

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RITES LIMITED

REPORT ON STANDALONE IND AS FINANCIAL STATEMENTS

We have audited the accompanying standalone Ind AS financial statements of **RITES LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2018, the Statement of Profit and Loss (including other comprehensive income), the Statement of Cash Flows and the Statement of Changes in Equity for the year ended 31st March, 2018, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "standalone Ind AS financial statements"), in which are incorporated accounts of two Branch/ Regional Office (consisting of Project and Inspection offices) audited by us and three Branch / Regional Offices (consisting of Project and Inspection Offices) audited by Branch Auditors appointed by the Comptroller and Auditor General of India, New Delhi and we have relied on the same. The Head Office accounts include transactions relating to overseas assignments, which have been incorporated on the basis of periodical statement of expenditure supported by bills received from there. In respect of joint operations in India, the company has incorporated their proportionate shares of income and expenditure in the said joint operations. The gross income and gross expenditure so incorporated amounts to ₹ 2.63 crore and ₹ 2.46 crore respectively, which have resulted into a net profit before tax of ₹ 0.39 crore and a net profit after tax of ₹ 0.17 crore, related to joint operations. We cannot comment on such figures as the same are audited by other auditors.

MANAGEMENT'S RESPONSIBILITY FOR THE STANDALONE FINANCIAL STATEMENTS

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Standalone Ind AS financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Standalone Ind AS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Standalone Ind AS financial statements.

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India (Including the Ind AS), of the financial position of the company as at 31st March 2018, and its financial performance including other comprehensive income its cash flows and the changes in the equity for the year ended on that date.

EMPHASIS OF MATTER

Refer Note No. 2.50 of notes to accounts of standalone financial statement, consequent upon the decision of Government of India to disinvest 2.52 Crores Shares of the Company, Shares of the Company were listed on NSE and BSE on 2nd July, 2018 and the proceeds have been realized by Government of India.

Our opinion is not modified in respect of this matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

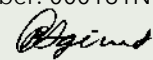
1. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub section (11) of section 143 of the Act, (hereinafter referred to as the "the Order"), we give in the Annexure 'I' a statement on the matters specified in paragraphs 3 and 4 of the order to the extent applicable.
2. In terms of sub section (5) of section 143 of the Act, we give in the Annexure 'II' a statement on the directions issued under the aforesaid section by the Comptroller and Auditor General of India.
3. As required by Section 143 (3) of the Act, we report that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c. The balance Sheet, the Statement of Profit and Loss, the Statement of Cash Flows and the Statement of changes in equity dealt with by this report are in agreement with the books of account;
 - d. In our opinion, aforesaid standalone Ind AS financial statements comply with the accounting standards referred to in section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014;
 - e. In view of exemption given vide notification no. G.S.R. 463(E) dated 5th June, 2015, issued by Ministry of Corporate Affairs, provisions of Section 164(2) of the Act regarding disqualifications of Directors, are not applicable to the Company;
 - f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in the Annexure 'III'; and
 - g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to best of our information and according to the explanation given to us:
 - i. The company has disclosed the impact of pending litigation as at 31st March, 2018 on its financial position in its standalone Ind AS financial statements, Refer para no. 2.44.2 of notes to accounts of standalone Ind AS financial statements.

- ii. The company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses.
- iii. There were no amounts which were required to be transferred, to the Investor Education and Protection Fund by the Company.

For Agiwal & Associates

Chartered Accountants

Firm's registration number: 000181N


P. C. Agiwal

Partner

Place: New Delhi

Date: 30 July, 2018

Membership number: 080475

ANNEXURES TO INDEPENDENT AUDITOR'S REPORTS

Annexure: I

Referred to in paragraph 1 of report on other legal and regulatory requirement's paragraph of our report on even date on the standalone Ind AS financial statement as of and for the year ended 31st March, 2018, we report that:

- i. In respect of fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
 - (b) The fixed assets of the Company have been physically verified by the Management during the year and no material discrepancies have been noticed on such verification. In our opinion, the frequency of verification is reasonable having regard to the size of the company and nature of its assets.
 - (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds/ lease deeds of immovable properties are held in the name of the Company except 4 nos. of leasehold buildings where lease deeds are pending for execution (Refer para no. 2.59 of Notes to Accounts of the standalone Ind AS financial statements). Gross block and net block of above said properties are as under:

S. No.	Particulars	Gross Block as on 31.03.2018 (₹ in crore)	Net Block as on 31.03.2018 (₹ in crore)
1	Office building at Central Metro Railway Building, 56, C.R. Avenue, Kolkata	3.46	1.43
2	Physical testing laboratory at 52 A&B, C.R. Avenue, Kolkata	1.24	0.50
3	Office building at DLF Cybercity, Bhubaneshwar	5.64	5.54
4	Wazirpur Northern Railway Colony, Delhi *	5.91	Nil

* The lease period was expired in the month of March-2015. The extension of lease has been sought from Northern Railway and the same is under consideration.

ii. In respect of inventory:

- (a) The inventory has been physically verified by the Management during the year. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. No discrepancy has been noticed on physical verification of inventory as compared to records.

iii. In respect of loans :-

The Company had granted unsecured loan to SAIL-RITES Bengal Wagon Industry Pvt. Ltd. (SRBW IPL), a joint venture company during 2016-17. Such loan is listed in the register maintained under Section 189 of the Act.

- (a) In the opinion of Management the terms and conditions of such loans are not prejudicial to the company's interest.
- (b) The Company has granted a moratorium period of 30 Months, with respect to Principal and Interest, for loan granted to SAIL-RITES Bengal Wagon Industry Pvt. Ltd. (SRBW IPL).
- (c) Since the Company has granted a moratorium period of 30 Months, with respect to Principal and Interest, for loan granted to SAIL-RITES Bengal Wagon Industry Pvt. Ltd. (SRBW IPL), no amount was overdue for more than 90 days.

iv. In our opinion and according to the information and explanations given to us, Company has complied with the provisions of section 185 and 186 of the Act, with respect to the loans, investment, guarantees and security, and a loan of ₹ 4.75 crores (including interest of ₹ 1.06 crores) was given to REMCL a subsidiary company which has been squared off during the year, the said loan is exempted as company is engaged in providing services related to infrastructural activities as covered in Schedule-VI of Companies Act, 2013 and the same is confirmed by the management.

- v. According to the information and explanations given to us, Company has not accepted any deposits in terms of directives issued by Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act and the rules framed there under.
- vi. Cost Records under section 148(1) of the Companies Act, 2013 are not required to be maintained by the Company.
- vii. According to information and explanations given to us and on the basis of the examination of the records of the company:

- (a) The Company has generally been regular in depositing the amount deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Income Tax, Sales Tax, Value Added Tax, duty of customs, Service Tax, GST, cess and other material statutory dues, wherever applicable, during the year with the appropriate authorities. As explained to us, the company did not have any dues on account of employees' state insurance and duty of excise.
- (b) The company has no undisputed arrears of statutory dues outstanding as at 31st March 2018 for a period of more than six months from the date they become payable.
- (c) The company has no statutory dues in respect of Income tax/Sales Tax/Service Tax/Custom Duty/Excise Duty/Value Added Tax/GST outstanding as on 31st March, 2018, which have not been deposited with the appropriate authorities on account of any dispute except the followings:

Name of the statute	Nature of dues	Amount (in ₹)	Period to which the amount relates	Forum where dispute is pending
APVAT	Arrears of Sales Tax	47,59,839	01.04.2014 to 30.11.2015	Commissioner of Commercial Tax, Hyderabad
West Bengal VAT	Demand of VAT	1,32,00,000	01.04.2015 to 30.06.2016	Jt. Commissioner of Commercial Tax, CAU-1, Beliaghat
Service Tax	Service Tax on Railway Siding undertaken for DVC/NTPC under deposit work	82,27,850	01.09.2012 to 31.12.2016	CGST (A)
Income Tax	Departmental Default in 27Q of Q4 for FY 2016-17	1,52,060	01.01.2017 to 31.03.2018	ACIT(TDS), Laxmi Nagar
Income Tax	Departmental Default in 27Q of Q4 for FY 2017-18	57,700	01.04.2018 to 30.06.2018	ACIT(TDS), Laxmi Nagar
Income Tax	Interest on Late Deposit of TDS in Chennai	23,610	2008-09 to 2016-17	TDS CPC, Ghaziabad
ESIC Act	ESI Contribution	2,69,035*	2012-13 & 2013-14	ESIC-Appellate Authority

* Amount paid on 12th July, 2018 in compliance with the directions given by appellate authority.

- viii. The Company does not have any loans or borrowings from any financial institution, banks, government or debenture holders during the year.
- ix. The Company did not raise any money by way of initial offer or further public offer (including debt instruments) and term loans during the year. *However consequent upon the decision of Government of India to disinvest 2.52 Crores Shares of the Company, Shares of the Company were listed on NSE and BSE on 2nd July, 2018 and the proceeds have been realized by Government of India.*

- x. According to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
- xi. In view of exemption given vide notification no. G.S.R. 463(E) dated 5th June, 2015, issued by Ministry of Corporate Affairs, provisions of Section 197 read with Schedule V of the Act regarding managerial remuneration are not applicable to the Company.
- xii. In our opinion and according to the information and explanations given to us, Company is not a Nidhi company.
- xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the standalone Ind AS financial statements as required by the applicable accounting standards.
- xiv. According to the information and explanations given to us and based on our examination of the records of the Company, Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- xv. According to the information and explanations given to us and based on our examination of the records of the Company, Company has not entered into non-cash transactions with directors or persons connected with him.
- xvi. Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

For Agiwal & Associates

Chartered Accountants

Firm's registration number: 000181N



P. C. Agiwal

Partner

Place: New Delhi

Date: 30 July, 2018

Membership number: 080475

ANNEXURES TO INDEPENDENT AUDITOR'S REPORTS

Annexure: II

Report on the Directions issued by the Comptroller and Auditor General of India under Sub-section 5 of Section 143 of the Companies Act, 2013 ("the Act")

Referred to in our Independent Auditors' Report on the Standalone Ind AS financial statements for the year ended 31st March, 2018, we report that:

Based on the verification of Records of the Company and information and explanations given to us, we report that:

- a) The title deeds/lease deeds of immovable properties are held in the name of the Company except 4 nos. of leasehold building where lease deeds are pending for execution (Refer para no. 2.59 of notes to accounts of the standalone Ind AS financial statements). Location

and Area of above said properties are as under:

S. No.	Location	Area
1	Office building at Central Metro Railway Building, 56, C.R. Avenue, Kolkata	1200 sqm
2	Physical testing laboratory at 52 A&B, C.R. Avenue, Kolkata	314 sqm
3	Office building at DLF Cybercity, Bhubaneswar	1290.48 sqm
4	Wazirpur Northern Railway Colony, Delhi*	12075.84 sqm

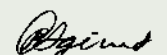
* The lease period was expired in the month of March-2015. The extension of lease has been sought from Northern Railway and the same is under consideration.

- b) There are no cases of waiver/write off of debts, loans/ interest etc. other than Bad Debts of ₹ 1.77 crore written off during the year, which have arisen on account of normal business practice.
- c) Company has maintained adequate records in respect of inventories lying with third parties. No assets have been received by the Company as gift from Government or other authorities.

For Agiwal & Associates

Chartered Accountants

Firm's registration number: 000181N



P. C. Agiwal

Partner

Place: New Delhi

Date: 30 July, 2018

Membership number: 080475

ANNEXURES TO INDEPENDENT AUDITOR'S REPORTS

Annexure: III

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

Referred to in our Independent Auditors' Report on the Standalone Ind AS financial statements for the year ended 31st March, 2018, we report that:

We have audited the internal financial controls over financial reporting of RITES Limited ("the Company") as of 31 March 2018 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities

include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting

and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Agiwal & Associates

Chartered Accountants
Firm's registration number: 000181N


P. C. Agiwal
Partner

Place: New Delhi
Date: 30 July, 2018

Membership number: 080475