual fund units.

**47.5.2 Price risk**

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices caused by factor affecting all similar instruments traded in the market.

The price risk arises due to uncertainties about the future Net Asset Values (NAV)/market price of investments. To manage its price risk arising from investments, the Group diversifies its investment portfolio. Diversification is done in accordance with the guidelines set by the Group's-Risk Management Policies as approved by the Board of Directors.

The Group's exposer to the price risk arises from investment in equity instrument classified as FVTPL or FVOCI, investments in units of equity-oriented mutual funds, venture capital funds, debt securities and derivative contracts (i.e. equity options and futures) measured at FVTPL as at reporting date. The following table explains Group's exposure to price risk is as follows:

**47.5.2.1 Exposure**

(₹ in crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Investment in equity instruments (at FVTPL) | 21.56 | 37.70 |
| Investment in equity instruments (at FVOCI) | 0.05 | 0.05 |
| Investment in equity-oriented mutual fund | 28.51 | 16.93 |
| Investment in venture capital fund units | 197.85 | 166.39 |
| Equity / Index option contracts | 0.54 | 4.29 |
| Equity / Index futures contracts | - | (0.42) |
| Total | 248.51 | 224.94 |

**47.5.2.2 Sensitivity**

The table below summarises the impact of increases/decreases of the benchmark on the Group's equity and profit for the period:

| | Impact on profit after tax[3] | | Impact on OCI[4] | |
|---|---|---|---|---|
| | Year ended March 31, 2021 | Year ended March 31, 2020 | Year ended March 31, 2021 | Year ended March 31, 2020 |
| **Investment in equity-oriented mutual fund units[1]** | | | | |
| - Increase 1% (previous year 1%) | 0.20 | 0.12 | - | - |
| - Decrease 1% (previous year 1%) | (0.20) | (0.12) | - | - |
| **Investment in equity instruments including derivatives contracts (at FVTPL)[2]** | | | | |
| - Increase by 15% (previous year 15%) | 2.49 | 2.29 | - | - |
| - Decrease by 15% (previous year 15%) | (2.49) | (2.29) | - | - |
| **Investment in venture capital fund units** | | | | |
| - Increase 10% (previous year 10%) | 14.81 | 12.45 | - | - |
| - Increase 10% (previous year 10%) | (14.81) | (12.45) | - | - |

(1) The Group has investments in equity oriented mutual funds which are tracked with different benchmarks. The sensitivity analysis for these investments is performed with reference to respective benchmarks.

(2) Investment in equity instruments (including derivatives) at FVTPL are tracked to BSE 200 Index or Nifty 50 Index. The analysis is based on the assumption that the BSE 200 Index or Nifty 50 has increased by 15% or decreased by 15% with all other variables held as constant, and that all the Group's investments moved in line with the index.

(3) Profit for the period would increase/ (decrease) as a result of gains/(losses) on investments classified as at fair value through profit or loss. Other components of equity would increase/(decrease) as a result of gains/(losses) on investments classified as at fair value through other comprehensive income.

(4) Investment in equity instruments (at FVOCI) are tracked to NSE Small cap 100 Index. The analysis is based on the assumption that the NSE Small Cap 100 index has increased by 16% or decreased by 16% with all other variables held constant, and that all the Group's investments moved in line with the index.

**47.5.3 Foreign currency risk:**

The Group does not have any foreign currency exposures in respect of financial assets and financial liabilities as at the balance sheet date. This mitigates the foreign currency risk exposure for the Group.

**48 Impact of covid-19 on business of Associate of the Group**

The impact of COVID-19, including changes in customer behaviour and pandemic fears, as well as restrictions on business and individual activities, has led to significant volatility in global and Indian financial markets and a significant decrease in global and local economic activity, which may persist even after the restrictions related to the COVID-19 outbreak are being lifted. While the easing of restrictions has driven a revival in economic activity across sectors, the continued slowdown has impacted lending business, fee income generation from sale of third party products, collection efficiency etc. Further, there may be a rise in the number of customer defaults and consequently an increase in provisions. The extent to which the COVID-19 pandemic, including the current "second wave" will continue to impact the Bank's operations and asset quality will depend on future developments, which are highly uncertain. The current second wave of COVID-19 pandemic where the number of cases have increased significantly in India, has resulted into re-imposition of localised / regional lock down measures in various parts of the country.

In accordance with the RBI guidelines on 'COVID- 19 Regulatory Package' of March 27, 2020, April 17, 2020 and May 23, 2020, the Bank granted moratorium on repayment of instalments and/or interest, as applicable, due between March 1, 2020 and August 31, 2020 to all eligible borrowers. This relaxation does not automatically trigger a significant increase in credit risk. The Bank continues to recognise interest income during the moratorium period and in the absence of other credit risk indicators, the granting of a moratorium period does not result in accounts becoming past due and automatically triggering Stage 2 or Stage 3 classification criteria.

This uncertainty is reflected in the Bank's assessment of impairment loss allowance on its loans which are subject to certain management judgements and estimates. In relation to COVID-19, judgements and assumptions included the estimated impacts of actions of governments and other authorities, and the responses of businesses and consumers in different industries/products, along with the associated impact on domestic and global economy.

In accordance with Resolution Framework for COVID-19 announced by the RBI on August 6, 2020, the Bank has implemented a One-Time Restructuring (OTR) for certain eligible borrowers. The Bank has classified such loans in Stage 3 as at March 31, 2021.

The Honourable Supreme Court of India, in a public interest litigation (Gajendra Sharma vs. Union of India & Anr), vide an interim order dated September 3, 2020 has directed that accounts which were not declared as NPA till August 31, 2020 shall not be declared as NPA till further orders. Basis the said interim order, the Bank had not classified any account (whether granted moratorium or not) as impaired (non-performing assets) after August 31, 2020. However, the Bank had classified such accounts as Stage 3 for financial reporting and provisioning purpose.

The said interim order stood vacated on March 23, 2021 vide the judgement of the Hon'ble SC in the matter of Small Scale Industrial Manufacturers Association vs. UOI & Ors. and other connected matters. In accordance with the instructions in paragraph 5 of the RBI circular dated April 7, 2021 issued in this connection, the Bank has followed the asset classification of borrower accounts as per the extant RBI instructions / IRAC norms for the purpose of its statutory financial statements for regulatory purposes. Further, the Bank has done staging of the borrower accounts in accordance with ECL model / framework under Ind AS in the financial statements for the year ended March 31, 2021.

The Bank's capital and liquidity position is strong and would continue to be the focus area for the bank during this period. The Bank will continue to monitor any material changes to future economic conditions and consequential impact on its Reporting package.

**49 Employee share based payments**

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

The Group has introduced IDFC Employee Stock Option Scheme to enable the employees of the all the Group companies 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 Group under the ESOS is recognised as an employee benefits expense with a corresponding increase in share option outstanding account under other equity. However, the fair value of options granted to the employees of associate of the Group is recognised as an increase in the investment in associate and a credit to share option outstanding account under other equity as per the 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 equity share of the Company. The options granted will vest upon the completion of service condition as specified in scheme in graded manner. Vested options are exercisable for the period of five years after the vesting.

**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).

Share options outstanding at the end of the year 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 | 43.40 | 100,000 | 100,000 |
| 26-Jul-16 | 14-Jul-17 to 26-Jul-23 | 53.90 | 158,754 | 158,754 |
| 14-Sep-16 | 14-Sep-22 to 14-Sep-24 | 59.20 | 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 | 55.40 | 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 |

**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 option.

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

**b) IDFC AMC - Employee stock option scheme (cash settled):**

**(i)** IDFC Asset Management Company Limited ("IDFC AMC"), a subsidiary of IDFC group, introduced IDFC AMC Employee Stock Option Scheme, 2020 ("ESOS 2020") to enable the employees of IDFC AMC to participate in the future growth and financial success of the IDFC AMC. The scheme restricts the transferability of shares exercised by the employees. IDFC Financial Holding Company Limited (an immediate parent of IDFC AMC) will have right to buyback the shares from the employees as per the terms of the scheme. After applying the guidance under Ind AS 102 - Group share based payments, the said employee stock option scheme is classified as "Cash settled share based payments" in the consolidated financial statements of the Group.

**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 | 699.03 | 599,000 | - | - |
| Granted during the year | 699.03 | 19,000 | 699.03 | 599,000 |
| Exercised during the year | - | - | - | - |
| Forfeited during the year | 699.03 | (14,000) | - | - |
| Lapsed/expired during the year | - | - | - | - |
| Closing balance | 699.03 | 604,000 | 699.03 | 599,000 |
| Vested and exercisable | - | - | - | - |

**Share options outstanding at the end of the year 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 |
|---|---|---|---|---|
| January 01, 2020 | 1-Jan-28 | 699.03 | 585,000 | 599,000 |
| April 1, 2020 | 1-Apr-28 | 699.03 | 7,500 | - |
| October 1, 2020 | 1-Oct-28 | 699.03 | 11,500 | - |
| Total | | | 604,000 | 599,000 |
| Weighted average remaining contractual life of options outstanding at end of period | | | 6.78 | 7.76 |

The fair value of the options was determined using the Black-Scholes model using the following inputs as at March 31, 2021:-

**(i) Grant date - January 1, 2020**

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Stock Price (₹) | 1,107 | 699 |
| Volatility | 0.48 | 0.50 |
| Riskfree Rate | 0.05 | 0.06 |
| Exercise Price (₹) | 699 | 699 |
| Time To Maturity (In Years) | 4.25 | 5.25 |
| Dividend yield | 0.11 | 0.06 |
| Option Fair Value | 304 | 213 |

**(ii) Grant date - April 1, 2020**

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Stock Price (₹) | 1,107 | - |
| Volatility | 0.48 | - |
| Riskfree Rate | 0.06 | - |
| Exercise Price (₹) | 699 | - |
| Time To Maturity (In Years) | 4.51 | - |
| Dividend yield | 0.11 | - |
| Option Fair Value | 299 | - |

**(iii) Grant date - October 1, 2020**

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Stock Price (₹) | 1,107 | - |
| Volatility | 0.48 | - |
| Riskfree Rate | 0.06 | - |
| Exercise Price (₹) | 699 | - |
| Time To Maturity (In Years) | 5.01 | - |
| Dividend yield | 0.11 | - |
| Option Fair Value | 289 | - |

**(ii)** IDFC Asset Management Company Limited ("IDFC AMC"), a subsidiary of IDFC group, introduced Employee Stock Option Scheme, 2017 ("ESOS - 2017") to enable the employees of IDFC AMC to participate in the future growth and financial success of the IDFC AMC. The scheme restricts the transferability of shares exercised by the employees. IDFC Financial Holding Company Limited (an immediate parent of IDFC AMC) will have right to buyback the shares from the employees as per the terms of the scheme. After applying the guidance under Ind AS 102 - Group share based payments, the said employee stock option scheme is classified as "Cash settled share based payments" in the consolidated financial statements of the Group.

**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 | 964.69 | 399,540 | 964.69 | 435,750 |
| Granted during the year | - | - | - | - |
| Exercised during the year | 964.69 | (10,070) | - | - |
| Forfeited during the year | 964.69 | (1,510) | (964.69) | (36,210) |
| Lapsed/expired during the year | - | - | - | - |
| Closing balance | 964.69 | 387,960 | 964.69 | 399,540 |
| Vested and exercisable | 964.69 | 377,960 | - | - |

The weighted average share price at the date on which options were exercised during the year ended March 31,2021 was ₹ 1106.83 (previous year ₹ Nil)

* The outstanding number of options for ESOS - 2017 have been adjusted for the 1:10 stock split in December 2019.

**Share options outstanding at the end of the year 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 |
|---|---|---|---|---|
| 9-Sep-17 | 9-Sep-25 | 964.69 | 368,540 | 380,120 |
| 6-Nov-17 | 6-Nov-25 | 964.69 | 9,420 | 9,420 |
| 11-Apr-18 | 11-Apr-26 | 964.69 | 10,000 | 10,000 |
| Total | | | 387,960 | 399,540 |
| Weighted average remaining contractual life of options outstanding at end of period | | | 4.35 | 5.46 |

The fair value of the options was determined using the Black-Scholes model using the following inputs as at March 31, 2021:-

**(i) Grant date - April 11, 2018**

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Stock Price (₹) | 1,107 | 699 |
| Volatility | 0.51 | 0.50 |
| Riskfree Rate | 0.05 | 0.06 |
| Exercise Price (₹) | 965 | 965 |
| Time To Maturity (In Years) | 2.53 | 3.53 |
| Dividend yield | 0.11 | 0.06 |
| Option Fair Value | 255 | 142 |

**(ii) Grant date - February 1, 2018**

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Stock Price (₹) | 1,107 | 699 |
| Volatility | 0.51 | 0.50 |
| Riskfree Rate | 0.05 | 0.06 |
| Exercise Price (₹) | 965 | 965 |
| Time To Maturity (In Years) | 2.42 | 3.34 |
| Dividend yield | 0.11 | 0.06 |
| Option Fair Value | 255 | 138 |

**(iii) Grant date - November 6, 2017**

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Stock Price (₹) | 1,107 | 699 |
| Volatility | 0.52 | 0.50 |
| Riskfree Rate | 0.05 | 0.05 |
| Exercise Price (₹) | 965 | 965 |
| Time To Maturity (In Years) | 2.30 | 3.10 |
| Dividend yield | 0.11 | 0.06 |
| Option Fair Value | 255 | 132 |

**(iv) Grant date September 9, 2017**

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Stock Price (₹) | 1,107 | 699 |
| Volatility | 0.53 | 0.50 |
| Riskfree Rate | 0.05 | 0.05 |
| Exercise Price (₹) | 965 | 965 |
| Time To Maturity (In Years) | 2.22 | 2.94 |
| Dividend yield | 0.11 | 0.06 |
| Option Fair Value | 259 | 128 |

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

IDFC FIRST Bank Limited (earlier known as IDFC Bank Limited), an associate of the Group, got demerged from the IDFC Limited under the sanctioned scheme of arrangement in October 2015. Pursuant to Scheme of Demerger, IDFC FIRST Bank Limited has allotted certain employee stock option over its shares to the employees of the IDFC Group. The employee share based payments arrangement between the Group 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 Group 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 Group is recognised as an employee benefits expense with a corresponding decrease in investment in associate.

**d) Expense arising from share-based payment transactions**

Total expenses arising from share-based payment transactions recognised in profit or loss as part of employee benefit expense were as follows:

| | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| IDFC Limited - Employee stock option scheme (equity settled) | - | 1.11 |
| IDFC AMC - Employee stock option scheme (cash settled) | 3.50 | 2.94 |
| IDFC FIRST Bank Limited - Employee stock option scheme (equity settled) | 0.02 | 1.89 |
| Total | 3.52 | 5.94 |

## 50. INTEREST IN OTHER ENTITIES

### a) Subsidiaries

The Group's subsidiaries at March 31, 2021 are set out below. Unless otherwise stated, they have share capital consisting solely of equity shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group.

| Name of entity | Principal activities | Place of incorporation and principle business | Ownership interest held by Group (%) | | Ownership interest held by non-controlling interests (%) | |
|---|---|---|---|---|---|---|
| | | | As at March 31, 2021 | As at March 31, 2020 | As at March 31, 2021 | As at March 31, 2020 |
| IDFC Alternatives Limited | Fund Management Services | India | 100% | 100% | - | - |
| IDFC AMC Trustee Company Limited | Trusteeship services | India | 100% | 100% | - | - |
| IDFC Asset Management Company Limited * | Asset management services | India | 99.96% | 100% | 0.04% | - |
| IDFC Projects Limited | Project management services | India | 100% | 100% | - | - |
| IDFC Securities Limited | Stock broking | India | - | 100% | - | - |
| IDFC Trustee Company Limited | Trusteeship services | India | 100% | 100% | - | - |
| IDFC Financial Holding Company Limited | Non operating NBFC | India | 100% | 100% | - | - |
| IDFC Capital (Singapore) Pte Ltd | Asset management services | Singapore | - | 100% | - | - |
| IDFC Capital (USA) Inc. | Asset management services | USA | - | 100% | - | - |
| IDFC Securities Singapore Pte Ltd | Stock broking | Singapore | - | 100% | | - |
| IDFC Investment Managers (Mauritius) Limited | Asset management services | Mauritius | 99.96% | 100% | 0.04% | - |
| IDFC IEH Conservative Fund | AIF Category III Fund | India | 91.60% | 73% | 8.40% | 27% |
| IDFC IEH Tactical Fund | AIF Category III Fund | India | - | 71% | - | 29% |
| India Multi Avenues Fund Limited | Investing | Mauritius | 100% | 100% | - | - |
| IDFC Foundation** | Not-for-profit organization | India | 100% | 100% | - | - |

* IDFC Asset Management Company Limited ("IDFC AMC") launched Employee Stock Option Scheme (ESOS 2017), wherein it authorised grant upto 2% of shares outstanding to all its employees. There was a employee who was granted 10,070 shares and he exercised the same, with this exercise he becomes minority shareholder of IDFC AMC. As on March 31, 2021 IDFC AMC will not be considered as "wholly owned subsidiary" of the Group.

** The subsidiary is limited by shares formed under Section 25 of the Companies Act, 1956, now section 8 of the Companies Act, 2013. No dividend can be proposed and paid to the shareholders by these companies. In the event of winding up or dissolution of these companies, after the satisfaction of all its debts and liabilities, any property whatsoever shall be given or transferred to some other institution(s) having object similar to the objects of these companies, to be determined by the members of the these companies at or before the time of dissolution or in default thereof by the High Court. The carrying amount of the assets and liabilities included within the consolidated financial statements to which these restrictions apply is ₹ 45.98 crores (March 31, 2020: ₹ 55.16 Crores).

### (i) Significant judgement: Consolidation of IDFC Foundation

Under Ind AS 110, an investor controls an investee if it has power over investee, exposure to variable return and an ability to use its power to affect investee's returns. IDFC Foundation is wholly owned subsidiary of IDFC Limited. The variable returns under Ind AS do not need to be financial in nature, it can be either in the form of synergistic benefits or enhanced reputation. Since IDFC Foundation's CSR activities are promoted in the name of IDFC Group under Ind AS 110, it can reasonably help IDFC Group to developed its reputation and get synergistic benefits out of it.

**b) Interest in associates and joint ventures**

Set out below are the associates and joint ventures of the group as at March 31, 2021 which, in the opinion of the directors, are material to the group. The entities listed below have share capital consisting solely of equity shares, which are held directly by the group.

| Name of entity | % of ownership interest | Relationship | Accounting Method | Quoted fair value | | Carrying value | |
|---|---|---|---|---|---|---|---|
| | | | | As at March 31, 2021 | As at March 31, 2020 | As at March 31, 2021 | As at March 31, 2020 |
| IDFC First Bank Limited [Refer note (i) and (ii) below] | 39.98% | Associate | Equity Method | 12,637.98 | 4,059.56 | 6,712.72 | 6,140.27 |
| Novopay Solutions Private Limited# | 23.83% | Associate | Equity Method | - * | - * | - | - |
| Jetpur Somnath Tollways Private Limited# | 26.00% | Associate | Equity Method | - * | - * | - | - |
| Delhi Integrated Multi - Modal Transit System Limited | 50.00% | Joint Venture | Equity Method | - * | - * | 60.30 | 59.45 |
| Infrastructure Development Corporation (Karnataka) Limited ("iDeck") [Refer note (iii) below] | 49.49% | Joint Venture | Equity Method | - * | - * | 45.30 | 48.34 |
| Total equity accounted investments | | | | 12,637.98 | 4,059.56 | 6,818.32 | 6,248.06 |

# Amount in the associate is impaired and stands at Nil value

* Note: Unlisted entity - no quoted price available

(i) For impairment assessment refer note 1 p) i) of accounting policies.

(ii) IDFC FIRST Bank Limited is taken on consolidated basis. It includes IDFC FIRST Bharat Limited (subsidiary) and Millennium City Expressways Private Limited (associate).

(iii) iDeck includes India PPP Capacity Building Trust, subsidiary of the Company.

**i) Commitments and contingent liabilities in respect of associates and joint ventures**

(In ₹ crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **Contingent liabilities – associates** | | |
| Derivative and non-fund based exposure | 82,327.54 | 109,616.62 |
| Income Tax | 0.04 | 0.04 |
| Bank Guarantee from PNB ( submitted to NHAI) | - | 90.64 |
| Claims against company not acknowledged as debts | 15.26 | 15.26 |
| Other Bank Guarantee | 7.41 | 7.71 |
| Total commitments and contingent liabilities | 82,350.25 | 109,730.26 |

**ii) Summarised financial information for associates**

The tables below provide summarised financial information for those associates that are material to the group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not IDFC Limited's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments made at the time of acquisition and modifications for differences in accounting policies.

(In ₹ crore)

| Summarised balance sheet | IDFC FIRST Bank Limited | |
|---|---|---|
| | As at March 31, 2021 | As at March 31, 2020 |
| Financial assets | 162,764.57 | 153,683.21 |
| Financial liabilities | 149,911.20 | 142,065.80 |
| **Net financial assets** | 12,853.37 | 11,617.41 |
| Non-financial assets | 6,029.79 | 5,792.96 |
| Non-financial liabilities | 1,727.97 | 1,449.12 |
| Provisions | 665.65 | 924.25 |
| **Net Non-financial Asset** | 3,636.17 | 3,419.59 |
| **Net Assets** | 16,489.54 | 15,037.00 |

(In ₹ crore)

| Reconciliation to carrying amounts | IDFC FIRST Bank Limited | |
|---|---|---|
| | As at March 31, 2021 | As at March 31, 2020 |
| Opening Net Assets | 15,037.00 | 18,573.50 |
| Loss during the year | (1,161.44) | (2,510.33) |
| Other comprehensive income for the year | 558.68 | (1,088.04) |
| Equity shares issued during the year (including share premium) | 2,015.19 | 46.32 |
| Other reserve movement | 40.11 | 15.55 |
| **Closing net assets** | 16,489.54 | 15,037.00 |
| Group's Share in % | 39.98% | 40.00% |
| Group's Share in ₹ | 6,592.52 | 6,014.80 |
| Employee share based payment charge | 0.02 | 1.89 |
| Excess of purchase cost over proportionate net assets (for additional stake acquired during the year) | 123.19 | 123.58 |
| Change due to change in holding | (3.01) | - |
| **Carrying Amount** | 6,712.72 | 6,140.27 |

(In ₹ crore)

| Summarised statement of profit and loss | IDFC FIRST Bank Limited | |
|---|---|---|
| | As at March 31, 2021 | As at March 31, 2020 |
| Total Income | 8,482.62 | 7,036.46 |
| Profit for the year | (1,161.44) | (2,510.33) |
| Other comprehensive income | 558.68 | (1,088.04) |
| **Total comprehensive income** | (602.76) | (3,598.37) |

(In ₹ crore)

| Breakup of Other Comprehensive Income | IDFC FIRST Bank Limited | |
|---|---|---|
| | As at March 31, 2021 | As at March 31, 2020 |
| Other Comprehensive Income / (loss) to the extent not to be reclassified to Profit or Loss | (63.94) | (140.86) |
| Other Comprehensive Income/ (loss) to the extent that may be reclassified to Profit or Loss | 622.62 | (947.18) |
| **Total Other Comprehensive Income/ (Loss)** | 558.68 | (1,088.04) |

**iii) Amount recognised in the statement of profit and loss**

(In ₹ crore)

| | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Share of loss from associates | (241.42) | (1,439.56) |
| Share of loss from joint ventures | (2.21) | (0.23) |
| **Total share of profits / (loss) from associates and joint ventures** | (243.63) | (1,439.79) |

**vi) Unrecognized share of loss of an associate**

(In ₹ crore)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **Unrecognised share of loss of an associate:** | | |
| -Jetpur Somnath Tollways Private Limited | | |
| Opening balance of unrecognised share of loss | (138.58) | (136.93) |
| Share in Profit/ (loss) during the period | (1.58) | (1.65) |
| **Closing balance of unrecognised share of loss** | (140.16) | (138.58) |

The Group has absorbed the share of losses in Jetpur Somnath Tollways Private Limited only to the extent of its investment value.

**51. DISCLOSURE OF ADDITIONAL INFORMATION PERTAINING TO THE PARENT, SUBSIDIARY AND JOINT VENTURE COMPANIES AS PER SCHEDULE III OF THE COMPANIES ACT, 2013 AS ON MARCH 31, 2021**

| Name of the entity in the group | Net Assets, i.e., total assets minus total liabilities | | Share in profit and loss | | Share in other comprehensive income | | Share in total comprehensive income | |
|---|---|---|---|---|---|---|---|---|
| | As % of consolidated net assets | (In ₹ crore) | As % of consolidated profit or Loss | (In ₹ crore) | As % of consolidated other comprehensive Income | (In ₹ crore) | As % of consolidated total comprehensive income | (In ₹ crore) |
| **Parent company** | | | | | | | | |
| IDFC Limited | 112.74 | 9,261.10 | (2.67) | 8.98 | (0.05) | (0.11) | (7.88) | 8.87 |
| **Indian subsidiary companies** | | | | | | | | |
| IDFC Alternatives Limited | 3.33 | 273.57 | (1.06) | 3.57 | - | - | (3.17) | 3.57 |
| IDFC AMC Trustee Company Limited | 0.00 | 0.33 | (0.02) | 0.07 | (0.00) | (0.01) | (0.06) | 0.06 |
| IDFC Asset Management Company Limited | 4.62 | 379.49 | (42.48) | 143.03 | 0.44 | 0.99 | (127.94) | 144.02 |
| IDFC Projects Limited | (1.14) | (94.05) | 0.04 | (0.13) | - | - | 0.11 | (0.13) |
| IDFC Securities Limited (upto June 10, 2020) | - | - | 1.13 | (3.82) | - | - | 3.39 | (3.82) |
| IDFC Trustee Company Limited | 0.01 | 0.54 | 0.01 | (0.03) | - | - | 0.03 | (0.03) |
| IDFC Financial Holding Company Limited | 111.47 | 9,156.77 | (13.01) | 43.80 | - | - | (38.91) | 43.80 |
| IDFC Foundation | 0.56 | 45.98 | 2.76 | (9.30) | 0.05 | 0.12 | 8.16 | (9.19) |
| India Multi Avenues Fund Limited | (0.02) | (1.64) | 0.07 | (0.23) | - | - | 0.20 | (0.23) |
| IDFC IEH Conservative fund | 0.38 | 31.62 | 0.16 | (0.52) | - | - | 0.47 | (0.52) |
| IDFC IEH Tactical fund (w.e.f 16th February 2019) (upto March 16, 2021) | 0.27 | 21.95 | 0.76 | (2.57) | - | - | 2.28 | (2.57) |
| **Foreign subsidiary companies** | | | | | | | | |
| IDFC Capital (Singapore) Pte Ltd (upto February 23, 2021) | - | - | 0.02 | (0.06) | - | - | 0.05 | (0.06) |
| IDFC Capital (USA) Inc. (upto June 10, 2020) | - | - | (0.01) | 0.03 | - | - | (0.02) | 0.03 |
| IDFC Securities Singapore Pte Ltd (upto June 10, 2020) | - | - | 0.04 | (0.13) | - | - | 0.12 | (0.13) |
| IDFC Investment Managers (Mauritius) Limited | 0.01 | 0.83 | 0.14 | (0.46) | - | - | 0.41 | (0.46) |
| **Indian associate companies** | | | | | | | | |
| IDFC FIRST Bank Limited (formerly known as IDFC Bank Limited) [Refer note 50b (ii)] | 81.71 | 6,712.42 | 137.90 | (464.34) | 99.63 | 223.34 | 214.09 | (241.00) |
| Novopay Solutions Private Limited | - | - | 0.13 | (0.44) | - | - | 0.39 | (0.44) |
| Jetpur Somnath Tollways Private Limited | - | - | - | - | - | - | - | - |
| **Joint venture company** | | | | | | | | |
| Delhi Integrated Multi - Modal Transit System Limited | 0.73 | 60.30 | (0.30) | 1.02 | (0.08) | (0.17) | (0.75) | 0.84 |
| Infrastructure Development Corporation (Karnataka) Limited ("iDeck") [Refer note 50b (iii)] | 0.55 | 45.30 | 0.91 | (3.05) | 0.00 | 0.01 | 2.70 | (3.04) |
| Total (A) | 315.21 | 25,894.51 | 84.51 | (284.58) | 100.00 | 224.17 | 53.68 | (60.43) |
| **a) Adjustment arising out of consolidation** | | | | | | | | |
| Intercompany Eliminations | (215.18) | (17,676.84) | 15.70 | (52.88) | - | - | 46.97 | (52.88) |
| **b) Non-controlling interests** | | | | | | | | |
| - IDFC IEH Conservative Fund | (0.03) | (2.65) | (0.01) | 0.04 | - | - | (0.04) | 0.04 |
| - IDFC IEH Tactical Fund | - | - | (0.22) | 0.74 | - | - | (0.65) | 0.74 |
| - IDFC Asset Management Company Limited | (0.00) | (0.15) | 0.02 | (0.06) | - | - | 0.05 | (0.06) |
| Total (B) | (215.21) | (17,679.64) | 15.49 | (52.16) | - | - | 46.33 | (52.16) |
| Total (A) + (B) | 100.00 | 8,214.88 | 100.00 | (336.74) | 100.00 | 224.17 | 100.00 | (112.57) |

51. **DISCLOSURE OF ADDITIONAL INFORMATION PERTAINING TO THE PARENT, SUBSIDIARY AND JOINT VENTURE COMPANIES AS PER SCHEDULE III OF THE COMPANIES ACT, 2013 AS ON MARCH 31, 2020**

| Name of the entity in the group | Net Assets, i.e., total assets minus total liabilities | | Share in profit and loss | | Share in other comprehensive income | | Share in total comprehensive income | |
|---|---|---|---|---|---|---|---|---|
| | As % of consolidated net assets | (In ₹ crore) | As % of consolidated profit or Loss | (In ₹ crore) | As % of consolidated other comprehensive Income | (In ₹ crore) | As % of consolidated total comprehensive income | (In ₹ crore) |
| **Parent company** | | | | | | | | |
| IDFC Limited | 111.24 | 9,255.57 | (6.44) | 64.18 | (0.01) | 0.04 | (4.49) | 64.22 |
| **Indian subsidiary companies** | | | | | | | | |
| IDFC Alternatives Limited | 3.24 | 270.00 | 0.19 | (1.87) | - | - | 0.13 | (1.87) |
| IDFC AMC Trustee Company Limited | 0.00 | 0.27 | (0.00) | 0.02 | - | - | (0.00) | 0.02 |
| IDFC Asset Management Company Limited | 3.52 | 292.62 | (8.04) | 80.05 | 0.15 | (0.65) | (5.55) | 79.40 |
| IDFC Projects Limited | (1.13) | (93.92) | 0.09 | (0.87) | - | - | 0.06 | (0.87) |
| IDFC Securities Limited | 0.89 | 73.76 | 0.84 | (8.36) | (0.26) | 1.12 | 0.51 | (7.23) |
| IDFC Trustee Company Limited | 0.01 | 0.57 | (0.03) | 0.30 | - | - | (0.02) | 0.30 |
| IDFC Financial Holding Company Limited | 109.52 | 9,112.97 | (10.65) | 106.10 | - | - | (7.41) | 106.10 |
| IDFC Foundation | 0.66 | 55.16 | 0.80 | (7.98) | 0.01 | (0.04) | 0.56 | (8.02) |
| India Multi Avenues Fund Limited | - | - | - | - | - | - | - | - |
| IDFC IEH Conservative fund | 0.48 | 39.70 | 0.08 | (0.75) | - | - | 0.05 | (0.75) |
| IDFC IEH Tactical fund | 0.29 | 24.52 | 0.36 | (3.57) | - | - | 0.25 | (3.57) |
| **Foreign subsidiary companies** | | | | | | | | |
| IDFC Capital (Singapore) Pte Ltd | 0.05 | 3.78 | (0.93) | 9.25 | - | - | (0.65) | 9.25 |
| IDFC Capital (USA) Inc. | 0.09 | 7.44 | (0.01) | 0.08 | - | - | (0.01) | 0.08 |
| IDFC Securities Singapore Pte Ltd | 0.00 | 0.30 | 0.28 | (2.81) | - | - | 0.20 | (2.81) |
| IDFC Investment Managers (Mauritius) Limited | 0.00 | 0.18 | 0.07 | (0.65) | - | - | 0.05 | (0.65) |
| **Indian associate companies** | | | | | | | | |
| IDFC FIRST Bank Limited (formerly known as IDFC Bank Limited) [Refer note 50b (ii)] | 73.80 | 6,140.27 | 100.80 | (1,004.13) | 100.08 | (435.22) | 100.58 | (1,439.35) |
| Novopay Solutions Private Limited | - | - | 0.29 | (2.87) | - | - | 0.20 | (2.87) |
| **Joint venture company** | | | | | | | | |
| Delhi Integrated Multi - Modal Transit System Limited | 0.71 | 59.45 | (0.16) | 1.64 | 0.03 | (0.14) | (0.10) | 1.50 |
| Infrastructure Development Corporation (Karnataka) Limited ("iDeck") [Refer note 50b (iii)] | 0.58 | 48.34 | 0.14 | (1.44) | (0.00) | 0.01 | 0.10 | (1.43) |
| Total (A) | 303.95 | 25,290.99 | 77.67 | (773.70) | 100.00 | (434.87) | 84.46 | (1,208.58) |
| a) Adjustment arising out of consolidation | | | | | | | | |
| Intercompany Eliminations | (203.74) | (16,952.61) | 22.45 | (223.65) | - | - | 15.63 | (223.65) |
| b) Non-controlling interests | | | | | | | | |
| - IDFC IEH Conservative Fund | (0.13) | (10.65) | (0.02) | 0.20 | - | - | (0.01) | 0.20 |
| - IDFC IEH Tactical Fund | (0.08) | (7.04) | (0.10) | 1.02 | - | - | (0.07) | 1.02 |
| Total (B) | (203.95) | (16,970.30) | 22.33 | (222.43) | - | - | 15.54 | (222.43) |
| Total (A) + (B) | 100.00 | 8,320.69 | 100.00 | (996.13) | 100.00 | (434.87) | 100.00 | (1,431.00) |

**52. RELATED PARTY TRANSACTIONS**

**a) Subsidiaries**

**Direct:**

IDFC Foundation
IDFC Financial Holding Company Limited
IDFC Projects Limited
IDFC Alternatives Limited (w.e.f November 14, 2019)
IDFC Trustee Company Limited (w.e.f November 14, 2019)

**Through subsidiaries:**

IDFC Alternatives Limited (upto November 13, 2019)
IDFC Asset Management Company Limited
IDFC Securities Limited (upto June 10, 2020)
IDFC Capital (USA) Inc. (upto June 10, 2020)
IDFC Capital (Singapore) Pte. Ltd. (liquidated on February 23, 2021)
IDFC Investment Managers (Mauritius) Limited
IDFC Securities Singapore Pte. Limited (upto June 10, 2020)
IDFC AMC Trustee Company Limited
IDFC Trustee Company Limited (upto November 13, 2019)
India Multi Avenues Fund Limited
IDFC IEH Tactical Fund (w.e.f February 16, 2019 and upto March 16, 2021)
IDFC IEH Conservative Fund

**b) Joint ventures**

**Through subsidiaries:**

Delhi Integrated Multi-Modal Transit System Limited
Infrastructure Development Corporation (Karnataka) Limited
India PPP Capacity Building Trust

**c) Associates**

**Direct:**

Novopay Solutions Private Limited

**Through subsidiaries:**

IDFC FIRST Bank Limited
IDFC FIRST Bharat Limited
Millennium City Expressways Private Limited
Jetpur Somnath Tollways Private Limited
Emerging Markets Private Equity Fund LP (upto April 04, 2019)

**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. 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)
Ms. Ritu Anand -Independent director (w.e.f. August 16, 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 31.

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

(In ₹ crore)

| | Associates / JV's / Others 2021 | Associates / JV's / Others 2020 | Key Management Personnel 2021 | Key Management Personnel 2020 |
|---|---|---|---|---|
| **INCOME** | | | | |
| Interest | 8.13 | 10.18 | - | - |
| Fee income | - | 0.23 | - | - |
| Shared service recovery | 0.33 | 2.15 | - | - |
| Brokerage received | - | 0.23 | - | - |
| Rental Income | 2.36 | 3.54 | - | - |
| Sitting fees received | 0.03 | 0.03 | - | - |
| **EXPENDITURE** | | | | |
| Remuneration paid | - | - | 7.77 | 8.20 |
| Shared service cost | - | 1.34 | - | - |
| Lease rent | 0.05 | 0.04 | - | - |
| **ASSETS / TRANSACTIONS** | | | | |
| Purchase / subscription of investments | - | 45.99 | - | - |
| Transfer of fixed assets | 0.02 | - | - | - |
| Current account balance | 36.54 | 67.13 | - | - |
| Fixed deposits placed | 1,622.16 | 1,415.78 | - | - |
| Fixed deposits matured | 2,231.46 | 866.09 | - | - |
| Fixed deposits - Balance outstanding | - | 609.42 | - | - |
| Interest accrued on deposits | - | 0.90 | - | - |
| Other receivables | - | 1.33 | - | - |
| Outstanding Preference investment | 89.55 | 89.55 | - | - |
| Outstanding Equity investment | 8,397.10 | 7,597.10 | - | - |
| **LIABILITIES / TRANSACTIONS** | | | | |
| Trade payables- balance outstanding | 4.99 | 4.99 | - | - |
| Security deposit o/s | - | 1.77 | - | - |

## 53 CHANGES IN ACCOUNTING POLICY

**Impact on the financial statements - lease accounting**

The Company had adopted Ind AS 116 retrospectively from April 1, 2019, but had not restated comparative for the year ended March 31, 2019, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on April 1, 2019.

**Adjustments recognised in the balance sheet on April 1, 2019**

The changes in accounting policy affected the following items in the balance sheet on April 1, 2019:

- property, plant and equipment - decrease by ₹ 0.27 crores
- right-of-use assets - increase by ₹ 18.07 crores
- deferred tax assets (net) - increase by ₹ 0.77 crores
- prepayments - decrease by ₹ 0.82 crores
- lease liabilities - increase by ₹ 19.31 crores
- security deposit - decrease by ₹ 0.65 crores

The net impact on retained earnings on April 1, 2019 was decrease of ₹ 2.21 crores

## 54 COVID IMPACT

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.

The Group 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.

In lights of the Covid-19 outbreak and based on the information available upto the date of the approval of these Financial statements, the Group has assessed its liquidity position for the next one year which factors uncertainties due to the current situation.

The Group 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 Group will continue to monitor any material changes to future economic conditions.

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

**Sharad Vasant**
Partner
Membership Number : 101119

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)

Mumbai, June 14, 2021