



PARTNERING FOR GROWTH

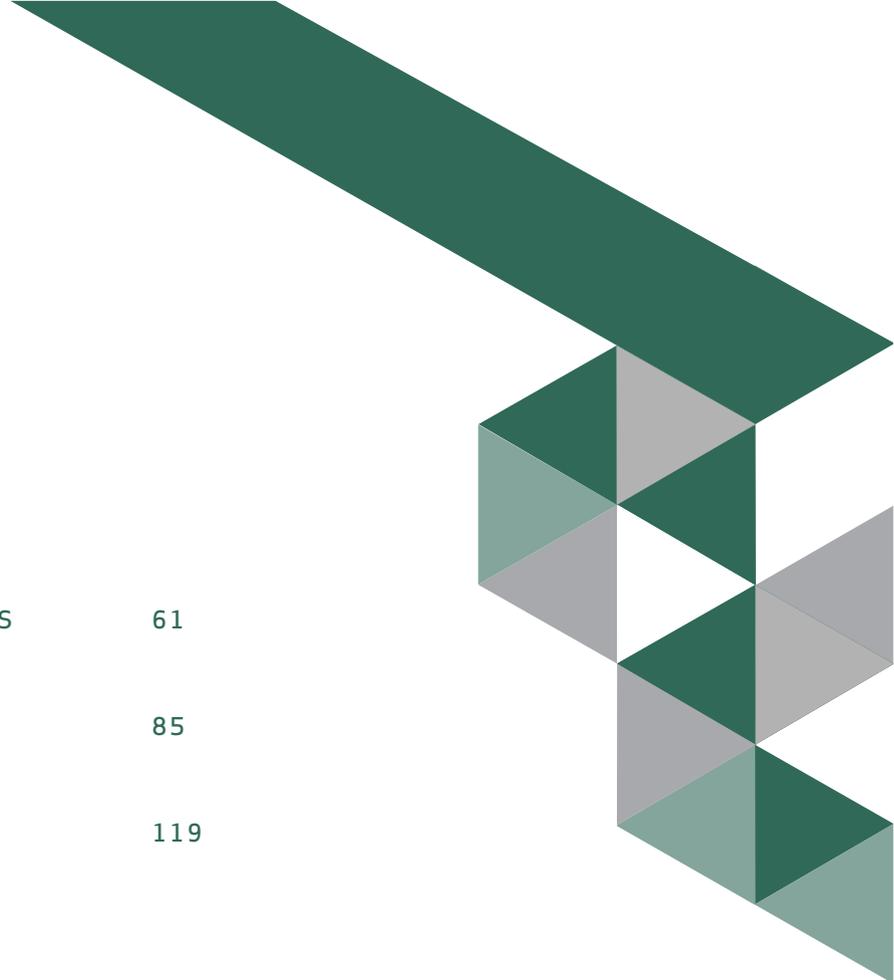
FOURTEENTH ANNUAL REPORT 2010-11





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Important Communication to Members

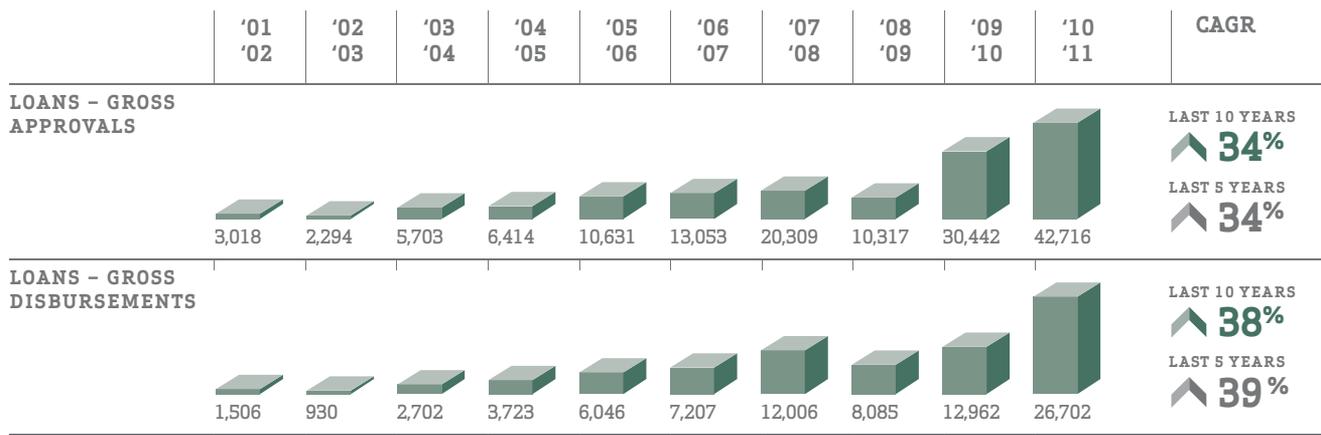
The Ministry of Corporate Affairs has, pursuant to its Green Initiative in the Corporate Governance, allowed paperless compliances by companies. It has issued circulars allowing the companies to service notice/documents including Annual Report by email to its members. Many of the shareholders have registered their emails pursuant to the said initiative. We thank those shareholders for the same. Those shareholders, who have not registered their email addresses so

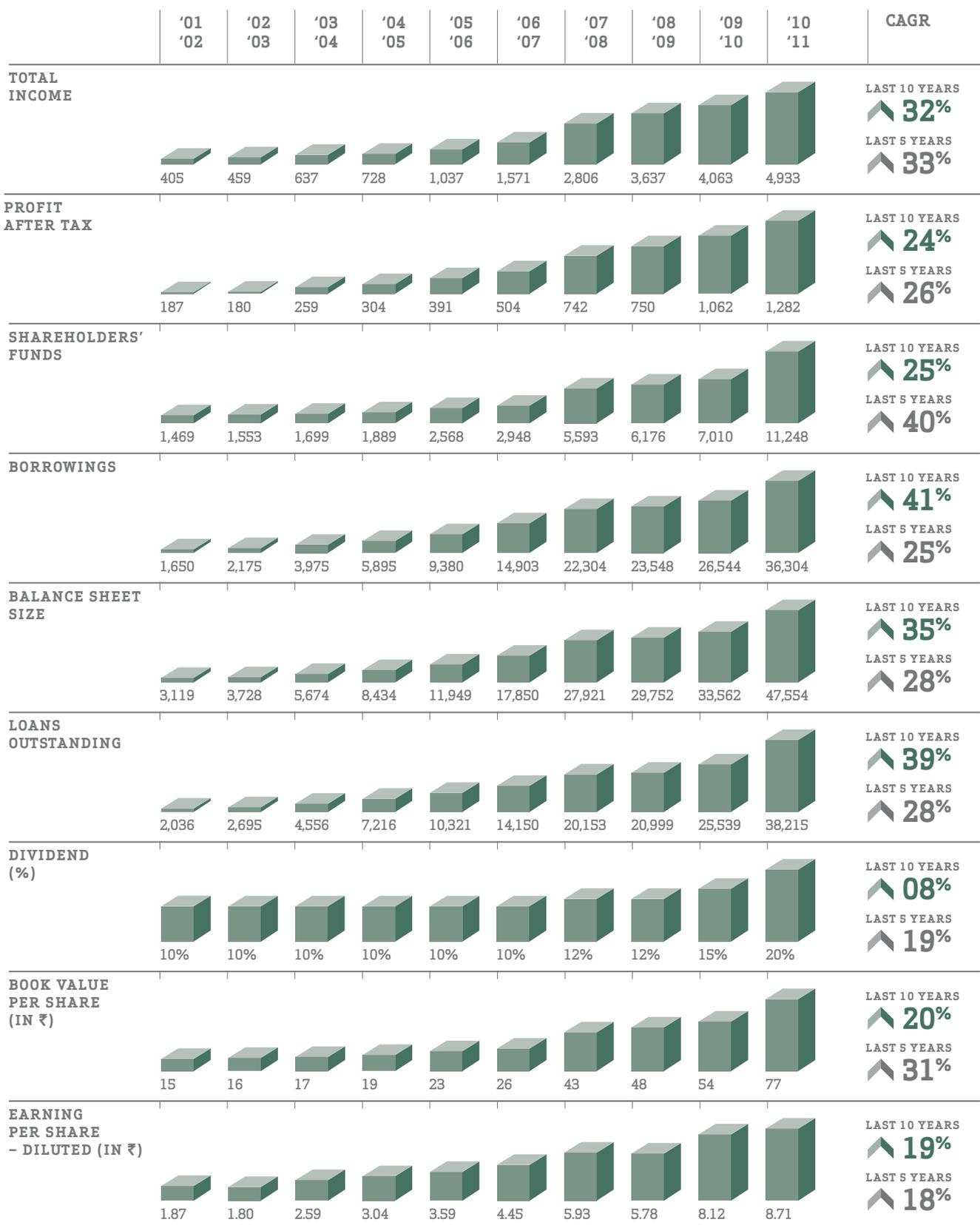
far, may, as a support to this initiative, register their email addresses, in respect of electronic holdings, with the Depository through their respective Depository Participant. Members who hold shares in physical mode are requested to download the form for registering email address from the website of the Company and send it to Karvy Computershare Private Limited.

ten years' highlights

Our growth has been driven by the substantial investment requirements of the infrastructure sector in India combined with the growth in the Indian economy over the last several years. Our ability to tap global as well as Indian financial resources makes us the acknowledged experts in infrastructure finance.

(FIGURES IN ₹ CRORE)







chairman's statement

The year 2010-11 was notable in IDFC's growth and development for several reasons. This has been a year where our performance on financial metrics has been more than satisfactory despite overall sluggishness in infrastructure sector growth. More importantly, IDFC put into effect a key element of our longer term strategy of diversifying our resource-raising.

In July 2010, IDFC got the Infrastructure Finance Company (IFC) status within the NBFC category from the Reserve Bank of India (RBI). We leveraged this status to raise debt capital through the issue of infrastructure bonds. As a measure of our efforts to widen our reach among ordinary households, we raised ₹ 1,451 crore from over 7.3 lakh retail investors. In addition, the IFC status, by allowing us to raise capital through External Commercial Borrowing (ECB), has also opened access to a new class of international debt finance agencies. Going forward, we would use our new relationship with these foreign financial institutions to leverage capital in forms other than ECBs, including rupee bonds.

This year IDFC entered the list of top 50 Indian companies in the Standard & Poor's Environmental, Social and Corporate Governance (ESG) India Index. Our presence on this Index is an indicator to our investors that their portfolio is consciously balancing the interests of all stakeholders, thereby creating a platform for strong long-term performance.

Complementing our core activities in financing infrastructure development in the country, we have carved out our development agenda under the rubric of the IDFC

Foundation. The Foundation has now been registered as a company under Section 25 of the Companies Act, 1956, which deals with not-for-profit companies. IDFC will support the Foundation through a certain percentage of its profits every year. The Foundation will also be able to raise more third-party non-commercial development funds for activities such as training government employees and advising the government in policy matters, one of the prime objectives behind the setting up of IDFC. Moreover, I am happy to inform you that IDFC actively continues to contribute to the policy formulation and development strategies of several sectors. IDFC has been nominated on several committees set up by the Union Government including in the transport sector, on electricity distribution, urban water and sanitation, and several financial sector reform committees.

Notwithstanding a good financial year, there are serious challenges mounting in the infrastructure sector. Lack of effective governance and policy/regulatory uncertainty is perhaps the biggest challenge facing not just the infrastructure sectors, but the country at large. Corruption issues that came to the fore in the past year have had a serious negative

fall-out. Besides eroding investor confidence, the working environment has become more difficult due to extreme risk aversion in decision-making and consequent delays.

In the power sector, the impact of poor governance by states, lack of political will for reforms, and stalled regulatory processes is leading to a critical situation. This is clearly a matter of concern since this is a priority sector accounting for nearly one-third of the projected investments in infrastructure during the Eleventh Five Year Plan. The private sector's role has been growing in power generation capacity, as evidenced by the increase in its share in capacity addition from 13% in the Tenth Five Year Plan to 30% in the first four years of the Eleventh Five Year Plan. While an additional 40,000 MW is expected to be commissioned in the next four years, effectively doubling existing private sector installed generation capacity, there could well be a slowing down of this new capacity coming on-stream. Essentially, this is due to two key risks that the sector is facing – fuel risk and off-taker risk. As a result, many thermal plants are operating below capacity and the commissioning of some new ones is being delayed.

On the fuel risk, shortfalls in domestic coal supply have emerged as a major speed-breaker to electricity production. Despite having the fourth largest coal reserves in the world, our power sector cannot get the coal it needs. Coal India's production has been unable to keep pace with the increase in domestic coal-based power capacity. A firm commitment for the supply of domestic coal in the form of a Fuel Supply Agreement is difficult for power developers to obtain and the agreement is skewed in favour of the fuel supplier, leaving the developer with great uncertainty and limited recourse. Given the recent increased pace of power generation capacity addition and the substantial project pipeline, the coal demand-supply gap is only likely to worsen. To meet the incremental coal demand from the power sector alone, we estimate that domestic coal production has to increase annually by 11% as against a historical average growth rate of 6%. Failure to keep up with rising demand will increase our dependence on imported coal to achieve desired capacity utilisation levels (plant load factors) which, in turn, would imply an increase in the cost of generation and vulnerability to

global fluctuations in coal prices and freight charges. I must add here that the reliance on imported coal to improve capacity utilisation of existing domestic coal-based power plants is, of course, limited by the technology already locked into, as well as the available infrastructure capacity, mainly ports and road and rail connectivity. It is therefore urgent to solve the fuel problem so as not to have stranded assets.

The expected increase in the cost of power generation brings to the fore another key challenge facing the power sector – the stalling of tariff reforms. Tariff revisions have not kept pace with the rising fuel prices. Some State governments, on their part, have been reluctant to levy even nominal user charges for large consumer categories such as agriculture, while resisting attempts to rationalise electricity tariffs for other categories such as domestic consumers. The total amount due to State governments' decision to subsidise such consumer categories more than doubled in 3 years from ₹ 12,233 crore in 2005-06 to ₹ 29,665 crore in 2008-09, and has increased even further over the two subsequent years. This clearly has an impact on the fiscal position of State governments. In fact, because of the constrained fiscal situation, the subsidy payments by State governments have not matched their commitments, with consequent cash losses having to be incurred by the discoms (distribution companies). All three factors – delays in tariff revisions, increasing subsidy burden, and shortfalls in subsidy payments from State governments – have contributed to the poor financial health of the discoms as characterised by their increasing cash losses, which have risen to an estimated ₹ 70,000 crore or 0.9% of GDP in 2010-11, up from 0.4% of GDP in 2004-05. This is despite several discoms bringing about operational improvements and reducing their Aggregate Technical & Commercial (AT&C) losses. As a result, some discoms have resorted to load-shedding rather than purchasing power. This has led to the investor community arguing strongly in favour of urgent corrective action to deal with such off-taker risks. After all, it reflects a serious crisis of governance that consumers have to face blackouts when power generators have surplus power that is not purchased because the State-owned discoms are bleeding financially. It is thus critical that



VIOM NETWORKS LIMITED FINANCE BY IDFC IS INDIA'S LEADING INDEPENDENT TELECOM TOWER COMPANY WITH A PAN-INDIA PRESENCE SPANNING ALL CIRCLES

effective regulatory action keep pace with the changing market and economic conditions to ensure the long-term viability of the sector.

These challenges in the power sector underscore the need to escalate our efforts in harnessing renewable energy sources and reducing our dependence on increasingly expensive fossil fuel based power generation. An increased share of clean and renewable energy sources in the nation's energy portfolio would have a double dividend – mitigating a critical constraint to our continued growth and development, as well as lowering greenhouse gas emissions (GHG) and local pollution. Electricity sources such as wind and solar energy, which do not have the fuel supply risks associated with coal-based power plants, also benefit from a favourable regulatory and policy regime. Here initiatives such as feed-in tariffs for renewable energy and capital subsidies for

construction of the renewable power plants go a long way in mitigating the risks associated with thermal power plants. As electricity generation constitutes the bulk of our GHG inventory (38%), even the co-benefits from such a strategy are significant. The recently released Kirit Parikh Committee Report on Low Carbon Strategies for Inclusive Growth estimates that nearly 145 million tonnes of CO₂, over 9% of the baseline emissions in 2020, could be reduced in electricity supply with aggressive efforts to increase the share of clean coal, nuclear, wind and solar energy in our electricity generation mix.

Besides the larger governance issues afflicting the infrastructure sector, project execution risks have grown, especially difficulties in land acquisition, and unaddressed environmental and social impacts. Environmental and social impacts of

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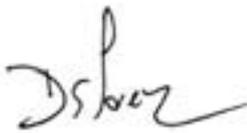
power, mining and other major infrastructure projects continue to be significant. Several large projects have been held up for both these reasons, including some of the proposed Ultra Mega Power Plants (UMPPs). Delays in land acquisition, environmental clearances, and declaration of several resource-rich but ecologically sensitive areas as 'No-go areas' have also contributed to the tardiness in developing coal mines.

The strict application of the 'Go – No Go Area' policy by the Ministry of Environment and Forests points to how critical the environmental challenge is. Much of the untapped resources lie in areas that are more sensitive, both ecologically and socially. It is crucial that a clear, sustainable development policy emerge to address this apparent deadlock between environmental conservation and social inclusion on one hand and infrastructure development on the other. Further, the processes of environmental clearances need to allow for greater engagement with local civil society right from the inception and planning stages to ensure some ownership and effective participation of local populations. Moreover, schemes and projects need to be designed whereby local populations also share in the benefits from infrastructure development. Unless the execution risks associated with environmental and land acquisition issues are resolved urgently, it will be difficult to sustain even the current pace of infrastructure development.

While the challenges at hand are clearly significant and require urgent action, there is no doubt that the targeted GDP growth of 9-9.5% envisaged in the Twelfth Five Year Plan would depend crucially on increased investments in the infrastructure sectors. This is also recognised in the issues for approach to the Twelfth Plan, which argues for a reprioritisation in the allocation of resources

in favour of social and economic infrastructure sectors, and a greater role for public private partnerships in infrastructure development alongwith urgent attention to policy and institutional bottlenecks. Thus, the medium to long-term outlook does present significant growth opportunities. IDFC, being a key player in bringing together private financing of infrastructure projects, would continue to play an important role.

My colleagues at IDFC recognise that we have to enhance and expand our efforts in the coming years and meet the high performance expectations that the nation has come to expect from IDFC. Here I would like to thank my colleagues for the efforts put in this year.



DEEPAK S. PAREKH
Chairman

board of directors

MR. DEEPAK S. PAREKH

Chairman

MR. G. C. CHATURVEDI

Upto November 7, 2010

MR. BIMAL JULKA

Appointed w.e.f. November 8, 2010

MR. S. S. KOHLI

MR. ABDUL RAHIM ABU BAKAR

MR. DIMITRIS TSITSIRAGOS

MR. S. H. KHAN

MR. GAUTAM KAJI

MR. DONALD PECK

MR. SHARDUL SHROFF

DR. OMKAR GOSWAMI

DR. RAJIV B. LALL

Managing Director & CEO

MR. VIKRAM LIMAYE

Whole-Time Director

MR. MICHAEL FERNANDES

Alternate to Mr. Abdul Rahim Abu Bakar

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Mahendra N. Shah

AUDITORS

Deloitte Haskins & Sells
Chartered Accountants

DEBENTURE TRUSTEE

IDBI Trusteeship Services Limited

PRINCIPAL BANKERS

- HDFC Bank Limited
- State Bank of India
- Deutsche Bank

SOLICITORS & ADVOCATES

- Amarchand & Mangaldas &
Suresh A. Shroff & Co.
- Wadia Ghandy & Co.



infrastructure review

The Indian economy continued its strong performance with advance estimates of the Central Statistics Office (CSO) indicating an 8.6% growth rate for FY 11 on the back of an 8% growth in the previous year. The infrastructure sector continues to benefit in terms of higher investments which are projected by the Planning Commission to increase from 7.2% of GDP in FY 09 to 8.4% in FY 12.

Notwithstanding continued growth, most infrastructure sectors were still unable to meet their capacity addition targets due to delays in land acquisition and environmental clearances, inability to secure fuel linkages, and inadequate project execution capacity due to a shortage of skilled workforce. Rural infrastructure, though, has progressed rapidly. In rural roads and power, the annual targets for FY 11 are likely to be achieved or bettered (see Table 1). Rural teledensity has also increased substantially from 24% in FY 10 to 34% in FY 11 on the back of greater network coverage and customer penetration.

Financing – both equity and debt was not a constraint to the planned projects. Equity financing was strong in the first half of the financial year though lackluster in the second half due to subdued equity market conditions. Debt financing expanded rapidly, driven by the demand from the telecom sector 3G and BWA auctions and power generation.

Going forward, the pace of infrastructure credit may be constrained since banks, the largest providers of debt finance, are facing asset-liability maturity mismatch (ALM) problems due to the longer duration of infrastructure loans they extend as against

their shorter duration borrowings. Banks would need to look for long-term sources (as a matter of prudential balance sheet management), such as long maturity bonds, to be able to continue to aggressively lend to infrastructure. The country's largest bank State Bank of India (SBI) has recently issued long-term (10 year and 15 year) bonds.

Further, the growth in bank lending to infrastructure has been primarily coming from the public sector banks (PSBs). These banks have their limitations in raising fresh equity capital for growth as they need to maintain a minimum of 51% government stake to retain the PSB status. So unless government infuses equity capital, PSBs cannot dilute much equity as many banks are close to the mandated 51%. This curtails their growth and restricts incremental advances to be capitalised out of the retained earnings.

The government is taking steps to maintain the financing momentum. In FY 11, government infused about ₹ 20,000 crore¹ into PSBs so that they could meet their Tier-I capital subscription as well as fund their expansion plans. It has also allowed government entities to raise funds through tax-free bonds up to ₹ 30,000 crore².

¹ Source Union Budget 2011-12

² Indian Railway Finance Corporation (IRFC) – ₹ 10,000 crore, National Highways Authority of India (NHAI) – ₹ 10,000 crore, HUDCO – ₹ 5,000 crore and Ports – ₹ 5,000 crore.

Among other initiatives, some new proposals were announced in the recent Union Budget, with an aim to attract investments from foreign institutions. First, a reduction in withholding tax rate (from 20% to 5%) on income to Foreign Institutional Investors (FIIs) from Infrastructure Debt Funds. Second, an increase in the FIIs investment limit (from \$ 5 billion to \$ 25 billion) for investments in corporate bonds of infrastructure companies with a residual maturity of over five years. FIIs can invest in unlisted bonds, even at Special Purpose Vehicle (SPV) level, and can trade among themselves during the lock-in period of three years. While this move is positive, its impact will not be significant in the short-term due to limited FII appetite currently on account of low liquidity in the corporate bond markets, inherent credit risk (absence of credit enhancement agencies) and a high withholding tax rate. The impact of these measures should be visible over the medium term.

TELECOM

The telecom sector continued to grow at a healthy pace during FY 11 adding close to 19 million wireless subscribers a month on average. The wireline subscriber base continued to decline marginally. The wireless and wireline subscriber base at the end of March 2011 was 846 million as against 621 million in March 2010. According to Telecom Regulatory Authority of India (TRAI) standard for recognition of active subscribers, India had 574 million active wireless subscribers as of January 2011, i.e. 71% of the reported subscriber base. The overall teledensity increased from 53% in March 2010 to 71% in March 2011. Urban teledensity reached 157% while rural teledensity stood at 34% as on March 2011. Broadband subscriber base also grew to reach 11.9 million in March 2011. The frantic growth in wireless subscriber base over the last few years has been fuelled by dropping call rates, growing network reach of the telecom operators (both old and new operators), increasingly affordable feature rich handsets, innovative tariff plans and growing income levels.

Apart from the unprecedented growth in subscriber base, FY 11 saw the much awaited 3G and BWA auctions. The 3G auction was conducted for 71 spectrum slots of 2 x 5 MHz

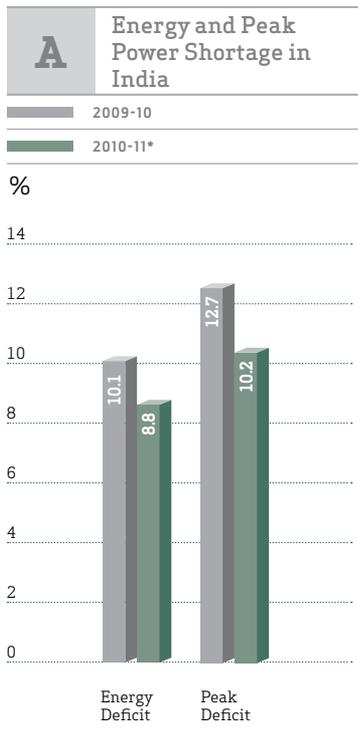
1 Progress of infrastructure in FY 11

	UNIT	FY 10	FY 11		
		ACHIEVEMENT	TARGET	ACHIEVEMENT	% ACHIEVED
Power					
Installed capacity	MW	9585	21441	12161	57%
Increase in energy generated	mn units	771173	830757	811104	98%
Roads					
National highways - road length completed	kms.	2693	n.a.	1007*	n.a.
National highways - road length awarded	kms.	3360	9000	5083	42%
Ports					
Capacity of major ports	mn tonnes	618	n.a.	645	n.a.
Capacity of non-major ports	mn tonnes	346	n.a.	375	n.a.
Rural infrastructure					
Rural roads under Bharat Nirman †					
New connectivity	kms.	20752	14320	10947	76%
Upgradation	kms.	42438	12500	18151	145%
Habitations connected	No.	4188	3000	2463	82%
Electrification under Bharat Nirman					
Village electrification	No.	18374	17500	18306	105%
BPL households electrification	No.	4718468	4700000	3973327	85%
Rural teledensity	%	24%	n.a.	34%	n.a.

Sources: Central Electricity Authority, Economic Survey 2011, Indian Ports Association, Ministry of Power, Ministry of Rural Development, TRAI

Notes: * Up to November 2010 | † Up to end-December 2010

each across the 22 circles. The auction closed at all-India bid for 3G spectrum at ₹ 16,751 crore. BSNL/MTNL which had already been allotted one slot of 3G spectrum in each circle matched the winning bids for their respective circles. The total revenue earned by the government from the 3G auction was ₹ 67,719 crore. In the BWA auction 44 spectrum slots of 20 MHz each (unpaired) were auctioned across the 22 circles. The auction closed with an all-India bid for BWA spectrum at ₹ 12,848 crore. BSNL/MTNL once again had received one slot in each circle prior to the auction and had to pay the winning bid price for their respective circles. The exchequer received ₹ 38,543 crore from the BWA auction, taking the overall receipts from the two auctions to ₹ 106,262 crore. The 3G and BWA auction payments resulted in significantly leveraged balance sheets for some of the telecom operators. Almost all 3G auction winners have launched 3G services in their winning circles and are in the process of entering into roaming arrangements with other players in the remaining circles, thereby providing all-India



SOURCE CEA
Note *April-December 2010

The power sector continues to face energy and peaking power shortages though the level of shortage has come down in comparison to last year due to a good monsoon and improved availability of water.

3G network to their customers. However none of the BWA auction winners have launched services as yet.

FY 11 was a fairly subdued year for the telecom tower sector both in terms of organic growth and M&A activities. The tower companies have been rather cautious in rolling out new towers, instead they have been focusing on increasing the tenancy on their existing towers. Roll out of 3G services by telecom operators and roll out of operations in new circles by the new telecom operators have helped the tower companies increase their tenancies impressively during this year. On the M&A front, GTL Infrastructure's acquisition of Aircel's 17,500 towers was the only notable deal during the year. GTL Infrastructure and Reliance Infratel were in discussion to merge the two entities during August-September 2010 however the discussion fell through midway.

The long awaited Mobile Number Portability (MNP) was introduced in Haryana in November 2010 and in the rest of India in January 2011. As on end-March 2011, over 6.4 million subscribers had submitted their request to various service providers for porting their mobile numbers. These are still initial days in the MNP regime and its impact is yet to be seen.

On the regulatory front, TRAI made various recommendations to Department of Telecommunications (DoT) during the financial year, most notably the "Spectrum Management and Licensing Framework" report in May 2010, "Recommendations on National Broadband Plan" in December 2010 and "Report on the 2010 Value of Spectrum in the 1800 MHz Band" in January 2011. The May 2010 and January 2011 reports provide the pricing framework for allocation of spectrum to the telecom operators. These recommendations also suggest a one-time levy on the telecom operators for the spectrum held by them over and above 2 x 6.2 MHz in various telecom circles. The report on National Broadband Plan envisages the government to play a key role in broadband growth by establishing a fiber optic backbone across the country. TRAI

recommends formation of a National Optical Fiber Agency (NOFA) and State Optical Fiber Agency (SOFA) in each state which will be responsible for establishing the backbone fiber network. The report expects broadband penetration to increase from 11 million in 2010 to nearly 154 million in 2014. DoT has not come out with any new policy guidelines based on these recommendations as yet. The new telecom minister Mr. Kapil Sibal had announced in January 2011 his plan to come out with a new National Telecom Policy 2011 (NTP 2011) which will comprehensively address various issues such as telecom licenses, spectrum management, M&A guidelines and introduction of new technologies like 4G. The telecom sector is looking forward to the new NTP 2011 which will guide the way forward for the sector.

FY 11 was a year of controversies for the telecom sector. Comptroller and Auditor General of India (CAG) presented its "Performance Audit Report on the Issue of Licenses and Allocation of 2G Spectrum by the Department of Telecommunications" to the Parliamentary Accounts Committee (PAC) in November 2010. This report alleged serious irregularities in the process followed for the allocation of new telecom licenses and spectrum during FY 08. The report estimated a loss of ₹ 1.76 lakh crore to the exchequer due to these process irregularities. The CAG report further highlighted that many of the new licenses allocated during FY 08 were given to ineligible players as they did not meet various license conditions stipulated by DoT.

The Parliament also, after much ado, had set up a Joint Parliamentary Committee (JPC) in March 2011 to look into the license and spectrum allotment process since the year 2000. Meanwhile Central Bureau of Investigation (CBI) and Enforcement Directorate (ED) have been conducting their investigation into any possible acts of corruption associated with the license allocation process during FY 08. CBI & ED investigation is being directly monitored by the Hon'ble Supreme Court.

Looking forward, the year FY 12 is very critical for the telecom sector. During this year regulatory clarity is expected to emerge on various critical issues. Also PAC, JPC and the Supreme Court are expected to conclude their investigations and put to justice the guilty parties, if any.

ENERGY

The power sector continues to face energy and peaking power shortages though the level of shortage has come down in comparison to last year due to a good monsoon and improved availability of water (see Chart A). During FY 11, actual hydro generation was 3% more than target generation as against an 8% shortfall in the previous year (see Table 2).

However, the sector continues to slip on its capacity addition targets. Against a target of 21441 MW for the year, only 12161 MW was added, though it is the highest capacity addition in a year (see Table 3).

Further, the Mid-term Appraisal of the 11th Plan projected a revised target of 62374 MW of capacity addition as against the original Plan target of 78700 MW. But the achievement is now expected to be a little over 42000 MW, as only 7675 MW is likely to be added in FY 12, the final year of the Plan. The biggest shortfall comes from hydro power and coal-based power projects.

Several policy initiatives have been taken for the development of hydro power in the country. These include the 50000 MW hydro power development initiative, New Hydro Policy 2008 and strategy to enhance the pace of hydro power development in the North Eastern Region. But hydro power development continues to suffer due to slow progress on environment and forest (E&F) clearances for projects, lack of access infrastructure to potential sites, land acquisition and related resettlement and rehabilitation issues, lack of power evacuation infrastructure and availability of a limited number of capable contractors. The use of advanced state-of-the-art techniques for investigations have minimised but not eliminated geological risks.

E&F clearances have also been a contentious issue facing coal-based power projects. In fact, the two new Ultra Mega Power Projects (UMPPs) announced by the Ministry of Power at Orissa and Chhattisgarh have been held up due to issues related to environmental clearance regarding the coal blocks for these projects and the dates for

2 Energy generation during 2010-11 (MU)

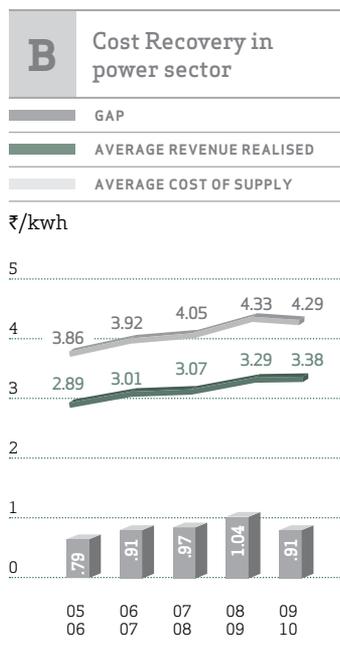
FUEL WISE/SECTOR WISE	TARGET	ACHIEVEMENT
Thermal		
Central	269999	273679
State	317093	280359
Private	103766	110875
Total	690857	664913
Hydro		
Central	41642	46032
State	63990	62924
Private	5720	5340
Total	111352	114296
Nuclear		
Central	22000	26284
Total	22000	26284
Power import from Bhutan		
Total	6548	5610
All India		
Central	333641	345996
State	381083	343284
Private	109485	116214
Total	830757	811104

Source: CEA

Note: Totals may differ due to rounding off

submission of qualification bids by developers have been extended. While power project and captive coal block developers cite procedural delays in and slow award of E&F clearances as a major problem facing projects, there is no denying that both hydro and coal-based projects have deleterious environmental and social impacts. Much of the hydro power potential that remains to be tapped lies in ecologically sensitive areas and the coal needed by proposed power projects lies in areas that are both environmentally and socially sensitive.

The delays in E&F clearances are expected to add to the growing shortage of domestic coal. The Planning Commission has estimated that the gap between demand for coal and supply of domestic coal is likely to widen further to 200 MT in the Twelfth Plan. In its Mid-Term Appraisal of the 11th Plan, the Planning Commission has suggested that in view of the constraints on expanding supply of domestic coal, the present nationalisation of the coal sector needs to be reconsidered in order to open up new coal mines for private sector exploitation beyond the captive use currently allowed. The Planning Commission has further opined that since private sector



SOURCE Planning Commission

3 Capacity addition during 2010-11 (MW)

FUEL WISE/SECTOR WISE	TARGET	ACHIEVEMENT
Thermal		
Central	6015	3740
State	6549	2581
Private	6191	4930
Total	18755	11251
Hydro		
Central	649	320
State	356	178
Private	461	192
Total	1466	690
Nuclear		
Central	1220	220
Total	1220	220
All India		
Central	7884	4280
State	6905	2979
Private	6652	5122
Total	21441	12161

Source: CEA
Note: Totals may differ due to rounding off

exploitation of petroleum resources, which are much scarcer, is freely allowed, there is every reason for private sector coal development to be favourably considered.

Besides these issues related to project development, another major concern of the power sector is the sharply deteriorating viability of the distribution utilities. Financial losses of the distribution businesses are estimated to touch ₹ 68,000 crore this year³. The main reasons behind the rising financial losses are inadequacy of tariffs (see Chart B), inefficiency of utilities, and a slowdown in the momentum of Aggregate Technical and Commercial (AT&C) loss reduction. Growing subsidies committed by State Governments to distribution utilities have not been matched by the payout of subsidy (see Chart C). As a result, distribution utilities have now started resorting to higher load shedding to avoid the burden of extra power purchase costs and prevent their financial position from worsening.

The year saw a consolidation of the efforts being made towards energy efficiency; with the launch of the National Mission for Enhanced Energy Efficiency (NMEEE). The NMEEE, which is one of the eight Missions under the National

Action Plan on Climate Change (NAPCC), aims to devise efficient and cost effective strategies through demand side management initiatives and promotion of energy efficient processes, products and services. Proposed to be implemented over five years, it envisages a reduced need for capacity addition of the order of 19598 MW and accordingly, reduced total CO₂ emissions to the extent of 98 million tonnes. To operationalise the NMEEE, the Government of India (GoI) has set up the Energy Efficiency Services Ltd. (EESL) as a joint venture with equity participation by four Central Public Sector Units (CPSUs) viz. Rural Electrification Corporation, Power Finance Corporation, Power Grid Corporation of India Ltd. and NTPC Ltd.

One of the main initiatives under the NMEEE is the Perform, Achieve and Trade (PAT) scheme that aims at improving energy efficiency in nine industrial sectors viz. Aluminium, Cement, Chlor-alkali, Fertilizer, Iron and Steel, Pulp and Paper, Railways, Textiles and Thermal power plants. Under this scheme, units in these sectors would be given individual energy efficiency improvement targets; implying that each unit would be required to reduce

³ Thirteenth Finance Commission

its specific energy consumption (SEC) by a fixed percentage, based on its current SEC (or baseline SEC). Any additional certified energy savings would take the form of Energy Savings Certificates (ESCerts) and can be traded with other units who could use these certificates to comply with their SEC reduction targets. The ESCerts will be traded on special trading platforms to be created in the two power exchanges in the country. The first cycle of PAT scheme would be operational between April 2011 and March 2014, during which all sectors except Railways, have been included. Railways have been excluded in this phase because the sectoral energy scenario and energy usage pattern in Railways is still under study.

The other components of NMEEE include an Energy Efficiency Financing Platform involving the creation of mechanisms that would help finance demand side management programme by capturing future energy savings and a framework for Energy Efficient Economic Development which would involve the development of fiscal instruments to promote energy efficiency.

On the renewable energy front, the Gol has awarded the setting up of grid connected solar power projects of 700 MW capacity under the first phase of the National Solar Mission (NSM). The projects in the first phase (up to March 2013) are being awarded in batches. In the first batch, 620 MW capacity (470 MW of solar thermal and 150 MW of PV) was taken up. Besides this, 84 MW (30 MW of solar thermal and 54 MW of PV) of projects have migrated under the NSM from earlier schemes. The NSM was launched in January 2010 with a target of 20000 MW grid solar power in three phases by March 2022. However, several concerns have been raised about the viability of bids against which projects have been awarded. The bids involve heavy discounts on tariffs determined by the Central Electricity Regulatory Commission by many new and inexperienced players. There are apprehensions that these discounts would ultimately result in unviable tariffs, the use of cheap and unreliable technology and equipment, and lead to difficulties in financial closures of concerned projects.

TRANSPORTATION

CIVIL AVIATION

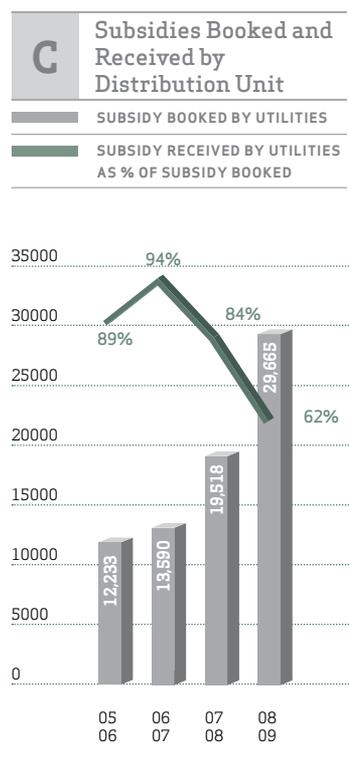
On the backdrop of strong economic growth and high demand both from travel and trade, the civil aviation sector grew robustly. However, with rising oil prices, there has been a sharp increase in the price of aviation turbine fuel (ATF). Fuel expenses comprise about 40% of the operating cost of domestic air carriers. This has added to the problems of the industry which was already under severe cost pressures.

Capacity expansion of the airports has lagged and been substantially costlier than initial estimates. In July 2010, Delhi International Airport Ltd. (DIAL) had its T3 terminal inaugurated with a capital cost of ₹ 9,000 crore and a capacity to handle 34 million passengers annually. After several months of delay, the Navi Mumbai Airport finally got its environmental clearance and construction is expected to start towards end of FY 12. The first phase is likely to have a capacity of 10 million passengers per annum.

Progress on the non-metro airports has been slow. Of the 35 non-metro airports identified in June 2006, work has been completed on 12 airports with another 23 under progress or in the planning stage. Modernisation includes technological upgrades as well as improvement of the terminal building and other facilities. Not only have the privatised airports seen cost overruns, but also airports such as Kolkata and Chennai, developed by Airports Authority of India (AAI).

These cost overruns have resulted in the developers imposing higher fees from passengers in the form of airport development fees (ADF). However, recently the Supreme Court disallowed the levy of ADF by Mumbai International Airport Limited (MIAL) since MIAL did not have the approval of Airports Economic Regulatory Authority (AERA) to levy the ADF. On the other hand, Delhi International Airport Ltd. (DIAL) continues to charge an ADF since it received AERA's approval.

During the year, AERA also came up with tariff guidelines for airport operators of major airports (those which handle over 1.5 million passengers per annum). The guidelines also cover review of tariff proposals, procedure to determine the aggregate revenue required for the regulated service, consultation process between operators and users and the quality



SOURCES Power Finance Corporation Ltd., IDFC analysis



SOURCE Indian Railways

of service with benchmarks. It also advocates setting up an Airport Users Consultative Committee involving representatives of airlines, passengers, cargo facility users, government representatives, among others.

With an aim to advise the Ministry of Civil Aviation on economic policy matters, the Civil Aviation Economic Advisory Council (CAEAC) has been set up under the Chairmanship of the Secretary, Civil Aviation. The CAEAC met twice during FY 11 and has formed two working groups to look at issues and advise the government on air cargo/express service and protection of consumer interests.

RAILWAYS

After a few years of upsurge, the finances of Indian Railways are once again deteriorating. The growth rate in traffic and earnings achieved in the previous years could not be sustained during FY 09 and FY 10 owing partly to the slowdown in the economy. The average annual growth rate of freight (originating tonnage) in the first three years of the 11th Plan is estimated at 6.6% against the targeted 8.6%. The lower growth of freight was primarily on account of low growth in iron ore freight. Iron ore is the second largest revenue earning item for Indian Railways, the largest being coal. In fact, iron ore has seen a negative growth during FY 11 due to the restrictions on iron ore exports imposed by the State Governments of Orissa and Karnataka, and disruption of train movement in iron ore rich areas as well as in other areas.

The financial impact of shortfall in earnings has been compounded by an unprecedented increase in expenditure due to implementation of the recommendations of the 6th Central Pay Commission (CPC) in FY 09 and FY 10. Consequently, the operating ratio of Railways has declined again (see Chart D).

Railways have planned and implemented a number of measures during the 11th Plan to improve its share in freight traffic. These measures include freight marketing of select commodities by third parties, liberalised wagon investment scheme, improved freight incentive policies and creation of capacity. Railways have revised their Railways Infrastructure for Industry Initiative (R3i) policy that aims to attract private investments into some of the last mile rail connectivity projects with the

objective of creating additional rail transport capacity and increasing rail share in freight traffic.

THE POLICY PROVIDES FOR FOUR MODELS:

- **COST SHARING:** freight rebate model where the private sector would have to make contributions towards cost sharing in advance and would be allowed to recover this advance through a freight rebate of 10%-12% on incremental outward traffic. The ownership of the lines would be with Railways.
- **FULL CONTRIBUTION:** apportioned earning model where the private sector would construct and maintain the line for a period of 25 years and would receive the apportioned earnings from the line in excess of the O&M costs incurred by the railways on the line.
- **Special Purpose Vehicle model** where the Railways would form an SPV with the private sector and Railways' share in equity would be 26%. The SPV would be given a concession to construct, operate and maintain the line for which it would get a share in the revenue generated by the project.
- **Private line model** where the private sector builds a private line on non-railway land acquired by it and seeks connectivity to the railway network. Railways would levy a fee on the gross apportioned earnings of the line.

While the applicants may choose and indicate preference for one of the models, the Ministry of Railways would decide which model would be applicable. Further, only railway lines that are 20 metres or more in length (excluding the length of siding which may take off from this line) are eligible under this Policy. Finally, the policy is not applicable to railway lines intending to provide connectivity to coal mines and iron ore mines directly or indirectly.

The accounting reforms initiated by Railways during the 10th Five Year Plan (FYP) for separating the accounts for major segments of railway services are still not complete. These reforms are critical for generating costing data on commercial lines as well as for making railway accounting in India in line with the commercial accounting requirements adopted internationally for railways. A firm time line is needed to accomplish this task.

PORTS

FY 11 has been a mixed year for the Indian ports sector. The private ports (also referred to as non-major ports) continue to perform better than the major ports (government controlled) on cargo handling as well as project execution. Cargo handled at the non-major ports in Gujarat (which account for about 50% of the country) increased by 18%. On the other hand, the traffic handled at major ports increased marginally from 561 MT in FY 10 to 570 MT in FY 11, against a target of over 600 MT for FY 11. This negligible traffic growth in major ports, just as for freight growth in the railways, has been attributed to the iron ore export ban in Karnataka and restrictions on illegal mining in Orissa.

Port capacity in India has crossed 1 billion tonnes, with non-major ports now accounting for as much as 37% of the total port capacity. Mundra Port and Special Economic Zone Ltd. (MPSEZL), the largest private port operator commenced operations in end-August at Dahej Port, a dry bulk cargo port with 20 million tonnes per annum (MTPA) capacity. In addition to commencing operations on the world's largest coal receiving terminal at Mundra Port, MPSEZL is also making its footprint on the east coast by setting up a coal import terminal at Vishakhapatnam Port. The Dhamra Port (joint venture of L&T and Tata Steel) in Orissa with a total capacity of 100 MTPA (first unit 25 MTPA) has commenced operations from May 2011. This port has the deepest draught in India and is capable of accommodating super cape-size vessels up to 180,000 dead weight tonnes.

The performance of major ports has been disappointing in the award of new projects. As against an annual target of awarding 21 projects worth ₹ 13,890 crore, until mid-March 2011, only 8 projects were awarded worth ₹ 3,250 crore. Seven of the projects awarded were for developing cargo berths and one was for development of a container terminal at Ennore. The reasons for the delays in awarding projects vary. Some of the issues include litigation, stalling bidding, lack of interest due to project structuring and rehabilitation. Despite this poor progress, the Ministry plans to award 25 projects in FY 12 (including 13 identified and unawarded in FY 11).



GUJARAT PIPAVAV PORT IDFC FINANCED PORT WAS THE 5TH FASTEST GROWING PORT ACROSS THE WORLD IN 2010

The key problems in case of major ports continue to be:

- Inadequate infrastructure – major ports lack deep drafts and adequate connectivity
- Lack of freedom on tariff fixation – unlike non-major ports, major ports are regulated by Tariff Authority for Major Ports (TAMP) which does not give them freedom to fix tariffs
- Shortage of financial resources to undertake common infrastructure development such as drafts, connectivity – major ports rely on the major port trusts for financial resources. Major port trusts undertake expansions from their own resources or from Central Government support.

It is heartening to observe that the above issues are beginning to be addressed. The Shipping Ministry is considering involvement of the private sector in capital intensive activities such as dredging, backed by viability gap funding. The recent Union Budget has proposed that the Ministry of Shipping can raise ₹ 5,000 crore of tax-free bonds. These funds would be utilised for dredging operations and infrastructure development at major ports. Further, in order to give the major ports more flexibility on tariff setting, the Ministry of

4

Phase-wise balance for project award as of March 31, 2011

PHASE	BALANCE FOR AWARD (KM)	% OF TOTAL REMAINING	DESCRIPTION
Phase II	421	2%	North-South & East-West Corridor
Phase III	4,098	17%	Convert from 2-lane to 4-lane
Phase IV	14,034	58%	Improve to 2-lane standards with paved shoulders
Phase V	4,088	17%	6-laning of existing 4-lane projects
Phase VI	1,000	4%	Construction of expressways
Phase VII	659	3%	Construction of ring roads, flyovers and by-passes
Total	24,300	100%	

Source: NHAI

Shipping has released a draft Port Regulatory Bill which aims to replace TAMP by the Major Ports Regulatory Authority. With this, private port terminals operating at major ports will have freedom to price their tariffs and compete with their counterparts in minor ports that are not regulated by TAMP. Corporatisation of some of the major port trusts is on the anvil. The Ennore Port Ltd., India's first corporate port, has also got Board approval to go public and raise funds for expansion. While individual initiatives such as these are a good beginning, it is desirable to draw a road map for the sector in terms of industry structure, regulatory and institutional reforms and regulation in the days to come. This would bring about clarity for Public Private Partnership (PPP) investors and the users. Further, to avert litigation and have greater clarity on investor eligibility for bidding, it is essential to lay down a comprehensive policy map on PPP (such as investor entry criteria, eligibility).

ROADS

The current year started positively for the road sector, with several projects being awarded. For a while, the pace of projects awarded had slowed down on account of a number of issues, including controversies relating to project award, change of guard at the political level, lack of full time Chairman for NHAI for a substantial part of the year and financing plan for National Highways Development Programme (NHDP). However, ramping up the award of projects towards the end of the year led to 5,083 km being awarded in FY 11, the largest number of kilometres awarded in a year. By the end of the year, 14,270 km of the

NHDP had been completed, with 34,372 km remaining. This includes 22 km of Phase 1 (GQ) and 388 km under the Special Accelerated Road Development Programme for North Eastern Region.

As on March 31, 2011, under 25,000 km of the NHDP (~ 50% of the total programme) projects are yet to be awarded (see Table 4). NHAI plans to award these 25,000 km over the next three financial years. However, the pace of award of projects may be slower on account of likely increase in NHAI's financial commitment for the rest of the NHDP. It may be noted that a substantial number of projects are likely to come up in relatively low density road corridors leading to an increase in annuity commitments and viability gap funding requirement. Therefore, the award of new projects may be staggered in line with the financial capacity of NHAI. On the revenue side, NHAI has its recurring revenues primarily from three sources viz. share of cess from the Central Road Fund (CRF), toll collections on stretches completed with BOT-Annuity and EPC contracts and the premium that some concessionaires on BOT-Toll projects pay. To fund its expansion plans, NHAI needs to rely on budgetary allocations and bond issuances to bridge the gap. Both of these have their limitations as they have a fiscal impact.

A major issue in the sector has been the cost overruns. Land acquisition is one of the biggest causes of delays, eventually leading to cost overruns. During FY 10, NHAI had set up special land acquisition units (SLAUs) at state level to quickly resolve issues relating to land. As a result, the pace of land acquisition has improved significantly since then.

On rural roads, progress has been good. Up to December 2010, new connectivity achieved under Pradhan Mantri Gram Sadak Yojana (PMGSY) is 11,000 km as against the annual target of 14,300 km for FY 11. Upgradation of rural roads has been remarkable with over 18,000 km being achieved until December 2010 as against the annual FY 11 target of 12,500 km.

URBAN INFRASTRUCTURE

Though cities are well recognised as the drivers of economic growth, the level and quality of infrastructure remains acutely inadequate. The investment required is huge. According to an estimate by The High Powered Expert

5 Progress of JNNURM up to end-March 2011 (₹ crore)

PROGRAMME	NO. OF PROJECTS	APPROVED COST	FUNDS RELEASED
Urban Infrastructure & governance	532	60,215	29,474
Urban Infrastructure Development Scheme for small & medium towns	766	12,933	8,989

Source: JNNURM

Committee (HPEC) for urban infrastructure services, the total investment required to meet the current backlog and future needs for eight core urban infrastructure sectors during FY 12-31 is ₹ 39.2 lakh crore (at FY 10 prices), equivalent to an annual average of ₹ 2 lakh crore. A large part of this investment is required for urban roads (about 44%) whereas water supply, sewerage, solid waste management, and storm water drains account for about 20% of estimated investment requirements. In addition, an estimated ₹ 19.9 lakh crore, or almost ₹ 1 lakh crore a year is required for O&M on urban infrastructure.

Against these requirements, actual investment has been minimal. The largest government-led programme for urban infrastructure development, the Jawaharlal Nehru National Urban Renewal Mission (JNNURM), which has supported the development of core urban services over the period 2007-2012, has disbursed ₹ 38,463 crore [centre, state and urban local bodies (ULBs)] in four years (see Table 5). About 58% of the projects that have been approved are in the water supply and sanitation (sewerage and solid waste) sectors.

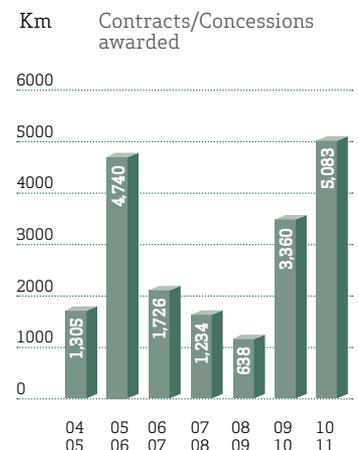
Financing the requisite investment will require a concerted effort on all fronts – increased and timely State Finance Commission transfers from state to ULBs, strengthening of own ULBs revenues and additional mechanisms for funding including market borrowings. Strengthening ULB revenue, though important for sustainability of investment in urban services is a challenge. The Ministry of Urban Development (MoUD) initiated a programme for Service Level Benchmarks (SLBs) as a mechanism for improving accountability in service delivery. The principle of benchmarking has been endorsed by the 13th Finance Commission which has included Service Level Benchmarking

as one of the conditionalities for allocation of performance based grants to ULBs, which amount to around ₹ 8,000 crore during 2010-15.

Being a reform linked scheme, JNNURM, tried to instill reforms on a number of fronts (institutional, planning, financial, community participation), but progress has been far from satisfactory. ULBs continue to reel under the problems of weak governance and poor finances that have impaired their capability to undertake any improvement in urban services. As a result, the involvement of the private sector in financing urban infrastructure has been minimal. In order to kickstart the functioning of the market, the planned PPP Urban Infrastructure Fund at the national level is expected to encourage PPP by actively engaging in capacity building, project identification, development, structuring and funding bankable PPP projects in the urban infrastructure sector.

Attempts are now being made to integrate the various components of urban infrastructure. The approval this year of the National Mission on Sustainable Habitat is an important opportunity to demonstrate holistic development of urban infrastructure across the nation. The Mission seeks to promote sustainability of habitats through improvements in energy efficiency in buildings, urban planning, improved management of solid and liquid waste including recycling and power generation and a modal shift towards public transport and conservation. It also seeks to improve ability of habitats to adapt to climate change by improving the resilience of infrastructure, community based disaster management and measures for improving advance warning systems for extreme weather events ■

E Progress in the National Highway Development Programme



SOURCE Ministry of Road Transport & Highways



directors' report

Your Directors have pleasure in presenting the Fourteenth Annual Report together with the audited accounts for the year ended March 31, 2011.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Fourteenth Annual Report together with the audited accounts for the year ended March 31, 2011.

Financial Results (Standalone)

(Figures in ₹ crore)

Particulars	FY 2010-11	FY 2009-10
Operating Income	4,545.96	3,569.98
Other Income	14.40	27.13
Total Income	4,560.36	3,597.11
Less: Administrative Expenses*	208.45	199.38
Less: Provision for assets and losses	234.94	130.36
Profit Before Interest and Taxes	4,116.97	3,267.37
Less: Interest and Other Charges	2,386.52	1,950.23
Profit Before Tax	1,730.45	1,317.14
Less: Provision for Tax**	453.30	304.30
Profit After Tax	1,277.15	1,012.84

* Administrative expenses include staff expenses; travelling & conveyance; postage, telephone & telex; establishment expenses; other expenses and depreciation as reduced by shared service cost recovered from subsidiaries.

** Provision for Tax is net of Deferred Tax.

Income from operations increased by 27.34% from ₹ 3,569.98 crore in FY 10 to ₹ 4,545.96 crore in FY 11. Other income reduced by 46.92% from ₹ 27.13 crore in FY 10 to ₹ 14.40 crore in FY 11. IDFC's total income, increased by 26.78% from ₹ 3,597.11 crore in FY 10 to ₹ 4,560.36 crore in FY 11.

Profit Before Tax (PBT) increased by 31.38% from ₹ 1,317.14 crore in FY 10 to ₹ 1,730.45 crore in FY 11. Profit After Tax (PAT) increased by 26.10% from ₹ 1,012.84 crore in FY 10 to ₹ 1,277.15 crore in FY 11.

IDFC's quality of assets continued to be good with Net NPAs at ₹ 38.91 crore as on March 31, 2011.

/// DIVIDEND

Your Directors are pleased to recommend a dividend of ₹ 2/- per share (i.e. 20%) for the year ended March 31, 2011 on equity shares.

The Company will pay a dividend @ 6% on Compulsorily Convertible Cumulative Preference Shares as per the terms of issue.

OPERATIONS REVIEW

The global economy witnessed two speed growths. While the emerging economies grew by 7% in 2010, the advanced economies grew by 3% in 2010. World output, which had fallen by 0.6% in 2009 grew by 5% in 2010. Clearly, the global economy is in recovery mode. With the financial turbulence firmly behind it, global financial markets also recovered and capital flows re-emerged with increase in flows into emerging economies. However, issues with Government finances in the Euro area provided vulnerability to the system. Overall, while the global financial system is improving from the debacle of 2008, there are still some uncertainties and volatility in the system. The other factor has been growing commodity and oil prices, which is leading to inflation and a higher interest regime. In this environment, IDFC has had to be very proactive in raising capital and managing liquidity for the operations of its financing business.

While domestic GDP is expected to record an impressive 8.5% growth in FY 11, there were some issues with the infrastructure sector. Consequently, after a flurry of activity in the first half, project development opportunities in the market reduced substantially in the second half. The slowdown was particularly apparent in the road and power sectors. However, the slowdown was primarily due to administrative issues while the intrinsic demand for infrastructure continues to grow.

Leveraging the opportunities provided by a growing economy, the Company adopted a high growth model focused on significantly increasing the project finance operations by growing the balance sheet. Gross approvals increased by 40% to ₹ 42,716 crore (₹ 427 billion) in FY 11. Gross disbursements, increased by 106% to ₹ 26,702 crore (₹ 267 billion) in FY 11.



➤ GMR ENERGY - 220 MW BARGE MOUNTED POWER PLANT

- Net loans increased by 50% to ₹ 37,652 crore, while the balance sheet has grown by 42% to ₹ 47,367 crore.
- As on March 31, 2011, IDFC's total exposure to infrastructure projects was ₹ 58,273 crore of which Energy was the highest 45.8%, followed by Transportation 28.7%, Telecommunication & IT 15.8% and Commercial & Industrial sector 9.7%.

While the investment strategy for treasury operations continues to ensure adequate levels of liquidity to support core business requirements, it has started focusing on optimising levels of return and functioning as a profit centre investing in fixed income assets, while maintaining prudent safety norms. Net interest income from treasury operations for IDFC increased by 61% from ₹ 75 crore in FY 10 to ₹ 121 crore in FY 11.

The financial markets were volatile during FY 11. Consequently, there was a fall in fee-based non interest income. The investment banking business under IDFC Capital and the institutional brokerage business under IDFC Securities witnessed a drop in incomes. The mutual fund business that was acquired in FY 09 and operated by IDFC-AMC also saw a

reduction in assets under management and management fees.

The Policy Advisory Group and CSR activities have been brought under one umbrella with the formation of IDFC Foundation in FY 11. This SBU continued to contribute to IDFC's mandate of leading private capital to infrastructure projects, by providing impetus to rationalisation of policy and regulatory frameworks, promoting PPP models, policy advocacy and direct CSR activities.

IDFC Private Equity and IDFC Project Equity continue to be committed to the development of infrastructure in the country. IDFC Private Equity manages three funds – India Development Fund, IDFC Private Equity Fund II and IDFC Private Equity Fund III having a total capital commitment of ₹ 5,735 crore or ₹ 57.3 billion and IDFC Project Equity manages the ₹ 3,837 crore India Infrastructure fund. The focus on asset management was on maintenance of the funds.

During the year, fee income from managing third party asset decreased by 14% from ₹ 290 crore in FY 10 to ₹ 249 crore in FY 11.

Detailed analysis of the performance of the Company and its businesses, including initiatives in the area of Information Technology, has been presented in the section on Management Discussion & Analysis of this Annual Report.

SUBSIDIARY COMPANIES

IDFC has eleven direct wholly owned subsidiary companies – IDFC Private Equity Company Limited, IDFC Trustee Company Limited, IDFC Project Equity Company Limited, IDFC Finance Limited, IDFC Securities Limited, IDFC PPP Trusteeship Company Limited, IDFC Projects Limited, IDFC Asset Management Company Limited, IDFC AMC Trustee Company Limited, IDFC Foundation (a Section 25 Company) and Uniquet Infra Ventures Private Limited. In addition IDFC Securities Limited has three wholly owned subsidiary companies namely, IDFC Capital Limited (earlier known as IDFC-SSKI Limited), IDFC Distribution Company Limited (earlier known as IDFC-SSKI Stock Broking Limited) and IDFC Capital USA Inc. IDFC Capital Limited has three wholly owned subsidiaries called IDFC Capital (Singapore) Pte. Limited, IDFC Fund of Funds Limited and IDFC General Partners Limited.

During the year, Jetpur Somnath Highway Limited (earlier known as IDFC Capital Company Limited and a direct subsidiary of IDFC) has become a subsidiary of IDFC Projects Limited. A company under the name of Jetpur Somnath Tollways Limited, has been incorporated as a Subsidiary of IDFC Projects Limited. IDFC Projects, alongwith the other companies, has further floated Dheeru Powergen Limited, which was converted from Private Limited Company to a Public Limited Company.

IDFC Asset Management Company Limited has further floated IDFC Pension Fund Management Limited, one of the Pension Fund Managers appointed by the Pension Fund Regulatory and Development Authority (PFRDA) to manage retirement funds under the New Pension Scheme (NPS) open to individuals in the private sector, and IDFC Investment Advisors Ltd. A company under the name of IDFC Investment Managers (Mauritius) Limited, has been incorporated as a Subsidiary of IDFC Asset Management Company Limited.

During the year, IDFC Foundation (a Non-Profit Organisation) was incorporated under Section 25 of the Companies Act, 1956, as a wholly owned subsidiary company of IDFC. Further, the shares of the three Joint ventures namely, Infrastructure Development Corporation (Karnataka) Limited (iDeCK), Uttarakhand Infrastructure Development Company Limited (UDeC) and Delhi Integrated Multi-Modal Transit System Limited (DIMTS), which were initially held by IDFC, have been transferred to IDFC Foundation and similarly, the units of the Trust, namely India Infrastructure Initiative Trust & India PPP Capacity Building Trust which were initially held by IDFC have also been transferred to IDFC Foundation. Further during the year, Uniquet Infra Ventures Private Limited was incorporated as a direct subsidiary of the Company and IDFC Capital USA Inc. was also incorporated as a subsidiary company of IDFC Securities Limited.

A statement of particulars of IDFC's subsidiaries is annexed to this Annual Report.

Detailed analysis of the performance of IDFC and its businesses – financing and advisory, including initiatives in the area of Human Resources, Information Technology, and Risk Management has been presented in the

Leveraging the opportunities provided by a growing economy, the Company adopted a high growth model focused on significantly increasing the project finance operations by growing the balance sheet.

section on Management Discussion & Analysis of this Annual Report.

In view of the General Circular no. 2/2011 dated February 8, 2011 issued by the Ministry of Corporate Affairs, granting a general exemption under Section 212(8) of the Companies Act, 1956, copies of Balance Sheet, Profit and Loss Account, Reports of the Board of Directors and Auditors of each of the subsidiary companies have not been attached to the accounts of the Company for the FY 11. The Company undertakes to make available these documents/details upon request by any member of the Company at any point of time. These documents/details will be available on the Company's website www.idfc.com and will also be available for inspection by any of the members of the Company at its Registered and Corporate Offices and also at the Registered Office of the concerned subsidiaries. In accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements), Accounting Standard 23 (Accounting for Investment in Associates in Consolidated Financial Statements) and Accounting Standard 27 [Financial Reporting of Interests in Joint Ventures notified by the Companies (Accounting Standards)] Rules, 2006, the Consolidated Accounts of IDFC and its subsidiaries have been prepared and the same are annexed to this Annual Report.

/// PARTICULARS OF EMPLOYEES

IDFC had 586 employees as on March 31, 2011. Particulars of Employees as required to be furnished pursuant to Section 217(2A) of the Companies Act, 1956, read with the rules thereunder, forms part of this Report. However, as per the provision of Section 219(1)(b)(iv) of the Companies Act, 1956, the reports and accounts are being sent to all the shareholders of the Company excluding the statement of particulars of employees. Any shareholder interested in obtaining a copy of the same

may write to the Company Secretary of the Company.

/// EMPLOYEE STOCK OPTION SCHEME (ESOS)

Pursuant to the resolution passed by the members at the Annual General Meeting held on August 2, 2006, IDFC has introduced Employee Stock Option Scheme 2007 (referred to as "the Scheme") to enable the employees of IDFC and its subsidiaries to participate in the future growth and financial success of the Company. Out of the 16,548,268 options outstanding at the beginning of the year, 673,790 options lapsed on account of resignations and 2,583,065 options were exercised during the year.

Additionally, during the year, 7,459,308 options were granted to eligible employees under the Scheme. Accordingly, 20,750,721 options remain outstanding as of March 31, 2011.

All options vest in graded manner and are required to be exercised within a specific period. The Company has used the intrinsic value method to account for the compensation cost of stock to employees of the Company. Intrinsic value is the amount by which the quoted market price of the underlying share on the date prior to the date of the grant exceeds the exercise price on the option.

Disclosures as required by Clause 12 of the Securities & Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are annexed to this Report.

/// CORPORATE GOVERNANCE

Separate detailed chapters on Corporate Governance, Additional Shareholder Information and Management Discussion & Analysis are attached herewith and form part of this Annual Report.

While the investment strategy for treasury operations continues to ensure adequate levels of liquidity to support core business requirements, it has started focusing on optimising levels of return and functioning as a profit centre investing in fixed income assets, while maintaining prudent safety norms.

/// PUBLIC DEPOSITS

During the year FY 11, your Company has not accepted any deposits from the public within the meaning of the provisions of the Non-Banking Financial Companies (Reserve Bank) Directions, 1998.

/// FOREIGN EXCHANGE

The particulars regarding foreign exchange earnings and expenditure are furnished at Item Nos. 24 & 25 in the Notes to the Accounts. Since the Company does not own any manufacturing facility, the other particulars in the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1998 are not applicable.

/// FUND RAISING

During the year, the Company had issued and allotted 157,752,090 equity shares of ₹ 10/- each to Qualified Institutional Buyers (QIBs) under Chapter VIII of the Securities & Exchange Board of India (Issue of Capital & Disclosure Requirements) Regulations, 2009 at a premium of ₹ 158.25 per equity share aggregating to ₹ 2,654.18 crore.

During the year, the Company had issued 84,000,000 Compulsorily Convertible Cumulative Preference Shares (CCCPS) having face value of ₹ 100 each of the Company on preferential basis in terms of Chapter VII of the Securities & Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 aggregating to ₹ 840 crore.

During the financial year, the Company also made a fresh issue aggregating to ₹ 1,451.76 crore by way of issuance of long-term infrastructure bonds of face value of ₹ 5,000 each, in the nature of secured, redeemable, non-convertible debentures, having benefits under Section 80 CCF of the Income-tax Act, 1961, under the applicable SEBI Guidelines.

/// LISTING OF SHARES

The Company's shares are listed on National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE).

/// DIRECTORS

Ministry of Finance, Government of India, nominated Mr. Bimal Julka, Director General, Currency, Department of Economic Affairs, Ministry of Finance and Additional Secretary to Government of India, Ministry of Finance, as a Nominee Director on the Board of IDFC in place of Mr. G. C. Chaturvedi, Additional Secretary, Department of Financial Services. Accordingly, Mr. G. C. Chaturvedi ceased to be Director with effect from November 07, 2010. The Board placed on record its appreciation of the invaluable guidance provided by Mr. G. C. Chaturvedi to the Company.

The Board, at its meeting held on November 08, 2010, appointed Mr. Bimal Julka, as a Director with effect from November 08, 2010 and he holds office up to the date of the ensuing Annual General Meeting (AGM). The Company has received notice from a Member of the Company under Section 257 of the Companies Act, 1956 proposing the candidature of Mr. Bimal Julka as a Director.

In accordance with the Articles of Association of the Company and provisions of the Companies Act, 1956, Dr. Omkar Goswami, Mr. Shardul Shroff and Mr. S. H. Khan would retire by rotation and being eligible, offer themselves for re-appointment at the AGM.

The Board of Directors recommends appointment/re-appointment of all the above Directors at the ensuing AGM.

/// INTERNAL CONTROL SYSTEMS

The Company has in place adequate systems of Internal Control to ensure compliance

with policies and procedures. Internal Audits of all the units of the Company are regularly carried out to review the internal control systems. The Internal Audit Reports along with implementation and recommendations contained therein are constantly reviewed by the Audit Committee of the Board.

AUDITORS

Messrs Deloitte Haskins & Sells, Chartered Accountants, will retire as the statutory auditors of the Company at the ensuing AGM. The Board at its meeting held on April 29, 2011, has proposed their re-appointment as Auditors to audit the accounts of the Company for the financial year ending March 31, 2012.

Messrs Deloitte Haskins & Sells, the retiring auditors, have confirmed that their re-appointment, if made, would be in conformity with the provisions of Sections 224 and 226 of the Companies Act, 1956, and also indicated their willingness to be re-appointed.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed;
- they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits of the Company for the year;
- they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- they have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS

IDFC has developed close relationships with the Ministry of Finance (MoF), Banking Division, Ministry of Surface Transport, National Highways Authority of India, Ministry of Power, Department of Telecommunications,

Ministry of Petroleum and other Ministries of the Government of India involved with infrastructure development; Reserve Bank of India, Securities & Exchange Board of India and regulatory bodies, TRAI, the Central Electricity Regulatory Commission and State Electricity Regulatory Commissions; the Planning Commission; IIT (Kanpur); IIM (Ahmedabad); the State Governments and all IDFC's shareholders. The Board of Directors wishes to gratefully acknowledge the assistance and guidance received from all of them. IDFC could make the progress it has in these years due to the dedication and creativity of its staff at all levels. The Board of Directors wishes to place on record their warm appreciation for these efforts.

For and on behalf of the Board

DEEPAK S. PAREKH
Chairman

Mumbai, June 13, 2011

DISCLOSURE IN THE DIRECTORS' REPORT AS PER SEBI GUIDELINES

PARTICULARS	2010 - 2011
1 Options outstanding as at the beginning of the year	16,548,268
2 Options granted during the year	7,459,308
3 Pricing Formula	Options may be granted at a price not less than the face value per share. Options have been granted in the range of strike price of ₹ 115.91 to ₹ 212.60
4 Options Vested	6,297,356
5 Options Exercised during the year	2,583,065
6 Total no. of shares arising as result of exercise of Options	2,583,065
7 Options lapsed*	673,790
8 Variation in terms of Options	None
9 Money realised by exercise of Options (₹)	100,861,601
10 Total number of Options in force	20,750,721
* Lapsed Options includes options cancelled/lapsed	
11 Diluted Earnings Per Share pursuant to issue of shares on exercise of options calculated in accordance with AS 20 'Earnings Per Share' (₹)	8.68

PROFORMA ADJUSTED NET INCOME AND EARNINGS PER SHARE

PARTICULARS	₹
12 Net Income as Reported	12,771,485,453
Add: Intrinsic Value Compensation Cost	167,493,624
Less: Fair Value Compensation Cost	(429,351,575)
Adjusted Proforma Net Income	12,509,627,502
Earning Per Share: Basic	
As Reported (₹)	8.74
Adjusted Proforma (₹)	8.56
Earning Per Share: Diluted	
As Reported (₹)	8.68
Adjusted Proforma (₹)	8.50
13 Weighted average exercise price of Options granted during the year whose	
(a) Exercise price equals market price	154.56
(b) Exercise price is greater than market price	NIL
(c) Exercise price is less than market price	115.91
14 Weighted average fair value of Options granted during the year whose	
(a) Exercise price equals market price	80.57
(b) Exercise price is greater than market price	NIL
(c) Exercise price is less than market price	88.33
15 Description of method and significant assumptions used to estimate the fair value of options	The fair value of the options granted has been estimated using the Black-Scholes option pricing Model. Each tranche of vesting has been considered as a separate grant for the purpose of valuation. The assumptions used in the estimation of the same has been detailed below:
VARIABLES	WEIGHTED AVERAGE VALUES FOR ALL GRANTS MADE DURING THE YEAR
Stock Price (₹)	154.55
Volatility	61.65%
Riskfree Rate	7.12%
Exercise Price (₹)	123.32
Time to Maturity (Yrs.)	4.12
Dividend yield	1.20%
Weighted Average Value (₹)	86.85

Stock Price: Closing price on NSE as on the date of grant has been considered for valuing the grants.

Volatility: The historical volatility from the date of listing till the date of grant has been considered to calculate the fair value.

Risk-free rate of return: The risk-free interest rate being considered for the calculation is the interest rate applicable for a maturity equal to the expected life of the options based on the zero-coupon yield curve for Government Securities.

Exercise Price: Price of each specific grant has been considered.

Time to Maturity: Time to Maturity/Expected Life of options is the period for which the Company expects the options to be live. The minimum life of a stock option is the minimum period before which the options cannot be exercised and the maximum life is the period after which the options cannot be exercised.

Expected dividend yield: Expected dividend yield has been calculated as an average of dividend yields for three financial years preceding the date of the grant.

IDFC awards & recognition

IDFC

- **IDFC RANKED 7TH GLOBALLY AND 5TH IN ASIA IN THE PROJECT FINANCE MANDATED ARRANGER** category in 2 separate polls conducted by Dealogic and Thomson Reuters for the full year 2010.
- **IDFC RANKED 4TH GLOBALLY IN THE PUBLIC PRIVATE PARTNERSHIP (PPP) MANDATED ARRANGER** category league table published by Dealogic.
- **IDFC ENTERS THE LIST OF TOP 50 INDIAN COMPANIES** in the S&P ESG India Index.
- **IDFC WAS RANKED 4TH AS GLOBAL MANDATED LEAD MANAGERS** for the period January to September 2010 in the Project Finance League Table published by Thomson Reuters.
- **"THE BEST DEBT FINANCIER OF THE YEAR 2010"** award at Infrastructure Excellence Awards 2010.
- **I-CAP RECOGNISED AS THE EXECUTING AGENCY FOR THE NPCBP** launched by Mr. Pranab Mukherjee, FM – India.
- **IDFC WAS NAMED ASSET MANAGER OF THE YEAR** by AsianInvestor magazine, for our work in private equity, mutual funds and sustainable investments in emerging markets.
- **IDFC FINANCIAL RESULTS DECLARATION FORMAT AND PRESENTATION ACHIEVED SILVER SHIELD – 2nd Best Entry Award** from ICAI Awards for Excellence in Financial Reporting.

IDFC Private Equity & IDFC Project Equity

- **IDFC PE AWARDED INDIAN PE FIRM OF THE YEAR** by Global M&A Network.
- Won awards by the Infrastructure Investor for the **ASIA INFRASTRUCTURE FUND MANAGER OF THE YEAR** and the **ASIAN INFRASTRUCTURE DEAL OF THE YEAR** and by **PRIVATE EQUITY INTERNATIONAL** for the Indian Private Equity Fund of the year.
- **Most Admired Equity Financier in Infrastructure Sector** awarded by KPMG and ASAPP Media.

IDFC Capital Limited

INVESTMENT BANKING

- Ranked 2nd Investment Bank in private sector as per Bloomberg League Table for 2010.
- IDFC Capital has been ranked 3rd in terms of number of deals as per Bloomberg League Table for 2010.
- In the Wall Street Journal Asia Best Analyst Survey 2011, Pathik Gandotra has been named Asia's Best Analyst for Financial Services.

IDFC Asset Management Company Limited

WEALTH FORUM AMC AWARDS 2010

- **BEST EQUITY FUND MANAGER: 2010 – 3rd position** Kenneth Andrade, IDFC
- **BEST EQUITY FUND: 2010 – 3rd position** IDFC Premier Equity Fund

BUSINESSWORLD AWARDS 2010

- **IDFC PREMIER EQUITY - PLAN A:** Mid cap and small equity category

ICRA MUTUAL FUND AWARDS 2010

- **IDFC PREMIER EQUITY FUND:** Ranked as a 7 Star Fund for its 3 year performance for the year ending December 31, 2010. The fund has been getting this award for 3 consecutive years now.

CNBC-TV18-CRISIL MUTUAL FUND AWARDS WINNERS 2011

- **IDFC SUPER SAVER INCOME FUND:** Medium Term under Income Funds - Short Term category

LIPPER FUND AWARDS 2010 INDIA

- **IDFC PREMIER EQUITY FUND - PLAN A, GROWTH:** Best Fund over 3 years Equity, India

NDTV PROFIT MUTUAL FUND AWARDS 2010

- **IDFC IMPERIAL EQUITY PLAN A:** Runner up under **EQUITY: LARGE-CAP CATEGORY**
- **IDFC SUPER SAVER INCOME FUND:** Medium Term Plan A: Runner up under **DEBT: INCOME CATEGORY**



management discussion & analysis

Infrastructure Development Finance Company Limited ('IDFC' or 'the Company') has been at the forefront of supporting private sector infrastructure development in India, which is critical to the country's long-term sustainable economic growth.

OVERVIEW

There are two facets to this criticality. First, the quantum of investments into infrastructure development required to support the sustained high growth of the Indian economy is increasing rapidly. The Planning Commission's XIth Five-Year Plan (2007-2012) estimates a steady rise in infrastructure investments as a ratio to GDP from 5.71% in FY 07 to 8.37% in FY 12. Second, within the infrastructure space, the private sector has an increasingly larger role. The share of the private sector investments has increased rapidly and is estimated to go up even more. While in the Xth Plan, the private sector accounted for 24.9% of investments, during the XIth Plan, it is expected to contribute 36.2% of the proposed investments. Already, between FY 08 and FY 10, the private sector has contributed to 34.3% of the investments. Clearly, the private sector infrastructure finance space in India is on track for compounded growth.

Such rapid growth is naturally accompanied by greater market complexities. So, while the market provides much greater opportunities, it brings with it greater exposure to more varied types of risks. A proper understanding and planning for risk-return profiles of different

projects become even more important for the success of financial intermediaries like IDFC that operate in this domain. As a group, IDFC has always focused on this aspect of its business. The Company continuously invests in developing its intellectual capital and promotes a business model that leverages the competitive strength of its internal domain knowledge. The emphasis is on growing the business by providing appropriate financing solutions to its diverse customer base.

This guiding strategic intent has translated into different operational prerogatives in line with the needs of a changing business environment. The challenge has been to lead the evolving infrastructure finance landscape in India and position the Company to best utilise the opportunities. Pursuing this endeavour, IDFC has evolved in a calibrated manner through certain distinct phases of development since its inception in 1997. This development path can be broadly divided into three phases.

IDFC: THE EVOLUTION PATH

During the initial days, IDFC focused on the core business of project finance and

government advisory. The focus was on enhancing its existing highly proficient internal knowledge base and fine tuning it to the needs of infrastructure development in India. Essentially, this was a phase when the Company developed deep understanding of risks and opportunities associated with different infrastructure projects across the various stages of their project life-cycles. IDFC created a distinct market position for itself by devising innovative products and financing structures for successful infrastructure financing. This resulted in the delivery of good value propositions to its customer base, and established IDFC as a credible and leading player in infrastructure finance in India.

In the second phase, IDFC diversified into several businesses through organic and inorganic routes. As a result, businesses like asset management (both private and public), loan syndication, corporate advisory, investment banking and institutional brokerage were added to its portfolio. This diversification helped strengthen non interest income for the Company. More importantly, the wider presence across different products and services contributed significantly in positioning IDFC as a 'complete solutions provider' in the infrastructure finance space in India. This widened the scope of engagements with customers and enhanced the Company's competitive strength in the market.

Having created a diversified conglomerate, IDFC, in its third phase of growth, was focused on consolidating its different businesses. In the backdrop of a tough domestic and global business environment, the Company focused on further improving its execution skills and stressed on cost management. In addition, it focused on creating a common organisation that leveraged the synergies between different businesses to generate a series of revenue streams by catering to the entire infrastructure financing value chain. In this pursuit, the Company initiated a major internal programme to integrate various different businesses within the IDFC group to create a 'One Firm' culture across all its entities. Although this initiative continues to be 'work-in-progress', the Company witnessed considerable success across various aspects surrounding the 'One Firm'.



➤ **MUNDRA PORT** IDFC ASSISTED TO BUILD STATE OF THE ART FACILITIES FOR HANDLING AND WAREHOUSING OF DRY CARGO

/// EMBARKING ON THE NEXT GROWTH PHASE

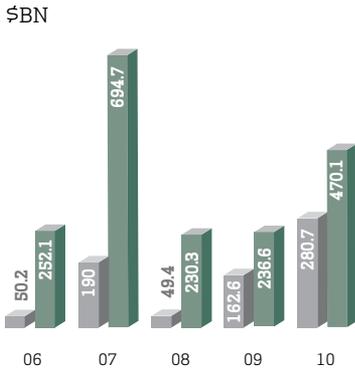
Having evolved as a Company through these different phases, by the beginning of FY 11, IDFC was well positioned in terms of internal capabilities as well as armed with the confidence of over a decade of successful delivery, to push for a new round of accelerated growth. And, FY 11 signalled the beginning of this phase. With a significant growth in infrastructure development projects in India, IDFC is now focused on aggressively leveraging opportunities and rapidly increasing its business size. This translates into acceleration in project finance activities and a significant growth in the loan book. At the beginning of FY 11, the Company stated its goal of tripling its balance sheet over the next 3-4 years to reach a size of ₹ 100,000 crore by March 31, 2013/2014.

There have been certain specific developments in FY 11 that highlight the beginning of this new phase of growth for IDFC. Some of the major developments during FY 11 include:

■ **INCREASING THE COMPANY'S EQUITY BASE:** IDFC augmented its Tier-1 capital by ₹ 3,494 crore through a Qualified Institutional Placement (QIP) and a preferential issue during the second quarter. Through the QIP, it raised

A Net Private Financial Inflow

EMERGING ECONOMIES
DEVELOPING ASIA



SOURCE International Monetary Fund

₹ 2,654 crore at a share price of ₹ 168.25 per share. The remaining ₹ 840 crore was raised through Compulsorily Convertible Cumulative Preference Shares (CCCPS), which were preferentially issued to two investors – Khazanah (₹ 380 crore), an existing shareholder and Actis (₹ 460 crore), a founder investor who after exiting IDFC was reinvesting. The CCCPS involves a cash dividend of 6% per annum and can be converted to equity shares any time during the next 18 months at a conversion price of ₹ 176 per share. This increased equity base will help further leverage the Company to support its balance sheet growth in the future.

■ **RAISING DIRECT RETAIL BONDS FROM THE PUBLIC:** For the first time in its history, IDFC raised bonds directly from the Indian public by floating long-term IDFC Infrastructure bonds in three tranches. This bond was positioned to leverage market opportunities arising out of the ₹ 20,000 income tax exemption under Section 80CCF of the Income Tax Act, 1961 provided to individuals by the Government of India (GoI) for investments in long-term infrastructure debt issued by Infrastructure Finance Companies (IFCs). The total money raised from the three tranches was over ₹ 1,400 crore from over 7.3 lakh investors. This not only facilitated diversification of the Company's sources for mobilising long-term funds but also provided retail investors an opportunity to connect with India's infrastructure development and progress. The various communication efforts of the Company surrounding the bonds played a meaningful role in creating brand IDFC amongst relevant constituencies.

■ **FINANCIAL DEVELOPMENTS:** Driven by a 106% growth in gross disbursements to ₹ 26,702 crore in FY 11, the net loans increased by 50% to ₹ 37,652 crore. Consequently, the balance sheet has grown by 42% from ₹ 33,562 crore to ₹ 47,554 crore.

In addition, as was discussed in the Annual Report for FY 10, the Company was notified as an infrastructure finance company by the Reserve Bank of India. IDFC became the first Company to get this status. Amongst other things, this means that since April 2010, the Company could now avail of the automatic route for External Commercial Borrowing (ECBs) for up to 50% of its net worth and also, very significantly, issue infrastructure bonds to retail investors.

THE EXTERNAL ENVIRONMENT AND IDFC

Essentially, as a financial intermediary, IDFC's role is to mobilise global capital – debt and equity – for investments in infrastructure related projects in India. It also provides certain other financial services, which are all related to infrastructure financing. Therefore, on the supply side, the Company is affected by global developments that affect international capital flows and the signalling effect that they have on India's domestic financial markets. On the demand side, it caters to the financing needs of private sector infrastructure developers in India, which is directly related to the pace of new project development in the economy. In addition, IDFC also caters to the refinancing requirements of long-term project investments.

The global recovery is gaining strength with world output recovering from 0.6% contraction in 2009 to 5% growth in 2010. However, the growth is two-paced. The developing and emerging economies witnessed 7.1% growth in 2010 compared to 2.6% in 2009, while the advanced economies recovered from a 3.6% contraction in output during 2009 to a growth of 3% in 2010. Consequently, unemployment remains high in advanced economies, and new macroeconomic risks are building in emerging market economies. In advanced economies, the handoff from public to private demand is advancing, reducing concerns that diminishing fiscal policy support might cause a "double-dip" recession. Financial conditions continue to improve, although they remain fragile. In many emerging market economies, demand is robust and overheating is a growing policy concern. Rising food and commodity prices pose a threat to inflationary pressures on economies across the world. In addition, oil prices have increased significantly since January 2011 and the Middle East and North Africa are going through widespread social unrest since the beginning of 2011.

During 2010, global financial conditions broadly improved, amid lingering vulnerabilities. Equity markets rose, risk spreads continued to tighten and bank lending conditions in major advanced economies eased, even for small and medium-sized firms. Nonetheless, pockets of vulnerability persisted; real estate markets and household income were still weak in some major advanced

The global recovery is gaining strength with world output recovering from 0.6% contraction in 2009 to 5% growth in 2010.

economies like the United States, and securitisation remained subdued. Financial turbulence re-emerged in the periphery of the Euro area in the last quarter of 2010. Concerns about banking sector losses and fiscal sustainability – triggered this time by the situation in Ireland – led to widening spreads in these countries, in some cases reaching highs not seen since the launch of the European Economic and Monetary Union. During this bout of turbulence, markets have been more discriminating. Measures of risk aversion have not risen, equity markets in most regions have posted significant gains, and financial stresses have been limited.

Credit growth remains very subdued in the advanced economies. Bank lending conditions in the major advanced economies, including those of the Euro area, are slowly easing after a prolonged period of incremental tightening. In the meantime, credit growth has again reached high levels in many emerging market economies, particularly in Asia and Latin America. Global capital flows rebounded sharply, following the collapse during the crisis, especially into emerging markets. Chart A tracks the growth of net private capital inflow into emerging economies and especially into developing Asia, including India. There has been steady growth in 2010 over 2009 and for developing Asia, it has surpassed pre-crisis levels.

Accordingly, stock markets and credit in emerging market economies have rebounded unusually fast from deep falls during the crisis of 2008. Strong growth prospects and relatively high yields are attracting flows into emerging markets. Sluggish activity and damaged financial systems continue to depress flows between advanced economies.

The recovery has been led so far by portfolio and bank flows, with a falling share of foreign direct investment inflows. These developments mark a departure from earlier experience and may raise the risk of future instability, including capital outflows in an environment where advanced economies tighten their monetary policy and raise interest rates. However, during fall 2010, the capital flow-

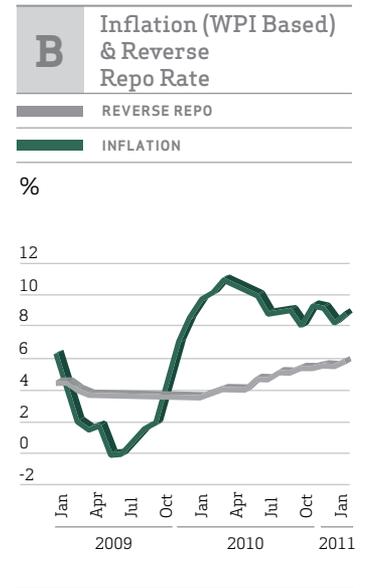
driven rally in emerging market assets slowed again. While long-term signs are positive, there is still much uncertainty in the global financial system including widespread sovereign risk issues, particularly in Europe. So, given the global cues, while signs were positive for the Indian financial system, it remained exposed to significant volatility.

India, too, is facing the pressure of food and commodity price-based inflation. Given the continuously high levels of inflation through FY 11, the Reserve Bank of India (RBI) has had no option but to tighten monetary policies. This has resulted in an increase in domestic interest rates. Chart B shows the gradual increase in benchmark interest rates in line with the high levels of inflation. One can see that inflation continues to be over 8% for most of FY 11, while the repo rate (benchmark interest rate) has increased from 4.75% in January 2010 to 6.5% in January 2011.

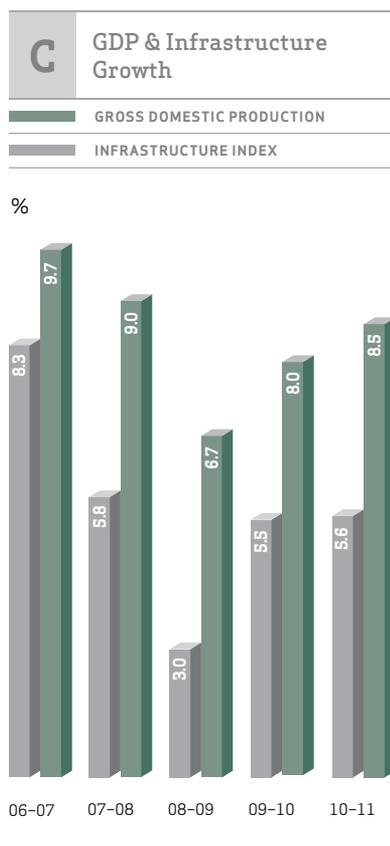
The environment of high interest rates has a negative impact on sentiments of developers who are investing long-term in infrastructure projects. Such an interest rate scenario also affects the profitability of long-term infrastructure projects and if this continues for a while, there could be an adverse impact on investments.

On a positive note, India continued to maintain its high growth trajectory – advanced GDP estimates suggest a growth of 8.5% in FY 11 compared to 8.0% in FY 10. The growth in the core infrastructure sectors in FY 11 continued to be in line with the over 5.5% growth in FY 10 (Chart C).

The sustained economic growth has led to positive sentiments amongst infrastructure developers in India and there is a strong propensity to invest. The fact that the core infrastructure sectors have grown by over 5.5% shows that there has been implementation of past projects. However, given the needs of an economy growing by over 8% on a sustained basis, there is much greater scope of growth in infrastructure development. The impetus in new project development seen in the last quarter of FY 10 and in the first half of FY 11 started slowing down as the year progressed.



SOURCE Reserve Bank of India



April to January for Infrastructure Growth
SOURCE CSO, Finance Ministry
(Government of India)

In a political environment where several past irregularities related to private-public dealings came to light in the infrastructure sector, there was very little progress in infrastructure development in India during the second half of FY 11. Importantly, there was a dampener in the two large sectors – roads and power. The roads sector witnessed some administrative problems with the nodal agency – National Highways Authority of India (NHA), and the pace at which it planned and developed projects was not in sync with the proposed targets announced at the beginning of 2010. The new power projects are also facing certain developmental issues, especially to do with coal linkages. Also, there has been an increase in risk perception of these power projects, given the continuous deterioration in the financial health of their principal clients – the State Electricity Boards. Having said so, given the needs of a growing economy, there continue to be large market opportunities in these businesses.

Given the prevailing business environment and the positioning of the Company, IDFC accelerated the growth of its loan book. Some of this growth had already started in the second half of FY 10, when approvals increased significantly. Much of these also translated into disbursements during the first half of FY 11. While emphasising balance sheet growth, IDFC took care to maintain its standards of credit selection. Its portfolio of assets are reviewed periodically during the year at the Board level and reviews are also carried out to stress test the health of the portfolio for current issues. Impact of fuel linkages and offtaker risk on the health of the power portfolio were assessed when these issues began to threaten the power growth story. This business growth thrust was supported by an aggressive, multi-pronged fund raising programme, which also tapped the retail market for the first time. As discussed before, the Company has enhanced its equity base, which can be further leveraged in the future. Across the entire group, there was strong focus on controlling costs and reducing operating expenses to enhance profitability. These developments are reflected in the financial performance of the Company during FY 11.

FY 11: IDFC'S PERFORMANCE HIGHLIGHTS

The Company's business performance is given in Highlights of Consolidated Performances given on next page.

2011 was the year of the balance sheet. The balance sheet size increased by 42% to ₹ 47,554 crore and net loans increased by 50% to ₹ 37,652 crore.

Operating income increased by 21% to ₹ 2,547 crore in FY 11. This growth has been the result of a significant increase in lending activities – net interest income increased by 47% to ₹ 1,645 crore in FY 11. On the other hand, due to headwinds in the public markets, asset management business and lower principal gains in FY 11, non-interest fee based businesses witnessed some slowdown – non interest income decreased by 8% to ₹ 875 crore in FY 11. Although loan related and other fees increased by 35% to ₹ 194 crore, income from the Company's subsidiaries which have been transferred to IDFC Foundation (a Section 25 Company) is no longer included under this revenue line. Normalised for this structural change, the increase in loan related and other fees would have been 81%.

Alongwith the growth, IDFC maintained its focus on the quality of its assets. As of March 31, 2011, IDFC had only 0.2% gross Non-Performing Assets (NPA) and 0.1% net Non-Performing Assets (NPA).

The balance sheet continues to be strong and well positioned to support the growth trajectory ahead. IDFC has guided the market towards tripling its balance sheet over the next 3-4 years (₹ 100,000 crore balance sheet by March 31, 2014). With the infusion of equity, the Company's capital adequacy ratio increased from 20% as of March 31, 2010 to 24% as of March 31, 2011, out of which Tier I capital increased from 17% to 22%. As of March 31, 2011, leverage was at 4.2x, which is reflective of the fact that IDFC can grow the balance sheet to its guided path of ₹ 100,000 crore.

Operating expenses declined by 3% to ₹ 533 crore. The creation of a Section 25 Company, i.e. IDFC Foundation, resulted in expenses of subsidiaries transferred to the Foundation not being included. On a normalised basis, operating expenses increased by 3%. The focus on streamlining costs and optimisation of its operating leverage translated to cost/

income ratio declining to 20.9% in FY 11 from 24.5% (normalised) in FY 10. These efforts also contributed to improved margins at the pre-provisioning PBT (Profit before Tax) level – PBT/Operating income increased from 74% in FY 10 to 79% in FY 11. And, PBT has grown by 25%, while PAT (Profit after Tax) increased by 21%.

STRATEGIC BUSINESS UNITS (SBUs)

Today, IDFC is essentially a multiple portfolio of businesses, which together serve the needs of infrastructure development in India. It is a conglomeration of 11 direct subsidiaries, 12 indirect subsidiaries and IDFC Foundation which encapsulates 3 Joint Ventures (JVs) and 2 Trusts. While the individual businesses have their own operational models and financial deliverables, they provide specific focused services, often working in conjunction to support IDFC's overall 'complete solutions provider' offering.

The different SBUs are structured into 4 broad platforms – **Corporate and Investment Bank (CIB), Alternative Asset Management (AAM), Public Market Asset Management (PAM) and Other Businesses**. In addition, the Company also does policy advisory, Corporate Social Responsibility (CSR) and Private Public Partnership (PPP) advisory through the IDFC Foundation, which was incorporated in FY 11, as a Section 25 Company. The activities of this Foundation are detailed out in a separate chapter in this Annual Report.

CORPORATE AND INVESTMENT BANK

This platform comprises the following SBUs – project finance, fixed income and treasury and investment banking and institutional brokerage.

The first two SBUs – project finance and fixed income and treasury – have strong direct inter-linkages. They are capital intensive businesses whose activities have a direct bearing on the Company's own balance sheet. These SBUs are the primary source of interest income for the Company. The other businesses mainly generate fee based income and are much less capital intensive. These businesses have very strong correlation with developments in the Indian financial markets.

A more detailed description of the different SBUs are given below:

1. PROJECT FINANCE: Project Finance is the core of the Company's business model, meeting the debt requirements of projects and companies dominant focus. At times, the SBU opportunistically invests in equity of projects/ Companies. The increased capital base of the Company has facilitated the SBU's engagement with the larger infrastructure groups in a more meaningful manner. The SBU also provides opportunities to other SBUs to better leverage the Company's equation with various groups focused on infrastructure. Going forward, the thrust will be on symbiotic harvesting of strong client relationships across the platform. The 'One Firm' initiative should manifest itself both internally and externally.

2. FIXED INCOME AND TREASURY: This SBU focuses on the fixed income market. It comprises treasury business which relates to active management of liquidity and investment in debt instruments and debt capital markets business (was earlier a part of investment banking) which focuses on advising clients on their debt fund raising and helps them mobilise debt capital from the market. This SBU also manages a small proprietary equity trading book focused on harvesting equity trading opportunities that the listed market could offer.

3. INVESTMENT BANKING AND INSTITUTIONAL BROKERAGE: These businesses were earlier under the IDFC-SSKI platform. Today, the investment banking is carried out by IDFC Capital Limited, while IDFC Securities undertakes the institutional brokerage business. Both these businesses are impacted by capital market volatility as the investment bank focuses on advisory fees primarily for raising equity and the institutional brokerage business generates transaction based brokerage fees.

ALTERNATIVE ASSET MANAGEMENT

This includes alternative asset management businesses including project equity and private equity. Returns are typically in the form of fund management fees – which have a fixed element and may be supplemented by a 'carry'. IDFC typically invests 5-10% in the funds it manages in the alternative space. Going forward, IDFC's participation in the equity space would dominantly be through its various alternative funds and/or through co-investments.

Highlights of Consolidated Performances

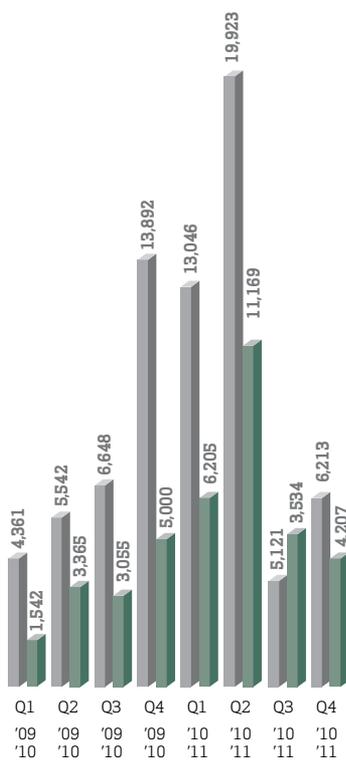
₹ in Crore)	
NET LOANS	FY 10 25,031
 50%	FY 11 37,652
OPERATING INCOME	FY 10 2,107
 21%	FY 11 2,547
NET INTEREST INCOME	FY 10 1,117
 47%	FY 11 1,645
NON INTEREST INCOME	FY 10 950
 8%	FY 11 875
PROFIT BEFORE TAX	FY 10 1,429
 24%	FY 11 1,779
PROFIT AFTER TAX	FY 10 1,062
 21%	FY 11 1,282
DILUTED EARNING PER SHARE	FY 10 8.12
 7%	FY 11 8.71

Diluted Earning Per Share is in ₹

D Gross approvals & Gross disbursements (09-10 & 10-11)

— GROSS APPROVALS
— GROSS DISBURSEMENTS

(₹ in Crore)



PUBLIC MARKETS ASSET MANAGEMENT

This primarily comprises IDFC's mutual funds business, which is operated through the IDFC Asset Management Company – IDFC (AMC). This business was acquired from Standard Chartered Bank. Here, the Company manages different mutual fund products for institutional and retail investors. Income is generated through asset management fees and the focus is on growing the assets under management by offering suitable products and channelling private and corporate savings into the debt and equity markets. IDFC is in the process of doing a strategic alliance by divesting 25% of its stake in the AMC to Natixis Global Asset Management, a French company, which is a large asset manager in Europe. The divestment is awaiting regulatory approvals.

These business platforms are well supported by a shared services platform that includes Information Technology (IT), Human

Resource (HR), Compliance, Secretarial, Risk Management, Corporate Communication and Accounts.

RETURN ON ASSETS (RoAs)

IDFC has consistently delivered the best-in-class RoAs. The RoA analysis tracks the profitability of the consolidated IDFC platform and the revenue contribution of various businesses.

The Net Interest Income (NII) increased from 3.6% in FY 10 to 3.8% in FY 11. NII infrastructure increased from 3.3% to 3.5% whereas NII treasury was stable at 0.3% over the two years.

Contribution from Non Interest Income declined from 3.0% to 2.0%. Contributions to RoA from Principal Investment, Asset Management and Investment Banking & Broking were at 0.8%, 1.2% and 0.6% respectively in FY 10 and they declined to

1 Return on Average Total Assets (RoA) tree

PARTICULARS	2010-2011	2009-2010
	% OF DAILY AVERAGE TOTAL ASSETS	
Net Interest Income	3.7	3.5
Infrastructure	3.4	3.2
Treasury	0.3	0.3
Non Interest Income	2.1	3.1
Principal Investment	0.4	0.8
Asset Management	0.7	1.2
Management Fees	0.6	0.9
Mutual Funds	0.3	0.4
Alternatives	0.3	0.5
Capital Gains & Carry	0.1	0.3
Investment Banking & Broking	0.5	0.6
Investment Banking	0.3	0.4
Institutional Broking	0.2	0.2
Loan Related & Other Fees	0.5	0.5
Other Income	0.1	0.1
Operating Income	5.9	6.7
Operating expenses	1.2	1.7
Pre Provision Profits	4.7	5.0
Provisions	0.5	0.4
Profit Before Tax	4.2	4.6
Less: Provision for Tax, Profit in Associate Co, Minority Interest	1.2	1.2
Profit After Tax (RoA)	3.0	3.4

While there has been significant focus on growth, IDFC has continued to maintain its prudent measures on risk exposure.

0.4%, 0.7% and 0.5% respectively in FY 11. Contribution to RoA from loan related and other fees was stable at 0.5% across the two years. Operating expenses and provisions in FY 10 were at 1.7% and 0.4% respectively versus 1.2% and 0.5% respectively in FY 11. Impact of tax across the two years was stable at 1.2%. Return on Assets declined from 3.4% in FY 10 to 3.0% in FY 11.

The cost to income ratio decreased from 26.0% in FY 10 to 20.9% in FY 11 reflecting the operating leverage in the Company and the focus on streamlining expenses. Effective tax rate increased from 25.6% in FY 10 to 28.0% in FY 11. Leverage as on March 31, 2011 was 4.2 times and RoE decreased from 15.8% in FY 10 to 12.9% in FY 11.

In the next section, we will do a more detailed evaluation of performance and developments of the different business platforms in FY 11.

CORPORATE AND INVESTMENT BANK

PROJECT FINANCE

The project finance SBU undertakes the fundamental role of evaluating projects and financing customers by developing different financing structures through using various financial instruments.

FY 11 saw a significant growth in the project funding business, both in terms of disbursements and approvals. Chart D tracks the gross approvals and disbursements on a quarterly basis over FY 10 and FY 11. As discussed in last year's Annual Report, IDFC had witnessed a quantum increase in approvals in Q4, FY 10. Many of these actually translated into disbursements in the first half of FY 11. In addition, gross approvals continued to maintain its high levels in Q1 and Q2 of FY 11. Consequently, the first half witnessed a massive 116% increase in disbursements compared to the second half of FY 10. Clearly, the secular growth trend witnessed in Q4, FY 10 continued through the first half of FY 11. Subsequently, in the second half, there has been a slight slowdown in both approvals

and disbursements. There has been a slight tempering to the flurry of activities seen at the beginning of the year. Essentially, FY 11 has been a year when there has been a good flow of approvals and past approvals have been converted to disbursements. Consequently, the underlying project finance asset base has reached a different level in terms of size.

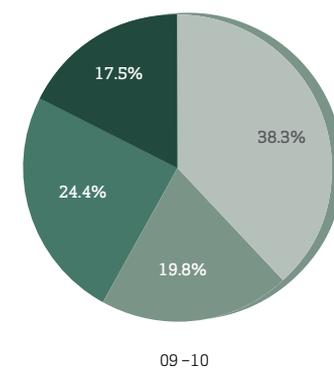
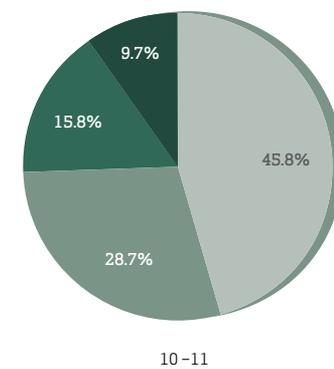
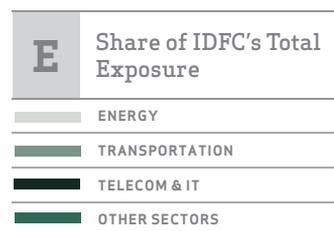
■ Annual gross approvals, including equity and non-funded assistance, increased by 40% to ₹ 42,716 crore (₹ 427.1 billion) in FY 11, while net approvals grew by 29% to ₹ 27,424 crore (₹ 274.2 billion).

■ Annual gross disbursements, including equity, rose by 106% to ₹ 26,702 crore (₹ 267.0 billion) in FY 11, while net disbursements grew by 184% to ₹ 14,009 crore (₹ 140.0 billion).

■ Net interest income from infrastructure lending activities increased by 47% from ₹ 1,021 crore (₹ 10.2 billion) in FY 10 to ₹ 1,501 crore (₹ 15.0 billion) in FY 11.

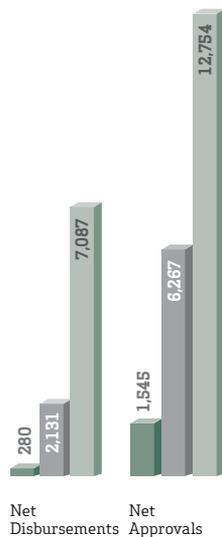
While there has been significant focus on growth, IDFC has continued to maintain its prudent measures on risk exposure. The financial instruments used to structure project finance include corporate loans, project loans, subordinated debt, and loans against shares, mezzanine finance, and equity. Each of these instruments has a different risk profile. While loans and quasi-debt have lower risk exposure, equity and quasi-equity have higher risk exposure. Having said so, the higher risk instruments naturally have higher potential returns on an upside.

IDFC has stated that going forward, its participation in the equities space would essentially be through its various alternative funds or through co-investments. Consequently, proportion of loans and sub-debt in IDFC's total exposure continues to grow at the expense of equity and equity related instruments. Share of loans and sub-debt increased from 91.2% as on March 31, 2010 to 91.7% as on March 31, 2011, while that of equity and preference shares have reduced from 6.6% as on March 31, 2010 to 4.7% as on March 31, 2011. Within loans, too, the relatively riskier loans against shares reduced



F	Net approvals & Net disbursements - Energy (08-09, 09-10 & 10-11)	
	2008-09	2009-10
	2008-09	2009-10
	2009-10	2010-11

(₹ in Crore)



from 3.3% as on March 31, 2010 to 1.1% as on March 31, 2011.

These activities led to a 50% increase in the net loan book from ₹ 25,031 crore (₹ 250.3 billion) in FY 10 to ₹ 37,652 crore (₹ 376.5 billion) in FY 11.

IDFC's project finance business concentrates on four infrastructure sectors – Energy, Transportation, Telecom and IT and Others.

Total exposure increased by 32.9% to ₹ 58,273 crore. It is evident from Chart E that the two traditionally dominant sectors – Energy and Transportation – continued to increase its share in IDFC's total exposure during FY 11. The Energy sector share increased significantly from 38.3% in FY 10 to 45.8% in FY 11, while that of Transportation also increased from 19.8% in FY 10 to 28.7% in FY 11. In contrast, the share of Telecom and IT decreased significantly from 24.4% in FY 10 to 15.8% in FY 11, while that of Others reduced from 17.5% in FY 10 to 9.7% in FY 11. Others include industrial, commercial and tourism, new players in steel and cement and some equity investments. These trends are in line with IDFC's risk return based investment philosophy and the business environment.

Essentially, the Energy and Transportation sectors are witnessing large new investments, while Telecom and IT has large players who are well entrenched in their business. The risk profiles of the other sectors, on average, are higher.

ENERGY

There is a vast opportunity for growth in the field of power generation, transmission, and distribution in India, as there remains a large supply-demand gap.

Within this sector, IDFC focuses on financing electricity generation. By the end of 2012, estimates suggest that the country needs an additional 100000 MW of generation capacity. Meeting such demand requires huge capital investments, and numerous power generation companies both domestic and from across the globe, have been establishing their operations in the country. Most of these have adopted Private Public Partnership (PPP) models. Thus, it is a market with major opportunities. However, two factors have slowed down the sector to some extent. First, new power generation projects are finding road



JAS TOLL ROAD ONE OF THE EARLIEST BOT ROAD PROJECTS IN INDIA FINANCED BY IDFC

blocks in getting adequate coal linkages. Often, this is also hampered due to environmental reasons. Second, most of the PPP models are based on purchase guarantees from State Electricity Boards (SEBs). The SEBs are witnessing financial problems and this in turn is increasing the risk of the power generation projects that rely on SEB off-takes. The hydro-electric sector is also witnessing several issues related to environment degradation and the pace of development has been thwarted.

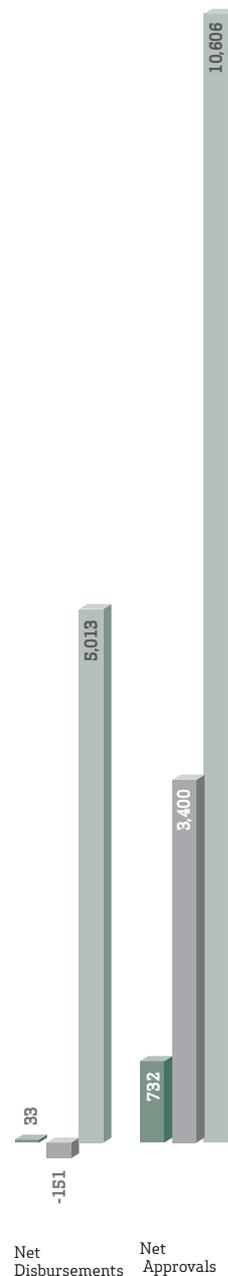
IDFC has mainly catered to the thermal power generation projects. It has made an entry into the hydro-electric sector. However, as stated above, these projects have slowed down significantly. Renewable energy generation is another area where the Company has been actively partnering players, especially in the wind energy space. Riding on market growth, IDFC has significantly increased its play in financing energy projects.



G Net approvals & Net disbursements - Transportation (08-09, 09-10 & 10-11)

Year	Net Disbursements (₹ in Crore)	Net Approvals (₹ in Crore)
2008-09	83	5,013
2009-10	-151	732
2010-11	3,400	10,606

(₹ in Crore)



- As on March 31, 2011, IDFC's total exposure in the Energy sector was ₹ 26,707 crore (₹ 267.0 billion).
- Gross approvals increased by 98% from ₹ 9,131 crore (₹ 91.3 billion) in FY 10 to ₹ 18,081 crore (₹ 180.8 billion) in FY 11.
- Gross disbursements rose by 137% from ₹ 4,113 crore (₹ 41.1 billion) in FY 10 to ₹ 9,750 crore (₹ 97.5 billion) in FY 11.

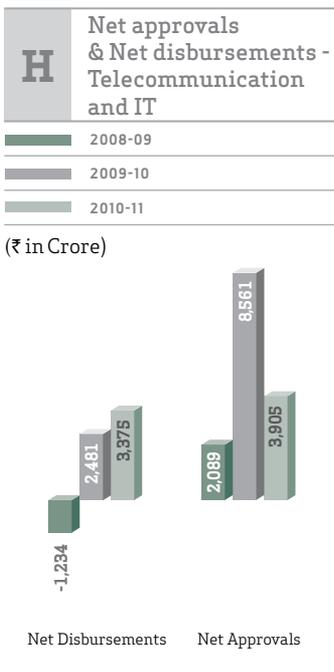
Chart F plots the secular trend in growth in net approvals and net disbursements in the Energy sector in the last 3 years.

TRANSPORTATION

In Transportation, IDFC works on the financing of roads, airports, ports, container terminals, and gas and oil pipelines. While the roads development programme gained momentum at the beginning of the year with several large projects being developed, as the year progressed, there was virtual stagnation. There

has again been some pick-up in the last quarter of FY 11. IDFC made most of the opportunities in the last quarter of FY 10 and Q1, FY 11 and evaluated and approved several projects. Consequently, there has been a significant increase, both in terms of approvals and disbursements in this sector. Chart G plots the growth in net approvals and net disbursements in Transportation sector in the last 3 years.

- As on March 31, 2011, IDFC's total exposure in the Transportation sector was ₹ 16,717 crore (₹ 167.1 billion).
- Gross approvals increased by 188% from ₹ 4,912 crore (₹ 49.1 billion) in FY 10 to ₹ 14,154 crore (₹ 141.5 billion) in FY 11.
- Gross disbursements grew by 317% from ₹ 1,793 crore (₹ 17.9 billion) in FY 10 to ₹ 7,475 crore (₹ 74.7 billion) in FY 11.



TELECOMMUNICATION AND IT

The Telecommunication (telecom) industry in India has witnessed one of the most successful growth stories in infrastructure development in modern India. Today, the industry is dominated by some very large players who have very strong balance sheets and own investing capacities. There is, however, scope of financing projects that deal with technology upgradation in this space like the advent of 3G and mobile applications. The industry has witnessed some turmoil given the allegations on discrepancies arising out of the process used in allocating 2G spectrum licenses to certain new players in FY 08. However, IDFC's telecom portfolio is comfortably positioned and is not affected by the new 2G licenses issue.

Naturally, given the market, IDFC's exposure to this sector reduced in FY 11. However, many of the large approvals in the last quarter of FY 10 were disbursed in the first half of FY 11 contributing to a large growth in disbursements. IDFC also continued to focus on other opportunities in the telecom infrastructure space, especially telecom towers and those dealing with technology advancements.

■ As on March 31, 2011, IDFC's total exposure in the telecommunication sector was ₹ 9,222 crore (₹ 92.2 billion).

■ Gross approvals reduced by 23% from ₹ 12,401 crore (₹ 124.0 billion) in FY 10 to ₹ 9,510 crore (₹ 95.1 billion) in FY 11.

■ Gross disbursements increased by 139% from ₹ 3,670 crore (₹ 36.7 billion) in FY 10 to ₹ 8,761 crore (₹ 87.6 billion) in FY 11.

Chart H plots net approvals and net disbursements in the telecommunication and IT sector in the last 3 years.

OTHER SECTORS

This segment used to rely a lot on real estate. However, given the fact that real estate does not qualify as infrastructure and hence, as an IFC IDFC can only have a very limited exposure to this space and given the uncertainties in the real estate sector – primarily commercial real estate – IDFC is cautious in this segment. However, in a calibrated manner, and based on the past record of various promoters, the Company does make some investments.

■ As on March 31, 2011, IDFC's total exposure to Other Sectors was ₹ 5,626 crore (₹ 56.2 billion).

■ Gross approvals decreased by 76% from ₹ 3,998 crore (₹ 39.9 billion) in FY 10 to ₹ 971 crore (₹ 9.7 billion) in FY 11.

■ Gross disbursements decreased by 79% from ₹ 3,385 crore (₹ 33.8 billion) in FY 10 to ₹ 717 crore (₹ 7.1 billion) in FY 11.

Chart I plots the net approvals and net disbursements in Commercial and Industrial Infrastructure sectors, forming part of Other Sectors, in the last 3 years.

INVESTMENT BANKING AND INSTITUTIONAL BROKERAGE

This SBU is the erstwhile IDFC-SSKI platform that focuses on investment banking and institutional brokerage. In this business, positioning and quality delivery is critical. The SBU utilises the in-house expertise and brand positioning of IDFC to create a niche for itself in the market place. Total income from this SBU increased by 9% from ₹ 183 crore (₹ 1.8 billion) in FY 10 to ₹ 199 crore (₹ 1.9 billion) in FY 11.

In the investment banking part of the operations, it provided a gamut of advisory services across different areas like syndication, structured finance, corporate debt and equity market advisory. As discussed before, at the end of the year there has been an internal restructuring to provide better focus and support to the SBU's, where the debt capital market business has been hived out of the investment banking business and positioned with the treasury function. Consequently, the investment bank will have concerted focus mainly on the equity markets. As a SEBI-registered Category-1 merchant banker, IDFC Investment Banking has already led initial public offerings (IPOs) of some of the most prominent Indian companies. It also undertakes activities like private equity syndication, QIPs, international offerings like GDRs, ADRs, FCCBs, and project advisory and merger and acquisition services.

Given the volatility in markets, there was a slowdown in primary market activities in the middle of the year. In this environment, income from investment banking activities increased

by 28% from ₹ 101 crore (₹ 1.0 billion) in FY 10 to ₹ 129 crore (₹ 1.3 billion) in FY 11.

IDFC Institutional Equities caters to most of the prominent financial institutions, foreign and domestic, investing in Indian equities. This institutional brokerage business is based on strong research-led investment ideas, superior client servicing track record and exceptional execution skills. It caters to a wide variety of investors including Pension Funds, Long-only Funds, Hedge Funds, Mutual Funds, Banks, Insurance companies and Portfolio Management companies and has a client base of over 100 large clients spread across India, Far East, UK and USA. Market volatilities during FY 11 resulted in higher risk perception and lower participation in the Indian equity market. Consequently, transactions were lower and the business, which is based on transaction fees, was affected. Income from the institutional brokerage business (net of statutory dues) decreased by 24% from ₹ 70 crore (₹ 0.7 billion) in FY 10 to ₹ 53 crore (₹ 0.5 billion) in FY 11.

Notwithstanding the volatility in the capital markets, FY 11 witnessed the SBU being ranked as the number 2 investment bank in the private sector as per Bloomberg League Table for 2010. Also, two of the research team analysts were ranked in the Top 10 by Asia Money for 2010.

FIXED INCOME AND TREASURY

After the recent restructuring, this SBU now includes treasury management, the proprietary equity trading book for equity trading. In addition, with the integration, it will also include the corporate bond underwriting book for active participation in the primary corporate bond market and the structured finance book to originate, structure and sell-down or distribute structured products.

TREASURY

As the focus of the Company shifted to high growth based on expanding the balance sheet, much of treasury function's challenge was to raise capital and maintain sufficient liquidity to support the project finance operations. In an environment of higher costs of finance, by developing effective duration relationships between its assets and liabilities, the treasury

function successfully supported the objective of balance sheet growth and maintained interest spread.

■ **As on March 31, 2011, the asset duration was 2.07 years while the liability duration was 2.74 years. This bears testimony to the business' ability to forecast and take appropriate calls in the fixed income markets without taking undue risks.**

■ **Treasury assets increased by 28% from 5,049 crore (₹ 50.4 billion) on March 31, 2010 to ₹ 6,464 crore (₹ 64.6 billion) on March 31, 2011.**

■ **Net interest income from treasury operations increased by 49% from ₹ 96 crore (₹ 0.96 billion) in FY 10 to ₹ 144 crore (₹ 1.4 billion) in FY 11.**

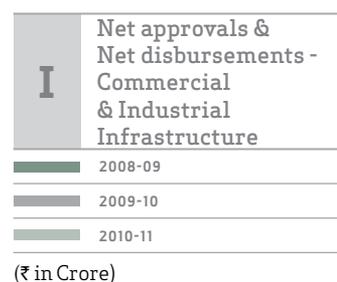
DEBT CAPITAL MARKETS

During FY 11, this business was carried out through the investment bank – IDFC Capital. Since bond underwriting and structured finance activities require active balance sheet support, at the end of the year, it has been integrated into the fixed income and treasury SBU. It generated an operating income of around ₹ 30 crore (₹ 0.3 billion) in FY 11.

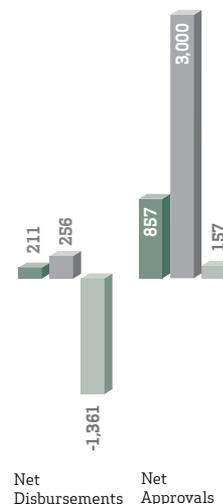
PRINCIPAL INVESTMENTS

Principal investments are directly made from the Company's own balance sheet, which form part of proprietary investments. There are different objectives with which principal investments are made. Most of these are to support the larger IDFC business platform. There are some investments that have long-term exit plans, which can be termed active and generate most of the returns, while others are more passive. The relatively more active parts of the proprietary equity book are the:

■ **INFRASTRUCTURE INVESTMENTS**, which are generally made to build longer term relationships with sponsors by supplementing project finance with some direct equity stake in projects and supporting them by sharing risks. This is essentially intrinsically linked to the project finance business. Even here given the Company's focus on creating more stable asset base, there is less emphasis on making equity investments while financing projects.



(₹ in Crore)





IIR 2010 RELEASE SHRI SURESH PRABHU, CHAIRMAN OF COUNCIL OF ENVIRONMENT, POWER & WATER, WITH DR. LALL MD & CEO, IDFC RELEASING THE IIR 2010 "INFRASTRUCTURE DEVELOPMENT IN A LOW CARBON ECONOMY"

The other 3 broad categories of investments are fairly passive. These include:

- **STRATEGIC INVESTMENTS**, where IDFC picks up stake in entities to further strengthen its business offering or for some strategic purpose that is central to the Company's long-term objectives. These investments total ₹ 1,365 crore (₹ 13.6 billion) as on March 31, 2011.
- **FINANCIAL INVESTMENTS**, includes investments in NSE, STCI and ARCIL. These investments total ₹ 373 crore (₹ 3.7 billion) as on March 31, 2011.
- **INVESTMENT IN VENTURE CAPITAL UNITS**, for funds which are sponsored and managed by IDFC. These investments total ₹ 454 crore (₹ 4.5 billion) as on March 31, 2011.

Given the volatility in equity markets, the returns in terms of capital gains and dividends decreased during FY 11.

- As on March 31, 2011, total exposure on IDFC's equity asset book, excluding strategic investments, was ₹ 2,936 crore (₹ 29.3 billion).
- Outstanding disbursements, or the equity book, decreased by 1% from ₹ 2,057 crore (₹ 20.5 billion) as on March 31, 2010 to ₹ 2,042 crore (₹ 20.4 billion) as on March 31, 2011.
- Income from the Company's principal investments, which includes dividends and capital gains, decreased by 27% from ₹ 261 crore (₹ 2.6 billion) in FY 10 to ₹ 191 crore (₹ 1.9 billion) in FY 11.

ALTERNATIVE ASSET MANAGEMENT

The SBU focuses on mobilising and managing third party equity based funds. There are two broad groups – private equity and project equity. As of March 31, 2011, the total Assets Under Management (AUM) across private equity and project equity business was ₹ 8,681 crore (US\$ 2 billion at exchange rate of US\$ 1 = ₹ 44.59).

PRIVATE EQUITY

The private equity business is carried out through the Company's wholly owned subsidiary – IDFC Private Equity Company Limited ('IDFC Private Equity'). Its activities are centred on mobilising private equity into infrastructure centric funds and providing equity-based risk capital to early stage as well as fast growing infrastructure companies. Returns are generated through asset management fees and a 'carry' on capital appreciation.

Given the volatile global financial market conditions, IDFC Private Equity continued to focus on maintaining the existing funds. The three funds under management are:

■ **INDIA DEVELOPMENT FUND:** This manages assets worth ₹ 265 crore (US\$ 0.1 billion). The original corpus of the fund has been already paid back to investors.

■ **IDFC PRIVATE EQUITY FUND II:** Assets Under Management (AUM) is ₹ 1,677 crore (US\$ 0.4 billion), which has been fully invested.

■ **IDFC PRIVATE EQUITY FUND III:** This has an AUM of ₹ 2,903 crore (US\$ 0.8 billion). With investment calls in FY 11, Fund III is now 51% committed.

Apart from pure fund management through the private equity platform, IDFC also supplements its project lending activities by providing critical equity capital to some of its clients.

■ As of March 31, 2011, total assets under IDFC Private Equity's management were US\$ 1.1 billion or ₹ 4,845 crore (₹ 48.4 billion at exchange rate of US\$1 = ₹ 44.59). Operating income from Private Equity reduced by 14% to ₹ 85 crore in FY 11.

PROJECT EQUITY

IDFC's project equity invests in operating assets of infrastructure projects. Much of these investments are in the post-construction and stabilisation stage. Being investments in the post-implementation phase, these have lower risk-return profiles compared to the pure private equity plays.

It manages ₹ 3,837 crore (US\$ 0.9 billion) India Infrastructure Fund, which had achieved final closure in June 2009. As of March 31,

2011, total assets under IDFC Project Equity's management were US\$ 0.4 billion or ₹ 1,628 crore. IDFC has made a US\$ 100 million investment into this fund. The investment objective of this fund is to:

- achieve attractive risk-adjusted returns over the long-term by investing in infrastructure in India
- seek investments in infrastructure that are expected to deliver strong, predictable and stable cash flows in the form of dividend distributions with low volatility of returns and potential for capital growth.

To achieve this goal, it has deployed a strategy of focusing on infrastructure equity, attractive risk return equation, diversified portfolio, long-term investment horizon and active management and governance through investment rights.

While the focus was on fund maintenance, the India Infrastructure fund has called 44% of its total capital commitments as of March 31, 2011. The fund has invested ₹ 1,423 crore across 13 portfolio companies. Operating income from Project Equity reduced marginally by 2% to ₹ 60 crore in FY 11.

PUBLIC MARKETS ASSET MANAGEMENT

This SBU is administered through the asset management company – IDFC AMC. Their primary business is the IDFC Mutual Fund, which was acquired from Standard Chartered Bank in 2008. The AMC offers a slew of funds that cater to the different investment needs of both institutions and individuals. These include equity schemes, income or liquid funds and hybrid products. It continues to focus on creating and nurturing wider and improved channels and offering a larger basket of products to target a wider customer base.

While the AMC continued with its aggressive growth efforts, market conditions were volatile in FY 11. Consequently, the assets under the Mutual Fund's management decreased from ₹ 25,775 crore (₹ 257.7 billion) as on March 31, 2010 to ₹ 23,702 crore (₹ 237.0 billion) as on March 31, 2011. IDFC Mutual Fund has the twelfth largest AUM amongst mutual funds in India.

IDFC AMC also manages a private wealth management company called IDFC Investment

Advisors (IDFC IA) that targets High Networth Individuals (HNIs) for personal wealth management. IDFC IA has an AUM of ₹ 690 crore as on March 31, 2011. Total operating income of IDFC AMC & IDFC IA decreased by 16% to ₹ 112 crore (₹ 1.1 billion) in FY 11.

In December 2010, IDFC and Natixis Global Asset Management (NGAM) entered into a strategic partnership for the public markets asset management business. This partnership will allow both players to mutually leverage their positioning. While IDFC AMC will get the opportunity to significantly enhance its international distribution and gain access to global investors who are keen to participate in India's growth and invest in Indian equity markets, NGAM will get to expand its global footprint. NGAM already has a significant presence in Asia, including Japan, Taiwan, Singapore and China. In addition, this partnership will give IDFC AMC the ability to offer domestic investors access to international investment opportunities through investment products managed by NGAM. As part of the deal, NGAM will acquire a 25% minority stake in IDFC AMC and the Trustee Company subject to regulatory approvals.

RISK MANAGEMENT

IDFC is into the second year of implementing a comprehensive Enterprise Risk Management (ERM) framework that adopts an integrated approach to manage all the three types of risks – market risk, credit risk and operational risk. The ERM has been adopted across all entities in the IDFC group.

Traditionally, IDFC has had strong risk management practices related to market risk and credit risk front. Regarding market risk, there is focus on loan portfolio assessment, asset-liability management, and loan pricing. Given the rising volatility of interest rates as well as introduction of new products in the treasury portfolio, IDFC has also increased the level of monitoring of market risk. This involves measuring interest rate risk on a regular basis as well as testing newer models for analysis. In addition, the Company has been developing various market risk modules.

On the credit risk front, there is a comprehensive portfolio review of all project assets and equity investments of the Company on a semi-annual basis. Each credit risk is

analysed individually and then integrated at the portfolio level. The overall portfolio risk report is regularly presented to a Board Committee comprising entirely independent directors. The Risk Group also closely focuses on Asset-Liability Management (ALM). To enhance the effectiveness of the current process of regular monitoring of liquidity and interest rate risks, IDFC has sourced a sophisticated software-based ALM system.

Since FY 10 there has been a concerted effort to focus on an organisation-wide operations risk management framework. Initially, awareness was created at the Board level and downwards. However, the implementation process followed a bottoms-up approach that makes every unit across different business segments aware of the risks related to its operations. Post creating awareness, the focus is on managing some of the top risks in terms of probability of occurrence and impact. A system has also been devised to convert these into SBU-wise and unit-wise heat maps.

The risk management system is supported by customised software, which:

- allows real-time tracking and monitoring of all types of risks;
- provides precise information on activities, risks and controls to all;
- has the capability to track, understand and manage information across the organisation;
- generates risk heat maps at all levels of the business;
- shows the list of open issues at any point of time;
- sets up central repository for all policy and procedures;
- standardised policies and procedures;
- provides trend analysis on risk history to take proactive measures.

The entire Company, including the risk management system, is governed by a structure that cuts across the different businesses. At the top of this structure are six Board-level committees – the Executive Committee, the Audit Committee, the Compensation Committee, the Investors' Grievance Committee, the Risk Committee and the Nomination Committee. The terms of reference, mandate, constitution, quorum and periodicity of meetings has been re-defined in line with concepts of enterprise-wide risk management. These committees

are supported by sub-committees at the unit level and responsibilities and reporting structures are linked across all entities within IDFC.

Especially on risk management front, there are separate active sub-committees. These include the Portfolio Review Committee (for portfolio or credit risk), the Asset Liability Committee (for market risk) and the Operational Risk Committee (for operational risk). The Managing Director or his nominee and a Board member are part of these committees, in addition to other functional Managers.

INFORMATION TECHNOLOGY

IDFC recognises Information Technology (IT) as a critical business enabler that connects people, offices, companies and all stakeholders through automation and applications. The IT function at IDFC has focused on providing end-user satisfaction by ensuring high uptimes, latest modes of communication, business aligned applications and proactive compliance to industry and regulatory needs.

In FY 11, focus was on communications channels, uptime, new business application deployment and new 'industry first' initiatives. To adopt latest technology and provide better computing experience some of the key infrastructure system software was improvised and the exchange services were upgraded. New communication channels were introduced to users to make information and network available to them inside as well as outside the office premise. In order to enhance user experience, multiple channels of communications like office communicator and wireless access across office facilities were established. In addition, a mechanism to work remotely in a secure manner was established on SSL VPN.

Many small and large application roll-outs during FY 11 not only addressed and improved transactional capabilities but also ensured higher levels of effectiveness across the IDFC group. One of the large implementations involved considerable enhancements in the enterprise wide e-business suite. New modules of asset management and procurement were introduced to support the group-wide centralised management of all

2 Financial Review

The abridged consolidated profit and loss accounts of IDFC for 2009-10 and 2010-11 are presented in Table 2.

₹ CRORE			
PARTICULARS	FY 2011	FY 2010	%GROWTH
Net Interest Income	1,645	1,117	47%
Infrastructure	1,501	1,021	47%
Treasury	144	96	50%
Non Interest Income	875	950	(8%)
Principal Investment	191	261	(27%)
Asset Management	291	362	(20%)
Management Fees	248	290	(14%)
Mutual Funds	110	132	(17%)
Alternatives	138	158	(12%)
Capital Gains & Carry	43	72	(40%)
Investment Banking & Broking	199	183	9%
Investment Banking	146	111	32%
Institutional Broking	53	72	(27%)
Loan Related & Other Fees	194	144	35%
Other Income	26	40	(34%)
Operating Income	2,547	2,107	21%
Operating expenses	533	549	(3%)
Pre Provision Profits	2,013	1,558	29%
Provisions	235	130	81%
Profit Before Tax	1,779	1,429	25%
Less: Provision for Tax, Profit in Associate Co, Minority Interest, etc.	497	367	37%
Profit After Tax	1,282	1,062	21%

assets. Besides these, the entire platform supporting the application and database of e-business suite were also upgraded to enable better support and stability. The core treasury application underwent an upgrade and an integration of the front, mid and back office solutions was completed. An intranet platform, 'iConnect' was also developed. This is the startup portal for all employees. A few applications were also built for improvised operations in customer management, deal tracking, branch automation and business unit assessments in the asset management businesses.

Many office processes were also automated to enable better facilities management at all the key offices. The internal software development team has now started to deliver many new applications across the group, thereby providing better cost realisations in addition to improvised process orientation.

IDFC recognises that while technology provides considerable business enablement

and efficiency, it comes with its own inherent risks. To mitigate these risks, IDFC adopts standards that help in deploying technology in a secure manner. One such initiative is the adherence to ISO 27001 standards. This year the IT operations of our securities and capital market businesses were certified as ISO 27001 compliant. With this, all critical businesses of IDFC are now certified according to global standards. As an annual process, the Company consistently engages a reputed IT audit firm to do a comprehensive audit of all IT equipment, networks, applications, processes and facilities supporting the IT infrastructure. This assurance by expert agencies helps in redefining security systems.

Higher reliability was built based on the organisation's disaster recovery strategies for all the critical real time systems. Regular testing to ensure stability of this process and minimal downtime during disaster scenarios was also ensured. With a focus on corporate responsibility, FY 11 saw IDFC's data centre become the first Data Centre in India to be certified as Green (Energy Efficient) by TUV Rheinland. Since inception of the project, the Data Centre has registered a 16% improvement in energy consumption.

IDFC FOUNDATION

During the year, IDFC's development agenda was pursued through its dedicated division – IDFC Foundation, exclusively set up for this purpose. The Governing Board of IDFC Foundation met four times during the year to review the progress achieved in its core development areas, viz. Policy Advocacy, Capacity Building, Government Transaction Advisory Services and Corporate Social Responsibility (CSR) initiatives.

In March 2011, IDFC Foundation was incorporated as a not-for-profit company under Section 25 of the Companies Act, 1956. As on March 31, 2011, IDFC's shareholdings in its joint ventures with the Governments of Karnataka, Uttarakhand and Delhi [Infrastructure Development Corporation (Karnataka) Limited - iDeCK, Uttarakhand Infrastructure Development Company Limited – U-DEC and Delhi Integrated Multi-Modal Transit System Limited – DIMTS] and its investments in India PPP Capacity Building

Trust (I-Cap) and India Infrastructure Initiative Trust (Triple-I, set up in partnership with Feedback Ventures Private Limited) for project development and advisory services, were transferred to IDFC Foundation. The entire gamut of development activities being pursued by IDFC is now coordinated and overseen by IDFC Foundation.

POLICY ADVOCACY

Since inception, IDFC has played a pivotal role in advising governments at various levels in developing policy, legal and regulatory frameworks that enable the sustainable growth and development of various infrastructure sectors, provide affordable and high quality services to users and encourage private investment in infrastructure. While much progress has been made in telecommunications, roads, ports and airports, the Foundation now focuses on energy, urban development, and sustainable and inclusive infrastructure development. Sectoral Advisory Boards have been constituted, comprising prominent and knowledgeable persons, to advise on private financing issues as well as to advocate policies to remove impediments to the growth of these sectors.

In the energy sector, the Foundation's focus continues to be on promoting market development and competition as well as in enlarging the scope of power generation from cleaner and renewable sources of energy. The Foundation is also looking into issues of increasing energy access. In the urban sector, the focus is on water supply and sanitation, land, and affordable housing. We are working with several Ministries and high-level Committees on transport, infrastructure finance, and urban issues.

A key initiative taken during the year was the development and launch of an Infrastructure Index that tracks physical infrastructure development over time across States and at the national level. IDFC also released the India Infrastructure Report (IIR) 2010 focusing on infrastructure development in a low carbon economy, a contemporary issue for a rapidly growing country with massive infrastructure requirements. In line with the Foundation's thrust of working on sustainable and inclusive infrastructure development, the forthcoming IIR 2011 would focus on Water, in



IDFC SUPPORTS EDUCATION OF THE UNDERPRIVILEGED GIRL CHILD THROUGH THE NANHI KALI PROGRAMME

particular the challenges India faces in water security and sustainability.

CAPACITY BUILDING INITIATIVES

I-Cap is the executing agency for the Department of Economic Affairs, Ministry of Finance, Government of India, for implementing the National PPP Capacity Building Programme for officials of State governments, urban local bodies and select Central government departments, through existing institutes of public administration across fourteen States and three central training institutes. The first phase of this programme is largely funded by a grant from KfW Development Bank. Together with a consortium of consultants appointed by the World Bank, I-Cap developed the entire syllabus, training material and course schedules for the programme. I-Cap also conducted pilot programmes to test the material prior to finalisation.

The programme was formally launched with the release of the training material developed for the programme by the Union Finance

Minister (FM) at the India PPP Conclave held in December 2010. Especially noteworthy is the fact that the programme found special mention in the FM's Budget speech in February 2011. Since then I-Cap has successfully conducted three Training of Trainers (ToT) programmes for selected trainers from these institutes. The programme roll out would commence in the current year, which is consequently expected to result in improved capacities among government officials in preparing and managing PPP projects across various infrastructure sectors in these States. I-Cap is also assisting the Naya Raipur Development Authority through a dedicated project support team based at Raipur to identify and develop infrastructure projects under PPP frameworks. During the year, it also conducted programmes for senior government officials in Chhattisgarh and Assam.

The IDFC/I-Cap combine was appointed by the Ministry of Urban Development (MoUD) as the Regional Capacity Building Hub for developing and implementing a capacity building programme for elected representatives and municipal officials under



users. The Foundation has been advising the Governments of Bihar, Chhattisgarh, Madhya Pradesh, Karnataka, Gujarat, Delhi, Maharashtra and Uttarakhand, the Andaman & Nicobar (A&N) Islands administration, agencies like the Central Warehousing Corporation, Gujarat Maritime Board, Andhra Pradesh State Road Transport Corporation and Tirupati Urban Development Authority and Central Ministries such as the Ministry of Home Affairs (Delhi Police) and Ministry of Rural Development.

Some of the projects where private investors have been identified/concession agreements have been signed for implementation of infrastructure projects include state highways in Bihar, Karnataka and Gujarat, bus concessions in Delhi, tourism properties in A&N Islands, integrated solid waste management facilities in an industrial estate in Hardwar and horticulture gardens and food parks in Karnataka. Some of the newer areas where private participation is being promoted include the mechanism for authentication/certification of payments to beneficiaries under the NREGA Scheme, projects in traditional areas of medicine (AYUSH), bus terminals, bus transit systems, management services for water distribution, police housing, amusement parks and animal husbandry projects.

A substantial part of this work is accomplished through iDeCK, U-DeC and DIMTS. While iDeCK and U-DeC focus largely on project development and advisory services, DIMTS has, in addition, been assisting the Government of Delhi, Transport Department, in a range of project management, construction and O&M services. DIMTS has set up a state-of-art transportation monitoring and intelligent-signalling system and manages the issuance of driving licences on behalf of the Transport Department. It also manages a GPS-based vehicle tracking system for all the public buses in Delhi, which is currently one of the largest systems in the world. It has been acknowledged that the involvement of these agencies has made a substantial difference to the way infrastructure has been developed in these states. Especially gratifying was the public attestation of iDeCK's usefulness both by present and former officials of the Government of Karnataka at its tenth anniversary celebrations in July 2010 in Bangalore.



**IDFC'S
13TH ANNUAL
REPORT
FY 2009-2010
WINS SILVER
SHIELD**

IDFC's Thirteenth Annual Report for FY 2009 - 2010 has received Silver Shield – 2nd best entry award for 'ICAI Awards for Excellence in Financial Reporting' under the Category VII – Service Sector (other than Banking & Insurance) (turnover equal to or more than ₹ 500 crore). The awardees have been selected by the panel of judges on review of accounting practices adopted by the participating enterprises in the preparation of financial statements and the policies adopted for disclosure and presentation of financial statements and other information in the Annual Reports without regard to their financial condition and operating performance.

Shri Salman Khurshid, ex-Union Minister of State (I/C), Corporate Affairs, giving the award to Shri L. K. Narayan, ex-Group CFO, IDFC and Shri Bipin Gemani, Group Director - Finance.

the Jawaharlal Nehru National Urban Renewal Mission for mission cities in three regions. These include the Northern Region (States of Uttarakhand, Delhi, Rajasthan and Haryana), North Eastern Region (all eight North Eastern States) and Western Region (Gujarat and Madhya Pradesh). Stakeholder consultations with key state and city officials have been held in each region to finalise the modalities of roll-out, and to understand their current and future training needs. The first programme was conducted in Rajasthan in February 2011. Subject material is presently being customised to suit the needs of various cities and the roll-out is also expected to gain momentum in the current year. I-Cap has also been conducting capacity building programmes for the urban sector in partnership with the Administrative Staff College of India, Hyderabad.

**GOVERNMENT TRANSACTION
ADVISORY SERVICES**

IDFC Foundation continued to pursue its strategy of providing transaction advisory services to governments and agencies which demonstrate a propensity to change as well as to promote private sector engagement in new areas of infrastructure, in order to provide improved standards of service to

IDFC's mission statement setting out nation-building as a core theme has ensured that social responsibility is intrinsic to the Company's culture. In FY 2011, IDFC continued to take effective steps to make its internal operations more environmentally sustainable by obtaining, for its new registered office in Chennai, the US Green Business Council's LEED Gold Certification (Commercial Interiors), and for its central data centre, "Energy-Efficient Data Centre" certification from TUV Rheinland. It also obtained an assessment of the total carbon footprint of its internal operations from British Standards Institution (BSI) Management Systems, making it one of the few Indian companies to get such external assessment; this initial assessment will be refined and monitored in subsequent years, with the ultimate objective of making IDFC a carbon-neutral organisation.

IDFC continued to be a signatory to global initiatives on Environment, Social and Governance (ESG) issues such as the Carbon Disclosure Project (www.cdproject.net), the United Nations Global Compact (www.unglobalcompact.org) and the UN-sponsored Principles for Responsible Investment (www.unpri.org). IDFC is one of the stocks listed on the National Stock Exchange which comprises the S&P ESG India Index, an index whose objective is to give investors exposure to 50 of the best performing stocks in the Indian market as measured on ESG parameters.

IDFC Foundation continued to support socially relevant initiatives in the infrastructure space. It invested in the equity of Pipal Tree Ventures Pvt. Ltd., a for-profit enterprise founded by professionals, engaged in providing vocational training to rural unemployed youth for semi-skilled work in the construction industry. Pipal Tree Ventures has technical partnerships with Technical & Further Education, NSW, Australia, one of the largest vocational training providers in the world, and SES, Germany and with equipment manufacturers such as Doosan, Schwing Stetter and Volvo. With its focus on rural unemployed youth and the construction sector, Pipal Tree Ventures is in a unique position to contribute to inclusive growth while also

3

Carbon Footprint for the financial year 2010 -2011

TYPE OF EMISSION	DESCRIPTION	IDFC'S EMISSION	AMOUNT
Scope 1	Direct GHG emissions from owned or controlled assets	Fuel used in Company vehicles, own DG sets	137 tCO2e
Scope 2	Indirect GHG emissions from the generation of energy procured from third parties for own consumption	Electricity purchased from the grid	3929 tCO2e
Scope 3 (optional reporting)	Indirect GHG emissions from the generation of energy consumed by third parties but which is a direct consequence of own activities	Fuel used in employee travel by air/train/local car hire, or energy used in the production of paper consumed by IDFC, printing of retail bond application forms, illumination of hoardings, etc.	3042 tCO2e

meeting a critical need of IDFC's clients in the construction sector.

IDFC Foundation also collaborated with Chennai City Connect Foundation, an NGO engaged in developing sustainable solutions for urban governance, to redesign two major road junctions adjacent to its Chennai office, so as to improve traffic flow, pedestrian mobility and safety; the detailed designs are under consideration by the Chennai Corporation for implementation, and would be used by CCCF as a template for other such studies.

CARBON FOOTPRINT

The carbon footprint of an entity is a measure of the impact its activities have on the environment in terms of the amount of greenhouse gases (GHG) produced, usually expressed in metric tonnes equivalent of carbon dioxide (tCO₂e). We have measured our carbon footprint for the first time for FY 11, and this will constitute the baseline for subsequent monitoring and reduction. The carbon footprint covers all the entities and offices (with minor exceptions) controlled by IDFC, except for the joint ventures of IDFC Foundation engaged in providing government advisory services and the project SPVs/companies of IDFC Projects and IDFC Private Equity. The carbon footprint has been independently verified by BSI Management Systems India Ltd. (a subsidiary of the British Standards Institution, UK) and conforms

to the ISO 14064-1 standard. Our carbon footprint for the FY 11 is given in Table 3.

HUMAN RESOURCES

Last year we unveiled the One Firm strategy that would create a better aligned and more integrated organisation that has a sense of shared purpose and values.

Having launched this last year, this fiscal, the focus has been two pronged – first, to measure the effectiveness of our efforts in building a common culture and embedding our Values – INSPIRE across the organisation. Second, to align the senior leaders and enhance their ability to drive this initiative effectively across the entire Company.

The impact measurement and assessment of our progress in embedding the Values was done through a culture diagnostic run by YSC Inc., a leading change management consultancy, in Q1 this year. The diagnostic that was responded to by over 90% of the employees measured three elements, a) how well do we perform on the key drivers of employee engagement, b) are we building an organisation that will deliver sustainable business performance and social impact and finally c) are we living our Values.

The IDFC score of 4.57 (on a 5 point scale), puts us in the global top quartile on employee engagement, an organisation that delivers sustainable performance & social impact and living the Values. Within the overall results the relative areas of focus for development are, improving internal partnership and collaboration, focusing more sharply on talent development and creating inspirational leadership at all levels within the Company.

The results have been followed up with team level action planning to continue to enhance our effectiveness on these measures. This is a journey of continuous improvements. We truly believe that we have an opportunity to build IDFC into an iconic organisation that would be a beacon for the best talent around the world.

STRENGTHENING LEADERSHIP

"Leadership is the capacity and will to rally men and women to a common purpose and the character which inspires confidence", so quoted the famous WWII British Field Marshal, Bernad Montgomery. Creating a

strong and committed cadre of leaders who will inspire employees across the organisation to make this journey is a lynchpin in the efforts of building a more integrated, aligned organisation that delivers an enhanced value proposition to clients and consequently, superior shareholder returns.

The IDFC Senior Leaders' Programme (ISLP), is a unique leadership development initiative launched this year in partnership with the First Ascent Group of UK. The programme is designed specifically for IDFC keeping in mind our growth plans and the transformation journey that we have embarked on. It will help senior managers sharpen their judgement, enhance their ability to influence others and help them improve on a range of leadership attributes such as self assurance, ambition and emotional intelligence.

The top 75 leaders across all businesses and functions have already completed the first phase of the leadership training. The second phase is planned in FY12.

PROTECTING OUR KNOWLEDGE CAPITAL

IDFC has always been acknowledged as the last word on infrastructure development. This reputation, built on our deep insight and understanding of infrastructure development in India, is key to our competitive advantage. Ensuring that we retain this edge is critical. In FY 11, we have invested extensively in institutionalising a robust framework of identifying the key learning and development needs of the businesses. These development needs have been addressed through training programme that are co-designed with leading firms specialising in this area such as YSC, Franklin Covey, Strategic Decision Group, to name a few. In FY 11 we achieved a training intensity of 4 person days per annum and we expect to continue to invest in Learning and Development at a similar pace in the next year.

ENHANCING PERFORMANCE

This year we rolled out an upgraded, technology enabled performance management framework in the organisation. The focus was on improving the alignment of individual businesses and employees with the overall Firm performance and driving clear, sharply defined metrics that would emphasise the focus that the

IDFC continued to be a signatory to global initiatives on Environment, Social and Governance issues such as the Carbon Disclosure Project, the United Nations Global Compact and the UN-sponsored Principles for Responsible Investment.

Management has on driving a high performance culture at IDFC.

The entire exercise was facilitated by McKinsey. They worked with the MD & CEO and refined the success measures for all businesses and functions to create a scorecard that ensures that all aspects of the Firm performance are embedded in the performance metrics of the top management team and the individual teams across Company. The measures agreed, cover the 4 key elements – Financial Performance, Customer Engagement, Internal & External Standards and Employee Engagement, the achievement of which together results in a profitable and sustainable enterprise.

Using the technology enabled interface developed alongwith PwC, annual plans get cascaded across Company in a timely manner which ensures that all employees are clear about what is expected of them early in the year. Performance reviews have also become more effective (greater fairness and transparency), which results in more engaged employees, critical to building a high performance culture.

/// INTERNAL CONTROLS AND THEIR ADEQUACY

The Company has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition, and that the transactions are authorised, recorded and reported correctly.

Internal controls are supplemented by an extensive programme of internal audits, review by management and documented policies, guidelines and procedures. These controls are designed to ensure that financial and other records are reliable for preparing financial information and other reports, and for maintaining regular accountability of the Company's assets.

/// CAUTIONARY STATEMENT

Statements in this Management Discussion & Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include unavailability of finance at competitive rates – global or domestic or both, reduction in number of viable infrastructure projects, significant changes in political and economic environment in India or financial markets abroad, tax laws, litigation, exchange rate fluctuations, interest and other costs. ■



corporate governance report

Being a professionally run Company with no single promoter or promoter group, effective Board oversight and sound Corporate Governance practices are inherent to the pursuit of Infrastructure Development Finance Company Limited ('IDFC' or 'the Company') of delivering value to all its stakeholders on a sustainable basis.

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Being a professionally run Company with no single promoter or promoter group, effective Board oversight and sound Corporate Governance practices are inherent to the pursuit of Infrastructure Development Finance Company Limited ('IDFC' or 'the Company') of delivering value to all its stakeholders on a sustainable basis.

IDFC is fundamentally a financial intermediary. The business focuses on maximising returns on assets, while effectively managing the inherent risks. In this pursuit, for efficient and responsible decision making and execution, it is imperative to develop good governance structures and "best in class" processes that have strong reliance on ethics and value systems. Adopting such a framework, IDFC emphasises on appropriate and timely disclosures and transparency in business dealings.

Corporate Governance is an ongoing process at IDFC. Systems, policies and frameworks are regularly upgraded to effectively meet the challenges of rapid growth in a dynamic external business environment. Governance practices have to not only deal with the growing size of the business but also the increase in complexities

of the organisation structure that supports such aggressive growth.

In India, Corporate Governance standards for listed companies are regulated by the Securities & Exchange Board of India (SEBI) through Clause 49 of the Listing Agreement with the Stock Exchanges. As a Company, which believes in implementing Corporate Governance practices that go beyond just meeting the letter of law, IDFC has not only adopted practices mandated in the new Clause 49, but also incorporated the relevant non-mandatory recommendations.

This chapter, alongwith the chapters on Management Discussion & Analysis and Additional Shareholder Information, reports IDFC's compliance with the prevalent Clause 49.

BOARD OF DIRECTORS

COMPOSITION OF THE BOARD

As on March 31, 2011 the Company's Board comprises twelve Directors, including a non executive Chairman, five independent Directors, two nominees of institutions which have invested in or lent to the Company, two Government Nominated Directors and two Whole-Time Directors. The Chairman of the Board is a non promoter, non executive Director.

The composition of the Board is in conformity with Clause 49 of the Listing Agreement, which stipulates that 50 per cent of the Board should comprise of non executive Directors, and if the Chairman is non executive and not a promoter, one-third of the Board should be independent.

NUMBER OF BOARD MEETINGS

The Board of Directors met six times during the year under review on April 27, 2010, June 28, 2010, August 04, 2010, November 08, 2010, January 31, 2011 and March 28, 2011. The gap between any two meetings was less than four months.

DIRECTORS' ATTENDANCE RECORD AND DIRECTORSHIP HELD

As mandated by the Clause 49, none of the Directors are members of more than ten Board level committees nor are they Chairman of more than five committees in which they are members. Refer Table 1 for details.

INFORMATION SUPPLIED TO THE BOARD

The Board has complete access to all information about the Company. *Inter alia*, the following information is regularly provided to the Board as a part of

1 Composition of the Board of Directors

NAME OF DIRECTOR	POSITION	NO. OF MEETINGS HELD IN 2010-11	NO. OF MEETINGS ATTENDED IN 2010-11	WHETHER ATTENDED LAST AGM ON JUNE 28, 2010	NO. OF OUTSIDE DIRECTORSHIPS OF PUBLIC COMPANIES*	NO. OF COMMITTEE MEMBERSHIPS# OTHER THAN IDFC	NO. OF CHAIRMANSHIPS OF COMMITTEES# OTHER THAN IDFC
Mr. Deepak Parekh	Non Executive Chairman	6	6	Yes	12*	7	5
Dr. Rajiv B. Lall	Managing Director & CEO	6	6	Yes	12*	2	NIL
Mr. Vikram Limaye	Whole-Time Director	6	6	Yes	14	6	5
Mr. G. C. Chaturvedi**	Nominee - Non Executive	3	NIL	No	1	NIL	NIL
Mr. Bimal Julka***	Nominee - Non Executive	3	2	NA	1	NIL	NIL
Mr. S. S. Kohli	Nominee - Non Executive	6	5	Yes	6	3	2
Mr. Abdul Rahim Abu Bakar	Nominee - Non Executive	6	6+	Yes	NIL	NIL	NIL
Mr. Dimitris Tsitsiragos	Nominee - Non Executive	6	1	No	NIL	NIL	NIL
Mr. Donald Peck	Independent Director	6	NIL	No	3	NIL	NIL
Mr. S. H. Khan	Independent Director	6	6	Yes	7	8	3
Mr. Shardul Shroff	Independent Director	6	4	No	5	1	NIL
Mr. Gautam Kaji	Independent Director	6	5	No	NIL*	NIL	NIL
Dr. Omkar Goswami	Independent Director	6	6	Yes	9	6	4

* Excluding Directorship in foreign companies, Private Limited Companies, companies under Section 25 of the Companies Act, 1956 and companies in which the directors hold office as Alternate Directors. |** Ceased to be a Director w.e.f. November 7, 2010. |*** Appointed as an Additional Director in place of Mr. G. C. Chaturvedi w.e.f. November 8, 2010. |* Only Audit Committee and Shareholders' Grievance Committee. |+ Four meetings were attended by Mr. Michael Fernandes, Alternate Director to Mr. Abdul Rahim Abu Bakar. |≠ Attended the Annual General Meeting through Mr. Michael Fernandes, Alternate Director to Mr. Abdul Rahim Abu Bakar.

the agenda papers well in advance of the Board meetings or is tabled in the course of the Board meeting.

- Annual operating plans and budgets and any update thereof
- Capital budgets and any updates thereof
- Quarterly results for the Company and operating divisions and business segments
- Minutes of the meetings of the Audit Committee and other Committees of the Board
- Minutes of the Board meetings of subsidiary companies
- Information on appointment or removal of Chief Financial Officer and Company Secretary. The Appointment of Chief Financial Officer is also considered at Audit Committee of the Company
- Materially important show cause, demand, prosecution notices and penalty notices
- Any material default in financial obligations to and by the Company, or substantial non-payment for services rendered by the Company
- Details of any joint venture or collaboration agreement
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property
- Significant developments in human resources/employee relations front
- Sale of material nature of investments, subsidiaries, assets, which is not in the normal

course of business

- Quarterly details of foreign exchange exposures and the steps taken by Management to limit the risks of adverse exchange rate movement, if material
- Non compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer, etc.

The Board periodically reviews compliance reports of all laws applicable to the Company, prepared by the Company as well as steps taken by the Company to rectify instances of non compliances. In addition to the above, pursuant to the Clause 49, the minutes of the Board meetings of your Company's unlisted subsidiary companies and a statement of all significant transactions and arrangements entered into by the unlisted subsidiary companies are also placed before the Board.

REMUNERATION PAID TO DIRECTORS

The Compensation Committee of the Company recommends to the Board the compensation payable to Whole-Time Directors and senior managerial personnel. The compensation of the Whole-Time Directors is also approved by the shareholders and separately disclosed in the financial statements.

Section 309 of the Companies Act, 1956 provides that a director who is neither in the whole-time employment of the Company nor a Managing Director may be paid remuneration by way of commission, if the Company, by special resolution, authorises such payment. Members of the Company at the 11th Annual General Meeting held on July 18, 2008, approved payment of remuneration by way of commission to non executive directors, at a sum not exceeding 1% of the net profits. IDFC would be paying a sum of ₹ 11,100,000/- as commission to its non executive directors for FY 11. The aggregate amount payable to non executive directors was arrived as per the following criteria:

1. Fixed remuneration ₹ 700,000/- per annum
2. Chairman of the Board ₹ 700,000/- per annum
3. Chairman of the Audit Committee ₹ 200,000/- per annum
4. Members of the Audit Committee ₹ 100,000/- per annum
5. Chairman of Other Committees ₹ 100,000/- per annum
6. Members of Other Committees ₹ 50,000/- per annum
7. Variable remuneration ₹ 300,000/- per annum

2 Details of remuneration paid to Directors for FY 11

(figures in ₹)

NAME OF THE DIRECTOR	SITTING FEES	SALARY AND PERQUISITES	CONTRIBUTION TO PROVIDENT AND OTHER FUNDS	PERFORMANCE LINKED INCENTIVE	COMMISSION & OTHERS	TOTAL
Mr. Deepak Parekh	800,000	-	-	-	2,000,000	2,800,000
Dr. Rajiv B. Lall*	-	41,030,414	1,341,562	20,213,581	-	62,585,557
Mr. Vikram Limaye**	-	55,354,367	1,219,800	11,261,820	-	67,835,987
Mr. Donald Peck	-	-	-	-	1,150,000	1,150,000
Mr. S. H. Khan	640,000	-	-	-	1,400,000	2,040,000
Mr. Shardul Shroff	240,000	-	-	-	1,075,000	1,315,000
Mr. Gautam Kaji	240,000	-	-	-	1,250,000	1,490,000
Dr. Omkar Goswami	460,000	-	-	-	1,275,000	1,735,000
Mr. S. S. Kohli	360,000	-	-	-	-	360,000
Mr. G. C. Chaturvedi***	-	-	-	-	-	-
Mr. Abdul Rahim Abu Bakar	-	-	-	-	1,000,000	1,000,000
Mr. Dimitris Tsitsiragos	-	-	-	-	-	-
Mr. Bimal Julka^	-	-	-	-	-	-

*Dr. Rajiv B. Lall has been granted 359,403 stock options under IDFC ESOP Scheme. |** Mr. Vikram Limaye has been granted 226,158 stock options under IDFC ESOP Scheme. The stock options granted to Dr. Lall and Mr. Limaye would vest in a graded manner over a period of 2 years from the date of grant of options and are exercisable over a period of 5 years from the date of vesting. |*** Ceased to be a Director w.e.f. November 7, 2010. |^ Appointed as an Additional Director in place of Mr. G. C. Chaturvedi w.e.f. November 8, 2010.

The variable remuneration is paid to the directors depending on their attendance at the Board meetings, either in person or through teleconference.

The non executive Directors are also paid sitting fees for attending the Board meetings as well as Committee meetings.

During FY 11, the Company did not advance loans to any of its Directors. None of the Directors is entitled to severance fee. The notice period for the Managing Director & CEO, Dr. Rajiv Lall and Whole-Time Director, Mr. Vikram Limaye, is 3 months. None of the employees of the Company are related to any of the Directors. The basis of criteria for the evaluation of performance is decided by the Compensation Committee, which is based on the Company's performance and individual's performance. Refer Table 2.

CODE OF CONDUCT

IDFC's Board of Directors has laid down a Code of Conduct for all Board members and designated senior management personnel of the Company. The Code of Conduct is available on the website of the Company: www.idfc.com. All Board members and designated senior management personnel have affirmed compliance with the Code of Conduct. A declaration signed by the Chief Executive Officer (CEO) to this effect is enclosed at the end of this Report.

RISK MANAGEMENT

IDFC follows well-established and detailed risk assessment and minimisation procedures. The Company especially focuses on improving sensitivity to assessment of risks and improving methods of computation of risk weights and capital charges. The risk assessment and mitigation procedures are reviewed by the Board periodically. The Company has a comprehensive risk management framework.

Additionally, IDFC has constituted a Board-level committee that monitors risk management of the Company. This committee named the Risk Committee, comprises of Mr. Gautam Kaji (Chairman), Mr. Shardul Shroff, Mr. S. H. Khan and Dr. Rajiv B. Lall. The quorum for any meeting of this committee is two. The Committee met four times during the year under review i.e. on April 26, 2010, August 4, 2010, November 08, 2010 and January 31, 2011. The Risk Committee reviews and monitors mainly three types of risks across the organisation – Credit Risk, Market Risk and Operational Risk. This is done under the overall framework of the Enterprise Risk Management System.

COMMITTEES OF THE BOARD

IDFC has constituted Board-level committees to delegate particular matters that require

greater and more focused attention in the affairs of the Company. These committees prepare the groundwork for decision making and report to the Board.

All decisions pertaining to the constitution of committees, appointment of members in the different committees and fixing of terms of service for committee members are taken by the Board of Directors. Details on the role and composition of these committees, including the number of meetings held during FY 11 and the related attendance, are provided below:

A. Audit Committee

As on March 31, 2011, the Audit Committee comprises of four members, all of whom are independent Directors. The Audit Committee met five times during the year under review; on April 26, 2010, August 4, 2010, September 01, 2010, November 08, 2010 and January 31, 2011. The time gap between any two meetings was less than four months. The details of the Audit Committee are given in Table 3.

The Chief Financial Officer and the representative of the statutory auditors and internal auditors are regularly invited by the Audit Committee to its meetings. Mr. Mahendra Shah, Company Secretary of IDFC, is the Secretary to the Committee.

All members of the Audit Committee have accounting and financial management

3 Attendance record of IDFC's Audit Committee

NAME OF THE MEMBER	POSITION	STATUS	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED
Mr. S. H. Khan	Independent Director	Chairman	5	5
Mr. Shardul Shroff	Independent Director	Member	5	4
Dr. Omkar Goswami	Independent Director	Member	5	5
Mr. Gautam Kaji	Independent Director	Member	5	4

expertise. Mr. S. H. Khan, Chairman of the Audit Committee, was present at the Company's previous Annual General Meeting (AGM) held on June 28, 2010 to answer shareholder queries.

The functions of the Audit Committee of the Company include the following:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible
- 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
- Approving appointment of Chief Financial Officer
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors
- Reviewing, with the Management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956
 - changes, if any, in accounting policies and practices and reasons for the same
 - major accounting entries involving estimates based on the exercise of judgement by Management
 - significant adjustments made in the financial statements arising out of audit findings
 - compliance with listing and other legal requirements relating to financial statements

- disclosure of any related party transactions
- qualifications in the draft audit report.
- Reviewing, with the Management, the quarterly financial statements before submission to the Board for approval
- Reviewing, with the Management, performance of statutory and internal auditors, adequacy of the internal control systems
- 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
- Discussion with internal auditor on any significant findings and follow up thereon
- Reviewing the findings of any internal investigations by the internal auditors 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
- 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
- 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
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee is empowered, pursuant to its terms of reference to:

- investigate any activity within its terms of reference and to seek any information it requires from any employee

- obtain legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, when considered necessary.

The Company has systems and procedures in place to ensure that the Audit Committee mandatorily reviews:

- Management Discussion & Analysis of financial condition and results of operations
- Statement of significant related party transactions (as defined by the Audit Committee), submitted by Management
- Management letters/letters of internal control weaknesses issued by the statutory auditors
- Internal audit reports relating to internal control weaknesses
- The appointment, removal and terms of remuneration of the Internal Auditor
- Whenever applicable, the uses/applications of funds raised through public issues, rights issues, preferential issues by major category (capital expenditure, sales and marketing, working capital, etc.), as part of the quarterly declaration of financial results.

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.

In addition, the Audit Committee of the Company also reviews the financial statements, in particular, the investments made by the unlisted subsidiary companies.

The Audit Committee is also apprised on information with regard to related party transactions by being presented:

A statement in summary form of transactions with related parties in the ordinary course of business.

Details of material individual transactions with related parties which are not in the normal course of business.

Details of material individual transactions with related parties or others, which are not on an arm's length basis alongwith Management's justification for the same.

B. Compensation Committee

As of March 31, 2011, IDFC's Compensation Committee comprises of five Directors. The Compensation Committee met on February 14, 2011. Table 4 below gives the details.

The Compensation Committee of the Company recommends to the Board the compensation terms of Whole-Time Directors and senior managerial personnel. The minutes of the Compensation Committee are reviewed by the Board.

C. Nomination Committee

The Nomination Committee assists the Board in the appointment of new Board members, and other related matters like succession planning etc. No meeting of the Nomination Committee was held during the FY 11. The members of the Committee include, Mr. Deepak Parekh as Chairman and

Mr. Gautam Kaji, Mr. Donald Peck and Dr. Omkar Goswami as Independent Directors.

D. Investors' Grievance Committee

As of March 31, 2011, the Investors' Grievance Committee consists of three Directors, two of whom are Independent. The Committee met four times during the year under review; on April 26, 2010, August 04, 2010, November 08, 2010 and January 31, 2011. Table 5 gives the details.

Mr. Mahendra Shah, Company Secretary of the Company, is the Compliance Officer.

Details of queries and grievances received and attended by the Company during FY 11 are given in Tables 6A & 6B.

SUBSIDIARY COMPANIES

Clause 49 of the Listing Agreement defines a "material non-listed Indian subsidiary"

as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

Under this definition, the Company does not have a 'material non-listed Indian subsidiary'.

Shares and convertible instruments held by the non executive Directors

As on March 31, 2011, none of the non executive Directors held any shares or convertible instruments of the Company.

MANAGEMENT

MANAGEMENT DISCUSSION & ANALYSIS

The Annual Report has a detailed separate section on Management Discussion & Analysis.

DISCLOSURES

Transactions with related parties entered into by the Company in the normal course of business were placed before the Audit Committee. Details of related party transactions are included in the Notes to the Accounts.

DISCLOSURE OF ACCOUNTING TREATMENT IN PREPARATION OF FINANCIAL STATEMENTS

The Company has complied with applicable Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006, in preparation of its financial statements.

CONFIRMATION OF COMPLIANCE

IDFC has complied with all the requirements of regulatory authorities. No penalties/ strictures were imposed on the Company by stock exchanges or SEBI or any other statutory authority on any matter related to capital market during the last three years.

4 Attendance details of IDFC's Compensation Committee

NAME OF THE MEMBER	POSITION	STATUS	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED
Dr. Omkar Goswami	Independent Director	Chairman	1	1
Mr. S. S. Kohli	Nominee Director	Member	1	1
Mr. S. H. Khan	Independent Director	Member	1	1
Mr. Shardul Shroff	Independent Director	Member	1	1
Mr. Donald Peck	Independent Director	Member	1	-

5 Attendance details of IDFC's Shareholders/Investors' Grievance Committee

NAME OF THE MEMBER	POSITION	STATUS	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED
Mr. S. H. Khan	Independent Director	Chairman	4	4
Dr. Omkar Goswami	Independent Director	Member	4	4
Dr. Rajiv B. Lall	Managing Director & CEO	Member	4	4

6A Nature of complaints received and attended to during FY 11 - for Equity Shares

NATURE OF COMPLAINT	PENDING AS ON APRIL 1, 2010	RECEIVED DURING THE YEAR	ANSWERED DURING THE YEAR	PENDING AS ON MARCH 31, 2011
1. Transfer/Transmission/Duplicate	NIL	1	1	NIL
2. Non-receipt of Dividend	NIL	118	118	NIL
3. Dematerialisation/Rematerialisation of shares	NIL	0	0	NIL
4. Complaints received from:				
- Securities & Exchange Board of India	NIL	5	5	NIL
- Stock Exchanges	NIL	2	2	NIL
- Registrar of Companies/ Ministry of Corporate Affairs	NIL	0	0	NIL
5. Legal	NIL	0	0	NIL
6. Non-receipt of Refund Order	NIL	14	14	NIL
7. Non-receipt of Electronic Credits	NIL	18	18	NIL
8. Non-receipt of Annual Reports	NIL	14	14	NIL

6B Nature of complaints received and attended to during FY 11 – for Infrastructure Bonds

NATURE OF COMPLAINT	PENDING AS ON APRIL 1, 2010	RECEIVED DURING THE YEAR	ANSWERED DURING THE YEAR	PENDING AS ON MARCH 31, 2011
1. Transfer/Transmission/Duplicate	NIL	0	0	NIL
2. Non-receipt of Interest on Bonds	NIL	0	0	NIL
3. Dematerialisation/Rematerialisation of Bonds	NIL	0	0	NIL
4. Complaints received from:				
a) Securities & Exchange Board of India	NIL	142	142	NIL
b) Stock Exchanges	NIL	0	0	NIL
c) Registrar of Companies/Department of Company Affairs	NIL	0	0	NIL
5. Legal	NIL	1	1	NIL
6. Non-receipt of Refund Order	NIL	1,761	1,761	NIL
7. Non-receipt of Electronic Credits	NIL	8,163	8,163	NIL
8. Non-receipt of Securities	NIL	11,194	11,194	NIL

7 Annual/Extra-Ordinary General Meetings

FINANCIAL YEAR	CATEGORY	LOCATION OF THE MEETING	DATE	TIME
2007-08	AGM	Rani Seethai Hall, 603, Anna Salai, Chennai	July 18, 2008	2.30 p.m.
2008-09	AGM	Tapovan Hall, Chetpet, Chennai	July 20, 2009	2.30 p.m.
2009-10	AGM	Tapovan Hall, Chetpet, Chennai	June 28, 2010	2.30 p.m.

CODE FOR PREVENTION OF INSIDER TRADING PRACTICES

In compliance with the SEBI regulation on prevention of insider trading, the Company has instituted a comprehensive Code of Conduct for its Management and staff. The code lays down guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with shares of the Company, and cautioning them of the consequences of violations.

ANTI MONEY LAUNDERING AND KNOW YOUR CUSTOMER POLICY

In keeping with specific requirements for NBFCs, the Company has also formulated an Anti Money Laundering and Know Your Customer Policy.

CEO/CFO CERTIFICATION

The CEO and CFO certification of the financial statements for the year is enclosed at the end of this Report.

RE-APPOINTMENT/APPOINTMENT OF DIRECTORS

Out of the total strength of the number of Directors, eight Directors are liable to retire by rotation. Of the said eight Directors, at least one-third directors retire every year and if eligible, qualify for re-appointment. Dr. Omkar Goswami, Mr. Shardul Shroff and Mr. S. H. Khan are retiring by rotation and being eligible, offer themselves for re-appointment in the ensuing Annual General Meeting. Mr. Bimal Julka was appointed as an Additional Director w.e.f. November 08, 2010 and he will hold the office of Director till the date of the ensuing Annual General Meeting. The Company has received notice from a member of the Company under Section 257 of the Companies Act, 1956 proposing the candidature of Mr. Bimal Julka as a Director.

The brief resumes of the Directors getting appointed/re-appointed are given in the Explanatory Statement annexed to the Notice of the Annual General Meeting.

SHAREHOLDERS

MEANS OF COMMUNICATION WITH SHAREHOLDERS

As per the newly inserted Clause 54 of the Listing Agreement, the Company has maintained a functional website www.idfc.com containing basic information about the Company e.g. details of its business, financial information, shareholding pattern, compliance with Corporate Governance, contact information of the designated officials of the Company who are responsible for assisting and handling investor grievances, etc. and the same are updated at any given point of time. The website also displays all official press releases and presentations to analysts made by the Company.

As per Clause 52 of the Listing Agreement, information about the financial results, shareholding pattern and other specified details are now electronically filed through the Corporate Filing and Dissemination System (CFDS). Investors can view this information by visiting the website www.corpfiling.co.in

The quarterly, half-yearly and annual results of the Company's performance are published in leading newspapers like the Makkal Kural and Business Standard.

GENERAL BODY MEETINGS

Table 7 gives the details of the last three General Meetings.

The following Special Resolutions were taken up in the last three AGMs, and were passed with requisite majority.

AGM held on July 18, 2008:

1. Appointment of Auditors
2. Payment of Commission to Non Executive Directors
3. Increase in limit for issuance of shares under ESOS from 2% to 5%
4. Alteration in the Articles of Association of the Company
5. Issue of Securities

AGM held on July 20, 2009:

1. Appointment of Auditors
2. Grant of Stock Options in excess of 1% in one year under Employee Stock Option Scheme of the Company

AGM held on June 28, 2010:

1. Appointment of Auditors
2. Raising of Capital

POSTAL BALLOT

During FY 09, the approval of the members was sought by voting through postal ballot vide Notice dated March 29, 2008 to amend the Main Object Clause of its Memorandum of Association by adding new activities as described in the Special Resolution.

The Company had appointed Ms. Savita Jyoti, Practicing Company Secretary, as Scrutiniser for conducting the postal ballot voting in a fair and transparent manner. The Scrutiniser had submitted her report to the Chairman after completion of scrutiny of Postal Ballot Forms received and the results of the postal ballot were announced at the Corporate Office of the Company at 5.00 p.m. on Tuesday, May 20, 2008. The result of the postal ballot was also displayed at the Corporate Office and the Registered Office of the Company and posted on the Company's website: www.idfc.com, besides being communicated to the Stock Exchanges where the securities of the Company are listed.

During FY 11, approval of the members was sought by voting through postal ballot vide Notice dated July 7, 2010 to offer, issue and allot 84,000,000 Compulsorily Convertible Cumulative Preference Shares of ₹ 100/- each aggregating to ₹ 840 crore to identified investors on the terms and conditions determined by the Board of Directors of the Company and contained in the Explanatory Statement annexed to the said Notice.

The Company had appointed Mr. S. N. Bhandari, Practicing Company Secretary, as Scrutiniser for conducting the postal ballot voting in a fair and transparent manner. The Scrutiniser had submitted his report to the Chairman after completion of scrutiny of Postal Ballot Forms received and the results of the postal ballot were announced at the Corporate Office of the Company at 7.30 p.m. on Friday, August 6, 2010. The Special Resolution as set out in the Notice was approved by the members with an overwhelming majority of 99.90%. The result of the postal ballot was declared on August 6, 2010, and the same was displayed at the

8 Compliance Report

PARTICULARS	CLAUSE OF LISTING AGREEMENT	COMPLIANCE STATUS
I. Board of Directors	49I	Compliant
(A) Composition of Board	49(IA)	Compliant
(B) Non Executive Directors' Compensation & Disclosures	49(IB)	Compliant
(C) Other provisions as to Board and Committees	49(IC)	Compliant
(D) Code of Conduct	49(ID)	Compliant
II. Audit Committee	49(II)	Compliant
(A) Qualified & Independent Audit Committee	49(IIA)	Compliant
(B) Meeting of Audit Committee	49(II B)	Compliant
(C) Powers of Audit Committee	49(II C)	Compliant
(D) Role of Audit Committee	49 II(D)	Compliant
(E) Review of Information by Audit Committee	49(II E)	Compliant
III. Subsidiary Companies	49(III)	Compliant
IV. Disclosures	49(IV)	Compliant
(A) Basis of related party transactions	49(IV A)	Compliant
(B) Disclosure of Accounting Treatment	49(IV B)	Compliant
(C) Board Disclosures	49(IV C)	Compliant
(D) Proceeds from public, rights, preference issues etc.	49(IV D)	Compliant
(E) Remuneration of Directors	49(IV E)	Compliant
(F) Management	49(IV F)	Compliant
(G) Shareholders	49(IV G)	Compliant
V. CEO/CFO Certification	49(V)	Compliant
VI. Report on Corporate Governance	49(VI)	Compliant
VII. Compliance	49(VII)	Compliant

Registered Office and Corporate Office and website of the Company, besides being communicated to the Stock Exchanges where the securities of the Company are listed.

During FY 12, the Company may pass Special Resolution through Postal Ballot, as and when required, pursuant to the applicable rules pertaining to the same.

COMPLIANCE

MANDATORY REQUIREMENTS

The Company is fully compliant with the applicable mandatory requirements of the revised Clause 49 of the Listing Agreement. The Compliance Report is given in Table 8.

ADOPTION OF NON-MANDATORY REQUIREMENTS

Although it is not mandatory, the Board of the Company has constituted a Compensation Committee. Details of the Committee have been provided under the Section 'Compensation Committee'. The Company has also adopted a Whistle Blower Policy.

In addition, it is important to note that the Company's financial statements are free from any qualifications by the Auditors of the Company.

The Board of Directors of the Company, at its meeting held on April 27, 2010 noted the guidelines issued by the Ministry of Corporate Affairs (MCA) on Corporate Governance to be voluntarily adopted by the listed public companies in addition to the mandatory requirements prescribed under Clause 49 of the Listing Agreement relating to Corporate Governance. Whilst the Company is in compliance with the mandatory provisions of the said Clause, the Board felt that the Company could adopt the relevant non-mandatory provisions of the said guidelines at an appropriate time. ■

additional shareholder information

ANNUAL GENERAL MEETING

Date: July 27, 2011

Time: 2.00 p.m.

Venue: Tapovan Hall, Chinmaya Heritage Centre, No. 2, 13th Avenue, Harrington Road, Chetpet, Chennai - 600 031.

FINANCIAL CALENDAR

Financial year: April 1, 2010 to March 31, 2011. For the year ended March 31, 2011, results were announced on:

- August 4, 2010: First quarter
- November 8, 2010: Half yearly
- January 31, 2011: Third quarter
- April 29, 2011: Fourth quarter and annual.
- For the year ending March 31, 2012, results will be announced by
- Second week of August 2011: First quarter
- Second week of November 2011: Half yearly

- Second week of February 2012: Third quarter
- Last week of May 2012: Fourth quarter and annual.

BOOK CLOSURE

The dates of book closure are from July 16, 2011 to July 27, 2011 inclusive of both days.

DIVIDEND PAYMENT

A final dividend of ₹ 2/- per equity share will be paid from July 28, 2011, subject to approval by the shareholders at the ensuing Annual General Meeting. The Company will pay 6% dividend on Compulsorily Convertible Cumulative Preference Shares.

UNCLAIMED SHARES LYING IN THE ESCROW ACCOUNT

Pursuant to SEBI's circular no. **SEBI/CFD/DIL/LA/2009/24/04** dated April 24, 2009

the Company has credited the unclaimed shares lying in the escrow account, allotted pursuant to the Initial Public Offer of the Company during July-August 2005, into a Demat Suspense Account opened specifically for this purpose. The details as required to be disclosed in the Annual Report are given in Table 1.

LISTING

At present, the equity shares of the Company are listed on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE). The annual listing fees for FY 2011-12 to NSE and BSE have been paid. Refer Table 2.

STOCK MARKET DATA

Table 3 gives details of Stock Market data of the Company's shares. A comparison of IDFC share prices in the BSE and NSE with

1	PARTICULARS	NO. OF CASES/ MEMBERS	NO. OF SHARES OF ₹10/- EACH
	Aggregate number of shareholders and the outstanding shares in the Demat Suspense Account lying at the time of opening of the Account.	112	32,099
	Number of shareholders who approached to issuer/Registrar for transfer of shares from Demat Suspense Account during FY 11	9	2,924
	Number of shareholders to whom shares were transferred from Demat Suspense Account during FY 11	9	2,924
	Aggregate number of shareholders and the outstanding shares in the Demat Suspense Account lying at the end of the year i.e. as on March 31, 2011	103	29,175

2	IDFC's Stock Exchange Codes
NAME OF THE STOCK EXCHANGE	STOCK CODE
National Stock Exchange of India Limited	IDFC EQ
Bombay Stock Exchange Limited	532659
ISIN	INE043D01016

3 Highs, lows and volumes of Company's equity shares for FY 11 at BSE and NSE

	BSE			NSE		
	HIGH	LOW	VOLUME	HIGH	LOW	VOLUME
Mar-11	161.50	140.40	19,658,403	161.55	140.35	126,867,538
Feb-11	150.20	115.90	32,318,362	150.40	115.45	249,860,960
Jan-11	185.65	144.80	14,540,002	185.65	144.60	96,317,430
Dec-10	194.00	161.45	14,820,443	193.95	161.25	112,335,222
Nov-10	218.20	168.20	22,185,955	218.25	168.20	140,551,873
Oct-10	215.00	195.45	14,508,939	214.65	195.10	96,265,259
Sep-10	210.80	178.35	18,525,940	210.80	178.05	133,663,286
Aug-10	189.80	175.30	13,234,630	189.75	166.00	79,379,175
Jul-10	195.80	176.70	25,616,747	196.35	177.05	155,315,529
Jun-10	181.00	150.75	21,654,546	181.70	149.00	109,239,523
May-10	170.80	141.35	18,133,425	174.00	141.10	100,826,823
Apr-10	175.70	158.10	20,189,514	175.90	155.00	105,381,081

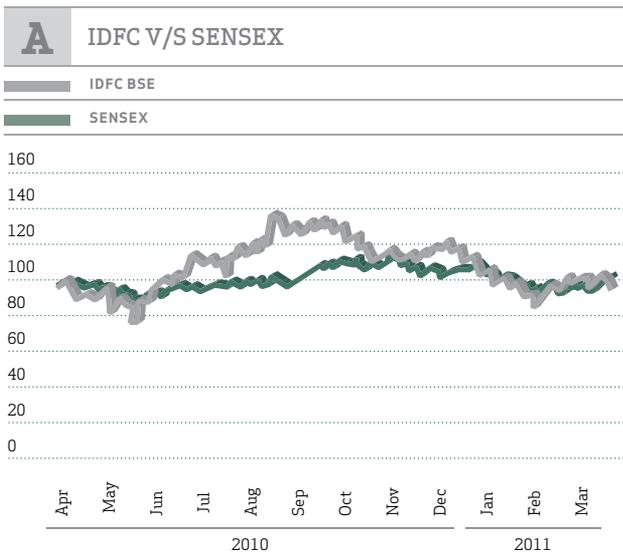
Note: High and low are in ₹ per traded share. Volume is the total monthly volume of trade in number of IDFC's shares.

4 Equity shareholding pattern by size

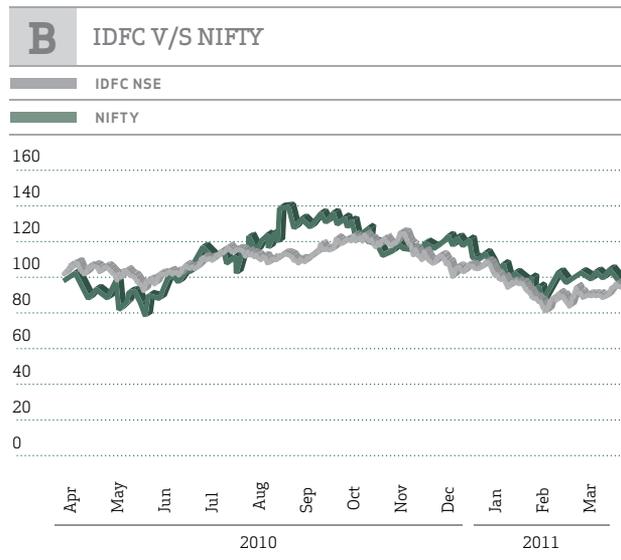
NUMBER OF SHARES	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	TOTAL SHARES	% OF SHARES
Upto 5000	302,446	87.29%	44,909,467	3.07%
5001-10000	27,118	7.83%	19,366,233	1.33%
10001-20000	9,115	2.63%	13,390,394	0.92%
20001-30000	2,679	0.77%	6,821,399	0.46%
30001-40000	1,113	0.32%	4,006,024	0.27%
40001-50000	924	0.27%	4,371,212	0.30%
50001-100000	1,338	0.39%	9,723,676	0.67%
100001 and above	1,730	0.50%	1,358,359,143	92.98%
Total	346,463	100%	1,460,947,548	100%

5 Equity shareholding pattern by ownership

	MARCH 31, 2011		MARCH 31, 2010	
	NO. OF EQUITY SHARES (FACE VALUE OF ₹ 10/- EACH)	SHARES HELD PERCENTAGE	NO. OF EQUITY SHARES (FACE VALUE OF ₹ 10/- EACH)	SHARES HELD PERCENTAGE
A. PROMOTERS HOLDING				
PROMOTERS				
Indian Promoters	0	0.00%	0	0.00%
Foreign Promoters	0	0.00%	0	0.00%
Persons acting in concert	0	0.00%	0	0.00%
B. NON-PROMOTERS HOLDING				
a) President of India	261,400,000	17.89%	261,400,000	20.10%
b) Banks, Financial institutions, Insurance Companies (Central/State Govt. Institutions/Non-Govt. Institutions)	205,713,945	14.08%	213,646,350	16.43%
c) Foreign Institutional Investors (FIIs)	734,689,241	50.29%	577,536,022	44.40%
d) Foreign Direct Investment (FDI)	11,803,311	0.81%	12,950,000	1.00%
e) Mutual Funds	55,687,159	3.81%	71,999,642	5.54%
f) Private Corporate Bodies	56,387,709	3.86%	38,244,753	2.94%
g) Indian Public	120,678,996	8.26%	115,020,414	8.84%
h) NRIs/OCBs/Foreign Nationals	4,744,899	0.32%	3,966,398	0.30%
i) Any other				
Clearing Member	4,066,204	0.28%	903,685	0.07%
Trusts	565,361	0.04%	409,592	0.03%
HUF	5,210,723	0.36%	4,535,537	0.35%
Grand Total	1,460,947,548	100%	1,300,612,393	100%



Note: IDFC share prices at the BSE and the BSE Sensex have been indexed to 100 as on the first working day of 2010-11.



Note: IDFC share prices at the NSE and the NSE Nifty have been indexed to 100 as on the first working day of 2010-11.

their respective indicative indices are given in Charts A and B.

DISTRIBUTION OF SHAREHOLDING

Tables 4 and 5 lists the distribution of the shareholding of the equity shares of the Company by size and by ownership class as on March 31, 2011.

DEMATERIALISATION OF SHARES

As on March 31, 2011, over 99.99% shares of the Company were held in dematerialised form.

DETAILS OF FUNDS RAISED FROM PREFERENTIAL ISSUE OF SHARES AND PUBLIC ISSUE OF BONDS

During the year, the Company had issued and allotted 157,752,090 equity shares of ₹ 10 each to Qualified Institutional Buyers (QIBs) under Chapter VIII of the Securities & Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 at a premium of ₹ 158.25 per equity share aggregating to ₹ 2,654.18 crore.

During the year 2010-11, the Company had issued 84,000,000 Compulsorily Convertible Cumulative Preference Shares

(CCCPS) having face value of ₹ 100 each on preferential basis in terms of Chapter VII of the Securities & Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 aggregating to ₹ 840 crore. The said CCCPS can be converted at any time before 18 (eighteen) months from the date of allotment @ ₹ 176 per share and post conversion, there will be an equity dilution of 3.16%.

During the financial year, the Company also made a public issue of long-term infrastructure bonds of face value of ₹ 5,000 each, in the nature of secured, redeemable, non-convertible debentures, having benefits under Section 80 CCF of the Income Tax Act, 1961, under the applicable SEBI Guidelines, aggregating to ₹ 1,451.76 crore.

SHARE TRANSFER SYSTEM

The Company has appointed Karvy Computershare Private Limited (Karvy) as its Registrar and Transfer Agent. All share transfers and related operations are conducted by Karvy, which is registered with SEBI as a Category 1 Registrar. The Company has constituted an Investors' Grievances Committee for redressing shareholders' and investors' complaints.

INVESTOR CORRESPONDENCE SHOULD BE ADDRESSED TO:

1) Registrar and Transfer Agent Unit: Infrastructure Development Finance Company Limited

Karvy Computershare Pvt. Ltd.
Plot No. 17 to 24, Vithalrao Nagar,
Madhapur, Hyderabad - 500 081
Tel: +91 40 2342 0815-28

2) The Company Secretary Infrastructure Development Finance Company Limited

Naman Chambers,
C-32, G Block, Bandra-Kurla Complex,
Bandra (East), Mumbai - 400 051
Tel: +91 22 4222 2016
Fax: +91 22 2654 0354
E-mail: mahendra.shah@idfc.com

REGISTERED OFFICE ADDRESS:

KRM Tower, 8th Floor,
No. 1, Harrington Road, Chetpet,
Chennai - 600 031
Tel: +91 44 4564 4000

CERTIFICATION BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER OF THE COMPANY

We, Rajiv B. Lall, Managing Director & Chief Executive Officer and Sunil Kakar, Chief Financial Officer, of Infrastructure Development Finance Company Limited (the Company), hereby certify to the Board that:

- (a) We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:
- (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

- (b) There are, to the best of our knowledge and belief, no transactions entered into by IDFC during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- (c) We are responsible for establishing and maintaining internal controls for financial reporting in IDFC and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting. We have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the Auditors and the Audit Committee:
- (i) Significant changes in internal control over financial reporting during the year;
 - (ii) Significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial

- statements; and
- (iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.
- (e) We affirm that we have not denied any personnel access to the Audit Committee of the Company (in respect of matters involving alleged misconduct, if any).
- (f) We further declare that all Board members and senior management have affirmed compliance with the code of conduct for the current year.

RAJIV B. LALL
Managing Director & Chief Executive Officer

SUNIL KAKAR
Chief Financial Officer

Mumbai
April 29, 2011

AUDITORS' CERTIFICATE TO THE MEMBERS OF INFRASTRUCTURE DEVELOPMENT FINANCE COMPANY LIMITED

We have examined the compliance of conditions of corporate governance by **INFRASTRUCTURE DEVELOPMENT FINANCE COMPANY LIMITED** ("the Company") for the year ended on March 31, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the abovementioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

FOR DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 117366W)

NALIN M. SHAH
Partner
Membership No. 15860

Mumbai
June 13, 2011

TO THE BOARD OF DIRECTORS OF INFRASTRUCTURE DEVELOPMENT FINANCE COMPANY LIMITED

1. We have audited the attached Consolidated Balance Sheet of **INFRASTRUCTURE DEVELOPMENT FINANCE COMPANY LIMITED** ("the Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group") as at March 31, 2011, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. The Consolidated Financial Statements include investments in an associate accounted on the equity method in accordance with Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of eleven subsidiaries, whose financial statements reflect total assets of ₹ 2,965,037,082 as at March 31, 2011, total revenues (net) of ₹ 1,738,387,796 and net cash outflow amounting to ₹ 232,021,611 for the year ended on that date as considered in the Consolidated Financial Statements. We have also not audited the financial statements of one associate in which the Company's share of profit amounts to ₹ 22,273,705. These financial statements have been audited by other auditors whose

reports have been furnished to us and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries and associate, is based solely on the reports of the other auditors.

4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements) and Accounting Standard 23 (Accounting for Investment in Associates in Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006.

5. Based on our audit and on consideration of the separate audit reports on the individual financial statements of the Company, the aforesaid subsidiaries and the associate, and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2011;
- (ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
- (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

FOR DELOITTE HASKINS & SELLS

Chartered Accountants
(Registration No. 117366W)

NALIN M. SHAH

Partner
Membership No. 15860

Mumbai
April 29, 2011

BALANCE SHEET

CONSOLIDATED AS AT MARCH 31, 2011

		₹	₹	₹
	SCHEDULE		AS AT MARCH 31, 2011	AS AT MARCH 31, 2010
SOURCES OF FUNDS :				
Shareholders' Funds				
Capital	1	23,009,475,480		13,006,123,930
Share Application Money		41,425,329		2,563,997
Reserves and Surplus	2	89,433,527,766		57,094,567,294
			112,484,428,575	70,103,255,221
Loan Funds				
Secured	3	354,350,149,984		-
Unsecured		8,689,340,276		265,438,628,642
			363,039,490,260	265,438,628,642
Minority Interest			1,733,376	63,273,606
Deferred Tax Liability (See Schedule 18 Note 22)			15,342,000	11,123,518
			475,540,994,211	335,616,280,987
APPLICATION OF FUNDS :				
Fixed Assets				
Gross Block	4	5,329,584,528		5,184,174,458
Less: Depreciation and Amortisation		1,204,255,434		907,410,471
		4,125,329,094		4,276,763,987
Add: Capital Work-in-Progress		6,442,966		54,620,121
Add: Pre-operative Expenses pending capitalisation		337,288,896		83,706,961
			4,469,060,956	4,415,091,069
Goodwill on Consolidation			11,638,014,347	11,596,304,199
Investments	5		69,611,476,590	46,553,986,474
Infrastructure Loans	6		376,523,158,142	250,310,645,435
Deferred Tax Asset (See Schedule 18 Note 22)			2,495,612,522	1,766,206,997
Current Assets, Loans and Advances				
Income accrued on Investments		689,565,001		454,857,387
Interest accrued on Infrastructure Loans		5,441,213,003		3,598,209,916
Sundry Debtors	7	621,682,920		859,124,016
Cash and Bank balances	8	11,049,068,106		2,714,698,979
Loans and Advances	9	10,628,566,711		25,830,180,195
		28,430,095,741		33,457,070,493
Less: Current Liabilities and Provisions				
Current Liabilities	10	12,863,082,587		10,185,729,828
Provisions	11	4,763,341,500		2,297,293,852
		17,626,424,087		12,483,023,680
Net Current Assets			10,803,671,654	20,974,046,813
			475,540,994,211	335,616,280,987
Notes to the Accounts	18			
Schedules 1 to 18 form an integral part of the Accounts				

IN TERMS OF OUR REPORT ATTACHED

FOR DELOITTE HASKINS & SELLS

Chartered Accountants

NALIN M. SHAH

Partner

Mumbai | April 29, 2011

FOR AND ON BEHALF OF THE BOARD

DEEPAK S. PAREKH

Chairman

SUNIL KAKAR

Chief Financial Officer

RAJIV B. LALL

Managing Director & CEO

MAHENDRA N. SHAH

Company Secretary

PROFIT AND LOSS ACCOUNT

CONSOLIDATED FOR THE YEAR ENDED MARCH 31, 2011

		₹	₹	₹
	SCHEDULE ↘		APRIL 1, 2010 TO MARCH 31, 2011	APRIL 1, 2009 TO MARCH 31, 2010
INCOME				
Operating and Other Income	12		49,330,287,135	40,626,410,905
EXPENDITURE				
Interest and Other Charges	13	23,875,265,740		19,534,659,942
Staff Expenses	14	2,955,922,314		3,083,660,252
Establishment Expenses	15	361,288,736		405,981,195
Other Expenses	16	1,601,563,845		1,630,320,629
Provisions and Contingencies	17	2,346,138,173		1,282,526,807
Depreciation and Amortisation		401,726,338		405,742,123
			31,541,905,146	26,342,890,948
PROFIT BEFORE TAXATION				
			17,788,381,989	14,283,519,957
Less: Provision for Taxation				
Current Tax		5,724,207,032		3,999,628,119
Less: Deferred Tax Credit (See Schedule 18 Note 22)		726,665,378		333,869,109
			4,997,541,654	3,665,759,010
PROFIT AFTER TAXATION (before share of profit from Associates and adjustment for Minority Interest)				
			12,790,840,335	10,617,760,947
Add: Share of Net Profit from Associates (Equity method)			22,273,705	10,754,759
Less: Share of Profit/(Loss) of Minority Interest			(3,418,268)	1,004,831
Less: Pre acquisition Profit for the year of Subsidiaries (net)			-	4,594,461
PROFIT AFTER TAXATION				
			12,816,532,308	10,622,916,414
Add: Balance as per last Balance Sheet			14,324,848,269	10,885,845,000
Add: Opening Adjustment (See Schedule 18 Note 25)			313,773	24,083,297
AVAILABLE FOR APPROPRIATION				
			27,141,694,350	21,532,844,711
Appropriations:				
Debtenture Redemption Reserve (See Schedule 18 Note 7)			726,000,000	-
Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961 (See Schedule 18 Note 8)			2,460,000,000	2,340,989,999
Special Reserve u/s 45-IC of RBI Act, 1934			2,560,908,732	2,038,352,575
General Reserve			1,029,976,000	553,323,000
Proposed Dividend				
Equity Shares			2,925,128,345	1,951,251,394
[₹ 2.00 per equity share (Previous Year ₹ 1.50 per equity share)] (See Schedule 18 Note 9)				
PREFERENCE SHARES				
			321,731,507	-
[@ 6% p.a. (Previous Year Nil)] (See Schedule 18 Note 5)				
Tax on Dividend			572,595,785	324,079,474
Balance carried forward			16,545,353,981	14,324,848,269
			27,141,694,350	21,532,844,711
Earnings per share (Face Value ₹ 10) (See Schedule 18 Note 21)				
Basic			8.77	8.20
Diluted			8.71	8.12
Notes to the Accounts	18			
Schedules 1 to 18 form an integral part of the Accounts				

IN TERMS OF OUR REPORT ATTACHED

FOR DELOITTE HASKINS & SELLS

Chartered Accountants

NALIN M. SHAH

Partner

Mumbai | April 29, 2011

FOR AND ON BEHALF OF THE BOARD

DEEPAK S. PAREKH

Chairman

SUNIL KAKAR

Chief Financial Officer

RAJIV B. LALL

Managing Director & CEO

MAHENDRA N. SHAH

Company Secretary

CASH FLOW STATEMENT

CONSOLIDATED FOR THE YEAR ENDED MARCH 31, 2011

	₹	₹	₹
		FOR THE YEAR ENDED MARCH 31, 2011	FOR THE YEAR ENDED MARCH 31, 2010
A. CASH FLOW FROM OPERATING ACTIVITIES			
Profit before Taxation		17,788,381,989	14,283,519,957
Adjustments for:			
Depreciation and Amortisation	401,726,338		405,742,123
Provision for Employee Benefits	(19,136,519)		11,037,564
ESOP compensation cost	167,493,624		53,382,037
Provision for Contingencies	1,484,775,667		1,026,200,000
Provision for Doubtful Loans, Debtors and Restructured Loans	61,055,341		36,022,452
Provision for Diminution in value of Investments	798,685,465		220,304,355
Provision for Mark to Market on Derivatives	1,621,700		-
(Gain)/Loss on Foreign Currency Revaluation	(74,185,461)		358,406,574
Amortisation of Premium on Investments	30,068,206		13,147,575
Foreign Currency Translation Reserve	(12,704,524)		(11,433,177)
Profit on sale of Investments	(2,555,409,102)		(4,286,094,945)
Profit on sale of Fixed Assets	(68,854,505)		(118,952,133)
		215,136,230	(2,292,237,575)
Changes in:			
Current Assets, Loans and Advances	(3,409,299,915)		1,070,440,799
Current Liabilities	835,003,555		1,915,944,085
		(2,574,296,360)	2,986,384,884
Direct Taxes paid		(4,815,134,322)	(3,299,985,374)
CASH GENERATED FROM OPERATIONS		10,614,087,537	11,677,681,892
Infrastructure Loans disbursed (net of repayments)		(126,739,739,359)	(44,936,679,433)
NET CASH USED IN OPERATING ACTIVITIES		(116,125,651,822)	(33,258,997,541)
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets (including Capital Work-in-Progress and Pre-operative Expenses pending capitalisation)		(524,617,345)	(399,343,699)
Sale of Fixed Assets		137,775,624	240,817,681
Purchase of Investments		(1,874,280,487,961)	(1,017,624,964,934)
Sale Proceeds of Investments		1,869,393,316,917	1,018,717,531,978
Goodwill on acquisitions		(41,710,148)	(904,487,428)
Capital Reserve on increase of stake in Subsidiary/Joint Venture		(1,269)	1,269
Opening Adjustment (See Schedule 18 Note 25)		313,773	24,083,297
NET CASH FROM/(USED) IN INVESTING ACTIVITIES		(5,315,410,409)	53,638,164
C. CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from fresh issue of shares (net of issue expenses)		35,052,369,151	207,455,365
Proceeds from Borrowings (net of repayments)		97,067,589,863	29,368,119,263
Dividend paid (including dividend tax)		(2,250,791,857)	(1,852,785,221)
Decrease in Minority Interest		(58,121,962)	(218,786,058)
NET CASH FROM FINANCING ACTIVITIES		129,811,045,195	27,504,003,349
Net increase/(decrease) in cash and cash equivalents (A+B+C)		8,369,982,964	(5,701,356,028)
Cash and cash equivalents as at the beginning of the period/year (See Schedule 18 Note 12)		1,982,695,741	7,684,051,769
Cash and cash equivalents as at the end of the period/year (See Schedule 18 Note 12)		10,352,678,705	1,982,695,741
		8,369,982,964	(5,701,356,028)

IN TERMS OF OUR REPORT ATTACHED

FOR DELOITTE HASKINS & SELLS

Chartered Accountants

NALIN M. SHAH

Partner

FOR AND ON BEHALF OF THE BOARD

DEEPAK S. PAREKH

Chairman

RAJIV B. LALL

Managing Director & CEO

SUNIL KAKAR

Chief Financial Officer

MAHENDRA N. SHAH

Company Secretary

Mumbai | April 29, 2011

SCHEDULE 1 Capital	₹	₹
	AS AT MARCH 31, 2011	AS AT MARCH 31, 2010
AUTHORISED:		
4,000,000,000 Equity Shares of ₹ 10 each	40,000,000,000	40,000,000,000
100,000,000 Preference Shares of ₹ 100 each	10,000,000,000	10,000,000,000
	50,000,000,000	50,000,000,000
ISSUED, SUBSCRIBED AND PAID-UP:		
(See Schedule 18 Notes 4 & 5)		
1,460,947,548 (Previous Year 1,300,612,393) Equity Shares of ₹ 10 each, fully paid-up	14,609,475,480	13,006,123,930
84,000,000 (Previous Year Nil) 6% compulsorily convertible cumulative Preference Shares of ₹ 100 each fully paid-up	8,400,000,000	-
	23,009,475,480	13,006,123,930
SCHEDULE 2 Reserves and Surplus		
	₹	₹
	AS AT MARCH 31, 2011	AS AT MARCH 31, 2010
SECURITIES PREMIUM ACCOUNT		
Opening Balance	21,914,270,425	22,037,481,915
Add: Received during the year	25,101,204,403	152,052,448
Add: Options exercised	58,183,450	1,397,289
Less: Utilised during the year	1,914,422,206	276,661,227
	45,159,236,072	21,914,270,425
EMPLOYEES' STOCK OPTIONS OUTSTANDING		
(See Schedule 18 Note 6)		
Opening Balance	203,647,842	151,663,094
Add: Net charge for the year	167,493,624	53,382,037
Less: Options exercised	58,183,450	1,397,289
	312,958,016	203,647,842
CAPITAL RESERVE ON CONSOLIDATION		
Opening Balance	12,542,703	12,541,434
Add: Increase in holding of Joint Venture	-	1,269
Less: Sale of holding in Joint Venture	1,269	-
	12,541,434	12,542,703
FOREIGN CURRENCY TRANSLATION RESERVE		
(See Schedule 18 Note 2(I)(viii))		
Opening Balance	(4,842,272)	6,590,905
Add/(Less): Foreign Exchange translation in relation to non-integral foreign operations	(12,704,524)	(11,433,177)
	(17,546,796)	(4,842,272)
DEBENTURE REDEMPTION RESERVE		
(See Schedule 18 Note 7)		
Opening Balance	-	-
Add: Transfer from Profit and Loss Account	726,000,000	-
	726,000,000	-
SPECIAL RESERVE U/S 36(1)(viii) OF INCOME-TAX ACT, 1961		
(See Schedule 18 Note 8)		
Opening Balance	9,146,806,496	6,805,816,497
Add: Transfer from Profit and Loss Account	2,460,000,000	2,340,989,999
	11,606,806,496	9,146,806,496
SPECIAL RESERVE U/S 45-IC OF RBI ACT, 1934		
Opening Balance	9,410,584,308	7,372,231,733
Add: Transfer from Profit and Loss Account	2,560,908,732	2,038,352,575
	11,971,493,040	9,410,584,308
GENERAL RESERVE		
Opening Balance	2,086,709,523	1,533,386,523
Add: Transfer from Profit and Loss Account	1,029,976,000	553,323,000
	3,116,685,523	2,086,709,523
PROFIT AND LOSS ACCOUNT		
	16,545,353,981	14,324,848,269
	89,433,527,766	57,094,567,294

SCHEDULE 3 Loan Funds		₹	₹	₹
		AS AT MARCH 31, 2011	AS AT MARCH 31, 2010	
LOAN FUNDS (Secured) [See Schedule 18 Note 10(a)]				
LONG-TERM				
DEBENTURES (NON-CONVERTIBLE) [Refer Note (i)]		247,824,605,000		-
Less: Unexpired discount on zero percent debentures [Refer Note (v)]		2,811,586,678		-
			245,013,018,322	-
TERM LOANS [Refer Note (iii)]				
From Banks		80,472,032,782		-
From Others		14,117,842,442		-
			94,589,875,224	-
			339,602,893,546	-
SHORT-TERM				
TERM LOANS				
From Banks		12,250,000,000		-
Collateralised Borrowing and Lending Obligation [See Schedule 18 Note 10(b)]		2,497,256,438		-
			14,747,256,438	-
Total Secured Loan Funds			354,350,149,984	-
LOAN FUNDS (Unsecured)				
LONG-TERM				
Subordinated Debt from Government of India			6,500,000,000	6,500,000,000
Loan from Government of Karnataka			-	146,072,789
Debentures (Convertible)			66,732,000	63,772,100
Debentures (Non-Convertible) [Refer Note (ii)] [See Schedule 18 Note 10(c)]		-		162,866,000,000
Less: Unexpired discount on zero percent debentures [Refer Note (v)]		-		4,092,546,142
			-	158,773,453,858
TERM LOANS [Refer Note (iv)]				
From Banks		-		50,455,497,768
From Others		-		11,656,312,500
			-	62,111,810,268
			6,566,732,000	227,595,109,015
SHORT-TERM				
DEBENTURES (NON-CONVERTIBLE)				
Less: Unexpired discount on zero percent debentures [Refer Note (v)]		-		7,500,000,000
		-		187,928,402
			-	7,312,071,598
TERM LOANS				
From Banks		-		11,300,000,000
From Others		-		2,000,000,000
			-	13,300,000,000
COMMERCIAL PAPER				
		2,100,000,000		17,500,000,000
Less: Unexpired discount on commercial papers [Refer Note (v)]		36,496,733		268,551,971
			2,063,503,267	17,231,448,029
Bank Overdraft			59,105,009	-
			2,122,608,276	37,843,519,627
Total Unsecured Loan Funds			8,689,340,276	265,438,628,642

NOTES:

- (i) Debentures include ₹ 58,040,000,000 (Previous Year ₹ Nil) repayable within a year.
- (ii) Debentures include ₹ Nil (Previous Year ₹ 48,580,000,000) repayable within a year.
- (iii) Term Loans from Banks include ₹ 19,981,597,085 (Previous Year ₹ Nil) and from Others include ₹ 1,074,937,245 (Previous Year ₹ Nil) repayable within a year.
- (iv) Term Loans from Banks include ₹ Nil (Previous Year ₹ 13,162,285,085) and from Others include ₹ Nil (Previous Year ₹ 922,874,743) repayable within a year.
- (v) Unexpired discount is net of ₹ 2,357,045,237 (Previous Year ₹ 1,631,380,732) towards interest accrued but not due.

SCHEDULE 4 Fixed Assets

DESCRIPTION	GROSS BLOCK					DEPRECIATION AND AMORTISATION					NET BLOCK		
	As at April 1, 2010	Additions	Deletions	Translation Exchange Difference	Opening Adjustment*	As at March 31, 2011	As at April 1, 2010	Charge for the year	Deletions	Translation Exchange Difference	Opening Adjustment*	As at March 31, 2011	As at March 31, 2010
Tangible													
Land - Freehold	50,646,516	4,000	-	-	-	50,650,516	-	-	-	-	-	50,650,516	50,646,516
Land - Leasehold	-	45,058,537	-	-	-	45,058,537	-	-	-	-	-	45,058,537	-
Buildings													
Own Use	3,296,799,539	58,414,115	75,934,134	-	-	3,279,279,520	247,573,298	151,960,201	36,514,492	-	-	3,633,019,007	2,916,260,513
Under Operating Lease	188,120,350	-	-	-	-	188,120,350	86,885,372	5,061,749	-	-	-	91,947,121	101,234,978
Leasehold improvements	89,463,353	49,874,505	616,510	(52,247)	(711,508)	137,957,593	25,547,942	28,092,844	251,432	(78,959)	(711,508)	52,598,887	85,358,706
Computer Hardware	164,260,727	35,401,475	11,220,677	(24,554)	(10,290,933)	178,126,038	107,165,923	29,901,012	10,825,196	(23,898)	(5,096,930)	121,120,911	57,005,127
Furniture, Fittings and Office Equipments													
Owned	245,952,333	51,956,500	17,885,357	(28,166)	(23,752,679)	256,242,631	87,006,209	30,951,591	13,387,191	(17,016)	(8,312,075)	96,241,518	160,001,113
Under Operating Lease	4,344,305	-	-	-	-	4,344,305	1,048,746	235,688	-	-	-	1,284,434	3,059,871
Windmills	1,012,500,000	-	-	-	-	1,012,500,000	282,363,895	111,929,865	-	-	-	394,293,760	618,206,240
Vehicles	13,521,910	124,800	1,987,475	-	(1,313,853)	10,345,382	7,276,237	1,426,475	1,529,976	-	(661,413)	6,511,323	3,834,059
Intangible													
Computer Software	117,482,225	78,363,015	27,782,735	(4,569)	(2,181,480)	165,876,456	62,424,142	42,058,593	26,829,435	(5,280)	(636,574)	77,011,446	88,865,010
Tenancy Rights	1,083,200	-	-	-	-	1,083,200	118,707	108,320	-	-	-	227,027	856,173
Total	5,184,174,458	319,196,947	135,426,888	(109,536)	(38,250,453)	5,329,584,528	907,410,471	401,726,338	89,337,722	(125,153)	(15,418,500)	1,204,255,434	4,125,329,094
Previous Year	5,111,516,822	290,775,657	232,809,961	(1,784,094)	(16,476,034)	5,184,174,458	612,579,446	405,742,123	110,944,413	(30,199)	(63,514)	907,410,471	4,276,763,987

*See Schedule 18 Note 25

Note: Buildings include ₹ 500 (Previous Year ₹ 1,000) being the cost of shares in co-operative housing societies.

SCHEDULE 5 Investments

₹

₹

₹

AS AT MARCH 31, 2011

AS AT MARCH 31, 2010

I. LONG-TERM		
INVESTMENT IN ASSOCIATES:		
Equity Shares	102,877,304	102,877,304
Add: Goodwill on acquisition of Associates	97,993,681	97,993,681
	200,870,985	200,870,985
Add: Adjustment for post-acquisition share of profit and reserves of Associates (Equity method)	102,936,355	87,910,690
		303,807,340
		288,781,675
OTHER INVESTMENTS:		
Equity Shares	7,568,949,150	7,267,468,837
Preference Shares	6,687,178,543	7,622,090,543
Venture Capital Units	4,666,929,819	3,979,378,730
Bonds	7,357,352,861	11,869,854,139
Government Securities	499,862,500	256,262,500
Security Receipts	217,172,886	220,031,677
Trust Units	-	5,000,000
		26,997,445,759
		27,301,253,099
II. CURRENT		
Equity Shares	818,391,339	871,752,699
Bonds	11,680,563,063	5,226,798,900
Pass Through Certificates	12,802,283	1,102,632,104
Certificate of Deposits with Scheduled Banks	18,898,927,298	3,710,542,969
Commercial Papers	8,214,683,135	1,441,284,534
Government Securities	2,617,356,559	-
Mutual Funds	1,505,100,989	3,300,954,671
Convertible Warrants	46,750	46,750
		43,747,871,416
		71,049,124,515
TOTAL (I + II)		47,162,880,728
Less : Provision for Diminution in Value of Investments		608,894,254
		69,611,476,590
		46,553,986,474

Continued...

SCHEDULE 5 Investments (Continued)		₹	₹
		AS AT MARCH 31, 2011	AS AT MARCH 31, 2010
NOTES:			
(1) Aggregate amount of quoted investments			
Cost		3,678,903,578	3,142,224,439
Market Value		3,436,733,060	4,144,842,552
(2) Aggregate amount of unquoted investments – Cost			
		67,370,220,937	44,020,656,289
(3) Aggregate amount of investments in Unquoted Mutual Funds			
Cost		1,505,100,989	3,300,954,671
Market Value		1,513,670,497	3,302,022,935
Market value of Investments in Unquoted Mutual Funds represents the repurchase price of the units issued by the Mutual Funds.			
(4) Investments include ₹ 476,853,181 (Previous Year ₹ 17,578,988) in respect of equity shares which are subject to a lock-in-period.			
(5) Investments include ₹ 4,698,543 (Previous Year ₹ 544,698,543) in respect of equity shares and ₹ 4,657,908,833 (Previous Year ₹ 3,979,376,890) in respect of Venture Capital Units which are subject to restrictive covenants.			

SCHEDULE 6 Infrastructure Loans (See Schedule 18 Note 11)		₹	₹
		AS AT MARCH 31, 2011	AS AT MARCH 31, 2010
LOANS	373,817,657,099		248,877,968,919
DEBENTURES	8,332,267,721		6,516,784,194
		382,149,924,820	255,394,753,113
Less: Provision for Doubtful Infrastructure Loans		408,291,011	368,707,678
Provision against Restructured Loans		-	14,200,000
Provision for Contingencies		5,218,475,667	4,701,200,000
		376,523,158,142	250,310,645,435
Whereof:			
(i) Considered good		381,741,633,809	255,026,045,435
(ii) Considered doubtful		408,291,011	368,707,678

SCHEDULE 7 Sundry Debtors (Unsecured)		₹	₹
		AS AT MARCH 31, 2011	AS AT MARCH 31, 2010
CONSIDERED GOOD			
Over six months	261,097,800		24,988,031
Others	360,585,120		834,135,985
		621,682,920	859,124,016
CONSIDERED DOUBTFUL			
Over six months	43,159,669		45,169,030
Others	101,280		229,976
		43,260,949	45,399,006
		664,943,869	904,523,022
Less : Provision for Doubtful Debts		43,260,949	45,399,006
		621,682,920	859,124,016

SCHEDULE 8 Cash and Bank Balances (See Schedule 18 Note 12)		₹	₹
		AS AT MARCH 31, 2011	AS AT MARCH 31, 2010
CASH		9,267,420	41,589,851
(includes Cheques on Hand ₹ 9,072,100; Previous Year ₹ 41,382,707)			
BALANCE WITH BANKS			
Saving Accounts	-		2,037,388
Current Accounts	2,485,067,060		538,351,487
Deposit Accounts	8,554,733,626		2,132,720,253
		11,039,800,686	2,673,109,128
		11,049,068,106	2,714,698,979

SCHEDULE 9 Loans and Advances (Unsecured)		₹	₹	₹
		AS AT MARCH 31, 2011	AS AT MARCH 31, 2010	
CONSIDERED GOOD				
Interest accrued on Deposits & Loan to Financial Institution		248,657,808		66,818,920
Advances recoverable in cash or in kind or for value to be received		1,590,201,264		421,689,450
Loan to Financial Institution		300,000,000		300,000,000
Inter Corporate Deposits		5,776,500,000		22,200,000,000
Advance against Investments		573,182,869		454,233,149
Other Deposits		450,035,020		389,874,938
Advance payment of Income Tax (Net of provision)		1,649,979,682		1,996,570,241
Advance payment of Fringe Benefit Tax (Net of provision)		10,068		993,497
Initial margin account – Stock Futures		40,000,000		–
Mark-to-Market margin – Stock Futures account	1,621,700			–
Less: Provision for loss – Stock Futures account	1,621,700			–
			–	–
		10,628,566,711		25,830,180,195
CONSIDERED DOUBTFUL				
Advances recoverable in cash or in kind or for value to be received	6,392,114			8,192,114
Less : Provision against Doubtful Advances	6,392,114			8,192,114
			–	–
		10,628,566,711		25,830,180,195

SCHEDULE 10 Current Liabilities		₹	₹	₹
		AS AT MARCH 31, 2011	AS AT MARCH 31, 2010	
Sundry Creditors		3,066,351,286		2,990,398,638
Interest Accrued but not due on Loan Funds		8,931,300,722		5,501,554,146
Fees/Other Amounts Received in Advance		647,044,856		1,043,574,510
Other Liabilities		218,385,723		650,202,534
		12,863,082,587		10,185,729,828

SCHEDULE 11 Provisions		₹	₹	₹
		AS AT MARCH 31, 2011	AS AT MARCH 31, 2010	
Proposed Dividend		3,245,357,987		1,950,990,402
Tax on Proposed Dividend		496,361,313		222,065,118
Contingent Provision against Standard Assets (See Schedule 18 Note 13)		967,500,000		–
Provision for Employee Benefits (See Schedule 18 Note 17)		47,054,284		66,190,803
Provision for Income Tax (Net of advance payment of tax)		387,572		50,732,498
Provision for Wealth Tax (Net of advance payment of tax)		2,778,377		2,380,377
Provision for Fringe Benefit Tax (Net of advance payment of tax)		3,901,967		4,934,654
		4,763,341,500		2,297,293,852

SCHEDULE 12 Operating and Other Income		₹	₹	₹
			APRIL 1, 2010 TO MARCH 31, 2011	APRIL 1, 2009 TO MARCH 31, 2010
OPERATING INCOME				
Interest on Infrastructure Loans [See Schedule 18 Note 14(b)]	34,461,939,227			25,674,664,424
Interest on Deposits and Loan to Financial Institution and Others	1,081,844,007			693,573,060
Interest on Investments [See Schedule 18 Note 14(a)]	3,935,366,818			2,548,186,542
Dividend on Investments [See Schedule 18 Note 14(a)]	449,387,591			792,871,020
Profit on assignment/sale of Loans	58,557,171			26,838,299
Profit on sale of Investments [See Schedule 18 Note 14(a)]	2,555,409,102			4,286,094,945
Income from trading in derivatives	28,119,763			-
Brokerage	531,508,861			701,962,708
Fees (Net)	5,881,001,528			5,479,988,724
Sale of Power	100,446,439			126,121,060
Other operating income	83,813,837			-
			49,167,394,344	40,330,300,782
OTHER INCOME				
Interest on Income Tax Refund	59,209,389			130,245,181
Other Interest	599,999			1,384,184
Profit on Sale of Fixed Assets (Net)	68,854,505			118,952,133
Miscellaneous Income [See Schedule 18 Notes 14(c) & 20(iii)]	34,228,898			45,528,625
			162,892,791	296,110,123
			49,330,287,135	40,626,410,905
SCHEDULE 13 Interest and Other Charges		₹	₹	₹
			APRIL 1, 2010 TO MARCH 31, 2011	APRIL 1, 2009 TO MARCH 31, 2010
INTEREST				
On Fixed Loans	22,983,333,484			19,195,107,686
On Others	1,683,697			28,257,570
			22,985,017,181	19,223,365,256
OTHER CHARGES [See Schedule 18 Note 14(d)]			890,248,559	311,294,686
			23,875,265,740	19,534,659,942
SCHEDULE 14 Staff Expenses		₹	₹	₹
			APRIL 1, 2010 TO MARCH 31, 2011	APRIL 1, 2009 TO MARCH 31, 2010
Salaries [See Schedule 18 Notes 6 & 20(i)]			2,739,883,741	2,850,369,078
Contribution to Provident and Other Funds (See Schedule 18 Note 17)			121,921,671	93,746,026
Staff Welfare Expenses			94,116,902	139,545,148
			2,955,922,314	3,083,660,252
SCHEDULE 15 Establishment Expenses		₹	₹	₹
			APRIL 1, 2010 TO MARCH 31, 2011	APRIL 1, 2009 TO MARCH 31, 2010
Rent [See Schedule 18 Note 20(ii)]			231,612,035	260,867,188
Rates & Taxes			25,978,314	23,901,457
Electricity			34,884,408	38,316,700
Repairs & Maintenance:				
Buildings	20,563,449			32,960,588
Equipments	19,844,571			22,956,427
Others	19,816,353			21,015,901
			60,224,373	76,932,916
Insurance Charges			8,589,606	5,962,934
			361,288,736	405,981,195

SCHEDULE 16 Other Expenses

	₹	₹
	APRIL 1, 2010 TO MARCH 31, 2011	APRIL 1, 2009 TO MARCH 31, 2010
Travelling and Conveyance	184,301,067	193,198,803
Printing and Stationery	42,894,300	32,179,101
Postage, Telephone and Fax	98,314,066	84,887,026
Advertising and Publicity	64,947,917	114,339,078
Professional Fees	582,899,119	512,276,270
Profit/(Loss) on Foreign Exchange Fluctuation (Net)	-	180,148
Directors' Fees	5,505,562	3,984,270
Commission to Directors	11,100,000	5,626,786
Other Operating Expenses	285,009,803	442,376,440
Bad Debts written off	54,200,138	15,184,670
Miscellaneous Expenses	242,826,837	200,378,068
Auditors' Remuneration (See Schedule 18 Note 15)	29,565,036	25,709,969
	1,601,563,845	1,630,320,629

SCHEDULE 17 Provisions and Contingencies

	₹	₹
	APRIL 1, 2010 TO MARCH 31, 2011	APRIL 1, 2009 TO MARCH 31, 2010
Provision for Contingencies	1,484,775,667	1,026,200,000
Provision for Doubtful Loans, Debtors and Restructured Loans	61,055,341	36,022,452
Provision for Diminution in Value of Investments (Net)	798,685,465	220,304,355
Provision for Mark-to-Market on Stock Futures account	1,621,700	-
	2,346,138,173	1,282,526,807

1 Significant Accounting Policies

A. Accounting Convention

These accounts have been prepared in accordance with historical cost convention, applicable Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006, relevant provisions of the Companies Act, 1956 and the applicable guidelines issued by the Reserve Bank of India (RBI).

B. System of Accounting

The Group adopts accrual concept in the preparation of the accounts. The preparation of the financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

C. Investments

(i) Non Banking Financial Company (NBFC)

The Holding Company is regulated as NBFC – IFC (Infrastructure Finance Company) and a subsidiary company is regulated as NBFC by the Reserve Bank of India (RBI). Accordingly, Investments are classified under two categories i.e. Current and Long-Term, and are valued in accordance with the RBI guidelines and Accounting Standard 13 on 'Accounting for Investments' as notified by the Companies (Accounting Standards) Rules, 2006.

- 'Long-Term Investments' are carried at acquisition cost. A provision is made for diminution other than temporary on an individual basis.
- 'Current Investments' are carried at the lower of cost and fair value on an individual basis. Commercial Papers, Certificate of Deposits and Treasury Bills are valued at carrying cost.

(ii) Other than NBFC

- '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. Infrastructure Loans and Advances

In accordance with the RBI guidelines, all loans and advances are classified under any of four categories i.e. (i) Standard Assets, (ii) Sub-standard Assets, (iii) Doubtful Assets and (iv) Loss Assets.

E. 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.

F. Intangible Assets

Intangible Assets comprising of system 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 Profit and Loss Account. Consideration paid by a subsidiary for transfer of Tenancy Rights is capitalised as an Intangible Asset.

G. Impairment

The Group assesses at each Balance Sheet date whether there is any indication that an asset may be impaired based on internal/external factors. If any such indication exists, the Group estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs, is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss Account. If at the Balance Sheet date there is an indication that a previously assessed 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.

H. Provisions and Contingencies

- Adequate provision for diminution is made as per the regulatory guidelines applicable to Non-Performing Advances and the provisioning policy of the Holding Company in respect of Loans and Debentures in the nature of advances.
- Provision on restructured advances is arrived at in accordance with the RBI guidelines.
- Provision for Contingencies is made as per the provisioning policy of the Holding Company, which includes a general provision at 0.25% of the outstanding standard assets in accordance with the RBI guidelines and provision under Section 36(1)(viiia) of the Income-tax Act, 1961.

I. Depreciation and Amortisation

▪ Tangible Assets

Depreciation on Fixed Assets, excluding certain electronic items, is provided on the written down value method, at the rates prescribed by Schedule XIV of the Companies Act, 1956. Certain electronic items are depreciated over a period of two years on straight line method based on

SCHEDULE 18 Notes Forming Part of the Accounts (Continued)

the Management's estimate of the useful life of assets. Depreciation on additions during the year is provided on a pro-rata basis. Assets costing less than ₹ 5,000 each are written off in the year of capitalisation. Leasehold improvements are amortised on straight line method over the primary period of the lease, except in case of a subsidiary where leasehold improvements are amortised on straight line method over period of extended lease or five years whichever is shorter.

■ Intangible Assets

Intangible assets consisting of computer software are being amortised over a period of three years on straight line method. Tenancy Rights are amortised over a period of ten years on straight line method.

J. Operating Leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term. Lease rental income is recognised in accordance with Accounting Standard 19 on 'Leases' as notified by the Companies (Accounting Standards) Rules, 2006. Initial direct costs incurred specifically for operating leases are recognised as expenses in the year in which they are incurred.

K. Employee Benefits

■ Defined Contribution Plans

The Group's contribution paid/payable during the year towards Provident Fund and Superannuation Fund is charged to the Profit and Loss Account.

■ Defined Benefit Plan

The net present value of the Group's 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 Profit and Loss Account.

L. Income-Tax

The accounting treatment for income-tax is based on Accounting Standard 22 on 'Accounting for Taxes on Income' as notified by the Companies (Accounting Standards) Rules, 2006. The provision made for income-tax in the accounts comprises both, the current tax and the deferred tax. The deferred tax assets and liabilities for the year arising on account of timing differences are recognised in the Profit and Loss Account and the cumulative effect thereof is reflected in the Balance Sheet.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets, other than on carry forward losses and unabsorbed depreciation, are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets on carry forward losses and unabsorbed depreciation is recognised only to the extent there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income.

M. Revenue Recognition

- (a) Interest and other dues are accounted on accrual basis except in the case of non-performing assets ("NPAs") where it is recognised upon realisation, as per the income recognition and asset classification norms prescribed by the RBI.
- (b) Income on discounted instruments is recognised over the tenure of the instrument on straight line basis.
- (c) Dividend is accounted on accrual basis when the right to receive is established.
- (d) Front end fees on processing of loans are recognised upfront as income.
- (e) Brokerage is recognised on trade date basis and is net of statutory payments.
- (f) Management Fees are recognised on accrual basis.
- (g) Performance Fees relating to Investment Advisory are recognised on an annual basis.
- (h) All fees are recognised when reasonable right of recovery is established, revenue can be reliably measured and as and when they become due except commission income on guarantees, is recognised pro-rata over the period of the guarantee.
- (i) Premium on interest rate reduction is accounted on accrual basis over the residual life of the loan.
- (j) Profit/loss earned on sale of investments is recognised on trade date basis. Profit/loss on sale of investments is determined based on the FIFO cost for current investments and weighted average cost for long-term investments.
- (k) Profit on securitisation is recognised over the residual life of the loan in terms of the RBI guidelines. Profit on sale of loan assets through direct assignment, without any recourse obligation, is recognised at the time of sale. Net loss arising on account of securitisation and direct assignment of loan assets is recognised at the time of sale.
- (l) Revenue from Power Supply is accounted on accrual basis.
- (m) Income from trading in derivatives is recognised on final settlement or squaring up of the contracts.

N. Foreign Currency Transactions

Foreign currency transactions are accounted at the exchange rates prevailing on the dates of the transactions. Foreign currency monetary items outstanding as at the Balance Sheet date are reported using the closing rates of exchange. Gains and losses resulting from the settlement of

such transactions and translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account. 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.

[See Note 2 (I)(viii)]

O. Derivatives

■ 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 an accrual basis and these transactions are not marked to market. Any resultant gain or loss on termination of hedge swaps is amortised over the life of swap or underlying asset/liability whichever is shorter.

■ Currency Interest Rate Swaps

Currency interest rate swaps in the nature of hedge are recorded on an accrual basis and these transactions are not marked to market. Any resultant gain or loss on termination of hedge swaps is amortised over the life of swap or underlying asset/liability whichever is shorter. The foreign currency balances on account of principal of cross currency 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. Debit or credit balance disclosed under Loans and Advances or Current Liabilities, respectively, in the "Mark-to-Market Margin – Stock Futures Account", represents the net amount paid or received on the basis of movement in the prices of Stock Futures till the Balance Sheet date.

As on the Balance Sheet date, the profit/loss on open positions in Stock Futures are accounted for as follows:

(a) Credit balance in the "Mark-to-Market Margin – Stock Futures Account", being anticipated profit, is ignored and no credit is taken in the Profit and Loss Account.

(b) Debit balance in the "Mark-to-Market Margin – Stock Futures Account", being anticipated loss, is recognised in the Profit and Loss Account.

On final settlement or squaring-up of contracts for Stock Futures, the profit or 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 Profit and Loss Account 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 the contract so squared-up 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.

P. Employee Stock Option Scheme

The Holding Company has formulated Employee Stock Option Schemes (ESOS) in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The Schemes provides for grant of options to employees of the Holding Company and its Subsidiaries 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 SEBI Guidelines, the excess, if any, of the closing market price on the day prior to the grant of the options under ESOS over the exercise price is amortised on a straight line basis over the vesting period.

2 Basis of Consolidation

I. The Consolidated Financial Statements comprise the individual financial statements of Infrastructure Development Finance Company Limited ('the Holding Company'), its subsidiaries and associate as on March 31, 2011 and for the period 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 by the Companies (Accounting Standards) Rules, 2006.
- ii. The financial statements of the jointly controlled entities 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 27 on 'Financial Reporting of Interests in Joint Ventures' as notified by the Companies (Accounting Standards) Rules, 2006 using the "proportionate consolidation" method.
- iii. The Holding Company's investments in associates 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 by the Companies (Accounting Standards) Rules, 2006.

SCHEDULE 18 Notes Forming Part of the Accounts (Continued)

- iv. The financial statements of the subsidiaries and the associate used in the consolidation are drawn up to the same reporting date as that of the Holding Company, i.e. March 31, 2011.
- v. The excess of the cost to the Holding Company of its investment in the subsidiaries, the jointly controlled entities 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.
- vi. The excess of the Holding Company's portion of equity of the subsidiaries, the jointly controlled entities and the associates on the acquisition date over its cost of investment is treated as Capital Reserve.
- vii. 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 for the year of the subsidiaries attributable to minorities is identified and adjusted against the Profit After Tax of the Group.
- viii. 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.
- II. (a) The financial statements of the following subsidiaries have been consolidated as per Accounting Standard 21 on 'Consolidated Financial Statements' as notified by the Companies (Accounting Standards) Rules, 2006:

NAME OF SUBSIDIARY	CURRENT YEAR PROPORTION OF OWNERSHIP INTEREST (%)	PREVIOUS YEAR PROPORTION OF OWNERSHIP INTEREST (%)
Dheeru Powergen Limited (formerly Dheeru Powergen Private Limited) (Subsidiary of IDFC Projects Limited)	51.00	51.00
Emerging Markets Private Equity Fund, L.P. (Subsidiary of IDFC Fund of Funds Limited)	100.00	100.00
IDFC Asset Management Company Limited [See Note 3(a)]	100.00	100.00
IDFC AMC Trustee Company Limited	100.00	100.00
IDFC Capital Limited (Subsidiary of IDFC Securities Limited)	100.00	100.00
IDFC Capital (Singapore) Pte. Ltd. (Subsidiary of IDFC Capital Limited)	100.00	100.00
IDFC Distribution Company Limited (formerly IDFC-SSKI Stock Broking Limited) (Subsidiary of IDFC Securities Limited)	100.00	100.00
IDFC Finance Limited	100.00	100.00
IDFC Fund of Funds Limited (Subsidiary of IDFC Capital Limited)	100.00	100.00
IDFC General Partners Limited (Subsidiary of IDFC Capital Limited)	100.00	100.00
IDFC Investment Advisors Limited (Subsidiary of IDFC Asset Management Company Limited)	100.00	100.00
IDFC Investment Managers (Mauritius) Limited (Subsidiary of IDFC Asset Management Company Limited) [See Note 3(b)]	100.00	Nil
IDFC Pension Fund Management Company Limited (Subsidiary of IDFC Asset Management Company Limited)	100.00	100.00
IDFC PPP Trusteeship Company Limited	100.00	100.00
IDFC Private Equity Company Limited	100.00	100.00
IDFC Project Equity Company Limited	100.00	100.00
IDFC Projects Limited	100.00	100.00
IDFC Securities Limited	100.00	100.00
IDFC Capital (USA) Inc. (Subsidiary of IDFC Securities Limited) [See Note 3(c)]	100.00	Nil
IDFC Trustee Company Limited	100.00	100.00
India Infrastructure Initiative Trust [See Note 3(d)]	Nil*	60.00

Continued...

SCHEDULE 18 Notes Forming Part of the Accounts (Continued)

NAME OF SUBSIDIARY	CURRENT YEAR	PREVIOUS YEAR
	PROPORTION OF OWNERSHIP INTEREST (%)	PROPORTION OF OWNERSHIP INTEREST (%)
India PPP Capacity Building Trust [See Note 3(d)]	Nil*	100.00
Jetpur Somnath Highway Limited (formerly IDFC Capital Company Limited) (Subsidiary of IDFC Projects Limited) [See Note 3(e)]	74.00	100.00
Jetpur Somnath Tollways Limited (Subsidiary of IDFC Projects Limited) [See Note 3(f)]	74.00	Nil
Uniquet Infra Ventures Private Limited [See Note 3(g)]	100.00	Nil

*Subsidiary of IDFC Foundation, a wholly owned subsidiary which is not consolidated.

All the subsidiaries are incorporated in India, except:

IDFC Capital (Singapore) Pte. Ltd., a Company incorporated in Singapore.

IDFC General Partners Limited, a Company incorporated in Guernsey.

IDFC Fund of Funds Limited, a Company incorporated in Guernsey.

Emerging Markets Private Equity Fund LP, a Limited Partnership registered in Guernsey.

IDFC Investment Managers (Mauritius) Limited, a Company incorporated in Mauritius.

IDFC Capital (USA) Inc., a Company incorporated in USA.

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 accounts of IDFC Foundation are not consolidated in these financial statements, since the Holding Company will not derive any economic benefits from its investments in IDFC Foundation.

(b) The financial statements of the following jointly controlled entities have been consolidated as per Accounting Standard 27 on 'Financial Reporting of Interests in Joint Ventures' as notified by the Companies (Accounting Standards) Rules, 2006.

NAME OF JOINTLY CONTROLLED ENTITY	CURRENT YEAR	PREVIOUS YEAR
	PROPORTION OF OWNERSHIP INTEREST (%)	PROPORTION OF OWNERSHIP INTEREST (%)
Delhi Integrated Multi-Modal Transit System Limited	Nil*	50.00
Infrastructure Development Corporation (Karnataka) Limited	Nil*	49.50
Uttarakhand Infrastructure Development Company Limited	Nil*	50.44

*Jointly controlled entities of IDFC Foundation, a wholly owned subsidiary which is not consolidated. [See Note 3(d)]

All the jointly controlled entities are incorporated in India.

The following amounts are included in the Financial Statements in respect of the jointly controlled entities referred to in Note (b) above, based on the proportionate consolidation method:

	CURRENT YEAR	PREVIOUS YEAR
	₹	₹
ASSETS		
Fixed Assets (Net Block)	Nil	22,512,346
Investments	Nil	56,333,724
Infrastructure Loans	Nil	40,678,116
Deferred Tax Asset	Nil	1,608,749
Interest accrued on Infrastructure Loans	Nil	Nil
Sundry Debtors	Nil	46,908,448
Cash and Bank Balances	Nil	598,582,355
Loans and Advances	Nil	82,314,538
LIABILITIES		
Reserves and Surplus	Nil	160,488,894
Unsecured Loans	Nil	146,072,789

Continued...

SCHEDULE 18 Notes Forming Part of the Accounts (Continued)

	CURRENT YEAR	PREVIOUS YEAR
	₹	₹
Current Liabilities	Nil	377,278,642
Provisions	Nil	40,411,792
Deferred Tax Liability	Nil	130,419
INCOME		
Interest on Infrastructure Loans	Nil	4,949,310
Interest on Deposits and Loan to Financial Institution and Others	Nil	39,759,595
Dividend on Investments	Nil	1,428,960
Profit on sale of Investments	Nil	19,167,114
Fees	Nil	204,423,009
Profit/(Loss) on sale of Fixed Assets	Nil	(207,245)
Other Interest	Nil	766,016
Miscellaneous Income	Nil	995,376
EXPENSES		
Interest	Nil	Nil
Staff Expenses	Nil	67,068,372
Establishment Expenses	Nil	8,068,471
Other Expenses	Nil	115,922,649
Provisions and Contingencies	Nil	(1,424,184)
Depreciation	Nil	5,261,234
Provision for Taxation	Nil	21,178,499

- (c) The Holding Company has investment in an associate, which is accounted for on the Equity Method in accordance with Accounting Standard 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements' as notified by the Companies (Accounting Standards) Rules, 2006:

NAME OF ASSOCIATE	CURRENT YEAR PROPORTION OF OWNERSHIP INTEREST (%)	PREVIOUS YEAR PROPORTION OF OWNERSHIP INTEREST (%)
Feedback Ventures Private Limited	24.61	24.61

3 During the year,

- (a) the Holding Company subscribed 64,000 equity shares of IDFC Asset Management Company Limited.
- (b) IDFC Asset Management Company Limited has subscribed 100% equity shares of IDFC Investment Managers (Mauritius) Limited.
- (c) IDFC Securities Limited has subscribed 100% equity shares of IDFC Capital (USA) Inc.
- (d) the Holding Company sold its holding in Delhi Integrated Multi-Modal Transit System Limited, Infrastructure Development Corporation (Karnataka) Limited and Uttarakhand Infrastructure Development Company Limited and transferred its beneficial interest in India PPP Capacity Building Trust and India Infrastructure Initiative Trust, to IDFC Foundation, a wholly owned subsidiary.
- (e) IDFC Projects Limited has subscribed 240,000 equity shares of Jetpur Somnath Highway Limited.
- (f) IDFC Projects Limited has subscribed 74% equity shares of Jetpur Somnath Tollways Limited.
- (g) the Holding Company purchased 10,000 shares of Uniquet Infra Ventures Private Limited.
- (h) the Holding Company subscribed to 50,000 shares of IDFC Foundation.

4 On July 7, 2010 the Holding Company issued and allotted **157,752,090** equity shares of ₹ 10 each at a premium of ₹ **158.25** per share pursuant to a Qualified Institutional Placement. Further, the Holding Company issued and allotted **84,000,000** Compulsorily Convertible Cumulative Preference Shares (CCCPS) of ₹ 100 each at par on August 11, 2010 pursuant to a Qualified Institutional Placement. Additionally, **2,583,065** equity shares of ₹ 10 each were allotted under the Employee Stock Option Scheme. Accordingly, the issued equity share capital has increased from ₹ 13,006,123,930 to ₹ **14,609,475,480** and an amount of ₹ **25,101,204,403** has been credited to the Securities Premium Account. The proceeds of the issue have been utilised for general business purposes.

5 The Holding Company had raised ₹ **8,400,000,000** through the issue of CCCPS. The preference shares are convertible at any time into equity shares of face value of ₹ 10 each until the date falling 18 months from the date of issuance of the Preference Shares, at the option of the holders, at ₹ **176** per equity share and carry dividend @ 6% p.a.

SCHEDULE 18 Notes Forming Part of the Accounts (Continued)

6 During the year, the Holding Company granted to eligible employees **7,459,308** (Previous Year 603,000) options under the Employee Stock Option Schemes. The details of outstanding options are as under:

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Options outstanding as at the beginning	16,548,268	21,766,956
Add: Options granted during the year	7,459,308	603,000
Less: Options exercised during the year	2,583,065	5,336,332
Less: Options lapsed during the year	673,790	485,356
Options outstanding as at the end of the year	20,750,721	16,548,268

The charge towards ESOP Compensation included under Salaries is ₹ **167,493,624** (Previous Year ₹ 53,382,037).

7 Debenture Redemption Reserve has been created by the Holding Company in accordance with Section 117C of the Companies Act, 1956 in respect of public issue of long-term Infrastructure Bonds.

8 Special Reserve has been created in terms of Section 36(1)(viii) of the Income-tax Act, 1961 out of the distributable profits of the Holding Company.

9 In respect of equity shares issued pursuant to Employee Stock Option Scheme, the Holding Company paid dividend of ₹ **1,501,865** for the year 2009-10 (₹ 260,992 for the year 2008-09) and tax on dividend of ₹ **249,441** (Previous Year ₹ 44,356) as approved by the shareholders at the Annual General Meeting held on June 28, 2010.

10 (a) Secured Loans of ₹ **351,852,893,546** (Previous Year ₹ Nil) are secured by way of a first floating *pari passu* charge over investments, infrastructure loans, current assets and loans and advances excluding investments in and other receivables from subsidiaries and affiliates.

(b) Secured Loans in the nature of borrowings under Collateralised Borrowing and Lending Obligation are secured against Investments in Government of India Loans.

(c) Unsecured Loans – Debentures of ₹ **Nil** (Previous Year ₹ 162,866,000,000) are secured by a mortgage on certain immovable properties up to a value of ₹ 1,000,000.

11 Infrastructure loans to the extent of ₹ **374,409,924,820** (Previous Year ₹ 247,654,753,113) are secured by:

- i. Hypothecation of assets and/or
- ii. Mortgage of property and/or
- iii. Trust and Retention Account and/or
- iv. Bank guarantees, company guarantee, sponsor guarantee or personal guarantee and/or
- v. Assignment of receivables or rights and/or
- vi. Pledge of shares and/or
- vii. Negative lien and/or
- viii. Undertaking to create a security.

12 Cash and cash equivalents represent:

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
	₹	₹
Cash and Bank Balances (As per Schedule 8)	11,049,068,106	2,714,698,979
Current Accounts held for Unclaimed Dividends	9,605,775	7,623,995
Bank Deposits under lien	686,783,626	724,379,243
Cash and cash equivalents as at the end of the year	10,352,678,705	1,982,695,741

13 (a) During the year, a contingent provision against standard assets has been created by the Holding Company at 0.25% of the outstanding standard assets in terms of the RBI Circular No. DNBS.PD.CC. No. 207/03.02.002/2010-11 dated January 17, 2011.

(b) Movement in contingent provision against standard assets during the year is as under:

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
	₹	₹
Opening Balance	Nil	Nil
Additions during the year	967,500,000	Nil
Closing Balance	967,500,000	Nil

SCHEDULE 18 Notes Forming Part of the Accounts (Continued)

14 (a) Interest on Investments, Dividend on Investments and Profit on sale of Investments include ₹ **3,283,539,210** (Previous Year ₹ 2,298,776,294), ₹ **323,935,995** (Previous Year ₹ 699,262,171) and ₹ **484,288,186** (Previous Year ₹ 1,036,345,464) respectively, in respect of Current Investments. Provision for diminution in value of Investments includes amortised premium of ₹ **30,068,206** (Previous Year ₹ 13,487,870) on purchase of Long-Term Investments.

(b) Interest on Infrastructure Loans includes exchange gain of ₹ **484,052,986** (Previous Year ₹ 56,879,384).

(c) Miscellaneous income includes exchange gain of ₹ **520,767** (Previous Year ₹ 28,532,594).

(d) Interest – Other Charges includes exchange loss of ₹ **315,806,898** (Previous Year ₹ 61,320,748).

15 Auditors' Remuneration:

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	₹		₹	
Audit Fees	13,948,887		12,967,341	
Tax Audit Fees	2,975,000		2,547,025	
Other Services	10,108,476		8,850,517	
Taxation Matters	2,264,500		1,140,000	
Out of Pocket Expenses	176,180		118,360	
Service Tax	2,454,427		2,116,580	
	31,927,470		27,739,823	
Less: Service tax set off claimed	2,362,434		2,029,854	
	29,565,036		25,709,969	

16 Tax on proposed dividend for the year 2010-11 is net of dividend distribution tax of ₹ **75,985,031** (Previous Year ₹ 101,970,000) paid by Subsidiary Companies on interim dividend of ₹ **457,500,000** (Previous Year ₹ 600,000,000) under Section 115-O of the Income-tax Act, 1961.

17 In accordance with Accounting Standard 15 on 'Employee Benefits' as notified by the Companies (Accounting Standards) Rules, 2006, the following disclosures have been made:

i. The Group has recognised the following amounts in the Profit and Loss Account towards contribution to defined contribution plans which are included under Contribution to Provident and Other Funds:

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	₹		₹	
Provident Fund	63,725,680		52,651,479	
Superannuation Fund	9,845,119		32,624,396	

ii. The details of post-retirement benefit plans for gratuity are given below which are certified by the actuary and relied upon by the auditors:

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	₹		₹	
	FUNDED	NON-FUNDED	FUNDED	NON-FUNDED
CHANGE IN THE DEFINED BENEFIT OBLIGATIONS:				
Liability at the beginning of the year	84,256,165	21,150,737	72,326,809	16,125,943
Current Service Cost	25,280,984	11,046,035	21,118,194	6,301,243
Interest Cost	8,394,600	2,419,257	7,243,285	1,467,028
Liabilities Extinguished on Settlement	Nil	Nil	5,426,826	Nil
Liabilities assumed on acquisition/(Settled on Divestiture)	(3,238,244)	(254,224)	Nil	Nil
Benefits Paid	6,802,946	4,155,426	3,821,647	2,201,375
Actuarial (Loss)/Gain	(9,524,452)	(7,850,135)	5,518,928	542,102
Past Service Cost	8,399,630	3,541,862	Nil	Nil
Liability at the end of the year	125,814,641	41,598,376	85,920,887	21,150,737
FAIR VALUE OF PLAN ASSETS:				
Fair Value of Plan Assets at the beginning of the year	80,943,196	Nil	66,752,436	Nil
Expected Return on Plan Assets	7,748,719	Nil	5,327,126	Nil
Contributions	40,300,000	435,766	2,038,460	Nil
Benefits paid	6,802,946	435,766	3,821,647	Nil
ACTUARIAL (LOSS)/GAIN ON PLAN ASSETS:				
	(2,460,920)	Nil	12,620,081	Nil
Fair Value of Plan Assets at the end of the year	119,728,049	Nil	82,916,456	Nil
Total Actuarial (Loss)/Gain to be recognised	(11,985,372)	(7,850,135)	18,139,009	542,102

Continued...

SCHEDULE 18 Notes Forming Part of the Accounts (Continued)

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	₹	₹	₹	₹
	FUNDED	NON-FUNDED	FUNDED	NON-FUNDED
ACTUAL RETURN ON PLAN ASSETS:				
Expected Return on Plan Assets	7,748,719	Nil	5,327,126	Nil
Actuarial (Loss)/Gain on Plan Assets	(2,460,920)	Nil	12,620,081	Nil
Actual Return on Plan Assets	5,287,799	Nil	17,947,207	Nil
AMOUNT RECOGNISED IN THE BALANCE SHEET:				
Liability at the end of the year	125,814,641	41,598,376	85,920,887	21,150,737
Fair Value of Plan Assets at the end of the year	119,728,049	Nil	82,916,456	Nil
Unrecognised Past Service Cost	1,893,829	2,951,552	Nil	Nil
Amount recognised in the Balance Sheet under "Provision for Employee Benefits"	5,223,517	38,646,824	3,004,431	21,150,737
EXPENSE RECOGNISED IN THE PROFIT AND LOSS ACCOUNT:				
Current Service Cost	25,280,984	11,046,035	21,118,194	6,301,243
Interest Cost	8,394,600	2,419,257	7,243,285	1,467,028
Expected Return on Plan Assets	7,748,719	Nil	5,327,126	Nil
Net Actuarial (Loss)/Gain to be recognised	(11,985,372)	(7,850,135)	18,139,009	542,102
Recovery of past service cost	6,505,801	590,310	Nil	1,885,505
Liabilities assumed on acquisition/(Settled on Divestiture)	(3,238,244)	(254,224)	Nil	Nil
Unfunded obligation on transfer of employees	Nil	Nil	Nil	5,426,826
Expense recognised in the Profit and Loss Account under staff expenses	41,179,794	21,651,513	4,895,344	10,767,490
RECONCILIATION OF THE LIABILITY RECOGNISED IN THE BALANCE SHEET:				
Opening Net Liability	3,312,969	21,150,737	5,574,373	16,125,943
Expense recognised	41,179,794	21,651,513	4,895,344	10,767,490
Contribution by the Group	(40,300,000)	(4,155,426)	2,038,460	Nil
Benefits paid net of recovery of past service cost	Nil	Nil	Nil	315,870
Liabilities Extinguished on Settlement	Nil	Nil	5,426,826	Nil
Unfunded obligation on transfer of employees	Nil	Nil	Nil	5,426,826
Amount recognised in the Balance Sheet under "Provision for Employee Benefits"	5,223,517	38,646,824	3,004,431	21,150,737
Estimated Contribution	23,000,000	2,326,351	23,000,000	1,086,876

	CURRENT YEAR	PREVIOUS YEAR	MARCH 31, 2009	MARCH 31, 2008	MARCH 31, 2007
	₹	₹	₹	₹	₹
EXPERIENCE ADJUSTMENTS:					
Defined Benefit Obligation	163,366,901	107,071,624	88,452,752	48,841,884	20,577,193
Plan Assets	119,728,049	82,916,456	66,752,436	34,528,319	18,416,688
Unrecognised past service cost	1,893,829	Nil	Nil	Nil	Nil
Deficit	41,745,023	24,155,168	21,700,316	14,313,565	2,160,505
Experience Adjustments on Plan Liabilities	27,414,063	(2,675,139)	22,351,939	8,037,218	(171,688)
Experience Adjustments on Plan Assets	(1,326,636)	13,025,909	(7,391,316)	(182,483)	(311,306)

	CURRENT YEAR	PREVIOUS YEAR
	(%)	(%)
INVESTMENT PATTERN:		
INSURER MANAGED FUNDS	100.00	100.00
Government Securities	23.40	13.95
Deposit and Money Market Securities	13.51	14.90
Debentures/Bonds	41.68	50.89
Equity Shares	21.41	20.26

PRINCIPAL ASSUMPTIONS:		
Discount Rate (p.a.)	8.30	8.00 - 8.10
Expected Rate of Return on Assets (p.a.)	8.00	8.00 - 10.00
Salary Escalation (p.a.)	8.00	5.00 - 9.00

The estimate of future salary increase, considered in the actuarial valuation takes account of inflation, seniority, promotion and other relevant factors.

SCHEDULE 18 Notes Forming Part of the Accounts (Continued)

18 The Group is engaged in providing finance and advisory services for infrastructure projects, 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 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. Infrastructure Operations in terms of Accounting Standard 17 on 'Segment Reporting' as notified by the Companies (Accounting Standards) Rules, 2006.

	CURRENT YEAR	PREVIOUS YEAR
	₹	₹
I. SEGMENT OPERATING REVENUE		
(a) Infrastructure Operations	45,232,849,041	36,143,186,175
(b) Others	4,540,806,926	4,861,031,130
Total	49,773,655,967	41,004,217,305
Less: Inter Segment Revenue	(606,261,623)	(673,916,523)
Total Income	49,167,394,344	40,330,300,782
II. SEGMENT RESULTS		
(a) Infrastructure Operations	16,582,620,014	12,509,553,573
(b) Others	1,146,552,586	1,643,721,204
(c) Unallocated	59,209,389	130,245,180
PROFIT BEFORE TAXATION	17,788,381,989	14,283,519,957
Less: Provision for Taxation	4,997,541,654	3,665,759,010
PROFIT AFTER TAXATION	12,790,840,335	10,617,760,947
(before Share of profit from Associates and adjustment for Minority Interest)		
III. SEGMENT ASSETS		
(a) Infrastructure Operations	472,866,871,899	327,956,642,395
(b) Others	16,154,944,125	16,378,891,538
(c) Unallocated	4,145,602,274	3,763,770,734
Total	493,167,418,298	348,099,304,667
IV. SEGMENT LIABILITIES		
(a) Infrastructure Operations	379,044,292,886	275,866,660,330
(b) Others	1,616,286,921	2,060,218,070
(c) Unallocated	22,409,916	69,171,046
Total	380,682,989,723	277,996,049,446
V. CAPITAL EMPLOYED		
(a) Infrastructure Operations	93,822,579,013	52,089,982,065
(b) Others	14,538,657,204	14,318,673,468
(c) Unallocated	4,123,192,358	3,694,599,688
Total	112,484,428,575	70,103,255,221
VI. CAPITAL EXPENDITURE (INCLUDING CAPITAL WORK-IN-PROGRESS)		
(a) Infrastructure Operations	445,753,900	303,299,274
(b) Others	56,015,873	97,861,834
Total	501,769,773	401,161,108
VII. DEPRECIATION AND AMORTISATION		
(a) Infrastructure Operations	328,084,372	334,121,460
(b) Others	73,641,967	71,620,663
Total	401,726,339	405,742,123
VIII. SIGNIFICANT NON CASH EXPENSES OTHER THAN DEPRECIATION AND AMORTISATION		
(a) Infrastructure Operations	2,453,130,672	1,724,906,597
(b) Others	(15,457,173)	(17,839,216)
Total	2,437,673,499	1,707,067,381

SCHEDULE 18 Notes Forming Part of the Accounts (Continued)

19 As per Accounting Standard 18 on 'Related Party Disclosures' as notified by the Companies (Accounting Standards) Rules, 2006, the related parties of the Group are as follows:

- RELATIONSHIPS:
 - I. **ASSOCIATE**
Feedback Ventures Private Limited
 - II. **KEY MANAGEMENT PERSONNEL**
[of the Holding Company]
Dr. Rajiv B. Lall – Managing Director and CEO
Mr. Vikram Limaye – Whole-time Director

The nature and volume of transactions carried out with the above related parties in the ordinary course of business are as follows:

NAME OF RELATED PARTY AND NATURE OF RELATIONSHIP	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
		₹	₹
(a) ASSOCIATE:			
Feedback Ventures Private Limited	Dividend received	7,288,040	3,699,036
	Miscellaneous Income	40,000	70,000
	Sundry Debtors	Nil	109,959
(b) KEY MANAGEMENT PERSONNEL:			
Dr. Rajiv B. Lall	Remuneration paid	62,585,557	16,757,312
Mr. Vikram Limaye	Remuneration paid	67,835,987	17,031,531

20 In accordance with Accounting Standard 19 on 'Leases' as notified by the Companies (Accounting Standards) Rules, 2006, the following disclosures in respect of Operating Leases are made.

(i) The Group companies have taken vehicles for certain employees under Operating Leases, which expire between **August 2011 to March 2015** (Previous Year June 2010 to November 2013). Salaries include gross rental expenses of ₹ **5,442,846** (Previous Year ₹ 12,753,879). The committed lease rentals in the future are:

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
	₹	₹
Not later than one year	9,878,451	6,320,542
Later than one year and not later than five years	19,630,147	6,433,337

(ii) Properties under Operating Leases have been acquired by the Group which expires between **April 2013 to September 2018** (Previous Year December 2015 to September 2018). The total minimum lease payments for the current year, in respect thereof, included under Rent amounts to ₹ **165,129,666** (Previous Year ₹ 70,801,549). The future lease payments in respect of the above are as follows:

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
	₹	₹
Not later than one year	183,696,919	68,665,609
Later than one year and not later than five years	428,375,847	320,410,927
Later than five years	77,358,085	167,325,350

(iii) The Holding Company has given one of its office premises under non cancellable Operating Lease, which expires on **October 31, 2012**. Miscellaneous Income includes income from such leases of ₹ **19,585,800** (Previous Year ₹ 8,160,750). The future minimum lease payment are as follows:

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
	₹	₹
Not later than one year	19,585,800	19,585,800
Later than one year and not later than five years	11,425,050	31,010,850

21 In accordance with Accounting Standard 20 on 'Earnings Per Share' as notified by the Companies (Accounting Standards) Rules, 2006:

i. The Basic Earnings Per Share has been calculated based on the following:

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
	₹	₹
Net Profit after Tax	12,816,532,308	10,622,916,414
Less: Adjustment for Dividend and Dividend Distribution Tax on CCCPS	373,924,401	Nil
Net amount available for Equity Shareholders	12,442,607,907	10,622,916,414
Weighted average number of Equity Shares (Nos.)	1,418,087,937	1,295,934,260

SCHEDULE 18 Notes Forming Part of the Accounts (Continued)

ii. The reconciliation between the Basic and the Diluted Earnings Per Share is as follows:

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
	₹	₹
Basic Earnings Per Share	8.77	8.20
Effect of Outstanding Stock Options	(0.06)	(0.08)
Diluted Earnings Per Share	8.71	8.12

iii. The Basic Earnings Per Share has been computed by dividing the Net Profit After Tax 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 available for Equity Shareholders by the weighted average number of equity shares, after giving dilutive effect of the outstanding Stock Options for the respective periods. Since, the effect of the conversion of CCCPS was anti-dilutive, it has been ignored. The relevant details as described above are as follows:

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Weighted average number of shares for computation of Basic Earnings Per Share	1,418,087,937	1,295,934,260
Dilutive effect of outstanding Stock Options	10,165,050	12,596,753
Weighted average number of shares for computation of Diluted Earnings Per Share	1,428,252,987	1,308,531,013

22 In compliance with Accounting Standard 22 relating to 'Accounting for Taxes on Income' as notified by the Companies (Accounting Standards) Rules, 2006, credit has been taken in the Profit and Loss Account of ₹ **726,665,378** (Previous Year ₹ 333,869,109) towards deferred tax asset (net) on account of timing differences. The major components of deferred tax assets and liabilities arising on account of timing differences are:

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	₹	₹	₹	₹
	Assets		Liabilities	
(a) Depreciation	(237,484,698)	21,570,069	(193,693,169)	16,532,898
(b) Provisions	2,659,856,075	(6,228,069)	1,943,992,555	(4,676,324)
(c) Others	73,241,145	Nil	15,907,611	(733,056)
	2,495,612,522	15,342,000	1,766,206,997	11,123,518

Deferred Tax opening Assets & Liabilities include ₹ 1,608,749 and ₹ 130,414 respectively, being proportionate share of the Deferred Tax in the jointly controlled entities that have been transferred to IDFC Foundation, a wholly owned subsidiary during the current year.

23 Contingent liabilities not provided for in respect of:

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
	₹	₹
(a) Capital Commitments	7,288,887,415	6,896,557,752
(b) Estimated amount of contracts remaining to be executed on capital account (net of advances) [including ₹ 54,881,304 (Previous Year ₹ 1,255,133) on account of proportionate share in an associate company and ₹ Nil (Previous Year ₹ 661,800) on account of proportionate share in a jointly controlled entity]	75,070,174	42,750,088
(c) Claims not acknowledged as debts in respect of Income-tax demands under appeal amount to [including ₹ Nil (Previous Year ₹ 12,193,292) on account of proportionate share in jointly controlled entities]	1,184,774,318	723,667,359
(d) Guarantees issued by Holding Company	(₹ in crore)	(₹ in crore)
1. Financial Guarantees	1,234.45	280.12
2. Performance Guarantees	259.00	40.30
3. Risk Participation Facility	5.31	29.39

24 The Holding Company has entered into Interest Rate Swaps in the nature of "fixed/floating" or "floating/fixed" for notional principal of ₹ **2,391** crore outstanding as on March 31, 2011 (Previous Year ₹ 1,660 crore) for varying maturities linked to various benchmarks for asset liability management and hedging.

The Holding Company has foreign currency borrowings of **USD 62.56** crore (Previous Year USD 48.83 crore), against which the Company has undertaken currency interest rate swaps and forward contracts of **USD 60.91** crore (Previous Year USD 38.32 crore) to hedge foreign currency risk. One of the subsidiaries has **USD 0.08** crore (Previous Year USD 0.49 crore) of unhedged foreign currency exposure as on the Balance Sheet date.

The Holding Company has also entered in to coupon only currency swaps for notional principal of **USD 11.11** crore (Previous Year USD 15.61 crore) to hedge the foreign currency risk towards interest on the foreign currency borrowings.

25 Consequent to the change in the control in some entities, certain opening balances have been considered based on current ownership and accordingly the differences are reflected as 'Opening Adjustment'.

SCHEDULE 18 Notes Forming Part of the Accounts (Continued)

26 Statement of information of Subsidiaries* in compliance with Section 212 of the Companies Act, 1956 as on March 31, 2011

Name of Subsidiary Companies	Capital	Reserves	Total Assets	Total Liabilities	Details of investment									Proposed dividend
					Equity	Mutual Fund	Trust Units	Venture Capital Units	Turnover	Profit before taxation	Provision for taxation	Profit after taxation		
Dheeru Powergen Limited	19,729,000	(18,718,023)	549,637,640	548,626,662	-	-	-	-	-	(4,675,201)	-	(4,675,201)	-	
(Previous Year)	19,729,000	(14,042,823)	280,350,005	274,663,828	-	-	-	-	-	(12,428,177)	2,505,975	(14,934,152)	-	
IDFC AMC Trustee Company Limited	500,000	378,289	1,252,411	374,122	-	-	-	-	400,000	(143,941)	-	(143,941)	-	
(Previous Year)	500,000	522,230	1,408,317	386,087	-	-	-	-	500,000	218,647	68,000	150,647	-	
IDFC Asset Management Company Limited	26,740,020	510,390,759	848,672,769	311,541,991	-	175,702,090	-	-	930,897,151	(32,565,168)	(4,451,000)	(28,114,168)	-	
(Previous Year)	224,025,020	339,144,927	1,054,936,258	491,766,311	-	499,483,872	-	-	1,042,167,512	21,547,695	4,480,654	17,067,041	-	
IDFC Capital (Singapore) Pte. Ltd. *	367,380,570	(332,228,119)	79,537,883	44,385,431	-	-	-	-	74,077,727	(120,536,075)	-	(120,536,075)	-	
(Previous Year)	216,718,695	(208,276,976)	29,479,553	21,037,834	-	-	-	-	10,038,692	(110,802,874)	-	(110,802,874)	-	
IDFC Capital (USA) Inc.	46,240,000	(7,711,762)	40,091,514	1,563,275	-	-	-	-	-	(6,185,093)	-	(6,185,093)	-	
(Previous Year)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
IDFC Capital Limited	60,352,200	1,083,223,453	1,508,455,450	364,879,797	20,585,060	77,699,215	-	-	1,030,599,770	449,072,591	143,170,757	305,901,834	-	
(Previous Year)	60,352,200	777,321,619	1,134,704,962	297,031,143	20,585,060	46,075,461	-	-	813,957,873	440,020,668	158,833,437	281,187,231	-	
IDFC Distribution Company Limited	15,000,000	2,681,086	20,007,900	2,326,813	-	6,397,764	-	-	2,982,575	1,123,422	222,537	900,885	-	
(Previous Year)	15,000,000	1,780,201	17,163,253	383,052	-	6,820,300	-	-	-	1,126,662	350,000	776,662	-	
IDFC Finance Limited	210,002,000	69,555,800	279,777,833	220,033	-	277,574,256	-	-	5,131,849	4,648,662	105,000	4,543,662	-	
(Previous Year)	210,002,000	65,012,138	275,230,925	216,877	-	184,062,068	-	-	7,554,870	7,254,040	141,132	7,112,908	-	
IDFC Foundation	500,000	(214,443)	455,340,707	455,055,150	306,771,900	-	148,467,700	-	40,707	(214,443)	-	(214,443)	-	
(Previous Year)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
IDFC Fund of Funds Limited *	536,826,562	(24,809,685)	513,253,115	1,236,238	-	-	-	-	-	(3,181,355)	-	(3,181,355)	-	
(Previous Year)	303,648,301	(1,175,571)	303,717,913	1,200,779	-	-	-	-	-	(1,153,369)	-	(1,153,369)	-	
IDFC General Partners Limited *	769,725	(34,016)	735,709	-	-	-	-	-	-	-	-	-	-	
(Previous Year)	769,725	-	769,725	-	-	-	-	-	-	-	-	-	-	
IDFC Investment Advisors Limited	100,000,000	15,587,980	148,021,809	32,433,829	-	98,281,920	-	-	165,309,995	14,622,674	7,955,803	6,666,871	-	
(Previous Year)	100,000,000	8,921,109	191,342,150	82,039,937	-	40,043,030	-	-	269,842,048	74,500,907	5,031,104	69,469,803	-	
IDFC Investment Managers (Mauritius) Limited *	2,569,224	25,546	3,152,381	557,611	-	-	-	-	1,553,283	58,439	17,250	41,189	-	
(Previous Year)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
IDFC Pension Fund Management Company Limited	120,000,000	1,568,739	121,817,580	248,841	-	117,028,760	-	-	115	2,980,458	135,646	2,844,812	-	
(Previous Year)	120,000,000	(1,276,073)	120,886,406	2,162,480	-	119,027,255	-	-	-	(1,728,486)	(452,413)	(1,276,073)	-	
IDFC PPP Trusteeship Company Limited	500,000	(544,417)	560,666	60,666	-	-	-	-	25,000	(126,111)	-	(126,111)	-	
(Previous Year)	500,000	(418,306)	555,150	55,150	-	-	-	-	9,041	(135,234)	-	(135,234)	-	
IDFC Private Equity Company Limited	500,000	551,379,603	839,904,013	288,024,410	-	-	-	9,020,986	812,608,701	571,257,390	186,480,000	384,777,390	-	
(Previous Year)	500,000	539,750,213	886,681,408	346,431,195	-	-	-	1,840	968,500,071	705,165,006	236,942,000	468,223,006	-	
IDFC Project Equity Company Limited	500,000	149,901,066	408,866,352	258,465,286	-	-	-	-	575,508,582	269,727,742	82,915,492	186,812,250	-	
(Previous Year)	500,000	123,425,847	579,202,372	455,276,526	-	-	-	-	605,593,024	287,947,451	57,862,431	230,085,020	-	
IDFC Projects Limited	340,500,000	(250,881,675)	580,962,774	491,344,449	-	-	-	-	36,224,559	(71,729,268)	54,160	(71,783,428)	-	
(Previous Year)	340,500,000	(179,098,247)	320,406,397	159,004,643	-	-	-	-	10,465,733	(83,798,069)	-	(83,798,069)	-	
IDFC Securities Limited	141,372,000	986,269,562	1,796,339,449	668,697,887	10,000	726,446,130	-	-	789,256,266	195,412,378	46,273,816	149,138,562	200%	
(Previous Year)	141,372,000	1,165,743,145	1,705,363,841	398,248,696	10,000	964,434,605	-	-	981,130,970	358,887,853	122,226,067	236,661,786	-	
IDFC Trustee Company Limited	500,000	13,919,316	14,719,629	300,313	-	12,319,860	-	-	5,600,000	5,842,905	1,616,493	4,226,412	-	
(Previous Year)	500,000	9,692,904	10,266,178	73,274	-	9,755,556	-	-	5,600,000	5,638,553	1,663,000	3,975,553	-	
Jetpur Somnath Highway Limited	1,000,000	(1,006,318)	55,954	62,272	-	-	-	-	-	246,201	45,700	200,501	-	
(Previous Year)	500,000	(1,206,819)	184,241	891,060	-	-	-	-	-	(144,275)	-	(144,275)	-	
Jetpur Somnath Tollways Limited	1,000,000	(4,536,729)	1,000,000	4,536,729	-	-	-	-	-	(4,536,729)	-	(4,536,729)	-	
(Previous Year)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
Uniquist Infra Ventures Private Limited	100,000	(246,513)	100,000	246,513	-	-	-	-	-	(246,513)	-	(246,513)	-	
(Previous Year)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	

Subsidiary as defined under Section 4 of the Companies Act, 1956.

* Exchange Rate:

Closing Rate: 1 US\$ = ₹ 44.59

Average Rate: 1 US\$ = ₹ 44.51

27 Previous year's figures have been regrouped/rearranged wherever necessary to conform to the current year's classification.

FOR AND ON BEHALF OF THE BOARD

DEEPAK S. PAREKH
Chairman

RAJIV B. LALL
Managing Director & CEO

SUNIL KAKAR
Chief Financial Officer

MAHENDRA N. SHAH
Company Secretary

Mumbai | April 29, 2011

TO THE MEMBERS OF INFRASTRUCTURE DEVELOPMENT FINANCE COMPANY LIMITED

1. We have audited the attached Balance Sheet of **INFRASTRUCTURE DEVELOPMENT FINANCE COMPANY LIMITED** ("the Company") as at March 31, 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) as required by Article 215(4)(f) of the Articles of Association of the Company, we report that in our opinion,

the transactions of the Company which have come to our notice have been within the powers of the Company;

- (e) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
- (f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

5. On the basis of the written representations received from the Directors as on March 31, 2011 taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

FOR DELOITTE HASKINS & SELLS

Chartered Accountants
(Registration No. 117366W)

NALIN M. SHAH
Partner
Membership No. 15860

Mumbai
April 29, 2011

(Referred to in paragraph 3 of our report of even date)

- (i) Having regard to the nature of the Company's business/ activities/result/transactions, etc., clauses (ii), (viii), (x) and (xiii) of CARO are not applicable.
- (ii) In respect of its fixed assets:
- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
- (b) During the year, the fixed assets have not been physically verified by the Management. However, the Company has a regular programme of physical verification of its fixed assets whereby all fixed assets are verified in a phased manner at regular intervals. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.
- (c) The fixed assets disposed of during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of loans, secured or unsecured, granted by the Company to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:
- (a) The Company has granted short-term loans aggregating ₹ 940,000,000 to two parties during the year. At the year-end, the outstanding balances of such loans aggregated ₹ Nil and the maximum amount involved during the year was ₹ 400,000,000.
- (b) The rate of interest and other terms and conditions of such loans are, in our opinion, *prima facie* not prejudicial to the interests of the Company.
- (c) The receipts of principal amounts and interest have been regular.
- (iv) In case of loans, secured or unsecured, taken by the Company from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:
- (a) Thirteen parties have subscribed to the public issue of Infrastructure Bonds during the year. At the year-end, the outstanding balance of such bonds aggregated ₹ 370,000 and the maximum amount involved during the year was the amount subscribed.
- (b) The rate of interest and other terms and conditions of such loans are, in our opinion, *prima facie* not prejudicial to the interests of the Company.
- (c) No payment of the principal amount and interest were due during the year.
- (v) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets and the sale of services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (vi) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
- (a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
- (b) Where each of such transactions (excluding loans reported under paragraph (iii) above) is in excess of ₹ 5 lakhs in respect of any party, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices wherever applicable, at the relevant time.
- (vii) The Company has not accepted any deposit from the public within the meaning of Sections 58A & 58AA of the Companies Act, 1956.
- (viii) In our opinion, the internal audit functions carried out during the year by a firm appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (ix) According to the information and explanations given to us in respect of statutory dues:
- (a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Income-tax, Sales Tax, Wealth Tax, Service Tax, Cess and other material statutory dues applicable to it with the appropriate authorities.
- (b) There were no undisputed amounts payable in respect of Income-tax, Service Tax, Wealth Tax, Cess and other material statutory dues in arrears as at March 31, 2011 for a period of more than six months from the date they became payable.
- (c) Details of dues of Income-tax which have not been deposited as on March 31, 2011 on account of disputes are given below:

STATUTE	NATURE OF DUES	FORUM WHERE DISPUTE IS PENDING	PERIOD TO WHICH THE AMOUNT RELATES	AMOUNT INVOLVED (₹)
Income-tax Act, 1961	Income Tax	Commissioner of Income Tax (Appeals)	A.Y. 2007-08	388,394,270
Income-tax Act, 1961	Income Tax	Commissioner of Income Tax (Appeals)	A.Y. 2008-09	8,021,093

- (x) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks, financial institutions and debenture holders.
- (xi) In our opinion, the Company has maintained adequate records where it has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

- (xii) Based on our examination of the records and evaluation of the related internal controls, the Company has maintained proper records of the transactions and contracts in respect of its dealing in shares, securities, debentures and other investments and timely entries have been made therein. The aforesaid securities have been held by the Company in its own name, except to the extent of the exemption granted under Section 49 of the Companies Act, 1956.
- (xiii) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks and financial institutions are not *prima facie* prejudicial to the interests of the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained, other than temporary deployment pending application.
- (xv) According to the information and explanations given to us and on the basis of the maturity profile of assets and liabilities with a maturity profile of one year as given in the Asset Liability Management Report, liabilities maturing in the next one year are in excess of the assets of similar maturity by ₹ 1,900.14 crore.
- (xvi) According to the information and explanations given to us, the Company has made preferential allotment of shares to parties covered in the Register maintained under Section 301 of the Companies Act, 1956 at a price which is *prima facie* not prejudicial to the interests of the Company.
- (xvii) According to the information and explanations given to us and the records examined by us, securities/charges have been created in respect of all debentures issued during the year except in respect of debentures aggregating ₹ 19,760,000,000 for which securities/charges have been subsequently created.
- (xviii) We have verified the end use of money raised by public issue of Infrastructure Bonds during the year as disclosed in Note 8 of Schedule 18 to the Accounts.
- (xix) To the best of our knowledge and according to the information and explanations given to us, no fraud by or on the Company has been noticed or reported during the year.

FOR DELOITTE HASKINS & SELLS

Chartered Accountants
(Registration No. 117366W)

NALIN M. SHAH
Partner
Membership No. 15860

Mumbai
April 29, 2011

BALANCE SHEET

AS AT MARCH 31, 2011

		₹	₹	₹
	SCHEDULE		AS AT MARCH 31, 2011	AS AT MARCH 31, 2010
SOURCES OF FUNDS				
Shareholders' Funds				
Capital	1	23,009,475,480		13,006,123,930
Share Application Money		41,425,329		2,563,997
Reserves and Surplus	2	87,650,605,932		55,222,447,121
			110,701,506,741	68,231,135,048
Loan Funds				
Secured	3	354,350,149,984		-
Unsecured		8,622,608,276		265,228,783,753
			362,972,758,260	265,228,783,753
			473,674,265,001	333,459,918,801
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	4	4,416,728,878		4,332,599,865
Less: Depreciation and Amortisation		997,081,323		754,441,687
		3,419,647,555		3,578,158,178
Add: Capital Work-in-Progress		6,442,966		46,340,563
			3,426,090,521	3,624,498,741
Investments	5		81,074,153,914	57,826,891,944
Infrastructure Loans	6		376,523,158,142	250,269,967,319
Deferred Tax Asset (See Schedule 18 Note 34)			2,449,000,000	1,743,000,000
Current Assets, Loans and Advances				
Income accrued on Investments		688,705,501		454,702,161
Interest accrued on Infrastructure Loans [See Schedule 18 Note 10(d)]		5,441,213,003		3,598,209,916
Sundry Debtors	7	154,481,197		459,308,243
Cash and Bank Balances	8	9,685,465,454		320,298,097
Loans and Advances	9	10,237,723,699		25,107,785,120
		26,207,588,854		29,940,303,537
Less : Current Liabilities and Provisions				
Current Liabilities	10	11,335,694,929		7,742,264,013
Provisions	11	4,670,031,501		2,202,478,727
		16,005,726,430		9,944,742,740
Net Current Assets			10,201,862,424	19,995,560,797
			473,674,265,001	333,459,918,801
Notes to the Accounts	18			
Schedules 1 to 18 form an integral part of the Accounts				

IN TERMS OF OUR REPORT ATTACHED

FOR DELOITTE HASKINS & SELLS

Chartered Accountants

NALIN M. SHAH

Partner

Mumbai | April 29, 2011

FOR AND ON BEHALF OF THE BOARD

DEEPAK S. PAREKH

Chairman

SUNIL KAKAR

Chief Financial Officer

RAJIV B. LALL

Managing Director & CEO

MAHENDRA N. SHAH

Company Secretary

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2011

		₹	₹	₹
	SCHEDULE ↘		APRIL 1, 2010 TO MARCH 31, 2011	APRIL 1, 2009 TO MARCH 31, 2010
INCOME				
Operating and Other Income	12		45,603,534,228	35,971,062,777
EXPENDITURE				
Interest & Other Charges	13	23,865,209,137		19,502,308,368
Staff Expenses	14	1,065,206,532		1,049,967,930
Establishment Expenses	15	181,528,853		171,907,831
Other Expenses	16	624,593,408		443,486,064
Provisions and Contingencies	17	2,349,366,132		1,303,628,179
Depreciation & Amortisation		326,976,713		328,390,687
		28,412,880,775		22,799,689,059
Less: Shared Service Cost recovered [See Schedule 18 Note 19(b)]		113,832,000		-
			28,299,048,775	22,799,689,059
PROFIT BEFORE TAXATION			17,304,485,453	13,171,373,718
Less: Provision for Taxation				
Current Tax		5,239,000,000		3,393,000,000
Less: Deferred Tax (See Schedule 18 Note 34)		706,000,000		350,000,000
			4,533,000,000	3,043,000,000
PROFIT AFTER TAXATION			12,771,485,453	10,128,373,718
Add: Balance as per last Balance Sheet			12,631,228,854	9,552,716,004
AVAILABLE FOR APPROPRIATION			25,402,714,307	19,681,089,722
Appropriations:				
Special Reserve u/s 36(1) (viii) of Income-tax Act, 1961 (See Schedule 18 Note 5)			2,460,000,000	2,340,000,000
Debenture Redemption Reserve (See Schedule 18 Note 6)			726,000,000	-
Special Reserve u/s 45-IC of RBI Act, 1934			2,560,000,000	2,030,000,000
General Reserve			957,900,000	506,500,000
Proposed Dividend on				
Equity Shares			2,925,128,345	1,951,251,394
[₹ 2.00 per equity share (Previous Year ₹ 1.50 per equity share)] (See Schedule 18 Note 28)				
Preference Shares			321,731,507	-
[@ 6% p.a. (Previous Year Nil)] (See Schedule 18 Note 3)				
Tax on Dividend (See Schedule 18 Notes 18 & 28)			450,742,611	222,109,474
Balance carried forward			15,001,211,844	12,631,228,854
			25,402,714,307	19,681,089,722
Earnings per share (Face Value ₹ 10) (See Schedule 18 Notes 4 & 33)				
Basic			8.74	7.82
Diluted			8.68	7.74
Notes to the Accounts	18			
Schedules 1 to 18 form an integral part of the Accounts				

IN TERMS OF OUR REPORT ATTACHED

FOR DELOITTE HASKINS & SELLS

Chartered Accountants

NALIN M. SHAH

Partner

Mumbai | April 29, 2011

FOR AND ON BEHALF OF THE BOARD

DEEPAK S. PAREKH

Chairman

SUNIL KAKAR

Chief Financial Officer

RAJIV B. LALL

Managing Director & CEO

MAHENDRA N. SHAH

Company Secretary

CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2011

	₹	₹	₹
		FOR THE YEAR ENDED MARCH 31, 2011	FOR THE YEAR ENDED MARCH 31, 2010
A. CASH FLOW FROM OPERATING ACTIVITIES			
Profit before Taxation		17,304,485,453	13,171,373,718
Adjustments for:			
Depreciation and Amortisation	326,976,713		328,390,687
Provision for Employee Benefits	(23,140,863)		(3,884,909)
ESOP compensation cost	167,493,624		53,382,037
Provision for Contingencies	1,484,775,667		1,026,200,000
Provision for Doubtful Loans, Debtors and Restructured Loans	64,283,333		48,926,711
Provision for Diminution in value of Investments	798,685,432		228,501,468
Provision for Mark-to-Market on Derivatives	1,621,700		-
(Gain)/Loss on Foreign Currency Revaluation	(74,185,460)		358,406,574
Profit on sale of Investments	(2,741,336,565)		(4,252,624,857)
Amortisation of Premium on Investments	30,068,206		13,147,575
Profit on sale of Fixed Assets (Net)	(69,953,102)		(127,400,931)
		(34,711,315)	(2,326,955,645)
Changes in:			
Current Assets, Loans and Advances	(3,938,126,895)		2,124,181,888
Current Liabilities	1,751,081,712		580,997,943
		(2,187,045,183)	2,705,179,831
Direct Taxes paid		(4,227,596,546)	(2,590,546,285)
CASH GENERATED FROM OPERATIONS		10,855,132,409	10,959,051,619
Infrastructure Loans disbursed (net of repayments)		(126,780,417,475)	(44,940,426,583)
NET CASH USED IN OPERATING ACTIVITIES		(115,925,285,066)	(33,981,374,964)
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets (including Capital Work-in-Progress)		(172,589,688)	(156,969,641)
Sale of Fixed Assets		113,974,297	236,725,239
Investments in Subsidiaries		(346,025,233)	(1,409,999,990)
Purchase of other Investments		(1,867,731,013,255)	(1,012,016,009,548)
Sale proceeds of Investments in Subsidiaries and Jointly Controlled Entities		652,899,100	80,000,000
Sale proceeds of other Investments		1,862,512,960,345	1,013,804,006,793
NET CASH FROM/(USED) IN INVESTING ACTIVITIES		(4,969,794,434)	537,752,853
C. CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from fresh issue of shares (net of issue expenses)		35,052,369,151	207,455,365
Proceeds from Borrowings (net of repayments) (net of public issue expenses)		97,210,702,752	28,744,128,128
Dividend paid (including dividend tax)		(2,174,806,826)	(1,750,815,221)
NET CASH FROM FINANCING ACTIVITIES		130,088,265,077	27,200,768,272
Net increase/(decrease) in cash and cash equivalents (A+B+C)		9,193,185,577	(6,242,853,839)
Cash and cash equivalents as at the beginning [See Schedule 18 Note 12(a)]		312,674,102	6,555,527,941
Cash and cash equivalents as at the end of the year [See Schedule 18 Note 12(a)]		9,505,859,679	312,674,102
		9,193,185,577	(6,242,853,839)

IN TERMS OF OUR REPORT ATTACHED

FOR DELOITTE HASKINS & SELLS

Chartered Accountants

NALIN M. SHAH
Partner

FOR AND ON BEHALF OF THE BOARD

DEEPAK S. PAREKH
Chairman

RAJIV B. LALL
Managing Director & CEO

SUNIL KAKAR
Chief Financial Officer

MAHENDRA N. SHAH
Company Secretary

Mumbai | April 29, 2011

SCHEDULE 1 Capital		₹	₹
		AS AT MARCH 31, 2011	AS AT MARCH 31, 2010
AUTHORISED:			
4,000,000,000 Equity Shares of ₹ 10 each		40,000,000,000	40,000,000,000
100,000,000 Preference Shares of ₹ 100 each		10,000,000,000	10,000,000,000
		50,000,000,000	50,000,000,000
ISSUED, SUBSCRIBED AND PAID-UP:			
(See Schedule 18 Notes 2 & 3)			
1,460,947,548 (Previous Year 1,300,612,393) Equity Shares of ₹ 10 each, fully paid-up		14,609,475,480	13,006,123,930
84,000,000 (Previous Year Nil) 6% compulsorily convertible cumulative Preference Shares of ₹ 100 each fully paid-up		8,400,000,000	-
		23,009,475,480	13,006,123,930
SCHEDULE 2 Reserves and Surplus		₹	₹
		AS AT MARCH 31, 2011	AS AT MARCH 31, 2010
SECURITIES PREMIUM ACCOUNT			
Opening Balance	21,914,270,425		22,037,481,915
Add: Received during the year	25,101,204,403		152,052,448
Add: Options exercised	58,183,450		1,397,289
Less: Utilised during the year	1,914,422,206		276,661,227
		45,159,236,072	21,914,270,425
EMPLOYEES' STOCK OPTIONS OUTSTANDING			
(See Schedule 18 Note 4)			
Opening Balance	203,647,842		151,663,094
Add: Net charge for the year	167,493,624		53,382,037
Less: Options exercised	58,183,450		1,397,289
		312,958,016	203,647,842
SPECIAL RESERVE U/S 36(1)(viii) OF INCOME-TAX ACT, 1961			
(See Schedule 18 Note 5)			
Opening Balance	9,142,500,000		6,802,500,000
Add: Transfer from Profit and Loss Account	2,460,000,000		2,340,000,000
		11,602,500,000	9,142,500,000
SPECIAL RESERVE U/S 45-IC OF RBI ACT, 1934			
Opening Balance	9,375,000,000		7,345,000,000
Add: Transfer from Profit and Loss Account	2,560,000,000		2,030,000,000
		11,935,000,000	9,375,000,000
DEBENTURE REDEMPTION RESERVE			
(See Schedule 18 Note 6)			
Opening Balance	-		-
Add: Transfer from Profit and Loss Account	726,000,000		-
		726,000,000	-
GENERAL RESERVE			
Opening Balance	1,955,800,000		1,449,300,000
Add: Transfer from Profit and Loss Account	957,900,000		506,500,000
		2,913,700,000	1,955,800,000
PROFIT AND LOSS ACCOUNT		15,001,211,844	12,631,228,854
		87,650,605,932	55,222,447,121

SCHEDULE 3 Loan Funds	₹	₹	₹
		AS AT MARCH 31, 2011	AS AT MARCH 31, 2010
LOAN FUNDS (Secured) [See Schedule 18 Note 7(a)]			
LONG-TERM			
DEBENTURES (NON-CONVERTIBLE) [Refer Note (i)]	247,824,605,000		-
(See Schedule 18 Notes 7(d) & 8)			
Less: Unexpired discount on zero percent debentures [Refer Note (vi)]	2,811,586,678		-
(Redeemable from April 5, 2011 to March 28, 2026)			
		245,013,018,322	-
TERM LOANS [Refer Note (iii)]			
From Banks	80,472,032,782		-
From Others	14,117,842,442		-
		94,589,875,224	-
		339,602,893,546	-
SHORT-TERM			
TERM LOANS			
From Banks	12,250,000,000		-
Collateralised Borrowing and Lending Obligation [See Schedule 18 Note 7(b)]	2,497,256,438		-
		14,747,256,438	-
TOTAL SECURED LOAN FUNDS		354,350,149,984	-
LOAN FUNDS (UNSECURED)			
LONG-TERM			
SUBORDINATED DEBT FROM GOVERNMENT OF INDIA		6,500,000,000	6,500,000,000
(Repayable from March 17, 2047 to September 29, 2047)			
DEBENTURES (NON-CONVERTIBLE) [Refer Note (ii)]	-		162,866,000,000
[See Schedule 18 Note 7(c)]			
Less: Unexpired discount on zero percent debentures [Refer Note (vi)]	-		4,092,546,142
(Previous Year Redeemable from April 6, 2010 to January 17, 2026)			
		-	158,773,453,858
TERM LOANS [Refer Note (iv)]			
From Banks	-		50,455,497,768
From Others	-		11,656,312,500
		-	62,111,810,268
		6,500,000,000	227,385,264,126
SHORT-TERM			
DEBENTURES (NON-CONVERTIBLE)			
Less: Unexpired discount on zero percent debentures [Refer Note (vi)]	-		7,500,000,000
(Previous Year Redeemable from June 21, 2010 to September 29, 2010)			187,928,402
		-	7,312,071,598
TERM LOANS			
From Banks	-		11,300,000,000
From Others	-		2,000,000,000
		-	13,300,000,000
COMMERCIAL PAPER	2,100,000,000		17,500,000,000
Less: Unexpired discount on commercial papers [Refer Note (vi)]	36,496,733		268,551,971
(Maximum amount outstanding during the year ₹ 29,750,000,000)		2,063,503,267	17,231,448,029
Previous Year ₹ 21,760,000,000)			
BANK OVERDRAFT		59,105,009	-
		2,122,608,276	37,843,519,627
TOTAL UNSECURED LOAN FUNDS		8,622,608,276	265,228,783,753
TOTAL LOAN FUNDS		362,972,758,260	265,228,783,753

NOTES:

- (i) Debentures include ₹ **58,040,000,000** (Previous Year ₹ Nil) repayable within a year.
- (ii) Debentures include ₹ **Nil** (Previous Year ₹ 48,580,000,000) repayable within a year.
- (iii) Term Loans from Banks include ₹ **19,981,597,085** (Previous Year ₹ Nil) and from Others include ₹ **1,074,937,245** (Previous Year ₹ Nil) repayable within a year.
- (iv) Term Loans from Banks include ₹ **Nil** (Previous Year ₹ 13,162,285,085) and from Others include ₹ **Nil** (Previous Year ₹ 922,874,743) repayable within a year.
- (v) In terms of the Reserve Bank of India Circular (Ref. No. DNBS (PD) CC No. 178/03.02.001/2010-11 dated July 1, 2010) no loans remained overdue as on March 31, 2011 and March 31, 2010.
- (vi) Unexpired discount is net of ₹ **2,357,045,237** (Previous Year ₹ 1,631,380,732) towards interest accrued but not due.

SCHEDULE 4 Fixed Assets

DESCRIPTION	GROSS BLOCK			DEPRECIATION AND AMORTISATION			NET BLOCK			
	AS AT APRIL 1, 2010	ADDITIONS	DELETIONS	AS AT MARCH 31, 2011	AS AT APRIL 1, 2010	CHARGE FOR THE YEAR	DELETIONS	AS AT MARCH 31, 2011	AS AT MARCH 31, 2011	AS AT MARCH 31, 2010
Tangible										
Buildings										
Own Use	2,773,236,423	58,414,115	75,934,134	2,755,716,404	220,304,983	127,207,781	36,514,492	310,998,272	2,444,718,132	2,552,931,440
Under Operating Lease	188,120,350	-	-	188,120,350	86,885,372	5,061,749	-	91,947,121	96,173,229	101,234,978
Leasehold Improvements	34,410,436	22,828,373	-	57,238,809	10,022,544	12,760,946	-	22,783,490	34,455,319	24,387,892
Computer Hardware	82,426,328	23,353,843	8,886,415	96,893,756	52,254,144	18,178,053	8,672,143	61,760,054	35,133,702	30,172,184
Furniture, Fittings and Office Equipments										
Owned	155,109,210	36,619,556	14,853,173	176,875,593	57,176,550	20,162,311	11,621,626	65,717,235	111,158,358	97,932,660
Under Operating Lease	4,344,305	-	-	4,344,305	1,048,746	235,688	-	1,284,434	3,059,871	3,295,559
Windmills	1,012,500,000	-	-	1,012,500,000	282,363,895	111,929,865	-	394,293,760	618,206,240	730,136,105
Vehicles	9,581,826	124,800	901,815	8,804,811	5,509,311	1,066,067	699,381	5,875,997	2,928,814	4,072,515
Intangible										
Computer Software	72,870,987	71,146,598	27,782,735	116,234,850	38,876,142	30,374,253	26,829,435	42,420,960	73,813,890	33,994,845
Total	4,332,599,865	212,487,285	128,358,272	4,416,728,878	754,441,687	326,976,713	84,337,077	997,081,323	3,419,647,555	3,578,158,178
Previous Year	4,377,128,101	150,679,215	195,207,451	4,332,599,865	511,934,143	328,390,687	85,883,143	754,441,687	3,578,158,178	

NOTE:

Buildings include ₹ 500 (Previous Year ₹ 1,000) being the cost of shares in co-operative housing societies.

SCHEDULE 5 Investments

₹ AS AT MARCH 31, 2011 AS AT MARCH 31, 2010 ₹

[See Schedule 18 Note 39(e)]

I. LONG-TERM
A. EQUITY SHARES (FULLY PAID)

	NUMBER OF SHARES	FACE VALUE		
QUOTED (NON TRADE)				
Andhra Cements Limited (7,020,611 shares acquired during the year)	15,760,611	10	402,353,430	249,964,000
Bharti Airtel Limited (155,600 shares sold during the year)	466,800	5	10,503,000	14,004,000
DQ Entertainment (International) Limited	258,097	10	17,578,988	17,578,988
Godrej Properties Limited	423,791	10	207,657,590	207,657,590
Gujarat State Petronet Limited (840,000 shares sold during the year)			-	16,800,000
Jaypee Infratech Limited	3,791,842	10	386,767,884	-
JSW Energy Limited	2,394,595	10	239,459,500	239,459,500
KSK Energy Ventures Limited	3,125,000	10	750,000,000	750,000,000
Mundra Port and Special Economic Zone Limited (1,675,000 shares sold during the year) (Face value changed from ₹ 10 to ₹ 2 per share during the year)			-	143,578,712
Sarda Energy & Minerals Limited	1,842,105	10	349,999,950	349,999,950
SJVN Limited	6,447,279	10	167,629,254	-
Tata Consultancy Services Limited (20,685 shares sold during the year)	62,055	1	436,688	582,250
Torrent Power Limited	3,900,000	10	280,800,000	280,800,000
VA Tech Wabag Limited	38,390	5	47,279,205	-
<i>Carried forward</i>			2,860,465,489	2,270,424,990

SCHEDULE 5 Investments (Continued)

			₹	₹	₹
			AS AT MARCH 31, 2011		AS AT MARCH 31, 2010
	NUMBER OF SHARES	FACE VALUE			
<i>Brought forward</i>				2,860,465,489	2,270,424,990
UNQUOTED					
SUBSIDIARIES (TRADE)					
IDFC Asset Management Company Limited (64,000 shares subscribed during the year)	2,674,002	10	8,396,417,338		8,141,717,338
IDFC AMC Trustee Company Limited	50,000	10	662,351		662,351
Jetpur Somnath Highway Limited (Formerly IDFC Capital Company Limited) (50,000 shares transferred to a wholly owned subsidiary during the year)			-		500,000
IDFC Finance Limited	21,000,200	10	210,002,000		210,002,000
IDFC Foundation	50,000	10	500,000		-
IDFC Pension Fund Management Company Limited (Subsidiary of a Subsidiary Company)	5,999,999	10	59,999,990		59,999,990
IDFC PPP Trusteeship Company Limited	50,000	10	500,000		500,000
IDFC Private Equity Company Limited	50,000	10	500,000		500,000
IDFC Project Equity Company Limited	50,000	10	500,000		500,000
IDFC Projects Limited (9,049,900 shares purchased from a wholly owned subsidiary during the year)	34,050,000	10	340,726,233		250,001,000
IDFC Securities Limited	14,137,200	10	4,400,973,117		4,400,973,117
IDFC Trustee Company Limited	50,000	10	500,000		500,000
Uniquet Infra Ventures Private Limited	10,000	10	100,000		-
OTHERS (NON TRADE)					
Asset Reconstruction Company (India) Limited	27,197,743	10	1,137,708,410		1,137,708,410
Asia Bio Energy (India) Limited	2,500,000	10	25,000,000		25,000,000
Athena Energy Ventures Private Limited (8,000,000 shares subscribed during the year)	50,000,000	10	500,000,000		420,000,000
Avantika Gas Limited	3,500	10	35,000		35,000
BSCPL Infrastructure Limited [Formerly B. Seenaiah & Company (Projects) Limited] (218,150 bonus shares received during the year)	436,300	10	249,999,900		249,999,900
Delhi Integrated Multi-Modal Transit System Limited (73,045 shares sold to a wholly owned subsidiary during the year)			-		73,045,000
Delhi Mumbai Industrial Corridor Development Corporation Limited	1,000,000	10	10,000,000		10,000,000
Ennore SEZ Company Limited	25,000	10	250,000		250,000
Feedback Ventures Private Limited	4,026,689	10	200,870,985		200,870,985
GMR Kamalanga Energy Limited	17,730,000	10	177,300,000		177,300,000
GR Infraprojects Limited	111,256	10	19,773,529		-
Green Gas Limited	10,000	10	100,000		100,000
Indian Commodity Exchange Limited	10,000,000	5	50,000,000		50,000,000
Indian Energy Exchange Limited	1,250,000	10	12,500,000		12,500,000
Indu Projects Limited	2,053,480	10	266,952,400		266,952,400
Intarvo Technologies Limited	69,800	10	14,029,800		-
Infrastructure Development Corporation (Karnataka) Limited (4,949,996 shares sold to a wholly owned subsidiary during the year)			-		49,499,960
KMC Constructions Limited	542,977	10	238,997,884		238,997,884
L & T Infrastructure Development Projects Limited (5,400,000 shares sold during the year)			-		540,000,000
MVR Infrastructure and Tollways Private Limited	1,200,000	100	120,000,000		120,000,000
National Stock Exchange of India Limited	3,547,990	10	889,161,443		889,161,443
One 97 Communication Limited	119,867	10	29,607,149		-
<i>Carried forward</i>				20,214,133,018	19,797,701,768

SCHEDULE 5 Investments (Continued)

			₹	₹	₹
			AS AT MARCH 31, 2011		AS AT MARCH 31, 2010
	NUMBER OF SHARES	FACE VALUE			
<i>Brought forward</i>				20,214,133,018	19,797,701,768
Orbis Capital Limited	7,500,000	10		86,250,000	-
Petronet CCK Limited	19,973,332	10		199,733,320	199,733,320
Pipal Tree Ventures Private Limited	192,885	10		22,500,000	-
Quickjet Cargo Airlines Private Limited	90,909	10		999,999	999,999
Rohan Rajdeep Toll Roads Limited	4,070,000	10		40,700,000	40,700,000
Securities Trading Corporation of India Limited	3,530,136	10		540,428,382	540,428,382
SSIPL Retail Private Limited	304,599	10		50,002,890	50,002,890
Uttarakhand Infrastructure Development Company Limited (239,517 shares sold to a wholly owned subsidiary during the year)				-	2,395,170
		(A)		21,154,747,609	20,631,961,529
B. PREFERENCE SHARES (FULLY PAID - UNQUOTED)					
[See Schedule 18 Note 9(b)]					
SUBSIDIARIES (TRADE)					
IDFC Asset Management Company Limited (19,792,500 shares redeemed during the year)				-	197,925,000
OTHERS (NON TRADE)					
1% Asian Hotels Limited (5,000,000 shares redeemed during the year)				-	450,000,000
0.10% GMR Energy Limited (convertible)	540,088	1,000		540,088,000	-
0% Human Value Developers Private Limited (convertible)	23,749,200	10		237,492,000	237,492,000
0% Moser Baer Solar Limited (optionally convertible) (Formerly P. V. Technologies India Limited)	61,290,000	10		612,900,000	612,900,000
0% Quickjet Cargo Airlines Private Limited (convertible)	15,181,818	11		167,000,000	167,000,000
0.10% SMMS Investments Private Limited (215,000 shares redeemed during the year)				-	2,150,000,000
0% TRIL Infopark Limited (convertible) (3,750,000 shares redeemed during the year) (15,000,000 shares subscribed during the year) (Previous year optionally convertible)	26,250,000	100		2,625,000,000	1,500,000,000
13.50% Viom Networks Limited (optionally partially convertible) (Formerly Wireless-TT Info Services Limited)	250,000,000	10		2,500,000,000	2,500,000,000
0.02% Ziqitza Healthcare Limited (convertible)	2,209	10		4,698,543	4,698,543
		(B)		6,687,178,543	7,820,015,543
C. VENTURE CAPITAL UNITS (UNQUOTED)					
	NUMBER OF UNITS	FACE VALUE			
Faering Capital India Evolving Fund (fully paid)	45,000	1,000		45,000,000	-
India Development Fund - Class A (₹ 99.79 paid)	10,000,000	100		1,000,000	1,000,000
India Development Fund - Class B (fully paid)	700	100		70,000	70,000
India Infrastructure Fund - Class B (fully paid)	4,070	1		4,070	-
IDFC Project Equity Domestic Investors Trust I (fully paid) (2,539,200 units subscribed during the year) (1,092,920 units redeemed during the year)	15,628,280	100		1,562,828,000	1,418,200,000
IDFC Private Equity Fund II - Class A (₹ 8.90 paid) (₹ 141,817,500 repaid during the year)	135,000,000	10		952,234,650	1,050,042,150
IDFC Private Equity Fund II - Class C (₹ 10 paid)	6,621	10		66,210	66,210
IDFC Private Equity Fund III - Class A (₹ 4.79 paid)	280,000,000	10		1,342,443,116	1,040,200,000
IDFC Private Equity Fund III - Class C (₹ 4.23 paid)	1,350,000	10		5,709,345	-
IDFC Private Equity Fund III - Class D (₹ 1.75 paid)	79,996,000	10		139,913,004	-
IDFC Private Equity Fund III - Class F (₹ 1.72 paid)	385,695	10		662,625	-
Urban Infrastructure Opportunities Fund - Class A (fully paid)	2,700	100,000		274,000,000	274,000,000
		(C)		4,323,931,020	3,783,578,360

SCHEDULE 5 Investments (Continued)

₹ AS AT MARCH 31, 2011 ₹ AS AT MARCH 31, 2010 ₹

D. BONDS (FULLY PAID – UNQUOTED)				
[See Schedule 18 Note 9(c)]				
	NUMBER OF BONDS	FACE VALUE		
10.05% Axis Bank Limited	250	1,000,000	249,950,000	249,950,000
8.25% Corporation Bank Limited	250	1,000,000	249,721,250	249,721,250
9.50% Delhi Transco Limited (5,000 bonds sold during the year)			-	500,050,000
10.25% Future Capital Holdings Limited	500	1,000,000	494,946,000	-
9.92% HDFC Bank Limited	59	1,000,000	59,000,000	59,000,000
9.98% ICICI Bank Limited	200	1,000,000	200,000,000	200,000,000
6.25% ING Vysya Bank Limited	500	100,000	43,864,450	43,864,450
8.95% Infotel Broadband Services Private Limited	500	1,000,000	482,377,500	-
8.91% L&T Infrastructure Finance Company Limited	250	1,000,000	245,118,200	-
Floating Rate Bond LIC Housing Finance Limited (200 bonds sold during the year)			-	200,000,000
7.00% Power Finance Corporation Limited (250 bonds sold during the year)			-	252,932,500
8.49% Power Finance Corporation Limited (300 bonds sold during the year)			-	309,440,100
8.60% Power Finance Corporation Limited	250	1,000,000	250,000,000	250,000,000
8.80% Power Finance Corporation Limited (400 bonds sold during the year)			-	400,000,000
11.00% Power Finance Corporation Limited	700	1,000,000	785,913,800	785,913,800
11.15% Power Finance Corporation Limited (25 bonds sold during the year)			-	26,475,750
8.84% Power Grid Corporation Limited (3,360 bonds sold during the year)			-	4,200,000,000
10.90% Power Grid Corporation Limited	90	500,000	47,294,640	56,753,568
10.90% Reliance Gas Transportation Infrastructure Limited (250 bonds sold during the year)	100	1,000,000	107,451,700	372,677,950
10.95% Reliance Gas Transportation Infrastructure Limited	1,324	1,000,000	1,475,125,856	1,475,125,856
9.20% Reliance Utilities and Power Private Limited	500	1,000,000	509,555,000	-
7.15% Rural Electrification Corporation Limited	500	1,000,000	500,000,000	500,000,000
7.90% Rural Electrification Corporation Limited	650	1,000,000	654,725,950	654,725,950
0% Sharekhan Limited (convertible)	3,435,527	145.35	499,353,849	499,353,849
0% Sharekhan Limited (convertible)	567,601	264.27	149,999,916	149,999,916
10.60% Shriram Transport Finance Company Limited	100	1,000,000	100,000,000	-
11.00% Shriram Transport Finance Company Limited	250	1,000,000	252,954,750	-
10.10% State Bank of India (100 bonds sold during the year)			-	100,496,200
9.90% State Bank of Patiala (100 bonds sold during the year)			-	99,349,600
8.32% Tamilnadu Electricity Board (234 bonds sold during the year)			-	234,023,400
		(D)	7,357,352,861	11,869,854,139
E. GOVERNMENT SECURITIES (UNQUOTED)		(E)	499,862,500	256,262,500
F. SECURITY RECEIPTS (UNQUOTED)				
Issued by Asset Reconstruction Company (India) Limited		(F)	217,172,886	220,031,677

SCHEDULE 5 Investments (Continued)

₹ ₹ ₹

AS AT MARCH 31, 2011 AS AT MARCH 31, 2010
G. TRUST UNITS (UNQUOTED)

India Infrastructure Initiative (60,000 units transferred to a wholly owned subsidiary during the year)			-	60,000,000
India PPP Capacity Building Trust (250,000 units transferred to a wholly owned subsidiary during the year)			-	50,000,000
	(G)		-	110,000,000
TOTAL LONG-TERM INVESTMENTS	(A + B + C + D + E + F + G)		40,240,245,419	44,691,703,748

II. CURRENT (NON TRADE)
A. EQUITY SHARES (FULLY PAID – QUOTED) [See Schedule 18 Note 9(a)]

	NUMBER OF SHARES	FACE VALUE		
Hathway Cable & Datacom Limited	416,650	10	99,996,000	99,996,000
Indiabulls Power Limited	3,423,184	10	154,043,280	154,043,280
NHPC Limited	10,555,729	10	380,006,244	380,006,244
Oil India Limited (90,581 shares sold during the year)			-	95,110,050
Vascon Engineers Limited	864,225	10	142,597,125	142,597,125
Engineers India Limited	143,961	5	41,748,690	-
		(A)	818,391,339	871,752,699

B. BONDS (FULLY PAID – UNQUOTED) [See Schedule 18 Note 9(c)]

	NUMBER OF BONDS	FACE VALUE		
9.25% Deccan Chronicle Holdings Limited	500	1,000,000	500,000,000	-
12.00% Deccan Chronicle Holdings Limited	1,000	1,000,000	1,000,000,000	-
10.10% Deutsche Post Bank Home Finance Limited	150	1,000,000	150,000,000	150,000,000
0% Dewan Housing Finance Limited	100	10,000,000	1,000,000,000	-
10.75% Dishergarh Power Supply Company Limited	2,350	200,000	470,000,000	-
5.60% Export Import Bank of India (Series M-01) (250 bonds sold during the year)			-	250,000,000
9.25% Fullerton India Credit Company Limited	850	1,000,000	850,720,000	-
9.35% Great Eastern Shipping Company Limited (315 bonds sold during the year)			-	315,000,000
9.60% Great Eastern Shipping Company Limited	100	1,000,000	100,928,600	100,928,600
0% Housing Development Finance Corporation Limited	500	1,000,000	500,000,000	-
6.84% Housing Development Finance Corporation Limited (250 bonds sold during the year)	200	1,000,000	201,846,400	453,795,600
8.35% Housing Development Finance Corporation Limited	200	1,000,000	200,000,000	-
8.40% Housing Development Finance Corporation Limited (250 bonds sold during the year)			-	250,000,000
9.29% ICICI Home Finance Limited	88	1,000,000	88,000,000	88,000,000
10.24% L&T Finance Limited	821,491	1,000	821,491,000	821,491,000
0% LIC Housing Finance Limited (200 bonds sold during the year)			-	188,679,800
6.55% National Housing Bank (50 bonds sold during the year)	450	1,000,000	445,919,850	500,000,000
7.00% Power Finance Corporation Limited	250	1,000,000	250,600,000	-
8.49% Power Finance Corporation Limited	300	1,000,000	307,260,000	-
8.80% Power Finance Corporation Limited	400	1,000,000	400,000,000	-
11.15% Power Finance Corporation Limited	25	1,000,000	26,475,750	-
<i>Carried forward</i>			7,313,241,600	3,117,895,000

SCHEDULE 5 Investments (Continued)		₹	₹	₹
			AS AT MARCH 31, 2011	AS AT MARCH 31, 2010
<i>Brought forward</i>			7,313,241,600	3,117,895,000
8.64% Power Grid Corporation Limited	80	1,250,000	99,991,463	-
8.84% Power Grid Corporation Limited	640	1,250,000	800,000,000	-
9.22% Reliance Capital Limited	250	1,000,000	252,810,000	252,810,000
9.25% Reliance Capital Limited (150 bonds sold during the year)	450	1,000,000	454,893,950	606,093,900
10.90% Reliance Gas Transportation Infrastructure Limited	650	1,000,000	692,028,050	-
10.95% Reliance Gas Transportation Infrastructure Limited	500	1,000,000	554,844,000	-
7.60% Rural Electrification Corporation Limited	350	1,000,000	353,501,050	-
10.90% Shriram Transport Finance Company Limited	200	1,000,000	200,232,000	-
9.05% State Bank of India (310 bonds sold during the year)	190	1,000,000	190,000,000	500,000,000
9.95% State Bank of India	45,000	10,000	469,020,950	-
10.00% Sundaram Finance Limited	250	1,000,000	250,000,000	250,000,000
10.30% Tata Sons Limited	50	1,000,000	50,000,000	500,000,000
		(B)	11,680,563,063	5,226,798,900
C. PASS THROUGH CERTIFICATES (UNQUOTED) [See Schedule 18 Note 9(d)]				
India MBS 2002 Certificates Series I D			10,586,045	12,969,693
NOVO IV Trust - Locomotive Series D			-	617,866,749
Loan Securitisation Trust (Series XVII)			2,216,238	9,584,310
Standard Chartered Bank Series A2			-	462,211,352
		(C)	12,802,283	1,102,632,104
D. CERTIFICATE OF DEPOSITS WITH SCHEDULED BANKS (UNQUOTED)				
		(D)	18,898,927,298	3,710,542,969
E. COMMERCIAL PAPERS (UNQUOTED)				
		(E)	8,214,683,135	1,441,284,534
F. GOVERNMENT SECURITIES AND TREASURY BILLS (UNQUOTED)				
		(F)	2,617,356,559	-
G. MUTUAL FUNDS (UNQUOTED)				
	NUMBER OF UNITS	FACE VALUE		
IDFC Money Manager Fund - Treasury - Daily Dividend	1,355,620.214	10	13,650,960	53,389,494
Religare Liquid Fund Super Institutional Plan Growth			-	1,322,500,000
		(G)	13,650,960	1,375,889,494
H. CONVERTIBLE WARRANTS (QUOTED)				
	NUMBER OF WARRANTS	FACE VALUE		
Housing Development Finance Corporation Limited (Face value changed from ₹ 10 to ₹ 2 per warrant during the year)	850	2	46,750	46,750
		(H)	46,750	46,750
TOTAL CURRENT INVESTMENTS	(A + B + C + D + E + F + G + H)		42,256,421,387	13,728,947,450
GRAND TOTAL (I + II)			82,496,666,806	58,420,651,198
Less: Provision for Diminution in Value of Investments			1,422,512,892	593,759,254
			81,074,153,914	57,826,891,944

NOTES:

- Aggregate amount of quoted investments
Cost 3,678,903,578 3,142,224,439
Market Value 3,436,733,060 4,144,842,552
- Aggregate amount of investments in Unquoted Mutual Funds
Cost 13,650,960 1,375,889,494
Market Value 13,650,960 1,376,078,404
Market value of Investments in Unquoted Mutual Funds represents the repurchase price of the units issued by the Mutual Funds.
- Aggregate amount of unquoted investments - Cost 78,804,112,268 53,902,537,265
- Investments include ₹ 476,853,181 (Previous Year ₹ 17,578,988) in respect of equity shares which are subject to a lock-in-period.
- Investments include ₹ 4,698,543 (Previous Year ₹ 544,698,543) in respect of equity shares and ₹ 4,323,931,020 (Previous Year ₹ 3,783,578,360) in respect of Venture Capital Units which are subject to restrictive covenants.
- Investments exclude equity shares held by the Company having face value of ₹ 135,836,000 (Previous Year ₹ 135,556,040), where the Company has no beneficial interest.

SCHEDULE 6 Infrastructure Loans		₹	₹	₹
		AS AT MARCH 31, 2011		AS AT MARCH 31, 2010
[See Schedule 18 Notes 11, 39(d) & 39(f)]				
A. LOANS		373,817,657,099		248,837,290,803
B. DEBENTURES [See Schedule 18 Notes 10(a) & 10(b)]		8,332,267,721		6,516,784,194
			382,149,924,820	255,354,074,997
Less: Provision for Doubtful Infrastructure Loans			408,291,011	368,707,678
Provision against Restructured Loans			-	14,200,000
Provision for Contingencies			5,218,475,667	4,701,200,000
			376,523,158,142	250,269,967,319
Whereof:				
(i) Considered good			381,741,633,809	254,985,367,319
(ii) Considered doubtful			408,291,011	368,707,678

SCHEDULE 7 Sundry Debtors (Unsecured)		₹	₹	₹
		AS AT MARCH 31, 2011		AS AT MARCH 31, 2010
CONSIDERED GOOD - Less than six months			154,481,197	459,308,243
CONSIDERED DOUBTFUL				
Over six months		36,498,720		34,970,024
Others		101,280		229,976
			36,600,000	35,200,000
Debtors			191,081,197	494,508,243
Less: Provision for Doubtful Debts			36,600,000	35,200,000
			154,481,197	459,308,243

SCHEDULE 8 Cash and Bank Balances		₹	₹	₹
		AS AT MARCH 31, 2011		AS AT MARCH 31, 2010
[See Schedule 18 Note 12(a)]				
Cash and Cheques on Hand			9,114,299	40,486,167
(includes Cheques on Hand ₹ 9,033,267; Previous Year ₹ 40,404,901)				
With Scheduled Banks				
Current Accounts (See Schedule 18 Note 8)		2,246,335,861		279,796,405
Deposit Accounts		7,430,000,000		-
			9,676,335,861	279,796,405
With Non-Scheduled Bank in Current Account			15,294	15,525
[See Schedule 18 Note 12(b)]				
			9,685,465,454	320,298,097

SCHEDULE 9 Loans and Advances (Unsecured, considered good)		₹	₹	₹
		AS AT MARCH 31, 2011		AS AT MARCH 31, 2010
Interest accrued on Deposits & Loan to Financial Institution			213,411,328	24,123,288
Advances recoverable in cash or in kind or for value to be received [See Schedule 18 Note 12(c)]			1,947,723,987	414,383,140
Loan to Financial Institution			300,000,000	300,000,000
Inter Corporate Deposits			5,776,500,000	22,200,000,000
Advance against Investments			573,182,869	440,001,457
Other Deposits			232,113,682	174,479,948
Advance payment of Income Tax (Net of provision)			1,154,791,833	1,554,797,287
Initial margin account - Stock Futures			40,000,000	-
Mark-to-market margin - Stock Futures account (See Schedule 18 Note 38)		1,621,700		-
Less: Provision for loss - Stock Futures account		1,621,700		-
			-	-
			10,237,723,699	25,107,785,120

SCHEDULE 10 Current Liabilities	₹	
	AS AT MARCH 31, 2011	AS AT MARCH 31, 2010
Sundry Creditors - Other than Micro and Small Enterprises [See Schedule 18 Note 13]	1,914,959,126	1,322,617,931
Interest Accrued but not due on Loan Funds [See Schedule 3 Note (vi) and Schedule 18 Note 14(b)]	8,931,300,722	5,501,554,146
Fees/Other Amounts Received in Advance	376,958,513	683,270,694
Other Liabilities [See Schedule 18 Note 14(a)]	112,476,568	234,821,242
	11,335,694,929	7,742,264,013

SCHEDULE 11 Provisions	₹	
	AS AT MARCH 31, 2011	AS AT MARCH 31, 2010
Proposed Dividend	3,245,357,987	1,950,990,402
Tax on Proposed Dividend (See Schedule 18 Note 18)	450,493,170	222,065,118
Contingent Provision against Standard Assets (See Schedule 18 Note 15)	967,500,000	-
Provision for Employee Benefits [See Schedule 18 Note 29(ii)]	-	23,140,863
Provision for Wealth Tax (Net of advance payment of tax)	2,778,377	2,380,377
Provision for Fringe Benefit Tax (Net of advance payment of tax)	3,901,967	3,901,967
	4,670,031,501	2,202,478,727

SCHEDULE 12 Operating and Other Income	₹	
	APRIL 1, 2010 TO MARCH 31, 2011	APRIL 1, 2009 TO MARCH 31, 2010
OPERATING INCOME		
Interest on Infrastructure Loans [See Schedule 18 Notes 10(c) & 16]	34,461,939,227	25,669,043,288
Interest on Deposits and Loan to Financial Institution and Others	1,018,762,531	571,487,905
Interest on Investments [See Schedule 18 Note 17(a)]	3,935,366,818	2,548,186,542
Dividend on Investments [See Schedule 18 Notes 17(a) & 18]	818,793,470	1,321,465,273
Fees (Net) [See Schedule 18 Note 19(a)]	2,212,417,499	1,183,980,768
Profit on assignment/sale of Loans	58,557,171	26,838,299
Profit on sale/redemption of Investments [See Schedule 18 Notes 17 (a) & (b)]	2,741,336,565	4,252,624,857
Income from trading in Stock Futures	28,119,763	-
Sale of Power (See Schedule 18 Note 20)	100,446,439	126,121,060
Other Operating Income	83,813,837	-
(Tax deducted at source ₹ 1,611,889,359; Previous Year ₹ 511,586,650)	45,459,553,320	35,699,747,992
OTHER INCOME		
Interest on Income Tax Refund	50,623,841	127,881,567
Other Interest	599,999	618,168
Profit on Sale of Fixed Assets (net)	69,953,102	127,400,931
Miscellaneous Income [See Schedule 18 Note 32(iii)]	22,803,966	15,414,119
	143,980,908	271,314,785
	45,603,534,228	35,971,062,777

SCHEDULE 13 Interest & Other Charges	₹	
	APRIL 1, 2010 TO MARCH 31, 2011	APRIL 1, 2009 TO MARCH 31, 2010
INTEREST		
On Fixed Loans	22,983,333,484	19,195,107,686
On Others	1,395,669	2,553,700
	22,984,729,153	19,197,661,386
OTHER CHARGES		
(including exchange loss ₹ 315,806,898; Previous Year ₹ 61,320,748)	880,479,984	304,646,982
	23,865,209,137	19,502,308,368

SCHEDULE 14 Staff Expenses	₹	₹
	APRIL 1, 2010 TO MARCH 31, 2011	APRIL 1, 2009 TO MARCH 31, 2010
Salaries [See Schedule 18 Notes 4, 21 & 32 (i)]	957,155,875	922,505,958
Contribution to Provident and Other Funds [See Schedule 18 Note 29(i)]	52,204,473	36,957,430
Staff Welfare Expenses	55,846,184	90,504,542
	1,065,206,532	1,049,967,930

SCHEDULE 15 Establishment Expenses	₹	₹	₹	
		APRIL 1, 2010 TO MARCH 31, 2011	APRIL 1, 2009 TO MARCH 31, 2010	
Rent [See Schedule 18 Note 32 (ii)]		96,613,047	84,947,544	
Rates & Taxes		17,957,950	15,467,167	
Electricity		26,124,404	17,939,286	
Repairs and Maintenance				
Buildings	20,205,568		31,844,438	
Equipments	15,822,883		18,787,030	
Others	319,193		351,996	
		36,347,644	50,983,464	
Insurance Charges		4,485,808	2,570,370	
		181,528,853	171,907,831	

SCHEDULE 16 Other Expenses	₹	₹
	APRIL 1, 2010 TO MARCH 31, 2011	APRIL 1, 2009 TO MARCH 31, 2010
Travelling and Conveyance	51,001,974	52,514,885
Printing and Stationery	12,245,792	12,423,581
Postage, Telephone and Fax	36,683,341	34,786,284
Advertising and Publicity	20,325,032	14,508,196
Professional Fees	297,540,834	182,667,303
Loss on Foreign Exchange Fluctuation (Net)	6,658	27,916
Directors' Fees	2,740,000	1,920,000
Commission to Directors [See Schedule 18 Note 22(b)]	11,100,000	5,626,786
Bad Debts written off	29,291,178	-
Miscellaneous Expenses (See Schedule 18 Note 23)	150,014,162	128,824,611
Auditors' Remuneration (See Schedule 18 Note 26)	13,644,437	10,186,502
	624,593,408	443,486,064

SCHEDULE 17 Provisions and Contingencies	₹	₹
	APRIL 1, 2010 TO MARCH 31, 2011	APRIL 1, 2009 TO MARCH 31, 2010
Provision for Contingencies [including provision u/s. 36(1)(viiia) of Income-tax Act, 1961]	1,484,775,667	1,026,200,000
Provision for Doubtful Loans, Debtors and Restructured Loans	64,283,333	48,926,711
Provision for Diminution in Value of Investments (Net)	798,685,432	228,501,468
Provision for Mark-to-Market on Stock Futures account	1,621,700	-
	2,349,366,132	1,303,628,179

1 Significant Accounting Policies

A. Accounting Convention

These accounts have been prepared in accordance with historical cost convention, applicable Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006, relevant provisions of the Companies Act, 1956 and the applicable guidelines issued by the Reserve Bank of India (RBI).

B. System of Accounting

The Company adopts the accrual concept in the preparation of the accounts. The preparation of the financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

C. Investments

The Company is regulated as a Non-Banking Financial Company (NBFC) – Infrastructure Finance Company by the RBI. Accordingly, Investments are classified under two categories i.e. Current and Long-term and are valued in accordance with the RBI guidelines and Accounting Standard 13 on 'Accounting for Investments' as notified by the Companies (Accounting Standards) Rules, 2006.

- 'Long-term Investments' are carried at acquisition cost. A provision is made for diminution other than temporary on an individual basis.
- 'Current Investments' are carried at the lower of cost or fair value on an individual basis. Commercial Papers, Certificate of Deposits and Treasury Bills are valued at carrying cost.

D. Infrastructure Loans and Advances

In accordance with the RBI guidelines, all loans and advances are classified under any of four categories i.e. (i) Standard Assets, (ii) Substandard Assets, (iii) Doubtful Assets and (iv) Loss Assets.

E. 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.

F. Intangible Assets

Intangible Assets comprising of system 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 Profit and Loss Account.

G. Impairment

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount.

H. Provisions and Contingencies

- Adequate provision for diminution is made as per the regulatory guidelines applicable to Non-Performing Advances and the provisioning policy of the Company in respect of Loans and Debentures in the nature of advances.
- Provision on restructured advances is computed in accordance with the RBI guidelines.
- Provision for Contingencies is made as per the provisioning policy of the Company, which includes a general provision at 0.25% of the outstanding standard assets in accordance with the RBI guidelines and provision under Section 36(1)(vii) of the Income-tax Act, 1961.

I. Depreciation and Amortisation

▪ Tangible Assets

Depreciation on Fixed Assets, excluding certain electronic items, is provided on the written down value method, at the rates prescribed by Schedule XIV of the Companies Act, 1956. Certain electronic items are depreciated over a period of two years on straight-line method based on the Management's estimate of the useful life of assets. Depreciation on additions during the year is provided on a pro-rata basis. Assets costing less than ₹ 5,000 each are written off in the year of capitalisation. Depreciation in respect of Leasehold Improvements is provided on the straight-line method over the primary period of lease.

▪ Intangible Assets

Intangible assets consisting of computer software are being amortised over a period of three years on straight-line method.

J. Operating Leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Profit and Loss Account, on a straight-line basis, over the lease term. Lease rental income in respect of leases is recognised in accordance with Accounting Standard 19 on 'Leases' as notified by 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.

K. Employee Benefits

■ Defined Contribution Plans

The Company's contribution to Provident Fund is deposited with the Regional Provident Fund Commissioner and is charged to the Profit and Loss Account every year.

The Company has taken a superannuation policy for future payment of superannuation and the Company's contribution paid/payable during the year is charged to the Profit and Loss Account every year.

■ Defined Benefit Plan

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

L. Income-Tax

The accounting treatment for income-tax in respect of the Company's income is based on Accounting Standard 22 on 'Accounting for Taxes on Income' as notified by the Companies (Accounting Standards) Rules, 2006. The provision made for income-tax in the accounts comprises both, the current tax and the deferred tax. The deferred tax assets and liabilities for the year arising on account of timing differences are recognised in the Profit and Loss Account and the cumulative effect thereof is reflected in the Balance Sheet.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carried forward losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that the same can be realised against future taxable profits.

M. Revenue Recognition

- (a) Interest and other dues are accounted on accrual basis except in the case of non-performing assets ("NPAs") where it is recognised upon realisation, as per the income recognition and asset classification norms prescribed by the RBI.
- (b) Income on discounted instruments is recognised over the tenure of the instrument on straight-line basis.
- (c) Dividend is accounted on accrual basis when the right to receive is established.
- (d) Front end fees on processing of loans are recognised upfront as income.
- (e) All fees are recognised when reasonable right of recovery is established, revenue can be reliably measured and as and when they become due except commission income on guarantees, is recognised pro-rata over the period of the guarantee.
- (f) Premium on interest rate reduction is accounted on accrual basis over the residual life of the loan.
- (g) Profit/loss earned on sale of investments is recognised on trade date basis. Profit/loss on sale of investments is determined based on the FIFO cost for current investments and weighted average cost for long-term investments.
- (h) Profit on securitisation is recognised over the residual life of the loan in terms of the RBI guidelines. Profit on sale of loan assets through direct assignment, without any recourse obligation, is recognised at the time of sale. Net loss arising on account of securitisation and direct assignment of loan assets is recognised at the time of sale.
- (i) Revenue from Power Supply is accounted on accrual basis.
- (j) Income from trading in derivatives is recognised on final settlement or squaring-up of the contracts.

N. Foreign Currency Transactions

Foreign currency transactions are accounted at the exchange rates prevailing on the dates of the transactions. Foreign currency monetary items outstanding as at the Balance Sheet date are reported using the closing rate. Gains and losses resulting from the settlement of such transactions and translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account. 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.

O. Derivatives

■ 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 an accrual basis and these transactions are not marked-to-market. Any resultant gain or loss on termination of hedge swaps is amortised over the life of swap or underlying asset/liability whichever is shorter.

■ Currency Interest Rate Swaps

Currency interest rate swaps in the nature of hedge are recorded on an accrual basis and these transactions are not marked-to-market. Any resultant gain or loss on termination of hedge swaps is amortised over the life of swap or underlying asset/liability whichever is shorter. The foreign currency balances on account of principal of cross currency 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. Debit or credit balance disclosed under Loans and Advances or Current Liabilities, respectively, in the "Mark-to-Market Margin – Stock Futures Account", represents the net amount paid or received on the basis of movement in the prices of Stock Futures till the Balance Sheet date.

SCHEDULE 18 Notes Forming Part of the Accounts (Continued)

As on the Balance Sheet date, the profit/loss on open positions in Stock Futures are accounted for as follows:

- Credit balance in the "Mark-to-Market Margin – Stock Futures Account", being anticipated profit, is ignored and no credit is taken in the Profit and Loss Account.
- Debit balance in the "Mark-to-Market Margin – Stock Futures Account", being anticipated loss, is recognised in the Profit and Loss Account.

On final settlement or squaring-up of contracts for Stock Futures, the profit or 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 Profit and Loss Account 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 the contract so squared-up 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.

P. Employee Stock Option Scheme

The Company has formulated Employee Stock Option Schemes (ESOS) in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The Schemes provide for grant of options to employees (including employees of the subsidiaries) to acquire equity shares of the Company that vest in a graded manner and that are to be exercised within a specified period. In accordance with the SEBI Guidelines, the excess, if any, of the closing market price on the day prior to the grant of the options under ESOS over the exercise price is amortised on a straight-line basis over the vesting period.

2 On July 7, 2010 the Company issued and allotted **157,752,090** equity shares of ₹ 10 each at a premium of ₹ **158.25** per share pursuant to a Qualified Institutional Placement. Further, the Company issued and allotted **84,000,000** compulsorily convertible cumulative preference shares (CCCPS) of ₹ 100 each at par on August 11, 2010 pursuant to a Qualified Institutional Placement. Additionally, **2,583,065** equity shares of ₹ 10 each were allotted under the Employee Stock Option Scheme. Accordingly, the issued equity share capital has increased from ₹ 13,006,123,930 to ₹ **14,609,475,480** and an amount of ₹ **25,101,204,403** has been credited to the Securities Premium Account. The proceeds of the issue have been utilised for general business purposes.

3 The Company had raised ₹ **8,400,000,000** through the issue of CCCPS. The preference shares are convertible at any time into equity shares of face value of ₹ 10 each until the date falling 18 months from the date of issuance of the Preference Shares, at the option of the holders, at ₹ **176** per equity share and carry dividend @ 6% p.a.

4 During the year, the Company granted to eligible employees **7,459,308** (Previous Year 603,000) options under the Employee Stock Option Schemes. The details of the outstanding options are as under:

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Options outstanding as at the beginning	16,548,268	21,766,956
Add: Options granted during the year	7,459,308	603,000
Less: Options exercised during the year	2,583,065	5,336,332
Less: Options lapsed during the year	673,790	485,356
Options outstanding as at the end of the year	20,750,721	16,548,268

The net charge towards ESOP Compensation included under Salaries is ₹ **75,720,933** (Previous Year ₹ 53,382,037).

5 Special Reserve has been created in terms of Section 36(1)(viii) of the Income-tax Act, 1961 out of the distributable profits of the Company.

6 Debenture Redemption Reserve has been created in accordance with Section 117C of the Companies Act, 1956 in respect of public issue of long-term Infrastructure Bonds.

7 (a) Secured Loans of ₹ **351,852,893,546** (Previous Year ₹ Nil) are secured by way of a first floating *pari passu* charge over investments, infrastructure loans, current assets and loans and advances excluding investments in and other receivables from subsidiaries and affiliates.

(b) Secured Loans in the nature of borrowings under Collateralised Borrowing and Lending Obligation are secured against Investments in Government of India Loans.

(c) Unsecured Loans – Debentures of ₹ **Nil** (Previous Year ₹ 162,866,000,000) are secured by a mortgage on certain immovable properties up to a value of ₹ 1,000,000.

(d) Secured Loans include ₹ **130,000** (Previous Year ₹ Nil) from Directors.

8 During the year, the Company raised ₹ **14,517,605,000** through public issues of long-term Infrastructure Bonds eligible for deduction under Section 80CCF of the Income-tax Act, 1961 in three tranches of which ₹ **12,283,295,000** has been utilised towards lending to Infrastructure projects. ₹ **2,234,310,000**, representing amount raised in tranche III remained unutilised as on March 31, 2011 pending regulatory approvals.

SCHEDULE 18 Notes Forming Part of the Accounts (Continued)

9 During the year, the following investments were purchased and sold/redeemed:

		₹	₹
(A) EQUITY SHARES	NO. OF SHARES	FACE VALUE	COST
Ashoka Buildcon Limited	52,757	10.00	17,093,268
GMR Energy Limited	1,000	10.00	51,320
Apollo Tyres Limited	800,000	1.00	53,952,955
Bharat Heavy Electricals Limited	50,000	10.00	110,651,342
Biocon Limited	250,000	5.00	96,628,307
Cairn India Limited	250,000	10.00	82,554,680
Cipla Limited	375,000	2.00	133,287,070
Educomp Solutions Limited	190,000	2.00	103,873,510
GAIL (India) Limited	175,000	10.00	77,406,945
HCL Technologies Limited	150,000	2.00	60,541,508
Hindustan Zinc Limited	30,000	2.00	40,464,425
Hindalco Industries Limited	700,000	1.00	148,467,979
ICICI Bank Limited	75,000	10.00	86,853,690
Idea Cellular Limited	700,000	10.00	49,534,976
ITC Limited	100,000	1.00	16,769,352
Jaiprakash Associates Limited	900,000	2.00	93,193,840
Larsen & Toubro Limited	80,000	2.00	125,546,664
Mphasis Limited	75,000	10.00	49,991,723
NTPC Limited	300,000	10.00	53,382,480
Punj Lloyd Limited	1,100,000	2.00	120,808,850
Ranbaxy Laboratories Limited	185,000	5.00	105,610,801
Shipping Corporation of India Limited	345,226	10.00	48,331,640
State Bank of India	80,000	10.00	220,155,744
Sterlite Industries (India) Limited	200,000	1.00	32,351,000
Tata Motors Limited	75,000	10.00	93,787,245
Tata Steel Limited	400,000	10.00	245,360,210
(B) PREFERENCE SHARES	NO. OF SHARES	FACE VALUE	COST
GMR Energy Limited	2,500,000	1,000	2,500,000,000
(C) BONDS	NO. OF BONDS	FACE VALUE	COST
Aditya Birla Nuvo Limited	250	1,000,000	242,975,000
Ashok Leyland Limited	280	10,000,000	2,739,086,250
Bajaj Auto Finance Limited	130	10,000,000	1,297,080,950
Bank of India	100	1,000,000	101,552,400
Bharat Forge Limited	250	1,000,000	250,000,000
Bharat Petroleum Corporation Limited	500	1,000,000	491,956,000
Brassco Estates Private Limited	2,000	1,000,000	2,000,000,000
Central Bank of India	1,650	1,000,000	1,645,205,000
Citi Financial Consumer Finance India Limited	1,000	1,000,000	1,008,876,000
Deccan Chronicle Holdings Limited	2,650	1,000,000	2,650,054,500
DPSC Limited	150	200,000	333,333,333
E.I.D. Parry India Limited	100	1,000,000	100,000,000
ETHL Communications Holdings Limited	11,000	1,000,000	10,452,457,100
Export Import Bank of India	12,900	1,000,000	12,887,982,200
Fullerton India Credit Company Limited	1,700	1,000,000	4,016,218,333
Gammon India Limited	30	10,000,000	300,000,000
Gujarat NRE Coke Limited	500	1,000,000	500,000,000
HDFC Bank Limited	1,993	1,000,000	1,993,000,000
Hindustan Petroleum Corporation Limited	3,200	1,000,000	3,200,636,050
Housing Development Finance Corporation Limited	12,650	1,000,000	13,396,653,500
ICICI Securities Limited	500	500,000	250,000,000
IDBI Bank Limited	1,500	1,000,000	1,529,400,000
IFCI Limited	350	1,000,000	350,150,000

Continued..

SCHEDULE 18 Notes Forming Part of the Accounts (Continued)

		₹	₹
(C) BONDS	NO. OF BONDS	FACE VALUE	COST
Infrastructure Leasing and Financial Services Limited	1,150,000	1,000	1,150,000,000
India Bulls Financial Services Limited	400	1,000,000	400,000,000
India Infoline Investment Services Limited	500	1,000,000	500,000,000
India Infrastructure Finance Company Limited	7,750	100,000	792,825,000
Indian Oil Corporation Limited	1,700	1,000,000	1,679,007,100
Indian Overseas Bank	1,000	1,000,000	1,000,400,000
Indian Railway Finance Corporation Limited	6,910	1,000,000	6,936,986,750
Infotel Broadband Services Private Limited	2,400	1,000,000	3,478,011,808
Indian Renewable Energy Development Agency Limited	1,500	1,000,000	1,512,000,000
Jai Prakash Associates Limited	450	1,000,000	464,945,000
L&T Finance Limited	750,000	1,000	745,681,500
L&T Finance Limited	500	1,000,000	501,061,500
L&T Finance Limited	30	10,000,000	300,000,000
Larsen & Toubro Limited	350	1,000,000	350,784,650
LIC Housing Finance Limited	7,940	1,000,000	7,903,777,550
LIC of India Limited	250	1,000,000	244,251,000
National Bank for Agriculture and Rural Development	42,000	20,000	473,966,760
National Bank for Agriculture and Rural Development	14,250	1,000,000	14,217,831,600
National Aviation Company India Limited	3,115	1,000,000	3,222,707,497
National Housing Bank	35,000	10,000	183,572,750
National Housing Bank	1,300	1,000,000	1,299,595,700
Nuclear Power Corporation of India Limited	1,000	1,000,000	1,034,553,500
ONGC Videsh Limited	2,600	1,000,000	2,608,144,050
Power Finance Corporation Limited	12,115	1,000,000	12,220,454,446
Power Grid Corporation of India Limited	2,040	1,250,000	2,776,889,126
Reliance Capital Limited	4,100	1,000,000	4,100,210,200
Reliance Industries Limited	100	1,000,000	100,171,800
Religare Finvest Limited	250	1,000,000	254,275,000
RIL Utilities and Power Private Limited	3,250	1,000,000	4,322,198,077
Rural Electrification Corporation Limited	8,330	30,000	109,135,328
Rural Electrification Corporation Limited	7,870	1,000,000	10,676,093,387
Shree Cements Limited	600	1,000,000	586,943,400
Shriram Transport Finance Company Limited	2,000	100,000	201,127,000
Shriram Transport Finance Company Limited	880	1,000,000	1,381,151,000
Small Industries Development Bank of India	6,850	1,000,000	6,819,221,050
Simplex Infrastructure Limited	130	10,000,000	1,300,000,000
State Bank of India	84,000	10,000	2,057,836,948
State Bank of India	500	1,000,000	497,378,500
Sundaram Finance Limited	1,050	1,000,000	854,408,000
Tata Bluescope Steel Limited	500	1,000,000	500,000,000
Tata Capital Limited	1,850	1,000,000	1,831,752,700
Tata Communications Limited	1,300	1,000,000	1,303,710,850
Tata International Limited	1,300	1,000,000	791,965,200
Tata Motors Limited	1,100	1,000,000	1,193,250,450
Tata Motors Limited	48	50,000,000	2,288,497,785
Tata Power Limited	285	2,000,000	570,000,000
Tata Power Limited	570	2,500,000	1,425,000,000
Tata Sons Limited	3,300	1,000,000	3,300,000,000
Tata Steel Limited	1,250	1,000,000	1,262,500,000
UCO Bank	650	1,000,000	652,370,000
Union Bank of India	1,000	1,000,000	998,750,000
(D) PASS THROUGH CERTIFICATES	NO. OF CERTIFICATES	FACE VALUE	COST
Vodafone Essar Cellular Limited IRST Series V - A1	450	10,063,220	4,528,449,000
Tata Motors Finance IRST Trust SR III SR A1	38	10,161,625	386,141,750
Tata Motors Finance IRST Trust SR III SR A2	215	10,175,742	2,187,784,552

SCHEDULE 18 Notes Forming Part of the Accounts (Continued)

10 Infrastructure Loans:

NAME OF COMPANY	NUMBER OF DEBENTURES	FACE VALUE	CURRENT YEAR COST	PREVIOUS YEAR COST
		₹	₹	₹
(a) DEBENTURES (REDEEMABLE)				
Andhra Cements Limited	500,000	100	50,000,000	Nil
Arkay Energy (Rameswarm) Limited	99,622,885	10	426,955,221	569,277,681
Asianet Satellite Communications Limited	260	1,000,000	260,000,000	552,506,513
Asianet Satellite Communications Limited	1	312,500	312,500	Nil
GVK Airport Developers Private Limited	2,250	1,000,000	2,250,000,000	Nil
(b) DEBENTURES (CONVERTIBLE)				
Simpson Unitech Wireless Private Limited	534,500,000	10	5,345,000,000	5,345,000,000
Andhra Cements Limited			Nil	50,000,000
(a+b)			8,332,267,721	6,516,784,194

(c) Interest on Infrastructure Loans includes ₹ **1,057,712,259** (Previous Year ₹ 1,201,675,537) from Infrastructure Loans – Debentures and ₹ **Nil** (Previous Year ₹ 205,077,279) from Infrastructure Loans – Pass Through Certificates.

(d) Interest accrued on Infrastructure Loans is net of provision of ₹ **37,500,000** (Previous Year ₹ Nil).

11 Infrastructure loans to the extent of ₹ **374,409,924,820** (Previous Year ₹ 247,614,074,997) are secured by:

- i. Hypothecation of assets and/or
- ii. Mortgage of property and/or
- iii. Trust and Retention Account and/or
- iv. Bank guarantees, company guarantee, sponsor guarantee or personal guarantee and/or
- v. Assignment of receivables or rights and/or
- vi. Pledge of shares and/or
- vii. Negative lien and/or
- viii. Undertaking to create a security.

12 (a) Cash and cash equivalents represent:

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
	₹	₹
Cash and Bank Balances	9,685,465,454	320,298,097
Current Accounts held for Unclaimed Dividends	9,605,775	7,623,995
Bank Fixed Deposits under Lien	170,000,000	–
Cash and cash equivalents as at the end of the year	9,505,859,679	312,674,102

(b) Bank Balance with Non-Scheduled Banks:

NAME OF BANK	CURRENT YEAR	PREVIOUS YEAR
	₹	₹
Bank of America	15,294	15,525

[Maximum amount outstanding during the year ₹ **16,334** (Previous Year ₹ 17,350)]

(c) Advances recoverable in cash or in kind include amount due from Subsidiaries ₹ **916,177,210** (Previous Year ₹ 121,511,872).

13 No interest has been paid/is payable by the Company during the year to the “suppliers” covered under the Micro, Small and Medium Enterprises Development Act, 2006. The above information takes into account only those suppliers who have responded to inquiries made by the Company for this purpose.

14 (a) Other liabilities include ₹ **9,605,775** (Previous Year ₹ 7,623,995) towards Unclaimed Dividend of which no amount (Previous Year ₹ Nil) was due for transfer to the Investor Education and Protection Fund under Section 205C of the Companies Act, 1956.

(b) Interest Accrued but not due includes ₹ **614** (Previous Year ₹ Nil) due to Managing Director & CEO of the Company.

15 (a) During the year, a contingent provision against standard assets has been created at 0.25% of the outstanding standard assets in terms of the RBI Circular No. DNBS.PD.CC. No. 207/03.02.002/2010-11 dated January 17, 2011.

SCHEDULE 18 Notes Forming Part of the Accounts (Continued)

(b) Movement in contingent provision against standard assets during the year is as under:

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
	₹	₹
Opening Balance	Nil	Nil
Additions during the year	967,500,000	Nil
Closing Balance	967,500,000	Nil

16 Interest on Infrastructure Loans includes exchange gain of ₹ **484,052,986** (Previous Year ₹ 56,879,384).

17 (a) Interest on Investments, Dividend on Investments and Profit on Sale of Investments include ₹ **3,283,539,210** (Previous Year ₹ 2,298,776,294), ₹ **229,113,834** (Previous Year ₹ 624,157,388) and ₹ **478,492,633** (Previous Year ₹ 1,026,308,223) respectively, in respect of Current Investments. Provision for diminution in value of Investments include amortised premium of ₹ **30,068,206** (Previous Year ₹ 13,487,870) on purchase of Long-term Investments.

(b) Profit on Sale of Investments includes ₹ **219,533,970** (Previous Year ₹ Nil) on account of sale of investments to a wholly owned subsidiary.

18 Dividend on Investments includes ₹ **457,500,000** (Previous Year ₹ 600,000,000) from Subsidiary Companies. Tax on proposed dividend for the year 2010-11 is net of dividend distribution tax of ₹ **75,985,031** (Previous Year ₹ 101,970,000) paid by the Subsidiary Company under Section 115-O of the Income-tax Act, 1961.

19 (a) Fees income is net of fees paid on sell down of loans and fee sharing of ₹ **316,414,990** (Previous Year ₹ 81,052,176).

(b) Shared service cost recovery of ₹ **113,832,000** (Previous Year ₹ Nil) represents recovery from subsidiary companies under a shared service agreement.

20 Total number of electricity units generated during the year – **27,612,245 KWH** (Previous Year 34,975,283 KWH) and sold during the year – **27,575,519 KWH** (Previous Year 34,939,405 KWH).

21 Expenditure on account of Salaries is after adjusting ₹ **52,388,656** (Previous Year ₹ 32,185,896) recovered from Subsidiary Companies and a Jointly Controlled Entity.

22 (a) Managerial Remuneration:

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
	₹	₹
(i) Salary #	67,929,062	28,368,225
(ii) Contribution to Provident and Other Funds	2,561,362	2,829,355
(iii) Perquisites	59,931,120	2,591,263
	130,421,544	33,788,843

Includes Bonus on cash basis and ESOP Compensation Cost on allotment.

(b) Commission to Non Whole-Time Directors:

	CURRENT YEAR	PREVIOUS YEAR
	₹	₹
Commission to Non Whole-Time Directors (net of excess provision of ₹ Nil Previous Year ₹ 3,523,214)	11,100,000	5,626,786

Computation of net profits in accordance with Section 198 read with Section 309(5) of the Companies Act, 1956

	CURRENT YEAR	PREVIOUS YEAR
	₹	₹
Profit Before Taxation as per Profit and Loss Account	17,304,485,453	13,171,373,718
Add:		
Managerial Remuneration	130,421,544	33,788,843
Directors' Fees	2,740,000	1,920,000
Directors' Commission	11,100,000	5,626,786
Provisions and Contingencies	2,378,657,310	1,303,628,179
Less:		
Profit on Sale of Fixed Assets	Nil	41,517,788
Profit on Sale of Investments	2,741,336,565	4,252,624,857
Net Profits as per Section 198	17,086,067,742	10,222,194,881
Commission @ 1% of Net Profits	170,860,677	102,221,949
Commission to Non Whole-Time Directors	11,100,000	9,150,000

23 Miscellaneous expenses include Provision for Wealth Tax amounting to ₹ **1,400,000** (Previous Year ₹ 1,002,000) and Securities Transaction Tax amounting to ₹ **8,592,030** (Previous Year ₹ 4,656,083).

SCHEDULE 18 Notes Forming Part of the Accounts (Continued)**24 Expenditure in foreign currencies: (on accrual basis)**

	CURRENT YEAR	PREVIOUS YEAR
	₹	₹
Interest - Other Charges	7,276,725	3,956,862
Travelling expenses	851,283	1,556,974
Professional Fees	18,323,741	1,431,303
Others	23,986,531	69,854,122

25 Earnings in foreign currencies: (on accrual basis)

	CURRENT YEAR	PREVIOUS YEAR
	₹	₹
Fees	1,141,989	Nil
Others	8,403,286	Nil

26 Auditors' Remuneration:

	CURRENT YEAR	PREVIOUS YEAR
	₹	₹
Audit Fees	4,000,000	3,000,000
Tax Audit Fees	1,200,000	900,000
Other Services	6,416,000	5,475,500
Taxation Matters	1,964,500	740,000
Out of Pocket Expenses	63,937	71,002
Service Tax	1,248,302	1,086,520
	14,892,739	11,273,022
Less: Service tax set off claimed	1,248,302	1,086,520
	13,644,437	10,186,502

The above amounts exclude professional fees of ₹ **6,705,000** (Previous Year ₹ 615,000) and Service tax of ₹ **690,615** (Previous Year ₹ 63,345) debited to other accounts.

27 Remittance in foreign currencies for dividends

The Company has not remitted any amount in foreign currencies on account of dividends during the year and does not have information as to the extent to which remittances, if any, in foreign currencies on account of dividends have been made by/on behalf of non-resident shareholders. The particulars of dividends payable to non-resident shareholders which were declared during the year, are as under:

	CURRENT YEAR	PREVIOUS YEAR
Number of Non-Resident Shareholders	3,973	3,975
Number of Ordinary Shares held by them	589,863,715	599,867,184
Gross Amount of Dividend (₹)	884,795,923	719,840,562
Dividend relating to the year	2009-10	2008-09

28 In respect of equity shares issued pursuant to Employee Stock Option Scheme, the Company paid dividend of ₹ **1,501,865** for the FY 10 (₹ 260,992 for the FY 09) and tax on dividend of ₹ **249,441** (Previous Year ₹ 44,356) as approved by the shareholders at the Annual General Meeting held on June 28, 2010.

29 In accordance with Accounting Standard 15 on 'Employee Benefits' as notified by the Companies (Accounting Standards) Rules, 2006 the following disclosures have been made:

i. The Company has recognised the following amounts in the Profit and Loss Account towards contribution to defined contribution plans which are included under Contribution to Provident and Other Funds:

	CURRENT YEAR	PREVIOUS YEAR
	₹	₹
Provident Fund	22,813,394	17,891,000
Superannuation Fund	5,663,596	21,458,837

SCHEDULE 18 Notes Forming Part of the Accounts (Continued)

ii. The details of the Company'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:

	CURRENT YEAR	PREVIOUS YEAR			
	₹	₹			
CHANGE IN THE DEFINED BENEFIT OBLIGATIONS:					
Liability at the beginning of the year	67,159,497	58,324,352			
Current Service Cost	11,491,246	11,847,352			
Interest Cost	5,961,418	5,426,886			
Liabilities Extinguished on Settlement	Nil	5,426,826			
Liabilities assumed on Acquisition/(Settled on Divestiture)	(3,238,244)	Nil			
Benefits Paid	6,802,946	3,699,590			
Actuarial Loss	14,982,916	687,323			
Liability at the end of the year	89,553,887	67,159,497			
FAIR VALUE OF PLAN ASSETS:					
Fair Value of Plan Assets at the beginning of the year	72,252,101	58,543,569			
Expected Return on Plan Assets	6,601,201	4,496,635			
Contributions	20,100,000	Nil			
Benefits paid	6,802,946	3,699,590			
Actuarial Loss/(Gain) on Plan Assets	1,565,715	(12,911,487)			
Fair Value of Plan Assets at the end of the year	90,584,641	72,252,101			
Total Actuarial Loss/(Gain) to be recognised	16,548,631	(12,224,164)			
ACTUAL RETURN ON PLAN ASSETS:					
Expected Return on Plan Assets	6,601,201	4,496,635			
Actuarial Loss/(Gain) on Plan Assets	1,565,715	(12,911,487)			
Actual Return on Plan Assets	5,035,486	17,408,122			
AMOUNT RECOGNISED IN THE BALANCE SHEET:					
Liability at the end of the year	89,553,887	67,159,497			
Fair Value of Plan Assets at the end of the year	90,584,641	72,252,101			
Amount recognised in the Balance Sheet under "Provision for Employee Benefits"	Nil	Nil			
EXPENSE RECOGNISED IN THE PROFIT AND LOSS ACCOUNT:					
Current Service Cost	11,491,246	11,847,352			
Interest Cost	5,961,418	5,426,886			
Expected Return on Plan Assets	6,601,201	4,496,635			
Net Actuarial Loss/(Gain) to be recognised	16,548,631	(12,224,164)			
Liabilities assumed on acquisition/(Settled on Divestiture)	(3,238,244)	Nil			
Expense recognised in the Profit and Loss Account under staff expenses	24,161,850	553,439			
RECONCILIATION OF THE LIABILITY RECOGNISED IN THE BALANCE SHEET:					
Opening Net Asset	5,092,604	219,217			
Expense recognised	24,161,850	553,439			
Contribution by the Company	20,100,000	Nil			
Amount recognised in the Balance Sheet under "Provision for Employee Benefits"	Nil	Nil			
Expected Employer's Contribution Next Year	10,000,000	10,000,000			
EXPERIENCE ADJUSTMENTS:					
	CURRENT YEAR	PREVIOUS YEAR	MARCH 31, 2009	MARCH 31, 2008	MARCH 31, 2007
	₹	₹	₹	₹	₹
Defined Benefit Obligation	89,553,887	67,159,497	58,324,352	38,490,873	20,577,193
Plan Assets	90,584,641	72,252,101	58,543,569	30,970,208	18,416,688
Surplus/(Deficit)	1,030,754	5,092,604	219,217	(7,520,665)	(2,160,505)
Experience Adjustments on Plan Liabilities	17,095,179	(5,352,411)	14,503,430	8,037,218	(171,688)
Experience Adjustments on Plan Assets	(1,565,715)	12,911,487	(7,394,891)	(182,483)	(311,306)
INVESTMENT PATTERN:			CURRENT YEAR	PREVIOUS YEAR	
			(%)	(%)	
INSURER MANAGED FUNDS			100.00	100.00	
Government Securities			12.92	7.74	
Deposit and Money Market Securities			17.21	16.81	
Debentures/Bonds			43.50	53.08	
Equity Shares			26.37	22.37	
PRINCIPAL ASSUMPTIONS:					
Discount Rate (p.a.)			8.30	8.10	
Expected Rate of Return on Assets (p.a.)			8.00	8.00	
Salary Escalation Rate (p.a.)			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.

SCHEDULE 18 Notes Forming Part of the Accounts (Continued)

30 The Company's main business is to provide finance for infrastructure projects including through ownership of infrastructure assets. All other activities revolve around the main business. The Company does not have any geographic segments. As such, there are no separate reportable segments as per Accounting Standard 17 on 'Segment Reporting' as notified by the Companies (Accounting Standards) Rules, 2006.

31 As per Accounting Standard 18 on 'Related Party Disclosures' as notified by the Companies (Accounting Standards) Rules, 2006, the related parties of the Company are as follows:

I. SUBSIDIARIES:

(a) Direct

IDFC Asset Management Company Limited
IDFC AMC Trustee Company Limited
IDFC Finance Limited
IDFC Foundation (with effect from March 4, 2011)
IDFC PPP Trusteeship Company Limited
IDFC Private Equity Company Limited
IDFC Project Equity Company Limited
IDFC Projects Limited
IDFC Securities Limited
IDFC Trustee Company Limited
Jetpur Somnath Highway Limited
(formerly IDFC Capital Company Limited) (up to November 14, 2010)
Uniquet Infra Ventures Private Limited (with effect from February 3, 2011)

(b) Through Subsidiaries

Dheeru Powergen Limited
(formerly Dheeru Powergen Private Limited) (with effect from February 5, 2010)
IDFC Capital Limited
IDFC Capital (USA) Inc. (with effect from August 4, 2010)
IDFC Capital (Singapore) Pte. Ltd.
IDFC Distribution Company Limited (formerly IDFC-SSKI Stock Broking Limited)
IDFC Fund of Funds Limited (with effect from October 28, 2009)
IDFC General Partners Limited (with effect from November 30, 2009)
IDFC Investment Advisors Limited
IDFC Investment Managers (Mauritius) Limited (with effect from September 13, 2010)
IDFC Pension Fund Management Company Limited
Jetpur Somnath Highway Limited
(formerly IDFC Capital Company Limited) (with effect from November 15, 2010)
Jetpur Somnath Tollways Limited (with effect from January 11, 2011)

II. JOINTLY CONTROLLED ENTITIES:

(a) Direct

Delhi Integrated Multi-Modal Transit System Limited (up to March 23, 2011)
Infrastructure Development Corporation (Karnataka) Limited (up to March 23, 2011)
Uttarakhand Infrastructure Development Company Limited (up to March 23, 2011)

(b) Through Subsidiaries

Delhi Integrated Multi-Modal Transit System Limited (with effect from March 24, 2011)
Infrastructure Development Corporation (Karnataka) Limited (with effect from March 24, 2011)
Uttarakhand Infrastructure Development Company Limited (with effect from March 24, 2011)

SCHEDULE 18 Notes Forming Part of the Accounts (Continued)

III. ASSOCIATES:

Athena Energy Ventures Private Limited (up to July 23, 2009)
 Feedback Ventures Private Limited

IV. ENTITIES OVER WHICH CONTROL IS EXERCISED:
(a) Direct

India Infrastructure Initiative Trust (up to March 23, 2011)
 India PPP Capacity Building Trust (up to March 23, 2011)

(b) Through Subsidiaries

Emerging Markets Private Equity Fund, L. P. (with effect from October 28, 2009)
 India Infrastructure Initiative Trust (with effect from March 24, 2011)
 India PPP Capacity Building Trust (with effect from March 24, 2011)

V. KEY MANAGEMENT PERSONNEL:

Dr. Rajiv B. Lall – Managing Director & CEO
 Mr. Vikram Limaye – Whole-Time Director

The nature and volume of transactions carried out with the above related parties in the ordinary course of business are as follows:

NAME OF RELATED PARTY AND NATURE OF RELATIONSHIP	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
		₹	₹
(A) SUBSIDIARIES:			
IDFC Foundation	Sale of Investments	454,474,100	NA
	Advances Recoverable – Balance outstanding	455,000,000	NA
IDFC Asset Management Company Limited	Inter Corporate Deposits placed and repaid	150,000,000	Nil
	Sale of Investments	Nil	80,000,000
	Acquisition of Equity Shares	200,000,000	Nil
	Redemption of Preference Shares	197,925,000	Nil
	Shared Services Fees	8,960,772	Nil
Jetpur Somnath Highway Limited (formerly IDFC Capital Company Limited)	Professional Fees paid	453,634	Nil
	Advances Recoverable – Balance outstanding	Nil	835,910
IDFC Capital Limited	Fees Shared	114,381,100	58,136,373
	Professional Fees paid	64,339,757	65,884,396
	Shared Services Fees	25,320,468	Nil
IDFC Capital (Singapore) Pte. Ltd.	Shared Service Cost	50,074,523	Nil
	Sundry Creditors – Balance outstanding	38,440,430	Nil
IDFC Finance Limited	Advance given and recovered	90,050,000	20,000
	Purchase of Investments	90,499,000	Nil
IDFC Investment Advisors Limited	Management Fees paid	7,130,337	7,835,000
	Advances Recoverable – Balance outstanding	Nil	4,137,462
	Deputation charges recovered	57,424,433	Nil
IDFC Pension Fund Management Company Limited	Subscription of Equity Shares	Nil	49,999,990
IDFC Private Equity Company Limited	Dividend Received	320,000,000	600,000,000
	Shared Services Fees	4,963,500	Nil
IDFC Projects Limited	Subscription of Equity Shares	Nil	250,000,000
	Sale of Investments	500,000	Nil
	Fees Received	9,708,953	4,103,677
	Advance given	318,534,987	116,538,500
	Advances Recoverable – Balance outstanding	460,965,515	116,538,500
	Shared Services Fees	18,384,804	Nil

Continued...

SCHEDULE 18 Notes Forming Part of the Accounts (Continued)

NAME OF RELATED PARTY AND NATURE OF RELATIONSHIP	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
		₹	₹
IDFC Project Equity Company Limited	Advances given and repaid	26,900,000	Nil
	Dividend Received	137,500,000	Nil
	Fees Received	Nil	1,770,836
	Sale of Fixed Assets	Nil	489,261
	Shared Services Fees	22,805,628	Nil
	Rent recovered	Nil	407,399
IDFC Securities Limited	Brokerage paid	1,043,063	5,672,744
	Inter Corporate Deposits given and repaid	790,000,000	5,819,000,000
	Interest received on Inter Corporate Deposits	194,795	2,224,889
	Shared Services Fees	45,452,424	Nil
	Sale of Fixed Assets	450,170	Nil
IDFC Trustee Company Limited	Advance given and recovered	Nil	50,000
(B) JOINTLY CONTROLLED ENTITIES:			
Delhi Integrated Multi-Modal Transit System Limited	Subscription of Equity Shares	Nil	6,000
	Sponsorship Fees paid	Nil	500,000
	Miscellaneous Income	35,000	60,000
Infrastructure Development Corporation (Karnataka) Limited	Fees paid	5,857,329	1,055,571
	Rent paid	165,874	136,992
	Deputation Charges recovered	360,254	Nil
	Sundry Creditors – Balance outstanding	3,694,206	776,543
(C) ASSOCIATES:			
Athena Energy Ventures Private Limited	Miscellaneous Income	N.A.	39,000
Feedback Ventures Private Limited	Dividend Received	7,288,040	3,699,036
	Miscellaneous Income	40,000	70,000
	Debtors – Balance outstanding	Nil	109,959
(D) ENTITIES OVER WHICH CONTROL IS EXERCISED:			
India PPP Capacity Building Trust	Fees paid	23,913,011	32,569,672
	Sundry Creditors – Balance outstanding	22,296,387	22,941,289
(E) KEY MANAGEMENT PERSONNEL:			
Dr. Rajiv B. Lall	Remuneration paid	62,585,557	16,757,312
Mr. Vikram Limaye	Remuneration paid	67,835,987	17,031,531

32 In accordance with Accounting Standard 19 on 'Leases' as notified by the Companies (Accounting Standards) Rules, 2006, the following disclosures in respect of Operating Leases are made:

i. The Company has taken vehicles for certain employees under Operating Leases, which expire between **August 2011 to March 2015** (Previous Year June 2010 to November 2013). Salaries include gross rental expenses of ₹ **3,729,629** (Previous Year ₹ 3,357,564). The committed lease rentals in the future are:

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
	₹	₹
Not later than one year	9,271,383	5,396,538
Later than one year and not later than five years	19,427,791	5,205,440

SCHEDULE 18 Notes Forming Part of the Accounts (Continued)

ii. The Company has taken office premises under Operating Leases, which expire between **December 2015 to September 2018** (Previous Year October 2016 to September 2018). Rent includes gross rental expenses of ₹ **77,901,171** (Previous Year ₹ 67,319,687). The committed lease rentals in the future are:

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
	₹	₹
Not later than one year	85,439,208	68,289,480
Later than one year and not later than five years	379,860,765	320,410,927
Later than five years	77,358,085	167,325,350

iii. The Company has given an office premise under non cancellable Operating Lease, which expires on October 31, 2012. Miscellaneous Income includes income from such leases of ₹ **19,585,800** (Previous Year ₹ 8,160,750). The future minimum lease rental is as follows:

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
	₹	₹
Not later than one year	19,585,800	19,585,800
Later than one year and not later than five years	11,425,050	31,010,850

33 In accordance with Accounting Standard 20 on 'Earnings Per Share' as notified by the Companies (Accounting Standards) Rules, 2006:

i. The Basic Earnings Per Share has been calculated based on the following:

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
	₹	₹
Net Profit after Tax	12,771,485,453	10,128,373,718
Less: Adjustment for Dividend and Dividend Distribution Tax on CCCPS	373,924,401	Nil
Net amount available for Equity Shareholders	12,397,561,052	10,128,373,718
Weighted average number of Equity Shares (Nos.)	1,418,087,937	1,295,934,260

ii. The reconciliation between Basic and Diluted Earnings Per Share is as follows:

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
	₹	₹
Basic Earnings Per Share	8.74	7.82
Effect of outstanding Stock Options	(0.06)	(0.08)
Diluted Earnings Per Share	8.68	7.74

iii. The Basic Earnings Per Share has been computed by dividing the Net Profit After Tax 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 available for Equity Shareholders by the weighted average number of equity shares, after giving dilutive effect of the outstanding Stock Options for the respective periods. Since the effect of the conversion of CCCPS is anti-dilutive, it has been ignored. The relevant details as described above are as follows:

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Weighted average number of shares for computation of Basic Earnings Per Share	1,418,087,937	1,295,934,260
Dilutive effect of outstanding Stock Options	10,165,050	12,596,753
Weighted average number of shares for computation of Diluted Earnings Per Share	1,428,252,987	1,308,531,013

34 In compliance with Accounting Standard 22 relating to 'Accounting for Taxes on Income' as notified by the Companies (Accounting Standards) Rules, 2006, the Company has taken credit of ₹ **706,000,000** (Previous Year ₹ 350,000,000) in the Profit and Loss Account towards deferred tax asset (net) on account of timing differences. The major components of deferred tax assets and liabilities arising on account of timing differences are:

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
	ASSETS (₹)		LIABILITIES (₹)	
(a) Depreciation	Nil	Nil	248,400,000	200,300,000
(b) Provisions	2,625,600,000	1,932,000,000	Nil	Nil
(c) Others	71,800,000	11,300,000	Nil	Nil
	2,697,400,000	1,943,300,000	248,400,000	200,300,000
Net Deferred Tax Asset	2,449,000,000	1,743,000,000		

SCHEDULE 18 Notes Forming Part of the Accounts (Continued)

35 In compliance with Accounting Standard 27 on 'Financial Reporting of Interests in Joint Ventures' as notified by the Companies (Accounting Standards) Rules, 2006, the Company has interests in the following jointly controlled entities, which are incorporated in India:

(₹ in crore)

NAME OF COMPANIES	PERCENTAGE OF SHAREHOLDING	AMOUNT OF INTEREST BASED ON ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011				
		ASSETS	LIABILITIES	INCOME	EXPENDITURE	CONTINGENT LIABILITY
Infrastructure Development Corporation (Karnataka) Limited (Audited)	Nil (49.50)	Nil (34.07)	Nil (18.62)	Nil (8.82)	Nil (4.34)	Nil (0.25)
Uttarakhand Infrastructure Development Company Limited (Audited)	Nil (49.90)	Nil (0.82)	Nil (0.36)	Nil (0.30)	Nil (0.41)	Nil (Nil)
Delhi Integrated Multi-Modal Transit System Limited (Unaudited)	Nil (50.00)	Nil (50.05)	Nil (37.42)	Nil (18.05)	Nil (15.00)	Nil (Nil)

Figures in bracket pertain to the Previous Year.

36 Contingent liabilities not provided for in respect of:

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
	₹	₹
(a) CAPITAL COMMITMENTS	5,063,844,420	6,259,327,510
(b) ESTIMATED AMOUNT OF CONTRACTS REMAINING TO BE EXECUTED ON CAPITAL ACCOUNT (NET OF ADVANCES)	20,188,870	38,070,155
(c) CLAIMS NOT ACKNOWLEDGED AS DEBTS IN RESPECT OF:		
Income-tax demands disputed by the Company (net of amounts provided). The matters in dispute are under appeal. The demands have been paid/adjusted and will be received as refund if the matters are decided in favour of the Company	1,095,004,432 (₹ in crore)	639,221,887 (₹ in crore)
(d) GUARANTEES ISSUED:		
As a part of project assistance, the Company has also provided the following guarantees:		
1. Financial Guarantees	1,301.34	221.18
2. Performance Guarantees	259.00	40.30
3. Risk Participation Facility	5.31	29.39

37 The Company has entered into Interest Rate Swaps in the nature of "fixed/floating" or "floating/fixed" for notional principal of ₹ **2,391** crore outstanding as on March 31, 2011 (Previous Year ₹ 1,660 crore) for varying maturities linked to various benchmarks for asset liability management and hedging.

The Company has foreign currency borrowings of **USD 62.56 crore** (Previous Year USD 48.83 crore), against which the Company has undertaken currency interest rate swaps and forward contracts of **USD 60.91 crore** (Previous Year USD 38.32 crore) to hedge foreign currency risk.

The Company has also entered in to coupon only currency swaps for notional principal of **USD 11.11 crore** (Previous Year USD 15.61 crore) to hedge the foreign currency risk towards interest on the foreign currency borrowings.

38 Open interest in Stock Futures as at the Balance Sheet date:

Long Position

SR. NO.	NAME OF FUTURE	SERIES OF FUTURE	NUMBER OF CONTRACTS	NUMBER OF UNITS INVOLVED
1	Rural Electrification Corporation Limited	April 28, 2011	2	250,000

Short Position

SR. NO.	NAME OF FUTURE	SERIES OF FUTURE	NUMBER OF CONTRACTS	NUMBER OF UNITS INVOLVED
1	Larsen & Toubro Limited	April 28, 2011	1	35,000
2	Shree Renuka Sugars Limited	April 28, 2011	2	700,000

SCHEDULE 18 Notes Forming Part of the Accounts (Continued)

39 The following additional information is disclosed in terms of the RBI Circular (Ref. No. DNBS (PD) CC No. 178/03.02.001/2010-11 dated July 1, 2010):

(a) Capital to Risk Assets Ratio (CRAR):

ITEMS	CURRENT YEAR	PREVIOUS YEAR
CRAR (%)	24.48	20.39
CRAR - Tier I Capital (%)	21.86	17.24
CRAR - Tier II Capital (%)	2.62	3.15

(b) Exposures to Real Estate Sector*:

CATEGORY	CURRENT YEAR	PREVIOUS YEAR
(₹ in crore)		
(a) DIRECT EXPOSURE		
(i) Commercial Real Estate	2,670.40	2,979.20
Lending fully secured by mortgage (including securities in the process of being created) on commercial real estates (office building, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.) Exposure would also include non-fund based (NFB) limits.		
(ii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures		
a. Residential	1.06	1.30
b. Commercial Real Estate	Nil	Nil
(b) INDIRECT EXPOSURE		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	258.58	265.20

* Based on amounts sanctioned.

(c) MATURITY PATTERN OF CERTAIN ITEMS OF ASSETS AND LIABILITIES

Current Year

	1 DAY TO 30/31 DAYS (ONE MONTH)	OVER ONE MONTH TO TWO MONTHS	OVER TWO MONTHS TO THREE MONTHS	OVER THREE MONTHS TO SIX MONTHS	OVER SIX MONTHS TO ONE YEAR	OVER ONE YEAR TO THREE YEARS	OVER THREE YEARS TO FIVE YEARS	OVER FIVE YEARS	TOTAL
(₹ in crore)									
LIABILITIES									
Borrowing from Banks	308.13	208.68	765.00	610.00	1,937.22	4,001.55	1,447.54	Nil	9,278.12
Market Borrowing	1,488.83	258.22	596.66	662.21	3,273.76	6,667.09	3,728.20	10,344.19	27,019.16
ASSETS									
Advances	331.23	187.60	293.85	797.52	2,910.78	8,323.39	6,198.92	19,130.87	38,174.16
Investments	3,198.17	229.54	94.71	148.12	17.05	350.10	90.13	4,121.85	8,249.67

Previous Year

	1 DAY TO 30/31 DAYS (ONE MONTH)	OVER ONE MONTH TO TWO MONTHS	OVER TWO MONTHS TO THREE MONTHS	OVER THREE MONTHS TO SIX MONTHS	OVER SIX MONTHS TO ONE YEAR	OVER ONE YEAR TO THREE YEARS	OVER THREE YEARS TO FIVE YEARS	OVER FIVE YEARS	TOTAL
(₹ in crore)									
LIABILITIES									
Borrowing from Banks	Nil	612.35	1,401.54	735.00	2,549.40	621.52	Nil	255.74	6,175.55
Market Borrowing	599.04	1,547.60	592.19	1,735.07	2,848.03	6,573.47	1,826.66	4,625.27	20,347.33
ASSETS									
Advances	225.72	292.68	183.91	2,343.80	1,819.52	7,066.44	4,949.80	8,616.67	25,498.54
Investments	503.23	47.01	0.28	92.87	176.96	358.49	189.26	4,473.97	5,842.07

Continued...

SCHEDULE 18 Notes Forming Part of the Accounts (Continued)

(d) BORROWER GROUP-WISE CLASSIFICATION OF ASSETS FINANCED

CATEGORY	CURRENT YEAR AMOUNT NET OF PROVISION * (₹)	PREVIOUS YEAR AMOUNT NET OF PROVISION * (₹)
1. RELATED PARTIES		
(a) Subsidiaries	Nil	Nil
(b) Companies in the same group	Nil	Nil
(c) Other Related Parties	Nil	Nil
2. OTHER THAN RELATED PARTIES	381,741,633,809	254,971,167,319
Total	381,741,633,809	254,971,167,319

*Excludes Provision for Contingencies.

(e) INVESTOR GROUP-WISE CLASSIFICATION OF ALL INVESTMENTS (CURRENT AND LONG-TERM) IN SHARES AND SECURITIES (BOTH QUOTED AND UNQUOTED)

CATEGORY	CURRENT YEAR (₹)		PREVIOUS YEAR (₹)	
	MARKET VALUE/ BREAK UP VALUE/ FAIR VALUE/NAV	BOOK VALUE NET OF PROVISION	MARKET VALUE/ BREAK UP VALUE/ FAIR VALUE/NAV	BOOK VALUE NET OF PROVISION
1 RELATED PARTIES				
(a) Subsidiaries	5,159,207,642	13,411,381,029	893,750,831	13,263,780,796
(b) Companies in the same group	Nil	Nil	Nil	Nil
(c) Other Related Parties	197,760,282	200,870,985	600,968,735	435,811,115
2 OTHER THAN RELATED PARTIES	68,903,904,529	67,461,901,900	46,749,340,723	44,127,300,033
Total	74,260,872,453	81,074,153,914	48,244,060,289	57,826,891,944

(f) OTHER INFORMATION

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
	₹	₹
1. GROSS NON-PERFORMING ASSETS		
(a) Related Parties	Nil	Nil
(b) Other than Related Parties	797,343,115	797,343,115
2. NET NON-PERFORMING ASSETS		
(a) Related Parties	Nil	Nil
(b) Other than Related Parties	389,052,103	428,635,437
3. ASSETS ACQUIRED IN SATISFACTION OF DEBT	Nil	Nil

40 Previous year's figures have been regrouped/rearranged wherever necessary to conform to the current year's classification.

FOR AND ON BEHALF OF THE BOARD

DEEPAK S. PAREKH
Chairman

SUNIL KAKAR
Chief Financial Officer

RAJIV B. LALL
Managing Director & CEO

MAHENDRA N. SHAH
Company Secretary

(Submitted in terms of Part IV of the Companies Act, 1956)

I. REGISTRATION DETAILS

Registration No.	3	7	4	1	5			
State Code	1	8						
Balance Sheet Date	3	1	0	3	2	0	1	1

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN ₹ '000)

Public Issue	N	I	L	Right Issue	N	I	L								
Bonus Issue	N	I	L	Stock Options	2	5	8	3	1						
Qualified Institutional Placement - Equity	1	5	7	7	5	2	1	Preferential Issue - Preference Shares	8	4	0	0	0	0	0

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN ₹ '000)

Total Liabilities	4	8	9	6	7	9	9	9	1	Total Assets	4	8	9	6	7	9	9	9	1
SOURCES OF FUNDS									Share Application Money	4	1	4	2	5					
Paid-up Capital	2	3	0	0	9	4	7	5	Secured Loans	3	5	4	3	5	0	1	5	0	
Reserves and Surplus	8	7	6	5	0	6	0	6	Unsecured Loans	8	6	2	2	6	0	8			
APPLICATION OF FUNDS									Investments	8	1	0	7	4	1	5	4		
Net Fixed Assets	3	4	2	6	0	9	1	Net Current Assets	1	0	2	0	1	8	6	2			
Infrastructure Loans	3	7	6	5	2	3	1	5	8	Miscellaneous Expenditure	N	I	L						
Deferred Tax Asset	2	4	4	9	0	0	0												

IV. PERFORMANCE OF THE COMPANY (AMOUNT IN ₹ '000)

Total Income	4	5	6	0	3	5	3	4	Total Expenditure	2	8	2	9	9	0	4	9
Profit Before Tax	1	7	3	0	4	4	8	5	Profit After Tax	1	2	7	7	1	4	8	5
Earnings per Share (in ₹)	8	.	7	4	Dividend %	2	0	.	0	0							

V. GENERIC NAMES OF PRINCIPAL SERVICES OF THE COMPANY (AS PER MONETARY TERMS)

Item Code No. (ITC Code)	N	I	L																		
Product Description	I	N	F	R	A	S	T	R	U	C	T	U	R	E	F	I	N	A	N	C	E
Item Code No. (ITC Code)	N	I	L																		
Product Description	F	I	N	A	N	C	I	A	L	S	E	R	V	I	C	E	S				

RELATING TO SUBSIDIARY COMPANIES

NAME OF SUBSIDIARY COMPANIES	DHEERU POWERGEN LIMITED	IDFC ASSET MANAGEMENT COMPANY LIMITED	IDFC AMC TRUSTEE COMPANY LIMITED	IDFC CAPITAL LIMITED	IDFC CAPITAL (SINGAPORE) PTE. LTD.*	IDFC CAPITAL (USA) INC.	IDFC DISTRIBUTION COMPANY LIMITED	IDFC FINANCE LIMITED	IDFC FOUNDATION	IDFC FUND OF FUNDS LIMITED*	IDFC GENERAL PARTNERS LIMITED*
The financial year of the Subsidiary Companies ended on	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011
Number of shares in the Subsidiary Companies held by Infrastructure Development Finance Company Limited and its subsidiaries at the above date.	5,100 shares of ₹ 10 each	2,674,002 shares of ₹ 10 each	50,000 shares of ₹ 10 each	6,035,220 shares of ₹ 10 each	10,970,000 shares of SD 1 each	100,000,000 shares of USD 0.01 each	1,500,000 shares of ₹ 10 each	21,000,200 shares of ₹ 10 each	50,000 shares of ₹ 10 each	11,577,712 shares of USD 1 each	10,000 shares of USD 1.65 each
Holding Company's interest in percentage	51.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
The net aggregate of profits of the Subsidiary Companies so far as these concern the member of Infrastructure Development Finance Company Limited.											
(i) dealt with in the accounts of Infrastructure Development Finance Company Limited amounted to:											
(a) for subsidiaries' financial year ended on March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
(b) for previous financial years of the subsidiaries since these became subsidiaries of Infrastructure Development Finance Company Limited	-	-	-	-	-	-	-	-	-	-	-
(ii) not dealt with in the accounts of Infrastructure Development Finance Company Limited amounted to:											
(a) for subsidiaries' financial year ended on March 31, 2011	(2,384,352)	(28,114,168)	(143,941)	305,901,835	(120,536,075)	(6,185,093)	900,885	4,543,662	(214,443)	(3,181,355)	-
(b) for previous financial years of the subsidiaries since these became subsidiaries of Infrastructure Development Finance Company Limited.	(1,147,679)	38,081,559	195,501	513,932,415	(301,685,438)	-	1,751,404	70,021,281	-	(1,153,369)	-
Capital	19,729,000	26,740,020	500,000	60,352,200	367,380,570	46,240,000	15,000,000	210,002,000	500,000	536,826,562	769,725
Reserves	(18,718,023)	510,390,759	378,289	1,083,223,453	(332,228,119)	(7,711,762)	2,681,086	69,555,800	(214,443)	(24,809,685)	(34,016)
Total Assets	549,637,640	848,672,769	1,252,411	1,508,455,450	79,537,883	40,091,514	20,007,900	279,777,833	455,340,707	513,253,115	735,709
Total Liabilities	548,626,662	311,541,991	374,122	364,879,797	44,385,431	1,563,275	2,326,813	220,033	455,055,150	1,236,238	-
Details of investment											
Equity	-	-	-	20,585,060	-	-	-	-	306,771,900	-	-
Mutual Fund	-	175,702,090	-	77,699,215	-	-	6,397,764	277,574,256	-	-	-
Trust Units	-	-	-	-	-	-	-	-	148,467,700	-	-
Venture Capital Units	-	-	-	-	-	-	-	-	-	-	-
Turnover	-	930,897,151	400,000	1,030,599,770	74,077,727	-	2,982,575	5,131,849	40,707	-	-
Profit before taxation	(4,675,201)	(32,565,168)	(143,941)	449,072,591	(120,536,075)	(6,185,093)	1,123,422	4,648,662	(214,443)	(3,181,355)	-
Provision for taxation	-	(4,451,000)	-	143,170,757	-	-	222,537	105,000	-	-	-
Profit after taxation	(4,675,201)	(28,114,168)	(143,941)	305,901,834	(120,536,075)	(6,185,093)	900,885	4,543,662	(214,443)	(3,181,355)	-
Proposed dividend	-	-	-	-	-	-	-	-	-	-	-

* Exchange Rate:

Closing Rate: 1 US\$ = ₹ 44.59

Average Rate: 1 US\$ = ₹ 44.51

RELATING TO SUBSIDIARY COMPANIES

NAME OF SUBSIDIARY COMPANIES	IDFC INVESTMENT ADVISORS LIMITED	IDFC INVESTMENT MANAGERS (MAURITIUS) LIMITED*	IDFC PENSION FUND MANAGEMENT COMPANY LIMITED	IDFC PPP TRUSTEESHIP COMPANY LIMITED	IDFC PRIVATE EQUITY COMPANY LIMITED	IDFC PROJECT EQUITY COMPANY LIMITED	IDFC PROJECTS LIMITED	IDFC SECURITIES LIMITED	IDFC TRUSTEE COMPANY LIMITED	JETPUR SOMNATH HIGHWAY LIMITED	JETPUR SOMNATH TOLLWAYS LIMITED	UNIQUEST INFRA VENTURES PRIVATE LIMITED
The financial year of the Subsidiary Companies ended on	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011
Number of shares in the Subsidiary Companies held by Infrastructure Development Finance Company Limited and its subsidiaries at the above date.	10,000,000 shares of ₹10 each	57,290 shares of USD 1 each	12,000,000 shares of ₹10 each	50,000 shares of ₹10 each	50,000 shares of ₹10 each	50,000 shares of ₹10 each	34,050,000 shares of ₹10 each	14,137,200 shares of ₹10 each	50,000 shares of ₹10 each	74,000 shares of ₹10 each	74,000 shares of ₹10 each	10,000 shares of ₹10 each
Holding Company's interest in percentage	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	74.00%	74.00%	100.00%
The net aggregate of profits of the Subsidiary Companies so far as these concern the member of Infrastructure Development Finance Company Limited.												
(i) dealt with in the accounts of Infrastructure Development Finance Company Limited amounted to:												
(a) for subsidiaries' financial year ended on March 31, 2011	-	-	-	-	320,000,000	137,500,000	-	-	-	-	-	-
(b) for previous financial years of the subsidiaries since these became subsidiaries of Infrastructure Development Finance Company Limited	-	-	-	-	1,000,000,000	-	-	942,579	-	-	-	-
(ii) not dealt with in the accounts of Infrastructure Development Finance Company Limited amounted to:												
(a) for subsidiaries' financial year ended on March 31, 2011	6,666,871	41,190	2,844,812	(126,111)	11,629,390	26,475,219	(71,783,428)	149,138,562	4,226,412	148,371	(3,357,179)	(246,513)
(b) for previous financial years of the subsidiaries since these became subsidiaries of Infrastructure Development Finance Company Limited.	8,921,109	-	(1,276,073)	(418,306)	539,750,213	123,425,847	(179,098,247)	578,913,181	9,692,904	(1,206,819)	-	-
Capital	100,000,000	2,569,224	120,000,000	500,000	500,000	500,000	340,500,000	141,372,000	500,000	1,000,000	1,000,000	100,000
Reserves	15,587,980	25,546	1,568,739	(544,417)	551,379,603	149,901,066	(250,881,675)	986,269,562	13,919,316	(1,006,318)	(4,536,729)	(246,513)
Total Assets	148,021,809	3,152,381	121,817,580	560,666	839,904,013	408,866,352	580,962,774	1,796,339,449	14,719,629	55,954	1,000,000	100,000
Total Liabilities	32,433,829	557,611	248,841	60,666	288,024,410	258,465,286	491,344,449	668,697,887	300,313	62,272	4,536,729	246,513
Details of investment												
Equity	-	-	-	-	-	-	-	10,000	-	-	-	-
Mutual Fund	98,281,920	-	117,028,760	-	-	-	-	726,446,130	12,319,860	-	-	-
Trust Units	-	-	-	-	-	-	-	-	-	-	-	-
Venture Capital Units	-	-	-	-	9,020,986	-	-	-	-	-	-	-
Turnover	165,309,995	1,553,283	115	25,000	812,608,701	575,508,582	36,224,559	789,256,266	5,600,000	-	-	-
Profit before taxation	14,622,674	58,439	2,980,458	(126,111)	571,257,390	269,727,742	(71,729,268)	195,412,378	5,842,905	246,201	(4,536,729)	(246,513)
Provision for taxation	7,955,803	17,250	135,646	-	186,480,000	82,915,492	54,160	46,273,816	1,616,493	45,700	-	-
Profit after taxation	6,666,871	41,189	2,844,812	(126,111)	384,777,390	186,812,250	(71,783,428)	149,138,562	4,226,412	200,501	(4,536,729)	(246,513)
Proposed dividend	-	-	-	-	-	-	-	200%	-	-	-	-

* Exchange Rate:

Closing Rate: 1 US\$ = ₹ 44.59

Average Rate: 1 US\$ = ₹ 44.51

FOR AND ON BEHALF OF THE BOARD

DEEPAK S. PAREKH
ChairmanRAJIV B. LALL
Managing Director & CEOSUNIL KAKAR
Chief Financial OfficerMAHENDRA N. SHAH
Company Secretary

Mumbai | April 29, 2011

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