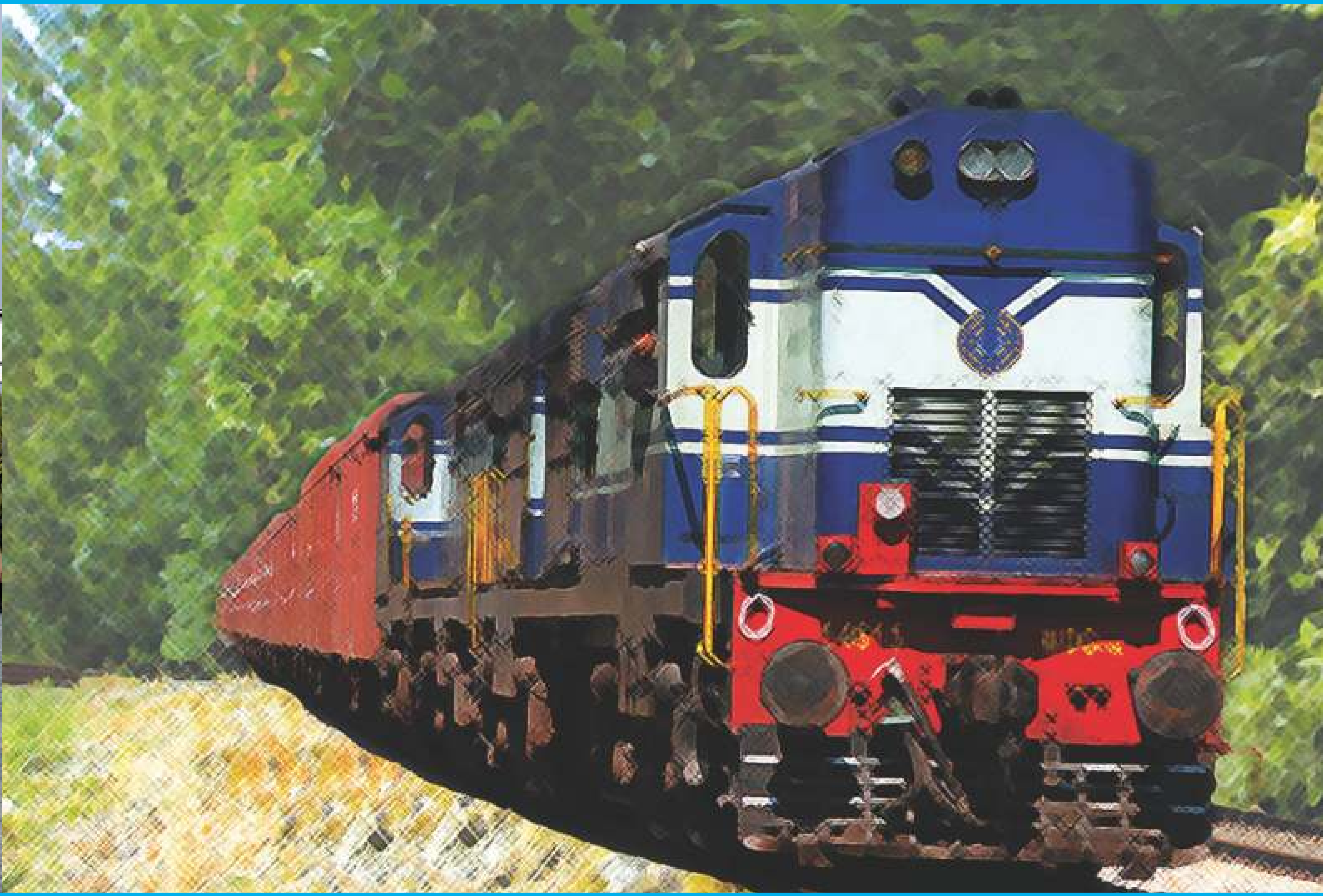
ANNUAL REPORT 2009-10



INDIAN RAILWAY FINANCE CORPORATION LTD.

(A GOVERNMENT OF INDIA ENTERPRISE)

IRFC team presenting Dividend cheque for ₹100 crore to Hon'ble Minister of Railways.

23rd Annual General Meeting-Shareholders

23rd Annual General Meeting-Board of Directors

Managing Director and Secretary, Railway Board signing the MOU for 2010-11

ANNUAL REPORT 2009-10

Indian Railway Finance Corporation Ltd.

(A Government of India Enterprise)

Contents

BOARD OF DIRECTORS

Smt. Sowmya Raghvan
Chairperson

Shri R. Kashyap
Managing Director

Shri Govind Mohan
Director

Shri Nasser Munjee
Director
(Upto 16-10-2009)

Prof. R. Narayanaswamy
Director

Shri P.K. Choudhury
Director

Ms. Anjali Goyal
Director
(Upto 10-11-2009)

Shri S.K. Kaushik
Director
(Upto 09-03-2010)

Shri Jagmohan Gupta
Director
(From 26-10-2009 to 31-05-2010)

Shri Sanjeev K. Ajmani
Company Secretary

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

Internal Auditor
Shiv & Associates
Chartered Accountants
185/G-20, Sector-7
Rohini
New Delhi-110085

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

Chairperson's Statement

Dear Shareholders,

It gives me great pleasure to welcome you all to this Twenty Third Annual General Meeting of your Company, Indian Railway Finance Corporation Ltd. The audited accounts of the Company for the year ended 31st March, 2010, 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 dwell upon some of the important developments in global and domestic economy that constituted the business environment in which your Company transacted its activities during the year.

According to the policy announcement of Reserve Bank of India (RBI) in April, 2010, recovery in the global economy picked up momentum in the fourth quarter of 2009, even though the pace of recovery remained significantly disparate across economies. The projections for global output for 2010 generally pointed to consolidating recovery, led by the Emerging Market Economies (EMEs). As far as the Indian economy is concerned, in the first place, impact of the global meltdown was milder because of its character of being largely driven by domestic demand. However, improvement in global macroeconomic conditions was clearly reflected in the turnaround in India's exports and the return of capital flows. Despite a lower trade deficit, the current account deficit widened during April-December 2009 in comparison to the corresponding period in the previous year. This was attributed to a fall in invisibles. During 2009-10, India's foreign exchange reserves increased by US$ 27.1 billion. However, bulk of the increase in foreign currency assets was on account of valuation. The RBI expected the net capital inflows to increase further during the current year, reflecting the prospects of higher growth and larger interest rate differentials between India and the advanced economies. Like other EMEs, however, higher capital inflows were expected to influence asset prices, domestic liquidity conditions and the exchange rate, with attendant implications for monetary management.

Thanks to efficient management by the RBI, overall liquidity conditions remained at relatively benign levels during the year. The banking system's credit to the Government remained the prime driver of monetary expansion during the year. The flow of resources to commercial sector distinctly improved from both banking as well as non-banking sources. Going forward, the demand for money may increase with acceleration in recovery and elevated level of inflation.

Global financial markets demonstrated significant stabilisation during 2009, despite continued encumbrance from the recent financial crisis. However, volatility increased in the beginning of 2010 due to concerns about unsustainable fiscal positions, as reflected in sovereign risks. Events such as the Dubai World debt imbroglio and the sovereign debt problems in Greece and other European pockets posed a credible risk to the stability of financial markets going forward.

Closer home, with market activity returning to the pre-global crisis levels, volatility in the domestic financial markets was lower during 2009-10 than in the year before, when the crisis was at its peak. The Indian economy grew by 7.4 per cent in 2009-10. The momentum was particularly pronounced in Q4 of 2009-10 with growth at 8.6 per cent as compared to 6.5 per cent in the previous quarter. At constant market prices, the pick-up in Q4 growth was even sharper at 11.2 per cent, reflecting a significant turnaround in indirect tax collections. Despite considerable stability and a measured commencement of exit from fiscal stimulus, markets faced concerns emerging from large government borrowings and upswing in inflation. This affected yields in the government bond market. Soothing sentiments, however, surfaced as transmission of lower policy rates to the credit markets improved, even if, slowly. With the revival of capital inflows, nominal exchange rate appreciated. Given the high level of domestic inflation, appreciation in real terms was even higher.

The Reserve Bank expects output growth in 2010-11 to be higher than in 2009-10, under the critical assumption of a normal monsoon. Support for sustained momentum in growth can be expected from all three major components, viz., agriculture, industry and services. Nevertheless, as a note of caution, apart from monsoon-related uncertainty, a few other downside risks have also been flagged. First, private consumption demand needs to improve significantly to support the growth momentum. Second, global recovery, despite gaining strength, is expected to remain fragile, which has implications for exports. Third, the exit from fiscal stimulus and the growth-supportive monetary policy, unless calibrated carefully, could impact the growth process. Finally, the domestic saving rate has exhibited some decline, led by significant decline in public sector savings. This could have adverse implications for the potential growth of the economy.

While inflation has been a source of concern, the RBI and the Government expect it to moderate over the next few months from the peak levels seen in recent months. There are, however, upside risks to inflation. First, international commodity prices, particularly oil, have started demonstrating buoyancy again. Consequently, for several commodities, the import option for India to contain domestic inflation becomes limited, because of higher international prices. Second, the revival in private consumption demand and the bridging of the output gap will add to inflationary pressures. Finally, it is important to guard against the risk of hardening of inflation expectations conditioned by near double digit headline WPI inflation.

With the monetary and fiscal exit measures initiated, recovery in private demand needs to be stronger to reinforce the growth momentum. However, the already elevated headline inflation suggests that the weight of policy balance may have to shift to containing inflation, since high inflation itself will dampen recovery in growth. In the emerging macroeconomic scenario, monetary policy management in 2010-11 will inevitably be dominated by the challenge of moderating inflation and anchoring inflation expectations, while remaining supportive of growth impulses.

Belying the early promise demonstrated and causing concern, the macroeconomic environment and the overall position changed significantly when the First Quarter Review for 2010-11 was carried out by the Reserve Bank in July, 2010. While the April, 2010 policy announcement was driven by a fair level of optimism about the sustainability of the global recovery at least in a modest measure, there is now renewed uncertainty about the revival process in the face of the Greek sovereign debt crisis and other visible soft spots in Europe and the US. Happily, though, the recovery on the domestic front has consolidated and is becoming increasingly broad-based, so much so that there are rising concerns about capacity constraints being reached over a wide range of sectors. While inflationary pressures have also mounted, the performance of the monsoon up to the third week of July has been significantly better than during last year. Even as rainfall still remains somewhat below the long period average at the all-India level, it has been enough to induce a significant increase in sown area across a range of crops, the high prices of which in recent months have been a source of great worry.

The double digit growth in the Index of Industrial Production (IIP) that began in October, 2009 continued into the current financial year. In the first two months of this fiscal, April-May, 2010, the IIP recorded a year-on-year growth of 14 per cent with as many as fifteen out of the seventeen industry groups showing positive growth. The lead indicators of service sector also suggest increased economic activity. The fact that there was modest deceleration in May, 2010, and a further dip in June, 2010 are hopefully only transient blips,

The Reserve Bank's upward revision of the GDP growth projection for 2010-11 to 8.5 per cent (from 8.0 per cent with an upside bias in April, 2010) indicates that the economy is steadily restoring to its pre-crisis growth trajectory. However, even as this is happening, prospects of a sustained global recovery appear to be increasingly uncertain, with potentially unfavourable consequences for the EMEs, including India.

Besides, despite increase in the policy rates by 75 basis points cumulatively since March, 2009, real policy rates are still not perceived as consistent with the strong growth that the economy is now demonstrating. The Reserve Bank believes that lower policy rates can complicate the inflation outlook and impair inflationary expectations, particularly given the increased generalisation of inflation. The Bank is therefore committed to continue in the direction of normalising the policy instruments to a level consistent with the evolving growth and inflation scenario, while taking care not to disrupt the recovery. This would have implications for the cost of borrowing by your Company.

The Reserve Bank's view is that the current market conditions point to liquidity pressures easing somewhat, even though the system is likely to remain in deficit mode for sometime. This implies a significant change in the monetary operations, with a direct bearing on the Bank's actions. Against the above backdrop, the stance of monetary policy is intended to:

- Contain inflation and anchor inflationary expectations, while being prepared to respond to any further build-up of inflationary pressures.
- Maintain an interest rate regime consistent with price, output and financial stability, and
- Actively manage liquidity to ensure that it remains broadly in balance so that excess liquidity does not dilute the effectiveness of policy rate actions.

While the economies the world over have continued to be afflicted by uncertainties and weakness over the last couple of years, the role played by Indian Railways (IR) as the 'engine of growth' of the Indian economy has remained exemplary. As a significant mover and contributor to the cost structure of various raw materials and finished products, the benign pricing policy of IR has not only contributed to containment of inflation, but has also kept the 'wheels of progress' moving. Sound management strategies also enabled IR to carry an all-time high 888 million tonnes of freight traffic during the fiscal. This, together with the buoyancy in the passenger segment during a period of grave economic uncertainties the world over, has indeed exploded the myth of the loss making nature of the Railway business. Net Revenue of ₹ 5,544 crore despite the huge financial impact of implementation of Sixth Central Pay Commission's recommendations and increase in fuel prices, has facilitated putting together of a Plan size of ₹ 39,023 crore in the current fiscal. Ever engaged in the service of the Ministry of Railways, Indian Railway Finance Corporation has an impeccable track record of funding rolling stock asset creation worth ₹ 60,163 crore for IR so far, besides providing funding support of ₹ 2,294 crore to other Railway entities such as Rail Vikas Nigam Limited, Rail Tel Corporation of India Ltd. etc 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, 2009. You will recall that for the year 2009-10, your Company was set a target of borrowing of ₹ 9,000 crore for creation of rolling stock assets for the Ministry of Railways and a further amount of ₹ 170 crore by way of loan to Rail Vikas Nigam Ltd. (RVNL) for investment in bankable projects being executed by them for MOR. Both targets were revised upwards through Revised Estimates of Ministry of Railways to ₹ 9,150 crore and ₹ 370 crore respectively in February, 2010. Thus, total mandate for borrowing during the year became ₹ 9,520 crore. Besides, as reported at the time of preparing final accounts last year, against the target of ₹ 6,907 crore for 2008-09, actual asset acquisition by the Ministry was higher at ₹ 6,991 crore. Consequently, the differential amount of ₹ 84 crore had to be remitted to the Ministry during the year 2009-10. At a total required borrowing of ₹ 9,604 crore, this was the highest ever quantum of financing of its clients by IRFC in a single year, exceeding the previous record of ₹ 7,200 crore during 2008-09 by a handsome margin of 33.40%. As a matter of fact, the target was almost double of the funding assistance of ₹ 4849 crore provided by the Company to MOR & RVNL just two years back in 2007-08. The Company was able to raise this highest ever amount at an average cost of 7.70% p.a. as compared to 8.98% p.a. last year. The achievement is extremely creditworthy viewed in the context of the fact that its fund raising effort scored over the cost structure achieved by similarly rated entities by a margin of as much as 0.90%. This translates to an impressive saving of ₹ 712 crore in interest cost over the total tenor of borrowing during the year. Amongst special features of the borrowing programme for the year were the highest ever amount of ₹ 2,159 crore raised in a single year through external commercial borrowing at an interest cost of US$ LIBOR plus 230bps, and bond issuance of ₹ 385 crore for a tenor as long as 20 years. I am pleased to inform you that the Company has since improved upon the latter by issuing bonds worth ₹ 1,175 crore with an even longer tenor of 25 years, representing a 'first' for an Indian corporate, again at very competitive pricing. Besides, the Company issued tax-free bonds for ₹ 1,920 crore, creating in the process a hitherto non-existent market for 7-year tax-free bonds in India.

I am happy to further report that your Company continues to enjoy the highest credit ratings of 'AAA' assigned by CRISIL and CARE, and 'LAAA' by ICRA, the three largest domestic credit rating agencies. Its international credit ratings are 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 rating of 'BBB+ (Stable)' from Japanese Credit Rating Agency (JCRA).

During 2009-10, your Company funded acquisition of 476 locomotives, 2,267 passenger coaches and 7,843 freight cars, valued at ₹ 9,017.78 Crore, which is ₹ 132.22 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 2010-11. With the above addition to the fleet of the Railways, the moving infrastructure funded by IRFC stands at 5,060 locomotives, 32,115 passenger coaches and 1,39,659 freight cars, valued at ₹ 60,163 crore.

For the current fiscal your Company has been entrusted with a yet again high mandate of raising ₹ 8,842 crore for the Ministry of Railways. In addition the quantum of funding for select bankable projects of Rail Vikas Nigam Limited has been pegged at ₹ 278 crore.

Turning to the financial performance, your Company has posted a Profit before Tax of ₹ 788.29 Crore and a Profit after Tax of ₹ 442.69 Crore. Ignoring the impact of one time items in the figures of two years, the PBT and PAT for 2009-10 represent an improvement of almost 20% and 21.50% over the corresponding figures for 2008-09. As required under the relevant Accounting Standard, Deferred Tax Liability (DTL) of ₹ 210.47 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 need for 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 ₹ 859 crore by Ministry of Railways by way of additional equity in IRFC at par during the last three years, the above factors have pushed the Debt-to-Equity ratio from the comfortable 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-equity ratio becomes cause for concern for all stakeholders, including the investors and rating agencies. By way of a conscious effort towards addressing the issue, Dividend for the year has been pegged at ₹ 100 crore.

You will recall that during the last Annual General Meeting, the Shareholders had passed a resolution for enhancement of the Authorised Capital of the Company from ₹ 1,000 crore to ₹ 2,000 crore. I am happy to report that the exercise was completed successfully during the year. You would also recall that such an enhancement had become necessary in order to attain the twin objectives of keeping the financial gearing of the Company within specified limits and facilitating efficient discharge of its assigned task of raising increasing quantum of financial resources for IR.

Your Company has established a new paradigm of successfully running a big business with a small team of 20 staff and executives. It is now widely respected for its productivity levels, pace of decision making, and negotiating skills at mobilising large resources at benchmark pricing levels. Yet, service levels are maintained commensurate with investors' expectations, partly by outsourcing some of the back-office activities to professional agencies. There are no un-redressed investor grievances. The overhead to turnover ratio continues at an incomparable level of 0.11%. The standing earned 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 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 on a sustained basis would not be possible without unqualified and constructive support and cooperation of a variety of persons and organisations, including my colleagues on the Board of Directors, officers and staff of Ministry of Railways, Ministry of Finance, Department of Public Enterprises, 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 assiduous efforts of its small team of officers and staff, which have enabled the Company to persistently 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 wealth and ingenuity of the team shall prove equal to the task, and the Company shall scale new heights in its continued pursuit of excellence.

Sowmya Raghavan
Chairperson

Place: New Delhi
Dated: 25th August, 2010.

Directors' Report

Dear Shareholders,

On behalf of the Board of Directors of your Company, I am pleased to present their 23rd Annual Report covering salient features of the business and operations of your Company together with the audited accounts, Auditor's Report and Report of the Comptroller & Auditor General of India on Supplementary audit carried out by them for the financial year ended 31st March, 2010.

Financial Highlights

Summarised below is the position of key financial results of your Company for the year ended 31st March, 2010:

(₹ in Crore)

		2009-10	2008-09
Income			
1.	Lease Income/ Lease Rental	3073.76	2726.45
2.	Income on Loans & Deposits	359.86	286.89
3.	Income on Investments	0.08	0.07
4.	Exchange Rate Variation Gain	11.16	1.96
5.	Other Income	39.08	9.41
	TOTAL	**3483.94**	**3024.78**
Expenditure			
6.	Interest & Lease Rent	2560.97	2348.83
7.	Depreciation	0.35	0.37
8.	Admn. & Other expenditure	99.66	17.85
9.	Amortisation of foreign currency monetary item Translation Diff. A/c	34.55	NIL
	TOTAL	**2695.53**	**2367.05**
10.	Profit for the year before Tax	788.41	657.73
11.	Prior period Income (Net)	(0.12)	(0.04)
12.	Profit Before Tax (PBT)	788.29	657.69
13.	Provision for Tax		
	o Current Tax (MAT)	135.13	74.98
	o Deferred Tax	210.47	401.85
	o Fringe Benefit Tax	--	0.07
		345.60	**476.90**
14.	Profit After Tax (PAT)	**442.69**	**180.79**
Appropriations			
15.	Dividend & Dividend Tax	117.00	117.00
16.	Transfer to General Reserve	45.00	19.00
17.	Transfer to Exchange Variation Reserve	-	19.47
18.	Balance appropriated to Bonds Redemption Reserve	280.69	25.32
	TOTAL	**442.69**	**180.79**

Happily, your Company posted Profit Before Tax (PBT) of ₹ 788.29 crore during 2009-10 as compared to ₹ 657.69 crore for the previous year, a healthy growth of 19.6%. Likewise, shorn of the need for additional provisioning for DTL for previous periods as had become necessary in the accounts of 2008-09, the Company has successfully absorbed the impact of higher rate of Minimum Alternate Tax to post a net profit of ₹ 442.69 crore as against ₹180.79 crore in the previous year.

Dividend

Your Company seeks to strike a judicious balance between the need for providing an appropriate return to the shareholders and retaining a reasonable portion of the profit to maintain a healthy financial leverage with a view to supporting and sustaining future growth. The overriding need for regulating the Debt-Equity ratio of the Company within prescribed limits has driven the payment of dividend to the Shareholders being kept at ₹ 100 crore during 2009-10, which has already been paid as Interim Dividend. Hence, no final dividend is proposed.

Reserves

After taking into consideration the dividend and dividend tax, a sum of ₹ 45 crore has been transferred to General Reserve in compliance with the relevant provisions of the Companies Act, 1956 and the balance amount of ₹ 280.69 crore has been transferred to Bond Redemption Reserve.

Share Capital

Against Authorised Capital of ₹ 2,000 crore, the entire paid up capital of the Company amounting to ₹ 1,091 crore continues to be held by the President of India and his nominees.

Independent Evaluators' Assessment

Credit Ratings

Domestic: During the financial year 2009-10, 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 2009-10, 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, which are at par with the sovereign rating for India. Besides, the Company obtained 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 (MOU)

Based on evaluation of its performance for the year 2008-09, the Company obtained 'Very Good' rating from the Department of Public Enterprises. The seemingly lower level of performance as compared to that in several previous years when it had consistently obtained 'Excellent' rating is mainly attributed to the fact that the methodology adopted by Department of Public Enterprises for evaluation in respect of profitability items in the MoU was changed to the Company's disadvantage from the one adopted at the time of setting the targets. Significantly, the Company would have maintained 'Excellent' rating if these parameters had been evaluated based on 'Profit After Current Tax' as done at the time of finalising the MoU, instead of 'Profit After Tax'. Despite this apparently unfair though temporary setback caused by computational changes brought about, 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. The Task Force has been emphasizing for some years past the need for diversification of business activities of IRFC in a measured manner. While paramount need for preserving the impeccable risk profile of the Company with a view to preventing adverse impact on cost structure of its debt has been adequately appreciated, the Task Force, in the MOU meeting held in February, 2010, called upon the Company to examine all aspects of the matter afresh and frame a new proposal, if necessary after due consultation with the industry, and place the same before the Ministry of Railways for due consideration. The Company is committed to take necessary action in the course of the year.

Market Borrowings during 2009-10

For the year 2009-10, the Company was set a target of borrowing of ₹ 9,000 crore for creation of rolling stock assets for the Ministry of Railways and a target of ₹ 170 crore by way of loan to Rail Vikas Nigam Ltd. for investment in bankable projects being executed by them for MOR. Both targets were revised upwards through Revised Estimates of Ministry of Railways to ₹ 9,150 crore and ₹ 370 crore respectively in February, 2010. Thus, total mandate for borrowing during the year became ₹ 9,520 crore. Besides, against the target of ₹ 6,907 crore for MOR for the year 2008-09, actual asset acquisition by the Ministry was higher at ₹ 6,991 crore. Consequently, the difference amount of ₹ 84 crore had also to be remitted to the Ministry during the year 2009-10. At a total required borrowing of ₹ 9,604 crore, this was the highest ever quantum of financing of its clients by IRFC in a single year, exceeding the previous record of ₹ 7,200 crore during 2008-09 by a handsome margin of 33.40%. The year continued to witness volatility in international financial markets, with concomitant adverse impact on interest rates and liquidity in Debt Capital Markets. Matters were made even more difficult by the Government's own heavy borrowing programme during the year, posing challenge to the Company to locate appropriate windows of opportunity to time its borrowings when the debt market was least crowded. During the year, yield on the bench mark 10 Year G-Sec remained consistently high, averaging over 7.27%, with a peak of 8.02%. 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 1.34% p.a. during the year, IRFC's cost of borrowing corresponds to a spread of 0.43% only - a saving of 0.91% p.a. as compared to the remaining best in the business.

Your Directors take pleasure in sharing with you that the Company proved equal to the daunting challenges, and met the targets assigned successfully. Riding on the back of a very successful External Commercial Borrowing transaction to raise ₹ 2,159 crore at a very competitive interest cost of USD LIBOR plus 2.30%, and Tax-free Bonds issuance of ₹ 1,920 crore with an average tenor of 8 years, and average cost of 6.44%, the Company managed to complete the borrowing targets assigned at an average cost of 7.70% p.a. during 2009-10. This was significantly lower than the cost of 8.98% achieved during the previous year. Other components of borrowing included ₹ 3,671 crore through Taxable Bonds and ₹ 1,500 crore through Term Loans, with the balance amount of ₹ 354 crore being used up from the Company's own corpus. 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 ₹5,270 crore. Likewise, the timing of external commercial borrowing was also very apt, and IRFC was not only amongst the first companies in the country to tap overseas markets after the impact of global financial crisis showed signs of abatement, but also delivered a tight pricing which drew widespread admiration across the markets. The Company's performance in raising Tax-free Bonds was also notable not only in terms of fine pricing achieved (6.00% p.a. payable semi-annually for 5-year Bonds, 6.30% for 7-year Bonds and 6.70% for 10-year Bonds) but also in its success in creating market for Tax-free corporate bonds of 7-years and 10-year tenors.

Besides, in order to meet its operational needs of refinancing a portion of existing debt, the Company also included in its borrowing portfolio an amount of ₹500.11 crore raised through a Securitisation transaction involving assignment of an identified stream of Lease Receivables from MOR to the investors.

The weighted average tenor of incremental borrowing during the year was 8.24 years which is quite comparable with the weighted average tenor of the lease.

The value of rolling stock assets finally identified by MOR against IRFC funding has been kept at ₹ 9,018 crore, which is ₹ 132 crore lower as compared to the Revised Estimate target assigned by MOR to the Company. This amount forms opening balance with MOR for the year 2010-11.

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 ₹ 2,360.12 crore in an efficient manner, without a single instance of delay or default in debt servicing. These included Bonds valued at ₹ 354.93 crore, Term Loans worth ₹ 855.79 crore and External Commercial Borrowings (ECB) of ₹ 1,149.40 crore. Continuing the phase of heavy debt servicing, your Company is set to honour obligations towards redemption of Bonds, repayment of Loans and ECBs amounting to around ₹ 3,507 crore during the current financial year.

Risk Management

Effective risk management is central to robust edifice 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, inasmuch as an overwhelming segment 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 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 the owner, who also happens to be the Government itself. By virtue of funding over 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 been consistently at competitive costs considered attractive by the Ministry. Consequently, the role assigned to your Company has logged an annual growth rate of over 20% 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 largely 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 such hedging transactions. The Company recognises 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 points to continuing strengthening of Rupee vis-à-vis USD. The Company intends to watch the situation and would suitably hedge 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, and the USD 450 million Syndicated Loan contracted in November, 2009. Further, in a few cases where the borrowing took place in JPY, your Company has executed first leg of the swap and converted its JPY exposure into USD terms. The USD liability in these transactions has not

been hedged so far. Besides 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 a judicious view of all relevant factors. Thus, interest rate risk in the USD 100 million transaction of November, 2008 and the USD 450 million transaction of November, 2009 has been recently covered through interest rate swaps, fixing IRFC's liability in regard to the variable and now upward bound 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

As reported a year back, your Company had got itself registered during 2008-09 with Reserve Bank of India as NBFC-ND-AFC (Non Deposit-taking Asset Finance Company) under the new classification norms prescribed by RBI in respect of Non-Banking Finance Companies. This provided advantage to the Company in the sense that the loans sanctioned by Banks to it carry lower risk weight and would attract lower provisioning, with corresponding favourable impact on your Company's cost of term loans availed from banks.

Reserve Bank of India vide their Circular No.DNBS.PD.CC No.168/03.02.89/2009-10 dated 12.02.2010 have now introduced a new category amongst NBFCs - Infrastructure Finance Companies (IFC). This classification would be available to companies engaged predominantly in infrastructure financing. Since IRFC fulfils the criteria set by RBI to become an IFC, it has since become an applicant for change of classification as NBFC-IFC. As a result of the proposed change, IRFC would be able to avail further leverage in respect of bank credit both in the form of lower provisioning and higher permissible exposure for banks. Further, IRFC's Bonds having residual maturity of seven years would qualify for categorisation as held to maturity (HTM) like SLR Bonds, with associated benefits. Once categorised as NBFC-IFC, IRFC 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 2009-10

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 2009-10 through IRFC funding, lease rentals have been fixed at ₹ 56.25 per thousand per half year (PTPH) over a primary lease tenor of 15 years. The cost (IRR) to Ministry of Railways is 8.21% 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.

Fixed Deposits

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

Resource Mobilisation for 2010-11

The Ministry of Railways has decided that during 2010-11, Rolling Stock assets with estimated value of ₹ 8,842 crore would be funded through extra budgetary resource to be provided by IRFC. Besides, the Railway Budget 2010-11 also envisages extra budgetary resource of ₹ 278 crore to meet the requirements of Rail Vikas Nigam Limited.

During April - June 2010, your Company has transferred to Ministry, on a proportionate basis, a sum of ₹ 2,211 crore. The Company has used effectively the opportunity offered by relatively soft interest rates during the first quarter, and factoring in the overwhelming market view about interest rates climbing up in the coming months with resultant pressure on liquidity, it completed borrowing of ₹ 3,655 crore till the end of June, 2010. The Company is keeping a close watch on the macro and micro level economic developments, and plans to phase its residual borrowing suitably so as to capture opportune windows of softer rates and adequate liquidity.

Management Discussion and Analysis

Your Directors take pleasure in sharing 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. The global trend of increase in interest rates and corporate spreads, coupled with interventions of Reserve Bank of India to bring inflation under check, points to strong likelihood of the cost of raising financial resources remaining, at least in the short term, on the higher side. While the Company's operations have necessarily to be circumscribed by the conditions set out by macroeconomic conditions, the Company maintains its unflinching commitment to make funds available to the Railways at the most competitive pricing feasible.

The business of the Company with the Ministry has grown considerably during the recent years. From an annual target of ₹ 2,510 crore in 2002-03, the borrowing

target assigned for the current year stands at ₹ 9,120 crore, including the funding support to be provided to RVNL. Added to this more than three-fold increase in annual borrowing target, your Company also expects to be called upon to play a role in the ambitious expansion plans of Ministry of Railways in the coming years. This is bound to protract the recent trend of its financial gearing coming under stress, particularly in the light of the Company's track record of paying handsome dividend to Shareholders each year. While additional equity amounting to ₹ 300 crore and ₹ 291 crore infused by the Ministry of Railways in March, 2008 and December, 2009 respectively did help to some extent, the Company would need to explore other 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 last year. Action with a view to enlarging the capital base of the Company is now called for and appropriate steps are underway to achieve this.

Recent changeover by the Banks from PLR linked loans to Base rate linked loans to borrowers might pose some difficulties for your Company in the sense that the cost of short term loans is likely to go up. The Management is 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 and well within the timeframe laid down by the Government. In compliance of a decision of the Board of Directors taken a few months back, the Company has prepared its opening balance sheet as on 01-04-2010 in conformity with requirements of IFRS even though the recently issued 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' (hereinafter referred to as Government Guidelines). These have become mandatory from 14-05-2010.

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

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. 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 rationale therefor, in the Report on Corporate Governance.

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. During 2009-10, each of the employees was provided need based training. 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 fresh '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 the 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 has been decided in consultation with the Task Force appointed by Department of Public Enterprises to commit ₹ 8 lakh each for activities involving Corporate Social Responsibility and Promotion of Sustainable Development. Since IRFC renders service to MOR, and the Ministry has vast experience and expertise in undertaking activities in these areas, it has also been decided that precise focus of activities to be taken up would be determined in consultation with them, and

implementation would also be under their overall guidance. This would enable IRFC's efforts to supplement those of the Ministry in identified areas, and would help avoid multiplicity of inputs in chosen areas.

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 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.

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.

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, 2009, a few changes have taken place in the composition and size of the Board of Directors. Sh. Nasser Munjee completed his three-year tenure on 17-10-2009 and ceased to be a member of the Board after that date. Km. Anjali Goyal also ceased to be a member of the Board of Directors from 11-11-2009, consequent upon her transfer from the post of Executive Director Finance (Budget) in the Ministry of Railways. She was replaced in the Board of the Company by Sh. Jagmohan Gupta on 26-10-2009. However, in pursuance of the Government's decision to reduce the number of official Directors on the Board of IRFC, Sh. Gupta also ceased to be a Director of the Company beyond 31-05-2010. In addition, Sh. S.K. Kaushik, Director Finance, completed his permissible tenure on 09-03-2010, and returned to his parent cadre in the Railways.

The Board of Directors wishes to place on record its deep appreciation of the valuable contributions made by S/Sh. Nasser Munjee, Jagmohan Gupta and S.K. Kaushik and Km. Anjali Goyal during deliberations of the Board.

Statutory Auditors

M/s Dhawan & Co., Chartered Accountants, were 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 Auditor for the year 2009-10 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, 2010 and have had no comments upon or supplements to the Auditor's 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, also 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 Registrars of the Company.

For and on behalf of Board of Directors

Sowmya Raghavan
Chairperson

Place : New Delhi
Date : 27th July, 2010

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 cost of funds transferred to the Ministry of Railways, which is also its Shareholder. 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 enhanced 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 posted 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 2009-10. 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 Government is expected to fill up this post soon. 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. Five such meetings were held during the year under review, as listed below :-

Serial No.	Board Meeting No.	Date
1.	190	21.04.2009
2.	191	02.06.2009
3.	192	28.07.2009
4.	193	27.10.2009
5.	194	27.01.2010

Attendance at the Meetings of the Board of Directors during 2009-10

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 From 01.01.2009	5	5	Yes	None	None
Shri R. Kashyap Managing Director/IRFC From 01.09.2006	5	5	Yes	None	None
Prof. R.Narayanaswamy Director / IRFC From 16.10.2008	5	4	Yes	None	1
Shri Nasser Munjee * Director / IRFC Ceased to be Director on 17.10.2009	3	1	No	14	9
Shri S.K.Kaushik Director Finance / IRFC Ceased to be Director Finance from 10.03.2010	5	4	Yes	None	None
Kumari Anjali Goyal Director / IRFC Ceased to be Director from 11.11.2009	4	3	Yes	None	None
Shri Govind Mohan Director / IRFC From 04.03.2009	5	3	No	2	None
Shri P.K.Choudhury ** Director / IRFC From 16.10.2008	5	2	No	8	4
Shri Jagmohan Gupta Director / IRFC From 26.10.2009 to 31.05.2010	2	2	NA	None	None

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

* Shri Nasser Munjee was Chairman of 5 Committees in different companies including Audit Committee of Indian Railway Finance Corporation Limited.

** Shri P.K.Choudhury is not Chairman of any Committee in any Company.

Remuneration paid to Managing Director and Director Finance

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

Shri S.K. Kaushik was paid salary from 01.04.2009 to 09.03.2010 in the scale of ₹37,400-67,000 plus Grade Pay of ₹ 10,000/- (under CDA pattern), with usual allowances and perks.

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

Constitution of Audit Committee

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

During the financial year 2009-10, four Meetings of the Committee were held on 20th April, 2009, 27th July, 2009, 27th October, 2009 and 27th January, 2010. 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.	Shri Nasser Munjee Independent Director	2	2
2.	Prof. R.Narayanaswamy Independent Director	4	4
3.	Shri P.K.Choudhury Independent Director	4	2
4.	Shri Govind Mohan Director	4	None
5.	Shri R. Kashyap Managing Director	4	4

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 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 decide the Performance Related Pay together with the variable pay for constituents of the Company, including distribution thereof across the executives and staff, consistent with guidelines and limits prescribed by the Government.

In compliance with the above, the Board of Directors has constituted a Remuneration Committee of the Company comprising S/Shri R. Narayanaswamy, Shri Nasser Munjee and Shri P.K.Choudhury, Independent Directors and Shri R.Kashyap, Managing Director. Prof. R. Narayanaswamy, Independent Director, is Chairman of the Remuneration Committee. Shri Nasser Munjee ceased to be a member of the Committee on completion of his tenure as a Director on 17.10.2009. During the year, the Committee held one Meeting on 20th April, 2009 which was attended by all the Members except Shri P.K. Choudhury.

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 the provisions of all the 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 2009-10. 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 0.18% of the total expenses as against 0.20% in the last year.

The Company did not get any qualification from its Auditors for its accounts for the year 2009-10.

Means of Communication

During 2009-10, Unaudited Half-yearly Financial Results after being subject to limited review by Auditors of the Company were 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 Un-audited Half-yearly results as also Un-audited Quarterly results are, 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 Audit Committee.

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 who have constituted a Committee to render the services to investors. The Committee meets on fortnightly basis, reviews complaints received and takes prompt appropriate action. The Company gets the work done by the Registrars audited periodically.

As on 31.03.2010, there were no complaints pending from investors 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 27th July, 2010.

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
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.
20	30th August, 2007	Committee Room (237), 2nd Floor, Rail Bhawan, New Delhi.	3.00 P.M.

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

Two Special Resolutions were passed in the 20th Annual General Meeting held on 30th August, 2007, and one such Resolution was passed in the 22nd Annual General Meeting held on 28th August, 2009.

General Shareholder Information

Annual General Meeting :

Date : 25^{th} August, 2010

Day : Wednesday

Time : 4.00 P.M.

Financial Calendar

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

Publication of Unaudited Financial Results

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

For First half-year ended September 30, 2009:- Published in Economic Times & Business Standard in English and Economic Times, Business Standard & Navbharat Times in Hindi.	29th October, 2009
For the Second Half-year ended March 31, 2010:- Published in Economic Times & Business Standard in English and Economic Times, Business Standard & Navbharat Times in Hindi.	24th April, 2010

Dematerialisation of Bonds

All Bonds issued by the Company have been made available in the 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 confirms that the Company has complied with all applicable provisions of the corporate laws relevant to the said audit.

Their Report was taken on record by the Board of Directors in their Meeting held on 27th July, 2010.

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

The Company has not been able to adopt 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 - 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 :-

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 - 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 - 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. - 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 - 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 - 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 - 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 - 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.

Guideline Nos. IV .C. i (second sub -clause) and (ii) requiring rotation of Audit firm once every five years and cooling off period of three years for a partner of the Audit firm before he can resume the same audit assignment. - These clauses are not applicable as the auditors are appointed by the Office of the Comptroller & Auditor General of India for a period not exceeding four years. However, there has been no incidence of any Audit Firms being continued for a spell of more than four years.

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 2009-10.

Place : New Delhi
Date : 20.07.2010

R. Kashyap
Managing Director

CHIEF EXECUTIVE OFFICER'S CERTIFICATION

In relation to the audited financial accounts of the Company as at 31st March, 2010, 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 : 20.07.2010

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 2010, 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 31.03.2010, 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 31.03.2010.

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 2010.

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

Sunil Gogia
(Partner)
M.No.-073740

Place : New Delhi
Date : July 27, 2010

ANNUAL ACCOUNTS 2009 - 10

Indian Railway Finance Corporation Ltd.

(A Government of India Enterprise)

BALANCE SHEET
AS AT 31ST MARCH 2010

(₹ in Lacs)

PARTICULARS	SCH			As At 31/03/2010			As At 31/03/2009
SOURCES OF FUNDS							
1. SHAREHOLDERS' FUNDS:							
i. Share Capital	1		**109100.00**			50000.00	
ii. Share Application Money			-			30000.00	
iii. Reserves and Surplus	2		**231447.95**			198070.46	
				340547.95			278070.46
2. LOAN FUNDS:	3						
i. SECURED							
- In India		**2778269.76**			2240248.18		
- Outside India		**16200.00**	**2794469.76**		19776.90	2260025.08	
ii. UNSECURED							
- In India		**144899.82**			124616.00		
- Outside India		**421487.89**	**566387.71**		354229.89	478845.89	
TOTAL LOAN FUNDS				**3360857.47**			2738870.97
3. Deferred Tax Liability (Net) (Note No.15; Sch-16)				**246702.23**			225655.23
TOTAL				**3948107.65**			3242596.66
APPLICATION OF FUNDS							
4. Fixed Assets	4						
i. Gross Block			**1698.87**			1707.61	
ii. Less: Accumulated Depreciation			**329.85**			308.52	
iii. Net Block				**1369.02**			1399.09
5. Long Term Loans & Advances (Note No.25; Sch-16)	5			**3839232.51**			3156191.09
6. Investments	6			**199.85**			199.85
7. Current Assets, Loans & Advances	7						
i) Current Assets		**193900.35**			137302.02		
ii) Loans and Advances		**31589.27**	**225489.62**		42630.74	179932.76	
8. Less: Current Liabilities & Provisions	8						
i) Current Liabilities		**90048.88**			77372.25		
ii) Provisions		**28252.74**	**118301.62**		21163.35	98535.60	
9. Net Current Assets				**107188.00**			81397.16
10. Foreign Currency Monetary Item Translation Difference A/c (Note No.4; Sch-16)				**118.27**			3409.47
TOTAL				**3948107.65**			3242596.66
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

Sunil Gogia
Partner
M No. 073740

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

R.Kashyap
Managing Director

Sowmya Raghavan
Chairperson

Place : New Delhi
Dated :27-07-2010

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2010

(₹ in Lacs)

DESCRIPTION	SCH	Year ended 31/03/2010	Year ended 31/03/2009
INCOME			
Lease Income		**307376.10**	272645.17
Income on Loans & Deposits (TDS Rs.42.37 Lacs, PY: NIL)		**35985.62**	28688.74
Dividend Income		**7.54**	7.32
Exchange Rate Variation Gain		**1116.10**	195.85
Other Income	9	**3908.31**	941.01
TOTAL		**348393.67**	302478.09
EXPENDITURE			
Interest on Bonds and Loans	10	**245757.64**	216279.62
Lease Rent Paid		**10339.56**	18603.45
Salary & Other Employee Benefits	11	**155.50**	166.14
Administrative & Other Expenses	12	**269.32**	464.34
Bond Servicing Expenses	13	**197.73**	185.38
Depreciation	4	**35.15**	36.74
Bond Issue Expenses/Expenses on loans	14	**9342.77**	969.25
Amortisation of Foreign Currency Monetary Item Transaltion Diff.A/c (Note No.4; Sch-16)		**3455.15**	-
TOTAL		**269552.82**	236704.92
Profit for the Year		**78840.85**	65773.17
Prior Period Income (Net)	15	**(12.28)**	(4.44)
PROFIT BEFORE TAX		**78828.57**	65768.73
Less: PROVISION FOR TAX			
Current Tax		**13512.50**	7500.00
Tax For Earlier Years		**-**	(1.53)
Deferred Tax			
- For Current Year		**21047.00**	22355.92
- For Earlier Years		**-**	17828.37
Fringe Benefit Tax		**-**	6.81
NET PROFIT AFTER TAX		**44269.07**	18079.16
APPROPRIATIONS:			
Interim Dividend Paid		**10000.00**	10000.00
Proposed Final Dividend		**-**	-
Dividend Tax		**1699.50**	1699.50
Transfer To General Reserve		**4500.00**	1900.00
Transfer To Exchange Variation Reserve		**-**	1947.00
Transfer To Bonds Redemption Reserve		**28069.57**	2532.66
TOTAL		**44269.07**	18079.16
Basic Earning Per Share - in Rs. (Note No.21; Sch-16)		**553.32**	361.58
Diluted Earning Per Share - in Rs. (Note No.21; Sch-16)		**553.32**	360.40

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

Sunil Gogia Partner M No. 073740	S.K. Ajmani Company Secretary & G M (Term Loans)	R.Kashyap Managing Director	Sowmya Raghavan Chairperson

Place : New Delhi
Dated :27-07-2010

SCHEDULE-1

SHARE CAPITAL

(₹ in Lacs)

DESCRIPTION	AS AT 31/03/2010	AS AT 31/03/2009
AUTHORISED 200,00,000 Equity Shares of ₹ 1000/-each (Previous Year 100,00,000 Equity Shares of ₹ 1000/- each)	**200000.00**	100000.00
ISSUED, SUBSCRIBED AND PAID-UP 1,09,10,000 Equity Shares of ₹1000/- each (Previous Year 50,00,000 Equity Shares of ₹ 1000/- each)	**109100.00**	50000.00
TOTAL	**109100.00**	50000.00

Note: The Authorised Share Capital of the company has been increased from Rs.1000 Crore to Rs.2000 Crore pursuant to resolution passed in the Annual General Meeting of the company held on 28-08-2009.

SCHEDULE-2

RESERVES AND SURPLUS

(₹ in Lacs)

DESCRIPTION	AS AT 31/03/2010	AS AT 31/03/2009
1. General Reserve		
Opening Balance	**43230.34**	42216.00
Less: Foreign Currency Monetary Item Translation Difference	**-**	926.51
Add: Amount transferred from Foreign Currency Monetary Item Translation Difference	**807.92**	29.46
Add: Adjustment on account of Transitional Provision for Employee Benefits as per AS-15	**-**	11.39
Add: Transfer from Exchange Variation Reserve*	**6794.00**	-
Add: Addition During the year	**4500.00**	1900.00
	55332.26	43230.34
2. Exchange Variation Reserve		
Opening Balance	**6794.00**	4847.00
Add: Addition during the year	**-**	1947.00
Less: Transfer to General Reserve*	**6794.00**	-
	-	6794.00
3. Bonds Redemption Reserve		
Opening Balance	**148046.12**	145513.46
Add : Addition during the year	**28069.57**	2532.66
	176115.69	148046.12
TOTAL	**231447.95**	198070.46

* Since, the loan against which Exchange Variation Reserve was created, has been repaid in full, the Exchange Variation Reserve being no longer required, has been transferred to General Reserve.

SCHEDULE-3

LOANS

(₹ in Lacs)

DESCRIPTION	AS AT 31/03/2010	AS AT 31/03/2009
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	**6000.00**	8000.00
each starting from 31.03.2004	**6000.00**	8000.00
THIRTEENTH SERIES 10% Taxable - AA Series of ₹ 1000/- each		
- Redeemable in 15 equal yearly instalments of ₹ 1333.33 lacs	**5333.37**	6666.70
starting from 31.03.2000	**5333.37**	6666.70
FIFTEENTH SERIES - 12.90% Taxable		
"J" Series-Redeemed on 22.6.2009	**-**	1000.00
"K" Series-Redeemable on 22.6.2010	**1000.00**	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
	5000.00	6000.00
SIXTEENTH SERIES- 12.80% Taxable		
"J" Series-Redeemed on 15.7.2009	**-**	1000.00
"K" Series-Redeemable on 15.7.2010	**1000.00**	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
	5000.00	6000.00
SEVENTEENTH SERIES- 9% Tax free		
- Redeemable on 28.2.2015	**20000.00**	20000.00
TWENTY FIRST SERIES- 11.40% Taxable		
- Redeemable on 27-07-2010	**500.00**	500.00
TWENTY SECOND SERIES- 11.50% Taxable		
- Redeemable in 14 yearly instalments starting from 28.07.2002	**440.00**	510.00

SCHEDULE-3 Contd...

LOANS

(₹ in Lacs)

DESCRIPTION	AS AT 31/03/2010	AS AT 31/03/2009
TWENTY SIXTH SERIES- 7.75% Taxfree		
- Redeemable on 26-03-2011	**4500.00**	4500.00
TWENTY SEVENTH SERIES- 7.75% Taxfree		
- Redeemable on 30-03-2011	**2500.00**	2500.00
THIRTY SECOND SERIES- 8.29% Taxable		
- Redeemable in 5 yearly instalments of	**20000.00**	30000.00
₹ 10000 Lacs starting from 20.8.2007		
THIRTY THIRD SERIES- 10.45% Taxable		
"H" Series-Redeemed on 13-9-2009	**-**	990.00
"I" Series-Redeemable on 13-9-2010	**990.00**	990.00
"J" Series-Redeemable on 13-9-2011	**990.00**	990.00
"K" Series-Redeemable on 13-9-2012	**990.00**	990.00
"L" Series-Redeemable on 13-9-2013	**990.00**	990.00
"M" Series-Redeemable on 13-9-2014	**990.00**	990.00
"N" Series-Redeemable on 13-9-2015	**990.00**	990.00
"O" Series-Redeemable on 13-9-2016	**990.00**	990.00
	6930.00	7920.00
THIRTY FOURTH SERIES- 9.95% Taxable		
"F" Series-Redeemed on 13-9-2009	**-**	540.00
"G" Series-Redeemable on 13-9-2010	**540.00**	540.00
"H" Series-Redeemable on 13-9-2011	**540.00**	540.00
	1080.00	1620.00
FORTY SECOND A TO O SERIES- 8% Taxable		
"G" Series-Redeemed on 29.8.2009	**-**	1000.00
"H" Series-Redeemable on 29.8.2010	**1000.00**	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
	8000.00	9000.00
FORTY THIRD "A" TO "J" SERIES- 6.90% Taxable		
"G" Series-Redeemed on 29.10.2009	**-**	500.00
"H" Series-Redeemable on 29.10.2010	**500.00**	500.00

SCHEDULE-3 Contd...

LOANS

(₹ in Lacs)

DESCRIPTION	AS AT 31/03/2010	AS AT 31/03/2009
"I" Series-Redeemable on 29.10.2011	**500.00**	500.00
"J" Series-Redeemable on 29.10.2012	**500.00**	500.00
	1500.00	2000.00
FORTY THIRD "AA" TO "OO" SERIES- 7.63% Taxable		
"GG" Series-Redeemed on 29.10.2009	**-**	3000.00
"HH" Series-Redeemable on 29.10.2010	**3000.00**	3000.00
"II" Series-Redeemable on 29.10.2011	**3000.00**	3000.00
"JJ" Series-Redeemable on 29.10.2012	**3000.00**	3000.00
"KK" Series-Redeemable on 29.10.2013	**3000.00**	3000.00
"LL" Series-Redeemable on 29.10.2014	**3000.00**	3000.00
"MM" Series-Redeemable on 29.10.2015	**3000.00**	3000.00
"NN" Series-Redeemable on 29.10.2016	**3000.00**	3000.00
"OO" Series-Redeemable on 29.10.2017	**3000.00**	3000.00
	24000.00	27000.00
FORTY FOURTH AA TO JJ SERIES- 6.98% Taxable		
"GG" Series-Redeemed on 31.3.2010	-	2300.00
"HH" Series-Redeemable on 31.3.2011	**2300.00**	2300.00
"II" Series-Redeemable on 31.3.2012	**2300.00**	2300.00
"JJ" Series-Redeemable on 31.3.2013	**2300.00**	2300.00
	6900.00	9200.00
FORTY FIFTH A TO E SERIES- 6.10% Taxable		
"D" Series-Redeemable on 13.5.2010	**7900.00**	7900.00
"E" Series-Redeemable on 13.5.2013	**7900.00**	7900.00
	15800.00	15800.00
FORTY FIFTH AA TO OO SERIES- 6.39% Taxable		
"FF" Series-Redeemed on 13.5.2009	**-**	700.00
"GG" Series-Redeemable on 13.5.2010	**700.00**	700.00
"HH" Series-Redeemable on 13.5.2011	**700.00**	700.00
"II" Series-Redeemable on 13.5.2012	**700.00**	700.00
"JJ" Series-Redeemable on 13.5.2013	**700.00**	700.00
"KK" Series-Redeemable on 13.5.2014	**700.00**	700.00
"LL" Series-Redeemable on 13.5.2015	**700.00**	700.00
"MM" Series-Redeemable on 13.5.2016	**700.00**	700.00
"NN" Series-Redeemable on 13.5.2017	**700.00**	700.00
"OO" Series-Redeemable on 13.5.2018	**700.00**	700.00
	6300.00	7000.00

SCHEDULE-3 Contd...

LOANS

(₹ in Lacs)

DESCRIPTION	AS AT 31/03/2010	AS AT 31/03/2009
FORTY SIXTH A TO O SERIES- 6.25% Taxable		
"F" Series-Redeemed on 12.8.2009	-	1300.00
"G" Series-Redeemable on 12.8.2010	**1300.00**	1300.00
"H" Series-Redeemable on 12.8.2011	**1300.00**	1300.00
"I" Series-Redeemable on 12.8.2012	**1300.00**	1300.00
"J" Series-Redeemable on 12.8.2013	**1300.00**	1300.00
"K" Series-Redeemable on 12.8.2014	**1300.00**	1300.00
"L" Series-Redeemable on 12.8.2015	**1300.00**	1300.00
"M" Series-Redeemable on 12.8.2016	**1300.00**	1300.00
"N" Series-Redeemable on 12.8.2017	**1300.00**	1300.00
"O" Series-Redeemable on 12.8.2018	**1300.00**	1300.00
	11700.00	13000.00
FORTY SIXTH AA TO EE SERIES- 6.20% Taxable		
"CC" Series-Redeemable on 12.8.2010	**2500.00**	2500.00
"DD" Series-Redeemable on 12.8.2013	**2500.00**	2500.00
"EE" Series-Redeemable on 12.8.2018	**2500.00**	2500.00
	7500.00	7500.00
FORTY SIXTH AAA TO JJJ SERIES- 5.99% Taxable		
"FFF" Series-Redeemed on 12.8.2009	-	1500.00
"GGG" Series-Redeemable on 12.8.2010	**1500.00**	1500.00
"HHH" Series-Redeemable on 12.8.2011	**1500.00**	1500.00
"III" Series-Redeemable on 12.8.2012	**1500.00**	1500.00
"JJJ" Series-Redeemable on 12.8.2013	**1500.00**	1500.00
	6000.00	7500.00
FORTY SEVENTH A TO O SERIES- 5.99% Taxable		
"F" Series-Redeemed on 26.3.2010	-	1000.00
"G" Series-Redeemable on 26.3.2011	**1000.00**	1000.00
"H" Series-Redeemable on 26.3.2012	**1000.00**	1000.00
"I" Series-Redeemable on 26.3.2013	**1000.00**	1000.00
"J" Series-Redeemable on 26.3.2014	**1000.00**	1000.00
"K" Series-Redeemable on 26.3.2015	**1000.00**	1000.00
"L" Series-Redeemable on 26.3.2016	**1000.00**	1000.00
"M" Series-Redeemable on 26.3.2017	**1000.00**	1000.00
"N" Series-Redeemable on 26.3.2018	**1000.00**	1000.00
"O" Series-Redeemable on 26.3.2019	**1000.00**	1000.00
	9000.00	10000.00

SCHEDULE-3 Contd...

LOANS

(₹ in Lacs)

DESCRIPTION	AS AT 31/03/2010	AS AT 31/03/2009
FORTY EIGHTH A TO H SERIES- 6.85% Taxable		
"C" Series-Redeemed on 14.9.2009	**-**	2960.00
"D" Series-Redeemable on 14.9.2010	**2960.00**	2960.00
"E" Series-Redeemable on 14.9.2011	**2960.00**	2960.00
"F" Series-Redeemable on 14.9.2012	**2960.00**	2960.00
"G" Series-Redeemable on 14.9.2013	**2960.00**	2960.00
"H" Series-Redeemable on 14.9.2014	**2960.00**	2960.00
	14800.00	17760.00
FORTY EIGHTH AA TO JJ SERIES- 6.85% Taxable		
"AA" Series-Redeemable on 17.9.2010	**5000.00**	5000.00
"BB" Series-Redeemable on 17.9.2011	**5000.00**	5000.00
"CC" Series-Redeemable on 17.9.2012	**5000.00**	5000.00
"DD" Series-Redeemable on 17.9.2013	**5000.00**	5000.00
"EE" Series-Redeemable on 17.9.2014	**5000.00**	5000.00
"FF" Series-Redeemable on 17.9.2015	**5000.00**	5000.00
"GG" Series-Redeemable on 17.9.2016	**5000.00**	5000.00
"HH" Series-Redeemable on 17.9.2017	**5000.00**	5000.00
"II" Series-Redeemable on 17.9.2018	**5000.00**	5000.00
"JJ" Series-Redeemable on 17.9.2019	**5000.00**	5000.00
	50000.00	50000.00
FORTY NINTH A TO O SERIES- Floating Rate Taxable		
"D" Series-Redeemed on 22.6.2009	**-**	1000.00
"E" Series-Redeemable on 22.6.2010	**1000.00**	1000.00
"F" Series-Redeemable on 22.6.2011	**1000.00**	1000.00
"G" Series-Redeemable on 22.6.2012	**1000.00**	1000.00
"H" Series-Redeemable on 22.6.2013	**1000.00**	1000.00
"I" Series-Redeemable on 22.6.2014	**1000.00**	1000.00
"J" Series-Redeemable on 22.6.2015	**1000.00**	1000.00
"K" Series-Redeemable on 22.6.2016	**1000.00**	1000.00
"L" Series-Redeemable on 22.6.2017	**1000.00**	1000.00
"M" Series-Redeemable on 22.6.2018	**1000.00**	1000.00
"N" Series-Redeemable on 22.6.2019	**1000.00**	1000.00
"O" Series-Redeemable on 22.6.2020	**1000.00**	1000.00
	11000.00	12000.00
FORTY NINTH SERIES- Floating Rate Taxable		
Redeemable on 22.6.2010	**35000.00**	35000.00
FIFTIETH SERIES- Floating Rate Taxable		
Redeemable on 25.8.2010	**35000.00**	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

SCHEDULE-3 Contd...

LOANS

(₹ in Lacs)

DESCRIPTION	AS AT 31/03/2010	AS AT 31/03/2009
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		
"B" Series-Redeemed on 07.06.2009	**-**	3300.00
"C" Series-Redeemable on 07.06.2010	**3300.00**	3300.00
"D" Series-Redeemable on 07.06.2011	**3300.00**	3300.00
"E" Series-Redeemable on 07.06.2012	**3300.00**	3300.00
"F" Series-Redeemable on 07.06.2013	**3300.00**	3300.00
"G" Series-Redeemable on 07.06.2014	**3300.00**	3300.00
"H" Series-Redeemable on 07.06.2015	**3300.00**	3300.00
"I" Series-Redeemable on 07.06.2016	**3300.00**	3300.00
"J" Series-Redeemable on 07.06.2017	**3300.00**	3300.00
"K" Series-Redeemable on 07.06.2018	**3300.00**	3300.00
"L" Series-Redeemable on 07.06.2019	**3300.00**	3300.00
"M" Series-Redeemable on 07.06.2020	**3300.00**	3300.00
"N" Series-Redeemable on 07.06.2021	**3300.00**	3300.00
"O" Series-Redeemable on 07.06.2022	**3300.00**	3300.00
	42900.00	46200.00
FIFTY SIXTH SERIES-9.76% Taxable Redeemable on 03.07.2012	**42500.00**	42500.00
FIFTY SIXTH A TO C SERIES-9.68% Taxable		
"B" Series-Redeemable on 03.07.2010	**27500.00**	27500.00
"C" Series-Redeemable on 03.07.2012	**27500.00**	27500.00
	55000.00	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

SCHEDULE-3 Contd...

LOANS

(₹ in Lacs)

DESCRIPTION	AS AT 31/03/2010	AS AT 31/03/2009
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 Redeemable on 07.01.2011	**23000.00**	23000.00
FIFTY NINTH A SERIES-8.75% Taxable Redeemable on 07.01.2013	**82500.00**	82500.00
SIXTIETH SERIES-9.43% Taxable Redeemable on 23.05.2018	**60400.00**	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 26.12.2013	**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 15.01.2023	**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**	-
SIXTY FIFTH AA SERIES-8.19% Taxable Redeemable on 27.04.2019	**56000.00**	-
SIXTY FIFTH A TO O SERIES-8.20% Taxable		
"A" Series-Redeemable on 27.04.2010	**6000.00**	-
"B" Series-Redeemable on 27.04.2011	**6000.00**	-
"C" Series-Redeemable on 27.04.2012	**6000.00**	-
"D" Series-Redeemable on 27.04.2013	**6000.00**	-
"E" Series-Redeemable on 27.04.2014	**6000.00**	-
"F" Series-Redeemable on 27.04.2015	**6000.00**	-
"G" Series-Redeemable on 27.04.2016	**6000.00**	-
"H" Series-Redeemable on 27.04.2017	**6000.00**	-
"I" Series-Redeemable on 27.04.2018	**6000.00**	-
"J" Series-Redeemable on 27.04.2019	**6000.00**	-
"K" Series-Redeemable on 27.04.2020	**6000.00**	-
"L" Series-Redeemable on 27.04.2021	**6000.00**	-
"M" Series-Redeemable on 27.04.2022	**6000.00**	-
"N" Series-Redeemable on 27.04.2023	**6000.00**	-
"O" Series-Redeemable on 27.04.2024	**6000.00**	-
	90000.00	-

SCHEDULE-3 Contd...

LOANS

(₹ in Lacs)

DESCRIPTION	AS AT 31/03/2010	AS AT 31/03/2009
SIXTY SIXTH SERIES-8.60% Taxable Redeemable on 11.06.2019	**50000.00**	-
SIXTY SEVENTH SERIES-8.55% Taxable Redeemable on 03.02.2020	**17500.00**	-
SIXTY SEVENTH A SERIES-8.65% Taxable Redeemable on 03.02.2025	**20000.00**	-
SIXTY SEVENTH B SERIES-8.80% Taxable Redeemable on 03.02.2030	**38500.00**	-
SIXTY EIGHTH SERIES-6.00% Tax Free Bonds of ₹1,00,000/- each Redeemable on 08.03.2015	**35011.00**	-
SIXTY EIGHTH A SERIES-6.3% Tax Free Bonds of ₹1,00,000/- each Redeemable on 08.03.2017	**64262.00**	-
SIXTY EIGHTH B SERIES-6.70% Tax Free Bonds of ₹1,00,000/- each Redeemable on 08.03.2020	**92721.00**	-
SIXTY NINTH SERIES-8.95% Taxable Redeemable on 10.03.2025	**60000.00**	-
Total (A)	**2169877.37**	1646276.70
B. (i) LONG TERM LOANS FROM BANKS*		
- Allahabad Bank	**52167.59**	53833.59
- Andhra Bank	**45174.00**	51840.00
- Bank of Maharashtra	**57500.00**	37500.00
- BANK OF TOKYO - MITSUBISHI UFJ LTD	**7500.00**	10500.00
- Canara Bank	**15987.67**	19987.67
- Central Bank of India	**74305.00**	77975.00
- HDFC Bank Ltd. (formerly Centurion Bank of Punjab Ltd.)	**900.00**	1100.00
- Corporation Bank	**13015.00**	17347.00
- Dena Bank	**5658.00**	8238.00
- Development Credit Bank Ltd.	**468.75**	781.25
- Federal Bank Ltd.	**-**	1000.00
- ICICI Bank Ltd.	**21153.85**	25000.00
- IDBI Ltd.	**10211.94**	16333.72
- Indian Bank	**1250.00**	2500.00
- Indian Overseas Bank	**2341.00**	3007.00
- Oriental Bank of Commerce	**3174.33**	3708.33
- Punjab & Sind Bank	**2674.00**	3340.00
- Punjab National Bank	**-**	16513.00
- State Bank of Bikaner & Jaipur	**1750.00**	3250.00
- State Bank of Hyderabad	**20372.00**	24361.00
- State Bank of India	**5000.00**	9000.00
- State Bank of Indore	**5875.00**	6125.00
- State Bank of Mysore	**5000.00**	5000.00
- State Bank of Patiala	**24299.41**	25300.07
- State Bank of India (formerly State Bank of Saurashtra)	**8000.00**	9000.00
- State Bank of Travancore	**20353.85**	22953.85
- Syndicate Bank	**48235.00**	12787.00
- The Jammu & Kashmir Bank Ltd.	**3007.00**	3673.00
- UCO Bank	**70000.00**	20000.00
- Union Bank of India	**2000.00**	4000.00
- United Bank of India	**78678.00**	45010.00
- Vijaya Bank	**2341.00**	3007.00
Total B (i)	**608392.39**	543971.48

SCHEDULE-3 Contd...

LOANS

(₹ in Lacs)

DESCRIPTION	AS AT 31/03/2010	AS AT 31/03/2009
B. (ii) SHORT TERM LOANS FROM BANKS		
- Punjab & Sind Bank	**-**	35000.00
- United Bank of India	**-**	15000.00
Total B (ii)	-	50000.00
Total (B) [B(i)+B(ii)]	**608392.39**	593971.48
TOTAL (A) + (B)	**2778269.76**	2240248.18
*(Repayable within one year ₹104182 Lacs; Prev.Year ₹ 121532 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	**16200.00**	19776.90
TOTAL (C)	**16200.00**	19776.90
(Repayable within one year ₹1350 Lacs, PY ₹1521 Lacs)		
(i) TOTAL (A) + (B) + (C)	**2794469.76**	2260025.08
2. UNSECURED LOANS		
A. LOANS - IN INDIA		
SHORT TERM LOANS		
From Banks		
- Bank of Maharashtra	**5000.00**	10096.00
- Corporation Bank	**49899.82**	39084.00
- Dena Bank	**-**	13500.00
- IndusInd Bank	**-**	4300.00
- Indian Overseas Bank	**10000.00**	10000.00
- State Bank of Hyderabad	**-**	10740.00
- State Bank of India	**50000.00**	-
- Punjab & Sind Bank	**5000.00**	-
- Union Bank of India	**-**	13500.00
- Vijaya Bank	**25000.00**	13396.00
	144899.82	114616.00
From Others		
- RITES Ltd	**-**	10000.00
	-	10000.00
TOTAL (A)	**144899.82**	124616.00
B. LONG TERM LOANS - OUTSIDE INDIA**		
Syndicated Japanese Yen Loan (JPY14.72 Bn)	**56250.00**	63387.50
Export Development Canada-Line of Credit	**5391.93**	9216.95
Syndicated Foreign Currency Loan (US $ 100 Million)	**(0.00)**	43570.00
KFW,Germany-Line of Credit	**1184.17**	2640.16
1.43%, Euro-YEN Bonds-2010 (JPY 13 Bn.)	**-**	53728.49
1.85%, JPY denominated Bonds-2009 (JPY 2.65 Bn.)	**-**	12677.50
JPY-15 Bn. Samurai Bonds - 2012	**54911.79**	54911.79
US PP Bonds 2017 (USD 125 Million)	**56250.00**	63387.50
Syndicated Foreign Currency Loan (US $ 100 Million) 2008	**45000.00**	50710.00
Syndicated Foreign Currency Loan (US $ 450 Million) 2009	**202500.00**	-
TOTAL (B)	**421487.89**	354229.89
** (Repayable within one year Rs.61508 Lacs, PY ₹114639 Lacs)		
(ii) TOTAL (A) + (B)	**566387.71**	478845.89
TOTAL (i)+(ii)	**3360857.47**	2738870.96

SCHEDULE-4

FIXED ASSETS

(₹ in Lacs)

S. No.	DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 01/04/ 2009	Additions during the year	Sale / Adjust- ment during the year	As at 31/03/ 2010	Upto 31/03/ 2009	For the Year	Adjust- ments during the year	As at 31/03/ 2010	As at 31/03/ 2010	As at 31/03/ 2009
1.	Office Building	1524.23	0.00	0.00	**1524.23**	200.28	24.85	0.00	**225.13**	**1299.10**	1323.95
2.	Airconditioners, Room Coolers/Heaters	18.02	0.00	0.00	**18.02**	6.66	0.87	0.00	**7.53**	**10.49**	11.36
3.	Office Equipments	15.05	2.68	0.00	**17.73**	5.01	1.23	0.00	**6.24**	**11.49**	10.04
4.	Furniture & Fixtures	82.19	0.00	0.00	**82.19**	44.09	5.17	0.00	**49.26**	**32.93**	38.10
5.	Franking Machine	0.68	0.00	0.00	**0.68**	0.03	0.03	0.00	**0.06**	**0.62**	0.65
6.	Computer	55.99	2.40	13.82	**44.57**	46.49	2.38	13.82	**35.05**	**9.52**	9.50
7.	Motor Car	7.01	0.00	0.00	**7.01**	4.92	0.41	0.00	**5.33**	**1.68**	2.09
8.	Photo Copier	2.35	0.00	0.00	**2.35**	0.43	0.11	0.00	**0.54**	**1.81**	1.92
9.	Water Cooler	0.29	0.00	0.00	**0.29**	0.09	0.01	0.00	**0.10**	**0.19**	0.20
10.	Electric-Installation	1.80	0.00	0.00	**1.80**	0.52	0.09	0.00	**0.61**	**1.19**	1.28
	Total	**1707.61**	**5.08**	**13.82**	**1698.87**	**308.52**	**35.15**	**13.82**	**329.85**	**1369.02**	**1399.09**
	Previous Year	1700.99	7.94	1.32	1707.61	280.91	36.74	9.13	308.52	1399.09	-

SCHEDULE-5

LONG TERM LOANS & ADVANCES

(₹ in Lacs)

DESCRIPTION	AS AT 31/03/2010	AS AT 31/03/2009
Lease Receivable from Ministry of Railways	**3618267.71**	2954844.40
Lease Rentals Paid in Advance (Note No.11; Sch-16)	**30008.49**	40348.06
LONG TERM LOANS		
- Pipavav Railway Corporation Ltd. (Secured)	**1924.98**	2566.63
- RailTel Corpn. Of India Ltd.(Unsecured considered good)	**6248.00**	8332.00
- Rail Vikas Nigam Ltd. (Unsecured considered good)	**182783.33**	150100.00
Total	**3839232.51**	3156191.09

SCHEDULE-6

INVESTMENTS

(₹ in Lacs)

DESCRIPTION	AS AT 31/03/2010	AS AT 31/03/2009
LONG TERM (at Cost)		
Unquoted - Non Trade		
- 24,400 (P.Y. 24,400) Equity Shares of Rs. 10/- each fully paid up of IRCON International Ltd.	**199.85**	199.85
Total	**199.85**	199.85
Aggregate value of Unquoted Investments	**199.85**	199.85

SCHEDULE-7

CURRENT ASSETS, LOANS & ADVANCES

(₹ in Lacs)

DESCRIPTION	AS AT 31/03/2010	AS AT 31/03/2009
A-CURRENT ASSETS		
1. Cash & Bank Balances		
(a) Balance in Franking Machine (₹ 292)	**0.00**	0.19
(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**	5000.00
Bank of Maharashtra	**3300.00**	-
Canara Bank	**50651.00**	45100.00
Corporation Bank	**33050.00**	75.00
Development Credit Bank Ltd.	**5600.00**	5000.00
HDFC Bank Ltd.	**5620.00**	5000.00
ICICI Bank Ltd.	**5600.00**	5000.00
Indian Overseas Bank	**13000.00**	12400.00
IndusInd Bank Ltd.	**5575.00**	4967.00
State Bank of Indore	**14080.00**	12533.00
The Federal Bank Ltd.	**5600.00**	5000.00
Vijaya Bank	**300.00**	-
Yes Bank	**2100.00**	-
- In Current Account		
Bank of India	**0.23**	0.23
Corporation Bank	**78.92**	17.04
Indian Bank	**2.71**	2.71
Indian Overseas Bank	**4.92**	4.92
State Bank of India	**0.08**	0.05
State Bank of Travancore	**0.21**	0.21
Vijaya Bank	**18.93**	18.94
- In Intt./Redmn. A/cs (Note no.13; Sch-16) (as per Contra)	**736.57**	1153.68
	150819.59	101273.99
2. Interest Accrued on Loans and Deposits	**43080.76**	36028.03
TOTAL (A)	**193900.35**	137302.02

SCHEDULE-7 Contd...

CURRENT ASSETS, LOANS & ADVANCES

(₹ in Lacs)

DESCRIPTION	AS AT 31/03/2010	AS AT 31/03/2009
(B) LOANS & ADVANCES (Unsecured considered good)		
(i) Indian Railways -		
- Recoverable on account of Exchange Rate Variation	**-13582.93**	21950.84
- Advance for Assets Acquisition	**13672.20**	-7950.30
- Indian Railways Running Account	**638.01**	-354.17
	727.28	13646.37
(ii) Advances recoverable in cash or in kind or for value to be received		
(a) Security Deposits	**9.15**	9.06
(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)	**213.59**	362.53
(d) Interest Restructuring Advance to IDBI (Note No.22(b);Sch-16)	**130.72**	194.33
(e) House Building Advance (Secured by Mortgage of House)	**1.28**	1.40
(f) Amount recoverable from others	**35.86**	70.14
(g) Funded Assets (NET) on account of Gratuity/Leave Encashment	**4.32**	-
(h) Income tax paid including tax deducted at source	**30214.06**	26744.79
(i) Interest recoverable from IT Deptt.	**-**	1349.11
TOTAL (B)	**31589.27**	42630.74
TOTAL (A)+(B)	**225489.62**	179932.76

SCHEDULE-8

CURRENT LIABILITIES AND PROVISIONS

(₹ in Lacs)

DESCRIPTION	AS AT 31/03/2010	AS AT 31/03/2009
A. CURRENT LIABILITIES		
1. Interest Accrued but not due on Bonds	**76243.58**	59074.03
2. Interest Accrued but not due on Term Loans	**5493.78**	6252.17
3. Interest Accrued but not due on Foreign Currency Loans	**592.62**	2031.49
4. Other Liabilities	**400.65**	739.72
5. Payable to Others	**1489.68**	1067.47
6. Tax Deducted at Source - Payable	**729.47**	622.67
7. Assets Securitisation gain-unamortised amount (Note No.14;Sch-16)	**4362.53**	6431.02
8. Liability on account of unclaimed Intt./Redmn. A/cs	**736.57**	1153.68
TOTAL (A)	**90048.88**	77372.25
B. PROVISIONS		
1. Income Tax	**28238.87**	21100.99
2. Proposed Final Dividend	**-**	-
3. Dividend Tax	**-**	-
4. Fringe Benefit Tax	**12.26**	18.96
5. Gratuity	**-**	22.52
6. Leave Encashment	**-**	20.88
7. Leave Traveling Concession	**1.61**	-
TOTAL (B)	**28252.74**	21163.35
TOTAL (A)+(B)	**118301.62**	98535.60

SCHEDULE-9

OTHER INCOME

(₹ in Lacs)

DESCRIPTION	YEAR ENDED 31/03/2010	YEAR ENDED 31/03/2009
Miscellaneous Income	**9.43**	4.29
Profit on Sale of Fixed Assets	**0.17**	-
Gain on Securitisation/assignment of lease receivables (Note No.14; Sch-16)	**3898.71**	936.72
TOTAL	**3908.31**	941.01

SCHEDULE-10

INTEREST ON BONDS AND LOANS

(₹ in Lacs)

DESCRIPTION	YEAR ENDED 31/03/2010	YEAR ENDED 31/03/2009
Interest on Bonds - Non Cumulative	**164486.38**	119454.65
Interest on Rupee Loans	**60066.58**	70516.05
Interest on Foreign Currency Loans (Including Swap Cost)	**19554.06**	19620.24
Interest to Indian Railways	**1650.62**	6688.68
TOTAL	**245757.64**	216279.62

SCHEDULE-11

SALARY & OTHER EMPLOYEE BENEFITS

(₹ in Lacs)

DESCRIPTION	YEAR ENDED 31/03/2010	YEAR ENDED 31/03/2009
Basic Pay	**67.72**	44.49
Dearness Allowance	**16.47**	14.88
City Compensatory Allowance	**-**	0.49
Hindi Allowance	**0.13**	0.11
House Rent Allowance	**5.97**	3.75
Children Education Allowance / Assistance	**1.65**	1.48
Employer's Contribution to P.F.	**7.10**	8.18
Performance Related Pay / Incentive	**21.93**	22.93
Provision for Gratuity	**6.35**	8.57
Medical Allowance / Reimbursement	**7.08**	4.60
Provision for Leave Travel Assistance	**0.69**	0.80
Provision for Leave Encashment	**-**	8.37
Life Cover Premium	**0.19**	-
Self Leased Accommodation / Leased Accommodation	**7.58**	6.79
Arrears of Salary	**-**	28.88
Foreign Service Contribution	**6.68**	8.10
Attendant / Washing Allowance	**1.96**	2.12
Staff Welfare	**2.74**	0.89
Transport Allowance	**0.09**	0.05
Electricity Charges / News Paper Charges Reimbursement	**1.17**	0.66
TOTAL	**155.50**	166.14

SCHEDULE-12

ADMINISTRATIVE & OTHER EXPENSES

(₹ in Lacs)

DESCRIPTION	YEAR ENDED 31/03/2010	YEAR ENDED 31/03/2009
Filing Fee	**0.21**	0.10
Legal & Professional Charges	**67.22**	57.65
Advertisement & Publicity	**7.26**	18.53
Printing & Copying Charges	**4.40**	2.49
Stationery Charges	**5.41**	5.28
News Paper, Books & Periodicals	**0.72**	0.68
Conveyance Expenses	**9.68**	8.00
Travelling - Local		
- Directors	**9.16**	10.37
- Others	**6.85**	11.64
Travelling - Foreign		
- Directors	**20.38**	30.27
- Others	**7.90**	6.10
Transport Hire Charges	**29.83**	22.30
Office Maintenance Expenses	**26.43**	22.91
Vehicle Running & Maintenance	**1.49**	2.54
Office Equipment Maintenance	**5.84**	6.34
Electricity Charges	**9.53**	9.54
Loss on Sale of Fixed Assets	**-**	0.61
Postage Charges	**5.07**	2.23
Telephone Charges	**10.21**	8.24
Training Expenses	**10.71**	4.95
Honorarium	-	0.01
Bank Charges	**0.13**	0.36
Payment to Auditors		
- Audit Fees	**2.48**	2.48
- Tax Audit Fee	**0.83**	0.83
- Certification etc.	**2.59**	3.25
- Reimbursement of Expenses	**0.85**	0.31
Miscellaneous Expenses	**17.43**	20.70
Insurance	**0.18**	0.25
Fees & Subscription	**3.12**	2.21
Sponsorship/Donation	**0.65**	200.75
Stipend	**0.30**	0.10
Ground Rent	**1.15**	1.01
Property Tax	**1.31**	1.31
TOTAL	**269.32**	464.34

SCHEDULE-13

BOND SERVICING EXPENSES

(₹ in Lacs)

DESCRIPTION	YEAR ENDED 31/03/2010	YEAR ENDED 31/03/2009
Listing Fee	**8.44**	8.36
Bond Holder Trustee Fee	**40.38**	36.33
Surveillance/Rating Fee	**135.35**	128.06
Registrar Fee	**8.40**	8.56
Postage & Telegram Charges	**2.53**	2.44
Printing & Copying Charges	**0.03**	-
Other Expenses	**2.60**	1.63
TOTAL	**197.73**	185.38

SCHEDULE-14

BOND ISSUE EXPENSES/ EXPENSES ON LOANS / EXPENSES ON SECURITISATION

(₹ in Lacs)

DESCRIPTION	YEAR ENDED 31/03/2010	YEAR ENDED 31/03/2009
A. Bond Issue Expenses		
Rating Fee	**84.33**	67.98
TOTAL (A)	**84.33**	67.98
B. Expenses on Foreign Currency Loans		
- Underwriting / Arranger Fee	**-**	851.46
- Out of Pocket Expenses	**19.19**	15.57
- Upfront Fee - Syndicated FCL USD 450 Million	**9172.75**	-
- Other Expenses	**57.89**	25.52
TOTAL (B)	**9249.83**	892.55
C. Expenses on Securitisation		
- Legal & Professional Charges	**1.43**	2.00
- Rating Fees / Surveillance	**3.68**	4.41
- Stamping Fees	**1.02**	1.02
- Registrar Fees	**0.41**	0.68
- Trusteeship Fee	**2.07**	0.61
TOTAL (C)	**8.61**	8.72
TOTAL (A+B+C)	**9342.77**	969.25

SCHEDULE-15

PRIOR PERIOD ADJUSTMENTS

(₹ in Lacs)

DESCRIPTION	YEAR ENDED 31/03/2010	YEAR ENDED 31/03/2009
INCOME		
Interest on Housing Building Advances	**-**	0.36
TOTAL (A)	**-**	0.36
EXPENDITURE		
Interest on Bonds / Foreign Currency Loans	**(6.05)**	(10.96)
Bond Servicing - Surveillance	**3.14**	2.30
Depreciation	**-**	(8.26)
Loss on Sale of Fixed Assets	**-**	(0.23)
Legal & Professional	**0.20**	1.35
Registrar Fee	**0.18**	0.13
Rating Fee	**2.82**	-
Gifts	**-**	0.37
Travelling Expenses-Directors/Others	**0.23**	-
Payment to Auditors - Tax Audit Fee	**-**	0.09
Filing Fee-ROC for increase in Authorised Capital	**-**	20.00
Fee & Subscription	**-**	0.01
Postage & Telegram Charges	**(0.09)**	-
Service Tax	**3.12**	-
Arrear of Salary	**7.89**	-
Salary & Employee Benefits	**0.84**	-
TOTAL (B)	**12.28**	4.80
PRIOR PERIOD INCOME (Net) (A-B)	**(12.28)**	(4.44)

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

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires Management to make estimates and assumptions that affect the reported amounts of asset and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Examples of such estimates include estimated useful life of fixed assets and estimated useful life of leased assets. 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 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 Govt. 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 include all expenses incurred to bring the assets to their present location and condition.

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

7) (a) Securitisation of Lease Receivables

Lease Receivables securitised out to Special Purpose Vehicle in a securitisation transaction are de-recognised in the balance sheet when they are transferred and consideration has been received by the Company. In terms of the guidelines on Securitisation of Standard Assets issued by the Reserve Bank of India vide their circular no.DBOD.No.B.P.BC.60/21.04.048/2005-06 dated 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.

(b) Assignment of Lease Receivables

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

8) Bond Issue Expenses and Expenses on Loans, Leases and Securitisation Transaction

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

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

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

9) Taxes on Income

Tax expense comprises of Current Tax 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 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 the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the financial statements.

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

Notes on Accounts

1. (a) Lease rental 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 ₹ 405 Lacs accruing to company (P.Y. ₹ 8258 Lacs), which has been accounted for in the Lease Income.

(ii) In respect of foreign currency borrowings, which have not been hedged, a variation clause has been incorporated in the lease agreements specifying a 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 2009 - 10, in respect of these foreign currency borrowings, the company has recovered a sum of ₹ 5200 Lacs (P.Y. ₹ 3125 Lacs) on this account from MOR against the actual swap cost payments of ₹ 4670 Lacs (P.Y. ₹ 4737 Lacs). After adjusting swap cost, an amount of ₹ 530 Lacs has been paid to MOR (P.Y. ₹ 1612 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 ₹ 683 Lacs (P.Y. recoverable ₹ 61 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, the provisions of Section 45 IC of the Reserve Bank of India Act, 1934 (2 of 1934) regarding creation of Reserve Fund, do not apply to the Company.

3. The Finance Act, 2001 provides for levy of service tax on the finance and interest charges recovered through lease rental instalments on the Financial Leases entered on or after 16-07-2001. The Central Government vide Order No.1/1/2003-ST dated 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 Govt. of India, Ministry of Corporate Affairs vide Notification No.F.No.17/33/2008/CL-V dated 31st March 2009, the Company, during the financial year 2008 - 09, had transferred a net sum of Rs. 3409.48 Lacs to 'Foreign Currency Monetary Item Translation Difference Account' being the net notional exchange rate variation loss on revaluation of long term foreign currency items.

   The company, during the financial year 2009 - 10, has transferred a sum of ₹ 643.98 Lacs on account of notional exchange rate variation gain on revaluation of long term foreign currency items, thus bringing the balance in 'Foreign Currency Monetary Item Translation Difference Account' down to ₹ 2765.50 Lacs. Further, the company, in accordance with the aforesaid notification, has amortised a net sum of ₹ 3455.15 Lacs to Profit & Loss Account and has credited a sum of ₹ 807.92 Lacs to General Reserve, leaving a balance of ₹ 118.27 Lacs for amortisation in the following year.

5. Decrease in liability due to exchange rate variation on foreign currency loans for purchase of leased assets, amounting to ₹ 35484 Lacs (P.Y. increase in liability ₹ 31819 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 ₹ 50 Lacs (P.Y. ₹ 164 Lacs) has been recovered from the Lessee, leaving a balance of ₹ 13583 Lacs payable to MOR as on 31-03-2010 (P.Y. ₹ 21951 Lacs receivable from MOR).

6. **Derivative Instruments**

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

   (a) In respect of certain foreign currency borrowings, the company has executed currency swaps to hedge the exchange rate variation risk on the principal outstanding. The outstanding position of such currency swaps as at 31st March 2010 is as follows:

As on 31-03-2010			As on 31-03-2009			**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 3.06 Million**	**1436.67 Lacs**	2	USD 105.10 Million	45964.45 Lacs	--
--	**--**	**--**	1	JPY 13.00 Billion	53728.49 Lacs	Swap cost recoverable from MOR.

In respect of some of its External Commercial Borrowings, the Company has executed cross currency swaps to hedge the principal outstanding and converted its underlying liability from one foreign currency to another. The outstanding position of such cross currency swaps as at 31st March 2010 is as follows:

As on 31-03-2010			As on 31-03-2009		
No. of Contracts	**Borrowing outstanding in foreign currency**	**Notional USD Equivalent**	No. of Contracts	Borrowing outstanding in foreign currency	Notional USD Equivalent
--	**--**	**--**	1	JPY 2.65 Billion	USD 25 Million
1	**JPY 14.71875 Billion**	**USD 125 Million**	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 31-03-2010			As on 31-03-2009		
No. of Contracts	**Borrowing outstanding in foreign currency**	**Notional INR Equivalent**	No. of Contracts	Borrowing outstanding in foreign currency	Notional INR Equivalent
1	**JPY 15 Billion**	**54911.79 Lacs**	1	JPY 15 Billion	54911.79 Lacs

The foreign currency borrowings outstanding as on 31-03-2010, which have not been hedged are as follows:

As on 31-03-2010		As on 31-03-2009		Remarks
No. of Loans	**Borrowing outstanding in foreign currency**	No. of Loans	Borrowing outstanding in foreign currency	
1	**USD 36 Million**	1	USD 39 Million	Back to back recovery of exchange rate variation from MOR.
2	**USD 8.79 Million**	2	USD 13.45 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	Euro 4.88 Million	--
1	**USD 450 Million**	--	--	Back to back recovery of exchange rate variation from MOR.

(b) The Company has one (P.Y. one) Interest Rate Cap outstanding in respect of a foreign currency borrowing to hedge its floating rate linked to LIBOR. The Interest Rate Cap has been executed on a notional principal of JPY 14.718750 Billion (P.Y. USD 100 Mio)

As part of hedging strategy, the Company has six (P.Y. six) Interest Rate Swaps / Currency Swaps (coupon only) outstanding on fixed interest rate rupee borrowings by taking benefit of interest rate movement. The INR value of the outstanding borrowings on which such Swaps have been executed is ₹162000 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. ₹ 91 Lacs), which will be accounted for on registration.

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

(₹ in Lacs)

	Particulars	**2009 - 10**	2008-09
a.	Salary / Allowances	**28.99**	29.30
b.	Reimbursement	**0.74**	Nil
c.	Foreign Service Contribution	**4.64**	---
b.	Incentive	**Nil**	Nil
c.	Sitting fee paid to Non-Executive Directors	**0.85**	0.75

In addition, Managing Director has been allowed use of staff car for personal use upto 1000 kms on payment of Rs.600/- per month, in accordance with the notification of the Govt. of India, Ministry of Finance, Department of Public Enterprises OM No.2(18)/PC/64 dated 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 Assessment Year 2007 - 08. The disputed demand outstanding upto the said Assessment year is ₹ 1664.27 Lacs against which ₹ 1650.35 Lacs has been deposited by the Company under protest and the appeals of the company are pending at various appellate levels. Based on decisions of the Appellate authorities in other similar matters and interpretation of other relevant provisions, the Company is confident that the demands are likely to be either deleted or substantially reduced and accordingly no provision has been considered necessary.

(c) The company does not pay sales tax on purchase of leased assets. Sales tax on the purchase / lease of rolling stock, if it becomes payable, is recoverable from Ministry of Railways in terms of the lease agreements. Since, there is no sales tax demand and the amount is unascertainable, no provision is made in the accounts.

(d) The Companies (Second Amendment) Act, 2002 provides for levy of cess, towards rehabilitation / revival of sick industrial companies, which shall not be less than 0.005% but not more than 0.10% of the turnover or the gross receipts as the Central Govt. 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	**2009 - 10**	2008 - 09
a)	Interest / Swap Cost on Foreign currency borrowings (Net of Amount recovered on account of IRS / IRC and from MoF)	**14671.35**	13898.17
b)	Processing Agent / Fiscal Agent / Admn. fee	**18.65**	13.23
c)	Underwriting / Arranger fee	**7555.12**	851.46
d)	International Credit Rating Agencies Fees	**57.35**	42.46
e)	Others	**70.98**	37.43

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 ₹10340 Lacs (Previous Year ₹ 18603 Lacs) has been charged to Profit & Loss Account on account of such amortisation.

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

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

Though, there is a mismatch in the tenor of the lease and sub-lease, there is no overall mismatch in the present value of entire lease rentals payable and receivable. During the year, the company received lease rentals of ₹14088 Lacs (P.Y. ₹14088 Lacs) and amortised (expensed) lease rentals of ₹ 6456.04 Lacs (P.Y. ₹15092.40 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 amount in the designated bank accounts. Reconciliation of such accounts is an ongoing process and has been completed upto 31-12-2009. The company does not foresee any additional liability on this account. The total balance held in such specified bank accounts as on 31-03-2010 is ₹ 736.57 Lacs (Previous Year 1153.68 Lacs).

(b) The Company is required to transfer any amount remaining unclaimed and unpaid in such interest and redemption accounts after the completion of 7 years to Investor Education Protection Fund (IEPF) administered by the Ministry of Corporate Affairs, Government of India. Accordingly, during the year, the Company deposited a sum of ₹ 31.15 Lacs (P.Y. ₹ 412.76 Lacs) in IEPF.

14. During the year, the Company executed an Asset Securitisation Transaction by securitising an identified portion of future lease rentals of ₹ 78715.44 Lacs originating on its assets leased to Ministry of Railways during the year 1998 - 99. As part of the securitisation transaction, future lease rental amount as mentioned above was transferred to a bankruptcy remote Special Purpose Vehicle (SPV) which, in turn, issued Pass Through Certificates (PTCs) to the prospective investors and realised a sum of ₹ 50011.03 Lacs. The lease receivables have been derecognised in the books of account of the company. The book value of these future lease receivables was ₹ 48180.81 Lacs, resulting in a profit of ₹1830.22 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 ₹1830.22 Lacs, a sum of ₹ 202.34 Lacs pertaining to the current year has been recognised in the Profit and Loss Account, leaving a balance of ₹ 1627.88 Lacs as on 31.3.2010 to be recognised over the remaining life of the PTCs.

Out of the unrecognised gain of ₹ 6431.02 Lacs in respect of the Securitisation transactions executed during the previous year, a sum of Rs.3696.38 Lacs has been recognised during the current year, leaving a balance of ₹ 2734.64 Lacs as on 31.3.2010 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 31-03-2010	As at 31-03-2009
Liability on account of difference between WDV as per Income Tax Act and Companies Act.	**494754**	463774
Less : Deferred Tax Asset on account of Unabsorbed Depreciation	**248048**	238105
Less : Deferred Tax Asset on Misc. Expenditure to be written off	**4**	5
Less : Deferred Tax Asset on account of Employee benefits	**0**	9
Net Deferred Tax Liability	**246702**	225655

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.

The reconciliation of the Lease Receivable amount on the Gross value of Rolling Stock assets worth ₹ 5522266 Lacs (P.Y. ₹ 4793863 Lacs) owned by the company and leased to the Ministry of Railways is as under:

(₹ in Lacs)

Particulars	As at 31-03-10	As at 31-03-09
A. Gross Value of Assets acquired & Leased upto the end of previous Financial Year	**4620488**	4094788
B. Less value of assets securitised/assigned during the year	**53036**	173375
C. (A - B)	**4567452**	3921413
D. Less: Capital Recovery provided upto last Year	**1665644**	1587259
E. Less Capital Recovery provided upto last year on assets assigned during the year	**2941**	70814
F. Capital Recovery upto last year (D - E)	**1662703**	1516445
G. Capital Recovery Outstanding on leased assets as at the end of last year (C - F)	**2904749**	2404968
H. Add: Gross Value of Assets acquired and Leased during the year	**901778**	699075
I. G+H	**3806527**	3104043
J. Capital Recovery for the year	**190173**	162919
K. Less: Capital Recovery for the year on assets securitised/assigned during the year	**1914**	13720
L. J - K	**188259**	149199
Net investment in Lease Receivables	**3618268**	2954844

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

(₹ in Lacs)

Particulars	As at 31-03-10	As at 31-03-09
Gross Investment in Lease	**5627590**	4666575
Unearned Finance Income	**2009322**	1711731
Present Value of Minimum Lease Payment (MLP)	**3618268**	2954844

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 31-03-10		As at 31-03-09	
	Gross Investment In Lease	Present Value of MLP	Gross Investment in Lease	Present Value of MLP
Less than one year	**514084**	**221982**	419891	174886
One to five years	**2017690**	**989648**	1662584	774285
Greater than five Years	**3095816**	**2406638**	2584100	2005673
Total	**5627590**	**3618268**	4666575	2954844

The unearned finance income as on 31-03-2010 is ₹ 2009322 Lacs (Previous Year ₹ 1711731 Lacs).

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

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 31.3.2010:

(₹ in Lacs)

	Gratuity (Funded) 31-03-2010	Gratuity (Non-funded) 31-03-2009	**Leave Encashment (Funded) 31-03-2010**	Leave Encashment (Non-Funded) 31-03-2009	**LTC (Non-Funded) 31-03-2010**	LTC (Non-Funded) 31-03-2009
Present value of Defined Benefit Obligation at the beginning of the year	**22.52**	13.94	**20.88**	12.97	**1.52**	0
Interest Cost	**1.80**	1.12	**1.67**	1.04	**0.12**	0
Current Service Cost	**1.63**	1.09	**1.43**	0.96	**0.81**	0
Benefits Paid	**--**	--	**0.71**	(0.45)	**--**	--
Actuarial (Gain) / Loss on obligations	**4.56**	6.37	**-9.21**	6.37	**-0.84**	0
Present value of Defined Benefit Obligation at the end of the year	**30.51**	22.52	**14.07**	20.88	**1.61**	0

Table showing changes in the Fair Value of Plan Assets as on 31.3.2010:

(₹ in Lacs)

	Gratuity (Funded) 31-03-2010	Gratuity (Non-funded) 31-03-2009	**Leave Encashment (Funded) 31-03-2010**	Leave Encashment (Non-Funded) 31-03-2009	**LTC (Non-Funded) 31-03-2010**	LTC (Non-Funded) 31-03-2009
Fair Value of Assets at the beginning of the year	**0**	0	**0**	0	**0**	0
Expected Return on plan assets	**1.64**	0	**1.50**	0	**0**	0
Contributions	**24.15**	0	**22.32**	0	**0**	0
Benefits Paid	**0**	0	**0.71**	0	**0**	0
Actuarial (Gain) / Loss on plan assets	**Nil**	Nil	**Nil**	Nil	**0**	0
Fair Value of Plan Assets at the end of the year	**25.79**	0	**23.11**	0	**0**	0

Table showing Fair Value of Plan Assets as on 31.3.2010:

(₹ in Lacs)

	Gratuity (Funded) 31-03-2010	Gratuity (Non-funded) 31-03-2009	**Leave Encashment (Funded) 31-03-2010**	Leave Encashment (Non-Funded) 31-03-2009	**LTC (Non-Funded) 31-03-2010**	LTC (Non-Funded) 31-03-2009
Fair Value of Assets at the beginning of the year	**0**	0	**0**	0	**0**	0
Actual Return on plan assets	**1.64**	0	**1.50**	0	**0**	0
Contributions	**24.15**	0	**22.32**	0	**0**	0
Benefits Paid	**0**	0	**0.71**	0	**0**	0
Fair Value of Plan Assets at the end of the year	**25.79**	0	**23.10**	0	**0**	0
Funded status	**-4.72**	0	**9.04**	0	**-1.61**	0
Excess actual over estimated return on plan assets (Actual rate of return = estimated rate of return as ARD falls on 31st March)	**Nil**	Nil	**Nil**	Nil	**Nil**	Nil

Actuarial Gain / Loss recognised as on 31.3.2010:

(₹ in Lacs)

	Gratuity (Funded) 31-03-2010	Gratuity (Non-funded) 31-03-2009	**Leave Encashment (Funded) 31-03-2010**	Leave Encashment (Non-Funded) 31-03-2009	**LTC (Non-Funded) 31-03-2010**	LTC (Non-Funded) 31-03-2009
Actuarial Gain / (Loss) for the year - obligation	**-4.56**	-6.37	**9.21**	-6.37	**0.84**	0
Actuarial Gain / (Loss) for the year plan assets	**Nil**	Nil	**Nil**	Nil	**Nil**	0
Total (Gain) / Loss	**4.56**	6.37	**9.21**	6.37	**-0.84**	0
Actuarial (Gain) / Loss recognised in the year	**4.56**	6.37	**9.21**	6.37	**-0.84**	0

Amount to be recognised in the Balance Sheet

(₹ in Lacs)

	Gratuity (Funded) 31-03-2010	Gratuity (Non-funded) 31-03-2009	**Leave Encashment (Funded) 31-03-2010**	Leave Encashment (Non-Funded) 31-03-2009	**LTC (Non-Funded) 31-03-2010**	LTC (Non-Funded) 31-03-2009
Present value of obligations as at the end of the year	**30.51**	22.52	**14.07**	20.88	**1.61**	0
Fair Value of plan assets	**25.79**	0	**23.11**	0	**0**	0
Funded status	**-4.72**	-22.52	**9.04**	-20.88	**-1.61**	0
Net Asset / (Liability) recognised in the Balance Sheet	**4.72**	22.52	**9.04**	20.88	**-1.61**	0

Expenses recognised in statement of Profit & Loss:

(₹ in Lacs)

	Gratuity (Funded) 31-03-2010	Gratuity (Non-funded) 31-03-2009	**Leave Encashment (Funded) 31-03-2010**	Leave Encashment (Non-Funded) 31-03-2009	**LTC (Non-Funded) 31-03-2010**	LTC (Non-Funded) 31-03-2009
Current Service Cost	**1.63**	1.09	**1.44**	0.96	**0.81**	0
Interest Cost	**1.80**	1.12	**1.67**	1.04	**0.12**	0
Expected return on plan assets	**1.64**	0	**1.49**	0	**0**	0
Net Actuarial (Gain) / Loss recognised in the year	**4.56**	6.37	**-9.21**	6.37	**-0.84**	0
Expenses recognised in Statement of Profit & Loss	**6.35**	8.58	**7.60**	8.37	**0.09**	0

Actuarial Assumptions:

	As on 31-03-2010	As on 31-03-2009
Discount rate	8%	8%
Salary Escalation	6%	5%

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

(₹ in Lacs)

Particulars	**Year ending 31-03-2010**	Year ending 31-03-2009
Employers' Contribution to EPF	₹ 7.10 Lacs	₹ 8.18 Lacs

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

(₹ in Lacs)

	2009-10				2008-09			
	Incen-tives/ PRP*	**Gratuity & Leave Encash-ment***	**LTC***	**Income Tax / FBT**	Incen-tives /PRP	Gratuity & Leave Encash-ment	LTC	Income Tax / FBT
Opening Balance	**12.50**	**43.40**	**0**	**21119.95**	5.50	44.17	0	17860.23
Addition during the year	**20.00**	**6.35**	**1.61**	**13512.50**	12.50	16.94	0	7506.81
Amount used / incurred	**14.38**	**46.47**	**0**	**6382.83**	12.06	0.46	0	4245.56
Unused Amount reversed during the year	**(1.88)**	**7.60**	**0**	**0**	(6.56)	17.25	0	1.53
Closing Balance	**20.00**	**-4.32**	**1.61**	**28249.62**	12.50	43.40	0	21119.95

* 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 reportable business segments as per Accounting Standard (AS)-17 on 'Segment Reporting' issued by the Institute of Chartered Accountants of India.

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

Key Management personnel:

a) R. Kashyap, Managing Director

b) S. K. Kaushik, Director Finance (upto 9th March, 2010)

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	
		2009-10	2008-09
a)	Profit after tax	**₹ 44269.07 Lacs**	₹ 18079.16 Lacs
b)	No. of equity shares of face value ₹ 1,000/- each	**80,00,658**	50,00,000
c)	Earning Per Share (a/b)	**₹ 553.32**	₹ 361.58

Diluted EPS

		Year	
		2009-10	2008-09
a)	Profit after tax	**₹ 44269.07 Lacs**	₹ 18079.16 Lacs
b)	No. of equity shares of face value ₹ 1,000/- each	**80,00,658**	50,16,438
c)	Earning Per Share (a/b)	**₹ 553.32**	₹ 360.40

The reconciliation of weighted number of equity shares is under:

Number of shares at the beginning of the year	:	50,00,000
Number of shares allotted on 02-06-09	:	30,00,000
Number of share allotted on 27-01-10	:	29,10,000
Number of shares at the end of the year	:	109,10,000
Weighted number of equity shares	:	80,00,658

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 ₹149 Lacs (P.Y. ₹ 201 Lacs) has been amortised, leaving a balance of ₹ 214 Lacs as on 31-03-2010 (P.Y. ₹ 363 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 ₹ 64 Lacs (P.Y. ₹108 Lacs) has been amortised, leaving a balance of ₹131 Lacs as on 31-03-2010 (P.Y. ₹ 194 Lacs).

23. Provision for Current Tax includes ₹ 116.75 Lacs towards interest on late deposit of Advance Tax u/s 234 B & C of the Income Tax Act., 1961.

24. Ministry of Railways has deducted tax at source amounting to ₹ 7962.70 Lacs (P.Y. ₹ 9133.54 Lacs)

25. 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.

26. 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.

27. 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.

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

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

29. **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	31.03.2010		

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

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	5 9 1 0 0
Shares Application Money	NIL		

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

Total Liabilities	Total Assets
4 0 6 6 4 0 9	4 0 6 6 4 0 9

Sources of Funds

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

Application of Funds

Net Fixed Assets	Investments
1 3 6 9	2 0 0
Net Current Assets including of loan of 3839233	Misc. Expenditure
4 0 6 4 7 2 2	N I L
Accumulated Losses	Foreign Currency Mon.Item Trans DiffA/c
NIL	1 1 8

iv. PERFORMANCE OF COMPANY (AMOUNT IN ₹ Lacs)

Turnover	Total Expenditure
3 4 8 3 9 4	2 6 9 5 6 5
Profit Before Tax	Profit After Tax
7 8 8 2 9	4 4 2 6 9
Earning Per Share in ₹ (₹ 1000 paid)	Dividend Rate %
5 5 3 .32	9.17 %

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

Sunil Gogia Partner M No. 073740	S.K. Ajmani Company Secretary & G M (Term Loans)	R.Kashyap Managing Director	Sowmya Raghavan Chairperson

Dated :27-07-2010
Place : New Delhi

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010

(₹ in Lacs)

Particulars	Year ended 31/03/2010		Year ended 31/03/2009	
A. Cash Flow from Operating activities:				
Profit Before Tax:	**78828.57**		65768.73	
Adjustments for:				
1. Depreciation	**35.15**		28.48	
2. (Profit) / Loss on sale of fixed assets	**(0.17)**		0.38	
3. Lease Rentals advance amortised	**10339.56**		18603.45	
4. Provision for Employee benefits	**0.36**		16.49	
5. Exchange Rate Variation	**(1116.10)**		(195.85)	
6. Amortisation of Foreign Currency Monetary Item Trans Diff.	**3455.15**		-	
7. Amortisation of Interest Restruturing Advance	**212.55**		309.67	
8. Amortisation of Gain on asset securitisation	**(3898.71)**		(936.72)	
9. Misc. Expenditure written off	**-**		20.00	
	87856.36		83614.63	
Adjustments for-				
1. Assets given on financial lease during the year	**(901777.50)**		(699075.30)	
2. Capital Recovery on assets given on financial lease	**190061.51**		163524.35	
3. Amount Riased through Securitisation of Lease Receivables	**50011.03**		96208.49	
4. Receipt on account of Long term loans during the year	**7042.33**		4373.12	
5. Term Loans disbursed during the year	**(37000.00)**		(29300.00)	
6. Funds raised through Bonds	**559094.00**		599100.00	
7. Bonds Redeemed during the year	**(35493.33)**		(157313.33)	
8. Term Loans raised during the year	**1194151.11**		828976.69	
9. Term Loans repaid during the year	**(1159446.37)**		(985109.00)	
10. Funds raised through External Commercial Borrowings	**215887.50**		49990.00	
11. Repayment of External Commercial Borrowings	**(114939.78)**		(43016.47)	
12. Loans & Advances (Net of Adv. Tax & ERV)	**(21185.76)**		35977.04	
13. Current Assets	**(18278.73)**		(13238.61)	
14. Current Liabilties	**14792.24**		9015.57	
15. Direct Taxes Paid	**(9850.59)**		(9265.74)	
	-66932.35		(149153.19)	
Net Cash flow from Operations		**20924.01**		(65,538.56)
B Cash Flow from Invetsment Activities:				
1. Purchase of Fixed Assets	**(5.08)**		(7.95)	
2. Proceeds from sale of Fixed Assets	**0.17**	**(4.91)**	0.08	(7.87)
C Cash flow from Financing activities:				
1. Dividend & Dividend Tax Paid during the year	**(11699.50)**		(13399.00)	
2. Share Capital Riased during the year	**29100.00**		-	
3. Share Application Money Received	**-**	**17400.50**	30000.00	16601.00
Net Cash Flow During the year(A+B+C)		**38319.60**		(48,945.43)
Opening Balance of Cash & Cash Equivalents::				
Balance in the Current Accounts	**1197.78**		5218.31	
Balance in the Term Deposit A/cs (orginal maturity of three months or less)	**75.00**		45000.00	
Balance in Franking Machine	**0.19**		0.09	
Balance in RBI-PLA	**1.02**	**1273.99**	1.02	50219.42
Closing Balance of Cash or Cash Equivalents		**39593.59**		1273.99

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:

	31/03/2010	31/03/2009
- Balance in Current Accounts	**842.57**	1197.78
- Balance in Term Deposit A/cs (original maturity of three months or less)	**38750.00**	75.00
- Balance in Franking Machine	**0.00**	0.19
- Balance in RBI-PLA	**1.02**	1.02
Total	**39593.59**	1273.99

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 ₹736.57 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

Sunil Gogia
Partner
M No. 073740
Place : New Delhi
Dated : 27-07-2010

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

R.Kashyap
Managing Director

Sowmya Raghavan
Chairperson

Auditor's Report

To,

THE MEMBERS,
INDIAN RAILWAY FINANCE CORPORATION LIMITED

We have audited the attached Balance Sheet of **Indian Railway Finance Corporation Limited** as at 31st March 2010 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 2010;

(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

Place : Delhi
Dated : 27-07-2010

Sunil Gogia
(Partner)
M. No. 073740

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE OF INDIAN RAILWAYS FINANCE CORPORATION LIMITED FOR THE YEAR ENDED 31ST MARCH 2010

(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 31.03.2010 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 except a sum of ₹ 3.24 Lakhs, ₹ 0.67 Lacs and ₹ 10.00 Lakhs pertaining to Income Tax Demand for the Assessment Year 2003 - 04, 2004 - 05 and 2007 - 08, respectively, which has not been deposited with Income Tax Authorities. The company has, however, filed an appeal against the same with the CIT (Appeal).

(x) The company does not have accumulated losses as at 31st March 2010 nor 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 36,710 taxable bonds of ₹ 10,00,000 each and 1,91,994 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

Place : Delhi
Dated : 27-07-2010

Sunil Gogia
(Partner)
M. No. 073740

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF INDIAN RAILWAY FINANCE CORPORATION LIMITED, NEW DELHI, FOR THE YEAR ENDED 31 MARCH 2010

The preparation of financial statements of Indian Railway Finance Corporation Limited, New Delhi, for the year ended 31 March 2010 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 27 July 2010.

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, New Delhi, for the year ended 31 March 2010. 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 porsonnel 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

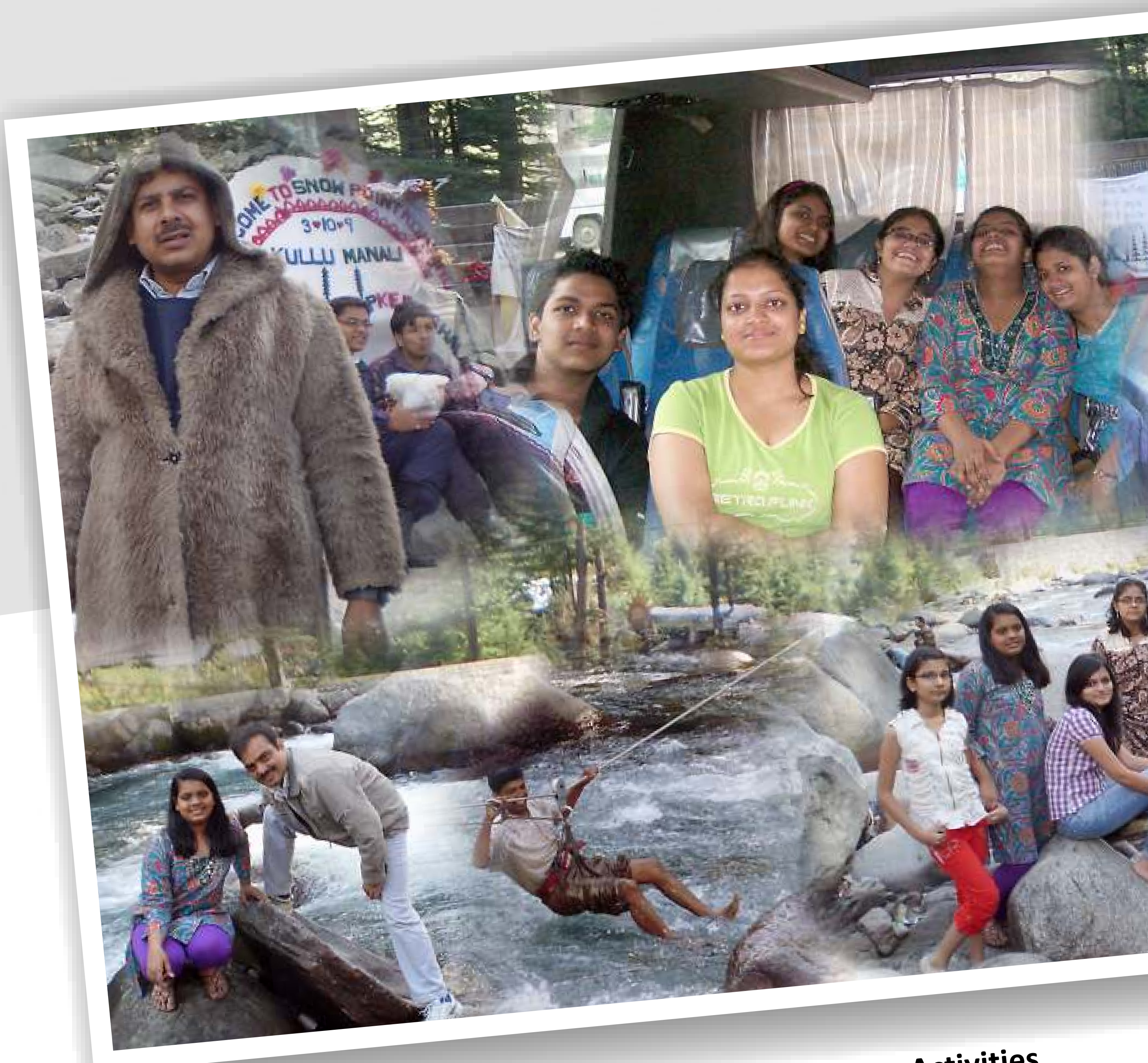
M.K. Biswas
Principal Director of Commercial Audit &
Ex-officio Member Audit Board-III
New Delhi

Place : New Delhi
Date : 17 August, 2010

Agreement for $ 450 million loan being signed at New Delhi

Investor Meetings at Singapore and Tokyo

Managing Director signing the Facility Agreement for USD350 million Syndicated Loan



Outdoor Activities

Rest of Management Team of IRFC

Smt. Neera Khuntia
GGM (P & A)

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

Sh. T. Behera
GM (Bonds)

Sh. S. Radhakrishnan
GM (ECB)

Sh. A. Samantaray
Manager (F & A)

Sh. Anup Dubey
Asstt. Manager

IRFC team with Chairperson after the 23rd Annual General Meeting

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

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