

Mission

To be one of the most admired companies, in India and abroad, rendering state-of-the-art consultancy, engineering and project management services, in the field of transportation, infrastructure and related technologies.

The company would aim at leadership in every business by synergizing value, integrity, drive for technology and innovative spirits, ensuring value for money to its clients and benefits to society at large.



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Board of Directors

At the Helm



R.K. Rao
Chairman(Non-Executive)



V.K. Agarwal
Managing Director

Whole Time Directors



Anil Madan
Director(Technical)



B.K. Makhija
Director (Projects)



Rajeev Mehrotra
Director(Finance)
(from 12-10-2007)

Non-Executive (Independent) Directors



Dr. Devi Singh



D.P. Tripathi



Prem Saigal



A.K. Sanwalka
(from 20-03-2008)

Govt. Nominee Official Directors



Mukta D. Tomar
(Upto18-09-2007)



R. Ashok
(Upto 07-04-2008)



Virendra Gupta
(from 13-12-2007)



Senior Executives



Sanjay Misra
ED - Transportation & Economics



Atul Sud
ED - Technical Services



Sumit Sinha
ED - Expotech



N.S. Shekhawat
ED - Building & Airports



G. S. Swaroop
ED -Corporate Services



A.K. Arora
ED -Urban Infra



S.K. Seth
ED-Privatisation & Concessions



V. K. Jain
ED - Quality Assurance



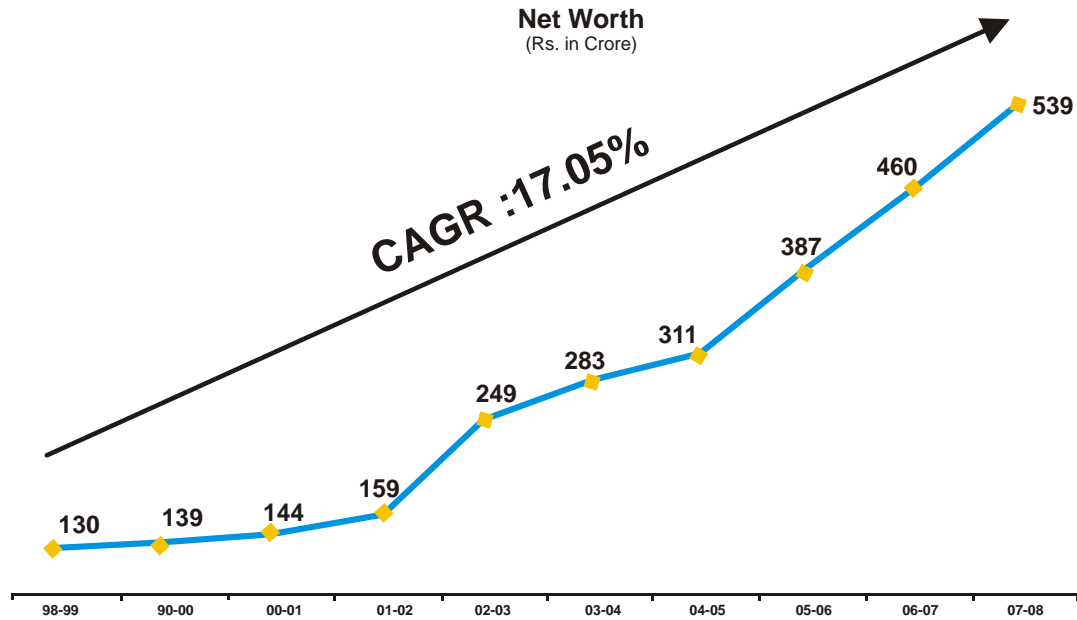
Jeevan Gupta
ED- Rail Infra



P. T. Mittal
Company Secretary



Financial Summary



(Rs. in Crore)

DESCRIPTION	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
PAID UP CAPITAL	2	2	2	2	2	4	4	4	4	40
RESERVES & SURPLUS	128	137	142	157	247	279	307	383	456	499
CAPITAL EMPLOYED	118	126	125	142	237	263	299	367	433	435
NET WORTH	130	139	144	159	249	283	311	387	460	539
FIXED ASSETS (GROSS)	49	57	64	77	116	123	118	121	140	171
INCOME										
A) DOMESTIC	101	120	119	132	175	174	188	281	272	351
B) OVERSEAS	41	52	62	151	147	111	52	145	294	310
TOTAL	142	172	181	283	322	285	240	426	566	661
NET PROFIT BEFORE TAX	14	24	23	56	100	72	67	133	171	180
TAXATION	4	8	8	17	46	24	26	34	53	76
NET PROFIT	10	16	15	39	54	48	41	99	118	104
DIVIDEND	2	3	2	4	5	12	12	20	40	21
CONTRACTS SECURED	211	250	184	233	418	277	635	559	742	851
RATIOS - %										
- NPBT / INCOME	10	14	13	20	31	25	28	31	30	27
- NP / CAPITAL EMPLOYED	9	13	12	28	23	18	14	27	27	24
- NP / NET WORTH	8	12	10	25	22	17	13	26	26	19

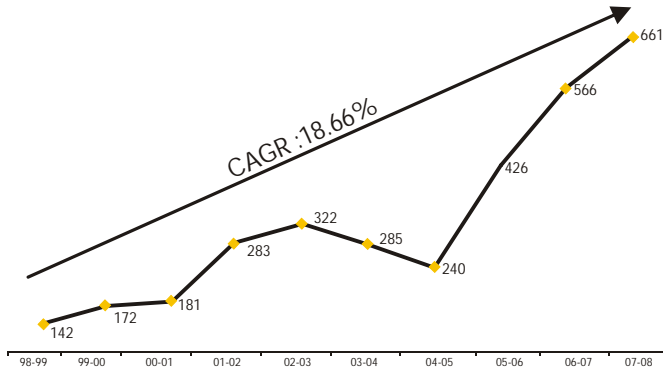
One Crore = 10 million

1 US \$ = Rs. 39.70 (31.03.2008)

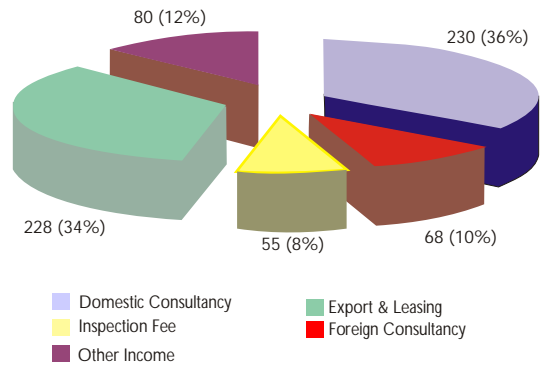


Financial Indicators

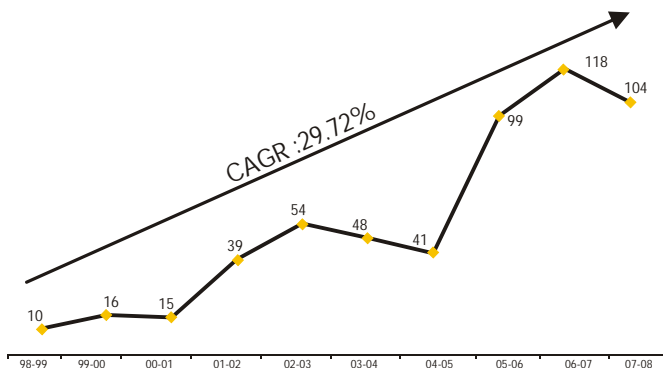
Turnover
(Rs. in Crore)



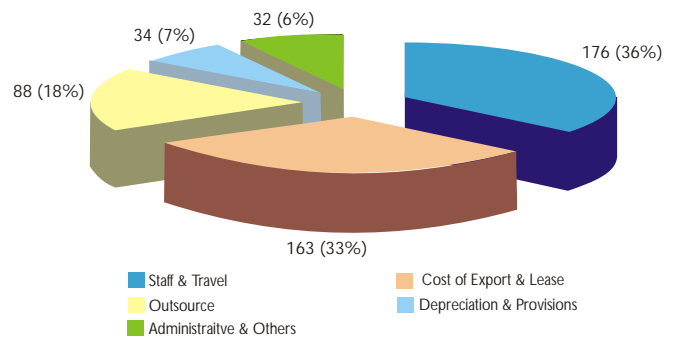
Gross Earning (Rs. 661 Crore)



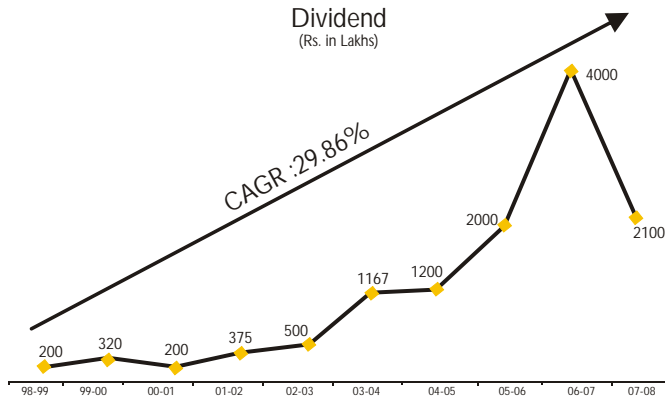
Net Profit (After Tax)
(Rs. in Crore)



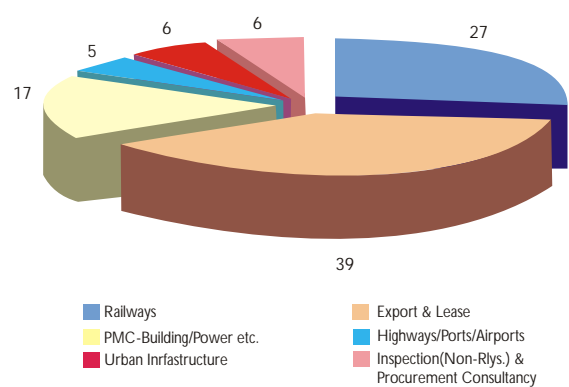
Spending (Rs. 493 Crore)



Dividend
(Rs. in Lakhs)



Sectorwise Business
(Percentage)



Chairman's Statement



Dear Shareholders,

It is my privilege to extend you all a warm welcome to the 34th Annual General Meeting of the Company. It is gratifying to note that the year 2007-08 was another year of notable achievements by your Company and it achieved several milestones during this period.

The year saw your Company getting converted from a private limited to a public limited company in February 2008, which enables it to prepare for new challenges of tomorrow, including wider investor base. Efforts being made for last two years succeeded and Company was upgraded from Schedule 'B' to Schedule 'A', the highest level of classification of Public Sector Undertakings by the Government of India.

During the year, your Company has made excellent progress in the execution of its planned strategies for growth, securing new business, achieving operational excellence which ultimately resulted into commendable financial performance. Your Company secured new business of Rs. 851 crore which is the highest ever. The turnover of your Company during the year 2007-08 has increased from Rs. 567 crore to Rs. 661 crore with increase in pre tax profits from Rs. 171 crore to Rs. 180 crore which are the highest ever levels achieved by the Company. It is commendable that despite a very competitive environment both at home and overseas, your Company continues to get business and make profits.

Your Company has met all the parameters of physical and financial performance committed through MOU with the Government of India and is eligible to be rated as 'Excellent' in its performance evaluation based on MOU for the year 2007-08. I express my gratitude to the members of the Board of Directors and to unfailing commitment and passion of the employees and their families in contributing towards the growth journey of the Company.

Your Company has preserved its position as a premier transport consultancy organization in the world with a high reputation and operational experience in over 50 countries in Africa, Middle East, South Asia, South East Asia, Central Asia and Latin America.

At home, RITES is one of the few companies in India that provides consultancy in diversified sectors such as railways, highways, ports and inland waterways, ropeways, urban transport, airports, power transmission and distribution and construction supervision and architecture under a single roof. RITES is a think tank for transport policy development as it understands the requirement of integrated modes of transport for the developmental plans of the country.

In the international operations, a significant achievement was made by operationalising Tanzania Railway Concession covering a network of 2700 Km, through our subsidiary company with 49% equity participation by the Government of Tanzania. In another concession in Mozambique, the rehabilitation of railway line is progressing satisfactorily and is likely to be completed in 2009. Business continues to come from both the concessions. These developments are expected to boost business of overseas consultancy, exports and leasing for a long period on a sustainable basis and are testimony of the

management being responsive to the changing business scenario brought out by globalization.

For better Corporate Governance, the Company has constituted various committees like Audit Committee, Risk Management Committee, Project Investment Committee etc. and also complied with the Guidelines on Corporate Governance for Central Public Sector Enterprises, 2007 issued by Department of Public Enterprises and in this regard separate section on Corporate Governance has been made part of Directors' Report.

With a view to raise finances for its existing and proposed projects and to get listed in the stock exchanges, your Company had decided to make a public issue by offering 1 crore shares of Rs. 10/- each along with offer for sale of 40 lakh shares by Government of India. The proposal had been put on hold in view of volatile market conditions. The capital expenditure plan of the Company will be so managed that the new investments are not delayed because of this.

The overall strategy of RITES would be driven by its core strengths and competencies and the role it is best suited to perform. The reputation enjoyed by the Company has reached a level of high brand value and would support the continued growth both at home and abroad.

Keeping in view the excellent performance of the Company, your Directors had declared and paid interim dividends of Rs. 10 crore each in November, 2007 and February, 2008. Your Directors are further pleased to recommend a final dividend of Rs. 1 crore. The total dividend payment for the year including proposed one would thus amount to Rs. 21 crore.

I express my sincere thanks 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 and other Ministries, to the Indian Embassies and Missions abroad, to the foreign mission and embassies in India and Exim Bank, for their valuable support and guidance to the Company.

I would like to congratulate the executives and staff of the Company for delivering excellent results and for showing their single minded focus in bringing the Company to such a height. With their commitment, perseverance and hard work, I am confident that we will be able to deliver our promises to all stakeholders in the future as well.

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 of us.

Firmly anchored in the traditional wisdom of the past and seizing the opportunities in the present, your Company is poised to excel in the years ahead.

With best wishes,

(R.K. Rao)
Chairman

23rd September, 2008



Directors' Report

Distinguished Shareholders,
The Directors of your Company have pleasure in presenting the 34th Annual Report of your Company for the financial year 2007-08 together with Audited Accounts for the year ended 31st March, 2008.

FINANCIAL HIGHLIGHTS:

The financial performance of the Company's operations for the year 2007-08 vis-à-vis 2006-07 is given below:

Particulars	(Rs. in Crore)	
	2007-08	2006-07
Operating Results		
Operating Turnover	580.5	533.6
Operating Expenditure	492.5	392.8
Operating Surplus	88.0	140.8
Other Income	80.2	33.3
Extra-ordinary items (Net)	11.8	(3.4)
Profit before tax	180.0	170.7
Income tax and Fringe Benefit Tax	(88.5)	(58.4)
Deferred Tax	12.3	5.9
Net Profit	103.8	118.2
Appropriations		
Dividend including interim dividend	21.0	40.0
Dividend Tax	3.6	5.8
General Reserve	79.2	72.4
New Contracts Secured	851.0	742.0

BUSINESS PERFORMANCE:

Operational performance of the Company has reached new heights of excellence during the year 2007-08. The Company has achieved a gross turnover of Rs. 661 crore (previous year Rs. 567 crore) up by 16.6% and a profit before tax of Rs. 180 crore (previous year Rs. 171 crore) up by 5.3%.

The salient features of domestic business during the year were award of prestigious assignments of Advisory Consultancy services for Taj Expressway from Greater Noida to Agra, General Consultancy for Bangalore Metro, Detailed Engineering of MUTP phase II work for MRVC, PMC for upgradation of Railway infrastructure in Rourkela steel plant, Rehabilitation of 290 BOXN Wagons of East Coast Railway and Training of 360 supervisors of Indian Railways.

During the year, RITES has secured a number of contracts relating to export of rolling stock and technical assistance thereof. These include award of prestigious assignment of leasing of 23 MG coaches to TRL Tanzania for five years and rehabilitation of 10 Nos. 73 class locomotives of TRL. Seventeen new passenger coaches, twelve gang cars, inspection cars and Rail-cum-Road Vehicles were exported and Technical Assistance programme for Lubango Workshop Modernization was completed during the period, in an ongoing export project in Angola.

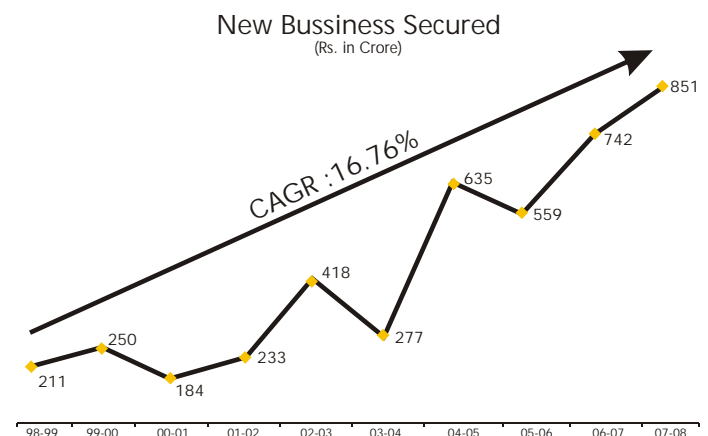
OUTLOOK

The business scenario is full of both opportunities and challenges. Huge investments in Infrastructure Development of the country are providing big opportunities for Consultancy & Project Management Services. As a result, new orders worth Rs. 851 crore were secured during the year including Rs. 533 crore in India. The Tanzania Railway

Concession project awarded to the company during the year 2005-06 has been implemented on a new structure. The project has been implemented through a concession company in which, equity holding by RITES & Govt of Tanzania (GOT) is 51% & 49% respectively. The concession company by name of Tanzania Railways Limited has been incorporated on 25th May, 2007. The operations of the Company have commenced in October, 2007.

Business continues to come from the concession in Mozambique awarded during the year 2004-05. The rehabilitation of railway line is progressing satisfactorily and is likely to be completed in 2009. The concession awarded in Tanzania is also expected to generate good amount of business in ensuing years.

There was a major expansion in leasing activities. RITES was awarded the first-ever leasing contract for MG passenger coaches with a contract for lease of 23-in-service passenger coaches to Tanzania Railways Limited (TRL), the successor to Tanzania Railways Corporation. In addition, a new contract for leasing of 25 in-service diesel locomotives from TRL Tanzania was secured in place of earlier ongoing contract for lease of 10 in-service locomotives. This was in addition to ongoing contracts for lease of 10 in-service locomotives to CCFB, Mozambique and another 10 in-service locomotives to CFM(S), Mozambique.



Ongoing efforts for diversification into rehabilitation of locomotives and rolling stock received a major boost with RITES securing contracts against international bidding for rehabilitation of two GE locomotives and 150 wagons for CCFB, Mozambique and the rehabilitation of 10 Nos 73 class locomotives in Tanzania. This was in addition to contracts for rehabilitation of GE Traction Motors and Traction Generators for Mozambique and Tanzania.

RITES efforts at showcasing IR technology for manufacture and export of Cape Gauge (1067 mm track gauge) rolling stock achieved a new high with export of first-ever consignment of two Diesel Multiple Unit train-sets and one three-coach set Self-Propelled Accident Relief Train to Angola.

The Company has adopted pro-active stance in marketing to benefit from the changed market scenario. It has recently amended its Articles of Association to enable participation in EPC projects and looks forward to expand this business in the coming years.

CAPITAL STRUCTURE

A significant capital restructuring exercise to increase the authorized capital, split the face value of shares, issue Bonus shares, demat of Gol



holding and revision of Articles of Association, to make it listing compliant was successfully completed during the year.

During the year paid-up share capital of the Company was increased from Rs. 4 crore to Rs 40 crore by issue of Bonus Shares.

IPO INITIATIVE

The Company started the process of IPO in January, 2008, after approval of the Government of India for a combined IPO for fresh issue of shares along with part disinvestment of Gol holding in RITES. Significant planning and preparations were initiated to cover all activities connected with IPO. This was a new operation for this Company. However, IPO has been deferred due to volatile market conditions.

DIVIDEND

Your Directors have recommended final dividend of Rs.1.0 crore in addition to two interim dividends, of Rs. 10 crore each paid during the year 2007-08. The total dividend pay-out for the year will amount to Rs. 21 crore.

FIXED DEPOSITS

The Company has not accepted any fixed deposits from public during the year under review.

RESERVES

During the Year, Rs. 36.0 crore has been capitalized from Reserves by issue of 3.6 crore equity shares as fully paid Bonus shares. An amount of Rs. 79.2 crore is proposed to be transferred to General Reserve by appropriation from the profits of the Company. Reserves & Surplus will increase from Rs. 455.6 crore at end of the previous year to Rs 498.8 crore as at 31st March, 2008.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO:

The particulars pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (disclosure of particulars in Report of Board of Directors) Rules, 1988 are furnished hereunder:

Energy Conservation

The Company being in consultancy business has no significant consumption of energy in its operations. However, in all its designs and project formulations and specifications for its clients, energy conservation measures are adopted as a part of good engineering practice.

Technology Absorption

The Company continues its endeavor's to apply and absorb latest technology, developments and innovations in its operations, which are taking place in different areas of its business, particularly related to new design software and locomotives and coaches for export. Experts of the Company are sponsored for training programmes, seminars and conferences both at home and abroad, for development of technical know how.

Foreign Exchange Earnings and Outgo

Total foreign exchange earnings during the year under review were Rs. 258.13 crore (previous year Rs 274.2 crore) and foreign exchange outgo were Rs. 24.68 crore (previous year Rs. 43.9 crore) respectively. This resulted in net foreign exchange earnings of Rs. 233.45 crore (previous year Rs. 230.3 crore).

PARTICULARS OF EMPLOYEES UNDER SECTION 217 (2A):

There was no employee in the company falling under the Category of Employee required to be reported under Section 217(2A) of the Companies Act, 1956 read with the company (particulars of Employees) Rule 1975.

BUY-BACK OF SHARES UNDER SECTION 217 (2B):

The Government of India holds all the shares in the Company and the company has not resorted to any buy-back of its shares during the year under review. As such there is nothing to report under Section 217(2B) of the Companies Act, 1956.

PRESIDENTIAL DIRECTIVE:

No Presidential Directive was received during the year and also during the last three years i.e. 2004-05, 2005-06 and 2006-07.

VIGILANCE:

As an independent entity, a vigilance cell headed by a full time Chief Vigilance Officer works as per the guidelines laid down by the CVC. In order to sensitize our personnel about vigilance, Vigilance Awareness Week was observed in November, 2007 in all the Offices located in India. The week's focus was on "efficiency and transparency in Customer orientated Programme".

A compendium of vigilance / CVC Circulars was circulated in order to make the staff aware about recent instructions on vigilance. 'CTE type' inspection was under taken every quarter by the vigilance organization during the year. Vigilance administration was improved by leveraging technology through effective use of website by posting important information regarding calling of tenders, recruitment, position of bills etc. on RITES website, on real time basis leading to increased transparency.

PROPAGATION OF HINDI:

In pursuance of official language policy and the directions received from the Govt. of India from time to time for promoting Hindi, all out efforts were made to accelerate progressive use of Hindi in official work of the Company. Hindi workshops were organized and Hindi inspection was carried out regularly. Rajbhasha Fortnight was organized from 14th September to 27th September, 2007. Important documents, such as Annual Report, MOU, Circulars, General orders, diaries, telephone directory, manuals and house magazine- "Aaj Tak" etc. were published in bilingual form. The Second Sub-Committee of the Committee of Parliament on Official Language inspected RITES Corporate office on 13th July, 2007 and Oral Evidence to the committee of Parliament on Official Language was submitted on 13th February, 2008. The meetings of RITES Official Language Implementation Committee were held regularly to review the progress of the use of Hindi in official work.

MEMORANDUM OF UNDERSTANDING:

The company meets all the parameters for 'Excellent' rating in its performance evaluation under the MOU signed with the Government of India, for the year under consideration. However, communication from DPE in this regard is awaited.

SCHEDULED CASTE, SCHEDULED TRIBES AND OTHER BACKWARD CLASSES:

The Company continued to attach great importance in implementing the policies and directives of the Government with reference to Scheduled Castes, Scheduled Tribes, other backward classes and



handicapped persons. During the period from 1st April, 2007 to 31st March, 2008, 56 regular appointments have been made out of which 15 belong to reserved category. Out of 39 candidates recruited through campus selection as executive trainees, 22 were from reserved categories. Similarly during the year ending 31st March 2008, 392 candidates were recruited on contract basis out of which 174 belong to the reserved categories (SC/ST/OBC).

ISO 9001-2000 CERTIFICATION:

The Company is accredited with the prestigious ISO 9001-2000 Certification, the latest standard. The certification covers all the activities and divisions of the Company. The certificate has been renewed in June, 2008 and is valid till June 1, 2011.

CORPORATE GOVERNANCE:

A report on the Corporate Governance forms an integral part of this report and has been placed at Annexure A.

BOARD OF DIRECTORS:

The Board of Directors as on 31st March, 2008 consisted of a part-time Chairman, a Managing Director, three functional Directors, two Government nominee official Directors and four Independent non-official Directors. The Board met eight times during the year for transacting business. The following Directors held office during the year:

Chairman (part-time)	
Shri R. K. Rao	Chairman
Whole-time Directors	
Shri V.K. Agarwal,	Managing Director
Shri Anil Madan,	Director Technical
Shri B. K. Makhija	Director Projects
Shri Rajeev Mehrotra	Director Finance (from 12th October, 2007)
Government nominee Directors	
Shri R. Ashok	Director (Up to 7th April, 2008)
Smt. Mukta D. Tomar	Director (Up to 18th September, 2007)
Shri Virendra Gupta	Director (from 13th December, 2007)
Independent Directors	
Dr. Devi Singh	Director
Shri D. P. Tripathi	Director
Shri Prem Saigal	Director
Shri A.K. Sanwalka	Director (from 20th March, 2008)

AUDIT COMMITTEE OF DIRECTORS:

The Audit Committee of the Board of Directors comprised of three independent Directors, namely Dr. Devi Singh (Chairman), Shri D.P. Tripathi, (Member) and Shri Prem Saigal, (Member). The Committee is assigned with the task of overseeing the Company's financial reporting process, review the adequacy of internal control and audit systems, and reviewing the Company's financial and risk management policies in addition to scrutinizing the annual financial statements before they are put to the Board of Directors. The Audit Committee met five times during the year.

DIRECTORS' RESPONSIBILITY STATEMENT:

As required under Section 217 (2AA) of the Companies Act, 1956,

Directors of the Company confirm that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures from the same.
- The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period.
- The Directors have taken proper and sufficient care for the 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 fraud and other irregularities.
- The Directors have prepared the annual accounts on a "going concern" basis.

SUBSIDIARIES:

The Company has two Subsidiary Companies namely RITES (AFRIKA) (Proprietary) Limited and Tanzania Railways Limited. During the year Company invested Rs. 32.84 crore in the equity of TRL which is 51% of the equity of TRL.

As required under Section 212 of the Companies Act, 1956, the Audited Balance Sheet and Profit and Loss Account along with the respective Reports of the Board of Directors' and the Auditors' thereon of the Subsidiary Companies for the year ending 31st March, 2008 in respect of RITES (AFRIKA) (Proprietary) Limited and for the year ending 31st December, 2007, in respect of Tanzania Railways Limited form an integral part of the Annual Report.

MOUs FOR BUSINESS DEVELOPMENT:

RITES actively pursued collaborations with renowned companies for obtaining access to the latest technologies and newer markets.

- DB International GmbH for modernisation of signaling system and TransNamib Holdings Limited, Namibia for upgrading of fixed infrastructure and equipment, viz. railway lines, signalling system, bridges, structures and rolling stock in Namibia;
- During the year Company has signed MOUs with following FIs/development agencies to further strengthen the business capability of RITES especially in BOT projects and financing thereof:
- RITES & IDFC to jointly engage in identification of business opportunities and bidding for works and carry out the services relating thereto, if awarded;
- RITES & PFC to facilitate import of coal including its transportation;
- RITES & ICICI Venture Funds Management Company Limited to jointly develop strategic business collaborations in developing infrastructure projects in India or Abroad.

KNOWLEDGE MANAGEMENT SYSTEM:

Implementation of IT based Knowledge Management System in the company has been initiated during the year to keep track of key resource persons, soft copies of various reports and designs.

FMIS (Financial Management Information System) was upgraded and linkage was made with regional project offices for online updation of MIS and accounts data, which has resulted in timely preparation of financial statements and its review.



ENVIRONMENTAL PROTECTION

The company is in consultancy business and operating from its various offices has no significant impact on environment. Company as a part of Consultancy services to its clients ensures that rules concerning environmental protection are complied with.

In RITES own buildings, all the relevant environmental rules are complied with and periodic inspections are carried out to ensure continued compliance. By design the buildings are energy efficient and measures are being adopted for conservation of energy.

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility emanates from Company's Mission Statement. Company discharges its responsibility towards the society by involving itself as a consultant, project managers in the projects relating to development of rural and remote areas of the Country. And as a part of its consultancy, social management plans of RITES advocates for poverty alleviation activities such as setting of facilities, like schools, hospitals, dispensaries, water shed management, afforestation programs and fuel substitution in project affected areas. In a limited way, company also sponsors the activities of NGOs and other social organizations for their activities relating to promotion of art, culture, national integrity, education, health, sports, and assistance in the natural calamities. Company spent an amount of Rs 35.0 Lakhs towards sponsorship and membership on this account for the year 2007-08.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

RITES is a knowledge based organization interacting at global level. The Company regards its human resources as one of its prime resources. This includes professional experts on deputation from the Indian Railways, State Govt/PSUs. We possess one of the largest pool of design, highway and railway engineers.

With expansion of business activities the flow of recruitment either from open market or on deputation has been a continuous feature. About 649 recruitments had been made during the year. With increase in the strength of its human resources the activities of placement, career development and training have necessitated a close attention to retain the manpower in the face of heavy attrition. A total input of 6181 training mandays was provided to our personnel during the year. Besides training, career development has also been taken care of with continuous process of cadre review, modification of promotion policy, guidelines and regulations, strategies for enhancing professional excellence and resource mobilization. More emphasis has been laid on recognition of excellence, a staff consultative committee encouraging participation of employees in Management decision making as well as welfare and social security provisions. This has promoted industrial peace, motivation of staff which has in the long run made the company a model employer in the global competitive market. These efforts have kept the organization vibrant, dynamic and a market leader in infrastructure consultancy services and equipping the company to achieve the targets as envisaged and commitment to its clients.

AUDITORS:

The Comptroller & Auditor General of India appointed M/s Jain Chopra & Company, Chartered Accountants as Company's Statutory Auditors for the year 2007-08. The following were appointed as Branch Auditors.

M/s P.L. Kataria & Co. Mumbai
M/s Roy Basu & Associates. Kolkata
M/s R. Sadasivan & Co. Chennai

The Board would like to place on record their sincere thanks for the valuable services rendered by Statutory Auditors and the Branch Auditors.

EXHIBITIONS:

The company, as a part of business strategy, participates in specialized

trade exhibitions with the objective of bringing the company's activities into the focus of national and international infrastructural development and business operations. These various expositions provided an opportunity to share our experience, ideas and technologies with the policy makers, businessmen, academicians and prospective clients in the new global scenario and offered a strong platform positive for a dialogue and better understanding for building long term sustainable relations with clients. The Company participated in various expositions such as:

1. "Made in India" show organized by The Confederation of Indian Industry (CII) in cooperation with the Indian Embassy in Cairo, Egypt from 25 to 28, November, 2007. The show was also supported by the Egyptian Businessmen Association (EBA) and played an important role in building India- Egypt Business Linkages.
2. The 4th CII-EXIM Bank Conclave on India Africa Project Partnership (March 19-21, 2008).
3. Tenth Consultancy Congress - 'Outstanding Role of Consultants' organized by Consultancy Development Centre (CDC) held during January 15-16, 2008 at New Delhi.

AWARD:

Company received following awards for its performance during the year 2007-08:-

1. The Economic Times "Avaya Global Connect Customer Responsiveness Award 2007" for being the India's most customer responsive public sector undertaking. The award presented by The Economic Times recognized the best customer responsive initiatives, policies and practices of the company deployed to enhance global competitiveness.
2. "AMITY Corporate Excellence Award 2008" for having achieved the enviable position of one of the best and most admired business organizations with its unparalleled performance. Company rather than resting on past laurels, endeavored and achieved greater heights.

APPRECIATION:

The Directors take this opportunity to express their sincere thanks to the esteemed Clients in India & abroad, Shareholders, Central and State Governments for their consistent support to the Company and look forward to the continuance of this mutually supportive relationship in future. The Directors also wish to place on record their appreciation of the hard work, dedication and commitment of the employees. The enthusiasm and unstinting efforts of the employees has enabled the Company to touch new heights during the year.

ACKNOWLEDGEMENTS:

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from the Ministries of Railways, Road Transport and Highways, External Affairs, Finance, Commerce, Urban Development, and other ministries, departments and agencies, office of Comptroller & Auditor General, Reserve Bank of India, Bankers of the Company, EXIM Bank and Indian Missions abroad, without whose active support the achievements of the Company during the year under review would not have been possible.

For and on behalf of Board of Directors

(R.K. Rao)
Chairman

Place : New Delhi
Dated: 25th August, 2008



Report on Corporate Governance

Corporate Governance has emerged as a widely acclaimed conclusive niche for corporate success. Corporate Governance is vital to enable Companies to compete globally in a sustained manner. It involves a set of relationship between Company's Management, its shareholders and the stakeholders. It is a set of accepted principles by management of inalienable right of shareholders as a true owner of the Company and their own rule as trustees on behalf of shareholders.

Corporate Governance is a continuing exercise and reiterates its commitment to pursue highest standards of Corporate Governance in overall interest of all the stakeholders. Corporate Governance not only improves the goodwill of the Company but also provides competitive edge in the dynamic environment and establishes a climate of trust, confidence and creativity among its various constituents.

- Company's Philosophy on the code of Governance :
The company's philosophy on Corporate Governance enshrines the goal of achieving the highest levels of transparency, accountability and equity in all spheres of its operations and in all its dealing with the shareholders, employees, the government and other parties. The company believes in the philosophy on code of Corporate Governance, which provides a structure by which the rights and responsibility of different constituents, such as the board, employees and shareholders are carved out. In carrying out this, it is ensured that the company's objectives are well defined and performance against those objectives are adequately measured and monitored.
Corporate governance is considered as an important tool for shareholders protection and maximization of their long -term values. The cardinal principal such as accountability, responsibility, transparency and fair disclosure serve as the means for achieving this.

- Board of Directors :
The Board of Directors as on 31st March, 2008 consists of a Part time Chairman, a Managing Director, three Functional Directors, and two Government Nominee Official Directors and four Independent Directors.

- Composition of the Board of Directors :
During the year under review, due to induction / cessation, the composition of the Board has undergone changes. The details of the Directors in the company during the year ending 31st March, 2008 are as under:

S. No.	Name and Designation	Category of Directors	No. of other Directorship*	No. of Committee Membership**	
				As Chairman	As Member
1.	Shri R.K Rao Chairman	Part-Time Non- Executive	Nil	Nil	Nil
2.	Shri V.K Agarwal Managing Director	Whole Time	Nil	Nil	Nil
3.	Shri Anil Madan Director Technical	Whole Time	Nil	Nil	Nil
4.	Shri B.K Makhija Director Projects	Whole Time	Nil	Nil	Nil

5.	Shri Rajeev Mehrotra Director Finance	Whole Time (From 12th Oct., 2007)	Nil	Nil	Nil
6.	Shri R. Ashok Director	Govt Nominee (Upto 7th April, 2008)	2	Nil	Nil
7.	Smt. Mukta D. Tomar Director	Govt Nominee (Upto 18th Sept., 2007)	2	Nil	Nil
8.	Shri Virendra Gupta Director	Govt Nominee (From 13th Dec., 2007)	1	Nil	Nil
9.	Dr. Devi Singh Director	Independent	2	Nil	Nil
10.	Shri D.P Tripathi Director	Independent	2	Nil	1
11.	Shri Prem Saigal Director	Independent	1	1	Nil
12.	Shri A.K Sanwalka Director	Independent (from 20th March, 2008)	Nil	Nil	Nil

* Does not include Directorship in private Companies, Section 25 Companies and Foreign Companies.

** Does not include Chairmanship/ Membership in Board of Committees other than Audit Committee and Shareholder's Grievance Committee.

- Brief Resume of Directors who joined the Board as Whole - time / Part time Directors during the year 2007-08:

- Mr. Rajeev Mehrotra, 46 years, is our Director (Finance). He holds a bachelor's degree in commerce from the University of Rajasthan. He is a fellow member of the Institute of Cost and Works Accountants of India, Kolkata. He has received training in financial management of power utilities from the Global Utilities Institute at the University of Samford, Alabama, USA and has also received advanced training in project appraisal and investment analysis from the Harvard Institute of International Development through their programme organized in conjunction with the National Institute of Financial Management, Faridabad. He has over 25 years of work experience in various areas of finance including resource mobilization from domestic and international financial markets, financial risk management, treasury operations, borrowing and lending operations, financial accounting, taxation, investment of surplus funds, lending policies, accounting policies, corporate financial management information systems and project appraisal. Prior to joining RITES, he was working with PFCL between 1989 and 2007, where his last designation was Additional General Manager. He has also worked with NHPC Limited between 1982 and 1989. He joined RITES Board w.e.f. October 12, 2007.
- Mr. Virendra Gupta, 53 years, is a government nominee Director. He has B.Sc. degree from Allahabad University in 1972 and a M.Sc. (physics) degree from Allahabad University in 1974. He joined the Indian Foreign Service in 1977 and has over 30 years of work experience in various Indian embassies. He has served as Indian High Commissioner at Dar es Salaam Tanzania and Port of Spain Trinidad and Tobago. He has also served as Deputy Director of the Institute for Defence Studies and Analyses and is currently posted as the Joint Secretary,



Investment and Technology Promotion and Energy Security, Ministry of External Affairs, GoI. He joined RITES Board on December 13, 2007.

3. Mr. A.K Sanwalka, 61 years, is an independent Director on the Board of RITES. He has a master's degree in engineering from Bath University, U.K. Mr. Sanwalka belonged to the Indian Railway Service of Mechanical Engineers and has recently retired after 38 years of service as General Manager, North East Frontier Railway. He has had varied experience in the fields of general management and administration including industrial relations, traffic planning and operations, project management and coordination, planning and management of large production and maintenance facilities. He was the Chief Mechanical Engineer of Diesel Locomotive Works, Varanasi, responsible for all Indian Railways' diesel locomotive manufacturing activities. In that position, he has also implemented the transfer of technology project for manufacture of high horsepower locomotives for Indian Railways in collaboration with General Motors (EMD), USA. He joined RITES Board with effect from March 20, 2008.

2.3 Number of Board Meetings: The Board met eight times during the year 2007-08 to review, discuss and decide about the various activities of the business of the Company.

S. No.	Name and Designation	Board Meetings During the Year		Attendance at the last AGM Held on 21st September, 2007
		Held During tenure	Attended	
1.	Shri R.K Rao Chairman	8	8	Present
2.	Shri V.K Agarwal Managing Director	8	8	Present
3.	Shri Anil Madan Director Technical	8	8	Present
4.	Shri B.K Makhija Director Projects	8	8	Present
5.	Shri Rajeev Mehrotra Director Finance (From 12th Oct., 2007)	5	5	NA
6.	Shri R. Ashok Director (Upto 7th April, 2008)	8	6	Present
7.	Smt. Mukta D. Tomar Director (Upto 18th Sept., 2007)	2	2	NA
8.	Shri Virendra Gupta Director (From 13th Dec., 2007)	3	1	NA
9.	Dr. Devi Singh Director	8	7	Absent
10.	Shri D.P Tripathi Director	8	7	Absent
11.	Shri Prem Saigal Director	8	4	Absent
12.	Shri A.K Sanwalka Director (from 20th March, 2008)	1	1	NA

Dates of the meeting and attendance of the Directors in the meeting are placed as Annexure- 1 to this report.

3. Code of Conduct:

The company has already evolved and formally adopted Code of Conduct for Board of Directors and Senior Management Personnel, with the approval of Board of Directors in their 162nd Board of Directors Meeting held on 30/11/2007. These codes came into effect from 01/03/2008 and have been posted on the website of the company-www.rites.com.

The declaration signed by the Managing Director affirming compliance with the code of conduct by Board Members and Senior Management Personnel during the year 2007-08 is placed as Annexure – 2 to this report.

4. Committees of the Board of Directors:

4.1 Audit Committee:

The Audit Committee of the Board of Directors comprised of three Independent Directors, namely Dr. Devi Singh (Chairman), Shri D.P. Tripathi, (Member) and Shri Prem Saigal, (Member). Shri P.T Mittal, Company Secretary is the Secretary of the Audit Committee.

The terms of reference of the Audit Committee were revised by the Board of Directors. in their meeting held on 26th March, 2008 keeping in view the CPSE Guidelines on Corporate Governance issued by DPE and Listing Agreement.

4.2 The Revised Terms of Reference of the Audit Committee include the following:

- Oversight of the Company's financial reporting process and the disclosures of its financial information to ensure that the financial statements are correct, sufficient and credible;
- Recommending to the Board regarding the fixation of audit fees;
- Approval of payment to statutory auditors for any other services rendered by them;
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause(2AA) of section 217 of the Companies Act, 1956;
 - Changes, if any, in accounting policies and practices and reasons for the same;
 - Major accounting entries involving estimates based on the exercise of judgment by management;
 - Significant adjustments made in the financial statements arising out of audit findings;
 - Compliance with the legal requirements relating to financial statements;
 - Disclosures of any related party transactions; and
 - Qualifications in the draft audit report.
- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
- Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, right



issue, preferential issues etc), the statement of funds utilized for the purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of public or right issue and making appropriate recommendations to the Board to take up steps in this matter;

- Reviewing, with the management, performance of statutory and internal auditors and adequacy of the internal control system;
- Reviewing, the adequacy of the internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the officials heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with Internal Auditors on any significant findings and follow-up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and reporting the matter to the Board;
- Discussion with the statutory auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any areas of concern;
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors;
- To review the functioning of the whistle blower mechanism, in case the same is existing;
- To review the follow up action on the audit observations of the C&AG audit;
- To review the follow up action taken on the recommendation of Committee on Public Undertakings ('COPU') of the Parliament;
- Provide an open avenue of communication between the independent auditor, internal auditor and the Board of Directors;
- Review and pre-approve all related party transactions in the Company. For this purpose, the Audit Committee may designate a member who shall be responsible for pre-approving related party transactions;
- Reviewing with the independent auditor the co-ordination of audit efforts to assure completeness of coverage, reduction of redundant efforts and the effective use of all audit resources;
- Consider and review the following with the independent auditor and the management:
 - The adequacy of the internal controls including computerized information system controls and security and
 - Related findings and recommendations of the independent auditor and internal auditor, together with the management responses.

- Consider and review the following with the management, internal auditor and the independent auditor:
 - Significant findings during the year, including the status of previous audit recommendations.
 - Any difficulty encountered during audit work including any restrictions on the scope of activities or access to required information.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

4.3 Meeting of Audit Committee:

During the financial year ending 31st March, 2008, Five Meetings of the Audit Committee were held on 14th June, 2007, 10th September, 2007, 30th November, 2007, 24th December, 2007 & 20th February, 2008. The attendance of each member at Audit Committee meetings during the financial year 2007-08 is as under:

Member	Status	Audit Committee meeting held during the year 2007-08	
		Held	Attended
Dr. Devi Singh	Chairman	5	5
Shri D.P. Tripathi	Member	5	5
Shri Prem Saigal	Member	5	5

4.4 Powers of Audit Committee:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advise.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

5 Investors' Grievances Committee:

The company constituted an Investors' Grievance Committee of directors in their meeting held on 20th February, 2008. The members of the Investors' Grievance committee are Shri D.P. Tripathi, Independent Director (Chairman), Director Projects and Director Finance. The Company Secretary, is the Secretary of this committee.

6 Remuneration Committee:

RITES, being a Government Company, Directors are appointed by the President of India through Ministry of Railways and draw remuneration determined by the Government and as per the terms and conditions of their appointment and as amended from time to time. Therefore Company has not constituted Remuneration committee.

Details of Remuneration of Functional Directors of the company during the year 2007-08 are as under:



Name of Director	Salary (Rs.)	Benefits (Rs.)	Bonus/ Commission Ex-gratia (Rs.)	Performance linked Incentives (Rs.)	Stock option during the year (Rs.)	Total (Rs.)
Sh V.K.Agarwal Managing Director	6,00,264	1,43,339	0	42,380	Nil	7,85,983
Sh. Anil Madan Director Technical	5,91,161	1,27,117	0	42,380	Nil	7,60,658
Sh. B.K.Makhija Director Projects	6,18,867	1,06,134	0	35,066	Nil	7,60,067
Sh.Rajeev Mehrotra Director Finance	2,93,122	88,410	0	0	Nil	3,81,532

The Independent Directors are paid sitting fee at the rate of Rs. 10,000/- for attending each meeting of the Board and/or Committee thereof.

Details of payments towards sitting fees to Independent Directors during the financial years 2007-08 are as under:

Name of the Independent Directors	Sitting Fees		Total (Rs.)
	Board Meeting (Rs.)	Audit Committee Meeting (Rs.)	
Dr. Devi Singh	70,000	50,000	1,20,000
Sh. D.P Tripathi	70,000	50,000	1,20,000
Sh. Prem Saigal	40,000	50,000	90,000
Sh. A.K Sanwalka	10,000	-	10,000
Total	1,90,000	1,50,000	3,40,000

7. Risk Management Committee:

During the year Company constituted a Risk Management Committee of the Board comprising of three Independent Directors, Director Finance and the concerned whole time Director, to review the risk management aspect of the business of the Company.

To overcome the problem associated with currency fluctuations the Company designed a document on Currency Risk Management covering aspects namely risk identification, currency risk management approach, bench marking, hedging and risk appetite, permissible instruments, hedging policy, structure of risk management committee and treasury group and the reporting procedures.

In this respect Company constituted Treasury Risk Management Committee comprising of Director Finance, three Executive Directors of operational units, General Manager (Treasury/Finance), Assistant General Manager (Treasury/Finance) and an external consultant/economist (as and when required).

8. Project Investment Committee:

Company constituted Project Investment Committee in September 2007 comprising of three Independent Directors, Director Finance and the Concerned Functional Director to deal with all the projects involving Equity participation. One meeting of the Project Investment Committee was held during the year 2007-08 i.e. on 18.10.07.

9. General Body Meeting:

The Annual General Meetings of the company are held at New Delhi where the registered office of the company is situated. The details of the last three Annual General Meetings of the Company are as under:

AGM	Year	Date of holding Meeting	Time	Venue	Special Resolution
33rd	2006-07	21st September, 2007	12:00 HRS	India Habitat Centre, New Delhi	i) Amendment in the Articles of Association of the company. ii) Alteration in the object clauses of Memorandum of Association of the company.
32nd	2005-06	28th September, 2006	12:00 HRS	India Habitat Centre, New Delhi	Nil
31st	2004-05	29th August, 2005	11:30 HRS	India Habitat Centre, New Delhi	Nil

10. Subsidiary Companies:

The Company does not have any Indian subsidiary Company. However the Company has two subsidiary companies, abroad, which are unlisted. Under the Guidelines on Corporate Governance for Central Public Sector Enterprises 2007, issued by Department of Public Enterprises Subsidiary Company means only those subsidiaries, whose turnover or net worth is not less than 20% of the turnover or net worth of the holding company. This is not applicable to RITES Limited.

11. Disclosures:

- During the year, there has been no materially significant related party transaction with the Directors, Management or their relatives that have a potential conflict with the interest of the company.
Transactions with related parties as per requirements of Accounting Standard (AS-18) 'Related Party Disclosures' issued by the Institute of Chartered Accountants of India are disclosed in Note no. 21.4 of Schedule 'O'.
- The company has followed the Accounting Standards issued by the Institute of Chartered Accountants of India in the preparation of financial Statements.
- No penalties imposed or strictures passed against the company by the statutory authorities in this regard.
- There has been no instance of non-compliance of any matter related to the capital market.

12. Means of Communication:

All important information pertaining to the Company is mentioned in the Annual Report of the Company containing inter-alia Audited Accounts, Consolidated Financial Statements,



Directors' Report, Report on Corporate Governance which is circulated to the members and others entitled thereto for each financial year. The annual accounts of the Company are made available on the website of the Company i.e www.rites.com. Compliance report of Corporate Governance is also being sent to Ministry on quarterly basis.

13. Training of Board Members:

New Directors appointed by the President of India are given formal induction and orientation with respect to Company's vision, strategic directions, core values including ethics, financial matters and business operations and risk profile of the business of the Company. The normal practice is to furnish a set of documents / booklets to a director on his/her joining the Board. This includes data about the company including its Brochure, Annual Report, MOU Targets & achievements, Memorandum and Articles of Association, CPSE guidelines on Corporate Governance and booklet on position.

14. CEO/CFO Certification:

The certificate duly signed by Managing Director and Director Finance was placed before the Board of Directors at the meeting held on 22nd August, 2008 (placed as Annexure-3 to this report).

15. Whistle Blower Policy

The Company has not formed the Whistle Blower Policy.

16. Compliance

The Company complies with the requirements of the guidelines on Corporate Governance for CPSEs 2007 issued by DPE. Certificate obtained from a Practising company Secretary regarding compliance of the conditions of Corporate Governance as stipulated in the guidelines has been placed as Annexure -4 to this report.



Attendance of Board of Directors Meeting during the year 2007-08

Name of Directors	165 26th Mar,08	164 20th Feb, 08	163 24th Dec,07	162 30th Nov,07	161 19th Oct,07	160 20th Sep,07	159 15th Jun,07	158 4th May,07	Total 8 meetings
Shri R.K.Rao Chairman									All
Shri V.K.Agarwal Managing Director									All
Shri Anil Madan Director Technical									All
Shri B.K.Makhija Director Projects									All
Shri Rajeev Mehrotra Director Finance (From 12th October, 2007)						NA	NA	NA	5
Shri R. Ashok Director	•		•						6
Smt. Mukta D. Tomar Director (upto 18th September, 2007)	NA	NA	NA	NA	NA	NA			2
Shri Virendra Gupta Director (from 13th December, 2007)	•		•	NA	NA	NA	NA	NA	1
Dr. Devi Singh Director						•			7
Shri D.P.Tripathi Director						•			7
Shri Prem Saigal Director	•				•	•		•	4
Shri A.K.Sanwalka Director (From 20th March, 2008)		NA	NA	NA	NA	NA	NA	NA	1

Note:

- Meeting attended
- NA - Not applicable (not in position)
- - Meeting not attended



DECLARATION BY MANAGING DIRECTOR REGARDING COMPLIANCE WITH THE CODE OF CONDUCT BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL DURING THE YEAR 2007-08

I hereby affirm that the Company has obtained from all the members of the Board and Senior management Personnel ("Senior Management Personnel" shall mean personnel of the Company who are members of its core management team excluding Board of Directors. Normally, this would comprise all members of management i.e. Executive Directors and all functional heads) affirmation that they have complied with the Code of Conduct for Board Members and Senior Management Personnel in respect of the financial year 2007-08.

VK Agarwal
Managing Director

Date : 1st August, 2008



MANAGING DIRECTOR AND FINANCE HEAD CERTIFICATION

- (a) We have reviewed financial statements and the cash flow statement for the financial year 2007-08 and to the best of our knowledge and belief:
- (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together presents a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations,
- (b) There are, to the best of their knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls and we have evaluated the effectiveness of the internal control systems of the company. We have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have discussed with the auditors and the Audit Committee.
- (i) significant changes made/to be made in internal control during the year,
 - (ii) significant changes in accounting policies during the year, and the same have been disclosed in the notes to the financial statements; and
- (e) There are no instance of significant fraud of which we are aware nor there has been involvement of the management or an employee having a significant role in the Company's internal control system.

Place: New Delhi
Date: 30.07.2008

Rajeev Mehrotra
Director Finance

VK Agarwal
Managing Director



CERTIFICATE

To the Members of
RITES LIMITED

We have examined the compliance of conditions of Corporate Governance by RITES LIMITED for the year ended 31st March, 2008, as stipulated in guidelines on Corporate Governance for CPSE's 2007 issued by DPE.

The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned guidelines.

We further state that such compliance is neither an assurance as to further viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Akhil Rohatgi & Co.

(Akhil Rohatgi)
Company Secretary in Practice
C.P. No.2317

Place : Delhi

Date : 25th August, 2008



Management Discussion and Analysis

This analysis report briefly describes the industry structure and developments, specific business areas, the current business environment, developments taking place and the ability of the Company to make use of available opportunities and other related issues.

I. INDUSTRY STRUCTURE AND DEVELOPMENTS

RITES has business operations in three distinct fields namely consultancy, export and leasing of railway equipment and running railway systems on concession.

The consultancy business of RITES is mainly in the infrastructure sector, viz railways, highways, airports, ports, ropeways, urban transport, power and building construction etc. To ensure consistent growth of Indian economy, the infrastructure sector has to grow rapidly and it is stated in the 11th Plan that the investment in infrastructure has to be 8% of the GDP as against the existing investment of 4.6% of the GDP to achieve target GDP growth of 9%. To maintain the growth momentum in the Indian economy, provision of adequate infrastructure is critical. Sensing the need for the same, Government of India has introduced number of schemes such as Bharat Nirman for building rural infrastructure, National Highways Development Programme, Dedicated Freight Corridors for railways, Development of Metro Railway Systems in major cities, modernisation of the airports etc. In addition, there are new areas emerging such as Special Economic Zones, Industrial Parks, Inland Container Depots, Air Cargo Complex etc. Consultancy in infrastructure sector being the core business of the Company, there is ample scope of business for the Company in the years to come at the domestic front. In the international market, Asia and Africa continue to remain preferred regions for investment and these regions happen to be key markets for RITES since

awarded since 1995 and more concessions in Africa, South America and Central Asia are under consideration by the respective Governments. BOT projects in the railway and highway sectors are being planned in India and Africa which will provide ample business opportunities for the Company in India and abroad.

II. STRENGTH AND WEAKNESS

The strength of RITES lies in its ability to provide comprehensive range of services in diverse sectors of transport infrastructure in India and abroad. RITES provides consultancy services in all facets of transportation areas viz. railways, highways, inland waterways, airports, urban transport etc. from concept to commissioning which includes feasibility report, detailed designing, construction supervision etc. RITES also has rich experience of leasing, export, maintenance and rehabilitation of rolling stock and railway equipments as well as running and managing of railway systems under concessioning agreements with Tanzania and Mozambique railways.

RITES has a strong team of dedicated and experienced professionals and highly qualified technical personnel with wide experience of execution of work in India and abroad. The Company holds a key position in Government of India's infrastructure plans and is a nominated agency for export of rolling stock and carrying out inspection of the material to be procured by railways. RITES is a financially sound company, consistently making profits and paying dividend and has been able to maintain an impressive growth rate in turnover and profits.

RITES has vast experience in providing consultancy in transport infrastructure sector in India and abroad particularly in Asian & African countries. But the company has limited experience in managing mega projects and rendering of consultancy in overseas and has remained restricted in railway and highway sector only. In the overseas business, the major areas of operations have been in Africa where the economy is highly volatile and open to political and financial risks.

III. OPPORTUNITIES AND THREATS

Mass scale investments planned for development of infrastructure sector in Indian economy to achieve targeted GDP growth of 9% is likely to provide ample opportunities to the Company in the consultancy business in India. The investment in the infrastructure sector is projected to be Rs. 20 lakh crores in the 11th Five Year Plan which is likely to go up to Rs. 40 lakh crores in the 12th Plan.



Export of in-service MG Diesel Locomotives to PTB, Dakar, Senegal

inception.

Export business of RITES is presently confined to exporting locomotives and rolling stock including railway equipment, leasing of rolling stock and rehabilitation and maintenance of railway equipment abroad. There is sufficient scope for export to the traditional market of RITES in Africa and Asia.

Privatisation and concessioning of railway systems has seen an increasing trend in the world over. In Africa alone, 14 railway concessions have been



Consultancy business in the domestic market is likely to be available in the range of Rs. 8 thousand crores to Rs. 20 thousand crores per annum if consultancy component is presumed to be in the range of 2% to 10% of the project costs. Therefore, more avenues will open up for RITES in the consultancy business in the infrastructure sector. In international market, business outlook for RITES seems to be bright as funding by multilateral agencies for railway reforms in African, Asian and South American countries may continue.

Besides above, opportunities also exist for supply and rehabilitation of rolling stock and export of railway equipments in the international market particularly third world countries. The average annual market for supply and rehabilitation of rolling stock is about Rs. 4800 crore per year in the countries where RITES can focus its business, hence there is adequate opportunity for export. Some of the countries not in position to fund import of rolling stock are resorting to leasing methodology to meet their rolling stocks demand. This business is going to pick up and accordingly Company is focussing its attention to tap such business opportunities. The Company also envisages significant leasing business from its joint venture / subsidiary company in Mozambique and Tanzania where presently it is operating and maintaining the railway systems.

RITES being a consultancy organisation, the manpower is the key asset for conducting and furthering the business of the Company. RITES has a pool of experienced, technical and professionally qualified manpower for which there is a great demand in the market. RITES is bound by the rules, regulations and pay structures approved by the Government from time to time. There is significant disparity existing now in the pay packages offered by the government /PSUs as against private sector. There is always a threat of loosing highly qualified and specialised staff to the private sector and MNCs which are in a position to offer better pay packages.

In recent past, it has also been observed that there is a shift in the business execution strategies of the clients as they are preferring for single executing agency rather than having multi-executing agencies for their projects. The work of detailed reports, feasibility reports etc. are the responsibilities of the contractors responsible for execution of the projects. In other words, the scope of pure consultancy assignments is drying up and execution of the projects on turnkey basis is preferred and widely accepted. RITES activities so far have been restricted to the consultancy assignments. To ensure impressive growth, Company will have to diversify its activities and take over BOT / turnkey projects.

IV. RISKS AND CONCERNS

Some of the projects are being executed by the Company in places in India and abroad where employees are exposed to risks and threats to their lives, liberty and property. These projects are executed by the Company in the national interest. The Company takes adequate measures to safeguard its interest, property and its employees in such projects.

A significant portion of Company's revenues are in foreign currency which is amenable to foreign exchange fluctuation risk. In this regard, foreign exchange movements are constantly monitored and necessary actions wherever required are taken to mitigate risks arising out of currency fluctuations. RITES global operations are exposed to international legal, tax and economic risks. These risks are inherent in establishing and conducting operations in international market due to cultural, regulatory and statutory requirements. Our Company is executing such projects in strict compliance of laws of the respective countries.

V. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

RITES has an effective internal audit and control system for efficiency of operations and compliances of relevant laws and regulations. The organisation has well structured policies and guidelines which are documented with pre-defined authority. Regular and exhaustive internal audits are conducted by external agencies, i.e. Chartered Accountants firms as per the scope of work defined by the Company. The scope of work is exhaustive and covers all spheres of activities and is being reviewed from time to time to accommodate changes in the local laws and requirements as per the Accounting Standards. The Company also has an internal audit cell comprising of officers from finance and technical disciplines to ensure that controls and checks are implemented effectively.

The Company has an Audit Committee in accordance with Section 292 A of the Companies Act, 1956. The internal control and audit systems are being reviewed periodically by the Management and the Audit Committee and steps are taken to ensure continuous improvements in the systems and controls.

Risk Management System

To strengthen the risk management system, a committee of the Board consisting of two Independent Directors, the Director (Finance) and one whole time Director has been constituted to review the risk management aspects of our



business. Further, we have a currency risk management policy approved by our Board, which prescribes the guidelines and process to be followed for currency risk management. Various aspects of currency risk management like risk identification, currency risk management approach, benchmarking, hedging and risk appetite, permissible instruments, hedging policy, structure of the risk management committee and treasury group, reporting procedures have been covered in this policy.

Treasury Risk and Liquidity Management

For an effective Treasury Risk and Liquidity Management, Company has constituted a committee comprising of Director (Finance), three Executive Directors of operations units, General Manager (Treasury), Additional General Manager (Treasury) and an external consultant which is responsible for control and directions of operations pertaining to currency risk management.

The liquidity management of the Company was further strengthened and new avenues available to optimise the returns from investment of available surplus funds were explored. The Board of Directors made a separate sub-committee of the Board comprising of Managing Director, Director (Finance) and one more functional director to take timely investment decisions. As a result, funds were invested in the instruments with highest safety and returns as per DPE guidelines. Some such investments are in UTI Liquid Daily Dividend Debt Instruments, UTI Fixed Maturity Debt Plan, inter corporate deposits and deposits with banks etc. The investments made by the committee and also the risk management transactions undertaken are reported to the Board of Directors from time to time.

VI. FINANCIAL PERFORMANCE

During the year, the Company has surpassed its best performance so far and recorded a turnover of Rs. 661 crore as against Rs. 567 crore in the previous year registering an increase of 17%. Company has also achieved its ever highest profit before tax of Rs. 180 crore. During the year, Company has made provision for additional liability of Rs. 45 crore towards arrears for pay and allowances based on Pay Committee's recommendations and provision for terminal benefits in line with the revised Accounting Standard 15. The profit after tax for the Company was Rs. 104 crore. Net worth of the company rose from Rs. 460 crore to Rs. 539 crore as on 31st March, 2008.

During the year, for operation of the railway system

in Tanzania, Company has formed a subsidiary called Tanzania Railway Limited (TRL) with Tanzania Railway Corporation and contributed its share to the extent of 51% in the equity amounting to Rs. 32.84 crore. Company during the year increased its authorised capital from Rs. 5 crore to Rs. 100 crore and split the face value of the share of Rs.100/- each to Rs. 10/- each. Bonus shares of the value of Rs. 36 crore were also issued by the capitalisation of reserves in the ratio of 1 : 9, i.e. 9 bonus shares for each equity share held. This has resulted in increase of Paid-up Capital from Rs. 4 crore to Rs. 40 crore. Company has paid / declared interim and final dividend of Rs. 21 crore which is 52.5% of the Paid-up Share Capital.

As a result of such effective treasury management, Company has an income of Rs. 31 crore from treasury operations during the year as compared to Rs. 20 crore of last year which is higher by Rs. 11 crore (55%).

VII. SEGMENT-WISE PERFORMANCE

Consultancy services and export of rolling stocks continued to be the major contributors in the revenue of the Company. During the year, consultancy services accounted for 61% of total operating income, while export sales and leasing income accounted for 36% and 3% respectively. Segment-wise break-up of revenue for the last three years is as under :

(Rs. in crore)

	2005-06		2006-07		2007-08	
	Operating Income	%	Operating Income	%	Operating Income	%
Consultancy Services						
Domestic	257	66	244	46	285	49
Abroad	32	8	24	5	68	12
Export	96	24	253	47	209	36
Leasing (Abroad)	9	2	13	2	19	3
Total	394		534		581	

VIII. BUSINESS SCENARIO

Business scenario has been changing constantly and there has been stiff competition both in international as well as domestic market but the Company has been able to achieve its highest ever turnover during the year under review. The achievement has been possible as the Company has kept itself updated with the changing business environment & upgraded technology and formulated strategies to meet demand of the clients / customers. Indian economy continued to boom during the year under review and the country has remained one of the favourite destination for the investors. Major investments have taken place in all sectors in general



and infrastructure sector in particular. Opportunities are opening up in consultancy and EPC/BOT projects.

The business outlook of the company is encouraging as company order book value stood at Rs. 1092.40 crore at the end of financial year.

RITES with its strong fundamentals and its inherent competitive strengths will be in a position to effectively harness the business opportunities expected in future.

OPERATIONAL PERFORMANCE

OVERSEAS BUSINESS

RITES continued to provide specialized, integrated, single window export packages for supply of railway locomotives, coaches and equipment. RITES exported two Diesel Multiple Unit train sets and one three-coach set of Self Propelled Accident Relief Train to Angola for the first time. In addition, export of 17 new Passenger Coaches, 12 Gang cars, Inspection cars and Rail-cum-Road Vehicles to Angola was completed during the year. Technical Assistance programme for modernization of Lubango workshop in Angola was also completed. Export of meter gauge locomotives and passenger coaches in Francophone countries in Africa continued with 3 new 2300 HP Diesel Locomotives and 28 new coaches including air-conditioned coaches to Mali and one new 2300 HP locomotive and 12 new coaches sent to Senegal during the period. A new contract was also secured and completed for supply of 20 in-service diesel locomotives to Myanmar during the year. Efforts for diversification got a major boost with RITES securing contracts against stiff international competition for rehabilitation of 2 GE Locomotives and ten 73 class locomotives in Tanzania. RITES has secured a contract for export of in-service locomotives to CDN Nacala, the third Railway line in Mozambique. This makes an entry into a new market.

During the year, RITES made a major break through by taking over the operation of Tanzania railway system on concession for 25 years from 1st October, 2007 through its subsidiary formed with Tanzania Railways Corporation. The concessioned railways has network of 2707 route-km and 3083 track km within Tanzania, with linkage to Kenya and Uganda Railways networks. TRL is managed by officials of RITES who are experts in traffic, track, rolling stock, stores, safety and finance. TRL has awarded contracts to RITES during the year valuing about US\$ 55 million.

Leasing contracts continued to expand with the first ever contract secured for leasing 23 in-service passenger coaches to Tanzania Railways Ltd. A

contract was also secured for leasing 25 in-service Diesel Locomotives to TRL. This is in addition to the existing on going contracts for leasing of in-service locomotives to CCFB, Mozambique and CFM (South), Mozambique.

RITES continued to provide technical consultancy services in all facets of transportation to overseas clients in Senegal, Angola, Afghanistan, Botswana, Ethiopia, Malaysia and UAE. RITES has completed Phase-2 of the feasibility study for a new railway in UAE for M/s Khurair Investments, Dubai during the year. A contract was also secured for study of a new freight railway from the Government of Ras al Khaima. During the year, RITES organized training for 13 officers from railways of different countries like Myanmar, Cambodia, Tanzania, Iraq, Malaysia and Sri Lanka, in various Indian Railways Institutes. In addition to that training was organised for 10 officials of Sudan Railway Corporation, 7 officials of PTB Senegal and 7 officials of Mali in the field of repairs and maintenance of Diesel Locomotives and coaches in various Indian Railways Institutes. Short term training programmes were also organized for 77 Indian Railways officers in Europe, USA, Canada & South Africa.



Laying of Track, Mozambique

REVIEW OF BUSINESS DIVISIONS

RAIL INFRASTRUCTURE DIVISION

CIVIL ENGINEERING DESIGN

During the year, the major activities undertaken by the unit include design of the bridges on new rail link between Udampur-Laole-Quazigund-Baramulla (220 km length) in the state of Jammu & Kashmir, mega rail cum road bridges on river Ganga at Patna (4.55 km) and Munger (3.69 km), Bogibil bridge (4.32 km) over river Brahmaputra near Dibrugarh, Jubilee Bridge (0.42 km) on the river Hooghly near Kolkata and a number of other bridges in India. The construction of these bridges alongwith major / minor approach bridges are in progress. In addition to above, design of major bridges for Rail Vikas Nigam Ltd. on sections of East Coast Railway and South Central



Design and construction supervision for 10.6 km long railway tunnel across Pir Panjal range, J&K State



Railway have also been completed during the year for taking up construction works by Rail Vikas Nigam Limited. The design and construction supervision works of the 10.6 km long railway tunnel across Pir Panjal range and 3.1 km long railway NRT-1 tunnel in Jammu & Kashmir and in progress in a joint venture with M/s Geo Consult of Austria. Design of Jamalpur Rail Tunnel for East Central Railway has also been completed. The unit has completed typical designs and estimates of bridges for preliminary engineering-cum-traffic survey of Eastern and Western "Dedicated Freight Corridor" routes. Model studies for five important bridges for Dedicated Freight Corridor have also been undertaken by the unit.

GEO-TECHNOLOGY

During the year, Geotechnical site investigation including conducting topographical and geophysical survey for strategic storage of crude oil for Indian Strategic Petroleum Reserves Ltd. (ISPRL) at Vishakhapatnam was successfully completed within a short period of time.

The unit has also carried out cross hole seismic survey for three pumping stations, Geotechnical investigations for two pumping stations and for a branch canal taking off from NMC for the Sardar Sarovar Narmada Nigam Ltd., Gujarat. The unit is also carrying out Geotechnical investigation work for new B. G. Railway line from Jiribam to Imphal under adverse and tough terrain conditions. The work of Geotechnical

investigations including topographical and Geophysical survey for setting up mined LPG cavern at Mangalore LPG import facility of HPCL, which was awarded during the year, has also been completed successfully to the satisfaction of the client.

The detailed Geotechnical investigation for bridges, cuttings and yards for Laole Qazigund section of Udhampur-Srinagar-Baramulla new Railway line project from IRCON has been completed and the field work for slope stability assessment for safety of tunnel (T-69) is progressing well.

The unit has also provided services of Geotechnical investigations for the

works of Railway Tunnel T1 between Udhampur & Katra for Northern Railway for Tata Steel at Kalinganagar and SAIL at RSP siding Rourkela. Geotechnical investigation work for Bogibil rail cum road bridge on river Brahmaputra in Dibrugarh for N.F. Railway is under progress. A major work of detailed Geotechnical investigation including drilling of boreholes for bridges and tunnel, conducting insitu footing load test, box shear test, detailed Geological mapping for major bridges for the new Broad Gauge line from Katra to Dharam in Jammu and Kashmir is near completion under adverse climatic and uniquely complex geological conditions.

Recently, geotechnical experts have visited Ras-Al Khaima State of UAE in connection with feasibility study for a new Rail Link.

TRACK AND SURVEY

During the year, the unit completed Phase-2 of the feasibility study for a new railway line in UAE for M/s Ghurair Investments, Dubai. In the 1st Phase, this railway extends for a length of over 425 km from Musaffa to Mina Saqr via Jebel Ali, Sharjah, Al Dhaid and Ras al Khaima with links to Fujairah and Khor Fakkan, which are ports on the East Coast of the country. In Phase-2, the route was extended by 315 km from Musaffa to Ghweifat on the border with Saudi Arabia. The study concluded that development of a freight railway is necessary for the growth of UAE economy as railway itself is likely to generate significant financial as well as economic returns. The unit also completed feasibility studies for a rail link from Pathsala (India) to Nanglam (Bhutan), Kokrajhar (India) to Gelephu (Bhutan) and Rangia (India) to Samdrupjongkhar (Bhutan).

This year the unit secured a study project for a new freight railway from the Government of Ras al Khaima which is to be completed by the middle of next financial year. This railway is proposed to cater to the needs of freight originating and consuming areas of the Emirates of Ras al Khaima and Sharjah.

TRANSPORTATION AND ECONOMICS

The unit continues to march ahead and maintain a high level of performance in the execution of new assignments and completion of ongoing projects. During the period, traffic and economic studies were completed for the prestigious dedicated freight corridor project between Sonenagar-Dankuni being commissioned by Ministry of Railway. The unit is engaged in finalization of Feasibility Study for setting up of Multimodal Logistics Parks at 4 locations and Logistics Parks at 5 new locations. The unit also completed an important project for development of Master Plan for rail and road infrastructure at Paradip Port and a



A bridge at Udhampur for New Railway Line Project (Jammu & Kashmir)



study on Visakhapatnam Port. A detailed traffic study for S.E. Railway was also completed by the unit during the year.

The country-level total transport system study entrusted by Planning Commission is progressing well and road traffic surveys have been completed. Studies in respect of railways, airways and coastal shipping are in progress.

The unit has assumed "leadership Status" in respect of consultancy services to the steel sector as a large number of feasibility and detailed project reports have been taken on hand for mega steel producers like Tata Steel, POSCO, JSW, SAIL, JSPL, etc. At the instance of Tata Steel, three separate studies for rail movement of raw material and finished product for the proposed steel plants in Kalinganagar, Chattisgarh and Jharkhand were undertaken and the reports have since been submitted to the client. DPR for Kalinganagar project of Tata Steel has been completed and Detailed Engineering is underway. Feasibility study and Detailed Project Report for enhanced loading from 5 major iron ore loading points of SAIL are also underway.

In power generation sector, fuel transportation studies have been conducted for new ultra mega power projects at six locations, viz., Krishnapatnam, Mundra, Sasan, Talwandi Sabo, Rajpura and Tilaya for the Power Finance Corporation, besides a host of projects of NTPC and other state electricity boards.

In overseas sector, a logistics study has been carried out for Tata Chemicals Limited in Tanzania for movement of mineral and chemical traffic for the proposed plant at Lake Natron, situated in Northern Part of the country. The Ministry of Commerce and Industry had engaged RITES for a feasibility study on movement of molasses from Pakistan to India by rail. The report was submitted last year and second phase of the project for total transport logistics study of freight traffic between the two countries has been submitted during the current year. Traffic and operational studies have also been undertaken for providing rail connectivity to Bhutan at Five locations through the states of Bengal and Assam. As a sequel to the study done by the unit for a railway network in UAE, another study has been undertaken to assess feasibility of a rail link for Mina Saqr to Sharjah which was commissioned by the Emirate of Ras-Al-Khama in UAE.

SIGNALING & TELECOMMUNICATIONS

During the year, unit undertook S&T part of the feasibility studies in connection with rail links to Nepal and Bhutan and proposed new railway lines in UAE and Senegal. Detailed studies of 5th & 6th

lines in Mumbai suburban areas of Mumbai Rail Vikas Corporation (MRVC) and final location survey in connection with dedicated freight corridors are under progress. Project management consultancy works of NTPC-Sipat, TVNL and Ghaziabad-Kanpur section of Indian Railways are also in progress. Signaling design work of SEC Railway and motorized operation of points on Tata Steel were undertaken during the year.

Telecom unit undertook planning, design and tender documentation for provision of modern Tolling and Advanced Traffic Management System (ATMS) along the Ahmedabad – Vadodara Expressway for National Highways Authority of India. The other assignments in progress are project management services for the provision of in-house Telecom facilities for NRPO Office of Employees' Provident Fund Organization at Dwarka, New Delhi and Electronic Security, Access Control and Audio Visual Systems for the upcoming office complex of Railtel Corporation in Gurgaon.

BUILDING AND AIRPORTS DIVISION

AIRPORT

The unit completed the design and project management of radar towers at seven Airforce stations of Bharat Electronics Limited and the consultancy for upgradation of airstrip for operation of Boeing 737 aircraft at Etawah, Uttar Pradesh. Detailed project report for integrated check posts at Wagha, Petrapole, Nathulapas was completed. Feasibility study of integrated check posts at Radhikapur on Indo-Bangladesh border and Detailed Engineering Study at Raxaul – Birganj on Indo-Nepal border is ongoing. The detailed engineering study and preparation of tender documents of Francistown airport in Botswana has been completed and the project has entered the construction stage. The Department of Civil Aviation, Government of Botswana has awarded



Feasibility study for setting up of Logistic Parks



Feasibility of non operational airports for development of commercial flights



consultancy services for the feasibility study, detailed engineering and construction supervision for relocation of Hukunsi and Tsabong airfields, on competitive bid basis.

The unit has already undertaken Project Management Consultancy projects for development of eight airstrips at Azamgarh, Chitrakoot, Meerut, Shravasti, Moradabad, Sultanpur, Kasia and Faizabad in Uttar Pradesh for State Civil Aviation Department. The design and project management works of radar towers at nine Airforce stations of BEL are in the final stage of construction and further consultancy for new towers at eighteen Airforce stations has already been awarded.

URBAN ENGINEERING

The unit completed the Environmental Impact Assessments (EIA) studies for Nandulur-Guntakal Railway Line, Ahmedabad and Chennai Metro Rail, Karaikudi-Ramanathapuram of NH-210 of Tamilnadu State, Tidong Hydro Electric Power Project in Himachal Pradesh, Hanol Tuini Hydro Electric Power Project, Rupaligarh Hydro Electric Power (HEP) Project, Bowala-Nand Prayag Hydro Electric Power Project in Utrakhand, Parvati-Kalisindh- Chambal Interlinking of Rivers of National Water Development Agency, Ministry of Water Resources, Aurangabad Airport, Chandigarh MRTS, Delhi Monorail project, Metro depot at Central Park at Kolkata and East-West Corridor of Kolkata Metro.

The EIA and Social Impact Assessment (SIA) studies for Tuini-Plasu HEP, Arakot-Tuini HEP, Mapang- Sirkari HEP, More-Hanol HEP in Utrakhand; Traffic, EIA & SIA studies for 7 tunnels in Shimla and other parts of the Himachal Pradesh, Noida and Greater Noida LRT Project, UBDCIII in Gurdaspur of Punjab, Extension of Runway and allied

works at Agatti Airport, DPR of MUTP Ph-II at Mumbai are in progress. EIA Study for Chango-Yangthang HEP project in Kinnaur district, Himachal Pradesh and for the proposed Under Ground LPG Cavern facilities at HPCL, Mangalore are also in progress.

Water supply, sewerage and drainage along with waste water treatment facilities for Chapra Rail

Wheel Plant and Raxaul – Birganj integrated checkpost have been completed. The unit has been awarded with Assessment and Characterization of Plastic Waste and its Management in Delhi Railway Stations and Airports.

CONSTRUCTION PROJECT MANAGEMENT

Construction Project (CP) Division of RITES provides Project Management Consultancy Service as well as Quality Assurance and Surveillance Inspection. Its presence is felt all over India for executing Infrastructure Projects such as Institutional Building, Residential Building Development works School Building, Auditorium Conventional Center etc. The client list includes Central Government, State Government, Ministry of Defence & Private Sector as well.

The major works being executed are Expansion and Upgradation of Jawaharlal Nehru University, New Delhi; Expansion and upgradation of Delhi University, North and South Campus; Development of Practice Venue for Commonwealth Games – 2010 at Jamia Milia Islamia, New Delhi; Construction of 1200 seated Auditorium / Convention Centre at National Agriculture Science Centre of Indian Council of Agricultural Research, New Delhi; Construction of Institutional Buildings of Directorate of Technical Education, Govt. of Haryana at Rohtak; Expansion and Upgradation of University of Pondicherry and Hyderabad; Construction of Married Accommodation Project of Ministry of Defence at various locations; Construction of Police lines and Residential Complex of Delhi Police at Delhi; Construction of School Building, Hostels and other Infrastructures of Navodaya Vidyalaya Samiti at various locations in India; Third Party Inspection of Building and Infrastructure works of NOIDA and Greater NOIDA Authority, Delhi Jal Board, Haryana Urban Development Authority, Delhi Development Authority, PWD (Govt. of NCT Delhi), Ministry of Home Affairs, Ministry of Commerce etc.

ELECTRICAL ENGINEERING

During the year, the major activities undertaken included detailed design engineering of 132/33 KV substations and 3-phase double-circuit Transmission lines of 220KV/132 KV for JSEB. Design, Procurement, Installation, Testing & Commissioning of Electric Sub Station/DG Sets, Internal and External Electrification, Fire Detection & Alarm (FDA) System, Gas based fire suppression system, HVAC System and Elevators for EPFO/Dwarka. Third Party Quality Audit of Rural Electrification



Consultancy for construction of six lane Cable Stayed Bridge, Nagpur



works under RGGVY for UP Power Corporation Ltd for 20000 villages & 651 feeders of 11 KV rating for Jaipur Vidyut Vitran Nigam Ltd. was also carried out. Detailed designs of OHE for 5th & 6th lines of Mumbai Rail Vikas Corporation, "Railway Electrification DPR" of Rourkela Steel Plant and Siding of 60 km and Tata Steel Siding at Kalingnagar for 120 track kilo metre (tkm) and Feasibility Report, Preliminary Engg. & Traffic Survey for Railway Electrification works of Dedicated Eastern and Western Freight Corridors were completed. Other projects included consultancy and project management for modernization of substation and electrification augmentation of JNU Campus; Erection, testing & commissioning of 11KV DG sets for Inland Container Depot /Dadri; GIS Mapping, infrastructure survey, consumer profiling & indexing, load-flow analysis, preparation of DPR, BOQ and estimate for two districts of Jharkhand and three districts of Orissa under RGGVY scheme for NTPC Electric Supply Company Ltd. traversing 20,000 sq. km and 9000 villages for demographic details and consultancy service for conversion of overhead power distribution lines to underground cabling system for Chhattisgarh State Electricity Board.

ARCHITECTURE & PLANNING

During the year the unit has been involved with the detailed design and drawings for setting up a Cast Wheel Plant at Bela, Chhapra (Bihar) and a periodic Overhauling Workshop at Harnaut (Bihar) for the Railways. These two projects involved designing and detailed engineering drawings for Steel Structures, Pre-Engineered Structures and RCC framed structures for a variety of Industrial and other Buildings. The Navodaya Vidyalaya Samiti continues to award consultancy for planning, design and preparing drawing for setting up Jawahar Navodaya Vidyalayas in various States. During the year the unit dealt with the JNV projects at Darjeeling, East Imphal, 24 Parganas, Ambala, Kolasib, Sharawasti, Korla, Khurda & Patna. The unit was awarded the Design and Project Management Consultancy for Interiors of Offices for Steel Authority of India Ltd. at Delhi, Chennai, Kolkata & Mumbai. The intent given by SAIL is to develop a unified theme for all offices across the country. The unit has completed the detailed working drawings for the Anand Vihar Railway Terminal at Delhi and construction activity is in full swing by the Northern Railway.

TECHNICAL SERVICES DIVISION

OPERATION & MAINTENANCE

This unit provides railway related technical support to private and public sectors in India particularly

major Power Houses, Steel and Aluminium plants, Ports etc. which are owning and operating their own railway systems. There is an upsurge in these sectors leading to an increasing demand for outsourcing non-core activities including Management of the Rail Infrastructure linked to these industries.

This unit has secured works from a number of new clients in the recent past i.e. Durgapur Projects Ltd., Bhilai Steel Plant of SAIL and Kolaghat Thermal Power station of WBPDC. Existing contracts for Operation & Maintenance of Locomotives and Wagons in NTPC's Plants at Farakka, Talcher and Kahalgon and NALCO's Plants at Damanjodi and Angul were continued and enlarged.

The unit has also started taking up work of rehabilitation of wagons & modification of coaches for Indian Railways. A major pilot work of BOXN Wagon rehabilitation has been started at Visakhapatnam at East Coast Railway and Coach modification works awarded to this unit by Zonal Railways are being executed in association with a leading RDSO approved berth manufacturer.

The unit is also in discussions with Diesel Locomotive Works (DLW) Varanasi to take over the work of supplying locomotive spare parts in the domestic market. This activity will facilitate the unit to get additional business of maintenance of locomotives in the domestic market.

Unit has done the study of Rourkela Steel Plant, SAIL for upgradation of railway infrastructure, consequent to study and preparation of DPR for the Plant, this unit was able to get the work of operation of locomotives in Bhilai Steel Plant. Other steel plants of SAIL have also approached this unit for undertaking their works of operation & maintenance of rolling stock along with the maintenance of railway track which are under active consideration.

ROPEWAYS & INDUSTRIAL ENGINEERING

This unit provides consultancy from concept to commissioning of the aerial ropeway projects in the country. The Ropeways group is presently doing project management of passenger ropeways across



Operation & maintenance of NALCO's rail transport system



Project management of passenger ropeway at Trikut, Jharkhand



Bhilingana River at Tehri (Uttarakhand), at Trikut Hill, Deoghar (Jharkhand), across Bhagirathi River at Tehri (Uttarakhand) and at Namchi (Sikkim) and will shortly take up AMC for ropeway across Brahmaputra River at Guwahati. During the year RITES has completed the feasibility study/detailed project reports for material ropeway at Neyveli Lignite Corporation & Passenger ropeways at Bhaleydung (Sikkim), Palani Temple (Tamilnadu), Dayara Bugyal (Uttarakhand), Durga Devi Tekdi (Pune) & Dharmkot to Triund (Himachal Pradesh). The studies for ropeways in Uttarakhand at Surakanda Devi Temple, from Mussorie to Kempty Falls, at Hemkunt Sahib, and at Ranikhet are under finalization. The unit is also doing studies for ropeways in Himachal Pradesh from Palchan to Rohtang, at Bijli Mahadev Temple (Kullu), Neugal (Palampur) and Deotsidh Temple (Hamirpur).



Rail Coach Factory, Kapurthala.

The Industrial Engineering Group provides consultancy for setting up of new Railway manufacturing, overhauling workshops and also undertakes study, implementation and review of Group Incentive Scheme in Railway Workshops & Production Units.



Rolling Stock design, Food Grain Wagon

During the year the unit completed the review study of Group Incentive Scheme at Tirupati & Rayanapadu workshops. Based on RITES Study, the implementation of Group Incentive Scheme at Golden Rock workshop has been approved by Railway Board. Presently Railway Board has awarded the work of Implementation of Group Incentive Scheme at Perambur Loco Workshop.



Procurement facilitation services to Islamic Republic of Afghanistan, Paktia University Building

RITES has completed the consultancy work for setting up of M-15 Gas Turbine Testing Facilities for Indian Navy being set up at Vishakhapatnam. The group is also providing consultancy services to Hindustan Copper Ltd. for productivity improvement in Implementation of Modern Mine Management System and improvement of handling of Copper Concentrate at various units. The layouts, M&P specifications and detailed estimate for setting up of new wagon repair shop at Sonpur (Bihar) is also being undertaken by

the group. Turnkey work of construction of industrial sheds and supply, installation and commissioning of Machinery & Plant for upgradation/modernization of Railway Workshops and Production Units is being undertaken with first project at Rail Coach Factory, Kapurthala.

ROLLING STOCK DESIGN

This unit specializes in design and marketing of railway rolling stock using state-of-the-art software techniques like solid modelling, finite element modelling, crash simulation and vehicle dynamics simulation. The high speed container flat wagon design developed by RITES in association with Research Design and Standards Organisation (RDSO), a research wing of Indian Railways, has been highly successful in initiating 100 kmph operation of freight trains on Indian Railways. The unit has designed specialized wagons including Ro-Ro wagon for Roll-on and Roll-off freight such as loaded trucks, bogie flat (BFAT) wagon for Ministry of Defence and frameless tank wagon for transportation of petroleum products.

Crashworthy Coaches developed by the unit have already been introduced in regular service of Indian Railways after extensive tests. The unit has designed a 24-axle 300 tonne special wagon for BHEL. This wagon is fitted with transition central buffer coupler in place of existing screw coupler. The new wagon can be used in air braked and vacuum braked composition.

The unit has also designed a food grain wagon for bulk movement of food grains. This wagon is fully covered and has features like auto-discharge. Once introduced in regular service, the wagon will not only reduce loading / unloading time, but also reduce the cost of transportation of food grain by eliminating requirement of gunny bags and manpower for loading and unloading. This wagon will also save the precious food grain from rodents and nature caused losses such as rain etc. One rake of this wagon has already been manufactured for trials on Indian Railways.

This unit also has exclusive marketing rights for wagons like alumina wagons & cement / fly-ash wagons.

MATERIALS SYSTEM MANAGEMENT

During the year, the unit has secured several prestigious projects of providing procurement consultancy services to Tanzania Railway Limited, Delhi Transport Corporation, Government of NCT and Ministry of Agriculture, Govt. of India. The unit also provided procurement consultancy services for capacity building in public & private partnership for the Department of Expenditure, Govt. of India. The



unit's expertise and customer satisfaction resulted in getting of repeat procurement consultancy contracts from the National Vector Borne Diseases Control Programme and Revised National Tuberculosis Project under Ministry of Health & Family Welfare, Govt. of India.

In Afghanistan, RITES professionals, despite high level of security threats, continued to provide procurement facilitation services to Islamic Republic of Afghanistan under Afghanistan Reconstruction & Development Services (ARDS) to their satisfaction.

TRANSPORT INFRASTRUCTURE DIVISION

HIGHWAYS

The unit provides comprehensive road transport consultancy services including Conceptual and Detailed Design, Construction Supervision and Operation and Maintenance of roadways and tunnels. The unit has been providing services in highway sector to various projects in India, Nepal, Bhutan, Botswana, Uganda, Malaysia, Myanmar and Ethiopia. The unit is presently providing overseas consultancy services for design and construction supervision for Detailed Geometric Design, Materials Investigations and Contract Documentation for Reconstruction of 128 km. long Francistown – Ramokgwebana Road, in Botswana; Feasibility Study, Detailed Design, Material Investigation, Pre-contract services and Construction Supervision of Tshesebe – Masunga Road, 58 km in Botswana ; OPEC funded "Mekenajo-Nejo-Mendi" Road Upgrading Project in Ethiopian and IDA Funded "Nazareth – Assela-Dodola & ShasemeneGoba" Road Upgrading Project and Realignment of Dengoro-Bila-Hena Road in Ethiopia.

In India the unit has secured contracts for Advisory Services for 6-Lane Taj Expressway Project from Noida to Agra; 6 laning of Walahjpet-Poonamlee road section (92Km) of NH-4 in Tamilnadu and 4/6 laning of National Highway Section of Kandala-Mundra Port on NH-8 in Gujarat. RITES is also a member of the consortium for development of 8 lane expressway from Greater Noida to Balia in UP. The unit has in hand several prestigious contracts for design and supervision of National Highways in Punjab, Delhi, Uttar Pradesh, Gujarat, Assam Jharkhand and Tamil Nadu.

URBAN INFRASTRUCTURE DIVISION

URBAN TRANSPORT

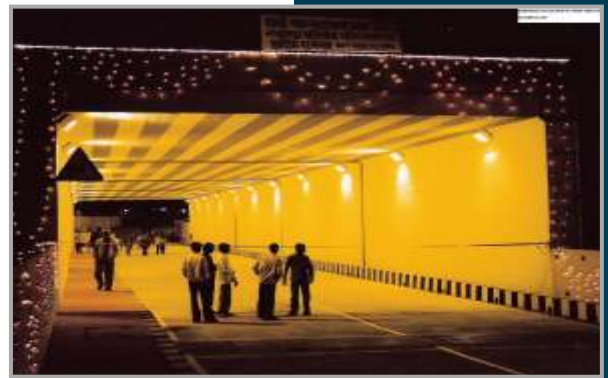
This unit continues to provide comprehensive consultancy services in all disciplines relating to transport in Indian urban areas. These include

planning, design and implementation of transport system and infrastructure relating to roads, grade separated facilities, terminals, parking, pedestrian facilities, bus transport system and rail based mass transit systems. The unit was engaged in a number of prestigious assignments during the year. These include Detailed Project Report for East-West Corridor of Kolkata Metro; Transport Demand Forecast Study for Delhi; General Consultancy for Phase II as well as airport link for Delhi Metro; Feasibility study for Monorail in Delhi; Construction Management of ROBs in Punjab and Haryana; Project Management of Flyover / ROB in Noida and Greater Noida; Feasibility Studies for two Bus Rapid Transit Corridors in Delhi; DPR for Mumbai Trans Harbour Rail Link; Comprehensive Traffic and Transport Plan for Ranchi City; DPR for Bus Transit System for Bangalore and Mysore; Integrated Public Transport Plan for Vadodara and Planning for Metro Stations on various corridors in Delhi.

The unit has been awarded the work of General Consultancy for Bangalore Metro Project with RITES as the consortium leader. Other major assignments secured by the unit include the feasibility study and bid process management of Monorail system in Mumbai Metropolitan Region; detailed design of Byappanhalli Yard and Depot cum Workshop for Bangalore Metro; Feasibility Study for running of 15 Car EMUs Train in Mumbai sub-urban section of Western Railway and Bid Process Management for Bus-Q-Shelters in Delhi.

PORTS & WATER RESOURCES

The unit has secured two prestigious projects for rendering independent engineer services for development of Gangavaram Port and Krishnapatnam Port from Government of Andhra Pradesh. The unit has also secured a project from M/s International Sea Port Dredging



Road under bridge by push through technology, Narendra Nagar



New Delhi airport link station- RITES is a part of General Consultants for the project including the designing of the stations



Independent engineer services for development of Gangavaram Port



Ltd for preparation of dredging business plan for all ports in India. The "Navigation studies on river Saptakoshi / Kosi in Nepal" which are a part of the proposed construction of high dam on river Saptakoshi at Barakshetra in Nepal are in progress. The projects for development of Inland Water Transport in delta canals of rivers Godavari and Krishna in Andhra Pradesh and Detailed Project Report to develop comprehensive Inland Water Transport in Bihar are in progress. The work on Sardar Sarovar project for conceptual alignment planning, detailed design and drawings for Kutchh branch canal and cross drainage structures is also in progress.

EXPOTECH DIVISION

The unit is engaged in export of locomotives, rolling stock, leasing and rehabilitation of rolling stock as well as providing Management Support and Technical Assistance to railway systems abroad.

RITES efforts at showcasing Indian Railways (IR) technology for manufacture and export of Cape Gauge (1067 mm track gauge) rolling stock achieved a new high with export of first-ever consignment of two Diesel Multiple Unit train-sets and one three-coach set Self-Propelled Accident Relief Train to Angola. This was in addition to the ongoing projects in Angola in which, seventeen new passenger coaches, twelve gang cars, inspection cars and Rail-cum-Road Vehicles were exported and Technical Assistance programme for Lubango Workshop Modernization was completed during the period. Export of locomotives and passenger coaches to Francophone countries in Africa expanded with supply of 3 new 2300 HP diesel locomotives and 28 new passenger coaches including air conditioned coaches to Mali and one new 2300 HP



Export of 2300 HP cape gauge loco to Angola



Beira Rail Concession Project, Mozambique

locomotive and 12 new passenger coaches to Senegal. During the year, a new contract was secured for supply of 20 in-service diesel locomotives to Myanmar which was completed during the year.

On-going efforts for diversification into rehabilitation of locomotives and rolling stock received a major

boost with RITES securing contracts against international bidding for rehabilitation of two GE locomotives and the rehabilitation of ten 73 class locomotives in Tanzania. This was in addition to contracts for rehabilitation of GE Traction Motors and Traction Generators for Mozambique and Tanzania.

There was a major expansion in leasing activities. RITES was awarded the first-ever leasing contract for MG passenger coaches with a contract for lease of 23 in-service passenger coaches to Tanzania Railways Limited. In addition, the Division secured a contract for leasing of 23 in service passenger coaches and 25 in-service diesel locomotives from TRL, Tanzania where already 10 in-service locomotives had been operating on lease from RITES for the past 10 years. Lease of 10 in-service locomotives to CCFB, Mozambique and another 10 in-service locomotives to CFM (South), Mozambique is also continuing.

PRIVATISATION AND CONCESSIONING

This year the unit made a major break through by signing the concession agreement for Tanzania Railway Corporation for operation and management of Tanzania Railways. A concession company named Tanzania Railways Limited (TRL) has been incorporated under the laws of Tanzania for managing and operating the railway system in Tanzania and the details of the same have been given in para on 'Overseas Business' above. Technical experts having rich experience in railway operations and management have been provided by RITES to TRL.

The unit continued to provide management support to our concession company Companhia dos Caminhos de Ferro da Beira, SARL (CCFB), managing the Beira Rail Concession, Mozambique. Fourteen railway experts have been deployed at CCFB by RITES who are managing and operating the concession company along with management of track rehabilitation works of the 547 km long Sena line. CCFB has entered into MOUs with three coal mining companies for transporting 12 million tonnes per annum of coal on the Sena line. CCFB is in dialogue with VALE, a Brazilian mining company, for transportation of 12 million tons per year of coal on Sena line.

On the domestic front, the unit has successfully finished consultancy assignment for preparation of draft Concession Agreement for two port projects namely (i) Captive port to be developed at Jatadhara Mohan by POSCO and (ii) all weather multi-user port to be developed at Subarnarekha Mouth (Kirtania) by Creative Port Development Private Limited. Further, the proof consultancy work for



Kakinada Port project in Andhra Pradesh is in progress.

QUALITY ASSURANCE DIVISION

The division renders third party inspection and laboratory testing services to clients both in public and private sectors. During the year, the division was able to enhance business with the Power Utilities & Infrastructure projects of different states with renewal of the contracts & extending scope of inspection with existing clients. The division is assisting the Bureau of Energy Efficiency in their star rating scheme for various electrical products. The division also continued to provide services to Bureau of Indian Standards in the management of their Product Certification Scheme.

The division performed extensive inspection of wheel assemblies, discs and axles in China, Brazil, South Korea and Ukraine on behalf of Railways, BEML, CONCOR and wagon manufacturers. Besides, inspection of machine tools has been conducted in Russia.

In the area of Quality Management Systems, consultancy services were rendered for ISO:9001, ISO:14001, OHSAS-18001, ISO/IEC 17025 & Safety audit etc. to clients in private and public domain. The division also made a beginning in the field of Clean Development Mechanism and intends to develop capacity for rendering consultancy services for CDM projects.

INFORMATION TECHNOLOGY

During the period, the unit has designed, developed and implemented a Knowledge Management System for in-house use of RITES. The system is to contain information on RITES, its business units and the services being provided by them. This includes details of projects undertaken, manpower available, information on clients, time taken for executing the projects and number of experts utilised for executing the projects. Details of experts along with their CVs are also stored. Web based integrated inspection & billing system was also developed in-house for Quality Assurance Division of RITES which generates MIS reports and bills pertaining to Regional Inspection offices in India. The unit has also started providing assistance to various Departments in uploading of tenders for knowing status on payments of bills issued to contractors or suppliers, job applications and results of selection finalized, etc.

TRAINING

The unit organised training for 13 officials of different disciplines from countries like Bulgaria, Mynamar, Cambodia, Tanzania, Iraq, Malaysia & Sri Lanka in various Indian Railway Institutes under Ministry of External Affairs' ITEC/SCAAP programmes. Training

of 10 officials of Sudan Railways Corporation, 7 officials of PTB Senegal and 7 officials of Mali Railways in repair and maintenance of Diesel Locomotives and Coaches was organized during the year in various training centres of Indian Railways. Training of 6 officials of CFM Angola was also organized in repair and maintenance of Diesel Multiple Units for a period of six weeks in India. Training was also imparted to the Chief of Cargo, CCFB, Mozambique in Transportation Management for eight weeks in India. Short term training programs were organized for 77 Indian Railways officers in Europe, USA, Canada and South Africa under four modules of two week each. Officials of Punjab Forestry were sent on training to USA for Forestry Management.

A study on the procurement capacity assessment of procurement entities of Karnataka State Govt. was completed during the year.

An initiative of Ministry of Railways to offer free training to managers of African Railways in various disciplines on Railway Technology and Operations at Centralised Institutes of Indian Railways was implemented by RITES. The first program for track

engineers from Ghana, Mozambique, Egypt, Angola and Sudan has been concluded at the Indian Railway Institute of Civil Engineering, Pune in January, 2008. Second program for the engineers on locomotive maintenance has also been concluded at Indian Railways Institute of Mechanical and Electrical Engineering, Jamalpur in March, 2008.

IX. HUMAN RESOURCES & INDUSTRIAL RELATIONS

Being an internationally renowned consultancy company, RITES regards its human resources as one of its prime assets. The human resources, in addition to regular employees and consultants of RITES include professional experts on deputation from the Indian Railways, Central and State Governments and PSUs. RITES possesses one of the largest pool of design,



Audit at LG Electronics India Ltd, Greater Noida



Training of senior railway officials under ITEC program of diesel locomotive maintenance



highway and railway engineers.

With expansion of business activities, intake of professionals either from open market or on deputation has been a continuous feature. In the face of attrition of professionals, recruitment, career development and training has assumed importance. About 649 recruitments were done during the year. Training programme extending to 6181 training mandays were imparted to our personnel during the year. Besides training, career development has also been taken care of, with cadre review, modification of promotion policy, guidelines and regulations, strategies for enhancing professional excellence and resource mobilization.

More emphasis has been laid on recognition of excellence and a staff consultative committee has been formed to encourage participation of employees in management decision making as well as welfare and social security provisions. These efforts have made the organization a model employer making it vibrant, dynamic and a market leader in infrastructure consultancy services, well equipped to achieve the targets as envisaged with commitment to its clients.

X. ENVIRONMENTAL PROTECTION AND ENERGY CONSERVATION

The Company is in consultancy business and operating from its various offices, has no significant impact on environment. Company as a part of consultancy services to its clients ensures that rules concerning

environmental protection are complied with. Similarly, in all its designs and project formulations and specifications for its clients, energy conservation measures are adopted as a part of good engineering practice.

In RITES own buildings, all the relevant environmental rules are complied with and periodic inspections are carried out to ensure continuous compliance. The buildings are energy efficient by design and measures are being adopted for conservation of energy.

XI. CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility emanates from company's Mission Statement. Company discharges its responsibility towards the society by involving itself as a consultant, project managers in the projects relating to development of rural and remote areas of the country. As a part of its consultancy, social management plans of RITES advocates for poverty alleviation activities such as setting of facilities like schools, hospitals, dispensaries, water shed management, afforestation programs and fuel substitution in project affected areas. Company also sponsors the activities of NGOs and other social organisations for their activities relating to promotion of art, culture, national integrity, education, health, sports and assistance in natural calamities.

As a part of the corporate social responsibility, the Company being seriously concerned with the large scale devastation of lives and belongings caused by recent floods in Bihar, has contributed a sum of Rs. 5 crore to the 'Railway Minister's Welfare and Relief Fund' as an assistance to provide immediate relief to affected local population during this national calamity.

XII. AWARDS

Company received following awards for its performance during the year 2007-08:

1. The Economic Times "Avaya Global Connect Customer Responsiveness Award 2007" for being the India's most customer responsive public sector undertaking. The award presented by The Economic Times recognised the best customer responsive initiatives, policies and practices of the company deployed to enhance global competitiveness.
2. "AMITY Corporate Excellence Award 2008" for having achieved the enviable position of one of the best and most admired business organisations with its unparalleled performance.



MD(RITES) presented Rs.5 crore to the Honourable Railway Minister towards Railway Minister Welfare and Relief Fund for Bihar Flood Relief Works



ET-Avaya Global Connect Customer Responsiveness Award



Auditors' Report

The Members,

RITES LTD.

1. We have audited the attached Balance Sheet of RITES LTD. as at 31st March, 2008, the Profit and Loss Account and the Cash Flow Statement for the period ended on that date, annexed thereto, in which are incorporated accounts of one 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. The Head Office accounts include transactions relating to overseas assignments, which have been incorporated on the basis of return/receipts and payment accounts, vouchers, books of account, received from there. *In respect of joint ventures in India, the company has incorporated its proportionate share of income and expenditure in the said joint ventures. The gross consultancy receipts and gross expenditure so incorporated amounts to Rs.3659.32 lakhs and Rs.3443.77 lakhs respectively, which have resulted into a profit of Rs.215.55 lakhs, before taxes on income. We cannot comment on such figures as the same are audited by other auditors.* These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the COMPANIES (AUDITOR'S REPORT) Order, 2003, (The ORDER) issued by the CENTRAL GOVERNMENT in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate, we enclose in the Annexure a statement on the matters specified in paragraphs 4 of the said Order.
4. Further to our comments in the Annexure referred to in

paragraph 3 above, attention is drawn to:

- (a) Note No.21.1.1 in Notes to Accounts regarding change in Accounting Policy No. 2.1 on Revenue Recognition of Consultancy Fee which has resulted in increase in the profit for the year ended 31st March, 2008 by Rs. 2388.60 lakhs.
- (c) Note No. 8 in Notes to Accounts regarding final adjustment that may arise in respect of interest on amounts recoverable from Government of India in respect of IRAQ dues.

Subject to the foregoing we further report that:

- (a) We have 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 appears from our examination of those books.
- (c) Reports of the Branch Auditors in respect of Branches / Regions not audited by us have been forwarded to us and the same have been appropriately dealt with.
- (d) The Company's Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account and with the audited returns from the branches.
- (e) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956.
- (f) In pursuance to the notification No.GSR 829(E) dated 17.7.2003, issued by the Department of Company Affairs; clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956, pertaining to disqualification of Directors is not applicable to a Government Company.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes forming part of the accounts and principal accounting policies appearing under Schedules N & O, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :

- (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;
- (ii) In the case of the Profit and Loss Account, of the profit of the



Company for the period ended on that date ; and

- (iii) In the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

Ashok Chopra

Partner

Membership No. 17199

For Jain Chopra & Company

Chartered Accountants

Place : New Delhi

Dated : 30th June 2008.

ANNEXURE TO THE AUDITORS' REPORT

[Referred to in Paragraph 3 of our report of even date]

1. a) The Company has generally maintained proper records to show the full particulars including quantitative details and situation of fixed assets.
b) As explained to us, generally the fixed assets have been physically verified periodically by the Management and last verification was done in February, 2008.
c) Fixed assets disposed off during the period were not substantial and therefore do not affect the going concern status of the Company.
2. a) As reported to us, the physical verification of inventories has been conducted by the Management at reasonable intervals during the period.
b) In our opinion and according to information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
c) In our opinion, the company is maintaining proper records of inventory and as explained to us, during the period, no material discrepancy has been noticed on physical verification of inventories as compared to records.
3. As informed to us, no loan has been granted or taken, secured or unsecured, to/from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Hence the other clauses 4 (iii) (b), 4 (iii) (c) and 4 (iii) (d) of the ORDER are not applicable.
4. In our opinion and according to the information and explanations given to us, the internal control procedures are generally adequate and commensurate with the size of the Company and the nature of its business for the purchase of inventories and fixed assets and for the sale of goods. During the course of our audit, we have not noticed any continuing failure to correct major weaknesses in internal controls.
5. a) According to the information and explanation given to us, we are of the opinion that the transaction that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
b) According to the information and explanation given to us, the Company has not entered into any transaction in pursuance of contracts or arrangements required to be entered in the registers maintained under section 301 of the Companies Act, 1956 and exceeding during the period the value of Rs. 5,00,000/- in respect of each party.
6. During the period, the Company has not accepted any deposit from the public.
7. In our opinion, the internal audit system is commensurate with the size of the Company and nature of its business.
8. The maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 has not been prescribed for the Company by the Central Government.
9. a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employee's state insurance, income-tax, sales-tax, wealth tax, custom duty and excise duty, cess and any other material statutory dues applicable.
b) According to the information and explanations given to us, there are no undisputed amounts payable in respect of income-tax, wealth tax, sales tax, customs duty, excise duty, service tax and cess which have remained outstanding as at 31st March, 2008 for a period of more than six months from the date they became payable.
c) According to the information & explanation given to us, the status of legal cases and unpaid dues of income-tax, and service tax which have not been deposited on account of any dispute is as under:



Name of the statute	Nature of dues	Amount (Rs.)	Forum
Income Tax Act Ass. Yr. 1981-82	Disallowance of Investment Allowance U/S 32 A (1) for computers installed in Office	Rs.5.79 lakhs unpaid demand Nil	ITAT, Delhi
Income Tax Act Ass. Yr. 1991-92 and 1992-93	Disallowance of loss on sale of foreign vehicle of the company.	Rs.34.62 lakhs. Unpaid demand in this regard is Nil	ITAT, Delhi
Income Tax Act Ass. Yr. 1997-98	Disallowance of deduction u/s 80-O	Rs.83.98 lakhs Unpaid demand in this regard is Nil	ITAT, Delhi
Income Tax Act Ass. Yr. 1998-99	Disallowance of provision for Fifth Pay Commission during the income tax assessment period 1997-98	Rs.87.50 lakhs Unpaid demand in this regard is Nil	DCIT, New Delhi
Income Tax Act Ass. Yr. 2000-01	Deduction on account of prior period expenses and interest to bank and financial institutions	Rs.63.48 lakhs Unpaid demand in this regard is Nil	ITAT, New Delhi
Income Tax Act Ass. Yr. 2002-03	Disallowance on account of provision for PLIS Medical & LTC. The appeal effect of ITAT is to be quantified.	Rs.88.49 lakhs Unpaid demand in this regard is Nil	DCIT, Delhi
Income Tax Act Ass. Yr. 2000-01, 2002-03 & 2003-04	Disallowance of deduction u/s 80 HHC	Rs.1069.03 lakhs unpaid demand in this regard is Nil	ITAT, Delhi
Income Tax Act Ass. Yr. 2003-04	Disallowance on account of deduction u/s 80HHB, exchange loss, prior period expenses and interest of BAAR project	Rs.1090.06 lakhs Unpaid demand in this regard is Nil	ITAT, Delhi
Income Tax Act Ass. Yr.2004-05	Deduction on account of prior period expenses & exchange loss	Rs.477.75 lakh unpaid demand is Nil	ITAT, Delhi
Service Tax FY 1997-98 & 1999-2000	Erroneous deposit of service tax on account of operation and maintenance projects of Nehru Place, New Delhi	Rs. 26.77 lakhs Unpaid demand in this regard is Nil	Commissioner of Central Excise & Customs-Service Tax (Appeals), Delhi
Service Tax FY 1999-2000 & 2000-01	Erroneous deposit of service tax on account of operation and maintenance projects of PO Kolkata	Rs.19 lakhs Unpaid demand in this regard is Nil	Superintendent of Central Excise & Customs-Service Tax, Kolkata
Service Tax FY 1999-2000 & 2000-01	Erroneous deposit of service tax on account of execution of	Rs. 13.08 lakhs Unpaid demand in this regard is Nil	Writ Petition filed with Hon'ble High Court of

Name of the statute	Nature of dues	Amount (Rs.)	Forum
	works of turnkey projects PO Secunderabad		Hyderabad
Service Tax FY 1998-99 to 2003-04	Service tax on providing security services on RITES project of PO, Bhubaneswar	Rs.10.78 lakhs on account of service tax and Rs.10.78 lakhs as penalty	Commissioner of Central Excise & Customs - Service Tax (Appeals), Bhubaneswar has partly allowed the appeal but value is not quantified. The company is in the process of filing appeal before CESTAT Kolkatta.

10. The Company does not have accumulated losses at the end of the financial period and has not incurred cash losses during the period and in the immediately preceding period.
11. In our opinion and according to the information and explanation given to us, the Company has no dues towards any financial institution or bank.
12. Based on our examination and according to the information and explanation given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund, nidhi, mutual benefit fund or a society.
14. The Company is not dealing or trading in shares, securities, debentures and other investments.
15. On the basis of the information and explanations given to us, the Company has agreed to offer its shares in Tanzania Railway Limited in pledge for loans to be disbursed by International Financial Corporation to Tanzania Railway Limited, a subsidiary of the company.
16. On the basis of the information and explanations given to us, the Company has not obtained any term loan.
17. In our opinion and on the basis of the information and explanations given to us, the Company has not raised short / long term funds.
18. During the period, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
19. The Company has not issued any debentures during the period.
20. The Company has not raised any money by public issues during the period.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

Ashok Chopra
Partner

Membership No. 17199
For Jain Chopra & Company
Chartered Accountants

Place : New Delhi
Dated : 30th June, 2008



BALANCE SHEET AS AT 31ST MARCH, 2008

		(Rupees in Lakhs)			
		AS AT 31.03. 2008		AS AT 31.03.2007	
SCHEDULE					
SOURCES OF FUNDS					
SHAREHOLDERS' FUNDS :					
CAPITAL	A	4000.00		400.00	
RESERVES AND SURPLUS	B	49886.67	53886.67	45561.91	45961.91
TOTAL			<u>53886.67</u>		<u>45961.91</u>
APPLICATION OF FUNDS					
FIXED ASSETS :					
GROSS BLOCK	C	17080.20		14016.05	
LESS: DEPRECIATION		5525.76		4784.28	
NET BLOCK		11554.44		9231.77	
CAPITAL/DEV. WORK IN PROGRESS		211.14		-	
			11765.58		9231.77
INVESTMENTS:	D		6872.98		607.73
DEFERRED TAX ASSETS (NET)			3262.19		2033.18
CURRENT ASSETS, LOANS AND ADVANCES :					
INVENTORIES	E	1580.64		828.00	
WORK IN PROGRESS		689.49		370.16	
SUNDRY DEBTORS		13528.34		15456.00	
CASH AND BANK BALANCES		53285.01		42479.45	
OTHER CURRENT ASSETS		2686.19		1933.90	
LOANS AND ADVANCES		31448.23	103217.90	30639.84	91707.35
LESS: CURRENT LIABILITIES AND PROVISIONS :	F				
LIABILITIES		57841.30		44501.38	
PROVISIONS		13465.70	71307.00	13116.74	57618.12
NET CURRENT ASSETS			31910.90		34089.23
MISCELLANEOUS EXPENDITURE (TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED)	G		75.02		
TOTAL			<u>53886.67</u>		<u>45961.91</u>
PRINCIPAL ACCOUNTING POLICIES	N				
NOTES TO ACCOUNTS	O				
SCHEDULES "A" TO "O" FORM AN INTEGRAL PART OF ACCOUNTS					

For and on behalf of the Board

P.T. Mittal
Company Secretary

Rajeev Mehrotra
Director (Finance)

V.K. Agarwal
Managing Director

AS PER OUR REPORT OF EVEN DATE

New Delhi
Dated : 30th June, 2008

Ashok Chopra,
Partner
Membership No. 17199
For Jain Chopra & Company
Chartered Accountants



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

		(Rupees in Lakhs)	
SCHEDULE		YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
INCOME			
	H		
CONSULTANCY FEE		29833.98	21992.42
EXPORT SALES		20830.65	25279.46
INSPECTION FEE		5479.57	4814.28
LEASE SERVICES		1908.43	1274.39
OTHER INCOME		8017.60	3330.12
	TOTAL	<u>66070.23</u>	<u>56690.67</u>
EXPENDITURE			
EMPLOYEES' COST	I	15378.08	9564.52
TRAVEL		2203.71	1937.49
SUPPLIES & SERVICES		8840.11	4022.52
COST OF EXPORT SALES	J	15543.68	18568.00
OTHER EXPENSES	K	6472.20	4359.26
DEPRECIATION		899.35	811.99
PRIOR PERIOD ADJUSTMENTS (NET)	L	235.08	113.31
(INCREASE)/DECREASE WORK IN PROGRESS		(319.33)	(99.59)
	TOTAL	<u>49252.88</u>	<u>39277.50</u>
PROFIT BEFORE EXTRA ORDINARY ITEM(S)		16817.35	17413.17
EXTRA ORDINARY ITEMS INCOME/(EXPENDITURE) M		1183.40	(341.98)
PROFIT BEFORE TAX		18000.75	17071.19
PROVISION FOR TAXATION			
- CURRENT YEAR		(8083.44)	(6365.06)
- EARLIER YEARS (NET)		(586.72)	675.13
FRINGE BENEFIT TAX			
- CURRENT YEAR		(176.20)	(149.57)
- EARLIER YEARS		(1.74)	(0.83)
DEFERRED TAX (NET)			
- CURRENT YEAR		1850.59	586.66
- EARLIER YEARS		(621.58)	-
PROFIT AFTER TAX		<u>10381.66</u>	<u>11817.52</u>
APPROPRIATIONS			
DIVIDEND			
INTERIM AND SPECIAL (PAID)		2000.00	3300.00
FINAL (PROPOSED)		100.00	700.00
TAX ON DIVIDEND		356.90	581.79
GENERAL RESERVE		7924.76	7235.73
		<u>10381.66</u>	<u>11817.52</u>
EARNING PER SHARE (EQUITY SHARE OF RS.10/- EACH) - BASIC			
- BEFORE EXTRA ITEMS	Rs.	24.00	30.11
- AFTER EXTRA ITEMS	Rs.	25.95	29.54
NUMBER OF SHARES USED IN COMPUTING EARNING PER SHARE		40000000	40000000

For and on behalf of the Board

P.T. Mittal
Company Secretary

Rajeev Mehrotra
Director (Finance)

V.K. Agarwal
Managing Director

AS PER OUR REPORT OF EVEN DATE

New Delhi
Dated : 30th June, 2008

Ashok Chopra,
Partner
Membership No. 17199
For Jain Chopra & Company
Chartered Accountants



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

PARTICULARS	(Rupees in Lakhs)	
	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	16,817.35	17,413.17
ADJUSTMENTS FOR:		
DEPRECIATION AND AMORTIZATION	899.35	811.99
LOSS/(PROFIT) ON SALE OF ASSETS (NET)	(2.37)	(5.10)
LOSS/(PROFIT) ON INVESTMENTS	-	2.46
INTEREST INCOME EXCLUDING INTEREST ON FDR	(488.96)	(494.13)
INTEREST ON FDR	(3,042.86)	(1,987.04)
INCOME FROM INVESTMENTS	(49.87)	(2.11)
PROVISION FOR DOUBTFUL DEBTS/ADVANCES/RECOVERABLES	2,434.94	493.58
EFFECT OF EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN CURRENCY CASH & CASH EQUIVALENTS	(40.49)	(57.88)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	16,527.09	16,174.94
DECREASE/(INCREASE) IN INVENTORIES & SPARE PARTS	(752.64)	4,195.15
DECREASE/(INCREASE) IN WORKS IN PROGRESS	(319.33)	(99.59)
DECREASE/(INCREASE) IN SUNDRY DEBTORS	(496.69)	(2,565.41)
DECREASE/(INCREASE) IN OTHER ASSETS EXCLUDING INTEREST ACCRUED ON FDR	(378.08)	406.66
DECREASE/(INCREASE) IN LOANS & ADVANCES	20.61	3,502.02
INCREASE/(DECREASE) IN CURRENT LIABILITIES & PROVISIONS	12,644.53	10,022.60
CASH GENERATED FROM OPERATIONS	27,245.49	31,636.37
INCOME TAX PAID	(6,460.01)	(8,159.57)
CASH FLOWS BEFORE EXTRA ORDINARY ITEMS	20,785.48	23,476.80
EXCHANGE GAIN/(LOSS) ON RECOVERABLE FROM GOVERNMENT OF INDIA	1,183.40	(341.98)
NET CASH FROM OPERATING ACTIVITIES	21,968.88	23,134.82
CASH FLOWS FROM INVESTING ACTIVITIES		
PURCHASE/CONSTRUCTION OF FIXED ASSETS	(3,437.69)	(2,126.83)
PROCEEDS FROM SALE OF ASSETS	6.90	7.65
INVESTMENTS IN SHARES	(3,285.52)	-
LOANS TO JOINT VENTURE COMPANY	(1,501.35)	(1,810.13)
LOAN RECEIVED BACK FROM IRWO	20.00	20.00
INTEREST INCOME	3,531.82	2,481.17
INCOME/(LOSS) FROM INVESTMENTS	49.87	2.11
NET CASH FROM INVESTING ACTIVITIES	(4,615.97)	(1,426.03)
CASH FLOW FROM FINANCING ACTIVITIES		
DIVIDEND PAID	(2,700.00)	(4,500.00)
DIVIDEND TAX PAID	(458.87)	(631.13)
MISCELLANEOUS EXPENDITURE-IPO	(75.02)	-
NET CASH USED IN FINANCING ACTIVITIES	(3,233.89)	(5,131.13)
EFFECT OF EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN CURRENCY CASH & CASH EQUIVALENTS	40.49	57.88
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	14,159.51	16,635.54
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	43,312.28	26,676.74
CASH AND CASH EQUIVALENTS INCL. LIQUID INVESTMENT AND INTEREST ACCRUED ON FDR	57,471.79	43,312.28

For and on behalf of the Board

P.T. Mittal
Company Secretary

Rajeev Mehrotra
Director (Finance)

V.K. Agarwal
Managing Director

AS PER OUR REPORT OF EVEN DATE

New Delhi
Dated : 30th June, 2008

Ashok Chopra,
Partner
Membership No. 17199
For Jain Chopra & Company
Chartered Accountants



SCHEDULE : A

SHARE CAPITAL

	(Rupees in Lakhs)	
	AS AT 31.03.2008	AS AT 31.03.2007
AUTHORISED		
10,00,00,000 EQUITY SHARES (PREVIOUS YEAR 5,00,000 EQUITY SHARES OF RS.100/-) OF RS. 10/- EACH - (Refer Note 20.1)	10000.00	500.00
ISSUED, SUBSCRIBED AND PAID-UP		
4,00,00,000 EQUITY SHARES OF RS.10/- (PREVIOUS YEAR 4,00,000 EQUITY SHARES OF RS. 100/- EACH) EACH FULLY PAID UP {INCLUDE 3,99,00,000 EQUITY SHARES OF Rs.10/- EACH(PREVIOUS YEAR 3,90,000 EQUITY SHARES OF RS.100/-) ISSUED AS FULLY PAID BONUS SHARES BY CAPITALISATION OF RESERVES} - (Refer Note 20.1 & 20.2)	4000.00	400.00
TOTAL	4000.00	400.00

SCHEDULE : B

RESERVES AND SURPLUS

GENERAL RESERVE AT THE BEGINNING OF THE YEAR	45561.91	38326.18
LESS: CAPITALISATION OF RESERVES BY ISSUE OF 3,60,00,000 EQUITY SHARES ISSUED AS FULLY PAID BONUS SHARES @ Rs. 10 EACH	(3600.00)	-
ADD: TRANSFER FROM PROFIT & LOSS ACCOUNT	7924.76	7235.73
TOTAL	49886.67	45561.91

SCHEDULE : C

FIXED ASSETS

DESCRIPTION	(Rupees in Lakhs)											
	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	AS AT	ADDITIONS	ADJ	SALE	TOTAL	UPTO	FOR	ADJUST	SALE	TOTAL	AS AT	AS AT
	01/04/2007	DURING	DURING	DURING		31/03/2007	THE	DURING	DURING		31/03/2008	31/03/2007
	THE PERIOD	THE PERIOD	THE PERIOD			PERIOD	THE PERIOD	THE PERIOD				
LAND FREEHOLD	1443.49	0.00	0.00	0.00	1443.49	0.00	0.00	0.00	0.00	0.00	1443.49	1443.49
LAND LEASEHOLD	268.35	0.00	0.00	0.00	268.35	169.28	7.80	0.00	0.00	177.08	91.27	99.07
BUILDING FREEHOLD	2750.18	0.00	0.00	0.00	2750.18	229.92	55.64	0.00	0.00	285.56	2464.62	2520.26
BUILDING LEASEHOLD	994.43	0.00	0.00	0.00	994.43	136.55	17.97	0.00	0.00	154.52	839.91	857.88
RESIDENTIAL QUARTERS FREE HOLD	232.78	1.18	0.00	0.00	233.96	63.83	23.10	0.00	0.00	86.93	147.03	168.95
RESIDENTIAL QUARTERS LEASE HOLD	471.41	8.50	0.00	0.00	479.91	220.64	9.19	0.00	0.00	229.83	250.08	250.77
SURVEY AND OTHER INSTRUMENTS	1195.85	63.12	0.00	1.16	1257.81	803.91	103.42	0.00	1.16	906.17	351.64	391.94
COMPUTER AND EQUIPMENTS	1746.32	203.64	0.00	98.70	1851.26	1436.37	166.21	0.00	98.69	1503.89	347.37	309.95
INTANGIBLE ASSETS	302.63	40.44	0.00	0.00	343.07	203.04	55.19	0.00	0.00	258.23	84.84	99.59
OFFICE AND OTHER EQUIPMENTS	697.11	77.34	0.00	33.24	741.21	430.16	99.58	0.00	30.87	498.87	242.34	266.95
AIR-CONDITIONER AND EQUIPMENTS	93.25	15.16	0.00	2.57	105.84	76.79	10.15	0.00	2.57	84.37	21.47	16.46
AIR CONDITIONER PLANT	924.83	0.00	0.00	0.00	924.83	181.38	46.62	0.00	0.00	228.00	696.83	743.45
FURNITURE	314.86	72.22	0.00	6.93	380.15	219.25	36.91	0.00	6.74	249.42	130.73	95.61
FIXTURES	344.25	2.35	0.00	0.00	346.60	149.63	84.11	0.00	0.00	233.74	112.86	194.62



DESCRIPTION	(Rupees in Lakhs)											
	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	AS AT ADDITIONS		ADJ	SALE	TOTAL	UPTO	FOR	ADJUST	SALE	TOTAL	AS AT	AS AT
	01/04/2007	DURING	DURING	DURING	31/03/2007	THE	DURING	DURING		31/03/2008	31/03/2007	
THE PERIOD		THE	THE		PERIOD		THE	THE				
		PERIOD	PERIOD				PERIOD	PERIOD				
VEHICLES	276.13	21.94	0.00	19.80	278.27	246.22	11.84	0.00	17.84	240.22	38.05	29.91
VEHICLES ABROAD	60.46	9.14	0.00	0.00	69.60	19.99	10.38	0.00	0.00	30.37	39.23	40.47
LOCOMOTIVE	1899.72	2711.52	0.00	0.00	4611.24	197.32	161.24	0.00	0.00	358.56	4252.68	1702.40
SUB TOTAL	14016.05	3226.55	0.00	162.40	17080.20	4784.28	899.35	0.00	157.87	5525.76	11554.44	9231.77
CAPITAL WORK IN PROGRESS	0.00	211.14	0.00	0.00	211.14	0.00	0.00	0.00	0.00	0.00	211.14	0.00
GRAND TOTAL	14016.05	3437.69	0.00	162.40	17291.34	4784.28	899.35	0.00	157.87	5525.76	11765.58	9231.77
PREVIOUS YEAR	12162.14	2139.30	12.47	272.92	14016.05	4242.66	811.99	0.00	270.37	4784.28	9231.77	0.00

SCHEDULE : D

INVESTMENTS

	(Rupees in Lakhs)	
	AS AT 31.03.2008	AS AT 31.03.2007
A) TRADE (UNQUOTED)-AT COST, LONG TERM INVESTMENTS (IN SHARES)		
(I) In Foreign Companies		
(a) Subsidiary Companies		
(i) RITES (Afrika) (Pty) Ltd., Botswana 10,000 equity shares of face value of Pula 1/- each, fully paid-up.	1.20	1.20
(ii) Tanzania Railways Ltd., Tanzania 10,200,000 equity shares of face value of TSH 1000/- each, fully paid-up.	3284.27	-
(b) In Foreign Joint Ventures		
(i) Companhia Dos Caminhos De Ferro Da Beira, SARL (CCFB) Mozambique, 1,300,000 equity shares of face value of US\$ 1/- each, fully paid up.	600.89	600.89
(ii) In Indian Companies Global Procurement Consultants Limited 30,000 equity shares of face value of Rs.10/- each, fully paid-up.	3.00	3.00
(iii) Ganga Expressway Consultants Ltd. 12,500 equity shares of face value of Rs.10/- each, fully paid-up.	1.25	-
(iv) In Indian Joint Venture Geo-Consult - RITES JV	2.63	2.63
(v) In Indian Building Cooperative Societies Moru Mahal Co-operative Society Limited 10 Equity Shares of face value of Rs. 50/- each and Amit Industrial Premises Co-operative Society Limited 5 Equity Shares of face value of Rs. 50/- each	0.01	0.01
AGGREGATE OF UNQUOTED INVESTMENTS - CARRYING VALUE AT COST	3893.25	607.73
B) TRADE CURRENT INVESTMENTS -AT NAV		
UTI Liquid Cash Plan(213101.8960 Units @ Rs. 1019.4457 per unit)	2172.46	-
UTI Fixed Maturity Plan(8066199.28 Units @ Rs. 10.0081per unit)	807.27	-
AGGREGATE OF UNQUOTED INVESTMENTS - CARRYING VALUE AT NAV	2979.73	-
Grand Total	6872.98	607.73



SCHEDULE : E

CURRENT ASSETS, LOANS AND ADVANCES

	(Rupees in Lakhs)	
	AS AT 31.03.2008	AS AT 31.03.2007
CURRENT ASSETS		
(A) INVENTORIES (AS TAKEN, VALUED AND CERTIFIED BY MANAGEMENT)		
STORES AND SPARE PARTS includes spare parts in transit of Rs. nil (Prev. year Rs.248.66 lakh)"	1092.18	673.49
FINISHED GOODS	488.46	154.51
	<u>1580.64</u>	<u>828.00</u>
(B) WORK IN PROGRESS	689.49	370.16
(C) SUNDRY DEBTORS		
UNSECURED CONSIDERED GOOD		
1. DEBTS OUTSTANDING FOR A PERIOD EXCEEDING SIX MONTHS	4969.54	7386.03
2. OTHERS	8558.80	8069.97
(UNSECURED, CONSIDERED DOUBTFUL)	13528.34	15456.00
1. OUTSTANDING FOR A PERIOD EXCEEDING SIX MONTHS	4235.62	3022.42
2. OTHERS	-	7.00
LESS: PROVISION	(4235.62)	(3029.42)
	<u>13528.34</u>	<u>15456.00</u>
(D) CASH AND BANK BALANCES		
1. CHEQUES IN HAND	312.51	529.93
2. BALANCES WITH SCHEDULED BANKS IN :(Refer Note 5.1)		
CURRENT ACCOUNTS	4734.08	6234.15
DEPOSIT ACCOUNTS	0.02	9.59
FIXED DEPOSIT ACCOUNTS	47642.49	33859.28
MARGIN MONEY ACCOUNTS	562.71	1800.42
3. BALANCE WITH OTHER BANKS IN CURRENT ACCOUNTS : (Refer Note 5.1)	36.51	47.05
LESS: PROVISION FOR DOUBTFUL BANK BALANCES	(3.31)	(0.97)
	<u>53285.01</u>	<u>42479.45</u>
(E) OTHER CURRENT ASSETS		
INTEREST ACCRUED (INCLUDING ACCRUED BUT NOT DUE) ON BANK DEPOSITS	1207.05	832.84
INTEREST ACCRUED (INCLUDING ACCRUED BUT NOT DUE) ON OTHER DEPOSITS AND ADVANCES	1479.14	1101.06
	<u>2686.19</u>	<u>1933.90</u>
(F) LOANS AND ADVANCES (SECURED/ UNSECURED, CONSIDERED GOOD)		
(SECURED, CONSIDERED GOOD)		
ADVANCES/RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED FROM:-		
- STAFF ADVANCES	113.97	82.97
(UNSECURED, CONSIDERED GOOD)		
LONG TERM LOANS TO :		
INDIAN RAILWAY WELFARE ORGNISATION	60.00	80.00
JOINT VENTURE ENTITIES		
- COMPANHIA DOS COMINHOS DE FERRO DA BEIRA, SARL (CCFB)	5497.42	3996.07
ADVANCES/RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED FROM:-		
- STAFF ADVANCES	446.16	588.98
- RENT ADVANCE	10.59	12.29
- GOVT. OF INDIA FOR IRAQ RECEIVABLES(Refer Note 8.0)	11774.96	10602.36



	(Rupees in Lakhs)	
	AS AT 31.03.2008	AS AT 31.03.2007
- SUBSIDIARY COMPANY	4.59	0.77
- JOINT VENTURES	432.79	349.67
- OTHER ADVANCES /RECOVERABLES		
- CONSIDERED GOOD	2435.00	3681.07
- CONSIDERED DOUBTFUL	1459.44	1470.21
	<u>3894.44</u>	<u>5151.28</u>
LESS: PROVISION FOR DOUBTFUL ADVANCES / RECOVERABLES	1459.44	1470.21
SECURITY & OTHER DEPOSITS		
- CONSIDERED GOOD	194.20	122.09
- CONSIDERED DOUBTFUL	17.23	15.15
	<u>211.43</u>	<u>137.24</u>
LESS: PROVISION FOR DOUBTFUL SECURITIES & OTHER DEPOSITS	17.23	15.15
ADVANCE INCOME TAX INCLUDING FRINGE BENEFIT TAX	10451.31	11093.09
PREPAID EXPENSES	27.24	30.48
	<u>31448.23</u>	<u>30639.84</u>
TOTAL	<u>103217.90</u>	<u>91707.35</u>

SCHEDULE : F

CURRENT LIABILITIES AND PROVISIONS

	(Rupees in Lakhs)	
	AS AT 31.03.2008	AS AT 31.03.2007
CURRENT LIABILITIES		
SUNDRY CREDITORS :		
OUTSTANDING DUE TO		
(I) MICRO AND SMALL ENTERPRISES	10.19	54.84
(II) OTHER CREDITORS FOR SUPPLIES, SERVICES AND OTHERS.	8878.10	7504.30
OTHER LIABILITIES	1669.32	1457.81
CUSTOMERS' ADVANCES	37589.22	29477.69
SECURITY DEPOSITS/ RETENTION MONEY DUE TO CONTRACTORS / AGENCIES	5178.24	4594.84
SALARY PAYABLE	4390.53	1282.71
FOREIGN SERVICE CONTRIBUTION	125.55	121.44
GRATUITY PAYABLE	0.15	7.75
	<u>57841.30</u>	<u>44501.38</u>
PROVISIONS FOR :		
PROPOSED DIVIDEND	100.00	700.00
TAXATION [includes wealth tax & FBT]	8188.19	6441.88
DIVIDEND TAX	17.00	118.97
LEAVE ENCASHMENT	3087.75	1462.30
GRATUITY	97.13	162.73
LEAVE TRAVEL CONCESSION	59.36	87.97
CONTRACT EMPLOYEES BENEFITS	42.53	24.25
LONG SERVICE AWARD	45.61	-
EXCISE DUTY	66.46	115.89
WARRANTIES	1486.91	1268.14
SHORTAGE OF FIXED ASSETS	3.76	-
INCOMPLETE CONSULTANCY ASSIGNMENTS	271.00	2734.61
	<u>13465.70</u>	<u>13116.74</u>
TOTAL	<u>71307.00</u>	<u>57618.12</u>



SCHEDULE : G

MISCELLANEOUS EXPENDITURE (TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED)

	(Rupees in Lakhs)	
	AS AT 31.03.2008	AS AT 31.03.2007
IPO EXPENDITURE	75.02	-
TOTAL	75.02	-

SCHEDULE : H

INCOME

	(Rupees in Lakhs)	
	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
i) CONSULTANCY FEE (GROSS)	32228.63	23793.04
LESS: SERVICE TAX	(2987.43)	(2152.00)
ADD: PROVISION FOR INCOMPLETE ASSIGNMENTS	592.78	351.38
CONSULTANCY FEE (NET)	29833.98	21992.42
ii) EXPORT SALES	20830.65	25279.46
iii) INSPECTION FEE (GROSS)	6192.46	5412.24
LESS: SERVICE-TAX	(712.89)	(597.96)
INSPECTION FEE (NET)	5479.57	4814.28
iv) LEASE SERVICES	1908.43	1274.39
v) OTHER INCOME		
INTEREST EARNED ON		
- DEPOSITS WITH BANKS (GROSS)	3042.86	1987.04
(INCL. TDS OF Rs. 684.21 LAKH , PREVIOUS YEAR Rs.414.11 LAKH)		
- STAFF ADVANCES	71.79	84.38
- LOAN TO INDIAN RAILWAY WELFARE ORGNISATION(GROSS)	5.85	7.55
(INCL. TDS OF Rs. 1.33 LAKH, PREVIOUS YEAR Rs. 1.69 LAKH)		
- LOAN TO JOINT VENTURE - RICON(GROSS)	-	0.98
(INCL. TDS OF Rs. NIL, PREVIOUS YEAR Rs. 0.22 LAKH)		
- LOAN TO CCFB, MOZAMBIQUE	411.32	229.45
- AMOUNT RECOVERABLE - MECON Ltd.(GROSS)	-	1.37
(INCL. TDS OF Rs. NIL , as on PREVIOUS YEAR Rs. 0.31 LAKH)		
- INCOME TAX REFUND	-	170.40
PROVISION NO LONGER REQUIRED	4080.22	492.23
PROFIT ON SALE OF FIXED ASSETS	4.45	6.73
DIVIDEND FROM:		
SUBSIDIARY COMPANIES	-	0.91
TRADE LONG TERM INVESTMENTS	-	1.20
TRADE CURRENT TERM INVESTMENTS	49.87	
EXPORT INCENTIVES	164.87	81.18
RENT	60.04	62.35
EXCHANGE VARIATION	40.49	57.88
MISCELLANEOUS RECEIPTS	85.84	146.47
	8017.60	3330.12
TOTAL	66070.23	56690.67



SCHEDULE : I

EMPLOYEES' COST

	(Rupees in Lakhs)	
	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
SALARIES	5822.85	5402.93
SALARY ARREARS (Refer Note No. 17)	2796.64	-
SALARIES CONTRACT EMPLOYEES	1230.73	673.76
SALARIES -ABROAD	755.56	756.26
BONUS	41.15	-
FOREIGN SERVICE CONTRIBUTION	119.23	106.58
CONTRIBUTION TO PROVIDENT AND OTHER FUNDS	800.45	505.95
GRATUITY	141.06	206.49
HOUSE RENT (NET)	356.70	328.18
MAINTENANCE OF RESIDENTIAL BUILDINGS	28.16	24.55
MEDICAL AND WELFARE	650.25	496.35
STAFF INSURANCE	42.70	39.63
CONTRACT EMPLOYEES BENEFITS	19.13	14.32
LEAVE TRAVEL CONCESSION	40.61	84.44
PRODUCTIVITY LINKED INCENTIVE SCHEME/PRP	666.36	501.00
AWARD/HONORARAIM	119.75	25.68
LEAVE ENCASEMENT (LAP)	767.03	398.40
MEDICAL LEAVE(LHAP)	979.72	-
TOTAL	15378.08	9564.52

SCHEDULE : J

COST OF EXPORT SALES

	(Rupees in Lakhs)	
	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
OPENING STOCK OF FINISHED GOODS (PURCHASED)	154.51	4709.13
PURCHASES	11498.36	9362.46
CONSUMABLES	808.81	763.40
FREIGHT & FORWARDING	1296.46	1237.93
INSURANCE	25.97	11.45
FEES FOR SERVICES OBTAINED	900.26	1364.61
PROVISION FOR WARRANTIES	1335.25	1241.86
OTHER PROCUREMENT EXPENSES	12.52	31.67
	16032.14	18722.51
LESS: CLOSING STOCK OF FINISHED GOODS (PURCHASED)	(488.46)	(154.51)
TOTAL	15543.68	18568.00

SCHEDULE : K

OTHER EXPENSES

	(Rupees in Lakhs)	
	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
PRINTING, STATIONERY AND DOCUMENTATION	325.43	237.56
EXPORT/BUSINESS PROMOTION	45.13	34.08



SCHEDULE : K(contd.)

	(Rupees in Lakhs)	
	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
AUDITORS' REMUNERATION	5.98	4.12
AUDITORS' OUT OF POCKET EXPENSES	0.56	0.66
RATES AND TAXES	95.46	34.88
OFFICE RENT	146.29	137.78
POSTAGE & TELECOMMUNICATION	326.39	283.71
OFFICE, EQUIPMENT MAINTENANCE	561.88	376.32
POWER AND FUEL	196.34	165.37
STORES AND SPARES CONSUMED	730.77	662.86
BOOKS AND PERIODICALS	38.02	29.80
INTERNAL AUDIT FEE	6.29	5.53
ADVERTISEMENT FOR PROCUREMENTS,ETC	122.13	112.67
SUBSCRIPTION AND MEMBERSHIP FEE	19.76	28.84
LEGAL AND PROFESSIONAL FEE	82.91	41.06
ENTERTAINMENT	93.67	52.39
INSURANCE	33.63	28.33
BANK CHARGES	85.92	238.92
BAD DEBTS	567.71	131.00
HIRE CHARGES OF EQUIPMENT	3.73	2.75
VEHICLE MAINTENANCE	167.65	178.31
MANPOWER DEVELOPMENT	32.59	43.15
LOSS ON SALE OF FIXED ASSETS	2.08	1.63
LONG TERM INVESTMENTS WRITE OFF	-	2.46
PROVISION FOR:		
- DOUBTFUL DEBTS	2424.36	439.70
- DOUBTFUL ADVANCES/AMOUNT RECOVERABLE/SD	10.58	53.88
- DOUBTFUL BANK BALANCES	2.39	-
- COMMITMENTS	82.88	841.83
- EXCISE BONDS	-	14.29
DIRECTORS' SITTING FEE	3.60	0.90
SUNDRY EXPENSES	258.07	174.48
TOTAL	6472.20	4359.26

SCHEDULE : L

PRIOR PERIOD ADJUSTMENTS(NET)

	(Rupees in Lakhs)	
	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
INCOME / (EXPENDITURE)		
Fees	(226.68)	(109.54)
Other Income	(0.66)	0.24
Employees' Cost	(2.76)	(0.02)
Supplies & Services	(4.98)	(3.99)
TOTAL	(235.08)	(113.31)



SCHEDULE : M

EXTRA ORDINARY ITEMS(Refer Sch O - Note 8)

	(Rupees in Lakhs)	
	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
TRANSACTIONS PERTAINING TO IRAQ DUES		
EXCHANGE GAIN/(LOSS) ON RECOVERABLE FROM GOVERNMENT OF INDIA	1,183.40	(341.98)
TOTAL	1,183.40	(341.98)



SCHEDULE 'N'

PRINCIPAL ACCOUNTING POLICIES

1. GENERAL

Financial statements are prepared under historical cost convention on accrual basis and in conformity with applicable Indian Accounting Standards. Accounting policies have been consistently applied except where an accounting standard is newly adopted or an accounting policy is revised by the company.

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates.

2. REVENUE RECOGNITION

2.1 Consultancy Fee

Consultancy fee is accounted for on the basis of bills raised/due for the year. It also includes supplies and expenses forming part of the contract which are recoverable from the customers.

In Construction Management/Supervision Contracts, fee is calculated as a percentage on the value of work done/built-up cost of each contract as determined by the Management, pending customer's approval, if any.

Mobilisation advance is adjusted against running bills and mobilisation fee is recognised as income in the year of receipt/bill raised, if as per Management's review certain activities against that contract have been carried out during the year.

Provision for incomplete assignments is made in respect of consultancy assignments which are spread over a number of years, after considering the following factors regarding company's obligation for:

- i) rework activities of work done.
- ii) maintenance activity after completion of project.
- iii) removal of defect, if any, during defect liability period.

2.2 Inspection Fee

Inspection fee is accounted for on the basis of inspection certificates issued.

2.3 Export Sales

Export sales are accounted for on the basis of bills raised where all significant risks and rewards of ownership have been transferred to the buyer.

2.4 Lease Services

Lease services are accounted for on time basis over the lease/ contract period. However, reimbursable under the contract are accounted for on accrual basis.

2.5 Other Income

Other income is accounted for on accrual basis except claims/supplementary claims / counter claims/interest on delayed payments / awards in favour of the Company/export incentives/ premium on sale of licenses etc. which are accounted for on final settlement / realization.

3. WORK IN PROGRESS

Work in progress is recognized based on direct costs incurred on the activities which are in progress at end of the year for consultancy projects involving stage payments.

4. FIXED ASSETS AND INTANGIBLE ASSETS

- a) Fixed assets are stated at historical cost less accumulated depreciation.
- b) Incidental expenditure during construction period including interest charges incurred upto the date of completion, net of interest recovered on mobilisation advance are capitalised.
- c) Intangible Assets are recorded at the consideration paid for acquisition.



4.1 Depreciation and Amortization

- (a) Depreciation on fixed assets is provided on straight line method over the estimated useful life determined by management. The lives so determined in all cases are not more than those prescribed in the Companies Act, 1956. In respect of additions to/ deductions from the fixed assets during the year, depreciation is charged on pro rata basis.
- (b) The useful life and depreciation rates of the various assets, are as under:-

Assets	Useful Life (Years)	Depreciation Rate (%)
i) Furniture	10	10
ii) Fixture	5	20
iii) Office Equipment	7	14.30
iv) Coolers & Air Conditioners	7	14.30
v) Air Conditioning Plant	20	5
vi) Computer Hardware	4	25
vii) Survey and Equipments	10	10
viii) Vehicles	6	16.70
ix) Buildings on Freehold land	50	2
x) Locomotives	15	6.70
xi) Intangible Assets	4	25

- (c) In respect of BOT assets, depreciation is charged over the period of project or the life stated above which ever is lower.
- (d) Lease hold land is amortized over the lease term.
- (e) In respect of buildings on lease hold land, depreciation is charged over the period of lease of land or the useful life stated above for buildings on freehold land, whichever is lower.
- (f) Any addition or extension, which becomes an integral part of the existing asset is depreciated over the remaining useful life of that asset.
- (g) Individual low cost assets of value less than Rs. 5,000/- and software of value less than Rs.1,00,000/- are entirely depreciated in the year of acquisition.
- (h) A nominal value of Re 1/- is assigned to the fully depreciated assets.

5. INVESTMENTS

- (a) Long-term investments are stated at cost. Diminution in value, if any, which is of a temporary nature, is not provided.
- (b) (i) Current Investments are stated at cost or fair value whichever is less.
(ii) Any diminution in the carrying amount and any reversals of such diminutions are recognized in the profit & loss account.

6. INVENTORIES

- (a) Inventories are valued at cost on First In First Out (FIFO) basis or net realizable value whichever is less.
- (b) Consumables are charged to profit and loss account in the year of purchase irrespective of the value.

7. EMPLOYEES BENEFITS

7.1 Gratuity

The Company has set up a Gratuity Trust Fund which is being administered by Life Insurance Corporation of India (LIC). The annual gratuity liability is determined by LIC based on actuarial valuation under Group Gratuity Scheme on the basis of information provided of employees and their remuneration at the end of each year. The contribution paid / payable annually to cover future liability for gratuity based on actuarial valuation is charged to revenue.

7.2 Provident Fund / Pension Scheme

Defined contributions for provident fund and pension are charged to revenue based on contributions made in terms of applicable schemes.



7.3 Defined Benefits

7.3.1 Defined Benefits provided by company to employees - Long Service Award, Leave Travel Concession, Leave Encashment AND Medical Leave (LHAP) are accounted for on actuarial valuation made at the end of period. The actuarial gain/loss is recognized to revenue account of the period.

7.3.2 Ex-gratia payments on death are recognized on payment basis.

7.4 Terminal Benefits to Contract Employees

Leave encashment and contract completion benefits are provided for on accrual basis.

8. RESEARCH & DEVELOPMENT

Research & Development Expenses of revenue nature and payments made to other bodies for Research & Development projects related to the business of the company are charged to revenue in the year in which expense is incurred/payments are made.

9. RATES & TAXES

Overseas taxes on foreign assignments, works contract tax and property tax in India are charged to this head.

10. TAXATION

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue & expenses arise. A provision is made for income tax annually based on the tax liability computed, after considering tax allowances & exemptions.

11. DEFERRED TAX

Deferred Tax resulting from "Timing Difference" between book and taxable profits is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognized and carried forward only to the extent that there is reasonable certainty that assets will be realised in future from the future taxable income.

12. ADVANCES

Interest on preparatory, house building, vehicle, computer & equipment advance is accounted for on accrual basis and is recoverable after full recovery of the principal amount.

13. PREPAID EXPENSES AND PRIOR PERIOD ADJUSTMENTS

Prepaid expenses and prior period adjustments not exceeding Rs. 5,000/- in each case are treated as expenditure/income of the current year.

14. AFTER SALES SERVICE EXPENSES

Liability for expenses for After Sales Services rendered in respect of export sales are provided for in the year in which sale revenue is recognized.

15. TRANSLATION OF FOREIGN CURRENCY ACCOUNTS

The company has foreign currency transactions only in respect of Integral Foreign Operations.

15.1 Convertible Foreign Currencies

Income and Expenditure are translated at the exchange rate prevalent on the date of transaction.

Current Assets and Liabilities are translated at the exchange rate prevalent at the end of the year.

Investment in foreign companies are recorded at the exchange rate prevailing on the dates of making the investments.

15.2 Non-Convertible Foreign Currencies

Income and Expenditure are translated at the average rate. Current Assets and Liabilities are translated at the exchange rate prevalent at the end of the year.

15.3 Fixed Assets are converted at the exchange rate prevalent on the date of acquisition.



15.4 Exchange difference arising on translation of foreign currency transactions is recognised in the Profit & Loss Account.

16. CASH FLOW STATEMENT

Cash flow statement is made using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating activities, financing and investing activities of the Company are segregated.

17. EARNINGS PER SHARE

In determining earnings per share, the company considers the net profit after tax and includes the post tax effect of any extraordinary / exceptional item. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period.



SCHEDULE 'O'

NOTES TO ACCOUNTS

- 1.0 Contingent Liabilities not provided for include:
- 1.1 Counter Guarantees given by the Company against Guarantees issued by the Bankers outstanding as at 31st March 2008 amounted to Rs.9549.77 lakhs (previous year Rs.13519.61 lakhs)
- 1.2 Claims against the company not acknowledged as debts as certified by the Management are Rs. 73275.13 lakhs (previous year Rs.69847.01 lakhs). These include:-
- (a) Claims (excluding interest) amounting to Rs. 3239.23 lakhs (previous year Rs. 2539.20 lakhs) against the company by the sub-contractors / other agencies including award against the company pending in court. The management does not foresee any liability on the company as the same are contested by the company on or behalf of the client.
- b) Other miscellaneous claims (excluding interest) amounting to Rs. 70035.90 lakhs (previous year Rs.67307.81 lakhs) include Rs. 52630.57 lakhs (previous year Rs. 50067.29 lakhs) from clients. Company has contested these claims and has made counter claims for Rs. 22195.43 lakhs (previous year Rs. 22195.43 lakhs) on the client and Rs.64453.06 lakhs (previous year Rs.9888.16 lakhs) on a sub-contractor.
- The aforesaid claims include a claim of Rs.9030 lakhs of one sub-contractor towards compensation for termination of the contract by the company, though its writ petition against such termination has been dismissed by the court.
- 1.3 Excise Bonds amounting to Rs.627.12 lakhs (previous year Rs. 1277.33 lakhs) were outstanding against export obligations with Central Excise Department. Out of this, bonds of value of Rs. 383.07 lakhs (previous year Rs. 1069.18 lakhs) are due for release by the department in respect of completed export.
- 1.4 Income Tax demands contested by the company Rs. 3000.73 lakhs (previous year Rs. 1124.60 lakhs).
- 1.5 Service Tax demands contested by the company Rs. 80.42 lakhs (previous year Rs.58.86 lakhs).
- 2.0 Estimated amount of contracts remaining to be executed on capital account as certified by the management and not provided for amounted to Rs. 913.86 lakhs (previous year Rs.1.33 lakhs).
- 2.1 The company has undertaken the development of 3100 HP Diesel Locomotive. A sum of Rs. 902 lakhs has been approved to be spent on the same. Amount spent on creation of the new locomotive will be capitalized and other expenditure incurred on design etc. is being charged to revenue. The unspent approved amount of Rs.893.94 lakhs has been included in capital commitment.
- 3.0 The company has been allowed by Government of India for 'Initial Public Offer' consisting of fresh issue of 25% along with Disinvestment of 10% of existing share capital. Accordingly, Draft Red Herring Prospectus for facilitating the 'Initial Public Offer' and Disinvestment through a fresh issue of up to 1,00,00,000 equity shares and an offer for sale of 40,00,000 equity shares by the President of India acting through the Ministry of Railways, Government of India, has been filed with SEBI on 1st April 08. A sum of Rs. 75.02 lakhs incurred upto 31-03-2008 towards proposed 'Initial Public Offer' has been shown under 'Miscellaneous Expenditure' to the extent not written off or adjusted.
- 3.1 The Company has agreed to pledge its entire shareholding in a subsidiary, Tanzania Railways Limited (TRL), aggregating to 102,00,000 shares of face value TSH 1000 each equivalent to Rs.32.84 crore with International Finance Corporation (IFC) in consideration of financial assistance of US \$ 440 lakhs to be extended by IFC to TRL. However, the formalities for pledge of shares in favour of IFC have yet to be completed.
- 4.0 Fixed Deposits and Margin Money include Rs. 598.87 lakhs (previous year Rs.1875.19 lakhs) pledged as security against the guarantees issued and letter of credits granted by banks.



5.0 Details of balances with Banks other than Scheduled banks and maximum balances outstanding at any time during the year with them are as under:-

Name of Bank	Balance		Maximum Balance during the period ended	
	Year ended		Year ended	
	31.03.2008	31.03.2007	31.03.2008	31.03.2007
	(Figures in Rs.)			
First Bank of Nigeria*	#17,214	17,214	17,214	17,214
National Bank of Algeria*	#8,364	8,364	8,364	8,364
Rafidian Bank, Iraq**	#876	935	935	935
Banque Meridian Biao, Cameroun*	#66,745	66,745	66,745	66,745
Banque Internationale Araba De Tunisia**	#2,37,847	2,66,209	2,66,209	2,66,209
Commercial Bank of Ethiopia	33,19,807	42,30,977	57,80,091	53,56,367

* Balances, subject to confirmation, could not be converted at the closing rate of the period because of non-availability of exchange rate.

** Balances, subject to confirmation.

Provision has been made for want of confirmation for many years.

5.1 Balances with Scheduled Banks include Rs. 34217.97 lakhs (previous year Rs.20983.51 lakhs) towards funds received from clients against Construction/ Project Management Contracts.

6.0 A sum of Rs.127.16 lakhs (previous year Rs.77.13 lakhs) has been received from Indian railways/its units and others without adequate details. Pending reconciliation with specific bills, the amount has been adjusted against sundry debtors.

7.0 Details of dues to Micro and Small Enterprises are given on the basis of information available with the management.

8.0 In the year 2003, Govt. of India decided to issue bonds to the Company for the balance due amounting to US\$ 246.03 lakhs in respect of BAAR Project, Iraq in equivalent rupee at the exchange rate prevalent on the date of issue of bonds or exchange rate of Rs.47.86 as against 1 US\$ whichever was lower.

Government of India vide their letter dated 28.03.2008 has now decided to pay the said amount as under:

- RITES should be paid the balance amount as per the approved exchange rate of Rs. 47.86 per US \$ at which private exporters were paid, to maintain parity in treatment to all exporters.
- RITES should be paid balance amount of Rs.117.75 crore in cash through additional budget allocation provided by Ministry of Finance to Ministry of Railways for this purpose.
- RITES should be paid interest in cash @8.75% per annum effective from 1st October 2001 on Rs.117.75 crore till principal and interest both are paid by additional budget allocation, in addition to above stated balance amount of Rs.117.75 crore.

Accordingly, the management has decided to recognize the receivable at the approved exchange rate as per past practice. However, keeping in view the various contingencies attached to receipt of interest on the amount receivable, the same has not been recognized as on 31.03.2008. Any adjustment required will be made at the time of final receipt of the interest amount.

9.0 Sundry Debtors and advances include dues from subsidiary companies which are as under:

Rupees in Lakhs

Subsidiaries Companies	Sundry Debtors				Advances	
	Balance as on		Max. Balance as on		Balance as on	
	31.03.2008	31.03.2007	31.03.2008	31.03.2007	31.03.2008	31.03.2007
RITES Afrika Tanzania	56.65	80.14	87.51	85.61	-	0.77
Railways Ltd. (TRL)	1519.79	-	1519.79	-	-	-



10.08 Fixed Assets

10.1 The Conveyance Deeds in respect of Residential Buildings at Asiad Village, New Delhi and IRWO flats in Gurgaon (Haryana) of Rs.237.41 lakhs (previous year Rs. 237.41 lakhs) are yet to be executed.

11.0 Details of expenditure incurred on/by Directors (including Managing Director and included in Employee's Cost) are as under:-

Rupees in Lakhs

Description	Year ended	
	31.03.2008	31.03.2007
Salary	21.64	16.83
Sitting Fee	3.60	0.90
House Rent (Net) and Perquisites	4.99	0.31
Contribution to Provident Fund and Group		
Saving Linked Insurance Scheme	2.58	2.04
Medical Expenses	0.67	0.41
Travel Expenses	43.89	23.94
Total	77.37	44.43

Directors have been provided with Company owned/leased accommodation for which recoveries are made as per Company's rules.

Above excludes contribution to Group Gratuity Scheme (calculated on actuarial basis) and Group Accident Insurance Scheme. Further, Directors have been allowed use of staff car for private journey upto a ceiling of 1000 kms. per month, for which recoveries are made as per terms of appointment.

11.1 Advances due from Directors as at 31.03.2008 were Rs. Nil (previous year Rs.1.19 lakhs) representing house building advance and maximum amounts outstanding at any time during the year were Rs. 1.19 lakhs (previous year Rs.1.41 lakhs).

12.0 Auditors' Remuneration

Rupees in Lakhs

Description	Year ended	
	31.03.2008	31.03.2007
(A) Statutory Auditors		
Audit Fee	3.35	1.50
IPO Work including out of pocket expenses	12.08	-
For other Services, i.e., Tax Audit & certification	1.28	1.12
Out of pocket expenses	0.52	0.27
(B) Branch Auditors		
Audit Fee	1.05	0.94
IPO Work	3.35	-
For other Services i.e., Tax Audit & certification	0.58	0.55
Out of Pocket Expenses	0.04	0.40

13.0 Sundry Creditors, Customers Advances, Amounts Recoverable, Security Deposits receivable and Security Deposits payable are subject to confirmation.

14.0 In a pre-closed contract in the year 2005-06 the company had raised claims against the client for Rs.22195.43 lakh and the client raised counter claims of Rs.46910.00 lakh.

The executing agency has raised claims of Rs.18441.31 lakh (previous year 18439.50 lakh) against the company and company has raised counter claims of Rs. 64453.06 lakh (previous year Rs.9888.16 lakh) against the executing agency



in a contract rendered voidable due to commitment of fraud by the agency hence terminated. The arbitration proceedings are under process. The respective amounts of claims and counter claims against the company are included in contingent liabilities.

Interest of Rs.580.94 lakh (previous year Rs.379.28 lakh) on mobilization advance due from the executing agency has not been recognized as income due to significant uncertainty as regard to realizability.

- 15.0 In cases where execution/submission of title deeds/lease agreements etc. by employees are pending, house building, vehicle, computer and equipment advance are considered unsecured.
- 16.0 Company incurred Rs.401.50 lakhs during earlier years on contributions towards research and development of a prototype locomotive by Diesel Locomotive Works/ Research Designs and Standard Organisation of Indian Railways and charged the same to Research & Development expenses.

As per understanding with the Railway Board, Indian Railways, the company is entitled to share the realized value of the said prototype locomotive in case of its sale, in proportion of contributions made. Now, the said prototype locomotive is being modified to meet gauge requirements of a foreign client and is under going tests and trials in that country. An arrangement has been made with the foreign client for leasing it out and the proceeds of lease/sale, when received will be dealt with accordingly. A sum of Rs. 31.03 lakhs incurred on modifying the above said loco has been capitalized and kept under work in progress pending completion.

- 17.0 Reports for pay revisions by Sixth Pay Commission and Second Pay Committee, due w.e.f. 01-01-2006 in respect of employees drawing salaries on CDA pattern and w.e.f. 01-01-2007 for those drawing salaries on IDA pattern are under consideration of the Govt. of India. Necessary impact on account of arrears and employees benefits as estimated by the management at Rs.2800 lakhs has been considered as Employees' Cost for the year.
- 18.0 Additional information as required by Schedule VI, Part II of the Companies Act, 1956:-
- 18.1 Particulars in respect of purchases, sales and inventories of goods traded in:-

Class of Goods	Rupees in Lakhs							
	Opening Stock		Purchases*		Closing Stock		Sales	
	No.	Rs.	No.	Rs.	No.	Rs.	No.	Rs.
Locomotives	-	-	26	5052.25	-	-	26	8919.97
(previous year)	(7)	(3227.18)	(14)	(4899.92)	-	-	(21)	(13390.46)
Coaches	-	-	58	5013.86	-	-	58	10085.83
(previous year)	(16)	(1012.40)	(54)	(3499.87)	-	-	(70)	(8717.29)
Others	-	154.51	-	1432.25	-	488.46	-	1824.85
(previous year)	-	(469.55)	-	(962.67)	-	(154.51)	-	(3171.71)

*excludes expenditure associated with exports incurred by the company.

- 18.2 Expenditure in foreign currencies

Description	Rupees in Lakhs	
	Year ended	
	31.03.2008	31.03.2007
(i) Salaries & others abroad	702.36	807.13
(ii) Supplies and Services	1173.96	1648.92
(iii) Travel	368.45	314.70
(iv) Others	213.92	224.18
(v) Capital expenditure	9.25	49.78



18.3 Stores and spare parts consumed

Rupees in Lakhs

Description	Year ended	
	31.03.2008	31.03.2007
Imported	-	-
Indigenous	730.77	662.86
(%)	100%	100%

18.4 Earning in foreign currencies

Rupees in Lakhs

Description	Year ended	
	31.03.2008	31.03.2007
(i) Fees	3289.55	2133.72
(ii) Interest on Bank deposits	0.06	12.05
(iii) Interest on loan	411.32	229.45
(iv) Other Incomes		
a) Dividend	-	0.91
b) Miscellaneous Receipt	6.70	7.17
(v) Export sale - FOB Value	20196.75	23759.38
(vi) Lease Services	1908.43	1274.39

19.0 Pending issuance of notification under section 441A of the companies Act, 1956, no provision has been made towards cess on the turnover of the Company.

20.0 The Company has been converted from Private Limited Company into Public Limited Company pursuant to Section 44 of the Companies Act and a fresh certificate of incorporation dated 05.02.2008 has been issued by the Registrar of Companies.

20.1 The company split the face value of its equity shares from Rs. 100 each to Rs. 10 each and the authorized share capital was increased from Rs.5 crore to Rs.100 crore divided into 10 crore equity shares of Rs. 10 each during the year.

20.2 During the year, a sum of Rs.36 crore has been capitalized out of the free reserves and surplus by issue of 3.60 crore equity shares of Rs. 10 each as bonus shares in the ratio of 1:9 shares (9 equity shares for every one equity share) to the existing shareholders.

21.0 Disclosure as per Accounting Standard:

21.1.1 A committee was set up by the company to review various aspects related to Provision for Incomplete Assignments for the consultancy contracts spread over more than one accounting period. On the basis of recommendations made by the committee, it has been decided that provision will be made in such cases on the basis of revised accounting policy on revenue recognition in this regard. Accordingly provision existing on 31.03.08 made in earlier years have been written back.

The change in the accounting practice has resulted in higher profit of the year by Rs.2388.60 lakhs. This is due to increase in income by Rs.1357.17 lakhs on account of reversal of provisions and reduction in expenditure for Rs.1031.43 lakhs, for provisions not made for the year in terms of changed practice.

21.1.2 Consequent upon applicability of revised AS-15 in respect of employees benefits, long service award and unavailed accrued medical leave expenditure have been recognized based upon actuarial valuation. Expenditure for the period and provisions as on 31.03.2008 have increased to the extent of Rs.45.61 lakhs and Rs. 979.72 lakhs respectively which resulted in reduction of profit for the period by the same amount.

21.1.3 Hitherto provision for LTC was being made on estimated basis. Pursuant to revised AS15, the provision as on 31.03.2008 has been made on the basis of actuarial valuation, which has resulted into reduction of profit by Rs. 9.76 lakhs and increase in provision by the same amount.



21.1.4 The company is contributing through RITES Employees Group Gratuity cum LIC Scheme to Life Insurance Corporation of India (LIC) to meet its gratuity liability. The present value of the plan assets represents the balance available with the LIC at the end of the period. The aggregated value of plan asset, as certified by the LIC, as at 31st March 2008 and 31st March 2007 amounting to Rs. 1933.77 lakhs and Rs. 1719.35 lakhs respectively.

Further, for other benefits no planned assets have been created by the company.

21.2 Employees Benefits

21.2.1 A reconciliation of Opening & Closing Balances of the present value of the defined benefit obligation and the effects during the period attributable to each of the following:

Defined benefits wholly unfunded	Rupees in Lakhs		
	Leave Encashment	LTC	Medical Leave
Opening Balance	1453.64	59.14	-
Interest Cost	118.75	4.77	12.89
Current Service Cost	121.94	60.06	33.12
Benefit paid	(127.20)	(69.41)	(0.43)
Actuarial (Gain)/Loss on obligation	484.86	4.79	934.14
Closing Balance	2051.99	59.35	979.72

21.2.2 Net present value of Long Service award as on 31.03.2008 is Rs. 45.61 lakhs. The same has been charged to Profit and Loss Account.

21.2.3 Total expenses recognized in the statement of Profit & Loss::

Defined benefits wholly unfunded	Rupees in Lakhs		
	Leave Encashment	LTC	Medical Leave
Current Service Cost	121.94	60.06	33.12
Interest Cost	118.75	4.77	12.89
Net actuarial (Gain)/Loss recognized in the period	4.79	4.79	934.14
Expenses recognized in the statement of Profit & Loss	245.48	69.62	980.15

21.2.4 The principal actuarial assumptions used as at the balance sheet date:

Defined benefits wholly unfunded	Rupees in Lakhs			
	Leave Encashment	LTC	Long Award Service	Medical Leave
Discount rate	8%	8%	8%	8%
Future cost/salaries increased	8%	5.50%	-	8%

21.3 Segment Reporting

21.3.1 The Company has identified three business segments as primary segment as detailed below:-

- Consultancy Services
- Export of rolling stock, equipment and spares
- Leasing of railway rolling stock & equipment

21.3.2 The Company is primarily a consultancy organization rendering consultancy services in all facets of transportation.

21.3.3 The segment revenue in geographical segments considered for disclosure is as under:-

- Revenue within India from consultancy and project management services rendered to clients located within the country.
- Revenue from outside India for services rendered, export sales of rolling stock & spare parts and lease rental from the clients located outside India.



21.3.4 The accounting principles used in the preparation of the financial statements are consistently applied to record revenue & expenditure in individual segments, as set out in the note of significant accounting policies.

21.3.5 Revenue & direct expenses in relation to segments are allocated based on items that are individually identifiable to that segment while the remainder of the costs are categorised as unallocated expense as the underlying services are used interchangeably. The management believes that it is not practical to provide segment disclosures relating to those cost and expenses and accordingly these expenses are separately disclosed as “unallocated” and adjusted only against the total income of the company.

21.3.6 Business Segment

Description	Rupees in Lakhs	
	Year ended	
	31.03.2008	31.03.2007
REVENUE		
Consultancy Services		
- Domestic	28505.40	24378.65
- Abroad	6808.15	2428.05
- Export	20830.65	25279.46
- Leasing (Abroad)	1908.43	1274.39
Total Income from Operations (A)	58052.63	53360.55
IDENTIFIABLE OPERATING EXPENSES		
Consultancy Services		
- Domestic	23768.87	15705.35
- Abroad	5027.45	1573.72
- Export	15954.09	19414.51
- Leasing (Abroad)	1812.20	1138.69
Total Operating Expenses (B)	46562.61	37832.27
SEGMENTAL PROFIT FROM OPERATIONS		
Consultancy Services		
- Domestic	4736.53	8673.30
- Abroad	1780.70	854.33
- Export	4876.56	5864.95
- Leasing (Abroad)	96.23	135.70
Operating Profit (A-B)	11490.02	15528.28
Add:		
Income from Investments/ Deposits	3092.73	1989.15
Other Income *	4924.87	1340.97
Extraordinary item - Income/(Expenditure)	1183.40	(341.98)
Less:		
Un-allocable Expenses	2690.27	1445.22
Net Profit before taxes	18000.75	17071.20
Income Tax (including Deferred & FB Tax)	7619.09	5253.67
Net Profit after taxes	10381.66	11817.53

21.3.7 Other Information

Description	Rupees in lakhs	
	Year ended	
	31.03.2008	31.03.2007
Fixed Assets (Net) excluding Work in Progress **	11554.44	9231.77
Current Assets, Loans & Advances	103217.90	91707.35
Current Liabilities, Provisions & Loans	71307.00	57618.12
Capital Employed **	43465.34	43321.00



21.3.8 Geographical Segment(Secondary Segment)

Rupees in lakhs

Description	Year ended	
	31.03.2008	31.03.2007
Operating Revenue		
- India	28505.40	24378.65
- Abroad	29547.23	28981.90
Total	58052.63	53360.55
Operating Expenditure		
- India	23768.87	15705.35
- Abroad	22793.74	22126.92
Total	46562.61	37832.27
Operating Profit		
- India	4736.53	8673.30
- Abroad	6753.49	6854.98
Total	11490.02	15528.28

* Other income includes interest on staff advance, profit on sale of assets/ long term investments, interest on income tax refund, reversal of provision no longer required etc.

** Fixed assets used in the company's business or liabilities contracted are common in nature for all and cannot be allocated to a specific segment. The Company believes that it is currently not practicable to provide segmental disclosure of Capital employed since a meaningful segregation of the available data could be onerous.

21.4 Related Party Disclosures

21.4.1 Relationship

Nature of Relationship	Name of Party
Joint Venture	1. M/s RICON - Established in India 2. M/s Companhia Dos Caminhos De Ferro De Beira, SARL, Beira(CCFB)- Established in Mozambique 3. M/s. Ganga Expressway Consultants Pvt. Ltd.
Subsidiary Companies	1. M/s. RITES (Afrika) (Pty) Ltd. - Established in Botswana 2. M/s. Tanzania Railways Limited - Established in Tanzania
Directors	1. Shri R.K. Rao, Chairman 2. Shri V.K. Agarwal, Managing Director 3. Shri Anil Madan, Director Technical 4. Shri B.K. Makhija, Director Projects 5. Shri Rajeev Mehrotra, Director Finance 6. Dr. Devi Singh, Director 7. Shri D.P. Tripathi, Director 8. Shri Prem Saigal, Director 9. Shri R. Ashok, Director 10. Shri Virendra Gupta, Director 11. Shri A.K. Sanwalka, Director



21.4.2 Transactions

Rupees in lakhs

Transaction	Joint Venture		Subsidiary Companies		Key Managerial Personnel	
	Year ended		Year ended		Year ended	
	31.03.2008	31.03.2007	31.03.2008	31.03.2007	31.03.2008	31.03.2007
Investment	1.25	-	3284.27	-	-	-
Loan given	1851.13	1988.92	-	-	-	-
Consultancy fees received	-	-	1516.73	79.87	-	-
Leasing Charges received	433.99	394.35	506.76	-	-	-
Interest on loan	411.32	0.98	-	-	-	-
Director's remuneration (Ref. para 11 above)	-	-	-	-	33.58	20.49

Year end Balances

Rupees in lakhs

Transaction	Joint Venture		Subsidiary Companies		Key Managerial Personnel	
	Year ended		Year ended		Year ended	
	31.03.2008	31.03.2007	31.03.2008	31.03.2007	31.03.2008	31.03.2007
HBA		-		-		1.41
Advance given		-		0.77		-
Loan given	5497.42	3996.07		-		-
Services rendered		-	1576.44	80.14		-
Other recoverable		349.67	-	-	-	-

21.4.3 The company has been awarded a number of contracts jointly with other parties where work responsibilities / contractual obligations are clearly defined and segregated and the business relationship inter-se will automatically terminate on completion of the activity/project. The Company has no control or significant influence over these parties, hence not considered as related parties for disclosure.

21.5 Lease

21.5.1 Operating Lease

21.5.1.1 The Company's lessing arrangement are with the following:s

Sl. No.	Name of the Company	Number of Locomotives	Period up to
1	M/s. CFM, Mozambique	9	August'2011
2	M/s. CCFB, Mozambique	5	August'2012
3	M/s. TRL, Tanzania	9	November'2012
4	M/s. TRL, Tanzania	9	March' 2013

21.5.1.2 Details of the leased assets: Locomotives

Rupees in Lakhs

Description	Year ended	
	31.03.08	31.03.2007
Gross carrying amount	4611.24	1899.72
Depreciation provided	161.24	92.11
Accumulated depreciation	358.56	197.32
Net carrying amount	4252.68	1702.40



21.5.1.3 Future minimum lease payments receivable not later than one year in respect of cancelable leases with lessees are Rs. 5115.20 lakhs (Previous year Rs.1901.21 lakhs) converted at the exchange rate prevalent on the date of Balance Sheet.

21.5.2 Other Lease

21.5.2.1 Description of lease arrangement of Scope Office Complex

The company has leased 620 sq. m. area of furnished accommodation to Railway Board, Indian Railways on lease rent basis receivable every month. The lease arrangement is for a period of 3 years due to expire in March 2009.

21.5.2.2 Details of the leased assets: Office Premises

Rupees in Lakhs

Description	Year ended	
	31.03.2008	31.03.2007
Gross carrying amount	251.28	219.89
Depreciation provided	6.68	5.17
Accumulated depreciation	22.82	16.13
Net carrying amount	228.46	203.76

21.5.2.3 Future minimum lease payments receivable not later than one year Rs. 60.04 lakhs (previous year Rs. 60.04 lakhs)

21.5.2.4 The company has not sub-leased any of the assets taken on lease.

21.5.2.5 Operating Leases for Companies offices and staff residential premises are renewable / cancelable as laid down in the respective agreements. The total of minimum lease payments recognized in the profit & loss account for the year is Rs.451.94 lakhs.

21.5.2.6 There are no provisions relating to contingent rent.

21.6 Deferred Tax

21.6.1 Components of deferred tax assets to the extent recognized and deferred tax liabilities as on 31st March 2008 are as follows:

Rupees in Lakhs

Particulars	Year ended	
	31.03.2008	31.03.2007
Deferred tax Liability on account of :		
i) Depreciation on fixed assets	730.78	659.73
Deferred Tax Assets on account of :-		
(i) Provision for Doubtful Debts, Security Deposits/EMD, Advances etc.	1942.73	1534.90
(ii) Leave Encashment and other provisions	2050.24	1158.01
ASSET (NET)	3262.19	2033.18

21.7 Interest in Significant Joint Ventures

21.7.1 RITES has following Joint Ventures:

Rupees in Lakhs

Name of JV	Nature of Interest	Proportionate share of interest	Amount of investment
Geoconsult - RITES, India	Participating for detailed design consultancy and construction supervision of about 11 kms long railway tunnel in J&K State. Both the venturers contributed in the seed money as agreed for operational and execution purposes.	13%	2.63
RICON, India	RITES has formed a Joint Venture with M/s. IRCON International Ltd. to secure and execute contracts to be awarded by M/s Companhia Dos Caminhos de Ferro Beira, SARL, Beira, Mozambique to RICON for rendering Management Support Services, Consultancy Works, Project Management, Construction Super-vision, Supply of Materials, Rolling Stock and equipment, Works Contracts, Leasing of Equipments / Rolling Stocks etc.	51%	Nil



Ganga Expressway Consultants Pvt. Ltd. (GECPL), India	RITES have formed a joint venture with SREI Infrastructure Finance Ltd. (SREI) (as lead partner) and Consulting Engineers Services (India) Pvt. Ltd., (Consulting Engineers) to participate in the project for development of eight lane access control expressway from Greater Noida to Ghazipur/Balia (Ganga Expressway).	25%	1.25
Companhia Dos Caminhos De Ferro de Beira, SARL, Beira, (CCFB) Mozambique	CCFB is a Joint Venture of RITES, IRCON International Ltd. and CFM (Parastatal of Government of Mozambique managing Ports and Railways in Mozambique) which is managing concession for Beira Rail Corridor since Dec 2004. Concession period is 25 years.	26%	600.90

21.7.2 RITES Share in Joint Ventures:

Rupees in Lakhs

Description / JVs	Fixed Assets (Net)	Deferred Tax Assets (Liabilities)	Current Assets, Loans & Advances	Current Liabilities & Provisions	Loan Receivable	Capital	Income	Expenditure
RICON								
Year ended 31.03.08	0.02	-	547.60	203.80	-	-	3520.28	3334.21
Year ended 31.03.07	0.05	-	367.69	172.63	-	-	258.12	161.85
GEO- CONSULT								
Year ended 31.03.08	2.62	-	105.50	67.16	-	2.63	139.04	109.58
Year ended 31.03.07	2.75	-	79.71	23.33	-	2.63	128.63	121.81
CCFB LTDA								
Year Ended 31.12.07	9766.47	-	3473.56	2138.28	-	244.03	1160.47	1325.56
Year ended 31.03.07	4185.53	(28.9)	3570.97	869.51	6420.64	547.25	1665.21	1303.91

- (i) Proportioned share of the company in the Income and Expenditure of M/s Geo-Consult and M/s. RICON have been considered in Profit & loss Account under respective heads.
- (ii) M/s. CCFB LTDA has calendar year as financial year and figures are recorded from the audited financial statement as on 31.12.2007.
- (iii) M/s. GECPL has been incorporated in January' 2008 and its accounts are yet to be compiled.

21.7.3 Jointly Controlled Operations

RITES has Joint operations with the following ventures for the projects mentioned against each:-

Name of Venturers	Project Name
M/s Pacific Consultants International M/s Parsons Brinkerhoff International, INC. M/s Japan Railways Technical Services M/s Tonichi Engineering Consultants, INC.	General Consultancy services for Delhi Mass Rapid Transport System Project
M/s. Pacific Consultants International, M/s. Parsons Brickerhoff International Inc & M/s. SYSTRA S.A.	General Consultancy Services for Bangalore Metro Rail Project Phase - I



M/s. Tonichi Engineering Consultants, INC., Japan, M/s. Nippon Koei Company Ltd., (Japan) & M/s. ICRA Limited. India	Consulting Services for the Mono Rail Project
M/s Consulting Engineering Services India Pvt. Ltd. & M/s Beca International Consultants Ltd. New Zealand	NHAI - Srikakulam
M/s Sir Owen Williams Innoverment Ltd. India & M/s. Secon Pvt. Ltd. India	NHAI - Krishnagiri (AP)
M/s Sheladia Associates - USA	NHAI - Vizag
M/s De Consult - Germany	Modernization of Signalling System in Ghaziabad - Kanpur section
M/s Stanley Consultants Inc. Iowa - USA	Supervision consultancy services for East-West corridor on NH-76 in the State of Rajasthan for NHAI
M/s Geo-Consult-ZT Gmbh (Austria) & M/s. Secon Pvt. Ltd. India	Consulting Services for feasibility & detailed Design of Road Tunnels in Shimla and other parts of Himachal Pradesh

21.8 Warranty/Guarantee obligations

Items	Rupees in Lakhs				
	Carrying amount 01.04.2007	Additional Provision made during 2007-08 upto Mar'08	Provisions used upto Mar'08	Unused amount reversed upto Mar'08	Carrying amount as on 31.03.2008
Warranties	1268.14	1335.25	586.50	529.98	1486.91

For and on behalf of the Board

P.T. Mittal
Company Secretary

Rajeev Mehrotra
Director (Finance)

V.K. Agarwal
Managing Director

AS PER OUR REPORT OF EVEN DATE

New Delhi
Dated : 30th June, 2008

Ashok Chopra,
Partner
Membership No. 17199
For Jain Chopra & Company
Chartered Accountants



BALANCE SHEET ABSTRACT AND COMPANY' GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	:	7227	State Code	:	55
Balance Sheet Date	:	31 03 2008			
		Date Month Year			

II. Capital Raised during the year

				(Rs. in Thousands)
Public Issue		NIL	Rights Issue	NIL
Bonus Issue		360,000	Private Placement	NIL

III. Position of Mobilisation and Deployment of Funds

				(Rs. In Thousands)
Total Liabilities	1,25,19,367	Total Assets	1,25,19,367	
Source of Funds				
Paid up Capital	4,00,000	Reserves & Surplus	49,88,667	
Secured Loans	NIL	Unsecured Loans	NIL	
Current Liabilities & Provisions	71,30,700			
Application of Funds				
Net Fixed Assets	11,76,558	Investment	6,87,298	
Current Assets, Loan & Advance	1,03,21,790	Deferred Tax Assets(Net)	3,26,219	
Misc. Expenditure	7,502	Accumulated Losses	NIL	

IV. Performance of Company

				(Rs. In Thousands)
Gross Turnover (incl. Other Income of Rs. 801760)	66,07,023	Total Expenditure	49,25,288	
Extra ordinary income	1,18,340			
Profit Before Tax After extra ordinary income	18,00,075	Profit After Tax	10,38,166	
* Earning per share (After extra ordinary items)	Rs. 25.95	Dividend Rate %	52.5%	
* Earning per share (Before extra ordinary items)	Rs. 24			
* EPS figure is in rupee only				

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

				(Rs. In Thousands)
Item Code No. (ITC Code)	:	N.A.		
Product Description	:	a) Consultancy	29,83,398	
		b) Export Sales	20,83,065	
		c) Inspection	54,7,957	
		d) Lease Services	1,90,843	



COMMENTS BY CAG

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF RITES LIMITED, NEW DELHI, FOR THE YEAR ENDED 31 MARCH 2008

The preparation of financial statements of RITES Limited, New Delhi, for the year ended 31 March 2008 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956, based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 30.6.2008.

I, on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619(3) (b) of the Companies Act, 1956 of the financial statements of RITES Limited, Gurgaon, for the year ended 31 March 2008. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under section 619(4) of the Companies Act, 1956.

For and on the behalf of the Comptroller & Auditor General of India

New Delhi
Date: 14th August, 2008

(Ghazala Meenai)
Principal Director of Commercial Audit &
Ex-Officio Member Audit Board-III, New Delhi

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956.

RITES (AFRIKA) (PTY) LTD.

1. RITES continues to hold whole of the share capital of RITES (AFRIKA) (PTY) LTD, Botswana totaling to 10,000 shares of 1 pula each amounting to 10,000 pula equivalent to Rs. 1.20 lakh.
2. During the year under review RITES (AFRIKA) (PTY) LTD achieved turnover of pula 31.55 lakh (Rs. 193.34 lakh) (previous year turnover of pula 35.67 lakh [Rs. 276.98 lakh]) and net profit of pula 0.44 lakh (Rs. 2.73 lakh) (previous year net profit of pula 0.85 lakh [Rs. 6.58 lakh]) and accumulated profits at the end of the year of pula 5.13 lakh (Rs. 31.45 lakh).
3. Keeping in view the performance of the Company, Board of Directors of the RITES (AFRIKA) (PTY) LTD have recommended dividend of pula 176.5 % of the paid capital for the year 2007-08.
4. During the year Company has secured one major contract of consultancy services for the Relocation of Tsabong and Hukuntsi Airfields. Design activities for the project is in full swing and is expected to be completed by 2008-09.
5. During the year work on design phase consultancy services for the reconstruction of Francistown-Ramogwebana Road project was completed and considerable progress was achieved in the design for improvement of Francistown Airport project.
6. The construction work on the improvement of Francistown Airport and Francistown-Ramogwebana Road projects are all set to take-off in the next financial year. Some additional design work for the access roads has also been awarded by the Roads Department. Further with the setting up of 'Civil Aviation Authority' put on fast track by the Government of Botswana, upgrading of various Airports in Botswana has become imminent.
7. Botswana is economically and politically stable country and has good potential especially in infrastructure development (Airport and Highways) and construction.

TANZANIA RAILWAYS LIMITED

1. Tanzania Railways Limited (TRL), a subsidiary Company of RITES was incorporated on 25th May, 2007. RITES hold 51% of equity in TRL.
2. TRL took over railways on 1st of October, 2007 on Concession Terms from Reil Asset Holding Company (RAHCO), the Conceding Authority.
3. The predecessor of TRL which operated railways till September, 2007 transported 1.47 m tones of cargo in year 2003 which fell to 0.42 m tones in 2007 (Jan-Sep), 2007). As TRC was in serious financial problem, no maintenance of assets was done. The condition of track was also very bad due to no maintenance done by TRC. The poor condition of assets has badly affected the cargo handling capacity of TRL. During Oct-Dec, TRL transported 0.121m tones of cargo with a turnover of Tsh 8.33 billion. Due to the incapability to transport cargo, it incurred a loss of Tsh 4.87 billion (US\$ 4.06m).
4. Till June, 2008, RITES has secured 6 contracts with aggregate value of US\$ 167.72m.
5. With the enhanced fleet of leased locomotives it is expected that freight traffic volume would increase in the year 2008.

For and on behalf of the Board

(PT Mittal)
Company Secretary

(Rajeev Mehrotra)
Director Finance

(VK Agarwal)
Managing Director

Delhi
Dated: 30th June, 2008



RITES (AFRIKA) (PROPRIETARY) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST MARCH, 2008
GENTLEMEN,

Your Directors have immense pleasure to present to you the annual report of your company together with the audited statement of accounts and the report of the statutory auditors thereon for the year ended 31st March 2008.

During the year under review your company had achieved income of Pula 3,155,458 as compared to income of Pula 3,566,564 achieved during the last financial year. Income from consultancy services is of Pula 3,006,627 for the year as compared to Pula 3,453,799 for the last year. Your company had made a net profit before tax of Pula 84,543 as compared to net profit of Pula 110,663 made during the last financial year.

FINANCIAL RESULTS

The financial results of the company are summarized below:

Particulars	(Figures in Pula)	
	2007-2008	2006-2007
Income	3,155,458	3,566,564
Expenditure	3,070,915	3,455,901
Depreciation (Included in above expenses)	21,372	42,095
Net profit/(Loss) before Tax	84,543	110,663
Income Tax Expenses	40,047	25,897
Net profit/(Loss) after Tax	44,496	84,766
Income From: Consultancy fee	3,006,627	3,453,799
Other incomes	148,831	112,765
Accumulated Profit/(Loss) at the end of the year	513,279	468,783

DIVIDEND

The board of directors is pleased to announce a dividend of 176.5 % for the year 2007-08.

PROJECTS SECURED & EXECUTED

During the year, your company has secured 1 major contract in the Consultancy services for the Relocation of Tšabong and Hukuntsi Airfields.

The work on design phase consultancy services for the reconstruction of Francistown – Ramogwebana road project was completed and considerable progress was achieved in the design stage for Improvement of Francistown Airport project. Francistown Airport project has in fact gone into construction with Runway packaged awarded.

About half the work on the Tšhesebe – Masunga Road Project has been completed.

Design activities for the Hukuntsi and Tšabong airports is in full swing and is expected to be completed before the end of this year.

FUTURE PROJECTS

The Construction work on the improvement of Francistown Airport and Francistown – Ramogwebana road projects are all set to take-off in the next financial year. The fee for construction supervision consultancy services have been re-negotiated and enhanced with your Company by the Department of Roads.

Some additional design work for the access roads has also been awarded by the Roads Department.

With setting up of 'Civil Aviation Authority' put on fast track by the Government of Botswana, upgrading of various airports in Botswana has become imminent in NDP I O of the Government.

PROPOSALS SUBMITTED

Your company had submitted offers for projects in the field of airports and roads. While the airport project (Tšabong – Hukuntsi) was won by your company, two of the three road projects were lost due to the very low bids by the competitors. The third road project is pending with the Department.

BOTSWANA SCENARIO

Botswana is economically and politically stable country and has good potential especially in infrastructure development, civil construction and information technology area.

RITES LTD.

We are thankful to the Management of Rites Ltd., officers and staff for their continuous support, cooperation and valuable services for the company. We anticipate continued support from RITES Ltd., for successful completion of the projects in hand and for bidding forthcoming assignments.

AUDITOR

M/s Grant Thornton was the auditors of the Company for the year 2007-2008. Board of Directors would like to place on record their sincere thanks for the valuable services rendered by them.

ACKNOWLEDGEMENTS

We take this opportunity to acknowledge with thanks the valuable cooperation received from the Department of Civil Aviation, Department of Roads, Ministry of Works & Transport, Ministry of Finance, Department of Town and Regional Planning, Department of Mines, Department of Crop Production and Forestry, Department of Sanitation and Waste Management and other departments of Government of Botswana. We are also thankful to the officers and the staff of Bank of Baroda (Botswana) Ltd, for their valuable support and timely help.

We are also thankful to His Excellency the Indian High Commissioner, the Secretary and other officers and staff members of the Indian High Commission in Botswana for their valuable support.

For and on behalf of the Board of Directors
Sanjiv Bhushan
Director

Gaborone, Botswana
23rd June 2008

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 MARCH, 2008

Directors' responsibilities and approval

The directors are required by the Companies Act of Botswana (Companies Act, 2003) to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Company and all employees are required to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the Company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Company's cash flow forecast for the year to March 31, 2009 and, in the light of this review and the current financial position, they are satisfied that the Company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The board of directors are primarily responsible for the financial affairs of the company. The external auditors are responsible for independently reviewing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on page 3.

The annual financial statements, set out on pages 65 - 69, which have been prepared on the going concern basis, were approved by the board of directors and were signed on their behalf by:

DIRECTOR DIRECTOR

INDEPENDENT AUDITOR'S REPORT

To the members of
RITES (AFRIKA) (PROPRIETARY) LIMITED
Report on the Financial Statements

We have audited the accompanying financial statements of Rites Afrika (Proprietary) Limited, as set out on pages 65 to 69 which comprise the balance sheet as at 31 March 2008, and the income statement, the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Botswana (Companies Act, 2003). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual financial statements present fairly, in all material aspects, the financial position of Rites Afrika (Proprietary) Limited as of 31 March 2008 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of Botswana (Companies Act, 2003)

Gaborone M/s Grant Thornton Acumen
Date: 25.06.2008 Certified Public Accountants

BALANCE SHEET AT 31 MARCH 2008

	Notes	2008 Pula	2007 Pula
ASSETS			
Non-current assets			
Property, plant and equipment	4	4 454	21 281
Deferred tax	6	15 567	9 594
		<u>20 021</u>	<u>30 875</u>
Current assets			
Inventories	7	780 522	170 701
Current tax receivable		7 836	17 929
Trade and other receivables	8	92 435	189 715
Cash and cash equivalents	9	1 592 128	1 532 801
		<u>2 472 921</u>	<u>1 911 146</u>
Total assets		<u>2 492 942</u>	<u>1 942 021</u>
EQUITY AND LIABILITIES			
Equity			
Stated capital	10	10 000	10 000
Retained income		513 279	468 783
		<u>523 279</u>	<u>478 783</u>



RITES (AFRIKA) (PROPRIETARY) LIMITED

	Notes	2008 Pula	2007 Pula
Liabilities			
Non-Current Liabilities			
Deferred tax	6	-	2 169
Current Liabilities			
Current tax payable		29 528	28 961
Trade and other payables	11	1 940 135	1 432 108
		1 969 663	1 461 069
Total Liabilities		1 969 663	1 463 238
Total Equity and Liabilities		2 492 942	1 942 021

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

Revenue	13	3 006 627	3 453 799
Construction Costs	14	(2 173 352)	(2 858 752)
Gross profit		833 275	595 047
Other income		66 869	45 100
Operating expenses		(897 563)	(586 597)
Investment revenue	16	81 962	57 113
Profit before taxation	15	84 543	110 663
Taxation	17	(40 047)	(25 897)
Profit for the year		44 496	84 766

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2008

	Stated Capital Pula	Retained Income Pula	Total Equity Pula
Balance at April1, 2006	10 000	395 782	405 782
Changes in equity			
Profit for the year	-	84 766	84 766
Dividends	-	(11 765)	(11 765)
Total Changes	-	73 001	73 001
Balance at April1, 2007	10 000	468 783	478 783
Changes in Equity			
Profit for the year	-	44 496	44 496
Total Changes	-	44 496	44 496
Balance at March 31, 2008	10 000	513 279	523 279
Note(S)	10		

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	19	19 439	970 231
Interest income		81 962	57 113
Tax(Paid) received	20	(37 529)	3 013
Net Cash from operating activities		63 872	1 030 357
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(4 545)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	21	-	(11 765)
Total Cash movement for the year		59 327	1 018 592
Cash at the beginning of the year		1 532 801	514 209
Total Cash at end of the year	9	1 592 128	1 532 801

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act of Botswana (Companies Act, 2003). Except for certain financial instruments, which are stated at fair value, the annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous period, except for the changes set out in note 2 Changes in accounting policy

1.1 Significant judgements

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade Receivables

The company assesses its trade receivables for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to the balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that the residual value assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of assets.

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets

and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the balance sheet date could be impacted.

Useful life and residual value of tangible fixed assets

The company reviews the residual value and useful life of its assets at each financial year-end. If expectations differ from the previous estimates, the change shall be accounted for as a change in accounting estimate.

Contingent Liability

Management applies judgement to facts and advices received from attorneys and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

Recognition of Contract Revenue

Management adopts the percentage of completion method to recognise its revenue from contracts. Such percentage is based on the costs incurred and costs to be incurred on a future period and involves sufficient judgement for estimating future costs.

1.2 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Item	Average useful life
Furniture and fixtures	4 years
Motor vehicles	4 years
Office equipment	4 years
IT equipment	4 years

The residual value and the useful life of each asset are reviewed at each financial period-end.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 Financial instruments

Initial recognition

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.4 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates that have been enacted by the balance sheet date.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset



or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted by the balance sheet date.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in equity, or
- a business combination.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Operating leases - lessee

Operating lease liability are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset/ liability. This liability is not discounted.

1.6 Inventories

Inventories are measured at the lower of cost and net realisable value

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

1.7 Construction contracts and receivables

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

1.8 Impairment of assets

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss.

1.9 Stated capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

1.11 Provisions and contingencies

Provisions are recognised when:

- the company has a present obligation as a result of a past event;

- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

1.12 Revenue

Contract revenue comprises:

- the initial amount of revenue agreed in the contract; and
- variations in contract work, claims and incentive payments:
 - to the extent that it is probable that they will result in revenue; and
 - they are capable of being reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

1.13 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Pula, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each balance sheet date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in Pula by applying to the foreign currency amount the exchange rate between the Pula and the foreign currency at the date of the cash flow.

1.14 Prior year figures

Prior year figures have been regrouped to conform with current years presentation.

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- IFRS 7 – Financial instruments : Disclosures (effective first annual period commencing on or after 1/1/2007)
- IAS 1 - Presentation of financial statements (effective first annual period commencing on or after 1/1/2007)

IAS 1: Presentation of Financial Statements

This amendment requires the Company to make new disclosures to enable the users of the financial statement to evaluate the Company's objective, policies and procedures for maintaining capital

IFRS 7: Financial instruments disclosure

This standard requires disclosures that enable the users of financial statement to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout these annual financial statements. While there have been no effect on the position

or result, comparative information has been revised wherever needed for disclosure purpose.

The impact of all other Standards and Interpretations not yet adopted are either not applicable or not expected to be material for the current year.

3. Statements and interpretations not yet effective

At the date of authorisation of these annual financial statements, the following Standards and Interpretations were in issue but not yet effective:

IAS 1 - Presentation of financial statements (effective first annual period commencing on or after 1/1/2009)

IAS 1: Presentation of Financial Statements

This amendment affects the presentation of changes in Stated Capital of the Company and introduces a statement of comprehensive income. The Company's management will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with sub-totals, or in two separate statements (a separate income statement followed by a statement of other comprehensive income). This amendment does not affect the financial position or results of the Company but will give rise to additional disclosures.

Management is currently assessing the detailed impact of these amendments on the annual financial statements. The impact of all other Standards and Interpretations not yet effective are either not applicable or not expected to be material for the current year.



4. Property, plant and equipment

	2008			2007		
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	60 319	(60 318)	1	60 319	(49 154)	11 165
Motor vehicles	57 728	(57 727)	1	57 728	(47 614)	10 114
Office equipment	92 809	(88 358)	4 451	88264	(88 263)	1
IT equipment	11 505	(11 504)	1	11 505	(11 504)	1
Total	222 361	(217 907)	4 454	217 816	(196 535)	21 281

Reconciliation of property, plant and equipment - 2008

	Opening net book value	Additions	Depreciation	Closing net book value
Furniture and fixtures	11 165	-	(11 164)	1
Motor vehicles	10 114	-	(10 113)	1
Office equipment	1	4 545	(95)	4 451
IT equipment	1	-	-	1
Total	21 281	4 545	(21 372)	4 454

Reconciliation of property, plant and equipment - 2007

	Opening net book value	Depreciation	Closing net book value
Furniture and fixtures	25 909	(14 744)	11 165
Motor vehicles	24 546	(14 432)	10 114
Office equipment	10 044	(10 043)	1
IT equipment	2 877	(2 876)	1
Total	63 376	(42 095)	21 281

5. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:
2008

	Loans and receivables	Fair value through profit or loss-held for trading	Fair value through profit or loss- designated	Held to maturity	Available for sale
Trade and other receivable	70 614	-	-	-	-
Cash and cash equivalents	-	-	1 592 128	-	-
Total	70 614	-	1 592 128	-	-

2007

	Loans and receivables	Fair value through profit or loss-held for trading	Fair value through profit or loss- designated	Held to maturity	Available for sale
Trade and other receivable	177 877	-	-	-	-
Cash and cash equivalents	-	-	1 532 801	-	-
Total	177 877	-	1 532 801	-	-

6. Deferred tax

Deferred tax asset		
Accelerated capital allowances for tax purposes	5 383	9 594
On Other Timing Difference	10 184	(2 169)
Total	15 567	7 425
Reconciliation of deferred tax asset (liability)		
At beginning of the year	7 425	4 361
Originating temporary difference on tangible fixed assets	(2 042)	4 765
Originating temporary difference on other elements	10 184	(1 701)
Total	15 567	7 425

7. Inventories

Construction work in progress	780 522	170 701
Construction work in progress details		
Cost incurred	5 109 901	2 560 083
Recognised profits less recognised losses	1 061 150	330 251
Advance Received	(5 390 469)	(2 719 633)
Total	780 582	170 701

8. Trade and other receivables

Trade receivables	18 169	169 153
Employee costs in advance	-	400
Prepayments	21 821	11 838
Deposits	7 700	7 700
Retention receivable	35 472	-
Other receivable	9 273	624
Total	92 435	189 715

Trade and other receivables past due but not impaired
Trade and other receivables which are less than 2 months past due are not considered to be impaired.
At March 31, 2008, P-Nil - (2007: P- Nil) were past due but not impaired.

9. Cash and cash equivalents

Cash and cash equivalents consist of:		
Cash on hand	1 234	19 588
Bank balances	458 294	1 513 213
Short-term deposits	1 132 600	-
Total	1 592 128	1 532 801

10. Stated capital

Issued		
1000 Ordinary shares at no par value	10 000	10 000

The new Companies Act of Botswana (Companies Act 2003) is effective from 3rd July 2007 which repeals the old Companies Act (Cap 42:01). Section 5 of this Act introduces a new definition of "Stated Capital" which replaces the existing definition of Share Capital in the old Companies Act. Further, Section 47 (2) states that all shares issued prior to commencement of the new Act is deemed to be converted into shares of no par value. Section 47 (4) states that on commencement of new Act, the Stated Capital of the company issued prior to the commencement of the Act shall consist of called up issued share capital and share premium account.

Capital disclosure

The Company's objectives when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders by pricing products and services commensurately with the level of risk.

The capital structure of the company consists of equity attributable to equity share holders comprising stated capital and retained earnings as disclosed in the statement of changes in equity. However, there are no externally imposed capital requirements applicable to the Company. The Company sets the amount of capital in proportion to its overall financing structure. It manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, whenever required, the Company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

During the year ended 31 March 2008, the Company's strategy of managing capital has been unchanged from the year ended 31 March 2007

11. Trade and other payables

Trade payables	195 407	49 055
Current account with holding company	1 328 403	1 113 858
Value Added Tax	76 433	62 999
Operating lease payables	14 665	-
Deposits received	2 000	2 000
Other payables	323 227	204 196
Total	1 940 135	1 432 108

12. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2008

	Financial liabilities at amortised cost	Fair value through profit or loss-held for trading	Fair value through profit or loss- designated	Total
Trade and other payable	1 940 135	-	-	1 940 135

2007

	Financial liabilities at amortised cost	Fair value through profit or loss-held for trading	Fair value through profit or loss- designated	Total
Trade and other payable	1 432 108	-	-	1 432 108

13. Revenue

Construction contracts	3 006 627	3 453 799
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14. Construction costs

Construction contracts		
Direct salary	33 475	86 779
Directors' remuneration	169 652	131 307
Technical fees paid to the Holding Company	729 633	1261 833
Withholding tax on technical fees	109 445	189 275
Other direct construction costs	1 131 147	1 189 558
Total	2 173 352	2 858 752

15. Profit before taxation

Profit before taxation for the year is stated after accounting for the following:

Operating lease charges		
Premises		
• Contractual amounts	195 705	177 750
Depreciation on property, plant and equipment	21 372	42 095
Employee costs	160 014	46 428

16. Investment revenue

Interest revenue		
Bank	81 962	57 113

17. Taxation

Major components of the tax expense		
Current		
Local income tax - current period	29 528	30 726
Local income tax - recognised in current tax for prior periods	18 661	-
Additional company tax utilised	-	(1 765)
Total	48 189	28 961

Deferred

Originating and reversing temporary differences	(10 184)	1 701
On Accelerated Capital allowance	2 042	(4 765)
Total	(8 142)	(3 064)
Total	40 047	25 897

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.		
Applicable tax rate	25.00 %	25.00%



Additional company tax utilised	(3.13) %	(1.59)%				
Other- prior period adjustment	22.37 %	-%				
	<u>44.24 %</u>	<u>23.41%</u>				
18. Auditors' remuneration						
Fees	36 780	15 799				
19. Cash generated from operations						
Profit before taxation	84 543	110 663				
Adjustments for:						
Depreciation and amortisation	21 372	42 095				
Interest received	(81 962)	(57 113)				
Changes in working capital:						
Inventories	(609 821)	(105 372)				
Trade and other receivables	97 280	(164 336)				
Trade and other payables	508 027	1 144 294				
	<u>19 439</u>	<u>970 231</u>				
20. Tax (paid) refunded						
Balance at beginning of the year	(11 032)	20 942				
Current tax for the year recognised in income statement	(48 189)	(28 961)				
Balance at end of the year	<u>21 692</u>	<u>11 032</u>				
	<u>(37 529)</u>	<u>3 013</u>				
21. Dividends paid						
Dividends	-	(11 765)				
22. Commitments						
Operating leases – as lessee (expense)						
Minimum lease payments due						
- within one year	176 235	64 900				
- in second to fifth year inclusive	<u>409 947</u>	-				
	<u>586 182</u>	<u>64 900</u>				
Operating lease payments represent rentals payable by the company for certain of its office properties.						
Operating leases – as lessor (income)						
Minimum lease payments due						
- within one year	38 408	34 800				
- in second to fifth year inclusive	<u>74 690</u>	-				
	<u>113 098</u>	<u>34 800</u>				
Certain portion of office space is leased out to sub- tenants to generate rental income.						
23. Related parties						
Relationships`						
Holding company	Rites Limited; incorporated in India					
Members of key management	S. Bhusan; director Dr K.Pal ; director					
Related party balances						
Amounts included in 'Trade Payable' regarding related parties						
Rites Limited, India	1 328 403	1 113 858				
S.Bushan (net)	10 391	-				
Related party transactions						
Fees for services obtained						
Rites Limited, India	729 632	1 261 833				
Dividend (including with holding tax)						
Rites Limited, India	-	11 765				
Director's remuneration						
S. Bushan	243 153	131 307				
24. Risk management						
The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.						
Liquidity risk						
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, company treasury maintains flexibility in funding by maintaining availability under committed credit lines.						
The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.						
Cash flow forecasts are prepared and monitored.						
The table below analyses the company's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.						
At March 31, 2008	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years		
Trade and other payables	1 940 135	-	-	-		
At March 31, 2007	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years		
Trade and other payables	1 432 108	-	-	-		
Interest rate risk						
As the company has no significant interest-bearing assets, the company's income and operating cash flows are substantially independent of changes in market interest rates.						
Deposit and all attract interest at the rate that vary with prime. The company's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on profit (loss)						
Cash flow interest rate risk						
Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	-%	70 614	-	-	-	-

Cash in current banking institutions	5.00 %	458 294	-	-	-
Fixed deposits	9.00%	1 132 600	-	-	-
Credit risk					
Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.					
Trade receivables comprise a governmental and other public sector customer base. Management evaluated credit risk relating to customers on an ongoing basis.					
Financial assets exposed to credit risk at year end were as follows:					
Financial instrument			2008	2007	
Trade receivables			70 614	177 877	
Foreign exchange risk					
The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.					
The company does not hedge foreign exchange fluctuations.					
At March 31, 2008, if the currency had weakened/strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been P - 20 623 (2007: P 20 423) higher or P 16 710 (2007: P 16 709) lower, mainly as a result of foreign exchange gains/losses on translation of US dollar trade payables					
Foreign currency exposure at balance sheet date					
Liabilities					
Current account with Rites Ltd (USD: 202 192 (2007: 183 795))			1 328 403	1 113 858	
Exchange rates used for conversion of foreign items were:					
USD			6.57	6.06	
The company reviews its foreign currency exposure, including commitments on an ongoing basis.					

DETAILED INCOME STATEMENT		Note(s)	2008 Pula	2007 Pula
REVENUE				
Construction contracts			3 006 627	3 453 799
Construction Cost			(170 701)	(65 329)
Opening stock			(2 783 173)	(2 964 124)
Direct expenses			780 522	170 701
Closing stock			<u>(2 173 352)</u>	<u>(2 858 752)</u>
	14		833 275	595 047
Gross profit				
Other income				
Rental income			44 446	45 100
Sundry income			22 423	-
Interest received		16	81 962	57 113
			<u>148 831</u>	<u>102 213</u>
Expenses			(897 563)	(586 597)
Profit before taxation			84 543	110 663
Taxation		17	40 047	25 897
Profit for the year			<u>44 496</u>	<u>84 766</u>
OPERATING EXPENSES				
Accounting fees			(22 702)	(12 002)
Advertising			(24 796)	-
Auditors remuneration		18	(36 780)	(15 799)
Bank charges			(4 406)	(2 872)
Tender fees			(796)	(4 200)
Depreciation, amortisation and impairments			(21 372)	(42 095)
Employee costs			(160 014)	(46 428)
Miscellaneous expenses			(12 215)	(3 355)
Office expenses			(4 922)	(3 694)
Loss on foreign exchange fluctuation			(32 053)	6 804
Insurance			(39 378)	(49 542)
Lease rentals on operating lease			(195 705)	(177 750)
Magazines, books and periodicals			(18 150)	(321)
Motor vehicle expenses			(22 664)	(22 961)
Postage			(12 809)	(6 170)
Printing and stationery			(103 629)	(97 699)
Repairs and maintenance			(4 698)	(10 007)
Secretarial fees			-	(9 394)
Security			(2 916)	-
Staff welfare			(23 480)	(3 392)
Telephone and fax			(81 306)	(43 363)
Travel - local			(62 133)	(37 192)
Utilities			(10 639)	(5 165)
			<u>(897 563)</u>	<u>(586 597)</u>



TANZANIA RAILWAYS LIMITED

DIRECTORS REPORT FOR THE 1st ACCOUNTING PERIOD ENDED 31st December 2007

INTRODUCTION

The Directors are pleased to present their report and audited financial statements for the 1st accounting period ended 31st December 2007. The Company was incorporated on 25th May 2007 as a Private company to implement the concession granted by Reli Assets Holding Company Limited for providing Railway Services. The Railways was taken over and the operations commenced on the 1st October 2007.

STATEMENT OF DIRECTORS RESONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENT

The Directors are responsible for the preparation of the financial statements of the Company, which show a true and fair view in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BOARD OF DIRECTORS

The names of Directors who served the Company during the period ended 31st December 2007 are:

Name	Status	Nationality
Shri. V.K. Agarwal	Chairman	Indian
Shri. N. Jayaram	Managing Director	Indian
Shri. S.K. Seth	Director	Indian
Hon'ble Shri. S.J. Kabayonga	Director	Tanzanian
Mrs. E.A. Bukuku	Director	Tanzanian

PRINCIPAL ACTIVITIES

The main activity of the company is the provision of railway transport services. Catering services have been leased out to private operators.

PHYSICAL PERFORMANCE

During the period under review, after taking over the Railways on 1st October 2007, 0.121 million tons were carried and 0.135 million Passengers were transported. The services which were in operation from Dodoma at the time of takeover has been restored from Dar es Salaam after the takeover. The operations were severely hampered due to the condition in which assets were handed over to TRL. Many of the assets have not received the maintenance attention over a long period and the number of active rolling stock handed over was also significantly less than what was indicated. The cost of rehabilitation has gone up for reasons stated and the rehabilitation of the assets will take time, before the full effects of improvements are realized. Whatever software improvements are possible, such as block trains, effective use of available assets, rationalizing operations are being done.

FINANCIAL PERFORMANCE

The Company's performance, which covers 3 months operations after takeover is summarized below:

TSh In Million

INCOME:	
Freight	6,768.758
Passenger	1,561.425
Others	92.338
Total Income	8,422.521

EXPENSES:

Operating Expenses	(11,374.752)
General Expenses	(439.813)
Administrative Expenses	(1,490.874)
Financial Expenses	(1,005.730)
Foreign Exchange Gain/Loss	(1,068.949)
Total Expenses	(15,380.118)
Profit/(Loss) Before Tax	(6,957.597)
Provision for Tax	-
Deferred Tax	2,087.279
Net Profit/ (Loss)	(4,870.318)
No dividend is recommended as there is no distributable income.	

OUTLOOK

The outlook for business, in the light of good growth rate of the economy coupled with the developments taking place, particularly in the mining and cement sectors is considered to be good. As these potential growths materialize and the planned improvements to the assets take place the Railways performance should start improving and if all goes well the Railways could start making profits by 2011 or 2012.

AUDITORS

M/S Tanna Sreekumar & Co., Certified Public Accountants were appointed as the first Auditors of the Company. The Board wishes to place on record their sincere thanks for the valuable service rendered by them.

ACKNOWLEDGEMENTS

The Directors wish to thank the employees for their contribution and looks forward to their commitment and dedication in the difficult times ahead in turning around the Railways.

The Directors also wish to place on record their appreciation of the support received from Government Ministries and other agencies.

Last but not least the Directors also like to place on record the customers patronizing the Railways and looks forward to their continued patronage.

V. K. AGARWAL
CHAIRMAN – TRL BOARD OF DIRECTORS

Date: 27th June, 2008



TANZANIA RAILWAYS LIMITED

AUDITORS' REPORT TO THE MEMBERS OF TANZANIA RAILWAYS LIMITED

Pre-amble

- 1 We have audited the financial statements on pages 70 to 76 in accordance with International Standards on Auditing. The financial statements are in agreement with the accounting records.

Respective responsibilities of directors and auditors

- 2 As mentioned on page 1, the company's directors are responsible for the preparation of the financial statements and adopting the accounting policies. It is our responsibility to form an independent opinion, based on our audit of those statements and to report our opinion to you.

Basis of opinion

3. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements.
4. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

5. In our opinion the financial statements give a true and fair view of the state of the company's financial affairs as at 31 December 2007 and of its loss of TShs 4,870,318,000 after tax and cash flow for the period then ended in accordance with the International Financial Reporting Standards and comply with the Companies Act, 2002.

Dar Es Salaam
Date 27 June, 2008

B. S. Sreekumar
Tanna Sreekumar & Co.
Certified Public Accountants



TANZANIA RAILWAYS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 25TH MAY 2007 TO 31 DECEMBER 2007

		(7 months) 2007 T.Shs'000
	Notes	
OPERATING INCOME	3	8,330,183
OPERATING EXPENSES	4	<u>(11,374,752)</u>
GROSS OPERATING LOSS		<u>(3,044,569)</u>
GENERAL EXPENSES	5	(439,813)
ADMINISTRATIVE EXPENSES	6	(1,490,874)
FINANCIAL EXPENSES	7	(1,005,730)
FOREIGN EXCHANGE VARIATION		<u>(1,068,949)</u> <u>(7,049,935)</u>
OTHER INCOME	8	92,338
LOSS BEFORE TAX		(6,957,597)
TAX	9(a)	-
DEFERRED TAX ASSET	9(c)	<u>2,087,279</u>
LOSS FOR THE PERIOD		<u>(4,870,318)</u>

The accounting policies and notes on pages 73 to 76 form part of these financial statements.

N.Jayaram,
Managing Director

BALANCE SHEET AS AT 31 DECEMBER 2007

		2007 T.Shs'000
	Notes	
CAPITAL EMPLOYED:		
SHARE CAPITAL	Page 7	20,000,000
RETAINED EARNINGS	Page 7	<u>(4,870,318)</u>
SHAREHOLDERS' INTEREST REPRESENTED BY:		<u>15,129,682</u>
PROPERTY, PLANT AND EQUIPMENT	11	41,200
START UP COSTS	10	3,398,709
DEFERRED TAX ASSET	9(c)	<u>2,087,279</u> <u>5,527,188</u>
CURRENT ASSETS		
Inventories	12	976,267
Trade and other receivables	13	3,413,939
Due from group companies	16	369,106
Tax recoverable	9(b)	5,274
Margin Money		2,017,847
Bank and cash balances		<u>10,547,231</u>
Total		<u>17,329,664</u>

CURRENT LIABILITIES

Due to group companies	15	4,819,101
Trade and other payables	14	<u>2,908,069</u> <u>7,727,170</u>

NET CURRENT ASSETS

Total		<u>9,602,494</u> <u>15,129,682</u>
-------	--	---------------------------------------

The accounting policies and notes on pages 73 to 76 form part of these financial statements.

These financial statements were approved by the Directors on 27.06.2008 and were signed on its behalf on the same date by:

N.Jayaram,
Managing Director

STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD FROM 25TH MAY 2007 TO 31 DECEMBER 2007

	Share capital T. Shs'000	Retained Earnings T. Shs'000	Total T. Shs'000
As at 25th May 2007	-	-	-
Shares allotted during the period	20,000,000	-	20,000,000
Loss for the period	-	(4,870,318)	(4,870,318)
As at 31 December 2007	<u>20,000,000</u>	<u>(4,870,318)</u>	<u>15,129,682</u>

SHARE CAPITAL:

	2007 T. Shs'000
Authorized 20,000,000 equity shares of T.Shs 1000 each	<u>20,000,000</u>
Issued and fully paid 20,000,000 equity shares of T.Shs 1000 each	<u>20,000,000</u>



**CASH FLOW STATEMENT
FOR THE PERIOD FROM 25TH MAY 2007 TO 31
DECEMBER 2007**

	2007 T.Shs'000
CASH FLOW FROM OPERATING ACTIVITIES:-	
Loss before tax	(6,957,597)
Depreciation	3,725
	<u>(6,953,872)</u>
WORKING CAPITAL CHANGES IN:-	
Inventories	(976,267)
Trade and other receivables	(3,413,939)
Trade and other payables	2,908,069
Due from group companies	(369,106)
Due to group companies	4,819,101
	<u>2,967,858</u>
Cash generated from operations before tax	(3,986,014)
Tax paid	(5,274)
Net cash from operations	<u>(3,991,288)</u>
CASH FLOW FROM INVESTING ACTIVITIES:-	
Purchase of property, plant and equipment	(44,925)
Net cash flow from investing activities	<u>(44,925)</u>
CASH FLOW FROM FINANCING ACTIVITIES:-	
Shares issued during the period	20,000,000
Start up costs	(3,398,709)
Net cash flow from financing activities	<u>16,601,291</u>
NET CASH FLOW FOR THE PERIOD	12,565,078
CASH AND CASH EQUIVALENT AS AT 25TH MAY, 2007	-
CASH AND CASH EQUIVALENT AS AT 31 DECEMBER, 2007	<u>12,565,078</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 25TH MAY 2007 TO
31 DECEMBER 2007**

1 ACCOUNTING BASIS

The financial statements have been prepared under the historical cost convention and are in compliance with International Financial Reporting Standards (IFRS).

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognised:

Revenue from the transportation of freight, passengers and other sources is recognised on the preparation of:

- (i) Goods Traffic - sales invoice/consignment note
- (ii) Revenue from the transportation of passengers is recognised on collection.
- (iii) Interest is recognised on accrual basis on the net carrying amount of the financial asset.
- (iv) Rental income is recognised when there is certainty of its realisation on accrual basis.
- (v) Other income is accounted for on accrual basis except supplementary counter claims / awards in favor of the company which are accounted for on final settlement/realisation.

(b) Inventories

Inventories are valued at lower of the cost arrived at on weighted average basis and net realisable value. Loose tools and sundry items are expensed in the year of purchase.

(c) Translation of foreign currencies

Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. The resulting differences from conversion and translation are dealt with in the profit and loss account in the year in which they arise.

(d) Plant, Property & Equipment and depreciation

Plant, Property & Equipment are stated at historical cost less accumulated depreciation.

Depreciation on property, plant and equipment is provided on straight line method over the estimated useful life as follows: -

	Life	Annual rate %
Computer hardware	3 years	37.50
Furniture	8 years	12.50

Property, plant and equipment having purchase cost up to T.Shs 1,000,000 or less are charged to income statement in the year of purchase. In respect of



addition/deletion of property, plant and equipment during the year, depreciation is charged on pro-rata basis.

- (e) Intangible assets
Start-up costs are capitalised and amortised on pro-rata basis over a period of 5 years.
- (f) Investments
Long term investments are valued at cost less provision for permanent diminution in value. Current investments are valued at lower of cost or fair value.
- (g) Trade and other receivables
Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Specific provision is made against receivables considered to be doubtful of recovery. Bad debts are written off when identified.
- (h) Cash and cash equivalents
Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits.
- (i) Provisions
Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.
- (j) Pensions and other post-employment benefits
Defined contributions for retirement benefits are made and charged to the income statement.
- (k) Leases
Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.
- (l) Prior period adjustments, prepaid expenses and expenses payable
Income and expenditure relating to prior period, prepaid expenses and expenses payable not exceeding equivalent to T.Shs 1,000,000 in each case are treated as income and expenditure of the year in which payments are made.
- (m) Borrowing costs
Borrowing costs in the ordinary course of business are recognised as an expense in the period in which they are incurred.
Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalised as part of the cost of the asset.
- (n) Taxation
Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period as the related revenue and expenses arise. A provision is made for income tax annually based on

the tax liability computed, after considering tax allowances and exemptions.

- (o) Deferred tax
Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences. Deferred income tax assets are recognised for all deductible temporary differences, carry - forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised. Currently enacted tax rates are used to determine deferred income tax.
- (p) Earnings per share
In determining earnings per share, the company considers the net profit or loss after tax for the period attributable to the ordinary share holders. The number of shares used in computing basic earnings per share is weighted average number of shares outstanding during the period.
- (q) Cash flow statement
Cash flows are made using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non cash nature and deferrals or accruals of part or future cash receipts or payments. The cash flows from operating activities, financing and investing activities of the company are segregated.
- (r) Impairment of assets
The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its net selling price at an arms length transaction and its present value of future cash flows from the use of the asset and its disposal at the end of its useful economic life. This impairment is recognised as a charge in the income statement.

3 OPERATING INCOME

(3months)

2007

T.Shs'000

Goods	6,768,758
Passengers	1,561,425
	8,330,183



	(7 months) 2007 T.Shs'000		(7 months) 2007 T.Shs'000
16 DUE FROM GROUP COMPANIES		Skill and Development Levy	118,660
Reli Assets Holding Company Limited	369,106	Other	21,925
17 INCORPORATION		TOTAL	<u>2,479,753</u>
The company is incorporated in Tanzania under the Companies Act, 2002.			
18 CURRENCY		MISCELLANEOUS EXPENSES	
The financial statements are prepared in Tanzanian Shillings (T.Shs'000).		Security Expenses	206,276
19 COMPARATIVES		Subscriptions and Donations	1,092
There are no comparatives as these are the first financial statements of the Company.		Stock Written Off	47,978
		News Paper and Periodicals	800
		Itigi Primary School Expenses	60,652
		Railway Training School Expenses	1,150
		Others	14,034
		TOTAL	<u>331,982</u>
SUPPLEMENTARY INFORMATION			
For the Period from 25th May 2007 to 31st December 2007			
Salaries, Wages and Other Costs	2,479,753		
Locomotive Fuel Cost	4,526,867		
Fuel Cost - Motor Trolley	118,965		
Workshop Material Consumption	884,182		
Locomotives, Coaches Lease Charges	750,006		
Locomotive, Wagons and Track			
Maintenance Charges	119,966		
Management Fee	625,770		
Concession Fee	2,171,626		
Levies	108,565		
Electricity and Water	96,883		
Rent	91,810		
Postage and Telecommunication Expenses	84,466		
Printing and Stationery	19,426		
Insurance	62,316		
Plant and Machinery Repair and Maintenance	37,175		
Other Repair Maintenance	5,491		
Office Expenditure	137,404		
Board Meeting expenses	15,906		
Motor Vehicles' Running Expenses	204,967		
Audit Fee and Expenses	8,491		
Fee for Services Obtained	65,644		
Sales Promotion and Advertisement	25,527		
Transport and Travelling	162,035		
Financial Expenses	1,005,730		
Foreign Exchange Variation	1,068,949		
Miscellaneous Expenses	331,982		
Depreciation	3,725		
Amotization of Prer./Pre Operative Expenses	166,491		
TOTAL	<u>15,380,118</u>		
SALARIES AND WAGES			
Salary	1,489,048		
Overtime	142,077		
Subsistence Allowance	317,371		
Staff House Allowance	168,793		
Special Allowance	40,515		
Employers' Contribution	157,905		
Medical Expenses	23,459		



REPORT OF THE AUDITORS TO THE BOARD OF DIRECTORS OF RITES LIMITED.

1. We have audited the attached Consolidated Balance Sheet of RITES LTD. and its subsidiary and its joint ventures/associates as at 31st March, 2008 the Consolidated Profit and Loss Account and the consolidated cash flow statement for the period ended on that date, annexed thereto, which we have signed under reference to this report. These Consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the company's subsidiary and its joint ventures/ associate concerns whose financial statements reflect total assets of Rs. 21096 lakhs as at 31st March, 2008 and total revenues of Rs. 4632 lakhs for the period ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included in respect of these concerns, is based solely on the reports of the other auditors.
4. We report that the Consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of RITES Ltd. and its subsidiary/ associates/ joint ventures included in the consolidated financial statements.
5. Further to our comments in the Annexure referred to in paragraph 3 above, attention is drawn to:
 - (a) Note No.12.1.1 in Notes to Accounts regarding change in Accounting Policy No. 2.1 on Revenue Recognition of Consultancy Fee which has resulted in increase in the profit for the year ended 31st March, 2008 by Rs. 2388.60 lakhs.
 - (c) Note No. 6 in Notes to Accounts regarding final adjustment that may arise in respect of interest on amounts recoverable from Government of India in respect of IRAQ dues.

6. Subject to our observations in paragraph 5 and its consequential effect on accounts, the exact impact whereof on the profit for the year cannot be determined and on the basis of information and explanations given to us and on consideration of separate audit reports on individual audited financial statements of RITES Ltd. and its subsidiary/ associates/ joint ventures, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.
 - (i) In the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the RITES Ltd. and its subsidiary/ associates/joint ventures as at 31st March, 2008;
 - (ii) In the case of the Consolidated Profit and Loss Account, of the consolidated results of the operations of RITES Ltd. and its subsidiary/ associates/ joint ventures for the period ended on that date.
 - (iii) In the case of the Consolidated Cash flow Statement, of the Cash flow for the period ended on that date.

Ashok Chopra
Partner
Membership No. 17199
For Jain Chopra & Company,
Chartered Accountants

Place: New Delhi
Dated: 30th June, 2008.



CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2008

		(Rupees in Lakhs)			
SCHEDULE		AS AT 31.03. 2008		AS AT 31.03.2007	
<u>SOURCES OF FUNDS</u>					
SHAREHOLDERS' FUNDS :					
CAPITAL	A	4000.00		400.00	
RESERVES AND SURPLUS	B	49041.67	53041.67	45079.10	45479.10
UNSECURED LOANS (Share of Joint Ventures):	C		4957.87		2761.77
MINORITY INTEREST:	D		2634.77		-
	TOTAL		60634.31		48240.87
<u>APPLICATION OF FUNDS</u>					
FIXED ASSETS :					
GROSS BLOCK	E	18423.73		15518.41	
LESS: DEPRECIATION		5704.58		4893.48	
NET BLOCK		12719.15		10624.93	
CAPITAL WORK IN PROGRESS		8827.84		2793.92	
			21546.99		13418.85
INVESTMENTS:	F		2986.62		5.64
DEFERRED TAX ASSETS (NET) :			4004.96		2004.81
(Includes Rs. Nil Share of Joint Ventures in current year and Previous Year Rs. 28.90 lakhs)					
CURRENT ASSETS, LOANS AND ADVANCES :					
INVENTORIES	G	2234.07		949.08	
WORK IN PROGRESS		737.31		370.16	
SUNDRY DEBTORS		13466.67		15696.07	
CASH AND BANK BALANCES		58418.20		43335.31	
OTHER CURRENT ASSETS		2072.13		1651.27	
LOANS AND ADVANCES		28969.11	105897.49	29157.73	91159.62
LESS: CURRENT LIABILITIES AND PROVISIONS :	H				
LIABILITIES		60892.88		45028.46	
PROVISIONS		13670.85	74563.73	13319.59	58348.05
NET CURRENT ASSETS			31333.76		32811.57
MISC. EXPENDITURE :	I				
(TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED)			761.98	-	
	TOTAL		60634.31		48240.87
PRINCIPAL ACCOUNTING POLICIES	P				
NOTES TO ACCOUNTS	Q				
SCHEDULES "A" TO "Q" FORM AN INTEGRAL PART OF ACCOUNTS					

For and on behalf of the Board

P.T. Mittal
Company Secretary

Rajeev Mehrotra
Director (Finance)

V.K. Agarwal
Managing Director

AS PER OUR REPORT OF EVEN DATE

New Delhi
Dated : 30th June 2008

Ashok Chopra, Partner
Membership No. 17199
For Jain Chopra & Company
Chartered Accountants



CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

		(Rupees in Lakhs)	
	SCHEDULE	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
INCOME	J		
CONSULTANCY FEE		29345.32	22189.94
EXPORT SALES		20822.49	25192.46
INSPECTION FEE		5479.57	4814.28
LEASE SERVICES		1682.66	1174.58
RAILWAY OPERATION (share of Joint Venture)		3860.00	1263.33
OTHER INCOME		8589.73	3314.00
TOTAL		<u>69779.77</u>	<u>57948.59</u>
EXPENDITURE			
EMPLOYEES' COST	K	16446.10	9787.36
TRAVEL (Includes Rs. 15.92 lakhs Share of Joint Ventures in current year and Previous Year Rs.10.78 lakhs)		2278.12	1942.26
SUPPLIES & SERVICES (Includes Rs. 67.44 lakhs Share of Joint Ventures in current year and Previous Year Rs. 87.15 lakhs)		9064.83	4221.78
COST OF EXPORT SALES	L	15543.68	18568.00
RAILWAY OPERATION (share of Joint Venture)		3362.91	534.23
OTHER EXPENSES	M	7541.68	5089.00
DEPRECIATION (Includes Rs. 52.70 lakhs Share of Joint Ventures in current year and Previous Year Rs. 53.45 lakhs)		954.72	868.71
PRIOR PERIOD ADJUSTMENTS (NET) (INCREASE)/DECREASE WORK IN PROGRESS	N	204.93 (319.33)	(253.24) (99.59)
TOTAL		<u>55077.64</u>	<u>40658.51</u>
PROFIT BEFORE TAX		14702.13	17290.08
EXTRA ORDINARY ITEMS (EXPENDITURE)	O	1183.40	(341.98)
PROFIT BEFORE TAX		<u>15885.53</u>	<u>16948.10</u>
PROVISION FOR TAXATION			
- CURRENT YEAR		(8,086.64)	(6,367.31)
- EARLIER YEARS (NET)		(586.72)	675.13
FRINGE BENEFIT TAX (NET)			-
- CURRENT YEAR		(176.20)	(149.57)
- EARLIER YEARS		(1.74)	(0.83)
DEFERRED TAX (NET)			-
- CURRENT YEAR		2,578.19	564.61
- EARLIER YEARS		(621.58)	-
PROFIT AFTER TAX		<u>8990.84</u>	<u>11670.13</u>
LESS MINORITY INTEREST		(800.66)	0.00
PROFIT AFTER TAX AND MINORITY INTEREST		<u>9791.50</u>	<u>11670.13</u>
APPROPRIATIONS			
DIVIDEND			
INTERIM AND SPECIAL (PAID)		2000.00	3300.00
FINAL (PROPOSED)		100.00	700.00



(Rupees in Lakhs)

SCHEDULE	YEAR ENDED	YEAR ENDED
	31.03.2008	31.03.2007
TAX ON DIVIDEND	356.90	581.79
GENERAL RESERVE	7334.60	7088.34
	<u>9791.50</u>	<u>11670.13</u>
EARNING PER SHARE (EQUITY SHARE OF RS.10/- EACH) - BASIC		
- BEFORE EXTRA ITEMS	Rs. 22.53	29.74
- AFTER EXTRA ITEMS	Rs. 24.48	29.18
NUMBER OF SHARES USED IN COMPUTING EARNING PER SHARE	40000000	40000000

For and on behalf of the Board

P.T. Mittal
Company Secretary

Rajeev Mehrotra
Director (Finance)

V.K. Agarwal
Managing Director

AS PER OUR REPORT OF EVEN DATE

New Delhi
Dated : 30th June 2008

Ashok Chopra, Partner
Membership No. 17199
For Jain Chopra & Company
Chartered Accountants



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2008

PARTICULARS	(Rupees in Lakhs)
	YEAR ENDED 31.03.2008
CASH FLOW FROM OPERATING ACTIVITIES	
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	14,702.13
ADJUSTMENTS FOR:	
DEPRECIATION AND AMORTIZATION	954.72
LOSS/(PROFIT) ON SALE OF ASSETS (NET)	16.72
LOSS/(PROFIT) ON INVESTMENTS	-
INTEREST INCOME EXCLUDING INTEREST ON FDR	(488.96)
INTEREST ON FDR	(3,071.71)
INCOME FROM INVESTMENTS	(49.87)
PROVISION FOR DOUBTFUL DEBTS/ADVANCES/RECOVERABLES	2,440.14
EFFECT OF EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN CURRENCY	
CASH & CASH EQUIVALENTS	(550.22)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	13,952.95
DECREASE/(INCREASE) IN INVENTORIES & SPARE PARTS	(1,284.99)
DECREASE/(INCREASE) IN WORKS IN PROGRESS	(367.15)
DECREASE/(INCREASE) IN SUNDRY DEBTORS	(200.16)
DECREASE/(INCREASE) IN OTHER ASSETS EXCLUDING INTEREST ACCRUED ON FDR	(46.65)
DECREASE/(INCREASE) IN LOANS & ADVANCES	(1,057.92)
INCREASE/(DECREASE) IN CURRENT LIABILITIES & PROVISIONS	15,110.16
CASH GENERATED FROM OPERATIONS	26,106.24
INCOME TAX PAID	(6,539.24)
CASH FLOWS BEFORE EXTRA ORDINARY ITEMS	19,567.00
EXCHANGE LOSS ON RECOVERABLE FROM GOVERNMENT OF INDIA	1,183.40
NET CASH FROM OPERATING ACTIVITIES	20,750.40
CASH FLOWS FROM INVESTING ACTIVITIES	
PURCHASE/CONSTRUCTION OF FIXED ASSETS	(9,377.63)
PROCEEDS FROM SALE OF ASSETS	84.53
INVESTMENTS IN SHARES	(1.25)
INVESTMENT- OTHERS	-
LOANS TO JOINT VENTURE COMPANY	667.85
LOAN RECEIVED BACK FROM IRWO	20.00
PROCEEDS FROM SALE OF INVESTMENTS IN JOINT VENTURES	-
INTEREST INCOME	3,560.67
INCOME/(LOSS) FROM INVESTMENTS	49.87
NET CASH FROM INVESTING ACTIVITIES	(4,995.96)
CASH FLOW FROM FINANCING ACTIVITIES	
DIVIDEND PAID	(2,700.00)
DIVIDEND TAX PAID	(458.87)
UNSECURED LOAN	2,196.10
INCREASE/(DECREASE) IN MINORITY INTEREST	3,155.47
MISCELLANEOUS EXPENDITURE-IPO & PRE-OPERATED	(761.98)
NET CASH USED IN FINANCING ACTIVITIES	1,430.72
EFFECT OF EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN CURRENCY CASH & CASH EQUIVALENTS	1,251.68
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	18,436.84
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	44,168.15
"CASH AND CASH EQUIVALENTS INCL. LIQUID INVESTMENT AND INTEREST ACCRUED ON FDR AT THE END OF THE YEAR"	62,604.99

P.T. Mittal
Company Secretary

For and on behalf of the Board
Rajeev Mehrotra
Director (Finance)

V.K. Agarwal
Managing Director

AS PER OUR REPORT OF EVEN DATE

Ashok Chopra, Partner
Membership No. 17199
For Jain Chopra & Company
Chartered Accountants

New Delhi
Dated : 30th June 2008



SCHEDULE : A

SHARE CAPITAL

	(Rupees in Lakhs)	
	AS AT 31.03.2008	AS AT 31.03.2007
AUTHORISED 10,00,00,000 EQUITY SHARES (PREVIOUS YEAR 5,00,000 EQUITY SHARES OF RS. 100/-) OF RS. 10/- EACH - (Refer Note 11.1)	10000.00	500.00
ISSUED, SUBSCRIBED AND PAID-UP 4,00,00,000 EQUITY SHARES OF RS.10/- (PREVIOUS YEAR 4,00,000 EQUITY SHARES OF RS.100/-EACH) FULLY PAID UP (INCLUDE 3,99,00,000 EQUITY SHARES OF RS.10/- EACH (PREVIOUS YEAR 3,90,000 EQUITY SHARES OF 100/-) ISSUED AS FULLY PAID BONUS SHARES BY CAPITALISATION OF RESERVES) - (Refer Note 11.1 & 11.2)	4000.00	400.00
	<u>4000.00</u>	<u>400.00</u>

SCHEDULE : B

RESERVES AND SURPLUS

GENERAL RESERVE AT THE BEGINNING OF THE YEAR	44972.61	37884.28
LESS: CAPITALISATION OF RESERVES BY ISSUE OF 3,60,00,000 EQUITY SHARES ISSUED AS FULLY PAID BONUS SHARES @ Rs.10/- EACH	(3600.00)	-
ADD: TRANSFER FROM PROFIT & LOSS ACCOUNT	7334.60	7088.33
	<u>48707.21</u>	<u>44972.61</u>
FOREIGN CURRENCY TRANSLATION RESERVES	614.42	106.49
TOTAL	<u>49321.63</u>	<u>45079.10</u>
LESS:- MINORITY INTERST SHARE IN FOREIGN CURRENCY TRANSLATION RESERVES	279.96	-
TOTAL	<u>49041.67</u>	<u>45079.10</u>
(Includes Rs. 272.25 lakhs) Share of Joint Ventures in current year and Previous Year (Rs. 415.14 lakhs)		

SCHEDULE : C

UNSECURED LOANS

UNSECURED LOANS	4,957.87	2,761.77
(Share of joint venture)	<u>4,957.87</u>	<u>2,761.77</u>

SCHEDULE : D

MINORITY INTEREST

MINORITY INTEREST AT THE BEGINNING OF THE YEAR	-	-
ADD: CAPITAL SHARE OF MINORITY	3,155.47	-
ADD: TRANSFER FROM PROFIT & LOSS ACCOUNT	(800.66)	-
	<u>2,354.81</u>	<u>-</u>
FOREIGN CURRENCY TRANSLATION RESERVES	279.96	-
	<u>2,634.77</u>	<u>-</u>



SCHEDULE : E

FIXED ASSETS

DESCRIPTION	(Rupees in Lakhs)											
	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	AS AT 01/04/2007	ADDITIONS DURING THE YEAR	ADJUST- MENT OF EXCH.	SALE	TOTAL	UPTO 31/03/2007	FOR THE YEAR	ADJUST- MENT OF EXCH.	SALE	TOTAL	AS AT 31/03/2008	AS AT 31/03/2007
LAND FREEHOLD	1443.49	-	-	-	1443.49	-	-	-	-	-	1443.49	1443.49
LAND LEASEHOLD	268.35	-	-	-	268.35	169.28	7.80	-	-	177.08	91.27	99.07
BUILDING FREEHOLD	2750.18	-	-	-	2750.18	229.92	55.64	-	-	285.56	2464.62	2520.26
BUILDING LEASEHOLD	994.43	-	-	-	994.43	136.54	17.97	-	-	154.51	839.92	857.89
RESIDENTIAL QUARTERS FREEHOLD	232.78	1.18	-	-	233.96	63.83	23.10	-	-	86.93	147.03	168.95
RESIDENTIAL QUARTERS LEASEHOLD	471.41	8.50	-	-	479.91	220.64	9.19	-	-	229.83	250.08	250.77
SURVEY AND EQUIPMENTS	1195.85	63.12	-	1.16	1257.81	803.91	103.42	-	1.16	906.17	351.64	391.94
COMPUTERS' EQUIPMENTS	1747.65	216.84	(0.63)	98.70	1865.16	1437.65	167.38	(0.53)	98.69	1505.81	359.35	310.00
INTANGIBLE ASSETS	620.65	40.44	(14.53)	-	646.56	203.63	57.24	1.26	-	262.13	384.43	417.02
OFFICE AND OTHER EQUIPMENTS	862.05	90.22	(32.87)	33.24	886.16	449.59	112.65	4.38	30.88	535.74	350.42	412.46
AIR-CONDITIONERS AND COOLERS	93.24	15.16	-	2.57	105.83	76.80	10.15	-	2.57	84.38	21.45	16.44
AIR CONDITIONING PLANT	924.83	-	-	-	924.83	181.38	46.62	-	-	228.00	696.83	743.45
FURNITURE	319.14	74.99	(0.58)	6.93	386.62	222.74	37.73	(0.54)	6.74	253.19	133.43	96.40
FIXTURES	344.25	2.35	-	-	346.60	149.64	84.11	-	-	233.75	112.85	194.61
VEHICLES	276.12	21.94	-	19.80	278.26	246.21	11.84	-	17.84	240.21	38.05	29.91
VEHICLES ABROAD	182.16	16.88	(5.93)	-	193.11	39.01	29.31	8.23	-	76.55	116.56	143.15
LOCOMOTIVES	2791.83	2720.89	(40.79)	109.46	5362.47	262.71	192.81	1.95	12.73	444.74	4917.73	2529.12
SUB TOTAL	15518.41	3272.51	(95.33)	271.86	18423.73	4893.48	966.96	14.75	170.61	5704.58	12719.15	10624.93
CAPITAL WORK IN PROGRESS	2793.92	6117.36	(83.44)	-	8827.84	-	-	-	-	-	8827.84	2793.92
SUB TOTAL	2793.92	6117.36	(83.44)	-	8827.84	-	-	-	-	-	8827.84	2793.92
GRAND TOTAL	18312.33	9389.87	(178.77)	271.86	27251.57	4893.48	966.96	14.75	170.61	5704.58	21546.99	13418.85
PREVIOUS YEAR	14481.28	4313.76	(193.72)	288.99	18312.33	4301.50	868.71	(5.89)	270.84	4893.48	13418.85	

Net Fixed Assets includes Rs. 9766.49 lakhs share of Joint Ventures Previous Year Rs. 4185.57 lakhs

SCHEDULE : F

INVESTMENTS

		(Rupees in Lakhs)	
		AS AT 31.03.2008	AS AT 31.03.2007
A)	TRADE (UNQUOTED)-AT COST, LONG TERM INVESTMENTS (IN SHARES)		
	(I) In Foreign Companies		
	(a) In wholly owned Subsidiary Companies		
	(i) RITES (Afrika) (Pty) Ltd., Botswana 10,000 equity shares of face value of Pula 1/- each, fully paid-up.	-	-
	(ii) Tanzania Railways Ltd., Tanzania 10,200,000 Equity Shares of face value of TSH 1000/- each, fully paid up.	-	-
	(b) In Foreign Joint Ventures		
	(i) Companhia Dos Caminhos De Ferro Da Beira, SARL (CCFB) Mozambique, 1,300,000 equity shares of face value of US\$ 1/- each, fully paid up.	-	-



	(Rupees in Lakhs)	
	AS AT 31.03.2008	AS AT 31.03.2007
(II) In Indian Companies		
Global Procurement Consultants Limited	3.00	3.00
30,000 equity shares of face value of Rs.10/- each, fully paid-up.		
(iii) Ganga Expressway Consultants Ltd.	1.25	-
12500 Equity Shares of Rs. 10/- each.		
(IV) In Indian Joint Venture		
Geo-Consult - RITES JV	2.63	2.63
(V) In Indian Co-operative Society		
Building Co-operative Society	0.01	0.01
Sub-Total	<u>6.89</u>	<u>5.64</u>
Aggregate value of unquoted investments carrying value at cost		
B) TRADE CURRENT INVESTMENTS -AT COST,		
UTI Liquid Cash Plan(213101.8960 Units @ Rs. 1019.4457 per unit)	2172.46	-
UTI FIXED MATURITY PLAN (8066199.28 Units @ Rs.10.0081 per unit)	807.27	-
Aggregate of unquoted investments carrying value at NAV	<u>2979.73</u>	<u>-</u>
Sub-Total	<u>2979.73</u>	<u>-</u>
Grand Total	<u>2986.62</u>	<u>5.64</u>

SCHEDULE : G

CURRENT ASSETS, LOANS AND ADVANCES

	(Rupees in Lakhs)	
	AS AT 31.03.2008	AS AT 31.03.2007
CURRENT ASSETS		
(A) INVENTORIES		
(AS TAKEN, VALUED AND CERTIFIED BY MANAGEMENT)		
STORES AND SPARE PARTS includes spares parts in transit of Rs. Nil (Previous year - Rs. 248.66 lakhs)	1092.18	673.49
FINISHED GOODS	1141.89	263.45
(Includes Rs. 306.46 lakhs Share of Joint Ventures in current year and Previous Year Rs. 108.95 lakhs)		
	<u>2234.07</u>	<u>936.94</u>
(B) WORK IN PROGRESS	<u>737.31</u>	<u>382.30</u>
(C) SUNDRY DEBTORS		
(UNSECURED CONSIDERED GOOD)		
1. DEBTS OUTSTANDING FOR A PERIOD EXCEEDING SIX MONTHS	4907.87	7386.03
2. OTHERS	8558.80	8310.04
	<u>13466.67</u>	<u>15696.07</u>
(UNSECURED, CONSIDERED DOUBTFUL)		
1. OUTSTANDING FOR A PERIOD EXCEEDING SIX MONTHS	4268.70	3022.42
2. OTHERS	-	7.00
LESS: PROVISION	4268.70	3029.42
(Includes Rs. 664.96 lakhs Share of Joint Ventures in current year and Previous Year Rs. 570.30 lakhs)		
	<u>13466.67</u>	<u>15696.07</u>
(D) CASH AND BANK BALANCES		
1) CHEQUES IN HAND	312.51	529.93
2) CASH IN HAND	48.80	2.16
3) BALANCES WITH SCHEDULED BANKS IN :		



		(Rupees in Lakhs)	
		AS AT 31.03.2008	AS AT 31.03.2007
	CURRENT ACCOUNTS	9031.93	7087.87
	DEPOSIT ACCOUNTS	0.02	9.59
	FIXED DEPOSIT ACCOUNTS	47711.89	33859.27
	MARGIN MONEY ACCOUNTS	1279.85	1800.41
4)	BALANCE WITH OTHER BANKS IN CURRENT ACCOUNTS :	36.51	47.05
	LESS: PROVISION FOR DOUBTFUL BANK BALANCES	3.31	0.97
	(Includes Rs. 570.01 lakhs Share of Joint Ventures in current year and Previous Year Rs. 746.80 lakhs)	58418.20	43335.31
(E)	OTHER CURRENT ASSETS		
	INTEREST ACCRUED (INCLUDING ACCRUED BUT NOT DUE) ON BANK DEPOSITS AND ADVANCES	1207.05	832.84
	INTEREST ACCRUED (INCLUDING ACCRUED BUT NOT DUE) ON OTHER DEPOSITS AND ADVANCES	865.08	818.43
		2072.13	1651.27
(F)	LOANS AND ADVANCES (SECURED, CONSIDERED GOOD)		
	ADVANCES/RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED FROM:-		
	- STAFF ADVANCES (UNSECURED, CONSIDERED GOOD)	113.97	82.97
	LONG TERM LOANS TO :		
	INDIAN RAILWAY WELFARE ORGNISATION	60.00	80.00
	JOINT VENTURE ENTITIES		
	- COMPANHIA DOS COMINHOS DE FERRO DA BEIRA, SARL (CCFB)	62.32	730.17
	ADVANCES/RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED FROM:-		
	- STAFF ADVANCES	446.16	588.95
	- RENT ADVANCE	10.59	12.29
	- GOVT. OF INDIA FOR IRAQ RECEIVABLES (Refer Note 8.0)	11774.96	10602.36
	SUBSIDIARY COMPANIES	2.07	0.77
	- JOINT VENTURES	87.34	85.35
	OTHER ADVANCES / RECOVERABLES		
	- CONSIDERED GOOD	4768.95	5658.18
	- CONSIDERED DOUBTFUL	1459.44	1470.21
		6228.39	7128.39
	LESS: PROVISION FOR DOUBTFUL ADVANCES / RECOVERABLES	1459.44	1470.21
	SECURITY & OTHER DEPOSITS		
	- CONSIDERED GOOD	218.56	122.14
	- CONSIDERED DOUBTFUL	17.23	15.15
		235.79	137.29
	LESS: PROVISION FOR DOUBTFUL SECURITY & OTHER DEPOSITS	17.23	15.15
	ADVANCE INCOME TAX INCLUDING FRINGE BENEFIT TAX	10612.55	11160.66
	PREPAID EXPENSES	811.64	33.89
		28969.11	29157.73
	TOTAL	105897.49	91159.62
	(Includes Rs. 2461.05 lakhs Share of Joint Ventures in Current year and Previous Year Rs. 2023.35 lakhs)		



SCHEDULE : H

CURRENT LIABILITIES AND PROVISIONS

	(Rupees in Lakhs)	
	AS AT 31.03.2008	AS AT 31.03.2007
CURRENT LIABILITIES		
SUNDRY CREDITORS :		
OUTSTANDING DUE TO		
(I) MICRO AND SMALL SCALE ENTERPRISES	10.19	54.84
(II) OTHER CREDITORS FOR SUPPLIES, SERVICES AND OTHERS	11987.96	7892.84
OTHER LIABILITIES	1763.57	1457.81
CUSTOMERS' ADVANCES	37427.32	29551.25
SECURITY DEPOSITS/ RETENTION MONEY DUE TO CONTRACTORS / AGENCIES	5178.24	4605.09
SHORT TERM PORTION OF LOAN	-	54.68
SALARY PAYABLE	4399.90	1282.76
FOREIGN SERVICE CONTRIBUTION	125.55	121.44
GRATUITY PAYABLE	0.15	7.75
	<u>60892.88</u>	<u>45028.46</u>
(Includes Rs. 1714.37 lakhs Share of Joint Ventures in current year and Previous Year Rs. 430.89 lakhs)		
PROVISIONS FOR :		
PROPOSED DIVIDEND	100.00	700.00
TAXATION [includes tax on distributed profit, wealth tax & FBT]	8363.72	6556.23
DIVIDEND TAX	17.00	118.97
LEAVE ENCASHMENT	3087.75	1462.30
GRATUITY	97.13	162.73
LEAVE TRAVEL CONCESSION	59.36	87.97
CONTRACT EMPLOYEES BENEFITS	42.53	24.24
LONG SERVICE AWARD	45.61	-
EXCISE DUTY	66.46	115.89
WARRANTIES	1486.91	1268.14
SHORTAGE OF FIXED ASSETS	3.76	-
INCOMPLETE CONSULTANCY ASSIGNMENTS	300.62	2823.13
	<u>13670.85</u>	<u>13319.59</u>
TOTAL	<u>74563.73</u>	<u>58348.05</u>
(Includes Rs.205.15 lakhs Share of Joint Ventures in current year and Previous Year Rs. 200.80 lakhs)		

SCHEDULE : I

MISCELLANEOUS EXPENDITURE (TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED)

	(Rupees in Lakhs)	
	AS AT 31.03.2008	AS AT 31.03.2007
IPO EXPENDITURE	75.02	-
PRE INCORPORATIVE AND PRE OPERATIVE EXPENDITURE	686.96	-
TOTAL	<u>761.98</u>	<u>-</u>



SCHEDULE : J

INCOME

		(Rupees in Lakhs)	
		YEAR ENDED	YEAR ENDED
		31.03.2008	31.03.2007
i)	CONSULTANCY FEE (GROSS)	31,739.97	23,990.56
	LESS: SERVICE TAX	(2,987.43)	(2,152.00)
	ADD: PROVISION FOR INCOMPLETE ASSIGNMENTS	592.78	351.38
	CONSULTANCY FEE (NET) SUB TOTAL	29,345.32	22189.94
ii)	EXPORT SALES	20,822.49	25192.46
iii)	INSPECTION FEE (GROSS)	6,192.46	5,538.18
	LESS: SERVICE-TAX	(712.89)	(723.90)
	INSPECTION FEE (NET) SUB TOTAL	5,479.57	4814.28
iv)	LEASE SERVICES	1,682.66	1174.58
v)	RAILWAYS OPERATION	3,860.00	1263.33
vi)	OTHER INCOME		
	INTEREST EARNED ON		
	- DEPOSITS WITH BANKS (GROSS)	3,071.71	1994.31
	- STAFF ADVANCES	71.79	84.38
	- LOAN TO INDIAN RAILWAY WELFARE ORGNISATION(GROSS)	5.85	7.55
	- LOAN TO JOINT VENTURE - RICON(GROSS)	-	0.26
	- LOAN TO CCFB, MOZAMBIQUE	411.32	229.45
	- INCOME TAX REFUND	-	170.40
	PROVISION NO LONGER REQUIRED	4,080.22	492.23
	PROFIT ON SALE OF FIXED ASSETS	4.45	6.73
	DIVIDEND FROM:		
	SUBSIDIARY COMPANIES	-	1.20
	TRADE CURRENT TERM INVESTMENT	49.87	-
	EXPORT INCENTIVES	164.87	-
	RENT	60.04	-
	EXCHANGE VARIATION	550.22	-
	MISCELLANEOUS RECEIPTS	119.39	327.50
	SUB TOTAL	8,589.73	3,314.00
	TOTAL	69,779.77	57948.59

(Includes Rs. 892.04 lakhs Share of Joint Ventures in current year and Previous Year Rs. 1556.70 lakhs)



SCHEDULE : K

EMPLOYEES' COST

	(Rupees in Lakhs)	
	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
SALARIES	5846.96	5438.60
SALARY ARREARS (Refer note no.16)	2796.64	-
SALARIES CONTRACT EMPLOYEES	1230.73	673.76
SALARIES - ABROAD	1780.24	932.95
BONUS	41.15	-
FOREIGN SERVICE CONTRIBUTION	119.23	106.58
CONTRIBUTION TO PROVIDENT AND OTHER FUNDS	800.45	505.95
GRATUITY	141.06	206.49
HOUSE RENT (NET)	365.99	338.59
MAINTENANCE OF RESIDENTIAL BUILDINGS	28.16	24.55
MEDICAL AND WELFARE	660.19	496.43
STAFF INSURANCE	42.70	39.63
CONTRACT EMPLOYEES BENEFITS	19.13	14.32
LEAVE TRAVEL CONCESSION	40.61	84.43
PRODUCTIVITY LINKED INCENTIVE SCHEME	666.36	501.00
AWARD / HONARAIM	119.75	25.68
LEAVE ENCASHMENT	767.03	398.40
MEDICAL LEAVE(LHAP)	979.72	-
TOTAL	16446.10	9787.36

(Includes Rs. 210.39 lakhs Share of Joint Ventures in current year and Previous Year Rs. 275.75 lakhs)

SCHEDULE : L

COST OF EXPORT SALES

	(Rupees in Lakhs)	
	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
OPENING STOCK OF FINISHED GOODS (PURCHASED)	154.51	4709.13
PURCHASES	11498.36	9362.46
CONSUMABLES	808.81	763.40
FREIGHT & FORWARDING	1296.46	1237.93
INSURANCE	25.97	11.45
FEES FOR SERVICES OBTAINED	900.26	1364.61
PROVISION FOR WARRANTIES	1335.25	1241.86
OTHER PROCUREMENT EXPENSES	12.52	31.67
	16,032.14	18,722.51
LESS: CLOSING STOCK OF FINISHED GOODS (PURCHASED)	488.46	154.51
	15543.68	18568.00

SCHEDULE : M

OTHER EXPENSES

	(Rupees in Lakhs)	
	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
PRINTING, STATIONERY AND DOCUMENTATION	339.68	245.18
EXPORT/BUSINESS PROMOTION	45.13	34.08



SCHEDULE : M(contd.)

	(Rupees in Lakhs)	
	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
AUDITORS' REMUNERATION	21.16	9.38
AUDITORS' OUT OF POCKET EXPENSES	0.56	0.66
RATES AND TAXES	168.40	95.40
OFFICE RENT	195.96	158.06
POSTAGE & TELECOMMUNICATION	379.22	299.01
OFFICE, EQUIPMENT MAINTENANCE	622.93	376.73
POWER AND FUEL	228.84	165.77
STORES AND SPARES CONSUMED	730.77	662.86
BOOKS AND PERIODICALS	39.23	29.80
INTERNAL AUDIT FEE	6.29	5.53
ADVERTISEMENT FOR PROCUREMENTS,ETC	132.34	112.67
SUBSCRIPTION AND MEMBERSHIP FEE	19.76	29.16
LEGAL AND PROFESSIONAL FEE	82.91	42.21
ENTERTAINMENT	93.67	52.39
INSURANCE	59.79	35.37
BANK CHARGES	423.63	238.45
BAD DEBTS	567.71	131.10
HIRE CHARGES OF EQUIPMENT	3.73	2.75
VEHICLE MAINTENANCE	258.06	201.98
MANPOWER DEVELOPMENT	32.59	43.15
LOSS ON SALE OF FIXED ASSETS	21.17	1.63
LOSS ON SALE OF LONG TERM INVESTMENTS	-	2.46
PROVISION FOR:		
- DOUBTFUL DEBTS	2429.56	464.93
- DOUBTFUL ADVANCES/AMOUNT RECOVERABLE/SD	10.58	53.88
- DOUBTFUL BANK BALANCES	2.39	
- EXCISE BONDS	-	14.29
- COMMITMENTS	82.88	841.83
DIRECTORS' SITTING FEE	3.60	0.90
SUNDRY EXPENSES	539.14	264.76
EXCHANGE VARIATION	-	472.62
TOTAL	7541.68	5089.00

(Includes Rs. 223.66 lakhs Share of Joint Ventures in current year and Previous Year Rs. 752.76 lakhs)

SCHEDULE : N

PRIOR PERIOD ADJUSTMENTS(NET)

	(Rupees in Lakhs)	
	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
INCOME / (EXPENDITURE)		
Fees	(226.68)	(257.23)
Other Income	(0.66)	(0.24)
Employees' Cost	(2.76)	(0.02)
Supplies & Services	(4.98)	3.99
Other Expenses	30.15	0.26
TOTAL	(204.93)	253.24

(Includes Rs.23.08 lakhs Share of Joint Ventures in current year and Previous Year Rs. 366.81 lakhs)



SCHEDULE : O

EXTRA ORDINARY ITEMS(Refer Sch N- Note-8)

	(Rupees in Lakhs)	
	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
TRANSACTIONS PERTAINING TO IRAQ INCOME/(EXPENDITURE)		
EXCHANGE GAIN/ (LOSS) ON RECOVERABLE FROM GOVERNMENT OF INDIA	1,183.40	(341.98)
TOTAL	<u>1,183.40</u>	<u>(341.98)</u>



SCHEDULE 'P'

PRINCIPAL ACCOUNTING POLICIES

COMPANY OVERVIEW

RITES Limited along with its subsidiary companies – RITES (Afrika) (Pty) Ltd. (RAPL) in Botswana, Tanzania Railways Limited (TRL) in Tanzania and joint venture entities RICON and Ganga Expressway Consultants Private Limited in India and Companhia Dos Cominhos De Ferro De Beira, SARL, Beira (CCFB) in Mozambique, is a leading consultancy engineering and railway operation organization in India and abroad. The group of companies provides consultancy & engineering services in all facets of transports like highways, railways, waterways, ports, airports etc. In addition, TRL and CCFB provide railway services viz. freight & passenger services.

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements are prepared under historical cost convention on accrual basis and in conformity with applicable Indian Accounting Standards.

1.2 USE OF ESTIMATES

The preparation of the Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the date of the Consolidated Financial Statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates.

2. PRINCIPLE OF CONSOLIDATION

The Consolidated Financial Statements are prepared in accordance with the principles and procedures required for the preparation and presentation of Consolidated Financial Statements as laid down under the accounting standards on Consolidated Financial Statements and Financial Reporting of Interest in Joint Ventures issued by the ICAI. The financial statement of RITES Ltd., the parent company, RITES (Afrika) (Pty) Ltd a wholly owned subsidiary, Tanzania Railways Limited, a subsidiary with 51% stake and proportionate share of joint venture entities viz. RICON (51%) and CCFB (26%) have been combined on a line-by-line basis by adding together book values of similar items of assets, liabilities, income and expenses after eliminating intra-group balances and transactions and resulting unrealized gain/loss. In cases where an income of one intra group entity results into expenditure to be capitalized by the other counter entity, the said income/expenditure is not eliminated. The Consolidated Financial Statements are prepared by applying uniform accounting policies in use at the Group. Ganga Expressway Consultants Private Limited was incorporated in January 2008 and its accounts are not prepared, thus not incorporated.

3. REVENUE RECOGNITION

3.1 Consultancy Fee

Consultancy fee is accounted for on the basis of bills raised/due for the year. It also includes supplies and expenses forming part of the contract, which are recoverable from the customers.

In Construction Management/Supervision Contracts, fee is calculated as a percentage on the value of work done/built-up cost of each contract as determined by the Management, pending customer's approval, if any.

Mobilisation advance is adjusted against running bills and mobilisation fee is recognised as income in the year of receipt/bill raised, if as per Management's review certain activities against that contract have been carried out during the year.

Provision for incomplete assignments is made in respect of consultancy assignments which are spread over a number of years, after considering the following factors regarding company's obligations for:

- i) rework activities of work done
- ii) maintenance activity after completion of project
- iii) removal of defect, if any, during defect liability period

3.2 Inspection Fee

Inspection fee is accounted for on the basis of inspection certificates issued.

3.3 Export Sales

Export sales are accounted for on the basis of bills raised where all significant risks and rewards of ownership have been transferred to the buyer.



3.4 Lease Services

Lease services are accounted for on time basis over the lease/ contract period. However, reimbursable under the contract are accounted for on accrual basis.

3.5 Railway Operation

Revenues from railways operations is recognized as under

For Freight Traffic at CCFB:-

- i) Local Traffic – sales invoice/consignment note
- ii) International Traffic (Ascendant)- consignment note on loading of goods to train
- iii) International Traffic (Descendent)- advice note on unloading of goods from train.

For freight traffic at TRL:-

Goods traffic – sales invoice / consignment note

For Passenger Traffic:-

Revenue from the transportation of passengers is recognized on collection.

3.6 Construction Contracts

Revenues from construction contracts are recognized on percentage completion method. The percentage of completion based on the costs incurred/ be incurred on a future period involves sufficient judgement for estimating future costs. Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. The aggregate of costs incurred and the profit recognized on each contract is compared against the progress billings up to year end.

The difference is shown as contract work in progress.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. Provision is made for all costs expected to arise for work to be undertaken during the maintenance period.

3.7 Other Income

Other income is accounted for on accrual basis except supplementary counter claims / interest on delayed payments / awards in favour of the Company / export incentives / premium on sale of licences etc. which are accounted for on final settlement/ realisation.

4. WORK IN PROGRESS

Work in progress is recognized based on direct costs incurred on the activities which are in progress at end of the year for consultancy projects involving stage payments.

5. FIXED ASSETS AND INTANGIBLE ASSETS

- a) Fixed assets are stated at historical cost less accumulated depreciation and any impairment losses.
- b) Incidental expenditure during construction period including interest charges incurred upto the date of completion/commission, net of interest recovered on mobilisation advance are capitalized.
- c) Intangible Assets are recorded at the consideration paid for acquisition.

6. DEPRECIATION AND AMORTIZATION

- a) Depreciation on fixed assets is provided on straight line method over the estimated useful life determined by management. The lives so determined in all cases are not more than those prescribed in the Companies Act, 1956. In respect of additions to/ deductions from the fixed assets during the year, depreciation is charged on pro rata basis.
- b) In respect of BOT assets, depreciation is charged over the period of project or the estimated whichever is lower.
- c) Lease hold land is amortized over the lease term.
- d) In respect of buildings on lease hold land, depreciation is charged over the period of lease of land or the useful life stated above for buildings on freehold land, whichever is lower.



- e) Any addition or extension, which becomes an integral part of the existing asset is depreciated over the remaining useful life of that asset.
- f) At parent company, Individual low cost assets of value less than Rs. 5,000/- and software of value less than Rs.1,00,000/- are entirely depreciated in the year of acquisition. At CCFB, Assets having purchase cost up to equivalent to USD 500 and in case of Software USD 1,000 or less are charged to Income Statement in the year of purchase. At TRL, assets having purchase cost upto equivalent to TNZ 1,000,000 or less are charged to income statement in the year of purchase. Software costing less than USD1000 are charged to income statement in the year of purchase. Loose tools/sundry items are expensed in the year of purchase.
- g) At CCFB, entry Fee and start-up costs are capitalized and amortized on pro-rata basis over a period starting from the date of commercial operations of the entire railway system and ending on 31-12-2014. At TRL, start up costs are capitalized and amortised on pro-rata basis over a period of 5 years.
- h) At CCFB, major components more than USD 25,000/- which can be used only in connection with an item of machinery and whose use is expected to be irregular is capitalized.
- i) A nominal value of Re 1/- is assigned to the fully depreciated assets. In case of Railway operation entity (CCFB), depreciation is charged on 95% of the value.

7. INVESTMENTS

- (a) Long-term investments are stated at cost. Diminution in value, if any, which is of a temporary nature, is not provided.
- (b) (i) Current Investments are stated at cost or fair value whichever is less.
(ii) Any diminution in the carrying amount and any reversals of such diminutions are recognized in the profit & loss account.

8. INVENTORIES

- (a) At parent company, inventories are valued at cost on First In First Out (FIFO) basis or net realizable value whichever is less. At TRL, inventories are valued at lower of the cost arrived at on Weighted Average basis and Net Realizable Value.
- (b) Consumables and Loose Tools are charged to profit and loss account in the year of purchase irrespective of the value.

9. RETIREMENT BENEFITS

9.1 Gratuity

The Company has set up a Gratuity Trust Fund which is being administered by Life Insurance Corporation of India (LIC). The annual gratuity liability is determined by LIC based on actuarial valuation under Group Gratuity Scheme on the basis of information provided of employees and their remuneration at the end of each year. The contribution paid / payable annually to cover future liability for gratuity based on actuarial valuation is charged to revenue.

9.2 Provident Fund / Pension Scheme

Defined contributions for provident fund and pension are charged to revenue based on contributions made in terms of applicable schemes.

9.3 Defined Benefits

9.3.1 Defined Benefits provided by company to employees – Long Service Award, Leave Travel Concession, Leave Encashment and Medical Leave (LHAP) are accounted for on actuarial valuation made at the end of period. The actuarial gain/loss is recognized to revenue account of the period.

9.3.2 Ex-gratia payments on death are recognized on payment basis.

9.4 Terminal Benefits to Contract Employees

Leave encashment and contract completion benefits are provided for on accrual basis.

10. RESEARCH & DEVELOPMENT

Research & Development Expenses of revenue nature and payments made to other bodies for Research & Development projects related to the business of the company are charged to revenue in the year in which expense is incurred/payments are made.

11. RATES & TAXES

Overseas taxes on foreign assignments, works contract tax and property tax in India are charged to this head.



12. TAXATION

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue & expenses arise. A provision is made for income tax annually based on the tax liability computed, after considering tax allowances & exemptions.

13. DEFERRED TAX

Deferred Tax resulting from "Timing Difference" between book and taxable profits is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognized and carried forward only to the extent that there is reasonable certainty that assets will be realised in future from the future taxable income.

14. ADVANCES

Interest on preparatory, house building, vehicle, computer & equipment advance is accounted for on accrual basis and is recoverable after full recovery of the principal amount.

15. PREPAID EXPENSES AND PRIOR PERIOD ADJUSTMENTS

Prepaid expenses and prior period adjustments not exceeding Rs. 5,000/-, USD 1,000 at CCFB and at TRL, income / expenditure relating to prior period, prepaid expenses and expenses payable not exceeding equivalent to TNZ 1,000,000 in each case are treated as expenditure/income of the current year.

16. EXPENSES PAYABLE

At TRL, expenses payable not exceeding equivalent to TNZ 1,000,000 in each case are treated as income / expenditure of the year in which payments are made.

17. OPERATING LEASE EXPENSES

At TRL, borrowing costs in the ordinary course of business are recognized as an expense in the period in which they are incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalized as part of the cost of the asset.

18. AFTER SALES SERVICE EXPENSES

Liability for expenses for After Sales Services rendered in respect of export sales are provided for in the year in which sale revenue is recognised.

19. TRANSLATION OF FOREIGN CURRENCY ACCOUNTS

19.1 In respect of Integral Foreign Operations.

19.1.1 Convertible Foreign Currencies

Income and Expenditure are translated at the exchange rate prevalent on the date of transaction.

Current Assets and Liabilities are translated at the exchange rate prevalent at the end of the year. At CCFB, for Long Term Loans, the recognition of exchange differences on revaluation of long-term loans will be deferred until the time of repayment.

Investment in foreign companies are recorded at the exchange rate prevailing on the dates of making the investments.

19.1.2 Non-Convertible Foreign Currencies

Income and Expenditure are translated at the average rate. Current Assets and Liabilities are translated at the exchange rate prevalent at the end of the year.

Fixed Assets are converted at the exchange rate prevalent on the date of acquisition.

Exchange difference arising on translation of foreign currency transactions is recognised in the Profit & Loss Account.

19.2 In respect of non-integral operations

Assets and liabilities are translated at the exchange rate prevailing at the date of the balance sheet. The items in the Profit & Loss account are translated at the average exchange rate during the period. The differences arising out of the translation are transferred to Foreign Currency Translation Reserve.

20. BORROWING COST

Borrowing costs in the ordinary course of business are recognized as an expenses in the period in which they are incurred. Borrowing



costs that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalized as part of the cost of the asset.

AT CCFB, all loans and borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

Gains and losses are recognized in net profit or loss when the liabilities are derecognized or impaired, as well as through the amortization process.

21. CASH FLOW STATEMENT

Cash flow statement is made using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating activities, financing and investing activities of the Company are segregated.

22. EARNINGS PER SHARE

In determining earnings per share, the company considers the net profit after tax and includes the post tax effect of any extraordinary / exceptional item. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period.



SCHEDULE 'Q'

CONSOLIDATED NOTES TO ACCOUNTS

- 1.0 Contingent Liabilities not provided for include:
- 1.1 Counter Guarantees given by the Company against Guarantees issued by the Bankers outstanding as at 31st March 2008 amounted to Rs.9549.77 lakhs (previous year Rs.13519.61 lakhs) .
- 1.2 Claims against the company not acknowledged as debts as certified by the Management are Rs. 73275.13 lakhs (previous year Rs.69847.01 lakhs). These include:-
- (a) Claims (excluding interest) amounting to Rs. 3239.23 lakhs (previous year Rs. 2539.20 lakhs) against the company by the sub-contractors / other agencies including award against the company pending in court. The management does not foresee any liability on the company as the same are contested by the company on or behalf of the client.
- b) Other miscellaneous claims (excluding interest) amounting to Rs. 70035.90 lakhs (previous year Rs.67307.81 lakhs) include Rs. 52630.57 lakhs (previous year Rs. 50067.29 lakhs) from clients. Company has contested these claims and has made counter claims for Rs. 22195.43 lakhs (previous year Rs. 22195.43 lakhs) on the client and Rs.64453.06 lakhs (previous year Rs.9888.16 lakhs) on a sub-contractor.
- The aforesaid claims include a claim of Rs.9030 lakhs of one sub-contractor towards compensation for termination of the contract by the company, though its writ petition against such termination has been dismissed by the court.
- 1.3 Excise Bonds amounting to Rs.627.12 lakhs (previous year Rs. 1277.33 lakhs) were outstanding against export obligations with Central Excise Department. Out of this, bonds of value of Rs. 383.07 lakhs (previous year Rs. 1069.18 lakhs) are due for release by the department in respect of completed export.
- 1.4 Income Tax demands contested by the company Rs. 3000.73 lakhs (previous year Rs. 1124.60 lakhs).
- 1.5 Service Tax demands contested by the company Rs. 80.42 lakhs (previous year Rs.58.86 lakhs).
- 1.6 At CCFB, the tax authority has the right to review the company fiscal obligations during a period of 5 years. Based on their reviews, the tax authorities could reassess taxes due to different interpretations and/or non compliance with the fiscal legislation, namely Corporate Income Tax (IRC), Individual Income Tax (IRPS) and VAT, which are not possible to estimate.
- 1.7 A tax inspection was carried out in August 2007. The tax authorities claimed that there was withholding tax due on transactions with the National Railways of Zimbabwe for 2005 and 2006 amounting to MZN 2774760 (equivalent to INR 4644393.29) and in addition a fine was levied of MZN 2774760 (equivalent to INR 4644393.29). The company formally opposed the matter in writing and on 26th February, 2008, the authorities notified the company indicating that the amount of the withholding tax due was reduced from MZN 2774760 (equivalent to INR 4644393.29) to MZN 1387380 (equivalent to INR 2322196.64) and that the corresponding fine was reduced from MZN 2774760 (equivalent to INR 4644393.29) to MZN 650000 (equivalent to INR 1087970.00). The total contingent liability is now MZN 2037380 (equivalent to INR 3410166.64).
- The Company has submitted an appeal to the Administrative Court on 6th March, 2008 for the complete abolition of the tax and the corresponding fine and is awaiting response.
- 1.8 The public liability or the third party insurance policy expired on 30 November 2005. Due to the absence of a response from reliable insurance companies, CCFB was unable to arrange a public liability or third party insurance policy after 30 November 2005. An amount of USD 156000 is kept as self insurance as per approval by the General Meeting.
- 2.0 The Company has made an investment of Rs.3284.27 lakh equivalent to TSH 102000 lakh towards equity participation in Tanzania Railways Limited (TRL) for 10200000 equity shares of TSH 1000 each for which the shares have been allotted. The share certificates for the same are yet to be received.
- 2.1.1 TRL Started its operations from 1st October 2007 i.e. Date of takeover from Tanzania Railways Corporation.
- 2.1.2 Expenses incurred before the incorporation of TRL and expenses incurred by TRL after incorporation till 30.09.2007 has been treated as preliminary / pre-operative expenses.
- 2.1.3 A long term loan agreement has been entered into with International Finance Corporation for financing of USD 44 million in different stages at a interest rate which is LIBOR plus relevant spread where relevant spread ranges between 3.25% to 3.75% per annum before



the project completion and 3% per annum on or after the project complete date. Formalities for the disbursement of loan are in process.

- 3.0 The company has been allowed by Government of India for 'Initial Public Offer' consisting of fresh issue of 25% along with Disinvestment of 10% of existing share capital. Accordingly, Draft Red Herring Prospectus for facilitating the 'Initial Public Offer' and Disinvestment through a fresh issue of up to 1,00,00,000 equity shares and an offer for sale of 40,00,000 equity shares by the President of India acting through the Ministry of Railways, Government of India, has been filed with SEBI on 1st April 08. A sum of Rs. 75.02 lakhs incurred upto 31-03-2008 towards proposed 'Initial Public Offer' has been shown under 'Miscellaneous Expenditure' to the extent not written off or adjusted.
- 3.1 The Company has agreed to pledge its entire shareholding in a subsidiary, Tanzania Railways Limited (TRL), aggregating to 102,00,000 shares of face value TSH 1000 each equivalent to Rs.32.84 crore with International Finance Corporation (IFC) in consideration of financial assistance of US \$ 440 lakhs to be extended by IFC to TRL. However, the formalities for pledge of shares in favour of IFC have yet to be completed.
- 4.0 Fixed Deposits and Margin Money include Rs. 598.87 lakhs (previous year Rs.1875.19 lakhs) pledged as security against the guarantees issued and letter of credits granted by banks.
- 5.0 Balances with Scheduled Banks include Rs. 34217.97 lakhs (previous year Rs.20983.51 lakhs) towards funds received from clients against Construction/ Project Management Contracts.
- 6.0 In the year 2003, Govt. of India decided to issue bonds to the Company for the balance due amounting to US\$ 246.03 lakhs in respect of BAAR Project, Iraq in equivalent rupee at the exchange rate prevalent on the date of issue of bonds or exchange rate of Rs.47.86 as against 1 US\$ whichever was lower.

Government of India vide their letter dated 28.03.2008 has now decided to pay the said amount as under:

- i) RITES should be paid the balance amount as per the approved exchange rate of Rs. 47.86 per US \$ at which private exporters were paid, to maintain parity in treatment to all exporters.
- ii) RITES should be paid balance amount of Rs.117.75 crore in cash through additional budget allocation provided by Ministry of Finance to Ministry of Railways for this purpose.
- iii) RITES should be paid interest in cash @8.75% per annum effective from 1st October 2001 on Rs.117.75 crore till principal and interest both are paid by additional budget allocation, in addition to above stated balance amount of Rs.117.75 crore.

Accordingly, the management has decided to recognize the receivable at the approved exchange rate as per past practice. However, keeping in view the various contingencies attached to receipt of interest on the amount receivable, the same has not been recognized as on 31.03.2008. Any adjustment required will be made at the time of final receipt of the interest amount.

- 7.0 In a pre-closed contract in the year 2005-06 the company had raised claims against the client for Rs.22195.43 lakhs and the client raised counter claims of Rs.46910.00 lakhs.

The executing agency has raised claims of Rs.18441.31 lakhs (previous year Rs. 18439.50 lakhs) against the company and company has raised counter claims of Rs. 64453.06 lakhs (previous year Rs.9888.16 lakhs) against the executing agency in a contract rendered voidable due to commitment of fraud by the agency hence terminated. The arbitration proceedings are under process. The respective amounts of claims and counter claims against the company are included in contingent liabilities.

Interest of Rs.580.94 lakhs (previous year Rs.379.28 lakhs) on mobilization advance due from the executing agency has not been recognized as income due to significant uncertainty as regard to realizability.

- 8.0 In cases where execution/submission of title deeds/lease agreements etc. by employees are pending, house building, vehicle, computer and equipment advance are considered unsecured.
- 9.0 Company incurred Rs.401.50 lakhs during earlier years on contributions towards research and development of a prototype locomotive by Diesel Locomotive Works/ Research Designs and Standard Organisation of Indian Railways and charged the same to Research & Development expenses.

As per understanding with the Railway Board, Indian Railways, the company is entitled to share the realized value of the said prototype locomotive in case of its sale, in proportion of contributions made. Now, the said prototype locomotive is being modified to meet gauge requirements of a foreign client and is under going tests and trials in that country. An arrangement has been made with the foreign client for leasing it out and the proceeds of lease/sale, when received will be dealt with accordingly. A sum of Rs. 31.03 lakhs incurred on



modifying the above said loco has been capitalized and kept under work in progress pending completion.

- 10.0 Reports for pay revisions by Sixth Pay Commission and Second Pay Committee, due w.e.f. 01-01-2006 in respect of employees drawing salaries on CDA pattern and w.e.f. 01-01-2007 for those drawing salaries on IDA pattern are under consideration of the Govt. of India. Necessary impact on account of arrears and employees benefits as estimated by the management at Rs.2800 lakhs has been considered as Employees' Cost for the year.
- 11.0 The Company has been converted from Private Limited Company into Public Limited Company pursuant to Section 44 of the Companies Act, 1956 and a fresh certificate of incorporation dated 05.02.2008 has been issued by the Registrar of Companies.
- 11.1 The company split the face value of its equity shares from Rs. 100 each to Rs. 10 each and the authorized share capital was increased from Rs.5 crore to Rs. 100 crore divided into 10 crore equity shares of Rs. 10 each during the year.
- 11.2 During the year, a sum of Rs.36 crore has been capitalized out of the free reserves and surplus by issue of 3.60 crore equity shares of Rs. 10 each as bonus shares in the ratio of 1:9 shares (9 equity shares for every one equity share) to the existing shareholders.
- 12.0 Disclosure as per Accounting Standard
- 12.1 Changes in Accounting Policy
- 12.1.1 A committee was set up by the company to review various aspects related to Provision for Incomplete Assignments for the consultancy contracts spread over more than one accounting period. On the basis of recommendations made by the committee, it has been decided that provision will be made in such cases on the basis of revised accounting policy on revenue recognition in this regard. Accordingly provision existing on 31.03.08 made in earlier years have been written back.
- The change in the accounting practice has resulted in higher profit of the year by Rs.2388.60 lakhs. This is due to increase in income by Rs.1357.17 lakhs on account of reversal of provisions and reduction in expenditure for Rs,1031.43 lakhs, for provisions not made for the year in terms of changed practice.
- 12.1.2 Consequent upon applicability of revised AS-15 in respect of employees benefits, long service award and unavailed accrued medical leave expenditure have been recognized based upon actuarial valuation. Expenditure for the period and provisions as on 31.03.2008 have increased to the extent of Rs.45.61 lakhs and Rs. 979.72 lakhs respectively which resulted in reduction of profit for the period by the same amount.
- 12.1.3 Hitherto provision for LTC was being made on estimated basis. Pursuant to revised AS-15, the provision as on 31.03.2008 has been made on the basis of actuarial valuation, which has resulted into reduction of profit by Rs.9.76 lakhs and increase in provision by the same amount.
- 12.1.4 The company is contributing through RITES Employees Group Gratuity cum LIC Scheme to Life Insurance Corporation of India (LIC) to meet its gratuity liability. The present value of the plan assets represents the balance available with the LIC at the end of the period. The aggregated value of plan asset, as certified by the LIC, as at 31st March 2008 and 31st March 2007 amounting to Rs. 1933.77 lakhs and Rs. 1719.35 lakhs respectively.

Further, for other benefits no planned assets have been created by the company.

12.2 Employees Benefits

- 12.2.1 A reconciliation of Opening & Closing Balances of the present value of the defined benefit obligation and the effects during the period attributable to each of the following:

Rupees in Lakhs

Defined benefits wholly unfunded	Leave Encashment	LTC	Medical Leave
Opening Balance	1453.64	59.14	-
Interest Cost	118.75	4.77	12.89
Current Service Cost	121.94	60.06	33.12
Benefit paid	(127.20)	(69.41)	(0.43)
Actuarial (Gain)/Loss on obligation	484.86	4.79	934.14
Closing Balance	2051.99	59.35	979.72



12.2.2 Net present value of Long Service award as on 31.03.2008 is Rs. 45.61 lakhs. The same has been charged to Profit and Loss Account.

12.2.3 Total expenses recognized in the statement of Profit & Loss:

Rupees in Lakhs

Defined benefits wholly unfunded	Leave Encashment	LTC	Medical Leave
Current Service Cost	121.94	60.06	33.12
Interest Cost	118.75	4.77	12.89
Net actuarial (Gain)/Loss recognized in the period	4.79	4.79	934.14
Expenses recognized in the statement of Profit & Loss	245.48	69.62	980.15

12.2.4 The principal actuarial assumptions used as at the balance sheet date:

Rupees in Lakhs

Defined benefits wholly unfunded	Leave Encashment	LTC	Long Award Service	Medical Leave
Discount rate	8%	8%	8%	8%
Future cost/salaries increased	8%	5.50%	-	8%

12.3 Segment Reporting

12.3.1 The Group Company has identified three business segments as primary segment as detailed below:- ?

- Consultancy Services ?
- Export of rolling stock, equipment and spares
- Leasing of railway rolling stock & equipment
- Railway Operation
- Construction Contracts

12.3.2 The Company is primarily a consultancy organization rendering consultancy services in all facets of transportation.

12.3.3 The segment revenue in geographical segments considered for disclosure is as under:-

- (a) Revenue within India from consultancy and project management services rendered to clients located within the country.
- (b) Revenue from outside India for services rendered, export sales of rolling stock & spare parts and lease rental from the clients located outside India.

12.3.4 The accounting principles used in the preparation of the financial statements are consistently applied to record revenue & expenditure in individual segments, as set out in the note of significant accounting policies.

12.3.5 Revenue & direct expenses in relation to segments are allocated based on items that are individually identifiable to that segment while the remainder of the costs are categorised as unallocated expense as the underlying services are used inter-changeably. The management believes that it is not practical to provide segment disclosures relating to those cost and expenses and accordingly these expenses are separately disclosed as "unallocated" and adjusted only against the total income of the company.



12.3.6 Business Segment

Rupees in Lakhs

Description	Year ended	
	31.03.2008	31.03.2007
REVENUE		
Consultancy Services		
- Domestic	28505.40	24307.96
- Abroad	6319.49	2696.26
- Export	20822.49	25192.46
- Leasing (Abroad)	1682.66	1174.58
- Railway Operations	3860.00	1263.33
Total Income from Operations (A)	61190.04	54634.59
IDENTIFIABLE OPERATING EXPENSES		
Consultancy Services		
- Domestic	23768.87	15705.34
- Abroad	8064.31	2020.20
- Export	15543.68	19414.51
- Leasing (Abroad)	1586.43	1138.69
- Railway Operations	3362.91	534.23
Total Operating Expenses (B)	52326.20	38812.97
SEGMENTAL PROFIT FROM OPERATIONS		
Consultancy Services		
- Domestic	4736.53	8602.62
- Abroad	(1744.82)	676.06
- Export	5278.81	5777.95
- Leasing (Abroad)	96.23	35.89
- Railway Operations	497.09	729.10
Operating Profit (A-B)	8863.84	15821.62
Add:		
Income from Investments/Deposits	3121.58	2078.69
Other Income *	5468.15	1235.31
Extra ordinary item Income/(Expenditure)	1183.40	(341.98)
Less:		
Un-allocable Expenses	2751.44	1845.54
Net Profit before taxes	15885.53	16948.10
Income Tax (including Deferred & FB Tax)	6894.69	5277.97
Net Profit after taxes	8990.84	11670.13
Less : Minority Interest	800.66	-
Net Profit after taxes & Minority Interest	9791.50	-

12.3.7 Other Information

Rupees in lakhs

Description	Year ended	
	31.03.2008	31.03.2007
Fixed Assets (Net) excluding Work in Progress **	12719.15	10620.78
Current Assets, Loans & Advances	105897.49	91159.63
Current Liabilities, Provisions & Loans	74563.73	58348.05
Capital Employed **	44052.91	43432.36



21.3.8 Geographical Segment(Secondary Segment)

Rupees in lakhs

Description	Year ended	
	31.03.2008	31.03.2007
Operating Revenue		
- India	28505.40	24307.96
- Abroad	32684.64	30326.63
Total	61190.04	54634.59
Operating Expenditure		
- India	23768.87	15705.34
- Abroad	28557.33	23107.63
Total	52326.20	38812.97
Operating Profit		
- India	4736.53	8602.62
- Abroad	4127.31	7219.00
Total	8863.84	15821.62

* Other income includes interest on staff advance, profit on sale of assets/ long term investments, interest on income tax refund reversal of provision no longer required etc.

** Fixed assets used in the company's business or liabilities contracted are common in nature for all and cannot be allocated to a specific segment. The Company believes that it is currently not practicable to provide segmental disclosure of Capital employed since a meaningful segregation of the available data could be onerous.

 12.4 Related Party Disclosures

12.4.1 Relationship

Nature of relationship	Name of Party
Joint Venture	1. M/s RICON – Established in India 2. M/s Companhia Dos Caminhos De Ferro De Beira, SARL, Beira (CCFB) - Established in Mozambique
Wholly Owned Subsidiary Company Subsidiary Company	1. M/s. RITES (Afrika) (Pty) Ltd. – Established in Botswana 2. M/s.Tanzania Railways Limited – Established in Tanzania
Directors	1. Shri R.K. Rao, Chairman 2. Shri V.K. Agarwal, Managing Director 3. Shri Anil Madan, Director Technical 4. Shri B.K. Makhija, Director Projects 5. Shri Rajeev Mehrotra, Director Finance 6. Dr. Devi Singh, Director 7. Shri D.P. Tripathi, Director 8. Shri Prem Saigal, Director 9. Shri R. Ashok, Director 10. Shri Virendra Gupta, Director 11. Shri A.K. Sanwalka, Director

12.4.3 The company has been awarded a number of contracts jointly with other parties where work responsibilities / contractual obligations are clearly defined and segregated and the business relationship inter-se will automatically terminate on completion of the activity/project. The Company has no control or significant influence over these parties, hence not considered as related parties for disclosure.



12.5 Lease

12.5.1 Operating Lease

12.5.1.1 The Company's leasing arrangements are with the following:

Sl. No.	Name of the Company	Number of Locomotives	Period up to
1	M/s. CFM, Mozambique	9	August'2011
2	M/s. CCFB, Mozambique	5	August'2012
3	M/s. TRL, Tanzania	9	November'2012
4	M/s. TRL, Tanzania	9	March' 2013

12.5.1.2 Details of the leased assets: Locomotives

Rupees in Lakhs

Description	Year ended	
	31.03.2008	31.03.2007
Gross carrying amount	4611.24	1899.72
Depreciation provided	161.24	92.11
Accumulated depreciation	358.56	197.32
Net carrying amount	4252.68	1702.40

12.5.1.3 Future minimum lease payments receivable not later than one year in respect of cancelable leases with lessees are Rs. 5115.20 lakhs (Previous year Rs.1901.21 lakhs) converted at the exchange rate prevalent on the date of Balance Sheet.

12.5.2 Other Lease

12.5.2.1 Description of lease arrangement of Scope Office Complex.

The company has leased 620 sq. m. area of furnished accommodation to Railway Board, Indian Railways on lease rent basis receivable every month. The lease arrangement is for a period of 3 years due to expire in March 2009.

12.5.2.2 Details of the leased assets: Office Premises

Rupees in Lakhs

Description	Year ended	
	31.03.2008	31.03.2007
Gross carrying amount	251.28	219.89
Depreciation provided	6.68	5.17
Accumulated depreciation	22.82	16.13
Net carrying amount	228.46	203.76

12.5.2.3 Future minimum lease payments receivable not later than one year Rs. 60.04 lakhs (previous year Rs. 60.04 lakhs)

12.5.2.4 The company has not sub-leased any of the assets taken on lease.

12.5.2.5 Operating Leases for Companies offices and staff residential premises are renewable / cancelable as laid down in the respective agreements. The total of minimum lease payments recognized in the profit & loss account for the year is Rs.451.94 lakhs.

12.5.2.6 There are no provisions relating to contingent rent.

12.5.2.7 The subsidiary and joint Venture companies considered in the financial statements are as follows:

Name of Company	Country of Incorporation	% of Shareholding as on 31.03.2008
Subsidiary Companies:- RITES (Afrika) (Pty) Ltd. Tanzania Railway Ltd.	Botswana Tanzania	100% 51%
Joint Venture Companies:- RICON Companhia Dos Caminhos De Ferro De Beira, SARL, Beira (CCFB)	India Mozambique	51% 26%



M/s. CCFB LTDA and Tanzania Railway LTD. has calendar year as financial year and figures are recorded from the audited financial statement as on 31.12.2007.

12.6 Jointly Controlled Operations

RITES has Joint operations with the following ventures for the projects mentioned against each:-

Name of Venturers	Project Name
M/s Pacific Consultants International M/s Parsons Brinkerhoff International, INC. M/s Japan Railways Technical Services M/s Tonichi Engineering Consultants, INC.	General Consultancy services for Delhi Mass Rapid Transport System Project
M/s. Pacific Consultants International, M/s. Parsons Brickerhoff International Inc & M/s. SYSTRA S.A.	General Consultancy Services for Bangalore Metro Rail Project Phase - I
M/s. Tonichi Engineering Consultants, INC., Japan, M/s. Nippon Koei Company Ltd., (Japan) & M/s. ICRA Limited. India	Consulting Services for the Mono Rail Project
M/s Consulting Engineering Services India Pvt. Ltd. & M/s Beca International Consultants Ltd. New Zealand	NHAI - Srikakulam
M/s Sir Owen Williams Innovertment Ltd. India & M/s. Secon Pvt. Ltd. India	NHAI - Krishnagiri (AP)
M/s Sheladia Associates - USA	NHAI - Vizag
M/s De Consult - Germany	Modernization of Signalling System in Ghaziabad - Kanpur section
M/s Stanlay Consultants Inc. Iowa - USA	Supervision consultancy services for East-West corridor on NH-76 in the State of Rajasthan for NHAI
M/s Geo-Consult-ZT Gmbh (Austria) & M/s. Secon Pvt. Ltd. India	Consulting Services for feasibility & detailed Design of Road Tunnels in Shimla and other parts of Himachal Pradesh

1.8 Warranty/Guarantee obligations

Rupees in Lakhs

Items	Carrying amount 01.04.2007	Additional Provision made during 2007-08 upto Mar'08	Provisions used upto Mar'08	Unused amount reversed upto Mar'08	Carrying amount as on 31.03.2008
Warranties	1268.14	1335.25	587.80	529.98	1486.91

13 The useful life of assets are different in all the entities for depreciation. No adjustment has been carried out for consolidation purpose, as useful life of assets has been estimated by respective entities.

14 Previous year figures have been re-arranged/re-cast, wherever necessary to make them comparable with the current year figures.

Additional Information

Assets & liabilities have been translated at closing exchange rate and profit & loss items have been translated at average exchange rate.

S.No.	Exchange Rates	2007-08		2006-07	
		Closing rate	Average Rate	Closing rate	Average Rate
1.	1 MTN(Mozambique)= INR	1.6738	1.6249	1.7543	1.7627
2.	1 Pula (Botswana) = INR	6.1273	6.6400	7.1155	7.7660
3.	1TSH(Tanzania) = INR	0.0355	0.0335	Not Applicable	

(Source Oanda.com)



OFFICES, AUDITORS AND BANKERS

OFFICES: INDIA

Registered Office SCOPE Minar, Core-1
Laxmi Nagar,
Delhi-110092
Phone : (011) 23354800
Fax : (011) 22024660

Corporate Office 1, Sector - 29, Gurgaon -122001(India)
Phone : (0124) 2571666 / 67
Fax: (0124) 2571660
info@rites.co.in
www.rites.co.in

PROJECT OFFICES

Bangalore 080 - 22202603/22280268
/ 22257118 / 22354634
bangalorepo@rites.co.in

Bhubaneswar 0674 - 2575493 /2575284
bbsrpo@rites.co.in

Kolkata 033 - 22367162 / 22367118 / 22367146
kolkatapo@rites.co.in

Lucknow 0522 - 2341601 / 2353953
lucknowpo@rites.co.in

Mumbai 022 - 27812491 / 92 / 93
mumbaipo@rites.co.in

Nagpur 0712 - 2565228 / 2520127 / 2547109
nagpurpo@rites.co.in

INSPECTION OFFICES

Bhilai 0788 - 2227304 / 2227776
crinspn@rites.co.in

Chennai 044 - 28523364 / 28521142
srinspn@rites.co.in

Gurgaon 0124 - 2571688 / 2818715
nrinspn@rites.co.in

Kolkata 033 - 22348912, 22348665,
22348729, 8730
erinspn@rites.co.in

Mumbai 022 - 22012523, 22015573,
22035461
wrinspn@rites.co.in

OFFICES: OVERSEAS

Afghanistan 00 93 (0) 20 2103430, 2103608
Mob : 00 93 (0) 798190199
ak.singh@ards.org.af

Angola 00244 - 6121980 / 24442

Botswana 00267 - 3914113

Malaysia Mob : 006019-2883287
anil_kr_patel@yahoo.co.in

Mozambique 00258-2332884/258-3311987
ceoccfb@intra.co.mz

Myanmar 00951-526444

Sharjah Mob: 00971-504623203 00971-
5571666 Extn : 501
joby.jose@atkinsglobal.com

Sudan Mob: 00249-918313358, 00249-
211-822009
param_4music@yahoo.co.in

Tanzania 00255-782945945
njayaram@rites.com

00255-26-2604032
Mob : 00255-744432942

STATUTORY AUDITORS

M/s Jain Chopra & Co. New Delhi

BRANCH AUDITORS

M/s Roy Basu & Associates, Kolkata

M/s P.L. Kataria & Co., Mumbai

M/s R. Sadasivan & Co. Chennai

BANKERS

AXIS Bank Ltd.

State Bank of Bikaner & Jaipur

State Bank of India

Indian Overseas Bank

State Bank of Mysore



UTES' WORLDWIDE EXPERIENCE



Afghanistan	China	Japan	Nigeria	Tanzania
Algeria	Colombia	Jordan	Peru	Thailand
Angola	Cuba	Kenya	Philippines	Togo
Australia	Czech	Laos	Poland	Tunisia
Austria	Djibouti	Libya	Romania	Turkmenistan
Bangladesh	Egypt	Malawi	Russia	UAE
Bhutan	Ethiopia	Malaysia	Saudi Arabia	Uganda
Botswana	Finland	Mali	Senegal	UK
Brazil	Ghana	Mauritius	Singapore	Ukraine
Brunei	Guinea	Mexico	South Korea	USA
Burkina Faso	Indonesia	Mozambique	South Africa	Uzbekistan
Cambodia	Iran	Myanmar	Spain	Vietnam
Cameroon	Iraq	Namibia	Sri Lanka	Yemen
Canada	Italy	Nepal	Sudan	Zaire
Chile	Jamaica	Netherlands	Swaziland	Zambia
			Syria	Zimbabwe