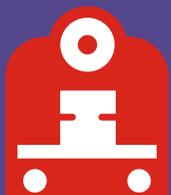


Annual Report

2007-08



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

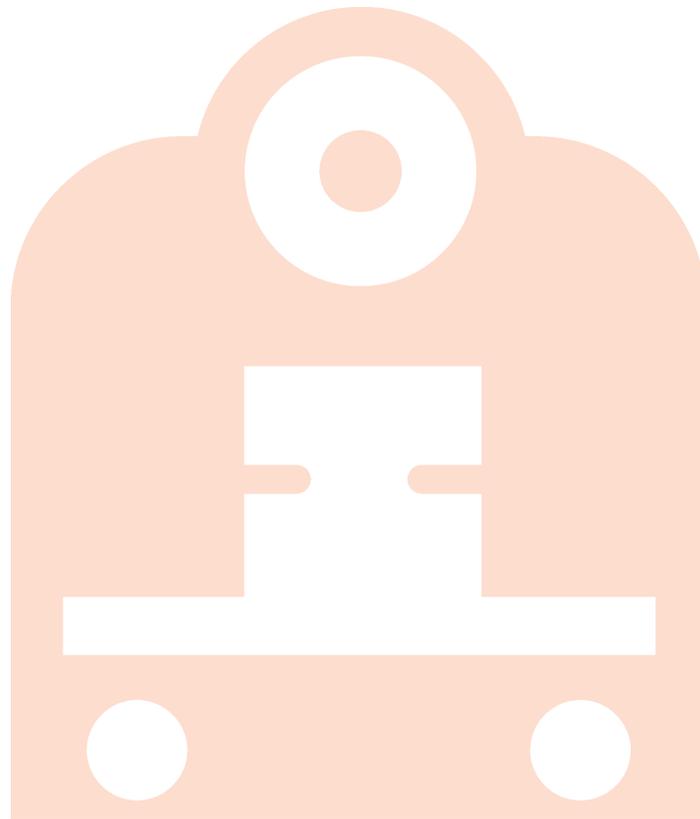


IRFC Management handing over Dividend Cheque for Rs. 100 Crore to Hon'ble Minister of Railways.



Annual Report

2007-08



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





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BOARD OF DIRECTORS



Smt. Sudha Chobe
Chairperson



Shri R. Kashyap
Managing Director



Shri Arvind Mayaram
Director



Shri Nasser Munjee
Director



Ms. Anjali Goyal
Director



Shri S.K. Kaushik
Director Finance

Shri Sanjeev K. Ajmani
General Manager (Term Loans) & Company Secretary

BANKERS :

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

INTERNAL AUDITORS

Shiv & Associates
Chartered Accountants
204/H-2, Shivaji Park, Punjabi Bagh,
New Delhi - 110 026

STATUTORY AUDITORS

O.P. Tulsyan & Co.
Chartered Accountants
B-27/5, Double Storey
Ramesh Nagar
New Delhi - 110 015

REGISTERED OFFICE :

Upper Ground Floor, East Tower, NBCC Place, Pragati Vihar, Lodhi Road, New Delhi - 110 003



Chairperson's Statement

Gentlemen,

It gives me great pleasure to welcome you all to this Twenty First Annual General Meeting of the Indian Railway Finance Corporation. The audited accounts of your Company for the year ended 31st March, 2008, 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 made up the business environment under which your Company transacted its business.

Two sets of significant events occurred in global markets, which had marked influence on changing the market trends and scenarios witnessed in the last few years. Both have had significant influence on your Company's business by impacting interest rates. Firstly, international crude oil prices commenced an upward spiral and from an already 'uncomfortable' level of US \$ 63.5 per barrel on 20 April 2007, touched an entirely unexpected high of US \$ 110 per barrel in March, 2008. This owed its origin, inter alia, to the tight demand-supply balance, geopolitical tensions and weakening of US dollar against major currencies.

Secondly, the global credit markets faced unprecedented liquidity squeeze and crisis of confidence let loose by the 'Sub Prime Mortgage fiasco'. Delinquency rates on sub-prime mortgages (residential loans extended to individuals with poor credit history), which had started rising in the US after mid-2005, became an avalanche, as Macroeconomic and Monetary Developments in 2007-08 unfolded and news trickled that two major hedge funds, which were active in the structured markets for credit instruments that had sub-prime exposure, had suffered heavy losses and almost lost their capital. The losses emanating from consequent decline in market value of credit products based on sub-prime mortgages were aggravated by a sharp fall in financial market liquidity as investors became reluctant to invest in such products. These events led to tightening in underwriting standards. Uncertainty over financial system exposures spread to banks and hedge funds outside the US as disclosures of their exposure to this market began to trickle in. The rating agencies also announced plans of downgrading asset backed securities with underlying pools of sub-prime mortgages.

Following developments in the US, credit spreads widened in other regions as well. Initial confidence generated by the 'Decoupling Theory' gradually gave way to a grim realisation that no country functioned as an insulated island in the global economy. Market conditions weakened for structured instruments, mirroring deterioration in asset quality and uncertainties about valuation of structured credit products. Coupled with worsening of sentiment in the money market beginning mid-October 2007 when

liquidity conditions became adverse, sharp rise in inter-bank rates set in. The swap spreads between three-month inter-bank interest rates and overnight index swaps rose sharply reflecting greater preference for liquidity and rising counterparty risk premia.

Estimation of losses suffered by financial institutions has now crossed US \$ 1 trillion, and hitherto unassailable banks and financial institutions have seen major dents in their profits. Some have even collapsed or been rescued only through governmental interventions. As evidence accumulated indicating an imminent slowdown in the real economy since January 2008, a broad-based re-pricing of growth risk ensued. In the wake of further worsening of the baseline outlook for real activity in 2008 and increasing downside risks to growth, the US Federal Reserve was obliged to act decisively, lowering the Target Rate from 5.75% to 2.25% pa during the year, apart from offering regular doses of liquidity to distressed institutions in discharge of its role as the 'lender of last resort'.

Fortunately, Indian financial institutions, as a norm, do not lend against sub-prime assets, even though some of them did have exposure to such credit derivatives in international markets. Total impact of these exposures, however, did not pose substantial threat to the stability of domestic markets, which continued to function in a relatively orderly manner, despite evidencing heightened preference for risk-aversion. Nevertheless, global headwinds brought upon the doors of Indian financial markets a pronounced degree of nervousness leading to re-pricing of risk and tighter liquidity conditions. Consequently, even though liquidity situation did not become too uncomfortable, re-pricing of risk by the markets did result in painfully wider spreads.

Not only did your Company's carefully managed business occasion no direct exposure to the affected segments, but also the members would be happy to note that the Company has been administering its overall foreign exchange exposure astutely and responsibly. All derivative transactions entered into by your Company have the character of hedging instruments. I am happy to report that even in an ambience characterised by high uncertainty and volatility, cautiously crafted derivative transactions of the Company, which were current during the whole or a part of the year, yielded a benefit of Rs. 22.30 crore during 2007-08 to your Company.

On the domestic front, the year 2007-08 witnessed continuation of the high growth trajectory acquired by Indian Economy, best exemplified by the real GDP growth rate of 9.0%, coming close on the heels of the high growth rate of 9.6% for 2006-07. Early signs of deceleration, however, became noticeable both in Industry and Service sectors, but were offset partially by recovery in agriculture. The country's Foreign Exchange Reserves touched the level of US \$ 309.7 billion as at end March, 2008, signifying a healthy accretion of US \$ 110.5 billion during the year.



At the end of the fiscal, India stood proudly as the second fastest growing economy in the world and the third highest holder of foreign exchange reserves. Headline Inflation based on Wholesale Price Index on a year-on-year basis, softened from its peak of 6.4% in April, 2007 to a low of 3.1 percent by October, 2007, only to rebound to 7.4% by end March, 2008, reflecting the impact of hardening in crude oil and food article prices.

Prompted by its discomfort with increasing capital inflows from overseas investors, and the need to keep inflationary expectations under check, the Reserve Bank of India continued with a justifiably hawkish monetary stance. A series of tightening measures saw the Cash Reserve Ratio increasing from 6.0% to 7.5%. The Rupee continued its appreciation against global currencies in general and US Dollar in particular, attaining a level of Rs.39.26 during the year. While this somewhat cushioned the impact of rising crude oil prices, the negative fallout on export realisation placed a host of traditional and nascent industries under stress. Uncomfortably large gap between interest rates in the domestic and international markets further supported inflow of foreign capital, placing added pressure on RBI's efforts at containing growth of money supply and appreciation in the Rupee. These events culminated in imposition by the RBI of pre-emptory restrictions on External Commercial Borrowings by Indian Corporates in case the end use was in Indian Rupee. Your Company was thus deprived of a regular and attractive source of low cost funds and this significantly constrained its efforts towards delivering an optimum cost structure to MOR for the resources mobilised during the year.

The weighted average benchmark prime lending rates (BPLRs) both of Public and Private Sector Banks resumed upward journey. Yields on the benchmark 10-Year Government Securities reached a level as high as 8.32 % during the course of the year. Compounding the already grim situation, spreads over G-Sec commanded even by 'AAA' rated entities such as your Company, continued to widen and touched a high of 186 basis points (bps) during the fiscal, reflecting increasing risk aversion in financial markets.

While on a macro-level, the Indian economy did not respond too negatively to cataclysmic events in global markets, there was growing realisation that the fiscal situation was far from comfortable and inflationary expectations remained high. Large non monetised fiscal deficit in the form of oil bonds, fertiliser subsidy, waiver of farm loans and the imminent award of the sixth pay commission sat uncomfortably 'below the line' as grim reminder of the impending stress on both inflation and growth.

The role played by Indian Railways (IR) as the 'engine of growth' of the economy has been exemplary. As a significant 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 strategy also enabled IR to carry 794 million tonnes during the fiscal, marking the highest incremental freight loading ever. Buoyancy in the passenger segment and intensive use of assets has indeed exploded the myth of the loss making nature of this business. Availability of the unheard of cash surplus of Rs. 25,006 crore before dividend has facilitated forging of a colossal Plan size of Rs. 37,500 crore in the current fiscal. With its impeccable track record of funding asset creation worth Rs. 44,154 crore for IR so far besides funding support of Rs. 1208 crore to Rail Vikas Nigam Limited, and even as investment and capacity building needs of IR soar, IRFC stands in readiness, as always, to discharge its assigned role of funding creation of productive infrastructure for IR.

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, 2007. You will recall that your Company had been assigned a target of funding rolling stock assets worth Rs. 5,000 crore during 2007-08. Besides, the Company had been given responsibility for lending Rs. 240 crore to Rail Vikas Nigam Limited for funding their approved bankable projects. During the period of flux and uncertainty that the year gone by heralded, interest rates ruled at relatively high levels. Taking note of the ground realities, and reflecting a close and dual relationship with your Company, the Ministry moderated the borrowing target of IRFC to Rs. 4609 crore. I am happy to report that your Company successfully fulfilled the annual target of Rs. 4849 crore, which included an amount of Rs. 240 crore extended as project finance to Rail Vikas Nigam Limited. The Company was able to raise this highest ever amount at an average cost of 9.33% as compared to 8.22% last year. The achievement is creditworthy in that no External Commercial Borrowing could be tapped during the fiscal due to policy restrictions and domestic credit markets remained in the grip of limited liquidity and risk re-pricing. In a market ruled by high interest rates, true measure of efficiency of operations of your Company is provided by the fact that its fund raising effort scored over the cost structure achieved by similarly rated entities by a discount of as much as 35 basis points (bps). This translates to an impressive saving of Rs. 164 crore in interest cost over the total tenor of borrowing during the year.

I am happy to further report that your Company continues to enjoy the highest credit ratings of 'AAA' by CRISIL and CARE, and 'LAAA' by ICRA, the three largest domestic rating agencies. Its international credit ratings are maintained at BBB-, BBB-(Stable), and Baa3 by Standard & Poor's, Fitch, and Moody's respectively. Each one of these is at par with sovereign rating of India. In addition,



your Company has an issue specific rating of 'BBB+' with stable outlook from Japanese Credit Rating Agency (JCRA).

During 2007-08 your Company funded acquisition of 352 locomotives, 1836 passenger coaches and 3376 freight car, valued at Rs. 4604.81 Crore. With this addition, the cumulative accretion to the moving infrastructure funded by IRFC stands at 4098 locomotives, 27652 passenger coaches and 1,24,022 freight cars, valued at Rs. 44153.92 Crore.

For the current fiscal your Company has been entrusted with yet again the highest ever mandate of raising Rs 6907 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 Rs. 293 crore.

Turning to the financial performance, your Company has posted a Profit before Tax of Rs.638.35 Crore and a Profit after Tax of Rs. 421.51 Crore. As required under the relevant Accounting Standard, Deferred Tax Liability (DTL) of Rs. 144.51 Crore has been provided for. As you are aware, the Net Worth of the Company has suffered a mark down in recent years due to mandatory need for providing for DTL, including for the past period, and high levels of Dividend payouts. Despite infusion of Rs. 268 crore by Ministry of Railways by way of additional equity in IRFC at par during 2006-07, the above factors have pushed the Debt- Equity ratio from the comfortable levels of 6 to 6.5 : 1 a few years back to levels perilously close to the limit of 10 : 1 laid down for Non Banking Finance Companies (NBFCs). 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 Rs. 100 crore, equating to a rate of 20%, as required under Government guidelines. The Dividend Pay Out stands at a respectable 23.72%. Your Company would still retain the first spot as the highest dividend payer among railway PSUs.

Your Company maintained its commendable track record of being rated 'Excellent' by the Department of Public Enterprise for the tenth year in a row for its performance in 2006-07, with a perfect composite score of 1.00. The Company is confident of similar achievement for its performance in 2007-08. The Company also complies with applicable guidelines on Corporate Governance.

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 Rs. 500 crore to Rs. 1000 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 resources for IR. The Company is now in the process of deciding, in consultation with the Ministry, the most appropriate route for augmenting its capital base. This is being done having regard to the need for realising true value of the financial strength painstakingly created by it over the years, and yet fully consistent with its continued central role as the sole market borrowing arm of MOR.

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' expectation, partly by outsourcing some of the activities to professional agencies. Un-redressed investor grievances remain conspicuous by their absence and the overhead to turnover ratio continues at an incomparable level of 0.12%. The reputation built 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 my deep sense of gratitude to all of them. Special mention must be made also of the tireless efforts of its small team of officers and staff, enabling the Company to unrelentingly turn out sterling performance. Despite unprecedented challenges to the achievement of onerous mandate entrusted to the Company for the current year, I am certain that the intellectual capital and ingenuity of the team shall prove equal to the task, and the Company shall scale new heights in its continued pursuit of excellence.

Sudha Chobe
Chairperson

Place: New Delhi
Dated: 28th August 2008.



Dear Shareholders,

Your Directors are pleased to present their 21st Annual Report on the business and operations of your Company together with the audited accounts, Auditors' Report and review of the accounts by the Comptroller & Auditor General of India for the financial year ended 31st March, 2008.

Financial Highlights

Summarised position of the key financial results of your Company for the year ended 31st March 2008 is as under :

	(Rs. in crore)	
	2007-08	2006-07
Income		
1. Lease Income/ Lease Rental	2374.34	2102.37
2. Income on Loans & Deposits	207.93	141.93
3. Income on Investments	0.64	44.57
4. Exchange Rate Variation Gain	14.05	Nil
5. Other Income	27.83	0.05
TOTAL	<u>2624.79</u>	<u>2288.92</u>
Expenditure		
6. Interest & Lease Rent	1977.78	1659.65
7. Depreciation	0.41	0.41
8. Admn. & Other expenditure	6.58	10.40
9. Exchange Rate Variation Loss	Nil	6.75
TOTAL	<u>1984.77</u>	<u>1677.21</u>
10. Profit for the year before Tax	640.02	611.71
11. Prior period Income (Net)	(-)1.67	0.03
12. Profit Before Tax (PBT)	638.35	611.74
13. Provision for Tax		
o Current Tax (MAT)	72.27	68.06
o Deferred Tax	144.51	144.91
o Fringe Benefit Tax	0.06	0.07
	<u>216.84</u>	<u>213.04</u>
14. Profit After Tax (PAT)	<u>421.51</u>	<u>398.70</u>
Appropriations		
15. Dividend & Dividend Tax	117.00	182.44
16. Transfer to General Reserve	42.16	40.00
17. Transfer to Exchange Variation Reserve	8.97	31.50
18. Balance appropriated to Bonds Redemption Reserve	253.38	144.76
TOTAL	<u>421.51</u>	<u>398.70</u>



The Company posted total net profit of Rs. 421.51 crore for the financial year 2007-08 as against Rs. 398.70 crore in the previous year. Taking out the impact of one time gain of Rs.44.53 crore on account of realization of earlier investments in CANBANK Mutual Fund as reflected in the annual accounts of the previous year, adjusted PAT of Rs.359.22 crore for 2006-07 stands bettered by 17.34% by the PAT of Rs.421.51 crore for the current financial 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 imperative of regulating the Debt-Equity ratio of the Company within prescribed limits has been a preponderant consideration. Accordingly, your Company has paid an interim dividend of Rs. 100 crore, which is consistent with the directives issued by the Department of Public Enterprises. The dividend rate and dividend payout ratio for the year 2007-08 arrive at 20% and 23.72%, respectively.

Reserves

After taking into consideration the dividend and dividend tax, a sum of Rs. 42.16 crore has been transferred to General Reserve in compliance with the relevant provisions of the Companies Act, 1956. Further, a sum of Rs. 8.97 crore has been transferred to Exchange Variation Reserve and the balance amount of Rs. 253.38 crore has been transferred to Bond Redemption Reserve.

Share Capital

The entire paid up capital of the Company amounting to Rs. 500 crore continues to be held by the President of India and his nominees.

Independent Evaluators' Assessment

Credit Ratings

Domestic: During the financial year 2007-08, the Company's long term domestic borrowing programme was awarded the highest rating of "AAA/Stable", "LAAA" and "AAA" by CRISIL, ICRA and CARE respectively. In order to conform to the requirements of Basel II norms, the Company submitted its short term borrowing programme to rating agencies and obtained the highest rating of "P1+", "A1+", and "PR1"+ by CRISIL, ICRA and CARE, respectively.

International: During the financial year 2007-08, three international credit rating agencies - Standard & Poor's, Fitch and Moody's - have given to IRFC "BBB-", "BBB-(stable)" and "Baa3 (stable)" ratings respectively, which are at par with the sovereign rating for India. In addition, to support its Samurai Bond issue in February 2007, your Company has also obtained an issue-specific credit rating from Japanese Credit Rating agency, which has reaffirmed "BBB" (Triple B Flat) rating with stable outlook.

Memorandum of Understanding with Ministry of Railways, Government of India

Based on evaluation of its performance for the year 2006-07 against the targets, the Company obtained 'Excellent' rating from the Department of Public Enterprises with a perfect score of 1.00. The Company is confident of maintaining its high standards of achievement for the year 2007-08 as well.

Market Borrowings during 2007-08

Year 2007-08 saw your Company maintain the recent trend of high growth in business activity and remitted to Ministry of Railways the highest ever amount of Rs. 4609 crore. Besides, an amount of Rs. 240 crore was also disbursed as loan to Rail Vikas Nigam Limited in keeping with target set by the Ministry of Railways. The year witnessed a succession of events that cast a negative influence on the liquidity and cost structure in Debt Capital Markets. Turbulence in global markets unleashed by the 'Sub Prime Crisis', and a relentless northward movement in commodity prices, especially crude oil, inevitably cast a shadow on Indian economy, raising inflation to unprecedented levels within a short span of time. Following a series of monetary tightening measures announced by RBI, the general liquidity situation deteriorated rapidly during the year and the yield on the bench mark 10 Year G Sec went on an up curve, remaining consistently over 8% mark with a peak of 8.32%. Continuing the trend of the previous year, liquidity issues and other unfavourable factors led to spread between the bench mark yield and 'AAA' rated paper



widening to as high a level as 186 bps during the fiscal. Coming atop the difficult scenario in the domestic markets, the Company had to additionally contend with exclusion of external commercial borrowings as a cost effective and attractive option for raising resources during the year. As reported briefly under the heading "Material Changes and Commitments" in the Directors' Report for 2006-07, faced with large foreign capital inflows, the Reserve Bank of India (RBI) was constrained to impose restrictions on External Commercial Borrowings by Indian Corporates. This deprived your Company of the opportunity of raising relatively low cost funds from overseas markets, an approach that has traditionally helped it drive down the average annual cost in the past.

Despite acute liquidity crunch and increasing cost of funds prevailing in the domestic market, IRFC was able to successfully complete its borrowing programme. Amount mobilised for meeting the annual borrowing target of MOR includes Rs.3945 crore raised through taxable bonds, Rs.300 Crore through term loans, Rs.350 crore through assignment of lease receivables and the balance amount from internal generation. The weighted average tenor was 9.64 years which compares favourably with the weighted average tenor of the lease. The weighted average cost of the pool of funds raised during 2007-08 was 9.33% pa, representing a spread tighter by 35 bps in comparison to average spread commanded by 'AAA' rated entities during the year. Such an achievement by your Company in extremely difficult market conditions is indeed highly creditable.

Redemption of Bonds/Repayment of Loans

Your Directors are pleased to report that during the year under review, your Company has successfully redeemed bonds and discharged its debt obligations amounting to Rs. 3334.48 crore in an efficient manner, without a single instance of delay or default in debt servicing. This was the highest ever redemption and repayment in a single year. These included bonds valued at Rs. 1287.44 crore, term loans worth Rs. 1601.07 crore and external commercial borrowings (ECB) of Rs.445.97 crore. Continuing the phase of heavy debt servicing, your Company is set to honour redemption of bonds, repayment of loans and ECBs amounting to Rs. 2959.31 crore during the current financial year.

Risk Management

Effective risk management forms the bedrock of business operations of a finance company. While management of credit risk is accorded high priority amongst various risk mitigation efforts of a business, in the case of your Company, position in regard to credit risk is in "high comfort" zone as the largest block of its assets is in the form of lease receivables from the Ministry of Railways. The Company's selective forays into other areas in the form of loans to other railway entities such as Railtel Corporation of India Limited and Rail Vikas Nigam Limited carry suitable protection as the same have either been provided under Presidential directive or the cash flows constituting IRFC's receivables originate in the Ministry of Railways. The loan facility to Pipavav Rail Corporation Limited (PRCL), in which your Company involved itself as part of a lending consortium of banks and financial institutions, was a commercial decision based on proper due diligence. The loan is secured through creation of pari passu first charge on the project assets of PRCL. Further, since Ministry of Railways is a 50% partner in the Project, little risk is perceived by the Company on this loan.

Your Company has been adopting prudent, efficient and cost-effective risk management strategies to shield its operations against exchange rate variation risk on its overseas borrowings. The Company strives to eliminate at opportune time the exchange rate variation risk in respect of principal repayments in all cases where bullet repayments are involved with tenor not exceeding five years. Some of the outstanding foreign currency borrowings of the Company with maturity profile longer than five years carry amortised half-yearly principal repayments. As a result, the risk gets significantly mitigated by virtue of repayments taking place progressively at different points in time. Hedging of principal repayment in such cases is considered only selectively in a need based manner. Notwithstanding occasional and short-lived depreciation of Rupee against 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 an appropriate time. Amongst transactions where 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. 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 protection against interest rate variation on foreign currency borrowings discerningly, taking a judicious view of all relevant factors. With a view to effectively supplementing its in-house expertise in the matter, your Company usually resorts to expert advice from reputable professional consultants while taking hedging decisions.



The Company achieved during the year a saving of Rs. 11.87 crore as a result of interest rate swaps done on some of the foreign currency transactions in the past. Besides, your Company had in the past contracted interest rate derivatives products in respect of a few bond issues, converting its liability to floating rates linked to appropriate bench mark indices. This has resulted in total saving of about Rs. 63.15 crore so far, which includes Rs. 10.43 crore for the year under review.

Financial Restructuring

Your Company constantly reviews its term loan portfolio. As a result of one such exercise during the year, the Company renegotiated interest rates in selective cases, and the effort would yield a saving of Rs.16.55 crore over the balance tenor of these loans.

Re-classification as NBFC-ND-AFC

Your Company has got its registration with Reserve Bank of India modified as NBFC-ND-AFC (Asset Finance Company **NON-DEPOSIT TAKING**) under the new classification norms prescribed by RBI in respect of Non-Banking Finance Companies. As a result, the loans sanctioned by Banks to your Company would carry lower risk weight and would attract lower provisioning. This is expected to impact favourably your Company's cost of term loans availed from banks.

Lease Arrangement with the Ministry of Railways 2007-08

As you are aware, the financial relationship of the Company with the Ministry of Railways is based on a Leasing arrangement which is regulated by a standard lease agreement. In respect of the incremental assets acquisition during 2007-08 funded by IRFC, lease rentals have been fixed at Rs. 61.47 per thousand per half year (PTPH) over a primary lease tenor of 15 years. The cost to Ministry of Railways (IRR) is 9.85% p.a. Viewed in the context of tight liquidity and relatively high interest rates ruling during most parts of the year, the pricing is considered attractive for the Ministry.

Fixed Deposits

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

Resource Mobilisation for 2008-09

The Ministry of Railways has decided that during 2008-09, Rolling Stock assets with estimated value of Rs. 6907 crore would be funded through extra budgetary resource to be provided by IRFC. Besides, the Railway Budget 2008-09 also envisages extra budgetary resources of Rs. 293 crore to meet the requirements of Rail Vikas Nigam Limited.

During April - August 2008, your Company has transferred to Ministry a sum of Rs. 604 crore. The Company has adopted a cautious approach in the face of rising interest rates and acute liquidity crunch in the market. The Company is keeping a close watch on the macro and micro level economic developments, and plans to phase its borrowing suitably so as to capture opportune windows of softer rates and ample liquidity.

Management Discussion and Analysis

Your Directors perceive that the business of the Company stands on a sound platform and is running well. The global increase in interest rates and corporate spreads, coupled with interventions of Reserve Bank of India to bring inflation under check, indicates that the cost of raising resources might remain, at least in the short term, higher than what the Company has been able to deliver in recent past. While the Company's operations have necessarily to be circumscribed by the conditions set out by macroeconomic conditions, the Company continues to be committed to make available funding to the Railways at the most competitive pricing feasible.

The business of the Company with the Ministry has grown considerably during the recent years. From an annual target of Rs. 2510 crore in 2002-03, the borrowing target assigned for the current year stands at Rs. 7200 crore, including the funding support to be provided to RVNL. Added to this almost 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 bring the financial gearing 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 Rs. 268 crore infused by the Ministry of Railways in March 2007 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 Rs. 500 crore to Rs. 1000 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.

Report on Corporate Governance

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

Compliance with Accounting Standards

(a) Accounting Standard (AS) - 17

Your 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 ICAI.

(b) Accounting Standard (AS) - 19

ICAI has made Accounting standard (AS) - 19 'Accounting for Leases' mandatory with effect from 01-04-2001. In accordance with AS-19, the rolling stock assets given on finance lease are not capitalised in the books of the lessor and are instead recognized in its books as lease receivable at an amount equal to the investment in the leased assets net of finance income. Application of AS-19 had been made optional for earlier years. Your Company chose to adopt the accounting treatment provided therein in respect of all assets leased since its inception. Accordingly, all leased assets shown as fixed assets (net of accumulated depreciation and lease adjustment account) as at 31st March, 2001 were transferred to Lease Receivable Account.

For the year under review, the finance income is recognized in the Profit & Loss and the capital recovery portion in lease rentals is treated as repayment of principal in line with requirements of AS-19.

The accounting treatment given to assets taken on lease and sub-leased to Ministry of Railways prior to 01.04.2001 involves Lease Rentals being accounted for at rates provided in the agreements with respective lessors and sub-lessee (MOR) on accrual basis in accordance with the Revised Guidance Note on Accounting for Leases issued by the Institute of Chartered Accountants of India (ICAI).

(c) Accounting Standard (AS) - 22

Your Company is now fully in compliance of Accounting Standard (AS) - 22 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India (ICAI). Provision of Rs.144.51 crore has been made towards Deferred Tax during the year under review through the Profit and Loss Account.

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, along with proper explanation relating to material departures;
- 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 the maintenance of adequate accounting records, in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) The Directors have prepared the annual accounts on 'going concern' basis.

Internal Control System and their adequacy

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



Computerisation

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

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

Human Resource Development

Your Company has been consistently performing well despite maintaining very limited manpower strength. The lean workforce is complemented to an extent by outsourcing a few non-core activities to professional agencies. However, the Company has been laying emphasis on upgrading skills of its employees and keeping them abreast of latest developments and industry practices. The Company is committed in enhancing the professional expertise of all its employees. Towards this end, it relies on training interventions, whereby training needs are assessed and necessary inputs provided to personnel at all levels.

Corporate Social Responsibility

Corporate Social Responsibility towards protection of environment is inherent in the Company's core business of financing acquisition of environment-friendly rolling stock assets for Indian Railways. Besides, the Company regularly supports activities of various welfare and other organizations engaged in upliftment of weaker sections including through providing educational services to them.

Official Language

Reflecting total commitment of the Organization towards progressive use of Hindi in transaction of official business as also to ensure compliance with provisions of Official Languages Act and Official Language Policy of the Government of India, a number of steps were taken during the year. Considerable efforts were made to achieve the targets set under Annual Programme issued by Department of Official Language, Govt. of India. Provisions of Section 3(3) of the Official Language Act were fully complied with. Other measures taken in this regard included ensuring progressively higher use of Hindi in day-to-day work of the Company, 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 organization of Hindi workshops to promote awareness and use of Hindi as official language.

Closely following the inspection meeting which the Second Sub-Committee of the Committee of Parliament on Official Language held with the Company on 5th June 2007, as reported in the Directors' Report for 2006-07, the Company participated along with the Ministry of Railways in oral evidence before the Committee of Parliament on Official Language on 13th February 2008. Your Directors are happy to share with you that on both occasions, the Parliamentary Committee expressed satisfaction and happiness at the overall position of use of official language in the Company and complimented your Company for the same.

Right to Information Act, 2005

The Company follows the 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 16 (Schedule 16).



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, eight employees are in the category of Senior Assistant / Assistant and include two women employees. One woman executive at senior management level has also joined the Company during the year under review. The Company would endeavour to further improve the number as and when opportunity arises.

Board of Directors

Since the time of the last Directors' Report, Shri S.K. Kaushik has been appointed as Director (Finance) in the Board of your Company. Shri Kaushik holds Masters degrees in Physics and Business Administration. Prior to joining IRFC, he has functioned as Director Finance in another leading Railway PSU. He has rich experience in the areas of Corporate Finance and Railway Finance. During this period, Prof. R. Narayanaswamy, ceased to be member of the Board consequent upon completion of his tenure as Independent Director. The Board of Directors wishes to place on record its appreciation for the extensive and constructive contribution made by him in the deliberations in the meetings of the Board during his tenure.

Statutory Auditors

M/s O.P. Tulsyan & Co., Chartered Accountants, were appointed as Statutory Auditors by Comptroller & Auditor General of India to audit the accounts of the Company for the year 2007-08. 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, 2008 and has had no comments upon or supplements to the Auditors' Report under Section 619(4) of the Companies Act, 1956.

Acknowledgements

Your Company is grateful to the Ministry of Railways, Ministry of Finance, Department of Public Enterprises, National Informatics Centre, other Departments of the Government, and the Reserve Bank of India, for their co-operation and continued assistance, active & timely support and guidance rendered from time to time. The Company is also thankful to all its Bondholders, Banks, Financial Institutions, Life Insurance Corporation of India and General Insurance Corporation of India and its subsidiaries for reposing their confidence and trust in the Company. The Company looks forward to their continued support and encouragement from time-to-time. The Company expresses gratitude to the Comptroller & Auditor General of India, the Statutory 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, and consistently secure "Excellent" rating from Government of India, also consolidating its position as one of the more 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

Place: New Delhi
Date: 19th August, 2008

sd/-
Sudha Chobe
Chairperson



Annexure - I

Report on Corporate Governance

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

Company's Philosophy on the Code of Governance

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

In pursuit of the best Corporate Governance practices, the Company has formulated a "Code of Business Conduct and Ethics for Board Members and Senior Management", to foster ethics and transparency in managing the affairs of the Company. The same has been formally signed by all the Directors and senior officers of the Company in June, 2008 signifying their acceptance and commitment to the observance of the principles enshrined in the Code, and has also been posted on the website of the Company (www.irfc.in). A declaration to this effect, duly signed by the Managing Director (CEO), is at Annexure 'A' and forms part of this report. Compliance shall be regularly reported in future annual reports of the Company.

Board of Directors

As on the date of the Report, there are 6 Directors on the Board of the Company. The Financial Commissioner (Railways) is the ex-officio Non-Executive Chairperson of the Company. Besides Managing Director and Director Finance, one Director each is nominated by Ministry of Finance and Ministry of Railways, and there is one non-government Director (hereinafter referred to as Independent Director). 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. The Ministry of Railways is seized of the need for appointment of two more independent Directors, action for which is underway. Meetings of the Board of Directors held during the year under review are listed below :-

Serial No.	Board Meeting No.	Date
1.	174	25.04.2007
2.	175	17.07.2007
3.	176	23.08.2007
4.	177	24.10.2007
5.	178	27.11.2007
6.	179	22.01.2008
7.	180	20.03.2008

Attendance at the Meetings of the Board of Directors during 2007-08 :-

Name of Director (respective tenures given in the Directors Report)	Number of meetings of BOD held during their tenure	Number of meetings attended.	Attendance at the last AGM	Directorship in other Companies	No. of Committee positions held in public companies including IRFC @
Smt. Sudha M.Chobe Chairperson / IRFC From 23.08.2007	5	4	Yes	1	None
Shri R. Sivadasan Chairman / IRFC Ceased to be Chairman on 31.05.2007	1	1	NA	None	1



Shri R. Kashyap Managing Director/IRFC From 01.09.2006	7	7	Yes	None	None
Shri R.Ramesh Director / IRFC Ceased to be Director on 30.04.2007	1	1	NA	None	None
Shri Arvind Mayaram Director / IRFC From 07.08.2006	7	6	Yes	2	2
Prof. R.Narayanaswamy Director / IRFC Ceased to be Director on 07.02.2008	6	5	Yes	None	1
Shri Nasser Munjee Director / IRFC From 17.10.2006	7	4	Yes	15	9**
Shri S.K.Kaushik * Director Finance / IRFC From 10.09.2007	4	4	NA	None	None
Kumari Anjali Goyal Director / IRFC From 24.05.2007	6	6	Yes	None	None

* Appointed as Director Finance / IRFC by the Ministry of Railways w.e.f. 10.09.2007 (AN).

@ Only Audit Committee and Shareholders' Grievance Committee have been reckoned while considering Committee positions. Shri Nasser Munjee is member of 9 Audit Committees in different Companies.

** Shri Nasser Munjee is Chairman of 3 Committees in different companies.

NOTE : IRFC being a PSU, all Directors are appointed / nominated by President of India. Salary in the scale of Rs.18,400-500 - 22,400 (under CDA pattern), together with usual allowances and perks, was paid by the Company to Shri R.Kashyap from 01.04.2007 to 29.04.2008, and from 30.04.2008 his salary is being drawn in scale Rs.22,400-525-24500 (under CDA pattern), together with usual allowances and perks. Similarly, Shri S.K.Kaushik was also paid salary in scale Rs.18,400-500-22400 (under CDA pattern), with usual allowances and perks with effect from 10.09.2007 to 31.03.2008. The appointment of both in the Company is on deputation terms.

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

Information placed before the Board

Information placed before the Board of Director broadly covers the items specified in the Listing Agreement and such other items as are necessary to facilitate meaningful and focused deliberations on issues concerning the Company and taking decisions in an informed and efficient manner. Besides, the Directors on the Board have complete access to all information of the Company, as and when necessary.

Constitution of Audit Committee

In terms of Section 292-A of the Companies Act, 1956 read with the Listing Agreement, a three member Committee of the Board, known as the Audit Committee, was constituted in June, 2001. Company Secretary acts as Secretary to the Audit Committee. The terms of reference of the Audit Committee include the following :-

- To hold discussion with Auditors periodically about :
 - Internal control system and compliance thereof.
 - Scope of audit including observations of the auditors.



- Review of the quarterly, half yearly and annual financial statements before submission to the Board.
- Any other matter as may be referred by the Board.

□ The Audit Committee is further responsible for :-

- Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Reviewing with the management the annual financial statements with primary focus on accounting policies and practices, compliance with accounting standards and guidelines of stock exchange(s), major accounting entries, qualifications in draft audit reports, related party transactions & the going concern assumption.
- Holding discussions with external auditors to ascertain any area(s) of concern.
- Reviewing the Company's financial and risk management strategies.

At present, Members of the Audit Committee are Shri Naseer Munjee, Director / IRFC (Independent Director), Shri Arvind Mayaram, Director / IRFC, and Shri R.Kashyap, Managing Director / IRFC. There are two vacancies of the office of Independent Directors which are likely to be filled up by Ministry of Railways shortly. An Independent Director chairs the meetings of the Committee.

During the financial year 2007-08, four Meetings of the Committee (25th April, 2007, 17th July, 2007, 24th October, 2007 and 22nd January, 2008) were held. Each of the meetings was attended by the respective Members of the Audit Committee except the meetings held on 25th April, 2007 and 22nd January, 2008 which Shri Arvind Mayaram and Shri Nasser Munjee respectively could not attend.

Remuneration Committee & Shareholders Committee

The entire paid up share capital is held by Government of India and the appointment of Whole-time Directors and payment of their remuneration are decided by President of India as per the Articles of Association of the Company. As such, the Company has no separate Remuneration Committee and Shareholders Committee.

Training of Board Members

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

Registrar & Transfer Agents / Investors' Grievance Committee

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

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

The Company gets the work done by the Registrars audited periodically.

As on 31.03.2008, there were no complaints pending from investors for more than 30 days.

General Body Meetings

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

AGM No.	AGM Date	Location	Time
20	30 th August, 2007	Committee Room (237), 2nd Floor, Rail Bhawan, New Delhi.	3.00 P.M.
19	28 th August, 2006	Committee Room (237), 2nd Floor, Rail Bhawan, New Delhi.	4.00 P.M.
18	29 th September, 2005	Committee Room (237), 2nd Floor, Rail Bhawan, New Delhi	4.00 P.M.

Disclosures

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

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



The Company has complied with the applicable Guidelines on Corporate Governance issued by Government of India, Ministry of Heavy Industries and Public Enterprises, Department of Public Enterprises. No Presidential Directive was issued by the Central Government to the Company during the year 2007-08. No items of expenditure have been debited in books of accounts, which are not for the purposes of the business. Further, no expense has been incurred which is of personal in nature and incurred for the Board of Directors and / or Top Management.

During the year, the Administrative and Office expenses were 0.24% of the total expenses as against 0.26% in the last year.

The Company did not get any qualification from its Auditors for its accounts for the year 2007-08.

CEO / CFO certification

As required under the Listing Agreement, a Certificate duly signed by Shri R. Kashyap, Managing Director (CEO) and Shri S.K. Kaushik, Director Finance (CFO) was placed before the Board of Directors.

Means of Communication

During 2007-08, Unaudited Quarterly Financial Results of the Company were published in selected national newspapers of repute both in English and Hindi, besides being submitted to the National Stock Exchange. Unaudited Financial Results for the half year ended 30th September, 2007 and for the year ended 31st March, 2008 were also sent by registered post to all the registered Bondholders of the Company.

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

Whistle Blower Policy

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

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

General Shareholder Information

Annual General Meeting :

Date : 28th August, 2008
Day : Thursday
Time : 4.00 p.m.

Financial Calendar

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

During the year ended March 31, 2008 unaudited results were published on :

For first quarter ended June 30, 2007 (Published in Economic Times, Navbharat Times and Financial Times)	:	18.07.2007 22.07.2007
For second quarter and First half-year ended September 30, 2007 (Published in Economic Times, Navbharat Times and Financial Times)	:	25.10.2007 28.10.2007
For third quarter ended December 31, 2007 (Published in Business Standard, Economic Times, Navbharat Times and Financial Times)	:	23.01.2008 27.01.2008
For fourth quarter ended March 31, 2008 and also for the financial year 2007-08 (Published in Business Standard (Both Editions), Economic Times, Navbharat Times and Financial Times)	:	27.04.2008 29.04.2008 30.04.2008 04.05.2008

Dematerialisation of Bonds

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

Compliance Certificate on Corporate Governance

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



Annexure - 'A'

Declaration by the Managing Director (CEO) under the Listing Agreement.

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

Place : New Delhi
Date : 14.08.2008

sd/-
(R. Kashyap)
Managing Director
I.R.F.C.

Annexure - II

AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

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, 2008, as stipulated in clause 49 of 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. 2008, the composition of the Board was not in conformity with the provisions of clause 49 of the Listing Agreement.
4. During the year, one Executive Director was member of the Audit Committee. Further, the Audit Committee did not have the required number of independent directors as on 31.03.2008.
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, 2008.
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 M/s. O.P. Tulsyan & Co.
Chartered Accountants**

**Place : New Delhi
Date : 19.08.2008**

**-sd-
Rakesh Agarwal
Partner
M.No.81808**



Annual Accounts 2007-08

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



Balance Sheet

As at 31st March, 2008

(Rs. in Lacs)
AS AT
31-03-2007

PARTICULARS	SCH			AS AT 31-03-2008	AS AT 31-03-2007
SOURCES OF FUNDS					
1. SHAREHOLDERS' FUNDS:					
i. Share Capital	1	50000.00		23200.00	
ii. Share Application Money		—		26800.00	
iii. Reserves and Surplus	2	<u>192576.46</u>		<u>162124.63</u>	
			242576.46		212124.63
2. LOAN FUNDS:	3				
i. SECURED					
- In India		1884459.82		1614605.96	
- Outside India		<u>16800.00</u>	1901259.82	<u>19588.50</u>	1634194.46
ii. UNSECURED					
- In India		194750.00		177320.00	
- Outside India		<u>313846.95</u>	<u>508596.95</u>	<u>367902.05</u>	<u>545222.05</u>
TOTAL LOAN FUNDS			2409856.77		2179416.51
3. Deferred Tax Liability (Net) (Note No.15; Sch-16)			185465.08		171014.01
TOTAL:			<u>2837898.31</u>		<u>2562555.15</u>
APPLICATION OF FUNDS					
4. Fixed Assets	4				
i. Gross Block		1700.99		1697.92	
ii. Less: Depreciation		<u>280.91</u>		<u>240.76</u>	
iii. Net Block			1420.08		1457.16
5. Long Term Loans & Advances (Note No.24; Sch-16)	5		2702551.90		2473072.20
6. Investments	6		199.85		199.85
7. Current Assets, Loans & Advances	7				
i) Current Assets		173008.83		108743.60	
ii) Loans and Advances		<u>42078.12</u>	<u>215086.95</u>	<u>39124.21</u>	<u>147867.81</u>
8. Less: Current Liabilities & Provisions	8				
i) Current Liabilities		61776.58		49382.13	
ii) Provisions		<u>19603.89</u>	<u>81380.47</u>	<u>10659.74</u>	<u>60041.87</u>
9. Net Current Assets			133706.48		87825.94
10. Miscellaneous Expenditure (to the extent not written off)			20.00		-
TOTAL:			<u>2837898.31</u>		<u>2562555.15</u>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	16				

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

On behalf of the Board

This is the Balance Sheet referred to in our Report of even date.

For **O.P. TULSYAN & CO.**
CHARTERED ACCOUNTANTS

S.K. Ajmani
Company Secretary

S.K. Kaushik
Director (Finance)

R. Kashyap
Managing Director

RAKESH AGARWAL
Partner

Sudha Chobe
Chairperson

Place : New Delhi
Dated : 10-07-2008



Profit and Loss Account

For the year ended 31st March, 2008

(Rs. in Lacs)

DESCRIPTION	SCH	Year ended 31-03-2008	Year ended 31-03-2007
INCOME			
Lease Income		237433.61	210236.79
Income on Loans & Deposits		20792.82	14193.23
Income on Investments		64.47	4457.22
Exchange Rate Variation Gain		1405.00	-
Other Income	9	2782.57	4.90
	TOTAL:	262478.47	228892.14
EXPENDITURE			
Interest on Bonds and Loans	10	181028.42	147707.99
Lease Rent Paid		16749.39	18257.36
Salary & Other Employee Benefits	11	95.46	67.62
Administrative & Other Expenses	12	232.59	246.86
Bond Servicing Expenses	13	152.28	112.76
Depreciation		41.04	40.61
Bond Issue Expenses/Expenses on loans	14	177.71	612.91
Exchange Rate Variation Loss		-	674.97
	TOTAL:	198476.89	167721.08
Profit for the Year		64001.58	61171.06
Prior Period Income (Net)	15	-166.73	2.62
PROFIT BEFORE TAX		63834.85	61173.68
Less: PROVISION FOR TAX			
- Current Tax		7227.00	6375.40
- Tax For Earlier Years		-	431.31
- Deferred Tax		14451.07	14490.53
- Fringe Benefit Tax		5.45	6.69
NET PROFIT AFTER TAX		42151.33	39869.75
APPROPRIATIONS:			
Interim Dividend Paid		10000.00	16000.00
Proposed Final Dividend		-	-
Dividend Tax		1699.50	2244.00
Transfer To General Reserve		4216.00	4000.00
Transfer To Exchange Variation Reserve		897.00	3150.00
Transfer To Bonds Redemption Reserve		25338.83	14475.75
	TOTAL:	42151.33	39869.75
Basic Earning Per Share - in Rs. (Note No. 19; Sch-16)		843.03	1718.52
Diluted Earning Per Share - in Rs. (Note No. 19; Sch-16)		843.03	1635.70

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

On behalf of the Board

This is the Profit & Loss Account referred to in our Report of even date.

For **O.P. TULSYAN & CO.**
CHARTERED ACCOUNTANTS

S.K. Ajmani
Company Secretary

S.K.Kaushik
Director (Finance)

R.Kashyap
Managing Director

RAKESH AGARWAL
Partner

Sudha Chobe
Chairperson

Place : New Delhi
Dated :10-07-2008



Schedule "1" Share Capital

DESCRIPTION	(Rs. in Lacs)	
	AS AT 31-03-2008	AS AT 31-03-2007
AUTHORISED		
100,00,000 (P.Y. 50,00,000) Equity Shares of Rs.1000/-each	<u>100000.00</u>	<u>50000.00</u>
ISSUED, SUBSCRIBED AND PAID-UP		
50,00,000 (P.Y. 23,20,000) Equity Shares of Rs.1000/- each	<u>50000.00</u>	<u>23200.00</u>
TOTAL :	<u>50000.00</u>	<u>23200.00</u>

Schedule "2" Reserves and Surplus

DESCRIPTION	(Rs. in Lacs)	
	AS AT 31-03-2008	AS AT 31-03-2007
1. General Reserve		
Opening Balance	<u>38000.00</u>	<u>34000.00</u>
Add: Addition During the year	<u>4216.00</u>	<u>4000.00</u>
	<u>42216.00</u>	<u>38000.00</u>
2. Exchange Variation Reserve		
Opening Balance	<u>3950.00</u>	<u>800.00</u>
Add: Addition During the year	<u>897.00</u>	<u>3150.00</u>
	<u>4847.00</u>	<u>3950.00</u>
3. Bonds Redemption Reserve		
Opening Balance	<u>120174.63</u>	<u>151576.12</u>
Less: Accumulated Deferred Tax Liability	<u>-</u>	<u>45877.24</u>
	<u>120174.63</u>	<u>105698.88</u>
Add: Addition during the year	<u>25338.83</u>	<u>14475.75</u>
	<u>145513.46</u>	<u>120174.63</u>
TOTAL :	<u>192576.46</u>	<u>162124.63</u>



Schedule "3"

Loans

DESCRIPTION	(Rs. in Lacs)	
	AS AT 31-03-2008	AS AT 31-03-2007
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 Rs. 10,00,000/- EACH (IF NOT OTHERWISE SPECIFIED) ISSUED ON PRIVATE PLACEMENT BASIS FOR CASH AT PAR TWELVETH SERIES		
10.5% Tax free Bonds of Rs. 1000/- each - B Series		
- Redeemed on 30.03.2008	-	6050.75
10% Taxable - CC Series		
- Redeemable in 10 equal yearly instalments of Rs. 2000 Lacs each starting from 31.03.2004	10000.00	12000.00
	<u>10000.00</u>	<u>18050.75</u>
THIRTEENTH SERIES - 10.5% Tax free		
- Redeemable on 03-09-2008	25500.00	25500.00
10.5% Tax free - A Series		
- Redeemable on 30.03.2009	200.00	200.00
10% Taxable - AA Series		
- Redeemable in 15 equal yearly instalments of Rs.1333.33 lacs starting from 31.03.2000	8000.03	9333.36
	<u>8000.03</u>	<u>9333.36</u>
	<u>33700.03</u>	<u>35033.36</u>
FIFTEENTH SERIES - 12.90% Taxable		
"H" Series-Redeemed on 22.6.2007	-	1000.00
"I" Series-Redeemable on 22.6.2008	1000.00	1000.00
"J" Series-Redeemable on 22.6.2009	1000.00	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
	<u>7000.00</u>	<u>8000.00</u>
SIXTEENTH SERIES- 12.80% Taxable		
"H" Series-Redeemed on 15.7.2007	-	1000.00
"I" Series-Redeemable on 15.7.2008	1000.00	1000.00
"J" Series-Redeemable on 15.7.2009	1000.00	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
	<u>7000.00</u>	<u>8000.00</u>



Schedule "3" (Contd.)

Loans

DESCRIPTION	(Rs. in Lacs)	
	AS AT 31-03-2008	AS AT 31-03-2007
SEVENTEENTH SERIES- 9% Tax free - Redeemable on 28.2.2015	<u>20000.00</u>	<u>20000.00</u>
TWENTY FIRST SERIES- 11.40% Taxable - Redeemable on 27-07-2010(Put/Call Option on or after 27.07.2007)	<u>500.00</u>	<u>500.00</u>
TWENTY SECOND SERIES- 11.50% Taxable - Redeemable in 14 yearly instalments starting from 28.07.2002	<u>580.00</u>	<u>650.00</u>
TWENTYSIXTH SERIES- 7.75% Taxfree - Redeemable on 26-03-2011	<u>4500.00</u>	<u>4500.00</u>
TWENTYSEVENTH SERIES- 7.75% Taxfree - Redeemable on 30-03-2011	<u>2500.00</u>	<u>2500.00</u>
THIRTY SECOND SERIES- 8.29% Taxable - Redeemable in 5 yearly instalments of Rs.10000 Lacs starting from 20.8.2007	<u>40000.00</u>	<u>50000.00</u>
THIRTY THIRD SERIES- 10.45% Taxable		
"F" Series-Redeemed on 13-9-2007	-	990.00
"G" Series-Redeemable on 13-9-2008	990.00	990.00
"H" Series-Redeemable on 13-9-2009	990.00	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
	<u>8910.00</u>	<u>9900.00</u>
THIRTY FOURTH SERIES- 9.95% Taxable		
"D" Series-Redeemed on 13-9-2007	-	540.00
"E" Series-Redeemable on 13-9-2008	540.00	540.00
"F" Series-Redeemable on 13-9-2009	540.00	540.00
"G" Series-Redeemable on 13-9-2010	540.00	540.00
"H" Series-Redeemable on 13-9-2011	540.00	540.00
	<u>2160.00</u>	<u>2700.00</u>
THIRTY SEVENTH SERIES- 8.40% Taxable - Redeemable on 27-03-2009(Put/Call Option on or after 27.03.2007)	<u>4100.00</u>	<u>4100.00</u>
THIRTY EIGHTH SERIES- 8.90% Taxable - Redeemable on 27-03-2012 (Put/Call Option on or after 27.03.2009)	<u>3620.00</u>	<u>3620.0</u>
THIRTY NINTH SERIES- 8.40% Taxable - Redeemed on 14.5.2007	-	20500.00
FORTIETH SERIES- 8.05% Taxable - Redeemed on 15.7.2007	-	25000.00
FORTY FIRST SERIES- 7.95% Taxable - Redeemed on 01.08.2007	-	15000.00



Schedule "3" (Contd.)

Loans

(Rs. in Lacs)

DESCRIPTION	AS AT	AS AT
	31-03-2008	31-03-2007
FORTY SECOND A TO O SERIES- 8% Taxable		
"E" Series-Redeemed on 29.8.2007	-	1000.00
"F" Series-Redeemable on 29.8.2008	1000.00	1000.00
"G" Series-Redeemable on 29.8.2009	1000.00	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
	10000.00	11000.00
FORTY SECOND AA SERIES- 7.65% Taxable		
- Redeemed on 29.8.2007	-	20000.00
FORTY THIRD "A" TO "J" SERIES- 6.90% Taxable		
"E" Series-Redeemed on 29.10.2007	-	500.00
"F" Series-Redeemable on 29.10.2008	500.00	500.00
"G" Series-Redeemable on 29.10.2009	500.00	500.00
"H" Series-Redeemable on 29.10.2010	500.00	500.00
"I" Series-Redeemable on 29.10.2011	500.00	500.00
"J" Series-Redeemable on 29.10.2012	500.00	500.00
	2500.00	3000.00
FORTY THIRD "AA" TO "OO" SERIES- 7.63% Taxable		
"EE" Series-Redeemed on 29.10.2007	-	3000.00
"FF" Series-Redeemable on 29.10.2008	3000.00	3000.00
"GG" Series-Redeemable on 29.10.2009	3000.00	3000.00
"HH" Series-Redeemable on 29.10.2010	3000.00	3000.00
"II" Series-Redeemable on 29.10.2011	3000.00	3000.00
"JJ" Series-Redeemable on 29.10.2012	3000.00	3000.00
"KK" Series-Redeemable on 29.10.2013	3000.00	3000.00
"LL" Series-Redeemable on 29.10.2014	3000.00	3000.00
"MM" Series-Redeemable on 29.10.2015	3000.00	3000.00
"NN" Series-Redeemable on 29.10.2016	3000.00	3000.00
"OO" Series-Redeemable on 29.10.2017	3000.00	3000.00
	30000.00	33000.00
FORTY FOURTH A SERIES- 5.20% Taxfree		
- Redeemed on 31.3.2008	-	7700.00
FORTY FOURTH B SERIES- 6.10% Taxfree		
- Redeemed on 31.3.2008	-	2300.00
FORTY FOURTH AA TO JJ SERIES- 6.98% Taxable		
"EE" Series-Redeemed on 31.3.2008	-	2300.00
"FF" Series-Redeemable on 31.3.2009	2300.00	2300.00
"GG" Series-Redeemable on 31.3.2010	2300.00	2300.00
"HH" Series-Redeemable on 31.3.2011	2300.00	2300.00
"II" Series-Redeemable on 31.3.2012	2300.00	2300.00
"JJ" Series-Redeemable on 31.3.2013	2300.00	2300.00
	11500.00	13800.00



Schedule "3" (Contd.)

Loans

DESCRIPTION	(Rs. in Lacs)	
	AS AT 31-03-2008	AS AT 31-03-2007
FORTY FIFTH A TO E SERIES- 6.10% Taxable		
"C" Series-Redeemable on 13.5.2008	7900.00	7900.00
"D" Series-Redeemable on 13.5.2010	7900.00	7900.00
"E" Series-Redeemable on 13.5.2013	7900.00	7900.00
	<u>23700.00</u>	<u>23700.00</u>
FORTY FIFTH AA TO OO SERIES- 6.39% Taxable		
"DD" Series-Redeemed on 13.5.2007	-	700.00
"EE" Series-Redeemable on 13.5.2008	700.00	700.00
"FF" Series-Redeemable on 13.5.2009	700.00	700.00
"GG" Series-Redeemable on 13.5.2010	700.00	700.00
"HH" Series-Redeemable on 13.5.2011	700.00	700.00
"II" Series-Redeemable on 13.5.2012	700.00	700.00
"JJ" Series-Redeemable on 13.5.2013	700.00	700.00
"KK" Series-Redeemable on 13.5.2014	700.00	700.00
"LL" Series-Redeemable on 13.5.2015	700.00	700.00
"MM" Series-Redeemable on 13.5.2016	700.00	700.00
"NN" Series-Redeemable on 13.5.2017	700.00	700.00
"OO" Series-Redeemable on 13.5.2018	700.00	700.00
	<u>7700.00</u>	<u>8400.00</u>
FORTY SIXTH SERIES- 5.89% Taxable		
- Redeemable on 12.8.2008	45000.00	45000.00
	<u>45000.00</u>	<u>45000.00</u>
FORTY SIXTH A TO O SERIES- 6.25% Taxable		
"D" Series-Redeemed on 12.8.2007	-	1300.00
"E" Series-Redeemable on 12.8.2008	1300.00	1300.00
"F" Series-Redeemable on 12.8.2009	1300.00	1300.00
"G" Series-Redeemable on 12.8.2010	1300.00	1300.00
"H" Series-Redeemable on 12.8.2011	1300.00	1300.00
"I" Series-Redeemable on 12.8.2012	1300.00	1300.00
"J" Series-Redeemable on 12.8.2013	1300.00	1300.00
"K" Series-Redeemable on 12.8.2014	1300.00	1300.00
"L" Series-Redeemable on 12.8.2015	1300.00	1300.00
"M" Series-Redeemable on 12.8.2016	1300.00	1300.00
"N" Series-Redeemable on 12.8.2017	1300.00	1300.00
"O" Series-Redeemable on 12.8.2018	1300.00	1300.00
	<u>14300.00</u>	<u>15600.00</u>
FORTY SIXTH AA TO EE SERIES- 6.20% Taxable		
"BB" Series-Redeemable on 12.8.2008	2500.00	2500.00
"CC" Series-Redeemable on 12.8.2010	2500.00	2500.00
"DD" Series-Redeemable on 12.8.2013	2500.00	2500.00
"EE" Series-Redeemable on 12.8.2018	2500.00	2500.00
	<u>10000.00</u>	<u>10000.00</u>



Schedule "3" (Contd.)

Loans

DESCRIPTION	(Rs. in Lacs)	
	AS AT 31-03-2008	AS AT 31-03-2007
FORTY SIXTH AAA TO JJJ SERIES- 5.99% Taxable		
"DDD" Series-Redeemed on 12.8.2007	-	1500.00
"EEE" Series-Redeemable on 12.8.2008	1500.00	1500.00
"FFF" Series-Redeemable on 12.8.2009	1500.00	1500.00
"GGG" Series-Redeemable on 12.8.2010	1500.00	1500.00
"HHH" Series-Redeemable on 12.8.2011	1500.00	1500.00
"III" Series-Redeemable on 12.8.2012	1500.00	1500.00
"JJJ" Series-Redeemable on 12.8.2013	1500.00	1500.00
	<u>9000.00</u>	<u>10500.00</u>
FORTY SEVENTH SERIES- 4.77% Taxfree		
- Redeemable on 8.3.2009	5000.00	5000.00
FORTY SEVENTH A TO O SERIES- 5.99% Taxable		
"D" Series-Redeemed on 26.3.2008	-	1000.00
"E" Series-Redeemable on 26.3.2009	1000.00	1000.00
"F" Series-Redeemable on 26.3.2010	1000.00	1000.00
"G" Series-Redeemable on 26.3.2011	1000.00	1000.00
"H" Series-Redeemable on 26.3.2012	1000.00	1000.00
"I" Series-Redeemable on 26.3.2013	1000.00	1000.00
"J" Series-Redeemable on 26.3.2014	1000.00	1000.00
"K" Series-Redeemable on 26.3.2015	1000.00	1000.00
"L" Series-Redeemable on 26.3.2016	1000.00	1000.00
"M" Series-Redeemable on 26.3.2017	1000.00	1000.00
"N" Series-Redeemable on 26.3.2018	1000.00	1000.00
"O" Series-Redeemable on 26.3.2019	1000.00	1000.00
	<u>11000.00</u>	<u>12000.00</u>
FORTY EIGHTH A TO H SERIES- 6.85% Taxable		
"A" Series-Redeemed on 14.9.2007	-	2960.00
"B" Series-Redeemable on 14.9.2008	2960.00	2960.00
"C" Series-Redeemable on 14.9.2009	2960.00	2960.00
"D" Series-Redeemable on 14.9.2010	2960.00	2960.00
"E" Series-Redeemable on 14.9.2011	2960.00	2960.00
"F" Series-Redeemable on 14.9.2012	2960.00	2960.00
"G" Series-Redeemable on 14.9.2013	2960.00	2960.00
"H" Series-Redeemable on 14.9.2014	2960.00	2960.00
	<u>20720.00</u>	<u>23680.00</u>
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
	<u>50000.00</u>	<u>50000.00</u>



Schedule "3" (Contd.)

Loans

(Rs. in Lacs)

DESCRIPTION	AS AT	AS AT
	31-03-2008	31-03-2007
FORTY NINTH A TO O SERIES- Floating Rate Taxable		
"B" Series-Redeemed on 22.6.2007	-	1000.00
"C" Series-Redeemable on 22.6.2008	1000.00	1000.00
"D" Series-Redeemable on 22.6.2009	1000.00	1000.00
"E" Series-Redeemable on 22.6.2010	1000.00	1000.00
"F" Series-Redeemable on 22.6.2011	1000.00	1000.00
"G" Series-Redeemable on 22.6.2012	1000.00	1000.00
"H" Series-Redeemable on 22.6.2013	1000.00	1000.00
"I" Series-Redeemable on 22.6.2014	1000.00	1000.00
"J" Series-Redeemable on 22.6.2015	1000.00	1000.00
"K" Series-Redeemable on 22.6.2016	1000.00	1000.00
"L" Series-Redeemable on 22.6.2017	1000.00	1000.00
"M" Series-Redeemable on 22.6.2018	1000.00	1000.00
"N" Series-Redeemable on 22.6.2019	1000.00	1000.00
"O" Series-Redeemable on 22.6.2020	1000.00	1000.00
	13000.00	14000.00
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
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	-
FIFTY FOURTH A SERIES-9.95% Taxable		
- Redeemable on 07.06.2022	15000.00	-
FIFTY FOURTH B SERIES-10.04% Taxable		
- Redeemable on 07.06.2027	32000.00	-
FIFTY FIFTH A TO O SERIES-9.86% Taxable		
"A" Series-Redeemable on 07.06.2008	3800.00	-
"B" Series-Redeemable on 07.06.2009	3300.00	-
"C" Series-Redeemable on 07.06.2010	3300.00	-
"D" Series-Redeemable on 07.06.2011	3300.00	-
"E" Series-Redeemable on 07.06.2012	3300.00	-
"F" Series-Redeemable on 07.06.2013	3300.00	-



Schedule "3" (Contd.)

Loans

(Rs. in Lacs)

DESCRIPTION	AS AT	AS AT
	31-03-2008	31-03-2007
"G" Series-Redeemable on 07.06.2014	3300.00	-
"H" Series-Redeemable on 07.06.2015	3300.00	-
"I" Series-Redeemable on 07.06.2016	3300.00	-
"J" Series-Redeemable on 07.06.2017	3300.00	-
"K" Series-Redeemable on 07.06.2018	3300.00	-
"L" Series-Redeemable on 07.06.2019	3300.00	-
"M" Series-Redeemable on 07.06.2020	3300.00	-
"N" Series-Redeemable on 07.06.2021	3300.00	-
"O" Series-Redeemable on 07.06.2022	3300.00	-
	50000.00	-
FIFTY SIXTH SERIES-9.76% Taxable		
- Redeemable on 03.07.2012	42500.00	-
FIFTY SIXTH A TO C SERIES-9.68% Taxable		
"A" Series-Redeemable on 03.07.2008	27500.00	-
"B" Series-Redeemable on 03.07.2010	27500.00	-
"C" Series-Redeemable on 03.07.2012	27500.00	-
	82500.00	-
FIFTY SEVENTH SERIES-9.66% Taxable		
1st -Redeemable on 28.09.2018	20000.00	-
2nd -Redeemable on 28.09.2019	20000.00	-
3rd -Redeemable on 28.09.2020	20000.00	-
4th -Redeemable on 28.09.2021	20000.00	-
5th -Redeemable on 28.09.2022	20000.00	-
	100000.00	-
FIFTY EIGHTH SERIES-8.83% Taxable		
- Redeemable on 29.10.2012	20000.00	-
FIFTY EIGHTH A SERIES-9.20% Taxable		
- Redeemable on 29.10.2022	50000.00	-
FIFTY NINTH SERIES-8.69% Taxable		
- Redeemable on 07.01.2011	23000.00	-
FIFTY NINTH A SERIES-8.75% Taxable		
- Redeemable on 07.01.2013	82500.00	-
Total (A)	1204490.03	813734.11

(All the above bonds are rated 'AAA' by CRISIL; 'LAAA' by ICRA & 'AAA' by CARE)

B. (i) LONG TERM LOANS FROM BANKS

- Allahabad Bank	56499.59	59165.59
- Andhra Bank	57006.00	39672.00
- Bank of India	2000.00	4000.00
- Bank of Maharashtra	37500.00	27500.00
- BANK OF TOKYO - MITSUBISHI UFJ LTD	13500.00	-
- Canara Bank	23987.67	27987.67
- Central Bank of India	81645.00	85315.00
- Centurion Bank of Punjab Ltd.	1300.00	1500.00
- Corporation Bank	21679.00	26011.00



Schedule "3" (Contd.)

Loans

DESCRIPTION	(Rs. in Lacs)	
	AS AT 31-03-2008	AS AT 31-03-2007
- Dena Bank	11418.00	14598.00
- Development Credit Bank Ltd.	1093.75	1406.25
- Federal Bank Ltd.	3000.00	5000.00
- ICICI Bank Ltd.	28846.15	32692.31
- IDBI Ltd.	25793.72	32888.72
- Indian Bank	4750.00	9000.00
- Indian Overseas Bank	4173.00	15939.00
- Oriental Bank of Commerce	4242.33	4776.33
- Punjab & Sind Bank	4006.00	4672.00
- Punjab National Bank	21845.00	27177.00
- State Bank of Bikaner & Jaipur	4750.00	6250.00
- State Bank of Hyderabad	28362.00	32363.00
- State Bank of India	20000.00	41548.75
- State Bank of Indore	7075.00	8025.00
- State Bank of Mysore	5500.00	16500.00
- State Bank of Patiala	27300.73	45501.39
- State Bank of Saurashtra	11100.00	13800.00
- State Bank of Travancore	25553.85	28153.85
- Syndicate Bank	17339.00	21891.00
- The Jammu & Kashmir Bank Ltd.	4339.00	5005.00
- UCO Bank	20000.00	26500.00
- Union Bank of India	12000.00	30000.00
- United Bank of India	52342.00	41674.00
- Vijaya Bank	3673.00	4339.00
Total B (i)	643619.79	740851.85
B. (ii) SHORT TERM LOANS FROM BANKS (Note No.14; Sch-16)		
- Andhra Bank	-	-
- Bank of Baroda	-	10700.00
- Canara Bank	-	26245.00
- Central Bank of India	-	10000.00
- South Indian Bank	350.00	-
- The Jammu & Kashmir Bank Ltd.	9000.00	10200.00
- Vijaya Bank	27000.00	-
Total B (ii)	36350.00	57145.00
B. (iii) LONG TERM LOANS FROM OTHERS		
- G.E. Capital (India)	-	2875.00
Total B (iii)	-	2875.00
Total (B) [B(i)+B(ii)+B(iii)]	679969.79	800871.85
TOTAL SECURED LOANS IN INDIA (A) + (B)	1884459.82	1614605.96
(Repayable within a year Rs 135997 Lacs; Prev.Year Rs 221717Lacs)		



Schedule "3" (Contd.)

Loans

DESCRIPTION	(Rs. in Lacs)	
	AS AT 31-03-2008	AS AT 31-03-2007
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	16800.00	19588.50
TOTAL SECURED LOANS OUTSIDE INDIA (C)	16800.00	19588.50
(i) TOTAL SECURED LOANS (A) + (B) + (C)	1901259.82	1634194.46
2. UNSECURED LOANS		
A. LOANS - IN INDIA		
SHORT TERM LOANS		
- Corporation Bank	25000.00	15545.00
- Bank of Maharashtra	10000.00	-
- Vijaya Bank	39500.00	25000.00
- State Bank of Hyderabad	-	6350.00
- UCO Bank	-	15425.00
- Bank of India	25000.00	-
- State Bank of Indore	20000.00	-
- Indian Overseas Bank	10000.00	20000.00
- Dena Bank	15250.00	-
- South Indian Bank Ltd.	-	10000.00
- Syndicate Bank	50000.00	35000.00
- Punjab National Bank	-	50000.00
TOTAL UNSECURED LOANS IN INDIA (A)	194750.00	177320.00
B. LOANS - OUTSIDE INDIA		
Syndicated Japanese Yen Loan (Note No.7; Sch-16) (Guaranteed by Government of India)	1775.80	4896.97
Syndicated Japanese Yen Loan (JPY14.72 Bn)	50000.00	54412.50
Export Development Canada-Line of Credit	11218.74	15574.98
Syndicated Foreign Currency Loan (US \$ 75 Million)	-	35655.00
Syndicated Foreign Currency Loan (US \$ 80 Million)	34936.00	34936.00
Syndicated Foreign Currency Loan (US \$ 100 Million)	43570.00	43570.00
KFW,Germany-Line of Credit	3706.13	4528.11
1.43%, Euro-YEN Bonds-2010 (JPY 13 Bn.)	53728.49	53728.49
1.85%, JPY denominated Bonds-2009 (JPY 2.65 Bn.)	10000.00	10882.50
JPY-15 Bn. Samurai Bonds - 2012	54911.79	55305.00
US PP Bonds 2017	50000.00	54412.50
TOTAL UNSECURED LOANS OUTSIDE INDIA (B)	313846.95	367902.05
(ii) TOTAL UNSECURED LOANS (A) + (B)	508596.95	545222.05
TOTAL LOANS (i)+(ii)	2409856.77	2179416.51



Schedule "4" Fixed Assets

S.No.	Description	Gross Block			As at 31-03-2008
		As at 1-04-2007	Additions during the year	Sale / Adjustment during the year	
1.	Office Building	1524.23	0.00	0.00	1524.23
2.	Airconditioners, Room Coolers / Heaters	16.27	1.02	0.00	17.29
3.	Office Equipments	13.06	0.71	0.00	13.77
4.	Furniture & Fixtures	81.92	0.27	0.00	82.19
5.	Franking Machine	1.30	0.00	0.00	1.30
6.	Computer	48.77	1.99	0.00	50.76
7.	Motor Car	7.01	0.00	0.00	7.01
8.	Photo Copier	3.27	1.05	1.97	2.35
9.	Water Cooler	0.29	0.00	0.00	0.29
10.	Electric-Installation	1.80	0.00	0.00	1.80
	Total	1697.92	5.04	1.97	1700.99
	Previous Year	1690.05	7.87	0.00	1697.92



(Rs. in Lacs)

Upto31-03-2007	Depreciation			Net Block		Rate of Dep.
	For the Year	Adjustments during the year	As at 31-03-2008	As at 31-03-2008	As at 31-03-2007	
150.59	24.85	0.00	175.43	1348.80	1373.65	1.63%
5.02	0.80	0.00	5.81	11.48	11.25	4.75%
3.74	0.91	0.00	4.65	9.12	9.32	4.75%
33.66	5.28	0.00	38.94	43.25	48.26	6.33%
0.55	0.06	0.00	0.61	0.69	0.76	4.75%
41.67	8.25	0.00	49.93	0.83	7.09	16.21%
4.04	0.67	0.00	4.71	2.30	2.96	9.50%
1.08	0.13	0.89	0.32	2.03	2.19	4.75%
0.07	0.01	0.00	0.08	0.21	0.22	4.75%
0.34	0.08	0.00	0.43	1.37	1.46	4.75%
240.76	41.04	0.89	280.91	1420.08	1457.16	
200.15	40.61	0.00	240.76	1457.16	1489.89	



Schedule "5" Long Term Loans & Advances

DESCRIPTION	(Rs. in Lacs)	
	AS AT 31-03-2008	AS AT 31-03-2007
Lease Receivable from Ministry of Railways	2507528.63	2279709.38
Lease Rentals Paid in Advance (Note No.11(a); Sch-16)	58951.51	75700.89
LONG TERM LOANS		
- Pipavav Railway Corporation Ltd. (Secured)	3079.96	3464.96
- Ministry of Finance(Guaranteed by Govt.of India)	1775.80	4896.97
- RailTel Corpn. Of India Ltd.(Unsecured)	10416.00	12500.00
- Rail Vikas Nigam Ltd. (Unsecured)	120800.00	96800.00
Total :	2702551.90	2473072.20

Schedule "6" Investments

DESCRIPTION	(Rs. in Lacs)	
	AS AT 31-03-2008	AS AT 31-03-2007
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

(Rs. in Lacs)

DESCRIPTION	AS AT 31-03-2008	AS AT 31-03-2007
A-CURRENT ASSETS		
1. Cash & Bank Balances		
(a) Balance in Franking Machine	0.09	0.48
(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 (Note No.14; Sch-16)		
Corporation Bank	-	600.00
Canara Bank	-	29284.00
Development Credit Bank Ltd.	5000.00	1400.00
Jammu & Kashmir Bank Ltd.	10000.00	13500.00
UCO Bank	30000.00	-
ICICI Bank Ltd.	-	15500.00
South Indian Bank Ltd.	10000.00	2000.00
The Federal Bank Ltd.	5000.00	230.00
IndusInd Bank Ltd.	5000.00	-
IDBI Bank Ltd.	30000.00	-
State Bank of Travancore	-	1288.00
Vijaya Bank	50000.00	-
Bank of Baroda	-	11500.00
Central Bank of India	-	11500.00
Centurion Bank of Punjab	-	1400.00
- In Current Account		
State Bank of India	0.05	0.05
Corporation Bank	2.42	22.93
Indian Bank	2.70	2.75
State Bank of Travancore	0.21	0.21
Vijaya Bank	2.01	0.36
Indian Overseas Bank	1.35	11.36
Bank of India	0.23	0.23
- In Intt./Redmn. A/cs (Note no. 13; Sch-16) (as per Contra)	5209.33	9012.97
	<u>150219.41</u>	<u>97254.36</u>
2. Interest Accrued on Loans and Deposits	22789.42	11489.24
TOTAL- CURRENT ASSETS (A)	<u>173008.83</u>	<u>108743.60</u>



Schedule "7" (Contd.) Current Assets, Loans & Advances

DESCRIPTION	(Rs. in Lacs)	
	AS AT 31-03-2008	AS AT 31-03-2007
(B) LOANS & ADVANCES (Unsecured considered good)		
(i) Indian Railways -		
- Recoverable on account of Exchange Rate Variation	-9704.26	1119.25
- Advance for Assets Acquisition	425.01	415.96
- Indian Railways Running Account	19751.56	5910.69
	10472.31	7445.90
(ii) Advance to Corporation Bank	2000.00	-
(iii) Amount Recoverable from CANBANK MUTUAL FUND	-	4237.50
(iv) Bridge Loan to Rail Land Development Authority	6600.00	11200.00
(v) Advances recoverable in cash or in kind or for value to be received		
(a) Security Deposits	9.06	8.88
(b) Advance to FA & CAO, Northern Railway, for Residential flats	253.01	253.01
(c) Interest Restructuring Advance to LIC (Note No.20(a), Sch-16)	564.05	827.19
(d) Interest Restructuring Advance to IDBI (Note No.20(b),Sch-16)	302.48	469.71
(e) Amount recoverable from others	152.60	440.65
(f) Income tax paid including tax deducted at source	21724.61	14241.37
TOTAL- LOANS AND ADVANCES (B)	42078.12	39124.21
TOTAL CURRENT ASSETS LOANS AND ADVANCES (A)+ (B)	215086.95	147867.81



Schedule "8" Current Liabilities and Provisions

(Rs. in Lacs)

DESCRIPTION	AS AT 31-03-2008	AS AT 31-03-2007
A. CURRENT LIABILITIES		
1. Interest Accrued but not due on Bonds	44131.47	27406.79
2. Interest Accrued but not due on Term Loans	7936.43	8626.80
3. Interest Accrued but not due on Foreign Currency Loans	1406.70	1700.11
4. Other Liabilities	670.56	665.24
5. Payable to Others	921.07	973.27
6. Tax Deducted at Source - Payable	1501.02	996.95
7. Liability on account of unclaimed Intt./Redmn. A/cs	5209.33	9012.97
TOTAL CURRENT LIABILITIES (A)	61776.58	49382.13
B. PROVISIONS		
1. Income Tax	17843.91	10616.91
2. Proposed Final Dividend	-	-
3. Dividend Tax	1699.50	-
4. Fringe Benefit Tax	16.32	10.87
5. Gratuity	18.84	15.82
6. Leave Encashment	25.32	16.14
TOTAL PROVISIONS (B)	19603.89	10659.74
TOTAL CURRENT LIABILITIES AND PROVISIONS (A)+(B)	81380.47	60041.87

Schedule "9" Other Income

(Rs. in Lacs)

DESCRIPTION	Year ended 31-03-2008	Year ended 31-03-2007
1. Excess Provisions written back	-	0.62
2. Miscellaneous Income	4.16	4.28
3. Gain on assignment of lease receivables	2778.41	-
TOTAL:	2782.57	4.90



Schedule "10" Interest on Bonds and Loans

DESCRIPTION	(Rs. in Lacs)	
	Year ended 31-03-2008	Year ended 31-03-2007
Interest on Bonds - Non Cumulative	85989.00	61653.52
Interest on Rupee Loans	74943.18	72948.38
Interest on Foreign Currency Loans (Including Swap Cost)	19749.96	13083.71
Interest to Indian Railways	346.28	22.38
TOTAL:	181028.42	147707.99

Schedule "11" Salary & Other Employee Benefits

DESCRIPTION	(Rs. in Lacs)	
	Year ended 31-03-2008	Year ended 31-03-2007
Basic Pay	26.39	22.20
Dearness Allowance	16.85	12.97
City Compensatory Allowance	0.54	0.49
Hindi Allowance	0.06	0.08
House Rent Allowance	2.68	3.13
Children Education Assistance	1.93	-
Employer's Contribution to P.F.	4.30	4.35
Exgratia / Incentive	8.41	4.94
Provision For Gratuity	3.02	3.04
Medical Allowance / Reimbursement	3.19	2.66
Leave Travel Assistance	0.14	0.44
Provision For Leave Encashment	10.57	2.96
Self Leased Accomodation / Leased Accomodation	5.47	4.53
Arrears of Salary	4.95	0.35
Foreign Service Contribution	2.11	1.38
Attendant Allowance	2.07	1.62
Staff Welfare	2.39	2.21
Electricity Charges Reimbursement	0.39	0.27
Total :	95.46	67.62



Schedule "12" Administrative & Other Expenses

DESCRIPTION	(Rs. in Lacs)	
	Year ended 31-03-2008	Year ended 31-03-2007
Filing Fee	0.03	0.13
Legal & Professional Charges	43.69	50.85
Advertisement & Publicity	13.65	11.79
Printing & Copying Charges	3.45	2.31
Stationery Charges	4.23	3.75
News Paper, Books & Periodicals	0.32	0.28
Conveyance Expenses	6.49	5.55
Travelling Expenses - Directors	13.46	26.86
Travelling Expenses - Others	15.27	28.27
Transport Hire Charges	21.64	19.56
Office Maintenance Expenses	24.84	18.17
Vehicle Running & Maintenance	1.67	2.04
Office Equipment Maintenance	7.50	5.42
Electricity Charges	9.77	10.43
Loss on Sale of Fixed Assets	0.95	-
Postage Charges	1.65	1.88
Telephone Charges	8.16	9.32
Training Expenses	4.44	-
Bank Charges	0.01	0.05
Payment to Auditors		
- Audit Fees	3.37	1.69
- Tax Audit Fee	1.04	0.56
- Certification etc.	4.35	2.75
- Reimbursement of Expenses	0.08	0.24
Miscellaneous Expenses	25.30	34.14
Insurance	0.10	0.30
Fees & Subscription	8.03	1.28
Sponsorship/Donation	6.55	6.89
Ground Rent	1.24	1.05
Property Tax	1.31	1.31
Total :	232.59	246.86



Schedule "13"

Bond Servicing Expenses

DESCRIPTION	(Rs. in Lacs)	
	Year ended 31-03-2008	Year ended 31-03-2007
Listing Fee	7.65	7.79
Bond Holder Trustee Fee	34.33	29.18
Surveillance/Rating Fee	97.35	63.54
Registrar Fee	9.98	8.27
Postage & Telegram Charges	1.32	2.75
Printing & Copying Charges	0.14	0.02
Other Expenses	1.51	1.21
Total :	152.28	112.76

Schedule "14"

Bond Issue Expenses / Expenses on Loans

DESCRIPTION	(Rs. in Lacs)	
	Year ended 31-03-2008	Year ended 31-03-2007
A. Bond Issue Expenses		
Samurai Bonds		
- Underwriting / Arranger Fee	-	185.28
- Out of Pocket Expenses	-	101.12
- Other Expenses	-	3.76
US Private Placement Bonds		
- Arranger Fee	-	68.02
- Out of Pocket Expenses	-	119.71
- Other Expenses	-	37.02
Rating Fee	103.84	82.38
Total (A)	103.84	597.29
B. Expenses on Foreign Currency Loans		
- Other Expenses	73.87	15.62
Total (B)	73.87	15.62
Total (A+B)	177.71	612.91



Schedule "15" Prior Period Adjustments

DESCRIPTION	(Rs. in Lacs)	
	Year ended 31-03-2008	Year ended 31-03-2007
INCOME		
Income on Loans & Deposits	-	-
	<u>-</u>	<u>-</u>
EXPENDITURE		
Interest on Bonds	-	-1.42
Interest on Loans	-	21.40
Office Equipment Repair & Maintenance Expenses	0.02	-
Processing Agent Fee	0.55	-
Legal & Professional	11.87	-
Registrar Fee	-	0.91
Rating Fee	17.24	-
News Paper, Books & Periodicals	0.01	0.02
Underwriting Fee	-	-31.10
Transport Hire Charges	-0.15	0.01
Employer's Cont. to PF	-	5.73
Bond Servicing Surveillance	-	1.84
Fee & Subscription	0.25	-
Bank Charges	0.06	-
Misc. Exp.	0.04	-
Advertisement & Publicity	4.00	-
Service Tax	132.84	-
	<u>166.73</u>	<u>-2.62</u>
PRIOR PERIOD INCOME (Net)	<u>-166.73</u>	<u>2.62</u>



Schedule "16"

Significant Accounting Policies and Notes on Accounts

A. Significant Accounting Policies :

1) Basis for preparation of Financial Statements

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

b) Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of asset and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Examples of such estimates include estimated useful life of fixed assets and estimated useful life of leased assets. Management believes that estimates used in the preparation of financial statements are prudent and reasonable. Actual results could differ from these estimates. Adjustments as a result of differences between actual and estimates are made prospectively.

2) Revenue Recognition

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

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

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

3) Foreign Currency Transactions

Foreign currency transactions are recorded:

a) 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) At the rate prevailing at the end of the year for foreign currency deposits, lease receivables, loans and current liabilities as per the provisions of AS 11 issued by Institute of Chartered Accountants of India.

c) In respect of forward exchange contracts entered into by the company, the difference between forward rate and exchange rate on the date of transaction are recognised as income or expense over the life of the contract.

d) The portion of the Foreign Currency Loans swapped into Indian Rupee is stated at the reference rate fixed in the swap transactions, and not translated at the year end rate.

e) Increase/Decrease in foreign currency loans and interest liability thereon on account of exchange rate variation relating to Leased assets, if not recoverable separately from the lessee under the lease agreements, is adjusted in the Profit & Loss Account.

4) Investments

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

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



Schedule "16" (Contd.)

Significant Accounting Policies and Notes on Accounts

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, as per Accounting Standard-19 'Leases' issued by the Institute of Chartered Accountants of India.

6) Fixed Assets

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

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

7) Assignment of Lease Receivables:

Gain or loss resulting from Assignment of an identified stream of Lease Receivables in favour of an investor is accounted for in the year of transaction.

8) Bond Issue Expenses and Expenses on Loans, Leases

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.

9) Taxes on Income

Provision for current 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 income 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) Staff Benefits

a) Provision for gratuity is determined on the basis of 15 days last drawn salary for each completed year of service or part thereof in excess of six months, taking month of 26 days for all employees.

b) Provision for Leave encashment (including half pay leave) is determined on the basis of leave accrued to the respective employees at the close of the year on last drawn salary taking month of 30 days.

11) Miscellaneous Expenditure

Miscellaneous expenditure is amortised over a period of 5 years.

B. Notes on Accounts

1. (a) Lease rental has been charged on the assets leased from the first day of the month in which the assets have been identified and placed on line.

(b) Ministry of Railways (MOR) has charged interest on the value of the assets identified prior to the payments made by the company, from the first day of the month in which the assets have been identified and placed on line to the first day of the month in which the money is paid to the MOR. However, no interest is charged from the MOR on the amount paid by the company prior to the identification of Rolling stock by them.

(c) (i) Interest rate variation on the floating rate linked rupee borrowings, Interest rate and exchange rate variation on interest payments in case of the foreign currency borrowings are adjusted against the Lease Income in terms of the variation clauses in the lease agreements executed with the Ministry of Railways. During the year, such differential has resulted in an amount of Rs. 7773 Lacs accruing to Company (P.Y. Rs. 44 Lacs benefit to MOR), which has been accounted for in the Lease Income.



Schedule "16" (Contd.)

Significant Accounting Policies and Notes on Accounts

- (ii) In respect of foreign currency borrowings which have not been hedged, a variation clause has been incorporated in the lease agreements specifying the notional swap cost which has been taken into consideration 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 2007-08, in respect of these foreign currency borrowings, the company has recovered a sum of Rs. 2980 Lacs (P.Y. Rs.2168 Lacs) on this account from MOR against the actual swap cost payments of Rs. 3788 Lacs (P.Y. Rs. 1153 Lacs). After adjusting Swap Cost, an amount of Rs. 808 Lacs has been recovered from MOR (P.Y. Rs. 1015 Lacs benefit passed on to MOR).
- (iii) Interest expense in respect of interest accrued but not due on the foreign currency loans has been considered at base interest / exchange rate and the difference on account of variation between base rate and rate prevailing on the reported date has been shown as recoverable / payable to MOR. During the current year the amount payable to MOR on such account works out to Rs. 87 Lacs (P.Y. Rs.89 lacs recoverable from MOR).
2. (a) In terms of Reserve Bank of India Notification No.DNBS.135/CGM (VSNM) - 2000 dated 13th January, 2000, the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 do not apply 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 Govt. 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 the levy of Service Tax thereon.
4. Decrease in liability due to exchange rate variation on foreign currency loans for purchase of leased assets, amounting to Rs. 10800 Lacs (P.Y. Rs. 990 Lacs) has not been considered as revenue as the same is payable to the Ministry of Railways (lessee) separately as per lease agreements. The exchange rate variation on foreign currency loans repaid during the year amounting to Rs. 23 Lacs (P.Y. Rs. 169 Lacs) has been recovered from the Lessee, leaving a balance of Rs. 9704 Lacs payable as on 31-03-2008 (P.Y. Rs. 1119 Lacs recoverable from MOR).
5. 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,08 is as follows:

As on 31-03-2008			As on 31-03-2007			Remarks
No. of Contracts	Borrowing outstanding in foreign currency	Notional INR Equivalent	No. of Contracts	Borrowing outstanding in foreign currency	Notional INR Equivalent	
3	USD 187.14 Million	81858.23 Lacs	4	USD 264.18 Million	118471.01 Lacs	--
1	JPY 13.00 Billion	53728.49 Lacs	1	JPY 13.00 Billion	53728.49 Lacs	Swap cost recoverable from MOR.



Schedule "16" (Contd.)

Significant Accounting Policies and Notes on Accounts

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'08 is as follows:

As on 31-03-2008			As on 31-03-2007		
No. of Contracts	Borrowing outstanding in Foreign Currency	Notional USD Equivalent	No. of Contracts	Borrowing outstanding in Foreign Currency	Notional USD Equivalent
1	JPY 2.65 Billion	USD 25 Million	1	JPY 2.65 Billion	USD 25 Million
1	JPY 14.71875 Billion	USD 125 Million	1	JPY 14.71875 Billion	USD 125 Million

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

As on 31-03-2008			As on 31-03-2007		
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	Nil	Nil	Nil

The foreign currency borrowings outstanding as on 31-03-2008, which have not been hedged are as follows:

As on 31-03-2008		As on 31-03-2007		Remarks
No. of Loans	Borrowing outstanding in Foreign Currency	No. of Loans	Borrowing outstanding in Foreign Currency	
1	USD 42 Million	1	USD 45 Million	Back to Back recovery of exchange rate variation from MOR.
2	USD 19.68 Million	2	USD 25.88 Million	--
1	USD 125 Million	1	USD 125 Million	Back to Back recovery of exchange rate variation from MOR.
1	Euro 5.86 Million	1	Euro 7.81 Million	--
Nil	Nil	1	JPY 15 Billion	--
1	JPY 442.702 Million	1	JPY 1328.17 Million	Back to Back recovery of exchange rate variation from MOF.

- (b) The Company has executed one (P.Y. two) Interest Rate Swap (IRS) / Interest Rate Cap (IRC) in respect of a part of its foreign currency borrowings to hedge its floating rate liability linked to Libor. IRS / IRC have been executed on a notional principal amount of USD 100 Mio. (P.Y. USD 175 Mio.). As part of hedging strategy, the Company has executed four (P.Y. three) Interest Rate Swap/Currency Swap (coupon only) on fixed interest rate rupee borrowings to reduce the cost by taking benefit of interest rate movement. The INR value of the outstanding borrowings on which such Swaps have been executed is Rs. 127000 Lacs (P.Y. Rs.115000 Lacs) as on 31-03-2008.



Schedule "16" (Contd.) Significant Accounting Policies and Notes on Accounts

6. 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 as on 31-03-2008 works out to about Rs. 91 Lacs (P.Y. Rs. 122 Lacs) which will be accounted for on registration.
7. Syndicated Japanese Yen Loan
- (a) During the year 1998-99, the company raised JPY 8854.65 million through Syndicated Japanese Yen Loan on behalf of Ministry of Finance (MOF) and repaid an outstanding loan of Exim Bank of Japan through refinancing. The said Syndicated loan was renegotiated during the year 2002-03. The interest as well as repayment of loan is serviced by the MOF. JPY 8411.95 million (P.Y. JPY 7526.48 Million) of the refinanced loan has been repaid till date leaving a balance of JPY 442.70 million (Rs. 1776 Lacs) as on 31-03-2008 (P.Y. JPY 1328.17 Million - Rs. 4897 Lacs). Interest payable on the loan amounting to Rs. 105.78 Lacs (P.Y. Rs.193.18 Lacs) and recoverable from Ministry of Finance has not been considered as expenses / income and the same has not been routed through Profit & Loss Account.
- (b) Due to exchange rate variation, the Rupee liability at the year end in respect of Syndicated Japanese Yen Loan has increased by Rs. 17.94 Lacs (P.Y. decrease Rs. 111.48 Lacs) and accordingly, the loan recoverable from the Ministry of Finance has been adjusted.

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

(Rs. in Lacs)

Particulars	2007-08	2006-07
a. Salary/Allowances	10.05 lacs	7.41 lacs
b. Incentive	0.98 lacs	0.57 lacs
c. Directors sitting fee	0.80 lacs	0.60 lacs

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 debts - Claims by bondholders in the Consumer Courts : Rs.48 Lacs (P.Y. Rs.48 Lacs).
- (b) The Income Tax assessments of the Company have been completed up to Assessment Year 2005-06. The disputed demand outstanding upto the said Assessment year is Rs. 32.35 crore against which Rs. 32.31 crore has been deposited by the Company under protest and the appeals of the company are pending at various appellate levels. Based on decisions of the Appellate authorities in other similar matters and the interpretation of other relevant provisions, the Company has been advised that the demands are likely to be either deleted or substantially reduced and accordingly no provision has been made.
- (c) The company doesn't pay sales tax on purchase of leased assets, if any demand is raised in future, the same is recoverable from MOR. Sales tax on the purchase / lease of rolling stock, if payable, is recoverable from Ministry of Railways as per the lease agreements. Since, there is no sales tax demand and the amount is unascertainable, no provision is made in the accounts.
- (d) The Companies (Second Amendment) Act, 2002 provides for levy of cess, towards rehabilitation/revival of sick industrial companies, which shall not be less than 0.005% but not more than 0.10% of the turnover or the gross receipts as the Central Government may from time to time specify by notification in the Official Gazette. Since, no notification has been issued; provision for cess has not been made.



Schedule "16" (Contd.)

Significant Accounting Policies and Notes on Accounts

- (e) The Second Pay Revision Committee which was formed to recommend revision of pay for the employees of Central Public Sector Undertakings has submitted its report. The pay revision when notified would be effective retrospectively w.e.f. January 2007. The company hasn't made any provision in this respect pending the issuance of notification.

10. Expenditure in Foreign Currency (on payment basis):-

Particulars	2007-08 (Rs. in lacs)	2006-07 (Rs. in lacs)
a) Interest / Swap Cost on Foreign currency borrowings (net of Amount recovered on account of IRS / IRC and from MoF)	13959.60	9215.06
b) Processing Agent/ Fiscal Agent / Admn. fee (net of Amount recovered from MoF)	16.42	12.97
c) Underwriting / Arranger fee	54.40	167.32
d) International Credit Rating Agencies-Fees	74.60	51.56
e) Others	186.14	134.85

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, worth Rs. 197008 Lacs (ownership of the same vests with the lessors) stand sub-leased to Ministry of Railways. The company has paid the future lease rental liability on all the above leases as detailed below:

Year of Lease	No. of Leases	Value of assets taken on lease (Rs. In Lacs)	Amount paid in settlement of future lease rentals (Rs. in Lacs)	Year of payment
1996-97	2	39926	18139 6168	2001-02 2003-04
1999-00	6	102085	37492 3841 35534	2001-02 2002-03 2003-04
2000-01	2	54997	29423 22302	2001-02 2003-04
Total	10	197008	152899	

The amount paid in settlement of future lease rentals as above, is being amortised in the accounts over the remaining period of the leases. During the year, an amount of Rs. 16749 Lacs (Previous Year Rs. 18257 Lacs) has been charged to Profit & Loss Account on account of such amortisation.

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

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

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



Schedule "16" (Contd.)

Significant Accounting Policies and Notes on Accounts

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. 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 31-12-2007. The company does not foresee any additional liability on this account. The total balance held in such specified bank accounts as on 31-03-2008 is Rs. 5209.33 Lacs (Previous Year Rs. 9012.97 Lacs).
14. The Company has taken short term loans of Rs. 36350 Lacs (P.Y. Rs. 57145 Lacs) from banks against the pledge of fixed deposits of Rs. 45000 Lacs (P.Y. 65784 Lacs).
15. The major components of net deferred tax liability are as under:

(Rs. in Lacs)

	As at 31-03-2008	As at 31-03-2007
Liability on account of difference between WDV as per Income Tax, Act and Companies Act.	438028	423922
Less: Deferred Tax Asset on account of Unabsorbed Depreciation	234718	242292
Less: Deferred Tax Asset on account of MAT Credit	17830	10605
Less: Deferred Tax Asset on account of Employee benefits	15	11
Net Deferred Tax Liability	185465	171014

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 Rs. 4198893 Lacs (P.Y. Rs. 3738412 Lacs) owned by the company and leased to the Ministry of Railways is as under:

(Rs. in Lacs)

Particulars	As at 31-03-08	As at 31-03-07
A. Gross Value of Assets acquired & Leased upto the end of previous Financial Year	3738412	3321407
B. Less value of assets assigned during the year	104105	--
C = (A-B)	3634307	3321407
D. Less: Capital Recovery provided upto last Year	1458703	1301014
E. Less: Capital Recovery provided upto last year on assets assigned during the year	21419	--
F. Capital Recovery upto last year (D-E)	1437284	1301014
G. Capital Recovery Outstanding on leased assets as at the end of last year (C-F)	2197023	2020393
H. Add: Gross Value of Assets acquired and Leased during the year	460481	417005
I = G+H	2657504	2437398
J. Capital Recovery for the year	155440	157689
K. Less: Capital Recovery for the year on assets assigned during the year	5465	--
L. = J-K	149975	157689
Net investment in Lease Receivables as on 31-03-2008	2507529	2279709



Schedule "16" (Contd.)

Significant Accounting Policies and Notes on Accounts

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

(Rs. in Lacs)

Particulars	As at 31-03-2008	As at 31-03-2007
Gross Investment in Lease	3922010	3547854
Unearned Finance Income	1414481	1268145
Present Value of Minimum Lease Payment (MLP)	2507529	2279709

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

(Rs. in Lacs)

Particulars	As at 31-03-2008		As at 31-03-2007	
	Gross Investment in Lease	Present Value of MLP	Gross Investment in Lease	Present Value of MLP
Less than one year	362746	154171	335053	149980
One to five years	1439193	768048	1268146	660691
Greater than five Years	2120071	1585310	1944655	1469039
Total	3922010	2507529	3547854	2279709

The unearned finance income as on 31-03-2008 is Rs. 1414481 Lacs (Previous Year Rs. 1268145 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. 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.
18. 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:

- R.Kashyap, Managing Director
- S.K.Kaushik, Director Finance w.e.f. 10-09-2007

The payments to key management personnel are given under note no. 8 (a) & (b) above.

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

19. The calculation of Earning Per Share as required under Accounting Standard (AS) - 20 is as under:
Basic EPS:

		Year	
		2007-08	2006-07
a)	Profit after Tax	Rs.42151.33 Lacs	Rs. 39869.75 Lacs
b)	No. of equity shares of face value Rs. 1,000/- each	50,00,000	23,20,000
c)	Earning Per Share (a/b)	Rs.843.03	Rs. 1,718.52



Schedule "16" (Contd.) Significant Accounting Policies and Notes on Accounts

Diluted EPS:

		Year	
		2007-08	2006-07
a)	Profit after Tax	Rs.42151.33 Lacs	Rs. 39869.75 Lacs
b)	No. of equity shares of face value Rs. 1,000/- each	50,00,000	24,37,479
c)	Earning Per Share (a/b)	Rs.843.03	Rs. 1,635.70

20. (a) During the year 2003-04, the company restructured the rate of interest on certain outstanding borrowings from LIC and paid Rs. 2403 Lacs as advance, representing a portion of the future savings in the interest cost. This advance amount is being amortised over the balance tenor of the borrowings. During the year, a sum of Rs. 263 Lacs (P.Y. Rs. 335 Lacs) has been amortised, leaving a balance of Rs. 564 Lacs as on 31-03-2008 (P.Y. Rs. 827 Lacs).
- (b) During the year 2004-05, the company restructured the rate of interest on certain outstanding borrowings from IDBI Ltd. and paid Rs. 1378 Lacs as advance, representing a portion of the future savings in the interest cost. This advance amount is being amortised over the balance tenor of the borrowings. During the year, a sum of Rs.167 Lacs (P.Y. Rs. 236 Lacs) has been amortised, leaving a balance of Rs. 303 Lacs as on 31-03-2008 (P.Y. Rs 470 Lacs).
21. During the year, the company has assigned a portion of future lease receivables amounting to Rs. 112157 Lacs (present value Rs. 77222 Lacs) and realised a sum of Rs. 80000 Lacs upfront. The receivables has been derecognised and the difference amounting to Rs. 2778 Lacs has been recognised as Gain on Assignment of Lease Receivables. The original value of such assets leased during the year 2001-02 amounted to Rs. 104105 Lacs.
22. Payment to auditors includes Rs. 0.84 Lacs as Audit Fees and Rs. 0.28 Lacs as Tax Audit Fees relating to earlier year.
23. Miscellaneous expenditure to the extent not written off includes Rs.20 Lacs which has been incurred in connection with the registration charges for increase in the authorised share capital.
24. 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.
25. The Company has a system of physical verification of assets given on lease. The physical verification is carried out on a sample basis, as 100% physical verification of rolling assets is neither possible logistically nor considered necessary. In addition, Ministry of Railways (Lessee) provides a certificate each year that the leased assets are maintained in good working condition as per laid down norms, procedures and standards. In the opinion of the management, the aforesaid system is satisfactory considering the fact that the assets are maintained and operated by the Central Government.
26. (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.



Schedule "16" (Contd.)

Significant Accounting Policies and Notes on Accounts

27. 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	31.03.2008		

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

Public Issue	Right Issue
N I L	N I L
Bonus Issue	Private Placement
N I L	N I L
Shares Application Money	
NIL	

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

Total Liabilities	Total Assets
2 9 1 9 2 7 9	2 9 1 9 2 7 9

Sources of Funds

Paid - Up Capital	Shares Application Money
5 0 0 0 0	N I L

Reserves & Surplus	Secured Loans
1 9 2 5 7 6	1 9 0 1 2 6 0
Unsecured Loans	Deferred Tax Liability
5 0 8 5 9 7	1 8 5 4 6 5

Application of Funds

Net Fixed Assets	Investments
1 4 2 0	2 0 0
Net Current Assets including of loan of 2702552	Misc. Expenditure
2 8 3 6 2 5 8	20
Accumulated Losses	
NIL	

iv. PERFORMANCE OF COMPANY (AMOUNT IN Rs. Lacs)

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



v. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY

(AS PER MONETARY TERMS)

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

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

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

On behalf of the Board

For O.P. TULSYAN & CO.

CHARTERED ACCOUNTANTS

S.K. Ajmani

Company Secretary

S.K.Kaushik

Director (Finance)

R.Kashyap

Managing Director

RAKESH AGARWAL

Partner

Sudha Chobe

Chairperson

Place : New Delhi

Dated :10-07-2008

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st March, 2008



Particulars	Year ended		(Rs. in Lacs)
	31-03-2008	31-03-2007	Year ended 31-03-2007
A. Cash Flow from Operating activities:			
Profit Before Tax:	63834.85	61173.68	
Adjustments for:			
1-Depreciation	41.04	40.61	
2-Loss on sale of fixed assets	0.95	-	
3-Lease Rentals advance amortised	16749.39	18257.36	
4-Forward premium absorbed	-	4.20	
5-Exchange Rate Variation	-1405.00	674.97	
6-Misc. Expenditure written off	5.00	-	
Operating Profit before Working Capital Changes	79226.23	80150.82	
Increase/Decrease-			
1-Loans & Advances (Net of Adv. Tax & ERV)	-6271.30	-4487.50	
2-Current Assets	-68097.88	30495.42	
3-Current Liabilities & Provisions (excl. Proposed Div., Dividend Tax & Income Tax)	12455.79	9722.25	
4-Direct Taxes Paid	-7483.23	-6047.34	
	-69396.63	29682.83	
Net Cash flow from Operations	9829.60		109833.65
B Cash Flow from Investment Activities:			
1-Assets Leased during the year	-460480.95	-417004.50	
2-Capital Recovery on Leased Assets	155349.86	157920.96	
3-Receivables offered for assets securitization	77221.59	-	
4-Receipt of Long term loans during the year	5590.17	3499.45	
5-Term Loan given during the year	-24000.00	-45256.42	
6-Purchase of Fixed Assets	-5.04	-7.87	
7-Proceeds from sale of Fixed Assets	0.12	-	
8-Investments made during the year	-	-	
	-246324.25	-199.85	-301048.23
C Cash flow from Financing activities:			
1-Funds Raised through Bonds	519500.00	162000.00	
2-Bonds redeemed during the year	-128744.08	-87633.33	
3-Funds Raised through Term Loans	291100.00	430965.00	
4-Term Loans Repaid during the year	-394572.06	-416491.84	
5-Funds Raised through External Commercial Borrowings	-	108761.17	
6-Repayment of External Commercial Borrowings	-44596.76	-10119.73	
7-Dividend & Dividend Tax Paid during the year	-10000.00	-18244.00	
8-Share Registration Fees Paid during the year	-25.00	-	
9-Share Application Money Received	-	-	
Net Cash Flow During the year(A+B+C)	232662.10	26800.00	196037.27
Opening Balance of Cash & Cash Equivalents:			4822.69
Balance in the Current Accounts	9050.86	4228.17	
Balance in RBI-PLA	1.02	1.02	4229.19
Closing Balance of Cash or Cash Equivalents	5219.33	5219.33	9051.88
1. Composition of Cash or Cash Equivalents:			
-Balance in Current Accounts	5218.31		9050.86
-Balance in RBI-PLA	1.02		1.02
Total	5219.33	5219.33	9051.88

2. Balance in Term Deposits with different Banks have not been included as Cash or Cash Equivalents.

3. Balance in Current Accounts includes a sum of Rs.5209.33 lacs lying unpaid in Interest/Redemption A/Cs which is unusable by the Company.

On behalf of the Board

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

For **O.P. TULSYAN & CO.**
CHARTERED ACCOUNTANTS

S.K. Ajmani
Company Secretary

S.K.Kaushik
Director (Finance)

R.Kashyap
Managing Director

RAKESH AGARWAL
Partner

Sudha Chobe
Chairperson

Place : New Delhi
Dated : 10-07-2008



Auditor's Report

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

1. We have audited the attached Balance Sheet of **INDIAN RAILWAY FINANCE CORPORATION LIMITED** as at 31st March 2008, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors Report) Order (Amendment), 2004 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph above, we report that :
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) 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.
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit & Loss account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (e) On the basis of written representations received from the directors, as on 31st March 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2008, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - (f) 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:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;
 - ii) in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
 - iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For O. P. TULSYAN & CO.
Chartered Accountants

Rakesh Agarwal
Partner
M.No. 81808

Place : New Delhi
Date : 10.07.2008



Annexure to Auditors' Report

(Referred to in paragraph 3 of our report of even date)

- (i) (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets owned.
- (b) All the owned assets have been physically verified by the management during the year. No material discrepancies were noticed on such verification. Leased Assets have been certified by the Lessee (Ministry of Railways) as to their physical existence and good working condition.
- (c) The company has not disposed off any substantial part of its fixed asset during the year.
- (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 any loan from or to companies, firms, 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 is an adequate internal control commensurate with the size of the company and the nature of its business with regard to fixed assets. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) According to the information and explanations given to us, we are of the opinion that there are no transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956.
- (vi) The Company has not accepted or renewed deposits from public contravening the directives issued by the Reserve Bank of India and the provision of section 58A & section 58AA of the Companies Act, 1956 and the rules framed there under.
- (vii) In our opinion, the internal audit system of the company is commensurate with the size and nature of its business.
- (viii) The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for the industry to which the Company belongs.
- (ix) (a) According to the information and explanations given to us, the Company has been 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, Customs Duty, Excise Duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations give to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, service tax, custom duty, excise duty and cess were in arrears as on 31st March 2008 for period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess which have not been deposited on account of any dispute.
- (x) The company has neither accumulated losses as at 31st March 2008 nor incurred any cash losses during the year and immediately preceding year.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted any repayment of dues to a financial institution, bank 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 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. Therefore, 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 any guarantee for loans taken by others from bank or financial institution; 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 the loans were obtained.
- (xvii) According to the information and explanations given to us and on overall examination of the balance sheet of the company, we report that no funds raised on short-terms basis have been used for long-term investment. No long-term funds have been used to finance short-terms assets.
- (xviii) According to the information 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 51950 bonds of Rs. 10,00,000 each. The company has created security in respect of bonds issued.
- (xx) The company has not raised funds by public issue; as such the clause 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 O. P. TULSYAN & CO.
Chartered Accountants

Rakesh Agarwal
Partner
M.No. 81808

Place : New Delhi
Date : 10.07.2008



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 2008.

The preparation of financial statements of Indian Railway Finance Corporation Limited, New Delhi, for the year ended 31 March 2008 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 10th July, 2008.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3) (b) of the Companies Act, 1956, of the financial statements of Indian Railway Finance Corporation Limited, New Delhi, for the year ended 31 March 2008. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under Section 619(4) of the Companies Act, 1956.

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

Place : New Delhi
Dated : 7 August 2008

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



IRFC handing over cheque for Rs. 2 crore to Hon'ble Minister of Railways towards contribution to Railway Minister Welfare and Relief Fund.



IRFC Adventure – Trek to Rajgarh (H.P.)



IRFC Adventure – Trek to Rajgarh (H.P.)



IRFC Adventure – Trek to Rajgarh (H.P.)



21st Annual General Meeting - Shareholders



21st Annual General Meeting - IRFC Management



Smt. Neera Khuntia
GGM (P & A)



Shri S. K. Ajmani
GM/Term Loans
& Co. Secy.



Shri T. Behera
GM/Bonds



Shri S. Radhakrishnan
GM/ECB



Shri A. Samanataray
Dy. Manager (F & A)

Rest of Management Team of IRFC



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