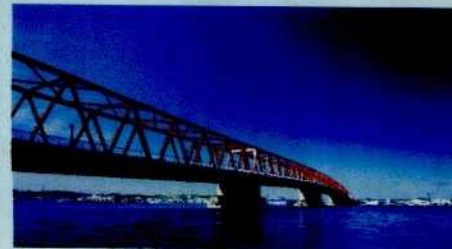




*Investing  
in the future.*



*The future is a vast horizon of immense potential - a potential that can only be realized by long-term planning, judicious allocation of finances and strategic thinking. But this blueprint can turn to reality only when the present has a solid foundation. At IIFCL, we are not just investing in a range of infrastructure projects, it is the future we are investing in!*

*As IIFCL continues its endeavour to fulfil its mandate to the nation, tomorrow is all set to open up a new era of progress.*





S.S. Kohli

## From the Chairman's Desk

Gentlemen,

It gives me great pleasure in welcoming all of you to the Third Annual General Meeting of the India Infrastructure Finance Company Ltd. The audited accounts of the company for the year ended March 31, 2008 together with the Directors' Report are with you and with your permission, I shall take them as read. I take this opportunity to share with you the macro economic developments and the performance of the company during the financial year 2007-08.

### **Economic Environment**

Indian economy has made a decisive shift to high growth phase. The average growth achieved during the 10th Five Year Plan was 7.9%, with growth touching 9.6% in 2006-07. Infact, GDP growth has surpassed 8 per cent every year since 2003-04. GDP growth during 2007-08 is placed at 9%. Despite global uncertainties arising out of the subprime crisis in USA, rising oil prices and global food supply shortages, Indian economy is expected to grow by 8% during the current year.

Agricultural production during 2007-08 is likely to be 227 million tonnes compared to 217 million tonnes in the previous year, recording a growth of 4.6%. Industrial sector has been showing robust growth and index of industrial growth during 2007-08 was 8.5% compared to 11.5% achieved in the previous year. This decline in industrial production was mostly due to fall in the growth rate of manufacturing sector. With surge in economic activity and stability, there has been an upsurge in domestic and foreign investments. As a result, investment rate or Gross Capital Formation has increased from 25.2% of GDP in 2001-02 to 35.9% of GDP in 2006-07. Gross Domestic Savings, on the other hand, has continued to rise from 26% to 34.8% during the above period..

Inflation measured in terms of Wholesale Price Index touched 7.4% on 29th March 2008, the highest level since 4th December 2004. The price rise has been essentially due to increase in global demand for rice, edible oils, milk and dairy products, cotton, steel and fuels. India has been a major exporter of rice and cotton and importer of edible oil. In both the cases, in the wake of global demand, prices have hardened. Government of India came out with a slew of measures to control inflation including removal of barriers against import of edible oils, and reduction in export of rice and pulses.

Although inflation has been mainly supply side driven, keeping with its stance of maintaining price stability, Reserve Bank of India raised the Cash Reserve Ratio (CRR) by 50 basis points in two stages - 25 bp with effect

from April 26, 2008 and another 25 bp from May 10, 2008.

### **Infrastructure Sector**

With strong economic growth, infrastructure has come under pressure. During 2007-08, the performance of infrastructure sectors covering electricity, transport, communications and urban infrastructure present a subdued picture compared to the same period in the previous year.

Electricity generation posted a deceleration in growth to 6.6% during the period April-December 2007-08 compared to 7.5% in the same period in 2006-07. A capacity addition of 78,577 MW has been planned during the 11th Five Year Plan and the power sector is expected to grow by 9.5% per annum. In the road sector, the Golden Quadrilateral (GQ) project has almost been completed. As of November 30, 2007, over 7,900 Kms of National highways had been completed which includes the GQ part as well. Upgradation of 12,109 Km under the NHDP Phase III has been approved. Despite facing constraints like land acquisition and removal of structures, the road sector has continued to progress.

In the airport sector, there has been significant growth. Passenger traffic has doubled between 2004 and 2007 and cargo traffic has increased by more than 45 percent during the period. While the Hyderabad and Bangalore airports became operational, the upgrading of Kolkata and Chennai airports has been taken up. Programme of modernisation of 35 non-metro airports is also being taken up. The Airport Economic Regulatory Authority (AERA) is proposed to be set up to foster healthy competition among airports and encourage investment in airport facilities.

Upto October 2007 during 2007-08, the cargo handled by major ports registered a growth of 14% against 9.5% in the same period in the previous year. Container traffic posted a growth of 14% during the five years ending 2006-07. Exports during April-February 2008 posted a year-on-year growth of 23%. Imports also rose during the period at 30.3% compared to 25.4% in the corresponding period in the previous year.

The 11th Plan (2007-2012) has envisaged to raise the Gross Capital Formation in infrastructure from 4.6% of GDP to 8% by the end of plan. As per the Projections for Infrastructure during the 11th Plan made by the Planning Commission, total investment requirements work out to Rs20,27,169 crore or USD 494.43 billion. Since, such huge investment requirements cannot be met entirely out of public sector, private participation, particularly, through the Private-Public Partnership (PPP) model is being emphasized upon. This offers opportunities for the company in terms of business growth.

### **Catalyzing Development of Infrastructure**

IIFCL which commenced operations from April 2006 is governed in terms of the Scheme for Financing Viable Infrastructure Projects through IIFCL, broadly referred to as SIFTI.

The broad features of the SIFTI inter-alia include:

- IIFCL shall finance commercially viable infrastructure projects implemented by a public sector company, private sector company either under a PPP initiative or MoU arrangement.
- In case of private sector projects, lending of the company shall not exceed 20% of total lending in any accounting year.
- Projects which are set up on a "non-recourse" basis would only be financed by the company.
- Total lending by the company to any project shall not exceed 20% of the total project subject to exposure of IIFCL being less than that of the lead bank.
- IIFCL shall finance projects in designated sectors like roads, railways, seaports, airports, inland waterways, power, urban infrastructure, gas pipelines, international convention centers and other tourism related infrastructure projects.

### **Performance Highlights**

I would now like to focus on the performance of the company during the year under review.

Within this short span of two years since inception, the company has positioned itself strongly in the area of

financing infrastructure development in the country. The highlights of the company's performance during 2007-08 are:

- **Gross loan approvals** during the year was Rs 8559 crore.
- On cumulative basis, loan approvals amounted of 16,969 crore in 78 projects.
- Of the 78 projects financed, 65 projects have achieved **financial closure** and documents have been executed.
- In 45 projects, **disbursements** have been made to the tune of Rs1684 crore.
- **Balance sheet size** increased from Rs785 crore to Rs4333 crore.
- **Non-performing Advances (NPAs)** were NIL.
- **Net Worth** increased from Rs107 crore to Rs832 crore.
- **Profit Before Tax** increased by 260% from Rs9.38 crore to Rs33.76 crore.
- **Profit After Tax** grew by 306% from Rs3.47 crore to Rs14.10 crore.

I would like to briefly touch upon some of important performance highlights.

### Loan approvals

During the year, the company sanctioned financial assistance of Rs8559 crore to 32 infrastructure projects. The total project cost in these projects was Rs62,472 crore and spread across various states in the country.

#### Sectorwise Loan Sanctions 2007-08

Sector	No of projects	Loan approved Rs crore	Project cost Rs crore
Road	19	1981	10696
Power	9	5334	41270
Airport	1	1000	8890
Seaport	2	230	1546
Urban Infrastructure	1	14	70
<b>Total</b>	<b>32</b>	<b>8559</b>	<b>62,472</b>

### Cumulative sanctions

On cumulative basis, the total sanctions provided in the two years of operations of the company amounted to Rs16,969 crore in 78 projects involving a total project cost of Rs1,18,703 crore.

Sector	No of projects	Loan approved Rs crore	Project cost Rs crore
Roads	51	5,188	28,703
Power	20	9,237	72,458
Airport	2	2,150	14,716
Seaport	4	380	2,756
Urban infra	1	14	70
<b>Total</b>	<b>78</b>	<b>16,969</b>	<b>1,18,703</b>

### State-wise sanctions

During the year, the company expanded its financial assistance to more projects in different states. As a result, the number of states covered increased from 16 in 2006-07 to 19 in 2007-08.

No.	State	No. of Projects	Project Cost (Rs crore)	Loan Sanctioned by IIFCL (Rs crore)
1	ANDHRA PRADESH	8	3923	712.00
2	CHHATISHGARH	1	286	50.00
3	DELHI	1	8890	1000.00
4	GUJARAT	7	29819	3445.00
5	HARAYANA	2	2501	495.00
6	HIMACHAL PRADESH	2	999	183.00
7	KARNATAKA	5	6307	842.00
8	KERALA	1	565	100.00
9	MADHYA PRADESH	5	2715	525.00
10	MAHARASHTRA	9	14549	2275.00
11	ORISSA	1	1350	250.00
12	PONDICHERRY	2	734	112.50
13	PUNJAB	2	883	140.00
14	RAJASTHAN	1	5000	500.00
15	SIKKIM	2	8900	940.00
16	TAMIL NADU	14	8039	1475.00
17	UTTAR PRADESH	9	9994	1770.00
18	UTTARAKHAND	3	2682	514.00
19	WEST BENGAL	3	10568	1640.00
	<b>Grand Total</b>	<b>78</b>	<b>1,18,703</b>	<b>16968.50</b>

The highest number of projects were assisted in the state of Tamil Nadu (14) followed by Maharashtra and Uttar Pradesh (9 each). In value terms, the highest assistance was availed by Gujarat at Rs3445 crore, followed by Maharashtra at Rs2275 crore.

#### Disbursements

During the year, the company disbursed Rs1542 crore in 36 projects. Thus the cumulative loan disbursed at the end of March 2008 amounted to Rs1684 crore in 45 projects involving a total project cost of Rs64,349 crore.

#### Sectorwise disbursements as on 31st March 2008

Sector	No. of Projects	Project Cost Rs crore	Loan disbursed Rs crore
Road	31	28,469	756
Port	2	1210	107
Airport	2	1472	298
Power	10	33199	523
<b>Total</b>	<b>45</b>	<b>64,349</b>	<b>1684</b>

#### Financial Closure of projects

Of the 78 projects so far assisted, as many as 65 projects, representing 83%, have achieved financial closure and documents have been signed. The total loans sanctioned to these projects amounted to Rs14,424 crore.

### Sectorwise projects which have achieved financial closure

Sector	No. of Projects	Project Cost Rs crore	Loan sanctioned Rs crore
Road	42	22,662	4,147
Power	16	63,603	7,733
Airport	2	14,716	2,150
Port	4	2,756	380
Urban infra	1	70	14
<b>Total</b>	<b>65</b>	<b>1,03,807</b>	<b>14,424</b>

#### Towards improving urban infrastructure: Pooled Municipal Debt Obligations

Higher economic growth leads to faster urbanization. Currently, urban population constitutes 29% of total population. It is estimated that by 2030, India's urban population would touch 40%. This will add to further pressures on urban infrastructure by way of demand for water, sanitation, solid waste management, electricity, roads and transportation. Recognizing this, Government of India has announced various initiatives for development and improvement of urban infrastructure. The Jawaharlal Nehru National Urban Renewal Mission (JNNURM), which is the largest urban renewal initiative, is aimed at planned development of identified cities by ensuring adequate funds. Under the JNNURM, Government of India would be contributing Rs50,000 crore as grants.

IIFCL has participated in a Pooled Municipal Debt Obligation (PMDO) Facility as a co-sponsor with a committed contribution of Rs150 crore. The facility which has a corpus of Rs3000 crore intends to create an environment where Urban Local Bodies (ULBs), state governments and other stakeholders embark on reforms to improve credit worthiness and bankability of urban infrastructure projects. The PMDO would use efficient transaction structures built on robust risk management processes. Disbursements of Rs2.86 crore has been made under the above facility by the company.

#### India Infrastructure Finance Initiative

The company has entered into agreement with the Infrastructure Development Finance Company Ltd (IDFC) and Citigroup Inc under the India Infrastructure Finance Initiative. The objective of the initiative is to collectively facilitate large scale capital investments into infrastructure assets in India including roads, aviation, ports, utilities and urban infrastructure. Under this, an equity fund of USD 2 billion is to be raised by IDFC and Citigroup from international and domestic sources. IIFCL is to make a contribution of USD 25 million to the equity of the fund.

The first fund under this initiative viz., The India Infrastructure Fund, has achieved financial close of USD 523.5 million and approval of the Reserve Bank of India is awaited for draw down.

#### MoU for deal flows

In order to create deal flows, opportunities for loan syndication and other related financial services, the company has entered into Memorandum of Understanding with banks/institutions. During the year, 11 MoU were signed by the company including with Macquarie Bank Ltd, (MBL) Australia and Deutsche Bank AG.

#### Resource Mobilization

During the year, the company took various initiatives aimed at resource mobilization. A long term loan of Rs1000 crore was raised from the Life Insurance Corporation of India, while a loan of Rs1500 crore with tenure of 15 years was availed from the National Small Savings Fund (NSSF). The company undertook market borrowing by way of issuance of long term bonds amounting to Rs200 crore. A long term loan of USD 500 million was sanctioned by the Asian Development Bank under its India Infrastructure Project Financing Facility. Similar loan proposals from World Bank and KfW are in process. Reserve Bank of India has accorded approval to the company to raise External Commercial Borrowings of JPY equivalent of USD 500 million.

### **Adoption of Environmental and Social Safeguards**

To achieve fine balance in developmental imperatives and environmental and social well-being, IIFCL along with the Developmental Partners (DPs) like Asian Development Bank have drafted an Environmental and Social Safeguard Framework (ESSF) for infrastructure projects. The proposed draft ESSF framework emphasizes IIFCL's sensitivity and concern to environmental and social issues, commitment towards compliance, and responsiveness towards environmental and social requirements of its developmental partners. The draft ESSF will be finalized in consultation with the concerned stakeholders, banks, GoI, IIFCL and other lending institutions.

### **GoI Contribution to equity capital**

During the year, Government of India contributed Rs700 crore towards the equity capital of the company, thereby raising the total to Rs800 crore.

### **Rating of the company**

The Company's domestic borrowing programme has been rated by three rating agencies of the country viz., CRISIL, ICRA and Fitch Ratings and they have assigned "AAA (SO)/Stable" (indicating high degree of safety) & "LAAA (SO)" ratings (indicating highest credit quality) respectively. Standard & Poor has awarded "BBB-" rating to the Company which is at par with the sovereign rating of India. The outlook in respect of such rating is considered as "Stable".

### **Visit to Hanover, Germany**

3i Group Infrastructure with which IIFCL has signed MoU, had invited the Chairman & Managing Director to address the participants of Public Infrastructure Conference 2008 at Hanover, Germany. The Conference was a knowledge-sharing and networking platform for the management, financing, operation and maintenance of public infrastructure wherein over 1500 persons participated. The participation at the Conference helped to show case India as a emerging economy with significant growth potential and the large investment requirements in infrastructure sector. The liberal FDI policy of Government of India in the infrastructure sector was also emphasised during the presentation, which attracted the wide attention of the participants from the German policy makers, corporate houses and financial institutions.

### **Participation in other forums**

During the year, officials of the company participated in various conferences and seminars relating to infrastructure development and issues thereof. This has helped showcase the achievements of the company and also highlight various aspects relating to financing of infrastructure in the country.

### **Financial highlights**

I would now like to turn to the financial highlights of the company during 2007-08. Total income during the year amounted to Rs120.20 crore compared to Rs40.23 crore earned during FY 2006-07, registering a growth of 199%. Profit Before Tax recorded a growth of 260% to touch Rs33.76 crore from Rs9.38 crore during FY 2006-07. The company has adopted prudential norms prescribed by the Reserve Bank of India for banks and accordingly, provision for "Standard" assets has been made at 0.40%. With NIL NPAs, provision for standard assets increased from Rs0.57 crore at the end of March 2007 to Rs6.76 crore at the end of March 2008. Further, "Infrastructure Reserve" increased from Rs3.13 crore at the end of March 2007 to Rs7.65 crore at the end of March 2008. Profit After Tax registered a growth of 306% to touch Rs14.10 crore from Rs3.47 crore at the end of March 2007.

### **Establishing foreign presence**

Pursuant to the announcement in the Union Budget 2007-08 for setting up an off-shore subsidiary of the company, the establishment of a wholly owned subsidiary was taken up for implementation by IIFCL and the IIFC (UK) Ltd has been set up at London. IIFC (UK) Ltd has been incorporated on February 7, 2008 and commenced operations on April 10, 2008. The company will borrow funds from the Reserve Bank of India and



provide foreign currency loans to Indian infrastructure companies for meeting their capital expenditure for import solely outside India.

### **Expanding role of IIFCL**

As the economy continues its strong growth, the demand for infrastructure will further accelerate and the financing needs thereof will also go up. IIFCL has already carved a niche for itself in financing infrastructure in the country and expects to consolidate its position further by actively partnering with other financial intermediaries in promotion and development of infrastructure assets in the country.

### **Acknowledgements**

I take this opportunity to express my sincere thanks to the Hon'ble Prime Minister, Minister of Finance, Deputy Chairman of the Planning Commission, Minister of State for Finance, Secretary, Planning Commission, Finance Secretary and Secretary, Department of Financial Services. My colleagues on the Board of Directors have played important role in the growth of the company. In particular, I would like to acknowledge the contribution of Shri Vinod Rai, former Secretary (Financial Sector), Department of Financial Services, Ministry of Finance. His active participation in the meetings of the Board and the strong support on policy issues have been of valuable and the company has benefited significantly from his deep insights. I would also like to thank the officials of the Ministry of Finance, Planning Commission and Ministry of Law for their support and cooperation. The support and guidance provided by the Comptroller and Auditor General of India, Reserve Bank of India and the Statutory Auditors is duly acknowledged by the company.

The clients of the company have reposed their faith for which I am grateful. The multilateral institutions, banks and other financial institutions have forged strong relationship with the company which needs to be acknowledged.

The small team of dedicated officials of the company has been a source of strength for the company and I would like to place on record my appreciation of their cooperation and hard work which have helped the company to scale greater heights. The task of building infrastructure in the country is onerous and I sincerely believe that IIFCL is well poised to meet the increasing expectations of all the stakeholders.

**S S Kohli**

Chairman & Managing Director

## Board of Directors



**Shri S S Kohli**  
Chairman and Managing Director



**Dr Subas Pani**  
Secretary  
Planning Commission  
Government of India



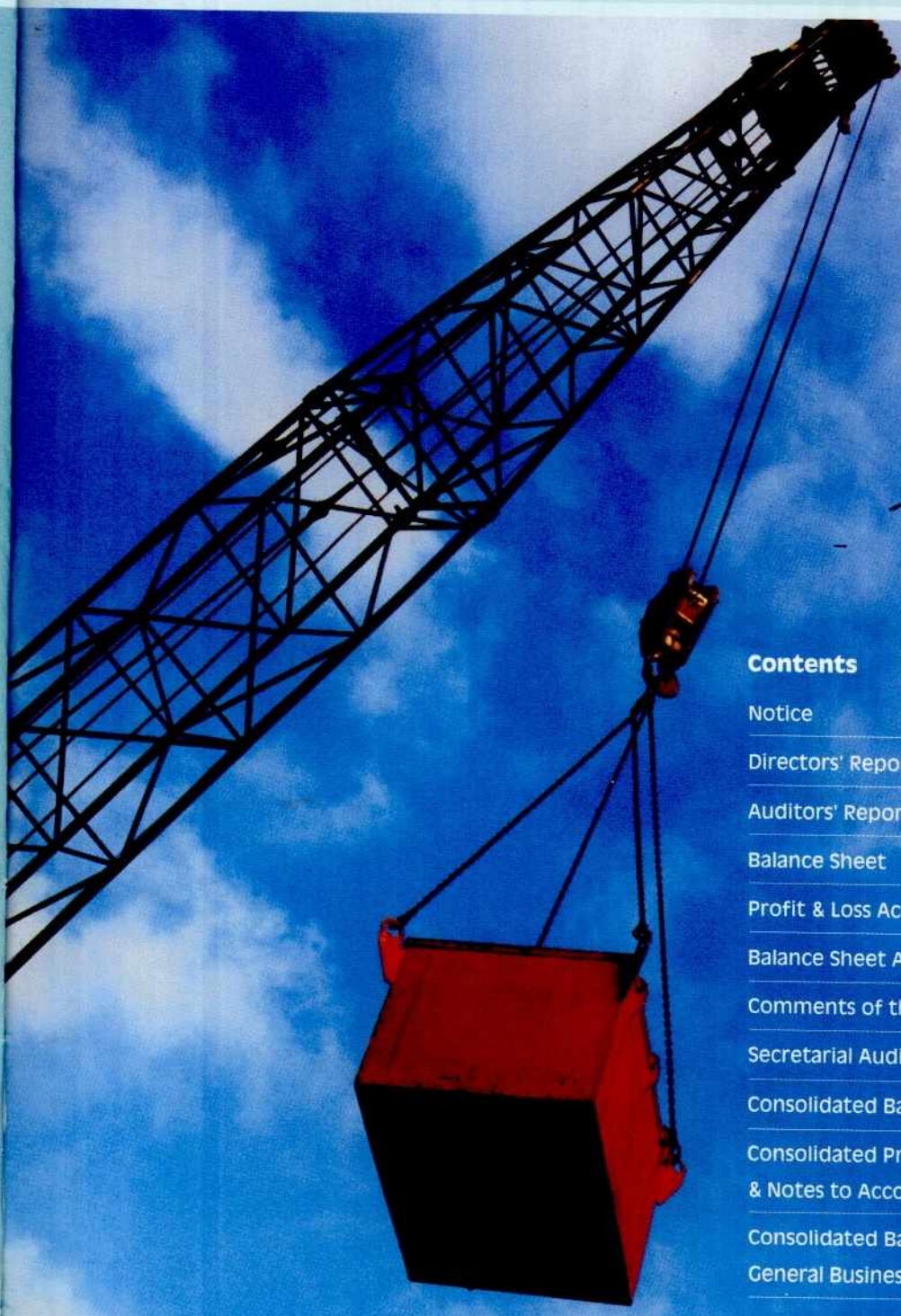
**Shri Arun Ramanathan**  
Secretary (Financial Sector)  
Government of India  
Ministry of Finance  
Department of Financial Services



**Prof. G Raghuram**  
Professor  
Indian Institute of Management  
Ahmedabad



**Shri N Balasubramanian**  
Ex-Chairman, SIDBI



## Contents

Notice	11
Directors' Report	12
Auditors' Report	20
Balance Sheet	24
Profit & Loss Account & Notes to Accounts	25
Balance Sheet Abstract & General Business Profile	52
Comments of the Comptroller & AG of India	53
Secretarial Audit Report	54
Consolidated Balance Sheet	58
Consolidated Profit & Loss Account & Notes to Accounts	59
Consolidated Balance Sheet Abstract & General Business Profile	87

### STATUTORY AUDITORS

Gupta Nanda & Co.,  
Chartered Accountants  
20-A, LIC Flats, Rajouri Garden  
New Delhi 110 027.  
Phone: +91-11-25459787  
Fax: +91-11-25419787

### REGISTERED OFFICE

1201-1207, 12th Floor,  
Naurang House,  
21, Kasturba Gandhi Marg,  
New Delhi-110001  
Phone : +91-11-23736354/55  
+91-11-23730269/70  
Fax : +91-11-23736355

### BANKERS

Dena Bank  
Oriental Bank of Commerce  
Punjab National Bank  
State Bank of India



## NOTICE

**NOTICE IS HEREBY GIVEN THAT THE THIRD ANNUAL GENERAL MEETING OF THE MEMBERS OF INDIA INFRASTRUCTURE FINANCE COMPANY LIMITED WILL BE HELD ON MONDAY THE 4TH AUGUST, 2008 AT 04.00 P.M. AT THE REGISTERED OFFICE OF THE COMPANY AT 1201-1207, NAURANG HOUSE, 21, KASTURBA GANDHI MARG, NEW DELHI.**

### **ORDINARY BUSINESS:**

- 1) To receive, consider and adopt the Third Audited Balance Sheet as on 31.03.2008 and the Profit and Loss Account for the year ended 31.03.2008 together with the Reports of the Directors and the Auditors Thereon.
- 2) Gupta Nanda & Co., Chartered Accountants, who were appointed by the Office of Comptroller & Auditor General of India as Statutory Auditors of IIFCL for the financial year 2007-08 vacate office at the ensuing AGM. The Office of the Comptroller and Auditor General has not yet proposed another auditor for the ensuing Financial Year 2008-2009. On receipt of the said letter from the CAG, the auditor shall be deemed appointed, vide consent granted by the shareholders at this AGM; at remuneration to be decided by the Chairman, in consultation with the Board of Directors of the Company.

By Order of the Board of Directors  
**FOR INDIA INFRASTRUCTURE FINANCE COMPANY LIMITED**

Place: New Delhi  
Date: 11.07.2008

**S. S KOHLI**  
CHAIRMAN & MANAGING DIRECTOR

### **REGISTERED OFFICE**

1201-1207, 12th Floor, Naurang House,  
21, Kasturba Gandhi Marg,  
New Delhi-110001

### **NOTES: -**

- 1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/ herself and the proxy need not be a member of the Company.
- 2) Proxy in order to be effective must be received by the Company not less than 48 hours before the meeting.



# Directors' Report

To

The Members

The Directors of India Infrastructure Finance Company Ltd have great pleasure in presenting the Third Annual Report with the Audited statements of accounts along with the comments of the Auditors of the company and The Comptroller and Auditor General of India for the financial year ended 31st March 2008.

#### VISION

"Provide innovative financing solutions to promote and develop world class infrastructure in India".

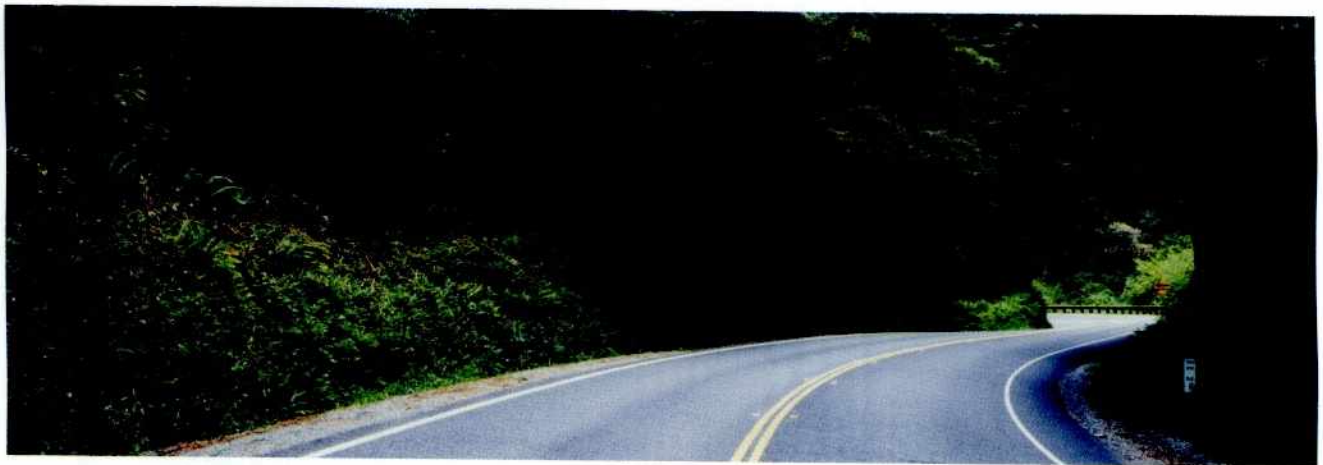
#### MISSION

"To adopt best practices in financing infrastructure and develop core competencies in facilitating infrastructure development. Develop a team of highly engaged employees to deliver services in a professional manner and to the satisfaction of all stakeholders".

#### OPERATIONAL AND FINANCIAL RESULTS

The financial results of the Company for the year ended 31st March, 2008 are as follows:

Item	Rs. crore	
	31.03.2007	31.03.2008
Total Income	40.23	120.20
Total Expenses	30.86	86.67
Profit Before Tax	9.38	33.76
Less :Provision for Tax	2.21	8.95
Less: Provision for standard assets	0.57	6.19
Less: Provision for infrastructure reserve	3.13	4.52
Profit After Tax carried forward to balance sheet	3.47	14.10



The company earned a Profit After Tax of Rs.14.10 crore compared to Rs.3.47 crore in the previous year, registering a growth of 306%. Total income increased from Rs.40.23 crore at the end of March 2007 to Rs.120.20 crore at the end of March 2008, recording a growth of 199%. Income from loans amounted to Rs.57.66 crore at the end of March 2008. Total expenses at the of March 2008 was Rs.86.67 crore.

Profit Before Tax at the end of March 2008 was Rs. 33.76 crore compared to Rs.9.38 crore at the end of March 2007, growing by 260%.

The company has adopted the prudential norms prescribed by Reserve Bank of India for banks with regard to asset classification and provisioning. All the assets of the company at the end of March 2008 were in the "Standard" category. Keeping with the prudential policy, the company has been making provision @ 0.40% on standard assets. The provision for standard assets accordingly increased from Rs.0.57 crore at the end of March 2007 to Rs.6.76 crore at the end of March 2008. Further, the company has created Infrastructure Reserve which went up from Rs. 3.13 crore to Rs.7.65 crore during the above period.

#### SECTOR-WISE SANCTIONS

The Company has sanctioned an amount of Rs.8559 crore to 32 projects, with project cost of Rs.62,472 crore in Financial year 2007-08.

The Sector wise status is detailed below:-

Sector	No of projects	Loan approved Rs. crore	Project cost Rs. crore
Road	19	1981	10696
Power	9	5334	41270
Airport	1	1000	8890
Seaport	2	230	1546
Urban Infrastructure	1	14	70
<b>Total</b>	<b>32</b>	<b>8559</b>	<b>62,472</b>

## **RESOURCES**

During 2007-08 the paid-up capital of the company increased from Rs. 100 crore to Rs. 800 crore with Government of India's contribution. The company raised Rs. 200 crore by way of market borrowing through bonds of 15 year maturity. Further the company availed long-term loan of Rs. 1000 crore from the Life Insurance Corporation of India and Rs. 1500 crore from the National Small Savings Fund. To meet short-term requirements, the company raised loans from banks to a tune of Rs. 1000 crore.

The Company has got approval of the Reserve Bank of India for raising of external commercial borrowings (ECB's) of USD 500 million. Further the company has got a sanction of US\$ 500 million loan from the Asian Development Bank. The proposals of the Company for long term loans from World Bank and KfW are under process.

## **RISK MANAGEMENT**

Infrastructure projects involved variety of risks and need to be identified and mitigated. Towards this end, the company took a major step during the year to appoint consultant with the task of evolving a framework for risk assessment. Under this framework credit, market and operational risks would be addressed.

## **INTERNAL CONTROLS**

The Company has well laid out internal control system by way of internal audit on a concurrent basis. The Auditor's report is placed before the Audit Committee of the Board at regular intervals.

## **OPERATIONAL MANUAL**

Towards bringing in more operational efficiency, the Company has taken up the task of evolving a comprehensive operational manual with the help of outside consultants. The operational manual will be implemented after it is received from the consultants.

## **HUMAN RESOURCE MANAGEMENT**

The company believes that its employees are its most valuable assets. Towards this end, the HR policy of the company is aimed at nurturing the full potential of the employees and also equip them with the required skill sets. Training of staff has been given adequate importance by the Company and keeping with this, a training inventory has been created. Besides training of officers within the country, the company has been sponsoring them for training abroad. During the year, four officers of the company were sent on training abroad. As part of HR policy, the Company implemented the Officers Service Regulations during the year. The policy of absorption of officers who are on







deputation is under process.

Towards preparing a performance linked incentives scheme for staff, the Company has appointed consultants to evolve the framework covering the key performance areas.

#### **FUTURE OUTLOOK**

Although overall economic growth is showing signs of moderation, the growth rate is expected to remain in the range of 8% . Accordingly, the performance of the infrastructure sector during the year 2008-09 is expected to post moderate growth. Keeping with this, the company has planned its loan sanctions. Disbursements are expected to pick, particularly, in respect of projects which are under implementation. The company would be raising matching resources during the year and the loans from multinational institutions are expected to become available during the year.

The company has already signed Memorandum of Understanding (MoU) with various banks and institutions. The company would be availing opportunities for financing of fresh proposals from such arrangements.

In fulfillment of the announcement made in the Union Budget 2007-08, the company has established its wholly owned offshore subsidiary at London, which commenced operations on 10th April 2008. IIFC (UK) Ltd would be meeting the foreign currency loan requirements of Indian infrastructure sector. Efforts will be made to maximize the available business opportunities in this respect.

#### **DIVIDEND**

The company earned a Profit After Tax of Rs.14.10 crore during the year. Taking into the need to strengthen the fundamentals of the company, the management has decided that it would be prudent to plough back the profits of the company and accordingly, the company has not declared any dividend.

## BOARD OF DIRECTORS

The Board of Directors of the company:

No	Name	Designation	Category	Remarks
1	Shri S S Kohli	Chairman & Managing Director	Whole time Director	
2	Shri R R Shah	Member - Secretary Planning Commission	Director	Since Retired w.e.f 10.1.2008
3	Shri Vinod Rai	Secretary (Financial Sector) Ministry of Finance	Director	Since Retired w.e.f 6.1.2008
4	Dr Subas Pani	Secretary Planning Commission	Director	
5	Shri Arun Ramanathan	Secretary (Financial Sector) Ministry of Finance	Director	
6.	Prof. G Raghuram	Professor Indian Institute of Management, Ahmedabad	Director	
7.	Shri N Balasubramanian	Ex-chairman & Managing Director SIDBI	Director	

Shri Vinod Rai, Secretary (FS), Ministry of Finance, Government of India, resigned w.e.f. 6.1.2008 from the office of Director of IIFCL, upon his appointment as Comptroller & Auditor General of India by Government of India. The Board wishes to place on record its sincere appreciation of his valuable contribution to the company.

Shri R.R. Shah, Member Secretary, Planning Commission ceased to be Director w.e.f. 10.1.2008 upon appointment of Dr Subas Pani, Secretary Planning Commission on the Board of Directors of IIFCL in place of Shri RR Shah by the Central Government. The Board wishes to place on record its sincere appreciation of his contribution to the company.





#### **DIRECTORS RESPONSIBILITY STATEMENT**

Pursuant to the requirement under section-217 (2AA) of the Company Act-1956 with respect to a Director's Responsibility Statement.

It is hereby confirmed:-

- (a) That in the preparation of Annual Accounts for the Financial Year ended 31.03.2008 the applicable Accounting Standard had been followed along with the proper explanation relating to material departure.
- (b) That the Directors had adopted such Accounting Policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give true and fair view of the state of affairs of the company at the ended of the Financial year and of the profit or loss of the company for the year under review.
- (c) That the Directors had taken proper and sufficient care for the maintenance of the adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- (d) That the Directors had prepared the accounts for the Financial Year ended 31-03-2008 on going concern basis.

#### **CORPORATE GOVERNANCE**

The company is committed to adopting the best practices in corporate governance which is guided by the principles of conducting the business in a responsible, transparent and ethical manner so as to protect the interest of all stakeholders. In line with this, the company has put in place a system of internal controls with appropriate format for reporting. The company has a three tier system of audit viz., internal audit, statutory audit and supplementary audit by the Comptroller and Auditor General of India.

Although it is not mandatory, the company on its own, has adopted prudential accounting norms relating to asset classification and provisioning. A framework for risk assessment is being put in place to address credit, market and operational risks. An Operational Manual clearly delineating the procedures to be adopted and the information to be placed to the top management is under preparation.

Regular reports on the performance of the company are placed to the Board of Directors.



#### BOARD MEETINGS DURING THE YEAR

The Board of Directors of the company provides leadership and strategic direction and bring forth their objective judgement, independence of management and exercises control over the company, while ensuring accountability to stakeholders.

During the year under review, 7 meetings of the Board were held on 26th April, 2007, 10th July, 2007, 29th August, 2007, 2nd November, 2007, 20th December, 2007, 22nd February, 2008 and on 31st March 2008.

#### Audit Committee of the Board

The Board of Directors has constituted an Audit Committee of the following Directors under Section 292(A) of the Companies Act, 1956.

No	Designation/Directors	Name of Director
1	Secretary (Financial Sector), Ministry of Finance	Shri Arun Ramanathan- Chairman of the committee
2	Chairman & Managing Director	Shri S S Kohli - Member
3	Professor, IIM, Ahmedabad	Prof G Raghuram- Member

#### DEPOSITS

During the year under review, the Company has not accepted any deposit under Section 58A of the Companies Act, 1956, read with Companies (Acceptance of Deposits) Rules, 1975.

#### CONSERVATION ENERGY

The Company does not belong to the Category of power intensive industries and hence consumption of power is not significant but adequate measures have been taken to conserve energy as far as possible.

#### TECHNOLOGY ABSORPTION

The Company is engaged in providing financial assistance to identified projects to aid the development of economy and does not involve any technology absorption.

#### FOREIGN EXCHANGE EARNINGS & OUTGO

Information in accordance with Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors), Rules, 1988:

	(Rs. in lakhs)	
	31.03.2008	31.03.2007
Total Foreign exchange used :	26.76	1.14
Total Foreign exchange earned :	27.21	NIL

### **PARTICULARS OF EMPLOYEES**

All the employees, except 3, are taken on deputation from various Public Sector Banks/Financial Institutions. While the Officers' Service Regulations have been implemented, the process of absorption of the staff is under process. The company plans to develop a full fledged cadre of professionals to manage the increasingly complex business of financing infrastructure development.

The Company had no employees during the year under review whose particulars are required to be given under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees Rules 1975).

### **BOND TRUSTEE**

The Company's 8.70% IIFCL 2016 bonds are provisionally listed with BSE. Further, the company has issued 8.82% IIFCL 2022 bonds which are provisionally listed with BSE and the same would get confirmed on issuance of GoI guarantee. The Company, in line with the requirement of SEBI, appointed the following Trustees:

IL&FS Trust Company Ltd.	Bond Series
The IL & FS Financial Centre, Plot C-22, G-Block, Bandra-Kurla Complex, Bandra(East), Mumbai-400 051	8.70% (IIFCL 2016 Bond Series I)

IDBI Trusteeship Services Ltd	Bond Series
Asian Building 17 R Kamani Marg Ballard Estate Mumbai 400001	8.82% (IIFCL 2022 Bond (Series I 2007-08)

### **STATUTORY AUDITORS**

M/s Gupta Nanda & Co. Chartered Accountants, were appointed by the Office of Comptroller & Auditor General of India as Statutory Auditors of IIFCL for the financial year 2007-08.

### **COMMENTS OF THE STATUTORY AUDITORS/COMPTROLLER & AUDITOR GENERAL OF INDIA ON ANNUAL ACCOUNTS**

The audited statement of accounts alongwith the report of auditors is appended with comments of the Statutory Auditors and Comptroller & Auditor General of India under Sector 619(4) of the Companies Act, 1956, as an annexure to this Report.

### **OFFICIAL LANGUAGE**

Efforts were made during the year towards encouraging use of Hindi in official transactions as also to ensure compliance of provisions of Official Language Act.

### **ACKNOWLEDGEMENTS**

The Board of Directors wishes to place on record their appreciation of dedication, hard work and the efforts of the employees of the company. The Directors are thankful to all the stakeholders including the Central Government, State Governments, Banks, Financial Institutions, Employees, Customers and Shareholders for their continued support and cooperation. The Board is also thankful to the Auditors of the Company, the Comptroller and Auditor General of India for their valuable guidance and advice.

**BY ORDER OF THE BOARD OF DIRECTORS  
FOR INDIA INFRASTRUCTURE FINANCE COMPANY LTD.**

**Place : New Delhi  
Date : 11.07.2008**

**S. S. KOHLI  
CHAIRMAN AND MANAGING DIRECTOR**

## AUDITOR'S REPORT

TO THE MEMBERS OF INDIA INFRASTRUCTURE FINANCE COMPANY LIMITED

1. We have audited the attached Balance sheet of India Infrastructure Finance Company Limited as at 31st March, 2008 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 and the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. **Further, to our comments in the 'Annexure' referred to above, we report that :**
  - (a) **Some of the balances shown under loans, advances and other debits/ credits in so far as these have since not been confirmed, realized, discharged or adjusted are subject to reconciliation. (Refer Item No. B(26) relating to Notes to the accounts of Schedule XIX).**

The effect of item no. (a) above on the Company's accounts is not ascertainable for the reasons explained in the respective notes.
5. Further to above, we report that :
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
  - (c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of accounts.
  - (d) In our opinion, the Balance sheet, the profit and loss account and the cash flow statement dealt with by this report **subject to item No. A(10) of schedule XIX relating to accounting policies and item No. B(15) of schedule XIX relating to notes to the account**, comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

The effect of item no. A(10) & B(15) refer above on the Company's accounts is not ascertainable for the reasons explained in the respective notes.
  - (e) The requirements of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 relating to disqualification of directors are not applicable to the Company, being a Government company, in terms of Notification No. G.S.R.829(E), dated 21.10.2003 issued by Ministry of Finance, Department of Company Affairs.
  - (f) The Company is not required to make any payment of Cess, as no notification has been issued by the Central Government specifying the rate for levying of cess under Section 441A of the Companies Act, 1956 till 31st of March, 2008.
6. **Subject to our observations as stated in para 4(a) & 5(d) above**, In our opinion and to the best of our information and according to the explanation given to us, the said accounts read with the Accounting Policies and Notes thereon in Schedule No. XIX, give the information required by the Companies Act, 1956 in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of Balance Sheet of the state of affairs of the Company as at March 31st, 2008.
- (b) in the case of the Profit and Loss account, 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.

Place: N. Delhi  
Dated: 02.05.08

**For Gupta Nanda & Co.**  
(Chartered Accountants)

**(Sanjive Nanda)**  
Partner  
**M.No.: 87108**

**ANNEXURE TO THE AUDITOR'S REPORT TO THE MEMBERS OF  
INDIA INFRASTRUCTURE FINANCE COMPANY LIMITED**

Referred to in paragraph 3 of our audit report of even date :

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) As explained to us the fixed assets have been physically verified by the management at reasonable intervals. No material discrepancies were noticed on such verification.
- (c) The Company did not dispose off a substantial part of fixed assets during the year.
- (ii) The nature of the Company does not require it to hold inventories and as such clause 4(ii) of the Companies (Auditor's Report) Order, 2003('Order') is not applicable.
- (iii) (a) The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. As the Company has not granted any loans, secured or unsecured, to parties listed in the registers maintained under Section 301 of the Companies Act, 1956, the provision of clause 4(iii) (b), (c) and (d) of the Order are not applicable to the company.
- (e) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. As the Company has not taken any loans, secured or unsecured, from parties listed in the registers maintained under Section 301 of the Companies Act, 1956, the provision of clause 4(iii) (f) and (g) of the Order are not applicable to the company.
- (iv) In our opinion, and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for sale of services. Further, during the course of our audit we have neither come across nor have we been informed of any significant continuing failure to correct major weaknesses in the internal control system.
- (v) To the best of our knowledge and belief and according to the information and explanation given to us, there are no contracts or arrangements the particulars of which need to be entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956 and paragraph (v) (b) of the order is not applicable.
- (vi) The Company has not accepted any deposits from the public within the meaning of the Rule 2(b) of the Companies (Acceptance of Deposits) Rules 1975.
- (vii) In our opinion, the internal audit functions carried out during the year by an external agency appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (viii) According to the information and explanation given to us, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956.
- (ix) (a) According to the information and explanation given to us and on the basis of our examination of the books of account, the company has been generally regular in depositing undisputed statutory dues including Provident Fund, Fringe Benefit Tax, Income-tax, Service-Tax, Cess and other material statutory dues as applicable with the appropriate authorities.
- (b) According to information and explanation given to us, no undisputed material amounts in respect of Provident fund, Income Tax, Fringe Benefit Tax, Cess and other material statutory dues applicable to the company was in arrears as of March 31, 2008 for a period of more than six months from the date they became payable.
- (c) According to the information and explanation given to us, there are no dues outstanding on account of Income Tax/ Fringe Benefit Tax/ Service Tax/ Cess that have not been deposited on account of disputes:
- (x) The company has not any accumulated losses as on 31st March, 2008. The Company has not incurred cash losses for the financial year ended 31st of March, 2008 and in the immediately preceding financial year.
- (xi) According to the information and explanation given to us, and on the basis of our examination of the books of account, the company has not defaulted in repayment of dues to any financial institution or bank or debenture holders



- (xii) According to the information and explanation given to us, and on the basis of our examination of the books of account, the company has not granted loans and advances on the basis of prime security by way of pledge of shares, debentures and other securities. Accordingly, clause 4(xii) of the Order is not applicable.
- (xiii) The company is not a chit fund, nidhi, mutual benefit or a society. Accordingly, clause 4(xiii) of the Order is not applicable.
- (xiv) (a) According to the information and explanation given to us and on the basis of our examination of the books of account generally, proper records have been maintained of the transactions and contracts and timely entries have been made therein in respect of the securities, debentures and other investments dealt with or traded by the company.  
(b) The securities, debentures and other securities have been held by the Company, in its own name except to the extent of the exemption, if any, granted under Section 49 of the Act.
- (xv) In our opinion and according to information and explanations given to us, the company has not given any guarantees for loans taken by others from bank or financial institutions.
- (xvi) To the best of our knowledge and belief and according to the information and explanation given to us, in our opinion, term loans availed by the Company were, prima facie, applied by the Company during the year for the purpose for which the loans were obtained, other than temporary deployment pending application.
- (xvii) According to information and explanations given to us and based on the overall examination of the Balance Sheet of the Company, we report that funds raised on short term basis have, prima facie, not been used for long-term investment.
- (xviii) 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 during the year.
- (xix) As all debentures and bonds issued are guaranteed by Govt. of India but are unsecured, creation of security or charge does not arise.
- (xx) The company has not raised any money by public issues during the year.
- (xxi) To the best of our knowledge and belief and according to the information and explanation given to us, no fraud on or by the company was noticed or reported during the year.

Place: N. Delhi  
Dated: 02.05.08

**For Gupta Nanda & Co.**  
(Chartered Accountants)

**(Sanjive Nanda)**  
Partner  
**M.No.: 87108**

# Balance Sheet

AS on 31st March 2008

DESCRIPTION	Schedule No.	(Rs.)	
		As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>I SOURCES OF FUNDS</b>			
<b>(1) Shareholder's Funds</b>			
(a) Share Capital	I	3,000,000,000.00	1,000,000,000.00
(b) Reserve and Surplus	II	321,809,437.74	74,179,954.94
(c) Share Application Money (Pending Allotment)		5,000,000,000.00	-
<b>(2) Loan Funds</b>			
(a) Secured Loans	III	-	696,109,997.30
(b) Unsecured Loans	IV	34,976,210,186.00	6,073,481,683.00
<b>(3) Deferred tax liability (Net of Asset)</b>	V	33,877,282.68	5,721,583.01
<b>TOTAL</b>		<b>43,331,896,906.42</b>	<b>7,849,493,218.25</b>
<b>II APPLICATIONS OF FUNDS</b>			
<b>(1) Fixed Assets</b>			
(a) Gross Block	VI	4,531,106.98	3,778,549.98
Less : Depreciation		1,854,767.26	997,197.19
Net Block		2,676,339.72	2,781,352.79
(b) Capital Work -in-Progress		370,825.00	-
<b>(2) Investments</b>	VII	11,441,317,120.58	1,045,241,710.15
<b>(3) Infrastructure Loans</b>	VIII	16,906,379,442.57	1,424,603,571.54
<b>(4) Current Assets, Loans &amp; Advances</b>			
(a) Cash & Bank Balance	IX	15,170,383,953.23	5,462,112,493.65
(b) Other Current Assets		155,066,580.49	141,445,712.05
(c) Loans & Advance		170,899,191.97	55,277,638.22
		15,496,349,725.69	5,658,835,843.92
<b>Less: Current Liabilities and Provisions</b>			
(a) Current Liabilities	X	468,834,696.82	273,104,411.81
(b) Provisions		74,261,654.25	26,305,533.27
		543,096,351.07	299,409,945.08
<b>(5) Net Current Assets</b>		14,953,253,374.62	5,359,425,898.84
<b>(6) Miscellaneous Expenditure to the extent not written off or adjusted</b>	XI	27,899,803.93	17,440,684.93
Significant Accounting Policies and Notes to the Accounts	XIX		
<b>TOTAL</b>		<b>43,331,896,906.42</b>	<b>7,849,493,218.25</b>

Signed in terms of our report of even date

**For Gupta Nanda & Co.**  
Chartered Accountants

**For India Infrastructure Finance Company Ltd.**

**Sanjive Nanda**  
(Partner)  
Membership No.87108

**S.S. Kohli**  
(Chairman and Managing Director)

**Dr. Subas Pani**  
(Director)

Place: New Delhi  
Dated: 02.05.2008

## Profit and Loss Account

For the Year Ended on 31st March 2008

DESCRIPTION	Schedule No.	(Rs.)	
		For the year ended 31st March, 2008 (Audited)	For the year ended 31st March, 2007 (Audited)
<b>I INCOME</b>			
Income from Operations	XII	1,118,921,299.77	363,014,709.60
Other Income	XIII	82,469,107.85	38,606,987.12
Add: Deferred income on account of Depreciation Charged on Fixed assets acquired out of Government Grant		499,601.64	638,737.44
<b>TOTAL INCOME (A)</b>		<b>1,201,890,009.26</b>	<b>402,260,434.16</b>
<b>II EXPENDITURE</b>			
Cost of Borrowings	XIV	806,720,822.85	286,582,397.60
Payments to and provisions for employees	XV	11,852,464.92	7,564,624.76
Establishment and other Expenses	XVI	19,549,047.59	13,167,625.68
Provision for contingencies		5,008,129.00	-
Provision for decline in value of investments		22,745,000.00	200,000.00
Depreciation	VI	857,570.07	994,384.73
<b>TOTAL EXPENDITURE (B)</b>		<b>866,733,034.43</b>	<b>308,509,032.77</b>
<b>III PROFIT FOR THE YEAR</b>		335,156,974.83	93,751,401.39
<b>IV ADD : PRIOR PERIOD ADJUSTMENTS</b>	XVII	2,431,918.73	-
<b>V PROFIT BEFORE TAX</b>		337,588,893.56	93,751,401.39
Less(-)/Add(+) : Provision for taxes			
- Current Year :-			
Tax		(61,473,571.00)	(15,807,850.00)
Interest		(254,450.00)	-
-Earlier Year :-			
Tax		862,000.00	(128,759.00)
Less(-)/Add(+) : Deferred Tax Liability(-)/Asset(+)		(28,155,699.67)	(5,886,504.01)
Less(-)/Add(+) : Provision for Fringe benefit tax		(438,088.45)	(230,979.00)
<b>VI Profit After Tax Available For Appropriations</b>	XVIII	248,129,084.44	71,697,309.38
<b>VII Basic &amp; Diluted Earning per Share of Rs.10/- each Amount in Rs. (Refer note no. B(8) of schedule -XIX)</b>		0.65	0.51
<b>VIII Significant Accounting Policies and Notes to the Accounts</b>	XIX		

Signed in terms of our report of even date

**For Gupta Nanda & Co.**  
Chartered Accountants

**Sanjive Nanda**  
(Partner)  
Membership No.87108

**For India Infrastructure Finance Company Ltd.**

**S.S. Kohli**  
(Chairman and Managing Director)

**Dr. Subas Pani**  
(Director)

Place: New Delhi  
Dated: 02.05.2008

## SCHEDULES FORMING PART OF THE ACCOUNTS

	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>SCHEDULE - I</b>		
<b>SHARE CAPITAL</b>		
<b>AUTHORISED CAPITAL</b>		
1,000,000,000 equity shares (Previous year 1,000,000,000) of Rs. 10/- each	10,000,000,000.00	10,000,000,000.00
<b>ISSUED, SUBSCRIBED &amp; PAID UP CAPITAL</b>		
300,000,000 equity shares of Rs. 10/- each (Previous year 100,000,000 Equity Shares of 10 each)	3,000,000,000.00	1,000,000,000.00
<b>TOTAL</b>	<b>3,000,000,000.00</b>	<b>1,000,000,000.00</b>

Description	Opening Balance as on 01.04.2007	Additions/ Adjustments during the year	Deductions/ Adjustments during the year	Closing Balance as on 31.03.2008
(Rs.)				
<b>SCHEDULE - II</b>				
<b>RESERVES &amp; SURPLUS</b>				
Provision for Standard Assets 36(1) (vii) (c) of Income Tax Act, 1961	5,698,414.29	61,927,103.48	-	67,625,517.77
Special Infrastructure Reserve created u/s 36(1) (viii) of Income Tax Act, 1961	31,308,867.77	45,214,453.33	-	76,523,321.10
Capital Reserve for Fixed Assets	1,851,258.56	-	499,601.64	1,351,656.92
Profit and Loss Account	35,321,414.32	140,987,527.63	-	176,308,941.95
<b>Total</b>	<b>74,179,954.94</b>	<b>248,129,084.44</b>	<b>499,601.64</b>	<b>321,809,437.74</b>
Previous Year	3,121,383.00	73,686,570.88	2,627,998.94	74,179,954.94

	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>SCHEDULE - III</b>		
<b>SECURED LOANS</b>		
(A) Overdraft against FDR of Dena Bank	-	695,406,648.30
(B) Interest accrued & due on Secured Loans	-	703,349.00
<b>TOTAL</b>	-	<b>696,109,997.30</b>

	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>SCHEDULE - IV</b>		
<b>UNSECURED LOANS - RUPEES</b>		
<b>(A) BONDS</b>		
<b>(a) Long Term Loans</b>		
(i) Guaranteed by Government of India & redeemable at Par Non Convertible 8.70% Bonds - Redemption on 02/09/2016 5000 Bonds of Face Value Rs 10 Lakhs each (Previous Year 5000 bonds of face value of Rs.10Lakhs each)	5,000,000,000.00	5,000,000,000.00
(ii) Guaranteed by Government of India & redeemable at Par Non Convertible 8.82% Bonds - Redemption on 19.12.2022 2000 Bonds of Face Value Rs 10 Lakhs each (Previous Year NIL)	2,000,000,000.00	-
<b>TOTAL A</b>	<b>7,000,000,000.00</b>	<b>5,000,000,000.00</b>
<b>(B) OTHER BORROWINGS</b>		
<b>(a) Long Term</b>		
i) Loans - LIC of India( Guaranteed by Govt. of India)	10,000,000,000.00	-
ii) Loan -NSSF	15,000,000,000.00	-
iii) Loans State bank of Travancore	2,437,911.00	1,050,000,000.00
<b>(b) Short Term</b>		
Loan Bank Of India	2,973,772,275.00	-
Interest accrued and due on Loans	-	23,481,683.00
<b>TOTAL B</b>	<b>27,976,210,186.00</b>	<b>1,073,481,683.00</b>
<b>TOTAL (A + B)</b>	<b>34,976,210,186.00</b>	<b>6,073,481,683.00</b>

**Notes to schedule - IV**

- 1 Long Term Loans due for repayment within one year are Rs 24,37,911.00 (previous year NIL )

	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>SCHEDULE - V</b>		
<b>DEFERRED TAX ASSETS / LIABILITY( Net of Assets)</b>		
<b>(i) Deffered tax Liability</b>		
(a) On account of Depreciation	102,215.72	-
(b) On account of Stamp Duty	7,764,790.12	5,928,088.88
(c) On account of Infrastructure Reserve Created u/sec 36(1)(viii) of Income Tax Act, 1961	26,010,276.84	-
Net Deffered Tax liability	<b>33,877,282.68</b>	<b>5,928,088.88</b>
<b>(ii) Deffered tax Assets</b>		
(a) On Account of Depreciation	-	206,505.87
Net Deffered Tax Assets	-	206,505.87
<b>Net Deffered Tax Liability</b>	<b>33,877,282.68</b>	<b>5,721,583.01</b>



**SCHEDULE - VI**
**FIXED ASSETS**

(Rs.)

Description	Gross Block			Depreciation			Net Block		
	As on 01.04.2007	Additions	Deductions/ Transfer	As at 31.03.2008	As on 01.04.2007	For the Period	Deductions/ Transfer	As on 31.03.2008	As on 31.03.2007
CAR	1,158,825.00	-	-	1,158,825.00	293,509.88	224,030.07	-	517,539.95	865,315.12
COMPUTER & SOFTWARES	1,529,094.84	179,480.00	-	1,708,574.84	433,813.62	477,781.83	-	911,595.45	1,095,281.22
FURNITRE & FIXTURES	518,533.64	561,877.00	-	1,080,410.64	133,146.28	92,005.27	-	225,151.55	385,387.36
PAINTINGS & SCULPTURES	14,850.00	-	-	14,850.00	14,839.00	-	-	14,839.00	11.00
OFFICE EQUIPMENTS	557,246.50	11,200.00	-	568,446.50	121,888.41	63,752.90	-	185,641.31	435,358.09
<b>GRAND TOTAL</b>	<b>3,778,549.98</b>	<b>752,557.00</b>	<b>-</b>	<b>4,531,106.98</b>	<b>997,197.19</b>	<b>857,570.07</b>	<b>-</b>	<b>1,854,767.26</b>	<b>2,781,352.79</b>
Previous Year	504,092.00	3,285,187.98	10,730.00	3,778,549.98	3,349.00	994,384.73	536.54	997,197.19	500,743.00

	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>SCHEDULE - VII</b>		
<b>INVESTMENTS</b>		
<b>(A) WITH ASSISTED UNITS</b>		
(a) Investment in UK Subsidiary	41.00	-
<b>(B) OTHER INVESTMENTS</b>		
<b>LONG TERM INVESTMENT</b>		
<b>Quoted Investment</b>		
(a) Power Finance Corporation	300,000,000.00	300,000,000.00
(b) 8.85% CAN BANK	80,000,000.00	80,000,000.00
(c) 8.85% SBI 2021	200,000,000.00	200,000,000.00
(d) 7.99% GOI 2017	361,760,000.00	-
(e) 8.33% GOI 2036	160,590,000.00	252,275,000.00
(f) Preacquisition period Interest paid	3,025,763.89	3,510,083.33
(g) Premium paid on Bank Securities	487,418.82	535,446.82
<b>SHORT TERM INVESTMENT</b>		
<b>Quoted Investment</b>		
(a) UTI- Liquid	6,401,250,935.96	-
<b>Unquoted Investment</b>		
(a) Investment in Treasury bills	-	19,373,180.00
(b) Certificate of Deposit	3,940,522,400.00	189,748,000.00
(c) Dodballpur Integrated Textile park (IPMDO)	7,655,390.91	-
(d) Pochampally Handloom Park Pvt. Ltd. (IPMDO)	8,770,170.00	-
Sub Total	11,464,062,120.58	1,045,441,710.15
LESS: Provision for diminution in the value of Investments	22,745,000.00	200,000.00
<b>TOTAL</b>	<b>11,441,317,120.58</b>	<b>1,045,241,710.15</b>

	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>SCHEDULE - VIII</b>		
<b>INFRASTRUCTURE LOANS ( ASSETS)</b>		
(A) ASSISTED CONCERNS	-	-
(B) OTHER INSTITUTIONS	16,906,379,442.57	1,424,603,571.54
<b>TOTAL</b>	<b>16,906,379,442.57</b>	<b>1,424,603,571.54</b>
Notes:		
1 The above amounts include interest and other charges accrued but not due	43,885,258.00	438,447.00
2 Classification of Loans		
(i) Secured by Future Cash Flows. Of Projects	16,906,379,442.57	1,424,603,571.54
(ii) Guaranteed by Central /State Governments	-	-
(iii) Against Prom. Notes & Usance Bills accepted / Guaranteed by Banks	-	-
(iv) Unsecured	-	-
Notes:		
Out of the above,		
(i) Considered good	16,906,379,442.57	1,424,603,571.54
(ii) Considered doubtful	-	-

	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>SCHEDULE - IX</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>(1) CURRENT ASSETS</b>		
<b>(A) Cash and Bank Balance</b>		
(a) Cash in hand	1,201.09	8,391.00
(b) Balances with Scheduled Banks		
(i) - Current Accounts in India	90,382,752.14	22,104,102.65
(ii) - Fixed Deposit Accounts	15,080,000,000.00	5,440,000,000.00
	<b>15,170,383,953.23</b>	<b>5,462,112,493.65</b>
<b>(B) Other Current Assets</b>		
(a) Interest accrued on T bills	-	609,012.62
(b) Interest accrued on Govt. Securities	7,300,798.10	1,457,083.33
(c) Interest accrued on Certificate of Deposites	79,975,920.78	7,575,775.04
(d) Interest accrued on Banks Securities	21,589,151.84	11,812,931.53
(e) Interest accrued on Bonds	7,369,808.03	7,369,808.03
(f) Interest accrued on FDRS	37,585,354.27	112,305,941.02
(g) Interest accrued on Flexi - SBT	-	35,459.00
(h) Other Current Assets	1,245,547.47	279,701.48
	<b>155,066,580.49</b>	<b>141,445,712.05</b>
<b>(2) LOANS &amp; ADVANCES</b>		
<b>Advances Recoverable in Cash or in Kind OR For Value to be Received (Unsecured Considered Good)</b>		
(a) Irrigation and Water Resources Finance Corporation Ltd.	23,006,200.00	-
(b) Advance Tax paid	44,783,000.00	6,400,000.00
(c) Tax deducted at source	55,190,888.97	46,843,335.75
(d) Advance FBT	453,709.00	217,775.00
(e) Income Tax Refundable 2006-07	40,293,609.00	-
(f) Misc. Expenses	-	47,527.47
(g) Advance for Business Plan	-	1,769,000.00
(h) PHRD grant receivable	2,332,600.00	-
(i) Expenses Incurred on behalf of subsidiary	226,255.00	-
(j) Interest Recoverable on Swaps	4,612,930.00	-
<b>TOTAL(B)</b>	<b>170,899,191.97</b>	<b>55,277,638.22</b>

	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>SCHEDULE - X</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>(A) CURRENT LIABILITIES</b>		
(a) Interest accrued but not due on bonds and borrowings	411,520,547.36	246,604,985.81
(b) Unexpired income on swaps	46,181,982.00	26,273,913.00
(c) LC Commission received In Advance	1,496,142.00	-
(d) Interest Excess Recovered	2,736,823.61	-
(e) PF deducted on behalf of employees	10,161.20	-
(f) Unclaimed Interest on 8.70% Bonds	156,078.00	-
(g) Provision for Loss on Interest Rate Swap	5,008,129.00	-
(h) Other Liabilities	1,724,833.65	225,513.00
<b>TOTAL</b>	<b>468,834,696.82</b>	<b>273,104,411.81</b>
<b>(B) PROVISIONS</b>		
(a) Provision for Income Tax	61,728,021.00	15,807,850.00
(b) Provision for Fringe Benefit Tax	438,088.45	230,979.00
(c) Expenses	228,673.00	229,773.00
(d) Gratuity	474,747.58	235,151.45
(e) Leave Encashment	176,160.67	68,903.10
(f) Government Gaurantee fees payable	3,815,963.55	9,732,876.72
(g) Stamp Duty Payable	7,400,000.00	-
<b>TOTAL</b>	<b>74,261,654.25</b>	<b>26,305,533.27</b>

	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>SCHEDULE - XI</b>		
<b>(A) MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)</b>		
<b>(a) Stamp duty on Bonds</b>		
Opening balance	17,440,684.93	-
Stamp duty paid on Bonds	7,400,000.00	18,500,000.00
Less : Written off during the period/year	(1,996,348.00)	(1,059,315.07)
	22,844,336.93	17,440,684.93
<b>(b) Stamp duty on Shares</b>		
Stamp duty paid on Shares	2,000,000.00	-
Less : Written off during the period/year	(400,000.00)	-
	1,600,000.00	-
<b>(c) Deffered Revenue Expenses</b>		
Deffered Revenue Expenses incurred during the year	4,161,100.00	-
Less : Written off during the period/year	(705,633.00)	-
	3,455,467.00	-
<b>Total</b>	<b>27,899,803.93</b>	<b>17,440,684.93</b>

	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>SCHEDULE - XII</b>		
<b>INCOME FROM OPERATIONS</b>		
(a) On Lending Operations	576,569,965.24	18,724,540.80
(b) On Investment Operations		
(i) Interest (Gross)	161,494,363.27	79,319,320.79
(ii) Loss/Profit on Sale of Government Securities	(482,850.89)	34,194,755.00
Less : Amortization of Premium Paid on HTM Securities	(48,028.00)	(22,833.18)
(iii) Dividend on Liquid Mutual Fund	45,328,852.31	-
(iv) Profit on Sale of CD	1,782,951.00	-
(v) Profit on Sale of UTI Money Market Fund	860,860.14	-
Less : Loss on Sale of UTI Liquid Mutual Fund	(618,750.00)	-
(c) Interest / discount on other deposits		
(i) Interest on Bank FDR	334,033,936.70	230,798,926.19
<b>TOTAL</b>	<b>1,118,921,299.77</b>	<b>363,014,709.60</b>

	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>SCHEDULE - XIII</b>		
<b>OTHER INCOME</b>		
(a) Other Income	50,331.00	20,000.00
(b) Short and Excess	-	490.12
(c) Interest earned on Flexi Accounts	516,217.00	85,205.00
(d) Gain on Interest rate Swaps	3,611,563.00	743,105.00
(e) Upfront Fees	73,006,304.56	37,758,187.00
(f) Commission Recd. On L/C	4,484,119.79	-
(g) Liquidated Damages	13,033.00	-
(h) Commitment Charges	787,539.50	-
<b>TOTAL</b>	<b>82,469,107.85</b>	<b>38,606,987.12</b>



	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>SCHEDULE - XIV</b>		
<b>COST OF BORROWINGS</b>		
(A) Fixed		
(i) Interest on Bonds & Debentures	531,629,919.00	246,604,985.81
(ii) Amortization of Borrowing cost	1,996,348.00	1,059,315.07
(B) Others		
(i) Interest on Bank Borrowings	103,591,291.00	29,185,220.00
(ii) Guarantee Fees to GOI	24,862,169.30	9,732,876.72
(iii) Interest on (NSSF)	3,698,630.00	-
(iv) Interest on loan from LIC	140,942,465.55	-
<b>TOTAL</b>	<b>806,720,822.85</b>	<b>286,582,397.60</b>

	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>SCHEDULE - XV</b>		
<b>PAYMENTS TO AND PROVISIONS FOR EMPLOYEES</b>		
(a) Salaries and Allowances	7,779,240.40	4,894,202.01
(b) Director's Remuneration	841,320.00	791,438.00
(c) Contribution to Provident, Pension and other Funds	670,898.10	264,470.57
(d) Reimbursements	1,782,966.42	1,190,719.18
(e) Contract Employees Payment	778,040.00	423,795.00
<b>TOTAL</b>	<b>11,852,464.92</b>	<b>7,564,624.76</b>

	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>SCHEDULE - XVI</b>		
<b>ESTABLISHMENT AND ADMINISTRATION EXPENSES</b>		
Advertising Expenses	350,680.00	242,068.00
Auditors' Remuneration	180,000.00	50,000.00
Bank Charges	88,738.00	24,450.30
Books and Newspaper	53,627.10	38,369.91
Business promotion & development Expenses	1,140,232.00	781,349.00
Car Running and Maintenance Expenses	413,464.42	335,788.94
CCIL Charges	20,519.00	77,021.33
Directors' Sitting Fees	75,000.00	30,000.00
Directors Foreign Travelling	953,869.00	209,622.00
Directors Travelling	103,002.00	270,832.00
Electricity	545,451.60	279,020.00
Fees for Seminars	18,700.00	103,300.00
Filing fees	5,996.00	11,276.00
Foreign Exchange Fluctuations	126,105.42	-
Honorarium	15,000.00	31,500.00
Insurance	35,819.47	30,247.09
Loss on Sale of Fixed Assets	-	8,193.46
Miscellaneous Expenses	43,623.50	84,344.71
Miscellaneous Expenses Written off	1,105,633.00	-
Office Expenses	534,282.05	225,397.68
Other Tours, traveling & Conveyance Expenses	1,320,246.30	766,949.55
Postage & Telegram	116,113.00	54,816.00
Printing & Stationary	429,434.00	396,222.76
Professional Fees	2,217,935.00	3,987,483.60
Recruitment Expenses	954,318.50	-
Rent	7,421,093.00	3,005,520.00
Repairs and Maintenance	187,629.00	173,745.91
Short & Excess	351.92	-
Stamp duty Paid	-	1,000,480.00
Subscription A/c	587,713.13	581,728.25
Telephone Expenses	504,471.18	367,899.19
<b>TOTAL</b>	<b>19,549,047.59</b>	<b>13,167,625.68</b>
<b>Notes to schedule XVI</b>		
<b>1 Auditors' Remuneration includes:</b>		
Audit Fees	100,000.00	50,000.00
Tax Audit Fees	25,000.00	-
Other Services	55,000.00	-
	<b>180,000.00</b>	<b>50,000.00</b>

	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>SCHEDULE - XVII</b>		
<b>PRIOR PERIOD ADJUSTMENTS</b>		
<b>Prior Period Income:</b>		
Interest & Other Charges	2,575,342.47	-
Miscellaneous Income	8,411.76	-
<b>Sub Total</b>	<b>2,583,754.23</b>	-
<b>Prior Period Expenses:</b>		
Rent Reimbursement	71,642.50	-
Debenture Trustship Fees	43,570.00	-
Interest & other Charges	-	-
Miscellaneous Expenses	36,623.00	-
<b>Sub Total</b>	<b>151,835.50</b>	-
<b>Prior Period Adjustment (Net)</b>	<b>2,431,918.73</b>	-

	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>SCHEDULE - XVIII</b>		
<b>APPROPRIATIONS</b>		
Transfer towards Reserve for Standard Assets U/s 36(1) (vii) (c) of Income Tax Act, 1961	61,927,103.48	5,698,414.29
Transfer to Special Reserve Created & maintained U/s 36(1) (viii) of Income Tax Act, 1961	45,214,453.33	31,308,867.77
Balance Carried to Balance Sheet	140,987,527.63	34,690,027.32
<b>TOTAL</b>	<b>248,129,084.44</b>	<b>71,697,309.38</b>

# CASH FLOW STATEMENT

For The Year Ended on 31st March, 2008

	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) before Tax & Extraordinary Items	337,588,893.56	93,751,401.39
Adjustments for:		
Depreciation	857,570.07	994,384.73
Provision/write offs	30,903,138.00	1,282,148.25
Loss on sale of assets	-	8,193.46
Unexpired gain on Interest Swaps	19,908,069.00	26,273,913.00
Deferred Revenue Expenditure	(4,161,100.00)	-
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>385,096,570.63</b>	<b>122,310,040.83</b>
(Increase)/decrease in Current Assets	(41,982,325.97)	(143,035,777.52)
Increase/(decrease) in Current Liabilities	172,642,927.54	256,775,100.08
Cash Flow From Lending of Funds	(15,481,775,871.03)	(1,424,603,571.54)
Cash Flow From Investing activities	(10,418,868,438.43)	(1,045,464,543.33)
<b>CASH GENERATION FROM OPERATIONS</b>	<b>(25,384,887,137.26)</b>	<b>(2,234,018,751.48)</b>
Taxes paid	(102,436,925.22)	(53,465,073.75)
<b>CASH FLOW BEFORE TRANSFER FROM RESERVES</b>	<b>(25,487,324,062.48)</b>	<b>(2,287,483,825.23)</b>
TRANSFER FROM CAPITAL RESERVE OF FIXED ASSETS	(499,601.64)	(638,737.44)
<b>NET CASH FROM OPERATIONS</b>	<b>(25,487,823,664.12)</b>	<b>(2,288,122,562.67)</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sale of/ (Addition) to Investments (Including Application Money)	-	-
Purchase of/ Advance for Fixed Assets (including Leased Assets)	1,123,382.00	3,285,187.98
Sale proceed of Fixed Assets	-	2,000.00
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(1,123,382.00)</b>	<b>(3,283,187.98)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issue of share capital	7,000,000,000.00	900,000,000.00
Loans borrowed (net of repayments)	28,206,618,505.70	6,769,591,680.30
Expenses incidental to finance	(9,400,000.00)	(18,500,000.00)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>35,197,218,505.70</b>	<b>7,651,091,680.30</b>
<b>NET CHANGE IN CASH &amp; CASH EQUIVALENT (A + B + C)</b>	<b>9,708,271,459.58</b>	<b>5,359,685,929.65</b>
Opening Cash and Cash Equivalent	5,462,112,493.65	102,426,564.00
Closing Cash and Cash Equivalent	15,170,383,953.23	5,462,112,493.65
<b>Increase/(Decrease) in Cash &amp; Cash Equivalent</b>	<b>9,708,271,459.58</b>	<b>5,359,685,929.65</b>

Note: Figures for previous year have been regrouped and rearrange to make them comparable wherever considered necessary.

Signed in terms of our report of even date

**For Gupta Nanda & Co.**  
Chartered Accountants

**For India Infrastructure Finance Company Ltd.**

Place: New Delhi  
Dated: 02.05.2008

**Sanjive Nanda**  
(Partner)  
Membership No.87108

**S.S. Kohli**  
(Chairman and Managing Director)

**Dr. Subas Pani**  
(Director)

## SCHEDULE XIX

### Significant Accounting Policies And Notes To The Accounts

#### (A) SIGNIFICANT ACCOUNTING POLICIES

1. The Financial accounts have been prepared on the going concern basis with accrual concept and in accordance with the accounting policies and practices consistently followed unless otherwise stated.

#### 2. REVENUE RECOGNITION

- 2(a) upfront fee on loans is considered as income in cases where loan documents have been signed on allocated amount and same is accounted for on accrual basis.
- 2(b) Any gain or losses on the terminated swap are deferred and recognized over the shorter of the remaining contractual life of the swap or the remaining life of the asset / liability.
- 2(c) Recoveries in borrower's accounts are appropriated as per the loan agreements.
- 2(d) Income from Dividend is accounted for in the period of declaration of dividend and credited to the investment account of the company.
- 2(e) Expenditure incurred on raising of funds including stamp duty on Bonds and credit rating fee etc. are amortized proportionately over the period of its tenure. Stamp duty paid on issue of shares is amortized over the period of five years.
- 2(f) Expenditure incurred on Professional fee etc. related to development of business plan , H.R. plan ,I.T plan etc of the company which are yet to be implemented and benefits of such plan will available in future are deferred and amortized over period of five years.

#### 3. PROVISIONS/WRITE OFF AGAINST LOANS AND OTHER CREDIT FACILITIES

The company has followed prudential norms for asset classification and income recognition as per RBI circular DBOD circular no. BP.BC.15/21.04.048/2006-07 dated 01.07.2006 which were approved by the Board of Directors of the company and are applicable with effect from 01.04.2007.

#### 4. INVESTMENTS

- 4(a) In case of quoted investments valued at lower of cost or market price at the year end.
- 4(b) In case of investment in Mutual Fund valued at lower of cost or net asset value at the year end.
- 4(c) Unquoted Long term Investments are carried at cost.

#### 5. FOREIGN EXCHANGE TRANSACTIONS

- 5.1 The following transactions are accounted for at the exchange rates prevailing on the date of transactions.
  - 5.1(a) Expenses and income in foreign currency and
  - 5.2(b) The amounts borrowed and lent in foreign currency
- 5.2 The following balances are translated in Indian currency at the exchange rates prevailing on the date of closing of accounts
  - 5.2(a) Contingent Liability in respect of Letter of Credit issued in foreign currency
  - 5.2 (b) Loans granted in foreign currency
  - 5.2 (c) Expenses on Income accrued but not due on foreign currency loans/borrowings
- 5.3 The actual/translation gain/loss (net) on foreign currency loan assets and liabilities are charged / credited to profit and loss account.

#### 6. FIXED ASSETS AND DEPRECIATION

- 6(a) Fixed assets are carried at cost less accumulated depreciation.
- 6(b) Fixed assets acquired out of government grant received for set up of the company are stated at historical Cost of acquisition and stated at gross value without reducing government grants.

6(c) The addition to fixed assets are being capitalized on the basis of bills approved or estimated value of work done as per contracts in cases where final bills are yet to be received / approved.

6(d) Depreciation of fixed assets of the company is provided at the rates and manner provided in schedule XIV of the Companies Act 1956 following written down value method. Depreciation on individual assets having cost below Rs.5000.00 is charged at 100% as prescribed in the aforesaid schedule.

#### **7. ACCOUNTING FOR GOVERNMENT GRANTS**

7(a) Government grants related to non monetary assets for incorporation of company are set off against total expenses incurred for incorporation in the earlier financial years and amount related to fixed assets is transferred to Capital Reserve for the fixed assets purchased.

7(b) Government grants related to specific fixed assets are credited to Capital Reserve for Fixed Assets. These grants are treated as deferred income and recognized in the profit and loss account over the useful life of assets in the proportion which depreciation on related assets is charged.

#### **8. PHRD GRANT FOR FACILITATING INFRASTRUCTURE FINANCING**

The expenditure which are eligible under PHRD Grant for facilitating infrastructure financing vide letter dated 25.10.2006 of International Bank for Reconstruction and Development are not charged to Profit & Loss Account and are shown as receivables from PHRD.

#### **9. MISCELLANEOUS EXPENDITURE**

Expenses related to issue of Bonds are amortized over a maturity period of Bonds following 'Even Spread Method' & following guidelines contained in Accounting Standard AS-16 "Borrowing Cost" related to specific borrowing cost & non specific borrowing cost.

#### **10. RETIREMENT BENEFITS**

Since most of the Employees of the Company are on deputation, it is not possible for the company to calculate actuarial valuation of leave encashment, gratuity and other retirement benefits payable to employees & therefore company will not be able to follow Accounting Standard AS-15 issued by the Institute of Chartered Accountant of India. However, company has provided amount of retirement benefit payable to parent organization on estimated basis for deputation employees. Further None of the employees other than on deputation is older than five year in the company and hence company has not provide for any liability of retirement benefits for such employees. Further in respect of defined contribution scheme like provident fund in respect of employees on deputation respective contributions are remitted to parent organization and in respect of employees other than deputation, company is yet to create approved recognized fund and hence employees and employer contribution are shown under current liabilities and are invested in general.

#### **11. DERIVATIVE ACCOUNTING**

In respect of interest rate swaps entered by the company to hedge its borrowing cost which include INBMK swap (Indian currency swap) and JPY COUPON swap (Foreign exchange derivative) on equal amount of under lying where the marked to market loss on INBMK swap is provided and in JPY COUPON swap where the company has taken five years forward cover and fully hedge its currency risk for five years the marked to market for the derivative transaction has not been provided for in the accounts due to unique nature of transaction entered by the company.

#### **12. DEFFERED TAX ACCOUNTING**

Keeping in view remarks of CAG Auditors in respect of previous year Balance Sheet during the current year company has changed its accounting policy to create provision of Deferred Tax Liability on Special Infrastructure Reserve created under section 36(1)(viii) of Income Tax Act 1961 and had this change not made the profit of the company would had been higher by Rs 2,60,10,276.84.



**(B) NOTES TO THE ACCOUNTS**

**1. Contingent Liabilities not provided for in respect of :**

<b>As on</b>	<b>31.03.08</b>	<b>31.03.07</b>
(a) Estimated amount of contract (including lease contract) remaining to be executed on capital account (net of advances)	70.68 lacs	NIL
(b) Interest tax/Sales tax/ Property tax/Trade tax pending in appeals based On judicial pronouncement and/or Legal opinion and other matters.	NIL	NIL
(c) Guarantees issued -	NIL	NIL
(d) Claims not acknowledged as debts	NIL	Rs.22,05,369/-
(e) Letter of Credit issued (issued in USD of 8,52,22,475.56 previous year NIL)	Rs.3,40,03,76,774.91	NIL
(f) The company has issued letters of comfort for disbursement of loans to Three borrowers amounting to Rs. 3,40,03,76,774.91 (Previous year NIL) against which a sum of Rs. NIL (previous year NIL) has been disbursed to NIL borrower.		

The liability mentioned in point no. (a) above (Previous year: Nil), relates to contract entered by the company for construction/renovation of new office premises taken on lease.

The liability mentioned in point no. (d) above (Previous year), relates to penal interest charged by State Bank of Travancore due to non-compliance of terms and conditions of sanction for which company had contested the demand and same is waived in respect of current year and previous year demand is charged to profit and loss account.

The liability mentioned in point no. (e) above, relates to a Letter of Credit issued on behalf of three of the borrowers of the company.

2. The company had availed loans of Rs.105 crores against sanctioned loan of Rs 200 crores from State Bank of Travancore which is adjusted by the company after balance sheet date and as such company will not entered in to guarantee agreement and accordingly company has reversed guarantee commission of Rs 25,75,342.47 provide for in the financial year 2006-07 through prior period adjustment account..
3. Additional information required as in Part II of Schedule VI

<b>Year Ended</b>	(Rs.in lacs)	
	<b>31.03.2008</b>	<b>31.03.2007</b>
<b>Expenditure in Foreign Currencies (Actual outgo):</b>		
- Interest on borrowings	19.79	Nil
- Foreign Traveling	6.97	1.14
<b>Total</b>	<b>26.76</b>	<b>1.14</b>
<b>Earnings in Foreign Currencies:</b>		
- Interest	27.21	Nil
<b>Total</b>	<b>27.21</b>	<b>Nil</b>
<b>Auditors remuneration:</b>		
-Statutory Audit Fee	1.00	0.50
Tax Audit Fee	0.25	NIL
Other Matters	0.55	NIL
<b>TOTAL Auditors remuneration:</b>	<b>1.80</b>	<b>0.50</b>
<b>Managerial Remuneration:</b>		
- Salary and allowances	8.41	7.91
- Contribution to PF and other funds	0.00	0.00
Perquisites	0.71	0.47
- Sitting fee to Directors	0.75	0.30
<b>TOTAL Managerial Remuneration:</b>	<b>9.87</b>	<b>8.68</b>

4. Provision for Gratuity, leave encashment, Sick leave and leave travel concession are accounted for on estimated basis and not on Actuarial basis as prescribed by AS-15.
5. The Company's main business is to provide finance for Infrastructure Projects and the company does not have more than one reportable segment in terms of Accounting Standard No. 17 issued by the Institute of Chartered Accountant of India.

**6 Related Party Disclosures:**

**A) Managerial Remuneration and related party disclosure**

Key managerial personnel of the company during the period:-

- Sh. S. S. Kohli - Chairman & Managing Director
- Professor G. Raghuram - Director

ii) Payment to and on behalf of related parties

- |   |                                    |
|---|------------------------------------|
| (a) Directors Remuneration and perquisites<br>(To Shri S.S.Kohli) | 9.12 lac (Previous Year 8.38 Lacs) |
| (b) Sitting Fees to Directors<br>(To Professor G. Raghuram)       | 0.75 lac (Previous Year 0.30 Lacs) |

**B) Investment in subsidiaries**

- i) Government of India has promoted the company for providing long term finance of more than ten year for development of infrastructure projects in India. The company has established one foreign subsidiary in UK.
- ii) The unaudited financial statements of subsidiary India Infrastructure Finance (UK) Limited on the basis of information available and yet to be approved by Board Of Directors of subsidiary, are attached as required under Sec 212 of The Companies Act, 1956 . The subsidiary was incorporated on 7th February 2008, and operations are yet to be started.
- iii) The detail of amount recoverable from subsidiary on account of expenditure incurred on behalf of the subsidiary is given as under:

Name of the subsidiary/company	Amount as on 31.03.2008	Amount as on 31.03.2007
IIFCL (UK) Limited	Rs. 226255.00	NIL

7. Provisions of Accounting Standard (AS-19)

- (a) Financial Lease: NIL
- (b) Operating Lease : The company has taken office premises under operating lease with varying lease periods.

8. In terms of Accounting Standard no. 20 issued by the Institute of Chartered Accountants, Earning per share (Basic & Diluted) is worked out as follows :-

Particulars	Amount Rs. in lacs	Current year (*)	Amount Rs. in lacs	Previous year
<b>Nominal Value of share (Rs.)</b>		10/-		10/-
<b>Number of Equity Share (No.)</b>		30,00,00,000		10,00,00,000
(i) Net profit before provision for taxation for earlier years, extraordinary items and effect of change in accounting policy.	1376.93	0.63	348.18	0.51
(ii) Provision for earlier years/ Prior period items	32.94	0.02	-1.29	-0.001
(iii) Net Profit (Total)	1409.87	0.65	346.90	0.51

(\*) EPS for the current year has been calculated on weighted average number of equity shares of 21,83,56,164.38 (Previous Year 6,87,82,739.73)

9. The consolidated financial statements of India Infrastructure Finance company limited and un audited financial statements its subsidiary India Infrastructure Finance Company (UK) Limited based on information available and yet to be approved by board of directors of subsidiary are annexed as required under Accounting Standard 21 on "consolidated Financial Statements" as notified by companies (Accounting Standards) Rules, 2006.
10. In terms of Accounting Standard (AS-22) "Accounting for Taxes on Income", for the current period is determined on the basis of taxable income and the tax credit computed in accordance with the provisions of the Income Tax Act 1961 and based on expected outcome of assessments / appeals.

Deferred tax liability or asset is recognized on timing differences which is reversible between the accounting income and the taxable income for the year and quantified using the tax rates and provisions, enacted or subsequently enacted as on balance sheet date.

Deferred tax assets if any, are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

During the year the company has created deferred tax liability of Rs.2,60,10,276.85 on the special Infrastructure reserve created and maintained under Sec 36(1) (VIII) of Income Tax Act, 1961 for the year 2006-2007 and year 2007-2008 by charging to Profit and Loss Account for the current year.

The break up of deferred tax liabilities is as under :-

Description	(Amount in Rs.)	
	As on 31.03.2008	As on 31.03.2007
<b>(a) Deferred Tax Assets( + )</b>		
(i) Depreciation	0.00	206505.87
<b>(b) Deferred Tax Liabilities(-)</b>		
(i) Amortization (Net of Reversal)	-7764790.12	-5928088.88
(ii) Depreciation	-1,02,215.72	0.00
(iii) Infrastructure Reserve	-26010276.84	0.00
<b>Net Deferred Tax Liabilities(-)/Assets( + )</b>	<b>-33877282.68</b>	<b>-5721583.01</b>

11. During the year the company has allotted 20 crore equity number of shares of Rs. 10/- each aggregating Rs. 200 crore to Government of India on preferential basis and company has also received share application money of Rs. 500 crore from Government of India during the year which is yet to be allotted.
12. The Company has no outstanding liability towards small scale industrial undertakings.
13. Fixed assets possessed by the company are treated as 'Corporate Assets' and not 'Cash Generating Units' as defined by Accounting Standard (AS-28) "Impairment of Assets". As on 31st March 2008, there were no events or change in circumstances, which indicate any impairment in the assets.
14. Liabilities and assets denominated in foreign currency have been translated at following rate for the period ended as given below:

S.no	Exchange Rate	31.03.2008	31.03.2007
1.	Rs / US\$	39.90	N.A.

15. During the year company has entered into interest rate swaps to hedge its borrowing cost which include INBMK swap (Indian currency swap) of Rs. 100 crore on equal amount of under lying and JPY COUPON swap (Foreign exchange derivative) of Rs. 100 crore on equal amount of under lying where the marked to market on underlying is Rs 4.64 crore and marked to market loss of Rs. 50.08 lacs on INBMK swap is provided and in JPY

COUPON swap where the company has taken five years forward cover and fully hedge its currency risk by saving 8.82% against payment of 7.46% for five years and as on balance sheet date the marked to market of the underlying is Rs.7.64 crore against the mark to market of Rs. 12.84 crore for the derivative transaction of JPY COUPON swap which has not been provided for in the accounts due to unique nature of transaction entered by the company. The complete detailed disclosure as on Balance Sheet date is as under:

S.No.	Particular	Currency Derivatives	Interest rate derivatives
1.	Derivatives (Notional Principal Amount)		
	a) For hedging (Rs.)	NIL	200.00 Crore
	b) For trading	NIL	NIL
2.	Marked to market positions [1]		
	a) Asset (Rs.)	NIL	- 13.34 Crore
	b) Liability (Rs.)	NIL	+ 12.28 Crore

Position of Marked to Market of above Transactions after Balance Sheet Date is as under:-

S.No.	Particular	Currency Derivatives	Interest rate derivatives
1.	Derivatives (Notional Principal Amount)		
	a) For hedging (Rs.)	NIL	200.00 Crore
	b) For trading	NIL	NIL
2.	Marked to market positions [1]		
	a) Asset (Rs.)	NIL	-10.99 Crore
	b) Liability (Rs.)	NIL	+ 13.24 Crore

16. As on balance sheet date company is having unexpired incomes of Rs 4.61 crore on account of terminated swaps which are deferred and recognized over the shorter of the remaining contractual life of the swap or the remaining life of the asset / liability.-

17. Break up of "Provisions and Contingencies" shown under the head Expenditure in Profit and Loss Account is as follows:

Item	31.03.08	31.03.07
Provision for Depreciation on Investment	227.45	2.00
Provision towards NPAs	NIL	NIL
Floating provisions for NPAs	NIL	NIL
Provisions towards Standard Assets	619.27	56.98
Provision made towards Income Tax (including FBT & Wealth Tax )	621.66	160.35
Other Provisions and Contingencies	50.08	NI
<b>T O T A L</b>	<b>1518.46</b>	<b>219.33</b>

18. As per the Government of India guidelines, IIFCL would be regulated directly by the Government of India and under a "sui-generis" regulatory regime for IIFCL, an oversight committee of Secretaries has been constituted by the Government of India for regulating the company affairs read with SIFTI guidelines issued by Govt. of India. Accordingly Company is not required to be registered as Non Banking Financial Company with RBI and hence Spec Reserve as prescribed u/sec 45(1)C of RBI Act is not required to be created.

19. Since, the bond liability is fully guaranteed by Government of India in the shape of in-principle guarantee issued vide letter No.6/8/2006 IF-I dated 21-6-2006 by Ministry of Finance, Debenture redemption reserve has not been created. Further company vide its letter no. IIFCL/RES/2007-08/6643 dated 19.12.2007 to Ministry Of Finance has sought exemption from creation Debenture Redemption Reserve.
20. During the period, company has provided for Rs.248.83 lacs (previous year 97.33) as guarantee commission payable to Government of India on borrowings made during the year on pro-rata basis at the rate as prescribed by Government of India and accepted by the company.
21. During the period, company has created provisions of Rs.619.27 Lacs for current year (previous year Rs. 56.98 lacs) with cumulative balance of Rs.676.25 as on Balance sheet date (previous year - Rs. 56.98 lacs) on standard assets of Rs.1690.64 lacs (previous year Rs.142.46 crore ) & shown the same as Reserve For Standard Assets u/s 36 (1) (vii) (c) of Income Tax Act 1961 under Reserve and Surplus.
22. There are prior period gain of Rs 24,31,918.73 (net of prior period expenditure of Rs 1,51,835.50) which is shown separately in profit and loss account. Prior period gain is mainly on account of reversal of guarantee commission of Rs. 25,75,342.47 payable on S.B.O.T loan other misc. Income of Rs 8411.76 and Prior period expenditure of Rs. 151835.50 due to short provision of Expenditure in previous year.
23. During the year ended 31.03.2008, the Company had incurred expenditure related to formation of offshore subsidiary company which is shown under the head Current Assets, being the certain amount is recoverable as technical Assistance from the International Bank for Reconstruction and Development and the balance amount is recoverable from subsidiary company.
24. Payments made for the purpose of construction/renovation of new office premises taken on lease is capitalized and shown as capital work in progress being yet to be put in use.
25. The loans made by the company are considered as good in nature and recoverable as on 31.03.2008 and considered secured against future cash flows of the projects financed on non recourse basis.
26. Balance appearing under loans, and various debit and credit balances as on the Balance Sheet date are subject to confirmation and reconciliation. During the year, the Company has sent letters seeking confirmation of balances to borrowers, However confirmations are yet to be received.
27. Previous year figures have been re-grouped /re-arranged wherever practicable to make them comparable to the current year presentation.
28. Balance sheet abstracts and Company's General Business profile as per Part IV of Schedule VI of the Companies Act 1956 is enclosed as per appendix.
29. Schedule I to XIX form an integral part of Balance Sheet and Profit & Loss Account.

Signed in terms of our report of even date

**For Gupta Nanda & Co.**  
Chartered Accountants

**Sanjive Nanda**  
(Partner)  
**Membership No.87108**

**For India Infrastructure Finance Company Ltd.**

**S.S. Kohli**  
(Chairman and Managing Director)

**Dr. Subas Pani**  
(Director)

**Place: New Delhi**  
**Dated: 02.05.2008**

## BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE

(Rs in Lacs)

<b>I. Registration Details</b>		State Code	:		
Registration No.	:	144520			
Balance Sheet Date	:	31.03.2008			
<b>II Capital raised during the period ( Amount in Rs. Lacs)</b>					
Public Issue	:	NIL	Rights Issue	:	NIL
Bonus Issue	:	NIL	Private Placement	:	70000
			(including share application money of Rs 50000 lacs pending allotment)		
<b>III Position of Mobilization and Deployment of Funds (Amount in Lacs)</b>					
Total Liabilities	:	438750	Total Assets	:	438750
<b>Sources of Funds</b>					
Paid Up Capital (including share application money of Rs 50000 lacs pending allotment)	:	80000	Reserve & Surplus (Includes DTL)	:	3557
Secured Loans	:	NIL	Unsecured Loans	:	349762
<b>Application of Funds</b>					
Net Fixed Assets	:	30	Investments/Loans/DTA	:	283477
Net Current Assets	:	149533	Misc. Expenditure	:	279
Accumulated Losses	:	NIL			
<b>IV Performance of Company (Amount in Lacs)</b>					
Turnover	:	12019	Total Expenditure (Net of prior period adjustment of Rs 24 lacs )	:	8643
+/- Profit/Loss Before Tax	:	3376	+/- Profit/Loss After Tax	:	2481
Earning per Share in Rs.	:	0.65	Dividend Rate%	:	NIL
<b>V. Generic names of three Principal products/services of the Company</b>					
Item Code No. (ITC Code)	:	NA			
Product Description	:	Financial Services			
Item Code No. (ITC Code)	:	NA			
Product Description	:				
Item Code No. (ITC Code)	:	NA			
Product Description	:				

Place: New Delhi  
Dated: 02.05.2008

For M/S GUPTA NANDA & CO.  
(Chartered Accountants)

(SANJIVE NANDA)  
Partner  
M.No.: 87108

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT 1956 ON THE ACCOUNTS OF INDIA INFRASTRUCTURE FINANCE COMPANY LIMITED NEW DELHI FOR THE YEAR ENDED 31 MARCH 2008.**

The preparation of financial statement of India Infrastructure Finance Company Limited New Delhi for the year ended 31st March 2008 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 2nd May 2008. ✓

I, on behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619(3) (b) of the Companies Act, 1956 of the financial statements of India Infrastructure Finance Company Limited, New Delhi for the year ended 31st March 2008. This supplementary audit has been carried out independently without access to the working papers of the statutory auditor and is limited primarily to enquiries of the statutory auditor and company personal and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matter under section 619(4) of the Companies Act, 1956 which has come to my attention and which in my view is necessary for enabling a better understanding of the financial statements and the related Audit Report.

**Comment on Disclosure:**

**"The Basic and diluted earning per share works out to Rs.1.12 instead of Rs.0.65 as reported in the Profit and Loss account."**

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

**Place: New Delhi**  
**Dated: 04 July 2008**

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

The Board of Directors

**India Infrastructure Finance Company Limited**

1201-1207, Naurang House, K. G. Marg,  
New Delhi 110001.

We have examined the registers, records and documents of India Infrastructure Finance Company Limited ("the Company") for the financial year ended on March 31, 2008 according to the provisions of The Companies Act, 1956 and the Rules framed under that Act;

Based on our examination and verification of the records produced before us and according to the information and explanations given to us by the Company, we report that the Company has, in our opinion, complied with the provisions of the Companies Act, 1956 ("the Act") and the Rules made under the Act, with regard to:

- a) maintenance of various statutory registers and making necessary entries therein;
- b) service of documents by the company on its Members, and the Registrar of Companies;
- c) Notice of Board meetings and Committee meetings of Directors;
- d) the meetings of Directors and Committees of Directors including passing of resolutions by circulation;
- e) minutes of proceedings of General Meetings and of Board and other meetings;
- f) approval of shareholders, the Board of Directors, the Committee of Directors and government authorities, wherever required, as the basic authority flows from the Central Government;
- g) Constitution of the Board of Directors in pursuance of Central Government notification.
- h) appointment of Auditors in keeping with the appointment letter received from the Comptroller and Auditor General of India;

We further report that no prosecution was initiated against or show cause notice received by the Company and no fines or penalties emanating therefrom were imposed on the Company under the Act against the Company, its Directors and Officers.

**For D. Verma & Associates,**  
Company Secretaries

**Sabina Dinesh Verma,**  
Partner  
**FCS 4100**

**Place: New Delhi**

**Date: 11.07.2008**



**Consolidated Balance Sheet as at  
31st March, 2008  
&  
Consolidated Profit & Loss Account  
for the Year Ended 31st March, 2008**

## AUDITOR'S REPORT

### TO THE BOARD OF DIRECTORS OF INDIA INFRASTRUCTURE FINANCE COMPANY LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF INDIA INFRASTRUCTURE FINANCE COMPANY LIMITED AND ITS SUBSIDIARY

1. We have examined the attached Consolidated Balance sheet of India Infrastructure Finance Company Limited ("the Company") and its subsidiary ("the Group") as at 31st March, 2008, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statements of the Group 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As stated in Item B 1(c) relating to Notes to the Accounts of Schedule XIX, in respect of foreign subsidiary, assets aggregating Rs. 41.00 (Rupees Forty One Only), and liabilities aggregating Rs. 41.00 (Rupees Forty One Only) have been incorporated on the basis of the information available, in the absence of audited accounts.
4. As stated in Item B (26) relating to Notes to the Accounts of Schedule XIX, the Some of the balances shown under loans, advances and other debits/ credits in so far as these have since not been confirmed, realized, discharged or adjusted are subject to reconciliation.
5. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard 21 (Consolidated Financial statements), issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiary included in the consolidated financial statements.
6. Based on our audit and to the best of our information and according to the explanations given to us, we are of the opinion that the aforesaid consolidated financial statements, subject to our comments in paragraph 3 & 4 and in Item B (5) & B (15) relating to Notes to the Accounts of Schedule XIX, give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the Consolidated Balance Sheet of the consolidated state of affairs of the Group as at March 31st, 2008.
  - (b) in the case of the Consolidated Profit and Loss account, of the consolidated profit of the Group for the year ended on that date; and
  - (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

Place: N. Delhi  
Dated: 02.05.08

For Gupta Nanda & Co.  
(Chartered Accountants)

(Sanjive Nanda)  
Partner  
M.No.: 87108

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956,  
RELATING TO SUBSIDIARY**

<b>NAME OF THE SUBSIDIARY</b>	<b>INDIA INFRASTRUCTURE FINANCE COMPANY (UK) LIMITED</b>
1. The Finance year of the subsidiary ended on	March 31, 2008
2. (a) Number of Shares held by India Infrastructure Finance Co.Ltd. (holding company) as on March, 31, 2008	1 Equity shares of USD 1 each fully paid
(b) Extent of interest of the holding company at the end of the financial year of the subsidiary	100%
3. Date from which it became a subsidiary	Feb. 7, 2008
4. The net aggregate amount of Profit/ (loss) and reserves of the subsidiary so far as it concerns the members of the holding company-	-
(a) Dealt with in the holding company's accounts by way of dividend on the shares held in subsidiary	
(i) For the financial year of the subsidiary company	NIL
(ii) For the previous financial year of the subsidiary since it became the holding company's subsidiary	NIL
(b) Not dealt with in the holding company's accounts:	
(i) For the financial year of the subsidiary	NIL
(ii) For the previous financial years of the subsidiary since it became the holding company's subsidiary	NIL

# CONSOLIDATED BALANCE SHEET

AS on 31st March 2008

		(Rs.)	
DESCRIPTION	Schedule No.	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>I SOURCES OF FUNDS</b>			
<b>(1) Shareholder's Funds</b>			
(a) Share Capital	I	3,000,000,000.00	1,000,000,000.00
(b) Reserve and Surplus	II	321,809,437.74	74,179,954.94
(c) Share Application Money (Pending Allotment)		5,000,000,000.00	-
<b>(2) Loan Funds</b>			
(a) Secured Loans	III	-	696,109,997.30
(b) Unsecured Loans	IV	34,976,210,186.00	6,073,481,683.00
<b>(3) Deffered tax liability (Net of Asset)</b>	V	33,877,282.68	5,721,583.01
<b>TOTAL</b>		<b>43,331,896,906.42</b>	<b>7,849,493,218.25</b>
<b>II APPLICATIONS OF FUNDS</b>			
<b>(1) Fixed Assets</b>			
(a) Gross Block	VI	4,531,106.98	3,778,549.98
Less : Depreciation		1,854,767.26	997,197.19
Net Block		<b>2,676,339.72</b>	<b>2,781,352.79</b>
(b) Capital Work -in-Progress		370,825.00	-
<b>(2) Investments</b>	VII	11,441,317,079.58	1,045,241,710.15
<b>(3) Infrastructure Loans</b>	VIII	16,906,379,442.57	1,424,603,571.54
<b>(4) Current Assets, Loans &amp; Advances</b>			
(a) Cash & Bank Balance	IX	15,170,383,994.23	5,462,112,493.65
(b) Other Current Assets		155,066,580.49	141,445,712.05
(c) Loans & Advance		170,899,191.97	55,277,638.22
		15,496,349,766.69	5,658,835,843.92
<b>Less: Current Liabilities and Provisions</b>			
(a) Current Liabilities	X	468,834,696.82	273,104,411.81
(b) Provisions		74,261,654.25	26,305,533.27
		543,096,351.07	299,409,945.08
<b>(5) Net Current Assets</b>		<b>14,953,253,415.62</b>	<b>5,359,425,898.84</b>
<b>(6) Miscellaneous Expenditure to the extent not written off or adjusted</b>	XI	27,899,803.93	17,440,684.93
<b>Significant Accounting Policies and Notes to the Accounts</b>			
<b>TOTAL</b>	XIX	<b>43,331,896,906.42</b>	<b>7,849,493,218.25</b>

Signed in terms of our report of even date

**For Gupta Nanda & Co.**  
Chartered Accountants

**For India Infrastructure Finance Company Ltd.**

**Sanjive Nanda**  
(Partner)  
Membership No.87108

**S.S. Kohli**  
(Chairman and Managing Director)

**Dr. Subas Pani**  
(Director)

Place: New Delhi  
Dated: 02.05.2008

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the Year Ended on 31st March 2008

DESCRIPTION	Schedule No.	(Rs.)	
		For the year ended 31st March, 2008 (Audited)	For the year ended 31st March, 2007 (Audited)
<b>I INCOME</b>			
Income from Operations	XII	1,118,921,299.77	363,014,709.60
Other Income	XIII	82,469,107.85	38,606,987.12
Add: Deferred income on account of Depreciation Charged on Fixed assets acquired out of Government Grant		499,601.64	638,737.44
<b>TOTAL INCOME (A)</b>		<b>1,201,890,009.26</b>	<b>402,260,434.16</b>
<b>II EXPENDITURE</b>			
Cost of Borrowings	XIV	806,720,822.85	286,582,397.60
Payments to and provisions for employees	XV	11,852,464.92	7,564,624.76
Establishment and other Expenses	XVI	19,549,047.59	13,167,625.68
Provision for contingencies		5,008,129.00	-
Provision for decline in value of investments		22,745,000.00	200,000.00
Depreciation	VI	857,570.07	994,384.73
<b>TOTAL EXPENDITURE (B)</b>		<b>866,733,034.43</b>	<b>308,509,032.77</b>
<b>III PROFIT FOR THE YEAR</b>		335,156,974.83	93,751,401.39
<b>IV ADD : PRIOR PERIOD ADJUSTMENTS</b>	XVII	2,431,918.73	-
<b>V PROFIT BEFORE TAX</b>		337,588,893.56	93,751,401.39
Less(-)/Add(+): Provision for taxes			
- Current Year :-			
Tax		(61,473,571.00)	(15,807,850.00)
Interest		(254,450.00)	-
-Earlier Year :-			
Tax		862,000.00	(128,759.00)
Less(-)/Add(+): Deferred Tax Liability(-)/Asset(+)		(28,155,699.67)	(5,886,504.01)
Less(-)/Add(+): Provision for Fringe benefit tax		(438,088.45)	(230,979.00)
<b>VI Profit After Tax Available For Appropriations</b>	XVIII	<b>248,129,084.44</b>	<b>71,697,309.38</b>
<b>VII Basic &amp; Diluted Earning per Share of Rs.10/- each</b>		<b>0.65</b>	<b>0.51</b>
<b>Amount in Rs. (Refer note no. B(8) of schedule -XIX)</b>			
VIII Significant Accounting Policies and Notes to the accounts	XIX		

Signed in terms of our report of even date

**For Gupta Nanda & Co.**  
Chartered Accountants

**For India Infrastructure Finance Company Ltd.**

**Sanjive Nanda**  
(Partner)  
Membership No.87108

**S.S. Kohli**  
(Chairman and Managing Director)

**Dr. Subas Pani**  
(Director)

Place: New Delhi  
Dated: 02.05.2008

## SCHEDULES FORMING PART OF THE ACCOUNTS

	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>SCHEDULE - I</b>		
<b>SHARE CAPITAL</b>		
<b>AUTHORISED CAPITAL</b>		
1,000,000,000 equity shares (Previous year 1,000,000,000) of Rs. 10/- each	10,000,000,000.00	10,000,000,000.00
<b>ISSUED, SUBSCRIBED &amp; PAID UP CAPITAL</b>		
300,000,000 equity shares of Rs. 10/- each (Previous year 100,000,000 Equity Shares of 10 each)	3,000,000,000.00	1,000,000,000.00
<b>TOTAL</b>	<b>3,000,000,000.00</b>	<b>1,000,000,000.00</b>

(Rs.)

Description	Opening Balance as on 01.04.2007	Additions/ Adjustments during the year	Deductions/ Adjustments during the year	Closing Balance as on 31.03.2008
<b>SCHEDULE - II</b>				
<b>RESERVES &amp; SURPLUS</b>				
Provision for Standard Assets 36(1) (vii) (c) of Income Tax Act, 1961	5,698,414.29	61,927,103.48	-	67,625,517.77
Special Infrastructure Reserve created u/s 36(1) (viii) of Income Tax Act, 1961	31,308,867.77	45,214,453.33	-	76,523,321.10
Capital Reserve for Fixed Assets	1,851,258.56	-	499,601.64	1,351,656.92
Profit and Loss Account	35,321,414.32	140,987,527.63	-	176,308,941.95
<b>Total</b>	<b>74,179,954.94</b>	<b>248,129,084.44</b>	<b>499,601.64</b>	<b>321,809,437.74</b>
Previous Year	3,121,383.00	73,686,570.88	2,627,998.94	74,179,954.94

	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>SCHEDULE - III</b>		
<b>SECURED LOANS</b>		
(A) Overdraft against FDR of Dena Bank	-	695,406,648.30
(B) Interest accrued & due on Secured Loans	-	703,349.00
<b>TOTAL</b>	-	<b>696,109,997.30</b>



	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>SCHEDULE - IV</b>		
<b>UNSECURED LOANS - RUPEES</b>		
<b>(A) BONDS</b>		
<b>(a) Long Term Loans</b>		
(i) Guaranteed by Government of India & redeemable at Par Non Convertible 8.70% Bonds - Redemption on 02/09/2016 5000 Bonds of Face Value Rs 10 Lakhs each (Previous Year 5000 bonds of face value of Rs.10Lakhs each)	5,000,000,000.00	5,000,000,000.00
(ii) Guaranteed by Government of India & redeemable at Par Non Convertible 8.82% Bonds - Redemption on 19.12.2022 2000 Bonds of Face Value Rs 10 Lakhs each (Previous Year NIL)	2,000,000,000.00	-
<b>TOTAL A</b>	<b>7,000,000,000.00</b>	<b>5,000,000,000.00</b>
<b>(B) OTHER BORROWINGS</b>		
<b>(a) Long Term</b>		
i) Loans - LIC of India( Guaranteed by Govt. of India)	10,000,000,000.00	-
ii) Loan -NSSF	15,000,000,000.00	-
iii) Loans State bank of Travancore	2,437,911.00	1,050,000,000.00
<b>(b) Short Term</b>		
Loan Bank Of India	2,973,772,275.00	-
Interest accrued and due on Loans	-	23,481,683.00
<b>TOTAL B</b>	<b>27,976,210,186.00</b>	<b>1,073,481,683.00</b>
<b>TOTAL (A + B)</b>	<b>34,976,210,186.00</b>	<b>6,073,481,683.00</b>

**Notes to schedule - IV**

- 1 Long Term Loans due for repayment within one year are Rs 24,37,911.00 (previous year NIL )

	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>SCHEDULE - V</b>		
<b>DEFERRED TAX ASSETS / LIABILITY( Net of Assets)</b>		
<b>(i) Deffered tax Liability</b>		
(a) On account of Depreciation	102,215.72	-
(b) On account of Stamp Duty	7,764,790.12	5,928,088.88
(c) On account of Infrastructure Reserve Created u/sec 36(1)(viii) of Income Tax Act,1961	26,010,276.84	-
Net Deffered Tax liability	<b>33,877,282.68</b>	<b>5,928,088.88</b>
<b>(ii) Deffered tax Assets</b>		
(a) On Account of Depreciation	-	206,505.87
Net Deffered Tax Assets	-	206,505.87
<b>Net Deffered Tax Liability</b>	<b>33,877,282.68</b>	<b>5,721,583.01</b>

**SCHEDULE - VI**
**FIXED ASSETS**

(Rs.)

Description	Gross Block				Depreciation			Net Block		
	As on	Additions	Deductions/ Transfer	As at	As on	For the	Deductions/ Transfer	As on	As on	
	01.04.2007			31.03.2008	01.04.2007	Period		31.03.2008	31.03.2007	
CAR	1,158,825.00	-	-	1,158,825.00	293,509.88	224,030.07	-	517,539.95	641,285.05	865,315.12
COMPUTER & SOFTWARES	1,529,094.84	179,480.00	-	1,708,574.84	433,813.62	477,781.83	-	911,595.45	796,979.39	1,095,281.22
FURNITRE & FIXTURES	518,533.64	561,877.00	-	1,080,410.64	133,146.28	92,005.27	-	225,151.55	855,259.09	385,387.36
PAINTINGS & SCULPTURES	14,850.00	-	-	14,850.00	14,839.00	-	-	14,839.00	11.00	11.00
OFFICE EQUIPMENTS	557,246.50	11,200.00	-	568,446.50	121,888.41	63,752.90	-	185,641.31	382,805.19	435,358.09
<b>GRAND TOTAL</b>	<b>3,778,549.98</b>	<b>752,557.00</b>	<b>-</b>	<b>4,531,106.98</b>	<b>997,197.19</b>	<b>857,570.07</b>	<b>-</b>	<b>1,854,767.26</b>	<b>2,676,339.72</b>	<b>2,781,352.79</b>
Previous Year	504,092.00	3,285,187.98	10,730.00	3,778,549.98	3,349.00	994,384.73	536.54	997,197.19	2,781,352.79	500,743.00

	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>SCHEDULE - VII</b>		
<b>INVESTMENTS</b>		
<b>LONG TERM INVESTMENT</b>		
<b>Quoted Investment</b>		
(a) Power Finance Corporation	300,000,000.00	300,000,000.00
(b) 8.85% CAN BANK	80,000,000.00	80,000,000.00
(c) 8.85% SBI 2021	200,000,000.00	200,000,000.00
(d) 7.99% GOI 2017	361,760,000.00	-
(e) 8.33% GOI 2036	160,590,000.00	252,275,000.00
(f) Preacquisition period Interest paid	3,025,763.89	3,510,083.33
(g) Premium paid on Bank Securities	487,418.82	535,446.82
<b>SHORT TERM INVESTMENT</b>		
<b>Quoted Investment</b>		
(a) UTI- Liquid	6,401,250,935.96	-
<b>Unquoted Investment</b>		
(a) Investment in Treasury bills	-	19,373,180.00
(b) Certificate of Deposit	3,940,522,400.00	189,748,000.00
(c) Dodballpur Integrated Textile park (PMDO)	7,655,390.91	-
(d) Pochampally Handloom Park Pvt. Ltd. (PMDO)	8,770,170.00	-
Sub Total	11,464,062,079.58	1,045,441,710.15
LESS: Provision for diminution in the value of Investments	22,745,000.00	200,000.00
<b>TOTAL</b>	<b>11,441,317,079.58</b>	<b>1,045,241,710.15</b>

	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>SCHEDULE - VIII</b>		
<b>INFRASTRUCTURE LOANS (ASSETS)</b>		
(A) ASSISTED CONCERNS	-	-
(B) OTHER INSTITUTIONS	16,906,379,442.57	1,424,603,571.54
<b>TOTAL</b>	<b>16,906,379,442.57</b>	<b>1,424,603,571.54</b>
Notes:	-	-
1 The above amounts include interest and other charges accrued but not due	43,885,258.00	438,447.00
2 Classification of Loans		
(i) Secured by Future Cash Flows. Of Projects	16,906,379,442.57	1,424,603,571.54
(ii) Guaranteed by Central /State Governments	-	-
(iii) Against Prom. Notes & Usance Bills accepted / Guaranteed by Banks	-	-
(iv) Unsecured	-	-
Notes:		
Out of the above,		
(i) Considered good	16,906,379,442.57	1,424,603,571.54
(ii) Considered doubtful	-	-

	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>SCHEDULE - IX</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>(1) CURRENT ASSETS</b>		
<b>(A) Cash and Bank Balance</b>		
(a) Cash in hand	1,201.09	8,391.00
(b) Balances with Scheduled Banks		
(i) - Current Accounts in India	90,382,752.14	22,104,102.65
(ii) - Current Account maintained by susidiary	41.00	-
(ii) - Fixed Deposit Accounts	15,080,000,000.00	5,440,000,000.00
	<b>15,170,383,994.23</b>	<b>5,462,112,493.65</b>
<b>(B) Other Current Assets</b>		
(a) Interest accrued on T bills	-	609,012.62
(b) Interest accrued on Govt. Securities	7,300,798.10	1,457,083.33
(c) Interest accrued on Certificate of Deposites	79,975,920.78	7,575,775.04
(d) Interest accrued on Banks Securities	21,589,151.84	11,812,931.53
(e) Interest accrued on Bonds	7,369,808.03	7,369,808.03
(f) Interest accrued on FDRS	37,585,354.27	112,305,941.02
(g) Interest accrued on Flexi - SBT	-	35,459.00
(h) Other Current Assets	1,245,547.47	279,701.48
	<b>155,066,580.49</b>	<b>141,445,712.05</b>
<b>(2) LOANS &amp; ADVANCES</b>		
<b>Advances Recoverable in Cash or in Kind OR</b>		
<b>For Value to be Received (Unsecured Considered Good)</b>		
(a) Irrigation and Water Resources Finance Corporation Ltd.	23,006,200.00	-
(b) Advance Tax paid	44,783,000.00	6,400,000.00
(c) Tax deducted at source	55,190,888.97	46,843,335.75
(d) Advance FBT	453,709.00	217,775.00
(e) Income Tax Refundable 2006-07	40,293,609.00	-
(f) Misc. Expenses	-	47,527.47
(g) Advance for Business Plan	-	1,769,000.00
(h) PHRD grant receivable	2,332,600.00	-
(i) Expenses Incurred on behalf of subsidiary	226,255.00	-
(j) Interest Recoverable on Swaps	4,612,930.00	-
<b>TOTAL (B)</b>	<b>170,899,191.97</b>	<b>55,277,638.22</b>

	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>SCHEDULE - X</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>(A) CURRENT LIABILITIES</b>		
(a) Interest accrued but not due on bonds and borrowings	411,520,547.36	246,604,985.81
(b) Unexpired income on swaps	46,181,982.00	26,273,913.00
(c) LC Commission received In Advance	1,496,142.00	-
(d) Interest Excess Recovered	2,736,823.61	-
(e) PF deducted on behalf of employees	10,161.20	-
(f) Unclaimed Interest on 8.70% Bonds	156,078.00	-
(g) Provision for Loss on Interest Rate Swap	5,008,129.00	-
(h) Other Liabilities	1,724,833.65	225,513.00
<b>TOTAL</b>	<b>468,834,696.82</b>	<b>273,104,411.81</b>
<b>(B) PROVISIONS</b>		
(a) Provision for Income Tax	61,728,021.00	15,807,850.00
(b) Provision for Fringe Benefit Tax	438,088.45	230,979.00
(c) Expenses	228,673.00	229,773.00
(d) Gratuity	474,747.58	235,151.45
(e) Leave Encashment	176,160.67	68,903.10
(f) Government Gaurantee fees payable	3,815,963.55	9,732,876.72
(g) Stamp Duty Payable	7,400,000.00	-
<b>TOTAL</b>	<b>74,261,654.25</b>	<b>26,305,533.27</b>

	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>SCHEDULE - XI</b>		
<b>(A) MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)</b>		
<b>(a) Stamp duty on Bonds</b>		
Opening balance	17,440,684.93	-
Stamp duty paid on Bonds	7,400,000.00	18,500,000.00
Less : Written off during the period/year	(1,996,348.00)	(1,059,315.07)
	22,844,336.93	17,440,684.93
<b>(b) Stamp duty on Shares</b>		
Stamp duty paid on Shares	2,000,000.00	-
Less : Written off during the period/year	(400,000.00)	-
	1,600,000.00	-
<b>(c) Defferred Revenue Expenses</b>		
Defferred Revenue Expenses incurred during the year	4,161,100.00	-
Less : Written off during the period/year	(705,633.00)	-
	3,455,467.00	-
<b>Total</b>	<b>27,899,803.93</b>	<b>17,440,684.93</b>



(Rs.)

	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>SCHEDULE - XII</b>		
<b>INCOME FROM OPERATIONS</b>		
(a) On Lending Operations	576,569,965.24	18,724,540.80
(b) On Investment Operations		
(i) Interest (Gross)	161,494,363.27	79,319,320.79
(ii) Loss/Profit on Sale of Government Securities	(482,850.89)	34,194,755.00
Less : Amortization of Premium Paid on HTM Securities	(48,028.00)	(22,833.18)
(iii) Dividend on Liquid Mutual Fund	45,328,852.31	-
(iv) Profit on Sale of CD	1,782,951.00	-
(v) Profit on Sale of UTI Money Market Fund	860,860.14	-
Less : Loss on Sale of UTI Liquid Mutual Fund	(618,750.00)	-
(c) Interest / discount on other deposits		
(i) Interest on Bank FDR	334,033,936.70	230,798,926.19
<b>TOTAL</b>	<b>1,118,921,299.77</b>	<b>363,014,709.60</b>

	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>SCHEDULE - XIII</b>		
<b>OTHER INCOME</b>		
(a) Other Income	50,331.00	20,000.00
(b) Short and Excess	-	490.12
(c) Interest earned on Flexi Accounts	516,217.00	85,205.00
(d) Gain on Interest rate Swaps	3,611,563.00	743,105.00
(e) Upfront Fees	73,006,304.56	37,758,187.00
(f) Commission Recd. On L/C	4,484,119.79	-
(g) Liquidated Damages	13,033.00	-
(h) Commitment Charges	787,539.50	-
<b>TOTAL</b>	<b>82,469,107.85</b>	<b>38,606,987.12</b>

	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>SCHEDULE - XIV</b>		
<b>COST OF BORROWINGS</b>		
<b>(A) Fixed</b>		
(i) Interest on Bonds & Debentures	531,629,919.00	246,604,985.81
(ii) Amortization of Borrowing cost	1,996,348.00	1,059,315.07
<b>(B) Others</b>		
(i) Interest on Bank Borrowings	103,591,291.00	29,185,220.00
(ii) Guarantee Fees to GOI	24,862,169.30	9,732,876.72
(iii) Interest on (NSSF)	3,698,630.00	-
(iv) Interest on loan from LIC	140,942,465.55	-
<b>TOTAL</b>	<b>806,720,822.85</b>	<b>286,582,397.60</b>

	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>SCHEDULE - XV</b>		
<b>PAYMENTS TO AND PROVISIONS FOR EMPLOYEES</b>		
(a) Salaries and Allowances	7,779,240.40	4,894,202.01
(b) Director's Remuneration	841,320.00	791,438.00
(c) Contribution to Provident, Pension and other Funds	670,898.10	264,470.57
(d) Reimbursements	1,782,966.42	1,190,719.18
(e) Contract Employees Payment	778,040.00	423,795.00
<b>TOTAL</b>	<b>11,852,464.92</b>	<b>7,564,624.76</b>

	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>SCHEDULE - XVI</b>		
<b>ESTABLISHMENT AND ADMINISTRATION EXPENSES</b>		
Advertising Expenses	350,680.00	242,068.00
Auditors' Remuneration	180,000.00	50,000.00
Bank Charges	88,738.00	24,450.30
Books and Newspaper	53,627.10	38,369.91
Business promotion & development Expenses	1,140,232.00	781,349.00
Car Running and Maintenance Expenses	413,464.42	335,788.94
CCIL Charges	20,519.00	77,021.33
Directors' Sitting Fees	75,000.00	30,000.00
Directors Foreign Travelling	953,869.00	209,622.00
Directors Travelling	103,002.00	270,832.00
Electricity	545,451.60	279,020.00
Fees for Seminars	18,700.00	103,300.00
Filing fees	5,996.00	11,276.00
Foreign Exchange Fluctuations	126,105.42	-
Honorarium	15,000.00	31,500.00
Insurance	35,819.47	30,247.09
Loss on Sale of Fixed Assets	-	8,193.46
Miscellaneous Expenses	43,623.50	84,344.71
Miscellaneous Expenses Written off	1,105,633.00	-
Office Expenses	534,282.05	225,397.68
Other Tours, traveling & Conveyance Expenses	1,320,246.30	766,949.55
Postage & Telegram	116,113.00	54,816.00
Printing & Stationary	429,434.00	396,222.76
Professional Fees	2,217,935.00	3,987,483.60
Recruitment Expenses	954,318.50	-
Rent	7,421,093.00	3,005,520.00
Repairs and Maintenance	187,629.00	173,745.91
Short & Excess	351.92	-
Stamp duty Paid	-	1,000,480.00
Subscription A/c	587,713.13	581,728.25
Telephone Expenses	504,471.18	367,899.19
<b>TOTAL</b>	<b>19,549,047.59</b>	<b>13,167,625.68</b>
<b>Notes to schedule XVI</b>		
<b>1 Auditors' Remuneration includes:</b>		
Audit Fees	100,000.00	50,000.00
Tax Audit Fees	25,000.00	-
Other Services	55,000.00	-
	<b>180,000.00</b>	<b>50,000.00</b>

	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>SCHEDULE - XVII</b>		
<b>PRIOR PERIOD ADJUSTMENTS</b>		
<b>Prior Period Income:</b>		
Interest & Other Charges	2,575,342.47	-
Miscellaneous Income	8,411.76	-
<b>Sub Total</b>	<b>2,583,754.23</b>	<b>-</b>
<b>Prior Period Expenses:</b>		
Rent Reimbursement	71,642.50	-
Debenture Trustship Fees	43,570.00	-
Interest & other Charges	-	-
Miscellaneous Expenses	36,623.00	-
<b>Sub Total</b>	<b>151,835.50</b>	<b>-</b>
<b>Prior Period Adjustment (Net)</b>	<b>2,431,918.73</b>	<b>-</b>

	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>SCHEDULE - XVIII</b>		
<b>APPROPRIATIONS</b>		
Transfer towards Reserve for Standard Assets U/s 36(1) (vii) (c) of Income Tax Act, 1961	61,927,103.48	5,698,414.29
Transfer to Special Reserve Created & maintained U/s 36(1) (viii) of Income Tax Act, 1961	45,214,453.33	31,308,867.77
Balance Carried to Balance Sheet	140,987,527.63	34,690,027.32
<b>TOTAL</b>	<b>248,129,084.44</b>	<b>71,697,309.38</b>

## SCHEDULE XIX

### Significant Accounting Policies And Notes To The Accounts for Consolidation

#### (A) SIGNIFICANT ACCOUNTING POLICIES

##### 1 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

- 1.1 The Consolidated Financial Statements comprise the individual audited financial statements of India Infrastructure Finance Company Limited and un-audited financial statements its subsidiary India Infrastructure Finance Company (UK) Limited, as on March 31, 2008 and for the year ended on that date. The Consolidated Financial Statements have been prepared on the following basis:
- The Financial statements of the Company and its subsidiary have been consolidated on a line by line basis by adding together the book values of like items of Assets, liabilities, income and expenses, after eliminating intra group transactions resulting in unrealized profits or losses as per Accounting Standard 21 on "Consolidated Financial Statements" as notified by the Companies (Accounting Standards) Rules, 2006.
  - The Financial Statements of the subsidiary, used in the consolidation are drawn up to the same reporting date as that of the Company, i.e. March 31, 2008.
- 1.2. The Financial Statements of the following subsidiary have been Consolidated as per Accounting Standard 21 on "consolidated Financial Statements" as notified by the companies (Accounting Standards) Rules, 2006:

Name of Subsidiary	Country of Incorporation	Current Year Proportion of Ownership Interest (%)	Previous Year Proportion of Ownership Interest (%)
IIFCL U.K. Limited	United Kingdom	100%	N.A.

2. The Financial accounts have been prepared on the going concern basis with accrual concept and in accordance with the accounting policies and practices consistently followed unless otherwise stated.

##### 3. REVENUE RECOGNITION

- Upfront fee on loans is considered as income in cases where loan documents have been signed on allocated amount and same is accounted for on accrual basis.
- Any gain or losses on the terminated swap are deferred and recognized over the shorter of the remaining contractual life of the swap or the remaining life of the asset / liability.
- Recoveries in borrower's accounts are appropriated as per the loan agreements.
- Income from Dividend is accounted for in the period of declaration of dividend and credited to the investment account of the company.
- Expenditure incurred on raising of funds including stamp duty on Bonds and credit rating fee etc. are amortized proportionately over the period of its tenure. Stamp duty paid on issue of shares is amortized over the period of five years.
- Expenditure incurred on Professional fee etc. related to development of business plan , H.R. plan ,I.T plan etc of the company which are yet to be implemented and benefits of such plan will available in future are deferred and amortized over period of five years .

##### 4. PROVISIONS/WRITE OFF AGAINST LOANS AND OTHER CREDIT FACILITIES

The company has followed prudential norms for asset classification and income recognition as per RBI circular DBOD circular no. BP.BC.15/21.04.048/2006-07 dated 01.07.2006 which were approved by the Board of Directors of the company and are applicable with effect from 01.04.2007.

##### 5. INVESTMENTS

- In case of quoted Investments valued at lower of cost or market price at the year end.



- 5(b) In case of investment in Mutual Fund valued at lower of cost or net asset value at the year end.
- 5(c) Unquoted Long term Investments are carried at cost.

#### **6. FOREIGN EXCHANGE TRANSACTIONS**

- 6.1 The following transactions are accounted for at the exchange rates prevailing on the date of transactions.
  - 6.1(a) Expenses and income in foreign currency and
  - 6.1(b) The amounts borrowed and lent in foreign currency
- 6.2 The following balances are translated in Indian currency at the exchange rates prevailing on the date of closing of accounts
  - 6.2 (a) Contingent Liability in respect of Letter of Credit issued in Foreign currency
  - 6.2 (b) Loans granted in foreign currency
  - 6.2 (c) Expenses on Income accrued but not due on foreign currency loans/borrowings
- 6.3 The actual/translation gain/loss (net) on foreign currency loan assets and liabilities are charged / credited to profit and loss account.

#### **7. FIXED ASSETS AND DEPRECIATION**

- 7(a) Fixed assets are carried at cost less accumulated depreciation.
- 7(b) Fixed assets acquired out of government grant received for set up of the company are stated at historical Cost of acquisition and stated at gross value without reducing government grants.
- 7(c) The addition to fixed assets are being capitalized on the basis of bills approved or estimated value of work done as per contracts in cases where final bills are yet to be received / approved.
- 7(d) Depreciation of fixed assets of the company is provided at the rates and manner provided in schedule XIV of the Companies Act 1956 following written down value method. Depreciation on individual assets having cost below Rs.5000.00 is charged at 100% as prescribed in the aforesaid schedule.

#### **8. ACCOUNTING FOR GOVERNMENT GRANTS**

- 8(a) Government grants related to non monetary assets for incorporation of company are set off against total expenses incurred for incorporation in the earlier financial years and amount related to fixed assets is transferred to Capital Reserve for the fixed assets purchased.
- 8(b) Government grants related to specific fixed assets are credited to Capital Reserve for Fixed Assets. These grants are treated as deferred income and recognized in the profit and loss account over the useful life of assets in the proportion which depreciation on related assets is charged.

#### **9. PHRD GRANT FOR FACILITATING INFRASTRUCTURE FINANCING**

The expenditure which are eligible under PHRD Grant for facilitating infrastructure financing vide letter dated 25.10.2006 of International Bank for Reconstruction and Development are not charged to Profit & Loss Account and are shown as receivables from PHRD.

#### **10. MISCELLANEOUS EXPENDITURE**

Expenses related to issue of Bonds are amortized over a maturity period of Bonds following 'Even Spread Method' & following guidelines contained in Accounting Standard AS-16 "Borrowing Cost" related to specific borrowing cost & non specific borrowing cost.

#### **11. RETIREMENT BENEFITS**

Since most of the Employees of the Company are on deputation, it is not possible for the company to calculate actuarial valuation of leave encashment, gratuity and other retirement benefits payable to employees &

therefore company will not be able to follow Accounting Standard AS-15 issued by the Institute of Chartered Accountant of India. However, company has provided amount of retirement benefit payable to parent organization on estimated basis for deputation employees. Further None of the employees other than on deputation is older than five year in the company and hence company has not provide for any liability of retirement benefits for such employees. Further in respect of defined contribution scheme like provident fund in respect of employees on deputation respective contributions are remitted to parent organization and in respect of employees other than deputation, company is yet to create approved recognized fund and hence employees and employer contribution are shown under current liabilities and are invested in general.

## 12. DERIVATIVE ACCOUNTING

In respect of interest rate swaps entered by the company to hedge its borrowing cost which include INBMK swap (Indian currency swap) and JPY COUPON swap (Foreign exchange derivative) on equal amount of underlying where the marked to market loss on INBMK swap is provided and in JPY COUPON swap where the company has taken five years forward cover and fully hedge its currency risk for five years the marked to market for the derivative transaction has not been provided for in the accounts due to unique nature of transaction entered by the company.

## 13. DEFFERED TAX ACCOUNTING

Keeping in view remarks of CAG Auditors in respect of previous year Balance Sheet during the current year company has changed its accounting policy to create provision of Deferred Tax Liability on Special Infrastructure Reserve created under section 36(1)(viii) of Income Tax Act 1961 and had this change not made the profit of the company would had been higher by Rs 2,60,10,276.84.

## (B) NOTES TO THE ACCOUNTS

1. (a) The Subsidiary considered in the preparation of the consolidated financial statements is India Infrastructure Finance Company Limited (U.K) incorporated at United Kingdom.
- (b) India Infrastructure Finance Company Limited has promoted a new subsidiary company during the year on 7th February 2008 India Infrastructure Finance Company (U.K.) Limited. The company has commenced operations subsequent to the date of Balance Sheet. The Company has received un-audited financial statements for the year ended 2007-08.
- (c) The consolidated financial statements of India Infrastructure Finance company limited and un-audited financial statements of its subsidiary India Infrastructure Finance Company (UK) Limited are based on information available and yet to be approved by board of directors of subsidiary & any difference that may arise on receipt of audited financial statements of the subsidiary will be adjusted at that time.
2. Contingent Liabilities not provided for in respect of:

As on	31.03.08	31.03.07
(a) Estimated amount of contract (including lease contract) remaining to be executed on capital account (net of advances)	70.68 lacs	NIL
(b) Interest tax/Sales tax/ Property tax/ Trade tax pending in appeals based On judicial pronouncement and/or Legal opinion and other matters.	NIL	NIL
(c) Guarantees issued -	NIL	NIL
(d) Claims not acknowledged as debts	NIL	Rs.22,05,369/-
(e) Letter of Credit issued (Issued in USD of 8,52,22,475.56 previous year NIL)	Rs.3,40,03,76,774.91	NIL

- (f) The company has issued letters of comfort for disbursement of loans to Three borrowers amounting to Rs. 3,40,03,76,774.91 (Previous year NIL) against which a sum of Rs. NIL (previous year NIL) has been disbursed to NIL borrower.

The liability mentioned in point no. (a) above (Previous year: Nil), relates to contract entered by the company for construction/renovation of new office premises taken on lease.

The liability mentioned in point no. (d) above (Previous year: ) relates to penal interest charged by State Bank of Travancore due to non-compliance of terms and conditions of sanction for which company had contested the demand and same is waived in respect of current year and previous year demand is charged to profit and loss account.

The liability mentioned in point no. (e) above, relates to a Letter of Credit issued on behalf of three of the borrowers of the company.

3. The company had availed loans of Rs.105 crores against sanctioned loan of Rs 200 crores from State Bank of Travancore which is adjusted by the company after balance sheet date and as such company will not be entered into guarantee agreement and accordingly company has reversed guarantee commission of Rs 25,75,342.47 provided for in the financial year 2006-07 through prior period adjustment account..
4. Additional information required as in Part II of Schedule VI

Year Ended	(Rs.in lacs)	
	31.03.2008	31.03.2007
<b>Expenditure in Foreign Currencies (Actual outgo):</b>		
- Interest on borrowings	19.79	Nil
- Foreign Traveling	6.97	1.14
<b>Total</b>	<b>26.76</b>	<b>1.14</b>
<b>Earnings in Foreign Currencies:</b>		
- Interest	27.21	Nil
<b>Total</b>	<b>27.21</b>	<b>Nil</b>
<b>Auditors remuneration:</b>		
-Statutory Audit Fee	1.00	0.50
Tax Audit Fee	0.25	NIL
Other Matters	0.55	NIL
<b>TOTAL Auditors remuneration:</b>	<b>1.80</b>	<b>0.50</b>
<b>Managerial Remuneration:</b>		
- Salary and allowances	8.41	7.91
- Contribution to PF and other funds	0.00	0.00
Perquisites	0.71	0.47
- Sitting fee to Directors	0.75	0.30
<b>TOTAL Managerial Remuneration:</b>	<b>9.87</b>	<b>8.68</b>

5. Provision for Gratuity, leave encashment, Sick leave and leave travel concession are accounted for on estimated basis and not on Actuarial basis as prescribed by AS-15.
6. The Company's main business is to provide finance for Infrastructure Projects and the company does not have more than one reportable segment in terms of Accounting Standard No. 17 issued by the Institute of Chartered Accountant of India.

**7. Related Party Disclosures:**

- A) Managerial Remuneration and related party disclosure

- i) Key managerial personnel of the company during the period:-
- Sh. S. S. Kohli - Chairman & Managing Director
  - Professor G. Raghuram - Director
- ii) Payment to and on behalf of related parties
- (a) Directors Remuneration and perquisites 9.12 lac (Previous Year 8.38 Lacs)  
(To Shri S.S.Kohli)
- (b) Sitting Fees to Directors 0.75 lac (Previous Year 0.30 Lacs)  
(To Professor G.Raghuram)

**B) Investment in subsidiaries**

- i) Government of India has promoted the company for providing long term finance of more than ten year for development of infrastructure projects in India. The company has established one foreign subsidiary in UK.
- ii) The un-audited financial statements of subsidiary India Infrastructure Finance (UK) Limited on the basis of information available and yet to be approved by Board Of Directors of subsidiary, are attached as required under Sec 212 of The Companies Act, 1956 . The subsidiary was incorporated on 7th February 2008, and operations are yet to be started.
- iii) The detail of amount recoverable from subsidiary on account of expenditure incurred by holding company on behalf of the subsidiary is given as under.

Name of the subsidiary/company	Amount as on 31.03.2008	Amount as on 31.03.2007
IIFC (UK) Limited	Rs. 226255.00	NIL

8. Provisions of Accounting Standard (AS-19)
- (a) Financial Lease: NIL
- (b) Operating Lease : The company has taken office premises under operating lease with varying lease periods.
9. In terms of Accounting Standard no. 20 issued by the Institute of Chartered Accountants, Earning per share (Basic & Diluted) is worked out as follows :-

Particulars	Amount Rs. In lacs	Current year (*)	Amount Rs. In lacs	Previous year
<b>Nominal Value of share (Rs.)</b>		10/-		10/-
<b>Number of Equity Share (No.)</b>		30,00,00,000		10,00,00,000
(i) Net profit before provision for taxation for earlier years, extraordinary items and effect of change in accounting policy.	1376.93	0.63	348.18	0.51
(ii) Provision for earlier years/ Prior period items	32.94	0.02	-1.29	-0.001
(iii) Net Profit (Total)	1409.87	0.65	346.90	0.51

(\*) EPS for the current year has been calculated on weighted average number of equity shares of 21,83,56,164.38 (Previous Year 6,87,82,739.73)

10. In terms of Accounting Standard (AS-22) "Accounting for Taxes on Income", for the current period is determined on the basis of taxable income and the tax credit computed in accordance with the provisions of the Income Tax Act 1961 and based on expected outcome of assessments / appeals.

Deferred tax liability or asset is recognized on timing differences which is reversible between the accounting income and the taxable income for the year and quantified using the tax rates and provisions, enacted or subsequently enacted as on balance sheet date.

Deferred tax assets if any, are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

During the year the company has created deferred tax liability of Rs.2,60,10,276.85 on the special Infrastructure reserve created and maintained under Sec 36(1) (VIII) of Income Tax Act, 1961 for the year 2006-2007 and year 2007-2008 by charging to Profit and Loss Account for the current year.

The break up of deferred tax liabilities is as under :-

Description	(Amount in Rs.)	
	As on 31.03.2008	As on 31.03.2007
<b>(a) Deferred Tax Assets( + )</b>		
(i) Depreciation	0.00	206505.87
<b>(b) Deferred Tax Liabilities(-)</b>		
(i) Amortization (Net of Reversal)	-7764790.12	-5928088.88
(ii) Depreciation	-1,02,215.72	0.00
(iii) Infrastructure Reserve	-26010276.84	0.00
<b>Net Deferred Tax Liabilities(-)/Assets( + )</b>	<b>-33877282.68</b>	<b>-5721583.01</b>

11. During the year the company has allotted 20 crore equity number of shares of Rs . 10/- each aggregating Rs. 200 crore to Government of India on preferential basis and company has also received share application money of Rs. 500 crore from Government of India during the year which is yet to be allotted.
12. The Company has no outstanding liability towards small scale industrial undertakings.
13. Fixed assets possessed by the company are treated as 'Corporate Assets' and not 'Cash Generating Units' as defined by Accounting Standard (AS-28) "Impairment of Assets". As on 31st March 2008, there were no events or change in circumstances, which indicate any impairment in the assets.
14. Liabilities and assets denominated in foreign currency have been translated at following rate for the period ended as given below:

S. no	Exchange Rate	31.03.2008	31.03.2007
1.	Rs / US\$	39.90	N.A.

15. During the year company has entered into interest rate swaps to hedge its borrowing cost which include INBMK swap (Indian currency swap) of Rs. 100 crore on equal amount of under lying and JPY COUPON swap (Foreign exchange derivative) of Rs. 100 crore on equal amount of under lying where the marked to market on underlying is Rs 4.64 crore and marked to market loss of Rs. 50.08 lacs on INBMK swap is provided and in JPY COUPON swap where the company has taken five years forward cover and fully hedge its currency risk by saving 8.82% against payment of 7.46% for five years and as on balance sheet date the marked to market of the under lying is Rs.7.64 crore against the mark to market of Rs. 12.84 crore for the derivative transaction of JPY COUPON swap which has not been provided for in the accounts due to unique nature of transaction entered by the company. The complete detailed disclosure as on Balance Sheet date is as under:

S.No.	Particular	Currency Derivatives	Interest rate derivatives
1.	Derivatives (Notional Principal Amount)		
a)	For hedging (Rs.)	NIL	200.00 Crore
b)	For trading	NIL	NIL
2.	Marked to market positions [1]		
a)	Asset (Rs.)	NIL	- 13.34 Crore
b)	Liability (Rs.)	NIL	+ 12.28 Crore

Position of Marked to Market of above Transactions after Balance Sheet Date is as under:-

S.No.	Particular	Currency Derivatives	Interest rate derivatives
1.	Derivatives (Notional Principal Amount)		
a)	For hedging (Rs.)	NIL	200.00 Crore
b)	For trading	NIL	NIL
2.	Marked to market positions [1]		
a)	Asset (Rs.)	NIL	-10.99 Crore
b)	Liability (Rs.)	NIL	+ 13.24 Crore

16. As on balance sheet date company is having unexpired incomes of Rs 4.61 crore on account of terminated swaps which are deferred and recognized over the shorter of the remaining contractual life of the swap or the remaining life of the asset / liability.

17. Break up of "Provisions and Contingencies" shown under the head Expenditure in Profit and Loss Account is as follows :

Item	(Rs. In lacs)	
	31.03.08	31.03.07
Provision for Depreciation on Investment	227.45	2.00
Provision towards NPAs	NIL	NIL
Floating provisions for NPAs	NIL	NIL
Provisions towards Standard Assets	619.27	56.98
Provision made towards Income Tax ( including FBT & Wealth Tax )	621.66	160.39
Other Provisions and Contingencies	50.08	NIL
<b>TOTAL</b>	<b>1518.46</b>	<b>219.37</b>

18. As per the Government of India guidelines, IIFCL would be regulated directly by the Government of India and under a "sui-generis" regulatory regime for IIFCL, an oversight committee of Secretaries has been constituted by the Government of India for regulating the company affairs read with SIFTI guidelines issued by Govt. of India. And Accordingly Company is not required to registered as Non Banking Financial Company with RBI and hence Special Reserve as prescribed u/sec 45(1)C of RBI Act is not required to be created.

19. Since, the bond liability is fully guaranteed by Government of India in the shape of in-principle guarantee issued vide letter No.6/8/2006 IF-I dated 21-6-2006 by Ministry of Finance, Debenture redemption reserve has not been created. Further company vide its letter no. IIFCL/RES/2007-08/6643 dated 19.12.2007 to Ministry Of

Finance has sought exemption from creation Debenture Redemption Reserve.

20. During the period, company has provided for Rs.248.83 lacs (previous year 97.33) as guarantee commission payable to Government of India on borrowings made during the year on pro-rata basis at the rate as prescribed by Government of India and accepted by the company.
21. During the period, company has created provisions of Rs.619.27 Lacs for current year (previous year Rs. 56.98 lacs) with cumulative balance of Rs.676.25 as on Balance sheet date (previous year - Rs. 56.98 lacs) on standard assets of Rs1690.64 lacs (previous year Rs.142.46 crore) & shown the same as Reserve For Standard Assets u/s 36 (1) (vii) (c) of Income Tax Act 1961 under Reserve and Surplus.
22. There are prior period gain of Rs 24,31,918.73 (net of prior period expenditure of Rs1,51,835.50) which is shown separately in profit and loss account. Prior period gain is mainly on account of reversal of guarantee commission of Rs. 25,75,342.47 payable on S.B.O.T loan other misc. Income of Rs 8411.76 and Prior period expenditure of Rs. 151835.50 due to short provision of Expenditure in previous year.
23. During the year ended 31.03.2008, the Company had incurred expenditure related to formation of offshore subsidiary company which is shown under the head Current Assets, being the certain amount is recoverable as technical Assistance from the International Bank for Reconstruction and Development and the balance amount is recoverable from subsidiary company.
24. Payments made for the purpose of construction/renovation of new office premises taken on lease is capitalized and shown as capital work in progress being yet to be put in use.
25. The loans made by the company are considered as good in nature and recoverable as on 31.03.2008 and considered secured against future cash flows of the projects financed on non recourse basis.
26. Balance appearing under loans, and various debit and credit balances as on the Balance Sheet date are subject to confirmation and reconciliation. During the year, the Company has sent letters seeking confirmation of balances to borrowers, However confirmations are yet to be received.
27. Previous year figures have been re-grouped /re-arranged wherever practicable to make them comparable to the current year presentation.
28. Balance sheet abstracts and Group's General Business profile as per Part IV of Schedule VI of the Companies Act 1956 is enclosed as per appendix.
29. Schedule I to XIX form an integral part of Balance Sheet and Profit & Loss Account.

Signed in terms of our report of even date

**For Gupta Nanda & Co.**  
Chartered Accountants

**Sanjive Nanda**  
(Partner)  
**Membership No.87108**

**For India Infrastructure Finance Company Ltd.**

**S.S. Kohli**  
(Chairman and Managing Director)

**Dr. Subas Pani**  
(Director)

**Place: New Delhi**  
**Dated: 02.05.2008**

# CONSOLIDATED CASH FLOW STATEMENT

For The Year Ended on 31st March, 2008

	(Rs.)	
	As on 31st March, 2008 (Audited)	As on 31st March, 2007 (Audited)
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) before Tax & Extraordinary Items	337,588,893.56	93,751,401.39
Adjustments for:		
Depreciation	857,570.07	994,384.73
Provision/write offs	30,903,138.00	1,282,148.25
Loss on sale of assets	-	8,193.46
Unexpired gain on Interest Swaps	19,908,069.00	26,273,913.00
Deferred Revenue Expenditure	(4,161,100.00)	-
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>385,096,570.63</b>	<b>122,310,040.83</b>
(Increase)/decrease in Current Assets	(41,982,325.97)	(143,035,777.52)
Increase/(decrease) in Current Liabilities	172,642,927.54	256,775,100.08
Cash Flow From Lending of Funds	(15,481,775,871.03)	(1,424,603,571.54)
Cash Flow From Investing activities	(10,418,868,397.43)	(1,045,464,543.33)
<b>CASH GENERATION FROM OPERATIONS</b>	<b>(25,384,887,096.26)</b>	<b>(2,234,018,751.48)</b>
Taxes paid	(102,436,925.22)	(53,465,073.75)
<b>CASH FLOW BEFORE TRANSFER FROM RESERVES</b>	<b>(25,487,324,021.48)</b>	<b>(2,287,483,825.23)</b>
TRANSFER FROM CAPITAL RESERVE OF FIXED ASSETS	(499,601.64)	(638,737.44)
<b>NET CASH FROM OPERATIONS</b>	<b>(25,487,823,623.12)</b>	<b>(2,288,122,562.67)</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sale of/ (Addition) to Investments (Including Application Money)	-	-
Purchase of/ Advance for Fixed Assets (including Leased Assets)	1,123,382.00	3,285,187.98
Sale proceed of Fixed Assets	-	2,000.00
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(1,123,382.00)</b>	<b>(3,283,187.98)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issue of share capital	7,000,000,000.00	900,000,000.00
Loans borrowed (net of repayments)	28,206,618,505.70	6,769,591,680.30
Expenses incidental to finance	(9,400,000.00)	(18,500,000.00)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>35,197,218,505.70</b>	<b>7,651,091,680.30</b>
<b>NET CHANGE IN CASH &amp; CASH EQUIVALENT (A + B + C)</b>	<b>9,708,271,500.58</b>	<b>5,359,685,929.65</b>
Opening Cash and Cash Equivalent	5,462,112,493.65	102,426,564.00
Closing Cash and Cash Equivalent	15,170,383,994.23	5,462,112,493.65
<b>Increase/(Decrease) in Cash &amp; Cash Equivalent</b>	<b>9,708,271,500.58</b>	<b>5,359,685,929.65</b>

Note: Figures for previous year have been regrouped and rearrange to make them comparable wherever considered necessary.

Signed in terms of our report of even date

**For Gupta Nanda & Co.**  
Chartered Accountants

**For India Infrastructure Finance Company Ltd.**

**Place: New Delhi**  
**Dated: 02.05.2008**

**Sanjive Nanda**  
(Partner)  
**Membership No.87108**

**S.S. Kohli**  
(Chairman and Managing Director)

**Dr. Subas Pani**  
(Director)



## CONSOLIDATED BALANCE SHEET ABSTRACT & GROUP'S GENERAL BUSINESS PROFILE

		(Rs in Lacs)	
<b>I. Registration Details</b>			
Registration No.	:	144520	State Code :
Balance Sheet Date	:	31.03.2008	
<b>II Capital raised during the period ( Amount in Rs. Lacs)</b>			
Public Issue	:	NIL	Rights Issue :
Bonus Issue	:	NIL	Private Placement :
			(including share application money of Rs 50000 lacs pending allotment)
<b>III Position of Mobilization and Deployment of Funds (Amount in Lacs)</b>			
Total Liabilities	:	438750	Total Assets :
<b>Sources of Funds</b>			
Paid Up Capital (including share application money of Rs 50000 lacs pending allotment)	:	80000	Reserve & Surplus (Includes DTL) :
Secured Loans	:	NIL	Unsecured Loans :
<b>Application of Funds</b>			
Net Fixed Assets	:	30	Investments/Loans/DTA :
Net Current Assets	:	149533	Misc. Expenditure :
Accumulated Losses	:	NIL	
<b>IV Performance of Company (Amount in Lacs)</b>			
Turnover	:	12019	Total Expendiure (Net of prior period adjustment of Rs 24 lacs ) :
+/- Profit/Loss Before Tax	:	3376	+/- Profit/Loss After Tax :
Earning per Share in Rs.	:	0.65	Dividend Rate% :
<b>V. Generic names of three Principal products/services of the Company</b>			
Item Code No. (ITC Code)	:	NA	
Product Description	:	Financial Services	
Item Code No. (ITC Code)	:	NA	
Product Description	:		
Item Code No. (ITC Code)	:	NA	
Product Description	:		

Place: New Delhi

Dated: 02.05.2008

For M/S GUPTA NANDA & CO.

(Chartered Accountants)

(SANJIVE NANDA)

Partner

M.No.: 87108

**Inauguration of IIFC (UK) Ltd by Hon'ble Finance Minister Shri P. Chidambaram at London**



Hon'ble Finance Minister Shri P. Chidambaram delivering key note address at the inaugural function of IIFC (UK) Ltd.



Hon'ble Finance Minister Shri P. Chidambaram releasing the information brochure of IIFC (UK) Ltd. Also seen in the picture (from left to right) Ms Sharon Bamford, Chief Executive, UK India Business Council, Prof. Lord Meghnad Desai, Professor Emeritus, London School of Economics, Mr S Kohli, Chairman & Managing Director, IIFCL, Mr N.K. Madan, Managing Director, IIFC (UK) Ltd and Mr Ashoke Mukherjee, Acting High Commissioner of India to UK.



**भारत संरचना वित्त कम्पनी लिमिटेड**  
(भारत सरकार का उपक्रम)

**India Infrastructure Finance Company Limited**  
(A Government of India Enterprise)

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