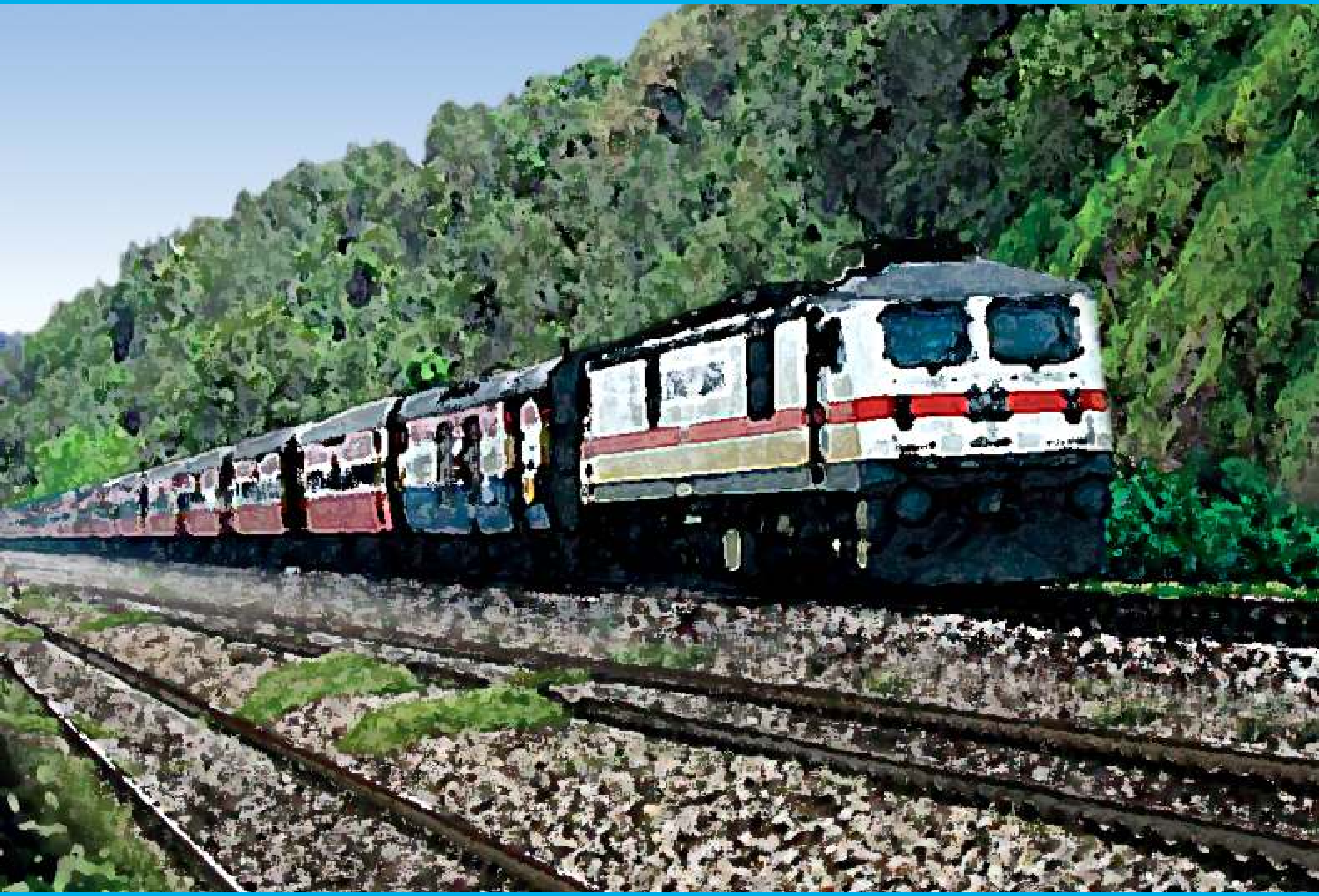
ANNUAL REPORT 2010-11



INDIAN RAILWAY FINANCE CORPORATION LTD.

(A GOVERNMENT OF INDIA ENTERPRISE)

Task Force Members - MOU Meeting 2011-12

Task Force Members - MOU Meeting 2011-12

Shareholders - Annual General Meeting - September 2011

Company Management - Annual General Meeting - September 2011

ANNUAL REPORT 2010-11

Indian Railway Finance Corporation Ltd.

(A Government of India Enterprise)

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BOARD OF DIRECTORS

Smt. Sowmya Raghvan
Chairperson
(Upto 30-09-2010)

Shri Samar Jha
Chairman
(From 26.10.2010
to 31.03.2011)

Smt. Pompa Babbar
Chairperson
(From 21.04.2011)

Shri R. Kashyap
Managing Director
(Upto 31.08.2011)

Shri Rajiv Datt
Managing Director
Designate

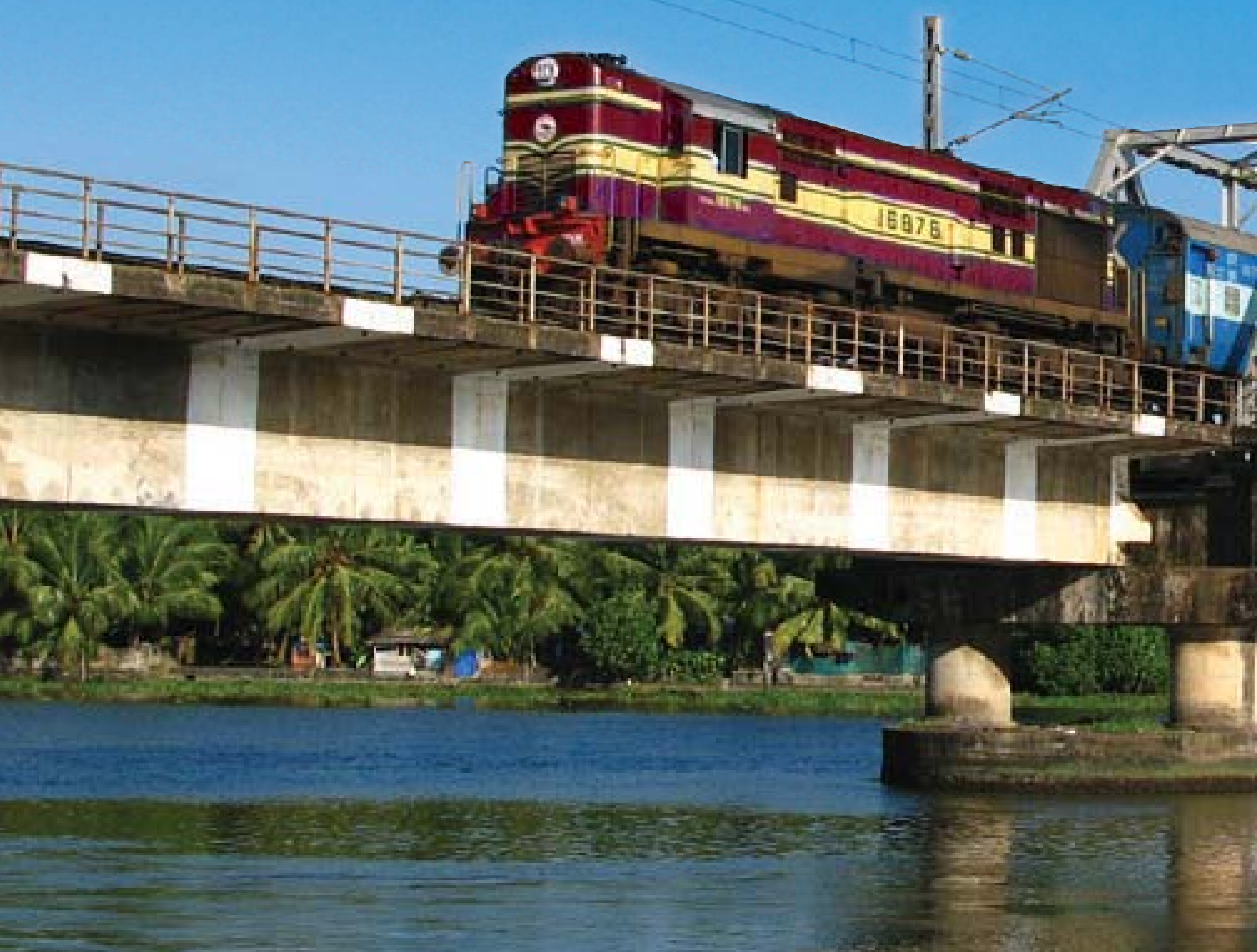
Shri Govind Mohan
Director
(Upto 13.05.2011)

Shri Rajesh Khullar
Director
(From 13.05.2011)

Prof. R. Narayanaswamy
Director
(Upto 15-10-2011)

Shri P.K. Choudhury
Director
(Upto 15-10-2011)

Shri Jagmohan Gupta
Director
(Upto 31-05-2010)



CHIEF VIGILANCE OFFICER

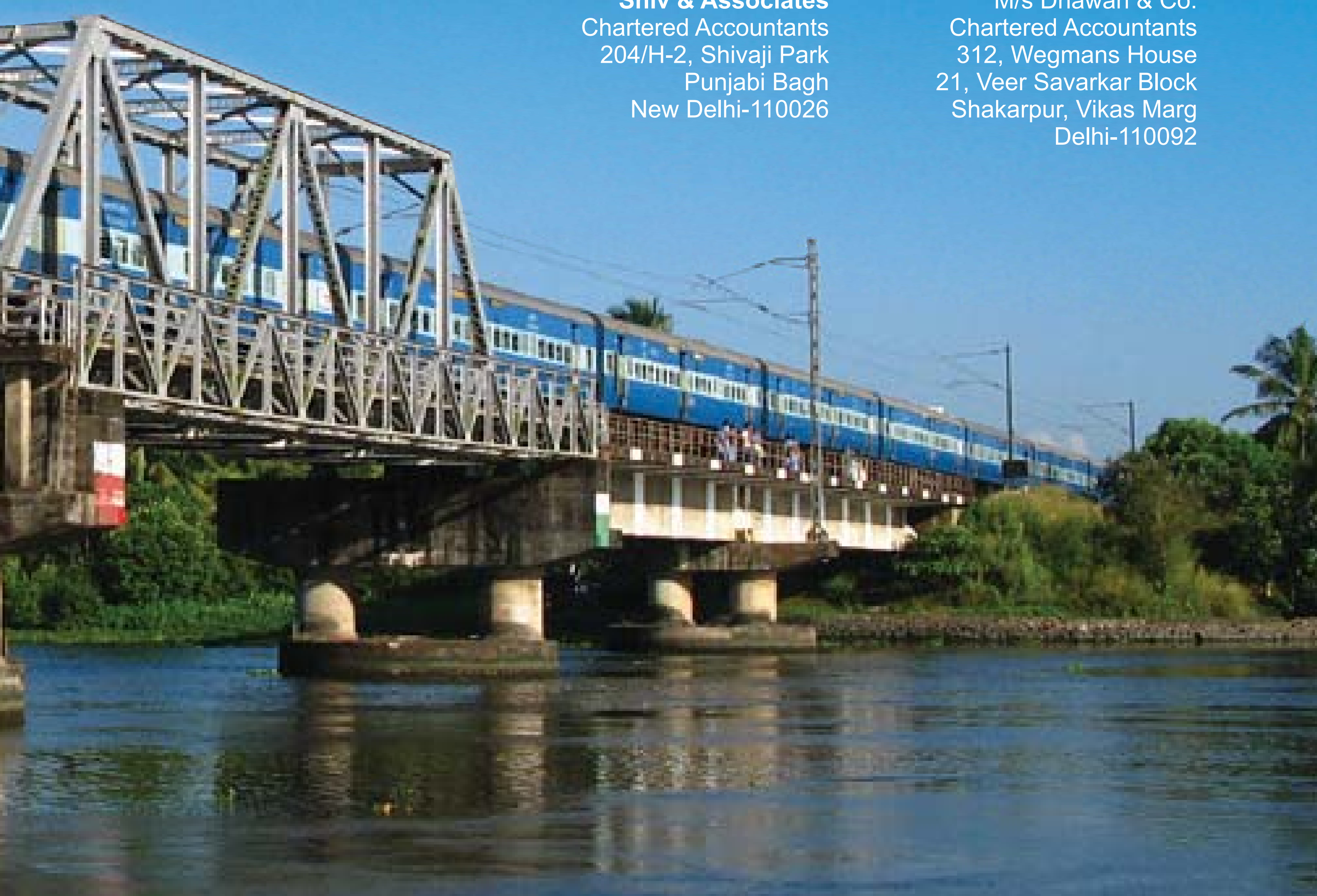
Shri Naresh Salecha

Shri Sanjeev K. Ajmani
Company Secretary

Bankers
Corporation Bank • Vijaya Bank

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

Statutory Auditors
M/s Dhawan & Co.
Chartered Accountants
312, Wegmans House
21, Veer Savarkar Block
Shakarpur, Vikas Marg
Delhi-110092



Chairperson's Statement

Dear Shareholders,

I am extremely happy to welcome you all to this Twenty Fourth Annual General Meeting of Indian Railway Finance Corporation Ltd. The audited accounts of your Company for the year ended 31st March, 2011, along with the Directors' Report and its accompaniments are with you, and with your consent, I would consider them as read. Before I present an account of your Company's performance, I would like to recapitulate briefly some of the important developments and trends in global and domestic economy that defined the business environment in which your Company transacted its activities during the year, and which are expected to impact its performance during 2011-12.

2010-11 was another difficult year globally, with somewhat mixed outcomes for the Indian economy. The Indian GDP growth during 2010-11 showed signs of reverting to levels that existed during a few years preceding the global economic meltdown. While agriculture evidenced signs of a rebound, non-agricultural growth was slightly below trend. Industrial growth decelerated in the second half of the fiscal on account of high base effect and moderation in investment demand. Manufacturing activity was spread more evenly but the slowdown in IIP during concluding phase of the fiscal was exacerbated by volatility in output of a few industries. Services sector exhibited sustained momentum in 2010-11, though most services decelerated somewhat in third quarter of the year. The Reserve Bank of India expects the growth momentum to sustain close to the trend during 2011-12. This is based on the assumption of a normal monsoon, buoyant demand conditions and positive lead indicators for services. Risks to growth, however, arise from input cost pressures. These primarily emanate from high oil prices and some moderation in investment. A few business expectation surveys also predict moderation in growth and firmer inflation.

Even as recovery across the globe remained multi-speed, growth in both advanced economies and emerging/ developing economies outpaced initial expectations. For some time, this did raise hopes of sustained, though moderately paced global recovery during 2011. It now appears that recovery from the global economic meltdown of recent years faces prospects of risk with softer growth and inflation presenting themselves as surprise elements even in advanced economies. Globally, the momentum of recovery appears to be stalling. High oil and commodity prices, the Middle East political strife, Japanese earthquake, sovereign debt problems in Europe and the impasse on the fiscal and debt problems in the US have taken a toll on economic activity as well as consumer confidence. The credit rating downgrade of the US and its attendant ramifications have caused an additional and largely unexpected backlash. Banking sector default risks have become significant, and the pressures for interest rate cycle turning even in advanced economies can no longer be ignored.

With global inflation rising rapidly, debate has been triggered over how much longer advanced economies can defer an exit from an excessively accommodative monetary policy. Meanwhile, commodity prices exhibited some decline in first quarter of 2011-12 with global growth weakening, and oil prices continue to be weak even thereafter. However, it is unclear if the trend is transitory or relatively robust.

For the Indian economy, inflation remains a major challenge and taming it would warrant continuation of anti-inflationary monetary stance, which has so prominently dominated Reserve Bank of India's interventions of recent months. While inflation risks stay at significant levels, growth has shown signs of moderation. Price pressures are expected to persist through second quarter of 2011 and beyond, and then moderate towards the later part of 2011-12. The Reserve Bank believes that breaking inertial dynamics of wage and food price rise would be important for arresting inflation.

RBI's assessment is that risks to baseline growth and inflation projections may arise from three factors: (1) significant departure of monsoon from normal; (2) a collapse or re-build of global commodity price bubble; and (3) Euro zone debt crisis assuming full-blown proportions. It is RBI's resolve that notwithstanding the slowdown in growth, high inflation requires continued anti-inflationary bias with a close watch and dynamic responsiveness to the unfolding scenario.

The Reserve Bank has followed an approach involving tightening of the monetary and liquidity conditions, bringing encouragingly positive results. Policy rates were raised another 75 bps in first quarter of 2011-12. With this, RBI has raised operational policy rates by 425 bps in a span of 15 months since mid-March 2010 - one of the sharpest monetary tightening seen across the world. This has helped keep the real lending rates positive despite high inflation. Given the success of measures targeting tighter monetary and liquidity conditions, the same are likely to be kept up in the near term. Deposit growth has picked up and credit growth decelerated, reducing divergence between the two. Even though it slowed down again in first quarter of 2011-12, credit growth still remains above indicative trajectory and has not shown the seasonal slack. Non-bank finance to commercial sector also increased significantly. These developments are bound to have direct implications for your Company. Cost of funds mobilized is expected to remain high, and perhaps rise further through the remaining part of the fiscal. Notwithstanding the firming up of interest rates, there has happily been little stress visible across the financial markets, indicating improved monetary transmission, leading to further increase in deposit and lending rates during Q1 of 2011-12. The yield curve has flattened, reflecting policy rate hikes and larger-than-anticipated issuances at the short-end including cash management bills.

Inflation remained high during the first quarter of 2011-12, in line with the projections made in the May-2011 Policy Statement of RBI. Somewhat worrisome, however, is the fact that there has been generalisation of inflation since December 2010 with dominant contribution from non-food manufacturing products. Inflation is being driven by both cost-push and demand-side factors. Although food inflation did show signs of moderation over sustained periods in recent weeks, even a near-normal monsoon may not quite ease pressure on food inflation further due to impact of increases in wage costs and support prices. These trends indicate need for structural reforms by RBI to enhance supply response, while the anti-inflationary bias of monetary policy anchors inflation expectations.

Through the vicissitudes experienced by most economies the world over in recent times, the role played by Indian Railways (IR) as the 'engine of growth' of the Indian economy has been sustained commendably. Maintaining the healthy growth which it delivered consistently during the global economic crisis both on the freight and passenger sides, a year-on-year growth of nearly 4% for freight and over 6% for passenger streams was registered during 2010-11. The revenue growth recorded was even more impressive at over 9%. With the Indian economy poised to be back to robust ways, growth projections for IR have become bullish. Ever engaged in dedicated service of the Ministry of Railways, Indian Railway Finance Corporation has had an impeccable track record of funding rolling stock asset creation worth Rs. 69,843 crore for IR till the end of March 2011, besides providing funding support of Rs. 2,394 crore to other Railway entities such as Rail Vikas Nigam Limited, RailTel Corporation of India Ltd. etc. as on 31st March 2011. Your Company stands in readiness, as always, to discharge its assigned role of funding creation of productive infrastructure for IR to meet their rapidly growing investment and capacity building needs.

I would now like to share with you a few of the highlights of your Company's performance since the last Annual General Meeting held in August, 2010. You will recall that for the year 2010-11, your Company was set a target of borrowing of Rs. 8,842 crore for creation of rolling stock assets for the Ministry of Railways and a further amount of Rs. 278 crore by way of loan to Rail Vikas Nigam Ltd. (RVNL) for investment in bankable projects being executed by them for MOR. The target in respect of rolling stock assets was upsized through Revised Estimates of Ministry of Railways to Rs. 9,692 crore, while that for RVNL was scaled down to Rs. 133.46 crore. However, RVNL's actual debt funding needs were assessed by them at a lower level of Rs. 100 crore only, and the Company prudently limited its lending to them accordingly. Thus, total mandate for borrowing during the year 2010-11 became Rs. 9,792 crore. The full amount was remitted by your Company to the Ministry and RVNL before the close of the fiscal, consistent with payment schedules provided by them. Maintaining the trend of the last few years, this became the highest ever quantum of financing of its clients by IRFC in a single year, exceeding the previous record of Rs. 9,604 crore during 2009-10. The Company was able to raise this highest ever amount at a very competitive average cost of 7.62% pa, which was even lower as compared to the cost of 7.70% pa achieved during the previous year. The achievement is even more creditworthy viewed in the context of the fact that not only were the market conditions difficult for most part of the year but also that the cost of its borrowing was 0.95% lower as compared to the average of the cost achieved by all 'AAA' rated Indian entities put together. This translates to an impressive saving of Rs. 1,138 crore in interest cost over the total tenor of borrowing during the year. Amongst special features of the borrowing programme for the year was the highest ever amount of Rs. 3,302 crore raised in a single year through three external commercial borrowing transactions. Even after taking into account the cost of hedging which the Company will contract at an opportune time, the average interest cost associated with the external commercial borrowing works out at 6.23%. The basket of external borrowings contracted during the year includes an amount of Rs. 822.92 crore raised through a loan transaction with tenor of 15 years at a cost of 6 Monthly US$ LIBOR + 2.33%. This was a bilateral transaction with a single large US based insurance company. Not only was this the first occasion for your Company to tap this exclusive investor base, it was also only the second instance of this highly discerning investor getting exposure to an Indian corporate. The transaction has enabled IRFC to diversify its sources of funding. The transaction represents the longest tenor of overseas borrowing by any Indian corporate, and was also eminently suited to your Company's asset-liability management effort. It is relevant that IRFC's assets in the form of lease rentals from the Ministry have a relatively long door-to-door life of 15 years. Besides, your Company also became the first corporate in India to issue bonds during the year amounting to Rs. 1,175 crore in the domestic market with a long door-to-door tenor of 25 years at an attractive effective cost of 8.82%pa.

I am happy to further report that your Company continues to enjoy the highest credit ratings from three amongst the more reputed domestic credit rating agencies - 'AAA' assigned by CRISIL and CARE, and 'LAAA' by ICRA. Its international credit ratings have been maintained at 'BBB- (Stable)', 'BBB- (Stable)', and 'Baa3 (Stable)' by Standard & Poor's, Fitch, and Moody's respectively. Each one of these is at par with sovereign rating of India, and is investment grade. In addition, your Company has an issue specific credit rating of 'BBB+ (Stable)' from Japanese Credit Rating Agency (JCRA).

During 2010-11 your Company funded acquisition of 507 locomotives, 1741 passenger coaches and 9371 freight wagons, valued at Rs. 9,680 Crore, which is Rs. 12 crore lower as compared to the borrowing target assigned to the Company. The difference amount remitted to MOR forms opening balance with the Ministry for 2011-12. With the above addition to the fleet of the Railways, the moving infrastructure funded by IRFC stands at 5,567 locomotives, 33,856 passenger coaches and 1,49,030 freight wagons, valued at Rs. 69,843 crore.

For the current fiscal your Company has been entrusted with a yet again challenging mandate of raising Rs 11,800 crore for financing rolling stock assets for use by the Ministry of Railways. In addition, the Company has also been assigned the responsibility of raising an amount of Rs. 8,654.38 crore for financing select capacity enhancement projects of the Ministry of Railways. Besides, an amount of Rs. 140 crore is to be given as loan to RVNL for financing their bankable projects. At a total of Rs. 20,594.38 crore, the borrowing target shows a quantum jump of 110% over the previous year, and evidences the trust which the Ministry reposes in IRFC as an efficient vehicle for mobilising financial resources for infrastructure creation in the Railways. In recognition of the degree of difficulty involved in undertaking such an exercise, the Government has decided to permit your Company issuance of tax-free bonds valued at Rs. 10,000 crore during the year. With a view to protecting the quality of IRFC credit, the Ministry of Railways is committed to not only servicing of the debt for financing the select projects, but also to ensure that a sound business model is put in place to facilitate the same. I am happy to share with you that in the meantime, your Company has already completed borrowing of Rs. 6,397 crore against the current year's borrowing target till the end of August 2011. Besides, proceeds of two external commercial borrowing transactions of a total amount of US$ 500 million are in the pipeline and once the same are received by the end of September 2011, the total borrowing would cross Rs. 8,725 crore. The remaining amount would be raised in a phased manner during the remaining part of the year, with the bulk of Rs. 10,000 targeted through tax-free bonds once the Government Notification is issued by the Ministry of Finance.

Turning to the financial performance, your Company has posted a Profit before Tax of Rs. 898.34 Crore and a Profit after Tax of Rs. 485.20 Crore. These represent an improvement of 14% and 9.60% over the corresponding figures for 2009-10. As required under the relevant Accounting Standard, Deferred Tax Liability (DTL) of Rs. 234.41 Crore has been provided for. As you are aware, growth of Net Worth of the Company has suffered a slowdown in recent years due to mandatory requirement of providing for Deferred Tax Liability (DTL) including for the past period, besides paying Minimum Alternate Tax (MAT), and high levels of Dividend payouts. Despite infusion of Rs. 1,370 crore by Ministry of Railways by way of additional equity in IRFC at par during the last four years, the above factors have pushed the Debt-to-Equity ratio from secure levels of around 6:1 a few years back to levels uncomfortably close to the limit of 10:1 laid down for Non Banking Finance Companies (NBFCs) such as IRFC. Such adverse movement in Debt-to-Equity ratio becomes cause for concern for many stakeholders, including the investors and rating agencies. By way of one of the multiple strategies towards addressing the issue, Dividend for the year has been pegged at Rs. 100 crore, which is 20.61% of the Profit After Tax, but significantly lower than 20% of the paid up capital.

You will recall that during the last Extraordinary General Meeting of your Company held in June 2011, the

Shareholders had passed a resolution for enhancement of the Authorised Capital of the Company from Rs. 2,000 crore to Rs. 5,000 crore. The Shareholders had also approved a proposal for infusion of additional equity of Rs. 1,150 crore in one or more tranches during the course of the year. I am happy to report that action has been taken in hand for providing the necessary equity amounts to your Company during the course of the year so as to support its borrowing programme at desired levels.

Your Company has had the track record of not only delivering most cost-competitive incremental borrowing year-after-year but also strives to review its existing portfolio with a view to lowering cost. While the quantum of such savings over the last decade has been almost Rs. 1,300 crore, the Company succeeded in continuing the trend during 2010-11. A cross currency swap contracted on the principal amount of JP¥ 14.72 billion in one of its transactions yielded a gross saving of Rs. 246.11 crore at the time of maturity during the year. Net of the cost of the swap, the savings work out to Rs. 146.55 crore. Besides, your Company maintained the tradition of deploying its surplus funds productively, and earned an average return of 1-Year SBI Deposit rate plus 1.31% on such funds during the year.

Your Company attaches high importance to activities towards fulfilment of Corporate Social Responsibility and Sustainable Development in line with the Government policy. Since business of the Company is closely linked with the business of the Railways, such activities have been undertaken by your Company in consultation with and in areas approved by the Ministry. I am happy to share with you that the expenditure on activities under the two heads during the year was 212% and 182% higher as compared to the target figures. The Company is committed to pursuing activities in these areas even more vigorously in the coming years.

Your Company has created a special niche for itself through its sustained success in running a big business with a small team of 20 staff and executives. It is now widely respected for its high productivity levels, pace and quality of decision making, and very effective negotiating skills used to mobilise large quantum of financial resources at pricing levels which set benchmarks for others. Yet, service levels are steadfastly maintained commensurate with investors' expectations, partly by outsourcing some of the back-office activities to professional agencies. Maintaining its impeccable track record in regard to debt servicing on-time, the Company discharged all its obligations towards its lenders and investors without any delay during the year. There are no un-redressed investor grievances. The overhead to turnover ratio continues at an impressively low level of 0.13%. The esteem enjoyed by the Company in financial markets at home and overseas is the direct outcome of its deep understanding of the business, pursuit of ethical and transparent business practices and accumulation & nurturing of professional expertise over a period of more than two decades. The 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 year-after-year 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, C&AG of India, Statutory Auditors, Banks, Financial Institutions, Securities and Exchange Board of India, Reserve Bank of India, National Stock Exchange, National Securities Depository Limited, & Central Depository Services (India) Limited. I wish to place on record gratitude to all of them. I also acknowledge with appreciation the diligent and persevering efforts of its small team of officers and staff, which have enabled the Company to consistently deliver most valuable performance. Despite daunting challenges to the achievement of the onerous mandate entrusted to the Company for the current year, I am certain that the intellectual capabilities, the available skill-sets, and the ingenuity of the team shall prove equal to the task, and the Company shall scale new heights in its continued pursuit of excellence.

Smt. Pompa Babbar
Chairperson

Place: New Delhi
Dated: 15th September, 2011.

— Directors' Report

Dear Shareholders,

It gives me great pleasure to present, on behalf of the Board of Directors of your Company, their 24th Annual Report covering snapshot of 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 2011.

Financial Highlights

Summarised below is the position of key financial results of your Company for the year ended 31st March 2011:

(₹ in Crore*)

		2010-11	2009-10
Income			
1.	Lease Income	3491.99	3073.76
2.	Income on Loans & Deposits	326.06	359.86
3.	Income on Investments	0.13	0.08
4.	Exchange Rate Variation Gain	0.05	11.16
5.	Other Income	23.42	39.08
	TOTAL	**3841.65**	**3483.94**
Expenditure			
6.	Interest & Lease Rent	2871.97	2560.97
7.	Depreciation	0.35	0.35
8.	Admn. & Other expenditure	69.18	99.66
9.	Amortisation of foreign currency monetary item Translation Diff. A/c	1.81	34.55
	TOTAL	**2943.31**	**2695.53**
10.	Profit for the year before Tax	898.34	788.41
11.	Prior period Income (Net)	0.00	(0.12)
12.	Profit Before Tax (PBT)	898.34	788.29
13.	Provision for Tax		
	o Current Tax (MAT) (For the year)	179.23	135.13
	o MAT for the Previous year	(0.50)	--
	o Deferred Tax	234.41	210.47
			--
		413.14	**345.60**
14.	Profit After Tax (PAT)	485.20	442.69
Appropriations			
15.	Dividend & Dividend Tax	116.60	117.00
16.	Transfer to General Reserve	50.00	45.00
17.	Balance appropriated to Bonds Redemption Reserve	318.60	280.69
	TOTAL	**485.20**	**442.69**

* One crore is equal to 10,000,000 (or Ten Million)

Quite creditably, your Company improved its Profit Before Tax (PBT) to ₹ 898.34 crore during 2010-11 as compared to ₹ 788.29 crore for the previous year, a healthy growth of 13.96%. Further, the Company has successfully absorbed the impact of higher rate of Minimum Alternate Tax to post a net profit of ₹ 485.20 crore as against ₹ 442.69 crore in the previous year, a trend compliant growth of about 9.60%.

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 borrowings and growth consistent with MOR's expectations. The overriding requirement to maintain Debt-to-Equity ratio of the Company within the limits laid down by the Reserve Bank of India has driven the payment of dividend to the Shareholders being kept at ₹100 crore during 2010-11, which works out to 20.61% of the Profit After Tax, and which amount has already been paid as Interim Dividend. In the circumstances, no final dividend is proposed.

Reserves

After taking into consideration the dividend and dividend tax, a sum of ₹ 50 crore has been transferred to General Reserve in compliance with the relevant provisions of the Companies Act, 1956 and the balance amount of ₹ 318.60 crore has been transferred to Bond Redemption Reserve with a view to bolstering investor comfort and confidence.

Share Capital

The entire paid up capital of the Company amounting to ₹ 1,602 crore continues to be held by the President of India and his nominees.

Independent Evaluators' Assessment

Credit Ratings

Domestic: During the financial year 2010-11, the Company's long term domestic borrowing programme was awarded the highest credit rating of "AAA/Stable", "LAAA" and "AAA" by CRISIL, ICRA and CARE respectively. With a view to complying with the requirements of Basel II norms, the Company also got its short term borrowing programme rated, obtaining the highest rating of "P1+", "A1+", and "PR1+" by CRISIL, ICRA and CARE, respectively.

International: During the financial year 2010-11, three international credit rating agencies - Standard & Poor's, Fitch and Moody's - have awarded to IRFC "BBB-(Stable)", "BBB-(Stable)" and "Baa3 (stable)" ratings respectively. Besides, the Company obtained an issue specific credit rating of "BBB+(Stable)" from Japanese Credit Rating Agency in respect of its Samurai Bond issuance of March 2007. Each of the four credit ratings is equivalent to India's sovereign rating, and is investment grade.

Memorandum of Understanding with Ministry of Railways, Government of India

Based on evaluation of its performance for the year 2009-10, the Company obtained 'Excellent' grading from the Department of Public Enterprises. That this became possible despite the fact that methodology adopted for evaluation in respect of a few items in the MoU continued to act to the Company's disadvantage as compared to the one adopted at the time of setting the targets, was indeed creditable. The Company is committed to continuing all efforts to maintain high standards of performance in future as well.

The Company attaches high importance to suggestions made by the Task Force appointed by the Department of Public Enterprises each year to coordinate finalisation of MoU with the Ministry of Railways. Accordingly, a suggestion of the Task Force articulated in the meeting held in February 2010, which highlighted the need for diversification of business activities of IRFC in a measured manner, while preserving the impeccable risk profile of the Company, received attention during the year. In the emerging scenario, the Company has been assigned responsibility of investing in select capacity enhancement projects of the Ministry of Railways. With the target of borrowing assigned by the Government for creation of rail infrastructure correspondingly going up from ₹ 9,792 crore during 2010-11 to ₹ 20,594 crore during 2011-12, your Directors believe that little scope exists for any further diversification of business activities in the foreseeable future.

Market Borrowings during 2010-11

For the year 2010-11, the Company was set a target of borrowing of ₹ 8,842 crore for creation of rolling stock assets for the Ministry of Railways and a target of ₹ 278 crore by way of loan to Rail Vikas Nigam Ltd. for investment in bankable projects being executed by them for MOR. The target for investment in Rolling Stock assets was revised upward through Revised Estimates of Ministry of Railways to ₹ 9,692 crore and that for lending to RVNL was scaled down to ₹ 133.46 crore. The actual funding needs of RVNL were, however, assessed by them at a lower level of only ₹ 100 crore. Consequently, the total mandate for borrowing during the year stood at ₹ 9,792 crore, which constitutes yet another milestone for the Company as this became the highest ever borrowing target assigned to it. The Company successfully discharged its obligations both towards MOR and RVNL before the end of the fiscal. The weighted average cost of borrowing during the year was an impressive 7.62%

p.a. The weighted average tenor of the borrowing during the year was about 12.07 years. The achievement is creditable indeed when viewed against the fact that the year continued to witness globally spread volatility in financial markets, with attendant unfavourable repercussions on interest rates and liquidity in Debt Capital Markets. In the domestic market, matters were made even more difficult by the heavy borrowing programmes of the Government itself and many other leading corporates during the year, posing a formidable challenge to the Company to locate and strike during appropriate windows of opportunity to time its borrowings when the debt market was benign and least crowded. During the year, yield on the bench mark 10 Year G-Sec remained consistently high, averaging over 7.85% p.a., with a peak of 8.25% p.a. Further, a combination of various macro-economic factors resulted in spreads, including those for 'AAA' entities, continuing to remain wide during the year. While the 'AAA' spread over 10-year G-Sec logged an average of 0.72% p.a. during the year, IRFC's cost of borrowing corresponds to a negative spread of 0.23% over 10-year G-Sec-a pricing tighter than the pricing in the borrowing programme of the Government. This also translates to a saving of 0.95% p.a. over the remaining best in the business.

Your Directors take pleasure in sharing with you that successful execution of the borrowing programme was facilitated by a judicious mix of transactions in domestic and overseas markets. The competitive pricing was driven by three very successful External Commercial Borrowing transactions to raise ₹ 3301.86 crore. These included a 5-year syndicated loan for US$ 350 million to realise ₹ 1585.15 crore at interest coupon of 6M US$ LIBOR + 1.34%; a 15-year JP¥ 15 billion loan equivalent to ₹ 822.91 crore, swapped concurrently into US$ and carrying an interest cost of 6M US$ LIBOR 2.33%; and a 5-year bond under Reg-S format for US$ 200 million realising ₹ 893.80 crore at a fixed coupon of 4.406% p.a. in US$ terms. Your Directors are happy to share with you that the JP¥ loan constitutes the first ever transaction for an Indian corporate for a tenor as long as 15 years and is also a commendable achievement in diversifying the investor base. Besides, your Company issued Tax-free Bonds of 5, 7, and 10-year tenors to raise ₹ 1,308.55 crore with an average life of 8.63 years, and average cost of 6.54% p.a. Taxable bonds for ₹ 4681 crore, term loan for ₹ 200 crore and a securitisation transaction for ₹ 322.56 crore formed other sources of borrowing during the year. The average cost of 7.62% p.a. during 2010-11 was marginally lower as compared to an already very competitive average cost of 7.70% p.a. achieved by your Company during the previous year. The highest weighted average tenor of borrowings during the year at 12.07 years was made possible by a number of bond transactions for long terms of over 15 years including one transaction involving bonds for a door to door tenor of 25 years. This was the first bond issuance for an Indian Corporation for such tenor and the innovation was widely acclaimed.

Timing is of essence in financial markets, and the Company took full advantage of relatively more benign conditions in the first half of the year to raise an amount of ₹ 5,240 crore up to September 2010. Likewise, timing of the three external commercial borrowing transaction was also very apt, enabling your Company to deliver a tight pricing, which drew widespread admiration across the markets. The Company's performance in raising Tax-free Bonds was also notable in terms of fine pricing achieved (6.05% p.a. payable semi-annually for 5-year Bonds, 6.32% p.a. for 7-year Bonds and 6.72% p.a. for 10-year Bonds).

Apart from the target assigned by MOR for financing rolling stock assets and projects of RVNL, the borrowing done by the Company used up an amount of ₹ 154.22 crore for meeting its operational needs of refinancing a portion of existing debt to lower the interest liability. Also, for the first time, the Securitisation transaction executed by your Company involving assignment of an identified stream of Lease Receivables from MOR in favour of the investors, had to follow draft guidelines issued by RBI for such transaction by NBFCs. Provisions pertaining to Minimum Holding Period (MHP) and Minimum Retention Requirement (MRR) required the Company to invest 5% of the securitised amount in the securities created - i.e. Pass Through Certificates. This was duly complied with.

The value of rolling stock assets finally identified by MOR against IRFC funding has been indicated as ₹ 9680 crore, which is ₹ 12 crore lower as compared to the Revised Estimate target assigned by MOR to the Company. This amount stands transferred as opening balance with MOR for the year 2011-12.

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 ₹ 3,549.90 crore in an efficient manner, without a single instance of delay or default. These included Bonds valued at ₹ 1,848.93 crore, Term Loans worth ₹ 1,037.17 crore and External Commercial Borrowings (ECB) of ₹ 663.80 crore. Continuing the trend of significant debt servicing, your Company is set to honour obligations towards redemption of Bonds, repayment of Loans and ECBs amounting to around ₹ 3,501.85 crore during the current financial year.

Risk Management

Effective risk management is central to healthy structure of a finance Company. While management of credit risk is accorded high priority amongst various risk mitigation efforts of a business, this is virtually a non-issue in the case of your Company, because an overwhelming portion of its assets is in the form of lease receivables from the Ministry of Railways, carrying zero risk. The Company's selective forays into other areas in the form of loans to other railway entities such as Rail Vikas Nigam Limited and Railtel Corporation of India Limited also carry suitable protection as the same have either been granted 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 consortium of lending 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, the Company perceives little risk on this loan.

As regards the Operational Risk, the Company has in place adequate internal control systems commensurate with the nature and volume of its business. The same is commented upon periodically by the Internal Auditors. A multiple tier control mechanism is in place. Besides control exercised by and specific accountability assigned to executives and employees of the Company for various functions, efficient maintenance of accounts is facilitated by a professional and reputed firm of Chartered Accountants engaged as Retainers of Accounts. The function of Internal Audit has been assigned to another reputed firm of Chartered Accountants. The Statutory Auditors of the Company are appointed by Comptroller and Auditor General (C&AG) of India, and the appointment is rotated periodically. Besides, the accounts of the Company are subject to supplementary audit by the office of C&AG as required under the Companies Act. The C&AG also conducts proprietary audit of the Company. The track record of your Company in regard to handling its operational risk has been excellent.

Ordinarily, a company carrying out its business with predominantly single client features might be viewed as faced with a potential threat. However, in the case of your Company, the single client is not only the owner, but also happens to be the Government itself. By virtue of funding almost one-fourth of plan outlay of the Ministry of Railways over its life, IRFC commands a position of strategic importance for the Ministry. Funding provided by IRFC has consistently been at competitive costs considered attractive by the Ministry. The resultant trust that the Ministry has reposed in the Company has yielded an annual growth of almost 20-25% in the annual asset creation by IRFC over a sustained period of time. With strong indications of an even larger role being expected by the Ministry from IRFC in its efforts at augmenting rail infrastructure in the country, your Directors consider the Company as comfortably placed in the matter of Business Risk it is exposed to.

Given the carefully drafted provisions in the Lease Agreement signed by IRFC with MOR each year, there is a very good matching of the interest rate sensitivity profile of its assets and liabilities. In the circumstances, exposure of the Company to Interest Rate Risk is negligible.

The cash flows of your Company are highly predictable, shielding it adequately against liquidity related issues even in a volatile market. Besides, with the quality of credit to it commanding high level of respect amongst investors, both domestic and international, the Liquidity Risk in the case of IRFC is perceived at a very low level.

Your Company has consistently been adopting prudent, efficient and cost-effective risk management strategies to safeguard 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. Timing is important in contracting such hedging transactions. The Company often makes use of the fact that contracting a hedge at a time subsequent to the drawdown does not expose it to any undue immediate risk, as repayment of principal is scheduled only five years later. The Company finds it advantageous to enter into a hedging transaction at a time when market conditions are most opportune and cost thereof most optimum. This requires the Company to monitor the markets closely on an ongoing basis, and strike at the right time, which ability it has consistently demonstrated in the past.

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, taking due note of the high hedging cost associated with longer dated debt. Notwithstanding occasional and short-lived dips in the value of Rupee against USD in recent times, the medium term prognosis continues to point towards continuing strengthening of Rupee vis-à-vis USD. The Company intends to keep the situation under constant vigil, and would suitably hedge its position in the transactions wherein its exposure is in USD terms, at appropriate times. Amongst transactions in which the Company has outstanding liability in USD terms, is the USPP transaction involving private placement of Bonds in US market in March 2007 carrying bullet repayment after ten years, the 5-year USD 450 million Syndicated Loan contracted in November, 2009, the 5-year USD 350 million syndicated loan transaction entered into in September 2010, and the Bond issue for USD 200 million drawn down in March 2011, with bullet repayment after five years. Further, in a few cases where the borrowing took place in JP¥, your Company has executed first leg of the swap and converted its JP¥ exposure into USD terms. The USD liability in these transactions is awaiting appropriate hedging at an opportune time. Besides adopting measures for protection of principal against exchange rate risk, your Company also engages in safeguarding its position against interest rate variation on foreign currency borrowings in a prudent manner, taking judicious view of all relevant factors. Thus, interest rate risk in the USD 100 million transaction of November 2008, the USD 450 million transaction of November, 2009 and the USD 350 million transaction of September 2010 stands covered through interest rate swaps, fixing IRFC's liability in regard to the variable USD LIBOR. 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.

Refinements in classification of IRFC as NBFC

Making a change from its earlier classification and registration with the Reserve Bank of India as NBFC-ND-AFC (Non Deposit-taking Asset Finance Company), your Company has been registered by RBI on 22nd November 2010 as NBFC-Infrastructure Finance Company (IFC). As a result, it would now be able to avail further leverage in respect of bank credit both in the form of lower provisioning and higher permissible exposure limits for banks. Further, IRFC's Bonds with residual maturity of at least seven years would qualify for categorisation as held to maturity (HTM) instruments like SLR Bonds, with associated benefits. The Company would also qualify for external commercial borrowing under automatic route, not requiring prior approval of Reserve Bank of India, if the total outstanding foreign currency borrowing remains within 50% of its net worth.

Lease Arrangement with the Ministry of Railways 2010-11

As you are aware, the financial relationship of the Company with the Ministry of Railways is based on a Finance Lease arrangement which is regulated by a standard lease agreement. In respect of the incremental assets acquired during 2010-11 through IRFC funding, lease rentals have been fixed at ₹ 55.98 per thousand per half year (PTPH) over a primary lease tenor of 15 years. The cost (IRR) to Ministry of Railways is 8.12% p.a. Viewed in the context of the relatively high interest rates ruling during most parts of the year, the pricing is considered attractive for the Ministry. As regards the cost to be charged from RVNL for the lending to them during the year, the same has been worked out based on the average cost of borrowings during the year other than the cost associated with external commercial borrowings. The cost to RVNL has accordingly been fixed at 8.82% p.a.

Fixed Deposits

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

Resource Mobilisation for 2011-12

The Ministry of Railways has decided that during 2011-12, Rolling Stock assets with estimated value of ₹ 11,800 crore would be funded through extra budgetary resource to be provided by IRFC. Besides, the Railway Budget 2011-12 also envisages support by IRFC for financing select capacity enhancement projects of MOR to the extent of ₹ 8,654.38 crore and a funding assistance of ₹ 140 crore to meet the requirements of Rail Vikas Nigam Limited. The total target of ₹ 20,584.38 crore is 110% higher than the target for the previous year. The Government has also decided to permit IRFC issuance of tax free bonds of ₹ 10,000 crore during the year.

Up to the end of June, 2011, your Company has transferred to Ministry, a sum of ₹ 3,302 crore. Notification from Ministry of Finance authorising the Company to issue tax free bonds is awaited. The Company has prepared a time schedule for mobilising the required resources in a phased manner for creation of rail infrastructure under Ministry of Railways. As usual, it will need to keep a close watch on the macro and micro level economic developments, so as to capture opportune windows of softer interest rates and adequate liquidity. The Company is also awaiting decision of Ministry of Railways on the business model to be followed for financing the projects of MOR during the year.

Management Discussion and Analysis

Your Directors take pleasure in sharing with you their perception that business of the Company stands on a sound platform and is running well. The robust business model involving strong and mutually beneficial relationship with MOR has become its unique forte. However, in the short term, the global trend of northward movement of interest rates and corporate spreads, as also impacted by interventions of Reserve Bank of India to bring inflation under check, points to strong likelihood of the cost of raising financial resources remaining on the higher side. While the Company's operations have necessarily to be circumscribed by the conditions set out by macroeconomic milieu, the Company maintains its unflinching commitment to make funds available to the Railways at the most competitive pricing feasible.

Your Directors, however, wish to sound a note of caution in regard to the financing of select capacity enhancing projects of MOR by your Company, as mandated through the Railway Budget 2011-12. It is their considered view that it would be absolutely imperative to ensure that the projects selected for funding by IRFC are indisputably viable, and would yield healthy returns with short gestation period. An appropriate business model, which is consistent with Allocation of Business Rules of the Government and other mandatory requirements, to effect transfer of funds from your Company to MOR would need to be put in place expeditiously. The model should necessarily ensure that the risk perception attached to lending to IRFC does not undergo any adverse change.

The business of the Company with the Ministry has grown considerably during the recent years. From an annual target of ₹ 2,510 crore in 2002-03, the borrowing target assigned for the current year stands at ₹20,594 crore, including the funding support to be provided to RVNL. The trend represented by this more than eight-fold increase in annual borrowing target over a period of nine years is likely to continue. This is bound to further accentuate the problem of the Company's financial gearing coming under stress. Frequent instances of additional equity infusion - ₹ 300 crore in March 2009, ₹ 291 crore in November 2009 and ₹ 511 crore in October 2010 - did help to some extent, but the Company is already faced with a pressing need for further equity infusion to sustain its daunting borrowing programme during the current year. Given the nature of the problem, the Company would do well to explore all possible options for equipping itself appropriately to meet this challenge. It is in this context that the Authorised Capital was enhanced from ₹ 1,000 crore to ₹ 2,000 crore with the approval of the Shareholders in 2009, and further increased to ₹ 5,000 crore in June, 2011. Likewise, an appropriate increase in its paid up capital from the present ₹ 1,602 crore is also planned.

Switch by the Banks from their earlier practice of granting PLR linked loans to the new system of Base rate linked loans has posed some difficulties for your Company in the sense that not only have the medium term bank loans become less price competitive as compared to cost obtaining in bonds market, but also the short term loans have become relatively costlier and unaffordable. While the share of bonds has resultantly increased in its mix of medium and long term borrowing, the Company is also committed to monitoring the situation closely with a view to taking necessary steps including, but not limited to, raising a higher share of short term funding through issue of commercial paper.

Making IRFC's Accounts IFRS compliant

Indian corporate entities would soon be required to prepare their accounts in conformity with International Financial reporting Standards (IFRS). Accordingly, efforts towards bringing Indian Accounting Standards in line with IFRS have gained considerable momentum. The Company has taken necessary preliminary action to present its accounts in IFRS compliant form. A roadmap for transition to IFRS has been approved by the Board of Directors. The Audit Committee and the Board of the Company have been reviewing the position in this regard in each of the meetings held in recent months, and the Company is confident that the transition to IFRS would be effected smoothly within the timeframe laid down by the Government. In compliance of a decision of the Board of Directors, the Company has been periodically preparing its accounts, including the balance sheet, beginning the accounting period 01-04-2010 onwards in conformity with requirements of IFRS, even though the revised timetable prescribed for NBFCs such as IRFC required this to be done from 01-04-2013 only.

Report on Corporate Governance

The Government considers good corporate governance practices a *sine qua non* for sustainable business that aims at generating long term value for its shareholders and all other stakeholders. Accordingly, it has been laying increasing emphasis upon development of best corporate governance practices amongst CPSEs. In pursuance of this philosophy, the Ministry of Corporate Affairs had come up on 22-06-2007 with comprehensive 'Guidelines on Corporate Governance for Central Public Sector Enterprises'. The said Guidelines were later made mandatory from 14-05-2010. These Guidelines were duly adopted by your Company.

In the meantime, the Ministry of Corporate Affairs have drafted another set of guidelines, viz. 'Corporate Governance Voluntary Guidelines' (hereinafter referred to as Voluntary Guidelines) in December 2009, which have to be considered by all companies including CPSEs for voluntary adoption. In the event of some provisions not being followed, the position is required to be reported in the Annual Report of the company. Your Board of Directors is pleased to report that your Company has decided to comply with these guidelines in their totality to the extent applicable to it. A few items in the Voluntary Guidelines, which your Company is not in a position to adopt mainly because they do not apply to it, have been outlined, together with reasons for non-adoption thereof, in the Report on Corporate Governance.

Report on Corporate governance is enclosed as **Annexure 'I'** forming part of this report.

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 Systems and their adequacy

The Company has established a sound system of Internal Controls, suited to accurate and timely financial reporting, and to ensure observance of statutory laws, regulations and company policies. In order to maintain efficacy and effectiveness of internal control systems, 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 Auditors in their report to the Members.

Human Resource Development

Performance level of your Company has been consistently high despite the fact that it consciously maintains a very lean workforce. The small working strength is complemented to an extent by outsourcing a few non-core activities to professional agencies.

Such high levels of efficiency would not be possible but for the Company laying deep 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 of all its employees. As a matter of general practice, the Company relies on training interventions involving assessment of training needs and providing necessary inputs to Company personnel, including through customised training progammes.

Corporate Social Responsibility

Department of Public Enterprises, Ministry of Heavy Industries and Public Enterprises, have issued in March, 2010 comprehensive 'Guidelines on Corporate Social Responsibility for Central Public Sector Enterprises' (hereinafter referred to as CSR Guidelines). The CSR Guidelines envisage Public Corporations to serve the interests of society by taking responsibility for the impact of their activities on customers, employees, shareholders, communities and environment in all aspects of their operations. The CSR Guidelines also envisage measurement of performance against a company's responsibilities under economic impact, social impact and environmental impact - Triple Bottom Line. The said Guidelines, *inter alia*, require all Corporations to take up CSR activities in the periphery where a company caries out its commercial activities, as for as possible. However, companies operating in areas such as financial services, which have no specific geographical area, are permitted to adopt and define the areas of their choice for undertaking CSR activities.

The activities identified under CSR are to be implemented by specialised Agencies and not by staff of the company. The companies are also required to include in their Annual Report their activities in regard to implementation of CSR activities / projects including the facts relating to physical and financial progress.

As the Shareholders are aware, your Company has a dual relationship with Ministry of Railways (MOR), which is both its sole shareholder and client. IRFC being a company in the financial services sector, is engaged only in raising funds from the market for creation of assets in the Railway sector.

In order to comply with the CSR Guidelines, it had been agreed in consultation with the Task Force appointed by Department of Public Enterprises to coordinate finalization of the Company's Memorandum of Understanding with Ministry of Railways for 2010-11 to undertake activities involving Corporate Social Responsibility and promotion of Sustainable Development (SD) in areas to be determined in consultation with MOR. This was in recognition of the fact that IRFC renders service only to MOR, and the Ministry is IRFC's only interface with users of infrastructure created by it. Besides, looking to the fact that MOR has vast experience and expertise in undertaking construction and developmental activities, it was further decided that implementation of identified activities would be under the guidance of the Ministry. The overall approach was intended to supplement efforts of the Ministry in identified areas, and to help avoid multiplicity of inputs in chosen areas.

In the context of the dual relationship between IRFC and MOR, undertaking the CSR and SD activities in the railway sector is also intended to ensure that long term CSR plans match with the long term business plans of the Company. Accordingly, at the Company's request, MOR identified two Railway stations - Liluah in Eastern Railway and Bahadurgarh in Northern Railway - for IRFC to undertake the CSR and SD activities. Broad thrust areas of such activities were also indicated. Looking to the limited time available, the Company decided to concentrate initially on such activities at Bahadurgarh Railway Station.

Since the Government Guidelines require that such Project activities be implemented through Specialised Agencies such as Government, semi-Government, Autonomous Organisations and Non-Governmental Organisations (NGOs), and not by the staff of CPSE, Divisional Railway Manager, Northern Railway, New Delhi, was persuaded to take up the project activities on behalf of IRFC. After detailed deliberations, and taking the well documented extant ground position as base survey, the consensus was that under CSR activities, the focus should be on facilities for the physically challenged rail users. Accordingly, it was decided to take up works to create passenger amenities such as provision of stainless steel benches with small platform shelters as necessary, renovation of existing water booths and provision of new water booths to make them usable by physically challenged persons, separate parking facilities for physically challenged rail users, reconditioning of circulating area, provision of ramps to connect parking area with platform area for convenience of physically challenged persons and provision of ticket windows, toilets, and tactile signage for physically challenged persons. It was also agreed that the identified activities on this station would be continued over the next few years so that over a period of time, a visible and effective impact is created.

As for activities under Sustainable Development, it was decided to provide lighting arrangements using solar panels of suitable capacity at select locations on Bahadurgarh railway station. As in the case of CSR, it was agreed that such SD activities on this station would be continued over the next few years so that a over a period of time, a visible and effective impact is created.

Your Board of Directors take pleasure in sharing with you that work on the identified activities was taken in hand and has been progressing satisfactorily. Looking to the lean organizational structure of IRFC, setting up of an independent section for CSR and SD activities has been considered neither feasible nor necessary. Funds required by the implementing agency for execution of the activities for CSR and SD projects were remitted to them to the full extend of estimated amount of ₹ 47.53 lakh, and the work is being monitored on regular basis, including through visits to the site. The Board is kept suitably apprised by the management in this regard. On completion of the projects, the same would also be got inspected by an independent external agency.

Official Language

The Company is committed to achieving exclusive use of Hindi in transaction of its official business, and in the process also bring about compliance with provisions of Official Language Act and Official Language Policy of the Government of India. Considerable efforts were made to achieve the targets set under Annual Programme issued by Department of Official Language, Government of India. Provisions of Section 3(3) of the Official Language Act were fully complied with. Effective measures were taken to bring about progressively higher use of Hindi in day-to-day working of the Company. Ensuring more intensive use of bilingual / Hindi software, purchase of sufficient number of Hindi books, periodicals and journals for the office library in keeping with improving readership, and holding workshops to promote awareness and use of Hindi as official language formed core of the approach in the matter, even as the biggest driver has been a sense of pride inculcated amongst constituents of the Company in transacting their official work in Hindi.

During the year under review, four quarterly meetings of the Official Language Implementation Committee of the Company were held. Also, four Hindi Workshops were organised to give hands-on exposure to participants on various facets of use of Hindi in discharge of their official duties. As in the previous years, Hindi Week was celebrated, carrying out a variety of activities. Competitions involving recitation of poems and essay writing were organised during the year. Awards were given to participants demonstrating best performance in the competitions, and also to employees making most extensive use of Hindi in their day-to-day official work. Government's recognition of excellent work done by your Company in the area came in the form of an Award given by the Department of Official Language, Ministry of Home Affairs, Government of India to the Company in a simple ceremony held on 28th December 2010.

The official website of your Company exists in fully bilingual form, and contains all information of interest to its stakeholders.

Right to Information Act, 2005

The Company follows Government instructions issued in pursuance of Right to Information Act, 2005, and has designated Public Information Officer and Appellate Authority under the Act. All relevant information has been hosted on the Company's website also.

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.

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 Employee) 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 Assistant / Assistant and include two women employees. One woman executive at senior management level has also been working with Company. The Company would endeavour to further improve the number as and when an opportunity offers.

Board of Directors

Since the time of the last Annual General Meeting in August, 2010, a few changes have taken place in the composition of the Board of Directors. Shrimati Sowmya Raghavan, Chairperson, demitted office on retirement on 30th September 2010. Shri Samar Jha was appointed Chairman of the Company on 26th October, 2010 and occupied that position till his retirement on 31st March 2011. Shrimati Pompa Babbar has, thereafter, been appointed as Chairperson on 21st April, 2011. Further, Shri Govind Mohan ceased to be a Director of your Company during the period, consequent upon his transfer out of Ministry of Finance. He has been replaced by Shri Rajesh Khullar, Joint Secretary (I&I), Ministry of Finance in terms of Government order dated 13th May, 2011. Shri Khullar holds post graduate degrees in Physics and Public Policy. He has 23 years of rich experience in the Indian Administrative Service. He is also a Director in ONGC Videsh Limited.

The Board of Directors wishes to place on record its deep appreciation of the able leadership provided by Shrimati Sowmya Raghavan and Shri Samar Jha. It also wishes to acknowledge the valuable contribution made by Shri Govind Mohan during deliberations of the Board.

As required under the Corporate Governance Guidelines, the Company has put in place a system for evaluating performance of its Directors.

Statutory Auditors

M/s Dhawan & Co., Chartered Accountants, were initially appointed as Statutory Auditors by Comptroller & Auditor General of India to audit the accounts of the Company for the year 2008-09. The same firm continues as Statutory Auditors for the year 2010-11 also. The Report of the Auditors contains no qualification on the Accounts.

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, 2011 and has had no comments upon or supplements to the Auditors' Report under Section 619(4) of the Companies Act, 1956.

Acknowledgements

Your Company is grateful to 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, assistance, active & timely support, and guidance rendered from time to time. The Company is also thankful to all its Bondholders, Banks, Financial Institutions, Arrangers, 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 for sustaining its excellent performance levels. The Company expresses gratitude to the Comptroller & Auditor General of India, the Statutory Auditors and the Internal Auditors 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 officers and employees, which has enabled the Company to successfully meet the increasingly more exacting targets set by the Ministry of Railways, concurrently consolidating its position as one of the most vibrant public financial institutions in the country. The Company also gratefully acknowledges the highly useful and substantive contribution of Retainer of Accounts and its Registrars and Transfer Agents.

For and on behalf of Board of Directors

Pompa Babbar
Chairperson

Place : New Delhi
Date : 16th July, 2011

Indian Railway Finance Corporation Limited (IRFC) is a Central Public Sector Enterprise (CPSE). 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 with relevant provisions contained in the Guidelines on Corporate Governance for Central Public Sector Enterprises (hereinafter referred to as Government Guidelines), issued by Department of Public Enterprises, Ministry of Heavy Industries and Public Enterprises, Government of India. 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 the profit it earns for its Shareholders and the spread it charges from Ministry of Railways in the cost of funds transferred to them. This is sought to be achieved by conducting the business in a professional manner, using 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 high level of investor / lender satisfaction through timely debt servicing.

To foster best Corporate Governance practices, the Company has formulated a "Code of Business Conduct and Ethics for its Board Members and Senior Management" in June, 2008, which seeks to bring high level of ethics and transparency in managing its business affairs. The same has also been hosted on the website of the Company (www.irfc.in).

Affirmation by all Directors and senior Officers of the Company to the effect that they have complied with and not violated the Code is required to be obtained at the end of each year. The requirement stands fulfilled for 2010-11. 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 5 Directors on the Board of the Company. Financial Commissioner (Railways) is the ex-officio Non-Executive Chairperson of the Company. One Director is nominated by Ministry of Finance, and there are two non-government Directors (hereinafter referred to as Independent Directors). Besides Managing Director, there is another post of full-time Director, viz. Director Finance, which is lying vacant since 10-03-2010. The process for placement of a new incumbent has been completed by the Government, and he is likely to join shortly. 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 Board of Directors

The Board of Directors has been holding its meetings regularly. Six such meetings were held during the year under review, as listed below :-

Serial No.	Board Meeting No.	Date
1.	195	23.04.2010
2.	196	27.07.2010
3.	197	28.10.2010
4.	198	21.12.2010
5.	199	20.01.2011
6.	200	24.03.2011

Attendance at the Meetings of the Board of Directors during 2010-11

Name of the Director	Number of meetings of BOD held during their tenure	Number of meetings attended	Attendance at the AGM	Directorship In other Companies	No. of Committee positions held in public companies including IRFC
Smt. Sowmya Raghavan, Chairperson / IRFC (01.01.2009 to 30.09.2010)	2	2	Yes	None	None
Shri Samar Jha, Chairman / IRFC (26.10.2010 to 31.03.2011)	4	4	NA	None	None
Shri R. Kashyap Managing Director/IRFC From 01.09.2006	6	6	Yes	None	None
Prof. R.Narayanaswamy Director / IRFC From 16.10.2008	6	5	No	None	1
Shri Govind Mohan Director / IRFC (04.03.2009 to 13.05.2011)	4	2	Yes	2	None
Shri P.K.Choudhury Director / IRFC From 16.10.2008	6	2	No	9	5
Shri Jagmohan Gupta Director / IRFC (26.10.2009 to 31.05.2010)	1	1	NA	None	None

Notes :

1. Only Audit Committee and Shareholders' Grievance Committee have been reckoned while considering Committee positions.
2. Shri P.K.Choudhury is not Chairman of any Committee in any Company.
3. Consequent upon his transfer out of Ministry of Finance, Shri Govind Mohan ceased to be Director of the Company w.e.f. 09.01.2011. However, official communication in this behalf was received only on 13.05.2011.
4. Smt. Sowmya Raghavan retired from Government service on 30.09.2010. However, Government Orders appointing her replacement in the Board of IRFC were issued on 26.10.2010
5. Shri Samar Jha superannuated on 31.03.2011. However, Government Orders appointing his replacement in the Board of IRFC were issued on 21.04.2011.
6. Smt. Pompa Babbar has been appointed Chairperson / IRFC vide Government of India Orders issued by Ministry of Railways on 21.04.2011.
7. Shri Rajesh Kumar Khullar has been appointed Director of the Company vide Government of India Orders issued by Ministry of Railways on 13.05.2011.

Remuneration paid to Managing Director

Salary, in the scale of ₹ 67,000 - 79,000, together with the usual allowances and perks, was paid by the Company to Shri R. Kashyap during the year.

The Directors are neither related to each other, nor have pecuniary relationship with the Company. A Sitting Fee of ₹ 5,000/- per Meeting was paid to Independent Director(s) for attending Board meetings or meetings of Committees of the Board during the year under review.

Information placed before the Board

Information placed before the Board of Director from time to time broadly includes items specified in the Government Guidelines and any other information considered relevant and 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 are free to seek and access all information pertaining to the business of the Company, as and when required.

Constitution of Audit Committee

In accordance with provisions of Section 292-A of the Companies Act, 1956 read together with the Government Guidelines, the Company has a duly constituted Audit Committee. At present, the Audit Committee comprises three members - Prof. R. Narayanaswamy, Independent Director / IRFC, Shri P.K.Choudhury, Independent Director / IRFC and Shri R.Kashyap, Managing Director / IRFC. Prof. R. Narayanaswamy is the Chairman of the Audit Committee. Company Secretary acts as Secretary to the Audit Committee.

During the financial year 2010-11, four Meetings of the Committee were held on 23rd April, 2010, 26th July, 2010, 28th October, 2010 and 20th January, 2011. Participation of the Members in these Meetings is outlined below :-

SL. No.	Name of the Member of the Audit Committee	Number of Meetings held during their tenure	Number of Meeting attended
1.	Prof. R. Narayanaswamy Independent Director	4	3
2.	Shri P.K. Choudhury Independent Director	4	1
3.	Shri Govind Mohan Director	2	None
4.	Shri R. Kashyap Managing Director	4	4

Note: Consequent upon reconstitution of the Audit Committee on 27th July, 2010, Shri Govind Mohan ceased to be its Member from that date.

After adoption of the Government Guidelines, role of Audit Committee covers the list of functions stated in the said Guidelines which, inter alia, include the following:-

❒ To hold discussion with Auditors periodically about :-
- Internal control systems 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 it by the Board.

❒ To perform the following functions :-
- Overseeing the Company's financial reporting process and system for 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' Grievance Committee

In terms of Office Memorandum No. 2(70)/08-DPE(WC) dated 26th 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 approve disbursement of 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 has constituted a Remuneration Committee of the Company. At present, the Remuneration Committee comprises Shri R. Narayanaswamy and Shri P.K. Choudhury, Independent Directors and Shri R.Kashyap, Managing Director. Prof. R. Narayanaswamy, Independent Director, is Chairman of the Remuneration Committee. During the year, the Committee held one Meeting on 24th March, 2011, which was attended by all the Members.

Since its entire paid up share capital is held by Government of India in the name of the President of India and his nominees, the Company has no separate Shareholders' Grievance Committee.

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.

The Company has complied with provisions of all major laws applicable to it and no penalty has 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 2010-11. No items of expenditure have been debited in books of accounts, which are not for the purpose 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 0.15% of the total expenses as against 0.18% in the last year.

Auditors of the Company have audited and accorded an unqualified certification to its accounts for the year 2010-11.

Means of Communication

During 2010-11, Unaudited Half-yearly Financial Results for the half year periods ended 30th September, 2010 and 31st March, 2011 were subject to limited review by Auditors of the Company, and published in selected national newspapers of repute both in English and Hindi, besides being submitted to the National Stock Exchange. The same were also sent by registered post to all the registered Bondholders of the Company. Besides, the aforesaid Unaudited Half-yearly results as also Unaudited Quarterly results were, hosted on the website 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.

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

Training of Board Members

All Non-Executive Directors are apprised of the Company's business, nature and broad methodology of 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, as also emerging position of relevant legislation.

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. No personnel of the Company has been denied access to the Audit Committee in the context of action under the Policy.

Registrar & Transfer Agents / Investors' Grievance Committee

The Company has assigned the responsibility of transfer / transmission of Bonds to its Registrars & Transfer Agent (hereinafter referred to as Registrars), Karvy Computershare Private Ltd., Hyderabad. The Registrars have constituted a Committee to render such services to investors. The Committee meets on fortnightly basis, reviews complaints received and takes prompt and appropriate action. The work done by the Registrars is got audited by the Company periodically.

As on 31.03.2011, there were no complaints from investors pending for more than 30 days.

CEO / CFO certification

As required under the Government Guidelines, 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) was placed before the Board of Directors in their Meeting held on 16th July, 2011.

As the post of Director Finance (CFO) is lying vacant since 10th March, 2010, the Certificate has been signed by Managing Director (CEO) only.

General Body Meetings

Details of venue and timing of last three Annual General Meetings (AGM) are as under :-

AGM No.	AGM Date	Location	Time
23	25th August, 2010	Committee Room (237), 2nd Floor, Rail Bhawan, New Delhi.	4.00 P.M.
22	28th August, 2009	Committee Room (237), 2nd Floor, Rail Bhawan, New Delhi.	4.00 P.M.
21	28th August, 2008	Committee Room (237), 2nd Floor, Rail Bhawan, New Delhi.	4.00 P.M.

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

One Special Resolution was passed in the 22nd Annual General Meeting held on 28th August, 2009.

General Shareholder Information

Annual General Meeting :

Date : 15th September, 2011

Day : Thursday

Time : 3.30 p.m.

Financial Calendar

Financial year of the Company spans the period 1st April to 31st March of the following year.

Publication of Unaudited Financial Results

The Unaudited Half-yearly Financial Results were published as under :

Business Standard - English / Hindi	30th October, 2010
Economic Times - English / Hindi	30th October, 2010
Nav Bharat Times - Hindi	30th October, 2010
Financial Times - English	7th November, 2010
Business Standard - English / Hindi	2nd May, 2011
Economic Times - English / Hindi	2nd May, 2011
Economic Times - Greater NCR Edition	5th May, 2011
Nav Bharat Times - Hindi	2nd May, 2011

Dematerialisation of Bonds

All Bonds issued by the Company have been made available in dematerialized form. The same are listed with National Stock Exchange. However, some of the investors have exercised option to retain the Bonds in physical form. The Listing Fee for the year 2010-11 has been paid to the Stock Exchange.

Compliance Certificate on Corporate Governance

As required under the Government Guidelines, the Statutory Auditors of the Company have issued a certificate regarding compliance of conditions of Corporate Governance by the Company, which is annexed to this Report.

Secretarial Audit

In terms of the Corporate Governance Voluntary Guidelines, Secretarial Audit of the Company was got conducted by an independent practicing firm of Company Secretaries, M/s Navneet K. Arora & Co., New Delhi. The Secretarial Audit Report affirms that the Company has complied with all applicable provisions of the corporate laws relevant to it.

The Report was taken on record by the Board of Directors in their Meeting held on 16.07.2011.

Corporate Governance Voluntary Guidelines issued by Ministry of Corporate Affairs - Items not adopted

The Company has not adopted the following Voluntary Guidelines as the same are not relevant to its functioning for the reasons explained against each item :-

Guideline No.1. A.1(ii) regarding issuance of formal letters of appointment to Non-Executive Directors (NED's) and disclosing the same to the shareholders at the time of ratification of NED's appointment or re-appointment on the Board of the Company.

Rationale: Being a 100% Government owned Company, appointment of Director is made by the Government itself. Thus, there is no case for ratification by the Shareholders.

Guideline Nos.1.A.3(i), (iii), (iv) and B.1.(i) regarding constitution of Nomination Committee for search and selection of Non-executive and independent Directors.

Rationale: Being a 100% Government owned Company, Directors of IRFC are appointed by the Government. Thus, there is no need for constitution of Nomination Committee in the Company.

Guideline No. 1.C.1 containing Guiding Principles related to Linking of Corporate and Individual Performance while determining level and composition of remuneration payable to the Executive Directors and Key Executives.

Rationale: This clause is not applicable to IRFC as Executive Directors and Key Executives are on pay scale(s) prescribed by the Government. Similarly, performance related incentives are also granted in line with orders of the Government.

Guideline No.1.C.1.2. and 1.C.1.3 about remuneration of Non- executive Directors (NEDs) and structure of compensation to NEDs.

Rationale: These clauses are also not applicable to IRFC as NEDs are not paid any remuneration, sitting fee, etc. in line with the Government Orders.

Guideline Nos. C.2. (ii), (iii) and (iv) in regard to determination of remuneration of Executive Directors and executive Chairman, etc. and informing the principles, criteria and the basis of remuneration policy of the Company to the Shareholders.

Rationale: These clauses are not applicable to IRFC as payment of remuneration to the Executive Directors and employees of the Company is governed under the Government Rules and Guidelines.

Guideline No. II . E (iii) related to attachment of 'Impact Analysis on Minority Shareholders' along with every agenda item at the Board Meeting.

Rationale: This is not applicable to IRFC as its entire Paid-up Share Capital is held by the Government of India.

Guideline No. III. C. i (third sub- clause) regarding recommendations by the Audit Committee in relation to the appointment, reappointment, removal and terms of engagement of the external auditor.

Rationale: This clause is not applicable as appointment of the external auditor is made by the Office of the Comptroller and Auditor General of India.

Guideline No. III. C. (ii) and (iii) in regard to monitoring and approval of Related Party Transactions by the Audit Committee and disclosure of all such Transactions in the Board's Report for that year.

Rationale: These clauses are not applicable to IRFC as being a Government Company, there are no related party transactions.

Guideline No. IV.A related to role of Audit Committee in Appointment of the Auditors.

Rationale: This clause is not applicable as being a Government owned Company appointment of the Auditors is made by the Office of the Comptroller and Auditor General of India.

Annexure - 'A'

Code of Business Conduct - Declaration by the Managing Director (CEO)

I hereby affirm that all Board Members and Senior Management personnel have confirmed compliance on their part of the "Code of Business Conduct and Ethics for Board Members and Senior Management" for the year 2010-11.

Place : New Delhi
Date : 12.07.2011

R. Kashyap
Managing Director

CHIEF EXECUTIVE OFFICER'S CERTIFICATION

In relation to the audited financial accounts of the Company as at 31st March, 2011, I hereby certify that

a) I have reviewed financial statements and the cash flow statement for the year and that to the best of my 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 my knowledge and belief, no transactions entered into by Company during the year which are fraudulent or illegal.

c) I 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. I have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls of which I am aware, and the steps I have taken or propose to take to rectify these deficiencies.

d) I 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) I am 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.

R. Kashyap
Managing Director (CEO)

Date : 12.07.2011

AUDITOR'S CERTIFICATE ON COMLIANCE 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 31st March 2011, as stipulated in the Listing Agreement of the said Company with the National Stock Exchange (herein after 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 31.03.2011, the composition of the Board was in comformity 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 31.03.2011.

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 unattended/pending for more than 30 days as at 31st March 2011.

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

Prakash N. Mathur
(Partner)
M.No.-086292

Place : New Delhi
Date : 16.07.2011

SECRETARIAL AUDIT REPORT

To
The Board of Directors,
Indian Railway Finance Corporation Ltd.
UG Floor, East Tower, NBCC Place,
Bisham Pitamah Marg
Pragati Vihar, Lodhi Road,
New Delhi-110003

1. We have examined the registers, records and documents of Indian Railway Finance Corporation Limited (The Company) for the Financial year ended on March 31st 2011 according to the provision of-
   - The Companies Act, 1956 and the Rules made under that Act;
   - The Depositories Act 1996 and the Regulations and Bye-laws framed under that Act;
   - The Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (SEBI Act) and Securities Contract (Regulation) Act. 1956 ('SCRA') and the Rules made under this Act;
   - The Simplified Debt Listing Agreements entered into with National Stock Exchange Limited;
   - Non Banking Financial Companies (Reserve Bank) Directions 1998 issued by Reserve Bank of India;
   - Guideline on Corporate Social Responsibility for Central Public Sector Enterprises-March 2010 issued by the Ministry of Heavy Industries & Public Enterprises (Department of Public Enterprises), Government of India;
   - Corporate Governance Voluntary Guidelines, 2009 issued by Ministry of Corporate Affairs, Government of India.
2. We have conducted, with the required degree of professional care, the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by the Company in accordance with the standards commonly accepted and practiced in relevant matters by the corporate sector in India. These corporate actions are responsibility of the Company. Secretarial Audit is conducted in a manner that provides us a reasonable basis for evaluating the corporate actions/statutory compliances and expressing our opinion thereon.
3. Based on our verification of the registers, records and documents and also the information provided by the Company, its Officers, agents and authorized representative during our conduct of Secretarial Audit, we hereby report that in our opinion, the company has during the aforesaid period, complied with the applicable statutory provisions of the Companies Act 1956 and the Memorandum and Articles of Association of the Company and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made thereafter with regard to:

   a) Maintenance of various statutory registers and documents and making necessary entries therein;

   b) Closure of the Register of Bond holders;

   c) Forms, returns, documents and resolutions required to be filed with the Registrar of Companies and Central Government;

   d) Services of documents by the Company to its Members, Bond holders, Bond Trustees and the Registrar of Companies;

   e) Notice of Board meeting and Committee meeting of Directors;

   f) The meetings of Directors and Committees of Directors including passing of resolutions by circulation;

   g) The 23rd Annual General Meeting held on 25th August 2010;

   h) Minutes of proceedings of General Meetings and of Board and its Committee meetings;

   i) Approvals of the Members, the Board of Directors, the Committees of Directors and government authorities, wherever required;

   j) Constitution of the Board of Directors/Committee(s) of directors and appointment, retirement of Directors including the Managing Director and Whole-time Director;

   k) Payment of remuneration to the Directors including the Managing Director and Whole time Director;

l) Appointment and remuneration of Auditors;

m) Issue and allotment of Shares and bonds and issue and delivery of original certificates of shares and corporate action of the bonds for issuance of bonds in dematerialized form;

n) Payment of interest on bonds and redemption of Bonds;

o) Declaration and payment of dividend;

p) Transfer of certain amounts as required under the Act to the Investor Education and Protection Fund;

q) Borrowings and registration, modification and satisfaction of charges;

r) Investment of Company's funds including inter corporate loans and investments and loans to others;

s) Form of balance sheet as prescribed under Part I of Schedule VI to the Act and requirements as to Profit & Loss Account as per Part II of the said Schedule;

t) Contracts, common seal, registered office and publication of name of the Company; and

u) Generally, all other application provisions of the Act and Rules made under that Act.

4. We further report that

a) The Directors have complied with the disclosure requirements in respect of their eligibility of appointment, their being independent and compliance with the code of Business Conduct & Ethics for Directors and Management Personnel.

b) The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar and/or such authorities under the various provisions of the Act.

c) There was no prosecution initiated against the Company and no fines or penalties were imposed on the Companies Act, SEBI ACT, SCRA, Depositories Act, Listing Agreement and Rules Regulations and Guidelines framed under these Acts against the Company, its Directors and Officers.

5. We further report that the Company has complied with the applicable statutory provisions during the financial year under review with the regard to the applicable laws and we have to report specifically that-

a) The Company has complied with the provisions of Depositories Act, 1996 and the Bye-laws framed there under by the Depositories with regard to dematerialization/remuneration of securities and reconciliation of records of dematerialized securities with all securities issued by the Company;

b) The Company has complied with the compliance in respect of Non Banking Financial Companies (Reserve Bank) Directions 1998;

c) The Company has complied with Corporate Governance Guidelines for Central Public Sector Enterprises, 2007 issued by Ministry of heavy Industries and Public Enterprises, Department of Public Enterprises, Government of India;

d) The Company has complied with the provisions of Corporate Governance Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs, Government of India;

e) The Company has complied with the provisions of Guidelines on Corporate Social Responsiblity for Central Public Sector Enterprises-March 2010 issued by the Ministry of Heavy Industries & Public Enterprises (Department of Public Enterprises), Government of India;

f) The Company has complied with the requirement under the Simplified Debt Listing Agreements entered into with the National Stock Exchange of India Limited.

For Navneet K. Arora & Co.,
Company Secretaries

CS Navneet Arora
Proprietor
C.P. No. 3005, FCS-3214

Place : New Delhi
Date : 12th July 2011

ANNUAL ACCOUNTS 2010- 11

Indian Railway Finance Corporation Ltd.

(A Government of India Enterprise)

BALANCE SHEET
AS AT 31ST MARCH 2011

(₹ in Lacs*)

PARTICULARS	SCH			As At 31/03/2011			As At 31/03/2010
SOURCES OF FUNDS							
1. SHAREHOLDERS' FUNDS:							
i. Share Capital	1		**160200.00**			109100.00	
ii. Reserves and Surplus	2		**268396.61**			231447.95	
				428596.61			340547.95
2. LOAN FUNDS:	3						
i. SECURED							
- In India		**3110939.11**			2778269.76		
- Outside India		**14734.50**	**3125673.61**		16200.00	2794469.76	
ii. UNSECURED							
- In India		**-**			144899.82		
- Outside India		**686774.02**	**686774.02**		421487.89	566387.71	
TOTAL LOAN FUNDS				**3812447.63**			3360857.47
3. Deferred Tax Liability (Net) (Note No.15; Sch-16)				**270143.21**			246702.23
TOTAL				**4511187.45**			3948107.65
APPLICATION OF FUNDS							
4. Fixed Assets	4						
i. Gross Block			**1701.47**			1698.87	
ii. Less: Accumulated Depreciation			**364.49**			329.85	
iii. Net Block				**1336.98**			1369.02
5. Long Term Loans & Advances (Note No.26; Sch-16)	5			**4531822.44**			3839232.51
6. Investments	6			**1897.56**			199.85
7. Current Assets, Loans & Advances	7						
i) Current Assets		**99022.60**			193900.35		
ii) Loans and Advances		**34941.81**	**133964.41**		31589.27	225489.62	
8. Less: Current Liabilities & Provisions	8						
i) Current Liabilities		**126285.53**			90048.88		
ii) Provisions		**31548.41**	**157833.94**		28252.74	118301.62	
9. Net Current Assets				**-23869.53**			107188.00
10. Foreign Currency Monetary Item Translation Difference A/c (Note No.4; Sch-16)				**-**			118.27
TOTAL				**4511187.45**			3948107.65
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	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 and on behalf of the Board

For DHAWAN & CO.
CHARTERED ACCOUNTANTS

Prakash N.Mathur
Partner
M No. 086292

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

R.Kashyap
Managing Director

Pompa Babbar
Chairperson

Place : New Delhi
Dated :16-07-2011

* One lac is equal to 100,000 (or 0.10 Million)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2011

(₹ in Lacs*)

DESCRIPTION	SCH	Year ended 31/03/2011	Year ended 31/03/2010
INCOME			
Lease Income		**349198.78**	307376.10
Income on Loans & Deposits (TDS NIL PY: ₹42.37 Lacs)		**32606.34**	35985.62
Dividend Income		**13.60**	7.54
Exchange Rate Variation Gain		**4.85**	1116.10
Other Income	9	**2341.58**	3908.31
TOTAL		**384165.15**	348393.67
EXPENDITURE			
Interest on Bonds and Loans	10	**282901.51**	245757.64
Lease Rent Paid		**4295.51**	10339.56
Salary & Other Employee Benefits	11	**202.58**	155.50
Administrative & Other Expenses	12	**414.31**	269.32
Bond Servicing Expenses	13	**215.25**	197.73
Depreciation	4	**35.10**	35.15
Bond Issue Expenses/Expenses on loans	14	**6085.36**	9342.77
Amortisation of Foreign Currency Monetary Item Transaltion Diff.A/c (Note No.4; Sch-16)		**181.04**	3455.15
TOTAL		**294330.66**	269552.82
Profit for the Year		**89834.49**	78840.85
Prior Period Income (Net)	15	**0.02**	(12.28)
PROFIT BEFORE TAX		**89834.51**	78828.57
Less: PROVISION FOR TAX			
Current Tax		**17923.13**	13512.50
Tax For Earlier Years		**(50.00)**	-
Deferred Tax			
- For Current Year		**23440.98**	21047.00
NET PROFIT AFTER TAX		**48520.40**	44269.07
APPROPRIATIONS:			
Interim Dividend Paid		**10000.00**	10000.00
Dividend Tax		**1660.87**	1699.50
Transfer To General Reserve		**5000.00**	4500.00
Transfer To Bonds Redemption Reserve		**31859.53**	28069.57
TOTAL		**48520.40**	44269.07
Basic & Diluted Earning Per Share - in ₹ (Note No.21; Sch-16)		**362.80**	553.32

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 and on behalf of the Board

For DHAWAN & CO.
CHARTERED ACCOUNTANTS

Prakash N.Mathur	S.K. Ajmani	R.Kashyap	Pompa Babbar
Partner	Company Secretary	Managing Director	Chairperson
M No. 086292	& G M (Term Loans)		

Place : New Delhi
Dated :16-07-2011

* One lac is equal to 100,000 (or 0.10 Million)

SCHEDULE-1

SHARE CAPITAL

(₹ in Lacs)

DESCRIPTION	AS AT 31/03/2011	AS AT 31/03/2010
AUTHORISED 200,00,000 Equity Shares of ₹ 1000/-each	**200000.00**	200000.00
ISSUED, SUBSCRIBED AND PAID-UP 1,60,20,000 Equity Shares of ₹1000/- each (Previous Year 109,10,000 Equity Shares of ₹ 1000/- each)	**160200.00**	109100.00
TOTAL	**160200.00**	109100.00

SCHEDULE-2

RESERVES AND SURPLUS

(₹ in Lacs)

DESCRIPTION	AS AT 31/03/2011	AS AT 31/03/2010
1. General Reserve		
Opening Balance	**55332.26**	43230.34
Add: Amount transferred from Foreign Currency Monetary	**89.13**	807.92
Item Translation Difference		
Add: Transfer from Exchange Variation Reserve	-	6794.00
Add: Addition During the year	**5000.00**	4500.00
	60421.39	55332.26
2. Exchange Variation Reserve		
Opening Balance	-	6794.00
Less: Transfer to General Reserve	-	6794.00
	-	-
3. Bonds Redemption Reserve		
Opening Balance	**176115.69**	148046.12
Add : Addition during the year	**31859.53**	28069.57
	207975.22	176115.69
TOTAL	**268396.61**	231447.95

SCHEDULE-3

LOANS

(₹ in Lacs)

DESCRIPTION	AS AT 31/03/2011	AS AT 31/03/2010
1. SECURED LOANS		
LOANS - IN INDIA		
(Secured by first floating charge on all the assets of the Company, ranking pari-passu inter se).		
A. TAXABLE AND TAX- FREE SECURED, REDEEMABLE NON-CONVERTIBLE, NON-CUMMULATIVE IRFC RAILWAY BONDS OF ₹ 10,00,000/- EACH (IF NOT OTHERWISE SPECIFIED) ISSUED ON PRIVATE PLACEMENT BASIS FOR CASH AT PAR		
TWELVETH SERIES 10% Taxable - CC Series		
- Redeemable in 10 equal yearly instalments of ₹ 2000 Lacs each starting from 31.03.2004	**4000.00**	6000.00
	4000.00	6000.00
THIRTEENTH SERIES 10% Taxable - AA Series of ₹ 1000/- each		
- Redeemable in 15 equal yearly instalments of ₹ 1333.33 lacs starting from 31.03.2000	**4000.04**	5333.37
	4000.04	5333.37
FIFTEENTH SERIES - 12.90% Taxable		
"K" Series-Redeemed on 22.6.2010	**-**	1000.00
"L" Series-Redeemable on 22.6.2011	**1000.00**	1000.00
"M" Series-Redeemable on 22.6.2012	**1000.00**	1000.00
"N" Series-Redeemable on 22.6.2013	**1000.00**	1000.00
"O" Series-Redeemable on 22.6.2014	**1000.00**	1000.00
	4000.00	5000.00
SIXTEENTH SERIES- 12.80% Taxable		
"K" Series-Redeemed on 15.7.2010	**-**	1000.00
"L" Series-Redeemable on 15.7.2011	**1000.00**	1000.00
"M" Series-Redeemable on 15.7.2012	**1000.00**	1000.00
"N" Series-Redeemable on 15.7.2013	**1000.00**	1000.00
"O" Series-Redeemable on 15.7.2014	**1000.00**	1000.00
	4000.00	5000.00
SEVENTEENTH SERIES- 9% Tax free		
- Redeemable on 28.2.2015	**20000.00**	20000.00
TWENTY FIRST SERIES- 11.40% Taxable		
- Redeemed on 27-07-2010	**-**	500.00
TWENTY SECOND SERIES- 11.50% Taxable		
- Redeemable in 14 yearly instalments starting from 28.07.2002	**370.00**	440.00
TWENTY SIXTH SERIES- 7.75% Taxfree		
- Redeemed on 26-03-2011	**-**	4500.00
TWENTY SEVENTH SERIES- 7.75% Taxfree		
- Redeemed on 30-03-2011	**-**	2500.00
THIRTY SECOND SERIES- 8.29% Taxable		
- Redeemable in 5 yearly instalments of Rs.10000 Lacs starting from 20.8.2007	**10000.00**	20000.00
THIRTY THIRD SERIES- 10.45% Taxable		
"I" Series-Redeemed on 13-9-2010	**-**	990.00
"J" Series-Redeemable on 13-9-2011	**990.00**	990.00
"K" Series-Redeemable on 13-9-2012 (Call option on 13-09-2011)	**990.00**	990.00
"L" Series-Redeemable on 13-9-2013 (Call option on 13-09-2011)	**990.00**	990.00
"M" Series-Redeemable on 13-9-2014 (Call option on 13-09-2011)	**990.00**	990.00
"N" Series-Redeemable on 13-9-2015 (Call option on 13-09-2011)	**990.00**	990.00
"O" Series-Redeemable on 13-9-2016 (Call option on 13-09-2011)	**990.00**	990.00
	5940.00	6930.00

SCHEDULE-3 Contd...

LOANS

(₹ in Lacs)

DESCRIPTION	AS AT 31/03/2011	AS AT 31/03/2010
THIRTY FOURTH SERIES- 9.95% Taxable		
"G" Series-Redeemed on 13-9-2010	**-**	540.00
"H" Series-Redeemable on 13-9-2011	**540.00**	540.00
	540.00	1080.00
FORTY SECOND A TO O SERIES- 8% Taxable		
"H" Series-Redeemed on 29.8.2010	**-**	1000.00
"I" Series-Redeemable on 29.8.2011	**1000.00**	1000.00
"J" Series-Redeemable on 29.8.2012	**1000.00**	1000.00
"K" Series-Redeemable on 29.8.2013	**1000.00**	1000.00
"L" Series-Redeemable on 29.8.2014	**1000.00**	1000.00
"M" Series-Redeemable on 29.8.2015	**1000.00**	1000.00
"N" Series-Redeemable on 29.8.2016	**1000.00**	1000.00
"O" Series-Redeemable on 29.8.2017	**1000.00**	1000.00
	7000.00	8000.00
FORTY THIRD "A" TO "J" SERIES- 6.90% Taxable		
"H" Series-Redeemed on 29.10.2010	**-**	500.00
"I" Series-Redeemable on 29.10.2011	**500.00**	500.00
"J" Series-Redeemable on 29.10.2012	**500.00**	500.00
	1000.00	1500.00
FORTY THIRD "AA" TO "OO" SERIES- 7.63% Taxable		
"HH" Series-Redeemed on 29.10.2010	**-**	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
	21000.00	24000.00
FORTY FOURTH AA TO JJ SERIES- 6.98% Taxable		
"HH" Series-Redeemed on 31.3.2011	**-**	2300.00
"II" Series-Redeemable on 31.3.2012	**2300.00**	2300.00
"JJ" Series-Redeemable on 31.3.2013	**2300.00**	2300.00
	4600.00	6900.00
FORTY FIFTH A TO E SERIES- 6.10% Taxable		
"D" Series-Redeemed on 13.5.2010	**-**	7900.00
"E" Series-Redeemable on 13.5.2013	**7900.00**	7900.00
	7900.00	15800.00
FORTY FIFTH AA TO OO SERIES- 6.39% Taxable		
"GG" Series-Redeemed on 13.5.2010	**-**	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
	5600.00	6300.00

SCHEDULE-3 Contd...

LOANS

(₹ in Lacs)

DESCRIPTION	AS AT 31/03/2011	AS AT 31/03/2010
FORTY SIXTH A TO O SERIES- 6.25% Taxable		
"G" Series-Redeemed on 12.8.2010	**-**	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
	10400.00	11700.00
FORTY SIXTH AA TO EE SERIES- 6.20% Taxable		
"CC" Series-Redeemed on 12.8.2010	**-**	2500.00
"DD" Series-Redeemable on 12.8.2013	**2500.00**	2500.00
"EE" Series-Redeemable on 12.8.2018	**2500.00**	2500.00
	5000.00	7500.00
FORTY SIXTH AAA TO JJJ SERIES- 5.99% Taxable		
"GGG" Series-Redeemed on 12.8.2010	**-**	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
	4500.00	6000.00
FORTY SEVENTH A TO O SERIES- 5.99% Taxable		
"G" Series-Redeemed on 26.3.2011	**-**	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
	8000.00	9000.00
FORTY EIGHTH A TO H SERIES- 6.85% Taxable		
"D" Series-Redeemed on 14.9.2010	**-**	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
	11840.00	14800.00
FORTY EIGHTH AA TO JJ SERIES- 6.85% Taxable		
"AA" Series-Redeemed on 17.9.2010	**-**	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
	45000.00	50000.00

SCHEDULE-3 Contd...

LOANS

(₹ in Lacs)

DESCRIPTION	AS AT 31/03/2011	AS AT 31/03/2010
FORTY NINTH A TO O SERIES- Floating Rate Taxable		
"E" Series-Redeemed on 22.6.2010	**-**	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
	10000.00	11000.00
FORTY NINTH SERIES- Floating Rate Taxable Redeemed on 22.6.2010	**-**	35000.00
FIFTIETH SERIES- Floating Rate Taxable Redeemed on 25.8.2010	**-**	35000.00
FIFTY FIRST SERIES- 7.74% Taxable Redeemable on 22.12.2020	**45000.00**	45000.00
FIFTY SECOND A SERIES-8.41% Taxable Redeemable on 17.05.2016	**11000.00**	11000.00
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		
"C" Series-Redeemed on 07.06.2010	**-**	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
	39600.00	42900.00

SCHEDULE-3 Contd...

LOANS

(₹ in Lacs)

DESCRIPTION	AS AT 31/03/2011	AS AT 31/03/2010
FIFTY SIXTH SERIES-9.76% Taxable		
Redeemable on 03.07.2012	**42500.00**	42500.00
FIFTY SIXTH A TO C SERIES-9.68% Taxable		
"B" Series-Redeemed on 03.07.2010	**-**	27500.00
"C" Series-Redeemable on 03.07.2012	**27500.00**	27500.00
	27500.00	55000.00
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
4th -Redeemable on 28.09.2021	**20000.00**	20000.00
5th -Redeemable on 28.09.2022	**20000.00**	20000.00
	100000.00	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		
Redeemed on 07.01.2011	**-**	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**	60400.00
SIXTY FIRST SERIES-10.60% Taxable		
Redeemable on 11.09.2018	**85500.00**	85500.00
SIXTY FIRST A SERIES-10.70% Taxable		
Redeemable on 11.09.2023	**61500.00**	61500.00
SIXTY SECOND SERIES-8.40% Taxable		
Redeemable on 26.12.2013	**10000.00**	10000.00
SIXTY SECOND A SERIES-8.45% Taxable		
Redeemable on 26.12.2018	**50000.00**	50000.00
SIXTY SECOND B SERIES-8.50% Taxable		
Redeemable on 26.12.2023	**28500.00**	28500.00
SIXTY THIRD SERIES-8.46% Taxable		
Redeemable on 15.01.2014	**83000.00**	83000.00
SIXTY THIRD A SERIES-8.55% Taxable		
Redeemable on 15.01.2019	**170500.00**	170500.00
SIXTY THIRD B SERIES-8.65% Taxable		
Redeemable on 15.01.2024	**31500.00**	31500.00
SIXTY FOURTH SERIES-8.49% Taxable		
Redeemable on 30.03.2014	**18200.00**	18200.00
SIXTY FIFTH SERIES-7.45% Taxable		
Redeemable on 27.04.2014	**35100.00**	35100.00
SIXTY FIFTH AA SERIES-8.19% Taxable		
Redeemable on 27.04.2019	**56000.00**	56000.00

SCHEDULE-3 Contd...

LOANS

(₹ in Lacs)

DESCRIPTION	AS AT 31/03/2011	AS AT 31/03/2010
SIXTY FIFTH A TO O SERIES-8.20% Taxable		
"A" Series-Redeemed on 27.04.2010	**-**	6000.00
"B" Series-Redeemable on 27.04.2011	**6000.00**	6000.00
"C" Series-Redeemable on 27.04.2012	**6000.00**	6000.00
"D" Series-Redeemable on 27.04.2013	**6000.00**	6000.00
"E" Series-Redeemable on 27.04.2014	**6000.00**	6000.00
"F" Series-Redeemable on 27.04.2015	**6000.00**	6000.00
"G" Series-Redeemable on 27.04.2016	**6000.00**	6000.00
"H" Series-Redeemable on 27.04.2017	**6000.00**	6000.00
"I" Series-Redeemable on 27.04.2018	**6000.00**	6000.00
"J" Series-Redeemable on 27.04.2019	**6000.00**	6000.00
"K" Series-Redeemable on 27.04.2020	**6000.00**	6000.00
"L" Series-Redeemable on 27.04.2021	**6000.00**	6000.00
"M" Series-Redeemable on 27.04.2022	**6000.00**	6000.00
"N" Series-Redeemable on 27.04.2023	**6000.00**	6000.00
"O" Series-Redeemable on 27.04.2024	**6000.00**	6000.00
	84000.00	90000.00
SIXTY SIXTH SERIES-8.60% Taxable Redeemable on 11.06.2019	**50000.00**	50000.00
SIXTY SEVENTH SERIES-8.55% Taxable Redeemable on 03.02.2020	**17500.00**	17500.00
SIXTY SEVENTH A SERIES-8.65% Taxable Redeemable on 03.02.2025	**20000.00**	20000.00
SIXTY SEVENTH B SERIES-8.80% Taxable Redeemable on 03.02.2030	**38500.00**	38500.00
SIXTY EIGHTH SERIES-6.00% Tax Free Bonds of ₹ 1,00,000/- each Redeemable on 08.03.2015	**35011.00**	35011.00
SIXTY EIGHTH A SERIES-6.3% Tax Free Bonds of ₹1,00,000/- each Redeemable on 08.03.2017	**64262.00**	64262.00
SIXTY EIGHTH B SERIES-6.70% Tax Free Bonds of ₹ 1,00,000/- each Redeemable on 08.03.2020	**92721.00**	92721.00
SIXTY NINTH SERIES-8.95% Taxable Redeemable on 10.03.2025	**60000.00**	60000.00
SEVENTIETH SERIES-7.845% Taxable Redeemable on 04.05.2015	**7000.00**	-
SEVENTIETH AA SERIES-8.79% Taxable Redeemable on 04.05.2030	**141000.00**	-
SEVENTIETH A TO E SERIES-8.72% Taxable		
"A" Series-Redeemable on 04.05.2031	**1500.00**	-
"B" Series-Redeemable on 04.05.2032	**1500.00**	-
"C" Series-Redeemable on 04.05.2033	**1500.00**	-
"D" Series-Redeemable on 04.05.2034	**1500.00**	-
"E" Series-Redeemable on 04.05.2035	**1500.00**	-
	7500.00	-
SEVENTY FIRST A TO E SERIES-8.83% Taxable		
"A" Series-Redeemable on 14.05.2031	**22000.00**	-
"B" Series-Redeemable on 14.05.2032	**22000.00**	-
"C" Series-Redeemable on 14.05.2033	**22000.00**	-
"D" Series-Redeemable on 14.05.2034	**22000.00**	-
"E" Series-Redeemable on 14.05.2035	**22000.00**	-
	110000.00	-

SCHEDULE-3 Contd...

LOANS

(₹ in Lacs)

DESCRIPTION	AS AT 31/03/2011	AS AT 31/03/2010
SEVENTY SECOND SERIES-8.50% Taxable Redeemable on 22.06.2020	**80000.00**	-
SEVENTY THIRD SERIES-6.05% Tax Free Bonds of ₹ 1,00,000/- each Redeemable on 20.12.2015	**18808.00**	-
SEVENTY THIRD A SERIES-6.32% Tax Free Bonds of ₹ 1,00,000/- each Redeemable on 20.12.2017	**28456.00**	-
SEVENTY THIRD B SERIES-6.72% Tax Free Bonds of ₹ 1,00,000/- each Redeemable on 20.12.2020	**83591.00**	-
SEVENTY FOURTH SERIES-9.09% Taxable Redeemable on 29.03.2026	**107600.00**	-
SEVENTY FIFTH SERIES-9.09% Taxable Redeemable on 31.03.2026	**15000.00**	-
Total (A)	**2583939.04**	2169877.37
B. (i) LONG TERM LOANS FROM BANKS*		
- Allahabad Bank	**21501.59**	52167.59
- Andhra Bank	**39508.00**	45174.00
- Bank of Maharashtra	**57500.00**	57500.00
- BANK OF TOKYO - MITSUBISHI UFJ LTD	**24500.00**	7500.00
- Canara Bank	**11987.67**	15987.67
- Central Bank of India	**70635.00**	74305.00
- HDFC Bank Ltd. (formerly Centurion Bank of Punjab Ltd.)	**700.00**	900.00
- Corporation Bank	**8683.00**	13015.00
- Dena Bank	**4068.00**	5658.00
- Development Credit Bank Ltd.	**156.25**	468.75
- ICICI Bank Ltd.	**17307.69**	21153.85
- IDBI Ltd.	**8816.94**	10211.94
- Indian Bank	**-**	1250.00
- Indian Overseas Bank	**1675.00**	2341.00
- Oriental Bank of Commerce	**2640.33**	3174.33
- Punjab & Sind Bank	**2008.00**	2674.00
- State Bank of Bikaner & Jaipur	**1250.00**	1750.00
- State Bank of Hyderabad	**17515.00**	20372.00
- State Bank of India	**14125.00**	18875.00
- State Bank of Mysore	**5000.00**	5000.00
- State Bank of Patiala	**23298.75**	24299.41
- State Bank of Travancore	**19753.85**	20353.85
- Syndicate Bank	**43683.00**	48235.00
- The Jammu & Kashmir Bank Ltd.	**2341.00**	3007.00
- UCO Bank	**50000.00**	70000.00
- Union Bank of India	**1000.00**	2000.00
- United Bank of India	**73346.00**	78678.00
- Vijaya Bank	**1675.00**	2341.00
Total B (i)	**524675.07**	608392.39

SCHEDULE-3 Contd...

LOANS

(₹ in Lacs)

DESCRIPTION	AS AT 31/03/2011	AS AT 31/03/2010
B. (ii) SHORT TERM LOANS FROM BANKS		
- Punjab & Sind Bank (Against the Pledge of FD of ₹ 5000 Lacs)	**2325.00**	-
Total B (ii)	**2325.00**	-
Total (B) [B(i)+B(ii)]	**527000.07**	608392.39
TOTAL (A) + (B)	**3110939.11**	2778269.76
* (Repayable within one year ₹ 245110 Lacs; Prev.Year ₹ 104182 Lacs)		
LONG TERM LOANS - OUTSIDE INDIA**		
C. (Secured by first floating charge on all the assets of the Company, ranking pari-passu inter se)		
Foreign Currency Loan - Bank of India	**14734.50**	16200.00
TOTAL (C)	**14734.50**	16200.00
**(Repayable within one year ₹1340 Lacs, PY ₹ 1350 Lacs)		
(i) TOTAL (A) + (B) + (C)	**3125673.61**	2794469.76
2. UNSECURED LOANS		
A. LOANS - IN INDIA		
SHORT TERM LOANS		
From Banks		
- Bank of Maharashtra	**-**	5000.00
- Corporation Bank	**-**	49899.82
- Indian Overseas Bank	**-**	10000.00
- State Bank of India	**-**	50000.00
- Punjab & Sind Bank	**-**	5000.00
- Vijaya Bank	**-**	25000.00
TOTAL (A)	**-**	144899.82
B. LONG TERM LOANS - OUTSIDE INDIA***		
Syndicated Japanese Yen Loan (JPY14.72 Bn)	**-**	56250.00
Export Development Canada-Line of Credit	**3219.84**	5391.93
KFW, Germany-Line of Credit	**-**	1184.17
JPY-15 Bn. Samurai Bonds - 2012	**54911.79**	54911.79
US PP Bonds 2017 (USD 125 Million)	**55812.50**	56250.00
Syndicated Foreign Currency Loan (US $ 100 Million) 2013	**44650.00**	45000.00
Syndicated Foreign Currency Loan (US $ 450 Million) 2014	**200925.00**	202500.00
Syndicated Foreign Currency Loan (US $ 350 Million) 2015	**156275.00**	-
Foreign Currency Loan from AFLAC (JPY 15 Billion)	**81679.89**	-
Euro Dollar Bonds (US $ 200 Million) 2016	**89300.00**	-
TOTAL (B)	**686774.02**	421487.89
*** (Repayable within one year ₹ 57710 Lacs; PY ₹ 61508 Lacs)		
(ii) TOTAL (A) + (B)	**686774.02**	566387.71
TOTAL (i)+(ii)	**3812447.63**	3360857.47

SCHEDULE-4

FIXED ASSETS

(₹ in Lacs)

S. No.	DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 01/04/2010	Additions during the year	Sale / Adjustment during the year	As at 31/03/2011	Upto 31/03/2010	For the Year	Adjustments during the year	As at 31/03/2011	As at 31/03/2011	As at 31/03/2010
1.	Office Building	1524.23	-	-	**1524.23**	225.13	24.84	-	**249.97**	**1274.26**	1299.11
2.	Airconditioners, Room Coolers, Heaters	18.02	-	-	**18.02**	7.53	0.86	-	**8.39**	**9.63**	10.49
3.	Office Equipments	17.73	1.16	-	**18.89**	6.24	0.99	-	**7.23**	**11.66**	11.48
4.	Furniture & Fixtures	82.19	0.09	-	**82.28**	49.26	5.23	-	**54.49**	**27.80**	32.93
5.	Franking Machine	0.68	-	-	**0.68**	0.06	0.03	-	**0.09**	**0.59**	0.62
6.	Computer	44.57	1.80	-	**46.37**	35.05	2.55	-	**37.60**	**8.77**	9.52
7.	Motor Car	7.01	-	-	**7.01**	5.33	0.40	-	**5.73**	**1.27**	1.68
8.	Photo Copier	2.35	0.85	1.30	**1.90**	0.54	0.11	0.46	**0.19**	**1.71**	1.81
9.	Water Cooler	0.29	-	-	**0.29**	0.10	0.01	-	**0.11**	**0.17**	0.19
10.	Electrical-Installation	1.80	-	-	**1.80**	0.61	0.08	-	**0.69**	**1.11**	1.19
	Total	1698.87	3.90	1.30	**1701.47**	329.85	35.10	0.46	**364.49**	**1336.98**	1369.02
	Previous Year	1707.61	5.08	13.82	**1698.87**	308.52	35.15	13.82	**329.85**	**1369.02**	-

SCHEDULE-5

LONG TERM LOANS & ADVANCES

(₹ in Lacs)

DESCRIPTION	AS AT 31/03/2011	AS AT 31/03/2010
Lease Receivable from Ministry of Railways	**4315817.14**	3618267.71
Lease Rentals Paid in Advance (Note No.11; Sch-16)	**25712.98**	30008.49
LONG TERM LOANS		
- Pipavav Railway Corporation Ltd. (Secured)	**1411.65**	1924.98
- RailTel Corpn. of India Ltd. (Unsecured)	**4164.00**	6248.00
- Rail Vikas Nigam Ltd. (Unsecured)	**184716.67**	182783.33
Total	**4531822.44**	3839232.51

SCHEDULE-6

INVESTMENTS

(₹ in Lacs)

DESCRIPTION	AS AT 31/03/2011	AS AT 31/03/2010
LONG TERM (at Cost)		
Unquoted - Non Trade		
- 24,400 (P.Y. 24,400) Equity Shares of ₹ 10/- each fully paid up of IRCON International Ltd.	**199.85**	199.85
- 115 Nos. (P.Y. Nil) Senior Pass Through Certificates 'A' to 'W' Series of NOVO X Trust Locomotive (receivable in 15 half yearly installments starting from 18-04-2011) (Note No.14, Sch-16)	**1697.71**	-
Total	**1897.56**	**199.85**
Aggregate value of Unquoted Investments	**1897.56**	**199.85**

SCHEDULE-7

CURRENT ASSETS, LOANS & ADVANCES

(₹ in Lacs)

DESCRIPTION	AS AT 31/03/2011	AS AT 31/03/2010
A-CURRENT ASSETS		
1. Cash & Bank Balances		
(a) Balance in Franking Machine	**0.43**	0.00
(b) Deposit with Reserve Bank of India		
- In Public Deposit A/c.	**1.02**	1.02
(c) Balance with Scheduled Banks - In India		
- In Term Deposit Account		
Andhra Bank	**-**	5500.00
Bank of Maharashtra	**-**	3300.00
Canara Bank	**-**	50651.00
Corporation Bank	**2662.00**	33050.00
Development Credit Bank Ltd.	**5000.00**	5600.00
HDFC Bank Ltd.	**-**	5620.00
ICICI Bank Ltd.	**-**	5600.00
Indian Overseas Bank	**-**	13000.00
IndusInd Bank Ltd.	**2500.00**	5575.00
Oriental Bank of Commerce	**5000.00**	-
Punjab & Sind Bank	**5000.00**	-
South Indian Bank	**3500.00**	-
State Bank of Indore	**-**	14080.00
The Federal Bank Ltd.	**2500.00**	5600.00
United Bank of India	**10275.00**	-
Vijaya Bank	**7500.00**	300.00
Yes Bank	**5000.00**	2100.00
- In Current Account		
Bank of India	**0.23**	0.23
Corporation Bank	**63.66**	78.92
Indian Bank	**2.71**	2.71
Indian Overseas Bank	**4.91**	4.92
State Bank of India	**0.05**	0.08
State Bank of Travancore	**0.21**	0.21
Vijaya Bank	**18.91**	18.93
- In Intt./Redmn. A/cs (Note no.13(a); Sch-16) (as per Contra)	**371.31**	736.57
	49400.44	150819.59
2. Interest Accrued on Loans and Deposits	**49622.16**	43080.76
TOTAL (A)	**99022.60**	193900.35

SCHEDULE-7 contd.

CURRENT ASSETS, LOANS & ADVANCES

(₹ in Lacs)

DESCRIPTION	AS AT 31/03/2011	AS AT 31/03/2010
(B) LOANS & ADVANCES (Unsecured considered good)		
(i) Indian Railways -		
- Recoverable on account of Exchange Rate Variation	**-**	-13582.93
- Advance for Assets Acquisition	**-**	13672.20
- Indian Railways Running Account	**-**	638.01
	-	727.28
(ii) Advances recoverable in cash or in kind or for value to be received		
(a) Security Deposits	**9.27**	9.15
(b) Advance to FA & CAO, Northern Railway, for Residential flats	**253.01**	253.01
(c) Interest Restructuring Advance to LIC (Note No.22(a); Sch-16)	**109.32**	213.59
(d) Interest Restructuring Advance to IDBI (Note No.22(b);Sch-16)	**83.34**	130.72
(e) House Building Advance (Secured by Mortgage of House)	**1.15**	1.28
(f) Amount recoverable from others	**52.16**	35.86
(g) Funded Assets (NET) on account of Gratuity/Leave Encashment	**6.11**	4.32
(h) Income tax paid including tax deducted at source	**30807.10**	30214.06
(i) Tax Refund Receivable	**3418.32**	-
(j) Interest recoverable from IT Deptt.	**202.03**	-
TOTAL (B)	**34941.81**	31589.27
TOTAL (A)+(B)	**133964.41**	225489.62

SCHEDULE-8

CURRENT LIABILITIES AND PROVISIONS

(₹ in Lacs)

DESCRIPTION	AS AT 31/03/2011	AS AT 31/03/2010
A. CURRENT LIABILITIES		
1. Indian Railways -		
- Payable on account of Exchange Rate Variation	**19552.11**	-
- Advance for Assets Acquisition	**-1620.66**	-
- Indian Railways Running Account	**-239.15**	-
	17692.30	-
2. Interest Accrued but not due on Bonds	**95291.93**	76243.58
3. Interest Accrued but not due on Term Loans	**5358.78**	5493.78
4. Interest Accrued but not due on Foreign Currency Loans	**1020.92**	592.62
5. Other Liabilities	**423.73**	400.65
6. Payable to Others	**1092.33**	1489.68
7. Tax Deducted at Source - Payable	**860.38**	729.47
8. Dividend Tax	**1660.87**	-
9. Assets Securitisation gain-unamortised amount (Note No.14;Sch-16)	**2512.98**	4362.53
10. Liability on account of unclaimed Intt./Redmn. A/cs	**371.31**	736.57
TOTAL (A)	**126285.53**	90048.88
B. PROVISIONS		
1. Income Tax	**31435.63**	28238.87
2. Interest Payable to Income Tax Authorities	**103.87**	-
3. Fringe Benefit Tax	**6.82**	12.26
4. Leave Travel Concession	**2.09**	1.61
TOTAL (B)	**31548.41**	28252.74
TOTAL (A)+(B)	**157833.94**	118301.62

SCHEDULE-9

OTHER INCOME

(₹ in Lacs)

DESCRIPTION	YEAR ENDED 31/03/2011	YEAR ENDED 31/03/2010
Miscellaneous Income	**206.30**	9.43
Profit on Sale of Fixed Assets	**-**	0.17
Gain on Securitisation of Lease Receivables (Refer Note No.14; Sch-16)	**2135.28**	3898.71
TOTAL	**2341.58**	3908.31

SCHEDULE-10

INTEREST ON BONDS AND LOANS

(₹ in Lacs)

DESCRIPTION	YEAR ENDED 31/03/2011	YEAR ENDED 31/03/2010
Interest on Bonds - Non Cumulative	**208832.57**	164486.38
Interest on Rupee Loans	**51453.46**	60066.58
Interest on Foreign Currency Loans (Including Swap Cost)	**19831.20**	19554.06
Interest Payable to Income Tax Authorities	**103.87**	-
Interest to Indian Railways	**2680.41**	1650.62
TOTAL	**282901.51**	245757.64

SCHEDULE-11

SALARY & OTHER EMPLOYEE BENEFITS

(₹ in Lacs)

DESCRIPTION	YEAR ENDED 31/03/2011	YEAR ENDED 31/03/2010
Basic Pay	**63.43**	67.72
Dearness Allowance	**25.38**	16.47
Hindi Allowance	**0.14**	0.13
House Rent Allowance	**6.02**	5.97
Children Education Allowance / Assistance	**2.98**	1.65
Employer's Contribution to P.F.	**8.48**	7.10
Performance Related Pay / Incentive*	**64.72**	21.93
Gratuity	**1.31**	6.35
Medical Allowance / Reimbursement	**7.23**	7.08
Leave Travel Assistance	**2.60**	0.69
Leave Encashment	**3.26**	-
Life Cover Premium	**0.20**	0.19
Self Leased Accommodation / Leased Accommodation	**8.46**	7.58
Foreign Service Contribution	**5.98**	6.68
Attendant / Washing Allowance	**1.50**	1.96
Staff Welfare	**0.03**	2.74
Transport Allowance	**0.10**	0.09
Electricity Charges / News Paper Charges Reimbursement	**0.76**	1.17
Total	**202.58**	155.50

* Including ₹ 31.83 Lacs (P.Y. Nil) relating to earlier years approved and paid during the year.

SCHEDULE-12

ADMINISTRATIVE & OTHER EXPENSES

(₹ in Lacs)

DESCRIPTION	YEAR ENDED 31/03/2011	YEAR ENDED 31/03/2010
Filing Fee	**0.70**	0.21
Legal & Professional Charges	**56.68**	67.22
Advertisement & Publicity	**25.72**	7.26
Printing & Copying Charges	**3.51**	4.40
Stationery Charges	**7.30**	5.41
News Paper, Books & Periodicals	**0.20**	0.72
Conveyance Expenses	**13.40**	9.68
Travelling - Local		
- Directors	**9.18**	9.16
- Others	**10.75**	6.85
Travelling - Foreign		
- Directors	**35.30**	20.38
- Others	**51.35**	7.90
Transport Hire Charges	**22.69**	29.83
Office Maintenance Expenses	**34.08**	26.43
Vehicle Running & Maintenance	**2.00**	1.49
Office Equipment Maintenance	**7.77**	5.84
Electricity Charges	**7.44**	9.53
Loss on Sale of Fixed Assets	**0.81**	-
Postage Charges	**4.06**	5.07
Telephone Charges	**11.75**	10.21
Training Expenses	**2.46**	10.71
Bank Charges	**0.36**	0.13
Payment to Auditors		
- Audit Fees	**4.96**	2.48
- Tax Audit Fee	**1.66**	0.83
- Certification etc.	**10.72**	2.59
- Reimbursement of Expenses	**1.43**	0.85
Miscellaneous Expenses	**19.86**	17.43
Insurance	**0.29**	0.18
Fees & Subscription	**16.09**	3.12
Sponsorship/Donation	**0.60**	0.65
Stipend	**0.55**	0.30
Ground Rent	**1.15**	1.15
Property Tax	**1.96**	1.31
Corporate Social Responsibility	**24.96**	-
Sustainable Development	**22.57**	-
Total	**414.31**	269.32

SCHEDULE-13

BOND SERVICING EXPENSES

(₹ in Lacs)

DESCRIPTION	YEAR ENDED 31/03/2011	YEAR ENDED 31/03/2010
Listing Fee	**8.40**	8.44
Bond Holder Trustee Fee	**46.22**	40.38
Surveillance/Rating Fee	**139.41**	135.35
Registrar Fee	**16.40**	8.40
Other Expenses	**4.82**	5.16
TOTAL	**215.25**	197.73

SCHEDULE-14

BOND ISSUE EXPENSES/ EXPENSES ON LOANS / EXPENSES ON SECURITISATION

(₹ in Lacs)

DESCRIPTION	YEAR ENDED 31/03/2011	YEAR ENDED 31/03/2010
A. Bond Issue Expenses		
Rating Fee	**93.09**	84.33
TOTAL (A)	**93.09**	84.33
B. Expenses on Foreign Currency Loans		
- Underwriting / Arranger Fee	**5379.06**	-
- Out of Pocket Expenses	**465.65**	19.19
- Upfront Fee - Euro Dollar Bonds	**32.52**	9172.75
- Other Expenses	**101.87**	57.89
TOTAL (B)	**5979.10**	9249.83
C. Expenses on Securitisation		
- Legal & Professional Charges	**2.21**	1.43
- Rating Fees / Surveillance	**5.24**	3.68
- Stamping Fees	**1.01**	1.02
- Registrar Fees	**0.83**	0.41
- Trusteeship Fee	**3.88**	2.07
TOTAL (C)	**13.17**	8.61
TOTAL (A+B+C)	**6085.36**	9342.77

SCHEDULE-15

PRIOR PERIOD ADJUSTMENTS

(₹ in Lacs)

DESCRIPTION	YEAR ENDED 31/03/2011	YEAR ENDED 31/03/2010
INCOME		
Salary & Employee Benefits	**0.04**	-
TOTAL (A)	**0.04**	-
EXPENDITURE		
Interest on Bonds / Foreign Currency Loans	-	(6.05)
Bond Servicing - Surveillance	-	3.14
Legal & Professional	-	0.20
Registrar Fee	-	0.18
Rating Fee	-	2.82
Stationeries	**0.02**	0.00
Travelling Expenses-Directors/Others	-	0.23
Postage & Telegram Charges	-	(0.09)
Service Tax	-	3.12
Arrear of Salary	-	7.89
Salary & Employee Benefits	-	0.83
TOTAL (B)	**0.02**	12.28
PRIOR PERIOD INCOME (Net) (A-B)	**0.02**	(12.28)

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, 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

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. The 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

Initial recognition is done 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 accordance with the provisions of Accounting Standard - 11 (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 31st 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 the lower of the cost or the 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. Cost includes 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 1st 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.

Further, in terms of Draft Guideline on minimum holding period and minimum retention requirement for securitisation transaction undertaken by NBFCs dated June 3, 2010, the company has opted for investment in SPV's equity tranche of minimum 5% of the book value of loan being securitised.

(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 Current Tax and Deferred Tax.

Provision for current income 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 the 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 employees have rendered services entitling them to contributions.

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 a 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.

B. Notes on Accounts

1. (a) Lease rental is 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) charges 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 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 ₹ 846 Lacs accruing to company (P.Y. ₹ 405 Lacs), which has been accounted for in the Lease Income.

   (ii) In respect of foreign currency borrowings, which have not been hedged, variation clause have been incorporated in the lease agreements specifying 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 2010 - 11, in respect of these foreign currency borrowings, the company has recovered a sum of ₹ 8920 Lacs (P.Y. ₹ 5200 Lacs) on this account from MOR against the actual swap cost payments of ₹ 4590 Lacs (P.Y. ₹ 4670 Lacs). After adjusting swap cost, an amount of ₹ 4330 Lacs has been refunded to MOR (P.Y. ₹ 530 Lacs recovered from MOR).

   (iii) Interest expense in respect of interest accrued but not due on 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 reporting date has been shown as recoverable / payable to MOR. During the current year, the amount payable to MOR on such account works out to ₹ 637 Lacs (P.Y. ₹ 683 Lacs).

2. (a) The Reserve Bank of India has issued Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 vide notification no.DNBS.193 DG(VL)-2007 dated 22nd February 2007. The Company, being a Government Company and not accepting / holding public deposits, these Directions, except the provisions contained in Paragraph 19 thereof, are not applicable to the Company.

   (b) In terms of Reserve Bank of India Notification No.DNBC.138/CGM (VSNM) - 2000 dated 13th January 2000, 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 30th 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 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 31st March 2009, the Company had an unamortized net notional exchange rate variation loss of ₹118.27 Lacs at the beginning of the Financial Year in 'Foreign Currency Monetary Item Translation Difference Account'. During the financial year 2010-11, the Company has transferred a sum of ₹ 26.35 Lacs on account of notional exchange variation gain on revaluation of long term foreign currency monetary items to 'Foreign Currency Monetary Item Translation Difference Account', thus leaving a balance to ₹ 91.92 Lacs in the account.

   Out of this, the company, in accordance with the aforesaid notification, has amortised a net sum of Rs.181.04 Lacs (P.Y. ₹34455.15 Lacs) to Profit & Loss Account and has credited a sum of ₹ 89.12 Lacs to General Reserve. The balance lying in 'Foreign Currency Monetary Item Translation Difference Account' as at the end of the year is Nil (P.Y. ₹118.27 Lacs).

5. Decrease in liability due to exchange rate variation on foreign currency loans for purchase of leased assets, amounting to ₹ 5698 Lacs (P.Y. ₹ 35484 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 ₹ 271 Lacs (P.Y. ₹ 50 Lacs) has been recovered from the Lessee, leaving a balance of ₹ 19552 Lacs payable to MOR as on 31-03-2011 (P.Y. ₹ 13583 Lacs).

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 31st March 2011 is as follows:

As on 31-03-2011			As on 31-03-2010			**Remarks**
No. of Contracts	**Borrowing outstanding in foreign currency**	**Notional INR Equivalent**	No. of Contracts	Borrowing outstanding in foreign currency	Notional INR Equivalent	
1	**USD 1.02 Million**	**478.89 Lacs**	1	USD 3.06 Million	1436.67 Lacs	--

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 31st March 2011 is as follows:

As on 31-03-2011			As on 31-03-2010		
No. of Contracts	**Borrowing outstanding in foreign currency**	**Notional USD Equivalent**	No. of Contracts	Borrowing outstanding in foreign currency	Notional USD Equivalent
--	--	--	1	JPY 14.71875 Billion	USD 125 Million

In respect of 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 31-03-2011			As on 31-03-2010		
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

In respect of following External Commercial Borrowings, the Company has executed cross currency swap to hedge the foreign exchange exposure in respect of both principal outstanding and interest payments and converted its underlying liability from one foreign currency to another:

As on 31-03-2011			As on 31-03-2010		
No. of Contracts	**Borrowing outstanding in foreign currency**	**Notional INR Equivalent**	No. of Contracts	Borrowing outstanding in foreign currency	Notional INR Equivalent
1	**JPY 12 Billion**	**145.90 Million**	--	--	--
1	**JPY 3 Billion**	**37.04 Million**	--	--	--

The foreign currency borrowings outstanding as on 31-03-2011, which have not been hedged are as follows:

As on 31-03-2011		As on 31-03-2010		Remarks
No. of Loans	**Borrowing outstanding in foreign currency**	No. of Loans	Borrowing outstanding in foreign currency	
1	**USD 33 Million**	1	USD 36 Million	Back to back recovery of exchange rate variation from MOR.
2	**USD 6.14 Million**	2	USD 8.79 Million	--
2	**USD 225 Million**	2	USD 225 Million	Back to back recovery of exchange rate variation from MOR.
--	**--**	1	Euro 1.95 Million	--
1	**USD 450 Million**	1	USD 450 Million	Back to back recovery of exchange rate variation from MOR.
1	**USD 350 Million**	--	--	Back to back recovery of exchange rate variation from MOR
1	**USD 200 Million**	--	--	Back to back recovery of exchange rate variation from MOR

(b) The Company has three (P.Y. one) Interest Rate Swap/Cap outstanding in respect of a foreign currency borrowing to hedge its floating rate linked to LIBOR. The Interest Rate Swap/Cap has been executed on a notional principal of USD 900 Million (P.Y. JPY 14.718750 Billion).

Further, the Company has two floating rate swaps and has converted its liability linked to JPY LIBOR to USD LIBOR. The notional principal underlying the floating rate swap is JPY 15 Billion

As part of hedging strategy, the Company has four (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 ₹ 102000 Lacs (P.Y. ₹ 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 ₹122 Lacs (P.Y. ₹122 Lacs), which will be accounted for on registration.

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

(₹ in Lacs)

Particulars	2010 - 11	2009-10
a. Salary / Allowances	**15.07**	28.99
b. Reimbursement	**0.17**	0.74
c. Foreign Service Contribution	**3.21**	4.64
d. Incentive*	**21.58**	Nil
e. Sitting fee paid to Non-Executive Directors	**0.65**	0.85

* includes a sum of ₹13.73 Lacs pertaining to the previous years

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

9. **Contingent Liabilities**

(a) Claims against the Company not acknowledged as debt - Claims by bondholders in the Consumer Courts: ₹ 50 Lacs (P.V. ₹ 50 Lacs).

(b) The Income Tax assessments of the Company have been completed up to the Assessment Year 2009-10. The disputed demand of tax amounting to ₹14.05 Lacs for the Assessment Years 2002-03, 2003-04, 2004-05 and 2007-08 has been adjusted by the Department from the refund pertaining to other years. The Company has already filed appeals against the said tax demand and the same are pending at various appellate levels. Based on decisions of the Appellate authorities in other similar matters and interpretation of relevant provisions, the Company is confident that the demands, as adjusted, will be either deleted or substantially reduced and accordingly no provision for earlier years pertaining to this, has been considered necessary.

(c) The Company does not pay sales tax on purchase of leased assets. In the event of Sales tax on purchase / lease of rolling stock becoming payable, the same 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.

10. **Expenditure in Foreign Currency (on payment basis)**

(₹ in Lacs)

	Particulars	2010 - 11	2009 - 10
a)	Interest / Swap Cost on Foreign currency borrowings (Net of Amount recovered on account of IRS / IRC and from MoF)	**17828.04**	14671.35
b)	Processing Agent / Fiscal Agent / Admin. fee	**23.56**	18.65
c)	Underwriting / Arranger fee	**4422.97**	7555.12
d)	International Credit Rating Agencies Fees	**46.73**	57.35
e)	Others	**111.17**	70.98

11. (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, with aggregate value of 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 in full on all the above leases as outlined below:

Year of Lease	No. of Leases	Value of assets taken on lease (₹ In Lacs)	Amount paid in settlement of future lease rentals (₹ in Lacs)	Year of payment
1999-00	6	102085	37492	2001-02
			3841	2002-03
			35534	2003-04
2000-01	2	54997	29423	2001-02
			22302	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 ₹ 4296 Lacs (Previous Year ₹ 10340 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 select financial institutions / banks as lessors, for a primary period of 10 years for an aggregate amount of ₹ 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.

Even 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 ₹ 14088 Lacs (P.Y. ₹14088 Lacs) and amortised (expensed) lease rentals of ₹ Nil (P.Y. ₹ 6456.04 Lacs) on these transactions.

12. 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.

13. (a) The Company discharges its obligation towards payment of interest and redemption of bonds, for which warrants are issued, by depositing the respective amounts in the designated bank accounts. Reconciliation of such accounts is an ongoing process and has been completed upto 31-03-2011. The company does not foresee any additional liability on this account. The total balance held in such specified bank accounts as on 31-03-2011 is ₹ 371.31 Lacs (Previous Year ₹ 736.57 Lacs).

(b) The Company is required to transfer any amount remaining unclaimed and unpaid in such interest and redemption accounts after completion of 7 years to Investor Education Protection Fund (IEPF) administered by the Ministry of Corporate Affairs, Government of India. Accordingly, during the year, the Company deposited a sum of ₹ 605.87 Lacs (P.Y. ₹ 31.15 Lacs) in IEPF.

14. During the year, the Company executed an Asset Securitisation Transaction by securitising an identified portion of future lease rentals of Rs. 53629.99 Lacs originating on its assets leased to Ministry of Railways during the year 2007-08. 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 investors and realised a sum of ₹ 33954.23 Lacs. The lease receivables have been derecognised in the books of account of the company. The book value of these future lease receivables was ₹ 33668.51 Lacs, resulting in a profit of ₹ 285.72 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 ₹ 285.72 Lacs, a sum of ₹ 9.56 Lacs pertaining to the year 2010-11 has been recognised in the Profit and Loss Account, leaving a balance of ₹ 276.18 Lacs as on 31.3.2011 to be recognised over the remaining life of the PTCs.

In terms of the Draft RBI Guidelines on Minimum Retention Requirement issued by the Reserve Bank of India as applicable to the Non-Banking Finance Companies, the company being the originator, has opted to retain a minimum of 5% of the book value of the receivables being secturised. The outstanding balance of the lease receivables securitised during the year is ₹ 33668.51 Lacs. Accordingly, the company has invested ₹ 1697.71 Lacs in the Pass Through Certificates (PTCs) issued by the 'Special Purpose Vehicle' towards Minimum Retention Requirement.

Out of the unrecognised gain of ₹ 4362.53 Lacs (P.Y. ₹ 6431.02 Lacs) in respect of the Securitisation transactions executed during the previous years, a sum of ₹ 2125.72 (P.Y. ₹ 3696.38 Lacs) has been recognised during the year 2010-11, leaving a balance of ₹ 2236.81 Lacs (P.Y. ₹ 2734.64 Lacs) as on 31.3.2011 to be recognised over the remaining life of the PTCs.

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

(₹ in Lacs)

	As at 31-03-2011	As at 31-03-2010
Liability on account of difference between WDV as per Income Tax Act and Companies Act.	**544026**	494754
Less: Deferred Tax Asset on account of Unabsorbed Depreciation	**273881**	248048
Less: Deferred Tax Asset on Misc. Expenditure to be written off	**2**	4
Net Deferred Tax Liability	**270143**	246702

16. 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.

Reconciliation of the Lease Receivable amount on the Gross value of Rolling Stock assets worth ₹ 6437259 Lacs (P.Y. ₹ 5522266 Lacs) owned by the company and leased to the Ministry of Railways is as under:

(₹ in Lacs)

Particulars	As at 31-03-11	As at 31-03-10
A. Gross Value of Assets acquired & Leased upto the end of previous Financial Year	**5469230**	4620488
B. Less value of assets securitised/assigned during the year	**38466**	53036
C. = (A - B)	**5430764**	4567452
D. Less: Capital Recovery provided upto last Year	**1850962**	1665644
E. Less Capital Recovery provided upto last year on assets assigned during the year	**3269**	2941
F. Capital Recovery upto last year (D - E)	**1847693**	1662703
G. Capital Recovery outstanding on leased assets as at the end of last year (C - F)	**3583071**	2904749
H. Add: Gross Value of Assets acquired and Leased during the year	**968029**	901778
I. = G+H	**4551100**	3806527
J. Capital Recovery for the year	**236811**	190173
K. Less: Capital Recovery for the year on assets securitised/assigned during the year	**1528**	1914
L. = J - K	**235283**	188259
Net investment in Lease Receivables	**4315817**	3618268

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

(₹ in Lacs)

Particulars	As at 31-03-11	As at 31-03-10
Gross Investment in Lease	**6637655**	5627590
Unearned Finance Income	**2321838**	2009322
Present Value of Minimum Lease Payment (MLP)	**4315817**	3618268

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

(₹ in Lacs)

Particulars	As at 31-03-11		As at 31-03-10	
	Gross Investment In Lease	**Present Value of MLP**	Gross Investment in Lease	Present Value of MLP
Not later than one year	**617079**	**276484**	514084	221982
Later than one year and not later than five years	**2380979**	**1200145**	2017690	989648
Later than five years	**3639597**	**2839188**	3095816	2406638
Total	**6637655**	**4315817**	5627590	3618268

The unearned finance income as on 31-03-2011 is ₹ 2321838 Lacs (Previous Year ₹ 2009322 Lacs). The unguaranteed residual value accruing to the benefit of the Company at the end of lease period is ₹ Nil (P.Y. Nil).

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.

17. Disclosures with respect to Retirement Benefit Plan as required under AS - 15 (Revised) are as follows:

Defined Benefit Plan

Table showing changes in Present Value of Defined Obligations as on 31.3.2011:

(₹ in Lacs)

	Gratuity (Funded)		**Leave Encashment (Funded)**		**LTC (Non-Funded)**	
	31-03-2011	31-03-2010	**31-03-2011**	31-03-2010	**31-03-2011**	31-03-2010
Present value of Defined Benefit Obligation at the beginning of the year	**30.51**	22.52	**14.07**	20.88	**1.61**	1.52
Interest Cost	**2.52**	1.80	**1.12**	1.67	**0.05**	0.12
Current Service Cost	**3.05**	1.63	**1.02**	1.43	**0.55**	0.81
Benefits Paid	**--**	--	**1.01**	0.71	**-2.13**	--
Actuarial (Gain) / Loss on obligations	**-1.44**	4.56	**3.19**	-9.21	**2.01**	-0.84
Present value of Defined Benefit Obligation at the end of the year	**34.64**	30.51	**18.39**	14.07	**2.09**	1.61

Table showing changes in the Fair Value of Plan Assets as on 31.3.2011:

(₹ in Lacs)

	Gratuity (Funded)		Leave Encashment (Funded)		LTC (Non-Funded)	
	31-03-2011	31-03-2010	**31-03-2011**	31-03-2010	**31-03-2011**	31-03-2010
Fair Value of Assets at the beginning of the year	**25.79**	0	**23.11**	0	**0**	0
Expected Return on plan assets	**2.43**	1.64	**1.89**	1.50	**0**	0
Contributions	**6.36**	24.15	**0**	22.32	**0**	0
Benefits Paid	**0**	0	**1.01**	0.71	**0**	0
Actuarial (Gain) / Loss on plan assets	**0.39**	0	**0.18**	0	**0**	0
Fair Value of Plan Assets at the end of the year	**34.97**	25.79	**24.17**	23.11	**0**	0

Table showing Movement in the net Liability/Asset recognised in the Balance Sheet as on 31.3.2011:

(₹ in Lacs)

	Gratuity (Funded)		Leave Encashment (Funded)		LTC (Non-Funded)	
	31-03-2011	31-03-2010	**31-03-2011**	31-03-2010	**31-03-2011**	31-03-2010
Opening net Liability / (Asset) at the beginning of the year	**4.72**	22.52	**-9.04**	20.88	**1.61**	1.52
Expenses	**1.31**	6.35	**3.26**	-7.60	**2.60**	0.09
Contribution	**-6.36**	-24.15	**0**	22.32	**-2.13**	0
Closing net (Liability) / Asset at the end of the year	**0.33**	-4.72	**5.78**	9.04	**-2.08**	-1.61

Actuarial Gain / Loss recognised as on 31.3.2011 :

(₹ in Lacs)

	Gratuity (Funded)		Leave Encashment (Funded)		LTC (Non-Funded)	
	31-03-2011	31-03-2010	**31-03-2011**	31-03-2010	**31-03-2011**	31-03-2010
Actuarial Gain / (Loss) for the year - obligation	**1.44**	-4.56	**-3.19**	9.21	**-2.01**	-0.84
Actuarial Gain / (Loss) for the year plan assets	**0.39**	0	**0.18**	0	**0**	0
Total Gain / (Loss)	**1.83**	-4.56	**-3.01**	9.21	**-2.01**	-0.84
Actuarial Gain / (Loss) recognised in the year	**1.83**	-4.56	**-3.01**	9.21	**-2.01**	-0.84

Amount to be recognised in the Balance Sheet

(₹ in Lacs)

	Gratuity (Funded)		Leave Encashment (Funded)		LTC (Non-Funded)	
	31-03-2011	31-03-2010	**31-03-2011**	31-03-2010	**31-03-2011**	31-03-2010
Present value of obligations as at the end of the year	**34.64**	30.51	**18.39**	14.07	**2.09**	1.61
Fair Value of plan assets	**34.97**	25.79	**24.17**	23.11	**0**	0
Funded status	**0.33**	-4.72	**5.78**	9.04	**-2.09**	-1.61
Net Asset / (Liability) recognised in the Balance Sheet	**0.33**	-4.72	**5.78**	9.04	**-2.09**	-1.61

Expenses recognised in statement of Profit & Loss:

(₹ in Lacs)

	Gratuity (Funded)		Leave Encashment (Funded)		LTC (Non-Funded)	
	31-03-2011	31-03-2010	**31-03-2011**	31-03-2010	**31-03-2011**	31-03-2010
Current Service Cost	**3.05**	1.63	**1.02**	1.44	**0.55**	0.81
Interest Cost	**2.52**	1.80	**1.12**	1.67	**0.05**	0.12
Expected return on plan assets	**2.43**	1.64	**1.89**	1.49	**0**	0
Net Actuarial (Gain) / Loss recognised in the year	**-1.83**	4.56	**3.01**	-9.21	**2.01**	-0.84
Expenses recognised in Statement of Profit & Loss	**1.31**	6.35	**3.26**	-7.60	**-2.61**	0.09

Actuarial Assumptions:

	As on 31-03-2011	As on 31-03-2010
Discount rate	**8.27%**	8%
Salary Escalation	**6%**	6%
Expected Return on plan assets	**8%**	--
Mortality	**LIC 1994-96 ULTIMATE**	LIC 1994-96 ULTIMATE
Disability	**Nil**	--
Attrition	0%	**--**
Retirement	**60 Year**	--

The estimates of future salary increase considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Defined Contribution Plan

Particulars	**Year ending 31-03-2011**	Year ending 31-03-2010
Employers' Contribution to EPF	**₹ 8.48 Lacs**	₹ 7.10 Lacs

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

(₹ in Lacs)

	2010-11				2009-10			
	Incentives/ PRP*	**Gratuity & Leave Encashment***	**LTC***	**Income Tax / FBT**	Incentives /PRP	Gratuity & Leave Encashment	LTC	Income Tax / FBT
Opening Bal.	**20.00**	**-4.32**	**1.61**	**28251.13**	12.50	43.40	0	21119.95
Addition during the year	**31.00**	**4.57**	**2.60**	**17923.14**	20.00	6.35	1.61	13512.50
Amount used / incurred	**31.99**	**6.36**	**2.13**	**14681.81**	14.38	46.47	0	6381.32
Unused Amount reversed during the year	**(11.99)**	**0**	**0**	**50.00**	(1.88)	7.60	0	0
Closing Balance	**31.00**	**6.11**	**2.08**	**31442.46**	20.00	-4.32	1.61	28251.13

* 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 LTC is in accordance with the Accounting Standard 15 (Revised).

Further, provision for Income Tax is in terms of Income Tax Act, 1961 and shall be adjusted after the completion of assessment.

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

20. In line with requirement of 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

    The payments to key management personnel are given under note no. 8 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.

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

Basic EPS

		Year	
		2010-11	2009-10
a)	Profit after tax	₹ 48520.40 Lacs	₹ 44269.07 Lacs
b)	No. of weighted equity shares of face value Rs. 1,000/- each	133,74,000	80,00,658
c)	Earning Per Share (a/b)	₹ 362.80	₹ 553.32

Diluted EPS

		Year	
		2010-11	2009-10
a)	Profit after tax	**₹ 48520.40 Lacs**	₹ 44269.07 Lacs
b)	No. of weighted equity shares of face value Rs. 1,000/- each	**133,74,000**	80,00,658
c)	Earning Per Share (a/b)	**₹ 362.80**	₹ 553.32

The reconciliation of weighted number of equity shares is under:

Number of shares at the beginning of the year	:	109,10,000
Number of shares allotted on 21-12-2010 for which Share Application Money Received on 07-10-2010	:	51,10,000
Number of shares at the end of the year	:	160,20,000
Weighted number of equity shares	:	133,74,000

22. (a) During the year 2003-04, the company restructured the rate of interest on certain outstanding borrowings from LIC and paid ₹ 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 ₹104 Lacs (P.Y. ₹149 Lacs) has been amortised, leaving a balance of ₹109 Lacs as on 31-03-2011 (P.Y. ₹ 214 Lacs).

    (b) During the year 2004-05, the company restructured the rate of interest on certain outstanding borrowings from IDBI Ltd. and paid ₹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 ₹ 47 Lacs (P.Y. ₹ 64 Lacs) has been amortised, leaving a balance of ₹ 83 Lacs as on 31-03-2011 (P.Y. ₹131 Lacs).

23. Miscellaneous Income includes a sum of ₹ 202 Lacs received from Income Tax Authorities towards interest on Income Tax Refund.

24. Ministry of Railways has deducted tax at source amounting to ₹ 12676 Lacs (P.Y. ₹ 7962.70 Lacs)

25. Payment to Statutory Auditors includes a sum of ₹ 1.65 Lacs pertaining to the previous year.

26. 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.

27. Certain disclosures are required to be made under the Micro, Small and Medium Enterprises Development Act, 2006. The Company is in the process or 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.

28. 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 logistically possible 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.

29. (a) Unless otherwise stated, the figures are Rupees in Lacs.

    (b) Previous year figures have been regrouped / rearranged, wherever necessary, in order to make them comparable with those of the current year.

30. **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	31.03.2011		

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

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	5 1 1 0 0
Shares Application Money	NIL		

iii. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (₹ in Lacs)

Total Liabilities	Total Assets
4 6 6 9 0 2 1	4 6 6 9 0 2 1

Sources of Funds

Paid - Up Capital	Shares Application Money
1 6 0 2 0 0	NIL
Reserves & Surplus	Secured Loans
2 6 8 3 9 7	3 1 2 5 6 7 4
Unsecured Loans	Deferred Tax Liability
6 8 6 7 7 4	2 7 0 1 4 3

Application of Funds

Net Fixed Assets	Investments
1 3 3 7	1 8 9 8
Net Current Assets including of loan of 4531822	Misc. Expenditure
4 5 0 7 9 5 3	N I L
Accumulated Losses	Foreign Currency Mon.Item Trans DiffA/c
NIL	0

iv. PERFORMANCE OF COMPANY (AMOUNT IN ₹ Lacs)

Turnover	Total Expenditure
3 8 4 1 6 5	2 9 4 3 3 1
Profit Before Tax	Profit After Tax
8 9 8 3 5	4 8 5 2 0
Earning Per Share in ₹ (₹ 1000 paid)	Dividend Rate %
3 6 2 .80	6.24 %

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 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

On behalf of the Board

Prakash N.Mathur Partner M No. 086292	S.K. Ajmani Company Secretary & G M (Term Loans)	R.Kashyap Managing Director	Pompa Babbar Chairperson

Dated :16-07-2011
Place : New Delhi

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

(₹ in Lacs*)

Particulars		Year ended 31/03/2011		Year ended 31/03/2010
A. Cash Flow from Operating activities:				
Profit Before Tax:	89834.51		78828.57	
Adjustments for:				
1. Depreciation	35.11		35.14	
2. (Profit) / Loss on sale of fixed assets	0.81		(0.17)	
3. Lease Rentals advance amortised	4295.51		10339.57	
4. Provision for Employee benefits	0.48		0.36	
5. Exchange Rate Variation	(4.85)		(1116.10)	
6. Amortisation of Foreign Currency Monetary Item Trans Diff.	181.04		3455.15	
7. Amortisation of Interest Restruturing Advance	151.64		212.56	
8. Amortisation of Gain on asset securitisation	(2135.28)		(3898.71)	
9. Provision for Interest Payable to Income Tax Authorities	103.87		-	
	92462.84		87856.37	
Adjustments for-				
1. Assets given on financial lease during the year	(968029.04)		(901777.50)	
2. Capital Recovery on assets given on financial lease	236817.58		190061.51	
3. Securitisation of Lease Receivables	33954.23		50011.03	
4. Receipt on account of Long term loans during the year	10663.99		7042.33	
5. Term Loans disbursed during the year	(10000.00)		(37000.00)	
6. Loans & Advances (Net of Adv. Tax & ERV)	14360.76		(21185.77)	
7. Current Assets	58409.60		(18278.73)	
8. Current Liabilties	16878.09		14792.23	
9. Direct Taxes Paid	(18693.16)		(9850.59)	
	(625637.95)		(726185.48)	
Net Cash flow from Operations		(533175.12)		(638329.11)
B Cash Flow from Invetsment Activities:				
1. Purchase of Fixed Assets	(3.90)		(5.08)	
2. Proceeds from sale of Fixed Assets	0.03		0.17	
3. Investment in Pass Through Certificates	(1697.71)	(1701.58)	-	(4.91)
C Cash flow from Financing activities:				
1. Dividend & Dividend Tax Paid during the year	(10000.00)		(11699.50)	
2. Share Capital raised during the year	51100.00		29100.00	
3. Funds raised through Bonds	598955.00		559094.00	
4. Bonds Redeemed during the year	(184893.33)		(35493.33)	
5. Term Loans raised during the year	61480.13		1194151.11	
6. Term Loans repaid during the year	(287772.27)		(1159446.37)	
7. Funds raised through External Commercial Borrowings	330186.93		215887.50	
8. Repayment of External Commercial Borrowings	(60647.91)	498408.55	(114939.78)	676653.62
Net Cash Flow During the year(A+B+C)		(36468.15)		38319.60
Opening Balance of Cash & Cash Equivalents:				
Balance in the Current Accounts	842.57		1197.78	
Balance in the Term Deposit A/cs (orginal maturity of three months or less)	38750.00		75.00	
Balance in Franking Machine	0.00		0.19	
Balance in RBI-PLA	1.02	39593.59	1.02	1273.99
Closing Balance of Cash or Cash Equivalents		3125.44		39593.59

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.
2. Figures in bracket represent cash outflow from respective activities
3. Previous year figures have been regrouped / rearranged whereever found necessary to make them comparable with the current year figures.
4. Composition of Cash or Cash Equivalents at the end of the year:

	31/03/2011	31/03/2010
- Balance in Current Accounts	461.99	842.57
- Balance in Term Deposit A/cs (original maturity of three months or less)	2662.00	38750.00
- Balance in Franking Machine	0.43	0.00
- Balance in RBI-PLA	1.02	1.02
Total	3125.44	39593.59

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.
6. Balance in Current Accounts includes a sum of Rs.371.31 lacs lying unpaid in Interest/Redemption A/Cs is not available for use by the Company.

This is the Cash Flow Statement referred to in our Report of even date

For DHAWAN & CO.
CHARTERED ACCOUNTANTS

For and on behalf of the Board

Prakash N.Mathur	**S.K. Ajmani**	**R.Kashyap**	**Pompa Babbar**
Partner	Company Secretary	Managing Director	Chairperson
M No. 086292	& G M (Term Loans)		

Place : New Delhi
Dated :16-07-2011

* One lac is equal to 100,000 (or 0.10 Million)

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^{st} March 2011 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are 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 31st March 2011;

(b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and

(c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For & on behalf of
DHAWAN & CO.
Chartered Accountants
Firm Regn. No. 002864N

Prakash N. Mathur
(Partner)
M. No. 086292

Place : New Delhi
Dated : 16-07-2011

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE OF INDIAN RAILWAYS FINANCE CORPORATION LIMITED FOR THE YEAR ENDED 31ST MARCH 2011

(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 systems commensurate with the size of the company and the nature of its business with regard purchase of fixed Assets and for the sale of services. 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 or any other relevant provisions 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 31.03.2011 for a period of more than six months from the date they became payable. However, in the absence of any directives/ notifications with regard to cess payable under section 441A of the Companies Act, 1956, the Company has not been able to ascertain its liability towards the same and hence no liability on this account has been provided in the books of accounts.

(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 31st March 2011 and not incurred any cash losses during the year and immediately preceding financial 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.

(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 46,810 taxable bonds of ₹ 10,00,000 each and 1,30,855 tax free bonds of ₹ 1,00,000 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
Firm Regn. No. 002864N

Prakash N. Mathur
(Partner)
M. No. 086292

Place : New Delhi
Dated : 16-07-2011

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 FOR THE YEAR ENDED 31 MARCH 2011

The preparation of financial statements of Indian Railway Finance Corporation Limited for the year ended 31st March 2011 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 16.07.2011.

I, on behalf of the Comptroller and Auditors 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 for the year ended 2011. 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

John K. Sellate
Pr. Director of Commercial Audit &
Ex-Officio Member, Audit Board-IV

Place : New Delhi
Date : 10.08.2011

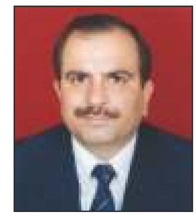
NOTES

Shareholders in Extraordinary
General Meeting - June 2011

Company Management - Extraordinary
General Meeting - June 2011

Rest of Management Team of IRFC

Smt. Neera Khuntia
GGM (P & A)
(Upto 29-08-2011)



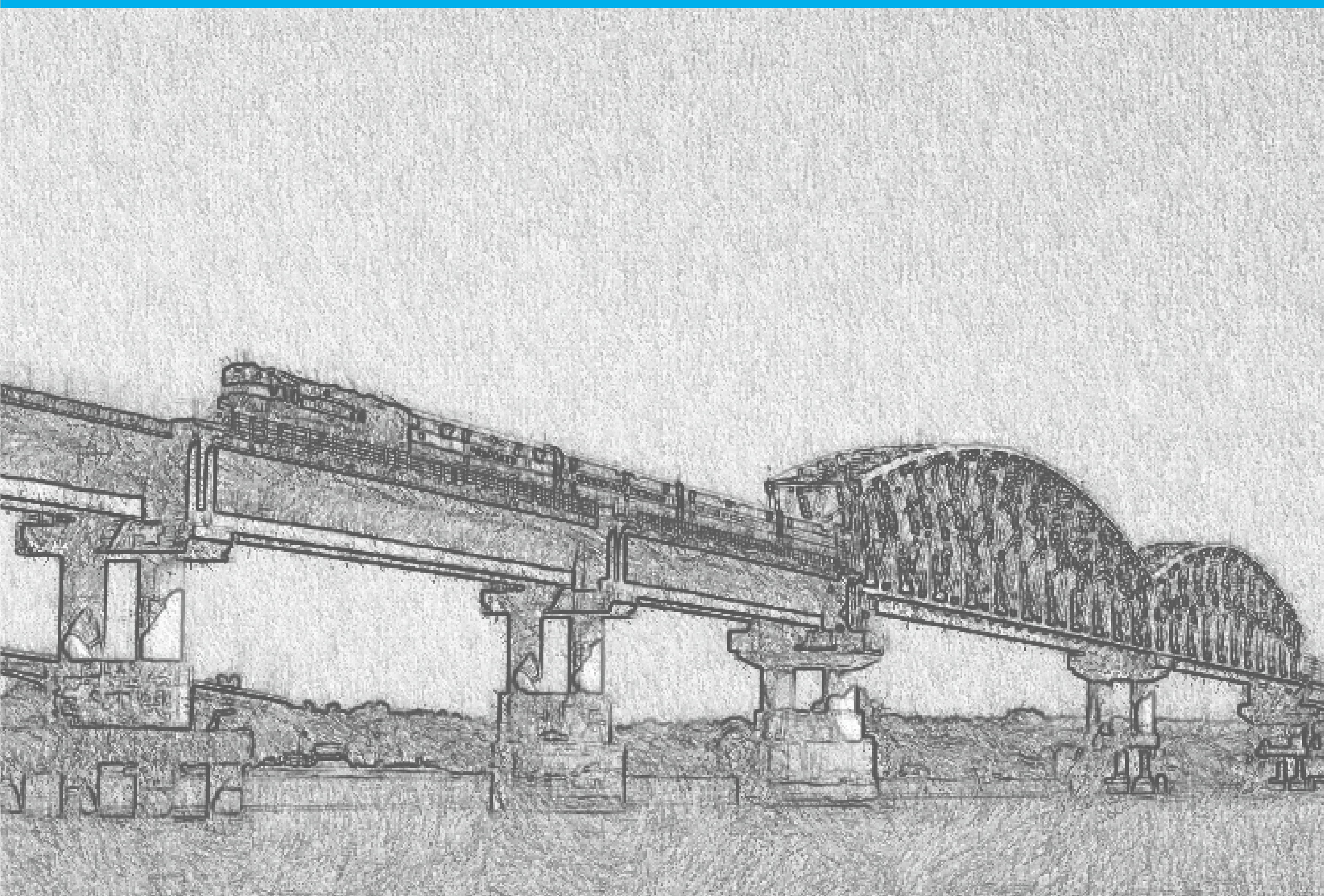
Sh. S. K. Ajmani
GM (TL) & Co. Secy.

Sh. T. Behera
GM (Bonds)

Sh. S. Radhakrishnan
GM (ECB)

Sh. A. Samantaray
Manager (F & A)

Sh. Anup Dubey
Asstt. Manager



INDIAN RAILWAY FINANCE CORPORATION LTD.
(A GOVERNMENT OF INDIA ENTERPRISE)

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