

IIFCL MUTUAL FUND (IDF)

Annual Report 2013-14



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TRUSTEE REPORT

REPORT OF THE BOARD OF TRUSTEES OF IIFCL MUTUAL FUND (IDF), THE TRUSTEE TO THE UNITHOLDERS OF THE SCHEMES OF IIFCL MUTUAL FUND (IDF) FOR THE YEAR ENDED 31st, MARCH 2014.

The Board of Trustees of IIFCL Mutual Fund, the Trustee to IIFCL Mutual Fund (IDF) ("the Fund") has pleasure in presenting the first annual report and the audited accounts of the scheme of IIFCL Mutual Fund for the year ended March, 31st 2014.

1. OVERVIEW, SCHEME PERFORMANCE, FUTURE OUTLOOK AND OPERATIONS OF THE SCHEMES

OVERVIEW

The 12th Five year plan envisages an investment of USD 1 Trillion for the growth of infrastructure sector as per the 12th Five Year Plan, infrastructure projects require long-term financing at a reasonable cost. To address this one of the steps taken by Government of India is the promotion of Infrastructure Debt Funds (IDFs) in the country. The Government of India has allowed for setting up of Infrastructure Debt Funds (IDFs) through the Mutual Fund route regulated by Securities and Exchange Board of India (SEBI) and NBFC route regulated by Reserve Bank of India (RBI). IIFCL Asset Management Company Limited launched its IDF through the Mutual Fund route with India Infrastructure Finance Company Limited (IIFCL) a wholly owned Government of India institution engaged in providing long term finance to Infrastructure projects, as its sponsor.

IIFCL Asset Management Company Limited and IIFCL Mutual Fund are registered with SEBI in January, 2013.

Pursuant to IIFCL Mutual Fund fulfilling the condition as stipulated and subsequent inspection by SEBI in December, 2013, the maiden IDF scheme of IIFCL Mutual Fund (IDF) was launched through private placement route in the name of "IIFCL Mutual Fund Infrastructure Debt Fund Series-I" ("the scheme") on 31st December 2013 and the scheme was fully subscribed and closed on 6th February 2014. The maiden scheme successfully raised the target amount of ₹300 Crore. The scheme achieved the distinction of being the first IDF Mutual Fund in the country to be listed on the Stock Exchange.

As on 31st, March 2014, the IIFCL Mutual Fund (IDF) is managing one scheme and the AUM as of 31st March 2014, stands at ₹303.10 Crore.

SCHEME PERFORMANCE

The performance of the scheme since inception to March 31st, 2014, vis-a-vis the respective benchmark indices is given in the table below:-

Name of Scheme	Inception date/ Allotment Date	AUM (INR in Crores)	NAV (INR Per per Unit)	Benchmark	Returns since inception of the Scheme (in %)	Benchmark returns since inception (in %)
IIFCL Infrastructure Debt Fund Series- I	February 10, 2014	₹303.10	₹ 1,010,353	CRISIL Composite Bond Fund Index	7.71%	1.3625%

^Past performance may or may not be sustained in the future

FUTURE OUTLOOK AND OPERATIONS:

During the 12th Five year plan (2012-17), the target investment for infrastructure sector is to the tune of USD 1 trillion. Half of the total target investment is estimated to come from the private sector and reaching the limit, an overall financing gap of USD 300 billion is estimated in the next five years. The majority of this requirement would be available through debt capital. Infrastructure Debt Funds (IDF) is an alternative financing solution to take care of constraints arising on account of Asset Liability Mismatch (ALM) and exposure norms of commercial bank.

Based on the success of the first scheme of IIFCL Mutual Fund (IDF), activities for fund raising for the second scheme are underway and it is planned to raise ₹750 crore to ₹2000 crore during the Financial Year 2014-15 from various international and domestic investors.

2. BRIEF BACKGROUND OF THE SPONSORS, TRUST, TRUSTEE AND THE AMC

IIFCL MUTUAL FUND

IIFCL Mutual Fund (the “Mutual Fund”) has been constituted as a trust in terms of the Trust Deed dated 17th August, 2012 in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) with India Infrastructure Finance Company Limited (IIFCL), as the Sponsor and IIFCL Mutual Fund as the Trustee. The Trust Deed has been duly registered under the Indian Registration Act, 1908.

IIFCL Asset Management Company Limited (the “AMC”) has been appointed as the Investment Manager of IIFCL Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated 17th August 2012, executed between the Trustee and the Asset Management Company. The Mutual Fund was registered with SEBI on January 24, 2013 under Registration Code MF/071/13/01.

SPONSOR

India Infrastructure Finance Company Ltd (IIFCL) is the sponsor of the Fund. IIFCL was incorporated under the Companies Act, 1956 as a wholly-owned Government of India company on 5th January, 2006 and commenced operations from April, 2006 to provide long term finance to viable infrastructure projects through the Scheme for Financing Viable Infrastructure Projects.

IIFCL is also a strategic investor in IIFCL Infrastructure Debt Fund Series-I with investment to the tune of ₹130 crore.

BOARD OF TRUSTEES OF IIFCL MUTUAL FUND (IDF)

The Sponsor has appointed a Board of Trustees (the “Trustees”) for managing the IIFCL Mutual Fund. The Trustee is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the unit holders. The Trustee has been discharging its duties and carrying out the responsibilities as provided in the Regulations and the Trust Deed.

The Trustee seeks to ensure that the Mutual Fund and the Schemes floated there under are managed by the AMC in accordance with the Trust Deed, the Regulations, directions and guidelines issued by the SEBI, the Stock Exchanges, the Association of Mutual Funds in India and other regulatory agencies.

The Board of Trustees of IIFCL Mutual Fund (IDF) are fit and proper person as duly approved by the SEBI and comprises as under:

- | | |
|-----------------------|--|
| 1. Shri. Sanjeev Ghai | Chairman |
| 2. Shri. A.K Jain | Representative of Oriental Bank of Commerce |
| 3. Shri. B. Mondal | Representative of Central Bank of India
(ceased to be the Trustee w.e.f. 26 th June, 2014) |
| 4. Shri K. K. Taneja | Representative of Central Bank of India
(appointed as Trustee w.e.f 26 th June, 2014) |
| 5. Shri. H.K. Parikh | Representative of Punjab National Bank |

THE ASSET MANAGEMENT COMPANY

IIFCL Asset Management Company Limited (IAMCL), is a company incorporated under the Companies Act, 1956 on 28th March, 2012, having its Registered Office at 9th Floor, Hindustan Times House Building, 18 & 20, Kasturba Gandhi Marg, New Delhi-110001. The composition of Board of Directors as on date is as under:

1. Shri.S.B Nayar, Chairman & Director
2. Dr. E.S Rao, Director & CEO
3. Shri Rajeev Mukhija, Director
(ceased to be the Director w.e.f. 26th June, 2014)
4. Shri Deepak Kumar Chatterjee, Director
(appointed as the Director w.e.f. 26th June, 2014)
5. Shri M N Sarma, Independent Director
6. Shri A. C. Chaturvedi, Independent Director
7. Dr. Pawan Singh, Independent Director

3. INVESTMENT OBJECTIVES OF THE SCHEME

IIFCL Infrastructure Debt Fund Series-I: The investment objective of the Scheme is to generate appreciation/wealth in capital by investing in various permissible instruments/ securities as per Securities and Exchange Board of India (Mutual Funds), Regulations, 1996.

4. SIGNIFICANT ACCOUNTING POLICIES

The Significant Accounting Policies form part of the notes to the Accounts annexed to the Balance Sheet of the scheme. The Accounting policies are in accordance with the Securities and Exchange Board of India (Mutual Funds), Regulations, 1996.

5. UNCLAIMED DIVIDEND AND REDEMPTIONS

The Fund currently runs only one scheme – IIFCL Infrastructure Debt Fund Series I. The scheme is a 10 years close ended Infrastructure Debt Fund which was closed on 6th February, 2014 and is offering only growth option.

6. REDRESSAL OF INVESTOR COMPLAINTS

Details of investor complaints received during the financial year 2013-14 in respect of the Fund are as under:

Redressal of Complaints received against IIFCL MUTUAL FUND (INFRASTRUCTURE DEBT FUND) during 2013-14

Name of Mutual Fund : IIFCL MUTUAL FUND (INFRASTRUCTURE DEBT FUND)

Total number of folios as on March 31, 2014 : 5

Complaint code	Type of Complaint #	(a) No. of complaints pending at the beginning of the year	(b) No. of complaints received during the year	Action on (a) and (b)								
				Resolved				Pending				
				Within 30 days	30-60 days	60-180 days	Beyond 180 days	Non Actionable*	0-3 months	3-6 months	6-9 months	9-12 months
I A	Non receipt of Dividend on Units	0	0	0	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	0	0	0	0	0	0	0	0	0	0
ID	Interest on delayed payment of Redemption Proceeds	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	0	0	0	0	0	0	0	0	0	0
II C	Non receipt of Annual Report/ Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorised switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, Bank details, nomination, etc.	0	0	0	0	0	0	0	0	0	0	0
IV	Others	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	0	0	0	0	0	0	0	0	0	0	0

7. STATUTORY INFORMATION

- The Sponsors are not responsible or liable for any loss resulting from the operation of the Schemes of the Fund beyond their initial contribution (to the extent contributed) of Rs. 0.1 Lakh for setting up the Fund, and such other accretions / additions to the same.
- The price and redemption value of the units, and income from them, can go up as well as down with fluctuations in the market value of its underlying investments.

- c) Full Annual Report shall be disclosed on the website (www.iifclmf.com) and shall be available for inspection at the Head Office of the Mutual Fund. Present and prospective unit holder can obtain copy of the trust deed, the full Annual Report of the Fund /AMC at a price.

ACKNOWLEDGEMENT

The Trustees are grateful to its investors/unit holders for reposing faith and confidence in the Fund and wish to express deep gratitude and places on record appreciation to the Securities and Exchange Board of India (SEBI), Association of Mutual Funds in India(AMFI) and other Government and Regulatory authorities, Custodian, Registrars, Bankers for their continued support, cooperation and guidance.

The Trustee also wishes to thanks the Directors and employees of IAMCL for their services rendered in managing the affairs of the Fund.

For and on behalf of the Board of Trustees of IIFCL Mutual Fund (IDF)

Sanjeev Ghai
Chairman

Place: New Delhi
Date: 26thJune,2014



CHATURVEDI & CO.

Chartered Accountants

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Website : www.chaturvedico.com

Contact : CA D.R. BAID, FCA, FCS Partner, Mob : 9811028541

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF

IIFCL Asset Management Company Limited

Board of Trustees of IIFCL Mutual Fund (IDF) – Infrastructure Debt Fund Scheme

Report on the Financial Statements

We have audited the accompanying financial statements of **IIFCL MUTUAL FUND – INFRASTRUCTURE DEBT FUND SERIES–I (the “Scheme”)** which comprise the Balance Sheet as at March 31, 2014 and the Revenue Account for the period from December 31st, 2013 to March 31st, 2014 and a summary of the significant accounting policies and other explanatory information.

Managements Responsibility for the Financial Statements.

The Management of Board of Trustees of **IIFCL MUTUAL FUND (IDF) and IIFCL ASSET MANAGEMENT COMPANY LIMITED** (the “Investment Manager”) are responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Scheme in accordance with accounting policies and standards as specified in the Ninth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing Issued by The Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Scheme's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 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 Scheme as at March 31, 2014 and
- b) in the case of the Revenue Account, of the Surplus of the Scheme for the period ended on that date.

Emphasis of Matter

We draw attention to Note No. B 1.1 in Schedule 8 of the financial statements wherein the Management of the AMC has explained its rationale regarding Accounting Standards issued by the Institute of Chartered Accountants of India as not being applicable to mutual funds.

Our opinion is not qualified in respect of this matter.

Report on Regulatory Requirements

1. As required by paragraph 55 of and Clause of the Eleventh Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, we report that:
 - 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) The Balance Sheet and the Revenue Account dealt with by this Report are in agreement with the books of account of the Scheme.
 - c) The Balance Sheet and the Revenue Account dealt with by this Report have been prepared in accordance with accounting policies and standards as specified in the Ninth Schedule of the Securities and Exchange Board of India (Mutual funds) Regulations, 1996

**For Chaturvedi & Co.
Chartered Accountants
[Registration No. 302137E]**

**Place : New Delhi
Date : 26th June, 2014**

**C A Dhanraj Baid
[Membership No. 010517]**

**IIFCL MUTUAL FUND (IDF)
BALANCE SHEET AS AT 31st MARCH, 2014**

		IIFCL MUTUAL FUND INFRASTRUCTURE DEBT FUND SERIES I
	Schedule	As at 31.03.2014
		₹
LIABILITIES		
Unit Capital	1	3,000,000,000
Reserves & Surplus	2	31,058,746
Current Liabilities and Provisions	3	5,365,895
		3,036,424,641
ASSETS		
Investments	4	2,666,468,700
Deposits	5	367,089,131
Other Current Assets	6	2,866,810
		3,036,424,641

Significant Accounting Policies and Notes to the Accounts

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As per our attached report of even date

For CHATURVEDI & CO
Chartered Accountants
Registration No: 302137E

For and on behalf of
Board of Trustees of
IIFCL Mutual Fund (IDF)

For and on behalf of
IIFCL Asset Management
Company Limited

CA DHANRAJ BAID
Partner
Membership No.: 010517

Sanjeev Ghai
Chairman

S.B.Nayar
Chairman & Director

H.K.Parikh
Director

E.S. Rao
Director & CEO

Place: New Delhi
Date: 26th June, 2014

Prasanna Prakash Panda
Chief Investment Officer

IIFCL MUTUAL FUND (IDF)
REVENUE ACCOUNT FOR THE PERIOD FROM 31st DECEMBER, 2013, LAUNCHING DATE OF THE
SCHEME TO 31st MARCH, 2014

	Schedule	IIFCL MUTUAL FUND INFRASTRUCTURE DEBT FUND SERIES I Year ended 31.03.2014
INCOME & GAINS		₹
Interest	7	36,119,711
		36,119,711
EXPENSES & LOSSES		
Management fees		3,748,279
Service tax on management fees		463,287
Transfer agent fees and expenses		18,597
Custodian fees and Transaction charges		4,697
Audit fees (Including Service Tax)		168,540
Other operating expenses		17,1012
Provision for Investor Education and Awareness		82,854
Insurance Expenses		80,807
Provision/(Reversal) for diminution in value of investment		322,893
Total Expenses		5,060,965
Net income as per Revenue account		31,058,746
Retained Surplus / (Deficit) carried forward to Balance sheet		31,058,746

Notes to Accounts

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The schedules referred to the above and the notes to accounts form an integral part of the accounts.

As per our attached report of even date

For CHATURVEDI & CO
Chartered Accountants
Registration No: 302137E

For and on behalf of
Board of Trustees of IIFCL
Mutual Fund (IDF)

For and on behalf of
IIFCL Asset Management
Company Limited

CA DHANRAJ BAID
Partner
Membership No.: 010517

Sanjeev Ghai
Chairman

S.B.Nayar
Chairman & Director

H.K.Parikh
Director

E.S. Rao
Director & CEO

Place : New Delhi
Date : 26th June, 2014

Prasanna Prakash Panda
Chief Investment Officer

IIFCL MUTUAL FUND (IDF)
SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2014

Schedule 1	IIFCL MUTUAL FUND INFRASTRUCTURE DEBT FUND SERIES I	
UNIT CAPITAL		As at 31.03.2014
	Units	₹
Initial capital issued and subscribed:		
Units of ₹10,00,000 each fully paid up	3,000	3,000,000,000
Opening Balance	Nil	Nil
Issued During the year	3,000	3,000,000,000
Unit Capital at the end of the year / period	3,000	3,000,000,000

SCHEDULE 2

	As at 31.03.2014
RESERVES AND SURPLUS	₹
Revenue Account	31,058,746
Closing balance	31,058,746

SCHEDULE 3

	As at 31.03.2014
CURRENT LIABILITIES & PROVISIONS	
Current Liabilities	₹
Management Fees Payable	3,373,452
Audit Fees Payable	168,540
Custodian fees and Expenses payable	4,697
Registrar's Fees and Expenses payable	18,597
Service Tax payable on Management fees	463,287
Statutory Dues Payable(TDS Payable)	374,828
Other Payable	879,641
Current Liabilities Sub Total (A)	5,283,041
	₹
Provisions	
Provision for Investor Education and Awareness Initiatives	82,854
Provisions Sub Total (B)	82,854
CURRENT LIABILITIES & PROVISIONS (Total A+B)	5,365,895

SCHEDULE 4

INVESTMENTS		As at 31.03.2014
(Refer Note 4 to Notes to Accounts)		₹
	Cost	Market/Fair value
Central Government Securities (T-Bills 91 Days)	2,666,791,593	2,666,468,700
	2,666,791,593	2,666,468,700

SCHEDULE 5

		As at 31.03.2014
DEPOSITS		₹
Fixed Deposits with Scheduled Banks		367,089,131
		367,089,131

SCHEDULE 6

		As at 31.03.2014
OTHER CURRENT ASSETS		₹
Outstanding and accrued income		2,238,987
Other Receivables		627,823
		2,866,810

**SCHEDULES FORMING PART OF THE THE REVENUE ACCOUNT FOR THE PERIOD
FROM DECEMBER 31, 2013, DATE OF LAUNCHING THE SCHEME TO MARCH 31, 2014**

SCHEDULE 7

		IIFCL Mutual Fund Infrastructure Debt Fund Series I
		Year Ended 31.03.2014
INTEREST		₹
Fixed Deposits		10,073,918
Discount on T-bill		26,045,793
		36,119,711

IIFCL MUTUAL FUND (IDF)**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2014 AND
THE REVENUE ACCOUNT FOR THE PERIOD FROM DECEMBER 31, 2013,
DATE OF LAUNCHING THE SCHEME TO MARCH 31, 2014****Schedule 8: Statement of Significant Accounting Policies and Notes forming part of the financial statement of IIFCL Mutual Fund (IDF) as at end for the period ended 31st March, 2014.****A Background**

In conformity with Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 (“the Regulations”), IIFCL Asset Management Company Limited has been set up to act as the Asset Management Company (AMC) to IIFCL MUTUAL FUND (Fund). In terms of the Investment Management Agreement (IMA) dated 17th August 2012, entered into between IIFCL Mutual Fund’s Board of Trustees and the AMC, the AMC has been appointed as the Investment Manager to the Schemes of the Fund.

India Infrastructure Finance Company Ltd is the sponsor of IIFCL MUTUAL FUND (IDF)

Scheme Name	Date of Launch	NFO period	Date of Allotment	Investment Objective
IIFCL Mutual Fund Infrastructure Debt Fund –Series I	31-Dec-2013	December 31, 2013 -February 10, 2014	10-Feb -2014	The investment objective of the Scheme is to generate appreciation in capital by investing in various permissible Instruments / securities belonging to the Infrastructure sector.

B Significant Accounting Policies**1.1 Preparation of Financial Statement of the Scheme**

The Financial Statements of the Scheme have been prepared in accordance with the requirements of Securities and Exchange Board of India (Mutual Funds) Regulation, 1996 (the “SEBI Regulations”), the Ninth and Eleventh Schedules which lay down the accounting policies and standards to be adopted and the disclosures to be made.

The Expert Advisory Committee (the “EAC”) of the Institute of the Chartered Accountants of India (“ICAI”) has opined that the Accounting Standards on Cash Flow Statement (“AS-3”), Segment Reporting (“AS-17”) and Related Party Disclosures (“AS-18”) issued by the ICAI are applicable to the financial statements of scheme of mutual funds. The Management of the Investment Manager and the Trustee Company are of the opinion that mutual funds are governed by a self-contained regulatory framework, i.e the SEBI Regulations, based on which the financial statements have been prepared.

The preparation of financial statements in conformity with the SEBI Regulations requires the use of certain critical accounting estimates. It also requires the Board of Directors of the Investment Manager to exercise its judgment in the process of applying the Fund’s accounting policies.

1.2 Unit Capital

Unit Capital represents the net outstanding units as at the Balance Sheet date.

Upon issue and redemption of units, the net premium or discount to the face value of units is credited or debited respectively to the Unit Premium Reserve account, after adjusting an appropriate portion of the sale / repurchase price to the Income Equalisation account.

1.3 Investments

a) Accounting for Investment transactions

Transactions for purchase of Investment are accounted on the date of the transaction at cost including transaction costs as applicable but excluding custodian transaction charges. The front end fee receivable, if any, reduced from the cost of such Investment. Bonus entitlements are recognized as investments on the 'Ex-bonus date. Rights entitlements are recognized as investments on the 'ex –rights date'.

Transactions for sale of investments are recorded at sale price.

b) Valuation of Investments

During the year/period, the Fund has valued its investments in accordance with the Regulations, as amended from time to time. In valuing the Scheme's investments.

Fixed Income and related securities

Category	Policy
Traded Assets Other than G-Sec and T-Bills	<p><u>For securities with residual maturity >60 days:</u></p> <ul style="list-style-type: none"> At valuation prices provided by CRISIL or any other agency for individual securities (without any discretionary spread) In case prices not available as mentioned above: At weighted average YTM. <p><u>For securities with residual maturity <=60 days:</u></p> <ul style="list-style-type: none"> At weighted average YTM <p>A security will qualify as traded security if:</p> <ul style="list-style-type: none"> <u>For Securities with residual maturity >1year :</u> At least two trades and aggregate volume of INR 25 crores face value or more on a public platform. <u>For securities with residual maturity <=1Year:</u> At least five trades and aggregate volume of INR 250 crores face value or more on a public platform. <p><u>Note:</u></p> <ul style="list-style-type: none"> Outlier trades, if any, will be ignored after suitable justification by Fund Managers.
Non –Traded Assets	<p><u>For securities with residual maturity <=60days:</u></p> <ul style="list-style-type: none"> Assets to be amortized on straight line amortization as long as their valuation remains within $\pm 0.10\%$ band of the price derived from the reference rate for each bucket (reference rate for every 15-day bucket will be provided by CRISIL or other agencies). In case of amortised value falling outside the above band the YTM of the asset will have to be adjusted in order to bring the price within the $\pm 0.10\%$ band with suitable justification. <p><u>For securities with residual maturity > 60 days:</u></p> <ul style="list-style-type: none"> Valuation prices provided by CRISIL or any other agency for individual securities (without any discretionary spread) In case prices not available as mentioned above; <ul style="list-style-type: none"> CRISIL Bond Valuer, No cap on illiquidity premium/ discounts. Illiquidity changes: <ul style="list-style-type: none"> Fund Manager will freeze the credit spread of each security at the time of purchase. This credit spread can be changed based on primary market supply, significant trading activity in the secondary market in same or similar assets, prospects of a credit event, etc. Any security specific change in credit spread (>20 bp) will be documented with suitable justification. Any Portfolio wide change to credit spreads having regard to prevalent matrix yields will also be documented.

Category	Policy
For G–Sec and T-Bills	Discounting on the basis of yield to maturity (YTM) at the time of purchase
Inter- scheme transfers	Inter –Schemes transfers would not be done
Self-Trades	A self – traded security having a single trade with face value of at least INR 5 crore, will be recognized at weighted average YTM for valuation across all schemes

Equity and related securities

Asset class	Traded/Non Traded	Basis of valuation
Equity Shares Preference Shares, Equity Warrants	Traded	On the valuation day at the last quoted closing price on the National Stock Exchange (NSE) / Bombay Stock Exchange (BSE) or other stock exchange where such security is listed. If not traded on the Primary Stock Exchange, the closing price on the other stock exchange will be considered. NSE will be the Primary Stock Exchange.
	Non Traded	<ol style="list-style-type: none"> 1. When a security is not traded on any stock exchange, on the date of valuation, then the previous closing price on NSE/any other SE will be used, provided such closing price is not exceeding a period of 30 calendar days. 2. In all other cases <ol style="list-style-type: none"> a. Equity Shares Valuation price will be in accordance with the norms prescribed, i.e. valuation will be computed on the basis of average of book value and the price computed on the basis of the PE ratio (after appropriate discount to industry PE), further discounted for illiquidity. b. Preference Shares: Intrinsic value will be considered c. Equity Warrants/Rights Entitlement/Partly paid up Rights shares: Valuation price will be arrived, after applying appropriate discount (valuation committee delegated the power to decide the discount factor), after reducing the exercise price /issuance price from the closing price of the underlying cash equity security. d. Demerger: Where at least one resultant company is not immediately listed, valuation price will be worked out by using cum-price, before demerger reduced for quoted price of the listed resultant company(s). OR in cash of a demerger pending listing, the resultant company/ies shall be valued at the intrinsic value arrived at on the date of corporate action.
	Thinly Traded	Valuation will be computed on the basis of average of book value and the price computed on the basis of the PE ratio (after appropriate discount to industry PE), further discounted for illiquidity . Definition of thinly traded equity/ equity related security: When trading in an equity /equity related security in a calendar month is both less than INR 5 lacs and the total volume is less than 50,000 Shares, it shall be considered as thinly traded security
Futures & Options	Traded	On the Valuation day, at the closing price provided by the respective stock exchanges.
	Non Traded	When a security is not traded on the respective stock exchange on the date of valuation, then the settlement price/ any other derived price provided by the respective stock exchange.

Following assets will be valued at cost plus accruals /amortization:

- a) Bank Fixed Deposits
- b) CBLO /Reverse Repo

1.4 Revenue Recognition

- a) Income on investments is recognized on accrual basis except where there is uncertainty about ultimate recovery / realisation. Such income is recognised when the uncertainty is resolved.
- b) For Quoted shares, the divided income earned by a scheme is recognized on the date the share is quoted on an ex-dividend basis. For investments in shares which are not quoted on the stock exchanges, the dividend income is recognised on the date of declaration.
- c) Interest on fixed income securities is recognised as a income on daily basis over the period of holding. Interest paid for the period from the last interest due date upto the date of purchase, is not treated as a cost of purchase, but debited to “interest accrued but not due account”. Similarly, interest received at the time of sale for period from the last interest due date up to the date of sale is not treated as an addition to sale value but credited to “interest accrued but not due account”. In respect of discounted securities, the discount to redemption value is amortised and recognised as interest income equally over the period to redemption.
- d) Profit or loss on sale of investments is recognized on the trade date and is determined on the basis of the weighted average cost method.
- e) Discounts and premium on Debt Securities, Government Securities and T-Bills are amortized on a Straight –Line Basis over the period upto redemption.

1.5 Expenses

All expenses are accounted for on accrual basis.

1.6 Entry Load / Exit Load

No entry / exit load is charged.

C) Notes attached to and forming part of the Financial Statements for period ended 31st March, 2014

1 Investments

a) The trustees shall be accountable for, and be the custodian of the funds and property of the respective schemes and shall hold the same in trust for the benefit of the unit holders in accordance with SEBI Regulations and the provisions of trust deed. All the investments of the schemes are registered in the name of the respective scheme as per Clause 7 of the Seventh Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.

b) Investments made in companies which have invested more than five percent of the net asset value of the scheme of IIFCL MUTUAL FUND(IDF) in terms of Regulation 25 (11): NIL

c) Unrealized Gain/(Loss) as of March 31, 2014:

Scheme Name	Treasury Bills (T-Bills) ₹
IIFCL Mutual Fund Infrastructure Debt Fund-Series I	(322,893)

2 Management Fees:

- a) In accordance with the terms of arrangement with Investment Manager and as per SEBI Regulations, the Scheme has provided for Management Fees (Inclusive of Service Tax) and the Annualized rate as a % of the Average Daily Net Asset Value Attributable to the unit holders works out as under :

Current year: 2013-2014	
Scheme	Growth option
IIFCL Mutual Fund Infrastructure Debt Fund –Series I	1.02%

No Trustee Ship Fees were paid

3 Transactions with Trustees, Investment Manager, their associates and with entities controlled by Sponsors (in relation to services received by Mutual Fund).

As explained above, India Infrastructure Finance Company Limited (IIFCL) is the sponsor of Mutual Fund. The nature of transactions with Trustees, Investment Manager their associates and with entities controlled by Sponsors has been provided hereinafter. For the purpose of making these disclosures, the meanings ascribed to the terms “associates” and “control “ by regulation 2(c) and 2(g) of SEBI Regulations have been used which have been summarized below:

1. “Associates” and entities that exercise control over or are controlled by the Board of Trustee and the Investment Manager; or whose director, officer or employee is a director, officer or employee of the Investment Manager.
2. “Control” means the ability to exercise not less than 10% of the voting power of an entity or the ability of the Board of Directors of an entity to exercise control over the Investment Manager.

Investment Manager

The Board of Trustee of IIFCL Mutual Fund (IDF) has appointed IIFCL Asset Management Company Limited (IAMCL) as the Investment Manager for Mutual Fund pursuant to an agreement dated 17.08.2012.

The Investment Manager also provides certain secretarial and administrative services to the Mutual Fund.

Under terms of the arrangement the Scheme pays the Investment Manager a fee not greater than as defined in the Offer Document as a % of the daily average net assets value attributable to the unit holders on each day . The Investment Manager is a IAMCL (a subsidiary of IIFCL).

Custodian

The IIFCL Mutual Fund (IDF) has appointed Citibank, N A. having one of its offices in 3rd Floor Trent House, G-60, Bandra Kurla Complex, Bandra (East), Mumbai-400 051, as its Custodian and Fund Accountant.

Collecting Bankers

The Collecting Bankers of various Schemes of IIFCL Mutual Fund (IDF) would be IDBI Bank. The AMC, however, reserves the right to appoint other qualified banks as collecting bankers from time to time.

Registrar and Transfer Agent

The AMC has appointed Computer Age Management Services Pvt. Ltd (CAMS) as the Registrar and Transfer Agent to the Mutual Fund. The Board of Directors of the AMC and trustee have satisfied themselves that the Registrar can provide the service required and has adequate facilities to discharge responsibilities with regard to processing of applications and dispatching unit certificates to unit holders within the time limit prescribed in the Regulations and also has sufficient capacity to handle investor complaints.

Broker

The Investment Manager has not appointed any broker for carrying out investment trades on behalf of the Scheme.

Transactions during the year in relation to services received by the Scheme from the Sponsor or from entities over which they exercise control and other disclosures required under Regulation 25(8) of the SEBI Regulations are as given below.

Name of the Company	Nature of payment	Period Ended 31-03-2014	% Equity capital by the Sponsors and its subsidiary/associates at 31 st March, 2014
IIFCL Asset Management Company Limited	Management Fees (Including Service Tax)	₹4,211,567	100%*

*INDIA INFRASTRUCTURE FINANCE COMPANY LIMITED

- 4 The aggregate value of Investments purchased and sold (including redeemed) during the year /period and these amounts as a percentage of average daily net assets are as follows:

Scheme Name	Purchases 2013-2014	Sales 2013-2014	Purchases as % to average daily net assets	Sales as % to average daily net assets
IIFCL Mutual Fund Infrastructure Debt Fund Series - I	₹ 2,640,745,800	-	87.34 %	0.00%

Note : Investment in FD's not considered in above figures.

5. Large holding in the Schemes (i.e. in excess of 25% of the Net Assets Value)

Name	Amount Investment	% of the Net Assets Value
Canara Bank	₹ 100 Crore	32.99
India Infrastructure Finance Company Limited	₹ 130 Crore	42.89

6. Summary of NAV per unit

Scheme	Plan /Option	Net Asset Value Per Unit 31 st March 2014
IIFCL Mutual Fund Infrastructure Debt Fund –Series I	Growth	₹ 1,010,353

- 7 Income and Expense Ratio

Current Year: 2013-2014			
Scheme	Gross Income Ratio	Net Income ratio	Expense Ratio
IIFCL Mutual Fund Infrastructure Debt Fund –Series I	1.18%	1.03%	1.14%

- 8 There was no investment in Credit Default swaps in any of the Schemes of the Mutual Fund during the Financial Year.
- 9 Underwriting obligation undertaken by the Schemes with respect to Issue of securities by associate companies during the year /period under review: NIL
- 10 Devolvement during the year/period: NIL
- 11 Subscription by the Schemes in the issues lead managed by Sponsors or its Associate companies: NIL
- 12 Subscription to any issue of equity or debt on private placement basis where the Sponsor or its Associate Companies have acted as arranger or manager: NIL
- 13 Contingent Liabilities as at 31st March 2014 are: NIL
- 14 Unclaimed redemption and dividend as on 31st March, 2014 is NIL
- 15 Borrowings as on date of Balance Sheet is NIL.
- 16 Non Performing Assets (NPA) as on 31st March, 2014 is NIL.
- 17 There were no derivatives transactions during the period ended 31st March, 2014.
- 18 This being the first year of the Scheme, Disclosures of previous year figure is not applicable.
- 19 No Provision for Income Tax has been made since the income of the Scheme is exempt U/S 10(23D) of the Income Tax Act, 1961.

As per Our Report of even date attached

For CHATURVEDI & CO
Chartered Accountants
Registration No: 302137E

CA DHANRAJ BAID
Partner
Membership No.: 010517

For and on behalf of
Board of Trustees of
IIFCL Mutual Fund (IDF)

Sanjeev Ghai
Chairman

H.K.Parikh
Director

For and on behalf of
IIFCL Asset Management
Company Limited

S.B.Nayar
Chairman & Director

E.S. Rao
Director & CEO

Place: New Delhi
Date: 26th June, 2014

Prasanna Prakash Panda
Chief Investment Officer

BOOK POST / UPC / COURIER

If undelivered, please return to:

IIFCL Asset Management Company Limited
Registered Office: 9th Floor, Hindustan Times House Building,
18 & 20, Kasturba Gandhi Marg, New Delhi-110001.
CIN: U65991DL2012GOI1233601
Ph. 011-43717125/26 Fax: 011-23737565,23730251
www.iifclmf.com, Email: complianceofficer@iifclmf.com

Mutual Fund Investments are subject to market risks, read all the scheme related documents carefully.