



IDFC Limited (the "Company"), with Corporate Identity Number L65191TN1997PLC037415, incorporated in the Republic of India as a public company with limited liability under the Companies Act, 1956 ("Companies Act 1956").

Our Company is issuing 7,30,00,000 equity shares of face value of ₹ 10 each (the "Equity Shares") at a price of ₹ 137.00 per Equity Share (the "Issue Price"), including a premium of ₹ 127.00 per Equity Share, aggregating to ₹ 1,000.10 crore (the "Issue").

ISSUE IN RELIANCE UPON CHAPTER VIII OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, AS AMENDED, ("SEBI ICDR REGULATIONS") AND SECTION 42 OF THE COMPANIES ACT, 2013 AND THE RULES MADE THEREUNDER ("COMPANIES ACT 2013")

The Equity Shares are listed on BSE Limited (the "BSE") and National Stock Exchange of India Limited (the "NSE", together with the BSE, the "Stock Exchanges"). The closing price of the outstanding Equity Shares on the BSE and the NSE on September 11, 2014 was ₹ 150.05 and ₹ 150.10 per Equity Share, respectively. In-principle approvals under Clause 24(a) of the equity listing agreement entered into by our Company with each of the Stock Exchanges ("Listing Agreement") for listing of the Equity Shares have been received from the BSE on September 10, 2014 and the NSE on September 10, 2014. Applications shall be made for obtaining the listing and trading approvals for the Equity Shares to be issued pursuant to the Issue on the Stock Exchanges. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to be issued pursuant to the Issue for trading on the Stock Exchanges should not be taken as an indication of the merits of our Company or the Equity Shares.

OUR COMPANY HAS PREPARED THIS PLACEMENT DOCUMENT SOLELY FOR PROVIDING INFORMATION IN CONNECTION WITH THE PROPOSED ISSUE.

A copy of the Preliminary Placement Document has been delivered to the Stock Exchanges and a copy of this Placement Document has been filed with the Stock Exchanges. Our Company shall also make the requisite filings with the Registrar of Companies, Tamil Nadu ("RoC") and the Securities and Exchange Board of India (the "SEBI") within the stipulated period as required under the Companies Act 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended. This Placement Document has not been reviewed by SEBI, the Reserve Bank of India (the "RBI"), the Stock Exchanges or any other regulatory or listing authority and is intended only for use by Eligible QIBs (as defined below). This Placement Document has not been and will not be registered as a prospectus with the RoC in India, will not be circulated or distributed to the public in India, will not be circulated or distributed outside India, and will not constitute a public offer in India or any other jurisdiction.

THE ISSUE AND THE DISTRIBUTION OF THIS PLACEMENT DOCUMENT IS BEING DONE IN RELIANCE UPON SECTION 42 OF THE COMPANIES ACT 2013 AND THE RULES MADE THEREUNDER AND CHAPTER VIII OF THE SEBI ICDR REGULATIONS. THIS PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR AND ONLY QUALIFIED INSTITUTIONAL BUYERS, AS DEFINED IN REGULATION 2(1)(zd) OF THE SEBI ICDR REGULATIONS ("QIBs") WHICH ARE NOT (A) EXCLUDED PURSUANT TO REGULATION 86 OF THE SEBI ICDR REGULATIONS, (B) REGISTERED VCFs, FPIs, FVCI, BILATERAL AND MULTILATERAL INSTITUTIONS OR ANY OTHER QIB THAT IS NOT AN ENTITY DEEMED TO BE A PERSON RESIDENT IN INDIA UNDER THE FOREIGN EXCHANGE MANAGEMENT ACT, 1999 ("NON-RESIDENT"), OR (C) 'OWNED' OR 'CONTROLLED' BY NON-RESIDENTS/ PERSONS RESIDENT OUTSIDE INDIA, AS DEFINED UNDER FEMA, EXCEPT AS SPECIFICALLY SET FORTH IN THIS PLACEMENT DOCUMENT, ARE ELIGIBLE TO INVEST IN THIS ISSUE ("ELIGIBLE QIBs").

YOU MAY NOT AND ARE NOT AUTHORISED TO (1) DELIVER THIS PLACEMENT DOCUMENT TO ANY OTHER PERSON; OR (2) REPRODUCE THIS PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER. ANY DISTRIBUTION OR REPRODUCTION OF THIS PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE SEBI ICDR REGULATIONS OR OTHER APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.

INVESTMENTS IN EQUITY SHARES INVOLVE A DEGREE OF RISK AND PROSPECTIVE INVESTORS SHOULD NOT INVEST IN THE ISSUE UNLESS THEY ARE PREPARED TO TAKE THE RISK OF LOSING ALL OR PART OF THEIR INVESTMENT. PROSPECTIVE INVESTORS ARE ADVISED TO CAREFULLY READ THE SECTION "RISK FACTORS" ON PAGE 27 BEFORE MAKING AN INVESTMENT DECISION RELATING TO THE ISSUE. EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN ADVISORS ABOUT THE PARTICULAR CONSEQUENCES OF AN INVESTMENT IN THE EQUITY SHARES BEING ISSUED PURSUANT TO THIS PLACEMENT DOCUMENT.

Invitations for subscription of Equity Shares shall only be made pursuant to the Preliminary Placement Document together with the respective Application Form (as defined hereinafter). For further information, see the section "Issue Procedure" on page 162. The distribution of this Placement Document or the disclosure of its contents without our Company's prior consent to any person, other than Eligible QIBs and persons retained by Eligible QIBs to advise them with respect to their purchase of Equity Shares, is unauthorised and prohibited. Each prospective investor, by accepting delivery of this Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Placement Document or any documents referred to in this Placement Document.

The Equity Shares issued pursuant to this Issue have not been and will not be registered under the U.S. Securities Act of 1933 ("U.S. Securities Act"), and will not be offered or sold within the United States (as defined in Regulation S under the U.S. Securities Act ("Regulation S")) or any other jurisdiction, other than India. **THIS ISSUE IS BEING MADE ONLY TO ELIGIBLE QIBs AND THE EQUITY SHARES IN THIS ISSUE WILL NOT IN ANY CIRCUMSTANCE BE OFFERED TO PERSONS IN ANY JURISDICTION OUTSIDE INDIA.**

The information on our Company's website, any website directly or indirectly linked to our Company's website, or the website of the Book Running Lead Managers or their respective affiliates does not form part of this Placement Document and prospective investors should not rely on such information contained in, or available through, any such websites.

BOOK RUNNING LEAD MANAGERS



*IDFC Securities Limited ("IDFC Securities") shall be involved only in marketing of the Issue.

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NOTICE TO INVESTORS

Our Company has furnished and accepts full responsibility for all of the information contained in this Placement Document and confirms that to its best knowledge and belief, having made all reasonable enquiries, this Placement Document contains all information with respect to our Company and the Equity Shares that is material in the context of the Issue. The statements contained in this Placement Document relating to us and the Equity Shares are, in all material respects, true, correct and accurate and not misleading. The opinions and intentions expressed in this Placement Document with regard to us and the Equity Shares are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions and information presently available to our Company. There are no other facts in relation to us and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Placement Document misleading in any material respect. Further, our Company has made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements.

The Book Running Lead Managers have not separately verified the information contained in this Placement Document (financial, legal or otherwise). Accordingly, neither the Book Running Lead Managers nor any of their respective shareholders, employees, counsel, officers, directors, representatives, agents or affiliates makes any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted by any of the Book Running Lead Managers as to the accuracy or completeness of the information contained in this Placement Document or any other information supplied in connection with the Equity Shares. Each person receiving this Placement Document acknowledges that such person has not relied on either the Book Running Lead Managers or on any of their respective shareholders, employees, counsel, officers, directors, representatives, agents or affiliates in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of our Company, its Subsidiaries and their joint ventures, and the merits and risks involved in investing in the Equity Shares.

No person is authorised to give any information or to make any representation not contained in this Placement Document and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of our Company or by or on behalf of the Book Running Lead Managers. The delivery of this Placement Document at any time does not imply that the information contained in it is correct as of any time subsequent to its date.

The Equity Shares to be issued pursuant to the Issue have not been and will not be registered under the U.S. Securities Act, and will not be offered or sold within the United States or any jurisdiction, other than India. Distribution of this Placement Document to any person other than the offeree specified by the Book Running Lead Managers or their representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorized and any disclosure of its contents, without the prior written consent of our Company, is prohibited.

THIS ISSUE IS BEING MADE ONLY TO ELIGIBLE QIBs AND THE EQUITY SHARES IN THIS ISSUE WILL NOT IN ANY CIRCUMSTANCE BE OFFERED TO PERSONS IN ANY JURISDICTION OUTSIDE INDIA. As such, this Placement Document does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction other than India. In particular, no action has been taken by our Company and the Book Running Lead Managers which would permit an offering of the Equity Shares or distribution of this Placement Document in any jurisdiction, other than India.

In making an investment decision, prospective investors must rely on their own examination of our Company, its Subsidiaries and their joint ventures, and the terms of the Issue, including the merits and risks involved. Investors should not construe the contents of this Placement Document as legal, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to business, legal, tax, accounting and related matters concerning the Issue. In addition, neither our Company nor the Book Running Lead Managers make any representation to any offeree or subscriber of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or subscriber under applicable legal, investment or similar laws or regulations. Each subscriber of the Equity Shares in the Issue is deemed to have acknowledged, represented and agreed that it is eligible to invest in India and in our Company under Indian law, including Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act 2013, and that it is not prohibited by SEBI or any other statutory authority from buying, selling or dealing in the securities including the Equity Shares. Each subscriber of the Equity Shares in the Issue also acknowledges that it has been afforded an opportunity to request from our Company and review information relating to our Company and the Equity Shares.

This Placement Document contains summaries of certain terms of certain documents, which summaries are qualified in their entirety by the terms and conditions of such document.

The information on our Company's website, www.idfc.com, any website directly and indirectly linked to the website of our Company or on the website of the Book Running Lead Managers or affiliates, does not constitute nor forms part of this Placement Document. The prospective investors should not rely on such information contained in, or available through, any such websites.

REPRESENTATIONS BY INVESTORS

References herein to “you” or “your” is to the prospective investors in the Issue.

By bidding for and/or subscribing to any Equity Shares in the Issue, you are deemed to have represented, warranted, acknowledged and agreed to our Company and the Book Running Lead Managers, as follows:

- You are a ‘QIB’ as defined in Regulation 2(1)(zd) of the SEBI ICDR Regulations and not excluded pursuant to Regulation 86(1)(b) of the SEBI ICDR Regulations, having a valid and existing registration under applicable laws and regulations of India, and undertake to acquire, hold, manage or dispose of any Equity Shares that are Allocated to you in accordance with Chapter VIII of the SEBI ICDR Regulations and undertake to comply with the SEBI ICDR Regulations, the Companies Act and all other applicable laws, including any reporting obligations;
- You are a resident of India and are not registered as a venture capital fund (as defined under the Securities and Exchange Board of India (Venture Capital Funds) Regulations, 2006) (“VCF”), a foreign portfolio investor (as defined under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014) (“FPI”), foreign institutional investor, a foreign venture capital investor (as defined under the SEBI (Foreign Venture Capital Investors) Regulations, 2000) (“FVCI”) or a multilateral or bilateral financial institution;
- You are not ‘owned’ or ‘controlled’ by Non-Residents/ persons resident outside India, as defined under FEMA, except as specified in this Placement Document, and you undertake that your investment pursuant to the Issue shall not amount to direct or indirect foreign investment in our Company;
- If you are Allotted Equity Shares, you shall not, for a period of one year from the date of Allotment, sell the Equity Shares so acquired except on the floor of the Stock Exchanges;
- You are aware that this Placement Document has not been and will not be registered as a prospectus with the RoC under the Companies Act, the SEBI ICDR Regulations or under any other law in force in India, and no Equity Shares will be offered in India or overseas to the public or any members of the public in India or any other class of investors, other than Eligible QIBs;
- You are entitled to subscribe for, and acquire, the Equity Shares under applicable laws and you have: (i) fully observed such laws; (ii) the necessary capacity, and (iii) obtained all necessary consents, governmental or otherwise, and authorizations and complied with all necessary formalities, to enable you to commit to participation in the Issue and to perform your obligations in relation thereto (including, without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorizations to agree to the terms set out or referred to in this Placement Document), and will honour such obligations;
- Neither our Company nor the Book Running Lead Managers or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates is making any recommendations to you or advising you regarding the suitability of any transactions it may enter into in connection with the Issue and your participation in the Issue is on the basis that you are not, and will not, up to the Allotment, be a client of any of the Book Running Lead Managers. Neither the Book Running Lead Managers nor any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates has any duties or responsibilities to you for providing the protection afforded to their clients or customers or for providing advice in relation to the Issue and are not in any way acting in any fiduciary capacity;
- You confirm that, either: (i) you have not participated in or attended any investor meetings or presentations by our Company or its agents with regard to our Company or in connection with the Issue (“Company Presentations”); or (ii) if you have participated in or attended any Company Presentations: (a) you understand and acknowledge that the Book Running Lead Managers may not have knowledge of the statements that our Company or its agents may have made at such Company Presentations and are therefore unable to determine whether the information provided to you at the Company Presentations may have included any material misstatements or omissions, and, accordingly you acknowledge that the Book Running Lead Managers have advised you not to rely in any way on any information that was provided to you at such Company Presentations, and (b) confirm that you have

not been provided any material information relating to our Company and the Issue that was not publicly available;

- All statements other than statements of historical fact included in this Placement Document, including, without limitation, those regarding our Company's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to our Company's business, including, without limitation to, the proposed banking business), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our Company's present and future business strategies and environment in which our Company will operate in the future. You should not place undue reliance on forward-looking statements, which speak only as at the date of this Placement Document. Our Company assumes no responsibility to update any of the forward-looking statements contained in this Placement Document;
- You are aware and understand that the Equity Shares are being offered only to Eligible QIBs and are not being offered to the general public, and the Allotment of the same shall be on a discretionary basis;
- You are aware that if you are Allotted more than 5% of the Equity Shares in the Issue, our Company shall be required to disclose your name and the number of the Equity Shares Allotted to you to the Stock Exchanges and the Stock Exchanges will make the same available on their websites and you consent to such disclosures;
- You are aware that your name and contact details may be submitted to the RoC and the SEBI, in accordance with the requirements under the Companies Act 2013;
- You have been provided a serially numbered copy of this Placement Document and have read it in its entirety, including in particular, the section "**Risk Factors**" on page 27;
- In making your investment decision, you have (i) relied on your own examination of our Company and the terms of the Issue, including the merits and risks involved, (ii) made your own assessment of our Company, the Equity Shares and the terms of the Issue based solely on the information contained in this Placement Document and no other disclosure or representation by our Company, our Directors and affiliates or any other party, (iii) consulted your own independent counsel and advisors or otherwise have satisfied yourself concerning, without limitation, the effects of local laws, (iv) relied solely on the information contained in this Placement Document and no other disclosure or representation by our Company or any other party, (v) received all information that you believe is necessary or appropriate in order to make an investment decision in respect of our Company and the Equity Shares, and (vi) relied upon your own investigation and resources in deciding to invest in the Issue;
- Neither the Book Running Lead Managers nor any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates has provided you with any tax advice or otherwise made any representations regarding the tax consequences of purchase, ownership and disposal of the Equity Shares (including but not limited to the Issue and the use of the proceeds from the Equity Shares). You will obtain your own independent tax advice from a reputable service provider and will not rely on the Book Running Lead Managers or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates when evaluating the tax consequences in relation to the Equity Shares (including but not limited to the Issue and the use of the proceeds from the Equity Shares). You waive, and agree not to assert any claim against our Company or the Book Running Lead Managers or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates with respect to the tax aspects of the Equity Shares or as a result of any tax audits by tax authorities, wherever situated;
- You are a sophisticated investor and have such knowledge and experience in financial, business and investment matters as to be capable of evaluating the merits and risks of an investment in the Equity Shares. You are experienced in investing in private placement transactions of securities of companies in a similar nature of business, similar stage of development and in similar jurisdictions. You and any accounts for which you are subscribing for the Equity Shares (i) are each able to bear the economic risk of your investment in the Equity Shares, (ii) will not look to our Company and/or the Book Running

Lead Managers or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates for all or part of any such loss or losses that may be suffered in connection with the Issue, including losses arising out of non-performance by our Company of any of its obligations or any breach of any representations and warranties by our Company, whether to you or otherwise, (iii) are able to sustain a complete loss on the investment in the Equity Shares, and (iv) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares. You acknowledge that an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment. You are seeking to subscribe to the Equity Shares in the Issue for your own investment and not with a view to resell or distribute;

- If you are acquiring the Equity Shares to be issued pursuant to the Issue, for one or more managed accounts, you represent and warrant that you are authorised in writing, by each such managed account to acquire such Equity Shares for each managed account and to make (and you hereby make) the representations, warranties, acknowledgements and agreements herein for and on behalf of each such account, reading the reference to “you” to include such accounts;
- You will have no right to withdraw your Bid after the Issue Closing Date;
- You are eligible to apply for and hold the Equity Shares Allotted to you together with any Equity Shares held by you prior to the Issue. Further, you confirm that your aggregate holding after the Allotment of the Equity Shares shall not exceed the level permissible as per any applicable regulation;
- The Bid made by you would not result in triggering an open offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (the “Takeover Regulations”);
- To the best of your knowledge and belief, the number of Equity Shares Allotted to you pursuant to the Issue, together with other Allottees that belong to the same group or are under common control, shall not exceed 50% of the Issue. For the purposes of this representation:
 - a. The expression ‘belong to the same group’ shall derive meaning from the concept of ‘companies under the same group’ as provided in sub-section (11) of Section 372 of the Companies Act 1956; and
 - b. ‘Control’ shall have the same meaning as is assigned to it by Regulation 2(1)I of the Takeover Regulations;
- You shall not undertake any trade in the Equity Shares credited to your beneficiary account until such time that the final listing and trading approvals for such Equity Shares are issued by the Stock Exchanges;
- You are aware that (i) applications for in-principle approval, in terms of Clause 24(a) of the Listing Agreements, for listing and admission of the Equity Shares and for trading on the Stock Exchanges, were made and an approval has been received from each of the Stock Exchanges, and (ii) the application for the final listing and trading approvals will be made only after Allotment. There can be no assurance that the final approvals for listing and trading in the Equity Shares will be obtained in time or at all. Our Company shall not be responsible for any delay or non-receipt of such final approvals or any loss arising from such delay or non-receipt;
- You are aware and understand that the Book Running Lead Managers have entered into a placement agreement with our Company whereby the Book Running Lead Managers have, subject to the satisfaction of certain conditions set out therein, agreed to manage the Issue and to procure subscriptions for the Equity Shares to be issued pursuant to the Issue;
- You understand that the contents of this Placement Document are exclusively the responsibility of our Company, and neither the Book Running Lead Managers nor any person acting on their behalf has or shall have any liability for any information, representation or statement contained in this Placement Document or any information previously published by or on behalf of our Company and will not be liable for your decision to participate in the Issue based on any information, representation or statement contained in this Placement Document or otherwise. By participating in the Issue, you agree to the

same and confirm that the only information you are entitled to rely on, and on which you have relied in committing yourself to acquire the Equity Shares is contained in this Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares, you have neither received nor relied on any other information, representation, warranty or statement made by or on behalf of the Book Running Lead Managers or our Company or any of their respective affiliates or any other person, and neither the Book Running Lead Managers nor our Company nor any other person will be liable for your decision to participate in the Issue based on any other information, representation, warranty or statement that you may have obtained or received;

- You understand that the Book Running Lead Managers do not have any obligation to purchase or acquire all or any part of the Equity Shares purchased by you in the Issue or to support any losses directly or indirectly sustained or incurred by you for any reason whatsoever in connection with the Issue, including non-performance by us or any of our respective obligations or any breach of any representations or warranties by us, whether to you or otherwise;
- You understand that the Equity Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and accordingly, will not be offered or sold within the United States or any jurisdiction, other than India;
- You agree that any dispute arising in connection with the Issue will be governed by and construed in accordance with the laws of India, and the courts in Mumbai, India shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Preliminary Placement Document and this Placement Document;
- Each of the representations, warranties, acknowledgements and agreements set out above shall continue to be true and accurate at all times up to and including the Allotment, listing and trading of the Equity Shares in the Issue;
- You agree to indemnify and hold our Company, the Book Running Lead Managers and their respective directors, employees, officers, associates and agents harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the foregoing representations, warranties, acknowledgements and undertakings made by you in this Placement Document. You agree that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares by, or on behalf of, the managed accounts; and
- Our Company, the Book Running Lead Managers, their respective affiliates and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and undertakings, which are given to the Book Running Lead Managers on their own behalf and on behalf of our Company, and are irrevocable.

DISCLAIMERS

Disclaimer clause of the Stock Exchanges

As required, a copy of the Preliminary Placement Document was delivered to each of the Stock Exchanges and a copy of this Placement Document has been filed with the Stock Exchanges. The Stock Exchanges do not in any manner:

- (i) warrant, certify or endorse the correctness or completeness of the contents of this Placement Document;
- (ii) warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges; or
- (iii) take any responsibility for the financial or other soundness of our Company, its management or any scheme or project of our Company;

and it should not for any reason be deemed or construed to mean that this Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquire any Equity Shares, may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with, such subscription/acquisition, whether by reason of anything stated or omitted to be stated herein, or for any other reason whatsoever.

Disclaimer clause of the RBI

The RBI does not accept any responsibility or guarantee about the present position as to the financial soundness of the Company or for the correctness of any of the statements or representation made or opinions expressed by the Company and for discharge of liability of the Company. Neither is there any provision in law to keep, nor does the Company keep any part of the deposits with RBI and by issuing the Certificate of Registration to the Company, the RBI neither accepts any responsibility nor guarantees for the repayment of the deposit amount to any depositor.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this Placement Document, unless otherwise specified or the context otherwise indicates or implies, references to 'you', 'your', 'offeree', 'purchaser', 'subscriber', 'recipient', 'investors', 'prospective investors' and 'potential investor' are to the prospective investors in the Issue, references to the 'Company', 'IDFC', 'Issuer' are to IDFC Limited and references to 'we', 'us' or 'our' are to our Company, its Subsidiaries and its associates, on a consolidated basis.

In this Placement Document, references to 'US\$', 'USD' and 'U.S. dollars' are to the legal currency of the United States of America, references to 'SGD' and 'Singapore Dollar' are to the legal currency of the Republic of Singapore, and references to 'INR', '₹', 'Indian Rupees' and 'Rupees' are to the legal currency of India. All references herein to the 'US' or 'U.S.' or the 'United States' are to the United States of America and its territories and possessions. All references herein to "India" are to the Republic of India and its territories and possessions and the 'Government' or 'GoI' or the 'Central Government' or the 'State Government' are to the Government of India ("GoI"), central or state, as applicable.

References to the singular also refer to the plural and one gender also refers to any other gender, wherever applicable. Our Company has presented certain numerical information in this Placement Document in "crore" units. One crore represents 1,00,00,000 which, is equivalent to 10 million.

Unless stated otherwise, the financial data in this Placement Document is derived from our audited consolidated financial statements for fiscals 2014, 2013 and 2012 and consolidated reviewed financial results for the three months ended June 30, 2014, and have been prepared in accordance with Generally Accepted Accounting Principles in India ("Indian GAAP") and the Accounting Standards notified under Section 211(3)(c) of the Companies Act 1956, the relevant provisions of the Companies Act 1956 and the Companies Act 2013, and the guidelines issued by the RBI, as applicable. However, Galaxy Mercantiles Limited ("GML") and Neopro Technologies Private Limited ("Neopro"), Subsidiaries of our Company, have not been consolidated as they are held for disposal and IDFC Foundation, another Subsidiary has also not been consolidated as IDFC Foundation is a company under the Section 25 of the Companies Act 1956.

Our fiscal commences on April 1 and ends on March 31, so all references to a particular fiscal are to the twelve-month period ended March 31 of that year. In this Placement Document, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

The degree to which the financial information prepared in accordance with Indian GAAP, included in this Placement Document will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices, Indian GAAP, the Companies Act 1956 and Companies Act 2013. Any reliance by persons not familiar with Indian accounting practices, Indian GAAP, the Companies Act 1956 and the Companies Act 2013 on the financial disclosures presented in this Placement Document should accordingly be limited.

INDUSTRY AND MARKET DATA

Information included in this Placement Document regarding market position, growth rates and other industry data pertaining to our Company's business consists of estimates based on data reports compiled by government bodies, professional organisations and analysts, data from other external sources and knowledge of the markets in which our Company competes. Unless otherwise stated, statistical information included in this Placement Document pertaining to the business in which our Company operates and proposes to operate, has been reproduced from trade, industry and government publications and websites. Our Company confirms that such information and data has been accurately reproduced, and that as far as it is aware and is able to ascertain from information published by third parties, no material facts have been omitted that would render the reproduced information inaccurate or misleading.

All references to the cities in India as Tier-I to Tier-VI cities in this Placement Document is based on the RBI classification pursuant to its circular dated November 18, 2010, which is as follows:

Classification of centres (Tier-wise)	Population (as per 2001 Census)
Tier-I	1,00,000 and above
Tier-II	50,000 to 99,999
Tier-III	20,000 to 49,999
Tier-IV	10,000 to 19,999
Tier-V	5,000 to 9,999
Tier-VI	Less than 5,000

This information is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In many cases, there is no readily available external information (whether from trade or industry associations, government bodies or other organisations) to validate market-related analysis and estimates, so our Company has relied on internally developed estimates.

Neither our Company nor the Book Running Lead Managers have independently verified this data, nor does it or the Book Running Lead Managers make any representation regarding the accuracy of such data. Similarly, while our Company believes its internal estimates to be reasonable, such estimates have not been verified by any independent sources, and neither our Company nor the Book Running Lead Managers can assure potential investors as to their accuracy.

FORWARD-LOOKING STATEMENTS

This Placement Document contains certain “forward-looking statements”. These forward looking statements generally can be identified by words or phrases such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “objective”, “plan”, “project”, “will continue”, “seek to”, “will pursue” or other words or phrases of similar import. Similarly statements which describe our strategies, objectives, plans or goals are also forward-looking statements.

These forward-looking statements are based on our current plans, estimates and expectations and actual results may differ materially from those suggested by such forward-looking statements being subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement, including, but not limited to:

- The commencement of our proposed banking operations is subject to final RBI approval, which is further contingent on a corporate restructuring intended to be undertaken by us by way of a court-approved demerger;
- We have no operating history in the banking business and we are subject to all of the business risks and uncertainties associated with setting up a new business in general, and with banking operations in particular including attracting and retaining professional personnel, setting up branches and office infrastructure and implementation of the systems, processes and technologies;
- The regulatory requirements for the banking sector in India are significantly different from and comparatively more onerous than the regulatory requirements for our operations as an NBFC;
- As a consequence of being regulated as a banking company, the Proposed IDFC Bank will be required to comply with regulatory directives in relation to priority sector lending, which will limit our operational flexibility;
- Management of interest rate risk, net interest income and current account and savings account;
- The level of non-performing loans in our portfolio may increase, which will adversely affect our business and results of operations;
- Our diversification led growth initiatives make us susceptible to various risks that may limit our growth and diversification;
- We have significant exposure to certain sectors and to certain borrowers and if certain assets become non-performing, the quality of our asset portfolio may be adversely affected;
- There is considerable competition in the banking sector in India and our proposed banking operations would be faced with this competitive landscape; and
- If we are unable to manage our growth effectively, our business, results of operations, financial condition and prospects may be adversely affected.

For further discussion of factors that could cause our actual results to differ, see “*Risk Factors*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” on pages 27 and 59, respectively. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company nor the Book Running Lead Managers nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company will ensure that investors in India are informed of material developments until the commencement of listing and trading of the Equity Shares offered and sold in the Issue.

EXCHANGE RATES

The following table sets forth information with respect to the exchange rates between the Rupee and the U.S. dollar (in ₹ per US\$), for the periods indicated. The exchange rates for conversion of US\$ to Rupee are based on the reference rates released by RBI and available on the website of RBI, and the exchange rates for SGD to Rupee are available on the website of Bloomberg. No representation is made that any Rupee amounts could have been, or could be, converted into U.S. dollars at any particular rate, the rates stated below, or at all.

As on July 31, 2014 the closing exchange rate (RBI reference rate) was ₹ 60.25 to US\$ 1 and ₹ 48.54 to SGD 1. (Source: Bloomberg)

The closing exchange rates of the respective foreign currencies as on June 30, 2014, June 30, 2013, March 31, 2014, March 31, 2013 and March 31, 2012 are provided below.

Currency	Exchange Rate as on June 30, 2014	Exchange Rate as on June 30, 2013	Exchange Rate as on March 31, 2014	Exchange Rate as on March 31, 2013	Exchange Rate as on March 31, 2012
1 US\$	60.09	59.70	60.10	54.39	51.16
1 SGD	48.42	46.94	47.50	43.71	40.52

Source: www.rbi.org.in and Bloomberg

As on July 31, 2014 the average exchange rate (RBI reference rate) was ₹ 59.93 to US\$ 1 and ₹ 48.04 to SGD 1. (Source: Bloomberg)

The average exchange rates of the respective foreign currencies for the three months ended June 30, 2014, June 30, 2013, and fiscal ended March 31, 2014, March 31, 2013 and March 31, 2012 are provided below.

Currency	Exchange Rate for three months ended June 30, 2014	Exchange Rate for three months ended June 30, 2013	Exchange Rate for fiscal ended March 31, 2014	Exchange Rate for fiscal ended March 31, 2013	Exchange Rate for fiscal ended March 31, 2012
1 US\$	59.82	56.80	60.94	54.53	48.11
1 SGD	47.87	45.11	48.15	43.90	38.45

Source: www.rbi.org.in and Bloomberg

GLOSSARY OF TERMS

This Placement Document uses certain definitions and abbreviations which, unless the context otherwise indicates or implies, shall have the meaning as provided below. References to any legislation, act or regulation shall, unless the context otherwise requires, be to such legislation, act or regulation as amended as on the date of this Placement Document.

Unless the context otherwise indicates, all references to “IDFC”, “the Company”, “our Company” and “the Issuer”, are to IDFC Limited, a company incorporated in India under the Companies Act 1956 with its registered office at KRM Tower, 8th Floor, No. 1, Harrington Road, Chetpet, Chennai 600 031, Tamil Nadu, India. Further, all references to ‘Our Company’, ‘we’, ‘us’ and ‘our’, are to IDFC Limited, its Subsidiaries and their joint ventures, other consolidated entities and the Proposed IDFC Bank.

Company Related Terms

Term	Description
AoA/Articles of Association or Articles	The articles of association of our Company, as amended
Auditors	The statutory auditors of our Company, being Deloitte Haskins & Sells LLP, Chartered Accountants (firm registration no. 117366W /W-100018)
Board or Board of Directors	The board of directors of our Company and/or any committee thereof
Corporate Office	Naman Chambers, C-32, G-Block, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051, Maharashtra, India
CSR Committee	Corporate Social Responsibility Committee of our Board of Directors
E&S	Environment and Social
Equity Shares	The Equity Shares of our Company of a face value of ₹ 10 each
ESOS	Employee Stock Option Scheme, 2007
GML	Galaxy Mercantiles Limited
IDFC Alternatives	IDFC Alternatives Limited
IDFC AMCTC	IDFC AMC Trustee Company Limited
IDFC AMC	IDFC Asset Management Company Limited
IDFC Capital Singapore	IDFC Capital (Singapore) Pte. Limited
IDFC IDF	IDFC Infra Debt Fund Limited
IDFC FF	IDFC Fund of Funds Limited
IDFC Finance	IDFC Finance Limited
IDFC HF	IDFC Housing Finance Company Limited
IDFC IA	IDFC Investment Advisors Limited
IDFC IMM	IDFC Investment Managers (Mauritius) Limited
IDFC PDC	IDFC Primary Dealership Company Limited
IDFC Project Equity Company	IDFC Project Equity Company Limited
IDFC Projects	IDFC Projects Limited
IDFC Securities	IDFC Securities Limited
IDFC Securities Singapore	IDFC Securities Singapore Pte. Limited
IDFC Trustee	IDFC Trustee Company Limited
IDFC USA	IDFC Capital (USA) Inc.
IREYF	IDFC Real Estate Yield Fund
MoA/Memorandum of Association	The memorandum of association of our Company, as amended
Neopro	Neopro Technologies Private Limited
Proposed IDFC Bank	The proposed bank to be set up by our Company pursuant to the RBI New Banks Licensing Guidelines and the in-principle approval dated April 9, 2014 granted by the RBI
Proposed Demerger	Demerger of our financing business comprising of loans, liquidity and accrual book of treasury portfolio, current assets, borrowings, receivables, security interests, current liabilities and other assets and liabilities into the Proposed IDFC Bank, pursuant to a court-approved scheme of demerger
Registered Office	KRM Tower, 8 th Floor, No. 1, Harrington Road, Chetpet, Chennai 600 031, Tamil Nadu, India
RoC	Registrar of Companies, Chennai, Tamil Nadu
SSKI	S.S. Kantilal Ishwarlal Securities Private Limited
Subsidiaries	The subsidiaries of our Company, pursuant to Section 2(87) of the Companies Act 2013, and as provided in “ <i>Organisational Structure and Major Shareholders</i> ” on page 148

Issue Related Terms

Term	Description
Allocated/ Allocation	The allocation of Equity Shares by our Company (in consultation with the Book Running Lead Managers) to Eligible QIBs on the basis of the Application Form submitted by them, and in compliance with Chapter VIII of the SEBI ICDR Regulations
Allot/ Allotment/ Allotted	The issue and allotment of Equity Shares pursuant to the Issue
Allottees	Eligible QIBs to whom Equity Shares are Allotted pursuant to the Issue
Application Form	The form (including any revisions thereof) pursuant to which an Eligible QIB shall submit a Bid for the Equity Shares in the Issue
Bid(s)	Indication of interest of an Eligible QIB, including all revisions and modifications thereto, as provided in the Application Form, to subscribe for the Equity Shares
Book Running Lead Managers	Kotak Mahindra Capital Company Limited, IDFC Securities Limited, CLSA India Private Limited, Credit Suisse Securities (India) Private Limited, ICICI Securities Limited, JM Financial Institutional Securities Limited and J.P. Morgan India Private Limited. IDFC Securities shall be involved only in marketing of the Issue
CAN or Confirmation of Allocation Note	Note, advice or intimation confirming Allocation of Equity Shares to Eligible QIBs after determination of the Issue Price and requesting payment for the entire Issue Price for all Equity Shares Allocated to such Eligible QIBs
Closing Date	The date on which allotment of Equity Shares pursuant to the Issue shall be made, i.e., on or about September 16, 2014
Company Presentation	Investor meetings or presentations made by our Company or its agents with regard to our Company or in connection with the Issue
Cut-off Price	The Issue Price of the Equity Shares to be issued pursuant to the Issue which shall be finalised by our Company in consultation with the Book Running Lead Managers
Designated Date	Date on which the Escrow Bank transfers the funds from the Escrow Account to our Company's account
Eligible QIBs	QIBs, as defined in regulation 2(1)(zd) of the SEBI ICDR Regulations which are not, (a) excluded pursuant to regulation 86 of the SEBI ICDR Regulations, (b) registered VCFs, FPIs, FVCIs, bilateral and multilateral institutions or any other QIB that is a Non-Resident or (c) 'owned' or 'controlled' by Non-Residents/ persons resident outside India, as defined under FEMA, except as specifically set forth in this Placement Document
Escrow Agreement	Agreement dated September 10, 2014, entered into amongst our Company, the Escrow Bank and the Book Running Lead Managers for collection of the application money and for remitting refunds, if any, of the amounts collected, to the Eligible QIBs
Escrow Bank	Kotak Mahindra Bank Limited
Escrow Account	Special account entitled "IDFC Limited – QIP Escrow Account" opened with the Escrow Bank subject to the terms of the Escrow Agreement
Floor Price	The floor price of ₹ 143.70 per Equity Share, which has been calculated in accordance with Chapter VIII of the SEBI ICDR Regulations.
Issue	The issue and Allotment of 7,30,00,000 Equity Shares to Eligible QIBs pursuant to Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act 2013
Issue Closing Date	September 12, 2014
Issue Opening Date	September 10, 2014
Issue Period	Period between the Issue Opening Date and the Issue Closing Date, inclusive of both days during which prospective Investors can submit their Bids
Issue Price	₹ 137.00 per Equity Share
Issue Size	The aggregate size of the Issue, which is up to ₹ 1,000.10 crore
Listing Agreement	The agreement entered into between our Company and each of the Stock Exchanges in relation to listing of the Equity Shares on each of the Stock Exchanges
Non-Resident	An entity not deemed to be person resident in India under the Foreign Exchange Management Act, 1999
Pay-in Date	The last date specified in the CAN for payment of application monies by the Eligible QIBs
Placement Agreement	Placement agreement dated September 10, 2014 entered into between our Company and the Book Running Lead Managers
Placement Document	This placement document dated September 12, 2014 issued by our Company in accordance with Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act 2013
Preliminary Placement Document	The preliminary placement document dated September 10, 2014 issued in

Term	Description
	accordance with Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act 2013
QIBs or Qualified Institutional Buyers	Qualified institutional buyers as defined under Regulation 2(1)(zd) of the SEBI ICDR Regulations
QIP	Qualified institutions placement under Chapter VIII of the SEBI ICDR Regulations and in accordance with Section 42 of the Companies Act 2013
Relevant Date	September 10, 2014 which is the date of the meeting of our Board of Directors deciding to open the Issue
Stock Exchanges	The BSE and the NSE

Industry Related Terms

Term	Description
ALM	Asset liability management
ANBC	Adjusted net bank credit
AUM	Assets under our management
CAP	Corrective action plan
CASA	Current account and savings account
CBS	Core banking solutions
CDR	Corporate debt restructuring
CIC	Core investment company, as defined under the Core Investment Companies (Reserve Bank) Directions, 2011 dated January 5, 2011, issued by RBI
CRAR	Capital to risk weighted assets ratio
CRILC	Central Repository of Information on Large Credits
CRR	Cash reserve ratio
DP	Countercyclical (dynamic) provisioning
FITL	Funded interest term loan
IDF	Infrastructure debt fund
IDF-MF	IDF-Mutual Fund
IFC	Infrastructure finance company
JLF	Joint lenders' forum
LCR	Liquidity coverage ratio
NBFC	Non-banking financial company
NBFC-IC	NBFC-investment company, an NBFC carrying on its principal business of acquisition of securities
NBFC-IFC	An infrastructure finance company, which is an NBFC which deploys at least 75% of its total assets in the infrastructure sector, as per the guidelines issued by RBI from time to time
NBFC-ND	Non-deposit taking NBFC
NBFC-ND-SI	Systematically important NBFC-ND
NBFC Prudential Norms	Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 (Notification No. DFC. 119/DG (SPT)/98) dated January 31, 1998 as superseded by Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 bearing Notification No. DNBS. 193 DG(VL)- 2007, dated February 22, 2007, as updated by the RBI Master Circular on Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, dated July 1, 2014
NII	Net interest income
NIM	Net interest margins
NOFHC	Non-operative financial holding company
NPA	Non-performing assets
NPA Prudential Norms	RBI Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2014
NPL	Non-performing loan
NSFR	Net stable funding ratio
RBI New Banks Licensing Guidelines	RBI Guidelines for Licensing of New Banks in the Private Sector issued by the RBI pursuant to a notification dated February 22, 2013
SGL	Subsidiary general ledger
SMA	Special Mention Accounts
SLR	Statutory liquidity ratio

Conventional and General Terms/Abbreviations

Term	Description
AGM	Annual general meeting
AIF	Alternative investment fund, as defined under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 and registered with SEBI
ATMs	Automated teller machines
Banking Regulation Act	Banking Regulation Act, 1949
BSE	The BSE Limited
CAGR	Compounded annual growth rate
CDSL	Central Depository Services (India) Limited
Companies Act	Companies Act 2013 or the Companies Act 1956, as applicable
Companies Act 1956	The Companies Act, 1956 and the rules made thereunder (without reference to the provisions thereof that have ceased to have effect upon the notification of the Notified Sections)
Companies Act 2013	The Companies Act, 2013 and the rules made thereunder to the extent in force pursuant to the notification of the Notified Sections
Competition Act	Competition Act, 2002
CIT	Commissioner of Income Tax
Crore	10 million
CSR	Corporate social responsibility
Depositories	NSDL and CDSL
Depositories Act	Depositories Act, 1996
Depository Participant or DP	A depository participant as defined under the Depositories Act
Draft 12 th Plan	Draft Twelfth Five Year Plan of the GoI covering the period fiscal 2012 to fiscal 2017
DTC	Direct Taxes Code, 2013
ECB	External commercial borrowings
EGM	Extraordinary general meeting
ESDD	Environmental and Social Due Diligence
ESG	Environmental, social and governance
ESMR	Environmental and Social Monitoring Review
FDI	Foreign direct investment
FEMA	Foreign Exchange Management Act, 1999, together with rules and regulations thereunder
FIIs	Foreign institutional investors (as defined under the SEBI FPI Regulations) registered with SEBI
FPIs	A foreign portfolio investor who has been registered pursuant to the SEBI FPI Regulations, provided that any QFI or FII who holds a valid certificate of registration shall be deemed to be an FPI until the expiry of the block of three years for which fees have been paid as per the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995
Fiscal year / Fiscal	Period of 12 months ended March 31 of that particular year
FVCI	Foreign venture capital investors (as defined under the SEBI (Foreign Venture Capital Investors) Regulations, 2000) registered with SEBI
GDP	Gross domestic product
GoI or Government	Government of India
GST	Goods and services tax
ITAT	Income Tax Appellate Tribunal
I.T. Act	Income Tax Act, 1961
Indian GAAP	Generally Accepted Accounting Principles in India
IP	Internet Protocol
Ipv6	Internet Protocol Version 6
KYC	Know your customer
MAT	Minimum Alternate Tax
MCA	Ministry of Corporate Affairs, GoI
MSME	Micro, small and medium enterprises
Mutual Fund	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
NABARD	National Bank for Agriculture and Rural Development
Notified Sections	Sections of Companies Act 2013 that have been notified by the GoI
NRE Account	Non-resident (External) Account
NRO Account	Non-resident (Ordinary) Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
PAN	Permanent account number allotted under the I.T. Act

Term	Description
PAT	Profit after tax
PFI	Public financial institution, as defined under Section 2(72) of the Companies Act 2013
PMLA	Prevention of Money Laundering Act, 2002
PPP	Public-private partnership
QFI	A qualified foreign investor as defined under the SEBI FPI Regulations
RBI	Reserve Bank of India
RBI Act	Reserve Bank of India Act, 1934
RBI SMA Circular	RBI circular dated March 21, 2014 on Early Recognition of Financial Distress, Prompt Steps for Resolution and Fair Recovery for Lenders: Framework for Revitalising Distressed Assets in the Economy
RoA	Return on assets
RoE	Return on equity
Regulation S	Regulation S under the U.S. Securities Act
Rs. Or ₹	Indian Rupees
SARFAESI Act	Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
SCRA	Securities Contracts (Regulation) Act, 1956
SCRR	Securities Contracts (Regulation) Rules, 1957
SEBI	Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992
SEBI FPI Regulations	Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014
SEBI ICDR Regulations	SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009
SEBI Prohibition of Insider Trading Regulations	Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992
Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
UNGC	United Nations Global Compact
UNPRI	United Nations Principles for Responsible Investment
U.S. GAAP	Generally accepted accounting principles in the United States of America
U.S. Securities Act	U.S. Securities Act of 1933
VCF	Venture capital funds as defined under the Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996 and registered with the SEBI

Notwithstanding the foregoing, terms in “*Taxation*”, “*Financial Statements*” and “*Legal Proceedings*” on pages 181, 196 and 184, respectively, will have the same meaning given to such terms in these respective sections.

**DISCLOSURE REQUIREMENTS UNDER FORM PAS-4 PRESCRIBED UNDER THE COMPANIES
ACT 2013**

The table below sets out the disclosure requirements as provided in PAS-4 and the relevant pages in this Placement Document where these disclosures, to the extent applicable, have been provided.

S. No.	Disclosure Requirements	Relevant Page of this Placement Document
1.	GENERAL INFORMATION	
a.	Name, address, website and other contact details of the company indicating both registered office and corporate office.	232
b.	Date of incorporation of the company.	194
c.	Business carried on by the company and its subsidiaries with the details of branches or units, if any.	100 to 115
d.	Brief particulars of the management of the company.	131 to 147
e.	Names, addresses, DIN and occupations of the directors.	131 to 134
f.	Management's perception of risk factors.	27 to 48
g.	Details of default, if any, including therein the amount involved, duration of default and present status, in repayment of:	
(i)	Statutory dues;	Nil
(ii)	Debentures and interest thereon;	Nil
(iii)	Deposits and interest thereon; and	Nil
(iv)	Loan from any bank or financial institution and interest thereon.	Nil
h.	Names, designation, address and phone number, email ID of the nodal/ compliance officer of the company, if any, for the private placement offer process.	232
2.	PARTICULARS OF THE OFFER	
a.	Date of passing of board resolution.	194
b.	Date of passing of resolution in the general meeting, authorizing the offer of securities.	194
c.	Kinds of securities offered (i.e. whether share or debenture) and class of security.	22
d.	Price at which the security is being offered including the premium, if any, along with justification of the price.	22
e.	Name and address of the valuer who performed valuation of the security offered.	Not applicable
f.	Amount which the company intends to raise by way of securities.	52
g.	Terms of raising of securities:	
(i).	Duration, if applicable;	Not applicable
(ii).	Rate of dividend;	58
(iii).	Rate of interest;	Not applicable
(iv).	Mode of payment; and	Not applicable
(v).	Mode of repayment.	Not applicable
h.	Proposed time schedule for which the offer letter is valid.	23
i.	Purposes and objects of the offer.	52
j.	Contribution being made by the promoters or directors either as part of the offer or separately in furtherance of such objects.	Not applicable
k.	Principle terms of assets charged as security, if applicable.	Not applicable
3.	DISCLOSURES WITH REGARD TO INTEREST OF DIRECTORS, LITIGATION ETC	
a.	Any financial or other material interest of the directors, promoters or key managerial personnel in the offer and the effect of such interest in so far as it is different from the interests of other persons.	147
b.	Details of any litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against any promoter of the offeree company during the last three years immediately preceding the year of the circulation of the offer letter and any direction issued by such Ministry or Department or	Not applicable

S. No.	Disclosure Requirements	Relevant Page of this Placement Document
	statutory authority upon conclusion of such litigation or legal action shall be disclosed.	
c.	Remuneration of directors (during the current year and last three financial years).	136 to 139
d.	Related party transactions entered during the last three financial years immediately preceding the year of circulation of offer letter including with regard to loans made or, guarantees given or securities provided.	222
e.	Summary of reservations or qualifications or adverse remarks of auditors in the last five financial years immediately preceding the year of circulation of offer letter and of their impact on the financial statements and financial position of the company and the corrective steps taken and proposed to be taken by the company for each of the said reservations or qualifications or adverse remark.	Nil
f.	Details of any inquiry, inspections or investigations initiated or conducted under the Companies Act or any previous company law in the last three years immediately preceding the year of circulation of offer letter in the case of company and all of its subsidiaries. Also if there were any prosecutions filed (whether pending or not) fines imposed, compounding of offences in the last three years immediately preceding the year of the offer letter and if so, section-wise details thereof for the company and all of its subsidiaries.	Nil
g.	Details of acts of material frauds committed against the company in the last three years, if any, and if so, the action taken by the company.	Nil
4.	FINANCIAL POSITION OF THE COMPANY	
a.	The capital structure of the company in the following manner in a tabular form:	
(i)(a)	The authorised, issued, subscribed and paid up capital (number of securities, description and aggregate nominal value);	54
(b)	Size of the present offer; and	22
(c)	Paid up capital:	54
(A)	After the offer; and	54
(B)	After conversion of convertible instruments (if applicable);	Not applicable
(d)	Share premium account (before and after the offer).	54
(ii)	The details of the existing share capital of the issuer company in a tabular form, indicating therein with regard to each allotment, the date of allotment, the number of shares allotted, the face value of the shares allotted, the price and the form of consideration.	54 to 57
	Provided that the issuer company shall also disclose the number and price at which each of the allotments were made in the last one year preceding the date of the offer letter separately indicating the allotments made for considerations other than cash and the details of the consideration in each case.	Not applicable
b.	Profits of the company, before and after making provision for tax, for the three financial years immediately preceding the date of circulation of offer letter.	199
c.	Dividends declared by the company in respect of the said three financial years; interest coverage ratio for last three years (Cash profit after tax plus interest paid/interest paid).	58 and 74
d.	A summary of the financial position of the company as in the three audited balance sheets immediately preceding the date of circulation of offer letter.	24 to 26
e.	Audited Cash Flow Statement for the three years immediately preceding the date of circulation of offer letter.	26
f.	Any change in accounting policies during the last three years and their effect on the profits and the reserves of the company.	Not applicable

S. No.	Disclosure Requirements	Relevant Page of this Placement Document
5.	A DECLARATION BY THE DIRECTORS THAT	230
a.	The company has complied with the provisions of the Act and the rules made thereunder.	
b.	The compliance with the Act and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government.	
c.	The monies received under the offer shall be used only for the purposes and objects indicated in the Offer letter.	

SUMMARY OF BUSINESS

Overview

We believe that we are one of the leading integrated financial services company in India. We offer a wide range of customer-centric financing solutions to our customers, under our well-recognized brand, IDFC. With our extensive domain knowledge in infrastructure financing, we believe that we have differentiated ourselves from other financiers in India and have played a key role in advancing infrastructure development in India. We believe we are presently the largest RBI-regulated NBFC-IFC, in terms of asset size. We also received the in-principle approval from the RBI on April 9, 2014, to set up a new private sector bank.

Our Company was incorporated in 1997, on the recommendations of the Expert Group on Commercialization of Infrastructure Projects, under the Chairmanship of Dr. Rakesh Mohan. We were set up as a private sector enterprise by a consortium of public and private investors, with a focus on catalyzing the flow of private capital into the development of India's infrastructure sector. Our Equity Shares were listed on the Indian stock exchanges pursuant to an initial public offering in August 2005. Guided and managed by a strong core of qualified and experienced professionals and with a diversified shareholder base, we believe that we have built a track record of good governance as well as strong, multimodal institutional relationships with Government agencies as well as in the private sector in India. We were notified as a PFI under the Companies Act and are currently classified by the Reserve Bank of India ("RBI") as a systemically important non-deposit taking non-banking finance company ("NBFC-ND-SI") and an IFC. We are also registered with, and regulated by, SEBI, in relation to our investment banking, institutional brokerage and asset management businesses, which are operated through our Subsidiaries.

At present, we continue to derive most of our NII from our infrastructure lending operations, which accounted for 66.61% of our net operating income in fiscal 2014, on a consolidated basis, with a focus primarily on the energy, telecommunications and transportation sectors. However, we seek to continue to diversify our assets and liabilities and investor bases, manage and mitigate our funding risk, reduce our cost of borrowing and other operational costs, and enhance our responsiveness to market trends, customer needs and sensitivities and regulatory and policy developments, with a focus on long-term growth and sustainability, including by way of the proposed commencement of our banking operations.

Our existing business is currently classified into the following four broad platforms:

- Project Finance, Fixed Income and Treasury;
- Investment Banking and Institutional Broking;
- Public Markets Asset Management; and
- Alternative Asset Management.

Proposed Banking Business

The RBI on February 22, 2013 issued the RBI Guidelines for Licensing of New Banks in the Private Sector ("RBI New Banks Licensing Guidelines") specifying that select entities or groups in the private sector, entities in the public sector and promoters/promoter groups, as defined in the RBI New Banks Licensing Guidelines, with existing NBFCs, would be eligible to promote banks.

With a vision to build a 'New Age' bank which will serve the banking needs of the 'banked' as well as 'unbanked' population of the country, our Company had approached the RBI seeking an approval to set up a new domestic private sector bank under the RBI New Banks Licensing Guidelines, through an application filed by our Company with the RBI on July 1, 2013. The RBI granted us in-principle approval dated April 9, 2014, for setting-up a new bank within a period of 18 months from the date of this approval, pursuant to the RBI New Banks Licensing Guidelines. For more details on the RBI New Banks Licensing Guidelines, see "**Regulations and Policies**" on page 116.

Our proposed banking business operations structure is envisaged to include four distinct strategic business verticals:

Corporate Banking

Our corporate banking vertical will provide banking solutions for large corporate and institutional customers. Under the corporate banking vertical, while we will continue our infrastructure finance operations, leveraging our existing expertise and relationships, we also seek to diversify our focus beyond the infrastructure sector. We also propose to diversify our products and services to attain a more optimum revenue mix, for instance, by providing our customers with treasury services, and fixed income products such as bonds and credit enhancement, and cross-selling investment banking services to IDFC Securities to establish IDFC as a franchise providing end-to-end solutions to its customers.

Commercial Banking

Our commercial banking will largely cover mid-level corporates, both listed and unlisted, and we will provide our full suite of banking products and services to our customers.

Consumer or Retail Banking

For our consumer or retail banking business, we will focus on attracting CASA deposits as well as lending to retail consumers. We propose to provide a comprehensive product offering through partnerships, competitive deposit rates to boost CASA, customer advisory services and technology driven multi-channel transaction convenience, as part of our consumer banking business.

Inclusion Banking

Our inclusion banking business will focus on priority sector lending operations comprising of the rural, agricultural and micro, small and medium enterprises (“MSME”) segments. In this regard, we seek to take our banking services to rural and under-developed regions, small business owners, kirana merchants and MSMEs.

Strengths

- ***Integrated financial services platform***
- ***Strong reputation and brand image***
- ***Strong relationships with a range of private sector customers as well as government entities***
- ***Robust financial performance***
- ***Strong asset quality***
- ***Professionally qualified and experienced management and key personnel***

Strategies

- ***Establish our banking business***
 - *Leverage our IDFC brand and diversify through sectoral and product expansion;*
 - *Offer a broad range of financing solutions ;*
 - *Differentiated retail consumer value proposition and customer-reach;*
 - *Inclusion banking through product simplification and flexible transaction models; and*
 - *A ‘digital spine’ foundation and adoption of latest technology .*
- ***Deliver long-term profitable growth***
- ***Pursue innovation and leadership across the financial services sector***

For details, see “***Our Business***” on page 100.

SUMMARY OF THE ISSUE

The following is a general summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Placement Document, including the sections “*Risk Factors*”, “*Use of Proceeds*”, “*Placement and Lock Up*”, “*Issue Procedure*” and “*Description of the Equity Shares*” on pages 27, 52, 179, 162 and 177, respectively.

Issuer	IDFC Limited
Face Value	₹ 10 per Equity Share
Issue Price	₹ 137.00 per Equity Share
Floor Price	₹ 143.70 per Equity Share. In terms of the SEBI ICDR Regulations, the Issue Price cannot be lower than the Floor Price.
Issue Size	<p>Pursuant to a resolution of the shareholders dated July 29, 2014, our Company was eligible to offer a discount of not more than 5% as may be decided by our Board of Directors on the Floor Price in terms of Regulation 85 of the SEBI ICDR Regulations.</p> <p>Issue of 7,30,00,000 Equity Shares, aggregating to ₹ 1,000.10 crore</p> <p>A minimum of 10% of the Issue Size i.e. up to 73,00,000 Equity Shares shall be available for Allocation to Mutual Funds only, and up to 6,57,00,000 Equity Shares shall be available for Allocation to all Eligible QIBs, including Mutual Funds</p> <p>In case of under-subscription in the portion available for Allocation only to Mutual Funds, such portion or part thereof may be Allotted to other Eligible QIBs</p>
Date of Resolution of our Board of Directors	June 3, 2014
Date of Shareholders’ Resolution	July 29, 2014
Eligible QIBs	<p>QIBs, as defined in regulation 2(1)(zd) of the SEBI ICDR Regulations which are not, (a) excluded pursuant to regulation 86 of the SEBI ICDR Regulations, (b) registered VCFs, FPIs, FVCIs, bilateral and multilateral institutions or any other QIB that is not an entity deemed to be a person resident in India under the Foreign Exchange Management Act, 1999 or (c) ‘owned’ or ‘controlled’ by Non-Residents/ persons resident outside India, as defined under FEMA, except as specifically set forth in this Placement Document, are eligible to invest in this Issue See the section “<i>Issue Procedure – Eligible QIBs</i>” on page 165.</p> <p>This Issue is being made only to Eligible QIBs and the Equity Shares in this Issue will not in any circumstance be offered to persons in any jurisdiction outside India.</p>
Equity Shares issued and outstanding immediately prior to the Issue	1,51,71,39,086 Equity Shares
Equity Shares issued and outstanding immediately after the Issue	1,59,01,39,086 Equity Shares
Listing	Our Company has obtained in-principle approvals in terms of Clause 24(a) of the Listing Agreements, for listing of the Equity Shares issued pursuant to the Issue from the BSE and the NSE on September 10, 2014 and September 10, 2014, respectively. Our Company will make applications to each of the Stock Exchanges after Allotment to obtain final listing and trading approvals for the Equity Shares.
Lock-up	See “ <i>Placement and Lock Up</i> ” on page 171
Transferability Restrictions	The Equity Shares Allotted pursuant to this Issue shall not be sold for a period of one year from the date of Allotment, except on the floor of the Stock Exchanges. See “ <i>Transfer Restrictions</i> ” on page

	173						
Use of Proceeds	The gross proceeds from the Issue are ₹ 1,000.10 crore. The net proceeds from the Issue, after deducting fees, commissions and expenses of the Issue, will be approximately ₹ 986.07 crore. For further details, see “ <i>Use of Proceeds</i> ” on page 52						
Risk Factors	See “ <i>Risk Factors</i> ” on page 27 for a discussion of risks you should consider before deciding whether to subscribe for the Equity Shares						
Pay-In Date	Last date specified in the CAN sent to the Eligible QIBs for payment of application money						
Closing	The Allotment of the Equity Shares issued pursuant to the Issue is expected to be made on or about September 16, 2014						
Ranking	The Equity Shares to be issued pursuant to the Issue shall be subject to the provisions of our Memorandum of Association and Articles of Association and shall rank <i>pari passu</i> with the existing Equity Shares of our Company, including rights in respect of dividends. For further details, see “ <i>Description Of The Equity Shares</i> ” on page 177						
Security Codes for the Equity Shares	<table border="1"> <tr> <td>ISIN</td> <td>INE043D01016</td> </tr> <tr> <td>BSE Code</td> <td>532659</td> </tr> <tr> <td>NSE Code</td> <td>IDFC</td> </tr> </table>	ISIN	INE043D01016	BSE Code	532659	NSE Code	IDFC
ISIN	INE043D01016						
BSE Code	532659						
NSE Code	IDFC						

SELECT FINANCIAL INFORMATION

The following selected financial information is extracted from and should be read in conjunction with, the audited consolidated financial statements and notes thereto of our Company as at, and for the, fiscal years ended March 31, 2014, 2013 and 2012 prepared in accordance with Indian GAAP to comply with the Accounting Standards notified under Section 211(3)(c) and other relevant provisions of the Companies Act 1956, the Companies Act 2013, and the guidelines issued by the RBI, as applicable each included elsewhere in this Placement Document. You should refer to “**Management's Discussion and Analysis of Financial Condition and Results of Operations**”, on page 59, for further discussion and analysis of the financial statements of our Company.

The financial information included in this Placement Document does not reflect our Company's results of operations, financial position and cash flows for the future and its past operating results are no guarantee of its future operating performance.

IDFC LIMITED				
CONSOLIDATED SUMMARY BALANCE SHEET				
				(₹ in crore)
	Notes	As at March 31, 2014	As at March 31, 2013	As at March 31, 2012
Equity and liabilities				
Shareholders' funds				
(a) Share capital	1	1,516.29	1,514.73	1,512.36
(b) Reserves and surplus	2	13,524.02	12,167.89	10,772.68
		15,040.31	13,682.62	12,285.04
Share application money pending allotment	3	0.12	0.30	0.60
Minority Interest		40.16	25.39	17.78
Non-current liabilities				
(a) Long-term borrowings	4	39,320.09	36,803.33	29,637.20
(b) Other long-term liabilities	5	531.37	323.05	148.35
(c) Deferred tax liability (net)	13	3.66	3.29	2.18
(d) Long-term provisions	6	150.50	143.28	128.93
		40,005.62	37,272.95	30,116.66
Current liabilities				
(a) Short-term borrowings	7	7,826.23	3,869.37	7,351.01
(b) Trade payables	8	874.87	349.53	252.16
(c) Other current liabilities	9	10,895.00	15,314.93	10,537.42
(d) Short-term provisions	10	480.72	544.22	442.08
		20,076.82	20,078.05	18,582.67
TOTAL		75,163.03	71,059.31	61,002.75
Assets				
Non-current assets				
(a) Fixed assets				
(i) Tangible assets	11(a)	324.71	340.56	374.57
(ii) Intangible assets	11(b)	2.89	3.89	5.26
(iii) Intangible assets under development		0.90	-	36.64
		328.50	344.45	416.47
(b) Goodwill on consolidation		957.09	957.09	966.75
(c) Non-current investments	12	3,888.24	3,309.25	2,433.11
(d) Deferred tax assets (net)	13	491.16	397.05	320.22
(e) Long-term loans and advances				
(i) Loans	14	50,049.94	48,126.83	42,082.21
(ii) Others	15	603.69	517.03	470.17
		50,653.63	48,643.86	42,552.38
(f) Other non-current assets	16	175.31	620.67	368.15
		56,493.93	54,272.37	47,057.08
Current assets				
(a) Current investments	17	7,420.46	7,694.92	5,100.75
(b) Trade receivables	18	657.99	160.57	383.17
(c) Cash and bank balances	19	390.38	262.72	698.11
(d) Short-term loans and advances				
(i) Loans	14	8,495.59	7,609.63	6,100.72
(ii) Others	15	511.97	378.03	1,050.26
		9,007.56	7,987.66	7,150.98
(e) Other current assets	16	1,192.71	681.07	612.66
		18,669.10	16,786.94	13,945.67
TOTAL		75,163.03	71,059.31	61,002.75

See accompanying notes forming part of the consolidated summary financial statements.

IDFC LIMITED

CONSOLIDATED SUMMARY STATEMENT OF PROFIT AND LOSS

		(₹ in crore)		
	Notes	For the year ended March 31, 2014	For the year ended March 31, 2013	For the year ended March 31, 2012
I Income				
Revenue from operations	20	8,772.04	8,138.59	6,342.13
Other income	21	17.95	9.83	92.88
Total income (I)		8,789.99	8,148.42	6,435.01
II Expenses				
Employee benefits expense	22	288.28	291.64	304.86
Finance costs	23	5,055.24	4,675.83	3,456.21
Provisions and contingencies	24	628.30	349.63	284.58
Other expenses	25	224.56	203.36	178.25
Depreciation and amortisation expense	11(a)&(b)	30.96	34.40	38.44
Total expenses (II)		6,227.34	5,554.86	4,262.34
III Profit before tax (I - II)		2,562.65	2,593.56	2,172.67
IV Tax expense				
Current tax		907.55	826.54	692.38
Deferred tax	13	(112.58)	(75.72)	(70.00)
Tax adjustment for prior years (net of deferred tax liability March 2014 - ₹ 18.88 crore, March 2013 - ₹ Nil, March 2012 - ₹ Nil) [see note 13]		(56.16)	0.39	(0.21)
Minimum alternate tax credit		(0.35)	(0.08)	(0.31)
Total tax expense (IV)		738.46	751.13	621.86
V Profit after tax (before share of profit from associates and adjustment for minority interest) (III-IV)		1,824.19	1,842.43	1,550.81
VI Share of net profit from associates		2.01	1.86	1.87
VII Share of profit of minority interest		(23.52)	(8.09)	1.33
VIII Profit for the year (V+VI+VII)		1,802.68	1,836.20	1,554.01
IX Earnings per equity share (nominal value of share ₹ 10 each)	32			
Basic (₹)		11.89	12.13	10.24
Diluted (₹)		11.88	12.06	10.20

IDFC LIMITED

CONSOLIDATED SUMMARY CASH FLOW STATEMENT

		(₹ in crore)		
	Notes	For the year ended March 31, 2014	For the year ended March 31, 2013	For the year ended March 31, 2012
A. Cash flow from operating activities				
Profit before tax		2,562.65	2,593.56	2,172.67
Adjustments for:				
Depreciation and amortisation expense	11(a) & (b)	30.96	34.40	38.44
Provision for employee benefits		0.39	(7.57)	1.49
Expense under the ESOS	22	-	0.21	4.31
Provisions and contingencies	24	628.30	349.63	284.58
Provision / (utilisation) against stock futures		-	(0.50)	0.50
Provision utilised against non-performing loans / other receivables		(164.07)	(21.08)	-
(Amortisation) / writeback of premium on long term investments		(9.26)	3.01	3.32
Unrealised loss on foreign currency revaluation		221.47	57.22	31.82
Profit on sale of other investments (net)	20(d)	(597.88)	(401.33)	(496.17)
(Utilisation) / writeback of securities premium account (gross of tax)		0.14	(13.35)	(132.19)
Foreign currency translation reserve		11.06	4.48	7.22
(Profit) / loss on sale of fixed assets (net)		(10.56)	0.38	(4.30)
Gain on buy back of debentures and commercial papers		(1.27)	(0.55)	-
		109.28	4.95	(260.98)
Operating profit before working capital changes		2,671.93	2,598.51	1,911.69
Changes in working capital:				
Adjustments for (increase)/ decrease in operating assets				
Trade receivables		20.59	(126.26)	30.95
Long-term loans & advances		15.45	(14.81)	37.29
Short-term loans & advances		(2.70)	(7.74)	(29.45)
Other non-current assets		445.24	(250.33)	85.75
Other current assets		(480.74)	(69.24)	(308.64)
Adjustments for increase/ (decrease) in operating liabilities				
Trade payables		20.06	20.30	(64.09)
Other long-term liabilities		179.63	176.49	96.09
Other current liabilities		(284.74)	464.54	323.07
		(87.21)	192.95	170.97
Direct taxes paid		(991.95)	(818.91)	(660.64)
CASH GENERATED FROM OPERATIONS		1,592.77	1,972.55	1,422.02
Loans disbursed (net of repayments)		(3,078.76)	(7,470.33)	(10,512.81)
NET CASH USED IN OPERATING ACTIVITIES		(1485.99)	(5,497.78)	(9,090.79)
B. Cash flow from investing activities				
Purchase of fixed assets (including intangible assets under development)		(16.53)	(8.95)	(9.04)
Decrease in capital work-in-progress on sale of a subsidiary		-	36.48	-
Sale of fixed assets		12.09	9.72	5.30
Bank deposits matured (net)		0.41	516.93	208.91
Investment in associates		-	-	(101.29)
Investment / subscription of shares in subsidiaries		(193.73)	(194.44)	(8.00)
Purchase of other investments		(525,616.11)	(251,123.33)	(162,413.67)
Sale proceeds of investment in subsidiaries		-	4.18	297.79
Sale proceeds of investment in an associate		-	15.00	-
Sale proceeds of other investments		525,998.07	248,728.42	161,797.53
Capital reserve due to change in shareholding in group companies		-	-	₹
Opening adjustment		0.04	9.73	0.33
NET CASH FROM / (USED IN) INVESTING ACTIVITIES		184.24	(2,006.26)	(222.14)
C. Cash flow from financing activities				
Proceeds from fresh issue of shares (net of issue expenses)		6.83	19.04	15.63
Securities premium on issue of shares by a subsidiary company		-	-	2.25
Proceeds from borrowings (net of repayments)		6,198.49	10,759.46	9,494.41
Buy back of debentures and commercial papers		(4,310.73)	(2,781.49)	-
Dividend paid (including dividend distribution tax)		(454.20)	(407.06)	(422.20)
Increase / (decrease) in minority interest		(8.75)	(0.49)	17.68
NET CASH FROM FINANCING ACTIVITIES		1,431.64	7,589.46	9,107.77
Net increase / (decrease) in cash and cash equivalents (A+B+C)		129.89	85.42	(205.16)
Cash and cash equivalents as at the beginning of the year	19	189.54	104.12	309.28
Cash and cash equivalents as at the end of the year	19	319.43	189.54	104.12
		129.89	85.42	(205.16)

See accompanying notes forming part of the consolidated summary financial statements.

RISK FACTORS

Any investment in equity shares involves a high degree of risk. You should carefully consider all the information in this Placement Document, including the risks and uncertainties described below, before making an investment in the Equity Shares. The risks and uncertainties described in this section are not the only risks that we currently face. Additional risks and uncertainties not known to us or that we currently believe to be immaterial may also have an adverse effect on our business, results of operations, financial condition and prospects. If any of the following or any other risks actually occur, our business, results of operations, financial condition and prospects may be adversely affected and the price and value of your investment in the Equity Shares may decline, and you may lose all or part of your investment. The financial implications of risks, wherever quantifiable, have been disclosed in the risk factors mentioned below. However, there are certain risk factors where the financial implications are not quantifiable and, hence, have not been disclosed. Unless otherwise stated, our financial information used in this section is derived from our audited consolidated financial statements prepared under Indian GAAP. Prospective investors are advised to consult their independent tax, financial and legal advisors about the particular consequences of an investment in the Equity Shares.

Further, all references to 'Our Company', 'we', 'us' and 'our', are to IDFC Limited, its Subsidiaries and their joint ventures, other consolidated entities and the Proposed IDFC Bank. All references to our proposed banking business and the Proposed IDFC Bank are forward looking statements which are subject to receipt of all the requisite approvals, and based on management's beliefs and assumptions, which in turn are based on currently available information. Although we believe the assumptions and the proposed plans upon which these forward looking statements, particularly statements relating to our proposed banking business and the Proposed IDFC Bank, are based are reasonable, any of these assumptions could prove to be inaccurate, and the forward-looking statements based on these assumptions could be incorrect.

Risks in relation to Our Proposed Banking Business

1. The commencement of our proposed banking operations is subject to final RBI approval, which will be contingent on a corporate restructuring intended to be undertaken by us by way of a court-approved demerger. In the event of any delay or failure to complete our proposed restructuring or to obtain RBI approval, we may not be able to commence our banking business, which would have a material adverse effect on our business plan.

The RBI granted us in-principle approval for setting up a new bank, on April 9, 2014, pursuant to the RBI New Banks Licensing Guidelines. This approval is valid for a period of 18 months from the date of receipt of in-principle approval, i.e., by October 8, 2015.

The RBI New Banks Licensing Guidelines and the in-principle approval issued to us contain certain stipulations as to our eligibility to set up a new private sector bank, pursuant to which we intend to undertake the following steps:

- Bringing foreign shareholding in our Company below 50%, pursuant to this Issue;
- Receipt of the RBI approval for the memorandum of association and the articles of association of the wholly owned non-operative financial holding company ("NOFHC") and the proposed IDFC Bank ("Proposed IDFC Bank"), as well as for the appointment of the Chairman and Chief Executive Officer of the NOFHC and the Proposed IDFC Bank;
- To set up a NOFHC, which will in turn set up the new bank – the Proposed IDFC Bank;
- Receipt of NBFC registration for the NOFHC from the RBI;
- Transfer of our equity ownership in all our regulated financial services Subsidiaries to the NOFHC. Demerger of our financing business comprising of loans, liquidity and accrual book of treasury portfolio, current assets, borrowings, receivables, security interests, current liabilities and other assets and liabilities into the Proposed IDFC Bank, pursuant to a court-approved scheme of demerger as a part of which the Proposed IDFC Bank will issue shares to our shareholders ("Proposed Demerger");
- Listing of the Proposed IDFC Bank on the Stock Exchanges, pursuant to which the Proposed IDFC Bank will be a widely held public company with minimum holding of 40% equity shares held by the NOFHC. Pursuant to the Proposed Demerger, the equity shares of our Company shall continue to be listed on the Stock Exchanges, and we shall hold 100% of the equity capital of the NOFHC; and
- Receipt of final banking license from the RBI for commencement of business of the Proposed IDFC Bank.

Therefore, in the event, our corporate reorganization is significantly delayed or denied for any reason, including, without limitation, due to delay in receiving the court or shareholders' approval for the Proposed Demerger, delay or difficulty in obtaining any requisite lender approvals for the Proposed Demerger or the approval of SEBI and the Stock Exchanges, or we are unable to obtain the RBI approval intended to be sought by us in this connection by the due date or 18 months from the date of the in-principle approval or on terms acceptable to and viable for us or at all, our proposed commencement of banking operations, currently anticipated to be during fiscal 2016, may be correspondingly delayed or affected. Further, the RBI may impose additional conditions on us and may also withdraw the in-principle approval for our Proposed IDFC Bank if any adverse features are noticed by the RBI or in view of any development which the RBI believes may prejudice efficient functioning of the Proposed IDFC Bank. Additionally, we are also required to list the Proposed IDFC Bank with the Stock Exchanges within three years of the commencement of operations. If there is any delay or difficulty in listing of the Proposed IDFC Bank including, without limitation, due to any delay or difficulty in obtaining requisite listing and trading approvals of the Stock Exchanges and the approval of SEBI for the listing of the Proposed IDFC Bank, it may adversely affect our business prospects and the price of our Equity Shares.

For a detailed organization chart as on the date of this Placement Document and at the time of our proposed commencement of banking operations through IDFC Bank, see "*Our Business – Proposed Banking Business*" on page 101.

2. We have no operating history in the banking business and we are subject to all of the business risks and uncertainties associated with setting up a new business in general, and with banking operations in particular. Further, after commencement of our banking operations, if we are unable to manage our growth effectively, our business and results of operations, financial condition and prospects may be adversely affected.

We have no operating history in the banking business. Accordingly, we will be subject to all the business risks and uncertainties associated with setting up any new business venture, in particular, risks in relation to the banking business, which may adversely affect our business, results of operations, financial condition and prospects, including the following:

- Given our senior management has limited experience in banking operations, as a new bank, attracting and retaining talented professionals is a key element of our business strategy. An inability to attract and retain talented professionals or the resignation or loss of key management personnel may have an adverse impact on our business and our future financial performance. Specifically, as we seek to expand our banking operations to smaller cities and towns as well as in unbanked rural areas, it may be more challenging to attract and retain qualified professionals in such locations. Further, we intend to restructure the management of our Company so as to shift a number of members of our existing senior management to the Proposed IDFC Bank subject to approval of the RBI, where necessary. There is no assurance that any such approval, if sought, would be granted by the RBI within a reasonable time, without imposing any additional onerous conditions, or at all;
- Given we have no operating history in the banking business, we may face significant challenges in developing and institutionalizing our procedures and policies for our banking business. We may have to formulate suitable internal processes for managing the volumes of transactions that we would expect after our banking business is established. As a new bank, our operations would require extensive monitoring, strict compliance with know-your-customer ("KYC") requirements and prudent risk management. Our growth plans will place significant demands on our operational, credit, financial and other internal risk controls, making our management of asset quality increasingly important;
- As we foray into banking operations, our product offerings will change significantly from our operations as an NBFC-IFC. Some of the new offerings in our proposed banking business will include current accounts, escrow accounts, payment services, cash credit, other working capital loans, trade finance (including letters of credit and bank guarantees), cash and liquidity management, foreign exchange and foreign exchange hedging, which we do not currently provide as part of our NBFC operations. Our ability to compete successfully in our proposed banking operations will depend on our ability to create value propositions to attract and retain customers and cross-sell our products to them, and on our ability to anticipate and fulfil the needs of customers in target markets;
- As part of our overall growth and diversification strategy, as well as to meet specific regulatory targets for priority sector lending, we will be required to create an extensive branch network, including 25% of

our branches being located in unbanked rural areas with a population of less than 10,000. The opening of such bank branches may be subject to delays and risks associated with identifying suitable premises in the appropriate locations, negotiating and entering into leases for such premises on commercially viable terms and setting up relevant bank branches including through establishing the requisite physical and technological infrastructure. Notwithstanding our intention to streamline and support our physical branch network through technology-enabled platforms and multimodal banking channels, any significant delay or difficulty in rolling out our bank branch network may adversely affect our business, results of operations, financial condition and prospects;

- We will also be heavily reliant on our systems technology in connection with financial controls, risk management and transaction processing, including successful implementation of the core banking solutions (“CBS”) as required for all banks. We will also be dependent on third party service providers for security systems and our technology infrastructure. In addition, our delivery channels will include ATMs, call centres and the internet. Any failure in any of our systems or any failure by such third party service providers, particularly for retail products and services and transaction banking services, could result in business interruption, loss of customers, damaged reputation and weakening of our competitive position and could have a material adverse effect on our financial condition and results of operations;
- We will need to develop our infrastructure to protect our security systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems for safe and secure banking service offerings. Although we intend to implement technology driven security measures and establish operational procedures to prevent break-ins, damage and failures, there can be no assurance that these security measures will be successful. A significant failure in security measures could have a material adverse effect on our business and our future financial performance; and
- Subsequent to the proposed commencement of our banking operations and the preliminary costs and resources invested by us in that relation, we may face delays or difficulties in establishing and implementing the technology and physical infrastructure required for our proposed banking operations, for instance, for the launch of solutions such as internet banking, telephone banking or mobile banking, which we believe would be convenient banking solutions, particularly for retail customers and for extending our reach beyond our physical branch network, as well as for retail products such as prepaid cards and travel cards. In any such event, our proposed banking operations may not grow as we presently anticipate, we may not successfully recover our investments in setting up our banking operations or our profitability may be negatively impacted.

Further, our financial statements for historic periods should not be considered indicative of our financial position for any future periods, subsequent to the proposed commencement of our banking operations. Accordingly, it will be very difficult to evaluate our business prospects as we have no banking operating history and our past performance will not be indicative of our future results of operations or financial condition.

Further, we have experienced rapid growth in our existing business since we began operations in October 1997. While we intend to continue to grow our business, even after commencement of our banking operations, our growth plans may place significant demands on our operational, credit, financial and other internal risk controls, and on our management. Our growth strategies may also exert pressure on the adequacy of our capitalization, making management of asset quality increasingly important. Further, in the short term, our focus will be on developing and embedding key systems and processes, building our team and setting up the branch architecture, in a phased manner. While in longer term, we aim to achieve asset growth and scale-up our operations, our overall results of operations and particularly our profitability may be materially affected during the initial phase of our banking business.

Further, banking operations may pose new business and financial challenges which may entail substantial senior level management time and resources and would put significant demands on our management team and other resources post commencement of our banking operations. As we grow and diversify, we may not be able to implement, manage or execute our strategy efficiently in a timely manner or at all. We cannot assure you that we will be able to sustain our robust financial performance post commencement of our banking operations which may adversely affect our business, results of operations, financial condition and prospects, and our reputation and brand image.

3. The banking sector in India, particularly for a domestic banking company, is highly regulated, which may

limit the operational flexibility of the Proposed IDFC bank, on the commencement of our banking operations. Further, the regulatory requirements for the banking sector in India are significantly different from and comparatively more onerous than the regulatory requirements for our NBFC operations. Any failure to comply with such requirements or future increase in these regulatory requirements could adversely affect our proposed banking business.

As a banking company, the Proposed IDFC Bank will be regulated under the Banking Regulation Act, 1949 (the “Banking Regulation Act”) as well as various circulars and directives issued by the RBI, including on recognition of income, classification of assets, valuation of investments, maintenance of capital adequacy, and provisioning for impaired assets. Banking companies are required to comply with prudential norms specified by the RBI from time to time on capital adequacy and market discipline, the classification, valuation and operation of their investment portfolio, and income recognition, asset classification and provisioning pertaining to advances, as well as complying with RBI directives on permissible loans and advances, permissible exposures, requisite disclosures in financial statements, fraud classification and reporting, and periodic disclosure requirements.

For instance, under the RBI New Banks Licensing Guidelines, the Proposed IDFC Bank will be required to maintain a minimum CRAR of 13% on an ongoing basis for first three years. Subsequent to that, under the Basel III framework, which the RBI has notified for implementation in a phased manner, we will be required to maintain a minimum CRAR of 9% on an ongoing basis, including a Tier I CRAR of 7%, with higher targets as well as disclosure requirements for capital adequacy and risk coverage coming into effect from March 31, 2018, and full implementation by March 31, 2019. Further, under the Basel III framework, we will be required to maintain an additional 2.50% as capital conservation buffer on the Tier I CRAR, which would on an aggregate require the Proposed IDFC Bank to maintain a minimum CRAR of 11.50% on an ongoing basis post March 31, 2019. Further, the Proposed IDFC Bank will be required to maintain a minimum CRR of 4% of our net demand and time liabilities in a current account with the RBI. We will not earn interest income on the CRR. We will also be required to maintain a SLR equivalent to 22.00% of our net demand and time liabilities, to be invested in cash and government or other RBI-approved securities. Further, the credit exposure norms would also be different for a private bank compared to an NBFC. In accordance with RBI guidelines, the exposure ceiling limits for loans would be 15% of capital funds in case of a single borrower and 40% of capital funds in the case of a borrower group for a bank, compared to an NBFC-IFC for which the exposure ceiling limits would be 25% of capital funds in case of a single borrower and 40% of capital funds in the case of a single borrower group.

In the event that the CRAR, CRR or SLR requirements applicable to us are increased in the future, our assets available for making loans and advances to our borrowers would be correspondingly further reduced. Moreover, if we fail to meet prescribed prudential norms in our banking operations or otherwise to comply with regular reporting requirements applicable to a banking company, the RBI may charge penal interest for the period of default, or restrict our banking activities, or otherwise enforce increased scrutiny and control over our banking operations including by way of withholding approvals, or issuing conditional approvals, in respect of any proposed actions for which we may seek RBI approval in the future, or even cancelling our banking license in view of any major and/or sustained non-compliance. Any such actions or events may adversely affect our business, results of operations, financial condition and prospects.

Further, pursuant to the RBI New Banks Licensing Guidelines, the shareholding of the NOFHC in the Proposed IDFC Bank is required to be a minimum of 40% of its paid-up voting equity capital, subject to a five-year lock-in from the date of commencement of banking operations. The shareholding of the NOFHC in the Proposed IDFC Bank is required to be reduced in a phased manner thereafter, i.e., to be reduced to 40% within three years of the commencement of banking operations, to 20% within a period of 10 years, and to 15% within a period of 12 years. If the Proposed IDFC Bank raises further capital during the first five years of commencement of banking operations, shareholding of the NOFHC will be required to be maintained at 40% of its enhanced share capital. Our inability to comply with such conditions may result in imposition of fines or penalties by the RBI. Further, the Banking Regulation Act limits our flexibility in many ways, including by way of specifying certain matters for which a banking company would require RBI approval. For instance, pursuant to the Banking Regulation Act, no shareholder in a banking company can exercise voting rights on poll in excess of 10% of the total voting rights of all its shareholders, notwithstanding such shareholder’s actual shareholding, which may be in excess of 10% of the total shareholding of such company, subject to permitted exceptions in respect of the holding company of a new bank in the private sector, set up and licensed under the RBI New Banks Licensing Guidelines. Further, under the RBI New Banks Licensing Guidelines, no shareholder can hold more than 5% of the paid-up capital of the bank without prior approval of the RBI. The RBI approval is also required for the appointment and remuneration of the chairman, managing director and whole-time directors of any banking

company, and for the creation of any floating charges to secure the borrowings of such banking company. The Banking Regulation Act also confers on the RBI the power to supersede any decision of the board of directors of a bank and to appoint an administrator to manage the bank for a period up to 12 months.

Additionally, under the in-principle approval of the RBI dated April 9, 2014, the NOFHC is not permitted to set up any new financial services entity for at least three years from the date of commencement of our proposed banking operations. Further, as and when we intend to set up any new subsidiary, joint venture or associate under the NOFHC, we will need specific approval from the RBI. The RBI New Banks Licensing Guidelines also contain certain specifications as to the eligibility of the promoters of, the permitted corporate and management structure of, and prudential norms applicable to, the holding company of a new bank in the private sector (including exposure norms applicable to our Company and the Proposed IDFC Bank, as well as to other financial sector entities held or promoted by our Company, other than the Proposed IDFC Bank). Further, while transferring the term borrowings and other secured liabilities from our Company to the Proposed IDFC Bank, the RBI may allow creation or continuation of floating charges on the assets of the Proposed IDFC Bank pursuant to the RBI New Banks Licensing Guidelines, subject to imposition of additional capital charge by the RBI. These requirements may limit our flexibility or adversely impact our growth strategy for our banking business, going forward, particularly as compared to established private sector banks to which the RBI New Banks Licensing Guidelines is not applicable.

4. As a consequence of being regulated as a banking company, the Proposed IDFC Bank will be required to comply with regulatory directives in relation to priority sector lending, which will limit our operational flexibility on the commencement of our proposed banking operations.

The regulatory requirements applicable to banking companies in India, specifically, to domestic commercial banks, will require us to make loans and advances to the agriculture and allied activities sector and to micro and small enterprises (as well as specified categories of export credit, housing loans, education loans, and loans to borrowers classified as ‘weaker sections’), which are, collectively, considered priority sectors, of a minimum of an aggregate of 40% of adjusted net bank credit (“ANBC”) or the credit equivalent amount of off-balance sheet exposure (as on March 31 of the preceding fiscal), whichever is higher, comprising a minimum of 18% of ANBC being earmarked for agriculture.

The RBI has issued detailed directives as to the computation of ANBC or off-balance sheet exposures in this relation, clarifying, for instance, that contingent liabilities and off-balance sheet items do not form part of priority sector target achievement. The interest rates for various categories of priority sector loans are specified from time to time, and there is also a *de minimis* provision in terms of service charges not being leviable for priority sector loans below a specified amount. In relation to this requirement to extend priority sector loans and advances, we would also be required to put in place internal controls and systems to ensure eligibility of borrowers under this category and the extension of loans and advances only for purposes approved by the RBI in this relation, and for monitoring end-use of priority sector loans and advances. Failing compliance with specified priority sector lending targets and sub-targets, we would be required to make equivalent contributions to the Rural Infrastructure Development Fund established with the National Bank for Agriculture and Rural Development (“NABARD”) and other funds with NABARD, the National Housing Bank, the Small Industries Development Bank of India, or other financial institutions, or other such investments as may be prescribed by the RBI for this purpose, which typically have lower yields. Moreover, the non-achievement of specified priority sector lending targets and sub-targets is required to be taken into account by the RBI, at the time of granting any other approvals, registrations or clearances as may be sought from the RBI by a banking company from time to time.

The RBI New Banks Licensing Guidelines require us to comply with priority sector lending targets and sub-targets from the commencement of banking operations, and will require us to open at least 25% of our bank branches in unbanked rural centers with a population of less than 10,000, to avoid over-concentration of branches in metropolitan areas and cities that already have adequate banking presence. The opening of bank branches in such rural areas will be subject to locational, infrastructural and security risks and attracting professionals for such branches may also be difficult.

This requirement to extend priority sector loans and advances poses significant challenges for us, given that we have not yet established our banking operations and we will face competition from several established players in the banking sector in India, including from public sector banks with extensive branch networks, particularly in terms of rural branches. We may also face competitive pressures from foreign banks with a limited number of branches (i.e., less than 20 branches) in India, which are required to comply with a less stringent set of norms on

priority sector lending, as compared to domestic commercial banks or foreign banks with a larger branch network in India. Moreover, there is limited scope for expanding a bank's agricultural loan portfolio through corporate borrowers due to the limited involvement of corporate entities in agricultural activities in India. Additionally, NPAs reported for priority sector lending have historically been higher as compared to non priority sector lending, due to which we may face additional challenges in managing and maintaining our asset quality in our banking business, notwithstanding our compliance with credit exposure norms and proper due diligence and other control measures as well as our experience in managing and maintaining our asset quality in our NBFC business. However, it is possible that due diligence and KYC checks and compliances for priority sector borrowers may be particularly cumbersome or challenging, as compared to corporate and commercial banking customers, in part because the Credit Information Bureau of India Limited is largely urban focused at present. Further, the agricultural sector, which is the largest component of priority sector lending, is particularly susceptible to seasonality as well as trends or developments such as unfavourable monsoons, inclement weather or natural disasters such as droughts, floods or cyclones, reductions in price support mechanisms or subsidies available under Government policies, and various other factors that may be beyond our control or impossible or difficult for us to anticipate.

5. We cannot assure you that we will be able to adequately manage our interest rate risk in the future, and our inability to do so may have an adverse effect on our net interest income.

On the commencement of operations by the Proposed IDFC Bank, our bank lending and treasury operations will expose us to the risk of possible decline in Net Interest Margins ("NIM"), arising from an increase in interest rates applicable to our liabilities, without a corresponding increase in interest rates applicable to our assets.

Therefore, if interest rates rise in the future, we may have difficulty in maintaining a low effective cost of funds. Moreover, an adverse impact on our NIM and net profit may reflect in a rating downgrade, which may further restrict our access to low-cost capital for the planned growth of our banking operations.

Interest rates are highly sensitive to many factors beyond our control, including the monetary policies of the RBI, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors. Due to these factors, interest rates in India have historically experienced a relatively high degree of interest rate volatility.

Further, the Proposed IDFC Bank will be required to comply with SLR requirements equivalent to 22.00% of our net demand and time liabilities to be invested in cash and government or other RBI-approved securities. Yields on such prescribed securities will depend on interest rates. In a rising interest rate environment, especially if the rise were sudden or sharp, we may be adversely affected by the decline in the market value of our securities portfolio and other fixed income securities. For instance, the volatility in interest rates is reflected in the movement of the annual yield on the 10-year Government bond, being 9.03% as on March 31, 2014, compared to 8.14% as on March 31, 2013. A large portfolio of Government securities may limit our future ability to deploy bank funds into higher yield investments.

Further, in case our borrowings are linked to market rates, we may have to pay interest at a higher rate if interest rate increases. Moreover, when interest rates decline, we are subject to greater re-pricing and prepayment risks as borrowers take advantage of the attractive interest rate environment, and we may have difficulties in retaining our customers, and also because liabilities generally re-price faster than assets. When assets are re-priced, our spread on our loans, which is the difference between our average yield on loans and our average cost of funds, may be affected. During periods of low interest rates and high competition among lenders, borrowers may seek to reduce their borrowing cost by asking lenders to re-price loans. If we re-price loans, our results may be adversely affected in the period in which the re-pricing occurs. If borrowers prepay loans, the return on our capital may be impaired as any prepayment premium that we receive may not fully compensate us for the redeployment of such funds elsewhere. Further, the majority of the loans provided by us is long-term in nature and may not have escalation clauses and may be on a fixed rate basis. Any increase in interest rates over the duration of such loans may result in us losing interest income. Our inability to effectively and efficiently manage interest rate variations may adversely affect our result of operations and financial condition.

6. As part of our proposed banking business, we will seek to diversify our product offerings and also diversify our focus beyond the infrastructure sector. In the event, we are unable to implement our diversification strategies both in relation to our product offerings and entering into other industry sectors; it can have a material adverse effect on our business and results of operations.

We seek to leverage our experience in infrastructure finance to build our presence in the banking sector and develop new customer and industry relationships beyond the infrastructure sector. However, we have no significant prior experience with customers in those sectors and we may not be able to implement our business strategies effectively and our new initiatives may divert management resources from areas in which they may be otherwise better utilized. We will also face significant competition from private banks, public sector banks, foreign banks and NBFCs who may already be active in these sectors. As we seek to diversify our proposed banking operations beyond infrastructure sector, we will face the risk that some of our competitors may be more experienced in or have a deeper understanding of these sectors or have better relationships with potential customers in these sectors.

Further, we also intend to expand our products by cross-selling diversified products, such as cash management solutions and supply chain financing to our corporate customers, as well as financial institutions and government bodies. In this relation, we intend to provide products and services such as current account, escrow account, cash credit, other working capital loans, trade finance (including letters of credit and bank guarantees), cash management, and foreign exchange (which only banks are permitted to offer, in the current regulatory framework in India) to our customers. We cannot assure you that we will be able to successfully offer new products to our customers to establish our presence in the banking sector.

7. Once we commence our banking operations, if we are unable to attract and/or manage our current account and savings account (“CASA”) deposits or fail to establish our retail banking operations, our results of operations may be adversely affected.

Once we commence our banking operations by the Proposed IDFC Bank, we seek to attract CASA deposits in order to reduce cost of funds and improve our core capital in the Proposed IDFC Bank. Given we have no operating history in the banking business, particularly in the retail banking; we may not be able to attract retail customers and increase our CASA deposits. We may have to formulate certain incentive schemes, offer a rationalized interest rate to retail customers along with the roll out of our diversified delivery channels including ATMs, call centers and the Internet, to encourage customers to deposit money in current and savings accounts. However, if are unable to establish and expand our retail banking business or fail to manage our CASA growth, our results of operations may be adversely affected.

8. The level of non-performing loans in our portfolio may increase, which will adversely affect our business and results of operations.

As on March 31, 2014, our gross and net non-performing loans (“NPL”) aggregated to 0.56% and 0.37% of our total loans. Our total loans provision of 2.40% (as a percentage of loans) as on March 31, 2014 may not be indicative of the expected quality of our asset portfolio, particularly as on any dates subsequent to the commencement of our proposed banking operations, if risks affecting a significant portion of our exposure were to materialize or general economic conditions were to deteriorate.

Moreover, we expect the size of our asset portfolio to continue to increase in the future and, after the commencement of operations by the Proposed IDFC Bank, it may have additional non-performing assets on account of new loans and sectoral exposures, as well as due to commencement of our retail banking operations. Further, immediately after commencement of operations by the Proposed IDFC Bank, our non-performing assets may increase due to the loan provisioning norms of 90 days as applicable to the banks compared to 180 days which is applicable to NBFCs pursuant to the Prudential Norms of the RBI for non-deposit taking NBFCs. Additionally, provisioning requirements for standard, sub-standard (secured) and sub-standard (unsecured) loans will be 0.40%, 15% and 25%, respectively, for the Proposed IDFC Bank, compared to 0.25%, 10% and 10%, respectively, as currently applicable to us as an NBFC. If we are not able to effectively manage the level of non-performing assets, our asset quality, business, results of operations, financial condition and prospects may be adversely affected.

9. The banking sector in India is fiercely competitive, particularly vis-à-vis public sector banks and established private sector banks that already have an extensive physical network and we may not be able to compete with these banks which may have an adverse impact on our results of operations.

The banking sector in India is fiercely competitive. We will face competition from Indian and foreign commercial banks in the private sector, as well as public sector banks in India, and other financial services companies in India.

In particular, public sector banks as well as existing private sector banks, have an extensive customer and depositor base, larger branch networks, and, in case of public sector banks, Government support for capital augmentation, due to which they may enjoy corresponding economies of scale and greater access to low-cost capital, and accordingly, we, as a new bank, may not be able to compete with them. Moreover, once we start our banking operations, we will be subject to more stringent regulatory framework than the foreign banks, including more stringent priority sector lending targets compared to the foreign banks. Some of our competitors operating in India may also have access to greater capital and experience in the banking industry as well as lower concentration and exposure risks than us. Moreover, as a result of regulatory requirements to maintain CRR and SLR at specified rates, we may be structurally more exposed to interest rate risks, as compared to banks which are also operating in other countries or with significant international operations.

Further, the RBI has issued Draft Guidelines for Licensing of Payments Banks and Small Banks and Draft Guidelines for Licensing of Small Banks on July 17, 2014. While ‘Small Banks’ are expected to provide a whole suite of basic banking products, such as, deposits and supply of credit, but in a limited area of operation, ‘Payments Banks’ are expected to provide a limited range of products, such as, acceptance of demand deposits and remittances of funds, but will have a widespread network of access points particularly to remote areas, either through their own branch network or through Business Correspondents or through networks provided by others. In addition, the RBI has, through a circular dated June 24, 2014, permitted non-deposit taking NBFCs (“NBFC-NDs”) to act as business correspondents of banks, so as to accelerate financial inclusion in India. While these regulatory developments are recent, it is possible that such proposed institutions in the banking industry may increase competitive pressures in the banking sector, or that our competitors may be more equipped or more successful than us in operationalizing their banking services, their business correspondent relationships and networks.

Due to intense competition in the banking sector in India, we may also face challenges in hiring and retaining adequate numbers of sufficiently qualified and experienced personnel for the Proposed IDFC Bank.

Moreover, the requirement to anticipate and appropriately react to such competitive pressures and related industry trends may strain our management and other resources. Such competitive pressures and their incidental effects on us may adversely affect our business, results of operations, financial condition and prospects.

10. We may face challenges in maintaining our credit ratings and, correspondingly, a low effective cost of funds which may adversely affect our business, results of operations, financial condition and prospects.

On the commencement of operations by the Proposed IDFC Bank, our bank lending and treasury operations will expose us to the risk of possible decline in NIM, arising from an increase in interest rates applicable to our liabilities, without a corresponding increase in interest rates applicable to our assets. Credit ratings reflect the opinions of rating agencies on our financial health, operating performance, strategic position and ability to meet our financial obligations. Certain factors that influence our credit ratings may be outside our control. Please see “*Our Business*” on page 100 for details of our credit ratings.

The pricing on our issuances of debt will be negatively impacted by any downgrade or potential downgrade in our credit ratings. This would increase our financing costs, and adversely affect our future issuances of debt and our ability to raise new capital on a competitive basis. In addition, any adverse revisions to India’s credit ratings for domestic and international debt by international rating agencies may have a similar effect on our ability to raise additional financing and the terms at which such financing is available. This could have an adverse effect on our NIM, business, profitability and our ability to fund our growth.

11. We may face asset-liability mismatches, which may affect our liquidity position.

On the commencement of operations by the Proposed IDFC Bank, we expect to meet its funding requirements from short and long term deposits from retail and corporate depositors, as well as inter-bank deposits. However, a significant portion of its assets will have significantly longer maturities than our liabilities. Moreover, if a significant number of depositors do not roll over their funds on maturity, our liquidity position may be adversely affected. In particular, due to our existing infrastructure financing portfolio and as we may continue to make significant additional project finance advances in the future, we expect that the Proposed IDFC Bank may have relatively high credit to deposit ratios during its initial years of operation. There can be no assurance as to our ability to grow, or as to the degree of our success in growing, the depositor base of the Proposed IDFC Bank, or in ensuring that such depositors do not roll over their funds on maturity.

While our asset-liability management policy categorizes, and would continue to categorize, interest rate sensitive assets and liabilities into categories according to contracted residual maturities or anticipated re-pricing dates, as relevant, and the difference between the value of assets and liabilities maturing, or being re-priced, in any time period category would provide the measure to which we are exposed to the risk of potential changes in margins on new or re-priced assets and liabilities, our liquidity position may be adversely affected by the development of an asset-liability mismatch, which may have an adverse effect on our business, results of operations, financial condition and prospects. Moreover, in the context of project finance, risks arising from delayed project implementation or commissioning could result in a rise in delinquency rates and, in turn, affect our liquidity position, which may have an adverse effect on our business, results of operations, financial condition and prospects.

12. Significant security breaches, fraud or system failures could adversely impact our new banking business.

On the commencement of operations by the Proposed IDFC Bank, we will be heavily reliant on our systems technology in connection with financial controls, risk management and transaction processing. In addition, our delivery channels will include ATMs, call centres and the internet. Any failure in any of our systems, particularly for retail products and services and transaction banking services, may result in business interruption, loss of customers, damaged reputation and weakening of our competitive position and may have a material adverse effect on our financial condition and results of operations. Further, while we intend to implement security measures, technology and establish operational procedures to prevent break-ins, damage and failures, there can be no assurance that these security measures will be successful. A significant failure in security measures may have a material adverse effect on our business and our future financial performance. The Proposed IDFC Bank may have a high volume of transactions, particularly its retail banking operations and although we propose to take adequate measures to safeguard against system-related and other failures, there can be no assurance that we will be able prevent frauds. Further, our reputation could be adversely affected by significant frauds committed by any employees, customers or other third parties.

13. On the commencement of operations by the Proposed IDFC Bank, we will be a holding company with no direct operations and will be dependent on dividends and other distributions from our Subsidiaries, particularly from the Proposed IDFC Bank, whose ability to declare and pay dividends is restricted by Indian law.

After the Proposed Demerger is effective and after commencement of operations by the Proposed IDFC Bank, our Company will become a holding company and we will be dependent on dividends and other distributions from our Subsidiaries, in particular, the Proposed IDFC Bank, for our cash requirements, including funds to pay dividends and other cash distributions to our shareholders.

Pursuant to the RBI New Banks Licensing Guidelines, we will be required to create a wholly-owned NOFHC and transfer our equity ownership in all our financial services Subsidiaries regulated by the RBI or other financial regulators to the NOFHC and demerge our existing financing business into the Proposed IDFC Bank. Accordingly, investors' ownership of us following completion of this Issue and the Proposed Demerger, will represent a corresponding indirect and smaller ownership interest of the Proposed IDFC Bank. Should we decide to pay dividends to our shareholders in the future, our ability and decision to pay dividends will depend on, among other things, the availability of dividends from the Proposed IDFC Bank and our other businesses under the NOFHC which will be an NBFC. Pursuant to Section 17 of the Banking Regulation Act, every banking company will be required to create a reserve fund and transfer thereto a sum not less than 20% of its profit every year before declaring any dividend and pursuant to Section 15 of the Banking Regulation Act, no banking company shall pay any dividend until all its capitalized expenses have been completely written off. Similarly, pursuant to Section 45-IC of the RBI Act, every NBFC is also required to create a reserve fund and transfer thereto a sum not less than 20% of its net profit every year before any dividend is declared. Further, pursuant to the RBI New Banks Licensing Guidelines, the NOFHC will be required to transfer 25% of its profit to a reserve fund prior to declaring any dividend. Accordingly, the amount of our future dividend payments will be impacted by such restrictions. Additionally, in the future, our Company and our Subsidiaries, including the Proposed IDFC Bank, may be restricted by the terms of our financing agreements in making dividend payments unless otherwise agreed with our lenders.

Further, as consequence of our proposed restructuring prior to commencement of our proposed banking business, our Company may be reclassified as a Core Investment Company ("CIC") or NBFC-Investment Company ("NBFC-IC") in the future. If we are classified as an NBFC-IC, we will be required to register with the RBI and will be subject to the applicable requirements for an NBFC-IC including applicable capital

adequacy and concentration of credit or investment requirements. CICs other than systemically important CICs with an asset size of over ₹ 100 crore are not required to have a certificate of registration from the RBI. However, if our Company is classified as a systemically important CIC, we would be subject to further regulatory restrictions and compliance requirements of the RBI.

Risks in relation to our Existing Businesses

14. As part of our growth strategy, we have diversified our business operations to increase the emphasis on fee-based revenue streams such as asset management, financial markets, investment banking and advisory services. Our diversification led growth initiatives make us susceptible to various risks that may limit our growth and diversification.

Our business strategy involves substantial expansion of our current business lines, as well as diversification into new business areas, including our proposed banking business. Factors that may limit the success of our planned growth and diversification include the following:

- significant demands on our management as well as our financial, accounting and operating resources, including in terms of recruiting adequate numbers of sufficiently qualified and experienced personnel for new businesses. As we grow and diversify, we may not be able to implement our business strategies effectively and our new initiatives may divert management resources from areas in which they may be otherwise better utilized;
- our limited experience in new businesses may prevent us from competing effectively with established and new competitors in these areas. We will face significant competition from commercial banks, investment banks, private equity and venture capital firms and established infrastructure developers. As we seek to diversify our business operations, we will face the risk that some of our competitors may be more experienced in or have a deeper understanding of these businesses or have better relationships with potential customers;
- our inability to identify suitable investments in the future, particularly for our businesses under IDFC Alternatives Limited (“IDFC Alternatives”); and
- diversified business operations may make forecasting revenue and operating results difficult, which impairs our ability to manage businesses and shareholders’ ability to assess our prospects.

If we are unable to overcome these obstacles and are unsuccessful in executing our diversification and growth strategy, our business, results of operations, financial condition and prospects may be adversely affected.

15. If we are unable to manage our growth effectively, our business, results of operations, financial condition and prospects may be adversely affected.

Our business has grown rapidly since we began operations in 1997. We intend to continue to grow our business rapidly, which may place significant demands on our operational, credit, financial and other internal risk controls, particularly to the extent that we place reliance on partners or business correspondents over whose operations we do not exercise direct control. Our growth may also exert pressure on the adequacy of our capitalization, making management of asset quality increasingly important.

As we are presently a systemically important non-deposit accepting NBFC and do not have access to deposits, our liquidity and profitability depend on timely and adequate access to capital, including borrowings from banks. Increase in debt would lead to leveraging the balance sheet, exerting pressure on the financial covenants that we are required to maintain under our various loan agreements. We cannot assure you that we would continue to be in compliance with loan agreements’ conditions. Any default under a loan agreement may lead to an adverse impact on our financial condition and results of operations. Further, the exposure (including lending, investment and off-balance sheet exposure) of a bank to NBFC-IFCs cannot exceed 15% of the bank’s capital funds as per such bank’s last audited balance sheet, which may be increased up to 20%, provided that the additional exposure is on account of funds on-lent to the infrastructure sector. Banks may also fix internal limits for their aggregate exposure to all NBFCs put together. Such restrictions may impact our ability to obtain adequate funding from Indian banks.

Further, our growth also increases the challenges involved in preserving a uniform culture, values and work

environment; and developing and improving our internal administrative infrastructure. Addressing the challenges arising from our growth entails substantial senior level management time and resources and would put significant demands on our management team and other resources. As we grow, we may not be able to implement, manage or execute our strategy efficiently in a timely manner or at all, which may adversely affect our business, results of operations, financial condition and prospects.

16. We have significant exposure to certain sectors and to certain borrowers and if certain assets become non-performing, the quality of our asset portfolio may be adversely affected.

As on March 31, 2014, our three largest sector-wise cumulative outstanding approvals were in the energy, telecommunications and transportation sectors, which in the aggregate constituted 87.42% of our total cumulative outstanding approvals of ₹ 77,635.90 crore, in terms of sanctioned loans, and in the aggregate constituted 87.55% of our total cumulative outstanding disbursements of ₹ 63,741.37 crore, in terms of outstanding disbursements.

Any negative trends or adverse developments in these sectors, particularly those that may affect our large corporate borrowers and industrial groups, may increase the level of non-performing assets in our portfolio and adversely affect our business and financial condition. For instance, the recent judgment of the Supreme Court of India relating to coal block allocations may adversely affect some of our borrowers in the energy sector. Also there has been a distinct slowdown in activities across the various infrastructure sectors in India in recent years, due to various political, regulatory and economic difficulties, lack of gas supply, difficult monetary position of state-owned electricity distribution companies, insufficient awards of highway projects, as well as the challenging financial condition of a number of infrastructure companies in India.

For the foreseeable future, we expect to continue to have a significant concentration of assets in these sectors and to certain borrowers and borrower groups, notwithstanding the commencement of our proposed banking operations. As on March 31, 2014, our top 20 corporate borrowers in the aggregate accounted for 41.08% of our total cumulative outstanding approvals and our 20 largest borrower groups in the aggregate accounted for 64.63% of our total cumulative outstanding approvals, in terms of sanctioned loans, while our top 20 corporate borrowers in the aggregate accounted for 43.97% of our total exposure and our 20 largest borrower groups in the aggregate accounted for 64.61% of our total exposure, in terms of outstanding disbursement. Credit losses on our significant single borrower and group exposures may adversely affect our business and financial condition. In addition, at present a majority of our income is in the form of interest income received from our borrowers. Any default by our large borrowers may have an adverse impact on our results of operations and financial condition.

17. Failure to recover the expected value of collateral when borrowers default on their obligations to us may adversely affect our financial performance.

As on March 31, 2014, most of our loans were secured by project assets. For debt provided on a senior basis, we generally have a first ranking charge on the project assets. For loans provided on a subordinated basis, we generally have a second ranking charge on the project assets. Although we seek to maintain a collateral value to loan ratio of at least 100% for our secured loans, an economic downturn or the other project risks described in this section may result in a fall in collateral values. Moreover, foreclosure of such collateral may require court or tribunal intervention that may involve protracted proceedings and the process of enforcing security interests against collateral can be difficult. Additionally, the realizable value of our collateral in liquidation may be lower than its book value.

Further, a significant portion of our outstanding disbursements are made on a non-recourse or limited recourse basis. With respect to disbursements made on a non-recourse basis, only the related project assets are available to repay the loan in the event that our borrowers are unable to meet their obligations under the loan agreements. With respect to disbursements made on a limited recourse basis, project sponsors generally give undertakings for funding shortfalls and cost overruns.

We cannot guarantee that we will be able to realize the full value of our collateral, due to, among other things, defects in the perfection of collateral, delays on our part in taking immediate action in bankruptcy foreclosure proceedings, stock market downturns, claims of other lenders, legal or judicial restraint and fraudulent transfers by borrowers. In the event that a specialized regulatory agency gains jurisdiction over the borrower, creditor actions may be further delayed. In addition, to put in place an institutional mechanism for the timely and transparent restructuring of corporate debt, the RBI has devised a corporate debt restructuring (“CDR”) system,

and a joint lenders' forum ("JLF") and corrective action plan ("CAP"). While we are not presently part of the CDR system and JLF and CAP are only applicable to lending under consortium and multiple banking arrangements, we may be required by the other lenders to agree to restructure the debt, regardless of our preferred method of settlement. Any failure to recover the expected value of collateral security may expose us to a potential loss in terms of write-off, reduction in interest rate or delay in recovery. Apart from the RBI guidelines, we may, in many cases, be a part of a syndicate of lenders, the majority of whom elect to pursue a different course of action than we would have chosen. Any such unexpected write-off, reduction in interest rate or delay in recovery may adversely affect our business, results of operations, financial condition and prospects.

18. Infrastructure financing carries certain risks which, to the extent that they materialize, may adversely affect our business and result in our loans and investments declining in value.

Our business is currently comprised of four business platforms, namely, Project Finance, Fixed Income and Treasury; Investment Banking and Institutional Broking; Public Markets Asset Management; and Alternative Asset Management; with a significant focus on the infrastructure lending in India. Infrastructure financing is characterized by project-specific risks as well as general risks. These risks are generally beyond our control, and include:

- disruptions or downswings in domestic or international economies, particularly in the domestic or international financial markets;
- changes in laws and policies that may adversely affect project viability, as well as delays in implementation of government plans and policies;
- delays in obtaining regulatory approvals for, and the construction and operation of, projects;
- adverse changes in market demand or prices for the products or services that the projects financed by us, when completed, are expected to provide;
- shortages of, or adverse price developments for, raw materials and key inputs such as metals, cement, steel, oil and natural gas;
- unavailability of financing at favourable terms;
- potential defaults under financing arrangements with our lenders, investors and borrowers;
- adverse liquidity, interest rate or currency exchange rate fluctuations or changes in financial or tax regulations; and
- economic, political or social instability or occurrences such as natural disasters, armed conflict and terrorist attacks, particularly where projects being financed by us are located or in the markets that they are intended to serve.

To the extent that these or other risks relating to our activities in the infrastructure financing sector materialize, the quality of our asset portfolio and our business, results of operations, financial condition and prospects may be adversely affected.

19. The private infrastructure development industry in India continues to be linked to the continued growth of the Indian economy, the sectors on which we focus, and stable and experienced regulatory regimes.

We believe that the further development of India's infrastructure depends on the formulation and effective implementation of programs and policies that facilitate and encourage private sector investment in infrastructure. Many of these programs and policies are evolving and their success will depend on whether they are designed to properly address the issues faced and are effectively implemented. Additionally, these programs will need continued support from stable and experienced regulatory regimes that not only stimulate and encourage the continued movement of private capital into infrastructure development, but also lead to increased competition, appropriate allocation of risk, transparency, effective dispute resolution and more efficient and cost-effective services to the end consumer.

The availability of private capital and the continued growth of the infrastructure development industry in India are also linked to continued growth of the Indian economy. Many specific factors within each industry sector may also influence the success of the projects within those sectors, including changes in policies, regulatory frameworks and market structures. Any sudden and adverse change in the policies relating to sectors, in which we intend to invest, may leave us with unutilized capital and interest and debt obligations to fulfil. While there has been progress in sectors such as energy, transportation and telecommunications and information technology, other sectors such as the commercial and industrial infrastructure sector and tourism have not progressed to the same degree.

Further, since infrastructure services in India have historically been provided by the central and state governments without charge or at a low charge to consumers, the growth of the infrastructure industry will be affected by consumers' income levels and the extent to which they would be willing to pay or can be induced to pay for infrastructure services. This would depend, to a large extent, on the quality of services provided to consumers. If the quality of infrastructure services provided to consumers, over which we have no control, are not as desired, income from infrastructure services would decline. This would lead to a decrease in demand for infrastructure financing, which in turn may adversely affect our business and operations. If the central and state governments' initiatives and regulations in the infrastructure industry do not proceed in the desired direction, or if there is any downturn in the macroeconomic environment in India or in specific sectors, our business, results of operations, financial condition and prospects may be adversely affected.

20. The infrastructure financing industry is becoming increasingly competitive and our growth will depend on our ability to compete effectively.

Competition in our industry depends on, among other things, the ongoing evolution of Government policies relating to the industry, the entry of new participants into the industry and the extent to which there is consolidation among banks, financial institutions and NBFCs in India. Our primary competitors are public sector banks, private banks (including foreign banks), financial institutions and other NBFCs. Many of our competitors may have larger resources or balance sheet sizes than us.

Additionally, since our Company is currently a non-deposit accepting NBFC, we may have restricted access to capital in comparison to banks. With the growth of our business, we are increasingly reliant on funding from the debt markets and commercial borrowings. The market for such funds is competitive and our ability to obtain funds on acceptable terms or at all will depend on various factors including our ability to maintain our credit ratings. If we are unable to access funds at an effective cost that is comparable to or lower than our competitors, we may not be able to offer competitive interest rates for our infrastructure loans. This is a significant challenge for us, as there are limits to the extent to which higher costs of funds can be passed on to borrowers, thus potentially affecting our net interest income. If we are unable to compete effectively with our competitors in the infrastructure financing segment, this may adversely affect our results of operations.

21. We make equity investments which are subject to market risks.

As on March 31, 2014, the book value of our quoted equity investments accounted for 0.48% of our total assets. The value of these investments depends on the success of the operations and management and continued viability of the investee entities. We may have limited control over the operations or management of these entities and some of these investments are unlisted, offering limited exit options. Therefore, our ability to realize expected gains as a result of our equity investments depends on factors outside of our control. Impairment in value in respect of our equity portfolio may adversely affect our asset quality, business, results of operations, financial condition and prospects.

22. As an infrastructure lending institution, we have received certain tax benefits in the past as a result of the type of lending operations we conduct. These benefits are gradually being made unavailable, which may adversely affect our profits.

We, as well as infrastructure projects that we finance, have benefited from certain tax regulations and incentives that accord favourable treatment to infrastructure-related activities. As a consequence, our operations have been subject to relatively low tax liabilities.

In fiscal 2012, 2013 and 2014, our effective tax rates (net of deferred tax) were 28.62%, 28.96% and 28.82%, respectively, compared to the marginal rate of tax of 33.99%, in each of these three fiscals, including applicable surcharges and cess that would have been applicable to us if these benefits were not made available to us.

We cannot assure you that we will continue to be eligible for such lower tax rates or any other benefits in the future, particularly subsequent to the commencement of our proposed banking operations, wherein we expect that a significant proportion of our earnings would be from our banking business. Moreover, the Direct Tax Code, once introduced, may significantly alter the taxation regime, including incentives and benefits, applicable to our operations. If the laws or regulations regarding the tax benefits applicable to us or the industry as a whole were to change, our taxable income and tax liability may increase, which may adversely affect our financial results. Additionally, if such tax benefits were not available, infrastructure projects may be considered less attractive, which may negatively affect the sector and have a corresponding detrimental effect on our business,

results of operations, financial condition and prospects.

23. Our income and profit from our public markets asset management and alternative asset management business depend on the value and composition of assets under management, which may decline because of factors outside our control.

Our income and profit from our public markets asset management and alternative asset management business depends on the total value and composition of assets under our management (“AUM”), as our management fees are usually calculated as a percentage of the AUM. As on March 31, 2014, our total AUM aggregated to ₹ 54,158.08 crore.

Any decrease in the value or composition of AUM will cause a decline in our income and profit. The AUM may decline or fluctuate for various reasons, many of which are outside our control. Factors that may cause the AUM and income to decline include the following:

- Declines in the Indian equity markets: Declines in the equity markets or the market segments in which our investment portfolios are concentrated will cause AUM to decline. The equity markets in India are volatile, which contributes and will continue to contribute to fluctuations in our AUM.
- Changes in interest rates and defaults: Many of our funds invest in fixed income securities, including short-term money market instruments. The value of fixed income securities may decline as a result of changes in interest rates, an issuer's actual or perceived creditworthiness or an issuer's ability to meet its obligations.
- Redemptions and withdrawals: Customers, in response to market conditions, inconsistent or poor investment performance, the pursuit of other investment opportunities, or any other factors, may reduce their investments in our funds or potential customers may avoid the market segments in which our funds are concentrated. In a declining market, the pace of redemptions may accelerate rapidly. Most of our equity and balanced/hybrid funds are open-ended funds, such that customers can redeem their units any time. Some of our income and liquid closed-ended funds have a short duration, so after the life of the fund, customers may choose not to reinvest in our funds and seek alternative forms of savings.

Further, recent budget announcements have stated that fixed maturity plans would be subject to the tax benefits only after three years as against one year until now. This may lead to higher redemptions and such redemption may affect our fees, AUM and the profitability of our asset management business. Additionally, if any of our funds face a lack of liquidity, although we have no legal obligation to do so, in order to protect the IDFC brand name, we may need to provide monies to such funds. Further, as compared to our other businesses, the public markets asset management business involves direct interaction with retail customers who are sensitive to our brand image. Retail customers may, in response to any negative perception of our brand image, reduce their investments in our funds or avoid the market segments in which our funds are concentrated or choose not to reinvest in our funds and seek alternative forms of savings, all of which may adversely affect our business, results of operations, financial condition and prospects.

The rates for management fees differ depending on the type of fund and product. For example, fee levels for equity and balanced/hybrid funds are generally higher than the fee levels for income and liquid funds. Fee levels for debt funds vary significantly depending on market conditions and the type of fund. Accordingly, the composition of AUM also substantially affects the level of our income.

Further, regulatory intervention on the entry and exit loads and the fees chargeable under different schemes, have been considerable in the recent past. We cannot assure you that such actions would not continue in future. Any such actions may limit our income, increase expenses and may have a material adverse effect on our profitability and results of operations.

The amount of expenses funds can charge is also usually based on a percentage of AUM. Any expense incurred by us in excess of the pre-determined percentage that can be charged to the funds would be met by the AMC. Accordingly, the value of AUM also can affect the level of our operating expenses. In addition, excluding any distribution costs, most of our costs do not vary directly with AUM or income. As a result, our operating margins may fluctuate by a higher percentage than changes in income.

24. Our growth strategy includes pursuing strategic alliances and acquisitions, which may prove difficult to manage or may not be successful.

In the past we have adopted growth strategies which we may adopt in future including pursuing strategic acquisitions and alliances. For instance, we have in the last few years acquired capabilities in investment banking, institutional brokerage and public markets asset management through inorganic acquisitions, and we may continue to explore such opportunities for our planned entry into, and growth in, the banking sector. Although, as on the date of this Placement Document, we have not entered into any letter of intent, memorandum of understanding or other contract for any such acquisition or alliance, we continue to seek such strategic acquisitions in future. However, we cannot assure you that we will be able to consummate acquisitions or alliances on terms acceptable to us, or at all. In particular, an acquisition or alliance may be subject to regulatory approvals which may not be received in a timely manner, or at all.

In addition, we cannot assure you that the integration of any future acquisitions will be successful or that the expected strategic benefits or synergies of any future acquisitions or alliances will be realized. Acquisitions or alliances may involve a number of special risks, including, but not limited to the following:

- outflow of capital as consideration of acquisition and temporary unavailability of capital for financing operations;
- adverse short-term effects on our reported operating results;
- higher than anticipated costs in relation to the continuing support and development of acquired companies or businesses;
- inheritance of litigation or claims;
- impact of acquisition financing on our financial position;
- diversion of management's attention;
- requirement of prior lender consent for acquisition;
- difficulties assimilating and integrating the processes, controls, facilities and personnel of the acquired business with our own;
- covenants that may restrict our business, such as non-compete clauses; and
- unanticipated liabilities or contingencies relating to the acquired company or business.

Further, such investments in strategic alliances and acquisitions may be long-term in nature and may not yield returns in the short to medium term. Thus, our inability in managing alliances and acquisitions may have an adverse impact on business, liquidity and results of operations.

25. Our investment funds business is subject to a number of risks and uncertainties.

Two of our Subsidiaries, IDFC Alternatives and IDFC Project Equity Company Limited, operate our alternative asset management business across three asset classes – private equity; project equity; and real estate. IDFC Alternatives is the investment manager for three funds and manages a corpus of ₹ 3,865.61 crore, as on March 31, 2014.

Existing and potential investors in our funds continually assess our investment funds' performance, and our ability to raise capital for future investment funds will depend on our investment funds' continued satisfactory performance. If any of our investment funds were to perform poorly, the value of our assets under management would decrease, which would also result in a reduction in our management and incentive fees and carried interest. Moreover, we may experience losses on our investments as principal as a result of poor investment performance by our investment funds. This may adversely affect our ability to expand our funds business, which is one of the key elements of our strategy.

Further, any adverse regulatory action in relation to the investment fund business or the sector in which we have investments may have an adverse impact on our business and results of operations. Thus, if we are unable to manage foreseeable and unforeseen risks and uncertainties in our investment management, it may affect our overall profitability and performance.

26. If the investment strategy for any of our funds goes out of favour with our customers, our income and profit may be materially adversely affected.

Our investment strategy in relation to any of our funds may go out of favour with our customers for a number of reasons, such as our inability to formulate an appropriate investment strategy, incorrect presumption about risks and benefits, underperformance relative to market indices, competition or other factors. If our investment strategies were to go out of favour with our customers, it may cause our customers to reduce the assets that we manage for them. Our inability to formulate new investment strategies or offer new products promptly if market

conditions change or new opportunities arise also may adversely affect the growth of our AUM. A decrease in our AUM may have a material adverse effect on our business, results of operations, financial condition and prospects.

27. Material changes in the regulations that govern us may adversely affect our business and competitiveness and may lead to decline in price of the Equity Shares.

We are subject to the Companies Act and are subject to detailed supervision and regulation by the RBI and by the SEBI for certain of our activities, i.e., our investment banking, institutional brokerage and asset management businesses. In addition, we are subject generally to changes in Indian law, as well as to changes in regulation and government policies and accounting principles. We also receive certain benefits from being notified as a public financial institution under the Companies Act and by virtue of operating in the infrastructure sector. Any amendments or other changes to the regulations governing us may require us to restructure our activities and/or incur additional expenses in complying with such laws and regulations and may materially and adversely affect our business, results of operations, financial condition and prospects.

28. Our success depends on our management team and skilled personnel and our ability to attract and retain such persons.

Our diversification strategy with its emphasis on principal investments, loan syndication, institutional brokerage, asset management, investment banking, and corporate and advisory services, requires highly qualified and skilled personnel. There is significant competition in India for such personnel, and it may be difficult to attract, adequately compensate and retain the personnel we need in the future.

In particular, we rely on the insight and experience of certain persons including our Founder and Former Non-Executive Chairman, Mr. Deepak Parekh, who continues to be associated with us in an advisory capacity, Dr. Rajiv Lall, presently our Executive Chairman, and others. If we lose the services of any of these senior management personnel, it may adversely affect our business, financial condition and prospects. Further, our inability to attract and retain appropriate managerial personnel, or the loss of key personnel, may also adversely affect our business, results of operations, financial condition and prospects.

29. Foreign currency lending or borrowing will expose us to fluctuations in foreign exchange rates.

We are affected by adverse movements in foreign exchange rates to the extent they affect our borrowers negatively, which may in turn adversely affect the quality of our exposure to these borrowers. As on March 31, 2014, we had foreign currency borrowings equivalent to ₹ 7,240.47 crore. While we currently seek to hedge foreign currency exposures, as our business grows and we seek greater amounts of foreign currency funds (for example, as an NBFC-IFC, we have greater access to external commercial borrowings), we may be exposed to a greater extent to fluctuations in foreign currency rates. Volatility in foreign exchange rates may adversely affect our business, results of operations, financial condition and prospects.

30. We are involved in certain legal proceedings that, if determined against us, may adversely impact our business and financial condition.

We are subject to certain significant legal proceedings that may adversely impact our business and financial condition. Such litigation includes:

- Certain disputes relating to income tax assessments for the assessment years 2000-01 to 2011-12 wherein the income tax department granted short refunds after adjusting the demands raised against us. The disputes arose primarily on account of disallowance of expenditure under Section 14A of the Income Tax Act, 1961 ("I.T. Act") incurred towards earning exempt income and on account of difference in the basis adopted by the respective assessing officers and our Company for computation of the net deductions under Section 36(1)(viii) of the I.T. Act. We extend loans to entities involved in infrastructure projects. Until assessment year 2006-07, income from such loans was exempted from computation of total income under Section 10(23G) of the I.T. Act, only for such infrastructure projects that had been approved by the Central Board of Direct Taxes, Department of Revenue, Ministry of Finance, GoI. Further, these disputes arose due to assessing officer computing a lower net exempted income than that claimed by us. The aggregate additional demand, unpaid as on date, in these proceedings is ₹ 52.36 crore. Additionally, we are also involved in a service tax litigation involving a refund claim of for refund of ₹ 1.15 crore;

- One criminal proceeding initiated against our Company by Photon Infotech Private Limited (“PIPL”) alleging conspiracy and suppression of facts in respect of certain commercial paper of Deccan Chronicle Holdings Limited (“DCHL”) that were down sold by us to a third party which, was further sold to PIPL;
- Three civil proceedings involving our Company, including a writ petition filed by Telecom Watchdog against Vodafone International Holdings BV (“Vodafone”), wherein we were impleaded as a party, for breach of the 74% sectoral cap for foreign direct investment by Vodafone in Hutchison Essar Limited (“HEL”), a civil suit filed against our Company by PIPL for recovery of the amount of the commercial paper and one company petition filed by the promoter of DCHL restraining our Company and its other creditors from continuing any civil proceedings against DCHL and its other officers until disposal of the company petition. The aggregate ascertainable amount in these proceedings is ₹ 5 crore. Additionally, we are a secured creditor of Data Access (India) Limited (“DAIL”) which, is currently under liquidation; and
- 10 recovery proceedings initiated by our Company against DAIL and its guarantors, DCHL and its guarantors, Tulip Telecom Limited (“TTL”) and its guarantor, Tulip Data Centre Services Limited (“TDCSL”), Coastal Projects Limited and Bhushan Finance Private Limited (“BFPL”) and its guarantors, for recovery of an aggregate amount of approximately ₹ 759.34 crore.

Pursuant to an order dated July 12, 2010, the Deputy Chief General Manager-in-Charge, RBI, compounded the contravention on payment of ₹ 0.05 crore for contravention under the Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2000, by our Subsidiary, SSKI Corporate Finance Private Limited (now IDFC Securities). Further, our Subsidiaries are involved in various disputes from time to time, in their ordinary course of business which, involve, tax, criminal and other disputes. Further, in the past our Subsidiaries, IDFC Capital Limited (now merged with IDFC Securities) and IDFC Securities have received, from time to time, notices from the RBI and the SEBI for non-compliance and our Subsidiaries have accordingly and adequately, responded to such notices.

For further details, see “*Legal Proceedings*” on page 184.

Further, as on March 31, 2014, we had contingent liabilities not provided for of ₹1,607.62 crore, including ₹ 1,458.18 crore of guarantees issued (including financial guarantees, performance guarantees and sponsors undertakings), ₹ 149.44 crore reflecting claims not acknowledged as debts (including ₹ 140.83 crore on account of income tax demands under appeal). In addition Uncalled liability on shares and other investments partly paid amounted to ₹ 2,030.76 crore and estimated amount of contracts remaining to be executed of ₹ 99.83 crore.

(₹ in crore)

Sl. No.	As at March 31 2014	As at March 31 2013	As at March 31 2012
1.	Claims not acknowledged as debts in respect of		
	Income tax demands under appeal (net of amounts)	140.83	160.01
	Other claims	8.61	8.88
2.	Guarantees issued		
	As a part of project assistance, the following guarantees have been issued		
	Financial guarantees	1,421.41	1,845.78
	Performance guarantees	0.75	0.75
	Sponsors undertaking	25.08	25.08
	Other financial guarantees	10.94	156.31
	Total	1,607.62	2,196.81
			2,717.48

If any such contingent liabilities were to fully or substantially materialize, our financial condition may be adversely affected.

31. Our financing agreements contain certain restrictive covenants, placing limitations on us.

Our financing agreements contain certain restrictive covenants, including certain restrictions relating to the diversification of our business or the maintenance of certain prescribed financial ratios. Such restrictions may

limit our operational flexibility or impede the growth of our business, requiring us to intimate our lenders or to obtain their consent for certain proposed corporate actions or business activities, or otherwise in certain events. Moreover, our outstanding borrowings are secured by a floating charge over our receivables. Any inability to comply with the provisions of our financing agreements and any consequent action taken by our lenders, including towards declaration of an event of default or enforcement of their security interest, may adversely affect our business, results of operations, financial condition and prospects, particularly if the repayment schedules under our financing agreements are accelerated for a significant portion of our borrowings, or if a cross default situation arises under multiple financing agreements.

32. We have entered, and expect to continue to enter, into related party transactions, which may involve conflicts of interest.

We have in the past entered, and expect to continue to enter, into transactions with certain related parties in the ordinary course of our business. While, in our view, all such related party transactions that we have entered into are legitimate business transactions conducted on an arms' length basis, we cannot assure you that we could not have achieved more favourable terms had such arrangements not been entered into with related parties.

Further, notwithstanding the provisions of the Companies Act that require, for instance, board approval for specified types of related party transactions as well as shareholder approval in certain events, we cannot assure you that these or any future related party transactions that we may enter into, individually or in the aggregate, will not have an adverse effect on our business, financial condition, results of operations and prospects.

For more information, see "*Financial Statements*" on page 196.

33. We will be subject to comprehensive regulation in respect of the operations of our IDF, which will limit our operational flexibility in respect of the operations of our IDF. Moreover, the successful operations of our IDF cannot be assured.

Pursuant to the Infrastructure Debt Fund Non-Banking Financial Companies (Reserve Bank) Directions, 2011 and other related RBI circulars and directives, we have set up an IDF through the NBFC route, with the objective of facilitating the flow of long-term debt into infrastructure projects in India. The RBI has prescribed the regulatory framework for NBFC-IFCs to sponsor IDFs to be set up either as mutual funds (to be regulated by SEBI) or as NBFCs (to be regulated by the RBI). Among other things, the eligibility criteria for sponsorship of IDF-NBFCs include a minimum Net Owned Fund of ₹ 300 crore and minimum CRAR of 15%, net non-performing assets of less than 3% of net advances, and a three-year record of profitability. In this relation, IDFC Infra Debt Fund Limited ("IDFC IDF") was incorporated as a wholly owned Subsidiary of our Company on March 7, 2014. We received the approval of the RBI on April 7, 2014 for the proposed IDF-NBFC.

An IDF will be required to invest a minimum of 90% of the scheme corpus in debt securities or securitized debt instruments of infrastructure companies or projects or special purpose vehicles created for the purpose of promoting investment in infrastructure or bank loans in respect of completed and revenue generating projects of infrastructure companies or special purpose vehicles, while the balance can be invested in stocks of infrastructure related companies or market instruments and bank deposits. There are also detailed investment restrictions imposed by RBI, including in relation to investment in securities issued by the sponsor of the IDF.

The regulatory framework prescribed for IDFs is relatively recent and may be subject to change in the future, including in terms of the special tax treatment currently available in respect of IDFs, or we may be subject to issues in relation to their interpretation or the lack of a substantial body of administrative, regulatory and judicial precedent in this connection. In addition, we may face competition from other IDFs, including IDFs set up under the mutual fund route and under the NBFC route, or our IDF business may be unsuccessful due to a lack of market demand or due to a risk-return ratio that is different from the expectations of the investors in bonds of the IDF-NBFC.

Risks in relation to India

34. The RBI New Banks Licensing Guidelines limit the non-resident shareholding in the Proposed IDFC Bank to 49% in the first five years, which may have a material adverse impact on our ability to raise capital and trading price of our Equity Shares.

Notwithstanding India's current Foreign Direct Investment Policy, where non-resident shareholding in private

sector banks is permitted up to 74% of the paid-up voting equity capital of such banking company, aggregate non-resident shareholding in a new private sector bank set up and licensed under the RBI New Banks Licensing Guidelines is required to not exceed 49% of the paid-up voting equity capital of such banking company, for the first five years of the grant of license to such banking company, subsequent to which the provisions of the extant Foreign Direct Investment Policy would become applicable instead. Therefore, those of our competitors that are established private sector banks may enjoy significant flexibility in terms of ability to raise foreign capital as compared to the Proposed IDFC Bank.

35. *Political, economic or other factors that are beyond our control may have an adverse impact on our business, results of operations, financial condition and prospects.*

The following external risks may have an adverse impact on our business, results of operations, financial condition and prospects, should any of them materialize:

- increase in interest rates may adversely impact our access to capital and increase our borrowing costs, which may constrain our ability to grow our business and operate profitably;
- a downgrade of India's sovereign rating by international credit rating agencies may adversely impact our access to capital and increase our borrowing costs, which may constrain our ability to grow our business and operate profitably;
- a decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy as well as the valuation of the Indian Rupee, which may adversely impact our financial condition;
- political instability, resulting from a change in government or in economic and fiscal policies, may adversely affect economic conditions in India;
- civil unrest, acts of violence, terrorist attacks, regional conflicts or situations or war may adversely affect the financial markets, which may impact our business, results of operations, financial condition and prospects;
- outbreak of any epidemic diseases can have an adverse impact on the economy which may materially affect our business operations and results of operations; and
- India has experienced natural calamities such as earthquakes, tsunamis, floods and drought in recent years. The extent and severity of these natural disasters determines their effect on the economy. If any of our facilities were to be damaged as a result of an earthquake or other natural calamities, or if such events should otherwise impact the national or any regional economies, our business operations, financial condition and results of operations may be adversely affected.

36. *Changing laws, rules and regulations and legal uncertainties, including adverse application of corporate and tax laws, may adversely affect our business, results of operations, financial condition and prospects.*

The regulatory and policy environment in which we operate is evolving and subject to change. Such changes, including the instances mentioned below, may adversely affect our business, results of operations, financial condition and prospects, to the extent that we are unable to suitably respond to and comply with any such changes in applicable law and policy.

- The Companies Act 2013, contains significant changes to Indian company law, including in relation to the issue of capital by companies, related party transactions, corporate governance, audit matters, shareholder class actions and restrictions on the number of layers of subsidiaries. Moreover, effective April 1, 2014, companies exceeding certain net worth, revenue or profit thresholds are required to spend at least 2% of average net profit before tax from the immediately preceding three financial years on corporate social responsibility projects, failing which an explanation is required to be provided in such companies' annual reports. We may incur increased costs and other burdens relating to compliance with these new requirements, which may also require significant management time and other resources, and any failure to comply may adversely affect our business and results of operations.
- The GoI proposes to revamp the implementation of direct taxes by way of the introduction of the Direct Taxes Code, 2013 ("DTC"). The DTC proposes to consolidate and amend laws relating to income tax and wealth tax. The DTC, has, among things, specified the manner of aggregation and computation of income, minimum alternate tax, wealth tax, dividend distribution tax, provided for certain tax incentives and has specified penalties in the event of contravention of the provisions of the DTC. Further, the DTC has specific rates for taxation, including for dividend distribution and for non-residents. For instance, withholding tax at the rate of 25%, plus effective cess and surcharge, will be applicable for interest (other

than specified interest) on any dividends not subject to distribution tax. While in the recent budget, it was mentioned that the GoI is reviewing the DTC in its present form, if the DTC is passed in its present form by both houses of the Indian Parliament and approved by the President of India and then notified in the Gazette of India, the tax impact discussed in this Placement Document will be altered by the DTC.

- The GoI has proposed a comprehensive national goods and services tax (“GST”) regime that will combine taxes and levies by the Central and State Governments into a unified rate structure. While the GoI and other state governments have announced that all committed incentives will be protected following the implementation of the GST, given the limited availability of information in the public domain concerning the GST, we are unable to provide any assurance as to this or any other aspect of the tax regime following implementation of the GST. The implementation of this rationalized tax structure may be affected by any disagreement between certain state governments, which may create uncertainty. Any such future increases or amendments may affect the overall tax efficiency of companies operating in India and may result in significant additional taxes becoming payable.

We have not determined the impact of these recent and proposed legislations on our business. Uncertainty in the applicability, interpretation or implementation of any amendment to, or change in, governing law, regulation or policy in the jurisdictions in which we operate, including by reason of an absence, or a limited body, of administrative or judicial precedent may be time consuming as well as costly for us to resolve and may impact the viability of our current business or restrict our ability to grow our business in the future.

37. On the commencement of our proposed banking operations, our access to liquidity may be more susceptible to adverse conditions in the domestic and global financial markets.

Since the second half of 2008, the global credit markets have experienced, and may continue to experience, significant dislocations and liquidity disruptions, which have originated from the liquidity disruptions in the United States and the European credit and sub-prime residential mortgage markets. These and related events, such as the collapse of a number of financial institutions, have had and continue to have a significant adverse impact on the availability of credit and the confidence of the financial markets, globally as well as in India. There can be no assurance that we will be able to secure additional financing required by us on adequate terms or at all.

In response to such developments, legislators and financial regulators in the United States and other jurisdictions, including India, have implemented a number of policy measures designed to add stability to the financial markets. However, the overall impact of these and other legislative and regulatory efforts on the global financial markets is uncertain, and they may not have the intended stabilizing effects. Furthermore, pre-emptive actions taken by the RBI in response to the market conditions in the second half of fiscal 2009, especially the provision of liquidity support and a reduction in policy rates, may not continue in the future and there can be no assurance that we will be able to access the financial markets for liquidity if needed. In the event that the current difficult conditions in the global credit markets continue or if there are changes in statutory limitations on the amount of liquidity we must maintain or if there is any significant financial disruption, such conditions may have an adverse effect on our business, results of operations, financial condition and prospects.

38. A slowdown in economic growth in India may cause our business to be adversely affected.

We and most of our Subsidiaries are incorporated in India and substantially all of our assets and employees are located in India. As a result, we depend on prevailing economic conditions in India and our results of operations are significantly affected by factors influencing the Indian economy. Any slowdown in economic growth in India may adversely affect us, including our ability to grow our asset portfolio, the quality of our assets, and our ability to implement our strategy.

Despite the global economic decline in fiscal 2008, India continues to be one of the fastest growing countries in the world, recording an estimated GDP growth rate of 8.9% in fiscal 2011 and 6.7% in fiscal 2012. However, macroeconomic conditions resulted in India’s estimated GDP growth rate declining to 4.5% in fiscal 2013 and 4.7% in fiscal 2014 (*Source: Indian Economic Survey 2013-14, Ministry of Finance, GoI*). The current uncertain economic situation, in India and globally, may result in a further slowdown in economic growth, investment and consumption. A further slowdown in the rate of growth in the Indian economy may result in lower demand for credit and other financial products and services and higher defaults. Any slowdown in the growth or negative growth of sectors where we have a relatively higher exposure may adversely impact our performance. Any such slowdown may adversely affect our business, results of operations, financial condition and prospects.

39. Increased volatility or inflation of commodity prices in India may adversely affect our Company's business.

Consumer and wholesale prices in India have recently exhibited marked inflationary trends, with particular increases in the prices of food, metals and crude oil. Inflation remained largely stable, moving from an estimated 9.7% in fiscal 2012 to an estimated 9.6% in fiscal 2013 (*Source: CIA World Factbook*). Any increased volatility or rate of inflation of global commodity prices, in particular oil and steel prices, may adversely affect our Company's borrowers and contractual counterparties. This may lead to slowdown in the growth of the infrastructure and related sectors may adversely impact our Company's business, results of operations, financial condition and prospects.

In addition, high rates of inflation may increase our own employee costs and dampen the financial markets that we serve, which may have an adverse effect on our profitability and competitive advantage, to the extent that we are unable to pass on our increased employee costs by increasing the cost of financing and other services provided by us.

40. Significant shortages in the supply of crude oil or natural gas, and other raw materials, may adversely affect the Indian economy and the infrastructure sector, which may adversely affect us.

Crude oil prices are volatile and prices have risen in recent years due to a number of factors such as the level of global production and demand and political factors such as war and other conflicts, particularly in the Middle East. In June 2010, the Government eliminated subsidies on petrol. Any significant increase in prices of crude oil, natural gas, processed petroleum products and other such commodities may adversely affect the Indian economy, including the infrastructure sector, and the Indian banking and NBFC sectors.

Prices of other key raw materials, for example steel, coal and cement, have also risen in recent years and if the prices of such raw materials approach levels that project developers deem unviable, this will result in a slowdown in the infrastructure sector and thereby reduce our business opportunities, our financial performance and our ability to implement our strategy.

In addition, natural gas is a significant input for infrastructure projects, particularly those in the energy sector. India has experienced delays in the availability of natural gas which has caused difficulties in these projects. Continued difficulties in obtaining reliable, timely supply of natural gas may adversely affect some of the projects we finance and may impact the quality of our asset portfolio and our business, results of operations, financial condition and prospects.

41. Difficulties faced by other banks or financial institutions or the Indian financial sector generally may cause our business to be adversely affected.

We are exposed to the risks of the Indian financial sector which, in turn, may be affected by financial difficulties and other problems faced by Indian financial institutions. Certain Indian financial institutions have experienced difficulties in recent years, particularly in managing risks associated with their portfolios and matching the duration of their assets and liabilities, and some co-operative banks have also faced serious financial and liquidity crises. Any major difficulty or instability experienced by the Indian financial sector may create adverse market perception, which in turn may adversely affect our business, results of operations, financial condition and prospects.

42. Financial instability in other countries may disrupt our business in India.

The Indian market and the Indian economy are influenced by economic and market conditions in other countries. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the economy as a whole, in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause volatility in Indian financial markets and indirectly, in the Indian economy in general. Any worldwide financial instability may also have a negative impact on the Indian economy, including the movement of exchange rates and interest rates in India. In the event that the current difficult conditions in the global credit markets continue or if the recovery is slower than expected or if there any significant financial disruption, this may have an adverse effect on our cost of funds, loan portfolio, business, results of operations, financial condition and prospects.

Risks Related to our Equity Shares

43. The trading price of our Equity Shares may fluctuate due to volatility of the Indian and global securities markets.

Stock exchanges in India have in recent years, in line with global developments, experienced substantial fluctuations in the prices of listed securities. The SENSEX, BSE's benchmark index, reduced by approximately 25%, representing approximately 5,000 points, in the calendar year 2011, subsequently increased by approximately 25%, representing approximately 4,000 points in the calendar year 2012 and thereafter increased by approximately 8%, representing approximately 1,600 points in the calendar year 2013. Further, for the period between January 1, 2014, up to June 30, 2014, the SENSEX, BSE's benchmark index, increased by approximately 20%, representing approximately 4,000 points. Indian stock exchanges have also, in the past, experienced temporary closures, broker defaults, settlement delays and strikes by brokerage firm employees. In addition, Indian stock exchanges have, from time to time, imposed restrictions on trading in certain securities, limitations on price movements and margin requirements.

44. There will be restrictions on daily movements in the price of our Equity Shares, which may adversely affect your ability to sell, or the price at which you can sell, Equity Shares at a particular point in time.

Our Equity Shares will be subject to a daily circuit breaker imposed by the Stock Exchanges on listed companies which will not allow transactions beyond certain volatility in the trading price of our Equity Shares, as well as an index-based market-wide circuit breaker. The percentage limit on our Company's circuit breaker shall be set by the Stock Exchanges based on historic volatility in the price and trading volumes of our Equity Shares and the index-based market-wide circuit breaker shall be set by the Stock Exchanges based on market-wide index variation of 10.00%, 15.00% and 20.00% based on the previous day's closing level of the relevant index. The Stock Exchanges are not required to inform our Company of the percentage limit of the circuit breaker on our Equity Shares from time to time, and may change it without our knowledge. These circuit breakers will effectively limit upward and downward movements in the price of our Equity Shares. As a result, there can be no assurance regarding your ability to sell your Equity Shares over the Stock Exchanges or the price at which you may be able to sell your Equity Shares.

45. Any future issuance of Equity Shares may dilute your shareholding, and significant sales of Equity Shares by our large shareholders, may adversely affect the trading price of our Equity Shares.

Future issuances of equity shares by our Company or significant sales of Equity Shares after this Issue will dilute investors' holdings in our Company. In addition, the perception that such issuance or sales may occur may adversely affect the trading price of our Equity Shares and impair our future ability to raise capital through offerings of Equity Shares. We cannot predict the effect that significant sales of Equity Shares by large Equity Shareholders or the availability of significant numbers of our Equity Shares for future sale may have on the trading price of our Equity Shares.

STOCK MARKET DATA FOR EQUITY SHARES OF OUR COMPANY

The Equity Shares have been listed and traded on the BSE and the NSE since 2005. As on the date of this Placement Document, 1,51,71,39,086 Equity Shares have been issued and are fully paid up.

On September 11, 2014 the closing price of the Equity Shares on the BSE and the NSE was ₹ 150.05 and ₹ 150.10 per Equity Share, respectively. As the Equity Shares are actively traded on the Stock Exchanges, the market price and other information for each of the BSE and the NSE has been given separately.

- (i) The following tables set forth the reported high, low and average closing market prices and the trading volumes of the Equity Shares on the Stock Exchanges on the dates on which such high and low prices were recorded for fiscals ended March 31, 2014, March 31, 2013 and March 31, 2012:

BSE

Fiscal Year	High (₹)	Date of high	Number of Equity Shares traded on the date of high	Total volume of Equity Shares traded on date of high (₹ crore)	Low (₹)	Date of low	Number of Equity Shares traded on the date of low	Total volume of Equity Shares traded on date of low (₹ crore)	Average price for the year (₹)
2014	163.40	May 17, 2013	7,09,892	11.60	79.20	August 27, 2013	79,40,990	65.86	115.21
2013	183.45	January 7, 2013	2,62,610	4.83	113.45	May 8, 2012	13,04,858	15.33	147.04
2012	164.25	April 6, 2011	5,07,943	8.39	91.75	December 30, 2011	11,44,746	10.66	126.14

(Source: www.bseindia.com)

NSE

Fiscal Year	High (₹)	Date of high	Number of Equity Shares traded on date of high	Total volume of Equity Shares traded on date of high (₹ crore)	Low (₹)	Date of low	Number of Equity Shares traded on the date of low	Total volume of Equity Shares traded on date of low (₹ crore)	Average price for the year (₹)
2014	163.85	May 17, 2013	51,41,203	84.02	79.10	August 27, 2013	4,95,08,148	41.19	115.23
2013	183.90	January 7, 2013	53,68,587	98.85	113.55	May 8, 2012	87,67,649	103.00	147.09
2012	164.70	April 6, 2011	61,00,726	100.94	91.65	December 30, 2011	63,97,124	59.41	126.16

(Source: www.nseindia.com)

- (ii) The following tables set forth the reported high, low and average market prices and the trading volumes of the Equity Shares on the Stock Exchanges on the dates on which such high and low prices were recorded during each of the last six months:

BSE

Month year	High (₹)	Date of high	Number of Equity Shares traded on date of high	Total volume of Equity Shares traded on date of high (₹ crore)	Low (₹)	Date of low	Number of Equity Shares traded on date of low	Total volume of Equity Shares traded on date of low (₹ crore)	Average price for the year (₹)
August 2014	152.05	August 19, 2014	6,62,162	10.08	141.15	August 27, 2014	6,08,133	8.64	147.77
July 2014	163.95	July 18, 2014	35,13,783	56.82	133.30	July 3, 2014	2,85,849	3.82	149.79
June 2014	138.50	June 9, 2014	17,48,087	24.22	126.75	June 26, 2014	6,77,062	8.66	131.39
May 2014	143.25	May 23, 2014	21,98,221	31.15	108.55	May 8, 2014	5,72,354	6.21	123.94
April 2014	128.00	April 2, 2014	24,80,842	31.71	111.70	April 30, 2014	11,13,885	12.58	119.94
March 2014	125.55	March 28, 2014	19,01,759	23.71	95.25	March 3, 2014	15,32,406	14.57	111.45

(Source: www.bseindia.com)

NSE

Month year	High (₹)	Date of high	Number of Equity Shares traded on date of high	Total volume of Equity Shares traded on date of high (₹ crore)	Low (₹)	Date of low	Number of Equity Shares traded on date of low	Total volume of Equity Shares traded on date of low (₹ crore)	Average price for the year (₹)
August 2014	152.15	August 19, 2014	62,32,789	94.90	141.10	August 27, 2014	49,95,486	70.95	147.78
July 2014	163.95	July 18, 2014	2,38,92,454	385.89	133.25	July 3, 2014	47,02,082	62.98	149.81
June 2014	138.45	June 9, 2014	1,25,27,061	173.43	126.30	June 26, 2014	74,87,927	95.28	131.32
May 2014	143.25	May 23, 2014	1,75,31,728	248.47	108.50	May 8, 2014	46,94,851	50.93	123.94
April 2014	127.80	April 2, 2014	1,97,60,499	252.29	111.65	April 30, 2014	88,69,666	100.05	119.92
March 2014	125.60	March 28, 2014	1,66,75,909	207.74	95.15	March 3, 2014	79,79,041	75.83	111.47

(Source: www.nseindia.com)

- (iii) The following table sets forth the details of the number of Equity Shares traded on the dates when high and low prices were recorded on the Stock Exchanges and the turnover during the last six months and the fiscal ended March 31, 2014, March 31, 2013 and March 31, 2012 on the Stock Exchanges:

For fiscals 2014, 2013 and 2012:

Period	Number of Equity Shares traded		Turnover (in ₹ crore)	
	BSE	NSE	BSE	NSE
Fiscal 2014	28,93,24,779	2,28,32,90,713	3,135.58	25,065.50
Fiscal 2013	16,70,08,730	1,51,86,41,022	2,418.45	22,151.31
Fiscal 2012	27,55,90,893	1,88,78,13,533	3,447.95	23,793.90

(Source: www.bseindia.com and www.nseindia.com)

For the six months preceding the date of filing of this Placement Document

Period	Number of Equity Shares traded		Turnover (in ₹ crore)	
	BSE	NSE	BSE	NSE
August 2014	1,56,81,536	13,35,88,456	232.55	1,978.31
July 2014	5,28,41,032	37,62,02,258	803.91	5,695.46
June 2014	2,26,34,788	17,45,88,566	299.19	2,305.48
May 2014	2,87,08,045	22,92,42,572	364.03	2,921.61
April 2014	3,26,86,853	24,53,66,275	402.18	3,012.29
March 2014	3,18,96,255	24,02,98,550	358.79	2,705.93

(Source: www.bseindia.com and www.nseindia.com)

- (iv) The following table sets forth the market price on the Stock Exchanges on June 4, 2014, the first working day following the approval of our Board of Directors for the Issue:

Open	High	BSE			Number of Equity Shares traded	Volume (₹ crore)	Open	High	NSE			Number of Equity Shares traded	Volume (₹ crore)
		Low	Close	Low					Close				
131.50	136.40	130.25	135.85	15,01,602	20.13	129.70	136.45	129.70	135.90	1,21,41,107	16.26		

(Source: www.bseindia.com and www.nseindia.com)

- (v) The closing price on BSE and NSE on July 30, 2014, the trading day immediately following the day on which the shareholders of our Company approved the Issue was ₹ 156.30 and ₹ 156.30, respectively.

USE OF PROCEEDS

The total proceeds of the Issue will aggregate up to ₹ 1,000.10 crore. After deducting fees and expenses of approximately ₹ 14.03 crore, the net proceeds of the Issue will be approximately ₹ 986.07 crore.

Our Company intends to reduce its foreign shareholding in accordance with the requirements of the in-principle approval dated April 9, 2014, from the RBI, to set up a new bank pursuant to the RBI New Banks Licensing Guidelines. Our Company intends to use the net proceeds of the Issue primarily to augment our capital base to meet our future capital requirements arising out of expected growth in our business and to maintain requisite capital adequacy norms, as may be applicable. In addition, subject to compliance with applicable laws and regulations, our Company may also use the net proceeds of this Issue for further investment in the NOFHC, which may invest in its Subsidiaries including the Proposed IDFC Bank.

CAPITALISATION STATEMENT

The following table sets forth the standalone capitalisation as on March 31, 2014, as per our audited standalone financial statements for fiscal 2014 on an:

- actual basis; and
- as adjusted basis to give effect to the Issue.

This table should be read in conjunction with the “*Select Financial Information*”, “*Risk Factors*”, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and other financial information contained in the “*Financial Statements*”, on pages 24, 27, 59 and 196.

(in ₹ crore)

	As at March 31, 2014	
	Actual	As adjusted for the Issue
Shareholders’ funds:		
Share capital ⁽¹⁾	1,516.29	1,589.29
Securities premium	5,237.24	6,164.34
Reserves and surplus (excluding securities premium)	7,955.42	7,955.42
Total shareholders’ funds (A)	14,708.95	15,709.05
Loan Funds:		
Short term debt:		
Secured	4,197.40	4,197.40
Unsecured	2,735.13	2,735.13
Long term debt:		
Secured	38,670.09	38,670.09
Unsecured	650.00	650.00
Current Maturity of long-term borrowings		
Secured	9,419.00	9,419.00
Unsecured	-	-
Total debt (B)	55,671.62	55,671.62
Total capitalisation (A+B)	70,380.57	71,380.67

(1) The share capital of the Company does not include allotments of Equity Shares pursuant to the Company’s ESOS subsequent to March 31, 2014. After March 31, 2014 and up to the date of this Placement Document, our Company has issued and allotted an aggregate of 8,52,835 Equity Shares pursuant to exercise of options under the ESOS. Further, as on August 29, 2014 there are, on an aggregate, 3,17,10,601 options outstanding.

CAPITAL STRUCTURE

The Equity Share capital of our Company as at the date of this Placement Document is set forth below.

(₹ in crore, except share data)

	Aggregate nominal value	Aggregate Value at Issue Price
A. Authorised Share Capital		
4,00,00,00,000 Equity Shares of ₹ 10 each	4,000.00	-
10,00,00,00,000 Preference Shares of ₹ 100 each	1,000.00	-
B. Issued, Subscribed and Paid-Up Share Capital before the Issue		
1,51,71,39,086 Equity Shares of ₹ 10 each**	1,517.14	-
C. Present Issue in terms of this Placement Document *		
7,30,00,00,000 Equity Shares of ₹ 10 each fully paid up	73.00	1,000.10
D. Issued, Subscribed and Paid-Up Share Capital after the Issue		
1,59,01,39,086 Equity Shares of ₹ 10 each	1,590.14	21,784.91
G. Securities Premium Account		
Before the Issue	5,246.63	
After the Issue	6,173.73	

*The Issue has been authorized by our Board of Directors pursuant to resolution dated June 3, 2014 and by the shareholders of our Company pursuant to special resolution dated July 29, 2014 passed at the annual general meeting of shareholders under Section 62(1)(c) of the Companies Act 2013.

** As on August 29, 2014, our Company had 3,17,10,601 outstanding options under the ESOS.

Equity Share Capital History of our Company

The history of the equity share capital of our Company is provided in the following table:

Date of Allotment	No. of Equity Shares Allotted	Face Value of the Equity Shares (in ₹)	Issue price per Equity Share (₹)	Consideration
February 20, 1997	20,00,000	10	10.00	Cash
March 30, 1998	99,80,00,000	10	10.00	Cash
May 16, 2005	24,53,512	10	17.48	Cash
August 5, 2005	12,00,00,000	10	34.00	Cash
July 7, 2006	29,47,194	10	17.48	Cash
October 6, 2006	77,573	10	17.48	Cash
January 29, 2007	73,207	10	17.48	Cash
March 31, 2007	3,76,564	10	17.48	Cash
June 4, 2007	25,40,827	10	17.48	Cash
July 11, 2007	16,53,54,330	10	127.00	Cash
July 23, 2007	2,21,116	10	17.48	Cash
August 7, 2007	1,91,940	10	17.48	Cash
December 6, 2007	62,700	10	17.48	Cash
June 16, 2008	9,18,038	10	17.48	Cash
December 11, 2008	59,060	10	17.48	Cash
April 29, 2009	30,000	10	17.48	Cash
June 23, 2009	1,88,252	10	17.48	Cash
June 23, 2009	4,800	10	121.64	Cash
October 23, 2009	5,76,781	10	17.48	Cash
October 23, 2009	5,210	10	121.64	Cash
October 23, 2009	9,000	10	138.80	Cash
December 28, 2009	4,81,417	10	17.48	Cash
December 28, 2009	4,000	10	55.43	Cash
December 28, 2009	1,240	10	121.64	Cash
February 19, 2010	88,891	10	17.48	Cash
February 19, 2010	4,500	10	55.43	Cash
February 19, 2010	620	10	121.64	Cash
March 24, 2010	6,47,646	10	17.48	Cash

Date of Allotment	No. of Equity Shares Allotted	Face Value of the Equity Shares (in ₹)	Issue price per Equity Share (₹)	Consideration
March 24, 2010	32,62,475	10	50.05	Cash
March 24, 2010	500	10	146.06	Cash
March 24, 2010	30,000	10	121.64	Cash
March 24, 2010	1,000	10	55.43	Cash
April 13, 2010	2,16,799	10	17.48	Cash
April 13, 2010	2,90,000	10	50.05	Cash
April 13, 2010	3,500	10	55.43	Cash
April 13, 2010	6,000	10	78.68	Cash
May 19, 2010	1,00,271	10	17.48	Cash
May 19, 2010	3,72,705	10	50.05	Cash
May 19, 2010	3,500	10	55.43	Cash
May 19, 2010	12,000	10	72.84	Cash
May 19, 2010	13,500	10	121.46	Cash
May 19, 2010	14,000	10	146.06	Cash
July 7, 2010	15,77,52,090	10	168.25	Cash
July 14, 2010	1,70,036	10	17.48	Cash
July 14, 2010	6,000	10	55.43	Cash
July 14, 2010	23,575	10	121.64	Cash
July 14, 2010	188,250	10	50.05	Cash
July 14, 2010	15,000	10	146.06	Cash
August 27, 2010	1,06,850	10	50.05	Cash
August 27, 2010	14,355	10	121.64	Cash
August 27, 2010	3,900	10	17.48	Cash
August 27, 2010	6,000	10	76.68	Cash
August 27, 2010	9,000	10	138.80	Cash
August 27, 2010	51,000	10	146.06	Cash
August 27, 2010	5,500	10	131.70	Cash
October 14, 2010	5,000	10	17.48	Cash
October 14, 2010	26,500	10	50.05	Cash
October 14, 2010	15,500	10	121.64	Cash
October 14, 2010	33,500	10	146.06	Cash
October 14, 2010	500	10	131.70	Cash
November 10, 2010	40,000	10	50.05	Cash
November 10, 2010	22,524	10	17.48	Cash
November 10, 2010	2,34,420	10	121.64	Cash
November 10, 2010	6,750	10	146.06	Cash
November 10, 2010	2,000	10	55.43	Cash
December 21, 2010	60,000	10	17.48	Cash
December 21, 2010	1,74,500	10	50.05	Cash
December 21, 2010	12,000	10	55.43	Cash
December 21, 2010	1,27,480	10	121.64	Cash
December 21, 2010	8,500	10	146.06	Cash
January 27, 2011	11,500	10	17.48	Cash
January 27, 2011	52,300	10	50.05	Cash
January 27, 2011	6,500	10	55.43	Cash
January 27, 2011	20,000	10	85.60	Cash
January 27, 2011	74,850	10	121.64	Cash
January 27, 2011	15,000	10	137.85	Cash
January 27, 2011	2,000	10	146.06	Cash
April 5, 2011	68,067	10	17.48	Cash
April 5, 2011	7,93,025	10	50.05	Cash
April 5, 2011	1,000	10	55.43	Cash
April 5, 2011	1,500	10	121.64	Cash
April 5, 2011	2,100	10	146.06	Cash
June 8, 2011	2,28,205	10	17.48	Cash
June 8, 2011	6,66,725	10	50.05	Cash
June 8, 2011	2,000	10	55.43	Cash
June 8, 2011	49,174	10	115.91	Cash
June 8, 2011	12,200	10	121.64	Cash
June 8, 2011	33	10	146.06	Cash
July 6, 2011	13,643	10	17.48	Cash

Date of Allotment	No. of Equity Shares Allotted	Face Value of the Equity Shares (in ₹)	Issue price per Equity Share (₹)	Consideration
July 6, 2011	1,12,150	10	50.05	Cash
July 6, 2011	70,000	10	85.60	Cash
July 6, 2011	39,469	10	115.91	Cash
July 6, 2011	1,000	10	121.64	Cash
September 6, 2011	2,000	10	17.48	Cash
September 6, 2011	2,87,250	10	50.05	Cash
September 6, 2011	8,000	10	76.68	Cash
September 6, 2011	19,411	10	115.91	Cash
September 6, 2011	2,500	10	121.64	Cash
December 3, 2011	29,000	10	17.48	Cash
December 3, 2011	1,54,225	10	50.05	Cash
December 3, 2011	27,111	10	115.91	Cash
January 16, 2012	5,000	10	55.43	Cash
January 16, 2012	4,86,000	10	50.05	Cash
January 16, 2012	53,310	10	17.48	Cash
February 11, 2012	4,77,27,272	10	176.00	Cash - on conversion of compulsorily convertible cumulative preference shares
March 7, 2012	1,03,850	10	115.91	Cash
March 7, 2012	4,50,000	10	50.05	Cash
April 12, 2012	12,682	10	115.91	Cash
April 12, 2012	91,000	10	50.05	Cash
June 20, 2012	53,244	10	17.48	Cash
June 20, 2012	7,30,500	10	50.05	Cash
June 20, 2012	5,000	10	55.43	Cash
June 20, 2012	60,000	10	85.60	Cash
June 20, 2012	2,718	10	115.91	Cash
June 20, 2012	1,800	10	121.64	Cash
October 9, 2012	13,228	10	17.48	Cash
October 9, 2012	1,23,000	10	50.05	Cash
October 9, 2012	3,000	10	55.43	Cash
October 9, 2012	1,51,253	10	115.91	Cash
October 9, 2012	1,000	10	121.64	Cash
October 9, 2012	12,000	10	138.80	Cash
November 15, 2012	68,250	10	50.05	Cash
November 15, 2012	2,000	10	54.43	Cash
November 15, 2012	75,000	10	110.36	Cash
November 15, 2012	3,88,666	10	115.91	Cash
November 15, 2012	4,000	10	121.64	Cash
November 15, 2012	4,000	10	131.70	Cash
December 17, 2012	32,500	10	50.05	Cash
December 17, 2012	22,500	10	115.90	Cash
December 17, 2012	1,42,888	10	115.91	Cash
December 17, 2012	5,000	10	121.64	Cash
December 17, 2012	5,500	10	146.06	Cash
January 15, 2013	5,000	10	50.05	Cash
January 15, 2013	1,000	10	55.43	Cash
January 15, 2013	29,889	10	115.90	Cash
January 15, 2013	7,750	10	121.64	Cash
January 15, 2013	8,500	10	146.06	Cash
February 18, 2013	18,216	10	17.48	Cash
February 18, 2013	2,000	10	55.43	Cash
February 18, 2013	1,67,277	10	115.91	Cash
February 18, 2013	1,14,500	10	121.64	Cash
May 6, 2013	35,201	10	17.48	Cash
May 6, 2013	12,000	10	50.05	Cash
May 6, 2013	4,000	10	55.43	Cash
May 6, 2013	19,698	10	115.91	Cash

Date of Allotment	No. of Equity Shares Allotted	Face Value of the Equity Shares (in ₹)	Issue price per Equity Share (₹)	Consideration
May 6, 2013	2,400	10	121.64	Cash
June 17, 2013	5,824	10	17.48	Cash
June 17, 2013	19,500	10	50.05	Cash
June 17, 2013	2,000	10	55.43	Cash
June 17, 2013	1,47,525	10	115.91	Cash
June 17, 2013	11,500	10	121.64	Cash
June 17, 2013	4,000	10	146.06	Cash
July 12, 2013	3,16,000	10	50.05	Cash
July 12, 2013	1,000	10	55.43	Cash
July 12, 2013	12,164	10	115.91	Cash
July 12, 2013	7,900	10	121.64	Cash
September 16, 2013	7,95,650	10	50.05	Cash
September 16, 2013	2,000	10	55.43	Cash
November 14, 2013	20,000	10	50.05	Cash
November 14, 2013	3,000	10	55.43	Cash
December 17, 2013	69,375	10	50.05	Cash
March 18, 2014	36,000	10	50.05	Cash
March 18, 2014	31,885	10	17.48	Cash
June 12, 2014	40,000	10	17.48	Cash
June 12, 2014	87,000	10	50.05	Cash
June 12, 2014	1,88,000	10	57.60	Cash
June 12, 2014	1,51,829	10	115.91	Cash
June 12, 2014	79,000	10	121.64	Cash
July 11, 2014	1,500	10	50.05	Cash
July 11, 2014	6,400	10	121.64	Cash
August 22, 2014	99,106	10	115.91	Cash
August 22, 2014	2,00,000	10	135.30	Cash

DIVIDENDS

The declaration and payment of dividends on the Equity Shares will be recommended by our Board of Directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements, contractual obligations, restrictive covenants under our loan and financing arrangements and the overall financial condition of our Company.

The dividend and dividend tax paid by our Company relating to the last three fiscal is presented below.

	<i>(₹ in crore)</i>		
	Fiscal 2014	Fiscal 2013	Fiscal 2012
Face value of Equity Shares (in ₹ per Equity Share)	10	10	10
Interim Dividend (in ₹ crore)	Nil	Nil	Nil
Final Dividend (in ₹ crore)	394.24	393.84	347.87
Dividend on equity shares pertaining to previous year	0.15	0.20	0.24
Total Dividend paid on Equity Shares (in ₹ crore)	394.39	394.04	348.11
Total Dividend paid on outstanding preference shares of our Company* (in ₹ crore)	-	-	43.63
Total Dividend (in ₹ crore)	394.39	394.04	391.74
Dividend per Equity Share (₹)	2.60	2.60	2.30
Interim Dividend Rate (%)	Nil	Nil	Nil
Final Dividend Rate (%)	26.00	26.00	23.00
Total Dividend Rate (%)	26.00	26.00	23.00
Dividend Tax (in ₹ crore)	67.00	66.93	53.39
Dividend Tax on equity shares pertaining to previous year (in ₹ crore)	0.02	(0.04)	0.04
Dividend Tax on preference shares (in ₹ crore)	-	-	5.78
Total Dividend Tax (in ₹ crore)	67.02	66.89	59.21

**Preference shares issued by our Company were converted into Equity Shares on February 11, 2012.*

However, the amounts distributed as dividends in the past are not necessarily indicative of our dividend amounts, if any, or our dividend policy, in the future. Future dividends will depend on our revenues, profits, cash flow, financial condition, capital requirements and other factors.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with our audited consolidated financial statements for each of fiscals 2014, 2013 and 2012, including the notes thereto and the report thereon, which appear elsewhere in this Placement Document. However, Galaxy Mercantiles Limited ("GML") and Neopro Technologies Private Limited ("Neopro"), two of our Subsidiaries, have not been consolidated as they are held for disposal and IDFC Foundation, another Subsidiary has also not been consolidated as IDFC Foundation is a company under the Section 25 of the Companies Act 1956. You should also read the section titled "Risk Factors" on page 27, which discusses a number of factors and contingencies that could impact our financial condition and results of operations. The following discussion relates to our Company, unless otherwise stated, is based on audited financial statements.

These financial statements have been prepared in accordance with Indian GAAP and the Companies Act 1956 as described in the report of our Auditors dated September 10, 2014, which is included in this Placement Document under "Financial Statements". Our fiscal year ends on March 31 of each year; therefore, all references to a particular fiscal are to the twelve-month period ended March 31 of that year. See also the section titled "Presentation of Financial and Other Information" on page 8.

This discussion contains forward-looking statements and reflects our current plans and expectations. Actual results may differ materially from those anticipated in these forward-looking statements. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the sections titled "Risk Factors", "Forward-Looking Statements" and "Our Business" on pages 27, 10 and 100, respectively.

Overview

We believe that we are one of the leading integrated financial services company in India. We offer a wide range of customer-centric financing solutions to our customers, under our well-recognized brand, IDFC. With our extensive domain knowledge in infrastructure financing, we believe that we have differentiated ourselves from other financiers in India and have played a key role in advancing infrastructure development in India. We believe we are presently the largest RBI-regulated NBFC-IFC, in terms of asset size. We also received the in-principle approval from the RBI on April 9, 2014, to set up a new private sector bank. For more information, see "Our Business" on page 100.

Our Company was incorporated in 1997, on the recommendations of the Expert Group on Commercialization of Infrastructure Projects, under the Chairmanship of Dr. Rakesh Mohan. We were set up as a private sector enterprise by a consortium of public and private investors, with a focus on catalyzing the flow of private capital into the development of India's infrastructure sector. Our Equity Shares were listed on the Indian stock exchanges pursuant to an initial public offering in August 2005. Guided and managed by a strong core of qualified and experienced professionals and with a diversified shareholder base, we believe that we have built a track record of good governance as well as strong, multimodal institutional relationships with Government agencies as well as in the private sector in India. We were notified as a PFI under the Companies Act and are currently classified by the RBI as an NBFC-ND-SI and an IFC. We are also registered with, and regulated by, SEBI, in relation to our investment banking, institutional brokerage and asset management businesses, which are operated through our Subsidiaries.

For fiscal 2014 and fiscal 2013, on a consolidated basis, our total income was ₹ 8,789.99 crore and ₹ 8,148.42 crore, including total operating income of ₹ 8,772.04 crore and ₹ 8,138.59 crore, respectively, our PAT was ₹ 1,802.68 crore and ₹ 1,836.20 crore, our RoA was 2.46% and 2.75%, our RoE was 12.25% and 13.94%, and our NIM was 4.01% and 4.16%, of which loan NIM aggregated to 4.46% and 4.51%, respectively. As on March 31, 2014, our gross and net NPL aggregated to 0.56% and 0.37% of our total loans, with a total loans provision of 2.40% (as a percentage of loans) as on March 31, 2014, on a consolidated basis. Our Company's CRAR as on March 31, 2014 was 22.32%, of which Tier I ratio was at 20.09%. Our cost to income ratio for fiscal 2014 was 14.56%, at the consolidated level.

Factors Affecting Our Results of Operations

Our financial results are dependent on the performance of the global economy, the Indian economy and the infrastructure industry generally, and the projects we finance in particular. The following is a discussion of certain factors that have had, and could continue to have, a significant effect on our financial results.

Macroeconomic factors

Our financial condition and results of operations are affected by general economic conditions prevailing in India. Fiscal 2014 was a challenging year for the Indian economy with lingering concerns over global growth prospects and financial stability weighing on external demand and international funding. Further, local headwinds such as elevated inflation and policy impediments to investment exacerbated the impact of a shaky global environment on domestic growth. As a result, GDP growth is estimated to have decreased to 4.9% in fiscal 2014 and 4.5% in fiscal 2013 from 6.2% in fiscal 2012 and 9.3% in fiscal 2011 (*Source: Central Statistical Organization, Government of India*).

While the government and the RBI have enacted policies to contain this decrease, their impact is not yet evident. In particular, the government has adopted an approach of fiscal consolidation. The RBI, on the other hand, had adopted an approach of measured policy easing in fiscal 2013 but it was forced to reverse its stance to combat the recent episode of excessive depreciation in the Indian Rupee between May and July 2013. To temper the pace of depreciation, the RBI initiated measures aimed primarily to tighten onshore liquidity in order to push domestic money market rates higher so as to attract inflows into the bond markets and subsequently provide some support to the exchange rate.

Notwithstanding our pace of growth, we believe we have maintained a strong balance sheet. As of March 31, 2014, net non-performing loans accounted for 0.37% of our loans. In addition, on a consolidated level, we have succeeded in lowering our cost to income ratio for fiscal 2014 to 14.56%. Further, although liquidity conditions were challenging, we were able to raise domestic funding from banks and insurance companies, albeit at a higher cost dictated by prevailing market conditions.

Policy developments and the growth opportunities in the infrastructure sector

Our results of operations are affected in large measure by the growth prospects of the Indian economy, particularly in the infrastructure sector. At present, we continue to derive most of our net interest income (“NII”) from our infrastructure lending operations, which accounted for 66.61% of our net operating income in fiscal 2014, on a consolidated basis, with a focus on the energy, telecommunications and transportation sectors.

The growth of the Indian economy in recent years has placed increasing stress on physical infrastructure such as electricity, railways, roads, ports, airports, irrigation, water supply and sanitation, all of which already suffer from a substantial deficit in terms of capacities and efficiencies in their delivery. Further, there has been a distinct slowdown in activities across the various infrastructure sectors in India in recent years, due to various political, regulatory and economic difficulties, such as uncertainties in the allocation of coal blocks, lack of gas supply, difficult monetary position of state-owned electricity distribution companies, insufficient awards of highway projects, as well the challenging financial condition of a number of infrastructure companies in India.

The draft Twelfth Five Year Plan of the GoI covering the period fiscal 2012 to fiscal 2017 (“Draft 12th Plan”) also notes that fixed investment rate is required to rise to 35% of GDP to achieve a 9% growth in the economy by the end of the 12th Five Year Plan period. This will require several steps to revive private investment, including private corporate investment, and also action to stimulate public investment, especially in key areas of infrastructure especially, energy, transport, water supply and water resource management. The 11th Five Year Plan raised investment in infrastructure from 5.04% of GDP in the Tenth Five Year Plan to 7.2% of GDP in the 11th Five Year Plan. The Draft 12th Plan seeks to raise it further to 9% of GDP by fiscal 2017.

Availability of cost effective funding, impact of interest rate volatility and competition

Our ability to meet the demand for new loans and other financing for infrastructure projects will primarily be funded by increased borrowing. Our debt service costs as well as our overall cost of funds depend on many external factors, including developments in the Indian debt markets and, in particular, interest rate movements and liquidity conditions. Internal factors which will impact our cost of funds include changes in our credit ratings and our volume of borrowings. In case of increase in our cost of borrowing due to higher rates of interest and to the extent, such increased borrowing costs cannot be offset by our higher lending rates due to inability of

our borrowers to absorb such increase in interest rates; our results of operations may be adversely affected. Although interest rates on our borrowings have been low in the past, interest rates may increase in the near term. However, we seek to manage interest rate volatility by matching the duration of assets and liabilities and appropriate hedging.

Volatility in interest rates could also affect our income from treasury operations. Our treasury operations have assumed greater importance as a source of income and as we seek to expand our treasury activities, our susceptibility to interest rate volatility is likely to increase. An increase in our cost of funds may require us to raise interest rates on our loan products. Furthermore, competition from banks and other financial institutions for project financing mandates continues to increase in India, and as a result there could be further downward pressure on our interest margins.

Until we acquired the status of an NBFC-IFC in 2010, we also required specific approval from the RBI to raise external commercial borrowings. As an NBFC-IFC, we now benefit from significant advantages, including the ability to obtain external commercial borrowings under the automatic route, do more business with projects and business groups and obtain funding at a better cost since a lower risk weight will be attached to our bank borrowings. However, once we commence our banking operations, we may not enjoy the same flexibility in raising external commercial borrowings as we enjoy today as an NBFC-IFC.

Our Proposed Banking Business

We have received the in-principle approval of the RBI on April 9, 2014, to set up a new private sector bank. This approval is valid for a period of 18 months from the grant of the license, i.e., by October 8, 2015. For more information, see “***Business - Proposed Banking Business***” on page 101.

We will be required to create an extensive branch network across India, including in unbanked rural areas, as well as technology infrastructure to support our banking operations. Our success in our proposed banking operations will also depend, among other things, on our ability to attract and retain sufficient numbers of talented and experienced personnel for our proposed banking operations, and to develop new product and service offerings. In the short term, our focus will be on developing and embedding key systems and processes, building our team and setting up the branch architecture, in a phased manner. While in longer term, we aim to achieve asset growth and scale-up our operations, our overall results of operations and particularly our profitability may be materially affected during the initial phase of our banking business.

The banking industry in India is subject to extensive regulation by Governmental and self-regulatory organizations, including the RBI. These regulations govern issues such as foreign investment, corporate governance and market conduct, customer protection, foreign exchange management, capital adequacy, margin requirements, anti-money laundering and provisioning for NPAs. The RBI also prescribes required levels of lending to “priority sectors” such as agriculture, which may expose us to higher levels of risk than we may otherwise face.

Our CRAR as at March 31, 2014, March 31, 2013 and March 31, 2012 were 22.32%, 22.24% and 21.04%. Under the RBI New Banks Licensing Guidelines, we will be required to maintain a minimum CRAR of 13% on an ongoing basis for first three years. Subsequent to that, under the Basel III framework, which the RBI has notified for implementation in a phased manner, we will be required to maintain a minimum CRAR of 9% on an ongoing basis, including a Tier I CRAR of 7%, with higher targets as well as disclosure requirements for capital adequacy and risk coverage coming into effect from March 31, 2018, and full implementation by March 31, 2019. Further, under the Basel III framework, we will be required to maintain an additional 2.50% as capital conservation buffer on the Tier I CRAR, which would on an aggregate require the Proposed IDFC Bank to maintain a minimum CRAR of 11.50% on an ongoing basis post March 31, 2019. Further, in our banking operations, we will be required to maintain a minimum CRR of 4% of our net demand and time liabilities in a current account with the RBI. We will not earn interest income on the CRR. We will also be required to maintain a SLR equivalent to 22.00% of our net demand and time liabilities, to be invested in cash and government or other RBI-approved securities. Further, the credit exposure norms would also be different for a private bank compared to an NBFC. In accordance with RBI guidelines, the exposure ceiling limits would be 15% of capital funds in case of a single borrower and 40% of capital funds in the case of a borrower group for a bank, compared to an NBFC-IFC for which the exposure ceiling limits would be 25% of capital funds in case of a single borrower and 40% of capital funds in the case of a single borrower group.

Tax benefits and incentives

Our Company, as well as the infrastructure projects that we provide long-term financing to, have both benefited from certain tax regulations and incentives that accord favourable treatment to profit derived from long term lending activities. As a consequence, our operations have been subject to relatively lower tax liabilities. In fiscals 2014, 2013 and 2012, our effective tax rates (net of deferred tax) were 28.82%, 28.96% and 28.62%, respectively, compared to the marginal rate of tax of 33.99% in each of these fiscal years, including applicable surcharges and cess that would have been applicable to us if these benefits were not made available to us. We cannot assure you that we will continue to be eligible for such lower tax rates or any other benefits in the future, particularly subsequent to the commencement of our proposed banking operations, wherein we expect that a significant proportion of our earnings would be from our banking business. Moreover, the Direct Tax Code, once introduced, may significantly alter the taxation regime, including incentives and benefits, applicable to our operations.

Significant Accounting Policies

The audited consolidated financial statements for fiscals 2014, 2013 and 2012 have been prepared in accordance with Indian GAAP and the Accounting Standards notified under Section 211(3)(c) of the Companies Act 1956, the relevant provisions of the Companies Act 1956 and the Companies Act 2013, and the guidelines issued by the RBI, as applicable. The audited consolidated financial statements have been prepared on the accrual basis under the historical cost convention. The accounting policies have been consistently adopted by our Company and are consistent with those used in the previous year, unless stated otherwise. The most significant of these accounting policies are set out below. For a full description of our significant accounting policies adopted in the preparation of the audited consolidated financial information, see “*Financial Statements*” on page 196.

Investments

NBFC

- Investments which are readily realisable and intended to be held for not more than one year from the date on which such investments are made are classified as current investments in accordance with the RBI guidelines and Accounting Standard 13 on ‘Accounting for Investments’ as notified under the Companies (Accounting Standards) Rules, 2006. Current investments also include current maturities of long-term investments. All other investments are classified as long-term investments.
- All investments are initially recorded at cost. The cost of an investment includes purchase price, directly attributable acquisition charges and reduced by recovery of costs, if any. On disposal of an investment, the difference between its carrying amount and the net disposal proceeds is charged or credited to the Statement of Profit and Loss. Purchase and sale of investments are recorded on trade date.
- Current investments are valued scrip-wise and depreciation / appreciation is aggregated for each category. Net appreciation in each category, if any, being unrealised gain is ignored, while net depreciation is provided for. Commercial papers, certificate of deposits and treasury bills are valued at carrying cost. Long-term investments are carried at acquisition cost. A provision is made for diminution other than temporary on an individual basis against long-term investments. Premium paid over the face value of long-term investments is amortised over the life of the investments.
- Inter-class transfer of investments from one category to the other, if any, is done in accordance with the RBI guidelines at lower of book value and fair value / market value on the date of transfer.

Other than NBFCs

- Long-term investments are valued at cost except where there is a diminution in value other than temporary in which case the carrying value is reduced to recognise the decline. Current investments are valued at lower of cost and market value.

Repurchase and resale transactions (Repo)

Repo transactions are treated as collateralised lending and borrowing transactions, with an agreement to repurchase, on the agreed terms, as per the RBI guidelines and accordingly disclosed in the financial statements.

The difference between consideration amounts of the first leg and second leg of the repo are reckoned as repo interest. As regards repo / reverse repo transactions outstanding on the Balance Sheet date, only the accrued expenditure / income till the Balance Sheet date is taken to the Statement of Profit and Loss. Any repo expenditure / income for the remaining period is reckoned for the next accounting period. The securities sold under repo transactions are continued to be marked-to-market as per the investment classification of the security.

Loans

In accordance with the RBI guidelines, all loans are classified under any of four categories i.e. (i) standard assets (ii) sub-standard assets (iii) doubtful assets and (iv) loss assets.

Impairment of assets

The carrying amount of assets at each Balance Sheet date are reviewed for impairment. If any indication of impairment based on internal / external factors exists, the recoverable amount of such assets is estimated and impairment is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and its value in use, which is arrived at by discounting the future cash flows to their present value, based on an appropriate discounting factor. If at the Balance sheet date, there is indication that previously recognised impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount, subject to a maximum of the depreciable historical cost and reversal of such impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

Expense under employee stock option schemes

We have formulated Employee Stock Option Schemes ('the ESOS') in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (the "ESOP Guidelines"). The ESOS provides for grant of stock options to employees (including employees of the Subsidiaries) to acquire equity shares that vest in a graded manner and that are to be exercised within a specified period. In accordance with the ESOP Guidelines and the Guidance Note on 'Accounting for Employees Share-based Payments' issued by the Institute of Chartered Accountants of India, the excess, if any, of the closing market price on the day prior to the date of grant of the stock options under the ESOS over the exercise price is amortised on a straight-line method over the vesting period and is charged to the Statement of Profit and Loss as employee benefits expense. In case the vested stock options expires unexercised, the balance in stock options outstanding is transferred to the general reserve. In case the unvested stock options get lapsed / cancelled, the balance in stock option outstanding account is transferred to the Statement of Profit and Loss account.

Employee benefits

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 and when services are rendered.

Defined benefit plan

The net present value of obligation towards gratuity to employees is actuarially determined as at the Balance Sheet date based on the projected unit credit method. Actuarial gains and losses are recognised in the Statement of Profit and Loss for the year.

Compensated absences

Based on the leave rules of the group companies, employees are not permitted to accumulate leave. Any unavailed privilege leave to the extent encashable is paid to the employees and charged to the Statement of Profit and Loss for the year.

Borrowing costs

Borrowing costs include interest, amortisation of ancillary costs incurred and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Interest cost in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss over the tenure of the loan. Ancillary costs in connection with long-term external commercial borrowings are amortised to the Statement of Profit and Loss over the tenure of the loan.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow and the revenue can be reliably measured. In addition, the following criteria must also be met before revenue is recognised:

- Interest is accounted on accrual basis except in the case of non-performing loans where it is recognised upon realisation, as per the income recognition and asset classification norms prescribed by the RBI.
- Income on discounted instruments is recognised over the tenure of the instrument on a straight-line method.
- Dividend is accounted when the right to receive is established.
- Front end fees on processing of loans are recognised upfront as income.
- Brokerage is recognised on trade date basis and is net of statutory payments.
- Asset management fees is recognised on accrual basis.
- Underwriting commission earned to the extent not reduced from the cost of acquisition of securities is recognised as fees on closure of issue.
- All other fees and charges are recognised when reasonable right of recovery is established, revenue can be reliably measured and as and when they become due, except guarantee commission which is recognised pro-rata over the period of the guarantee.
- Premium on interest rate reduction is accounted on accrual basis over the residual life of the loan.
- Profit / loss on sale of investments is recognised on trade date basis. Profit / loss on sale of investments is determined based on the 'first in first out' cost for current investments and weighted average cost for long-term investments.
- Profit on sale of loan assets through direct assignment / securitisation is recognised over the residual life of the loan / pass through certificate in terms of the RBI guidelines. Loss arising on account of direct assignment / securitisation is recognised upfront on sale in the Statement of Profit and Loss.
- Revenue from power supply is accounted on accrual basis.
- Income from trading in derivatives is recognised on final settlement or squaring up of the contracts.

Taxes on income

- Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income-tax Act, 1961.
- Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the Balance Sheet date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Deferred tax assets are recognised for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and right for such set off are legally enforceable. Deferred tax assets are reviewed at each Balance Sheet date for their realisability. Current and deferred tax relating to items directly recognised in reserves are recognised in reserves and not in the Statement of Profit and Loss.
- Minimum alternate tax paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that normal income tax will be payable. Accordingly, it is recognised as an asset in the Balance Sheet when it is probable that future economic benefits associated with it will flow.
- Since our Board of Directors have passed a resolution that it has no intention to make withdrawal from

the Special Reserve created and maintained under Section 36(1)(viii) of the Income Tax Act, 1961, the special reserve created and maintained is not capable of being reversed and thus a permanent difference. Accordingly, no deferred tax liability has been created in books of account.

Derivative contracts

Interest rate swaps

Interest rate swaps are booked with the objective of managing the interest rate risk on liabilities. Interest rate swaps in the nature of hedge are recorded on accrual basis and these transactions are not marked to market. Any resultant profit or loss on termination of the hedge swaps is amortised over the life of the swap or underlying liability, whichever is shorter.

Currency interest rate swaps

Currency interest rate swaps in the nature of hedge, booked with the objective of managing the currency and interest rate risk on foreign currency liabilities are recorded on accrual basis and these transactions are not marked to market. Any resultant profit or loss on termination of hedge swaps is amortised over the life of swap or underlying liability, whichever is shorter. The foreign currency balances on account of principal of currency interest rate swaps outstanding as at the Balance Sheet date are revalued using the closing rate.

Stock futures

- Stock futures are marked-to-market on a daily basis. The debit or credit balance in the 'Mark-to-market margin – stock futures account' disclosed under loans and advances or current liabilities represents the net amount paid or received on the basis of the movement in the prices of stock futures till the Balance Sheet date.
- Credit balance in the 'Mark-to-market margin – stock futures account' in the nature of anticipated profit, is ignored and no credit is taken to the Statement of Profit and Loss. However, the debit balance in the 'Mark-to-market margin – stock futures account' in the nature of anticipated loss is recognised in the Statement of Profit and Loss.
- On final settlement or squaring-up of contracts for stock futures, the profit / loss is calculated as the difference between the settlement / squaring-up price and the contract price. Accordingly, debit or credit balance pertaining to the settled / squared-up contract in 'Mark-to-market margin – stock futures account' is recognised in the Statement of Profit and Loss upon expiry of the contracts. When more than one contract in respect of the relevant series of stock futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of such contract is determined using the weighted average method for calculating profit / loss on squaring-up.
- 'Initial margin account – stock futures', representing initial margin paid is disclosed under loans and advances.

Foreign currency transactions and translations

Foreign currency transactions are accounted at the exchange rate prevailing on the date of the transaction. Foreign currency monetary items outstanding as at the Balance Sheet date are reported using the closing rate. Gain or loss resulting from the settlement of such transactions and translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit and Loss. Premium in respect of forward contracts is accounted over the period of the contract. Forward contracts outstanding as at the Balance Sheet date are revalued at the closing rate.

Provisions and contingencies

Provision against loans and advances

- Contingent provision against standard assets is made at 0.25% of the outstanding standard assets in accordance with the RBI guidelines.
- In addition, we maintain a general provision as Provision for Contingencies in accordance with our provisioning policy and additional provision based on the assessment of portfolio including provision against stressed assets that qualifies for deduction under Section 36(1)(viiia) of the Income Tax Act,

1961.

- The policy of provisioning against non-performing loans and advances has been decided by the management considering norms prescribed by the RBI under Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 2007. As per the policy adopted by us, the provision against non-performing loans and advances are created on a conservative basis, taking into account management's perception of the higher risk associated with the business. Certain non-performing loans and advances are considered as loss assets and full provision has been made against such assets.
- In January 2014, the RBI has issued guidelines on Restructuring of Advances applicable to Non-Banking Finance Companies. As per the guidelines, a provision is required on standard accounts restructured prior to January 24, 2014 at 2.75% from March 31, 2014, and would further increase to 3.50% from March 31, 2015, 4.25% from March 31, 2016 and 5.00% from March 31, 2017. Restructuring of standard accounts subsequent to January 23, 2014 would attract a provision at 5.00%. Our Company has complied with the aforesaid guidelines and on prudent basis a provision at 5.00% has been made on all outstanding restructured accounts in addition to the provision against diminution in fair value of restructured advances. Unrealised income represented by Funded Interest Term Loan ("FITL") on standard accounts restructured after January 23, 2014 are fully provided and such provision against FITL will be reversed on repayment of FITL.

Other provisions

- A provision is recognised for a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation as at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed separately. Contingent assets are not recognised in the financial statements.

Brokerage expenses

Brokerage paid to the brokers on closed ended funds and commitments in portfolio management schemes are amortised over the tenure of the product or commitment period.

Misdeal stock

Misdeal stock comprises of stock that devolves due to erroneous execution of trades in the normal course of business. These securities are valued at lower of cost or market value on an individual basis. Any profit / loss on such deals is recognised in the Statement of Profit and Loss.

Results of Operations

Income

Our total income comprises of our revenue from operations and other income. Our revenue from operations includes interest income, income from other financial services, dividend income, net profit on sale of investments, brokerage, and other operating income. The following table sets forth our revenue from operations and other income in Indian Rupees (₹) and as a percentage of our total income for the periods indicated.

Particulars	<i>(₹ in crore)</i>		
	Fiscal 2014	Fiscal 2013	Fiscal 2012
Interest on loans	6,732.59	6,367.80	4,793.71
<i>% of total income</i>	<i>76.60%</i>	<i>78.15%</i>	<i>74.49%</i>
Interest on deposits and loan to a financial institution	19.01	111.97	175.38
<i>% of total income</i>	<i>0.22%</i>	<i>1.37%</i>	<i>2.73%</i>
Interest on investments	792.59	632.55	465.36
<i>% of total income</i>	<i>9.02%</i>	<i>7.76%</i>	<i>7.23%</i>
Income from other financial services	575.05	555.57	421.57
<i>% of total income</i>	<i>6.54%</i>	<i>6.82%</i>	<i>6.55%</i>

Particulars	Fiscal 2014	Fiscal 2013	Fiscal 2012
Dividend income	20.24	32.48	24.92
<i>% of total income</i>	<i>0.23%</i>	<i>0.40%</i>	<i>0.39%</i>
Net profit on sale of investments	597.88	401.33	412.35
<i>% of total income</i>	<i>6.80%</i>	<i>4.93%</i>	<i>6.41%</i>
Brokerage	24.03	25.10	37.12
<i>% of total income</i>	<i>0.27%</i>	<i>0.31%</i>	<i>0.58%</i>
Other operating income	10.65	11.79	11.72
<i>% of total income</i>	<i>0.12%</i>	<i>0.14%</i>	<i>0.18%</i>
Total Revenue from Operations	8,772.04	8,138.59	6,342.13
<i>% of total income</i>	<i>99.80%</i>	<i>99.88%</i>	<i>98.56%</i>
Other Income	17.95	9.83	92.88
<i>% of total income</i>	<i>0.20%</i>	<i>0.12%</i>	<i>1.44%</i>
Total Income	8,789.99	8,148.42	6,435.01

Revenue from operations

Our revenue from operations primarily comprises of (i) interest on loans, (ii) interest on deposits and loan to a financial institution, (iii) interest on investments, (iv) income from other financial services, (v) dividend income, (vi) net profit on sale of investments, (vii) brokerage, and (viii) other operating income. The components of these are as follows:

- Income from interest on loans includes: (i) interest from senior and subordinated loans and debentures/bonds of infrastructure projects; and (ii) prepayment premiums and premiums on interest rate reductions;
- Interest on deposits and loan to a financial institution includes (i) interest on inter-corporate deposits and loans; and (ii) interest on bank deposits;
- Interest on investments includes (i) interest on government securities and treasury bills; (ii) interest on corporate bonds; (iii) interest on certificate of deposits and commercial papers; and (iv) interest on pass through certificates;
- Income from other financial services includes (i) fees income; and (ii) profit amortised on assignment or sale of loans. Fees include (i) front end fees; (ii) asset management fees (including investment advisory and performance fees); (iii) debt syndication fees; (iv) equity placement fees; (v) advisory fees; and (vi) commissions on guarantees, take-out financings and risk participation facilities;
- Dividend income includes (i) dividend from our current investments (including investments in mutual funds – dividend scheme); and (ii) dividend from our long-term investments which primarily include investments in equity and preference capital;
- Net profit on sale of investments includes profit on sale of (i) equity and preference securities; (ii) bonds; (iii) government securities and treasury bills; (iv) mutual funds; (v) Commercial papers and certificate of deposits; and (vi) carry or surplus distributed by venture capital funds;
- Brokerage is the brokerage fee earned from our institutional broking business; and
- Other operating income includes income from sale of power. This comprises of the income generated by selling the power produced by certain windmills owned by our Company, which were purchased in fiscal 2009.

Other income

Our other income primarily includes (i) interest on income tax refund; (ii) profit on sale of fixed assets; (iii) income from operating leases; and (iv) miscellaneous income.

Expenses

Our expenses comprise of (i) finance costs, (ii) employee benefit expense, (iii) provisions and contingencies, (iv) other expenses, and (v) depreciation and amortisation expenses.

The following table sets forth our expenditure in Rupees and as a percentage of our total revenue for the periods indicated:

				(₹ in crore)
Particulars	Fiscal 2014	Fiscal 2013	Fiscal 2012	
Finance costs	5,055.24	4,675.83	3,456.21	
% of total income	57.51%	57.38%	53.71%	
Employee benefits expenses	288.28	291.64	304.86	
% of total income	3.28%	3.58%	4.74%	
Provisions and contingencies	628.30	349.63	284.58	
% of total income	7.15%	4.29%	4.42%	
Other expenses	224.56	203.36	178.25	
% of total income	2.55%	2.50%	2.77%	
Depreciation and amortisation expense	30.96	34.40	38.44	
% of total income	0.35%	0.42%	0.60%	
Total expenses	6,227.34	5,554.86	4,262.34	

The largest component of our expenditure is finance costs. Finance costs include interest on borrowings and other charges related to our borrowings such as fees and hedging costs on foreign currency borrowings.

Our non-interest expenditure includes:

- employee benefit expenses, comprising salaries, contributions to provident funds, gratuity and superannuation funds and staff welfare expenses;
- provisions and contingencies, including provisions for non-performing loans, restructured loans, doubtful debts and advances, provisions for contingencies, and provision for diminution in value of investments;
- other expenses, including travel expenses, printing and stationery, communications, advertising and publicity, audit and other professional fees, directors' fees, establishment expenses, comprising rent, electricity, repairs and maintenance, insurance charges and other operating expenses such as payment of brokerage and scheme issue expenses in connection with new fund offerings and miscellaneous expenses such as software expenses, arrangement fees, vehicle expenses and seminar expenses; and
- depreciation and amortization.

Fiscal 2014 compared with fiscal 2013

Income

Our total income increased by ₹ 641.57 crore, or 7.87%, from ₹ 8,148.42 crore in fiscal 2013 to ₹ 8,789.99 crore in fiscal 2014. This increase was driven by a ₹ 364.79 crore increase in interest on loans, ₹ 160.04 crore increase in interest on investments, ₹ 19.48 crore increase in income from other financial services and ₹ 196.55 crore increase in net profit on sale of investments. This was partially off set by ₹ 92.96 crore decrease in interest on deposits and loan to a financial institution and ₹ 12.24 crore decrease in dividend income from fiscal 2013 to fiscal 2014.

Interest on loans

Our income from interest on loans increased by ₹ 364.79 crore, or 5.73%, from ₹ 6,367.80 crore in fiscal 2013 to ₹ 6,732.59 crore in fiscal 2014. There has been a distinct slowdown in the macro-economic environment in India and the infrastructure sector, in particular, in fiscal 2014 and fiscal 2013. This significantly impacted our infrastructure lending business in recent periods. Though our loan book increased by 5.72% to ₹ 59,829.30 crore as on March 31, 2014, our gross approvals for fiscal 2014 was ₹ 25,682.87 crore which was 1.13% lower than in fiscal 2013. Further, our gross disbursements for fiscal 2014 also decreased by 7.91% to ₹ 16,295.96 crore from fiscal 2013 as a result of the sluggish growth in the infrastructure sector in India and other macro-economic

factors including lower investment sentiment, liquidity constraints and regulatory difficulties in India.

Interest on deposits and loan to a financial institution

Our income from interest on deposits and loan to a financial institution decreased by ₹ 92.96 crore, or 83.02%, from ₹ 111.97 crore in fiscal 2013 to ₹ 19.01 crore in fiscal 2014. This decrease was primarily due to substantial decrease in the amount we held in bank deposits, which were instead used by us to provide additional infrastructure loans.

Interest on investment

Our income from interest on investment increased by ₹ 160.04 crore, or 25.30%, from ₹ 632.55 crore in fiscal 2013 to ₹ 792.59 crore in fiscal 2014. This increase was primarily driven by our active management of our treasury operations along with increased volume of our investments in government securities. Net interest income of our treasury business was ₹ 215.79 crore in fiscal 2014 which was 8.40% higher than in fiscal 2013.

Income from other financial services

Our income from other financial services increased by ₹ 19.48 crore, or 3.51%, from ₹ 555.57 crore in fiscal 2013 to ₹ 575.05 crore in fiscal 2014. This marginal increase was primarily due to increase in our asset management fees and loan related fees. The increase was driven by asset management fees of ₹ 279.71 crore earned by IDFC AMC in fiscal 2014, which was 55.86% higher than in fiscal 2013. This substantial increase in our IDFC AMC business was offset by reduction in loan related fees which were lower at ₹ 114.59 crore in fiscal 2014 as compared to ₹ 189.21 crore in fiscal 2013.

Dividend income

Our dividend income decreased by ₹ 12.24 crore, or 37.68%, from ₹ 32.48 crore in fiscal 2013 to ₹ 20.24 crore in fiscal 2014.

Net profit on sale of investments

Our net profit on sale of investments increased by ₹ 196.55 crore, or 48.97%, from ₹ 401.33 crore in fiscal 2013 to ₹ 597.88 crore in fiscal 2014. This increase was primarily due to profit on sale of treasury items and bonds and sale of government securities held by us. This was also positively impacted by redemption and sale of certain of our preference share capital investments and sale of equity investments.

Brokerage

Our brokerage income marginally decreased by ₹ 1.07 crore, or 4.26%, from ₹ 25.10 crore in fiscal 2013 to ₹ 24.03 crore in fiscal 2014, given the slowdown in our institutional broking business due to the general macro-economic conditions prevalent in India.

Other operating income

Our other operating income or income from sale of power decreased by ₹ 1.14 crore, or 9.67%, from ₹ 11.79 crore in fiscal 2013 to ₹ 10.65 crore in fiscal 2014.

Other income

Our other income increased by ₹ 8.12 crore, or 82.60%, from ₹ 9.83 crore in fiscal 2013 to ₹ 17.95 crore in fiscal 2014. This increase was primarily due to ₹ 10.56 crore net profit on sale of fixed assets in fiscal 2014.

Expenses

Our total expenses increased by ₹ 672.48 crore, or 12.11%, from ₹ 5,554.86 crore in fiscal 2013 to ₹ 6,227.34 crore in fiscal 2014. This increase was principally due to ₹ 379.41 crore increase in finance costs, ₹ 278.67 crore increase in provisions and contingencies and ₹ 21.20 crore increase in other expenses.

Finance costs

Our finance costs increased by ₹ 379.41 crore, or 8.11%, from ₹ 4,675.83 crore in fiscal 2013 to ₹ 5,055.24 crore in fiscal 2014. This increase was primarily impacted by increase in interest expenses paid on our borrowings which increased by ₹ 2,338.03 crore, or 4.31%, from ₹ 54,227.29 crore in fiscal 2013 to ₹ 56,565.32 crore due to increased borrowings and higher interest rates. Average cost of funds was marginally lower at 9.21% in fiscal 2014 as compared to 9.23% in fiscal 2013.

NIM on loans remained the same at 4.51% in fiscal 2014 as compared to fiscal 2013, while NIM as a whole decreased by 15 bps to 4.01% in fiscal 2014 from fiscal 2013.

Employee benefits expenses

Our employee benefit expenses decreased marginally by ₹ 3.36 crore, or 1.15%, from ₹ 291.64 crore in fiscal 2013 to ₹ 288.28 crore in fiscal 2014.

Provisions and contingencies

The following table sets forth, for the periods indicated, the components of our provisions and contingencies:

	(₹ in crore)	
	Fiscal 2014	Fiscal 2013
Contingent provision against standard assets	7.21	18.80
Provision for contingencies	313.97	175.13
Provision against non-performing loans, restructured loans, doubtful debts/ advances and others (net)	282.93	119.34
Provision for diminution in value of investments (net)	24.19	36.36
Total provisions and contingencies	628.30	349.63

Total provisions and contingencies increased by ₹ 278.67 crore, or 79.70%, from ₹ 349.63 crore in fiscal 2013 to ₹ 628.30 crore in fiscal 2014. In fiscal 2014, there was a significant increase in the provision relating to our loan book, as we believed that it was prudent to do so in light of the prevailing poor economic environment and the risks it posed to the financial health of our borrowers. Further, pursuant to the RBI Circular (DNBS CO.PD.No. 367/ 03.10.01/2013-14) dated January 23, 2014, we were mandated to maintain 5.00% provisioning on restructured assets in addition to provision for diminution in fair value which also increased our provisioning relating to our loan book.

Other expenses

Our other expenses increased by ₹ 21.20 crore, or 10.42%, from ₹ 203.36 crore in fiscal 2013 to ₹ 224.56 crore in fiscal 2014. This was driven by ₹ 15.72 crore increase in other operating expenses which was due to the provisions of the SEBI Master Circular (CIR/IMD/DF/14/2013) dated September 11, 2013 which specified that any expenditure in excess of the specified limit (including brokerage and transaction cost) should be borne by the asset management companies. Additionally, increase in other expenses was also driven by an increase in rates and taxes, donations made by us and miscellaneous expenses.

Depreciation and amortization expense

Our depreciation and amortization expenses decreased by ₹ 3.44 crore, or 10.00%, from ₹ 34.40 crore in fiscal 2013 to ₹ 30.96 crore in fiscal 2014 on account of lower amortisation on computer software.

Profit before tax

Primarily due to the reasons described above, in particular higher provisions for loans, our profit before tax marginally decreased by ₹ 30.91 crore, or 1.19%, from ₹ 2,593.56 crore in fiscal 2013 to ₹ 2,562.65 crore in fiscal 2014.

Tax expense

Due to a decrease in our profit before tax, our total tax expense decreased by ₹ 12.67 crore, or 1.69%, from ₹ 751.13 crore in fiscal 2013 to ₹ 738.46 crore in fiscal 2014. Our effective rate of tax was 28.82% in fiscal 2014

and 28.96% in fiscal 2013.

Of our total income tax of ₹ 738.46 crore in fiscal 2014, our charge on account of current income tax was ₹ 907.55 crore and write back on account of our deferred tax liability was ₹ 112.58 crore.

Profit after tax

Our profit after tax decreased by ₹ 18.24 crore, or 0.99%, from ₹ 1,842.43 crore in fiscal 2013 to ₹ 1,824.19 crore in fiscal 2014.

Share of associates and minority interest

For fiscal 2014, our share of net profit from associates and share of profit of minority interest stood at ₹ 2.01 crore and ₹ 23.52 crore, respectively.

Net profit for the period

Our net profit decreased marginally by ₹ 33.52 crore, or 1.83%, from ₹ 1,836.20 crore in fiscal 2013 to ₹ 1,802.68 crore in fiscal 2014.

Fiscal 2013 compared with fiscal 2012

Income

Our total income increased by ₹ 1,713.41 crore, or 26.63%, from ₹ 6,435.01 crore in fiscal 2012 to ₹ 8,148.42 crore in fiscal 2013. This increase was driven by a ₹ 1,574.09 crore increase in interest on loans, ₹ 167.19 crore increase in interest on investments, ₹ 134.00 crore increase in income from other financial services and ₹ 7.56 crore increase in dividend income. This was partially off- set by ₹ 83.05 crore decrease in other income, ₹ 63.41 crore decrease in interest on deposits and loan to a financial institution, ₹ 12.02 crore decrease in brokerage and ₹ 11.02 crore decrease in net profit on sale of investments from fiscal 2012 to fiscal 2013.

Interest on loans

Our income from interest on loans increased by ₹ 1,574.09 crore, or 32.84%, from ₹ 4,793.71 crore in fiscal 2012 to ₹ 6,367.80 crore in fiscal 2013 reflecting mainly an increase in the volume of infrastructure financing as a result of the general growth in our business. Though our loan book increased by 15.77% to ₹ 56,594.55 crore as on March 31, 2013, our gross approvals for fiscal 2013 was ₹ 25,976.44 crore which was 18.49% lower than in fiscal 2012.

Interest on deposits and loan to a financial institution

Our income from interest on deposits and loan to a financial institution decreased by ₹ 63.41 crore, or 36.16%, from ₹ 175.38 crore in fiscal 2012 to ₹ 111.97 crore in fiscal 2013. This decrease was primarily due to decrease in the amount we held in bank deposits, which were instead used by us to provide additional infrastructure loans

Interest on investment

Our income from interest on investment increased by ₹ 167.19 crore, or 35.93%, from ₹ 465.36 crore in fiscal 2012 to ₹ 632.55 crore in fiscal 2013. This increase was primarily driven by our active management of our treasury operations along with increased volume of our investments in government securities

Income from other financial services

Our income from other financial services increased by ₹ 134.00 crore, or 31.79%, from ₹ 421.57 crore in fiscal 2012 to ₹ 555.57 crore in fiscal 2013. This increase was primarily due to increase in our asset management fees and loan related fees. The increase was driven by asset management fees of ₹ 179.69 crore earned by IDFC AMC in fiscal 2013, which was 47.80% higher than in fiscal 2012. In addition, our loan related fees were higher at ₹ 189.21 crore in fiscal 2013 as compared to ₹ 123.62 crore in fiscal 2012, registering an increase of 53%.

Dividend income

Our dividend income increased by ₹ 7.56 crore, or 30.34%, from ₹ 24.92 crore in fiscal 2012 to ₹ 32.48 crore in fiscal 2013.

Net profit on sale of investments

Our net profit on sale of investments decreased by ₹ 11.02 crore, or 2.67%, from ₹ 412.35 crore in fiscal 2012 to ₹ 401.33 crore in fiscal 2013.

Brokerage

Our brokerage income decreased by ₹ 12.02 crore, or 32.38%, from ₹ 37.12 crore in fiscal 2012 to ₹ 25.10 crore in fiscal 2013. This decrease was primarily due to the challenging market conditions through fiscal 2013.

Other operating income

Our other operating income or income from sale of power marginally increased by ₹ 0.07 crore, or 0.60%, from ₹ 11.72 crore in fiscal 2012 to ₹ 11.79 crore in fiscal 2013.

Other income

Our other income decreased significantly by ₹ 83.05 crore, or 89.42%, from ₹ 92.88 crore in fiscal 2012 to ₹ 9.83 crore in fiscal 2013. The other income for fiscal 2012 included a one-time income of ₹ 83.82 crore by way of profit on sale of long-term investments pursuant to sale of 25% stake in IDFC Asset Management Company Limited (“IDFC AMC”) and IDFC AMC Trustee Company Limited (“IDFC AMCTC”), our wholly owned Subsidiaries, to Natixis Global Asset Management Asia Pte. Limited and ₹ 4.30 crore by way of profit on sale of fixed assets. Our other income for fiscal 2013 included interest earned on income tax refund which was ₹ 6.77 crore, compared to ₹ 1.34 crore for fiscal 2012.

Expenses

Our total expenses increased by ₹ 1,292.52 crore, or 30.32%, from ₹ 4,262.34 crore in fiscal 2012 to ₹ 5,554.86 crore in fiscal 2013. This increase was principally due to ₹ 1,219.62 crore increase in finance costs, ₹ 65.05 crore increase in provisions and contingencies and ₹ 25.11 crore increase in other expenses, which was partially off-set by a ₹ 13.22 crore decrease in employee benefits expenses.

Finance costs

Our finance costs increased by ₹ 1,219.62 crore, or 35.29%, from ₹ 3,456.21 crore in fiscal 2012 to ₹ 4,675.83 crore in fiscal 2013. This increase was primarily impacted by increase in borrowings from ₹ 46,435.45 crore in fiscal 2012 to ₹ 54,227.29 crore in fiscal 2013. Average cost of funds was marginally higher at 9.23% in fiscal 2013 as compared to 8.99% in fiscal 2012.

NIM on loans was 4.51% in fiscal 2013 as compared to 4.59% in fiscal 2012, while NIM as a whole decreased by 17 bps to 4.16% in fiscal 2013 in fiscal 2012.

Employee benefits expenses

Our employee benefit expenses decreased by ₹ 13.22 crore, or 4.34%, from ₹ 304.86 crore in fiscal 2012 to ₹ 291.64 crore in fiscal 2013 due to decrease in number of employees from 575 in fiscal 2012 to 557 in fiscal 2013.

Provisions and contingencies

The following table sets forth, for the periods indicated, the components of our provisions and contingencies:

	(₹ in crore)	
	Fiscal 2013	Fiscal 2012
Contingent provision against standard assets	18.80	27.65
Provision for contingencies	175.13	104.91

	Fiscal 2013	Fiscal 2012
Provision against non-performing loans, restructured loans, doubtful debts/ advances and others (net)	119.34	52.02
Provision for diminution in value of investments (net)	36.36	100.16
Write back of mark-to-market on stock futures account	-	(0.16)
Total provisions and contingencies	349.63	284.58

Total provisions and contingencies increased by ₹ 65.05 crore, or 22.86%, from ₹ 284.58 crore in fiscal 2012 to ₹ 349.63 crore in fiscal 2013. In fiscal 2013, there was a significant increase in the provision (one time provision of ₹ 75 crore) relating to our loan book, as we believed that it was prudent to do so in light of the prevailing poor economic environment and the risks it posed to the financial health of our borrowers.

Other expenses

Our other expense increased by ₹ 25.11 crore, or 14.09%, from ₹ 178.25 crore in fiscal 2012 to ₹ 203.36 crore in fiscal 2013. This increase was primarily on account of ₹ 24.15 crore increase in other operating expenses in our mutual fund business in fiscal 2013 from ₹ 12.34 crore in fiscal 2012 to ₹ 36.49 crore in fiscal 2013, due to increase in up-front brokerage paid over and above that charged to schemes and increase in scheme issue expenses due to higher number of schemes launched in fiscal 2013. Additionally, expenses on account of professional fees also increased by ₹ 3.12 crore from ₹ 48.58 crore in fiscal 2012 to ₹ 51.70 crore in fiscal 2013. The increase was partially offset by a ₹ 3.80 crore decrease in rent from ₹ 25.39 crore in fiscal 2012 to ₹ 21.59 crore in fiscal 2013.

Depreciation and amortization expense

Our depreciation and amortization expenses decreased by ₹ 4.04 crore, or 10.51%, from ₹ 38.44 crore in fiscal 2012 to ₹ 34.40 crore in fiscal 2013 on account of no significant additions to our fixed assets during fiscal 2013.

Profit before tax

Primarily due to the reasons described above, our profit before tax increased by ₹ 420.89 crore, or 19.37%, from ₹ 2,172.67 crore in fiscal 2012 to ₹ 2,593.56 crore in fiscal 2013.

Tax expense

Due to an increase in our profit before tax, our total tax expense increased by ₹ 129.27 crore, or 20.79%, from ₹ 621.86 crore in fiscal 2012 to ₹ 751.13 crore in fiscal 2013. Our effective rate of tax was 28.96% in fiscal 2013 and 28.62% in fiscal 2012.

Of our total income tax of ₹ 751.13 crore in fiscal 2013, our charge on account of current income tax was ₹ 826.54 crore and write back on account of our deferred tax liability was ₹ 75.72 crore.

Profit after tax

Our profit after tax increased by ₹ 291.62 crore, or 18.80%, from ₹ 1,550.81 crore in fiscal 2012 to ₹ 1,842.43 crore in fiscal 2013.

Share of associates and minority interest

For fiscal 2013, our share of net profit from associates and share of profit of minority interest stood at ₹ 1.86 crore and ₹ 8.09 crore, respectively.

Net profit for the period

Our net profit increased by ₹ 282.19 crore, or 18.16%, from ₹ 1,554.01 crore in fiscal 2012 to ₹ 1,836.20 crore in fiscal 2013.

Related Party Transactions

We enter into transactions with related parties in the normal course of business. The principal related parties are

our Subsidiaries and their joint ventures, affiliates and key management personnel. For further information please see the note on related party transactions in the consolidated financial statements contained in this Placement Document.

Liquidity and Capital Resources

Since March 31, 2013, our borrowings have increased, primarily on account of an increase in our commercial borrowings. This increased borrowing was principally to finance our asset growth by increasing our loan book.

Our outstanding borrowings as at March 31, 2014 were ₹ 56,565.32 crore, compared to ₹ 54,227.29 crore as on March 31, 2013 and ₹ 46,435.45 crore as on March 31, 2012. Our gross non-performing loans as a percentage of loans increased by 41 bps to 0.56% in fiscal 2014. The net non-performing loan percentage also increased by 32 bps to 0.37%.

Cash flows

Set forth below is a table of selected information from our Company's statements of cash flows for the periods indicated.

(₹ in crore)

Particulars	Fiscal 2014	Fiscal 2013	Fiscal 2012
Net cash used in operating activities	(1,485.99)	(5,497.78)	(9,090.79)
Net cash from/ (used in) investing activities	184.24	(2,006.26)	(222.14)
Net cash from financing activities	1,431.64	7,589.46	9,107.77
Net increase/ (decrease) in cash and cash equivalents	129.89	85.42	(205.16)
Cash and cash equivalents as at the beginning of the year	189.54	104.12	309.28
Cash and cash equivalents as at the end of the year	319.43	189.54	104.12

Interest Coverage Ratio

Set forth below is the information in respect of our interest coverage for fiscal 2014, 2013 and 2012 on a standalone basis.

(₹ in crore)

	Fiscal		
	2014	2013	2012
PAT	1,701.12	1,764.98	1,602.96
Add: Depreciation	24.29	27.45	31.28
Add: Provisions and contingencies	628.83	394.11	283.85
Add: Finance Cost	5,006.96	4,665.19	3,455.23
Total (A)	7,361.20	6,851.73	5,373.32
Finance Cost (B)	5,006.96	4,665.19	3,455.23
Interest Coverage (A/B) Ratio (%)	1.47	1.47	1.56

Capital Resources

The following are the principal sources of funding for our operations:

Shareholders' funds - As of March 31, 2014, our total shareholders' funds was ₹ 15,040.31 crore, consisting of share capital of ₹ 1,516.29 crore and reserves and surplus of ₹ 13,524.02 crore. Equity from investors was a significant source of funding for us in the earlier years of our operations. With the growth of our business, we have become more reliant on other sources of funding, such as borrowings. Our shareholders' funds will be augmented by the net proceeds from this Issue.

Subordinated debt - We have subordinated debt from the Government, of ₹ 650.00 crore maturing in fiscal 2047. The facility is repriced every five years based on the yield on five-year government securities plus a spread of 0.25 per cent.

Placements of bonds and debentures - A major source of our financing is placements of long term bonds and non convertible debentures with institutional investors such as banks, mutual funds and insurance companies. As of March 31, 2014, we had aggregate outstanding bonds and debentures of ₹ 34,552.18 crore.

Foreign currency borrowings - We have borrowed ₹ 7,240.47 crore from multilateral financial institutions such as the Asian Development Bank, International Finance Corporation and DEG, as well as State Bank of India, Hong Kong, Bank of Tokyo & Mitsubishi, Nordik Investment Bank, China Trust, The Bank of Nova Scotia, Australia and Newsweland Bank.

Term loans - We raise short-term resources through term money borrowings, collateral borrowings, issuance of commercial paper, term loans and term deposits and we mobilize medium to long-term borrowings through term loans. As of March 31, 2014, the aggregate amount of outstanding short-term commercial borrowings was ₹ 850.00 crore and long term commercial borrowings of ₹ 5,139.58 crore.

Cash flow from operations - Our ability to generate cash from our operations depends on our future operating performance, which is in turn dependent, among other things, on the global economy, general economic, financial, competitive, market, regulatory and other factors in India and within the infrastructure industry. Net cash used in operating activities were lower at ₹ 1,485.99 crore in fiscal 2014 as compared to ₹ 5,497.78 crore in fiscal 2013 largely on account of lower loan disbursements (net of repayments) of ₹ 3,078.76 crore in fiscal 2014 as compared to ₹ 7,470.33 crore in fiscal 2013.

As a lending institution, we seek to match our assets with corresponding liabilities, and therefore are dependent on external funding from the debt markets as well as from commercial banks and other lending institutions. Net cash from financing activities were lower at ₹ 1,431.64 crore in fiscal 2014 as compared to ₹ 7,589.46 crore in fiscal 2013 largely on account of lower borrowings (net of repayments) of ₹ 6,198.49 crore in fiscal 2014 as compared to ₹ 10,759.46 crore in fiscal 2013. The borrowing was lower in line with lower loan disbursements.

Although we believe that our expected cash flows from available borrowings, together with our expected cash flows from operations, will be adequate to fund our anticipated liquidity and debt service needs, we cannot assure you that operating cash flows and future debt and equity financing will be available to us on favourable terms or in amounts sufficient to fund our liquidity needs or to pay our debts when due.

Financial Condition

Off-Balance Sheet Arrangements

Contingent Liabilities

The following table sets forth the principal components of our contingent liabilities not provided for as of March 31, 2014, 2013 and 2012:

				(₹ in crore)
Sl. No.		As at March 31, 2014	As at March 31, 2013	As at March 31, 2012
1.	Claims not acknowledged as debts in respect of			
	Income tax demands under appeal (net of amounts)	140.83	160.01	111.18
	Other claims	8.61	8.88	-
2.	Guarantees issued			
	As a part of project assistance, the following guarantees have been issued			
	Financial guarantees	1,421.41	1,845.78	2,168.97
	Performance guarantees	0.75	0.75	227.01
	Sponsors undertaking	25.08	25.08	25.08
	Other financial guarantees	10.94	156.31	185.24
	Total	1,607.62	2,196.81	2,717.48

Undisbursed Approvals

As of March 31, 2014, we had undisbursed approvals net of cancellations of ₹ 12,953.68 crore as compared to ₹ 10,937.95 crore as of March 31, 2013 and ₹ 15,519.90 crore as of March 31, 2012. We disburse the funds related to these approvals upon the fulfilment of the conditions specified in our approval letters.

Foreign Exchange and Derivative Transactions

As of March 31, 2014, we had a notional principal amount of ₹ 4,396.00 crore in outstanding interest rate swaps. These swaps bear a mix of fixed and floating interest rates and are for varying maturities linked to various benchmarks for asset-liability management and hedging. Also, as of March 31, 2014, we had foreign currency borrowings equivalent of ₹ 7,240.47 crore against which we have undertaken cross currency swaps and forward contracts to hedge our foreign currency risk.

Capital

We are subject to the capital adequacy requirements of the RBI. However, as an IFC, we are now required to maintain a minimum ratio of total capital to risk adjusted assets of 15% with a minimum Tier I capital of 10%.

Our capital adequacy ratios are set forth in the table below.

	As of March 31, 2014	As of March 31, 2013	As of March 31, 2012
	<i>(₹ in crore, except ratios)</i>		
Tier I capital	13,327.42	12,535.24	11,643.83
Tier II capital	1,479.14	1,435.04	1,401.16
Risk weighted assets on balance sheet	63,416.38	60,025.38	58,226.69
Risk weighted assets off balance sheet	2,914.70	2,778.02	3,782.56
Total capital to risk assets ratio	22.32%	22.24%	21.04%
Tier I capital to risk assets ratio	20.09%	19.96%	18.78%
Tier II capital to risk assets ratio	2.23%	2.28%	2.26%
Minimum capital ratios required by the RBI:	15.00%	15.00%	15.00%

Capital Expenditure

In the past our business has not required substantial capital expenditure, and we do not expect to incur any significant capital expenditure in fiscal 2015 for our existing business. Our fixed assets of ₹ 540.99 crore as of March 31, 2014 consist mainly of owned office premises in Mumbai and Delhi, residential premises in Mumbai, computers, office equipment and furniture and windmills. Our capital expenditure in fiscal 2014 was ₹ 16.47 crore including expenditure towards intangible assets.

However, in connection with the commencement of our proposed banking business we will need to create an extensive branch network across India, as well as to attract and retain a sufficient number of personnel for our banking operations and also build a technology infrastructure to support our banking business. We have begun incurring such expenditures in the first half of fiscal 2015, which will increase in fiscal 2016 as we commence and scale up our banking operations.

Material developments after March 31, 2014

Reviewed results of our Company for the three month period ended June 30, 2014

On July 29, 2014, we disclosed our unaudited reviewed consolidated financial results for the three months ended June 30, 2014, in accordance with Clause 41 of the Listing Agreement. Set forth below are our unaudited reviewed consolidated financial results for the three months ended June 30, 2014:

INDEPENDENT AUDITORS' REVIEW REPORT

TO THE BOARD OF DIRECTORS OF

IDFC LIMITED

1. We have reviewed the accompanying Statement of Consolidated Unaudited Financial Results of **IDFC LIMITED** (“the Company”), and its subsidiaries (the Company and its subsidiaries constitute “the Group”) and its share of the profit of its associates for the Quarter ended June 30, 2014 (“the Statement”), being submitted by the Company pursuant to Clause 41 of the Listing Agreements with the Stock Exchanges, except for the disclosures in Part II - Select Information referred to in paragraph 7 below. This Statement is the responsibility of the Company’s Management and has been approved by the Board of Directors. Our responsibility is to issue a report on the Statement based on our review.
2. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.
3. The Statement includes the results of the following entities:

Subsidiaries: IDFC Alternatives Limited, IDFC Finance Limited, IDFC Primary Dealership Company Limited, IDFC Projects Limited, IDFC Securities Limited, IDFC Project Equity Company Limited, IDFC Investment Advisors Limited, IDFC Trustee Company Limited, IDFC Asset Management Company Limited, IDFC AMC Trustee Company Limited, IDFC Housing Finance Company Limited, IDFC Infra Debt Fund Limited, IDFC Capital (Singapore) Pte. Limited - Singapore, IDFC Securities (Singapore) Pte. Limited – Singapore, IDFC Fund of Funds Limited - Guernsey, IDFC Capital (USA) Inc. – USA and IDFC Investment Managers (Mauritius) Limited – Mauritius.

Associates: Feedback Infra Private Limited and Jetpur Somnath Tollways Private Limited.
4. We did not review the interim financial results of three subsidiaries included in the consolidated financial results, whose interim financial results reflect total revenues of ₹ 7,194 lakhs for the Quarter ended June 30, 2014, and total net profit after tax of ₹ 2,492 lakhs for the Quarter ended June 30, 2014, as considered in the consolidated financial results. The consolidated financial results also includes the Group’s share of loss after tax of ₹ 1 lakh for the Quarter ended June 30, 2014, as considered in the consolidated financial results, in respect of one associate, whose interim financial results have not been reviewed by us. These interim financial results have been reviewed by other auditors whose reports have been furnished to us by the Management and our report on the Statement, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associate is based solely on the reports of the other auditors.
5. The consolidated financial results includes the interim financial results of five subsidiaries which have not been reviewed by their auditors, whose interim financial results reflect total revenue of ₹ 168 lakhs for the Quarter ended June 30, 2014, and total net loss after tax of ₹ 117 lakhs for the Quarter ended June 30, 2014, as considered in the consolidated financial results. The consolidated financial results also includes the Group’s share of profit after tax of ₹ 31 lakhs for the Quarter ended June 30, 2014, as considered in the consolidated financial results, in respect of one associate, based on its interim financial results which have not been reviewed by its auditor.
6. Based on our review conducted as stated above and based on the consideration of the reports of the other auditors referred to in paragraph 4 above and except for the possible effects of the matter described in paragraph 5 above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the Accounting Standards specified under the Companies Act, 1956 (which are deemed to be applicable as per Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014) and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreements with the Stock Exchanges, including the manner in which it is to be disclosed, or that it contains any material misstatement.

7. Further, we also report that we have traced the number of shares as well as the percentage of shareholding in respect of the aggregate amount of public shareholding in terms of Clause 35 of the Listing Agreements with the Stock Exchanges from the details furnished by the management and the particulars relating to the investor complaints disclosed in Part II - Select Information for the Quarter ended June 30, 2014 of the Statement, from the details furnished by the Registrars. We are informed that there is no promoter or promoter group of the Company.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

P. R. Ramesh
Partner
(Membership No. 70928)

CHENNAI, 29 July, 2014
PRR/PG/SCR/2014-15

Particulars	(₹ in lakhs)			
	Quarter ended 30.06.2014 (Reviewed)	Quarter ended 31.03.2014 (Reviewed) (see note 7)	Quarter ended 30.06.2013 (Reviewed)	Year ended 31.03.2014 (Audited)
1 Income from operations				
(a) Income from operations	211821	220220	229439	876139
(b) Other operating income	431	274	361	1065
Total Income from operations	212252	220494	229800	877204
2 Expenses				
(a) Employee benefits expense	7836	6444	6852	28828
(b) Other expenses	5632	6437	6230	22456
(c) Provisions and contingencies	20393	48254	5917	62830
(d) Depreciation and amortisation expense (see note 5)	(7967)	759	762	3096
Total Expenses	25894	61894	19761	117210
3 Profit from operations before other income, finance costs and exceptional items (1-2)	186358	158600	210039	759994
4 Other income	6663	1463	57	1795
5 Profit from ordinary activities before finance costs and exceptional items (3+4)	193021	160063	210096	761789
6 Finance costs	130206	124931	127752	505524
7 Exceptional items	-	-	-	-
8 Profit from ordinary activities before tax (5-6+7)	62815	35132	82344	256265
9 Tax expense (net) (see note 5)	14160	8475	26271	73846
10 Net profit from ordinary activities after tax (8-9)	48655	26657	56073	182419
11 Extraordinary items (net of tax)	-	-	-	-
12 Net profit after tax before share of minority interest and share of profit from associates (10+11)	48655	26657	56073	182419
13 Share of profit from associates (equity method)	30	59	27	201
14 Share of minority interest	511	922	369	2352
15 Net Profit after tax, share of minority interest and share of profit of associates (12+13+14)	48174	25794	55731	180268
16 Paid-up equity share capital (see note 3) (Face value ₹ 10/- each)	151683	151629	151499	151629
17 Reserves excluding revaluation reserves				1352402
18 Earnings per share				
(a) Basic (₹) (see note 3)	3.18	1.70	3.68	11.89
(b) Diluted (₹) (see note 3)	3.17	1.70	3.66	11.88

PART II - Select information for the quarter ended June 30, 2014

Particulars	Quarter ended	Quarter ended	Quarter ended	Year ended
	30.06.2014 (Reviewed)	31.03.2014 (Reviewed)	30.06.2013 (Reviewed)	31.03.2014 (Audited)
[A] Particulars of shareholding				
Public shareholding	1516832080	1516286251	1514991277	1516286251
- Number of shares	100%	100%	100%	100%
- Percentage of shareholding				
Promoters & promoter group shareholding				
(a) Pledged/encumbered	NA	NA	NA	NA
- Number of shares	NA	NA	NA	NA
- Percentage of shares	NA	NA	NA	NA
(as a % of the total shareholding of promoter and promoter group)				
- Percentage of shares	NA	NA	NA	NA
(as a % of the total share capital of the Company)				
(b) Non-encumbered				
- Number of shares	NA	NA	NA	NA
- Percentage of shares	NA	NA	NA	NA
(as a % of the total shareholding of promoter and promoter group)				
- Percentage of shares	NA	NA	NA	NA
(as a % of the total share capital of the Company)				

[B] Investor complaints for the quarter ended June 30, 2014

1 Shareholders' complaints :				
No. of complaints pending at the beginning of the quarter				Nil
No. of complaints received during the quarter				71
No. of complaints disposed off during the quarter				71
No. of complaints remaining unresolved at the end of the quarter				Nil
2 Infrastructure retail bondholders' complaints :				
No. of complaints pending at the beginning of the quarter				Nil
No. of complaints received during the quarter				3570
No. of complaints disposed off during the quarter				3570
No. of complaints remaining unresolved at the end of the quarter				Nil

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1 The disclosure in terms of Accounting Standard 17 on 'Segment Reporting' as notified under the Companies (Accounting Standards) Rules, 2006.

	Consolidated				Year ended 31.03.2014 (Audited)
	Quarter ended 30.06.2014 (Reviewed)	Quarter ended 31.03.2014 (Reviewed) (see note 7)	Quarter ended 30.06.2013 (Reviewed)	Quarter ended 31.03.2013 (Reviewed)	
Segment revenue	200004	204303	218379	218379	830489
Financing	12338	16211	11443	11443	49605
Others *	212342	220514	229822	229822	880094
Less: Inter segment revenue	(90)	(20)	(22)	(22)	(2890)
Income from operations	212252	220494	229800	229800	877204
Segment results					
Financing	51018	26804	78503	78503	235594
Others *	5143	7735	3838	3838	20065
Unallocated	6654	593	3	3	606
Profit before tax	62815	35132	82344	82344	256265
Capital employed (Segment assets - Segment liabilities)					
Financing	1315296	1276198	1230551	1230551	1276198
Others *	154629	150552	145572	145572	150552
Unallocated	87199	81309	52141	52141	81309
Total Capital employed	1557124	1508059	1428264	1428264	1508059

* Others comprise asset management, investment banking and institutional broking.

2 The analytical ratios and key data relating to standalone results of IDFC Limited are as under:

Particulars	Standalone				Year ended 31.03.2014 (Audited)
	Quarter ended 30.06.2014 (Reviewed)	Quarter ended 31.03.2014 (Reviewed) (see note 7)	Quarter ended 30.06.2013 (Reviewed)	Quarter ended 31.03.2013 (Reviewed)	
(i) Capital adequacy ratio	23.32%	22.32%	23.27%	23.27%	22.32%
(ii) Earnings per share (EPS)					
(a) Basic (₹)	2.96	1.40	3.40	3.40	11.22
(b) Diluted (₹)	2.96	1.40	3.38	3.38	11.21
(iii) NPA Ratio (see note 4)					
(a) Amount of gross NPA	34238	33298	18167	18167	33298
(b) Amount of net NPA	22887	22058	11246	11246	22058
(c) % of gross NPA to gross advances	0.64%	0.56%	0.32%	0.32%	0.56%
(d) % of net NPA to gross advances	0.43%	0.37%	0.20%	0.20%	0.37%

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Particulars	Standalone			Year ended 31.03.2014 (Audited)
	Quarter ended 30.06.2014 (Reviewed)	Quarter ended 31.03.2014 (Reviewed) (see note 7)	Quarter ended 30.06.2013 (Reviewed)	
(iv) Return on assets (annualised)	2.37%	1.17%	2.81%	2.32%
(v) Turnover (Total income from operations)*	197342	201830	213804	821421
(vi) Profit before tax*	56511	27011	75354	235819
(vii) Profit after tax*	44907	21304	51454	170112

* Income from operations for the year ended March 31, 2014 include dividend from subsidiary companies of ₹ 2807 lakhs.

- 3 During the quarter ended June 30, 2014, the Company issued 545829 equity shares of face value of ₹ 10 each pursuant to exercise of stock options by employees under the employee stock option scheme.
- 4 The disclosures for NPA referred to point 2 (iii) above correspond to non performing advances.
- 5 Having regard to the Part C of Schedule II of the Companies Act, 2013, during the quarter ended June 30, 2014, the Group has reviewed its policy of providing for depreciation on its tangible fixed assets and also reassessed their useful lives. On and from April 1, 2014, the straight line method is being used to depreciate all classes of tangible fixed assets. Previously, straight line method was used for depreciating certain office equipment and leasehold improvements while other tangible fixed assets were depreciated using written down value method.
- As a result of the change, the charge on account of depreciation for the quarter ended June 30, 2014 is lower by ₹ 8774 lakhs (including writeback of depreciation of ₹ 8471 lakhs up to March 31, 2014) as compared to the method used and useful lives estimated in earlier periods. Consequently, deferred tax liability of ₹ 1741 lakhs (including deferred tax liability of ₹ 1648 lakhs up to March 31, 2014) has been created on account of depreciation timing differences, resulting in a net increase of ₹ 7033 lakhs (including ₹ 6823 lakhs up to March 31, 2014) in profit after tax for the quarter.
- 6 The above results were reviewed by the Audit Committee and approved by the Board of Directors and have been subjected to a "Limited Review" by the Statutory Auditors.
- 7 The figures for the quarter ended March 31, 2014 are the balancing figures between audited figures of the full financial year 2013-14 and the published year to date figures up-to the nine months ended December 31, 2013.
- 8 The standalone financial results are available on the Company's website (www.idfc.com) and on the websites of BSE (www.bseindia.com) and NSE (www.nseindia.com).
- 9 The figures for the previous periods / year have been regrouped wherever necessary, in order to make them comparable.

In terms of our report attached.

For Deloitte Haskins & Sells LLP


 P.R. Ramesh
 Partner

Chennai, July 29, 2014

For and on behalf of the Board



Vikram Limaye
 Managing Director & CEO

SELECT STATISTICAL INFORMATION

Return on Assets

The following table presents the return on average total assets (profit after tax as a percentage of average total assets) for fiscal 2014, 2013 and 2012, and the components thereof:

	Fiscal		
	2014	2013	2012
	(percentage (%) except data in ₹ crore)		
Average total assets (₹ crore) ⁽¹⁾	73,339.07	66,659.50	53,501.06
Net Interest Income	3.69	3.86	3.95
Infrastructure ⁽²⁾	3.39	3.55	3.51
Treasury ⁽³⁾	0.29	0.31	0.44
Non-Interest Income ⁽⁴⁾	0.03	0.04	0.10
Fees	0.78	0.83	0.78
Profit on sale of Investments and Dividends	0.84	0.65	0.82
Other Income ⁽⁵⁾	0.04	0.03	0.17
Profits before Provisions and Contingencies	4.35	4.42	4.59
Provisions and Contingencies	(0.86)	(0.52)	(0.53)
Profit before Tax	3.49	3.89	4.06
Tax	(1.01)	(1.13)	(1.16)
Share of Profit from associates and share of profit of minority interest	(0.02)	(0.01)	0.01
Profit after tax	2.46	2.75	2.91

Notes:

- (1) Approximately 3% to 4% of this amount is represented by fixed and net current assets, the average balances of which are available on a monthly and not daily basis.
- (2) Net interest income from infrastructure operations is interest income from infrastructure loans less the proportion of the interest expense attributable to our infrastructure loans.
- (3) Net income from treasury operations includes: (i) interest from investments such as corporate bonds, certificates of deposit, commercial paper and government securities; (ii) interest from bank deposits; (iii) interest from inter-corporate deposits and loans to financial institutions; (iv) dividends from mutual fund units; and (v) profit on sale of treasury investments less the proportion of our interest expense attributable to our treasury investments.
- (4) Brokerage and profit on sale/management of loans.
- (5) Other income includes (i) interest on income tax refunds; (ii) profit on sale of fixed assets; (iii) sale of power; (iv) other miscellaneous income; and (v) profit on sale of long term investments.

The following table presents selected financial ratios for the years indicated:

	Fiscal		
	2014	2013	2012
	(₹ in crore)		
Yield on infrastructure assets (%)	12.07	12.15	11.68
Yield on treasury assets (%)	8.76	9.22	9.91
Overall Yield (%)	11.17	11.50	11.40
Leverage (x)	5.00	5.19	4.96
Return on Equity (%)	12.25	13.94	12.99
Earnings per share (fully diluted) (₹)	11.88	12.06	10.20

Net Interest Income

The increase in our net interest income from fiscal 2013 to fiscal 2014 reflected mainly the increase in volume of interest earning assets and, to a lesser extent, an increase in interest rates.

Volume and Rate Analysis of Changes in Interest Income and Interest Expense

The following table sets forth, for fiscal 2014, 2013 and 2012, the allocation of changes in our interest income and interest expense between the changes in average rates. The changes in net interest income, in the years indicated have been reflected as attributed either to volume or rate changes. For the purposes of this table, changes which are due to both volume and rate have been allocated solely to changes in rate.

	Fiscal 2014 vs. Fiscal 2013			Fiscal 2013 vs. Fiscal 2012		
	Net change in interest income or expense	Change due to change in average volume ⁽¹⁾	Change due to change in average rate ⁽²⁾	Net change in interest income or expense	Change due to change in average volume ⁽¹⁾	Change due to change in average rate ⁽²⁾
Interest income:						
Infrastructure Loans	360.79	402.24	(41.44)	1,590.66	1,399.22	191.44
Treasury Investments	158.64	201.87	(43.23)	90.66	144.45	(53.79)
Total	519.43	604.11	(84.67)	1681.32	1543.67	137.65
Interest expense:						
Borrowings	147.91	155.11	(7.20)	59.75	64.97	(5.21)
Subordinated debt	-	-	-	6.44	-	6.44
Others	241.67	231.78	9.89	1,154.06	1,061.90	92.15
Total	389.58	386.89	2.68	1220.25	1126.87	93.38
Net interest income	129.86	217.21	(87.36)	461.07	416.79	44.28

Note:

- (1) The change due to a change in the average volume was calculated from the change in average balance over the two years multiplied by the average rate in the earlier year.
- (2) The change due to a change in the average rate is the total change less the change due to change in volume.

Concentration of Total Exposure

As per the RBI Norms our exposure to a group (based on commonality of management and effective control) and an individual borrower is 50% and 30% of the net owned funds (comprising share capital and free reserves), respectively. For infrastructure loans the exposure limits to a group and an individual borrower are 40% and 25% respectively. Either the credit limit or outstanding amount, whichever is higher, is used when computing the exposure ceiling. As a result of our Company being reclassified as an Infrastructure Finance Company by the RBI, our single borrower limit for Infrastructure lending has been increased to 30% from 25% and our single group limit for infrastructure lending has been increased to 50% from 40%

The following table sets forth our 10 largest single and group exposures (standalone accounts) as determined by the RBI guidelines, as on March 31, 2014:

	Exposure (₹ crore)	% of total exposure	% of owned funds
Borrower 1	3,200.34	4.12	24.50
Borrower 2	2,840.94	3.66	21.75
Borrower 3	2,800.01	3.61	21.44
Borrower 4	2,400.00	3.09	18.37
Borrower 5	2,392.50	3.08	18.32
Borrower 6	2,258.35	2.91	17.29
Borrower 7	1,933.31	2.49	14.80
Borrower 8	1,616.01	2.08	12.37
Borrower 9	1,489.86	1.92	11.41
Borrower 10	1,346.00	1.73	10.30
Total	22,277.11	28.69	170.55

	Exposure (₹ crore)	% of total exposure	% of owned funds
Group 1	5,200.01	6.70	39.81
Group 2	5,000.00	6.44	38.28
Group 3	3,594.20	4.63	27.52
Group 4	3,542.54	4.56	27.12
Group 5	3,491.97	4.50	26.73
Group 6	3,320.99	4.28	25.43
Group 7	2,840.74	3.66	21.75
Group 8	2,392.50	3.08	18.32
Group 9	2,361.63	3.04	18.08
Group 10	2,325.52	3.00	17.80
Total	34,070.10	43.88	260.84

Our internal policies limit our exposure to any particular industry to 50.00% of our total exposure. The following table sets forth the percentage of our largest industry exposures to our loan assets.

Industry	Exposure (₹ crore)	% of total exposure
Energy	28,601.65	36.34
Telecommunications and Information Technology	17,193.51	22.15
Transportation	22,075.38	28.43
Others*	9,765.36	12.58
Total	77,635.90	100.00

* Others includes cement, steel, tourism, urban services, healthcare, food, agriculture, education and other miscellaneous. Our commitments and contributions to various IDFC sponsored and other venture capital funds are also included in this item.

Non-performing Assets (standalone accounts)

As of March 31, 2014, our gross non-performing assets as a percentage of total assets was 0.56% and our net non-performing assets as a percentage of total loan assets was 0.37%.

The following table sets forth, as on March 31, 2014 and March 31, 2013, information about our non-performing asset portfolio.

	March 31, 2014			March 31, 2013			March 31, 2012		
	Loan Assets (₹ crore)	NPAs (₹ crore)	NPA as a % of loan assets	Loan Assets (₹ crore)	NPAs (₹ crore)	NPA as a % of loan assets	Loan Assets (₹ crore)	NPAs (₹ crore)	NPA as a % of loan assets
Total gross	59,829.30	332.98	0.56	56,594.55	85.12	0.15	48,886.58	148.32	0.30
Provisions and write-offs	1,283.77	112.40	-	858.09	56.21	-	703.65	76.89	-
Net	58,545.53	220.58	0.37	55,736.46	28.91	0.05	48,182.93	71.43	0.15

Classification of Assets

We classify and account for our assets in accordance with RBI guidelines. Under these guidelines, assets are regarded as non-performing if any amount of interest or principal remains overdue for over six months.

Our assets are classified as described below:

Standard assets	Assets in respect of which, no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business
Sub-standard assets	Assets that are non performing asset for a period not exceeding 18 months or assets where the terms of the agreement regarding interest and/or principal have been renegotiated or rescheduled or restructured after commencement of operations, until the expiry of one year of satisfactory performance under the renegotiated or rescheduled or restructured terms
Doubtful assets	Assets that remain sub-standard for a period exceeding 18 months
Loss assets	Assets that have been identified as loss assets and are adversely affected by a potential threat of non recoverability due to either erosion in the value of security or non availability of security or due to any fraudulent act or omission on the part of the borrower

Provisioning and Write-offs

Our policies on provisioning and write-offs of non-performing assets meet and exceed those prescribed by

applicable RBI guidelines. Set forth below is a summary of our provisioning policy:

- Contingent provision against standard assets is made at 0.25% of the outstanding standard assets in accordance with the RBI guidelines.
- In addition, our Company maintains a general provision as provision for contingencies in accordance with the provisioning policy of our Company and additional provision based on the assessment of portfolio including provision against stressed assets that qualifies for deduction under Section 36(1)(vii) of the I.T. Act.
- The policy of provisioning against NPLs and advances has been decided by the management in consideration of the NBFC Prudential Norms. As per the policy adopted by our Company, the provision against NPLs and advances are created on a conservative basis, taking into account the management's perception of the higher risk associated with the business. Certain NPLs and advances are considered as loss assets and full provision has been made against such assets.
- In January 2014, the RBI issued guidelines on Restructuring of Advances applicable to Non Banking Finance Companies. As per these guidelines, a provision is required on standard accounts restructured prior to January 24, 2014 at 2.75% from March 31, 2014, and would further increase to 3.50% from March 31, 2015, 4.25% from March 31, 2016 and 5.00% from March 31, 2017. Restructuring of standard accounts subsequent to January 23, 2014 would attract a provision at 5.00%. Our Company has complied with the aforesaid guidelines and on prudent basis a provision at 5.00% has been made on all outstanding restructured accounts in addition to the provision against diminution in fair value of restructured advances. Unrealised income represented by a FITL on standard accounts restructured after January 23, 2014 are fully provided for and such provision against FITL will be reversed on repayment of FITL.

Management also provides amounts in excess of the amounts above if it determines that it is prudent for a known and identified risk.

The table below shows the changes in our provisions on infrastructure loans over the past two years.

	Fiscal		
	2014 (₹ crore)	2013 (₹ crore)	2012 (₹ crore)
Opening balance	1,001.30	828.05	659.43
ADD: Provisions made during the year	623.89	196.02	168.62
LESS: Write-off/ write-back during the year	191.00	22.77	-
Closing balance	1,434.19	1,001.30	828.05

The write-back of provision of ₹ 37.72 crore in fiscal 2014 is on account of transfer of existing provision in the loan block to provision against security receipts, on account of receipt of security receipts on assignment of loan to asset reconstruction companies. Further, the write-back amount of ₹ 143.65 crore in fiscal 2014 and ₹ 21.28 crore in fiscal 2013 is on account of utilisation of provision for non performing loans.

Once loan accounts are identified as non-performing, interest and other fees charged in the account, if uncollected, are not accrued. In compliance with regulations governing the presentation of financial information, we report non-performing assets net of cumulative provision.

In accordance with the RBI guidelines, interest income from advances for non-performing assets is recognized upon realization, rather than on an accrual basis as with all other assets. Recovery in respect of non-performing advances is allocated towards interest on the advances, including derecognized or suspended interest, and then towards arrears in principal payments.

Other provisions

A provision is recognised for a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation as at the Balance Sheet date. These are reviewed on the date of each

balance sheet and adjusted to reflect the current best estimates. Contingent liabilities are disclosed separately. Contingent assets are not recognised in the financial statements.

INDUSTRY OVERVIEW

Unless otherwise stated, the information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the GoI and its various ministries, the RBI and the Indian Banks' Association, and has not been prepared or independently verified by us or any of our Book Running Lead Managers or any of our or their respective affiliates or advisors. This information may not be consistent with other information compiled by third parties within or outside India. Wherever we have relied on figures published by the RBI, unless stated otherwise, we have relied on the RBI Annual Report 2013-14, Report on Trend and Progress of Banking in India 2012-13 and the accompanying Explanatory Notes available at <http://www.rbi.org.in>. We have also relied on certain information from the report of India Brand Equity Foundation on Banking, March 2014 available at <http://www.ibef.org/industry/banking-presentation>. Industry sources and publications referred to by us state that the information contained therein has been obtained from sources generally believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Industry and government publications are also prepared based on information as of specific dates, which may no longer be relevant or reflect current trends. Accordingly, investment decisions should not be based on such information. Statements in this section that are not statements of historical fact constitute "forward-looking statements". Such forward-looking statements are subject to various risks, assumptions and uncertainties and certain factors could cause actual results or outcomes to differ materially.

Indian Economy

India is the world's largest democracy in terms of population (approximately 123.63 crore people, July 2014 estimate) with an estimated GDP (by purchasing power parity valuation of country GDP) of approximately US\$ 4,99,000 crore in 2013 (Source: CIA World Factbook). This makes it the third largest economy in the world in terms of GDP after the United States of America and China in 2013 (Source: International Monetary Fund (IMF), World Economic Outlook Database, April 2014).

Despite the global economic decline in fiscal 2008, India continues to be one of the fastest growing countries in the world. Most of the countries witnessed positive growth from 2010 onwards, however in low ranges. India has been growing faster than the emerging and developing economies in the period from 2009 to 2011 and has generally been at par subsequent to fiscal 2011. Further, India's growth has generally outperformed the advanced economies and the world GDP growth rate since fiscal 2009. (Advanced economies include 36 countries such as Australia, Canada, France, Japan, United Kingdom, United States and others; and Emerging and Developing economies include over 153 countries such as Argentina, Brazil, China, Russia, South Africa, Turkey and others, as defined by IMF; <https://www.imf.org/external/pubs/ft/weo/2014/01/weodata/groups.htm>)

The following table sets forth the key indicators of the Indian economy for the past five fiscal:

	(Annual percentage change, except for foreign exchange reserves)				
	As at and for the year ended March 31				
	2014	2013	2012	2011	2010
GDP growth rate	4.7	4.5	6.7	8.9	8.6
Index of Industrial Production (growth)	-0.1	1.1	2.9	8.2	5.3
Inflation – Wholesale Price Index (average)	6.0	7.4	8.9	9.6	3.8
Foreign Exchange Reserves (in US\$ crore)	30,420	29,200	29,440	30,480	27,910

(Source: Indian Economic Survey 2013-14, Ministry of Finance, GoI)

After achieving growth of over 9% for three successive years between fiscal 2006 and fiscal 2008 and recovering swiftly from the global financial crisis of 2008-09, the Indian economy has been going through challenging times that have resulted in lower than 5% growth of GDP for the last two years, i.e., fiscal 2014 and fiscal 2013. Persistent uncertainty in the global outlook, caused by the crisis in Europe and general slowdown in the global economy, compounded by domestic structural constraints and inflationary pressures, resulted in a protracted slowdown. The slowdown is broadly in sync with trends in other emerging and developing economies. India's growth declined from an average of 8.3% per annum during fiscal 2005 to fiscal 2012 to an average of 4.6% during fiscal 2013 to fiscal 2014. In comparison, average growth in the emerging markets and developing economies including China declined from 6.8% to 4.9% in this period (calendar-year basis) (Source: Indian Economic Survey 2013-14, Ministry of Finance, GoI).

Indian Banking Industry

Until the 1980s, the Indian financial system was strictly controlled. Interest rates were administered by the Government. Formal and informal parameters governed asset allocation and strict controls limited entry into and expansion within the financial sector. Bank profitability was low, NPAs were comparatively high, capital adequacy was diminished and operational flexibility was hindered. The Government's economic reform program, which began in 1991, encompassed the financial sector. The first phase of the reform process began with implementation of the recommendations of the Committee on the Financial System, namely the Narasimham Committee I. Following that, reports were submitted in 1997 and 1998 by other committees, such as the second Committee on Banking Sector Reform, namely, the Narasimham Committee II, and the Tarapore Committee on Capital Account Convertibility. This, in turn, led to the second phase of reforms relating to capital adequacy requirements, asset classification and provisioning, risk management and merger policies. The deregulation of interest rates, the emergence of a liberalised domestic capital market and the entry of new private sector banks have progressively intensified the competition among banks.

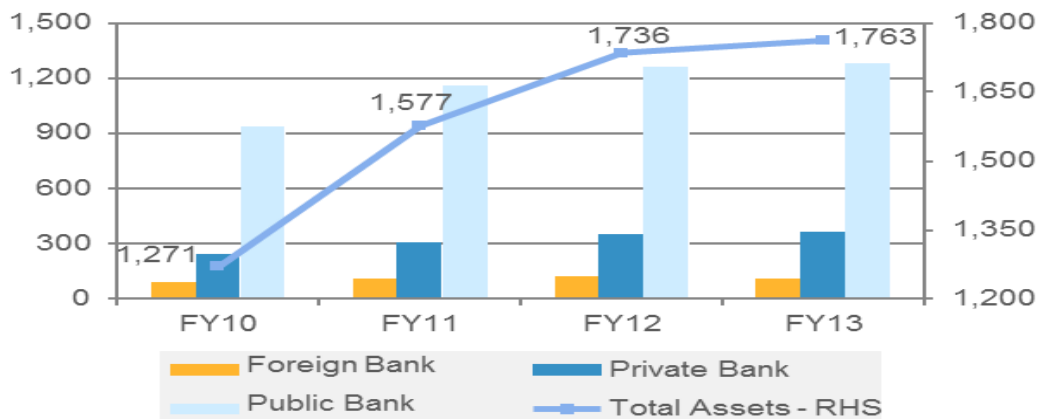
Banks in India may be categorised as scheduled banks and non-scheduled banks, where the former are banks which are included in the second schedule to the RBI Act. These banks comprise scheduled commercial banks and scheduled cooperative banks. Scheduled commercial banks may further be classified as the SBI and its associates, nationalised banks, private sector banks, foreign banks and regional rural banks. The focus of scheduled commercial banks in India has largely been on meeting the short-term financing needs of industry, trade and agriculture sectors. As of fiscal 2013, there were 151 scheduled commercial banks in India. As of fiscal 2013, commercial banks had a nationwide network of 109,811 branch offices with 62.04% of the branches located in rural and semi-urban areas (*Source: RBI, "Statistics Relating to Commercial Banks at a glance" available at <http://www.rbi.org.in/> as of November 21, 2013*). As of fiscal 2013, scheduled commercial banks, not including regional rural banks, had approximately ₹ 74.3 trillion of deposits and approximately ₹ 58.8 trillion of loans and advances. During fiscal 2013, aggregate deposits for all scheduled commercial banks had registered an annual growth rate of 15.1% while the loans and advances for all scheduled commercial banks had increased by 15.9% (*Source: RBI Report on Trend and Progress of Banking in India 2012-13*). The average population coverage per office number decreased from 12,000 as of March 2013 to 11,300 as of December 2013 (*Source: Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, December 2013*). The credit deposit ratio for all scheduled commercial banks stood at 79.1% (*Source: Report on Trend and Progress of Banking in India 2012-13*).

Evolution of, and Growth in, the Banking Industry in India

The Imperial Bank of India was established in 1921, and in 1935, the RBI was established as the central banking institution of India. In 1955, a controlling interest in the Imperial Bank of India (with its then network of 480 branches) was acquired by the RBI, and to increase penetration in rural areas, the Imperial Bank of India was nationalised and renamed as the State Bank of India. The GoI nationalised 14 large commercial banks in 1969 and completed a further nationalisation of six banks in 1980 (*Source: <http://www.ibef.org/industry/banking-presentation>*).

Over the last two decades till fiscal 2014, the RBI had granted new licenses to 12 banks in the private sector. In the first phase, 10 banks, including HDFC Bank and ICICI Bank, were licensed on the basis of guidelines issued in January 1993. In the second phase, two more banking licenses were issued pursuant to revised guidelines issued in January 2001 (*Source: <http://www.ibef.org/industry/banking-presentation>*). Following the budget announcement, the RBI New Banks Licensing Guidelines were issued by the RBI in February 2013, specifying that select entities or groups in the private sector, entities in the public sector and promoters/ promoter groups, as defined in the RBI New Banks Licensing Guidelines, with existing non-banking financial companies, would be eligible to promote banks, and, accordingly, the RBI invited applications for the grant of such license. For details, see "**Regulations and Policies**" on page 116. On April 2, 2014, the RBI announced that it had decided to grant "in-principle" approvals to two applicants to set up banks under the RBI New Banks Licensing Guidelines, one of which included our Company.

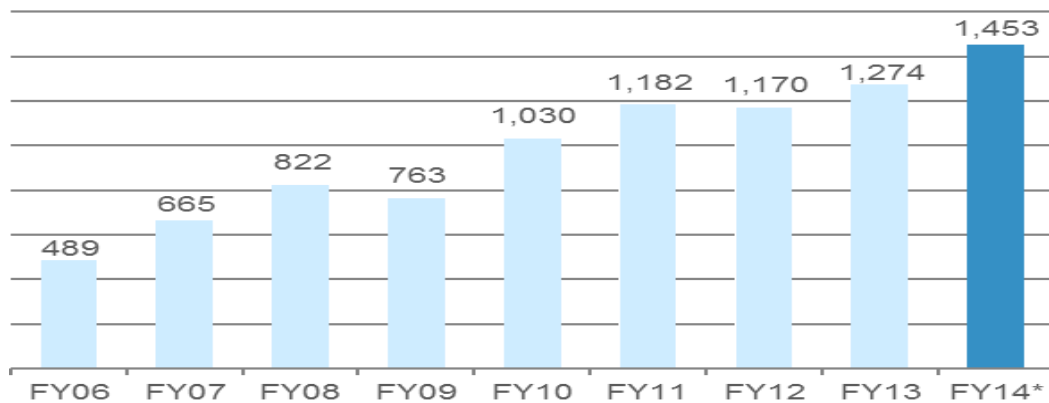
Total banking sector assets (USD billion)



(Source: <http://www.ibef.org/industry/banking-presentation>)

The total Indian banking sector assets have increased at a CAGR of 11.5% to US\$1,70,000 crore from fiscal 2010 to fiscal 2013 (Source: <http://www.ibef.org/industry/banking-presentation>). Further, while the share of total banking sector assets held by public sector banks decreased from being 73.7% in fiscal 2010 to 72.7% in fiscal 2013, the share of total banking sector assets held by private sector banks grew from being 19.1% in fiscal 2010 to 20.8% in fiscal 2013 (Source: *RBI Report on Trend and Progress of Banking in India 2012-13*).

Growth in deposits over the past few years (USD billion)



(Source: <http://www.ibef.org/industry/banking-presentation>)

Further, deposits have increased at a CAGR of 21.2% during the period from fiscal 2006 to fiscal 2013, with the total deposits standing at US\$1,27,430 crore as of fiscal 2013. The total deposits are estimated to grow to US\$1,45,270 crore in fiscal 2014. The deposit growth has primarily been driven by a strong growth in savings resulting from rising disposable income levels in the population and improved access to the banking system and driven by demand for housing and personal finance (Source: <http://www.ibef.org/industry/banking-presentation>).

Pursuant to RBI's Financial Inclusion Plan 2010-13, banking connectivity in India has increased more than three times to cover 2,11,234 villages in 2013 from 67,694 villages in 2010. Further, the total number of automated teller machines ("ATMs") in India have increased to 1,04,500 in 2012 and is further expected to double over the next two years, thereby taking the number of ATMs per one crore of the population from 850, at present, to about 1,700 (Source: <http://www.ibef.org/industry/banking-presentation>).

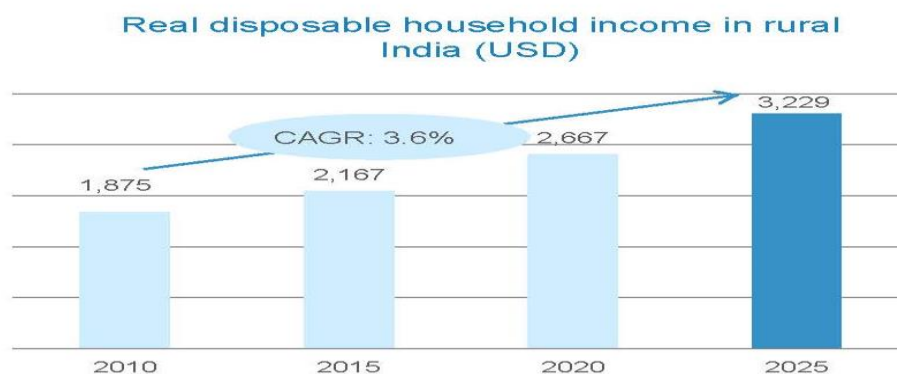
In spite of the recent global financial crisis, the net non-performing assets ("NPA") of Indian banking sector have declined over the past few years. The net NPA levels to gross advances decreased to 1.18% in fiscal 2013 as compared to 1.28% in fiscal 2012, while private sector banks maintained their lowest gross NPA to gross advances at 1.84% in fiscal 2013 (Source: <http://www.ibef.org/industry/banking-presentation>).

Growth Prospects of the Banking Industry in India

Rising per capital income is expected to result in an increase in the number of people using banking services, particularly in the age-group of 25-60 years which is anticipated to grow significantly in the near future. Further, India's GDP is estimated to grow at a CAGR of 7% during the period from fiscal 2012 to fiscal 2017 and reach US\$2,73,570 crore by the end of such period, thereby facilitating an expansion in the banking sector. It is estimated that the total banking sector credit shall increase at a CAGR of 18.1% to US\$2,40,000 crore by 2017 (Source: <http://www.ibef.org/industry/banking-presentation>).

Further, despite growth over the past few years, the banking sector in India remains relatively under-penetrated and lower than a number of emerging economies, such as South Africa, Brazil, Poland and Turkey. India also has a lower 'loans-to-GDP' ratio of 62% and a lower 'branch per 1,00,000 adults' count of 747, in comparison to many of the emerging markets. It is estimated that out of 6,00,000 village habitations in India, only 5% have access to a commercial bank branch. Additionally, only 40% of the adult population in India has bank accounts and debit card holders constitute only 13% of the population while only 2% of the population have a credit card facility. Further, out of nearly 893 lakh farm households in India, 51.4% of such households do not have access to any credit from institutional sources (Source: <http://www.ibef.org/industry/banking-presentation>). Also, it is estimated that close to 90% of small businesses have no links with formal financial institutions and 60% of the rural and urban population do not have a functional bank account (Source: *Nachiket Mor Committee Report 2013 on Comprehensive Financial Services for Small Businesses and Low Income Households*). The low banking penetration in India indicates significant latent demand and prospects for banking sector expansion in India.

The RBI has taken measures to provide banking services through a banking branch in every village having a population of more than 2,000 and has permitted banks to utilize the services of non-governmental organizations, micro-finance institutions (other than NBFCs) and other civil society organizations as intermediaries in providing financial and banking services to all sections of the society, particularly members of the weaker sections and lower income groups. Pursuant to RBI's Financial Inclusion Plan 2010-13, the banking connectivity in India has increased more than three times to cover 2,11,234 villages in 2013 from 67,694 villages in 2010, and the number of 'Kissan Credit Cards' and general credit cards outstanding has increased from 2.43 crore in 2010 to 3.17 crore by 2012, and from 0.14 crore in 2010 to 0.31 crore in 2012, respectively (Source: <http://www.ibef.org/industry/banking-presentation>).



(Source: <http://www.ibef.org/industry/banking-presentation>)

The real annual disposable household income in rural India is estimated to increase at CAGR of 3.6% over the next 15 years. Rising incomes are expected to enhance the need for banking services in rural areas and drive the growth of the banking sector (Source: <http://www.ibef.org/industry/banking-presentation>).

Further, while the agricultural sector requires timely credit to ensure smooth functioning, only 12.5% of farm households avail bank credit. Local money-lending practices involve interest rates which are above 30%, thereby making access to bank credit an attractive alternative. Moreover, the tele-density in rural India has risen to nearly 40.8% as of February 2013 in comparison to less than 1% as of 2007. Accordingly, banks, telecom providers and the RBI are making efforts to reach out to rural areas with no access to banking through mobile banking, which provides a cost-effective solution (Source: <http://www.ibef.org/industry/banking-presentation>).

Constituents of the Indian Banking Industry

The RBI is the central regulatory and supervisory authority for the Indian banking sector. Besides regulating and supervising the banking system, the RBI performs various important functions such as acting as the central bank and the monetary authority, issues currency, manages debt for the central and certain state governments, regulates and supervises NBFCs, manages the country's foreign exchange reserves, manages the capital account of the balance of payments, regulates and supervises payment settlement systems, and develops initiatives such as financial inclusion and strengthening of the credit delivery mechanisms to priority sectors and weaker sections, including agricultural entities, small and micro-enterprises and for affordable housing and education.

Indian banks are generally categorized as follows:

Constituent	Role and Particulars
Public sector banks and Regional Rural Banks	<p>Public sector banks are scheduled commercial banks with a significant Government shareholding and constitute the largest category in the Indian banking system. These include the State Bank of India and its six associate banks, 20 nationalised banks and 64 regional rural banks. As of fiscal 2013, public sector banks had 72,661 branches. Public sector banks in India had total deposits of approximately ₹ 57,47,300 crore and loans and advances of approximately ₹ 44,75,600 crore (<i>Source: RBI Report on Trend and Progress of Banking in India 2012-13</i>). The public sector banks, in total, accounted for approximately 74.1% of the deposits and approximately 72.7% of the advances of the scheduled commercial banks. These figures do not include regional rural banks (<i>Source: Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, December 2013</i>).</p> <p>SBI and its associates had 20,181 branches and nationalised banks had 52,480 branches (<i>Source: RBI Report on Trend and Progress of Banking in India 2012-13</i>). SBI and its associates accounted for approximately 22.3% of the total deposits and approximately 22.5% of the loans and advances and nationalised banks accounted for approximately 51.8% of the total deposits and approximately 50.2% of the loans and advances of the scheduled commercial banks (<i>Source: Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, December 2013</i>).</p> <p>Regional rural banks were established from 1976 to 1987 by the central Government, state governments and sponsoring commercial banks jointly, with a view to develop the rural economy. Regional rural banks provide credit to small farmers, artisans, small entrepreneurs and agricultural labourers. The NABARD is responsible for regulating and supervising the functions of the regional rural banks.</p>
Private sector banks	<p>In July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, the RBI permitted entry by the private sector into the banking system. This resulted in the emergence of private sector banks, collectively known as the "New Private Sector Banks". There were seven New Private Sector Banks operating as of fiscal 2013. In addition, 13 private sector banks existing prior to July 1993 were operating as of fiscal 2013. These are collectively known as the "Old Private Sector Banks" (<i>Source: RBI Report on Trend and Progress of Banking in India 2012-13</i>).</p> <p>As of fiscal 2013, private sector banks accounted for approximately 18.3% of the deposits and approximately 19.8% of the advances of the scheduled commercial banks. These figures do not include regional rural banks (<i>Source: Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, December 2013</i>).</p>
Foreign banks	<p>As of fiscal 2013, there were 43 foreign banks with 331 branches operating in India (<i>Source: RBI Report on Trend and Progress of Banking in India 2012-13</i>). Foreign banks accounted for approximately 4.6% of deposits and approximately 4.9% of aggregate advances of scheduled commercial banks (not including regional rural banks) (<i>Source: Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, December 2013</i>).</p>
Cooperative banks	<p>Cooperative banks cater to the financing needs of agriculture, small industry and self-employed businessmen in urban, semi-urban and rural areas of India. The state land development banks and the primary land development banks provide long-term credit for agriculture. NABARD, state cooperative banks and district central cooperative banks are the primary banks in this sector.</p>

Key Banking Industry Trends in India

Adverse international economic developments combined with the loss of growth momentum in the domestic economy posed challenges to the banking sector in India during fiscal 2013. There was a rise in asset impairment coupled with a dip in profitability. Macro stress tests indicate that if the current macroeconomic conditions persist, the credit quality of commercial banks could deteriorate further. However, overall, the comfortable capital base still lends resilience to the Indian banking sector (*Source: RBI Report on Trend and Progress of Banking in India 2012-13*).

Consumer credit

The consumer credit market in India has undergone a significant transformation over the last decade and has experienced rapid growth due to consumer credit becoming cheaper, more widely available and increasingly a more acceptable avenue of funding for consumers. The market has changed dramatically due to the following factors:

- increased focus by banks and financial institutions on consumer credit, resulting in a market shift towards regulated players from unregulated money-lenders / financiers;
- increasing desire by consumers to acquire assets such as cars, goods and appliances and houses on credit;
- fast emerging middle class and growing number of households in a bank's target segment;
- improved terms of credit;
- legislative changes that offer greater protection to lenders against fraud and potential default, increasing the incentive to lend; and
- growth in assignment and securitisation arrangements for consumer loans, enabling non-deposit based entities to access wholesale funding and compete in the market, based on the ability to originate, underwrite and service consumer loans.

Commercial Banking Trends

Credit

As of fiscal 2013, the credit-deposit ratio for scheduled commercial banks was 79.1 as compared to 78.6 as of fiscal 2012. The aggregate deposits increased by 15.10% while loans and advances increased by 15.90% in fiscal 2013.

The fiscal 2013 was marked by a slowdown in the growth of credit to all productive sectors, including agriculture, industry and services. The slowdown was the sharpest for agriculture and allied activities. There was a slowdown in the growth of credit to the infrastructure sector within industry. The slowdown in credit to NBFCs, accounting for about one-fifth of the total credit to the services sector, was an important reason behind an overall slowdown in the growth of services sector credit. By contrast, retail loans was the only segment which maintained its growth in fiscal 2013 (*Source: RBI Report on Trend and Progress of Banking in India 2012-13*).

(In ₹ crore)

S. No	Sector	March 22, 2013	May 31, 2013	Outstanding as on		May 30, 2014 / May 31, 2013	May 31, 2013 / March 22, 2013	May 30, 2014 / March 21, 2014
				March 21, 2014	May 30, 2014			
I	Gross Bank Credit (II + III)	49,64,200	50,60,500	56,57,200	57,06,100	12.8	1.9	0.9
II	Food Credit	94,600	1,15,800	91,200	1,16,600	0.7	22.4	27.9
III	Non-food Credit (1 to 4)	48,69,600	49,44,700	55,66,000	55,89,500	13.0	1.5	0.4
1	Agriculture & Allied Activities	5,89,900	6,03,400	6,69,400	7,04,500	16.8	2.3	5.2
2	Industry (Micro & Small, Medium and	22,30,200	22,59,300	25,22,900	25,15,900	11.4	1.3	-0.3

S. No	Sector	Outstanding as on						
		March 22, 2013	May 31, 2013	March 21, 2014	May 30, 2014	May 30, 2014 / May 31, 2013 %	May 31, 2013 / March 22, 2013 %	May 30, 2014 / March 21, 2014 %
Large)								
2.1	Micro & Small	2,84,300	2,86,500	3,51,700	3,54,900	23.9	0.7	0.9
2.2	Medium	1,24,700	1,33,500	1,27,400	1,23,300	-7.6	7.1	-3.2
2.3	Large	18,21,100	18,39,300	20,43,800	20,37,600	10.8	1.0	-0.3
3	Services	11,51,900	11,58,800	13,37,000	13,16,400	13.6	0.6	-1.5
3.1	Computer Software	16,900	17,700	17,600	16,900	-4.8	4.8	-3.9
3.2	Tourism, Hotels & Restaurants	35,400	36,100	39,200	38,900	7.8	1.8	-0.7
3.3	Trade	2,76,000	2,83,600	3,22,800	3,21,600	13.4	2.8	-0.4
3.4	Commercial Real Estate	1,26,100	1,32,000	1,54,400	1,53,800	16.5	4.7	-0.4
3.5	Non-Banking Financial Companies (NBFCs)	2,60,300	2,53,700	2,94,600	3,03,700	19.7	-2.5	3.1
4	Personal Loans	8,97,600	9,23,200	10,36,700	10,52,700	14.0	2.9	1.5
4.1	Housing (Including Priority Sector Housing)	4,56,700	4,75,900	5,40,800	5,55,800	16.8	4.2	2.8
4.2	Advances against Fixed Deposits (Including FCNR (B), NRNR Deposits etc.)	61,100	60,300	64,100	55,000	-8.7	-1.4	-14.2
4.3	Credit Card Outstanding	24,900	23,000	24,900	26,300	14.2	-7.5	5.9
4.4	Education	55,000	55,200	60,000	60,100	8.9	0.4	0.1

Notes:

1. Data are provisional and relate to select banks which cover 95% of total non-food credit extended by all scheduled commercial banks.
2. Export credit under priority sector relates to foreign banks only.
3. Micro & small under item 2.1 includes credit to micro & small industries in manufacturing sector.
4. Micro credit under priority sector includes loans of very small amount not exceeding ₹ 50,000 per borrower provided by banks either directly or indirectly through a Self Help Groups (SHGs)/ Joint Liability Groups (JLGs) mechanism or to Non-banking Finance Companies (NBFCs)/ Micro Finance Institutions (MFIs) for on-lending up to ₹ 50,000 per borrower.

** March 21, 2014 includes ₹ 3,400 crore credit to medium enterprises, please refer to RBI press release dated November 18, 2013 - Incremental credit to Medium Industries to qualify as priority sector

(Source: Sectoral and Industrial Deployment of Bank Credit Return (Monthly) issued by RBI on June 30, 2014)

The food credit grew at 0.7% between May 31, 2013 to May 30, 2014, while the non-food credit grew at 13% during the same period. This included a growth of 16.8% in the agriculture and allied activities sector, a growth of 11.4% in industry (micro and small, medium and large) sector, a growth of 13.6% in the services sector and a growth of 14% in the personal loans sector, during such period. Correspondingly, the gross bank credit grew at 12.8% between May 31, 2013 to May 30, 2014.

Interest rates and inflation

Fiscal 2013 witnessed the RBI focusing on addressing the sharp slowdown in growth rate while not jeopardizing the objective of reigning in inflation. In continuance of this focus, the RBI reduced the repo rate by 25 basis points in May 2013 to 7.25% to address the accentuated risks to growth while noting that upside risks to inflation were still significant. After easing in the first quarter of fiscal 2014, WPI inflation started rising. Retail inflation as measured by CPIs also continued to remain elevated. Considering the imperative need to curb the mounting inflationary pressures and anchor inflation expectations and thereby strengthen the foundations of growth, the repo rate was increased by 25 basis points each in September 2013 and October 2013 to 7.75% (Source: RBI Report on Trend and Progress of Banking in India 2012-13).

The WPI inflation accelerated to a 14-month high of 7.5% in November 2013, compared to 7.0% in October 2013 and 7.2% in November 2012, and had since then fallen to a low of 4.7% in February 2014 before rising to a five-month high of 6.0% in May 2014. The WPI inflation declined to 5.4% in June 2014 (Source: RBI Notifications available at <http://www.rbi.org.in>).

In response to increased inflation, the RBI increased the repo rate to 7.75% and 8.00% on October 29, 2013 and January 28, 2014, respectively, and has maintained it at those levels since. The reverse repo rate has been pegged at 1.0% below the repo rate since March 2011 and thus has followed a similar trend since that time. The RBI reduced the marginal standing facility rate by 125 basis points in three tranches from 10.25% to 9.00%, the last tranche being effective from January 28, 2014, and has maintained it at that level since. During fiscal 2011, the RBI increased the CRR from 5.75% to 6.00%, but in fiscal 2012, it lowered the CRR to 4.75% and on January 29, 2013, to 4.00% with effect from February 9, 2013, and has maintained it at that level since (Source: RBI Notifications available at <http://www.rbi.org.in>).

The base rate system, which replaced the benchmark prime lending rate system introduced in 2003, became effective from July 2010 and has contributed to improvement in the pricing of loans, enhanced transparency in lending rates and has improved the assessment of the transmission of monetary policy. This, combined with freeing of interest rates on export credit in foreign currency, effective May 5, 2012, has resulted in complete deregulation of interest rates on lending by commercial banks. As proposed in the RBI Second Quarter Review of Monetary Policy 2010-11 and pursuant to Guidelines on Deregulation of Savings Bank Deposit Interest Rate, the RBI decided to deregulate the savings bank deposit interest rate, effective October 25, 2011, subject to the following two conditions:

- first, each bank will have to offer a uniform interest rate on savings bank deposits up to ₹ 100,000, irrespective of the amount in the account within this limit; and
- second, for savings bank balances over ₹ 100,000, a bank may provide differential rates of interest, if it so chooses. However, there should not be any differentiation on interest rates between similar deposit amounts accepted on the same date at any of a bank's branches.

Asset quality

The gross NPA ratio at the aggregate level stood at 3.6% as of March 31, 2013 up from 3.1% as of March 31, 2012. The deterioration in asset quality was most perceptible from the SBI Group with its NPA ratio reaching a high of 5% as of March 31, 2013. With the gross NPA reaching about 3.6% by the end of March 2013, the nationalised banks were positioned next to the SBI Group.

There were also signs of a deepening deterioration within NPAs with an increase in the proportion of "doubtful" loan assets. The increased shift of loan assets towards the "doubtful" category was most prominent for the SBI Group and nationalised banks.

There was a steep rise in the growth of restructured debt under the CDR mechanism in fiscal 2013. The CDR mechanism covers only multiple banking accounts and syndication/consortium accounts where all banking institutions together have an outstanding exposure of ₹ 100 million and above. In fiscal 2013, there was a growth of about 37% in the total number of cases approved for restructuring under this mechanism and the debt thus restructured posted a growth of 52%, marking a sharp increase over its corresponding growth in 2011-12 of 35.7%. The growth in the number of cases and amount of debt receded marginally in the first quarter of 2013-14 to 48.6%.

Although the NPA ratio in the priority sector was consistently higher than the NPA ratio in the non-priority sector, deterioration in asset quality in fiscal 2013 was primarily on account of the non-priority sector.

Industry, which accounts for a little less than half the total credit of domestic banks, has shown a steady deterioration in asset quality, particularly in fiscal 2013. The NPA ratio for the infrastructural sector, which accounted for about one-third of the total industrial credit, showed a rising trend during this period. By contrast, there was a falling trend in the NPA ratio for the retail sector (*Source: RBI Report on Trend and Progress of Banking in India 2012-13*).

Bank group-wise NPA ratios

Bank group	Fiscal	Gross NPAs to gross advances	Net NPAs to net advances	Restructured standard advance to gross advances
Public sector banks	2013	3.8	2.0	7.2
	2014	4.7	2.7	7.2
Foreign banks	2013	3.0	1.0	0.2
	2014	3.9	1.1	0.1
Private sector banks	2013	1.9	0.5	1.9
	2014	1.9	0.7	2.3
Aggregate	2013	3.4	1.7	5.8
	2014	4.1	2.2	5.9

(Source: RBI Annual Report 2013-14)

Key Growth Drivers for Banking Industry in India

- **Economic and Demographic Factors** – India offers a favourable demographic with rising income levels of the population. Further, strong GDP growth with a CAGR of 7% is anticipated over fiscal 2012 to fiscal 2017, which is expected to facilitate expansion in the banking sector.
- **Policy Support** – Extension of subsidy from the GoI to cover interest payment by low cost home buyers and simplification of KYC norms, introduction of ‘no-frills accounts’ and ‘Kisan Credit Cards’ are key in terms of encouraging rural banking penetration. Also, RBI’s policy of providing banking licenses to private sector entities is expected to lend further support in this regard. Further, the deregulation of savings account deposit interest rates is expected to attract retail customers resulting in stronger base for CASA with banks. Also, RBI’s permission to allow the use of services of intermediaries in providing financial and banking services through the use of business facilitators/ business correspondents (including NBFCs) is expected to ensure greater financial inclusion and banking penetration, while improving the CASA ratio. Further, the option of establishing ultra small branches along with the low capital expenditure and maintenance cost involved is expected to improve margins and returns for banks. Moreover, with the RBI permitting white label ATMs to be set up by private non-bank entities, ATM services to customers in tier 5 and tier 6 cities is expected to improve without incurring the cost involved in setting up ATMs.
- **Infrastructure Financing** – The Planning Commission anticipates an increase in spending on infrastructure from the current level of 6% of GDP. Further, the banking sector is expected to contribute towards US\$1,00,000 crore target of infrastructure investments as contained in the Draft 12th Plan, thereby providing an opportunity for further expansion in the banking sector.
- **Technological Innovation** – Technological innovation is expected to improve product and service offerings of banks and ensure further penetration in a cost-effective manner. Further, use of alternate channels such as ATMs, internet and mobile banking is expected to lend further support in this regard.

(Source: <http://www.ibef.org/industry/banking-presentation>)

Recent Developments in the Indian Banking Sector

By a circular dated July 15, 2014, the RBI, in order to encourage infrastructure development and affordable housing, exempted long-term fully-paid, redeemable, secured bonds from the mandatory regulatory norms such as the CRR, the SLR and Priority Sector Lending (PSL), if the money raised is used for funding of such projects.

Future Developments in the Indian Banking Sector and Expected Domestic Reforms

Implementation of the Basel III Capital Regulations

In December 2010, the BCBS issued a comprehensive reform package of capital regulations, Basel III. The objective of the reform package is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, thus reducing the risk of spill over from the financial sector to the real economy. The RBI issued the RBI Basel III Capital Regulations and the guidelines became operational from April 1, 2013 (Source RBI Press Release dated December 28, 2012 available at <http://www.rbi.org.in> as of February 15, 2013). However, the reform package and guidelines will be implemented in a phased manner. On December 31, 2013, the RBI further extended the implementation of credit valuation adjustment risk to April 1, 2014; and, on March 27, 2014, extended the deadline for full implementation of Basel III requirements to March 31, 2019 (Source: RBI Circular DBOD.No.BP.BC.81/21.06.201/2013-14 dated December 31, 2013 and RBI Circular DBOD.No.BP.BC.102/21.06.201/2013-14 dated March 27, 2013).

Under Basel III, total capital of a bank in India must be at least 9.00% of RWAs (8.00% as specified by the BCBS), Tier I capital must be at least 7.00% of RWAs (6.00% as specified by the BCBS) and Common Equity Tier I capital must be at least 5.50% of RWAs (4.50% as specified by BCBS). Due to the transitional arrangements, the capital requirements of banks may be lower during the initial periods and higher during later years. Therefore, banks have been advised to do their capital planning accordingly. In addition to the minimum requirements as indicated above, a CCB, in the form of common equity of 2.50% of RWAs, is required to be maintained by banks. Under the RBI Basel III Guidelines, minimum total capital with CCB has been fixed at 11.50% of RWAs.

Further, under Basel III, a simple, transparent, non-risk based leverage ratio has been introduced. The BCBS will test a minimum Tier I leverage ratio of 3.00% during a parallel run period from January 1, 2013 to January 1, 2017. The RBI has prescribed that during this parallel run period, banks should strive to maintain their existing leverage ratios, but in no case should a bank's leverage ratio fall below 4.50%. Banks whose leverage is below 4.50% have been advised to achieve this target as early as possible. This leverage ratio requirement is yet to be finalised and will be finalised taking into account the final proposals of the BCBS (Source: RBI Annual Report 2013-2014).

Further, Additional Tier I non-equity capital instruments under Basel III are expected to provide additional features such as full coupon discretion, and principal loss absorption when the common equity ratio of a bank falls below 6.125% of its risk-weighted assets. In the case of Tier II non-equity capital instruments, the distinction between Upper Tier II and Lower Tier II instruments under Basel II is removed and a single class of Tier II instrument eligibility criteria has been prescribed. Additionally, under Basel III loss absorption features have been included in the event of occurrence of the 'Point of Non-Viability' trigger. The RBI has also fixed the base at the nominal amount of capital instruments outstanding on January 1, 2013, and their recognition will be capped at 90.00% from April 1, 2013, with the cap reducing by 10.00% points in each subsequent year.

The RBI by a circular dated June 2014 has provided a framework on liquidity standards under Basel III (covering liquidity coverage ratio, liquidity risk monitoring tools and liquidity coverage ratio disclosure standards). It provides a requirement of maintaining a liquidity coverage ratio of 60% from January, 2015, which would rise in equal steps on a yearly basis to reach the minimum required level of 100% on January 1, 2019. The RBI stated that with effect from January 1, 2019, when the phase-in arrangements are to conclude, the liquidity coverage ratio should be minimum 100% on an ongoing basis. In addition, the framework also prescribes five monitoring tools / metrics for better monitoring a bank's liquidity position:

- Contractual maturity mismatch
- Concentration of funding
- Available unencumbered assets
- Liquidity coverage ratio by significant currency
- Market-related monitoring tools

In addition, banks are required to disclose information on their liquidity coverage ratio in their annual financial statements under notes to accounts, starting with the financial year ending March 31, 2015, for which the liquidity coverage ratio related information needs to be furnished only for the quarter ending March 31, 2015.

Dynamic provisioning guidelines

At present, banks generally make two types of provisions; general provisions on standard assets and specific provisions on NPAs. Since the level of NPAs varies through the economic cycle, the resultant level of specific provisions also behaves cyclically. Consequently, lower provisions during upturns and higher provisions during downturns have a pro-cyclical effect on the real economy.

To address the pro-cyclicality of capital and provisioning, efforts at an international level are being made to introduce countercyclical capital and provisioning buffers. The RBI has prepared a discussion paper on a countercyclical (dynamic) provisioning (“DP”) framework.

The DP framework is based on the concept of expected loss, or “EL”, which is the average level of losses a bank can reasonably expect to experience, and is considered the cost of doing business. It is generally covered by provisioning and pricing. The objective of DP is to soften the impact of incurred losses on the results of operations through the economic cycle, and not to provide a general provisioning cushion for EL. More specifically, the DP created during a year will be the difference between the long run average EL of the portfolio for one year and the incremental specific provisions made during the year. The parameters of the model suggested in the discussion paper are calibrated based on data of Indian banks. Banks that have the capability to calibrate their own parameters may, with the prior approval of the RBI, introduce a DP framework using the theoretical model indicated by the RBI. Other banks will have to use the standardised calibration provided by the RBI. The RBI in February 2014 asked banks to develop necessary capabilities to compute their long term average annual expected loss for different asset classes, for switching over to the dynamic provisioning framework as asset quality improves (*Source: RBI Annual Report 2013-2014 and Discussion Paper on Introduction of Dynamic Loan Loss Provisioning Framework for Banks in India dated 30 March 2012*).

FSLRC

The FSLRC was constituted on March 24, 2011 to redraft and harmonize legislation related to the financial sector (*Source: RBI Report on Trend and Progress of Banking in India 2011-12*).

In its approach paper released on October 1, 2012, the FSLRC has proposed a two-agency regulatory model; the RBI as the monetary authority, banking regulator and payment systems regulator, and a single regulator for the rest of the financial sector. This approach paper is currently in draft form (*Source: FSLRC, Ministry of Finance, Approach Paper and Press Release available at <http://www.fslrc.org.in> as of 10 January 2013*).

Infrastructure Development

The growth of the Indian economy in recent years has placed increasing stress on physical infrastructure such as electricity, railways, roads, ports, airports, irrigation, water supply and sanitation, all of which already suffer from a substantial deficit in terms of capacities and efficiencies in their delivery. The Draft 12th Plan, which emphasizes a broad-based and inclusive approach to economic growth to improve quality of life and reduce disparities across regions and communities, recognizes urgent action required to tackle implementation constraints in infrastructure which are holding up large projects, combined with action to deal with tax related issues which have created uncertainty in the investment climate. From a longer term perspective, the Draft 12th Plan strives to put in place policies that can leverage the strengths of the economy to bring it back to its real growth potential.

The total investment in infrastructure sectors, including power, telecommunication, road transport, airports, railways and ports, in the Draft 12th Plan is estimated to be ₹ 55,700 billion. The share of private investment in the total investment in infrastructure rose from 22% in the Tenth Five Year Plan to 36.61% in the 11th Five Year Plan. The Draft 12th Plan notes that the share of private investment in the total investment in infrastructure needs to increase to about 48% during the 12th Five Year Plan if the infrastructure investment target is to be met.

The Draft 12th Plan also notes that fixed investment rate is required to rise to 35% of GDP to achieve a 9% growth in the economy by the end of the 12th Five Year Plan period. This will require several steps to revive private investment, including private corporate investment, and also action to stimulate public investment, especially in key areas of infrastructure especially, energy, transport, water supply and water resource management. The 11th Five Year Plan raised investment in infrastructure from 5.04% of GDP in the Tenth Five Year Plan to 7.2% of GDP in the 11th Five Year Plan. The Draft 12th Plan seeks to raise it further to 9% of GDP by fiscal 2017.

Infrastructure Sectors

The Draft 12th Plan estimates that the infrastructure sector will require an investment of US\$10,00,000 crore by fiscal 2017. Some of the key sectors highlighted for further growth in the Draft 12th Plan are as follows:

Sector	Objectives
Power	Capacity addition of 88,537 MW to address the gap between peak demand and peak deficit and to provide for faster retirement of the old energy-inefficient plants, and thereby contribute to 9% GDP growth during the 12 th Plan period. Further, the Draft 12 th Plan estimates a requirement of 1,403 BU by fiscal 2017 in terms of power generation, and a total of approximately 1,07,440 circuit kms of transmission lines, 2,70,000 MVA of AC transformer capacity and 12,750 MW of HVDC systems are estimated as requirements during such period.
Railways	It is estimated that the number of passengers travelling annually will increase from 890 crore in the fiscal 2013 to 1,170 crore in fiscal 2017. To address this and for the growth of the economy, the Draft 12 th Plan seeks faster expansion of the freight network along with its ability to carry larger freight per wagon, improvement in the efficiency of the rail system to deliver it faster, and expansion of the rail network. Towards this, the Draft 12 th Plan estimates a financing requirement of ₹ 5,19,221 crore, including private sector investment of ₹1,00,000 crore.
Roads	The Draft 12 th Plan seeks upgradation of the road infrastructure, with the objective of improving mobility and accessibility while reducing the cost of transportation. Towards this, the Draft 12 th Plan seeks budgetary support of ₹1,44,769 crore for central sector roads and a private-sector investment of ₹2,14,186 crore. Further, the Draft 12 th Plan estimates budgetary support of ₹1,26,491 crore for rural roads.
Ports	The Draft 12 th Plan estimates the total capacity of the port sector to be 2,289.04 million tonnes by fiscal 2017 and seeks a capital outlay of approximately ₹ 1,70,000 crore from the private sector towards this.
Civil Aviation	The Draft 12 th Plan anticipates the passenger terminal capacity in all airports on an aggregate basis to be approximately 37 crore by fiscal 2017 and an additional requirement of 30 functional airports by 2017 and approximately 180 functional airports in the next 10 years. Towards this, the Draft 12 th Plan seeks an investment of ₹33,198 crore from GoI and ₹ 40,000 crore from private sector.
Telecom	The Draft 12 th Plan seeks to achieve 120 crore connections, mobile access to all villages and increase rural tele-density to 70%, broadband connection of 17.5 crore and to increase domestic manufactured products in telecom network to the extent of 60% with value addition of 45%, by 2017.

(Source: Draft 12th Plan Report)

Providers of Infrastructure Finance in India

The primary providers of infrastructure finance in India are public sector banks and other public sector institutions, private banks, foreign banks and other financial institutions such as multilateral development institutions, such as the Asian Development Bank and the International Finance Corporation. While these financial institutions provide medium and long term financial assistance across various industries for use in setting up new projects and for the expansion and modernization of existing facilities, state financial corporations finance and promote small and medium-sized enterprises at a state level. This is further supported by public sector banks, the largest category of banks in the Indian banking system, and other public sector institutions along with private sector banks.

In addition, Infrastructure Finance Companies (“NBFC-IFCs”) are a category of infrastructure funding entities introduced by the RBI in February 2010 which enjoy certain benefits such as a lower risk weight on their bank borrowings, higher permissible bank borrowing, access to external commercial borrowings and relaxation in their single party and group exposure norms on both debt and equity, compared to other NBFCs.

OUR BUSINESS

The following information is qualified in its entirety by, and should be read together with, the more detailed financial and other information included in this Placement Document, including the information contained in the sections “Risk Factors”, “Forward-looking Statements”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Financial Statements” on page 27, 10, 59 and 196, respectively. Further, all references to ‘Our Company’, ‘we’, ‘us’ and ‘our’, are to IDFC Limited, its Subsidiaries and their joint ventures, other consolidated entities and the Proposed IDFC Bank. All references to our proposed banking business and the Proposed IDFC Bank are forward looking statements which are subject to receipt of the requisite approvals, and based on management’s beliefs and assumptions, which in turn are based on currently available information. Although we believe the assumptions and the proposed plans upon which these forward looking statements, particularly statements relating to our proposed banking business and the Proposed IDFC Bank, are based are reasonable, any of these assumptions could prove to be inaccurate, and the forward-looking statements based on these assumptions could be incorrect.

Overview

We believe that we are one of the leading integrated financial services company in India. We offer a wide range of customer-centric financing solutions to our customers, under our well-recognized brand, IDFC. With our extensive domain knowledge in infrastructure financing, we believe that we have differentiated ourselves from other financiers in India and have played a key role in advancing infrastructure development in India. We believe we are presently the largest RBI-regulated NBFC-IFC, in terms of asset size. We also received the in-principle approval from the RBI on April 9, 2014, to set up a new private sector bank. For more information, see “- **Proposed Banking Business**” below.

Our Company was incorporated in 1997, on the recommendations of the Expert Group on Commercialization of Infrastructure Projects, under the Chairmanship of Dr. Rakesh Mohan. We were set up as a private sector enterprise by a consortium of public and private investors, with a focus on catalyzing the flow of private capital into the development of India’s infrastructure sector. Our Equity Shares were listed on the Indian stock exchanges pursuant to an initial public offering in August 2005. Guided and managed by a strong core of qualified and experienced professionals and with a diversified shareholder base, we believe that we have built a track record of good governance as well as strong, multimodal institutional relationships with Government agencies as well as in the private sector in India. We are notified as a PFI under the Companies Act and are currently classified by the RBI as an NBFC–ND-SI and an IFC. We are also registered with, and regulated by, SEBI, in relation to our investment banking, institutional brokerage and asset management businesses, which are operated through our Subsidiaries.

At present, we continue to derive most of our NII from our infrastructure lending operations, which accounted for 66.61% of our net operating income in fiscal 2014, on a consolidated basis, with a focus primarily on the energy, telecommunications and transportation sectors. However, we seek to continue to diversify our assets and liabilities and investor bases, manage and mitigate our funding risk, reduce our cost of borrowing and other operational costs, and enhance our responsiveness to market trends, customer needs and sensitivities and regulatory and policy developments, with a focus on long-term growth and sustainability, including by way of the proposed commencement of our banking operations.

Our existing business is currently classified into the following four broad platforms:

- Project Finance, Fixed Income and Treasury;
- Investment Banking and Institutional Broking;
- Public Markets Asset Management; and
- Alternative Asset Management.

All our businesses are supported by a shared services platform (including information technology, human resources, risk management, legal, compliance and secretarial services, finance and facilities), as part of our ‘One Firm’ initiative launched in 2010. Policy research and advocacy, capacity building and programme support services are delivered through IDFC Foundation.

IDFC has been recognized as a Superbrand in the third and latest edition of Business Superbrands in July 2011. In 2013, we became the first financial institution to be a signatory to the Equator Principles, and we are also a signatory to the United Nations Principles for Responsible Investment (“UNPRI”), the Carbon Disclosure Project and the United Nations Global Compact (“UNGC”).

We presently have short term credit rating of *[ICRA] A1+* by ICRA and long term credit ratings of *[ICRA] AAA* by ICRA and *IND AAA* by India Ratings & Research Private Limited, a Fitch Group Company, each of which signify the highest degree of safety. Additionally, we have international credit ratings *BBB-* (negative outlook) by Standard & Poor’s Rating Services and *BBB-* (stable outlook) from Fitch Ratings. Our international credit ratings are in line with the sovereign rating for India.

For fiscal 2014 and fiscal 2013, on a consolidated basis, our total income was ₹ 8,789.99 crore and ₹ 8,148.42 crore, including total operating income of ₹ 8,772.04 crore and ₹ 8,138.59 crore, respectively, our PAT was ₹ 1,802.68 crore and ₹ 1,836.20 crore, our RoA was 2.46% and 2.75%, our RoE was 12.25% and 13.94%, and our NIM was 4.01% and 4.16%, of which loan NIM aggregated to 4.46% and 4.51%, respectively. As on March 31, 2014, our gross and net NPL aggregated to 0.56% and 0.37% of our total loans, with a total loans provision of 2.40% (as a percentage of loans) as on March 31, 2014, on a consolidated basis. Our Company’s CRAR as on March 31, 2014 was 22.32%, of which Tier I ratio was at 20.09%. Our cost to income ratio for fiscal 2014 was 14.56%, at the consolidated level.

Proposed Banking Business

The RBI in February 2013 issued the RBI New Banks Licensing Guidelines specifying that select entities or groups in the private sector, entities in the public sector and promoters/promoter groups, as defined in the RBI New Banks Licensing Guidelines, with existing NBFCs, would be eligible to promote banks, and, accordingly, the RBI invited applications for the grant of such license.

With a vision to build a ‘New Age’ bank which will serve the banking needs of the ‘banked’ as well as ‘unbanked’ population of the country, our Company had approached the RBI seeking an approval to set up a new domestic private sector bank under the RBI New Banks Licensing Guidelines, through an application filed by our Company with the RBI on July 1, 2013. The RBI granted us in-principle approval dated April 9, 2014, for setting-up a new bank within a period of 18 months from the date of this approval, pursuant to the RBI New Banks Licensing Guidelines. For more details on the RBI New Banks Licensing Guidelines, see “**Regulations and Policies**” on page 116.

Out of 27 applicants (two applicants had withdrawn their applications subsequently and the Department of Posts is being considered separately) that had initially applied for a license to set up a new private sector bank in India, we are one of only two applicants to be granted an in-principle approval by the High Level Advisory Committee of the RBI for this purpose. For more information on the regulatory framework for the banking sector in India, including in respect of new private sector banks, see “**Regulations and Policies**” on page 116.

The total Indian banking sector assets have increased at a CAGR of 11.5% to US\$1,70,000 crore from fiscal 2010 to fiscal 2013. (Source: <http://www.ibef.org/industry/banking-presentation>) It is estimated that the total banking sector credit shall increase at a CAGR of 18.1% to US\$2,40,000 crore by 2017. (Source: <http://www.ibef.org/industry/banking-presentation>) However, the banking sector in India remains relatively under-penetrated and lower than a number of emerging economies, such as South Africa, Brazil, Poland and Turkey. India also has a lower ‘loans-to-GDP’ ratio, a lower ‘branch per 1,00,000 adults’ count and a lower ‘bank deposit accounts per 1,000 adults’ count, in comparison to many of the emerging markets. (Source: <http://www.ibef.org/industry/banking-presentation>) Therefore, notwithstanding a competitive market, the banking sector continues to provide a large and attractive growth opportunity. Further, certain private sector banks that commenced operations relatively recently have grown significantly in recent years, which we believe demonstrates the ability of a new, well-managed private sector bank to successfully operate and grow in the Indian regulatory and industry environment, and capitalize on the opportunities available in the Indian banking sector. For further details on the Indian banking sector, see “**Industry Overview**” on page 88.

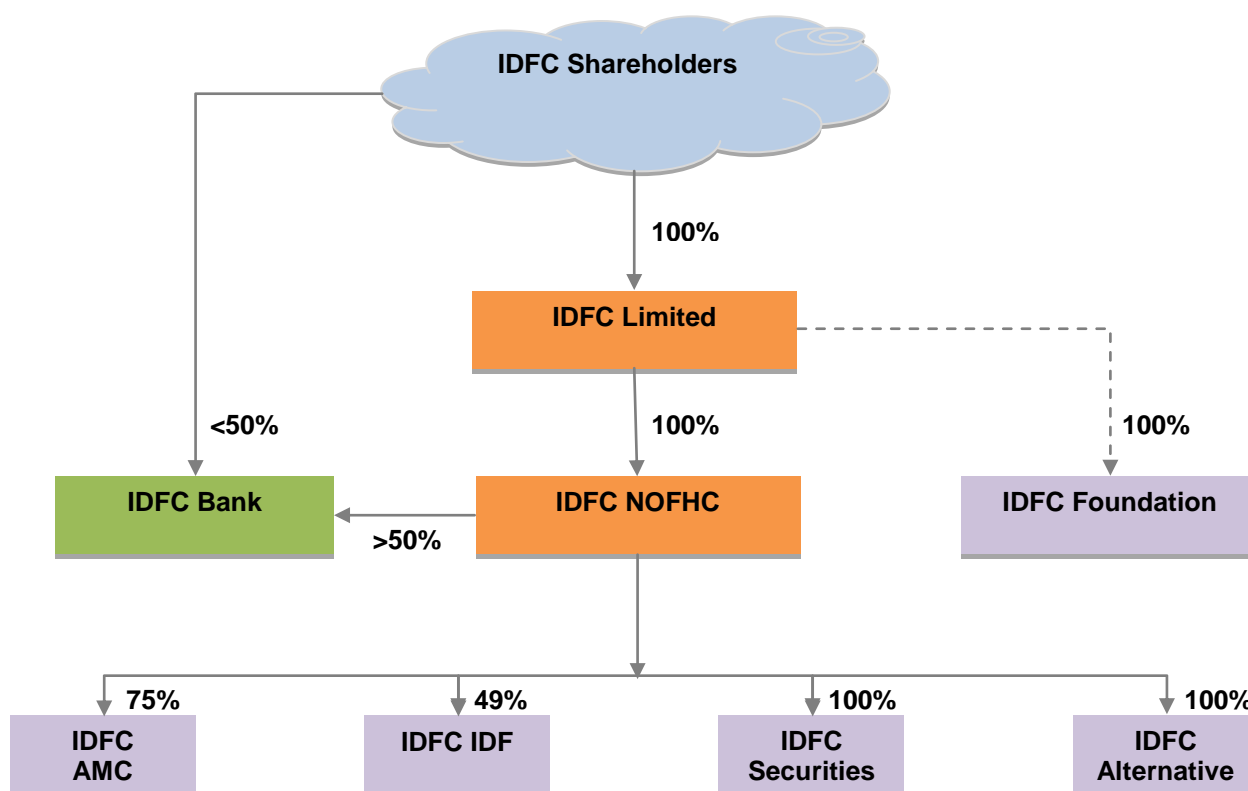
We believe we can leverage our ‘IDFC’ brand, our infrastructure finance experience, our relationships with government entities and customers, and our net worth and management experience, to build our presence in the banking sector, particularly in corporate and commercial banking. We believe that we can also gain access to low-cost funds in the form of low-cost savings and current account deposits, and diversify our revenue pool

which would otherwise not be accessible to us as an NBFC. We will also seek to create a strong retail assets portfolio and increase our liquidity by creating an extensive bank depositor and customer base.

Taking advantage of improving macro-economic conditions, increasing financing needs of large corporates, a supportive regulatory environment and other trends such as the accelerating urbanization and rising home ownership, the expanding needs of the rural economy and small and medium sized businesses, rising household incomes, and increasing penetration of the Internet and technology and technology-enabled services and platforms in India, we will seek to establish our presence in the banking industry. In particular, we believe that the banking sector in India has benefited from increasing regulatory rationalization through deregulation of savings account interest rates, proposed flexible structuring opportunities related to long-term infrastructure financing, ability to raise long-term funds through unsecured bonds for lending to infrastructure sector with minimum regulatory compliance, permission to set up ultra small branches or use of services of business correspondents and mobile vans where setting up branches is not feasible, and white label norms for setting up ATMs. We, therefore, believe that the improving macro-economic conditions and the supportive regulatory environment for the banking industry in India will facilitate our foray into banking operations.

Our proposed group structure (showing our material businesses) on the commencement of our proposed banking business, will be as follows:

Proposed IDFC Bank Structure



An overview of the steps to be undertaken by us in this relation is as follows:

- Bringing foreign shareholding in our Company below 50%, pursuant to this Issue;
- Receipt of the RBI approval for the memorandum of association and the articles of association of the NOFHC and the Proposed IDFC Bank, as well as for the appointment of the Chairman and Chief Executive Officer of the NOFHC and the Proposed IDFC Bank;
- To set up a NOFHC, which will in turn set up the new bank – the Proposed IDFC Bank;
- Receipt of NBFC registration for the NOFHC from the RBI;
- Transfer of our equity ownership in all our regulated financial services Subsidiaries to the NOFHC. Demerger of our financing business comprising of loans, liquidity and accrual book of treasury portfolio, current assets, borrowings, receivables, security interests, current liabilities and other assets

and liabilities into the Proposed IDFC Bank, pursuant to a court-approved scheme of demerger as a part of which the Proposed IDFC Bank will issue shares to our shareholders;

- Listing of the Proposed IDFC Bank on the Stock Exchanges, pursuant to which the Proposed IDFC Bank will be a widely held public company with minimum holding of 40% equity shares held by the NOFHC. Pursuant to the Proposed Demerger, the equity shares of our Company shall continue to be listed on the Stock Exchanges, and we shall hold 100% of the equity capital of the NOFHC; and
- Receipt of final banking license from the RBI for commencement of business of the Proposed IDFC Bank.

The RBI in-principle approval dated April 9, 2014 granted to us is valid for a period of 18 months from the date of the grant, i.e., until October 8, 2015.

Our proposed banking business operations structure is envisaged to include four distinct strategic business verticals:

Corporate Banking

Our corporate banking vertical will provide banking solutions for large corporate and institutional customers. Under the corporate banking vertical, while we will continue our infrastructure finance operations, leveraging our existing expertise and relationships, we also seek to diversify our focus beyond the infrastructure sector. We also propose to diversify our products and services to attain a more optimum revenue mix, for instance, by providing our customers with treasury services, and fixed income products such as bonds and credit enhancement, and cross-selling investment banking services to IDFC Securities to establish IDFC as a franchise providing end-to-end solutions to its customers.

Commercial Banking

Our commercial banking will largely cover mid-level corporates, both listed and unlisted, and we will provide our full suite of banking products and services to our customers.

Consumer or Retail Banking

For our consumer or retail banking business, we will focus on attracting CASA deposits as well as lending to retail consumers. We propose to provide a comprehensive product offering through partnerships, competitive deposit rates to boost CASA, customer advisory services and technology driven multi-channel transaction convenience, as part of our consumer banking business.

Inclusion Banking

Our inclusion banking business will focus on priority sector lending operations comprising of the rural, agricultural and MSME segments. In this regard, we seek to take our banking services to rural and under-developed regions, small business owners, kirana merchants and MSMEs.

See also “**Risk Factors – Risks in Relation to our Proposed Banking Business**” on page 27, for risks in relation to our proposed banking business.

Strengths

Integrated financial services platform

We believe that our institutional evolution into an integrated financial services platform has been divided into two phases so far. In the first phase, we were focused on developing a framework and ecosystem for funding commercially viable long gestation private sector and PPP infrastructure projects, largely on the basis of non-recourse debt financing, which required us to develop a deep pool of sectoral and industry domain knowledge within our organization. In the second phase, as project financing for the private infrastructure sector began to gain wider acceptance and the size of financing requirements of such projects began to grow beyond our balance sheet size and funding capacity at the time, we extended our focus to building our net worth, including through capital market initiatives, and expansion of our loan book, so as to build an array of capabilities, organically and inorganically, to address a wider range of financing needs of the Indian infrastructure sector. In addition, we expanded our business beyond our core financing business to include complementary business opportunities

including asset management comprising both mutual fund management and alternative asset management, investment banking business comprising debt syndication, equity capital raising, and merger and acquisitions. Each of our business verticals complement our core financing business and our business model has allowed us to leverage funding from a wide range of capital pools – domestic and international, debt and equity and retail and institutional, primarily into India’s infrastructural development. As on June 30, 2014, we had 3,93,381 equity shareholders of our Company and 14,42,561 bond holders who have invested or subscribed to our securities.

Accordingly, we have developed a diversified suite of customer-centric products and services, as well as leveraged our industry relationships through a range of collaborations and partnerships, so as to address the complex and myriad advisory and financing needs of the Indian economy, particularly the Indian infrastructure sector and in the Indian financial markets. Towards this objective, we have established what we believe to be a talented pool of human resources across our organization, as well as a significant retail customer base in our asset management business.

Strong reputation and brand image

We offer a wide range of financing solutions to our customers under our well-recognized brand IDFC. With our extensive domain knowledge in infrastructure financing, we believe that we have built a strong reputation and a proven track record for delivering quality customer-centric products and services, particularly in the infrastructure financing sector. Going forward, we will seek to leverage our reputation and brand image, to drive our growth across our organization and specifically in our proposed banking business. We believe that our brand image contributes to our favourable credit ratings, which enables us to access funds at a competitive cost and give us access to a bigger pool of lenders.

IDFC has been recognized as a Superbrand in the third and last edition of Business Superbrands in July 2011. In 2013, we became the first financial institution from India to be a signatory to the Equator Principles. We are also a signatory to the UNPRI, the Carbon Disclosure Project and the UNGC. We believe that these, among other recognitions, certifications and awards, serve to illustrate our operational excellence and our focus on quality and sustainable growth, on which our reputation and brand image are, and will continue to be, based.

Strong relationships with a range of private sector customers as well as government entities

We believe that we enjoy strong institutional relationships, in the private sector as well as with Government entities in India, particularly in the infrastructure financing and development sectors, which have served to support our growth thus far and which we believe will continue to drive our future growth, including in our proposed banking business. As on March 31, 2014, our top 20 corporate borrowers in the aggregate accounted for 41.08% of our total cumulative outstanding approvals and our 20 largest borrower groups in the aggregate accounted for 64.63% of our total cumulative outstanding approvals, in terms of sanctioned loans.

We have a multidimensional relationship with Government entities in India, in advisory as well as beneficiary capacities. The GoI is, and will, following this Issue, continue to be, a significant shareholder in our Company. The GoI also has a Nominee Director on our Board of Directors. We believe that our historic and continued relationship with various Government agencies and entities in India, across Central, State and local and municipal levels, has given us access to key policy and decision makers in India, as well as access to major and diverse advisory and financing opportunities in India.

In addition, we have, over the years, developed strong institutional relationships with several prominent private sector players, which have enabled us to play prominent and leadership roles in advising on and financing infrastructure projects in India, as well as supporting our growth as a diversified player across the financial services sector in India. We believe that our access to such private institutional entities and our long association with them provides us with potential customers for our proposed banking business. In addition, we believe that we are well positioned to leverage our experience in servicing our retail customer base in our asset management business to bring a strong customer focus and orientation to our proposed banking business, going forward.

Robust financial performance

We believe we are presently the largest RBI-regulated NBFC-IFC, in terms of asset size.

For fiscal 2014, on a consolidated basis, our total income was ₹ 8,789.99 crore, including total operating income

of ₹ 8,772.04 crore, our PAT was ₹ 1,802.68 crore, our RoA was 2.46%, our RoE was 12.25%, and our NIM was 4.01%, of which loan NIM aggregated to 4.46%. Our cost to income ratio for fiscal 2014 was 14.56%, at the consolidated level. Our non-interest income aggregated to ₹ 1,002.55 crore in fiscal 2014, on a consolidated basis. Further, as on March 31, 2014, our total assets were ₹ 75,163.03 crore.

We believe that our robust financial performance has provided us with the ability to grow our business through a range of synergistic opportunities across the financial sector, creating enduring value for our shareholders and for other stakeholders in the financial sector and the nation as a whole. In particular, we believe that the consistent growth of our non-interest income has enabled us to develop a sustainable broad-based business model, and illustrates our ability to successfully manage our diversified operations thus far.

Strong asset quality

We seek to benchmark ourselves against global best practices and follow what we believe to be a conservative provisioning policy. We also believe that our strong asset quality, capital adequacy and leverage ratios, credit rating and loan exposure profiles, has been achieved through our comprehensive credit and project appraisal skills and disciplined risk management and mitigation practices, and serve to demonstrate our success in managing our diversified operations thus far.

Our Company's CRAR as on March 31, 2014 was 22.32%, of which the Tier I ratio was at 20.09%, which is above the current regulatory requirements for an NBFC-IFC, which is 15.00%, including a minimum Tier I ratio of 10.00%. As on March 31, 2014, our gross NPL and net NPL aggregated to 0.56% and 0.37% of our total loans, with a total loans provision of 2.40% (as a percentage of loans) as on March 31, 2014, on a consolidated basis. We also believe we are sufficiently capitalized to comply with the capital adequacy requirements from the inception of our proposed banking operations.

We believe that our brand image contributes to our favourable credit ratings. We presently have short term credit rating of [ICRA] A1+ by ICRA and long term credit ratings of [ICRA] AAA by ICRA and IND AAA by India Ratings & Research Private Limited, a Fitch Group Company, each of which signify the highest degree of safety. Additionally, we have international credit ratings BBB- (negative outlook) by Standard & Poor's Rating Services and BBB- (stable outlook) from Fitch Ratings. Our international credit ratings are in line with the sovereign rating for India.

As on March 31, 2014, our three largest sectoral cumulative outstanding approvals were in the energy, telecommunications and transportation sectors, which in the aggregate constituted 87.42% of our total cumulative outstanding approvals of ₹ 77,635.90 crore.

Professionally qualified and experienced management and key personnel

We are a professionally managed company, compliant with applicable corporate governance laws and norms. Our senior management and key personnel are professionally qualified persons with diverse backgrounds and experience, which we believe has contributed to our strong domain knowledge in the financial sector as a whole, and particularly in infrastructure financing and infrastructure sector-specific aspects of our business.

For instance, we believe that we have benefited significantly from the vision, leadership and industry knowledge and relationships of our founder and former chairman Deepak Parekh, who is now associated with us in an advisory capacity with a view to provide continued guidance for our proposed foray into the banking sector. In addition, we believe that Dr. Rajiv Lall, presently our Executive Chairman, along with other members of our senior management team, have been critical to the formulation and implementation of our strategic objectives over the years.

As on March 31, 2014, our Company, on a consolidated basis, had a total of 570 permanent employees, including 71 persons at the top or senior management level and 219 persons at the middle management level. We believe that our talented, trained and motivated human resource pool, including existing members of our senior management team, will play a significant role in extending our efficient, customer-centric and quality-oriented business ethos in our existing business to our proposed banking business.

Strategies

Establish our banking business

Our vision is to create a ‘New Age’ ‘Bimodal’ bank, to serve the banking needs and aspirations of both ‘India’, referring to the urban and semi-urban Indian population, and ‘Bharat’, referring to the under-penetrated regions of India and the unbanked section of the Indian population. In the short term, our focus will be on developing and embedding key systems and processes, building our team and setting up the most appropriate branch architecture, and putting in place and testing the technology backbone for our proposed banking operations, in a phased manner. In the longer term, we aim to achieve asset growth, scale-up our deposit franchise, cross-sell our products and leverage our capital base. Towards this objective, we seek to establish our consumer branch footprint, particularly in unbanked ‘Bharat’, and focus on diversifying our asset base and reducing our concentration in the infrastructure sector, with the following key strategies:

- *Leverage our IDFC brand and diversify through sectoral and product expansion* – We seek to leverage our IDFC brand to build our presence in the banking sector and develop new customer and industry relationships beyond the infrastructure sector. While we will continue to take advantage of our existing infrastructure finance operations, we intend to diversify our existing asset concentration and attract more customers through sectoral and product expansion in our banking business. We particularly seek to create a strong retail assets portfolio and increase our liquidity by creating an extensive bank depositor and customer base. In this regard, we may explore opportunities to enter into strategic as well as service-level partnerships and collaborations for customer aggregation, to take our bank to the customer and thereby build and expand our distribution network and increase our penetration of the non-institutional depositor and customer base. We seek to utilize our bank status to optimize our long-term funding resources and maintain a low cost of funds, while diversifying our asset base beyond our historic focus and concentration in the infrastructure sector. In addition, after the completion of our proposed restructuring and commencement of our banking operations, we believe that we will have a well capitalized bank, with significant headroom to raise capital from investors to support our future growth, including foreign institutional investors;
- *Offer a broad range of financing solutions* - We propose to offer a broader range of financing solutions as part of our banking business than is currently possible for us to offer as an NBFC-IFC with the objective of increasing the contribution of fee income on account of new products that we will be able to offer in the Proposed IDFC Bank. We believe that our existing client base, which includes lending relationships with some of the largest companies in India, provides us with a captive customer base for cross-selling diversified products, such as cash management solutions and supply chain financing to our corporate customers, as well as financial institutions and government bodies. In this relation, we intend to expand beyond the infrastructure sector to provide products and services such as current account, escrow account, cash credit, other working capital loans, trade finance (including letters of credit and bank guarantees), cash management, and foreign exchange (which only banks are permitted to offer, in the current regulatory framework in India) to a more diversified customer base. We also propose to cross-sell investment banking services to IDFC Securities to establish IDFC as a franchise providing end-to-end finance solutions to its customers. Separately, we believe that growth of our transaction banking will provide support across various product offerings and business verticals of the Proposed IDFC Bank and serve to our clients’ liquidity and cash flow requirements effectively;
- *Differentiated retail consumer value proposition and customer-reach* – In order to attract the affluent segment customers, we seek to implement a customer-oriented banking operation by financially empowering our customers and offering them a portfolio of varied services and product offerings without impacting the convenience and efficiency of transacting. We propose to implement a policy of providing the same quality and gamut of services to our customers through various banking channels. We also seek to offer a range of value propositions for our customers including, purpose-linked bank accounts and financial advice, convenient payment options through mobile and Internet banking, secure payment methods, need-based bundled products and financial solutions, conflict free relationship management and reliable and on-call service at the doorstep of our customers. We believe our operational experience and economic prudence from our existing NBFC-IFC businesses will enable us to offer technology driven solutions and an optimized branch network. We seek to acquire a majority of our customers through non-branch channels through technology led financial services, as well as alternate acquisition sources such as worksite marketing and referrals;
- *Inclusion banking through product simplification and flexible transaction models* – We propose to implement a bimodal strategy for our banking operations by focusing on consumer banking as well as inclusion banking in compliance with priority sector lending targets. While we seek to establish a

robust consumer banking footprint in Tier-I to Tier-IV cities, we aim to build our presence in the Tier-V and Tier-VI cities in India as well. In this regard, we seek to take our banking services to rural and under-developed regions, small business owners, kirana merchants and MSMEs. We also propose to offer simplified product offerings as well as flexible services, which we believe will increase the ease of transacting for our inclusion banking customers. We seek to minimize our cash handling cost in priority sector lending by expanding our technology driven multi-channel transaction facilities to our priority sector customers as well and utilize business correspondents for customer aggregation in our priority sector lending operations; and

- *A 'digital spine' foundation and adoption of latest technology* – We seek to deliver cost-effective, accessible, flexible and convenient multi-channel banking solutions beyond conventional banking services, including through the utilization of automated, digitized and other technology-enabled platforms and tools (which may, for instance, include internet, mobile and tele-banking), so as to grow our presence in the banking sector and to create, extend and maintain a lean, low-cost branch structure. To this, we seek to provide a differentiated technology framework, enhancing convenience for our customers and reducing operational expenditure for our branches. Creating a 'digital spine' for our banking services and for our organizational design will help us expand the reach of our services and branches, rationalize the size of our branches and facilitate cross-selling of our products. In this regard, we will seek to maintain streamlined employee counts at our bank branches and explore opportunities for utilizing technology-enabled tools and systems to lower our operating costs, optimize our operating efficiencies and extend our last-mile connectivity.

Deliver long-term profitable growth

- Increase and diversify our asset base, including through leveraging our existing customer databases and relationships and developing new customer relationships and depositor and customer base through our banking business;
- Continue to expand and diversify our revenue streams by offering varied products and services as part of our operations, and further diversify our revenue streams through complementary business opportunities including asset management comprising both mutual fund management and alternative asset management, Infrastructure Debt Fund ("IDF"), equity investment, debt syndication, merger and acquisitions, and equity capital markets through our Subsidiaries;
- Continue diversifying into emerging sectors and markets, thereby reducing our exposure to the infrastructure sector; and
- Maintain high levels of operational efficiency to maintain a low expense to assets ratio, including through access to low cost funds (savings and current account deposits) which have otherwise not been available to us as NBFC-IFC and the use of technology-enabled tools, processes and systems.

Pursue innovation and leadership across the financial services sector

- Operate as a one-stop shop, delivering high quality and innovative products and services to our customers, across the banking and finance sectors;
- Maintain and increase market share in existing businesses specifically in asset management and investment banking operations, including by way of maintaining and enhancing customer-satisfaction; and
- Cross-sell a diverse range of customized financing and advisory products and services to our customers, across our banking and other financial services businesses.

Overview of Current Businesses

Our existing business is currently classified into the following four broad platforms:

- A. Project Finance, Fixed Income and Treasury;

- B. Investment Banking and Institutional Broking, comprising advisory, capital raising services and institutional broking;
- C. Public Markets Asset Management, which is primarily our mutual funds business; and
- D. Alternative asset management, involving fund management across three asset classes – (i) private equity; (ii) project equity; and (iii) real estate.

A. Project Finance, Fixed Income and Treasury

Project Finance:

Project Finance is presently the core of our business as an NBFC, wherein we offer alternative financing structures for infrastructure projects of varying complexities, using a portfolio of different instruments. The key infrastructure sectors that we presently address include energy, transportation and telecommunications.

The following table sets forth, as of June 30, 2014, the allocation of our net approvals and outstanding disbursements by type of financing and by sector:

	(₹ in crore)				
	Energy	Transportation	Telecom and IT	Commercial and Industrial Infrastructure / Others	Total
Net approvals	46,988.33	34,845.78	45,458.25	22,358.78	149,651.14
Funded debt	44,859.77	33,186.85	42,698.70	16,811.86	137,557.18
Non-funded debt	1,232.23	1,043.40	1,619.86	244.24	4,139.72
Equity and preference capital	896.33	615.54	1,139.69	5,302.68	7,954.24
Outstanding disbursements	25,796.37	13,122.29	10,564.71	8,547.10	58,030.47
Funded debt	25,174.80	12,808.19	10,564.37	5,300.44	53,847.81
Non-funded debt	283.91	265.19	-	98.58	647.67
Equity and preference capital	337.66	48.90	0.34	3,148.08	3,534.98
Cumulative outstanding Approvals	27,837.11	15,357.90	15,049.74	10,223.45	68,468.11
Percentage of Total Cumulative outstanding Approvals	40.66%	22.43%	21.98%	14.93%	100.00%

Gross approvals under project finance for fiscal 2014 aggregated to ₹ 25,682.87 crore, while gross disbursements under project finance for fiscal 2014 aggregated to ₹ 16,295.96 crore. The loan book (excluding non funded and equity) stood at ₹ 59,829.30 crore, while the NII of the loan book aggregated to ₹ 2,488.02 crore for fiscal 2014. Loan related fees aggregated to ₹ 115.32 crore in fiscal 2014. The loan provision for the year aggregated to ₹ 1,434.18 crore in fiscal 2014, at 2.40% of loan assets. In fiscal 2014, our cumulative outstanding approvals in the energy, transportation, the telecommunications and information technology, and commercial and industrial infrastructure and others were 36.83%, 22.15%, 28.44% and 12.58%, respectively. In fiscal 2014, our cumulative outstanding disbursements in the energy, transportation, the telecommunications and information technology, and commercial and industrial infrastructure and others were 39.54%, 21.52%, 26.49% and 12.45%, respectively.

Fixed Income and Treasury Business:

Our Fixed Income and Treasury business focuses on the fixed income market and comprises: (i) the treasury business, relating to the management of liquidity and investment and trading in debt instruments; and (ii) certain fixed income and fee based trading services.

Treasury assets in fiscal 2014 aggregated to ₹ 9,181.06 crore, while the NII of the treasury business was ₹ 215.79 crore. Fixed income trading profit and fee revenue was ₹ 102.27 crore for fiscal 2014.

B. Investment Banking and Institutional Broking

Our Investment Banking and Institutional Broking business comprises project advisory, capital raising and institutional broking services, including for private equity syndication and for capital market offerings such as public offers, qualified institutional placements and international offerings such as American Depository Receipts, Global Depository Receipts and Foreign Currency Convertible Bonds, as well as mergers and acquisitions.

Our Investment Banking and Institutional Broking business includes the business of S.S. Kantilal Ishwarlal Securities Private Limited (“SSKI”), which we acquired in a phased manner pursuant to a share purchase agreement dated September 25, 2006, followed by various purchase cum advance agreements during December 2007, and an agreement dated June 8, 2009, pursuant to which this company (then known as IDFC-SSKI Securities Limited) became our wholly owned Subsidiary, now known as IDFC Securities.

Further, during fiscal 2014, IDFC Capital Limited, IDFC Distribution Company Limited and IDFC Pension Fund Management Company Limited were merged with IDFC Securities, pursuant to the order of the High Court of Bombay on March 28, 2014. IDFC Securities presently has four wholly owned Subsidiaries, namely, IDFC Fund of Funds Limited (“IDFC FF”), IDFC Capital (Singapore) Pte. Limited (“IDFC Capital Singapore”), IDFC Securities Singapore Pte. Limited (“IDFC Securities Singapore”) and IDFC Capital (USA) Inc. (“IDFC USA”).

Our Investment Banking and Institutional Broking business earned an aggregate revenue of ₹ 77.03 crore in fiscal 2014.

C. Public Markets Asset Management

Our Public Markets Assets Management business is primarily comprised of our mutual funds business, operated through our Subsidiary IDFC AMC, in which we hold 75% stake and the balance 25% stake is held by Natixis Global Asset Management, an international asset management group based out of France.

We acquired our mutual fund business from Standard Chartered in fiscal 2008.

In our Public Markets Asset Management business, we presently manage different mutual fund products for institutional and retail investors and income is generated through asset management fees. Our present focus in this business is on growing our AUM by offering suitable products and channeling retail and corporate savings into India’s debt and equity capital markets.

Our average AUM, through our Subsidiary, IDFC AMC, in fiscal 2014 aggregated to ₹ 41,636.47 crore. The ratio of debt to equity of the AUM was 82:18 as on March 31, 2014. Our Subsidiary IDFC AMC earned asset management fees aggregating to ₹ 279.71 crore in fiscal 2014.

D. Alternative Asset Management

Our Alternative Asset Management business, operated through our Subsidiary, IDFC Alternatives and IDFC Project Equity Company Limited (“IDFC Project Equity Company”), presently involves mobilization of funds from global and domestic institutional investors in, and fund management across, the following three asset classes:

- Private equity, offering equity capital to infrastructure developers with the objective of creating value through capital appreciation;
- Project equity, offering equity capital to brown field and operational core infrastructure projects to create value through regular yields and capital appreciation; and
- Real estate, presently focused on residential real estate across three top cities in India.

Our Alternative Asset Management business generates returns through three streams of revenue: (i) asset management fees; (ii) investment returns in our managed funds; and (iii) our share of the ‘carry’ income generated from our managed funds.

By a resolution dated June 3, 2014, our Board of Directors took note of the proposed merger of IDFC Project

Equity Company, IDFC Primary Dealership Company Limited (“IDFC PDC”) and IDFC Housing Finance Company Limited into IDFC Alternatives. For further details, see “*Organizational Structure and Major Shareholders*” on page 148.

Private Equity

We offer equity capital to infrastructure developers with the objective of creating value through capital appreciation. We mobilize and manage third party private equity funds through our wholly owned Subsidiary, IDFC Alternatives. We focus on long-term private equity investment opportunities in companies in the infrastructure sector. The objective is to achieve risk-adjusted returns by providing growth or expansion capital to companies. We have a team of professionals with diverse investment experience including members with operating experience. We also have a panel of highly regarded advisors, a network of corporate relationships and an experienced team.

Since our first private equity fund was launched in 2002, we have expanded our Alternative Asset Management portfolio to include a total of three private equity funds which are sponsored and managed by us, two infrastructure equity funds and one domestic real estate fund. In our Alternative Asset Management business, we are presently the investment manager for a total of six funds, through our Subsidiary IDFC Alternatives. We are a sponsor investor in each of these funds, and each fund has an independent investment committee. As of March 31, 2014, we managed a corpus of ₹ 3,865.61 crore through these funds. These funds have invested in various infrastructure sectors including power, oil and gas, transportation (including airports, ports, roads and logistics), hotels, telecommunications, education, health care and renewable energy.

Project Equity

We offer equity capital to brown field and operational core infrastructure projects to create value through regular yields and capital appreciation. IDFC Project Equity Company is our wholly owned Subsidiary (through IDFC Alternatives), and is the investment manager of the India Infrastructure Fund (the “Fund”). The Fund is focused on long-term equity investments in a diversified portfolio of infrastructure projects in India in sectors such as power, roads, ports, airports, electricity and gas transmission and distribution networks. It was set up as a part of the India Infrastructure Financing Initiative, a collaborative effort between the Government (through India Infrastructure Finance Company Limited), Citigroup and our Company to provide equity capital for infrastructure projects in India (the “Initiative”). The Fund seeks to achieve attractive risk-adjusted returns over the long term by investing in infrastructure projects in India that exhibit strong, predictable and stable cash flows in the form of dividend distributions with low volatility of returns and have potential for capital growth. We believe that such investments have a lower risk-return profile compared to the pure private equity investments.

We manage a corpus of ₹ 8,363.00 crore as on March 31, 2014 through IDFC Project Equity Company.

Real Estate

We have launched the IDFC Real Estate Yield Fund (“IREYF”) managed by IDFC Alternatives to create value through regular yields and capital appreciation through investments in real estate projects. The IREYF announced its first close of investment in February 2014 and announced its last close in May 2014 at ₹ 749.30 crore. We are presently focused on residential real estate across six top cities in India.

Proposed IDF Operations

On June 25, 2012, we were granted a no-objection certificate from the RBI to set up an IDF under the mutual fund route. However, we subsequently decided set up an IDF under the NBFC route through sponsoring an IDF-NBFC. In this relation, IDFC IDF was incorporated as a wholly owned Subsidiary of our Company on March 7, 2014. Currently, our Company holds 49% equity capital in IDFC IDF and the remaining 51% is held by two wholly owned Subsidiaries of our Company. We received the no-objection certificate from the RBI on April 7, 2014 for sponsoring an IDF-NBFC.

According to RBI notification dated November 21, 2011, an IDF is required to follow certain conditions, including (i) a minimum net-owned fund of ₹ 300 crore and CRAR of 15%, (ii) its NPAs should be less than 3% of net advances, (iii) should have been in existence for at least five years, and (iv) earning profits for the last three years with satisfactory performance. Further, IDFs shall have at the minimum, a credit rating grade of ‘A’

of CRISIL or equivalent rating issued by other accredited rating agencies such as FITCH Ratings Inc., Credit Analysis and Research Limited and ICRA Limited. Further, IDFs are required to have a minimum CRAR of 15% and Tier II capital of IDFs shall not exceed Tier I.

Pursuant to the regulations and directives issued by the RBI in this relation, an IDF-NBFC was set-up with the objective of facilitating domestic infrastructure developers in accessing stable long-term and lower cost funds from overseas and domestic investors, primarily institutional investors such as insurance and pension funds, through investment in the bonds issued by our IDF-NBFC.

In this relation, we will seek to leverage our strong institutional relationships and experience in, as well as our extensive domain knowledge of, the Indian infrastructure sector, as well as our existing financial, management and other resources and service platforms. Moreover, under currently applicable tax laws in India, withholding tax on interest payments on the borrowings by the IDFs has been reduced from 20.00% to 5.00% and the income of IDFs has been exempted from income tax. For more information on the regulatory framework of IDFs, see “*Regulations and Policies*” on page 116.

Government Regulation

Our Company was notified as a PFI, under the Companies Act 1956, in 1999. Our Company was granted RBI registration as a non-deposit-taking NBFC on April 25, 2002, and has been classified as a systemically important NBFC since notification dated December 13, 2006, as a consequence of having an asset size of over ₹ 100 crore. As an NBFC-ND-SI, we are not presently permitted to accept deposits from the public, within the meaning of the provisions of the Non-Banking Finance Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.

On June 23, 2010, we became the first NBFC to be classified by the RBI as an IFC, as a consequence of which we are presently eligible for a lower risk weight on bank borrowings (20% for AAA rated borrowers), higher permissible bank borrowings (20% of capital funds as per last audited balance sheet), provided that such funds are used for on-lending in the infrastructure sector, raising external commercial borrowings (“ECB”) up to 50% of owned funds, and higher loan exposure to borrowers (25% to a single borrower and 40% to a single borrower group). In order to maintain our Company’s IFC status, we are required, among other things, to keep a minimum of 75% of our Company’s total assets deployed in the infrastructure sector and a minimum CRAR of 15% (with a minimum Tier I ratio of 10%).

We are also registered with, and regulated by, SEBI, in relation to our investment banking, institutional brokerage and asset management businesses. Further, in April 7, 2014, we were granted RBI approval to set up an IDF under the NBFC route, which would also be regulated by the RBI.

We received the in-principle approval of the RBI on April 9, 2014, to set up a new private sector bank within a period of 18 months from the date of the in-principle approval, pursuant to the RBI New Banks Licensing Guidelines.

For more information, see “*Regulations and Policies*” on page 116.

Risk Management

We are exposed to three categories of risks: market risk, credit risk and operational risk. We have implemented an Enterprise Risk Management framework that adopts an integrated approach to managing all three types of risks. Among other measures, we utilize a software-based asset liability management (“ALM”) system, to allow for more comprehensive and regular analysis of liquidity and interest rate risks.

We are in the process of enhancing our risk measurement and monitoring framework to address risks arising in relation to our proposed commencement of banking operations and the applicable prudential norms and other requirements applicable to banks, particularly domestic private sector banks in India, as well as the transition to the Basel III environment.

We have also constituted sub-committees to assess and make recommendations with respect to various types of risks:

- The Market Risk Group monitors risks on account of fluctuations in the interest rate, liquidity, currency exchange rates and equity prices, and supports the ALM function. The ALM Committee supervises the ALM process and reviews the asset liability mismatch reports on a regular basis. The ALM reports are presented to our Board of Directors on a semi-annual basis;
- The Credit Risk Group evaluates all proposals to estimate risks, their mitigation and the appropriate pricing of each of the risks. After approval of the terms and conditions and credit rating from the Credit Risk Group, each proposal is considered by a Management Decision Board. Recommended cases are sent for final sanction by the Credit Committee and, where applicable, the Executive Committee of our Board of Directors. Thereafter, the Portfolio Management Group monitors the performance and compliance of covenants of all assets. The Credit and Portfolio Groups conduct comprehensive reviews of all project assets and equity investments of our Company on a regular basis. The portfolio risk report is regularly presented to a Portfolio Review Committee, which reviews all assets with significant credit or portfolio risks and deliberates on sector-specific and systemic risks in the current business environment. In addition, rerating of the entire portfolio is done on an annual basis and presented to the Risk Committee of our Board of Directors; and
- The Operational Risk Management Group engages in continuous collection and assimilation of data related to operation risk. The operational risk at an enterprise-wide level is overseen by a Group Operational Risk Committee.

Our Risk Management Group is headed by our Chief Risk Officer, who presents a risk review report to the Risk Committee on a quarterly basis, encompassing all significant risks and mitigating measures.

We also place special emphasis on environmental risk, which is evaluated by a dedicated Environmental Risk Group. We also have an Environment and Social (“E&S”) Policy and risk management framework, pursuant to which our Environmental Risk Group oversees and makes recommendations as to management and mitigation of environmental risk. An Environmental Risk Officer is engaged in assessing and monitoring environmental risks of each project before and after the sanction of any project loan, through Environmental and Social Due Diligence (“ESDD”) and an annual Environmental and Social Monitoring Review (“ESMR”), in compliance with the Equator Principles.

For more information, see “*Risk Factors*” on page 27.

Competition

Our primary competitors are and subsequent to the commencement of our proposed banking operations, will be banks and NBFCs with operations in India, including public sector banks, private sector banks and foreign banks with Indian bank branches, as well as deposit-taking and non-deposit-taking NBFCs, and certain NBFCs that are also classified by the RBI as IFCs, or as PFIs.

In addition, the RBI has, through a circular dated June 24, 2014, permitted NBFC-NDs to act as business correspondents of banks, so as to accelerate financial inclusion in India. While this regulatory development is recent, it is possible that it may increase competitive pressures in the banking sector, or that our competitors may be more equipped or more successful than us in operationalizing their BC relationships and networks.

Technology

In fiscal 2010, we realigned our technology operations to provide shared and centralized technology infrastructure and services across our operations, including through upgrading our hardware, storage and network, creating helpdesk operations, outsourcing certain non-critical functions, enhancing network security, availability and robustness. Our key offices are connected to our network.

We have also adopted Data Center Infrastructure Management (“DCIM”), with a focus on better control on energy and cost. We obtained recertification of our ISO 27001 certification from TÜV Rheinland, a German group that documents the safety and quality of business and technology systems to establish sustainability in social and industrial development, for maintaining an Energy Efficient Data Center. We also renewed our LEED ‘Gold’ certification for our Registered Office in Chennai.

Pursuant to the RBI’s directives to implement the National Telecom Policy of 2012, we have migrated all our

internet facing portals and devices to Internet Protocol Version 6 (“IPv6”). The IPv6 is the latest version of the Internet Protocol (“IP”), the communications protocol that provides an identification and location system for computers on networks and routes traffic across the Internet. For our unified communication initiative that progressively integrated voice, data and video into the IP domain, our Chief Information Officer received the ‘Networking Pioneer Award 2013’ from CIO Magazine, at the CIO 100 2013 Awards.

Once we commence our proposed banking operations, we will be heavily reliant on our systems technology in connection with financial controls, risk management and transaction processing, including successful implementation of the CBS as required for all banks. In addition, our delivery channels will include ATMs, call centres and the Internet.

Human Resources

As on March 31, 2014, our Company, on a consolidated basis, had a total of 570 permanent employees, including 71 persons at the top or senior management level and 219 persons at the middle management level.

We had adopted an employee share purchase scheme in 2005. Thereafter, in February 2007, we adopted an employee stock option scheme. For more information, see “*Capital Structure*” and “*Board of Directors and Senior Management*” on pages 54 and 131, respectively.

With a view to strengthening leadership, communication and collaboration as well as marketing and sales effectiveness within our organization, we have extended our integrated coaching program to cover all employees at the director level. The integrated coaching program is an internal initiative that combines elements of coaching and peer learning to drive a customized learning opportunity for each participating individual over a nine month period. In fiscal 2014, the integrated coaching program covered 100 members of our organization, imparting 965 person days of training across levels. We also undertake regular safety and skill upgradation training for our other employees.

Further, we intend to restructure the management of our Company so as to shift certain members of our existing senior management to the Proposed IDFC Bank. In this relation, we are contemplating the appointment of Dr. Rajiv Lall as Executive Vice Chairman of the Proposed IDFC Bank, subject to the approval of the RBI for this purpose. For more information, see “*Risk Factors*” on page 27.

IDFC Foundation

Our policy advisory, capacity building and PPP advisory services are delivered through the IDFC Foundation. During fiscal 2014, the IDFC Foundation was reorganized into three operations verticals: Social Infrastructure, Urbanization and Private Participation in Infrastructure, with a separate vertical to handle disbursements of philanthropic grants.

In this relation, the IDFC Foundation has partnered with various Government and non-governmental agencies and organizations for providing support in a number of strategic capacity building initiatives, including through the preparation of studies and reports, participation in pilot studies and programs and participation as a project execution or implementation agency, and providing project oversight.

For instance, the IDFC Foundation collaborated with the Center for Economic and Social Studies, the Institute for Rural Management Anand and the Indira Gandhi Institute of Development Research, to provide an independent assessment of the state of rural development in India and an assessment of the Mahatma Gandhi National Rural Employment Guarantee Scheme, by means of The India Rural Development Report 2012-2013, which was released on September 26, 2013, by the Minister of Rural Development, GoI. Further, the IDFC Foundation provided infrastructure and administrative support to the National Transport Development Policy Committee, which was constituted by the GoI to assess the transport requirements of the economy for the next two decades and recommend a comprehensive policy for providing an integrated and sustainable transport system, and submitted its report in April 2014. The IDFC Foundation is also working on The India Rural Development Report 2013-2014, under the supervision and guidance of the Advisory Council chaired by Dr. Mihir Shah, ex-member of the Planning Commission of India, as well as the annual India Infrastructure Report, 2013-2014, whose theme is universal health coverage. The IDFC Foundation is also part of a research program sponsored by the Australian Center for International Agricultural Research to assess the potential of greenhouse gas offsets in Indian agriculture.

The IDFC Foundation is also part of the World Bank supported Capacity Building for Urban Development program aimed at building capacity of urban local bodies, and has recently concluded its mandates as the executing agency for the National PPP Capacity Building Program implemented under the aegis of the Department of Economic Affairs, Ministry of Finance, GoI, and as the Regional Capacity Building Hub for the Ministry of Urban Development to train elected representatives and municipal officials under the Jawaharlal Nehru National Urban Renewal Mission. The IDFC Foundation also assisted the Central Bank of Bangladesh in a series of PPP capacity building programs identified by the Government of Bangladesh during November 2013 and January 2014.

The IDFC Foundation is also providing support to the State Government of Meghalaya for the Integrated Basin Development and Livelihood Promotion Program, whose mandate is to help identify locations for small multi-purpose water reservoirs to promote water harvesting practices and serve as livelihood nodes for the community, and to the Delhi Urban Shelter Improvement Board, to develop a pilot redevelopment project as well as a pilot project for management of night shelters for the homeless, being operated in Delhi. The IDFC Foundation is also assisting the Government of Uttarakhand in implementing an Early Child Care and Education pilot project in rehabilitation and reconstruction in the wake of the Himalayan flash floods that afflicted various parts of Uttarakhand in June 2013. In addition, the IDFC Foundation provides oversight to the operations of its joint ventures with the State Governments of Karnataka, Uttarakhand and New Delhi, with the objective of engaging in project development and advisory services across various infrastructure sectors, through the joint venture companies known as Infrastructure Development Corporation (Karnataka) Limited, Uttarakhand Infrastructure Development Company Limited and Delhi Integrated Multi-Modal Transit System Limited, respectively.

Our Company does not derive any economic benefits from its investments in the IDFC Foundation, as it was set up as a Section 25 company under the Companies Act 1956.

For more information on our CSR initiatives, see “- *Corporate Social Responsibility*” below.

Corporate Social Responsibility

In fiscal 2014, our Company had formally set aside over 1.75% of its PAT for the IDFC Foundation, to implement our Corporate Social Responsibility (“CSR”) initiatives. Pursuant to the provisions of the Companies Act 2013, as currently applicable to our Company, going forward, we will be required, among other things, to set aside at least 2.00% of our Company’s average net profits before tax made during the preceding three fiscals, in pursuance of our CSR policy.

Our CSR initiatives are primarily implemented through the IDFC Foundation, which has a separate vertical to oversee the disbursal of philanthropic grants. We also have an E&S Policy and risk management framework, as well as an Environmental Risk Group to oversee and make recommendations as to management and mitigation of environmental risk. In fiscal 2014, we constituted a Board-level Corporate Social Responsibility Committee (“CSR Committee”) including one Independent Director, pursuant to the provisions of the Companies Act 2013. As part of our CSR initiatives, we have also launched an internal ‘Go Green’ policy initiative, aimed at reducing our environmental impact and carbon footprint at an enterprise-wide level. We have also adopted an e-waste management policy, and have been undertaking a carbon footprint assessment of our operations since 2011, with the objective of becoming a carbon neutral organization in the future, and have installed a sewage treatment plant and are in the process of installing a rainwater harvesting system at our Corporate Office premises in Mumbai. We were recognized as a Top Green IT Enterprise by CIO Magazine in association with Schneider Electric at the CIO 100 2013 Awards, for sustained monitoring and improvement in the green initiative undertaken by us.

In 2013, we became the first financial institution from India to be a signatory to the Equator Principles. The Equator Principles constitute a risk management framework adopted by financial institutions for determining, assessing and managing environmental and social risk in projects and is primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making.

In fiscal 2010, we became India’s first signatory to the UNPRI, under the category ‘Investment Manager’, for our private equity, project equity and fund-of-funds businesses. The UNPRI is a global, collaborative investor network initiated by the UN in 2006, which aims to help investors integrate consideration of environmental, social and governance (“ESG”) issues into their investment decision-making and ownership practices, thereby improving long-term returns to beneficiaries.

We are also a member of the UNGC. The UNGC is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption, by means of a practical framework for the development, implementation, and disclosure of sustainability policies and practices, offering participants a wide spectrum of workstreams, management tools and resources designed to help advance sustainable business models and markets in a globalized business environment.


We are also a signatory investor and respondent to the Carbon Disclosure Project. The Carbon Disclosure Project is an international not-for-profit organization providing a global system for companies and cities to measure, disclose, manage and share vital environmental information, including their impact on the environment and natural resources and on actions taken and that may be taken to reduce such impact.

Our Company is also one of the stocks listed on the NSE's S&P ESG India Index, whose objective is to give investors exposure to 50 of the best performing stocks in the Indian market, as measured on ESG parameters.

Insurance

We maintain what we believe to be standard insurance coverage in India and worldwide, commensurate with industry standards and with reputed insurers, including, for instance, a comprehensive commercial liability insurance policy with India coverage, a directors and officers' insurance policy with worldwide coverage, a group kidnap and ransom insurance (in the nature of special contingencies insurance) with worldwide coverage for individuals working in high risk areas, fidelity guarantee insurance with India coverage, standard fire and special perils insurance policies with machinery breakdown coverage, burglary policy for protection against loss of property due to burglary and business insurance coverage for any loss of, or damage to, or similar risks with respect to assets such as portable equipment, baggage and cash.

Intellectual Property

We have registered  IDFC (black and white and colour) label in goods and services under various classes as our trademark and have applied to the trademarks registry for registration of the same under different classes. We have applied to the trademarks registry under the Trademarks Act, 1999 for registration of 17 other trademarks in connection with our business in India. These include application for trademarks which include, "IDFC" and "IDFC BANK" and these applications are currently pending approval.

Immovable Property

Our Registered Office is located in a leased premises at KRM Tower, 8th Floor, No. 1, Harrington Road, Chetpet, Chennai 600 031. Our Corporate Office is located in owned premises at Naman Chambers, C-32, G-Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051. We also have offices in Delhi and Bengaluru.

REGULATIONS AND POLICIES

The following description is a summary of certain sector-specific laws and regulations in India, which are applicable to our Company. The description of laws, regulations and policies set out below may not be exhaustive and are only intended to provide general information to QIBs and is neither designed nor intended to substitute for professional legal advice. Further, the laws and regulations pertaining to the banking business would become applicable to us upon setting up of the IDFC Bank and completion of the Proposed Demerger of our financing business. However, laws pertaining to the NBFC business are applicable to our Company as on date.

A. BANKING BUSINESS

RBI New Banks Licensing Guidelines

The RBI by its notification dated February 22, 2013, issued the RBI New Banks Licensing Guidelines for granting license to (i) entities or groups in the private sector that are owned and controlled by residents, (ii) entities in the public sector, (iii) promoters and promoter groups with an existing NBFC, to set up banking business through a wholly-owned NOFHC. The RBI pursuant to its circular dated April 7, 2014 stated that a company seeking registration as an NOFHC shall first have received an in-principle approval for setting up a commercial bank from the RBI. The application for registration of NOFHC shall be made with the requisite information and documents to Reserve Bank of India.

The NOFHC shall hold the bank as well as the other regulated financial services entities of the group and shall safeguard such banking operations from other extraneous factors such as other businesses of the group which could be commercial, industrial and financial activities. The NOFHC shall be registered as a NBFC with the RBI and will be governed by a separate set of directions to be issued by the RBI, while the bank would be governed by the Banking Regulation Act and other applicable laws, and the remaining financial entities held by the NOFHC shall be governed by their respective applicable laws. Also, the NOFHC is not permitted to engage in any new financial services for at least three years from the date of commencement of business of the NOFHC.

The guidelines prescribe certain stipulations with respect to the shareholding of individuals and companies forming part of the promoter group, in the NOFHC. Further, the aggregate non-resident shareholding from foreign direct investment, NRIs and FIIs in the new in the new private sector banks shall not exceed 49% of the paid up voting equity capital for the first five years from the date of grant of license to the bank. Also, no non-resident shareholder, directly or indirectly, individually or in groups, would be permitted to hold more than 5% or more of the paid-up voting equity capital of the bank for a period of five years from the date of commencement of business of the bank. Subsequently, the aggregate foreign shareholding would be permitted as per the extant foreign direct investment policy. With respect to banks, the guidelines prescribe certain stipulations, including (i) any acquisition of shares amounting to the aggregate holding of an individual/entity/group to the equivalent of 5% or more of the paid-up voting equity capital of the bank would require prior approval of the RBI, (ii) no single entity or group of related entities, other than the NOFHC, shall have shareholding or control, directly or indirectly, in excess of 10% of the paid-up voting equity capital of the bank, (iii) compliance with the priority sector lending targets and sub-targets as applicable to the existing domestic banks, (iv) banks promoted by groups having 40% or more assets/income from non-financial business will require RBI's prior approval for raising paid-up voting equity capital beyond ₹ 1,000 crore for every block of ₹ 500 crore.

The initial minimum paid-up equity capital for setting up a bank shall be ₹ 500 crore with the NOFHC holding a minimum of 40% of the paid up equity capital of the bank with a lock-in period of five years from the date of commencement of the business of the bank. The shareholding of the NOFHC in the bank in excess of 40% of the total paid-up voting equity capital is required to be brought down to 40% within three years from the date of commencement of the business of the bank. The shareholding of the NOFHC in the bank is required to be brought down to 20% of the total paid-up voting equity capital of the bank within a period of 10 years, and to 15% within 12 years from the date of commencement of business of the bank. In addition the minimum capital adequacy ratio for the new bank shall be 13% of its risk weighted assets for a minimum period of three years after the commencement of its operations subject to any higher percentage as may be prescribed by the RBI. Also, on a consolidated basis, the NOFHC and the entities held by it shall maintain a minimum capital adequacy ratio of 13% of its consolidated risk weighted assets for a minimum period of three years. Further, the new bank shall be required to get its shares listed on the stock exchanges within three years of the commencement of business by the bank.

The guidelines also prescribe certain corporate governance requirements for the NOFHC to conform to, including (i) no NOFHC shall have a director in its board of directors who is a director in any other NOFHC or a bank other than a banking company under it, and (ii) at least 50% of the directors of NOFHC shall be totally independent of the promoters or promoter group entities and their major customers and suppliers. Further, the guidelines also specify certain prudential norms and exposure norms applicable to NOFHC both on stand-alone as well as on a consolidated basis.

Banking Regulation Act

Commercial banks in India are required to obtain a license from the RBI to carry on banking business in India. To be granted such licenses, banks must meet certain conditions. The RBI has the power to cancel the license if the bank fails to meet these conditions or if the bank ceases to carry on banking operations in India. Additionally, the RBI has issued various reporting and record keeping requirements for such commercial banks. The appointment of the auditors of the banks is subject to the prior approval of the RBI. The RBI can direct a special audit in the interest of the depositors or in the public interest. The RBI also sets out the provisions in relation to the loan granting activities of a banking company. The Banking Regulation Act specifies the business activities in which a bank may engage. Banks are prohibited from engaging in business activities other than the specified activities. No shareholder in a bank can exercise voting rights on a poll in excess of 10% of total voting rights of all the shareholders of the bank. However, the RBI may increase this ceiling to 26% in a phased manner. Pursuant to the recent amendments to the Banking Regulation Act in January 2013, private sector banks are permitted to issue perpetual, redeemable and non-redeemable preference shares in addition to ordinary equity shares.

Further, the Banking Regulation Act requires any person to seek prior approval of the RBI, to acquire or agree to acquire, shares or voting rights of a bank, by himself or with persons acting in concert, wherein such acquisition (taken together with shares or voting rights held by him or his relative or associate enterprise or persons acting in concert with him) results in aggregate shareholding of such person to be 5% or more of paid up capital of a bank or entitles him to exercise 5% or more of the voting rights in a bank. Further, the RBI may, by passing an order, restrict any person holding more than 5% of the total voting rights of a bank from exercising voting rights in excess of 5%, if such person is deemed to be not fit and proper by the RBI.

Banks are also required to obtain licenses from the RBI to shift their branches otherwise than within the same city, town or village. Further, the RBI requires banks to create a reserve fund to which they must transfer not less than 20% of their profits of each year before dividends. If there is an appropriation from this account, the bank is required to report the same to the RBI within 21 days, explaining the circumstances leading to such appropriation. Recent amendments to the Banking Regulation Act also permit the RBI to establish a “Depositor Education and Awareness Fund”, which will take over the deposit accounts which have not been claimed or operated for a period of ten years or more.

Further, the recent amendments confer power on the RBI (in consultation with the central government) to supersede the board of directors of a banking company for a period not exceeding a total period of 12 months, in the public interest or for preventing the affairs of the bank from being conducted in a manner detrimental to the interest of the depositors or any banking company or for securing the proper management of any banking company.

The RBI may impose penalties on banks and its employees in case of infringement of regulations under the Banking Regulation Act. The penalty may be a fixed amount or may be related to the amount involved in any contravention of the regulations. The penalty may also include imprisonment. The banks are required to disclose any penalty imposed on them in their annual report.

Regulatory Reporting and Examination Procedures

The RBI is empowered under the Banking Regulation Act to inspect a bank. The RBI monitors prudential parameters at quarterly intervals. To this end and to enable off-site monitoring and surveillance by the RBI, banks are required to report to the RBI on various aspects of their business. The RBI conducts periodical on-site inspections on matters relating to the bank’s portfolio, risk management systems, internal controls, credit allocation and regulatory compliance, at intervals ranging from one to three years. The RBI also conducts on-site supervision of selected branches with respect to their general operations and foreign exchange related transactions. Further, pursuant to section 35A of the Banking Regulation Act, the RBI is empowered in the

public interest and in the interest of banking policy to prevent the affairs of any banking company being conducted in a manner detrimental to the interests of the depositors or in a manner prejudicial to the interests of the banking company, or to issue directions towards the proper management of a banking company in general, or to modify or cancel any direction issued on representation made to it or on its own and also to impose such conditions to such modification or cancellation as and when it deems fit.

Maintenance of Records

The Banking Regulation Act specifically requires banks to maintain books and records in a particular manner and file the same with the RoC on a periodic basis. The provisions for production of documents and availability of records for inspection by shareholders as stipulated under the Companies Act and the rules thereunder would apply to the Bank as in the case of any company. The 'KYC/AML Guidelines' framed by the RBI also provide for certain records to be maintained for a minimum period of five years from the cessation of relationship with the client.

Regulations Relating to the Opening of Branches and ATMs

As per the 'Master Circular on Branch Authorisation' dated July 1, 2014 banks are required to obtain prior approval from the RBI to open or shift their branches otherwise than within the same city, town or village. Permission for new branches are granted on an annual basis based on factors such as the financial condition and history of the banking company, its management, adequacy of capital structure, earning prospects and the public interest. Effective September 19, 2013, Banks were exempted from seeking prior approval of the RBI for opening branches in Tier 1 to Tier 6 centres and in rural, semi-urban and urban centres in North Eastern States and Sikkim subject to compliance with specified conditions. Banks are now also exempt from seeking prior approval of the RBI for opening mobile branches in Tier 3 to Tier 6 centres and in rural, semi-urban and urban centres in North Eastern States and Sikkim. However, banks are required to report the opening of such branches to the RBI. Further, banks are mandated to allocate 25% of the total number of new branches opened during a year to unbanked rural areas, which are tier 5 and tier 6 centres. Additionally, Banks are permitted to install ATMs without prior permission from the RBI.

Capital Adequacy Requirements

The RBI has set out the minimum capital adequacy standards for banks based on the guidelines of the Basel Committee on Banking Supervision. Under the Master Circular on Prudential Guidelines on Capital Adequacy and Market Discipline - New Capital Adequacy Framework dated July 1, 2014, a bank is required to maintain a minimum total CRAR of 9% on an on-going basis and Tier 1 CRAR of at least 6% at both standalone and consolidated level. Also, pursuant to the RBI New Banks Licensing Guidelines, on a consolidated basis, NOFHC and entities held by it are required to maintain a minimum capital adequacy ratio of 13% of its consolidated risk weighted assets for a minimum period of three years.

The RBI Basel III guidelines were introduced in May 2012 and become effective from April 1, 2013 in a phased manner. In March 2013, the RBI deferred the implementation of credit valuation adjustment risk capital charges to January 1, 2014 due to certain issues related to introduction of mandatory forex forward guaranteed settlement through a central counterparty. On December 31, 2013, the RBI further extended the abovementioned implementation timeline to April 1, 2014. Basel III capital regulations will be fully implemented by March 31, 2019. For further details, see the section "***Industry Overview - Implementation of the Basel III Capital Regulation***" on page 97.

Please find below some of the Basel III requirements which will be applicable to the banks in the future (i.e. from April 2016):

Capital Conservation Buffer

Additionally, as per Basel III guidelines of RBI, banks are required to maintain a Capital Conservation Buffer of 2.5%, comprised of common equity tier 1 capital, above the regulatory minimum capital requirement of 9% as shown in following table:

Minimum capital ratios in %	31 March 2014	31 March 2015	31 March 2016	31 March 2017	31 March 2018	31 March 2019
Minimum Common Equity Tier 1	5	5.5	5.5	5.5	5.5	5.5
Capital Conservation Buffer	-	-	0.625	1.25	1.875	2.5
Minimum Common Equity Tier 1 + Capital Conservation Buffer	5	5.5	6.125	6.75	7.375	8
Minimum Tier 1 capital	6.5	7	7	7	7	7
Minimum Total Capital ⁽¹⁾	9	9	9	9	9	9
Minimum Total Capital + Capital Conservation Buffer	9	9	9.625	10.25	10.875	11.5

Note:

1. The difference between the minimum total capital requirement of 9% and the Tier 1 requirement can be met with Tier 2 and higher forms of capital.

A CCB is applicable both at the solo level (global position) as well as at the consolidated level, i.e. restrictions would be imposed on distributions at the level of both the solo bank and the consolidated group. RBI may also consider accelerating the build-up of the CCB and shorten the transition periods, if the situation warrants so.

Restriction of Distribution

Banks should not distribute capital (i.e. pay dividends or bonuses in any form) in case capital level falls within this range. The distribution constraints imposed on banks when the capital levels fall into the range increase as the bank's capital levels approach the minimum requirements. The table set forth below indicates the minimum capital conservation ratios the bank must meet at various levels of the common equity tier 1 capital ratios:

Minimum capital conservation standards for individual banks (fully effective as on 31 March 2019)	
Common Equity Tier 1 Ratio after including the current periods retained earnings	Minimum Capital Conservation Ratios
5.5% - 6.125%	100%
>6.125% - 6.75%	80%
>6.75% - 7.375%	60%
>7.375% - 8.0%	40%
>8.0%	0%

Minimum Capital Conservation Ratio

During the Basel III transition period, banks have to refer to the following table for meeting the minimum capital conservation ratios at various levels of the common equity tier 1 capital ratios:

Common Equity Tier 1 Ratio after including the current periods retained earnings As on 31 March 2016	As on 31 March 2017	As on 31 March 2018	Minimum Capital Conservation Ratios (expressed as % of earnings)
5.5% - 5.65625%	5.5% - 5.8125%	5.5% - 5.96875%	100%
>5.65625% - 5.8125%	>5.8125% - 6.125%	> 5.96875% - 6.4375%	80%
>5.8125% - 5.96875%	>6.125% - 6.4375%	> 6.4375% - 6.90625%	60%
>5.96875% - 6.125%	>6.4375% - 6.75%	> 6.90625% - 7.375%	40%
>6.125%	>6.75%	>7.375%	0%

Liquidity Coverage Ratio

The Basel III framework on 'Liquidity Standards' includes liquidity coverage ratio ("LCR"), net stable funding ratio ("NSFR") and liquidity risk monitoring tools. The RBI had issued draft guidelines on Liquidity Risk Management and Basel III framework on 'Liquidity Standards' in February 2012. After taking into account the feedback received from stakeholders, the guidelines on liquidity risk management were issued in November 2012. These included enhanced guidance on liquidity risk governance, and measurement, monitoring and reporting to the RBI on liquidity positions. The Basel III liquidity standards were subject to an observation period/revision by the 'Basel Committee' with a view to addressing any unintended consequences that the

standards may have for financial markets, credit extension and economic growth. The RBI indicated in the guidelines on liquidity risk management issued in November 2012 that the guidelines on Basel III liquidity standards will be issued once the 'Basel Committee' finalises the relevant framework. The 'Basel Committee' that issued 'Basel III: The Liquidity Coverage Ratio and Liquidity Risk Monitoring Tools' in January 2013 is in the process of finalising the NSFR and disclosure requirements. The LCR is proposed to be implemented from January 1, 2015 and the NSFR from January 1, 2018.

NPA Prudential Norms

Pursuant to RBI Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2014, the RBI has classified NPAs ("NPA Prudential Norms") as (i) sub-standard assets; (ii) doubtful assets; and (iii) loss assets. These guidelines specify provisioning requirements specific to the classification of the assets.

In July 2005, the RBI issued guidelines on sales and purchases of NPAs between banks, financial institutions and NBFCs. These guidelines require that the board of directors of a bank must establish a policy for purchases and sales of NPAs. As per RBI guidelines dated February 2014, Banks will be permitted to sell their NPAs without any initial holding period. In October 2007, the RBI issued guidelines regarding valuation of NPAs being put up for sale. Further, the RBI has advised banks to maintain provisioning coverage ratio of at least 70%.

The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("SARFAESI Act")

The SARFAESI Act provides for sale of financial assets by banks and financial institutions to asset reconstruction companies. The NPA Prudential Norms issued by the RBI prescribe the process to be followed for sales of financial assets to asset reconstruction companies. The banks may not sell financial assets at a contingent price with an agreement to bear a part of the shortfall on ultimate realisation. However, banks may sell specific financial assets with an agreement to share in any surplus realised by the asset reconstruction company in the future. Consideration for the sale may be in the form of cash, bonds or debentures or security receipts or pass through certificates issued by the asset reconstruction company or trusts set up by it to acquire the financial assets.

In January 2013, the SARFAESI Act was amended by the Enforcement of Security Interest and Recovery of Debt Laws (Amendment) Act, 2012. Pursuant to the amendment, means for recovery of assets available to banks and financial institutions have been strengthened. For instance, securitisation and reconstruction companies have been permitted to convert part of their debt into shares of a borrower company for the purpose of asset reconstruction. Further, banks and financial institutions have been empowered to accept immovable property in full or partial satisfaction of the bank's claim against the defaulting borrower in times when they cannot find a buyer for the securities. The amendment also enables banks and financial institutions to enter into settlement or compromise with the borrower and empowers DRTs to pass an order acknowledging any such settlement or compromise.

Priority Sector Lending

The Master Circular on Priority Sector Lending - Targets and Classifications issued on July 1, 2014 by RBI set out the broad policy in relation to priority sector lending. In accordance with this master circular, the priority sectors for all scheduled banks include: (a) agriculture; (b) micro and small enterprises; (c) education; (d) housing; (e) export credit; and (f) others. While export credit is no longer a separate category under this circular, export credit for eligible activities under agriculture and MSE will qualify for priority sector lending under such categories. Under the RBI guidelines, the priority sector lending targets are linked to ANBC (adjusted net bank credit plus investments made by banks in non-statutory liquidity bonds included in the held-to-maturity category and not taking in account the recapitalisation bonds floated by the Government) or credit equivalent amount of off-balance sheet exposure, whichever is higher, as on March 31 of the previous year. Currently, the total priority sector lending target for domestic banks is 40% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher.

In February 2011, the RBI excluded loans sanctioned to NBFCs, which are then lent onwards to individuals and entities with gold jewellery as collateral, from classification as direct agriculture lending under priority sector requirements. Similarly, investments made by banks in securitised assets originated by NBFCs, where the

underlying assets were loans secured against gold jewellery, and the purchase/assignment of a gold loan portfolio from NBFCs, were also made ineligible for classification under agriculture sector lending. In May 2011, the RBI declassified fresh loans to NBFCs for on-lending to individuals, so that such loans were no longer a priority sector, effective from April 1, 2011. Pursuant to this circular, loans extended by banks to NBFCs are classified as priority sector advances only if the NBFC is registered as a NBFC – MFI under applicable law. However, loans to microfinance institutions, including NBFCs operating as microfinance companies, sanctioned prior to April 1, 2011, for on-lending to individuals, continue to be eligible for classification under the priority sector category.

Further, pursuant to the RBI circular dated July 15, 2014, banks have been permitted to issue long-term bonds in order to raise resources for lending to long-term projects in infrastructure sub-sectors and affordable housing. Such bonds shall be exempt from computation of net demand and time liabilities, CRR, SLR and for the purposes of computation of ANBC in terms of Priority Sector Lending. For further details on the RBI Circular dated July 15, 2014, see “- *Issue of Long Term Bonds by Banks for Financing of Infrastructure and Affordable Housing*” below.

Exposure Norms

As a prudent measure aimed at better risk management and avoidance of concentration of credit risk, the RBI has prescribed credit exposure limits for banks and long-term lending institutions in respect of their lending to individual borrowers and to all companies in a single group (or sponsor group). The RBI has prescribed exposure ceiling for a single borrower as 15% of capital funds and group exposure limit as 40% of capital funds. The limit may be increased to 20% and 50%, respectively, provided that the excess exposure is on account of extension of credit for infrastructure projects. Banks may, in exceptional circumstances, with the approval of their board of directors, consider enhancement of the exposure to a borrower up to further 5% of capital funds, subject to the borrower (single or group) consenting to the banks making appropriate disclosures in their annual reports. The total exposure to a single NBFC has been limited to 10% of the bank’s capital funds while exposure to a single non-banking asset finance company has been restricted to 15% of the bank’s capital funds. The limit may be increased to 15% and 20%, respectively, provided that the excess exposure is on account of funds lent by the NBFC to infrastructure sectors.

The aggregate exposure of a bank to the capital markets in all forms (both fund based and non-fund based) should not exceed 40% of its net worth, as on March 31 of the previous year. Within this overall ceiling, the bank’s direct investment in shares, convertible bonds, convertible debentures, units of equity-oriented mutual funds and all exposures to venture capital funds (both registered and unregistered) should not exceed 20% of its net worth.

Export Credit

As per the Master Circular on Rupee/Foreign Currency Export Credit and Customer Service to Exporters issued on July 1, 2014 banks can offer export credit at interest rates at or above the base rate. Pre-shipment and post-shipment export credit can be provided in both Indian Rupees and foreign currencies. Banks are required to reach a level of outstanding export credit equivalent of 12% of each bank’s ANBC.

Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks

The Master Circular on Prudential norms for Classification, Valuation and Operation of Investment Portfolio by Banks issued by the RBI on July 1, 2014 has classified the investment portfolio of Banks (including SLR Securities and Non SLR securities) as (i) held to maturity, (ii) available for sale, and (iii) held for trading. Investments classified under held to maturity need not be marked to market and will be carried at acquisition cost, unless it is more than the face value, in which case the premium should be amortised over the period remaining to maturity. The individual scrips in the ‘available for sale’ category will be marked to market at quarterly or at more frequent intervals. Domestic securities under this category shall be valued scrip-wise and depreciation / appreciation shall be aggregated for each classification. Foreign investments under this category shall be valued scrip-wise and depreciation / appreciation shall be aggregated for five classifications (i.e. Government securities (including local authorities), shares, debentures and bonds, subsidiaries and/or joint ventures abroad and other investments (to be specified)). Further, the investment in a particular classification, both in domestic and foreign securities, may be aggregated for the purpose of arriving at net depreciation/appreciation of investments under that category. Net depreciation, if any, is to be provided for and net appreciation, if any, is to be ignored. Net depreciation required to be provided for in any one classification is

required to not be reduced on account of net appreciation in any other classification. The individual scrips in the 'held for trading' category will be marked to market at monthly or at more frequent intervals and provided for as in the case of those in the 'available for sale' category. In respect of securities included in any of the three categories where interest / principal is in arrears, banks are required to not rely on income from the securities and to make appropriate provisions for the depreciation in the value of the investment.

Short-selling of Government Securities

Banks and primary dealers are allowed to undertake short sale of Government dated securities, subject to the short position being covered within a maximum period of three months, including the day of trade. Further, such short positions shall be covered only by outright purchase of an equivalent amount of the same security or through a long position in the When Issued (WI) market or allotment in primary auction.

Regulations Relating to Interest Rates on Rupee Deposits Held in Domestic, Non-Resident (Ordinary) ("NRO") and Non-Resident (External) ("NRE") Accounts

As per the Master Circular on Interest Rates on Rupee Deposits held in Domestic, NRO and NRE Accounts, dated July 1, 2014, the RBI has permitted banks to independently determine their interest rates on savings and term deposits (minimum period of seven days) under domestic/NRO accounts. Banks are also free to determine interest rates for savings deposits and term deposits of maturity of one year and above, under NRE deposit accounts. However, interest rates offered by banks on NRO and NRE deposits cannot be higher than those offered by them on comparable domestic Rupee deposits.

With respect to savings and time deposits accepted from resident employees and senior citizens, the Bank is permitted by the RBI to pay additional interest over the interest payable on deposits from the public, which must not exceed 1% in case of accounts of employees.

With a view to increasing the availability of financial services across regions and population segments, in August 2012, the RBI advised banks to make available a "Basic Savings Bank Deposit Account" account requiring no minimum balances and charges, making these accounts accessible to low-income segments of the population.

Prevention of Money Laundering Act, 2002 ("PMLA")

In order to prevent money laundering activities, the Government enacted the PMLA which seeks to prevent money laundering and to provide for confiscation of property derived from, or involved in money laundering, and for incidental matters connected therewith. Section 12 of the PMLA casts certain obligations on, *inter alia*, banking companies in regard to preservation and reporting of customer account information. The RBI has advised all banks to go through the provisions of the PMLA and the rules notified thereunder and to take all steps considered necessary to ensure compliance with the requirements of Section 12 of the PMLA.

Regulations Relating to KYC and Anti-Money Laundering

The RBI issued a master circular on July 1, 2014 prescribing the guidelines for KYC and AML procedures. Banks are required to formulate their KYC policies which, at a minimum, must incorporate: (a) a customer acceptance policy (laying down explicit criteria for acceptance of customers and defining risk parameters); (b) customer identification procedures; (c) monitoring of transactions; and (d) risk management. The guidelines provide that banks should undertake customer identification procedures when: (a) establishing a banking relationship; (b) carrying out a financial transaction; or (c) the bank doubts the authenticity or the adequacy of the previously obtained customer identification data.

With effect from April 1, 2012, banks are not permitted to make payment of cheques, drafts, pay orders or banker's cheques bearing that date or any subsequent date, if they are presented beyond the period of three months from the date of such instrument.

The RBI has also stipulated instructions that are required to be followed by the banks while selling third party products for mitigating reputational risk to banks and to enable a holistic view of a customer's transactions.

Regulations Relating to Maintenance of Statutory Reserves

A bank is required to maintain on a daily basis, CRR, which is a specified percentage of its net demand and time liabilities, excluding interbank deposits, by way of a balance in a current account with the RBI. The CRR is 4% with effect from February 9, 2013. The RBI does not pay any interest on CRR balances. With a view to providing flexibility to banks in choosing an optimum strategy of holding reserves depending upon their intra fortnight cash flows, all scheduled commercial banks are required to maintain minimum CRR balances up to 95% of the average daily required reserves for a reporting fortnight on all days of the fortnight with effect from the fortnight beginning September 21, 2013. The RBI may impose penal interest at the rate of 3% above the bank rate on the amount by which the reserve falls short of the CRR required to be maintained on a particular day and if the shortfall continues further the penal interest charged shall be increased to a rate of 5% above the bank rate in respect of each subsequent day during which the default continues.

In addition to the CRR, a bank is required to maintain its SLR, a specified percentage of its net demand and time liabilities by way of liquid assets like cash, gold or approved unencumbered securities. The percentage of this liquidity ratio is fixed by the RBI from time to time, pursuant to Section 24 of the Banking Regulation Act. On August 29, 2014, the RBI cut the SLR requirement for banks by 50 basis points to 22.00%. Further, in December 2011, the RBI has permitted banks to avail funds from the RBI on an overnight basis, under the MSF, against their excess SLR holdings. Additionally, they can also avail themselves of funds, on an overnight basis below the stipulated SLR, up to 2% of their respective net demand and time liabilities outstanding at the end of the second preceding fortnight.

Further, pursuant to the RBI circular dated July 15, 2014, banks have been permitted to issue long-term bonds in order to raise resources for lending to long-term projects in infrastructure sub-sectors and affordable housing. Such bonds shall be exempt from computation of net demand and time liabilities, CRR, SLR and for the purposes of computation of ANBC in terms of Priority Sector Lending. For further details on the RBI Circular dated July 15, 2014, see “- *Issue of Long Term Bonds by Banks for Financing of Infrastructure and Affordable Housing*” below.

Regulations Relating to Authorised Dealers for Foreign Exchange and Cross-Border Business Transactions

The foreign exchange and cross border transactions undertaken by banks are subject to the provisions of the Foreign Exchange Management Act. All branches should monitor all non-resident accounts to prevent money laundering. The RBI Master Circular on External Commercial Borrowings and Trade Credits, dated July 1 2014, states that no financial intermediary, including banks, will be permitted to raise external commercial borrowings or provide guarantees in favour of overseas lenders for external commercial borrowings.

The RBI Master Circular on Risk Management and Interbank Dealings, dated July 1, 2014, states that all categories of overseas foreign currency borrowings of banks, including existing external commercial borrowings and loans or overdrafts from their head office, overseas branches and correspondents and overdrafts in nostro accounts (not adjusted within five days), shall not exceed 100% of their unimpaired Tier I capital or USD 1 crore (or its equivalent), whichever is higher. Overseas borrowings for the purpose of financing export credit, capital funds raised/augmented by the issue of innovative perpetual debt instruments and debt capital instruments in foreign currency, subordinated debt placed by head offices of foreign banks with their branches in India as Tier II capital and any other overseas borrowings with the specific approval of the RBI would continue to be outside the limit of 100% of unimpaired Tier I capital or USD 1 crore (or its equivalent), whichever is higher.

Secrecy Obligations

A bank's obligations relating to maintaining secrecy arise out of common law principles governing its relationship with its customers. Subject to certain exceptions, a bank cannot disclose any information to third parties. Further, the RBI may, in the public interest, publish the information obtained from the bank. Pursuant to RBI Master Circular on Customer Service in Banks dated July 1, 2014, the following exceptions to the said rule are normally accepted:

- (i) where disclosure is under compulsion of law;
- (ii) where there is duty to the public to disclose;
- (iii) where interest of bank requires disclosure; and
- (iv) where the disclosure is made with the express or implied consent of the customer.

Ownership Restrictions

According to the RBI Master Circular on Foreign Investment in India issued on July 1, 2014, the total foreign ownership in a private sector bank cannot exceed 74% (49% under the automatic route and above 49% and up to 74% under the approval route) of the paid-up capital subject to guidelines for setting up branches or subsidiaries of foreign banks issued by the RBI. Shares held by FIIs/FPIs/QFIs within this limit of 74% cannot exceed 24% of the paid-up capital of the bank unless approved by the board of directors and shareholders of the bank. However, FIIs/FPIs/QFIs cannot hold more than 49% of the paid-up capital of the bank.

With respect to restrictions under RBI New Banks Licensing Guidelines, the guidelines prescribe certain stipulations with respect to the shareholding of individuals and companies forming part of the promoter group, in the NOFHC. Further, the aggregate non-resident shareholding from foreign direct investment, NRIs and FIIs in the new in the new private sector banks shall not exceed 49% of the paid up voting equity capital for the first five years from the date of grant of license to the bank. Also, no non-resident shareholder, directly or indirectly, individually or in groups, would be permitted to hold more than 5% or more of the paid-up voting equity capital of the bank for a period of five years from the date of commencement of business of the bank. Subsequently, the aggregate foreign shareholding would be permitted as per the extant foreign direct investment policy. With respect to banks, the guidelines prescribe certain stipulations, including (i) any acquisition of shares amounting to the aggregate holding of an individual/entity/group to the equivalent of 5% or more of the paid-up voting equity capital of the bank would require prior approval of the RBI, (ii) no single entity or group of related entities, other than the NOFHC, shall have shareholding or control, directly or indirectly, in excess of 10% of the paid-up voting equity capital of the bank, (iii) compliance with the priority sector lending targets and sub-targets as applicable to the existing domestic banks, (iv) banks promoted by groups having 40% or more assets/income from non-financial business will require RBI's prior approval for raising paid-up voting equity capital beyond ₹ 1,000 crore for every block of ₹ 500 crore. Further, the initial minimum paid-up equity capital for setting up a bank shall be ₹ 500 crore with the NOFHC holding a minimum of 40% of the paid up equity capital of the bank with a lock-in period of five years from the date of commencement of the business of the bank.

Further, the Banking Regulation Act requires any person to seek prior approval of the RBI, to acquire or agree to acquire, shares or voting rights of a bank, by himself or with persons acting in concert, wherein such acquisition (taken together with shares or voting rights held by him or his relative or associate enterprise or persons acting in concert with him) results in aggregate shareholding of such person to be 5% or more of paid up capital of a bank or entitles him to exercise 5% or more of the voting rights in a bank. Further, the RBI may, by passing an order, restrict any person holding more than 5% of the total voting rights of a bank from exercising voting rights in excess of 5%, if such person is deemed to be not fit and proper by the RBI.

Investments in Indian companies can be made both by non-resident and resident Indian entities. While investment by a non-resident entity in an Indian company is considered a foreign investment, investment by resident Indian entities could also comprise a non-resident investment. If the Indian investing company is 'owned' or 'controlled' by non-resident entities, investments made by such an investing company into an Indian company shall also be considered as a foreign investment.

Guidelines on Management of Intra-Group Transactions and Exposures

The RBI issued the Guidelines on Management of Intra-Group Transactions and Exposures on February 11, 2014. Pursuant to the said guidelines, RBI has prescribed quantitative limits on financial intra-group transactions and exposures and prudential measures for the non-financial intra-group transactions and exposures. The objective of these guidelines is to ensure that banks engage in intra-group transactions and exposures in safe and sound manner in order to contain concentration and contagion risks arising out of such transactions. These guidelines will become effective from October 1, 2014.

Capital and Provisioning Requirements for Exposures to entities with Unhedged Foreign Currency Exposure

RBI issued a circular relating to Capital and Provisioning Requirements for Exposures to entities with Unhedged Foreign Currency Exposure on January 15, 2014. Pursuant to these guidelines, RBI has introduced incremental provisioning and capital requirements for bank exposures to entities with unhedged foreign currency exposures. The circular also lays down the method of calculating the incremental provisioning and capital requirements. The banks will be required to calculate the incremental provisioning and capital requirements at least on a

quarterly basis. This framework became fully effective from April 1, 2014.

Special Status of Banks in India

The special status of banks is recognised under various statutes including the SICA, Recovery of Debts Due to Banks and Financial Institutions Act, 1993, and the SARFAESI Act. The Proposed IDFC Bank shall be entitled to certain benefits under the provisions of these legislations.

Banking Ombudsman Scheme

The Banking Ombudsman Scheme provides the extent and scope of the authority and functions of the banking ombudsman for redressal of grievances against deficiency in banking services, concerning loans and advances and other specified matters. On February 3, 2009 the said scheme was amended to provide for revised procedures for redressal of grievances by a complainant under the scheme.

Declaration of Dividend by Banks

The payment of dividends by banks is subject to restrictions under the Banking Regulation Act. Section 15(1) of the Banking Regulation Act states that no banking company may pay any dividend on its shares until all its capitalised expenses (including preliminary expenses, organisation expenses, share-selling commissions, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off. In addition, Section 17(1) of the Banking Regulation Act requires every banking company to create a reserve fund and, out of the balance of the profit of each year as disclosed in the profit and loss account, transfer a sum equivalent to not less than 20% of such profit to the reserve fund before declaring any dividend. Further, pursuant to the RBI circular dated September 20, 2006, all scheduled commercial banks operating in India (including foreign banks) are required to transfer not less than 25% of the net profit (before appropriations) to the reserve fund.

Further, in May 2005, the RBI issued guidelines on Declaration of Dividends by Banks, which prescribed certain conditions for declaration of dividends by banks, such as:

- (a) only banks with a CRAR of at least 9% in each of the prior two completed years together with the accounting year for which it proposes to declare a dividend and with net NPAs of less than 7% are eligible to declare a dividend. In the event that any bank does not meet the above CRAR requirement, but has a CRAR of at least 9% for the accounting year for which it proposes to declare dividend and a net NPA ratio of less than 5%, it would be eligible to declare a dividend;
- (b) the bank should comply with the provisions of Sections 15 and 17 of the Banking Regulation Act;
- (c) the bank should comply with the prevailing regulations and guidelines issued by the RBI, including creating adequate provisions for impairment of assets and staff retirement benefits, transfer of profits to statutory reserves, etc.;
- (d) any dividend can only be paid out of profit in the year in which the dividend is to be paid;
- (e) the maximum permissible dividend pay-out ratio is 40% of net profit in the year in which the dividend is to be paid;
- (f) in case the profit for the relevant period includes any extra-ordinary profits / income, the pay-out ratio shall be computed after excluding such extra-ordinary items for reckoning compliance with the prudential pay-out ratio;
- (g) the RBI should not have placed any explicit restrictions on the bank for declaration of dividends;
- (h) the financial statements pertaining to the fiscal for which the bank is declaring a dividend should be free of any qualifications by the statutory auditors which have an adverse bearing on the profit during that year. In case of any qualification to that effect, the net profit should be suitably adjusted while computing the dividend pay-out ratio; and
- (i) the dividend pay-out is linked to a matrix of the Bank's CRAR and NPA ratios as follows:

Category	Total CRAR	Net NPA Ratio			
		0%	more than 0% - less than 3%	3% - less than 5%	5% - less than 7%
A	11% or more for each of the last 3 years	Up to 40	Up to 35	Up to 25	Up to 15
B	10% or more for each of the last 3 years	Up to 35	Up to 30	Up to 20	Up to 10
C	9% or more for each of the last 3 years	Up to 30	Up to 25	Up to 15	Up to 5
D	9% or more in the current year.	Up to 10	Up to 10	Up to 5	Nil

Issue of Long Term Bonds by Banks for Financing of Infrastructure and Affordable Housing

Pursuant to the RBI circular dated July 15, 2014, banks have been permitted to issue long-term bonds in order to raise resources for lending to long-term projects in infrastructure sub-sectors and affordable housing. Such bonds shall be exempt from computation of net demand and time liabilities, CRR, SLR and for the purposes of computation of ANBC in terms of Priority Sector Lending. The issuance of such bonds are also subject to observance of certain other conditions, including, but not limited to, that the bonds shall be denominated in Indian Rupees and shall be fully paid, redeemable and unsecured and rank *pari passu* along with other uninsured, unsecured creditors. The minimum maturity period of the long-term bonds shall be seven years. The regulatory incentives shall be restricted to the bonds that are used to finance long-term projects in infrastructure and loans for affordable housing in an incremental manner. Any other incremental infrastructure and affordable housing loans acquired from other banks and financial institutions will require prior approval from the RBI for regulatory incentives. Further, the bonds issued cannot have put options and call options attached to it. They may be issued with a fixed or floating rate of interest, wherein the floating interest rate shall be referenced to market determined benchmark rates. Also, such bonds may be issued through a public issue or private placement in full compliance with guidelines / norms issued by SEBI, including, mandatory rating and listing. Cross holding of such bonds between banks will not be permitted. Banks issuing such long-term bonds shall be required to comply with all relevant statutory and regulatory requirements.

B. NBFC BUSINESS

RBI REGULATIONS

Reserve Bank of India Act, 1934 (“RBI Act”)

The Reserve Bank of India is entrusted with the responsibility of regulating and supervising the NBFCs by virtue of powers vested in Chapter IIIB of the RBI Act. The RBI Act defines an NBFC under Section 45-I (f) as:

- (i) a financial institution which is a company;
- (ii) a non-banking institution which is a company and which has, as its principal business of receiving of deposits, under any scheme or arrangement or in any other manner, or lending in any manner;
- (iii) such other non-banking institution or class of such institutions as the Bank may, with the previous approval of the Central Government and by notification in the Official Gazette specify.

An NBFC is a company registered under the Companies Act 1956 or the Companies Act 2013, engaged in the business of loans and advances, acquisition of shares/stocks/bonds/debentures/securities issued by Government or local authority or other marketable securities of a like nature, leasing, hire-purchase, insurance business, chit business but does not include any institution whose principal business is that of agriculture activity, industrial activity, purchase or sale of any goods (other than securities) or providing any services and sale/purchase/construction of immovable property. A non-banking institution which is a company and has principal business of receiving deposits under any scheme or arrangement in one lump sum or in instalments by way of contributions or in any other manner, is also an NBFC (residuary non-banking company).

Section 45-I(c) of the RBI Act defines a “financial institution” as a non-banking institution carrying on as its business or part of its business, amongst other activities, the financing, whether by making loans or advances or otherwise, of any activity, other than its own. Also section 45-I(e) of the RBI Act defines a non-banking institution as a company, corporation or a cooperative society.

By an RBI press release dated April 8, 1999, it has been clarified that in order to identify a particular company as an NBFC, the RBI will consider both the assets and income pattern evidenced from the last audited balance sheet of the company to decide its principal business. A company is treated as an NBFC if its financial assets are more than 50% of its total assets (netted off by intangible assets), and income from its financial assets is more than 50% of the gross income. Both these tests are required to be satisfied to treat the principal business of a company as that of an NBFC.

NBFC Prudential Norms

As per the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 (Notification

No. DFC. 119/DG (SPT)/98) dated January 31, 1998 as superseded by Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 bearing Notification No. DNBS. 193 DG(VL)- 2007, dated February 22, 2007 (“NBFC Prudential Norms”), the RBI issued directions on Prudential Norms which inter alia prescribe guidelines on income recognition, asset classification, provisioning requirements with respect to NBFCs, disclosures in the balance sheet, provisions regarding audit committees, requirement as to the capital adequacy and concentration of credit/investment. The income recognition shall be based on recognized accounting principles.

NBFC-ND Regulations in relation to Business Correspondents

RBI by its notification dated June 24, 2014, permitted non-deposit taking NBFCs (“NBFCs–ND”) to act as business correspondents of banks, allowing them to offer limited services with the aim of accelerating financial inclusion. Permission has been given to the banks to engage the NBFC-ND as business correspondents. Before this notification, the NBFCs could not be appointed as business correspondents which provide limited services on behalf of banks in unbanked areas. On the basis of the recommendations by the Nachiket Mor Committee Report, certain conditions need to be satisfied in order for the banks to engage NBFCs-ND as business correspondents. Those conditions are as follows:

- (i) There should be no comingling of bank funds with those of the NBFC-ND;
- (ii) There should be a contractual arrangement between the bank and the NBFC-ND that takes care of all possible conflicts of interest; and
- (iii) The NBFC-ND does not adopt any restrictive practice such as offering savings or remittance services only to its own customers and the forced bundling of services offered by the NBFC-ND and the bank does not take place.

NBFC-ND-SI Regulations

The RBI Master Circular dated July 1, 2014 states that all NBFCs–ND with an asset size of ₹100 crore and more as per the last audited balance sheet will be considered as an NBFC-ND-SI. The NBFC-ND-SI shall maintain a minimum CRAR of 10% which was changed to 12% as on March 31, 2010 and 15% as on March 31, 2011. The NBFC Prudential Norms, provides that no NDFC-ND-SI shall,

- (i) Lend to
 - (a) Any single borrower exceeding 15% of its owned fund; and
 - (b) Any single group of borrowers exceeding 25% of its owned fund;
- (ii) Invest in
 - (a) The shares of another company exceeding 15% of its owned fund; and
 - (b) The shares of a single group of companies exceeding 25% of its owned fund;
- (iii) Lend and invest (loans/investments taken together) exceeding
 - (a) 25% of its owned fund to a single party; and
 - (b) 40% of its owned fund to a single group of parties.

IFC Regulations

The NBFC Prudential Norms, define an infrastructure finance company as an NBFC which deploys at least 75% of its total assets in infrastructure loans (“NBFC-IFC”). The norms for registration of an NBFC-IFC with RBI are as follows:

- (i) The company shall not accept deposits from the public;
- (ii) The company should have net-owned funds of ₹ 300 crore or above;
- (iii) The CRAR of the company should be at 15% (with a minimum Tier 1 capital of 10%); and
- (iv) The minimum credit rating of the company should be at ‘A’ or equivalent of CRISIL Limited, FITCH Ratings Inc., Credit Analysis and Research Limited, ICRA Limited, Brickwork Ratings India Private Limited or equivalent rating by any other accrediting rating agencies.

The NBFC-IFCs are not limited by the credit norms as provided for NBFC-ND-SI. The NBFC-IFCs may exceed the concentration of credit norms as under:

- (i) In lending to
 - (a) Any single borrower, by 10% of its owned fund; and
 - (b) Any single group of borrowers, by 15% of its owned fund.
- (ii) In lending to and investing in, (loans/investments taken together)
 - (a) a single party, by 5% of its owned fund; and
 - (b) a single group of parties, by 10% of its owned fund.

IDF Regulations

In fiscal year 2012, to facilitate the flow of long-term debt into infrastructure projects the GoI announced the setting up of IDFs. IDFs are investment vehicles which can be sponsored by commercial banks and NBFCs in India in which domestic/offshore institutional investors, specially insurance and pension funds, can invest through units and bonds issued by the IDFs. IDFs would essentially act as vehicles for refinancing existing debt of infrastructure companies, thereby creating fresh headroom for banks to lend to fresh infrastructure projects. The IDF can be set up either as a trust or as a company. A trust based IDF would normally be a mutual fund while a company based IDF would normally be a NBFC. An IDF-Mutual Fund (“IDF-MF”) would be regulated by SEBI while IDF-NBFC would be regulated by the RBI. The RBI had by its Press Release dated September 2011, issued broad parameters for banks and NBFCs to set up IDFs and followed it up with detailed guidelines in November 21, 2011 prescribing the regulatory framework for NBFCs to sponsor IDFs which are to be set up as mutual funds and NBFCs.

According to RBI notification dated November 21, 2011, an IDF is required to follow certain conditions, including (i) a minimum net-owned fund of ₹ 300 crore and CRAR of 15%, (ii) its NPAs should be less than 3% of net advances, (iii) should have been in existence for at least five years, and (iv) earning profits for the last three years with satisfactory performance.

IDFs shall have at the minimum, a credit rating grade of ‘A’ of CRISIL or equivalent rating issued by other accredited rating agencies such as FITCH Ratings Inc., Credit Analysis and Research Limited and ICRA Limited. Further, IDFs shall have at the minimum CRAR of 15% and Tier II capital of IDFs shall not exceed Tier I.

The credit concentration norms for the IDFs are as follows:

- (i) The maximum exposure that an IDF can take on individual projects will be at 50% of its total capital funds (Tier I plus Tier II).
- (ii) An additional exposure up to 10% could be taken at the discretion of the board of directors of the IDF.
- (iii) RBI may, upon receipt of an application from an IDF and on being satisfied that the financial position of the IDF is satisfactory, permit additional exposure up to 15% (over 60%) subject to such conditions as it may deem fit to impose regarding additional prudential safeguards.

RBI Circular on Special Mention Accounts

Pursuant to the Framework for Revitalising Distressed Assets in the Economy (Framework) issued by the RBI on January 30, 2014, the RBI issued a circular on Early Recognition of Financial Distress, Prompt Steps for Resolution and Fair Recovery for Lenders: Framework for Revitalising Distressed Assets in the Economy, on March 21, 2014 (“RBI SMA Circular”), outlining a corrective action plan intended to incentivize early identification of problem accounts, timely restructuring of accounts which are considered to be viable, and taking prompt steps by lenders for recovery or sale of unviable accounts. The RBI SMA Circular is effective from April 1, 2014. Before a loan account turns into an NPA, NBFCs will be required to identify incipient stress in the account by creating a sub-asset category ‘Special Mention Accounts’ (“SMA”) as shown below:

- (i) SMA-0 classified on the basis of principal or interest payment not being overdue for more than 30 days but account showing signs of incipient stress;
- (ii) SMA-1 classified on the basis of principal or interest payment overdue between 31-60 days; and

- (iii) SMA-2 classified on the basis of principal or interest payment overdue between 61-180 days

The RBI has set up a Central Repository of Information on Large Credits (“CRILC”) to collect, store, and disseminate credit data to lenders, and the notified NBFCs (as identified under the RBI SMA Circular) shall be required to report the relevant credit information (including, credit information on all the borrowers having aggregate fund-based and non-fund based exposure of ₹ 50 million and above along with the special mention account status of the borrowers) on a quarterly basis to CRILC. The RBI SMA Circular requires that as soon as an account is reported as ‘SMA-2’ by one or more lending banks / the notified NBFCs, it shall trigger the mandatory formation of a JLF and the formulation of CAP. In cases where NBFCs fail to report the special mention account status of the accounts to CRILC or resort to methods with the intent to conceal the actual status of the accounts, NBFCs shall be subjected to accelerated provisioning for these accounts and/or other supervisory actions as deemed appropriate by RBI.

The notified NBFCs are required to carry out their independent and objective credit appraisal in all cases of lending and not depend on credit appraisal reports prepared by outside consultants or in-house consultants of the borrowing entity. Such NBFCs are required to carry out sensitivity tests/scenario analysis, especially for infrastructure projects, covering, project delays and cost overruns to judge the viability of the project at the time of deciding the CAP. In addition to the above, the notified NBFCs have been advised to ensure proper end-use of funds and preventing diversion/siphoning of funds by the borrowers,

SEBI REGULATIONS

The financial intermediation such as merchant banking, underwriting, debenture trustee, asset management and intermediaries are governed by the following primary regulations prescribed by SEBI.

Regulations governing Merchant Bankers

According to the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992, a merchant banker is defined as “any person who is engaged in the business of issue management either by making arrangements regarding selling, buying or subscribing to securities or acting as manager, consultant, adviser or rendering corporate advisory service in relation to such issue management.” A merchant banker is bound by the prescribed code of conduct, which inter alia obligates such merchant banker to protect the interest of the investors, to avoid a conflict of interest and to make adequate disclosures. For the purpose of determining as to whether an applicant or a merchant banker is a ‘fit and proper person’, SEBI may take account of any consideration as it deems fit, including but not limited to the following criteria in relation to the applicant or the merchant banker:

- (i) integrity, reputation and character;
- (ii) absence of convictions and restraint orders;
- (iii) competence including financial solvency and net-worth.

Additionally, a merchant banker is required to maintain a net worth of not less than ₹ 5 crore and barred from entering into any transaction in securities of bodies corporate on the basis of unpublished price sensitive information obtained during the course of any professional assignment.

Regulations governing Intermediaries

According to Securities and Exchange Board of India (Intermediaries) Regulations, 2008, an “intermediary” means a person who is a stock broker, sub-broker, share transfer agent, merchant banker, registrar to an issue, portfolio manager, investment adviser and other such intermediaries and includes an asset management company in relation to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, a clearing member of a clearing corporation or clearing house and a trading member of a derivative segment of a stock exchange but does not include foreign institutional investor, foreign venture capital investor, mutual fund, collective investment scheme and venture capital fund. An intermediary is bound by the prescribed code of conduct, which inter alia obligates such intermediary to protect the interest of the investors, to avoid a conflict of interest and to make adequate disclosures. For the purpose of determining as to whether an applicant or an intermediary is a ‘fit and proper person’, SEBI may take account of any consideration as it deems fit, including but not limited to the following criteria in relation to the applicant or the intermediary:

- (i) integrity, reputation and character;

- (ii) absence of convictions and restraint orders;
- (iii) competence including financial solvency and net-worth.

The intermediary shall maintain books, accounts and records, and also make endeavours to redress investor grievances promptly but not later than 45 days of receipt thereof. Also, an intermediary, its directors, officers, employees or key management personnel shall not render, directly or indirectly, any investment advice about any security in the publicly accessible media, whether real-time or non-real-time, unless a disclosure of its interest, direct or indirect, including its long or short position in the said security has been made, while rendering such advice.

Regulations governing Underwriters

According to Securities and Exchange Board of India (Underwriters) Regulations, 1993, an underwriter is defined as a person who engages in the business of underwriting of an issue of securities of a body corporate. For this purpose, underwriting means an agreement with or without conditions to subscribe to the securities of a body corporate when the existing shareholders of such body corporate or the public do not subscribe to the securities offered to them. The capital adequacy requirement for an underwriter shall not be less than the net worth of ₹ 0.20 crore. The underwriter shall not derive any direct or indirect benefit from underwriting the issue other than the commission or brokerage payable under an agreement for underwriting. Also, every underwriter shall preserve the books of account and other records and documents for a minimum period of five years.

Regulations governing Debenture Trustees

According to Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993, a debenture trustee means a trustee of a trust deed for securing any issue of debentures of a body corporate. A person in order to be entitled to act as a debenture trustee has to be either:

- (i) a scheduled bank carrying on commercial activity; or
- (ii) a public financial institution within the meaning of the Companies Act; or
- (iii) an insurance company; or
- (iv) body corporate.

Also, the capital adequacy requirement shall not be less than the net-worth of ₹ one crore. Further, the debenture trustee shall be barred from acting as debenture trustee for any issue of debentures in case such debenture trustee is an associate of the body corporate issuing the debentures or if the body corporate is yet to repay a loan or if such debenture trustee is proposing to make a loan to the body corporate. Every debenture trustee shall keep and maintain proper books of account, records and documents, relating to the trusteeship functions for a period of not less than five financial years preceding the current financial year.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

The general supervision, direction and management of our operation and business is vested in our Board, which exercises its powers subject to our Memorandum of Association of our Company and Articles of Association of our Company and the requirements of Indian laws. Under our Articles of Association, we are required to have not less than three directors and not more than 15 directors. Our Board of Directors presently comprises 10 Directors, of which two are our whole-time Directors, two nominee Directors and six are independent Directors. We have two women Directors on our Board.

At every annual general meeting (“AGM”), one-third of such of the Directors as are liable to retire by rotation for the time being or, if their number is not three or multiple of three, then the number nearest to one-third shall retire from office. The Directors are not required to hold any Equity Shares to qualify to be a Director.

The following table sets forth details regarding our Board of Directors as of the date of this Placement Document:

Name, Designation, Occupation, Nationality, DIN and Term	Age	Address	Other Directorships
Dr. Rajiv Lall Designation: Executive Chairman Occupation: Service Nationality: Indian DIN: 00131782 Term: Three years with effect from May 2, 2013	57	Sanghi House, 3rd Floor, 94 Nepean Sea Road, Mumbai 400 006 Maharashtra, India	<i>Indian Public Limited Companies</i> <ul style="list-style-type: none"> • Delhi Integrated Multi-Modal Transit System Limited • IDFC Alternatives Limited • IDFC Asset Management Company Limited • IDFC Housing Finance Company Limited • IDFC Infra Debt Fund Limited • IDFC Trustee Company Limited • The Great Eastern Shipping Company Limited <i>Section 25 (under the Companies Act 1956) companies</i> <ul style="list-style-type: none"> • IDFC Foundation • Lok Social Services <i>Foreign Companies</i> <ul style="list-style-type: none"> • CLP Holdings Limited, Hongkong • IDFC Capital (Singapore) Pte Limited • IDFC Securities Singapore Pte Limited
Mr. Vikram Limaye Designation: Managing Director and Chief Executive Officer Occupation: Service Nationality: Indian DIN: 00488534 Term: Three years with effect from May 2, 2013	47	18, Shreenivas, 5 th Floor, Shivaji Park, D.V. Deshpande Marg, Dadar (West), Mumbai 400 028, Maharashtra, India	<i>Indian Public Limited Company</i> <ul style="list-style-type: none"> • Eclerx Services Limited • IDFC Alternatives Limited • IDFC Asset Management Company Limited • IDFC Housing Finance Company Limited • IDFC Infra Debt Fund Limited • IDFC Investment Advisors Limited • IDFC Trustee Company Limited • IDFC Securities Limited • Philips India Limited

Name, Designation, Occupation, Nationality, DIN and Term	Age	Address	Other Directorships
			<p><i>Section 25 (under the Companies Act 1956) companies</i></p> <ul style="list-style-type: none"> • IDFC Foundation • Bombay Chambers of Commerce and Industry
<p>Mr. Joseph Dominic Silva</p> <p>Designation: Non-executive, Nominee Director</p> <p>Occupation: Service</p> <p>Nationality: Malaysian</p> <p>DIN: 06388807</p> <p>Term: Liable to retire by rotation</p>	49	A-G-3A, U - Thant Residence, JLN Madge, Kuala Lumpur 55000, Malaysia	<p><i>Indian Private Limited Companies</i></p> <ul style="list-style-type: none"> • Khazanah India Advisors Private Limited <p><i>Foreign Companies</i></p> <ul style="list-style-type: none"> • ASTRO Holdings Sdn. Bhd. • CIMB Bank Berhad • Greatville Pte Limited • Iskandar Malaysia Studios Sdn. Bhd. • Satang Investments Limited • Tanjung Jara Investment Limited
<p>Ms. Snehlata Shrivastava</p> <p>Designation: Non-executive, GoI Nominee Director</p> <p>Occupation: Service</p> <p>Nationality: Indian</p> <p>DIN: 06478173</p> <p>Term: Liable to retire by rotation</p>	56	B 9/10, Type VI, NBCC Residential Complex, New Moti Bagh, New Delhi 110 023, India	<p><i>Indian Public Limited Companies</i></p> <ul style="list-style-type: none"> • IDBI Bank Limited • General Insurance Corporation of India
<p>Mr. Serajul Haq Khan</p> <p>Designation: Non-executive, Independent Director</p> <p>Occupation: Retired</p> <p>Nationality: Indian</p> <p>DIN: 00006170</p> <p>Term: Until conclusion of the 19th annual general meeting</p>	76	181, Antariksha Apartments, 95/96, Kakasaheb Gadgil Marg, Prabhadevi, Mumbai, 400 025, Maharashtra, India	<p><i>Indian Public Limited Company</i></p> <ul style="list-style-type: none"> • Bajaj Auto Limited • Bajaj Allianz General Insurance Company Limited • Bajaj Allianz Life Insurance Company Limited • Bajaj Finserv Limited • Bajaj Holdings and Investment Limited • ITC Limited <p><i>Indian Private Limited Companies</i></p> <ul style="list-style-type: none"> • JM Financial Asset Reconstruction Company Private Limited
<p>Dr. Omkar Goswami</p> <p>Designation: Non-executive, Independent Director</p> <p>Occupation: Entrepreneur</p> <p>Nationality: Indian</p> <p>DIN: 00004258</p>	58	E-121, Masjid Moth, First Floor, Greater Kailash III, New Delhi 110 048, India	<p><i>Indian Public Limited Company</i></p> <ul style="list-style-type: none"> • Ambuja Cements Limited • Bajaj Finance Limited • Cairn India Limited • Crompton Greaves Limited • Dr. Reddy's Laboratories Limited • Godrej Consumer Products Limited • Infosys BPO Limited • Infosys Limited

Name, Designation, Occupation, Nationality, DIN and Term	Age	Address	Other Directorships
<p>Term: Liable to retire by rotation*</p>			<ul style="list-style-type: none"> Max Healthcare Institute Limited <p><i>Indian Private Limited Companies</i></p> <ul style="list-style-type: none"> CERG Advisory Private Limited DSP BlackRock Investment Managers Private Limited
<p>Mr. Donald M. Peck</p> <p>Designation: Non-executive, Independent Director</p> <p>Occupation: Retired</p> <p>Nationality: British</p> <p>DIN: 00140734</p> <p>Term: Until conclusion of the 19th annual general meeting</p>	62	11, Golf Links, New Delhi 110 003, India	Nil
<p>Mr. Surinder Singh Kohli</p> <p>Designation: Non-executive, Independent Director</p> <p>Occupation: Retired</p> <p>Nationality: Indian</p> <p>DIN: 00169907</p> <p>Term: Liable to retire by rotation*</p>	69	J 170, Rajouri Garden, New Delhi 110 027, India	<p><i>Indian Public Limited Companies</i></p> <ul style="list-style-type: none"> ACB (India) Limited Asian Hotels (West) India Limited BSES Rajdhani Power Limited BSES Yamuna Power Limited Essar Steel India Limited IL&FS Financial Services Limited PTC India Financial Services Limited Reliance Infrastructure Limited Seamac Limited Sicom Limited <p><i>Indian Private Limited Companies</i></p> <ul style="list-style-type: none"> SV Credit Line Private Limited <p><i>Foreign Companies</i></p> <ul style="list-style-type: none"> IL&FS Global Financial Services (UK) Limited IL&FS Global Financial Services (ME) Limited
<p>Mr. Gautam Kaji</p> <p>Designation: Non-executive, Independent Director</p> <p>Occupation: Retired</p> <p>Nationality: American</p> <p>DIN: 02333127</p> <p>Term: Until conclusion of the 19th annual general meeting</p>	73	7222 Farm Meadow Court, No. 302, Mclean Virginia 22101 United States of America	<p><i>Indian Public Limited Companies</i></p> <ul style="list-style-type: none"> IDFC Alternatives Limited <p><i>Foreign Companies</i></p> <ul style="list-style-type: none"> Cabot Corporation Inc. Centennial Group Inc. Emerging Markets Forum
<p>Ms. Marianne Økland</p>	52	Unit B 10, Lloyds Wharf Mill Street, London SE12BD,	<i>Foreign Companies</i>

Name, Designation, Occupation, Nationality, DIN and Term	Age	Address	Other Directorships
Designation: Non-executive, Independent Director		United Kingdom	<ul style="list-style-type: none"> • Islands Banki • Scorpio Tankers Inc.
Occupation: Service			
Nationality: Norwegian			
DIN: 03581266			
Term: Liable to retire by rotation*			

* Pursuant to clarification issued by the General Circular No. 14/2014 dated June 9, 2014, issued by the Ministry of Corporate Affairs, GoI, our Company is required to re-appoint our independent Directors, who are liable to retire by rotation, fixing their term, in accordance with the Companies Act 2013 within a period of one year from April 1, 2014.

Biographies of the Directors

Dr. Rajiv Lall, aged 57 years, is the Executive Chairman of our Company. He holds a bachelor's degree in politics, philosophy and economics from Oxford University and has a doctorate in economics from Columbia University, New York. He has over 30 years of work experience primarily in the fields of policy making and finance, with leading global investment banks, multilateral agencies and in academia. He chairs the Global Agenda Council on Infrastructure of the World Economic Forum and the Infrastructure Council and is a member of the Economic Policy Council of the Confederation of Indian Industry. He is a member of the Managing Committee of the Associated Chambers of Commerce and Industry of India (ASSOCHAM) and was President of Bombay Chamber of Commerce and Industry. He is also a member of the Planning Commission's Steering Committee on Urban Development Management set up to help formulate the country's 12th Five Year Plan and the Reserve Bank of India's Committee on NBFCs. He has earlier worked with the Asian Development Bank in Manila and the World Bank in Washington D.C. He was the head of Asian economics research at Morgan Stanley, Hong Kong and has also worked with Warburg Pincus in New York. He was appointed as a Director on our Board with effect from January 10, 2005.

Mr. Vikram Limaye, aged 47 years, is the Managing Director and Chief Executive Officer of our Company. He is a chartered accountant and holds a master's degree in business administration from the Wharton School, University of Pennsylvania. He has over 25 years of experience primarily in the field of finance. He has worked with Arthur Andersen in Mumbai, Ernst & Young, Citibank N.A. and Credit Suisse First Boston (CSFB) in United States of America. He is currently a member of the Managing Committee of Bombay Chamber of Commerce and Industry, CII National Committee on NBFCs and Economic Policy Council of CII. He was appointed as a Director on our Board with effect from September 15, 2008.

Mr. Joseph Dominic Silva, aged 49 years, is a non-executive Nominee Director of our Company, being a nominee of domestic and foreign institutional shareholders of our Company. He graduated with a degree in finance from the University of Wales and has also completed the senior management programme from Henley Management College, United Kingdom. He has over 18 years of work experience primarily in the banking sector. He has worked at the ABN AMRO Bank. He was appointed as a Director on our Board with effect from October 26, 2012.

Ms. Snehlata Shrivastava, aged 56 years, is a non-executive Nominee Director of our Company, being a nominee of the GoI, and is an Additional Secretary in the Department of Financial Services, Ministry of Finance, GoI. Ms. Shrivastava is a post graduate in geography from Bhopal University and has completed her M. Phil in regional planning and economic growth from Bhopal University. She is an Indian Administrative Service (IAS) officer of the 1982 batch (Madhya Pradesh cadre). She has over 30 years of work experience primarily in the fields of finance, infrastructure and revenue. She joined the Central Government on deputation from January 2011 as Joint Secretary, Department of Justice, Ministry of Law and Justice, GoI, and worked with the higher judiciary (the Supreme Court and High Courts) and judicial reforms. She was appointed as a Director on our Board with effect from February 1, 2013.

Mr. Serajul Haq Khan, aged 76 years, is a non-executive, Independent Director of our Company. He holds a master's degree in commerce from the University of Bihar and is an alumnus of the International Management

Development Institute, Lausanne. He was associated with IDBI for over 20 years in senior positions, including as its chairman and managing director, with the responsibility for promotion, development and financing of Indian industry. He was also associated with the promotion of several capital market institutions and has served as chairman of NSE, NSDL and Credit Analysis and Research Limited in the past. He has served as a director on the boards of several national financial institutions including Life Insurance Corporation of India, General Insurance Corporation of India, Unit Trust of India, Industrial Finance Corporation of India Limited, EXIM Bank and Small Industries Development Bank of India. He was appointed as a Director on our Board with effect from February 11, 1998.

Dr. Omkar Goswami, aged 58 years, is a non-executive, Independent Director of our Company. He obtained a master's degree in economics from the Delhi School of Economics in 1978 and a doctorate from the Oxford University in 1982. He has over 35 years of experience primarily in the field of economics and academics. Dr. Goswami is the founder and chairperson of CERG Advisory Private Limited. He was a professor of economics and research faculty for 18 years at various universities including Oxford University, the Delhi School of Economics and Harvard University. He has been the editor of the magazine Business India. He has also served as the chief economist of the CII and has been a consultant to the World Bank, the International Monetary Fund, Asian Development Bank and the Organisation for Economic Co-operation and Development. He has also served on several government committees and has been a member of the Working Group on the Companies Act, the CII Committee on Corporate Governance, the Vijay Kelkar Committee on Direct Tax Reforms and the N.R. Narayana Murthy SEBI Committee on Corporate Governance Reforms. He was appointed as a Director on our Board with effect from January 24, 2003.

Mr. Donald M. Peck, aged 62 years, is a non-executive, Independent Director of our Company. He has a doctorate in economic history from Oxford University. He has over 30 years of work experience. Mr. Peck was the head of the South Asian private equity business of CDC and then Actis, based in India for over 12 years. He worked for 10 years in the emerging markets investment banking division at Lloyds Bank and Morgan Grenfell and for three years in the capital markets/private equity division at International Finance Corporation. Mr. Peck is an independent Director and was earlier nominated as a Director by the domestic institutions and foreign investors of our Company. He has been a member of our Board as an alternate Director since 1999, and was appointed as a Director with effect from April 27, 2005.

Mr. Surinder Singh Kohli, aged 69 years, is a non-executive, Independent Director of our Company. He holds a degree in mechanical engineering and a diploma in industrial finance. He is also a certified associate of the Indian Institute of Banking. He has over 40 years of experience in the banking sector. He has been the chairman and managing director of the Punjab and Sind Bank and the Punjab National Bank. He has also served as the chairman and managing director of India Infrastructure Finance Company Limited and has also held the chairmanship of the Indian Banks' Association and has chaired several committees associated with financial sector policy. He was appointed as a Director on our Board with effect from April 27, 2005.

Mr. Gautam Kaji, aged 73 years, is a non-executive, Independent Director of our Company. He has a masters' degree in business administration from Wharton School of Finance. He has been the managing director of operations of the World Bank, with responsibility for Africa, East Asia and the Pacific, and South Asia. He also led the World Bank's finance and private sector development programmes and served as chairman of the World Bank's Operations Committee, which reviews all projects put forward for World Bank support. He is currently chairman of the Centennial Group, a Washington D.C. based advisory firm, chairman of the Advisory Board of the Emerging Markets Forum and is a member of the boards of several companies in the United States and India. He was appointed as a Director on our Board with effect from July 22, 1998.

Ms. Marianne Økland, aged 52 years, is a non-executive, Independent Director of our Company. She holds a master of science degree in finance and economics from the Norwegian School of Economics and Business Administration. She has worked in J.P. Morgan and Union Bank of Switzerland. She was appointed as a Director on our Board with effect from October 1, 2011.

Relationship amongst Directors

None of our Directors are related to each other.

Apart from Mr. Joseph Dominic Silva, who is a nominee of domestic and foreign institutional shareholders of our Company, and Ms. Snehlata Shrivastava who is a nominee of the GoI, there are no arrangements or understanding with major shareholders, customers, suppliers or others, pursuant to which any of our Directors were selected as a Director or member of the senior management.

Borrowing powers of our Board of Directors

Pursuant to a special resolution passed by the shareholders of our Company on July 29, 2014, our Board of Directors is authorized to borrow sums of money exceeding the aggregate of paid-up Equity Share capital and free reserves of our Company, upon such terms and conditions and for such purposes as our Board of Directors may think fit, provided the aggregate indebtedness of our Company (i.e., monies to be borrowed, together with the monies already borrowed, apart from temporary loans obtained from our Company's bankers in the ordinary course of business) shall not exceed, at any given time, a sum of ₹ 80,000 crore.

Interest of the Directors

All of our Directors may be deemed to be interested to the extent of remuneration and fees payable to them for services rendered as Directors of our Company such as attending meetings of our Board of Directors or a committee thereof and to the extent of other reimbursement of expenses payable to them.

Other than Dr. Rajiv Lall and Mr. Vikram Limaye, none of our Directors holds any Equity Shares in our Company. Dr. Rajiv Lall and Mr. Vikram Limaye are also interested to the extent of any dividend payable to them in respect of their shareholding. Our Directors may also be regarded as interested in the Equity Shares that may be subscribed by or Allotted to them or the companies, firms, trusts, in which they are interested as directors, members, partners, trustees and promoters, pursuant to this Issue.

Except as stated in this Placement Document and in particular "*Financial Statements*" on page 196, our Directors have no interest in any property acquired by us within two years of the date of filing of this Placement Document or proposed to be acquired by us.

Some of our Directors also hold directorships in our Subsidiary(ies)/associates which are also in the financial services sector.

Except as stated in this Placement Document and in particular "*Financial Statements*" on page 196, our Directors do not have any other interest in our business.

Shareholding of Directors

Our Articles of Association do not require our Directors to hold any Equity Shares. The following table details the shareholding of our Directors in our Company (held in individual capacity) as on the date of filing this Placement Document:

Name of the Director	No. of Equity Shares
Dr. Rajiv Lall	11,98,984
Mr. Vikram Limaye	20,43,728

No other Director of our Company holds any Equity Shares.

Remuneration of our Executive Directors

Fiscal 2015 (current fiscal)

The following table sets forth the details of the remuneration received by our Executive Directors in fiscal 2015, for the period April 1, 2014 to June 30, 2014.

Name of Director	Sitting Fees	Salary and Perquisites	Contribution to Provident Fund and other Funds	Performance Linked Incentives	Commission	(₹ in lakh) Aggregate Remuneration paid during fiscal 2015 (April 1, 2014 to June 30, 2014)
Dr. Rajiv Lall	-	67.25	3.51	150.00	-	220.76
Mr. Vikram Limaye	-	59.74	3.20	135.00	-	197.94

Notes:

(1) Above amounts are pre-tax

(2) Salary contains basic salary and special allowance

(3) Contribution to provident and other funds contains contribution towards gratuity also

(4) Performance linked incentive based on performance of last financial year

Fiscal 2014

The following table sets forth the details of the remuneration received by our Executive Directors in fiscal 2014.

						(₹ in lakh)
Name of Director	Sitting Fees	Salary and Perquisites	Contribution to Provident Fund and other Funds	Performance Linked Incentives	Commission	Aggregate Remuneration paid during fiscal 2014
Dr. Rajiv Lall	-	246.66	14.03	295.00	-	555.68
Mr. Vikram Limaye	-	223.24	12.81	250.00	-	486.05

Fiscal 2013

The following table sets forth the details of the remuneration received by our Executive Directors in fiscal 2013.

						(₹ in lakh)
Name of Director	Sitting Fees	Salary and Perquisites	Contribution to Provident Fund and other Funds	Performance Linked Incentives	Commission	Aggregate Remuneration paid during fiscal 2014
Dr. Rajiv Lall	-	245.70	14.03	325.00	-	584.73
Mr. Vikram Limaye	-	205.33	12.81	275.00	-	493.14

Fiscal 2012

The following table sets forth the details of the remuneration received by our Executive Directors in fiscal 2012.

						(₹ in lakh)
Name of Director	Sitting Fees	Salary and Perquisites	Contribution to Provident Fund and other Funds	Performance Linked Incentives	Commission	Aggregate Remuneration paid during fiscal 2014
Dr. Rajiv Lall	-	253.04	14.03	332.00	-	599.07
Mr. Vikram Limaye	-	205.26	12.81	275.00	-	493.07

Details of terms and conditions of employment of our Executive Directors

Our Executive Chairman and our Managing Director and Chief Executive Officer are entitled to basic salary and perquisites, including, house rent allowance or rent free furnished accommodation in lieu thereof, variable pay and/or performance linked incentives, conveyance allowance, medical reimbursement, leave travel allowance, use of Company car for official purposes, telephone at residence, contribution to provident fund, payment of gratuity and such other perquisites and allowances according to the rules of our Company or as may be agreed by our Board of Directors of our Company.

Dr. Rajiv Lall – Executive Chairman

Our Executive Chairman, Dr. Rajiv Lall, is entitled to a basic salary of ₹ 5.75 lakh per month. Further, he is entitled to perquisites, including, house rent allowance or rent free furnished accommodation, conveyance allowance, medical reimbursement, variable pay and/or performance linked incentives, leave travel allowance, entitlement to use of Company car for official purposes and use of telephone at residence. Additionally, he is entitled to contribution to provident fund and payment of gratuity. He is entitled to these, or any other, perquisites in accordance with the rules of our Company or as may be agreed by our Board of Directors with Dr.

Rajiv Lall.

Mr. Vikram Limaye – Managing Director and Chief Executive Officer

Our Managing Director and Chief Executive Officer, is entitled to a basic salary of ₹ 5.25 lakh per month. Further, he is entitled to perquisites, including, house rent allowance or rent free furnished accommodation, conveyance allowance, medical reimbursement, variable pay and/or performance linked incentives, leave travel allowance, entitlement to use of Company car for official purposes and use of telephone at residence. Additionally, he is entitled to contribution to provident fund and payment of gratuity. He is entitled to these, or any other, perquisites in accordance with the rules of our Company or as may be agreed by our Board of Directors with Mr. Vikram Limaye.

Remuneration paid to our Non-Executive Directors

Our non-executive Directors are paid remuneration by way of commission and sitting fees. Our non-executive Directors are entitled to sitting fees of ₹ 75,000 for attending each meeting of our Board of Directors and ₹ 25,000 for attending each meeting of the committees of our Board of Directors, with effect from April 1, 2014. Pursuant to a resolution of our shareholders, dated July 29, 2013, a sum not exceeding 1% of the net profits of our Company, computed in accordance with Section 309(5) of the Companies Act 1956, may be paid to our non-executive Directors.

Set forth below is the remuneration received by our non-executive directors in fiscal 2015, for the period April 1, 2014 to June 30, 2014, fiscal 2014, 2013 and 2012.

(₹ in lakh)

Name of Non-executive Director	April 1, 2014 to June 30, 2014			Fiscal 2014			Fiscal 2013			Fiscal 2012		
	Sitting Fees*	Commission	Total	Sitting Fees	Commission	Total	Sitting Fees	Commission	Total	Sitting Fees	Commission	Total
Mr. Shardul Suresh Shroff ⁽¹⁾	1.20	-	1.20	2.00	11.00	13.00	1.80	11.90	13.70	2.20	11.50	13.70
Mr. Deepak Shantilal Parekh ⁽²⁾				0.40	22.50	22.90	5.40	23.50	28.90	8.40	22.00	30.40
Mr. Joseph Dominic Silva ⁽⁵⁾	0.20	-	0.20	0.40	3.42	3.82	0.20	-	0.20	-	-	-
Ms. Snehlata Shrivastava ⁽³⁾	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Serajul Haq Khan	1.20	-	1.20	6.80	14.50	21.30	5.20	14.50	19.70	5.40	14.50	19.90
Dr. Omkar Goswami	1.00	-	1.00	4.40	13.50	17.90	3.00	13.40	16.40	3.20	14.00	17.20
Mr. Donald M. Peck	-	-	-	1.80	10.50	12.30	1.60	9.70	11.30	1.00	8.50	9.50
Mr. Surinder Singh Kohli	0.60	-	0.60	7.20	11.00	18.20	2.60	11.00	13.60	3.20	10.50	13.70
Mr. Gautam Kaji	1.00	-	1.00	2.20	12.00	14.20	3.20	11.30	14.50	2.00	12.00	14.00
Ms. Marianne	0.80	-	0.80	2.80	11.50	14.30	3.20	6.05	9.25	1.00	-	1.00

Name of Non-executive Director	April 1, 2014 to June 30, 2014			Fiscal 2014			Fiscal 2013			Fiscal 2012		
	Sitting Fees*	Commission	Total	Sitting Fees	Commission	Total	Sitting Fees	Commission	Total	Sitting Fees	Commission	Total
Økland ⁽⁹⁾	-	-	-	-	5.08	5.08	0.40	9.40	9.80	0.80	10.00	10.80
Mr. Abdul Rahim Abu Bakar ⁽⁶⁾	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Sunil Soni ⁽⁴⁾	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Dimitris Tsitsiarogios ⁽⁸⁾	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Bimal Julka ⁽⁷⁾	-	-	-	-	-	-	-	-	-	-	-	-

* Pursuant to a resolution of our Board of Directors dated July 29, 2014, the sitting fees payable to our non-executive Directors has been increased to ₹ 75,000 for attending each meeting of our Board of Directors and ₹ 25,000 for attending each meeting of a committee of our Board of Directors, with effect from April 1, 2014. However, these amounts have been calculated as per the sitting fee payable to non-executive Directors previously, and arrears for the period would be subsequently paid to the non-executive Directors.

(1) Mr. Shardul Suresh Shroff resigned from our Board of Directors with effect from June 3, 2014

(2) Mr. Deepak Shantilal Parekh resigned from our Board of Directors with effect from May 1, 2013

(3) Ms. Snehlata Shrivastava was appointed as an additional Director with effect from February 1, 2013

(4) Mr. Sunil Soni ceased to be a Director with effect from February 1, 2013

(5) Mr. Joseph Dominic Silva was appointed as an additional Director with effect from October 26, 2012

(6) Mr. Abdul Rahim Bakar ceased to be a Director with effect from October 26, 2012

(7) Mr. Bimal Julka ceased to be a Director with effect from May 8, 2012

(8) Mr. Dimitris Tsitsiarogios ceased to be a Director with effect from October 14, 2011

(9) Ms. Marianne Økland was appointed as an additional Director with effect from October 1, 2011

Corporate Governance

The Equity Shares are listed on the Stock Exchanges and our Company has adopted corporate governance practices in accordance with Clause 49 of the Listing Agreements.

Our Company is in compliance with the corporate governance requirements under Clause 49 of the Listing Agreements and the Companies Act 2013 and our Board of Directors is constituted in compliance with the Companies Act and Listing Agreements. Our Board of Directors functions either on its own or through various committees constituted to oversee specific operational areas.

Our Company has constituted the following committees of our Board of Directors for compliance with corporate governance requirements:

I. Audit Committee

Our Audit Committee was last reconstituted on July 29, 2014. The Audit Committee currently comprises the following Directors:

- (i) Mr. Serajul Haq Khan (*Independent Director*) – Chairman;
- (ii) Dr. Omkar Goswami (*Independent Director*);
- (iii) Mr. Gautam Kaji (*Independent Director*);
- (iv) Ms. Marianne Økland (*Independent Director*); and
- (v) Ms. Snehlata Shrivastava (*GoI Nominee Director*).

Our Company Secretary is the Secretary to the Audit Committee. Our Audit Committee met four times in fiscal 2014.

Powers of Audit Committee

The powers of the Audit Committee include the following:

1. To investigate any activity within its terms of reference.

2. To seek information on and from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.
5. To protect whistle blowers.
6. To consider other matters as referred by the Board.

Role of Audit Committee

The role of the audit committee includes the following:

1. Oversight of our Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approving appointment of the CFO after assessing the qualifications, experience and background, etc. of the candidate.
4. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
5. Reviewing, with the management, the annual financial statements before submission to our Board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act.
 - b. Changes, if any, in accounting policies and practices and reasons for the same.
 - c. Major accounting entries involving estimates based on the exercise of judgment by management.
 - d. Significant adjustments made in the financial statements arising out of audit findings.
 - e. Compliance with listing and other legal requirements relating to financial statements.
 - f. Disclosure of any related party transactions.
 - g. Qualifications in the draft audit report.
6. Reviewing, with the management, the quarterly financial statements before submission to our Board of Directors for approval.
7. Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to our Board of Directors to take up steps in this matter.
8. Reviewing, with the management, performance of statutory and internal auditors and adequacy of the internal control systems.
9. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
10. Discussion with internal auditors and / or auditors any significant findings and follow up there on.
11. Reviewing the findings of any internal investigations by the internal auditors/auditors/agencies into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board of Directors.
12. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

13. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors, if any.
14. To review the functioning of the whistle blower mechanism.
15. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
16. Carrying out any other terms of reference as may be, included from time to time in Clause 49 of the Listing Agreement.

Review of information by Audit Committee

The Audit Committee shall mandatorily review the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions submitted by management, and a summary of related party transactions in the ordinary course of our business;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses;
5. The appointment, removal and terms of remuneration of the chief internal auditor; and
6. Certification/ declaration of financial statements by the Chief Executive Officer or the Chief Financial Officer.

Additionally, our Audit Committee also mandatorily reviews the following:

1. Whenever applicable, monitoring the end use / application of funds raised through public issues, rights issues, preferential issues by major category, as part of the quarterly and annual declaration of financial results;
2. If applicable, on an annual basis, statement certified by the Statutory Auditors, detailing the use of funds raised through public issues, rights issues, preferential issues for purposes other than those stated in the offer document /prospectus / notice;
3. In addition, the Audit Committee also reviews the financial statements, in particular, the investments made by the unlisted subsidiary companies;
4. Details of materially significant individual transactions with related parties which are not in the normal course of business; and
5. Details of materially significant individual transactions with related parties or others, which are not on an arm's length basis along with Management's justification for the same.

As required under the Listing Agreements, the Audit Committee shall meet at least four times in a year, and not more than four months shall elapse between two meetings. The quorum shall be three members present.

II. Stakeholders' Relationship Committee

Our Investors'/Shareholders' Grievance Committee was renamed as the Stakeholders' Relationship Committee on April 25, 2014 and last reconstituted on July 29, 2014. Our Stakeholders' Relationship Committee currently comprises:

- (i) Mr. Serajul Haq Khan (*Independent Director*) – Chairman;
- (ii) Dr. Rajiv Lall (*Executive Chairman*); and
- (iii) Mr. Vikram Limaye (*Managing Director and Chief Executive Officer*);

Role of the Stakeholders' Relationship Committee

The Stakeholders' Committee is responsible for resolving the grievances of security holders of our Company. Further, the Stakeholders' Relationship Committee is empowered to investigate into and redress investor complaints, including, complaints pertaining to transfer of shares, non-receipt of balance sheet and/or declared dividend, duplicate share certificates and dematerialisation or rematerialisation of shares.

Our Company Secretary is the secretary to the Stakeholders' Relationship Committee. The Stakeholders' Relationship Committee met four times in fiscal 2014. The quorum shall be two members present.

III. Nomination and Remuneration Committee

Our Nomination Committee and Compensation Committee were combined to form the Nomination and Remuneration Committee pursuant to a resolution dated June 3, 2014, of our Board of Directors, in accordance with the Companies Act 2013. The Nomination and Remuneration Committee currently comprises the following Directors:

1. Dr. Omkar Goswami (*Independent Director*) – Chairman;
2. Mr. Gautam Kaji (*Independent Director*);
3. Mr. Donald M. Peck (*Independent Director*); and
4. Dr. Rajiv Lall (*Executive Chairman*).

Role of the Nomination and Remuneration Committee

The role of the Nomination and Remuneration Committee includes:

- (i) formulating a policy relating to remuneration of our Directors, key managerial personnel and such other employees as may be decided by the Nomination and Remuneration Committee;
- (ii) recommend to our Board of Directors such policy for approval; and
- (iii) manage all other matters managed by the previous nomination committee and compensation committee, including assisting our Board of Directors in appointing new Directors and other matters such as succession planning.

Our Company Secretary is the secretary to the Nomination and Remuneration Committee. The Compensation Committee of our Company met five times in fiscal 2014 and the Nomination Committee of our Company met once in fiscal 2014. The quorum shall be two members present.

IV. Risk Committee

Our Risk Committee was last reconstituted on July 29, 2014. The Risk Committee currently comprises the following Directors:

- (i) Mr. Gautam Kaji (*Independent Director*) – Chairman;
- (ii) Dr. Rajiv Lall (*Executive Chairman*);
- (iii) Mr. Vikram Limaye (*Managing Director and Chief Executive Officer*);
- (iv) Mr. Serajul Haq Khan (*Independent Director*); and
- (v) Ms. Marianne Økland (*Independent Director*)

Mr. Shardul S. Shroff ceased to be a member of the Risk Committee with effect from June 3, 2014. Our Company Secretary is the Secretary to the Risk Committee. The Risk Committee met four times in fiscal 2014.

Role of the Risk Committee

The Risk Committee reviews and monitors the aggregate risk levels in the business and quality of risk, mitigation and control for all areas of risk to business, make recommendations to the management on areas for improvement and appraise our Board of Directors of the progress in the implementing improvements. Further, the Risk Committee is required to monitor the execution of the risk strategy of our Board of Directors for different business divisions and geographic markets of operations. The quorum shall be three members present. The Risk Committee met four times during fiscal 2014.

V. Executive Committee

Our Executive Committee was last reconstituted on May 1, 2013. The Executive Committee currently comprises the following Directors:

- (i) Dr. Rajiv Lall (*Executive Chairman*) – Chairman;
- (ii) Mr. Vikram Limaye (*Managing Director and Chief Executive Officer*);
- (iii) Mr. Surinder Singh Kohli (*Independent Director*);
- (iv) Mr. Serajul Haq Khan (*Independent Director*);

- (v) Dr. Omkar Goswami (*Independent Director*); and
- (vi) Mr. Donald M. Peck (*Independent Director*).

Our Company Secretary is the Secretary to the Executive Committee. The Executive Committee met 11 times in fiscal 2014.

Role of the Executive Committee

The Executive Committee assesses credit loan proposals above ₹ 400 crore, credit loan proposals in real estate business, related party credit loan proposals irrespective of the loan amount and investment in equity shares directly, or through initial public offerings or further public offerings where allotment is more than ₹ 50 crore. The quorum shall be four members present.

VI. CSR Committee

Our Corporate Social Responsibility Committee was constituted on April 25, 2014, pursuant to a resolution of our Board of Directors. The CSR Committee currently comprises the following Directors:

- (i) Dr. Rajiv Lall (*Executive Chairman*) – Chairman;
- (ii) Mr. Vikram Limaye (*Managing Director and Chief Executive Officer*); and
- (iii) Dr. Omkar Goswami (*Independent Director*).

Role of the Corporate Social Responsibility Committee

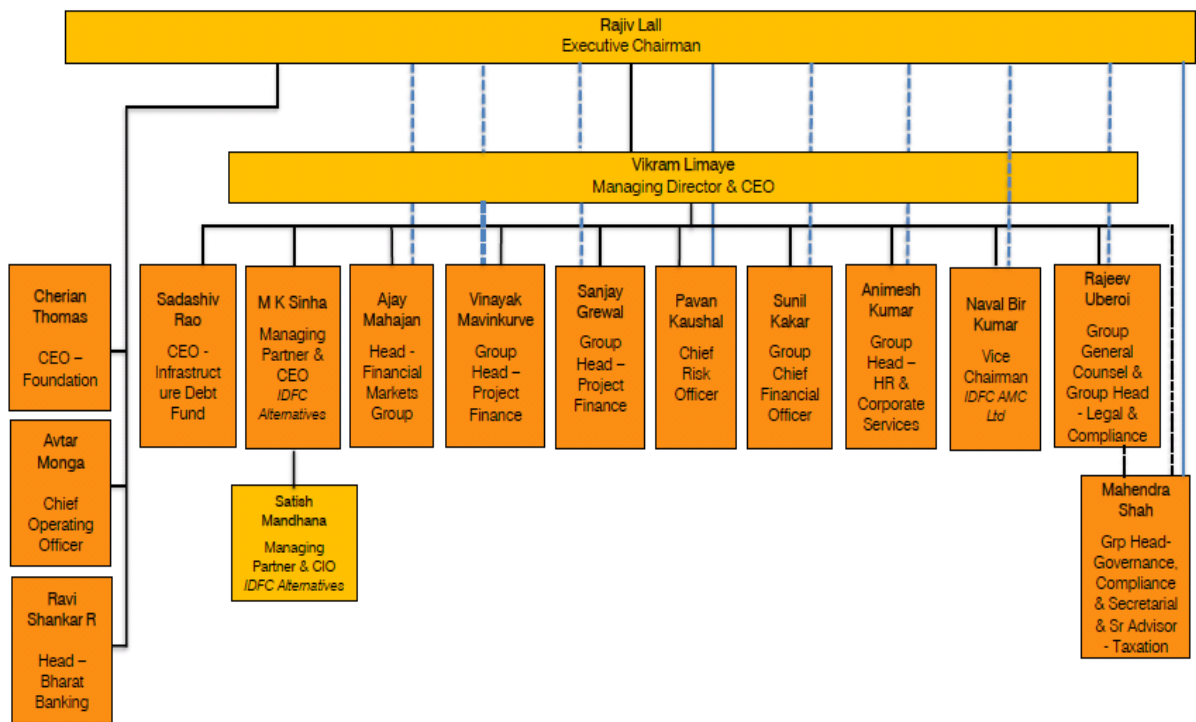
1. To formulate a CSR Policy which shall include activities as per Schedule VII of the Companies Act 2013;
2. To recommend CSR Policy to our Board of Directors;
3. To recommend amount of expenditure to be incurred on the activities referred in the CSR Policy; and
4. To monitor the CSR Policy of our Company from time to time in accordance with the Companies Act 2013.

Advisory Council

The Advisory Council of our Company is a high level consultative body that provides support and advice to our management and our Board of Directors on issues pertaining to business strategy, including, but not limited to, foray into new business areas, acquisitions and diversification of the business, corporate citizenship and corporate governance. The objective of the Advisory Council is to provide industry insights and support the exploration of new business ideas. The Advisory Council aims to help our Board of Directors to understand external environment, potential risks and future drivers of growth and provide guidance for active leadership on operational, environment and sustainability related matters, relevant to the business through outreach to network of contacts. The Advisory Council aims to help increase stakeholder confidence in our Company, including among investors, government, regulators and other public organisations. The Advisory Council held its first meeting on April 14, 2014 and comprises:

- (i) Mr. Deepak Shantilal Parekh – Chairman;
- (ii) Mr. R. Chandrashekhar;
- (iii) Mr. Vinod Rai; and
- (iv) Dr. Jaimini Bhagwati.

Current organisation structure of our Company



Senior management persons of our Company

Mr. Sunil Kakar is our Chief Financial Officer. He holds a bachelor's degree in engineering from Indian Institute of Technology, Kanpur and a master's degree in business administration in finance from Xavier Labour Relations Institute, Jamshedpur. He has over 30 years of experience with global investment banks and insurance companies. He has previously worked with Max New York Life Insurance Company Limited and Bank of America as their respective Chief Financial Officers. He joined our Company in 2011.

Mr. Avtar Monga is our Chief Operating Officer. He holds a Bachelor's degree in commerce from University of Delhi and a master's degree in business administration from Birla Institute of Management Technology and a master's degree in commerce from Dr. B.R. Ambedkar University, Agra. He has 32 years of experience in the field of banking and finance. He has previously worked with Bank of America as their managing director – global delivery centres of expertise and GE Capital, where he was also chief executive officer. He has received the “Pinnacle” award from GE Capital Services India in 2000 and 2002. He joined our Company in 2014.

Mr. Ajay Mahajan is our Head – Financial Markets Group. He holds a bachelor's degree in electrical and electronic engineering (honours) from Birla Institute of Technology and Science, Pilani and a master's degree from the Faculty of Management Studies. He is also a chartered financial analyst from the CFA Institute, USA. He has over 23 years of experience in the field of banking. He has previously worked as the director on the board of Fixed Income, Money Markets and Derivatives Association of India (FIMMDA), UBS AG in India as their managing director, Yes Bank Limited as their group president of financial markets, institutions and investment management and Bank of America as their managing director and country advisor. He also co-founded R-Square Advisors and FICC Capital. He joined our Company in 2013.

Mr. Animesh Kumar is our Group Head – Human Resources and Corporate Services. He holds a bachelor's degree in economics from Shri Ram College of Commerce, University of Delhi, and a post graduate diploma in human resources from Xavier Labour Relations Institute, Jamshedpur. He has 20 years of experience in the field of banking and fast moving consumer goods sector. He has previously worked with the ABN AMRO/Royal Bank of Scotland Group in their human resources leadership team, Marico Limited, Thomas Cook India Limited, Yes Bank Limited and Standard Chartered Bank. He joined our Company in 2009.

Mr. Pavan Pal Kaushal is our Chief Risk Officer. He holds a master's degree in finance from Jamnalal Bajaj Institute of Management Studies, Mumbai. He also holds an ACA in accountancy and finance from the Institute of Chartered Accountants of India. He has over 30 years of experience in the field of banking and finance and consultancy, covering risk in both domestic and global roles. He has previously worked with Ernst & Young, leading their financial group, ANZ Grindlays and Citibank. He joined our Company in 2014.

Mr. Sadashiv Rao is our Chief Executive Officer - IDF. He holds a bachelor's degree in technology from Indian Institute of Technology, Kanpur and a master's degree in business administration from Indian Institute of Management, Bangalore. He has over 28 years of experience in the field of project finance, investment banking and advisory services. He has previously worked with Reliance Capital Limited as the head of investment banking division, ICICI Limited, Hindustan Petroleum Corporation Limited and Procter and Gamble. He joined our Company in 1997.

Dr. Rajeev Uberoi is our General Counsel and Group Head – Legal and Compliance. He is a lawyer and a Canadian Commonwealth Scholar with a master's degree from McMaster University and a Ph.D. in Economics. He has over 30 years of experience in the field of banking and finance. He has previously worked with Standard Chartered Bank as their regional head – operational risk and assurance, South Asia, Union Bank of India, State Bank of India, RBI as its assistant general manager – department of banking supervision, Citibank as vice president and regulatory head and with ANZ Grindlays Bank as their head – risk management and compliance, India. He joined our Company in 2009.

Mr. Sanjay Grewal is our Group Head – project finance. He holds a bachelor's degree in commerce (accounting) from Shri Ram College of Commerce, University of Delhi and a Master's degree in Business Administration (International Business) from the University of Hartford. He has 18 years of experience in the field of finance and infrastructure. He has previously worked with International Finance Corporation in Washington DC and Hong Kong as the principal investment officer and a Director at Citibank's Project and Structured Trade Finance Group in Hong Kong and New York and Lehman Brothers as an Associate with the investment banking division. He joined our Company in 2007.

Mr. Vinayak Mavinkurve is our Group Head – project finance and principal investments. He holds a Bachelor’s degree in Electrical Engineering from Veermata Jijabai Technological Institute and a Degree in Management from Narsee Monjee Institute of Management. He has about 20 years of experience in the field of finance and infrastructure. He has previously worked with Industrial Finance Corporation of India. He joined our Company in 1998.

Mr. Naval Bir Kumar is the vice chairman of IDFC Mutual Fund. He holds a bachelor’s degree in mathematics from the University of Mumbai, Mumbai and a master’s degree in business administration from Indian Institute of Management, Kolkata. He has over 24 years of experience in and has been one of the key members responsible for establishing the mutual fund business for ANZ Grindlays in India which, he joined in 1990. He has previously worked with Colgate Palmolive. He joined IDFC AMC in 2008 when our Company acquired the mutual fund business of Standard Chartered (which was earlier acquired by ANZ Grindlays) business.

Mr. Ravi Shankar is our head of Bharat Banking. He holds a bachelor’s degree in economics from Loyola College, Chennai and has completed his post-graduate diploma in management from Indian Institute of Planning and Management, New Delhi. He has approximately 29 years of experience in the fields of building rural business in retail finance, business consulting, automotive and aviation sectors. He has previously worked with Fullerton India Credit Company Limited, TNS India Private Limited, Modiluft Limited, Maadhyam Advertising Private Limited, the Eicher group and Living Media India Limited. He joined our Company in 2014.

Mr. M.K. Sinha is the managing partner and chief executive officer of IDFC Alternatives. He holds a bachelor’s degree in mechanical engineering from Indian Institute of Technology, Kharagpur and has completed his master’s degree in business administration from Indian Institute of Management, Ahmedabad. He has over 24 years of experience in the fields of private equity, project finance, corporate finance and investment banking. He has previously worked in our Company in 2005 as an executive director and was also the president and chief executive officer of IDFC Project Equity Company. Prior to this, he has previously worked with the General Electric Company, Bank of America and State Bank of India. He became the managing partner and chief executive officer of IDFC Alternatives in 2012.

Mr. Cherian Thomas is the Chief Executive Officer of IDFC Foundation and a member of IDFC’s Management Committee. He holds a bachelor’s degree in mechanical engineering (honors) from Veermata Jeejabai Technological Institute, University of Mumbai, and a master’s degree in management studies in finance from S.P. Jain Institute of Management & Research, University of Mumbai. He has over 26 years of experience in the fields of consulting, project finance, corporate finance, investment banking and other areas of banking. He has previously worked with Tata Industries Limited, ICICI Limited, SCICI Limited and Citibank. He joined IDFC Foundation in 1998.

Mr. Satish Mandhana is the Managing Partner and Chief Investment Officer of IDFC Alternatives. He holds a bachelor’s degree in industrial engineering from Indian Institute of Technology, Roorkee, and is a management graduate from Faculty of Management Studies, Delhi University. He has over 30 years of experience in the fields of private equity, corporate finance, investment banking and business strategy. He has previously been a member of the GoI’s Working Group on Power for the Eleventh Plan (2007-12), and currently is a member of Executive Committee of the Indian Venture Capital & Private Equity Association and the Confederation of Indian Industries’ Committee on Climate Change. He has previously worked with JK Paper Limited, CDC Advisors, SRF Finance Limited, SRF Limited and Eicher Goodearth Limited. He joined IDFC Alternatives in 2006.

Mr. Mahendra N. Shah is the company secretary and group head, governance, compliance and senior advisor taxation of our Company. He is qualified member of the Institute of Chartered Accountants of India, the Institute of Cost Accountants of India and the Institute of Company Secretaries of India. He has approximately 25 years of experience in the fields of finance, taxation and corporate laws. He has previously worked with Modi International Paper Limited, Pfizer India Limited and SKF Bearings India Limited. He joined our Company in 2001.

All the senior management personnel are permanent employees of our Company.

Policy on disclosures and internal procedure for prevention of insider trading

Regulation 12(1) of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (“SEBI Prohibition of Insider Trading Regulations”) also applies to our Company and its employees and requires our Company to implement a code of internal procedures and conduct for the prevention of insider

trading. Our Company has implemented a code of conduct for prevention of insider trading in accordance with the SEBI Prohibition of Insider Trading Regulations.

Other confirmations

None of our Directors nor any key managerial personnel of our Company have any financial or other material interest in the Issue, except to the extent of their shareholding in our Company.

Payment or benefits to our Directors and officers of our Company

Except for our whole-time Directors who are entitled to statutory benefits and post retirement medical benefits on termination of their employment with us, no other Director is entitled to any benefit on termination of his employment with us.

Except certain statutory benefits on superannuation, and except as stated otherwise in this Placement Document, no non-salary amount or benefit has been paid, in two preceding years, or given or is intended to be paid or given to any of our Company's officers apart from remuneration for services rendered as Directors, officers or employees of our Company.

ESOS

Our Company established the ESOS pursuant to a resolution dated February 23, 2007 of our Compensation Committee and a shareholders' resolution dated August 2, 2006 conferring such power on our Compensation Committee, in accordance with the ESOP Guidelines. The ESOS provides for the grant of options to employees (including employees of our Subsidiaries) to acquire Equity Shares of our Company that vest in a graded manner and that are to be exercised within a specified period. In accordance with the SEBI ESOP Guidelines, the excess, if any, of the closing market price on the day prior to the grant of the options under the ESOS over the exercise price is amortized on a straight line basis over the vesting period. The ESOS was modified pursuant to the approval of the shareholders at the AGM held on July 18, 2008 and a resolution dated July 29, 2013 of our shareholders. As on August 29, 2014, our Company had 3,17,10,601 outstanding options under the ESOS.

ORGANIZATIONAL STRUCTURE AND MAJOR SHAREHOLDERS

Corporate History

Our Company was incorporated in Chennai, Tamil Nadu on January 30, 1997 under the Companies Act 1956 as a public limited company under the name 'Infrastructure Development Finance Company Limited', with the RoC, to carry on the business of a specialised financial institution. Our Company received its certificate of commencement of business on February 13, 1997. Subsequently, pursuant to a special resolution of the shareholders dated July 9, 2012, the name of our Company was changed to 'IDFC Limited' with effect from July 20, 2012, and a fresh certificate of incorporation was issued by the RoC. The name of our Company was changed from Infrastructure Development Finance Company Limited to IDFC Limited to reflect and reinforce the corporate identity of our Company, and for contributing towards developing and strengthening "IDFC" as a distinct brand equity.

Our Registered Office was changed on April 1, 2010 from ITC Centre, 3rd floor, 760, Anna Salai, Chennai 600 002, Tamil Nadu, India, to its present location at KRM Tower, 8th Floor, No. 1, Harrington Road, Chetpet, Chennai 600 031, Tamil Nadu, India, for administrative and operational efficiency. Our Corporate Office is located at Naman Chambers, C-32, G-Block, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051, Maharashtra, India.

We completed our initial public offering of Equity Shares in India in 2005, pursuant to which the Equity Shares were listed on the BSE and NSE.

Our Company had approached the RBI seeking approval to set up a new domestic private sector bank, through an application filed by our Company with the RBI on July 1, 2013. The RBI granted us in-principle approval for the grant of a banking license, on April 9, 2014, pursuant to the RBI New Banks Licensing Guidelines. For further details, see "**Our Business**" on page 100.

We were notified as a public financial institution under Section 4A of the Companies Act 1956, pursuant to the Companies (Amendment) Ordinance, 1998 and were granted registration as an NBFC, by the RBI on April 25, 2002. Further, we were classified as an IFC within the overall classification of an NBFC in 2010.

Our Company acquired 33.33% of the equity share capital of SSKI in terms of a share purchase agreement dated September 25, 2006. Our Company further acquired 33.34% of the equity share capital of SSKI in terms of an option and advance agreement dated March 13, 2007. Thereafter, our Company further acquired 13.33% of the equity share capital of the SSKI in terms of various purchase cum advance agreements during December, 2007 along with eligible employees. In terms of an agreement dated June 8, 2009, our Company purchased the remaining 20% the equity share capital of SSKI, thereby making SSKI a wholly owned subsidiary of our Company. Subsequently, SSKI was renamed as IDFC Securities Limited. For details, see "**- Our Subsidiaries**" on page 156.

In terms of an agreement dated March 7, 2008 between our Company and Standard Chartered PLC, our Company acquired the entire equity share capital of Standard Chartered Asset Management Company Private Limited and Standard Chartered Trustee Company Private Limited, for an aggregate consideration of approximately ₹ 833.99 crore. These companies represented the mutual fund business of Standard Chartered PLC in India and were subsequently renamed as IDFC Asset Management Company Limited and IDFC AMCTC, respectively. For details, see "**- Our Subsidiaries**" on page 156.

As on the date of this Placement Document, our Company has 20 Subsidiaries, including step down subsidiaries, none of which are listed on any stock exchange in India or overseas. Our Subsidiaries have not been declared as sick companies under the Sick Industrial Companies (Special Provisions) Act, 1985. Further, no applications have been made in respect of our Subsidiaries to the relevant registrar of companies for striking off their names and no proceedings have been initiated in respect of their winding up.

Main Objects

Our Company's main objects as contained in our Memorandum of Association are:

1. To carry on the business of acting as a specialised financial institution for the purpose of developing and provision of wide range of financial products and services for the purpose of and in relation to the

development and establishment of infrastructure projects and facilities in India, including without limitation provision of various kinds of guarantees and various kinds of credit enhancement and refinancing assurance including market making or provision of liquidity support of various kinds, development, encouragement and participation in securities market for infrastructure financing, development and implementation of various opportunities and schemes for domestic savers to participate in infrastructure development, mobilising capital from domestic and foreign investors including insurance and pension funds and from other financial investors and the management thereof.

2. To carry on the business of arranging or providing financial assistance independently or in association with any person, Government or any other agencies, whether incorporated or not, in the form of lending or advancing money by way of a loan (including long-term loan), working capital finance, overdraft, cash credit, refinance or in any other form, whether with or without security to institutions, banks, bodies corporate (whether or not incorporated), firms, associations authorities, bodies, trusts, agencies, societies or any other person or persons engaged in or in connection with either directly or indirectly and whether wholly or in part, for the purposes of infrastructure development work or providing infrastructure facility or engaged in infrastructure activities, which shall include work or facility or providing of services in relation to or in connection with setting up, development, construction, operation, maintenance, modernisation, expansion and improvement of any infrastructure project or facility including roads, highways, railways, airways, waterways, ports, transport systems, bridges, tele-communication and other communication systems, systems for generation or storage or transmission or distribution of power, irrigation and irrigation systems, sewerage, watersupply, sanitation, health, tourism, education, oil & gas (excluding exploration), food and agriculture infrastructure and setting up of industrial areas.
3. To carry on the business of providing, whether in India or abroad, guarantees and counter guarantees, letters of credit, indemnities and other form of credit enhancements to companies engaged in development or financing of infrastructure work or activity, whether by way of personal covenant or by mortgaging or charging all or any part of the undertaking, property or assets of the company, both present and future, wheresoever situate or in any other manner and in particular to guarantee the payment of any principal moneys, interests or other moneys secured by or payable under contracts, obligations, debentures, bonds, debenture stocks, mortgages, charges, repayment of capital moneys and the payments of dividends in respect of stocks and shares or the performance of any other obligations by such companies.
4. To mobilise capital from financial investors and to manage the investment of such funds in infrastructure projects.
5. To carry on the business of negotiating loans and advances of all nature, to formulate schemes for the purpose of mobilisation of resources and extension of credit for infrastructure development projects and to act as underwriters to the issue of stocks, shares, bonds, debentures and security of every description of companies engaged wholly or in part in the development or financing of infrastructure development work or activity.
6. To promote the development of primary and secondary market for shares and securities of various kinds including equity, debt, quasi equity, subordinated debt, derivatives and such other securities as may be permissible, issued by companies engaged in infrastructure development work or projects and to provide assistance in placement of shares and securities by such companies with foreign and local investors, to subscribe to the shares and securities being issued by them and to generally do all activities and enter into all kinds of financial arrangements so as to enable mobilising of funds by such companies and ensuring liquidity for the investors investing in shares and securities issued by such companies.
7. To carry on all or any of the business of producers, manufacturers, generators, suppliers, distributors, transformers, converters, transmitters, processors, developers, stores, procurers, carriers and dealers in electricity, all forms of energy and any such product and by-products derived from such business including without limitation, steam, fuels, ash, conversion of ash into bricks and any product derived from or connected with any other form of energy, including, without limitation to conventional sources such as heat, thermal, hydel and/or from non-convention sources such as tidal wave, wind, solar, geothermal, biological, biogas and CBM or any of the business of purchasers, creators, generators, manufacturers, producers, procurers, suppliers, distributors, converters, processors, developers, storer, carries and dealers in, design or otherwise acquire to use, sell or transfer or otherwise dispose of electricity, steam, oil, gas, hydro or tidal, water, wind, solar, hydrocarbon fuels, fuel handling equipments

and machinery and fuel handling facilities thereto and any products or by-products derived from any such business (including without limitation, distillate fuel oil and natural gas whether in liquefied or vaporized form), or other energy of every kind and description and stoves, cookers, heaters, geysers, biogas, plants, gas and steam turbines, boilers, generators, alternators, diesel generating sets and other energy devices and appliances of every kind and description.

8. To provide, develop, own, maintain, operate, instruct, execute, carry out, improve, construct, repair, work, administer, manage, control, transfer on a Build, Operate and Transfer (BOT), or Build Own, Operate and Transfer (BOOT) or Build, Operate, Lease and Transfer (BOLT) basis or Otherwise, make tenders, apply or bid for, acquire, transfer to operating companies in the infrastructure sector, any Infrastructure facilities in India or abroad, including but not limited to power, roads, bridges, airports, ports, waterways, rail system, highway projects, water supply projects, pipelines, sanitation and sewerage systems, telecommunication facilities, IT parks, urban infrastructure, housing projects, industrial parks, commercial real estate projects, tourism, healthcare, education, oil and gas, retail logistics, Special Economic Zone (SEZ), mining, warehouses, factories, godowns, water treatment systems, solid waste management systems, steel, cement, other works or convenience of public or private utility involving public or private financial participation, either directly or through any subsidiary or group Company, and to carry out the business on contractual basis, assign, convey, transfer, lease, auction, sell, the right to collect any rent, toll, compensation, charges or either income from infrastructure projects undertaken by the Company either individually or as joint venture, with any other Company / firm / individual / consultant, whether in India or abroad.
9. To carry on the business of arranging or providing financial assistance independently or in association with any person in India or abroad, Government or any other agencies, whether incorporated or not, in the form of lending or advancing money by way of a loan (including long term loan), working capital finance, overdraft, cash credit, refinancing, equity or quasi-equity financing or in any other form, whether with or without security to institutions, banks, bodies corporate (whether or not incorporated), firms, associations, authorities, bodies, trusts, agencies, societies or any other person or persons, engaged in the business of infrastructure of any nature or kind whatsoever, including those referred to in the main Object Clause, retail business, media and entertainment business, equipment manufacturer of any kind, exploration of oil and gas, steel, cement, mining activities and in search, production, refining, processing etc. of coal, tin, ore, oil or other minerals, ferrous and non ferrous or their products, co-products, by-products, alloy and derivatives thereof.
10. To carry on the business of arranging or providing financial assistance independently or in association with any person, Government or any other agencies in India or abroad, whether incorporated or not, in the form of lending or advancing money by way of a loan (including long term loan), working capital finance, overdraft, cash credit, refinancing, equity or quasi-equity financing or in any other form, whether with or without Security to institutions, banks, bodies corporate (whether, or not incorporated), firms, associations, authorities, bodies, trusts, agencies, societies or any other person or persons, engaged in the business of retail logistics, SEZ, media, broadcasting, telecasting, relaying, transmitting or distributing in any manner, any audio, video or other programmes or software, communication and dubbing, recording, selling the same in, any form.
11. To act, whether in India or abroad, as Asset Management Company and / or Trustees for any of investment, funds, mutual funds and for that purpose to set up, promote, sponsor, settle and execute trusts, devise and manage various schemes for raising funds in any manner from persons, bodies corporate, Trusts, Societies, Association of persons and to deploy, whether in India or abroad, funds raised and earn reasonable returns on their investments and to deal with, engage in and carry out all other functions, incidental thereto, and such other activities as may be approved by the Securities and Exchange Board of India and / or other regulatory authorities and to undertake and carry on the functions, duties, activities and business of Asset Management Company and / or Trustees and to undertake and execute trusts of all kinds; whether public or private, including declaring the Company itself as an Asset Management Company and / or Trustees in India or abroad and to carry out business of formulating, marketing, rising funds, plans and schemes, including mutual funds schemes, and to arrange for the sale, redemption, cancellation, revocation of the units and to distribute the proceeds thereof among the other unit holders or investors, beneficiaries or all persons entitled to the same periodically or otherwise in furtherance of any trust directions, discretion or other obligation or permission and generally to carry on what is usually known as trustee business and in particular and without limiting the generality of above, to act as Trustees.

12. To carry on the business of finance and investment broking, underwriting, sub-underwriting and as consultants for and to purchase, acquire, hold, sell, buy, invest, trade, exchange, deal, barter, borrow, lend, guarantee, give comfort for pledge, hypothecate, charge and deal in investment instrument of all kinds and types whether securities or not, including shares, stocks, debentures, bonds, cumulative convertible preference shares, certificates of deposits, commercial papers, participation certificates, other securities by original subscription, coupons, warrants options and such other derivatives, and other mutual funds or any other securities issued by the Companies, Governments, Corporations, Co-operatives, Firms, Trusts, Societies, Authorities, whether situated in India or abroad, and to carry on financial operations of all kinds including credit rating, bought-out deals, placement of shares, hedging. Also, to carry on the business of portfolio management Services, Merchant Bankers and Advisors on all aspects of Corporate Financial and Commercial matters, whether, in India or abroad.

Additionally, the 'Objects Incidental and Ancillary to the Attainment of the Main Objects' of our Company's Memorandum of Association were amended pursuant to our shareholders' resolution dated July 29, 2014 and additional clauses were inserted with the intention of establishing the Proposed IDFC Bank and complying with the requirements under the RBI New Banks Licensing Guidelines, as set forth below:

- 29A. To promote one or more company(ies) directly or through its subsidiaries, from time to time, which can engage in all the activities related to Banking Business pursuant to the Guidelines for Licensing of New Banks in the Private Sector issued by the Reserve Bank of India (RBI) on February 22, 2013 and in accordance with such other applicable Acts/Guidelines/Directions as prescribed by the RBI and / or any other statutory/regulatory authorities, from time to time.
31. To amalgamate or merge with, or absorb or takeover any company or companies or any body corporate, whether or not having similar objects with the Company, or to sell, exchange, lease, underlease, surrender, abandon, amalgamate, merge, demerge, slump-sale, sub-divide, mortgage or otherwise deal with either absolutely, conditionally or for any limited interest, all or any part of the undertaking(s), property rights or privileges of the Company, as a going concern or otherwise, to/with any public body, corporation, company, society or association, or to any person or persons, whether or not having similar objects as of this Company, for such consideration as the Company may think fit, and in particular for any stock, shares (whether wholly or partly paid), debentures, debenture-stock, securities or property of any other company and to do all such incidental acts, deeds and things as may be necessary to give effect to the amalgamation, merger, absorption, acquisition, takeover, demerger, slump-sale or any other arrangement, as the case may be.

Shareholding Pattern

Shareholding pattern of our Company, as on August 29, 2014, is set forth below:

CATEG ORY CODE	CATEGORY OF SHAREHOLDER	NO OF SHAREHOLDERS	TOTAL NUMBER OF SHARES (PRE- ISSUE)	NO OF SHARES HELD IN DEMATERIA LIZED FORM	TOTAL NUMBER OF SHARES (POST- ISSUE)	TOTAL SHAREHOLDING AS A % OF TOTAL NO OF SHARES		SHARES PLEDGE OR OTHERWISE ENCUMBERED
						PRE- ISSUE	POST- ISSUE	
(I)	(II)	(III)	(IV)	(V)		AS A PERCENT AGE OF (A+B+C)	AS A PERCENT AGE OF (A+B+C)	NUMBER OF SHARES (VIII)
(A)	PROMOTER AND PROMOTER GROUP							
(1)	INDIAN							
(a)	Individual /HUF	-	-	-	-	-	-	-
(b)	Central Government/State Government(s)	-	-	-	-	-	-	-

CATEG ORY CODE	CATEGORY OF SHAREHOLDER	NO OF SHAREHO LDERS	TOTAL NUMBER OF SHARES (PRE- ISSUE)	NO OF SHARES HELD IN DEMATERIA LIZED FORM	TOTAL NUMBER OF SHARES (POST- ISSUE)	TOTAL SHAREHOLDING AS A % OF TOTAL NO OF SHARES		SHARES PLEDGE OR OTHERWI SE ENCUMBE RED
						PRE- ISSUE	POST- ISSUE	NUMBER OF SHARES
						AS A PERCENT AGE OF (A+B+C)	AS A PERCENT AGE OF (A+B+C)	
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	
(c)	Bodies Corporate	-	-	-	-	-	-	-
(d)	Financial Institutions / Banks	-	-	-	-	-	-	-
(e)	Others	-	-	-	-	-	-	-
Sub-Total A(1) :		-	-	-	-	-	-	-
(2)	FOREIGN							
(a)	Individuals (NRIs/Foreign Individuals)	-	-	-	-	-	-	-
(b)	Bodies Corporate	-	-	-	-	-	-	-
(c)	Institutions	-	-	-	-	-	-	-
(d)	Qualified Foreign Investor	-	-	-	-	-	-	-
(e)	Others	-	-	-	-	-	-	-
Sub-Total A(2) :		-	-	-	-	-	-	-
Total A=A(1)+A(2)		-	-	-	-	-	-	-
(B)	PUBLIC SHAREHOLDING							
(1)	INSTITUTIONS							
(a)	Mutual Funds /UTI	164	8,38,92,371	8,38,92,371	14,04,69,01 5	5.53	8.84	
(b)	Financial Institutions /Banks	32	1,19,94,120	1,19,94,120	1,19,94,120	0.79	0.75	
(c)	Central Government / State Government(s)	1	26,14,00,00 0	26,14,00,00 0	26,14,00,00 0	17.23	16.44	
(d)	Venture Capital Funds	-	-	-	-	-	-	
(e)	Insurance Companies	37	11,15,83,46 6	11,15,83,46 6	12,80,06,82 2	7.36	7.02	
(f)	Foreign Institutional Investors	298	76,19,76,49 6	76,19,76,49 6	76,19,76,49 6	50.23	47.93	
(g)	Foreign Venture Capital Investors	-	-	-	-	-	-	
(h)	Qualified Foreign Investor	1	1,05,01,271	1,05,01,271	1,05,01,271	0.69	0.66	
(i)	Others	-	-	-	-	-	-	
Sub-Total B(1) :		533	1,24,13,47, 724	1,24,13,47,7 24	1,31,43,47,7 24	81.84	82.67	-
(2)	NON-INSTITUTIONS							
(a)	Bodies Corporate	3,183	9,85,38,754	9,85,38,754	9,85,38,754	6.50	6.20	-
(b)	Individuals							

CATEG ORY CODE	CATEGORY OF SHAREHOLDER	NO OF SHAREHO LDERS	TOTAL NUMBER OF SHARES (PRE- ISSUE)	NO OF SHARES HELD IN DEMATERIA LIZED FORM	TOTAL NUMBER OF SHARES (POST- ISSUE)	TOTAL SHAREHOLDING AS A % OF TOTAL NO OF SHARES		SHARES PLEDGE OR OTHERWI SE ENCUMBE RED
						PRE- ISSUE	POST- ISSUE	
						AS A PERCENT AGE OF (A+B+C)	AS A PERCENT AGE OF (A+B+C)	
(I)	(II)	(III)	(IV)	(V)		(VI)	(VII)	(VIII)
	(i) Individuals holding nominal share capital upto Rs.1 lakh	3,64,821	11,22,45,38 2	11,22,24,19 2	11,22,45,38 2	7.40	7.06	-
	(ii) Individuals holding nominal share capital in excess of Rs.1 lakh	1,053	4,49,74,951	4,49,74,951	4,49,74,951	2.97	2.83	-
(c)	Others							
	TRUSTS	49	33,21,533	33,21,533	33,21,533	0.22	0.21	-
	NON RESIDENT INDIANS	4,945	69,85,083	69,85,083	69,85,083	0.46	0.44	-
	CLEARING MEMBERS	410	94,26,553	94,26,553	94,26,553	0.62	0.59	-
(d)	Qualified Foreign Investor	-	-	-	-	-	-	-
	Sub-Total B(2) :	3,74,461	27,54,92,25 6	27,54,71,06 6	27,54,92,25 6	18.16	17.33	-
	Total B=B(1)+B(2):	3,74,994	1,51,68,39, 980	1,51,68,18,7 90	1,58,98,39,9 80	100.00	100.00	-
	Total (A+B):	3,74,994	1,51,68,39, 980	1,51,68,18,7 90	1,58,98,39,9 80	100.00	100.00	-
(C)	Shares held by custodians, against which Depository Receipts have been issued							
(1)	Promoter and Promoter Group							
(2)	Public	-	-	-	-	-	-	-
	GRAND TOTAL (A+B+C):	3,74,994	1,51,68,39, 980	1,51,68,18,7 90	1,58,98,39,9 80	100.00	100.00	-

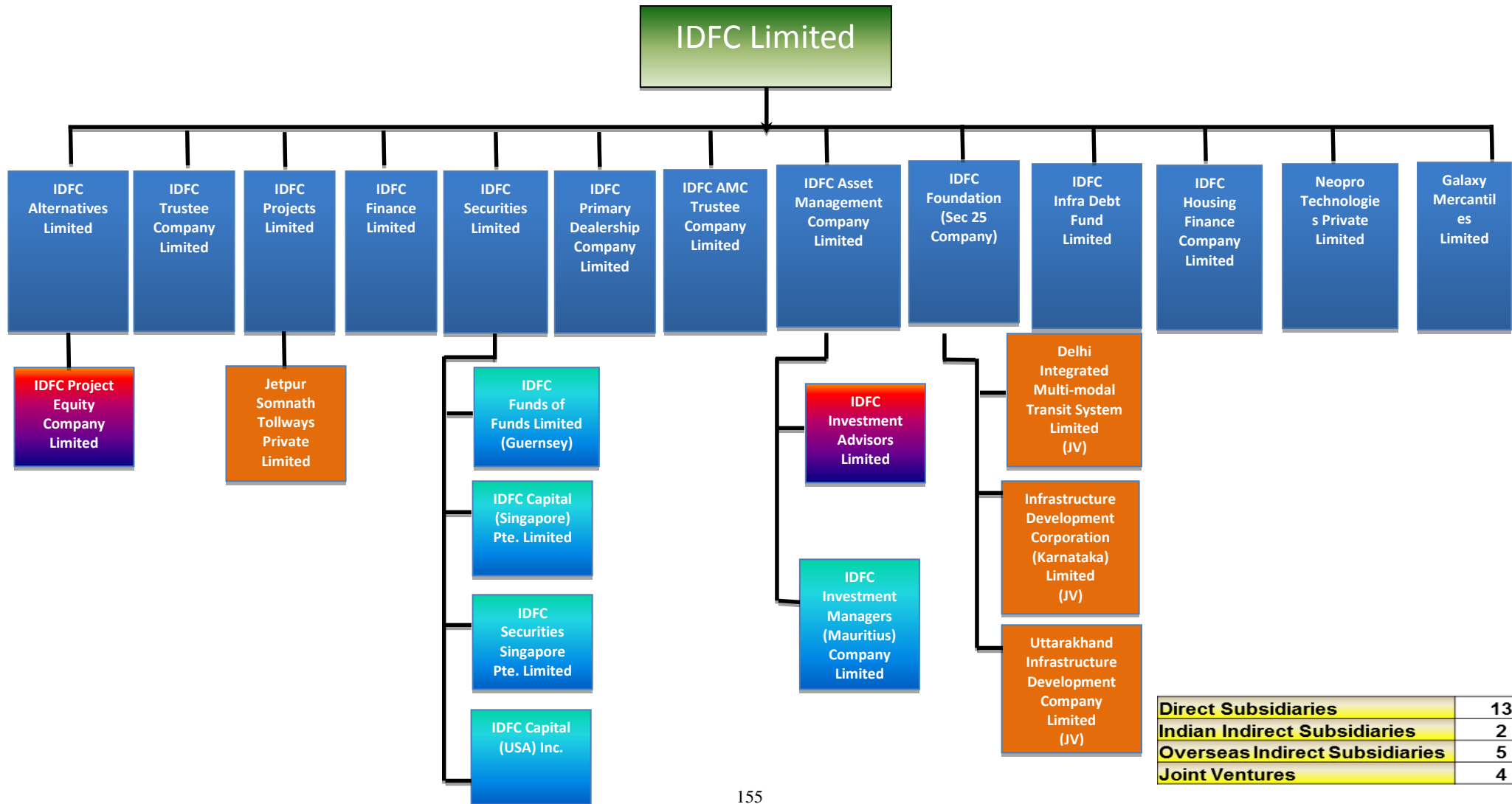
Set forth below is a statement showing public shareholders holding more than 1% of the pre-Issue share capital of our Company, as on August 1, 2014.

S. No.	Name of Shareholder	No. of Equity Shares	% of Equity Shareholding
1.	President of India	21,64,00,000	17.23
2.	Sipadan Investments (Mauritius) Limited	15,11,45,989	9.96
3.	National Westminster Bank Plc as Depository of First State Asia Pacific Leaders Fund A Sub Fund of First State Investments ICVC	5,08,21,584	3.35
4.	Actis Hawk Limited	3,70,91,569	2.45
5.	Life Insurance Corporation of India	3,68,39,201	2.43
6.	Orbis Sicav – Asia Ex-Japan Equity Fund	3,22,22,151	2.12
7.	Platinum Investment Management Limited A/C Platinumasia Fund	2,69,17,150	1.77
8.	HSBC Global Investment Funds A/C HSBC GIF Mauritius Limited	2,18,06,127	1.44
9.	LIC of India Market Plus 1 Growth Fund	2,04,31,453	1.35
10.	Orbis Global Equity Fund Limited	1,79,19,198	1.18
	Total	65,65,94,422	43.29

Our Company has issued 56,78,433 long term infrastructure bonds having a face value of ₹ 5,000 each, aggregating to ₹ 2,839.22 crore, which are outstanding as of June 30, 2014. Our debentures are listed on the BSE and the NSE.

As on the date of this Placement Document, there are no outstanding warrants, options or rights to convert debentures, loans or other instruments into the Equity Shares, except to the extent of any options granted to our employees under the ESOS and valid as on the date of this Placement Document.

STRUCTURE OF IDFC GROUP (as on March 31, 2014)



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Overseas Indirect Subsidiaries	5
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Our Subsidiaries

Brief details of our Subsidiaries are set forth below.

1. IDFC Alternatives

IDFC Alternatives was incorporated in India on November 7, 2002 as IDFC Asset Management Company Limited under the Companies Act 1956. Subsequently, its name was changed to IDFC Private Equity Company Limited and a fresh certificate of incorporation consequent upon change of name was issued on October 25, 2005. Further, the name was changed to IDFC Alternatives Limited and a fresh certificate of incorporation consequent upon change of name was issued on May 23, 2012. IDFC Alternatives is currently engaged in the business of providing investment management and advisory services. The authorised share capital of IDFC Alternatives is ₹ 5 crore divided into 50,00,000 equity shares of ₹ 10 each, and the paid up capital of IDFC Alternatives is ₹ 0.22 crore divided into 2,19,850 equity shares of ₹ 10 each. Our Company, together with its nominees, holds 2,19,850 equity shares in IDFC Alternatives, i.e., 100% of the issued and paid up equity share capital of IDFC Alternatives.

By a resolution dated June 3, 2014, our Board of Directors took note of the proposed merger of IDFC Project Equity Company, IDFC PDC and IDFC Housing Finance Company Limited into IDFC Alternatives. The objective of this proposed merger is the reorganisation and rationalisation of our corporate structure, which would provide more efficient utilisation of capital. Further, our Board of Directors took note of the proposed transfer of equity shareholding of IDFC Securities in IDFC Capital Singapore to IDFC Alternatives, subsequent to this proposed merger. For details on the business of IDFC Project Equity Company, IDFC PDC and IDFC Housing Finance Company Limited, see “ – *IDFC Project Equity Company*”, “ – *IDFC PDC*” and “ – *IDFC Housing Finance Company*” below.

2. IDFC Project Equity Company

IDFC Project Equity Company was incorporated in India on February 6, 2007 under the Companies Act 1956. IDFC Project Equity Company is currently engaged in the business of acting as an investment manager to the India Infrastructure Fund, a domestic venture capital fund registered with the SEBI. The authorised share capital of IDFC Project Equity Company is ₹ 10 crore divided into 1,00,00,000 equity shares of ₹ 10 each, and the paid up capital of IDFC Project Equity Company is ₹ 0.05 crore divided into 50,000 equity shares of ₹ 10 each. IDFC Alternatives, together with its nominees, holds 50,000 equity shares in IDFC Project Equity Company, i.e., 100% of the issued and paid up equity share capital of IDFC Project Equity Company.

3. IDFC Trustee Company Limited (“IDFC Trustee”)

IDFC Trustee was incorporated in India on October 11, 2002 under the Companies Act 1956. IDFC Trustee is currently engaged in the business of acting as a trustee for investment funds. The authorised share capital of IDFC Trustee is ₹ 0.10 crore divided into 1,00,000 equity shares of ₹ 10 each, and the paid up capital of IDFC Trustee is ₹ 0.05 crore divided into 50,000 equity shares of ₹ 10 each. Our Company, together with its nominees, holds 50,000 equity shares in IDFC Trustee, i.e., 100% of the issued and paid up equity share capital of IDFC Trustee.

4. IDFC Securities

IDFC Securities was incorporated in India on May 7, 1993 as S.S. Kantilal Ishwarlal Sharebrokers and Investors Private Limited under the Companies Act 1956. Subsequent to our Company acquiring its equity share capital, its name was changed to IDFC Securities Limited and a fresh certificate of incorporation consequent upon change of name was issued on March 12, 2010. IDFC Securities is currently engaged in the business of institutional equity broking. The authorised share capital of IDFC Securities is ₹ 52 crore divided into 5,20,00,000 equity shares of ₹ 10 each, and the paid up capital of IDFC Securities is ₹ 14.14 crore divided into 1,41,37,200 equity shares of ₹ 10 each. Our Company, together with its nominees, holds 1,41,37,200 equity shares in IDFC Securities, i.e., 100% of the issued and paid up equity share capital of IDFC Securities. Pursuant to a sanction dated March 28, 2014, issued by the Bombay High Court, a scheme of amalgamation was effected, whereby IDFC Capital Limited, IDFC Distribution Company Limited and IDFC Pension Fund Management Company Limited were merged into IDFC Securities. The appointed dated under such scheme of amalgamation was November 1, 2013.

5. IDFC FF

IDFC FF was incorporated in Guernsey on June 26, 2009 under the Companies (Guernsey) Law 2008. IDFC FF is currently engaged in the business of investing into Emerging Markets Private Equity Fund L.P., a limited partnership registered in Guernsey. The authorised share capital of IDFC FF is not limited and the paid up capital of IDFC FF is US\$ 2.33 crore divided into 2,32,98,763 equity shares of US\$ 1 each. IDFC Securities, together with its nominees, holds 2,32,98,763 equity shares in IDFC FF, i.e., 100% of the issued and paid up equity share capital of IDFC FF.

6. IDFC Capital Singapore

IDFC Capital Singapore was incorporated in Singapore on January 2, 2008 under the Companies Act (Cap. 50). IDFC Capital Singapore is currently engaged in the business of establishing funds, acting as advisor and manager of funds and providing advice in relation to setting up of funds. The issued and paid up capital of IDFC Capital Singapore is US\$ 1.32 crore (SGD 1.74 crore) divided into 1,74,75,000 ordinary shares having no par value and carrying one vote per share and carry a right to dividends as and when declared by IDFC Capital Singapore. IDFC Securities, together with its nominees, holds 1,74,75,000 ordinary shares in IDFC Capital Singapore, i.e., 100% of the issued and paid up equity share capital of IDFC Capital Singapore.

7. IDFC Securities Singapore

IDFC Securities Singapore was incorporated in Singapore on November 21, 2012 under the Companies Act (Cap 50). IDFC Securities Singapore is currently engaged in the business of providing corporate finance advisory services. Further, IDFC Securities Singapore made an application dated July 29, 2013 to the Monetary Authority of Singapore, Singapore for grant of a capital market services license for dealing in securities. The issued and paid up capital of IDFC Securities Singapore is US\$ 0.06 crore (SGD 0.08 crore) divided into 8,00,001 ordinary shares having no par value and carrying one vote per share and carry a right to dividends as and when declared by IDFC Securities Singapore. IDFC Securities, together with its nominees, holds 8,00,001 ordinary shares in IDFC Securities Singapore, i.e., 100% of the issued and paid up equity share capital of IDFC Securities Singapore.

8. IDFC USA

IDFC USA was incorporated in USA on August 3, 2009 under the Business Corporation Law of New York, United States of America. IDFC USA is currently engaged in the business of distributing research and market commentary and brokering transactions in Indian equities for institutional clients in the United States. The authorised share capital of IDFC USA is 10,00,00,000 equity shares (common stock) of US\$ 0.01 each, and the paid up capital of IDFC USA is US\$ 0.10 crore divided into 10,00,00,000 equity shares of US\$ 0.01 each. IDFC Securities, together with its nominees, holds 10,00,00,000 equity shares in IDFC USA, i.e., 100% of the issued and paid up equity share capital of IDFC USA.

9. IDFC AMC

IDFC AMC was incorporated in India on December 20, 1999 as ANZ Grindlays Asset Management Company Private Limited under the Companies Act 1956. Subsequently, its name was changed to IDFC Asset Management Company Limited and a fresh certificate of incorporation consequent upon change of name was issued on June 23, 2009. IDFC AMC is currently engaged in the business of providing asset management services to IDFC mutual fund. The authorised share capital of IDFC AMC is ₹ 25 crore divided into 2,50,00,000 equity shares of ₹ 10 each, and the paid up capital of IDFC AMC is ₹ 2.68 crore divided into 26,79,045 equity shares of ₹ 10 each. Our Company, together with its nominees, holds 20,09,283 equity shares in IDFC AMC, i.e., 75% of the issued and paid up equity share capital of IDFC AMC and 25% of the share capital is held by Natixis Global Asset Management Asia Pte. Limited.

10. IDFC AMCTC

IDFC AMCTC was incorporated in India on December 20, 1999 as ANZ Grindlays Trustee Company Private Limited under the Companies Act 1956. Subsequently, its name was changed to IDFC AMC Trustee Company Limited and a fresh certificate of incorporation consequent upon change of name was issued on June 23, 2009. IDFC AMCTC is currently engaged in the business of acting as trustee to the IDFC Mutual Fund. The authorised share capital of IDFC AMCTC is ₹ 0.05 crore divided into 50,000 equity shares of ₹ 10 each, and the

paid up capital of IDFC AMCTC is ₹ 0.05 crore divided into 50,000 equity shares of ₹ 10 each. Our Company, together with its nominees (employees), holds 37,499 equity shares in IDFC AMCTC, i.e., 75% of the issued and paid up equity share capital of IDFC AMCTC and 25% of the share capital is held by Natixis Global Asset Management Asia Pte. Limited.

11. IDFC Investment Advisors Limited (“IDFC IA”)

IDFC IA was incorporated in India on April 3, 2006 under the Companies Act 1956. IDFC IA is currently engaged in the business of providing portfolio management. The authorised share capital of IDFC IA is ₹ 10 crore divided into 1,00,00,000 equity shares of ₹ 10 each, and the paid up capital of IDFC IA is ₹ 10 crore divided into 1,00,00,000 equity shares of ₹ 10 each. IDFC AMC, together with its nominees, holds 1,00,00,000 equity shares in IDFC IA, i.e., 100% of the issued and paid up equity share capital of IDFC IA.

12. IDFC Investment Managers (Mauritius) Limited (“IDFC IMM”)

IDFC IMM was incorporated in the Republic of Mauritius on September 13, 2010 under the Companies Act 15 of 2001. IDFC IMM is currently engaged in the business of a category I Global Business License Company and was engaged in investment management services to India Infrastructure Opportunities Fund Limited and the India Hybrid Infrastructure Fund Limited. The authorised share capital of IDFC IMM is not limited, and the paid up capital of IDFC IMM is US\$ 1,57,290 divided into 1,57,290 equity shares of US\$ 1 each. IDFC AMC, together with its nominees, holds 1,57,290 equity shares in IDFC IMM, i.e., 100% of the issued and paid up equity share capital of IDFC IMM.

13. IDFC Projects Limited (“IDFC Projects”)

IDFC Projects was incorporated in India on December 11, 2007 under the Companies Act 1956. IDFC Projects is currently engaged in the business of designing, constructing, developing, operating and maintaining infrastructure projects. The authorised share capital of IDFC Projects is ₹ 100 crore divided into 10,00,00,000 equity shares of ₹ 10 each, and the paid up capital of IDFC Projects is ₹ 34.05 crore divided into 3,40,50,000 equity shares of ₹ 10 each. Our Company, together with its nominees, holds 3,40,50,000 equity shares in IDFC Projects, i.e., 100% of the issued and paid up equity share capital of IDFC Projects.

14. IDFC Finance Limited (“IDFC Finance”)

IDFC Finance was incorporated in India on April 18, 2000 as Feedback First Urban Infrastructure Development Company Private Limited under the Companies Act 1956. Subsequently, its name was changed to IDFC Finance Limited and a fresh certificate of incorporation was issued on September 4, 2008. IDFC Finance is an NBFC, registered with the RBI. The authorised share capital of IDFC Finance is ₹ 40 crore divided into 4,00,00,000 equity shares of ₹ 10 each, and its issued capital is ₹ 27 crore divided into 2,70,00,400 equity shares of ₹ 10 each. The paid up capital of IDFC Finance is ₹ 21 crore divided into 2,10,00,200 equity shares of ₹ 10 each. Our Company, together with its nominees, holds 2,10,00,200 equity shares in IDFC Finance, i.e., 100% of the paid up equity share capital of IDFC Finance.

15. IDFC PDC

IDFC PDC was incorporated in India on March 17, 2012 under the Companies Act 1956. IDFC PDC is currently registered as a systemically important NBFC with the RBI. However, IDFC PDC has made an application dated June 25, 2014 to the RBI for surrender of its registration as an NBFC. The authorised share capital of IDFC PDC is ₹ 200 crore divided into 20,00,00,000 equity shares of ₹ 10 each, and the paid up capital of IDFC PDC is ₹ 200 crore divided into 20,00,00,000 equity shares of ₹ 10 each. Our Company, through IDFC Alternatives and its nominees, holds 20,00,00,000 equity shares in IDFC PDC, i.e., 100% of the issued and paid up equity share capital of IDFC PDC.

16. IDFC Foundation

IDFC Foundation was incorporated in India on March 4, 2011 under Section 25 of the Companies Act 1956. IDFC Foundation is currently engaged in contributing to the development of infrastructure through engagement in policy research and advocacy, programme support and capacity building for government departments and agencies and in developing social infrastructure. The authorised share capital of IDFC Foundation is ₹ 20 crore divided into 2,00,00,000 equity shares of ₹ 10 each, and the paid up capital of IDFC Foundation is ₹ 13 crore

divided into 1,30,00,000 equity shares of ₹ 10 each. Our Company, together with its nominees, holds 1,30,00,000 equity shares in IDFC Foundation, i.e., 100% of the issued and paid up equity share capital of IDFC Foundation.

17. IDFC Housing Finance Company Limited (“IDFC HF”)

IDFC HF was incorporated in India on March 4, 2014 under the Companies Act 1956. IDFC HF is authorized to carry on the business of providing finance, enabling the borrower to construct or purchase residential or commercial property, and accordingly has applied for a certificate of registration to the National Housing Bank on March 20, 2014. However, it was felt that the said business can be carried out under the proposed banking business and accordingly, an application for withdrawal of registration was sent to National Housing Bank. It is now proposed to be merged with IDFC Alternatives. The authorised share capital of IDFC HF is ₹ 12 crore divided into 1,20,00,000 equity shares of ₹ 10 each, and the paid up capital of IDFC HF is ₹ 12 crore divided into 1,20,00,000 equity shares of ₹ 10 each. IDFC Alternatives and its nominees, holds 1,20,00,000 equity shares in IDFC HF, i.e., 100% of the issued and paid up equity share capital of IDFC HF.

18. IDFC IDF

IDFC IDF was incorporated in India on March 7, 2014 under the Companies Act 1956. IDFC IDF is authorized to carry on the business of specialized financial institution classified as an IDF by the RBI, and accordingly, it has made an application (No. 2394) to the RBI for grant of an NBFC license on March 27, 2014. The authorised share capital of IDFC IDF is ₹ 500 crore divided into 50,00,00,000 equity shares of ₹ 10 each, and the paid up capital of IDFC IDF is ₹ 310 crore divided into 31,00,00,000 equity shares of ₹ 10 each. Our Company, together with its nominees, holds 15,20,00,000 equity shares in IDFC IDF, i.e., 49.03% of the issued and paid up equity share capital of IDFC IDF. IDFC Alternatives holds 14,30,00,000 equity shares of IDFC IDF, i.e., 46.13% and IDFC Finance holds 1,50,00,000 equity shares of IDFC IDF, i.e., 4.84% of the issued and paid share capital of IDFC IDF.

19. Neopro

Neopro was incorporated in India on January 5, 1999 as Waterfront Technologies Private Limited under the Companies Act 1956. Subsequently, its name was changed to Neopro Technologies Private Limited and fresh certificate of incorporation was issued on February 22, 2002. Neopro is currently engaged in the business of leasing of developed property including commercial premises under special economic zones for provision of information technology and information technology enabled services. The authorised share capital of Neopro is ₹ 0.90 crore divided into ₹ 0.86 crore divided into 8,57,900 ordinary equity shares of ₹ 10 each, ₹ 1,000 divided into 100 class B equity shares of ₹ 10 each, and ₹ 0.04 crore divided into 42,000 preference shares of ₹ 10 each. The paid up capital of Neopro is ₹ 0.47 crore divided into 4,29,458 equity shares of ₹ 10 each, 10 equity shares of ₹ 10 each and 42,000 preference shares of ₹ 10 each. Our Company, together with its nominees, holds 3,45,465 paid up equity shares, i.e. 80% of the issued and paid up equity share capital of Neopro and 20% of the equity share capital is held by Paranjpe Schemes (Constructions) Limited. Further, our Company holds 10 class B equity shares, i.e., 100% of the issued and paid up class B equity share capital of Neopro and 42,000 redeemable preference shares in Neopro, i.e. 100% of its issued and paid up preference share capital. We have entered into a memorandum of understanding for disposal of our equity shareholding in Neopro.

20. GML

GML was incorporated in India on June 2, 1980 as Galaxy Properties Private Limited under the Companies Act 1956. Subsequently, its name was changed to Galaxy Mercantiles Limited and a fresh certificate of incorporation was issued on October 3, 1986. GML is currently engaged in the business of leasing of commercial office space. The authorised share capital of GML is ₹ 100 crore divided into 2,00,000 class A equity shares of ₹ 100 each, 100 class B equity shares of ₹ 100 each, 100 class C equity shares of ₹ 100 each, 11,06,200 series A preference shares of ₹ 100 each, 70,94,934 series B preference shares of ₹ 100 each, 3,10,900 series C preference shares of ₹ 100 each and 12,87,966 series D preference shares of ₹ 100 each. The paid up equity share capital of GML is ₹ 74.02 crore divided into 84,472 class A equity shares of ₹ 100 each, 100 class B equity shares of ₹ 100 each and 100 class C equity shares of ₹ 100 each, 61,40,681 series B preference shares of ₹ 100 each, 1,77,222 series C preference shares of ₹ 100 each and 9,99,426 series D preference share of ₹ 100 each. Our Company, together with its nominees, holds 84,672 equity shares and 73,17,329 preference shares in GML, i.e., 100% of the issued and paid up equity share capital and preference share capital of GML. We have entered into a memorandum of understanding for disposal of our equity

shareholding in GML.

Our Joint Ventures

Our Subsidiary, IDFC Foundation has entered into three joint venture arrangements, pursuant to which the joint venture companies, namely, Delhi Integrated Multi-Modal Transit System Limited, Infrastructure Development Corporation (Karnataka) Limited and Uttarakhand Infrastructure Development Company Limited, have been incorporated, none of which are listed on any stock exchange in India or overseas. IDFC Foundation holds 50%, 49.50% and 49.90% in these companies, respectively.

Entities in which our Company has substantial investment

Our Company presently owns 24.61% of the equity share capital of Feedback Infra Private Limited (formerly known as Feedback Infrastructure Services Private Limited).

Additionally, our Subsidiary, IDFC Projects, holds 26% of the equity share capital of Jetpur Somnath Tollways Private Limited.

Our Company has acquired 30.05% of the equity share capital in Millennium City Expressways Private Limited. Further, our Company has acquired equity share capital in the following companies:

- Unitech RealtyProjects Limited – 40%;
- Unitech Developers and Projects Limited – 40%;
- Seaview Developers Limited – 40%; and
- Unitech Hi-Tech Structure Limited – 36%.

Other Material Agreements

Our Company has not entered into any material contract, not being a contract entered into in the ordinary course of business carried on or intended to be carried on by our Company or a contract entered into more than two years before the date of this Placement Document.

PRINCIPAL SHAREHOLDERS

Our Company does not have an identifiable promoter or any principal shareholder.

ISSUE PROCEDURE

The following is a summary intended to present a general outline of the procedure relating to the application, payment, Allocation and Allotment of the Equity Shares to be issued pursuant to the Issue. The procedure followed in the Issue may differ from the one mentioned below, and investors are presumed to have apprised themselves of the same from our Company or the Book Running Lead Managers. Investors are advised to inform themselves of any restrictions or limitations that may be applicable to them. Also see “Selling Restrictions” and “Transfer Restrictions” on pages 172 and 173, respectively.

Our Company and the Book Running Lead Managers are not liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Placement Document. Eligible QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply. Eligible QIBs are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Placement Document. Further, Eligible QIBs are required to satisfy themselves that their Application Forms would not result in triggering an open offer under the Takeover Regulations.

Qualified Institutions Placement

This Issue is being made only to Eligible QIBs and the Equity Shares in this Issue will not in any circumstance be offered to persons in any jurisdiction outside India. This Placement Document has not been, and will not be, registered as a prospectus with the RoC and, no Equity Shares will be offered overseas or to the public in India or any other class of investors, other than Eligible QIBs.

The Issue is being made to Eligible QIBs in reliance upon Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act 2013, through the mechanism of a QIP. Under Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act 2013, our Company, being a listed company in India, may issue equity shares to Eligible QIBs provided that:

- the shareholders of our Company have adopted a special resolution approving the QIP. Such special resolution must specify (a) that the allotment of the Equity Shares is proposed to be made pursuant to the QIP; and (b) the Relevant Date;
- the explanatory statement to the notice to the shareholders for convening the general meeting must disclose the basis or justification for the price (including premium, if any) at which the offer or invitation is being made;
- equity shares of the same class of our Company, which are proposed to be allotted through the QIP, are listed on the Stock Exchanges that have nation-wide trading terminals for a period of at least one year prior to the date of issuance of notice to our shareholders for convening the meeting to pass the above-mentioned special resolution;
- the offer must be made through a private placement offer letter and an application form serially numbered and addressed specifically to the Eligible QIB to whom the offer is made and is sent within 30 days of recording the names of such Eligible QIBs;
- the aggregate of the proposed issue and all previous QIPs made by our Company in the same financial year does not exceed five times the net worth (as defined in the SEBI ICDR Regulations) of our Company as per the audited balance sheet of the previous financial year;
- our Company shall have completed allotments with respect to any offer or invitation made earlier by our Company or has withdrawn or abandoned any such invitation or offer made by it;
- the offer must not be to more than 200 persons in a financial year. However, an offer to Eligible QIBs will not be subject to this limit of 200 persons. Prior to circulating the private placement offer letter, our Company must prepare and record a list of Eligible QIBs to whom the offer will be made. The offer must be made only to such persons whose names are recorded by our Company prior to the invitation to subscribe;
- our Company shall offer to each Allottee such number of the securities in the issue which would

aggregate to at least ₹ 20,000 calculated at the face value of the securities;

- our Company complies with the minimum public shareholding requirements set out in the Securities Contracts (Regulation) Rules, 1957; and
- the offering of securities by issue of public advertisements or utilisation of any media, marketing or distribution channels or agents to inform the public about the issue is prohibited.

At least 10% of the equity shares issued to Eligible QIBs must be allotted to Mutual Funds, provided that, if this portion or any part thereof to be allotted to Mutual Funds remains unsubscribed, it may be allotted to other Eligible QIBs.

Eligible QIBs are not allowed to withdraw their Bids after the Issue Closing Date.

Additionally, there is a minimum pricing requirement under the SEBI ICDR Regulations. The Issue Price shall not be less than the average of the weekly high and low of the closing prices of the Equity Shares quoted on the stock exchange during the two weeks preceding the Relevant Date. Further, pursuant to a resolution of the shareholders dated July 29, 2014, our Company was eligible to offer a discount of not more than 5% as may be decided by our Board of Directors on the Floor Price in terms of Regulation 85 of the SEBI ICDR Regulations.

The “Relevant Date” referred to above means the date of the meeting in which our Board of Directors decides to open the Issue and “stock exchange” means any of the recognised stock exchanges in India on which the Equity Shares of the same class are listed and on which the highest trading volume in such shares has been recorded during the two weeks immediately preceding the Relevant Date.

The Equity Shares will be Allotted within 12 months from the date of the shareholders’ resolution approving the QIP and within 60 days from the date of receipt of subscription money from the Eligible QIBs. For details of refund of application money, see the section “– *Pricing and Allocation – Designated Date and Allotment of Equity Shares*” below.

The Equity Shares issued pursuant to the QIP must be issued on the basis of the Preliminary Placement Document and this Placement Document shall contain all material information required under applicable law. The Preliminary Placement Document and this Placement Document are private documents and will be provided to only select investors through serially numbered copies and are required to be placed on the website of the Stock Exchanges and of our Company with a disclaimer to the effect that it is in connection with an issue to Eligible QIBs and no offer is being made to the public or to any other category of investors.

The minimum number of allottees for each QIP shall not be less than:

- two, where the issue size is less than or equal to ₹ 250 crore; and
- five, where the issue size is greater than ₹ 250 crore.

No single Allottee shall be allotted more than 50 % of the Issue size. Eligible QIBs that belong to the same group or that are under common control shall be deemed to be a single Allottee. For details of what constitutes “same group” or “common control”, see “–*Application Process—Application Form*” below.

Equity Shares being Allotted pursuant to the Issue shall not be sold for a period of one year from the date of Allotment, except on the floor of the Stock Exchanges.

The Equity Shares offered hereby have not been and will not be registered under the U.S. Securities Act and will not be offered or sold within the United States or any other jurisdiction, other than India. For a description of certain restrictions on transfer of the Equity Shares, see “*Transfer Restrictions*” on page 173.

This Issue is being made only to Eligible QIBs and the Equity Shares in this Issue will not in any circumstance be offered to persons in any jurisdiction outside India.

The Issue has been authorized by (i) our Board of Directors pursuant to a resolution passed on June 3, 2014, and (ii) the shareholders, pursuant to a resolution dated July 29, 2014.

Our Company has applied for and received in-principle approval from the Stock Exchanges under Clause 24 (a)

of its Listing Agreements for the listing of the Equity Shares on the Stock Exchanges on September 10, 2014 and September 10, 2014, respectively. Our Company has also delivered a copy of the Preliminary Placement Document and this Placement Document to the Stock Exchanges.

Our Company shall also make the requisite filings with the RoC and SEBI within the stipulated period as required under the Companies Act 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014.

Issue Procedure

1. Our Company and the Book Running Lead Managers circulated serially numbered copies of the Preliminary Placement Document and the serially numbered Application Form, either in electronic or physical form to the Eligible QIBs and the Application Form shall be specifically addressed to each Eligible QIB. In terms of Section 42(7) of the Companies Act 2013, our Company shall maintain complete records of the Eligible QIBs to whom the Preliminary Placement Document and the serially numbered Application Form have been dispatched. Our Company will make the requisite filings with the RoC and the SEBI within the stipulated time period as required under the Companies Act 2013.
2. **Unless a serially numbered Preliminary Placement Document along with the serially numbered Application Form is addressed to a particular QIB, no invitation to subscribe shall be deemed to have been made to such QIB.** Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person and any application that does not comply with this requirement shall be treated as invalid.
3. Eligible QIBs may submit an Application Form, including any revisions thereof, during the Issue Period to the Book Running Lead Managers.
4. The following details were required to be indicated in the Application Form for an Eligible QIB:
 - name of the Eligible QIB to whom Equity Shares are to be Allotted;
 - number of Equity Shares applied for;
 - price at which they are agreeable to subscribe for the Equity Shares, provided that Eligible QIBs may also indicate that they are agreeable to submit a Bid at “Cut-off Price”, which shall be any price as may be determined by our Company in consultation with the Book Running Lead Managers at or above the Floor Price or the Floor Price net of such discount as approved in accordance with SEBI ICDR Regulations;
 - details of the Depository account(s) to which the Equity Shares should be credited; and
 - a representation that such Eligible QIB is a person resident in India and that it has agreed to certain other representations set forth in the Application Form.
5. Once a duly completed Application Form is submitted by an Eligible QIB, such Application Form constitutes an irrevocable offer and cannot be withdrawn after the Issue Closing Date. The Issue Closing Date shall be notified to the Stock Exchanges and the Eligible QIBs shall be deemed to have been given notice of such date after receipt of the Application Form.
6. Bids made by asset management companies or custodians of Mutual Funds shall specifically be in the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund.
7. Upon receipt of the Application Form, after the Issue Closing Date, our Company determined the final terms, including the Issue Price of the Equity Shares to be issued pursuant to the Issue in consultation with the Book Running Lead Managers. Upon determination of the final terms of the Equity Shares, the Book Running Lead Managers will send the serially numbered CAN along with this Placement Document to the Eligible QIBs who have been Allocated Equity Shares. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Eligible QIB to pay the entire Issue Price

for all the Equity Shares Allocated to such Eligible QIB. The CAN shall contain details such as the number of Equity Shares Allocated to the Eligible QIB and payment instructions including the details of the amounts payable by the Eligible QIB for Allotment of the Equity Shares in its name and the Pay-In Date as applicable to the respective Eligible QIB. **Please note that the Allocation will be at the absolute discretion of our Company and will be based on the recommendation of the Book Running Lead Managers.**

8. Pursuant to receiving a CAN, each Eligible QIB shall be required to make the payment of the entire application monies for the Equity Shares indicated in the CAN at the Issue Price, only through electronic transfer to our Company's designated bank account by the Pay-In Date as specified in the CAN sent to the respective Eligible QIBs. No payment shall be made by Eligible QIBs in cash. Please note that any payment of application money for the Equity Shares shall be made from the bank accounts of the relevant Eligible QIBs applying for the Equity Shares. Monies payable on Equity Shares to be held by joint holders shall be paid from the bank account of the person whose name appears first in the application. Pending Allotment, all monies received for subscription of the Equity Shares shall be kept by our Company in a separate bank account with a scheduled bank and shall be utilised only for the purposes permitted under Companies Act 2013.
9. Upon receipt of the application monies from the Eligible QIBs, our Company shall Allot Equity Shares as per the details in the CAN sent to the Eligible QIBs.
10. After passing the resolution for Allotment and prior to crediting the Equity Shares into the depository participant accounts of the successful Bidders, our Company shall apply to the Stock Exchanges for listing approvals. Our Company will intimate to the Stock Exchanges the details of the Allotment and apply for approvals for listing of the Equity Shares on the Stock Exchanges prior to crediting the Equity Shares into the beneficiary account maintained with the Depository Participant by the Eligible QIBs.
11. After receipt of the listing approvals of the Stock Exchanges, our Company shall credit the Equity Shares Allotted pursuant to this Issue into the Depository Participant accounts of the respective Allottees.
12. Our Company will then apply for the final trading approvals from the Stock Exchanges.
13. The Equity Shares that would have been credited to the beneficiary account with the Depository Participant of the Eligible QIBs shall be eligible for trading on the Stock Exchanges only upon the receipt of final trading and listing approvals from the Stock Exchanges.
14. Upon receipt of intimation of final listing and trading approvals from the Stock Exchanges, our Company shall inform the Allottees of the receipt of such approval. Our Company and the Book Running Lead Managers shall not be responsible for any delay or non-receipt of the communication of the final trading and listing permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. Final listing and trading approvals granted by the Stock Exchanges are also placed on their respective websites. Eligible QIBs are advised to apprise themselves of the status of the receipt of the permissions from the Stock Exchanges or our Company.

Eligible QIBs

Only Eligible QIBs who have not been prohibited by the SEBI from buying, selling or dealing in securities can participate in this Issue. Accordingly, Eligible QIBs for the purposes of this Issue shall comprise:

- alternative investment funds, as defined under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 and registered with SEBI ("AIFs"), which are not owned or controlled by Non-Resident investors;
- insurance companies registered with Insurance Regulatory and Development Authority;
- insurance funds set up and managed by army, navy or air force of the Union of India;
- insurance funds set up and managed by the Department of Posts, India;
- Mutual Funds;
- pension funds with minimum corpus of ₹ 25 crore;
- provident funds with minimum corpus of ₹ 25 crore;

- public financial institutions as defined in Section 4A of the Companies Act 1956 (Section 2(72) of the Companies Act 2013);
- scheduled commercial banks;
- state industrial development corporations; and
- the National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government published in the Gazette of India.

This Issue is being made only to Eligible QIBs and the Equity Shares in this Issue are not, in any circumstance, being offered, and will not be allotted, to persons in any jurisdiction outside India.

AIFs that are owned or controlled by Non-Resident investors, VCFs and Non-Resident investors, including FPIs, FIIs, FVCIs, multilateral and bilateral financial institutions and any other QIB that is a Non-Resident and/or owned or controlled by Non-Residents/ persons resident outside India, as defined under FEMA, except as specifically set forth below, are not eligible to participate in this Issue. Any application received from such category of investor(s) or application wherein a foreign address is provided by the depositories would be rejected.

In accordance with the RBI Master Circular on Foreign Investment, dated July 1, 2014 and the Consolidated Foreign Direct Investment Policy effective from April 17, 2014, issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, GoI, downstream investments made by a banking company, as defined under Section 5(c) of the Banking Regulation Act, incorporated in India, which is owned/controlled by Non-Residents/ Non-Resident entity(ies), under its trading books, shall not count towards indirect foreign investment.

Our Company and the Book Running Lead Managers are not liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Placement Document. Eligible QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply. Eligible QIBs are advised to ensure that any single application from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Placement Document.

Note: Affiliates or associates of the Book Running Lead Managers who are Eligible QIBs may participate in the Issue in compliance with applicable laws.

Application Process

Application Form

Eligible QIBs shall only use the serially numbered Application Forms (which are addressed to them) supplied by our Company and the Book Running Lead Managers in either electronic form or by physical delivery for the purpose of making a Bid (including revision of a Bid) in terms of the Preliminary Placement Document.

By making a Bid (including the revision thereof) for the Equity Shares through an Application Form and pursuant to the terms of the Preliminary Placement Document, the Eligible QIB will be deemed to have made the following representations and warranties and the representations, warranties and agreements made under the “*Notice to Investors*”, “*Representations by Investors*”, “*Selling Restrictions*” and “*Transfer Restrictions*” on pages 1, 3, 172 and 173, respectively:

1. Each Eligible QIB confirms that it is a QIB in terms of Regulation 2(1)(zd) of the SEBI ICDR Regulations and is not excluded under Regulation 86(1)(b) of the SEBI ICDR Regulations, has a valid and existing registration under the applicable laws in India and is eligible to participate in this Issue;
2. Each Eligible QIB acknowledges that it has no right to withdraw its Bid after the Issue Closing Date;
3. Each Eligible QIB confirms that if Equity Shares are Allotted through this Issue, it shall not, for a period of one year from Allotment, sell such Equity Shares otherwise than on the floor of the Stock Exchanges;
4. Each Eligible QIB confirms that it is eligible to Bid and hold Equity Shares so Allotted. The Eligible QIB further confirms that the holding of such Eligible QIB, does not and shall not, exceed the level

permissible as per any applicable regulations applicable to the Eligible QIB;

5. Each Eligible QIB confirms that its Bid(s) would not result in triggering an open offer under the Takeover Regulations;
6. Each Eligible QIB confirms that to the best of its knowledge and belief, the number of Equity Shares Allotted to it pursuant to the Issue, together with other Allottees that belong to the same group or are under common control, shall not exceed 50% of the Issue size. For the purposes of this representation:
 - a. The expression ‘belong to the same group’ shall derive meaning from the concept of ‘companies under the same group’ as provided in sub-section (11) of Section 372 of the Companies Act 1956; and
 - b. ‘Control’ shall have the same meaning as is assigned to it by Regulation 2(1)(e) of the Takeover Regulations;
7. Each Eligible QIB confirms that it shall not undertake any trade in the Equity Shares credited to its beneficiary account maintained with the Depository Participant until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges.

ELIGIBLE QIBS MUST PROVIDE THEIR DEPOSITORY ACCOUNT DETAILS, PAN, THEIR DEPOSITORY PARTICIPANT’S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. THE NAME GIVEN IN THE APPLICATION FORM SHOULD BE EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD.

Demographic details such as address and bank account will be obtained from the Depositories as per the Depository Participant account details given above.

The submission of an Application Form by an Eligible QIB shall be deemed a valid, binding and irrevocable offer for the Eligible QIB to pay the entire Issue Price for the Equity Shares (as indicated by the CAN) and becomes a binding contract on the Eligible QIB upon issuance of the CAN by our Company in favour of the Eligible QIB.

Submission of Application Form

All Application Forms must be duly completed with information including the number of Equity Shares applied for along with payment and a copy of the PAN card or PAN allotment letter. The Application Form shall be submitted to the Book Running Lead Managers either through electronic form or through physical delivery at any of the following addresses:

<p><i>Kotak Mahindra Capital Company Limited</i> 1st Floor, 27 BKC, Plot No. C-27, “G” Block Bandra Kurla Complex Bandra (East) Mumbai 400 051 Maharashtra, India Tel: +91 (22) 4336 0000 E-mail: idfc.qip@kotak.com Contact Person: Mr. Karl Sahukar</p>	<p><i>IDFC Securities Limited*</i> Naman Chambers C – 32, G Block Bandra Kurla Complex Bandra (East) Mumbai 400 051 Maharashtra, India Tel: +91 (22) 6622 2600 E-mail: idfc.qip2014@idfc.com Contact Person: Mr. Akshay Bhandari</p>
<p><i>CLSA India Private Limited</i> 8/F Dalamal House Nariman Point Mumbai 400 021, Maharashtra India Tel: +91 (22) 6650 5050 E-mail: project.fusion@cls.com Contact Person: Mr. Sarfaraz Agboatwala</p>	<p><i>Credit Suisse Securities (India) Private Limited</i> Ceejay House, 9th Floor Plot F, Shivsagar Estate Dr. Annie Besant Road Worli, Mumbai 400 018 Maharashtra, India Tel: +91 (22) 6777 3777 E-mail: IDFC.QIP@credit-suisse.com Contact Person: Mr. Samir Ojha</p>

<p>ICICI Securities Limited ICICI Centre, H.T. Parekh Marg Churchgate, Mumbai 400 020 Maharashtra, India Tel: +91 (22) 2288 2460 E-mail: project.fusion@icicisecurities.com Contact Person: Mr. Anurag Byas</p>	<p>JM Financial Institutional Securities Limited 7th Floor, Cnergy Appasaheb Marathe Marg Prabhadevi, Mumbai 400 025 Maharashtra, India Tel: +91 (22) 6630 3030 E-mail: idfc.qip.2014@jmfl.com Contact Person: Ms. Lakshmi Lakshmanan</p>
<p>J.P. Morgan India Private Limited J.P. Morgan Tower Off CST Road, Kalina, Santacruz (E) Mumbai 400 098, Maharashtra India Tel: +91 (22) 6157 3000 E-mail: project_fusion_2014@jpmorgan.com Contact Person: Mr. Uma Shankar Kumar</p>	

The Book Running Lead Managers shall not be required to provide any written acknowledgement of the same.

Permanent Account Number or PAN

Each Eligible QIB should mention its PAN allotted under the I.T. Act in the Application Form. Applications without this information will be considered incomplete and are liable to be rejected. Eligible QIBs should not submit the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.

Pricing and Allocation

Build up of the Book

The Eligible QIBs shall submit their Bids (including the revision of bids) within the Issue Period to the Book Running Book Running Lead Managers. Such Bids cannot be withdrawn after the Issue Closing Date. The book shall be maintained by the Book Running Lead Managers.

Price Discovery and Allocation

Our Company, in consultation with the Book Running Lead Managers, determined the Issue Price. Pursuant to a resolution of the shareholders dated July 29, 2014, our Company was eligible to offer a discount of not more than 5% as may be decided by our Board of Directors on the Floor Price in terms of Regulation 85 of the SEBI ICDR Regulations.

After finalisation of the Issue Price, our Company has updated the Preliminary Placement Document with the Issue details and filed the same with the Stock Exchanges as the Placement Document.

Method of Allocation

Our Company shall determine the Allocation in consultation with the Book Running Lead Managers on a discretionary basis and in compliance with Chapter VIII of the SEBI ICDR Regulations.

Bids received from the Eligible QIBs at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to all such Eligible QIBs will be made at the Issue Price. Allocation to Mutual Funds for up to a minimum of 10% of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

THE DECISION OF OUR COMPANY IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS IN RESPECT OF ALLOCATION SHALL BE FINAL AND BINDING ON ALL ELIGIBLE QIBS. ELIGIBLE QIBS MAY NOTE THAT ALLOCATION OF EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF OUR COMPANY AND ELIGIBLE QIBS MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID APPLICATION

FORMS AT OR ABOVE THE ISSUE PRICE. NEITHER OUR COMPANY NOR THE BOOK RUNNING LEAD MANAGERS ARE OBLIGED TO ASSIGN ANY REASON FOR ANY NON-ALLOCATION.

CAN

Based on the Application Forms received, our Company, in consultation with the Book Running Lead Managers, in their sole and absolute discretion, shall decide the Eligible QIBs to whom the serially numbered CAN shall be sent, pursuant to which the details of the Equity Shares Allocated to them and the details of the amounts payable for Allotment of such Equity Shares in their respective names shall be notified to such Eligible QIBs. Additionally, a CAN will include details of the relevant “IDFC Limited – QIP Escrow Account” into which such payments would need to be made, address where the application money needs to be sent, Pay-In Date as well as the probable designated date, being the date of credit of the Equity Shares to the respective Eligible QIB’s account.

The Eligible QIBs would also be sent a serially numbered Placement Document either in electronic form or by physical delivery along with the serially numbered CAN.

The dispatch of the serially numbered Placement Document and the serially numbered CAN to the Eligible QIBs shall be deemed a valid, binding and irrevocable contract for the Eligible QIB to furnish all details that may be required by the Book Running Lead Managers and to pay the entire Issue Price for all the Equity Shares Allocated to such Eligible QIB.

Eligible QIBs are advised to instruct their Depository Participant to accept the Equity Shares that may be Allotted to them pursuant to the Issue.

Bank Account for Payment of Application Money

Our Company has opened the “IDFC Limited – QIP Escrow Account” with Kotak Mahindra Bank Limited in terms of the arrangement among our Company, the Book Running Lead Managers and Kotak Mahindra Bank Limited as the Escrow Bank (“Escrow Account”). The Eligible QIB will be required to deposit the entire amount payable for the Equity Shares Allocated to it by the Pay-In Date as mentioned in, and in accordance with, the respective CAN.

Payments are to be made only through electronic fund transfer.

Note: Payments through cheque or cash are liable to be rejected.

If the payment is not made favouring the “IDFC Limited – QIP Escrow Account” within the time stipulated in the CAN, the Application Form and the CAN of the Eligible QIB are liable to be cancelled.

Our Company undertakes to utilise the amount deposited in “IDFC Limited – QIP Escrow Account” only for the purposes of (i) adjustment against Allotment of Equity Shares in the Issue; or (ii) repayment of application money if our Company is not able to Allot Equity Shares in the Issue.

In case of cancellations or default by the Eligible QIBs, our Company and the Book Running Lead Managers have the right to reallocate the Equity Shares at the Issue Price among existing or new investors at their sole and absolute discretion.

Designated Date and Allotment of Equity Shares

The Equity Shares will not be Allotted unless the Eligible QIBs pay the Issue Price into the “IDFC Limited – QIP Escrow Account” as stated above.

In accordance with the SEBI ICDR Regulations, the Equity Shares in the Issue will be issued and Allotment shall be made only in dematerialised form to the Allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Our Company, at its sole discretion, reserve the right to cancel the Issue at any time up to Allotment without assigning any reason whatsoever.

Following the Allotment and credit of Equity Shares into the Eligible QIBs' Depository Participant accounts, our Company will apply for final listing and trading approvals from the Stock Exchanges.

In the case of Eligible QIBs who have been Allotted more than 5% of the Equity Shares in the Issue, our Company shall disclose the name and the number of the Equity Shares Allotted to such Eligible QIB to the Stock Exchanges and the Stock Exchanges will make the same available on their website as per the requirements under the Listing Agreements. Our Company shall make the requisite filings with the RoC and the SEBI within the stipulated period as required under the Companies Act 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014. Our Company is required to disclose details such as your name, address and the number of Equity Shares Allotted to the RoC and the SEBI.

The Escrow Bank shall release the monies lying to the credit of the Escrow Account to our Company after Allotment of Equity Shares to Eligible QIBs.

In the event that our Company is unable to issue and Allot the Equity Shares offered in the Issue or on cancellation of the Issue, within 60 days from the date of receipt of application money, our Company shall repay the application money within 15 days from expiry of 60 days, failing which our Company shall repay that money with interest at the rate of 12% per annum from expiry of the sixtieth day. The application money to be refunded by our Company shall be refunded to the same bank account from which application money was remitted by the Eligible QIBs.

Other Instructions

Right to Reject Applications

Our Company, in consultation with the Book Running Lead Managers, may reject Bids, in part or in full, without assigning any reason whatsoever. The decision of our Company and the Book Running Lead Managers in relation to the rejection of Bids shall be final and binding.

Equity Shares in Dematerialised form with National Securities Depository Limited ("NSDL") or Central Depository Services (India) Limited ("CDSL")

The Allotment of the Equity Shares in this Issue shall be only in dematerialised form (i.e., not in physical certificates but be fungible and be represented by the statement issued through the electronic mode).

An Eligible QIB applying for Equity Shares to be issued pursuant to the Issue must have at least one beneficiary account with a Depository Participant of either NSDL or CDSL prior to making the Bid. Allotment to an Eligible QIB will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Eligible QIB.

Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The Stock Exchanges have electronic connectivity with NSDL and CDSL.

The trading of the Equity Shares to be issued pursuant to the Issue would be in dematerialised form only for all Eligible QIBs in the demat segment of the respective Stock Exchanges.

Our Company will not be responsible or liable for the delay in the credit of Equity Shares to be issued pursuant to the Issue due to errors in the Application Form or otherwise on part of the Eligible QIBs.

PLACEMENT AND LOCK UP

No assurance can be given as to the liquidity or sustainability of the trading market for the Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares.

Placement Agreement

The Book Running Lead Managers have entered into a Placement Agreement with our Company, pursuant to which the Book Running Lead Managers have agreed to manage the Issue and to act as placement agents in connection with the proposed Issue and procure subscription for Equity Shares to be placed with the Eligible QIBs, pursuant to Chapter VIII of the SEBI ICDR Regulations.

The Placement Agreement contains customary representations, warranties and indemnities from our Company and the Book Running Lead Managers, and it is subject to termination in accordance with the terms contained therein.

Applications shall be made to list the Equity Shares issued pursuant to the Issue and admit them to trading on the Stock Exchanges. No assurance can be given as to the liquidity or sustainability of the trading market for such Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares.

This Placement Document has not been, and will not be, registered as a prospectus with the RoC and, no Equity Shares will be offered in India or overseas to the public or any members of the public in India or any other class of investors, other than Eligible QIBs.

From time to time, the Book Running Lead Managers and certain of their affiliates have provided and continue to provide commercial and investment banking services, particularly acting as an underwriter or lead manager, to us or our affiliates for which they have received and may in the future receive compensation. Further, our Company controls 100% of the voting rights of IDFC Securities, and accordingly, IDFC Securities would be involved only in marketing of the Issue.

Lock-up

Our Company will not, without the consent of the Book Running Lead Managers, during the period of sixty (60) calendar days after the date of Allotment of Equity Shares in the Issue, directly or indirectly: (i) issue, offer, lend, pledge, sell, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of or create any encumbrances in relation to any Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares; (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Equity Shares or any other securities convertible into or exercisable as or exchangeable for Equity Shares; or (iii) publicly announce any intention to enter into any transaction described in (i) or (ii) above; whether any such transaction described in (i) or (ii) above is to be settled by delivery of Equity Shares or such other securities, in cash or otherwise. The above restriction shall not apply to any issuance, sale, transfer or disposition of Equity Shares by the Company (a) pursuant to this Issue; (b) pursuant to the ESOS; (c) pursuant to the Proposed Demerger; and (d) to the extent such issuance, sale, transfer or disposition is required by any statutory or regulatory authorities or under Indian law.

SELLING RESTRICTIONS

This Issue is being made only to Eligible QIBs and the Equity Shares in this Issue will not in any circumstance be offered to persons in any jurisdiction outside India. Persons who come into possession of this Placement Document or any offering material are advised to take legal advice with regard to any restrictions that may be applicable to them and to observe such restrictions. This Placement Document may not be used for the purpose of an offer or sale in any circumstances in which such offer or sale is not authorised or permitted.

General

This Issue is being made only to Eligible QIBs and the Equity Shares in this Issue will not in any circumstance be offered to persons in any jurisdiction outside India. Accordingly, no action has been or will be taken in any jurisdiction by our Company or the Book Running Lead Managers that would permit a public offering of the Equity Shares or the possession, circulation or distribution of this Placement Document or any other material relating to our Company or the Equity Shares in the Issue in any jurisdiction where action for such purpose is required. The Issue will be made in compliance with the SEBI ICDR Regulations and the Companies Act 2013.

The Preliminary Placement Document and/or this Placement Document has not been and will not be registered as a prospectus with any registrar of companies in India and the Equity Shares will not be offered or sold directly or indirectly, to the public or any members of the public in India or any other class of investors other than Eligible QIBs.

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and will not be offered or sold within the United States or any other jurisdiction, other than India.

Each purchaser of the Equity Shares offered by this Placement Document will be deemed to have made the representations, agreements and acknowledgements as described under “**Representations by Investors**” and “**Transfer Restrictions**” on pages 3 and 173, respectively.

TRANSFER RESTRICTIONS

Pursuant to Chapter VIII of the SEBI ICDR Regulations, any resale of Equity Shares, except on the floor of the Stock Exchanges, is not permitted for a period of one year from the date of Allotment. Investors are advised to consult legal counsel prior to making any resale, pledge or transfer of the Equity Shares. For more information, see “*Selling Restrictions*” on page 172.

Subject to the foregoing, by accepting this Placement Document and purchasing any Equity Shares under this Issue, you are deemed to have represented, warranted, acknowledged and agreed with our Company and the Book Running Lead Managers as follows:

1. you have received a copy of this Placement Document and such other information as you deem necessary to make an informed decision and that you are not relying on any other information or the representation concerning our Company or the Equity Shares and neither our Company nor any other person responsible for this document or any part of it or the Book Running Lead Managers will have any liability for any such other information or representation;
2. you are authorized to consummate the purchase of the Equity Shares in compliance with all applicable laws and regulations;
3. you acknowledge (or if you are a broker-dealer acting on behalf of a customer, your customer has confirmed to you that such customer acknowledges) that such Equity Shares have not been and will not be registered under the U.S. Securities Act;
4. you certify that either (A) you are the beneficial owner of the Equity Shares and are a person resident in India or (B) you are a broker-dealer acting on behalf of your customer and your customer has confirmed to you that (i) such customer is the beneficial owner of the Equity Shares, and (ii) such customer is a person resident in India; and
5. our Company and the Book Running Lead Managers, their respective affiliates and others will rely upon the truth and accuracy of your representations, warranties, acknowledgements and undertakings set out in this document, each of which is given to (a) the Book Running Lead Managers on your own behalf and on behalf of our Company, and (b) to our Company, and each of which is irrevocable and, if any of such representations, warranties, acknowledgements or undertakings deemed to have been made by virtue of your purchase of the Equity Shares are no longer accurate, you will promptly notify our Company.

Any resale or other transfer or attempted resale or other transfer, made other than in compliance with the above stated restrictions will not be recognized by our Company.

THE SECURITIES MARKET OF INDIA

The information in this section has been extracted from documents available on the website of SEBI and the Stock Exchanges and has not been prepared or independently verified by our Company or the Book Running Lead Managers or any of their respective affiliates or advisors.

India has a long history of organized securities trading. In 1875, the first stock exchange was established in Mumbai.

Indian Stock Exchanges

Indian stock exchanges are regulated primarily by SEBI, as well as by the Government acting through the Ministry of Finance, Capital Markets Division, under the Securities Contracts (Regulation) Act, 1956 (the “SCRA”) and the Securities Contracts (Regulation) Rules, 1957 (the “SCRR”). On June 20, 2012, SEBI, in exercise of its powers under the SCRA and the Securities and Exchange Board of India Act, 1992 from time to time (the “SEBI Act”), notified the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012, which regulate *inter alia* the recognition, ownership and internal governance of stock exchanges and clearing corporations in India together with providing for minimum capitalisation requirements for stock exchanges. The SCRA, the SCRR and the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 along with various rules, bye-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner, in which contracts are entered into, settled and enforced between members of the stock exchanges.

The SEBI Act empowers SEBI to regulate the Indian securities markets, including stock exchanges and intermediaries in the capital markets, promote and monitor self-regulatory organisations and prohibit fraudulent and unfair trade practices. Regulations concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisitions of shares and takeover of companies, buy-backs of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, foreign institutional investors, credit rating agencies and other capital market participants have been notified by the relevant regulatory authority.

Most of the stock exchanges have their own governing board for self regulation. The BSE and the NSE together hold a dominant position among the stock exchanges in terms of the number of listed companies, market capitalization and trading activity.

Listing of Securities

The listing of securities on a recognised Indian stock exchange is regulated by the applicable Indian laws including the Companies Act, the SCRA, the SCRR, the SEBI Act and various guidelines and regulations issued by the SEBI and the listing agreements of the respective stock exchanges. The SCRA empowers the governing body of each recognised stock exchange to suspend trading of or withdraw admission to dealings in a listed security for breach of or non compliance with any conditions or breach of company’s obligations under such listing agreement or for any reason, subject to the issuer receiving prior written notice of the intent of the exchange and upon granting of a hearing in the matter. SEBI also has the power to amend such equity listing agreements and bye-laws of the stock exchanges in India, to overrule a stock exchange’s governing body and withdraw recognition of a recognized stock exchange.

SEBI has notified the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 in relation to the voluntary and compulsory delisting of equity shares from the stock exchanges. In addition, certain amendments to the SCRR have also been notified in relation to delisting.

Index-Based Market-Wide Circuit Breaker System

In order to restrict abnormal price volatility in any particular stock, the SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index-based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10%, 15% and 20%. These circuit breakers, when triggered, bring about a co-ordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the SENSEX of the BSE or the CNX NIFTY of the NSE, whichever is breached earlier.

In addition to the market-wide index-based circuit breakers, there are currently in place individual scrip-wise price bands of 20% movements either up or down. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available.

The stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be paid by the stockbrokers.

BSE

Established in 1875, it is the oldest stock exchange in India. In 1956, it became the first stock exchange in India to obtain permanent recognition from the Government under the SCRA. As at August 7, 2014 there were 3,052 scrips traded on the BSE and the estimated market capitalization of stocks trading on the BSE as at August 7, 2014 was ₹ 89,87,185 crore. (*Source: www.bseindia.com*)

NSE

The NSE was established by financial institutions and banks to provide nationwide online, satellite-linked, screen-based trading facilities with market-makers and electronic clearing and settlement for securities including government securities, debentures, public sector bonds and units. The NSE was recognised as a stock exchange under the SCRA in April 1993 and commenced operations in the wholesale debt market segment in June 1994. The capital market (equities) segment commenced operations in November 1994 and operations in the derivatives segment commenced in June 2000. NSE launched the NSE 50 Index, now known as S&P CNX NIFTY, on April 22, 1996 and the Mid-cap Index on January 1, 1996. The securities in the NSE 50 Index are highly liquid.

As at July 31, 2014, there were 1,696 listed companies trading on the NSE. As at July 31, 2014, the estimated market capitalisation of stock trading on the NSE was ₹ 88,31,139 crore. (*Source: www.nseindia.com*)

Internet-based Securities Trading and Services

Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. Stockbrokers interested in providing this service are required to apply for permission to the relevant stock exchange and also have to comply with certain minimum conditions stipulated by SEBI. The NSE became the first exchange to grant approval to its members for providing internet-based trading services. Internet trading is possible on both the “equities” as well as the “derivatives” segments of the NSE.

Trading Hours

Trading on both the NSE and the BSE occurs from Monday to Friday, between 9:15 a.m. and 3:30 p.m. IST (excluding the 15 minutes pre-open session from 9:00 a.m. to 9:15 a.m. that has been introduced recently). The BSE and the NSE are closed on public holidays. The recognised stock exchanges have been permitted to set their own trading hours (in the cash and derivatives segments) subject to the condition that (i) the trading hours are between 9.00 a.m. and 5.00 p.m.; and (ii) the stock exchange has in place a risk management system and infrastructure commensurate to the trading hours.

Trading Procedure

In order to facilitate smooth transactions, the BSE replaced its open outcry system with BSE On-line Trading facility in 1995. This totally automated screen based trading in securities was put into practice nation-wide. This has enhanced transparency in dealings and has assisted considerably in smoothening settlement cycles and improving efficiency in back-office work.

NSE has introduced a fully automated trading system called National Exchange for Automated Trading, which operates on strict time/price priority besides enabling efficient trade. National Exchange for Automated Trading has provided depth in the market by enabling large number of members all over India to trade simultaneously, narrowing the spreads.

Takeover Regulations

Disclosure and mandatory bid obligations for listed Indian companies under Indian law are governed by the Takeover Regulations, which provides specific regulations in relation to substantial acquisition of shares and takeover. Once the equity shares of a company are listed on a stock exchange in India, the provisions of the Takeover Regulations will apply to any acquisition of the company's shares/voting rights/control. The Takeover Regulations prescribes certain thresholds or trigger points in the shareholding a person or entity has in the listed Indian company, which give rise to certain obligations on part of the acquirer. Acquisitions up to a certain threshold prescribed under the Takeover Regulations mandate specific disclosure requirements, while acquisitions crossing particular thresholds may result in the acquirer having to make an open offer of the shares of the target company. The Takeover Regulations also provides for the possibility of indirect acquisitions, imposing specific obligations on the acquirer in case of such indirect acquisition.

Prohibition of Insider Trading Regulations

The SEBI Prohibition of Insider Trading Regulations have been notified by SEBI to prohibit and penalize insider trading in India. An insider is, among other things, prohibited from dealing in the securities of a listed company when in possession of unpublished price sensitive information.

The SEBI Prohibition of Insider Trading Regulations also provide disclosure obligations for shareholders holding more than a pre-defined percentage, and directors and officers, with respect to their shareholding in the company, and the changes therein. The definition of "insider" includes any person who has received or has had access to unpublished price sensitive information in relation to securities of a company or any person reasonably expected to have access to unpublished price sensitive information in relation to securities of a company and who is or was connected with the company or is deemed to have been connected with the company.

Depositories

The Depositories Act provides a legal framework for the establishment of depositories to record ownership details and effect transfer in book-entry form. Further, SEBI framed regulations in relation to the registration of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, companies and beneficial owners. The depository system has significantly improved the operation of the Indian securities markets.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000 and derivatives contracts were included within the term "securities", as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivatives exchange or derivatives segment of a stock exchange functions as a self-regulatory organisation under the supervision of the SEBI.

DESCRIPTION OF THE EQUITY SHARES

The following is information relating to the Equity Shares including a brief summary of our Memorandum and Articles of Association and the Companies Act. Prospective investors are urged to read the Memorandum and Articles of Association carefully, and consult with their advisers, as the Memorandum and Articles of Association and applicable Indian law, and not this summary, govern the rights attached to the Equity Shares.

General

The authorised share capital of our Company is ₹ 5,000 crore consisting of 400,00,00,000 Equity Shares of ₹ 10 each and 10,00,00,000 preference shares of ₹ 100 each.

Dividends

Under Indian law, a company pays dividends upon a recommendation by its board of directors and approval by a majority of the shareholders at the AGM held each fiscal year. Subject to certain conditions laid down by Section 123 of the Companies Act 2013 no dividend can be declared or paid by a company for any fiscal year except out of the profits of the company for that year, calculated in accordance with the provisions of the Companies Act or out of the profits of the company for any previous fiscal year(s) arrived at as laid down by the Companies Act. Further, as per the Companies (Declaration and Payment of Dividend) Rules, 2014, in the absence of profits in any year, company may declare dividend out of surplus, provided: (a) the rate of dividend declared shall not exceed the average of the rates at which dividend was declared by it in the three years immediately preceding that year; (b) the total amount to be drawn from such accumulated profits shall not exceed one-tenth of the sum of its paid up share capital and free reserves as per the latest audited balance sheet; (c) the amount so drawn shall be first utilized to set off the losses incurred in the financial year in which the dividend is declared before any dividend in respect of equity shares is declared; (d) the balance of reserves after such withdrawal shall not fall below 15% of its paid up share capital as per the latest audited balance sheet of the company; and (e) no company shall declare dividend unless carried over previous losses and depreciation not provided in previous years are set off against profit of the company of the current year the loss or depreciation, whichever is less, in previous years is set off against the profit of the company for the year for which the dividend is declared or paid.

According to the Articles of Association, the amount of dividends shall not exceed the amount recommended by our Board of Directors. However, our Company may declare a smaller dividend in the general meeting. In addition, as is permitted by the Articles of Association, our Board of the Directors may pay interim dividend as appear to it be justified by the profits of our Company, subject to the requirements of the Companies Act.

The Equity Shares issued pursuant to this Placement Document shall rank *pari passu* with the existing Equity Shares in all respects including entitlements to any dividends that may be declared by our Company.

Unclaimed dividend shall not be forfeited by our Company unless the claim thereof becomes barred by law. In terms of Section 124 of the Companies Act 2013, our Company shall credit such unclaimed dividends to the unpaid dividend account of our Company, and any money transferred to the unclaimed dividend account of our Company which remains unpaid and unclaimed for a period of seven years from the date they became due for payment, shall be transferred by our Company to the 'Investor Education and Protection Fund', established by the GoI, in accordance with Section 125 of the Companies Act 2013.

Capitalization of Reserves and Issue of Bonus Shares

In addition to permitting dividends to be paid out of current or retained earnings as described above, the Companies Act 2013 permits the board of directors of a company to issue fully paid up bonus shares to its members out of (a) the free reserves of the company, (b) the securities premium account, or (c) the capital redemption reserve account. However, a company may capitalize its profits or reserves for issue of fully paid up bonus shares, provided: (a) its authorized by articles, (b) it has been, on the recommendation of the board of directors, approved by the shareholders in a general meeting, (c) it has not defaulted in payment of interest or principal in respect of fixed deposits or debt securities issued by it, (d) it has not defaulted on payment of statutory dues, (e) there are no partly paid shares. The issue of bonus shares once declared cannot be withdrawn. These bonus shares must be distributed to shareholders in proportion to the number of ordinary shares owned by them as recommended by the board of directors. No issue of bonus shares may be made by capitalizing reserves created by revaluation of assets, and no bonus shares shall be issued in lieu of dividend. Further, any issue of

bonus shares would be subject to SEBI ICDR Regulations.

Pre-emptive Rights and Alteration of Share Capital

Subject to the provisions of the Companies Act, our Company may increase its share capital by issuing new shares on such terms and with such rights as it, by action of its shareholders in a general meeting may determine. According to Section 62(1)(a) of the Companies Act 2013 such new shares shall be offered to existing shareholders in proportion to the amount paid up on those shares at that date. The offer shall be made by notice specifying the number of shares offered and the date (being not less than 15 days and not exceeding 30 days from the date of the offer) within which the offer, if not accepted, will be deemed to have been declined. After such date the board may dispose of the shares offered in respect of which no acceptance has been received which shall not be disadvantageous to the shareholders of our Company. The offer is deemed to include a right exercisable by the person concerned to renounce the shares offered to him in favour of any other person.

Under the provisions of Section 62(1)(c) of the Companies Act 2013, new shares may be offered to any persons whether or not those persons include existing shareholders, either for cash or for a consideration other than cash, if the price of such shares is determined by the valuation report of a registered valuer subject to such conditions as may be prescribed, if a special resolution to that effect is passed by our Company's shareholders in a general meeting.

Our Articles of Association permit our Company, pursuant to an ordinary resolution in a general meeting, to (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares; (b) convert all or any of its fully paid – up shares into stock and reconvert that stock into fully paid up shares of any denomination; (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association so, however, that in the sub-division the proportion between the amount paid and the amount if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; and (d) cancel any shares which, at the date of passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of share so cancelled.

Preference Shares

In accordance with the provisions of the Companies Act 2013, a company may have preference share capital carrying preferential rights in respect of payment of dividend and repayment in case of winding up. Further, the Companies Act 2013 provides that no company shall issue any irredeemable preference share, and preference shares issued by any company shall be redeemed within a period not exceeding 20 years from the date of issue of such preference shares. Only fully paid preference shares shall be redeemed, and such redemption shall only be out of profits of the company that are available for distribution of dividends, or in accordance with the provisions of the Companies Act. Further, a company authorized by its articles of association, may issue preference shares only if such issue has been authorized by a special resolution in the general meeting of the company and the company is not in default of redemption of or payment of dividend on preference shares previously issued.

Our Company may, with the approval of the shareholders, issue redeemable preference shares on the terms and in such manner as our Company may before the issue of shares determine. Further, our Articles of Association provides that such preference shares will confer on the shareholder, right to cumulative preference dividend and a preferential right at the time of winding up of our Company in payment of capital and arrears in dividend.

General meetings of shareholders

There are two types of general meetings of the shareholders:

- (i) AGM; and
- (ii) extraordinary general meeting (“EGM”).

Our Company is required to hold its AGM within six months after the expiry of each fiscal year provided that not more than 15 months shall elapse between one AGM and next one, unless extended by the RoC at its request for any special reason for a period not exceeding three months. Our Board of Directors may convene an EGM when necessary or at the request of a shareholder or shareholders holding in the aggregate not less than one tenth of our Company's issued paid up capital (carrying a right to vote in respect of the relevant matter on the

date of receipt of the requisition).

Notices, along with statement containing material facts concerning each special item, either in writing or through electronic mode, convening a meeting setting out the date, day, hour, place and agenda of the meeting must be given to every member or the legal representative of a deceased member, auditors of the company and every director of the company, at least 21 clear days prior to the date of the proposed meeting. A general meeting may be called after giving shorter notice if consent is received, in writing or electronic mode, from not less than 95% of the shareholders entitled to vote. Unless, the Articles of Association provide for a larger number, (i) five shareholders present in person, if the number of shareholders as on the date of meeting is not more than 1,000; (ii) 15 shareholders present in person, if the number of shareholders as on the date of the meeting is more than 1,000 but up to 5,000; and (iii) 30 shareholders present in person, if the number of shareholders as on the date of meeting exceeds 5,000, shall constitute a quorum for a general meeting of our Company, whether AGM or EGM. The quorum requirements applicable to shareholder meetings under the Companies Act have to be physically complied with.

A company intending to pass a resolution relating to matters such as, but not limited to, amendment in the objects clause of the Memorandum, the issuing of shares with different voting or dividend rights, a variation of the rights attached to a class of shares or debentures or other securities, buy-back of shares, giving loans or extending guarantees in excess of limits prescribed, is required to obtain the resolution passed by means of a postal ballot instead of transacting the business in our Company's general meeting. A notice to all the shareholders shall be sent along with a draft resolution explaining the reasons therefor and requesting them to send their assent or dissent in writing on a postal ballot within a period of 30 days from the date of posting the letter. Postal ballot includes voting by electronic mode.

Voting rights

At a general meeting, upon a show of hands, every member holding shares and entitled to vote and present in person has one vote. Upon a poll, the voting rights of each shareholder entitled to vote and present in person or by proxy is in the same proportion as the capital paid up on each share held by such holder bears to our Company's total paid up capital. Voting is by a show of hands, unless a poll is ordered by the Chairman of the meeting. The Chairman of the meeting has a casting vote.

Ordinary resolutions may be passed by simple majority of those present and voting. Special resolutions require that the votes cast in favour of the resolution must be at least three times the votes cast against the resolution.

A shareholder may exercise his voting rights by proxy to be given in the form required by the Articles of Association. The instrument appointing a proxy is required to be lodged with our Company at least 48 hours before the time of the meeting. A proxy may not vote except on a poll and does not have a right to speak at meetings.

Transfer of shares

Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with the regulations laid down by SEBI. These regulations provide the regime for the functioning of the depositories and the participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownership of shares held through a depository are subject to securities transaction tax (levied on and collected by the stock exchanges on which such equity shares are sold), however are exempt from stamp duty. Our Company has entered into an agreement for such depository services with the NSDL and the CDSL. SEBI requires that our Company's shares for trading and settlement purposes be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the stock exchange. Our Company shall keep a book in which every transfer or transmission of shares will be entered.

Pursuant to the Listing Agreements, in the event our Company has not effected the transfer of shares within one month or where our Company has failed to communicate to the transferee any valid objection to the transfer within the stipulated time period of one month, it is required to compensate the aggrieved party for the opportunity loss caused during the period of the delay. The shares of our Company shall be freely transferable. Under the Listing Agreements, notice of such refusal must be sent to the transferee within one month of the date on which the transfer was lodged with our Company.

Liquidation rights

Subject to the rights of creditors, of employees and of the holders of any other shares entitled by their terms of issue to preferential repayment over the shares, in the event of a winding-up of our Company, the holders of the Equity Shares are entitled to be repaid the amounts of capital paid up or credited as paid up on such shares or in case of a shortfall, proportionately. All surplus assets after payments due to employees, the holders of any preference shares and other creditors belong to the holders of the ordinary shares in proportion to the amount paid up or credited as paid up on such shares, respectively, at the commencement of the winding-up.

TAXATION

The information provided below sets out the possible tax benefits available to the shareholders in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of Equity Shares, under the current tax laws presently in force in India. It is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. Investors are advised to consult their own tax consultant with respect to the tax implications of an investment in the Equity Shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits which an investor can avail.

YOU SHOULD CONSULT YOUR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS AND CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES IN YOUR PARTICULAR SITUATION.

As per the taxation laws in force, the tax benefits / consequences as applicable, to the Domestic Qualified Institutional Investors (not being individuals or HUFs) investing in the Equity Shares of our Company (on the assumption that the Equity Shares are not held as stock-in-trade) are stated as follows:

General tax benefits available to resident shareholders

1. Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by our Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Income Tax Act, 1961 ('Act'). Such dividend is to be excluded while computing Minimum Alternate Tax ("MAT") liability where such dividend is received by a company.

Further, in the context of the dividend payable by our Company to its shareholders, by virtue of section 115-O, erstwhile our Company was liable to pay Dividend Distribution Tax ("DDT") at the rate of 15% (plus applicable surcharge and cess) on the total income declared, distributed, or paid as dividend. However, the Finance Bill (No 2), has with effect from October 1, 2014 proposed that the tax on dividends to be distributed by domestic companies to be computed on the grossed up amount of dividend / income by the rate of rate of tax on such dividend, instead of the net amount paid.

In calculating the amount of dividend on which DDT is payable, dividend shall be reduced by dividend received from its subsidiary, subject to fulfillment of certain conditions.

2. Computation of capital gains

Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units of equity oriented mutual funds¹ or a zero coupon bond will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as long term capital gains. Capital gains arising on sale of these assets held for 12 months or less are considered as short term capital gains.

Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition with the indexed cost of acquisition, which adjusts the cost of acquisition by a cost inflation index as prescribed from time to time.

2.1. Long Term Capital Gains / Loss

As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt

¹ The Finance Bill (No 2), 2014 has, with effect from assessment year 2015-16, proposed to restrict the benefit of holding period of 12 months to qualify as long term capital assets only to units of equity oriented mutual funds and not to all types of mutual fund units, as was available up to March 31, 2014 except for the transfers effected on or before 10 July 2014

under section 10(38) of the Act will be subject to tax at a rate of 20%². However, if the tax on long term capital gains resulting on transfer of listed securities or units of equity oriented mutual fund, (calculated at the rate of 20%². with indexation benefit), exceeds the tax on long term gains computed at the rate of 10%². without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10%².

As per section 70 read with section 74 of the Act, long-term capital loss, if any arising during the year can be set-off only against long-term capital gain and shall be allowed to be carried forward upto eight assessment years immediately succeeding the assessment year for which the loss was first computed for set off against future long term capital gain. The brought forward long term capital loss can be set off only against future long term capital gains.

2.2. Short Term Capital Gains / Loss

As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to Securities Transaction Tax ('STT') shall be subject to tax at a rate of 15%².

As per section 70 read with section 74 of the Act, short-term capital loss, if any arising during the year can be set-off against short-term capital gain as well as against the long-term capital gains and shall be allowed to be carried forward upto eight assessment years immediately succeeding the assessment year for which the loss was first computed. The brought forward short term capital loss can be set off against future capital gains.

2.3. Surcharge and Cess

In addition to the aforesaid tax, in the case of domestic companies where the income exceeds Rs. 10,000,000 but does not exceed Rs 100,000,000 a surcharge of 5% on such tax liability is also payable. In case of domestic companies where income exceeds Rs 100,000,000 a surcharge of 10% on such tax liability is also payable.

Similarly, in the case of an association of persons where the income exceeds Rs. 10,000,000 a surcharge of 10% on such tax liability is also payable

A 2% education cess and 1% secondary and higher education cess on the total income tax is payable by all categories of taxpayers.

3. Exemption of capital gain from income tax

According to section 10(38) of the Act, long-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be exempt from tax.

According to the provisions of section 54EC of the Act and subject to the conditions and investment limits specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. The total deduction with respect to investment in the long term specified assets is restricted to Rs.5,000,000 whether invested during the financial year in which the asset is transferred or subsequent year³.

However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier will be chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

² Plus applicable surcharge and cess - Refer Point 2.3

³ The Finance Bill (No 2), 2014 has, with effect from assessment year 2015-16, has proposed to insert a proviso in sub section (1) of section 54EC so as to provide that the investment made by an assessee in the long term specified asset, out of capital gains arising from transfer of one or more original assets, during the financial year in which the original asset or assets are transferred and in the subsequent financial year does not exceed fifty lakh rupees.

4. Benefits available to Mutual Funds

As per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India will be exempt from income tax, subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

5. Tax Deduction at Source

No income-tax is deductible at source from income by way of capital gains under the present provisions of the Act in case of residents.

6. Benefits available under the Wealth-tax Act, 1957

Asset as defined under Section 2(ea) of the Wealth tax Act, 1957 does not include shares in companies and hence, shares are not liable to wealth tax.

7. Benefits available under the Gift-tax Act, 1958

Gift-tax is not levied on gift of shares in the hands of the donor as well as the donee because the provisions of the Gift-tax Act, 1958 have ceased to apply in respect of gifts made on or after October 1, 1998.

The above Statement of Possible Direct Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of Equity Shares held as capital asset (and not as stock in trade). The statements made above are based on the tax laws in force and as interpreted by the relevant taxation authorities as of date. Investors are advised to consult their tax advisors with respect to the tax consequences of the purchase, ownership and disposal of Equity Shares.

LEGAL PROCEEDINGS

Our Company and the Subsidiaries are, from time to time, involved in various legal proceedings in the ordinary course of business, which involve matters pertaining to, amongst others, tax, criminal, recovery and other disputes. The section below describes the legal proceedings, which singly or in aggregate, could have a material adverse effect on our Company or the relevant Subsidiary.

Litigation Involving our Company

Income Tax Proceedings

There are certain disputes relating to income tax assessments for the assessment years 2000-01 to 2011-12. The income tax department granted short refunds after adjusting the demands raised against us. The disputes arose primarily on account of disallowance of expenditure under Section 14A of the I.T. Act incurred towards earning exempt income and on account of difference in the basis adopted by the respective assessing officers and our Company for computation of the net deductions under Section 36(1)(viii) of the I.T. Act. We extend loans to entities involved in infrastructure projects. Until assessment year 2006-07, income from such loans was exempted from computation of total income under Section 10(23G) of the I.T. Act, only for such infrastructure projects that had been approved by the Central Board of Direct Taxes, Department of Revenue, Ministry of Finance, GoI. Further, these disputes arose due to the assessing officer computing a lower net exempted income than that claimed by us. The aggregate additional demand unpaid, as on date, in these proceedings is ₹ 52.36 crore. Brief details of these proceedings are set forth below:

1. For assessment year 2000-01

The Deputy CIT, Chennai, by an assessment order dated March 21, 2003, granted us short exemption under Sections 10(23G) and disallowed deduction under Section 36(1)(viiia)(c), before allowing deduction under Section 36(1)(viii) of the I.T. Act, on account of difference in the basis followed by the respective assessing officer and our Company for calculation of the exempted income under these provisions of the I.T. Act and re-computed the total income at ₹ 117.99 crore. Our Company filed an appeal (ITA No. 111/03-04/A.III), before the CIT(Appeals), Chennai, who, by an order dated September 5, 2003, partly allowed the appeal. Subsequently, our Company filed an appeal (ITA No. 2398/Mds/2003) before the ITAT, Chennai challenging the order of the CIT(Appeals). The ITAT, Chennai, by a common order dated March 29, 2007, for assessment years 1999-2000, 2000-01 and 2001-02, partly allowed the appeal. Our Company filed an appeal (Tax Case (Appeal) No. 1288 of 2007), before the Madras High Court. By a rectification order dated June 18, 2014, the Deputy CIT, Chennai, while fixing the expenses attributable to earning of exempt income at 3%, re-computed the total income for the assessment year to be ₹ 111.17 crore.

2. For assessment year 2001-02

The Assistant CIT, Chennai, by an assessment order dated March 30, 2004, granted us short exemption under Sections 10(23G) and disallowed deduction under Section 36(1)(viiia)(c), before allowing deduction under Section 36(1)(viii) of the I.T. Act, on account of difference in the basis followed by the respective assessing officer and our Company for calculation of the exempted income under these provisions of the I.T. Act and re-computed the total income at ₹ 71.17 crore. Further, by a demand notice dated March 30, 2004, the Assistant CIT imposed an additional demand of ₹ 15.92 crore on our Company. Our Company filed an appeal (ITA Tr. No. 182/ITA No. 177/04-05) before the CIT(Appeals), Chennai who, by an order dated January 19, 2005, partly allowed the appeal. Subsequently, our Company and the income tax department filed cross appeals (ITA Nos. 748/Mds/2005 and 854/Mds/2005, respectively) before the ITAT, Chennai challenging the order of the CIT(Appeals), Chennai. The ITAT, Chennai, by a common order dated March 29, 2007, for assessment years 1999-2000, 2000-01 and 2001-02, partly allowed each of the cross appeals. Our Company filed an appeal (Tax Case (Appeal) No. 154 of 2008), before the Madras High Court. By a rectification order dated June 18, 2014, the Deputy CIT, Chennai, while fixing the expenses attributable to earning of exempt income at 3%, re-computed the total income for the assessment year to be ₹ 19.23 crore.

3. For assessment year 2002-03

The Assistant CIT, by an order dated March 28, 2005, granted us short exemption under section 10(23G) of the I.T. Act on account of difference in the basis followed by the respective assessing officer and our Company for calculation of the exempted income under Section 10(23G) of the I.T. Act and re-computed the total income at ₹

91.02 crore. Our Company filed an appeal (ITA No. 168/2005-06/A.III) before the CIT(Appeals), who, by an order dated February 22, 2006 partly allowed the appeal. Our Company and the income tax department filed cross appeals (ITA Nos. 795/Mds/2006 and 1342/Mds/2006, respectively), before the ITAT, Chennai, challenging the order of the CIT (Appeals). The ITAT, Chennai, by an order dated November 30, 2007, partly allowed each of the cross appeals. Our Company filed an appeal (Tax Case (Appeal) No. 939 of 2008), before the Madras High Court. Meanwhile, by a revision order dated June 20, 2014, the Deputy CIT, Chennai, while giving effect to the order dated November 30, 2007 for restricting the expenses incurred on earning exempt income, re-computed the total income for the assessment year to be ₹ 39.44 crore.

4. For assessment year 2003-04

The Assistant CIT, Chennai, by an assessment order dated March 21, 2006, granted us short exemption under Section 10(23G) and disallowed deduction under Section 36(1)(viiia)(c), before allowing deduction under Section 36(1)(viii), of the I.T. Act on account of difference in the basis followed by the respective assessing officer and our Company for calculation of the exempted income and the deductions and re-computed the total income at ₹ 120.53 crore. Further, the Assistant CIT disallowed carry forward of long term loss on sale of shares by our Company, attributing it to being in the course of business of our Company, and the expenditure relating to dividend income. However, no additional demand was imposed. Our Company filed an appeal (ITA No. 159/06-07/A.III) before the CIT(Appeals), Chennai, challenging the assessment order, who by an order dated September 27, 2011 partly allowed the appeal. Our Company and the income tax department filed cross appeals (ITA Nos. 2065/Mds/2011 and 2023/Mds/2011, respectively), and our Company filed a cross objection (C.O. Nos. 14/Mds/2012), before the ITAT, Chennai, challenging the order of the CIT (Appeals), Chennai. The ITAT, Chennai, by a common order dated September 28, 2012, for assessment years 2003-04 to 2007-08 partly allowed each of the appeals and dismissed the cross objection of our Company. Our Company filed an appeal (Tax Case (Appeal) No. 165 of 2013) before the Madras High Court, challenging the order of the ITAT, Chennai. By a revision order dated June 20, 2014, the Deputy CIT, Chennai, while giving effect to the order dated September 28, 2012 of the ITAT, Chennai in determining deductions under Section 36(1)(viii) and disallowance of expenditure to earn exempt income, re-computed the total income for the assessment year to be ₹ 50.12 crore. Our Company filed an appeal dated July 18, 2014 before the CIT (Appeals) challenging the order dated June 20, 2014.

5. For assessment year 2004-05

The Assistant CIT, Chennai, by an assessment order dated December 27, 2006, granted us short exemption under Sections 10(23G) and disallowed deduction under Section 36(1)(viiia)(c), before allowing deduction under Section 36(1)(viii), of the I.T. Act on account of difference in the basis followed by the respective assessing officer and our Company for calculation of the exempted income under such provisions of the I.T. Act and re-computed the total income at ₹ 230.02 crore. Further, the Assistant CIT disallowed carry forward of long term loss on sale of securities by our Company. However, no additional demand was imposed. Further, by a rectification order dated March 18, 2008, the Assistant CIT, Chennai, added back certain interest income to the total income for that assessment year. Our Company filed an appeal (ITA No. 814/06-07/A-III) before the CIT(Appeals), Chennai, challenging the assessment order, who, by an order dated September 15, 2011, partly allowed the appeal. Our Company and the income tax department filed cross appeals (ITA Nos. 2066/Mds/2011 and 2024/Mds/2011, respectively) and our Company filed a cross objection (C.O. No. 15/Mds/2012), before the ITAT, Chennai, challenging the order of the CIT (Appeals), Chennai. The ITAT, Chennai, by a common order dated September 28, 2012, for assessment years 2003-04 to 2007-08 partly allowed our appeal. Our Company filed an appeal (Tax Case (Appeal) No. 166 of 2013), before the Madras High Court, challenging the order of the ITAT, Chennai. By a revision order dated June 20, 2014, the Deputy CIT, Chennai, in determining deductions under Section 36(1)(viii) and disallowance of expenditure to earn exempt income, re-computed the total income for the assessment year to be ₹ 156.87 crore. Our Company filed an appeal dated July 17, 2014 before the CIT (Appeals) challenging the order dated June 20, 2014.

6. For assessment year 2005-06

The Assistant CIT, Chennai, by an assessment order dated December 24, 2007, granted us short exemption under Sections 10(23G) and disallowed deduction under Section 36(1)(viiia)(c), before allowing deduction under Section 36(1)(viii) of the I.T. Act on account of difference in the basis followed by the respective assessing officer and our Company for the calculation of the exempted income and deductions under provisions of the I.T. Act and re-computed the total income at ₹ 157.53 crore. Further, the Assistant CIT disallowed dividend income earned on account of not maintaining separate accounts for expenses incurred in relation to such income. Our

Company filed an appeal (ITA No. 613/07-08/A-III) before the CIT(Appeals), Chennai, challenging the assessment order, who by an order dated October 12, 2011 partly allowed the appeal. Our Company and the income tax department filed cross appeals (ITA Nos. 99/Mds/2012 and 86/Mds/2012, respectively) and our Company filed cross objections (C.O. No. 22/Mds/2012), before the ITAT, Chennai, challenging the order of the CIT (Appeals). The ITAT, Chennai, by a common order dated September 28, 2012, for the assessment years 2003-04 to 2007-08, partly allowed each of the appeals and dismissed our cross objection. Our Company filed an appeal (Tax Case (Appeal) No. 167 of 2013) before the Madras High Court, challenging the order of the ITAT, Chennai. By a revision order dated June 20, 2014, the Deputy CIT, Chennai, while giving effect to the order dated September 28, 2012 of the ITAT, Chennai in determining deductions under Section 36(1)(viii) and disallowance of expenditure to earn exempt income, re-computed the total income for the assessment year to be ₹ 77.18 crore. Our Company filed an appeal dated July 18, 2014 before the CIT (Appeals) challenging the order dated June 20, 2014.

7. For assessment year 2006-07

The Assistant CIT, Chennai, by an assessment order dated December 1, 2008, granted us short exemption under Sections 10(23G) and disallowed deduction under Section 36(1)(viiia)(c), before allowing deduction under Section 36(1)(viii) of the I.T. Act on account of difference in the basis followed by the respective assessing officer and our Company for calculation of the exempted income and deductions under the provisions of the I.T. Act and re-computed the total income under Section 115JB of the I.T. Act at ₹ 168.32 crore. Further, the Assistant CIT disallowed dividend income earned on account of not maintaining separate accounts for expenses incurred in relation to such income. By a demand notice dated December 1, 2008, the Assistant CIT, Chennai imposed an additional demand of ₹ 32.93 crore. Our Company filed an appeal (ITA No. 814/06-07/A-III) before the CIT(Appeals), Chennai challenging the assessment order, who by an order dated October 12, 2011 partly allowed the appeal. Our Company and the income tax department filed cross appeals (ITA Nos. 100/Mds/2012 and 87/Mds/2012, respectively) and our Company filed a cross objection (C.O. No. 23/Mds/2012), before the ITAT, Chennai, challenging the order of the CIT (Appeals). The ITAT, Chennai, by a common order dated September 28, 2012, for assessment years 2003-04 to 2007-08 partly allowed each of the cross appeals and dismissed our cross objection. Our Company filed two appeals (Tax Case (Appeal) Nos.168 and 170 of 2013) before the Madras High Court, challenging the order of the ITAT, Chennai. By a revision order dated June 20, 2014, the Deputy CIT, Chennai, while giving effect to the order dated September 28, 2012 of the ITAT, Chennai in determining deductions under Section 36(1)(viii) and disallowance of expenditure to earn exempt income, re-computed the total income for the assessment year to be ₹ 103.80 crore. Our Company filed an appeal dated July 18, 2014 before the CIT (Appeals) challenging the order dated June 20, 2014.

8. For assessment year 2007-08

The Assistant CIT, Chennai, by an assessment order and demand notice, both dated December 30, 2009, re-computed the total income for the assessment year at ₹ 416.30 crore and raised an additional demand of ₹ 71.84 crore and the same was rectified pursuant to an order dated June 24, 2010. The balance payable as per the order dated June 24, 2010 was ₹ 8.07 crore. Our Company filed an appeal (ITA No. 645/09-10/A-III) before the CIT(Appeals), Chennai, challenging the assessment order, who by an order dated October 12, 2011 partly allowed the appeal. Our Company and the income tax department filed cross appeals (ITA Nos. 101/Mds/2012 and 88/Mds/2012, respectively) and our Company filed a cross objection (C.O. No. 88/Mds/2012), before the ITAT, Chennai, challenging the order of the CIT (Appeals). The ITAT, Chennai, by a common order dated September 28, 2012, for assessment years 2003-04 to 2007-08 partly allowed each of the cross appeals and dismissed our cross appeal. Our Company filed an appeal (Tax Case (Appeal) No. 169 of 2013), before the Madras High Court, challenging the order of the ITAT, Chennai.

Meanwhile, the CIT, by an order under Section 263 of the I.T. Act, dated March 30, 2012, setting aside the assessment order dated December 30, 2009, and directed the assessing officer to pass a fresh assessment order. Our Company filed an appeal (No. ITA/1197/Mds/2012), before the Madras High Court, challenging the order of the CIT. The Deputy CIT, Chennai, by an order dated March 18, 2013 disallowed deduction under Section 36(1)(viiia)(c), before allowing deduction under Section 36(1)(viii) of the I.T. Act on account of difference in the basis followed by the assessing officer for calculation of the deductions under the provisions of the I.T. Act and disallowed the deduction of loss on assignment of loan and provision for standard assets that had been debited to the profit and loss account. By a demand notice dated March 18, 2013, the Assistant CIT, Chennai imposed an additional demand of ₹ 69.15 crore. Our Company filed an appeal dated April 23, 2013, before the CIT (Appeals), Chennai. By an order dated January 31, 2014, the Deputy CIT, issued a rectification, reducing the additional demand to ₹ 2.08 crore.

By a revision order dated June 20, 2014, the Deputy CIT, Chennai, while giving effect to the order dated September 28, 2012 of the ITAT, Chennai in determining deductions under Section 36(1)(viii) and disallowance of expenditure to earn exempt income, re-computed the total income for the assessment year to be ₹ 362.53 crore. Our Company filed an appeal dated July 18, 2014 before the CIT (Appeals) challenging the order dated June 20, 2014.

9. For assessment year 2008-09

The Deputy CIT, Chennai, by an assessment order dated December 24, 2010, granted our Company short exemption under Sections 10(34), 10(38), 36(1)(viii) and disallowed deduction under Section 36(1)(viiia)(c), before allowing deduction under Section 36(1)(viii) of the I.T. Act on account of difference in the basis followed by the respective assessing officer and our Company for calculation of deductions under these provisions of the I.T. Act and re-computed the total income at ₹ 751.87 crore. Further by a demand notice dated December 24, 2010, the Deputy CIT, Chennai, raised an additional demand of ₹19 crore. Our Company filed an appeal dated January 31, 2011 before the CIT (Appeals), Chennai. The Deputy CIT, Chennai, by a re-assessment order dated March 27, 2014, granted short exemption to our Company, disallowing income earned from investments in mutual funds, profit on sale of current investment and disallowed deduction under Section 36(1)(viiia)(c) of the I.T. Act on account of difference in the basis followed by the assessing officer for calculation of the exempted income and deductions under the provisions of the I.T. Act. Further, by a demand notice dated March 27, 2014, the Deputy CIT, imposed an additional demand of ₹ 10.49 crore. Our Company filed an appeal dated April 23, 2014, before the CIT (Appeals), Chennai.

10. For assessment year 2009-10

The Assistant CIT, Chennai, by an assessment order dated December 30, 2011, disallowed, amongst others, expenditure attributable to earning exempted income, deductions claimed under Sections 36(1)(viii) and 36(1)(viiia)(c) of the I.T. Act, on account of difference in the basis followed by the respective assessing officer and our Company for calculation of deductions under these provisions under the I.T. Act and re-computed the total income at ₹ 886.94 crore. Further by a demand notice dated December 30, 2011, the Assistant CIT, raised an additional demand of ₹ 53.34 crore. Our Company filed an appeal dated January 31, 2012 before the CIT (Appeals), Chennai.

11. For assessment year 2010-11

The Deputy CIT, Chennai, by an assessment order dated March 28, 2013, disallowed, amongst others, expenditure attributable to earning exempted income, interest cost on zero coupon bonds and to income considered under Sections 36(1)(viii) and 36(1)(viiia)(c), of the I.T. Act, on account of difference in the basis followed by the respective assessing officer and our Company for calculation of deductions under these provisions of the I.T. Act and re-computed the total income at ₹ 1,164.05 crore. Further by a demand notice dated March 28, 2013, the Deputy CIT, raised an additional demand of ₹ 69.95 crore. Our Company filed an appeal dated April 29, 2013 before the CIT (Appeals), Chennai. By a rectification order dated March 28, 2014, the Deputy CIT, Chennai, re-computed the tax demand, payable by our Company, as ₹ 17.48 crore.

12. For assessment year 2011-12

The Joint CIT, Chennai, by an assessment order dated March 14, 2014, disallowed, amongst others, retail bond issue expenses, dividend income under Sections 14A and under Section 36(1)(viiia) of the I.T. Act on account of difference in the basis followed by the respective assessing officer and our Company for calculation of deductions under these provisions of the I.T. Act and re-computed the total income at ₹ 1,298.69 crore. Further by a demand notice dated March 14, 2014, the Joint CIT, raised an additional demand of ₹ 47.11 crore. Our Company filed an appeal dated April 15, 2014 before the CIT (Appeals), Chennai. By a rectification order dated April 7, 2014, the Joint CIT, Chennai rectified the additional demand to ₹ 38.82 crore.

Interest Tax Proceedings

There is one interest tax proceeding involving our Company, brief details of which are set forth below:

The dispute relates to interest tax assessment for the assessment year 2000-01. The primary issue in relation to interest tax is that the income tax department treated interest on securities as interest on loans and advances

assessable under the Interest Tax Act, 1974. Our Company filed an appeal (8/Mds/2004) before the ITAT against the order of the CIT(Appeals) and the matter is pending final adjudication. The income tax department also filed an appeal (11/Mds/2004) before the ITAT challenging the relief allowed by the CIT(Appeals) for assessment year 2000-01. The aggregate amount of additional tax liability involved is ₹ 0.81 crore. By an order dated March 29, 2007, the ITAT allowed the appeals of our Company and that of the income tax department. Our Company, then filed an appeal (Tax Case (Appeal) No. 1289 of 2007), before the Madras High Court, challenging the order dated March 29, 2007 of the ITAT, allowing the appeal of the income tax department (Int. TA No. 11/Mds/2004).

Service Tax Proceedings

There is one service tax proceeding involving our Company, brief details of which are set forth below:

Our Company made an application dated February 24, 2009 to the Assistant/Deputy Commissioner, Central Excise (Service Tax), Mumbai, for refund of service tax of ₹ 1.15 crore, paid under protest, alleging that fee received for certain services provided by our Company, being monitoring fees for the period September 2004 to June 2005, underwriting fees for the period April 2004 to September 2004, legal fees for the period September 2004 to April 2005 and guarantee commission for the period September 2004 to March 2005, did not attract levy of service tax. The Assistant Commissioner, Service Tax, Mumbai, by a show cause notice dated November 17, 2009, required our Company to show cause as to why our claim for refund should not be rejected. Subsequently, by an order-in-original dated April 30, 2010, the Assistant Commissioner, Service Tax, Mumbai, rejected the refund claim of our Company. Our Company filed an appeal dated September 15, 2011, before the Commissioner of Central Excise (Appeals), Mumbai, challenging the order-in-original dated April 30, 2010.

Criminal Proceedings

There is one criminal proceeding against our Company, brief details of which are provided below.

PIPL filed a criminal complaint (X Crime No. 610 of 2012), before the Court of the XI Metropolitan Magistrate, Chennai, against our Company, our Executive Chairman and Managing Director and CEO and others for alleged conspiracy and suppression of facts in inducing PIPL to purchase commercial paper issued by DCHL, amounting to ₹ 5 crore, causing wrongful loss to PIPL. A first information report (X Crime No. 610 of 2012) ("FIR") was also filed before the sub-inspector of police, Central Crime Branch, Chennai on December 11, 2012. Our Executive Chairman, Managing Director and CEO and another, filed a quash petition (CRL. O.P. No. 3909 of 2013) before the Madras High Court challenging the complaint and the FIR and calling for the records of the FIR, which by its order dated February 15, 2013, granted stay on any further action by the police and issued a notice of stay against PIPL.

PIPL and another also filed a suit (No. 192 of 2012), before the Court of the Additional Chief Judge, City Civil Court, Secunderabad, against DCHL and our Company, for recovery of ₹ 5 crore, jointly and severally from DCHL and our Company, along with interest at the rate of 18% per annum thereon. The recovery of money was in respect of commercial paper issued by DCHL to our Company, which our Company had sold to a third party and such third party had down sold such commercial paper to PIPL. PIPL filed an interim application (No. 2735 of 2012) seeking a direction to our Company for depositing the amount equivalent to the claim with the City Civil Court. For further details with respect to recovery proceedings initiated against DCHL, see, " – **Recovery Cases**" on page 189, below.

Civil proceedings

There are three civil proceedings involving our Company, pending at various levels, before various adjudicating authorities. Additionally, we are a secured creditor of DAIL which, is currently under liquidation. The aggregate ascertainable amount involved in these proceedings is ₹ 5 crore. Brief details of the writ petition are set forth below. For details on proceedings initiated by PPIL, see, "– **Criminal Proceedings**", on page 188. Further, for details on proceedings connected with recovery proceedings, see " – **Recovery Proceedings**", on page 189.

Following Vodafone agreement with Hutchison Telecommunications International Limited ("HTIL") for the acquisition of a controlling stake in HEL, an organization called the Telecom Watchdog filed a civil writ petition before the Delhi High Court alleging breach of the 74% sectoral cap for foreign direct investment by Vodafone in HEL. The GoI, along with 21 other entities, including our Company were made respondents under this writ petition. The petitioner has alleged that SMMS Investments Private Limited (which was held 49% by

our Company, 49% by IDF and 2% by SSKI Corporate Finance Limited (now merged with IDFC Securities)) holds its 54.21% investment in Omega Telecom Holdings Private Limited (which in turn held 5.11% equity interest in HEL) as a nominee of HTIL. On May 7, 2007, the Ministry of Finance, GoI approved the acquisition of a controlling stake in HEL by Vodafone. However on May 10, 2007 Telecom Watchdog filed an application before the Delhi High Court for the revival of the civil writ petition. The Delhi High Court issued a revival notice and granted liberty to Telecom Watchdog to amend the writ petition. Telecom Watchdog filed writ petition involving Vodafone also as a party.

Litigation by our Company

Recovery Cases

There are 10 recovery proceedings initiated by our Company, pending before various debt recovery tribunals. Further, there are certain connected matters, brief details of which are provided below. The aggregate ascertainable amount involved in these proceedings is approximately ₹ 759.34 crore.

1. In fiscal 2004, we sanctioned and disbursed a loan of ₹ 30 crore to DAIL for use in connection with its Internet service provider business. As a result of a promoter dispute, a winding up petition (Co. Pet. No. 292 of 2004) was filed, before the Delhi High Court, by one of DAIL's promoters. The Delhi High Court on November 18, 2005 awarded a winding up order against DAIL and appointed an official liquidator to take charge of DAIL's assets.

Our Company filed an application (O.A. No. 57 of 2005) before the Debt Recovery Tribunal, New Delhi against Siddhartha Ray and SPA Enterprises Limited, the guarantors of the loan given to DAIL, for recovery of an amount aggregating to ₹ 31.41 crore.

Our Company also filed a recovery application (No. 9 of 2008), before the Debt Recovery Tribunal, New Delhi, against DAIL and another, seeking a certificate of recovery of approximately ₹ 46.54 crore, along with penal interest, liquidated damages and future interest at the rate of 18% per annum, in respect of rupee term loans advanced to DAIL, where Canara Bank has also been impleaded as a defendant.

2. Our Company filed an application (O.A. Nos. 612 of 2012) before the Debts Recovery Tribunal, Hyderabad, Andhra Pradesh, against DCHL, seeking a certificate of recovery for approximately ₹ 106.98 crore, arising out of two commercial papers issued to our Company by DCHL, along with costs and future interest until repayment of the amounts due on the commercial papers. Further, our Company also filed interim applications in the recovery application (O.A. No. 612 of 2012), seeking an order restraining DCHL from alienating any interest in its asset, Deccan Chargers, and from encumbering or disposing of assets hypothecated to our Company. By a docket order dated September 26, 2012, the DRT, Hyderabad granted an ad-interim injunction, restraining DCHL from alienating the assets hypothecated to our Company, until final disposal of the application (O.A. No. 612 of 2012). Meanwhile, DCHL filed an application dated April 26, 2013, before the DRT, Hyderabad seeking a stay on the proceedings in the application (O.A. No. 612 of 2012) until disposal of applications filed by DCHL for sanctioning a scheme of demerger and arrangement before the High Court of Andhra Pradesh. Our Company filed a counter dated May 1, 2013 to such application.

Our Company also filed an application (No. 493 of 2012) before the DRT, Andhra Pradesh at Hyderabad, against Mr. T. Venkatram Reddy and others, the guarantors for the commercial papers issued by DCHL, seeking a joint and several decree and certificate recovery for approximately ₹ 120.21 crore, along with costs and future interest until repayment of the amounts due on the commercial papers. Our Company filed an interim application (No. 957 of 2012), seeking an order directing T. Venkatram Reddy and others to furnish a list of assets forming part of the guarantee, and for restraining them from encumbering or alienating any interest in Deccan Chargers. The DRT, Andhra Pradesh, by an order dated August 7, 2012, directed Mr. T. Venkatram Reddy and others to submit the current status of their shares pledged and furnish details of their assets, as per the guarantee provided in respect of the commercial papers and to maintain status quo in respect of such shares until the next hearing in the matter. Subsequently, our Company filed a contempt petition (No. 2199 of 2012) before the High Court of Andhra Pradesh, against the guarantors for non-compliance with the order dated August 7, 2012, and they filed their counter affidavits. Mr. T. Venkatram Reddy and others filed an interlocutory application (I.A. No. 1433 of 2013) before the DRT, Hyderabad for staying all

proceedings pending before it until disposal of the company applications filed by DCHL for reorganization of its assets and liabilities under Sections 391 to 394 of the Companies Act 1956.

Our Company filed an application (321 of 2014) before the DRT, Hyderabad, Andhra Pradesh, against DCHL and its directors (being the guarantors of our Company), seeking a certificate of recovery for approximately ₹ 22.35 crore, arising out of a commercial paper issued to our Company by DCHL, along with costs and future interest until repayment of the amounts due on the commercial papers

Mr. P.K. Iyer, one of the promoters of DCHL, filed a company petition (No. 5 of 2013), before the Company Law Board, Chennai Bench, for restraining our Company and others from continuing with any civil proceedings against DCHL and its officers and further, to restrain our Company and others from alienating assets of DCHL, pending disposal of the company petition filed by DCHL for sanctioning a scheme of demerger and arrangement. By an order dated July 4, 2013, the Company Law Board, Chennai Bench, granted the interim relief to Mr. P.K. Iyer. By an order dated July 29, 2013 the Company Law Board, Chennai Bench vacated the stay granted by it, restraining our Company and others from continuing civil proceedings against DCHL, while upholding the stay on the restraining our Company and others from alienating assets of DCHL.

Subsequently, DCHL filed a reference case (No. 66 of 2013) before the Board for Industrial and Financial Reconstruction, New Delhi, for registration of DCHL as a sick company. Our Company filed its written submissions on April 15, 2014.

3. Our Company filed an application (O.A. No. 2 of 2013), before the DRT-I, New Delhi, against TTL and others seeking a certificate of recovery for approximately ₹ 94.99 crore, along with interest and charges at contractual rates, until repayment of the amount due in respect of the loan given to TTL. Additionally, our Company sought for an interim order restraining TTL from encumbering or disposing of their moveable or immovable assets and hypothecated stocks, attachment of certain immovable properties, shares it held in TDCSL and the credit balance in an account maintained by it with DBS Bank and Axis Bank. By orders dated January 18, 2013, and January 21, 2013, the DRT-I, New Delhi, directed TTL to maintain status quo of the properties and stocks as per the inventory prepared by our Company until further orders. Thereafter, by an additional affidavit dated March 7, 2013, our Company amended its claim to approximately ₹ 92.12 crore, pursuant to liquidation of fixed deposits of TTL with Axis Bank, amounting to ₹ 3.20 crore. By an interim order dated June 21, 2013, the DRT-I, New Delhi granted an interim injunction, directing TTL to furnish security of ₹ 94.99 crore (for both applications filed by our Company (Nos. 1 of 2013 and 2 of 2013)). TTL filed an appeal (No. 262 of 2013) before the Debts Recovery Appellate Tribunal (“DRAT”), New Delhi, against our Company and others, for quashing the interim order dated June 21, 2013 and further sought for an interim stay on the operation of the order dated June 21, 2013 until final disposal of the proceedings. Our Company filed a reply to the appeal on July 11, 2014.

Our Company also filed an application (No. 1 of 2013), before the DRT-I, New Delhi, against Mr. Hardeep Singh Bedi, the chairman and managing director of TTL, and guarantor to the loan provided by our Company to TTL, seeking a certificate of recovery for approximately ₹ 8.95 crore, along with interest and charges at contractual rates. Our Company also sought for an interim order for restraining Mr. Hardeep Singh Bedi from encumbering or disposing of any part of his properties and further, to declare and furnish details of his personal movable and immovable properties. By an order dated January 21, 2013, the DRT-I, New Delhi, directed Hardeep Singh Bedi to maintain status quo of the movable and immovable properties owned by him until the next hearing. Thereafter, our Company filed an interim application (No. 40 of 2013) for amending the original application, changing the original amount claimed against Mr. Hardeep Singh Bedi, to ₹ 94.99 crore. By an order dated June 21, 2013, the DRT-I, New Delhi allowed the interim application for amending the application (O.A. No. 1 of 2013) and directed Mr. Hardeep Singh Bedi to furnish security of ₹ 94.98 crore and further, restrained him from moving away from India. Mr. Hardeep Singh Bedi filed an appeal (No. 261 of 2013) before the DRAT, New Delhi, for quashing the order dated June 21, 2013 and summoning the records of our application filed against TTL (O.A. 2 of 2013). Further, Mr. Hardeep Singh Bedi sought an interim stay on the operation of the order dated June 21, 2013 until final disposal of the appeal. Our Company filed a reply dated July 11, 2014 to the appeal.

4. Our Company filed an application (O.A. No. 4 of 2013), before the DRT-I, New Delhi, against TDCSL and others seeking a certificate of recovery for approximately ₹ 93.46 crore, along with interest and

charges at contractual rates until repayment of the loan granted by our Company to TDCSL. Our Company also sought for an interim order for restraining TDCSL from alienating or disposing of any properties, for attachment of the shares of its subsidiary, held by it and for appointing a local commissioner for preparation of an inventory of stock in trade and movable property at the property of TDCSL. By an order dated January 29, 2013, the DRT-I, New Delhi directed TDCSL to maintain status quo of the stocks as per the inventory prepared by our Company and further, restrained it from transferring, alienating, disposing of or creating any third part rights in respect of its properties.

5. Our Company filed an application (O.A. No. 17 of 2014) before the DRT, Hyderabad, against Coastal Projects Limited and its promoters, seeking a certificate of recovery for approximately ₹ 112.71 crore, along with interest and charges at contractual rates, in respect of compulsorily convertible debentures issued by Coastal Projects Limited to our Company. The dispute arose out of put option exercisable by our Company in regard of the compulsorily convertible debentures, pursuant to which Coastal Projects Limited was required to buy-back such debentures. Further, our Company sought for interim orders restraining Coastal Projects Limited and its promoters from encumbering or disposing of their properties, require them to disclose their assets, pending disposal of the application and for attaching the bank accounts of Coastal Projects Limited and its promoters. The DRT, Hyderabad, by docket orders dated June 30, 2014, directed Coastal Projects Limited and its guarantors to disclose their movable and immovable assets by way of an affidavit and to furnish security towards the claim of our Company and further, directed the guarantors of Coastal Projects Limited to deposit their passport with the registry of the DRT, Hyderabad.

Coastal Projects Limited and its promoters filed an appeal dated July 26, 2014 before the DRAT, Southern Region, Kolkata for suspending the docket orders dated June 30, 2014 passed by the DRT, Hyderabad.

6. Our Company filed a recovery application (O.A. 256 of 2014) before the DRT-I, New Delhi against BFPL, Mr. B.B. Singhal and Mr. Neeraj Singhal, the guarantors, in respect of a Rupee loan granted by our Company to BFPL for an amount aggregating to ₹ 150 crore. Our Company sought a certificate of recovery, and interim orders for recovery, of ₹ 35.70 crore, along with interest and charges at contractual rates agreed to in terms of the consent terms dated May 27, 2014 entered into between our Company, BFPL, Mr. B.B. Singhal and Mr. Neeraj Singhal and approved by a consent order dated May 27, 2014 of the Delhi High Court. Further, our Company sought interim orders for restraining BFPL and its guarantors from transferring, alienating or disposing of their property and further, from transferring, alienating, parting with the possession of or changing the shareholding pattern of any of the assets owned by them and lastly, for attachment of properties and bank accounts owned by BFPL and its guarantors. By an order dated August 29, 2014, the DRT-I, New Delhi directed BFPL and its guarantors to show cause as to why the relief should not be granted to our Company and further, to maintain status quo in respect of their movable and immovable properties. Our Company intends to withdraw the recovery application (O.A. 256 of 2014) as the outstanding amount claimed by our Company in the recovery application (O.A. 256 of 2014) has been recovered.

II. Litigation involving our Directors

There is no material litigation or inquiries involving our Directors.

III. Litigation involving our Subsidiaries

A. IDFC IA

Litigation against IDFC IA

Income Tax Proceedings

There is one income tax proceedings against IDFC IA, brief details of which are set forth below.

1. The Deputy CIT, Mumbai, by an assessment order dated October 30, 2009, re-computed the total income of IDFC IA for assessment year 2007-08. In re-computing the total income, the Deputy CIT, Mumbai, disallowed ₹ 3.53 crore on account of failure to deduct tax at source from the amount paid to our Company as consideration for services rendered to IDFC IA. IDFC IA filed an appeal (No. CIT(A)-2/IT/933/09-10)

before the CIT (Appeals) , Mumbai challenging the assessment order dated October 30, 2009. By an order dated February 14, 2011, the CIT(Appeals), Mumbai partly rejected the appeal and held IDFC IA liable to deduct tax at source from consideration paid to our Company. IDFC IA filed a further appeal (ITA No. 3935/M/2011) before the ITAT, Mumbai, against the order of the CIT(Appeals), Mumbai. By an order dated February 20, 2014, the ITAT, Mumbai partly allowed the appeal and held that the payment made by IDFC IA to our Company was not liable to deduction of tax at source and the disallowance made by the Deputy CIT was to be deleted. The CIT , Mumbai filed an appeal (lodging no. ITXL/1092/2014) before the Bombay High Court against the order of the ITAT, Mumbai.

IV. Amount owed to small scale undertakings/creditors

As on March 31, 2014, we do not owe a sum exceeding ₹ 1 lakh to any MSME, which is outstanding for more than 30 days, except in the ordinary course of our business.

V. Past cases where penalties were imposed

Except as provided below, there are no past cases where penalties were imposed on our Company by concerned authorities.

By a letter dated February 11, 2013, the RBI imposed a penalty of ₹ 0.05 crore on our Company, in accordance with its circular (No. IDMD.DOD.17/11.01.01(B)2010-11) dated July 14, 2010. The penalty was levied on account of shortage of GoI securities amounting to ₹ 100 crore, during settlement, pursuant to their transfer from our Company's account with the Clearing Corporation of India Limited to our subsidiary general account maintained with the RBI.

Additionally, by an order dated July 12, 2010, the Deputy Chief General Manager-in-Charge, RBI, compounded the contravention on payment of ₹ 0.05 crore, on account of remittance unique identification number, delay in reporting remittances, non-submission of evidence of investment and disinvestment of overseas investment before obtaining the unique identification number in contravention under the Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2000, by our Subsidiary, SSKI Corporate Finance Private Limited (now IDFC Securities).

VI. Material Fraud Committed against our Company

There have been no material frauds committed against our Company in the last three years.

VII. Details of default

As on the date of this Placement Document, our Company has not defaulted in the repayment of statutory dues, payment of interest or principal in respect of any debentures issued or deposits accepted and payment of interest or principal on any loan from any bank or financial institution.

VIII. Details of inquiries, inspection or investigation under the Companies Act 2013 or any previous companies law

There has been no inquiry, inspections or investigations initiated or conducted under the Companies Act 2013 or any previous companies law in the last three years immediately preceding the date of this Placement Document against our Company or our Subsidiaries. Further, there have been no prosecutions filed, fines imposed or compounding of offences in the last three years immediately preceding the date of this Placement Document involving our Company or our Subsidiaries.

INDEPENDENT ACCOUNTANTS

Our Company's current statutory auditors, Deloitte Haskins & Sells LLP, Chartered Accountants, are independent auditors with respect to our Company as required by the Companies Act and in accordance with the guidelines issued by the Institute of Chartered Accountants of India. Further, Deloitte Haskins & Sells LLP, Chartered Accountants, have audited the consolidated financial statements as of and for the years ended March 31, 2014, 2013 and 2012, and have applied limited procedures in accordance with professional standard in India with respect to our unaudited reviewed consolidated financial results as of and for the three months ended June 30, 2014, whose audit report is included in this Placement Document.

GENERAL INFORMATION

- Our Company was incorporated in Chennai, Tamil Nadu on January 30, 1997 under the Companies Act 1956 as a public limited company under the name 'Infrastructure Development Finance Company Limited', with the RoC. Our Company received its certificate of commencement of business on February 13, 1997. Subsequently, pursuant to a special resolution of the shareholders dated July 9, 2012, the name of our Company was changed to 'IDFC Limited' with effect from July 20, 2012, and a fresh certificate of incorporation was issued by the RoC. The name of our Company was changed from Infrastructure Development Finance Company Limited to IDFC Limited to reflect and reinforce the corporate identity of our Company, and for contributing towards developing and strengthening "IDFC" as a distinct brand equity. Further, our Company believes that a shorter name has a greater recall value. The registered office of our Company was changed on April 1, 2010 from ITC Centre, 3rd Floor, 760, Anna Salai, Chennai 600 002, Tamil Nadu, India, to its present location at KRM Tower, 8th Floor, No. 1, Harrington Road, Chetpet, Chennai 600 031, Tamil Nadu, India, for administrative and operational efficiency pursuant to a circular resolution passed by the Board of Directors dated March 25, 2010.
- The authorized share capital of our Company as of the date of this Placement Document is ₹ 5,000 crore, divided into 400,00,00,000 Equity Shares of ₹ 10 each and 10,00,00,000 preference shares of ₹ 100 each. Our issued, subscribed and paid up Equity Share capital as of the date of this Placement Document is ₹ 1,517.14 crore divided into 1,51,7139,086 Equity Shares of ₹ 10 each.
- The Equity Shares were listed on the BSE and the NSE since 2005. The Issue was authorised and approved by our Board of Directors on June 3, 2014 and approved by the shareholders at an AGM held on July 29, 2014.
- Our Company had approached the RBI seeking approval to set up a new domestic private sector bank, through an application filed by our Company with the RBI on July 1, 2013. The RBI granted us in-principle approval for the grant of a banking license, on April 9, 2014, pursuant to the RBI New Banks Licensing Guidelines.
- Our Company has received in-principle approvals under Clause 24(a) of the Listing Agreements to list the Equity Shares to be issued pursuant to this Issue on the BSE and the NSE on September 10, 2014 and September 10, 2014, respectively.
- Copies of the Memorandum and Articles of Association will be available for inspection during usual business hours on any weekday between 11.00 A.M. to 1.00 P.M. (except public holidays) at our Registered Office and Corporate Office.
- Except as stated in this Placement Document, our Company has obtained necessary consents, approvals and authorisations required in connection with the Issue.
- Except as disclosed in this Placement Document, there has been no material change in our consolidated financial condition since March 31, 2014, the date of the latest audited financial statements, prepared in accordance with Indian GAAP to comply with the Accounting Standards notified under Section 211(3)(c) and other relevant provisions of the Companies Act 1956 and the Companies Act 2013 and the guidelines issued by the RBI, as applicable, included herein.
- Except as disclosed in this Placement Document, there are no legal or arbitration proceedings against or affecting our Company or its assets or revenues, nor is our Company aware of any pending or threatened legal or arbitration proceedings, which are, or might be, material in the context of the Issue.
- Our Company's statutory auditor, Deloitte Haskins & Sells LLP, Chartered Accountants, has audited our consolidated financial statements as of and for the years ended March 31, 2014, 2013 and 2012, and have applied limited procedures in accordance with professional standard in India with respect to our unaudited reviewed consolidated financial results as of and for the three months ended June 30, 2014, and have consented to inclusion of their report in this Placement Document.
- Our Company confirms that it is in compliance with the minimum public shareholding requirements as required under the terms of the Listing Agreements, Securities Contracts (Regulation) Act, 1956 and

the Securities Contracts (Regulation) Rules, 1957.

- The Floor Price for the Equity Shares under the Issue is ₹ 143.70 per Equity Share which has been calculated in accordance with Chapter VIII of the SEBI ICDR Regulations.

FINANCIAL STATEMENTS

REPORT OF THE INDEPENDENT AUDITOR ON THE CONSOLIDATED SUMMARY FINANCIAL STATEMENTS

To the Board of Directors of IDFC LIMITED

1. The accompanying consolidated summary financial statements of **IDFC LIMITED** (the “Company”) which comprise the Consolidated Summary Balance Sheet as at March 31, 2014, March 31, 2013 and March 31, 2012 , the Consolidated Summary Statement of Profit and Loss and the Consolidated Summary Cash Flow Statement for the years ended on that date; together with the related Schedules and explanatory notes referred to herein as the “Consolidated Summary Financial Statements” are derived from the audited consolidated financial statements (the “Audited Consolidated Summary Financial Statements”) of the Company for the respective years audited by us as detailed in paragraph 2(a) to 2(b) below.
2. (a) We expressed our opinions on the consolidated financial statements of the Company for the years ended March 31, 2014, March 31, 2013 and March 31, 2012 vide our reports dated April 25, 2014, May 1, 2013 and May 8, 2012 respectively.

(b) Our reports on the consolidated financial statements of the Company for the years ended March 31, 2014, March 31, 2013 and March 31, 2012 state that we did not audit the financial statements of certain subsidiaries and associates of the Company, whose financial statements reflect the financial information as considered in the consolidated financial statements for the respective years then ended to the extent set out in Annexure 1. These financial statements and other financial information were audited by other auditors whose reports were furnished to us, and our audit opinions on the consolidated financial statements of the Company for the years ended March 31, 2014, March 31, 2013 and March 31, 2012 to the extent they relate to the figures for the respective years included in Annexure 1, is solely based on the reports of the other auditors.

Our opinion was not qualified in respect of this matter.

3. The figures included in the Consolidated Summary Financial Statements, do not reflect the effect of events that occurred subsequent to the date of our reports on the respective years referred to in paragraph 2(a) above.
4. **Management’s Responsibility for the Consolidated Summary Financial Statements**

Management is responsible for the preparation of the Consolidated Summary Financial Statements from the Audited Consolidated Financial Statements of the respective years ended March 31, 2014, March 31, 2013 and March 31, 2012 on the basis described in Note 26(a) to the Consolidated Summary Financial Statements.

5. **Auditor’s Responsibility**

Our responsibility is to express an opinion on the Consolidated Summary Financial Statements based on our procedures, which were conducted in accordance with Standard on Auditing (SA) 810, “Engagements to Report on Summary Financial Statements” issued by the Institute of Chartered Accountants of India.

6. **Opinion**

In our opinion, the consolidated summary financial statements derived from the audited consolidated financial statements for the years ended March 31, 2014, 2013 and 2012 are consistent, in all material respects, with each of those financial statements.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Registration No. 117366W/W-100018)

P. R. Ramesh
(Partner)
(Membership No. 70928)

MUMBAI, 10 September, 2014
PRR/PG/SCR/2014-15

Annexure 1 to the report on the Consolidated Summary Financial Statements (referred to in paragraph 2(b) of the report)

Financial information of certain subsidiaries and associates audited by other auditors, as considered in the consolidated financial statements of the Company:

Particulars	As at and for the year ended		
	March 31,2014 (Rs. Crore)	March 31,2013 (Rs. Crore)	March 31,2012 (Rs. Crore)
Relating to Subsidiaries			
Number of Subsidiaries	9	9	12
Assets	363.25	212.58	281.32
Revenue	289.67	184.04	185.96
Cash flows – (outflows) / inflows	13.54	(2.30)	0.76
Relating to Associates			
Number of Associates	2	2	2
Share of profits (net)	2.01	1.86	1.87

IDFC LIMITED

CONSOLIDATED SUMMARY BALANCE SHEET

				(₹ in crore)
Notes	As at March 31, 2014	As at March 31, 2013	As at March 31, 2012	
Equity and liabilities				
Shareholders' funds				
(a) Share capital	1,516.29	1,514.73	1,512.36	
(b) Reserves and surplus	13,524.02	12,167.89	10,772.68	
	15,040.31	13,682.62	12,285.04	
Share application money pending allotment	0.12	0.30	0.60	
Minority Interest	40.16	25.39	17.78	
Non-current liabilities				
(a) Long-term borrowings	39,320.09	36,803.33	29,837.20	
(b) Other long-term liabilities	531.37	323.05	148.35	
(c) Deferred tax liability (net)	3.66	3.29	2.18	
(d) Long-term provisions	150.50	143.28	128.93	
	40,005.62	37,272.95	30,116.66	
Current liabilities				
(a) Short-term borrowings	7,826.23	3,869.37	7,351.01	
(b) Trade payables	874.87	349.53	252.16	
(c) Other current liabilities	10,895.00	15,314.93	10,537.42	
(d) Short-term provisions	480.72	544.22	442.08	
	20,076.82	20,078.05	18,582.67	
TOTAL	75,163.03	71,059.31	61,002.75	
Assets				
Non-current assets				
(a) Fixed assets				
(i) Tangible assets	324.71	340.56	374.57	
(ii) Intangible assets	2.89	3.89	5.26	
(iii) Intangible assets under development	0.90	-	36.64	
	328.50	344.45	416.47	
(b) Goodwill on consolidation	957.09	957.09	966.75	
(c) Non-current investments	3,888.24	3,309.25	2,433.11	
(d) Deferred tax assets (net)	491.16	397.05	320.22	
(e) Long-term loans and advances				
(i) Loans	50,049.94	48,126.83	42,082.21	
(ii) Others	603.69	517.03	470.17	
	50,653.63	48,643.86	42,552.38	
(f) Other non-current assets	175.31	620.67	368.15	
	56,493.93	54,272.37	47,057.08	
Current assets				
(a) Current investments	7,420.46	7,694.92	5,100.75	
(b) Trade receivables	657.99	160.57	383.17	
(c) Cash and bank balances	390.38	262.72	698.11	
(d) Short-term loans and advances				
(i) Loans	8,495.59	7,609.63	6,100.72	
(ii) Others	511.97	378.03	1,050.26	
	9,007.56	7,987.66	7,150.98	
(e) Other current assets	1,192.71	681.07	612.66	
	18,669.10	16,786.94	13,945.67	
TOTAL	75,163.03	71,059.31	61,002.75	

See accompanying notes forming part of the consolidated summary financial statements.

IDFC LIMITED

CONSOLIDATED SUMMARY STATEMENT OF PROFIT AND LOSS

		(₹ in crore)		
	Notes	For the year ended March 31, 2014	For the year ended March 31, 2013	For the year ended March 31, 2012
I Income				
Revenue from operations	20	8,772.04	8,138.59	6,342.13
Other income	21	17.95	9.83	92.88
Total income (I)		8,789.99	8,148.42	6,435.01
II Expenses				
Employee benefits expense	22	288.28	291.64	304.86
Finance costs	23	5,055.24	4,675.83	3,456.21
Provisions and contingencies	24	628.30	349.63	284.58
Other expenses	25	224.56	203.36	178.25
Depreciation and amortisation expense	11(a)&(b)	30.96	34.40	38.44
Total expenses (II)		6,227.34	5,554.86	4,262.34
III Profit before tax (I - II)		2,562.65	2,593.56	2,172.67
IV Tax expense				
Current tax		907.55	826.54	692.38
Deferred tax	13	(112.58)	(75.72)	(70.00)
Tax adjustment for prior years (net of deferred tax liability March 2014 - ₹ 18.88 crore, March 2013 - ₹ Nil, March 2012 - ₹ Nil) [see note 13]		(56.16)	0.39	(0.21)
Minimum alternate tax credit		(0.35)	(0.08)	(0.31)
Total tax expense (IV)		738.46	751.13	621.86
V Profit after tax (before share of profit from associates and adjustment for minority interest) (III-IV)		1,824.19	1,842.43	1,550.81
VI Share of net profit from associates		2.01	1.86	1.87
VII Share of profit of minority interest		(23.52)	(8.09)	1.33
VIII Profit for the year (V+VI+VII)		1,802.68	1,836.20	1,554.01
IX Earnings per equity share (nominal value of share ₹ 10 each)				
Basic (₹)	32	11.89	12.13	10.24
Diluted (₹)		11.88	12.06	10.20

CONSOLIDATED SUMMARY CASH FLOW STATEMENT

(₹ in crore)

	Notes	For the year ended March 31, 2014	For the year ended March 31, 2013	For the year ended March 31, 2012
A. Cash flow from operating activities				
Profit before tax		2,562.65	2,593.56	2,172.67
Adjustments for:				
Depreciation and amortisation expense	11(a) & (b)	30.96	34.40	38.44
Provision for employee benefits		0.39	(7.57)	1.49
Expense under the ESOS	22	-	0.21	4.31
Provisions and contingencies	24	628.30	349.63	284.58
Provision / (utilisation) against stock futures		-	(0.50)	0.50
Provision utilised against non-performing loans / other receivables		(164.07)	(21.08)	-
(Amortisation) / writeback of premium on long term investments		(9.26)	3.01	3.32
Unrealised loss on foreign currency revaluation		221.47	57.22	31.82
Profit on sale of other investments (net)	20(d)	(597.88)	(401.33)	(496.17)
(Utilisation) / writeback of securities premium account (gross of tax)		0.14	(13.35)	(132.19)
Foreign currency translation reserve		11.06	4.48	7.22
(Profit) / loss on sale of fixed assets (net)		(10.56)	0.38	(4.30)
Gain on buy back of debentures and commercial papers		(1.27)	(0.55)	-
		<u>109.28</u>	<u>4.95</u>	<u>(260.98)</u>
Operating profit before working capital changes		2,671.93	2,598.51	1,911.69
Changes in working capital:				
Adjustments for (increase)/ decrease in operating assets				
Trade receivables		20.59	(126.26)	30.95
Long-term loans & advances		15.45	(14.81)	37.29
Short-term loans & advances		(2.70)	(7.74)	(29.45)
Other non-current assets		445.24	(250.33)	85.75
Other current assets		(480.74)	(69.24)	(308.64)
Adjustments for increase/ (decrease) in operating liabilities				
Trade payables		20.06	20.30	(64.09)
Other long-term liabilities		179.63	176.49	96.09
Other current liabilities		(284.74)	464.54	323.07
		<u>(87.21)</u>	<u>192.95</u>	<u>170.97</u>
Direct taxes paid		(991.95)	(818.91)	(660.64)
CASH GENERATED FROM OPERATIONS		1,592.77	1,972.55	1,422.02
Loans disbursed (net of repayments)		(3,078.76)	(7,470.33)	(10,512.81)
NET CASH USED IN OPERATING ACTIVITIES		(1,485.99)	(5,497.78)	(9,090.79)
B. Cash flow from investing activities				
Purchase of fixed assets (including intangible assets under development)		(16.53)	(8.95)	(9.04)
Decrease in capital work-in-progress on sale of a subsidiary		-	36.48	-
Sale of fixed assets		12.09	9.72	5.30
Bank deposits matured (net)		0.41	516.93	208.91
Investment in associates		-	-	(101.29)
Investment / subscription of shares in subsidiaries		(193.73)	(194.44)	(8.00)
Purchase of other investments		(525,616.11)	(251,123.33)	(162,413.67)
Sale proceeds of investment in subsidiaries		-	4.18	297.79
Sale proceeds of investment in an associate		-	15.00	-
Sale proceeds of other investments		525,998.07	248,728.42	161,797.53
Capital reserve due to change in shareholding in group companies		-	-	β
Opening adjustment		0.04	9.73	0.33
NET CASH FROM / (USED IN) INVESTING ACTIVITIES		184.24	(2,006.26)	(222.14)
C. Cash flow from financing activities				
Proceeds from fresh issue of shares (net of issue expenses)		6.83	19.04	15.63
Securities premium on issue of shares by a subsidiary company		-	-	2.25
Proceeds from borrowings (net of repayments)		6,198.49	10,759.46	9,494.41
Buy back of debentures and commercial papers		(4,310.73)	(2,781.49)	-
Dividend paid (including dividend distribution tax)		(454.20)	(407.06)	(422.20)
Increase / (decrease) in minority interest		(8.75)	(0.49)	17.68
NET CASH FROM FINANCING ACTIVITIES		1,431.64	7,589.46	9,107.77
Net increase / (decrease) in cash and cash equivalents (A+B+C)		129.89	85.42	(205.16)
Cash and cash equivalents as at the beginning of the year	19	189.54	104.12	309.28
Cash and cash equivalents as at the end of the year	19	319.43	189.54	104.12
		<u>129.89</u>	<u>85.42</u>	<u>(205.16)</u>

See accompanying notes forming part of the consolidated summary financial statements.

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NOTES FORMING PART OF CONSOLIDATED SUMMARY FINANCIAL STATEMENTS

1 Share capital

	As at March 31, 2014		As at March 31, 2013		As at March 31, 2012	
	Number	(₹ in crore)	Number	(₹ in crore)	Number	(₹ in crore)
Authorised						
Equity shares of ₹ 10 each	4,000,000,000	4,000.00	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	100,000,000	1,000.00
		<u>5,000.00</u>		<u>5,000.00</u>		<u>5,000.00</u>
Issued, subscribed & fully paid-up						
Equity shares of ₹ 10 each	1,516,286,251	1,516.29	1,514,727,629	1,514.73	1,512,362,768	1,512.36
Total issued, subscribed and fully paid-up share capital		<u>1,516.29</u>		<u>1,514.73</u>		<u>1,512.36</u>

2 Reserves and surplus

	As at March 31, 2014		As at March 31, 2013		As at March 31, 2012	
					(₹ in crore)	
(a) Securities premium account						
Opening balance		5,244.37		5,232.88		4,515.93
Add: premium on exercise of stock options under the ESOS		8.62		21.64		17.18
Add: premium on issue of equity shares by a subsidiary company		-		-		2.25
Add: premium on conversion of CCCPS into equity shares		-		-		792.27
Less: premium utilised / (writeback) during the year [see note 23]		(0.14)		10.15		94.19
[net of current tax of ₹ Nil for March 2014, ₹ 3.20 crore for March 2013 and ₹ 38.00 crore for March 2012]						
Less: Minority interest in a subsidiary company		-		-		0.56
Closing balance		<u>5,253.15</u>		<u>5,244.37</u>		<u>5,232.88</u>
(b) Stock options outstanding						
Opening balance		28.86		33.90		31.29
Add: Net charge for the year [see note 22]		-		0.21		4.31
Less: Transferred to general reserve [see note 2(f)]		0.29		0.57		-
Less: Stock options exercised / cancelled		3.18		4.68		1.70
Closing balance		<u>25.39</u>		<u>26.86</u>		<u>33.90</u>
(c) Debenture redemption reserve						
Opening balance		364.60		214.60		72.60
Add: Transfer from surplus in the Statement of Profit and Loss		177.00		150.00		142.00
Closing balance		<u>541.60</u>		<u>364.60</u>		<u>214.60</u>

Debenture redemption reserve has been created in accordance with Section 117C of the Companies Act, 1956 in respect of the public issues of long-term Infrastructure Bonds. The Holding Company creates Debenture Redemption Reserve (DRR) upto 25% of the value of debentures issued through public issue plus accrued interest thereon over the expected life of such debentures in accordance with circular no. 4/2013 dated February 11, 2013 issued by the Ministry of Corporate Affairs (upto 50% till March, 31 2012). The Holding Company is not required to create DRR in respect of privately placed debentures.

NOTES FORMING PART OF CONSOLIDATED SUMMARY FINANCIAL STATEMENTS

Reserves and surplus (continued)	(₹ In crore)		
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2012
(d) Special reserve u/s. 36(1)(viii) of the Income-tax Act, 1961			
Opening balance	1,950.25	1,550.25	1,160.68
Add: Transfer from surplus in the Statement of Profit and Loss	423.00	400.00	390.00
Less: Transfer to general reserve	-	-	0.43
Closing balance	2,373.25	1,950.25	1,560.25
(e) Special reserve u/s. 45-IC of the RBI Act, 1934			
Opening balance	1,871.93	1,516.47	1,197.15
Add: Transfer from surplus in the Statement of Profit and Loss	346.57	355.46	321.58
Less: Transfer to general reserve	-	-	2.26
Closing balance	2,218.50	1,871.93	1,516.47
(f) General reserve			
Opening balance	662.91	478.91	311.67
Add: Transfer from surplus in the Statement of Profit and Loss	180.27	183.43	164.81
Add: Transfer from stock options outstanding [see note 2(b)]	0.29	0.57	-
Add: Transfer from special reserve u/s. 45-IC	-	-	2.26
Less: Share of minority interest	-	-	0.26
Add: Transfer from special reserve u/s. 36(1)(viii)	-	-	0.43
Closing balance	843.47	662.91	478.91
(g) Capital reserve on consolidation			
Opening balance	1.25	1.25	1.25
Add: Changes due to change in shareholding in group companies	-	-	-
Closing balance	1.25	1.25	1.25
(h) Foreign currency translation reserve [see note 26(b)(vii)]			
Opening balance	9.94	5.46	(1.76)
Add: Foreign exchange translation in relation to non-integral foreign operations	11.08	4.49	7.24
Less: Share of minority interest	0.02	0.01	0.02
Closing balance	21.00	9.94	5.46
(i) Surplus in the Statement of Profit and Loss			
Opening balance	2,033.78	1,738.96	1,654.54
Profit for the year	1,802.68	1,836.20	1,554.01
Add: Opening adjustment	0.04	9.73	0.33
Less: Impact of amount utilised by an associate against securities premium account	1.84	1.29	0.58
Less: Appropriations			
Transfer to reserves:			
Debenture redemption reserve	177.00	150.00	142.00
Special reserve u/s. 36(1)(viii) of the Income-tax Act, 1961	423.00	400.00	390.00
Special reserve u/s. 45-IC of the RBI Act, 1934	346.57	355.46	321.58
General reserve	180.27	183.43	164.81
Dividend & dividend distribution tax:			
Proposed dividend on equity shares	394.24	393.84	347.87
[March 2014 ₹ 2.60 per share, March 2013 ₹ 2.60 per share, March 2012 ₹ 2.30 per share]			
Dividend on preference shares	-	-	43.63
[March 2014 ₹ Nil per share, March 2013 ₹ Nil per share, March 2012 ₹ 5.19 per share]			
Dividend on equity shares pertaining to previous year [see note (i)]	0.15	0.20	0.24
Tax on proposed equity dividend [see note (ii)]	67.00	66.93	53.39
Tax on equity dividend for previous year [see note (i) & (ii)]	0.02	(0.04)	0.04
Tax on preference dividend (see note ii)	-	-	5.78
Total appropriations	1,588.25	1,549.82	1,469.34
Closing balance	2,246.41	2,033.78	1,738.96
Total reserves and surplus	13,524.02	12,167.89	10,772.68

- (i) In respect of equity shares issued pursuant to exercise of stock options under the ESOS, the Company paid dividend of ₹ 0.15 crore for the year 2012-13, ₹ 0.20 crore for the year 2011-12 and ₹ 0.24 crore for the year 2010-11 as approved by the shareholders at the respective Annual General Meetings and tax on dividend of ₹ 0.02 crore for March 2014, ₹ 0.04 crore in March 2013 and ₹ 0.04 crore in March 2012 as approved by the shareholders at the respective Annual General Meetings.
- (ii) Tax on proposed dividend is net of dividend distribution tax of ₹ Nil for the year 2013-14, ₹ 0.24 crore for the year 2012-13 and ₹ 4.59 crore for the year 2011-12 paid by the subsidiary companies under Section 115-O of the Income-tax Act, 1961.

3 Share application money pending allotment

Share application money pending allotment represents applications received from employees on exercise of stock options granted and vested under the ESOS.

	As at March 31, 2014		As at March 31, 2013		As at March 31, 2012	
	Number	(₹ In crore)	Number	(₹ In crore)	Number	(₹ In crore)
Equity shares of face value ₹ 10 each proposed to be issued	24,500	0.02	44,799	0.04	103,682	0.10
Total amount of securities premium		0.10		0.26		0.50
		0.12		0.30		0.60

NOTES FORMING PART OF CONSOLIDATED SUMMARY FINANCIAL STATEMENTS

4 Long - term borrowings

	As at March 31, 2014		As at March 31, 2013		As at March 31, 2012	
	Non-current	Current	Non-current	Current	Non-current	Current
	(₹ in crore)					
Debentures & bonds (non convertible) (secured) [see note (a)]						
Face value	26,462.41	8,396.90	27,693.13	11,522.00	23,297.92	7,844.00
Less: Unexpired discount on zero percent debentures & bonds [see note (b)]	281.55	25.58	366.24	27.73	191.57	17.26
	26,180.86	8,371.32	27,326.89	11,494.27	23,106.35	7,826.74
Debentures & bonds (convertible) (unsecured)	-	-	-	-	6.67	-
Term loans (secured) [see note (a)]						
From banks	4,380.74	850.00	3,005.74	1,000.00	2,447.02	785.57
From others	758.84	-	-	918.00	668.00	-
	5,139.58	850.00	3,005.74	1,918.00	3,115.02	785.57
External commercial borrowings (secured) [see note (a)]						
From banks	4,903.95	-	3,382.83	-	1,790.60	-
From others	2,445.70	197.68	2,437.87	142.32	1,168.56	634.93
	7,349.65	197.68	5,820.70	142.32	2,959.16	634.93
Subordinated debt from the Government of India (unsecured)	650.00	-	650.00	-	650.00	-
Amount disclosed under 'other current liabilities' (see note 9)	-	(9,419.00)	-	(13,554.59)	-	(9,247.24)
Total long-term borrowings	39,320.09	-	36,803.33	-	29,837.20	-
The above amount includes:						
Secured borrowings [see note (a)]	38,670.09	9,419.00	36,153.33	13,554.59	29,180.53	9,247.24
Unsecured borrowings	650.00	-	650.00	-	656.67	-
	39,320.09	9,419.00	36,803.33	13,554.59	29,837.20	9,247.24

(a) Borrowings aggregating to the values as indicated below are secured by way of a first floating *pari passu* charge over investments, other assets, trade receivables, cash and bank balances and loans & advances excluding investments in and other receivables from subsidiaries and affiliates of the Holding Company and lien marked assets.

As at	(₹ in crore)
March 31, 2014	48,089.09
March 31, 2013	49,707.92
March 31, 2012	38,427.77

(b) Unexpired discount is net of interest accrued but not due.

As at	(₹ in crore)
March 31, 2014	251.00
March 31, 2013	154.46
March 31, 2012	117.72

5 Other long-term liabilities

	As at March 31, 2014		As at March 31, 2013		As at March 31, 2012	
	(₹ in crore)					
Lease equalisation (see note 31)	2.35	-	3.67	-	5.11	-
Interest accrued but not due on borrowings	483.83	-	301.27	-	126.67	-
Income received in advance (unearned revenue)	1.61	-	3.22	-	4.83	-
Security deposits	8.33	-	8.33	-	8.97	-
Debenture Application money	-	-	1.30	-	-	-
Payables against derivative contracts	35.23	-	5.24	-	-	-
Retention money	0.02	-	0.02	-	2.77	-
Other payables	β	-	β	-	β	-
Total	531.37	-	323.05	-	148.35	-

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NOTES FORMING PART OF CONSOLIDATED SUMMARY FINANCIAL STATEMENTS

6 Long-term provisions	As at March 31, 2014	As at March 31, 2013	(₹ in crore) As at March 31, 2012
Provision for employee benefits (see note 28)	0.09	0.08	4.53
Contingent provision against standard assets	150.41	143.20	124.40
Total	150.50	143.28	128.93
7 Short-term borrowings	As at March 31, 2014	As at March 31, 2013	(₹ in crore) As at March 31, 2012
Term loans (secured) [see note (a)]			
From banks	1,200.00	1,218.90	3,606.09
Term loans (unsecured)			
From others	10.00	3.38	-
Collateralised borrowings and lending obligations (CBLO) (secured) [see note (b)]	2,229.14	597.23	499.38
Repurchase agreement (REPO) (secured) [see note (c)]	1,361.96	-	-
Commercial papers (unsecured)			
Face value	2,771.00	857.00	3,132.00
Less: Unexpired discount [see note (d)]	45.67	32.14	136.44
	2,725.13	824.86	2,995.56
Cash credit / bank overdraft (secured) [see note (a)]	300.00	1,225.00	249.98
Total short-term borrowings	7,626.23	3,669.37	7,351.01
The above amount includes:			
Secured borrowings [see note (a)]	5,091.10	3,041.13	4,355.45
Unsecured borrowings	2,735.13	828.24	2,995.56
Total short-term borrowings	7,826.23	3,869.37	7,351.01

(a) Borrowings aggregating to the values as indicated below are secured by way of a first floating *pari passu* charge over investments, other assets, trade receivables, cash and bank balances and loans and advances excluding investments in and other receivables from subsidiaries and affiliates of the Holding Company and lien marked assets.

As at	(₹ in crore)
March 31, 2014	1,500.00
March 31, 2013	2,443.90
March 31, 2012	3,856.07

(b) Borrowings aggregating to the values as indicated below are under CBLO are secured by pledge of investments in government securities and treasury bills.

As at	(₹ in crore)
March 31, 2014	3,085.89
March 31, 2013	631.24
March 31, 2012	499.38

(c) Borrowings aggregating to the values as indicated below are under REPO are secured by assignment of Treasury bills.

As at	(₹ in crore)
March 31, 2014	1,364.45
March 31, 2013	Nil
March 31, 2012	Nil

(d) Unexpired discount aggregating to the values as indicated below are on commercial papers is net of amount towards interest accrued but not due.

As at	(₹ in crore)
March 31, 2014	61.35
March 31, 2013	32.25
March 31, 2012	100.27

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NOTES FORMING PART OF CONSOLIDATED SUMMARY FINANCIAL STATEMENTS

8 Trade payables	(₹ in crore)		
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2012
Payables against derivative contracts	145.31	81.05	45.95
Payables against purchase of investments	574.26	108.52	20.48
Other trade payables	8.78	12.19	32.29
Provision for expenses	146.52	147.77	153.44
Total	874.87	349.53	252.16

9 Other current liabilities	(₹ in crore)		
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2012
Current maturities of long-term borrowings (see note 4)	9,419.00	13,554.59	9,247.24
Interest accrued but not due on borrowings	1,393.35	1,710.25	1,217.55
Income and other amounts received in advance	45.99	31.10	52.12
Funds received for investor education	9.46	1.84	-
Unclaimed dividend	1.60	1.54	1.22
Unclaimed interest	15.76	3.78	5.22
Security deposit	2.02	2.50	-
Lease equalisation (see note 31)	0.85	1.67	1.60
Other payables			
Payable to gratuity fund	0.64	0.24	2.84
Statutory dues	5.52	6.84	9.63
Other liabilities	0.81	0.58	-
Total	10,895.00	15,314.93	10,537.42

10 Short-term provisions	(₹ in crore)		
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2012
Provision for employee benefits (see note 28)	0.03	0.05	0.20
Provision for income tax (net of advance payment of tax)	16.40	87.13	38.36
Provision for wealth tax (net of advance payment of tax)	0.14	0.12	0.27
Provision for fringe benefit tax (net of advance payment of tax)	0.06	0.04	0.24
Proposed equity dividend	394.24	393.84	347.87
Tax on proposed equity dividend	69.85	63.04	55.14
Total	480.72	544.22	442.08

IDFC LIMITED

NOTES FORMING PART OF CONSOLIDATED SUMMARY FINANCIAL STATEMENTS

11 (a) Tangible assets

(₹ In crore)

	Gross Block			Accumulated Depreciation			Net Block		
	Balance as at Mar 31, 2014	Balance as at Mar 31, 2013	Balance as at Mar 31, 2012	Balance as at Mar 31, 2014	Balance as at Mar 31, 2013	Balance as at Mar 31, 2012	Balance as at Mar 31, 2014	Balance as at Mar 31, 2013	Balance as at Mar 31, 2012
Freehold Land	4.36	-	5.07	-	-	-	4.36	-	5.07
(Previous year)	-	(5.07)	(5.07)	-	-	-	-	(5.07)	(5.07)
Leasehold Land	-	-	4.51	-	-	-	-	-	4.51
(Previous year)	-	(4.51)	(4.51)	-	-	-	-	(4.51)	(4.51)
Buildings									
Own use	343.14	326.64	326.64	86.53	63.98	50.16	256.61	262.66	276.48
(Previous year)	(326.64)	(326.64)	(327.93)	(63.98)	(50.16)	(36.30)	(262.66)	(276.48)	(291.63)
Under operating lease	-	18.81	18.81	-	10.13	9.67	-	8.68	9.14
(Previous year)	(18.81)	(18.81)	(18.81)	(10.13)	(9.67)	(9.19)	(8.68)	(9.14)	(9.62)
Leasehold improvements	12.55	15.24	14.78	9.64	10.68	8.48	2.91	4.56	6.30
(Previous year)	(15.24)	(14.78)	(13.80)	(10.68)	(8.48)	(5.26)	(4.56)	(6.30)	(8.54)
Furniture and fixtures									
Own use	11.56	11.57	12.14	6.46	6.15	6.09	5.10	5.42	6.05
(Previous year)	(11.57)	(12.14)	(11.77)	(6.15)	(6.09)	(4.88)	(5.42)	(6.05)	(6.89)
Under operating lease	-	0.42	0.42	-	0.15	0.13	-	0.27	0.29
(Previous year)	(0.42)	(0.42)	(0.42)	(0.15)	(0.13)	(0.11)	(0.27)	(0.29)	(0.31)
Vehicles	6.97	1.29	1.08	1.62	0.63	0.46	5.35	0.66	0.62
(Previous year)	(1.29)	(1.08)	(1.03)	(0.63)	(0.46)	(0.65)	(0.66)	(0.62)	(0.38)
Office equipment									
Own use	17.56	16.84	14.35	8.79	7.23	6.01	8.77	9.61	8.34
(Previous year)	(16.84)	(14.35)	(13.85)	(7.23)	(6.01)	(4.74)	(9.61)	(8.34)	(9.11)
Under operating lease	-	0.02	0.02	-	0.02	0.02	-	-	-
(Previous year)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	-	-	-
Computers	21.49	20.66	20.02	17.41	16.28	14.59	4.08	4.38	5.43
(Previous year)	(20.66)	(20.02)	(17.80)	(16.28)	(14.59)	(12.13)	(4.38)	(5.43)	(5.67)
Wind mills	101.25	101.25	101.25	63.72	56.93	48.91	37.53	44.32	52.34
(Previous year)	(101.25)	(101.25)	(101.25)	(56.93)	(48.91)	(39.43)	(44.32)	(52.34)	(61.82)
Total	518.88	512.74	519.09	194.17	172.18	144.52	324.71	340.56	374.57
<i>(Previous year)</i>	<i>(512.74)</i>	<i>(519.09)</i>	<i>(516.26)</i>	<i>(172.18)</i>	<i>(144.52)</i>	<i>(112.71)</i>	<i>(340.56)</i>	<i>(374.57)</i>	<i>(403.55)</i>

* The operating lease relating to certain assets has expired during the current year.

11 (b) Intangible assets (Other than internally generated)

	Gross Block			Accumulated Depreciation			Net Block		
	Balance as at Mar 31, 2014	Balance as at Mar 31, 2013	Balance as at Mar 31, 2012	Balance as at Mar 31, 2014	Balance as at Mar 31, 2013	Balance as at Mar 31, 2012	Balance as at Mar 31, 2014	Balance as at Mar 31, 2013	Balance as at Mar 31, 2012
Computer software	22.00	20.54	17.68	19.16	16.72	12.50	2.84	3.82	5.18
(Previous year)	(20.54)	(17.68)	(16.58)	(16.72)	(12.50)	(7.69)	(3.82)	(5.18)	(8.89)
Tenancy rights	0.11	0.11	0.11	0.06	0.04	0.03	0.05	0.07	0.08
(Previous year)	(0.11)	(0.11)	(0.11)	(0.04)	(0.03)	(0.03)	(0.07)	(0.08)	(0.08)
Total	22.11	20.65	17.79	19.22	16.76	12.53	2.89	3.89	5.26
<i>(Previous year)</i>	<i>(20.65)</i>	<i>(17.79)</i>	<i>(16.69)</i>	<i>(16.76)</i>	<i>(12.53)</i>	<i>(7.72)</i>	<i>(3.89)</i>	<i>(5.26)</i>	<i>(8.97)</i>
Total tangible and intangible assets	540.99	533.39	536.88	213.39	188.94	157.05	327.60	344.45	379.83
<i>(Previous year)</i>	<i>(533.39)</i>	<i>(536.88)</i>	<i>(532.95)</i>	<i>(188.94)</i>	<i>(157.05)</i>	<i>(120.43)</i>	<i>(344.45)</i>	<i>(379.83)</i>	<i>(412.52)</i>

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12 Non-current investments (at cost)	As at March 31, 2014		As at March 31, 2013		(₹ in crore) As at March 31, 2012	
	Investment in associates					
Equity shares	52.93		36.81		27.78	
Add: Goodwill on acquisition	9.80		9.80		9.80	
Add: Adjustment for post acquisition share of profit and reserve of associates	9.87		10.51		10.66	
	<u>72.60</u>		<u>57.12</u>		<u>48.24</u>	
Investment in a subsidiary						
Equity shares [see note 26 (d)]	13.00		13.00		8.05	
Other investments						
Equity shares [see note (a)]	827.93		690.89		765.20	
Preference shares [see note (d)]	155.72		469.22		544.18	
Venture capital units [see note (d)]	881.87		707.77		618.48	
Debentures & bonds	540.59		64.94		563.14	
Government securities [see note 7(b)]	1,517.06		1,517.06		49.99	
Mutual funds [see note (b)]	15.00		5.00		-	
Security receipts	196.46		21.24		21.38	
Total non-current investments	<u>4,220.23</u>		<u>3,546.24</u>		<u>2,618.66</u>	
Less: Provision for diminution in value of investments	330.56		236.73		178.24	
Less: Premium amortised on debentures, bonds and government securities	1.43		0.26		7.31	
Net non-current investments	<u>3,888.24</u>		<u>3,309.25</u>		<u>2,433.11</u>	
(a) Aggregate amount of quoted investments						
Cost	298.02		298.39		308.81	
Market value	152.18		148.44		243.96	
(b) Aggregate amount of investments in unquoted mutual funds						
Cost	15.00		5.00		-	
Market value	15.90		5.06		-	
(c) Aggregate amount of unquoted investments - cost	3,907.21		3,242.85		2,309.85	
(d) Investments which are subject to restrictive covenants.						
Preference shares	0.47		0.47		0.47	
Venture capital units	881.87		707.77		618.48	

13 Deferred tax (net)	As at March 31, 2014		As at March 31, 2013		(₹ in crore) As at March 31, 2012	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
(a) Provisions	514.40	-	414.18	-	339.14	(0.50)
(b) Others	2.64	-	9.13	-	5.81	-
(c) Fixed assets: Impact of difference between tax depreciation and depreciation / amortisation charged to the Statement of Profit and Loss	(25.88)	3.66	(26.26)	3.29	(24.73)	2.68
Deferred tax (net)	<u>491.16</u>	<u>3.66</u>	<u>397.05</u>	<u>3.29</u>	<u>320.22</u>	<u>2.18</u>

In compliance with accounting Standard 22 on 'Accounting for Taxes on Income' as notified under the Companies (Accounting Standards) Rules, 2006, credit taken in the Statement of Profit and Loss towards deferred tax assets (net) on account of timing differences:

As at	(₹ in crore)
March 31, 2014	93.70
March 31, 2013	75.72
March 31, 2012	70.00

Foreign Currency translation reserve:

As at	(₹ in crore)
March 31, 2014	0.04
March 31, 2013	β
March 31, 2012	-

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14 Loans

	As at March 31, 2014		As at March 31, 2013		As at March 31, 2012	
					(₹ in crore)	
	Non-current	Current	Non-current	Current	Non-current	Current
Rupee loans [see note (a), (c) & (d)]	50,807.63	8,000.49	47,643.27	7,627.71	41,652.36	6,147.05
Debentures & bonds [see note (a) & (d)]	453.68	567.50	1,298.77	24.80	1,086.34	0.83
	51,261.31	8,567.99	48,942.04	7,652.51	42,738.70	6,147.88
Less: Provision against non-performing loans [see note (c)]	40.00	72.40	13.33	42.88	29.73	47.16
Less: Provision against restructured loans & others	158.03	-	-	-	-	-
Less: Provision for contingencies	1,013.34	-	801.88	-	626.76	-
Total	50,049.94	8,495.59	48,126.83	7,609.63	42,082.21	6,100.72
(a) The above amount includes						
Secured [see note (b)]	47,552.97	8,093.39	44,699.73	7,306.49	38,019.43	5,865.38
Unsecured	3,708.34	474.60	4,242.31	346.02	4,719.27	282.50
	51,261.31	8,567.99	48,942.04	7,652.51	42,738.70	6,147.88

(b) Loans to the extent of ₹ 55,646.36 crore as at March 2014, ₹ 52,006.22 crore as at March 2013 and ₹ 43,884.81 crore as at March 2012 are secured by :

- Hypothecation of assets and / or
- Mortgage of property and / or
- Trust and retention account and / or
- Bank guarantee, company guarantee, sponsor guarantee or personal guarantee and / or
- Assignment of receivables or rights and / or
- Pledge of shares and / or
- Negative lien and / or
- Undertaking to create a security.

(c) Loans includes non-performing loans of ₹ 332.98 crore as at March 2014, ₹ 85.12 crore as at March 2013 and ₹ 148.32 crore as at March 2012 against which provisions of ₹ 112.40 crore as at March 2014, ₹ 56.21 crore as at March 2013 and ₹ 76.89 as at March 2012 has been made.

(d) The classification of loans under the RBI guidelines is as under:

	As at March 31, 2014		As at March 31, 2013		As at March 31, 2012	
					(₹ in crore)	
(i) Standard assets	59,496.32		56,509.43		48,738.26	
(ii) Sub-standard assets	332.98		14.01		70.78	
(iii) Doubtful assets	-		43.61		50.04	
(iv) Loss assets	-		27.50		27.50	
	59,829.30		56,594.55		48,886.58	

15 Loans and advances - others (considered good, unless stated otherwise)

	As at March 31, 2014		As at March 31, 2013		As at March 31, 2012	
					(₹ in crore)	
	Non-current	Current	Non-current	Current	Non-current	Current
Secured						
Lending in CBLO	-	-	-	-	-	49.95
Unsecured						
Inter corporate deposits	-	19.00	-	175.00	-	412.65
Loans and advances to related parties (see note 29)	-	21.50	-	24.15	1.65	41.52
Loan to a financial institution	-	-	-	-	-	30.00
Receivables against derivative contracts	206.56	438.48	207.47	159.68	196.30	197.75
Receivable against retail infrastructure bonds	-	-	-	-	-	179.17
Loans and advances to employees	1.00	0.21	1.00	0.36	1.00	0.97
Advance against investments	-	0.05	-	β	18.61	100.00
Security deposits	37.32	11.36	39.80	1.15	29.90	15.95
Other deposits	-	0.33	-	3.04	3.00	6.06
Advance payment of income tax (net of provision)	341.67	-	252.95	-	209.13	-
Advance payment of fringe benefit tax (net of provision)	0.53	-	0.53	-	0.53	-
Other loans and advances						
Supplier advances	-	1.27	-	2.21	-	2.25
Capital advances	0.38	-	0.62	-	1.67	-
Other advances	-	0.01	-	-	-	-
Prepaid expenses	8.00	16.88	3.31	10.43	3.07	10.09
Stamp paper on hand	-	0.11	-	0.05	-	0.12
Balance with defined benefit plan	-	-	-	-	-	-
Minimum alternate tax credit	0.52	-	0.17	-	0.31	-
Balances with government authorities - cenvat credit available	-	3.44	0.16	2.60	-	4.42
[includes ₹ 0.67 crore as at March 2014, ₹ 0.64 crore as at March 2013 and ₹ 0.64 crore as at March 2012, considered doubtful]						
Initial margin account - stock futures	0.60	-	4.50	-	5.00	-
Initial margin account - government securities	7.11	-	6.52	-	-	-
	603.69	512.64	517.03	378.67	470.17	1,050.90
Less: Provision against doubtful advances	-	0.67	-	0.64	-	0.64
Total	603.69	511.97	517.03	378.03	470.17	1,050.26

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16 Other assets (considered good, unless stated otherwise)

	As at March 31, 2014		As at March 31, 2013		As at March 31, 2012	
	Non-current	Current	Non-current	Current	Non-current	Current
Other receivables	-	2.13	-	7.82	0.01	7.86
[includes ₹ 0.89 crore as at March 2014, ₹ 1.17 crore as at March 2013 and ₹ 0.81 crore as at March 2012, considered doubtful]						
Less: Provision against doubtful receivables	-	0.89	-	1.17	-	0.81
	-	1.24	-	6.65	0.01	7.05
Bank deposits [see note (a)]	1.18	-	3.10	-	2.08	-
Interest accrued on deposits & loan to financial institution	0.07	0.28	0.10	2.99	0.16	70.58
Interest accrued on investments	-	85.20	-	136.00	-	67.28
Interest accrued on loans [see note (b)]	102.20	1,050.84	557.49	495.77	334.97	453.61
Unamortised expenses						
Premium on forward contracts	-	32.71	-	24.37	-	5.30
Ancillary borrowing costs	71.86	22.44	59.98	15.29	30.93	8.84
Mark - to - market margin - stock futures account	-	-	-	-	-	0.50
Less: Provision for loss - stock futures account	-	-	-	-	-	0.50
Total	175.31	1,192.71	620.67	681.07	368.15	612.66

(a) Balances with bank aggregating to values as indicated below include deposits under lien against bank guarantee.

As at	(₹ in crore)
March 31, 2014	1.18
March 31, 2013	2.99
March 31, 2012	1.09

(b) Interest accrued on loans - current is net of provision as indicated below

As at	(₹ in crore)
March 31, 2014	1.15
March 31, 2013	31.77
March 31, 2012	20.71

	As at March 31, 2014		As at March 31, 2013		As at March 31, 2012	
17 Current investments						
Investment in a subsidiary [see note 26(e) & (f)]						
Equity shares	344.08			164.46		-
Preference shares	122.94			25.03		-
		467.02		189.49		-
Investment in an associate						
Equity shares	-			73.81		73.81
Preference shares	-			9.99		9.99
		-		83.80		83.80
Other investments						
Equity shares [see note (a)]	63.69			78.29		81.83
Debentures & bonds	903.82			2,028.46		1,541.69
Pass through certificates	0.41			0.58		0.84
Certificate of deposits	1,085.27			2,213.57		1,147.90
Commercial papers	72.53			-		1,324.68
Convertible warrants	-			-		β
Government securities [see note 7(b)]	33.95			1,429.89		181.51
Treasury bills [see note 7(b) & (c)]	4,496.43			613.15		354.66
Mutual funds [see note (b)]	337.34			530.36		264.79
		6,993.44		6,894.30		4,897.90
Current maturities of long-term investments						
Mutual funds [see note (b)]	-			1.20		-
Debentures & bonds	-			-		116.37
		-		1.20		116.37
Current portion of long-term investments						
Equity shares (see note d)	-			69.42		8.63
Debentures & bonds	-			498.15		55.29
Government securities	-			25.63		-
		-		593.20		63.92
Total current investments		7,460.46		7,761.99		5,161.99
Less: Provision for diminution in value of investments		40.00		56.64		60.86
Less: Premium amortised on current maturities of long-term debentures & bonds		-		10.43		0.38
Net current investments		7,420.46		7,694.92		5,100.75
(a) Aggregate amount of quoted investments						
Cost	63.69			78.29		81.83
Market value	24.07			35.84		40.38
(b) Aggregate amount of investments in unquoted mutual funds						
Cost	337.34			531.56		264.79
Market value (Net asset value)	345.74			542.12		275.35
Market value of investments in unquoted mutual funds represents the repurchase price of the units issued by the mutual fund.						
(c) Aggregate amount of other unquoted investments - cost	7,059.43			7,152.14		4,815.37
(d) Investments which are subject to a lock-in-period	-			-		8.63

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18 Trade receivables (unsecured)

	As at March 31, 2014	As at March 31, 2013	(₹ in crore) As at March 31, 2012
Considered good			
Outstanding for a period less than six months from the date they are due for payment [see note (i)]	655.42	154.38	376.84
Outstanding for a period exceeding six months from the date they are due for payment	2.57	6.19	6.33
Considered doubtful			
Outstanding for a period less than six months from the date they are due for payment	0.11	20.43	-
Outstanding for a period exceeding six months from the date they are due for payment	109.65	89.04	1.95
	109.76	109.47	1.95
Less: Provision against doubtful receivables	109.76	109.47	1.95
	-	-	-
Total	657.99	160.57	383.17

(i) includes amount on deals recognised on trade date basis, subsequently realised.

As at	(₹ in crore)
March 31, 2014	632.64
March 31, 2013	114.31
March 31, 2012	355.68

19 Cash and bank balances

	As at March 31, 2014	As at March 31, 2013	(₹ in crore) As at March 31, 2012
Cash and cash equivalents			
Cash on hand	0.02	0.02	0.02
Cheques on hand	3.36	22.18	2.29
Balances with banks:			
In current accounts	128.68	99.20	25.57
In deposit accounts	187.37	68.14	76.24
	319.43	189.54	104.12
Others			
Balances with banks:			
In earmarked accounts:			
- unclaimed dividend	1.60	1.54	1.22
- unclaimed interest	15.76	3.78	5.22
In deposit accounts [see note (a), (b) & (c)]	53.59	67.86	587.55
	70.95	73.18	593.99
	390.38	262.72	698.11

(a) Balances with banks in deposit accounts include deposits aggregating to the values as indicated below are under lien to the National Securities Clearing Corporation Limited for meeting margin requirements.

As at	(₹ in crore)
March 31, 2014	4.00
March 31, 2013	21.00
March 31, 2012	21.00

(b) Balances with banks include deposits aggregating to the values as indicated below are under lien against bank guarantees and overdraft facility.

As at	(₹ in crore)
March 31, 2014	49.59
March 31, 2013	46.86
March 31, 2012	50.44

(c) Balances with banks include deposits aggregating to the values as indicated below are having original maturity of more than 12 months.

As at	(₹ in crore)
March 31, 2014	24.95
March 31, 2013	45.85
March 31, 2012	501.00

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20 Revenue from operations

	For the year ended March 31, 2014	For the year ended March 31, 2013	(₹ in crore) For the year ended March 31, 2012
Interest [see note (a)]	7,544.19	7,112.32	5,434.45
Other financial services [see note (b)]	575.05	555.57	421.57
Dividend income [see note (c)]	20.24	32.48	24.92
Net profit on sale of investments [see note (d)]	597.88	401.33	412.35
Brokerage	24.03	25.10	37.12
Other operating income [see note (e)]	10.65	11.79	11.72
Total	8,772.04	8,138.59	6,342.13

(a) Details of interest income

	For the year ended March 31, 2014	For the year ended March 31, 2013	(₹ in crore) For the year ended March 31, 2012
Interest on loans [see note (i) & (ii)]	6,732.59	6,367.80	4,793.71
Interest on deposits and loan to a financial institution	19.01	111.97	175.38
Interest on investments			
Current investments	640.13	506.44	402.46
Long-term investments	152.46	126.11	62.90
Total	7,544.19	7,112.32	5,434.45

(i) Interest on loans includes interest on debentures & bonds aggregating to values as indicated below:

For the year ended	(₹ in crore)
March 31, 2014	216.20
March 31, 2013	243.36
March 31, 2012	182.05

(ii) Interest on loans include exchange gain as indicated below

For the year ended	(₹ in crore)
March 31, 2014	-
March 31, 2013	-
March 31, 2012	10.33

(b) Details of income from other financial services

	For the year ended March 31, 2014	For the year ended March 31, 2013	(₹ in crore) For the year ended March 31, 2012
Fees (net) [see note (i)]	575.03	554.64	418.10
Profit amortised on assignment / sale of loans	0.02	0.93	3.47
Total	575.05	555.57	421.57

(i) Fees income is net of fees shared on sell down of loans.

For the year ended	(₹ in crore)
March 31, 2014	Nil
March 31, 2013	2.26
March 31, 2012	7.87

(c) Details of dividend income

	For the year ended March 31, 2014	For the year ended March 31, 2013	(₹ in crore) For the year ended March 31, 2012
Current investments	2.13	10.54	8.98
Long-term investments	18.11	21.94	15.94
Total	20.24	32.48	24.92

(d) Details of net profit on sale of investments

	For the year ended March 31, 2014	For the year ended March 31, 2013	(₹ in crore) For the year ended March 31, 2012
Current investments	277.67	219.06	82.58
Long-term investments [see note (i)]	320.21	182.27	329.77
Total	597.88	401.33	412.35

(i) Profit on sale of long-term investments is net of loss on sale of Dheeru Powergen Limited of ₹ Nil for the year ended March 31, 2014 and ₹ 17.01 crore for the year ended March 31, 2013 and ₹ Nil for the year ended March 2012,

(e) Details of other operating income

	For the year ended March 31, 2014	For the year ended March 31, 2013	(₹ in crore) For the year ended March 31, 2012
Sale of power	10.65	11.79	11.72
Total	10.65	11.79	11.72

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21 Other income

	For the year ended March 31, 2014	For the year ended March 31, 2013	(₹ in crore) For the year ended March 31, 2012
Interest on income tax refund	6.06	6.77	1.34
Other interest	0.06	0.07	0.14
Profit on sale of long-term investments	-	-	83.82
Profit on sale of fixed assets (net)	10.56	-	4.30
Miscellaneous income	1.27	2.99	3.28
Total	17.95	9.83	92.86

22 Employee benefits expense

	For the year ended March 31, 2014	For the year ended March 31, 2013	(₹ in crore) For the year ended March 31, 2012
Salaries	262.67	265.57	276.61
Contribution to provident and other funds [see note 28]	17.70	14.70	14.83
Gratuity expense	0.06	0.05	-
Expense under the ESOS [see note 2(b)]	-	0.21	4.31
Staff welfare expenses	7.85	11.11	9.11
Total	288.28	291.64	304.86

23 Finance costs

	For the year ended March 31, 2014	For the year ended March 31, 2013	(₹ in crore) For the year ended March 31, 2012
Interest expense *	4,990.13	4,614.88	3,369.03
Other borrowing cost	64.84	57.93	54.43
Net loss on foreign currency transactions and translation	0.27	3.02	32.75
Total	5,055.24	4,675.83	3,456.21

*excludes amount charged to securities premium account

For the year ended	(₹ in crore)
March 31, 2014	Nil
March 31, 2013	13.35
March 31, 2012	132.19

24 Provisions and contingencies

	For the year ended March 31, 2014	For the year ended March 31, 2013	(₹ in crore) For the year ended March 31, 2012
Contingent provision against standard assets	7.21	18.80	27.65
Provision for contingencies	313.97	175.13	104.91
Provision against non-performing loans, restructured loans, doubtful debts / advances & others(net)	282.93	119.34	52.02
Provision for diminution in value of investments (net)	24.19	36.36	100.16
Writeback of mark-to-market on stock futures account	-	-	(0.16)
Total	628.30	349.63	284.58

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25 Other expenses

	For the year ended March 31, 2014	For the year ended March 31, 2013	For the year ended March 31, 2012
	(₹ in crore)		
Rent [see note 31(i)]	18.61	21.59	25.39
Rates and taxes	9.76	4.94	3.91
Electricity	4.54	3.80	3.34
Repairs and maintenance			
Buildings	2.50	2.33	1.62
Equipments	3.43	3.38	2.52
Others	5.14	4.40	3.83
Insurance charges	0.73	0.86	0.95
Travelling and conveyance	16.18	17.86	18.51
Printing and stationery	3.83	3.17	1.66
Communication costs	7.96	6.56	6.64
Advertising and publicity	8.82	8.58	5.64
Professional fees	45.41	51.70	48.58
Loss on foreign exchange fluctuation (net)	0.37	0.38	0.31
Loss on trading in stock futures	0.28	4.40	2.63
Directors' sitting fees	0.68	0.48	0.61
Commission to directors	1.44	1.33	1.04
Bad debts written off	2.50	1.78	1.60
Loss on retirement of fixed assets (net)	-	0.37	-
Brokerage	4.08	6.21	13.56
Miscellaneous expenses	21.16	17.19	21.16
Donation	13.01	5.03	0.02
Auditors' remuneration [see note (a)]	3.33	2.85	3.29
Shared service costs recovered [see note (b)]	(1.41)	(2.32)	(0.90)
Other operating expenses	52.21	36.49	12.34
Total	224.56	203.36	178.25

(a) Break up of auditors' remuneration:

	For the year ended March 31, 2014	For the year ended March 31, 2013	For the year ended March 31, 2012
	(₹ in crore)		
Audit fees	1.50	1.26	1.36
Tax audit fees	0.24	0.25	0.29
Taxation matters	0.43	0.30	0.43
Other services	0.98	0.93	1.07
Out-of-pocket expenses	0.05	0.01	0.01
Service tax	0.27	0.29	0.37
	3.47	3.04	3.53
Less: Service tax set off claimed	0.14	0.19	0.24
Total	3.33	2.85	3.29

(b) Shared service costs recovery includes following amounts recovered from an associate company under a shared service agreement.

For the year ended	(₹ in crore)
March 31, 2014	0.44
March 31, 2013	0.60
March 31, 2012	0.83

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NOTES FORMING PART OF CONSOLIDATED SUMMARY FINANCIAL STATEMENTS

26 Basis of consolidation

- (a) These consolidated summary financial statements of the Company comprise the consolidated summary Balance Sheet as on March 31, 2014, 2013 and 2012. The Consolidated Summary Statement of Profit and Losses and the Consolidated Summary Statement of Cash Flows for the years then ended, the related schedules and explanatory notes; together referred to therein as the "Consolidated Summary Financial Statements".

These Consolidated Summary Financial statements have been derived from the audited consolidated financial statements of the company for the respective years which were approved by the Board of Directors of the Company. The figures included in the Consolidated Summary Financial Statements for the years ended March 31, 2014, 2013 and 2012 do not consider facts or circumstances which arose subsequent to date of approval of the Consolidated financial statements of the company as detailed below and have been rounded off to present them in rupees crore.

Consolidated financial statements for the:	Date adopted by the Board of Directors
Year ended March 31, 2014	April 25, 2014
Year ended March 31, 2013	May 1, 2013
Year ended March 31, 2012	May 8, 2012

The significant accounting policies used in the preparation of the audited consolidated financial statements of the Company are given in note 27 below.

- (b) The Consolidated Financial Statements comprise the individual financial statements of the Holding Company, its subsidiaries and associates as on the reporting date and for the year ended on that date. The Consolidated Financial Statements have been prepared on the following basis:
- i. The financial statements of the Holding Company and its subsidiaries have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses as per Accounting Standard 21 on 'Consolidated Financial Statements' as notified under the Companies (Accounting Standards) Rules, 2006.
 - ii. Investments in associates by the Holding Company and its subsidiaries are accounted under the equity method and its share of pre-acquisition profits / losses is reflected as capital reserve / goodwill in the carrying value of investments in accordance with Accounting Standard 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements' as notified under the Companies (Accounting Standards) Rules, 2006.
 - iii. The financial statements of the subsidiaries and the associates used in the consolidation are drawn up to the same Balance Sheet date as that of the Holding Company.
 - iv. The excess of the cost to the Holding Company of its investment in the subsidiaries and the associates over the Holding Company's portion of equity is recognised in the financial statements as goodwill and is tested for impairment on an annual basis.
 - v. The excess of the Holding Company's portion of equity of the subsidiaries and the associates on the acquisition date over its cost of investment is treated as capital reserve.
 - vi. Minority interest in the net assets of the subsidiaries consists of the amount of equity attributable to minorities at the date on which investment in a subsidiary is made. Net profit / loss for the year of the subsidiaries attributable to minorities is identified and adjusted against the consolidated profit after tax of the Group.
 - vii. In case of foreign subsidiaries, being non-integral operations, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at the rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognised in the foreign currency translation reserve.
- (c) The financial statements of the following subsidiaries have been consolidated as per Accounting Standard 21 on 'Consolidated Financial Statements' as notified under the Companies (Accounting Standard) Rules, 2006:

Name of Subsidiary	March 31, 2014	March 31, 2013	March 31, 2012
	Proportion of effective ownership interest (%)	Proportion of effective ownership interest (%)	Proportion of effective ownership interest (%)
i. IDFC Alternatives Limited	100.00	100.00	100.00
ii. IDFC Asset Management Company Limited (75% w.e.f. December 7, 2011)	75.00	75.00	75.00
iii. IDFC AMC Trustee Company Limited	75.00	75.00	75.00

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NOTES FORMING PART OF CONSOLIDATED SUMMARY FINANCIAL STATEMENTS

Name of Subsidiary	March 31, 2014	March 31, 2013	March 31, 2012
	Proportion of effective ownership interest (%)	Proportion of effective ownership interest (%)	Proportion of effective ownership interest (%)
iv. IDFC Capital Limited (Subsidiary of IDFC Securities Limited upto October 31, 2013) (Merged with IDFC Securities Limited w.e.f. November 1, 2013)	-	100.00	100.00
v. IDFC Capital (Singapore) Pte. Limited (Subsidiary of IDFC Capital Limited upto October 31, 2013) (Subsidiary of IDFC Securities Limited w.e.f. November 1, 2013)	100.00	100.00	100.00
vi. IDFC Capital (USA) Inc. (Subsidiary of IDFC Securities Limited)	100.00	100.00	100.00
vii. IDFC Distribution Company Limited (Subsidiary of IDFC Securities Limited upto October 31, 2013) (Merged with IDFC Securities Limited w.e.f. November 1, 2013)	-	100.00	100.00
viii. IDFC Finance Limited	100.00	100.00	100.00
ix. IDFC Fund of Funds Limited (Subsidiary of IDFC Capital Limited upto October 31, 2013) (Subsidiary of IDFC Securities Limited w.e.f. November 1, 2013)	100.00	100.00	100.00
x. IDFC General Partners Limited (Subsidiary of IDFC Capital Limited upto September 21, 2012)	-	-	100.00
xi. IDFC Housing Finance Company Limited (Incorporated on March 4, 2014)	100.00	-	-
xii. IDFC Infra Debt Fund Limited (Incorporated on March 7, 2014)	100.00	-	-
xiii. IDFC Investment Advisors Limited (Subsidiary of IDFC Asset Management Company Limited)	75.00	75.00	75.00
xiv. IDFC Investment Managers (Mauritius) Limited (Subsidiary of IDFC Asset Management Company Limited)	75.00	75.00	75.00
xv. IDFC Pension Fund Management Company Limited (Subsidiary of IDFC Asset Management Company Limited upto October 15, 2013) (Wholly owned subsidiary of IDFC Securities Limited w.e.f. October 16, 2013 upto October 31, 2013) (Merged into IDFC Securities Limited w.e.f. November 1, 2013)	-	87.50	87.50
xvi. IDFC Project Equity Company Limited (Subsidiary of IDFC Alternatives Limited w.e.f. May 17, 2012)	100.00	100.00	100.00
xvii. IDFC Projects Limited	100.00	100.00	100.00
xviii. IDFC Primary Dealership Company Limited	100.00	100.00	100.00
ixx. IDFC Securities Limited	100.00	100.00	100.00
xx. IDFC Securities Singapore Pte. Limited (Subsidiary of IDFC Capital Limited upto October 31, 2013) (Subsidiary of IDFC Securities Limited w.e.f. November 1, 2013)	100.00	100.00	-
xxi. IDFC Trustee Company Limited	100.00	100.00	100.00
xxii. Dheeru Powergen Limited (Subsidiary of IDFC Projects Limited) (upto April 13, 2012)	-	-	51.00

All the subsidiaries are incorporated in India, except:

- i. IDFC Capital (Singapore) Pte. Limited, a Company incorporated in Singapore.
- ii. IDFC Capital (USA) Inc., a Company incorporated in the United States of America.
- iii. IDFC Fund of Funds Limited, a Company incorporated in Guernsey.
- iv. IDFC General Partners Limited, a Company incorporated in Guernsey.
- v. IDFC Investment Managers (Mauritius) Limited, a Company incorporated in Mauritius.
- vi. IDFC Securities Singapore Pte. Limited, a Company incorporated in Singapore.

- (d) The Holding Company has made an investment in IDFC Foundation, a Section 25 company under Companies Act, 1956, wherein the profits will be applied for promoting its objects. Accordingly, the Consolidated Financial Statements of IDFC Foundation are not consolidated in the financial statements, since the Holding Company will not derive any economic benefits from its investments in IDFC Foundation.

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- (e) The share of investment in equity shares of Neopro Technologies Private Limited was 80.44% as at March 2014, 72.11% as at March 2013 and Nil as at March 2012. However, the Company has not been consolidated as a subsidiary since the shares are held exclusively with a view to dispose off in the near future.
- (f) The share of investment in equity shares of Galaxy Mercantiles Limited was 100% as at March 2014, 43.44% as at March 2013 and March 2012. However, the Company has not been consolidated as a subsidiary since the shares are held exclusively with a view to dispose off in the near future.
- (g) The Holding Company and its subsidiary company has investment in two associates which are accounted for under the equity method in accordance with Accounting Standard 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements' as notified under the Companies (Accounting Standards) Rules, 2006:

Name of Associate	March 31, 2014	March 31, 2013	March 31, 2012
	Proportion of effective ownership interest (%)	Proportion of effective ownership interest (%)	Proportion of effective ownership interest (%)
i. Jetpur Somnath Tollways Private Limited (Associate of IDFC Projects Limited)	26.00	26.00	26.00
ii. Feedback Infra Private Limited (formerly known as Feedback Infrastructure Services Private Limited)	24.61	24.61	24.61
iii. Dheeru Powergen Limited [see note 4(h)] (Associate of IDFC Projects Limited) (w.e.f. April 14, 2012 upto March 26, 2013)	-	-	-

27 Significant accounting policies**(a) Cash and cash equivalents**

Cash and cash equivalents for the purpose of the Cash Flow Statement comprises cash on hand, cash in bank, fixed deposits and other short-term highly liquid investments with an original maturity of three months or less, that are readily convertible into known amount of cash and which are subject to an insignificant risk of change in value.

(b) Cash flow statement

Cash flows are reported using the indirect method whereby cash flows from operating, investing and financing activities of the Group are segregated and profit before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments.

NOTES FORMING PART OF CONSOLIDATED SUMMARY FINANCIAL STATEMENTS

(c) Investments**NBFC in the Group**

- Investments which are readily realisable and intended to be held for not more than one year from the date on which such investments are made are classified as current investments in accordance with the RBI guidelines and Accounting Standard 13 on 'Accounting for Investments' as notified under the Companies (Accounting Standards) Rules, 2006. Current investments also include current maturities of long-term investments. All other investments are classified as long-term investments.
- All investments are initially recorded at cost. The cost of an investment includes purchase price, directly attributable acquisition charges and reduced by recovery of costs, if any. On disposal of an investment, the difference between its carrying amount and the net disposal proceeds is charged or credited to the Statement of Profit and Loss. Purchase and sale of investments are recorded on trade date.
- Current investments are valued scrip-wise and depreciation / appreciation is aggregated for each category. Net appreciation in each category, if any, being unrealised gain is ignored, while net depreciation is provided for. Commercial papers, certificate of deposits and treasury bills are valued at carrying cost. Long-term investments are carried at acquisition cost. A provision is made for diminution other than temporary on an individual basis against long-term investments. Premium paid over the face value of long-term investments is amortised over the life of the investments.
- Inter-class transfer of investments from one category to the other, if any, is done in accordance with the RBI guidelines at lower of book value and fair value / market value on the date of transfer.

Other than NBFCs in the Group

- Long-term investments are valued at cost except where there is a diminution in value other than temporary in which case the carrying value is reduced to recognise the decline. Current investments are valued at lower of cost and market value.

(d) Repurchase and resale transactions (Repo)

Repo transactions are treated as collateralised lending and borrowing transactions, with an agreement to repurchase, on the agreed terms, as per the RBI guidelines and accordingly disclosed in the financial statements. The difference between consideration amounts of the first leg and second leg of the repo are reckoned as repo interest. As regards repo / reverse repo transactions outstanding on the Balance Sheet date, only the accrued expenditure / income till the Balance Sheet date is taken to the Statement of Profit and Loss. Any repo expenditure / income for the remaining period is reckoned for the next accounting period. The securities sold under repo transactions are continued to be marked-to-market as per the investment classification of the security.

(e) Loans

In accordance with the RBI guidelines, all loans are classified under any of four categories i.e. (i) standard assets (ii) sub-standard assets (iii) doubtful assets and (iv) loss assets.

(f) Tangible fixed assets

Fixed assets are stated at cost of acquisition, including any cost attributable for bringing the asset to its working condition, less accumulated depreciation. Profit or loss arising from derecognition of fixed assets are measured as difference between the net disposal proceeds and the cost of the assets less accumulated depreciation upto the date of disposal and are recognised in the Statement of Profit and Loss.

(g) Depreciation on tangible fixed assets

Depreciation on tangible fixed assets, excluding certain electronic items and leasehold improvements, is provided on the written down value method, at the rates prescribed in Schedule XIV to the Companies Act, 1956. Certain electronic items are depreciated over a period of two years on a straight-line method based on the Management's estimate of the useful life of these assets. 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. Depreciation in respect of leasehold improvements is provided on a straight-line method over the primary period of the lease, except in case of a subsidiary where leasehold improvements are amortised on a straight-line method over the period of extended lease or five years whichever is shorter.

(h) Intangible assets and amortisation

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 charged annually to the Statement of Profit and Loss. Intangible assets are being amortised over a period of three years on a straight-line method. Tenancy rights are amortised over a period of ten years on a straight-line method. Website development cost is charged to Statement of Profit and Loss in the year in which such cost is incurred.

(i) Impairment of assets

The carrying amount of assets at each Balance Sheet date are reviewed for impairment. If any indication of impairment based on internal / external factors exists, the recoverable amount of such assets is estimated and impairment is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and its value in use, which is arrived at by discounting the future cash flows to their present value, based on an appropriate discounting factor. If at the Balance sheet date, there is indication that previously recognised impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount, subject to a maximum of the depreciable historical cost and reversal of such impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

NOTES FORMING PART OF CONSOLIDATED SUMMARY FINANCIAL STATEMENTS

(j) Expense under employee stock option schemes

The Holding Company has formulated Employee Stock Option Schemes ('the ESOS') in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ('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 that vest in a graded manner and that are to be exercised within a specified period. In accordance with the Guidelines and the Guidance Note on 'Accounting for Employees Share-based Payments' issued by the Institute of Chartered Accountants of India, the excess, if any, of the closing market price on the day prior to the date of grant of the stock options under the ESOS over the exercise price is amortised on a straight-line method over the vesting period and is charged to the Statement of Profit and Loss as employee benefits expense. In case the vested stock options expires unexercised, the balance in stock options outstanding is transferred to the general reserve. In case the unvested stock options get lapsed / cancelled, the balance in stock option outstanding account is transferred to the Statement of Profit & Loss.

(k) Employee benefits

- **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 and when services are rendered.

- **Defined benefit plan**

The net present value of obligation towards gratuity to employees is actuarially determined as at the Balance Sheet date based on the projected unit credit method. Actuarial gains and losses are recognised in the Statement of Profit and Loss for the year.

- **Compensated absences**

Based on the leave rules of the group companies, employees are not permitted to accumulate leave. Any unavailed privilege leave to the extent encashable is paid to the employees and charged to the Statement of Profit and Loss for the year.

(l) Borrowing costs

Borrowing costs include interest, amortisation of ancillary costs incurred and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Interest cost in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss over the tenure of the loan. Ancillary costs in connection with long term external commercial borrowings are amortised to the Statement of Profit and Loss over the tenure of the loan.

(m) Segment reporting

- **Primary segment (Business segment)**

The major activities of the Group dovetails around financing activity. The other business segment like asset management, investment banking & institutional broking do not individually have income and / or assets more than 10% of the total income and / or assets of the Group. Accordingly, segment information for asset management, investment banking & institutional broking is grouped under business segment 'others'.

- **Secondary segment (Geographical segment)**

Most of the subsidiaries operate only in the domestic market. As a result, the Group does not have any reportable geographical segment.

(n) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow and the revenue can be reliably measured. In addition, the following criteria must also be met before revenue is recognised:

- Interest is accounted on accrual basis except in the case of non-performing loans where it is recognised upon realisation, as per the income recognition and asset classification norms prescribed by the RBI.
- Income on discounted instruments is recognised over the tenure of the instrument on a straight-line method.
- Dividend is accounted when the right to receive is established.
- Front end fees on processing of loans are recognised upfront as income.
- Brokerage is recognised on trade date basis and is net of statutory payments.
- Asset management fees is recognised on accrual basis.
- Underwriting commission earned to the extent not reduced from the cost of acquisition of securities is recognised as fees on closure of issue.
- All other fees and charges are recognised when reasonable right of recovery is established, revenue can be reliably measured and as and when they become due, except guarantee commission which is recognised pro-rata over the period of the guarantee.
- Premium on interest rate reduction is accounted on accrual basis over the residual life of the loan.
- Profit / loss on sale of investments is recognised on trade date basis. Profit / loss on sale of investments is determined based on the 'first in first out' cost for current investments and weighted average cost for long-term investments.
- Profit on sale of loan assets through direct assignment / securitisation is recognised over the residual life of the loan / pass through certificate in terms of the RBI guidelines. Loss arising on account of direct assignment / securitisation is recognised on upfront sale in the Statement of Profit & Loss.
- Revenue from power supply is accounted on accrual basis.
- Income from trading in derivatives is recognised on final settlement or squaring up of the contracts.

NOTES FORMING PART OF CONSOLIDATED SUMMARY FINANCIAL STATEMENTS

(o) Leases

• **Where the assets are taken on lease**

Leases under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Amount due under the operating leases are charged to the Statement of Profit and Loss, on a straight-line method, over the lease term in accordance with Accounting Standard 19 on 'Leases' as notified under the Companies (Accounting Standards) Rules, 2006. Initial direct costs incurred specifically for operating leases are recognised as expense in the year in which they are incurred.

• **Where the assets are given on lease**

Leases under which risks and benefits of ownership of the asset are not substantially transferred are classified as operating leases. Assets subject to operating leases are included in fixed assets. Lease income in respect of operating leases is recognised in the Statement of Profit and Loss on a straight-line method over the lease term in accordance with Accounting Standard 19 on 'Leases' as notified under the Companies (Accounting Standards) Rules, 2006. Maintenance costs including depreciation are recognised as an expense in the Statement of Profit and Loss.

(p) Earnings per share

Basic earnings per share is computed by dividing the profit after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit after tax as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the year, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each year.

(q) Taxes on income

- Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income-tax Act, 1961.
- Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the Balance Sheet date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Deferred tax assets are recognised for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and right for such set off are legally enforceable. Deferred tax assets are reviewed at each Balance Sheet date for their realisability. Current and deferred tax relating to items directly recognised in reserves are recognised in reserves and not in the Statement of Profit and Loss.
- Minimum alternate tax paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that normal income tax will be payable. Accordingly, it is recognised as an asset in the Balance Sheet when it is probable that future economic benefits associated with it will flow.
- Since the Holding Company has passed a Board resolution that it has no intention to make withdrawal from the Special Reserve created and maintained under section 36(1)(viii) of the Income-tax Act, 1961, the special reserve created and maintained is not capable of being reversed and thus a permanent difference. Accordingly, no deferred tax liability has been created in books of account.

(r) Derivative contracts

Interest rate swaps

Interest rate swaps are booked with the objective of managing the interest rate risk on liabilities. Interest rate swaps in the nature of hedge are recorded on accrual basis and these transactions are not marked-to-market. Any resultant profit or loss on termination of the hedge swaps is amortised over the life of the swap or underlying liability, whichever is shorter.

Currency interest rate swaps

Currency interest rate swaps in the nature of hedge, booked with the objective of managing the currency and interest rate risk on foreign currency liabilities are recorded on accrual basis and these transactions are not marked-to-market. Any resultant profit or loss on termination of hedge swaps is amortised over the life of swap or underlying liability, whichever is shorter. The foreign currency balances on account of principal of currency interest rate swaps outstanding as at the Balance Sheet date are revalued using the closing rate.

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Stock futures

- Stock futures are marked-to-market on a daily basis. The debit or credit balance in the 'Mark-to-market margin – stock futures account' disclosed under loans and advances or current liabilities represents the net amount paid or received on the basis of the movement in the prices of stock futures till the Balance Sheet date.
- Credit balance in the 'Mark-to-market margin – stock futures account' in the nature of anticipated profit, is ignored and no credit is taken to the Statement of Profit and Loss. However, the debit balance in the 'Mark-to-market margin – stock futures account' in the nature of anticipated loss is recognised in the Statement of Profit and Loss.
- On final settlement or squaring-up of contracts for stock futures, the profit / loss is calculated as the difference between the settlement / squaring-up price and the contract price. Accordingly, debit or credit balance pertaining to the settled / squared-up contract in 'Mark-to-market margin – stock futures account' is recognised in the Statement of Profit and Loss upon expiry of the contracts. When more than one contract in respect of the relevant series of stock futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of such contract is determined using the weighted average method for calculating profit / loss on squaring-up.
- 'Initial margin account – stock futures', representing initial margin paid is disclosed under loans and advances.

(s) Foreign currency transactions and translations

Foreign currency transactions are accounted at the exchange rate prevailing on the date of the transaction. Foreign currency monetary items outstanding as at the Balance Sheet date are reported using the closing rate. Gain or loss resulting from the settlement of such transactions and translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit and Loss. Premium in respect of forward contracts is accounted over the period of the contract. Forward contracts outstanding as at the Balance Sheet date are revalued at the closing rate.

(t) Provisions and contingencies**Provision against loans and advances**

- Contingent provision against standard assets is made at 0.25% of the outstanding standard assets in accordance with the RBI guidelines.
- In addition, the Holding Company maintains a general provision as Provision for Contingencies in accordance with the provisioning policy of the Holding Company and additional provision based on the assessment of portfolio including provision against stressed assets that qualifies for deduction under Section 36(1)(vii) of the Income-tax Act, 1961.
- The policy of provisioning against non-performing loans and advances has been decided by the management considering norms prescribed by the RBI under Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 2007. As per the policy adopted by the Holding Company, the provision against non-performing loans and advances are created on a conservative basis, taking into account management's perception of the higher risk associated with the business. Certain non-performing loans and advances are considered as loss assets and full provision has been made against such assets.
- In January 2014, the RBI has issued guidelines on Restructuring of Advances applicable to Non Banking Finance Companies. As per the guidelines, a provision is required on standard accounts restructured prior to January 24, 2014 at 2.75 % from March 31, 2014, and would further increase to 3.50% from March 31, 2015, 4.25% from March 31, 2016 and 5.00% from March 31, 2017. Restructuring of standard accounts subsequent to January 23, 2014 would attract a provision at 5.00%. The Holding Company has complied with the aforesaid guidelines and on prudent basis a provision at 5.00% has been made on all outstanding restructured accounts in addition to the provision against diminution in fair value of restructured advances. Unrealised income represented by Funded Interest Term Loan ('FITL') on standard accounts restructured after January 23, 2014 are fully provided and such provision against FITL will be reversed on repayment of FITL.

Other provisions

- A provision is recognised for a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation as at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed separately. Contingent assets are not recognised in the financial statements.

(u) Securities issue expenses

Issue expenses of certain securities and redemption premium on certain bonds are adjusted against the securities premium account as permissible under Section 78(2) of the Companies Act, 1956, to the extent balance is available for utilisation in the securities premium account.

(v) Brokerage expenses

Brokerage paid to the brokers on closed ended funds and commitments in portfolio management schemes are amortised over the tenure of the product or commitment period.

(w) Misdeal stock

Misdeal stock comprises of stock that devolves due to erroneous execution of trades in the normal course of business. These securities are valued at lower of cost or market value on an individual basis. Any profit / loss on such deals is recognised in the Statement of Profit and Loss.

(x) Service tax input credit

Service tax input credit is accounted in the period in which the underlying services are received and when there is no uncertainty in availing / utilising the credit.

(y) Operating cycle

Based on the nature of products / activities of the Group and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Group has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

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28 In accordance with Accounting Standard 15 on 'Employee Benefits' as notified under the Companies (Accounting Standards) Rules, 2006 the following disclosures have been made:

- i. The Group 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)		
	For the year ended March 31, 2014	For the year ended March 31, 2013	For the year ended March 31, 2012
Provident fund	8.32	7.66	7.18
Pension fund	1.31	1.04	0.59
Superannuation fund	1.21	1.27	1.29

- ii. The details of the Group's post - retirement benefit plans for gratuity for its employees are given below which are certified by the actuary and relied upon by the Auditors:

	(₹ in crore)					
	For the year ended March 31, 2014		For the year ended March 31, 2013		For the year ended March 31, 2012	
	Funded	Non Funded	Funded	Non Funded	Funded	Non Funded
Change in the defined benefit obligations:						
Liability at the beginning of the year	26.75	0.09	16.18	5.53	12.59	4.16
Converted from non funded to funded	-	-	5.14	(5.14)	-	-
Current service cost	4.99	0.05	4.68	0.10	2.93	1.39
Interest cost	2.42	0.01	2.08	0.03	1.25	0.44
Liabilities settled on divestiture	(0.40)	-	(0.05)	-	-	-
Benefits paid	(4.03)	(0.03)	(1.98)	(0.47)	(1.97)	(0.55)
Actuarial loss	1.98	β	0.70	0.04	1.38	0.09
Liability at the end of the year	31.71	0.12	26.75	0.09	16.18	5.53
Fair value of plan assets:						
Fair value of plan assets at the beginning of the year	26.59	-	13.87	-	11.96	-
Expected return on plan assets	2.19	-	1.10	-	0.96	-
Contributions	4.63	-	12.57	0.47	3.40	0.22
Benefits paid	(4.03)	-	(1.98)	(0.47)	(1.97)	(0.22)
Actuarial gain / (loss) on plan assets	0.03	-	1.03	-	(0.48)	-
Fair value of plan assets at the end of the year	29.41	-	26.59	-	13.87	-
Total actuarial loss / (gain) to be recognised	1.95	β	(0.33)	0.04	1.86	0.09
Actual return on plan assets:						
Expected return on plan assets	2.19	-	1.10	-	0.96	-
Actuarial gain / (loss) on plan assets	0.03	-	1.03	-	(0.48)	-
Actual return on plan assets	2.22	-	2.13	-	0.48	-
Amount recognised in the Balance Sheet:						
Liability at the end of the year	31.71	0.12	26.75	0.09	16.18	5.53
Fair value of plan assets at the end of the year	29.41	-	26.59	-	13.87	-
Unrecognised past service cost	(0.05)	-	0.08	-	0.09	0.18
Amount recognised in the Balance Sheet under 'Provision for employee benefits'						
Current	2.25	0.03	0.08	0.05	2.22	5.35
Non - Current	-	0.09	-	0.04	-	-
Expense recognised in the Statement of Profit and Loss:						
Current service cost	4.99	0.05	4.68	0.10	2.93	1.39
Interest cost	2.42	0.01	2.08	0.03	1.25	0.44
Expected return on plan assets	(2.19)	-	(1.10)	-	(0.96)	-
Net actuarial loss / (gain) to be recognised	1.95	β	(0.33)	0.04	1.86	0.09
Recovery of past service cost	0.08	-	0.19	-	0.10	0.12
Liabilities settled on divestiture	(0.40)	-	(0.05)	-	-	-
Expense recognised in the Statement of Profit and Loss under 'Employee benefits expense'	6.86	0.06	5.47	0.17	5.18	2.04

IDFC LIMITED

NOTES FORMING PART OF CONSOLIDATED SUMMARY FINANCIAL STATEMENTS

	For the year ended		For the year ended		For the year ended	
	March 31, 2014		March 31, 2013		March 31, 2012	
	Funded	Non Funded	Funded	Non Funded	Funded	Non Funded
(₹ in crore)						
Reconciliation of the liability recognised in the Balance Sheet:						
Opening net liability	0.07	0.04	7.18	0.39	0.62	3.88
Expense recognised	6.86	0.06	5.47	0.17	5.18	2.04
Contribution by the Group	(4.63)	-	(12.57)	(0.47)	(3.40)	(0.50)
Amount recognised in the Balance Sheet under 'Provision for employee benefits'	2.30	0.12	0.08	0.09	2.22	
Expected employer's contribution next year	4.48	0.03	4.48	0.01	1.70	0.36

	For the year ended				For the year ended	
	March 31, 2014		March 31, 2013		March 31, 2012	
	March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2011	March 31, 2010	March 31, 2009
(₹ in crore)						
Experience adjustments:						
Defined benefit obligation	31.83	26.84	21.71	16.75	10.71	8.84
Plan assets	29.41	26.59	13.87	11.96	8.29	6.68
Deficit	(2.42)	(0.25)	(7.84)	(4.79)	(2.42)	(2.16)
Experience adjustments on plan liabilities	3.67	(0.12)	1.04	2.74	(0.27)	2.24
Experience adjustments on plan assets	0.03	1.03	(0.48)	(0.13)	1.30	(0.74)

	As at March 31, 2014		As at March 31, 2013		As at March 31, 2012	
	(%)	(%)	(%)	(%)	(%)	(%)
Investment pattern:						
Insurer managed funds		100.00		100.00		100.00
Government securities		27.06		26.30		18.64
Deposit and money market securities		8.48		6.61		33.53
Debentures / bonds		51.70		55.41		31.98
Equity shares		12.76		11.68		15.85
Principal assumptions:						
Discount rate (p.a.)		8.85 to 9.20		8.05		8.38
Expected rate of return on assets (p.a.)		8.00		8.00		8.00
Salary escalation rate (p.a.)		8.00		8.00		8.00

The estimate of future salary increase, considered in the actuarial valuation takes account of inflation, seniority, promotion and other relevant factors.

29 As per Accounting Standard 18 on 'Related Party Disclosures' as notified under the Companies (Accounting Standards) Rules, 2006, the related parties of the Group are as follows:

Subsidiaries:

- (a) **Direct**
 - IDFC Foundation [see note 26(d)]
 - Neopro Technologies Private Limited (with effect from March 30, 2013) [see note 26(e)]
 - Galaxy Mercantiles Limited (with effect from December 6, 2013) [see note 26(f)]
- (b) **Through subsidiary**
 - IDFC PPP Trusteeship Company Limited [dissolved on August 23, 2013]

Jointly controlled entities of IDFC Foundation:

- (a) Delhi Integrated Multi-Modal Transit System Limited (w.e.f. March 24, 2011)
- (b) Infrastructure Development Corporation (Karnataka) Limited (w.e.f. March 24, 2011)
- (c) Uttarakhand Infrastructure Development Company Limited (w.e.f. March 24, 2011)

Associates:

- (a) **Direct**
 - Galaxy Mercantiles Limited (w.e.f. December 2, 2011 upto December 5, 2013)
 - Feedback Infra Private Limited (formerly Feedback Infrastructure Services Private Limited)
- (b) **Through subsidiary**
 - Jetpur Somnath Tollways Private Limited (w.e.f. August 2, 2011)

Entities over which control is exercised by IDFC Foundation:

- (a) India PPP Capacity Building Trust
- (b) India Infrastructure Initiative Trust (upto June 30, 2012)

Key management personnel of the Holding Company:

- (a) Dr. Rajiv B. Lall - Executive Chairman
- (b) Mr. Vikram Limaye - Managing Director &

Relatives of key management personnel: (where transactions exist).

- (a) Ms. Bunt Chand
- (b) Mr. Bharat Mukund Limaye

IDFC LIMITED																			
NOTES FORMING PART OF CONSOLIDATED SUMMARY FINANCIAL STATEMENTS																			
i) The nature and volume of transactions of the Holding Company with the above mentioned related parties are summarised below: (₹ in crore)																			
Particulars	Subsidiary Companies			Associates			Jointly controlled entities			Entities over which control is exercised			Key Management Personnel			Relatives of Key Management Personnel			
	31 March 2014	31 March 2013	31 March 2012	31 March 2014	31 March 2013	31 March 2012	31 March 2014	31 March 2013	31 March 2012	31 March 2014	31 March 2013	31 March 2012	31 March 2014	31 March 2013	31 March 2012	31 March 2014	31 March 2013	31 March 2012	
INCOME																			
Dividend	-	-	-	0.81	0.70	0.81	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	8.84	-	-	21.26	27.20	7.62	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Fees	-	-	-	-	0.11	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Income	-	-	-	β	0.01	β	-	-	-	-	-	-	-	-	-	-	-	-	-
EXPENDITURE																			
Remuneration paid	-	-	-	-	-	-	-	-	-	-	-	-	10.42	10.78	10.92	-	-	-	-
Shared service cost recovery	-	-	-	0.44	0.60	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fees paid	1.55	3.25	3.63	0.08	0.18	0.25	1.78	0.35	0.13	0.03	-	-	6.83	-	-	-	-	-	-
Donation	13.00	5.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest expense on 80CCF Bonds	-	-	-	-	-	-	-	-	-	-	-	-	β	β	β	β	β	-	-
Rent paid	-	-	-	-	-	-	0.02	0.02	0.02	-	-	-	-	-	-	-	-	-	-
Advances written off	-	0.02	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ASSETS / TRANSACTION																			
Purchase / Subscription of investments	45.34	29.98	8.00	34.05	12.00	111.80	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of investments	-	-	0.05	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-	-	β	-	-	-	-	-	-	-	-	-	-	-	-
Subscription of OCCDs	-	-	-	27.56	-	136.12	-	-	-	-	-	-	-	-	-	-	-	-	-
Advances given	-	-	0.02	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advances recovered	1.00	19.00	4.00	1.65	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advances recoverable - balance outstanding	21.50	22.50	41.52	β	1.74	1.65	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest accrued on loans - balance outstanding	0.08	-	-	9.05	10.02	1.49	-	-	-	-	-	-	-	-	-	-	-	-	-
Outstanding investment in Debentures	163.68	-	-	40.00	176.12	164.12	-	-	-	-	-	-	-	-	-	-	-	-	-
LIABILITIES / TRANSACTION																			
Trade payable- balance outstanding	1.07	2.21	0.52	-	-	-	0.71	0.08	0.16	0.04	0.07	0.79	-	-	-	-	-	-	-
ESOPs exercised	-	-	-	-	-	-	-	-	-	-	-	-	3.38	-	-	-	-	-	-
Amount received in advance	0.04	-	-	0.48	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
80CCF Bonds outstanding	-	-	-	-	-	-	-	-	-	-	-	-	0.01	0.01	0.01	0.01	0.01	-	-

IDFC LIMITED																		
NOTES FORMING PART OF CONSOLIDATED SUMMARY FINANCIAL STATEMENTS																		
ii) The nature and volume of transactions of the Holding Company with the above mentioned related parties are detailed below: (₹ in crore)																		
Particulars	Subsidiary Companies			Associates			Jointly controlled entities			Entities over which control is exercised			Key Management Personnel			Relatives of Key Management Personnel		
	31 March 2014	31 March 2013	31 March 2012	31 March 2014	31 March 2013	31 March 2012	31 March 2014	31 March 2013	31 March 2012	31 March 2014	31 March 2013	31 March 2012	31 March 2014	31 March 2013	31 March 2012	31 March 2014	31 March 2013	31 March 2012
INCOME																		
Dividend																		
Feedback Infra Private Limited	-	-	-	0.81	0.70	0.81	-	-	-	-	-	-	-	-	-	-	-	-
Interest Income																		
Feedback Infra Private Limited	-	-	-	5.39	4.05	1.41	-	-	-	-	-	-	-	-	-	-	-	-
Galaxy Mercantiles Limited	8.84	-	-	15.87	23.15	6.21	-	-	-	-	-	-	-	-	-	-	-	-
Other fees																		
Feedback Infra Private Limited	-	-	-	-	0.11	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Income																		
Feedback Infra Private Limited	-	-	-	β	0.01	β	-	-	-	-	-	-	-	-	-	-	-	-
EXPENDITURE																		
Remuneration paid																		
Dr. Rajiv B. Lall	-	-	-	-	-	-	-	-	-	-	-	-	5.56	5.85	5.99	-	-	-
Mr. Vikram Limaye	-	-	-	-	-	-	-	-	-	-	-	-	4.86	4.93	4.93	-	-	-
Shared Service cost recovery																		
Jetpur Somnath Tollways Private Limited	-	-	-	0.44	0.60	-	-	-	-	-	-	-	-	-	-	-	-	-
Fees paid																		
IDFC Foundation	1.55	3.25	3.63	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Feedback Infra Private Limited	-	-	-	0.08	0.18	0.25	-	-	-	-	-	-	-	-	-	-	-	-
India PPP Capacity Building Trust	-	-	-	-	-	-	-	-	-	0.03	-	6.83	-	-	-	-	-	-
Uttarakhand Infrastructure Development Company Limited	-	-	-	-	-	-	0.57	0.06	0.09	-	-	-	-	-	-	-	-	-
Infrastructure Development Corporation (Karnataka) Limited	-	-	-	-	-	-	1.21	0.29	0.04	-	-	-	-	-	-	-	-	-
Donation																		
IDFC Foundation	13.00	5.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest expense on 80 CCF Bonds																		
Dr. Rajiv B. Lall	-	-	-	-	-	-	-	-	-	-	-	-	β	β	β	-	-	-
Mr. Vikram Limaye	-	-	-	-	-	-	-	-	-	-	-	-	β	β	β	-	-	-
Ms. Bunty Chand	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	β	β	β
Mr. Bharat Mukund Limaye	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	β	β	β
Rent paid																		
Infrastructure Development Corporation (Karnataka) Limited	-	-	-	-	-	-	0.02	0.02	0.02	-	-	-	-	-	-	-	-	-
Advances written off																		
IDFC PPP Trusteeship Company Limited	-	0.02	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Particulars	Subsidiary Companies			Associates			Jointly controlled entities			Entities over which control is exercised			Key Management Personnel			Relatives of Key Management Personnel		
	31 March 2014	31 March 2013	31 March 2012	31 March 2014	31 March 2013	31 March 2012	31 March 2014	31 March 2013	31 March 2012	31 March 2014	31 March 2013	31 March 2012	31 March 2014	31 March 2013	31 March 2012	31 March 2014	31 March 2013	31 March 2012
ASSETS																		
Purchase / subscription of Investments																		
IDFC Foundation	-	4.95	8.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Neopro Technologies Private Limited	-	25.03	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Galaxy Mercantiles Limited	45.34	-	-	34.05	-	83.80	-	-	-	-	-	-	-	-	-	-	-	-
Feedback Infra Private Limited	-	-	-	-	12.00	28.00	-	-	-	-	-	-	-	-	-	-	-	-
Sale of Investments																		
IDFC Foundation	-	-	0.05	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of fixed assets																		
Infrastructure Development Corporation (Karnataka) Limited	-	-	-	-	-	-	β	-	-	-	-	-	-	-	-	-	-	-
Subscription of OCDs																		
Galaxy Mercantiles Limited	-	-	-	27.56	-	136.12	-	-	-	-	-	-	-	-	-	-	-	-
Advances given																		
IDFC PPP Trusteeship Company Limited	-	-	0.02	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advances recovered																		
Galaxy Mercantiles Limited	-	-	-	1.65	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDFC Foundation	1.00	19.00	4.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advances recoverable - balance outstanding																		
Galaxy Mercantiles Limited	-	-	-	-	1.65	1.65	-	-	-	-	-	-	-	-	-	-	-	-
IDFC Foundation	21.50	22.50	41.50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDFC PPP Trusteeship Company Limited	-	-	0.02	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Feedback Infra Private Limited	-	-	-	β	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jetpur Somnath Tollways Private Limited	-	-	-	-	0.09	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest accrued on loans - balance outstanding																		
Galaxy Mercantiles Limited	0.08	-	-	-	5.40	0.08	-	-	-	-	-	-	-	-	-	-	-	-
Feedback Infra Private Limited	-	-	-	9.05	4.62	1.41	-	-	-	-	-	-	-	-	-	-	-	-
Outstanding Investment in debentures																		
Feedback Infra Private Limited	-	-	-	40.00	40.00	28.00	-	-	-	-	-	-	-	-	-	-	-	-
Galaxy Mercantiles Limited	163.68	-	-	-	136.12	136.12	-	-	-	-	-	-	-	-	-	-	-	-

IDFC LIMITED																		
NOTES FORMING PART OF CONSOLIDATED SUMMARY FINANCIAL STATEMENTS																		
(₹ in crore)																		
Particulars	Subsidiary Companies			Associates			Jointly controlled entities			Entities over which control is exercised			Key Management Personnel			Relatives of Key Management Personnel		
	31 March 2014	31 March 2013	31 March 2012	31 March 2014	31 March 2013	31 March 2012	31 March 2014	31 March 2013	31 March 2012	31 March 2014	31 March 2013	31 March 2012	31 March 2014	31 March 2013	31 March 2012	31 March 2014	31 March 2013	31 March 2012
LIABILITIES																		
Trade Payable- Balance outstanding																		
IDFC Foundation	1.07	2.21	0.52	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure Development Corporation (Karnataka) Limited	-	-	-	-	-	-	0.58	0.08	0.16	-	-	-	-	-	-	-	-	-
Uttarakhand Infrastructure Development Company Limited	-	-	-	-	-	-	0.13	-	-	-	-	-	-	-	-	-	-	-
India PPP Capacity Building Trust	-	-	-	-	-	-	-	-	-	0.04	0.07	0.79	-	-	-	-	-	-
ESOPs exercised																		
Mr. Vikram Limaye	-	-	-	-	-	-	-	-	-	-	-	-	3.38	-	-	-	-	-
Amount received in advance																		
Feedback Infra Private Limited	-	-	-	0.48	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Galaxy Mercantiles Limited	0.04	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
80CCF Bonds outstanding																		
Dr. Rajiv B. Lall	-	-	-	-	-	-	-	-	-	-	-	-	β	β	β	-	-	-
Mr. Vikram Limaye	-	-	-	-	-	-	-	-	-	-	-	-	0.01	0.01	0.01	-	-	-
Ms. Bunty Chand	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	β	β	-
Mr. Bharat Mukund Limaye	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.01	0.01	-

IDFC LIMITED

NOTES FORMING PART OF CONSOLIDATED SUMMARY FINANCIAL STATEMENTS

- 30 The Group is engaged in financing by way of loans, asset management and investment banking. The Group does not have any reportable geographic segment. Since the revenues, profit or assets of the asset management segment, institutional broking segment and investment banking segment individually do not exceed 10% of the Group's revenues, profit or assets, the Group has one reportable segment i.e. Financing in terms of Accounting Standard 17 on 'Segment Reporting' as notified by the Companies (Accounting Standards) Rules, 2006. Segment information for asset management, investment banking and institutional broking is grouped under business segment 'Others'.

	For the year ended March 31, 2014	For the year ended March 31, 2013	For the year ended March 31, 2012
I Segment operating revenue			
(a) Financing	8,304.89	7,774.63	6,098.12
(b) Others	496.05	390.40	333.45
Total	8,800.94	8,165.03	6,431.57
Less: Inter segment revenue	28.90	26.44	89.44
Total operating income	8,772.04	8,138.59	6,342.13
II Segment results			
(a) Financing	2,355.94	2,464.52	2,112.01
(b) Others	200.65	122.27	59.32
(c) Unallocated	6.06	6.77	1.34
Profit before tax	2,562.65	2,593.56	2,172.67
Less: Provision for tax	738.46	751.13	621.86
Profit after tax	1,824.19	1,842.43	1,550.81
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2012
III Segment assets			
(a) Financing	72,708.76	68,886.68	59,141.13
(b) Others	1,620.92	1,522.63	1,331.85
(c) Unallocated	833.35	650.00	529.88
Total	75,163.03	71,059.31	61,002.86
IV Segment liabilities			
(a) Financing	59,946.78	57,161.91	48,544.22
(b) Others	115.40	98.66	114.15
(c) Unallocated	20.26	90.43	41.07
Total	60,082.44	57,351.00	48,699.44
V Capital employed			
(a) Financing	12,761.98	11,724.89	10,596.91
(b) Others	1,505.52	1,424.01	1,217.70
(c) Unallocated	813.09	559.41	488.81
Total	15,080.59	13,708.31	12,303.42
	For the year ended March 31, 2014	For the year ended March 31, 2013	For the year ended March 31, 2012
VI Capital expenditure (including capital work-in-progress)			
(a) Financing	12.64	5.31	6.65
(b) Others	3.83	3.78	2.39
Total	16.47	9.09	9.04
VII Depreciation and amortisation			
(a) Financing	24.30	27.47	31.36
(b) Others	6.66	6.93	7.08
Total	30.96	34.40	38.44
VIII Significant non cash expenses other than depreciation and amortisation			
(a) Financing	850.81	409.14	323.41
(b) Others	0.10	(0.36)	9.35
Total	850.91	408.78	332.76

IDFC LIMITED (formerly Infrastructure Development Finance Company Limited)

NOTES FORMING PART OF CONSOLIDATED SUMMARY FINANCIAL STATEMENTS

31 In accordance with Accounting Standard 19 on 'Leases' as notified under the Companies (Accounting Standards) Rules, 2006, the following disclosures in respect of operating leases are made:

i The Group companies have taken office premises under operating leases, which expire between:-

Particulars	As at March 31, 2014	As at March 31, 2013	As at March 31, 2012
Operating lease expiring between	December 2015 to September 2018	June 2015 to September 2018	April 2013 to September 2018

Rent includes gross rental expenses for the respective year ends as under:-

Particulars	As at March 31, 2014	As at March 31, 2013	As at March 31, 2012
Gross rental expenses	13.59	8.81	20.92

(₹ in crore)

The committed lease rentals in the future are:-

Particulars	As at March 31, 2014	As at March 31, 2013	As at March 31, 2012
Not later than one year	12.84	17.17	13.98
Later than one year and not later than five years	10.49	33.89	36.37
Later than five years	-	0.57	1.89

(₹ in crore)

ii The Holding Company has given office premises under non-cancellable operating lease which expired in:

Particulars	As at March 31, 2014	As at March 31, 2013	As at March 31, 2012
Operating lease expired in	October 2013	April 2013	October 2012

Miscellaneous income includes income for the respective year ends as under:-

Particulars	As at March 31, 2014	As at March 31, 2013	As at March 31, 2012
Gross rental expenses	0.97	2.05	2.26

(₹ in crore)

The committed lease rentals in the future are:-

Particulars	As at March 31, 2014	As at March 31, 2013	As at March 31, 2013
Not later than one year	-	0.14	1.32

(₹ in crore)

32 In accordance with Accounting Standard 20 on 'Earnings Per Share' as notified under the Companies (Accounting Standards) Rules, 2006:

i. The basic earnings per share has been calculated based on the following:

	For the year ended March 31, 2014	For the year ended March 31, 2013	For the year ended March 31, 2012
Net profit after tax available for equity shareholders	1,802.68	1,836.20	1,554.01
Less: adjustment for dividend and dividend distribution tax on CCCPS	-	-	49.41
Net amount available for equity shareholders	1,802.68	1,836.20	1,504.60
Weighted average number of equity shares	1,515,648,733	1,513,583,202	1,469,679,676

(₹ in crore)

ii. The reconciliation between the basic and the diluted earnings per share is as follows:

	For the year ended March 31, 2014	For the year ended March 31, 2013	For the year ended March 31, 2012
Basic earnings per share	11.89	12.13	10.24
Effect of outstanding stock options	(0.01)	(0.07)	(0.04)
Diluted earnings per share	11.88	12.06	10.20

(₹)

iii. The basic earnings per share has been computed by dividing the net profit after tax for the year available for equity shareholders by the weighted average number of equity shares for the respective years, whereas the diluted earnings per share has been computed by dividing the net profit after tax for the year available for equity shareholders by the weighted average number of equity shares, after giving dilutive effect of the outstanding stock options for the respective years. The relevant details as described above are as follows:

	As at March 31, 2014	As at March 31, 2013	As at March 31, 2013
Weighted average number of shares for computation of basic earnings per share	1,515,648,733	1,513,583,202	1,469,679,676
Dilutive effect of outstanding stock options	2,228,919	9,446,844	4,741,438
Weighted average number of shares for computation of diluted earnings per share	1,517,877,652	1,523,030,046	1,474,421,114

33 Movement in stock options granted under the ESOS is as under:

	As at March 31, 2014	As at March 31, 2013	As at March 31, 2012
	Number	Number	Number
Outstanding as at the beginning of the year	35,568,940	37,970,105	20,750,721
Add: Granted during the year	2,246,667	883,000	22,248,000
Less: Exercised during the year	1,558,622	2,364,861	3,687,948
Less: Lapsed / forfeited during the year	3,367,575	919,304	1,340,668
Outstanding as at the end of the year	32,889,410	35,568,940	37,970,105

NOTES FORMING PART OF CONSOLIDATED SUMMARY FINANCIAL STATEMENTS

34 Contingent liabilities and commitments (to the extent not provided for):

(₹ in crore)

	As at March 31, 2014	As at March 31, 2013	As at March 31, 2012
(a) Contingent liabilities			
(i) Claims not acknowledged as debts in respect of:			
Income-tax demands under appeal (net of amounts provided) [including ₹ 0.01 crore for March 2014, ₹ Nil for March 2013 and ₹ Nil for March 2012 on account of proportionate share in an associate company]	140.83	160.01	111.18
Other claims	8.61	8.88	-
(ii) Guarantees issued:			
As a part of project assistance, the following guarantees have been issued:			
Financial guarantees	1,421.41	1,845.78	2,168.97
Performance guarantees	0.75	0.75	227.01
Sponsors undertaking	25.08	25.08	25.08
Other financial guarantees [including ₹ 22.89 crore for March 2014, ₹ 21.93 crore for March 2013 and ₹ 19.84 crore for March 2012 on account of proportionate share in an associate company]	10.94	156.31	185.24
(b) Capital commitments			
(i) Uncalled liability on shares and other investments partly paid [including ₹ Nil for March 2014, ₹ 136.67 crore for March 2013 and ₹ 214.52 crore for March 2012 on account of proportionate share in associate companies]	2,030.76	1,167.35	1,227.76
(ii) Estimated amount of contracts remaining to be executed on capital account (net of advances) [including ₹ 97.91 for March 2014, ₹ Nil crore for March 2013 and ₹ Nil crore for March 2012 on account of proportionate share in associate companies]	99.83	1.01	1.56

35 The Holding Company has entered into interest rate swaps in the nature of 'fixed / floating' or 'floating / fixed' for notional principal as disclosed below:

As at	(₹ in crore)
March 31, 2014	4,396.00
March 31, 2013	3,696.00
March 31, 2012	3,066.00

The Holding Company has foreign currency borrowings aggregating to values as indicated below against which the Company has undertaken currency interest rate swaps and forward contracts to hedge foreign currency risk.

As at	(₹ in crore)
March 31, 2014	7,240.47
March 31, 2013	6,160.12
March 31, 2012	4,152.99

The Holding Company has also entered into coupon only currency swaps for notional principal equivalent to ₹ 391.16 crore for March 2014, ₹ 967.37 crore for March 2013 and ₹ 430.26 crore for March 2012 and forward contracts of ₹ 14.16 crore for March 2014, ₹ 8.03 crore for March 2013 and ₹ Nil for March 2012 to hedge the foreign currency risk towards interest on the foreign currency borrowings.

DECLARATION

Our Company certifies that all relevant provisions of Chapter VIII and Schedule XVIII of the SEBI ICDR Regulations have been complied with and no statement made in this Placement Document is contrary to the provisions of Chapter VIII and Schedule XVIII of the SEBI ICDR Regulations and that all approvals and permissions required to carry on our Company's business have been obtained, are currently valid and have been complied with. Our Company further certifies that all the statements in this Placement Document are true and correct.

SIGNED BY:

Dr. Rajiv Lall

Designation: Executive Chairman

Mr. Vikram Limaye

Designation: Managing Director and Chief Executive Officer

Date: September 12, 2014

Place: Mumbai

DECLARATION

We, the Directors of the Company certify that:

- (i) the Company has complied with the provisions of the Companies Act 2013 and the rules made thereunder;
- (ii) the compliance with the Companies Act 2013 and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government; and
- (iii) the monies received under the offer shall be used only for the purposes and objects indicated in the Placement Document (which includes disclosures prescribed under Form PAS-4).

Signed by:

Director

Director

I am authorized by the Board of Directors of the Company, by resolution dated September 10, 2014 to sign this form and declare that all the requirements of Companies Act 2013 and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with. Whatever is stated in this form and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the entities subscribing to the Memorandum of Association and the Articles of Association.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this form.

Signed:

Mahendra N. Shah, Company Secretary

Date: September 12, 2014

Place: Mumbai

IDFC LIMITED

Registered Office

KRM Tower, 8th Floor, No. 1, Harrington Road, Chetpet
Chennai 600 031, Tamil Nadu, India
Website: www.idfc.com; **CIN:** L65191TN1997PLC037415
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Corporate Office

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Contact Person

Mr. Mahendra N. Shah, Company Secretary and Compliance Officer

Address of Compliance Officer

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Book Running Lead Managers

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Company Limited**
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India

IDFC Securities Limited*
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Mumbai 400 051, Maharashtra
India

CLSA India Private Limited
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India

**Credit Suisse Securities (India)
Private Limited**
Ceejay House, 9th Floor
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Maharashtra, India

ICICI Securities Limited
ICICI Centre, H.T. Parekh Marg
Churchgate, Mumbai 400 020
Maharashtra, India

**JM Financial Institutional
Securities Limited**
7th Floor, Cnergy
Appasaheb Marathe Marg
Prabhadevi, Mumbai 400 025
Maharashtra, India

J.P. Morgan India Private Limited
J.P. Morgan Tower
Off CST Road, Kalina, Santacruz (E)
Mumbai 400 098, Maharashtra
India

** IDFC Securities shall be involved only in marketing of the Issue.*

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Chartered Accountants
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LEGAL ADVISOR TO THE BOOK RUNNING LEAD MANAGERS

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