

ITNL ENSO Rail Systems Limited

ANNUAL REPORT

2009-10

DIRECTORS' REPORT

The Shareholders
ITNL ENSO Rail Systems Limited

Your Directors have pleasure in presenting the Second Annual Report along with the Audited Accounts for the period ended 31st March 2010

FINANCIAL RESULTS

The financial results of the Company are as under:

	As on March 31,2009 (Rs.)	As on March 31, 2010 (Rs.)
Total Income	18,40,009	7,78,24,960
Total Expenses	6,51,55,417	8,33,51,827
Profit/(Loss) for the period	(6,33,15,408)	(55,26,867)
Less: Provision for Tax (FBT)	3,89,199	-
Add: Deferred Tax	-	423310
Profit/(Loss) after Tax carried forward to Balance sheet	(6,37,04,607)	(51,03,557)

DIVIDEND

Your Directors regret their inability to recommend any dividend in view of losses incurred during the year.

OPERATIONS

Background

The primary object of the company is to develop metro rail projects in domestic and international market and in this regard the Company is making continuous efforts to get new projects as and when new projects are announced by the Government and other public Authorities.

About the Project

As a first step in this direction, the Company through its SPV Rapid Metrorail Gurgaon Ltd. had signed a 99 years Concession Contract (CC) with HUDA on 9th December 2009. Most of the requisite approvals required for the project have been received and approval of Ministry of Urban Development Authority is expected to be received soon. Members will be glad to know that financial closure of the project is likely to be completed by early June, 2010 thereby paving the way for early commencement of the construction work of the project.

To enable the construction on the project to start, Notice to Proceed (NTP) to project contractors will be issued immediately after achieving financial closure. The project is expected to be completed in 30 months time.

SHARE CAPITAL

The Issued and Subscribed Equity Share Capital of the Company as on March 31, 2010, was Rs. 20,00,00,000/-.

The current Authorised Share Capital of the Company is Rs 40,00,00,000 (Rupees Forty Crores) divided into 4,00,00,000 (Four Crores) Equity Shares of Rs 10/- each. In order to enable the Company to make further issue of Equity Shares to the existing shareholders, the Company is in a process of increasing its Authorised Share Capital from Rs. 40,00,00,000(Rupees Forty Crores) to Rs.80,00,00,000(Rupees Eighty Crores).

DIRECTORS

In terms of the provisions of Section 256 of the Companies Act, 1956, (the Act) Mr R L Kabra, Mr M.D.Khattar and Mr Sanjiv Rai, Directors of the Company retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment

Mr. Ramesh D Shah was appointed Additional Director of the Company at the meeting of the Board of Directors held on February 9, 2010.

In accordance with the provisions of the Section 260 of the Companies Act, 1956, the above directors who hold the office upto the date of this Annual General Meeting be and are hereby appointed as the directors of the Company.

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

Mr Vinay Maloo, Director of the Company had submitted his resignation on 8th February 2010

Mr Jagdish Aggarwal, Manager of the Company had resigned w.e.f 31st March 2010

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

Messrs 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

CORPORATE GOVERNANCE

Four Board Meetings were held during the year under review. These meetings were held on May 5, 2009, August 19, 2009, November 12, 2009 and February 9, 2010. The number of meetings attended by the Directors is as under:

Director	No of Board Meetings attended
Mr K Ramchand	3
Mr Mukund Sapre	3
Mr Vinay Maloo	0
Mr Sanjiv Rai	4
Mr M D Khattar	3

Mr R L Kabra	4
Mr Cherian George	4

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

Audit Committee

The Audit Committee comprises of 3 Non-Executive Directors, namely, Mr R L Kabra, Mr. Sanjiv Rai & Cherian George as members. The Audit Committee met four times during the year under review

Management Committee

The Management Committee comprises of 3 Directors, namely, Mr K Ramchand, Mr Vinay Maloo and Mr Sanjiv Rai as members. The said Committee met only once during the year under review.

Share Allotment & Transfer Committee

The Share Allotment & Transfer Committee comprises of 2 Directors, namely, Mr Mukund Sapre and Mr Sanjiv Rai as members. The said Committee met only once during the year under review.

Committee of Directors

The Committee of Directors comprises of 3 Directors, namely, Mr Mukund Sapre, Mr R L Kabra and Mr Sanjiv Rai as members. The said Committee met only 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 to the Directors' Report

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

Statement pursuant to Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975

(A) Employed throughout the year and in receipt of remuneration aggregating to Rs. 24,00,000 or more

Sr. No	Name	Age (Yrs)	Designation	Gross Remuneration (In Rs.)	Qualification	Total Experience	Date commencement of employment	Last Employment, Designation, Period of Last Employment
1	Mr Jagdish Parshad Aggarwal	52	Senior President (Finance)	56,66,157	CA,CWA & CS	26 Years	16-06-2008	VINCI Canada, Controller Finance & CFO(Canada), Five Years
2	Mr Pritam Kumar	46	Senior President	35,68,214	BE & MBA	23 years	18-06-2008	General Electric, Business Head, 7 years

(B) Particulars of the employees who were getting Rs. 200,000/- per month, or more if employed for a part of the year -

Sr. No	Name	Age (Yrs)	Designation	Gross Remuneration (in Rs.)	Qualification	Total Experience	Date commencement of employment	Last Employment, Designation, Period of Last Employment
1	Mr S C Mittal	50	Senior President	35,16,068	B.Tech (Civil), M.Tech (Structural Engineering), M.Phil (Social Science)	27 Years	01-09-2008 to 30-11-2009	ITNL Enso Rail Systems Limited, Sr VP, One year Three Months
2.	Mr Hukum Singh Chaudhary	48	Senior President	11,44,854	MBA, LL.B & MIE	25 years	01-07-2009 to 30-11-2009	DLF Metro Limited, GM(Projects), One year Seven Months
3.	Mr Praveen Kumar	40	Senior President	10,64,104	BE, PGDIM	19 years	01-07-2009 to 30-11-2009	DLF Metro Limited, GM, One year Seven Months

Notes:

- (1) Gross remuneration comprises Salary, Allowances.
- (2) None of the employees mentioned above is a relative of any Director of the Company

AUDITORS' REPORT

TO THE MEMBERS OF ITNL ENSO RAIL SYSTEMS LIMITED

1. We have audited the attached Balance Sheet of **ITNL Enso Rail Systems Limited** ("the Company") as at 31 March, 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) the Balance Sheet, the Profit and Loss Account 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 Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by



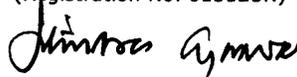
**Deloitte
Haskins & Sells**

the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March, 2010;
 - ii. in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date; and
 - iii. in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of written representations received from the Directors, as on 31 March, 2010 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2010 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

Gurgaon
11 May, 2010

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



JITENDRA AGARWAL
Partner
(Membership No. 87104)

ANNEXURE TO THE AUDITORS' REPORT
(Referred to in paragraph 3 of our report of even date)

- (i) Having regard to the nature of the Company's business, clauses (viii), (xiii), (xiv) and (xix) and (xx) of paragraph 4 of CARO are not applicable.
- (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 explanation given to us, no material discrepancies were noticed on such verification.
 - c. The Company has not disposed off any of its fixed assets during the year.
- (iii) The Company does not have any inventory. Accordingly provisions of clause 4(ii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (iv) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- (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 purchases of fixed assets and the sale of services. The Company's operations, during the year did not give rise to any purchase of inventory and sale of goods. During the course of our audit, we have not observed any major weaknesses in internal control.
- (vi) Based on the examination of the books of account and related records and according to the information and explanations provided to us, there were no contracts or arrangements with companies, firms or other parties which need 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 during the year as defined under the provisions of Section 58A and 58AA of the Companies Act, 1956 and the rules framed there under.
- (viii) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.



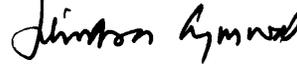
- (ix) According to the information and explanations given to us, in respect of statutory dues:
 - a. The Company has generally been regular in depositing its statutory dues relating to Provident Fund, Service Tax, Income Tax and Cess with the appropriate authorities during the year. There are no undisputed amounts payable in respect of these statutory dues which have remained outstanding as at 31 March, 2010 for a period of more than six months from the date they became payable. We are informed that the provisions of Employees' 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, Wealth Tax, Custom Duty and Excise Duty.
 - b. According to the information and explanation given to us, there are no statutory dues in respect of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty and Cess which have not been deposited on account of any dispute.
- (x) The Company is registered for less than five years. Accordingly provisions of clause 4(x) of the Companies (Auditor's Report) Order, 2003 regarding accumulated losses being not less than fifty percent of its net worth and cash losses are not applicable to the Company.
- (xi) According to the information and explanations provided to us and records of the Company examined by us, the Company has not taken any loans from banks or financial institutions and has not issued any debentures.
- (xii) According to the information and explanations given to us and the records of Company examined by us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xiv) In our opinion and according to the information and explanation given to us, the Company has not obtained any term loan during the year.
- (xv) 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 not been used during the year for long term investment.
- (xvi) According to information and explanation given to us and the records of the Company examined by 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.



(xvii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

Gurgaon
11 May, 2010

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



JITENDRA AGARWAL
Partner
(Membership No. 87104)

ITNL ENSO RAIL SYSTEMS LIMITED
BALANCE SHEET AS AT MARCH 31, 2010

	Sch	As at March 31, 2010 Rupees	As at March 31, 2009 Rupees
<u>SOURCES OF FUNDS</u>			
SHAREHOLDERS FUND			
Share Capital	A	20,00,00,000	5,00,00,000
SHARE APPLICATION MONEY		-	3,25,00,000
		<u>20,00,00,000</u>	<u>8,25,00,000</u>
<u>APPLICATION OF FUNDS</u>			
FIXED ASSETS			
	B		
Gross Block		53,79,049	48,60,117
Less: Accumulated Depreciation		<u>21,18,176</u>	<u>9,08,993</u>
Net Block		<u>32,60,873</u>	<u>39,51,124</u>
INVESTMENTS	C	5,00,000	-
DEFERRED TAX ASSETS (Refer schedule "J" note no. 7)		4,23,310	-
CURRENT ASSETS, LOANS & ADVANCES			
	D		
Sundry Debtors		7,44,52,500	-
Cash and Bank Balances		38,19,399	19,21,104
Other Current Assets		7,84,282	5,69,862
Loans & Advances		<u>6,46,17,964</u>	<u>1,54,11,258</u>
		<u>14,36,74,145</u>	<u>1,79,02,224</u>
LESS: CURRENT LIABILITIES & PROVISION			
	E		
Current liabilities		1,61,77,397	27,18,708
Provisions		<u>4,89,094</u>	<u>3,39,247</u>

	<u>1,66,66,491</u>	<u>30,57,955</u>
NET CURRENT ASSETS	12,70,07,654	1,48,44,269
PROFIT AND LOSS ACCOUNT (Accumulated losses)	6,88,08,164	6,37,04,607
	<u>20,00,00,000</u>	<u>8,25,00,000</u>

Significant accounting policies	I	(0)	(0)
Notes forming part of the Accounts	J		

Schedules A to J annexed hereto form part of the financial statements

In terms of our report attached

For and on behalf of the Board

For DELOITTE HASKINS & SELLS

Chartered Accountants

Director

Director

JITENDRA AGARWAL
Partner

Company Secretary

Place: Mumbai
Date: 11th May 2010

ITNL ENSO RAIL SYSTEMS LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET

	As at March 31, 2010 Rupees	As at March 31, 2009 Rupees
<u>SCHEDULE A : SHARE CAPITAL</u>		
<u>Authorised</u>		
20,000,000 (Previous period 10,000,000 equity shares of Rs. 10/- each)	<u>20,00,00,000</u>	<u>10,00,00,000</u>
<u>Issued, Subscribed and Paid up</u>		
20,000,000 (Previous period 5,000,000) equity shares of Rs. 10/- each fully paid up	<u>20,00,00,000</u>	<u>5,00,00,000</u>
(Of the above 14,000,000 (Previous year 2,875,000) equity shares are held by IL&FS Transportation Networks Limited, the holding company. Infrastructure Leasing & Financial Services Limited is the ultimate Holding Company)		
<u>SCHEDULE C : INVESTMENTS</u>		
(Refer schedule "I" note no. 5)		
<u>Long Term - Unquoted</u>		
<u>Subsidiary Company</u>		
Rapid Metro Rail Gurgaon Limited		
50,000 (Previous period Nil) Equity shares of Rs. 10/- each, fully paid-up	<u>5,00,000</u>	<u>-</u>
<u>SCHEDULE D : CURRENT ASSETS, LOANS & ADVANCES</u>		
<u>Sundry Debtors</u>		
(Unsecured, Considered Good)		
From Subsidiary Company (Less than six months)		
	<u>7,44,52,500</u>	<u>-</u>
<u>CASH & BANK BALANCES</u>		
Cash on Hand	11,796	14,495
Balances with Scheduled Banks:		
-in Current Accounts	38,07,603	19,06,609

<u>38,19,399</u>	<u>19,21,104</u>
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OTHER CURRENT ASSETS

Interest Accrued	<u>7,84,282</u>	<u>5,69,862</u>
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LOANS & ADVANCES

(Unsecured, Considered Good)

Advances recoverable in cash or kind or for value to be received	40,86,127	51,12,643
Due from Subsidiary Company	2,89,18,877	-
Investment in short term inter corporate deposit	2,25,70,565	1,00,00,000
Fringe Benefit Tax	10,801	10,801
Advance Income Tax	<u>90,31,594</u>	<u>2,87,814</u>
	<u>6,46,17,964</u>	<u>1,54,11,258</u>

SCHEDULE E : CURRENT LIABILITIES AND PROVISIONS

CURRENT LIABILITIES

Sundry creditors (other than Micro and Small Enterprises) (Refer schedule "J" note no. 4)	1,51,16,553	25,32,731
Other liabilities	<u>10,60,844</u>	<u>1,85,977</u>
	<u>1,61,77,397</u>	<u>27,18,708</u>

PROVISIONS

Provision for leave encashment	<u>4,89,094</u>	<u>3,39,247</u>
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ITNL ENSO RAIL SYSTEMS LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

	Sch.	Year ended March 31, 2010 Rupees	Period ended March 31, 2009 Rupees
INCOME			
Consultancy fee income		7,50,00,000	-
Other Income	F	28,24,960	18,40,009
		7,78,24,960	18,40,009
EXPENSES			
Employee Cost	G	2,02,49,427	1,19,55,356
Administrative & General Expenses	H	6,18,93,217	5,22,61,618
Depreciation	B	12,09,183	9,08,993
Preliminary Expenses written off		-	29,450
		8,33,51,827	6,51,55,417
LOSS FOR THE YEAR BEFORE TAX			
		(55,26,867)	(6,33,15,408)
Provision for Tax			
Current tax		-	-
Fringe benefit tax		-	3,89,199
Deferred tax (Refer schedule "J" note no. 7)		4,23,310	-
LOSS FOR THE YEAR AFTER TAX			
		(51,03,557)	(6,37,04,607)
Balance brought forward		(6,37,04,607)	-
Balance of loss carried forward to the Balance Sheet		(6,88,08,164)	(6,37,04,607)
Basic / Diluted Earnings per share (See note no. 9)		(0.36)	(18.43)
Accounting policies	I		
Notes forming part of the Financial Statements	J		

Schedules A to J annexed hereto
form part of the financial
statements

In terms of our report attached

**For and on behalf of the
Board**

**For DELOITTE HASKINS &
SELLS**

Chartered Accountants

Director

Director

**JITENDRA AGARWAL
Partner**

Company Secretary

Place: Gurgaon
Date: 11th May 2010

Place: Mumbai
Date: 11th May 2010

ITNL ENSO RAIL SYSTEMS LIMITED
SCHEDULE FORMING PART OF THE PROFIT & LOSS ACCOUNT

	Year ended March 31, 2010 Rupees	Period ended March 31, 2009 Rupees
<u>SCHEDULE F : OTHER INCOME</u>		
Interest on Intercororate deposits (Tax deducted at source Rs. 395,325 ; Previous period Rs. 153,886)	22,84,320	18,40,009
Interest - Others (Tax deducted at Source Rs. 54,580 ; Previous period Nil)	5,40,640	-
	<u>28,24,960</u>	<u>18,40,009</u>

SCHEDULE G : EMPLOYEE COST

Salary, wages and bonus (See note no. 2)	1,69,10,437	94,49,637
Contribution to Provident and other funds	27,15,700	17,08,136
Staff welfare expenses	6,23,290	7,97,583
	<u>2,02,49,427</u>	<u>1,19,55,356</u>

**SCHEDULE H : ADMINISTRATIVE &
GENERAL EXPENSES**

Administrative Expense	2,40,00,000	2,88,00,000
Travelling and conveyance expenses	24,55,098	57,67,001
Rent	2,02,64,600	1,07,54,770
Office maintainence	34,45,781	5,62,254
Electricity expenses	4,96,527	1,11,498
Communication expenses	4,98,762	2,79,950
Advertisement expenses	2,720	12,27,163
Directors' fees	3,42,000	3,30,000
Insurance	3,85,696	1,18,148
Legal and professional fees (See note		

no. 3)	52,97,470	21,54,210
Vehicle running and maintenance expenses	8,17,749	7,57,661
Rates, taxes and fees	7,64,840	8,69,246
Business promotion expenses	22,38,682	78,222
Other expenses	<u>8,83,292</u>	<u>4,51,495</u>
	<u>6,18,93,217</u>	<u>5,22,61,618</u>

ITNL ENSO RAIL SYSTEMS LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

	Year ended March 31, 2010 Rupees	Period ended March 31, 2009 Rupees
Cash Flow from Operating Activities		
Net Loss Before Tax	(55,26,867)	(6,33,15,408)
Adjustments for :-		
Interest income	(22,84,320)	(18,40,009)
Depreciation	12,09,183	9,08,993
Preliminary expenses written off	-	29,450
Operating Loss before Working Capital Changes	(66,02,004)	(6,42,16,974)
Adjustments for changes in working capital:		
(Increase)/Decrease in debtors	(7,44,52,500)	-
(Increase)/Decrease in loans and advances	(2,78,92,360)	(51,12,643)
Increase/(Decrease) in current liabilities & provisions	1,36,08,537	30,57,955
Net Cash from (Used in) operating activities	(9,53,38,327)	(6,62,71,662)
Direct Taxes paid	(87,43,780)	(6,87,814)
Net Cash from/(used in) operating activities	(A) (10,40,82,107)	(6,69,59,476)
Cash flow from Investing Activities		
Purchase of fixed assets	(5,18,932)	(48,60,117)
(Increase)/Decrease in Intercorporate deposits	(1,25,70,565)	(1,00,00,000)
Investments made	(5,00,000)	-
Interest received	20,69,900	12,70,147
Net Cash from/(used in) investing activities	(B) (1,15,19,597)	(1,35,89,970)
Cash flow from Financing Activities		
Proceeds from issue of equity capital	11,75,00,000	5,00,00,000

Increase in share application money		-	3,25,00,000
Preliminary expenses		-	(29,450)
Net Cash from/(used in) financing activities	(C)	<u>11,75,00,000</u>	<u>8,24,70,550</u>
Net Increase/(decrease) in Cash & Cash equivalents during the year (A+B+C)		18,98,295	19,21,104
Cash and Cash Equivalent at the beginning of the year		19,21,104	-
Cash and Cash Equivalent at the end of the year		<u>38,19,399</u>	<u>19,21,104</u>
Net Increase/(Decrease) in Cash & Cash Equivalents		<u>18,98,295</u>	<u>19,21,104</u>

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

For and on behalf of the Board

JITENDRA AGARWAL
Partner

Director

Director

Manager

Company Secretary

Place: Gurgaon

Place: Mumbai

Date: 11th May 2010

Date: 11th May 2010

ITNL ENSO RAIL SYSTEMS LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET

SCHEDULE B : FIXED ASSETS

(Amount in Rupees)

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As at 01.04.2009	Additions during the Year	As at 31.03.201 0	Up to 01.04.2009	For the Year	Up to 31.03.2010	As at 31.03.2010	As at 31.03.2009
Tangible Assets								
Data Processing Equipment	6,11,909	3,23,118	9,35,027	77,356	1,99,862	2,77,218	6,57,809	5,34,553
Office Equipment	4,34,172	1,69,450	6,03,622	1,91,902	1,83,700	3,75,602	2,28,020	2,42,270
Furniture & Fixture	-	19,084	19,084	-	1,543	1,543	17,541	-
Vehicles (Owned)	37,55,796	-	37,55,796	6,34,042	8,08,222	14,42,264	23,13,532	31,21,754
Sub-total	48,01,877	5,11,652	53,13,529	9,03,300	11,93,327	20,96,627	32,16,902	38,98,577
Intangible Assets								
Software	58,240	7,280	65,520	5,693	15,856	21,549	43,971	52,547
Total	48,60,117	5,18,932	53,79,049	9,08,993	12,09,183	21,18,176	32,60,873	39,51,124
Previous Period	-	48,60,117	48,60,117	-	9,08,993	9,08,993	39,51,124	-

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

SCHEDULE I : SIGNIFICANT ACCOUNTING POLICIES

1. Basis for preparation of Financial Statements

The Financial Statements are prepared under the historical cost convention, in accordance with the Generally Accepted Accounting Principles, the provisions of the Companies Act, 1956, as adopted consistently by the Company and in accordance with the Accounting Standards prescribed under Section 211 (3C) of the Companies Act 1956. All income, expenditure, assets and liabilities having a material bearing on the financial statements are recognised on accrual basis.

2. Use of estimates

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities as of the date of the financial statements and the reported income and expenses during the year. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates.

3. Fixed Assets and Depreciation

a. Tangible fixed assets and depreciation

Tangible fixed assets acquired by the Company are reported at acquisition value, with deductions for accumulated depreciation and impairment losses, if any.

The acquisition value includes the purchase price (excluding refundable taxes) and expenses directly attributable to the asset to bring the asset to the site and in working condition for its intended use such as delivery and handling costs, installation, legal services and consultancy services.

Depreciation on tangible fixed assets is computed as under:

- (i) 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
Computers	4 years
Specialised office equipment	3 years
Assets provided to employees	3 years

- (ii) Depreciation on fixed assets, other than on assets specified in notes 3(a)(i), is provided for on the Written down Value Method at the rates provided under Schedule XIV of the Companies Act, 1956

- (iii) 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 capitalization

b. Intangible assets and amortization

Intangible assets are reported at acquisition value with deductions for accumulated amortization and impairment losses, if any.

An impairment test of intangible assets is conducted annually or more often if there is an indication of a decrease in value. The impairment loss, if any, is reported in the profit and loss account.

Intangible assets are amortised on a "Straight line" basis over their estimated useful lives. The estimated useful life of software is four years.

4. Investments

- a. Investments are capitalized at actual cost including cost incidental to acquisition.
- b. All Investments are long term investments and are valued at cost less provision for diminution, other than temporary, determined on scrip to scrip basis.

5. Impairment of Assets:

The carrying values of assets of the Company's cash-generating units are reviewed for impairment annually or more often if there is an indication of decline in value. If any indication of such impairment exists, the recoverable amounts of those assets are estimated and impairment loss is recognised, if the carrying amount of those 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 estimated future cash flows to their present value based on appropriate discount factor.

6. Employee Benefits:

a. Short Term Benefits

Short-term employee benefits are recognized as an expense at the undiscounted amount expected to be paid over the period of services rendered by the employees to the Company.

b. Long Term Benefits

The Company has both defined-contribution and defined-benefit plans, of which some have assets in special funds or similar securities. The plans are financed by the Company and in the case of some defined contribution plans by the Company along with its employees.

(i) Defined-contribution plans

These are plans in which the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the employees' provident fund, family pension fund and superannuation fund. The Company's payments to the defined-contribution plans are reported as expenses during the period in which the employees perform the services that the payment covers.

(ii) Defined-benefit plans

Expenses for defined-benefit gratuity plans are calculated as at the balance sheet date by independent actuaries in a manner that distributes expenses over the employee's working life. These commitments are valued at the present value of the expected future payments, with consideration for calculated future salary increases, using a discount rate corresponding to the interest rate estimated by the actuary having regard to the interest rate on government bonds with a remaining term that is almost equivalent to the average balance working period of employees.

c. Other Employee Benefits

Compensated absences which accrue to employees and which can be carried to future periods but are expected to be encashed or availed in twelve months immediately following the year end are reported as expenses during the year in which the employees perform the services that the benefit covers at the undiscounted amount of the benefits after deducting amounts already paid. Where there are restrictions on

availment or encashment of such accrued benefit or where the availment or encashment is otherwise not expected to wholly occur in the next twelve months, the liability on account of the benefit is actuarially determined using the projected unit credit method.

7. Provisions, Contingent Liabilities and Contingent Assets:

A provision is recognised when the Company has a present obligation as a result of a past event 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 best estimates 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 not recognised but are disclosed in the notes to the financial statement. A contingent asset is neither recognised nor disclosed.

8. Taxes on Income:

Taxes include taxes on the Company's taxable profits, fringe benefits tax, adjustment attributable to earlier periods and changes in deferred taxes. Taxes are determined in accordance with enacted tax regulations and tax rates in force and in the case of deferred taxes, for rates that have been substantively enacted.

Deferred tax is calculated to correspond to the tax effect arising when final tax is determined. Deferred tax corresponds to the net effect of tax on all timing differences which occur as a result of items being allowed for income tax purposes during a period different from when they were recognised in the financial statements.

Deferred tax assets are recognised with regard to all deductible timing differences to the extent that it is probable that taxable profit will be available against which deductible timing differences can be utilised. When the Company carries forward unused tax losses and unabsorbed depreciation, deferred tax assets are recognised only to the extent there is virtual certainty backed by convincing evidence that sufficient future taxable income will be available against which deferred tax assets can be realised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced by the extent that it is no longer probable that sufficient taxable profit will be available to allow all or a part of the aggregate deferred tax asset to be utilised.

9. Earnings per Share:

Basic Earnings per Share is calculated by dividing the net profit after tax for the year attributable to equity shareholders of the Company by the weighted average number of equity shares in issue during the period.

Diluted earnings per share is calculated by dividing the net profit after tax for the year attributable to equity shareholders of the company by the weighted number of equity shares determined by assuming conversion on exercise of conversion rights for all potential dilutive securities.

10. Preliminary Expenses:

Preliminary expenses incurred on incorporation of the Company are written off to the profit and loss account in the period in which it is incurred.

ITNL ENSO RAIL SYSTEMS LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

SCHEDULE J : NOTES FORMING PART OF THE FINANCIAL STATEMENTS

1. Background:

The Company was incorporated as a Joint Venture between IL&FS Transportation Networks Limited, ENSO Limited and Mr. Sanjiv Rai vide a joint venture agreement dated February 4, 2008 to undertake activities under the said agreement.

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.

The Company has been set up for the development of urban and inter urban mass and freight transport infrastructure projects. It is evaluating various projects and had submitted its bid to Haryana Urban Development Authority for Metro Rail Gurgaon Project in consortium with IL&FS Transportation Networks Limited & DLF Limited which it intends to execute through special purpose entity.

2. Managerial Remuneration:

	Year ended 31.03.2010	Period ended 31.03 2009
	Rupees	Rupees
Salary & Allowances *	3,814,509	1,683,316
Contribution to the Provident and other funds	351,648	300,024
Perquisites	1,500,000	375,000
Total	5,666,157	2,358,340

*The managerial remuneration for the period does not include contribution to the gratuity fund and compensated absences as these amounts were actuarially determined for the Company as a whole and separate figure relating to the Manager are not available.

3. Auditor's Remuneration*:

Particulars	Year ended March 31,2010	Period ended March 31, 2009
	Rupees	Rupees
Audit fee	5,00,000	5,00,000
Other Services	2,50,000	-
Reimbursement of expenses	55,654	43,254
Total	8,05,654	5,43,254

* Exclusive of Service Tax

4. Dues to Micro and Small Enterprises:

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 period. Hence disclosures, if any, relating to amounts unpaid as at the period end together with the interest paid / payable as required under the said Act have not been given.

5. Segment Reporting:

The Company is engaged in infrastructure development and thus operates in a single business segment. Also, it 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.

6. Related Party transactions: **Disclosures as required by the Accounting Standard (AS) 18 on "Related Party Disclosures" are made below:**

A. Name of the related parties and nature of relationship:

Ultimate Holding Company:	Infrastructure Leasing & Financial Services Limited. (IL&FS)
Holding Company:	IL&FS Transportation Networks Limited. (ITNL)
Subsidiary Company:	Rapid Metro Rail Gurgaon Ltd (RMGL).
Fellow Subsidiaries:	IL&FS Property Management & Services Limited (IPMSL)
Investors with ability to exercise significant influence:	ENSO Limited (ENSO) SRKK Advisors Private Limited (SRKK)
Key Management Person: (KMP)	Mr. Sanjiv Rai (Director) Mr. Jagdish Aggarwal (Manager)

B. Transactions during the year:

Nature of Transaction	Amount in Rupees						
	IL&FS	ITNL	ENSO	SRKK	RMGL	IPMSL	KMP
Shares allotted	- (-)	111,250,000 (28,750,000)	31,250,000 (187,499,00)	7,500,000 (2,500,000)	- (-)	- (-)	- (-)
Investment	- (-)	- (-)	- (-)	- (-)	500,000 (-)	- (-)	- (-)
Consultancy Fee Income	- (-)	- (-)	- (-)	- (-)	75,000, 000 (-)	- (-)	- (-)
Operating expenses	20,173,600	24,000,000	-	-	-	907,812	-

Nature of Transaction	IL&FS	ITNL	ENSO	SRKK	RMGL	IPMSL	KMP
	(10,379,770)	(28,800,000)	(-)	(-)	(-)	(-)	(-)
Remuneration	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	5,691,653 (2,358,340)
Inter Corporate Deposits Placed	120,482,709 (49,069,415)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Inter Corporate Deposits received back	107,912,144 (39,069,415)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Interest Earned	2,284,320 (1,840,009)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Unsecured advances given	- (-)	- (-)	- (-)	- (-)	27,000,000 (-)	- (-)	- (-)

Amount in brackets represent previous period (February 19, 2008 to March 31, 2009) figures.

Note: Reimbursement of cost is not included in above

(C) Balances outstanding at year end:

Particulars	IL&FS	ITNL	ENSO	Amount in Rupees		
				SRKK	RMGL	IPMSL
Payable	1,482,651 (575,937)	9,880,225 (126,132)	- (-)	- (-)	- (-)	907,812 (-)
Debtors	- (-)	- (-)	- (-)	- (-)	74,452,500 (-)	- (-)
Receivables	- (-)	- (-)	- (-)	- (-)	28,918,877 (-)	- (-)
Share Application Money	- (-)	- (28,750,000)	- (1,250,000)	- (2,500,000)	- (-)	- (-)
Interest Accrued	784,282 (569,862)	- (-)	- (-)	- (-)	- (-)	- (-)
Inter Corporate Deposits	22,570,565 (10,000,000)	- (-)	- (-)	- (-)	- (-)	- (-)

Amount in brackets represent balances as on March 31, 2009.

7. Deferred tax:

In compliance with the Accounting Standard relating to "Accounting for Taxes on Income" (AS- 22), issued by the Institute of Chartered Accountants of India, the Company has recognised deferred tax Asset (Net) arising on account of timing differences amounting to Rs 423,310 (Previous Year Rs. Nil)

Major components of deferred tax assets (liabilities) arising on account of timing differences are:

	As at 31.03.2009 Rupees	Credited (charged) to Profit & Loss Account Rupees	As at 31.03.2010 Rupees
(i) Difference between book and tax depreciation	-	272,180	272,180
(ii) Provision for Retirement benefits	-	151,130	151,130
Total	-	423,310	423,310

In the absence of virtual certainty supported by convincing evidence, deferred tax assets on carry forward business losses and unabsorbed depreciation has not been created.

8. Employee benefits 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.

A sum of Rs. 1,109,236 (Previous year Rs. 609,331) and Rs. 1,024,328 (Previous year Rs. 555,598) for superannuation and provident fund respectively has been charged to the Profit and Loss account in this respect.

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 typically based on years of service and the employee's compensation (immediately before retirement). The gratuity scheme covers substantially 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. On adoption of the revised Accounting Standard (AS) 15 on "Employee Benefits" notified, actuarial valuation is done based on "Projected Unit Credit" method. Gains and losses of changed actuarial assumptions are charged to the Profit and Loss account.

	31.03.2010	31.03. 2009
	Rupees	Rupees
i. Change in benefit obligation		
Opening balance	543,207	-
Current Service Cost	389,440	5,43,207
Interest expenses	21,728	-
Actuarial (gain) / loss	266,247	-
Transfer Out	(557,481)	-
Closing balance	663,141	543,207
ii. Fair Value of Plan assets		
Opening balance	618,103	-
Expected return on plan assets	90,811	-
Contributions by the Company	937,720	618,103
Actuarial gain / (loss)	5,528	-
Closing balance	1,652,162	618,103
The plan assets are managed by the HDFC Standard Life Insurance, and the Company does not have details as to the investment pattern.		
iii. Return on Plan Assets		
Expected return on plan assets	90,811	-
Actuarial gain / (loss)	5,528	-
Actual return on plan assets	96,339	-
iv. Amount recognised in the Balance Sheet		
Present value of defined benefit obligations	663,141	543,207
Fair value of Plan Assets	(1,652,162)	-
Amount recognised in the balance sheet	(989,021)	543,207
v. Expenses recognised in profit & Loss Account		
Current service costs	389,440	543,207
Interest expense	21,728	-
Expected return on investment	(90,811)	-
Net actuarial gain / (loss)	260,718	-
Expenditure charged to Profit and Loss account	581,076	543,207
vi. Balance Sheet reconciliation		
Net liability at the beginning of the year	(74,896)	-
Expenses as above	581,076	543,207
Contribution paid	(937,720)	-
Transfer out	(557,481)	-
Amount recognised in the balance sheet	(989,021)	543,207

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

Rate for discounting liabilities	7.75% p.a.	7.50% p.a.
Expected salary increase rate	4.50% p.a.	4.00% 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	LIC (1994-96) Ultimate Table	LIC (1994-96) Ultimate Table

The entire amount is funded with the HDFC Standard Life insurance

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 contributions expected to be made by the Company during the financial year 2010-2011 is Rs.3.87 lakhs.

9. Earnings per Share:

Particulars	Unit	Year ended 31.03.2010	Period ended 31.03.2009
Net profit/(loss) after tax	Rs.	(5,103,557)	(63,704,607)
Weighted average number of equity shares outstanding during the period	No.	14,054,795	3,456,761
Nominal value of equity shares	Rs.	10.00	10.00
Basic / Diluted earnings per share	Rs.	(0.36)	(18.43)

Since the negative earnings per share reduce after potential equity shares (against which application money is received) are taken into account, these shares are anti dilutive and are ignored in the calculation of diluted earnings per share.

10. As at the Balance sheet date, the net worth of the Company has substantially eroded, however the financial statements have been prepared on the assumption that the Company is a going concern considering the Company's expectation relating to execution of a service concession agreement in respect of a metro rail project for which Letter of Award has been issued by HUDA and which is expected to generate positive cash flows to the Company at the end of the construction period through special purpose entity.

11. These financial statements have been prepared from April 1, 2009 to March 31, 2010 and previous period figures in Profit and loss account are from February 19, 2008 (the date of incorporation of the Company) to March 31, 2009, hence not strictly comparable.

12. Figures for the previous period have been regrouped and reclassified wherever necessary.

Board

For and on behalf of the

Director

Director

Company Secretary

Place: Mumbai

Date: 11th May 2010

