RAPID METRORAIL GURGAON LIMITED

ANNUAL REPORT

2010-11

RAPID METRORAIL GURGAON LIMITED

DIRECTORS' REPORT

The Shareholders
Rapid MetroRail Gurgaon Limited

Your Directors have pleasure in presenting the Second Annual Report along with the Audited Accounts for the period ended 31st March 2011

FINANCIAL RESULTS

The financial results of the Company are as under:

Particulars	***May 21, 2009 to March 31,2010 (Rs)***	***March 31,2011 (Rs)***
Total Income	8,417	2,159,812
Total Expenses	4,624,452	11,590,575
Profit/(Loss) for the year	(4,616,035)	(9,430,763)
Less: Provision for Tax	-	2,602
Profit/(Loss) After Tax carried forward	(4,616,035)	(9,433,365)

DIVIDEND

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

OPERATIONS

The primary objective to form this company was to develop Metro Link from Delhi Metro Sikanderpur Station on MG Road to NH-8 over 60 Meter wide sector road (Vishwakarma Marg) and on the green belt along NH-8 with provision for future extensions to Sector 55-56 in South and Udyog Vihar and Sector-21 Dwarka in North. The route length of the metro link is approx. 5 km and this is the first fully privately financed Metro Rail project in private sector in India.

As informed to the members in last report, the Company had received a LOI from HUDA (Haryana Urban Development Authority) on 16th July 2009 and subsequently the Company had signed a 99 years Concession Contract (CC) with HUDA on 9th December 2009. You will be glad to know that your company achieved financial closure in a very short period of time. The financials closure was achieved on June 5, 2010 in just 5 months of signing the Concession Contract with HUDA. Out of total estimated project cost of Rs 1088cr, a consortium of eight banks led by Andhra Bank sanctioned a term loan of Rs 761.60 cr. required for the project. The balance amount of Rs 326.40 cr. will be financed by promoters as Equity capital against which promoters has already contributed Rs 82.10 cr.

The Notice to Proceed was issued to M/s IL&FS Engineering and Construction Company Ltd, (civil contractors to the project) and Siemens Ltd.(System contractors to the project) on July 1, 2010. Company has awarded majority of contractors required for completion of the project.

Currently project is progressing well as per schedule except for minor delays of 10 weeks in civil work which company expects to catch up. As of March 31, 2011, company has incurred total capital expenditure of Rs 183 cr. on the project. The project is likely to be completed in 30 months time and expected to commence operations in Jan 2013.

SHARE CAPITAL

The Issued and Subscribed Equity Share Capital of the Company as on March 31, 2011, was Rs. 821,041,660/-.

The current Authorised Share Capital of the Company is Rs 821,500,000 (Rupees Eighty Two Crores fifteen lacs only) divided into 8, 21, 50,000 Crores Equity Shares of Rs 10/- each. In order to enable the Company to make further issue of Equity Shares to the existing shareholders, the Company is in a process of increasing its Authorised Share Capital from Rs. 821,500,000 (Rupees Eighty Two Crores fifteen lacs only) to Rs 2,32,15,00,000(Rupees Two hundred Thirty Two Crores Fifteen Lacs only).

DIRECTORS

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

Mr. R.L Kabra and Mr. M.D Khattar were appointed as an Additional Directors of the Company at the meeting of the Board of Directors held on July 8 2010 and Mr. George Cherian and Mr. A.S Minocha were appointed as an Additional Directors of the Company at the meeting of the Board of Directors held on September 17, 2010 In accordance with the provisions of the Section 260 of the Companies Act, 1956, Mr. R.L Kabra, Mr. M.D Khattar, Mr. George Cherian and Mr. A.S Minocha who holds the office up to the date of this Annual General Meeting be and are hereby appointed as the directors of the Company.

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

Mr. Jagdish Aggarwal and Mr. Pritam Kumar, Directors of the Company had submitted their resignation on October 19, 2010.

MANAGING DIRECTOR

Mr. Sanjiv Rai, Director of the Company was appointed as Managing Director of the Company w.e.f. 1st April 2010 at the meeting of the Board of Directors held on July 8 2010.

AUDITORS

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

DEPOSITS

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

CORPORATE GOVERNANCE

Six Board Meetings were held on May 5, 2010, June 15, 2010, July 8, 2010, September 17, 2010, October 25, 2010 and January 12, 2011 during the year under review. The number of meetings attended by the Directors is as under:

Director	No of Board Meetings attended
Mr. Sanjiv Rai	6
Mr. Jagdish Aggarwal	4
Mr. Pritam Kumar	4
Mr. George Cherian	1
Mr. M.D Khattar	3
Mr. R.L Kabra	4
Mr. A.S Minocha	1

Audit Committee

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

EMPLOYEES

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

PARTICULARS OF EMPLOYEES

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

(1) In the preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures

(2) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and results of the Company for that period

(3) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities

(4) The Directors have prepared the Annual Accounts on a going concern basis

FOREIGN EXCHANGE EARNINGS AND OUTGO

There have not been any foreign exchange earnings during the year. The foreign exchange outgo during the year was Rs 3,45,017,807/- for the payment on account of equipment/material acquired overseas.

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

ACKNOWLEDGMENTS

Relationships with Shareholders, Central and State Governments, Banks and other Stakeholders remained excellent during the year under review. Your Directors particularly place on record their gratitude for the co-operation and support extended by officials of the Company

By the Order of the Board
For **Rapid MetroRail Gurgaon Limited**

(Director) **(Director)**

Place :
Date : Gurgaon

Deloitte Haskins & Sells

Chartered Accountants
7th Floor, Building 10, Tower B
DLF Cyber City Complex
DLF City Phase-II
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India

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AUDITORS' REPORT

TO THE MEMBERS OF
RAPID METRORAIL GURGAON LIMITED

1. We have audited the attached Balance Sheet of **RAPID METRORAIL GURGAON LIMITED** ("the Company") as at 31 March, 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:

   a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

   d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;

   e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by

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

i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March, 2011;

ii. in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date; and

iii. in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

5. On the basis of written representations received from the Directors, as on 31 March, 2011 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2010 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

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

Jitendra Agarwal

JITENDRA AGARWAL
Partner
(Membership No. 87104)

Gurgaon
14 April, 2011

ANNEXURE TO THE AUDITORS' REPORT

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

(i) Having regard to the nature of the Company's business, clauses (ii), (iii), (v), (vi), (viii), (xi), (xii), (xiii), (xiv), (xv), (xvi), (xviii), (xix) and (xx) of paragraph 4 of CARO are not applicable.

(ii) In respect of its fixed assets :

a. The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.

b. The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

c. The Company has not disposed off any of its fixed assets during the year.

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

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

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

a. The Company has generally been regular in depositing its statutory dues relating to Provident Fund, Income Tax, Service Tax and Cess with the appropriate authorities during the year. There are no undisputed amounts payable in respect of these statutory dues which have remained outstanding as at 31 March, 2011 for a period of more than six months from the date they became payable. We are informed that the provisions of Employees' State Insurance Act, 1948 are not applicable to the Company and that the operations of the Company during the year did not give rise to any liability for Investor Education and Protection Fund, Sales Tax, Wealth Tax, Custom Duty and Excise Duty.

b. According to the information and explanation given to us, there are no statutory dues in respect of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty and Cess which have not been deposited on account of any dispute.

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(vi) The Company is registered for less than five years. Accordingly provisions of clause 4(x) of the Companies (Auditor's Report) Order, 2003 regarding accumulated losses being not less than fifty percent of its net worth and cash losses are not applicable to the Company.

(vii) In our opinion and according to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, we report that funds raised on short-term basis have not been used during the year for ling-term investment.

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

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

Jitendra Agarwal

JITENDRA AGARWAL
Partner
(Membership No. 87104)

Gurgaon
14 April, 2011

RAPID METRORAIL GURGAON LIMITED
BALANCE SHEET AS AT MARCH 31, 2011

	Sch.	As at 31 March, 2011 Rupees	As at 31 March, 2010 Rupees
SOURCES OF FUNDS			
SHAREHOLDERS FUND			
Share Capital	A	821,041,660	500,000
LOAN FUNDS	B		
Secured Loan		1,409,409,378	-
Unsecured Loans		-	27,000,000
		2,230,451,038	**27,500,000**
APPLICATION OF FUNDS			
FIXED ASSETS	C		
Gross Block		3,439,565	3,321,826
Less: Accumulated Depreciation		1,197,998	326,294
Net Block		2,241,567	2,995,532
Capital work-in-progress (Including expenditure during construction Pending allocation)	D	1,531,618,826	303,944,528
Capital Advances		297,986,788	-
		1,831,847,181	306,940,060
CURRENT ASSETS, LOANS & ADVANCES	E		
Cash and Bank Balances		491,163,439	674,939
Other Current Assets		443,247	-
Loans & Advances		9,831,318	37,686,609
		501,438,004	38,361,548
LESS: CURRENT LIABILITIES & PROVISION	F		
Current liabilities		116,780,448	321,439,064
Provisions		103,099	978,579
		116,883,547	322,417,643
NET CURRENT ASSETS		384,554,457	(284,056,095)
PROFIT AND LOSS ACCOUNT (Accumulated losses)		14,049,400	4,616,035
		2,230,451,038	**27,500,000**

Significant accounting policies J
Notes forming part of the Financial Statements K

Schedules referred to above form part of the balance sheet

In terms of our report attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

JITENDRA AGARWAL
Partner

Place: Gurgaon
Date: 14 April, 2011

For and on behalf of the Board

Managing Director

Director

Company Secretary

RAPID METRORAIL GURGAON LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH, 2011

	Sch.	Year ended 31 March, 2011 Rupees	Period ended 31 March, 2010 Rupees
INCOME			
Other Income	G	2,159,812	8,417
EXPENSES			
Employee Cost	H	987,726	1,407,330
Administrative & General Expenses	I	9,731,145	2,862,974
Depreciation	C	871,704	326,294
Preliminary Expenses written off		-	27,854
		11,590,575	4,624,452
PROFIT/(LOSS) BEFORE TAX		(9,430,763)	(4,616,035)
Provision for Tax		-	-
Income Tax for earlier year		2,602	
PROFIT/(LOSS) AFTER TAX		(9,433,365)	(4,616,035)
Balance brought forward		(4,616,035)	-
Balance carried forward to the Balance Sheet		**(14,049,400)**	**(4,616,035)**
Basic & Diluted Earnings/(Loss) per share (see note 10)		(109.61)	(92.32)
Significant accounting policies	J		
Notes forming part of the Financial Statements	K		

Schedules referred to above forms part of the profit & loss account

In terms of our report attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

Jitendra Agarwal

JITENDRA AGARWAL
Partner

Place: Gurgaon
Date: 14 April, 2011

For and on behalf of the Board

Managing Director

Director

Company Secretary

RAPID METRORAIL GURGAON LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2011

	Year ended 31 March, 2011 Rupees	Period ended 31 March, 2010 Rupees
Cash Flow from Operating Activities		
Net profit/(loss) before tax	(9,430,763)	(4,616,035)
Adjustments for :-		
Interest Income	(1,559,812)	-
Depreciation	871,704	326,294
Preliminary expenses written off	-	27,854
Provision for retirement benefits	(875,480)	978,579
Operating Loss before working capital changes	**(10,994,351)**	**(3,283,308)**
Adjustments for changes in working capital:		
(Increase)/Decrease in loans and advances	29,705,729	(37,686,609)
Increase/(Decrease) in current liabilities & provisions	(204,658,616)	321,439,064
Cash from / (Used In) operating activities	**(185,947,237)**	**280,469,147**
Direct Taxes paid (Net)	(1,853,040)	-
Net Cash from/(Used In) Operating activities (A)	**(187,800,278)**	**280,469,147**
Cash flow from Investing Activities		
Purchase of fixed assets (including CWIP, expenditure during construction and capital advances)	(1,525,778,825)	(307,266,354)
Interest received	1,116,565	-
Net Cash from/(used in) investing activities (B)	**(1,524,662,260)**	**(307,266,354)**
Cash flow from Financing Activities		
Proceeds from issue of capital	820,541,660	500,000
Proceeds from secured loans	1,409,409,378	
Proceeds from unsecured loans	-	27,000,000
Repayment of unsecured loans	(27,000,000)	-
Preliminary expenses	-	(27,854)
Net Cash from/(used in) Financing Activities (C)	**2,202,951,038**	**27,472,146**
Net Increase/(decrease) in Cash & Cash equivalents during the year (A+B+C)	**490,488,500**	**674,939**
Cash and Cash Equivalent at the beginning of the year	674,939	-
Cash and Cash Equivalent at the end of the year	491,163,439	674,939
Net Increase / (Decrease) in Cash & Cash Equivalents	**490,488,500**	**674,939**

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

Interest paid on borrowings has been capitalised and reflected as cash used in investing activity under the head 'purchase of fixed assets'

In terms of our report attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

Jitendra Agarwal

JITENDRA AGARWAL
Partner

Place: Gurgaon
Date: 14 April, 2011

For and on behalf of the Board

Managing Director

C. George

Director

Company Secretary

SCHEDULE C : FIXED ASSETS

(Amount in Rupees)

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As at 01.04.2010	Additions during the year	As at 31.03.2011	Up to 01.04.2010	For the year	Up to 31.03.2011	As at 31.03.2011	As at 31.03.2010
Tangible Assets								
Data Processing Equipment	943,753	-	943,753	82,815	235,938	318,753	625,000	860,938
Office Equipment	99,722	75,079	174,801	40,021	83,374	123,395	51,406	59,701
Furniture & Fixture	16,000	42,660	58,660	857	9,384	10,241	48,419	15,143
Vehicles (Owned)	1,695,000	-	1,695,000	145,477	401,171	546,648	1,148,352	1,549,523
Sub-total	**2,754,475**	**117,739**	**2,872,214**	**269,170**	**729,857**	**999,037**	**1,873,177**	**2,485,305**
Intangible Assets								
Software	567,351	-	567,351	57,124	141,837	198,961	368,390	510,227
Total	**3,321,826**	**117,739**	**3,439,565**	**326,294**	**871,704**	**1,197,998**	**2,241,567**	**2,995,532**
Previous period	-	3,321,826	3,321,826	-	326,294	326,294	2,995,532	-

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RAPID METRORAIL GURGAON LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31 March, 2011 Rupees	As at 31 March, 2010 Rupees
SCHEDULE A : SHARE CAPITAL		
Authorised		
EQUITY SHARES		
150,000 (Previous year 50,000) equity shares of Rs. 10/- each	1,500,000	500,000
PREFERENCE SHARES		
82,000,000 (Previous year Nil) preference shares of Rs. 10/- each	820,000,000	-
	821,500,000	**500,000**
Issued, Subscribed and Paid up		
EQUITY SHARES		
104,166 (Previous Year 50,000) equity shares of Rs. 10/- each fully paid up (See note 7)	1,041,660	500,000
PREFERENCE SHARES		
82,000,000 Compulsory Convertible Preference Shares (CCPS) of Rs. 10/- each fully paid up	820,000,000	-
	821,041,660	**500,000**
(CCPS carrying 0% interest rates are convertible into 1 equity share of Rs. 10/- each for each CCPS of Rs. 10/- each with in 90 days of commencement of operaions of Metro Rail Project)		
SCHEDULE B : LOAN FUNDS		
SECURED LOANS		
Term Loans - From Banks		
From Banks	1,409,409,378	-
(Secured against first charge on all revenue receipts from the project and balance in escrow account)	**1,409,409,378**	**-**
UNSECURED LOANS		
Short Term		
From erstwhile Holding Company	**-**	**27,000,000**

RAPID METRORAIL GURGAON LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31 March, 2011 Rupees	As at 31 March, 2010 Rupees
SCHEDULE E : CURRENT ASSETS, LOANS & ADVANCES		
CASH & BANK BALANCES		
Cash on Hand	5,166	10,093
Balances with Scheduled Banks:		
-in Current Accounts	12,378,273	664,846
-in Deposit Accounts	478,780,000	-
	491,163,439	**674,939**
Other Current Assets		
(Unsecured, Considered Good)		
Interest accrued	**443,247**	**-**
LOANS & ADVANCES		
(Unsecured, Considered Good)		
Advances recoverable in cash or kind or for value to be received	7,972,422	37,678,151
Income Tax deducted at source	1,858,896	8,458
	9,831,318	**37,686,609**
SCHEDULE F : CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Sundry creditors (see note 14)	100,477,648	289,849,235
Security deposits	600,000	-
Other liabilities	15,702,800	31,589,829
	116,780,448	**321,439,064**
PROVISIONS		
For Gratuity	-	252,219
For leave encashment	103,099	726,360
	103,099	**978,579**

RAPID METRORAIL GURGAON LIMITED
SCHEDULE FORMING PART OF THE PROFIT & LOSS ACCOUNT

	Year ended 31 March, 2011 Rupees	Period ended 31 March, 2010 Rupees
SCHEDULE G : OTHER INCOME		
Interest Received (Including TDS of Rs. 156,018)	1,559,812	-
Advertisement Income	600,000	
Miscellaneous income	-	8,417
	2,159,812	**8,417**
SCHEDULE H : EMPLOYEE COST		
Salary, wages and bonus	865,189	1,288,359
Contribution to Provident and other funds	28,773	73,433
Staff welfare expenses	93,764	45,538
	987,726	**1,407,330**
SCHEDULE I : ADMINISTRATIVE & GENERAL EXPENSES		
Travelling and conveyance expenses	183,886	87,314
Rent	2,913,844	1,506,348
Office maintenance	753,313	780,909
Electricity	92,833	107,976
Communication expenses	54,576	50,907
Directors' fees	201,000	4,000
Insurance	66,332	5,796
Legal and professional fees (see note 11)	1,093,142	176,355
Rates, taxes and fees	4,217,048	7,580
Business promotion expenses	56,536	103,969
Other expenses	98,635	31,820
	9,731,145	**2,862,974**

SCHEDULE J – SIGNIFICANT ACCOUNTING POLICIES

1. Basis for preparations of financial statements

The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles in India, the provisions of the Companies Act, 1956 and the applicable Accounting standards referred to in Section 211(3C) of the Companies Act, 1956. All incomes and expenditures having a material bearing on the financial statements are recognised on the accrual basis

2. Use of Estimates

The preparation of financial statements in conformity with generally accounting principles requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities as of the date of the financial statements, the reporting income and expenses during the reporting period and the disclosure of contingent liabilities. Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Actual results could differ from these estimates

3. Fixed Assets and Depreciation/Amortisation:

a. Tangible fixed assets and depreciation

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

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

Where the construction or development of any asset requiring a substantial period of time to set up for its intended use is funded by borrowings, the corresponding borrowing costs are capitalised up to the date when the asset is ready for its intended use.

Depreciation on tangible fixed assets is computed as under:

i. In respect of premises, depreciation is computed on the Straight Line Method at the rates provided under Schedule XIV of the Companies Act, 1956.

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

Asset Type	Useful Life
Computers	4 years
Specialised Office Equipment	3 years
Assets Provided to Employees	3 years
Licensed Software	Over the licence period
Intellectual Property Rights	5 - 7 years

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iii. Depreciation on fixed assets, other than on assets specified in 3(a) (i) and (ii) above, is provided for on the written down value method at the rates provided under Schedule XIV of the Companies Act, 1956. Depreciation is computed pro-rata from the date of acquisition of and up to the date of disposal.

iv. Leasehold improvement costs are capitalised and amortised on a straight-line basis over the period of lease agreement unless the corresponding rates under Schedule XIV are higher, in which case, such higher rates are used.

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

b. Intangible assets and amortisation

Intangible assets comprise of software.

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

Intangible assets, other than those covered by SCAs, are amortised on a "straight line" basis over their estimated useful lives. The estimated useful life of software is four years.

c. Impairment of Assets:

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

4. <u>Investments:</u>

a. Investments are recorded at actual cost including costs incidental to acquisition.

b. Investments are classified as long term or current at the time of making such investments.

c. Long term investments are individually valued at cost, less provision for diminution that is other than temporary.

d. Current investments are valued at the lower of cost and market value.

5. <u>Foreign Currency Transactions:</u>

a. Transactions in foreign currencies are translated to the reporting currency based on the exchange rate on the date of the transaction. Exchange difference arising on settlement thereof during the year is recognised as income or expenses in the Profit and Loss Account.

b. Cash and bank balances, receivables, (other than those that are in substance the Company's net investment in a non-integral foreign operation), and liabilities (monetary items) denominated in foreign currency outstanding as at the year-end are valued at closing date rates, and unrealised translation differences are included in the Profit and Loss Account.

6. **Employee Benefits:**

a. Short Term

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

b. Long Term

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

i. Defined-contribution plans

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

ii. Defined-benefit plans

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

iii. Other Employee Benefits

Compensated absences which accrue to employees and which can be carried to future periods but are expected to be encashed or availed in twelve months immediately following the year end are reported as expenses during the year in which the employees perform the services that the benefit covers and the liabilities are reported at the undiscounted amount of the benefits after deducting amounts already paid. Where there are restrictions on availment or encashment of such accrued benefit or where the availment or encashment is otherwise not expected to wholly occur in the next twelve months, the liability on account of the benefit is actuarially determined using the projected unit credit method.

7. **Taxes on Income:**

a. Taxes include taxes on income, adjustment attributable to earlier periods and changes in deferred taxes. Taxes are determined in accordance with enacted tax regulations and tax rates in force and in the case of deferred taxes at rates that have been substantively enacted.

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

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

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

8. Provisions, Contingent Liabilities and Contingent Assets:

a. A provision is recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

b. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on best estimates required to settle the obligation at the Balance Sheet date.

c. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

d. Contingent liabilities are not recognised but are disclosed in the notes to the financial statement.

e. A contingent asset is neither recognised nor disclosed.

9. Segment Reporting:

a. Segment revenues, expenses, assets and liabilities are identified to segments on the basis of their relationship to the operating activities of the Segment.

b. Revenue, expenses, assets and liabilities, which relate to the Company as a whole and are not allocable to segments on a reasonable basis, are included under "Unallocated Revenue/Expenses/Assets/Liabilities".

10. Financial Income and Borrowing Costs:

a. Financial income and borrowing costs includes interest income on bank deposits and interest expenses on loans.

b. Interest income is accrued evenly over the period of the instrument.

c. Borrowing costs are recognised in the period to which they relate, regardless of how the funds have been utilised, except where it relates to the financing of construction of development of assets requiring a substantial period of time to prepare for their intended future use. Interest is capitalised up to the date when the asset is ready for its intended use.

11. **Earnings Per Share:**

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

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

12. **Leases**

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

13. **Cash and Cash Equivalents**

Cash and bank balances, and current investments that have insignificant risk of change in value and original duration of up to three months, are included in the Company's cash and cash equivalents in the Cash Flow Statement.

14. **Cash Flow Statement**

The Cash Flow Statement is prepared in accordance with the "Indirect Method" as explained in the Accounting Standard (AS) 3 on "Cash Flow Statement".

15. **Preliminary Expenses**

Preliminary expenses incurred on incorporation are written off fully in the period of commencement of the business.

RAPID METRORAIL GURGAON LIMITED

SCHEDULE K : NOTES FORMING PART OF THE FINANCIAL STATEMENTS

1. **Capital Commitment**

		As at 31.3.2011 Rupees	As at 31.03.2010 Rupees
a)	Estimated amount of contracts remaining to be executed on capital account not provided for (Net of advances paid amounting to Rs. 297,986,788)	6,347,748,489	Nil

2. **Contingent Liabilities**

a)	Bank Guarantee	200,000	Nil

3.	**Claims against the Company not acknowledged as debts**	Nil	Nil

4. The Company has entered into a Concession Contract Agreement with Haryana Urban Development Authority (HUDA) on 9 December, 2009 for development of Metro Rail Project from Delhi Metro Sikanderpur Station on MG Road, Gurgaon to NH-8 ('the Project'). As per the terms of the Contract, the Company accepts the concession for a period of 99 years commencing from the effective date, to develop and operate the Project, which at the end of the concession period must be returned in the stipulated condition to grantor of the concession. In consideration of having designed, constructed, operated and maintained the Metro Rail Project, the Company is entitled to charge fair to the users of Metro rail besides other revenue from ancillary commercial activities.

5. In terms of the Concession Contract Agreement, the Company is required to pay connectivity charges of Rs. 40 crores per year from the beginning of the 17th year of the signing of the concession agreement till 35th year i.e for 19 years totalling to Rs. 760 crores. The liability for the same will be accounted for on connectivity to the Sikanderpur Metro Station.

6. **Segment Reporting:**

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

7. IL&FS Transportation Networks Limited (ITNL) directly and indirectly (by means of its shareholding in ITNL Enso Rail Systems Limited) holds more than 50% of the equity share capital of the Company. Accordingly ITNL is the holding company and Infrastructure Leasing & Financial Services Limited is the ultimate holding company (As at 31 March, 2010, the Company was fully owned subsidiary of ITNL Enso Rail Systems Limited). The shareholding of ITNL in the share capital of the Company is as follows:

Particulars		As at 31.3.2011 (No. of Shares)	As at 31.03.2010 (No. of Shares)
a.	Equity Shares	27,083	N.A.
b.	Compulsory Convertible Preference Shares	28,700,000	N.A.

8. Related Party transactions:

Disclosures as required by the Accounting Standard (AS) 18 on "Related Party Disclosures" are as below:

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

Holding Company:	IL&FS Transportation Networks Limited (ITNL) (From 17 September, 2010) ITNL Enso Rail Systems Limited (IERS) (upto 16 September, 2010)
Ultimate Holding Company:	Ultimate Holding Company is Infrastructure Leasing & Financial Services Limited (IL&FS)
Fellow Subsidiary Companies	IL&FS Financial Services Limited (IFIN) IL&FS Property Management & Services Limited (IPMSL) IL&FS Technologies Limited (ITL) IL&FS Trust Company Limited (ITCL)

B. Transactions during the year:

Amount in Rupees

Nature of Transaction	IL&FS	ITNL	IERS	IFIN	IPMSL	ITL	ITCL
Shares Capital allotted	- (-)	287,270,830 (-)	533,000,000 (500,000)	- (-)	- (-)	- (-)	- (-)
Operating expenses incurred / recovered	22,108,163 (6,763,200)	- (-)	-20,833,507 (-)	- (-)	389,271 (304,344)	136,496 (29,360)	- (-)
Construction and development expenses (CWIP)	8,290,561 (-)	- (200,000,000)	482,017,829 (75,000,000)	76,160,000 (-)	11,399,90 (-)	409,489 (-)	2,257,37[illegible] (-)
Loan Taken	- (-)	- (-)	72,700,000 (27,000,000)	- (-)	- (-)	- (-)	- (-)
Loan Repaid	- (-)	- (-)	99,700,000 (-)	- (-)	- (-)	- (-)	- (-)

*Including service charges of Rs. 2,838,684

Notes:

1. Figures in brackets represent previous year number
2. Reimbursement of expenses/cost is not included in above.

(C) Balances outstanding at Year end:

			Amount in Rupees		
Particulars	**IL&FS**	**ITNL**	**IERS**	**IFIN**	**IPMSL**
Payable	75,418* (554,370)	- (207,389,220)	82,486,551 (76,371,377)	1,778 (19,970)	- (304,344)
Borrowings	- (-)	- (-)	- (27,000,000)	- (-)	- (-)
Capital Advance	- (-)	- (-)	279,223,478 (-)	- (-)	- (-)

* Includes year-end provision of Rs. 75,000

Note: The figures in brackets represent balances as on 31 March, 2010.

9. Employee benefits obligations:

Defined-Contribution Plans

The Company offers its employees defined contribution plan in the form of provident fund, family pension fund and superannuation fund. Provident fund, family pension fund and superannuation fund cover all regular employees. Contributions are paid during the year into separate funds under certain statutory / fiduciary-type arrangements. While both the employees and the Company pay predetermined contributions into the provident fund and pension fund, the contributions to superannuation fund are made only by the Company. The contributions are normally based on a certain proportion of the employee's salary.

Defined-Benefits Plans

The Company offers its employees defined-benefit plans in the form of a gratuity scheme (a lump sum amount). Benefits under the defined benefit plans are typically based on years of service and the employee's compensation (immediately before retirement). The gratuity scheme covers substantially all regular employees. In the case of the gratuity scheme, the Company contributes to a trust administered by HDFC Standard Life Insurance. Commitments are actuarially determined at year-end. On adoption of the revised Accounting Standard (AS) 15 on "Employee Benefits" notified, actuarial valuation is done based on "Projected Unit Credit" method. Gains and losses of changed actuarial assumptions are charged to the Profit and Loss account.

	31.03.2011 Rupees	31.03.2010 Rupees
i. Change in benefit obligation		
Present value of obligation at the beginning of the year	721,263	-
Current Service Cost	140,236	372,015
Interest cost	22,272	-
Transfer out		557,481
Benefits paid	(362,664)	
Actuarial (gain) / loss	(391,525)	(208,233)
Present value of obligations at the end of the year	**129,582**	**721,263**
ii. Fair value of Plan Assets		
Fair value of plan assets at the beginning of the year	469,044	-
Expected return on plan assets	29,171	18,762
Contributions by the Company	138,802	469,044
Benefits paid	(362,664)	
Actuarial gain/(loss) on plan assets	(14,115)	(18,762)
Fair value of plan assets at the end of the year	**260,238**	**469,044**

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

	31.03.2011 Rupees	31.03.2010 Rupees
iii. Return on Plan Assets		
Expected return on plan assets	29,171	18,762
Actuarial gain / (loss)	(14,115)	(18,762)
Actual return on plan assets	**15,056**	-
iv. Amount recognised in the Balance Sheet		
Present value of defined benefit obligations	129,582	721,263
Fair value of Plan Assets	(260,238)	(469,044)
Net liability/(asset) recognised in the balance sheet	**(130,656)**	**252,219**
v. Expenses recognised in profit & Loss Account		
Current service costs	140,236	372,015
Interest expense	22,272	-
Expected return on investment	(29,171)	(18,762)
Net actuarial gain/(loss) recognized during the year	(377,410)	(189,471)
Expenditure recognized in Profit and Loss account	**(244,073)**	**163,782**

	31.03.2011	31.03.2010
	Rupees	**Rupees**
vi. Balance Sheet reconciliation		
Net liability at the beginning of the year	252,219	-
Expenses as above	(244,073)	-
Contribution paid	(138,802)	(469,044)
Transfer out	-	557,481
Net liability/(asset) at the end of the year	**(130,656)**	**252,219**

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

vii. Principal Actuarial assumptions

Rate for discounting liabilities	8.25% p.a.	7.75% p.a.
Expected salary increase rate	6.00% p.a.	4.50% p.a.
Expected return on scheme assets	8.00% p.a.	8.00% p.a.
Attrition Rate	2.00% p.a.	2.00% p.a.
Mortality	LIC (1994-96) Mortality Table (ultimate)	

The entire amount is funded with the HDFC Standard Life insurance

The estimates of future salary increases, considered in the actuarial valuation, take into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

The contributions expected to be made by the Company during the financial year 2011-2012 is Rs.2.86 lacs.

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

10. **Earnings per Share**

		Year ended 31.03.2011	Period ended 31.03.2010
Net profit (loss) after tax	Rs.	(9,433,365)	(4,616,035)
Weighted average number of equity shares outstanding during the year	No.	86,061	50,000
Basic earnings/(loss) per share	Rs.	(109.61)	(92.32)
Nominal value of equity shares	Rs.	10.00	10.00
Effect of potential equity shares related to conversion of preference shares	No.	44,032,877	-

		Year ended 31.03.2011	Period ended 31.03.2010
Weighted average number of equity shares for calculation of diluted earnings per share (not considered, being anti-dilutive)	No.	44,118,938	50,000
Diluted Earnings/(loss) per share	Rs.	(109.61)	(92.32)

11. Auditor's Remuneration*

Particulars	Year ended March 31,2011 Rupees	Period ended March 31,2010 Rupees
Audit fee	600,000	100,000
Other Services	-	50,000
Reimbursement of expenses	-	2,485
Total	**600,000**	**152,485**

*Excluding Service Tax

12. **Deferred Tax**

The Company has carried out its deferred tax computation in accordance with the Accounting Standard (AS) – 22 on 'Taxes on Income' prescribed by the Companies (Accounting Standards) Rules, 2006. In view of carry forward losses and unabsorbed depreciation, the recognition of deferred tax assets is restricted to deferred tax liability arising on timing difference in respect of depreciation and retirement benefit. In the absence of virtual certainty as on the date of the balance sheet, that there will be sufficient taxable income available to realize such assets in near future, the Company has not recognized additional Deferred Tax Assets in respect of balance unabsorbed depreciation and business losses. The Components of deferred tax are as follows:

	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
A. Deferred Tax Liability		
a. Prepaid Retirement benefits	8,941	-
b. Difference in book and tax depreciation	94,349	89,204
Total – A	103,290	89,204
B. Deferred Tax Asset		
a. Business loss and unabsorbed depreciation	103,290	89,204
Net deferred tax (liability)/asset (A-B)	**-**	**-**

13. Expenditure in Foreign Currency:

Particulars	Year ended 31.03.2011	Period ended 31.03.2010
	Amount (In Rs.)	
Payment for Rolling Stock*	209,310,919	-
Designing charges for Rolling Stock	135,706,888	-
Total	**345,017,807**	**-**

*Payment on account of Equipment/material acquired overseas which are being designed and fabricated.

14. Dues to Micro and Small Enterprises:

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

15. The Company is in project construction/development stage. During the year, the Company has not provided any taxable output services, other than for advertisement and workstation charges. Based on legal opinion and on consideration of prudence, the Company has decided not to carry forward any unutilised Input Service Tax Credit and has accordingly debited the Service Tax amount to Capital work-in-progress and the respective expense heads. The Input credit recognized during the previous financial year amounting to Rs. 29,286,401 has also been derecognised during the year and debited/charged to the respective CWIP/expenses.

16. Previous period figures are for the period 21 May, 2009 (Date of incorporation of the Company) to 31 March, 2010 and hence are not strictly comparable with that of current year. Figures for the previous period have been regrouped and reclassified wherever necessary.

For and on behalf of the Board

Managing Director **Director**

Company Secretary

Place: Gurgaon

Date: 14 April, 2011