



CHAIRMAN & MANAGING DIRECTOR'S MESSAGE

“The confidence posed in the company by the investors will be a great source of motivation for all of us to excel further in times to come.”

Dear Shareholders,

It gives me immense pleasure to present before you the Annual Report of your company for the financial year 2017-18. This has been an year of transition for RITES during which we not only maintained business growth, profitability and order book consolidation but also successfully completed exercise for listing of the company through part disinvestment of holding by Government of India.

Your Company has maintained its distinct brand name over the last 44 years in India and abroad, while serving different infrastructure sectors and diversified geographical locations.

Listing with Stock Exchanges

The initial public offer in June 2018, to disinvest 12.6% stake of Government of India received very encouraging response from the investors. The issue received over 13 lakh applications and was over-subscribed about 67 times as per the bid book of BSE and NSE. This indicates deep trust and confidence of investors your company enjoys. The Company's equity shares were listed on BSE Limited and National Stock Exchange of India Limited on 2nd July, 2018. The confidence posed in the company by the investors will be a great source of motivation for all of us to excel further in times to come.

Financial Highlights

I am pleased to inform that during FY 2017-18, your Company achieved its highest ever standalone Turnover and Profit After Tax of ₹ 1603 crore and ₹ 337 crore respectively as compared to previous year's standalone Turnover of ₹ 1507 crore and Profit After Tax of ₹ 331 crore respectively, showing an increase of 6.4% in total revenue and 1.8% in PAT.

On Consolidated Accounts basis, the total revenue was ₹ 1,667 crore in FY 2017-18 as compared to ₹ 1,561 crore in FY 2016-17, recording an increase of 6.8%. The consolidated PAT in FY 2017-18 was ₹ 363 crore as compared to ₹ 337 crore in FY 2016-17, showing an increase of 7.8%. In the FY 2017-18, growth was predominantly driven by consultancy income which was ₹ 1,015 crore as compared to ₹ 833 crore in FY 2016-17, registering a growth of 22%. Revenue from turnkey construction projects has increased by ₹ 116 crore to ₹ 147 crore in FY 2017-18 as compared to ₹ 31 crore in FY 2016-17.

Your company achieved these results despite severe competition from domestic and foreign consultancy companies.

REMCL - Subsidiary of RITES

RITES subsidiary company REMCL has also reported excellent performance in FY 2017-18. Its turnover increased to ₹ 69 crore in FY 2017-18 as compared to ₹ 58 crore in FY 2016-17. PAT of REMCL has increased to ₹ 30 crore in FY 2017-18 from ₹ 18 crore in FY 2016-17, registering a growth of 72%. The company has successfully facilitated procurement of power for Indian Railways for 1160 MW. The company successfully awarded 120 MW of solar roof top projects for zonal railways. Mandate has been received from Indian Railways for 323 MW of solar roof projects and 450 MW of solar ground mounted projects.

Dividend

The growth in the business & excellent financial results have prompted your Directors to recommend a final dividend of ₹ 40 crore for FY 2017-18. This is in addition to interim dividend of ₹ 70 crore which was

paid in January 2018 to the esteemed shareholders.

Order Book

Your Company has ended FY 2017-18 with its highest ever order book of ₹ 4,818 crore. In view of the healthy order book and huge investments taking place in infrastructure projects in India, I am confident that the accelerated growth of your company will continue in years to come. This increase was due to orders flowing in from various infrastructure projects in railways, metros, airports, exports and loco leasing segments. The focus of the management would be to ensure timely execution of these orders with quality standards and complete client satisfaction.

New Tax Regime

The FY 2017-18 also marked the introduction of Goods and Service Tax (GST), which is considered as the biggest tax reform so far. Your company was able to ensure a smooth transition into the new tax regime and also coordinated proactively with its business partners and clients on these matters.

Outlook

Your company has been able to consistently achieve "Excellent" rating in its performance evaluation under Memorandum of Understanding (MOU) by Department of Public enterprises. With the performance in FY 2017-18, your company has become eligible to be rated as "Excellent" for the FY 2017-18 also.

Keeping in view the sectoral investment scenario and the orders in hand, your company has signed MOU with the Government of India for setting performance target for excellent rating showing 22% growth in FY 2017-18 over FY 2016-17. I am confident that my team at RITES would scale up the efforts and ensure that we achieve such enhanced performance targets.

The audited accounts of the Company for the FY 2017-18 along with the Directors' Report, Report of Auditors and Comments of Comptroller and Auditor General of India have already been circulated to you and with your permission, I take them as read.

Transport Infrastructure and RITES

The key infrastructure sectors where your company is actively working in India and abroad are seeing increasing investments from Government and private sector.

In India, the capital expenditure in projects in railways, highways, metros, airports, ports have been getting 20-30% increase in budget allocation for investments on year on year basis since last 3-4 years. In addition, Govt. of India has identified specific goals/targets for 75th year of independence

to set up a modern and efficient transport system through its New India 2022 development agenda, with key emphasis on railways, roads, urban transportation and airports.

Also, in several countries where we pursue business interests, there is increased attention to expand rail network, establish Light Rail System (metro rail) to enhance suburbs connectivity with cities and acquire new rolling stock. We are participating in such business opportunities wherever possible. Such investment scenario opens up possibilities of higher growth in the years to come.

Your company has further strengthened its leading position in providing comprehensive consultancy to railway sector in India. Apart from feasibility studies, integrated design services, institutional management and technical support services, your company has shown significant growth in its quality assurance business.

Your company continues to maintain its growth in the highway, metro rail and airport sectors, despite stiff competition. Several new projects for airports Project Management Consultancy have been received during the year. With 44 locomotives, business of offering shunting locomotives on wet lease including operation & maintenance continued to be well received by domestic Non- Railway clients.

Select Domestic Projects

Your Company continues to follow a path of systematic and professional operations, resulting in preserving its position as a premier transport consultancy organization in India and abroad. During the year, the company was engaged in a number of prestigious domestic projects, which included High Speed Passenger Corridor between Ahmedabad - Mumbai; and Dedicated Freight Corridor between Dadri-JNPT Mumbai, railway construction projects of doubling, 3rd line, electrification and upgradation of workshops on EPC/turnkey basis, General Consultancy work for Metro rail projects for Ahmedabad, Nagpur, Pune and DPR for Kochi, Patna, Gauhati, Kanpur, Varanasi, Agra, Lucknow and Chennai etc; design of 4940 metres long rail-cum-road bridge, a fully welded composite structure over River Brahmaputra in Bogibeel near Dibrugarh, Assam; upgradation of 1132 km national highway under Bharatmala project in 4 states; Integrated Check Post (ICP) at Jogbani on Nepal Border and at Moreh on Myanmar Border and airport at Khushinagar (UP).

Select Foreign Projects

Your company was also engaged in technical services for Metro project in Mauritius, supply of coaches to Bangladesh, supply of Diesel-Electric Multiple Units (DMU) train sets and Broad Gauge

locomotives to Sri Lanka, Metre Gauge locomotives to Myanmar, engineering consultancy for new standard gauge railway line in Gabon, Integrated Check Posts at Biratnagar, Nepal, Road project at Botswana and Guyana etc.

Corporate Governance

Your company consistently endeavors to adopt and maintain the highest standards of ethics in all spheres of business activities. Your company is implementing the percepts of Corporate Governance in letter and spirit. Your company accords highest importance to transparency, accountability and equity in all facets of its operations.

With emphasis on transparency, several initiatives were implemented during the year. All details related to vacancies, recruitments, e-procurements & tenders, policies & procedures for use by employees, employees' service portals, inspection calls registration and status etc. have been made accessible online. Online Grievance registration has been made effective.

Contribution to Govt. of India Initiatives

RITES has always been proactively supporting the Government of India initiatives by formulating its business or governance objectives in line with the Govt. of India plans.

Make in India

In line with 'Make in India' initiative, our joint venture company with SAIL, SRBWIP (SAIL RITES Bengal Wagon India Pvt Ltd.) has been established and the company has started manufacturing and rehabilitation of wagons at its works at Kulti, West Bengal.

Skill India Mission

In line with "Skill India Mission" initiative, to create convergence across sectors and states in terms of skill training, your company has provided training to 135 apprentices in the non-technical and non-engineering categories during FY 2017-18, in all the sectors of operation of RITES viz. Railway Equipment Services, Highways & Ports, Bridges & Airports, Electrical and S&T projects.

Digital India

In line with the Digital India initiative and to enhance transparency, improve efficiency of our operations, several key initiatives have been implemented which include companywide SAP based Enterprise Resource Planning (ERP); e-procurement for works, goods and services; mobile app for third party inspection services, Employee Self Service (ESS) portals and online grievance handling and monitoring etc.

Corporate Social Responsibility

Your company understands its responsibility towards society and adopted a "Corporate Social Responsibility and Sustainability policy" to show its commitment towards operating in economically, socially and environmentally sustainable manner. As a responsible corporate citizen, your Company has spent ₹ 9.9 crore on various CSR activities during the year 2017-18.

Acknowledgment

I express my gratitude to our esteemed Shareholders, my colleagues on the Board of Directors and to the Chairman, Members and Officers of the Railway Board, for their valuable support, advice and co-operation. We are particularly grateful to the Ministries of Railways, Road, Transport and Highways, Commerce, Finance, External Affairs and Urban Development, Health and other Ministries and to the Indian Embassies and Missions abroad, to the Foreign Mission and Embassies in India and Exim Bank and other Bankers of the company for their valuable support and guidance to the Company. Your continued support and unstinted confidence inspires us in all our endeavors for excellence.

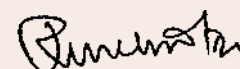
I would like to express my sincere and heartiest thanks to Department of Investment and Public Asset Management (DIPAM), Security and Exchange Board of India (SEBI), Stock Exchanges, i.e. National Stock Exchange of India Ltd. and BSE Ltd. and Registrar of Companies (ROC) for their guidance and support throughout the IPO process.

Special mention is warranted for the tireless efforts of RITES team of officers and staff for their performance and enduring contribution in bringing the Company to such a height. Powered by the talent of our people and vesting reaffirmed faith in the resilience of our business model, we look forward to overcoming any challenges that may lie ahead.

We are indebted to our loyal set of clients who have been a constant source of inspiration for us to provide them value added services. Their continued support has sustained our excellent performance through the years.

I am confident that with its sustainable track record and global reputation, your company will achieve new heights of success by effectively harnessing the host of opportunities and business that can be expected in the coming times.

Best regards,



(Rajeev Mehrotra)
Chairman & Managing
Director and Chief
Executive Officer

Dated: 16th August, 2018