



IDFC Project Equity Company Limited

BOARD OF DIRECTORS

- Dr. Rajiv B. Lall
Chairman
- Mr. Vikram Limaye
- Mr. Sunil Kakar
- Mr. Sadashiv Rao
- Dr. Rajeev Uberoi

AUDITORS

- S. R. Batliboi & Co.
Chartered Accountants

PRINCIPAL BANKERS

- HDFC Bank Limited

REGISTERED OFFICE

Naman Chambers, C-32, G-Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai - 400 051
TEL +91 22 42222000
FAX +91 22 26540354

TO THE MEMBERS

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

OPERATIONAL REVIEW

Your Company continues to be committed to the development of infrastructure in the country and manage capital commitments of ₹ 38.37 billion through India Infrastructure Fund ("Fund").

During the year, your Company closed one new investment for the Fund. Your Company devoted efforts on portfolio management and generating distributions from some of the operating assets.

Your Company sponsored/participated in various infrastructure focused events and conferences across the globe during the year.

Your Company is pleased to inform that there have been no resignations during the year.

FINANCIAL RESULTS

	₹ (IN MILLION)	
	FOR THE YEAR ENDED MARCH 31, 2011	FOR THE YEAR ENDED MARCH 31, 2010
Total Income	604.30	643.46
Less: Total Expenses	334.57	355.51
Profit/(Loss) before Tax	269.73	287.95
Less: Provision for Tax	82.92	57.86
Profit/(Loss) after Tax	186.81	230.09
Add: Profit/(Loss) brought forward	123.43	(106.66)
Profit Available for Appropriation	310.24	123.43
APPROPRIATIONS:		
Transfer to General Reserve	18.68	-
Interim Dividend	137.50	-
Dividend Tax on Interim Dividend	22.84	-
Profit/(Loss) carried forward	131.22	123.43

DIVIDEND

Your Board had approved interim dividend, amounting to ₹ 137.50 million resulting in an aggregate dividend rate of 27,500% i.e. ₹ 2,750/- (₹ Two Thousand Seven Hundred and Fifty only) per equity share. Your Directors have not recommended any further dividend and recommended confirmation of the said interim dividend as final dividend for the year.

PUBLIC DEPOSITS

During the year under review, your Company has not accepted public deposits under Section 58-A of the Companies Act, 1956.

DIRECTORS

During the year, Mr. Mahendra N. Shah resigned from the Directorship of the Company with effect from July 27, 2010.

Mr. L. K. Narayan who was appointed on the Board of the Company on July 27, 2010 resigned from the Directorship of the Company with effect from March 24, 2011.

The Board wishes to place on record its sincere appreciation to all the outgoing directors for their guidance and valuable contribution to the Company.

The Board, at its meeting held on July 27, 2010 appointed Dr. Rajeev Uberoi and Mr. Sadashiv Rao as Directors and they hold office up to the date of the ensuing Annual General Meeting.

The Board, by passing circular resolution, approved appointment of Mr. Sunil Kakar as an Additional Director on the Board of the Company with effect from March 24, 2011.

In terms of the provisions of the Articles of Association of the Company and Companies Act, 1956, Dr. Rajiv B. Lal and Mr. Vikram Limaye would retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

The Board of Directors recommends appointment/re-appointment of all the above Directors at the ensuing Annual General Meeting.

AUDITORS

M/s. S. R. Batliboi & Co., Chartered Accountants will retire as the statutory auditors of the Company at the ensuing Annual General Meeting. The Board at its meeting held on April 27, 2011 has proposed their re-appointment as Auditors to audit the accounts of the Company for the financial year ending March 31, 2012.

M/s. S. R. Batliboi & Co., 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 as also indicated their willingness to be re-appointed. You are requested to consider their re-appointment.

PERSONNEL AND OTHER MATTERS

In accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 and the rules framed thereunder, the names and other particulars of employees in receipt of remuneration of more than ₹ 5 lakh per month and ₹ 60 lakh per annum, are set out in the Annexure to the Directors' Report.

Since the Company does not own any manufacturing facility, the disclosure of information on other matters required to be disclosed in terms of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1998, are not applicable and hence not given.

FOREIGN EXCHANGE EARNINGS AND EXPENDITURE

The particulars regarding foreign exchange expenditure are furnished in note no. 14 to Schedule 10 of Notes to Accounts. There was no foreign currency income earned during the year.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that:

- the applicable accounting standards have been followed in preparation of annual accounts and there are no material departures;
- they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at March 31, 2011 and the profit or loss of the Company for the year ended on that date;

- 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 detecting fraud and other irregularities; and
- they have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS

The Directors thank the investors of India Infrastructure Fund, Reserve Bank of India and the Securities & Exchange Board of India for their continued support to the Company.

The Directors also express their gratitude for the unstinted support and guidance received from Infrastructure Development Finance Company Limited and other group companies.

The Directors would also like to express their sincere thanks and appreciation to all the employees for their commendable teamwork, exemplary professionalism and enthusiastic contribution during the year.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

RAJIV B. LALL
Chairman

Mumbai
April 27, 2011

To The Members of IDFC Project Equity Company Limited

1. We have audited the attached Balance Sheet of IDFC PROJECT EQUITY COMPANY LIMITED ('the Company') as at March 31, 2011 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date 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 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 (as amended) ('Order') (ARO) issued by the Central Government of India in terms of sub-section (4A) of Section 227 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 above, we report that:
 - (i) 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;
 - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (v) On the basis of the written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - (vi) 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;
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
 - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

FOR S. R. BATLIBOI & CO.

Firm Reg. No. 301003E
Chartered Accountants

per **SHRAWAN JALAN**
Partner
(Membership No. 102102)

Mumbai
April 27, 2011

Annexure referred to in paragraph 3 of our report of even date

Re: IDFC Project Equity Company Limited ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) The Company provides investment management services and does not maintain inventories. Therefore, the provisions of clause 4(ii) of the Order are not applicable to the Company.
- (iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (b) As informed, the Company has not taken any loans, secured or unsecured to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (iv) 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, for the purchase of fixed assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) According to the information and explanations provided by the management, we are of the opinion that there were no particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered into the Register maintained under Section 301.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 for the products of the Company.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Income-tax, Service tax, Cess and other material statutory dues applicable to it. The provisions relating to Employees' State Insurance, Investors' Education and Protection Fund, Sales-tax, Wealth tax, Customs Duty and Excise Duty are not applicable to the Company.
- Further, since the Central Government has till date not prescribed the amount of cess payable under Section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Income-tax, Service tax, Cess and other undisputed material statutory dues applicable to the Company, were outstanding, at the year-end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanation given to us, there are no dues of Income-tax, Sales-tax, Service tax and Cess which have not been deposited on account of any dispute.
- (x) The Company has been registered for a period of less than five years and hence we are not required to comment on whether or not the accumulated losses at the end of the financial year is fifty per cent or more of its net worth and whether it has incurred cash losses in such financial year and in the immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution. The Company has no outstanding dues in respect of banks or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the Register maintained under Section 301 of the Companies Act, 1956.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised money in the year by public issue.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

FOR S. R. BATLIBOI & CO.

Firm Reg. No. 301003E

Chartered Accountants

per SHRAWAN JALAN

Partner

(Membership No. 102102)

Mumbai

April 27, 2011

BALANCE SHEET

AS AT MARCH 31, 2011

	SCHEDULE	₹	₹
		AS AT MARCH 31, 2011	AS AT MARCH 31, 2010
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	500,000	500,000
Reserves and Surplus	2	149,901,066	123,425,847
TOTAL		150,401,066	123,925,847
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	3	4,024,183	3,677,171
Less: Accumulated Depreciation/Amortisation		1,877,120	1,177,816
Net Block		2,147,063	2,499,355
Deferred Tax Asset (Refer Schedule 10 - Note 12)		5,604,662	3,318,835
Current Assets, Loans and Advances			
Interest Accrued on term deposits with Banks		88,674	34,726
Cash and Bank Balances	4	254,118,050	391,593,298
Loans and Advances	5	146,907,903	181,756,159
		401,114,627	573,384,183
Less: Current Liabilities and Provisions			
Current Liabilities	6	247,570,962	445,329,674
Provisions		10,894,324	9,946,852
		258,465,286	455,276,526
Net Current Assets		142,649,341	118,107,657
TOTAL		150,401,066	123,925,847
Notes to the Accounts	10		
The Schedules referred to above form an integral part of the Balance Sheet			

AS PER OUR REPORT OF EVEN DATE

FOR S. R. BATLIBOI & CO.
Firm Reg. No. 301003E
Chartered Accountants

per **SHRAWAN JALAN**
Partner
(Membership No. 102102)

Mumbai | April 27, 2011

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF
IDFC PROJECT EQUITY COMPANY LIMITED

RAJEEV UBEROI
Director

VIKRAM LIMAYE
Director

SANJAY AJGAONKAR
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		
Investment Management Fees (Service Tax ₹ 59,277,384; Previous year: ₹ 64,469,267) (Tax deducted at Source ₹ 63,478,597; Previous year: ₹ 76,670,295) (Refer Schedule 10 - Note 2(H))	575,508,582	605,593,024
Interest on Fixed Deposits (Tax deducted at Source ₹ 20,836; Previous year: ₹ 28,926)	297,031	124,843
Dividend on Mutual Fund Units	20,888,771	9,140,599
Profit on Sale of Mutual Fund Units	228,575	-
Foreign Currency Gain (net) (Refer Schedule 10 - Note 2(I))	2,370,565	28,532,594
Interest on Income Tax Refund	5,007,744	70,968
Fees Received from Vijaywada Tollway Private Limited	43,140,000	-
Less: Transferred to India Infrastructure Fund (Refer Schedule 10 - Note 4)	43,140,000	-
	604,301,268	643,462,028
EXPENDITURE		
Bank Charges	1,449	1,686
Personnel Expenses 7	191,055,597	187,629,119
Establishment Expenses 8	1,289,833	4,990,743
Administrative and Other Expenses 9	141,310,819	162,071,275
Depreciation/ Amortisation 3	915,828	821,754
TOTAL	334,573,526	355,514,577
PROFIT BEFORE TAXATION		
Provision for Taxation (Refer Schedule 10 - Notes 2(K) and 12)	269,727,742	287,947,451
- Current Tax	85,201,319	61,181,266
- Deferred Tax Benefit	(2,285,827)	(3,318,835)
PROFIT AFTER TAXATION	186,812,250	230,085,020
Profit and Loss Account Balance Brought Forward	123,425,847	(106,659,173)
PROFIT AVAILABLE FOR APPROPRIATION		
	310,238,097	123,425,847
Appropriations:		
Transfer to General Reserve	18,682,000	-
Interim Dividend	137,500,000	-
Dividend Tax on Interim Dividend	22,837,031	-
Balance Carried to Balance Sheet	131,219,066	123,425,847
Earnings Per Share (Refer Schedule 10 - Notes 2(N) and 11)		
Basic and Diluted (Face Value ₹ 10)	3,736.25	4,601.70
Notes to the Accounts 10		
The Schedules referred to above form an integral part of the Profit and Loss Account		

AS PER OUR REPORT OF EVEN DATE

FOR S. R. BATLIBOI & CO.
Firm Reg. No. 301003E
Chartered Accountants

per SHRAWAN JALAN
Partner
(Membership No. 102102)

Mumbai | April 27, 2011

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF
IDFC PROJECT EQUITY COMPANY LIMITED

RAJEEV UBEROI
Director

VIKRAM LIMAYE
Director

SANJAY AJGAONKAR
Company Secretary

CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2011

	₹	₹
	APRIL 1, 2010 TO MARCH 31, 2011	APRIL 1, 2009 TO MARCH 31, 2010
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Taxation	269,727,742	287,947,451
Adjustments for:		
Depreciation/Amortisation	915,828	821,754
Loss on Sale of Fixed Assets	114,016	-
Provision for Employee Benefits	947,472	8,463,405
Foreign Currency Gains/Losses on Revaluation	22,932,343	(27,128,008)
Dividend on Mutual Fund Units	(20,888,771)	(9,140,599)
Profit on Sale of Mutual Fund Units	(228,575)	-
Interest on Fixed Deposits	(297,031)	(124,843)
Operating Profit Before Working Capital Changes	273,223,024	260,839,160
(Increase)/Decrease in Interest Accrued	(53,948)	15,575
(Increase) in Loans and Advances	(11,456,455)	(32,942,216)
Increase/(Decrease) in Current Liabilities	(220,691,055)	125,647,344
Cash Generated from Operations	41,021,566	353,559,863
Direct Taxes Paid (net of refund received)	(38,896,608)	(82,499,221)
Net Cash Generated from Operating Activities	A 2,124,958	271,060,642
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(682,552)	(2,647,192)
Sale of Fixed Assets	5,000	-
Dividend on Mutual Fund Units	20,888,771	9,140,599
Interest on Fixed Deposits	297,031	124,843
Purchase of Current Investments	(1,133,700,000)	(701,300,000)
Proceeds from Sale of Current Investments	1,133,928,575	701,300,000
Net Cash Generated from Investing Activities	B 20,736,825	6,618,250
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend and Dividend Distribution Tax paid	(160,337,031)	-
Net Cash (Used In) Financing Activities	C (160,337,031)	-
Net Increase/(Decrease) in Cash and Cash Equivalents	A+B+C (137,475,248)	277,678,892
Cash and Cash Equivalents at Beginning of the Year	391,593,298	113,914,406
Cash and Cash Equivalents at End of the Year	254,118,050	391,593,298

NOTE:

	₹	₹
	MARCH 31, 2011	MARCH 31, 2010
Cash and Cash Equivalents include:		
- Cash in Hand	19,908	9,366
- Balance with a Scheduled Bank in Current Accounts	4,598,142	1,583,932
- Balance with a Scheduled Bank in Deposit Accounts	249,500,000	390,000,000
	254,118,050	391,593,298

AS PER OUR REPORT OF EVEN DATE

FOR S. R. BATLIBOI & CO.
Firm Reg. No. 301003E
Chartered Accountants

per SHRAWAN JALAN
Partner
(Membership No. 102102)

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF
IDFC PROJECT EQUITY COMPANY LIMITED

RAJEEV UBEROI
Director

VIKRAM LIMAYE
Director

SANJAY AJGAONKAR
Company Secretary

Mumbai | April 27, 2011

SCHEDULE 1 Share Capital		₹	₹
		AS AT MARCH 31, 2011	AS AT MARCH 31, 2010
AUTHORISED:			
10,000,000 (Previous Year 10,000,000) Equity Shares of ₹ 10/- each		100,000,000	100,000,000
ISSUED, SUBSCRIBED AND PAID-UP:			
50,000 (Previous Year 50,000) Equity Shares of ₹ 10/- each fully paid-up		500,000	500,000
[The above Equity Shares are held by Infrastructure Development Finance Company Limited (the "Holding Company") and its nominees]			
		500,000	500,000

SCHEDULE 2 Reserves and Surplus		₹	₹
		AS AT MARCH 31, 2011	AS AT MARCH 31, 2010
General Reserve			
Balance as per last Balance Sheet		-	-
Add: Transferred from Profit and Loss Account		18,682,000	-
		18,682,000	-
Profit and Loss Account		131,219,066	123,425,847
		149,901,066	123,425,847

SCHEDULE 3 Fixed Assets												₹
DESCRIPTION OF ASSET	GROSS BLOCK			ACCUMULATED DEPRECIATION/AMORTISATION						NET BLOCK		
	As at April 1, 2010	Additions	Deletions	As at March 31, 2011	As at April 1, 2010	Additions	Deletions	As at March 31, 2011	As at March 31, 2011	As at March 31, 2010		
TANGIBLE												
Computer Hardware	1,108,735	178,706	11,080	1,276,361	471,774	284,944	11,080	745,638	530,723	636,961		
Furniture & Fixtures	211,349	43,313	64,303	190,359	42,772	28,026	19,578	51,220	139,139	168,577		
Office Equipments	733,463	394,289	260,157	867,595	316,032	239,199	185,866	369,365	498,230	417,431		
Vehicles	1,540,571	-	-	1,540,571	319,083	316,243	-	635,326	905,245	1,221,488		
INTANGIBLE												
Computer Software	83,053	66,244	-	149,297	28,155	47,416	-	75,571	73,726	54,898		
Total	3,677,171	682,552	335,540	4,024,183	1,177,816	915,828	216,524	1,877,120	2,147,063	2,499,355		
Previous Year	1,029,979	2,647,192	-	3,677,171	356,062	821,754	-	1,177,816	2,499,355	-		

SCHEDULE 4 Cash and Bank Balances		₹	₹
		AS AT MARCH 31, 2011	AS AT MARCH 31, 2010
Cash in hand		19,908	9,366
Balance with a Scheduled Bank			
- In Current Accounts		4,598,142	1,583,932
- In Term Deposit Accounts		249,500,000	390,000,000
		254,118,050	391,593,298

SCHEDULE 5 Loans and Advances		₹	₹
		AS AT MARCH 31, 2011	AS AT MARCH 31, 2010
Advance Payment of Tax and Tax Deducted at Source (net of provisions)		43,560,930	89,865,641
Service Tax Input Credit (net)		4,250,486	973,504
Security Deposits		81,511,881	77,511,881
Advances recoverable in cash or in kind or for value to be received			
- Prepaid Expenses		16,370,419	10,767,479
- Others		1,214,187	2,637,654
		146,907,903	181,756,159

SCHEDULE 6 Current Liabilities	₹	
	AS AT MARCH 31, 2011	AS AT MARCH 31, 2010
Sundry Creditors for Expenses		
- to Micro, Small and Medium Enterprises (Refer Schedule 10 - Note 18)	3,475	-
- to Others	138,613,600	335,500,245
Investment Management Fees Received in Advance	108,794,776	108,794,774
Statutory Dues	159,111	1,034,655
	247,570,962	445,329,674
Provisions		
- Employee Benefits (Refer Schedule 10 - Note 6)	10,894,324	9,946,852
	258,465,286	455,276,526

SCHEDULE 7 Personnel Expenses	₹	
	APRIL 1, 2010 TO MARCH 31, 2011	APRIL 1, 2009 TO MARCH 31, 2010
Salaries and Bonus	182,921,712	175,955,517
Contribution to Provident Fund and Other Funds	4,788,283	6,281,579
Staff Training and Welfare	3,345,602	5,392,023
	191,055,597	187,629,119

SCHEDULE 8 Establishment Expenses	₹	
	APRIL 1, 2010 TO MARCH 31, 2011	APRIL 1, 2009 TO MARCH 31, 2010
Rent	996,000	1,267,893
Rates & Taxes	59,202	1,918,487
Electricity	-	1,527,003
Repairs and Maintenance		
- Buildings	-	50,288
- Equipments	9,497	5,250
- Others	188,759	199,480
Insurance	36,375	22,342
	1,289,833	4,990,743

SCHEDULE 9 Administrative and Other Expenses	₹	
	APRIL 1, 2010 TO MARCH 31, 2011	APRIL 1, 2009 TO MARCH 31, 2010
Shared Service Fees (Refer Schedule 10 - Note 7)	20,676,000	-
Travelling and Conveyance	13,989,520	13,366,893
Printing and Stationery	172,797	168,791
Postage, Telephone, Fax	1,173,360	1,158,423
Conference and Sponsorships	4,714,907	6,258,012
Professional Fees	12,367,134	4,162,785
Placement Fees (Refer Schedule 10 - Note 5)	-	48,570,000
Service Fees	82,975,975	82,714,585
Auditors' Remuneration		
- Statutory Audit Fees	600,000	400,000
- Tax Audit Fees	100,000	100,000
- Out of Pocket Expenses	15,147	9,537
- Certification Fees	60,000	-
Loss on Sale of Fixed Asset	114,016	-
Miscellaneous Expenses	4,351,963	5,162,249
	141,310,819	162,071,275

1 Nature of Operations

IDFC Project Equity Company Limited ("the Company") was incorporated on February 06, 2007. The Company has entered into an Investment Management Agreement with IDFC Trustee Company Limited on March 11, 2008 to act as the Investment Manager of the India Infrastructure Fund ("Fund") – a domestic venture capital fund registered under the Securities & Exchange Board of India (Venture Capital Funds) Regulations, 1996. In accordance with the agreement, the Company is entitled to receive an investment management fee for managing the Fund beginning from the Initial Closing of the Fund.

2 Statement of Significant Accounting Policies**A. Basis of Preparation**

The financial statements have been prepared to comply in all material respects with the notified accounting standards by Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956 ('the Act'). The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

B. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year-end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

C. Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and at bank and short-term investments with an original maturity of three months or less.

D. Fixed Assets

Fixed assets are stated at cost of acquisition less accumulated depreciation. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

E. Intangible Assets

Intangible assets comprising of software are stated at cost of acquisition, including any cost attributable for bringing the asset to its working condition, less accumulated amortisation. Any expense on such software for support and maintenance payable annually is charged to the Profit and Loss Account.

Website development cost is charged to the Profit and Loss Account in the year in which such cost is incurred.

F. Depreciation and Amortisation

Tangible Assets – Depreciation on fixed assets is provided on written down value method, at the rates prescribed by Schedule XIV of the Companies Act, 1956. Mobile handsets are depreciated over a period of two years on straight line method. Depreciation on additions during the year is provided on pro-rata basis. Assets costing less than ₹ 5,000 are depreciated fully in the year of capitalisation.

Intangible Assets – Computer software is amortised over a period of three years on straight line method.

G. Impairment

- (i) 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. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.
- (ii) After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

H. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Investment Management Fees for managing the Fund is accrued from the date of initial closing as stipulated in the Investment Management Agreement dated March 11, 2008 entered into by the Company with IDFC Trustee Company Limited.

Interest is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

Dividend is accounted when the right to receive payment is established by the Balance Sheet date.

I. Foreign Currency Transactions**(I) INITIAL RECOGNITION**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(II) CONVERSION

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(III) EXCHANGE DIFFERENCES

Exchange differences arising on the settlement of monetary items or on reporting monetary items of Company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

J. Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

K. Income Tax

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income-tax Act of 1961. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

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 and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. 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 carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each Balance Sheet date, the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each Balance Sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

L. Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight line basis over the lease term.

M. Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

N. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

O. Employee Benefits

I. DEFINED CONTRIBUTION PLANS

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

II. DEFINED BENEFIT OBLIGATION

Gratuity liability is a defined benefit obligation and is provided for on the basis of actuarial valuation on projected unit credit method made at the end of each financial year. Actuarial gains and losses are recognised in the Profit and Loss Account.

III. SHORT-TERM EMPLOYEE BENEFITS

Short-term compensated absences are paid to the employees at the end of every year alongwith the monthly salary.

3 Investment Management Fees

On June 9, 2008, the Fund achieved its Initial Closure and as per the Investment Management Agreement (“the Agreement”) dated March 11, 2008, the Company has started accruing and receiving investment management fees from that date. The Fund has achieved Final Closure on June 8, 2009 and as per the Agreement, the Investment Management Fees are charged on aggregate commitments received as at the Final Closure during the commitment period of the Fund.

4 Fees received from the Fund’s Portfolio Company

During the year, the Company had received fees of ₹ 43,140,000 from Vijaywada Tollway Private Limited (“VTPL”), a Portfolio Company of the Fund for the services rendered in connection with achieving financial closure of VTPL. The same has been paid to the Fund in terms of the provisions of Investment Management Agreement which requires the Company to pay any income received from the Portfolio Companies to the Fund.

5 Placement Fees

Placement Fees represents fees in respect of Capital Commitments arranged by Citigroup Global Markets Limited, UK in the Fund pursuant to the Placement Agreement dated February 20, 2008 entered into with the Company.

During the year, no amount has been accrued towards payment of placement fees (previous year ₹ 48.6 million [USD 1.0 million]). The aggregate placement fees accrued during the previous years is ₹ 407.4 million [USD 8.2 million]. Of the above, the Company has paid ₹ 209.6 million [USD 4.2 million] during the current year (previous year ₹ 23.5 million [USD 0.5 million]).

6 Employee Benefits

In accordance with Accounting Standard 15 (Revised) 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:

PARTICULARS	APRIL 1, 2010 TO	APRIL 1, 2009 TO
	MARCH 31, 2011	MARCH 31, 2010
	₹	₹
Provident Fund	3,547,627	2,800,569
Superannuation Fund	1,240,656	3,481,010
	4,788,283	6,281,579

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

PARTICULARS	APRIL 1, 2010 TO	APRIL 1, 2009 TO
	MARCH 31, 2011	MARCH 31, 2010
	NON FUNDED (₹)	NON FUNDED (₹)
CHANGE IN THE DEFINED BENEFIT OBLIGATIONS:		
Liability at the beginning of the year	6,381,328	-
Unfunded Obligation on transfer of employees from holding company	-	5,426,826
Current Service Cost	1,807,926	867,115
Interest Cost	648,046	275,706
Benefits Paid	-	(635,396)
Actuarial Loss/(Gain)	2,057,024	447,077
Liability at the end of the year	10,894,324	6,381,328
FAIR VALUE OF PLAN ASSETS:		
Fair Value of Plan Assets at the beginning of the year	-	-
Expected Return on Plan Assets	-	-
Contributions	-	-
Benefits paid	-	-
Actuarial Loss on Plan Assets	-	-
Fair Value of Plan Assets at the end of the year	-	-
Total Actuarial Loss to be recognised	-	-
ACTUAL RETURN ON PLAN ASSETS:		
Expected Return on Plan Assets	-	-
Actuarial Loss on Plan Assets	-	-
Actual Return on Plan Assets	-	-

PARTICULARS	APRIL 1, 2010 TO MARCH 31, 2011	APRIL 1, 2009 TO MARCH 31, 2010
	NON FUNDED (₹)	NON FUNDED (₹)
AMOUNT RECOGNISED IN THE BALANCE SHEET:		
Liability at the end of the year	10,894,324	6,381,328
Fair Value of Plan Assets at the end of the year	-	-
Amount recognised in the Balance Sheet under "Provision for Employee Benefits"	10,894,324	6,381,328
EXPENSE RECOGNISED IN THE PROFIT AND LOSS ACCOUNT:		
Unfunded Obligation on transfer of employees from holding company	-	5,426,826
Current Service Cost	1,807,926	867,115
Interest Cost	648,046	275,706
Expected Return on Plan Assets	-	-
Net Actuarial Loss to be recognised	2,057,024	447,077
Recovery of the Past service cost from the holding company	-	(1,885,505)
Expense recognised in the Profit and Loss Account under staff expenses	4,512,996	5,131,219
RECONCILIATION OF THE LIABILITY RECOGNISED IN THE BALANCE SHEET:		
Opening Net Liability	6,381,328	-
Expense recognised	4,512,996	5,131,219
Contribution by the Group	-	-
Amount recognised in the Balance Sheet under "Provision for Employee Benefits"	10,894,324	6,381,328
Estimated Contribution	-	-
EXPERIENCE ADJUSTMENTS: (*)		
Defined Benefit Obligation	10,894,324	6,381,328
Plan Assets	-	-
Deficit	(10,894,324)	(6,381,328)
Experience Adjustments on Plan Liabilities	2,369,165	(177,117)
Experience Adjustments on Plan Assets	-	-

PARTICULARS	APRIL 1, 2010 TO MARCH 31, 2011	APRIL 1, 2009 TO MARCH 31, 2010
	INVESTMENT PATTERN OF PLAN ASSETS:	
Insurer Managed Fund	-	-
The Company's Gratuity liability is unfunded	-	-
PRINCIPAL ASSUMPTIONS:		
Discount Rate (p.a.)	8.30%	8.10%
Expected Rate of Return on Assets (p.a.)	-	-
Salary Escalation (p.a.)	8.00%	8.00%

(*) The Company was incorporated on February 06, 2007 and did not have any employees on its payroll until April 01, 2009. Consequently, no disclosure has been made for previous 3 years in terms of Accounting Standard 15 on 'Employee Benefits'.

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

7 Shared Service Fees

The Company has entered in to Shared Service Agreement ('SSA') with its holding company, Infrastructure Development and Finance Company Limited on January 18, 2011 effective April 1, 2010. The holding company provides services in the nature of business planning, corporate communications, facilities, finance and accounts, human resources, knowledge management, legal & compliance etc. As per the SSA, the Company pays a monthly fee of ₹ 1,723,000 to the holding company.

8 Purchase and Redemption of Current Investments

The Company has purchased and redeemed the following investments during the year.

	APRIL 1, 2010 TO MARCH 31, 2011		APRIL 1, 2009 TO MARCH 31, 2010	
	PURCHASE UNITS	REDEMPTION UNITS	PURCHASE UNITS	REDEMPTION UNITS
IDFC MUTUAL FUND				
IDFC Cash Fund Super Institutional Plan C – Daily Dividend Option	153,436,308.266	153,436,308.266	30,484,293.705	30,484,293.705
IDFC Money Manager Fund Investment Plan Super Institutional Plan C – Daily Dividend Option	-	-	10,209,910.011	10,209,910.011
IDFC Money Manager Fund Treasury Plan Super Institutional Plan C – Daily Dividend Option	72,594,509.432	72,594,509.432	70,658,140.120	70,658,140.120
IDFC Savings Advantage Fund – Plan A Monthly Dividend	201,742.414	201,742.414	-	-
IDFC Fixed Maturity Plan – Monthly Series 25 – Dividend	5,000,000.000	5,000,000.000	-	-
IDFC Fixed Maturity Plan – Quarterly Series 60 – Dividend	5,000,000.000	5,000,000.000	-	-
Total	236,232,560.112	236,232,560.112	111,352,343.836	111,352,343.836

9 Segment Information

The Company is an asset management company engaged in managing a domestic venture capital fund registered with the Securities & Exchange Board of India. During the year, the Company was engaged in only one business segment and no geographical segments. As such, there are no separate reportable segments as per Accounting Standard 17 on Segment Reporting as provided under the Companies (Accounting Standards) Rules, 2006.

10 Related Party Disclosures under Accounting Standard 18

(a) Relationships:

HOLDING COMPANY:	Infrastructure Development Finance Company Limited
FELLOW SUBSIDIARIES:	IDFC Private Equity Company Limited IDFC Capital Singapore Pte. Limited IDFC Investment Advisors Limited
KEY MANAGERIAL PERSONNEL:	M. K. Sinha (President & CEO)

(b) The transactions/balances outstanding with related parties in the ordinary course of business during the year are as follows:

NAME OF RELATED PARTY AND NATURE OF RELATIONSHIP	PARTICULARS	APRIL 1, 2010 TO MARCH 31, 2011	APRIL 1, 2009 TO MARCH 31, 2010
		₹	₹
(A) HOLDING COMPANY			
Infrastructure Development Finance Company Limited	Guarantee commission**	-	1,770,836
	Reimbursement of Expenses **	7,981,414	10,004,222
	Recovery of Expenses **	-	2,079,712
	Rent paid **	-	407,399
	Shared Service cost **	22,805,628	-
	ESOP Compensation cost**	13,521,647	-
	Repayment of Security Deposit	-	50,000,000
	Advances received and repaid	26,900,000	-
	Purchase of Fixed Assets	-	489,261
	Dividend Paid	137,500,000	-
Equity share capital outstanding	500,000	500,000	
Amount payable	-	-	
(B) FELLOW SUBSIDIARY			
IDFC Private Equity Company Limited	Reimbursement of Expenses **	-	155,426
	Recovery of Expenses **	422,920	-
IDFC Investment Advisors Limited	Purchase of Fixed Assets	14,711	-
IDFC Capital Singapore Pte Limited	Reimbursement of Expenses **	-	369,239
(C) KEY MANAGERIAL PERSONNEL			
M. K. Sinha	Remuneration paid #	27,979,257	43,451,565

** - Includes Service Tax

- Excludes gratuity and insurance premium

11 Earnings Per Share

Basic profit per share is calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

PARTICULARS	APRIL 1, 2010 TO MARCH 31, 2011	APRIL 1, 2009 TO MARCH 31, 2010
Profit After Tax (₹)	186,812,250	230,085,020
Weighted average number of equity shares outstanding (Nos.)	50,000	50,000
Basic and Diluted Earnings/(Loss) Per Share (₹)	3,736.25	4,601.70
Face Value Per Share (₹)	10	10

12 Deferred Tax

In compliance with the Accounting Standard 22 on "Accounting for Taxes on Income" as notified by the Companies (Accounting Standards) Rules, 2006, the Company has credited an amount of ₹ 2,285,827 to the Profit and Loss Account towards Deferred Tax Asset (Previous year: ₹ 3,318,835). The major components of the deferred tax assets and liabilities arising on account of timing differences are:

PARTICULARS	AS AT MARCH 31, 2011	AS AT MARCH 31, 2010
	₹	₹
Preliminary Expenses	-	1,661
Provision for Employee Benefits	5,494,675	3,304,096
Depreciation	109,987	13,078
Total Deferred Tax Asset	5,604,662	3,318,835

13 Leases

Residential premise for staff and office premises are obtained on operating lease. There are no non cancellable operating lease agreements entered into by the Company.

PARTICULARS	APRIL 1, 2010 TO MARCH 31, 2011	APRIL 1, 2009 TO MARCH 31, 2010
	₹	₹
Lease payments recognised in Profit and Loss Account	996,000	1,267,893

14 Expenditure in Foreign Currency (on accrual basis)

PARTICULARS	APRIL 1, 2010 TO MARCH 31, 2011	APRIL 1, 2009 TO MARCH 31, 2010
	₹	₹
Travelling	1,052,839	1,653,767
Placement Fees	-	48,570,000
Service Fees	28,578,876	28,506,537
Sponsorships & Conference Expenses	82,895	4,030,368
Staff Training and Welfare	15,527	3,104,060
Others	11,464	274,862
Total	29,741,601	86,139,594

15 There are no contingent liabilities as at March 31, 2011 (Previous year: Nil).

16 There are no contracts remaining to be executed on capital account and not provided for as at March 31, 2011 (Previous year: Nil).

17 Unhedged foreign currency exposure as at March 31, 2011: ₹ 33,951,356 i.e. USD 761,454.57 @ Closing Rate of 1 USD = ₹ 44.5875 (Previous year: ₹ 220,647,229 i.e. USD 4,909,818.19 @ Closing Rate of 1 USD = ₹ 44.94).

18 The Company has a process of identification of suppliers registered under "The Micro Small and Medium, Enterprises Development ('MSMED') Act, 2006 by obtaining confirmations from suppliers. Based on the intimation received by the Company, four suppliers have confirmed to be registered under MSMED Act, 2006. No interest has been paid/payable by the Company during the year to these suppliers.

19 Previous year's figures have been regrouped wherever necessary in order to conform to current year's classification.

FOR S. R. BATLIBOI & CO.
Firm Reg. No. 301003E
Chartered Accountants

per SHRAWAN JALAN
Partner
(Membership No. 102102)

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF
IDFC PROJECT EQUITY COMPANY LIMITED

RAJEEV UBEROI
Director

VIKRAM LIMAYE
Director

SANJAY AJGAONKAR
Company Secretary

Mumbai | April 27, 2011

I. REGISTRATION DETAILS

Registration No. U 5 1 1 0 3 M H 2 0 0 7 P L C 1 6 7 6 1 1
 State Code 1 1
 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

N I L

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN ₹ '000)

Total Liabilities

4 0 8 8 6 6

Total Assets

4 0 8 8 6 6

SOURCES OF FUNDS

Paid-up Capital

5 0 0

Secured Loans

N I L

Reserves and Surplus

1 4 9 9 0 1

Unsecured Loans

N I L

APPLICATION OF FUNDS

Net Fixed Assets

2 1 4 7

Investments

N I L

Net Current Assets

1 4 2 6 4 9

Miscellaneous Expenditure

N I L

Deferred Tax Asset (net)

5 6 0 5

IV. PERFORMANCE OF THE COMPANY (AMOUNT IN ₹ '000)

Turnover/Income

6 0 4 3 0 1

Total Expenditure

3 3 4 5 7 3

Profit Before Tax

2 6 9 7 2 8

Profit After Tax

1 8 6 8 1 2

Earnings per Share (in ₹)

3 7 3 6 . 2 5

Dividend %

2 7 5 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

A S S E T M A N A G E M E N T