

INDEPENDENT AUDITORS' REPORT

To

The Members

Rail Vikas Nigam Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of **Rail Vikas Nigam Limited ("the Company")**, which comprise the Balance Sheet as at March 31, 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the Standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, the profit and total comprehensive income, changes in equity and its cash flow for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing (SAs) specified under section 143 (10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Companies Act, 2013 and the Rules there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the standalone financial statements.

Emphasis of Matter (EOM)

- Without qualifying our report attention is invited to note no. 10.1(i) and 10.6 of Standalone Ind As financial statement Trade Receivable from Related Party. RVNL receives advance payment from SPVs for incurring expenditures on their projects. However, in case of Krishnapatnam Railway Company Limited, RVNL is incurring project expenditures on a regular basis but insignificant amount is being received from Krishnapatnam Railway Company Limited as advance payment. During the financial year 2019-20, **RVNL has incurred project expenditures amounting to ₹13927.97 lacs on Krishnapatnam Railway Company Limited (KRCL). KRCL has not paid the amount dues due to some dispute and Trade Receivable from Krishnapatnam Railway Company Limited as on 31st March, 2020 is ₹83398.02 lacs and Interest Receivables amount of ₹31037.40 lacs i.e. total Receivable from Krishnapatnam Railways Company Limited amounting to ₹114435.42 Lacs.**
- Without qualifying our report attention is invited to **Note No. 12(a)** regarding **Advance to Zonal Railways, Advance to Sleepers, Utility Advance and Advance Released for Supply of Rail**. No balance confirmation has been received relating to Advance to Zonal Railways, Advance to Sleepers, Utility Advance and Advance Released for Supply of Rail of ₹56,648.76 lacs, ₹11,935.51 lacs, ₹38,070.72 lacs and ₹3,987.56 lacs as on 31st March, 2020.
- Without qualifying our report attention is invited to **Note No. 6.1** regarding, The financial statements include investment in Bharuch Dahej Railway Company Limited (BDRCL), Kutch Railway Company Limited (KRCL) & Haridaspur Paradip Railway Company Limited (HPRCL), jointly controlled entities based on its unaudited financial statements as approved by Board of the companies.

- Without qualifying our report attention is invited to **Note No. 52** regarding the impact arising from the Covid-19 pandemic.

Our Report is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that in our professional judgment were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	Auditor's Response
<p><u>Recognition, measurement, estimation, presentation and disclosures in respect of "Revenue from contracts with Customers" under Ind AS 115</u></p> <p>The application of this Ind AS 115 involves certain key judgments, estimation, identification of distinct performance obligations, determination of transaction price, measurement of revenue recognition and disclosures including presentations of balances in the financial statements.</p> <p>Refer Note 49 to the standalone financial statements</p>	<p>We assessed the company's internal process for adoption and evaluating the impact of this Ind AS. Our audit approach consisted design and testing of effectiveness of internal controls and procedures as follows:</p> <p>Evaluated the process of implementation of this Ind AS on revenue recognition and effectiveness of controls over the preparation of information that are designed to ensure the completeness and accuracy.</p> <p>Selected a sample of existing continuing contracts and new contracts, and tested the operating effectiveness of the internal control, relating to identification of the distinct performance obligations and determination of transaction price.</p> <p>Tested the relevant information accounting systems and change relating to contracts and related information used in recording and disclosing revenue and presentation of contract balances and trade receivables in accordance with the Ind AS.</p> <p>We have performed analytical procedure including comparison of the financial information and other related items considering materiality.</p>
<p><u>Assessment and recoverability of Trade Receivables and Contract Assets</u></p> <p>The Company have trade receivables outstanding of ₹83,665.32 lakhs and contract assets of ₹1,57,989.07 lakhs at the end of March 31, 2020</p> <p>These balances are related to revenue recognized in line with Ind AS 115 "Revenue from contracts with customers" for ongoing contracts and completed contracts. The assessment of its recoverability is a key audit matters in the audit due to its size and high level of management judgment</p> <p>Refer Notes 10.1, 12(b) to the consolidated financial statements.</p>	<p><u>Principal Audit Procedures</u></p> <p>We have assessed the Company's internal process to recognize the revenue and review mechanism of trade receivables and contract assets. Our audit approach consisted testing of the design and operating effectiveness of internal controls and procedures as follows:</p> <ul style="list-style-type: none"> Evaluated the process of invoicing, verifications, and reconciliations with customers. Obtained the list of project wise outstanding details and its review mechanism by the management. Reviewed the guidelines and policies of the Company on impairment of trade receivables and contract assets. Tested the accuracy of aging of trade receivables and contract assets at the year end on sample basis. Performed analytical procedures and test of details for reasonableness, recoverability and other related material items.

<p><u>Adoption of Ind As 116</u></p> <p>As described in Note 3.1 to the Standalone financial statements, the Company has adopted Ind AS 116 Leases (Ind AS 116) in the current year. The application and transition to this accounting standard is complex and is an area of focus in our audit since the Company has a number of leases with different contractual terms.</p> <p>Ind AS 116 introduces a new lease accounting model, wherein lessees are required to recognize a right-of-use (ROU) asset and a lease liability arising from a lease on the balance sheet. The lease liabilities are initially measured by discounting future lease payments during the lease term as per the contract/arrangement. Adoption of the standard involves significant judgements and estimates including, determination of the discount rates and the lease term. Additionally, the standard mandates detailed disclosures in respect of transition.</p> <p>Refer Note 3.1 and Note 50 to the Standalone financial statements.</p>	<p>Our audit procedures on adoption of Ind As 116 include:</p> <ul style="list-style-type: none"> • Assessed and tested new processes and controls in respect of the lease accounting standard (Ind As 116); • Assessed the company's evaluation on the identification of leases based on the contractual agreements and our knowledge of the business; • Involved our specialist to evaluate the reasonableness of the discount rate applied in determining the lease liabilities; • Upon transition as at 1st April 2019: • Evaluated the method of transition and related adjustments; • Tested completeness of the lease data by reconciling the company's operating lease commitments to data used in computing ROU Asset and the lease liabilities. • On a statistical sample, we performed the following procedures; • Assessed the key terms and conditions of each lease with the underlying lease contracts; and • Evaluated computation of lease liabilities and challenged the key estimated such as, discount rates and the lease term. • Assessed and tested the presentation and disclosures relating to Ind As 116 including, disclosures relating to transition.
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Information Other than the Standalone Financial Statements and Auditor's Report Thereon

The Company Management is responsible for the preparation of other information. The other information comprises the information included in management analysis, company performance report but does not include the standalone financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Financial Statements

The Management of company is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income and changes in equity (reserves) of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards (Ind AS) prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management of company is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management of company either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

That Management of company are also responsible for overseeing the company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial control system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

However, future events or conditions may cause the company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public

disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

Report on Other Legal and Regulatory Requirements

- (1) As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
- (2) As required by Section 143 (3) of the Act, based on our audit 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 including other comprehensive income and Statement of Changes in Equity (reserves) dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules 2015.
 - (e) Being a Government Company, Section 164(2) of the Companies Act, 2013 regarding 'whether any director is disqualified from being appointed as a director' is not applicable to the Company in view of Notification no. G.S.R. 463(E) dated. 05-06-2015 issued by Ministry of Corporate Affairs.
 - (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 "Annexure B", 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 the best of our information and according to the explanations given to us:
 - i. The company has disclosed the impact of pending litigations on its financial position in its standalone financial statements. Refer Note 37 A. and 37 B. to the financial statements.
 - ii. The company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
 - iii. Compliance in respect of transfer to Investor Education and Protection fund, required to be transferred in accordance with relevant statutes, there were no amount which were required to be transferred to the Investor Education and Protection Fund by the company.
- (3) As required by section 143(5) of the Act, we have considered the directions issued by the Comptroller and Auditor General of India, the action taken thereon and its impact on the accounts and financial statements of the company - Refer "Annexure C" attached.

**For M/S Raj Har Gopal & Co.
Chartered Accountants
Firm Registration No. 002074N**

**Sd/-
Gopal Krishan
Partner
Membership No.081085**

**Place: New Delhi
Date: July 29, 2020**

To Independent Auditors' Report

(Referred to in Paragraph 1 under the heading “Report on Other Legal and Regulatory Requirements” of our report of even date on the accounts of Rail Vikas Nigam Limited, for the year ended March 31,2020, we report that :

- i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets
- (b) The fixed assets have been physically verified by the management during the year at reasonable interval. No material discrepancies were noticed on such verification.
According to the information and explanations given to us, physical verification of property, plant & equipment is being conducted in a phased manner by the management including intangible assets over a period of three years, which, in our opinion, is reasonable having regard to the size of the company and nature of its business and no material discrepancies were noticed on such verification to the extent verification was made during the year.
- (c) According to the information and explanations given to us, the records examined by us and based on the examination of the Conveyance Deeds provided to us, we report that, the Lease Deed, comprising all the immovable properties of land & buildings which are leasehold, are held in the name of the company as at the balance sheet date. The company does not own any freehold land or building.
- ii) The company is in business of implementing railway infrastructure projects and the inventory primarily consists of project work in progress. The inventories are physically verified during the year and the same is recorded in the measurement book. Keeping in view the nature of business and inventory, the frequency of physical verification in our opinion is reasonable.
- iii) In our opinion and according to the information & explanations given to us, the company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Therefore, clauses (iii) (a), (iii) (b) and (iii)(c) of Paragraph 3 of the Order are not applicable to the company.
- iv) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of the section 185 and 186 of the Companies Act, 2013 in respect of loans and investments made.
- v) According to the information and explanations given to us, the company has not accepted any deposits from public during the year within the meaning of sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules 2014 and rules framed there under as applicable.
- vi) According to the information and explanation given to us as regards reviewing the books of accounts and records maintained by the company pursuant to the rule made by the Central Government for the maintenance of cost records under section 148 (1) of the Companies Act, 2013 is not applicable since the company is not a manufacturing concern.
- vii)
 - (a) According to the information and explanations given to us and on the basis of our examination of the books of accounts, and records, the company has been regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, duty of Customs, duty of Excise, Value Added Tax, Goods & Service Tax, Cess and any other material statutory dues as applicable to it.
 - (b) According to the information and explanations given to us, no undisputed amounts payable in respect of statutory dues were outstanding as at 31st March, 2020 for a period of more than six months from the date they became payable.
 - (c) According to the information and explanations given to us, there are disputed dues of income

tax amounting to ₹1797.20 lacs no dues of Sales Tax or Wealth Tax or Service Tax or Custom Duty or Excise Duty or Value Added Tax or Cess or Goods & Services Tax which have not been deposited on account of dispute. The details of unpaid disputed income tax liability are as under:

Assessment Year	Amounts (₹ In lacs)	Forum where pending
2008-09	15.17	Assessing officer u/s 154
2012-13	0.06	CPC u/s 220(2)
2014-15	0.02	Assessing officer u/s 143(3)
2015-16	0.03	CPC u/s 143(1a)
2017-18	1757.81	Assessing officer u/s 154
2018-19	24.11	CPC u/s 143(1a)
Total	1797.20	

- viii) According to the records of the company examined by us and the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions, banks, government or debenture holders.
- ix) Provisions of clause no. (ix) relating to utilization of moneys raised by way of Initial Public Offer or Further Public Offer including debt instruments and term loans, as per information and explanations given to us, the company, In compliance to Ministry of Railway (MOR), Govt. of India, decision (March 2019) to disinvest 12.16% of the equity of the company, The Company invited Initial Public Offer on 29.03.2019, IPO was closed on 04.04.2019 and the company was listed on 11.04.2019. The company opened an escrow account and received ₹47,686.09 lakh during the period 01.04.2019 to 11.04.2019 towards application money and the proceeds have been applied by the company for the purpose they were raised.
- x) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us by the management, no fraud by the company or any fraud on the company by its officers or employees has been noticed or reported during the year that causes the financial statements to be materially misstated.
- xi) Being a Government Company, provision of clause no. (xi) regarding section 197 of the Companies Act, 2013 relating to managerial remuneration is not applicable to the company in view of Notification no. G.S.R. 463(E) dtd. 05-06-2015.
- xii) Provisions of clause no. (xii) of the order regarding Nidhi Company is not applicable to the company.
- xiii) In our opinion and according to the information and explanations given to us, the transactions with related parties are in compliance with the provisions of section 177 & 188 of the Companies Act, 2013 as applicable and adequate disclosures have been made in the financial statements as required by the applicable accounting standards.
- xiv) The company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- xv) In our opinion and according to the information and explanations given to us, the company has not entered into any non-cash transactions with directors or persons connected with them under the provisions of section 192 of the Companies Act, 2013.
- xvi) In our opinion and according to the information and explanation given to us, the company is not required to be registered under section 45-IA of the Reserve Bank of India. Act, 1934.

For M/S Raj Har Gopal & Co.
Chartered Accountants
Firm Registration No. 002074N

Sd/-
Gopal Krishan
Partner
Membership No.081085

Place: New Delhi
Date: July 29, 2020

**TO THE INDEPENDENT AUDITOR’S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS
OF ‘RAIL VIKAS NIGAM LIMITED’**

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

We have audited the internal financial controls over financial reporting of RAIL VIKAS NIGAM LIMITED as of March 31, 2020 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. 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 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 authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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 March 31, 2020, 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 M/S Raj Har Gopal & Co.
Chartered Accountants
Firm Registration No.: 002074N**

**Sd/-
Gopal Krishan
Partner
Membership No. 081085**

**Place: New Delhi
Date: July 29, 2020**

“Annexure C” to Independent Auditors’ Report

Directions issued by the Comptroller & Auditor General of India under Section 143(5) of the Companies Act, 2013 indicating the areas to be examined by the Statutory Auditors during the course of audit of annual accounts of Rail Vikas Nigam Limited (Standalone) for the year 2019-20

SI No	Areas Examined	Suggested Replies
1	Whether the company has system in place to process all the accounting transactions through IT system. If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any may be stated.	Yes, the Company has system in place to process all the accounting transactions through IT system.
2	Whether there is any restructuring of an existing loan or cases of waiver / write off of debts / loans / interest etc. made by a lender due to the company's inability to repay the loan? If yes, the financial impact may be stated.	According to the information and explanations given to us and based on our examination of the records of the company, there has been no restructuring/ waiver/ write off of debts/ loans/interest etc. made by a lender due to the company's inability to repay the loan
3	Whether fund received / receivable for specific schemes from Central / State agencies were properly accounted for / utilized as per its term and conditions? List the cases of deviation.	Fund received / receivable for specific schemes from Central / State agencies were properly accounted for /utilized as per its term and conditions

**For M/S Raj Har Gopal & Co.
Chartered Accountants
Firm Registration No.002074N**

**Sd/-
Gopal Krishan
Partner
Membership No. 081085**

**Place: New Delhi
Date: July 29, 2020**

Management Reply to the Observations of Independent Auditor on the Standalone Financial Statements of the Company for the F.Y. 2019-20

Sr. No.	Emphasis of Matter	Management Reply
1	<p>Without qualifying our report attention is invited to note no. 10.1 (i) and 10.6 of Standalone Ind As financial statement Trade Receivable from Related Party. RVNL receives advance payment from SPVs for incurring expenditures on their projects. However, in case of Krishnapatnam Railway Company Limited, RVNL is incurring project expenditures on a regular basis but insignificant amount is being received from Krishnapatnam Railway Company Limited as advance payment. During the financial year 2019-20, RVNL has incurred project expenditures amounting to Rs. 13927.97 lacs on Krishnapatnam Railway Company Limited (KRCL). KRCL has not paid the amount dues due to some dispute and Trade Receivable from Krishnapatnam Railway Company Limited as on 31st March, 2020 is Rs. 83398.02 lacs and Interest Receivables amount of Rs. 31037.40 lacs i.e. total Receivable from Krishnapatnam Railways Company Limited amounting to Rs. 114435.42 lacs</p>	<p>M/s Krishnapatnam Railways Company Limited (KRCL) is a Special Purpose Vehicle created specially for providing railconectivity to Krishnapatnam Port in Andhra Pardesh. It was promoted by Railway Vikas Nigam Limited with equity share of 50 percent. The work is executed in two phases, The execution of the construction work is being undertaken by RVNL for which contracts have already been awarded. As per the construction agreement , KRCL will pay an advance to RVNL for execution of the work. But due to financial crunch in KRCL, they are not being able to generate enough revenue to finance the construction work through RVNL. But as the contracts have already been awarded by RVNL, commitments have to be met out of its own source. However, the KRCL had paid an amount of Rs. 350 crores during the year 2018-19 out of which Rs. 230 crores was adjusted towards additional equity to RVNL></p> <p>As the second phase of the project is already opened for traffic, it is expected that sufficient revenue will be generated amd KRCKL will be paid back the balance due to RVNL along with interest as per the construction agreement.</p> <p>Authorities of KPRCL are being pursued for arranging payments to RVNL.</p>
2	<p>Without qualifying our report attention is invited to Note No. 12(a) regarding Advance to Zonal Railways, Advance to Sleepers, Utility Advance and Advance Released for Supply of Rail. No balance confirmation has been received relating to Advance to Zonal Railways, Advance to Sleepers, Utility Advance and Advance Released for Supply of Rail of Rs. 56,648.76 lacs, Rs. 11,935.51 lacs, Rs. 38,070.72 lacs and Rs. 3,987.56 lacs as on 31st March, 2020.</p>	<p>These are the advances to Zonal Railways given either for execution of works on behalf of RVNL or supply of sleepers and rails for utilisation in RVNL projects, which is an regular process. Zonal Railways are advised to give accountal of the advance given. But confirmations of outstanding balances from some Zonal Railways were not received in spite of repeated requests. The advance were guven to Electidity Companmies for either power supplies or for shifting of cables in connection with the projects. The accountal will only be received on completion of the work.</p>

3	Without qualifying our report attention is invited to Note No. 6.1 regarding, The financial statements include investment in Bharuch Dahej Railway Company Limited (BDRCI), Kutch Railway Company Limited (KRCL) & Haridaspur Paradip Railway Company Limited (HPRCI), jointly controlled entities based on its unaudited financial statements as approved by Board of the companies.	Statutory Audit of the financial statements of Bharuch Dahej Railway Company Limited , Haridaspur Paradip Railway Company Limited & Kutch Railway Company Limited could not be completed by the time finalisation of the Accounts of RVNL for the F.Y. 2019-20. However , the accounts of Bharuch Dahej Railway Company Limited , Haridaspur Paradip Railway Company Limited & Kutch Railway Company Limited were approved by the Board of Directors for incorporation in the accounts of RVNL.
4	Without qualifying our report attention is invited to Note No. 52 regarding the impact arising from the Covid-19 pandemic. Our Report is not modified in respect of these matters.	Disclosure in this regard has already been made in the note.