

IL&FS RAIL LIMITED

ANNUAL REPORT

2013-14

IL&FS Rail Limited

DIRECTORS' REPORT

The Shareholders
IL&FS Rail Limited

Your Directors have pleasure in presenting the Sixth Annual Report along with the Audited Accounts for the period ended 31st March 2014

FINANCIAL RESULTS

The financial results of the Company are as under:

| Particulars | As on March 2014 (Rs.) | As on March 2013 (Rs.) |
|--|-----------------------------------|-----------------------------------|
| Total Income | 2,773,006,435 | 2,090,868,849 |
| Total Expenses | 2,711,163,795 | 1,865,205,962 |
| Profit/(Loss) for the period | 61,842,640 | 225,662,887 |
| Less: Provision for Tax | 24,000,000 | 78,000,000 |
| Add: MAT Credit | - | - |
| Add: Deferred Tax | 1,009,967 | 1,013,198 |
| Profit/(Loss) after Tax carried forward to Balance sheet | 38,852,607 | 148,676,085 |

DIVIDEND

Your Directors are unable to recommend any dividend in view of small profit earned during the year and need to retain the profit in Company for Company's future growth.

PERFORMANCE REVIEW

Background

The Company was incorporated in Feb 2008 with a primary objective to develop metro rail projects in domestic and international market. The Company has been successfully awarded two projects and the Company is making continuous efforts to get new projects as and when new projects are announced by the Government and other public Authorities.

Gurgaon Metro Rail Project (Phase I)

As informed to the members in the last report, the Company as a member of the consortium and a shareholder had formed an SPV namely Rapid Metrorail Gurgaon Ltd (RMGL) for execution of the Gurgaon Metro Rail project. The Company's SPV RMGL had signed a 99 years Concession Contract (CC) with Haryana Urban Development Authority (HUDA) on 9th December 2009 followed by financial closure of the project on June 5, 2010.

IL&FS Rail Limited

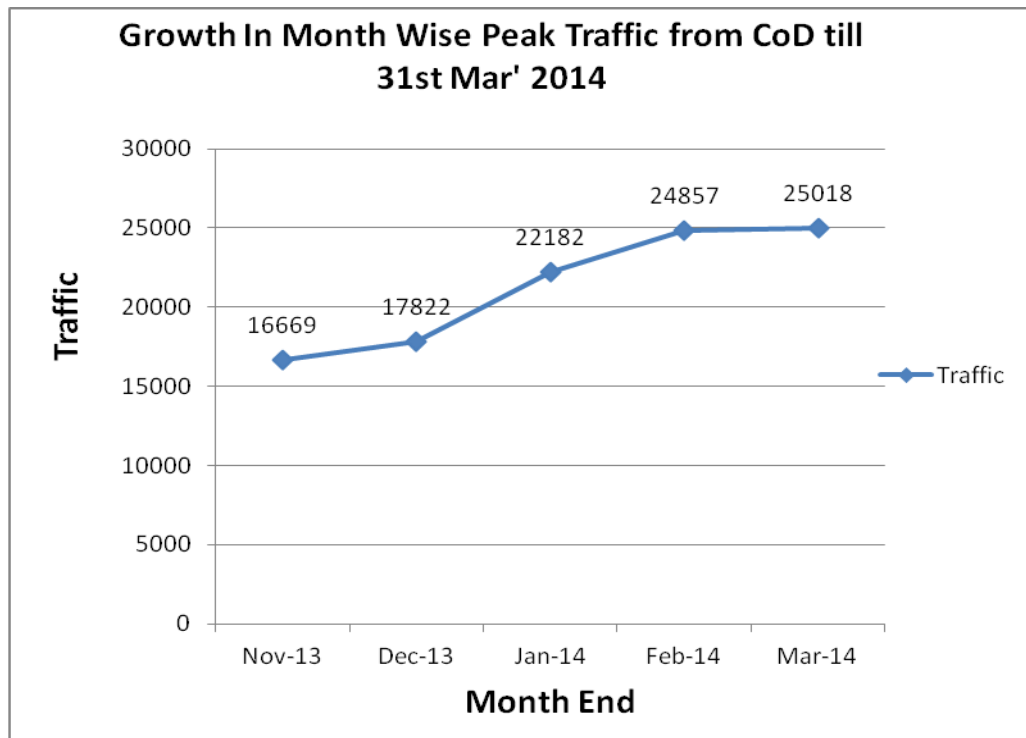
The Rapid Metro commenced its commercial operations on 14th November, 2013, with a flat fare of Rs 12/- per trip and a seamless connectivity between Rapid Metro and DMRC.

The system initially became operational with five stations and final station namely the IndusInd Gateway Tower station was integrated with the system on April 25, 2014.

The actual average ridership from the commencement date till March 31, 2014 is as under:-

| Month | Average Ridership | Total fare revenue for the Month (in Rs) |
|----------------------------|-------------------|--|
| November 14 2013 (partial) | 13,243 | 25,42,740 |
| December 2013 | 14,584 | 54,25,128 |
| January 2014 | 17,391 | 64,69,476 |
| February 2014 | 18,584 | 62,44,212 |
| March 2014 | 18,614 | 69,24,444 |

Month wise Peak Ridership is as under:



The actual ridership on the system is lower than expected due to following reasons:

- Traffic study was based on proposed development to the extent of 26 million square feet of commercial and retail area in Cyber City area, of which only close to 14 million square feet has been developed till date.

IL&FS Rail Limited

- Due to the overall economic environment, occupancy in Cyber City is less than envisaged. Furthermore, because of congestion in vicinity of Cyber City, several companies have moved to other locations, such as Golf Course Road.
- Mall of India (est. area of 4 million sqft) is still not constructed. To cater to Mall of India, a dedicated station was constructed and integrated with the proposed Mall.

Non – Fare Revenue:-

The Company has explored the advertisement potential in the following categories:-

- Wrapping of Trains
- Branding of Stations
- Sale of Commercial space on the stations
- Advertisements on viaduct and other available areas

The Company has entered into contracts with big Companies like Vodafone, IndusInd Bank, 3Cs, Airtel, Micro Max, SKODA etc for generating non fare revenue.

The Company is putting its efforts to increase its non fare revenue by exploring various possibilities.

Fare Revenue:-

The Company is constantly trying to increase its fare revenue. The following measures have been taken to increase the ridership:-

Providing Last mile Connectivity:

- Feeder Bus from Micromax Station to Ambience Mall (free of cost)
- Pilot bus project launched with Haryana Roadways, connecting Micromax station to Udyog Vihar
- Implementation of pedestrian walkway from Micromax station to Ambience mall
- Pedestrian access at IndusInd Bank Cyber City
- Across DMRC system (Yellow Line), a proposal to put up Promotional Graphics to spread awareness

Corporates Reach – out:

- Collaboration with Corporates in Catchment Zone for promoting use of metro among their employees
- Partnership with NASSCOM
- Direct engagement with Corporates in Cyber City & Udyog Vihar area to support transition from Office Cabs to Metro

Understanding Commuter transit and behavioral pattern:

- Renowned behavioral consultant brought on Board to help understand commuter behavior and suggest action plans to augment traffic
- Initiation of origin destination survey so as to prepare solutions targeting specific catchment zone

The Company has put up a proposal to the appropriate authorities for increase in fare, which is currently at Rs 12/- per trip.

Steps taken by the Company to reduce operational cost:-

- The Company is constantly reviewing the operating cost and taking measures to reduce wherever possible
- The Senior Lenders, at the request of the Company have reduced the interest cost on borrowings by resetting its interest rate

Gurgaon Metro Rail South Extension (Phase II):-

The Company as a member of the consortium and a shareholder had formed an SPV namely Rapid Metrorail Gurgaon Ltd (RMGL) for execution of the Gurgaon Metro Rail project. The Haryana Urban Development Authority (HUDA) has granted a concession for a period of 98 years to your Company for financing, design, construction, procurement, installation, commissioning, operation and maintenance of all systems required for successful project. The main consortium partners are IL&FS rail Limited and IL&FS Transportations Networks Limited.

The Gurgaon Metro South Extension (RMGSL) project involves construction of metro rail link from Sikanderpur metro station on the Delhi Metro line to Sector – 56 in the south-east of Gurgaon traversing along the Golf Course Road serving various employment and residential areas in its immediate vicinity. Length of the corridor is approximately 7 km.

The project involves construction of Five stations on the alignment which are follows:-

- DLF Phase I
- Sushant Lok I
- Sector 42 Crossing
- AIT Chowk
- Sector 55 – 56

The project cost is estimated at Rs. 2143 Crores with Debt of Rs. 1500 Crores and Equity of Rs. 643 Crores. The Company has successfully achieved the Financial Closure in the month of July 2013 for raising debt of Rs 1500Cr from the Consortium of Lenders including External Commercial Borrowings (ECB) from IIFCL (UK).

IMPLEMENTATION

During the year, the following important works related to the project were undertaken:-

- Most of the design work has been either conceptualized or are on the verge of conceptualization
- Design work for structural work has been initiated
- The Company has awarded contracts for construction of viaduct, five stations and Depot.
- The contract for supply, installation, testing and commissioning of rolling stock, signalling, Depot Plant & Machinery, Power system and integration have been awarded to a consortium of Siemens Germany, China & India

The Contract for finishing & Electrical & Mechanical Works, import of track, lifts & escalators, roofing systems, AFC, Communication system etc are under process of awarding.

New Projects:

Management is continuously trying to procure more projects based on the experience Company has gained in executing the RMGL project.

Apart from the Phase-1 & Phase-2 of Gurgaon Metro project, currently the Company is working on one Domestic metro project which is as under:

North Extension of Rapid MetroRail Gurgaon:

The proposed North Extension of Gurgaon Metro project will connect Phase 1 (RMGL) to the industrial corridors of Udyog Vihar, along the Old Delhi-Gurgaon road and finally would merge with the proposed Delhi metro line (connecting the Delhi suburb of Dwarka to Gurgaon) by 2016-17. The project is still under planning. The DPR is being prepared with HUDA and various other local agencies. It will be a 6.5 km corridor with seven stations. The proposed route passes through the Udyog Vihar area, which is an industrial area of Gurgaon. This area also includes the Maruti Udyog assembly plant. A meeting was held with HUDA / DMRC / MOUD, whereby a proposal to extend the RMGL line to Sector-21 in Dwarka, Delhi was considered.

Other Services:

With the expertise gained from successful operations of RMGL project and RMGSL project currently under implementation, the Company is studying the possibility of either teaming up with DMRC, or working stand-alone, to provide consultancy services, and O&M services, to other metro projects under development.

With the successful operations of RMGL project and proposed participation in upcoming projects, the Company is fast emerging as leading Company involved in development and execution of metro projects in the country.

INIATATIVE FOR THE IMPLEMENTATION OF THE NEW COMPANIES ACT, 2013

The Ministry of Corporate Affairs (the Ministry) introduced the New Companies Act, 2013 (the Act) with the notification of 98 Sections of the Act in September 12, 2013 and subsequently, with the notification of the 183 Sections of the Act in March 26, 2014. The Ministry is yet to notify 189 Sections of the Act. The Act has come into force from April 01, 2014 and has introduced significant changes in the provisions related to governance, e-management, compliance and enforcement, disclosure norms and auditors. In view of the Act, the Company has been undertaking various initiatives and efforts for the implementation of the Act within the transition period.

SHARE CAPITAL

The Issued and Subscribed Equity Share Capital of the Company as on March 31, 2014, was Rs. **392.30** Crores

DIRECTORS

In terms of the provisions of Section 256 of the Companies Act, 1956, Mr. R.L Kabra and Mr. S.C Mittal Directors of the Company retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment. Your Directors recommend their re-appointment

None of the Directors of the Company is disqualified from being appointed as Director as specified under Section 274 of the Companies Act, 1956.

MANAGING DIRECTOR

Mr. Sanjiv Rai, Director of the Company was appointed as Managing Director of the Company w.e.f. 1st April 2010 at the meeting of the Board of Directors held on May 11, 2010.

AUDITORS

M/s Deloitte Haskins & Sells, Chartered Accountants, Delhi retire at the ensuing Annual General Meeting of the Company and have expressed their willingness to continue as Statutory Auditors, if re-appointed

DEPOSITS

Your Company has not accepted any Fixed Deposits during the year under review.

IL&FS Rail Limited

CORPORATE GOVERNANCE

Seven Board Meetings were held during the year under review. These meetings were held on April 3, 2013, April 16, 2013, May 27, 2014, July 22, 2013, October 22, 2013, January 17, 2014 and March 19, 2014. The number of meetings attended by the Directors is as under:

| Director | No of Board Meetings attended |
|-------------------------|-------------------------------|
| Mr. Deepak Dasgupta | 6 |
| Mr. Mukund Sapre | 3 |
| Mr. Sanjiv Rai | 7 |
| Mr. R L Kabra | 7 |
| Mr. George Cherian | 7 |
| Mr. Suresh Chand Mittal | 7 |

The following Committees have been constituted for good corporate governance and focused attention on the affairs of the Company:

Audit Committee

The Audit Committee comprises of three Non-Executive and One Executive Director, namely, Mr. Deepak Dasgupta, Mr. R L Kabra, Mr. George Cherian and Sanjiv Rai respectively as members. The Audit Committee met four times during the year under review.

Share Allotment & Transfer Committee

The Share Allotment & Transfer Committee comprises of two Directors, namely, Mr. Mukund Sapre and Mr. Sanjiv Rai as members.

Committee of Directors

The Committee of Directors comprises of three Directors, namely, Mr. Mukund Sapre, Mr. R L Kabra and Mr. Sanjiv Rai as members.

Remuneration Committee

The Remuneration Committee comprises of three Directors, namely, Mr. Mukund Sapre, Mr. George Cherian and Mr. R.L Kabra as members. The said Committee met once during the year under review.

EMPLOYEES

The Board of Directors wish to place on record their appreciation to all the employees of the Company for their sustained efforts, dedication and hard work during the year.

PARTICULARS OF EMPLOYEES

In accordance with the provisions of Section 217(2A) of the Companies Act, 1956 and the rules framed there under, the names and other particulars of employees are set out in the Annexure - I to the Directors' Report.

IL&FS Rail Limited

DIRECTORS' RESPONSIBILITY STATEMENT

Section 217(2AA) of the Companies Act, 1956 (the Act) requires the Board of Directors to provide a statement to the members of the Company in connection with the maintenance of books, records & preparation of Annual Accounts in conformity with the accepted Accounting Standards and past practices followed by the Company. Pursuant to the foregoing and on the basis of representations received from the Management, and after due enquiry, it is confirmed that:

- (1) In the preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures
- (2) The Directors have selected such accounting policies and applied them consistently and made judgements 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 of the Company for that period
- (3) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities
- (4) The Directors have prepared the Annual Accounts on a going concern basis

FOREIGN EXCHANGE EARNINGS AND OUTGO

There were no foreign exchange earnings. The expenditure in foreign currency of Rs 8.48 Lakhs was incurred during the year.

Since the Company does not have any manufacturing facility, the other particulars in the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable

ACKNOWLEDGMENTS:

The Directors place on record their appreciation for the continued support and cooperation received from the various Government Authorities including Haryana Urban Development Authority(HUDA), Dakshin Haryana Bijli Vitran Nigam, DMRC, and other Regulatory Authorities, Banks, Financial institutions and Shareholders of the Company.

By the Order of the Board

**Sd/-
Deepak Dasgupta
Chairman**

Date: July 17, 2014
Place: Gurgaon

6th Annual Report
Financial year ended on 31st March 2014

BOARD OF DIRECTORS

Mr. Deepak Dasgupta
Mr. Mukund Sapre
Mr. R L Kabra
Mr. Sanjiv Rai
Mr. George Cherian
Mr. Suresh Chand Mittal

COMPANY SECRETARY

Mr. Jagdish Aggarwal

AUDITORS

M/s Deloitte Haskins & Sells
Chartered Accountants,
7th Floor, Building No 10, Tower B
DLF City Cyber Complex
DLF City Phase-II
Gurgaon - 122002
Haryana, India

BANKER

Axis Bank
Gurgaon, Haryana

REGISTERD OFFICE

2nd Floor, Ambience Corporate Towers
Ambience Island, National Highway # 8
Gurgaon – 122 001, Haryana, India

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF IL&FS RAIL LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **IL&FS RAIL LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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



Deloitte Haskins & Sells

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

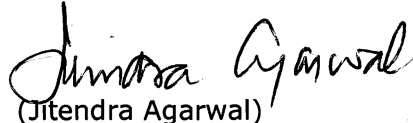
1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report 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 it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs).



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- (e) On the basis of the written representations received from the directors as on 31st March, 2014 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2014 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Firm Registration No. 015125N)



(Jitendra Agarwal)
Partner
(Membership No. 87104)

GURGAON, 21 April, 2014

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (i) Having regard to the nature of the Company's business/activities/result, clause (xiii) of paragraph 4 of the Order is not applicable to the Company.
- (ii) In respect of its fixed assets :
 - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - b. The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
 - c. The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of its inventory:
 - a. As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals. However, the Company is not carrying any inventory at year-end.
 - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c. In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) In respect of loans, secured or unsecured, granted by the Company to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:
 - a. The Company has granted unsecured loans aggregating Rs. 3,808,590,135 to three Companies during the year. At the year-end, the outstanding balance of such loan is Rs. 31,295,814 and the maximum amount involved during the year was Rs. 2,651,295,815.
 - b. The rate of interest and other terms and conditions of such loan are, in our opinion, *prima facie* not prejudicial to the interests of the Company.

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c. The receipts of principal amounts and interest have been as per stipulations.

d. There are no overdue amounts as at the year-end.

In respect of loans, secured or unsecured, taken by the Company from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:

(a) The Company has taken loans aggregating Rs. 2,850,000,000 from a Company during the year. At the year-end, the outstanding balances of such loans taken aggregated Rs. Nil and the maximum amount involved during the year was Rs. 2,850,000,000.

(b) The rate of interest and other terms and conditions of such loan are, in our opinion, *prima facie* not prejudicial to the interest of the Company.

(c) The payments of principal amounts and interest in respect of such loans were as per stipulations.

(v) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and the sale of services. During the course of our audit, we have not observed any major weakness in such internal control system. The Company's operations during the year do not give rise to any sale of goods.

(vi) According to the information and explanations given to us, there are no contracts or arrangements that needed to be entered in the Register maintained under Section 301 of the Companies Act, 1956.

(vii) According to the information and explanations given to us, the Company has not accepted any deposits from the public. Therefore, the provisions of clause 4(vi) of the Order are not applicable to the Company.

(viii) In our opinion, the internal audit function carried out during the year by a firm of Chartered Accountants appointed by the Management has been commensurate with the size of the Company and the nature of its business.

(ix) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that *prima facie* the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

(x) According to the information and explanations given to us, in respect of statutory dues:

a. The Company has been regular in depositing undisputed statutory dues including Provident Fund, Income Tax, Wealth Tax, Service Tax, Customs Duty, Cess and other material statutory dues applicable to it with the appropriate authorities. We are informed that the provisions of Employees'



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State Insurance Act, 1948 are not applicable to the Company and that the operations of the Company during the year did not give rise to any liability for Investor Education and Protection Fund, Sales Tax and Excise Duty.

- b. There are no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31 March, 2014 for a period of more than six months from the date they became payable.
- c. Details of dues of Income-tax, which have not been deposited as on 31 March, 2014 on account of a dispute is given below:

| Name of Statute | Nature of dues | Forum where dispute is pending | Period to which the amount relates | Amount involved (Rs.) |
|------------------------|-----------------------|--|---|------------------------------|
| Income Tax Act, 1961 | Income Tax demand | Company is yet to file an appeal with Commissioner (Appeals) against assessment order received on 31 March, 2014 | Financial year 2010-11 | 11,811,570 |

There are no statutory dues in respect Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess which have not been deposited as on 31 March, 2014 on account of any dispute.

- (xi) The Company does not have any accumulated losses at the end of the financial year. The Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xii) The Company has not taken any loan from banks or financial institutions and has not issued any debentures. Therefore, the provisions of clause 4(xi) of the Order are not applicable to the Company.
- (xiii) In our opinion and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing in shares, securities and debentures. Therefore the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.

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- (xvi) According to the information and explanations given to us, the Company has not availed any term loans. Therefore, the provisions of clause 4(xvi) of the Order are not applicable to the Company.
- (xvii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis have *prima facie*, not been used during the year for long-term investment.
- (xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, during the year covered by our report, the Company has not issued any debentures.
- (xx) According to the information and explanations given to us, the Company has not raised any money by public issues.
- (xxi) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

For DELOITTE HASKINS & SELLS

Chartered Accountants

(Firm Registration No. 015125N)



(Jitendra Agarwal)

Partner

(Membership No. 87104)

GURGAON, 21 April, 2014

IL&FS RAIL LIMITED
CIN:U63040HR2008PLC039089
BALANCE SHEET AS AT 31 MARCH, 2014

| Particulars | Note No. | As at 31 March, 2014 | As at 31 March, 2013 |
|-------------------------------------|----------|-----------------------------|-----------------------------|
| A EQUITY AND LIABILITIES | | | |
| 1 Shareholders' funds | | | |
| (a) Share capital | 3 | 3,923,000,000 | 2,088,000,000 |
| (b) Reserves and Surplus | 4 | 205,929,483 | 167,076,876 |
| 2 Non - current liabilities | | | |
| (a) Long - term provisions | 5 | 957,664 | 944,410 |
| 3 Current liabilities | | | |
| (a) Trade payables | 6 | 747,260,302 | 295,103,555 |
| (b) Other current liabilities | 7 | 335,529,329 | 49,303,897 |
| (c) Short - term Provisions | 8 | 11,311,604 | 35,111,037 |
| Total | | <u><u>5,223,988,382</u></u> | <u><u>2,635,539,775</u></u> |
| B ASSETS | | | |
| 1 Non - current assets | | | |
| (a) Fixed assets | 9 | | |
| (i) Tangible assets | | 13,147,750 | 11,616,339 |
| (ii) Intangible assets | | 211,515 | 99,671 |
| (b) Non - current investments | 10 | 3,967,774,400 | 1,850,594,400 |
| (c) Deferred tax assets (Net) | 11 | 4,882,012 | 3,872,045 |
| (d) Long-term loans and advances | 12 | 69,748,850 | 274,001,773 |
| (e) Other non- current assets | 13 | 76,972,412 | 76,523,294 |
| 2 Current assets | | | |
| (a) Trade receivables | 14 | 1,031,778,486 | 71,830,423 |
| (b) Cash and bank balances | 15 | 11,502,886 | 49,723,093 |
| (c) Short - term loans and advances | 16 | 47,928,246 | 77,449,725 |
| (d) Other current assets | 17 | 41,825 | 219,829,012 |
| Total | | <u><u>5,223,988,382</u></u> | <u><u>2,635,539,775</u></u> |


See accompanying notes forming part of the financial statements

In terms of our report attached.

For DELOITTE HASKINS & SELLS
Chartered Accountants


JITENDRA AGARWAL
Partner

For and on behalf of the Board of Directors


SANJIV RAI
Managing Director
(DIN - 02076385)


DEEPAK DASGUPTA
Director
(DIN - 00457925)


JAGDISH AGGARWAL
Chief Financial Officer & Company Secretary

Place: Gurgaon
Date: 21st April, 2014

Place: Gurgaon
Date: 21st April, 2014

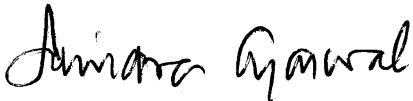
IL&FS RAIL LIMITED
CIN:U63040HR2008PLC039089
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH, 2014

| Particulars | Note No. | For the year ended 31 March, 2014 | For the year ended 31 March, 2013 |
|---|----------|---|---|
| 1 Revenue from operations | 18 | 2,745,839,743 | 2,054,791,232 |
| 2 Other income | 19 | 27,166,692 | 36,077,617 |
| 3 Total revenue (1 + 2) | | <u>2,773,006,435</u> | <u>2,090,868,849</u> |
| 4 Expenses: | | | |
| (a) Cost of materials consumed | 20 | 595,658,974 | 176,984,593 |
| (b) Construction cost | 21 | 1,824,328,518 | 1,481,675,707 |
| (c) Employee benefits expense | 22 | 199,738,288 | 123,631,043 |
| (d) Finance costs | 23 | 9,496,783 | - |
| (e) Depreciation and amortisation expense | 9 | 4,533,719 | 4,003,006 |
| (f) Other expenses | 24 | 77,407,513 | 78,911,613 |
| Total expenses | | <u>2,711,163,795</u> | <u>1,865,205,962</u> |
| 5 Profit before tax (3 - 4) | | 61,842,640 | 225,662,887 |
| 6 Tax expense: | | | |
| (a) Current tax expense | | 24,000,000 | 78,000,000 |
| (c) Deferred tax charge/(credit) | | <u>(1,009,967)</u> | <u>(1,013,198)</u> |
| | | <u>22,990,033</u> | <u>76,986,802</u> |
| 7 Profit for the year (5-6) | | 38,852,607 | 148,676,085 |
| 8 Earnings per equity share (of Rs. 10 each) | 29 | | |
| (a) Basic | | 0.13 | 0.85 |
| (b) Diluted | | 0.13 | 0.85 |

See accompanying notes forming part of the financial statements

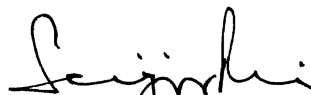
In terms of our report attached

For DELOITTE HASKINS & SELLS
Chartered Accountants



JITENDRA AGARWAL
Partner

For and on behalf of the Board of Directors



SANJIV RAI
Managing Director
(DIN - 02076385)



DEEPAK DASGUPTA
Director
(DIN - 00457925)



JAGDISH AGGARWAL
Chief Financial Officer & Company Secretary

Place: Gurgaon
Date: 21st April, 2014

Place: Gurgaon
Date: 21st April, 2014

IL&FS RAIL LIMITED
CIN:U63040HR2008PLC039089
CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2014


| | Year ended 31 March, 2014 Rupees | Year ended 31 March, 2013 Rupees |
|---|--|--|
| Cash Flow from Operating Activities | | |
| Net profit before Tax | 61,842,640 | 225,662,887 |
| Adjustments for :- | | |
| Interest income | (24,258,985) | (32,717,845) |
| Interest expense | 9,496,783 | - |
| Depreciation and amortisation expense | 4,533,719 | 4,003,006 |
| (Profit)/loss on sale of fixed assets | 2,768 | 25,624 |
| Provision for employee benefits | 2,833,094 | 1,426,609 |
| Operating profit before working capital changes | 54,450,019 | 198,400,281 |
| <i>Changes in working capital:</i> | | |
| <i>Adjustments for (increase) / decrease in operating assets:</i> | | |
| Other non-current assets | | |
| Trade receivables | (959,948,063) | 77,161,672 |
| Other current assets | 219,746,336 | (118,561,808) |
| Long term loans and advances | (7,766,231) | (2,728,929) |
| Short term loans and advances | 60,707,570 | 31,423,384 |
| <i>Adjustments for increase / (decrease) in operating liabilities:</i> | | |
| Trade payables | 452,156,747 | 61,982,272 |
| Other current liabilities | 286,225,432 | (92,616,992) |
| Net Cash from/(Used in) operating activities | 105,571,810 | 155,059,881 |
| Direct Taxes (paid)/refund | (63,990,396) | (17,454,288) |
| Net Cash from/(used in) operating activities (A) | 41,581,414 | 137,605,594 |
| Cash flow from Investing Activities | | |
| Purchase of fixed assets | (6,424,742) | (10,376,267) |
| Bank deposits not considered as Cash and cash equivalents | 2,500,000 | (2,300,000) |
| (Increase)/Decrease in other non-current assets | (200,000) | (75,000,000) |
| Intercorporate deposits/loan received back | 3,777,294,321 | 673,303,277 |
| Intercorporate deposits/loan given | (3,808,590,135) | - |
| Advance given against share application money adjusted/(paid) | 225,500,000 | (225,500,000) |
| Proceeds from sale of fixed assets | 245,000 | 1,147,792 |
| Investments made in subsidiaries | (2,117,180,000) | (907,594,400) |
| Interest received | 24,050,718 | 38,145,783 |
| Net Cash from/(used in) investing activities (B) | (1,902,804,838) | (508,173,815) |
| Cash flow from Financing Activities | | |
| Proceeds from issue of equity share capital | 1,835,000,000 | 408,000,000 |
| Interest paid | (9,496,783) | - |
| Short term loan taken | (2,850,000,000) | - |
| Short term loan received back | 2,850,000,000 | - |
| Share application money received | - | - |
| Net Cash from/(used in) financing activities (C) | 1,825,503,217 | 408,000,000 |
| Net Increase/(decrease) in Cash and Cash equivalents during the year (A+B+C) | (35,720,207) | 37,431,778 |
| Cash and Cash Equivalent at the beginning of the year | 47,223,093 | 9,791,315 |
| Cash and Cash Equivalent at the end of the year | 11,502,886 | 47,223,093 |
| Net Increase/(Decrease) in Cash and Cash Equivalents | (35,720,207) | 37,431,778 |
| Note: | | |
| Reconciliation of Cash and cash equivalents | | |
| Cash and cash equivalents as per balance sheet | 11,502,886 | 49,723,093 |
| Less: Fixed deposit under lien not considered as cash and cash equivalent | - | 2,500,000 |
| Cash and cash equivalents as per cash flow statement | 11,502,886 | 47,223,093 |

Note:

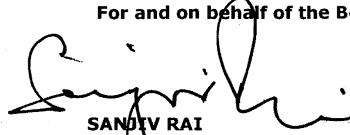
Cash Flow Statement has been prepared as per indirect method in accordance with Accounting Standard AS-3 on Cash Flow Statement

In terms of our report attached

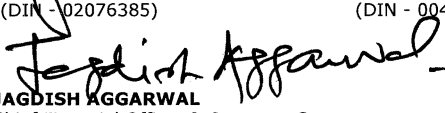
For DELOITTE HASKINS & SELLS
Chartered Accountants


JITENDRA AGARWAL
Partner

For and on behalf of the Board of Directors


SANDIV RAI
Managing Director
(DIN - 02076385)


DEEPAK DASGUPTA
Director
(DIN - 00457925)


JAGDISH AGGARWAL
Chief Financial Officer & Company Secretary

Place: Gurgaon
Date: 21st April, 2014

Place: Gurgaon
Date: 21st April, 2014

IL&FS RAIL LIMITED

Notes forming part of the financial statements

Note No. 1 - Background

The Company was incorporated as a Joint Venture between IL&FS Transportation Networks Limited (ITNL), ENSO Limited and Mr. Sanjiv Rai vide a joint venture agreement dated February 4, 2008 to undertake activities under the said agreement. ITNL holding more than 50% capital is the Holding Company.

The Company was incorporated under the Companies Act, 1956 on February 19, 2008 and the Registrar of Companies has issued a "Certificate of Commencement of Business" dated April 10, 2008. During the year ended 31 March, 2012 the name of the Company was changed to IL&FS Rail Limited and a fresh certificate of incorporation was issued by the Registrar of Companies, NCT of Delhi and Haryana on 06 February, 2012.

The Company has been set up for the development of urban and inter urban mass and freight transport infrastructure projects. The Company along with a consortium of IL&FS Transportation Networks Limited and DLF Limited had been awarded a Metrorail Project in Gurgaon by Haryana Urban Development Authority which is being executed through Rapid Metrorail Gurgaon Limited (RMGL), a special purpose entity. The Company has been awarded a construction contract for development of Metro Rail project by RMGL. The Company along with a consortium of IL&FS Transportation Networks Limited had been awarded a extension of Metrorail Project in Gurgaon by Haryana Urban Development Authority which is being executed through Rapid Metrorail Gurgaon South Limited (RMGSL) a special purpose entity.

Note No. 2 - Significant accounting policies

I Basis of preparation of Financial Statement:

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable. The financial statements have been prepared on accrual basis under the historical cost convention.

II Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reporting income and expenses during the reporting period. Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known/materialise.

III Fixed assets (Tangible / Intangible)

Fixed assets are carried at cost less accumulated depreciation / amortisation and impairment losses, if any. The cost of fixed assets comprises its purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure on making the asset ready for its intended use, other incidental expenses and interest on borrowings attributable to acquisition of qualifying fixed assets up to the date the asset is ready for its intended use. Subsequent expenditure on fixed assets after its purchase / completion is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

IL&FS RAIL LIMITED

Notes forming part of the financial statements

IV Depreciation and amortisation

The Company has adopted the Straight Line Method of depreciation so as to depreciate 100% of the cost of the following type of assets at rates higher than those prescribed under Schedule XIV to the Companies Act, 1956, based on the Management's estimate of useful life of such assets:

| Asset Type | Useful Life |
|------------------------------|-------------|
| Data processing equipment | 4 years |
| Specialised Office equipment | 3 years |
| Assets Provided to Employee: | 3 years |
| Softwares | 4 years |

Depreciation on fixed assets, other than on assets specified above, is provided for on the Written Down Value Method at the rates provided under Schedule XIV of the Companies Act, 1956. Depreciation is computed pro-rata from the date of acquisition of and up to the date of disposal.

All categories of assets costing less than Rs. 5,000 each, mobile phones and items of soft furnishing are fully depreciated in the year of purchase.

V Impairment of assets

The carrying values of assets / cash generating units at each balance sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

VI Foreign currency transactions

Initial recognition

Transactions in foreign currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Measurement at the balance sheet date

Foreign currency monetary items (other than derivative contracts) of the Company, outstanding at the balance sheet date are restated at the year-end rates. Non-monetary items of the Company are carried at historical cost.

Treatment of exchange differences

Exchange differences arising on settlement / restatement of short-term foreign currency monetary assets and liabilities of the Company are recognised as income or expense in the Statement of Profit and Loss.

Exchange difference on long-term foreign currency monetary items: The exchange differences arising on settlement / restatement of long-term foreign currency monetary items are capitalised as part of the depreciable fixed assets to which the monetary item relates and depreciated over the remaining useful life of such assets.

Accounting for forward contract:

Premium / discount on forward exchange contracts, which are not intended for trading or speculation purposes, are amortised over the period of the contracts if such contracts relate to monetary items as at the balance sheet date.

IL&FS RAIL LIMITED

Notes forming part of the financial statements

VII Revenue recognition

Revenue is recognised when it is realised or realisable and earned. Revenue is considered as realised or realisable and earned when it has persuasive evidence of an arrangement, delivery has occurred, the sales price is fixed or determinable and collectability is reasonably assured.

Revenue in respect of arrangements made for rendering services over a specific contractual term is recognised on a straight-line basis over the contractual term of the arrangement. In respect of arrangements which provide for an upfront payment followed by additional payments as certain conditions are met (milestone payments), the amount of revenue recognised is based on the services delivered in the period as stated in the contract. In respect of arrangements where fees for services rendered are success based (contingent fees), revenue is recognised only when the factor(s) on which the contingent fees is based actually occur.

Revenue from construction contracts is recognised according to the stage of completion of the contract, which depends on the proportion of costs incurred for the work performed till date to the total estimated contract costs provided the outcome of the contract can be reliably estimated. When the outcome of the contract cannot be reliably estimated but the overall contract is estimated to be profitable, revenue is recognised to the extent of recoverable costs. Any expected loss on a contract is recognised as an expense immediately. Revenue is not recognised when the concerns about collection are significant.

VIII Other income

Interest income is accounted on accrual basis. Dividend income is accounted for when the right to receive it is established.

IX Employee benefits

Employee benefits include provident fund, superannuation fund, gratuity fund and compensated absences.

a Short term

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service.

The cost of short-term compensated absences is accounted as under :

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non-accumulating compensated absences, when the absences occur.

b Long term

The Company has both defined-contribution and defined-benefit plans. Defined benefit plan has some assets in special funds or securities and plan is financed by the Company.

Defined contribution plans

The Company's contribution to provident fund and superannuation fund are considered as defined contribution plans and are charged as an expense based on the amount of contribution required to be made and when services are rendered by the employees.

Defined benefit plans

For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

Other employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the balance sheet date.

IL&FS RAIL LIMITED

Notes forming part of the financial statements

X Taxes on income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

XI Provisions and contingent liabilities

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes. Contingent assets are not recognised in the financial statements.

XII Segment reporting

The Company identifies primary segments based on the dominant source, nature of risks and returns and the internal organisation and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit / loss amounts are evaluated regularly by the executive Management in deciding how to allocate resources and in assessing performance.

XIII Borrowing costs

Borrowing costs include interest, amortisation of ancillary costs incurred and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss over the tenure of the loan. Borrowing costs, allocated to and utilised for qualifying assets, pertaining to the period from commencement of activities relating to construction / development of the qualifying asset upto the date of capitalisation of such asset are added to the cost of the assets. Capitalisation of borrowing costs is suspended and charged to the Statement of Profit and Loss during extended periods when active development activity on the qualifying assets is interrupted.

XIV Earnings Per Share

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date.

IL&FS RAIL LIMITED**Notes forming part of the financial statement****XV Leases**

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of Profit and Loss on a straight line basis over the lease term. Any compensation, according to agreement, that the lessee is obliged to pay to the lessor if the leasing contract is terminated prematurely is expensed during the period in which the contract is terminated.

XVI Cash and cash equivalents (for purposes of cash Flow Statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

XVII Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

XVIII Operating cycle

Based on the nature of services / activities of the Company, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.



IL&FS RAIL LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note No. 3 - Share Capital

| Particulars | As at 31 March, 2014 | | As at 31 March, 2013 | |
|---|----------------------|----------------------|----------------------|----------------------|
| | Number | Rupees | Number | Rupees |
| (a) Authorised | | | | |
| Equity Shares of Rs. 10/- each with voting rights | 460,000,000 | 4,600,000,000 | 260,000,000 | 2,600,000,000 |
| | 460,000,000 | 4,600,000,000 | 260,000,000 | 2,600,000,000 |
| (b) Issued, Subscribed and fully paid up | | | | |
| Equity Shares of Rs. 10/- each with voting rights | 392,300,000 | 3,923,000,000 | 208,800,000 | 2,088,000,000 |
| Total | 392,300,000 | 3,923,000,000 | 208,800,000 | 2,088,000,000 |

See notes (i) to (iv) below

Notes:

(i) Rights, preferences and restrictions attached to shares

The Company has issued one class of equity shares having face value of Rs. 10 each. Each shareholder is entitled to one vote per share. Dividend if proposed by the board of directors is subject to approval of the shareholders in Annual General Meeting. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(ii) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

| Particulars | For the year ended 31 March, 2014 | | For the year ended 31 March, 2013 | |
|---|-----------------------------------|---------------|-----------------------------------|---------------|
| | Number | Rupees | Number | Rupees |
| EQUITY SHARES WITH VOTING RIGHTS | | | | |
| Shares outstanding at the beginning of the year | 208,800,000 | 2,088,000,000 | 168,000,000 | 1,680,000,000 |
| Shares Issued during the year | 183,500,000 | 1,835,000,000 | 40,800,000 | 408,000,000 |
| Shares outstanding at the end of the year | 392,300,000 | 3,923,000,000 | 208,800,000 | 2,088,000,000 |

(iii) Details of Shares held by the holding company, ultimate holding Company, their subsidiaries and associates:

| Particulars | As at 31 March, 2014 | | As At March 31, 2013 | |
|--|----------------------|---------------|----------------------|---------------|
| | Number | Rupees | Number | Rupees |
| EQUITY SHARES HELD BY: | | | | |
| IL & FS Transportation Networks Limited, the holding company | 279,985,492 | 2,799,854,920 | 144,678,830 | 1,446,788,300 |

(iv) Details of shares held by each Shareholder holding more than 5% shares:

| Particulars | As at 31 March, 2014 | | As At March 31, 2013 | |
|---|----------------------|--------------|----------------------|--------------|
| | No. of Shares held | % of Holding | No. of Shares held | % of Holding |
| Equity Shares | | | | |
| IL & FS Transportation Networks Limited | 279,985,492 | 71.37% | 144,678,830 | 69.29% |
| Enso Infrastructures Private Limited | 99,729,368 | 25.42% | 51,536,030 | 24.68% |
| IL & FS Employees Welfare Trust | 12,585,090 | 3.21% | 12,585,090 | 6.03% |

IL&FS RAIL LIMITED**NOTES FORMING PART OF THE FINANCIAL STATEMENTS****Note No. 4 - Reserves and surplus**

| Particulars | As at 31 March, 2014 Rupees | As at 31 March, 2013 Rupees |
|--|-----------------------------------|-----------------------------------|
| (a) Surplus in Statement of Profit and Loss | | |
| Opening balance | 167,076,876 | 18,400,791 |
| Add: Profit for the year | 38,852,607 | 148,676,085 |
| Closing balance | <u>205,929,483</u> | <u>167,076,876</u> |

Note No. 5 - Long term provisions

| Particulars | As at 31 March, 2014 Rupees | As at 31 March, 2013 Rupees |
|--|-----------------------------------|-----------------------------------|
| (a) Provision for employee benefits | | |
| For Compensated absences | 957,664 | 944,410 |
| Total | <u>957,664</u> | <u>944,410</u> |

Note No. 6 - Trade payables

| Particulars | As at 31 March, 2014 Rupees | As at 31 March, 2013 Rupees |
|---|-----------------------------------|-----------------------------------|
| Trade payables (other than acceptances) | 747,260,302 | 295,103,555 |
| Total | <u>747,260,302</u> | <u>295,103,555</u> |

Note:

According to the records available with the Company, there were no dues payable to entities that are classified as Micro and Small Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 during the year. Hence disclosures, if any, relating to amounts unpaid as at the year end together with the interest paid / payable as required under the said act have not been given.



IL&FS RAIL LIMITED**NOTES FORMING PART OF THE FINANCIAL STATEMENTS****Note No. 7 - Other current liabilities**

| Particulars | As at 31 March, 2014 Rupees | As at 31 March, 2013 Rupees |
|---|--|--|
| (a) Mobilisation advance from customers | - | 29,421,810 |
| (b) Other liabilities | | |
| (i) Income received in advance | 307,869,026 | - |
| (ii) Statutory dues | 27,660,303 | 19,882,087 |
| Total | 335,529,329 | 49,303,897 |

Note No. 8- Short-term provisions

| Particulars | As at 31 March, 2014 Rupees | As at 31 March, 2013 Rupees |
|---|--|--|
| (a) Provision for employee benefits | | |
| For Compensated absences | 11,063,812 | 8,601,487 |
| For Gratuity | 247,792 | - |
| (b) Others | - | 26,509,550 |
| Provision for tax (Net of Advance tax Previous year -Rs. 51,490,450) | | |
| Total | 11,311,604 | 35,111,037 |



IL&FS RAIL LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note No. 9 - Fixed assets

| Particulars | Gross Block | | | | Accumulated Depreciation | | | | Net Block | |
|---|---------------------------|--------------------------|--------------------------|----------------------------|--------------------------|----------------------------|--------------------------|--------------------------|---------------------------|--------------------------|
| | As at 1 April 2013 | Additions | Disposals | As at 31 March, 2014 | As at 1 April 2013 | Depreciation/a mortisation | On Disposals | As at 31 March, 2014 | As at 31 March, 2014 | As at March 31, 2013 |
| A. Tangible assets | | | | | | | | | | |
| (a) Plant and Equipment (Previous year) | 71,738 (71,738) | - - | - - | 71,738 (71,738) | 13,003 (3,514) | 8,170 (9,489) | - - | 21,173 (13,003) | 50,565 (58,735) | 58,735 (68,224) |
| (b) Furniture and Fixtures (Previous year) | 630,881 (530,018) | 516,518 (160,609) | - (59,746) | 1,147,399 (630,881) | 208,573 (173,143) | 129,964 (90,385) | - (54,955) | 338,537 (208,573) | 808,862 (422,308) | 422,308 (356,875) |
| (c) Vehicles (Previous year) | 14,007,597 (7,395,881) | 4,347,527 (9,318,511) | 1,251,932 (2,706,795) | 17,103,192 (14,007,597) | 4,462,059 (3,188,866) | 3,138,473 (2,829,364) | 1,004,164 (1,556,171) | 6,596,368 (4,462,059) | 10,506,824 (9,545,538) | 9,545,538 (4,207,015) |
| (d) Office Equipment (Previous year) | 1,239,806 (1,626,017) | 518,375 (103,799) | - (490,010) | 1,758,181 (1,239,806) | 781,317 (1,078,223) | 472,005 (191,859) | - (488,765) | 1,253,322 (781,317) | 504,859 (458,489) | 458,489 (547,794) |
| (e) Data Processing Equipment (Previous year) | 3,259,680 (2,585,877) | 857,275 (713,778) | 164,920 (39,975) | 3,952,035 (3,259,680) | 2,128,411 (1,312,106) | 711,904 (839,524) | 164,920 (23,219) | 2,675,395 (2,128,411) | 1,276,640 (1,131,269) | 1,131,269 (1,273,771) |
| Total | 19,209,702 | 6,239,695 | 1,416,852 | 24,032,545 | 7,593,363 | 4,460,516 | 1,169,084 | 10,884,795 | 13,147,750 | 11,616,339 |
| (Previous Year) | (12,209,531) | (10,296,697) | (3,296,526) | (19,209,702) | (5,755,852) | (3,960,621) | (2,123,110) | (7,593,363) | (11,616,339) | (6,453,679) |
| B. Intangible assets | | | | | | | | | | |
| (a) Software | 205,726 | 185,047 | - | 390,773 | 106,055 | 73,203 | - | 179,258 | 211,515 | 99,671 |
| (Previous Year) | (126,156) | (79,570) | - | (205,726) | (63,670) | (42,385) | - | (106,055) | (99,671) | (62,486) |

Total depreciation and amortisation

| | |
|-------------------|------------------|
| Tangible assets | 4,460,516 |
| Intangible assets | 73,203 |
| | <u>4,533,719</u> |

IL&FS RAIL LIMITED**NOTES FORMING PART OF THE FINANCIAL STATEMENTS****Note No. 10 - Non - current investments**

| Particulars | As at 31 March, 2014 Rupees | As at 31 March, 2013 Rupees |
|--|-----------------------------------|-----------------------------------|
| Investments (at cost): | | |
| Trade | | |
| (a) Investments in Equity Instruments (Unquoted, fully paid up) | | |
| (i) of subsidiaries (see note below) | | |
| a. Rapid Metrorail Gurgaon South Limited 105,332,440 (Previous year 32440) equity shares of Rs. 10/- each, fully paid-up | 1,053,324,400 | 324,400 |
| b. Rapid Metrorail Gurgaon Limited 29,14,45,000 (Previous year 50,000) Equity shares of Rs. 10/- each | 2,914,450,000 | 500,000 |
| (b) Investments in Preference Shares (Unquoted, fully paid up) | | |
| (i) of associates | | |
| Rapid Metrorail Gurgaon Limited (previous year 184,977,000) 0% Compulsory Convertible Preference Shares (CCPS) of Rs.10/- each | | 1,849,770,000 |
| Total | 3,967,774,400 | 1,850,594,400 |

Note : Rapid MetroRail Gurgaon Limited was an associate Company as at 31 March, 2013. It become subsidiary with effect from 29 November, 2013 on conversion of CCPS into equity shares.

Note No. 11 - Deferred tax assets

In compliance with the Accounting Standard relating to "Accounting for Taxes on Income" (AS- 22), the Company has recognised deferred tax Asset (Net) arising on account of timing differences. Major components of deferred tax assets arising on account of timing differences are:

| Tax impact of items constituting deferred tax assets | As at 31 March, 2014 | As at 31 March, 2013 |
|---|-------------------------|-------------------------|
| In respect of difference in book and tax depreciation | 901,415 | 664,689 |
| In respect of provision for employee benefits | 3,980,597 | 3,207,356 |
| Deferred tax assets | 4,882,012 | 3,872,045 |

IL&FS RAIL LIMITED**NOTES FORMING PART OF THE FINANCIAL STATEMENTS****Note No. 12 - Long - term loans and advances**

| Particulars | As at 31 March, 2014 Rupees | As at 31 March, 2013 Rupees |
|---|-----------------------------------|-----------------------------------|
| <u>Unsecured, considered good</u> | | |
| (a) Security Deposits: Other than related parties | 726,000 | 726,000 |
| (b) Loans and advances to related party Advance against share capital | - | 225,500,000 |
| (c) Loans and advances to employees | 3,510,108 | 1,978,438 |
| (d) Prepaid expenses | 22,344,372 | 16,109,811 |
| (e) Advance income tax (Net of Provision for tax Rs.12,28,68,837; Previous year -Rs. 20,987,321) | 43,168,370 | 29,687,524 |
| Total | <u>69,748,850</u> | <u>274,001,773</u> |

Note:

Long term loans and advances include amounts due from:

| | | |
|-----------------------------|------------------|----------------|
| (i) Officers of the Company | <u>2,382,606</u> | <u>353,876</u> |
|-----------------------------|------------------|----------------|

Note No. 13 - Other non - current assets

| Particulars | As at 31 March, 2014 Rupees | As at 31 March, 2013 Rupees |
|---|-----------------------------------|-----------------------------------|
| <u>Unsecured, considered good</u> | | |
| (a) Accruals Interest accrued on deposits | 1,772,412 | 1,523,294 |
| (b) Others Fixed deposit with bank under lien | 75,200,000 | 75,000,000 |
| Total | <u>76,972,412</u> | <u>76,523,294</u> |

IL&FS RAIL LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note No. 14 - Trade receivables

| Particulars | As at 31 March, 2014 Rupees | As at 31 March, 2013 Rupees |
|---|-----------------------------------|-----------------------------------|
| <u>Unsecured, considered good</u> | | |
| (a) Debts outstanding for period exceeding six months from the date they were due for payment | 551,871,573 | - |
| (b) Others | 479,906,913 | 71,830,423 |
| | <u>1,031,778,486</u> | <u>71,830,423</u> |

Note No. 15 - Cash and bank balances

| Particulars | As at 31 March, 2014 Rupees | As at 31 March, 2013 Rupees |
|--|-----------------------------------|-----------------------------------|
| A. Cash and cash equivalents | | |
| (a) Cash on hand | 5,827 | 2,606 |
| (b) Balances with banks - In current accounts | 11,497,059 | 47,220,487 |
| Total - Cash and cash equivalents (A) | <u>11,502,886</u> | <u>47,223,093</u> |
| B. Other bank balances | | |
| (a) In earmarked accounts - In fixed deposits | - | 2,500,000 |
| Total - Other bank balances (B) | <u>-</u> | <u>2,500,000</u> |
| Total - Cash and bank balances (A+B) | <u>11,502,886</u> | <u>49,723,093</u> |
| Of the above, the balances that meet the definition of cash and cash equivalents as per AS 3 Cash Flow Statement | <u>11,502,886</u> | <u>47,223,093</u> |

Note No. 16 - Short - term loans and advances

| Particulars | As at 31 March, 2014 Rupees | As at 31 March, 2013 Rupees |
|--|-----------------------------------|-----------------------------------|
| <u>Unsecured, considered good</u> | | |
| (a) Loans and advances to related parties | - | 24,347,631 |
| (b) Inter corporate deposit to a fellow subsidiary | 31,295,814 | - |
| (c) Loans and advances to employees | 1,698,494 | 1,259,415 |
| (d) Advance to vendors | 13,502,193 | 50,098,761 |
| (e) Prepaid expenses | 1,002,655 | 1,579,567 |
| (f) Service Tax credit receivable | 429,090 | 54,628 |
| (g) Advance gratuity | - | 109,723 |
| Total | <u>47,928,246</u> | <u>77,449,725</u> |

Note No. 17 - Other current assets

| Particulars | As at 31 March, 2014 Rupees | As at 31 March, 2013 Rupees |
|--|-----------------------------------|-----------------------------------|
| <u>Unsecured, considered good</u> | | |
| (a) Unbilled revenue | - | 219,746,336 |
| (b) Interest accrued but not due on deposits | 41,825 | 82,676 |
| Total | <u>41,825</u> | <u>219,829,012</u> |

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IL&FS RAIL LIMITED**NOTES FORMING PART OF THE FINANCIAL STATEMENTS****Note No. 18 - Revenue from operations**

| Particulars | For the year ended 31 March, 2014 Rupees | For the year ended 31 March, 2013 Rupees |
|------------------------------|---|---|
| (a) Sale of services | | |
| Construction contract income | 2,745,839,743 | 2,054,791,232 |
| Total | 2,745,839,743 | 2,054,791,232 |

Note No. 19 - Other income

| Particulars | For the year ended 31 March, 2014 Rupees | For the year ended 31 March, 2013 Rupees |
|---|---|---|
| (a) Interest income | | |
| Interest on Intercorporate deposits | 7,793,276 | 14,723,578 |
| Interest on fixed deposit | 7,019,218 | 9,923,114 |
| Interest on short term loan | 9,446,491 | 8,071,153 |
| Interest on income tax refund | 2,248,947 | 2,346,069 |
| Interest - others | 158,392 | 133,637 |
| (b) Net gain on foreign currency transactions/transalation | - | 878,066 |
| (c) Other non-operating income | 500,368 | 2,000 |
| Total | 27,166,692 | 36,077,617 |

Note No. 20 - Cost of materials consumed

| Particulars | For the year ended 31 March, 2014 Rupees | For the year ended 31 March, 2013 Rupees |
|------------------------------------|---|---|
| (a) Material and Components | 595,658,974 | 176,984,593 |
| Total | 595,658,974 | 176,984,593 |

Note No. 21 - Construction cost

| Particulars | For the year ended 31 March, 2014 Rupees | For the year ended 31 March, 2013 Rupees |
|---|---|---|
| (a) Sub-contractors charges for civil construction and other related works | 1,824,328,518 | 1,481,675,707 |
| Total | 1,824,328,518 | 1,481,675,707 |

Note No. 22 - Employee benefits expense

| Particulars | For the year ended 31 March, 2014 Rupees | For the year ended 31 March, 2013 Rupees |
|--|---|---|
| (a) Salaries and wages | 178,682,452 | 106,355,018 |
| (b) Contribution to provident and other funds | 18,322,766 | 14,514,264 |
| (c) Staff welfare expenses | 2,733,070 | 2,761,761 |
| Total | 199,738,288 | 123,631,043 |

IL&FS RAIL LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note No. 23 - Finance costs

| Particulars | For the year ended 31 March, 2014 Rupees | For the year ended 31 March, 2013 Rupees |
|-------------------------------------|--|--|
| (a) Interest expenses | | |
| Interest on short term loan | 8,280,822 | - |
| Interest on share application money | 1,215,961 | - |
| Total | 9,496,783 | - |

Note No. 24 - Other expenses

| Particulars | For the year ended 31 March, 2014 Rupees | For the year ended 31 March, 2013 Rupees |
|---|--|--|
| Legal and professional fees | 7,411,392 | 14,450,158 |
| Travelling and conveyance | 10,771,043 | 9,180,175 |
| Rent | 17,569,113 | 13,864,810 |
| Registration expenses | 6,921,732 | 3,507,668 |
| Rates and taxes | 527,175 | 24,361 |
| Repair and maintenance- others | 1,584,908 | 1,328,703 |
| Office maintenance | 6,029,762 | 4,376,207 |
| Communication expenses | 1,715,085 | 1,380,507 |
| Insurance charges | 2,432,894 | 1,518,133 |
| Power and fuel | 1,178,649 | 709,253 |
| Vehicle running and maintenance expenses | 1,092,289 | 852,630 |
| Auditor's remuneration (Refer Note (i) below) | 1,941,003 | 1,162,968 |
| Works contract tax | - | 13,860,000 |
| Directors' fees | 797,756 | 289,776 |
| Business promotion expenses | 1,531,155 | 829,024 |
| Donations | 700,000 | 500,000 |
| Wealth tax | 80,000 | 81,000 |
| Royalty expenses | 12,677,740 | 5,994,672 |
| Loss on sale of fixed assets (net) | 2,768 | 25,624 |
| Bank charges | 4,876 | 611,383 |
| Miscellaneous expenses | 2,438,173 | 4,364,561 |
| Total | 77,407,513 | 78,911,613 |

Notes:

(i) Auditors' remuneration comprises:

| | | |
|----------------------------|------------------|------------------|
| a. Statutory audit fee | 1,400,000 | 1,000,000 |
| b. Out of pocket expenses | 57,486 | 35,037 |
| c. Fees for other services | 270,000 | - |
| d. Service Tax | 213,517 | 127,931 |
| | 1,941,003 | 1,162,968 |

IL&FS RAIL LIMITED**NOTES FORMING PART OF THE FINANCIAL STATEMENTS****Note No. 25 - Contingent liabilities and commitments (to the extent not provided for)**

| Particulars | As at 31 March, 2014 Rupees | As at 31 March, 2013 Rupees |
|--|-----------------------------------|-----------------------------------|
| (a) Contingent Liabilities | | |
| (i) Income tax demand | 11,811,570 | - |
| (ii) Guarantees/counter guarantees (non-financial) issued in respect of a subsidiary Company | 500,000,000 | 500,000,000 |
| | <u>511,811,570</u> | <u>500,000,000</u> |

Note No. 26 - Value of imports calculated on CIF basis

| | For the year ended 31 March, 2014 Rupees | For the year ended 31 March, 2013 Rupees |
|-----------------------------|---|---|
| (a) Material and components | 418,754,326 | 118,063,183 |
| (b) Construction costs | 106,526,953 | - |
| | <u>525,281,279</u> | <u>118,063,183</u> |

Note No. 27 - Expenditure in foreign currency

| | For the year ended 31 March, 2014 Rupees | For the year ended 31 March, 2013 Rupees |
|----------------|---|---|
| (a) Travelling | 848,245 | 927,027 |
| | <u>848,245</u> | <u>927,027</u> |

Note No. 28 - Foreign currency exposure

The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise is as under:

| | As at 31 March, 2014 Rupees | As at 31 March, 2013 Rupees |
|-------------------------|-----------------------------------|-----------------------------------|
| Payables | | |
| Foreign currency - Euro | 2,992,464 | - |
| Indian Rupee equivalent | 247,895,520 | - |
| Foreign currency - USD | 4,615,419 | - |
| Indian Rupee equivalent | 277,385,759 | - |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note No. 29 - Earnings per equity share

| Particulars | Unit | For The Year Ended March 31, 2014 | For The Year Ended March 31, 2013 |
|--|---------|--------------------------------------|--------------------------------------|
| (a) Earnings per equity shares: | | | |
| Net profit after tax | Rupees | 38,852,607 | 148,676,085 |
| Weighted average number of equity shares outstanding during the year | Numbers | 305,844,281 | 175,042,192 |
| Nominal Value of Equity Shares | Rupees | 10.00 | 10.00 |
| Basic Earnings per Share | Rupees | 0.13 | 0.85 |
| Equity shares used to compute diluted earnings per share | Numbers | 305,844,281 | 175,042,192 |
| Diluted Earnings per Share | Rupees | 0.13 | 0.85 |

Note No. 30 - Construction contracts

In accordance with the Accounting Standard 7 on 'Construction Contracts', the break-up of the contracts in progress at the reporting date is as under:

| Particulars | For The Year Ended March 31, 2014 | For The Year Ended March 31, 2013 |
|---|--------------------------------------|--------------------------------------|
| Details of contract revenue and costs | | |
| 1 Revenue recognised during the year | 2,745,839,743 | 2,054,791,232 |
| 2 Aggregate of contract costs incurred and recognised profits upto the reporting date | 7,388,653,839 | 4,642,814,096 |
| 3 Advances received | - | 29,421,810 |
| 4 Gross amount due from customers for contract work | 1,031,778,486 | 71,830,423 |

Note No. 31 - Segment reporting

The Company is engaged in infrastructure development and thus operates in a single business segment. The Company operates in a single geographic segment. In the absence of separate reportable business or geographic segments the disclosures required under the Accounting Standard (AS) 17 on "Segment Reporting" have not been made.

Note No. 32 - Leasing arrangements

The Company has entered into Operating Lease arrangements of business centre. The minimum future lease payments during non-cancellable periods under the foregoing arrangements in the aggregate for each of the following periods is as follows:

| | As at 31 March, 2014 Rupees | As at 31 March, 2013 Rupees |
|---|-----------------------------------|-----------------------------------|
| (i) not later than one year | 8,894,988 | - |
| (ii) later than one year and not later than 5 years | 19,272,475 | - |
| (iii)) later than five years | - | - |

Lease payments recognised in the statement of profit and loss is Rs. 5,994,449 (Previous year Rs. Nil).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note No. 33 - Employee benefits

Employee Benefit Obligations:

Defined-Contribution Plans

The Company offers its employees defined contribution plan in the form of provident fund, family pension fund and superannuation fund. Provident fund, family pension fund and superannuation fund cover all regular employees. Contributions are paid during the year into separate funds under certain statutory / fiduciary-type arrangements. While both the employees and the Company pay predetermined contributions into the provident fund and pension fund, the contributions to superannuation fund are made only by the Company. The contributions are normally based on a certain proportion of the employee's salary. The Company recognised Rs. 6,458,971 (previous year Rs. 5,327,260) for Provident Fund contributions and Rs. 6,607,216 (previous year Rs. 5,321,123) for superannuation fund contributions in the Statement of Profit and Loss.

Defined-Benefits Plans

The Company offers its employees defined-benefit plans in the form of a gratuity scheme (a lump sum amount). Benefits under the defined benefit plans are based on years of service and the employee's compensation (immediately before separation). The gratuity scheme covers all regular employees. In the case of the gratuity scheme, the Company contributes to a trust administered by HDFC Standard Life Insurance. Commitments are actuarially determined at year-end. Actuarial valuation is done based on "Projected Unit Credit" method. Gains and losses of changed actuarial assumptions are charged to the Statement of Profit and Loss.

i. Change in benefit obligation

| | 31 March, 2014 | 31 March, 2013 |
|--|-----------------------|-----------------------|
| | Rupees | Rupees |
| Present value of obligation at the beginning of the year | 12,144,295 | 7,723,386 |
| Current service cost | 4,762,712 | 3,688,135 |
| Interest expenses | 891,232 | 609,132 |
| Actuarial (gain) / loss | 676,168 | 342,117 |
| Benefits paid | (2,007,800) | (218,475) |
| Present value of obligations at the end of the year | 16,466,607 | 12,144,295 |

ii. Fair value of Plan Assets

| | 31 March, 2014 | 31 March, 2013 |
|--|-----------------------|-----------------------|
| | Rupees | Rupees |
| Fair value of plan assets at the beginning of the year | 12,254,018 | 7,419,652 |
| Expected return on plan assets | 1,138,913 | 786,947 |
| Contributions by the Company | 4,899,064 | 4,239,898 |
| Benefits paid | (2,007,800) | (218,475) |
| Actuarial (gain) / loss | (65,380) | 25,996 |
| Fair value of plan assets at the end of the year | 16,218,815 | 12,254,018 |

iii. Return on Plan Assets

| | 31 March, 2014 | 31 March, 2013 |
|--------------------------------|-----------------------|-----------------------|
| | Rupees | Rupees |
| Expected return on plan assets | 1,138,913 | 786,947 |
| Actuarial gain/(loss) | (65,380) | 25,996 |
| Actual return on plan assets | 1,073,533 | 812,943 |

| iv. Amount recognised in the Balance Sheet | 31 March, 2014 | 31 March, 2013 |
|---|-----------------------|-----------------------|
| | Rupees | Rupees |
| Present value of defined benefit obligations | 16,466,607 | 12,144,295 |
| Fair value of Plan Assets | <u>16,218,815</u> | <u>12,254,018</u> |
| Net liability/(asset) recognised in the balance sheet | 247,792 | (109,723) |

| v. Expenses recognised in Statement of Profit and Loss | 31 March, 2014 | 31 March, 2013 |
|---|-----------------------|-----------------------|
| | Rupees | Rupees |
| Current service costs | 4,762,712 | 3,688,135 |
| Interest expense | 891,232 | 609,132 |
| Expected return on investment | (1,138,913) | (786,947) |
| Net actuarial gain/(loss) recognized during the year | 741,549 | 316,121 |
| Expenditure recognized in statement of Profit and Loss | 5,256,579 | 3,826,441 |

| vi. Balance Sheet reconciliation | 31 March, 2014 | 31 March, 2013 |
|---|-----------------------|-----------------------|
| | Rupees | Rupees |
| Net liability/(asset) at the beginning of the year | (109,723) | 303,734 |
| Expenses as above | 5,256,579 | 3,826,441 |
| Contribution paid | <u>(4,899,064)</u> | <u>(4,239,898)</u> |
| Net liability/(asset) at the end of the year | 247,792 | (109,723) |

The actuarial calculations used to estimate defined benefit commitments and expenses are based on the following assumptions, which if changed, would affect the defined benefit commitment's size, funding requirements and expense.

| vii. Principal actuarial assumptions | 31 March, 2014 | 31 March, 2013 |
|---|---|---|
| Rate for discounting liabilities | 8.00% p.a. | 8.00% p.a. |
| Expected salary increase rate | 6.50% p.a. | 6.50% p.a. |
| Expected return on scheme assets | 8.00% p.a. | 8.00% p.a. |
| Attrition rate | 2.00% p.a. | 2.00% p.a. |
| Mortality table used | Indian Assured Lives Mortality (2006-08) Ultimate | Indian Assured Lives Mortality (2006-08) Ultimate |

| viii. Experience adjustment | 31 March, 2014 | 31 March, 2013 | 31 March, 2012 |
|-------------------------------------|-----------------------|-----------------------|-----------------------|
| | Rupees | Rupees | Rupees |
| Present value of DBO | (16,466,607) | (12,144,295) | (7,723,386) |
| Fair value of plan assets | 16,218,815 | 12,254,018 | 7,419,652 |
| Funded status [Surplus / (Deficit)] | (247,792) | 109,723 | (303,734) |
| On obligations - (Gain) / Loss | 676,168 | 342,117 | 577,280 |
| On plan asset - Gain / (Loss) | (65,380) | 25,996 | (119,296) |

The Employer's best estimate of the contributions expected to be paid to the plan during the next 12 months Rs. 4,899,064 (Previous year Rs. 4,717,235)

The entire amount is funded with the HDFC Standard Life insurance

The plan assets are managed by the HDFC Standard Life Insurance and the Company does not have details as to the investment pattern.

The estimates of future salary increases, considered in the actuarial valuation, take into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market. The above information is certified by the actuary and relied upon by the Auditors.

IL&FS RAIL LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENT:

Note No. 34 - Related party disclosure:

Disclosures as required by the Accounting Standard (AS) 18 – "Related Part

A. Name of the related parties and nature of relationship (With whom the Company has transactions during the year):

| | |
|--|--|
| Ultimate Holding Company: | Infrastructure Leasing & Financial Services Limited |
| Holding Company: | IL&FS Transportation Networks Limited |
| Fellow Subsidiaries: | Rapid Metrorail Gurgaon Limited (upto 28 November, 2013) IL&FS Financial Services Limited |
| Subsidiary | Rapid Metrorail Gurgaon South Limited Rapid Metrorail Gurgaon Limited (from 29 November, 2013) |
| Associates | IL&FS Engineering and Construction Company Limited IL&FS Technologies Limited |
| Companies with ability to exercise significant influence | ENSO Infrastructure Private Limited |
| Key Management Person (KMP): | Mr. Sanjiv Rai (Managing Director and CEO) Mr. Jagdish Aggarwal (CFO & Company secretary) Mr. Tarun Kr. Banerjee (Group CFO) |

| Particulars | Holding / Ultimate Holding Company | Subsidiary/Fellow subsidiary | Associates | Companies Having Significant Influence | Key Managerial Personnel |
|--|------------------------------------|----------------------------------|------------|--|--------------------------|
| B. Transactions during the year | | | | | |
| Shares capital issued | | | | | |
| IL&FS Transportation Networks Limited | 1,353,066,620 (282,703,200) | - (-) | - (-) | - (-) | - (-) |
| ENSO Infrastructure Private Limited | - (-) | - (-) | - (-) | 481,933,380 (100,694,400) | - (-) |
| Long term investments made | | | | | |
| Rapid Metrorail Gurgaon Limited | - (-) | 1,064,180,000 (907,270,000) | - (-) | - (-) | - (-) |
| Rapid Metrorail Gurgaon South Limited | - (-) | 1,053,000,000 (324,400) | - (-) | - (-) | - (-) |
| Construction Income | | | | | |
| Rapid Metrorail Gurgaon Limited | - (-) | 1,432,767,284 (1,936,229,424) | - (-) | - (-) | - (-) |
| IL&FS Transportation Networks Limited | 1,840,687,821 (-) | - (-) | - (-) | - (-) | - (-) |

On

| Particulars | Holding / Ultimate Holding Company | Subsidiary/ Fellow subsidiary | Associates | Companies Having Significant Influence | Key Managerial Personnel |
|---|------------------------------------|-------------------------------|------------------------------|--|----------------------------|
| Operating Expenses | | | | | |
| Infrastructure Leasing & Financial Services Limited | 17,641,209 (5,994,672) | - (-) | - (-) | - (-) | - (-) |
| IL&FS Technologies Limited | - (-) | - (-) | 1,215,290 (861,506) | - (-) | - (-) |
| Rapid Metrorail Gurgaon Limited | - (-) | 27,351,489 (26,581,185) | - (-) | - (-) | - (-) |
| IL&FS Engineering and Construction Company Limited | - (-) | - (-) | 405,155,105 (549,850,767) | - (-) | - (-) |
| Reimbursement of expenses: | | | | | |
| Rapid Metrorail Gurgaon South Limited | - (-) | 3,535,010 (23,847,631) | - (-) | - (-) | - (-) |
| Managerial remuneration | | | | | |
| Mr. Sanjiv Rai | - (-) | - (-) | - (-) | - (-) | 58,473,274 (32,942,632) |
| Mr. Jagdish Aggarwal (CFO) | - (-) | - (-) | - (-) | - (-) | 12,029,876 (6,768,673) |
| Mr. Tarun Kr. Banerjee (Group CFO) | - (-) | - (-) | - (-) | - (-) | 3,893,917 (-) |
| Inter Corporate Deposits placed | | | | | |
| Infrastructure Leasing & Financial Services Limited | 813,590,135 (1,182,430,027) | - (-) | - (-) | - (-) | - (-) |
| IL&FS Financial Services Limited | - (-) | 145,000,000 (160,201,946) | - (-) | - (-) | - (-) |
| Inter Corporate Deposits received back | | | | | |
| Infrastructure Leasing & Financial Services Limited | 792,294,321 (1,855,733,305) | - (-) | - (-) | - (-) | - (-) |
| IL&FS Financial Services Limited | - (-) | 135,000,000 (160,201,946) | - (-) | - (-) | - (-) |
| Interest earned | | | | | |
| Infrastructure Leasing & Financial Services Limited | 7,432,728 (14,003,753) | - (-) | - (-) | - (-) | - (-) |
| IL&FS Transportation Networks Limited | 8,547,945 (7,786,987) | - (-) | - (-) | - (-) | - (-) |
| IL&FS Financial Services Limited | - (-) | 360,548 (719,825) | - (-) | - (-) | - (-) |
| Interest Paid | | | | | |
| IL&FS Financial Services Limited | - (-) | 8,280,822 (-) | - (-) | - (-) | - (-) |
| Short term loan giver | | | | | |
| IL&FS Transportation Networks Limited | 2,850,000,000 (640,000,000) | - (-) | - (-) | - (-) | - (-) |
| Short term loan taken | | | | | |
| IL&FS Financial Services Limited | - (-) | 2,850,000,000 (-) | - (-) | - (-) | - (-) |
| Short term loan received back | | | | | |
| IL&FS Transportation Networks Limited | 2,850,000,000 (640,000,000) | - (-) | - (-) | - (-) | - (-) |
| Short term loan re-paid | | | | | |
| IL&FS Financial Services Limited | - (-) | 2,850,000,000 (-) | - (-) | - (-) | - (-) |
| Gurantees issued | | | | | |
| Rapid Metrorail Gurgaon South Limited | - (-) | - (500,000,000) | - (-) | - (-) | - (-) |
| Notes: | | | | | |
| 1. Amount in brackets represent previous year figures | | | | | |

Oh

C.

| Particulars | Holding / Ultimate Holding Company | Subsidiary/ Fellow subsidiary | Associates | Companies Having Significant Influence | Key Managerial Personnel |
|---|--|-------------------------------------|----------------------------|---|--------------------------------|
| Balances at year end Trade payables | | | | | |
| Infrastructure Leasing & Financial Services Limited | 3,190,582 (1,321,198) | - (-) | - (-) | - (-) | - (-) |
| IL&FS Engineering and Construction Company Limited | - (-) | - (-) | 70,896,385 (33,899,917) | - (-) | - (-) |
| Mobilisation advance received Rapid Metrorail Gurgaon Limited | - (-) | - (29,421,810) | - (-) | - (-) | - (-) |
| Short-term loans and advances (Asset) | | | | | |
| Rapid Metrorail Gurgaon South Limited | - (-) | - (24,347,631) | - (-) | - (-) | - (-) |
| Long-term loans and advances (Asset) | | | | | |
| Rapid Metrorail Gurgaon South Limited | - (-) | - (225,500,000) | - (-) | - (-) | - (-) |
| Trade receivables | | | | | |
| Rapid Metrorail Gurgaon Limited | - (-) | 336,317,591 (71,830,423) | - (-) | - (-) | - (-) |
| IL&FS Transportation Networks Limited | 695,460,895 (-) | - (-) | - (-) | - (-) | - (-) |
| Inter Corporate Deposits (Asset) | | | | | |
| Infrastructure Leasing & Financial Services Limited | 21,295,814 (-) | - (-) | - (-) | - (-) | - (-) |
| IL&FS Financial Services Limited | - (-) | 10,000,000 (-) | - (-) | - (-) | - (-) |
| Long term investments | | | | | |
| Rapid Metrorail Gurgaon Limited | - (-) | 2,914,450,000 (1,850,270,000) | - (-) | - (-) | - (-) |
| Rapid Metrorail Gurgaon South Limited | - (-) | 1,053,324,400 (324,400) | - (-) | - (-) | - (-) |
| Gurantees issued | | | | | |
| Rapid Metrorail Gurgaon South Limited | - (-) | 500,000,000 (500,000,000) | - (-) | - (-) | - (-) |

Amount in brackets represent balances as on March 31, 201

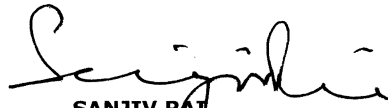
IL&FS RAIL LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note No. 35

Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

For and on behalf of the Board



SANJIV RAI
Managing Director
(DIN - 02076385)



DEEPAK DASGUPTA
Director
(DIN - 00457925)



JAGDISH AGGARWAL
Chief Financial Officer & Company Secretary

Place: Gurgaon
Date: 21st April, 2014

