DIRECTORS' REPORT

Distinguished Members,

It is a great privilege for the Directors to present the Fourth Annual Report of the Company along with Audited Annual accounts for the year financial year 2006-07. It gives immense pleasure to inform that the Company has once again shown all round excellent performance during the year under review.

It has also an Addendum to the Directors' Report containing Management replies to the observations made by auditors' in their report.

1. SNAPSHOT OF MAJOR ACHIEVEMENTS:

The major achievements of RVNL during 2006-07 are highlighted below:

- a) During the year 2006-07, the project expenditure (inclusive of SPVs) was increased to Rs. 1236.24 crore from Rs. 843.35 crore with growth of 46.59% and the reserves and surplus also increased to Rs. 3.59 crores from Rs. 1.89 crores during the previous year .
- b) During this financial year, Doubling of 44.5 Km, New Line 98 Km, Gauge Conversion of 139 Km & Railway Electrification of 496Km, there by totaling 778 Km have been completed which constitutes almost 13.5% of the total length of projects assigned to RVNL.
- c) Major focus continued on execution of projects, which are operationally important and urgent. Passenger trains have started on Delhi-Rewari Gauge Conversion Project on 10.11.2006. This project was lying frozen for more than 10 years. Similarly, a new corridor to connect iron ore

mining area of Banspani with Paradeep Port has been established by construction of new line between Banaspani and Daiitari. The work has been successfully completed on **15.2.07** and freight trains have started running since **25.3.07**. This project will provide much needed transport infrastructure for movement of iron ore for export through Paradip Port, iron ore for steel plants in Kalinganagar Steel Complex and imported coking coal to the steel plants. It was one of the most difficult projects due to the difficult terrain and inaccessibility to the project site. It was a major achievement to complete the 100Km length of project in time.

- d) Cuddalore-Salem Gauge conversion project, which will provide broad gauge rail connectivity to Cuddalore Port has reached completion stage. Work on Attur-Salem portion of the project has been completed on 30.3.07 by RVNL. The entire project length is awaiting CRS inspection shortly.
- e) The economy in cost of supervision and monitoring of projects (D & G charges) has been achieved to a large extent. The D & G charges are achieved at 3.93% level as against 6.5% to 10.5% for different departments provided by Railway Board for Railway construction projects. This is in spite of the fact that a number of cost elements like rent for office building and travel expenses have to be borne by the company unlike Railways.
- f) Railway Board assigned the task of fixing of consultant and undertaking of Traffic and Financial Studies of four Dedicated Freight Corridors, namely, Delhi-Chennai (North-South Corridor), Kolkata-Mumbai (East-West Corridor), Kharagpur-Vijaywada (East-Coast Corridor) and Goa-Chennai (Southern Corridor). RVNL has already appointed consultants for first two corridors and the reports are likely to be submitted by November, 2007.

- g) The major Bridge of 2.3 Kms over the River Mahanadi near Cuttack is progressing ahead of schedule and expected to be completed before stipulated date of completion.
- h) During the year, RVNL could establish three Joint Venture Special Purpose Vehicles (SPVs) for port connectivity work under Public Private Partnership models with the signing of Shareholders Agreements for all the SPVs.
- i) Despite pressures generated by tight schedules of projects execution, over twenty-five per cent of the staff and officers were deputed for training and other staff development programmes during the year 2006-07.

2. FINANCIAL PERFORMANCE

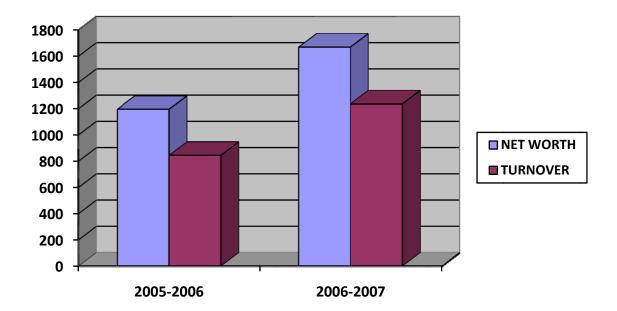
Turnover and Net Worth

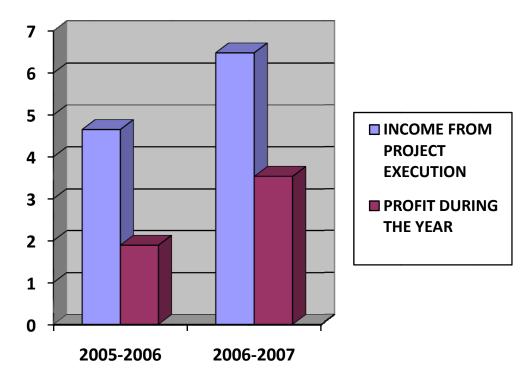
RVNL has achieved an impressive growth in its business of project execution. The expenditure on account of project works (inclusive of expenditure by SPVs) has increased from Rs. 843.35 crore to Rs. 1236.24 crore registering a growth of 46.59% during the financial year 2006-2007.

The income for the year has also increased to **Rs.** 6.54 **crore** as against **Rs.** 4.65 **crore** during the previous year resulting in a growth of 40.65%. The amount of profit taken to reserve and surplus is **Rs.** 3.59 **crore** as against **Rs.** 1.89 **crore** during previous year. The net worth of the company at the close of financial year has also increased to **Rs.** 1668.26 **crore** as compared to **Rs.** 1194.24 **crore** in last year.

The other financial indicators also show remarkable performance by the Company during the year under review. The earning per share (EPS) has increased from Rs. 0.02 per share to Rs. 0.04 per share.

	2006-2007	2005-2006	Growth
Net worth (Figure in crore)	1668.26	1194.24	36.69%
Project Expenditure (Figures in crore)	1236.24	843.35	46.59%
Income from project execution (Figures in crore)	6.54	4.65	40.65%
Profit during the year (Figures in crore)	3.59	1.89	86.77%
EPS (Figure in rupees)	0.04	0.02	100.00%





Capital Structure

As on 31st March, 2007, the Authorized and paid-up share Capital of the Company stands at Rs. 3000 crore and Rs. 1150,02,01,000 respectively. The paid-up capital of the Company has been enhanced on account of equity contribution from Ministry of Railways, Government of India that holds the entire paid-up share capital of the Company.

Reserves and Dividend

The Company proposes to take Rs 3.59 crores to reserves and surplus as against Rs. 1.89 crores for the last financial year. As the accumulated reserves are still small as compared to the equity base, the Company does not recommend to declare dividend.

Financial Resource Mobilization

RVNL has executed projects through its equity, borrowings and by forming joint venture Special Purpose Vehicles. Apart from projects being planned through Joint Venture SPVs, the Company has borrowed additional funds amounting to Rs. 450 crore from IRFC during the financial year 2006-07. The total borrowings as on 31st March 2007 is Rs. 968 crore. The interest liability has been assessed @ 7.90% for the financial year 2005-2006 and @ 9.50% for the financial year 2006-2007. The MOR has undertaken to bear the re-payment liability of principal and cost of borrowing (interest & processing charges) on the entire sum of the borrowed funds.

Change of Registered Office

As approved by the Board of Directors of the Company, the Registered Office of the Company got shifted from C-2/10, Safdarjung Development Area, Aurobindo Marg, New Delhi –110016 to 1st Floor, August Kranti Bhawan, Bhikaji Cama Place, R. K. Puram, New Delhi-110066 w.e.f. November, 2006.



Left: All the Directors of the Company at the inauguration of new office complex at August Kranti Bhawan, Bhikaji Cama Place, R. K. Puram New Delhi-66. Starting from left Dr. Koshy, Mr. Tripathi, Mr. Mitra, MD/RVNL, Dr. RamMohan, Mr. Jaruhar, Mr. S. Murali, Mr. Gulati, DPE/RVNL, Mr. Harish Chandra, DF/RVNL, Mr. Ranjan K. Jain, DO/RVNL, Mr R.N. Kalita, GM/O, RVNL

3. OPERATIONAL PERFORMANCE:

RVNL undertakes project development from the stand point of establishing financial viability, bankability, and its structuring to make it amenable to private funding or non-budgetary funding. It does so by establishing project cost through technical surveys, updation of project cost and finalization of various technical parameters and design. The company so far has undertaken 38 studies. Some of the new projects, for which studies have been completed are rail connectivity to Dighi Port, rail connectivity to Dholera Port, doubling of Banspani to Jakhpura, doubling of Hospet to Vasco, railway electrification projects for Haridaspur-Paradip, Banspani-Jakhpura and Angul-Sukinda. Railway Board has further transferred to RVNL structuring of rail connectivity to Rewas Port. In addition, a number of PPP projects, which are identified by the Zonal railways, particularly South Eastern and East Coast Railways are under consideration for transfer to RVNL. Transfer of another shelf of projects to RVNL is under active consideration of Railway Board.

The bankability studies have been undertaken by the company through independent financial consultants using industry practice. A total of **36** projects have been studied so far. As an outcome of these studies, **28** projects were found bankable and **8** projects are found non-bankable. Bankability studies of **5** projects are in progress. During the year, **2** unsanctioned projects Bina – Bhopal 3rd Line and Panskura – Kharagpur 3rd Line Doubling were sanctioned by Ministry of Railways on the basis of these bankability studies.

RVNL is presently implementing **7** projects through ADB funding, **11** projects through IRFC borrowing, 9 projects through "Capital Fund" of Railways, **11** projects with RVNL equity and **7** projects through Project Specific SPVs. One project is implemented through full funding of Ministry of Shipping. Project development of four projects is in progress.

Railway Board assigned the task of fixing of consultant for undertaking study and preparation of bidding document and bid process management for setting up of Agri Retail Logistics Chain on vacant railway land at various locations in order to leverage railway land for getting more traffic on to railways and to be a part of Agri Retail Logistics Chain.

After the teething troubles in 1st loan of ADB were over, RVNL is going in full steam in implementation of ADB funded projects. All the issues pertaining to Rehabilitation and Resettlement have been resolved. R&R of three projects has been fully completed so far, as per ADB's guidelines and for the remaining four projects; it is expected to be completed by October 2007. During the current calendar year (2007), RVNL hopes to achieve disbursement target of US Dollar 78. As per present planning, RVNL hope to complete all ADB funded projects except one by December, 2008 and the last project by June, 2009. Railway Board has also started the process for sanction of 2nd ADB loan. The size of this loan is expected to be much larger than the earlier loan. These projects are also expected to be handled by RVNL right from the project preparatory stage and right through to examination of Rehabilitation and Resettlement (R&R) and environmental impact and preparation and tendering of contract packages. While negotiating the 2nd loan, it has been suggested by RVNL to specifically deal with all the issues, which caused the initial delay in implementation of projects under 1st loan.

JOINT VENTURE SPECIAL PURPOSE VEHICLES

Kutch Railway Company Limited, a Joint Venture SPV of RVNL, has successfully completed Gandhidham-Palanpur Gauge Conversion Project, by commissioning the second phase of the project in November, 2006. The project has been

completed ahead of target. This project in the very first year of operation has moved 8.5 MT of freight traffic.

During the year 2006-07, the Company established three Joint Venture SPVs for Haridaspur Paradip New Line, Obulavaripalle Krishnapatnam New Line and Bharuch-Dahej Gauge Conversion project. On advice of Railway Board to follow Concession Agreement of Kutch Railway Company Limited as Model Concession Agreement and Shareholders' Agreement and Operation and Maintenance (O&M) Agreement of Pipavav Railway Corporation as Model Shareholders Agreement and Concession Agreement, Shareholders Agreement for Haridaspur Paradip New Line SPV, Obulavaripalle Krishnapatnam New Line SPV and Bharuch-Dahej Gauge Conversion SPV were signed. These SPV have been registered as companies and Board of Directors has been constituted. Approval of Concession Agreements for these SPVs and approval of Traffic Guarantee Agreement for Haridaspur-Paradip SPV is pending with Railway Board. Project development of Angul-Sukinda New Line SPV and Surat-Hazira New Line SPV is also awaiting approval of Concession Agreement from Railway Board.

4. PROJECT EXECUTION:

4.1 Physical Size of the Projects:

Rail Vikas Nigam Limited is implementing four types of projects under the initiative of Golden Quadrilateral and Port connectivity. These are as under: -

Doubling = 1811 Km

Gauge Conversion = 1585 Km

New Line = 493 Km

RE = 1906 Km

Total = 5795 Km

RVNL has till now completed **155 Kms.** of new lines, **795 Kms**. of gauge conversion and **276** Kms. of doubling and **954 Kms**. of Railway Electrification as on **31.03.07**. This is approx **38%** of the total assigned length of 46 projects.

Implementation of **3** projects has been completed during the year thus completing **10** projects upto close of Financial Year 2006-07. Construction activities are in physical progress on **24** projects. Final Location Survey of **1976 Km** has so far been completed. The surveys of Salka Road- Annuppur, Bhopal-Bina are in advanced stage of progress and expected to be completed by August 2007. The work of construction of 2nd bridge over river Mahanadi near Cuttack is progressing smoothly and **17** out of **32** spans have been launched. This is expected to be completed as per schedule by March, 2008.

Another important project requiring a specific mention is connectivity to Vallarpadam Container Hub Port. The agency for the construction has been finalized on **23.2.07**. Site has been fully mobilized and construction of a bridge connecting the Vallarpadam island with mainland has commenced.

During the year 2006-07, in addition to the earlier established Project Implementing Units (PIUs) at Mumbai, Secunderabad, Chennai, Bhubaneswar, Jaipur, and Delhi, RVNL established two more PIUs at Bilaspur and Kolkata for project execution.

To resolve the problems relating to land acquisition, which is a very significant activity for executing any project, correspondences were made to the concerned State Governments and Zonal Railways. Special meetings were also held at the top management level of the Company to reduce the cost of land acquisition especially in SPVs.

Regarding ADB projects, by maintaining close liaison with officials of ADB, all pending issues including R&R have been settled with ADB. All works (8 Nos.) and supply (3 Nos.) contracts have been placed in position in the financial year. Focused attention on the disbursements during 2007 shall prove the capacity of the company. This shall dispel all doubts about the funding model through ADB.

4.2 Works completed during the year

During 2006-07, following RVNL projects or portions of the projects have been completed:

Doubling	Km
Panvel - Jasai JNPT Doubling	28.5
Gadiganuru - Bayalavaddigeri Block Section Of Hospet - Guntakal Doubling	16
New Line	
Keonjhar - Tomka Section Of Daitari - Banspani New Line	98
Gauge Conversion	
Kumbakakonam - Mayiladuthurai Sec. Of Thanjavur - Villupurai GC	m 32
Attur - Salem Of Cuddalore - Salem GC	56
Samkhiali - Gandhidham Of Gandhidham - Palanpur GC	51
Railway Electrification Kharagpur - Bhubaneshwar Including Cuttack - Talcher RE	496
To	otal 778

4.3 Important contracts awarded during the financial year

Contracts have been awarded for majority of the sanctioned projects during the year and these are in different stages of construction:

- Barang Gurup Doubling Projects Road Bed, Major Bridges and Track/OHE/S&T
- 2. Palwal Bhuteswar 3rd Line Doubling
- 3. Aligarh Ghaziabad 3rd Line Doubling
- 4. Pattabiram Thiruvallur 3rd Line Doubling
- 5. Gooty Renigunta Patch Doubling (Civil and Signalling)
- 6. Bhatapara Urkura 3rd Line Doubling
- 7. Bhildi Samdari Gauge Conversion
- 8. Rewari-Ajmer Gauge Conversion (Signalling)
- 9. Mayiladuthurai Villupuram Gauge Conversion
- 10. Vallarpadam Idapally New Line
- 11. Obulavaripalle Krishnapattnam New Line (Phase-I)
- 12. Pullampet Nandlur RE (21 RKM)

4.4 Important contracts awarded after the closure of financial year

After the closure of Financial year and as on date of report, contract for construction of Haridaspur – Paradip New Line has been awarded and that for Raichur – Guntakal Doubling is under finalization.

4.5 Action Plan 2007-08

A total of 13 Projects/ Project Sections have been targeted for completion during 2007-08 as under:

Pakni - Solapur Doubling (16.28 Km), Diva - Kalyan 5th & 6th Line (11 Km), New Delhi - Tilak Bridge 5th & 6th Line Doubling (2.65 Km), Attipattu - Korukkupet 3rd Line Doubling (18 Km.), Balance Of Torangallu - Hospet (19 Km) Section Of Hospet - Guntakal Doubling, Tikiapara - Santragachi Doubling (5.6 Km), Mayiladuthurai - Villupuram Gauge Conversion (121 Km), Virdhachalam - Attur

(83km) Section Of Cuddalore-Salem Gauge Conversion, Balance Of Kharagpur (Nimpura) - Bhubaneswar - RE (44 Km). Pakni - Mohal Doubling (17 Km), Rajatgarh - Barang Doubling (29.32 Km), 2nd Bridge On River Mahanadi (3 Km), Thiruvallur - Arakkonam 3rd Line Doubling (26 Km), Phulera - Rewari Section (215 km) of Ajmer - Rewari Gauge Conversion.

5. PERSONNEL DEVELOPMENT:

5.1 Harnessing Human Resources for Corporate Objectives

Human Resource has become one of the most critical inputs for infrastructure development in the country without which sustained growth of Indian Economy may not be possible. RVNL has been created to remove the capacity bottlenecks in rail infrastructure, and hence acquiring, developing, motivating and retaining human capital is the key focus area in the Company for achieving its corporate objectives.

The Human Resource Policy of RVNL lays emphasis on lean organization structure with minimal permanent liability. Further, being a project-oriented organization, RVNL requires flexibility in manpower deployment. Based on the above considerations, a manpower plan for RVNL was formulated after in-depth consultation within the Organization. The Board of Directors of RVNL approved the Manpower Plan in August 2006, which envisages need-based deployment of staff in Corporate Office and Project Implementation Units within the overall strength of about three hundred fifty personnel. RVNL is well on course for achieving the targets with regard to human resources.

5.2 Nurturing Human Capital for Optimal Performance

The real difference between one organization and another is the performance of its people. This realization has been the guiding principle of RVNL since its inception. To nurture its human capital the Company initiated number of steps such as providing hygienic working environment, taking care of physical health and well being, provision of modern office equipments and resource material for enhancing the knowledge and skill of employees, as also arranging social gettogethers for inculcating a sense of camaraderie among them and improving their inter-personal skills.

During the year Corporate Office of RVNL has shifted to a new premises at August Kranti Bhawan, Bhikaji Cama Place, New Delhi which is not only centrally located but is also tastefully designed for conducive work environment. Besides adequate office space and circulating area, the premises has provisions for refreshments, health check up and a Reading Room. Further, arrangements for recreational facilities are also under consideration. Keeping in view sharp increase in hotel tariffs and difficulty in arranging suitable accommodation for officers of RVNL visiting Corporate Office for official work from field Units, a transit accommodation-cum-rest-house facility has been set up within a short distance of the office premises. This facility is fully furnished and has arrangements for serving tea/coffee to visiting officers.

A number of staff and officers from RVNL were nominated for various training programmes, conferences and seminars during the year, relating to different aspects of project management and capacity building. The staff and officers are encouraged to become members of various professional bodies and institutions for which 90% of the membership fee is reimbursed by RVNL. RVNL also remains in constant touch with trade and industry organizations, such as Confederation of Indian Industry (CII), Associated Chambers of Commerce and Industry of India

(ASSOCHAM), Construction Industry Development Council (CIDC) etc. and has benefitted from their various programmes relating to infrastructure and construction industry.

On the occasion of its Foundation Day on 24th January, 2007, RVNL organized a cultural programme where artists of Song & Drama Division of Ministry of Information & Broadcasting performed the folk dances of various states of the country, underlying the theme of 'Unity in Diversity'. The Hon'ble Chairman and Members of Railway Board and senior dignitaries from Railways and Railway PSUs were invited as distinguished guests. Staff and officers of RVNL, who had made significant contribution during the year, were honoured by the Chief Guest.

5.3 Memorandum of Understanding

During the year, the Company added another feather in its cap by signing an Memorandum of Understanding with Ministry of Railways. As per the MoU, the Company has committed to achieve targets both physical and financial for the year 2007-08. In terms of physical targets, RVNL has committed to achieve 340 kms of Gauge Conversion, 70 kms of Doubling, 20 kms of Railway Electrification and 15 kms of New Line works. The achievements of these targets would entail a financial expenditure of around Rs. 1800 crores. On the basis of achievement of these targets, the productivity linked incentive scheme will be formulated for the benefit of employees of RVNL.

5.4 Particulars of Employees under Section 217 (2A) of Companies Act, 1956

None of the employees of the Company has drawn remuneration exceeding the limits laid down under the provisions of section 217(2A) of the Companies Act

read with Companies (Particulars of Employees) Rules, 1975 as amended from time to time.

6. COMPLIANCES

6.1 Industrial Relations

During the year, Industrial relations remained harmonious.

6.2 Vigilance

During the year 2006-07, Vigilance Awareness Week was observed in RVNL from 6th November, 2006 to 10th November, 2006. A pledge taking ceremony chaired by Managing Director/RVNL was held during which the pledge was administered to all the employees of RVNL. A lecture cum interactive session on Award of Contracts was also delivered by Executive Director Vigilance (E)/Railway Board during the week.

The Vigilance Department has also released its first vigilance bulletin in order to educate and sensitize all the employees as well as to make them aware about the common irregularities committed at pre-tender stage to post award stage for contracts.

With a view to undertake preventive vigilance, the initiatives taken by vigilance department of RVNL have resulted into system improvement in several official matters. Consequently detailed guidelines on opening of tenders, preparation of comparative statement, briefing note and custody of tender documents. movement of classified documents, consolidated guidelines on engagement of retired Government/PSU officials were issued by the concerned Departments. A

constant interaction with Central Vigilance Commission and Vigilance Directorate, Railway Board has also been maintained by CVO/RVNL.

6.3 Rajbhasha (Official Language)

A sub-committee of Committee of Parliament on official language reviewed the implementation of the Official Language Policy of the Government in RVNL in June 2006. The Committee while appreciating the work of RVNL had issued certain directives for further progress in this regard. It is heartening to note that RVNL has fulfilled all the assurances given to the Committee. Implementation of Official Language Policy in RVNL is also being monitored in the Railway Board Rajbhasha Implementation Committee who have expressed their satisfaction at the level of progress achieved in RVNL.

On the occasion of Hindi Diwas on 14th September an Essay & Elocution Contest was organized and prizes were distributed among the successful participants. A five days' Hindi Workshop was organized in November, 2006 at Corporate Office and most of the officers and staff took keen interest in various activities and made the workshop a grand success.

A Reading room-cum-library set up in the Corporate Office has good collection of books in Hindi and RVNL staff is being benefited from these books, newspapers and periodicals. The Official Language Implementation Committee of RVNL meets on quarterly basis and a number of useful suggestions on propagating official language, which emerged during the discussions, have been implemented in RVNL.

6.4 Presidential Directive

No Presidential Directive has been issued to the Company during 2006-07.

6.5 Particulars Relating To Conservation Of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo etc.

(i) Foreign Exchange Earnings and Outgo

During the financial year 2006-07, Company has spent Rs. 28,38,322/- towards payments made to Halcrow Group Limited, a UK based firm for Project Management Consultancy of Package-1 sub-project cost of 2nd Bridge over river Mahandai on Cuttack- Neragunadi section of East Coast Railway Main Line. The Company, though did not earn any foreign exchange.

(ii) Conservation of Energy and Technology Absorption

The Company is making all efforts within the limited scope for utilization and saving of energy in construction contracts for reduction of energy consumption by putting systems in place. New office lay out has been made in the most energy-friendly manner through open spaces and windows on all sides and by making provision for complete utilization of sunlight for illumination of office accommodation, rooms and chambers.

RVNL being established with the mandate of Railway projects on fast track basis is going in right direction by initiating innovative practices and standards like bidding out EPC contracts as an integrated contract including all civil works, track linking, signaling, telecom and overhead electrification. This experiment has resulted in getting reputed & leading construction agencies. The project supervision is being organized through independent Engineer by appointing Project Management Consultants. With initial teething problems, the concept has now gradually picked up and is proving successful along with mix of departmental supervision.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company in pursuance of section 217 (2AA) of the Companies Act, 1956 as amended hereby confirms that:

- i) that in the preparation of the annual accounts, all the applicable accounting standards alongwith proper explanation have been followed and there has been no material departure.
- ii) that such accounting policies were selected and applied consistently and such judgments and estimates were made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company and Profit & Loss of the Company for the year ended on 31st March 2007.
- that proper and sufficient care has been taken for the maintenance of 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.
- iv) that the Annual Accounts have been prepared on a going concern basis.

8. AUDIT COMMITTEE

The Company is fully aware of the significance of "Corporate Governance" in business management. In RVNL, it represents value framework, ethical framework and the moral framework under which the decisions are taken. Hence, Corporate Governance is high on the agenda of the Company's Board. Keeping this in view, the company has taken steps for encouragement of the role and contribution of independent directors by constituting an Audit Committee of the Board of Directors comprising of all the independent directors of the Company with their varied experience and knowledge. The scope of the

Audit Committee in the Company is in accordance with the terms of reference prescribed under the Act which inter alia includes overseeing of the Company's financial reporting process, recommending to the Board, the fixation of audit fees of statutory auditors with the management, consideration of the annual financial statements before submission to the Board for approval, in particular to changes in accounting policies and practices with reasons thereof, significant adjustments made in financial statements and qualifications in the draft audit report etc. The Audit Committee of the Company took initiative this year to adopt the code of Corporate Governance for RVNL as brought out by Department of Public Enterprises that would subject Company to achieve greater market orientation. During the year 2006-07, members of the Audit Committee had three meetings. On the date of report, the Committee has the following members:

- 1. Mr. S. Murali
- 2. Mr. D.P. Tripathi
- 3. Dr. V.K. Koshy
- 4. Dr. T. T. RamMohan

Mr. S. Murali has been elected as Chairman of the Committee.

9. BOARD OF DIRECTORS

During the year under review, the composition of Board of RVNL has undergone some changes due to appointments/cessations as mentioned below:

Mr. S. K. Vij joined as part-time official Chairman on the Board of RVNL on 9th February, 2007 with vast experience of more than 35 years as an officer of IRSE. He has been attached with the most challenging projects on Indian Railways and the Company is confident that under his guidance, it will achieve new heights in performance in time to come.

Mr. S.P. Vatsa, Additional Member (Works) was appointed as part-time official director on the Board of RVNL w.e.f. 9th February, 2007. He has got rich experience of working on various projects and administrative assignments in a career span of around 34 years. The association of Mr. Vatsa with the management of the Company will definitely prove fruitful to the Company.

Mr. S. C. Agnihotri, an IRSE officer, assumed the charge of Director/Projects on the Board of RVNL on 4th July, 2007. He has got invaluable expertise and experience of more than 23 years of planning, construction, maintenance and corporate coordination at the top most levels in Indian Railways. RVNL being a project-oriented company will benefit immensely under his vision and guidance.

During the year, Mr. Vishwesh Chaubey relinquished the charge of Director/Projects of the Company on 4th September, 2006.

Mr. R. Sundararajan, Additional Member(Works) ceased to be a Director on the Board of RVNL due to his superannuation from Ministry of Railways w.e.f. 31st December, 2006.

Due to superannuation of Mr. R. R Jaruhar, Member Engineering/Railway Board, he ceased to be part-time official Chairman of RVNL w.e.f. 31st January, 2007.

The Board of RVNL would like to record their deep appreciation and gratitude for the services and guidance provided by all of them. The Directors would also like to express their thanks for their contribution in enhancing the esteem of the Company.

On the date of report, the strength of the Company is eleven Directors comprising of five functional directors including Managing Director, two part-time official directors including Chairman and four independent directors.

During April 2006 to March 2007, six meetings of the Board of Directors were held with two meetings in the quarter ended June 2006, one meeting in quarter ended September 2006, one meeting in quarter ended December 2006 and two meetings in quarter ended March 2007.

The following Directors joined Board of RVNL during financial year 2006-07.

Mr. S. K. Vij -- From 09.02.2007 onwards

Member Engineering/ Rly Bd. & Chairman RVNL

Mr.S. P. Vatsa -- From 09.02.2007 onwards

Addl. Member (Works)/ Rly. Bd. &

(Part-time -official Director)

The following Directors joined Board of RVNL after the closure of financial year 2006-07.

Mr.S.C. Agnihotri -- From 04.07.2007 (FN) onwards Director/Projects

The Directors who ceased to hold the office during the financial year 2006-07:

Mr. R. R. Jaruhar -- Held office from 24.03.2005 to

(Part-time official Chairman) 31.01.2007

Mr. Vishwesh Chaubey -- Held office from 24.11.2004

(AN) (Director/Projects) to 04.09.2006 (AN)

Mr. R. Sundararajan -- Held office from 02.12.2004 to

(Part-time official Director) 31.12.2006

None of the Directors ceased to hold office after the closure of financial year 2006-07.

The following Directors are holding office as on the date of the report:-

1.	Mr.S. K. Vij Member Engineering /Rly. Bd. &, Chairman/RVNL (Part-time official)	 From 09.02.2007 onwards
2.	Mr.D.C.Mitra Managing Director/RVNL	 From 05.07.2006 (FN) onwards
3.	Mr. A.K. Gulati, Director (Personnel)/RVNL	 From 25.11.2004 (AN) onwards
4.	Mr. Ranjan K. Jain Director (Operations)/RVNL	 From 30.12.2004 (AN) onwards
5.	Mr. Harish Chandra, Director (Finance)/RVNL	 From 11.03.2005 (AN) onwards
6.	Mr. S. C. Agnihotri, Director(Projects)/RVNL	 From 04.07.2007 (FN) onwards
7.	Mr. S.P. Vatsa, AM(Works)/Rly. Bd. &, Director/RVNL (Part-time official)	 From 09.02.2007 onwards
8.	Mr. S. Murali (Part-time non-official Director)	 From 04.10.2005 onwards
9.	Mr. D.P. Tripathi (Part-time non-official Director)	 From 04.10.2005 onwards
10.	Dr. V.K. Koshy (Part-time non-official Director)	 From 04.10.2005 onwards
11.	Dr. T.T. Ram Mohan (Part-time non-official Director)	 From 04.10.2005 onwards

10. AUDITORS

The Comptroller & Auditor General of India has appointed M/s Ellahi Goel & Co., Chartered Accountants as Statutory Auditors of the Company for the year ended 31st March, 2007. The Board would like to express its sincere thanks for the

precious advice and guidance received from them during the audit of accounts

under review.

11. **ACKNOWLEDGEMENTS**

We acknowledge the commitment, dedication, devotion and contribution of RVNL

employees at all levels, which are the backbone of the Company, for their extra

ordinary performance, which enabled the company to achieve substantive

improvements in performance and results both physical and financial and also in

achievement of targets most efficiently and ahead of time.

We take this opportunity to acknowledge the sincere appreciation and the

unstinted assistance and co-operation from Ministry of Railways, Ministry of

Finance, World Bank, Asian Development Bank, various banks, the Zonal

Railways, RITES and IRCON. On this occasion, we would also like to place on

record gratitude for all our distinguished predecessors.

The Directors also take this opportunity to express their thanks to the officials of

Comptroller & Auditor General of India for their co-operation during the year

under review.

For and on behalf of Board of Directors

Sd/-

Sd/-

(D.C.Mitra) Managing Director (Harish Chandra)

Director/Finance

New Delhi

Dt: 02. 08.2007

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ADDENDUM TO DIRECTORS' REPORT

(Management Replies to Comments in Auditors' Report)

S. No.	Reference to Auditors' Main Report Para No.	Management Reply
1	Para f (i)	As per the letter of Ministry of Railway dated 24.4.2006 no. 2004/W-1/RVNL/15, "It has been decided that after physical completion of a project by RVNL, the asset should be straight away transferred to the concerned Zonal Railway who will add the value of the created asset in their block account." However till date no project has been physically completed by RVNL and thus no project has been transfer to the concerned Zonal Railway.
2	Para f (ii)	In respect of projects being implemented by Zonal Railways, the details of the project work in progress are being taken in the books of accounts of the Company on the basis of the statement of expenditure received from the Zonal Railways. The Railways cannot part with the supporting documents. Zonal Railways are government departments and are maintaining expenditure accounts as per laid down rules & procedures and the accounts are audited by CAG. These can be taken as correct and no further verification by RVNL is considered necessary.
3	Para f (iii)	No lease agreement has been entered into with Railways and no lease rent has been finalized. Therefore, no provision has been made in the Accounts. This fact has been disclosed in the Notes to the Accounts. (Disclosed)
4	Para f (iv)	The projects, which were already under implementation at the time of transfer, were transferred only for the balance scope of work. Expenditure incurred before transfer i.e. March 2003 is not required to be taken into Accounts by RVNL.

5 **Para f (v)**

The statutory auditor raised the issue during last year also, wherein management has assured that a second opinion will be taken and accordingly the company will file the tax return. In pursuance of the same, in addition to opinion of M/s D.B. Desai & Associates, a firm of Chartered Accountant, Tax Consultant of the company a second legal opinion was taken from Shri O. P. Srivastava, Advocate, Supreme Court of India & Former Chairman CBDT, has been taken by the company. Both the written opinion are of the view that the deduction under Section 80IA is admissible to the Company and, therefore, the company has finalized the accounts accordingly. (Disclosed)

For and on behalf of Board of Directors

Sd/-(D.C. Mitra) Managing Director Sd/(Harish Chandra)
Director/ Finance

New Delhi

Dated: 02.08.2007

Ellahi Goel & Co.
Chartered Accountants

101-A, Ground Floor, Ashram Chowk,
Behind Nafed, Mathura Road
New Delhi-110014
Tele/Fax:26138103-04-05
E mail:office@ellahigoel.com

AUDITORS' REPORT

TO THE MEMBERS OF RAIL VIKAS NIGAM LIMITED

- We have audited the attached Balance sheet of Rail Vikas Nigam Limited, as at 31st March 2007 and Profit and Loss Account and cash flow statement for the year ended on that date, annexed thereto all of which we have signed under reference to this report. 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 out audit in accordance with the 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 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 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 4. Further to our comments in the Annexure referred to above, we report that:
 - a) We have, obtained all 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, Profit and Loss Account and cash flow statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and cash flow statement, dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act 1956
 - e) The Company is a Government Company and its Directors have been appointed by Central Government. Hence clause (g) of sub section (1) of section 274 of the Companies Act, 1956 is not applicable and hence no comments.

- f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto except item number (i) to item number (v) below:
 - (i) During the year partly completed projects have been shown in "Project work in Progress" under current assets whereas till last year these were being shown in "Capital work in progress" under fixed assets. Some of the partly completed projects are in use of the Railways. Non-transfer of such project in use by Railways remains unexplained.
 - (ii) Note number 2 (a) regarding recognition of "Project Work in progress" and corresponding current assets and liabilities on the basis of accepted statement of estimated expenditure received from various Zonal Railways without receiving the supporting documents thus not enabling us to verify the expenditure and adjustment that may arise had the final expenditure statement received remains undetermined.
 - (iii) Note number 1 (b) regarding non provision of lease rent payable if any on land, where the projects are continuing and are still in possession of the respective Zonal Railways, amount currently not ascertainable and hence impact, if any, cannot be given.
 - (iv) Note number 1(c) regarding non-provision of the liability for expenses incurred by various Zonal Railways prior to transfer of the projects to the company for reasons stated.
 - (v) Note 13 (a) regarding legal opinion and expert advice of treating income from project execution as deduction claimed u/s 80 IA of the income tax act 1961 was not found to be satisfactory in view of sub-section (2) of above said section and hence in our view tax provision is short by Rs 1,11,95,966/-

Give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007, and
- b) In the case of the Profit and Loss Account, of the profit for the year ended on that date.
- c) In the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

For Ellahi Goel & Company Chartered Accountants

New Delhi Date:02.08.2007 (MANSOOR ELLAHI-FCA) MEMBERSHIP No.83750 PARTNER

Annexure to the Auditors' Report

The Annexure referred to in Auditors' Report to the members of Rail Vikas Nigam Ltd. (the Company) for the year ending on 31st March 2007. We report that:

- 1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) The Company has a phased programme of physical verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with such programme, the management has been physically verified fixed assets during the year and no material discrepancies were noticed on such verification.
 - (c) The Company has not disposed off any fixed asset during the year.
- 2. The Company's nature of operations does not require it to hold inventories. Accordingly, clause 4(ii) of the Companies (Auditors' Report) Order, 2003 ('the Order') is not applicable.
- 3. (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.
 - (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.
- 4. In our opinion according to the information and explanation given to us, having regard to the explanation that certain items purchases for project work for which alternate sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the company and nature of business for purchase of Fixed Assets other than those related to project work as explained above. Further on the basis of our examination of the books & records of the company and according to the information and explanation given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control systems.
- 5. In our opinion and according to the information and explanations given to us, there are no contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that is required to be entered in the register required to be maintained under that section.
 - Accordingly, clause 5(b) of the Companies (Auditors' Report) Order, 2003 is not applicable.
- 6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- 7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

- 8. The Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 for any products of the Company.
- 9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues.
 - (b) According to the records of the Company and the information and explanations given to us, there have been no disputed dues in respect of sales tax, income tax, customs duty, wealth tax, excise duty and cess.
- 10. As the company is registered for a period less than five years, clause (x) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 is not applicable to the company for the current year.
- 11. According to the records of the company examined by us and the information and explanation given to us the company has not taken any loan from any bank nor issued any debentures except term loan from Indian Railway Finance Corporation, no repayment has fallen due on loan taken from Indian Railway Finance Corporation.
- 12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4 (xii) of the Order is not applicable.
- 13. The Company is not a chit fund / nidhi / mutual benefit fund or society. Accordingly, clause 4 (xiii) of the Order is not applicable.
- 14. According to the information and explanations given to us, the Company is not a dealer or trader in shares, securities, debentures and other investments. Accordingly, clause 4 (xiv) of the Order is not applicable.
- 15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year. Accordingly, clause 4 (xv) of the Order is not applicable.
- 16. In our opinion, and according to the information and explanation given to us, the term loan have been applied for the purpose for which they were obtained.
- 17. According to the information and explanations given to us the Company not has raised any funds on short-term basis.
- 18. 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. Accordingly, clause 4 (xviii) of the Order is not applicable.
- 19. The Company has not issued any debentures. Accordingly, clause 4 (xix) of the Order is not applicable.

- 20. The Company has not raised any money by public issues during the year. Accordingly, clause 4(xx) of the Order is not applicable.
- 21. According to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor we have been informed of such case by the management.

For Ellahi Goel & Company. Chartered Accountants

(MANSOOR ELLAHI) - FCA Membership No.: 83750 PARTNER

New Delhi

Date: 02.08.2007

S	ch		As at March 31, 2007		As at March 31, 2006
		Rupees	Rupees	Rupees	Rupees
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	1150,02,01,000		950,00,00,000	
Share Application money pending allotment		515,00,00,000	1665,02,01,000	200,02,01,000	1150,02,01,00
Reserves & Surplus	2		16,24,48,307		1,23,66,6
Loan Funds					
Unsecured Loans	3		1438,00,00,000		518,00,00,0
TOTAL		:	3119,26,49,307	- -	1669,25,67,64
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block		5,04,79,062		3,70,72,440	
Less: Depreciation-to-date		2,07,99,864		92,47,408	
Net Block	4		2,96,79,198		2,78,25,0
Investments	5		100,07,50,000		100,00,00,0
Current Assets, Loans and Advances					
Project Work-in-Progress	6	2348,85,04,340		1448,93,55,118	
Add: Advances for Project Expenditure		217,18,14,272		85,95,56,320	
		2566,03,18,612	·	1534,89,11,438	
Cash and Bank Balances	7	524,94,49,541		95,91,96,600	
Loans and Advances	8	157,44,96,585		15,29,28,689	
		3248,42,64,737	·	1646,10,36,727	
Less: Current Liabilities and Provisions			-		
Liabilities	9	228,93,39,610		79,16,96,540	
Provisions	10	4,78,98,879		2,48,56,053	
		233,72,38,489	-	81,65,52,593	
Net Current Assets			3014,70,26,249		1564,44,84,13
Miscellaneous Expenditure	11		1,51,93,860		2,02,58,48
TOTAL			3119,26,49,307	- =	1669,25,67,64
Significant Accounting Policies	14				
Notes to the Accounts	15				
This is the Balance Sheet referred to in our			The schedules referred		-
report of even date			part	of the Balance Sh	eet
Ellahi Goel & Company			ON BEHALF OF TH	IE BOARD	
Chartered Accountants					
Sd/-		Sd/-			Sd/-
Mansoor Ellahi (FCA)		D. C. Mitra			Harish Chandra
Partner		Managing Direct			Director Finance
Membership No: 83750					
Place: New Delhi			Suman K		

Place: New Delhi Suman Kalra
Date: 02.08.2007 Company Secretary

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31,2007

	Sch		For the Year ended on March 31,2007		For the Year ended on March 31, 2006
		Rupees	Rupees	Rupees	Rupees
INCOME			•	-	•
Work in Progress at close of the year		2566,03,18,612		1534,89,11,438	
Less: Opening work in progress	-	1534,89,11,438	. <u> </u>	691,54,46,643	
Value of Addition during the year		1031,14,07,174		843,34,64,795	
Less: Direct expenditure incurred on projects	-	1024,59,70,722		838,69,90,260	40474505
Income from Project Execution during the year Interest Income			6,54,36,451		4,64,74,535
Banks - Gross (TDS deducted Rs.2,23,90,462/-, Previous Year Rs. 1,26,36,330/-)		11,65,86,157		5,72,95,243	
Others		2,14,51,332		1,26,07,878	
Tender Processing Fees		31,24,600		50,35,300	
Other Income		7,59,591		1,07,135	
	-	14,19,21,680	<u> </u>	7,50,45,556	
Less: Prior Period Adjustment (Int. on Mobilisation Advance)		93,71,114		-	
	-	13,25,50,566	· <u>-</u>	7,50,45,556	
Less : Transferred to Incidental Expenditure during construction period - Schedule - 6		13,25,50,566	-	7,50,45,556	-
	-		6,54,36,451	- -	4,64,74,535
INDIRECT EXPENDITURE				=	
Employees' Remuneration and Benefits	12		16,12,448		47,60,824
Administrative Expenses	13		1,59,66,358		1,56,61,352
Depreciation		2,07,34,093		62,61,444	
Less : Transferred to Incidental Expenditure during construction period - Schedule - 6		1,38,22,729	69,11,364	41,74,296	20,87,148
Preliminary expenses written off			50,64,620		50,64,620
Interest - Payable to Indian Railway Finance Corporation		54,21,72,479		9,91,37,425	
Processing fees on loan		-		1,00,00,000	
Less: Recoverable from Ministry of Railway	-	54,21,72,479	· - <u>-</u>	10,91,37,425	-
			2,95,54,790	- -	2,75,73,944
Profit for the year before tax			3,58,81,661		1,89,00,591
- Income Tax		2 00 00 000		2 02 22 520	
Current Year Previous Year		3,98,00,000		2,02,22,530 5,08,200	
- Deferred Tax		_		-1,414,963	
- Fringe Benefit Tax		15,19,111		8,62,162	
·	-	4,13,19,111	<u> </u>	2,01,77,929	
Less : Transferred to Incidental Expenditure during construction period - Schedule - 6	-	4,13,19,111	- 	2,01,77,929	-
Profit After tax			3,58,81,661	-	1,89,00,591
Add: Balance b/fd from previous year			1,23,66,646	<u>-</u>	-6,533,945
Profit carried forward during the year			4,82,48,307	=	1,23,66,646
Basic/Diluted Earnings per share (in Rs.)			0.04		0.02
Significant accounting policies	11				
Notes to the accounts	12				
This is the Profit & Loss Account referred to in our report of even date			The schedules refer the Profit & Loss Ac		an integral part of
Ellahi Goel & Company Chartered Accountants			ON BE	HALF OF THE BO	OARD
			D. C. Mitra		Harish Chandra
Mansoor Ellahi (FCA)			Managing Director		manish Chandra

Place: New Delhi
Date: 02.08.2007

Suman Kalra
Company Secretary

Schedules attached to and forming part of Balance Sheet as at March 31,2007

		As at March 31, 2007		As at March 31, 2006
	Rupees	Rupees	Rupees	Rupees
SCHEDULE 1 SHARE CAPITAL				
Authorized capital				
3,00,00,00,000 (previous year 3,000,000,000) equity shares of Rs 10/- each	_	3000,00,00,000	-	3000,00,00,000
Issued, subscribed and paid up capital				
115,00,20,100 (Previous year 95,00,00,000) equity shares of Rs 10/- each fully paid up		1150,02,01,000		950,00,00,000
TOTAL	_ =	1150,02,01,000	- =	950,00,00,000
SCHEDULE 2 RESERVES & SURPLUS				
Capital Reserve Grant received during the year from Tamil Nadu Government		11,42,00,000		-
Profit & Loss Account Opening BalanceProfit for the year	1,23,66,646 3,58,81,661	4,82,48,307	-6,533,945 1,89,00,591	1,23,66,646
	_	16,24,48,307	- -	1,23,66,646
SCHEDULE 3 UNSECURED LOANS Other Loans and Advances - Others Opening Balance Add: Addition during the year [including Loan from MOR (Shareholders) Rs. 470 crore (Previous Year - Nil)]	518,00,00,000 920,00,00,000		- 518,00,00,000	
Less: Repayment during the year	1438,00,00,000	_	518,00,00,000	
Closing balance during the year		1438,00,00,000		518,00,00,000
	_	1438,00,00,000	-	518,00,00,000
SCHEDULE 5 INVESTMENTS				
Long term trade investment - unquoted at cost				
100,000,000 (Previous Year - 100,000,000) Equity Shares of Rs. 10 each fully paid - Equity in Kutch Railway Company Limited	100,00,00,000		100,00,00,000	
25000 (Previous Year - Nil) Equity Shares of Rs. 10 each fully paid - Equity in Haridaspur Paradip Railway Company Limited - acquired during the year	2,50,000		-	
25000 (Previous Year - Nil) Equity Shares of Rs. 10 each fully paid - Equity in Krishnapatnam Railway Company Limited - acquired during the year	2,50,000		-	
25000 (Previous Year - Nil) Equity Shares of Rs. 10 each fully paid - Equity in Bharuch Dahej Railway Company Limited - acquired during the year	2,50,000	100,07,50,000	-	100,00,00,000
_	_	100,07,50,000	-	100,00,00,000
	=	. 55,57,55,555	=	100,00,00,000

Schedules attached to and forming part of Balance Sheet as at March 31,2007

SCHEDULE:4

FIXED ASSETS

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
BLOCK OF ASSETS	Cost up to March 31, 2006	Additions during the year	Deletions / adjustments during the year	Cost up to Mar. 31, 2007	Up to March 31, 2006	Depreciation during the year	Depreciation on sale / adjustments	Up to Mar. 31, 2007	As at Mar. 31, 2007	As at March 31, 2006
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Tangible Assets										
improvement	91,59,467	99,38,820	91,59,467	99,38,820	47,58,585	63,33,430	91,59,467	19,32,548	80,06,272	44,00,882
Furniture and fixtures	59,90,380	39,83,943	-	99,74,323	10,65,900	29,96,622	-	40,62,522	59,11,801	49,24,480
Computer - Hardware and software	1,60,05,883	49,44,956	-	2,09,50,839	30,36,859	86,66,623	-	1,17,03,482	92,47,357	1,29,69,024
Office equipment	59,16,710	37,39,920	41,550	96,15,080	3,86,064	27,37,418	22,170	31,01,312	65,13,768	55,30,646
TOTAL	3,70,72,440	2,26,07,639	92,01,017	5,04,79,062	92,47,408	2,07,34,093	91,81,637	2,07,99,864	2,96,79,198	2,78,25,032
Previous year	15,68,31,178	2,09,65,145	14,07,23,883	3,70,72,440	29,85,964	62,61,144	-	92,47,408	2,78,25,032	

Schedules attached to and forming part of Balance Sheet as at March 31,2007

			As at March 31, 2007		As at March 31, 2006
		Rupees	Rupees	Rupees	Rupees
	SCHEDULE 6 PROJECT WORK IN PROGRESS				
1	Civil Works				
	Bridges	281,91,73,446		157,06,99,746	
	Civil Works	-		4,19,19,541	
	Construction Stores at site	121,82,74,342		61,69,64,911	
	Preliminary project expenditure	24,15,34,653		17,23,67,607	
	Equipments, plants and machinery	35,63,46,403		6,81,21,557	
	Foot Over Bridge	5,19,46,809		58,78,507	
	Formation	142,32,21,468		96,93,83,926	
	Land	46,79,05,198		20,17,11,983	
	Permanent way	983,09,82,490		541,69,11,797	
	Schedule of Day Works rates	1,59,077		43,400	
	Shifting of overhead / underground crossing	1,00,03,029		85,03,029	
	Station buildings	70,59,80,241		30,12,24,741	
	<u> </u>		1712,55,27,156 <u> </u>		937,37,30,745
2	S & T Works				
	Signaling arrangement	132,51,17,692		39,23,16,661	
	Telecommunication Arrangements	24,90,54,474		2,83,38,666	
	Signaling & Telecom Works	40,43,34,580	197,85,06,746	8,77,68,463	50,84,23,790
_	Electrical Mante				
3	Electrical Works	10 10 70 001		0.00.40.704	
	Electrification of building	19,12,72,064		2,68,42,724	
	Sub-station and other equipments	29,29,04,585	400 00 00 040	3,56,05,078	E4 00 00 000
	Overhead electric equipment	138,41,86,163	186,83,62,812 <u></u>	45,04,34,526	51,28,82,328
4	Incidental Expenditure During Construction Period				
	Opening balance	6,08,61,751		1,49,25,032	
	Add: Transferred From				
	Employees' remuneration and benefits (Schedule 12)	5,27,78,040		2,69,59,998	
	Administrative expenses (Schedule 13)	23,79,12,251		6,96,70,052	
	Depreciation (Profit & Loss Account)	1,38,22,729		41,74,296	
	Tax expenses (Profit & Loss Account)	4,13,19,111		2,01,77,929	
	-	40,66,93,882	_	13,59,07,307	
	Less: Income earned - (Profit & Loss Account)	13,25,50,566		7,50,45,556	
	Apportioned to Projects in the ratio of spending on individual projects to total project expenditure		27,41,43,316		6,08,61,751
	·				
5	Others Expanditure Banding Allegation		272 40 70 222		200 70 60 750
	Expenditure Pending Allocation Project Execution Income allocated to projects		273,10,70,322 11,19,10,986		398,70,68,750 4,64,74,535
	1 10jour Execution income allocated to projects		2408,95,21,338	_	1448,94,41,899
	Less: Credit from release material		7 21 125		QG 701
	Less: Recoverable from SPV's		7,81,125 60,02,35,873		86,781
	TOTAL		2348,85,04,340	-	1448,93,55,118
	· · · · · · · ·	_	20 10,00,04,040	=	

Schedules attached to and forming part of Balance Sheet as at March 31, 2007

		As at March 31, 2007		As at March 31, 2006
	Rupees	Rupees	Rupees	Rupees
SCHEDULE 7				
CASH AND BANK BALANCES				
1. Cash balances				
Cash and cheques in hand		11,75,940		45,250
Imprest accounts		3,46,453		1,93,488
		15,22,393	-	2,38,738
2. Balance with scheduled banks			-	
On Current Account (see note below)		2,36,84,188		25,24,07,890
On Fixed Deposit		522,42,42,960		70,65,49,972
Balance in current accounts linked with time		524,79,27,148	_	95,89,57,862
deposits have resulted in book overdraft due to		, , ,	_	, , ,
cheques issued but not presented amounting to Rs. 10,93,151/- (Previous year Rs. 1,35,23,267/-)				
TOTAL (A)		524,94,49,541	-	95,91,96,600
SCHEDULE 8				
LOANS AND ADVANCES				
(Unsecured, considered good)				
Advances recoverable in cash or in kind or for value to be received				
Recoverable form Ministry of Railways	65,13,09,904		10,91,37,425	
Recoverable form Joint Venture	60,02,35,873		-	
Others	4,58,95,851	_	60,94,831	11,52,32,256 81,29,001
Interest accrued but not due on term deposits Security deposit		4,32,31,532 2,14,73,587		82,41,312
Advance Tax and Tax deducted at source		3,50,96,224		2,04,68,233
Project Work-in-progress (Against Deposit Work)		17,72,53,614		8,57,887
TOTAL (B)		157,44,96,585	_	15,29,28,689
Advances include amounts due by			=	
(i) Directors of the Company		1,28,406		1,47,256
[Maximum due during the year Rs.1,35,337 (Pre	evious Year Rs 80	,000,		

Schedules attached to and forming part of Balance Sheet as at March 31, 2007

	Rupees	As at Mar. 31, 2007 Rupees	Rupees	As at March 31, 2006 Rupees
SCHEDULE 9				
CURRENT LIABILITIES				
Sundry Creditors*				
Total outstanding dues of creditors other than small scale industrial undertakings		124,42,52,782		62,28,46,123
Earnest money and security deposit		17,42,70,801		6,91,61,397
Other liabilities		6,26,98,913		1,86,89,020
Book Overdraft **		34,31,17,114		-
Advance against Deposit Works		46,50,00,000		8,10,00,000
TOTAL	<u>-</u> -	228,93,39,610		79,16,96,540
	=			
*There are no small scale undertakings to which the Rs. 1 lakhs or more, which are outstanding for more				
**Balance in current accounts linked with time depos resulted in book overdraft due to cheques issued but amounting to Rs. 39,21,56,336/- (Previous year Rs. 2	not presented			
SCHEDULE 10				
PROVISIONS				
T NO VIOLONO				
Provision for retirement benefits				
Provision for retirement benefits Opening Balance	81,660		6,950	
Provision for retirement benefits Opening Balance Add: Additions during the year	85,440	4.40.000	6,950 74,710	
Provision for retirement benefits Opening Balance Add: Additions during the year Less: Written Back/Utilization during the year		1,19,006		81,660
Provision for retirement benefits Opening Balance Add: Additions during the year Less: Written Back/Utilization during the year Provision for Income tax	85,440	1,19,006_ 3,98,00,000		81,660
Provision for retirement benefits Opening Balance Add: Additions during the year Less: Written Back/Utilization during the year Provision for Income tax Provision for foreign service contribution	85,440 48,094		74,710	81,660
Provision for retirement benefits Opening Balance Add: Additions during the year Less: Written Back/Utilization during the year Provision for Income tax Provision for foreign service contribution Opening Balance	85,440 48,094 45,51,863		74,710 - 13,75,345	81,660
Provision for retirement benefits Opening Balance Add: Additions during the year Less: Written Back/Utilization during the year Provision for Income tax Provision for foreign service contribution Opening Balance Add: Additions during the year	85,440 48,094		74,710	81,660 2,02,22,530
Provision for retirement benefits Opening Balance Add: Additions during the year Less: Written Back/Utilization during the year Provision for Income tax Provision for foreign service contribution Opening Balance Add: Additions during the year Less: Written Back/Utilization during the year	45,51,863 78,99,988	3,98,00,000	74,710 - 13,75,345 47,39,638	81,660 2,02,22,530 45,51,863
Provision for retirement benefits Opening Balance Add: Additions during the year Less: Written Back/Utilization during the year Provision for Income tax Provision for foreign service contribution Opening Balance Add: Additions during the year Less: Written Back/Utilization during the year	45,51,863 78,99,988	3,98,00,000 7 9,79,873 _	74,710 - 13,75,345 47,39,638	81,660 2,02,22,530 45,51,863
Provision for retirement benefits Opening Balance Add: Additions during the year Less: Written Back/Utilization during the year Provision for Income tax Provision for foreign service contribution Opening Balance Add: Additions during the year Less: Written Back/Utilization during the year TOTAL SCHEDULE 11	45,51,863 78,99,988	3,98,00,000 7 9,79,873 _	74,710 - 13,75,345 47,39,638	81,660 2,02,22,530 45,51,863
Provision for retirement benefits Opening Balance Add: Additions during the year Less: Written Back/Utilization during the year Provision for Income tax Provision for foreign service contribution Opening Balance Add: Additions during the year Less: Written Back/Utilization during the year	45,51,863 78,99,988	3,98,00,000 7 9,79,873 _	74,710 - 13,75,345 47,39,638	81,660 2,02,22,530 45,51,863
Provision for retirement benefits Opening Balance Add: Additions during the year Less: Written Back/Utilization during the year Provision for Income tax Provision for foreign service contribution Opening Balance Add: Additions during the year Less: Written Back/Utilization during the year TOTAL SCHEDULE 11 MISCELLANEOUS EXPENDITURE Preliminary Expenditure	45,51,863 78,99,988	3,98,00,000 7 9,79,873 _	74,710 - 13,75,345 47,39,638	81,660 2,02,22,530 45,51,863 2,48,56,053
Provision for retirement benefits Opening Balance Add: Additions during the year Less: Written Back/Utilization during the year Provision for Income tax Provision for foreign service contribution Opening Balance Add: Additions during the year Less: Written Back/Utilization during the year TOTAL SCHEDULE 11 MISCELLANEOUS EXPENDITURE	85,440 48,094 45,51,863 78,99,988 44,71,978	3,98,00,000 7 9,79,873 _	74,710 - 13,75,345 47,39,638 15,63,120	81,660 2,02,22,530 45,51,863 2,48,56,053

Schedule attached to and forming part of Profit & Loss Account for the year ended March 31, 2007

Rupees

	Expenditure Ch. & Loss A For the year ended March 31,	ccount For the year ended March	Incidental Expe Constru For the year ended March 31,	uction* For the year ended March 31,	Total Ex For the year ended March 31,	For the year ended March 31,
	2007	31, 2006	2007	2006	2007	2006
SCHEDULE 12						
Employees' Remuneration & Benefits						
Salaries and allowances	11,21,413	39,24,155	4,89,45,463	2,48,22,233	5,02,02,928	2,87,46,388
Contribution to Provident and other funds	31,046	,		28,098	-	58,426
Staff welfare	4,59,990	8,06,341	37,27,571	21,09,667	41,87,560	29,16,008
	16,12,448	47,60,824	5,27,78,040	2,69,59,998	5,43,90,488	3,17,20,822
SCHEDULE 13						
Administrative Expenses						
Professional consultancy fees	11,30,516	2,11,833	59,17,883	49,25,486	70,48,399	51,37,319
Expenditure on non viable projects written off	-	42,49,354	-	-	-	42,49,354
Project management Consultancy	-	-	14,84,67,489	1,69,96,749	14,84,67,489	1,69,96,749
Advertisement and business promotion	16,30,220	1,42,268			57,12,988	34,05,381
Membership and subscription	-	5,14,258		10,28,517	-	15,42,775
Traveling and conveyance	24,27,847	34,27,512	2,46,74,217	1,30,33,026	2,71,02,064	1,64,60,538
Communication	8,23,919	9,25,071	55,11,329	36,12,076		45,37,147
Rent	68,79,599	12,57,180	3,09,77,815	1,84,38,799	3,78,57,414	1,96,95,979
Rates and taxes	3,37,917	15,00,250	16,81,687	-	20,19,604	15,00,250
Repairs and maintenance	8,73,627	9,26,819	73,48,185	33,44,632	82,21,812	42,71,451
Printing and stationery	4,24,158	5,10,294	34,92,875	25,08,076	39,17,033	30,18,370
Electricity	6,18,940	4,36,595	32,23,002	14,88,791	38,41,942	19,25,386
Legal and professional charges	3,53,715	9,21,582	11,65,482	-	15,19,196	9,21,582
Books and periodicals	53,372	98,747	2,99,215	3,38,889	3,52,587	4,37,636
Director sitting fees	2,13,000	75,000	-	-	2,13,000	75,000
Auditor Remuneration (including service tax)						
- Audit Fees	21,667	18,707	43,333	37,413	65,000	56,120
- Out of pocket expenses	10,943				32,830	22,750
Miscellaneous expenses	1,26,885					8,81,079
Prior year expenses	40,032	1,44,605	3,02,882	51,933	3,42,913	1,96,538
[Note 1. Employees Remuneration and Benefits Rs. 78,602/-				· ·		
P.Y. Rs. 1,18,639/-). 2. Administrative Expenses Rs.2,64,211/	-					
(P. Y. Rs. 77,899/-)]	1,59,66,358	1,56,61,351	23,79,12,251	6,96,70,053	25,38,78,609	8,53,31,404

^{*} Taken to schedule 4A

	BALANCE SHEET ABSTRACT AND A COMPANY'S GENERAL BUSINESS PROFILE SCHEDULE VI PART IV				
		COMPANIES AC	1, 1956		
I.	Registration Detaills				
	Registration No.	55-118633	State code	55	
	Balance Sheet Date	31.03.2007			
II.	Capital Raised during the ye	ar (Amount in Rs. Th	nousands)		
	Public Issue	NIL	Rights Issue	NIL	
	Bonus Issue	NIL	Private Placement	51,50,000	
III.	Position of Mobilisation and	Deployment of Fun	nds (Amount in Rs. Thousands)		
	Total Liabilities	3,35,29,888	Total Assets	3,35,29,888	
	Courses of Francis				
	Sources of Funds Paid-up Capital	1,15,00,201	Reserves & Surplus	1,62,448	
	raid-up Capitai	1,13,00,201	neserves & surpius	1,02,448	
	Secured Loans	NIL	Unsecured Loans	1,43,80,000	
	Deferred Tay Liability	NIL			
	Deferred Tax Liability	INIL			
	Application of Funds				
	Net Fixed Assets	29,679	Investments	10,00,750	
	Net Current Assets	3,01,47,026	Misc. Expenditure	15,194	
	Accumulated Losses	NIL			
IV.	Performance of company (A	mount in Rs. Thousa	nds)		
	Turnover	65,436	Total expenditure	29,555	
	Profit/(Loss) Before tax	35,882	Profit/(Loss) After tax	35,882	
	Earning per Share in Rs.	0.04	Dividend	NIL .	
٧.	Generic Names of Three Pri	ncinal Products/ Se	rvices of Company		
٧.	(as per monetary terms)	icipai i roducts/ oe	i vices of company		
	Item Code No. (ITC Code)		98.09		
	Product Description		Turnkey construction		
	Itama Cada Na (ITC Cada)		NIII		
	Item Code No. (ITC Code) Product Description		NIL NIL		
	Troduct Description		MIL		
	Item Code No. (ITC Code)		NIL		
	Product Description		NIL		
			Director Dire	ector	
			DII GOLOI DII G	OLUI	

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2007

S.N.	PARTICULAR	2006-	2007	2005-	·2006
		AMOUNT(RS.)	AMOUNT(RS.)	AMOUNT(RS.)	AMOUNT(RS.)
1	Cash Flow from Operating Activities				
	Net profit before taxation, and extraordinary items	3,58,81,661		1,89,00,591	
	Add: Adjustment for :				
	Depreciation .	69,11,364		20,87,148	
	Interest Income	-116,586,157		-57,295,243	
	Provision for retierment beneifts	37,346		74,710	
	Non viable projects written off	37,340		42,49,354	
	Preliminary expenses written off	50,64,620		50,64,620	
	Operating profit before Working Capital changes	-68,691,166	-	-26,918,820	
	Adinostronate for about the Worlding Conitati				
	Adjustments for changes in Working Capital:	44 700 705 000		400 054 000	
	(Increase) in other receivables	-11,733,725,069		-133,351,393	
	Increase in current liabilities	149,76,43,070		63,38,57,799	
	Increase in Provision	2,30,05,480		1,72,66,644	
	(Decrease) in Deferred Tax liability	10 201 767 605	-	-1,414,963	
	Cash Generated from Operations	-10,281,767,685		48,94,39,267	
	Income Taxes paid/Received (Net of TDS)	0		0	
	Cash flow from Operations	-10,281,767,685	-10,281,767,685	48,94,39,267	48,94,39,267
	(A)	-10,201,707,003	-10,201,707,000	40,34,33,201	40,34,03,207
•	Cook from Investment Astinities				
2	Cash from Investment Activities :-				
	Purchase of Fixed assets	-8,765,531		-8,313,781,115	
	Interest income (Revenue)	11,65,86,157	-	5,72,95,243	
j	Net Cash generated from / (used in) Investing	10,78,20,626	10,78,20,626	-8,256,485,872	-8,256,485,872
	activities (B)				
3	Cash flow from Financing Activities :-				
•	Proceeds from issuance of share capital (including share	515,00,00,000		172,67,00,000	
	application money)				
	Proceeds from grant from Tamil Nadu Government	11,42,00,000			
	Proceeds from long term berrowings	020 00 00 000		E18 00 00 000	
	Proceeds from long term borrowings	920,00,00,000	-	518,00,00,000	
	Net Cash generated from / (used in) Financing	1446,42,00,000	1446,42,00,000	690,67,00,000	690,67,00,000
	activities (C)				
	Net Increase/(Decrease) in cash & cash equivalent		429,02,52,941		-860,346,605
	(A+B+C)	•		•	
	Cash & Cash equivalent at the beginning of the year		95,91,96,600		181,95,43,205
ļ	Cash & Cash equivalent at the closing of the year		524,94,49,541		95,91,96,600
	_ ,				
ĺ	Cash and Cash equivalents comprise		-4,290,252,941		86,03,46,605
	Cash and Cheques in Hand	15,22,393	, ,,•	2,38,738	,,,
	Balance with Scheduled Banks	. 5,22,300		2,00,.00	
	On Current Account	2,36,84,188		-36,887,286	
	On term Deposit Account	522,42,42,960		99,58,45,148	
	2 III Beposit recount	,,, 500		,00,.0,.40	

Notes :

The above Cash flow statement has been prepared under the indirect method setout in AS-3 issued by The Institute of Chartered Accountants of Indi

This is the Cash Flow Statement referred to in our report of even date.

Ellahi Goel & Co. Chartered Accountants ON BEHALF OF THE BOARD

Mansoor Ellahi (FCA) Partner Membership No 83750 D. C. Mitra Managing Director Harish Chandra Director Finance

Place: New Delhi Suman Kalra
Date: 02.08.2007 Suman Kalra
Company Secretary

SCHEDULE 14

SIGNIFICANT ACCOUNTING POLICIES

1. GENERAL

These Accounts have been prepared under historical cost convention from the books of account maintained on accrual basis and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India and referred to in Section 211(3C) of the Companies Act, 1956 of India.

2. REVENUE RECOGNISATION

- a) Revenue is recognized on the basis of projects executed during the year and as per agreement and subsequent clarifications received from Ministry of Railway (MOR) from time to time.
- b) Revenue in respect of Deposit works is being recognized proportionately with the progress and as specified in the contracts.
- c) Interest on investment is booked on a time proportion basis considering the amounts invested and the rate of interest.
- d) Dividend incomes on investment are accounted for when the right to receive payment is established.

3. FIXED ASSETS

Fixed assets are stated at historical cost and all directly attributable expenses relating to the assets are capitalized alongwith respective assets.

4. PROJECT WORK-IN-PROGRESS

- 4-1 Payments made to Zonal Railways for acquiring land for the project is treated as cost of land and it is adjusted when the final value of land is determined.
- 4-2 Expenditure on projects, which are in the construction stage, are shown as a distinct item as Project work in-progress under current assets till the completion of the Projects in their entirety and their transfer to Railways thereafter.
- 4-3 D & G charges are apportioned to the projects in proportion to the expenditure incurred during the year.
- 4-4 Claims for price variation/escalation are accounted for on acceptance.

5. DEPOSIT WORKS

Works being executed for other parties are treated as deposit work. The advance received is disclosed under Current Liabilities and the costs incurred on the projects are accumulated during the course of the contract and adjusted against the project payments received. The balance is carried forward as Deposit work in progress.

6. DEPRECIATION

- Depreciation on individual assets acquired for less than Rs. 5,000 is entirely depreciated in the year of acquisition.
- Depreciation is provided on the straight line basis at the rates mentioned against each category of assets as mentioned as under:

Furniture and Fixture - 23.75% EDP Assets - 31.67% Office Equipment - 19.00%

- Leasehold improvements are amortized over the initial remaining period of lease from the year in which such improvements are capitalized.

7. INVESTMENTS

Long Term Investments are valued at cost less provision for permanent diminution in value.

8. TAXES

- a. Taxes including current income tax are computed using the applicable tax rates and tax laws. Liability for additional taxes, if any, is provided/ paid as and when assessments are completed.
- b. Deferred Income Tax is computed using the tax rates and tax laws that have been enacted or substantially enacted by the Balance Sheet date.

9. MISCELLANEOUS EXPENDITURE

Preliminary and other expenses incurred are being written off over a period of five years from the year of commencement of Business operations.

10. RETIREMENT BENEFITS

Retirement benefits of the staff on deputation have been accounted for on the basis of the guidelines of the Ministry of Railways. The liability for retirement benefits of other

employees in respect of gratuity and leave encashment is provided for on the basis of actual valuation at the end of the year.

11. EXPENDITURE IN FOREIGN CURRENCY

Transactions in foreign currency are recorded at the exchange rates prevailing on the date of transaction.

12. BORROWING COST

Borrowing cost attributable to the acquisition of qualifying assets during construction is being routed through the books of accounts of RVNL as pass through entry. MOR has agreed to bear the cost of debt servicing.

13. GOVERNMENT GRANT

Grant Received from State Government in the nature of promoters' contribution is being credited to capital reserve and treated as a part of shareholders' funds.

For and on behalf of the Board

D. C. MitraHarish ChandraSuman KalraManaging DirectorDirector FinanceCompany Secretary

SCHEDULE 15

NOTES TO THE ACCOUNTS

1. PROJECTS WORK IN PROGRESS

- a) Land under the head Project Work in Progress represents the value of payments made to various Zonal Railways for the purpose of acquisition. The total payment made amounts to Rs. 46.73 crore (Previous year: Rs.20.17 crore), which will be adjusted when the final value of land is determined and the final payment is made.
- b) In Terms of Memorandum of Understanding (MOU) entered with Ministry of Railways (MOR) Company has been entrusted with the task of developing rail infrastructure under the initiative of strengthening of Golden Quadrilateral. In accordance with the MOU the Company was to be leased Land and Buildings for the above-mentioned work, but no such lease has been entered into between the Company and MOR during the year. All such land and buildings where the projects are continue still in the possession of respective Zonal Railways and no liability towards lease rent, if any, have been provided for.
- c) The Company is executing financially viable projects identified by MOR under two components viz. Golden Quadrilateral Strengthening and Port connectivity of National Rail Vikas Yojna (NRVY). In some of the projects, initially transferred to the Company, work was already in progress and some of the Zonal Railways had incurred expenditure on those projects prior to their transfer to the Company. The expenditure made by the concerned Railways prior to the formation of the Company has not been taken into account. The policy regarding liability of the Company for such expenditure, which took place prior to formation of the Company, will be decided after the assets are handed over to the Company.
- d) The Company has accounted for income from Project Execution @ 1% on the expenditure done by it on MOR projects which are being directly implemented by the Company as per the directions of the MOR vide their letter no. 2004\W-I\RVNL\15 dated 24th April 2006.
- e) Expenditure on work in progress against contracts awarded by the Company is recognized on completion of measurements and testing certified by the Engineer.
- f) During the year the Company reclassified Capital work in progress hitherto shown under Fixed Assets to Current Assets. This has resulted in decrease of fixed assets by Rs. 2,565.73 cr. (Previous year Rs. 1,534.89 cr.) approx. with corresponding increase in current assets. Overall there is no impact on the total assets and total liabilities of the Company.

2. <u>DEPOSIT WORKS</u>

- a) The Company is getting some of projects executed through different Zonal Railways as deposit work. Project work in progress/corresponding current assets and liabilities in respect of such projects have been recognized on the basis of accepted statement of estimated expenditure received from respective Zonal Railways and shall be adjusted as and when the final expenditure statement is received.
- b) Expenditure against advances given to various agencies including Zonal Railways for execution of works on cost plus basis as deposit works is accounted for on the basis of statement of estimated expenditure received from the concerned agency and is adjusted as and when the final expenditure statement is received.

c) Costs incurred for Deposit Works:

	Year ended March 31, 2007 Rupees	Year ended March 31, 2006 Rupees
Costs incurred for Deposit Works	17,63,95,727	8,57,887
Recognized Profit/Loss	Nil	Nil
Aggregate amount of Costs incurred and recognized Profit/Loss	17,72,53,614 / Nil	Nil / Nil
Advance received	465,000,000/-	81,000,000/-
Gross Amount due from Customers	Nil.	Nil

- 3. The Company has borrowed funds aggregating to Rs. 968 crore from Indian Railway Finance Corporation (IRFC). The interest liability has been assessed @ 7.90% for the financial year 2005-2006 and @ 9.50% for the financial year 2006-2007 vide IRFC letter dated 21.5.2007 no. IRFC/RVNL/2007-2008. The MOR has already decided to bear full responsibility of the payment of principal and cost of borrowing (interest & processing charges) on the entire sum of the borrowed funds. The interest charges have been shown in the Profit & Loss Account as pass through transaction since they are recoverable from MOR. In the Balance Sheet, the recoverable amount has been classified under the head Loan and Advances and payable amount under the head Sundry creditors.
- 4. During the year the Company has changed the depreciation rates on fixed assets (Refer Significant Accounting Policy No.6). As a result of this change additional depreciation of Rs. 46,73,438/- has been provided in the books of the Company with corresponding impact on net assets of the Company. Out of the additional depreciation Rs. 15,57,813/-being 1/3rd of the total depreciation is attributable to profit and loss account and balance is taken to Project work in progress.

5. Expenditure in Foreign Currency

	Year ended March 31, 2007 Rupees	Year ended March 31, 2006 Rupees
Travel expenses	0	1,62,495
Project Management Consultancy	28,38,322	0

- 6. Contingent liability in respect of claims not acknowledged as debts by the Company:
 - a) Rs. NIL (Previous year Rs. 1,94,15,707) in respect of various supplies and services.
 - b) Rs. NIL (Previous year Rs. 1,45,39,392) towards cess under The Building and other Construction Workers Welfare Cess Act, 1996. Any provision, if required will be made when liability is liquidated against the Company.
 - c) Rs. 4,15,133/- (Previous year Rs. NIL) in respect of income tax for the A.Y. 2004-05
 - d) Rs. 1,18,18,013/- (Previous year Rs. NIL) in respect of pending arbitration cases and court cases connected with the arbitration
- 7. Contingent Assets in respect of Rs. NIL (Previous year Rs. 1,45,39,392) towards cess under The Building and other Construction Workers Welfare Cess Act, 1996 will be recoverable from various contractors, if the Company has to pay in future claims not acknowledged as debts by the Company.
- 8. The Company has only one Segment i.e. Railway Project and all are geographically located in India. Hence, no details have been separately disclosed.

9. Disclosure in respect of Joint Venture:

S. No	Name of the Joint Venture	Partner(s) Country of Origin	Proportion of Ownership Interest as at March 31, 2007
1.	Kutch Railway	Rail Vikas Nigam Limited, India	50%
	Company Limited		
		Kandla Port Trust, India	26%
		Gujarat – Adani Group, India	20%
		Government of Gujarat, India	4%
2.	Haridaspur Paradip	Rail Vikas Nigam Limited, India	50%
	Railway Company	Essel Mining and Industries Ltd.,	50%
	Limited ((HPRCL)	India	
3.	Krishnapatanam	Rail Vikas Nigam Limited, India	50%
	Railway Company	Krishnapatnam Port Corporation	50%
	Limited (KRCL)	Limited, India	
4.	Bharuch Dahej	Rail Vikas Nigam Limited, India	50%
	Railway Company	Adani Petronet (Dahej) Port	50%
	Limited (BDRCL)	Private Limited, India	

Details of the aggregate amounts of the assets, liabilities, income and expenditure related to the interest in the jointly controlled entities are as under:

1. Kutch Railway Company Limited

	As at March 31, 2007 Rupees	As at March 31, 2006 Rupees
Assets excluding preliminary	2,52,95,69,455	1,76,32,93,694
expenditure		
Liabilities	1,43,86,20,901	78,78,85,411
Income	54,63,63,760	88,18,742
Expenditure	46,75,28,753	3,05,80,862

2. Haridaspur Paradip Railway Company Limited

	As at March 31, 2007 Rupees	As at March 31, 2006 Rupees
Assets excluding preliminary expenditure	2,50,000/-	Nil
Liabilities	40,409/-	Nil
Income	Nil	Nil
Expenditure	19,280/-	Nil

3. Krishnapatnam Railway Company Limited

	As at March 31, 2007 Rupees	As at March 31, 2006 Rupees
Assets excluding preliminary expenditure	3,50,31,573/-	Nil
Liabilities	3,50,53,272/-	Nil
Income	Nil	Nil
Expenditure	Nil	Nil

4. Bharuch Dahej Railway Company Limited

	As at March 31, 2007 Rupees	As at March 31, 2006 Rupees
Assets excluding preliminary expenditure	14,54,213	Nil
Liabilities	14,71,373	Nil
Income	NIL	Nil
Expenditure	NIL	Nil

10. Related Party Disclosures:

a) Joint Ventures : Kutch Railway Company

: Haridaspur Paradip Railway Company Limited : Krishnapattnam Railway Company Limited : Bharuch Dahej Railway Company Limited b) Key Management Personnel

 J. P. Shukla
 Managing Director (01.04.2006 – 30.06.2006)

 D.C.Mitra
 Managing Director (05.07.2006 – till date)

Harish Chandra Director
Ranjan Kumar Jain Director
Anil Kumar Gulati Director

c) Enterprises in which directors interest exist:

Haridaspur Paradip Railway Company Limited – holding Directorship and are interested in Company.

d) Disclosure of transactions with related parties:

Particulars	Transactions		Outstanding Amount **	
	Year ended	Year ended	As at March	As at March
	March 31, 2007	March 31, 2006	31, 2007	31, 2006
	Rupees	Rupees	Rupees	Rupees
Remuneration to	*	*		147,256
key Personnel				
(b) above				
HPRCL				
Contribution to				
Equity (25,000				
share of Rs. 10	2,50,000			
each)				
Expenditure			52,71,86,382	
towards project				
BDRCL				
Contribution to				
Equity (25,000				
share of Rs. 10	2,50,000			
each)				
Expenditure			29,42,746	
towards project				
KRCL				
Contribution to				
Equity (25,000				
share of Rs. 10	2,50,000			
each)				
Expenditure			7,01,06,745	
towards project				
Kutch Railway				
Company Ltd.				
Misc. debits	2,18,921		8,17,315	5,98,394

^{*} See note No. 11

^{**} These represent amount recoverable on account of expenditure incurred on various projects of Joint Ventures.

11. Managerial Remuneration

	2007	Year ended March 31, 2006
Salary & allowances	Rupees 30,26,751	Rupees 35,26,896
Provident fund and other fund	1,04,038	7,800

Includes Rs.19,35,688/- (Previous year Rs. 19,90,470) for directors who are on deputation from Ministry of Railway for which the Company makes the reimbursement directly to Ministry of Railways.

12. Earnings per Share:

The numerators and denominators used to calculate Basic Earnings per Share are:

	2006-07	2005-06
Profit Attributable to the shareholders (Rs.) (A)	3,58,81,661	18,900,859
Basic average number of Equity Shares		
outstanding at end of the year (B)	1,150,020,100	950,000,000
Weighted average number of Equity Shares		
outstanding during the year (C)	95,65,76,003	937,500,000
Nominal value of Equity Shares (Rs.)	10	10
Basic Earnings per share (Rs.) (A/C)	0.04	0.02

Diluted Earnings per Share is not applicable, as there is no dilution involved.

13. INCOME TAX

- (a) Provision for Income tax has been calculated on the interest income received /accrued during the year. In view of the legal opinion and expert advice received by the Company, no provision has been done on income from project execution, as the same is deductible as per the provisions laid u/s 80IA sub section (4) of the Income Tax Act, 1961.
- (b) Further the Income tax department has raised a demand for Rs. 4,15,133/- (including interest) for assessment year 2004-2005. No liability for the same has been provided since the matter is under appeal with CIT (Appeals) XVIII, New Delhi. The Company is hopeful of getting relief for the same. However, the Company has deposited Rs. 3,82,852/- and included the same under Current Assets, Loans and Advances.
- 14. The Company has not created deferred tax assets as a matter of prudence in terms of Accounting Standard 22 on Accounting of Taxes on Income issued by The Institute of Chartered Accountants of India.
- 15. Previous year figures have been regrouped / reclassified wherever considered necessary to confirm to the current year's classification.

D. C. MitraManaging Director

Harish ChandraDirector Finance

Suman Kalra Company Secretary



गोपनीय

स./No स.ले.प.।।।/प्रति/अकाउंट्स/37-4/2006-07/ 8 5 4 कार्यालय

प्रधान निदेशक, वाणिज्यिक लेखा परीक्षा एवं पदेन सदस्य लेखा परीक्षा बोर्ड-III,

नई दिल्ली OFFICE OF THE

PRINCIPAL DIRECTOR OF COMMERCIAL AUDIT & EX-OFFICIO MEMBER, AUDIT BOARD-III, NEW DELHI

^{दिनांक/Dated} ्1 8 SEP 2007

सेवा में,

प्रबंध निदेशक, रेल विकास निगम लिमिटेड, नुई दिल्ली।

विषयः कंपनी अधिनियम की धारा 619(4) के अधीन रेल विकास निगम लिमिटेड, नई दिल्ली, के वर्ष 2006-07 के लेखाओं पर भारत के नियंत्रक-महालेखा परीक्षक की टिप्पणियाँ।

महोदय,

मैं रेल विकास निगम लिमिटेड, नई दिल्ली, के वर्ष 2006-07 की समाप्ति हेतु कंपनी अधिनियम 1956 की धारा 619(4) के अधीन लेखों पर भारत के नियंत्रक-महालेखा परीक्षक की टिप्पणियां अग्रेषित करता हूँ।

कृपया इस पत्र की संलग्नकों सिहत प्राप्ति की पावती भेजी जाए।

संलग्नकः यथोपरि।

भवदीय,

(ई.आर. सोलोमन) प्रधान निदेशक COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF RAIL VIKAS NIGAM LIMITED, NEW DELHI FOR THE YEAR ENDED 31 MARCH 2007

The preparation of financial statements of Rail Vikas Nigam Limited, New Delhi for the year ended 31 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 them vide their Audit Report dated 02.08.2007

I on the 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 Rail Vikas Nigam Limited, New Delhi for the year ended 31 March 2007. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and Company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under Section 619(4) of the Companies Act, 1956, which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report:

Comments on Disclosure

Balance Sheet

Issued, Subscribed and paid up Capital - Rs. 1150.02 crore

1. The above include 2,73,50,100 equity shares of Rs. 10 each fully paid up valuing Rs. 27.35 crore which were allotted to the Government of India by the Company on 19 March 2007 for a consideration other than cash. However, details of shares allotted for a consideration other than cash have not been disclosed, as required under Part-I, Schedule VI to the Companies Act. 1956.

Shareholder's Funds - Rs. 1665.02 crore

Funds received by the Company from the Government of India, Ministry of Railways as equity capital were meant for executing projects of National Rail Vikas Yojna. After physical completion of a project, the assets would be transferred to the concerned Zonal Railway who would add the value of assets in their block account. However, the modalities of transfer of assets were not worked out with the Ministry, in the absence of which it is not known whether the transfer of assets would be on receipt of cash consideration or otherwise. These material facts have not been disclosed in the accounts.

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

> > (E.R. Solomon)

Principal Director of Commercial Audit & Ex-officio Member Audit Board - III, New Delhi

September 2007

Place: New Delhi

18 SEP 2007

MANAGEMENT'S REPLIES ON COMMENTS OF C&AG OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT,1956 ON THE ACCOUNTS OF RAIL VIKAS NIGAM LIMITED, NEW DELHI FOR THE YEAR ENDED ON 31ST MARCH 2007.

CAG's comments		Management's Reply	
1	Issued, subscribed and paid up capital – Rs.1150.02 Cr. The above include 2,73,50,100 equity shares of Rs.10 each fully paid up valuing Rs.27.35 crore which were allotted to the Government of India by the Company on 19 March 2007 for a consideration other than cash. However, details of shares allotted for a consideration other than cash have not been disclosed, as required under Part-I, Schedule VI to the Companies Act, 1956.	Noted for compliance.	
2	Shareholder's Funds-Rs.1665.02 crore Funds received by the Company from the Government of India, Ministry of Railways as equity capital were meant for executing projects of National Rail Vikas Yojna. After physical completion of a project, the assets would be transferred to the concerned Zonal Railway who would add the value of assets in their block account. However, the modalities of transfer of assets were not worked out with the Ministry, in the absence of which it is not known whether the transfer of assets would be on receipt of cash consideration or otherwise. These material facts have not been disclosed in the accounts.	Noted for compliance. Procedures and modalities for transfer of Projects are being worked out with the Ministry of Railways.	

For and on behalf of Board of Directors

Sd/-(D.C.MITRA) Managing Director Sd/-(HARISH CHANDRA) Director/Finance

Place: New Delhi Dated: 18.09.2007