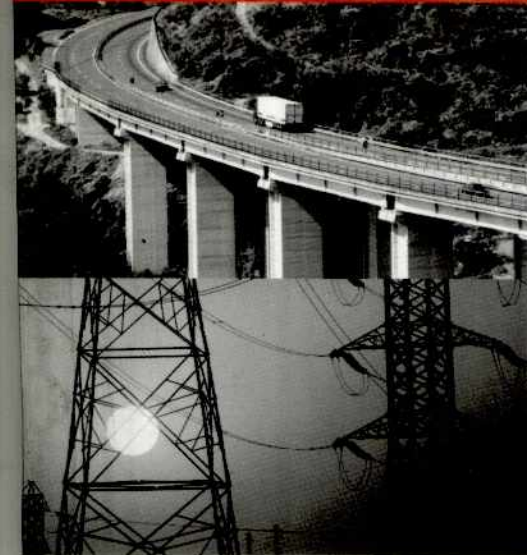


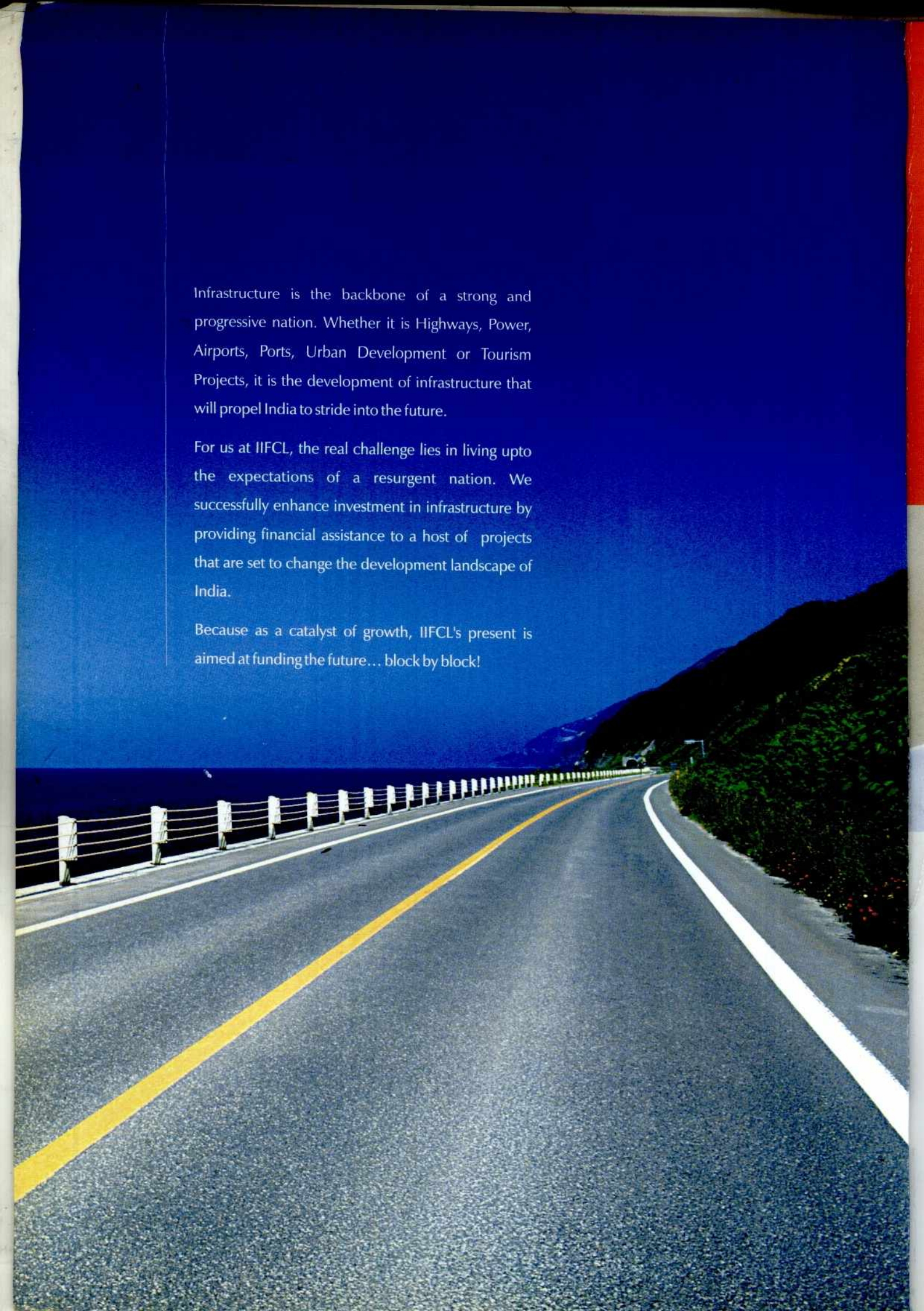
Funding the future...
block by block



IIFCL

Annual Report 2006-07





Infrastructure is the backbone of a strong and progressive nation. Whether it is Highways, Power, Airports, Ports, Urban Development or Tourism Projects, it is the development of infrastructure that will propel India to stride into the future.

For us at IIFCL, the real challenge lies in living upto the expectations of a resurgent nation. We successfully enhance investment in infrastructure by providing financial assistance to a host of projects that are set to change the development landscape of India.

Because as a catalyst of growth, IIFCL's present is aimed at funding the future... block by block!

From the

Chairman's Desk

Gentlemen,

It gives me immense pleasure to welcome all of you to the Second Annual General Meeting of India Infrastructure Finance Company Limited. The audited accounts of the Company for the year ended March 31, 2007 together with the Directors' Report are with you and with your permission, I shall take them as read. I will take this opportunity to share with you the broad infrastructure financing requirements of the country and highlight the Company's performance during the financial year 2006-07.

1. Economic Environment

During the year 2006-07, as per the estimates released by Central Statistical Organization, a growth of 9.4 per cent in real terms was recorded by the economy. The GDP originating from agriculture and allied activities was estimated to have registered a growth of 2.7 per cent. Industrial activity expanded strongly, with an estimated rise of 10.2 per cent during the year, as compared to 8.0 per cent in the previous year. Further, the services sector recorded an increase of 11.0 per cent during 2006-07 as against 10.3 per cent a year ago.

2. Infrastructure Sector

- 2.1 The importance of infrastructure for sustained economic development and influencing the living standards is well recognized. Yet millions of people lack access to housing, drinking water, proper sanitation, electricity and communication network. High transaction costs arising from inadequate and inefficient infrastructure prevent the economy from realizing its full growth potential.
- 2.2 In the Indian context, while there has been reasonable progress in attracting funds into infrastructure sector, the total annual capital investment for the sector still hovers around 4.6 per cent of Gross Domestic Product, as compared to over 10 per cent share in some of the other Asian countries. The dynamics of the Indian economy and sustenance of a high GDP growth of 9.0 per cent level warrant a strong



S.S. Kohli

push to infrastructure investment from the present level to 8 per cent level of GDP in the next five year plan

- 2.3 In the above context, the country has to go a long way on infrastructure development before it can match its peers. Various projections place the fund requirement for infrastructure sector in the range of USD 475 billion over the period of next 5 years (2007-12). It has further been estimated that India has the potential to absorb around USD 150 billion of foreign direct investment in the next 5 years in infrastructure sector alone.

3. Creation of IIFCL

- 3.1 The Union Finance Minister of India, while presenting the Union Budget 2005-06 acknowledged the need and significance of building adequate infrastructure for rapid economic development of the country. It was felt that there were many infrastructure projects that were financially viable but, in the current situation, faced difficulties in raising resources. Therefore, the Government proposed that such projects would be funded through a financial Special Purpose Vehicle (SPV). The SPV would lend funds, especially debts of longer-term maturity, directly to the eligible projects of the public sector and public private partnerships to supplement their loans from banks and financial institutions.
- 3.2 In deference to the announcement made in the Budget, India Infrastructure Finance Company Limited (IIFCL) was incorporated on January 05, 2006 under the Companies Act 1956, as a wholly owned company of the Government of India. The authorized capital of the Company is Rs.10 billion, of which paid-up Capital, at present, is Rs.1 billion. The regulatory regime for the Company is intended to be sui-generis, directly under the Government of India. The Company started its effective operation from April 2006. Financing pattern of the infrastructure projects by the Company is broadly laid down in the Scheme for Infrastructure Financing Through IIFCL (SIFTI) provided by the Government of India.

4. Performance Highlights

- 4.1 Now, I would turn to the performance highlights of the Company for the year 2006-07.

Based on the infrastructure imperatives of the sector and the scheme for infrastructure financing through IIFCL, the Company has taken a number of initiatives during the year under review. Some of the important performance highlights include the following:

4.2 Approval to 47 projects

The Company, by sanctioning financial assistance of Rs.88.10 billion to 47 infrastructure projects during the year, has carved out a niche for itself in the financial sector. Probably, this amount may be one of the largest sanctions amongst the banks or financial institutions for the infrastructure sector in one year. These projects having a total project cost of Rs.607 billion, are spread across roads, power, ports and airport sectors. Lending by the Company to roads and power sector will facilitate an addition of over 2000 kilometers stretch of roads and 9200 MW of power.

4.3 Sector-wise sanctions

Sector	No. of Project	Loan approved (Rs. Crore)	Overall Project Cost (Rs. Crore)
Roads	32	3,207	18,007
Power	12	4,303	36,788
Airport	1	1,150	5,826
Seaports	2	150	1,210
Total	47	8810	61831

4.4 State-wise position

In terms of state-wise distribution of assistance, the Company has been able to cover 16 states in all the 4 regions of the country. Tamilnadu ranks at first place in terms of the number of projects sanctioned (10) and Maharashtra occupies the premier position in terms of loan amount with an aggregate financial assistance of Rs.13.95 billion, sanctioned for 4 projects as appended hereunder:

State-wise financial assistance sanctioned by IIFCL during 2006-07

State	No. of Projects	Project Cost (Rs. Crore)	IIFCL Loan (Rs. Crore)
Andhra Pradesh	4	2172	369
Chattisgarh	1	286	50
Gujarat	4	4589	675
Haryana	1	1915	380
Himachal Pradesh	3	6599	583
Karnataka	2	4785	588
Kerala	1	565	100
Madhya Pradesh	3	1265	245
Maharashtra	4	7730	1395
Pondicherry	1	419	50
Rajasthan	1	5000	500
Sikkim	2	8900	940
Tamil Nadu	10	5201	950
Uttar Pradesh	7	5230	805
Uttarakhand	2	2259	430
West Bengal	1	4916	750
Total	47	61831	8810

4.5 JNNURM-Urban Infrastructure

One of the important reforms in the urban infrastructure sector include Jawaharlal Nehru National Urban Renewal Mission (JNNURM) to encourage cities initiating the steps to bring about improvement in the existing level of services. The objectives of the mission, inter alia, cover planned development of identified cities including semi-urban areas, urban corridors and improved provision of basic services to the urban poor. It is estimated that the contribution of urban areas in the GDP would increase to 65 per cent by the year 2011.

Over the next 5 years, urban local bodies would require an investment of Rs.1400 billion in the basic infrastructure of services. A provision of Rs.500 billion has been agreed to as Central Assistance for JNNURM for a period of 7 years beginning from FY 2006. Overall size of the programme would be Rs.1 trillion. Initially, 63 cities have been identified under the Mission.

4.6 Participation in PMDO Facility

The Company has participated in a Pooled Municipal Debt Obligation Facility, as a co-sponsor of the programme. The Facility has corpus of Rs.30 billion which would be, inter alia, used as quasi-equity by local bodies for improvement in basic infrastructure. IIFCL has committed a contribution of Rs. 1.5 billion in the corpus of the Facility.

4.7 India Infrastructure Finance Initiative

IIFCL has participated in the India Infrastructure Finance Initiative and entered into an agreement with IDFC and Citigroup. The objective of the Initiative is to use institutional expertise to collectively facilitate large scale capital investments into infrastructure assets in India, particularly in roads, aviation, ports, utilities and urban infrastructure. Under the Initiative, an amount upto USD 5 billion would be raised in the form of long term debt and equity capital, of which an amount upto USD 3 billion is proposed to be raised in the form of long tenor ECBs by IIFCL. The Company has also committed a contribution of an amount upto USD 25 million in the equity fund of USD 2 billion to be raised by IDFC and Citigroup.

4.8 MoU with 3i Group Infrastructure

The Company has signed an MoU with 3i Group Infrastructure to act as a knowledge partner and guide the funds proposed to be raised by it. The Company would provide support in building an Advisory Board (for the funds) comprising of experts in various infrastructure sectors. 3i would raise private equity funds through domestic and foreign venture capital sources to invest over USD 5 billion during the next 5 years. IIFCL and 3i would seek to develop this collaboration into other areas, as may be mutually agreed.

4.9 Other MoUs

The Company has entered into Memoranda of Understanding with 17 banks / institutions seeking cooperation in the areas of creating deal flows, appraisal, syndication and other banking services.

4.10 Collaborative Arrangement

IIFCL and IL&FS collaboration arrangement seeks to develop and finance various types of projects in the power sector. The project cost in respect of the initially identified projects aggregate over Rs.230 billion (over USD 5 billion) involving capacity additions and expansion of 6400 MW. Under the MoU, IL&FS would be developing the projects and IIFCL would consider long-term finance. Three of the initially identified projects are in the North-Eastern region.

4.11 Resource Raising Initiatives

During the year under review, the Company initiated a number of proposals for raising long-term funds from both domestic and overseas sources including Multilateral and Bilateral Agencies. Besides, the Company has received regulatory clearance for External Commercial Borrowings of USD 500 million, of which first tranche of USD 50 million is expected to be raised shortly.

4.12 GoI Contribution to the Equity Capital

Government of India contribution in the paid-up capital of the Company was raised from Rs. 100 million to Rs. 1 billion during the year.

4.13 Rating of the Company

IIFCL has been assigned AAA (SO) rating by the two rating agencies of the country namely CRISIL and ICRA, for its domestic borrowing programme.

4.14 Meetings with State Governments

The Government of India, Department of Economic Affairs organized a series of regional workshops with Chief

Secretaries of all States / UTs during the year to discuss the issues relating to PPP Infrastructure projects in various states. These meetings were attended by the Company officials. Further, one-to-one interactive meetings were held with Chief Secretaries / Senior officials of a number of states that include Bihar, Haryana, Himachal Pradesh, Jharkhand, Meghalaya, MP, Punjab, Rajasthan, West Bengal and others to create awareness about the Company's role and schemes of infrastructure financing.

5. Visit to Kuwait

CMD visited Kuwait on 28th and 29th October, 2006, as a part of the delegation led by Shri T.K.A. Nair, Principal Secretary to the Prime Minister of India. The delegation held meetings with the Finance Minister of Kuwait, Kuwaiti Investment Authority, Kuwaiti Chamber of Commerce and India Arab Socio-cultural Organization, on investment opportunities in India. During the course of the visit, it was evident that there was keen interest to make investment in India in various fields of infrastructure in the form of equity and debt. The role of IIFCL was explained to the Kuwaiti Investment Authorities for raising long term debt.

6. Visit to Pakistan

At the invitation of the Governor, State Bank of Pakistan and with the approval of Government of India, CMD of the Company accompanied by VP visited Pakistan and addressed Pakistan Infrastructure Finance Task Force constituted by State Bank of Pakistan, CEOs of major public/private sector banks of Pakistan and Pakistan Business Council during April 28-29, 2007. The Pakistani authorities evinced keen interest in learning from the Indian experience in the infrastructure sector.

7. GoI sub-group on attracting investment flows from West Asia

The Government of India set-up a Sub Group for Investment flows from West Asia under the chairmanship of Joint Secretary (Capital Markets), DEA to study the opportunities of investment flows from West Asian countries and give suitable recommendation to attract such investments. IIFCL was associated with the sub-group as a member. The Committee submitted its report in February 2007 to the Government.

8. GoI Committee on Infrastructure Financing

The Government of India appointed a high level Committee in December 2006 to overview the current systems of infrastructure financing in India and recommend steps to improve the availability of long term financing for infrastructure sector. IIFCL was associated with the Committee as member. Interim report of the Committee was submitted in February 2007 and final report of the same was presented to Hon'ble Finance Minister in May 2007.

9. Human Resources

The Company operates with a lean and thin structure to keep overheads to the minimum. The operating team comprises 12 dedicated professionals drawn on deputation from different banks and financial institutions.

10. Business, HR and IT Plan of the Company

At the beginning of FY 2007, the business of the Company was commenced based on the business outline prepared in-house and approved by the Board. During the year, the Company engaged the services of a professional consultancy firm to prepare a comprehensive business, HR and IT Plan. The detailed plan has since been submitted by the Consultancy firm and is under process.

11. Financial Highlights

Let me, now, turn to the financial performance of the Company during FY 2007. Total income of the Company was higher at Rs. 4020.60 lakh, as compared to Rs. 8.90 lakh during the previous year. The profit before taxation for the

year at Rs.567.44 lakh surged from Rs. 5.10 lakh in the previous year. The net profit after tax for the year was Rs. 346.90 lakh as against Rs.6.31 lakh in the previous year.

12. Projected Loan Approvals for FY 2008

The company has during FY 2007 sanctioned assistance of Rs 88.10 billion to 47 projects with overall project cost of Rs 618.31 billion. The disbursement of the sanctioned loans has since begun. The Company has disbursed an amount of Rs. 1.42 billion in 9 projects. It is expected that larger amount of disbursement would take place in the current year. The Company has projected to accord approval in the range of Rs. 150 billion during FY 2008.

13. Resources Plan for FY 2008

With respect to raising resource , a number of borrowing proposals aggregating over Rs. 150 billion were structured and posed, of which approvals for an amount of approximately Rs. 50 billion were received during the year. The Company has submitted a formal proposal to the Government for an allocation of Rs.25 billion out of NSSF. In order to meet disbursement requirements and maintain reasonable surpluses, the Company is looking to raise Rs 75 billion during the financial year 2008.

14. Working with Multilateral / Bilateral Institutions

The Company's proposals for long term borrowings from the World Bank, ADB and KfW are in progress. Due diligence exercise has been commenced by these institutions for considering IIFCL's proposal of financial assistance. Besides KfW's approval for a promotional loan of Euro 100 million, a proposal for composite loan of Euro 180 million, comprising soft loan component, has been agreed in the Indo-German Development Cooperation Consultations 2007. Commitments of technical assistance from the World Bank and Asian Development Bank have been received.

15. International Rating of IIFCL

Under the technical assistance component of ADB, an exercise of international rating of the Company has been commenced by Standard and Poor. The S&P has held initial round of discussions with the Company officials in May 2007.

16. Expanding Horizons

With an intent to introduce innovative financing mechanism, it was announced in the Union Budget 2007-08 to consider establishment of two wholly owned overseas subsidiaries of IIFCL with the following objects:

- (i) to borrow funds from the RBI and lend to Indian companies implementing infrastructure projects in India, or to co-finance their ECBs for such projects, solely for capital expenditure outside India; and
- (ii) to borrow funds from the RBI, invest such funds in highly rated collateral securities, and provide 'credit wrap' insurance to infrastructure projects in India for raising resources in international markets.

The loans by RBI to these two subsidiary companies will be guaranteed by the Government of India and the RBI will be assured of a return higher than the average rate of return on its incremental investment. Government proposes to examine the legal and regulatory aspects of the recommendation, in consultation with RBI, in order to find an innovative method of enhancing the financial resources for infrastructure.

17. Commitment to fulfill the mandate

The Company is making continuous endeavors to move on for fulfilling its charter. This, we would do with the guidance of the Board of Directors and support from the Government of India. The Company is committed to move forward at a brisk pace to achieve its mandate of emerging as a leading financial intermediary for the infrastructure sector. I am sure that the initiatives taken would bear fruit in near future and IIFCL will grow from strength to strength to serve the cause for which it has been created.

18. Acknowledgment

I take the opportunity to express my sincere and grateful thanks to the Hon'ble Prime Minister of India, Union Minister of Finance, Deputy Chairman Planning Commission, Minister of State for Finance, Member Secretary, Planning Commission, Finance Secretary to Government of India, Secretary (Financial Sector), my colleagues on the Board, Officials of Ministry of Finance, Planning Commission, Ministry of Law, C&AG, Statutory Auditors, RBI and other departments of the Government of India for their support and guidance for smooth operations of the company. I am also thankful to the World Bank, ADB, JBIC, KfW, Banks and Financial Institutions for their support to the company.

My special thanks and warm appreciation to our valued clients for reposing faith in the Company. My small team of dedicated officials is the main asset of the Company. I place on record the appreciation for the work being done by them and thank them for their cooperation and hard work which helped the Company for successful operations. In the years to come, we firmly believe to cross many more milestones which will help us in building world class infrastructure in the country and accelerate the pace of economic growth.

Place: New Delhi
Date: 10.07.2007

S S KOHLI
CHAIRMAN AND MANAGING DIRECTOR

Board of Directors



Shri S S Kohli
Chairman and Managing Director
(Ex-Chairman Punjab National Bank)



Shri R R Shah
Member Secretary Planning Commission
Government of India



Shri A K Jha
Finance Secretary to the
Government of India, Ministry of Finance
(Since Retired w.e.f. 19-06-2007)



Shri Vinod Rai
Secretary (FS)
Government of India, Ministry of Finance
Department of Financial Services



Shri Atul Rai
Director (Banking Division),
Ministry of Finance, Government of India
(Since Retired w.e.f. 01-06-2007)



Prof. G Raghuram
Professor
Indian Institute of Management
Ahmedabad

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STATUTORY AUDITORS

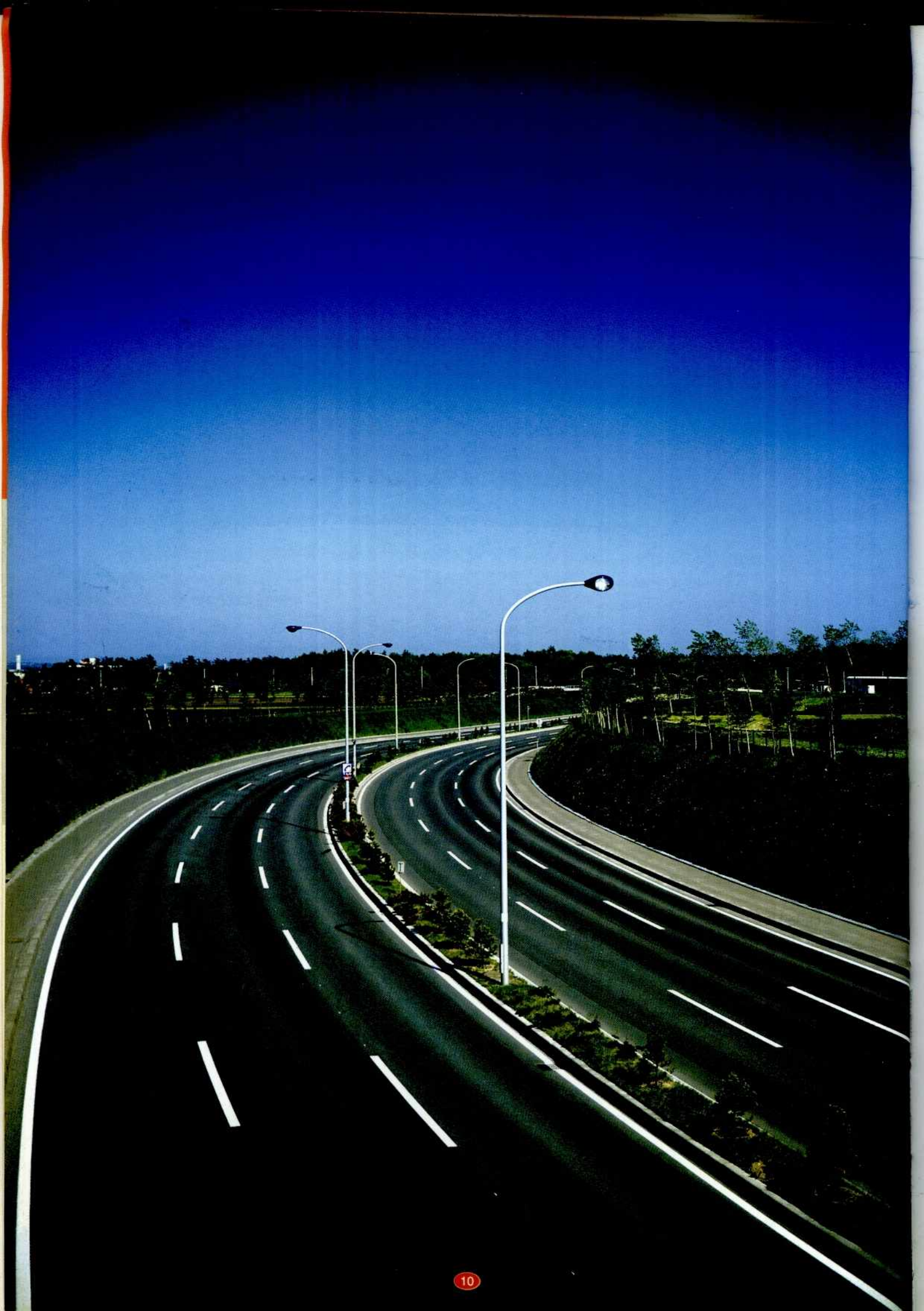
Gupta Nanda & Co.,
Chartered Accountants
20-A, LIG Flats, Rajouri Garden
New Delhi 110 027.
Phone: 25459787
Fax: 25419787

REGISTERED OFFICE

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

BANKERS:

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



NOTICE

NOTICE IS HEREBY GIVEN THAT THE SECOND ANNUAL GENERAL MEETING OF THE MEMBERS OF INDIA INFRASTRUCTURE FINANCE COMPANY LIMITED (IIFCL) WILL BE HELD ON FRIDAY THE 3rd, AUGUST, 2007 AT 12.30 P.M. AT THE REGISTERED OFFICE OF THE COMPANY AT 12th FLOOR, NAURANG HOUSE, 21, KASTURBA GANDHI MARG, NEW DELHI-110001.

ORDINARY BUSINESS:

- 1) To receive, consider and adopt the Second Audited Balance Sheet as at 31.03.2007 and the Profit and Loss Account for the year ended 31.03.2007 together with the Reports of the Directors and the Auditors and comments of the Comptroller and Auditor General of India 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 2006-07 vacate office at the ensuing AGM. The Office of Comptroller & Auditor General of India has not yet proposed another auditor for the ensuing Financial Year 2007-08. On receipt of the said letter of the CAG, the auditor shall be deemed appointed, vide consent granted by the shareholders at this AGM; at a remuneration to be decided by the Chairman and Managing Director, 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: 10.07.2007

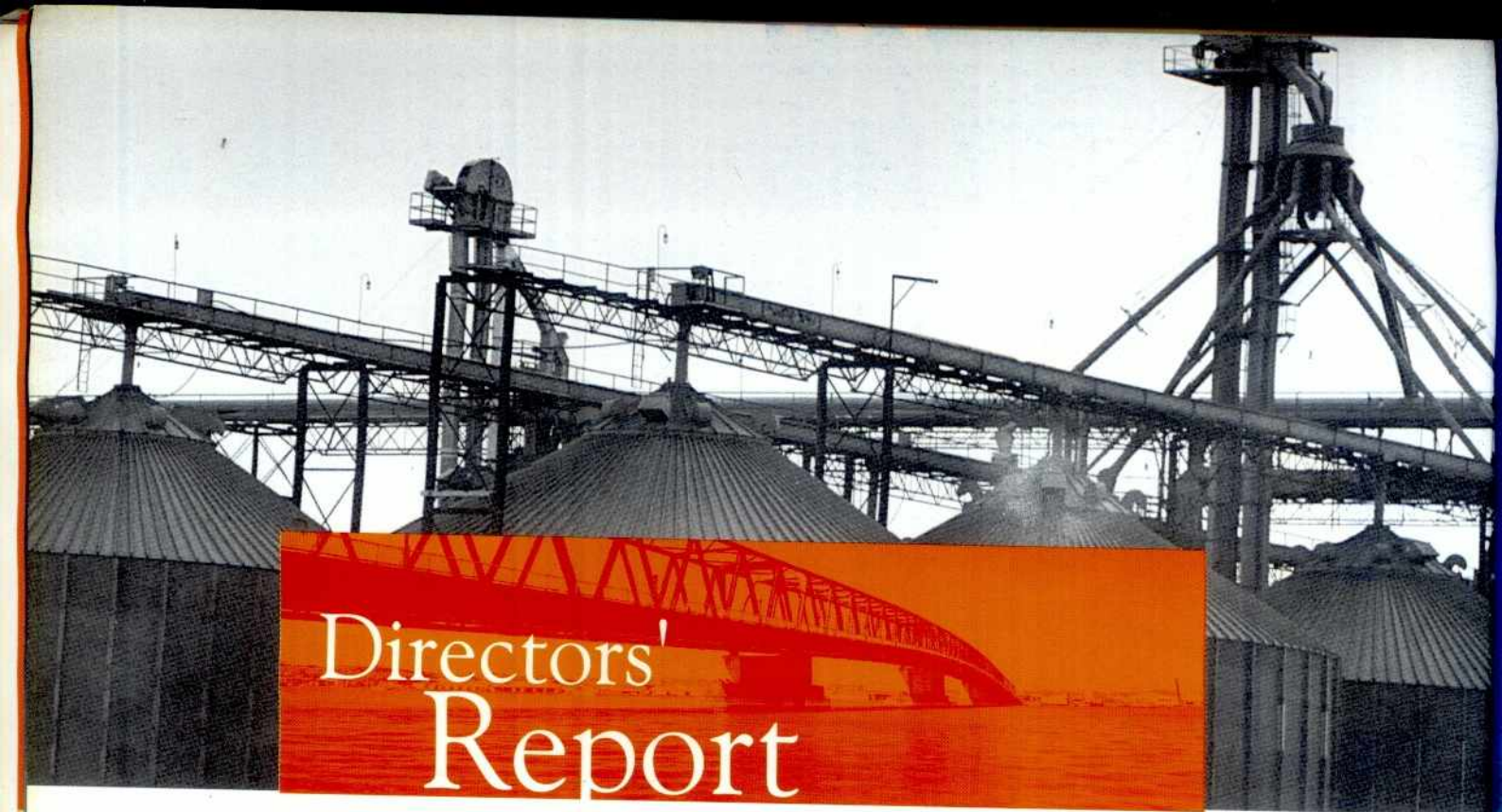
S. S KOHLI
CHAIRMAN AND MANAGING DIRECTOR

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.
- 3) The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the notice as set out above, is annexed hereto.



Directors' Report

To,
The Members,

INDIA INFRASTRUCTURE FINANCE COMPANY LIMITED

The Directors of INDIA INFRASTRUCTURE FINANCE COMPANY LIMITED have great pleasure in presenting the **Second Annual Report** with the Audited Statement 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, 2007.

1. OPERATIONAL & FINANCIAL RESULTS:

The financial results of the Company for the year ended 31st March, 2007 are as follows:

	Rs. in lacs	
	Current Year 01.04.2006- 31.03.2007	Previous Year 05.01.2006- 31.03.2006
Total Income	4020.6	8.90
Profit before Depreciation & Taxation	577.38	5.13
Less: Depreciation	9.94	0.03
Net Profit before Tax	567.44	5.10
Less : Taxation	218.65	0.43
Less : FBT	2.31	0.01
Profit After Tax	346.48	4.66
Add: Deferred Tax Assets	0.42	1.65
Profit after Tax carried forward to balance sheet	346.90	6.31



2. SECTOR WISE SANCTIONS BY IIFCL FOR FINANCIAL ASSISTANCE:

The Company has sanctioned an amount of Rs.8810 crore to 47 projects, with project cost of Rs.60692 crores, in Financial Year 2006-07.

The Sector wise status is detailed below:

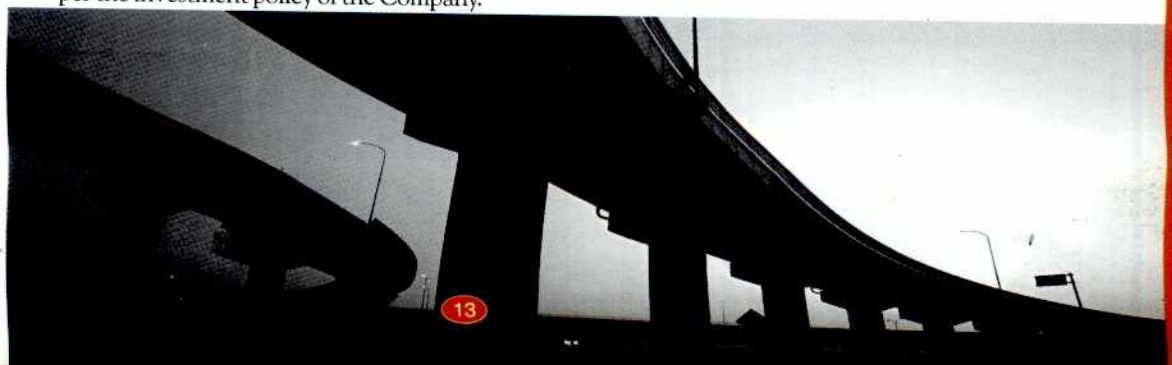
S.NO.	SECTOR	NO. OF PROPOSALS	TOTAL PROJECT COST (Rs. in Crore)	FINANCIAL ASSISTANCE BY IIFCL (Rs. in Crore)
1.	POWER	12	36788	4303
2.	ROAD	32	18007	3207
3.	SEA PORT	2	1210	150
4.	AIRPORT	1	5826	1150
	TOTAL	47	61831	8810

3. RESOURCES

It is proposed to tie-up/raise resources from domestic and overseas channels to the tune of Rs. 42,500 crore over the next five years. Within the overall resource plan, proposals for an amount of Rs. 15,000 crore were structured and posed to the domestic and overseas agencies.

Government contribution in the Company's paid-up capital increased from Rs. 10 crore to Rs. 100 crore during FY 2006-07.

Pending disbursements to sanctioned projects, the surplus funds raised during the year, were invested in Government Securities and Deposits with the Scheduled Commercial Banks, as per the investment policy of the Company.





4. BUSINESS DEVELOPMENT

(i) VISION

Providing long term finance and removing bottlenecks to the flow of finance for infrastructure development in the country.

(ii) MISSION

To meet the long-term financing needs of infrastructure projects; facilitate public private partnership in infrastructure development by being a preferred institution for the financing needs of infrastructure projects.

(iii) RISK MANAGEMENT

The key to effective risk management is not necessarily to minimize the various risks but to earn profits. Risk is, therefore, a source of profit. But it is essential that the risks are identified and managed.

In a dynamic environment, the risks are ever changing. The Company has an in-built architecture to manage its risks & also to stay ahead of those risks that may arise from time to time. The responsibility for management of risks vests with the board of the company, which has approved the policies and organizational structure for various risk management measures.

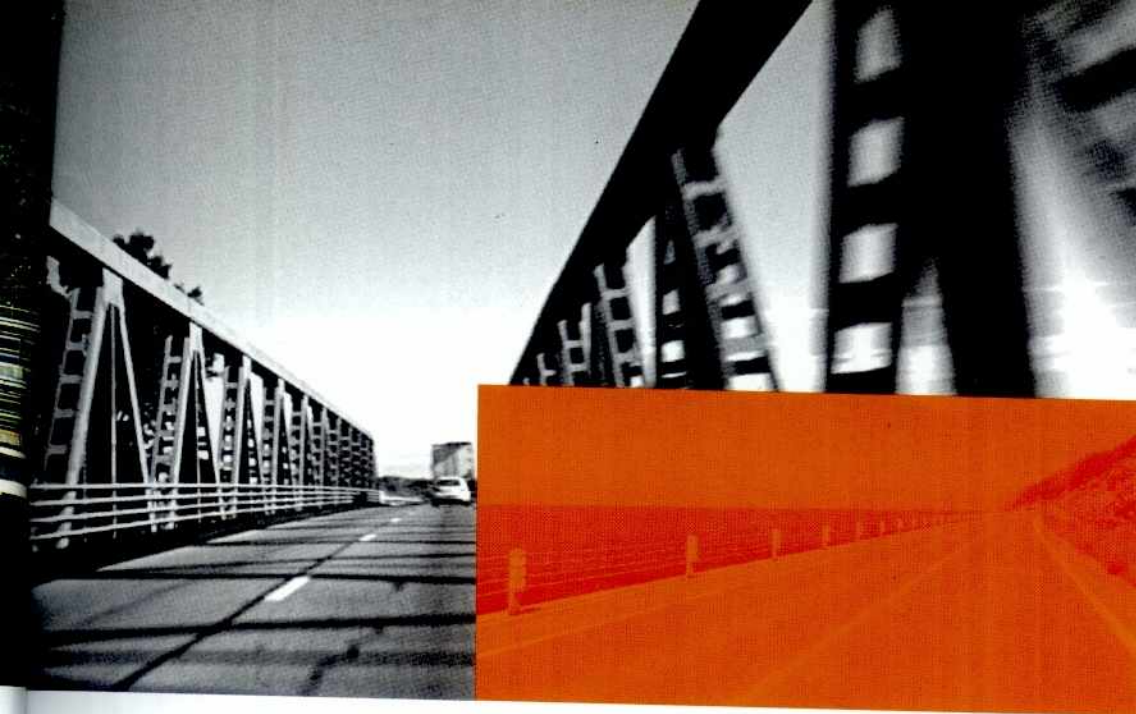
(iv) INTERNAL CONTROLS

The Company has in-built internal control systems with well defined responsibilities at each level. The system also includes appointment of Internal Auditors.

(v) MANAGEMENT INFORMATION SYSTEM (MIS)

MIS in the Company is being constantly upgraded to cater to the growing appetite for information- for decision support, for innovating customized products and for statutory needs.





(vi) HUMAN RESOURCE MANAGEMENT

The company's core belief is that its employees are the most valuable corporate assets. In today's scenario where difference between banks and financial institutions is getting blurred, IIFCL recognizes that it is only through appropriate HR interventions, it can meet the forces of competition.

5. FUTURE OUTLOOK

- (i) IIFCL has a robust pipeline of infrastructure projects across various States. These would not only benefit the Company but also would unleash opportunities to various States to develop and be a partner in the growth & development of the whole economy. Initiatives taken in initial months with regard to identification of opportunities & threats before the Company are pursued under the professional guidance of its directors, its Management Team, and streamlining of business operations.
- (ii) **Memorandum of Understanding** have been signed with 17 banks/Financial Institutions. Public sector Banks include Andhra Bank, BoB, Canara Bank, Corp. Bank, IDBI Bank, Indian Bank, IOB, OBC, SBoH, Syndicate Bank, Vijaya Bank while financial institutions include IL&FS, HUDCO, UTI Bank, PTC, 3i group and IDFC/CITI Group.
- (iii) In order to introduce innovative financing mechanism, the Union Budget 2007-08 has announced that the Government is considering the establishment of **two wholly owned subsidiaries** of IIFCL with the following objects:
 - (i) to borrow funds from the RBI and lend to Indian companies implementing infrastructure projects in India, or to co-finance their ECBs for such projects, solely for capital expenditure outside India; and
 - (ii) to borrow funds from the RBI, invest such funds in highly rated collateral securities, and provide 'credit wrap' insurance to infrastructure projects in India for raising resources in international markets.

The loans by RBI to these two subsidiary companies will be guaranteed by the Government of India and the RBI will be assured of a return higher than the average rate of return on its incremental investment. Government proposes to examine the legal and regulatory aspects of the recommendation, in consultation with RBI, in order to find an innovative method of enhancing the financial resources for infrastructure.

This is an intent to utilize a part of foreign exchange reserves and also neutralize the

monetization affect thereof, if any.

6. CAPITAL STRUCTURE

During the year 2006-07, the Authorised Share Capital of the Company remained at Rs.1,000,00,00,000/- (Rupees One thousand Crores only). However, the Paid up Share Capital was increased to Rs.100, 00, 00,000/- (Rupees Hundred Crores only) during the Year, by issue of shares to the President of India.

7. DIVIDEND

The Company has earned a net profit (after tax) of Rs. 346.9 lakh as compared to the previous year's profit of Rs. 6.31 lakh. This being the second year of operations and considering the fact that the business of the company pertains to infrastructure development wherein huge outlays are required, the management considers it prudent to plough back the profits of the Company and the company has not declared any dividend.

8. BOARD OF DIRECTORS

The Board of Directors of the Company as on date comprises:

S.No.	Name	Designation	Category	Remarks
1.	Sh. S.S. Kohli	Chairman & Managing Director	Whole Time Director	
2.	Sh. R. R. Shah	Member Secretary, Planning Commission	Director	
3.	Sh. A. K. Jha	Finance Secretary, Ministry of Finance	Director	Since Retired wef 19.06.07
4.	Sh. Vinod Rai	Secretary (Financial Sector) Ministry of Finance	Director	
5.	Sh. Atul Kumar Rai	Director (Banking Division) Ministry of Finance	Director	Since Retired wef 01.06.07
6.	Prof. G. Raghuram	Professor IIM Ahmedabad	Director	

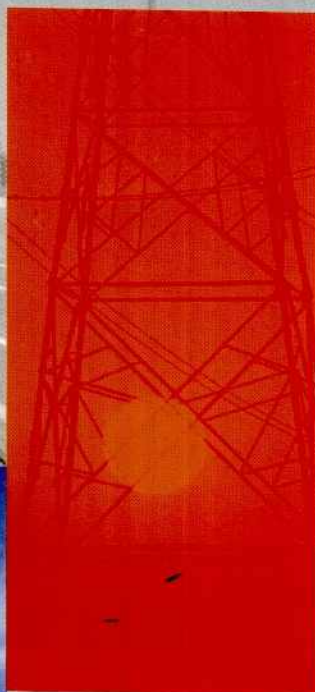
9. DIRECTORS' RESPONSIBILITY STATEMENT

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

It is hereby confirmed: -

- That in the preparation of Annual Accounts for the Financial Year ended 31.03.2007 the applicable Accounting Standard had been followed along with the proper explanation relating to material departure.
- 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 end 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 31-03-2007, on going concern basis.

10. CORPORATE GOVERNANCE

The Company is committed to the best practices in the area of corporate governance. The company believes that proper corporate governance facilitates effective management and control of business. This, in turn enables the company to maintain a high level of business ethics and optimize the value for its stakeholder i.e. The Government of India.

The objectives can be summarized as below:

- To protect the interest of the stake holder i.e. the Government of India and others like customers, employees and society at large.
- To ensure transparency and integrity in communication and to make available, accurate and clear information to all concerned.
- To ensure accountability for performance and to achieve excellence at all levels.
- To provide corporate leadership of highest standards for others to emulate.

The Company is committed to:

- Ensuring that the Company's board of directors meet regularly, provides effective leadership, exercises control over management and monitors executive performance.
- Establishing a framework of strategic control and continuously review its efficacy.



- Establishing clearly documented and transparent management processes for policy development, implementation and review, decision- making, monitoring, control and reporting.

BOARD MEETINGS DURING THE YEAR:

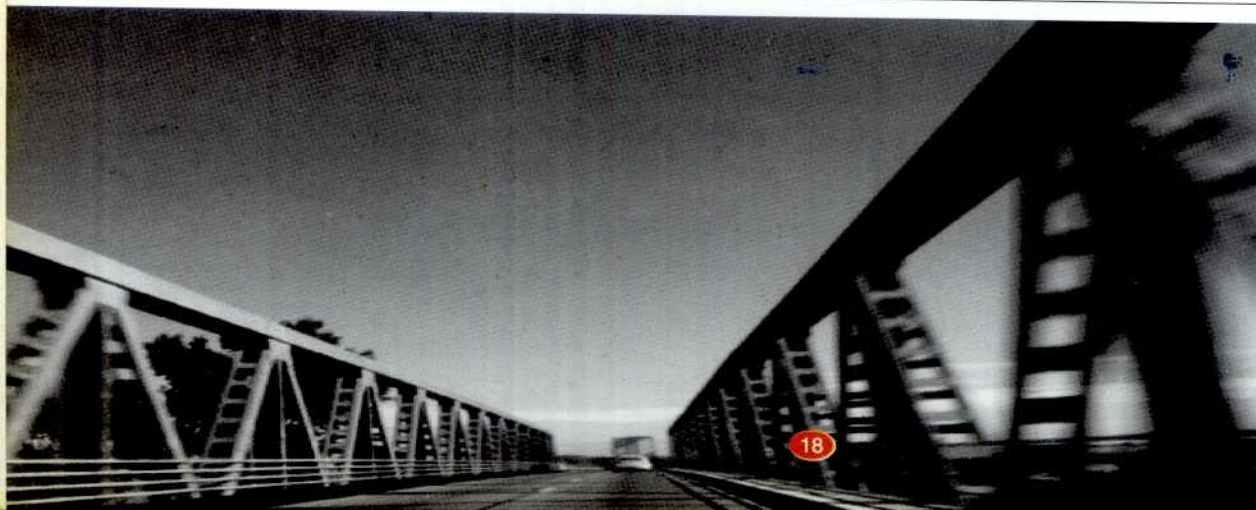
The Board of Directors of IIFCL provides leadership and strategic guidance, objective judgment, independence of management and exercises control over the company, while remaining accountable to the stakeholder. The Board of Directors comprises of 4 members as on date. The Board functions as a full Board or through a Committee constituted to oversee specific areas. The Board of Directors and its committee meet at regular intervals.

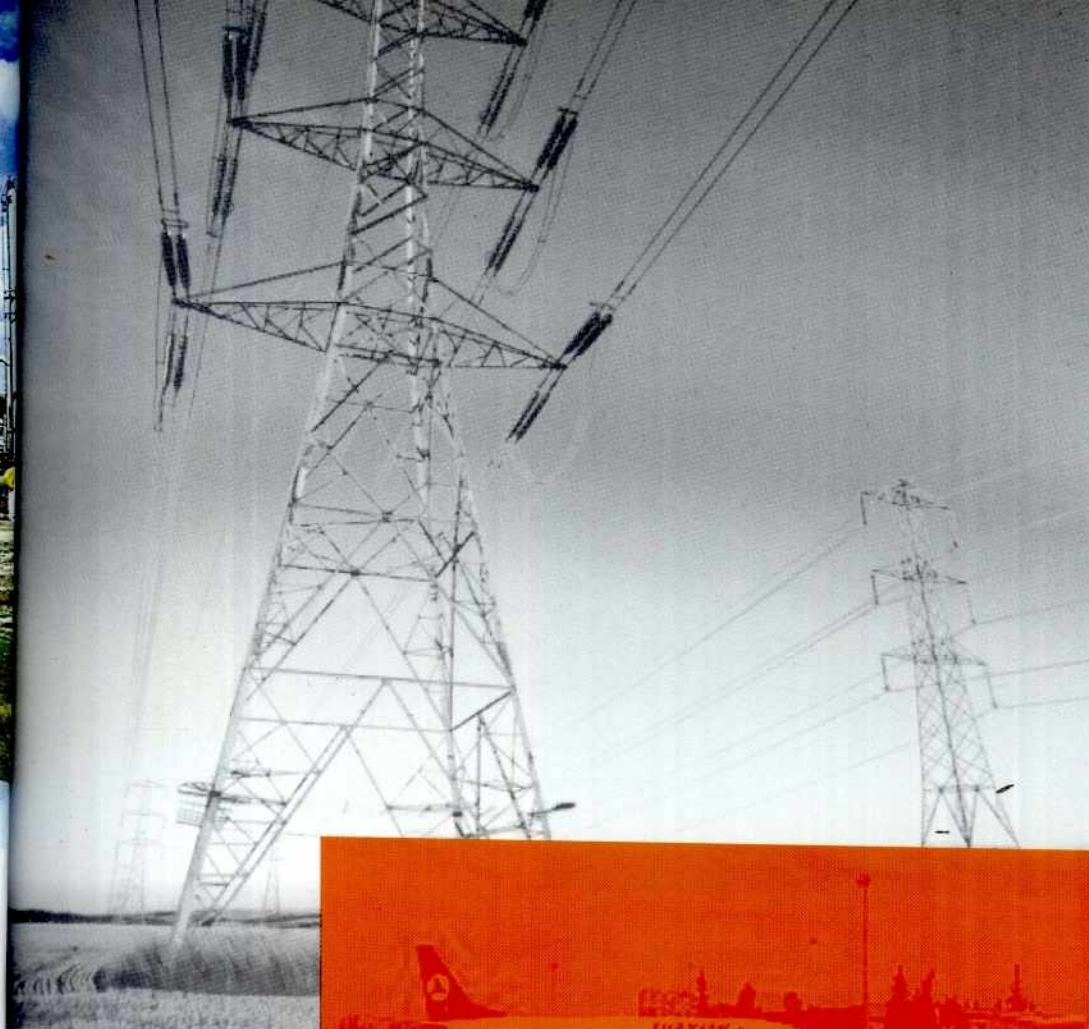
There were 7 meetings of the Board of Directors held during the year 2006-07 i.e. on 5th April, 2006, 29th, May 2006, 25th July 2006, 4th October 2006, 11th December, 2006, 31st January 2007, and 19th March 2007

11. AUDIT COMMITTEE:

The Board of Directors has constituted an Audit Committee of the following Directors under Section 297(A) of the Companies Act, 1956:

S.No	DESIGNATION/DIRECTORS	NAME OF THE DIRECTORS
1	Finance Secretary Ministry of Finance - Director	Sh. A.K. Jha - Chairman of the Committee (Since Retired)
2	Chairman & Managing Director	Sh.S.S.Kohli - Member
3	Secretary (Financial Sector) Ministry of Finance - Director	Sh. Vinod Rai - Member





12. 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.

13. CONSERVATION OF 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.

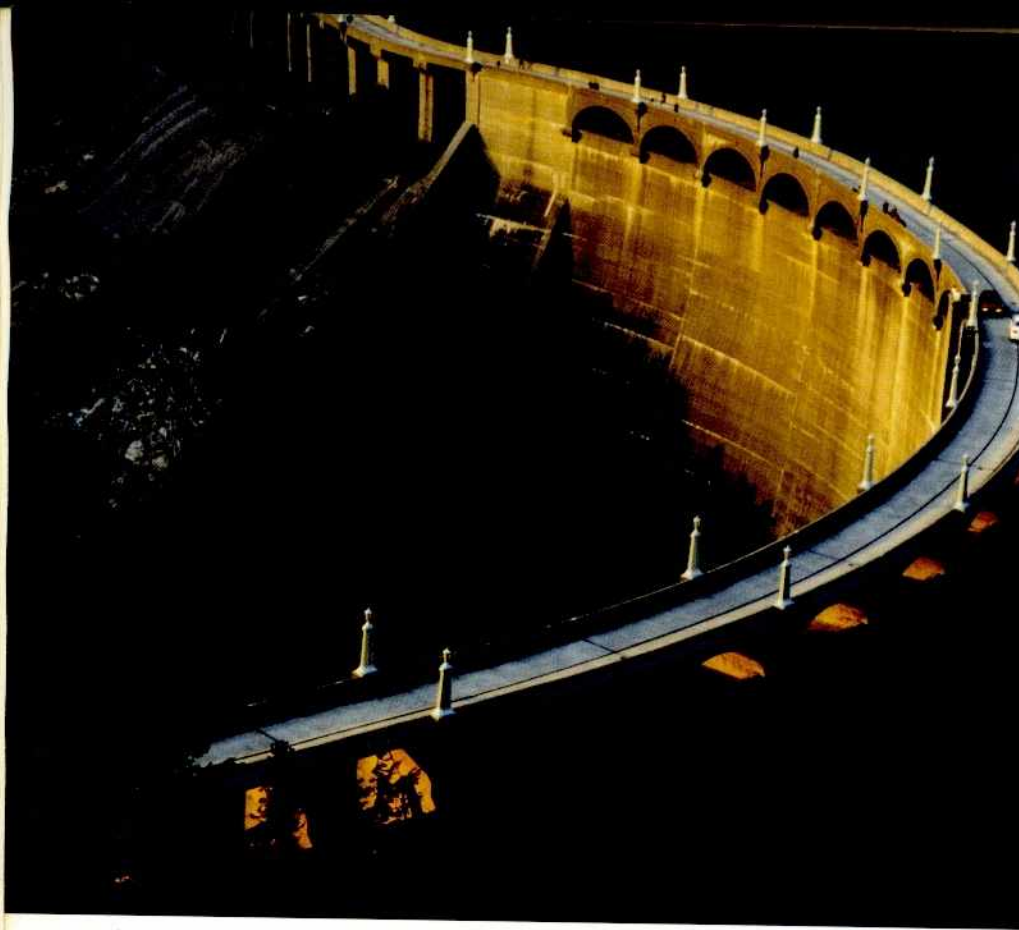
14. TECHNOLOGY ABSORPTION:

The Company is engaged in providing financial assistance to identified projects to aid the development of economy. No Technology absorption was done during the Year.

15. 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:

	<u>2006-07</u>
Total Foreign exchange used	Rs. 1.14 Lakhs
Total foreign exchange earned	Nil



16. PARTICULARS OF EMPLOYEES

All the personnel are taken on deputation from various Public Sector Banks/Financial Institutions. Company is in the process of developing a professional cadre to institutionalize all processes given increasing levels of complexity in the implementation of infrastructure projects. However, this would continue to remain a critical area requiring the induction of additional senior management personnel.

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

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).

17. BONDS TRUSTEE:-

The Company's 8.70% IIFCL 2016 bonds are provisionally listed with BSE & the same would get confirmed on issuance of Government of India guarantee. Issuance of Government of India guarantee is under active consideration and is likely to be issued shortly. The Company, in line with the requirement of SEBI, appointed the following Bond Trustees:



IL&FS Trust Company Limited
The IL&FS Financial Center,
Plot C-22, G Block, Bandra-Kurla Complex,
Bandra (East), Mumbai -400 051

Bond series
8.70% IIFCL 2016 Bonds Series I

18. STATUTORY AUDITORS & AUDITORS REPORT :

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 2006-07.

19. 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 Section 619(4) of the Companies Act, 1956 as an annexure to this Report.

20. REPLIES TO THE REPORT/COMMENTS OF AUDITORS

(i) On the Report of Statutory Auditors :-

Observations

Gratuity and leave encashment liabilities are determined on the basis of terms and conditions of deputation of employees and not on the basis of actuarial valuation as prescribed in the accounting standard 15 (AS-15) related to accounting for retirement benefits.

Reply

All the employees of the company are on deputation from various public sector banks/ public financial institutions & all the retirement benefits of these employees will be paid by the parent organization of respective employees. The company will reimburse the amount of such retirement benefit to parent organization for deputation period only as & when demanded. Actuarial valuation of these benefits are maintained by parent organization of respective employees & since same was not available on balance sheet date, therefore, to have the maximum possible true & fair view of the state of affairs of the company. The provision is made on the basis of amount payable as on balance sheet date for the period already spent by the employees in the company.

(ii) On the Comments of Comptroller & Auditor General of India:-

Observations:

Profit & Loss Account

Expenditure

Provision for deferred tax

The Company has created a Special Reserve in the name of (Infrastructure Reserve) under Section 36 (1) (viii) of the Income Tax Act 1961 amounting to Rs.3.13 crore. But the Company had not created deferred tax liability on it as required by the Accounting Standard -22 read with the opinion of the Expert Advisory Committee of the Institute of Chartered Accountant of India (ICAI).

Non- creation of deferred tax liability had resulted in under-statement of deferred tax liability Rs.1.06 crore and overstatement of profit by Rs.1.06 crore.

Reply:

The Company has created a Special Reserve in the name of (Infrastructure Reserve) under Section 36 (1) (viii) of the Income Tax Act 1961 amounting to Rs.3.13 crore.

As per scheme of the company approved by the Government of India the main object of the company is development of infrastructure facilities in India and there is not any object of earning profit and distributing dividends.

According to Sec. 36 (1) (viii) of the Income Tax Act 1961 the deduction is available if this reserve is created and maintained. If amount is withdrawn from this reserve the amount will be taxable in the year of withdrawal. The company has no intention whatsoever of making any withdrawal from the reserve. Considering this perception it was decided not to create deferred tax liability.

21. OFFICIAL LANGUAGE

Considerable efforts were made towards encouraging progressive use of Hindi in official transactions as also to ensure compliance of provisions of Official Languages Act.

22. ACKNOWLEDGMENTS

The Board of Directors wishes to place on record their appreciation for the support and cooperation extended by each and every member associated with IIFCL. The Directors are thankful to the Central Government, State Governments, Banks, Financial Institutions, Employees, Customers and Shareholders for their continued cooperation.

The Board is also thankful to the Auditors of the Company, the Comptroller and Auditor General India for their valuable guidance and advice.

BY ORDER OF THE BOARD OF DIRECTORS
FOR INDIA INFRASTRUCTURE FINANCE COMPANY LIMITED

Place: New Delhi
Date: 10.07.2007

S S KOHLI
CHAIRMAN AND MANAGING DIRECTOR

Auditor's Report

TO THE MEMBERS OF INDIA INFRASTRUCTURE FINANCE COMPANY LIMITED

In supercession of our earlier report dated 26.04.2007, we submit revised report.

We have audited the attached Balance sheet of India Infrastructure Finance Company Limited as at 31st March, 2007 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.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 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.

Further to our comments in the Annexure referred to above, we report that :

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
- (iii) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of accounts.
- (iv) In our opinion, the Balance sheet, the profit and loss account and the cash flow statement dealt with by this report **subject to Point No. A(9) of schedule XVII related to accounting policies and notes to the account**, comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- (v) On the basis of written representations received from the Directors, as on 31st March, 2007 and taken on record by the Board of Directors, we report that none of the Directors of the Company is disqualified as on 31st March, 2007 from being appointed as Director under Section 274(1) (g) of the Companies Act, 1956.
- (vi) 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, 2007.
- (vii) In our opinion and to the best of our information and according to the explanation given to us, the said accounts read together with the significant Accounting Policies and Notes thereon, 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, 2007.
 - (b) in the case of the Profit and Loss account, of the profit for the year ended on that date; and
 - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Place: New Delhi
Dated: 08.06.2007

For Gupta Nanda & Co.
Chartered Accountants

Sanjive Nanda
(Partner)
M.No.: 87108

ANNEXURE TO THE AUDITOR'S REPORT TO THE MEMBERS OF

- (i) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management at reasonable intervals. Material discrepancies were not noticed.
- (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 paragraphs (iii) (a), (b), (c) and (d) of the Order are not applicable.
- (b) 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 paragraphs (iii) (e), (f) and (g) of the Order are not applicable.
- (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 continuing failure to correct major weakness in the internal controls.
- (v) (a) In our opinion, and according to the information and explanation given to us, there are no transactions that need to be entered into a register maintained under Section 301 of the Companies Act, 1956.
- (b) In our opinion, and according to the information and explanation given to us, as there are no transactions that need to be entered into a register maintained under Section 301 of the Companies Act, 1956 paragraph (v) (b) of the order is not applicable.
- (vi) In our opinion, and according to the information and explanation given to us read with point number B(18) of schedule XVII related with accounting policies and notes to the accounts, during the year company has not accepted any other public deposits.
- (vii) In our opinion, the company does have an internal audit system commensurate with its size and 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 regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income-tax, Sales-Tax, Wealth Tax, Service-Tax, Custom-Duty, Cess and other material statutory dues as applicable with the appropriate authorities.
- (b) As at 31st March, 2007 according to the records of the Company and the information and explanation given to us, there are no dues on account of Income Tax/Sales Tax/Wealth Tax/Service Tax/Custom Duty/Excise Duty/cess that have not been deposited on account of disputes:
- (x) The company has not any accumulated losses as on 31st March, 2007. The Company has not incurred cash losses for the year ended 31st of March, 2007 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) In our opinion and according to information and explanations given us, term loans have been applied for the purpose for which they were obtained.
- (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 no funds raised on short term basis have 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 unsecured, creation of security or charge does not arise.
- (xx) The company has not raised any money by public issues during the year.
- (xxi) According to information and explanation given to us, no fraud has been noticed or reported during the year.

Place: New Delhi
Dated: 08.06.2007

For Gupta Nanda & Co.
Chartered Accountants

Sanjive Nanda
(Partner)
M.No.: 87108

Balance Sheet

AS At 31st March 2007

	Schedule No.	As at 31st March, 2007	(Rs.) As at 31st March, 2006
I SOURCES OF FUNDS			
(i) Shareholder's Funds			
Share Capital	I	1,000,000,000.00	100,000,000.00
Reserve and Surplus	II	68,481,540.65	3,121,383.00
(ii) Loan Funds (Secured)	III	696,109,997.30	-
Loan Funds (Unsecured)	IV	6,073,481,683.00	-
(iii) Deferred tax liability	V	5,928,088.88	-
TOTAL		7,844,001,309.83	103,121,383.00
II APPLICATIONS OF FUNDS			
(i) Deferred tax Assets	V	206,505.87	164,921.00
(ii) Loans	VI	1,424,603,571.54	-
(iii) Investments	VII	6,485,241,710.15	95,000,000.00
(iv) Fixed Assets	VIII	2,781,352.79	500,743.00
(v) Current Assets	IX	218,618,068.92	7,821,395.00
(vi) Less: Current Liabilities and Provisions	X	304,890,584.37	365,676.00
(vii) Net Current Assets		(86,272,515.45)	7,455,719.00
(viii) Miscellaneous Expenditure to the extent not written off or adjusted	XI	17,440,684.93	-
Significant Accounting Policies and Notes on Accounts	XVII		
TOTAL		7,844,001,309.83	103,121,383.00

In terms of our Report of even date

Place : New Delhi

For Gupta Nanda & Co.
Chartered Accountants

For India Infrastructure Finance Company Ltd.

Date : 26/04/07
M.No. 87108

Sanjive Nanda
(Partner)

S.S. Kohli
(Chairman & Managing Director)

Atul Kumar Rai
(Director)



Profit and Loss Account

For the Year Ended 31st March 2007

	Schedule No.	For the year ended 31st March, 2007	(Rs.) For the year ended 31st March, 2006
I INCOME			
Income from Operations	XII	400,572,896.60	886,952.00
Other Income	XIII	848,800.12	-
Add: Deferred income on account of Depreciation Charged on Fixed assets acquired out of Government Grant		638,737.44	3,349.00
TOTAL INCOME (A)		402,060,434.16	890,301.00
II EXPENDITURE			
Cost of Borrowings	XIV	286,582,397.60	-
Payments to and provisions for employees Establishment and other Expenses	XV	7,564,624.76	50,191.00
Depreciation	XVI	13,167,625.68	326,722.00
		994,384.73	3,349.00
TOTAL EXPENDITURE (B)		308,309,032.77	380,262.00
III OPERATING PROFIT BEFORE PROVISIONS / (A-B)		93,751,401.39	510,039.00
IV PROVISION FOR STANDARD ASSETS		5,698,414.29	-
V. PROFIT AFTER PROVISIONS		88,052,987.10	510,039.00
VI TRANSFER TO INFRASTRUCTURE RESERVE		31,308,867.77	-
VII PROFIT BEFORE TAX		56,744,119.33	510,039.00
Less: Fringe Benefit Tax		230,979.00	653.00
Less: Deferred Tax Provision		5,928,088.88	-
Add: Deferred Tax Asset		41,584.87	164,921.00
Less: Provision for taxes for current Year		15,807,850.00	42,920.00
Less: Provision for taxes of Earlier Year		128,759.00	-
VIII PROFIT AFTER TAX		34,690,027.32	631,387.00
Deficit brought forward from Previous year		-	-
Balance carried over to Balance Sheet		34,690,027.32	631,387.00
Significant Accounting Policies and Notes on A/cs	XVII		

In terms of our Report of even date

Place : New Delhi

For Gupta Nanda & Co.
Chartered Accountants

For India Infrastructure Finance Company Ltd.

Date : 26/04/07
M.No. 87108

Sanjive Nanda
(Partner)

S.S. Kohli
(Chairman & Managing Director)

Atul Kumar Rai
(Director)

Schedules Forming Part of the Accounts

(Rs.)

	As at 31st March, 2007	As at 31st March, 2006
SCHEDULE - I		
SHARE CAPITAL		
AUTHORISED CAPITAL		
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
PAID UP EQUITY		
100,000,000 equity shares of Rs. 10/- each (Previous year 50,000 Equity Shares of 10 each)	1,000,000,000.00	500,000.00
ISSUED AND SUBSCRIBED CAPITAL		
(Previous year - pending allotment) (9,950,000 Equity Shares of Rs 10 each)	-	99,500,000.00
TOTAL	1,000,000,000.00	100,000,000.00



(Rs.)

	As at 1st April, 2006	Additions/ transfer during the year	Deduction/ transfers during the yr.	As at 31st March, 2,007
SCHEDULE - II				
RESERVE & SURPLUS				
(A) Capital Reserve for Fixed Assets	500,734.50	1,989,261.50	638,737.44	1,851,258.56
(B) Unspent Grant Received from Government of India for Establishment	1,989,261.50	-	1,989,261.50	-
(C) Profit & Loss A/c	631,387.00	34,690,027.32	-	35,321,414.32
(D) Infrastructure Reserve	-	31,308,867.77	-	31,308,867.77
TOTAL	3,121,383.00	67,988,156.59	2,627,998.94	68,481,540.65
Previous year	-	3,124,732.00	3,349.00	3,121,383.00



	As at 31st March, 2007	Rs. As at 31st March, 2006
SCHEDULE - III		
SECURED LOANS		
(A) Overdraft against FDR of Dena Bank	695,406,648.30	-
(B) Interest accrued & due on Secured Loans	703,349.00	-
TOTAL	696,109,997.30	-



(Rs.)

As at 31st
March, 2007As at 31st
March, 2006**SCHEDULE - IV****UNSECURED LOANS - RUPEES****(A) BONDS**

- (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)

5,000,000,000.00

-

TOTAL (A)

5,000,000,000.00

-

(B) OTHER BORROWINGS GUARANTEED BY GOVERNMENT OF INDIA**(a) Long Term**

Loans State bank of Travancore

1,050,000,000.00

-

(b) Short Term

Interest accrued and due on Loans

23,481,683.00

-

TOTAL (B)

1,073,481,683.00

-

TOTAL (A+B)**6,073,481,683.00**

- -



	(Rs.)	
	As at 31st March, 2007	As at 31st March, 2006
SCHEDULE - V		
DEFERRED TAX ASSETS / LIABILITY		
(I) DEFERRED TAX LIABILITY		
(a) On account of Depreciation	-	-
(b) On account of others	5,928,088.88	-
Net Deffered Tax liability	5,928,088.88	-
(ii) DEFERRED TAX ASSETS		
(a) On Account of Depreciation	206,505.87	-
(b) On Account of Losses	-	164,921.00
(c) On Account of Others	-	-
Net Deffered Tax Assets	206,505.87	164,921.00
Net Deffered Tax Liability / (Previous Year Assets)	5,721,583.01	164,921.00



	As at 31st March, 2007	As at 31st March, 2006
(Rs.)		
SCHEDULE - VI		
LOANS (ASSETS)		
(A) ASSISTED CONCERNS	-	-
(B) OTHER INSTITUTIONS	1,424,603,571.54	-
TOTAL	1,424,603,571.54	-
Notes:		
1 The above amounts include interest and other charges accrued but not due	438,447.00	-
2 Classification of Loans		
(i) Secured by Assets	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	1,424,603,571.54	-
(ii) Considered doubtful	-	-



	As at 31st March, 2007	As at 31st March, 2006
(Rs.)		
SCHEDULE - VII		
INVESTMENTS		
(A) WITH ASSISTED UNITS		
(B) OTHER INVESTMENTS	-	-
1 Bonds - POWER FINANCE CORPORATION	300,000,000.00	-
2 Investment in Government securities	252,275,000.00	-
3 Investment in Treasury bills	19,373,180.00	-
4 Investment in Banks Securities (including Premium)	280,535,446.82	-
5 Fixed Deposit Account with Schedule Bank	5,440,000,000.00	95,000,000.00
6 Certificate of Deposit	189,748,000.00	-
7 Preacquisition period Interest paid	3,510,083.33	-
Sub Total	6,485,441,710.15	95,000,000.00
8 LESS: Provision for diminution in the value of Investments	200,000.00	-
TOTAL	6,485,241,710.15	95,000,000.00



SCHEDULE - VIII

FIXED ASSETS

(Rs.)

Particulars	Gross Block				Depreciation			Net Block		
	As at	Additions	Deduction/	As at	As at	For the Deduction/	As at	As at	As at	
	01.04.2006		Transfer	31.03.2007	31.04.2006	year	31.03.2007	31.03.2007	31.03.2006	
CAR	-	1,158,825.00	-	1,158,825.00	-	293,509.88	-	293,509.88	865,315.12	-
COMPUTER & SOFTWARES	253,892.00	1,280,232.84	5,030.00	1,529,094.84	567.00	433,246.62	-	433,813.62	1,095,281.22	253,325.00
FURNITRE & FIXTURES	61,537.50	456,996.14	-	518,533.64	214.00	132,932.28	-	133,146.28	385,387.36	61,323.50
PAINTINGS & SCULPTURES	2,000.00	12,850.00	-	14,850.00	2,000.00	12,839.00	-	14,839.00	11.00	-
OFFICE EQUIPMENTS	186,662.50	376,284.00	5,700.00	557,246.50	568.00	121,856.95	536.54	121,888.41	435,358.09	186,094.50
GRAND TOTAL	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
Previous Year	-	504,092.00	-	504,092.00	-	3,349.00	-	3,349.00	500,743.00	-



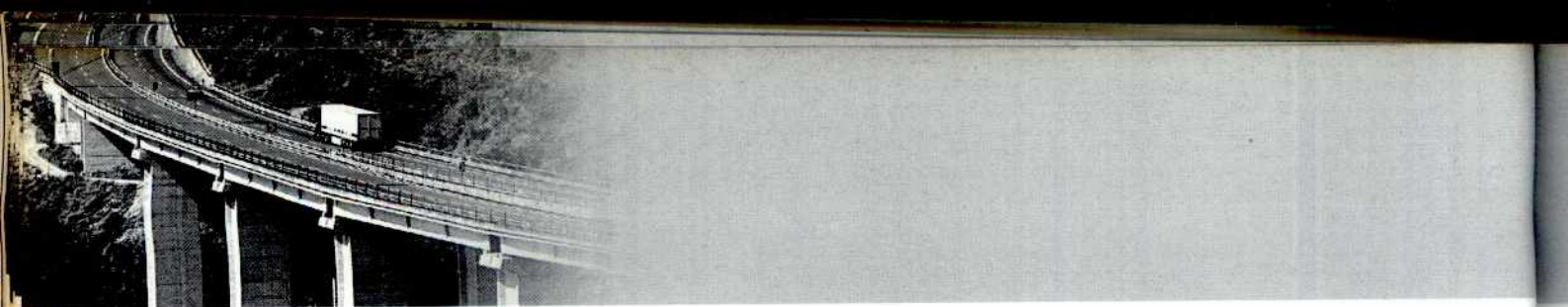
(Rs.)

	As at 31st March, 2007	As at 31st March, 2006
SCHEDULE - IX		
CURRENT ASSETS		
(A) CURRENT ASSETS		
(a) Accrued Incomes		
(i) Interest accrued on T bills	609,012.62	-
(ii) Interest accrued on Govt. Securities	1,457,083.33	-
(iii) Interest accrued on Certificate of Deposites	7,575,775.04	-
(iv) Interest accrued on Banks Securities	11,812,931.53	-
(v) Interest accrued on Bonds	7,369,808.03	-
(vi) Interest accrued on FDRS	112,305,941.02	224,962.00
(vii) Interest accrued on Flexi - SBT	35,459.00	-
(b) Cash and Bank Balance		
(i) Cash in hand	8,391.00	10,442.00
(ii) Balances with Scheduled Banks - Current Accounts in India	22,104,102.65	7,416,122.00
TOTAL(A)	163,278,504.22	7,651,526.00
(B) ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED (UNSECURED CONSIDERED GOOD)		
(i) Advance Tax paid	6,400,000.00	-
(ii) Tax deducted at source	46,843,335.75	168,369.00
(iii) Other Current Assets Pre-paid expenses	279,701.48	1,500.00
(i) Misc. Expences	47,527.47	-
(ii) Advance for Business Plan	1,769,000.00	-
TOTAL(B)	55,339,564.70	169,869.00
TOTAL CURRENT ASSETS (A+B)	218,618,068.92	7,821,395.00



(Rs.)

	As at 31st March, 2007	As at 31st March, 2006
SCHEDULE - X		
CURRENT LIABILITIES AND PROVISIONS		
(A) CURRENT LIABILITIES		
(a) Interest accrued but not due on bonds and borrowings	246,604,985.81	-
(b) Unexpired income on swaps	26,273,913.00	-
(c) Contingent Provisions against Standard Assets	5,698,414.29	-
(d) Other Liabilities	225,513.00	76,884.00
(B) PROVISIONS		
(a) Taxation	15,807,850.00	42,920.00
(b) Fringe Benefit Tax A/c (Net of Advance)	13,204.00	653.00
(c) Expenses	229,773.00	245,219.00
(d) Gratuity	235,151.45	-
(e) Leave Encashment	68,903.10	-
(f) Government Guarantee fees payable	9,732,876.72	-
TOTAL (A + B)	304,890,584.37	365,676.00

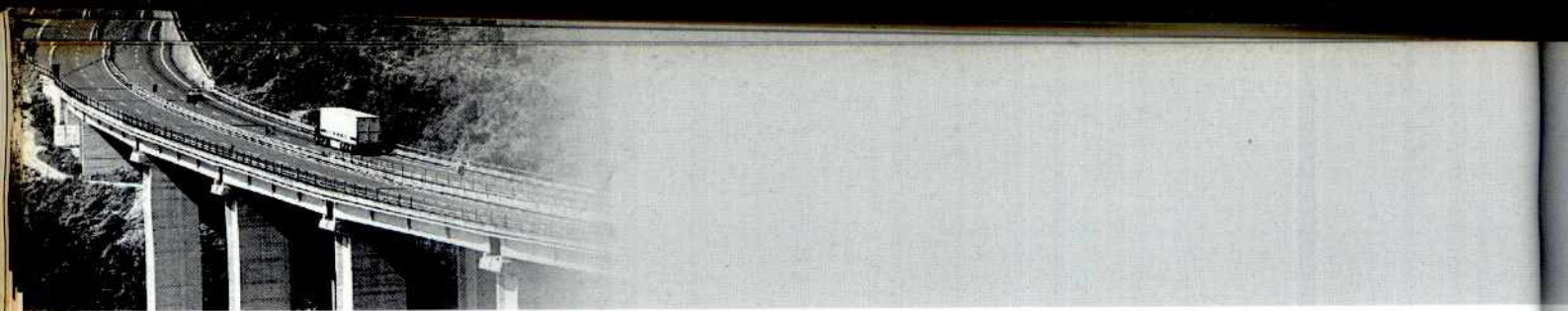


	(Rs.)	
	As at 31st March, 2007	As at 31st March, 2006
SCHEDULE - XI		
MISCELLANEOUS EXPENDITURE		
(to the extent not written off or adjusted)		
Opening balance	-	-
Stamp duty paid on Bonds	18,500,000.00	-
Less : Written off during the year	(1,059,315.07)	-
BALANCE	17,440,684.93	-



(Rs.)

	As at 31st March, 2007	As at 31st March, 2006
SCHEDULE - XII		
INCOME FROM OPERATIONS		
(a) On Lending Operations (incl. Upfront Fees)	56,482,727.80	-
(b) On Investment Operations		
(i) Interest (Gross)	79,319,320.79	-
(ii) Profit on Sale of Government Securities	34,194,755.00	-
Less : Diminution in the Value of Investments	(200,000.00)	-
Less : Amortization of Premium Paid on HTM Securities	(22,833.18)	-
(c) Interest / discount on other deposits		
(i) Interest on Bank FDR	230,798,926.19	886,952.00
TOTAL	400,572,896.60	886,952.00
Note: (I) Income tax deducted at source from Interest etc.	45,403,827.75	1,68,369.00
(ii) Income tax deducted at source from Upfront fees	1,439,508.00	-



(Rs.)

As at 31st
March, 2007

As at 31st
March, 2006

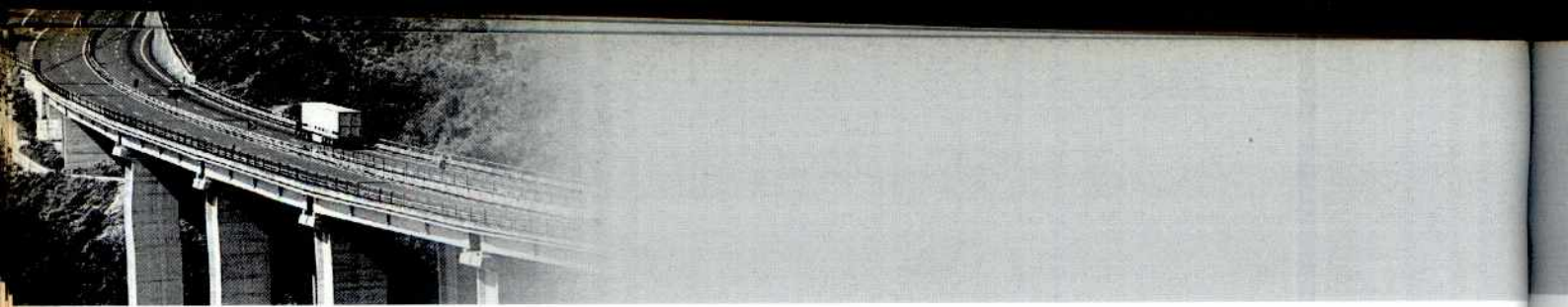
SCHEDULE - XIII

OTHER INCOME

(a) Other Income	20,000.00	-
(b) Short and Excess	490.12	-
(c) Interest earned on Flexi Accounts	85,205.00	-
(d) Gain on Interest rate Swaps	743,105.00	-
TOTAL	848,800.12	-



	As at 31st March, 2007	As at 31st March, 2006
(Rs.)		
SCHEDULE - XIV		
COST OF BORROWINGS		
(A) Fixed		
(i) Interest on Bonds	246,604,985.81	-
(ii) Amortization of Borrowing cost	1,059,315.07	-
(B) Others		
(i) Interest on Bank Borrowings	29,185,220.00	-
(ii) Guarantee Fees to GOI	9,732,876.72	-
TOTAL	286,582,397.60	-



(Rs.)

As at 31st
March, 2007

As at 31st
March, 2006

SCHEDULE - XV

PAYMENTS TO AND PROVISIONS FOR EMPLOYEES

(a) Salaries and Allowances *	4,894,202.01	7,071.00
(b) Director's Remuneration	791,438.00	43,120.00
(c) Contribution to Provident, Pension and other Funds	264,470.57	-
(d) Reimbursements	1,190,719.18	-
(e) Contract Employees Payment	423,795.00	-
TOTAL	7,564,624.76	50,191.00

* Includes

Provision for Leave Encashment & Gratuity



	(Rs.)	
	As at 31st March, 2007	As at 31st March, 2006
SCHEDULE - XVI		
ESTABLISHMENT AND OTHER EXPENSES		
Rent	3,005,520.00	250,460.00
Insurance	30,247.09	-
Repairs and Maintenance	173,745.91	-
Electricity	279,020.00	15,000.00
Auditors' Remuneration	50,000.00	33,672.00
Directors' Fees	30,000.00	-
Miscellaneous Expenses	84,344.71	-
Car Running and Maintenance Expenses	335,788.94	-
Telephone Expenses	367,899.19	3,860.00
Other Tours, traveling & Conveyance Expenses	766,949.55	260.00
Advertising Expenses	242,068.00	-
Bank Charges	24,450.30	550.00
Books and Newspaper	38,369.91	1,446.00
Business promotion & development Expenses	781,349.00	5,588.00
CCIL Charges	77,021.33	-
Fees for Seminars	103,300.00	-
Filing fees	11,276.00	-
Honorarium	31,500.00	-
Office Expenses	225,397.68	4,916.00
Postage & Telegram	54,816.00	3,200.00
Printing & Stationary	396,222.76	7,770.00
Professional Fees	3,987,483.60	-
Stamp Duty Paid	1,000,480.00	-
Subscription A/c	581,728.25	-
Directors Travelling	270,832.00	-
Directors Foreign Travelling	209,622.00	-
Loss on Sale of Fixed Assets	8,193.46	-
TOTAL	13,167,625.68	326,722.00

Cash Flow Statement

For the Year Ended 31st March, 2007

	(Rs.)	
		For the year ended 31st March, 2007
		For the year ended 31st March, 2006
A CASH FLOW FROM OPERATING ACTIVITIES		510,039.00
Net Profit/(Loss) before Tax & Extraordinary Items	88,052,987.10	
Adjustments for:		3,349.00
Depreciation	994,384.73	
Provision/write offs	6,980,562.54	
Loss on sale of assets	8,193.46	
Unexpired gain on Interest Swaps	26,273,913.00	
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	122,310,040.83	513,388.00
(Increase)/decrease in Current Assets	(143,035,777.52)	(226,462.00)
Increase/(decrease) in Current Liabilities	256,775,100.08	322,103.00
Cash Flow From Lending of Funds	(1,424,603,571.54)	
Cash Flow From Investing activities	(6,390,464,543.33)	(95,000,000.00)
CASH GENERATION FROM OPERATIONS	(7,579,018,751.48)	(94,390,971.00)
Taxes paid	53,465,073.75	168,369.00
CASH FLOW BEFORE TRANSFER FROM RESERVES	(7,632,483,825.23)	(94,559,340.00)
TRANSFER FROM CAPITAL RESERVE OF FIXED ASSETS	638,737.44	3,349.00
NET CASH FROM OPERATIONS	(7,633,122,562.67)	(94,562,689.00)
B CASH FLOW FROM INVESTING ACTIVITIES		
Sale of/ (Addition) to Investments (Including Application Money)		
Purchase of/ Advance for Fixed Assets (including Leased Assets)	3,285,187.98	504,092.00
Sale proceed of Fixed Assets	2,000.00	
NET CASH FROM INVESTING ACTIVITIES	(3,283,187.98)	(504,092.00)
C CASH FLOW FROM FINANCING ACTIVITIES		
Issue of share capital	900,000,000.00	100,000,000.00
Loans borrowed (net of repayments)	6,769,591,680.30	
Government grants		2,493,345.00
Expenses incidental to finance	18,500,000.00	
NET CASH FROM FINANCING ACTIVITIES	7,651,091,680.30	102,493,345.00
NET CHANGE IN CASH & CASH EQUIVALENT (A+B+C)	14,685,929.65	7,426,564.00
Opening Cash and Cash Equivalent	7,426,564.00	
Closing Cash and Cash Equivalent	22,112,493.65	7,426,564.00
Increase/(Decrease) in Cash & Cash Equivalent	14,685,929.65	7,426,564.00

Note: Figures for previous year have been regrouped wherever considered necessary.

In terms of our Report of even date attached
For M/S GUPTA NANDA & CO.
(Chartered Accountants)

For India Infrastructure Finance Company Ltd.

(SANJIVE NANDA)
Partner
M.No.: 87108

Sh. S.S. Kohli
(Chairman cum Managing Director)

Sh. Atul Kumar Rai
(Director)

Place: New Delhi
Dated : 26/04/07



SCHEDULE XVII

Significant Accounting Policies and Notes on Accounts

(A) SIGNIFICANT ACCOUNTING POLICIES

1. The Financial accounts, unless otherwise stated, are prepared at historical cost under the accrual method of accounting.
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.
3. **INVESTMENTS**
 - 3(a) Investments are valued in accordance with the Investment Policies of the company for Classification and Valuation of Investments, as given below:
 - (i) All investments are classified under three categories, viz. 'Held to Maturity', 'Available for Sale' and 'Held for Trading' for the purpose of valuation and further classified under each sub-category as (a) Government Securities, (b) Other Approved Securities, (c) Bonds and Debentures, and (d) others.
 - (ii) 'Held to Maturity' securities are carried at acquisition cost/book value. A provision is made for diminution other than temporary in the value of investments. Premium paid on such investment is amortized over the remaining period of maturity.
 - (iii) 'Available for Sale' securities are valued at market/fair value as at the Balance Sheet date.
 - (iv) Depreciation/appreciation for each sub-category, within the 'Available for Sale' category is aggregated. Net appreciation in each sub-category if any, being unrealized, is ignored, while the net depreciation is provided for. The provision for depreciation in the 'Available for sale' category is debited to the Profit & Loss after determining the profit for the year.
4. **FOREIGN EXCHANGE TRANSACTIONS**
The expenses in foreign exchange are accounted for at the rates prevailing on the date of transactions.
5. **FIXED ASSETS AND DEPRECIATION**
 - 5(a) Fixed assets are carried at cost less accumulated depreciation.
 - 5(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.
 - 5(c) 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.
6. **PROVISIONS/WRITE OFF AGAINST LOANS AND OTHER CREDIT FACILITIES**
All credit exposures are classified into performing and non-performing assets (NPAs) as per Company Policy. Further, provisions are made on standard assets at the rates prescribed by the Company. No provision is required for substandard assets and doubtful assets being Nil amount in these categories as on balance sheet date.
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 previous financial year and balance unspent amount is transferred to Capital Reserve for the fixed assets purchased during the year from unspent grant.
 - 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. **MISCELLANEOUS EXPENDITURE**
Expenses on issue of Bonds are amortized as per guidelines contained in accounting standard 16 (AS-16)- "Borrowing Costs".
9. **RETIREMENT BENEFITS**
Gratuity and leave encashment liabilities are determined on the basis of terms and condition of deputation of Employees and not on the basis of actuarial valuation as prescribed in the accounting standard 15 (AS-15) related to accounting for retirement benefits.

(B) NOTES ON THE ACCOUNTS

1. Contingent Liabilities not provided for in respect of :

As at	31.03.07	31.03.06
(a) Estimated amount of contract (including lease contract) remaining to be executed on capital account (net of advances)	NIL	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 - Indian Currency	NIL NIL	NIL NIL
(d) Claims not acknowledged as debts The liability relates to penal interest charged by State Bank of Travancore due to non-compliance of terms and conditions of sanction for which company is contesting the demand by bank.	Rs.22,05,335/-	NIL

2. The company has availed loans of Rs.105 crore (previous year Rs.NIL) from State Bank of Travancore against in-principle/pending guarantee of Government of India.

Year Ended	31.03.2007	31.03.2006
3. Expenditure in Foreign Currencies:		
- Interest on borrowings	Nil	Nil
- Other matters	1.14	Nil
4. Earnings in Foreign Currencies:		
- Interest	Nil	Nil
5. Auditors remuneration:		
- Fee (including service tax)	0.56	0.33
- Out of pocket expenses	0.00	0.00
	0.56	0.33
6. Managerial Remuneration:		
- Salary and allowances	7.91	0.43
- Contribution to PF and other funds	0.00	0.00
- Perquisites	0.47	0.00
	8.38	0.43

7. Balance appearing under loans and advances are subject to confirmation and reconciliation.

8. There are not material prior period items and extra ordinary items included in Profit and Loss Accounts required to be disclosed as per AS-5.

9. a) As per accounting standard (AS-17) issued by the Institute of Chartered Accountants of India related to segment reporting the company is having following segment :

- Lending infrastructure projects
- Treasury and investment
- Other activities

b) During the year, company is having gross receipt of Rs.5.65 crore from financing and lending infrastructure projects, Rs.11.33 crore from treasury and investment activities & Rs. 23.08 crore from other activities and segment-wise profits before tax and appropriations are Rs.1.32 crore, Rs.2.65 crore and Rs.5.40 crore respectively on pro-rata basis.



10. Disclosure of details pertaining to related party transactions in terms of Accounting Standard (AS-18) 'Related Party Disclosures' are as under:

The details of related party transaction undertaken by the company during the year are summarized as follows:

(i) Related Party	Relationship
Government of India	Promoters

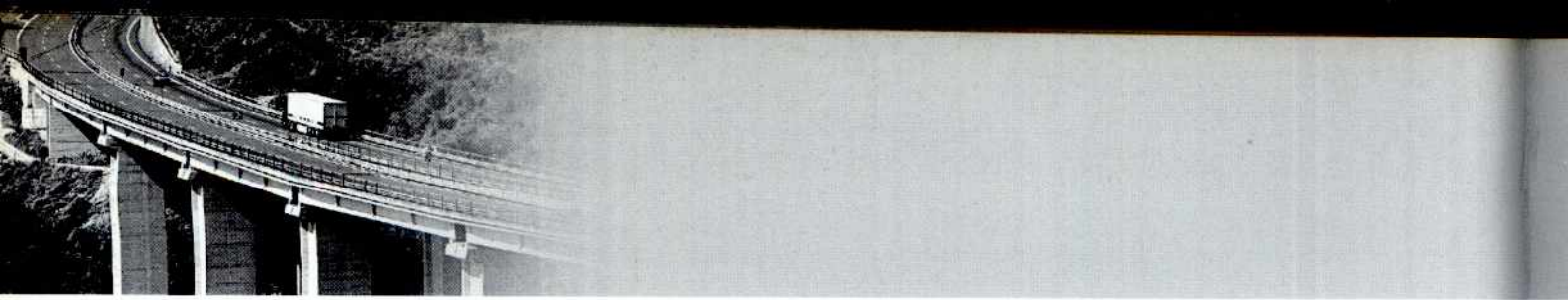
Type of Transaction	(Rs in lacs)
Guarantee Commission :	97.33

- ii) Key managerial personnel of the company during the year:-
- Sh. S. S. Kohli - Chairman-cum-Managing Director
- iii) Provisions of Accounting Standard 18 are not considered in cases where operations/transactions are not material.
11. Provisions of Accounting Standard (AS-19) - "Leases" are not applicable as the company has not entered into leasing transactions.
12. Provisions of Accounting Standard (AS-20) "Earning Per Share" are not applicable to the company being equity shares are not listed.
13. 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.
14. Provisions of Accounting Standard (AS-23) - "Accounting for Taxes of Investments in Associates" are not considered being not applicable to the company.
15. 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 2007, there were no events or change in circumstances, which indicate any impairment in the assets.
16. The additional information required to be disclosed Under Investment Portfolio.

A) Investment in Non-Government Securities

(Rs in Crores)

S. No	Issuer	Amount	MORE THAN			
			Investment made through private placement	Below investment grade securities held	Un-rated securities held	Unlisted securities
1	PSUs	30.00	30.00	-	-	-
2	FIs	-	-	-	-	-
3	Banks	28.05	-	-	-	-
4	Private Corporate	-	-	-	-	-
5	Subsidiaries/Joint ventures	-	-	-	-	-
6	Others	-	-	-	-	-
7	Provision held towards depreciation	-	-	-	-	-
	TOTAL	58.05	30.00	-	-	-



B) Other Details Related to Investments

(Rs in Crores)

Items	Current Year	Previous Year
(1) Value of Investments	648.54	9.50
(i) Gross Value of Investments		
(a) In India	648.54	9.50
(b) Outside India	0.02	-
(ii) Provisions for Depreciation	0.02	-
(a) In India	-	-
(b) Outside India	-	-
(iii) Net Value of Investments	648.52	-
(a) In India	-	9.50
(b) Outside India	-	-
(2) Movement of provisions held towards depreciation on investments.		
(i) Opening balance	-	-
(ii) Add: Provisions made during the year	0.02	-
(iii) Less: Write-off/write-back of excess provisions during the year	-	-
(iv) Closing balance	0.02	-
C) Non-performing Non-SLR investments	(Rs in Crores)	
Particulars	Amount	
Opening balance	Nil	
Additions during the year since 1st April	-	
Reductions during the above period	-	
Closing balance	-	
Total provisions held	Nil	

17. 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.
18. During the year the company has raised Bonds of Rs 500 Crore against Government of India guarantee under SIFTI from domestic market on private placement basis. The Permission for the same was granted by Government of India vide letter dated 21.06.2006. RBI vide its letter dated 12.10.2006 has informed the company to approach the internal debt management department for specific approval for raising domestic debts in future.
19. During the year, company has provided for Rs.97.33 lacs (previous year Nil) 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.
20. During the year, company has created provisions of Rs.56.98 Lacs on standard assets of Rs.142.46 crore shown the same as contingent provisions against standard assets under other liabilities and provisions.
21. The loans made by the company are considered as good in nature and recoverable as on 31.3.2007. The company has given certificate in these respect and auditors have accepted the same.
22. Previous year figures have been re-grouped /re-arranged wherever necessary to conform to the current period's presentation.
23. Balance sheet abstract and Company's General Business Profile as per Part IV of Schedule VI of the Companies Act, 1956 enclosed as Appendix.

In terms of our Report of even date

Place : New Delhi

For Gupta Nanda & Co.
Chartered Accountants

For India Infrastructure Finance Company Ltd.

Date : 26/04/07
M.No. 87108

Sanjive Nanda
(Partner)

S.S. Kohli
(Chairman & Managing Director)

Atul Kumar Rai
(Director)



Balance Sheet Abstract & Company's General Business Profile

(Rs in Lacs)

I. Registration Details

Registration No.	:	144520	State Code	:	Refer Code
Balance Sheet Date	:	31.03.07			

II. Capital raised during the period (Amount in Rs. lac)

Public Issue	:	NIL	Rights Issue	:	NIL
Bonus Issue	:	NIL	Private Placement	:	9000

III. Position of Mobilization and Deployment of Funds (Amount in lacs)

Total Liabilities	:	78440	Total Assets	:	78440
Sources of Funds					
Paid Up Capital	:	10000	Reserve & Surplus (Includes DTL)	:	744
Secured Loans	:	6961	Unsecured Loans	:	60735
Application of Funds					
Net Fixed Assets	:	28	Investments/Loans/DTA	:	79100
Net Current Assets	:	-863			
Accumulated Losses	:	NIL	Misc. Expenditure	:	175

IV. Performance of Company (Amount in lacs)

Turnover	:	4021	Total Expenditure	:	3454
+/- Profit/Loss Before Tax	:	+ 544	+/- Profit/Loss After Tax	:	+ 347
Earning per Share in Rs.	:	0.35	Dividend Rate%	:	NIL

V. Generic names of three Principal products/services of the Company

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	:	

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

(SANJIVE NANDA)
Partner
M.No.: 87108

Place: New Delhi
Dated : 26/04/07



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 FOR THE YEAR ENDED 31 MARCH 2007.

"The preparation of financial statement of India Infrastructure Finance Company Limited for the year ended 31st March 2007 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditor 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 him vide their Audit Report dated 8 June 2007.

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 for the year ended 31 March 2007. 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.

Profit and Loss Account

Profit after Tax: Rs.3.47 crore

The Company has created a Special Reserve of Rs.3.13 crore in the name of Infrastructure Reserve under Section 36(1) (viii) of the Income Tax Act, 1961. However, the Company has not made provision for deferred tax liability amounting to Rs.1.06 crore on the Special Reserve, as required by the Accounting Standard-22 read with the opinion of the Expert Advisory Committee of the Institute of Chartered Accountants of India. This has resulted in understatement of deferred tax liability and overstatement of profit after tax by Rs.1.06 crore.'

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

New Delhi
25.06.2007

(Meera Swarup)
Principal Director of Commercial Audit
& Ex-Officio Member, Audit Board III New Delhi



Secretarial Audit Report

The Board of Directors
India Infrastructure Finance Company Limited
1201-1207, Naurang House,
K.G. Marg
New Delhi -110 001.

We have examined the registers, records and documents of India Infrastructure Finance Company Limited ("the Company") for the financial year ended on March 31, 2007 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 Rules made under the Act, with regard to :

- a) maintenance of various statutory registers and making necessary entries therein;
- b) necessary returns and documents required to be filled with the Registrar of Companies;
- c) service of documents by the company on its Members, and the Registrar of companies;
- d) Notice of Board meetings and Committee meetings of Directors;
- e) the meetings of Directors and Committees of Directors including passing of resolutions by circulation;
- f) minutes of proceedings of General Meetings and of Board and other meetings.
- g) 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;
- 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: 02.07.2007

Strengthening Capacities

Partners in Progress



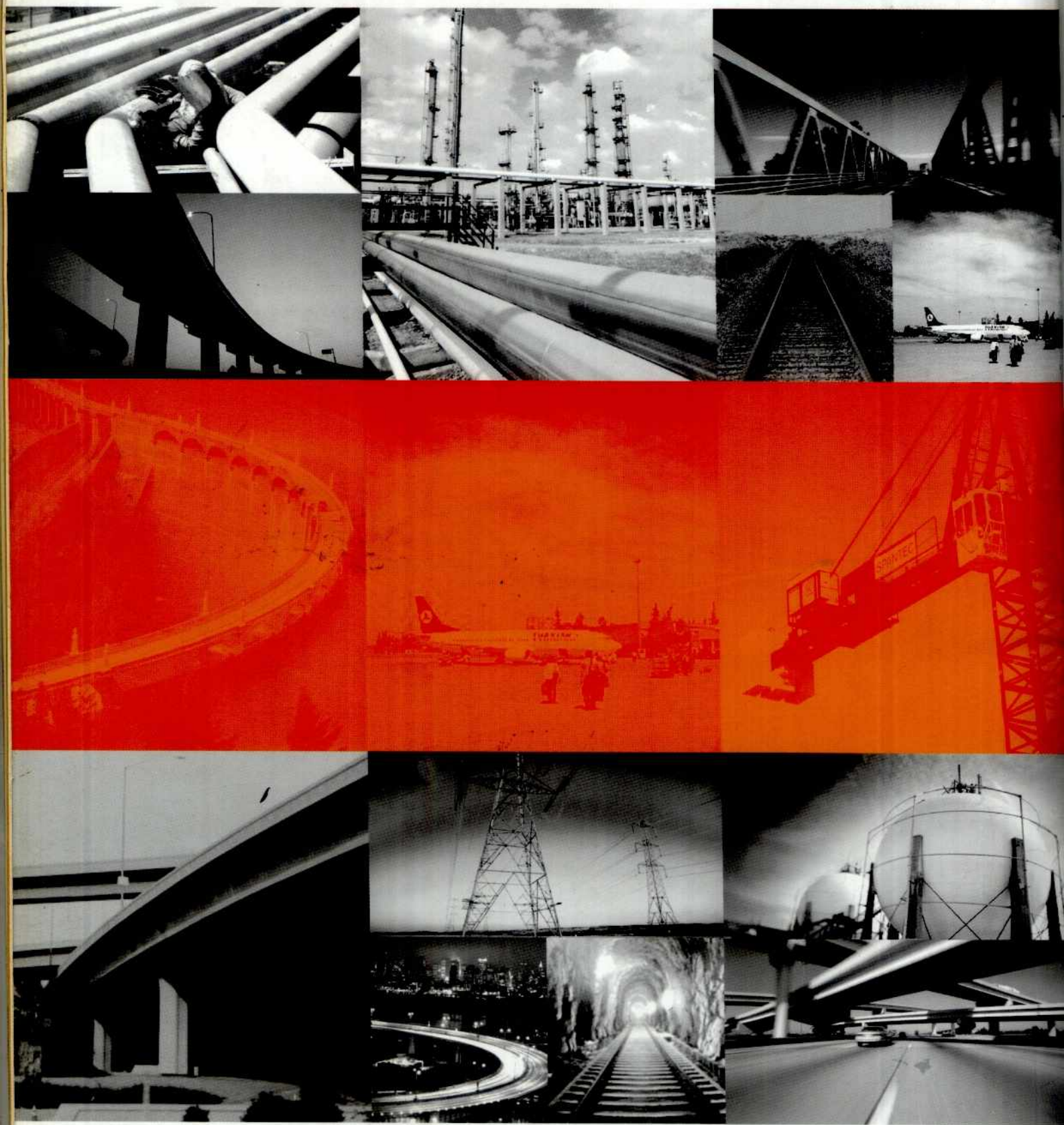
Shri S.S. Kohli, CMD, IIFCL and Shri Chris Rowlands, Managing Partner, Asia of 3i Group Plc. at the MoU signing ceremony graced by Shri P. Chidambaram, Hon'ble Finance Minister, Government of India.



Shri Vinod Rai, Secretary (Financial Sector), Ministry of Finance, Government of India, gracing the occasion of the MoU signing ceremony between Shri S.S. Kohli, CMD, IIFCL and Shri Ravi Prathasarathy, CMD, IL&FS.



Shri S.S. Kohli, CMD, IIFCL, Shri T.S. Narayanasami, CMD, Indian Overseas Bank, at the MoU signing ceremony in the presence of Shri Vinod Rai, Secretary (Financial Sector) and Shri Rakesh Singh, Joint Secretary, Ministry of Finance, Government of India.



भारत संरचना वित्त कम्पनी लिमिटेड
(भारत सरकार का उपक्रम)

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

1201-1207, नौरंग हाऊस, 21, कस्तूरबा गांधी मार्ग, नई दिल्ली -110 001

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