

**ANNUAL REPORT 2008-09**



**Indian Railway Finance Corporation Ltd.**  
(A Government of India Enterprise)

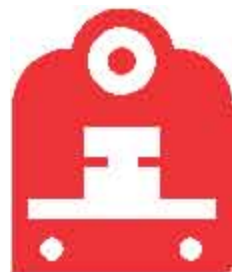


22nd Annual General Meeting - Shareholders



22nd Annual General Meeting - Board of Directors

ANNUAL  
REPORT  
2018-19



**Indian Railway Finance Corporation Ltd.**  
(A Government of India Enterprise)

# Contents

1	Board of Directors .....	02
2	Chairperson's Statement .....	04
3	Directors' Report .....	08
4	Report on Corporate Governance .....	17
5	Annual Accounts.....	25
6	Auditor's Report .....	61
7	Comments of the C & A G of India.....	64





## Board of Directors

---



**Smt. Sowmya Raghavan**  
Chairperson



**Shri R. Kaahyap**  
Managing Director



**Shri Govind Mohan**  
Director



**Shri Nasser Munjee**  
Director



**Prof. R. Narayanaswamy**  
Director



**Shri P.K. Choudhury**  
Director



**Ms. Anjali Goyal**  
Director



**Shri S.K. Kaushik**  
Director



Shri Sanjeev K. Ajmani  
Company Secretary

**Bankers**

Bank of India • Corporation Bank • Indian Bank • Indian Overseas Bank  
• State Bank of India • State Bank of Travancore • Vijaya Bank

**Internal Auditor**  
Shiv & Associates  
Chartered Accountants  
204/H-2, Shivaji Park  
Punjabi Bagh  
New Delhi - 110026

**Statutory Auditor**  
M/s Dhawan & Co.  
Chartered Accountants  
312, Wegmans House  
21, Veer Savarkar Block  
Shakurpur, Vikas Marg  
Delhi - 110 092

**Registered Office**  
Upper Ground Floor, East Tower, NBCC Place, Pragati Vihar,  
Lodhi Road, New Delhi - 110003







## Chairperson's Statement

Gentlemen,



I am very pleased to welcome you all to the 22nd Annual General Meeting of the Indian Railway Finance Corporation. The audited accounts of your Company for the year ended 31st March, 2009, together with the Directors' Report are with you, and with your permission, I would consider them as read. It is my privilege to share with you, against the backdrop of general performance and trends of the Indian Economy and the functioning of global financial markets, some of the highlights of your Company's performance since the last Annual General Meeting held in August, 2008.

2008-09 was a challenging year, more so for a finance company like yours. Continuing the trend of the previous year, global economic conditions deteriorated rapidly, with many of the advanced economies experiencing their sharpest declines in recent memory. Inevitably, adverse shocks also spread across emerging market economies. Inflationary conditions experienced sharp volatility, and headline inflation firmed up considerably during the first half of the year in most economies. Growing distress among some of the largest international financial institutions led to the global financial environment entering a crisis phase by mid-September 2008. Though relatively cushioned, the knock-on effect on the Indian economy did lead to perceptible loss in growth momentum, necessitating injection of fiscal stimuli and other committed expenditure by the Government. Managing volatility of several key economic indicators became a major challenge for the Government and the Reserve Bank. Consequently, Government finances came under stress during 2008-09, leading to revenue and fiscal deficit numbers getting deeper into uncomfortable territory. The global crisis led to intense uncertainties for funding-liquidity in the face of tight market-liquidity. However, Reserve Bank of India (RBI) ensured that the contagion was largely controlled through policy interventions. Consequently, prevailing over several challenges, Indian economy remained relatively resilient, and its financial institutions and private corporate sector stayed largely sound and solvent. Need driven approach on the part of RBI was

evidenced by gradual shift in its monetary policy stance from concerns related to inflation in the first half of 2008-09 to emphasis on maintaining financial stability and arresting moderation of economic growth in the second. Differentiating the robust approach of RBI from those of other central banks globally was the fact that its interventions were largely through banking channels, without compromising on the collaterals secured by it. Consequently, noticeable order could be restored in the money market by November 2008, even though pressure on exchange rate continued till the very end of the year. Following significant reduction in policy rates by RBI, lending rates of banks showed signs of moderation, even though a chasm remained mainly because banking system continued to carry high cost on deposits. Therefore, term loans from banks remained generally priced too high for comfort of a corporate like your Company.

The trend has largely persisted during the first five months of the current fiscal. With global economy showing only incipient signs of stabilisation, still far removed from signs of recovery, symptoms of improvement in the Indian economy are manifesting only progressively. A weak monsoon can only make the situation grimmer, even though pick-up on the industrial front has been heartening. Growth outlook for 2009-10 being pegged around 6% with an upward bias, any significant improvement may not be expected before the middle of the year. The wholesale price index (WPI) inflation which touched an intra-year peak of 12.91% on August 02, 2008 has moderated and gone into the negative territory since June 2009. Yet, the consumer price index (CPI) inflation has remained high. With WPI inflation expected to roll back towards 5% by end-March 2010, only additional stress can be expected on this account. Heavy borrowing programme of the Government poses a major challenge for your Company, as it needs to reposition its operations suitably and time its fund raising in a manner that concurrent forays into the market alongside the Government are avoided.

A pantheon of events led to liquidity situation remaining quite tight for better part of the year, and



re-pricing of risk by the markets resulted in painfully wider spreads. Benchmark prime lending rates (BPLRs) both of Public and Private Sector Banks continued their upward journey. Yields on the benchmark 10-Year Government Securities reached a level as high as 9.38% in July 2008. Compounding the already grim situation, spreads over G-Sec commanded even by 'AAA' rated entities continued to widen and touched a high of 372 bps in December 2008, reflecting increasing risk aversion in financial markets.

In a significant shift of its perception on foreign currency borrowing, the Reserve Bank permitted corporates such as your Company, with end-use of foreign currency borrowings in rupee terms, to borrow up to USD 500 million during a year. However, opening up of this route offered very little relief to Indian issuers mainly because liquidity in international markets had dried up considerably and enhanced risk aversion led to uncomfortably high margins, rendering external commercial borrowings less cost competitive in comparison to domestic borrowings. However, I am very happy to share with you that your Company managed to execute a foreign currency transaction for USD 100 million at a very fine pricing of 6-Monthly USD LIBOR plus 145 basis points (bps) in November 2008, with the most recent coupon setting at 2.62% pa. While the transaction was widely cited in the industry circles as a benchmark borrowing not only for an Indian borrower but also for borrowers from many other higher rated companies and countries, liquidity limitations did not permit your Company to access this market more extensively.

The role played by Indian Railways (IR) as the engine of growth of the economy has traditionally been stellar. IR carried 833 million tonnes of freight traffic during the fiscal, marking an almost 5% incremental freight loading during a year which saw economies the world over shrinking alarmingly, and rail and air carriers struggling to remain afloat. Buoyancy in the passenger segment driven by intensive use of assets led to a growth of over 6.50% even in this stream of traffic. Cash surplus of nearly Rs. 17,400 crore before dividend but after discharging obligation of Rs. 13,600 crore towards implementation of recommendations of the Sixth Central Pay Commission is indeed creditable. Resilience in operations of the Railways and its emerging developmental needs have guided the plan

expenditure being set at Rs. 40,745 crore during 2009-10, a 12% increase over 2008-09. Given its impeccable track record of funding rolling stock asset creation worth Rs. 51,145 crore for IR so far besides funding support of Rs. 1,812 crore to sister Railway entities including Rail Vikas Nigam Limited (RVNL), the Company stands in readiness to take up any additional role in funding creation of productive infrastructure for IR.

You will recall that your Company had been assigned a target of funding rolling stock assets worth Rs. 6,907 crore during 2008-09. Besides, the Company had been given responsibility of lending Rs. 293 crore to RVNL for funding their approved and viable projects. During the period of volatility and uncertainty that the year gone by characterised, interest rates ruled at relatively high levels for most part, and funds were scarce. It is during such difficult circumstances that role of business acumen of the management comes to the fore. Taking note of the ground realities, the Company decided to pace its borrowing programme so as to capture the most favourable windows of opportunity when money became available at relatively lower cost. Back-loading the fund mobilisation programme proved to be an effective approach. I am happy to report that your Company successfully fulfilled during the year annual target of Rs. 7,200 crore, which also included its lending to RVNL. More creditably, in the midst of most tumultuous market scenario, the Company was able to raise this highest ever amount in a single year at an average cost of 8.98% pa as compared to 9.33% pa last year. Magnitude of the achievement is further accentuated by the fact that only a small component of USD 100 million by way of lower cost External Commercial Borrowing could be tapped during the fiscal due to liquidity crunch and generally wide spreads ruling globally. In a market ruled by high interest rates, true measure of efficiency of operations of your Company is provided by the fact that its fund raising effort scored over the cost structure achieved by similarly rated entities by a saving margin of as much as 78 bps. This translates to an impressive saving of Rs. 540 crore in interest cost over the total tenor of borrowing effected during the year.

I am happy to further report that your Company continues to enjoy the highest credit ratings from three





largest domestic rating agencies for its domestic operations, and ratings equivalent to the Indian sovereign from four international rating agencies for its overseas operations.

During 2008-09, your Company funded acquisition of 472 locomotives, 2,196 passenger coaches and 7,788 freight cars, valued at Rs. 6990.75 Crore. With this addition, its total contribution to moving infrastructure under productive use by IR stands at 4,584 locomotives, 29,848 passenger coaches and 1,31,816 freight cars, besides 85 Cranes and Track Machines, all valued at a total of Rs. 51,145 Crore.

For the current fiscal your Company has been entrusted with yet again the highest ever mandate of raising Rs 9,000 crore for the Ministry of Railways. In addition the quantum of funding for select bankable projects of RVNL has been pegged at Rs. 170 crore. While an amount of Rs. 2,946 crore has already been raised at an average cost of 8.27% pa, the Company is confident of meeting the targets assigned by the Ministry at competitive cost through a mix of instruments, including issuance of Tax Free bonds after a hiatus of five years.

Turning to the financial performance, your Company has posted Profit before Tax (PBT) of Rs. 657.69 Crore during 2008-09, which is about 3% higher as compared to the previous year. Discounting a few one time items contributing to profit during the two years, growth in PBT works out at a healthy and trend-conforming 8.50%. However, Profit After Tax (PAT) has registered a steep decline from Rs. 421.51 Crore last year to Rs. 180.79 Crore during 2008-09. The reduction of Rs 240.72 crore in PAT has been occasioned by partial modification in the Company's accounting policy related to provisioning for Deferred Tax Liability (DTL) and Minimum Alternate Tax (MAT). This has been done on the advice of the Auditor of the Company. The change entails discontinuance of the practice followed since 2005-06, which involved setting off MAT payment as credit against DTL, thereby treating MAT as a Deferred Tax Asset (DTA). Central to the change is the fact that while borrowing level of around Rs. 2000 crore per annum estimated earlier would have justified and resulted in MAT payments being set off against normal tax assessment in the

foreseeable future, the subsequent trend of much higher borrowing targets assigned to IRFC in successive years, translating to annual compounded increase of almost 30% since 2005-06, would now rule out such possibility.

Additional provision of Rs. 74.48 crore towards Deferred Tax Liability pertaining to 2008-09 and Rs. 178.29 crore pertaining to previous years, which had to be made consequent upon the change in accounting policy, have eroded the PAT. However, I hasten to add that this has involved no cash payout for your Company. The additional amount only stands placed under Deferred Tax Liability. I wish to highlight that consistent with its commitment to follow good corporate governance practices, your Company has fallen in line with the requirements of the relevant Accounting Standard. However, the Company believes that the emerged position is anomalous and inequitable. Interestingly, even after leaving aside the provision of Rs. 178.29 crore towards DTL for the previous period, total tax provisioning that the Company has been obliged to make for 2008-09 (i.e. MAT payment and provision for Deferred Tax Liability pertaining to the current period) stands at 45.32%. The figure would increase further to almost 51% from 2009-10 in view of higher MAT rate now applicable. These figures are much higher than the peak tax rate of 33.99%. The Company proposes to agitate the matter in an appropriate forum to get rectified this seeming anomaly of a MAT paying Company carrying tax liability significantly higher than the one assessed for normal tax.

As you are aware, your Company has had to focus in recent years on the issue of maintaining its financial gearing within the band prescribed for debt raising Non Banking Finance Companies (NBFCs). The position has come under stress on account of multiple factors such as mandatory requirement to provide for DTL including for the past period, high level of Dividend payouts, and increasingly high borrowing targets assigned to it by the Ministry. Infusion of Rs. 268 crore and Rs. 300 crore by Ministry of Railways by way of additional equity in IRFC at par during 2006-07 and 2008-09 respectively provided some limited relief. Yet, the Debt-to-Equity ratio has moved from comfortable level of 6 to 6.5 : 1 a few years back to levels disconcertingly close to the



limit of 10 : 1 laid down for NBFCs. Such adverse movement in debt-to-equity ratio becomes cause for concern for stakeholders, including investors and rating agencies. By way of a conscious effort towards addressing the issue, Dividend payment for the year has been pegged at Rs. 100 crore. The Company is also in the process of obtaining, through the Ministry of Railways, Government exemption from the requirement of paying dividend at the higher of 20% of PAT or 20% of paid up capital. The norm now proposed is to keep dividend payment at a minimum of 20% of PAT.

Maintaining its commendable track record, your Company was rated 'Excellent' by the Department of Public Enterprise for the eleventh year in a row for its performance in 2007-08. Within the circumscribing effect of revised treatment of MAT and DTL, the Company expects to acquit itself creditably based on its performance in 2008-09 also. Maintaining best traditions, your Company also complies with applicable guidelines on Corporate Governance.

You will recall that the paid-up capital of your Company stands at Rs. 800 crore. Need has been felt to augment the same further so as to sustain its ability to discharge the responsibility of additional borrowing for investment in Rail infrastructure in an effective manner. To this effect, a proposal for enhancing the Authorised Capital from Rs. 1,000 crore to Rs. 2,000 crore, and another for infusion of additional capital of Rs. 291 crore by Ministry of Railways immediately are being processed.

Your Company has pioneered a new paradigm amongst Government owned companies, involving successful operation of a big business with a small human corpus of 20 staff and executives. It is now widely respected for its productivity levels, pace and quality of decision making and negotiating skills for mobilising large resources at pricing levels which set benchmarks in the market. Also, service levels are maintained commensurate with investors'

expectations representing 'zero tolerance', partly by outsourcing some of the activities to professional agencies. Un-redressed investor grievances remain conspicuous by their absence and the overhead to turnover ratio has been confined at an impressive level of 0.13%. The standing achieved by the Company in financial markets at home and overseas is the direct outcome of the management's deep understanding of the business, pursuit of ethical and transparent business practices and accumulation & nurturing of professional expertise over two decades. The unstinting support it receives from the Ministry of Railways, and the trust reposed by the Ministry in the Company's professional capabilities, have indeed enhanced its stature.

Excellent performance of your Company on a sustained basis would not be possible without unqualified and constructive support and cooperation of a variety of persons and organisations, including my colleagues on the Board of Directors, officers and staff of Ministry of Railways, Ministry of Finance, Department of Public Enterprises, Comptroller & Auditor General of India, Statutory Auditor, Banks, Financial Institutions, Securities and Exchange Board of India, Reserve Bank of India, National Stock Exchange, National Securities Depository Limited and Central Depository Services (India) Limited. I wish to place on record my deep sense of gratitude to each one of them. Special mention must be made also of the untiring efforts of the small team of officers and staff of your Company, enabling it to unremittingly turn out matchless performance. Despite daunting challenges to the achievement of onerous mandate entrusted to the Company for the current year, I am confident that the professional acumen and resourcefulness of the team shall prove equal to the task, and the Company shall scale new heights in its continued pursuit of excellence.

Sowmya Raghavan  
Chairperson

Place: New Delhi  
Dated: 28th August 2009.





## Directors' Report

Dear Shareholders,

Your Directors are pleased to present their 22nd Annual Report on the business and operations of your Company, together with the audited accounts, Auditor's Report and review of the accounts by the Comptroller & Auditor General of India for the financial year ended 31st March, 2009.

### Financial Highlights

Summarised position of the key financial results of your Company for the year ended 31st March, 2009 is as under :-

	(Rs. in Crore)	
	2008-09	2007-08
<b>Income</b>		
1. Lease Income / Lease Rental	2726.45	2374.34
2. Income on Loans & Deposits	286.89	207.93
3. Income on Investments	0.07	0.64
4. Exchange Rate Variation Gain	1.96	14.05
5. Other Income	9.41	27.83
<b>TOTAL</b>	<b>3024.78</b>	<b>2624.79</b>
<b>Expenditure</b>		
6. Interest & Lease Rent Paid	2348.83	1977.78
7. Depreciation	0.37	0.41
8. Administrative & Other expenditure	17.85	6.58
9. Exchange Rate Variation Loss	Nil	Nil
<b>TOTAL</b>	<b>2367.05</b>	<b>1984.77</b>
10. Profit for the year before Tax	657.73	640.02
11. Prior period Income (Net)	(-)0.04	(-)1.67
12. Profit Before Tax (PBT)	657.69	638.35
13. Provision for Tax		
Current Tax (MAT)	74.98	72.27
Deferred Tax	401.85	144.51
Fringe Benefit Tax	0.07	0.06
<b>TOTAL</b>	<b>476.90</b>	<b>216.84</b>
14. Profit After Tax (PAT)	<b>180.79</b>	<b>421.51</b>
<b>Appropriations</b>		
15. Dividend & Dividend Tax	117.00	117.00
16. Transfer to General Reserve	19.00	42.16
17. Transfer to Exchange Variation Reserve	19.47	8.97
18. Balance appropriated to Bonds Redemption Reserve	25.32	253.38
<b>TOTAL</b>	<b>180.79</b>	<b>421.51</b>

Marking a noticeable departure from the trend of about 8% annual growth, the Company's Profit After Tax (PAT) for the financial year 2008-09 is significantly lower than that for the previous year by about 57.11%. The reduction of Rs 240.72 crore in PAT is a consequence mainly of adoption of an altered accounting treatment of MAT credit, occasioned by a reassessment of the estimation carried out in 2005-06 regarding the projected possibility of utilising MAT credit through set off against tax under normal assessment. The treatment of MAT as an asset while calculating the Deferred Tax Liability (DTL) 2005-06 onwards was predicated upon continuance of an average borrowing target of about Rs. 2000 crore per annum, which would have rendered IRFC liable for taxation under normal assessment in foreseeable future. This assessment was not only informed by the extant business scenario, but was also endorsed by the then Statutory Auditors. However, the Statutory Auditor appointed for audit beginning 2008-09 pointed out that in view of the borrowing mandate witnessing exponential growth since then, the earlier estimation needed to be revisited.

The reassessment carried out points to continued accretion to unabsorbed depreciation and, therefore, rules out adjustment of MAT credit anytime in the foreseeable future. Accordingly, discontinuing practice of setting off MAT payment against DTL, an additional amount of Rs. 74.48 crore has been provided in the Profit and Loss account for the current year against Deferred Tax Liability. In addition, adjustment of Rs. 178.29 crore towards Deferred Tax Liability has also been carried out through Profit & Loss account for previous periods. Even though no cash pay out is involved, the Deferred Tax Liability has correspondingly increased by a total of Rs. 252.77 crore. As a consequence the tax provisioning done by the Company for 2008-09 (i.e. MAT payment and provision for Deferred Tax Liability pertaining to the current period) stands at 45.32%, much higher than the peak tax rate of 33.99%.

#### **Dividend**

Your Company seeks to strike a judicious balance between the need for providing an appropriate return to the shareholders and retaining a reasonable portion of the profit to maintain a healthy financial leverage with a view to supporting and sustaining future growth. With the imperative of regulating the Debt-Equity ratio of the Company within prescribed limits a preponderant consideration, additional equity infusion had become necessary during the year. Ministry of Railways (MOR), the existing sole shareholder, provided the requisite comfort through additional equity infusion of Rs. 300 crore in

the month of March 2009. In order to mitigate the incidence of a proportionately enhanced dividend liability, the Company had requested the MOR to obtain Government approval for IRFC being permitted to pay dividend at 20% of its PAT, de-linking the same from its paid up capital. Ministry of Railways is in the process of obtaining the requisite permission. In the circumstances, the Directors do not propose to declare any further dividend.

#### **Reserves**

After taking into consideration payment of dividend and dividend tax, a sum of Rs. 19.00 crore has been transferred to General Reserve in compliance with relevant provisions of the Companies Act, 1956. Further, a sum of Rs. 19.47 crore has been transferred to Exchange Variation Reserve and the balance amount of Rs. 25.32 crore has been transferred to Bond Redemption Reserve.

#### **Share Capital**

The entire paid up capital of the Company amounting to Rs. 800 crore continues to be held by the President of India and his nominees. This includes the recently infused equity of Rs.300 crore, which lay in the form of Share Application money as on 31st March 2009.

#### **Independent Evaluators' Assessment**

##### **Credit Ratings**

Domestic: During the financial year 2008-09, the Company's long term domestic borrowing programme was awarded the highest rating of "AAA/Stable", "AAA" and "AAA" by CRISIL, ICRA and CARE respectively. In order to conform to the requirements of Basel II norms, the Company also submitted its short term borrowing programme for rating by rating agencies and obtained the highest rating of "P1+", "A1+", and "PR1+" from CRISIL, ICRA and CARE, respectively.







**International:** For the financial year 2008-09, three international credit rating agencies – Standard & Poor's, Fitch and Moody's – assigned to IRFC "BBB-", "BBB-(Negative)" and "Baa3 (stable)" ratings respectively, each of which is at par with the sovereign rating for India. In addition, to support its Samurai Bond issuance in February 2007, your Company had also obtained an issue-specific credit rating from Japanese Credit Rating agency, which reaffirmed "BBB" rating with stable outlook during the year.

Even though concern exists in certain quarters about revision of outlook on India's rating from "Stable" to "Negative" by Standard and Poor's (S&P's) in February 2009, the Government believes that the same was not really warranted. That the rising fiscal deficit was largely attributable to stimulus packages announced by the Government to catalyse economic revival in line with governmental interventions the world over has been not adequately taken note of by S&P's. A reasonable rate of growth of the economy despite global slowdown, reduced pressure on oil and fertilizer subsidies because of decline in crude/naphtha prices, and commitment of the Government to return to the Fiscal Responsibility and Budget Management (FRBM) targets once the economy is restored to its growth path of recent past form a strong basis for optimism on this front.

#### ***Memorandum of Understanding with Ministry of Railways, Government of India***

Based on evaluation of its performance for the year 2007-08 against the targets, the Company obtained 'Excellent' rating from the Department of Public Enterprises with a perfect score of 1.00. Barring the impact of unforeseen need for additional provision for Deferred Tax Liability with consequent bearing on Profit After Tax as mentioned earlier, the Company expects to maintain its high standards of achievement for the year 2008-09 as well.



#### **Others**

While the system of rating of the Company's borrowing programme by reputed credit Rating agencies, both for its domestic operations and off-shore transactions, and the system of evaluation of its performance by the Government against MOU parameters assigned to the Company, have consistently projected IRFC under good light, for the first time ever, IFR-ASIA, a reputed financial periodical published by Reuters, carried an interview with Managing Director/IRFC in their issue of 28th February 2009. The write-up highlighted and acknowledged your Company's excellent performance in recent years, besides focussing on its unique business model.

#### **Market Borrowings during 2008-09**

Year 2008-09 witnessed further impulse provided to the growth curve of your Company's business, and it was entrusted with the highest ever borrowing mandate of Rs. 7,200 crore. The task of compliance was formidable in itself and its execution presented enormous challenges occasioned by a virtual meltdown in the global financial markets. Your Company, however, rose to the situation as a professional and result driven team and adopted a measured and judicious approach to the task on hand. It is with enormous satisfaction that your Directors report that the entire target amount was not only successfully raised but also carries a cost structure more favourable than in the previous year. As a result, the highest ever amount of Rs. 6,907 crore was remitted to the MOR. Besides, an amount of Rs. 293 crore was also disbursed as loan to Rail Vikas Nigam Limited in keeping with target set by the Ministry of Railways.

The unsavoury turn of events in the global financial markets led to unprecedented risk aversion amongst investors, and took a heavy toll on liquidity. This created an upward spiral that raised cost structure to levels beyond all comfort zones. The domestic debt market did not find itself completely insulated from the global phenomena, and the problem was even further exacerbated by a relentless increase in the debt raising programme of Reserve Bank of India on behalf of the Government of India. As a result, the yield on the benchmark 10 Year G-Sec went on a steep upward curve in the first half, logging an average of 8.44% p.a till October 2008 with a peak of 9.38%.

In its measured and well thought out response, the Company took a prudent decision to await favourable times. Accordingly, it back loaded the bulk of its borrowing programme to the end of third quarter and the fourth quarter of



the fiscal. This is reflected in the fact that your Company borrowed Rs. 2,074 crore only (29% of total mandate) through issuance of Bonds in the first half of the fiscal. The well considered approach bore desired results as yields returned to relatively benign levels towards the end of the year 2008. Thereafter, the Company borrowed aggressively in a phased manner, taking care to avoid overlap with the ubiquitous RBI auctions that would have invariably impacted the yields unfavourably.

For the first time, IRFC raised Rs. 962 crore through Securitisation during the year by assigning future Lease Rental Receivables of Rs.1,160 crore from MOR, following the Pass Through Certificates (PTC) route. The transaction, which was also targeted at improving the financial gearing position of the Company, was concluded at a competitive pricing of 8.99% for a door-to-door tenor of around 5 years.

Even as International markets remained largely frozen for non-sovereign borrowers and issuers with below "AA" credit ratings, your Company kept the vigil up, maintaining constant dialogue with various institutions in order to be in readiness for making the most of an odd window of opportunity. Your Directors take pride in reporting that the approach paid off when IRFC successfully negotiated a bilateral loan with a leading Japanese bank for USD 100 million (Rs.499.90 crore) at a floating interest rate at 6M USD LIBOR + 145 bps. The first interest setting was at 4.02% pa and the second even lower at 2.62% pa. Successful execution of the transaction and its tight pricing in a virtually liquidity drained and high interest cost market drew wide recognition and admiration across the industry.

The amount mobilised for meeting the annual borrowing target includes Rs. 5,061 crore raised through Taxable Bonds, Rs. 962 crore through assignment of lease receivables, and USD 100 million (Rs.499.90 crore) through a Bilateral Foreign Currency Loan. The balance amount came from the Company's internal generation. The weighted average tenor of your Company's borrowings was 9.62 years which compares favourably with the weighted average tenor of the Company's assets, viz. receivables from Ministry of Railways in the form of lease rentals. The weighted average cost of the pool of funds raised during 2008-09 was 8.98% which is 34 bps lower than the weighted average cost achieved during the previous year. That the term loan market was virtually unavailable during the year because of high pricing demanded by the risk averse banking fraternity in a tight-liquidity scenario puts in perspective the magnitude of achievement of your Company

in fulfilling the daunting target at attractive cost. This could be made possible by contracting a judicious mix of debt instruments and entering the markets at opportune times.

#### Redemption of Bonds/Repayment of Loans

Your Directors are pleased to report that during the year under review, your Company successfully redeemed Bonds and discharged its other debt obligations amounting to a total of Rs. 2,999.78 crore in an efficient manner, without a single instance of delay or default in debt servicing. The acquittance included redemption of bonds valued at Rs. 1,573.13 crore besides repayment of term loans of Rs. 996.48 crore and external commercial borrowings (ECB) of Rs.430.16 crore. Continuing the phase of heavy debt servicing, your Company is set to honour redemption of bonds, repayment of loans and ECBs amounting to around Rs. 2,307 crore during the current financial year, out of which Rs. 637.33 crore has already been completed.

#### Risk Management

Effective risk management most prominently underpins successful business operations of a finance Company. While management of credit risk is accorded high priority amongst various risk mitigation efforts of a business, in the case of your Company, position in this regard is in "high comfort" zone as the largest block of its assets is in the form of lease receivables from the Ministry of Railways, and carries effectively zero risk. The Company's selective forays into other areas in the form of loans to other railway entities such as Railtel Corporation of India Limited and Rail Vikas Nigam Limited carry suitable protection and comfort as the same have either been provided under Presidential directive or the cash flows constituting IRFC's receivables originate in the Ministry of Railways. The loan facility to Pipavav Rail Corporation Limited (PRCL), in which your Company involved itself as part of a lending consortium of banks and financial institutions, was a commercial decision based on proper due diligence.







The loan is secured through creation of pari passu first charge on the project assets of PRCL. Further, since Ministry of Railways is a 50% partner in the Project, little risk is perceived by the Company on this loan.

Your Company has been adopting prudent, efficient and cost-effective risk management strategies to shield its operations against exchange rate variation risk on its overseas borrowings. The Company strives to eliminate at opportune time the exchange rate variation risk in respect of principal repayments in all cases where bullet repayments are involved with tenor not exceeding five years. Some of the outstanding foreign currency borrowings of the Company with maturity profile longer than five years carry amortised half-yearly principal repayments. As a result, the risk gets significantly mitigated by virtue of repayments taking place progressively at different points in time. Hedging of principal repayment in such cases is considered only selectively in a need based manner. Notwithstanding occasional and short-lived depreciation of Rupee against US Dollar (USD) in recent times, the medium term prognosis points to a reasonably strong Rupee vis-a-vis USD. The Company intends to watch the situation and would suitably hedge at appropriate time its position in a few transactions wherein its exposure in USD terms is still open. It is in conformity with this approach that the recently raised ECB of USD 100 Million has not been hedged, and the Company is awaiting an opportune time to cover the risk at a good pricing level. Amongst earlier transactions where the Company has outstanding liability in USD terms, is the US Private Placement transaction involving private placement of bonds in US market in March, 2007 carrying bullet repayment



after ten years. Further, in a few cases where the borrowing took place in JPY terms, your Company has executed first leg of the swap and converted its JPY exposure, generally perceived as volatile, into USD terms. The USD liability in

these transactions has not been hedged so far. A similar approach is proposed in these cases also.

Besides taking appropriate measures for protection of its principal repayment liability in ECB transactions against exchange rate risk, your Company also perceptively endeavours to contract in some cases protection against interest rate variation on foreign currency borrowings, taking a judicious view of all relevant factors. With a view to effectively supplementing its in-house expertise in the matter, your Company usually resorts to expert advice from reputable professional consultants while taking hedging decisions.

#### Registration as NBFC-ND-AFC

Your Company got its registration with Reserve Bank of India modified during the last fiscal as NBFC-ND-AFC (Non-Banking Finance Company Non-Deposit Taking - Asset Finance Company) under the new classification norms prescribed by RBI in respect of Non-Banking Finance Companies. As a result, the loans sanctioned by Banks to your Company would carry lower risk weight and would attract lower provisioning. This is expected to impact favourably not only your Company's ability to raise larger quantum of finance from banks but also to do so at more competitive cost.

#### Lease Arrangement with the Ministry of Railways 2008-09

As you are aware, the financial relationship of the Company with the Ministry of Railways is based on a Leasing arrangement which is regulated by a standard lease agreement. In respect of the incremental asset acquisition during 2008-09 funded by IRFC, lease rentals have been fixed at Rs. 60.31 per thousand per half year (PTPH) over a primary lease tenor of 15 years. The cost to Ministry of Railways (IRR) is 9.49% p.a. Viewed in the context of tight liquidity and relatively high interest rates ruling during most parts of the year, the pricing is considered attractive for the Ministry.

#### Resource Mobilisation for 2009-10

The Ministry of Railways has decided that during 2009-10, Rolling Stock assets with estimated value of Rs.9,000 crore would be funded through extra budgetary resource to be provided by IRFC. Besides, the Railway Budget 2009-10 also envisages extra budgetary resource of Rs.170 crore to be provided to meet the requirements of Rail Vikas Nigam Limited.

During April – July 2009, your Company has transferred to Ministry a sum of Rs.2,209 crore. A prominent feature of the borrowing so far has been opening up of the avenue of



competitively priced Term Loans from banks once again after a hiatus of almost two years. The Railway Budget 2009-10 indicates that a sizeable allocation towards issuance of Tax Free Bonds is likely to become available this fiscal, which the Company intends to utilise to maximum advantage after carefully assessing all relevant aspects such as appetite for such instruments, and appropriate timing for progressive issuance etc. Further, with liquidity returning gradually in International markets, and spreads becoming acceptably lower, your Company is hopeful of raising part of its mandate through the ECB route to drive down the average cost. The guiding principle, as usual, would remain achievement of an optimum cost structure and an average tenor that approximates that of the receivables.

#### Management Discussion and Analysis

Your Directors perceive that the business of the Company stands on a sound platform and is running well. While a general consensus is emerging that the worst of the global financial crisis is behind us, concerns remain on the debt cost structures, particularly in the domestic market, aggravated by an unusually heavy borrowing programme of the Government, and a pent up supply of corporate paper that lies in waiting to tap the debt markets this fiscal. The relatively benign liquidity and pricing conditions witnessed in recent past could come under stress in case recovery in global economy does not sustain and monsoon does not pick up soon. In the circumstances, your Directors feel that it would be advantageous to suitably front-load the borrowing during the year. Working on such an approach, the Company has already raised Rs. 2,711 crore during the first quarter of 2009-10, representing almost 30% of the total annual mandate. The Company plans to raise the remaining corpus of funds through a mix of Bonds including Tax Free Bonds, Term Loans, Securitisation and External Commercial Borrowings. This would be suitably timed consistent with advantageous pricing, targeting thereby a most competitive weighted average cost. While the Company's operations have necessarily to be circumscribed by the conditions set out by macroeconomic conditions, the Company continues to be committed to make available funding to the Railways at the most competitive pricing feasible.

The business of the Company with the Ministry has grown considerably during the recent years. From an annual target of Rs. 2,510 crore in 2002-03, the borrowing target assigned for the current year stands at Rs. 9,170 crore, including the funding support to be provided to RVNL. A compounded annual growth rate (CAGR) of over 20% during the period that



the increase represents stands testimony to the critically important role played by your Company in asset formation in rail infrastructure. That the Ministry of Railways is virtually its sole client is perceived as a major strength of the Company, inasmuch as its receivables originate in the sovereign. Opportunities for further growth of business might emerge as the Ministry of Railways embarks on new ventures for capacity augmentation through additional infrastructure creation. This is bound to bring the financial gearing of the Company under stress. While additional equity amounting to Rs. 300 crore infused by the Ministry of Railways in March 2009 did help to some extent, the Company would need to explore all options for equipping itself appropriately to meet this challenge. It is in this context that the Authorised Capital was enhanced from Rs. 500 crore to Rs. 1,000 crore with the approval of the Shareholders in the Annual General Meeting held on 30th August, 2007. Action with a view to enlarging the capital base of the Company even further is now called for and appropriate steps are underway to achieve this. Also, in the context of need for providing higher amounts towards Deferred Tax Liability payments as credit, the financial gearing would face further difficulties, and infusion of more capital would become necessary to carry on business as usual.

#### Report on Corporate Governance

Report on Corporate governance is placed at page 17.

#### Directors Responsibility Statement

As required under Section 217 (2AA) of the Companies Act, 1956, it is confirmed that:

- a) In the preparation of the annual accounts, the applicable accounting standards have been followed, and proper explanation relating to material departures, if any, included;





- b) The Directors 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 at the end of the financial year and of the profit or loss of the Company for that period;
- c) The Directors have taken proper and sufficient care for maintenance of adequate accounting records, in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud or other irregularities; and
- d) The Directors have prepared the annual accounts on 'going concern' basis.

#### **Internal Control System and their adequacy**

The Company has established a sound system of Internal Control in order to achieve accurate and timely financial reporting, and observance of statutory laws, regulations and Company policies. In order to ensure efficacy and effectiveness of the internal control system, regular and detailed internal audits are conducted by a firm of experienced Chartered Accountants. The Internal Control Systems have also been considered adequate by the Statutory Auditor in their report to the Members.

#### **Computerisation**

Your Company is making extensive use of computers in carrying out its day to day functions. While the entire accounting function is carried out in IRFC's office with the help of a firm of Chartered Accountants making extensive use of the available computer system, the servicing of Bondholders is being done through an agency of Registrars – Karvy Computershare Pvt. Ltd., an ISO 9000 Organisation. The entire records of the Bondholders are maintained and serviced on an efficient computer system by the Registrars.

All the Bonds issued by your Company are available in dematerialised form. Some of the investors have, however, exercised positive option to retain the bonds in physical form. Information Memorandum of the Company for issuance of bonds is hosted on the website on National Stock Exchange. Executives of the Company are increasingly using electronic mode of communication in correspondence with investors, lenders and regulatory agencies. A dedicated connection of sufficient bandwidth has been provided in the Company to improve the quality of electronic connectivity. Website of the

Company hosts all important information for investors and others interested in its business.

#### **Human Resource Development**

Your Company has been consistently performing well despite maintaining minimal manpower strength. The lean workforce is complemented to a limited extent by outsourcing a few non-core activities to professional agencies.

The Company strives to follow progressive HR policies and practices within the parameters regulating functioning of Government owned companies. It has been consistently laying emphasis on upgrading skills of its employees and keeping them abreast of latest developments and industry practices. The Company is committed to enhancing the professional expertise and ability for value addition amongst its employees. Making collective endeavours to move towards a shared vision for a better future of the Company has become an enterprise-encompassing philosophy. Towards this end, an effective communication system spanning the organisation vertically and horizontally, and appropriate training interventions provided after training needs analysis constitute major inputs.

#### **Corporate Social Responsibility**

Corporate Social Responsibility towards protection of environment is inherent in the Company's core business of financing acquisition of environment-friendly rolling stock assets for Indian Railways. Besides, the Company regularly supports activities of various welfare and other organizations engaged in upliftment of weaker sections including through providing educational services to them. The Company also has a tradition of contributing generously, through formally instituted mechanisms such as Prime Minister's National Relief Fund and Railway Minister's Relief Fund, for causes involving amelioration of public suffering arising out of major natural calamities.

#### **Official Language**

The Company is wholeheartedly committed to achieving high level of usage of Hindi in transaction of its official business. With a view to ensuring compliance with provisions of Official Languages Act and Official Language Policy of the Government of India, a number of steps were taken during the year. Considerable efforts were made to achieve the targets set under the Annual Programme issued by the Department of Official Language, Government of India. Provisions of Section 3(3) of the Official Language Act were fully complied with. Other measures taken in the direction of attaining objectives



In this regard included increased involvement of personnel at all levels for making progressively higher use of Hindi in day-to-day working of the Company, more intensive use of Hindi software, purchase of sufficient number of Hindi books, periodicals and journals for the office library in keeping with improving readership, and organization of Hindi workshops to promote awareness and use of Hindi as the official language. It is indeed satisfying that the Company has been able to instil amongst its executives and employees a sense of pride in usage of Hindi in their day-to-day official working.

During the year under review, four quarterly meetings of the Official Language Implementation Committee of the Company, and four Hindi Workshops were held. As in the previous years, Hindi Week was celebrated during which competitions involving recitation of poems, etc. were organized and suitable awards were given to the better



performers, to encourage and inspire the employees towards progressive use of Official Language in the discharge of Company's affairs.

#### **Right to Information Act, 2005**

The Company follows the Government's instructions issued in pursuance of Right to Information Act, 2005, and has designated Public Information Officer and Appellate Authority under the Act.

#### **Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo**

Provisions of section 217(1)(e) of the Companies Act, 1956 as amended by the Companies Amendment Act, 1988 in respect of Conservation of Energy and Technology absorption are not applicable to your Company.

The Company does not have any foreign exchange earnings. Details of foreign exchange outgo have been given in the Notes on Accounts 16 (Schedule 16).

#### **Fixed Deposits**

As in the past, the Company has not accepted any fixed deposits during the period under review.

#### **Particulars of Employees receiving high remuneration**

There was no employee of the Company who received remuneration in excess of the limits prescribed under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

#### **Women Employees**

Your Company has a very small organizational setup, comprising 20 employees in all. Out of these, seven employees are in the category of Senior Assistants / Assistants and include two women employees. The Company also has one woman executive at senior management level. The Company would endeavour to further improve the number as and when opportunity arises.

#### **Board of Directors**

During the year 2008-09, there have been a number of changes in membership of the Board of Directors of the Company. Smt. Sudha M Chobe, Chairperson / IRFC and Financial Commissioner (Railways) ceased to be a member of the Board consequent upon her superannuation on 30th November, 2008. In her place, Smt. Sowmya Raghavan, Financial Commissioner (Railways) was appointed as Chairperson / IRFC. Smt. Sowmya Raghavan holds a Master's Degree in Economics and brings to the Board a rich experience of over 35 years in Railway finance and accounting, besides Railway management at apex levels. Shri Arvind Mayaram, the representative of Ministry of Finance on the Company's Board ceased to be a Director of the Company consequent upon his transfer out of the Ministry on promotion, and Shri Govind Mohan from the same Ministry was appointed to the Board. Shri Govind Mohan is Joint Secretary (Infrastructure) in Department of Economic Affairs, Ministry of Finance and holds a Graduate Degree in Electrical Engineering. He also holds Post-graduate Diploma in Management from IIM, Ahmedabad. He has almost 20 years of experience as a member of Indian Administrative Service, including valuable experience as a senior executive in the Ministry of Finance, Government of India. Professor R. Narayanaswamy, who had ceased to be a Director of the





Company on expiry of his term of appointment as Independent Director in February, 2008, was re-appointed on the Board along with another Independent Director, Shri P.K. Choudhury. Prof. Narayanaswamy holds a Ph. D. degree in Accounting from University of New South Wales, Sydney, besides being a qualified Chartered Accountant, Cost Accountant and a Company Secretary. He is a Professor of Finance and Control at the Indian Institute of Management, Bangalore, with almost 30 years experience. Shri P.K. Choudhury is Vice Chairman and Group CEO in ICRA Ltd. and holds degrees of M.Com., F.C.A., C.A.I.B. and C.A.I.I.B. He brings to the Board a rich work experience of 37 years. Shri Govind Mohan, Prof Narayanaswamy and Shri Choudhury are also members of the Audit Committee of your Company.

The Board of Directors wishes to place on record its deep appreciation of the valuable contributions made by Smt. Sudha Chobe and Shri Arvind Mayaram during their respective tenures as Chairperson and Director of the Company.

#### **Statutory Auditor**

M/s Dhawan & Co., Chartered Accountants, were appointed as Statutory Auditor by Comptroller & Auditor General of India to audit the accounts of the Company for the year 2008-09.

#### **Comments of the Comptroller & Auditor General of India**

The Comptroller & Auditor General of India has undertaken supplementary audit on accounts of the Company for the year ended 31st March, 2009.

#### **Acknowledgements**

Your Company is grateful to the officials in the Ministry of Railways, Ministry of Finance, Department of Public

Enterprises, National Informatics Centre, other Departments of the Government, and the Reserve Bank of India, for their co-operation and continued assistance, and active & timely support and guidance rendered from time to time. The Company is also thankful to all its Bondholders, Banks, Financial Institutions, Life Insurance Corporation of India and General Insurance Corporation of India and its subsidiaries for reposing their confidence and trust in the Company. The Company looks forward to their continued support and encouragement from time-to-time. The Company expresses gratitude to the Comptroller & Auditor General of India, the Statutory Auditor and the Internal Auditor for their valuable support and guidance.

The Board of Directors express their deep appreciation of the valuable contribution made by the Company's small team of executives and employees, which has enabled the Company to successfully meet the increasingly more exacting targets set by the Ministry of Railways at competitive terms. Their untiring efforts have also enabled the Company to consistently secure "Excellent" rating form Government of India, also consolidating its position as one of the more vibrant public financial institutions in the country. Your Directors also gratefully acknowledge the highly useful and substantive contribution of Retainer of Accounts and Registrars of the Company.

For and on behalf of Board of Directors

Sd/-  
Sowmya Raghavan  
Chairperson

Place: New Delhi  
Date: 28th July, 2009

## Report on Corporate Governance

Indian Railway Finance Corporation Limited (IRFC) is a Central Public Sector Enterprise. Its entire paid up share capital is held by the President of India and his nominees. It is also a listed Company in the sense that its Bonds are listed on the Wholesale Debt Market (WDM) segment of the National Stock Exchange (NSE), Mumbai. IRFC is in compliance of relevant provisions of Corporate Governance, in terms of the Listing Agreement entered into with the NSE. In this connection, relevant details are furnished below:-

### Company's Philosophy on the Code of Governance

The Company looks upon Corporate Governance as an enterprise-wide endeavour targeted at value creation in the form of striking optimum balance between its profit and cost of funds transferred to the Ministry of Railways who is also the Shareholder. This is sought to be achieved by a combination of delegation and accountability amongst key executives in the Company; focussed attention and transparency in operations of the Company; skill upgrades through need-based training, etc.; and enhanced investor / lender satisfaction through timely debt servicing.

In pursuit of the best Corporate Governance practices, the Company formulated a 'Code of Business Conduct and Ethics for Board Members and Senior Management' in June, 2008 to foster ethics and transparency in managing its business affairs. The same has also been posted on the website of the Company ([www.irfc.in](http://www.irfc.in)).

Compliance with and non-violation of the provisions enshrined in the Code during the previous year is required to be signed by all Directors and senior

Officers of the Company. The requirement stands fulfilled. A declaration to this effect, duly signed by the Managing Director (CEO), is at Annexure 'A' and forms part of this report.

### Board of Directors

As on the date of the Report, there are 8 Directors on the Board of the Company. The Financial Commissioner (Railways) is the ex-officio Non-Executive Chairperson of the Company. Besides Managing Director and Director Finance, one Director each is nominated by Ministry of Finance and Ministry of Railways, and there are three non-government Directors (hereinafter referred to as Independent Directors). As provided in the Articles of Association of IRFC, the appointment of Directors and payment of their remuneration are determined by the President of India, except the remuneration of the Independent Director(s), which is determined by the Board of Directors subject to laws applicable from time to time. Meetings of the Board of Directors held during the year under review are listed below :-

Serial No.	Board Meeting No.	Date
1.	181	28.04.2008
2.	182	10.07.2008
3.	183	29.07.2008
4.	184	19.08.2008
5.	185	06.10.2008
6.	186	22.10.2008
7.	187	26.11.2008
8.	188	30.01.2009
9.	189	16.03.2009





**Attendance at the Meetings of the Board of Directors during 2008-09 :-**

Name of the Director	Number of meetings of BOD held during their tenure	Number of meetings attended	Attendance at the last AGM	Directorship In other Companies	No. of Committee positions held in public companies including IRFC @
Smt. Sowmya Raghavan Chairperson / IRFC From 01.01.2009	2	2	NA	None	None
Smt. Sudha M.Chobe Chairperson / IRFC Ceased to be Chairperson on 30.11.2008	7	7	Yes	1	None
Shri R. Kashyap Managing Director/IRFC From 01.09.2006	9	9	Yes	None	None
Shri Arvind Mayaram Director / IRFC Ceased to be Director on 04.03.2009	5*	1	No	2	2
Prof. R.Narayanaswamy # Director / IRFC From 16.10.2008	4	3	NA	None	1
Shri Nasser Munjee Director / IRFC From 17.10.2006	9	3	No	13	10**
Shri S.K.Kaushik Director Finance / IRFC From 10.09.2007	9	9	Yes	None	None
Kumari Anjali Goyal Director / IRFC From 24.05.2007	9	8	Yes	None	None
Shri Govind Mohan Director / IRFC From 04.03.2009	1	1	NA	2	None
Shri P.K.Choudhury # Director / IRFC From 16.10.2008	4	3	NA	6	5**

\* Shri Arvind Mayaram was promoted and transferred out of the Ministry of Finance on 17.10.2008. However, formal orders, including orders of appointment of Shri Govind Mohan in his place, were received in our Office only on 04.03.2009.

@ Only Audit Committee and Shareholder' Grievance Committee have been reckoned while considering Committee positions.

\*\* Shri Nasser Munjee is Chairman of 4 Committees in different companies. Shri P.K.Choudhury is not Chairman of any Committee in any Company.

# Order appointing Prof. R. Narayanaswamy and Shri P.K.Choudhury as Independent Director(s) of the Company was issued by the Ministry of Railways on 16.10.2008. However, the same was received in our Office on 24.10.2008, and they could not attend the Meeting of the Board held on 22.10.2008.

NOTE : Salary, in the following scales, together with the usual allowances and perks was paid by the Company to Shri R.Kashyap :-

Period	Scale(s) (Rs.) under CDA pattern
01.04.2008 to 29.04.2008	Rs.37400-67000 plus Grade Pay of Rs.10,000/-
30.04.2008 to 31.03.2009	Rs.37400-67000 plus Grade Pay of Rs.12,000/-

Similarly, Shri S.K.Kaushik was paid salary in the scale of Rs.37400-67000 plus Grade Pay of Rs.10,000/- (under CDA pattern), with usual allowances and perks w.e.f. 01.04.2008 to 31.03.2009.

The above pay and allowances have been permitted consequent upon implementation of Sixth Central Pay Commission recommendations in terms of Government's Notification GSR No.643-E dated 04.09.2008 forwarded under Railway Board's endorsement No.PC-VI/2008/I / RSRP/1 of even date. The Revised Pay Scales have been given effect from 01.01.2006 entirely in line with orders of the Government.

The Directors are not related to each other. Directors do not have pecuniary relationship with the Company. A Sitting Fee of Rs.5,000/- per meeting was paid to Independent Director(s) for attending Board/ Audit Committee meetings during the year under review.

#### Information placed before the Board

Information placed before the Board of Director broadly covers the items specified in the Listing Agreement and such other items as might be useful in facilitating meaningful and focused deliberations on issues concerning the Company and taking decisions in an informed and efficient manner. Additionally, Directors on the Board have complete access to all information pertaining to the business of the Company, as and when required.

#### Constitution of Audit Committee

In terms of Section 292-A of the Companies Act, 1956 read with the Listing Agreement and Guidelines on Corporate Governance issued by Department of Public Enterprises, Ministry of Heavy Industries and Public Enterprises, Government of India, the Company has a duly constituted Audit Committee. At present, the Audit Committee

comprises five members - Shri Naseer Munjee, Independent Director/IRFC, Prof. R. Narayanaswamy, Independent Director/IRFC, Shri P.K.Choudhury, Independent Director/IRFC, Shri Govind Mohan, Director/IRFC and Shri R.Kashyap, Managing Director/IRFC. Shri Naseer Munjee is the Chairman of the Audit Committee. Company Secretary acts as Secretary to the Audit Committee.

During the financial year 2008-09, five Meetings of the Committee were held on 16<sup>th</sup> April, 2008, 10<sup>th</sup> July, 2008, 28<sup>th</sup> July, 2008, 22<sup>th</sup> October, 2008 and 30<sup>th</sup> January, 2009. The Members attended the Meetings as indicated below:-

SL. No.	Name of the Member of the Audit Committee	Number of Meetings held during their tenure	Number of Meeting attended
1.	Shri Naseer Munjee Independent Director	5	4
2.	Shri Arvind Mayaram* Director (Ceased to be Member on 04.03.2009)	5	3
3.	Prof. R.Narayanaswamy** Independent Director (Appointed on 16.10.2008)	2	1
4.	Shri P.K.Choudhury** Independent Director (Appointed on 16.10.2008)	2	1
5.	Shri Govind Mohan Director (Appointed on 04.03.2009)	None	None
6.	Shri R. Kashyap Managing Director	5	5

\* Shri Arvind Mayaram was promoted and transferred out of the Ministry of Finance on 17.10.2008. However, formal orders, including orders of appointment of Shri Govind Mohan in his place, were received in our Office only on 04.03.2009.

\*\* Order appointing Prof. R. Narayanaswamy and Shri P.K.Choudhury as Independent Director(s) of the Company was issued by the Ministry of Railways on 16.10.2008. However, the same was received in our Office on 24.10.2008, and they could not attend the Meeting of the Audit Committee held on 22.10.2008.





The terms of reference of the Audit Committee include the following:-

- To hold discussion with Auditors periodically about:
  - Internal control system and compliance thereof.
  - Scope of audit including observations of the auditors.
  - Review of the quarterly, half yearly and annual financial statements before submission to the Board.
  - Any other matter as may be referred to by the Board.
- The Audit Committee is further responsible for:-
  - Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
  - Reviewing with the management the annual financial statements with primary focus on accounting policies and practices, compliance with accounting standards and guidelines of stock exchange(s), major accounting entries, qualifications in draft audit reports, related party transactions & the going concern assumption.
  - Holding discussions with external auditors to ascertain any area(s) of concern.
  - Reviewing the Company's financial and risk management strategies.

#### **Remuneration Committee & Shareholders Committee**

In terms of Office Memorandum No. 2(70)/08-DPE(WC) dated 26<sup>th</sup> November, 2008 issued by Department of Public Enterprises, Ministry of Heavy Industries & Public Enterprises, Government of India, all Central Public sector Enterprises are required to constitute a Remuneration Committee headed by an Independent Director. The Committee will decide the Performance Related Pay together with the variable pay for constituents of the Company, including distribution thereof across the executives and staff, consistent with guidelines and limits prescribed by the Government.

In compliance with the above, the Board of Directors have constituted a Remuneration Committee of the Company comprising of S/Shri R. Narayanaswamy, Nasser Munjee and P.K.Choudhury, Independent Directors and Shri R.Kashyap, Managing Director. Prof. R. Narayanaswamy, Independent Director, is Chairman of the Remuneration Committee. The Committee held its first Meeting on 20<sup>th</sup> April, 2009 which was attended by all the Members except Shri P.K. Choudhury.

The entire paid up share capital is held by Government of India in the name of the President of India and his nominees in line with the Articles of Association of the Company. As such, the Company has no separate Shareholders Committee.

#### **Training of Board Members**

All Non-Executive Directors are apprised of the Company's operations and other important matters by the two whole-time Directors of the Board from time to time. The Company's Board of Directors consists of professionals with vast experience and high level of expertise in their respective fields and industry. Their professional status gives them adequate exposure to the latest trends in the financial markets & the economy, and changes in relevant legislation.

#### **Registrar & Transfer Agents / Investors' Grievance Committee**

The Company has delegated the power of transfer/transmission of Bonds to its Registrars & Transfer Agent (Registrars), Karvy Computershare Private Ltd., Hyderabad who have constituted a Committee to render the services to investors. The Committee meets on fortnightly basis.

The Committee reviews complaints received and appropriate action is taken promptly.

The Company gets audit of the work done by the Registrars conducted periodically.

As on 31.03.2009, there were no complaints pending from investors for more than 30 days.

### General Body Meetings

Details of location, time and date of last three Annual General Meetings (AGM) are as under :-

AGM No.	AGM Date	Location	Time
21	28 <sup>th</sup> August, 2008	Committee Room (237), 2 <sup>nd</sup> Floor, Rail Bhawan, New Delhi.	4.00 P.M.
20	30 <sup>th</sup> August, 2007	Committee Room (237), 2 <sup>nd</sup> Floor, Rail Bhawan, New Delhi.	3.00 P.M.
19	28 <sup>th</sup> August, 2006	Committee Room (237), 2 <sup>nd</sup> Floor, Rail Bhawan, New Delhi.	4.00 P.M.

An Extra-ordinary General Meeting of the Company was also held on 24.03.2009 at 3.00 P.M. in Committee Room 237, 2<sup>nd</sup> floor, Rail Bhawan, New Delhi.

Two Special Resolutions were passed in the 20<sup>th</sup> Annual General Meeting held on 30<sup>th</sup> August, 2007.

### Disclosures

No transaction of a material nature has been entered into by the Company with Directors or Management and their relatives etc., which may have potential conflict with the interests of the Company.

There has neither been any non-compliance of any provision of applicable law, nor has any penalty been imposed or any strictures passed against the Company by the Stock Exchanges or SEBI on any matter related to capital market during the last three years.

The Company has complied with the applicable Guidelines on Corporate Governance issued by Department of Public Enterprises, Ministry

of Heavy Industries and Public Enterprises, Government of India. No Presidential Directive was issued by the Central Government to the Company during the year 2008-09. No items of expenditure have been debited in books of accounts, which are not for the purposes of the business. Further, there was no expense which is of personal nature and incurred for the Board of Directors and / or Top Management.

During the year, the Administrative and Office expenses were 0.20% of the total expenses as against 0.24% in the last year.

The Company did not get any qualification from its Auditors for its accounts for the year 2008-09.

### CEO / CFO certification

As required under the Listing Agreement, a Certificate related to truthfulness of Financial Statements, bonafide nature of transactions & adequacy of internal controls, etc., duly signed by Shri R. Kashyap, Managing Director (CEO) and Shri S.K. Kaushik, Director Finance (CFO) was placed before the Board of Directors in their meeting held on 28<sup>th</sup> July, 2009.

### Means of Communication

During 2008-09, Unaudited Quarterly Financial Results of the Company were published in selected national newspapers of repute both in English and Hindi, besides being submitted to the National Stock Exchange. Unaudited Financial Results for the half year ended 30<sup>th</sup> September, 2008 and for the year ended 31<sup>st</sup> March, 2009 were also sent by registered post to all the registered Bondholders of the Company.

Information Memorandum of the Company has been hosted on the website of National Stock Exchange. Annual Accounts of the Company for the last 3 years are also available on the website of the Company.

### Whistle Blower Policy

In line with extant best practices, the Company has framed a Whistle Blower Policy, and the same has been communicated to all employees of the Company.





For convenience of all stakeholders, the said policy has also been hosted on the website of the Company.

#### General Shareholder Information

##### Annual General Meeting :

Date : 28<sup>th</sup> August, 2009  
Day : Friday  
Time : 4.00 p.m.

##### Financial Calendar

Financial year of the Company is 1<sup>st</sup> April to 31<sup>st</sup> March every year.

During the year ended March 31, 2009 unaudited financial results in diglot form (Hindi & English) were published on :

<b>For first quarter ended June 30, 2008</b>	
Economic Times	30.07.2008
Business Standard	30.07.2008
Nav Bharat Times (Hindi)	30.07.2008
Business Standard (Hindi)	30.07.2008
Financial Times	03.08.2008
<b>For second quarter and first half year ended September 30, 2008</b>	
Economic Times	23.10.2008
Business Standard	23.10.2008
Nav Bharat Times (Hindi)	23.10.2008
Business Standard (Hindi)	23.10.2008
Financial Times	26.10.2008

<b>For third quarter ended December 31, 2008</b>	
Economic Times	31.01.2009
Business Standard	31.01.2009
Nav Bharat Times (Hindi)	31.01.2009
Business Standard (Hindi)	31.01.2009
Financial Times	08.02.2009
<b>For fourth quarter ended March 31, 2009 and also for the financial year 2008-09</b>	
Economic Times	23.04.2009
Business Standard	23.04.2009
Nav Bharat Times (Hindi)	23.04.2009
Business Standard (Hindi)	23.04.2009
Financial Times	26.04.2009

#### Dematerialisation of Bonds

All Bonds issued by the Company have been made available in the dematerialised form. The same are listed with National Stock Exchange. The Listing Fee for the year 2008-09 has been paid to the Stock Exchange.

#### Compliance Certificate on Corporate Governance

As required under the Listing Agreement, a certificate from the Statutory Auditor of the Company regarding compliance of conditions of Corporate Governance by the Company has been obtained which is annexed to this Report.

**CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER CERTIFICATION UNDER THE  
LISTING AGREEMENT ENTERED INTO WITH THE NATIONAL STOCK EXCHANGE**

In relation to the audited financial accounts of the Company as at 31<sup>st</sup> March, 2009, we hereby certify that

- a) We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief :
  - i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading ; and
  - ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are to the best of our knowledge and belief, no transactions entered into by Company during the year which are fraudulent or illegal.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. We have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls of which we are aware, and the steps we have taken or propose to take to rectify these deficiencies.
- d. We have indicated to the auditors and the Audit Committee that :
  - i) There has not been any significant change in internal control over financial reporting during the year under reference ;
  - ii) There has not been any significant change in accounting policies during the year requiring disclosure in the notes to the financial statements ; and
  - iii) We are not aware of any instance during the year of significant fraud with involvement therein of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Dated : 22.07.2009

sd/-  
(S.K. Kaushik)  
Director Finance  
(CFO)

sd/-  
(R. Kashyap)  
Managing Director  
(CEO)

---

ANNEXURE- 'A'

**DECLARATION BY THE MANAGING DIRECTOR (CEO) UNDER THE LISTING AGREEMENT**

I hereby confirm that all Board Members and Senior Management personnel have conveyed their acceptance to the "Code of Business Conduct and Ethics for Board Members and Senior Management".

Place : New Delhi  
Date : 22.07.2009

sd/-  
(R. Kashyap)  
Managing Director





## AUDITOR'S CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER THE LISTING AGREEMENT

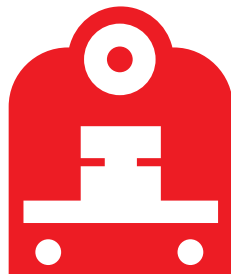
To  
The Members of  
Indian Railway Finance Corporation Ltd.

1. We have examined the compliance of conditions of Corporate Governance by Indian Railway Finance Corporation Ltd., for the year ended on 31<sup>st</sup> March 2009, as stipulated in the Listing Agreement of the said Company with the National Stock Exchange (hereinafter referred to as the "Agreement").
2. The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of the opinion on the financial statements of the Company.
3. As on 31-03-2009, the composition of the Board was in conformity with the provisions of the Listing Agreement.
4. During the year, one Executive Director was member of the Audit Committee. Further, the Audit Committee had the required number of independent directors as on 31-03-2009.
5. As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that as per the records maintained and certified by the Registrar & Transfer Agent of the Company, there were no investors' grievances remaining unattached / pending for more than 30 days as at 31<sup>st</sup> March 2009.
6. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For Dhawan & Co.  
Chartered Accountants  
Deepak Kapoor  
(Partner)  
No. - 72302

Place : New Delhi  
Dated : July 28, 2009

# ANNUAL ACCOUNTS 2008-09



**Indian Railway Finance Corporation Ltd.**  
(A Government of India Enterprise)





## BALANCE SHEET

### AS AT 31ST MARCH 2009

(Rs. In Lacs)

PARTICULARS	Schedule			As At 31.03.2009			As At 31.03.2008
<b>SOURCES OF FUNDS</b>							
1. Shareholders' Funds							
i. Share Capital	1			50000.00		50000.00	
ii. Share Application Money (Note No. 24; Sch-16)				30000.00		-	
iii. Reserves and Surplus	2			198070.46		192576.46	
				278070.46			242576.46
2. Loan Funds	3						
i. Secured							
- In India		2240248.18			1884459.82		
- Outside India		19776.90	2260025.08		16800.00	1901259.82	
ii. Unsecured							
- In India		124616.00			194750.00		
- Outside India		354229.89	478845.89		313846.95	508596.95	
Total Loan Funds				2738870.97			2409856.77
3. Deferred Tax Liability (Net) (Note No.16; Sch-16)				225655.23			185465.08
<b>Total</b>				<b>3242596.66</b>			<b>2837898.31</b>
<b>APPLICATION OF FUNDS</b>							
4. Fixed Assets	4						
i. Gross Block				1707.61		1700.99	
ii. Less: Depreciation				308.52		280.91	
iii. Net Block				1399.09			1420.08
5. Long Term Loans & Advances (Note No.29; Sch-16)	5			3156191.09			2702551.90
6. Investments	6			199.85			199.85
7. Current Assets, Loans & Advances	7						
i) Current Assets		137302.02			173008.83		
ii) Loans and Advances		42630.74	179932.76		42078.12	215086.95	
8. Less: Current Liabilities & Provisions	8						
i) Current Liabilities		77372.25			61776.58		
ii) Provisions		21163.35	98535.60		19603.89	81380.47	
9. Net Current Assets				81397.16			133706.48
10. Miscellaneous Expenditure (to the extent not written off or adjusted)							
Misc. Expenses				-			20.00
11. Deferred Revenue Expenditure							
Foreign Currency Monetary Item Translation Difference A/c (Note No.4; Sch-16)				3409.47			-
<b>Total</b>				<b>3242596.66</b>			<b>2837898.31</b>
<b>Significant Accounting Policies and Notes on Accounts</b>							
16							
Schedules 1 to 16 form an integral part of the Accounts. This is the Balance Sheet referred to in our Report of even date.							
For DHAWAN & CO. CHARTERED ACCOUNTANTS				For and on behalf of the Board			
Deepak Kapoor Partner M No. 072302 Place : New Delhi Dated : 28th July, 2009		S.K. Ajmani Company Secretary & G. M (Term Loans)		S.K.Kaushik Director (Finance)		R.Kashyap Managing Director	
				Sowmya Raghavan Chairperson			

**PROFIT AND LOSS ACCOUNT**  
FOR THE YEAR ENDED 31ST MARCH 2009

(Rs. In Lacs)

DESCRIPTION	Schedule	Year ended 31.03.2009	Year ended 31.03.2008
<b>INCOME</b>			
Lease Income		272645.17	237433.61
Income on Loans & Deposits		28688.74	20792.82
Income on Investments		7.32	64.47
Exchange Rate Variation Gain		195.85	1405.00
Other Income	9	941.01	2782.57
<b>TOTAL</b>		<b>302478.09</b>	<b>262478.47</b>
<b>EXPENDITURE</b>			
Interest on Bonds and Loans	10	216279.62	181028.42
Lease Rent Paid		18603.45	16749.39
Salary & Other Employee Benefits	11	166.14	95.46
Administrative & Other Expenses	12	464.34	232.59
Bond Servicing Expenses	13	185.38	152.28
Depreciation	4	36.74	41.04
Bond Issue Expenses/Expenses on loans	14	969.25	177.71
<b>TOTAL</b>		<b>236704.92</b>	<b>198476.89</b>
Profit for the Year		65773.17	64001.58
Prior Period Income (Net)	15	(4.44)	(166.73)
<b>PROFIT BEFORE TAX</b>		<b>65768.73</b>	<b>63834.85</b>
Less: PROVISION FOR TAX			
Current Tax		7500.00	7227.00
Tax For Earlier Years		(1.53)	-
Deferred Tax			
-For Current Year		22355.92	14451.07
-For Earlier Years		17828.37	-
Fringe Benefit Tax		6.81	5.45
<b>NET PROFIT AFTER TAX</b>		<b>18079.16</b>	<b>42151.33</b>
<b>APPROPRIATIONS:</b>			
Interim Dividend Paid		10000.00	10000.00
Proposed Final Dividend		-	-
Dividend Tax		1699.50	1699.50
Transfer To General Reserve		1900.00	4216.00
Transfer To Exchange Variation Reserve		1947.00	897.00
Transfer To Bonds Redemption Reserve		2532.66	25338.83
<b>TOTAL</b>		<b>18079.16</b>	<b>42151.33</b>
Basic Earning Per Share - in Rs. (Note No.22; Sch-16)		361.58	843.03
Diluted Earning Per Share - in Rs. (Note No.22; Sch-16)		360.40	843.03
Schedules 1 to 16 form an integral part of the Accounts. This is the Profit and Loss Account referred to in our Report of even date.			
For DHAWAN & CO. CHARTERED ACCOUNTANTS		For and on behalf of the Board	
Deepak Kapoor Partner M No. 072302 Place : New Delhi Dated : 28th July, 2009	S.K. Ajmani Company Secretary & G. M (Term Loans)	S.K.Kaushik Director (Finance)	R.Kashyap Managing Director
		Sowmya Raghavan Chairperson	



**SCHEDULE-1**  
**SHARE CAPITAL**

(Rs. in Lacs)

DESCRIPTION	AS AT 31.03.2009	AS AT 31.03.2008
<b>AUTHORISED</b> 100,00,000 Equity Shares of Rs.1000/-each (Previous Year 100,00,000 Equity Shares of Rs. 1000/- each)	<b>100000.00</b>	100000.00
<b>ISSUED, SUBSCRIBED AND PAID-UP</b> 50,00,000 Equity Shares of Rs.1000/- each (Previous Year 50,00,000 Equity Shares of Rs. 1000/- each)	<b>50000.00</b>	50000.00
<b>TOTAL</b>	<b>50000.00</b>	50000.00

**SCHEDULE-2**  
**RESERVES AND SURPLUS**

(Rs. in Lacs)

DESCRIPTION	AS AT 31.03.2009	AS AT 31.03.2008
<b>AUTHORISED</b>		
<b>1. General Reserve</b>		
Opening Balance	42216.00	38000.00
Less: Transfer to Foreign Currency Monetary Item		
Translation Difference A/c	926.51	-
Add: Amount transferred from Foreign Currency Monetary Item Translation Difference A/c	29.46	-
Add: Adjustment on account of Transitional Provision for Employee Benefits as per AS-15	11.39	-
Add: Addition During the year	1900.00	4216.00
	<b>43230.34</b>	42216.00
<b>2. Exchange Variation Reserve</b>		
Opening Balance	4847.00	3950.00
Add: Addition During the year	1947.00	897.00
	<b>6794.00</b>	4847.00
<b>3. Bonds Redemption Reserve</b>		
Opening Balance	145513.46	120174.63
Add: Addition during the year	2532.66	25338.83
	<b>148046.12</b>	145513.46
<b>TOTAL</b>	<b>198070.46</b>	192576.46



**SCHEDULE-3**  
**LOANS**

(Rs. in Lacs)

DESCRIPTION	AS AT 31.03.2009	AS AT 31.03.2008
<b>1. SECURED LOANS</b>		
<b>LOANS - IN INDIA</b>		
(Secured by first floating charge on all the assets of the Company, ranking pari-passu inter se).		
<b>A. TAXABLE AND TAX- FREE SECURED,REDEEMABLE</b>		
<b>NON-CONVERTIBLE, NON-CUMMULATIVE IRFC RAILWAY BONDS OF Rs. 10,00,000/- EACH (IF NOT OTHERWISE SPECIFIED) ISSUED ON PRIVATE PLACEMENT BASIS FOR CASH AT PAR</b>		
<b>TWELVETH SERIES 10% Taxable - CC Series</b>		
- Redeemable in 10 equal yearly instalments of Rs. 2000 Lacs each starting from 31.03.2004	<b>8000.00</b>	10000.00
	<b>8000.00</b>	10000.00
<b>THIRTEENTH SERIES - 10.5% Tax free</b>		
- Redeemed on 03-09-2008	-	25500.00
10.5% Tax free - A Series		
- Redeemed on 30.03.2009	-	200.00
10% Taxable of Rs. 1000/- each - AA Series		
- Redeemable in 15 equal yearly instalments of Rs.1333.33 lacs starting from 31.03.2000	<b>6666.70</b>	8000.03
	<b>6666.70</b>	33700.03
<b>FIFTEENTH SERIES - 12.90% Taxable</b>		
"I" Series-Redeemed on 22.6.2008	-	1000.00
"J" Series-Redeemable on 22.6.2009	<b>1000.00</b>	1000.00
"K" Series-Redeemable on 22.6.2010	<b>1000.00</b>	1000.00
"L" Series-Redeemable on 22.6.2011	<b>1000.00</b>	1000.00
"M" Series-Redeemable on 22.6.2012	<b>1000.00</b>	1000.00
"N" Series-Redeemable on 22.6.2013	<b>1000.00</b>	1000.00
"O" Series-Redeemable on 22.6.2014	<b>1000.00</b>	1000.00
	<b>6000.00</b>	7000.00
<b>SIXTEENTH SERIES- 12.80% Taxable</b>		
"I" Series-Redeemed on 15.7.2008	-	1000.00
"J" Series-Redeemable on 15.7.2009	<b>1000.00</b>	1000.00
"K" Series-Redeemable on 15.7.2010	<b>1000.00</b>	1000.00
"L" Series-Redeemable on 15.7.2011	<b>1000.00</b>	1000.00
"M" Series-Redeemable on 15.7.2012	<b>1000.00</b>	1000.00
"N" Series-Redeemable on 15.7.2013	<b>1000.00</b>	1000.00
"O" Series-Redeemable on 15.7.2014	<b>1000.00</b>	1000.00
	<b>6000.00</b>	7000.00
<b>SEVENTEENTH SERIES- 9% Tax free</b>		
- Redeemable on 28.2.2015	<b>20000.00</b>	20000.00
<b>TWENTY FIRST SERIES- 11.40% Taxable</b>		
- Redeemable on 27-07-2010	<b>500.00</b>	500.00
<b>TWENTY SECOND SERIES- 11.50% Taxable</b>		
- Redeemable in 14 yearly instalments starting from 28.07.2002	<b>510.00</b>	580.00



**SCHEDULE-3 Contd...**

**LOANS**

**(Rs. in Lacs)**

DESCRIPTION	AS AT 31.03.2009	AS AT 31.03.2008
TWENTY SIXTH SERIES- 7.75% Taxfree - Redeemable on 26-03-2011	<b>4500.00</b>	4500.00
TWENTY SEVENTH SERIES- 7.75% Taxfree - Redeemable on 30-03-2011	<b>2500.00</b>	2500.00
THIRTY SECOND SERIES- 8.29% Taxable - Redeemable in 5 yearly instalments of Rs.10000 Lacs starting from 20.8.2007	<b>30,000.00</b>	40,000.00
THIRTY THIRD SERIES- 10.45% Taxable "G" Series-Redeemed on 13-9-2008	-	990.00
"H" Series-Redeemable on 13-9-2009	<b>990.00</b>	990.00
"I" Series-Redeemable on 13-9-2010	<b>990.00</b>	990.00
"J" Series-Redeemable on 13-9-2011	<b>990.00</b>	990.00
"K" Series-Redeemable on 13-9-2012	<b>990.00</b>	990.00
"L" Series-Redeemable on 13-9-2013	<b>990.00</b>	990.00
"M" Series-Redeemable on 13-9-2014	<b>990.00</b>	990.00
"N" Series-Redeemable on 13-9-2015	<b>990.00</b>	990.00
"O" Series-Redeemable on 13-9-2016	<b>990.00</b>	990.00
	<b>7920.00</b>	8910.00
THIRTY FOURTH SERIES- 9.95% Taxable "E" Series-Redeemed on 13-9-2008	-	540.00
"F" Series-Redeemable on 13-9-2009	<b>540.00</b>	540.00
"G" Series-Redeemable on 13-9-2010	<b>540.00</b>	540.00
"H" Series-Redeemable on 13-9-2011	<b>540.00</b>	540.00
	<b>1620.00</b>	2160.00
THIRTY SEVENTH SERIES- 8.40% Taxable -Redeemed on 27-03-2009	-	4100.00
THIRTY EIGHTH SERIES- 8.90% Taxable -Redeemed on 27-03-2009	-	3620.00
FORTY SECOND A TO O SERIES- 8% Taxable "F" Series-Redeemed on 29.8.2008	-	1000.00
"G" Series-Redeemable on 29.8.2009	<b>1000.00</b>	1000.00
"H" Series-Redeemable on 29.8.2010	<b>1000.00</b>	1000.00
"I" Series-Redeemable on 29.8.2011	<b>1000.00</b>	1000.00
"J" Series-Redeemable on 29.8.2012	<b>1000.00</b>	1000.00
"K" Series-Redeemable on 29.8.2013	<b>1000.00</b>	1000.00
"L" Series-Redeemable on 29.8.2014	<b>1000.00</b>	1000.00
"M" Series-Redeemable on 29.8.2015	<b>1000.00</b>	1000.00
"N" Series-Redeemable on 29.8.2016	<b>1000.00</b>	1000.00
"O" Series-Redeemable on 29.8.2017	<b>1000.00</b>	1000.00
	<b>9000.00</b>	10000.00
FORTY THIRD "A" TO "J" SERIES- 6.90% Taxable "F" Series-Redeemed on 29.10.2008	-	500.00
"G" Series-Redeemable on 29.10.2009	<b>500.00</b>	500.00
"H" Series-Redeemable on 29.10.2010	<b>500.00</b>	500.00

SCHEDULE-3 Contd...

LOANS

(Rs. in Lacs)

DESCRIPTION	AS AT 31.03.2009	AS AT 31.03.2008
"I" Series-Redeemable on 29.10.2011	500.00	500.00
"J" Series-Redeemable on 29.10.2012	500.00	500.00
	<b>2000.00</b>	2500.00
<b>FORTY THIRD "AA" TO "OO" SERIES- 7.63% Taxable</b>		
"FF" Series-Redeemed on 29.10.2008	-	3000.00
"GG" Series-Redeemable on 29.10.2009	3000.00	3000.00
"HH" Series-Redeemable on 29.10.2010	3000.00	3000.00
"II" Series-Redeemable on 29.10.2011	3000.00	3000.00
"JJ" Series-Redeemable on 29.10.2012	3000.00	3000.00
"KK" Series-Redeemable on 29.10.2013	3000.00	3000.00
"LL" Series-Redeemable on 29.10.2014	3000.00	3000.00
"MM" Series-Redeemable on 29.10.2015	3000.00	3000.00
"NN" Series-Redeemable on 29.10.2016	3000.00	3000.00
"OO" Series-Redeemable on 29.10.2017	3000.00	3000.00
	<b>27000.00</b>	30000.00
<b>FORTY FOURTH AA TO JJ SERIES- 6.98% Taxable</b>		
"FF" Series-Redeemed on 31.3.2009	-	2300.00
"GG" Series-Redeemable on 31.3.2010	2300.00	2300.00
"HH" Series-Redeemable on 31.3.2011	2300.00	2300.00
"II" Series-Redeemable on 31.3.2012	2300.00	2300.00
"JJ" Series-Redeemable on 31.3.2013	2300.00	2300.00
	<b>9200.00</b>	11500.00
<b>FORTY FIFTH A TO E SERIES- 6.10% Taxable</b>		
"C" Series-Redeemed on 13.5.2008	-	7900.00
"D" Series-Redeemable on 13.5.2010	7900.00	7900.00
"E" Series-Redeemable on 13.5.2013	7900.00	7900.00
	<b>15800.00</b>	23700.00
<b>FORTY FIFTH AA TO OO SERIES- 6.39% Taxable</b>		
"EE" Series-Redeemed on 13.5.2008	-	700.00
"FF" Series-Redeemable on 13.5.2009	700.00	700.00
"GG" Series-Redeemable on 13.5.2010	700.00	700.00
"HH" Series-Redeemable on 13.5.2011	700.00	700.00
"II" Series-Redeemable on 13.5.2012	700.00	700.00
"JJ" Series-Redeemable on 13.5.2013	700.00	700.00
"KK" Series-Redeemable on 13.5.2014	700.00	700.00
"LL" Series-Redeemable on 13.5.2015	700.00	700.00
"MM" Series-Redeemable on 13.5.2016	700.00	700.00
"NN" Series-Redeemable on 13.5.2017	700.00	700.00
"OO" Series-Redeemable on 13.5.2018	700.00	700.00
	<b>7000.00</b>	7700.00





**SCHEDULE-3 Contd...**

**LOANS**

**(Rs. in Lacs)**

DESCRIPTION	AS AT 31.03.2009	AS AT 31.03.2008
FORTY SIXTH SERIES- 5.89% Taxable -Redeemable on 12.8.2008	-	45000.00
FORTY SIXTH A TO O SERIES- 6.25% Taxable		
"E" Series-Redeemed on 12.8.2008	-	1300.00
"F" Series-Redeemable on 12.8.2009	1300.00	1300.00
"G" Series-Redeemable on 12.8.2010	1300.00	1300.00
"H" Series-Redeemable on 12.8.2011	1300.00	1300.00
"I" Series-Redeemable on 12.8.2012	1300.00	1300.00
"J" Series-Redeemable on 12.8.2013	1300.00	1300.00
"K" Series-Redeemable on 12.8.2014	1300.00	1300.00
"L" Series-Redeemable on 12.8.2015	1300.00	1300.00
"M" Series-Redeemable on 12.8.2016	1300.00	1300.00
"N" Series-Redeemable on 12.8.2017	1300.00	1300.00
"O" Series-Redeemable on 12.8.2018	1300.00	1300.00
	<b>13000.00</b>	<b>14300.00</b>
FORTY SIXTH AA TO EE SERIES- 6.20% Taxable		
"BB" Series-Redeemed on 12.8.2008	-	2500.00
"CC" Series-Redeemable on 12.8.2010	2500.00	2500.00
"DD" Series-Redeemable on 12.8.2013	2500.00	2500.00
"EE" Series-Redeemable on 12.8.2018	2500.00	2500.00
	<b>7500.00</b>	<b>10000.00</b>
FORTY SIXTH AAA TO JJJ SERIES- 5.99% Taxable		
"EEE" Series-Redeemed on 12.8.2008	-	1500.00
"FFF" Series-Redeemable on 12.8.2009	1500.00	1500.00
"GGG" Series-Redeemable on 12.8.2010	1500.00	1500.00
"HHH" Series-Redeemable on 12.8.2011	1500.00	1500.00
"III" Series-Redeemable on 12.8.2012	1500.00	1500.00
"JJJ" Series-Redeemable on 12.8.2013	1500.00	1500.00
	<b>7500.00</b>	<b>9000.00</b>
FORTY SEVENTH SERIES- 4.77% Taxfree -Redeemed on 8.3.2009	-	5000.00
FORTY SEVENTH A TO O SERIES- 5.99% Taxable		
"E" Series-Redeemed on 26.3.2009	-	1000.00
"F" Series-Redeemable on 26.3.2010	1000.00	1000.00
"G" Series-Redeemable on 26.3.2011	1000.00	1000.00
"H" Series-Redeemable on 26.3.2012	1000.00	1000.00
"I" Series-Redeemable on 26.3.2013	1000.00	1000.00
"J" Series-Redeemable on 26.3.2014	1000.00	1000.00
"K" Series-Redeemable on 26.3.2015	1000.00	1000.00
"L" Series-Redeemable on 26.3.2016	1000.00	1000.00
"M" Series-Redeemable on 26.3.2017	1000.00	1000.00
"N" Series-Redeemable on 26.3.2018	1000.00	1000.00
"O" Series-Redeemable on 26.3.2019	1000.00	1000.00
	<b>10000.00</b>	<b>11000.00</b>

SCHEDULE-3 Contd...

LOANS

(Rs. in Lacs)

DESCRIPTION	AS AT 31.03.2009	AS AT 31.03.2008
<b>FORTY EIGHTH A TO H SERIES- 6.85% Taxable</b>		
"B" Series-Redeemed on 14.9.2008	-	2960.00
"C" Series-Redeemable on 14.9.2009	2960.00	2960.00
"D" Series-Redeemable on 14.9.2010	2960.00	2960.00
"E" Series-Redeemable on 14.9.2011	2960.00	2960.00
"F" Series-Redeemable on 14.9.2012	2960.00	2960.00
"G" Series-Redeemable on 14.9.2013	2960.00	2960.00
"H" Series-Redeemable on 14.9.2014	2960.00	2960.00
	<b>17760.00</b>	<b>20720.00</b>
<b>FORTY EIGHTH AA TO JJ SERIES- 6.85% Taxable</b>		
"AA" Series-Redeemable on 17.9.2010	5000.00	5000.00
"BB" Series-Redeemable on 17.9.2011	5000.00	5000.00
"CC" Series-Redeemable on 17.9.2012	5000.00	5000.00
"DD" Series-Redeemable on 17.9.2013	5000.00	5000.00
"EE" Series-Redeemable on 17.9.2014	5000.00	5000.00
"FF" Series-Redeemable on 17.9.2015	5000.00	5000.00
"GG" Series-Redeemable on 17.9.2016	5000.00	5000.00
"HH" Series-Redeemable on 17.9.2017	5000.00	5000.00
"II" Series-Redeemable on 17.9.2018	5000.00	5000.00
"JJ" Series-Redeemable on 17.9.2019	5000.00	5000.00
	<b>50000.00</b>	<b>50000.00</b>
<b>FORTY NINTH A TO O SERIES- Floating Rate Taxable</b>		
"C" Series-Redeemed on 22.6.2008	-	1000.00
"D" Series-Redeemable on 22.6.2009	1000.00	1000.00
"E" Series-Redeemable on 22.6.2010	1000.00	1000.00
"F" Series-Redeemable on 22.6.2011	1000.00	1000.00
"G" Series-Redeemable on 22.6.2012	1000.00	1000.00
"H" Series-Redeemable on 22.6.2013	1000.00	1000.00
"I" Series-Redeemable on 22.6.2014	1000.00	1000.00
"J" Series-Redeemable on 22.6.2015	1000.00	1000.00
"K" Series-Redeemable on 22.6.2016	1000.00	1000.00
"L" Series-Redeemable on 22.6.2017	1000.00	1000.00
"M" Series-Redeemable on 22.6.2018	1000.00	1000.00
"N" Series-Redeemable on 22.6.2019	1000.00	1000.00
"O" Series-Redeemable on 22.6.2020	1000.00	1000.00
	<b>12000.00</b>	<b>13000.00</b>
<b>FORTY NINTH SERIES- Floating Rate Taxable</b>		
Redeemable on 22.6.2010	35000.00	35000.00
<b>FIFTIETH SERIES- Floating Rate Taxable</b>		
Redeemable on 25.8.2010	35000.00	35000.00
<b>FIFTY FIRST SERIES- 7.74% Taxable</b>		
Redeemable on 22.12.2020	45000.00	45000.00
<b>FIFTY SECOND A SERIES-8.41% Taxable</b>		
Redeemable on 17.05.2016	11000.00	11000.00



SCHEDULE-3 Contd...

LOANS

(Rs. in Lacs)

DESCRIPTION	AS AT 31.03.2009	AS AT 31.03.2008
FIFTY SECOND B SERIES-8.64% Taxable Redeemable on 17.05.2021	70000.00	70000.00
FIFTY THIRD SERIES-8.34% Taxable Redeemable on 29.11.2011	5000.00	5000.00
FIFTY THIRD A SERIES-8.57% Taxable Redeemable on 29.11.2016	12500.00	12500.00
FIFTY THIRD B SERIES-8.68% Taxable Redeemable on 29.11.2021	22500.00	22500.00
FIFTY THIRD C SERIES-8.75% Taxable Redeemable on 29.11.2026	41000.00	41000.00
FIFTY FOURTH SERIES-9.81% Taxable Redeemable on 07.06.2017	22000.00	22000.00
FIFTY FOURTH A SERIES-9.95% Taxable Redeemable on 07.06.2022	15000.00	15000.00
FIFTY FOURTH B SERIES-10.04% Taxable Redeemable on 07.06.2027	32000.00	32000.00
FIFTY FIFTH A TO O SERIES-9.86% Taxable		
"A" Series-Redeemed on 07.06.2008	-	3800.00
"B" Series-Redeemable on 07.06.2009	3300.00	3300.00
"C" Series-Redeemable on 07.06.2010	3300.00	3300.00
"D" Series-Redeemable on 07.06.2011	3300.00	3300.00
"E" Series-Redeemable on 07.06.2012	3300.00	3300.00
"F" Series-Redeemable on 07.06.2013	3300.00	3300.00
"G" Series-Redeemable on 07.06.2014	3300.00	3300.00
"H" Series-Redeemable on 07.06.2015	3300.00	3300.00
"I" Series-Redeemable on 07.06.2016	3300.00	3300.00
"J" Series-Redeemable on 07.06.2017	3300.00	3300.00
"K" Series-Redeemable on 07.06.2018	3300.00	3300.00
"L" Series-Redeemable on 07.06.2019	3300.00	3300.00
"M" Series-Redeemable on 07.06.2020	3300.00	3300.00
"N" Series-Redeemable on 07.06.2021	3300.00	3300.00
"O" Series-Redeemable on 07.06.2022	3300.00	3300.00
	46200.00	50000.00
FIFTY SIXTH SERIES-9.76% Taxable Redeemable on 03.07.2012	42500.00	42500.00
FIFTY SIXTH A TO C SERIES-9.68% Taxable		
"A" Series-Redeemed on 03.07.2008	-	27500.00
"B" Series-Redeemable on 03.07.2010	27500.00	27500.00
"C" Series-Redeemable on 03.07.2012	27500.00	27500.00
	55000.00	82500.00
FIFTY SEVENTH SERIES-9.66% Taxable		
1st -Redeemable on 28.09.2018	20000.00	20000.00
2nd -Redeemable on 28.09.2019	20000.00	20000.00
3rd -Redeemable on 28.09.2020	20000.00	20000.00



SCHEDULE-3 Contd...

LOANS

(Rs. in Lacs)

DESCRIPTION	AS AT 31.03.2009	AS AT 31.03.2008
4th -Redeemable on 28.09.2021	20000.00	20000.00
5th -Redeemable on 28.09.2022	20000.00	20000.00
	<b>100000.00</b>	100000.00
FIFTY EIGHTH SERIES-8.83% Taxable Redeemable on 29.10.2012	20000.00	20000.00
FIFTY EIGHTH A SERIES-9.20% Taxable Redeemable on 29.10.2022	50000.00	50000.00
FIFTY NINTH SERIES-8.69% Taxable Redeemable on 07.01.2011	23000.00	23000.00
FIFTY NINTH A SERIES-8.75% Taxable Redeemable on 07.01.2013	82500.00	82500.00
SIXTIETH SERIES-9.43% Taxable Redeemable on 23.05.2018	60400.00	-
SIXTY FIRST SERIES-10.60% Taxable Redeemable on 11.09.2018	85500.00	-
SIXTY FIRST A SERIES-10.70% Taxable Redeemable on 11.09.2023	61500.00	-
SIXTY SECOND SERIES-8.40% Taxable Redeemable on 26.12.2013	10000.00	-
SIXTY SECOND A SERIES-8.45% Taxable Redeemable on 26.12.2013	50000.00	-
SIXTY SECOND B SERIES-8.50% Taxable Redeemable on 26.12.2023	28500.00	-
SIXTY THIRD SERIES-8.46% Taxable Redeemable on 15.01.2014	83000.00	-
SIXTY THIRD A SERIES-8.55% Taxable Redeemable on 15.01.2019	170500.00	-
SIXTY THIRD B SERIES-8.65% Taxable Redeemable on 15.01.2023	31500.00	-
SIXTY FOURTH SERIES-8.49% Taxable Redeemable on 30.03.2014	18200.00	-
<b>Total (A)</b>	<b>1646276.70</b>	<b>1204490.03</b>
<b>B. (i) LONG TERM LOANS FROM BANKS</b>		
- Allahabad Bank	53833.59	56499.59
- Andhra Bank	51840.00	57006.00
- Bank of India	-	2000.00
- Bank of Maharashtra	37500.00	37500.00
- Bank Of Tokyo - Mitsubishi Ufj Ltd	10500.00	13500.00
- Canara Bank	19987.67	23987.67
- Central Bank of India	77975.00	81645.00
- Centurion Bank of Punjab Ltd.	1100.00	1300.00
- Corporation Bank	17347.00	21679.00
- Dena Bank	8238.00	11418.00
- Development Credit Bank Ltd.	781.25	1093.75



SCHEDULE-3 Contd...

LOANS

(Rs. in Lacs)

DESCRIPTION	AS AT 31.03.2009	AS AT 31.03.2008
- Federal Bank Ltd.	1000.00	3000.00
- ICICI Bank Ltd.	25000.00	28846.15
- IDBI Ltd.	16333.72	25793.72
- Indian Bank	2500.00	4750.00
- Indian Overseas Bank	3007.00	4173.00
- Oriental Bank of Commerce	3708.33	4242.33
- Punjab & Sind Bank	3340.00	4006.00
- Punjab National Bank	16513.00	21845.00
- State Bank of Bikaner & Jaipur	3250.00	4750.00
- State Bank of Hyderabad	24361.00	28362.00
- State Bank of India	9000.00	20000.00
- State Bank of Indore	6125.00	7075.00
- State Bank of Mysore	5000.00	5500.00
- State Bank of Patiala	25300.07	27300.73
- State Bank of Saurashtra	9000.00	11100.00
- State Bank of Travancore	22953.85	25553.85
- Syndicate Bank	12787.00	17339.00
- The Jammu & Kashmir Bank Ltd.	3673.00	4339.00
- UCO Bank	20000.00	20000.00
- Union Bank of India	4000.00	12000.00
- United Bank of India	45010.00	52342.00
- Vijaya Bank	3007.00	3673.00
<b>Total B (i)</b>	<b>543971.48</b>	<b>643619.79</b>
<b>B. (ii) SHORT TERM LOANS FROM BANKS</b>		
- Punjab & Sind Bank	35000.00	-
- United Bank of India	15000.00	-
- South Indian Bank	-	350.00
- The Jammu & Kashmir Bank Ltd.	-	9000.00
- Vijaya Bank	-	27000.00
<b>Total B (ii)</b>	<b>50000.00</b>	<b>36350.00</b>
<b>Total (B) [B(i)+B(ii)]</b>	<b>593971.48</b>	<b>679969.79</b>
<b>TOTAL (A) + (B)</b>	<b>2240248.18</b>	<b>1884459.82</b>
(Repayable within one year Rs 121532 Lacs; Previous Year Rs 135997 Lacs)		
<b>LOANS - OUTSIDE INDIA</b>		
<b>C. (Secured by first floating charge on all the assets of the Company, ranking pari-passu inter se)</b>		
Foreign Currency Loan - Bank of India	19776.90	16800.00
<b>TOTAL (C)</b>	<b>19776.90</b>	<b>16800.00</b>
<b>(i) TOTAL (A) + (B) + (C)</b>	<b>2260025.08</b>	<b>1901259.82</b>

SCHEDULE-3 Contd...

LOANS

(Rs. in Lacs)

DESCRIPTION	AS AT 31.03.2009	AS AT 31.03.2008
<b>2. UNSECURED LOANS</b>		
<b>A. LOANS - IN INDIA</b>		
<b>SHORT TERM LOANS</b>		
From Banks		
- Corporation Bank	39084.00	25000.00
- Bank of Maharashtra	10096.00	10000.00
- Vijaya Bank	13396.00	39500.00
- State Bank of Hyderabad	10740.00	-
- Bank of India	-	25000.00
- State Bank of Indore	-	20000.00
- Indian Overseas Bank	10000.00	10000.00
- IndusInd Bank	4300.00	-
- Dena Bank	13500.00	15250.00
- Syndicate Bank	-	50000.00
- Union Bank of India	13500.00	-
	<b>114616.00</b>	<b>194750.00</b>
From Others		
- RITES Ltd	10000.00	-
	<b>10000.00</b>	<b>0.00</b>
<b>TOTAL (A)</b>	<b>124616.00</b>	<b>194750.00</b>
<b>B. LOANS - OUTSIDE INDIA</b>		
Syndicated Japanese Yen Loan (Note No.8; Sch-16) (Guaranteed by Government of India)	-	1775.80
Syndicated Japanese Yen Loan (JPY14.72 Bn)	63387.50	50000.00
Export Development Canada-Line of Credit	9216.95	11218.74
Syndicated Foreign Currency Loan (US \$ 75 Million)	-	-
Syndicated Foreign Currency Loan (US \$ 80 Million)	-	34936.00
Syndicated Foreign Currency Loan (US \$ 100 Million)	43570.00	43570.00
KfW, Germany-Line of Credit	2640.16	3706.13
1.43%, Euro-YEN Bonds-2010 (JPY 13 Bn.)	53728.49	53728.49
1.85%, JPY denominated Bonds-2009 (JPY 2.65 Bn.)	12677.50	10000.00
JPY-15 Bn. Samurai Bonds - 2012	54911.79	54911.79
US PP Bonds 2017	63387.50	50000.00
Syndicated Foreign Currency Loan (US \$ 100 Million) 2008	50710.00	-
<b>TOTAL (B)</b>	<b>354229.89</b>	<b>313846.95</b>
<b>(ii) TOTAL (A) + (B)</b>	<b>478845.89</b>	<b>508596.95</b>
<b>TOTAL (i)+(ii)</b>	<b>2738870.96</b>	<b>2409856.77</b>





**SCHEDULE-4**  
**FIXED ASSETS**

(Rs. in Lacs)

S. No.	DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 1.4.08	Additions during the year	Sale / Adjust-ment during the year	As at 31.3.09	Upto 31.3.08	For the Year	Adjust-ments during the year	As at 31.3.09	As at 31.3.09	As at 31.3.08
1.	Office Building	1524.23	0.00	0.00	1524.23	175.43	24.85	0.00	200.28	1323.95	1348.80
2.	Airconditioners, Room Coolers / Heaters	17.29	0.73	0.00	18.02	5.81	0.85	0.00	6.66	11.36	11.48
3.	Office Equipments	13.77	1.30	0.02	15.05	4.65	0.75	0.39	5.01	10.04	9.12
4.	Furniture & Fixtures	82.19	0.00	0.00	82.19	38.94	5.16	0.01	44.09	38.10	43.25
5.	Franking Machine	1.30	0.68	1.30	0.68	0.61	0.03	0.61	0.03	0.65	0.69
6.	Computer	50.76	5.23	0.00	55.99	49.93	4.48	7.92	46.49	9.50	0.83
7.	Motor Car	7.01	0.00	0.00	7.01	4.71	0.41	0.20	4.92	2.09	2.30
8.	Photo Copier	2.35	0.00	0.00	2.35	0.32	0.11	0.00	0.43	1.92	2.04
9.	Water Cooler	0.29	0.00	0.00	0.29	0.08	0.01	0.00	0.09	0.20	0.21
10.	Electric-Installation	1.80	0.00	0.00	1.80	0.43	0.09	0.00	0.52	1.28	1.37
	<b>Total</b>	<b>1700.99</b>	<b>7.94</b>	<b>1.32</b>	<b>1707.61</b>	<b>280.91</b>	<b>36.74</b>	<b>9.13</b>	<b>308.52</b>	<b>1399.09</b>	<b>1420.08</b>
	Previous Year	1697.92	5.04	1.97	1700.99	240.76	41.04	0.89	280.91	1420.08	-

**SCHEDULE-5**

**LONG TERM LOAN & ADVANCES**

(Rs. in Lacs)

DESCRIPTION	AS AT 31.03.2009	AS AT 31.03.2008
Lease Receivable from Ministry of Railways	2954844.40	2507528.63
Lease Rentals Paid in Advance (Note No. 12(a); Schedule-16)	40348.06	58951.51
<b>LONG TERM LOANS</b>		
- Pipavav Railway Corporation Ltd. (Secured)	2566.63	3079.96
- Ministry of Finance(Guaranteed by Govt. of India)	-	1775.80
- RailTel Corpn. Of India Ltd. (Unsecured, considered good)	8332.00	10416.00
- Rail Vikas Nigam Ltd. (Unsecured, considered good)	150100.00	120800.00
<b>Total</b>	<b>3156191.09</b>	<b>2702551.90</b>

**SCHEDULE-6**

**INVESTMENTS**

(Rs. in Lacs)

DESCRIPTION	AS AT 31.03.2009	AS AT 31.03.2008
<b>LONG TERM (at Cost)</b>		
Unquoted - Non Trade		
- 24,400 (P.Y. 24,400) Equity Shares of Rs. 10/- each fully paid up of IRCON International Ltd.	199.85	199.85
<b>Total</b>	<b>199.85</b>	<b>199.85</b>
Aggregate value of Unquoted Investments	199.85	199.85

**SCHEDULE-7**  
**CURRENT ASSETS, LOANS & ADVANCES**

(Rs. in Lacs)

DESCRIPTION	AS AT 31.03.2009	AS AT 31.03.2008
<b>A. CURRENT ASSETS</b>		
1. Cash & Bank Balances		
(a) Balance in Franking Machine	0.19	0.09
(b) Deposit with Reserve Bank of India	1.02	1.02
- In Public Deposit A/c.		
(c) Balance with Scheduled Banks - In India		
- In Term Deposit Account		
Corporation Bank	75.00	-
Canara Bank	45100.00	-
Development Credit Bank Ltd.	5000.00	5000.00
Jammu & Kashmir Bank Ltd.	-	10000.00
UCO Bank	-	30000.00
ICICI Bank Ltd.	5000.00	-
South Indian Bank Ltd.	-	10000.00
State Bank of Indore	12533.00	-
The Federal Bank Ltd.	5000.00	5000.00
IndusInd Bank Ltd.	4967.00	5000.00
IDBI Bank Ltd.	-	30000.00
HDFC Bank Ltd.	5000.00	-
Vijaya Bank	-	50000.00
Indian Overseas Bank	12400.00	-
Andhra Bank	5000.00	-
- In Current Account		
State Bank of India	0.05	0.05
Corporation Bank	17.04	2.42
Indian Bank	2.71	2.70
State Bank of Travancore	0.21	0.21
Vijaya Bank	18.94	2.01
Indian Overseas Bank	4.92	1.35
Bank of India	0.23	0.23
- In Intt./Redmn. A/cs (Note no.14(a); Sch-16) (as per Contra)	1153.68	5209.33
	<b>101273.99</b>	<b>150219.41</b>
2. Interest Accrued on Loans and Deposits	36028.03	22789.42
<b>TOTAL (A)</b>	<b>137302.02</b>	<b>173008.83</b>



**SCHEDULE-7 Contd....**

**CURRENT ASSETS, LOANS & ADVANCES**

**(Rs. in Lacs)**

DESCRIPTION	AS AT 31.03.2009	AS AT 31.03.2008
<b>B. LOANS &amp; ADVANCES (Unsecured considered good)</b>		
(i) Indian Railways -		
- Recoverable on account of Exchange Rate Variation	21950.84	-9704.26
- Advance for Assets Acquisition	-7950.30	425.01
- Indian Railways Running Account	-354.17	19751.56
	<b>13646.37</b>	<b>10472.31</b>
(ii) Advance to Corporation Bank	-	2000.00
(iii) Bridge Loan to Rail Land Development Authority	-	6600.00
(iv) Advances recoverable in cash or in kind or for value to be received		
(a) Security Deposits	9.06	9.06
(b) Advance to FA & CAO, Northern Railway, for Residential flats	253.01	253.01
(c) Interest Restructuring Advance to LIC (Note No.23(a); Sch-16)	362.53	564.05
(d) Interest Restructuring Advance to IDBI (Note No.23(b);Sch-16)	194.33	302.48
(e) House Building Advance (Secured by Mortgage of House)	1.40	1.52
(f) Amount recoverable from others	70.14	151.08
(g) Income tax paid including tax deducted at source	26744.79	21724.61
(h) Interest recoverable from IT Deptt. (Note No.25; Sch-16)	1349.11	-
<b>TOTAL (B)</b>	<b>42630.74</b>	<b>42078.12</b>
<b>TOTAL (A)+(B)</b>	<b>179932.76</b>	<b>215086.95</b>



**SCHEDULE-8****CURRENT LIABILITIES AND PROVISIONS****(Rs. in Lacs)**

DESCRIPTION	AS AT 31.03.2009	AS AT 31.03.2008
<b>A. CURRENT LIABILITIES</b>		
1. Interest Accrued but not due on Bonds	59074.03	44131.47
2. Interest Accrued but not due on Term Loans	6252.17	7936.43
3. Interest Accrued but not due on Foreign Currency Loans	2031.49	1406.70
4. Other Liabilities	739.72	670.56
5. Payable to Others	1067.47	921.07
6. Tax Deducted at Source - Payable	622.67	1501.02
7. Assets Securitisation gain-unamortised amount (Note No.15;Sch-16)	6431.02	-
8. Liability on account of unclaimed Intt./Redmn. A/cs	1153.68	5209.33
<b>TOTAL (A)</b>	<b>77372.25</b>	<b>61776.58</b>
<b>B. PROVISIONS</b>		
1. Income Tax	21100.99	17843.91
2. Proposed Final Dividend	-	-
3. Dividend Tax	-	1699.50
4. Fringe Benefit Tax	18.96	16.32
5. Gratuity	22.52	18.84
6. Leave Encashment	20.88	25.32
<b>TOTAL (B)</b>	<b>21163.35</b>	<b>19603.89</b>
<b>TOTAL (A)+(B)</b>	<b>98535.60</b>	<b>81380.47</b>

**SCHEDULE-9****OTHER INCOME****(Rs. in Lacs)**

DESCRIPTION	YEAR ENDED 31.03.2009	YEAR ENDED 31.03.2008
Miscellaneous Income	4.29	4.16
Gain on securitisation / assignment of lease receivables	936.72	2778.41
<b>TOTAL</b>	<b>941.01</b>	<b>2782.57</b>

**SCHEDULE-10****INTEREST ON BONDS AND LOANS****(Rs. in Lacs)**

DESCRIPTION	YEAR ENDED 31.03.2009	YEAR ENDED 31.03.2008
Interest on Bonds - Non Cumulative	119454.65	85989.00
Interest on Rupee Loans	70516.05	74943.18
Interest on Foreign Currency Loans (Including Swap Cost)	19620.24	19749.96
Interest to Indian Railways	6688.68	346.28
<b>TOTAL</b>	<b>216279.62</b>	<b>181028.42</b>



**SCHEDULE-11**  
**SALARY & OTHER EMPLOYEE BENEFITS**

(Rs. in Lacs)

DESCRIPTION	YEAR ENDED 31.03.2009	YEAR ENDED 31.03.2008
Basic Pay	44.49	26.39
Dearness Allowance	14.88	16.85
City Compensatory Allowance	0.49	0.54
Hindi Allowance	0.11	0.06
House Rent Allowance	3.75	2.68
Children Education Allowance / Assistance	1.48	1.93
Employer's Contribution to P.F.	8.18	4.30
Performance Related Pay / Incentive	22.93	8.41
Gratuity	8.57	3.02
Medical Allowance / Reimbursement	4.60	3.19
Leave Travel Assistance	0.80	0.14
Leave Encashment	8.37	10.57
Self Leased Accomodation / Leased Accomodation	6.79	5.47
Arrears of Salary (from 01.01.2007 to 31.03.2008)	28.88	4.95
Foreign Service Contribution	8.10	2.11
Attendant / Washing Allowance	2.12	2.07
Staff Welfare	0.89	2.39
Transport Allowance	0.05	-
Electricity Charges / News Paper Charges Reimbursement	0.66	0.39
<b>TOTAL</b>	<b>166.14</b>	<b>95.46</b>

**SCHEDULE-12**  
**ADMINISTRATIVE & OTHER EXPENSES**

(Rs. in Lacs)

DESCRIPTION	YEAR ENDED 31.03.2009	YEAR ENDED 31.03.2008
Filing Fee	0.10	0.03
Legal & Professional Charges	57.65	43.69
Advertisement & Publicity	18.53	13.65
Printing & Copying Charges	2.49	3.45
Stationery Charges	5.28	4.23
News Paper, Books & Periodicals	0.68	0.32
Conveyance Expenses	8.00	6.49
Travelling - Local		
- Directors	10.37	8.64
- Others	11.64	9.41
Travelling - Foreign		
- Directors	30.27	4.82
- Others	6.10	5.85
Transport Hire Charges	22.30	21.64
Office Maintenance Expenses	22.91	24.84
Vehicle Running & Maintenance	2.54	1.67
Office Equipment Maintenance	6.34	7.50
Electricity Charges	9.54	9.77
Loss on Sale of Fixed Assets	0.61	0.95
Postage Charges	2.23	1.65
Telephone Charges	8.24	8.16
Training Expenses	4.95	4.44
Honorarium	0.01	-
Bank Charges	0.36	0.01
Payment to Auditors		
- Audit Fees	2.48	3.37
- Tax Audit Fee	0.83	1.04
- Certification etc.	3.25	4.35
- Reimbursement of Expenses	0.31	0.08
Miscellaneous Expenses	20.70	25.30
Insurance	0.25	0.10
Fees & Subscription	2.21	8.03
Sponsorship/Donation	200.75	6.55
Salary & Stipend	0.10	-
Ground Rent	1.01	1.24
Property Tax	1.31	1.31
<b>TOTAL</b>	<b>464.34</b>	<b>232.59</b>





**SCHEDULE-13**  
**BOND SERVICING EXPENSES**

(Rs. in Lacs)

DESCRIPTION	YEAR ENDED 31.03.2009	YEAR ENDED 31.03.2008
Listing Fee	8.36	7.65
Bond Holder Trustee Fee	36.33	34.33
Surveillance/Rating Fee	128.06	97.35
Registrar Fee	8.56	9.98
Postage & Telegram Charges	2.44	1.32
Printing & Copying Charges	-	0.14
Other Expenses	1.63	1.51
<b>TOTAL</b>	<b>185.38</b>	<b>152.28</b>

**SCHEDULE-14**  
**BOND ISSUE EXPENSES/ EXPENSES ON LOANS**

(Rs. in Lacs)

DESCRIPTION	YEAR ENDED 31.03.2009	YEAR ENDED 31.03.2008
A. Bond Issue Expenses		
Rating Fee	67.98	103.84
<b>TOTAL (A)</b>	<b>67.98</b>	<b>103.84</b>
B. Expenses on Foreign Currency Loans		
- Underwriting / Arranger Fee	851.46	-
- Out of Pocket Expenses	15.57	-
- Other Expenses	25.52	73.87
<b>TOTAL (B)</b>	<b>892.55</b>	<b>73.87</b>
C. Expenses on Securitisation		
- Legal & Professional Charges	2.00	-
- Rating Fees	4.41	-
- Stamping Fees	1.02	-
- Registrar Fees	0.68	-
- Trusteeship Fee	0.61	-
<b>TOTAL (C)</b>	<b>8.72</b>	<b>-</b>
<b>TOTAL (A+B+C)</b>	<b>969.25</b>	<b>177.71</b>

**SCHEDULE-15**  
**PRIOR PERIOD ADJUSTMENTS**

(Rs. in Lacs)

DESCRIPTION	YEAR ENDED 31.03.2009	YEAR ENDED 31.03.2008
<b>INCOME</b>		
Interest on Housing Building Advances	0.36	-
<b>TOTAL (A)</b>	<b>0.36</b>	<b>-</b>
<b>EXPENDITURE</b>		
Interest on Bonds / Foreign Currency Loans	(10.96)	-
Bond Servicing - Surveillance	2.30	-
Depreciation	(8.26)	-
Loss on Sale of Fixed Assets	(0.23)	-
Office Equipment Repair & Maintenance Expenses	-	0.02
Processing Agent Fee	-	0.55
Legal & Professional	1.35	11.87
Registrar Fee	0.13	-
Rating Fee	-	17.24
News Paper, Books & Periodicals	-	0.01
Gifts	0.37	-
Transport Hire Charges	-	(0.15)
Payment to Auditors - Tax Audit Fee	0.09	-
Filing Fee-ROC for increase in Authorised Capital	20.00	-
Fee & Subscription	0.01	0.25
Bank Charges	-	0.06
Misc. Exp.	-	0.04
Advertisement & Publicity	-	4.00
Service Tax	-	132.84
<b>TOTAL (B)</b>	<b>4.80</b>	<b>166.73</b>
<b>PRIOR PERIOD INCOME (Net) (A-B)</b>	<b>(4.44)</b>	<b>(166.73)</b>



## SCHEDULE-16

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### A. Significant Accounting Policies

##### 1. Basis for preparation of Financial Statements

a) The financial statements are prepared under the historical cost convention, in accordance with the Generally Accepted Accounting Principles, the Provisions of the Companies Act, 1956 and the applicable guidelines issued by the Reserve Bank of India as adopted consistently by the Company.

##### 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 asset and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Examples of such estimates include estimated useful life of fixed assets and estimated useful life of leased assets. Management believes that estimates used in the preparation of financial statements are prudent and reasonable. Actual results could differ from these estimates. Adjustments as a result of differences between actual and estimates are made prospectively.

##### 2. Revenue Recognition

a) Lease Income in respect of assets given on lease (including assets given prior to 01-04-2001) is recognised in accordance with the accounting treatment provided in Accounting Standard -19.

b) Lease Rentals on assets taken on lease and sub-leased to Ministry of Railways (MOR) prior to 01.04.2001, are accounted for at the rates of lease rentals provided in the agreements with the respective lessors and the sub-lessee (MOR), on accrual basis, as per the Revised Guidance Note on accounting for Leases issued by the Institute of Chartered Accountants of India (ICAI).

c) Interest Income is recognised on time proportion basis. Dividend Income is recognised when the right to receive payment is established.

d) Income relating to non performing assets is recognised on receipt basis in accordance with the guidelines issued by the Reserve Bank of India.

##### 3. Foreign Currency Transactions

##### a) Initial Recognition

**At the rates prevailing on the date of transaction**

i) for acquisition of assets, and

ii) for interest payment on Loans, Commitment Charges and expenses.

##### b) Recognition at the end of Accounting Period

Foreign Currency monetary assets and liabilities, other than the foreign currency liabilities swapped into Indian Rupees, are reported using the closing exchange rate in terms of the provisions of AS 11 issued by the Institute of Chartered Accountants of India.

Foreign Currency Liabilities swapped into Indian Rupees are stated at the reference rates fixed in the swap transactions, and not translated at the year end rate.

##### c) Exchange Differences

i) Exchange differences arising on the actual settlement of monetary assets and liabilities at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, other than the exchange differences on settlement of foreign currency loans and interest thereon recoverable separately from the lessee under the lease agreements, are recognised as income or expenses in the year in which they arise.

ii) Notional Exchange Differences arising on reporting of outstanding long term foreign currency



monetary assets and liabilities at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, other than the exchange differences on translation of foreign currency loans and interest thereon recoverable separately from the lessee under the lease agreements, are transferred to a 'Foreign Currency Monetary Item Translation Difference Account' in terms of the notification no. F. No. 17/33/2008/CL-V dated 31<sup>st</sup> March 2009 issued by the Government of India, Ministry of Corporate Affairs in modification of AS-11.

iii) In respect of forward exchange contracts, the difference between the forward rate and exchange rate on the date of transaction are recognised as income or expenses over the life of the contract.

#### **4. Investments**

Investments are classified into long term investments and current investments based on intent of management at the time of making the investment. Investments intended to be held for more than one year, are classified as long-term investments.

Current investments are valued at lower of cost or market value. Long-term investments are valued at cost unless there is depreciation, other than temporary, in their value.

#### **5. Leased Assets**

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessee, are recognised as financial leases and are shown as Receivable in the Balance Sheet at an amount equal to the net investment in the lease, in accordance with Accounting Standard-19 'Leases' issued by the Institute of Chartered Accountants of India.

#### **6. Fixed Assets**

Fixed assets are stated at cost, less accumulated depreciation. Costs include all expenses incurred to bring the assets to their present location and condition.

Depreciation on fixed assets is charged on straight line method at the rates prescribed in Schedule XIV to the Companies Act, 1956, on pro-rata basis.

#### **7. (a) Securitisation of Lease Receivables**

Lease Receivables securitised out to Special Purpose Vehicle in a securitisation transaction are de-recognised in the balance sheet when they are transferred and consideration has been received by the Company. In terms of the guidelines on Securitisation of Standard Assets issued by the Reserve Bank of India vide their circular no.DBOD.No.B.P.BC.60/21.04.048/2005-06 dated 1<sup>st</sup> February 2006, the Company amortises any profit arising from the securitisation over the life of the Pass Through Certificates (PTCs) / Securities issued by the Special Purpose Vehicle (SPV). Loss, if any, is recognised immediately in the Profit & Loss Account.

#### **(b) Assignment of Lease Receivables**

Lease Receivables assigned through direct assignment route are de-recognised in the balance sheet when they are transferred and consideration has been received by the Company. Profit or loss resulting from such assignment is accounted for in the year of transaction.

#### **8. Bond Issue Expenses and Expenses on Loans, Leases and Securitisation Transaction**

a) Bond Issue expenses including management fee on issue of bonds (except discount on deep discount bonds) incurred during the year are charged to Profit and Loss Account. Upfront discount on deep discount bonds is amortised over the tenor of the bonds.

b) Documentation, processing & other charges paid on Long Term Loans are charged to the Profit & Loss Account in the year loan is sanctioned / availed.

c) Incidental expenses incurred in connection with the Securitisation transaction executed during the year are charged to the Profit and Loss Account.

#### **9. Taxes on Income**

Tax expense comprises of Current Tax, Deferred Tax and Fringe Benefit Tax.



Provision for current income tax and fringe benefit tax is made in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax expense or benefit is recognised on timing differences, being the difference between taxable incomes and accounting income, that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by balance sheet date.

#### 10. Employee Benefits

Employee Benefits are valued and disclosed in the Annual Accounts in accordance with Accounting Standard-15 (Revised).

- a) Short-term employee benefits are recognised as an expense at the undiscounted amount in the Profit & Loss Account of the year in which the related service is rendered.
- b) Long-term employee benefits are recognised as an expense in the Profit & Loss Account for the year in which the employee has rendered services. The expense is recognised at the present value of the amount payable as per actuarial valuations. Actuarial gain and losses in respect of such benefits are recognised in the Profit and Loss Account.

#### 11. Provisions, Contingent Liabilities and Contingent Assets

The Company recognises provisions when it has a present obligation as a result of a past event. This occurs when it becomes probable that an outflow of resources embodying economic benefits might be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Provisions are determined based on management 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 management estimates. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the financial statements.

Contingent Assets, if any, are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

#### Notes on Accounts

1. (a) Lease rental has been charged on the assets leased from the first day of the month in which the assets have been identified and placed on line.
- (b) Ministry of Railways (MOR) has charged interest on the value of the assets identified prior to the payments made by the company, from the first day of the month in which the assets have been identified and placed on line to the first day of the month in which the money is paid to the MOR. However, no interest is charged from the MOR on the amount paid by the company prior to the identification of Rolling stock by them.
- (c) (i) Interest rate variation on the floating rate linked rupee borrowings and interest rate and exchange rate variations on interest payments in case of the foreign currency borrowings are adjusted against the Lease Income in terms of the variation clauses in the lease agreements executed with the Ministry of Railways. During the year, such differential has resulted in an amount of Rs.8258 Lacs accruing to Company (P.Y. Rs.7773 Lacs), which has been accounted for in the Lease Income.
- (ii) In respect of foreign currency borrowings, which have not been hedged, a variation clause has been incorporated in the lease agreements specifying the notional swap cost adopted for working out the cost of funds on the leases executed with MOR. Swap Cost in respect of these foreign currency borrowings is compared with the amount recovered by the company on such account and accordingly, the same is adjusted against the lease income. During the year 2008 - 09, in respect of these foreign currency borrowings, the company has recovered a sum of Rs.3125 Lacs (P.Y. Rs.2980 Lacs) on this account from MOR against the actual swap cost payments of Rs.4737 Lacs (P.Y. Rs.3788 Lacs). After adjusting swap cost, an amount of Rs.1612 Lacs has been recovered from MOR (P.Y. Rs.808 Lacs).

- (iii) Interest expense in respect of interest accrued but not due on the foreign currency loans has been considered at base interest / exchange rate and the difference on account of variation between base rate and the rate prevailing on the reported date has been shown as recoverable / payable to MOR. During the current year, the amount recoverable from MOR on such account works out to Rs.61 Lacs (P.Y. Payable Rs.87lacs).
2. (a) Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 has been issued by the Reserve Bank of India vide notification no.DNBS.193 DG(VL)-2007 dated 22<sup>nd</sup> February 2007. The Company, being a Government Company and not accepting / holding public deposits, these Directions, except the provisions contained in Paragraph 19 of the said directions, are not applicable to the Company.
- (b) In terms of Reserve Bank of India Notification No.DNBC.138/CGM (VSNM)-2000 dated 13<sup>th</sup> January 2000, the provisions of Section 45 IC of the Reserve Bank of India Act, 1934 (2 of 1934) regarding creation of Reserve Fund, do not apply to the Company.
3. The Finance Act, 2001 provides for levy of service tax on the finance and interest charges recovered through lease rental instalments on the Financial Leases entered on or after 16-07-2001. The Central Government , vide Order No.1/1/2003-ST dated 30<sup>th</sup> April 2003 and subsequent clarification dated 15-12-2006 issued by Ministry of Finance has exempted the Lease Agreements entered between the Company and Ministry of Railways from the levy of Service Tax thereon.
4. In terms of the Companies (Accounting Standards) Amendment Rules, 2009 issued by the Government of India, Ministry of Corporate Affairs vide Notification No.F.No.17/33/2008/CL-V dated 31<sup>st</sup> March 2009, the Company has opted to transfer the notional exchange rate variation loss amounting to Rs.4306.52 Lacs on revaluation of long term foreign currency items to 'Foreign Currency Monetary Item Translation Difference Account'. Further, the notional exchange rate variation gain amounting to Rs.926.51 Lacs (net of tax) recognised in the Profit and Loss Account and pertaining to the accounting periods commencing after 7<sup>th</sup> Dec 2006 (i.e. for the Financial Year 2007 - 08) has been reversed and transferred to Foreign Currency Monetary Item Translation Difference Account by debiting to General Reserve. A sum of Rs.29.47 Lacs on account of notional exchange rate variation for the year ending 31.03.2008 and pertaining to the principal repayments made in 2008 - 09 has been transferred to General Reserve. The amount of Rs.3409.48 Lacs outstanding in the 'Foreign Currency Monetary Item Translation Difference Account' as on 31<sup>st</sup> March 2009 will be amortised over the balance tenor of the monetary items to which they pertain but not beyond 31<sup>st</sup> March 2011. The position with regard to the amortisation in future, of the amount lying in Foreign Currency Monetary Item Translation Difference Account, is as follows:

Year	Amount (Rs. In Lacs)
2009-10	3021.37
2010-11	388.11

5. Increase in liability due to exchange rate variation on foreign currency loans for purchase of leased assets, amounting to Rs.31819 Lacs (P.Y. decrease in liability Rs.10800 Lacs) has not been transferred to Foreign Currency Translation Difference Account as the same is recoverable from the Ministry of Railways (lessee) separately as per lease agreements. The exchange rate variation on foreign currency loans repaid during the year amounting to Rs.164 Lacs (P.Y. Rs.169 Lacs) has been recovered from the Lessee, leaving a balance of Rs.21951 Lacs receivable from MOR as on 31-03-2009 (P.Y. Rs.9704 Lacs payable to MOR).
6. **Derivative Instruments**

The Company judiciously contracts financial derivative instruments in order to hedge currency and / or interest rate risk. All derivative transactions contracted by the company are in the nature of hedging instruments with a defined underlying liability. The company does not deploy any financial derivative for speculative or trading purposes.



- (a) In respect of certain foreign currency borrowings, the company has executed currency swaps to hedge the exchange rate variation risk on the principal outstanding. The outstanding position of such currency swaps as at 31<sup>st</sup> March 2009 is as follows:

As on 31.03.2009			As on 31.03.2008			Remarks
No. of Contracts	Borrowing outstanding in foreign currency	Notional INR Equivalent	No. of Contracts	Borrowing outstanding in foreign currency	Notional INR Equivalent	
2	USD 105.10 Million	45964.45 Lacs	3	USD 187.14 Million	81858.23 Lacs	--
1	JPY 13.00 Billion	53728.49 Lacs	1	JPY 13.00 Billion	53728.49 Lacs	Swap cost recoverable from MOR.

In respect of some of its External Commercial Borrowings, the Company has executed cross currency swaps to hedge the principal outstanding and converted its underlying liability from one foreign currency to another. The outstanding position of such cross currency swaps as at 31<sup>st</sup> March 2009 is as follows:

As on 31.03.2009			As on 31.03.2008		
No. of Contracts	Borrowing outstanding in Foreign Currency	Notional USD Equivalent	No. of Contracts	Borrowing outstanding in Foreign Currency	Notional USD Equivalent
1	JPY 2.65 Billion	USD 25 Million	1	JPY 2.65 Billion	USD 25 Million
1	JPY 14.71875 Billion	USD 125 Million	1	JPY 14.71875 Billion	USD 125 Million

In respect of the following External Commercial Borrowings, the Company has executed currency swap to hedge the foreign exchange exposure in respect of both principal outstanding and interest payments:

As on 31.03.2009			As on 31.03.2008		
No. of Contracts	Borrowing outstanding in Foreign Currency	Notional INR Equivalent	No. of Contracts	Borrowing outstanding in Foreign Currency	Notional INR Equivalent
1	JPY 15 Billion	54911.79 Lacs	1	JPY 15 Billion	54911.79 Lacs

The foreign currency borrowings outstanding as on 31.03.2009, which have not been hedged are as follows:

As on 31.03.2009		As on 31.03.2008		Remarks
No. of Loans	Borrowing outstanding in Foreign Currency	No. of Loans	Borrowing outstanding in Foreign Currency	
1	USD 39 Million	1	USD 42 Million	Back to Back recovery of exchange rate variation from MOR.
2	USD 13.45 Million	2	USD 19.68 Million	--
2	USD 225 Million	1	USD 125 Million	Back to Back recovery of exchange rate variation from MOR.
1	Euro 4.88 Million	1	Euro 5.86 Million	--
0	Nil	1	JPY 442.702 Million	Back to Back recovery of exchange rate variation from MOF.



- (b) The Company has one (P.Y one) Interest Rate Cap (IRC) outstanding in respect of a foreign currency borrowing to hedge its floating rate liability linked to Libor. IRC has been executed on a notional principal amount of USD 100 Mio. (P.Y. USD 100 Mio.).

As part of hedging strategy, the Company has six (P.Y. six) Interest Rate Swaps / Currency Swaps (coupon only) outstanding on fixed interest rate rupee borrowings by taking benefit of interest rate movement. The INR value of the outstanding borrowings on which such Swaps have been executed is Rs.162000 Lacs (P.Y. Rs.162000 Lacs).

7. Office Building including parking area has been capitalised from the date of taking possession. However, the sale / transfer deed is still pending for execution in favour of the company. Stamp duty payable on the registration of office building works out to about Rs.91 Lacs (P.Y. Rs.91 Lacs), which will be accounted for on registration.

**8. Syndicated Japanese Yen Loan on behalf of Ministry of Finance**

During the year 1998 - 99, the company raised JPY 8854.65 million through Syndicated Japanese Yen Loan on behalf of Ministry of Finance (MOF) and repaid an outstanding loan of Exim Bank of Japan through refinancing. The said Syndicated loan was renegotiated during the year 2002 - 03. The interest as well as repayment of loan is serviced by the MOF. Full amount of JPY 8854.65 million (P.Y. JPY 8411.95 Million) of the refinanced loan has been repaid till date leaving a balance of JPY nil (Rs. Nil) as on 31-03-2009 (P.Y. JPY 442.70 Million or Rs.1776 Lacs). Interest payment on the loan amounting to Rs.22.44 Lacs (P.Y. Rs.105.78 Lacs) and recoverable from Ministry of Finance has not been considered as part of expenses / income and the same has not been routed through Profit & Loss Account.

**9. Salary, Allowances and other benefits to Directors of the Company**

(Rs. in Lacs)

Particulars	2008-09	2007-08
a. Salary / Allowances	29.30	10.05
b. Incentive	Nil	0.98
c. Sitting fee paid to Non-Executive Directors	0.75	0.80

In addition, Managing Director has been allowed use of staff car for personal use upto 1000 kms on payment of Rs.600/- per month, in accordance with the notification of the Govt. of India, Ministry of Finance, Department of Public Enterprises OM No.2(18)/PC/64 dated 20<sup>th</sup> November, 1964 as amended.

**10. Contingent Liabilities**

- (a) Claims against the Company not acknowledged as debts - Claims by bondholders in the Consumer Courts: Rs.50 Lacs (P.Y. Rs.48 Lacs) and Rs. 30 Lacs against the damages of property on vacation of old office premises in the Civil Court.
- (b) The Income Tax assessments of the Company have been completed up to Assessment Year 2006 - 07. The disputed demand outstanding upto the said Assessment year is Rs. 16.54 crore against which Rs. 16.50 crore has been deposited by the Company under protest and the appeals of the company are pending at various appellate levels. Based on decisions of the Appellate authorities in other similar matters and the interpretation of other relevant provisions, the Company is confident that the demands are likely to be either deleted or substantially reduced and accordingly no provision has been considered necessary.
- (c) The company does not pay sales tax on purchase of leased assets. Sales tax on the purchase / lease of rolling stock, if it becomes payable, is recoverable from Ministry of Railways in terms of the lease agreements. Since, there is no sales tax demand and the amount is unascertainable, no provision is made in the accounts.
- (d) The Companies (Second Amendment) Act, 2002 provides for levy of cess, towards rehabilitation / revival of sick industrial companies, which shall not be less than 0.005% but not more than 0.10% of the turnover or the gross receipts as the Central Government may from time to time specify by notification in the Official Gazette. Since no notification has been issued, provision for cess has not been made.



#### 11. Expenditure in Foreign Currency (on payment basis)

Particulars	2008 - 09 (Rs. in Lacs)	2007 - 08 (Rs. in Lacs)
a) Interest / Swap Cost on Foreign currency borrowings (Net of Amount recovered on account of IRS / IRC and from MoF)	13898.17	13959.60
b) Processing Agent / Fiscal Agent / Admn. fee (Net of Amount recovered from MoF)	13.23	16.42
c) Underwriting / Arranger fee	851.46	54.40
d) International Credit Rating Agencies Fees	42.46	74.60
e) Others	37.43	186.14

12. (a) The company has not taken on lease any Rolling Stock assets during the year. All the assets taken on lease were in the years prior to 01-04-2001, worth Rs.157082 Lacs (ownership of the same vests with the lessors) stand sub-leased to Ministry of Railways. The company has paid future lease rental liability on all the above leases as detailed below:

Year of Lease	No. of Leases	Value of assets taken on lease (Rs. In Lacs)	Amount paid in settlement of future lease rentals (Rs. in Lacs)	Year of payment
1999-00	6	102085	37492 3841 35534	2001-02 2002-03 2003-04
2000-01	2	54997	29423 22302	2001-02 2003-04
Total	8	157082	152899	

The amount paid in settlement of future lease rentals as above, is being amortised in the accounts over the remaining period of the leases. During the year, an amount of Rs.18603 Lacs (Previous Year Rs.16749 Lacs) has been charged to Profit & Loss Account on account of such amortisation.

Since the entire future lease rental liability has been paid, there is no liability payable for unexpired lease period (Previous Year-Nil).

- (b) During the year 1999 - 2000, the company entered into 6 lease agreements, with the financial institutions / banks as lessors, for a primary period of 10 years for an aggregate amount of Rs.102085 Lacs and sub-leased the same to MOR for a period of 15 years. The company has paid upfront the future financial liability on all these leases.

Though, there is a mismatch in the tenor of the lease and sub-lease, there is no overall mismatch in the present value of entire lease rentals payable and receivable. During the year, the company received lease rentals of Rs.14088 Lacs (P.Y. Rs.14088 Lacs) and amortised (expensed) lease rentals of Rs.15092.40 Lacs (P.Y. Rs.13575.09 Lacs) on these transactions.

13. The balances under some items of Loans & Advances and current liabilities are subject to confirmation and reconciliation and consequential adjustments, wherever applicable. However, in the opinion of the Management, the realisable value of the current assets, loans and advances in the ordinary course of business will not be less than the value at which they are stated in the Balance Sheet.
14. (a) The company discharges its obligation towards payment of interest and redemption of bonds, for which warrants are issued, by depositing the amount in the designated bank accounts. Reconciliation of such accounts is an ongoing process and has been completed upto 31-12-2008. The company does not foresee any additional liability on this account. The total balance held in such specified bank accounts as on 31-03-2009 is Rs.1153.68 Lacs (Previous Year Rs.5209.33 Lacs).

(b) The Company is required to transfer any amount remaining unclaimed and unpaid in such interest and redemption accounts after the completion of 7 years to Investor Education Protection Fund (IEPF) administered by the Ministry of Corporate Affairs, Govt. of India. Accordingly, during the year, the Company deposited a sum of Rs.412.76 Lacs (P.Y. Rs.806.61 Lacs) in IEPF.

15. During the year, the Company executed an Asset Securitisation Transaction by securitising an identified portion of future lease rentals of Rs.116050.65 Lacs originating on its assets leased to Ministry of Railways during the year 1998 - 99. As part of the securitisation transaction, future lease rental amount as mentioned above was transferred to a bankruptcy remote Special Purpose Vehicle (SPV) which, in turn, issued Pass Through Certificates (PTCs) to the prospective investors and realised a sum of Rs.96208.49 Lacs. The lease receivables have since been derecognised in the books of accounts of the company. The book value of these future lease receivables was Rs.88840.75 Lacs, resulting in a profit of Rs.7367.74 Lacs for the Company which as per RBI guidelines, is to be amortised over the life of the Pass Trough Certificates (PTCs) issued by the SPV. Out of the profit of Rs.7367.74 Lacs, a sum of Rs.936.72 Lacs pertaining to the current year has been recognised in the Profit and Loss Account, leaving a balance of Rs.6431.02 Lacs as on 31.3.2009 to be recognised over the remaining life of the PTCs.

16. Major components of net deferred tax liability are as under:

(Rs. in Lacs)

	As at 31.03.2009	As at 31.03.2008
Liability on account of difference between WDV as per Income Tax Act and Companies Act	463774	438028
Less: Deferred Tax Asset on account of Unabsorbed Depreciation	238105	234718
Less: Deferred Tax Asset on account of MAT Credit	0	17830
Less: Deferred Tax Asset on Misc. Expenditure to be written off	5	--
Less: Deferred Tax Asset on account of Employee benefits	9	15
Net Deferred Tax Liability	225655	185465

The provision for Deferred Tax Liability for the current year is without considering Minimum Alternative Tax (MAT) credit as Deferred Tax Assets (DTA). Similarly, MAT credit of Rs. 17828 Lakhs considered as DTA during earlier years has also been reversed and provided as Deferred Tax Liability for earlier years in Profit & Loss Account.

17. Long Term Loans & Advances (Schedule 5) include Lease Receivables representing the present value of future Lease Rentals receivable on the finance lease transactions entered into by the company since inception as per the Accounting Standard (AS)-19 issued by the Institute of Chartered Accountants of India.

The reconciliation of the Lease Receivable amount on the Gross value of Rolling Stock assets worth Rs. 4793863 Lacs (P.Y. Rs.4198893 Lacs) owned by the company and leased to the Ministry of Railways is as under:

(Rs. in Lacs)

Particulars	As at 31.03.2009	As at 31.03.2008
A. Gross Value of Assets acquired & Leased upto the end of previous Financial Year	4094788	3738412
B. Less value of assets securitised/assigned during the year	173375	104105
C = (A - B)	3921413	3634307
D. Less: Capital Recovery provided upto last Year	1587259	1458703



Particulars	As at 31.03.2009	As at 31.03.2008
E. Less Capital Recovery provided upto last year on assets assigned during the year	70814	21419
F. Capital Recovery upto last year (D - E)	1516445	1437284
G. Capital Recovery Outstanding on leased assets as at the end of last year (C - F)	2404968	2197023
H. Add: Gross Value of Assets acquired and Leased during the year	699075	460481
I=G+H	3104043	2657504
J. Capital Recovery for the year	162919	155440
K. Less: Capital Recovery for the year on assets securitised/assigned during the year	13720	5465
L. =J-K	149199	149975
Net investment in Lease Receivables	2954844	2507529

The value of contractual maturity of such leases as per AS-19 is as under:-

(Rs. in Lacs)

Particulars	As at 31.03.2009	As at 31.03.2008
Gross Investment in Lease	4666575	3922010
Unearned Finance Income	1711731	1414481
Present Value of Minimum Lease Payment (MLP)	2954844	2507529

Gross Investment in Lease and Present value of Minimum Lease Payments (MLP) for each of the periods are as under:

(Rs. in Lacs)

Particulars	As at 31.03.2009		As at 31.03.2008	
	Gross Investment In Lease	Present Value of MLP	Gross Investment in Lease	Present Value of MLP
Less than one year	419891	174886	362746	154171
One to five years	1662584	774285	1439193	768048
Greater than five Years	2584100	2005673	2120071	1585310
Total	4666575	2954844	3922010	2507529

The unearned finance income as on 31-03-2009 is Rs.1711731 Lacs (Previous Year Rs.1414481 Lacs).

The company has leased rolling stock assets to the Ministry of Railways (MOR). A separate lease agreement for each year of lease has been executed and as per the terms of the lease agreements, lease rentals are received half yearly in advance. The leases are non cancellable and shall remain in force until all amounts due under the lease agreements are received.

18. Hitherto, the Actuarial valuation for Gratuity and Leave Encashment was being done by the company as per the provisions of the payment of Gratuity Act, 1972. However, due to change in Accounting Policies, the method of Actuarial Valuation has been changed to Projected Unit Credit (PUC) Method.



As a result of adopting AS - 15 (Revised) the transitional differences (Net of Tax) amounting to Rs.11.38 Lacs as on 01-04-2008 has been transferred to the opening balance of General Reserve.

Disclosures as required under AS - 15 (Revised) are as follows:

Table showing changes in Present Value of Defined Obligations as on 31.3.2009: (Rs. in Lacs)

	Gratuity (Non-Funded)	Leave Encashment (Non-Funded)
Present value of Defined Benefit Obligation at the beginning of the year	13.94	12.97
Interest Cost	1.12	1.04
Current Service Cost	1.09	0.96
Benefits Paid	--	(0.45)
Actuarial (Gain) / Loss on obligations	6.37	6.37
Present value of Defined Benefit Obligation at the end of the year	22.52	20.88

Table showing changes in the Fair Value of Plan Assets as on 31.3.2009: (Rs. in Lacs)

	Gratuity (Non-Funded)	Leave Encashment (Non-Funded)
Fair Value of Assets at the beginning of the year	0	0
Expected Return on plan assets	0	0
Contributions	0	0
Benefits Paid	0	0
Actuarial (Gain) / Loss on plan assets	Nil	Nil
Fair Value of Plan Assets at the end of the year	0	0

Table showing Fair Value of Plan Assets as on 31.3.2009: (Rs. Lacs)

	Gratuity (Non-Funded)	Leave Encashment (Non-Funded)
Fair Value of Assets at the beginning of the year	0	0
Actual Return on plan assets	0	0
Contributions	0	0
Benefits Paid	0	0
Fair Value of Plan Assets at the end of the year	0	0
Funded status	0	0
Excess actual over estimated return on plan assets (Actual rate of return = estimated rate of return as ARD falls on 31 <sup>st</sup> March	Nil	Nil

Actuarial Gain / Loss recognised as on 31.3.2009: (Rs. in Lacs)

	Gratuity (Non-Funded)	Leave Encashment (Non-Funded)
Actuarial Gain / (Loss) for the year-obligation	-6.37	-6.37
Actuarial Gain / (Loss) for the year plan assets	Nil	Nil
Total (Gain) / Loss	6.37	6.37
Actuarial (Gain) / Loss recognised in the year	6.37	6.37



Amount to be recognised in the Balance Sheet

(Rs. in Lacs)

	Gratuity (Non-Funded)	Leave Encashment (Non-Funded)
Present value of obligations as at the end of the year	22.52	20.88
Fair Value of plan assets	0	0
Funded status	-22.52	-20.88
Net Asset / (Liability) recognised in the Balance Sheet	22.52	20.88

Expenses recognised in statement of Profit & Loss:

(Rs. in Lacs)

	Gratuity (Non-Funded)	Leave Encashment (Non-Funded)
Current Service Cost	1.09	0.96
Interest Cost	1.12	1.04
Expected return on plan assets	0	0
Net Actuarial (Gain) / Loss recognised in the year	6.37	6.37
Expenses recognised in Statement of Profit & Loss	8.58	8.37

Actuarial Assumptions:

(Rs. in Lacs)

	As on 31.03.2009	As on 31.03.2008
Discount rate	8%	8%
Salary Escalation	5%	5%

In terms of the transitional provision of AS 15 (Revised), excess liability (Net of Deferred Tax Assets) appearing in the books of accounts as on 01.04.2008 amounting to Rs.11.39 Lacs has been transferred to the opening balance of General Reserve Account.

19. In accordance with Accounting Standard 29, particulars of provisions are as under:

	2008-09		2007-08	
	Incentives/PRP	Gratuity & Leave Encashment	Incentives/PRP	Gratuity & Leave Encashment
Opening Balance	5.50	44.17	4.63	31.96
Addition during the year	12.50	16.94	5.50	13.59
Amount used / incurred	12.06	0.46	4.75	1.38
Unused Amount reversed during the year	(6.56)	17.25	(0.12)	--
Closing Balance	12.50	43.40	5.50	44.17

The above provisions are liabilities in accordance with terms of employment. Payment of Incentives/ Performance Related Pay (PRP) shall be made as and when they became due. Provision for Gratuity is in accordance with the Accounting Standard 15 (Revised) and that for leave encashment is as per Company's policy.

20. The Company is in the business of leasing and financing. As such, there are no separate reportable business segments as per Accounting Standard (AS)-17 on 'Segment Reporting' issued by the Institute of Chartered Accountants of India.

21. As per Accounting Standard (AS) -18 'Related Party Disclosures' issued by the Institute of Chartered Accountants of India (ICAI), the details are as under:

Key Management personnel:

- a) R. Kashyap, Managing Director
- b) S. K. Kaushik, Director Finance

The payments to key management personnel are given under note no. 9 (a) & (b) above.

No other transaction except the above has been entered into with any of the key management personnel, their relatives, concerns in which they are interested.

22. The calculation of Earnings Per Share as required under Accounting Standard (AS) -20 is as under:

**Basic EPS**

	Year	
	2008-09	2007-08
a) Profit after tax	Rs. 18079.16 Lacs	Rs. 42151.33 Lacs
b) No. of equity shares of face value Rs. 1,000/- each	50,00,000	50,00,000
c) Earning Per Share (a/b)	Rs. 361.58	Rs. 843.03

**Diluted EPS**

	Year	
	2008-09	2007-08
a) Profit after tax	Rs. 18079.16 Lacs	Rs. 42151.33 Lacs
b) No. of equity shares of face value Rs. 1,000/- each	50,16,438	50,00,000
c) Earning Per Share (a/b)	Rs. 360.40	Rs. 843.03

The reconciliation of weighted number of equity shares is under:

Number of shares outstanding during the year:	50,00,000
Number of shares for which application money has been received on 30-03-2009:	30,00,000
Weighted number of equity shares:	50,16,438

23. (a) During the year 2003-04, the company restructured the rate of interest on certain outstanding borrowings from LIC and paid Rs.2403 Lacs as advance, representing a portion of the future savings in the interest cost. This advance amount is being amortised over the balance tenor of the borrowings. During the year, a sum of Rs.201 Lacs (P.Y. Rs.263 Lacs) has been amortised, leaving a balance of Rs.363 Lacs as on 31-03-2009 (P.Y. Rs.564 Lacs).
- (b) During the year 2004-05, the company restructured the rate of interest on certain outstanding borrowings from IDBI Ltd. and paid Rs.1378 Lacs as advance, representing a portion of the future savings in the interest cost. This advance amount is being amortised over the balance tenor of the borrowings. During the year, a sum of Rs.108 Lacs (P.Y. Rs.167 Lacs) has been amortised, leaving a balance of Rs.194 Lacs as on 31-03-2009 (P.Y. Rs303 Lacs).
24. The Company has raised fresh capital by offering 30,00,000 Equity shares of Rs.1000/- each at par on private placement basis to its existing shareholder i.e. President of India through Ministry of Railways, Govt. of India. The Company has received the full amount of application money of Rs.300 Crore on 30th March 2009. The allotment in respect of this has, however, been approved in the Board of Directors meeting held on 2<sup>nd</sup> of June 2009.



25. Interest on Loans, Deposits and Advances include a sum of Rs.1349 Lacs receivable from Income Tax Department on assessments pertaining to earlier years. (Received after 01-04-2009).
26. Ministry of Railways has deducted tax at source amounting to Rs.9133.54 Lacs on the lease rentals payment to the Company during the year.
27. Incentives/PRP includes Rs.6.56 Lacs pertaining to earlier years.
28. Depreciation on Fixed Assets amounting to Rs.8.51 Lacs reversed during the year 2008-09 pertains to the amount excess provided in earlier years
29. The company has shown Long Term Loans, Lease Receivable and Lease Rent paid in advance separately under the head 'Long Term Loans & Advances' (Schedule 5) in order to provide better disclosure.
30. Certain disclosures are required to be made under the Micro, Small and Medium Enterprises Development Act, 2006. The Company is in the process of compiling relevant information from its suppliers about their coverage under the Act. As the Company has not received the relevant information under the Act till finalisation of accounts, no disclosure has been made in the account.
31. The Company has a system of physical verification of assets given on lease. The physical verification is carried out on a sample basis, as 100% physical verification of rolling assets is neither possible logistically nor considered necessary. In addition, Ministry of Railways (Lessee) provides a certificate each year that the leased assets are maintained in good working condition as per laid down norms, procedures and standards. In the opinion of the management, the aforesaid system is satisfactory considering the fact that the assets are maintained and operated by the Central Government.
32. a) **Changes in Accounting Policies:**
  - (i) The Company has opted to adopt Companies (Accounting Standards) Amendment Rules, 2009 issued by the Ministry of Corporate Affairs vide notification no.F.No.17/33/2008/CL-V dated 31<sup>st</sup> March 2009 in terms of which the notional exchange rate variation loss for the current year and the notional exchange rate variation gain (net of tax) pertaining to the previous year has been transferred to the Foreign Currency Monetary Item Translation Difference Account. This has resulted in the overstatement of profit before tax to the extent of Rs.4306.52 Lacs, understatement of General Reserve to the extent of Rs.897.04 Lacs and overstatement of foreign currency monetary item translation difference account by Rs.3409.48 Lacs.
  - (ii) The Company has adopted AS 15 (Revised)-2005 with effect from the current year. In Terms of transitional provisions of AS 15 (Revised), excess liability (Net of deferred tax Assets) appearing in the books of Accounts as on 01-04-2008, amounting to Rs.11.39 Lacs has been transferred to the opening balance of General Reserve Account resulting in overstatement of General Reserve by Rs.11.39 Lacs, overstatement of deferred tax liability by Rs.5.87 Lacs and understatement of current liabilities by Rs.17.25 Lacs.

Further, adoption of AS 15(Revised) has resulted in overstatement of profits of the current year by Rs.12.75 Lacs and understatement of current liabilities by the same amount.
- b) **Deletion of Accounting Policy:**

Policy regarding amortisation of Miscellaneous Expenditure over a period of five years, being no longer required, has been deleted during the year.
33. a) Unless otherwise stated, the figures are in Rupees Lacs.
- b) Previous year figures have been regrouped / rearranged, wherever necessary, in order to make them comparable with those of the current year.



**34. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**  
(In terms of Part IV Schedule VI)

**i. REGISTRATION DETAILS**

Registration No.	2 6 3 6 3	State Code	5 5
Balance Sheet Date	31.03.2009		

**ii. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. LACS)**

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	NIL
Shares Application Money	3 0 0 0 0		

**iii. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (RS. IN LACS)**

Total Liabilities	3 3 4 1 1 3 2	Total Assets	3 3 4 1 1 3 2
<b>Sources of Funds</b>			
Paid - Up Capital	5 0 0 0 0	Shares Application Money	3 0 0 0 0
Reserves & Surplus	1 9 8 0 7 1	Secured Loans	2 2 6 0 0 2 5
Unsecured Loans	4 7 8 8 4 6	Deferred Tax Liability	2 2 5 6 5 5
<b>Application of Funds</b>			
Net Fixed Assets	1 3 9 9	Investments	2 0 0
Net Current Assets including of loan of 3156191	3 2 3 7 5 8 8	Misc. Expenditure	N I L
Accumulated Losses	NIL	Deferred Revenue Expenditure	3 4 1 0

**iv. PERFORMANCE OF COMPANY (AMOUNT IN RS. LACS)**

Turnover	3 0 2 4 7 8	Total Expenditure	2 3 6 7 0 9
Profit Before Tax	6 5 7 6 9	Profit After Tax	1 8 0 7 9
Earning Per Share in Rs (Rs. 1000 paid)	3 6 1 .5 8	Dividend Rate %	20.00 %

**v. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY (AS PER MONETARY TERMS)**

a) Items Code No. (ITC Code)	N I L
Product Description	L E A S I N G
b) Item Code No. (ITC Code)	N I L
Product Description	F I N A N C I N G

Schedules 1 to 16 form an integral part of the Accounts.

These are Accounting Policies & Notes on Accounts referred to in our report of even date

For DHAWAN & CO.

CHARTERED ACCOUNTANTS

Deepak Kapoor  
Partner

M No. 072302

Place : New Delhi

Dated : 28th July, 2009

S.K. Ajmani  
Company Secretary  
& G. M (Term Loans)

S.K.Kaushik  
Director (Finance)

R.Kashyap  
Managing Director

Sowmya Raghavan  
Chairperson

On behalf of the Board



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2009

(Rs. In Lacs)

Particulars	Year ended 31.03.2009		Year ended 31.03.2008																
<b>A. Cash Flow from Operating activities</b>																			
Profit Before Tax	65768.73		63834.85																
Adjustments for																			
1. Depreciation	28.48		41.04																
2. Loss on sale of fixed assets	0.38		0.95																
3. Lease Rentals advance amortised	18603.45		16749.39																
4. Provision for Employee benefits	16.48		12.20																
5. Exchange Rate Variation	(195.85)		(1405.00)																
6. Misc. Expenditure written off	20.00		5.00																
Operating Profit before Working Capital Changes	84241.67		79238.43																
Increase/Decrease-																			
1. Loans & Advances (Net of Adv. Tax & ERV)	36286.71		(6271.30)																
2. Current Assets	(13238.61)		(23928.28)																
3. Current Liabilities	15446.59		12443.58																
4. Direct Taxes Paid	(9265.74)		(7483.23)																
	29228.95		(25239.23)																
Net Cash flow from Operations		113470.62		53999.20															
<b>B. Cash Flow from Investment Activities</b>																			
1. Assets Leased during the year	(699075.30)		(460480.95)																
2. Capital Recovery on Leased Assets	163524.35		155349.86																
3. Receivables offered for assets securitization	88840.75		77221.59																
4. Receipt of Long term loans during the year	4373.12		5590.17																
5. Term Loan given during the year	(29300.00)		(24000.00)																
6. Purchase of Fixed Assets	(7.94)		(5.04)																
7. Proceeds from sale of Fixed Assets	0.08		0.12																
8. Investments made during the year	-	(471644.94)	-	(246324.25)															
<b>C. Cash flow from Financing activities</b>																			
1. Funds Raised through Bonds	599100.00		519500.00																
2. Bonds redeemed during the year	(157313.33)		(128744.08)																
3. Funds Raised through Term Loans	174616.00		291100.00																
4. Term Loans Repaid during the year	(330748.31)		(394572.06)																
5. Funds Raised through External Commercial Borrowings	49990.00		-																
6. Repayment of External Commercial Borrowings	(43016.47)		(44596.76)																
7. Dividend & Dividend Tax Paid during the year	(13399.00)		(10000.00)																
8. Share Registration Fees Paid during the year	-		(25.00)																
9. Share Application Money Received	30000.00	309228.89	-	232662.10															
Net Cash Flow During the year(A+B+C)		(48945.43)		40337.05															
Opening Balance of Cash & Cash Equivalents::																			
Balance in the Current Accounts	5218.31		9050.86																
Balance in the Term Deposit A/cs (original maturity of three months or less)	45000.00		830.00																
Balance in Franking Machine	0.09		0.49																
Balance in RBI-PLA	1.02	50219.42	1.02	9882.37															
Closing Balance of Cash or Cash Equivalents		1273.99		50219.42															
<p>1. The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statement notified under The Companies (Accounting Standard) Rules, 2006.</p> <p>2. Figures in bracket represent cash outflow from respective activities</p> <p>3. Previous year figures have been regrouped / rearranged wherever found necessary to make them comparable with the current year figures.</p> <p>4. Composition of Cash or Cash Equivalents at the end of the year:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">-Balance in Current Accounts</td> <td style="text-align: right;">1197.78</td> <td style="text-align: right;">5218.31</td> </tr> <tr> <td>-Balance in Term Deposit A/cs (original maturity of three months or less)</td> <td style="text-align: right;">75.00</td> <td style="text-align: right;">45000.00</td> </tr> <tr> <td>-Balance in Franking Machine</td> <td style="text-align: right;">0.19</td> <td style="text-align: right;">0.09</td> </tr> <tr> <td>-Balance in RBI-PLA</td> <td style="text-align: right;">1.02</td> <td style="text-align: right;">1.02</td> </tr> <tr> <td>Total</td> <td style="text-align: right; border-top: 1px solid black;">1273.99</td> <td style="text-align: right; border-top: 1px solid black;">50219.42</td> </tr> </table> <p>5. Balance in Term Deposits with different Banks for original maturity of more than three months have not been included as Cash or Cash Equivalents.</p> <p>6. Balance in Current Accounts includes a sum of Rs.1153.68 lacs lying unpaid in Interest/Redemption A/Cs is not available for use by the Company.</p>					-Balance in Current Accounts	1197.78	5218.31	-Balance in Term Deposit A/cs (original maturity of three months or less)	75.00	45000.00	-Balance in Franking Machine	0.19	0.09	-Balance in RBI-PLA	1.02	1.02	Total	1273.99	50219.42
-Balance in Current Accounts	1197.78	5218.31																	
-Balance in Term Deposit A/cs (original maturity of three months or less)	75.00	45000.00																	
-Balance in Franking Machine	0.19	0.09																	
-Balance in RBI-PLA	1.02	1.02																	
Total	1273.99	50219.42																	
This is the Cash Flow Statement referred to in our Report of even date.		For and on behalf of the Board																	
For DHAWAN & CO. CHARTERED ACCOUNTANTS		S.K. Ajmani Company Secretary & G. M (Term Loans)	S.K.Kaushik Director (Finance)	R.Kashyap Managing Director															
Deepak Kapoor Partner M No. 072302 Place : New Delhi Dated : 28th July, 2009		Sowmya Raghavan Chairperson																	

## — Auditor's Report —

To,

**THE MEMBERS,  
INDIAN RAILWAY FINANCE CORPORATION  
LIMITED**

We have audited the attached Balance Sheet of **Indian Railway Finance Corporation Limited** as at 31<sup>st</sup> March 2009 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 responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

As required by the Companies (Auditor's Report) Order, 2003 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 paragraph 4 and 5 of the said Order.

- a) 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 purpose 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 and Profit and Loss Account of the company, dealt with by

this report are in agreement with the books of account.

- (iv) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the applicable accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956
- (v) Since the company is a Government company, clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 regarding obtaining written representations from the directors of the company, is not applicable to the Company in terms of Notification No.GSR-829 (E) dated 21.10.2003;
- (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 31<sup>st</sup> March 2009;
  - (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 & on behalf of  
**DHAWAN & CO.**  
Chartered Accountants

Place : New Delhi  
Dated : July 28, 2009

Deepak Kapoor  
(Partner)  
M. No. 072302



**ANNEXURE REFERRED TO IN THIRD PARAGRAPH OF OUR REPORT OF EVEN DATE TO INDIAN RAILWAYS FINANCE CORPORATION LIMITED FOR THE YEAR ENDED 31ST MARCH 2009**

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All the owned assets have been physically verified by the management during the year. No material discrepancies were noticed on such physical verification. Leased Assets have been certified by the Lessee (Ministry of Railways) as to their physical existence and good working conditions.
- (c) During the year, the company has not disposed off any major part of the Fixed Assets.
- (ii) As the company is not in the business of trading, manufacturing, mining or processing, it does not hold inventory and hence did not require physical verification.
- (iii) The Company has neither taken nor granted loan from or to companies, firms or other parties covered under Section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to fixed Assets. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) According to the information and explanations given to us, we are of the opinion that there are no transactions that need to be entered into the register required to be maintained under section 301 of the Companies Act, 1956.
- (vi) The Company has not accepted or renewed deposits from the public contravening the directives issued by the Reserve Bank of India and the provision under section 58A & 58AA of the Companies Act, 1956 and the rules framed there under.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have been informed that Central government has not prescribed maintenance of cost accounting records under section 209 (1) (d) of the Companies Act, 1956 for the industry to which the company belongs.
- (ix) (a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanation given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, custom duty, excise duty and cess were in arrears, as at 31.03.2009 for a period of more than six months from the date they became payable.
- (c) According to the information & explanation given to us, there are no dues of sales tax, income tax, custom duty, wealth tax, service tax, excise duty and cess, which have not been deposited on account of any dispute.
- (x) The company does not have accumulated losses as at 31<sup>st</sup> March 2009 nor incurred any cash losses during the year and immediately preceding year.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted any repayment of dues to financial institutions, banks or debenture holders.

- (xii) The company has not granted any 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 of 4(xiii) of the Companies (Auditors' Report) Order (Amendment), 2004 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 Companies (Auditors' Report) Order (Amendment), 2004 are not applicable to the company.
- (xv) We have been informed that the company has not given guarantees for loans taken by others from Banks or Financial Institutions; as such the clause 4(xv) is not applicable.
- (xvi) In our opinion, the company has utilized the term loans for the purpose for which loans were availed.
- (xvii) According to the information and explanation 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. No long-term funds have been used to finance short-terms assets.
- (xviii) According to the information & explanation given to us, the company, has not made preferential allotment of shares to parties and companies covered in register maintained under section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, during the period covered by our audit report, the company has issued 59910 bonds of Rs. 10,00,000 each. The company has created security in respect of bonds issued.
- (xx) The company has not raised funds by public issues; as such 4(xx) is not applicable.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

For & on behalf of  
DHAWAN & CO.  
Chartered Accountants

Place : New Delhi  
Dated : July 28, 2009

Deepak Kapoor  
(Partner)  
M. No. 072302





— **Comments of the C & A G of India** —

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF INDIAN RAILWAY FINANCE CORPORATION LIMITED, NEW DELHI FOR THE YEAR ENDED 31 MARCH 2009.**

The preparation of financial statements of Indian Railway Finance Corporation Limited, New Delhi, for the year ended 31 March 2009 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956, based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 28 July 2009.

I, on behalf of the Comptroller of Auditor General of India, have conducted a supplementary audit under Section 619(3) (b) of the Companies Act, 1956 of the financial statements of Indian Railway Finance Corporation Limited, New Delhi for the year ended 31 March 2009. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors report under Section 619(4) of the Companies Act, 1956.

For and on the behalf of the  
Comptroller & Auditor General of India

(Ghazala Meenai)  
Principal Director of Commercial Audit &  
Ex-officio Member Audit Board-III  
New Delhi

Place: New Delhi  
Dated: 18 August 2009



**With Chairperson after the 22nd Annual General Meeting**



**Outdoor Activities**





**Rest of Management  
Team of IRFC**



**Smt. Neera Khuntia**  
GGM (P & A)



**Sh. S.K. Ajmani**  
GM (TL) & Co. Secy.



**Sh. T. Behera**  
GM (Bonda)



**Sh. S. Radhakrishnan**  
GM (ECB)



**Sh. A. Samantaray**  
Manager (F & A)



## Indian Railway Finance Corporation Ltd.

(A Government of India Enterprise)

Upper Ground Floor, East Tower, NBCC Place, Pragati Vihar,  
Lodhi Road, New Delhi - 110003

IRFC : *Funding the wheels that move the Nation.....*