MANAGEMENT DISCUSSION & ANALYSIS

Macro-Economic Environment

Covid-19 which reared its head in the last quarter of the fiscal, overwhelmed all other economic issues and initiatives that India witnessed during the fiscal. The crisis on account of Covid-19 is unprecedented both globally and domestically. At this stage, visibility on extent of its spread and timing for a potential preventive/ cure is poor. Businesses and financials are navigating unchartered waters. Guestimate would be that post few quarters of the coming fiscal, it would be possible to reasonably estimate extent of economic shrinkage and impact on and road ahead for individual companies.

IDFC Limited

Status

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

During the year, Balance Sheet size decreased from Rs. 9,821 crore as on March 31, 2019 to Rs. 9,332 crore as on March 31, 2020. Profit after tax and other comprehensive income was lower at Rs. 64.22 crore for FY 2019-20 as compared to Rs. 127.66 crore in FY 2018-19. Net worth of the Company decreased from Rs. 9,779 crore as on March 31, 2019 to Rs. 9,256 crore as on March 31, 2020.

Strategic review and unlocking value for shareholders

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

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

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

The mutual fund industry witnessed a turbulent year. IDFC Mutual Fund withstood these challenges well and its strategy of investing in a distribution architecture to grow its retail investor base and launching new products to bridge product-gaps is playing out well.

Our wholesale and infrastructure legacies are responsible for our clarity on moving away from concentrated exposures, distributing risk and granularising our balance sheet. Hence, the strategic call to divest our non-retail businesses and in the process unlock value for our shareholders. IDFC Alternatives and the first tranche of Infrastructure Debt Fund were already divested last fiscal. Update on exiting other non-retail businesses as on March 31, 2020:

- Infrastructure Debt Fund – entire 81.5% stake sold to National Investment and Infrastructure Fund and its affiliates in two tranches – first tranche of 51.5% already sold last fiscal whereas second tranche of balance 30% sold this fiscal
- IDFC securities (includes the investment banking business) – definitive agreement to sell the business to Dharmesh Mehta and a group of financial investors was signed and requisite approvals from most regulatory agencies were received this fiscal. The deal is expected to be consummated in the first quarter of coming fiscal.

Other key initiatives completed during the fiscal include:

- Dividends by IDFC: IDFC distributed dividend twice during the fiscal i) Rs. 2.5 per share in October '19 and ii) Rs. 0.65 per share in November '19.
- Surrender of CMS license by IDFC Capital Singapore and IDFC Securities Singapore: MAS approval was received and a liquidator was appointed during the fiscal. The winding-up is expected to be completed in the first half of coming fiscal.
- Simplification of structure: Post divestment of IDFC Alternatives and IDFC Trustee company, their ownership was transferred to IDFC Limited from IDFC FHCL – as only regulated entities can be held under IDFC FHCL.
- Repatriation of funds from sale of Singapore operations by IDFC Capital (singapore) to IDFC Alternatives.

IDFC FHCL

Post divestment of non-retail businesses, IDFC FHCL will continue to hold 40% in IDFC FIRST Bank and 100% in IDFC AMC.

RBI regulations mandate that IDFC through IDFC FHCL owns 40% in the bank till completion of 5 years of operations i.e. till September 30, 2020. Towards the end of this fiscal, IDFC FIRST Bank expressed its intent to raise additional capital to further strengthen its balance sheet to deal with challenges on account of Covid-19. To ensure regulatory compliance, IDFC through IDFC FHCL has to commit 40% to this capital raise and the transaction is expected to close in the first quarter of coming fiscal.

During the fiscal, Mr. Bimal Giri was appointed as CEO of IDFC FHCL.

An application for capital reduction by Rs. 650 crore was submitted to NCLT and the order is expected in the third quarter of coming fiscal.

OVERVIEW OF GROUP COMPANIES

IDFC FIRST BANK

Retailisation (strong growth in retail assets):

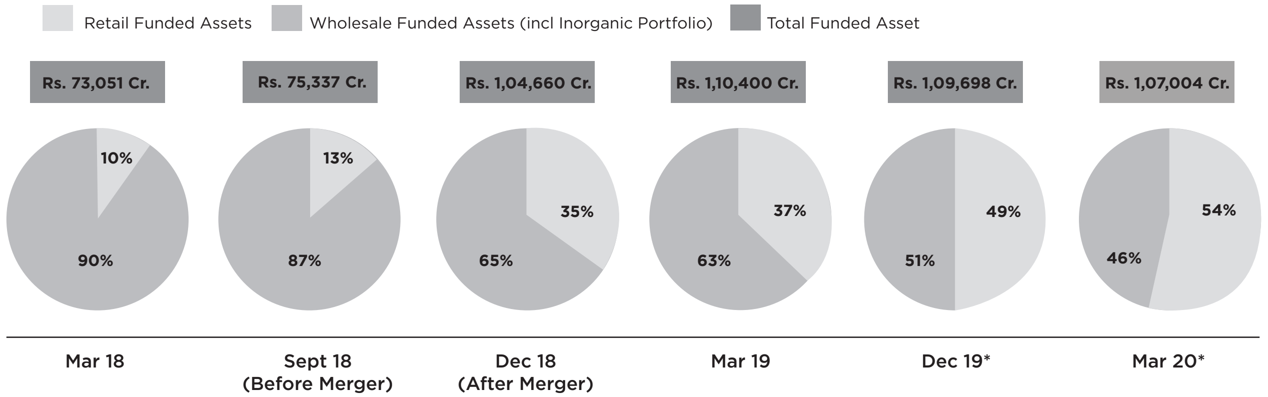
Retail Book increased 40% YoY to Rs. 57,310 crores 31st March 2020 from Rs. 40,812 crores on 31 March 2019. Retail constitutes 61% of funded loan assets 31st March 2020 compared to 37% as on 31 March 2019, including Inorganic portfolio, where the underlying assets are retail loans.

Wholesale book decreased by 27% from Rs. 53,649 crores as on 31 March 2019 to Rs. 39,388 crores as on 31 March 2020. Within Wholesale book, the Infrastructure loans decreased by 31% from Rs. 21,459 crores as on 31 March 2019 to Rs. 14,840 crores as on 31 March 2020

Strong growth in retail Liabilities:

CASA Deposits increased to Rs. 20,661 crores (31 March 2020) from Rs. 7893

RETAIL FUNDED ASSETS



Including inorganic acquired portfolio (mostly PSL) where the underlying assets are retail loans, the Retail contribution to the overall Loan Assets is 61% as of 31 March 2020.

**The figures above are gross of Inter-Bank Participant Certificate (IBPC) transactions.*

crores (31 March 2019), Y-o-Y increase of 162%. CASA Ratio improved to 31.87% as on 31 March 2020 from 11.40% as on 31 March 2019. Strong CASA growth of Rs. 4458 crores during Q4, 2020, despite disturbance of COVID and other local bank issues.

Retail deposits increased to Rs. 33,924 crores (31 March 2020) from Rs. 13,214 crores (31 March 2019), Y-o-Y increase of 157%.

IDFC First Bank Fixed Deposit program assigned highest safety rating of FAAA by CRISIL.

Strong growth in Core Earnings:

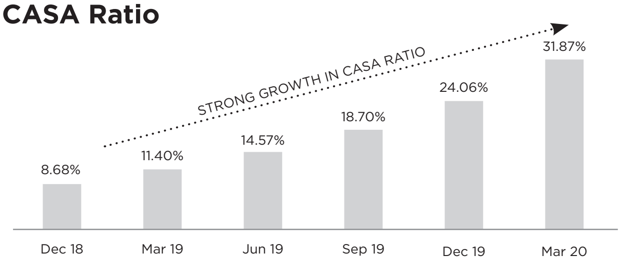
- Strong NIM improvement: NIM has improved to 4.24% in Q4 FY20 as compared to 3.03% in Q4 FY19 and 3.86% in Q3-FY20.
- Strong NII Growth: NII grew by 40% (YOY) to Rs. 1,563 crores in Q4 FY20 as compared to Rs. 1,113 crores in Q4 FY19.
- Strong growth in Total Income (NII + Fees + Trading Gain): Grew 67% YOY to Rs. 2,314 crores in Q4 FY20 from Rs. 1,386 crores in Q4 FY19.
- Fee Income as a % of Total Income (net of Trading Gain) stood at 22% for Q4 FY20.
- Strong Growth in Pre-Provisioning Operating Profit: PPOP grew 229% YOY to Rs. 787 crores in Q4 FY20 as compared to Rs. 239 crores in Q4 FY19. CORE PPOP (PPOP Net of treasury income), grew 70%, from Rs. 275 crores in Q4 FY19 to Rs. 468 crores in Q4 FY20
- Provision: The Bank was required to make COVID-19 related provision of Rs. 25 crores pertaining to accounts where asset classification benefit was given. The Bank has provided the entire amount in Q4-FY20 itself and has additionally taken Rs. 200 crores of COVID-19 related provisioning proactively for over-dues of 1-89 days taking total COVID-19 provisions to Rs. 225 crores. Including this, the total provisions for Q4FY20 was Rs. 679 crores.
- Profit After Tax: The PAT for Q4 FY20 is reported at Rs. 72 crores as compared to Loss of Rs. 218 crores for Q4 FY19.
- Improved Cost to Income Ratio (excl. Trading gains): 76.54% for Q4 FY20 as compared to 80.68% in Q4 FY19.

High asset quality:

Bank's Gross NPA reduced sequentially from 2.83% as of 31 December 2019 to 2.60% as of 31 March 2020. The Gross NPA ratio without considering the impact of moratorium would have been 2.88% as of 31 March 2020. Gross NPA as of 31st March 2019 was 2.43%.

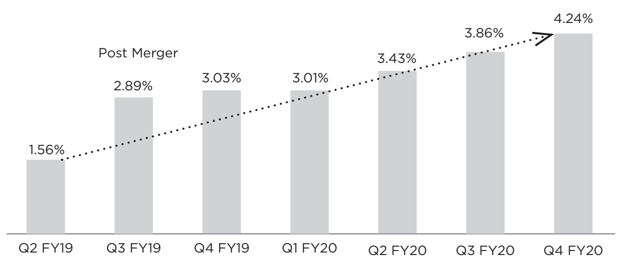
Bank Net NPA reduced sequentially from 1.23% as of 31 December 2019 to

CASA Ratio

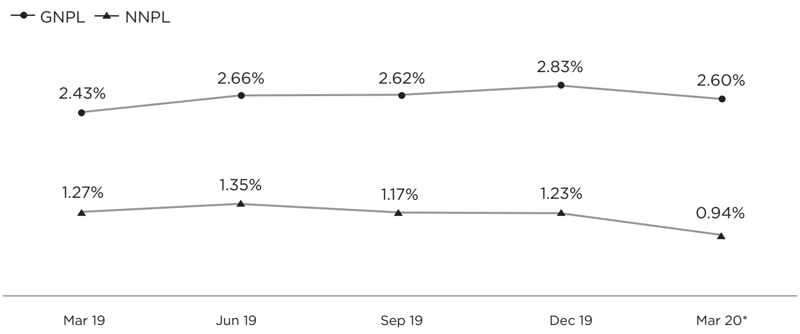


**This is excluding CASA deposits of Rs. 278 crore from NHB which is non-sustainable in nature with fluctuating balance. This was a special deal which would expire in June 2020. Including this, the CASA to total deposits ratio would have been 32.16%.*

Sharp improvement in NIM



Gross and Net NPA of the Bank



** This is after considering the impact of Moratorium. Without considering such impact the Gross NPA and the Net NPA of the Total Assets would have been **2.88%** and **1.14%.***

0.94% as of 31 March 2020. The Net NPA ratio without considering the impact of moratorium would have been 1.14% as of 31 March 2020 which would have been still lesser than Net NPA of 1.23% as of 31st December 2019. Net NPA as of 31st March 2019 was 1.27%.

Provision Coverage Ratio (PCR) has improved to 64.53% as of 31 March 2020 as compared to 48.18% as of 31 March 2019 and as compared to 57.34% as of 31 December 2019.

Strong Asset Quality on Retail Loan Book:
Retail Asset Gross NPA stood at 1.77% as of 31 March 2020 as compared to 2.26% as of 31 December 2019 and 2.18% as of 31 March 2019. Without moratorium, the Retail Asset Gross NPA as of 31st March 2020 would have been 2.22%.

Retail Asset's Net NPA stood at 0.67% as of 31 March 2020 as compared to 1.06% as of 31 December 2019 and 1.24% as of 31 March 2019. Without moratorium, the Retail Asset Net NPA as of 31st March 2020 would have been 0.99%

Strong Capital Adequacy:
Capital Adequacy Ratio is strong at 13.38% with CET-1 Ratio at 13.30% as of 31 March 2020.

The Bank is raising Rs. 2,000 crores of fresh equity capital during Q1 FY 21, process to complete by 1st week of June 2020.

Post the capital raise, the Capital Adequacy Ratio will be 15.55% with CET-1 Ratio of 15.32%.

Franchise:
The Branch Network now stands at 464 branches and 356 ATMs across the country as on 31 March 2020.

IDFC ASSET MANAGEMENT COMPANY

Mutual Fund Industry Overview

Despite a challenging environment in FY20 due to a slowing economy, continuing credit market stress, and wide divergence in equity fund performance and the impact of COVID-19, average assets managed by the Indian mutual fund industry increased 11% from Rs. 24.29 lakh crore in Q4 FY19 to Rs. 26.99 lakh crore in Q4 FY20. Assets under Management (AUM) in Equity funds touched a high of Rs. 9.50 lakh crore in February 2020, subsequently falling to Rs. 7.81 lakh crore in March 2020, due to the COVID-19 scare. The Arbitrage category saw a sharp increase of ~55% from Rs. 53 thousand crore in Q4 FY19 to Rs. 82 thousand crore in Q4 FY20 March 2020. Government-mandated ETFs also saw significant growth during the year, with QAAUM growing by ~53%. The fixed income category (excluding Liquid Funds) grew by ~21% touching Rs. 8.79 lakh crore in Q4 FY20 compared to Rs. 7.27 lakh crore in Q4 FY19. The industry saw higher flows in high-quality funds, cash equivalents and short term strategies. The industry's average QAAUM in Liquid Funds fell from Rs. 5.52 lakh crore in Q4 FY19 to Rs. 5.28 lakh crore in Q4 FY20.

Retail investors continued to invest through the Systematic Investment Plan (SIP) route, which led to a growth of about

19% in live SIP count to ~3.12 crores in March 2020 over March 2019 and total SIP mobilisation stood at Rs 100,084 crore, growing ~8% from Rs 92,693 crore a year ago. The industry added, on an average, 9.83 lakh SIP accounts each month in FY20, with an average size of about Rs. 2,800 per SIP account.

As FY20 drew to a close, the industry endured record volatility and an unprecedented liquidity squeeze in financial markets, even before the full impact of the COVID-19 pandemic hit businesses across the country. As we enter FY21 with this uncertainty, volatility in near term flows across 'risk assets' is expected to continue. With economic reforms gathering further momentum and potentially low returns on traditional investment avenues like fixed deposits and real estate, the mutual fund industry should continue to benefit.

Our Performance in FY20

FY20 shaped up to be a year of strong growth for IDFC AMC, which continued to remain focused on executing its strategy and delivering on its operating plan. The AMC continued to further 'retailise' its growing franchise, diversify its products and capabilities, enhance customer engagement and invest in digital technologies and infrastructure that positions it well for long term growth.

During the financial year, IDFC Mutual Fund crossed the coveted Rs. 1 lakh crore AUM milestone and entered the ranks of the Top 10 within the industry in terms of total AUM. Overall, Q4 average AUM grew ~50% YoY, significantly outperforming industry growth of ~11%. AMC's market share (excluding Liquid Funds) improved by 1.2% to reach 4.3% in Q4 FY20, while total market share improved by 0.9% to reach 3.8% in Q4 FY20. IDFC Mutual Fund steadily built its franchise with the number of active investors served growing by ~7%. During this period, it increased the number of active distributors of fixed income funds by 29%, added over 2.2 lakh new folios and ~1.40 lakh new SIPs. Independent fund ranking agencies and media houses recognised and highlighted fund performances and bestowed awards.

Liquid Alternatives

The AMC's Neo Equity PMS, a unique machine-learning driven long-only equity strategy - demonstrated steady index-beating performance. Enhancements made during the year to its artificial intelligence-powered selection process showed steady results. The AMC's Alternative Investment Funds showed promise in a challenging market, but the category suffered adverse taxation impact and lacklustre interest. The AMC also completed the final distribution of IDFC S.P.I.C.E. Fund; a Venture Capital Fund launched in 2012. The fund provided its investors with double-digit net returns of ~11.5% (XIRR), amongst the few in its peer-group to deliver such performance.

Enhancing Capabilities

IDFC Mutual Fund expanded its existing product suite by launching the 'Emerging Businesses Fund'. The fund garnered ~Rs 500 crores during a challenging market phase, aided by participation from across a broad spectrum of retail distributors and investors. The launch also enabled the AMC to re-emphasise its equity product suite and strengthen distributor engagement. Improving digital capabilities, IDFC Mutual Fund launched an updated customer website that is faster, more personalised and includes better security features. Enhancing partner services, the AMC also launched new website features like the IDFC Partner's Corner, as well as a new WhatsApp based partner communication channel.

Additionally, revamped product communications offered more in-depth portfolio attributes and insights to help investors and partners make a more informed choice. The AMC enhanced its data analytics and business intelligence tools to improve sales effectiveness. Additionally, the AMC's outbound calling program for distributors helped double its SIP renewal rate.

During the year, the AMC made significant progress in further enhancing its operational standards. Financial transaction processing accuracy reached the 99.99% mark, improving overall processing time and efficiency. All regulatory mandates were successfully implemented without any disruption. The AMC also took several initiatives towards improving cost and operating efficiency and better cash flow management. It invested in upgrading technology as well as enhancing customer service and communication. It launched a new Branch Reporting System which will further improve the accuracy and efficiency of branch locations, migrated specific critical business applications to cloud systems, upgraded vital software and service platforms. The AMC also enhanced its IT security infrastructure by upgrading systems and implementing new technologies.

Innovative Investor Awareness Campaigns
To build further scale in our investor awareness efforts, IDFC Mutual Fund launched the #BeYourBestSelf campaign. The campaign highlights the importance of financial security in helping individuals become the best version of themselves. Brought to life through a series of short films and innovative creatives on YouTube, cinema halls as well as travel hubs, the campaign is a significant step in the journey of helping savers become informed investors. The campaign on YouTube received over 2.77 crore views and was shown in movie theatres across 161 screens in 17 cities covering over 80 lakh viewers. The hoardings displayed across 88 outdoor sites across 23 major cities in India. The AMC innovated yet again in this space with the rollout of IDFC 'Game of Life', an industry-first approach of using online gaming to spread investor awareness. The AMC also conducted over 550 group awareness sessions, which benefited ~28,000 investors.

Engaging with our Community
IDFC AMC focused its efforts in the area of promoting Education for all. Its focus areas for intervention included supporting the girl child, improving access and quality of education, skill development and vocational training as well as improving school infrastructure. IDFC AMC worked with Nanhi Kali to provide educational support for over 2000 girls in primary school (Class1-5) in high-need blocks in Maharashtra. It also helped enhance school infrastructure with computers and projectors across four schools in rural Tamil Nadu.

In March, as the COVID-19 situation worsened and a lockdown imposed across the country, IDFC AMC partnered with United Way, Mumbai to provide PPE kits to various hospitals and public health departments. During this time, in addition to contributing to the PM CARES Fund, IDFC AMC also provided ration kits to families of daily wage earners to help them stride through the difficult times. In FY20, IDFC AMC also donated to the Prime Minister's National Relief Fund to support rehabilitation in regions after natural disasters.

Managing through Covid-19
Anticipating potential disruption in regular business routines, in early March, the AMC tested and activated its Business Continuity Plans before the government imposed lockdown took effect. It ensured that all critical functions worked seamlessly from home and enabled new processes to serve clients with minimal disruption. Leveraging its digital capabilities, IDFC AMC proactively reached out to clients and partners – engaging through Conference Calls, Webinars, Social Media, Videos, WhatsApp and Email Notes. Sales and service teams proactively connected with partners and clients, helping them in times of unprecedented volatility, with the sales interactions doubling during the lockdown period.

IDFC SECURITIES
The sale of 100% equity stake in the company was completed in the first quarter of fiscal 2021 after receiving all regulatory approvals.

NIIF INFRASTRUCTURE FINANCE LIMITED (formerly IDFC Infrastructure Finance Limited)
The sale of balance 30% stake in the company was completed during the year.

IDFC INSTITUTE
IDFC Institute has been set up as an independent, economic development-focused think/do tank to investigate the political, economic and spatial dimensions of India's ongoing transition from a low-income, state-led country to a prosperous market-based economy. We provide in-depth, actionable research and recommendations that are grounded in a contextual understanding of the political economy of execution. Our approach to public policy issues rests on a solid foundation of evidence-based research. We use this to parse symptoms

from the disease, to get to the "what" of diagnosing problems correctly and developing appropriate solutions. Yet a common concern from the government is how to get things done. A critical part of our work is therefore liaising with relevant stakeholders to understand "how" to get solutions implemented and institutionalised. Stakeholder engagement across sectors is one of the founding principles of the Institute. The Institute's research focuses on two broad areas: a) growth and job creation in the context of India's transition from farm to non-farm, rural to urban and informal to formal economic activity; and b) improving the delivery of essential services and welfare. All our research, reports, databases and recommendations are in the public domain and freely accessible through our website: www.idfcinstitute.org.

IDFC Institute continued to be a thought leader on **urbanisation** in the last year. In July 2019, we published a report outlining some of the urgent reforms that are needed for Indian cities to unlock their economic potential and transform quality of life. The report was launched by Mr Praveen Pardeshi, the then Municipal Commissioner of Municipal Corporation of Greater Mumbai in the presence of Mr Sanjay Bhatia, Mumbai Port Trust Chairman, among others. In October 2019, we released a research paper and interactive web tool on Mumbai's traffic chokepoints and congestion costs, in terms of money, time and environment.

We continued to build expertise in the area of **criminal justice**. We are collaborating with Marron Institute, New York University and state police departments to address capacity building issues within the police. We are also a member of the Executive Committee—constituted by the Bureau of Police Research and Development (BPR&D), Ministry of Home Affairs—that advises on the All India Citizens Survey of Police Services (AICSPS). For this, we have also helped set up an independent Crime Victimisation Survey experts group along with Azim Premji University and the Commonwealth Human Rights Initiative in June 2019. Invitees included Dr Shekhar Shah, Director-General, National Council of Applied Economic Research—the institution leading the AICSPS; Dr Ajay Shah, Professor, National Institute of Public Finance and Policy; Tajendar Singh Luthra, IPS, Inspector General, BPR&D, among others.

We set up the **Data Governance Network** in 2019, with grant support from the **Omidyar Network**. The Network aims to bridge the gap in data governance by producing research that informs policymaking and generating dialogue among wider audiences on key themes such as privacy, consent, digital rights and surveillance. The Network brings together some of India's leading policy think-tanks—National Institute of Public Finance and Policy (NIPFP), Internet Democracy project (IDP) and IT for Change (ITfC). In its flagship year, the network has produced ten research papers, each accompanied by a policy brief, video and opinion piece. The network has hosted four roundtables, one every quarter, in collaboration with different institutes like IIT-Bombay and National Law School of India University (NLSIU). Through this network, we hope to create a uniquely Indian model of data governance—one that, unlike the US or European Union models, can be an appropriate blueprint for developing economies.

With grant support from the **Ford Foundation,** we worked on a project to estimate the **impact of infrastructure investment on job creation**. The report titled, "Infrastructure Priorities for Job Creation in India" was launched by the Minister of Road Transport and Highways, Mr. Nitin Gadkari, at an event held in New Delhi in September 2019.

We are also attempting to test and develop **behavioural interventions** and **data and technology** as tools to understand and find solutions to complex public policy questions. Our team is collaborating with the Behavioural Insights Team, UK and the Greater Chennai City Traffic Police to implement a road safety project in the city of Chennai. The aim is to use behavioural insights to reduce pedestrian fatalities. On data and technology, we have built internal capacity in data analysis, managing servers to using Geographic Information Systems (GIS). We analysed half a billion Uber data points for our **urban mobility analysis** and are working with the **Government of Kerala** to help map the state in a mapathon drive.

Public service delivery can be viewed as a two-sided problem, constituting a supply side characterised by government responsiveness and a demand side comprising citizens' participation. We are working with the **Government of Bihar** in its implementation of the Bihar Public Grievance Redress Act (BPGRA), the Right to Public Services Act (RTPS) and the Right to Information Act (RTI). Our team has been assessing the effectiveness of the state's unique grievance redressal system and assisting in addressing any challenges in its functioning. Over the course of last year, we have developed data-driven tools that help monitor performance of the scheme, run a randomised control trial to measure the effect of grievance redressal as a tool to demand better public services and shared our findings, suggestions and policy insights with various tiers of the Bihar government.

We are also working with the **Government of Punjab** to create a grievance redressal mechanism for the state. Our team is providing research and consultancy services to the Punjab State Advisory Council on transforming agriculture in the state through technology. We have also been helping the government utilise technology for business process re-engineering of citizen services.

Our annual flagship event, the **Artha Dialogues** was held in Kochi, Kerala in 2019. Former UK Prime Minister Tony Blair was this year's keynote speaker. KP Krishnan, Secretary, Ministry of Skill Development and Entrepreneurship, and Rajiv Lall, and Chairman, Advisory Board, IDFC Institute, co-chaired the event. We also hosted the IDFC Institute **Conversations and Brown Bags**, through the year, with a wide variety of speakers. We hosted speakers like Ajay Shah, Sharad Sharma, Carl Frey, Roopa Purushothaman, Madhav Khosla, Andreas Bauer, Parth Khare, Ajit Ranade, Rahul Matthan and Sajjid Chinoy amongst others. Topics included the State of the Indian Economy; Campaign Financing in India; Global Security and Foreign Relations; etc.

We continued to write extensively in the **media** and have become an India content partner for the World Economic Forum. As part of the collaboration, we co-curated the Transformation Map for India.

We ended the year by setting up a **Track 2 Task Force** of experts to support the government on their **COVID-19** response. We are working with both state governments and the Centre on a demand-led basis, across a range of issues. On the economic side, this includes economic strategy (both short and medium term), ideas for structural reform, supply chain management, agricultural policy and livelihood assistance. On the health/medical side, we are working across access to medical equipment, PPE, epidemiological modelling and exit from lockdown plans. We have created an extensive communications toolkit in 10+ regional languages for state governments to deploy. We have also mobilised our network to provide assistance on legal/legislative issues, policing and delivering relief to slums and dense, low-income settlements. Finally, our data science team has been working with the emergency task forces set up by various state governments on a host of issues like the adaptive control model and building and managing a data/models web-based hub, survey platforms, a website for Indian data by state as well as designing dashboards.

Risk Management

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

Internal Controls and their adequacy

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

Human Resources

In view of minimal operations, IDFC had 9 employees as on March 31, 2020 and 420 employees including employees of subsidiaries.