



26th Annual Report
2009-10



Setting Benchmark in
**Infrastructure
Development**

KALINDEE RAIL NIRMAN (ENGINEERS) LIMITED



Annual Report 2009-10

KALINDEE RAIL NIRMAN (ENGINEERS) LIMITED

Contents

Chairman's message	5
Notice of Annual General Meeting	9
Directors' Report to the Shareholders	16
Report on Corporate Governance	25
Management Discussion & Analysis Report	34
CEO/CFO Certification	41
Auditors' Report on Corporate Governance	42
Auditors' Report	43
Balance Sheet	48
Profit & Loss Account	49
Schedules to the Accounts (Schedule No. 1 to 14)	50
Notes to the Financial Statements (Schedule No. 15)	58
Balance Sheet Abstract	64
Cash Flow Statement	65
Bank Mandate	66
Proxy Form	67
Attendance Slip	68



Board of Directors

Mr. R. D. Sharma, Chairman cum Managing Director
Mr. Arvind Gemini, Whole-time Director
Dr. Niraj Kumar Singh, Director
Mr. Suresh Kumar 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

Royal Bank of Scotland N.V.

"Hansalaya Building", 15, Barakhamba Road,
New Delhi - 110 001

HDFC Bank Ltd.

26, Kailash Building, K.G.Marg,
New Delhi - 110 001

Auditors

Amit Goyal & Co.
Chartered Accountants,
A-8, II Floor, Ganpati Enclave,
Ajmer Road, Jaipur - 302 005

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

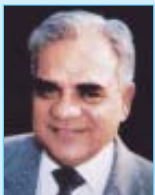
Our Board of Directors



R. D. Sharma, Chairman cum Managing Director, is the founder of this company. His phenomenal entrepreneurship and vision have been the key factors for all-round growth of this company. Company has made rapid strides and diversified into many high technology areas under his leadership. Socially he is very active and has helped many in need. He is well known at all levels in Indian Railways and other Industrial circles. India Today magazine has covered his contribution to Nation Building efforts among 40 reputed leaders from different fields. He has been conferred with national and social awards.



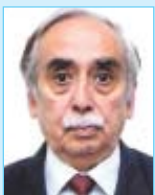
Arvind Gemini, Whole time Director of the company, is an Electrical Engineer, having 20 years of business experience including 16 years in management of Railway projects. He is in the overall in-charge of Administration, Business Development, Project Monitoring and Finance. His business acumen has enabled the company to grow its business significantly. He has been instrumental in getting new business in high technology areas. He has successfully piloted execution of many projects in such high technology areas. He has contributed significantly in directing the company finances to a strong and sound position.



Suresh Kumar Khanna, Director, is a former Member (Electrical) of Railway Board (Ministry of Railways) where he looked after monitoring and planning of the working of Electrical and Signal & Telecommunication Departments of Indian Railways. He is technically sound and has expert knowledge of management of Railways. He has held various important posts in Indian Railways in Executive and Administrative capacity. He has brought his expertise and knowledge forward to help Kalindee plan for business growth.



Neeraj Kumar Singh, Director, has rich experience of Corporate Management. A significant 26 years extensive and varied experience of Board Level Corporate Management, Corporate Finance, Corporate Restructuring, Mergers & Acquisition, International & Domestic Trade in diversified fields, Liaison & Marketing for Foreign Companies in India. His guidance has been of immense help in guiding corporate affairs of the Company. His academic career includes Ph.D. (Political Science), M.A. (Public Administration) & B.Sc.



Shanti Narain, Director, is a former Member (Transportation) of Railway Board (Ministry of Railways). He has 38 years of experience of managing Operating and Commercial Departments of Indian Railways at all levels of hierarchy including the Apex level. He has thorough knowledge and expertise in working of Railways. He has rich experience of corporate management. He is associated with NTPC and Visa Steel where he is an Independent Director. He is also a Consultant to Asian Development Bank and Government of Bangladesh for reforms and restructuring program for Bangladesh Railways.



K. K. Agrawal, Director, has 37 years of long and wide experience of working in Indian Railways in various capacities of administrative, technical and management functions. He is a former Member (Transportation) of Railway Board (Ministry of Railways). As a Railway Board member his duties involved monitoring and guiding Commercial and Operational, Safety and Strategic Planning activities for entire network of Indian Railways. His association has been very beneficial to Kalindee in planning their activities for building Railway Infrastructure.



Chairman's Message



Dear Members

It is indeed a matter of great pleasure that we are here again to deliberate the performance of your Company. I on myself and on behalf of other Directors and Management of the company would like to welcome all of you at the 26th 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.

The suddenness and severity of the global financial crisis caught everybody by surprise. We, in India, had hoped that the inherent strength and momentum of our rapidly growing economy would insulate us from the global ills. Almost every sector suffered from the adverse impact of this crisis and the Infrastructure industry was no exception. Demand, which had stayed flat the year before, fell quite precipitously. The Government, realising the seriousness of the situation, acted with several stimulus packages. Although the resultant impact was not immediate and quite effective, it did however go a long way in fostering positive sentiments and bane of recession though impacted but didn't have killing effect.

The economy going forward

The economic revival have started to emerge and the world appears less pessimistic about the coming months. The resounding verdict of the people of India has paved the way for a strong government at the Centre and the resultant political stability can only augur well. The basic strategy and framework are in place to resume the march of the Indian economy on its high growth track.

Recovery in the global economy picked up momentum in the fourth quarter of the calendar year 2009 as a result of the coordinated efforts of Governments across the world which pumped in massive amounts of liquidity to prop up the financial markets whose failure resulted in putting the real sector into a downward spiral. The coordinated policy actions such as successive interest rate cuts, lower reserve requirements and large fiscal stimulus packages had their desired impact and put the world economy back on the path of recovery.

Outlook for 2011:

The IMF expects world output to expand by 4.3% in 2011 whereas the World Bank has estimated growth outlook of 4% for the world economy when aggregated using purchasing power parity weights.

The Indian Scenario:

As a result of the strong regulatory framework and the well-managed banking system, the resilience shown by Indian financial markets in the period of turmoil was impressive. The impact of the global crisis that originated in the US was less severe in India, as compared to the other emerging economies. The Indian economy has resumed its growth path with the improvements in overall sentiments.

The spring in the economy was appropriately reflected in the performance of sensex which rose from 9901.99 as on April 1, 2009 to 17,527.77 as on March 31, 2010, a rise of 77% during the year.

Domestic demand continued to play a critical role in India, insulating the economy to a large extent from the global turbulence.

Outlook for the 2010-11:

The Reserve Bank of India has projected that the economy would grow at 8% to 9% with upward bias under the assumption of a normal monsoon and sustenance of good performance of the industrial and services sectors on the back of rising domestic and external demand.

However, following risks to the growth estimates have been identified by the RBI:-

- Private Consumption demand needs to improve significantly to support the growth momentum
- The exit from the fiscal stimulus and the growth supportive monetary policy, unless calibrated carefully, could impact the growth process.
- The decline in domestic saving rate led by significant decline in public sector savings could have adverse implications for the potential growth of the economy.

Your Company has responded swiftly to the challenges in the economic environment. In spite of the difficult environment prevailing for a significant part of the year, your company did not restructure any of the loan accounts during the year.

Performance

In terms of expansion wise 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 state of affairs was recession which has affected every company considerably. The expansion plans lined up/earmarked in last FY could not see the light of day, yet your Directors are quite hopeful now that in time to come your company would definitely meet the market expectations.

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.

In furthering growth through partnership, your company is not behind in thinking on the lines of joining hands with its peers/competitors as well so as to realise the long-nurtured ambition of offering a full spectrum of Technology, Infrastructure and Engineering sector. The proposition of strategic partnership would enable the company to benefit from the combined strengths of the intended partners: Kalindee's work competitiveness, core engineering capabilities and an established network, combined with its counterparts' capabilities.

The last two years have seen unprecedented internal capability building in the area of product development. Legislative mandates and changing market preferences have resulted in new technology introductions at increasing frequencies. There is a perceivable shift in the market in its preference for technology with special focus on environment as well. This brings into focus opportunities in innovative technology.

To cope with this and to attain self-reliance in technology management, there has been a significant step-up in the emphasis on technical development. Major additions have been made in the infrastructure for testing, validation, virtual work and other product development processes. Equally significant, the process of technical development is constantly being fine-tuned to meet legal and market requirements. By adopting global product development and sophisticated practices, the Company has greatly enhanced its capabilities to grow in global markets.

Our consistent performance and growth is a testimony to the strengths of our business model. In order that we sustain this growth and harness the opportunities available, we have a well-oiled mechanism with people, systems



and processes. These initiatives will help us in countering adversity in the external operating environment and remain competitive in spite of the shift in the interest rate scenario from time to time.

However, we have a long way to go. The Indian economy is expected to continue to grow at a rapid pace in the coming years. In order to sustain the growth the country would need large-scale private capital formation in the areas of industrial and infrastructure. This is expected to create additional demand for infrastructure projects and we are poised to encash the opportunities that come our way.

The year 2009-10 was important for Kalindee. The entire world was making effort to come out of the recession. We made reasonable progress in stabilising our customer base and enhancing our performance in making the growth sustainable for future years. Most significantly, we continued to effectively execute our business plan and targets well, creating value for our customers and you, our shareholders.

We would continue to build on our strengths by leveraging our relationships with large and emerging corporates for multiple revenue streams.

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.

Our endeavour has always been to build a sustainable and scalable business. We will continue to strive to become an effective catalyst for growth. We are equally committed to increasing shareholder value and be a responsible corporate entity. I seek your support and encouragement in this journey.

Business Outlook

Your company is continuously looking for opportunities for de-bottlenecking its operations and logistics chain to optimize the production, including constructing railway sidings. The efforts to control cost by introduction of cost effective machinery, equipment and barges is continuously on.

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. 10.74 crores, has also supported various socio-economic programmes directly and indirectly.

The Company is committed to improving the ecology and the environment.

We practice sustainability within the framework of well defined governance structures and policies and with the demonstrated commitment of our Management and employees. We aim not only to minimise damage to the environment from our projects but to make a net positive impact on the environment wherever we work.

Acknowledgment

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 two and half 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. 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.
2. 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.
3. 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
4. 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
5. Installation and Commissioning of Track work for Delhi Metro Airport Express Line (22.95 kms: both elevated and underground).
6. Installation and Commissioning of Signalling and Telecommunication facilities at NTPC, Kahalgaon for their Thermal Power project.
7. Installation and Commissioning of Signalling system at Kota and Bhopal Division of West Central Railway.
8. Installation and Commissioning of Railway Siding at APCPL plant (IGSTPP) at Jhajjar, Haryana
9. IRCON: Jammu & Kashmir Rail-Installation and Commissioning of Balastless Track in various tunnels.
10. NALCO: Provision of Signalling and Telecommunication System in connection with addition and modification of Rail Transport System at Angul.

Thank you,

sd/-

R. D. Sharma
Chairman cum Managing Director