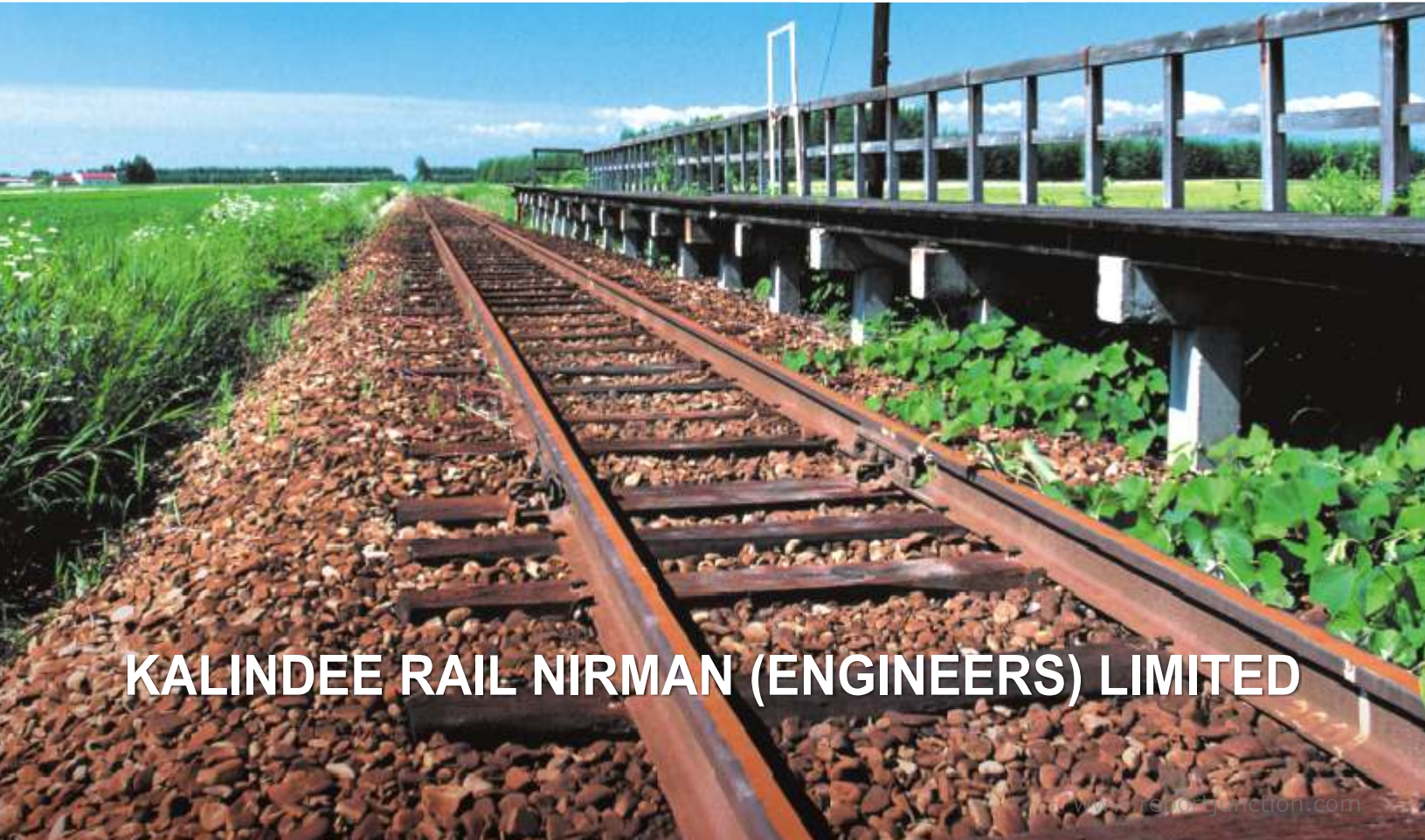


25TH ANNUAL REPORT
2008-09



fuelling national growth
through infrastructure excellence



KALINDEE RAIL NIRMAN (ENGINEERS) LIMITED



annual report 2008- 2009

Kalindee Rail Nirman (Engineers) Limited

Contents

Chairman's message	4
Notice of Annual General Meeting	8
Directors' Report to the Shareholders	10
Report on Corporate Governance	20
Management Discussion & Analysis Report	30
CEO/CFO Certification	39
Auditors' Certificate	40
Auditors' Report	41
Balance Sheet	46
Profit & Loss Account	47
Schedules to the Accounts (Schedule No. 1 to 14)	48
Notes to the Financial Statements (Schedule No. 15)	56
Balance Sheet Abstract	60
Cash Flow Statement	61
Bank Mandate	62
Proxy Form	63
Attendance Slip	64

**Board of Directors**

Mr. R. D. Sharma, Chairman cum Managing Director
 Mr. Arvind Gemini, Whole-time Director
 Mr. Niraj Kumar Singh, Director
 Mr. S. K. Khanna, Director
 Mr. Shanti Narain, Director
 Mr. Kamal Kishore Agarwal, Director

Bankers

State Bank of India
 Overseas Branch, Jawahar Vyapar Bhawan
 1, Tolstoy Marg, New Delhi 110 001

State Bank of Patiala
 Commercial Branch, Chandralok Building,
 36, Janpath, New Delhi 110 001

YES Bank Ltd.
 48, Nyaya Marg, Chanakyapuri,
 New Delhi – 110 021

Axis Bank Limited
 148, Statesman House, Barakhamba Road,
 New Delhi – 110 001

ABN AMRO Bank N.V.
 "Hansalaya Building", 15, Barakhamba Road,
 New Delhi – 110 001

HDFC Bank Ltd.
 M-39, 2nd Floor, Outer Circle,
 Connaught Circus, Opp. Super Bazar,
 New Delhi – 110 001

Auditors

Prem Arun Jain & Co.,
 Prem Villa, B – 3/19, DLF City, Phase – 1
 Gurgaon – 122 002 (Haryana)

Registered Office

F – 5, Gautam Nagar
 Gulmohar Park Road, New Delhi-110 049

Corporate Office

2nd Floor, Building No. 9A, Cyber City, DLF
 Phase – III, Gurgaon 122 002
 Telfax: 0124 4674800, Fax: 0124 4674887/888

Registrar & Transfer Agent

MCS Ltd.
 F-65, 1st Floor, Okhla Industrial Area
 Phase – I, New Delhi 110 020
 Tel.: 011 41406149, Fax: 011 41709881
 E mail: admin@mcsdel.com

Company Secretary

Mr. Anil Sharma

Secretarial Consultants

Jatin Gupta & Associates
 303, 10159, Padam Singh Road,
 Karol Bagh, New Delhi 110 005



Chairman's Message

Dear Members

It is indeed a matter of great pleasure that we are here again to deliberate the success of your Company's achievement. I on myself and on behalf of other dignitaries would like to welcome all of you at the 25th Annual General Meeting. I on behalf of the Board of Directors and employees and staff of Kalindee Family extend my sincere gratitude to all of you for trust bestowed on us which has helped the Company to sail through difficult time of recession, which the entire world has faced and is facing with much difficulty, with relative ease.

In terms of growth it is harsh to say yet the truth is that your Company could not achieve greater heights as was expected and proposed at the time of start of financial year and the major contributor to this has been economy slowdown which has affected all the sectors considerably, yet your Company stayed unaffected to a very large extent. The projections before the start of the year under review could not be achieved but your Directors are highly hopeful of meeting the business forecasts during coming years.

I present the Annual Accounts for the year 2008-09 with a sense of definite satisfaction. Against the market trend, we have been able to maintain financials somewhat not very much out of line with previous year. Operating margin and net profit are in tune with last year. Gross turnover has depicted increase of about 15% over last year.

It is Kalindee's endeavour to continuously explore opportunities for growth by synergizing and blending its multiple core competencies to create new epicenters of growth.

Our employees are inspired by the vision of growing Kalindee into one of India's premier Company and are willing to go the extra mile to generate value for the economy, in the process creating growing value for the stakeholders.

Economic Environment

During the year under review, after two years of 8-9% growth, GDP grew at a lower yet healthy rate of 8%. However, higher cost and reduced availability of funds combined with global slowdown impacted performance of your Company which is expected to catch speed again as your Board is constantly keeping a watch on the economy and slowdown. Thanks to a creditable performance on account of Government's initiative to spend a lot on infrastructure more importantly on Metro Projects where the Company regained its premier position the Company turned in a satisfactory performance.

The robust growth witnessed in the Indian economy in the preceding two years moderated at the beginning of the second quarter of the year 2008 with slow down all over the world. Although no economy can be totally immune to these conditions, China and India are expected to maintain their growth, albeit at a lower rate.

Performance

The year 2008-09 was yet another landmark year for your Company. Total Receipt was Rs. 2812.23 millions, representing 14.30% increase over the previous year. The Company also made a net profit of Rs. 1043.92 millions.



Achievements

Some of the general achievements of the Company are as under:

Kalindee continuously upgraded its technical base and diversified in the fields Telecommunication and Railway Track as well as civil works to achieve capability of undertaking construction of complete Rail infrastructure facility on turnkey basis. The initial partnership firm became a corporate entity in 1984. During this long journey Kalindee achieved several milestone and abundant appreciation, which include:

- First Signaling work on contract.
- First Indian Company to install longest OFC network of 1000 kms.
- First Indian Company to achieve highest speed of Track construction (2 Km per day).
- First Indian Company to achieve highest test speed of track (130 Kmph on the very first trial run).
- First Indian Company to execute successfully largest signaling contract of 54 stations.
- First private Company to do turn key rail facility work.
- First Indian Company to install Contractless Automatic Fare Collection System for Delhi Metro Phase I.
- First Indian Company to install Ballastless Track for underground section of Delhi Metro Phase I.
- Received ISO 9001:2000 certification.

Business Outlook

Your Company expects some benefits when some of the policy directions are implemented after legislative amendment.

Your Company is continuously looking for opportunities for de-bottlenecking its operations and logistics. The efforts to control cost by introduction of cost effective machinery, equipment and barges is continuously on.

IR runs 8,707 passenger trains, which carry 17.1 million passengers daily. About 60 per cent of passengers are suburban in origin and consist of commuters in metros like Mumbai, Kolkata, Chennai and Delhi. Another 13 per cent comprise commuters in other cities. About 27 per cent are long distance passengers.

The Railways is on the central list as per the Indian Constitution, and thus the primary responsibility to legislate on railway matters rests with the Union Government.

April-October 2008 saw the introduction of 21 of the 63 new trains announced in the railway budget for 2008-09. A total of 2,289 new passenger coaches were introduced during April-December 2008.

A major milestone in October 2008 was the flagging off of the first train service in the Kashmir Valley, covering 66 km and nine stations.

The total working expenses are estimated at Rs. 836 billion in 2009-10. The cash surplus before dividend is expected to be Rs. 188.47 billion and the operating ratio 89.9 per cent.

The Annual plan for 2009-10 envisages an investment of Rs. 379.05 billion. Of this, budgetary support from general revenues is proposed at Rs. 96 billion, from the Central Road Fund at Rs. 12 billion and the remaining Rs. 271.05 billion (72 per cent) would be support from internal and extra-budgetary resources.

CHAIRMAN'S MESSAGE

Customarily, Railway projects in India have been the domain of the public sector. But sustained economic growth has put tremendous pressure on Railway infrastructure. Consequently, a need has arisen for capacity augmentation, bottleneck removal and provision of improved services. As a result, private sector participation (PSP) was invited to raise equity and improve efficiency in project execution and service provision, and for reduction in overall project costs. The Eleventh Five Year Plan envisages a total investment of Rs. 2,300 billion, of which it is estimated that about 60 per cent will be raised through PPP.

There are three basic formats for PSP in Railway projects in India. These are Build-Operate-Transfer (BOT), BOT (annuity) and Special Purpose Vehicles (SPVs).

An SPV is set up by the project promoter along with a private developer to implement the project. So far, IR has formed six SPVs for undertaking network expansion projects, of which three are operational. These are Pipavav Railway Company Limited on Western Railway (WR), Hassan Mangalore Railway Development Company on South Western Railway and Kutch Railway Company Limited on WR. The other three SPVs are Haridaspur Paradip Railway Company Limited on East Coast Railway (ECR), Krishnapatnam Railway Company Limited on South Central Railway and Bharuch Dahej Railway Company Limited on WR.

The SPVs in the pipeline include the Surat Hazira Railway Company on WR, Angul Sukinda Railway Company on ECR, Dighi Port Railway Company on Konkan Railway, and Dholera Port Railway Company and Rewas Port Railway Company of WR. The partners in these SPVs include the State Governments, Infrastructure providers such as Port Trusts, Private Ports and Special Economic Zones (SEZs), and users such as fertiliser and steel companies including Steel Authority of India Limited, Jindal Steel and Power Limited, Reliance, Essel Mining and Industries Limited, National Mineral Development Corporation and Gujarat Narmada State Fertiliser Corporation.

Social Responsibility


Our commitment to address important societal needs is driven by our vision *to contribute to the development of the communities that we operate in or have influence on our business activities*. Kalindee, apart from contribution to the society by paying various statutory dues of over Rs. 15.39 crores during the year, has also supported various socio-economic programmes directly and indirectly. The Company is committed to improving the ecology and the environment.

Acknowledgments

I take this opportunity, to express my thanks to all the shareholders for their continued trust in the Board of Directors and the Management of the Company. On behalf of the Company, I would like to also thank all our customers, dealers, suppliers and other business associates for their support and co-operation without which the success of the past 25 years would not have been possible. The Company has been fortunate to have had enlightened leaders and committed and competent employees.

I look forward to your continued support in the Company's exciting journey into the future.

I would like to place on record our great appreciation to our stakeholders for their valued guidance and support in imparting further dynamism to the growth of the Company. Some of the steps initiated during the year will take the Company to a different league. I would also like to thank my colleagues on the Board for their support and guidance. I sincerely appreciate the collective efforts of the entire management team for working tirelessly to realize



the corporate agenda, meeting stakeholders' aspirations and continuing the growth and success story of the Company. I am confident that the Management team will continue to strive hard to meet the corporate objectives and growth of the Company and wealth creation for the shareholders. I also convey my deep gratitude to our customers, suppliers, regulatory authorities and all others associated with the Company.

My hearty appreciation is also due to the employees of the Company at all levels for consistent high-level performance, commitment for Company goals and for their team effort.

My speech would not be complete without thanking you - our shareholders - for the immense confidence you have reposed in the Company. I look forward to your support in the years to come.

Our Company is built over a period of about three decades and gains strength from transparency, fairness, accountability and merit based professional environment. I wish to reassure you that no efforts will be spared to maintain the growth momentum in future.

I would, however, like to sound a note of caution here. The global economic environment is highly uncertain. Though there is no specter of inflation or stagflation looming on the horizon and furthermore there is no political uncertainty, yet your Company may be impacted and upset forecasts and expectations to some extent on account of reasons beyond the control of your Management. My statement about the future prospects of the Company must be viewed against this background.

Some of the major on-going projects being executed by your Company are as under:

1. Installation and Commissioning of Track Work (31.30 kms) of Phase-II-Part I Corridor, Yamuna Depot and Workshop of Delhi Metro.
2. Offshore Design, Manufacture and Supply of AFC Equipment and Spare for 41 Stations of Phase II including Central System for Phase II (BS 22A) and Local Supplies, Installation, Testing and Commissioning of AFC System for 19 Stations including Central System for Phase II (BS 22B) and Option (CCHS) for Automatic Fare Collection (AFC) System for Phase II of Delhi Metro.
3. Gauge Conversion of Metre Gauge Single Line to Broad Gauge Railway Line of Villupuram to Mayiladuturai Section (121.78 KMS.) including Electrical Works (OHE & General) Supply and Replacement of Existing Signalling System on Southern Railway awarded by Rail Vikas Nigam Ltd, Delhi.
4. Installation of Signalling for Doubling of Railway Line between Gooty-Pullampet section (151.05 kms) in the state of Andhra Pradesh, in South Central Railway, awarded by Rail Vikas Nigam Ltd., Delhi
5. Construction and Commissioning of new Rail Track, Signalling & Over Head Power Supply Works for Palwal-Bhuteswar 3rd Line (81 KMS.) on North Central Railway awarded by Rail Vikas Nigam Ltd., Delhi
6. Installation and Commissioning of Track work for Delhi Metro Airport Express Line (22.95 kms: both elevated and underground).
7. Installation and Commissioning of Signalling and Telecommunication facilities at NTPC, Kahalgaon for their Thermal Power project.
8. Installation and Commissioning of Signalling system at Kota and Bhopal Division of West Central Railway.
9. Installation and Commissioning of Railway Siding at APCPL plant (IGSTPP) at Jhajjar, Haryana

Thank you,

sd/-

R. D. Sharma

Chairman cum Managing Director

Notice

To the Members of KALINDEE RAIL NIRMAN (ENGINEERS) LIMITED :

Notice is hereby given that the 25th Annual General Meeting of the Members of Kalindee Rail Nirman (Engineers) Limited will be held at Royal Garden, G T Karnal Road, Mukhmel Pur Bandh, Near Hanuman Mandir, Alipur, Delhi 110 036 on 30th September, 2009 at 11.00 A.M. to transact the following business :

Ordinary Business

1. To receive, consider and adopt the Audited Annual Accounts of the Company for the year ended March 31, 2009 and the report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Arvind Gemini who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. N. K. Singh who retires by rotation and being eligible offers himself for re-appointment.
4. To declare dividend on equity shares, if any.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting and to fix their remuneration.

Special Business:

6. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Section 257 and other applicable, if any, of the Companies Act, 1956, Mr. Kamal Kishore Agarwal, who was appointed as Additional Director of the Company during the year, and whose term of office will expire u/s 260 of the Companies Act, 1956 on the date of ensuing Annual General Meeting, and in respect of whom the Company has received special notice in writing alongwith prescribed deposit from member proposing his candidature for the office of Director under section 257 of the Act, be and is hereby appointed as Director of the Company, liable to retire by rotation.

For and on behalf of the Board

sd/-

R. D. Sharma

Chairman cum Managing Director

Place : Gurgaon

Date : September 3, 2009