



RITES LIMITED

DRAFT RED HERRING PROSPECTUS

Dated April 1, 2008

Please read section 60B of the Companies Act, 1956
(This Draft Red Herring Prospectus will be
updated upon filing with the RoC)
100% Book Built Issue

Originally incorporated on April 26, 1974 under the Companies Act, 1956 as a private limited company with the name 'Rail India Technical and Economic Services Private Limited'. Subsequently, the word 'private' was deleted from the name of our Company on February 17, 1976. Thereafter, the name of our Company was changed to its present name 'RITES Limited' on March 28, 2000. Our Company was converted into a public limited company on February 5, 2008.

Registered Office: SCOPE Minar, Core – I, 12 Floor, Laxmi Nagar, Delhi 110 092. **Corporate Office:** RITES Bhawan, Plot No. 1, Sector 29, Gurgaon 122 001. For details of changes in our name and registered office, see **"History and Certain Corporate Matters"** on page [86]. **Company Secretary and Compliance Officer:** Mr. P.T. Mittal, RITES Limited, RITES Bhawan, Plot No. 1, Sector-29, Gurgaon 122 001. Tel: +91 124 257 1187. Fax: +91 124 257 1188; E-mail: ipo@rites.com. Website: www.rites.com

PUBLIC ISSUE OF 1,40,00,000 EQUITY SHARES OF RS. 10 EACH ("EQUITY SHARES") FOR CASH AT A PRICE OF RS. [•] PER EQUITY SHARE OF RITES LIMITED ("RITES", THE "COMPANY" OR THE "ISSUER") INCLUDING A SHARE PREMIUM OF RS. [•] PER EQUITY SHARE AGGREGATING TO RS. [•] CRORE (THE "ISSUE"). THE ISSUE COMPRISES A FRESH ISSUE OF UP TO 1,00,00,000 EQUITY SHARES BY RITES (THE "FRESH ISSUE") 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 (THE "SELLING SHAREHOLDER") (THE "OFFER FOR SALE"). THE ISSUE COMPRISES A NET ISSUE TO THE PUBLIC OF 1,26,00,000 EQUITY SHARES ("THE NET ISSUE") AND A RESERVATION OF 14,00,000 EQUITY SHARES FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES (AS DEFINED HEREIN) (THE "EMPLOYEE RESERVATION PORTION"), AT THE ISSUE PRICE. THE ISSUE SHALL CONSTITUTE 28% OF THE FULLY DILUTED POST-ISSUE CAPITAL OF RITES.

**PRICE BAND: RS. [•] TO RS. [•] PER EQUITY SHARE OF FACE VALUE OF RS. 10 EACH
THE FLOOR PRICE IS [•] TIMES THE FACE VALUE AND THE CAP PRICE IS [•] TIMES THE FACE VALUE.**

In case of revision in the Price Band, the Bid/ Issue Period will be extended for three additional working days after revision of the Price Band subject to the Bid/ Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bid/ Issue Period, if applicable, will be widely disseminated by notification to the National Stock Exchange of India Limited ("NSE") and Bombay Stock Exchange Limited ("BSE"), by issuing a press release, and also by indicating the change on the websites of the Book Running Lead Managers ("BRLMs") and at the terminals of the members of the Syndicate.

This Issue is being made through a 100% Book Building Process wherein up to 50% of the Net Issue shall be available for allocation on a proportionate basis to Qualified Institutional Buyers ("QIBs"), out of which 5% shall be made available for allocation on a proportionate basis to Mutual Funds only and the remainder shall be made available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Further, at least 15% of the Net Issue shall be made available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Net Issue shall be made available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, up to 14,00,000 Equity Shares shall be made available for allocation on a proportionate basis to the Eligible Employees, subject to valid Bids being received at or above the Issue Price.

RISK IN RELATION TO THE FIRST ISSUE

This being the first issue of the Equity Shares of our Company, there has been no formal market for the Equity Shares. The face value of the Equity Shares is Rs.10 each and the Issue Price is [•] times of the face value. The Issue Price (as determined by our Company and the Selling Shareholder in consultation with the BRLMs, on the basis of assessment of market demand for the Equity Shares by way of Book Building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the Risk Factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue, including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Draft Red Herring Prospectus. Specific attention of the investors is invited to **"Risk Factors"** on page [xii].

ISSUER'S AND SELLING SHAREHOLDER'S ABSOLUTE RESPONSIBILITY

The Issuer and the Selling Shareholder having made all reasonable inquiries, accept responsibility for and confirm that this Draft Red Herring Prospectus contains all information with regard to the Issuer, Selling Shareholder and the Issue, which is material in the context of the Issue, that the information contained in this Draft Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Draft Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

IPO GRADING

This Issue has been graded by CRISIL Limited as [•] indicating [•], pursuant to the SEBI Guidelines. For details, see **"General Information"** on page [14].

LISTING

The Equity Shares offered through this Draft Red Herring Prospectus are proposed to be listed on the NSE and the BSE. We have received in-principle approval from the NSE and the BSE for the listing of our Equity Shares pursuant to their letters dated [•] and [•] respectively. For the purposes of this Issue, NSE shall be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGERS



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CAPITAL COMPANY LIMITED**
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Tel: +91 22 6634 1100
Fax: +91 22 2283 7517
E-mail: rites.ipo@kotak.com
Investor Grievance E-mail:
kmccredressal@kotak.com
Website: www.kotak.com
Contact Person: Mr. Chandrakant Bhole
SEBI Registration No.: INM000008704



ENAM SECURITIES PRIVATE LIMITED
801, Dalamal Towers,
Nariman Point,
Mumbai 400 021
Tel: +91 22 6638 1800
Fax: +91 22 2284 6824
E-mail: riteswg@enam.com
Investor Grievance E-mail:
complaints@enam.com
Website: www.enam.com
Contact Person: Mr. Pranav Mahajani
SEBI Registration No.: INM000006856



ICICI SECURITIES LIMITED
ICICI Centre, H.T. Parekh Marg,
Churchgate
Mumbai 400 020
Tel: +91 22 2288 2460
Fax: +91 22 2282 6580
E-mail: ritesipo@isecitd.com
Investor Grievance E-mail:
customercare@isecitd.com
Website: www.icicisecurities.com
Contact Person: Mr. Nikhil Dhangra
SEBI Registration No.: INM000011719



**KARVY COMPUTERSHARE
PRIVATE LIMITED**
"Karvy House", 46, Avenue 4
Street No.1, Banjara Hills
Hyderabad 500 034
Tel: +91 40 2342 0815
Toll Free No: 1-800-345 4001
Fax: +91 40 2342 0814
E-mail: mailmanager@karvy.com
Website: www.karvy.com
Contact Person: Mr. M. Murali Krishna
SEBI Registration No.: INR000000221

ISSUE PROGRAMME

BID / ISSUE OPENS ON: [•]

BID / ISSUE CLOSES ON: [•]

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SECTION I - GENERAL

DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise indicates, the following terms have the following meanings in this Draft Red Herring Prospectus.

All references to “**RITES**”, the “**Company**”, and the “**Issuer**” or the terms “**we**”, “**us**” and “**our**” unless the context otherwise indicates or implies are to RITES Limited, a public limited company incorporated in India under the Companies Act, 1956, with its registered office at SCOPE Minar, Core – I, 12th Floor, Laxmi Nagar, Delhi 110 092.

Issuer Related Terms

<u>Term</u>	<u>Description</u>
Articles or Articles of Association	The articles of association of our Company, as amended from time to time
Audit Committee	The committee described in “ <i>Our Management- Audit Committee</i> ” on page 105
Auditors	The statutory auditors of our Company, Jain Chopra & Co., Chartered Accountants
Board or Board of Directors	The board of directors of our Company
CCFB.....	Companhia Dos Caminhos De Ferro Da Beira, our joint venture company in Mozambique
CFM.....	The conceding authority represented by the Ministry of Transport and Communications of Mozambique, Portos E Caminhos De Ferro De Mocambique E.P.
Memorandum of Association or Memorandum.....	The memorandum of association of our Company, as amended from time to time
GECPL.....	Ganga Expressway Consultants Private Limited, our joint venture company
Promoter	The President of India, acting through the Ministry of Railways, Government of India
Registered Office.....	The registered office of our Company, which, as of the date of this Draft Red Herring Prospectus, is SCOPE Minar, Core – I, 12th Floor, Laxmi Nagar, Delhi 110 092.
RICON.....	Our unincorporated joint venture in India
RITES (AFRIKA).....	RITES (AFRIKA) (Proprietary) Limited, our subsidiary in Botswana
Subsidiaries.....	RITES (AFRIKA) and TRL
TRL.....	Tanzania Railways Limited, our subsidiary in Tanzania

Issue-Related Terms

<u>Term</u>	<u>Description</u>
Allocation Amount.....	The amount payable by a Bidder on or prior to the Pay-in Date after deducting the Margin Amount payable by such Bidder
Allotment/Allot.....	Unless the context otherwise requires, the allotment and/or transfer of Equity Shares pursuant to this Issue to the successful Bidders.
Allottee	A successful Bidder to whom the Equity Shares are Allotted
Bankers to the Issue.....	The bankers to the Issue, in this case being, [•]
Basis for allotment	The basis on which Equity Shares will be Allotted to Bidders under the issue and which is described in “ <i>Issue Procedure- Basis of Allocation</i> ” on page 321.
Bid.....	An indication to make an offer during the Bid/Issue Period by a

<u>Term</u>	<u>Description</u>
	Bidder to subscribe to or purchase the Equity Shares at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid cum Application Form	The form used by a Bidder to make a Bid and which will be considered as the application for Allotment for the purposes of the Red Herring Prospectus and the Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form
Bid/Issue Closing Date	The date after which the members of the Syndicate will not accept any Bids for the Issue and which shall be notified in one English national newspaper and one Hindi national newspaper, each with wide circulation
Bid/Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue and which shall be notified in one English national newspaper and one Hindi national newspaper, each with wide circulation
Bid/Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date (inclusive of both days) and during which Bidders can submit Bids, including any revisions thereof
Book Building Process	Book building route as described in Chapter XI of the SEBI Guidelines, in terms of which this Issue is made
BRLMs/Book Running Lead Managers	The book running lead managers to the Issue, in this case being Kotak Mahindra Capital Company Limited, Enam Securities Private Limited and ICICI Securities Limited
BRLMs' Memorandum of Understanding	The agreement entered into on March 31, 2008 between our Company, the Selling Shareholder and the BRLMs pursuant to which certain arrangements are agreed in relation to the Issue
Business Day	Any day other than Saturday or Sunday on which commercial banks in Delhi and Mumbai are open for business
Cap Price	The higher end of the Price Band above which the Issue Price will not be finalized and above which no Bids will be accepted
CAN/ Confirmation of Allocation Note	The note, advice or intimation of allocation of Equity Shares sent to Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process, including any revisions thereof
Cut-off Price	Any price within the Price Band finalised by our Company and the Selling Shareholder in consultation with the BRLMs. A Bid submitted at the Cut-off Price is a valid Bid at all price levels within the Price Band. Only Retail Individual Bidders and Eligible Employees are entitled to bid at the Cut-off Price.
Designated Date	The date on which the Escrow Collection Banks transfer the funds from the Escrow Account(s) to the Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall Allot Equity Shares and the Selling Shareholder shall give delivery instructions for transfer of Equity Shares constituting Offer for Sale to successful Bidders
Designated Stock Exchange	NSE
DRHP/ Draft Red Herring Prospectus	This Draft Red Herring Prospectus dated April 1, 2008 issued in accordance with section 60B of the Companies Act and the SEBI Guidelines filed with SEBI, which does not contain complete particulars of the price at which the Equity Shares are offered
Electronic Transfer of	Refunds through ECS, direct credit, RTGS or NEFT, as applicable.

<u>Term</u>	<u>Description</u>
Funds.....	
Eligible NRI	An NRI resident in a jurisdiction outside India where it is not unlawful to make an offer or invitation under the Issue and in relation to whom the Red Herring Prospectus constitutes an invitation to subscribe to or purchase for the Equity Shares
Eligible Employee.....	All or any of the following: (a) a permanent employee of the Company as on the date of the filing of the Red Herring Prospectus, based and present in India as on the date of submission of the Bid cum Application Form. Employees who are recruited against regular vacancy but are on probation on the date of the filing of the Red Herring Prospectus will also be deemed as permanent employees; (b) a whole time Director of the Company or Independent Director as on the date of the filing of the Red Herring Prospectus, based and present in India as on the date of submission of the Bid cum Application Form; and (c) an employee as defined in (a) and (b) above of a subsidiary, based and present in India as on the date of submission of the Bid cum Application Form
Employee Reservation Portion.....	The portion of the Issue being up to 14,00,000 Equity Shares available for allocation to Eligible Employees
Equity Shares.....	Unless the context otherwise indicates, the Equity Shares of our Company with a face value of Rs. 10 each
Escrow Account	An account to be opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid and the Allocation Amount paid thereafter
Escrow Agreement.....	The agreement to be entered into between our Company, the Selling Shareholder, the Registrar, the BRLMs, the other members of the Syndicate and the Escrow Collection Bank(s) for collection of the Bid Amounts and, where applicable, remitting refunds of the amounts collected to the Bidders on the terms and conditions thereof
Escrow Collection Banks.....	The Escrow Collection Banks, in this case being, [•], which are clearing members and registered with the SEBI as Bankers to the Issue and with whom the Escrow Account will be opened
First Bidder.....	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalized and below which no Bids will be accepted
Fresh Issue.....	Fresh issue of 1,00,00,000 Equity Shares by our Company
Issue	Issue of 1,40,00,000 Equity Shares, comprising of a Fresh Issue of 1,00,00,000 Equity Shares of our Company and an Offer for Sale of 40,00,000 Equity Shares by the Selling Shareholder
Issue Account	The account to be opened with the Banker(s) to the Issue to receive monies from the Escrow Account on the Designated Date
Issue Price.....	The final price at which Equity Shares will be Allotted. The Issue Price will be decided by our Company and the Selling Shareholder in consultation with the BRLMs on the Pricing Date in accordance with the Book Building Process and in terms of the Red Herring Prospectus
Margin Amount.....	The amount paid by the Bidder at the time of submission of the Bid and which may range between 10% and 100% of the Bid Amount
Mutual Funds.....	Mutual funds registered with the SEBI under the SEBI (Mutual

<u>Term</u>	<u>Description</u>
	Funds) Regulations, 1996, as amended from time to time
Mutual Funds Portion.....	5% of the QIB Portion or up to 3,15,000 Equity Shares available for allocation to Mutual Funds only out of the QIB Portion
Net Issue	Issue less the Employees Reservation Portion, consisting of 1,26,00,000 Equity Shares to be Allotted in the Issue at the Issue Price
Net Proceeds of the Fresh Issue.....	Proceeds of the Issue, less the proceeds of the Offer for Sale and the Issue-related expenses
Non-Institutional Bidders.....	All Bidders that are not QIBs or Retail Individual Bidders and who have bid for Equity Shares for an amount higher than Rs. 1,00,000
Non-Institutional Portion	The portion of the Net Issue being at least 15% of the Net Issue or 18,90,000 Equity Shares at the Issue Price available for allocation to Non-Institutional Bidders
Non-Resident Indian or NRI or NR	A person resident outside India, as defined under the FEMA and the FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended from time to time
Offer for Sale.....	Transfer of 40,00,000 Equity Shares by the Selling Shareholder, pursuant to the Red Herring Prospectus
Pay-in Date	The Bid/ Issue Closing Date with respect to Bidders whose Margin Amount is 100% of the Bid Amount or the last date specified in the CAN sent to Bidders with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount
Pay-in Period	The period commencing on the Bid/Issue Opening Date and extending until the Pay-in Date
Price Band	The price band between the Floor Price of Rs. [•] per Equity Share and the Cap Price of Rs. [•] per Equity Share, including all revisions thereof
Pricing Date.....	The date on which our Company and the Selling Shareholder in consultation with the BRLMs finalise the Issue Price
Prospectus.....	The prospectus to be filed with the RoC pursuant to section 60 of the Companies Act, containing, <i>inter alia</i> , the Issue Price that is determined at the end of the Book Building Process on the Pricing Date, including any corrigendum thereof
Qualified Institutional Buyers or QIBs	Public financial institutions specified in section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds, multilateral and bilateral development financial institutions, FVCIs, venture capital funds registered with the SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with a minimum corpus of Rs. 25 crore, pension funds with a minimum corpus of Rs. 25 crore and the National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of Government of India published in the Gazette of India
QIB Margin Amount.....	An amount representing at least 10% of the Bid Amount being the amount QIBs are required to pay at the time of submitting a Bid
QIB Portion	The portion of the Net Issue being up to 50% of the Net Issue or 63,00,000 Equity Shares at the Issue Price to be Allotted to QIBs on a proportionate basis
Refund Account.....	The account opened with (an) Escrow Collection Bank(s), from which refunds, if any, of the whole or part of the Bid Amount shall be made
Refund Bank.....	An Escrow Collection Bank in which an account is opened and from which a refund of the whole or part of the Bid Amount, if any, shall be made

<u>Term</u>	<u>Description</u>
Registrar to the Issue	Karvy Computershare Private Limited
Retail Individual Bidders	Individual Bidders (including HUFs and Eligible NRIs) who have not Bid for Equity Shares for an amount more than Rs. 1,00,000 in any of the bidding options in the Issue
Retail Portion.....	The portion of the Net Issue being at least 35% of the Net Issue or 44,10,000 Equity Shares at the Issue Price available for allocation to Retail Individual Bidders
Revision Form	The form used by Bidders to modify the number of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
Red Herring Prospectus or RHP	The red herring prospectus issued in accordance with section 60B of the Companies Act which does not have complete particulars of the price at which the Equity Shares are offered and which will be filed with the RoC at least three days before the Bid/Issue Opening Date and will become the Prospectus after filing with the RoC after the Pricing Date
Selling Shareholder.....	The President of India acting through the Ministry of Railways, Government of India
Stock Exchanges	The NSE and the BSE
Syndicate	Collectively, the BRLMs and the Syndicate Member(s)
Syndicate Agreement	The agreement between the members of the Syndicate, our Company and the Selling Shareholder in relation to the collection of Bids in the Issue
Syndicate Member	Kotak Securities Limited
Transaction Registration Slip or TRS	The slip or document issued by a member of the Syndicate to a Bidder as proof of registration of the Bid
Underwriters	The members of the Syndicate
Underwriting Agreement	The agreement between our Company, the Selling Shareholder and the Underwriters to be entered into on or after the Pricing Date

Abbreviations/ Conventional and General Terms

<u>Term</u>	<u>Description</u>
11 th Plan or Eleventh Plan	Eleventh Five Year Plan for the plan period 2007-2012, issued by the Planning Commission of India
Act or Companies Act.....	Companies Act, 1956, as amended from time to time
Arbitration Act.....	Arbitration and Conciliation Act, 1996, as amended from time to time
AS.....	Accounting Standard
BIFR.....	Board of Industrial and Financial Reconstruction
BSE.....	Bombay Stock Exchange Limited
CAGR.....	Compounded Annual Growth Rate
CARO.....	Companies Auditor's Report Order 2003
CBDT.....	Central Board of Direct Taxes
CDSL.....	Central Depository Services (India) Limited
CIBIL.....	Credit Information Bureau (India) Limited
CIT	Commissioner of Income Tax
COD.....	Committee of Secretaries on Dispute, GoI
Depository.....	A depository registered with SEBI under the SEBI (Depository Participant) Regulations, 1996, as amended from time to time.
Depositories.....	NSDL and CDSL
Depositories Act.....	The Depositories Act, 1996, as amended from time to time
Depository Participant or DP	A depository participant as defined under the

<u>Term</u>	<u>Description</u>
	Depositories Act
DTAA.....	Double Taxation Avoidance Agreement
ECS.....	Electronic Clearing Service
EGM.....	Extraordinary General Meeting of the shareholders of our Company
ENAM.....	Enam Securities Private Limited
EPS.....	Earnings per share, i.e., profit after tax for a fiscal year divided by the weighted average number of equity shares during the fiscal year
FBT.....	Fringe Benefit Tax
FCNR Account.....	Foreign Currency Non-Resident Account established in accordance with the FEMA
FDI.....	Foreign direct investment
FEMA.....	The Foreign Exchange Management Act, 1999, together with rules and regulations thereunder and amendments thereto
FIIIs.....	Foreign Institutional Investors (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended from time to time) registered with the SEBI
Financial Year/Fiscal/FY.....	Period of twelve months ended March 31 of that particular year
FIPB.....	Foreign Investment Promotion Board
FVCI.....	Foreign Venture Capital Investors (as defined under the SEBI (Foreign Venture Capital Investors) Regulations, 2000, as amended from time to time) registered with the SEBI
GBP.....	Great Britain Pound
GoI or Government.....	Government of India
HP.....	Horse Power
HUF.....	Hindu Undivided Family
HVAC.....	Heating, Ventilation and Air Conditioning
IAS.....	Indian Administrative Services
ICAI.....	The Institute of Chartered Accountants of India
IFRS.....	International Financial Reporting Standards
IPO.....	Initial Public Offering (i.e. the Issue)
I-SEC.....	ICICI Securities Limited
IT.....	Income Tax
IT Act.....	Income Tax Act, 1961, as amended from time to time
ITAT.....	Income Tax Appellate Tribunal
Indian GAAP.....	Generally Accepted Accounting Principles in India
km.....	Kilometre
kv.....	Kilovolt
KMCC.....	Kotak Mahindra Capital Company Limited
LIBOR.....	London Inter-Bank Offered Rate
LIC.....	Life Insurance Corporation
MAT.....	Minimum Alternate Tax
MoU.....	Memorandum of Understanding
MW.....	Mega Watt
N/A or N.A.	Not Applicable
NEFT.....	National Electronic Funds Transfer
NOC.....	No Objection Certificate
NRE Account.....	Non-Resident External Account established in accordance with the FEMA
NRO Account.....	Non-Resident Ordinary Account established in accordance with the FEMA

<u>Term</u>	<u>Description</u>
NSDL.....	National Securities Depository Limited
NSE.....	National Stock Exchange of India Limited
OCB/Overseas Corporate Body.....	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts in which not less than 60% of the beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 3, 2003 and immediately before such date was eligible to undertake transactions pursuant to the general permission granted to OCBs under the FEMA. OCBs are not allowed to invest in this Issue
ODI.....	Overseas Direct Investment
OHSAS.....	Operational Health and Safety
PAN	Permanent Account Number allotted under the IT Act
Pty.....	Proprietary
RBI.....	The Reserve Bank of India
RBI Act.....	Reserve Bank of India Act, 1934, as amended from time to time
RoC.....	The Registrar of Companies, NCT of Delhi and Haryana
Rs.	Indian Rupees
RTGS.....	Real Time Gross Settlement
SCOPE.....	Standing Committee on Public Enterprises
SCRR.....	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI Act.....	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI Guidelines.....	SEBI (Disclosure and Investor Protection) Guidelines, 2000, as amended from time to time
SEBI Insider Trading Regulations.	SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time
SPV.....	Special Purpose Vehicle
STT	Securities Transaction Tax
Takeover Code	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended from time to time
TDS.....	Tax Deducted At Source
UNCITRAL.....	United Nations Commission on International Trade Law
US or U.S.	United States of America
US\$ or USD.....	U.S. Dollar
US GAAP.....	United States Generally Accepted Accounting Principles
VAT.....	Value Added Tax
W.e.f.....	With effect from

Technical and Industry-Related Terms and References to Other Business Entities

<u>Term</u>	<u>Description</u>
AAI.....	Airports Authority of India
AD.....	Authorised Dealer
ADB.....	Asian Development Bank
APDRP.....	Accelerated Power Development and Reform Program
ARDS.....	Afghanistan Reconstruction and Development Services-Procurement Unit, Government of Afghanistan
BAAR.....	Baghdad Al-Quaim Akashat Railways, Iraq
BLT.....	Build-Lease-Transfer
BOT.....	Build-Own-Transfer

Term	Description
BOOT.....	Build-Own-Operate-Transfer
BRTS.....	Bus Rapid Transport System
CDA.....	Central Dearness Allowance
CONCOR.....	Container Corporation of India Limited
CSEB.....	Chattisgarh State Electricity Board
Consulting Engineers.....	Consulting Engineers Services (India) Private Limited
DMRC.....	Delhi Metro Rail Corporation
DMU.....	Diesel Multiple Unit
DPE.....	Department of Public Enterprises
DPR.....	Detailed Project Report
DFC.....	Dedicated Freight Corridor
Dry lease.....	lease not including maintenance services in relation to rolling stock
EEFC Account.....	Exchange Earners Foreign Currency Account
EEPC.....	Engineering Export Promotion Council
EPC.....	Engineering Procurement Construction
FIEO.....	Federation of Indian Export Organisations
GoT.....	Government of the United Republic of Tanzania
HUDA.....	Haryana Urban Development Authority
IDA.....	Industrial Dearness Allowance
IDFC.....	Infrastructure Development Finance Company Limited
IFC.....	International Finance Corporation
IOCL.....	Indian Oil Corporation Limited
IRCON.....	IRCON International Limited
IRFC.....	Indian Railway Finance Corporation Limited
ISO.....	International Standards Organisation
ITEC.....	Indian Technical and Economic Cooperation Programme
JNNURM.....	Jawaharlal Nehru National Urban Renewal Mission
MGR.....	Merry Go Round
MoR.....	Ministry of Railways, GoI
MRTS.....	Mass Rapid Transit System
NALCO.....	National Aluminium Company Limited
NH.....	National Highway
NHAI.....	National Highway Authority of India
PFCL.....	Power Finance Corporation Limited
PICUP.....	Pradeshya Industrial and Investment Corporation of Uttar Pradesh Limited
PMC.....	Project Management Consultancy
PPP.....	Public Private Participation
PWD.....	Public Works Department
RAHCO.....	Reli Assets Holding Company Limited, Tanzania
RDSO.....	Research Designs and Standards Organisation
Rolling stock.....	a collective term that describes all vehicles that move on a railway, including both powered and un-powered vehicles such as locomotives, railroad cars, coaches and wagons
SAIL.....	Steel Authority of India Limited
SAGECI.....	Societe Anonyme Generale d'Etude de Commerce et L'Investment, Burkina Faso
SCAAP.....	Special Commonwealth Assistance for Africa Programme
SCADA.....	Supervisory Control and Data Acquisition systems
SREI.....	SREI Infrastructure Finance Limited
Wet lease.....	lease including maintenance services in relation to leased rolling stock
WOS.....	wholly owned subsidiary

CERTAIN CONVENTIONS, USE OF FINANCIAL INFORMATION, MARKET DATA AND CURRENCY OF PRESENTATION

Certain Conventions

All references in this Draft Red Herring Prospectus to "**India**" are to the Republic of India. All references in this Draft Red Herring Prospectus to the "**US**", "**USA**" or "**United States**" are to the United States of America.

Financial Data

Unless indicated otherwise, the financial data in this Draft Red Herring Prospectus is derived from our restated financial statements prepared in accordance with Indian GAAP and SEBI Guidelines which are included in this Draft Red Herring Prospectus in "**Financial Statements**" on page 117. Our fiscal year commences on April 1 and ends on March 31, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. Unless otherwise stated, all figures have been rounded off to the second decimal point. In this Draft Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

Currency of Presentation

All references to "**Rupees**" or "**Rs.**" are to Indian Rupees, the official currency of the Republic of India. All references to "**US\$**" are to United States Dollars, the official currency of the United States of America. All references to "**GBP**" are to Great Britain Pounds, the official currency of the United Kingdom. References to "**Pula**" are to the official currency of Botswana, references to "**TSH**" are to the official currency of Tanzania and references to "**MZN**" and "**MZM**" are to the official currency of Mozambique.

Industry and Market Data

Unless stated otherwise, industry data and market data used throughout this Draft Red Herring Prospectus has been obtained from publicly available documents prepared by various sources including officially prepared materials from the GoI and its various ministries and various multilateral institutions.

Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry data used in this Draft Red Herring Prospectus is reliable, it has not been verified by any independent sources. The data used in these sources may be reclassified by us for purposes of presentation. Data from various market sources may not be comparable. The extent to which the market and industry data is presented in this Draft Red Herring Prospectus is meaningful depends upon the reader's familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the industry in which we conduct our business, and methodologies and assumptions may vary widely among different market and industry sources.

Exchange Rates

Except as otherwise stated, the exchange rates of the respective foreign currencies as on the respective dates, are as under:

US\$

The exchange rates of US\$, based on the telegraphic transfer buy rate, as at the dates mentioned are as under:

Currency	Exchange rate into (Rs.)
December 31, 2007	39.435
March 31, 2007	43.441
March 31, 2006	44.617
March 31, 2005	43.790

Pula

The exchange rates of Pulas, at the dates mentioned herein, for the last three Fiscals are as under:

Currency	Exchange rate into (Rs.)
September 30, 2007	6.6796
March 31, 2007	7.11550
March 31, 2006	8.38730
March 31, 2005	9.48930

(Source: www.oanda.com)

MZN/ MZM

1 MZN = 1,000 MZM

The exchange rates of MZM, as at the dates mentioned herein, for the last three financial years are as under:

Currency	Exchange rate into (Rs.)
September 30, 2007	0.00155
December 31, 2007	0.00167
December 31, 2006	0.00175
December 31, 2005	0.00191

(Source: www.oanda.com)

Exchange rates for the Tanzanian Shilling (“TSH”) have not been provided as our subsidiary in Tanzania, TRL, was incorporated in Fiscal 2008, and therefore, audited financial statements of TRL for Fiscals 2005, 2006 and 2007 are not available.

FORWARD-LOOKING STATEMENTS

We have included statements in this Draft Red Herring Prospectus which contain words or phrases such as “will”, “aim”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “project”, “should”, and similar expressions or variations of such expressions, that are “forward-looking statements”. Similarly statements which describe our strategies, objectives, plans or goals are also forward-looking statements.

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to:

- changes in the policies of, or the support we receive from, the GoI;
- changes in the support our clients receive from various multilateral and bilateral agencies;
- foreign currency fluctuations;
- government and regulatory developments, including any changes in applicable tax rates, that may affect our business or our industry;
- general economic, business and political conditions in the Indian or international transport infrastructure sector or the Indian economy;
- possible contingent liabilities and uninsured losses;
- the outcome of legal proceedings in which we are or might become involved;
- our ability to compete effectively;
- our dependence on key management employees and other qualified personnel;
- our ability to obtain, renew or comply with regulatory licenses;
- our ability to anticipate trends in our current business lines and respond suitably; and
- our ability to implement our strategy and manage our growth effectively.

For further discussion of factors that could cause our actual results to differ, see “**Risk Factors**” on page xii. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company, nor the Selling Shareholder, our Directors, nor the members of the Syndicate, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company, the Selling Shareholder and the BRLMs will ensure that investors in India are informed of material developments until the grant of trading permission by the Stock Exchanges for the Equity Shares Allotted pursuant to the Issue.

SECTION II - RISK FACTORS

An investment in equity securities involves a high degree of risk. If any one or some combinations of the following risks were to occur, our business, results of operations and financial conditions could suffer, and the price of the Equity Shares and the value of your investments in the Equity Shares could decline. You should carefully consider all of the information in this Draft Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. To obtain a complete understanding, you should read this section in conjunction with “Our Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 59 and 213 respectively, as well as the other financial and statistical information contained in this Draft Red Herring Prospectus. Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to quantify the financial or other implications of any of the risks mentioned herein.

Internal Risk Factors

1. ***Our operations have been typically dependent on government entities or agencies. If one or more such clients cancel, decrease work or defer the contracts awarded to us, it may adversely impact our revenues and profitability.***

Typically, many of our clients in India and abroad are government agencies. A large portion of our revenues comes from leasing and export of rolling stock to certain countries in Africa and Asia. In addition, the domestic operations of our airports division depend on the Airport Authority of India (“AAI”) and government agencies; the domestic operations of our highway division are significantly dependent on the National Highways Authority of India (“NHAI”) and Public Works Department (“PWD”); and our quality assurance division derives approximately 45% of its income from the Indian Railways. If one or more such clients cancel, decrease work or defer the contracts awarded to us, our business and financial condition may be adversely affected. Further, there may be delays associated with collection of payments or receivables from government owned or controlled entities. Further, our leasing operations involve working capital requirements and delayed collection of receivables may adversely affect our liquidity and results of operations.

2. ***As part of our growth strategy, we undertake some of our projects in joint ventures with third parties which may not always be successful.***

We have entered into joint ventures with certain entities for our operations including our concession operations. Investments through joint ventures may, under certain circumstances, involve risks as joint venture partners may fail to meet their financial, commercial or other obligations in respect of the joint venture. If our joint venture partner fails to perform its obligations satisfactorily, we may have to make additional investments and/ or provide additional services to ensure the adequate performance and delivery of contracted services. In addition, joint venture partners may have business interests or goals that differ from our or our shareholders’ business interests or goals. Any disputes that may arise between us and our joint venture partners may cause delays, suspension or abandonment of the project. In the event we are not satisfied with services being provided by our existing partners, we may be unable to identify suitable alternative partners. Further, under our existing joint venture arrangements, our partners have the right to terminate such joint ventures in the event of breach of any of our contractual obligations.

As a part of growth strategy, we intend to continue to pursue partnership opportunities in India and abroad to enhance our technical expertise and geographic coverage. There is a possibility that we may not be able to identify suitable partners or we may not complete transactions on terms commercially acceptable to us, or at all. The inability to identify

suitable partners or the inability to complete such transactions may adversely affect our competitiveness or our growth prospects.

We could also have difficulty in integrating the acquired services or technologies into our operations. We may also be subject to additional regulatory constraints if we decide to acquire or invest in companies abroad. Further, we may have to incur debt to fund any expansion plans. We cannot assure you that we will be able to successfully form such alliances and ventures or realize the anticipated benefits of such alliances and joint ventures. Any unforeseen costs or losses can adversely affect our business, profitability and financial position, or could harm our reputation and goodwill in the event a project is not completed to the satisfaction of our clients.

3. *Some of our projects require substantial capital outlay and time before any benefits or returns on investments are realized and our ability to successfully recover our costs on a timely basis are dependent on a number of factors.*

Certain projects we are currently involved in, such as railway concessioning projects, typically involve long gestation periods and require substantial capital outlay before they begin generating significant returns on investment. In addition, we are exploring possibilities of entering into Build-Operate-Transfer (“BOT”), Build-Own-Operate-Transfer (“BOOT”) and high value Engineering Procurement Construction (“EPC”) contracts, particularly in the highways sector. The time and costs required to complete such projects may be subject to increases on account of factors such as price escalation, funding constraints, shortage of materials, equipment, technical skills or labour, adverse weather conditions, natural disasters, labour disputes, disputes with contractors, accidents, changes in government priorities and policies, changes in market conditions, delays in obtaining requisite approvals from the relevant authorities or other unforeseeable circumstances. Any of these factors may delay or prevent completion of our projects and may lead to unforeseen increases in capital expenditure. There can be no assurance that we shall be able to recover our costs on a timely basis or at all, or earn profits on such projects, which may in turn adversely affect our business and financial condition.

4. *The concessions being operated by our joint venture CCFB and subsidiary TRL in Mozambique and Tanzania, respectively, are subject to certain inherent risks.*

The operations of our joint venture CCFB and our subsidiary TRL are subject to a number of risks generally associated with railway operations, including derailments, accidents, explosions, fires, floods, earthquakes and other natural disasters, fuel theft, failures or substandard performance of equipment, improper installation or operation of equipment, acts of terrorism, operational problems and labour disturbances. These risks can cause personal injury and loss of life and damage to, or destruction of, property and equipment, and may result in the limitation or interruption of our business and the imposition of civil or criminal liabilities. We, therefore, cannot assure you that such concession operations will be as profitable as may have been initially anticipated.

Whilst, our concessions in Tanzania and Mozambique have insurance either through a self insurance sinking fund or insurance cover including comprehensive assets insurance, freight liability, employers’ liability, third party liability, business interruption and accidental pollution and contamination, if losses exceed such insurance coverage or if CCFB or TRL face claims in relation to risks against which they are not currently insured, our results of operations, financial condition or reputation and goodwill among clients may be adversely affected.

5. ***The concessions being operated by our joint venture CCFB and subsidiary TRL in Mozambique and Tanzania may be subject to premature termination in certain circumstances.***

Our concession agreements may be terminated prematurely in certain events. For instance, our concession agreement with the Government of Colombia was terminated prematurely as the Government of Colombia wanted to involve the coal mining companies in the railway operation so as to improve coordination of coal movement. Further, while our existing concession agreements in Tanzania and Mozambique are for an initial period of 25 years, they may be terminated prematurely by mutual consent, or by the respective concessioning authorities in the event they assert material breach by us under such contracts which is not cured within the stipulated period, or due to dispute on tariffs or in the event of changes in government policy. We cannot assure you that our concession agreements will continue till the full term of the agreements.

6. ***Our deployment of the Net Proceeds of the Fresh Issue are based on management estimates and have not been independently appraised.***

We intend to use the Net Proceeds of the Fresh Issue to, *inter alia*, purchase rolling stock for the purposes of leasing and to finance investment in BOT and BOOT projects. The objects of the Issue have not been appraised by any bank or other financial institution. Additionally, our estimates for purchase of rolling stock or costs of purchase of capital spares and construction of maintenance facilities for leasing contracts, have been based on management estimates which may have to be revised and may result in a change in our funding requirements. Furthermore, while we are currently exploring possibilities of entering into BOT and BOOT projects through investment and otherwise, we have yet to enter into any definitive arrangements to finance BOT and BOOT projects as on date. To the extent actual costs diverge from our estimates, we may have to reschedule or reallocate our proposed utilisation of the Net Proceeds of the Fresh Issue. For details, see “*Objects of the Issue*” on page 30.

7. ***Our deployment of the Net Proceeds of the Issue may, in certain cases, be contingent on the occurrence of certain related events.***

A part of the Net Proceeds of the Fresh Issue are intended to be used to procure rolling stock for leasing to our subsidiary TRL and our joint venture CCFB, based on the existing and future requirements of TRL and CCFB. TRL and CCFB will invite tenders for lease of the required rolling stock, for which we intend to bid. Under the concession agreements in Tanzania and Mozambique, our Company or our affiliates are eligible to bid for any procurement and receive a price preference of 15% of the lowest acceptable bid, with respect to tenders submitted by us, vis-à-vis other suppliers of locomotives and related equipment. Notwithstanding the existence of such price preference, we cannot assure you that we shall be the successful bidder. In addition, CCFB’s requirement for such rolling stock is contingent on grant of mining rights by the Government of Mozambique to the coal mining companies that are CCFB’s clients. Therefore, the proposed deployment of the Net Proceeds of the Fresh Issue may be subject to revision based on the timing and scale of contracts awarded to us by TRL and CCFB under these concessions.

In addition, one of the Objects of the Issue is to construct a design and training centre in Gurgaon, for which we have already acquired land on a freehold basis, through an allotment letter dated August 29, 2006 from the Haryana Urban Development Authority (“HUDA”). As per the terms of this allotment letter, the construction of the said plot is required to be completed within two years of the date of offer of possession. In the event we are unable to complete the construction within this time, or to obtain an extension of

the stipulated time, HUDA may allege a breach in the conditions of the allotment, which may result in a termination of the lease.

In this relation, see “*Objects of the Issue- (d) Setting up of a design and training centre*” on page 33.

8. ***We may be subject to continuing obligations under our project contracts, in instances where our joint venture arrangements may have expired or may have been terminated by us.***

While our joint venture arrangements are typically valid for the duration of the project contract, there may be instances where the term of such joint venture arrangements have expired prior to completion of the project or we may have terminated the arrangement, prior to completion of the project. In such instances, we cannot assure you that our joint venture partners will continue to fulfil their contractual obligations in relation to such projects and that we will be able to recover their share of costs and satisfactorily conclude such projects without their support. Further, in the event our existing joint venture partners are replaced by new partners, there can be no assurance that the new partners will fulfil the contractual obligations. In addition, we may be required to institute legal proceedings against our joint venture partners in such cases and may have to incur additional costs which may adversely affect our business and financial condition.

9. ***Our export business may be affected by non availability or a reduction in the existing line of credit given to certain countries by the GoI and other funding agencies.***

Certain countries in Africa and Asia meet the expenditure incurred in procurement of rolling stock, through a line of credit given by the GoI and funding agencies such as the World Bank and Asian Development Bank (“ADB”). A part of our business may therefore depend on the continuation of this assistance to such countries, the impact of which cannot be presently quantified. In the event there is a change in the policies of the GoI or the funding agencies and the line of credit is withdrawn or reduced, our business and operations may be adversely affected.

10. ***Delays or defaults in payments from our clients could result in a reduction of our profits.***

From time to time, we are required to commit resources in connection with our projects prior to receiving advances or other payments from our clients in amounts sufficient to cover expenditures on projects as they are incurred. We may therefore be subject to working capital shortages due to delays or defaults in client payments. Moreover, we have in the past experienced delay in recovery of payments from certain clients, on account of problems including unforeseen economic difficulties faced by them. If clients default in their payments on a project to which we have devoted significant resources or if a project in which we have invested significant resources is delayed or cancelled, it could have a material adverse effect on our business, financial condition and results of operations.

As per our restated standalone financial statements, sundry debtors, after provisions, for Fiscal 2007 and the nine months ended December 31, 2007, were Rs. 153.70 crore and Rs. 136.39 crore respectively, which constitutes 29% and 34.52%, respectively, of our operating turnover for the corresponding fiscal periods. If our sundry debtors are unable to pay their dues on time or at all, our results of operations will be adversely affected to that extent. For instance, we are yet to receive US\$ 2.46 crore, equivalent to Rs. 96.57 crore as on December 31, 2007, due to us for the operation and maintenance of a railway project in Iraq. In Fiscal 2003, GoI had notified its decision to issue bonds to our Company for the balance due amounting to US\$ 2.46 crore in respect of BAAR Project,

Iraq in equivalent Indian rupees. Subsequently, on March 28, 2008, the MoR issued a letter to our Company stating that the balance amount of Rs. 117.75 crore payable to our Company, shall be paid in cash in Fiscal 2009. In addition, our Company shall be entitled to interest at the rate of 8.75% per annum on this amount, w.e.f. October 1, 2001.

11. *We are subject to inherent risks associated with external contractors being involved in our projects.*

Our contracts typically require us to enter into certain commercial and performance obligations with our clients, the performance of which in turn may be dependent on third parties. We may not be able to pass such certain commercial and performance obligations to executing agencies, which may increase our expenditure in relation to such contracts, or which may result in our being unable to complete our contracts in time or to the satisfaction of our clients.

For instance, many of our projects may depend on the availability of competent external contractors for construction, delivery and commissioning, as well as the supply and testing of equipment. Any inadequacy or delay in services of our contractors may result in incremental costs and time overruns which in turn may adversely affect our projects and expansion plans. Further, while our contractors furnish us with performance guarantees, we cannot assure you that we would always be able to enforce such performance guarantees from these contractors. In addition, there is a huge demand for construction companies in India at present and our ability to hire competent contractors may therefore be limited as we may not be able to identify or retain competent contractors, or ensure execution on a timely or cost-effective basis. Further, the rolling stock leased or exported by us, and the related equipment and spares etc. that may be required in this connection, are not manufactured by us. We may therefore be unable to supply or adequately service the procurement contracts awarded by any clients, including our subsidiary TRL or our joint venture CCFB, due to risks associated with our reliance on external contractors.

In the event any of the above risks occur, execution of our projects or contracts may be delayed and our returns on such projects or contracts may be affected, or it could harm our reputation and goodwill in the event a project or contract is not completed to the satisfaction of our clients.

12. *Our proposed investments in BOT, BOOT and concession projects may subject us to certain inherent risks.*

We are currently exploring possibilities of entering into definitive agreements to participate in BOT or BOOT tenders being invited for the highway sectors in particular and other sectors in general. We plan to finance such projects from the Net Proceeds of the Fresh Issue.

The risks associated with undertaking BOT or BOOT projects can include inherent risks involved in forecasting at the bid stage, the revenues to be derived from the use of the constructed facility, and the risk of extended exposure to fluctuating economic conditions. The profitability of our concession projects and any highway project built on BOT or BOOT basis will depend on the volume of traffic. Any disruption in traffic flow due to labour or industrial unrest, environmental conditions or other unforeseeable factors can affect the profitability of our projects. BOT and BOOT projects may also involve additional compliance costs associated with labour and environmental regulations.

Reduced profitability or losses from BOT or BOOT projects that do not perform as per our forecast could have an adverse effect on our results of operations. Any inability to successfully handle construction or operation related risks inherent in BOT or BOOT

projects, or any adverse changes in government policies may adversely affect our business.

Further, the BOT or BOOT contracts and EPC contracts we may enter into in the future, may require us to provide our services for a fixed price. Any failure to accurately estimate the time, cost and resource deployment, or any failure to complete our contractual obligations within the time frame committed, or at all, or any regulatory changes or changes in economic conditions may adversely affect our revenues and profitability, as we would be unable to set off any such cost overruns under our fixed price contracts.

13. *Material changes in the regulations that govern us and our clients could cause our business to suffer and the price of our Equity Shares to decline.*

The GoI regulates many aspects of our business in India. Some of our activities are subject to supervision and regulation by statutory authorities including the RBI. For instance, the Foreign Exchange Management Act, 1999 (“**FEMA**”), as amended, imposes certain restrictions on capital account transactions by Indian companies. Additionally, our clients and businesses abroad are subject to supervision and regulation by the governments of those countries as well as by the financing agencies like World Bank, Asian Development Bank and the International Finance Corporation (“**IFC**”).

The regulatory structure, including applicable tax rates, under which we operate could constrain our flexibility to respond to market conditions, competition or changes in our cost structure, and thereby adversely affect our business of consultancy, export, leasing and concessioning. Among other regulatory risks, the GoI may withdraw the benefits available due to our classification as an export agency, or foreign governments may not grant or renew work permits for our employees to work in various projects abroad. We also may be subject to additional compliance costs in connection with our proposed entry into the BOT business, which may involve obtaining environmental, labour or other regulatory registrations and approvals.

Any adverse change in the regulations governing us or our clients, or in accounting principles applicable to us, could adversely affect our business and our future financial performance, or could harm our reputation and goodwill.

14. *The recommendations of the Sixth Pay Commission and the Pay Committee will increase our expenses, which could adversely affect our financial condition in the years of implementation.*

The sixth pay commission report in respect of central government employees, as well as the recommendation of the Pay Committee for public sector employees, which are both expected in Fiscal 2009, are likely to lead to an increase in the salaries of our employees. The salary increases are expected to be effective from January 2006 for employees on Central Dearness Allowance (“**CDA**”) pattern, and from January 2007 for other employees employed on Industrial Dearness Allowance (“**IDA**”) pattern, which will result in a reduction in our profits since our employees would have to be paid arrears. This could adversely affect our financial condition in the year of implementation or for a short period thereafter, till we are able to factor the same into our pricing. Additionally, we may have to increase the cost of our services in order to offset the effect of increased salaries on our financial condition, which may in turn adversely affect our competitive efficiencies and may result in loss of business.

15. *Loans given to our subsidiaries or joint ventures may be affected by changes in interest and exchange rates.*

Under our existing arrangements with our subsidiary TRL or our joint venture CCFB, we may provide unsecured loans to them from time to time. Loans to foreign subsidiaries or joint ventures would be denominated in foreign currencies. For instance, with the objective of implementing the concession for the Beira rail corridor system, our Company has on December 12, 2004 granted a loan of US\$ 0.38 crore to CCFB, which is denominated in US\$ and where the interest rate is linked to the London Inter-Bank Offered Rate (“LIBOR”). In the event there is a decline in the LIBOR, our margins may be adversely affected. Further, in the event there is an appreciation in the value of the Rupee against the US\$, there will be depreciation in the value of such loans, which would adversely affect our profitability. Further, we may grant such loans to our subsidiaries or joint ventures in future, where interest rates may be lower than existing market rates prevalent at the time of grant of the loan.

16. *A successful assertion of any claim on account of defect or failure in products or services offered by us could result in substantial costs or adverse publicity against us.*

Any failure on our part to render services as per client requirements or any defects in equipment which we sell or lease to our clients could result in a claim against us for damages, regardless of our responsibility for such a failure or defect. Although we attempt to limit our contractual liability for all damages, including consequential damages, in rendering our services, we cannot assure you that in case any claims for damages are made by our customers, the limitations on liability we provide for in our service contracts will be enforceable or sufficient to protect us from liability for damages. The successful assertion of any such claim could have a material adverse affect on our business and results of operations and could damage our reputation.

17. *Out of the Issue proceeds, only the Net Proceeds of the Fresh Issue will be available to us.*

The Issue is a combination of the Fresh Issue and the Offer for Sale and hence the Issue proceeds will be shared between the Selling Shareholder and us. The amount, net of Issue expenses, proportionate to the number of Equity Shares sold under the Offer for Sale will be remitted to the Selling Shareholder and the amount, net of Issue expenses, proportionate to the number of Equity Shares sold under the Fresh Issue would be available to us. Accordingly, we will not benefit from the entire proceeds of the Issue.

18. *Our project related cost and revenue estimates may vary as a result of which our business and financial condition may be adversely affected.*

Cost estimation for our projects is dependent on a number of factors. For instance, we rely on data estimates prepared by organisations for our projects. While we are experienced in reasonably estimating costs involved for various projects, at times it may be possible that the organisation collecting data to prepare cost estimates did not take into account certain factors while estimating costs for a particular project, which may increase costs at a later date. In addition, we may have taken up certain projects assuming a certain income based on traffic and volumes which may vary from our original estimates. Any adverse variance in the cost and revenue estimates may reduce our profitability which in turn may adversely affect our business and financial condition.

19. *Our insurance coverage may not be sufficient to cover all risks or losses. Further, we may not be able to recover any damages or indemnity due to us under our contracts.*

For export or leasing of locomotives, we maintain insurance against damage to our equipment in course of marine transit. Further, under our lease agreements, our clients are required to insure the leased assets and to indemnify us against any risks for the period of

such leases. In certain cases, we may need to obtain insurance for locomotives leased in Mozambique, for which we are subsequently reimbursed. We cannot assure you that our insurance arrangements will be sufficient to cover any material losses that may arise in connection with our business. If our losses exceed our insurance coverage or if we face claims in relation to risks against which we are not currently insured, our result of operations would be adversely affected. Moreover, some of our consultancy as well as export and leasing contracts contain a provision for payment of liquidated damages payable to us in the event of default or delay. We are subject to the risk that our clients may not have obtained adequate insurance, or that there may be a delay in receipt of any damages or indemnity that may be due to us.

20. *Some of our business activities may require our employees to travel to and work in perceived high security risk areas, which may result in employee death or injury, repatriation costs or other unforeseen costs.*

Some of our contracts may require our employees to travel and work in perceived high security risk areas. As a result, we may be subject to costs related to employee death or injury, repatriation or other unforeseen circumstances. In addition, we may also experience loss of equipment, machinery, spare parts which may result in a material adverse effect to our business and operations. Further, there may be instances where our Company may not be in a position to depute the required manpower with the requisite skill on account of reasons not within our control and we may have to incur additional expenses to find suitable manpower.

21. *If we are unable to adapt to technological changes, our business could suffer.*

Our future success will depend in part on our ability to respond to technological advances and emerging designs and developments especially in rolling stock technology. We may have to incur additional costs associated with licencing or developing new technology in order to remain competitive. We cannot assure you that we will be able to successfully obtain or implement new technologies effectively or adapt our systems to emerging industry standards or retain existing clients by matching their emerging demands.

If we are unable to adapt in a timely manner to changing market conditions, customer requirements or technological changes, our business, financial performance and the trading price of our Equity Shares could be adversely affected.

22. *We are dependent on the expertise of our senior management and key employees and the results of our operations may be adversely affected by our inability to replace our senior management and key employees who leave us.*

We are dependent on our senior management team for setting our strategic direction, and managing our operations and client relations, which are crucial to our success. Our ability to retain experienced employees as well as senior management will, in part, depend on our maintaining appropriate staff remuneration and incentive schemes. We cannot be sure that the remuneration and incentive schemes we have in place will be sufficient to retain the services of our senior management and key employees, since we are limited by government regulations regarding remuneration. In addition, we have many key employees who are on deputation from other ministries, and who may return to their parent organisation. The loss of, or inability to replace, any members of our senior management or other key employees may adversely affect our business, financial condition and results of operations and could cause the price of our Equity Shares to decline.

For details, see “**Our Management**” on page 98.

23. *Our success depends in large part upon our highly skilled professionals and our ability to attract and retain these personnel.*

Our ability to execute projects depends largely on our ability to attract, train, motivate and retain highly skilled engineers and transportation professionals, particularly as project managers and in other mid-level positions. We face a continuous challenge to recruit and retain a sufficient number of suitably skilled personnel, particularly as we continue to grow. There is significant competition for engineering, management and other skilled personnel in India, and it may be difficult to attract and retain the personnel we need in the future. If we cannot recruit and retain additional qualified personnel, our ability to bid on and obtain new projects will be impaired and our revenues may decline. In addition, we may not be able to expand our business effectively which may result in a material adverse effect on our business, financial condition and results of operations and could cause the price of our Equity Shares to decline.

24. *Our revenues and profits are difficult to predict and can vary significantly from quarter to quarter which could cause the price of our Equity Shares to fluctuate.*

Our operating results have varied in the past and may continue to vary significantly from quarter to quarter due to various reasons, including:

- pressures on our client's budgets and the proportion of consultancy services requirements that they outsource;
- unanticipated cancellations or deferrals of projects, or non-renewal or termination of contracts by our clients;
- delays in payment by clients or level of bad debts;
- changes in our pricing policies or those of our clients or those of our competitors;
- variations in the duration, size and scope of our projects;
- the respective proportions of business in India and abroad;
- the proportion of services we perform on a fixed-price or time-and-material basis;
- the effect of attrition, competition for skilled professionals and its effect on compensation costs, and the time required to train and productively utilize our new employees;
- obtaining required government or legal approvals for commencement or continuation of projects;
- unanticipated changes in regulatory policies in the jurisdictions in which we or our joint ventures operate; and
- synchronising availability of material and equipment to be exported, with the shipping dates and availability of the ship by the nominated shipping lines to export our product within the stipulated time period.

Therefore, we believe that period-to-period comparisons of the results of our operations may not necessarily be meaningful and should not be relied upon as an indication of our future performance. Further, a significant portion of our expenses, particularly those related to personnel and facilities are fixed in advance of any particular quarter. As a result, unanticipated variations in the number and timing of our projects may cause significant variations in our operating results in any particular quarter. It is possible that in the future some of our quarterly results of operations may be below the expectations of market analysts and our investors, which could lead to a corresponding decline in the price of our Equity Shares.

25. *A significant percentage of our revenues are denominated in US\$ and a significant percentage of our costs are denominated in Indian Rupees, so we face currency exchange risks.*

For the year ended March 31, 2007, and nine months ended December 31, 2007, we derived 54.70% and 50.95%, respectively, of our operating income, as income from overseas business. Such amounts are largely denominated in US\$. We expect that a significant proportion of our revenues will continue to be generated in foreign currencies and that a significant portion of our expenses will continue to be denominated in Indian Rupees. The exchange rate between the Rupee and the US\$ has changed substantially in recent years and may continue to fluctuate in the future. Consequently, our operating results have been and will continue to be impacted by fluctuations in the exchange rate between the Indian Rupee and the US\$. A significant appreciation of the rupee against the US\$ and other foreign currencies has the effect of reducing the rupee value of our foreign currency denominated revenues, thereby adversely affecting our results of operations.

26. *Our global operations expose us to international legal, tax and economic risks.*

We have offices in countries outside India and a significant number of our professionals are based overseas. As a result of our existing and expanding international operations, we are subject to risks inherent to establishing and conducting operations in international markets, including:

- cost and tax structures and cultural factors associated with managing and coordinating our global operations; and
- compliance with a wide range of regulatory requirements, foreign laws, including immigration, labour and tax laws, transfer pricing norms and applicability of the relevant double taxation avoidance agreements.

The risks stated above and the constantly changing dynamics of international markets which may be impinged with political risks, could have a material adverse effect on our business, financial condition and results of operations and could cause the price of our Equity Shares to decline.

27. *Our Company is involved in certain legal and regulatory proceedings that, if determined against us, could have an adverse impact on our financial condition and results of operations.*

There are certain outstanding legal proceedings against our Company pending at different levels of adjudication before various courts, tribunals, authorities and appellate bodies in India. Should any new development arise, such as a change in the Indian law or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements, which could increase our expenses and current liabilities. We can give no assurance that these legal proceedings will be decided in our favour. Any adverse decision may have a significant effect on our business, financial condition and results of operations.

Details of these proceedings are set forth below:

Nature of Proceeding	Number of proceedings	Claimed Amount (Rs. in Crore except as otherwise stated)
Income Tax Matters	11	75.36
Service Tax Matters	4	0.80
Commercial Tax Matters	1	0.17
Civil Suits	27	15.22 + US\$ 0.11 million
Arbitral Proceedings	24	273.71
Labour-related proceedings	28	-
Mediation	1	0.05

Nature of Proceeding	Number of proceedings	Claimed Amount (Rs. in Crore except as otherwise stated)
Statutory notices	19	20.57
Legal notices	3	0.52 + US\$ 0.10 million
Total	118	386.40 + US\$ 0.21 million

For further details, see “*Outstanding Litigation and Material Developments*” on page 240.

28. *Our Company is involved in certain legal proceedings in relation to the Jharkhand rural electrification project, with various parties, which could adversely affect our business and financial condition.*

Our Company is involved in certain legal proceedings, pending at different levels of adjudication before various authorities, that if determined against us may have a material adverse effect on our business and financial condition. For instance, our Company is currently involved in certain legal proceedings in relation to the Jharkhand rural electrification project, with the Jharkhand State Electricity Board (“**JSEB**”) and our Company’s contractors, Ramjee Power Construction Limited, Ranchi (“**RPCL**”) and Ramjee Structures Private Limited, Ranchi (“**RSPL**”). The aggregate claim against our Company by JSEB is Rs. 469.10 crore, while the aggregate claim against us by RPCL is Rs. 184.41 crore and the aggregate claim against us by RSPL is Rs. 0.01 crore. Our Company has also made counterclaims aggregating Rs. 226.50 crore and Rs. 644 crore against JSEB and RPCL, respectively, in these proceedings.

Our Company has initiated arbitral proceedings against JSEB, challenging JSEB’s termination of the turnkey contracts awarded by JSEB to our Company. Our Company has also claimed Rs. 226.50 crore, challenging termination of the contract and the encashment by JSEB of the bank guarantees aggregating Rs. 17.82 crore, submitted by our Company. JSEB has filed a counterclaim of Rs. 469.10 crore.

RPCL initiated an arbitral proceeding against our Company in 2005, claiming Rs. 184.41 crore from our Company, challenging termination of our contracts with RPCL on account of discrepancies in bank guarantees submitted by RPCL to our Company. Our Company has filed a counterclaim of Rs. 644 crore against RPCL. Our Company has also filed a separate arbitration petition in the Delhi High Court against RPCL. The Delhi High Court has issued interim orders directing attachment of RPCL’s bank accounts and restraining RPCL from selling its assets. A receiver has been appointed by the Subordinate Judge VII, Ranchi, on November 23, 2007. RPCL has filed an application under the Criminal Procedure Code, 1973 in the Delhi High Court in May 2006, against one official of our Company, for giving false affidavit while filing an arbitration petition on behalf of our Company against RPCL in the Delhi High Court in March 2006.

Further, Mr. Binod Kumar Srivastava filed a complaint on behalf of RSPL against our Company and four of our officials, before the First Class Chief Judicial Magistrate, Ranchi in 2006, claiming that our Company wrongly encashed bank guarantees of Rs. 0.01 crore submitted by RSPL against mobilisation advance, and alleging non-return of Rs. 3,000 and 3 mobile phones sets given to our Company.

Separately, our Company has in 2006, filed a money suit before the Sub-Judge-1, Ranchi, against Bank of India, challenging the bank’s refusal to honour our Company’s invocation of the 22 bank guarantees for an aggregate of Rs. 30.71 crore, submitted by RPCL. Our Company has also filed a special leave petition in the Jharkhand High Court on February 29, 2008, challenging dismissal of our Letters Patent Appeal, by the division bench of the

Jharkhand High Court on December 5, 2007, filed by our Company challenging the refusal of the Bank of India, Club Side Branch, Ranchi to honour our Company's invocation of the five bank guarantees for an aggregate amount of Rs. 2 crore, submitted by RPCL to our Company.

Subsequently, RPCL has, by letter dated February 18, 2008, approached our Company for an amicable solution for the various disputes between the parties. For further information, see "**Outstanding Litigation and Material Developments**" on page 240.

29. *As per our restated standalone financial statements, our Company may not have included certain contingent liabilities, the financial estimate of which cannot be quantified*

As of December 31, 2007, contingent liability not provided for appearing in our Company's restated standalone financial statements aggregated Rs. 877.15 crore. In addition, there are claims pending before various tribunals and courts, which were not provided for because the amount was indeterminate. In the event that any of these contingent liabilities materialise, our financial condition may be adversely affected. For details, see "**Financial Statements**" and "**Outstanding Litigation and Material Developments**" on pages 117 and 240, respectively.

30. *Our ability to pay dividends in the future will depend upon future earnings, financial condition, cash flows, working capital requirements and capital expenditures.*

The amount of our future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements and capital expenditures. There can be no assurance that we will be able to pay dividends.

31. *We will continue to be controlled by the GoI following the Issue, and our other shareholders will be unable to affect the outcome of shareholder voting.*

After the completion of this Issue, the GoI will own 72% of our paid-up capital. Consequently, the GoI, acting through the MoR, will continue to control us and will have the power to appoint and remove our Directors and therefore determine the outcome of most proposals for corporate action requiring approval of our Board of Directors or shareholders, such as proposed annual and other plans, revenue budgets, capital expenditures, dividend policy, transactions with other GoI-controlled companies or the assertion of claims against such companies and other public sector companies. In addition the GoI significantly influences our operations through its various departments and policies. In particular, given the importance of the railways to the economy, the GoI could require us to take actions designed to serve the public interest in India and not necessarily to maximize our profits. Furthermore, we may be subject to additional regulatory or other scrutiny associated with commercial transactions with government owned or controlled entities and agencies.

32. *Future sales of Equity Shares by the GoI and additional issuances of equity may dilute your holdings and could adversely affect the market price of our Equity Shares.*

If we do not have sufficient internal resources to fund our investment requirements or working capital needs in the future, we may need to raise funds through equity financing. Any future issuance of our Equity Shares may dilute the holdings of investors in our Equity Shares, which could adversely affect the market price of our Equity Shares. Additionally, sale of a large number of our Equity Shares by the GoI could adversely affect the market price of our Equity Shares. In addition, any perception by investors that such issuance or sales will occur could also affect the trading price of the Equity Shares.

33. *Our inability to follow our business or growth strategy could have an adverse impact on our results of operations.*

We have experienced high growth in recent years, particularly in our export business and expect our business to grow significantly. We expect this growth to place significant managerial or financial demands on us, which will require us to continuously evolve and improve our operational, financial and internal controls across the organization. In particular, continued expansion increases the challenges involved in:

- our ability to identify and take advantage of opportunities;
- preserving a uniform culture, values and work environment across our projects;
- maintaining high level of client satisfaction;
- recruiting, training and retraining sufficient skilled management, technical and marketing personnel; and
- developing and improving our internal administrative infrastructure, particularly our financial, operational, communications and other internal systems.

In the event that we are unable to implement our growth plans it could lead to delays and cost overruns and affect our results of operations.

34. *We do not have intellectual property rights over our corporate logo.*

We do not have a registered trademark over our corporate logo under the Trade Marks Act, 1999 and consequently do not enjoy the statutory protections accorded to a registered trademark. Any failure to protect our intellectual property rights may adversely affect our business.

35. *Our entire shareholding in our subsidiary TRL is required to be pledged to IFC as a condition of the financing arrangement for the Tanzania railway concession.*

The entire shareholdings of our Company as well as that of the Government of the United Republic of Tanzania (“GoT”) are required to be charged to IFC as a condition for financing of the Tanzania railway concessioning project. In addition, certain restrictive covenants have been stipulated under the loan agreement dated September 15, 2007, between IFC and TRL. For instance, TRL would require IFC’s prior consent for, *inter alia*, undertaking any merger, spin off, consolidation or reorganisation, incurring debt from any other lender, making any advances or deposits except in the ordinary course of business or declaring any dividends unless such payment is made 30 days after the interest payment date stipulated under the agreement or unless such payment is made after December 2011.

36. *We have entered into, and may continue to enter into, related party transactions.*

In addition to the loan granted by us to our joint venture, as mentioned above, we have in the course of our business entered into transactions with related parties that include our joint venture companies. For more information regarding our related party transactions, see “**Related Party Transactions**” on page 115. Further, our business is expected to involve transactions with such related parties, in the future.

37. *We require certain approvals or licenses in the ordinary course of business, and the failure to obtain and retain them in a timely manner or at all may adversely affect our operations.*

We require certain approvals and registrations for operating our business. If we fail to obtain or renew any of these approvals or registrations in a timely manner or at all, our

business may be adversely affected. Further, some of our approvals or registrations may subject us to onerous conditions or may entail related compliance costs. If we fail to comply with such conditions to the satisfaction of a regulator, our business, prospects, financial condition and results of operations would be materially adversely affected. For details, see “**Government and Other Approvals**” on page 267.

38. *Some of our immovable properties have certain deficiencies in title, as a result of which our operations may be impaired.*

We own or lease properties for the purposes of our offices (registered office, corporate office, regional and other offices) and for residential purposes for our employees. Some of these properties have one or more of the following irregularities in title:

- the conveyance deeds have not been executed;
- the conveyance deeds have not been registered in the land records maintained by the relevant authorities and are insufficiently stamped;
- the lease deeds have not been executed;
- the agreements to lease or lease deeds have not been registered in the land records maintained by the relevant authorities and are insufficiently stamped; and
- the lease deeds have expired and have not yet been renewed.

Our business may be adversely affected if we are unable to continue to utilize these premises and the other properties that suffer from deficiencies as set forth above.

39. *Our statutory auditors had qualified their audit report on our financial statements for fiscal 2007, 2006, 2005, 2004 and 2003. Further, the auditors of our subsidiary CCFB qualified their report for the year ended December 31, 2005 and for the period ended September 30, 2007.*

Our statutory auditors had qualified their report on our financial statements for fiscal 2007, 2006, 2005, 2004 and 2003. For details, see “**Financial Statements – Restated Standalone Financial Statements**” on page 117. As at December 31, 2007, there are no outstanding auditor’s qualifications.

Further, the auditors of our subsidiary CCFB qualified their report for the year ended December 31, 2005 and for the period ended September 30, 2007. For details, see “**Financial Statements – Restated Consolidated Financial Statements**” on page 162. These Restated Consolidated Financial Statements have been drawn after giving effect to these qualifications.

40. *One of our subsidiaries, RITES (AFRIKA), and one of our subsidiaries, CCFB, have registered losses in recent periods.*

One of our subsidiaries, RITES (AFRIKA), has registered a loss after tax in Fiscal 2005. Further, our joint venture company CCFB has registered a loss after tax in Fiscal 2005 and as of September 30, 2007. For details, see “**History and Certain Corporate Matters-Our Subsidiaries**” and “**-Our Joint venture Companies**” on pages 90 and 93, respectively.

External Risk Factors

We are an Indian company and most of our assets and customers are located in India and Africa. Consequently, our financial performance will be influenced by political, social and economic developments in India and Africa and in particular by the policies of the respective governments.

41. *We face competition for our business, which may adversely affect our business and profitability.*

We face competition from international companies for our export and leasing business. Some of our competitors may have access to greater technological and financial resources than those available to us, as a result of which, they may be more successful than us in bidding for these projects. Any failure on our part to compete effectively in terms of pricing of our products and services or providing quality products and services, could have a material adverse effect on our operations and financial condition.

Competition in our consultancy business is intense, both from domestic as well as from international players. In our consulting business, we face price competition from small companies with low overheads. In addition, many foreign companies apart from directly offering consultancy services in India, have collaborations with Indian companies to provide such services. There can be no assurance that we can continue to effectively compete with our competitors in the future, and our failure to compete effectively may have an adverse effect on our business, results of operations and financial condition.

42. *Growth in demand for consultancy in transport and infrastructure sectors depends on domestic and regional economic growth.*

The transport infrastructure industries are dependent on the level of domestic, regional and global economic growth, international trade and government spending. The rate of growth of India's economy and of the demand for infrastructure is very high now, but this may or may not be sustained for as long as we have anticipated. During periods of robust economic growth, demand for such services may grow at a rate as great as, or greater than, that of GDP. On the other hand, during periods of slow GDP growth, such demand may exhibit slow or even negative growth. There can be no assurance that future fluctuations of the economic or business cycle, or other events that could influence GDP growth, will not have a material adverse effect on our business, prospects, financial condition and results of operations.

43. *A slowdown in economic growth in India could adversely impact our business.*

Our performance and the growth of our business in India are necessarily dependent on the health of the Indian economy. India's economy could be affected by various factors including a general fluctuation in interest rates, weather conditions affecting agriculture, commodity and energy prices, or protectionist efforts in other countries. It is difficult to gauge the impact of these fundamental economic changes on our business. Any slowdown in the Indian economy, could adversely affect our business.

44. *Political instability could delay the liberalization of the Indian economy and adversely affect economic conditions in India generally, which could impact our financial statements and prospects.*

Since 1991, successive Indian governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. Nevertheless, the role of the Indian Central and State governments in the Indian economy as producers, consumers and regulators has remained significant. Although, the current government has announced policies and taken initiatives that support the economic liberalization policies that have been pursued by previous governments, the rate of economic liberalization could change, and specific laws and policies affecting investment in our securities could change as well. Any major change in government policies might affect the growth of Indian economy and thereby our growth prospects.

45. *You will not be able to immediately sell any of the Equity Shares you purchase in this Issue on the Stock Exchanges.*

Under the SEBI Guidelines, we are permitted to allot equity shares within 15 days of the closure of the public issue. Consequently, the Equity Shares you purchase in this Issue may not be credited to your book or demat account, with Depository Participants within 15 days of the closure of the public issue. You can start trading in the Equity Shares only after they have been credited to your demat account and listing and trading permissions are received from the Stock Exchanges. The Equity Shares will be listed on the NSE and the BSE. Pursuant to Indian regulations, certain actions must be completed before the Equity Shares can be listed and trading may commence. Investors' book entry, or "demat" accounts with depository participants in India are expected to be credited within two working days of the date on which the Designated Stock Exchange approves the basis of allotment. Thereafter, upon receipt of final approval of the stock exchanges, trading in the Equity Shares is expected to commence within seven working days of the date on which the Designated Stock Exchange approves the basis of allotment. There can be no assurance that the Equity Shares allocated earlier to investors will be credited to their demat accounts, or that trading will commence, within the time periods specified above.

46. *The price of our Equity Shares may be volatile, and you may be unable to resell your Equity Shares at or above the Issue Price, or at all.*

Prior to the Offer, there has been no public market for our Equity Shares, and an active trading market on the Indian Stock Exchanges may not develop or be sustained after the Issue. The Issue Price of the Equity Shares may bear no relationship to the market price of the Equity Shares after the Issue. Given the recent volatility in the Indian and global stock markets, we cannot assure you that the price of our price of our Equity Shares will remain stable. The market price of the Equity Shares after the Issue may be subject to significant fluctuations in response to, among other factors, variations in our operating results, market conditions specific to the infrastructure sector in India, developments relating to India and volatility in the BSE and the NSE and securities markets elsewhere in the world.

47. *There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect a shareholder's ability to sell, or the price at which it can sell, Equity Shares at a particular point in time.*

Following the Issue, we will be subject to a daily 'circuit breaker' imposed by all stock exchanges in India, which does not allow transactions beyond specified increases or decreases in the price of the Equity Shares. This circuit breaker operates independently of the index-based, market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on our circuit breakers will be set by the stock exchanges based on the historical volatility in the price and trading volume of the Equity Shares.

The stock exchanges will not inform us of the percentage limit of the circuit breaker in effect from time to time and may change it without our knowledge. This circuit breaker will limit the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, no assurance may be given regarding your ability to sell your Equity Shares or the price at which you may be able to sell your Equity Shares at any particular time.

Notes to Risk Factors:

- Public issue of 1,40,00,000 Equity Shares for cash at a price of Rs. [•] per Equity Share aggregating Rs. [•] crore comprising a Fresh Issue of 1,00,00,000 Equity Shares by our

Company and an Offer for Sale of 40,00,000 Equity Shares by the Selling Shareholder. The Issue would constitute 28% of the fully diluted post Issue paid-up capital of our Company.

- The net worth as of December 31, 2007 was Rs. 535.73 crore as per the restated standalone financial statements of our Company.
- Based on the Company's restated standalone financial statements, the book value per Equity Share based on the Company's net worth of Rs 535.73 crore as of December 31, 2007 was Rs. 133.93 per equity share. This book value per equity share is after considering the split in face value of equity shares from Rs. 100 to Rs. 10 and the issue of 3.60 crore bonus shares. For details, see "**Auditors' Report-Restated Standalone Financial Statements**" on page 117.
- The average cost of acquisition per Equity Share by the Promoter is Rs. 0.025.
- Investors are advised to refer to our financial statements relating to related party transactions in "**Financial Statements- Statement of Related Party Transactions**" on page 162.
- Investors may contact the BRLMs and the Compliance Officer, for any complaints, information or clarifications pertaining to the Issue.
- Investors are advised to refer to "**Basis for Issue Price**" on page 36.
- Under-subscription in the Issue, if any, in any category will be met with from other categories at the sole discretion of our Company and the Selling Shareholder, in consultation with the BRLMs. However, if the aggregate demand by mutual funds is less than 3,15,00 Equity Shares, the balance Equity Shares available for allocation in the mutual fund portion will first be added to the QIB portion and be allotted proportionately to the QIB Bidders.
- Except as disclosed in "**Capital Structure**" on page 24, neither the President of India who is our Promoter, nor our Directors have purchased or sold any Equity Shares, during a period of six months preceding the date on which this Draft Red Herring Prospectus is filed with SEBI.
- For details on our related party transactions, see "**Related Party Transactions**" on page 115.
- Except as disclosed in "**Our Management**" on page 98, none of our Directors or key managerial employees have any interest, other than reimbursement of expenses incurred or normal remuneration or benefits.
- Trading in Equity Shares for all investors shall be in dematerialized form only.

SECTION III - INTRODUCTION

SUMMARY

Overview

We are one of the leading companies in transport infrastructure consultancy, engineering and project management services, with operations in India and abroad. We were incorporated by the MoR and have the benefit of being associated with the Indian Railways, which is among the largest railway systems in the world under a single management. Since our inception in 1974, we have evolved from our origins of providing railway consultancy and inspection services and have developed expertise primarily in three distinct fields of business activities, namely, (a) consultancy in transport infrastructure; (b) leasing, export, maintenance and rehabilitation of rolling stock and export and rehabilitation of railway equipment; and (c) running of railway systems under concession agreements. We believe we enjoy a unique position of being the only company in India to offer such a diverse and wide portfolio of services in the transport infrastructure sector. We are also considering entering into BOT and BOOT projects in the future.

We believe we are the first Indian company to operate railway systems abroad on concession basis. We also believe that our services have been instrumental in getting the first ever ISO 9001:2000 certificate in Afghanistan for the ARDS.

Presently, we have over 600 ongoing projects in India, besides over 30 ongoing projects overseas. We have undertaken projects in over 50 countries, primarily in Africa, Latin America, the Middle East and Asia. Our domestic as well as overseas clients are typically national governments and public sector enterprises. We have carried out several projects funded by multilateral organisations including the World Bank and ADB.

In India, our clients include various Central and State government ministries, other government bodies, public sector undertakings including IRCON, Konkan Railway Corporation Limited, DMRC, IOCL, NTPC Limited, NALCO, Steel Authority of India Limited SAIL and NHAI as well as various private companies including Jindal Steel Limited.

Our multi disciplinary services in consultancy, project management, design and engineering, procurement, quality assurance, export, planning and development activities in the fields of transportation, infrastructure and related technologies have been certified as ISO 9001:2000 compliant by KEMA Quality B.V. of the Netherlands since June 2002.

We provide consultancy services in infrastructure sectors such as railways, urban transport, highways, ports and inland waterways, airports, power transmission and distribution, construction and architecture and ropeways. Our consultancy services include pre-project activities such as feasibility studies, preparation of DPRs, design engineering activities, facilities planning for rolling stock maintenance and workshop modernisation, procurement assistance consultancy, project management services, inspection and quality assurance.

We are engaged in export of locomotives, coaches, DMUs and other rolling stock as well as their spare parts to various countries and provide maintenance support for these assets to our clients abroad. We are a nominated agency to export rolling stock and components manufactured by the Indian Railways, excepting exports to Malaysia, Indonesia and Thailand. We undertake rehabilitation of rolling stock, railway bridges and railway equipment for our foreign clients. We also provide specialized training to our clients to enhance their technical skills and absorb new technologies and we have a dedicated training business unit for this purpose. In addition to these activities, we also offer rolling stock on lease to different countries.

We operate railway systems abroad on concession basis through our joint ventures or our subsidiaries. We have equity participation in such joint ventures and subsidiaries. Since October 1, 2007, our subsidiary TRL is managing the railway network previously being operated by the erstwhile Tanzania Railway Corporation in Tanzania. Our joint venture CCFB is operating the Beira Rail Corridor in Mozambique since December 10, 2004. From Fiscal 2000 to Fiscal 2006, we were a partner in the concession project of the Atlantic Railway Line in Colombia, South America, although we have subsequently divested from this project.

The following table shows the percentage contribution of each stream of revenue to our total income in Fiscals 2006 and 2007, and in the nine months ended December 31, 2007, on a restated standalone basis:

Business Segment	Fiscal 2006 (%)	Fiscal 2007 (%)	For the nine months ended December 31, 2007 (%)
Consultancy and Inspection fees	67.84	47.39	55.36
Export Sales	25.20	45.32	34.90
Lease Services	2.48	2.28	3.06
Other Income	4.48	5.01	6.68
Total	100	100	100

As a public sector undertaking, we have been accorded ‘Mini Ratna Grade-I’ status by the GoI by virtue of our operational efficiency and financial strength, which affords greater operational freedom and autonomy in decision-making and *inter alia*, permits our Board to:

- establish joint ventures and subsidiaries in India with equity investment limited to Rs. 500 crore in one project subject to maximum of 15% of net worth or 30% of net worth in all joint ventures and subsidiaries; and
- undertake works of capital nature not exceeding Rs. 500 crore or equal to the net worth of the Company, whichever is less.

On July 11, 2007, our Company was upgraded from a Schedule ‘B’ to Schedule ‘A’ company. In recognition of our performance and our consistent achievement of targets negotiated under the memorandum of understanding that we enter into with the MoR on an annual basis, the Ministry of Industry (Department of Public Enterprises) (“DPE”) has rated our performance as “Excellent” for 15 out of the 16 years since the MoU rating started in 1991-1992. We have also received MoU Awards from the Ministry of Heavy Industries and Public Enterprises for Fiscals 2002, 2003 and 2004.

Based on our restated standalone financial statements, our profit after tax has grown at a CAGR of 29.19% from Rs. 42.10 crore in Fiscal 2003 to Rs. 117.27 crore in Fiscal 2007. Our profit after tax for the nine months ended December 31, 2007 is Rs. 70.82 crore. Our total income has grown at a CAGR of 18.90% from Rs. 279.12 crore in Fiscal 2003 to Rs. 557.84 crore in Fiscal 2007. Our total income for the nine months ended December 31, 2007 is Rs. 423.22 crore. As on March 31, 2007, we had a net worth of Rs. 476.60 crore and Rs. 535.73 crore as on December 31, 2007.

Some of the prestigious assignments we are currently involved in include:

- preparing DPR for the 2,761 km long dedicated railway freight corridors (east and west);
- Total Transport Systems Study - A national-level perspective planning study in the transport sector covering all major modes of roadways, railways, airways and coastal shipping, for the Planning Commission, GoI;

- Feasibility study for development of four logistic parks for Indian Railways, at Nagpur, Durgapur, Ludhiana and Wapi;
- planning, designing, bid process management and construction management of three airports in Botswana;
- one of the transaction advisors to the Ministry of Finance, GoI for Public-Private Participation (“PPP”) projects;
- member of the consortium of general consultants for the Delhi and Bangalore metro railways; and
- one of the consultants to the Jawaharlal Nehru National Urban Renewal Mission (“JNNURM”) for urban planning and development, for the Ministry of Urban Development.

Strengths

1. Comprehensive range of services

We presently carry out our business operations in the following three distinct fields: (a) consultancy in transport infrastructure; (b) leasing, export, maintenance and rehabilitation of rolling stock as well as export and rehabilitation of railway equipment; and (c) running of railway systems under concession agreements. Over the years, we have developed into an organisation providing a comprehensive range of service offerings in order to address the varied and expanding requirements of our clients.

Our consultancy services include a wide spectrum of services such as feasibility studies, preparation of DPRs, design engineering activities involving equipment and structure design, facilities planning for rolling stock maintenance and workshop modernization, procurement consultancy, project management consultancy including independent consultant services, inspection, quality assurance services and commissioning of machinery and plant. We also undertake management and operation of complete railway systems abroad, using our experts from India and other staff from the client’s country.

Further, we are engaged in the business of leasing and exporting rolling stock and exporting railway related spare parts to various countries. We also undertake rehabilitation of rolling stock and railway equipment for our clients abroad. In addition we provide maintenance support for the leased or exported rolling stock.

We also operate railway systems abroad on concession basis through our joint ventures or our subsidiaries. Apart from being an equity partner in such concessions, we also provide managerial support and technical expertise to our joint ventures or subsidiaries operating these railway systems abroad. We are also exploring possibilities of entering into BOT and BOOT projects in future.

We believe that our comprehensive range of services help our clients achieve their business objectives and enables us to obtain additional business from existing clients as well as address a larger base of potential new clients. Further, we believe that our competence in providing a comprehensive range of services has resulted in our developing long-term relationships with a large number of clients in India as well as abroad.

2. *Diversified sector portfolio in infrastructure consultancy services*

We have developed our expertise over the years in providing consultancy services in a number of infrastructure sectors such as railways, urban transport, highways, ports and inland waterways, airports, power transmission and distribution, construction and architecture and ropeways.

Moreover, in all these sectors, we provide consultancy from concept to commissioning of the project, including feasibility studies, DPRs, project management, material procurement, quality assurance and commissioning supervision. We believe that this strength enables us to focus on sectors with growth potential while maintaining and improving our position in the market in which we are already established. We further believe that this diversity in our sector portfolio expertise differentiates us from our peers in the market.

3. *Technical expertise and specialised domain knowledge*

We believe we possess expert technical and specialised domain knowledge which enables us to meet our client's requirements. Over the last three decades, we have evolved from primarily being a railway related consultancy company to a multi-disciplinary company providing consultancy services across transport infrastructure sectors. We believe we have been able to achieve this on account of our ability to acquire and build upon our specialised domain knowledge including design capabilities and undertaking geotechnical investigations.

We place emphasis on enhancing our technical know-how through alliances with international technical and consulting companies including Geoconsult ZT GmbH, Austria, Pacific Consultants International of Japan, Parsons Brinckerhoff International Incorporated of USA, Louis Berger of USA, Systra of France, Tonichi Engineering Consultants Incorporated, Japan, and Japan Railway Technical Service of Japan. Such alliances enable us to enlarge the scope of opportunities for additional business. We believe that our technical expertise and wide presence also attracts potential partners to jointly pursue business opportunities in India and abroad, with us. In addition to this, with a view to further strengthen our domain knowledge, we also continuously focus on research and development activities and requisite training. For details of our research and development activities, see “***-Training, Research and Development***” on page 79. Also see “***Objects of the Issue- (d) Setting up of a design and training centre***” on page 33.

We believe that our alliances with various domestic and foreign partners and our endeavour to focus on research and development activities, enable us to enhance our technical expertise and thereby provide specialized services and solutions that meet the expectations of our clients and customers.

4. *Key position in GoI plans*

As a government company, we have been involved in the GoI's infrastructure plans since our inception and we believe we will continue to occupy a key position in the GoI's ongoing plans to develop the Indian infrastructure sector.

On account of our expertise, we have been associated with several high power committees/working groups of the GoI to formulate policies to develop the transportation infrastructure sector, including the Working Group on Roads for the 11th Five Year Plan, the working group on the Central Act for Metro Rapid Transit System (“**MRTS**”), the Safety Certification of MRTS, working group for preparing approach paper for urban

transport including MRTS and preparing the Perspective Plan – Vision 2020 for development of major ports in India, for the Ministry of Shipping and Transport.

We are a nominated agency of Indian Railways to supply railway products including locomotives, coaches and other equipment manufactured by the Indian Railways, to foreign countries, excepting exports to Malaysia, Indonesia and Thailand. We are also a nominated agency for inspection of material purchased by Indian Railways.

5. *Wide International Experience*

We have undertaken projects in over 50 countries in Africa, Latin America, the Middle East and Asia. Our work experience includes conducting techno-economic feasibility studies for laying new railway lines, construction supervision for railway lines and bridges, railway restructuring, operations improvement and manpower planning, modernisation and upgradation of workshops and maintenance facilities, total operation and management of railway networks, deployment of experts for management support, running of railway systems on concession, management support services for revamping railways, training of foreign railway personnel, rehabilitation of rolling stock, rehabilitation of railway bridges, export and leasing of rolling stock and planning, design and construction management of airports and highways. We therefore believe that we have successfully demonstrated our ability to understand our international clients' requirements and service them appropriately.

6. *Strong financial position*

Based on our restated standalone financial statements, our income from operations primarily consists of income from consultancy services; export, rehabilitation and maintenance of rolling stock, export and rehabilitation of railway equipment and export of spare parts; and leasing of rolling stock. Our profit after tax has grown at a CAGR of 29.19% from Rs. 42.10 crore in Fiscal 2003 to Rs. 117.27 crore in Fiscal 2007. Our profit after tax for the nine months ended December 31, 2007 is Rs. 70.82 crore. Our total income has grown at a CAGR of 18.90% from Rs. 279.12 crore in Fiscal 2003 to Rs. 557.84 crore in Fiscal 2007. Our total income for the nine months ended December 31, 2007 is Rs. 423.22 crore. As on March 31, 2007, we had a net worth of Rs. 476.60 crore and Rs. 535.73 crore as on December 31, 2007.

We have consistently made profits and paid dividend to the GoI, our shareholder, from the completion of our very first full year of operations. As on December 31, 2007, we have no outstanding borrowings. We believe that our financial position may enable us to pre-qualify for projects where financial parameters such as minimum net worth and profitability are stipulated as a pre-requisite for qualifying for the projects. Further, we believe that this sound financial position combined with our status as a government company, would enable us to obtain additional financing, if required, for our projects.

7. *Experienced and qualified management team and technical personnel*

Our Company is led by an experienced and a well-qualified management team. We believe that our management team plays an important role in formulating our business strategies, accounting procedures and internal control and policies, and has been instrumental in the growth of the Company's business.

We have an in-house team of expert civil, mechanical, electrical, geotech signal and telecom engineers, and specialists in transport and economics, environment engineering, information technology, finance and general management. In addition, being under the MoR gives us access to the technical manpower pool of Indian Railways. We are able to

field all categories of experts in railway projects, at short notice. We are also able to source the necessary manpower from other government ministries or departments, for sector-specific projects. We therefore have the required technical manpower to provide integrated solutions to the meet our clients' specifications. We also try to equip our personnel with the latest technologies in the industry through our alliances with various domestic and foreign partners and our focus on research and development activities.

Our Strategy

1. *Continue to build on our competencies in core infrastructure sectors while simultaneously expanding activities into a wider range of services*

Besides focusing on building our core competencies, we intend to continue expanding our range of service offerings in order to increase our business from our existing clients and to acquire new clients. Historically, we have expanded our service offerings to address new market opportunities arising in the infrastructure sectors.

Railways. We intend to expand our business in the railway sector from consultancy to other services including taking up turnkey projects for line capacity enhancement works for railway systems; comprehensive turnkey solutions for new greenfield projects being set up by the private sector for exploitation and transportation of bulk mineral commodities in India; complete multi-disciplinary operation and maintenance services; lease and sale of rolling stock to private domestic operators such as cement plants, steel plants, power plants, fertilizer companies and coal companies; participation in modernization of railway stations, which may include commercial development of property in the premises; and associating with private companies for PPP projects for manufacture of rolling stock for Indian Railways.

Urban Transport. We are contemplating entering into operation and maintenance contracts for the upcoming mass rapid transit systems, such as metro railway systems, light rail transport and monorail systems in metropolitan cities in India.

Roads sector. In addition to expanding the scope of design and project management services, we intend to undertake PPP, BOT and BOOT and EPC projects to meet the anticipated rise in PPP projects in this sector.

We propose to continually enhance the expertise of our human resource through dedicated training programmes in India and abroad. With a view to enhance our core competence in various product and process technologies, we intend to set up a design and training centre at Gurgaon, Haryana. See “***Objects of the Issue- (d) Setting up of a design and training centre***” on page 33.

2. *Consolidate and expand our international operations*

We intend to expand our international operations by consolidating our existing railway concessions business, which presently we are carrying out only in certain African countries. We intend to explore the possibility of expansion in this business, as and when such opportunities may arise. Further, we are actively expanding our business of rehabilitation of locomotives and wagons overseas. We are also planning to expand our existing range of products for export to international customers by developing different types of locomotives for export and leasing. In addition, we are also planning to undertake PMC and turnkey projects abroad.

3. *Expand our leasing operations*

With the resurgence of the railway sector in Africa and other developing nations, there has been an increasing demand for leasing of locomotives and other rolling stock. We are presently leasing rolling stock to our concession companies operating in Tanzania and Mozambique. We also lease our locomotives to another railway operator at Nacala in Mozambique. We also propose to lease rolling stock for the use of captive rail systems in India, primarily in the power and steel sectors. We intend to expand our leasing business in other countries, and intend to commence leasing business in India.

We have initiated formation of joint ventures with financial intermediaries for, *inter alia*, funding purchase of additional assets for our leasing operations. We may pursue such opportunities directly or through subsidiaries or joint ventures. In addition, we may also explore possibilities to create a special purpose vehicle, in India or abroad, to focus on the leasing business exclusively and facilitate financing of such operations.

4. *Advisory services for PPP projects.*

We are presently exploring possibilities of providing advisory services for government bodies, including appraising and monitoring PPP projects in all transport infrastructure segments, through collaboration with financial institutions; developing projects with government entities as partners; and equity investments or strategic alliances, for participation in projects. We propose to continue to enhance our service portfolio in line with future business opportunities.

5. *Leverage our experience in various infrastructure sectors to enter into new business opportunities arising from our existing businesses.*

Through our existing businesses, we intend to leverage our experience and explore the opportunity of entering into new business areas, either directly or through subsidiaries or joint ventures. For instance, we are contemplating venturing into allied infrastructure segments where we have concessioning businesses. In this regard, our joint venture entity CCFB has entered into MoUs with three coal mining companies to transport coal to Beira port. For details, see “*Objects of the Issue*” on page 30.

6. *Pursue collaborations for furtherance of business*

We seek to pursue collaborations to address specific industry opportunities to enhance our industry and technical expertise, grow our operations geographically and benefit from an expanded client base. Towards this end, we intend to actively pursue collaborations with internationally renowned companies for obtaining access to the latest technologies and newer markets. In furtherance of this strategy, we have already entered into a MoU with Geoconsult ZT GmbH to enhance our expertise in construction of railways in hilly areas and with DB International GmbH for modernisation of signaling system. We have also recently signed MoUs with Rashtriya Ispat Nigam Limited for design and implementation of the railway network expansion project; Infrastructure Development Finance Company Limited (“IDFC”) to jointly engage in identification of business opportunities and bidding for works and carry out the services relating thereto, if awarded; TransNamib Holdings Limited, Namibia for upgrading of fixed infrastructure and equipment, viz. railway lines, signalling system, bridges, structures and rolling stock in Namibia; and Power Finance Corporation Limited (“PFCL”) to facilitate import of coal including its transportation.

7. *Leverage our strength as a Public Sector Enterprise*

We have been involved in the GoI's infrastructure plans since our inception and we believe we will continue to occupy a key position in the GoI's ongoing plans to develop the Indian infrastructure sector. We believe we are strategically positioned and stand to gain from our status as a sovereign entity. We seek to enter into collaborations with financial institutions and State Governments for developing contract management services on behalf of project sponsors at the central, state, regional and city levels. We also intend to provide advisory services to various government bodies, including appraisal and monitoring of PPP projects in infrastructure segments, through collaborations with financial institutions.

8. *Develop customized products for emerging opportunities in Special Economic Zones, Logistic Parks and Industrial Development Parks*

We believe that major business opportunities would arise for consultancy services while setting up of special economic zones, logistic parks and industrial development parks, as well as for providing linkages with existing rail and road networks. Backed by our technical expertise and specialized domain knowledge gained over the years and our demonstrated ability to meet our clients requirements in a timely manner, we believe that we are well positioned to encash these opportunities and would be able to develop customized products for meeting the requirements of our prospective clients. We also intend to provide technical consultancy for procurement, contract and quality monitoring and third party inspection services to the businesses being set up in these areas.

For further information, see "***Our Business***" on page 59.

SUMMARY FINANCIAL INFORMATION

The following table sets forth our selected historical financial information derived from the restated standalone financial statements and restated consolidated financial statements for the nine months ended December 31, 2007 and for the financial years ended March 31, 2007, 2006, 2005, 2004 and 2003, prepared in accordance with the Indian GAAP, the Companies Act and the SEBI guidelines, and as described in the auditors report of M/s. Jain Chopra & Co., Chartered Accountants, included in section titled “Financial Statements” on page 117 of this Draft Red Herring Prospectus and should be read in conjunction with those financial statements and the notes thereto.

STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

The statement of restated assets and liabilities of our Company for the nine months ended December 31, 2007 and for the financial years ended March 31, 2007, 2006, 2005, 2004 and 2003, have been set forth below:

(Rs. In Crores)							
	Particulars	As at March 31					As at December 31, 2007
		2003	2004	2005	2006	2007	
ASSETS							
A	Fixed Assets						
	Gross Blocks	116.16	123.29	117.64	121.62	140.16	160.29
	Less: Depreciation	30.47	36.19	39.30	45.54	50.02	55.60
	Net Block	85.69	87.10	78.34	76.08	90.14	104.69
B	Investments	3.23	19.71	9.27	6.11	6.08	57.94
C	Deferred Tax Asset	11.41	7.19	9.25	13.12	15.17	19.94
D	Current Assets, Loans and Advances						
	Inventories	17.02	1.48	3.32	52.94	11.98	18.71
	Sundry Debtors	113.46	124.08	114.83	131.45	153.70	136.39
	Cash and Bank Balances	162.15	139.26	208.27	266.75	424.81	496.11
	Loan and Advances	185.44	163.34	219.23	292.73	306.38	306.97
	Other Current Assets	9.37	8.69	11.14	15.07	19.34	26.10
	Current Assets, Loans and Advances	487.44	436.85	556.79	758.94	916.21	984.28
E	TOTAL ASSETS (A+B+C+D)	587.77	550.85	653.65	854.25	1027.60	1166.85
	LIABILITIES						
F	Loan Funds						
	Secured Loans	92.58	27.92	-	-	-	-
	Unsecured Loans	-	-	-	-	-	-
	Total Loan Funds	92.58	27.92	-	-	-	-
G	Current Liabilities and Provisions						
	Current Liabilities	146.43	149.87	233.97	356.14	443.83	541.19
	Provisions	56.60	46.98	66.39	92.99	107.17	89.93
	Total Current Liabilities and Provisions	203.03	196.85	300.36	449.13	551.00	631.12
H	TOTAL LIABILITIES (F+G)	295.61	224.77	300.36	449.13	551.00	631.12
I	Net Worth (E-H)	292.16	326.08	353.29	405.12	476.60	535.73
	Represented by :-						
J	Share Capital (Equity Shares of Face Value of Rs. 100 each)	2.00	4.00	4.00	4.00	4.00	4.00
K	Reserves & Surplus	290.16	322.08	349.29	401.12	472.60	531.73
L	Shareholder's Funds (J+K)	292.16	326.08	353.29	405.12	476.60	535.73

Note: The above statement should be read with the notes on adjustment and significant accounting policies and notes to the accounts for restated standalone financial statements as appearing in the annexure to the report included in “Financial Statements” beginning on page 117.

STATEMENT OF PROFITS AND LOSSES, AS RESTATED

The statement of restated profits and losses of our Company for the nine months ended December 31, 2007 and for the financial years ended March 31, 2007, 2006, 2005, 2004 and 2003, have been set forth below:

(Rs. In Crores)

	Particulars	FISCAL					For the nine months period ended December 31, 2007
		2003	2004	2005	2006	2007	
A	Income						
	Consultancy & Inspection fee	220.33	206.77	191.91	258.72	264.35	234.27
	Export Sales	33.36	48.61	18.26	96.09	252.79	147.69
	Lease Services	10.33	9.78	9.64	9.48	12.74	12.97
	Other Income	15.10	13.69	9.85	17.09	27.96	28.29
	Total	279.12	278.85	229.66	381.38	557.84	423.22
B	Expenditure						
	Employees Cost	71.20	75.87	74.73	85.98	95.67	80.24
	Travel	14.37	14.33	13.72	17.82	19.38	16.06
	Supplies and Services	57.27	38.57	30.48	55.97	40.25	59.95
	Cost of export sales	26.46	36.31	13.15	73.87	178.48	104.63
	Other Expenses	34.07	25.38	30.72	38.31	35.08	41.29
	Depreciation	7.58	7.71	6.61	6.35	7.18	6.03
	Interest	9.00	1.78	0.43	-	-	-
	(Increase)/Decrease work in Progress	(0.38)	0.49	(0.40)	(1.98)	(1.00)	(3.55)
	Total	219.57	200.44	169.44	276.32	375.04	304.65
C	Profit before Tax and Extra Ordinary Items (A-B)	59.55	78.41	60.22	105.06	182.80	118.57
D	Less: Provision for Taxation	(27.66)	(20.57)	(23.11)	(38.67)	(63.85)	(45.51)
E	Deferred Tax	10.21	(4.22)	2.06	3.87	2.05	4.76
F	Provision for Fringe Benefit Tax	-	-	-	(1.32)	(1.50)	(1.24)
G	Profit After Tax and Before Extra Ordinary Items [C-(D+E+F)]	42.10	53.62	39.17	68.94	119.50	76.58
H	Extra Ordinary Items	-	(8.86)	2.75	9.00	(3.42)	(9.35)
I	Less: Taxes on Extra Ordinary Items	-	2.32	(1.05)	(3.31)	1.19	3.59
J	Extra Ordinary Items (Net of Taxes)	-	(6.54)	1.70	5.69	(2.23)	(5.76)
K	Profit After Tax Available for Appropriation (G+J)	42.10	47.08	40.87	74.63	117.27	70.82

Note: The above statement should be read with the notes on adjustment and significant accounting policies and notes to the accounts for restated standalone financial statements as appearing in the annexure to the report included in "Financial Statements" beginning on page 117.

STATEMENT OF CONSOLIDATED ASSETS AND LIABILITIES, AS RESTATED

The statement of restated consolidated assets and liabilities of our Company for the nine months ended December 31, 2007 and for the financial years ended March 31, 2007, 2006, 2005, 2004 and 2003, have been set forth below:

(Rs. In Crores)

	Particulars	As at March 31,					As at December 31, 2007
		2003	2004	2005	2006	2007	
	ASSETS						
A	Fixed Assets						
	Gross Blocks	116.25	123.42	117.76	144.82	183.17	237.24
	Less: Depreciation	30.53	36.27	39.40	46.17	51.15	57.14
	Net Block	85.72	87.15	78.36	98.65	132.02	180.10
B	Investments	3.22	19.67	9.23	0.06	0.06	51.92
C	Deferred Tax Asset	11.40	7.19	9.26	13.13	15.18	19.94
D	Current Assets, Loans and Advances						
	Inventories	17.02	1.48	3.32	53.81	13.19	20.91
	Sundry Debtors	113.90	123.82	115.55	138.36	154.11	138.17
	Cash and Bank Balances	162.65	140.00	208.72	275.23	433.35	502.45
	Loan and Advances	185.46	163.39	218.73	274.48	291.00	275.66
	Other Current Assets	9.38	8.69	11.14	14.09	16.51	21.12
	Current Assets, Loans and Advances	488.41	437.38	557.46	755.97	908.16	958.31
E	TOTAL ASSETS (A+B+C+D)	588.75	551.39	654.31	867.81	1055.42	1210.27
	LIABILITIES						
F	Loan Funds						
	Secured Loans	92.58	27.92	-	-	-	-
	Unsecured Loans	-	-	-	6.66	27.62	40.70
	Total Loan Funds	92.58	27.92	-	6.66	27.62	40.70
G	Current Liabilities and Provisions						
	Current Liabilities	147.12	149.97	234.13	361.48	446.98	547.87
	Provisions	56.66	47.07	66.52	93.66	108.31	91.51
	Total Current Liabilities and Provisions	203.78	197.04	300.65	455.14	555.29	639.38
H	TOTAL LIABILITIES (F+G)	296.36	224.96	300.65	461.80	582.91	680.08
I	Net Worth (E-H)	292.39	326.43	353.66	406.01	472.51	530.19
	Represented by :-						
J	Share Capital (Equity Shares of Face Value of Rs. 100 each)	2.00	4.00	4.00	4.00	4.00	4.00
K	Reserves & Surplus	290.39	322.43	349.66	402.01	468.51	526.19
L	Shareholder's Funds (J+K)	292.39	326.43	353.66	406.01	472.51	530.19

Note: The above statement should be read with the notes on adjustment and significant accounting policies and notes to the accounts for restated consolidated financial statements as appearing in the annexure to the report included in "Financial Statements" beginning on page 117.

STATEMENT OF CONSOLIDATED PROFIT AND LOSSES, AS RESTATED

The statement of restated consolidated profit and losses of our Company for the nine months ended December 31, 2007 and for the financial years ended March 31, 2007, 2006, 2005, 2004 and 2003, have been set forth below:

(Rs. In Crores)

	Particulars	FISCAL					For the nine months period ended December 31, 2007
		2003	2004	2005	2006	2007	
A	Income						
	Consultancy & Inspection fee	220.16	206.12	191.77	258.05	263.50	233.88
	Export Sales	33.36	48.61	18.26	96.03	252.56	147.66
	Lease Services	10.33	9.78	9.64	9.48	12.02	12.10
	Railway Operation (share of Joint Venture)	-	-	-	8.64	12.63	8.22
	Construction contract	0.99	1.64	0.31	2.00	2.68	0.90
	Other Income	14.95	13.71	9.91	18.17	27.80	28.46
	Total	279.79	279.86	229.89	392.37	571.19	431.22
B	Expenditure						
	Employees Cost	71.33	76.27	75.12	87.82	97.86	81.90
	Travel	14.38	14.36	13.73	18.27	19.42	16.13
	Supplies and Services	57.90	38.67	30.03	56.75	42.09	60.59
	Cost of export sales	26.46	37.55	13.15	73.87	178.48	104.63
	Railway operation	-	-	-	6.67	6.24	4.54
	Other Expenses	34.22	24.35	30.94	39.10	42.31	42.74
	Depreciation	7.58	7.73	6.63	6.90	7.73	6.43
	Interest	9.00	1.78	0.43	-	-	-
	(Increase)/Decrease work in progress	(0.38)	0.49	(0.40)	(1.98)	(1.00)	(3.55)
	Total	220.49	201.20	169.63	287.40	393.13	313.41
C	Profit Before Tax & Extra Ordinary Items (A-B)	59.30	78.66	60.26	104.97	178.06	117.81
D	Less : Provision for Taxation	(27.71)	(20.65)	(23.12)	(38.83)	(63.91)	(45.56)
E	Less: Deferred Tax Liability	10.32	(4.21)	2.06	3.87	2.05	4.76
F	Less: Provision for Fringe Benefit Tax	-	-	-	(1.32)	(1.50)	(1.24)
G	Profit After Tax & Before Extra Ordinary Items [C-(D+E+F)]	41.91	53.80	39.20	68.69	114.70	75.77
H	Extra Ordinary Items	-	(8.86)	2.75	8.53	(3.42)	(9.35)
I	Less: Taxes on Extra Ordinary Items	-	2.33	(1.06)	(3.16)	1.23	3.62
J	Extra Ordinary Items (Net of Taxes)	-	(6.53)	1.69	5.37	(2.19)	(5.73)
K	Profit After Tax Available for Appropriation (G+J)	41.91	47.27	40.89	74.06	112.51	70.04

Note: The above statement should be read with the notes on adjustment and significant accounting policies and notes to the accounts for restated consolidated financial statements as appearing in the annexure to the report included in “Financial Statements” beginning on page 117.

THE ISSUE

Issue:	1,40,00,000 Equity Shares
<i>Which comprises:</i>	
Fresh Issue:	1,00,00,000 Equity Shares
Offer for Sale:	40,00,000 Equity Shares
<i>Of which:</i>	
Employee Reservation Portion:	Up to 14,00,000 Equity Shares
Net Issue:	Up to 1,26,00,000 Equity Shares
<i>Of which:</i>	
Qualified Institutional Buyers Portion:	Up to 63,00,000 Equity Shares (allocation on proportionate basis) out of which 5% of the QIB Portion or 3,15,000 Equity Shares (assuming the QIB Portion is 50% of the Net Issue) shall be made available for allocation on a proportionate basis to Mutual Funds only (Mutual Funds Portion), and 59,85,000 Equity Shares (assuming the QIB Portion is 50% of the Net Issue) shall be made available for allocation to all QIBs, including Mutual Funds
Non-Institutional Portion:	At least 18,90,000 Equity Shares (allocation on proportionate basis)
Retail Portion:	At least 44,10,000 Equity Shares (allocation on proportionate basis)
Equity Shares outstanding prior to the Issue:	4,00,00,000 Equity Shares
Equity Shares outstanding post the Issue:	5,00,00,000 Equity Shares
Objects of the Issue:	For details of the Objects of the Fresh Issue, see “ <i>Objects of the Issue</i> ” on page 30. Our Company will not receive any proceeds from the Offer for Sale. Further, no part of the Net Proceeds will be paid by our Company as consideration to our Promoter, Directors, key managerial employees, except as may be required in the usual course of business.

Bids by Eligible Employees can also be made in the Net Issue Portion to the public and such Bids shall not be treated as multiple Bids. The unsubscribed portion, if any, from the Equity Shares in the Employee Reservation Portion will be treated as part of the Net Issue and may be added to any category at the sole discretion of our Company and the Selling Shareholder in consultation with the BRLMs. Under subscription, if any, in any portion, would be met with a spill-over from the other portions at the sole discretion of our Company and the Selling Shareholder, in consultation with the BRLMs.

GENERAL INFORMATION

Registered Office of our Company

RITES Limited
 SCOPE Minar,
 Core – I, 12th Floor,
 Laxmi Nagar, Delhi 110 092

Details	Registration/Identification number
Original Registration Number	0557227
Company Identification Number	U74899DL1974GOI007227

For details of changes in our Registered Office, see “**History and Certain Corporate Matters**” on page 86.

Board of Directors

The following persons constitute our Board:

Sr. No.	Name of Director	Designation	Age (years)	Address
1.	Mr. R.K. Rao	Part-time Non Executive Chairman	59	R.B. No. 4, Hospital Road, Moti Bagh, New Delhi 110 021
2.	Mr. V.K. Agarwal	Managing Director	57	T-VI/45, Railway Officers Enclave, San Martin Marg, Chanakyapuri, New Delhi 110 021
3.	Mr. Anil Madan	Director (Technical)	58	646, Asiad Village Complex, New Delhi 110 049
4.	Mr. B.K. Makhija	Director (Projects)	56	E-2220, Palam Vihar, Gurgaon 122 017, Haryana
5.	Mr. Rajeev Mehrotra	Director (Finance)	46	323, Asiad Village Complex, New Delhi 110 049
6.	Mr. R. Ashok	Government Nominee Director	58	D-1/201, Chanakyapuri, New Delhi 110 021
7.	Mr. Virendra Gupta	Government Nominee Director	53	C-4/2, M.S. Flats, R.K. Puram, Sector-13, New Delhi 110 066
8.	Dr. Devi Singh	Independent Director	55	Director’s Bungalow, IIM Campus, Praband Nagar, Off Sitapur Road, Lucknow 226 013
9.	Mr. D.P. Tripathi	Independent Director	65	39, Ground Floor, Aradhana Enclave, Sector 13, R.K. Puram, New Delhi 110 066
10.	Mr. Prem Saigal	Independent Director	64	184, Jor Bagh, New Delhi 110 003
11.	Mr. A.K. Sanwalka	Independent Director	60	J-8/11, DLF Phase II, Gurgaon 122 002

For further details of our Board, see “**Our Management**” on page 98.

Address of the Registrar of Companies

The Registrar of Companies
 National Capital Territory of Delhi and Haryana
 4th floor, IFCI Tower
 61, Nehru Place
 New Delhi 110 019

Tel: +91 11 2623 5704
Fax: +91 11 2623 5702

Company Secretary and Compliance Officer

Mr. P.T. Mittal
RITES Limited
RITES Bhawan
Plot No. 1, Sector-29
Gurgaon 122 001
Tel: +91 124 257 1187
Fax: +91 124 257 1188
E-mail: ipo@rites.com

Investors can contact the Compliance Officer in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of Allotment, credit of Allotted shares in the respective beneficiary account or refund orders, etc.

Book Running Lead Managers

Kotak Mahindra Capital Company Limited
3rd Floor, Bakhtawar
229, Nariman Point
Mumbai 400 021
Tel: +91 22 6634 1100
Fax: +91 22 2283 7517
E-mail: rites.ipo@kotak.com
Investor Grievance E-mail: kmccredressal@kotak.com
Website: www.kotak.com
Contact Person: Mr. Chandrakant Bhole
SEBI Registration No.: INM000008704

Enam Securities Private Limited
801, Dalamal Towers, Nariman Point
Mumbai 400 021
Tel: +91 22 6638 1800
Fax: +91 22 2284 6824
E-mail: riteswg@enam.com
Investor Grievance E-mail: complaints@enam.com
Website: www.enam.com
Contact Person: Mr. Pranav Mahajani
SEBI Registration No.: INM000006856

ICICI Securities Limited
ICICI Centre, H.T. Parekh Marg
Churchgate
Mumbai 400 020
Tel: +91 22 2288 2460
Fax: +91 22 2283 7045
E-mail: ritesipo@isecltd.com
Investor Grievance E-mail: customercare@isecltd.com
Website: www.icicisecurities.com
Contact Person: Mr. Nikhil Dhingra
SEBI Registration No.: INM000011179

Legal Adviser to the Issue

Amarchand & Mangaldas & Suresh A. Shroff & Co.

Amarchand Towers
216, Okhla Industrial Estate, Phase-III
New Delhi 110 020
Tel.: +91 11 2692 0500
Fax: +91 11 2692 4900

Syndicate Member

Kotak Securities Limited

1st Floor, Bakhtawar
229, Nariman Point
Mumbai 400 021
Tel: +91 22 6634 1100
Fax: +91 22 2283 7517
E-mail: umesh.gupta@kotak.com
Website: www.kotak.com
Contact Person: Mr. Umesh Gupta
SEBI Registration No.: BSE – INB010808153, NSE – INB230808130.

Bankers to the Company

Axis Bank Limited

SG – 21 & 22, DLF Galleria Shopping
Complex
DLF City, Phase IV
Gurgaon 122 002
Tel: +91 124 405 0592
Fax: +91 124 405 0493
Email:
dlfgurgaon.branchhead@axisbank.com
Website: www.axisbank.com
Contact Person: Mr. K.K. Srivastava

State Bank of India

9th Floor, Jawahar Vyapar Bhawan
1, Tolstoy Marg
New Delhi 110 001
Tel: +91 11 2337 4931
Fax: +91 11 2371 1580
Email: a.goel@sbi.co.in
Website:
www.statebankofindia.com
Contact Person: Mr. Ashutosh
Goel

State Bank of Mysore

Corporate Accounts Branch
No. 3,4 & 5, DDA Building
Nehru Place
New Delhi 110 019
Tel: +91 11 4161 6747
Fax: +91 11 2621 6893
Email: nehruplace@sbm.co.in
Website:
www.statebankofmysore.co.in
Contact Person: Mr. R.D. Modi

Indian Overseas Bank

Connaught Place Branch
M-13, Punj House Annexe
Connaught Place
New Delhi 110 001
Tel: +91 11 2341 6715
Fax: +91 11 2341 4602
Email:
conotbr@delsco.iobnet.co.in
Website: www.iob.com
Contact Person: Mr. D.S. Bothiyal

Experts

Except the report of CRISIL Limited in respect of the IPO Grading of this Issue and except as stated elsewhere in this Draft Red Herring Prospectus, our Company has not obtained any expert opinions.

Registrar to the Issue

Karvy Computershare Private Limited

“Karvy House”

46, Avenue 4

Street No.1, Banjara Hills

Hyderabad 500 034

Tel: +91 40 2342 0815

Toll Free No. 1-800-345-4001

Fax: +91 40 2342 0814

Email: mailmanager@karvy.com

Website: www.karvy.com

Contact Person: Mr. M. Murali Krishna

SEBI Registration No.: INR000000221

Bankers to the Issue and Escrow Collection Banks

[•]

Tel: [•]

Fax: [•]

Email: [•]

Website: [•]

Contact Person: [•]

Auditors

Jain Chopra & Company

Chartered Accountants

105, Jyoti Bhawan

Mukherjee Nagar, Commercial Complex

Delhi 110 009

Tel: +91 11 2765 2776

Fax: +91 11 2765 0155

Email: jc_company@sify.com

Contact Persons: Mr. Ashok Chopra/ Mr. Rajesh Kumar

For details of change in our Auditors, see “**Other Regulatory and Statutory Disclosures – Changes in Statutory Auditors**” on page 285.

IPO Grading Agency

CRISIL Limited

1061 Solitaire Corporate Park, Andheri-Ghatkopar Link Road

Andheri (East) Mumbai 400 093

Tel: +91 22 6758 8000

Fax: +91 22 6758 8088

Website: www.crisil.com

Email: vishal.thakkar@crisil.com

Contact Person: Mr. Vishal Thakkar

Statement of Inter se Allocation of Responsibilities for the Issue

The following table sets forth the distribution of responsibility and coordination for various activities among the BRLMs:

S. No.	Activities	Responsibility	Co-ordinator
1.	Capital structuring with the relative components and formalities such as the type of instruments etc.	KMCC, ENAM I-SEC	KMCC
2.	Due diligence of the Company's operations/ management/ business plans/ legal matters etc. Drafting and design of the Prospectus and of the statutory advertisement including the memorandum containing salient features of the Prospectus. The BRLMs shall ensure compliance with the stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalization of the Prospectus and the RoC filing.	KMCC, ENAM I-SEC	KMCC
3.	Drafting and approval of all publicity material other than statutory advertisements as mentioned above including corporate advertisements, brochures etc.	KMCC, ENAM I-SEC	ENAM
4.	Appointment of Registrar to the Issue and Bankers to the Issue.	KMCC, ENAM I-SEC	I-SEC
5.	Appointment of Printers and advertising agency to the Issue.	KMCC, ENAM I-SEC	ENAM
6.	Institutional marketing of the Issue, which will cover <i>inter alia</i> , finalizing the list and division of investors for one to one meetings and finalizing road show schedules and investor meeting schedules.	KMCC, ENAM I-SEC	ENAM
7.	Non Institutional and retail marketing of the Issue, which will include, <i>inter alia</i> : 1. Formulating marketing strategies, preparation of publicity budget; 2. Finalizing media and public relations strategy; 3. Finalizing centers for holding conferences for brokers; 4. Finalizing collection centers; 5. Follow-up on distribution of publicity and Issue materials, including form, prospectus and deciding on the quantum of the Issue material; 6. Finalizing collection orders. 7. Appointment of Syndicate members 8. Preparing roadshow presentation and FAQs	KMCC, ENAM I-SEC	ENAM
8.	Managing the book, co-ordination with stock exchanges for book building software, bidding terminals and stock trading and finalization of pricing and institutional allocation in consultation with the Company.	KMCC, ENAM I-SEC	I-SEC
9.	The post bidding activities including management of Escrow Accounts, coordination of Non Institutional allocation, intimation of allocation and dispatch of refunds to Bidders etc.	KMCC, ENAM I-SEC	I-SEC

S. No.	Activities	Responsibility	Co-ordinator
	The post Issue activities will involve essential follow up steps, including finalization of trading and dealing instruments and dispatch of certificates and demat delivery of Equity Shares, with the various agencies connected with the work such as the Registrar to the Issue and Bankers to the Issue and the banks handling refund business. The BRLMs shall be responsible for ensuring that these agencies fulfil their functions and enable them to discharge this responsibility through suitable agreements with the Company.		

Credit Rating

As the Issue is of equity shares, credit rating is not required.

IPO Grading

This Issue has been graded by CRISIL Limited pursuant to the SEBI Guidelines as [•], indicating [•]. The IPO Grading is assigned on a five point scale from 1 to 5 with an IPO Grade of 5/5 indicating strong fundamentals and 1/5 indicating poor fundamentals. For details, see the Annexure titled “***IPO Grading Rationale***”.

Trustees

As the Issue is of equity shares, the appointment of trustees is not required.

Book Building Process

Book Building Process refers to the process of collection of Bids, on the basis of the Red Herring Prospectus within the Price Band. The Issue Price is fixed after the Bid/ Issue Closing Date. The principal parties involved in the Book Building Process are:

- (1) The Company;
- (2) The Selling Shareholder;
- (3) Book Running Lead Managers;
- (4) Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as underwriters. Syndicate Member are appointed by the BRLMs; and
- (5) Registrar to the Issue.

This Issue is being made through the 100% Book Building Process wherein up to 50% of the Net Issue will be allocated on a proportionate basis to QIBs, out of which 5% shall be made available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be made available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Further, at least 15% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Further, up to 14,00,000 Equity Shares from the Fresh Issue shall be made available for allocation on a proportionate basis to the Eligible Employees, subject to valid Bids being received at or above the Issue Price.

In accordance with the SEBI Guidelines, QIBs are not allowed to withdraw their Bid(s) after the Bid/Issue Closing Date. In addition, QIBs are required to pay at least 10% of the Bid Amount upon submission of the Bid cum Application Form during the Bid/Issue Period and allocation to QIBs will be on a proportionate basis. For further details, see “**Issue Procedure**” on page 295.

Our Company and the Selling Shareholder shall comply with guidelines issued by SEBI for this Issue. In this regard, our Company has appointed Kotak Mahindra Capital Company Limited, Enam Securities Private Limited and ICICI Securities Limited as the BRLMs to manage the Issue and to procure subscription to the Issue.

Illustration of Book Building and Price Discovery Process

(Investors should note that this example is solely for illustrative purposes and is not specific to the Issue)

Bidders can bid at any price within the price band. For instance, assume a price band of Rs. 20 to Rs. 24 per share, issue size of 3,000 equity shares and receipt of bids from five bidders, details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the bidding period. The illustrative book as shown below shows the demand for the shares of the issuer company at various prices and is collated from bids received from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription (%)
500	24	500	16.67
1,000	23	1,500	50
1,500	22	3,000	100
2,000	21	5,000	166.67
2,500	20	7,500	250

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the book cuts off, i.e., Rs. 22 in the above example. The issuer, in consultation with the book running lead managers, will finalise the issue price at or below such cut-off price, i.e., at or below Rs. 22. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in the respective categories.

Steps to be taken by the Bidders for bidding:

- Check eligibility for making a Bid (for further details see “**Issue Procedure**” on page 295);
- Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
- Ensure that you have mentioned your PAN in the Bid cum Application Form (see “**Issue Procedure**” on page 295); and
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Draft Red Herring Prospectus and in the Bid cum Application Form.

Withdrawal of the Issue

Our Company, in consultation with the BRLMs, reserves the right not to proceed with the Fresh Issue at anytime after the Bid/Issue Opening Date but before Allotment, without assigning any reason thereof.

The Selling Shareholder, in consultation with the BRLMs, reserves the right not to proceed with the Offer for Sale at anytime after the Bid/Issue Opening Date but before Allotment, without assigning any reason thereof.

The Issue is subject to our Company obtaining final listing and trading approvals and final RoC approval.

Bid/Issue Programme

Bidding Period/Issue Period

BID/ISSUE OPENS ON	[●]
BID/ISSUE CLOSES ON	[●]

Bids and any revision in Bids shall be accepted **only between 10.00 a.m. and 5.00 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centers mentioned on the Bid cum Application Form **except that on the Bid/Issue Closing Date, Bids shall be accepted only between 10.00 a.m. and 3.00 p.m.** (Indian Standard Time) and uploaded till (i) 5.00 p.m. in case of Bids by QIB Bidders and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 1,00,000 and (ii) till such time as permitted by the NSE and the BSE, in case of Bids by Retail Individual Bidders, where the Bid Amount is up to Rs. 1,00,000. Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than 3.00 p.m. (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that due to clustering of last day applications, as is typically experienced in public offerings, some Bids may not get uploaded on the last day. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. If such Bids are not uploaded, the Company, the Selling Shareholder, the BRLMs and the Syndicate Member shall not be responsible. Bids will only be accepted on working days, i.e., Monday to Friday (excluding any public holiday).

On the Bid/Issue Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received by Retail Bidders after taking into account the total number of Bids received up to the closure of timings for acceptance of Bid cum Application Forms as stated herein and reported by the BRLMs to the Stock Exchange within half an hour of such closure.

Our Company and the Selling Shareholder reserve the right to revise the Price Band during the Bidding Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band.

In case of revision in the Price Band, the Bid/ Issue Period will be extended for three additional working days after revision of Price Band subject to the Bid/ Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bid/ Issue Period, if applicable, will be widely disseminated by notification to the NSE and the BSE, by issuing a press release, and also by indicating the change on the websites of the BRLMs and at the terminals of the Syndicate.

Underwriting Agreement

After the determination of the Issue Price and allocation of our Equity Shares but prior to filing of the Prospectus with RoC, our Company and the Selling Shareholder will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that the Syndicate Member does not fulfill its underwriting obligations. Pursuant to the terms of the Underwriting

Agreement, the obligations of the Underwriters are subject to certain conditions to closing, as specified therein.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

(This portion has been intentionally left blank and will be filled in before filing of the Prospectus with RoC)

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in crore)
Kotak Mahindra Capital Company Limited 3 rd Floor, Bakhtawar 229, Nariman Point Mumbai 400 021 Tel: +91 22 6634 1100 Fax: +91 22 2283 7517 E-mail: rites.ipo@kotak.com Website: www.kotak.com Contact Person: Mr. Chandrakant Bhole	[•]	[•]
Enam Securities Private Limited 801, Dalamal Towers, Nariman Point, Mumbai 400 021 Tel: +91 22 6638 1800 Fax: +91 22 2284 6824 E-mail: riteswg@enam.com Website: www.enam.com Contact Person: Mr. Pranav Mahajani	[•]	[•]
ICICI Securities Limited ICICI Centre, H.T. Parekh Marg, Churchgate, Mumbai 400 020 Tel: +91 22 2288 2460 Fax: +91 22 2283 7045 E-mail: ritesipo@isecltd.com Website: www.icicisecurities.com Contact Person: Mr. Nikhil Dhingra	[•]	[•]
Kotak Securities Limited 1 st Floor, Bakhtawar 229, Nariman Point Mumbai 400 021 Tel: +91 22 6634 1100 Fax: +91 22 2283 7517 E-mail: umesh.gupta@kotak.com Website: www.kotak.com Contact Person: Mr. Umesh Gupta	[•]	[•]

In the opinion of the Board and the Selling Shareholder (based on certificates dated [•] given to them by BRLMs and the Syndicate Member), the resources of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under section 12(1) of the SEBI Act or registered as brokers with the Stock Exchanges. The above Underwriting Agreement has been accepted by the Board, our Company and the Selling Shareholder has issued letters of acceptance to the Underwriters.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the Underwriters shall be severally responsible

for ensuring payment with respect to the Equity Shares allocated to investors procured by them. In the event of any default, the respective Underwriter in addition to other obligations to be defined in the Underwriting Agreement will also be required to procure/subscribe to the extent of the defaulted amount.

CAPITAL STRUCTURE

Our share capital as on the date of filing of this Draft Red Herring Prospectus is set forth below.

(Rs. in crore, except share data)

	Aggregate nominal value	Aggregate value at Issue Price
A. Authorised Capital*		
10,00,00,000 Equity Shares of Rs. 10 each	100.00	
B. Issued, Subscribed and Paid-Up Capital before the Issue		
4,00,00,000 Equity Shares of Rs. 10 each	40.00	
C. Present Issue in terms of this Draft Red Herring Prospectus		
Issue of: Up to 1,40,00,000 Equity Shares of Rs. 10 each fully paid up	14.00	[•]
Comprising:		
• Fresh Issue of up to 1,00,00,000 Equity Shares of Rs. 10 each fully paid-up	10.00	[•]
• Offer for Sale of up to 40,00,000 Equity Shares of Rs. 10 each fully paid-up	4.00	[•]
D. Employee Reservation in terms of this Draft Red Herring Prospectus		
Up to 14,00,000 Equity Shares of Rs. 10 each fully paid up	1.40	[•]
E. Net Issue to the Public		
Up to 1,26,00,000 Equity Shares of Rs. 10 each fully paid up	12.60	[•]
Of Which:		
QIB Portion of up to 63,00,000 Equity Shares	6.30	[•]
Non-Institutional Portion of at least 18,90,000 Equity Shares	1.89	[•]
Retail Portion of at least 44,10,000 Equity Shares	4.41	[•]
F. Equity Capital after the Issue		
5,00,00,000 Equity Shares of Rs. 10 each fully paid up	50.00	
G. Share Premium Account		
Before the Issue	Nil	
After the Issue		[•]

* At the EGM held on January 8, 2008 the shareholders of our Company approved the split of one equity share of face value of Rs. 100 each into 10 Equity Shares of face value of Rs. 10 each. For details on the history of the increase of our authorised share capital, see “**History and Certain Corporate Matters**” on page 86.

The Selling Shareholder has offered for sale up to 40,00,000 Equity Shares as part of the Issue. The President of India, acting through the MoR, presently holds 100% of the issued and paid up Equity Share capital of our Company. After the Issue, the shareholding of the President of India, through the MoR (including the other six shareholders who are nominees of the President of India), shall be 72% of the fully diluted post-Issue paid up Equity Share capital of our Company.

Notes to the Capital Structure

1. Share Capital History of our Company:

Other than as stated below, all allotments of Equity Shares are to the President of India acting through the MoR against funds released by the GoI, as applicable. The following is the history of the Equity Share capital of our Company:

Date of Board Resolution	Date of Issue of Share Certificates	No. of Equity Shares	Face Value (Rs.)**	Issue price (Rs.)	Consideration in Cash/other than cash	Reasons for allotment	Cumulative Share Premium	Equity Share Capital (Rs.)	Cumulative Equity Share Capital (Rs.)
August 16, 1975	November 15, 1975	1,002	100	100	Cash	Initial subscription to memorandum*	Nil	1,00,200	1,00,200
November 17, 1975	December 17, 1975	8,998	100	100	Cash	Further issue to the President of India	Nil	8,99,800	10,00,000
June 1, 1984	June 1, 1984	40,000	100	-	Bonus issue (ratio of 4 equity shares for every 1 equity share held)	Capitalisation of reserves	Nil	40,00,000	50,00,000
July 22, 1987	January 7, 1988	50,000	100	-	Bonus issue (ratio of 1 equity share for every 1 equity share held)	Capitalisation of reserves	Nil	50,00,000	1,00,00,000
August 19, 1997	December 15, 1997	1,00,000	100	-	Bonus issue (ratio of 1 equity share for every 1 equity share held)	Capitalisation of reserves	Nil	1,00,00,000	2,00,00,000
June 10, 2003	October 16, 2003	2,00,000	100	-	Bonus issue (ratio of 1 equity share for every 1 equity share held)	Capitalisation of reserves	Nil	2,00,00,000	4,00,00,000
January 8, 2008	Split of 4,00,000 equity shares of Rs. 100 each to 40,00,000 Equity Shares of Rs. 10 each								
November 30, 2007 and February 20, 2008	February 4, 2008	3,60,00,000	10	-	Bonus issue (ratio of 9 equity share for every 1 equity share held)	Capitalisation of reserves	Nil	36,00,00,000	40,00,00,000

* Includes initial subscription by two shareholders, being nominees of the President of India.

** At the EGM held on January 8, 2008 the shareholders of our Company approved the split of one equity share of face value of Rs. 100 each into 10 Equity Shares of face value of Rs. 10 each

2. Promoter's Contribution and Lock-in

The MoR has granted approval for lock-in of 20% of post-Issue paid up Equity Share capital of our Company for three years from the date of Allotment and lock-in of balance pre Issue share capital of our Company (excluding the Offer for Sale) for a period of one year from the date of Allotment through letter no. 91/PL/68/48(RITES) dated March 25, 2008.

(a) Details of Promoter Contribution locked in for three years:

The Equity Shares that are being locked-in are not ineligible for computation of Promoter's contribution under Clause 4.6 of the SEBI Guidelines. In this connection, as per Clause 4.6 of the SEBI Guidelines, we confirm the following:

- (i) The Equity Shares offered for minimum 20% Promoters' contribution are not acquired for consideration other than cash and revaluation of assets or capitalization of intangible assets or bonus shares out of revaluations reserves or reserves without accrual of cash resources or against shares which are otherwise ineligible for computation of Promoters' contribution;
- (ii) The minimum Promoters' contribution does not include any Equity Shares acquired during the preceding one year at a price lower than the price at which Equity Shares are being offered to the public in the Issue;

- (iii) Our Company has not been formed by the conversion of a partnership firm into a company;
- (iv) The Equity Shares held by the Promoters and offered for minimum 20% Promoters' contribution are not subject to any pledge;
- (v) The minimum Promoters' contribution does not consist of any private placement made by solicitation of subscriptions from unrelated persons either directly or through any intermediary; and
- (vi) The minimum Promoters' contribution does not consist of Equity Shares for which specific written consent has not been obtained from the respective shareholders for inclusion of their subscription in the minimum Promoters' contribution subject to lock-in.

(a) Details of Promoter's contribution locked-in for three years

Pursuant to the SEBI Guidelines, an aggregate of 20% of the post-Issue shareholding of the Promoters shall be locked-in for a period of three years from the date of Allotment in the Issue. The details of such lock-in are given below:

Date of Board Resolution	Date of Issue of Share Certificate	Number of Equity Shares	Face Value (Rs.)	Issue price per equity share (Rs.)	Consideration (cash/ other than cash)	Percentage of the post issue capital
November 30, 2007 and February 20, 2008	February 4, 2008	1,00,00,000	10	-	Bonus issue	20
Total		1,00,00,000				20

The Promoters' contribution has been brought in to the extent of not less than the specified minimum percentage.

(b) Details of Equity Shares locked in for one year:

Other than the above Equity Shares that are locked in for three years, the entire pre-Issue share capital less the number of Equity Shares for which transfer is made under the Offer for Sale shall be locked in for a period of one year from the date of Allotment in this Issue. The total number of Equity Shares which are locked in for one year is 2,60,00,000 Equity Shares of Rs. 10 each.

Other requirements in respect of lock-in

As per clause 4.15.1 of the SEBI Guidelines, the locked in Equity Shares held by the Promoter, as specified above, can be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided that the pledge of the Equity Shares is one of the terms of the sanction of the loan. However, Equity Shares locked in as Promoters Contribution can be pledged, only if, in addition to fulfilling the aforementioned requirements, such loans have been granted by such banks or financial institutions for the purpose of financing one or more of the objects of the Issue.

In addition, the Equity Shares subject to lock-in will be transferable subject to compliance with the SEBI Guidelines, as amended from time to time.

3. Shareholding Pattern of our Company

Shareholding pattern of our Company before and after the Issue is as follows:

Name of Shareholder		Pre-Issue		Post- Issue	
		Number of Equity Shares	Shareholding (%)	Number of Equity Shares	Shareholding (%)
1.	President of India, acting through the MoR	3,99,92,000	99.98	3,59,92,000	71.98
2.	Mr. K.C. Jena, Chairman, Railway Board*	3,600	0.01	3,600	0.01
3.	Ms. Sudha Chobe, Financial Commissioner (Railways)*	3,600	0.01	3,600	0.01
4.	Mr. Satish Kumar Vij, Member (Engineering), Railway Board*	200	Negligible	200	Negligible
5.	Mr. R.K. Rao, Member (Mechanical) Railway Board*	200	Negligible	200	Negligible
6.	Mr. R.K. Goyal, Additional Member (Planning), Railway Board*	200	Negligible	200	Negligible
7.	Mr. V.K. Singh, Director PSU, Railway Board*	200	Negligible	200	Negligible
8.	Public (including Eligible Employees)	Nil	Nil	1,40,00,000	28
	Total	4,00,00,000	100	5,00,00,000	100

**Nominees of the President of India*

4. Our Promoter, our Company, our Directors and the BRLMs have not entered into any buy-back and/ or standby arrangements for purchase of Equity Shares from any person.
5. Up to 50% of the Net Issue shall be made available for allocation on a proportionate basis to QIB Bidders. 5% of the QIB Portion shall be made available to Mutual Funds. Mutual Funds participating in the 5% share in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. Further, at least 15% of the Net Issue shall be made available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Net Issue shall be made available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any category would be met with spill-over from other categories, at the sole discretion of our Company and the Selling Shareholder, in consultation with the BRLMs. However, if the aggregate demand by mutual funds is less than 3,15,00 Equity Shares, the balance Equity Shares available for allocation in the mutual fund portion will first be added to the QIB portion and be allotted proportionately to the QIB Bidders.
6. A total of 10% of the Issue, i.e. 14,00,000 Equity Shares, has been reserved out of the Fresh Issue for allocation to the Eligible Employees on a proportionate basis, subject to valid Bids being received at or above the Issue Price and subject to the maximum Bid in this portion being Rs. 25,00,000. Only Eligible Employees would be entitled to apply in this Issue under the Employee Reservation Portion. Bids by Eligible Employees can also be made in the Net Issue Portion to the public and such Bids shall not be treated as multiple Bids. If the aggregate demand in the Employee Reservation Portion is greater than 14,00,000 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis. The unsubscribed portion, if any, from the Equity Shares in the Employee Reservation Portion will be treated as part of the Net Issue and may be added to any category at the sole discretion of our Company and the Selling Shareholder in consultation with the BRLMs.

7. The list of shareholders of our Company and the number of Equity Shares held by them as on the date of filing and ten days before the date of filing of this Draft Red Herring Prospectus with SEBI is as follows:

S. No.	Name of Shareholders	Number of Equity Shares (of Rs. 10 each)	Shareholding (%)
1.	President of India, acting through the MoR	3,99,92,000	99.98
2.	Mr. K.C. Jena, Chairman, Railway Board*	3,600	0.01
3.	Ms. Sudha Chobe, Financial Commissioner, (Railways)*	3,600	0.01
4.	Mr. Satish Kumar Vij, Member (Engineering), Railway Board*	200	Negligible
5.	Mr. R.K. Rao, Member (Mechanical), Railway Board*	200	Negligible
6.	Mr. R.K. Goyal, Additional Member (Planning), Railway Board*	200	Negligible
7.	Mr. V.K. Singh, Director PSU, Railway Board*	200	Negligible
	Total	4,00,00,000	100

**Nominees of the President of India.*

8. The shareholders of our Company two years before the date of filing of this Draft Red Herring Prospectus with SEBI are as follows:

S. No.	Name of Shareholders	Number of Equity Shares (of Rs. 100 each)	Shareholding (%)
1.	President of India, acting through the MoR	3,99,920	99.98
2.	Mr. J.P. Batra, Chairman, Railway Board*	40	0.01
3.	Mr. R. Sivadasan, Financial Commissioner (Railways)*	40	0.01
	Total	4,00,000	100

**Nominees of the President of India.*

9. Neither the President of India, acting through the MoR, who is our Promoter, nor our Directors except Mr. R.K. Rao, our part-time Chairman who holds 200 Equity Shares of Rs. 10 each of our Company in his capacity as the Member Mechanical (Railway Board) as a nominee of the President of India, have purchased or sold any Equity Shares, during a period of six months preceding the date on which this Draft Red Herring Prospectus is filed with SEBI.
10. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares.
11. A Bidder cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of Bidder.
12. In case of an over-subscription, 10% of the Net Issue can be retained for the purposes of rounding off to the nearest multiple of the minimum allocation lot.
13. The Equity Shares issued pursuant to this Issue shall be fully paid-up at the time of Allotment, failing which no Allotment shall be made. We do not have any partly paid up Equity Shares.

14. None of our Directors except Mr. R.K. Rao, our part-time Chairman who holds 200 Equity Shares of Rs. 10 each of our Company in his capacity as the Member Mechanical (Railway Board) as a nominee of the President of India, and none of our key managerial employees holds any Equity Shares.
15. There would be no further issue of Equity Shares, whether by way of issue of bonus shares, preferential allotment and rights issue or in any other manner during the period commencing from submission of this Draft Red Herring Prospectus with SEBI until the Equity Shares have been listed on the Stock Exchanges.
16. We presently do not intend or propose to alter our capital structure from the date of submission of this Draft Red Herring Prospectus until the Equity Shares have been listed on the Stock Exchanges.
17. We presently do not intend or propose to alter our capital structure for a period of one year from the Bid/Issue Opening Date, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, except if we enter into acquisitions, joint ventures or other arrangements, we may, subject to necessary approvals, consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.
18. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
19. As of the date of the filing of this Draft Red Herring Prospectus, the total number of holders of our Equity Shares is seven.
20. Our Company has not raised any bridge loans against the proceeds of the Fresh Issue.
21. We have not issued any Equity Shares out of revaluation reserves. However, our Company has issued bonus shares from time to time through capitalisation of reserves.
22. Our Company has not granted any options or issued any shares under any employees stock option or employees stock purchase scheme.
23. No Equity Shares of our Company held by our Promoter is subject to any pledge.

OBJECTS OF THE ISSUE

The Issue comprises a Fresh Issue and an Offer for Sale. The object of the Offer for Sale is to carry out the disinvestment of 40,00,000 Equity Shares of Rs. 10 each by the Selling Shareholder. We will not receive any of the proceeds from the Offer for Sale.

The objects of the Fresh Issue are set forth below:

- (a) To lease locomotives, rolling stock and other equipments;
- (b) To carry on investment in BOT and BOOT projects;
- (c) To purchase capital spares and construction of maintenance facilities for leasing contracts;
- (d) To finance setting up of a design and training centre at Gurgaon;
- (e) General corporate purposes; and
- (f) To achieve the benefits of listing on the Stock Exchanges.

The main objects clause of our MoA and objects incidental to our main objects enable us to undertake our existing activities and the activities for which funds are being raised by us through this Issue. Further, we confirm that the activities we have been carrying on until now are in accordance with the objects clause of our MoA.

The entire estimated costs of the above-mentioned objects is intended to be financed from the proceeds of the Fresh Issue, after deducting the Issue related expenses, which are estimated at Rs. [●] (“**Net Proceeds of the Fresh Issue**”).

The details of the proposed utilization of the Net Proceeds of the Fresh Issue, as approved by Board resolution dated March 26, 2008, are as per the table set forth below:

(Rs. in crore)						
S. No.	Expenditure Items	Total estimated investment	Estimated amount to be financed from Net Proceeds of the Fresh Issue*	Estimated Net proceeds utilization as on March 31		
				2009	2010	2011
(a)	To lease locomotives, rolling stock and other equipments	Up to 194.90	194.90	70.00	70.00	54.90
(b)	To carry on BOT and BOOT projects	70.00	70.00	30.00	40.00	Nil
(c)	To purchase capital spares and construction of maintenance facilities for leasing contracts	17.60	17.60	12.60	5.00	Nil
(d)	To finance setting up of a design and training centre at Gurgaon	11.60	11.60	11.60	Nil	Nil
(e)	General corporate purposes**	[●]	[●]	[●]	[●]	[●]
Total**		[●]	[●]	[●]	[●]	[●]

* No funds have been deployed as of date towards the aforesaid Objects.

** Details will be filled in upon determination of Issue Price.

We operate in highly competitive, dynamic market conditions, and may have to revise our estimates from time to time on account of new opportunities that we may pursue including any industry consolidation initiatives, such as potential acquisition opportunities.

The fund requirement and deployment are based on current business plans and internal management estimates and have not been appraised by any bank or financial institution. These

are based on current conditions and are subject to change in light of changes in external circumstances or costs, or in other financial condition, business or strategy. See “**Risk Factors**” on page xii– “**No independent appraisal has been carried out in relation to the Objects of the Issue**” and “**We have not entered into any definitive agreements to utilise a substantial portion of the Net Proceeds of the Issue**”.

In case of variations in the actual utilization of funds earmarked for the Objects set forth above, increased fund requirements for a particular purpose may be financed by surplus funds, if any, available in respect of the other purposes for which funds are being raised in this Issue. If surplus funds are unavailable, the required financing will be through our internal accruals and/or debt. We may also reallocate expenditure to newer uses or those with earlier completion dates in the case of delays in our existing expenditure plans. Consequently, our fund requirements may also change accordingly. Any such change in our plans may require rescheduling of our expenditure programs, starting activities which are not currently planned, discontinuing current plans and an increase or decrease in the expenditure for a particular Object, at the discretion of the management of the Company. The same would be subject to the approval of the shareholders of our Company by way of a special resolution, if required. If a surplus is left out of the Net Proceeds of the Fresh Issue after meeting all the aforesaid Objects, such surplus will be used for general corporate purposes.

Details of the Objects

(a) To lease locomotives, rolling stock and other equipments

We propose to utilise up to Rs. 194.90 crore out of the Net Proceeds of the Fresh Issue to procure rolling stock for the purposes of leasing, of which Rs. 91.90 crore and Rs. 103 crore shall be utilised for lease of rolling stock to TRL and CCFB respectively. The details of the proposed utilisation under this head are set forth below.

i. For lease of rolling stock to TRL, Tanzania

Our Subsidiary Tanzania Railways Limited (“**TRL**”) was incorporated on May 25, 2007, to implement the concession granted by Reli Assets Holding Company Limited, Tanzania (“**RAHCO**”) to TRL, to develop, manage and maintain rolling stock and rail infrastructure and to provide rail transport services in Tanzania, for a period of 25 years, in accordance with the concession agreement dated September 3, 2007, between RAHCO and the our Company.

Pursuant to the same, our Company has been awarded a contract for supply of 1350 HP locomotives on wet lease basis for a period of five years, commencing from the date of hand over of such locomotives. Further, TRL intends to take 2,300 HP locomotives to meet freight hauling requirement for future traffic and has decided to float tender in next two to three months for taking these locomotives on wet lease. Our Company has also entered into a contract dated September 6, 2007, amended on September 12, 2007, with TRL for dry leasing of passenger coaches for a period of five years commencing from the date of commissioning and acceptance into service of such coaches within three weeks of arrival in Tanzania.

In amplification of the shareholders agreement dated May 24, 2007, as last amended up to June 27, 2007, and in terms of the approval of the board of directors of TRL, dated June 27, 2007, our Company or our affiliates shareholders receive a price preference of 15% of the lowest acceptable bid, with respect to tenders submitted by us, vis-à-vis other suppliers of locomotives and related equipments. This implies that if our bid is within 15% of the lowest acceptable bid, we are considered the lowest bidder. In this relation, see “**Risk Factors** on page xii - **Our deployment of the Net Proceeds of the Issue may in certain cases, be contingent on the occurrence of certain related events.**”.

On the basis of our internal estimates and based on previous orders executed by us of similar nature, we estimate that the total cost of procurement of required rolling stock would aggregate up to Rs. 91.90 crore. The break up of the expenditure is as follows:

(Rs. in crore)

S. No.	Description	Estimated cost*	Estimated net proceeds utilization as on March 31,		
			2009	2010	2011
1.	Leasing of 1,350 HP locomotives to TRL	20.00	20.00	Nil	Nil
2.	Leasing of 2,300 HP locomotives to TRL	65.00	33.10	31.90	Nil
3.	Leasing of sleeper coaches to TRL	6.90	6.90	Nil	Nil
	Total	91.90	60.00	31.90	Nil

* No funds have been deployed as of date towards the aforesaid Objects.

(ii) For lease of rolling stock to CCFB, Mozambique

A concession agreement has been signed between the Conceding Authority represented by Ministry of Transport and Communications of Mozambique, Portos E Caminhos De Ferro Da Mocambique E.P. (“CFM”) and Companhia Dos Caminhos De Ferro Da Beira (“CCFB”) on August 30, 2004, for management of the Beira rail corridor concession. The equity holding in CCFB comprises 51% held by our Company and IRCON as strategic shareholder (26% by our Company and 25% by IRCON) and balance 49% equity is held by CFM.

The Beira rail corridor concession comprises Machipanda Line and Sena Line. Machipanda Line is an operating line whereas Sena Line which connects coal belt in Mozambique to Beira Port is non operational since 1983 and is under rehabilitation by CCFB.

Pursuant to the above, CCFB has entered into three memoranda of understanding in November 2007, with three coal mining companies to transport coal to Beira port. As per these memoranda of understanding, the parties propose to enter into definitive coal transportation agreements further to grant of mining rights by the Government of Mozambique to the said coal mining companies. In order to haul the coal, CCFB would require rolling stock on lease. CCFB will invite tenders for lease of the required rolling stock, for which we intend to submit tenders. In this relation, see “**Risk Factors** on page xii - **Our deployment of the Net Proceeds of the Issue may in certain cases, be contingent on the occurrence of certain related events.**”.

As per meetings held between consortium of RITES and IRCON and CFM held during 2004, RICON (a joint venture formed by our Company and IRCON to secure and execute the works supply and services contracts arising from CCFB) or its associated ventures will be eligible to bid for any procurement and will be entitled to a price preference of 15% above the lowest acceptable offer. Further, as per the supplementary joint venture agreement dated September 24, 2004 between our Company and IRCON, any contract awarded by CCFB to RICON to secure and execute contracts to be awarded by CCFB for supply or leasing of rolling stock, etc. shall be offered to our Company on a back to back basis, with 3% of contract value to be retained by RICON as margin.

On the basis of our internal estimates and based on previous orders executed by us of such similar nature, we estimate that the total cost of the procurement of the rolling stock would aggregate up to Rs. 103 crore. The break up of the expenditure is as follows:

(Rs. in crore)

S. No.	Description	Estimated cost*	Estimated net proceeds utilization as on March 31,		
			2009	2010	2011
1	Leasing of 3,000 HP locomotives to CCFB	100.00	10.00	35.10	54.90
2.	Leasing of coaches to CCFB	3.00	Nil	3.00	Nil
	Total	103.00	10.00	38.10	54.90

* No funds have been deployed as of date towards the aforesaid Objects.

(b) To carry out investment in BOT and BOOT projects

We propose to expand our business portfolio and leverage our technical and financial competence by making investments in BOT and BOOT projects. Further to this objective, we are currently exploring possibilities of entering into definitive agreements to participate in BOT/BOOT tenders being invited for the highways sector in particular and other sectors in general. We propose to utilise an amount of Rs. 70 crore over the next two Fiscals to fund investments in the BOT/BOOT projects to be secured. In this connection, see “**Risk Factors**” on page xii - “**Some of our projects require a substantial capital outlay and time before any benefits or returns on investments are realized and our ability to successfully recover our costs on a timely basis are dependent on a number of factors.**”, “**Our deployment of the Net Proceeds of the Fresh Issue are based on management estimates and have not been independently appraised.**” and “**Our proposed investments in BOT/BOOT projects may subject us to certain inherent risks.**”.

(c) To purchase capital spares and construction of maintenance facilities for leasing contracts

In connection with our concession agreements being implemented through TRL and CCFB, as described above, we are required to purchase spare parts for our leasing contracts and to construct maintenance facilities for the leased rolling stock. On the basis of our internal estimates and based on services of similar nature provided by us previously, we estimate that the total cost of the purchase of the required spares and construction of required maintenance facilities would aggregate Rs. 17.60 crore. The break up of the expenditure is as follows:

(Rs. in crore)

S. No.	Description	Estimated cost*	Estimated net proceeds utilization as on March 31,		
			2009	2010	2011
1.	Purchase of spare parts for leasing contracts	7.60	7.60	Nil	Nil
2.	Construction of maintenance facilities for leasing contracts	10.00	5.00	5.00	Nil
	Total	17.60	12.60	5.00	Nil

* No funds have been deployed as of date towards the aforesaid Objects.

(d) Setting up of a design and training centre

We propose to establish a design and training centre, for an estimated cost of Rs. 11.60 crore. The estimated expenditure for this setting up this design and training centre was approved by our Board of Directors on May 27, 2007. This cost of Rs. 11.60 crore is intended to be financed out of the Net Proceeds of the Fresh Issue.

For this purpose, we have already acquired land situated at Institutional Plot No. 144 in Sector 44, Gurgaon, through an allotment letter dated August 29, 2006 from the Haryana Urban Development Authority (“**HUDA**”). Further, we have received a possession certificate dated

November 24, 2006, as well as a zoning plan in respect of this property. The plot size aggregates 22,604.21 sq. ft. As per the terms of the allotment letter dated August 29, 2006, the construction of the said plot is required to be completed within two years of the date of offer of possession. In this relation, see “**Our Business - Properties**” and “**Risk Factors** on page xii- **Our deployment of the Net Proceeds of the Issue may in certain cases, be contingent on the occurrence of certain related events.**” on pages 80.

The break up of the estimated cost for setting up this design and training centre is as follows:

(Rs. in crore)

Item	Estimated Cost*	Estimated Net Proceeds utilisation as on March 31,		
		2009	2010	2011
Building and civil works, including contractor's fee and architect's fee#	7.04	7.04	Nil	Nil
Supply, installation, testing and commissioning of 15 KLD water treatment plant##	0.47	0.47	Nil	Nil
Interiors, fit outs, equipment, Heating, Ventilation and Air Conditioning (“HVAC”), diesel generator sets, lifts	3.78	3.78	Nil	Nil
Supervision, inspection and other miscellaneous costs	0.31	0.31	Nil	Nil
Total**	11.60	11.60	Nil	Nil

* No funds have been deployed as of date towards the aforesaid Objects.

**Not including escalation costs, if any.

including agreement with Garg Builders Limited dated January 30, 2008 and agreement with Jaisawal & Associates dated May 18, 2007.

quotation dated January 19, 2008.

(e) General corporate purposes

In addition to the Objects described above, we will have, in accordance with the policies set up by our Board, flexibility in applying the remaining Net Proceeds of this Issue, for general corporate purposes including project implementation, strategic and business development and marketing initiatives, capital expenditure, brand building exercises and working capital expenses.

(f) To achieve benefits of listing

We believe that equity capital markets are ideal sources for meeting long term funding requirements. In addition, the listing of our Equity Shares will, *inter alia*, enhance our visibility and brand name among our existing and potential customers. We also believe that as a listed entity we would be able to attract high quality and talented personnel. Further, the listing of our Equity Shares will also provide liquidity to our existing shareholders and allow the entry of new investors into the Company.

Issue Related Expenses

The expenses of this Issue include, among others, underwriting and management fees, printing and distribution expenses, legal fees, advertisement expenses and listing fees. The estimated Issue expenses are as follows:

Activity	Rs. in crore	% of the Issue Expenses	% of total Issue Size
Estimated lead management, underwriting and selling commission*	[•]	[•]	[•]
Advertisement and marketing expenses*	[•]	[•]	[•]

Activity	Rs. in crore	% of the Issue Expenses	% of total Issue Size
Printing, stationery including transportation of the same*	[●]	[●]	[●]
IPO Grading Expenses*	[●]	[●]	[●]
Others (Registrar's fees, Legal fees, listing fees, etc.) *	[●]	[●]	[●]
Total	[●]	[●]	[●]

**Will be incorporated at the time of filing of the Prospectus.*

Lead managers', registrar's, depositories' and legal fees and expenses, bidding software and printing charges, shall be proportionately shared between the Company and the GoI, and the remaining expenses shall be borne by our Company out of the Net Proceeds of the Fresh Issue.

Means of Finance

The stated objects of the Issue are proposed to be financed entirely out of the Net Proceeds of the Fresh Issue. Our management, in response to the competitive and dynamic nature of the industry, will have the discretion to revise its business plan from time to time and consequently our funding requirement and deployment of funds may also change. This may also include rescheduling the proposed utilization of Net Proceeds of the Fresh Issue and increasing or decreasing expenditure for a particular object vis-à-vis the utilization of Net Proceeds of the Fresh Issue. In case of a shortfall in the Net Proceeds of the Fresh Issue, our management may explore a range of options including utilizing our internal accruals or seeking debt from future lenders. Our management expects that such alternate arrangements would be available to fund any such shortfall. Our management, in accordance with the policies of our Board, will have flexibility in utilizing the proceeds earmarked for general corporate purposes.

Interim use of funds

Pending utilization for the purposes described above, we intend to invest the funds in high quality interest bearing liquid instruments including investments in mutual funds, deposits with banks, for the necessary duration or for reducing overdrafts.

Monitoring Utilization of Funds

Our Board/ Audit Committee will monitor the utilization of the Net Proceeds of the Fresh Issue. We will disclose the details of the utilization of the Issue proceeds, including interim use, under a separate head in our financial statements, specifying the purpose for which such proceeds have been utilized or otherwise disclosed as per the disclosure requirements of our listing agreements with the Stock Exchanges and in particular clause 49 of the listing agreement. As per the requirements of clause 49 of the Listing Agreement, we will disclose to the Audit Committee the uses/applications of funds on a quarterly basis as part of our quarterly declaration of results. Further, on an annual basis, we shall prepare a statement of funds utilized for purposes other than those stated in this Draft Red Herring Prospectus and place it before the Audit Committee. The said disclosure shall be made till such time that the full proceeds raised through the Fresh Issue have been fully spent. The statement shall be certified by our Statutory Auditors.

Further we will furnish to the Stock Exchanges on a quarterly basis, a statement indicating material deviations, if any, in the use of proceeds from the objects stated in this Draft Red Herring Prospectus.

No part of the Net Proceeds from the Fresh Issue will be paid by us as consideration to our Directors, or key managerial employees, except in the normal course of our business.

BASIS FOR ISSUE PRICE

The Price Band for the Issue shall be decided prior to the filing of the Red Herring Prospectus with the RoC. The Issue Price will be determined by our Company and the Selling Shareholder, in consultation with the BRLMs, on the basis of the assessment of market demand for the offered Equity Shares by the Book Building Process. The face value of our Equity Shares is Rs. 10 each and the Floor Price is [•] times the face value and the Cap Price is [•] times the face value.

Qualitative Factors

For some of the qualitative factors which form the basis for computing the price, see “**Our Business**” and “**Risk Factors**” on pages 59 and xii, respectively.

Quantitative Factors

The information presented below relating to the Company is based on the restated standalone financial statements for Fiscals 2005, 2006 and 2007 and for the nine months ended on December 31, 2007 and restated consolidated financial statements for Fiscals 2005, 2006 and 2007 and for the nine months ended on December 31, 2007 prepared in accordance with Indian GAAP. For details, see “**Auditor’s Report - Restated Standalone Financial Statements**” and “**Auditor’s Report - Restated Consolidated Financial Statements**” on page [•] and page [•] respectively. The information relating to the Company’s share capital in this chapter is based on equity shares of face value of Rs. 10 each.

In the Extraordinary General Meeting of our Company held on January 8, 2008, the shareholders gave approval to the split of face value of equity shares of our Company from Rs. 100 each to Rs. 10 each. Further, they approved the 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) held by the existing shareholders. For the purposes of calculating the Earning per Share (“EPS”) and the Net Asset Value per equity share in this section, the number of equity shares have been adjusted and split and bonus shares have been considered. Further, EPS as shown herein has been calculated before considering extraordinary items.

1) Basic Earning Per Share (EPS)

Basic EPS on a standalone basis:

Year	EPS (Rs.)	Weight
Fiscal 2005	9.79	1
Fiscal 2006	17.23	2
Fiscal 2007	29.87	3
Weighted Average	22.31	

Basic EPS on a consolidated basis:

Year	EPS (Rs.)	Weight
Fiscal 2005	9.80	1
Fiscal 2006	17.17	2
Fiscal 2007	28.68	3
Weighted Average	21.70	

The basic earnings per share has been computed, in accordance with Accounting Standard -20 on ‘Earnings per share’ issued by the Institute of Chartered Accountants of India.

2) (a) **Price/Earnings (P/E) ratio in relation to Price Band**

(i) **On a Standalone basis:**

Particulars	P/E at the lower end of Price Band (no. of times)	P/E at the higher end of Price Band (no. of times)
Based on EPS of Rs. 9.79 for FY 2005	[•]	[•]
Based on EPS of Rs. 17.23 for FY 2006	[•]	[•]
Based on EPS of Rs. 29.87 for FY 2007	[•]	[•]
Based on weighted average EPS of Rs. 22.31	[•]	[•]

(ii) **On a Consolidated basis:**

Particulars	P/E at the lower end of Price Band (no. of times)	P/E at the higher end of Price Band (no. of times)
Based on the EPS of Rs. 9.80 for FY 2005	[•]	[•]
Based on the EPS of Rs. 17.17 for FY 2006	[•]	[•]
Based on the EPS of Rs. 28.68 for FY 2007	[•]	[•]
Based on the weighted average EPS of Rs. 21.70	[•]	[•]

(b) **P/E ratio for the industry:**

There are no other listed companies in India that engage in a business similar to that of our Company.

3) **Return on Net Worth**

Return on Net Worth (“RoNW”) as per our restated standalone financial statements:

Year	RoNW (%)	Weight
Fiscal 2005	11.09	1
Fiscal 2006	17.02	2
Fiscal 2007	25.07	3
Weighted Average	20.06	

RoNW as per our restated consolidated financial statements:

Year	RoNW (%)	Weight
Fiscal 2005	11.08	1
Fiscal 2006	16.92	2
Fiscal 2007	24.27	3
Weighted Average	19.62	

The return on net worth has been computed by dividing net profit after tax before extraordinary items, as restated, by the net worth.

4) Minimum Return on Increased Net Worth Required to Maintain Pre-Issue EPS:

Minimum Return on post-Issue Net Worth required to maintain pre-Issue EPS is [•] %.

5) Net Asset Value per Equity Share

Particulars	Amt. (Rs.)
Net Asset Value per Equity Share (standalone) as of December 31, 2007	133.93
Net Asset Value per Equity Share (consolidated) as of December 31, 2007	132.55
Net Asset Value per Equity Share after the Issue	[•]

The net asset value per equity share has been computed by dividing net worth at the end of the period by number of equity shares outstanding at the end of the period.

6) Peer Group Comparisons (Industry Peers)

There are no other listed companies in India that engage in a business similar to that of our Company. Hence, it is not possible to provide an industry comparison in relation to our Company.

The Issue Price of Rs. [•] per Equity Share has been determined by us, in consultation with the BRLMs, on the basis of assessment of market demand for the offered securities by way of Book building process and is justified as above. For details, see “**Risk Factors**” on page xii and the financials of our Company including profitability and return ratios, as set out in “**Auditors’ Report**” on page 117.

STATEMENT OF GENERAL TAX BENEFITS

**The Board of Directors
RITES Limited
Plot No. 1, Sector – 29
Gurgaon**

Sub: Statement of Possible Tax benefits

Dear Sirs,

We hereby report that the enclosed annexure states the probable tax benefits that may be available to **RITES Limited** (the “Company”) and to the shareholders of the Company under the provision of the Income Tax Act, 1961 and other allied direct tax laws presently prevailing and in force in India. The enclosed annexure further does not consider the budget proposals for 2008-09.

The contents of this annexure are based on the information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

Several of these benefits are subject to the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws and their interpretations. Hence, the ability of the Company or its Shareholders to derive tax benefits is subject to fulfilment of such conditions.

The information being furnished by us is general in nature and it is neither designed nor intended to be a substitute for professional tax advice. Investors are advised to consult their own tax consultants with respect to the specific tax implication arising out of their participation in the Issue.

We do not express any opinion or provide any assurance as to whether the Company or its shareholders will continue to obtain these benefits in future or the conditions prescribed for availing the benefits have been/would be met with. The revenue authorities/ courts will concur with the views expressed herein.

This report is intended solely for information and for the inclusion in the offer document in connection with the proposed initial public offering of the Company and is not to be used, referred to or distributed for any other purpose.

**For Jain Chopra & Company
Chartered Accountants**

**Sd/-
Rajesh Kumar
Partner
Membership No. 501860**

Dated: March 26, 2008

STATEMENT OF GENERAL TAX BENEFITS

The following are the possible direct tax benefits available to the company and its prospective shareholders:

1. Benefits available to the Company under the Income Tax Act, 1961 (“the Act”):

1.1 Dividends exempt under section 10(34):

- 1.1.1 The Company will be eligible for exemption of dividend income in accordance with and subject to the provisions of section 10(34) of the Act. The said exemption is subject to any disallowance under section 14 A of the Act.
- 1.1.2 Under section 35D of the Act, the Company shall be eligible for amortization of preliminary expenditure as specified in said section including the expenditure on proposed public issue of shares subject to meeting the conditions and limits specified in that section.
- 1.1.3 Under section 115 JAA of the Act, the Company can claim credit for the difference of tax paid for any assessment year under subsection 1 of section 115 JB and the amount of tax payable by the Company on its total income computed in accordance with the other provisions of the Act. Such credit shall be allowed to be carried forward and set off in accordance with the provisions of said section. The carried forward tax credit shall not be allowed beyond 5th assessment year – immediately succeeding the assessment year in which tax credit becomes allowable.

2 Benefits available to resident shareholders:

2.1 Dividends exempt under section 10(34):

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of section 10(34) of the Act.

2.2 Computation of Capital Gains:

- 2.2.1 Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “long term capital gains”. Capital gains arising on sale of these assets held for 12 months or less are considered as “short term capital gains”.
- 2.2.2 Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition/improvement with the indexed cost of acquisition/improvement by a cost inflation index as prescribed from time to time.
- 2.2.3 As per the provisions of section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax @ 20% (plus applicable surcharge and education cess). However, as per proviso to section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated @ 20% with indexation benefits exceeds the tax on long term capital gains computed @ 10% without indexation benefit, then such gains without indexation benefit

are chargeable to tax at a concessional rate of 10% (plus applicable surcharge and education cess).

- 2.2.4 As per the provisions of section 111A of the Act, short term capital gains on sale of equity shares where the transaction of sale is chargeable to securities transaction tax shall be subject to tax @ 10% (plus applicable surcharge and education cess.)
- 2.2.5 Short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight assessment years immediately succeeding the assessment year for which the loss was first computed for claiming set-off against subsequent year's short-term as well as long-term capital gains.
- 2.2.6 Under section 54EC of the Act and subject to the conditions and to the extent specified therein, Long term capital gains not exempt under section 10(38) of the Act and arising to the shareholders on transfer of their shares in the company shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so invested, the exemption shall be proportionately reduced. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. Where the benefit of section 54EC of the Act has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.
- 2.2.7 Under section 54 ED of the Act and subject to the conditions and to extent specified therein, long-term capital gains not exempt under section 10(38) of the Act and arising to the shareholders on transfer of their shares in the company shall not be chargeable to tax to the extent such capital gains are invested in acquiring equity shares forming part of an 'Eligible issue of capital' within a period of six months after the date of such transfer and held for a period of at least one year. 'Eligible issue of capital' means an issue of equity shares which satisfies the following conditions namely:
- a. the issue is made by a public company formed and registered in India;
 - b. the shares forming part of the issue are offered for subscription to the public. If only a part of the capital gain is so invested, the exemption shall be proportionately reduced. Where the benefit of section 54ED of the Act has been availed of on investments in specified equity shares, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.
- 2.2.8 As per the provisions of section 54F of the Act and subject to conditions specified therein, any long-term capital gains (not being residential house) which are not exempt under section 10(38) of the Act, arising to shareholder who is an individual or Hindu Undivided Family are exempt from capital gains tax if the entire net sales consideration is utilized, within a period of one year before, or two years after the date of transfer, in purchase of a new residential house, or for construction of residential house within three years from the date of transfer. If part of such net sales consideration is invested within the prescribed period in a residential house, then such gains would be chargeable to tax on a proportionate basis. Under proviso to the said section the shareholder should not own more than one residential house, other than the new asset, on the date of transfer of the original asset. If the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred. Similarly, if

the shareholder purchases within a period of two years or constructs within a period of three years after the date of transfer of capital asset, another residential house (other than the new residential house referred above), then the original exemption will be taxed as capital gains in the year in which the additional residential house is acquired.

2.2.9 Exemption of Capital gain from Income Tax:

According to section 10(38) of the Act, long term capital gains on sale of equity shares where the transaction of sale is chargeable to securities transaction tax shall be exempt from tax.

2.2.10 Rebate under section 88E:

Section 88E provides that where the total income of the person includes income chargeable under the head profits and gains from business or profession arising from purchase or sale of an equity share in a company entered into a recognized stock exchange, i.e., from taxable securities transaction, he shall get rebate equal to securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

3 Benefits available to Non residents/Non resident Indian Shareholders:

3.1 Dividends exempt under section 10(34):

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of section 10(34) of the Act.

3.2 Computation of Capital Gains:

3.2.1 Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “long term capital gains”. Capital gains arising on sale of these assets held for 12 months or less are considered as “short term capital gains”.

3.2.2 Section 48 of the Act contains special provisions in relation to computation of capital gains on transfer of an Indian company's share by non-residents. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in original foreign currency, which was used to acquire the shares. The capital gain computed in the original foreign currency is then converted into Indian rupees at the prevailing rate of exchange.

3.2.3 In case investment is made in Indian Rupees, the long term capital gains are to be computed after indexing the cost. As per the provisions of section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax @ 20% (plus applicable surcharge and education cess). However, as per proviso to section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated @ 20% with indexation benefits exceeds the tax on long term capital gains computed @ 10% without indexation benefits, then such gains without indexation benefit are chargeable to tax at a concessional rate of 10% (plus applicable surcharge and education cess).

- 3.2.4 As per the provisions of section 111A of the Act, short term capital gains on sale of equity shares where the transaction of sale is chargeable to securities transaction tax shall be subject to tax @ 10% (plus applicable surcharge and education cess).
- 3.2.5 Short term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent year's short term as well as long term capital gains.
- 3.2.6 Under section 54EC of the Act and subject to the conditions and to the extent specified therein, Long term capital gains not exempt under section 10(38) of the Act and arising to the shareholders on transfer of their shares in the company shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so invested, the exemption shall be proportionately reduced. However, if the said bonds are transferred or converted into money within a period of three years from their date of acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. Where the benefit of section 54EC of the Act has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.
- 3.2.7 Under section 54 ED of the Act and subject to the conditions and to extent specified therein, long-term capital gains not exempt under section 10(38) of the Act and arising to the shareholders on transfer of their shares in the company shall not be chargeable to tax to the extent such capital gains are invested in acquiring equity shares forming part of an 'Eligible issue of capital' within a period of six months after the date of such transfer and held for a period of at least one year. 'Eligible issue of capital' means an issue of equity shares which satisfies the following conditions namely:
- a. the issue is made by a public company formed and registered in India;
 - b. the shares forming part of the issue are offered for subscription to the public. If only a part of the capital gain is so invested, the exemption shall be proportionately reduced. Where the benefit of section 54ED of the Act has been availed of on investments in specified equity shares, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.
- 3.2.8 As per the provisions of section 54F of the Act and subject to conditions specified therein, any long-term capital gains (not being residential house) which are not exempt under section 10(38) of the Act, arising to shareholder who is an individual or Hindu Undivided Family are exempt from capital gains tax if the entire sales consideration is utilized, within a period of one year before, or two years after the date of transfer, in purchase of a new residential house, or for construction of residential house within three years from the date of transfer. If part of such net sales consideration is invested within the prescribed period in a residential house, then such gains would be chargeable to tax on a proportionate basis. Provided that, the said shareholder should not own more than one residential house at the time of such transfer. If the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred. Similarly, if the shareholder purchases within a period of two years or constructs within a period of three years after the date of transfer of capital asset, another residential house (other than the new residential house referred above), then the original

exemption will be taxed as capital gains in the year in which the additional residential house is acquired.

i. Exemption of Capital gain from Income Tax:

According to section 10(38) of the Act, long term capital gains on sale of equity shares where the transaction of sale is chargeable to securities transaction tax shall be exempt from tax.

3.3. Rebate under section 88E:

Section 88E provides that where the total income of the person includes income chargeable under the head “Profits and Gains from Business or Profession” arising from purchase or sale of an equity share in a company entered into a recognized stock exchange, i.e., from taxable securities transaction, he shall get rebate equal to securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

3.4 Tax -Treaty Benefits:

As per section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident/non-resident Indian shareholder. Thus, a non-resident/non-resident Indian shareholder can opt to be governed by the beneficial provisions of an applicable tax treaty.

3.5 Capital gains tax-options available to a non resident Indian under the Act:

Non-resident Indian:

As per section 115C (e) of the Act, a ‘non-resident Indian’ means an individual, being a citizen of India or a person of Indian origin who is not a ‘resident’. As per the explanation to the said clause, a person shall be deemed to be of Indian origin if he, or either of his parents or any of his grandparents, was born in undivided India.

Where shares have been subscribed in convertible foreign exchange, the non-resident Indians (as defined in section 115C (e) of the Act), being shareholders of the company, have the option of being governed by the provisions of chapter XII-A of the Act, which, *inter alia*, entitles them to the following benefits in respect of income from shares of the company acquired, purchased or subscribed to in convertible foreign exchange.

As per the provisions of section 115D read with section 115E of the Act and subject to conditions specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising on transfer of the company’s shares, will be subject to tax at the rate of 10% (plus applicable surcharge on tax and education cess on tax and surcharge), without indexation benefit.

As per the provisions of section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital assets (in cases not covered under section 10(38) of the Act) being shares in the company, shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act. If part of such net consideration is invested within the prescribed period of six month in any specified asset or saving certificates referred to in section 10(4B) of the Act then such gains would not be chargeable to tax on a proportionate

basis. For this purpose net consideration means full value of the consideration received or accrued as a result of the transfer of the capital assets as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. Further, if the specified asset or savings certificates in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or saving certificates are transferred.

As per the provisions of section 115G of the Act, non-resident Indians are not obliged to file a return of income under section 139(1) of the Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions chapter XVII-B of the Act.

Under section 115H of the Act, where the non-resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the assessing officer, along with his return of income for that year under section 139 of the Act to the effect that the provisions of the chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.

As per the provisions of section 115I of the Act, a non-resident Indian may elect not to be governed by the provisions of chapter XII-A for any assessment year by furnishing the return of income for that assessment year under section 139 of the Act, declaring therein that the provisions of chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

4 Benefits available to Foreign Institutional Investors (FIIs):

4.1 Dividends exempt under section 10(34):

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of section 10(34) of the Act.

4.2 Taxability of capital gains:

As per the provisions of section 115AD of the Act, FIIs will be taxed on Capital Gains that are not exempt under section 10(38) of the Act at the following rates:

Nature of Income	Rate of Tax (%)
Long-term capital gains	10
Short-term capital gains	30

The above tax rates would be increased by the applicable surcharge and education cess. The benefits of indexation and foreign currency fluctuation protection as provided by section 48 of the Act are not available to an FII.

According to section 111A of the Act, short term capital gains on sale of equity shares where the transaction of sale is chargeable to securities transaction tax shall be subject to tax @ 10% (plus applicable surcharge and education cess).

4.3 Exemption of capital gains from Income Tax:

Long term capital gains arising on transfer of equity shares in the company, which is held for the period exceeding twelve months and where such transaction is chargeable to securities transaction tax, shall be exempt from tax under section 10(38) of the Act.

Under section 54EC of the Act and subject to the conditions and to the extent specified therein, Long term capital gains not exempt under section 10(38) of the Act and arising to the shareholders on transfer of their shares in the company shall not be chargeable to tax to the extent such capital gains are invested in certain bonds within six months from the date of transfer. If only part of capital gain is so invested, the exemption shall be proportionately reduced. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

Under section 54 ED of the Act and subject to the conditions and to extent specified therein, long term capital gains not exempt under section 10(38) of the Act and arising to the shareholders on transfer of their shares in the company shall not be chargeable to tax to the extent such capital gains are invested in acquiring equity shares forming part of an 'Eligible issue of capital' within a period of six months after the date of such transfer and held for a period of at least one year. 'Eligible issue of capital' means an issue of equity shares which satisfies the following conditions namely:

- a. the issue is made by a public company formed and registered in India;
- b. the shares forming part of the issue are offered for subscription to the public. If only a part of the capital gain is so invested, the exemption shall be proportionately reduced.

4.4 Rebate under section 88E:

Section 88E provides that where the total income of the person includes income chargeable under the head "Profits and Gains of Business or Profession" arising from purchase or sale of an equity share in a company entered into through a recognized stock exchange, i.e., from taxable securities transaction, he shall get rebate equal to securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

4.5 Tax -Treaty Benefits:

As per section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the FIIs. Thus, an FII can opt to be governed by the beneficial provisions of an applicable tax treaty.

5. Benefits available to Mutual Funds:

As per the provisions of section 10(23D) of the Act, any income of mutual funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, mutual funds set up by the Public Sector Banks or public financial institutions and mutual funds authorized by Reserve Bank of India would be exempt from tax, subject to the conditions as the Central Government may by the notification in the Official Gazette specify in this behalf.

6. Benefits available to Venture capital Companies/Funds:

In case of a shareholder being a Venture Capital Company/Fund, any income of Venture Capital Companies/Funds registered with the Securities and Exchange Board of India, are exempt from income-tax, subject to the conditions specified in section 10(23FB) of the Act.

7. Benefits available under the Wealth Tax Act, 1957:

Asset as defined under section 2(ea) of the wealth Tax Act, 1957 does not include shares in companies and hence, shares are not liable to wealth tax.

8. Benefits available under the Gift Tax Act, 1958:

Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. Therefore, any gift of shares will not attract gift tax.

The above statement of possible direct tax benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares. The statements made above are based on the tax laws in force and as interpreted by the relevant taxation authorities as of date. Investors are advised to consult their tax advisors with respect to the tax consequences of the purchase, ownership and disposal of equity shares.

Notes:

1. All the above benefits are as per the current tax law do not consider the budget 2008 proposals and will be available to the sole/first named holder in case the shares are held by joint holders.
2. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the shares of the company.

In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non-resident has Fiscal domicile.

SECTION IV – ABOUT THE COMPANY

INDUSTRY OVERVIEW

The information in this section has been extracted from publicly available documents prepared by various sources, including officially prepared materials from the GoI and its various ministries or departments and various multilateral institutions. This information has not been prepared or independently verified by us or any of our advisors. Certain data in this section, reported in different financial units, has been presented in a single standard financial unit to facilitate a comparative understanding.

The Indian Economy

India is the fourth largest economy in the world in GDP terms on the basis of purchasing power parity. (Source: <http://www.worldbank.org.in>) In 2007, India's population was 112.2 crore, and gross domestic product ("GDP") at factor cost at constant (Fiscal 2000) prices in Fiscal 2007 is estimated at Rs. 28,64,309 crore as against Rs. 26,12,847 crore in Fiscal 2006, registering a growth of 9.6% during the year as against a growth rate of 9.4% during the previous year. At current prices, GDP in Fiscal 2007 is estimated at Rs. 37,90,063 crore as against Rs. 32,75,670 crore in Fiscal 2006, showing an increase of 15.7% during the year. (Source: Press Information Bureau, Press Note dated January 31, 2008, Central Statistical Organisation data for the year 2006-2007).

The Indian Infrastructure Industry

For the Indian economy to continue its growth momentum, provision of adequate infrastructure facilities is critical. Infrastructure inadequacy constitutes a constraint in realising this development potential. The revised draft of the 11th Plan Approach Paper stated that investment in infrastructure (defined as road, rail, air and water transport; power generation, transmission and distribution; telecommunications; and water supply, irrigation and storage), would have to rise from the current 4.6% of India's GDP to an estimated 8% during the 11th Plan period to meet India's target GDP growth rate of 9%. The GoI's projections of investment in infrastructure during the 11th Plan period would be approximately US\$ 494.43 billion over 2007-2012. (Source: *Projections of Investment in Infrastructure during the 11th Plan, October 2007* (http://www.infrastructure.gov.in/pdf/Inv_Projection2.pdf))

The investment programme envisages strengthening and consolidation of recent infrastructure related initiatives, such as "Bharat Nirman" for building rural infrastructure, as well as sectoral initiatives, such as the National Highways Development Programme ("NHDP"), Airport Financing Plan, National Maritime Development Programme ("NMDP") and the Jawaharlal Nehru National Urban Renewal Mission ("JNNURM"). Given the scale of infrastructure spending, the government is encouraging private sector participation through Public-Private partnership ("PPP") projects.

Investments in Different Infrastructure Sectors in the 10th and 11th Plans

Sector	(Rs. in crore at 2006-07 prices)	
	10th Plan (2002 – 2007) (Anticipated)	11th Plan (2007- 2012) (Projected Investment)
Electricity/Power	2,91,850	6,16,526
Public	2,00,016	454,015
Private	91,834	162,512
Roads and Bridges	1,44,892	3,11,816
Public	1,37,888	199,289
Private	7,004	112,527

Sector	10th Plan (2002 – 2007) (Anticipated)	11th Plan (2007- 2012) (Projected Investment)
Telecommunication	1,23,411	2,67,001
Public	59,045	89,315
Private	33,039	177,686
Railways (incl. MRTS)	1,19,658	2,58,001
Public	1,19,351	207,540
Private	307	50,460
Irrigation (incl. watershed)	1,11,503	2,23,131
Water Supply and Sanitation	64,803	1,99,127
Public	63,781	193,706
Private	1,022	5,421
Ports	4,096	73,941
Public	2,185	19,462
Private	1,911	54,479
Airports	6,771	34,748
Public	3,835	13,590
Private	2,936	21,157
Storage	4,819	22,378
Public	1,441	11,189
Private	3,378	11,189
Gas	8,713	20,500
Public	8,713	13,972
Private	N.A.	6,528
Total	8,80,515	20,27,169
Public	7,17,773	1,425,210
Private	1,62,742	601,959

(Source: Projections of Investment in Infrastructure during the 11th Plan, October 2007, http://www.infrastructure.gov.in/pdf/Inv_Projection2.pdf)

Opportunities in PPP

Apart from being an alternate source of finance, PPP is being looked at as a possible value addition in various aspects of the value chain of infrastructure development including innovation, managerial efficiency in project management, and adoption of better technology in key infrastructure areas. The Planning Commission envisages that private sector investment will increase as a percentage of overall investment and over a larger base in coming years. (Source: Consultation Paper- Projections of Investment in Infrastructure During the 11th Five Year Plan, http://www.infrastructure.gov.in/pdf/Inv_Projection2.pdf)

The National Transport Policy of 2006 notes that India's urban population is around 30% of its total population. Experience across the world has been that as economies grow, urbanization takes this proportion to over 60% before it begins to stabilize. It is projected that India's urban population would grow to about 47.30 crore in 2021 and 82 crore by 2051, as against 28.50 crore in 2001. Cities must not only meet mobility needs of current population but also provide for needs of those yet to join the urban population. In this context, GoI has launched the National Urban Renewal Mission ("NURM"), committing substantial funds and requiring a series of reforms to make investments sustainable. The anticipated support from the GoI towards urbanisation would include the following measures:

1. GoI would support preparation of integrated land use and transport plans for cities, to the extent of 50% of the cost of developing such plans. GoI would fully support pilot studies in a few sample cities in different regions of the country.
2. GoI would encourage high capacity public transport systems set up through special purpose vehicles ("SPVs") and would offer financial support either as equity or one time viability gap financing, subject to a ceiling of 20% of the capital cost of the project.

3. GoI would offer up to 50% of the cost of project development whenever such projects are taken up through PPPs.
4. GoI would facilitate joint ventures and collaboration agreements between technology providers and suitable Indian companies. Necessary incentives would be provided to commercialize such technologies in India, by financing customized prototypes, development of designs to suit Indian conditions, trial operations, training of technical personnel, etc.
5. GoI would encourage State Governments to involve the private sector in providing public transport services under structured procurement contracts, specifically in activities like operation and maintenance of parking facilities, certification facilities, repair facilities, and construction and management of terminal facilities.

(Source: www.urbanindia.nic.in)

Overview of Railway Industry

Indian Railways is among the world's largest rail systems under a single management, with a total track length of 1,09,996 kms as on March 31, 2007. Freight and passenger traffic on Indian railways grew at a CAGR of 9.9% and 7.5% between fiscal 2005 to fiscal 2007. In fiscal 2007, Indian Railways carried 621 crore originating passengers and 727.75 million tonnes of originating freight traffic. (Source: www.indianrailways.gov.in)

The upturn in performance has come about as a result of a conscious strategy to recapture the dominant position of Indian railways in the transport sector. To maintain growth, Indian Railways will need to enhance its capacity to carry traffic. The capacity enhancement funds required for the Indian Railways in the 11th Five Year Plan are as under:

(Rs in crore)		
S. No.	Plan Head	Cost
1.	New Line Projects	9,000
2.	Gauge Conversion	18,700
3.	Doubling	19,000
4.	Traffic Facility Works	8,550
5.	Railway Electrification	3,500
6.	Metropolitan Projects	4,750
7.	Other Measures for Enhancing Capacity	2,500
	TOTAL	77,050

(Source: Working Group Report on Railways – 11th Plan)

Future Outlook

As per the Railway Budget 2007, by 2012, Indian Railways are likely to handle double the traffic volumes currently handled. Indian Railways has chalked out a strategy to remove bottlenecks and augment capacity to match the requirement. The strategy entails investment in infrastructure as well as modernization of wagons technology, advanced signalling and telecommunication, induction of high horsepower locomotives, grade separation, and use of information technology tailored to improve transit times and lower unit cost operation. It would also include building world-class passenger and freight terminals benchmarked to global standards. A large role has been assigned to PPP in the implementation of this strategy. One of the proposed projects is construction of a Dedicated Freight Corridor (“DFC”), initially covering approximately 2,700 km, linking the ports of western India and the ports and mines of Eastern India to Delhi and Punjab.

Key Future Drivers

The following are the key drivers in the Indian railway sector:

Dedicated Freight Corridors: DFC projects on Western routes (the 1,483 km Delhi-Bombay route) and Eastern routes (the 1,278 km Ludhiana – Sonnagar route) were sanctioned in the Rail Budget of 2007. The costs of the Western and Eastern corridors are Rs. 16,592 crore and Rs. 11,589 crore, respectively. Planning for DFCs in the North-South, East-West, East-South and South-South routes is expected to be initiated in the 11th Plan and requirement of funds for these corridors is projected to be approximately Rs. 55,000 crore. Approximately Rs. 15,000 crore is envisaged to be spent on upgradation of feeder routes of the DFC during the 11th Plan. (Source: *Report of the Working Group on Railways for the 11th Five Year Plan, April 2007*, <http://planningcommission.nic.in/plans/planrel/11thf.htm>) An SPV, Dedicated Freight Corridor Corporation of India Limited, has been formed to implement the DFC project.

High Speed Passenger Corridors: The Indian Railways plans to develop high speed dedicated passenger corridors for building and operating special trains capable of 250-350 kmph. Pre-feasibility studies for a few identified corridors is planned to be carried out – one each in the Northern, Western, Southern and Eastern region of the country.

Inspection: With increased volume of purchases by the Indian Railways as well as non Indian Railways customers during the 11th Plan, rail and plant and machinery inspection requirements will increase.

Workshops and Production Units: A workshop modernisation plan has been envisaged in the 11th Plan and 10 nominated workshops have been identified for implementation. Rs. 2,700 crore has been proposed to be spent on workshop modernisation and capacity enhancement by 2012.

Metropolitan Transport Projects (“MTP”): Rs. 4,750 crore is the proposed 11th Plan outlay under this head. Approximately Rs. 2,250 crore may be utilized for the MTP Phase II in Mumbai and Rs. 500 crore per annum on other Metropolitan Transport Projects.

Electrification: Approximately Rs. 3,500 crore is expected to be spent on railway electrification and other electrical works in the 11th Plan. (Source: *Report of the Working Group on Railways for the 11th Five Year Plan, April 2007*, <http://planningcommission.nic.in/plans/planrel/11thf.htm>)

Logistic Parks: Rs. 500 crore is the proposed 11th Plan outlay under this head.

Port Connectivity: As per the Report of the Working Group on Railway Programmes for the 11th Plan, the MoR is committed to provide rail connectivity to ports. The fund requirement till 2012 for completing identified port connectivity works is approximately Rs. 3,824 crore. (Source: *Report of the Working Group on Railways for the 11th Five Year Plan, April 2007*, <http://planningcommission.nic.in/plans/planrel/11thf.htm>)

Overview of captive railway infrastructure

Frequently, captive rail systems are important elements in industries such as the power industry. Growth in captive railway infrastructure in India has been driven primarily by the power and steel sectors in the past. Increase in power generation and steel production capacities, as well as an expected rise in container operations are anticipated to be key future drivers in this segment. Coal-based thermal power generation capacity addition during the 11th Plan would amount to approximately 46,635 MW. (Source: *Report of the Working Group on Power for the 11th Five Year Plan*, <http://www.planningcommission.nic.in>)

Growth in the Steel Production Sector

It is estimated that crude steel production in India will increase from approximately 4.60 crore tonnes in Fiscal 2007 to 8 crore tonnes in Fiscal 2012. (Source: Report of the Working Group on Steel Industry for the 11th Five Year Plan, <http://www.planningcommission.nic.in/>)

Growth in Container Operations

In the last three years, 15 operators have been given licenses for running container trains. Presently, 146 trains of CONCOR and 44 container trains of other container operators are running. The number of trains run by other operators is expected to increase to 50-55 by the end of this year. Total container traffic is expected to be 2.6 crore tonnes in 2007-08 including 0.2 crore tonnes contributed by new operators. Presently 60 container depots are operational including three constructed by private parties. It is expected that eight container depots by CONCOR and 40 by other operators would be developed in the coming year. (Source: Railway Minister's Budget Speech, February 2008, <http://www.indianrailways.gov.in/>)

Overview of the Urban Transportation Sector

In the urban transportation sector, key future drivers are metro rail systems and bus rapid transit systems. The 11th Plan indicates that all cities having a population of over 0.10 crore should prepare a plan to introduce a MRTS. As per the 2001 census there are 35 cities with a population of over 0.10 crore. An estimated investment of approximately Rs. 32,030 crore may be made in the sector over the 11th Plan. (Source: Report of the Working Group on Urban Transport Including Mass Rapid Transport for the 11th Five Year Plan, October 2006, <http://www.planningcommission.nic.in/>)

Delhi Metro Rail Corporation (“DMRC”) has taken a lead in establishing a world-class metro rail system in Delhi. Currently, 26 cities in India including Ahmedabad, Pune, Chennai, Kochi and Lucknow qualify for metro rail systems. Cities including Kolkata, Mumbai, Bangalore, Hyderabad, Ahmedabad, Chennai and Cochin have finalized feasibility reports for these metros.

Highways and Roads

The increase in infrastructure development is evident in the roads segment with India now having approximately 0.33 crore km of roads, which is the second largest road network in the world. (Source: National Highways Authority of India, <http://www.nhai.org/roadnetwork.htm>)

The Indian road network consists of:

Indian Road Network	Length (Approx.) in Km
Expressways	200
National highways (NH)	66,590
State highways (SH)	1,31,899
Major district roads	4,67,763
Village and other roads	26,50,000
Total	3,316,452

(Source: National Highways Authority of India, <http://www.nhai.org/roadnetwork.htm>)

Roads formed the most common type of transportation and accounted for approximately 80% of passenger traffic and 65% of freight traffic in Fiscal 2006. National Highways account for approximately 2% of the total road network, account for nearly 40% of the total road traffic in India. (Source: National Highways Authority of India, <http://www.nhai.org/roadnetwork.htm>)

Development and maintenance of National Highways in India is done largely through three agencies- National Highways Authority of India (“NHAI”), Public Works Departments of the respective States and Union Territories, and the Border Roads Organization. The constitution of NHAI and the proposal to set up an expressway authority and central road fund, are intended to provide impetus to improvement and expansion of India’s road network. With the intention of improving mobility, the GoI has undertaken projects to strengthen high density corridors.

The National Highways Development Programme (“NHDP”) has two major projects to develop highways: the Golden Quadrilateral and the North-South and East-West corridors. NHDP currently involves a total of seven phases. Phases I and II involve development and upgradation of the 5,846 km-long Golden Quadrilateral, which will connect India’s four main metropolitan cities (Mumbai, Delhi, Chennai and Kolkata) and the 7,300 km-long North-South and East-West corridors, which will connect Srinagar to Kanyakumari and Silchar to Porbandar. Under the Port Connectivity Project, roads connecting 12 major ports (380 km) will be improved. The private sector participation envisaged in Phase II has been increased and it has been decided that all sub-projects in NHDP Phases III to VII would be taken up on the basis of PPP on BOT mode.

Besides NHDP, the road segment in India is expected to see a greater level of development activity through road programmes such as the Pradhan Mantri Grameen Sadak Yojana and the Special Accelerated Road Development Programme, as well as road projects at the state level. During the 11th Plan the following have been estimated to be the kinds of works to be implemented by state public works departments:

Cost of works to be implemented by state PWDs:

S. No.	Category	Length in km/ Nos.	Cost (Rs. in crore)
1	Missing Link (km)	270	650
2	Widening from Single lane to 2 lanes (km) and 2 laning with paved shoulder	8,000	7,550
3	Strengthening	4,000	2,700
4	Improvement of Riding Quality (km)	5,000	2,500
5	Widening to 4 lanes / 6 lanes (km)	300	1,000
6	By passes (Nos.)	25	600
7	Missing Bridge (Nos.)	12	300
8	Bridges/ ROBs (Nos.)	550	2,400
9	Miscellaneous works (drainage, measures and other miscellaneous works) (Lump Sum)	LS	250
10	Training	LS	50
11	Road Safety	LS	100
12	Improvement of newly declared National Highways	LS	1,400
	Total		20,000

(Source: Report of the Working Group on Roads for the 11th Five Year Plan, April 2007, <http://planningcommission.nic.in/plans/planrel/11thf.htm>)

Indian Civil Aviation/Airport Segment

Total aircraft movement has grown by approximately 16.8% from 2004-05 to 2005-06. There has been an approximately 23.7% increase in passenger traffic and a 9.7% increase in cargo traffic in the same period. According to the Department of Transportation and the Directorate General of Civil Aviation, the Mumbai and Delhi airports are ranked 80th and 109th, respectively in the world, in terms of size. (Source: Annual Report of the Ministry of Civil Aviation for 2006-07)

In the past, financing for airports has largely been based on internally generated resources of the AAI. The Mumbai, Delhi, Hyderabad and Bangalore airports have recently been privatised and

large investments are expected to be made in these airports. Additionally, the Ministry of Civil Aviation has proposed a modernisation plan of 35 non-metro airports in India over the next five years. Airside work on non-metro airports will be handled by AAI while non-airside work will be given out on a PPP basis, where appropriate. In its report, “A Road Map for the Civil Aviation Sector”, the Ministry of Civil Aviation noted that the difficulties faced by the industry include outdated infrastructure, inadequate ground handling systems and night landing facilities, poor passenger amenities and the poor utilisation of existing and limited capacity. To address these issues, the GoI has initiated a number of policies to attract private sector investment. AAI is inviting private and foreign investors to participate in the process, both in revitalising the key existing gateways, as well as in building new facilities in cities that are likely to attract traffic flows in future. (Source: *Committee Report on A road map for the civil aviation sector, Ministry of Civil Aviation*, <http://civilaviation.nic.in/moca/nccommittereport.pdf>)

With increasing evidence of air transport liberalisation in India, there is greater interest on the part of airlines and airport operators, both domestically and internationally. Recent developments in the aviation segment include abolition of inland air travel tax and foreign travel tax on domestic and international fares respectively; international growth due to private airlines’ overseas expansion plans; open-sky policy during peak season; review of existing air service agreements and addition of new international routes; progressive liberalisation of bilateral agreements; development of low cost carriers; liberalisation of FDI in airports. 100% FDI is now permissible under the automatic route for existing and greenfield airports, with FIPB approval required for FDI beyond 74% in existing airports, and construction of greenfield airports. (Source: *Annual Report 2006-07, Ministry of Civil Aviation*, <http://www.civilaviation.nic.in>)

Indian Ports Segment

The 11th Plan will develop ports and related infrastructure to bring them in line with international standards in turn-around time and clearing of both import and export cargo. To facilitate private sector investment in ports, 100% FDI is allowed under the automatic route for construction and maintenance of ports. GoI has allowed 100% income tax exemption for 10 years to encourage private investment in ports. The Ministry of Shipping, Road Transport and Highways estimates that traffic at ports in India will increase to 100.90 crore tonnes per year by Fiscal 2012 and 122.50 crore tonnes per year by Fiscal 2014 from the current 64.90 crore tonnes per year in fiscal 2007. The additional capacity requirement to be built by fiscal 2012 is approximately 76.30 crore tonnes. Expected increase in traffic at ports will require capacity augmentation at both major and minor ports. Current trends also include enhancing port connectivity through efficient integration of road and railway connections on a fast track basis.

Investments in the ports segment are likely to be around Rs. 73,941 crore over 2007 – 2012 as against Rs. 4,096 crore during 2002–2007, of which Rs. 54,479 crore, representing 73.7% of the total investment is intended to be funded through private investments. Major areas planned for private sector participation include construction of cargo handling berths, container terminals and warehousing facilities, installation of cargo handling equipment, construction of dry-docks and ship repair facilities. (Source: *Projections of Investment in Infrastructure during the 11th Plan, October 2007*, http://www.infrastructure.gov.in/pdf/Inv_Projection2.pdf)

International Transport Infrastructure Markets

This section is indicative and is not intended to be representative of the entire spectrum Company’s international operations.

There has been an investment of USD 10,048 million in the transport infrastructure from the year starting 1984 till 2006 in the Sub Saharan African Region. This includes 83 projects in Airport, Railroad, Road and Seaport subsectors. The following table shows the breakup of investment in these sectors:

Total projects by primary sector and sub-sector

(Investment in US\$ million)

Primary Sector	Sub-sector	Project Count	Total Investment
Transport	Airports	11	495
	Railroads	19	4,635
	Roads	10	1,856
	Seaports	43	3,062
Total Transport		83	10,048

(Source: PPI Database, <http://www.ppi.worldbank.org>)

The investment in the transport sector can be by any of the following ways viz. through Concession, Divestiture, Greenfield and Management and Lease. The following table shows the breakup of investment and number of projects by the type of investment for Sub Saharan African Region from the year 1984 till 2006. As indicated in the table below, investment through concessioning accounts for over 50% of the total investment in the region.

Total projects by primary sector and type

(Investment in US\$ million)

Primary Sector	Type of PPI	Project Count	Total Investment
Transport	Concession	51	5,161
	Divestiture	3	169
	Greenfield project	15	4,694
	Management and lease contract	13	6

(Source: PPI Database, <http://www.ppi.worldbank.org>)

Overview of Railway Sector in Africa:

The role of rail in Africa has changed in the last 30 years and is likely to change as much in the future. 30 years ago, many railway systems were carrying a high share of their country's traffic, either because competing road transport had poor infrastructure or restrictive regulations, or because rail customers were established businesses locked into rail either through physical connections or (if they were parastatals) through policies which directed them towards use of a fellow parastatal. During the intervening period, economies in general, and transport in particular, have become liberalized. Coupled with general improvement in road infrastructure this has led to competition and, generally, a loss of their market by railways. Railways have also suffered during the various wars and conflicts that have occurred during this period: much of the Mozambican central and northern systems, Angola, Ethiopia, Eritrea and Ivory Coast have been damaged or have been unable to operate for long periods, in cases up to 20 years. Railways in sub-Saharan Africa took a long time to respond to these changes. Such investment as there was, other than for purely mineral lines, usually came from bilateral and multilateral donors.

Much is often made of the inherent lower cost of rail as compared to road. This is true where minerals have to be transported from a rail-connected mine to a rail-connected port but not so clear for general freight which has to be picked up and delivered by road. Comparisons between rail and road line haul rates often show rail is cheaper but the line haul rate is only one of many factors; the costs of pick-up and delivery need to be considered, as do service-level factors such as transit time, reliability, and service frequency. It is therefore estimated that within 20 years, remaining monopolies for general freight will have gone and the only traffics for which African railways, as a mode of transport, will have an undisputed grip will be mineral traffics. Historically, pure mineral rail transport operations have been run as an internal operation by mining companies and this is likely to be a continuing trend (either through a subsidiary or contract organization). Experience in countries around the world has demonstrated that fewer and fewer customers are fellow parastatals who are effectively directed to use the railway, and few government-owned organizations have the commercial freedom to operate effectively in a fully competitive environment, in which transport services increasingly need to be tailored to the

particular requirements of individual customers. (Source: Results of Railway Privatization in Africa, World Bank Group, <http://www.worldbank.org>)

Country	Roads		Railways			Air		
	Total Network (km)	Paved (% of total)	Total Network (total route-km)	Passengers carried (million passenger-km)	Goods transported (million ton-km)	Freight (million tons per km)	Passengers carried (000)	Registered carrier departures worldwide
	2000-2004 ^{a/}	2000-2004 ^{a/}	2000-2004 ^{a/}	2000-2004 ^{a/}	2000-2004 ^{a/}	2000-2004 ^{a/}	2000-2004 ^{a/}	2000-2004 ^{a/}
Algeria	...	...	3,572	950	1,945	21	3,236	48,531
Angola	51,429	10.4	2,761	...	...	64	223	4,801
Benin	...	...	438	66	86	7	46	700
Botswana	25,233	35.1	888	171	842	0	214	7,933
Burkina Faso	...	...	622	...	...	7	62	1,426
Burundi	...	...	...	...	...	...	...	...
Cameroon	80,932	6.7	974	308	1,115	23	358	10,374
Cape Verde	...	...	...	...	...	0	282	9,579
Cent. Afr. Rep.	...	...	...	...	...	7	46	700
Chad	...	...	...	...	...	7	46	700
Comoros	...	...	...	...	...	...	...	...
Congo	...	...	1,026	76	307	7	52	4,783
Congo (DRC)	...	...	4,499	140	491	7	...	...
Côte d'Ivoire	...	...	639	148	129	7	46	700
Djibouti	...	...	...	...	...	...	...	...
Egypt	...	...	5,150	40,837	4,188	248	4,584	42,047
Equat. Guinea	...	...	...	...	...	...	...	...
Eritrea	...	...	306	...	...	...	...	...
Ethiopia	33,856	12.9	...	...	...	117	1,403	29,546
Gabon	32,333	3.7	650	92	1,949	62	433	8,252
Gambia	3,742	19.3	...	...	...	...	...	...
Ghana	47,787	17.9	977	85	1,611	7	96	1,333
Guinea	44,348	9.8	837	...	...	...	...	...
Guinea Bissau	...	...	...	...	...	...	...	...
Kenya	63,942	12.1	1,917	226	1,399	193	2,005	26,171
Lesotho	...	...	...	...	...	...	...	...
Liberia	...	...	490	...	...	...	...	...
Libya	...	...	2,757	...	...	0	850	7,914
Madagascar	...	...	883	10	12	13	514	18,016
Malawi	...	...	710	25	88	1	114	5,616
Mali	...	...	733	196	189	7	46	700
Mauritania	...	...	717	...	...	7	128	1,668
Mauritius	2,015	100	...	...	...	220	1,089	14,884
Morocco	57,694	56.4	1,907	2,614	5,535	62	3,004	41,526
Mozambique	...	...	2,072	137	808	5	299	8,587
Namibia	42,237	12.8	...	...	...	56	281	7,001
Niger	...	...	...	...	...	7	46	700
Nigeria	...	...	3,505	973	39	10	682	10,300
Rwanda	...	...	...	...	...	...	...	...
São T. & Príncipe	...	...	...	...	...	0	40	1,270
Senegal	13,576	29.3	906	138	371	7	421	6,415
Seychelles	...	...	...	...	...	23	410	15,373
Sierra Leone	11,300	8	...	...	...	8	16	159
Somalia	...	...	...	...	...	...	...	...
South Africa	3,62,099	20.3	20,047	10,001	1,06,549	930	9,876	1,33,583
Sudan	...	...	5,478	32	889	41	476	8,434
Swaziland	3,594	...	301	...	...	0	90	2,400
Tanzania	78,891	8.6	2,600	471	1,351	2	248	6,426
Togo	...	...	568	...	...	7	46	700
Tunisia	18,997	65.4	1,909	1,242	2,173	20	1,940	20,554
Uganda	70,746	23	259	...	218	27	46	302
Zambia	...	22	1,273	186	554	1	49	4,877
Zimbabwe	97,267	19	...	...	...	17	238	4,439

Note: a/ Data are for most recent year available during the period specified.

(Source: Selected Statistics on African Countries 2007, Volume XXVI, Statistics Department, African Development Bank)

About 17 African States have approximately 0.04 crore km of cape gauge, with South Africa owning approximately 20,324 km of this network. The challenges facing African railways include the following:

- * Elimination of missing rail infrastructure links.
- * Development of policies and instruments to bring private sector participation in the railways.
- * Commitment to source funds to support African Railways.

(Source: Keynote address at the African Union Rail conference by his Excellency the Honourable South African Minister of Transport, Mr Jeff Radebe, Johannesburg, November 20, 2007, Issued by the Department of Transport, South Africa, <http://www.dot.gov.za/>)

The Union of African Railways and the International Union of Railways have begun development of the African Railway master plan. Initiatives discussed for this master plan include a move from cape gauge to standard gauge to maximise integration of railway systems in Africa, and identification of rail corridors that would constitute the Pan-African Railway Network. Milestones attained under the New Partnership for Africa's Development ("Nepad") Short Term Action Plan include:

- * Acceleration of the Trans-Kalahari Corridor between South Africa, Namibia, and Botswana which is key to integration of the Southern African Development Community region. Preliminary work is underway to begin exploration of economic and financial feasibility of the rail line between Gobabis, eastern Namibia, across the Kalahari to the Botswana Railways network joining South Africa.

- * Supporting concession of railways in Kenya, Uganda, Tanzania, Zambia and Swaziland in the form of technical assistance, regulatory capacity building and provision of transaction advisory.

- * Supporting feasibility studies for railway connection for West and Central Africa and rehabilitation of Benguela Railway Corridor system between Angola and Democratic Republic Congo. *(Source: Keynote address at the African Union Rail conference by his Excellency the Honourable South African Minister of Transport, Mr Jeff Radebe, Johannesburg, November 20, 2007, Issued by the Department of Transport, South Africa, <http://www.dot.gov.za/>)*

The major initiative to overcome the challenges facing railways in Africa is concessioning of the railway systems to private operations. This trend is clear from the concessions awarded in Africa since 1993, details of which are set forth below:

Country	Year Awarded	Concessionaire	Year Commenced
Ivory Coast/ Burkina Faso	1995	Sitarail	1995
Cameroon	1998	Camrail	1999
Gabon	1999	Transgabonais	1999
Malawi	1999	CEAR	1999
DRC	1995	Sizarail	1995
Zimbabwe	1997	BBR	1997
Togo	NA	WACEM	2002
Maputo Corridor	2002	NLPI/ Spoornet	-
Senegal/ Mali	2003	Transrail	2003
Zambia	2003	RSZ	2003
Madagascar (North)	2003	Madarail	2003
Mozambique (Beira)*	2004	Beira Rail	2004
Mozambique (Nacala)	1999	CDN	2005
In progress			
Tanzania (TRC)**			

(Source: Results of Railway Privatization in Africa, World Bank Group, <http://www.worldbank.org/>)

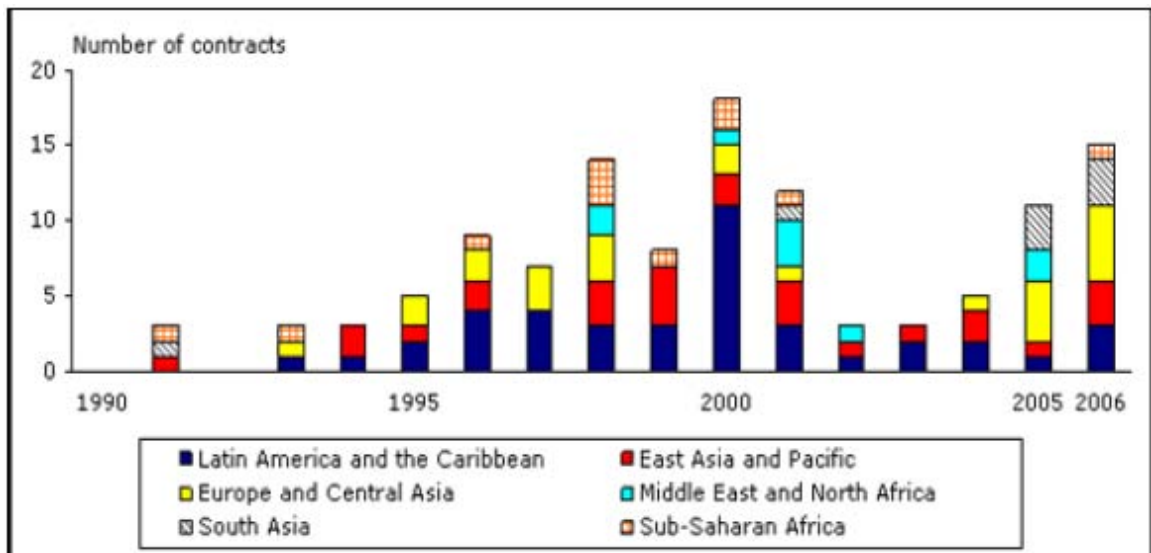
* Subsequently awarded to CCFB, a joint venture company of RITES Limited

*** Subsequently awarded to Tanzania Railway Limited, a subsidiary of RITES Limited*

Other Sectors

Roads and Highways: Large investments are taking place in this sector for building new and upgrading old roads, highways and expressways. Investments are planned not only by the various governments, but also by multilateral and bilateral organizations in the developing and the underdeveloped regions. The roads and highways market is a highly competitive market not only for consulting business but also for construction and concessions business. There is significant focus in the sector which has primarily been on developing inter-city and intra-country connectivity. A total of around US\$ 5 billion was committed by multilateral institutions to select countries in Asia and Africa from 2001-2005 (Source: World Bank, <http://www.worldbank.org>)

Airports: Air transport is increasingly playing a key role for economic development in various countries of the world. A large number of airport works is being undertaken with private participation in various countries which presents opportunities in consultancy as well as construction work in the airport sector. A break up of airport contracts with private participation in various countries is set forth below:



(Source: PPI Database, <http://www.ppi.worldbank.org>)

OUR BUSINESS

Overview

We are one of the leading companies in transport infrastructure consultancy, engineering and project management services, with operations in India and abroad. We were incorporated by the MoR and have the benefit of being associated with the Indian Railways, which is among the largest railway systems in the world under a single management. Since our inception in 1974, we have evolved from our origins of providing railway consultancy and inspection services and have developed expertise primarily in three distinct fields of business activities, namely, (a) consultancy in transport infrastructure; (b) leasing, export, maintenance and rehabilitation of rolling stock and export and rehabilitation of railway equipment; and (c) running of railway systems under concession agreements. We believe we enjoy a unique position of being the only company in India to offer such a diverse and wide portfolio of services in the transport infrastructure sector. We are also considering entering into BOT and BOOT projects in the future.

We believe we are the first Indian company to operate railway systems abroad on concession basis. We also believe that our services have been instrumental in getting the first ever ISO 9001:2000 certificate in Afghanistan for the ARDS.

Presently, we have over 600 ongoing projects in India, besides over 30 ongoing projects overseas. We have undertaken projects in over 50 countries, primarily in Africa, Latin America, the Middle East and Asia. Our domestic as well as overseas clients are typically national governments and public sector enterprises. We have carried out several projects funded by multilateral organisations including the World Bank and ADB.

In India, our clients include various Central and State government ministries, other government bodies, public sector undertakings including IRCON, Konkan Railway Corporation Limited, DMRC, IOCL, NTPC Limited, NALCO, SAIL and NHAI as well as various private companies including Jindal Steel Limited.

Our multi disciplinary services in consultancy, project management, design and engineering, procurement, quality assurance, export, planning and development activities in the fields of transportation, infrastructure and related technologies have been certified as ISO 9001:2000 compliant by KEMA Quality B.V. of the Netherlands since June 2002.

We provide consultancy services in infrastructure sectors such as railways, urban transport, highways, ports and inland waterways, airports, power transmission and distribution, construction and architecture and ropeways. Our consultancy services include pre-project activities such as feasibility studies, preparation of DPRs, design engineering activities, facilities planning for rolling stock maintenance and workshop modernisation, procurement assistance consultancy, project management services, inspection and quality assurance.

We are engaged in export of locomotives, coaches, DMUs and other rolling stock as well as their spare parts to various countries and provide maintenance support for these assets to our clients abroad. We are a nominated agency to export rolling stock and components manufactured by the Indian Railways, excepting exports to Malaysia, Indonesia and Thailand. We undertake rehabilitation of rolling stock, railway bridges and railway equipment for our foreign clients. We also provide specialized training to our clients to enhance their technical skills and absorb new technologies and we have a dedicated training business unit for this purpose. In addition to these activities, we also offer rolling stock on lease to different countries.

We operate railway systems abroad on concession basis through our joint ventures or our subsidiaries. We have equity participation in such joint ventures and subsidiaries. Since October 1, 2007, our subsidiary TRL is managing the railway network previously being operated by the

erstwhile Tanzania Railway Corporation in Tanzania. Our joint venture CCFB is operating the Beira Rail Corridor in Mozambique since December 10, 2004. From Fiscal 2000 to Fiscal 2006, we were a partner in the concession project of the Atlantic Railway Line in Colombia, South America, although we have subsequently divested from this project.

The following table shows the percentage contribution of each stream of revenue to our total income in Fiscals 2006 and 2007, and in the nine months ended December 31, 2007, on a restated standalone basis:

Business Segment	Fiscal 2006 (%)	Fiscal 2007 (%)	For the nine months ended December 31, 2007 (%)
Consultancy and Inspection fees	67.84	47.39	55.36
Export Sales	25.20	45.32	34.90
Lease Services	2.48	2.28	3.06
Other Income	4.48	5.01	6.68
Total	100	100	100

As a public sector undertaking, we have been accorded 'Mini Ratna Grade-I' status by the GoI by virtue of our operational efficiency and financial strength, which affords greater operational freedom and autonomy in decision-making and *inter alia*, permits our Board to:

- establish joint ventures and subsidiaries in India with equity investment limited to Rs. 500 crore in one project subject to maximum of 15% of net worth or 30% of net worth in all joint ventures and subsidiaries; and
- undertake works of capital nature not exceeding Rs. 500 crore or equal to the net worth of the Company, whichever is less.

On July 11, 2007, our Company was upgraded from a Schedule 'B' to Schedule 'A' company. In recognition of our performance and our consistent achievement of targets negotiated under the memorandum of understanding that we enter into with the MoR on an annual basis, the DPE has rated our performance as 'Excellent' for 15 out of the 16 years since the MoU rating started in 1991-1992. We have also received MoU Awards from the Ministry of Heavy Industries and Public Enterprises for Fiscals 2002, 2003 and 2004.

Based on our restated standalone financial statements, our profit after tax has grown at a CAGR of 29.19% from Rs. 42.10 crore in Fiscal 2003 to Rs. 117.27 crore in Fiscal 2007. Our profit after tax for the nine months ended December 31, 2007 is Rs. 70.82 crore. Our total income has grown at a CAGR of 18.90% from Rs. 279.12 crore in Fiscal 2003 to Rs. 557.84 crore in Fiscal 2007. Our total income for the nine months ended December 31, 2007 is Rs. 423.22 crore. As on March 31, 2007, we had a net worth of Rs. 476.60 crore and Rs. 535.73 crore as on December 31, 2007.

Some of the prestigious assignments we are currently involved in include:

- preparing DPR for the 2,761 km long dedicated railway freight corridors (east and west);
- Total Transport Systems Study - A national-level perspective planning study in the transport sector covering all major modes of roadways, railways, airways and coastal shipping, for the Planning Commission, GoI;
- Feasibility study for development of four logistic parks for Indian Railways, at Nagpur, Durgapur, Ludhiana and Wapi;
- planning, designing, bid process management and construction management of three airports in Botswana;
- one of the transaction advisors to the Ministry of Finance, GoI for PPP projects;
- member of the consortium of general consultants for the Delhi and Bangalore metro railways; and

- one of the consultants to the JNNURM for preparation of city development plans, for the Ministry of Urban Development.

Strengths

1. Comprehensive range of services

We presently carry out our business operations in the following three distinct fields: (a) consultancy in transport infrastructure; (b) leasing, export, maintenance and rehabilitation of rolling stock as well as export and rehabilitation of railway equipment; and (c) running of railway systems under concession agreements. Over the years, we have developed into an organisation providing a comprehensive range of service offerings in order to address the varied and expanding requirements of our clients.

Our consultancy services include a wide spectrum of services such as feasibility studies, preparation of DPRs, design engineering activities involving equipment and structure design, facilities planning for rolling stock maintenance and workshop modernization, procurement consultancy, project management consultancy including independent consultant services, inspection, quality assurance services and commissioning of machinery and plant. We also undertake management and operation of complete railway systems abroad, using our experts from India and other staff from the client's country.

Further, we are engaged in the business of leasing and exporting rolling stock and exporting railway related spare parts to various countries. We also undertake rehabilitation of rolling stock and railway equipment for our clients abroad. In addition we provide maintenance support for the leased or exported rolling stock.

We also operate railway systems abroad on concession basis through our joint ventures or our subsidiaries. Apart from being an equity partner in such concessions, we also provide managerial support and technical expertise to our joint ventures or subsidiaries operating these railway systems abroad. We are exploring possibilities of entering into BOT and BOOT projects in future.

We believe that our comprehensive range of services help our clients achieve their business objectives and enables us to obtain additional business from existing clients as well as address a larger base of potential new clients. Further, we believe that our competence in providing a comprehensive range of services has resulted in our developing long-term relationships with a large number of clients in India as well as abroad.

2. Diversified sector portfolio in infrastructure consultancy services

We have developed our expertise over the years in providing consultancy services in a number of infrastructure sectors such as railways, urban transport, highways, ports and inland waterways, airports, power transmission and distribution, construction and architecture and ropeways.

Moreover, in all these sectors, we provide consultancy from concept to commissioning of the project, including feasibility studies, DPRs, project management, material procurement, quality assurance and commissioning supervision. We believe that this strength enables us to focus on sectors with growth potential while maintaining and improving our position in the market in which we are already established. We further believe that this diversity in our sector portfolio expertise differentiates us from our peers in the market.

3. Technical expertise and specialised domain knowledge

We believe we possess expert technical and specialised domain knowledge which enables us to meet our client's requirements. Over the last three decades, we have evolved from primarily

being a railway related consultancy company to a multi-disciplinary company providing consultancy services across transport infrastructure sectors. We believe we have been able to achieve this on account of our ability to acquire and build upon our specialised domain knowledge including design capabilities and undertaking geotechnical investigations.

We place emphasis on enhancing our technical know-how through alliances with international technical and consulting companies including Geoconsult ZT GmbH, Austria, Pacific Consultants International of Japan, Parsons Brinckerhoff International Incorporated of USA, Louis Berger of USA, Systra of France, Tonichi Engineering Consultants Incorporated, Japan, and Japan Railway Technical Service of Japan. Such alliances enable us to enlarge the scope of opportunities for additional business. We believe that our technical expertise and wide presence also attracts potential partners to jointly pursue business opportunities in India and abroad, with us. In addition to this, with a view to further strengthen our domain knowledge, we also continuously focus on research and development activities and requisite training. For details of our research and development activities, see “**-Training, Research and Development**” on page 79. Also see “**Objects of the Issue- (d) Setting up of a design and training centre**” on page 33.

We believe that our alliances with various domestic and foreign partners and our endeavour to focus on research and development activities, enable us to enhance our technical expertise and thereby provide specialized services and solutions that meet the expectations of our clients and customers.

4. Key position in GoI plans

As a government company, we have been involved in the GoI’s infrastructure plans since our inception and we believe we will continue to occupy a key position in the GoI’s ongoing plans to develop the Indian infrastructure sector.

On account of our expertise, we have been associated with several high power committees/working groups of the GoI to formulate policies to develop the transportation infrastructure sector, including the Working Group on Roads for the 11th Five Year Plan, the working group on the Central Act for Metro Rapid Transit System (“**MRTS**”), the Safety Certification of MRTS, working group for preparing approach paper for urban transport including MRTS and preparing the Perspective Plan – Vision 2020 for development of major ports in India, for the Ministry of Shipping and Transport.

We are a nominated agency of Indian Railways to supply railway products including locomotives, coaches and other equipment manufactured by the Indian Railways, to foreign countries, excepting exports to Malaysia, Indonesia and Thailand. We are also a nominated agency for inspection of material purchased by Indian Railways.

5. Wide International Experience

We have undertaken projects in over 50 countries in Africa, Latin America, the Middle East and Asia. Our work experience includes conducting techno-economic feasibility studies for laying new railway lines, construction supervision for railway lines and bridges, railway restructuring, operations improvement and manpower planning, modernisation and upgradation of workshops and maintenance facilities, total operation and management of railway networks, deployment of experts for management support, running of railway systems on concession, management support services for revamping railways, training of foreign railway personnel, rehabilitation of rolling stock, rehabilitation of railway bridges, export and leasing of rolling stock and planning, design and construction management of airports and highways. We therefore believe that we have successfully demonstrated our ability to understand our international clients’ requirements and service them appropriately.

6. Strong financial position

Based on our restated standalone financial statements, our income from operations primarily consists of income from consultancy services; export, rehabilitation and maintenance of rolling stock, export and rehabilitation of railway equipment and export of spare parts; and leasing of rolling stock. Our profit after tax has grown at a CAGR of 29.19% from Rs. 42.10 crore in Fiscal 2003 to Rs. 117.27 crore in Fiscal 2007. Our profit after tax for the nine months ended December 31, 2007 is Rs. 70.82 crore. Our total income has grown at a CAGR of 18.90% from Rs. 279.12 crore in Fiscal 2003 to Rs. 557.84 crore in Fiscal 2007. Our total income for the nine months ended December 31, 2007 is Rs. 423.22 crore. As on March 31, 2007, we had a net worth of Rs. 476.60 crore and Rs. 535.73 crore as on December 31, 2007.

We have consistently made profits and paid dividend to the GoI, our shareholder, from the completion of our very first full year of operations. As on December 31, 2007, we have no outstanding borrowings. We believe that our financial position may enable us to pre-qualify for projects where financial parameters such as minimum net worth and profitability are stipulated as a pre-requisite for qualifying for the projects. Further, we believe that this sound financial position combined with our status as a government company, would enable us to obtain additional financing, if required, for our projects.

7. Experienced and qualified management team and technical personnel

Our Company is led by an experienced and a well-qualified management team. We believe that our management team plays an important role in formulating our business strategies, accounting procedures and internal control and policies, and has been instrumental in the growth of the Company's business.

We have an in-house team of expert civil, mechanical, electrical, geotech signal and telecom engineers, and specialists in transport and economics, environment engineering, information technology, finance and general management. In addition, being under the MoR gives us access to the technical manpower pool of Indian Railways. We are able to field all categories of experts in railway projects, at short notice. We are also able to source the necessary manpower from other government ministries or departments, for sector-specific projects. We therefore have the required technical manpower to provide integrated solutions to the meet our clients' specifications. We also try to equip our personnel with the latest technologies in the industry through our alliances with various domestic and foreign partners and our focus on research and development activities.

Our Strategy

1. Continue to build on our competencies in core infrastructure sectors while simultaneously expanding activities into a wider range of services

Besides focusing on building our core competencies, we intend to continue expanding our range of service offerings in order to increase our business from our existing clients and to acquire new clients. Historically, we have expanded our service offerings to address new market opportunities arising in the infrastructure sectors.

Railways. We intend to expand our business in the railway sector from consultancy to other services including taking up turnkey projects for line capacity enhancement works for railway systems; comprehensive turnkey solutions for new greenfield projects being set up by the private sector for exploitation and transportation of bulk mineral commodities in India; complete multi-disciplinary operation and maintenance services; lease and sale of rolling stock to private domestic operators such as cement plants, steel plants, power plants, fertilizer companies and coal companies; participation in modernization of railway stations, which may include commercial

development of property in the premises; and associating with private companies for PPP projects for manufacture of rolling stock for Indian Railways.

Urban Transport. We are contemplating entering into operation and maintenance contracts for the upcoming mass rapid transit systems, such as metro railway systems, light rail transport and monorail systems in metropolitan cities in India.

Roads sector. In addition to expanding the scope of design and project management services, we intend to undertake PPP, BOT, BOOT and EPC projects to meet the anticipated rise in PPP projects in this sector.

We propose to continually enhance the expertise of our human resource through dedicated training programmes in India and abroad. With a view to enhance our core competence in various product and process technologies, we intend to set up a design and training centre at Gurgaon, Haryana. See “*Objects of the Issue- (d) Construction of design and training centre*” on page [●].

2. Consolidate and expand our international operations

We intend to expand our international operations by consolidating our existing railway concessions business, which presently we are carrying out only in certain African countries. We intend to explore the possibility of expansion in this business, as and when such opportunities may arise. Further, we are actively expanding our business of rehabilitation of locomotives and wagons overseas. We are also planning to expand our existing range of products for export to international customers by developing different types of locomotives for export and leasing. In addition, we are also planning to undertake PMC and turnkey projects abroad.

3. Expand our leasing operations

With the resurgence of the railway sector in Africa and other developing nations, there has been an increasing demand for leasing of locomotives and other rolling stock. We are presently leasing rolling stock to our concession companies operating in Tanzania and Mozambique. We also lease our locomotives to another railway operator at Nacala in Mozambique. We also propose to lease rolling stock for the use of captive rail systems in India, primarily in the power and steel sectors. We intend to expand our leasing business in other countries, and intend to commence leasing business in India.

We have initiated formation of joint ventures with financial intermediaries for, *inter alia*, funding purchase of additional assets for our leasing operations. We may pursue such opportunities directly or through subsidiaries or joint ventures. In addition, we may also explore possibilities to create a special purpose vehicle, in India or abroad, to focus on the leasing business exclusively and facilitate financing of such operations.

4. Advisory services for PPP projects.

We are presently exploring possibilities of providing advisory services for government bodies, including appraising and monitoring PPP projects in all transport infrastructure segments, through collaboration with financial institutions; developing projects with government entities as partners; and equity investments or strategic alliances, for participation in projects. We propose to continue to enhance our service portfolio in line with future business opportunities.

5. Leverage our experience in various infrastructure sectors to enter into new business opportunities arising from our existing businesses.

Through our existing businesses, we intend to leverage our experience and explore the opportunity of entering into new business areas, either directly or through subsidiaries or joint ventures. For instance, we are contemplating venturing into allied infrastructure segments where we have concessioning businesses. In this regard, our joint venture entity CCFB has entered into MoUs with three coal mining companies to transport coal to Beira port. For details, see “**Objects of the Issue**” on page 30.

6. Pursue collaborations for furtherance of business

We seek to pursue collaborations to address specific industry opportunities to enhance our industry and technical expertise, grow our operations geographically and benefit from an expanded client base. Towards this end, we intend to actively pursue collaborations with internationally renowned companies for obtaining access to the latest technologies and newer markets. In furtherance of this strategy, we have already entered into a MoU with Geoconsult ZT GmbH to enhance our expertise in construction of railways in hilly areas and with DB International GmbH for modernisation of signaling system. We have also recently signed MoUs with Rashtriya Ispat Nigam Limited for design and implementation of the railway network expansion project; IDFC to jointly engage in identification of business opportunities and bidding for works and carry out the services relating thereto, if awarded; TransNamib Holdings Limited, Namibia for upgrading of fixed infrastructure and equipment, viz. railway lines, signalling system, bridges, structures and rolling stock in Namibia; and PFCL to facilitate import of coal including its transportation.

7. Leverage our strength as a Public Sector Enterprise

We have been involved in the GoI’s infrastructure plans since our inception and we believe we will continue to occupy a key position in the GoI’s ongoing plans to develop the Indian infrastructure sector. We believe we are strategically positioned and stand to gain from our status as a sovereign entity. We seek to enter into collaborations with financial institutions and State Governments for developing contract management services on behalf of project sponsors at the central, state, regional and city levels. We also intend to provide advisory services to various government bodies, including appraisal and monitoring of PPP projects in infrastructure segments, through collaborations with financial institutions.

8. Develop customized products for emerging opportunities in Special Economic Zones, Logistic Parks and Industrial Development Parks

We believe that major business opportunities would arise for consultancy services while setting up of special economic zones, logistic parks and industrial development parks, as well as for providing linkages with existing rail and road networks. Backed by our technical expertise and specialized domain knowledge gained over the years and our demonstrated ability to meet our clients requirements in a timely manner, we believe that we are well positioned to encash these opportunities and would be able to develop customized products for meeting the requirements of our prospective clients. We also intend to provide technical consultancy for procurement, contract and quality monitoring and third party inspection services to the businesses being set up in these areas.

OUR BUSINESS

Consultancy Business

Our consultancy services include pre-project activities, design engineering studies, procurement assistance consultancy, PMC including independent consultancy services, inspection, quality assurance services, construction supervision and commissioning support.

- (1) Pre-project activities: The main activities undertaken include (a) conducting of feasibility studies; and (b) preparation of DPRs.

Feasibility studies. Feasibility studies involve technical and economic assessment of a project. A technical study would involve preparing technical specifications for construction, equipment to be procured, determining route layout in case of a railway line, and survey of land and soil tests. Economic studies would determine likely revenue over time, expenditure to be incurred, and most efficient ways to finance the project.

Detailed Project Report. DPRs involve surveys, investigations, inventory management, survey of surroundings, inspection of materials, determining bills of quantities and proof checking of designs prepared by other agencies.

- (2) Design engineering activities: The main activities undertaken include (a) design of equipment or structures; (b) architecture; and (c) environment planning.

Design of equipment or structures. This involves engineering design of the item to give the most economical product which meets technical and safety requirements

Architecture and Environment planning. This involves preparing designs and specifications to adhere to aesthetic and environmental requirements.

- (3) Procurement assistance: The main activities undertaken include helping the client to prepare specifications of materials to be purchased, assistance in tendering for the item, evaluating tenders and verifying payments to the supplier.

- (4) Project management activities: The main activities undertaken include (a) PMC; and (b) independent consultant services.

Project Management Consultancy. This involves assuming total charge of the project and managing it on behalf of the client from design till commissioning, including supervising the work being done by contractors or other agencies on behalf of the client, assisting the client in making tender specifications and procurement of materials, and certifying the quantity and quality of work done.

Independent Consultant services. This involves overseeing or advising the client on work being done by another party for the client, recommending monitoring procedures, and carrying out certain checks and inspections.

- (5) Quality Assurance services: The main activities undertaken involve (a) third party inspection; (b) vendor assessment; and (c) consultancy to obtain quality certifications such as International Standards Organisation (“ISO”) ISO 9001, ISO 1401, Operational Health and Safety (“OHSAS”) 18001, ISO 22000 and IEC 17025.

- (6) Construction supervision: The main activities undertaken involve actual construction monitoring and ensuring that the procedures and specifications in the contract are being strictly followed by the contractor during the construction process.

- (7) Commissioning support: The main activities undertaken involve assisting the client in (a) installing; (b) commissioning; and (c) proof testing the equipment procured.

Business Operations in Consultancy

We provide consultancy services in several infrastructure sectors including railways, urban transport, highways, ports and inland waterways, airports, power transmission and distribution, construction and architecture and ropeways.

Railways

We started as a consultancy company in the field of railway infrastructure development, providing services to the Indian Railways and to railway systems abroad. Over the years we have expanded our business in India to clients other than Indian Railways, such as NTPC, SAIL, NALCO, IOCL, other thermal power stations and private sector companies. We have developed expertise in undertaking techno-economic studies, design of wagons, railway alignments, bridges, tunnelling and geotechnical engineering. We have also developed expertise in customising the rolling stock manufactured by the Indian Railways to our clients' specifications.

Our services in this segment include:

- preparation of pre-feasibility and techno-economic feasibility reports, DPRs, traffic analysis and forecasting studies;
- engineering surveys to optimize route alignment for new railway lines;
- geotechnical investigations including geological and geotechnical studies,
- PMC and construction supervision for railway lines and related infrastructure;
- restructuring, operations improvement and upgradation of rail systems;
- modernisation and upgradation of workshops and rolling stock maintenance facilities;
- industrial engineering including work studies and incentive schemes for railway workshops;
- design of bridges, tunnels, wagons, merry-go-round ("MGR") systems; and
- management of entire railway systems inclusive of the operation and maintenance of rolling stock, workshops, depots and ancillary facilities.

In addition to the above, services provided by us in the railway sector include:

- operation and maintenance of railway systems including track and rolling stock for steel plants, thermal power plants and private sidings;
- rehabilitation and upgradation of locomotives, wagons, traction equipment and signalling and telecommunication systems, as well as railway bridges;
- design and development of new rolling stock for foreign railways; and
- training of foreign railway personnel for operation and maintenance of rolling stock.

Some of our projects presently under execution include:

- engineering-cum-traffic survey for east and west dedicated freight corridor ("DFC") between Ludhiana-Sonnagar and Delhi-Mumbai;
- consultancy for setting up a new wheel plant in Chhapra district, coach repair workshop in Harnaut and wagon repair workshop in Sonpur, for Indian Railways;
- consultancy for survey, geotechnical investigations, design of bridges and structures between Katra-Baramullah sections of new railway line in Jammu and Kashmir;
- technical assistance for upgradation of the Lubango workshop in Angola;
- preliminary study including geotechnology for rail link between Musaffa and Alghweifat in UAE;
- operation, maintenance and management of several railway systems of NTPC, NALCO and SAIL;
- study for expansion and rationalization of railway infrastructure in SAIL's Bhilai, Rourkela, Durgapur, Burnpur and Bokaro plant;
- DPR and detailed design of rail cum road bridges across major rivers at Patna, Munger, Dibrugarh and rail bridges across major rivers near Nirmali and Kolkata;
- detailed engineering of MUTP phase II works on Western Railway for Mumbai Railway Vikas Corporation; and

- PMC for modernization of signalling system on Ghaziabad-Kanpur section of Indian Railways.

Some of the important consultancy projects we have carried out in the past include:

- consultancy for reactivation of Nigeria Railway Corporation;
- contract for operation and management of Baghdad-Akashat railway line in Iraq;
- technical assistance to Aqaba Railway Corporation Jordan, to improve operation and maintenance of the railway;
- feasibility cum cost studies for 550 KM new railway lines, in Syria;
- MGR railway project studies for NTPC in Singrauli, Farakka, Korba, Ramagundam;
- study to increase line capacity of Zahedan-Mirjaveh railway line in Iran;
- detailed engineering study of El-Khroub-Boughegouf 150 KM railway line in Algeria;
- maintenance and operation contract for supervisory and technical support services to Zimbabwe railways;
- United Nations Development Programme assignment for repair and maintenance practices of diesel locomotives in Vietnam; and
- high speed design upgrade of electrification network in London Glasgow railway line.

Urban Transport

We provide comprehensive consultancy services in various aspects of urban transport planning, design, management and operation for road as well as rail based systems like high capacity bus system, metro railway systems, mono rail based urban transport system and other types of light rail transit systems including integration of multi-modal transportation for a city.

We have experience at national and international level of working in the fields of traffic engineering and management, transport demand modelling, preparation of traffic transportation plans, planning and design of rail based mass rapid transit system, financing schemes for these capital intensive transportation projects, optimisation, design of public transport system and environmental impact studies.

Some of our projects presently under execution include:

- general consultancy for Delhi and Bangalore metro rail projects;
- feasibility study and bid process management for implementation of mono rail system in Mumbai;
- interim consultancy for implementation of East-West corridor of MRTS in Kolkata;
- feasibility study for running of 15-car electric multiple unit trains in Mumbai; and
- DPR for Bus Rapid Transport System (“**BRTS**”) in Bhubaneswar.

Some of the important consultancy projects we have carried out in the past include:

- consultancy for World Bank funded assignment for improvement of urban traffic in Kampala, Uganda;
- advisory support work for implementation of high capacity bus system in Delhi’s Ambedkar Nagar – Delhi Gate Section;
- feasibility studies for extension of metro from Tollygunge to Garia, Kolkata;
- mono rail project feasibility studies in New Delhi; and
- comprehensive traffic and transportation plans for Bangalore, Dehradun, Greater Noida.

Highways

We provide consultancy services, covering various aspects of conceptual and detailed design and construction supervision, for expressways, highways, feeder/ rural roads, bridges, viaducts and tunnels. We also undertake operation and maintenance of roadways. In addition, we undertake maintenance planning work, management of road networks including intelligent transportation system, and strategic planning for improvement and upgrading of road systems.

Our range of services covers:

- advisory/technical assistance services;
- pre-feasibility, strategic option studies and techno-economic feasibility services;
- network improvement services;
- detailed design and project preparation;
- proof checking and review of design and tender documentation;
- procurement of works, pre-qualification and selection of contractors;
- construction supervision/project management;
- maintenance planning and management;
- quality assurance;
- expressway studies; and
- tunnelling projects.

Some of our projects presently under execution include:

- consultancy for World Bank (International Development Agency) funded Nazareth-Assela-Dodola and Shashemene Goba road upgrading project and realignment of Dengoro-Billa-Hena road in Ethiopia;
- consultancy for Organisation of Petroleum Exporting Countries-funded Mekenajo-Nejo-Mendi road upgrading project in Ethiopia;
- consultancy services for the Taj Expressway in Uttar Pradesh;
- detailed design of roads infrastructure in Tarai region in Nepal;
- supervision consultancy for link road from Tanakpur Barrage to Mahendranagar, in Nepal.

Some of the important consultancy projects we have carried out in the past include:

- construction supervision for World Bank funded project for rehabilitation of road between Serenje and Mpika in Zambia;
- services of experts for construction supervision of Kampala City Road, Uganda;
- World Bank funded 'Strategic Options Study' for roads in Rajasthan, Kerala, Andhra Pradesh and West Bengal;
- DPR for Myanmar Highway along river Kaladan in Myanmar; and
- technical assistance services for development, maintenance and corridor management for various corridors of the Golden Quadrilateral project of NHAI.

Ports and Inland Waterways

We provide consultancy for ports, water resources and inland waterway terminals, including their planning, design and logistics, surveys, field investigations, project reports, detailed engineering and project management.

Our services include reservoir sedimentation studies and capacity surveys, planning and design of water resources projects related to irrigation, such as command area development, network planning and design of cross drainage structures, planning of harbour breakwaters, berthing structures, material handling systems, dredging and reclamation, navigational systems, telecommunication systems, cargo storage systems and utilities. Planning studies include conceptual studies, techno economic reports, master plan, land use plan, financial analysis and terminal layouts for liquid, dry bulk, container and general cargo. Logistics studies include studies for origin to destination movement of cargo and inter-modal transport studies. Detailed engineering include harbour engineering, breakwaters, berthing structures, dredging and cargo/material handling systems.

Some of our projects presently under execution include:

- navigation studies for river Sapta Koshi in Nepal and India;
- inland water transport development studies in delta canals of Godavari and Krishna rivers;
- feasibility study for development of Western Dock for Paradip Port Trust;

- preparing DPR for developing comprehensive inland water transport in Bihar; and
- advisory services to Governments of Orissa, Andhra Pradesh, Karnataka, Pondicherry on development of port facilities through private sector participation.

Some of the important consultancy projects we have carried out in the past include:

- hydrographic surveys and sedimentation studies in four major reservoirs in Mauritius;
- techno-economic feasibility study for development of internal water transport systems on seven major water ways in Karnataka;
- feasibility study for development of western dock and deep sea trawler berths to handle iron ore and coke from Paradip port;
- project management for multi-level freight container station at Navi Mumbai; and
- coal transportation study from North-East coal fields to Bongaigaon power plant in Assam for NTPC.

Airports

We offer specialised consultancy services in the planning, design and construction management of airport projects, including the following:

- techno-economic project feasibility study including, site selection, analysis of obstacle limiting surfaces and environmental impact assessment studies;
- master planning including demand assessment and forecasting and demand capacity analysis;
- detailed design, bid process management and construction/contract management of:
 - airfield pavements, associated safety strips and airfield drainage;
 - airport access systems, internal roads and car park;
 - airfield lighting system;
 - terminal buildings (passenger and cargo), workshop buildings; air traffic control towers;
 - airport systems including baggage conveyor systems, baggage scanners, Closed Circuit Television or Public Announcement systems, Flight information Display System, as well as HVAC, fire alarm and detection system, elevators and escalators, area lighting and bulk power system; and
- pre and post construction pavement evaluation using non-destructive equipment.

Some of our projects presently under execution include:

- planning, designing, bid process management and construction management of three airports in Botswana;
- DPR and detailed engineering for integrated check posts on Indo-Nepal and Indo-Pakistan borders for the Ministry of External Affairs, GoI;
- DPR for Navi Mumbai International Airport;
- concept to commissioning of consultancy for eight airports in Uttar Pradesh; and
- design and project management of surveillance radar equipment towers at 27 airforce stations in India for Bharat Electronics Limited.

Some of the important consultancy projects we have carried out in the past include:

- DPR for airports in Botswana, Republic of Vanuatu, Republic of Djibouti, Angola, Yemen and Bhutan;
- consultancy for long-term leasing of four metro airports as part of a consortium and technical due-diligence for Delhi, Mumbai, Chennai and Kolkata airports;
- feasibility studies for airports including Hyderabad and Vishakhapatnam, as well as planning, design and construction management of airport projects including Lilabari (Assam), Raipur (Chhattisgarh), and Nasik and Aurangabad (Maharashtra);
- pre and post construction pavement evaluation using Heavy Weight Deflectometer at over 30 airports in India including Mumbai, Cochin, Chennai, Bangalore and Ahmedabad airports; and

- detailed design and construction management for all-weather heliport at Amby Valley, Sahara Lake City.

Power

We provide consultancy and project management services in different types of electrical engineering and power distribution fields such as railway electrification, rural electrification, building construction, transmission and distribution, control and automation systems, Supervisory Control and Data Acquisition systems (“SCADA”), high tension and low tension sub-stations, diesel generating power stations, illumination systems, energy conservation studies, power infrastructure development for townships and use of non-conventional energy sources.

Our services include survey, engineering-cum-feasibility reports, DPR preparation, detailed designs, tender document preparation, site construction management, quality audits and third party inspections. We also carry out third party inspection for rural electrification works under the Rajeev Gandhi Grameen Vidyutikaran Yojana.

Some of our projects presently under execution include:

- third party project inspection for rural electrification works in Uttar Pradesh;
- monitoring and supervision of rural electrification works including feeders and village electrification system under Feeder Renovation Programme/ Rajeev Gandhi Grameen Vidyutikaran Yojana schemes in Jaipur, Rajasthan;
- consultancy for underground cable based power distribution system at Bilaspur, Raipur and Durg/ Bhilai in Chhattisgarh; and
- system upgradation under APDRP for 33/11 KV distribution systems at Jamshedpur and Dhanbad in Jharkhand.

Some of the important consultancy projects we have carried out in the past include:

- consultancy works for 180 MVA substation and SCADA systems in Saudi Arabia;
- survey and preparation of DPR for 220KV/400 KV transmission lines for railway electrification organisation;
- project management for high-tension transmission lines for four projects in Jharkhand;
- consultancy for revamping power distribution system in Uttarakhand; and
- consultancy for availing direct supply from NTPC/ Powergrid Corporation of India Limited in South Eastern Railway area for electric traction.

Building, Construction and Architecture

We undertake design consultancy (architectural and allied engineering services) and PMC from concept to commissioning for building projects including group housing, institutional buildings for specialised activities such as airports, hospitals, workshops and industrial buildings, recreation centres and sports centres.

The services provided include overall planning of facilities, land usage, estimations, bid processing, planning and scheduling contract services, site supervision and contract management.

Some of our projects presently under execution include:

- design and PMC to Ministry of Defence, GoI, for setting up housing colonies and support infrastructure for various category of armed services personnel at six locations in India i.e. Mathura, Kanpur, Bareilly, Shahjahanpur, Pithoragarh and Shillong;
- design and PMC for setting up Jawahar Navodaya Vidyalayas (residential secondary school campuses) at several locations across India, for the Navodaya Vidyalaya Samiti, Ministry of Human Resource Development, GoI;
- design consultancy services for Mega Rail Terminal at Anand Vihar, Delhi for Indian Railways;

- design consultancy and PMC for National Registry and Processing Office for Employees Provident Fund Organisation, at Dwarka, Delhi; and
- design consultancy services for railway production units and workshops for Indian Railways at various locations.

Some of the important consultancy projects we have carried out in the past include:

- construction management of C-DOT complex for Videsh Sanchar Nigam Limited at Chhatarpur, New Delhi;
- design and PMC for World Bank Aided projects for setting up campuses for Technical Education Institutes at 66 locations in Uttar Pradesh and Dr. Ambedkar Technical Institute for Physically Handicapped at Kanpur, UP;
- consultancy and detailed drawing preparation for 200-bedded hospitals at Noida and Pitampura for the government of NCT;
- consultancy for World Bank funded project of upgradation of polytechnics in Uttar Pradesh; and
- project management and engineering services for drawing/ design of the training academy of the State Bank of India, Gurgaon.

Ropeways

We believe that we are one of the few organisations in India having technical competence and experience to undertake ropeway projects. Our range of consultancy covers preparation of feasibility reports, DPRs, tendering services, finalisation of vendors/ contractors, project planning and supervision of project execution, and project management of ropeways and funiculars.

Some of the important projects presently being handled by us include project management and construction of passenger ropeways at Trikut Hills, Deoghar, in Jharkhand and at Namchi (South Sikkim); preparation of DPRs and BOT tender documents for various ropeways in Uttaranchal and Himachal Pradesh; project report and tendering consultancy for ropeways at Mata Vaishno Devi Shrine at Katra, across river Brahmaputra at Guwahati, Amarnath Shrine at Kashmir, between Dehradun-Mussoorie and Janki Chatti-Yamnotri at Uttarakhand.

The important projects carried out in the past include preparation of DPR and project management for bi-cable jigback ropeway at Gangtok; project management of aerial gondola ropeway system from Gulmarg to Kongdori and from Kongdori to Apharwat in Jammu and Kashmir; techno-economic feasibility study report for three ropeway systems in Tamil Nadu; DPR for a material ropeway for transportation of lignite from mines to the power plant at Neyveli.

Other sectors

In addition to the services described above, we provide consultancy services in some spheres that cover different sectors and are not confined to any particular sector mentioned above. These services include transport planning studies, quality assurance, material systems management, geotechnology, training, information technology services and environmental engineering.

1. Transport Planning

In the transport planning field, we undertake comprehensive and integrated consultancy for various modes of transport, involving (i) traffic analysis, (ii) forecasting and modal split determination, (iii) site selection, (iv) pre-feasibility study; and (v) DPR. We also provide total transport solutions for industrial units, integrating transportation and materials handling systems, economic appraisal of transport projects, preparation of investment plan with prioritization, cost benefit and risk analysis. We carry out studies for integrated transport systems, inter modal transport costing, traffic engineering analysis, infrastructure planning for urban and regional

transport zoning regulations, land suitability analysis and gender issues in transportation. We undertake socio-economic impact evaluation of development projects.

Some of the important consultancy assignments presently being carried out by us include a national-level perspective planning study in the transport sector, covering all major modes of roadways, railways, airways and coastal shipping, for the Planning Commission, GoI.

Some of the important consultancy assignments carried out by us in the past include a study on privatisation of container train services for Indian Railways, preparation of a draft model concession agreement between container train operators and Indian Railways, master plan for development of inland container depots and container freight stations in India for the Ministry of Commerce, GoI, rail transport logistics study for Jawaharlal Nehru Port, Mumbai, total transport logistics study for integrated chemical complex in Tanzania and a study on introduction of high speed trains between Mumbai and Ahmedabad.

2. Quality Assurance

Apart from being a nominated agency for inspection of material procured by Indian Railways, our quality assurance services cover other sectors such as construction, health and family welfare, water supply and sewerage, petroleum, irrigation, and steel plants. We carry out third party inspection, quality surveillance, vendor capability and capacity assessment, development of quality assurance plans, laboratory testing, and calibration of test equipment.

We also provide consultancy for management systems which includes comprehensive consultancy for obtaining certification in ISO-9001 and TS-16949 quality management systems, ISO-14001 environment management system, ISO-22000 food safety management system, OHSAS-18001 occupational health and safety management system ISO/IEC-17025 laboratory management system IS-15700 Quality Management System (“QMS”) for public service organisations. We also undertake training of employees in management systems and standards, gap analysis and system development, independent auditing of management systems and safety auditing.

Some of our projects presently under execution include inspection of wheel sets for wagon builders in countries including China, Brazil, Czech Republic and Ukraine; inspection of various power utilities for State electricity boards in Rajasthan, Chhattisgarh; surveillance and audit on behalf of Bureau of Indian Standards and Bureau of Energy Efficiency; and inspection of various water supply and sewerage materials for infrastructure projects in Rajasthan and Gujarat.

Some of the important consultancy projects we have carried out in the past include inspection of power generating equipment on behalf of Uttaranchal Jal Vidyut Nigam Limited; inspection of wheel-sets for Texmaco in China; inspection of power distribution equipment on behalf of BSES-Reliance Energy; consultancy for ISO-9001 certification for Bhakra-Beas Management Board, Army Base Workshops and Delhi Development Authority; and inspection of earth moving equipment on behalf of NMDC in Finland and Japan.

3. Training

We organize structured training and development programmes for our clients, drawing on resources including institutional tie-ups with reputed institutions in India and overseas, a wide panel of experts and professionals and our access to over 200 training establishments of the Indian Railways. Our services include, among other things, manpower planning, skills classification and assessment of training needs, curriculum development, development of training infrastructure, delivery of training in India or in client country, logistics support to training programmes, training of trainers and training program monitoring and evaluation.

We are registered with the Ministry of External Affairs, GoI, for conducting training programmes in the railway sector under the Indian Technical and Economic Cooperation (“ITEC”) Programme and the Special Commonwealth Assistance for Africa Programme (“SCAAP”). Both the ITEC and SCAAP programmes are fully funded by the GoI on a grant basis and are offered internationally.

Some of our assignments presently under execution include organising short term training courses abroad for 700 Indian Railway officers over a period of five years, and training of 1,000 Indian Railways supervisors abroad over a period of five years; short-term training programmes for Indian Railway officers and supervisors under different modules with Transnet Freight Rail (South Africa), DB International GmbH (Germany), Swederrail (Sweden) and Toronto University (Canada); and training in India for railway managers of African countries, on behalf of Indian Railways.

Some of our past projects include organisation of study tours for forest department officials of the Government of Maharashtra, Punjab and Himachal Pradesh in foreign countries; training of railway personnel from Sudan, Mali, Angola, Senegal and Mozambique under the ITEC-SCAAP training programme of the GoI; and training of personnel from Cambodia, Laos, Myanmar and Vietnam in India on railway technology.

4. Material Systems Management

We undertake consultancy and advisory services for procurement of goods, works and services for multi/bilateral funded projects, including those funded by the World Bank and ADB, as well as those funded by the GoI. We provide these advisory services in India and abroad to ensure that public procurement is carried out in a fair and transparent manner as per the guidelines of the funding agencies so that economic and efficient use of resources is made to achieve the objectives of the mission. The consultancy covers preparing tender specifications, preparing tender documents, processing the purchase order while ensuring that the legal issues and terms and conditions specified by the funding agency are adhered to.

One of the important assignments presently being carried out by us is providing consultancy services for procurement of goods, works and services for the reconstruction and development of Afghanistan awarded by the Ministry of Economy, Government of Afghanistan. Our services have been instrumental in getting the first ever ISO 9001:2000 certificate in Afghanistan for the ARDS.

5. Geotechnology

We carry out geotechnological investigations and manage and supervise projects involving geotechnical work during pre construction and construction stages of projects pertaining to embankments, cuttings, bridges and tunnels for rail and road projects, thermal, gas and hydro-electric power projects, ports and harbours, canals, dams, transmission lines, oil and gas pipelines and underground storage sites. We have our own geotechnical laboratories for doing testing work at Delhi, Nagpur and Kolkata which are equipped with modern soil, rock and field testing equipment.

Our geotechnical services include geological mapping, exploratory drilling, geo-physical and hydrological investigations, earth work compaction, on-shore and off-shore pile designing. We also undertake studies for economical design of slopes for embankments and cuttings, foundations for bridges, buildings, towers and other structures. Among our important assignments is geotech investigation for construction of railway lines in Jammu and Kashmir and in the UAE, and a seismic refraction survey in Afghanistan.

6. *Information Technology*

We provide information technology consultancy services in various spheres, covering simulation of train operations and time tabling, identification of optimal location of future economic activity, linking demand and supply point through optimal route, commercial application packages including financial accounting, commercial taxes and payroll, forest management, training for efficient usage of information technology equipment and tools for software development. We have executed IT projects in India as well as in several other countries like Malaysia, Algeria, Mozambique, Mexico and Zimbabwe.

7. *Environmental Engineering*

We are engaged in environmental engineering services, which include consultancy and environment studies for various types of projects. The range of services includes water supply, sewerage, environmental impact assessment, environmental audit, solid waste management and ecological conservation studies. Our environmental engineering studies include study of socio-economic impact of events during a project cycle, such as disruption or rehabilitation of displaced communities, study of the environmental impact of available options. We also assist clients in obtaining environmental clearance for their projects from the Ministry of Environment and Forests, GoI.

Export Business

We export locomotives and other rolling stock, as well as their spare parts. The export services consist of integrated project export packages for rolling stock and technical support for operation and maintenance of a wide variety of rolling stock of different track gauges for various railway systems in Asia and Africa. Services offered include consultancy for facilities planning for rolling stock maintenance; technical assistance for workshop modernization; supply and commissioning of workshop machinery and equipment; supply, commissioning and maintenance of locomotives, passenger coaches, DMU train sets and other rolling stock; leasing of locomotives and passenger coaches; rehabilitation of rolling stock and traction equipment; supply of permanent way materials and signalling equipment; rehabilitation of railway bridges; after-sales service for rolling stock including supply of spares; and training for maintenance management.

Our efforts for diversification into leasing and rehabilitation projects have resulted in significant new business for export. We have also actively sponsored research and development activities, which address the requirement of developing new range of products to meet foreign railway requirements, and help establish a market for cost effective export of rolling stock manufactured in Indian Railway units and maintained overseas by our Company. Projects include design and development of double cab 1,350 HP locomotives for Bangladesh, cape gauge (1,067 mm) 1,350 HP and 2,300 HP locomotives for Africa, 2,300 HP BG locomotives with shorter wheel base for Sri Lanka, five different types of cape gauge passenger coaches, DMU trains and self propelled accident relief train for Angola.

Some of our important ongoing projects are:

- leasing of locomotives in Tanzania and Mozambique;
- leasing of passenger coaches in Tanzania;
- export packages including maintenance support for locomotives and passenger coaches for Senegal and Mali;
- export packages including maintenance support for DMU train-sets and self propelled accident relief train for Angola;
- export packages including maintenance support for locomotives for CDN, Nacala, Mozambique;
- rehabilitation of locomotives in Tanzania and Mozambique;

- rehabilitation of traction equipment for Tanzania and Mozambique; and
- rehabilitation of wagons for Mozambique.

Some of the important projects undertaken by us in the past include:

Export packages for locomotives, rolling stock and equipment including:

- diesel locomotives, passenger coaches and signaling equipment to Myanmar;
- diesel locomotives and passenger coaches to Senegal, Nepal and Vietnam;
- diesel locomotives to Sudan, Bangladesh and Sri Lanka; and
- diesel locomotives, passenger coaches, gang cars, inspection cars to Angola.

Technical Assistance and Rehabilitation projects including:

- assessment study and technical assistance for rehabilitation of railways in Angola;
- workshop modernization and equipment supply for railways in Angola;
- upgradation of rolling stock maintenance facilities in Sri Lanka;
- asset review studies in Zambia, Kenya and Tanzania;
- rehabilitation of wagons in Tanzania;
- rehabilitation of three railway bridges in Sri Lanka; and
- rehabilitation of Hitachi locomotives and traction equipment for Sudan.

Concession Business

Our concessions business was started in Fiscal 2000, to capture the emerging business related to transport infrastructure privatisation, and currently is in four distinct areas, namely:

- providing full in-house advisory support (including technical and financial due diligence) to our management while participating as equity partner or consortium or joint venture member to secure infrastructure projects being offered in PPP format;
- carrying out works or services contracts including technical assistance, reconstruction or rehabilitation of infrastructure and leasing of rolling stock secured from concession companies where we have taken equity either directly or through our subsidiaries or joint ventures;
- providing support to our concession companies in completing pre-takeover activities including arranging of finance, other technical and management support during operation or rehabilitation stage and monitoring performance of concession companies to initiate corrective actions, if required; and
- providing advisory services for arranging PPP in infrastructure projects including bid process management, project structuring studies for PPP, services of independent engineer.

We have secured the following three railway concession projects till date:

1. Colombia Railway Concession Project

We, as a part of a multinational consortium, participated in the global bid for concession of the 1,497 km long Atlantic railway network in Colombia. Our consortium was awarded the concession in 1999. The concession was vertically integrated and involved financing, rehabilitation of track and bridges, setting up of maintenance facilities for rolling stock, as well as carrying out train operations including bulk transportation of coal from mines to port.

Besides 5% equity initially held (subsequently diluted to 2%) by our Company in Ferro Carriles del Norte de Colombia S.A., the joint venture entity incorporated in Colombia for operating the Atlantic Railway concession (“FENOCO”), our Company had a contract with FENOCO for providing experts to FENOCO for the maintenance of rolling stock, track machines, workshop machinery and plant. FENOCO took over the railway in Fiscal 2000. In 2005, the Government of Colombia terminated the concession as it wished to involve the coal mining companies in the railway operations to improve the coordination of coal movement. The shares of FENOCO were

purchased by an association led by the Government of Colombia, at a premium to the face value of the shares. For details, see “**Management’s Discussion and Analysis of Financial Condition and Results of Operations- Fiscal 2006 compared to Fiscal 2005- Extraordinary Items (Net of Taxes)**” on page 228.

2. Beira Rail Corridor Concession

The Government of Mozambique (“GoM”), the Conceding Authority, in 2004 granted the Beira Rail Corridor concession comprising the 627 km Sena line and 317 km Machipanda line to the consortium of our Company and IRCON International Limited (“IRCON”) on the basis of international competitive bidding. The purpose of concession was to grant to the concession company the right of rehabilitation of the Beira Rail System at its own cost and risk, and to operate and manage the same for a period of 25 years further extendable by 10 years subject to mutual agreement. As per contract requirement, the consortium and CFM (a parastatal of GoM managing ports and railways in Mozambique) have formed a limited liability company named Companhia Dos Caminhos de Ferro da Beira (“CCFB”) for implementation of the project. The concession was taken over by CCFB on December 10, 2004. Our Company and IRCON together as strategic shareholders hold 51% equity in CCFB and balance 49% equity is held by CFM.

The Machipanda line is currently in operation since its takeover, while the Sena line, which was non-operational since 1983, is being rehabilitated. CCFB is negotiating with several coal companies for transportation of coal over the Sena line. For details, see “**Objects of the Issue**” on page 30.

3. Tanzania Concession

Our Company led a consortium participating in the global bid for the Tanzania Railway Corporation (“TRC”) concession in 2005 and was granted the concession in 2006. The concession covers a railway network of 2,707 route-km and 3,083 track-km, extending across Tanzania with connections to the Kenya and Uganda networks. The scope of the concession involves rehabilitation of the TRC network, rolling stock and support facilities including workshops, communication facilities, and operation of the whole railway system for an initial period of 25 years on concession basis. A concession company named Tanzania Railways Limited (“TRL”) has been incorporated under the laws of Tanzania on May 25, 2007. Our Company holds 51% of TRL’s equity and the balance 49% equity of TRL is held by the Government of the Republic of Tanzania (“GoT”). The Tanzania concession agreement was signed on September 3, 2007 with GoT, and the concession has been taken over from October 1, 2007.

Other Joint Ventures

In addition to the above, from time to time, we enter into alliances with certain entities in India and overseas, for the purposes of jointly bidding for projects or for jointly operating our assets or projects. We seek to pursue collaborations to address specific industry opportunities to enhance our industry and technical expertise, grow our operations geographically and benefit from an expanded client base. Also see Strength titled “**6. Pursue collaborations for furtherance of business**” on page 65 and Risk Factor on page xii - titled “**As part of our growth strategy, we undertake some of our projects in joint ventures with third parties. Such joint ventures or similar alliances may not always be successful.**”.

Competition

We face competition from various international companies for our export and leasing business. In addition, competition in our consultancy business is from domestic as well as from foreign players, including small companies with low overheads and international companies offering

consultancy services directly or through collaborations with Indian companies. Also see “**Risk Factors**” on page xii.

Business development

We are associated with several high power committees or working groups of the GoI to formulate policies to develop the transport infrastructure sector. We believe that our association with such high-level committees provides us with a reputational advantage in business development. While we have a central marketing set up, our respective business unit heads as well as our senior management also manage business development activities in their respective divisions.

We primarily procure our business through our existing relationships with clients or multilateral funding agencies we have serviced in the past, or by bidding for projects. Under the bidding process, Government and other clients typically advertise proposed projects in leading national newspapers or on their websites. We then identify projects that could be of interest to us. The bid opportunities are then evaluated and our management determines whether we should pursue a particular project based on various factors, including the logistical and profitability estimates, geographic location of the project, our competitive advantage relative to other likely bidders, the client’s reputation and financial strength. Once we have identified projects that meet our criteria, we submit expressions of interest and bids to the client, according to the procedures set forth in their advertisement.

Procurement

We procure rolling stock for our lease and export business, from Indian Railways. Spare parts and miscellaneous equipment are typically sourced from Indian Railways as well as from various local vendors.

Human Resources

Our Company at present has 2,170 employees, including 1,136 technical executives, 146 non-technical executives, 249 non-executive technical and 639 non-executive non technical workers, as of December 31, 2007, which includes our permanent employees as well as employees on deputation or probation, pending absorption. We also currently have 734 contract workers.

As a matter of practice, our Company recruits from universities in India. We also advertise in national dailies as well as through our website for recruitment purposes. Our selection process includes a written component as well as an interview. We also conduct walk-in interviews for certain categories of employees. In addition we take officials from the GoI, State Governments and other public sector undertakings on deputation/ absorption in different grades.

Employee Benefits

We provide employees with benefits prescribed by law, including a provident fund and a gratuity scheme. In relation to certain investments made by our Provident Fund, see “**Outstanding Litigation and Other Material Developments- Civil Suits- Civil Suits Filed By Our Company**” and “**Risk Factors**” on pages 240 and xii respectively.

Our regular employees receive medical benefits as per the Company’s rules and our contractual staff is insured under a group mediclaim policy. Our Company does not provide any post-retirement medical benefits to our employees. We also maintain two types of insurances policies for our employees, in the form of group personal accident scheme and a group savings-linked insurance scheme. Our employees posted in security sensitive areas are covered under group personal accident and special terrorist insurance policies.

Training, Research and Development

We conduct research and development for rolling stock in association with or on behalf of RDSO. Under these arrangements, RDSO on a case-to-case basis, grants us marketing rights as well as the right of use by us on proprietary basis, in respect of designs developed by RDSO itself or jointly with our Company.

Training and development needs are identified for every employee on a continuous basis. A large portion of training is devoted to on-the-job training to develop practical knowledge. We also intend to use part of the Net Proceeds of the Fresh Issue to set up a design and training centre at Gurgaon, Haryana. We propose to continue to upgrade and expand our training facilities for training our personnel, as well as to explore possibilities of entering into alliances with various partners, which may allow our personnel to receive the benefits of technology transfer and on-site training in India and abroad. See “*Objects of the Issue- (d) Setting up of a design and training centre*” on page 33.

Corporate Social Responsibility

Our corporate social responsibility initiatives are reflected in our corporate plan. Recent initiatives include sponsorship of various events organized by non governmental organisations for promotion of art, culture, national integrity, education, health, sports, disaster relief, waste recycling, education of the girl child, and employee welfare. In relation to projects for development of rural and remote areas in the country, we typically provide services at reduced rates, which are determined on a case to case basis.

Health, Safety and Environment

Our Company’s health and safety policy is in accordance with the rules and guidelines set forth by the GoI, as adopted by our Board of Directors. We also utilise the services of visiting doctors and we organize health camps for our employees from time to time. Our Corporate Office in Gurgaon is equipped with smoke detectors, fire alarms and extinguishers, signage for emergency exits and round the clock deployment of security and safety personnel. Regular mock drills are conducted to ensure that the system is operational and prepared to meet any contingencies.

We also organize safety awareness and best practices training programmes for our employees on a regular basis.

Insurance

Our insurance policies include professional indemnity risk for consultancy projects awarded to or executed by our Company. Our insurance coverage for our Registered and Corporate Offices, as well as other properties owned or leased by us, includes standard fire, burglary and earthquake insurance. We also maintain marine and transit insurance of rolling stock sent overseas from India for sale or lease.

Risk Management

Our Company has constituted a risk management committee of the Board consisting of two Independent Directors, the Director (Finance) and one whole time Director 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. A Treasury Risk Management Committee comprised

of the Director (Finance), three Executive Directors of operations units, our General Manager (Treasury), Assistant General Manager (Treasury) and an external consultant, is responsible for control and directions of operations pertaining to currency risk management.

Properties

A summary of our important immovable properties is set forth below:

Registered office. Our registered office is located at SCOPE Minar, Core – I, 12th Floor, Laxmi Nagar, Delhi 110 092. The office space covering an area of approximately 19,804 square feet has been handed over to us on January 11, 2005 by the Standing Conference of Public Enterprises on a perpetual lease basis.

Corporate Office. Our corporate office is located at Plot No.1, Sector-29, Gurgaon, Haryana. The office space covering an area of approximately 1,56,615 square feet has been conveyed to us vide conveyance deed dated January 7, 1999 and a supplementary conveyance deed dated August 29, 2003 by the Haryana Urban Development Authority.

Regional Inspection and Project Offices. We have regional inspection offices in Gurgaon (located at the same premises as our Corporate Office), Bhilai, Chennai, Gurgaon, Kolkata and Mumbai, and we have regional project offices in Bhubaneswar, Kolkata, Lucknow, Mumbai, Nagpur and Secunderabad. The details of these properties are as follows:

Regional Inspection Office	Address	Area (in square feet)
Leased Properties		
Chennai	Flat No.758, Mount Chambers, Fourth Floor, Anna Salai, Chennai 600 002.	3,230
Kolkata	No. 56, 3 rd Floor, C.R. Avenue, Kolkata 700 012.	1,29,16.69
Mumbai	Church Gate Station Building, 2 nd Floor, M.K. Road, Mumbai 400 020.	1,500

Regional Project Office	Address	Area (in square feet)
Owned Properties		
Bhubaneswar	Bhagwan Tower, 1 st Floor, Block A, Cuttack Road, Bhubaneswar 751 006.	6,000
Leased Properties		
Kolkata	No. 56, 2 nd Floor, C.R. Avenue, Kolkata 700 012	12,701.41
Lucknow	Lekhraj Market-III, Indira Nagar, Lucknow 226 016.	6,163
Mumbai	Vat 741/742, 4 th Floor, Tower No. 7, International Infotech Park, Vashi Railway Station Complex, Vashi, Navi Mumbai 400 703	5,102.61
Nagpur	1, RITES Bhavan, Kadbi Chowk, Nagpur 440 004.	7,230.72
Secunderabad	Flat No. 208 and 209, Second Floor, Swapnalok Complex, S.D. Road, Secunderabad 500 003.	2,410

We occupy our Bhilai regional inspection office premises, covering an area of 2,260 square feet at 50, Expansion Building, Bhilai Steel Plant Area, Bhilai 490 001, on the basis of an understanding with SAIL. However, we do not have title to these premises. We also own certain premises in Botswana, in connection with our operations through our subsidiary RITES (AFRIKA). For details of this subsidiary, see “*History and Certain Corporate Matters*” on page 86.

Residential Properties. We also possess certain residential properties on leasehold or freehold basis at Chennai, Gurgaon, Hyderabad, Kolkata, Mumbai and New Delhi.

Design and Training Centre. In addition to the above, we own certain land in Gurgaon, on which we propose to construct a design and training centre. For this purpose, we have acquired a plot aggregating 22,604.21 sq. ft., situated at Institutional Plot No. 144 in Sector 44, Gurgaon, through allotment letter dated August 29, 2006 from the Haryana Urban Development Authority (“HUDA”). Further, we have received a possession certificate dated November 24, 2006, as well as a zoning plan in respect of this property. As per the terms of the allotment letter dated August 29, 2006, the construction of the said plot is required to be completed within two years of the date of offer of possession. In this relation, see “**Risk Factors on page xii - Our deployment of the Net Proceeds of the Issue may in certain cases, be contingent on the occurrence of certain related events.**”. For further information, see “**Objects of the Issue- (d) Setting up of a design and training centre**” on page 33.

REGULATIONS AND POLICIES IN INDIA

The following description is a summary of various sector-specific laws and regulations in India prescribed by GoI and RBI, which are applicable to our Company. The regulations set out below may not be exhaustive, and are only intended to provide general information to the investors and are neither designed nor intended to substitute for professional legal advice.

Our Company is engaged in a variety of transport infrastructural developmental activities, including technical consultancy, conducting feasibility studies, deployment of technical experts, construction supervision and related activities in India and abroad; export of goods/commodities like locomotives, coaches and their spare parts, machinery and plants; and leasing of rolling stock abroad.

The regulatory framework governing the export-related activities of our Company is as follows:

Export trade in India is regulated by the Directorate General of Foreign Trade and its regional offices, which function under the Ministry of Commerce and Industries, Department of Commerce, GoI. Foreign exchange and investments into or outside of India are managed under the FEMA, the rules and regulations made thereunder and the RBI Guidelines. The RBI master circular on export of goods and services (RBI/2007-2008/25 Master Circular No/09/2007-08) consolidates all the circulars, notifications and regulations made on the subject.

Foreign investments in India fall under two categories, automatic route and approval route. The automatic route requires no prior approval of the RBI or the FIPB, while the approval route requires the approval of either the RBI, or FIPB or both.

Export of goods on lease and hire

Prior approval of the RBI is required for export of machinery, equipment, etc., on lease and hire basis under agreement with the overseas lessee against collection of lease rentals/hire charges and ultimate re-import. Exporters are required to apply for necessary permission, through the Authorised Dealer (“AD”) banks, to the concerned regional office of the RBI, giving full particulars of the goods to be exported.

Project Exports and Service Exports

Export of engineering goods on deferred payment terms and execution of turnkey projects and civil construction projects abroad are collectively referred to as ‘Project Exports’. Indian exporters offering deferred payment terms to overseas buyers and those participating in global tenders for undertaking turnkey or civil construction contracts abroad are required to obtain approval of the AD/ Exim Bank/ working group at post-award stage before undertaking execution of such contracts.

Advance Payments against Exports

Where an exporter receives advance payment with or without interest, from a buyer outside India, the exporter is required to ensure that documents covering the shipment are routed through the AD through whom advance payment is received, and that rate of interest if any, payable on the advance payment does not exceed LIBOR plus 100 basis points. Where the export agreement provides for shipment of goods extending beyond one year from the date of receipt of advance payment, the exporter shall require the prior approval of the RBI. The AD may allow the purchase of foreign exchange from the market for refunding advance payment credited to Exchange Earners Foreign Currency (“EEFC”) account only after utilising the entire balance of the exporters EEFC accounts made at different branches/ banks.

Guarantee Remittance Approval for Exhibitions/ Trade Fairs Abroad

Companies can export goods for exhibition and sale outside India without the RBI's prior approval. Unsold exhibit items may be sold outside the exhibition/ trade fair in the same or a third country. Such sales are also permissible at discounted value. It is also permissible to gift unsold goods up to the value of US\$ 5,000 per exporter, per exhibition/ fair. The proceeds of items so sold are required to be repatriated to India in accordance with the Foreign Exchange Management (Realisation, Repatriation and Surrender of Foreign Exchange) Regulations, 2000.

Opening of EEFC account

A person resident in India may open with an AD in India, an account in foreign currency called the EEFC account. All exporters are permitted to earn interest on EEFC accounts to the extent of outstanding balances of US\$ 0.1 crore per exporter. EEFC accounts may also be maintained in the form of non-interest bearing current accounts. Account holders cannot maintain outstanding balances to the extent of US\$ 0.1 crore in the form of term deposits up to one year maturing on or before October 31, 2008. ADs have the discretion to determine the rate of interest.

Offices, Representatives Abroad

Expenses connected with overseas offices/representatives of Indian companies are treated as "current account transactions". ADs are empowered to deal with the requests received from firms/ company incorporated in India to open offices (trading/non trading) or post representatives abroad for promotion of their exports. There is a general permission to open and maintain offices abroad. Indian entities are permitted to open, hold and maintain in the name of its office/branch set up outside India, a foreign currency account with a bank outside India by making remittance for the purpose of normal business operations of the said office/branch or representative subject to the overseas branch/ office being set up or representative being posted overseas for conducting normal business activities of the Indian entity, and further, total remittances of the Indian entity to all such accounts in an accounting year not exceeding:

Initial expenses: AD Category- I Banks may allow remittance up to 15% of the average annual sales/income or turnover during the last two financial years or up to 25% of the net worth, whichever is higher.

Recurring expenses: AD Category- I Banks may allow remittances of up to 10% of the average annual sales/ income or turnover during the last two financial years.

Subject to the conditions above, the AD may allow remittances for the purpose of normal business operations, of the office (trading/non trading)/ branch or representative outside India subject to the following terms:

- (a) The overseas branch/ office/ representative should not create any financial liabilities contingent or otherwise for the head office in India;
- (b) The overseas branch/ office/ representative should not invest surplus funds abroad without prior approval of the RBI;
- (c) Companies taking up on-site contracts should repatriate profits after completion of said contracts.

The RBI has given general permission to Indian entities to set up offices and post representatives abroad, provided remittances are made out of funds held in the EEFC account of the Indian entity.

Acquisition of Immovable property by Overseas branches of Indian Companies

AD Category I banks may allow remittances by a company incorporated in India having overseas offices within the above limits for initial and recurring expenses, to acquire immovable property outside India for its business and for residential purposes of its staff.

Limits for clearance of proposals for project and service exports

Presently, a uniform monetary limit of US\$ 10 crore is prescribed for ADs and Exim Bank for clearance of project exports. Project export contracts exceeding the value of US\$ 10 crore require clearance of the Working Group. Similarly, a uniform monetary limit of US\$ 10 crore is prescribed for ADs and Exim Bank for clearance in relation to service exports. Service export contracts exceeding US\$ 10 crore require clearance of the Working Group.

The regulatory framework governing our Company's investments abroad is as follows:

Direct investments by residents in joint venture and wholly owned subsidiaries (“WOS”) abroad are allowed. Indian parties are prohibited from making investment in a foreign entity engaged in real estate or banking business. General permission is granted to residents for purchase/acquisition of securities in the following manner:

- (a) out of funds held in RFC account;
- (b) as bonus shares on existing holding of foreign currency shares; or
- (c) when not permanently resident in India, out of their foreign currency resources outside India.

General permission is also available to sell the shares so purchased or acquired.

Indian corporates are permitted to invest in overseas joint ventures and WOS, not exceeding 300% of net worth of such Indian corporates as on the date of the last audited balance sheet. This ceiling is not applicable where investment is made out of balances held in the EEFC account of the Indian corporate or out of funds raised through American or global depository shares. This ceiling includes contribution to capital of the overseas joint venture/ WOS, loan granted to the joint ventures/ WOS, and 100% of guarantees issued to or on behalf of the joint ventures/ WOS. Such investments are subject to the following conditions:

- i. The Indian entity may extend loan/ guarantee only to an overseas concern in which it has equity participation. Indian entities may offer any form of guarantee – corporate or personal, or primary or collateral, or by the promoter/ group company/ associate company in India; provided that all financial commitments including all forms of guarantees are within the overall ceiling prescribed for overseas investment by the Indian party i.e. currently within 300 to 200% of the net worth of the Indian party; and
- ii. No guarantee is 'open ended' i.e. the amount of the guarantee should be specified upfront.

Guarantees issued by banks in India in favour of joint ventures/ WOSs outside India, are outside this ceiling and are subject to prudential norms issued by the RBI from time to time.

All transactions relating to a joint venture/ WOS should be routed through one branch of an AD to be designated by the Indian party. Approval of the FIPB is also a precondition. The Indian party should not be on the RBI's 'exporters caution list' or list of defaulters to the banking system circulated by the RBI or the Credit Information Bureau (India) Limited (“CIBIL”) or under investigation by any investigation/ enforcement agency or regulatory body.

Investment in an overseas joint venture or WOS may be funded out of one or more of the following sources: (a) drawal of foreign exchange from an AD in India; (b) capitalisation of

exports; (c) swap of shares, subject to stipulated norms on valuation; (d) utilisation of proceeds of external commercial borrowings or foreign currency convertible bonds;

For information on governmental and regulatory approvals obtained by our Company, see “**Government and Other Approvals**” on page 267.

HISTORY AND CERTAIN CORPORATE MATTERS

Our Company was incorporated on April 26, 1974 under the Companies Act as a private limited company under the name of 'Rail India Technical and Economic Services Private Limited' with its main object being to provide engineering, technical and consultancy services for development of railways and allied sectors. The word 'private' was deleted from the name of our Company pursuant to section 43A of the Companies Act on February 17, 1976. Thereafter, in accordance with section 21 of the Companies Act, the name of our Company was changed to our present name, RITES Limited, consequent to which the RoC issued a fresh certificate of incorporation dated March 28, 2000. Section 43A was deleted by the Companies (Amendment) Act, 2000. However, the name of our Company was not changed, since as per section 13(1) (a) of the Companies Act and Notification No. G.S.R.1234 dated December 30, 1958, government companies are exempt from writing the word 'private' before the word 'limited' in their name. Our Company was converted into a public limited company pursuant to section 44 of the Companies Act and a fresh certificate of incorporation dated February 5, 2008 was issued by the RoC.

Changes in our Registered Office

The table below sets forth the changes in the registered office of our Company:

Date of resolution	Change in address of the Registered Office
August 16, 1975	Shift from Rail Bhawan, Raisina Road, New Delhi to New Delhi House, 27, Barakhamba Road, New Delhi 110 001
September 20, 2007	Shift from New Delhi House, 27, Barakhamba Road, New Delhi 110 001 to SCOPE Minar, Core – I, 12th Floor, Laxmi Nagar, Delhi 110 092, w.e.f. October 1, 2007

Major events

Year	Event
1974	Incorporation of our Company.
1974-75	Agreement concluded for the first foreign consultancy job for conducting a feasibility study for construction of a new line in Syria.
1978-79	Management and operation of the railway system in Nigeria.
1985-86	Development of geotechnical centre for field and laboratory investigations.
1986-87	Diversification of business by the creation of highway and inland water transport division.
1987-88	Our Company established the airports division.
1988-89	Consultancy services for the airport at Aden.
1990-91	Incorporated our subsidiary RITES (AFRIKA) in Botswana.
1993-94	Material Systems Management division established.
1995-96	Expotech division established
1997-98	Quality Assurance Division acquires our first ISO 9002 certification.
2001-02	Granted Mini Ratna Category-II status.
2002-03	Built new Corporate Office at Gurgaon.
2004-05	- Executed concession agreement in Mozambique. - Incorporated the joint venture company CCFB in Mozambique. - Established the joint venture RICON.
2005-06	Granted Mini Ratna category-I status.
2007-08	- Upgraded from Schedule 'B' to Schedule 'A' company. - Executed concession agreement in Tanzania. - Incorporated our subsidiary TRL in Tanzania. - Company converted from private limited to public limited company, w.e.f. February 5, 2008

Awards and Recognitions

Year	Award/Recognition
1999-00	Indo-German Greentech Environment Award
2000-01	- Engineering Export Promotion Council (“EEPC”) (Northern) Regional Trophy for outstanding export performance by the EEPC India - Niryat Shree Bronze Trophy for outstanding export performance in the consultancy sector by the Federation of Indian Export Organisations (“FIEO”)
2001-02	- Export Award for maximum foreign exchange earned and repatriated to India from Overseas Service Contracts by the Overseas Construction Council of India - Niryat Shree Gold Trophy for outstanding export performance in the consultancy sector by the FIEO
2002-03	- EEPC (Northern) Regional Trophy for outstanding export performance by the EEPC India - Silver trophy of SCOPE Award for excellence and outstanding contribution to the public sector management- smaller public enterprises category
2003-04	- EEPC (Northern) Regional Trophy for outstanding export performance by the EEPC India - Project Exports Promotion Council (“PEPC”) Award for maximum foreign exchange earned and repatriated to India from overseas service contracts
2004-05	- Second prize for excellence in consultancy services from Consultancy Development Centre (“CDC”) - PEPC Award for maximum foreign exchange earned and repatriated to India from overseas service contracts
2005-06	- PEPC Award for maximum foreign exchange earned and repatriated to India from overseas service contracts - SCOPE Award for excellence and outstanding contribution to the public sector management- smaller public enterprises category
2006-07	- Avaya GlobalConnect Award for India’s most customer responsive public sector undertaking - Bentley Empowered Award of excellence from Bentley Systems Incorporated, USA in 2006 - AMITY Corporate Excellence Award
2007-08	AMITY Corporate Excellence Award

Our Main Objects

Our main objects as contained in our Memorandum of Association are:

Clause	Particulars
III.(A) 1.	To design, establish, provide, operate, maintain and perform, engineering, technical and consultancy services for development of projects/systems of all types and descriptions, pertaining to railways and other sectors/industries in India and outside India including but not limited to surveys of all types, feasibility reports, detailed project reports, techno-economic investigations, site selection, supply of basic engineering and detailed designs and working drawings for construction of projects of all kinds pertaining to railways and other sectors/industries/industrial plants and factories various fields, equipment selection therein and manufacture of rolling stock and equipments of all kinds and descriptions, material handling, preparing specifications and tender documents, tender evaluation and purchase assistance of all materials and goods pertaining to such projects. Expediting, inspecting and testing, construction supervision, project management, commissioning and maintenance, training of all personnel and any such other services.
III.(A) 2.	To provide engineering, technical, financial and management services, for all types of projects/systems as referred to hereinbefore in India and outside India including

Clause	Particulars
	but not limited to engineering, commercial, financial and operational management of all types of systems, pertaining to railways and other sectors/industries, market research and personnel management, accounting and costing systems, organisational structure, improvement in systems of administration, traffic forecasts, transport planning, investment planning and modernisation of existing projects/systems of all kinds pertaining to railways and other sectors/industries, modernisation of motive power, rolling stock, track and track fittings and other railway equipments, improvement in operational and maintenance practices towards optimum utilisations of assets, inter-model relationships of various forms of transport and engage in research of all types of problems relating to the working of such projects/systems, to collect, prepare and distribute information and statistics relating to any of the items pertaining to the working of such projects/systems in India and outside India and to promote or propose such methods, studies and measures as may be considered desirable by or beneficial to the interest of the Company.
III.(A) 3.	To render consultancy and engineering services and other connected services relating to development of projects/systems pertaining to railways and other sectors/industries, to any person, firm or body corporate whether in India or outside India, in public or private sector including but not limited to supplying technical information, know-how, engineering, manufacturing and operating data, plans, layouts and blueprints required for design, erection, construction, commissioning and operating of such projects/systems referred to herein before.
III.(A) 4.	To provide technical know-how and management services to parties in India and outside India for manufacture of goods or materials required for various projects/systems pertaining to railways and other sectors/industries of all kinds and description or for installation or erection of machinery or plants for such manufacture or for developing allied sectors/industries.
III.(A) 5.	To loan on suitable terms, the Company's technicians, experts and other to parties in India or outside India for development of projects of all types and descriptions pertaining to railways and other sectors/industries and to send to foreign countries, Company's technicians, experts and others, plans and drawings, plant, machinery and tools, etc. in connection with development of such projects/systems pertaining to railways and other sectors/industries and employ foreign technicians or experts or advisers on contract basis for furtherance of Company's objectives as aforesaid.
III.(A) 6.	To carry on, in India or outside India, the business of i) Leasing of locomotives, rolling stock and other equipments including but not limited to leasing of industrial machinery and equipments and for this purpose to acquire and hold either in the name of the Company or that of its nominees moveable and immovable property of any kind and description and any right and interest therein. ii) To buy, lease or otherwise hold and develop and/or sell out or lease out of otherwise deal in moveable and immoveable properties of all kinds which the Company may consider necessary or which may be calculated to be directly or indirectly beneficial to the interest of the Company or enhance the value of or render profitable any of the Company's property or rights.
III.(A) 7.	To carry on business relating to railway and other sectors of transportation and to enter into contracts in India or abroad, an EPC basis or otherwise, either individually or jointly with other undertakings and companies or persons abroad or in India.
III.(A) 8.	To carry on the business/activity/scheme like build-operate-transfer ("BOT"), build-own-operate-transfer ("BOOT"), build-lease-transfer ("BLT") or any other scheme or project found suitable in relation to the fields of business of the Company.

Changes in our Memorandum of Association

Since our incorporation, the following changes have been made to our Memorandum of Association:

Date of Shareholder Resolution	Details
October 10, 1975	The authorised share capital of our Company was increased from Rs. 0.10 crore comprising 10,000 equity shares of Rs. 100 each to Rs. 1 crore comprising 0.01 crore equity shares of Rs. 100 each.
September 22, 1989	The authorised share capital of our Company was increased from Rs. 1 crore comprising 0.01 crore equity shares of Rs. 100 each to Rs. 2 crore comprising 0.02 crore equity shares of Rs. 100 each.
July 24, 1996	Amendment to the Objects clause by deletion of the existing clause 3A, sub-clauses 3.1 to 3.5 and substitution and insertion of the new clause 3A sub-clause 3.1 to 3.6 pursuant to section 17 of the Companies Act. “3.1. To design, establish, provide, operate, maintain and perform Engineering, Technical and Consultancy Services for development of projects/systems of all types and descriptions pertaining to railways and other sectors/industries in India and outside India including but not limited to surveys of all types, feasibility reports, detailed project reports, techno-economic Investigations, site selection, supply of basic engineering and detailed designs and working drawings for construction of projects of all kinds pertaining to Railways and other sectors/industries/industrial plants and factories various fields, equipment selection therein and manufacture of rolling stock and equipments of all kinds and descriptions, material handling, preparing specifications and tender documents, tender evaluation and purchase assistance of all materials and goods pertaining to such projects, expediting, inspecting and testing, construction supervision, project management, commissioning and maintenance, training of all personnel and any such other services. 3.2. To provide engineering, technical, financial and management services, for all types of projects/systems as referred to hereinbefore in India and outside India including but not limited to engineering, commercial, financial and operational management of all types of systems, pertaining to Railways and other sectors/ industries, market research and personnel management, accounting and costing systems, organizational structure, improvement in system of administration, traffic forecasts, transport planning, Investment planning and modernization of existing projects/systems of all kinds pertaining to Railways and other sectors/ industries, modernization of motive power, rolling stock, track and track fittings and other railway equipments, improvement in operational and maintenance practices towards optimum utilizations of assets, inter-model relationships of various forms of transport and engage in research of all types of problems relating to the working of such projects/systems, to collect, prepare and distribute information and statistics relating to any of the items pertaining to the working of such projects/systems in India and outside India and to promote or propose such methods, studies and measures as may be considered desirable by or beneficial to the interest of the Company. 3.3. To render consultancy and engineering services and other connected services relating to development of projects/systems pertaining to railways and other sectors/industries, to any person, firm or body corporate whether in India or outside India, in public or private sector including but not limited to supplying technical information, know-how, engineering, manufacturing and operating data, plans, layouts and blueprints required for design, erection, construction, commissioning and operating of such projects/systems referred to herein before. 3.4. To provide technical know-how and management services to parties in India and outside India for manufacture of goods or materials required for various projects/systems pertaining to railways and other sectors/industries of

Date of Shareholder Resolution	Details
	all kinds and description or for installation or erection of machinery or plants for such manufacture or for developing allied sectors/industries. 3.5. To loan on suitable terms, the Company's Technicians, experts and others to parties in India or outside India for development of projects of all types and descriptions pertaining to railways and other sectors/industries and to send to foreign countries, Company's technicians, experts and others, plans and drawings, plant, machinery and tools etc. in connection with development of such projects/systems pertaining to railways and other sectors/industries and employ foreign technicians or experts or advisers on contract basis for furtherance of Company's objectives as aforesaid. 3.6. To carry on, in India or outside India, the business of i) Leasing of locomotives, rolling stock and other equipments including but not limited to leasing of Industrial machinery and equipments and for this purpose to acquire and hold either in the name of the Company or that of its nominees moveable and immovable property of any kind and description and any right and interest therein. ii) To buy, lease or otherwise hold and develop and/or sell out or lease out or otherwise deal in moveable and immovable properties of all kinds which the Company may consider necessary or which may be calculated to be directly or indirectly beneficial to the interest of the Company or enhance the value of or render profitable any of the Company's property or rights.
September 26, 1997	The authorised share capital of our Company was increased from Rs. 2 crore comprising 0.02 crore equity shares of Rs. 100 each to Rs. 3 crore comprising 0.03 crore equity shares of Rs. 100 each.
August 25, 2003	The authorised share capital of our Company was increased from Rs. 3 crore comprising 0.03 crore equity shares of Rs. 100 each to Rs. 5 crore comprising 0.05 crore equity shares of Rs. 100 each.
September 21, 2007	Amendment by insertion of new sub-clauses 3.6.1 and 3.6.2 after the existing sub-clause 3.6 in Clause 3(A). 3.6.1. to carry on business relating to railway and other sectors of transportation and to enter into contracts in India or abroad, on EPC basis or otherwise, either individually or jointly with other undertakings and companies or persons abroad or in India. 3.6.2. to carry on the business/activity/scheme like build-operate-transfer (“BOT”), build-own-operate-transfer (“BOOT”), build-lease-transfer (“BLT”) or any other scheme or project found suitable in relation to the fields of business of the Company.
January 8, 2008	The existing authorised capital of the Company of Rs. 5 crore comprising of 0.05 crore equity shares of Rs. 100 each was sub-divided into 0.50 crore equity shares of Rs. 10 each. The authorised share capital of our Company was increased from Rs. 5 crore comprising 0.50 crore equity shares of Rs. 10 each to Rs. 100 crore comprising 10 crore equity shares of Rs. 10 each.

Our Subsidiaries

As of the date of this Draft Red Herring Prospectus, we have two Subsidiaries, neither of which has been incorporated in India. Neither of our Subsidiaries is a listed company. Further, neither of our Subsidiaries has been declared a sick company under the laws applicable to it, nor has either of our Subsidiaries gone into liquidation.

1. RITES (AFRIKA) (Proprietary) Limited (“RITES (AFRIKA)”)

RITES (AFRIKA) (Proprietary) Limited was incorporated on January 16, 1991 under the laws of Botswana. Its objects include acting as an advisor on problems relating to the administration and organisation of industry and business in Botswana. The registered office of RITES (AFRIKA) is situated at Plot 50370, Acumen Park, Fairgrounds, Gaborone, Botswana.

Shareholding Pattern

We hold 100% of the equity shares of RITES (AFRIKA). It comprises 10,000 equity shares of Pula 1 each. The equity shares of RITES (AFRIKA) are not listed on any stock exchange.

Board of Directors

The board of directors of RITES (AFRIKA) currently comprises Mr. Sanjeev Bhushan and Dr. K. Pal.

Financial Performance

The audited financial results of RITES (AFRIKA) for Fiscals 2005, 2006, 2007 are set forth below:

	(In Pula)		
	Fiscal 2005	Fiscal 2006	Fiscal 2007
Sales and Other Income	3,90,190	25,22,896	35,66,564
Profit/ (Loss) after tax	(9,048)	32,605	84,766
Equity Capital	10,000	10,000	10,000
Reserves and Surplus (excluding revaluation reserve)	3,74,942	3,95,782	4,68,783
Earnings/ (Loss) per share (diluted)	(0.90)	3.26	8.48
Book Value per share	38.49	40.58	47.88

2. Tanzania Railways Limited (“TRL”)

Shareholders agreement between RAHCO and our Company

Our Company and Reli Assets Holding Company Limited, Tanzania (“**RAHCO**”), a company formed under the Government of the United Republic of Tanzania (“**GoT**”), have jointly formed a private limited company under the laws of Tanzania, known as Tanzania Railways Limited (“**TRL**”), as per a shareholders agreement dated May 24, 2007 between the GoT and our Company. TRL has been incorporated for the purpose of operating the Tanzania Railway concession, in terms of the concession agreement dated September 3, 2007 between TRL and RAHCO (“**Tanzania Concession Agreement**”). For details of the Tanzania Concession Agreement, see “**History and Certain Corporate Matters- Other Material Agreements- Concession Agreement between RAHCO and TRL**” on page 96.

Our Company holds 51% shareholding in TRL and the GoT holds the remaining 49%. Our Company has the right to transfer up to 51% of TRL’s shares to a third party railway operator, subject to prior written consent of the GoT with regard to acceptability of the proposed purchaser. The GoT has the right to transfer up to 19% of TRL’s shares, subject to our Company’s prior written consent with regard to acceptability of the proposed purchaser. Further, either party may transfer its shares subject to prior written consent of the other party as per the procedure set forth in this shareholders agreement and the Tanzania Concession Agreement.

On receipt of a transfer notice issued as per this shareholders agreement, the recipient of such notice has the right to buy all but not a portion only, of the shares in TRL, with such right to be exercised as per the procedure set forth in this shareholders agreement, failing which such shares may be sold to a third party. Our Company has the right to nominate three of the five directors on the board of TRL, including the chairman and managing director. Further, certain matters are reserved for the board of directors of TRL (of which one representative each of the GoT and our Company shall constitute a quorum), including changes to dividend policy, business plan and approving long term contracts. In addition, certain matters are reserved for the shareholders of TRL, including alteration in constitutional documents, change in capital structure, merger or liquidation. This shareholders agreement may be terminated by three months notice in the event of material breach by either party, which is not cured within the stipulated period, or in the event of liquidation or insolvency of our Company.

Corporate Information

TRL was incorporated on May 25, 2007 under the laws of Tanzania. TRL has been incorporated to implement the concession granted by RAHCO to TRL for providing railway services in Tanzania using concessioned assets in accordance with the Tanzania Concession Agreement. This involves performance of the following activities by TRL in accordance with the concession agreement (a) taking over concessioned assets of RAHCO; (b) further development of concessioned assets taken over from RAHCO; (c) maintenance of assets; and (d) providing railway services to users on payment of charges as fixed by the Company. The registered office of TRL is situated at P.O. Box 70364, Dar es Salaam, Tanzania.

Shareholding Pattern

The shareholding pattern of TRL as on the date of filing of this Draft Red Herring Prospectus is as follows:

S. No.	Name of the Shareholders	Number of equity shares of 1,000 TSH each	Percentage holding (%)
1.	rites Limited	1,02,00,000	51
2.	Treasury Registrar, GoT	98,00,000	49
	Total*	2,00,00,000	100

**IFC is required to have a charge over 100% of TRL's shares in connection with providing financing for the Tanzania concession project.*

The equity shares of TRL are not listed on any stock exchange.

Board of Directors

The board of directors of TRL currently comprises Mr. V.K. Agarwal as chairman, Mr. N. Jayram as managing director and Mr. S.K. Seth, nominees of our Company, and Mrs. Agnes Bukuku and Mr. Siraju Juma Kaboyonga, nominees of the GoT.

Financial Performance

As TRL was incorporated in Fiscal 2008, audited financial statements of TRL for Fiscals 2005, 2006 and 2007 are unavailable.

Common Pursuits

Each of our Subsidiaries was incorporated by us for the specific purpose of expanding our existing business in Botswana and in Tanzania, respectively. Accordingly, while each of our subsidiaries is engaged in a business similar to ours, they are not competing for any business with us.

Our Joint Ventures

In addition to the subsidiaries mentioned above, we have entered into certain joint venture arrangements, the details of which are set forth below.

Our Joint Venture Companies

1. Companhia Dos Caminhos De Ferro Da Beira, SARL (“CCFB”)

Our Company, IRCON and CFM have formed a joint venture company called Companhia Dos Caminhos De Ferro Da Beira, SARL (“CCFB”) under the laws of Mozambique with the objective of jointly operating the Beira Rail Corridor concession in Mozambique, with our Company and IRCON collectively holding 51% (26% being held by our Company) and 49% being held by the conceding authority, Portos E Caminhos De Ferro Da Mozambique, E.P. (“CFM”). CFM’s stake is intended to be subsequently divested, at the sole discretion of the conceding authority of the Ministry of Transport and Communications of Mozambique, to appropriate Mozambican entities.

Subsequently, a concession agreement dated August 30, 2004 was executed between CFM and CCFB for rehabilitation, operation, management and maintenance of the Beira railway system in Mozambique (“Mozambique Concession Agreement”). For details, see ***“History and Certain Corporate Matters- Other Material Agreements- Concession Agreement between Ministry of Mozambique, CFM and CCFB”*** on page 97.

Further to the same, our Company and IRCON have entered into a joint venture agreement dated September 15, 2004, for forming a joint venture by the name RICON, with RITES holding 51% interest and IRCON holding 49% interest. The main object of RICON is to secure and execute contracts to be awarded by CCFB for rendering management support services, consultancy works, project management construction supervision, supply of materials, rolling stock and equipment, work contracts, leasing of equipment/ rolling stock, etc. For details, see ***“History and Certain Corporate Matters- Our Unincorporated Joint Ventures- RICON”*** on page 95.

Corporate Information

CCFB was incorporated on July 29, 2004, under the laws of Mozambique with the objective of managing the Beira rail corridor concession. Its registered office is situated at Post Box No. 552, 2nd Floor, Railway Station Building, Beira, Mozambique.

Shareholders

Shareholder	Number of equity shares at MZN 24 each	Percentage Holding (%)
RITES Limited	13,00,000	26
IRCON	12,50,000	25
CFM	24,50,000	49
Total	50,00,000	100

Board of directors

The board of directors of CCFB comprises Mr. Madan Lal as chairman, Mr. J.S. Marwaha as chief executive officer and Mr. V.K. Agarwal, nominees of our Company, and Ms. Adelino Mesquita and Mr. Joaquim Verissimo, nominees of CFM.

Financial Performance

The financial year of CCFB ends on December 31. The audited financial results of CCFB for the financial years 2005 2006 and for the nine months ended September 30, 2007 are as set forth below:

(In MZM, unless otherwise stated)

	FY 2005	FY 2006	Nine months ended September 30, 2007
Sales and Other Income	17,01,75,794	28,31,76,740	19,55,19,921
Profit/ (Loss) after tax	(10,30,76,270)	7,89,97,240	(3,28,98,733)
Equity Capital	12,00,00,000	12,00,00,000	12,00,00,000
Reserves and Surplus (excluding revaluation reserve)	(10,30,76,270)	(2,40,79,030)	(5,69,77,763)
Earnings/ (Loss) per Share (diluted)	(20.62)	15.80	(6.58)
Book Value per share	3.38	19.18	12.60

2. Ganga Expressway Consultants Private Limited (“GECPL”)

In response to an invitation to expressions of interest issued by the Infrastructure Development department of the Government of Uttar Pradesh, our Company has entered into an MoU dated October 14, 2007 with SREI Infrastructure Finance Limited (“**SREI**”) (as the lead partner) and Consulting Engineers Services (India) Private Limited (“**Consulting Engineers**”). Pursuant to this MoU, the parties proposed to submit technical and financial proposals to the Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited (“**PICUP**”) for development of eight lane access controlled expressway from Greater Noida to Ghazipur-Balia (“**Ganga Expressway**”). The responsibility sharing between the parties would be contained in this technical proposal.

The MoU contemplates the constitution of a special purpose vehicle with the consortium partners and PICUP each holding 50% (the respective ratio between SREI, Consulting Engineers and our Company would be 50:25:25). SREI alone would contribute to the formation of the project development fund to be created by the special purpose vehicle so formed. Our Company and Consulting Engineers would not be required to contribute to this fund. Our Company’s share in the success fee would be 10%, and parties would receive drop dead fees in the ratio of expenses incurred by them till the date of abandonment of the project by the Government of Uttar Pradesh/ PICUP. The parties also agreed to equally bear the penalty, if any, imposed due to delay in meeting milestones. The MoU is valid for the period of the project contract. The project has not yet commenced, pending constitution of the proposed special purpose vehicle.

Corporate Information

Pursuant to the above and prior to constitution of the proposed special purpose vehicle along with PICUP, GECPL was incorporated on January 21, 2008, under the laws of India. Its main objects are to carry out the business of a professional consultant for the construction of multi-storeyed buildings, bridges, roads, dams, etc and working as architectural engineers, assessors, valuers, surveyors, designers, etc. Its registered office is situated at D-2, 5th floor, South Place, Saket, New Delhi 110 017.

Shareholders

Shareholder	Number of equity shares of Rs. 10 each	Percentage Holding (%)
Infrastructure Project Development Fund	25,000	50
RITES Limited	12,500	25
Consulting Engineers Services (India) Private Limited	12,500	25
Total	50,000	100

Board of Directors

The board of directors of GECPL comprises Mr. Rati Ranjan Mandal, nominee of SREI Infrastructure Finance Limited, Mr. B.K. Makhija, nominee of our Company and Mr. Alok Basu, nominee of Consulting Engineering Services (India) Private Limited.

Financial Performance

GECPL was incorporated during Fiscal 2008. Therefore, audited financial information for Fiscals 2005, 2006 and 2007 is not available.

Our Unincorporated Joint Venture

3. RICON

A consortium of our Company, IRCON and CFM has formed a joint venture company called CCFB with the objective of jointly operating the Beira Rail Corridor concession in Mozambique. For details, see “***Our Joint Venture Companies- Companhia Dos Caminhos De Ferro Da Beira, SARL (“CCFB”)***” on page 93. Subsequently, a concession agreement was executed between CFM and CCFB for rehabilitation, operation, management and maintenance of the Beira railway system in Mozambique. For details, see “***History and Certain Corporate Matters- Other Material Agreements- Concession Agreement between Ministry of Mozambique, CFM and CCFB***” on page 97.

Further to the same, our Company and IRCON entered into a joint venture agreement dated September 15, 2004, whereby the parties agreed to form a joint venture by the name RICON, with RITES holding 51% interest and IRCON holding 49% interest. The objective of RICON is to secure and execute contracts to be awarded by CCFB for rendering management support services, consultancy works, project management construction supervision, supply of materials, rolling stock and equipment, work contracts, leasing of equipment/ rolling stock, etc. To meet the working capital requirement, parties shall contribute funds in the agreed ratio. Our Company will act as the leader of the joint venture and shall represent the joint venture in its dealings with CCFB and outside parties. All contracts secured by the joint venture may be executed by RICON itself by obtaining personnel from our Company and IRCON or individually. The agreement shall remain valid for the term of the concession agreement for the Beira rail corridor concession between CCFB and the Government of Mozambique. Further, our Company and IRCON have entered into a supplementary agreement dated September 24, 2004, to govern their inter se relationship with respect to the joint venture.

For details, see “***History and Certain Corporate Matters- Material Agreements***”, on page 96.

RICON’s office is situated at RITES Bhavan, Plot No.1, Sector 29, Gurgaon 122 001.

Participating Interest

The respective participating interests of our Company and IRCON in RICON as on the date of this Draft Red Herring Prospectus is set forth below.

Shareholder	Percentage Holding (%)
RITES Limited	51
IRCON	49
Total	100

Management Committee

The management committee of RICON comprises Mr. Harjinder Singh from IRCON and Dr. Y.B. Sharma from our Company.

Financial Performance

The audited financial results of RICON for Fiscals 2005, 2006, 2007 are set forth below:

(Rs. in crore, unless otherwise stated)

	Fiscal 2005	Fiscal 2006	Fiscal 2007
Income	1.53	5.47	5.06
Profit/ (Loss) after tax	0.47	1.98	1.89
Joint Venturers' Funds	0.47	2.45	4.33

Shareholder Agreements

There are no shareholders agreements with respect to our Company.

Material Agreements

Concession Agreement between RAHCO and TRL

RAHCO and TRL have entered into a concession agreement dated September 3, 2007 to develop, manage and maintain rolling stock and rail infrastructure and to provide rail transport services in Tanzania, for a period of 25 years. Under this agreement, TRL shall provide these services at its own cost and risk, without recourse to financial assistance or indemnity from RAHCO or the GoT. TRL shall also be obliged to obtain all necessary approvals and appropriate insurance in relation to this concession, as well as to bear restoration costs in the event of any damage to concession assets. TRL may also establish and operate any telecommunication system necessary or useful to conduct railway operations or rail transport services, and to use the fibre optic cable subject to any licencing requirements under applicable law in Tanzania. TRL is not currently operating a telecommunications system in Tanzania.

TRL may not transfer or lease the concession assets to any third parties except with the prior written consent of RAHCO or in ordinary course of business. Under this concession agreement, TRL is required to prepare separate maintenance plans for movable and immovable concession assets as well as an investment plan, for each consecutive five year period within the concession period, for RAHCO's approval. RAHCO has the right to purchase TRL's movable assets six months prior to scheduled termination of the concession, or to require TRL to surrender any immovable assets not used in connection with railway operations and rail transport services for a period of 24 months.

Under this concession agreement, RAHCO would initially provide funds to TRL for relaying and restoring railway tracks in the manner stipulated, and either RAHCO or TRL may at their own cost and with prior written consent of the other party undertake or procure construction of new railway infrastructure or an enhancement to existing immovable assets. In the event of a material change in circumstances, TRL may be entitled to certain compensation or relief from RAHCO, as per the due process set forth in this agreement.

The agreement may be terminated by mutual consent of the parties, due to expropriation by the GoT or due to any change in law that renders performance of this contract impossible. Further, RAHCO may step in and conduct concession activities in place of TRL in the event of TRL's failure to provide rail transport services or railway operations, safely or at all, for a period of 15 consecutive days.

The agreement shall be governed by the laws of the Republic of Tanzania. Any disputes shall be settled amicably, or through conciliation or, failing that, arbitration under the UNCITRAL rules. TRL cannot assign any of its obligations under this agreement to any third party without RAHCO's prior consent.

The concession agreement also sets out certain financial requirements that TRL is required to abide by, including the concession fee and the quantum of the performance bond to be submitted by TRL to RAHCO for the period of the contracts, and restrictions on TRL from incurring any liability or financial indebtedness or granting credit to any director or employee, other than in ordinary course of business in operating the Tanzanian railway system. Further, TRL may not create or acquire any subsidiary or make an investment in any company except for the formation of a wholly owned subsidiary limited liability company incorporated under the law of the Republic of Tanzania for undertaking the business of deposit-taking.

Concession Agreement between CFM and CCFB

Pursuant to decree no. 41 dated August 24, 2004, issued by the Republic of Mozambique, a concession agreement dated August 30, 2004, was executed between the conceding authority of the Ministry of Transport and Communications of Mozambique, ("CFM") and our joint venture company Companhia Dos Caminhos De Ferro Da Beira ("CCFB") with the objective of jointly operating the Beira rail corridor concession in Mozambique for a period of 25 years, extendable by a further 10 years on fulfilment of certain conditions.

As per the concession agreement, the ownership of land remains vested in the Republic of Mozambique, while CFM holds the right to use and to control use of the land within the concession area. The obligation to obtain required consents and adequate insurance, and to indemnify CFM against any claims or losses in relation to the concession is on CCFB. The parties to the concession agreement are restricted from sharing confidential technical or commercial information without prior consent of the other parties, except where such information is already in the public domain or where disclosure is required under applicable law. The concession agreement provides for resolution of any disputes by way of mediation, or failing that, arbitration. Either CCFB or CFM may terminate the agreement in the event of failure of such negotiations. In the event of a change in circumstances including acts of expropriation, compulsory acquisition, nationalization or material change in law, the parties may be liable to carry out restorative measures under the concession agreement. The concession agreement is terminable by CCFB in the event of a single or related change(s) in circumstances of one of the parties thereto continuing for a period of over 180 days, or in the event of dissolution of CFM, or in the event of the non-renewal of any regulatory consents within stipulated time and on terms equivalent to terms applicable at the time of award of this concession. The concession agreement is terminable by CFM on account of any default by CCFB, including failure to pay concession fees, failure to comply with stipulated levels of service, insolvency or liquidation of CCFB.

OUR MANAGEMENT

Board of Directors

Under our Articles of Association, we are required to have not less than three Directors and not more than eighteen Directors. We currently have 11 Directors comprising our part-time Chairman who is a non-executive Director, four whole-time Directors, two government nominee Directors and four Independent Directors.

The following table sets out the current details regarding our Board as on the date of the filing of this Draft Red Herring Prospectus:

Name	Age (years)	Address	Other Directorships
Mr. R.K. Rao S/o (Late) Mr. Chunni Lal Rao Designation: Part-time Non Executive Chairman Occupation: Service DIN: 00866095	59	R.B. No. 4, Hospital Road, Moti Bagh, New Delhi 110 021	<u>Indian companies</u> Nil <u>Foreign companies</u> Nil
Mr. V.K. Agarwal S/o (Late) Mr. Tara Chand Designation: Managing Director Occupation: Service DIN: 00233282	57	T-VI/45, Railway Officers Enclave, San Martin Marg, Chanakyapuri, New Delhi 110 021	<u>Indian companies</u> Nil <u>Foreign companies</u> 1. CCFB, Mozambique; and 2. Tanzania Railways Limited, Tanzania
Mr. Anil Madan S/o Mr. Prem Nath Madan Designation: Director (Technical) Occupation: Service DIN: 00228046	58	646, Asiad Village Complex, New Delhi 110 049	<u>Indian companies</u> Nil <u>Foreign companies</u> Nil
Mr. B.K. Makhija S/o Mr. Manohar Lal Makhija Designation: Director (Projects) Occupation: Service DIN: 01059280	56	E-2220, Palam Vihar, Gurgaon 122 017, Haryana	<u>Indian companies</u> 1. Ganga Expressway Consultants Private Limited <u>Foreign companies</u> Nil
Mr. Rajeev Mehrotra S/o Mr. Prem Narayan Mehrotra Designation: Director (Finance) Occupation: Service DIN: 01583143	46	323, Asiad Village Complex, New Delhi 110 049	<u>Indian companies</u> Nil <u>Foreign companies</u> Nil
Mr. R. Ashok S/o Mr. Srinivasan Ramaswamy Designation: Government Nominee Director	58	D-1/201, Chanakyapuri, New Delhi 110 021	<u>Indian companies</u> 1. DFC Corporation of India Limited; and 2. Railway Sports Promotion Board

Name	Age (years)	Address	Other Directorships
Occupation: Service DIN: 00233663			<u>Foreign companies</u> Nil
Mr. Virendra Gupta S/o Mr. H.K. Gupta Designation: Government Nominee Director Occupation: Service DIN: 01899410	53	C-4/2, M.S. Flats, R.K. Puram, Sector-13, New Delhi 110 066	<u>Indian companies</u> WAPCOS Limited <u>Foreign companies</u> Nil
Dr. Devi Singh S/o (Late) Mr. Saudan Singh Designation: Independent Director Occupation: Service DIN: 00015681	55	Director's Bungalow, IIM Campus, Praband Nagar, Off Sitapur Road, Lucknow 226 013	<u>Indian companies</u> 1. Sunbeam Auto Limited; 2. Energy Infratech Private Limited; and 3. Rural Electrification Corporation Limited. <u>Foreign companies</u> Nil
Mr. D.P. Tripathi S/o Justice Harish Chandra Pati Tripathi Designation: Independent Director Occupation: Retired Secretary, GoI DIN: 00131460	65	39, Ground Floor, Aradhana Enclave, Sector 13, R.K. Puram, New Delhi 110 066	<u>Indian companies</u> 1. Rail Vikas Nigam Limited; and 2. Jindal Rail Infrastructure Limited. <u>Foreign companies</u> Nil
Mr. Prem Saigal S/o Mr. Gobind Ram Designation: Independent Director Occupation: Professional DIN: 00009267	64	184, Jor Bagh, New Delhi 110 003	<u>Indian companies</u> 1. IL&FS Technologies Limited; and 2. Manipal Healthcare Private Limited <u>Foreign companies</u> Land Registration Systems Incorporated, Philippines
Mr. A.K. Sanwalka S/o (late) Mr. P.R. Sanwalka Designation: Independent Director Occupation: Retired Provisional DIN: 02125521	60	J-8/11, DLF Phase II, Gurgaon 122 002	<u>Indian companies</u> Nil <u>Foreign companies</u> Nil

Details of Directors

Mr. R.K. Rao, 59 years, is our part-time non-executive Chairman. He holds a bachelor's degree in science from Agra University and also holds associate memberships in mechanical and production engineering from the Institution of Engineers, India. He has over 37 years of work experience and belongs to the 1970 batch of the Indian Railway Service of Mechanical Engineers. He is the Member (Mechanical) on the Railway Board and ex-officio Secretary to the GoI. Previously, he has held the post of general manager, Western Railway, Additional Member (Mechanical), Railway Board, additional general manager, South Central Railway, chief mechanical engineer, East Coast Railway, chief personnel officer, South Central Railway, and has also headed the Hyderabad Division of South Central Railway as divisional railway manager. He

was also seconded by the Indian Railway, through our Company, to the Nigerian Railway Corporation between 1978 and 1982. He joined our Board on September 22, 2006.

Mr. V.K. Agarwal, 57 years, is our Managing Director. Mr. Agarwal holds a bachelor's degree in civil engineering from the Indian Institute of Technology, Roorkee. He belongs to the 1974 batch of Indian Railways Service of Engineers. He has over 30 years of work experience, largely associated with infrastructure projects related to the Indian Railways. Prior to joining our Board, Mr. Agarwal was working with RDSO, during which time he drafted the specifications for track machines, based on which Indian Railways have bought its present track machines and designed and developed the 'Rail Fastening ERC Mark III', a standard on Indian Railways. He is specifically in charge of the corporate services and the privatization and concessioning divisions in addition to handling the day-to-day affairs of our Company. He joined our Board w.e.f. April 30, 2004.

Mr. Anil Madan, 58 years, is our Director (Technical). He has completed a four year course in mechanical engineering from the Indian Railway Institute of Mechanical and Electrical Engineering, Jamalpur and has qualified the examination of the Institution of Engineers (India) for graduateship in mechanical engineering. He has over 34 years of technical and management experience in various capacities in the MoR, the Railway Board, Indian Zonal Railways and has also been the Chief Executive Officer of CCFB in Mozambique between September 1, 2004 and July 10, 2005. His experience in railway operations, project management, consultancy and advisory services includes restructuring of railways and private-public partnerships in the infrastructure sector. He has undertaken various assignments in countries in South East Asia, Middle East, Africa and Latin America. Prior to joining our Board, he was Executive Director (Corporate Services), Executive Director (Urban Infrastructure) and Executive Director (Financial Services) in our Company. Between 1971 and 1993, he has also worked on varied assignments with the Indian Railways, with responsibilities for operation and maintenance of rolling stock, manufacturing, planning and policy formulation. He is in charge of the Technical Services, Quality Assurance and Expotech Divisions of our Company. He joined our Board w.e.f. June 13, 2005.

Mr. B.K. Makhija, 56 years, is our Director (Projects). He holds a bachelor's degree in civil engineering from Delhi College of Engineering. He is a Fellow of the Institution of Permanent Way Engineers, India and also a Fellow of the Institute of Engineers, UK. He has over 30 years of work experience in various fields of management of maintenance of railways infrastructure and its operation, marketing management, procurement, construction and project management of projects, quality assurance, delivery of consultancy services in India and overseas and human resource development. He was appointed in the management cadre of the Indian Railway Services of Engineers on September 29, 1975. He started his career as assistant engineer in Northeast Frontier Railway. Later he served in various positions such as chief engineer (track modernization), deputy chief engineer (construction) and director (vigilance) with the Northern Railway, Central Railway and the Railway Board respectively. He joined our Company in July, 1995 as a general manager and later held the posts of group general manager (survey and project management) and executive director (rail infrastructure). Currently, he is leading a multi-disciplinary team of civil engineers, architects, design engineers, survey and geotech specialists, traffic and transportation experts, electrical engineers and signal and telecommunication engineers engaged in providing investigation design and project management services in railway transportation and other infrastructure sectors. He joined our Board w.e.f. November 29, 2006.

Mr. Rajeev Mehrotra, 46 years, is our Director (Finance). He holds a bachelor's degree in commerce from the University of Rajasthan. He is also associate 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 our Company, 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 our Board w.e.f. October 12, 2007.

Mr. R. Ashok, 58 years, is our government nominee Director. He has a B.Sc. (Hons.) degree from Delhi University in 1968 and a M.Sc. (physics) degree from Delhi University in 1970. He belongs to the Indian Railways Accounts Service and has over 35 years of experience in the areas of government finance and accounts, management information system and data processing, procurement and vigilance. He has served in various senior capacities within and outside the Indian Railways. He is currently posted as the additional member (finance) in the MoR. He joined our Board on May 26, 2005.

Mr. Virendra Gupta, 53 years, is our 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 Services 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 and Port of Spain. 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 our Board on December 13, 2007.

Dr. Devi Singh, 55 years, is our Independent Director. He holds a bachelor's degree and a master's degree in economics from Rajasthan University. He was also a Fellow at the Indian Institute of Management at Ahmedabad. He has a total work experience of approximately 30 years with expertise in international finance, financial management and international business. He is the director of the Indian Institute of Management, Lucknow. He has also served as a director of the Management Development Institute, Gurgaon. He has been a visiting professor at the Faculty of Management, McGill University, Montreal and the International Centre for Public Enterprises in Developing Countries, Ljubljana, Slovenia. He has also been a professor at the International Management Institute, New Delhi. He has been honoured by the American Biographical Institute, USA with the "Man of the Millennium Award" in 2000. He was previously on our Board for a period of three years from December 12, 2002 to December 11, 2005. He joined our Board for a second term for a period of three years on November 1, 2006.

Mr. D.P. Tripathi, 65 years, is our Independent Director. Mr. Tripathi belongs to the Indian Railway Traffic Service. He was Secretary, MoR, and retired as Secretary, Ministry of Food Processing Industries, GoI. Mr. Tripathi has been involved at the highest level in policy making decisions of the Govt. of India. He has also been associated with project appraisals, project funding from internal revenue generation, budgetary support and external borrowings. He joined our Board on November 1, 2006.

Mr. Prem Saigal, 64 years, is our Independent Director. Mr. Saigal is a qualified chartered accountant with approximately 40 years of experience. He has previously served as chief executive officer of JCT Limited a company of the Thapar Group and has served as director on the boards of directors of many other companies in the Thapar Group and other companies including DSP Merrill Lynch and Chestlind Textiles. He joined our Board on November 1, 2006.

Mr. A.K. Sanwalka, 60 years, is our independent Director. He has a master's degree in engineering from Bath University, U.K. He is also an associate member of the Institution of Engineers, India. Mr. Sanwalka belonged to the Indian Railways 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. His core area of expertise is the design, construction, operation and management of rolling stock, particularly, diesel locomotives. He was the chief mechanical engineering of diesel locomotives. 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 has also been responsible for planning and setting up of other major maintenance and overhaul facilities for diesel locomotives for Indian Railways. While in RDSO, he was the designated authority for technical clearance of any new rolling stock, product development, innovations, etc on Indian Railways. He has experience of working abroad on the Nigerian and Ghana Railways. He has also worked with our Company earlier in the workshop division and has been responsible for important technical studies on locomotive maintenance and repair costing systems. He joined our Board with effect from March 20, 2008.

None of our Directors are related to each other.

Borrowing powers of the Board of Directors

Pursuant to our Articles, our Board may by means of a resolution passed at the meeting of the Board, from time to time, borrow or secure the payment of any sum or sums of money on such terms and conditions as may be approved by the Board, provided, however, that the Board shall not without the sanction of our Company in a general meeting borrow any sum of money which together with money borrowed by our Company (apart from temporary loans obtained from our Company's bankers in the ordinary course of business) exceeds the aggregate for the time being of the paid up capital of our Company and our free reserves.

Details of Appointment of our Directors

Name of Directors	Appointment Letter No. / MoR Order	Term
Mr. R.K. Rao	No. 2004/PL/45/9 dated September 22, 2006	Appointment w.e.f September 22, 2006.
Mr. V.K. Agarwal	No. 2003/E(O)II/7/21 dated April 30, 2004	Assumed charge w.e.f April 30, 2004 for a period of five years or till the date of superannuation, i.e. October 31, 2010 or until further orders, whichever is earlier.
Mr. Anil Madan	No. 2004/E(O)II/7/18 dated June 2, 2005	Assumed charge w.e.f. June 13, 2005 till superannuation, i.e. October 31, 2009 or until further orders, whichever is earlier.
Mr. B.K. Makhija	No. 2005/E(O)II/5/29 dated November 29, 2006	Assumed charge w.e.f. November 29, 2006 for a period of five years or till superannuation, i.e. August 31, 2011, or until further orders, whichever is earlier.
Mr. Rajeev Mehrotra	No. 2007/E(O)II/40/4 dated September 20, 2007	Assumed charge w.e.f October 12, 2007 for a period of five years.
Mr. R. Ashok	No. 2004/PL/44/4 dated May 26, 2005	Appointment w.e.f. May 26, 2005.
Mr. Virendra Gupta	No. 2004/PL/45/9 dated December 13, 2007	Appointment w.e.f. December 13, 2007 or till he holds the post of Joint Secretary (Investment and Technology Promotion & Energy Security) or further orders, whichever is earlier.
Dr. Devi Singh	No. 2005/PL/45/1 dated November 1, 2006	Reappointment w.e.f. November 1, 2006 for a second term for a period of three years.

Name of Directors	Appointment Letter No. / MoR Order	Term
Mr. D.P. Tripathi	No. 2005/PL/45/1 dated November 1, 2006	Appointment w.e.f. November 1, 2006 for a period of three years.
Mr. Prem Saigal	No. 2005/PL/45/1 dated November 1, 2006	Appointment w.e.f. November 1, 2006 for a period of three years.
Mr. A.K. Sanwalka	No. 2005/PL/45/1 dated March 20, 2008	Appointment w.e.f. March 20, 2008 for a period of three years.

Our whole-time Directors are entitled to statutory benefits upon termination of their employment.

Remuneration of our Directors

The following table sets forth the details of the remuneration for the whole-time directors for Fiscal 2007. In addition to the amounts specified below, they are also entitled to benefits/facilities such as an official vehicle and residence and reimbursement for petrol, medical and official entertainment charges, and leave travel concessions and gratuity.

(in Rupees)

S. No.	Name	Salary for the year*	Dearness Allowance for the year**	Provident Fund for the year	Other Incentives and arrears during the year***	Gross income for Fiscal 2007
1.	Mr. V.K. Agarwal	3,37,200	2,10,492	65,148	48,564	6,61,404
2.	Mr. Anil Madan	3,26,400	2,06,745	65,785	63,900	6,62,830
3.	Mr. B.K. Makhija^ #	1,06,820	72,518	21,517	6,700	2,07,555

*Salary includes basic pay, personal pay (small family/ pay protection).

** Dearness allowance includes dearness allowance and dearness allowance arrears.

***Other incentives and arrears include city compensatory allowance, newspaper reimbursement, birthday gift, medical reimbursement, Diwali gift, Award Grade A and performance and leave encashment.

^Mr. B.K. Makhija was appointed as Director (Projects) from November 29, 2006.

#Mr. B.K. Makhija is not presently availing of the official residence

Mr. R.K. Rao and Mr. R. Ashok, nominees of MoR, and Mr. Virendra Gupta, nominee of the Ministry of External Affairs, being government nominee Directors, are not entitled to any remuneration from our Company.

Under our Articles, the independent/non-official part-time Directors shall be paid such amount of sitting fee for attending meetings of the Board of Directors or any Committee thereof as may be approved by the Board of Directors, subject to the maximum ceiling prescribed by the Central Government from time to time in this regard. Presently, our independent directors are paid Rs. 10,000 as sitting fees for attending each meeting of Board or any committee thereof.

Details of terms and conditions of employment of our Directors

1. Letter No. 2003/E(O)II/7/21 dated September 28, 2006 from the MoR, GoI to our Company regarding the terms and conditions of appointment of Mr. V.K. Agarwal

Mr. V.K. Agarwal was appointed as Managing Director of our Company w.e.f. April 30, 2004 by the President of India pursuant to Letter No.2003/E(O)II/7/21 dated April 30, 2004 issued by the MoR. The terms of the said employment have been set out in the letter dated September 28, 2006.

- (i) The terms and conditions governing the appointment of Mr. V.K. Agarwal are as under:

Term	Appointment for a period of five years w.e.f. April 30, 2004 or till the age of superannuation or until further orders, whichever is earlier.
Basic salary	Rs. 26,400 per month in the existing scale of Rs. 25,750-650-30,950 at the time of appointment.
Dearness allowance	In accordance with the IDA Scheme mentioned in the DPE's Office Memorandum dated June 25, 1999. The IDA presently stipulated by GoI is Rs. 22,283.
Housing and furnishing	Housing rent allowance at the rates indicated in the DPE's Office Memorandum dated June 25, 1999. Wherever accommodation has been arranged by our Company, either in its own township/own residential flats or arranged on lease basis, an additional recovery at the rate of 10% of the revised basic and personal pay from May 1, 2004 would have to be made per month. Further, an additional recovery of 2.5% of the revised basic pay and personal pay from May 1, 2004 would be made per month towards furnishing.
Provident fund and gratuity	Entitled to provident fund and gratuity as per the rules of the Company.
City compensatory allowance	As per the existing rates approved for the executives of our Company, subject to an overall ceiling of Rs. 300 per month.
Other benefits and incentives	Company to provide staff car for personal use subject to a ceiling 1,000 km per month. Also, entitled to medical facilities, travel allowance and leave travel concession in accordance with the Public Sector Enterprise rules.
Productivity linked incentive scheme	Wherever this scheme has been introduced for the Public Sector Enterprise, the benefit of incentive payments under the existing Productivity Linked Incentive Scheme would also be extended to the Managing Director as per the DPE's Office Memoranda dated June 25, 1999 and March 27, 2000.
Leave and vacation	As per the leave rules of the Public Sector Enterprise.
Club membership	He will be eligible to become member of two clubs at the expense of our Company but his membership of these clubs will be co-terminus with his tenure as Managing Director.

- (ii) Mr. V.K. Agarwal after retirement from the service of our Company is prohibited from accepting any appointment or post, whether advisory or administrative, in any firm or company whether Indian or foreign, with which our Company has or had business relations, within two years from the date of his retirement, without prior approval of the Government.

Corporate Governance

The provisions of the Listing Agreement to be entered into with the Stock Exchanges in connection with corporate governance will apply to our Company upon listing of our Equity Shares on such Stock Exchanges. Our Company has complied with corporate governance norms in terms of the Guidelines on Corporate Governance for Central Public Sector Enterprises, 2007, issued by the DPE, as well as the SEBI Guidelines, particularly Clause 49 of the Listing Agreement, specifically with respect to broad basing of the Board and has accordingly constituted various committees of the Board.

- (a) *Audit Committee*

The Audit Committee was reconstituted on November 16, 2006. The members of the Audit Committee are Dr. Devi Singh (Chairman), Mr. D.P. Tripathi and Mr. Prem Saigal. Mr. P.T. Mittal is the secretary of this committee.

The provisions of the Listing Agreement will apply to our Company upon listing of our Equity Shares on the Stock Exchanges. Further the Company being a government company and having Mini Ratna status, has also to comply with the Guidelines on Corporate Governance for Central Public Sector Enterprises, 2007, issued by the DPE.

The terms of reference of the Audit Committee were approved by the Board through resolution dated March 26, 2008, and are as required under section 292A of the Companies (Amendment) Act, 2000, sub-clause II (D) of Clause 49 of the Listing Agreement, and the Guidelines on Corporate Governance for Central Public Sector Enterprises, 2007, issued by the DPE. The terms of reference of the Audit Committee include the following:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
2. Recommending to the Board regarding the fixation of audit fees;
3. Approval of payment to statutory auditors for any other services rendered them;
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - a. 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;
 - b. Changes, if any, in accounting policies and practices and reasons for the same;
 - c. Major accounting entries involving estimates based on the exercise of judgment by management;
 - d. Significant adjustments made in the financial statements arising out of audit findings;
 - e. Compliance with listing and other legal requirements relating to financial statements;
 - f. Disclosure of any related party transaction; and
 - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
6. Reviewing, with the management, the statement of uses/ application of funds raised through an issue (public issue, right issue, preferential issue, 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 utilisation of proceeds of public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
7. Reviewing, with the management, performance of statutory and internal auditors and adequacy of the internal control systems;
8. 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;
9. Discussion with internal auditors on any significant findings and follow up thereon;
10. 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;
11. 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;

12. 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;
13. To review the functioning of the whistle blower mechanism, in case the same is existing.
14. To review the follow up action on the audit observations of the C&AG audit;
15. To review the follow up action taken on the recommendation of Committee on Public Undertakings (“COPU”) of the Parliament;
16. Provide an open avenue of communication between the independent auditor, internal auditor and the Board of Directors;
17. 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;
18. Review 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;
19. Consider and review the following with the independent auditor and the management:
 - a) The adequacy of internal controls including computerized information system controls and security, and
 - b) Related findings and recommendations of the independent auditor and internal auditor, together with the management responses.
20. Consider and review the following with the management, internal auditor and the independent auditor:
 - a) Significant findings during the year; including the status of previous audit recommendations.
 - b) Any difficulty encountered during audit work including any restrictions on the scope of activities or access to required information.
21. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee is required to meet at least four times in a year and each meeting is required to be held within four months of the previous meeting. The quorum of the meetings shall be two members or one third of the total number of members of the audit committee, whichever is higher.

(b) Shareholders/ Investors’ Grievance Committee

The Shareholders/Investors’ Grievance Committee was constituted on February 20, 2008. The members of the Shareholders/Investors’ Grievance Committee are Mr. D.P. Tripathi, Independent Director as chairman, our Director (Projects), currently Mr. B.K. Makhija, and our Director (Finance), currently Mr. Rajeev Mehrotra. Mr. P.T. Mittal is the secretary of this committee. The Shareholders/Investor’s Grievance Committee has the powers to *inter alia*, oversee the redressal of shareholder’s and/or investors’ complaints pertaining to transfer of shares, non-receipt of refunds, declared dividends, balance sheet and other miscellaneous investor complaints.

The Shareholders/Investors’ Grievance Committee is required to meet periodically, as it deems fit. The quorum for the committee shall be the presence of two members.

(c) Remuneration Committee

The constitution of a Remuneration Committee is a recommendatory clause under the Listing Agreement. Moreover, as per our Articles of Association, the remuneration payable to our

Directors is fixed by the President of India. Therefore, we have not constituted a Remuneration Committee.

(d) Risk Management Committee

Our Company has constituted a risk management committee of the Board consisting of two Independent Directors, the Director (Finance) and one whole time Director 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.

(e) Treasury Risk Management Committee

A Treasury Risk Management Committee comprised of the Director (Finance), three Executive Directors of operations units, our General Manager (Treasury), Assistant General Manager (Treasury) and an external consultant, is responsible for control and directions of operations pertaining to currency risk management.

Shareholding of Directors in our Company

Our Directors are not required to hold any Equity Shares as per our Articles and none of our Directors hold any Equity Shares except Mr. R.K. Rao, our part-time Chairman who holds 200 Equity Shares of Rs. 10 each of our Company in his capacity as the Member Mechanical (Railway Board) as a nominee of the President of India.

Interest of our Directors

All of our Directors, except Mr. R.K. Rao, Mr. R. Ashok and Mr. Virendra Gupta, may be deemed to be interested to the extent of remuneration paid to them for services rendered as a Director of our Company and reimbursement of expenses payable to them.

Our Directors currently do not hold any Equity Shares except Mr. R.K. Rao, our part-time Chairman who holds 200 Equity Shares of Rs. 10 each of our Company in his capacity as the Member Mechanical (Railway Board) as a nominee of the President of India. Our Directors may be deemed to be interested to the extent of Equity Shares that may be subscribed for and allotted to them, out of the present Issue in terms of the Red Herring Prospectus. Our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the Equity Shares held by them.

Our Directors have no interest in any property acquired by us within two years of the date of filing of this Draft Red Herring Prospectus. For details of related party transactions, see “**Related Party Transactions**” and “**Financial Statements**” on pages 115 and 117, respectively.

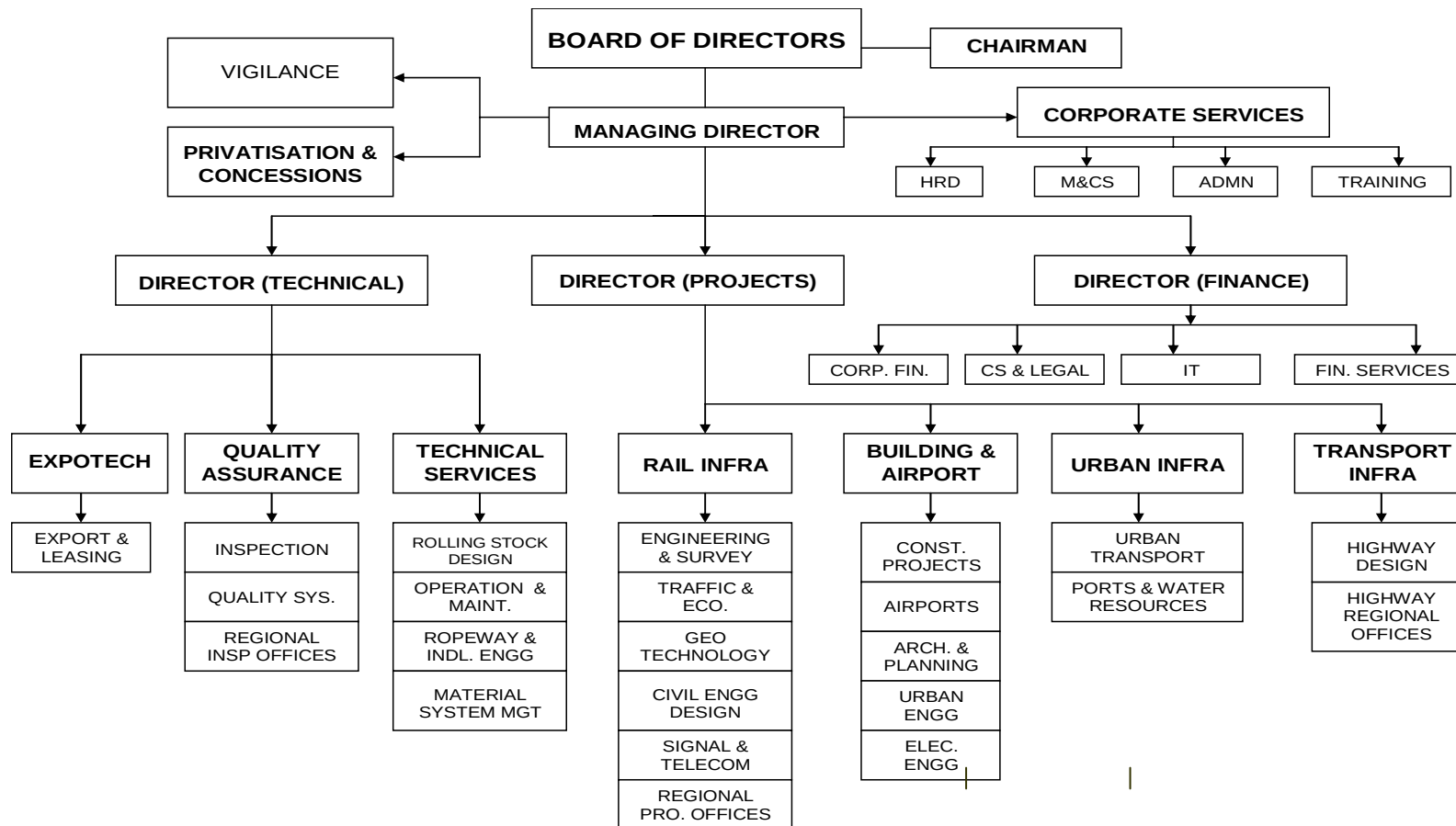
Changes in our Board of Directors during the last three years

The changes in our Board of Directors during the last three years are as follows:

Name	Date of Appointment/Date of Assumption of charge	Date of Cessation	Reason
Mr. B. L. Bagra, Director (Finance)	December 1, 2000	February 28, 2007	Ceased to be a Director pursuant to an order dated February 26, 2007

Name	Date of Appointment/Date of Assumption of charge	Date of Cessation	Reason
			from the GoI.
Mr. S.C. Saxena, Director (Projects)	January 2, 2002	May 15, 2005	Relinquished the charge of the post of Director (Projects).
Mr. J.S. Azad, Director (Technical)	October 1, 2002	April 30, 2005	Relinquished the charge of Director (Technical) on reaching the age of superannuation.
Mr. C. Ramachandran, Non-Executive Independent Director	December 12, 2002	December 11, 2005	Ceased to be Director on completion of his term pursuant to an order of GoI.
Dr. Devi Singh, Non-Executive Independent Director	December 12, 2002	December 11, 2005	Ceased to be Director on completion of his term pursuant to an order of GoI.
Mr. R.K. Bhansali, Non-Executive Independent Director	December 12, 2002	December 11, 2005	Ceased to be Director on completion of his term pursuant to an order of GoI.
Mr. S.C. Gupta, Government Nominee Director	June 15, 2004	March 31, 2005	Relinquished charge of Director on reaching age of superannuation.
Ms. Mukta D. Tomar, Government Nominee Director	November 28, 2005	September 18, 2007	Ceased to be a Director pursuant to an order dated September 18, 2007 from the GoI.
Mr. D.P. Tripathi, Non-Executive Independent Director	November 1, 2006	Continuing	Appointment pursuant to an order by the MoR.
Mr. Prem Saigal, Non-Executive Independent Director	November 1, 2006	Continuing	Appointment pursuant to an order by the MoR.
Mr. P. N. Garg, Chairman (Non-Executive)	November 28, 2003	October 31, 2005	Ceased to be Chairman on reaching age of superannuation.
Mr. R.R. Bhandari, Chairman (Non-Executive)	November 28, 2005	August 31, 2006	Ceased to be Chairman on reaching age of superannuation.
Mr. B.A. Roy, Government Nominee Director	November 29, 2004	November 28, 2005	Ceased to be a Director pursuant to an order from the GoI.
Mr. R.K. Rao, Chairman (Non-Executive)	September 22, 2006	Continuing	Appointment pursuant to an order by the MoR.
Mr. Anil Madan, Director (Technical)	June 13, 2005	Continuing	Appointment pursuant to an order by the MoR.
Mr. B.K. Makhija, Director (Projects)	November 29, 2006	Continuing	Appointment pursuant to an order by the MoR.
Mr. Rajeev Mehrotra, Director (Finance)	October 12, 2007	Continuing	Appointment pursuant to an order by the MoR.
Mr. R. Ashok, Government Nominee Director	May 26, 2005	Continuing	Appointment pursuant to an order by the MoR.
Dr. Devi Singh, Independent Director	November 1, 2006	Continuing	Reappointment for the second term pursuant to order by the MoR.
Mr. Virendra Gupta Government Nominee Director	December 13, 2007	Continuing	Appointment pursuant to an order by the MoR.
Mr. A.K. Sanwalka Part-time non-official Director	March 20, 2008	Continuing	Appointment pursuant to an order by the MoR.

Our management organization structure is set forth below.



Key Managerial Employees

The following key managerial employees are permanent employees of our Company:

Col. (Retd.) A.K. Bhasin, 56 years, is the Group General Manager (Highways) in our Company. He holds a bachelor's degree in civil engineering from Delhi College of Engineering, Delhi University and a master's degree in transportation engineering from the University of Roorkee. He is a Fellow Member, Institution of Engineers (India) and a Life Member of the Indian Roads Congress, Indian Institute of Bridge Engineering and Institute of Military Engineers. He has over 34 years of work experience in various capacities in civil engineering discipline and has expertise as a traffic and transportation expert, senior highway engineer, traffic engineer and has also served as project manager in various highway construction, supervision, preparation of detailed project reports and civil engineering projects including those of the Ministry of Defence, GoI. Prior to joining our Company as General Manager, he was the general manager (highways) with Span Consultants, team leader cum project manager and subsequently, joint director cum project in-charge with Border Roads Organization, garrison engineer/ team leader with Corps of Engineers, Indian Army. He joined our Company on August 11, 1999 and is in charge of the highways division of our Company. The gross remuneration paid to him in Fiscal 2007 was Rs. 6,74,794.

Mr. V.K. Jain, 52 years, is the Group General Manager (Quality Assurance) in our Company. He holds a bachelor's degree in mechanical engineering from the Institution of Mechanical Engineers, London and also holds a degree in electrical engineering from the Institution of Engineers, India. He joined the Indian Railways and has approximately 20 years of experience of having worked at different positions in the railway sector. He has wide experience of maintenance and operation of rolling stock, having worked in production units, workshops and divisions. Prior to joining our Company, he was managing the vendor assessment and wagon inspection functions in RDSO, Lucknow. He joined our Company on October 29, 1997 and was permanently absorbed into our Company w.e.f. November 9, 2002. He is in charge of the quality assurance division and guiding the third party inspection services. The gross remuneration paid to him in Fiscal 2007 was Rs. 7,24,935.

Mr. Sudhir Kumar Seth, 56 years, is the Group General Manager (Privatization and Concessions) in our Company. He holds a bachelor's degree in mechanical engineering from Jabalpur University and postgraduate degree in Industrial Engineering from the Indian Institute of Technology, Delhi. He has over 31 years of work experience covering securing, operationalisation and management of rail concessions abroad, rendering advisory services on public private partnerships in transport sector, rendering consultancy services in port and inland waterways covering terminal planning, planning and design of cargo handling systems, marine logistics, financial evaluation of projects, optimization of systems in port and industry. He is also a director on the board of directors of our subsidiary TRL. Prior to joining our Company, he was working as the head of the management services group in Paradip Port Trust. He has also worked as an industrial engineer with Hindustan Fertiliser Corporation Limited. He joined our Company on deputation on June 11, 1986 and was permanently absorbed into our Company w.e.f. July 4, 1987. The gross remuneration paid to him in Fiscal 2007 was Rs. 8,78,406.

Mr. N.S. Shekhawat, 54 years, holds the position of the Executive Director (Buildings and Airports) in our Company. He graduated with a bachelor's degree in electrical engineering from Malviya Regional Engineering College, Jaipur. He is a member of the Institute of Electrical and Electronic Engineers and life member of the Institute of Urban Transport, India and Indian Railway Institute of Electrical Engineers. His specialization includes computer aided railway electrification designs, train simulations and project management. He has over 32 years of experience in India and several overseas countries in consultancy, design, construction, project management, operation and maintenance and investment planning relating to railway electrification and electric rolling stock. He has also handled several large consultancy projects in the power sector and institutional and industrial buildings. Prior to joining our Company, he was working as chief electrical distribution engineer with Indian Railways. He has also worked as manager (electrification) in Turkey with IRCON, director

(traction installation) at RDSO and deputy chief electrical engineer at the Central Organization for Railway Electrification, besides handling other assignments in operation and maintenance of electric rolling stock. He joined our Company on September 22, 1998, and was permanently absorbed w.e.f. July 29, 2003. The gross remuneration paid to him in Fiscal 2007 was Rs. 6,74,180.

Mr. Atul Sud, 57 years, holds the position of Executive Director (Technical Services) of our Company. He has completed a four year course in mechanical engineering from the Indian Railway Institute of Mechanical and Electrical Engineering, Jamalpur. He has qualified the examination of the Council of Engineering Institutions, UK, for graduateship of the Institute of Mechanical Engineers, U.K., Institute of Production Engineers, UK and Institute of Electrical Engineers, U.K. He joined Indian Railways as a special class railway apprentice. He has approximately 34 years of work experience in various areas of mechanical engineering including development of software projects for maintenance and operation of rolling stock and locomotives. As an Indian Railways Service of Mechanical Engineers, MoR officer, prior to joining our Company he was working with the Indian Railways and has served in senior positions on North East Frontier Railways, Northern Railway, Railway Board and Centre of Railway Information System, New Delhi. He has received training in computerized maintenance and operation system on Canadian National Railway, Canada and has experience of working on international projects. He has also received training at the Railway Staff College, Vadodara, and Lal Bahadur Shastri National Academy of Management and Administration, Mussoorie, in Management and Administration. He joined our Company on March 1, 1996 and was permanently absorbed into our Company w.e.f. November 4, 1998, and is responsible for strategic business units in the area of rolling stock design, material management system, operation and maintenance of railway systems in India and ropeway and industrial engineering projects. The gross remuneration paid to him in Fiscal 2007 was Rs. 6,95,668.

Mr. G.S. Swaroop, 54 years, is our Executive Director (Corporate Services). He holds a bachelor's degree in physics from Meerut University, a bachelor's degree from the Institution of Mechanical Engineers (London) and also holds a master's degree in business administration from the Indira Gandhi National Open University. He is also a Fellow Member of the Institution of Engineers, India and the Indian Society of Engineers, West Bengal. Mr. Swaroop has a career spanning about 31 years and was working with Indian Railways prior to joining us on March 26, 1999. He was permanently absorbed into our Company w.e.f. May 30, 2002. During his tenure with Railways, Mr. Swaroop held various prestigious positions in South Eastern Railway. Prior to joining us, he was functioning as chief mechanical engineer responsible for mid-life rehabilitation of diesel locomotives at the diesel modernization works, Patiala. He has, in close liaison with Indian Railways, been responsible for development of new designs of locomotives, which has been the main source of export business of RITES during the recent years. He is in charge of our corporate services division which includes personnel, administration, marketing, training and human resource functions. The gross remuneration paid to him in Fiscal 2007 was Rs. 8,06,433.

Mr. Sumit Sinha, 53 years, is our Executive Director (Expotech). He holds a bachelor's degree in mechanical engineering from the Institution of Engineers, India and a post graduate diploma in operations management from Indira Gandhi National Open University. He also holds a master's diploma in public administration from the Indian Institute of Public Administration, New Delhi. He is a Life Member of the Institute of Rolling Stock Engineers (India) and also of the Indian Institute of Public Administration, New Delhi. Mr. Sinha has over 32 years of professional experience in railway transportation including 10 years in our Company. He joined our Company on deputation in August 27, 1997 and was permanently absorbed into our Company w.e.f. June 6, 2000. He is a gold medalist at Lal Bahadur Shastri National Academy of Administration, Mussoorie, and has also been awarded the NKN Menon prize for securing the first position in the 22nd Advanced Professional Program in public administration from the Indian Institute of Public Administration. He is the head of the Expotech division which is engaged in implementation of overseas projects including export of locomotives and rolling stock, leasing and rehabilitation of locomotives, coaches and wagons, workshop modernization, technical assistance, transfer of technology and management support services. The gross remuneration paid to him in Fiscal 2007 was Rs. 6,60,509.

Mr. A.K. Arora, 52 years, is our Executive Director (Urban Infrastructure). He has graduated in Electronics and Communication from University of Jabalpur, Jabalpur, Madhya Pradesh. He is a member of Institute of Electrical and Electronic Engineers, Institute of Engineers and Technology (UK) and Institute of Rail Transport (India) and Institute of Urban Transport (India). He has 30 years of experience in the field of electric railways pertaining to planning, design, manufacture and Operation and Maintenance of traction system and equipment. Prior to joining our Company, he served in various capacities in the Indian Railways. He worked with Central Railway (Mumbai), Research, Design and Standards Organisation (Lucknow) and Chittaranjan Locomotive Works (Chittaranjan). He joined our Company on May 9, 1989 and was permanently absorbed into our Company w.e.f. August 10, 1993. As the divisional head of Urban Infrastructure, he is responsible for the business development management of projects in Urban Transport and Ports and Water Resources sectors. The gross remuneration paid to him in Fiscal 2007 was Rs. 8,07,227.

Mr. Jeevan Gupta, 54 years, is our Group General Manager (Rail Infrastructure). He holds a bachelor's degree in civil engineering and a master's degree in structural engineering from the University of Roorkee, Roorkee. He also holds a master's degree in philosophy from Punjab University, Chandigarh. He joined the Indian Railways in November 1977 in the Indian Railways Service of Engineers and has over 30 years of total work experience in the railway sector. He has expertise in execution of railway and highway projects in India as well as abroad. Prior to joining our Company on deputation, he has worked as general manager in IRCON, director (civil engineering) in MoR and chief engineer on Western and Central Railways. He also worked as divisional railway manager on North Western Railway. Mr. Gupta joined our Company on September 5, 2005 on deputation and was absorbed permanently w.e.f. January 2, 2008. He is responsible for consultancy business and execution of projects in Indian and abroad in rail infrastructure section. The gross remuneration paid to him in Fiscal 2007 was Rs. 7,46,593.

Shareholding of the Key Managerial Employees

None of our key managerial employees hold any shares or options.

Bonus or profit sharing plan for our Key Managerial Employees

There is no separate bonus or profit sharing plan for our key managerial employees.

Changes in Key Managerial Employees

The changes in our key managerial employees who are on our rolls as permanent employees during the last three years are as follows:

S. No.	Name	Designation	Date of appointment as key managerial employees	Whether continuing, if not, date of cessation	Reason
1.	Mr. V.K. Jain	Group General Manager (Quality Assurance)	November 1, 2007	Continuing	Appointment
2.	Mr. A.K. Saxena	Executive Director (Quality Assurance)	April 3, 2006	October 31, 2007	Superannuation
3.	Mr. P. Kapoor	Executive Director (Quality Assurance)	June 16, 2004	February 28, 2006	Superannuation
4.	Mr. Mamchand	Executive Director (Financial Services)	July 16, 2004	July 31, 2007	Superannuation
5.	Mr. G. S. Swaroop	Executive Director (Corporate Services)	November 1, 2007	Continuing	Appointment
6.	Mr. O.P. Vyas	Executive Director	March 11, 2003	August 31,	Superannuation

S. No.	Name	Designation	Date of appointment as key managerial employees	Whether continuing, if not, date of cessation	Reason
		(Technical Service)		2007	
7.	Mr. A.K. Arora	Executive Director (Urban Infrastructure)	August 17, 2007	Continuing	Appointment
8.	Mr. Sanjay Mishra	Executive Director (Urban Infrastructure)	June 16, 2004	August 17, 2007	Secondment to TRL
9.	Mr. Jeevan Gupta	Group General Manager (Rail Infrastructure)	November 29, 2006	Continuing	Appointment
10.	Mr. B.K. Makhija	Executive Director (Rail Infrastructure)	November 20, 2004	November 29, 2006	Appointed as Director (Projects)
11.	Mr. N.S. Shekhawat	Executive Director (Building and Airports)	November 29, 2006	Continuing	Appointment
12.	Mr. Iqbal Singh Kathuria	Executive Director (Building and Airports)	August 23, 2005	June 30, 2006	Superannuation
13.	Col. A.K. Bhasin	Group General Manager (Highway)	February 13, 2007	Continuing	Appointment
14.	Mr. B. Chhattopadhyay	General Manager (Highway)	August 31, 2006	Continuing*	Appointment
15.	Mr. S. Chakrabarti	Group General Manager (Highway)	December 20, 2002	August 30, 2006	Resigned
16.	Mr. Sumit Sinha	Executive Director (Expotech)	January 17, 2007	Continuing	Appointment
17.	Mr. J.S. Marwaha	Executive Director (Expotech)	March 11, 2003	June 10, 2005	Posted as Chief Executive Officer, CCFB, Mozambique
18.	Dr. Y.B. Sharma	Executive Director (Financial Services)	July 26, 2006	November 30, 2006	Superannuation
19.	Mr. Jeevan Gupta	Group General Manager (Rail Infrastructure)	November 29, 2006	Continuing	Appointment
20.	Mr. Atul Sud	Executive Director (Technical Services)	November 1, 2007	Continuing	Appointment
21.	Mr. Atul Sud	Group General Manager (Corporate Services)	November 2, 2004, redesignated as Executive Director w.e.f. December 23, 2005	November 1, 2007	Appointment as Executive Director (Technical Services)

* Resignation dated February 12, 2007, tendered w.e.f. May 16, 2007, which is currently pending acceptance.

Employees Share Purchase Scheme/Employee Stock Option Scheme

We do not have any stock option scheme or stock purchase scheme for the employees of our Company.

Payment or benefit to officers of our Company

Except certain statutory benefits upon termination of their employment or superannuation, no officer of our Company is entitled to any other benefit.

OUR PROMOTER

Our Promoter is the President of India acting through the MoR, GoI. Our Promoter (including through six other shareholders) currently holds 100% of the paid up Equity Share capital of our Company and will continue to hold majority, i.e. 72% of the post Issue paid up capital of our Company. For further information, see “**Capital Structure**” on page 24.

RELATED PARTY TRANSACTIONS

For details of our related party transactions, see “*Financial Statements*” on page 117.

DIVIDEND POLICY

The declaration and payment of dividends on our Equity Shares will be recommended by our Board and approved by our Shareholders, and will depend on a number of factors, including but not limited to, our profits, capital requirements and overall financial condition. The dividend and dividend tax paid by our Company during the last five Fiscals is presented below.

(Rs. in crore except share data)

Particulars	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007
Equity Share Capital	2	4	4	4	4
No. of Equity Shares of Rs.100 each	2,00,000	4,00,000	4,00,000	4,00,000	4,00,000
Rate of Dividend (%)	250	400*	300	500	1,000
Interim (%)	125	150	100	150	200
Second Interim (%)	-	-	-	50	625
Final (%)	125	250	200	300	175
Amount of Dividend on Equity Shares	5	11.67	12	20	40
Interim	2.50	4.37	4	8	33
Final	2.50	7.30	8	12	7
Total Dividend Tax Paid	0.32	1.50	1.65	2.81	5.82

**Interim dividend and final dividend were paid at the rate of 150% and 250%, respectively, on the paid-up capital. As bonus shares worth Rs. 2 crore were issued on October 16, 2003, the amounts of interim dividend and final dividend were paid on pro rata basis on bonus shares of Rs. 2 crore.*

Also see “**Financial Statements**” on page 117.

In addition to the above, the Board has approved two payments of interim dividend of Rs. 10 crore each, through board resolutions dated November 30, 2007 and February 20, 2008 respectively. These interim dividends have since been paid on December 4, 2007 and February 23, 2008, respectively. These payments are subject to ratification by our shareholders.

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

SECTION V – FINANCIAL INFORMATION

FINANCIAL STATEMENTS

AUDITORS' REPORT ON RESTATED STANDALONE FINANCIAL STATEMENTS

The Board of Directors
RITES Limited
Plot No. 1, Sector – 29
Gurgaon – 122 001

Dear Sirs,

We have examined the financial information of RITES Limited ('the Company'), as attached to this report stamped and initialled by us for identification, which has been prepared in accordance with Part II of Schedule II of the Companies Act, 1956 ('the Act') and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 as amended upto date ('the Guidelines') issued by Securities and Exchange Board of India ('SEBI') in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related clarifications, and in accordance with the instructions received by us from the Company requesting us to carry out work in connection with the Draft Red Herring Prospectus/Red Herring Prospectus/Prospectus (collectively hereinafter referred to as "Offer Document") being issued by the Company in connection with its Initial Public Offering of Equity Shares (referred to as 'the Issue').

The preparation and presentation of this financial information is the responsibility of Company's management. This financial information is proposed to be included in the Offer Document of the Company in connection with the Issue of its Equity Shares.

A. Financial Information as per the audited financial statements

We have examined the attached Statement of Assets and Liabilities, as restated of the Company as at December 31, 2007, March 31, 2007, March 31, 2006, March 31, 2005, March 31, 2004 and March 31, 2003 (**Annexure I**) and the attached Statements of Profits and Losses as restated for the nine months ended December 31, 2007 and for the years ended March 31, 2007, March 31, 2006, March 31, 2005, March 31, 2004 and March 31, 2003 (**Annexure II**) and the attached Statements of Cash Flows, as Restated for the period ended December 31, 2007, March 31, 2007, March 31, 2006, March 31, 2005, March 31, 2004 and March 31, 2003 respectively (**Annexure III**), hereinafter referred to as 'Restated Summary Statements'.

These Restated Summary Statements have been extracted from the financial statements after making such adjustments and regroupings as in our opinion are appropriate and fully described in notes appearing in **Annexure IV** to this report. For our examination, we have placed reliance on the financial statements audited by M/s. J. L. Garg & Co. for the year ended March 31, 2003 and March 31 2004. These financial statements have been approved/ adopted by the Board of Directors/members for the respective periods.

We have performed such tests and procedures, which in our opinion, were necessary for the purpose of our examination. These procedures mainly involved comparison of the attached financial information with the Company's audited financial statements for the years 2002-2003 to 2006-2007 and for the nine months ended December 31, 2007. We have obtained reports of Branch auditors on restatement of figures for the years 2002-2003 to 2006-2007 and for the nine months ended December 31, 2007, which have been considered in the Restated Summary Statements.

Based on our examination of these Restated Summary Statements, we confirm that:

1. These Restated Summary Statements have been drawn in accordance with the provisions of paragraph 6.10.2.2 of the guidelines and all the adjustments suggested in paragraph 6.10.2.7 of the Guidelines have been incorporated therein.
2. These restated profits have been arrived at after charging all expenses of management including depreciation and after making such adjustments and regroupings as in our opinion are appropriate and are subject to the Significant Notes on accounts attached to and forming part of the Restated Summary Statements - enclosed as **Annexure IV**.
3. The Restated Summary Statements of the Company have been restated with retrospective effect to reflect the Significant Accounting policies being adopted by the Company as at December 31, 2007 enclosed as **Annexure V**.
4. There are no qualifications in the auditors' reports which remain to be adjusted in the Restated Summary Statements read with Significant Accounting Policies and Significant Notes to Accounts.

B. Other financial information

We have examined the following financial information relating to the Company proposed to be included in the Offer Document and annexed to this report:

- i. Changes in Accounting Policies during last five years and the period of nine months ended December 31, 2007- enclosed as **Annexure-VI**.
- ii. Summary of Accounting Ratios- enclosed as **Annexure-VII & VII(A)**.
- iii. Capitalisation Statement - enclosed as **Annexure-VIII**.
- iv. Tax Shelter Statement -enclosed as **Annexure-IX**.
- v. Statement of Secured Loans- enclosed as **Annexure –X**.
- vi. Statement of Current Assets - enclosed as **Annexure –XI**.
- vii. Statement of Loans & advances- enclosed as **Annexure-XII**.
- viii. Statement of Sundry Debtors - enclosed as **Annexure- XIII**.
- ix. Statement of Investments- enclosed as **Annexure – XIV**.
- x. Statement of Current Liabilities and Provisions – enclosed as **Annexure- XV**.
- xi. Statement of Other Income – enclosed as **Annexure-XVI**.
- xii. Statement of Dividend Paid – enclosed as **Annexure- XVII**.
- xiii. Statement of Related Party transactions – enclosed as **Annexure- XVIII**.

In our opinion, the financial information of the Company, as attached to this report, as mentioned in paragraphs (A) and (B) above, read with respective significant accounting policies and significant notes to accounts, after making necessary adjustments, has been prepared in accordance with Part II of Schedule II of the Act and the Guidelines issued by SEBI.

This report is intended solely for use for your information and for inclusion in the Offer Document in connection with the Issue and is not to be used, referred to or distributed for any other purpose without our prior written consent.

This report should neither in any way be construed as a re-issuance or redrafting of any of the previous audit reports issued by other firms of chartered accountants nor construed as a new opinion on any financial statements referred to herein.

**For Jain Chopra & Company
Chartered Accountants**

**Rajesh Kumar
(Partner)
Membership No. 501860**

Place: New Delhi
Dated: March 26, 2008

ANNEXURE - I

STATEMENT OF ASSETS AND LIABILITIES - AS RESTATED

(Rs. In Crores)							
	Particulars	As at March 31					As at December 31, 2007
		2003	2004	2005	2006	2007	
	ASSETS						
A	Fixed Assets						
	Gross Blocks	116.16	123.29	117.64	121.62	140.16	160.29
	Less: Depreciation	30.47	36.19	39.30	45.54	50.02	55.60
	Net Block	85.69	87.10	78.34	76.08	90.14	104.69
B	Investments	3.23	19.71	9.27	6.11	6.08	57.94
C	Deferred Tax Asset	11.41	7.19	9.25	13.12	15.17	19.94
D	Current Assets, Loans and Advances						
	Inventories	17.02	1.48	3.32	52.94	11.98	18.71
	Sundry Debtors	113.46	124.08	114.83	131.45	153.70	136.39
	Cash and Bank Balances	162.15	139.26	208.27	266.75	424.81	496.11
	Loan and Advances	185.44	163.34	219.23	292.73	306.38	306.97
	Other Current Assets	9.37	8.69	11.14	15.07	19.34	26.10
	Current Assets, Loans and Advances	487.44	436.85	556.79	758.94	916.21	984.28
E	TOTAL ASSETS (A+B+C+D)	587.77	550.85	653.65	854.25	1027.60	1166.85
	LIABILITIES						
F	Loan Funds						
	Secured Loans	92.58	27.92	-	-	-	-
	Unsecured Loans	-	-	-	-	-	-
	Total Loan Funds	92.58	27.92	-	-	-	-
G	Current Liabilities and Provisions						
	Current Liabilities	146.43	149.87	233.97	356.14	443.83	541.19
	Provisions	56.60	46.98	66.39	92.99	107.17	89.93
	Total Current Liabilities and Provisions	203.03	196.85	300.36	449.13	551.00	631.12
H	TOTAL LIABILITIES (F+G)	295.61	224.77	300.36	449.13	551.00	631.12
I	Net Worth (E-H)	292.16	326.08	353.29	405.12	476.60	535.73
	Represented by :-						
J	Share Capital (Equity Shares of Face Value of Rs. 100 each)	2.00	4.00	4.00	4.00	4.00	4.00
K	Reserves & Surplus	290.16	322.08	349.29	401.12	472.60	531.73
L	Shareholder's Funds (J+K)	292.16	326.08	353.29	405.12	476.60	535.73

ANNEXURE - II

STATEMENT OF PROFITS AND LOSSES - AS RESTATED

(Rs. In Crores)							
	Particulars	FISCAL					For the nine months period ended December 31, 2007
		2003	2004	2005	2006	2007	
A	Income						
	Consultancy & Inspection fee	220.33	206.77	191.91	258.72	264.35	234.27
	Export Sales	33.36	48.61	18.26	96.09	252.79	147.69
	Lease Services	10.33	9.78	9.64	9.48	12.74	12.97
	Other Income	15.10	13.69	9.85	17.09	27.96	28.29
	Total	279.12	278.85	229.66	381.38	557.84	423.22
B	Expenditure						
	Employees Cost	71.20	75.87	74.73	85.98	95.67	80.24
	Travel	14.37	14.33	13.72	17.82	19.38	16.06
	Supplies and Services	57.27	38.57	30.48	55.97	40.25	59.95
	Cost of export sales	26.46	36.31	13.15	73.87	178.48	104.63
	Other Expenses	34.07	25.38	30.72	38.31	35.08	41.29
	Depreciation	7.58	7.71	6.61	6.35	7.18	6.03
	Interest	9.00	1.78	0.43	-	-	-
	(Increase)/Decrease work in progress	(0.38)	0.49	(0.40)	(1.98)	(1.00)	(3.55)
	Total	219.57	200.44	169.44	276.32	375.04	304.65
C	Profit before Tax and Extra Ordinary Items (A-B)	59.55	78.41	60.22	105.06	182.80	118.57
D	Less: Provision for Taxation	(27.66)	(20.57)	(23.11)	(38.67)	(63.85)	(45.51)
E	Deferred Tax	10.21	(4.22)	2.06	3.87	2.05	4.76
F	Provision for Fringe Benefit Tax	-	-	-	(1.32)	(1.50)	(1.24)
G	Profit After Tax and Before Extra Ordinary Items [C-(D+E+F)]	42.10	53.62	39.17	68.94	119.50	76.58
H	Extra Ordinary Items	-	(8.86)	2.75	9.00	(3.42)	(9.35)
I	Less: Taxes on Extra Ordinary Items	-	2.32	(1.05)	(3.31)	1.19	3.59
J	Extra Ordinary Items (Net of Taxes)	-	(6.54)	1.70	5.69	(2.23)	(5.76)
K	Profit After Tax Available for Appropriation (G+J)	42.10	47.08	40.87	74.63	117.27	70.82

ANNEXURE - III

CASH FLOW STATEMENT - AS RESTATED

(Rs. In Crores)						
Particulars	FISCAL					For the nine months period ended December 31, 2007
	2003	2004	2005	2006	2007	
Cash Flow from Operating Activities						
Net Profit Before Tax And Extraordinary Items	59.55	78.41	60.22	105.06	182.80	118.57
Adjustments For:						
Depreciation and Amortization	7.58	7.71	6.61	6.35	7.18	6.03
Loss/(Profit) on sale of Assets (net)	-	0.25	0.19	(0.01)	(0.05)	(0.01)
Interest on Loans	9.00	1.78	0.43	-	-	-
Loss/(profit) on sale of investment	-	0.05	0.73	-	0.02	-
Interest Income	(12.78)	(8.97)	(8.71)	(15.85)	(24.40)	(25.59)
Income on Investment	-	(0.85)	(0.07)	(0.01)	(0.02)	-
Provision for Doubtful Debts	6.81	2.80	6.87	12.04	4.82	12.40
Effect of Exchange on Revaluation of Foreign Currency Cash & Cash Equivalent	(0.60)	(1.68)	0.34	-	(0.58)	1.43
Operating Profit Before Working Capital Changes	69.56	79.50	66.61	107.58	169.77	112.83
(Increase)/Decrease in Inventories	(13.96)	15.06	(1.45)	(47.64)	41.95	(3.18)
(Increase)/Decrease in Work in Progress	(0.38)	0.49	(0.40)	(1.98)	(1.00)	(3.55)
(Increase)/Decrease in Sundry Debtors	(17.96)	(10.81)	2.39	(28.66)	(26.50)	4.97
(Increase)/Decrease in Other Assets excluding Interest Accrued on Fixed Deposit Receipt	80.70	(0.81)	(0.51)	(1.85)	(1.92)	(2.62)
(Increase)/Decrease in Loans & Advances	(48.76)	12.77	(22.46)	(37.78)	35.02	14.98
Increase/(Decrease) in Current Liabilities & Provisions	(6.07)	4.18	87.26	129.14	93.05	105.52
Cash Generated From Operations	63.13	100.38	131.44	118.81	310.37	228.95
Income Tax Paid	(19.20)	(27.50)	(25.14)	(59.58)	(81.18)	(61.79)
Cash Flow Before Extra Ordinary Items	43.93	72.88	106.30	59.23	229.19	167.16
Extra Ordinary Items	-	(8.86)	2.75	9.00	(3.42)	(9.35)
Net Cash From Operating Activities	43.93	64.02	109.05	68.23	225.77	157.81
Cash Flow From Investing Activities						
Purchase/Construction of fixed Assets	(29.45)	(11.51)	(3.52)	(4.12)	(21.27)	(20.60)
Proceeds From Sale of Assets	1.77	2.13	5.48	0.04	0.08	0.03
Investment in Shares & Others	(1.04)	(16.50)	15.71	-	-	-
Investment in Joint Ventures/Subsidiaries	-	(0.03)	(23.31)	(4.55)	(18.10)	(47.23)
Proceed From Sale of Investment in Joint Venture Company	-	-	0.01	3.16	-	-
Loan received back Form Indian Railway Welfare Organisation	0.20	0.20	0.20	0.20	0.20	0.20
Interest Income	12.78	8.97	8.71	15.85	24.40	25.59
Income From Investment	-	0.85	0.07	0.01	0.02	-

Net Cash From (used) Investing Activities	(15.74)	(15.89)	3.35	10.59	(14.67)	(42.01)
Cash Flow From financing Activities						
Interest on Loans	(9.00)	(1.78)	(0.43)	-	-	-
Repayment of Borrowings	(42.31)	(64.66)	(27.92)	-	-	-
Dividend Paid	(6.25)	(6.88)	(11.30)	(16.00)	(45.00)	(17.00)
Dividend Tax Paid	-	(0.88)	(1.46)	(2.24)	(6.31)	(2.89)
Net Cash Used in Financing Activities	(57.56)	(74.20)	(41.11)	(18.24)	(51.31)	(19.89)
Effect of Exchange Difference on Revaluation & Translation of Foreign Currency Cash & Cash Equivalents	0.60	1.68	(0.34)	-	0.58	(1.43)
Net (Decrease)/ Increase in Cash and Cash Equivalents	(28.77)	(24.39)	70.95	60.58	160.37	94.48
Cash and Cash Equivalent at the Beginning of the Year	194.38	165.61	141.22	212.17	272.75	433.12
Cash and Cash Equivalent at the End of the Year	165.61	141.22	212.17	272.75	433.12	527.60

ANNEXURE - IV

SIGNIFICANT NOTES ON ACCOUNTS ATTACHED TO RESTATED FINANCIAL STATEMENTS

1. CONTINGENT LIABILITIES:

(Rs. In Crores)

Particulars	FISCAL					For the nine months period ended December 31, 2007
	2003	2004	2005	2006	2007	
Counter Guarantees given by the Company against Guarantees issued by the Bankers	57.13	105.42	125.10	139.14	135.20	94.90
Corporate Guarantee on behalf of Joint Venture Company	6.77	6.25	6.23	-	-	-
Claims against the Company Not Acknowledged as Debt in respect of Arbitration/Court Cases	25.33	59.19	58.50	624.02	698.47	734.46
Excise Bonds with Central Excise Department	9.17	5.69	3.50	15.61	12.77	9.23
Contracts remaining to be executed on Capital Account	-	-	0.12	0.67	0.01	10.16
Disputed Tax Demands -Income Tax	12.57	8.04	14.11	43.77	11.25	27.60
Disputed Tax Demands - Others	-	-	-	-	-	0.80
Total	110.97	184.59	207.56	823.21	857.70	877.15

2. Summary - Effect of adjustment on profit and loss

The summary of adjustments on account of changes in accounting policies and practices and its impact on Profit & Losses for the Company is as under:

(Rs. In Crores)

Particulars	FISCAL					For the nine months period ended December 31, 2007
	2003	2004	2005	2006	2007	
Net Profit After Tax As Per Audited Profit & Loss account:	95.03	47.70	41.20	99.16	118.18	87.48
Adjustment on account of:						
Expenses and Income adjusted in respective years on account of :-						
Prior Period Items	(3.70)	1.25	1.88	1.39	0.96	1.12

Particulars	FISCAL					For the nine months period ended December 31, 2007
	2003	2004	2005	2006	2007	
Extra Ordinary Items	(53.25)	-	-	-	-	-
Others	3.23	2.29	0.04	(11.58)	(0.48)	0.06
Unspent Liability Written Back	6.06	(0.22)	(4.68)	3.50	2.72	(8.61)
Difference in Accrued Income due to change in Accounting Policy						
Change in Useful Lives of Assets	(3.61)	(2.14)	(1.40)	5.72	0.94	0.67
Others						
Work in progress	0.38	(0.49)	0.40	(0.73)	-	-
Provision for Incomplete Assignment	9.47	(1.22)	(1.42)	(16.71)	4.88	(25.05)
Prepaid Expenses	(0.01)	(0.01)	-	0.02	-	-
Employees Benefits (actuarial basis)	(0.10)	(2.24)	0.55	(0.51)	(0.35)	2.93
Taxation						
Deferred Tax Liability now adjusted	2.53	2.90	0.28	(8.25)	(3.82)	5.30
Change in Provision for Taxation	(13.93)	(0.74)	4.02	2.62	(5.76)	6.92
Net Profit as per Restated Profit & Loss Account	42.10	47.08	40.87	74.63	117.27	70.82

The explanatory notes for these adjustments are discussed below:

I) Prior period items

Certain items of income/expenses identified as prior period items have been adjusted in respective years in the restated statements.

II) Extraordinary Items

- 1) In the Fiscal 2003, Government of India decided to issue bonds to the Company for the balance due amounting to US\$ 2.46 crores in respect of BAAR Project, Iraq in equivalent rupee at the exchange rate prevalent on the date of issue of bonds or approved rate of Rs.47.86 as against 1 US\$ whichever is lower.

The net income arising out of various adjustments consequent to the said decision and amounting to Rs. 53.25 crores had been considered as income of years previous to Fiscal 2003, as the same pertained to transactions of income and expenditure of earlier years.

Further the amount due in this respect has been revalued by the Company at the exchange rate prevalent at the end of each accounting period. The resultant exchange loss/profit has been shown as extraordinary item in respective years.

III) Others

a) Reimbursement from UK, Jarvis, one of the foreign clients, claims towards Corporation tax and National Insurance Contribution

During the Fiscal 2006, income was recognised towards reimbursement claims of corporate tax and National Insurance Contribution from one of the overseas client. The amount has been restated and Rs.2.53 crore, Rs.2.10 crore and Rs.1.28 crore taken as income prior to Fiscal year 2003, Fiscal 2003 and 2004 respectively to which it pertains, instead of it having been taken in Fiscal 2006.

b) Interest on refund - Income tax and deferred tax

The interest on refunds allowed by the Income tax Department to the Company, was on account of effects of assessments, appeals and rectifications, for different years which has been considered in the respective years to which it pertains. The above has resulted in increase / (decrease) in interest income on income tax refunds for the period prior to Fiscal 2003 and Fiscal years 2003, 2004, 2005, 2006 and 2007 for Rs.3.90 crore, Rs.1.13 crore, Rs.1.02 crore, Rs.0.05crore, Rs. (5.69) crore and Rs.(0.41) crore respectively.

IV) Unspent liability written back - Provision no longer required

Excess provisions made in the earlier years were adjusted through the head "Provision no longer required". For the restated accounts, provisions no longer required have been adjusted by giving effect in the respective head of expenditure of the year in which provisions were actually made.

V) Difference in Accrued Income due to change in Accounting Policy.

1) Change in useful lives of assets

Depreciation rates were revised in the Fiscal 2006 based on the useful life of the assets. Accordingly, assets have been depreciated on the revised rates from the Fiscal 2003 onwards to Fiscal 2005 for the assets purchased thereafter. In case of assets purchased prior to Fiscal 2003, these assets have been depreciated based on their remaining life as per revised policy.

The above has resulted in increase / (decrease) in depreciation charge for the period prior to Fiscal 2003 and for the Fiscal 2003, 2004, 2005, 2006, 2007 and nine months period ended December 31, 2007 for Rs. 1.69 crore, Rs. 3.61 crore, Rs. 2.14 crore, Rs.1.4 crore, Rs. (5.72) crore, Rs. (0.94) crore and Rs. (0.67) crore respectively.

The overall impact of restatement has resulted into an increased charge of depreciation by Rs. 1.51 crore for the above said period.

2) Others

a) Work in progress

Policy of recognition of work in progress in respect of ongoing contracts was introduced in the Fiscal 2006. Consequent upon the change in policy, works in progress have been worked out for the Fiscal 2003 through Fiscal 2005.

b) Provision for incomplete assignment

The accounting policy of making provision for incomplete assignments at the rate of 10% of the consultancy fees has been revised in September, 2007. Henceforth the provision for ongoing Consultancy Contracts is being made based on prescribed procedure. Accordingly, figures of provision for incomplete assignments have been restated from the Fiscal 2003 onwards to the nine months period ended December 31, 2007.

c) Prepaid expenses and Prior Period Items

From Fiscal 2006, prepaid & prior period items not exceeding Rs.5000 are being recognised as income/expenditure of the year in which these are accounted for. Accordingly, such items have been readjusted and charged to profit and loss of the years in which they were accounted for the year Fiscal 2003 to Fiscal 2005

d) Employees Benefits

i) Provision for gratuity

The policy for provision for gratuity has been changed from the Fiscal 2004 and is being calculated on the basis of remuneration of the employee at the end of the year instead of on the basis of the remuneration at the beginning of the year.

ii) Provision for Leave Travel Conveyance (LTC)

The Company has revised the policy of making provision for LTC on estimated basis to actuarial basis from the Fiscal 2008 based on the revised Accounting Standards (AS) 15. For the purpose of restatement, actuarial valuation has been made for LTC from the Fiscal 2003 through to the nine months period ended December 31, 2007.

iii) Provision for leave encashment, un-availed medical leave and long term service awards

The company has revised the policy of making provisions for the aforesaid items on estimated basis to actuarial basis from the Fiscal 2008 based on revised AS 15. Accordingly provisions for aforesaid items have been made on actuarial basis as per revised AS 15 in the restated accounts from the Fiscal 2003 to the period ended December 31, 2007.

The adjustments as stated in d(i) to d(iii) above has resulted in increase / (decrease) in provision for employee benefits, collectively for Rs. 0.28 crore, Rs. 0.10 crore, Rs. 2.24 crore, Rs. (0.55) crore, Rs. 0.51 crore, Rs. 0.35 and Rs. (2.93) crore for the period prior to Fiscal 2003 and for Fiscal 2003, 2004, 2005, 2006, 2007 and nine months period ended December 31, 2007 respectively.

e) Conversion of non convertible foreign currencies

During the Fiscal 2004, the company changed the policy of conversion of current assets and liabilities from average rate to the exchange rate prevalent at the end of the year. Accordingly, the foreign currency denoted current assets and liabilities have been represented in the financial statements as per the changed policy for Fiscal 2003. The same has not resulted into any material change in restated accounts.

VI) Taxation

Provision for income-tax / deferred tax

Income tax (current tax and deferred tax) has been computed on adjustments made as detailed in tax shelter statement on the basis of restated profits and losses from the Fiscal 2003 to period ended December 31, 2007.

Tax rates as applicable for respective years were applied for calculating tax due.

Tax due for the F.Y. 2002-03 & 2003-04 were calculated after giving the effect of assessment orders completed by the Income Tax Department

Tax due for the F.Y. 2004-05, 2005-06 & 2006-07 was calculated on the basis of Return of Income filed with the Income Tax Department and for December 31, 2007 income tax liability were calculated as per the normal practices applied for calculation of Income Tax.

The above adjustments have resulted in increase / (decrease) in income tax liability for the period prior to Fiscal 2003 and for Fiscal 2003, 2004, 2005, 2006, 2007 and for nine months period ended December 31, 2007 for Rs.(8.55) crore, Rs.13.93 crore, Rs.0.74 crore, Rs.(4.02) crore, Rs. (2.62) crore, Rs.5.76 crore and Rs. (6.92) crore respectively.

The effect for deferred tax is increase / (decrease) in deferred tax for the period prior to Fiscal 2003 and for Fiscal 2003, 2004, 2005, 2006, 2007 and for nine months period ended December 31, 2007 for Rs.(1.2) crore, Rs.(2.53) crore, Rs.(2.9) crore, Rs.(0.28) crore, Rs. 8.25 crore, Rs.3.82 crore and Rs. (5.3) crore respectively.

The overall impact is increase in profit by Rs.1.69 crore and Rs.0.14 crore due to fall in overall provision of income tax and deferred tax for the said period.

VII) Turnover

Turnover for the year used to be arrived at by deducting from the consultancy fees of the respective projects the provision for incomplete assignments made during the year and adding the amount reversed during the year. From the Fiscal 2006 onwards, this practice has been revised and such provisions are being shown as expenditure in the profit and loss account instead of reducing from the consultancy fees.

Presentation for such provision has been revised in the restated statements from the Fiscal 2003 through Fiscal 2005. The said change in presentation has not resulted into any change in the restated profits of the respective years.

3. Other notes on Accounts

1. The Company has undertaken the development of 3100 HP Diesel Locomotive. A sum of Rs. 9.02 crore 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 Profit and Loss account. The amount so approved under respective heads of accounts has been included in capital commitment.
2. The Conveyance Deeds in respect of Residential Buildings at Asiad Village, New Delhi and IRWO flats in Gurgaon (Haryana) of Rs.2.37 crore (as at March 31, 2007 Rs.2.37 crore) are yet to be executed.
3. Sundry Debtors, Sundry Creditors, Customers Advances, Amounts Recoverable, Security Deposits receivable and Security Deposits payable are subject to confirmation, though letters seeking confirmation of balances were addressed to Sundry Debtors.
4. In a pre-closed contract in the Fiscal 2006, the Company had raised claims against the client for Rs.221.95 crore and the client raised counter claims of Rs.469.10 crore.

The executing agency has raised claims of Rs.184.41 crore (as at March 31, 2007 Rs.184.40 crore) against the Company and Company has raised counter claims of Rs.644.53 crore (as at March 31, 2007 Rs.98.88 crore) 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.5.30 crore (as at March 31, 2007 Rs.3.79 crore) on mobilization advance due from the executing agency has not been recognized as income due to significant uncertainty as regard to realizability.

5. The Company incurred Rs.4.01 crore 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. The said locomotive has been recognised at a nominal value of Re. 1/- in the books of account.

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. 0.31 crore incurred on modifying the above said locomotive has been capitalized in the Fiscal and kept under work in progress pending completion.

6. Subsequent to the date of Balance Sheet as at December 31, 2007, the shareholders of the Company in their meeting held on January 8, 2008 approved the split of Equity Shares of Rs. 100 each into Equity Shares of Rs. 10 each and the issue of 3.60 crore Equity Shares of Rs. 10 each as bonus in the ratio of 1:9 by capitalising the free reserves & surplus of the Company. Consequent to this, the issued and paid up capital of the Company stands increased to 4 crore Equity Shares of Rs. 10 each.
7. Consequent to revision of Accounting Standard 15 on Employees Benefit issued by ICAI, the Company has made suitable changes regarding recognition of liabilities arising on account of various employees benefits not provided earlier.
8. Balances with Scheduled banks included Rs. 39.62 crore, Rs. 59.80 crore, Rs. 79.34 crore, Rs. 144.84 crore, Rs. 209.84 and Rs. 331.58 crore for Fiscal 2003, 2004, 2005, 2006, 2007 and for the nine months period ended December 31, 2007 respectively towards funds received from clients against Construction / Project Management Contracts.
9. Interest receivable (including penal interest) on loan to CCFB amounting Rs.2.84 crore, which is fallen due as on December 31, 2007 for receipt, has not been received. Further, penal interest in accordance with the terms of the agreement is being charged.
10. RITES Limited has agreed to pledge its shareholding in its subsidiary (Tanzania Railways Limited (TRL), 1,02,00,000 shares of face value of TRH 1000 each equivalent to Rs. 32.84 crore) with International Finance Corporation (IFC) in consideration of financial assistance to be extended by IFC to TRL. However, loan disbursements by IFC to TRL have yet to be made.

4. Qualifications in Auditors report

The auditors' report for Fiscal 2003, 2004, 2005, 2006 and 2007 contained certain auditors' qualifications as enumerated hereunder. The same have been addressed and as at December 31, 2007, there are no auditors' qualifications.

Auditors' Qualification	Action taken
Fiscal 2007	
Observation Para 4	
The Company in accordance with its principal accounting policy number 2.1 is providing towards incomplete assignments, a sum of 10% of its consultancy fees. In absence of any details maintained in respect of actual expenditure being incurred towards such incomplete assignments in subsequent years, we are unable to express an opinion towards the adequacy/inadequacy of such provision. Further in accordance with the said policy, the said amount is written back and treated as income of the year in which, the management's review of assignments on completion and fulfilment of the obligations, considers the same to be withdrawn from such provisions and not at the time of actual spend by the company. However, the company is reviewing the said policy and intends to implement the same in the year 2007-08.	A committee was set up by the company to review various aspects related to Provision of Incomplete Assignments for the consultancy contracts spread over more than one accounting period. On the basis of recommendations made by the committee, the accounting policy for Provision for Incomplete Assignment has since been revised with effect from September, 2007. The current policy is as under: 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
ANNEXURE TO – MAIN REPORT (CARO)	
Observation Para 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. However, weaknesses were observed regarding the company not securing the advances to staff, which were otherwise, required to be secured. We are however informed that necessary action is being taken in this regard.	Necessary action regarding securing the advances to staff is being taken.
Observation Para 7	
In our opinion, the internal audit system is commensurate with the size of the company and nature of its business, except at Western Region where the auditors have stated that the internal audit system needs to be further strengthened at Nagpur Project Office.	The system now stands strengthened.
Observation Para 9	
According to the information & explanations given to us, there are no dues of, income tax, wealth tax, custom duty, excise duty and cess which have not been	Informative. The cases are in appeal at different level and the company hopes to get necessary relief.

deposited on account of any dispute except for sales tax at Western Region where a sum of Rs.0.016 crore has not been deposited on account of a dispute. However the company is contesting the following cases in respect of income tax/sales tax/Central Sales Tax assessments.

Name of the Statute	Nature of Dues	Amount (Rs.)	Forum
Income-Tax Act Ass. Yr. 1991-92 and 1992-93	Disallowance of loss on sale of foreign vehicle of the company	Rs.0.34 crore Unpaid demand in this regard is nil	ITAT, Delhi
Income Tax Act Ass. Yr. 2002-03	Disallowance of prior period expenses, provision for LTC, Medical and PLIS, etc.	Rs.2.17 crore Unpaid demand in this regard is nil	ITAT, Delhi
Income Tax Act Ass. Yr. 2004-05	On account of various disallowances.	Rs.8.71 crore Unpaid demand in this regard is nil	CIT (Appeals) Delhi
Sales Tax/CST Year 1998-99	Disputed demand	Rs.0.016 crore unpaid	Deputy Comm of Commercial Tax (A).

Fiscal 2006

Observation Para 1

In respect of joint ventures, the company has incorporated its proportionate share of income and expenditure in the said joint ventures. The gross consultancy receipts and gross expenditure of such joint ventures amounts to Rs.15.67 crore and Rs.10.64 crore, respectively, which has resulted into a profit of Rs.5.03 crore before taxes on income. We cannot comment on the said figures as the same are either unaudited or audited by other auditors.

Informative – No comments.

Observation Para 4 (i)

The company in accordance with its principal accounting policy number 2.1 is providing towards incomplete assignments, a sum of 10% of its consultancy fees. In absence of any details maintained in respect of actual expenditure being incurred towards such incomplete assignments in subsequent years, we are unable to express an opinion towards the adequacy / inadequacy of such provision. Further in accordance with the said policy, the said amount is written back and treated as income of the year in which, the

Adjusted / complied with in the year 2007-08.

The Management had reviewed the company's Accounting Policy regarding Provision for Incomplete Assignment. The accounting policy for Provision for Incomplete Assignment has since been revised with effect from September, 2007.

management's review of assignments on completion and fulfilment of the obligations, considers the same to be withdrawn from such provisions and not at the time of actual spend by the company.	
Observation Para 4 (ii)	
The company has made a provision of Rs.10.32 crore towards doubtful advances being due from one of its associates, engaged for the execution of the contract awarded by one of its client, the said contract having been terminated as a result of submission of fake guarantees by the said associates to the client. The matter has been referred by the company to the investigation agency and the same is under investigation. Reference Note No. 15 in Notes to Accounts.	Informative – No comments
Observation Para 4 (iii)	
The company has changed certain accounting policies and accounting practices the effects whereof have been explained in Note No.17 in Notes to Accounts.	Informative
ANNEXURE TO – MAIN REPORT (CARO)	
Observation Para 4	
In our opinion and accounting 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. However, weaknesses were observed regarding the company not securing the advances to staff, which were otherwise, required to be secured. We are however informed that necessary action is being taken in this regard.	Necessary action regarding securing the advances to staff is being taken.

Observation Para 7	
In our opinion, the internal audit system is commensurate with the size of the company and nature of its business, except at Western Region where the auditors have stated that the internal audit system needs to be further strengthened at Nagpur Project Office and Mumbai Inspection Office.	The system now stands strengthened.
Observation Para 9 – (b)	
According to the information & explanations given to us, there are no dues of sales tax, income tax, wealth tax, custom duty, excise duty and cess which have not been deposited on account of any dispute except following :	Informative. The cases are in appeal at different levels and the company hopes for get necessary relief.

Name of the Statute	Nature of Dues	Amount (Rs.)	Forum	
Income-Tax Act Ass. Yr. 1991-92 and 1992-93	Disallowance of loss on sale of foreign vehicle of the company	Rs.0.34 crore The amount has been paid/Adjusted by the company	CIT (Appeal) Delhi	
Income Tax Act Ass. Yr. 2000-2001 to 2003-04	On account of various disallowances	Rs.43.42 crore Unpaid demand in this regard are Rs.14.13 crore	CIT (Appeal) Delhi	
Fiscal 2005				
Observation Para 1				
In respect of joint ventures, 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.1.46 crore and Rs.1.16 crore, which has resulted into a profit of Rs.0.38 crore in one of the joint venture and a loss of Rs.0.05 crore in the other joint venture, before taxes on income respectively. We cannot comment on the said figures as the same are either unaudited or audited by other auditors.				Informative
Observation Para 4 (i)				
The company has arrived at its consultancy fee after deducting Rs.11.77 crore and adding Rs.13.17 crore being 5% / 10% provision against incomplete consultancy assignments and being a sum determined on completion of such assignments respectively, in accordance with its principal accounting policy number 2.1. The company however contends that it has no doubts about the realisability of the amounts billed and it retains such provision for the likely expenditure, which it may incur in future against such assignments, which are still incomplete but shows the same as deduction from gross receipts. Such a provision of a liability made towards incomplete assignments, in our opinion, should be considered as part of the expenditure instead of the same being shown as deductions from the gross receipts of the company. The said practice of the company results into incorrect statement of the gross receipts and gross expenditure of the company and thus does not comply with the provisions of Part II of Schedule VI to the Companies Act, 1956. (Note No.12).				From the Fiscal 2006, based on the opinion received from the Institute of Chartered Accountants of India, Provision for Incomplete Assignments made during the year was included in 'Other Expenses' instead of adjusting the same from income from Consultancy Fee as was practice till previous year.

Observation Para 4 (ii)	
The company, in accordance with its principal accounting policy number 2.1, is providing towards incomplete assignments, a sum of 5% / 10% of its consultancy fees. In absence of any details maintained in respect of actual expenditure being incurred towards such incomplete assignments in subsequent years, we are unable to express an opinion towards the adequacy / inadequacy of such provision. Further in accordance with the said policy, the said amount is written back and treated as part of gross receipts / income of the year in which, the management's review of assignments on completion and fulfilment of the obligations considers the same to be withdrawn from such provisions and not at the time of actual spend by the company.	Adjusted / complied with in the year 2007-08. The Management had reviewed the company's Accounting Policy regarding Provision for Incomplete Assignment. The accounting policy for Provision for Incomplete Assignment has since been revised with effect from September, 2007.
Observation Para 4 (iii)	
The company is not having a system of identifying work-in-progress in respect of on going contracts. Thus resulting into the accounts not being maintained on accrual system of accounting.	Complied with.
ANNEXURE TO – MAIN REPORT (CARO)	
Observation Para 4	
In our opinion and accounting 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. However, weaknesses were observed regarding the company not securing the advances to staff, which were otherwise, required to be secured. We are however informed that necessary action is being taken in this regard.	Necessary action regarding securing the advances to staff is being taken.

Observation Para 7	
In our opinion, the internal audit system is commensurate with the size of the company and nature of its business, except at Western Region where the auditors have stated that the internal audit system needs to be strengthened.	The system now stands strengthened.
Observation Para 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 service tax except for that the company has not deposited advance tax for the current year fully and service tax and sales tax in the western region.	The shortfall in payment of advance tax was deposited in June 2005. Further, service tax was paid fully in May 2005. In respect of sales tax (works tax), the opinion of expert suggested that there was no liability to pay such tax till the same was received from the client.

Observation Para 9 – (b)				
According to the information & explanations given to us, there are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, custom duty, excise duty and cess. The company has however not deposited undisputed income tax payable in respect of the following years:				Informative. The cases are in appeal at different levels and the company hopes to get necessary relief.
Assessment Year	Date of receipt of appeal order	Amount of tax (incl. Interest) provided as on 31.03.05		
1995-96	August 2004	Rs.1.88 crore		
2001-02	July 2003	Rs.5.29 crore		
Further the company has not deposited sales tax and service tax aggregating to Rs.0.04 crore, in the western region, which have remained outstanding as at 31 st March, 2005 for a period of more than six months from the date they became payable. We are informed that out of the said amount of Rs.0.04 crore a sum of Rs.0.01 crore towards service tax has been subsequently deposited.				
Observation Para 9 – (c)				
According to the information & explanations given to us, there are no dues of sales tax, income tax, wealth tax, custom duty, excise duty and cess which have not been deposited on account of any dispute except following :				Informative. The cases are in appeal at different levels and the company hopes to get necessary relief.
Name of the Statute	Nature of Dues	Amount (Rs.)	Forum	
Income-Tax Act Ass. Yr. 1991-92 and 1992-93	Disallowance of loss on sale of foreign vehicle of the company	Rs.0.34 crore	CIT (Appeal) Delhi	
Fiscal 2004				
In compliance of AS-15, the future liability on account of leave encashment has been provided on the basis of actuarial valuation during the year, which was earlier provided on accrual basis thereby resulting in writing back of liability of Rs.4.35 crore pertaining to the earlier period. Consequent upon this change, the profit for the year is higher to the extent of Rs.4.35 crore with a corresponding decrease in Current Liabilities & Provisions.				Informative.
Fiscal 2003				
In our opinion, the Balance Sheet, Profit & 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				Complied with.
				From the Fiscal 2004, the policy has been changed as given below:

Act, 1956 except AS-15 in respect of provision of leave encashment which has not been made on the basis of actuarial valuation .	“Leave encashment is accounted for on actuarial valuation made at the end of accounting year.” Earlier, leave encashment was accounted for on accrual basis.
Due to restrictions on remittance of funds because of UN Sanctions on Iraq, assets and liabilities pertaining to Iraq projects were converted by the Company till the last financial year on the exchange rate prevalent on the date of transaction. On settlement of the issue by the Government of India, dues from Iraq – BAAR Project have been converted at the year end rate in line with AS-11. The restatement of assets and liabilities has resulted in exchange gain of Rs.159.23 crore for assets and exchange loss of Rs.85.81 crore for liabilities with a corresponding increase in current assets and liabilities respectively. Further, during the year interest liability on the loans for BAAR Project has also been settled with the bankers. Bankers have withdrawn their claim for additional interest. The writing back of such interest has resulted in income of Rs.40.82 crore with a corresponding decrease in liabilities.	Informative
In line with the provisions of AS-9, company has written off Rs.55.39 crore due from BAAR project executed in Iraq on account of interest accrued on deferred receivable and other receivables and other receivables amounting to Rs.3.13 crore but not realised. Further during the year a sum of Rs.2.46 crore due in respect of other Iraq projects executed earlier has also been written off. Due to this change, the profits for the year and current assets are lower to this extent.	Informative
Consequent upon change in the Accounting Policy, assets and computer software purchased during the year or earlier, costing upto Rs.5,000/- and Rs.1,00,000/- respectively and major renovations capitalised earlier have been charged to sundry expenses during the year. This has resulted in decrease in profit by Rs.0.87 crore and fixed assets being lower by Rs.0.87 crore.	Informative

SIGNIFICANT ACCOUNTING POLICIES AS AT DECEMBER 31, 2007**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 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

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, reimbursables under the contract are accounted for on accrual basis.

2.5 Other Income

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

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 whichever 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 towards - 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. 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.

CHANGES IN ACCOUNTING POLICIES DURING THE YEARS ENDED MARCH 31, 2003 TO NINE MONTHS PERIOD ENDED DECEMBER 31, 2007

FOR THE NINE MONTHS PERIOD ENDED DECEMBER 31, 2007

1. REVENUE RECOGNITION

Consultancy Fee

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

As per earlier policy provision for incomplete assignments and for other obligations was made at the rate of ten percent of billed amount for services rendered.

2. EMPLOYEE BENEFITS

Pursuant to changes in Accounting Standard 15 issued by ICAI in respect of employee benefits which have now become mandatory, 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 of the period.

YEAR 2005-06

1. REVENUE RECOGNITION

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.

Earlier, there was no such policy to recognise work in progress.

2. Fixed assets, 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.

Earlier policy for depreciation and amortisation was as follows:

- (a) Depreciation on fixed assets is provided on straight line method at the following rates as specified in Schedule XIV of the Companies Act, 1956. In respect of additions to/ deletions from the fixed assets, depreciation is charged on pro rata basis.

Particulars	Assets acquired upto 31.03.88	Assets acquired after 31.03.88 but before 16.12.93	Assets acquired on or after 16.12.93
i) Furniture & Fixtures	10%	3.34%	6.33%
ii) Office Equipments & Air Conditioners	15%	5.15%	4.75%
iii) Computers	20%	16.21%	16.21%
iv) Survey and Laboratory Equipments	20%	5.15%	16.21%
v) Vehicles	20%	7.07%	4.75%
vi) Buildings	20%	1.63%	9.50%
vii) Intangible Assets	5%	16.21%	1.63%
viii) Locomotives	20%	-	16.21%

- (b) In respect of BOT assets, depreciation is charged proportionately over the period of project.

- (c) In respect of lease hold land, amortization is charged proportionately over the term of lease.
- (d) In respect of buildings on lease hold, depreciation is proportionately over terms of lease or at depreciation rate specified in Schedule XIV of Companies Act, 1956 whichever is higher.
- (e) Individual low cost assets of value less than Rs. 5,000/- and software procured for the value less than Rs.1,00,000/- are entirely depreciated in the year of acquisition.
- (f) A nominal value of Re 1/- is assigned to the fully depreciated assets.

3. 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.

Earlier, there was no ceiling of Rs.5000/- for the above policy.

YEAR 2003-04

1. EMPLOYEES BENEFITS

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.

Earlier, actuarial valuation was made on the basis of remuneration at the beginning of each financial year.

Leave encashment

Leave encashment is accounted for on actuarial valuation made at the end of period.

Earlier, leave encashment was accounted for on accrual basis.

2. FOREIGN CURRENCY TRANSACTION

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.

As per policy upto the fiscal year 2003, Current Assets & Liabilities were translated at the average rate.

SUMMARY OF ACCOUNTING RATIOS

Particulars	FISCAL					For the nine months period ended December 31, 2007
	2003	2004	2005	2006	2007	
Profit after adjustments (before Extra ordinary items) (Rs. In Crores)	42.10	53.62	39.17	68.94	119.50	76.58
Profit after adjustments (after Extra ordinary items) (Rs. In Crores)	42.10	47.08	40.87	74.63	117.27	70.82
Weighted average number of shares of face value of Rs. 100 each outstanding during the year (in crores)	0.02	0.04	0.04	0.04	0.04	0.04
Net Worth (Rs. In Crores)	292.16	326.08	353.29	405.12	476.60	535.73
Earning Per Share (before Extra ordinary items) (Rs.)	2105.00	1340.50	979.25	1723.50	2987.50	1914.50
Earning Per Share (after Extra ordinary items) (Rs.)	2105.00	1177.00	1021.75	1865.75	2931.75	1770.50
Return on Networth (before Extra ordinary items) %	14.41	16.44	11.09	17.02	25.07	14.30
Return on Networth (after Extra ordinary items) %	14.41	14.44	11.57	18.42	24.61	13.22
Net Assets Value Per Share (Rs.)	14608.00	8152.00	8832.25	10128.00	11915.00	13393.25

Notes :

- 1) The ratios have been computed as below :-

Earning per Share (Rs.) =
$$\frac{\text{Adjusted Net Profit after Tax and (before /after extraordinary items)}}{\text{Weighted average number of equity shares outstanding during the Period/year}}$$

Return on Net Worth (%) =
$$\frac{\text{Adjusted Net Profit after Tax and (before/after extraordinary items)}}{\text{Net Worth after adjustment of miscellaneous expenditures, to the extent not Written off}}$$

Net Asset Value Per Share (Rs.) =
$$\frac{\text{Net Worth after adjustment of miscellaneous expenditures, to the extent not written off}}{\text{Number of Equity Shares Outstanding at the end of the period /year}}$$

- 2) Net profit, as appearing in the Statement of profits and losses, as restated has been considered for the purpose of computing the above ratios.
- 3) Earnings per share calculations are done in accordance with Accounting Standard 20 "Earning Per Share" issued by the Institute of Chartered Accountants of India.

ANNEXURE-VII (A)

SUMMARY OF ACCOUNTING RATIOS

Subsequent to the date of Balance Sheet as at December 31, 2007, the shareholders of the Company in their meeting held on January 8, 2008 approved the split of Equity Shares of Rs. 100 each into Equity Shares of Rs. 10 each and the issue of 3.6 crore Equity Shares of Rs. 10 each as bonus shares in the ratio of 1:9 by capitalising the free reserves & surplus of the Company. Consequently, the issued and paid up capital of the Company stands increased to 4 crore Equity Shares of Rs. 10 each.

Adjusting the Equity Shares data for the above changes, the ratios would be as under :-

Particulars	FISCAL					For the nine months period ended December 31, 2007
	2003	2004	2005	2006	2007	
Weighted average number of shares of face value of Rs. 10 each outstanding during the year (in crores)	4.00	4.00	4.00	4.00	4.00	4.00
Earning Per Share (before Extra ordinary items) (Rs.)	10.52	13.40	9.79	17.23	29.87	19.14
Earning Per Share (after Extra ordinary items) (Rs.)	10.52	11.77	10.22	18.66	29.32	17.70
Return on Networth (before Extra ordinary items) %	14.41	16.44	11.09	17.02	25.07	14.30
Return on Networth (after Extra ordinary items) %	14.41	14.44	11.57	18.42	24.61	13.22
Net Assets Value Per Share (Rs.)	73.04	81.52	88.32	101.28	119.15	133.93

ANNEXURE - VIII

CAPITALISATION STATEMENT - AS RESTATED

(Rs. In Crores)

Particulars	Pre issue As on Dec 31, 2007	Post issue*
Total Debt		
Short term debt	-	
Long term debt	-	
Total Debt	-	
Shareholders Funds		
Share Capital	4.00	
Reserves & Surplus	531.73	
(-) Revaluation Reserve	-	
Net Reserve (Net of Revaluation)	531.73	
(-) Miscellaneous Expenditure	-	
Net Worth	535.73	
Debt Equity Ratio	-	
* As this is an issue by way of Book Building process, Post Issue Figures are not provided.		

Note: Subsequent to the date of Balance Sheet as at December 31, 2007, the shareholders of the Company in their meeting held on January 8, 2008 approved the split of Equity Shares of Rs.100 each into Equity Shares of Rs.10 each and the issue of 3.6 crore Equity Shares of Rs.10 each as bonus shares in the ratio of 1:9 by capitalising the free reserves & surplus of the Company. Consequently, the issued and paid up capital of the Company stands increased to 4 crore Equity Shares of Rs. 10 each.

ANNEXURE - IX

TAX SHELTER STATEMENT

(Rs. In Crores)

FINANCIAL YEARS	FISCAL					Nine months period ended December. 31, 2007
	2003	2004	2005	2006	2007	
Profit /(Loss) as per Restated Books of Accounts	59.55	69.55	62.97	114.06	179.38	109.22
Less:						
Profit share of RICON	-	-	0.36	1.52	0.96	0.87
Profit / (Loss) share of GC-AUSTRIA	-	-	(0.06)	0.27	0.07	0.07
Capital Gains	-	-	-	6.91	-	-
Income from House Property	-	-	-	-	0.60	0.45
A) Income from Business	59.55	69.55	62.67	105.36	177.75	107.83
Income tax rate %	36.750	35.875	36.593	33.660	33.660	33.990
Tax at normal rate	21.88	24.95	22.93	35.47	59.84	36.65
Permanent Differences:						
Exempt income UK(DTAA)	(5.90)	(1.58)	-	-	-	-
Disallowance under section 43B	0.21	-	0.02	(0.05)	-	-
(Profit) / Loss on sale, Shortage of fixed assets	0.12	(0.82)	(2.82)	(0.01)	(0.05)	(0.01)
Others	(0.08)	(0.16)	0.68	-	0.04	0.00
Expense / Depreciation - Scope Office Complex	-	-	-	-	0.11	0.19
Dividend Income	-	(0.84)	(0.07)	(0.01)	(0.01)	(0.02)
Deduction under Chapter VI-A	(6.32)	(4.38)	-	-	-	-
B) Total Permanent Difference	(11.97)	(7.78)	(2.19)	(0.07)	0.09	0.16
Timing Differences:						
Employee Benefits	1.45	0.99	2.23	1.34	2.67	1.98
Depreciation as per Income tax Act	(7.36)	(11.37)	(9.97)	(5.95)	(8.51)	(6.81)
Depreciation as per Company's Act (after adj. of scope building)	7.58	7.71	6.61	6.35	7.13	5.98
	-	-	-	0.02	(0.02)	-

Provisions where TDS is not deducted						
Disallowance under section 43B	19.20	(11.56)	-	(0.10)	-	-
(Loss) on sale of G-sec(UTI)	-	0.50	(0.50)	-	-	-
Provision for Doubtful Debts & advances	6.81	2.81	6.88	12.04	4.82	12.43
C) Total Temporary Difference	27.68	(10.92)	5.25	13.70	6.09	13.58
D) Taxable Rental Income	-	-	-	-	0.41	0.31
Profit as per Income Tax Act (A+B+C+D)	75.26	50.85	65.73	118.99	184.34	121.88
Income Tax Liability	27.66	18.25	24.04	40.06	62.06	41.43
Capital Gain Tax on Investment	-	-	-	1.41	-	-
E) Tax Liability as per Income Tax Act	27.66	18.25	24.04	41.47	62.06	41.43
F) Income Tax Liability on						
i) Profit share of RICON	-	-	0.12	0.51	0.49	0.44
ii) Profit share of GC-AUSTRIA	-	-	-	-	0.11	0.05
iii) Income UK(DTAA)	-	-	-	-	-	-
G) Total Tax Liability of Joint Venture, General Consultants & United Kingdom Income (F-i+ii+iii)	-	-	0.12	0.51	0.60	0.49
H) Total Tax Liability (E+G)	27.66	18.25	24.16	41.98	62.66	41.92

ANNEXURE - X

STATEMENT OF SECURED LOANS - AS RESTATED

(Rs. In Crores)

Particulars	FISCAL					For the nine months period ended December 31, 2007
	2003	2004	2005	2006	2007	
SECURED LOANS						
From Banks / Financial Institutions Secured against pari-passu charge on all present and future receivables, book debts, money, outstanding claims and demands, contracts, engagement and securities due in respect of Baghdad Al-Qaim Akashat Railway project, Iraq and counter guaranteed by Govt. of India	92.58	27.92	-	-	-	-
Total	92.58	27.92	-	-	-	-

ANNEXURE - XI

STATEMENT OF INVENTORIES AND OTHER CURRENT ASSETS - AS RESTATED

(Rs. In Crores)

Particulars	As at March 31					As at Decem ber 31, 2007
	2003	2004	2005	2006	2007	
INVENTORIES						
Finished Goods, Stores and Spare Parts	16.21	1.15	2.59	50.23	8.28	11.46
Work in Progress	0.81	0.33	0.73	2.71	3.70	7.25
Sub total (A)	17.02	1.48	3.32	52.94	11.98	18.71
OTHER CURRENT ASSETS						
Interest Accrued (including accrued but not due) on Bank Deposits	3.44	1.95	3.90	5.98	8.33	12.47
Interest Accrued (including accrued but not due) on Deposits and Advances	5.93	6.74	7.24	9.09	11.01	13.63
Sub total (B)	9.37	8.69	11.14	15.07	19.34	26.10
Total (A+B)	26.39	10.17	14.46	68.01	31.32	44.81

ANNEXURE - XII

STATEMENT OF LOANS & ADVANCES - AS RESTATED

(Rs. In Crores)

Particulars	As at March 31					As at December 31, 2007
	2003	2004	2005	2006	2007	
Advance recoverable in cash or in kind or for value to be received	15.84	12.60	36.35	82.12	52.39	45.69
Advance payments of Income-tax	38.45	31.92	48.24	79.59	110.93	112.33
Security / Other deposits	1.94	2.62	2.16	3.33	1.37	1.51
Employee loans	9.87	9.71	8.85	7.74	6.69	6.02
Amount Recoverable from Govt. of India for Iraq receivables	117.75	107.62	107.35	109.44	106.02	96.57
Others	1.60	1.46	18.87	24.83	43.83	59.71
Sub total	185.45	165.93	221.82	307.05	321.23	321.83
Less : Provision for doubtful loans & advances	(0.01)	(2.59)	(2.59)	(14.32)	(14.85)	(14.86)
TOTAL	185.44	163.34	219.23	292.73	306.38	306.97

The above includes the following loans and advances to the promoter group

(Rs. In Crores)						
Particulars	As at March 31					As at December 31, 2007
	2003	2004	2005	2006	2007	
Other Loans						
Loan to RICON J.V.	-	-	0.60	0.38	-	-
Loan to CCFB J.V.	-	-	16.71	21.48	39.96	54.35
Tanzania Railways Limited Subsidiary	-	-	-	-	-	0.26
Amount Recoverable from J.V's	-	0.06	0.36	1.97	3.06	4.50
TOTAL	-	0.06	17.67	23.83	43.02	59.11

ANNEXURE - XIII

STATEMENT OF SUNDRY DEBTORS - AS RESTATED

(Rs. In Crores)

Particulars	As at March 31					As at December 31, 2007
	2003	2004	2005	2006	2007	
Sundry Debtors (Unsecured)						
Debts Outstanding exceeding Six Months						
Considered Good	40.12	52.38	43.04	58.76	73.00	53.50
Considered Doubtful	19.10	19.31	26.18	26.41	30.22	42.00
Sub total	59.22	71.69	69.22	85.17	103.22	95.50
Others						
Considered Good	73.34	71.70	71.79	72.69	80.70	82.89
Considered doubtful	-	-	-	-	0.07	-
Sub total	73.34	71.70	71.79	72.69	80.77	82.89
Less: Provision for Bad & Doubtful Debts	19.10	19.31	26.18	26.41	30.29	42.00
Total	113.46	124.08	114.83	131.45	153.70	136.39

The above includes the following debts due from the subsidiary companies

(Rs. In Crores)

Particulars	As at March 31					As at December 31, 2007
	2003	2004	2005	2006	2007	
Debts Outstanding exceeding Six Months						
Considered Good	-	0.52	-	0.33	0.79	2.75

ANNEXURE - XIV

STATEMENT OF INVESTMENTS - AS RESTATED

(Rs. In Crores)

Particulars	As at March 31					As at December 31, 2007
	2003	2004	2005	2006	2007	
A. TRADE (UNQUOTED) – AT COST, LONG TERM INVESTMENTS (IN SHARES)						
(I) In Foreign						
(a) In Subsidiary Companies						
RITES (AFRIKA) (Pty) Ltd., Botswana (10,000 Equity Shares of face value of PULA 1/- each, fully paid up)	0.01	0.01	0.01	0.01	0.01	0.01
Tanzania Railway Ltd., Tanzania (10,200,000 Equity Shares of face value of TSH 1000/- each, fully paid up)	-	-	-	-	-	32.84
RITES Colombia LTDA, Columbia (4,999 Equity Shares of Pesos 2505 each, fully paid up)	0.03	0.03	0.03	0.03	-	-
(b) In Joint Ventures						
In Ferro Carriles del norte de Colombia S.A. (FENECO) 8,00,000 Equity Shares of face value of Colombian Pesos 1,000/- each, fully paid up)	3.16	3.16	3.16	-	-	-
Companhia Dos Caminhos De Ferro Da Beira, SARL (1,300,000 Equity Shares of face value of US \$1/- each, fully paid up)	-	-	6.01	6.01	6.01	6.01
(II) In India						
(a) In company						
Equity Investment in Global Procurement Consultants Limited (30,000 equity shares of face value of Rs. 10/- each, fully paid-up)	0.03	0.03	0.03	0.03	0.03	0.03
(b) In Joint Venture						
Geo Consult - RITES Joint Venture - At Cost	-	0.03	0.03	0.03	0.03	0.03
Aggregate value of unquoted investments	3.23	3.26	9.27	6.11	6.08	38.92
B. TRADE CURRENT INVESTMENTS – AT COST						
* Trade Current Investment - At Cost	-	16.45	-	-	-	19.02
Aggregate value of quoted investments	-	16.45	-	-	-	19.02
GRAND TOTAL	3.23	19.71	9.27	6.11	6.08	57.94

*Note :

1. Amount of Rs. 16.45 crores as at March 31, 2004 represents UTI G.Sec Fund (15427344.714 units)
2. Amount of Rs. 19.02 crores as at December 31, 2007 represents UTI Liquid Cash Plan (186522.978 units)

ANNEXURE - XV

STATEMENT OF CURRENT LIABILITIES & PROVISIONS - AS RESTATED

(Rs. In Crores)

Particulars	As at March 31					As at December 31, 2007
	2003	2004	2005	2006	2007	
Sundry Creditors for Supplies, Services & Others	62.88	48.17	32.50	55.59	73.84	89.44
Small Scale Industrial Undertakings	-	-	0.14	0.32	0.55	0.02
Other Liabilities	4.29	6.88	11.02	12.39	15.74	16.87
Salary Payable	5.53	9.13	8.84	12.74	14.15	11.59
Employee Benefits	13.05	13.61	15.76	18.02	20.30	22.60
Subsidiary Companies	-	0.04	0.03	-	-	-
Amount Payable to Joint Venture - Geo Consult	-	-	0.05	-	-	-
Customers Advance	53.44	67.97	161.84	242.19	294.78	377.73
Security Deposit / Retention Money Due to Contractors / Agencies	19.70	17.68	20.64	33.93	45.94	46.23
Interest Accrued but not Due	0.59	0.10	-	-	-	-
Proposed Dividend	2.50	7.30	8.00	12.00	7.00	-
Taxation	41.02	25.85	41.38	57.02	70.84	52.43
Warranties	-	-	-	2.63	5.48	11.50
Incomplete Consultancy Assignments	0.03	0.12	0.16	2.30	2.38	2.71
Total	203.03	196.85	300.36	449.13	551.00	631.12

ANNEXURE - XVI

STATEMENT OF OTHER INCOME - AS RESTATED

(Rs. In Crores)

Particulars	FISCAL					For the nine months period ended December 31, 2007
	2003	2004	2005	2006	2007	
Other Income	15.10	13.69	9.85	17.09	27.96	28.29
Net Profit before tax, as restated	59.55	69.55	62.97	114.06	179.38	109.22
Percentage	25.35	19.68	15.64	14.98	15.59	25.90

SOURCES OF INCOME

(Rs. In Crores)

Particulars	FISCAL					For the nine months period ended December 31, 2007
	2003	2004	2005	2006	2007	
Interest received on						
Inter corporate deposits	-	-	0.01	1.38	2.30	2.84
Bank deposits	9.89	6.41	6.02	10.99	19.87	22.04
Loan to employees	1.35	1.08	1.08	1.04	0.84	0.56
Others	1.53	1.49	1.61	2.44	1.39	0.16
Dividend received on trade investments	-	0.83	0.07	-	0.01	0.02
Dividends from Subsidiary Companies	-	0.01	-	0.01	0.01	-
Profit on sale of fixed assets	-	0.04	-	0.02	0.07	0.01
Miscellaneous Income	2.33	3.83	1.06	1.21	3.47	2.66
Total	15.10	13.69	9.85	17.09	27.96	28.29

Other income includes income from interest on surplus funds kept in short term deposits with banks and dividend on debt instruments of mutual funds. The earning of such income will depend on the availability of the surplus funds.

ANNEXURE - XVII

STATEMENT OF DIVIDEND PAID - AS RESTATED

The dividend and dividend tax paid is presented below:

(Rs. in Crores except numbers and percentage)

Particulars	FISCAL					For the nine months period ended December 31, 2007
	2003	2004	2005	2006	2007	
Equity Share Capital(Rs.)	2	4	4	4	4	4
No. of Equity Shares of Rs. 100 each (Rs.)	0.02	0.04	0.04	0.04	0.04	0.04
Rate of Dividend (%)	250%	400%*	300%	500%	1000%	250%
Interim (%)	125	150	100	200	825	250
Final (%)	125	250	200	300	175	-
Amount of Dividend on Equity Shares (Rs.)	5.00	11.67	12.00	20.00	40.00	10.00
Interim	2.50	4.37	4.00	8.00	33.00	10.00
Final	2.50	7.30	8.00	12.00	7.00	-
Total Dividend Tax Paid	0.32	1.50	1.65	2.81	5.82	1.70

* Interim dividend and final dividend were paid at the rate of 150% and 250% respectively on the paid up capital. As bonus shares worth Rs. 2 crore were issued on October 16, 2003, thus, the amounts of interim and final dividend were paid on prorata basis on bonus shares of Rs. 2 crore.

STATEMENT OF RELATED PARTY TRANSACTIONS - AS RESTATED

As per Accounting Standard (AS -18) effective from April 1, 2001, the Related Party Transactions are as follows:

As at December 31, 2007

Nature of Relationship	Name of Party
Joint Venture	1. M/s RICON - Established in India 2. M/s Companhia Dos Caminhos De Ferro Da Beira, SARL, Beria (CCFB) - Established in Mozambique
Subsidiary Companies	1. M/s RITES (AFRIKA) (Pty) Ltd.- Established in Botswana. 2. M/s Tanzania Railway Limited, Established in Tanzania.
Key Management Personnel (Directors)	1. Shri R.K. Rao, Chairman 2. Shri V.K. Aggarwal, Managing Director 3. Shri Rajeev Mehrotra, Director Finance 4. Shri Anil Madan, Director Technical 5. Shri B.K. Makhija, Director Projects

Fiscal 2007

Nature of Relationship	Name of Party
Joint Venture	1. M/s RICON - Established in India 2. M/s Companhia Dos Caminhos De Ferro Da Beira, SARL, Beria (CCFB) - Established in Mozambique
Wholly owned Subsidiary Company	1. M/s RITES (AFRIKA) (Pty) Ltd.- Established in Botswana. 2. M/s RITES Colombia LTDA - Established in Colombia (upto August 2006)
Key Management Personnel (Directors)	1. Shri R.R. Bhandari, Chairman (upto August 31, 2006) 2. Shri R.K. Rao, Chairman (w.e.f. September 22, 2006) 3. Shri V.K. Aggarwal, Managing Director 4. Shri B.L. Bagra, Director Finance 5. Shri Anil Madan, Director Technical 6. Shri B.K. Makhija, Director Projects

Fiscal 2006

Nature of Relationship	Name of Party
Joint Venture	1. M/s RICON - Established in India 2. M/s Companhia Dos Caminhos De Ferro Da Beira, SARL, Beria (CCFB) - Established in Mozambique
Wholly owned Subsidiary Company	1. M/s RITES (AFRIKA) (Pty) Ltd.- Established in Botswana. 2. M/s RITES Colombia LTDA - Established in Colombia
Key Management Personnel (Directors)	1. Shri P.N. Garg, Chairman (upto August 31, 2005) 2. Shri R.R. Bhandari, Chairman (w.e.f. November 28, 2005) 3. Shri V.K. Aggarwal, Managing Director 4. Shri B.L. Bagra, Director Finance 5. Shri S.C. Saxena, Director Projects 6. Shri J.S. Azad, Director Technical (upto April 30, 2005) 7. Shri Anil Madan, Director Technical (w.e.f. June 13, 2005)

Fiscal 2005

Nature of Relationship	Name of Party
Joint Venture	1. M/s RICON - Established in India 2. M/s Companhia Dos Caminhos De Ferro Da Beira, SARL, Beria (CCFB) - Established in Mozambique
Wholly owned Subsidiary Company	1. M/s RITES (AFRIKA) (Pty) Ltd.- Established in Botswana. 2. M/s RITES Colombia LTDA - Established in Colombia
Key Management Personnel (Directors)	1. Shri P.N. Garg, Chairman 2. Shri V.K. Aggarwal, Managing Director 3. Shri B.L. Bagra, Director Finance 4. Shri S.C. Saxena, Director Projects 5. Shri J.S. Azad, Director Technical

Fiscal 2004

Nature of Relationship	Name of Party
Wholly owned Subsidiary Company	1. M/s RITES (AFRIKA) (Pty) Ltd.- Established in Botswana. 2. M/s RITES Colombia LTDA - Established in Colombia
Key Management Personnel (Directors)	1. Shri Ashok Kumar, Chairman 2. Shri R.K. Singh, Chairman 3. Shri P.N. Garg, Chairman 4. Shri D.C. Mishra, Managing Director 5. Shri B.L. Bagra, Director Finance 6. Shri S.C. Saxena, Director Projects 7. Shri J.S. Azad, Director Technical

Fiscal 2003

Nature of Relationship	Name of Party
Wholly owned Subsidiary Company	1. M/s RITES (AFRIKA) (Pty) Ltd.- Established in Botswana. 2. M/s RITES Colombia LTDA - Established in Colombia
Key Management Personnel (Directors)	1. Shri S. Dhasarathy, Chairman, (upto May 09, 2002) 2. Shri Ashok Kumar, Chairman, (from April 10, 2002) 3. Shri D.C. Mishra, Managing Director 4. Shri B.L. Bagra, Director Finance 5. Shri S.C. Saxena, Director Projects 6. Shri H.R.S. Tyagi, Director Technical (upto August 31,2002) 7. Shri J.S. Azad, Director Technical, (from October 01, 2002)

Transactions with Related Parties

(Rs. In Crores)												
Transactions	Joint Ventures FISCAL						Subsidiary Companies FISCAL					
	2003	2004	2005	2006	2007	December 2007	2003	2004	2005	2006	2007	December 2007
Investments	-	-	6.01	-	-	-	0.01	0.03	-	-	-	32.84
Loan given	-	-	17.30	4.77	18.49	8.51	-	-	-	-	-	-
Fees for services obtained	-	-	-	-	-	-	-	0.36	0.37	0.61	-	-
Consultancy fees received	-	-	-	-	-	-	0.17	0.52	-	0.55	0.80	2.30
Interest on Loan	-	-	0.01	0.05	0.01	2.84	-	-	-	-	-	-
Receivables	-	-	0.15	-	-	-	0.38	0.48	-	-	-	-
Expenses Payable	-	-	0.22	-	-	-	-	0.04	0.03	-	-	-
Leasing Charges Received	-	-	-	-	-	3.26	-	-	-	-	-	2.03
CCFB DR/(CR)	-	-	18.38	24.46	43.55	58.37	-	-	-	-	-	-
RICON DR/(CR)	-	-	0.61	0.71	2.76	(0.08)	-	-	-	-	-	-
GC DR/(CR)	-	(0.01)	(0.01)	(0.01)	-	-	-	-	-	-	-	-
rites AFRIKA DR/(CR)	-	-	-	-	-	-	-	0.53	-	0.34	0.80	0.76
TRL DR/(CR)	-	-	-	-	-	-	-	-	-	-	-	2.03
YEAR END BALANCE	-	-	18.97	22.41	41.70	52.60	0.00	0.53	0.00	0.34	0.80	2.79

Remuneration to key management personnel

(Rs. In Crores)

Particulars	FISCAL					
	2003	2004	2005	2006	2007	For the nine months period ended December 2007
Salary	0.17	0.19	0.22	0.15	0.17	0.15
Sitting Fee	-	-	0.01	0.01	0.01	0.03
House Rent (Net)	0.02	0.03	0.04	0.02	0.00	0.03
Perquisites	0.01	0.03	0.01	-	-	-
Contribution to Provident Fund and Group Saving Linked Insurance Scheme	0.02	0.03	0.03	0.02	0.02	0.02
Medical Expenses	0.01	0.01	0.01	0.00	0.00	0.01
Travel Expenses	0.42	0.36	-	0.29	0.24	0.33
House Building Advance	0.04	0.07	0.05	0.02	0.01	-

AUDITORS' REPORT ON RESTATED CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors
RITES Limited
Plot No. 1, Sector – 29
Gurgaon – 122 001

Dear Sirs,

We have examined the consolidated financial information of RITES Limited ('the Company') with the company's subsidiaries – RITES AFRIKA (Pty) Ltd. and M/s RITES Colombia LTDA, and proportionate share of company's joint ventures – Companhia Dos Caminhos De Ferro Da Beira (CCFB), Mozambique (26%) and RICON (51%) as attached to this report stamped and initialled by us for identification, which has been prepared in accordance with Part II of Schedule II of the Companies Act, 1956 ('the Act') and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 as amended upto date ('the Guidelines') issued by Securities and Exchange Board of India ('SEBI') in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related clarifications, and in accordance with the instructions received by us from the Company requesting us to carry out work in connection with the Draft Red Herring Prospectus/Red Herring Prospectus/Prospectus (collectively hereinafter referred to as "Offer Document") being issued by the Company in connection with its Initial Public Offering of Equity Shares (referred to as 'the Issue').

The preparation and presentation of this consolidated financial information is the responsibility of Company's management. This consolidated financial information is proposed to be included in the Offer Document of the Company in connection with the Issue of its Equity Shares.

A. Consolidated Financial Information as per the audited financial statements

We have examined the attached consolidated statement of Assets and Liabilities, as restated as at December 31, 2007, March 31, 2007, March 31, 2006, March 31, 2005, March 31, 2004 and March 31, 2003 (**Annexure I**) and the attached consolidated Statements of Profits and Losses as restated for the nine months ended December 31, 2007 and for the years ended March 31, 2007, March 31, 2006, March 31, 2005, March 31, 2004 and March 31, 2003 (**Annexure II**) and the attached consolidated Statements of Cash Flows, as restated for the period of nine months ended December 31, 2007, March 31, 2007, March 31, 2006, March 31, 2005, March 31, 2004 and March 31, 2003 respectively (**Annexure III**), hereinafter referred to as 'Consolidated Summary Statements'. The said Consolidated Summary Statements comprise of Restated accounts of RITES Limited and restated accounts of subsidiary companies and proportionate share of joint venture entities.

These Consolidated Summary Statements have been extracted from the consolidated financial statements after making such adjustments and regroupings as in our opinion are appropriate and fully described in notes appearing in **Annexure IV** to this report. While examining the Restated Consolidated Financial Statements, we have relied on the information and explanations provided, and representations made to us by the management in respect of the transactions of Subsidiaries and Joint Ventures requiring restatement and made available to us at the Company's head office. Accordingly, effect to the qualifications in Auditors' Report of one of the Company's joint venture, CCFB, has been given in the consolidated summary statements. For our examination, we have placed reliance on the financial statements audited by M/s. J. L. Garg & Co. for the year ended March 31, 2003 and March 31, 2004 in respect of RITES Limited, M/s Grant Thornton Acumen for the financial year ended March 31, 2003 to March 31, 2007 and for period ended September 30, 2007 in respect of RITES AFRIKA (Pty) Ltd, M/s Guillermol Beltran Fonseca for the year ended December 31, 2003 to December 31, 2005 and for the period upto August 25, 2006 in respect of M/s RITES Colombia LTDA, M/s Deloitte & Touche for the year ended December 31, 2005, December 31, 2006 and for the period ended September 30, 2007 in respect of M/s CCFB Mozambique & M/s Jain Kapila & Associates for the year ended March 31, 2005 to March 31, 2007 and for the period ended December 31, 2007 in respect of M/s RICON. These consolidated financial statements have been

approved/ adopted by the Board of Directors/members of the respective companies/entities for the respective periods.

We have performed such tests and procedures, which in our opinion, were necessary for the purpose of our examination. These procedures mainly involved comparison of the attached financial information with the Company's audited financial statements for the fiscal 2003 to fiscal 2007 and for the nine months ended December 31, 2007. We have obtained reports of Branch auditors of RITES Limited on restatement of figures for the year fiscal 2003 to fiscal 2007 and for the nine months ended December 31, 2007, which have been considered in the Consolidated Summary Statements.

Based on our examination of these Consolidated Summary Statements, we confirm that:

1. These Consolidated Summary Statements have been drawn in accordance with the provisions of paragraph 6.10.2.2 of the guidelines and all the adjustments suggested in paragraph 6.10.2.7 of the Guidelines have been incorporated therein.
2. These consolidated profits have been arrived at after charging all expenses of management including depreciation and after making such adjustments and regroupings as in our opinion are appropriate and are subject to the Significant Notes on accounts attached to and forming part of the Consolidated Summary Statements - enclosed as **Annexure IV**.
3. The Accounting policies have been Consolidated with retrospective effect to reflect the Significant Consolidated Accounting policies being adopted by the Company as at December 31, 2007 enclosed as **Annexure V**.
4. There are no qualifications in the auditors' reports which remain to be adjusted in the Consolidated Summary Statements read with Significant Accounting Policies and Significant Notes to Accounts.

B. Other financial information

We have examined the following financial information relating to the Company proposed to be included in the Offer Document and annexed to this report:

- i. Changes in Consolidated Accounting Policies during last five years and the period of nine months ended December 31, 2007- enclosed as **Annexure-VI**.
- ii. Summary of Consolidated Accounting Ratios- enclosed as **Annexure-VII & VII(A)**.
- iii. Consolidated Capitalisation Statement - enclosed as **Annexure-VIII**.
- iv. Statement of Consolidated Loans- enclosed as **Annexure -IX**.
- v. Statement of Consolidated Inventories and Other Current Assets - enclosed as **Annexure -X**
- vi. Statement of Consolidated Loans & Advances - enclosed as **Annexure-XI**.
- vii. Statement of Consolidated Sundry Debtors - enclosed as **Annexure- XII**.
- viii. Statement of Consolidated Investments- enclosed as **Annexure - XIII**.
- ix. Statement of Consolidated Current Liabilities and Provisions – enclosed as **Annexure- XIV**.
- x. Statement of Consolidated Other Income – enclosed as **Annexure-XV**.
- xi. Statement of Consolidated Dividend Paid – enclosed as **Annexure- XVI**.
- xii. Statement of Related Party transactions – enclosed as **Annexure- XVII**.

In our opinion, the consolidated financial information of the Company, as attached to this report, as mentioned in paragraphs (A) and (B) above, read with respective significant accounting policies and significant notes to accounts, after making necessary adjustments, has been prepared in accordance with Part II of Schedule II of the Act and the Guidelines issued by SEBI.

This report is intended solely for use for your information and for inclusion in the Offer Document in connection with the Issue and is not to be used, referred to or distributed for any other purpose without our prior written consent.

This report should neither in any way be construed as a re-issuance or redrafting of any of the previous audit reports issued by other firms of chartered accountants nor construed as a new opinion on any consolidated financial statements referred to herein.

For Jain Chopra & Company
Chartered Accountants

Rajesh Kumar
(Partner)
Membership No. 501860
Place: New Delhi
Dated: March 26, 2008

ANNEXURE - I

STATEMENT OF CONSOLIDATED ASSETS AND LIABILITIES - AS RESTATED

(Rs. In Crores)

	Particulars	As at March 31,					As at December 31, 2007
		2003	2004	2005	2006	2007	
	ASSETS						
A	Fixed Assets						
	Gross Blocks	116.25	123.42	117.76	144.82	183.17	237.24
	Less: Depreciation	30.53	36.27	39.40	46.17	51.15	57.14
	Net Block	85.72	87.15	78.36	98.65	132.02	180.10
B	Investments	3.22	19.67	9.23	0.06	0.06	51.92
C	Deferred Tax Asset	11.40	7.19	9.26	13.13	15.18	19.94
D	Current Assets, Loans and Advances						
	Inventories	17.02	1.48	3.32	53.81	13.19	20.91
	Sundry Debtors	113.90	123.82	115.55	138.36	154.11	138.17
	Cash and Bank Balances	162.65	140.00	208.72	275.23	433.35	502.45
	Loan and Advances	185.46	163.39	218.73	274.48	291.00	275.66
	Other Current Assets	9.38	8.69	11.14	14.09	16.51	21.12
	Current Assets, Loans and Advances	488.41	437.38	557.46	755.97	908.16	958.31
E	TOTAL ASSETS (A+B+C+D)	588.75	551.39	654.31	867.81	1055.42	1210.27
	LIABILITIES						
F	Loan Funds						
	Secured Loans	92.58	27.92	-	-	-	-
	Unsecured Loans	-	-	-	6.66	27.62	40.70
	Total Loan Funds	92.58	27.92	-	6.66	27.62	40.70
G	Current Liabilities and Provisions						
	Current Liabilities	147.12	149.97	234.13	361.48	446.98	547.87
	Provisions	56.66	47.07	66.52	93.66	108.31	91.51
	Total Current Liabilities and Provisions	203.78	197.04	300.65	455.14	555.29	639.38
H	TOTAL LIABILITIES (F+G)	296.36	224.96	300.65	461.80	582.91	680.08
I	Net Worth (E-H)	292.39	326.43	353.66	406.01	472.51	530.19
	Represented by :-						
J	Share Capital (Equity Shares of Face Value of Rs. 100 each)	2.00	4.00	4.00	4.00	4.00	4.00
K	Reserves & Surplus	290.39	322.43	349.66	402.01	468.51	526.19
L	Shareholder's Funds (J+K)	292.39	326.43	353.66	406.01	472.51	530.19

ANNEXURE - II

STATEMENT OF CONSOLIDATED PROFIT AND LOSSES - AS RESTATED

(Rs. In Crores)

	Particulars	FISCAL					For the nine months period ended December 31, 2007
		2003	2004	2005	2006	2007	
A	Income						
	Consultancy & Inspection fee	220.16	206.12	191.77	258.05	263.50	233.88
	Export Sales	33.36	48.61	18.26	96.03	252.56	147.66
	Lease Services	10.33	9.78	9.64	9.48	12.02	12.10
	Railway Operation (share of Joint Venture)	-	-	-	8.64	12.63	8.22
	Construction contract	0.99	1.64	0.31	2.00	2.68	0.90
	Other Income	14.95	13.71	9.91	18.17	27.80	28.46
	Total	279.79	279.86	229.89	392.37	571.19	431.22
B	Expenditure						
	Employees Cost	71.33	76.27	75.12	87.82	97.86	81.90
	Travel	14.38	14.36	13.73	18.27	19.42	16.13
	Supplies and Services	57.90	38.67	30.03	56.75	42.09	60.59
	Cost of export sales	26.46	37.55	13.15	73.87	178.48	104.63
	Railway operation	-	-	-	6.67	6.24	4.54
	Other Expenses	34.22	24.35	30.94	39.10	42.31	42.74
	Depreciation	7.58	7.73	6.63	6.90	7.73	6.43
	Interest	9.00	1.78	0.43	-	-	-
	(Increase)/Decrease work in progress	(0.38)	0.49	(0.40)	(1.98)	(1.00)	(3.55)
	Total	220.49	201.20	169.63	287.40	393.13	313.41
C	Profit Before Tax & Extra Ordinary Items (A-B)	59.30	78.66	60.26	104.97	178.06	117.81
D	Less : Provision for Taxation	(27.71)	(20.65)	(23.12)	(38.83)	(63.91)	(45.56)
E	Less: Deferred Tax Liability	10.32	(4.21)	2.06	3.87	2.05	4.76
F	Less: Provision for Fringe Benefit Tax	-	-	-	(1.32)	(1.50)	(1.24)
G	Profit After Tax & Before Extra Ordinary Items [C-(D+E+F)]	41.91	53.80	39.20	68.69	114.70	75.77
H	Extra Ordinary Items	-	(8.86)	2.75	8.53	(3.42)	(9.35)
I	Less: Taxes on Extra Ordinary Items	-	2.33	(1.06)	(3.16)	1.23	3.62
J	Extra Ordinary Items (Net of Taxes)	-	(6.53)	1.69	5.37	(2.19)	(5.73)
K	Profit After Tax Available for Appropriation (G+J)	41.91	47.27	40.89	74.06	112.51	70.04

ANNEXURE - III

CONSOLIDATED CASH FLOW STATEMENT - AS RESTATED

(Rs. In Crores)

Particulars	FISCAL					For the nine months period ended December 31, 2007
	2003	2004	2005	2006	2007	
Cash Flow from Operating Activities						
Net Profit Before Tax And Extraordinary Items	59.30	78.66	60.26	104.97	178.06	117.80
Adjustments For:						
Depreciation and Amortization	7.58	7.73	6.63	6.90	7.73	6.44
Loss/(Profit) on sale of Assets (net)	-	0.25	0.19	(0.01)	(0.05)	(0.01)
Interest on Loans	9.00	1.78	0.43	-	-	-
Loss/(profit) on sale of investment	-	0.05	0.73	-	-	-
Interest Income	(12.79)	(9.00)	(8.74)	(15.18)	(24.47)	(25.61)
Income on Investments	-	(0.84)	(0.07)	-	(0.01)	(0.02)
Provision for Doubtful Debts	6.81	2.80	6.87	11.93	5.07	12.40
Effect of Exchange on Revaluation of Foreign Currency Cash & Cash Equivalent	(0.45)	(1.69)	0.36	(0.53)	4.62	1.30
Operating Profit Before Working Capital Changes	69.45	79.74	66.66	108.08	170.95	112.30
(Increase)/Decrease in Inventories	(13.96)	15.06	(1.45)	(48.50)	41.60	(4.16)
(Increase)/Decrease in Work in Progress	(0.38)	0.49	(0.40)	(1.98)	(1.00)	(3.55)
(Increase)/Decrease in Sundry Debtors	(18.11)	(10.14)	1.40	(23.15)	(20.28)	3.57
(Increase)/Decrease in Other Assets excluding Interest Accrued on Fixed Deposit Receipt	80.70	(0.81)	(0.50)	(0.87)	(0.07)	(0.46)
(Increase)/Decrease in Loans & Advances	(48.76)	12.74	(21.93)	(53.10)	21.99	14.34
Increase/(Decrease) in Current Liabilities & Provisions	(5.43)	3.59	87.34	134.34	90.84	109.05
Cash Generated From Operations	63.51	100.67	131.12	114.82	304.03	231.09
Income Tax Paid	(19.23)	(27.52)	(25.19)	(59.25)	(81.10)	(62.16)
Cash Flow Before Extra Ordinary Items	44.28	73.15	105.93	55.57	222.93	168.93
Extra Ordinary Items	-	(8.86)	2.75	8.53	(3.42)	(9.35)
Net Cash From Operating Activities	44.28	64.29	108.68	64.10	219.51	159.58
Cash Flow From Investing Activities						
Purchase/Construction of fixed Assets	(29.47)	(10.51)	(3.52)	(27.19)	(43.18)	(59.37)
Proceeds From Sale of Assets	1.78	1.10	5.48	0.04	0.23	0.03
Investment in Shares & Others	(1.01)	(16.50)	15.71	3.16	-	-
Investment in Joint Ventures/Subsidiaries	(0.02)	0.02	(6.01)	6.01	-	(32.84)
Loan to Joint Ventures / Subsidiaries	-	-	(17.20)	17.10	(7.52)	2.95
Loan received back Form Indian Railway Welfare Organisation	0.20	0.20	0.20	0.20	0.20	0.20
Proceed From Sale of Investment in Joint Venture Company	-	(0.03)	0.01	-	-	-

Interest Income	12.79	9.00	8.75	15.18	24.47	25.61
Income From Investment	-	0.84	0.07	-	0.01	0.02
Net Cash From Investing Activities	(15.73)	(15.88)	3.49	14.50	(25.79)	(63.40)
Cash Flow From Financing Activities						
Interest on Loans	(8.99)	(1.78)	(0.43)	-	-	-
Repayment of Borrowings	(42.31)	(64.66)	(27.92)	-	-	-
Borrowings	-	-	-	6.66	20.96	13.08
Dividend Paid	(6.25)	(6.87)	(11.30)	(16.00)	(45.00)	(17.00)
Dividend Tax Paid	-	(0.88)	(1.46)	(2.24)	(6.31)	(2.89)
Net Cash Used in Financing Activities	(57.55)	(74.19)	(41.11)	(11.58)	(30.35)	(6.81)
Effect of Exchange Difference on Revaluation & Translation of Foreign Currency Cash & Cash Equivalents	0.51	1.63	(0.39)	1.58	(2.91)	2.88
Net (Decrease)/ Increase in Cash and Cash Equivalents	(28.49)	(24.15)	70.67	68.60	160.46	92.25
Cash and Cash Equivalent at the Beginning of the Year	194.59	166.10	141.95	212.62	281.22	441.68
Cash and Cash Equivalent at the End of the Year	166.10	141.95	212.62	281.22	441.68	533.93

ANNEXURE -IV

SIGNIFICANT NOTES ON ACCOUNTS ATTACHED TO RESTATED CONSOLIDATED FINANCIAL STATEMENTS

1. Contingent Liabilities:

(Rs. In Crores)

Particulars	FISCAL					For the nine months period ended December 31, 2007
	2003	2004	2005	2006	2007	
Counter Guarantees given by the Company against Guarantees issued by the Bankers	57.13	105.42	125.10	139.14	135.20	94.90
Corporate Guarantee on behalf of Joint Venture Company	6.77	6.25	6.23	-	-	-
Claims against the Company Not Acknowledged as Debt in respect of Arbitration/Court Cases	25.33	59.19	58.50	624.02	698.47	734.46
Excise Bonds with Central Excise Department	9.17	5.69	3.50	15.61	12.77	9.23
Contracts remaining to be executed on Capital Account	-	-	0.12	0.67	0.01	10.16
Disputed Tax Demands -Income Tax	12.57	8.04	14.11	43.77	11.25	27.60
Disputed Tax Demands - Others	-	-	-	-	-	0.80
Withholding Tax, CCFB, Mozambique (JV)	-	-	-	-	-	0.32
Vehicle Accident Claim CCFB, Mozambique (JV)	-	-	-	-	0.01	-
Total	110.97	184.59	207.56	823.21	857.71	877.47

2. Summary - Effect of adjustment on consolidated profit and loss

The summary of adjustments on account of changes in accounting policies and practices and its impact on Profit & Losses for the Company is as under :

(Rs. In Crores)

Particulars	FISCAL					For the nine months period ended December 31, 2007
	2003	2004	2005	2006	2007	
Net Profit After Tax As Per Audited Profit & Loss account:	94.84	47.89	41.22	94.07	116.88	86.66

Adjustment on account of:						
Expenses and Income adjusted in respective years on account of :-						
Prior Period Items	(3.70)	1.25	1.88	5.38	(2.74)	1.16
Extra Ordinary Items	(53.25)	-	-	0.47	-	-
Others	3.23	2.29	0.04	(11.58)	(0.48)	0.06
Unspent Liability Written Back	6.06	(0.22)	(4.68)	3.50	2.72	(8.61)
Difference in Accrued Income due to change in Accounting Policy						
Change in Useful Lives of Assets	(3.61)	(2.14)	(1.40)	5.70	0.96	0.67
Others						
Work in progress	0.38	(0.49)	0.40	(0.73)	-	-
Provision for Incomplete Assignment	9.47	(1.22)	(1.42)	(16.71)	4.88	(25.05)
Prepaid Expenses	(0.01)	(0.01)	-	0.02	-	-
Employees Benefits (actuarial basis)	(0.10)	(2.24)	0.55	(0.51)	(0.35)	2.93
Taxation						
Deferred Tax Liability now adjusted	2.53	2.90	0.28	(8.17)	(3.60)	5.30
Change in Provision for Taxation	(13.93)	(0.74)	4.02	2.62	(5.76)	6.92
Net Profit as per Restated Profit & Loss Account	41.91	47.27	40.89	74.06	112.51	70.04

The explanatory notes for these adjustments are discussed below:

I) Prior period items

Certain items of income/expenses identified as prior period items have been adjusted in respective years in the restated consolidated statements.

Further, as pointed out in the Audit Report of CCFB for the year ended December 31, 2005, "Revenue related to international traffic as per the record of the train list is greater than the balance shown in the general ledger by the amount of MZM 16 015 909 thousand (MZN 16 015 909). During our audit, we were not provided with any satisfactory explanations for the above difference. Under these circumstances we were not able to assure the reasonability of revenue regarding international traffic amounting to MZM 138 691 983 thousand (MZN 138 691 983)". In the year 2006, after reconciliation an amount of MZN 1,242,201.16 was credited to prior period revenue with corresponding debit to concerned clients. In restated consolidated financial statement RITES Limited share of 26% amounting to MZN 322972 (Equivalent Rs.0.06 crore) has been accounted for in fiscal 2006.

II) Extraordinary Items

- a) In the Fiscal 2003, Government of India decided to issue bonds to the Company for the balance due amounting to US\$ 2.46 crores in respect of BAAR Project, Iraq in equivalent rupee at the exchange rate prevalent on the date of issue of bonds or approved rate of Rs.47.86 as against 1 US\$ whichever is lower.

The net income arising out of various adjustments consequent to the said decision and amounting to Rs. 53.25 crores had been considered as income of years previous to Fiscal 2003, as the same pertained to transactions of income and expenditure of earlier years.

Further the amount due in this respect has been revalued by the Company at the exchange rate prevalent at the end of each accounting period. The resultant exchange loss/profit has been shown as extraordinary item in respective years.

- b) CCFB has agreed with the National Railways of Zimbabwe (NRZ) in December 2007 with regards to reduction of the NRZ's claim, concerning its wagons damaged in an accident in 2005, in the region of USD 738900 to USD 388378. The matter was settled by NRZ on December 27, 2007 and accordingly the effect has been taken by debiting creditors and crediting extraordinary income by CCFB. In restated consolidated financial statement RITES Limited share of 26% MZN 2370440 (Equivalent Rs.0.47 crore) has been accounted for in fiscal 2006.

III) Others

- a) **Reimbursement from UK, Jarvis, one of the foreign clients, claims towards Corporation tax and National Insurance Contribution**

During the Fiscal 2006, income was recognised towards reimbursement claims of corporate tax and National Insurance Contribution from one of the overseas client. The amount has been restated and Rs.2.53 crore, Rs.2.10 crore and Rs.1.28 crore taken as income prior to Fiscal year 2003, Fiscal 2003 and 2004 respectively to which it pertains, instead of it having been taken in Fiscal 2006.

- b) **Interest on refund - Income tax and deferred tax**

The interest on refunds allowed by the Income tax Department to the Company, was on account of effects of assessments, appeals and rectifications, for different years which has been considered in the respective years to which it pertains. The above has resulted in increase / (decrease) in interest income on income tax refunds for the period prior to Fiscal 2003 and Fiscal years 2003, 2004, 2005, 2006 and 2007 for Rs.3.90 crore, Rs.1.13 crore, Rs.1.02 crore, Rs.0.05crore, Rs. (5.69) crore and Rs.(0.41) crore respectively.

IV) Unspent Liability written back - Provision no longer required

Excess provisions made in the earlier years were adjusted through the head "Provision no longer required". For the restated accounts, provisions no longer required have been adjusted by giving effect in the respective head of expenditure of the year in which provisions were actually made.

V) Difference in Accrued Income due to change in Accounting Policy.

- 1) **Change in useful lives of assets**

Depreciation rates were revised in the Fiscal 2006 based on the useful life of the assets. Accordingly, assets have been depreciated on the revised rates from the Fiscal 2003 onwards to Fiscal 2005 for the assets purchased thereafter. In case of assets purchased prior to Fiscal 2003, these assets have been depreciated based on their remaining life as per revised policy.

The above has resulted in increase / (decrease) in depreciation charge for the period prior to Fiscal 2003 and for the Fiscal 2003, 2004, 2005, 2006, 2007 and nine months period ended December 31, 2007 for Rs. 1.69 crore, Rs. 3.61 crore, Rs. 2.14 crore, Rs.1.4 crore, Rs. (5.72) crore, Rs. (0.94) crore and Rs. (0.67) crore respectively.

The overall impact of restatement has resulted into an increased charge of depreciation by Rs. 1.51 crore for the above said period.

Depreciation rates in the year ended December 31, 2005 at CCFB on Vehicles and Tools & Plant were 11.88% and 5.94% respectively which were revised in the year ended December 31, 2006 to 15.83% and 9.50% respectively. The financial implication on account of change in depreciation is MZN 358745 in the year ended December 31, 2005 and MZN 724291 in the year ended December 31, 2006. There is no tools and plants under depreciation rate of 9.50%. Therefore, there is no impact on depreciation on this Assets. In restated consolidated financial statement RITES Limited share of 26% MZN 93274 (Equivalent Rs.0.02 crore) has been accounted for in fiscal 2006.

2) Others

a) Work in progress

Policy of recognition of work in progress in respect of ongoing contracts was introduced in the Fiscal 2006. Consequent upon the change in policy, works in progress have been worked out for the Fiscal 2003 through Fiscal 2005.

b) Provision for incomplete assignment

The accounting policy of making provision for incomplete assignments at the rate of 10% of the consultancy fees has been revised in September, 2007. Henceforth the provision for ongoing Consultancy Contracts is being made based on prescribed procedure. Accordingly, figures of provision for incomplete assignments have been restated from the Fiscal 2003 onwards to the nine months period ended December 31, 2007.

c) Prepaid expenses and Prior Period Items

From Fiscal 2006, prepaid & prior period items not exceeding Rs.5000 are being recognised as income/expenditure of the year in which these are accounted for. Accordingly, such items have been readjusted and charged to profit and loss of the years in which they were accounted for the year Fiscal 2003 to Fiscal 2005.

These items pertaining to CCFB are stated as per Consolidated Accounting Policies.

d) Employees Benefits

i) Provision for gratuity

The policy for provision for gratuity has been changed from the Fiscal 2004 and is being calculated on the basis of remuneration of the employee at the end of the year instead of on the basis of the remuneration at the beginning of the year.

ii) Provision for Leave Travel Conveyance (LTC)

The Company has revised the policy of making provision for LTC on estimated basis to actuarial basis from the Fiscal 2008 based on the revised Accounting Standards (AS) 15. For the purpose of restatement,

actuarial valuation has been made for LTC from the Fiscal 2003 through to the nine months period ended December 31, 2007.

iii) Provision for leave encashment, un-availed medical leave and long term service awards

The company has revised the policy of making provisions for the aforesaid items on estimated basis to actuarial basis from the Fiscal 2008 based on revised AS 15. Accordingly provisions for aforesaid items have been made on actuarial basis as per revised AS 15 in the restated accounts from the Fiscal 2003 to the period ended December 31, 2007.

The adjustments as stated in d(i) to d(iii) above has resulted in increase / (decrease) in provision for employee benefits, collectively for Rs. 0.28 crore, Rs. 0.10 crore, Rs. 2.24 crore, Rs. (0.55) crore, Rs. 0.51 crore, Rs. 0.35 and Rs. (2.93) crore for the period prior to Fiscal 2003 and for Fiscal 2003, 2004, 2005, 2006, 2007 and nine months period ended December 31, 2007 respectively.

e) Conversion of non convertible foreign currencies

During the Fiscal 2004, the company changed the policy of conversion of current assets and liabilities from average rate to the exchange rate prevalent at the end of the year. Accordingly, the foreign currency denoted current assets and liabilities have been represented in the financial statements as per the changed policy for Fiscal 2003. The same has not resulted into any material change in restated accounts.

VI) Taxation

Provision for income-tax / deferred tax

Income tax (current tax and deferred tax) has been computed on adjustments made as detailed in tax shelter statement on the basis of restated profits and losses from the Fiscal 2003 to period ended December 31, 2007.

Tax rates as applicable for respective years were applied for calculating tax due.

Tax due for the F.Y. 2002-03 & 2003-04 were calculated after giving the effect of assessment orders completed by the Income Tax Department

Tax due for the F.Y. 2004-05, 2005-06 & 2006-07 was calculated on the basis of Return of Income filed with the Income Tax Department and for December 31, 2007 income tax liability were calculated as per the normal practices applied for calculation of Income Tax.

The above adjustments have resulted in increase / (decrease) in income tax liability for the period prior to Fiscal 2003 and for Fiscal 2003, 2004, 2005, 2006, 2007 and for nine months period ended December 31, 2007 for Rs.(8.55) crore, Rs.13.93 crore, Rs.0.74 crore, Rs.(4.02) crore, Rs. (2.62) crore, Rs.5.76 crore and Rs. (6.92) crore respectively.

The effect for deferred tax is increase / (decrease) in deferred tax for the period prior to Fiscal 2003 and for Fiscal 2003, 2004, 2005, 2006, 2007 and for nine months period ended December 31, 2007 for Rs.(1.2) crore, Rs.(2.53) crore, Rs.(2.9) crore, Rs.(0.28) crore, Rs. 8.25 crore, Rs.3.82 crore and Rs. (5.3) crore respectively.

The overall impact is increase in profit by Rs.1.69 crore and Rs.0.14 crore due to fall in overall provision of income tax and deferred tax for the said period.

Further, in CCFB the deferred tax asset related to the investment tax credit exceeds the deferred tax liability recognised in the balance sheet as at September 30, 2007. The Effect has been taken in fiscal 2006 and 2007 by debiting Deferred tax liability and crediting deferred taxation with an amount of MZN 6337475 (RITES share of 26% amounting to MZN 381365 – equivalent Rs.0.07 crore) and MZN 4870688 (RITES share of 26% amounting to MZN 1266379 – equivalent Rs.0.22 crore).

VII) Turnover

Turnover for the year used to be arrived at by deducting from the consultancy fees of the respective projects the provision for incomplete assignments made during the year and adding the amount reversed during the year. From the Fiscal 2006 onwards, this practice has been revised and such provisions are being shown as expenditure in the profit and loss account instead of reducing from the consultancy fees.

Presentation for such provision has been revised in the restated statements from the Fiscal 2003 through Fiscal 2005. The said change in presentation has not resulted into any change in the restated profits of the respective years.

3. Consolidated notes to accounts as restated:

1. Consolidated restated accounts are prepared on line to line basis as per Accounting Standard 21 issued by Institute of Chartered Accountants of India for RITES Limited and the following Subsidiary Companies and Joint Venture Entities.

I. Subsidiary Companies

- i) RITES (AFRIKA) Pty Limited, Botswana
- ii) RITES Colombia LTDA, Colombia
- iii) Tanzania Railways Limited, Tanzania

II. Joint Venture Entities

- a) RICON, India
- b) Companhia Dos Caminhos De Ferro Da Beira, SARL, Beira (CCFB), Mozambique

- B. The consolidated restated accounts are prepared for the Fiscal years 2003, 2004, 2005, 2006, 2007 and as of December 31, 2007 based on audited restated standalone accounts of RITES Limited and audited restated accounts of our subsidiary companies and joint venture entities. In case of joint venture entities, their accounts are incorporated in proportion to RITES Limited's share in the respective entity.

- C. The status of audited accounts incorporated for consolidated restated accounts are as under:

S. No.	Entities	Country of incorporation	Status	Percentage of holding	Accounting Period	Period of consolidation
1.	RITES Limited	India	Parent Company	-	April to March	Fiscal 2003, 2004, 2005, 2006, 2007 and as of December 31, 2007
2.	RITES (AFRIKA) Pty Limited	Botswana	Wholly owned subsidiary	100%	April to March	Fiscal 2003, 2004, 2005, 2006, 2007 and as of September 30, 2007

S. No.	Entities	Country of incorporation	Status	Percentage of holding	Accounting Period	Period of consolidation
3.	MITES Colombia LTDA	Colombia	Wholly owned subsidiary and liquidated on August 25, 2006	100%	January to December	For the year ended December 31, 2003, 2004, 2005 and upto August 25, 2006
4.	Tanzania Railways Limited	Tanzania	Subsidiary	51%	January to December	Operations started in October 2007 and accounts for the first year are yet to be drawn
5.	RICON	India	Joint Venture entity	51%	April to March	Fiscal 2005, 2006, 2007 and as of December 31, 2007
6.	Companhia Dos Caminhos De Ferro De Beira, SARL, Beira (CCFB)	Mozambique	Joint Venture entity	26%	January to December	For the year ended December 31, 2005, 2006 and as of September 30, 2007

D. Other notes on Accounts

- i. The Company has undertaken the development of 3100 HP Diesel Locomotive. A sum of Rs. 9.02 crore 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 Profit and Loss account. The amount so approved under respective heads of accounts has been included in capital commitment.
- ii. The Conveyance Deeds in respect of Residential Buildings at Asiad Village, New Delhi and IRWO flats in Gurgaon (Haryana) of Rs.2.37 crore (as at March 31, 2007 Rs.2.37 crore) are yet to be executed.
- iii. Sundry Debtors, Sundry Creditors, Customers Advances, Amounts Recoverable, Security Deposits receivable and Security Deposits payable are subject to confirmation, though letters seeking confirmation of balances were addressed to Sundry Debtors.
- iv. In a pre-closed contract in the Fiscal 2006, the Company had raised claims against the client for Rs.221.95 crore and the client raised counter claims of Rs.469.10 crore.

The executing agency has raised claims of Rs.184.41 crore (as at March 31, 2007 Rs.184.40 crore) against the Company and Company has raised counter claims of Rs.644.53 crore (as at March 31, 2007 Rs.98.88 crore) 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.5.30 crore (as at March 31, 2007 Rs.3.79 crore) on mobilization advance due from the executing agency has not been recognized as income due to significant uncertainty as regard to realizability.

- v. The Company incurred Rs.4.01 crore 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. The said locomotive has been recognised at a nominal value of Re. 1/- in the books of account.

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 undergoing 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. 0.31 crore incurred on modifying the above said locomotive has been capitalized in the Fiscal and kept under work in progress pending completion.

- vi. Subsequent to the date of Balance Sheet as at December 31, 2007, the shareholders of the Company in their meeting held on January 8, 2008 approved the split of Equity Shares of Rs. 100 each into Equity Shares of Rs. 10 each and the issue of 3.60 crore Equity Shares of Rs. 10 each as bonus in the ratio of 1:9 by capitalising the free reserves & surplus of the Company. Consequent to this, the issued and paid up capital of the Company stands increased to 4 crore Equity Shares of Rs. 10 each.
- vii. Consequent to revision of Accounting Standard 15 on Employees Benefit issued by ICAI, the Company has made suitable changes regarding recognition of liabilities arising on account of various employees benefits not provided earlier.
- viii. Balances with Scheduled banks included Rs. 39.62 crore, Rs. 59.80 crore, Rs. 79.34 crore, Rs. 144.84 crore, Rs. 209.84 and Rs. 331.58 crore for Fiscal 2003, 2004, 2005, 2006, 2007 and for the nine months period ended December 31, 2007 respectively towards funds received from clients against Construction / Project Management Contracts.
- ix. Interest receivable (including penal interest) on loan to CCFB amounting Rs.2.84 crore, which is fallen due as on December 31, 2007 for receipt, has not been received. Further, penal interest in accordance with the terms of the agreement is being charged.
- x. Common entries of Joint venture/ Subsidiaries with RITES Limited could not be eliminated as per details given below:

Account Head	Amount In Crore	Rs.	Joint Venture/ Subsidiary	Reason	Period
Investments	32.84		Tanzania Railways Ltd.	Operations started in October, 2007 and accounts for the first year are yet to be drawn	As of December 31, 2007
	0.03		RITES Colombia LTDA	Different accounting period	Fiscal 2003
	6.01		CCFB	Different accounting period	Fiscal 2005

Account Head	Amount In Crore	Rs.	Joint Venture/ Subsidiary	Reason	Period
Loan and Advances	16.71 7.30 3.27		CCFB	Different accounting period	Fiscal 2005 Fiscal 2007 As of December 31, 2007
	0.13 0.10		RICON	Loan given is more than proportionate share	Fiscal 2005 Fiscal 2006
Advance/ Recoverable	0.36 0.32 1.15		JV's	Different accounting period in CCFB and profit from RICON.	Fiscal 2005 Fiscal 2007 As of December 31, 2007
Cash Flow Statement – Investment in Shares	(0.02) 0.02		MITES Colombia LTDA	Different accounting period	Fiscal 2003 Fiscal 2004
	(6.01) 6.01		CCFB	Different accounting period	Fiscal 2005 Fiscal 2006
	(32.84)		Tanzania Railways Ltd.	Operations started in October, 2007 and accounts for the first year are yet to be drawn	As of December 31, 2007
Loans to joint ventures / subsidiaries	(17.20) 17.20 (7.52) 2.95		CCFB/RICON	CCFB - Different accounting period RICON – share of profit and loan given more than proportionate share	Fiscal 2005 Fiscal 2006 Fiscal 2007 As of December 31, 2007

- xi. 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 (IRTC), Individual Income Tax (IRPS) and VAT, which are not possible to estimate.
- xii. At CCFB, 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 INR 0.43 crore) and in addition a fine was levied of MZN 2774760 (equivalent INR 0.43 crore). The company formally opposed the matter in writing and on February 26, 2008, the authorities notified the company indicating that the amount of the withholding tax due was reduced from MZN 2774760 (equivalent INR 0.43 crore) to MZN 1387380 (equivalent INR 0.22 crore) and that the corresponding fine was reduced from MZN 2774760 (equivalent INR 0.43 crore) to MZN 650000 (equivalent INR 0.10 crore). The total contingent liability is now MZN 2037380 (equivalent INR 0.32 crore). The Company has submitted an appeal to the Administrative Court on March 6, 2008 for the complete abolition of the tax and the corresponding fine and is awaiting response.
- xiii. At CCFB, the public liability or the third party insurance policy expired on November 30, 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 November 30, 2005. An amount of USD 156000 is kept as self insurance as per approval by the General Meeting.

- xiv. RITES Limited has agreed to pledge its shareholding in its subsidiary (Tanzania Railways Limited (TRL), 1,02,00,000 shares of face value of TRH 1,000 each equivalent to Rs. 32.84 crore) with International Finance Corporation (IFC) in consideration of financial assistance to be extended by IFC to TRL. However, loan disbursements by IFC to TRL have yet to be made.
- xv. For translation of local currency to Indian rupee, website www.oanda.com have been used for applying the rate of exchange in respect of subsidiaries and joint ventures.
- xvi. On the basis of information/certificate provided by the management of respective subsidiaries/Joint venture entities the accounts of CCFB have been restated. The accounts of RITES (AFRIKA) Pty , RICON & RITES Colombia have not been restated as the same is not required, in view of the fact that it is informed by the respective auditors / management that there is no change in the accounting policies and that there are no other items requiring restatement in view of the guidelines in this regard.
- xvii. On the basis of liquidation certificate in respect of RITES Colombia, the assets and liability have been considered as nil and only income and expenditure upto August 25, 2006 (date of liquidation) have been taken into account.

4. Qualifications in Auditors report

The auditors' report of RITES standalone for Fiscal 2003, 2004, 2005, 2006 and 2007 contained certain auditors' qualifications as enumerated hereunder. The same have been addressed and as at December 31, 2007, there are no auditors' qualifications.

Auditors' Qualification	Action taken
Fiscal 2007	
Observation Para 4	
The Company in accordance with its principal accounting policy number 2.1 is providing towards incomplete assignments, a sum of 10% of its consultancy fees. In absence of any details maintained in respect of actual expenditure being incurred towards such incomplete assignments in subsequent years, we are unable to express an opinion towards the adequacy/inadequacy of such provision. Further in accordance with the said policy, the said amount is written back and treated as income of the year in which, the management's review of assignments on completion and fulfilment of the obligations, considers the same to be withdrawn from such provisions and not at the time of actual spend by the company. However, the company is reviewing the said policy and intends to implement the same in the year 2007-08.	A committee was set up by the company to review various aspects related to Provision of Incomplete Assignments for the consultancy contracts spread over more than one accounting period. On the basis of recommendations made by the committee, the accounting policy for Provision for Incomplete Assignment has since been revised with effect from September, 2007. The current policy is as under: 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: iv) rework activities of work done v) maintenance activity after completion of project vi) removal of defect, if any, during defect liability period
ANNEXURE TO – MAIN REPORT (CARO)	
Observation Para 4	

Auditors' Qualification				Action taken
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. However, weaknesses were observed regarding the company not securing the advances to staff, which were otherwise, required to be secured. We are however informed that necessary action is being taken in this regard.				Necessary action regarding securing the advances to staff is being taken.
Observation Para 7				
In our opinion, the internal audit system is commensurate with the size of the company and nature of its business, except at Western Region where the auditors have stated that the internal audit system needs to be further strengthened at Nagpur Project Office.				The system now stands strengthened.
Observation Para 9				
According to the information & explanations given to us, there are no dues of, income tax, wealth tax, custom duty, excise duty and cess which have not been deposited on account of any dispute except for sales tax at Western Region where a sum of Rs.0.016 crore has not been deposited on account of a dispute. However the company is contesting the following cases in respect of income tax/sales tax/Central Sales Tax assessments.				Informative. The cases are in appeal at different level and the company hopes to get necessary relief.
Name of the Statute	Nature of Dues	Amount (Rs.)	Forum	
Income-Tax Act Ass. Yr. 1991-92 and 1992-93	Disallowance of loss on sale of foreign vehicle of the company	Rs.0.34 crore Unpaid demand in this regard is nil	ITAT, Delhi	
Income Tax Act Ass. Yr. 2002-03	Disallowance of prior period expenses, provision for LTC, Medical and PLIS, etc.	Rs.2.17 crore Unpaid demand in this regard is nil	ITAT, Delhi	
Income Tax Act Ass. Yr. 2004-05	On account of various disallowances.	Rs.8.71 crore Unpaid demand in this regard is nil	CIT (Appeals) Delhi	
Sales Tax/CST Year 1998-99	Disputed demand	Rs.0.016 crore unpaid	Deputy Comm of Commercial Tax (A).	

Auditors' Qualification	Action taken
Fiscal 2006	
Observation Para 1	
In respect of joint ventures, the company has incorporated its proportionate share of income and expenditure in the said joint ventures. The gross consultancy receipts and gross expenditure of such joint ventures amounts to Rs.15.67 crore and Rs.10.64 crore, respectively, which has resulted into a profit of Rs.5.03 crore before taxes on income. We cannot comment on the said figures as the same are either unaudited or audited by other auditors.	Informative – No comments.
Observation Para 4 (i)	
The company in accordance with its principal accounting policy number 2.1 is providing towards incomplete assignments, a sum of 10% of its consultancy fees. In absence of any details maintained in respect of actual expenditure being incurred towards such incomplete assignments in subsequent years, we are unable to express an opinion towards the adequacy / inadequacy of such provision. Further in accordance with the said policy, the said amount is written back and treated as income of the year in which, the management's review of assignments on completion and fulfilment of the obligations, considers the same to be withdrawn from such provisions and not at the time of actual spend by the company.	Adjusted / complied with in the year 2007-08. The Management had reviewed the company's Accounting Policy regarding Provision for Incomplete Assignment. The accounting policy for Provision for Incomplete Assignment has since been revised with effect from September, 2007.
Observation Para 4 (ii)	
The company has made a provision of Rs.10.32 crore towards doubtful advances being due from one of its associates, engaged for the execution of the contract awarded by one of its client, the said contract having been terminated as a result of submission of fake guarantees by the said associates to the client. The matter has been referred by the company to the investigation agency and the same is under investigation. Reference Note No. 15 in Notes to Accounts.	Informative – No comments
Observation Para 4 (iii)	
The company has changed certain accounting policies and accounting practices the effects whereof have been explained in Note No.17 in Notes to Accounts.	Informative
ANNEXURE TO – MAIN REPORT (CARO)	
Observation Para 4	
In our opinion and accounting 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	Necessary action regarding securing the advances to staff is being taken.

Auditors' Qualification	Action taken												
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. However, weaknesses were observed regarding the company not securing the advances to staff, which were otherwise, required to be secured. We are however informed that necessary action is being taken in this regard.													
Observation Para 7													
In our opinion, the internal audit system is commensurate with the size of the company and nature of its business, except at Western Region where the auditors have stated that the internal audit system needs to be further strengthened at Nagpur Project Office and Mumbai Inspection Office.	The system now stands strengthened.												
Observation Para 9 – (b)													
According to the information & explanations given to us, there are no dues of sales tax, income tax, wealth tax, custom duty, excise duty and cess which have not been deposited on account of any dispute except following : <table><tr><th>Name of the Statute</th><th>Nature of Dues</th><th>Amount (Rs.)</th><th>Forum</th></tr><tr><td>Income-Tax Act Ass. Yr. 1991-92 and 1992-93</td><td>Disallowance of loss on sale of foreign vehicle of the company</td><td>Rs.0.34 crore The amount has been paid/Adjusted by the company</td><td>CIT (Appeal) Delhi</td></tr><tr><td>Income Tax Act Ass. Yr. 2000-2001 to 2003-04</td><td>On account of various disallowances</td><td>Rs.43.42 crore Unpaid demand in this regard are Rs.14.13 crore</td><td>CIT (Appeal) Delhi</td></tr></table>	Name of the Statute	Nature of Dues	Amount (Rs.)	Forum	Income-Tax Act Ass. Yr. 1991-92 and 1992-93	Disallowance of loss on sale of foreign vehicle of the company	Rs.0.34 crore The amount has been paid/Adjusted by the company	CIT (Appeal) Delhi	Income Tax Act Ass. Yr. 2000-2001 to 2003-04	On account of various disallowances	Rs.43.42 crore Unpaid demand in this regard are Rs.14.13 crore	CIT (Appeal) Delhi	Informative. The cases are in appeal at different levels and the company hopes for get necessary relief.
Name of the Statute	Nature of Dues	Amount (Rs.)	Forum										
Income-Tax Act Ass. Yr. 1991-92 and 1992-93	Disallowance of loss on sale of foreign vehicle of the company	Rs.0.34 crore The amount has been paid/Adjusted by the company	CIT (Appeal) Delhi										
Income Tax Act Ass. Yr. 2000-2001 to 2003-04	On account of various disallowances	Rs.43.42 crore Unpaid demand in this regard are Rs.14.13 crore	CIT (Appeal) Delhi										
Fiscal 2005													
Observation Para 1													
In respect of joint ventures, 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.1.46 crore and Rs.1.16 crore, which has resulted into a profit of Rs.0.38 crore in one of the joint venture and a loss of Rs.0.05 crore in the other joint venture, before taxes on income respectively. We cannot comment on the said figures as the same are either unaudited or audited by other auditors.	Informative												
Observation Para 4 (i)													

Auditors' Qualification	Action taken
The company has arrived at its consultancy fee after deducting Rs.11.77 crore and adding Rs.13.17 crore being 5% / 10% provision against incomplete consultancy assignments and being a sum determined on completion of such assignments respectively, in accordance with its principal accounting policy number 2.1. The company however contends that it has no doubts about the realisability of the amounts billed and it retains such provision for the likely expenditure, which it may incur in future against such assignments, which are still incomplete but shows the same as deduction from gross receipts. Such a provision of a liability made towards incomplete assignments, in our opinion, should be considered as part of the expenditure instead of the same being shown as deductions from the gross receipts of the company. The said practice of the company results into incorrect statement of the gross receipts and gross expenditure of the company and thus does not comply with the provisions of Part II of Schedule VI to the Companies Act, 1956. (Note No.12).	From the Fiscal 2006, based on the opinion received from the Institute of Chartered Accountants of India, Provision for Incomplete Assignments made during the year was included in 'Other Expenses' instead of adjusting the same from income from Consultancy Fee as was practice till previous year.
Observation Para 4 (ii)	
The company, in accordance with its principal accounting policy number 2.1, is providing towards incomplete assignments, a sum of 5% / 10% of its consultancy fees. In absence of any details maintained in respect of actual expenditure being incurred towards such incomplete assignments in subsequent years, we are unable to express an opinion towards the adequacy / inadequacy of such provision. Further in accordance with the said policy, the said amount is written back and treated as part of gross receipts / income of the year in which, the management's review of assignments on completion and fulfilment of the obligations considers the same to be withdrawn from such provisions and not at the time of actual spend by the company.	Adjusted / complied with in the year 2007-08. The Management had reviewed the company's Accounting Policy regarding Provision for Incomplete Assignment. The accounting policy for Provision for Incomplete Assignment has since been revised with effect from September, 2007.
Observation Para 4 (iii)	
The company is not having a system of identifying work-in-progress in respect of on going contracts. Thus resulting into the accounts not being maintained on accrual system of accounting.	Complied with.
ANNEXURE TO – MAIN REPORT (CARO)	
Observation Para 4	
In our opinion and accounting 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	Necessary action regarding securing the advances to staff is being taken.

Auditors' Qualification	Action taken									
to correct major weaknesses in internal controls. However, weaknesses were observed regarding the company not securing the advances to staff, which were otherwise, required to be secured. We are however informed that necessary action is being taken in this regard.										
Observation Para 7										
In our opinion, the internal audit system is commensurate with the size of the company and nature of its business, except at Western Region where the auditors have stated that the internal audit system needs to be strengthened.	The system now stands strengthened.									
Observation Para 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 service tax except for that the company has not deposited advance tax for the current year fully and service tax and sales tax in the western region.	The shortfall in payment of advance tax was deposited in June 2005. Further, service tax was paid fully in May 2005. In respect of sales tax (works tax), the opinion of expert suggested that there was no liability to pay such tax till the same was received from the client.									
Observation Para 9 – (b)										
According to the information & explanations given to us, there are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, custom duty, excise duty and cess. The company has however not deposited undisputed income tax payable in respect of the following years: <table><tr><td>Assessment Year</td><td>Date of receipt of appeal order</td><td>Amount of tax (incl. Interest) provided as on 31.03.05</td></tr><tr><td>1995-96</td><td>August 2004</td><td>Rs.1.88 crore</td></tr><tr><td>2001-02</td><td>July 2003</td><td>Rs.5.29 crore</td></tr></table>	Assessment Year	Date of receipt of appeal order	Amount of tax (incl. Interest) provided as on 31.03.05	1995-96	August 2004	Rs.1.88 crore	2001-02	July 2003	Rs.5.29 crore	Informative. The cases are in appeal at different levels and the company hopes to get necessary relief.
Assessment Year	Date of receipt of appeal order	Amount of tax (incl. Interest) provided as on 31.03.05								
1995-96	August 2004	Rs.1.88 crore								
2001-02	July 2003	Rs.5.29 crore								
Further the company has not deposited sales tax and service tax aggregating to Rs.0.04 crore, in the western region, which have remained outstanding as at 31 st March, 2005 for a period of more than six months from the date they became payable. We are informed that out of the said amount of Rs.0.04 crore a sum of Rs.0.01 crore towards service tax has been subsequently deposited.										
Observation Para 9 – (c)										
According to the information & explanations given to us, there are no dues of sales tax, income tax, wealth tax, custom duty, excise duty and cess which have not been deposited on account of any dispute except following :	Informative. The cases are in appeal at different levels and the company hopes to get necessary relief.									

Auditors' Qualification				Action taken							
<table><tr><th>Name of the Statute</th><th>Nature of Dues</th><th>Amount (Rs.)</th><th>Forum</th></tr><tr><td>Income-Tax Act Ass. Yr. 1991-92 and 1992-93</td><td>Disallowance of loss on sale of foreign vehicle of the company</td><td>Rs.0.34 crore</td><td>CIT (Appeal) Delhi</td></tr></table>	Name of the Statute	Nature of Dues	Amount (Rs.)	Forum	Income-Tax Act Ass. Yr. 1991-92 and 1992-93	Disallowance of loss on sale of foreign vehicle of the company	Rs.0.34 crore	CIT (Appeal) Delhi			
Name of the Statute	Nature of Dues	Amount (Rs.)	Forum								
Income-Tax Act Ass. Yr. 1991-92 and 1992-93	Disallowance of loss on sale of foreign vehicle of the company	Rs.0.34 crore	CIT (Appeal) Delhi								
Fiscal 2004											
In compliance of AS-15, the future liability on account of leave encashment has been provided on the basis of actuarial valuation during the year, which was earlier provided on accrual basis thereby resulting in writing back of liability of Rs.4.35 crore pertaining to the earlier period. Consequent upon this change, the profit for the year is higher to the extent of Rs.4.35 crore with a corresponding decrease in Current Liabilities & Provisions.				Informative.							
Fiscal 2003											
In our opinion, the Balance Sheet, Profit & 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 except AS-15 in respect of provision of leave encashment which has not been made on the basis of actuarial valuation .				Complied with. From the Fiscal 2004, the policy has been changed as given below: “Leave encashment is accounted for on actuarial valuation made at the end of accounting year.” Earlier, leave encashment was accounted for on accrual basis.							
Due to restrictions on remittance of funds because of UN Sanctions on Iraq, assets and liabilities pertaining to Iraq projects were converted by the Company till the last financial year on the exchange rate prevalent on the date of transaction. On settlement of the issue by the Government of India, dues from Iraq – BAAR Project have been converted at the year end rate in line with AS-11. The restatement of assets and liabilities has resulted in exchange gain of Rs.159.23 crore for assets and exchange loss of Rs.85.81 crore for liabilities with a corresponding increase in current assets and liabilities respectively. Further, during the year interest liability on the loans for BAAR Project has also been settled with the bankers. Bankers have withdrawn their claim for additional interest. The writing back of such interest has resulted in income of Rs.40.82 crore with a corresponding decrease in liabilities.				Informative							
In line with the provisions of AS-9, company has				Informative							

Auditors' Qualification	Action taken
written off Rs.55.39 crore due from BAAR project executed in Iraq on account of interest accrued on deferred receivable and other receivables and other receivables amounting to Rs.3.13 crore but not realised. Further during the year a sum of Rs.2.46 crore due in respect of other Iraq projects executed earlier has also been written off. Due to this change, the profits for the year and current assets are lower to this extent.	
Consequent upon change in the Accounting Policy, assets and computer software purchased during the year or earlier, costing upto Rs.5,000/- and Rs.1,00,000/- respectively and major renovations capitalised earlier have been charged to sundry expenses during the year. This has resulted in decrease in profit by Rs.0.87 crore and fixed assets being lower by Rs.0.87 crore.	Informative

Further, the auditors' report of CCFB, Mozambique for the period ended December 31, 2005 and September 30, 2007 contained certain auditors' qualifications as enumerated hereunder.

Auditors' Qualification	Action taken
For the period ended December 31, 2005	
(i) We have not attended the inventory count performed by the company and we could not apply alternative procedures to assure that the quantities shown in the inventory count sheets reflect inventory on hand as at December 31, 2005. Due to limitation described above, we were not able to assure the reasonability of the balance of inventory amounting to MZM 16 303 634 thousand at December 31, 2005 as well as cost of inventory consumed	CCFB auditors witnessed the physical verification in the year 2006. Auditors were satisfied about the physical verification and inventory balances
(ii) Revenue related to international traffic as per the record of the train list is greater than the balance shown in the general ledger by the amount of MZM 16 015 909 thousand. During our audit, we were not provided with any satisfactory explanations for the above difference. Under these circumstances we were not able to assure the reasonability of revenue regarding international traffic amounting to MZM 138 691 983 thousand	In the year 2006, after reconciliation an amount of MZN 1,242,201.16 was credited to prior period revenue with corresponding debit to concerned clients. The effect of this qualification has been taken care while restating the consolidated accounts.
For the period ended September 30, 2007	
(i) The company did not perform an inventory count for the period ended September 30, 2007 as the company's policy is to perform inventory count at the end of the financial year. The inventory count	Physical verification of the inventory has been performed in the month of November and December 2007.

was only performed in November and December 2007 and the company has not performed any roll-back calculations to determine the September 2007 stock balance. Due to this limitation, described above, we were unable to ensure the quantity of the balance of inventory amounting to MZN 40843934 as at September 30, 2007 as well as the cost of inventory transferred to cost of sales.	
(ii) The company has agreed with the National Railways of Zimbabwe (NRZ) in December 2007 with regards to reduction of the NRZ's claim, concerning its wagons damaged in an accident in 2005, in the region of USD 738900 to USD 388378. This reduction is not reflected in September 2007 accounts as the company intends to adjust for the reduction in the year end accounts. Therefore, creditors are overstated by the amount MZN 9117077 and other operating income is understated by the same amount.	The matter was settled by NRZ on December 27, 2007 and the accordingly effect has been taken in the month of December 2007 by debiting creditors and crediting other operating income by CCFB. Confirmation from NRZ is received in this regard.
(iii) The deferred tax asset related to the investment tax credit exceeds the deferred tax liability recognised in the balance sheet as at September 30, 2007. This matter is not reflected in September 2007 accounts as the company intends to reverse the deferred tax liability in the year end accounts. Therefore, the deferred tax liability is overstated by the amount of MZN 6337475 and the taxation gain is understated by the same amount.	Effect has been taken in the month of December 2007 by debiting Deferred tax liability(Balance sheet) and crediting deferred taxation(Income statement)with an amount of MZN 6 337 475. Out of this, MZN 1466787 belongs to the year 2005 and MZN 4870688 belongs to the year 2006. The effect of this qualification has been taken care while restating the consolidated accounts.

SIGNIFICANT CONSOLIDATED ACCOUNTING POLICIES AS AT DECEMBER 31, 2007**COMPANY OVERVIEW**

RITES Ltd. along with its existing subsidiary companies viz. RITES (AFRIKA) (Pty) Ltd. in Botswana and Tanzania Railways Limited and joint venture entities RICON in India and Companhia Dos Cominhos De Ferro De Beira, SARL, Beira (CCFB) in Mozambique, is a 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.

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 Institute of Chartered Accountants of India. The financial statement of RITES Limited, the parent company, RITES (AFRIKA) (Pty) Limited and RITES Colombia LTDA, wholly owned subsidiary companies 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. The company also has Tanzania Railways Limited as a 51% subsidiary. However, the operations started only in October 2007 and accounts for the first year are yet to be drawn. 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.

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:

- iv) rework activities of work done
- v) maintenance activity after completion of project
- vi) 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:-

- 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 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/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

- (i) 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.
- (j) In respect of BOT assets, depreciation is charged over the period of project or the estimated whichever is lower.
- (k) Lease hold land is amortized over the lease term.
- (l) 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.
- (m) 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.
- 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 December 31, 2014.
- 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

- (b) 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) Inventories are valued at cost on First In First Out (FIFO) basis or net realizable value whichever is less.
- (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 tax able 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/- and USD 1,000 at CCFB, in each case are treated as expenditure/income of the current year.

16. 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.

17. TRANSLATION OF FOREIGN CURRENCY ACCOUNTS

17.1 In respect of Integral Foreign Operations.

17.1.1 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.

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

17.1.2 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.

17.2 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.

18. 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 amortised cost using the effective interest method.

19. 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.

20. 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.

CHANGES IN CONSOLIDATED ACCOUNTING POLICIES DURING THE YEARS ENDED MARCH 31, 2003 TO NINE MONTHS PERIOD ENDED DECEMBER 31, 2007

FOR THE NINE MONTHS PERIOD ENDED DECEMBER 31, 2007

The following changes in accounting policies took place in case of RITES Limited.

1. REVENUE RECOGNITION

Consultancy Fee

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
- iv) maintenance activity after completion of project
- v) removal of defect, if any, during defect liability period

As per earlier policy provision for incomplete assignments and for other obligations was made at the rate of ten percent of billed amount for services rendered.

2. EMPLOYEE BENEFITS

Pursuant to changes in Accounting Standard 15 issued by ICAI in respect of employee benefits which have now become mandatory, 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 of the period.

YEAR 2006-07

The following changes in accounting policies took place in case of CCFB.

1. Fixed assets, Depreciation and Amortization

Depreciation on Property, Plant and Equipment is provided on Straight Line Method over the estimated useful life as follows:

S.No.	Property, Plant and Equipment	Life	Annual Rate
1.	Vehicles	6 years	15.83%
2.	Tools and Plant	10 years	9.5%

Earlier, depreciation rates on above assets were as under:

S.No.	Property, Plant and Equipment	Life	Annual Rate
1.	Vehicles	8 years	11.88%
2.	Tools and Plant	16 years	5.94%

2. Foreign Currency Translation

The functional and presentation currency of CCFB is the metical (MZN).

Transaction in foreign currencies are initially recorded in the functional currency rate ruling at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the income statement (Exchange Rate Differences Account) with the exception of:

1. Differences relating to finance cost on loan for rehabilitation of Sena Line are capitalised till it is commissioned.
2. For long term loans, the recognition of exchange differences on revaluation of long term loans will be deferred until the time of repayment. This is in line with Mozambique law but against IFRS.

Earlier, policy on Foreign Currency Translation was :

The functional and presentation currency of CCFB is the metical(MZM)

Transaction in foreign currencies are initially recorded in the functional currency rate ruling at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet.

All differences are taken to the income statement (Exchange Rate Differences Account) with the exception of:

- (i) Differences relating to rehabilitation of Sena Line are capitalised till it is commissioned.
- (ii) Differences relating to medium and long term bank loans/shareholders loan are deferred to Prepayments or Accruals(depending on if they are favourable or unfavorable)

YEAR 2005-06

The following changes in accounting policies took place in case of RITES Limited.

1. REVENUE RECOGNITION

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.

Earlier, there was no such policy to recognise work in progress.

2. Fixed assets, 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 (%)
j) Furniture	10	10
xii) Fixture	5	20
xiii) Office Equipment	7	14.30
xiv) Coolers & Air Conditioners	7	14.30
xv) Air Conditioning Plant	20	5
xvi) Computer Hardware	4	25
xvii) Survey and Equipments	10	10
xviii) Vehicles	6	16.70
xix) Buildings on Freehold land	50	2
xx) Locomotives	15	6.70
xxi) 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.

Earlier policy for depreciation and amortisation was as follows:

- (i) Depreciation on fixed assets is provided on straight line method at the following rates as specified in Schedule XIV of the Companies Act, 1956. In respect of additions to/ deletions from the fixed assets, depreciation is charged on pro rata basis.

Particulars	Assets acquired upto 31.03.88	Assets acquired after 31.03.88 but before 16.12.93	Assets acquired on or after 16.12.93
ix) Furniture & Fixtures	10%	3.34%	6.33%
x) Office Equipments & Air Conditioners	15%	5.15%	4.75%
xi) Computers	20%	16.21%	16.21%
xii) Survey and Laboratory Equipments	20%	5.15%	16.21%
xiii) Vehicles	20%	7.07%	4.75%
xiv) Buildings	20%	1.63%	9.50%
xv) Intangible Assets	5%	16.21%	1.63%
xvi) Locomotives	20%	-	16.21%

- (j) In respect of BOT assets, depreciation is charged proportionately over the period of project.
- (k) In respect of lease hold land, amortization is charged proportionately over the term of lease.
- (l) In respect of buildings on lease hold, depreciation is proportionately over terms of lease or at depreciation rate specified in Schedule XIV of Companies Act, 1956 whichever is higher.
- (m) Individual low cost assets of value less than Rs. 5,000/- and software procured for the value less than Rs.1,00,000/- are entirely depreciated in the year of acquisition.
- (n) A nominal value of Re 1/- is assigned to the fully depreciated assets.

3. 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.

Earlier, there was no ceiling of Rs.5000/- for the above policy.

YEAR 2003-04

The following changes in accounting policies took place in case of RITES Limited.

1. EMPLOYEES BENEFITS

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.

Earlier, actuarial valuation was made on the basis of remuneration at the beginning of each financial year.

Leave encashment

Leave encashment is accounted for on actuarial valuation made at the end of period.

Earlier, leave encashment was accounted for on accrual basis.

3. FOREIGN CURRENCY TRANSACTION

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.

As per policy upto the fiscal year 2003, Current Assets & Liabilities were translated at the average rate.

SUMMARY OF CONSOLIDATED ACCOUNTING RATIOS

Particulars	FISCAL					For the nine months period ended December 31, 2007
	2003	2004	2005	2006	2007	
Profit after adjustments (before Extra ordinary items) (Rs. In Crores)	41.91	53.80	39.20	68.69	114.70	75.77
Profit after adjustments (after Extra ordinary items) (Rs. In Crores)	41.91	47.27	40.89	74.06	112.51	70.04
Weighted average number of shares of face value Rs. 100 each outstanding during the year (in crores)	0.02	0.04	0.04	0.04	0.04	0.04
Net Worth (Rs. In Crores)	292.39	326.43	353.66	406.01	472.51	530.19
Earning Per Share (before Extra ordinary items) (Rs.)	2095.50	1345.00	980.00	1717.25	2867.50	1894.25
Earning Per Share (after Extra ordinary items) (Rs.)	2095.50	1181.75	1022.25	1851.50	2812.75	1751.00
Return on Net worth (before Extra ordinary items) %	14.33	16.48	11.08	16.92	24.27	14.29
Return on Net worth (after Extra ordinary items) %	14.33	14.48	11.56	18.24	23.81	13.21
Net Assets Value Per Share (Rs.)	14619.50	8160.75	8841.50	10150.25	11812.75	13254.75

Notes :

- 1) The ratios have been computed as below :-

$$\text{Earning per Share (Rs.)} = \frac{\text{Adjusted Net Profit after Tax and before extraordinary items}}{\text{Weighted average number of equity shares outstanding during the Period/year}}$$

$$\text{Return on Net Worth (\%)} = \frac{\text{Adjusted Net Profit after Tax and before extraordinary items}}{\text{Net Worth after adjustment of miscellaneous expenditures, to the extent not Written off}}$$

$$\text{Net Asset Value Per Share (Rs.)} = \frac{\text{Net Worth after adjustment of miscellaneous expenditures, to the extent not written off}}{\text{Number of Equity Shares Outstanding at the end of the period / ye}}$$

- 2) Net profit, as appearing in the Statement of consolidated profits and losses, as restated has been considered for the purpose of computing the above ratios.
- 3) Earnings per share calculations are done in accordance with Accounting Standard 20 "Earning Per Share" issued by the Institute of Chartered Accountants of India.

ANNEXURE-VII (A)

SUMMARY OF CONSOLIDATED ACCOUNTING RATIOS

Subsequent to the date of Balance Sheet as at December 31, 2007, the shareholders of the Company in their meeting held on January 8 , 2008 approved the split of Equity Shares of Rs. 100 each into Equity Shares of Rs. 10 each and the issue of 3.6 crore Equity Shares of Rs. 10 each as bonus shares in the ratio of 1:9 by capitalising the free reserves & surplus of the Company. Consequently, the issued and paid up capital of the Company stands increased to 4 crore Equity Shares of Rs. 10 each.

Adjusting the Equity Shares data for the above changes, the ratios would be as under :-

Particulars	FISCAL					For the nine months period ended December 31, 2007
	2003	2004	2005	2006	2007	
Weighted average number of shares of face value of Rs. 10each outstanding during the year (in crores)	4.00	4.00	4.00	4.00	4.00	4.00
Earning Per Share (before Extra ordinary items) (Rs.)	10.48	13.45	9.80	17.17	28.68	18.94
Earning Per Share (after Extra ordinary items) (Rs.)	10.48	11.82	10.22	18.52	28.13	17.51
Return on Networth (before Extra ordinary items) %	14.33	16.48	11.08	16.92	24.27	14.29
Return on Networth (after Extra ordinary items) %	14.33	14.48	11.56	18.24	23.81	13.21
Net Assets Value Per Share (Rs.)	73.10	81.61	88.42	101.50	118.13	132.55

ANNEXURE - VIII

CONSOLIDATED CAPITALISATION STATEMENT - AS RESTATED

(Rs. In Crores)

Particulars	Pre issue As on Dec 31, 2007	Post issue*
Total Debt		
Short term debt	-	
Long term debt	40.70	
Total Debt	40.70	
Shareholders Funds		
Share Capital	4.00	
Reserves & Surplus	526.19	
(-) Revaluation Reserve	-	
Net Reserve (Net of Revaluation)	526.19	
(-) Miscellaneous Expenditure	-	
Net Worth	530.19	
Debt Equity Ratio	0.08	
* As this is an issue by way of Book Building process, Post Issue Figures are not provided.		

Note: Subsequent to the date of Balance Sheet as at December 31, 2007, the shareholders of the Company in their meeting held on January 8, 2008 approved the split of Equity Shares of Rs.100 each into Equity Shares of Rs.10 each and the issue of 3.6 crore Equity Shares of Rs.10 each as bonus shares in the ratio of 1:9 by capitalising the free reserves & surplus of the Company. Consequently, the issued and paid up capital of the Company stands increased to 4 crore Equity Shares of Rs. 10 each.

ANNEXURE - IX

STATEMENT OF CONSOLIDATED LOANS - AS RESTATED

(Rs. In Crores)

Particulars	FISCAL					For the nine months period ended December 31, 2007
	2003	2004	2005	2006	2007	
SECURED LOANS						
From Banks / Financial Institutions Secured against pari-passu charge on all present and future receivables, book debts, money, outstanding claims and demands, contracts, engagement and securities due in respect of Baghdad Al-Qaim Akashat Railway project, Iraq and counter guaranteed by Govt. of India	92.58	27.92	-	-	-	-
UNSECURED LOANS						
Unsecured Loans - Interest Bearing Debt - International Development Association (IDA)	-	-	-	6.66	27.62	40.70
Total	92.58	27.92	-	6.66	27.62	40.70

ANNEXURE - X

STATEMENT OF CONSOLIDATED INVENTORIES AND OTHER CURRENT ASSETS - AS RESTATED

(Rs. In Crores)

Particulars	As at March 31,					As at December 31, 2007
	2003	2004	2005	2006	2007	
INVENTORIES						
Finished Goods, Stores and Spare Parts	16.21	1.15	2.59	51.10	9.49	13.66
Work in Progress	0.81	0.33	0.73	2.71	3.70	7.25
Sub total (A)	17.02	1.48	3.32	53.81	13.19	20.91
OTHER CURRENT ASSETS						
Interest Accrued (including accrued but not due) on Bank Deposits	3.45	1.95	3.90	5.98	8.33	12.47
Interest Accrued (including accrued but not due) on Deposits and Advances	5.93	6.74	7.24	8.11	8.18	8.65
Sub total (B)	9.38	8.69	11.14	14.09	16.51	21.12
Total (A+B)	26.40	10.17	14.46	67.90	29.70	42.03

ANNEXURE - XI

STATEMENT OF CONSOLIDATED LOANS & ADVANCES - AS RESTATED

(Rs. In Crores)

Particulars	As at March 31,					As at December 31, 2007
	2003	2004	2005	2006	2007	
Advance recoverable in cash or in kind or for value to be received	15.79	12.62	36.15	87.34	71.73	67.04
Advance payments of Income-tax	38.48	31.94	48.35	79.89	111.61	113.79
Security / Other deposits	1.94	2.62	2.16	3.33	1.37	1.82
Employee loans	9.91	9.78	8.91	7.74	6.69	6.02
Amount Recoverable from Govt. of India for Iraq receivables	117.75	107.62	107.35	109.44	106.02	96.57
Others	1.60	1.40	18.40	1.10	8.43	5.28
Sub total	185.47	165.98	221.32	288.84	305.85	290.52
Less : Provision for doubtful loans & advances	(0.01)	(2.59)	(2.59)	(14.36)	(14.85)	(14.86)
TOTAL	185.46	163.39	218.73	274.48	291.00	275.66

The above includes the following loans and advances to the promoter group

(Rs. In Crores)						
Particulars	As at March 31,					As at December 31, 2007
	2003	2004	2005	2006	2007	
Other Loans						
Loan to RICON J.V.	-	-	0.13	0.10	-	-
Loan to CCFB J.V.	-	-	16.71	-	7.30	3.27
Amount Recoverable from J.V's	-	-	0.36	-	0.32	1.15
TOTAL	-	-	17.20	0.10	7.62	4.42

ANNEXURE - XII

STATEMENT OF CONSOLIDATED SUNDRY DEBTORS - AS RESTATED

(Rs. In Crores)

Particulars	As at March 31,					As at December 31, 2007
	2003	2004	2005	2006	2007	
Sundry Debtors (Unsecured)						
Debts Outstanding exceeding Six Months						
Considered Good	36.71	50.40	41.06	61.37	74.62	54.26
Considered Doubtful	19.10	19.31	26.18	26.41	30.22	42.25
Sub total	55.81	69.71	67.24	87.78	104.84	96.51
Others						
Considered Good	77.19	73.42	74.49	76.99	79.49	83.91
Considered doubtful	-	-	-	-	0.36	-
Sub total	77.19	73.42	74.49	76.99	79.85	83.91
Less: Provision for Bad & Doubtful Debts	19.10	19.31	26.18	26.41	30.58	42.25
Total	113.90	123.82	115.55	138.36	154.11	138.17

ANNEXURE - XIII

STATEMENT OF CONSOLIDATED INVESTMENTS - AS RESTATED

(Rs. In Crores)

Particulars	As at March 31					As at December 31, 2007
	2003	2004	2005	2006	2007	
C. TRADE (UNQUOTED) – AT COST, LONG TERM INVESTMENTS (IN SHARES)						
(III) In Foreign						
(c) In Subsidiary Companies						
RITES (AFRIKA) Pty Ltd., Botswana (1000 Equity share of PULA 1/- each)	-	-	-	-	-	-
Tanzania Railway Ltd., Tanzania (10,200,000 Equity Shares of face value of TSH 1000/- each, fully paid up)	-	-	-	-	-	32.84
RITES Colombia LTDA, Columbia (4,999 Equity Shares of Pesos 2505 each, fully paid up)	0.03	-	-	-	-	-
(d) In Joint Ventures						
In Ferro Carriles del norte de Colombia S.A. (FENECO) 8,00,000 Equity Shares of face value value of Colombian Pesos 1000/- each, fully paid up)	3.16	3.16	3.16	-	-	-
Companhia Dos Caminhos De Ferro Da Beira, SARL (1300,000 Equity Shares of face value of US \$1/- each, fully paid up)	-	-	6.01	-	-	-
(IV) In India						
(c) In company						
Equity Investment in Global Procurement Consultants Limited (30,000 equity shares of face value of Rs. 10/- each, fully paid-up)	0.03	0.03	0.03	0.03	0.03	0.04
(d) In Joint Venture						
Geo Consult - RITES Joint Venture - At Cost	-	0.03	0.03	0.03	0.03	0.04
Aggregate value of unquoted investments	3.22	3.22	9.23	0.06	0.06	32.90
D. TRADE CURRENT INVESTMENTS – AT COST						
* Trade Current Investment - At Cost	-	16.45	-	-	-	19.02
Aggregate value of quoted investments	-	16.45	-	-	-	19.02
GRAND TOTAL	3.22	19.67	9.23	0.06	0.06	51.92

*Note :

1. Amount of Rs. 16.45 crores as at March 31, 2004 represents UTI G.Sec Fund (15427344.714 units)
2. Amount of Rs. 19.02 crores as at December 31, 2007 represents UTI Liquid Cash Plan (186522.978 units)

ANNEXURE - XIV

STATEMENT OF CONSOLIDATED CURRENT LIABILITIES & PROVISIONS - AS RESTAED

(Rs. In Crores)

Particulars	As at March 31,					As at December 31, 2007
	2003	2004	2005	2006	2007	
Sundry Creditors for Supplies, Services & Others	63.55	48.22	32.81	60.18	76.90	96.47
Small Scale Industrial Undertakings	-	-	-	0.32	0.55	0.02
Other Liabilities	4.30	6.89	11.01	12.45	15.77	16.87
Salary Payable	5.54	9.16	8.93	12.86	14.31	11.68
Employee Benefits	13.06	13.61	15.75	18.04	20.31	22.60
Subsidiary Companies	-	0.04	-	-	-	-
Amount Payable to Joint Venture - Geo Consult	-	-	-	-	-	-
Customers Advance	53.44	67.98	161.84	242.19	294.02	377.10
Security Deposit / Retention Money Due to Contractors / Agencies	19.70	17.68	20.64	34.00	46.04	46.23
Short Term Loan	-	-	-	0.50	0.55	0.18
Interest Accrued but not Due	0.59	0.11	-	-	-	-
Proposed Dividend	2.50	7.30	8.00	12.00	7.00	-
Taxation	41.07	25.93	41.51	57.67	71.98	54.01
Warranties	-	-	-	2.63	5.48	11.50
Incomplete Consultancy Assignments	0.03	0.12	0.16	2.30	2.38	2.71
Total	203.78	197.04	300.65	455.14	555.29	639.37

ANNEXURE - XV

STATEMENT OF CONSOLIDATED OTHER INCOME - AS RESTATED

(Rs. In Crores)

Particulars	FISCAL					For the nine months period ended December 31, 2007
	2003	2004	2005	2006	2007	
Other Income	14.95	13.71	9.91	18.17	27.80	28.46
Net Profit before tax, as restated	59.30	69.80	63.01	113.50	174.64	108.45
Percentage	25.21	19.64	15.73	16.01	15.92	26.24

SOURCES OF INCOME

(Rs. In Crores)						
Particulars	FISCAL					For the nine months period ended December 31, 2007
	2003	2004	2005	2006	2007	
Interest received on						
Inter Corporate Deposits	0.14	0.13	0.11	1.44	2.38	2.89
Bank Deposits	9.90	6.44	6.05	11.88	19.94	22.05
Loan to Employees	1.35	1.08	1.08	1.04	0.84	0.56
Others	1.39	1.36	1.50	0.81	1.30	0.11
Dividend received on trade investments	-	0.83	0.07	-	0.01	0.02
Dividends from Subsidiary Companies	-	-	-	-	-	-
Profit on sale of fixed assets	-	0.04	-	0.02	0.07	0.01
Miscellaneous Income	2.17	3.83	1.10	2.98	3.26	2.82
Total	14.95	13.71	9.91	18.17	27.80	28.46

Other income includes income from interest on surplus funds kept in short term deposits with banks and dividend on debt instruments of mutual funds. The earning of such income will depend on the availability of the surplus funds.

ANNEXURE - XVI

STATEMENT OF CONSOLIDATED DIVIDEND PAID- AS RESTATED

The dividend and dividend tax paid is presented below.

(Rs. in Crores except numbers and percentage)

Particulars	FISCAL					For the nine months period ended December 31, 2007
	2003	2004	2005	2006	2007	
Equity Share Capital(Rs.)	2	4	4	4	4	4
No. of Equity Shares of Rs. 100 each (Rs.)	0.02	0.04	0.04	0.04	0.04	0.04
Rate of Dividend (%)	250%	400%*	300%	500%	1000%	250%
Interim (%)	125	150	100	200	825	250
Final (%)	125	250	200	300	175	-
Amount of Dividend on Equity Shares (Rs.)	5.00	11.67	12.00	20.00	40.00	10.00
Interim	2.50	4.37	4.00	8.00	33.00	10.00
Final	2.50	7.30	8.00	12.00	7.00	-
Total Dividend Tax Paid	0.32	1.50	1.65	2.81	5.82	1.70

* Interim dividend and final dividend were paid at the rate of 150% and 250% respectively on the paid up capital. As bonus shares worth Rs. 2 crore were issued on October 16, 2003, thus, the amounts of interim and final dividend were paid on prorata basis on bonus shares of Rs. 2 crore.

ANNEXURE - XVII

STATEMENT OF RELATED PARTY TRANSACTIONS - AS RESTATED

As per Accounting Standard (AS -18) effective from April 1, 2001, the Related Party Transactions are as follows:

As at December 31, 2007

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, Beria (CCFB) - Established in Mozambique
Subsidiary Companies	1. M/s RITES (AFRIKA) (Pty) Ltd.- Established in Botswana. 2. M/s Tanzania Railway Limited, Established in Tanzania.
Key Management Personnel (Directors)	1. Shri R.K. Rao, Chairman 2. Shri V.K. Aggarwal, Managing Director 3. Shri Rajeev Mehrotra, Director Finance 4. Shri Anil Madan, Director Technical 5. Shri B.K. Makhija, Director Projects

Fiscal 2007

Nature of Relationship	Name of Party
Joint Venture	1. M/s RICON - Established in India 2. M/s Companhia Dos Caminhos De Ferro Da Beira, SARL, Beria (CCFB) - Established in Mozambique
Wholly owned Subsidiary Company	1. M/s RITES (AFRIKA) (Pty) Ltd.- Established in Botswana. 2. M/s RITES Colombia LTDA - Established in Colombia (upto August 2006)
Key Management Personnel (Directors)	1. Shri R.R. Bhandari, Chairman (upto August 31, 2006) 2. Shri R.K. Rao, Chairman (w.e.f. September 22, 2006) 3. Shri V.K. Aggarwal, Managing Director 4. Shri B.L. Bagra, Director Finance 5. Shri Anil Madan, Director Technical 6. Shri B.K. Makhija, Director Projects

Fiscal 2006

Nature of Relationship	Name of Party
Joint Venture	1. M/s RICON - Established in India 2. M/s Companhia Dos Caminhos De Ferro Da Beira, SARL, Beria (CCFB) - Established in Mozambique
Wholly owned Subsidiary Company	1. M/s RITES (AFRIKA) (Pty) Ltd.- Established in Botswana. 2. M/s RITES Colombia LTDA - Established in Colombia
Key Management Personnel (Directors)	1. Shri P.N. Garg, Chairman (upto August 31, 2005) 2. Shri R.R. Bhandari, Chairman (w.e.f. November 28, 2005) 3. Shri V.K. Aggarwal, Managing Director 4. Shri B.L. Bagra, Director Finance 5. Shri S.C. Saxena, Director Projects 6. Shri J.S. Azad, Director Technical (upto April 30, 2005) 7. Shri Anil Madan, Director Technical (w.e.f. June 13, 2005)

Fiscal 2005

Nature of Relationship	Name of Party
Joint Venture	1. M/s RICON - Established in India 2. M/s Companhia Dos Caminhos De Ferro Da Beira, SARL, Beria (CCFB) - Established in Mozambique
Wholly owned Subsidiary Company	1. M/s RITES (AFRIKA) (Pty) Ltd.- Established in Botswana. 2. M/s RITES Colombia LTDA - Established in Colombia
Key Management Personnel (Directors)	1. Shri P.N. Garg, Chairman 2. Shri V.K. Aggarwal, Managing Director 3. Shri B.L. Bagra, Director Finance 4. Shri S.C. Saxena, Director Projects 5. Shri J.S. Azad, Director Technical

Fiscal 2004

Nature of Relationship	Name of Party
Wholly owned Subsidiary Company	1. M/s RITES (AFRIKA) (Pty) Ltd.- Established in Botswana. 2. M/s RITES Colombia LTDA - Established in Colombia
Key Management	

Personnel (Directors)	1. Shri Ashok Kumar, Chairman 2. Shri R.K. Singh, Chairman 3. Shri P.N. Garg, Chairman 4. Shri D.C. Mishra, Managing Director 5. Shri B.L. Bagra, Director Finance 6. Shri S.C. Saxena, Director Projects 7. Shri J.S. Azad, Director Technical
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Fiscal 2003

Nature of Relationship	Name of Party
Wholly owned Subsidiary Company	1. M/s RITES (AFRIKA) (Pty) Ltd.- Established in Botswana. 2. M/s RITES Colombia LTDA - Established in Colombia
Key Management Personnel (Directors)	1. Shri S. Dhasarathy, Chairman, (upto May 09, 2002) 2. Shri Ashok Kumar, Chairman, (from April 10, 2002) 3. Shri D.C. Mishra, Managing Director 4. Shri B.L. Bagra, Director Finance 5. Shri S.C. Saxena, Director Projects 6. Shri H.R.S. Tyagi, Director Technical (upto August 31,2002) 7. Shri J.S. Azad, Director Technical, (from October 01, 2002)

Transactions with Related Parties

(Rs. In Crores)												
Transactions	Joint Ventures FISCAL						Subsidiary Companies FISCAL					
	2003	2004	2005	2006	2007	December 2007	2003	2004	2005	2006	2007	December 2007
Investments	-	-	6.01	-	-	-	0.01	0.03	-	-	-	32.84
Loan given	-	-	17.30	4.77	18.49	8.51	-	-	-	-	-	-
Fees for services obtained	-	-	-	-	-	-	-	0.36	0.37	0.61	-	-
Consultancy fees received	-	-	-	-	-	-	0.17	0.52	-	0.55	0.80	2.30
Interest on Loan	-	-	0.01	0.05	0.01	2.84	-	-	-	-	-	-
Receivables	-	-	0.15	-	-	-	0.38	0.48	-	-	-	-
Expenses Payable	-	-	0.22	-	-	-	-	0.04	0.03	-	-	-
Leasing Charges Received	-	-	-	-	-	3.26	-	-	-	-	-	2.03
CCFB DR/(CR)	-	-	18.38	24.46	43.55	58.37	-	-	-	-	-	-
RICON DR/(CR)	-	-	0.61	0.71	2.76	(0.08)	-	-	-	-	-	-
GC DR/(CR)	-	(0.01)	(0.01)	(0.01)	-	-	-	-	-	-	-	-
RLTES AFRIKA DR/(CR)	-	-	-	-	-	-	-	0.53	-	0.34	0.80	0.76
TRL DR/(CR)	-	-	-	-	-	-	-	-	-	-	-	2.03
YEAR END BALANCE	-	-	18.97	22.41	41.70	52.60	0.00	0.53	0.00	0.34	0.80	2.79

Remuneration to key management personnel

(Rs. In Crores)

Particulars	FISCAL					
	2003	2004	2005	2006	2007	For the nine months period ended December 2007
Salary	0.17	0.19	0.22	0.15	0.17	0.15
Sitting Fee	-	-	0.01	0.01	0.01	0.03
House Rent (Net)	0.02	0.03	0.04	0.02	0.00	0.03
Perquisites	0.01	0.03	0.01	-	-	-
Contribution to Provident Fund and Group Saving Linked Insurance Scheme	0.02	0.03	0.03	0.02	0.02	0.02
Medical Expenses	0.01	0.01	0.01	0.00	0.00	0.01
Travel Expenses	0.42	0.36	-	0.29	0.24	0.33
House Building Advance	0.04	0.07	0.05	0.02	0.01	-

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following discussion of our financial condition and results of operations together with our restated standalone financial statements included in this Draft Red Herring Prospectus. You should also read “**Risk Factors**” on page xii, which discusses a number of factors and contingencies that could affect our financial condition and results of operations. The following discussion relates to our Company, and, unless otherwise stated, is based on our restated standalone financial statements, which have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines. Portions of the following discussion are also based on internally prepared statistical information and on other sources. Our fiscal year ends on March 31 of each year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year.*

*This discussion contains forward looking statements and reflects our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward looking statements as a result of certain factors such as those set forth in the section titled “**Risk Factors**” on page xii.*

Discussion on restated standalone financial statements

The results of operations of our two subsidiary companies, RITES (AFRIKA) and TRL, and our joint venture entity CCFB have not been considered for the purposes of discussion and analysis in this section, as their contribution to the total turnover of the Company, after consolidation, is not considered material. For details, refer to “**Auditors’ Report-Restated Consolidated Financial Statements**” on page 162. Therefore, only results of operations of our Company based on the restated standalone financial statements, as appearing in “**Auditors’ Report-Restated Standalone Financial Statements**” on page 117 have been considered for the purposes of discussion and analysis in this section.

Overview

We are one of the leading companies in transport infrastructure consultancy, engineering and project management services, with operations in India and abroad. We were incorporated by the MoR and have the benefit of being associated with the Indian Railways, which is among the largest railway systems in the world under a single management. Since our inception in 1974, we have evolved from our origins of providing railway consultancy and inspection services and have developed expertise primarily in three distinct fields of business activities, namely, (a) consultancy in transport infrastructure; (b) leasing, export, maintenance and rehabilitation of rolling stock and export and rehabilitation of railway equipment; and (c) running of railway systems under concession agreements. We believe we enjoy a unique position of being the only company in India to offer such a diverse and wide portfolio of services in the transport infrastructure sector. We are also considering entering into BOT and BOOT projects in the future.

We believe we are the first Indian company to operate railway systems abroad on concession basis. We also believe that our services have been instrumental in getting the first ever ISO 9001:2000 certificate in Afghanistan for ARDS.

Presently, we have over 600 ongoing projects in India, besides over 30 ongoing projects overseas. We have undertaken projects in over 50 countries, primarily in Africa, Latin America, the Middle East and Asia. Our domestic as well as overseas clients are typically national governments and public sector enterprises. We have carried out several projects funded by multilateral organisations including the World Bank and ADB.

In India, our clients include various Central and State government ministries, other government bodies, public sector undertakings including IRCON, Konkan Railway Corporation Limited, DMRC, IOCL, NTPC Limited, NALCO, SAIL and NHAI as well as various private companies including Jindal Steel Limited.

Our multi disciplinary services in consultancy, project management, design and engineering, procurement, quality assurance, export, planning and development activities in the fields of transportation, infrastructure and related technologies have been certified as ISO 9001:2000 compliant by KEMA Quality B.V. of the Netherlands since June 2002.

We provide consultancy services in infrastructure sectors such as railways, urban transport, highways, ports and inland waterways, airports, power transmission and distribution, construction and architecture and ropeways. Our consultancy services include pre-project activities such as feasibility studies, preparation of DPRs, design engineering activities, facilities planning for rolling stock maintenance and workshop modernisation, procurement assistance consultancy, project management services, inspection and quality assurance.

We are engaged in export of locomotives, coaches, DMUs and other rolling stock as well as their spare parts to various countries and provide maintenance support for these assets to our clients abroad. We are a nominated agency to export rolling stock and components manufactured by the Indian Railways, excepting exports to Malaysia, Indonesia and Thailand. We undertake rehabilitation of rolling stock, railway bridges and railway equipment for our foreign clients. We also provide specialized training to our clients to enhance their technical skills and absorb new technologies and we have a dedicated training business unit for this purpose. In addition to these activities, we also offer rolling stock on lease to different countries.

We operate railway systems abroad on concession basis through our joint ventures or our subsidiaries. We have equity participation in such joint ventures and subsidiaries. Since October 1, 2007, our subsidiary TRL is managing the railway network previously being operated by the erstwhile Tanzania Railway Corporation in Tanzania. Our joint venture CCFB is operating the Beira Rail Corridor in Mozambique since December 10, 2004. From Fiscal 2000 to Fiscal 2006, we were a partner in the concession project of the Atlantic Railway Line in Colombia, South America, although we have subsequently divested from this project.

The following table shows the percentage contribution of each stream of revenue to our total income in Fiscals 2006 and 2007, and in the nine months ended December 31, 2007, on a restated standalone basis:

Business Segment	Fiscal 2006 (%)	Fiscal 2007 (%)	For the nine months ended December 31, 2007 (%)
Consultancy and Inspection fees	67.84	47.39	55.36
Export Sales	25.20	45.32	34.90
Lease Services	2.48	2.28	3.06
Other Income	4.48	5.01	6.68
Total	100	100	100

As a public sector undertaking, we have been accorded 'Mini Ratna Grade-I' status by the GoI by virtue of our operational efficiency and financial strength, which affords greater operational freedom and autonomy in decision-making and *inter alia*, permits our Board to:

- establish joint ventures and subsidiaries in India with equity investment limited to Rs. 500 crore in one project subject to maximum of 15% of net worth or 30% of net worth in all joint ventures and subsidiaries; and

- undertake works of capital nature not exceeding Rs. 500 crore or equal to the net worth of the Company, whichever is less.

On July 11, 2007, our Company was upgraded from a Schedule ‘B’ to Schedule ‘A’ company. In recognition of our performance and our consistent achievement of targets negotiated under the memorandum of understanding that we enter into with the MoR on an annual basis, the DPE has rated our performance as “Excellent” for 15 out of the 16 years since the MoU rating started in 1991-1992. We have also received MoU Awards from the Ministry of Heavy Industries and Public Enterprises for Fiscals 2002, 2003 and 2004.

Based on our restated standalone financial statements, our profit after tax has grown at a CAGR of 29.19% from Rs. 42.10 crore in Fiscal 2003 to Rs. 117.27 crore in Fiscal 2007. Our profit after tax for the nine months ended December 31, 2007 is Rs. 70.82 crore. Our total income has grown at a CAGR of 18.90% from Rs. 279.12 crore in Fiscal 2003 to Rs. 557.84 crore in Fiscal 2007. Our total income for the nine months ended December 31, 2007 is Rs. 423.22 crore. As on March 31, 2007, we had a net worth of Rs. 476.60 crore and Rs. 535.73 crore as on December 31, 2007.

Some of the prestigious assignments we are currently involved in include:

- preparing DPR for the 2,761 km long dedicated railway freight corridors (east and west);
- Total Transport Systems Study for (2006-2007)- A national-level perspective planning study in the transport sector covering all major modes of roadways, railways, airways and coastal shipping, for the Planning Commission, GoI;
- Feasibility study for development of four logistic parks for Indian Railways, at Nagpur, Durgapur, Ludhiana and Wapi;
- planning, designing, bid process management and construction management of three airports in Botswana;
- one of the transaction advisors to the Ministry of Finance, GoI for PPP projects;
- member of the consortium of general consultants for the Delhi and Bangalore metro railways; and
- one of the consultants to the JNNURM for preparation of city development plans, for the Ministry of Urban Development.

For details of our strengths and strategies, see “**Our Business**” on page 59.

Our Subsidiaries and Joint Ventures

Our Company has the following two subsidiaries as on date:

1. RITES (AFRIKA) (Proprietary) Limited (“RITES (AFRIKA)”)

RITES (AFRIKA) was incorporated on January 16, 1991 under the laws of Botswana. Its objects include acting as an advisor on problems relating to the administration and organisation of industry and business in Botswana. We hold 100% of the equity shares of RITES (AFRIKA).

2. Tanzania Railways Limited (“TRL”)

TRL was incorporated on May 25, 2007 under the laws of Tanzania for the purpose of operating the Tanzania Railway concession. The operations of the company commenced in October 2007. Our Company has 51% stake and the Government of Tanzania holds the balance 49% in TRL.

For details of our subsidiaries, see “**History and Certain Corporate Matters- Our Subsidiaries**” on page 90.

In addition to the subsidiaries mentioned above, we have presently formed the following joint venture entities:

1. Companhia Dos Caminhos De Ferro Da Beira, SARL (“CCFB”)

Our Company, IRCON and CFM have formed a joint venture company under the name Companhia Dos Caminhos De Ferro Da Beira, SARL (“CCFB”) on July 29, 2004 under the laws of Mozambique with the objective of jointly operating the Beira Rail Corridor concession in Mozambique. Our Company and IRCON collectively hold 51% (26% being held by our Company) and 49% is being held by the conceding authority, Portos E Caminhos De Ferro Da Mozambique, E.P. (“CFM”). This joint venture has now taken over the Beira Rail Corridor concession.

2. RICON

This joint venture was formed with our Company holding 51% stake and IRCON holding 49% stake. The main object of RICON is to secure and execute contracts to be awarded by CCFB for rendering management support services, consultancy works, project management construction supervision, supply of materials, rolling stock and equipment, work contracts, leasing of equipment/ rolling stock, etc.

3. Ganga Expressway Consultants Private Limited

Our Company in association with SREI and Consulting Engineers has incorporated a joint venture company on January 21, 2008 under the name Ganga Expressway Consultants Private Limited (“GECPL”). Its main objects are to carry out the business of a professional consultant for the construction of multi-storeyed buildings, bridges, roads, dams, etc and working as architectural engineers, assessors, valuers, surveyors, designers, etc.

For further information, see “*History and Certain Corporate Matters-Our Joint Ventures*” and “*Significant developments after December 31, 2007 that may affect the future of our operations*” on pages 93 and 237, respectively.

Contribution of our subsidiaries and joint ventures to total consolidated revenues

Particulars	Fiscal 2006	Fiscal 2007	Nine months ended December 31, 2007
Total revenues from subsidiaries and joint ventures (Rs. in crore) *	10.99	13.35	8.00
Contribution to Total Consolidated Revenues	2.80%	2.34%	1.86%

* The revenues have been shown net of inter-group transactions. The figures are based on the restated consolidated financial statements. See “*Auditors’ Report-Restated Consolidated Financial Statements*” on page 162.

As seen from above table, the contribution of our Subsidiaries and joint venture entities to the total consolidated turnover of our Company is not material. Therefore, only results of operations of our Company based on the restated standalone financial statements, as those appearing in “*Auditors’ Report-Restated Standalone Financial Statements*” on page 117 have been considered for the purposes of discussion and analysis in this section.

PRINCIPAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Growth of Infrastructure Sector

Our financial results and prospects are significantly affected by general economic conditions prevailing in India, and in particular by developments in the transportation infrastructure sector. India is the fourth largest economy in the world in GDP terms on the basis of purchasing power parity.

According to the Union budgets 2006 and 2007, the growth rate of India's real GDP for the years 2003-04, 2004-05, 2005-06 and 2006-07 was 8%, 9%, 7.5% and 9.2% respectively.

The revised draft of the 11th Plan Approach Paper stated that investment in infrastructure (defined as road, rail, air and water transport; power generation, transmission and distribution; telecommunications; and water supply, irrigation and storage), would have to rise from the current 4.6% of India's GDP to an estimated 8% during the 11th Plan period to meet India's target GDP growth rate of 9%. GoI estimates that the total infrastructure investment required in the country would be in the range of US\$ 4.8-5 crore over 2007-2012. Infrastructure inadequacy constitutes a constraint in realising this development potential. To overcome this constraint, an ambitious programme of infrastructure investment, involving both public and private sector, has been envisaged in the 11th Plan. Infrastructure spend targets for the 11th Plan have been revised from 4.6% to 8% of GDP, representing an increase of over 130% in absolute terms, over the 10th Plan.

This increased outlay for investment in the infrastructure sector may translate into greater business opportunities for the company.

Further, the demand for our products and services from our overseas clients, is also significantly dependant on the infrastructure developments plans of the countries in which such clients operate.

Demand and Competition for Consultancy Services and Supplies

The future demand for our services and supplies is dependent on acceptance of our offerings in domestic and international markets, our ability to keep pace with changes in technology and innovation, pricing pressures on our services and supplies due to continued competition from other suppliers and consultancy services companies and continued demand for consultancy and supplies by national and international clients. Any slow down in demand for our services and supplies could have a negative impact on our revenues and consequently, on our gross margins.

A number of foreign consultancy firms have set up offices in India attracted by mega infrastructure projects, which has made the business environment more competitive for us.

Nature of our export business

Besides providing consultancy services, our Company is also engaged in export of rolling stock as well as spare parts to various countries and provision of maintenance support for these assets to our clients abroad.

However, due to the unique nature of the products that we export, we have in the past experienced instances of irregular pattern of demand from our clients for such products. As a result, our revenue from exports business is subject to a certain degree of irregularity. Further, we have also experienced changes in the demand requirements of our clients in the recent past wherein they have shifted their business to us from export model to lease model. Though the same may enable us to expand our leasing business as a part of our growth strategy, we may face a situation of lower export sales.

Cost of Sales and Staff Cost

The principal components of our costs are staff costs and cost of export sales. Cost of export sales includes primarily cost of purchases, consumables, freights and forwarding, insurance costs, fees for services obtained and warranty costs. Any increase in staff costs on account of wage revision and increase in procurement costs meant for exports may impact the margins.

Foreign Exchange Rates and Regulations

For the year ended March 31, 2007, and nine months ended December 31, 2007, we derived 54.70% and 50.95%, respectively, of our operating income, as income from overseas business. Such payments are largely denominated in US\$. We expect that a significant proportion of our revenues may continue to be generated in foreign currencies and that a significant portion of our expenses will continue to be denominated in Indian Rupees. The exchange rate between the Rupee and the US\$ has changed substantially in recent years and may continue to fluctuate significantly in the future. Consequently, our operating results have been and will continue to be impacted by fluctuations in the exchange rate between the Indian Rupee and the US\$. Any strengthening of the Indian Rupee against the US\$, will adversely affect our financial condition and results of operations.

In particular, a significant appreciation of the rupee against the US\$ and other foreign currencies has the effect of reducing the rupee value of our foreign currency denominated revenues, thereby adversely affecting our results of operations. Also, under the FEMA, an Indian company is required to take reasonable steps to realise and repatriate into India foreign exchange earned by the company outside India, in accordance with the rules specified by the Reserve Bank of India (“**RBI**”). These rules apply to foreign transactions take place outside India. FEMA also imposes certain restrictions on capital account transactions by Indian companies. There can be no assurance that these rules will not significantly impact our operations in future periods.

Dependence of customers on credit arrangements for funding projects

Certain countries in Africa and Asia meet the expenditure incurred in procurement of rolling stock, through a line of credit given by the GoI and funding agencies such as the World Bank and ADB. A part of our business may therefore depend on the continuation of such assistance to such countries, the impact of which cannot be presently quantified. In the event there is a change in the policies of the GoI or such funding agencies and the line of credit is withdrawn or reduced, our business and operations may be adversely affected.

CRITICAL ACCOUNTING POLICIES

Our financial statements are prepared under the historical cost convention and in accordance with generally accepted accounting principles and applicable accounting standards in India. Our financial statements adhere to the relevant presentational requirements of the Companies Act, 1956. Described below are the critical accounting policies used in preparation of our financial statements.

Revenue recognition

▪ 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 our Management, pending customer’s approval, if required. Mobilisation advance is adjusted against running bills and mobilisation fee is recognised as income in the year of receipt/ bill raised, if as per our Management’s view, 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 our Company’s obligations for:

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

- **Inspection Fee**

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

- **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.

- **Lease Services**

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

Employees Benefits

- **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 the 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.

- **Provident Fund/ Pension Scheme**

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

- **Defined Benefits**

Defined Benefits provided by our Company to employees, including long service award, leave travel concession, leave encashment and medical leave, are accounted for on actuarial valuation made at the end of period. The actuarial gain/ loss is recognized to revenue account of the period.

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

- **Terminal Benefits to Contract Employees**

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

Fixed Assets and Intangible Assets

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

Translation of Foreign Currency Accounts

Our Company has foreign currency transactions only in respect of Integral Foreign Operations, as defined in the Accounting Standards.

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

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 and loss account.

For details, see “**Auditors’ Report- Restated Standalone Financial statements-Significant Accounting Policies**” on page 137.

DISCUSSION ON RESTATED STANDALONE FINANCIAL STATEMENTS

Only results of operations of our Company based on the restated standalone financial statements, as those appearing in “**Auditors’ Report-Restated Standalone Financial Statements**” on page 117, have been considered for the purposes of discussion and analysis in this section.

DISCUSSION AND ANALYSIS OF EARNINGS PER SHARE

Subsequent to December 31, 2007, the shareholders of our Company in their meeting held on January 8, 2008 approved the split of one equity share of Rs. 100 each into 10 equity shares of Rs. 10 each. At the same meeting, the shareholders also approved the issue of 3.60 crore equity shares of Rs. 10 each in the ratio of 1:9 (9 equity shares for every 1 equity share of our Company). Accordingly, the discussion and analysis of earning per equity share in this section has been done after considering this split in face value of equity shares and the issue of bonus shares. For details of computation of earnings per equity share, refer to the “**Auditors’ Report- Restated Standalone Financial Statements**” on page 117.

RESULTS OF OPERATIONS

Revenues

Our revenue, which is referred to herein and in our financial statements, consists of operating income and other income, the components of which are as follows:

- Operating income includes consultancy and inspection fee from domestic and foreign projects, trading income from export sales and income from lease services; and
- Other income primarily includes interest earned on (i) deposits with banks, (ii) loans to joint ventures, and (iii) staff advances, export incentives, interest on income tax refunds, rental income and other miscellaneous income.

Expenditures

The major component of our expenditure includes employees’ costs, cost to be incurred on supplies and services and cost of export sales. The details of these costs and the other expenses which we incur are as under:

(a) Employees' cost

Employees' cost includes salaries, contributions to provident fund, gratuity, house rent, maintenance of residential buildings, medical and welfare, staff insurance, contract employees benefits, leave travel concession, productivity linked incentive scheme, award/ honorarium, and leave encashment expenses.

(b) Cost of export sales

Cost of export sales includes purchase cost, consumables, freight and forwarding, insurance, fees for services obtained, provision for warranties and other procurement expenses relating to export of locomotives, rolling stock, spare parts etc.

Other expenses relating to export sales include employee costs, travel and conveyance, printing and stationery and rent which are being charged to respective head of accounts.

(c) Supplies and services

Supplies and services include expenditure on outsourcing of activities, services from experts and expenses on supplies.

(d) Other expenses

Other expenses primarily include administrative expenses such as printing and stationery, postage and communications, office rent, office equipment maintenance, power and fuel, stores and spares consumed, bank charges, bad debts, vehicle maintenance, exchange variation and provisions including provisions created for doubtful debts and incomplete assignments, .

Depreciation

We provide for depreciation in accordance with our accounting policy as enumerated in the ***"Auditors' Report-Restated Standalone Financial Statements-Significant Accounting Policies"*** on page 237.

Extraordinary Items

Our extraordinary items include exchange loss or gains on Iraq dues outstanding from GoI and profit on sale of investments in subsidiaries/ associate companies and profit on sale of assets, adjusted net of tax. In Fiscal 2003, GoI notified its decision to issue bonds to our Company for the balance due amounting to US\$ 2.46 crore in respect of BAAR Project, Iraq in equivalent Indian rupees. On March 28, 2008, the MoR issued a letter to our Company, stating that the balance amount of Rs. 117.75 crore payable to our Company, shall be paid in cash in Fiscal 2009. In addition, our Company shall be entitled to interest at the rate of 8.75% per annum on this amount, w.e.f. October 1, 2001.

Summary Results of Operations

The following is a summary of the results of our operations derived from our restated standalone financial statements submitted under ***"Auditors' Report- Restated Standalone Financial Statements"*** on page 117 for Fiscals 2004, 2005, 2006 and 2007 and the nine months ended December 31, 2007.

(Rs. in crore)

Particulars	Fiscal 2004	% of Total Income	Fiscal 2005	% of Total Income	Fiscal 2006	% of Total Income	Fiscal 2007	% of Total Income	For nine months ended December 31, 2007	% of Total Income
Income										
Operating Income										
Consultancy & Inspection fee	206.77	74.15	191.91	83.56	258.72	67.84	264.35	47.39	234.27	55.36
Export Sales	48.61	17.43	18.26	7.95	96.09	25.20	252.79	45.32	147.69	34.90
Lease Services	9.78	3.51	9.64	4.20	9.48	2.48	12.74	2.28	12.97	3.06
Total Operating Income	265.16	95.09	219.81	95.71	364.29	95.52	529.88	94.99	394.93	93.32
Other Income	13.69	4.91	9.85	4.29	17.09	4.48	27.96	5.01	28.29	6.68
Total Income (A)	278.85	100	229.66	100	381.38	100	557.84	100	423.22	100
Expenditure										
Employees Cost	75.87	27.21	74.73	32.54	85.98	22.54	95.67	17.15	80.24	18.96
Cost of export sales	36.31	13.02	13.15	5.73	73.87	19.37	178.48	31.99	104.63	24.72
Suppliers & Services	38.57	13.83	30.48	13.27	55.97	14.68	40.25	7.22	59.95	14.17
Other Expenses	41.98	15.05	44.47	19.36	54.15	14.20	53.46	9.58	53.80	12.71
Depreciation	7.71	2.76	6.61	2.88	6.35	1.66	7.18	1.29	6.03	1.42
Total Expenditure (B)	200.44	71.87	169.44	73.78	276.32	72.45	375.04	67.23	304.65	71.98
Profit Before Tax & Extra Ordinary Items C=(A-B)	78.41	28.13	60.22	26.22	105.06	27.55	182.80	32.77	118.57	28.02
Provision for Taxation, Deferred Tax Liability and FBT (D)	24.79	8.89	21.05	9.17	36.12	9.47	63.30	11.35	41.99	9.92
Profit After Tax & Before Extra Ordinary Items E= (C-D)	53.62	19.24	39.17	17.05	68.94	18.08	119.50	21.42	76.58	18.10
Extra Ordinary Items (Net of Taxes) (F)	(6.54)	(2.35)	1.70	0.74	5.69	1.49	(2.23)	(0.40)	(5.76)	(1.36)
Profit After Tax Available for Appropriation G=(E+F)	47.08	16.89	40.87	17.79	74.63	19.57	117.27	21.02	70.82	16.74

Discussion of results for nine months ended December 31, 2007

Total Income

Total income for the nine months ended December 31, 2007 was Rs. 423.22 crore, comprising Rs. 394.93 crore of operating income and Rs. 28.29 crore of other income.

(Rs. in crore)

Income	Nine months ended December 31, 2007
Operating income	
- Consultancy and inspection fees	234.27
- Export sales	147.69
- Leasing services	12.97
Total operating income	394.93
Other income	28.29
Total income	423.22

(a) Income from Operations

Revenue from consultancy and inspection fees stood at Rs. 234.27 crore. As a percentage of total income, revenue from this source was 55.36% for the nine months ended December 31, 2007. Our revenue from export sales stood at Rs. 147.69 crore, which was 34.90% of the total income. The income from leasing services stood at Rs. 12.97 crore, which constituted 3.06% of the total income.

(b) Other Income

We reported other income of Rs. 28.29 crore which constituted 6.68% of the total income. This primarily includes interest income of Rs. 22.04 crore from parking of funds in short-term deposits with banks, interest of Rs. 2.84 crore on loan to CCFB and export incentives of Rs. 1.6 crore.

Expenditure

Our expenditure was Rs. 304.65 crore, which as a percentage of total income stood at 71.98% for the nine months ended December 31, 2007.

(Rs. in crore)

Expenditure	Nine Months Ended December 31, 2007
Employees' Cost	80.24
Cost of Export Sales	104.63
Supplies and Services	59.95
Other Expenses	53.80
Depreciation	6.03
Total	304.65

(a) Employees Cost

Our employees cost was Rs. 80.24 crore, which as a percentage of total income was 18.96% for the nine months ended December 31, 2007.

(b) Cost of Export Sales

Our expenditure on cost of export sales was Rs. 104.63 crore, which as a percentage of total income, stood at 24.72% for the nine months ended December 31, 2007.

(c) Supplies and Services

Our expenditure for supplies and services was Rs. 59.95 crore, which as a percentage of total income, stood at 14.17% for the nine months ended December 31, 2007.

(d) Other Expenses

Our other expenses were Rs. 53.80 crore, which as a percentage of total income, stood at 12.71% for the nine months ended December 31, 2007. Other expenses included net provision of Rs. 12.37 crore created towards doubtful debts, after reviewing the realisability of debts.

(e) Depreciation

Depreciation on fixed assets was Rs. 6.03 crore, which as a percentage of total income, stood at 1.42% for the nine months ended December 31, 2007.

Profit before tax and extraordinary items

Profit before tax and extraordinary items was Rs. 118.57 crore, which as a percentage of total income, stood at 28.02% for the nine months ended December 31, 2007.

Profit after tax and before extraordinary items

Profit after tax and before extraordinary items was Rs. 76.58 crore, which as a percentage of total income stood at 18.10% for the nine months ended December 31, 2007. The earning per equity share based on profit after tax and before extraordinary items was Rs. 19.14 for the nine months ended December 31, 2007.

Extraordinary Items (Net of taxes)

Extraordinary items, adjusted for taxes, were Rs. (-) 5.76 crore for the nine months ended December 31, 2007, which as a percentage of total income, stood at 1.36% of total income. This loss pertains to exchange loss on Iraq dues payable by GoI in equivalent Rupees. In Fiscal 2003, GoI notified its decision to issue bonds to our Company for the balance due amounting to US\$ 2.46 crore in respect of BAAR Project, Iraq in equivalent Indian rupees at the exchange rate prevalent on the date of issue of bonds or approved rate of Rs. 47.86 as against 1 US\$, whichever is lower. The exchange loss was on account of translation of this outstanding dues denominated in US\$ into equivalent Indian Rupees at the exchange rate prevailing on December 31, 2007. On March 28, 2008, the MoR issued a letter to our Company, stating that the balance amount of Rs. 117.75 crore payable to our Company, shall be paid in cash in Fiscal 2009. In addition, our Company shall be entitled to interest at the rate of 8.75% per annum on this amount, w.e.f. October 1, 2001.

Profit after tax available for appropriations

Our Company made a net profit of Rs. 70.82 crore for the nine months ended December 31, 2007. The earning per equity share based on profit after tax and extraordinary items was Rs. 17.70 for the nine months ended December 31, 2007.

Fiscal 2007 compared to Fiscal 2006

Total Income

Our total income increased by 46.26% from Rs. 381.38 crore in Fiscal 2006 to Rs. 557.84 crore in Fiscal 2007.

(Rs. in crore)

Income	Year ended March 31,	
	2006	2007
Operating income		
- Consultancy fees & inspection fees	258.72	264.35
- Export sales	96.09	252.79
- Leasing services	9.48	12.74
Total operating income	364.29	529.88
Other income	17.09	27.96
Total income	381.38	557.84

(a) Income from Operations

Our income from operations increased by 45.45% from Rs. 364.29 crore in Fiscal 2006 to Rs. 529.88 crore in Fiscal 2007. Income from consultancy and inspection fees was relatively stable and increased from Rs. 258.72 crore in Fiscal 2006 to Rs. 264.35 crore in Fiscal 2007. The revenues from export sales increased by 163.07% from Rs. 96.09 crore in Fiscal 2006 to Rs. 252.79 crore in Fiscal 2007. The increase was primarily due to execution of increased export orders of rolling stock to Myanmar, Sudan, Angola, Mali and Senegal Railways. Further, this increase is also attributable to a delayed shipment to Myanmar worth Rs. 72.97 crore, which was received by the client only in April 2006. Hence, the same had to be accounted for as export sale income only in Fiscal 2007, which in turn resulted in accounting of lower export sale in Fiscal 2006. Income from leasing services increased from Rs. 9.48 crore in Fiscal 2006 to Rs. 12.74 crore in Fiscal 2007, registering a growth of 34.38%, primarily on account of additional business procured from Tanzania and Mozambique.

(b) Other Income

Our other income increased by 63.60% from Rs. 17.09 crore in Fiscal 2006 to Rs. 27.96 crore in Fiscal 2007, mainly because of increase in interest earned on short-term deposits with Banks and interest on loan to CCFB. Our Company, during Fiscal 2007, also received export incentives and rental income in respect of lease arrangement entered into with the Railway Board, Indian Railways for a furnished accommodation.

Expenditure

Our total expenses increased by 35.72% from Rs. 276.32 crore in Fiscal 2006 to Rs. 375.04 crore in Fiscal 2007.

(Rs. in crore)

Expenditures	Year ended March 31,	
	2006	2007
Employees' Cost	85.98	95.67
Cost of Export Sales	73.87	178.48
Supplies and Services	55.97	40.25
Other Expenses	54.15	53.46
Depreciation	6.35	7.18
Total	276.32	375.04

(a) Employees' Cost

Our employees cost increased by 11.27% from Rs. 85.98 crore in Fiscal 2006 to Rs. 95.67 crore in Fiscal 2007, mainly due to annual increments, promotions, increased dearness allowance and increase in the number of staff.

(b) Cost of Export Sales

Our expenditure on cost of export sales increased by 141.61% from Rs. 73.87 crore in Fiscal 2006 to Rs. 178.48 crore in Fiscal 2007 due to corresponding increase in export sales achieved during Fiscal 2007.

(c) Supplies and Services

Our expenditure for supplies and services decreased by 28.08% from Rs. 55.97 crore in Fiscal 2006 to Rs. 40.25 crore in Fiscal 2007. The decrease in expenditure was on account of reduced outsourced activities in Fiscal 2007.

(d) Other Expenses

Our other Expenses decreased marginally by 1.27% from Rs. 54.15 crore in Fiscal 2006 to Rs. 53.46 crore in Fiscal 2007.

(e) Depreciation

Depreciation on fixed assets increased by 13.07% from Rs. 6.35 crore in Fiscal 2006 to Rs. 7.18 crore in Fiscal 2007 due to addition to fixed assets.

Profit before tax and extraordinary items

Our profit before tax and extraordinary items increased by 73.99% from Rs. 105.06 crore in Fiscal 2006 to Rs. 182.80 crore in Fiscal 2007. As a percentage of total income, our profit before tax and extraordinary items increased from 27.55% in Fiscal 2006 to 32.77% in Fiscal 2007.

Profit after tax and before extraordinary items

Our profit after tax and before extraordinary items increased by 73.33% from Rs. 68.94 crore in Fiscal 2006 to Rs. 119.50 crore in Fiscal 2007. The earning per equity share based on profit after tax and before extraordinary items was Rs. 17.23 for Fiscal 2006 as compared to Rs. 29.87 for Fiscal 2007.

Extraordinary Items (Net of taxes)

Extraordinary items, adjusted for taxes, were Rs. (-)2.23 crore for Fiscal 2007 as compared to Rs. 5.69 crore for Fiscal 2006. This loss in Fiscal 2007 was primarily due to exchange loss on account of translation of outstanding dues in respect of BAAR Project, Iraq payable by GoI, denominated in US\$ into equivalent Indian Rupees at the exchange rate prevailing as at the year end.

Profit after tax available for appropriations

Our profit after tax increased by 57.13% from Rs. 74.63 crore in Fiscal 2006 to Rs. 117.27 crore in Fiscal 2007. Our earning per equity share based on profit after tax and extraordinary items increased from Rs. 18.66 per equity share in Fiscal 2006 to Rs. 29.32 per equity share in Fiscal 2007.

Fiscal 2006 compared to Fiscal 2005

Total Income

Our total income increased by 66.06% from Rs. 229.66 crore in Fiscal 2005 to Rs. 381.38 crore in Fiscal 2006.

(Rs. in crore)

Income	Year ended March 31,	
	2005	2006
Operating income		
- Consultancy & inspection fees	191.91	258.72
- Export sales	18.26	96.09
- Leasing services	9.64	9.48
Total operating income	219.81	364.29
Other income	9.85	17.09
Total income	229.66	381.38

(a) Income from Operations

Our income from operations increased by 65.72% from Rs. 219.81 crore in Fiscal 2005 to Rs. 364.29 crore in Fiscal 2006. Income from consultancy and inspection fees increased by 34.81% from Rs. 191.91 crore in Fiscal 2005 to Rs. 258.72 crore in Fiscal 2006. This increase was due to new consultancy business from existing clients and addition of new clients in Fiscal 2006. The revenues from export sales increased by 426.23% from Rs. 18.26 crore in Fiscal 2005 to Rs. 96.09 crore in Fiscal 2006, partly due to increased export of rolling stock to Myanmar and Sudan Railways. Delay in finalisation of contracts in Fiscal 2005 partly resulted in an increase of export sales in Fiscal 2006. Income from leasing services decreased marginally from Rs. 9.64 crore in Fiscal 2005 to Rs. 9.48 crore in Fiscal 2006.

(b) Other Income

Our other income increased by 73.50% from Rs. 9.85 crore in Fiscal 2005 to Rs. 17.09 crore in Fiscal 2006, mainly because of increase in interest earned on short-term deposits with banks, interest on loan to CCFB and interest on income tax refund.

Expenditure

Our total expenses increased by 63.07% from Rs. 169.44 crore in Fiscal 2005 to Rs. 276.32 crore in Fiscal 2006.

(Rs. in crore)

Expenditures	Year ended March 31,	
	2005	2006
Employees' Cost	74.73	85.98
Cost of Export Sales	13.15	73.87
Supplies and Services	30.48	55.97
Other Expenses	44.47	54.15
Depreciation	6.61	6.35

Expenditures	Year ended March 31,	
	2005	2006
Total	169.44	276.32

(a) Employees Cost

Our employees cost increased by 15.05% from Rs. 74.73 crore in Fiscal 2005 to Rs. 85.98 crore in Fiscal 2006 mainly due to increase in the number of staff on account of increased business activities and increase in productivity linked incentive, promotions and release of dearness allowance installments.

(b) Cost of Export Sales

Our expenditure on cost of export sales increased by 461.74% from Rs. 13.15 crore in Fiscal 2005 to Rs. 73.87 crore in Fiscal 2006 on account of an increase in purchases and warranties because of increased export sales.

(c) Supplies and Services

Our expenditure for supplies and services increased by 83.62% from Rs. 30.48 crore in Fiscal 2005 to Rs. 55.97 crore in Fiscal 2006 due to increase in works outsourced as a result of an increase in consultancy business.

(d) Other Expenses

Our other expenses increased by 21.76% from Rs. 44.47 crore in Fiscal 2005 to Rs. 54.15 crore in Fiscal 2006. The increase was primarily due to provisions of Rs. 12.39 crore created during Fiscal 2006 for doubtful advances and debts.

(e) Depreciation

Depreciation on fixed assets decreased by 3.93% from Rs. 6.61 crore in Fiscal 2005 to Rs. 6.35 crore in Fiscal 2006. The decrease in depreciation in Fiscal 2006 was primarily on account of sale of certain fixed assets during the year.

Profit before tax and extraordinary items

Our profit before tax and extraordinary items increased by 74.46% from Rs. 60.22 crore in Fiscal 2005 to Rs. 105.06 crore in Fiscal 2006. As a percentage of total income, our profit before tax and extraordinary items increased from 26.22% in Fiscal 2005 to 27.55% in Fiscal 2006.

Profit after tax and before extraordinary items

Our profit after tax and before extraordinary items increased by 76% from Rs. 39.17 crore in Fiscal 2005 to Rs.68.94 crore in Fiscal 2006. The earning per equity share based on profit after tax and before extraordinary items was Rs. 9.79 for Fiscal 2005 as compared to Rs. 17.23 for Fiscal 2006.

Extraordinary Items (Net of taxes)

Extraordinary items, adjusted for taxes, increased by 234.70% from Rs. 1.70 crore in Fiscal 2005 to Rs. 5.69 crore in Fiscal 2006. The increase in income from extraordinary items (net of taxes) was primarily due to (i) exchange gain on account of translation of outstanding dues, in respect of BAAR Project, Iraq payable by GoI, denominated in US\$ into equivalent Indian Rupees at the exchange rate

prevailing as at the year end; and (ii) profit on sale of equity shares held in FENOCO, a joint venture entity incorporated in Colombia for operating the Atlantic Railway concession.

Profit after tax available for appropriations

Our profit after tax increased by 82.60% from Rs. 40.87 crore in Fiscal 2005 to Rs. 74.63 crore in Fiscal 2006. Our earnings per equity share based on profit after tax and extraordinary items increased from Rs. 10.22 per equity share in Fiscal 2005 to Rs. 18.66 per equity share in Fiscal 2006.

Fiscal 2005 compared to Fiscal 2004

Total Income

Our total income decreased by 17.64% from Rs. 278.85 crore in Fiscal 2004 to Rs. 229.66 crore in Fiscal 2005.

(Rs. in crore)

Income	Year ended March 31,	
	2004	2005
Operating income		
- Consultancy fees & inspection fees	206.77	191.91
- Export sales	48.61	18.26
- Leasing services	9.78	9.64
Total operating income	265.16	219.81
Other income	13.69	9.85
Total income	278.85	229.66

(a) Income from Operations

Our income from operations decreased by 17.10% from Rs. 265.16 crore in Fiscal 2004 to Rs. 219.81 crore in Fiscal 2005. Income from consultancy and inspection fees decreased by 7.18% from Rs. 206.77 crore in Fiscal 2004 to Rs. 191.91 crore in Fiscal 2005. The revenues from export sales also decreased by 62.44% from Rs. 48.61 crore in Fiscal 2004 to Rs. 18.26 crore in Fiscal 2005. This decrease was mainly due to delayed finalisation of export contracts resulting in lower export sales and demobilisation of signalling teams from UK, Sharjah and Malaysia resulting in lower consultancy fees. Income from leasing services remained relatively stable at Rs. 9.64 crore in Fiscal 2005 as compared to Rs. 9.78 crore in Fiscal 2004.

(b) Other Income

Our other income decreased by 28.04% from Rs. 13.69 crore in Fiscal 2004 to Rs. 9.85 crore in Fiscal 2005. The decrease in other income in Fiscal 2005 was primarily on account of (i) fall in dividend income on account of sale during Fiscal 2005 of current trade investments in UTI G-Sec Fund; and (ii) exchange variation loss incurred in Fiscal 2005, compared to exchange variation income in Fiscal 2004.

Expenditure

Our total expenses decreased by 15.46% from Rs. 200.44 crore in Fiscal 2004 to Rs. 169.44 crore in Fiscal 2005.

(Rs. in crore)

Expenditures	Year ended March 31,	
	2004	2005
Employees Cost	75.87	74.73
Cost of Export Sales	36.31	13.15
Supplies and Services	38.57	30.48
Other Expenses	41.98	44.47
Depreciation	7.71	6.61
Total	200.44	169.44

(a) Employees Cost

Our Employees cost decreased marginally by 1.50% from Rs. 75.87 crore in Fiscal 2004 to Rs. 74.73 crore in Fiscal 2005 mainly because of demobilization of experts on completion of projects undertaken in Malaysia, UK and Sharjah where salaries were paid in US\$ on man-month basis.

(b) Cost of Export Sales

Our expenditure on cost of export sales decreased by 63.78% from Rs. 36.31 crore in Fiscal 2004 to Rs. 13.15 crore in Fiscal 2005 due to decrease in export sales.

(c) Supplies and Services

Our expenditure for supplies and services decreased by 20.97% from Rs. 38.57 crore in Fiscal 2004 to Rs. 30.48 crore in Fiscal 2005 due to decrease in outsourced works.

(d) Other Expenses

Our other expenses increased by 5.93% from Rs. 41.98 crore in Fiscal 2004 to Rs. 44.47 crore in Fiscal 2005 mainly due to research and development expenses of Rs. 1.15 crore incurred on prototype locomotives, increase in provision for doubtful debts to Rs. 6.87 crore and creation of provision of Rs. 1.09 crore towards excise bonds in Fiscal 2005.

(e) Depreciation

Depreciation on fixed assets decreased by 14.26% from Rs. 7.71 crore in Fiscal 2004 to Rs. 6.61 crore in Fiscal 2005, primarily due to sale of the 13th floor of our office premises at the SCOPE Complex in New Delhi to MECON Limited, through agreement dated December 23, 2004.

Profit before tax and extraordinary items

Our profit before tax and extraordinary items decreased by 23.19% from Rs. 78.41 crore in Fiscal 2004 to Rs. 60.22 crore in Fiscal 2005. As a percentage of total income, our profit before tax and extraordinary items decreased marginally from 28.13% in Fiscal 2004 to 26.22% in Fiscal 2005.

Profit after tax and before extraordinary items

Our profit after tax and before extraordinary items decreased by 26.94% from Rs. 53.62 crore in Fiscal 2004 to Rs. 39.17 crore in Fiscal 2005. The earning per equity share based on profit after tax and before extraordinary items was Rs. 13.40 for Fiscal 2004 as compared to Rs. 9.79 for Fiscal 2005.

Extraordinary Items (Net of taxes)

Extraordinary items, adjusted for taxes, were Rs. 1.70 crore in Fiscal 2005 as compared to Rs.(-) 6.54 crore in Fiscal 2004. The income in Fiscal 2005 was from profit made on sale of office space in Delhi and after adjusting the exchange loss on account of translation of outstanding dues, in respect of BAAR Project, Iraq payable by GoI, denominated in US\$ into equivalent Indian Rupees at the exchange rate prevailing as at the year end.

Profit after tax available for appropriations

Our profit after tax decreased by 13.19% from Rs. 47.08 crore in Fiscal 2004 to Rs. 40.87 crore in Fiscal 2005. Our earnings per equity share based on profit after tax and extraordinary items decreased from Rs. 11.77 per equity share in Fiscal 2004 to Rs. 10.22 per equity share in Fiscal 2005.

Liquidity and Capital Resources

Cash flow

As of December 31, 2007, we had cash and cash equivalents of Rs. 527.60 crore. As of December 31, 2007, the net cash and cash equivalents includes Rs. 331.58 crore received from clients. As of March 31, 2007, we had cash and cash equivalents of Rs. 433.12 crore, compared to Rs. 272.75 crore and Rs. 212.17 crore as of March 31, 2006 and 2005, respectively. The net cash and cash equivalents also includes Rs. 209.84 crore, Rs. 144.84 crore and Rs. 79.34 crore received from clients as of March 31, 2007, March 31, 2006 and March 31, 2005 respectively.

Particulars	Year ended March 31,			For the Nine months ended December 31, 2007
	2005	2006	2007	
Net cash flow from/ (used in) operating activities	109.05	68.23	225.77	157.81
Net cash flow from/ (used in) investment activities	3.35	10.59	(14.67)	(42.01)
Net cash flow from/ (used in) financing activities	(41.11)	(18.24)	(51.31)	(19.89)
Effect of exchange difference on translation of foreign currency	(0.34)	-	0.58	(1.43)
Net cash and cash equivalents at the end of the year	212.17	272.75	433.12	527.60

Cash flows from/ (used in) operating activities

Nine months ended December 2007

Net cash from operating activities was Rs. 157.81 crore for the nine months ended December 31, 2007, which was primarily due to cash generated from operations (before working capital changes) of Rs. 112.83 crore, increase in current liabilities and provisions of Rs. 105.52 crore and decrease in sundry debtors of Rs. 4.97 crore and loans and advances of Rs. 14.98 crore, being reduced by increase in inventories of Rs. 3.18 crore, work in progress of Rs. 3.55 crore, other current assets of Rs. 2.62 crore and payment of income taxes and Fringe Benefit Tax paid amounting to Rs. 61.79 crore and extraordinary items of Rs. 9.35 crore.

Fiscal 2007

Net cash from operating activities was Rs. 225.77 crore in Fiscal 2007, which was primarily due to cash generated from operations (before working capital changes) of Rs. 169.77 crore, increase in current liabilities and provisions of Rs. 93.05 crore and decrease in inventories of Rs. 41.95 crore, loans and advances of Rs. 35.02 crore being reduced by increase in sundry debtors of Rs. 26.50 crore, Work in Progress of Rs. 1 crore, other current assets of Rs. 1.92 crore and payment of income taxes and Fringe Benefit Tax of Rs. 81.18 crore and extraordinary items of Rs. 3.42 crore.

Fiscal 2006

Net cash from operating activities was Rs. 68.23 crore in Fiscal 2006, which was primarily due to cash generated from operations (before working capital changes) of Rs. 107.58 crore, increase in current liabilities and provisions of Rs. 129.14 crore and extraordinary items of Rs. 9 crore, being reduced by increase in inventories of Rs. 47.64 crore, work in progress of Rs. 1.98 crore, sundry debtors of Rs. 28.66 crore and other current assets of Rs. 1.85 crore and increase in loans and advances of Rs. 37.78 crore and payment of income taxes and fringe benefit tax of Rs. 59.58 crore.

Fiscal 2005

Net cash from operating activities was Rs. 109.05 crore in Fiscal 2005, which was primarily due to cash generated from operations (before working capital changes) of Rs. 66.61 crore, increase in current liabilities and provisions of Rs. 87.26 crore and decrease of sundry debtors by Rs. 2.39 crore, extraordinary item of Rs. 2.75 crore being reduced by increase in loans and advances of Rs. 22.46 crore, inventories of Rs. 1.45 crore, other current assets of Rs. 0.51 crore, Work in Progress of Rs. 0.40 crore and payment of income taxes of Rs. 25.14 crore.

Cash Flow from/ (used in) Investing Activities

Nine months ended December 31, 2007

Net cash used in investing activities amounted to Rs. 42.01 crore for the nine months ended December 31, 2007. Purchase of fixed assets of Rs. 20.60 crore and Investments made of Rs. 47.23 crore were partially offset by interest income of Rs. 25.59 crore and receipt of loan instalment of Rs. 0.20 crore given by the Company.

Fiscal 2007

Net cash used in investing activities amounted to Rs. 14.67 crore in Fiscal 2007. This primarily consisted of the purchase/construction of fixed assets of Rs. 21.27 crore, which included locomotive, computer systems (including software), furniture and fixtures and office equipment and grant of loan of Rs. 18.10 crore to CCFB, Mozambique which was partially offset by interest income of Rs. 24.40 crore and receipt of loan instalment of Rs. 0.20 crore given by our Company.

Fiscal 2006

Net cash flow from investing activities amounted to Rs. 10.59 crore in Fiscal 2006. This primarily consisted of sale proceeds of investment in equity shares amounting to Rs. 3.16 crore held in FENOCO, a joint venture entity incorporated in Colombia, receipt of loan instalment of Rs. 0.20 crore and interest income of Rs. 15.85 crore, which was offset by purchase of assets of Rs. 4.12 crore and grant of loan of Rs. 4.55 crore to CCFB, Mozambique.

Fiscal 2005

Net cash flow from investing activities amounted to Rs. 3.35 crore in Fiscal 2005. This primarily consisted of sale of current investments amounting to Rs. 15.71 crore, sale of office building and other fixed assets amounting to Rs. 5.48 crore, receipt of loan instalment of Rs. 0.20 crore and interest income of Rs. 8.71 crore which was partially set off by investment of Rs. 6 crore in our joint venture CCFB, Mozambique, grant of loan of Rs. 16.70 crore to CCFB, Mozambique and purchase of assets of Rs. 3.52 crore.

Cash Flow from/ (used in) Financing Activities

Nine months ended December 31, 2007

Net cash used in financing activities amounted to Rs. 19.89 crore for the nine months ended December 31, 2007. This was comprised of dividend to shareholders and dividend tax thereon.

Fiscal 2007

Net cash used in financing activities amounted to Rs. 51.31 crore in Fiscal 2007. This was comprised of payment of dividend of Rs. 45 crore to shareholders and dividend tax of Rs. 6.31 crore thereon.

Fiscal 2006

Net cash used in financing activities amounted to Rs. 18.24 crore in Fiscal 2006. This was comprised of payment of dividend of Rs. 16 crore to shareholders and dividend tax of Rs. 2.24 crore thereon.

Fiscal 2005

Net cash used in financing activities amounted to Rs. 41.11 crore in Fiscal 2005. This was primarily comprised of repayment of loans to financial institutions along with interest thereon amounting to Rs. 28.35 crore, payment of dividend of Rs. 11.30 crore to shareholders and dividend tax of Rs. 1.46 crore thereon.

Financial Condition

The following table sets forth the net assets as of March 31, 2005, 2006 and 2007 and December 31, 2007:

Particulars	As of March 31,			(Rs. in crore)
	2005	2006	2007	For the Nine months ended December 31, 2007
Total assets	653.65	854.25	1,027.60	1,166.85
Total liabilities	300.36	449.13	551	631.12
Net Assets	353.29	405.12	476.60	535.73

Our net assets, which we define as total assets less total liabilities, increased by 14.67% from Rs. 353.29 crore as of March 31, 2005 to Rs. 405.12 crore as of March 31, 2006 and these increased by 17.64% from Rs. 405.12 crore as of March 31, 2006 to Rs. 476.60 crore as of March 31, 2007. Our net assets were Rs. 535.73 crore as of December 31, 2007.

Assets

The following table sets forth the principal components of our assets as of March 31, 2005, 2006, 2007 and December 31, 2007:

(Rs. in crore)

Particulars	As of March 31,			As of December 31, 2007
	2005	2006	2007	
Fixed assets	78.34	76.08	90.14	104.69
Investments	9.27	6.11	6.08	57.94
Deferred Tax Asset	9.25	13.12	15.17	19.94
Inventories	3.32	52.94	11.98	18.71
Sundry Debtors	114.83	131.45	153.70	136.39
Cash and Bank Balances	208.27	266.75	424.81	496.11
Loans and Advances	219.23	292.73	306.38	306.97
Other Current Assets	11.14	15.07	19.34	26.10
Total Assets	653.65	854.25	1,027.60	1,166.85

Our total assets increased by 30.68% from Rs. 653.65 crore as of March 31, 2005 to Rs. 854.25 crore as of March 31, 2006 and these increased by 20.29% from Rs. 854.25 crore as of March 31, 2006 to Rs. 1,027.60 crore as of March 31, 2007. Our total assets were Rs. 1,166.85 crore as of December 31, 2007.

Liabilities

The following table sets forth the principal components of our liabilities as of March 31, 2005, 2006, 2007 and December 31, 2007:

(Rs. in crore)

Particulars	As of March 31,			As of December 31, 2007
	2005	2006	2007	
Current liabilities	233.97	356.14	443.83	541.19
Provisions	66.39	92.99	107.17	89.93
Total liabilities	300.36	449.13	551	631.12

Our total liabilities increased by 49.53% from Rs. 300.36 crore as of March 31, 2005 to Rs. 449.13 crore as of March 31, 2006 and these increased by 22.68% from Rs. 449.13 crore as of March 31, 2006 to Rs. 551 crore as of March 31, 2007. Our total liabilities were Rs. 631.12 crore as of December 31, 2007. This increase was due to increase in customer advances.

Capital Resources

Following are the sources of funding for our operations:

(Rs. in crore)

	As at March 31			As at December 31, 2007
	2005	2006	2007	
Shareholders funds				
- Capital	4	4	4	4

	As at March 31			As at December 31, 2007
	2005	2006	2007	
- Free reserves and surplus	349.29	401.12	472.60	531.73
Total	353.29	405.12	476.60	535.73

Shareholders' funds

As of December 31, 2007, our total shareholders' funds were Rs. 535.73 crore, consisting of share capital of Rs. 4 crore and free reserves and surplus of Rs. 531.73 crore. As of March 31, 2007, our total shareholders' funds were Rs. 476.60 crore, consisting of share capital of Rs. 4 crore and free reserves and surplus of Rs. 472.60 crore. Since Fiscal 2005, we are a zero-debt Company and our cash flow from operations, which is discussed above, contributes to our liquidity, reserves and surplus on an ongoing basis.

Capital Expenditure

Our capital expenditure is for acquisition of fixed assets, which primarily includes locomotives which we lease to our clients, survey equipment, computers, land and building. Our capital expenditures in Fiscals 2005, 2006 and 2007 were Rs. 3.52 crore, Rs. 4.12 crore, and Rs. 21.27 crore, respectively. Our capital expenditure for the nine months ended December 31, 2007 was Rs. 20.60 crore. This capital expenditure was primarily towards purchase of additional locomotives for leasing business in Tanzania and Mozambique.

We propose to establish a design and training centre, for an estimated cost of Rs. 11.60 crore. This cost of Rs. 11.60 crore is intended to be financed out of the Net Proceeds of the Fresh issue. For details, see "***Objects of the Issue- (d) Setting up of a design and training centre***" on page 33.

SELECTED BALANCE SHEET ITEMS

Fixed Assets

Our total fixed assets after depreciation were Rs. 90.14 crore, Rs. 76.08 crore and Rs. 78.34 crore as on March 31, 2007, 2006, and 2005 respectively. Our fixed assets after depreciation as on December 31, 2007 were Rs. 104.69 crore. Our fixed assets primarily include land, building, survey equipment, computer equipment, air conditioning plant, furniture and fixtures, locomotives and capital work in progress. Our fixed assets value decreased by 10.05% in Fiscal 2005 as compared to Fiscal 2004, decreased by 2.88% in Fiscal 2006 as compared to Fiscal 2005, increased by 18.48% in Fiscal 2007 as compared to Fiscal 2006. This increase in Fiscal 2007 was primarily due to purchase of locomotives, land for office use in Gurgaon, furniture and fixtures and computers.

Investments

Our investments were Rs. 6.08 crore, Rs. 6.11 crore and Rs. 9.27 crore as on March 31, 2007, 2006 and 2005 respectively. Our total investments were Rs. 57.94 crore as on December 31, 2007. Our investment decreased by 52.96% in Fiscal 2005 as compared to Fiscal 2004 primarily on account of sale of current investments during Fiscal 2005. During Fiscal 2005, our Company made an investment of Rs. 6 crore in our joint venture CCFB for undertaking the concessioning project in Mozambique. Our investments decreased by 34.09% in Fiscal 2006 as compared to Fiscal 2005 due to sale of equity shares held in FENOCO, our joint venture entity incorporated in Colombia for undertaking the Atlantic Railway concession. Our investments decreased marginally in Fiscal 2007 as compared to Fiscal 2006 on account of liquidation of RITES Colombia LTDA, Colombia, during Fiscal 2007. Our investments increased in the nine months ended December 31, 2007, primarily due to (i) investment of Rs. 32.84 crore in our subsidiary TRL for undertaking the concessioning project in Tanzania; and (ii) investment of Rs. 19.02 crore in the UTI liquid plan.

Inventories

Our inventories were Rs. 11.98 crore, Rs. 52.94 crore and Rs. 3.32 crore as on March 31, 2007, 2006 and 2005 respectively. Our inventories were Rs. 18.71 crore as on December 31, 2007. Our inventories increased by 124.32% in Fiscal 2005 as compared to Fiscal 2004 due to stock of spare parts of locomotives which were stocked for export next year. Inventories increased by 1,494.57% in Fiscal 2006 as compared to Fiscal 2005 due to stocking of inventories of rolling stock which were stocked for export next year. This increase in our inventories was on account of a shipment to Myanmar worth Rs. 72.97 crore which got delayed and was received by the client only in April 2006. Hence, the same had to be accounted for as inventory in our books as on March 31, 2006. Further, due to this accounting, our inventories reflected a decline of 77.37% in Fiscal 2007 as compared to Fiscal 2006.

Sundry Debtors

Our sundry debtors were Rs. 153.70 crore, Rs. 131.45 crore and Rs. 114.83 crore as on March 31, 2007, 2006 and 2005 respectively. Our sundry debtors as on December 31, 2007 were Rs. 136.39 crore. Our sundry debtors decreased by 7.45% in Fiscal 2005 as compared to Fiscal 2004, increased by 14.47% in Fiscal 2006 as compared to Fiscal 2005, increased by 16.92% in Fiscal 2007 as compared to Fiscal 2006.

Other Current Assets

Our other current assets were Rs. 19.34 crore, Rs. 15.07 crore and Rs. 11.14 crore as on March 31, 2007, 2006 and 2005 respectively. Our current assets as on December 31, 2007 were Rs. 26.10 crore. Other current assets include interest accrued but not due from staff advances and short deposits with banks. Other current assets increased by 28.19% in Fiscal 2005 as compared to Fiscal 2004, increased by 35.27% in Fiscal 2006 as compared to Fiscal 2005, increased by 28.33% in Fiscal 2007 as compared to Fiscal 2006.

Loans and Advances

Our loans and advances were Rs. 306.38 crore, Rs. 292.73 crore and Rs. 219.23 crore as on March 31, 2007, 2006 and 2005 respectively. Our loans and advances as on December 31, 2007 were Rs. 306.97 crore. Our loans and advances increased by 34.21% in Fiscal 2005 as compared to Fiscal 2004, increased by 33.52% in Fiscal 2006 as compared to Fiscal 2005 and increased by 4.66% in Fiscal 2007 as compared to Fiscal 2006.

Current Liabilities

Our current liabilities were Rs. 443.83 crore, Rs. 356.14 crore and Rs. 233.97 crore as on March 31, 2007, 2006 and 2005 respectively. Our current liabilities as on December 31, 2007 were Rs. 541.19 crore, primarily including advances from customers of Rs. 377.73 crore, sundry creditors of Rs. 89.44 crore and security deposit of Rs. 46.23 crore. Our current liabilities increased by 56.11% in Fiscal 2005 as compared to Fiscal 2004, increased by 52.21% in Fiscal 2006 as compared to Fiscal 2005 and increased by 24.62% in Fiscal 2007 as compared to Fiscal 2006.

Provisions

Our provisions towards liabilities were Rs. 107.17 crore, Rs. 92.99 crore and Rs. 66.39 crore as on March 31 2007, 2006 and 2005 respectively. Our provisions were Rs. 89.93 crore as on December 31, 2007. Our provisions include liabilities towards income tax, proposed dividend, employees' benefits and warranties. Provisions increased by 41.31% in Fiscal 2005 as compared to Fiscal 2004, increased

by 40.06% in Fiscal 2006 as compared to Fiscal 2005 and increased by 15.24% in Fiscal 2007 as compared to Fiscal 2006.

Contingent Liabilities

The following table sets forth the principal components of our contingent liabilities as at March 31, 2005, 2006, 2007 and as at December 31, 2007:

(Rs. in crore)				
Particulars	March 31, 2005	March 31, 2006	March 31, 2007	December 31, 2007
Counter guarantees given by the Company against guarantees issued by the Bankers	125.10	139.14	135.20	94.90
Corporate guarantee on behalf of joint venture company	6.23	-	-	-
Claims against the Company not acknowledged as debt in respect of arbitration/court cases	58.50	624.02	698.47	734.46
Excise Bonds with Central Excise Department	3.50	15.61	12.77	9.23
Contracts remaining to be executed on capital account	0.12	0.67	0.01	10.16
Disputed tax demands -income tax	14.11	43.77	11.25	27.60
Disputed tax demands – others	-	-	-	0.80
Total	207.56	823.21	857.70	877.15

Contingent liabilities increased from Rs. 207.56 crore in Fiscal 2005 to Rs. 823.21 crore in Fiscal 2006. The main reasons for the increase in contingent liabilities were increases in counter guarantees to bankers, arbitration/court cases, excise bond with central excise department and disputed tax demands. Contingent liabilities increased by 4.18% in Fiscal 2007 to Rs. 857.70 crore as compared to Rs. 823.21 crore in Fiscal 2006 primarily due to increase in arbitration/court cases. Contingent liabilities as at December 31, 2007 increased to Rs. 877.15 crore due to increase in arbitration/court cases, disputed tax demands and contracts remaining to be executed on capital account. The increase in contingent liabilities was primarily on account of increase in the amount of claims made against the company in arbitration/court cases. For details of these arbitration/court cases, see “**Outstanding Litigation and Other Material Developments**” on page 240.

Contractual Obligations and Commercial Commitments

As at December 31, 2007, our contractual obligations and commercial commitments consisted principally of the following:

The contracts remaining to be executed on capital account and not provided for, aggregate Rs. 10.16 crore.

ANALYSIS OF CERTAIN CHANGES

Significant developments after December 31, 2007 that may affect the future of our operations

Since December 31, 2007, the following significant events have occurred. We anticipate that each of these events may have an impact on our financial condition and results of operations in future periods:

- In the Extraordinary General Meeting of our Company dated January 8, 2008, our shareholders approved the conversion of our Company from a private limited company to a public limited company pursuant to Section 44 of the Companies Act, 1956 and a fresh certificate of incorporation dated February 5, 2008 was issued by the RoC.

In this meeting, our shareholders also approved the split of face value of our equity shares from Rs. 100 each to Rs. 10 each and the increase in our authorized share capital from Rs. 5 crore divided into 50 lakh equity shares of Rs. 10 each to Rs. 100 crore divided into 10 crore equity shares of Rs.10 each. Further, they approved that a sum of Rs. 36 crore be capitalized out of the free reserves and surplus of our Company and be distributed by way of issuing 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) held by the existing shareholders. These equity shares have been issued to our existing shareholders on February 4, 2008. For further information, see “**Capital Structure**” on page 24.

- Pursuant to an MoU dated October 14, 2007 entered into by our Company with SREI Infrastructure Finance Limited (as lead partner) and Consulting Engineers Services (India) Private Limited (as consulting engineers), a new joint venture company has been incorporated on January 21, 2008 under the name ‘Ganga Expressway Consultants Private Limited’. For details, see “**History and Certain Corporate Matters-Our Joint Ventures**” on page 93.
- The Board of Directors of our Company in their meeting held on February 20, 2008 recommended the payment of second interim dividend of 250% to the shareholders. This interim dividend has since been paid on February 23, 2008. This payment is subject to ratification by our shareholders.
- Our Company signed an MoU dated February 27, 2008, with Rashtriya Ispat Nigam Limited for design and implementation of the railway network expansion project.
- Our Company signed an MoU dated February 21, 2008 with IDFC to jointly engage in the identification of business opportunities and bidding for works and carry out the services relating thereto, if awarded.
- Our Company signed an MoU dated February 24, 2008 with TransNamib Holdings Limited, Namibia for upgrading of the fixed infrastructure and equipment, viz. railway lines, signalling system, bridges, structures and rolling stock.
- Our Company signed an MoU dated March 27, 2008 with PFCL to facilitate import of coal including its transportation.
- In Fiscal 2003, GoI had notified its decision to issue bonds to our Company for the balance due amounting to US\$ 2.46 crore in respect of BAAR Project, Iraq in equivalent Indian rupees. On March 28, 2008, the MoR issued a letter to our Company, stating that the balance amount of Rs. 117.75 crore payable to our Company, shall be paid in cash in Fiscal 2009. In addition, our Company shall be entitled to interest at the rate of 8.75% per annum on this amount, w.e.f. October 1, 2001.

Also see “**Our Business**” and “**Risk Factors**” on pages 59 and xii, respectively.

Unusual or infrequent events or transactions

To our knowledge, there have been no unusual or infrequent events or transactions that have taken place during the last three years, except as disclosed as extraordinary items in this section.

Significant economic changes

To our knowledge, except as we have described in this Draft Red Herring Prospectus, there are no known factors which we expect to occur which will bring about significant economic changes.

Known trends or uncertainties

Our business has been, and we expect it to continue to be, affected by the trends identified above in “**Factors affecting our Results of Operations**” and the uncertainties described in “**Risk Factors**”, on pages 216 and xii, respectively. To the best of our knowledge and belief, there are no known factors which we expect to have a material adverse impact on our revenues or income from continuing operations, except as described in this Draft Red Herring Prospectus.

Future relationship between expenditure and revenues

Except as described herein and in the sections titled “**Risk Factors**” and “**Our Business**” on pages xii and 59, respectively, to the best of our knowledge and belief there is no future relationship between expenditure and income that will have a material adverse impact on the operations and finances of our Company.

Increase in our revenue

Other than the general growth anticipated to be achieved in our Company’s business, we believe that our privatization and concessioning projects in Tanzania and Mozambique will add to our capacity and ability to generate revenue. The introduction of new services in the ordinary course of business would also contribute to increase in our revenue.

Significant regulatory changes

There have been no significant regulatory changes that we expect could affect our income from continuing operations. For details of the regulatory framework presently applicable to our Company, see “**Regulations and Policies**” on page 82.

New products or business segments

We intend to continue to explore other business opportunities, which allow us to leverage on our existing business. However, our Company has not entered into any material agreements since the date of the last audited financial statements, December 31, 2007, except as otherwise described in “**Significant developments after December 31, 2007 that may affect the future of our operations**” and “**Our Business**” on pages 237 and 59, respectively.

Seasonality of business

Our income is not subject to significant seasonality.

Dependence on few customers

As described above, we derive our revenues primarily from consultancy and export sales to domestic and international customers. These customers are few in number. See “**Risk Factors**” on page xii.

Competitive condition

We expect to face the competitive conditions described in “**Our Business – Competition**” and “**Risk Factors**” on pages 77 and xii, respectively.

SECTION VI – LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as described below, there are no outstanding litigations, suits or criminal or civil prosecutions, proceedings or tax liabilities against us, our Directors or our Subsidiaries, that would have a material adverse effect on our business and there are no defaults, non-payment or overdue of statutory dues, institutional/ bank dues and dues payable to holders of any debentures, bonds and fixed deposits that would have a material adverse effect on our business other than unclaimed liabilities against us, our Directors and our Subsidiaries, as of the date of this Draft Red Herring Prospectus.

I. Litigation Involving our Company

A. Contingent liabilities of our Company not provided for as of December 31, 2007 on a standalone basis

(Rs. in crore)	
Particulars	December 31, 2007
Counter guarantees given by the Company against guarantees issued by the Bankers	94.90
Corporate guarantee on behalf of joint venture company	-
Claims against the Company not acknowledged as debt and in respect of arbitration/court cases	734.46
Excise bonds with Central Excise Department	9.23
Contracts remaining to be executed on Capital Account	10.16
Disputed tax demands – Income tax	27.60
Disputed tax demands – Others	0.80
Total	877.15

B. Pending litigation against/ by our Company

1. Criminal Proceedings Involving Our Company

Criminal Proceedings Initiated Against Our Company

There are two criminal proceedings initiated against our Company by various persons, details of which are set forth below.

- (a) Ramjee Power Construction Limited, Ranchi (“**RPCL**”) has filed an application under the Criminal Procedure Code, 1973, in the Delhi High Court in May 2006, against one of the officials of our Company, alleging that the official has given a false affidavit in the court while filing an arbitration petition (OMP 116 of 2006) in the Delhi High Court against RPCL. The application is currently pending disposal. For details of OMP 116 of 2006, see “**-Civil Suits- Civil Suits Filed By Our Company**” below.
- (b) Mr. Binod Kumar Srivastava has filed a complaint (507 of 2006) on behalf of Ramjee Structures Private Limited, Ranchi (“**RSPL**”), against our Company and four of our officials, before the First Class Chief Judicial Magistrate, Ranchi, claiming that our Company has wrongly encashed bank guarantees of Rs. 0.01 crore submitted by RSPL against mobilisation advance for a contract for the Jharkhand rural electrification project, and alleging non return of Rs. 3,000 and 3 mobile phones sets given to our Company. Summons have been issued against our Company and two of our officers under the Indian Penal Code, 1860. The next date of hearing is April 9, 2008.

Criminal Proceedings Initiated By Our Company

Our Company has initiated three criminal proceedings against various persons, the details of which are set forth below.

- (a) Our Company has filed a complaint with the Central Bureau of Investigation (Case no RC:BD:1/2005:E 0006-BS&FC) by letter no V/R/CO/2005/08/C-312 dated September 27, 2005 against RPCL and its officials and unknown officials of Bank of India, Club Side Branch, Ranchi ("**Bank of India**") regarding submission of forged bank guarantees of Rs 32.71 crore by RPCL to our Company in the contracts for rural electrification works in Jharkhand. The matter is under investigation.
- (b) Our Company has filed a complaint (letter no RITES/RNC/BG/Legal/106) dated February 6, 2006 and a first information report ("**FIR**") dated February 17, 2006, with Chutia Police Station, Ranchi, against officials of RPCL for misappropriation and hypothecation of materials belonging to our Company for the rural electrification works project in Jharkhand. The matter is under investigation.
- (c) Our Company has filed an application in A/A 9 of 2006 under section 340 of the Code of Criminal Procedure, 1973, in the Jharkhand High Court (case number 637 of 2007) against the managing director of RPCL for giving false affidavit in the Jharkhand and Delhi High Courts as well as Supreme Court of India during the hearing in the matter of appointment of third arbitrator. The matter is currently pending.

2. Income Tax Matters

There are 11 income tax cases involving us, pending before various authorities in India. These cases pertain to appeals we have filed regarding demands raised on us for various assessment years. Total disputed expenditure which the Income Tax Department ("**I.T. Department**") has disallowed, against which we have filed appeals, aggregates approximately Rs. 75.36 crore. The details are set forth below:

Assessment Year 1991- 92

The Deputy Commissioner of Income Tax ("**DCIT**"), by order dated November 30, 2004, has disallowed our Company's claim under Section 154 of the Income Tax Act, 1961 ("**IT Act**") for Rs. 0.57 crore on the ground that loss on sale of foreign vehicle is not an allowable expense, and accordingly revised computation of income tax payable by our Company. Our Company has filed an appeal dated January 7, 2005 before the Commissioner of Income Tax (Appeals) ("**CIT-A**"). The CIT-A decided the case against the Company by an order dated November 29, 2006. The Company has filed a further appeal before the Income Tax Appellate Tribunal ("**ITAT**") on February 19, 2007, which is currently pending. The Committee of Secretaries on Dispute set up by GoI ("**COD**") has on December 26, 2007 stated that as the matter has already reached finality, no appeal is allowed. The matter is currently pending.

Assessment Year 1992- 93

The DCIT, by order dated November 30, 2004, has disallowed our Company's claim under Section 154 of the IT Act for Rs. 0.16 crore on the ground that loss on sale of foreign vehicle is not an allowable expense, and accordingly revised computation of income tax payable by our Company. Our Company has filed an appeal dated January 7, 2005 before the CIT-A. The CIT-A decided the case against the Company by an order dated November 29, 2006. The Company has filed further appeal before ITAT on February 19, 2007. The COD has on December 26, 2007 stated that as the matter has already reached finality, no appeal is allowed. The matter is currently pending.

Assessment Year 1997-98

The Joint Commissioner of Income Tax (“JCIT”), by assessment order dated March 21, 2000 has, *inter alia*, disallowed provisions for pay revision of Rs. 2.50 crore on grounds that the notification for pay revision for the 5th Pay Commission was applicable in the next financial year. Our Company has filed an appeal (No. 121/2000-2001) before the CIT-A, New Delhi, which was partly allowed by an order dated February 20, 2001. However, our claim for deduction of Rs. 2.50 crore was rejected by the CIT-A with a direction to claim such deduction in the next financial year. Our Company has filed a rectification application before the Assessing Officer, Special Range-15, New Delhi for the deductions to be allowed in assessment year 1998-99. The next date of hearing has not been fixed.

The JCIT, by order dated March 21, 2000, has disallowed our Company’s claim of Rs. 1.95 crore under section 80-O of the IT Act. Our Company has filed an appeal dated April 24, 2000 before the CIT-A. The CIT-A, by order dated February 20, 2001, decided the case against the Company. The Company has filed a further appeal before the ITAT on April 4, 2001. The ITAT, by order dated April 11, 2005, asked the Company to seek clarification from the COD on whether the appeal to be pursued before the ITAT under section 80-O is permissible. The COD, by letter dated January 27, 2006, has clarified that such an appeal would be permissible. The matter is currently pending before the ITAT.

Assessment Year 1999-2000

The Central Board of Direct Taxes (“CBDT”) filed an appeal before the ITAT against the orders of CIT-A wherein our Company was allowed deduction under section 80HHC for an amount of Rs. 3.44 crore. The matter is currently pending before the COD for approval of pursuing this case before the ITAT. COD has referred the matter back to the CBDT at our Company’s request, to re-examine the computations of the Assessing Officer. The COD meeting was held on March 4, 2008 declined permission to CBDT to pursue the appeal before ITAT.

Assessment Year 2000-01

The DCIT has filed an appeal against our Company before the ITAT, challenging allowance of appeal by CIT-A on account of deduction under section 80HHC of the IT Act for an amount of Rs. 2.51 crore. The matter is currently pending.

The Assessing Officer has filed an appeal against our Company before the ITAT, challenging allowance of claims by CIT-A on account of prior period expenses and interest payable to banks and financial institutions for an amount of Rs. 1.65 crore. The matter is currently pending.

Assessment Year 2001-02

The Assessing Officer has filed an appeal before the ITAT against our Company, challenging allowance of claims by CIT-A on account of prior period expenses and penalty and fines for an amount of Rs. 1.17 crore. The matter is currently pending.

Assessment Year 2002-03

The Additional Commissioner of Income Tax (“ACIT”), by order dated February 24, 2005, disallowed our Company’s claim for provisions on account of leave travel concession, medical expenses and expenses on performance linked incentive scheme (“PLIS”) and prior period expenses aggregating Rs. 4.60 crore. The Company has filed an appeal before CIT-A on March 28, 2005. The CIT-A, by order dated June 30, 2006, partly allowed our claim. Our Company filed an appeal dated October 4, 2006 before the ITAT. However, COD, by letter dated June 27, 2007, has permitted appeal for prior period expenses and PILS, for the balance grounds of leave travel concession and medical expenses. The decision of CIT-A was upheld for allowing the same on the basis of payment made up to June 30, 2002 as per the orders of the CIT-A. The matter is pending before the ITAT and ACIT.

The CBDT has filed an appeal against our Company before the ITAT challenging allowance of deduction under section 80HHC of the IT Act for an amount of Rs. 23.88 crore. The matter is currently pending.

Assessment Year 2003-04

The CIT-A, by order dated March 30, 2007, has allowed the benefit applicable under sections 41(1), 80HHC and 80HHB of the IT Act and disallowances made by the Assessing Officer in respect of exchange loss and prior period expenses aggregating Rs. 32.93 crore from the taxable income of our Company. Thereafter, the Assessing Officer has filed an appeal against our Company before the ITAT for the same amounts and the decision of the COD is pending.

3. Service Tax Matters

Our Company is currently involved in four service tax proceedings, where the aggregate claim against our Company is Rs. 0.80 crore. The details are set forth below.

- (a) The Deputy Commissioner, Central Excise, Customs and Service Tax, Bhubaneswar-I, issued our Company a show cause notice (C. No. IV (7) 25/SCN/S Tax/BBSR-I/04/4986-88) dated October 8, 2004, demanding payment of tax of Rs. 0.11 crore along with interest for service tax payable on watch and ward services provided by our Company to NTPC for the track maintenance project at Bhubaneswar. The Additional Commissioner, Central Excise, Customs and Service Tax, Bhubaneswar-I, by order (C. No. IV(4)116/S Tax/BBSR-I/2006/29485A) dated November 27, 2007, confirmed the previous demand of Rs. 0.11 crore along with interest and also imposed Rs. 0.10 crore as penalty for contravention of service tax laws. Our Company has filed an appeal on February 25, 2008 before the Commissioner (Appeals), Central Excise, Bhubaneswar, which is currently pending.
- (b) Our Company has filed two separate claims for refund of Rs. 0.16 crore and Rs. 0.13 crore from the Service Tax Department on the ground that service tax in respect of operation and maintenance services had been erroneously deposited for Fiscals 1998 and 2000. The Deputy Commissioner, Service Tax, New Delhi by order (No. ST/Adj/GS/501/2001) dated March 26, 2001 rejected the claims of our Company on grounds including unjust enrichment. Our Company has filed two separate appeals against the order of the Deputy Commissioner (No. 599-CE/APPL/DC/ST/D-1/2001/7789) and (No. 600-CE/APPL/DC/ST/D-1/2001). The Commissioner Central Excise (Appeals), New Delhi, by order (Order-in-Appeal No. 1085-86-CE/DLH/2001) dated November 21, 2001, allowed our appeals. However, the Assistant Commissioner of Service Tax, Div-II, New Delhi, by letter (C. No.-ST-20/REFUND/3/RL/01/180-181-182) dated September 28, 2005, issued our Company a show cause notice as to why the refund claims of Rs. 0.13 crore and Rs. 0.16 crore, respectively, should not be rejected on the ground of the petitions being barred by limitation, since the time for filing for refund was six months from the date of initial payment. The Deputy Commissioner, Service Tax Division-II, New Delhi, by order (Order-In-Original No. 46/07) dated March 30, 2007, rejected the refund claims of Rs. 0.02 crore and Rs. 0.01 crore, on account of limitation and allowed refund of Rs. 0.02 crore. Our Company has filed an appeal (No. 91/App/STAX/Div-II/Delhi-I/ 07 of 2007) dated July 10, 2007, against the order dated March 30, 2007, claiming refund of Rs. 0.27 crore. The next date of hearing has not been fixed.
- (c) Our Company by letter dated January 22, 2002 requested the Central Excise Department (Service Tax), Secunderabad to refund Rs. 0.14 crore on account of service tax erroneously paid on turnkey projects for amounts realized under an agreement with BSNL for execution of work of splicing cable installation and commissioning of an optic fibre cable in the Andhra Pradesh Telecom Circle. The Central Excise Department (Service Tax), by order dated May

21, 2002, rejected our refund claim of Rs. 0.13 crore on the ground that our claim was barred by limitation of time. However, they allowed our claim of the balance Rs. 0.01 crore. Our Company has filed a writ petition (No. 23801 of 2003) in the Andhra Pradesh High Court praying that the court issue a writ declaring that central excise is not applicable to the refund claim of Rs. 0.13 crore paid erroneously on account of service tax, requesting refund of Rs. 0.13 crore, and praying for the court to set aside the order dated May 21, 2002.

- (d) Our Company has filed two separate applications to the Service Tax Cell, Kolkata for refund of service tax of Rs. 0.12 crore and Rs. 0.07 crore, respectively, that had been paid by our Company between December 21, 1999 and December 20, 2000, and between February 9, 1999 and January 22, 2001, respectively. In furtherance of our application, the Superintendent, Central Excise, Kolkata has issued two separate show cause notices (No.V(15)72/ST/Refund/Kol-I/2002/6515) and (No.V (15)78/ST/Refund/Kol-I/2002/6516) dated October 8, 2002, requesting our Company to provide evidence to substantiate our claim for refund of service tax imposed on consulting engineering services for operations and maintenance work. Our Company has filed its reply dated November 8, 2002, and a reminder dated March 9, 2007. No further notices have been received.

Commercial Tax

Our Company has filed a *suo moto* revision petition dated January 11, 2008 before the Commissioner of Commercial Taxes, Jharkhand against the order of the Deputy Commissioner of Commercial Taxes, East circle, Ranchi dated August 28, 2007, for the assessment period between March 31, 2004 and August 4, 2004 and demanding Rs. 0.17 crore from our Company. Our Company had filed review petition before Deputy Commissioner of Commercial Taxes, East circle, Ranchi for the pre-ponement of date of liability to pay sales tax, which was disposed off by the order dated August 28, 2007. Our Company had filed an application for sales tax registration pursuant to an agreement between Jharkhand State Electricity Board and our Company dated March 16, 2004 for rural electrification works in Jharkhand. The matter is pending. The next date of hearing has not been fixed.

4. Civil suits

Civil Suits Filed Against our Company

There are 27 civil suits filed against our Company, pending before various courts in India. Claims in 22 suits have been quantified, which aggregate approximately Rs. 15.22 crore along with interest and US\$ 0.11 million. Claim amounts for the remaining 5 suits have not been quantified. The details of these proceedings are set forth below.

- (a) Our Company has filed an appeal (FAO OS No. 173 of 2007) against JMC Projects India Limited (“JMC”), challenging the order dated April 20, 2007 of the Delhi High Court in civil suit (C.S. (O.S.) No. 1632 of 2006), and seeking to refer the claims to the arbitral tribunal. JMC had filed C.S. (O.S.) No. 1632 of 2006, for recovery of Rs. 3.54 crore along with interest and praying for termination of the arbitral proceedings between the parties regarding the dispute between the parties regarding a breach of contract for construction of the RITES office complex. The next date of hearing is March 28, 2008.
- (b) Balaji and Company, our contractor, filed a suit (Arbitration case No. 54 of 2000) in the City Civil Court at Bangalore, to set aside the arbitral award dated July 12, 2000, which was granted in favour of our Company in the arbitration proceeding filed against our Company for a contract for construction of buildings for the Central Silk Board, claiming Rs. 2.29 crore with interest. The next date of hearing is May 30, 2008.
- (c) Jai Mata Di Construction Engineers and Builders, our contractor, has filed an application (Civil Misc. Application No. 24 of 2003) in the Allahabad High Court for appointment of

arbitrator regarding certain disputes on payment of dues arising from a works contract for the optical fibre cable project of the Vasai-Diva-Panvel section of the Central Railways. Jai Mata Di Construction Engineers and Builders has claimed Rs. 1.57 crore from our Company. Subsequently, Jai Mata Di Construction Engineers and Builders has, on February 20, 2008, approached our Company with an offer to withdraw this arbitration proceeding upon payment of settlement. Our Company is yet to negotiate an acceptable settlement amount.

- (d) Vijeta Construction Limited, our contractor, has filed a revision petition (Civil Revision No. 399 of 1999) in the Jharkhand High Court, Ranchi, challenging the order dated July 24, 1999 of the District Court, Dhanbad, by which the District Court had dismissed Misc. Case No. 22 of 1996 originally filed by Vijeta Construction Limited claiming Rs. 1.41 crore plus 18% interest per annum from the date of the claim till the date of realisation, regarding a contract between the parties for earthwork in railway formation and construction of the retention wall. The revision petition has been allowed by order dated July 24, 1999 of the Jharkhand High Court, Ranchi. High Court of Ranchi has set aside the impugned order and remitted the matter to the concerned court to hear the parties and pass appropriate order in accordance with law.
- (e) The State of Tamil Nadu and Department of Highways and Rural Works, Government of Tamil Nadu (“GoTN”) have filed a petition (OP No. 118 of 2006) against our Company in the Madras High Court, challenging the arbitral award dated September 10, 2005, by which the arbitrator had awarded our Company Rs. 1.22 crore out of our claim amount of Rs. 1.32 crore, in arbitration claim (No. 1 of 2002) filed by our Company against the GoTN, as additional costs incurred for consulting services for construction/ reconstruction of 21 bridges in Tamil Nadu. OP No. 118 of 2006 was dismissed by the Madras High Court, by order dated July 13, 2007. Our Company has filed a caveat petition (No. 205 of 2008) against GoTN, apprehending the intended original side appeal that may be filed by the GoTN and praying that nothing be done in this matter without notice to our Company.
- (f) Vidhyawati Construction Company, our contractor for construction of institute building, staff quarters, and ancillary works for the National Regional Institute for Printing Technology, Allahabad, Uttar Pradesh (“Vidhyawati”), has filed an appeal (FAFO No. 299 of 2002) against our Company in the Allahabad High Court, for staying the order dated March 24, 2001 passed by the arbitrator who had been appointed by the court on November 17, 2000 in arbitration application (No. 79 of 1999) filed by Vidhyawati. The impugned order states that the arbitrator has no jurisdiction to act as arbitrator in this dispute. Vidhyawati has claimed Rs. 0.90 crore with interest. The next date of hearing has not been fixed.
- (g) Mr. Pravat Kumar Mishra has filed an arbitration petition (No. 6 of 2004) before the District Judge, Khurda, at Bhubaneswar, challenging the arbitral award issued in favour of our Company, aggregating Rs. 0.97 crore along with interest, in the arbitration claim by Mr. Mishra against our Company regarding a contract for track linking works in NTPC’s MGR and permanent siding in Talcher, Orissa. The next date of hearing is April 24, 2008.
- (h) The Commissioner of the City Municipal Council has filed a petition (AS No. 67 of 2007) against Ravi Construction, Bangalore, our contractor, and our Company before the City Civil Judge at Bangalore, challenging the jurisdiction of the arbitrator in relation to the claim of Rs. 4 crore filed by our Company against the Town Municipal Council, Chintamani. The Town Municipal Council, Chintamani, had hired our services for rendering project management consultancy in relation to construction of a shopping complex at Chintamani during 1997. Since funds were not released by the Town Municipal Council Chennai, beyond 80% of the work, which was valued at Rs. 0.60 crore, our Company was unable to pay the dues to Ravi Construction. Ravi Construction filed an arbitration claim against our Company for non-payment of dues beyond 80% of the work undertaken by it. The arbitrator ruled in favour of Ravi Construction and our Company had to pay Rs. 2.28 crore. The court has, by order dated

December 22, 2007, granted a stay on the award of the arbitrator. The next date of hearing is April 11, 2008.

- (i) Lloyd Insulations (India) Limited, a supplier of our Company, has filed a suit (Suit No. 2443 of 2005) against our Company and others in the Bombay High Court for recovery of certain dues aggregating Rs. 0.21 crore along with interest which were pending on account of supply of porta cabins utilized in the optical fibre cable project of the Vasai-Diva-Panvel section of the Central Railways. The High Court of Bombay, through order dated June 19, 2006, in summons for judgment No. 41 of 2005 has dismissed the summary suit filed by Lloyd Insulations (India) Limited and has transferred the suit to the commercial cause list, where it is currently pending. Our Company has been informed by its advocate that Lloyd Insulations (India) Limited has filed an appeal (No. 550 of 2006) against the order dated June 19, 2006 of the Bombay High Court.
- (j) Raja Consultancy & Service, through its partner, has filed a suit (No. 307 of 2000) against our Chairman/ Managing Director and Group General Manager, and the Managing Director of SIPCOT, claiming an aggregate of Rs. 0.10 crore as damages, along with interest and costs. The matter is currently pending.
- (k) Mr. Sanjay Malik and others filed two suits (Nos. 308 of 2003 and 310 of 2003) against our Company in the Court of District and Sessions Judge, Delhi for recovery of Rs. 0.05 crore and Rs. 0.04 crore, respectively along with 18% interest per annum *pendente lite* and future on account of deficit rent paid by our Company, rent of two months' in lieu of notice period and other maintenance/ restoration charges with respect to the suit premises, Flats No. 504 and 501, Sidhartha Building, Nehru Place, New Delhi, which were occupied by our Company as a tenant. The next date of hearing is March 28, 2008.
- (l) Mr. Sudhakar Prasad Singh has filed two suits (Nos. 898 of 1997 and 1802 of 1997) against our Company in the Delhi High Court for recovery of house tax aggregating Rs. 0.07 crore for the period from April 1, 1988 till March 31, 1997, along with interest of 18% per annum from August 18, 1994 till the date of realisation and damages in relation to the suit premises, Flat No. 204, Ashok Bhawan, Nehru Place, which was occupied by our Company as a tenant. The matter was referred to the Court of District Judge, Tis Hazari by the Delhi High Court. The next date of hearing is July 31, 2008.
- (m) Mr. Naraindas R. Israni filed a suit (No. 2034/98) against our Company in the Delhi High Court for refund of recovery amount against liquidated damages aggregating Rs. 0.19 crore in relation to a contract between Mr. Naraindas R. Israni and our Company for construction of a four storied building with other ancillary works for our Company's colony at Ashok Vihar, Delhi. This matter was referred to the Court of Additional District Judge, Tis Hazari (No. M-7/06) by the Delhi High Court, on account of jurisdiction. The next date of hearing is July 14, 2008.
- (n) M/s. Naraindas R. Israni has filed OMP (no. 85 of 2008) in the Delhi High Court against the award of sole arbitrator dated November 5, 2007 for Rs. 0.09 crore against their claim of Rs. 2.23 crore, in relation to a contract between M/s. Naraindas R. Israni and our Company for construction of a four storied building with other ancillary works for our Company's colony at Ashok Vihar, Delhi. Our Company has been informed by the advocate of M/s Naraindas R. Israni that the next date of hearing is May 14, 2008. However, no court notice has been received by our Company in this regard. Our Company has also filed OMP in the Delhi High Court against the award passed by the sole arbitrator under file no. 18815, the case has not been listed.

- (o) South Sanitary Stores has filed a suit (O.S. No. 3382 of 2006) against our Company and others, in the City Civil Court at Chennai, claiming liquidated damages of Rs. 0.02 crore against the defendants, jointly, severally and co-extensively, for alleged breach of contractual terms. Our Company has filed its written statement. The next date of hearing is April 2, 2008.
- (p) Kamala Nehru Institute of Technology, Sultanpur (“KNIT”) has filed an appeal (FAFO No. 366 of 2002) before the Lucknow Bench of the Allahabad High Court against our Company and Baiswara Builders, challenging the order dated May 15, 2002, of the Sessions Judge, Lucknow. The impugned order dismissed, on the ground of want of jurisdiction, the suit (RS No. 15 of 2002) filed by KNIT before the Sessions Judge, Lucknow against our Company, for setting aside the arbitral award which directed KNIT to pay Rs. 0.10 crore to Baiswara Builders regarding Baiswara Builders’ claim in relation to work of construction of 100 bedded hostel building at Sultanpur, Uttar Pradesh. The next date of hearing has not been fixed.
- (q) Mr. Pravat Kumar Mishra has filed an arbitration petition (No. 5 of 2004) before the District Judge, Khurda, at Bhubaneshwar, challenging the arbitral award issued in favour of our Company aggregating Rs. 0.15 crore along with interest, in the arbitration claim by Mr. Mishra against our Company regarding a contract for earthwork in formation and moorum blanketing in Baghuabole and at S&T (Signal & Telecommunication) Building, Kaniha, Orissa. The next date of hearing is April 24, 2008.
- (r) Atlas Logistics Private Limited has filed a suit (Suit No. 1810 of 2006) against our Company and another before the Senior Civil Judge, Delhi for recovery of Rs. 0.01 crore and damages in respect of breach of the freight forwarder contract between the parties for export of goods/ consignments of our Company by sea. The next date of hearing has not been fixed.
- (s) Scan Master Systems (IRT) Limited has filed a civil writ petition (CWP No. 2481 of 2007) against our Company and another in the Delhi High Court, claiming refund of the advance amount of US\$ 0.11 million and praying for the issue of a writ directing our Company and the other respondent to return its property and equipment which it claims was wrongfully withheld, in relation to a contract for supply of self propelled vehicles fitted with ultra sonic testing and ancillary systems. The next date of hearing has not been fixed.
- (t) Ureka Engineering has filed a suit (No. 59 of 2001) against our Chairman and our Company in the Court of Senior Civil Judge, Delhi for recovery of Rs. 62,480 along with interest in relation to a tender for topographic survey for a new broad gauge line from Kumar Ghat to Agartala and had deposited certain sums of money along with their bid which was rejected by our Company. The next date of hearing is May 6, 2008.
- (u) Digital Weighing Systems Private Limited has filed a writ petition (WP No. 1669 of 2005) against our Company and others in the Calcutta High Court regarding a tender for design, manufacture, testing and commissioning of in-motion weighbridge for which our Company rejected the bid by Digital Weighing Systems Private Limited. Digital Weighing Systems Private Limited has prayed for a writ directing our Company to set aside the letter of intent entered between our Company with another company and prohibiting our Company from entering into a formal contract in relation to the said tender. The next date of hearing has not been fixed.
- (v) Suncity Private Limited has filed a writ petition against the government of the National Capital Territory of Delhi and our Company in the Delhi High Court (W.P. No. 17348 of 2006) praying that the cancellation of the tender process by our Company on behalf of the government of the National Capital Territory of Delhi regarding the construction of ISBTs at Dwarka and Narela, in New Delhi, be set aside. The said tender process was cancelled by our Company as advised by the government of the National Capital Territory of Delhi, pursuant

to the government of the National Capital Territory of Delhi being unable to conclude the concession agreements for the said project with the preferred bidder. Suncity Private Limited has also prayed for the Court to issue directions to our Company to award the operations and management contract for the ISBT Dwarka to Suncity Private Limited in terms of the bid submitted by them. The next date of hearing is May 5, 2008.

- (w) Ravindra Trading Company has filed an appeal (O.S. No. 203 of 2007) against our Company and others in the Delhi High Court, challenging the final order and judgment dated May 7, 2007 in original suit (O.M.P. No. 44 of 2007), passed by the Delhi High Court, dismissing the claim to restrain our Company and others from enforcing the “Risk Purchase Action” clause in the agreement which was executed between the parties wherein the contractual obligations were not fulfilled and the parties went in for arbitration to settle the matter. The next date of hearing is April 3, 2008.
- (x) Ms. Usha Sinha has filed a suit (Suit No. 35 of 2000) against our Company and others in the Delhi High Court for declaration of her right, title and interest over the premises at Flat No. 204, Ashok Bhawan, Nehru Place, New Delhi, and recovery of arrears of rental income received by Mr. Sudhakar Prasad Singh from our Company as tenant of the suit premises. The matter was referred to the District Judge, Tis Hazari, by the Delhi High Court. The next date of hearing is July 31, 2008. A suit filed by Mr. Sudhakar Prasad on similar grounds has been clubbed with the suit filed by Ms. Usha Sinha and the matters are being heard together by the District Court.
- (y) Mr. A.S. Rastogi filed an execution petition (No. 76 of 2003) against our Company before the Commercial Civil Judge, Tis Hazari, for execution of an order by the civil judge dated March 3, 2003 in Suit No. 200 of 1995, for taking possession of the suit property, recovery of arrears of damages w.e.f. February 2003 till the date of realisation and other maintenance charges in relation to the suit premises occupied by our Company as a tenant. Our Company filed objections and an application for depositing the keys/ handing over possession in February 2004, which was allowed in June 2004. Pursuant to this order, the decree holder, i.e. Mr. Rastogi took possession on July 15, 2004. The matter has been listed for final arguments on April 4, 2008.

Civil Suits Filed By Our Company

Our Company has filed 16 civil suits against certain parties, which are pending before various authorities in India. The aggregate amount claimed by our Company is Rs. 36.13 crore, and US\$ 0.07 million. The details are set forth below.

- (a) Our Company has filed a money suit before the Sub-Judge-1, Ranchi (M.S. No. 30 of 2006) against Bank of India, challenging the bank’s refusal to honour our Company’s invocation of the 22 bank guarantees for an aggregate amount of Rs. 30.71 crore, submitted by RPCL to our Company for the rural electrification project in Jharkhand. The next date of hearing has not been fixed.
- (b) Our Company has filed a special leave petition on February 29, 2008 against the dismissal of the Letters Patent Appeal (No. 293 of 2007) by the division bench of the Jharkhand High Court on December 5, 2007 in the writ petition (WP No. 5108 of 2006) previously filed by our Company in the Jharkhand High Court against Bank of India, challenging the bank’s refusal to honour our Company’s invocation of the five bank guarantees for an aggregate amount of Rs. 2 crore, submitted by RPCL to our Company regarding the rural electrification project in Jharkhand. The next date of hearing has not been fixed.
- (c) Our Company filed a suit against Uttar Pradesh State Bridge Corporation Limited (“UPSBC”) and its officers (RS No. 34 of 2002) before the Civil Judge, Lucknow for

recovery of Rs. 0.75 crore along with 12% interest regarding outstanding bills for consultancy services for identification of bridges, rail over bridges, rail under bridges and bypasses on State highways for preparation of techno-economic feasibility study reports under the BOT scheme. The court awarded Rs. 0.75 crore along with 6% interest in favour of our Company by its order dated January 16, 2006. Our Company filed an application for execution of decree before the Civil Judge, Senior Division, Lucknow. The Civil Judge, Senior Division, Lucknow, by order dated October 27, 2007, issued a notice for attachment of property of UPSBC. The next date of hearing is April 30, 2008.

- (d) Our Company has filed a suit against Pradeshiya Industrial Investment Corporation of Uttar Pradesh (“**PICUP**”) and the Government of Uttar Pradesh in the Delhi High Court (Suit No. 1176 of 2006), for recovery of Rs. 0.60 crore by way of principal and a further Rs. 0.11 crore by way of interest accrued thereon, on the ground of non-payment of receipts of our provident fund trust investment with PICUP. Our Company’s provident fund trust had invested Rs. 0.60 crore at a coupon rate of 14% per annum payable half yearly on October 30, 1998, which were allotted on March 16, 1998. PICUP paid the first instalment of interest on October 3, 1999, since which time no payments have been made by PICUP, including the principal amount of the bonds which has also become due now. The next date of hearing is July 25, 2008.
- (e) Our Company has filed a suit against U.P. State Yarn Company Limited (“**U.P. Yarn**”) and the government of Uttar Pradesh (Suit No. 1180 of 2006) for recovery of an aggregate amount of Rs. 0.37 crore, including interest, on account of non-payment of receipts for investment of the said sum made by our Company’s provident fund trust in U.P. Yarn. Our Company had invested Rs. 0.50 crore in U.P. Yarn bonds on April 29, 1999 at 14.9% interest. The bonds were allotted on February 10, 2000. U.P. Yarn refunded Rs. 0.32 crore towards the principal amount on August 7, 2000, and another Rs. 0.06 crore towards interest on application money on August 4, 2000. Since that time, no further payments have been made towards refund of the balance principal amount or interest accrued thereon. Subsequently, U.P. Yarn has been declared a sick company; proceedings have not yet commenced before the Board of Industrial and Financial Reconstruction (“**BIFR**”). However, U.P. Yarn has filed an application for a stay in suit No. 1180 of 2006, in view of BIFR proceedings being initiated. The next date of hearing is April 21, 2008.
- (f) Our Company has filed a review petition in the Kolkata High Court (AP 116 of 2007), praying for dismissal of the arbitration award in AP No. 244 of 2000, by which the arbitrator had awarded Rs. 0.37 crore in favour of Khilani Construction Company, whose services were engaged by our Company on behalf of Central Silk Board for construction of an office complex at Kalimpong. The next date of hearing has not been fixed.
- (g) Our Company filed a suit (No. 88 of 2005) against the Principal Chief Conservator of Forests and the Principal Secretary, Department of Forest Environment and Ecology, Karnataka before the District Judge, Delhi for recovery of Rs. 0.18 crore in relation to certain works for carrying out survey and demarcation of the boundary of forest in Karnataka assigned to our Company. The Additional District Judge, by order dated December 12, 2005, decreed the suit in favour of our Company for Rs. 0.18 crore along with interest. The Principal Conservator filed an appeal (R.F.A NO. 325-326/2006) in the Delhi High Court to set aside the judgment of the lower court. The matter is currently pending and next hearing has not been fixed.
- (h) Our Company has filed a suit (OS No. 71 of 2003) against SAIL through its officers in relation to breach of consultancy contract for construction of railway siding work at Nagalpalli, Andhra Pradesh, claiming recovery of consultancy fee aggregating Rs. 0.16 crore with interest. The City Civil Court dismissed our claim by judgment dated July 25, 2006. Our Company filed an appeal (CCCA No. 39 of 2007) in the Andhra Pradesh High Court, for setting aside the aforesaid judgment and decree. The next date of hearing is March 28, 2007.

- (i) Our Company has filed a suit (OMP No. 13 of 2003) against Shabir Ahmed and Sons in the Delhi High Court for setting aside an arbitral award aggregating Rs. 0.13 crore in favour of Shabir Ahmed and Sons, in relation to a contract for construction of institute building for Government Girls Polytechnic at Almora for which their services were hired. The next date of hearing has not been fixed.
- (j) Our Company has filed an arbitration petition on September 27, 2007 against the State Government of Jharkhand, in the Jharkhand High Court at Ranchi, seeking appointment of an arbitrator for settlement of a dispute regarding realisation of our Company's claim aggregating Rs. 0.07 crore, in relation to a project for providing services of software developers to the Information Technology Department, Government of Jharkhand. The next date of hearing has not been fixed.
- (k) Our Company has filed a suit (CS (OS) 1984 of 2003) against Optel Telecommunications Limited, Bhopal, in the Delhi High Court in relation to OFC laying work on Bombay Victoria Terminus to Kalyan station of Central Railway, for recovery of Rs. 0.81 crore along with interest. The court passed a decree dated August 20, 2004 for the recovery of Rs. 0.59 crore with interest and Rs. 81,813.45 in favour of our Company. Thereafter, our Company, the decree holder, filed an execution petition (No. 29 of 2005) against Optel Telecommunications Limited in the Delhi High Court for transfer of the decree to the District Judge, Raissen, Madhya Pradesh for execution of the same for realisation of the decretal amount by way of attachment and sale of property, which was granted by the court by order dated February 13, 2006. The next date of hearing is April 21, 2008.
- (l) Our Company has filed a suit (No. 7 of 2008) against the Municipal Corporation of Patiala before the Civil Judge, Patiala, raising a claim for Rs 0.04 crore, on account of non - payment of consultancy fee for qualification of municipal solid waste in Patiala. The next date of hearing is April 17, 2008.
- (m) Our Company has filed a suit (Suit No. S-523/93) against Bombay Motor Trading Company and Punjab State Industrial Development Corporation in the Court of Additional District Judge, Delhi for the recovery of Rs. 0.03 crore in relation to preparation of a DPR for a coil spring manufacturing plant by our Company for the defendants. The court passed a judgment dated March 31, 2001 against the defendants, against which the defendants have filed an appeal (Appeal No. 358 of 2001) in the Delhi High Court. The date of hearing has not been fixed.
- (n) Our Company has filed an appeal (MFA No. 6835 of 2001) challenging the arbitral order dated August 8, 2001, by which the arbitrator awarded Rs. 0.02 crore to Elmec Enterprises, our contractor, in the petition filed by Elmec Enterprises (AC No. 30 of 1998), regarding a contract for providing diesel generator set for the Regional Provident Fund Commissioner office at Bangalore. Pleadings by both parties are complete and the matter is reserved for judgment.
- (o) Our Company has filed a suit (Suit No. S4-22-296-2006) in the High Court of Malaya at Kuala Lumpur, Malaysia, against Ranhill Bersekutu Sdn Bhd, Malaysia ("**Ranhill**"), who had hired our services to provide engineering consultancy services for the electrified double railway track project from Rawang to Ipoh, Malaysia. Our Company had claimed an aggregate of US\$ 0.23 million along with interest from Ranhill. Ranhill failed to pay the due amount of US\$ 0.23 million stating that our Company should claim tax relief from the Indian authorities under the Double Tax Avoidance treaty between India and Malaysia. The court, on January 10, 2007, passed a judgment in favour of our Company. In March 2007, our Company received tax relief of Rs. 0.28 crore, equivalent to US\$ 0.16 million, from the Indian Income Tax authorities for Fiscal 2005. The parties are in the process of entering into

an agreement for out of court settlement with respect to the balance amount of US\$ 0.07 million.

- (p) Our Company has filed an arbitration petition in the Delhi High Court (OMP 116 of 2006) on March 25, 2006 against RPCL. The Delhi High Court, on March 27, 2006, issued interim orders including attachment of RPCL's bank accounts as well as restraining RPCL from selling its assets. A receiver has also been appointed by the Court of Subordinate Judge VII, Ranchi, by order dated November 23, 2007, in Miscellaneous Case No. 17 of 2006. Hearings have been completed and the final order is awaited.

6. Arbitral Proceedings

There are 24 arbitral proceedings pending against our Company, where the aggregate claim against our Company is Rs. 273.71 crore approximately, along with interest, have been filed against us. Our Company has filed counterclaims aggregating Rs. 665.82 crore. The details are set forth below.

Arbitral Proceedings initiated against our Company

- (a) RPCL has initiated an arbitral proceeding against our Company (AA 9 of 2006), claiming Rs. 184.41 crore from our Company, challenging termination of our contracts with RPCL by our Company, through our notice dated September 5, 2005, on account of certain discrepancies in the bank guarantees submitted by RPCL against mobilisation advance. Our Company has filed a counterclaim of Rs. 644 crore against RPCL. The arbitral tribunal has been constituted and arbitral proceedings are continuing.
- (b) The Central Silk Board, Bangalore, has initiated an arbitral proceeding against our Company in 2004, raising a claim for Rs. 36.09 crore on the ground of alleged irregularities committed by our Company in violation of the project management contracts executed between the Central Silk Board and our Company, in relation to a World Bank funded project for construction of operational and service buildings in the period 1991-1992. The matter is pending before a single arbitrator. Our Company has made a counterclaim of Rs. 1.2 crore.
- (c) The Andaman public works department has initiated an arbitral proceeding against our Company (SCP/ARB/ANDAMAN/28), claiming Rs. 19.49 crore on account of costs incurred in respect of land acquisition as well as on account of losses due to alleged incorrect estimates provided by our Company towards the work of extension of the runway at Port Blair. The matter is pending before a sole arbitrator. The Company has filed its reply stating, *inter alia*, that the claim is barred by limitation. The next date of hearing has not been fixed.
- (d) Modi Construction Company Limited, our contractor, has filed an arbitration claim against our Company challenging termination of a contract with our Company for execution of earthwork and construction of a rail bridges for construction of a broad gauge railway siding from Dumari Bihar railway station to Tenughat Thermal Power Plant in Jharkhand. Modi Construction Company has claimed Rs. 8.12 crore on account of losses incurred due to grounds including non-availability of raw material such as cement, non-availability of construction site at the requisite time, hindrances by local land owners and delay in payment of running account bills. This claim was subsequently reduced by Modi Construction Company to Rs. 7.11 crore. Our Company has counterclaimed Rs. 4.63 crore as damages on account of losses suffered due to default in completion of the work. The final hearing has taken place and the award is awaited.
- (e) Ishvakoo India Private Limited (“**Ishvakoo**”) has filed a claim (AP-01) of Rs. 6.05 crore plus interest against AAI and our Company in July 2004, on the ground of non payment of various items in the bill of quantities, as well as under the escalation clause under the contract between the parties for a project for AAI for construction of runway, apron and taxiway at

Tura, Meghalaya. Our Company has raised a counterclaim of Rs. 0.45 crore against Ishvakoo India Private Limited on the grounds of various defects and delay in the work. Hearings have been concluded and the final award is awaited.

- (f) Mr. M. Rajendra, our contractor, has filed two separate arbitration claims against our Company, in relation to the respective contracts for the construction of administrative building and staff quarters for the Employee Provident Fund Organisation (“EPFO”) at Mysore and at Mangalore. Mr. M. Rajendra has claimed two separate sums of Rs. 2.83 crore each, on account of factors including delay in approval of the project by the Mysore City Corporation and Mangalore City Corporation, respectively, delay in payment of running bills and non-testing of soil conditions before invitation of tenders. The matters are both pending disposal before the arbitrator.
- (g) Bhardwaj Construction Company Private Limited, our contractor, has filed an arbitration claim against our Company in relation to a contract for construction of a broad gauge railway siding from Danea railway station, Jharkhand to Tenughat Thermal Power Plant, Jharkhand (Package IV) by Bhardwaj Construction Company. Bhardwaj Construction Company has claimed Rs. 3.77 crore along with interest on account of losses incurred due to, *inter alia*, non-availability of raw material such as cement, non-availability of construction site at the requisite time and non-payment of running account bills. As per the terms of the contract, our Company contested claims of Bhardwaj Construction Company Private Limited aggregating Rs. 1.93 crore for adjudication before the arbitrator. Our Company has claimed Rs. 7.81 crore as damages on account of extra expenditure incurred by our Company on account of delays in completion of work. The next date of hearing has not been fixed.
- (h) Bhardwaj Construction Company Private Limited, our contractor, has filed an arbitration claim against our Company in relation to a contract for construction of a broad gauge railway siding from Danea railway station, Jharkhand to Tenughat Thermal Power Plant, Jharkhand (Package V) by Bhardwaj Construction Company. Bhardwaj Construction Company has claimed Rs. 3.15 crore on account of losses incurred due to, *inter alia*, non-availability of raw material such as cement, non-availability of construction site at the requisite time and non-payment of running account bills. As per the terms of the contract, our Company contested claims of Bhardwaj Construction Company Private Limited aggregating Rs. 1.96 crore for adjudication before the arbitrator. Our Company has claimed Rs. 5.67 crore as damages on account of extra expenditure incurred by our Company on account of delays in completion of work. The next date of hearing has not been fixed.
- (i) P.K. Ramaiah & Co., our contractor (“**P.K. Ramaiah & Co.**”), has filed an arbitration claim against our Company in relation to termination of contract for execution of earthwork in construction of bridges for construction of a BG Railway Siding from Danea Railway Station, Jharkhand to Tenughat Thermal Power Plant (Section IV), Jharkhand. P.K. Ramaiah & Co. claimed Rs. 2.50 crore from our Company due to termination. Our Company has counterclaimed Rs. 4.32 crore from P.K. Ramaiah & Co. on account of default. The arbitrator passed an award in favour of our Company for Rs. 0.32 crore. The Arbitrator filed the award in the Court of sub-judge, Bermo, Tenughat, Jharkhand (Suit No. (Arbitration Award) 1 of 2000) to make it a ruling of the court. The next date of hearing is April 19, 2008.
- (j) The HCIL-ARSSSPL-Triveni JV has filed an arbitration claim against our Company in relation to certain disputes in relation to a contract for construction of a railway siding at Gatora, Chattisgarh carried out by our Company for NTPC at Sipat, Chattisgarh. The HCIL-ARSSSPL-Triveni JV has claimed Rs. 1.81 crore along with interest on account of, *inter alia*, additional expenditure incurred for completion of the project, losses suffered on account of price escalation. The hearings are complete and the award is awaited.

- (k) P.K. Ramaiah & Co. has filed an arbitration claim against our Company in relation to termination of contract for execution of earthwork in construction of bridges for construction of a BG Railway Siding from Danae Railway Station, Jharkhand to Tenughat Thermal Power Plant (Section V), Jharkhand. P.K. Ramaiah & Co. claimed Rs. 1.57 crore from our Company due to termination. Our Company has counterclaimed Rs. 4.32 crore from P.K. Ramaiah & Co. on account of default. The arbitrator passed an award in favour of our Company for Rs. 1.02 crore. The arbitrator filed the award in the Court of sub-judge, Bermo, Tenughat, Jharkhand (Suit No. (Arbitration Award) 2 of 2000) to make it a ruling of the court. The next date of hearing is April 19, 2008.
- (l) Braithwaite Burn & Jessop Construction Company Limited has filed an arbitration claim against our Company in relation to a contract for fabrication, erection and launching of steel girders for superstructure of bridges in connection with construction of semi- MGR for Tenughat Thermal Power Station, Jharkhand. Though the work was completed, the commissioning of bridge could not be completed by load testing which was a contractual obligation under the terms of this contract. Braithwaite Burn & Jessop Construction Company Limited has claimed Rs. 1.39 crore from our Company on account of losses incurred due to, *inter alia*, non-payment of final bill, withholding of bank guarantees and overhead expenses. The matter is pending before the arbitrator and the next date of hearing has not been fixed.
- (m) Megotia Construction Private Limited has filed an arbitration claim dated February 4, 2008 against our Company, for an amount aggregating Rs. 1.35 crore along with interest, on grounds including extra work undertaken, loss of expected profit and non payment of dues in relation to alleged wrongful termination of a contract by our Company with respect to diversion of the MGR in the flood affected portion for Kahalgaon STPP, Stage-II at Bhagalpur, Bihar. The matter is pending disposal before the arbitrator.
- (n) Pt. Munshi Ram & Associates Private Limited has filed an appeal (FAO (OS) 714 of 2006) challenging the order dated November 15, 2006 passed by the Delhi High Court. Pt. Munshi Ram & Associates Private Limited had filed a suit (No. 785 of 1997) for enforcement of the award passed by the sole arbitrator on March 30, 1997, wherein both parties filed objections and the matter was set aside by the court and a new arbitrator was appointed to decide the claim of Pt. Munshi Ram & Associates Private Limited. Pt. Munshi Ram & Associates had filed a claim of Rs. 0.96 crore against AAI and our Company, for a project for construction of residential quarters at INA Colony, New Delhi. Our Company filed a counterclaim for the cost of the legal proceedings against Pt. Munshi Ram & Associates Private Limited. The matter is currently pending and the next date of hearing has not been fixed.
- (o) Ishvakoo India Private Limited has filed a claim of Rs. 0.70 crore along with interest against AAI and our Company (AP-02), by way of reimbursement for various costs incurred, including by reason of delay, in relation to a project for AAI for construction of terminal building and allied works at Tezpur, Assam. Our Company has raised a counterclaim of Rs. 0.72 crore against Ishvakoo India Private Limited on October 11, 2004 on the grounds of defects and delay in the work. Hearings have been concluded and the final award is awaited.
- (p) Vidhyawati Construction Company, our contractor for construction of hostel building at Government Girls Polytechnic, Allahabad, Uttar Pradesh ("**Vidhyawati**"), had filed an arbitration claim against our Company claiming Rs. 1.04 crore from our Company for claims against work done, escalation in price, interest, etc. Our Company filed a counterclaim for an amount aggregating Rs. 0.17 crore on account of default. The arbitrator passed an award dated August 27, 2005, of Rs. 0.08 crore in favour of Vidhyawati and 0.03 crore in favour of our Company. Both our Company and Vidhyawati filed suits (Nos. O.M.P. 84 of 2006 and O.M.P. 49 of 2006) against each other in the Delhi High Court, for setting aside the arbitral award. Both matters are currently pending and the next date of hearing is April 29, 2008.

- (q) Anuj Construction Private Limited, has filed an arbitration claim against our Company for rescission of contract. The services of Anuj Construction Private Limited were hired by our Company for construction of Institute Building and other ancillary works for the Government Polytechnic at Unnao, Uttar Pradesh on behalf of the Directorate of Technical Education, Uttar Pradesh. In relief they have prayed for an aggregate of Rs. 0.85 crore, on grounds including damages for rescission of contract and loss of profit on balance/ unexecuted work, loss of material at site and escalation of work executed. The matter is pending disposal before the arbitrator.
- (r) K.P. Gupta and Company, our contractor, has filed two separate arbitration claims against our Company, in relation to contracts for the renovation of Jainagar and Kumda colliery sidings on behalf South Eastern Coal Fields Limited. K.P. Gupta and Company has claimed Rs. 0.16 crore and Rs. 0.37 crore, respectively, along with 18% interest on account of non-payment of final bills and interest thereon. Both matters are, pending disposal by the arbitrator.
- (s) Vidhyawati Construction Company, our contractor for construction of hostel building of Government Polytechnic, Fatehpur, had filed an arbitration claim against our Company claiming Rs. 1.25 crore from our Company for escalation in price due to factors including delay in execution of work and delay in payment of monthly running bills. Our Company filed a counterclaim for an amount aggregating Rs. 0.70 crore on account of default. The arbitrator passed an award dated August 10, 2005, of Rs. 0.11 crore in favour of Vidhyawati. Both our Company and Vidhyawati filed suits (Nos. O.M.P. 21 of 2006 and O.M.P. 34 of 2006) against each other in the Delhi High Court, for setting aside the arbitral award. Both matters are currently pending and the next date of hearing is April 29, 2008.
- (t) Vidhyawati Construction Company, our contractor for construction of institute building of Government Polytechnic, Fatehpur, had filed an arbitration claim claiming Rs. 0.57 crore from our Company for escalation in price due to factors including delay in execution of work and delay in payment of monthly running bills. Our Company filed a counterclaim for an amount aggregating Rs. 0.72 crore on account of default. The arbitrator passed an award dated July 28, 2005, of Rs. 0.07 crore in favour of Vidhyawati. Both our Company and Vidhyawati filed suits (Nos. O.M.P. 20 of 2006 and O.M.P. 33 of 2006) against each other in the Delhi High Court, for setting aside the arbitral award. Both matters are currently pending and the next date of hearing is April 29, 2008.
- (u) Truguard Security Services, a contractor that had provided security services to our Company at our Gurgaon premises, registered office and at the Asiad Village Complex in New Delhi in the period from November 2005 to October 2006 and was further extended to November 2006, has filed a suit (Suit No. 493 of 2007) in before the Civil Judge, Senior Division, Gurgaon, against our Company in relation to Rs. 0.10 crore which was due from them. The next date of hearing is May 7, 2008.
- (v) P.K. Ramaiah & Co. has filed an arbitration claim against our Company in relation to execution of earthwork in construction of bridges for construction of a BG Railway Siding from Danaa Railway Station, Jharkhand to Tenughat Thermal Power Plant (Section III), Jharkhand. P.K. Ramaiah & Co. claimed damages from our Company and was awarded Rs. 0.03 crore by the arbitrator. The arbitrator, on the request from our Company, filed the award in before the Sub-Judge, Bermo, Tenughat, Jharkhand (Suit No. (Arbitration Award) 1 of 2001) to make it a ruling of the court. The next date of hearing is April 19, 2008.

Arbitral Proceedings Initiated By Our Company

There are 10 arbitration cases initiated by our Company, involving a claim amount aggregating approximately Rs. 235 crore. Counter-claims against our Company aggregate Rs. 478.58 crore. The details are set forth below.

- (a) Our Company has initiated an arbitral proceeding (PMA/BSM/2004) against Jharkhand State Electricity Board (“**JSEB**”), challenging JSEB’s termination of the contracts awarded by JSEB to our Company in relation to the rural electrification project in Jharkhand, through JSEB’s notice dated February 15, 2006. Our Company has also challenged the encashment by JSEB of the bank guarantees aggregating Rs. 226.50 crore submitted by our Company. JSEB has filed a counterclaim of Rs. 469.10 crore. The arbitral proceedings are continuing before a single arbitrator. The next date of hearing is April 10, 2008.
- (b) Our Company has filed an arbitration claim against the Kerala State Transport Project, Thiruvananthapuram, on March 19, 2008, in relation to construction supervision of Phase I of the Kerala State Transport Project consultancy package. Our Company has claimed an aggregate of Rs. 4.42 crore on grounds including reimbursement of electricity and other miscellaneous charges, duty travel to site, interest on delayed and deferred payments. The next date of hearing is April 8 or 9, 2008.
- (c) Our Company has filed an arbitration claim against Bharat Sanchar Nigam Limited, Chennai (“**BSNL**”) through its officers, regarding an agreement for the distribution cable laying and jointing and associated works in the Avadi area of North Peripheral, Chennai for an amount aggregating Rs. 1.80 crore. The matter is pending disposal before the arbitrator.
- (d) Our Company has filed an arbitration claim against BSNL, through its officers, regarding an agreement for erection of DP and upgradation of pillars in Kellys I and II divisions for an amount aggregating Rs. 1.40 crore. The matter is pending disposal before the arbitrator.
- (e) Our Company has filed a claim against the Indian Trade Promotion Organisation at New Delhi (PMA/NCJ/17/2003, also numbered as AP-05) for recovery of Rs. 0.33 crore. The Indian Trade Promotion Organisation has filed a counterclaim of Rs. 9.47 crore against our Company, in relation to construction of the exhibition centre at Pragati Maidan, New Delhi. The matter is pending before a sole arbitrator and the next date of hearing is June 16, 2008.
- (f) Our Company has filed an arbitration claim aggregating Rs. 0.24 crore against BSNL, through its officers, regarding an agreement for erection of DP and upgradation of pillars in Koyembedu, Valasaravakkam, Kunrathur, Porur area of Chennai telephones. The matter is pending disposal before the arbitrator.
- (g) Our Company has initiated an arbitral proceeding against the Project Coordinator, Integrated Child Development Services (ICDS-III), Maharashtra, at Mumbai, for recovery of outstanding dues, aggregating Rs. 0.15 crore towards consultancy fees for services rendered between April 18, 2001 and September 30, 2002. The matter is pending before the sole arbitrator and the next date of hearing is April 11, 2008.
- (h) Our Company has initiated an arbitral proceeding against the Director, Integrated Child Development Services (ICDS-III), Uttar Pradesh at Lucknow, for recovery of outstanding dues amounting to Rs. 0.13 crore towards consultancy fees for services rendered during the period December 1, 2004 and September 30, 2005. The third arbitrator has been appointed on February 19, 2008 and hearings are yet to commence.
- (i) Our Company has initiated an arbitral proceeding against AAI on October 9, 2007, claiming Rs. 0.03 crore on account of costs incurred in relation to the environmental impact study for the construction of the new terminal building and other allied works at Agati Airport, Lakshwadeep. AAI has filed a counterclaim of Rs. 0.01 crore. Arbitral proceedings are yet to commence.

- (j) Our Company has filed an arbitration claim aggregating Rs. 87,727 against BSNL, through its officers, regarding an agreement for erection of DP and upgradation of pillars in Chrompet Jagajeevanram Nagar and Hasthinapuram area of Chennai Telephones. The matter is pending disposal before the arbitrator.

7. Labour-related Proceedings

There are 28 labour-related proceedings pending against our Company before various authorities in India, the details of which are set forth below.

- i. Mr. T.C. Joy, a draftsman in our project office in New Delhi, has filed a writ petition against our Company and others in the Delhi High Court (C.W.P. No. 3595 of 1990), seeking his retrospective selection and promotion to employment grade 550-750-990. Our Company has filed its reply and the next date of hearing has not been fixed.
- ii. Mr. Parmeshwar and other field helpers filed a suit (L.C.A. No. 81 of 1995) against our Company in the Central Government Labour Court at New Delhi for non-payment of consolidated travelling allowance (“CTA”) for the period during which they worked at a project site of our Company in Shakti Nagar, Delhi. Arguments have been completed and the final order is reserved.
- iii. Mr. Sudershan Kumar, an ex employee of our Company, has filed a suit (I.D. No. 747 of 97) against our Company before the Presiding Officer, Labour Court No. X, Karkardooma, Delhi, challenging termination of his services and claiming reinstatement of his services with full back wages in proper pay scale and allowances. The date for final arguments is March 29, 2008.
- iv. Mr. K.K. Tejawani, ex secretary/ manager (administrative) of our Company, has filed a writ petition in the Delhi High Court (C.W.P. 7640/1999) alleging that he was not considered by our Company for promotion when it was due in 1996-1997. Mr. Tejawani has since been promoted as joint general manager (administrative), but this writ petition concerning his seniority remains pending. Our Company has filed its reply and the next date of hearing has not been fixed.
- v. Mr. Sewak Chand and 13 others have filed a writ petition against the Union of India and our Company in the Delhi High Court, challenging reduction in grade from 5500-9000 to 5000-8000, and plaintiffs No.13 and 14 have challenged reduction in grade from 4000-6000 to 3050-4590 (W.P. No. 5411 of 1999). The impugned reduction in grade was due to the pay scales of these employees being revised by our Company according to the Pay Commission Report which was notified in September 1999 and implemented w.e.f. January 1, 1996, and the office memorandum dated March 12, 1999, through which the DPE clarified that specific revised pay scales contained in Part B of the first schedule of the notification dated September 1999 cannot be extended in cases of CDA pattern employees in public sector companies and that in such cases only normal replacement scales contained in Part A of the first schedule may be given. The petitioners have accordingly challenged our Company’s order dated June 21, 1999, by which the abovementioned revisions in pay scale were implemented, and have prayed for resumption of the former pay scale. The Delhi High Court has, through order dated September 7, 1999, granted a stay against reduction. The next date of hearing has not been fixed.
- vi. Mr. Ravinder Kumar and others filed a civil writ petition (W.P. No. 4945 of 1999) against our Company and others in the Delhi High Court for quashing the decision of our Company wherein our Company refused to implement the pay scale of Rs. 1,640-2,900 (pre-revised) and 5,500-9,000 (revised) in respect of the petitioners. Our Company filed the reply and the case was dismissed in default dated July 27, 2007 for non prosecution. The petitioners have

filed an application under W.P. (C) No. 4876 of 2000 in the Delhi High Court for restoration of W.P. No. 4945 of 1999. The next date of hearing is September 12, 2008.

- vii. Mr. Pardeep Kapoor, a deputy general manager in our Company, has filed a writ petition against the Union of India and our Company in the Delhi High Court (C.W.P. 5587 of 2001), praying for a declaration that he should be considered senior to Mr. Vijay Pal and Mr. Y.P. Sachdev, joint general managers, and praying that he therefore be promoted as joint general manager. Our Company has filed its reply and the other respondents are to be summoned. The next date of hearing is April 22, 2008.
- viii. Mr. Jagjit Prasad Saxena, a former temporary employee of our Company, has filed a case against our Company in the Labour Court, Karkardooma, Delhi (I.D. No. 356 of 2003), challenging the termination of his services through our letter dated October 7, 2002, and seeking reinstatement, on the ground that our Company had unfairly asked him to appear for a typing test for the purpose of qualifying for regularisation of his services, failing which his services were terminated through our impugned letter dated October 7, 2002. All affidavits and counter affidavits in the case have been filed, and final order has been reserved.
- ix. Mr. K.K. Kalra, former deputy chief inspecting engineer, has filed a writ petition against our Company and others in the Chandigarh High Court on July 9, 2004 (W.P. 20243 of 2003), challenging his dismissal from service and seeking reinstatement and payment of back wages and other dues. Mr. Kalra was dismissed by our Company in 2001 pursuant to due inquiry following service of a charge sheet upon him for major penalty under the RITES D&A Rules, as he did not join services in Bhilai despite a transfer notice being served on him on February 23, 2001. Our Company has filed its reply and the next date of hearing has not been fixed.
- x. Mr. Ramakant Choudhary has filed an industrial dispute claim (I.D. No. 200/03) against our Company in the Court of Additional District Judge, Polc-V, Karkardooma Court, Delhi for illegal termination and discontinuance of his services by our Company under the provisions of the Industrial Disputes Act, 1947. The next date for arguments is April 8, 2008.
- xi. Mr. Sukhdev Sahni and several others, being contract workers employed by Sirohi Engineers and Contractors, the former housekeeping contractor of our Company, have filed suits impleading our Company before the Assistant Labour Commissioner, Government of NCT of Delhi in ID/105/ALC/CO445/03, on April 22, 2003. The contract workers services were terminated pursuant to the termination of the housekeeping contract between Sirohi Engineers and Contractors and our Company on February 28, 2003. Mr. Sukhdev Sahni and others have challenged their termination and have alleged non-payment of wages for the period January-February 2003. The various claims have been clubbed and are now being heard together in Labour Court, Karkardooma, Delhi in I.D. No. 207/2004. Mr. Sukhdev Sahni and others have moved an application dated October 1, 2007 for amendment of the statement of claim, which has been opposed by our Company in our reply. The next hearing is scheduled on April 4, 2008.
- xii. Mr. Amit Kumar Saha, son of the deceased Mr. Sudhir Saha who was formerly employed as a driver in our project office in Kolkata, has filed a writ petition against our Company in the Kolkata High Court, (W.P. No. 2467(W) of 2004) claiming that he is the heir of deceased and praying for employment in our Company on compassionate grounds. Our Company has filed its reply and affidavit, stating that it has no such scheme of granting employment on compassionate grounds. The next date of hearing has not been fixed.
- xiii. In connection with the above case, the deceased Mr. Sudhir Saha's second wife's son Mr. Suman Saha has filed a suit against our Company (No. 933 of 2002) seeking retirement benefits. Our Company has filed its reply and affidavit stating that retirement benefits have already been paid to the deceased's designated nominee, being his first wife, the mother of

Mr. Amit Kumar Saha, and that the claimant Mr. Suman Saha is not eligible to receive such benefits as he was not designated by the deceased as his nominee. The next date of hearing is June 24, 2008.

- xiv. Mr. R.C. Srivastava and others, being 15 workmen employed by our Company have filed a case against our Company (I.D. No. 43 of 2004), alleging change of their service conditions on their redesignation from 'messengers' to 'security guards' on April 16, 2002. On consideration of the Conciliation Officer's report, the matter was referred for adjudication by the government of the National Capital Territory of Delhi to the Labour Court, Karkardooma, Delhi. The next hearing is scheduled on April 5, 2008.
- xv. Mr. A.K. Bhashin, general manager of our highways division, has filed a writ petition in the Chandigarh High Court (W.P. No. 1804 of 2005), challenging the anomaly between CDA and IDA grades for the same cadre of public sector employees and praying for a writ of mandamus directing the Union of India and our Company to rectify with retrospective effect the pay scale of general manager from Rs. 18,500-23,500 with IDA to the equivalent pay scale of Rs. 18,400-22,400 with CDA. Our Company has filed its reply and the next date of hearing has not been fixed.
- xvi. Mr. B. Murlidhar, who was previously engaged as a liaison assistant on commission basis for pursuing payments due to our inspection office at Chennai, has filed a case (W. P. No. 34354 of 2005) against our Company in the Chennai High Court, seeking regularisation of his services and consequential benefits. Our Company has filed its reply and the next date of hearing has not been fixed.
- xvii. Mr. S.K. Chaudhary has filed a writ petition (C.W.P. No. 18649 of 2005) in the Delhi High Court against our Company for considering his period of service in our Company on deputation rather than contract basis and other consequential benefits accruing there from. The next date of hearing is April 3, 2008.
- xviii. Mr. Sudhakar Suvarna, an ex messenger of our Company, has filed a suit (Reference I.D.A. No. 2/4 of 2005) against our Company before the Central Government Industrial Tribunal, Mumbai, challenging the termination order issued by our Company and claiming reinstatement with full back wages and continuity of services with consequential benefits. The next date of hearing is April 11, 2008.
- xix. Mr. Kaushal Parasad Sharma, a master technician in the Northern region, has filed a writ petition in the Jodhpur High Court (W.P. No. 906 of 2006) against the Union of India and our Company, claiming GBP 600 from the MoR as gratuity due for the period for which he was sent on deputation through our Company to Zimbabwe in 1981. Mr. Sharma had previously filed a case in the Central Administrative Tribunal, in which our Company was not impleaded as a party to the case. Mr. Sharma had lost the case in the Central Administrative Tribunal and now has filed the writ petition in the Jodhpur High Court challenging the Central Administrative Tribunal order. No relief has been sought against our Company.
- xx. Mr. Mohan Kumar Subramanian, a former employee of our Company, has filed a case against our Company in the Chennai High Court (No. 33574 of 2006), seeking return of a sum of GBP 2,757. Mr. Subramanian was seconded to Sharjah, U.A.E., in 2000 on a project. However, he subsequently expressed his inability to continue with the assignment at Sharjah and therefore requested our management that he be repatriated to India. The claimed sum was withheld by our Company as retention money on the ground that he had not performed satisfactorily as per the terms of his employment agreement. Our Company has filed its reply and the next date of hearing has not been fixed.

- xxi. Mr. R.N. Pandey, an assistant in our Company, has filed a writ petition (W.P. No. 8943 of 2006) against our Company and others in the Delhi High Court, challenging our order downgrading him and praying for restoration of his former pay grade and consequential benefits. Our impugned order was issued to him on the basis of a disciplinary inquiry initiated on the recommendation of the vigilance department based on the finding that he had submitted fake mark sheets of his qualifications. Our Company has filed its reply and the next date of hearing is July 17, 2008.
- xxii. Mr. M.K. Dhir, an ex-employee of our Company, whose services were terminated, filed a writ petition (C.W.P. No. 10125 of 2007) against our Company at the Rajasthan High Court claiming payment of entire pending retrial benefits, one year gratuity and interest for delayed payment of gratuity. The next date of hearing is April 22, 2008.
- xxiii. Mr. Ramesh Chhabra has filed a writ petition in the Delhi High Court (C.W.P. No. 2122 of 2007), challenging the non-consideration of his case for promotion in 2000. Mr. Chhabra had earlier filed a similar writ petition in the Delhi High Court (W.P. No. 554 of 2002) challenging the selection of Mr. H.D. Singh for promotion against the qualification requirement of graduate with a bachelors degree in library sciences, which Mr. Chhabra does not possess. This earlier writ petition was rejected by the Delhi High Court. Our Company has filed its reply in the instant case and the matter is listed for hearing on September 12, 2008.
- xxiv. Mr. S.C. Bali, an ex-general manager of our Company, has filed a civil writ petition (C.W.P. No. 8192 of 2007) in the Delhi High Court against our Company and another, praying for the issuance of a writ for setting aside the communication order dated July 11, 2007 passed by our Company whereby his request for rejoining our Company was refused on the ground of his compulsory retirement, as lien is retained only while an official is in active service, and also praying for his reinduction into our Company with consequential benefits of service. The next date of hearing is November 12, 2008.
- xxv. Mr. K.L. Naidu, a deputy general manager of our Company, has filed a case against our Company and others in the Additional District Judge, Gurgaon, challenging our Company's order declaring him to go without pay for three days, and rejecting his claim of Rs. 24,256 by way of leave travel compensation. Mr. Naidu has also sought promotion and consequential benefits. Mr. Naidu's claims are in connection to the period for which he went on leave while working in our project office in Mumbai and failed to report on the due date. He had previously made various representations for regularising his leave period, and had also not appeared for selection to the next grade, consequent to which the general manager of our Company's project office in Mumbai had issued the impugned order. Our Company has filed its reply and the matter is listed for hearing for July 28, 2008.
- xxvi. Mr. A.K. Sanghi, who was on deputation to our Company and was subsequently seconded to the UK, has filed a writ petition against the Union of India represented by our Company, in the Andhra Pradesh High Court (W.P. No. 16872 of 2007), claiming payment of the difference in salary for the period of his deputation, vis-à-vis other employees who were paid the salary of joint general manager from the date of deputation. Accordingly, Mr. Sanghi has claimed salary due to a joint general manager between August 7, 2000 and December 31, 2000, and salary due to an additional general manager between January 1, 2001 and September 30, 2001, along with payment of additional overtime, passport renewal, medical and other allowances as per Mr. Sanghi's representation to our Company, dated January 10, 2005. The total claim has not been quantified and the date of first hearing has not been fixed.
- xxvii. The Labour Enforcement Officer, Patan, Palamu, has filed a case (No. 52 of 2005) under the Minimum Wages Act, 1948, before the Assistant Labour Commissioner, Daltonganj, against our Company and others, based on a complaint by the villagers of Gangtua village for less payment of wages by the subcontractor of RPCL (who was the main contractor of our

Company in the rural electrification works at Jharkhand). Our Company has already deposited Rs 32,710 in the court as directed by the court. The next date of hearing is April 7, 2008.

- xxviii. Mr. Bhubneshwar Parshad, junior assistant (accounts), has filed a writ petition in the Delhi High Court (WP 5258 of 2002) challenging our letters dated August 9 and 12, 2002 requiring him to appear for a written and typing test prior to regularisation of his service, and seeking regularisation of his services and consequent benefits. Our Company has filed its reply and the next date of hearing has not been fixed.

8. Mediation

Mr. Rajesh Kumar Mall has filed a suit (O.S. No. 40 of 2001) against our Company before the City Civil Judge at Bangalore, claiming Rs. 0.05 crore on account of rental difference, damages for illegal occupation and damages caused to the suit premises in Bangalore occupied by our Company as a tenant. On February 5, 2008, the Court referred the matter for mediation. Mediation is scheduled to commence on April 15, 2008.

9. Statutory Notices

Our Company has received 19 statutory notices from various statutory/ regulatory bodies in India. The amount in dispute aggregates Rs. 20.57 crore. The details are set forth below:

Service Tax

- i. The Office of the Commissioner of Service Tax, Delhi has issued a notice (C. No. DL/ST/AE/Parsons./143/2007/ 17473) dated October 9, 2007 regarding details of non-payment of service tax on reimbursable expenses for the period from April 1, 2002 till March 31, 2007. The Office of the Commissioner of Service Tax, Delhi has also issued a letter (C. No. DL/ST/AE/Parsons./143/2007/ 343/411) dated January 3, 2008 seeking further information in relation to the same. Our Company submitted a reply on December 19, 2007, providing details of available reimbursable expenses aggregating Rs. 20.25 crore. Thereafter, our Company received a notice dated February 1, 2008, requesting our Company to provide sample copies of agreements and other details in relation to the previous notice. Our Company is in the process of filing its response.
- ii. The office of Superintendent (Audit) Group XIX, Service Tax Commisionerate, Kolkata has issued a notice dated March 27, 2008 to our Company regarding details of non-payment of service tax on the consultancy fee received by our Company during the financial years 2002-03, 2003-04, 2004-05, 2005-06 and 2006-07 to the extent of Rs. 0.44 crore. The Commisionerate has asked our Company to pay the dues along with interest and also submit the payment particulars to the Commisionerate. Our Company is in the process of filing its response.
- iii. The office of Superintendent (Audit) Group XIX, Service Tax Commisionerate, Kolkata has issued a notice dated March 28, 2008 to our Company on the presumption that the income is earned under the services taxable as business auxiliary service for the period September 10, 2004 to March 31, 2007. The Commisionerate has asked our Company to pay the dues along with interest. To quantify the amount due the Commisionerate has asked our Company to provide records of (i) ledger for other income from September 10, 2004 to March 31, 2007 (ii) specimen agreement copy between our Company and client and/or agency (iii) expense ledger towards agency (third party) from April 18, 2006 to March 31, 2007 and (iv) Copy of Cenvat invoices on which credit has been availed and utilized from September 10, 2004 to March 31, 2007 in relation to such presumed business auxiliary services. Our Company is in the process of filing its response.

- iv. The office of Superintendent (Audit) Group XIX, Service Tax Commissioner, Kolkata has issued a notice dated March 27, 2008 to our Company regarding details of non-payment of service tax on the client fee received by our Company during the financial years 2003-04, 2004-05, 2005-06 and 2006-07 to the extent of Rs. 6.53 crore. The Commissionerate has asked our Company to pay the dues along with interest and also submit the payment particulars to the Commissionerate. Our Company is in the process of filing its response.
- v. The Office of the Superintendent (Audit) Group XIX, Service Tax Commissioner, Kolkata has issued a notice dated February 22, 2008 to our Company regarding details of non-payment of service tax and education cess during Fiscals 2003, 2004, 2005, 2006 and 2007 to the extent of Rs. 0.02 crore. The Commissionerate has asked our Company to pay the dues along with interest and also submit the payment particulars to the Commissionerate. Our Company is in the process of filing its response.
- vi. The Office of Superintendent (Audit) Group XIX, Service Tax Commissioner, Kolkata has issued a notice dated February 22, 2008 to our Company regarding details of service tax payable on re-inspection charges apart from inspection fees during Fiscals 2003, 2004, 2005, 2006 and 2007 to the extent of Rs. 0.12 crore. The Commissionerate has asked our Company to pay the dues along with interest and also submit the payment particulars to the Commissionerate. Our Company is in the process of filing its response.
- vii. The Office of Superintendent (Audit) Group XIX, Service Tax Commissioner, Kolkata has issued a notice dated March 27, 2008 to our Company regarding details of service tax payable non-payment of service tax during Fiscals 2003, 2004, 2005, 2006 and 2007 to the extent of Rs. 3.49 crore. The Commissionerate has asked our Company to pay the dues along with interest and also submit the payment particulars to the Commissionerate. Our Company is in the process of filing its response.

Income Tax matters

- viii. The Office of the DCIT, Circle 15(1), New Delhi has issued a notice dated March 18, 2008 for the assessment year 2004-05 regarding details provided in certain notes to accounts wherein our Company had provisioned Rs. 14.21 crore for incomplete assignments on grounds that the provisioning was not allowable as a deduction. The matter is currently pending and the next date of hearing has not been fixed.
- ix. The Company has received a notice dated February 20, 2008, from the DCIT, under Section 148 of the IT Act, proposing to reassess the income tax liability of the Company for assessment year 2001-2002. Our Company has filed its response on March 14, 2008. Our Company has requested the Department to furnish the reasons for reassessment.
- x. The DCIT has issued a notice dated February 22, 2008, under Sections 154 and 155 of the IT Act, noting that the assessment order for assessment year 2004-2005 made on December 5, 2006 requires to be amended on account of mistakes apparent from the records, and further requiring the Company to show cause as to why an amount of Rs. 5 crore deducted by the Company on account of bonus paid under the PLIS for the Company's employees should not be disallowed, and why the expenditure of Rs. 0.77 crore deducted by the Company on account of interest paid in foreign currency, should not be disallowed, given that no tax was deducted at source on this amount.
- xi. The DCIT, New Delhi has issued a penalty proceedings notice dated March 25, 2008 to our Company, in relation to assessment year 1991-92. The next date of hearing has not yet been fixed.

- xii. The DCIT, New Delhi has issued a penalty proceedings notice dated March 25, 2008 to our Company, in relation to assessment year 1992-93. The next date of hearing has not yet been fixed.
- xiii. Income Tax Officer (TDS), International Taxation, New Delhi has issued a notice (F.No./ITO(TDS)W-2(1)/RITES/2007-08/130) dated March 25, 2008 regarding the expenditure incurred in foreign currency by our Company during Fiscals 2005, 2006 and 2007. Our Company is also required to submit details along with documentary evidence as to whether TDS on these sums have been deducted as per provisions of the IT Act. Our Company is required to furnish the aforesaid information to the department by April 10, 2008.

Labour-related matters

- xiv. The Assistant Labour Commissioner, Murshidabad, West Bengal has issued a show cause notice dated June 17, 2005 to our Company citing violations of provisions of the CLRA and directing our Company to obtain licence under the CLRA. Our Company has responded to this notice, by letter dated July 4, 2005, seeking exemption from obtaining the registration under the CLRA. No further notices have been received.
- xv. The Deputy Labour Commissioner, Durgapur has issued an inspection report dated August 24, 2006, regarding certain irregularities under the CLRA, observed during an inspection. Our Company has, by letter dated August 29, 2006, requested an exemption from obtaining a license under the CLRA on the ground that all employees receive all statutory benefits and thus are not contract labour. On August 30, 2006, the Office of the Deputy Labour Commissioner advised our Company to obtain registration under the Building and Other Construction Workers (Regulations and Employment and Conditions of Service) Act, 1996. Our Company has filed its response dated October 5, 2006, requesting exoneration from obtaining such registration. No further notices have been received.
- xvi. The Labour Enforcement Officer (Central), Kolkata-III has issued a show cause notice dated September 16, 2007 to our Company in relation to certain irregularities under the CLRA observed during an inspection, regarding employment of contract labour in respect of repairing, restoring, laying and linking of tracks and other railway works in the establishment of Kolkata Port. Our Company has filed its response dated September 19, 2007, stating that our office has taken action to stop the work and has accordingly issued a letter to the Kolkata Port Trust Authority, intimating it to take necessary action to rectify all irregularities in this respect. No further notices have been received.
- xvii. The Deputy Chief Labour Commissioner (Central), Dhanbad has filed an application (MW Claim (113)/2007-H) dated September 18, 2007, to the Regional Labour Commissioner (Central), Dhanbad, claiming Rs. 1,834 from our Company on account of payment to our Company's workers being less than the minimum rates of wages under the Minimum Wages Act, 1948. Our Company is in the process of depositing the claimed amount.
- xviii. The Assistant Labour Commissioner (Central), Ministry of Labour and Employment, Dhanbad, has issued seven inspection report notices to our Company between October 12, 2007 and June 22, 2007, regarding certain irregularities under the Building and Other Construction Workers (Regulations and Employment and Conditions of Service) Act, 1996, observed during an inspection at Kathara Washery Railway Siding at Kathara, West Bengal. Our Company is yet to receive clearance from the Deputy Chief Labour Commissioner (Central), Dhanbad in this relation.
- xix. The Office of the Regional Labour Commissioner (Central), Jammu, has issued a notice (No. 46(Misc.)/200/RLC/Jammu received by our Company on December 28, 2007, instructing our Company to obtain valid labour licenses under the CLRA and Rules 1971, for the number of

contract labourers employed by our Company for the work of detailed geotech investigation for design and construction of major bridge and tunnels at Katra-Laole. Our Company has responded to the said notice on February 11, 2008. No further notices have been received.

10. Legal Notices

Legal Notices Received By Our Company

Our Company has received three legal notices claiming an amount of approximately Rs. 0.52 crore and US\$ 0.1 million. The details are set forth below.

- i. Mr. Jyotindra Gowardhan Patel, managing director of K.J.V. Alloy Conductors Private Limited, has, on behalf of K.J.V. Alloy Conductors Private Limited, issued a legal notice dated September 26, 2005 to our Company, demanding Rs. 0.41 crore along with interest of Rs. 96,165 on account of dues pending for supply of certain conductors by RPCL, our sub-contractor for rural electrification work in Jharkhand. Our Company filed a reply dated October 15, 2005. No further notices have been received.
- ii. CPCS Trascom International Limited, Bridgetown, Barbados, has issued a legal demand notice dated December 21, 2007, to the Presidential Parastatal Sector Reform Commission ("PSRC"), along with a copy to RAHCO, TRL and our Company, for immediate payment of the success fee due, aggregating US\$ 0.1 million by PSRC, TRL or our Company, on account of services rendered under the contract between PSRC, CPCS Trascom International Limited and our Company, for transaction advisory services for the Tanzania railway concession, and acknowledged in the financial proposal by the consortium led by our Company. No further notices have been received.
- iii. The MoR, through Mr. Anirudh Jain, had proposed to impose a penalty of Rs. 0.10 crore on our Company (Letter No.CT/ACC dated December 6, 2005) for a lapse in ensuring proper inspection of certain railway coaches. On November 10, 2006, the Jodhpur-Bhatinda Passenger Train derailed near the Bikaner Division due to multiple rail fracture. This rail was produced by Bhilai (where our Company has its inspection machinery) in January 2005. The Ministry is yet to offset the amount or charge penalty on the same.

Legal Notices Issued By Our Company

Our Company has issued three legal notices against certain parties, claiming an aggregate of approximately Rs. 1.12 crore along with interest. The aggregate counterclaim against our Company is Rs. 0.64 crore. The details are set forth below.

- i. Our Company has issued a legal notice dated July 16, 2007 to SOBRA Power in relation to outstanding payment aggregating Rs. 0.69 crore with interest regarding geotechnical investigations for the hydroelectric power project undertaken by our Company in Harsar and Bharmour, Himachal Pradesh. No response has been received by our Company yet.
- ii. Our Company has issued a legal notice dated September 21, 2007 to Raneka Industries Limited, Indore, for payment of Rs. 0.18 crore along with interest, and costs incurred in delivery and return of material and legal notice charges of Rs. 5,500 in relation to an agreement between the parties for supply of cast brake beams. Raneka Industries Limited has replied to this notice by letter dated October 23, 2007, denying our claims and raising a counterclaim aggregating Rs. 0.64 crore against our Company. The matter is currently pending.
- iii. Our Company has issued a legal notice dated January 18, 2008 to the Uttar Pradesh Jal Nigam for recovery of outstanding dues of Rs. 0.25 crore along with 24% interest and Rs. 5,500 as

legal notice charges, in relation to providing underground crossing arrangements under the railway track of Central Railway and North Eastern Railway and consultancy services for laying water pipelines under the railway track at Mathura and Agra. Uttar Pradesh Jal Nigam vide letter no. 278/Bhugtan/15 dated March 24, 2008 has stated that the matter for releasing the fund has been taken up with the Government and it is expected that the outstanding dues would be released shortly. No further correspondence has been received by our Company yet.

11. Miscellaneous proceedings

- i. Our Company, by letter dated October 16, 2007, has requested the Chief Engineer (Operations and Maintenance), Chattisgarh State Electricity Board (“CSEB”), to clear pending dues aggregating Rs. 0.44 crore regarding consultancy for conversion of overhead power distribution lines to underground cable system for CSEB for Raipur, Bilaspur and Durg-Bhilai. No reply was received by our Company in this regard. Thereafter, our Company sent a letter dated January 8, 2008 to the Director, Ministry of Heavy Industries and Public Enterprises, GoI, requesting appointment of an arbitrator to settle the dispute as per the arbitration clause in the letter of award dated February 10, 2006 on account of non-payment of fees by CSEB to our Company. Our Company has claimed an amount aggregating Rs. 0.44 crore.
- ii. Our Company, by letter no. RITES/HW/BILLS/Corr./2007 dated December 10, 2007, has requested the Secretary, DPE, to appoint an arbitrator for settlement of a dispute between our Company and the PWD (Roads), Government of Meghalaya, regarding non-payment of outstanding consultancy fee aggregating Rs. 0.04 crore along with interest regarding consultancy services for survey investigation and project preparation for widening and strengthening of pavements on NH-51 including construction of culverts in Western Zone, Tura, Meghalaya.
- iii. Our Company, by letter no. RITES/HW/MEG/GS/90/9091-11 dated December 11, 2007, has requested the Secretary, DPE, to appoint an arbitrator for settlement of a dispute between our Company and the PWD (Roads), Government of Meghalaya, regarding non-payment of outstanding consultancy fee aggregating Rs. 0.03 crore along with interest regarding a contract for consultancy services for survey investigation and project preparation for strengthening existing infrastructure, including geometric improvement, on NH-40 in Meghalaya.
- iv. Our Company, by letter no. RITES/HW/BILLS/Corr./2007 dated December 12, 2007, has requested the Secretary, DPE, to appoint an arbitrator for settlement of a dispute between our Company and the PWD (Roads), Government of Meghalaya, regarding non-payment of outstanding consultancy fee aggregating Rs. 1.34 crore along with interest regarding a contract for consultancy services for survey investigation works for construction of the proposed Shillong bypass on NH-40 and NH-44 in Meghalaya.

II. Material Developments

In the opinion of our Board, there have not arisen, since the date of the last financial statements disclosed in this Draft Red Herring Prospectus in “**Financial Statements**” on page 117, any circumstances that materially or adversely affect or are likely to affect our profitability taken as a whole, the value of our consolidated assets, or our ability to pay material liabilities within the next 12 months, except as stated in “**Management’s Discussion and Analysis of Financial Condition and Results of Operations**” on page 213.

III. Litigation against our Directors

Except as mentioned above, none of our Directors has any outstanding litigation towards tax liabilities, criminal/ civil prosecution for any offences (irrespective of whether they are specified under paragraph (i) of Part 1 of Schedule XIII of the Companies Act), disputes, defaults, non payment of statutory dues, in their individual capacity or in connection with us and other companies with which the Directors are associated. Parties may from time to time file suits impleading our Company through or along with officers of our Company, including at times, the Directors of the Company in their official capacity.

IV. Litigation against our Subsidiaries and Joint Ventures

There is no litigation pending against our Subsidiaries or any joint ventures in which our holding is 51% or above, before any court, authority or tribunal, except as set forth below.

i. RITES (AFRIKA)

Nil

ii. TRL

CPCS Trascom International Limited, Bridgetown, Barbados, has issued a legal demand notice dated December 21, 2007, to the Presidential Parastatal Sector Reform Commission (“PSRC”), along with a copy to RAHCO, TRL and our Company, for immediate payment of the success fee due, aggregating US\$ 0.1 million by PSRC, TRL or our Company, on account of services rendered under the contract between PSRC, CPCS Trascom International Limited and our Company, for transaction advisory services for the Tanzania railway concession, and acknowledged in the financial proposal by the consortium led by our Company. No further notices have been received.

See “- *Legal Notices- Legal Notices Received By Our Company*” above.

iii. CCFB

The tax authorities in Mozambique carried out a tax inspection on CCFB 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. CCFB opposed the claim in writing and on February 26, 2008, the authorities notified CCFB that the withholding tax due was reduced to MZM 53,36,07,601 and that the corresponding fine was reduced to MZM 25,00,00,000. The total contingent liability of CCFB is now MZM 78,36,07,601. CCFB has submitted an appeal to the Administrative Court in Mozambique on March 6, 2008 for complete abolition of the tax and the corresponding fine, on the ground that due process was not followed at the time of assessment. This appeal is currently pending.

CCFB has also submitted an application to the Minister of Finance, Mozambique, requesting taxation only on the income component of the invoice, on the grounds that Zimbabwean tax legislation in force does not recognise credit for tax paid in Mozambique, and that withholding tax in other countries is only applicable to the net income of the invoice. Further, the application requests non-application of withholding tax on the ground that this matter relates to pure reimbursement of costs.

iv. GECPL

Nil

v. RICON

The ACIT, Gurgaon has issued a notice of demand dated December 7, 2007 to RICON, under section 156 of the IT Act, for assessment year 2005-06 raising a demand of Rs. 0.05 crore (with our Company's liability being to the extent of 51%, as per our Company's holding in the joint venture) regarding disallowance of claim of export promotion expenses amounting to Rs. 0.11 crore, on the ground that the said amount is donation in kind and not allowable under the law. RICON has filed an appeal to the CIT- A, Panchkula under section 246 of the IT Act on January 2, 2008 stating that the entire claim is in the nature of business promotion for the purpose of business and is the same is allowable under section 37 of the IT Act. The next date of hearing has not been fixed.

GOVERNMENT AND OTHER APPROVALS

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake this Issue or continue our business activities.

A. APPROVALS FOR THE ISSUE

Authority for the Fresh Issue

Our Board of Directors has, pursuant to resolutions passed at its meeting held on November 30, 2007, authorised the Issue, subject to the approval by the shareholders of our Company under section 81(1A) of the Companies Act.

Our shareholders have, pursuant to a resolution dated January 8, 2008 under section 81(1A) of the Companies Act, authorised the Issue.

The MoR through letter no. 91/PL/68/48(RITES) dated February 6, 2008 notified cabinet approval for the fresh issue of one crore shares of our Company to the public.

Further, the MoR, through letter No. 91/PL/68/48(RITES) dated March 20, 2008, has approved reservation of 14 lakh Equity Shares out of the Fresh Issue, for employees of our Company, at the Issue Price.

Authority for the Offer for Sale

The MoR through letter no. 91/PL/68/48 (RITES) dated February 4, 2008 duly authorized and granted power of attorney in favour of Mr. P.V. Vaidialingam, Executive Director, Finance Expenditure-I, Railway Board, and Mr. Vinay Kumar Singh, Director PSU, Railway Board (as standby) for the purpose of effecting the Offer for Sale by the GoI of its shareholding in our Company.

The MoR through letter no. 91/PL/68/48(RITES) dated February 6, 2008 notified cabinet approval for disinvestment of 10% of the GoI shareholding in our Company.

B. APPROVALS FOR OUR BUSINESS

We have received the following regulatory registrations and approvals pertaining to our business:

Export-Import related registrations and approvals

Description	Reference No.	Date of Issue/ Renewal	Date of Expiry
Allotment of Importer–Exporter Code from the office of Joint Director General of Foreign Trade, Ministry of Commerce, GoI	IEC No.: 0589026721	March 24, 2004, w.e.f. September 21, 1989	Valid until cancelled
Registration cum membership certificate from the Regional Director, EEPC	Registration No.: EPC/D/R- 4071/ENGG.(ME)	April 15, 2005	March 31, 2009

Approvals by the RBI for the lease of locomotives

CFM, Mozambique

Description	Reference No.	Date of Issue	Date of Expiry
RBI approval for lease of 1,350 HP DLW-make ALCO Cape Gauge Diesel Electric Locomotives to CFM Mozambique for a period of three years. [#]	ND.FED.EXD.No.10714/16.18.001/2006-07	February 8, 2007	February 8, 2010

TRL, Tanzania

Description	Reference No.	Date of Issue	Date of Expiry
RBI approval for lease of MG locomotives to TRC [#]	EC.DEL.PEX/46/04.01.1471/98-99	November 6, 1998	Not applicable
RBI approval for lease of MG locomotives to TRC [#]	EC.DEL.PEX/517/04.01/471/98-99	October 10, 1998	Not applicable
RBI approval for lease of 1,350 HP locomotives to TRL. [#]	ND.FED.EXD.No.4852/16.18.001/2007-08	October 16, 2007	Not applicable
RBI approval for lease of 1,350 HP locomotives to TRL. [#]	ND.FED.EXD.No.6272/16.18.001/2007-08	December 7, 2007	Not applicable
RBI approval for lease of 1,350 HP locomotives to TRL. [#]	ND.FED.EXD.No.7838/16.18.001/2007-08	January 30, 2008	Not applicable

CCFB, Mozambique

Description	Reference No.	Date of Issue	Date of Expiry
RBI approval for lease of MG Diesel Electric Locomotives to CCFB Mozambique for a period of five years. [#]	FE.DEL.EXP/17409/16.17.001/2005-06	May 12, 2006	May 11, 2011

- [#]
- (a) Our Company undertakes to export these locomotives on reimportation basis and undertakes to bring back these locomotives on completion of the contract on an as is where is condition.
 - (b) Our Company undertakes that it will deliver to the concerned bank the periodical rentals/lease/hire charges received.
 - (c) Our Company further undertakes to re-import the goods on freight-to-pay basis at the end of the lease period and produce documentary evidence in support thereof.
 - (d) No interest would be allowed to be paid on advance payment.
 - (e) Prior permission of the RBI would be necessary in case of sub-leasing/sub-letting of the items.
 - (f) At the time of re-import of the goods into India, no freight charges in free foreign exchange would be allowed to be remitted from India and the goods should be re-imported as freight to pay basis.

Overseas Direct Investment in our Joint Ventures

Description	Reference No.	Identification No.	Date of Issue	Date of Expiry
Letter from the Overseas Investment Division of the RBI allotting an identification number to our joint venture in Mozambique under the automatic route for overseas direct investment ("ODI")	FE.CO.OID521/19.18.279/2004-05	NDJAZ20040270	August 13, 2004	Not applicable
Letter from the Overseas Investment Division of the RBI allotting an identification number to our	FE.CO.OID15780/19.18.344/2007-2008	NDJAZ20070423	January 8, 2008	Not applicable

Description	Reference No.	Identification No.	Date of Issue	Date of Expiry
subsidiary in Tanzania under the automatic route for ODI				

Approvals for equity investments overseas

Description	Reference No.	Date of Issue	Date of Expiry
RLTES (AFRIKA)			
Letter issued under section 27(3) of the Foreign Exchange Regulation Act, 1973, by the Ministry of Commerce intimating approval of GoI for setting up a WOS in Botswana	5/6/91-EP (OI)	September 16, 1991	Not applicable
Letter from the MoR, intimating approval of the President of India for setting up a WOS in Botswana	91/PL/68/24	June 19, 1992	Not applicable
CCFB			
Letter intimating approval of the President of India for equity investment in CCFB	2004/PL/62/1	May 25, 2004	Not applicable
TRL			
Letter intimating Cabinet approval for equity investment in TRL	2006/PL/45/4	June 26, 2006	Not applicable

Tax Deduction Account Numbers (TAN)

Description	TAN No.	Date of Issue/Date of Letter	Date of Expiry
TAN allotted under section 203A of the IT Act for our project office at Bangalore, Karnataka	BLRR00547B	September 9, 1997	Valid until cancelled
TAN allotted under section 203A of the IT Act for our project office at Secunderabad, Andhra Pradesh	HYDR00069G	September 18, 1997	Valid until cancelled
TAN allotted by the I.T. Department under section 203A of the IT Act for our inspection office at Bhilai, Chattisgarh	JBPG00261C	January 23, 2002	Valid until cancelled
TAN allotted by the I.T. Department under section 203A of the IT Act for our project office at Nagpur, Maharashtra	NGPR00161A	May 15, 2002	Valid until cancelled
TAN allotted by the I.T. Department under section 203A of the IT Act for our project office at Bhubaneswar, Orissa	BBNR00230G	September 4, 2003	Valid until cancelled
TAN allotted by the NSDL as per the IT Act for our inspection office at Churchgate Station Road, Mumbai, Maharashtra	MUMR14188G	April 6, 2004	Valid until cancelled
TAN allotted by the NSDL as per the IT Act for our project office at Navi Mumbai, Maharashtra	MUMR14769G	May 17, 2004	Valid until cancelled
TAN allotted by the NSDL as per the IT Act for our inspection office at Chennai, Tamil Nadu	CHER06578F	May 20, 2004	Valid until cancelled
TAN allotted by the NSDL as per the IT Act for our inspection office at Bhilai,	JBPR00949E	June 18, 2004	Valid until cancelled

Description	TAN No.	Date of Issue/Date of Letter	Date of Expiry
Chattisgarh			
TAN allotted under Rule 7 (e) of the Delhi Sales Tax on Works Contract Act, 1999, by the Sales Tax Department, Government of Delhi for our corporate office at Gurgaon, Haryana	TAN/2/963000495/0703	June 28, 2004	Valid until cancelled
TAN allotted by the NSDL as per the IT Act for our corporate office at Gurgaon, Haryana	DELR09664E	July 22, 2004	Valid until cancelled
TAN allotted under section 203A/206CA of the IT Act for our project office at Lucknow, Uttar Pradesh	LKNR05214G	June 11, 2004	Valid until cancelled
TAN allotted by the I.T. Department under section 203A of the IT Act for our inspection office at Kolkata, West Bengal	CALR01149B	October 2004	Valid until cancelled
TAN allotted by the I.T. Department under section 203A of the IT Act for our project office at Kolkata, West Bengal	CALC01287G	October 2004	Valid until cancelled
TAN allotted by the NSDL under section 203A of the IT Act for our project office at Tenughat, Jharkhand	RCHR00747F	January 6, 2006	Valid until cancelled

Permanent Account Number (PAN)

Description	PAN No.	Date of Expiry
PAN allotted to our Company by the I.T. Department	AAACR0830Q	Valid until cancelled

Service Tax Registrations

Description	Registration No.	Date of Issue	Date of Expiry
Registration issued under section 69 of the Finance Act, 1994, by the Office of the Superintendent, Central Excise and Customs, Bhubaneswar for our project office at Bhubaneswar, Orissa	25/ S.T/BBSR-I/97	August 28, 1997	Valid until cancelled
Registration issued under section 69 of the Finance Act, 1994, by the Office of the Assistant Commissioner of Central Excise (Service Tax), Bangalore for our project office at Bangalore, Karnataka	CE/BG/80/RITES /97	September 9, 1997	Valid until cancelled
Registration issued under section 69 of the Finance Act, 1994, by the Office of the Assistant Commissioner of Customs and Central Excise, VII Division, Hyderabad, for our project office at Secunderabad, Andhra Pradesh	C. Engg. /Hyd. VII/3/97	September 18, 1997	Valid until cancelled
Registration issued under section 69 of the Finance Act, 1994, by the Office of the Assistant Commissioner, Service Tax, Bokaro Steel City for our project office at Tenughat, Jharkhand	Consulting Engineer/BOK/02 -RITES	September 22, 1997	Valid until cancelled
Registration issued under section 69 of the Finance Act, 1994, by the Office of the Assistant Commissioner, Central Excise,	S. Tax/C. Engg – 3/23/97	September 26, 1997	Valid until cancelled

Description	Registration No.	Date of Issue	Date of Expiry
Lucknow, Central Excise Commissionerate Kanpur – II, Department of Revenue, Ministry of Finance, for our project office at Lucknow, Uttar Pradesh			
Registration issued under section 69 of the Finance Act, 1994, by the Office of the Assistant Commissioner, Central Excise, Kolkata, for our project office at Kolkata, West Bengal	EC/Cal-I/40-Rail India Technical and Economic Services Limited	October 28, 1997	Valid until cancelled
Registration issued under section 69 of the Finance Act, 1994, by the Office of the Assistant Commissioner, Central Excise (Service Tax Cell), Kolkata, for our inspection office at Kolkata, West Bengal	EC/Cal-I/45/Rail India Technical and Economic Services Limited	November 20, 1997	Valid until cancelled
Registration under section 69 of the Finance Act, 1994, issued by the Office of the Assistant Commissioner, Central Excise Commissionerate, Belapur – I Division, Mumbai – VI Commissionerate, Navi Mumbai, for our project office at Navi Mumbai, Maharashtra	ST/CE/Bel-I/M-VI/18/99	November 22, 1999	Valid until cancelled
Registration issued under section 69 of the Finance Act, 1994, by the Office of the Assistant Commissioner, Service Tax Cell, Central Excise Commissionerate, Mumbai – I, for our inspection office at Churchgate Station, Mumbai, Maharashtra	CE/Mumbai-I/323/RITES Ltd.	November 26, 1997	Valid until cancelled
Registration under section 69 of the Finance Act, 1994, issued by the Department of Central Excise, Bhilai, for our inspection office at Bhilai, Chattisgarh	ST/C.E./01/R-I B.S.P./2001-02	May 21, 2001	Valid until cancelled
Service Tax Code Number issued under section 69 of the Finance Act, 1994, by the Office of the Commissioner of Central Excise, Chennai II Commissionerate, Service Tax Cell, Chennai for our inspection office at Chennai, Tamil Nadu	AAACR0830QS T010	April 7, 2003	Valid until cancelled
Registration issued under section 69 of the Finance Act, 1994, by the Office of the Deputy Commissioner, Service Tax Division, Central Excise Commissionerate, Delhi – III for our corporate office at Gurgaon, Haryana	Delhi – III/ST/R-1/Consulting Engineer/4/2003	April 28, 2003	Valid until cancelled
Service Tax Code issued under section 69 of the Finance Act, 1994, by the Office of the Commissioner of Central Excise and Service Tax, Bokaro Division, Jharkhand, for our project office at Tenughat, Jharkhand	AAACR0830QS T013	March 29, 2004	Valid until cancelled
Service Tax Code issued under section 69 of the Finance Act, 1994, by the Office of the Deputy Commissioner of Central Excise, Kolkata for our inspection office at Kolkata, West Bengal	AAACR0830QS T014	October 11, 2004	Valid until cancelled
Service Tax Code number issued under section 69 of the Finance Act, 1994, by the Office of Deputy Commissioner Central Excise, Bhilai for our regional inspection office at Bhilai	AAACR0830QS T016	August 31, 2006	Valid until cancelled
Service Tax Code issued under section 69 of	AAACR0830QS	October 18, 2006	Valid until

Description	Registration No.	Date of Issue	Date of Expiry
the Finance Act, 1994, by the Office of the Assistant Commissioner of Customs and Central Excise, Division II, Nagpur, for our project office at Nagpur, Maharashtra	T017		cancelled
Service Tax Code number issued under section 69 of the Finance Act, 1994, by the Office of Superintendent of Service Tax, Mumbai for our regional inspection office at Mumbai, Maharashtra	AAACR0830QS T004	July 31, 2007	Valid until cancelled
Service Tax Code number issued under section 69 of the Finance Act, 1994, by the Office of the Assistant Commissioner of Service Tax, Gurgaon, for our corporate office in Gurgaon, Haryana	AAACR0830QS T012	August 9, 2007	Valid until cancelled
Service Tax Code number issued under section 69 of the Finance Act, 1994, by the Office of the Assistant/Deputy Commissioner of Service Tax, Mumbai for our project office at Mumbai	AAACR0830QS T003	February 13, 2008	Valid until cancelled

Sales Tax Registrations

Tax Identification Number (TIN)

Description	TIN No.	Date of Expiry
TIN allotted to our Company by the Office of the Value Added Tax Officer (Ward 2), New Delhi	07190176471	Valid until cancelled
Tax Identification number issued by the Office of the Assistant Commissioner of Sales Tax, Department of Sales Tax, Government of Maharashtra to our project office at Nagpur, Maharashtra.	27810329642V	Valid until cancelled

Description	Reference No.	Date of Issue	Date of Expiry
Certificate of Registration issued by the Deputy Commissioner (Cess), Navi Mumbai Municipal Corporation registering our International Infotech Park, Vashi, Navi Mumbai, Maharashtra, as a dealer under Rule 13 of the Cess Rules	NMMC/CEG/03/01560	February 17, 2000	Valid until cancelled
Registration issued by the Sales Tax Officer, Nagpur registering our project office at Nagpur, Maharashtra, as a dealer under section 7 of the Maharashtra Sales Tax on the Transfer of Property in goods involved in the execution of the Works Contracts Act, 1985	W/36/IR/2843	March 2, 2002 w.e.f. February 4, 2002	Valid until cancelled
Sales Tax Registration issued by the Sales Tax Department of Uttar Pradesh for our project office at Lucknow, Uttar Pradesh	LW 0183550	May 1, 2002	Valid until cancelled
Central Sales Tax Registration issued by the Sales Tax Department of Uttar Pradesh for our project office at Lucknow, Uttar Pradesh	LW 5080041	May 31, 2002	Valid until cancelled
Value Added Tax Registration Certificate issued by the Assistant Commissioner of Commercial Taxes, Bangalore, registering our project office in Bangalore, Karnataka, as a dealer under section 22 of the Karnataka Value Added Tax, 2003	2921015138	November 23, 2005 w.e.f. July 29, 2005	Valid until cancelled

Works Registrations

Description	Reference No.	Date of Issue	Date of Expiry
Registration issued under the Maharashtra Sales Tax as Profession Trade Callings and Employment Act, 1975 registering our inspection office at Mumbai, Maharashtra, as an employer.	PT/R/1/1/21/9644	May 17, 2001 w.e.f. November 5, 1976	Valid until cancelled
Registration issued under the Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975 registering our project office at Nagpur, Maharashtra, as an employer	PTR4/6/27/564	January 24, 2008 w.e.f. March 1, 1987	Valid until cancelled
Registration issued under the Tamil Nadu Tax on Professions, Trades, Callings and Employments Act, 1992 registering our inspection office at Chennai, Tamil Nadu, as an employer	Registration No.: 645/2 VII	November 13, 1992	Valid until cancelled
Enrolment/Registration issued under the West Bengal State Tax on Professions, Trades, Callings and Employments Act, 1979 registering our project office at Kolkata, West Bengal, as an employer	Registration No.: ECC0263222	January 16, 2007 w.e.f. April 1, 2003	Valid until cancelled
Enrolment/Registration issued under the West Bengal State Tax on Professions, Trades, Callings and Employments Act, 1979 registering our project office at Kolkata, West Bengal, as an employer	Registration no. RCN0451045	June 8, 1979	Valid until cancelled
Enrolment/Registration issued under the Madhya Pradesh Tax on Professions, Trades, Callings and Employments Act, 1995 registering our inspection office at Bhilai, Chhatisgarh, as an employer	Registration No.: 13/02/169/P	January 27, 2001	Valid until cancelled

Provident Fund Registration

Description	Reference No./Code No.	Date of Issue	Date of Expiry
GoI Notification in the Gazette of India in Part II, section 3 (ii) granting exemption under section 17(1)(a) of the Employee's Provident Fund Act, 1952 with respect to RITES Provident Fund Code No.: DL-05633	S-35015(2)/93-SS-II	October 29, 1993	Valid until cancelled

Registration under the Local Shops and Establishments Act

Description	Reference No.	Date of Issue	Date of Expiry
Registration Certificate of Establishment issued under the Bombay Shops and Establishment Act, 1948, by the Office of the Inspector registering our establishment as a commercial entity	760038962	February 14, 2008	December 31, 2008

Environmental Approvals

Description	Reference No.	Date of Issue/ Renewal	Date of Expiry
Letter from the Haryana State Pollution Control Board (“ Haryana SPCB ”) granting consent for the extension of validity period for the permission clearance for prevention and control of water pollution =.	HSPCB/Consent/2004/92	February 11, 2004	March 31, 2009
Letter from the Haryana SPCB granting consent for the extension of validity period for the permission clearance for prevention and control of air pollution.	HSPCB/Consent/2004/92	February 11, 2004	March 31, 2009

Miscellaneous Registrations

Description	Reference No.	Date of Issue/ Renewal	Date of Expiry
Letter from the Railway Board, MoR approving inspection of railway stores by our Company	74/RS(G)/379/2	April 21, 1975	Valid until cancelled
Letter from the Deputy Director (CA) of the Haryana Electricity Regulatory Commission for consent to set up/operate the captive power plant at Gurgaon	Consent No. S.R. 22.607 issued vide no. HERC/T-85 F/4800	February 20, 2003	February 19, 2013
Letter by Deputy Chief Controller of Explosives (North Circle Faridabad) under Petroleum and Explosives Safety Organisation, Ministry of Commerce and Industry, granting renewal of the permission clearance with respect to explosive license	P/NC/HN/15/400 (P118754)	August 23, 2007	December 31, 2009
Letter by the Fire Station Officer, Gurgaon, Haryana for renewal of NOC for occupation from the safety point of view for the corporate office building at Gurgaon	FA/2007/52606	December 24, 2007	November 11, 2008

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Fresh Issue

Our Board of Directors has, pursuant to resolutions passed at its meeting held on November 30, 2007, authorised the Issue, subject to the approval by our shareholders under section 81(1A) of the Companies Act.

Our shareholders have, pursuant to a resolution dated January 8, 2008 under section 81(1A) of the Companies Act, authorised the Issue.

The MoR through letter no. 91/PL/68/48(RITES) dated February 6, 2008 notified cabinet approval for the fresh issue of one crore shares of our Company to the public.

Further, the MoR, through letter No. 91/PL/68/48(RITES) dated March 20, 2008, has approved reservation of 14 lakh Equity Shares out of the Fresh Issue, for employees of our Company, at the Issue Price.

Authority for the Offer for Sale

The MoR through letter no. 91/PL/68/48 (RITES) dated February 4, 2008 duly authorized and granted power of attorney in favour of Mr. P.V. Vaidialingam, Executive Director, Finance Expenditure-I, Railway Board, and Mr. Vinay Kumar Singh, Director PSU, Railway Board (as standby) for the purpose of effecting the Offer for Sale by the GoI of its shareholding in our Company.

The MoR through letter no. 91/PL/68/48(RITES) dated February 6, 2008 notified cabinet approval for disinvestment of 10% of the GoI shareholding in our Company.

Prohibition by SEBI

Our Company, our Directors, our Promoter and companies in which our Directors are associated with as directors, have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI and have not been declared as a wilful defaulter by the RBI or any other governmental authority and there are no proceedings in relation to violations of securities laws committed by our Promoter in the past or currently pending against our Promoter.

Eligibility for the Issue

We are eligible for the Issue as per Clause 2.2.1 of the SEBI Guidelines as provided below, as calculated in accordance with the restated standalone financial statements of our Company annexed to the Reports of the Auditors dated March 26, 2008 prepared as per Indian GAAP. See “**Auditors Report- Restated Standalone Financial Statements**” on page 117.

Clause 2.2.1 of the SEBI Guidelines states as follows:

“2.2.1 An unlisted company may make an initial public offering (IPO) of Equity Shares or any other security which may be converted into or exchanged with Equity Shares at a later date, only if it meets all the following conditions:

- (a) The company has net tangible assets of at least Rs. 3 crore in each of the preceding 3 full years (of 12 months each), of which not more than 50% is held in monetary assets;*
- (b)*

Provided that if more than 50% of the net tangible assets are held in monetary assets, the company has made firm commitments to deploy such excess monetary assets in its business/project;

(b) The company has a track record of distributable profits in terms of Section 205 of the Companies Act, 1956, for at least three (3) out of immediately preceding five (5) years;
Provided further that extraordinary items shall not be considered for calculating distributable profits in terms of Section 205 of Companies Act, 1956;

(c) The company has a net worth of at least Rs. 1 crore in each of the preceding 3 full years (of 12 months each);

(d) In case the company has changed its name within the last one year, at least 50% of the revenue for the preceding 1 full year is earned by the company from the activity suggested by the new name- Not applicable; and

(e) The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e., offer through offer document + firm allotment + promoters' contribution through the offer document), does not exceed five (5) times its pre-issue net worth as per the audited balance sheet of the last financial year.)”

The size of the Issue, along with all previous issues of Equity Shares made by the Company in this financial year aggregates Rs. [•] crore, which does not exceed five times the Company's pre-Issue net worth as per the audited balance sheet of the last financial year.

Our Company's net profit, dividend, net worth, net tangible assets and monetary assets for the last five years from Fiscal 2003 through Fiscal 2007 based on restated standalone financial statements of our Company, are set forth below:

(Rs. in crore)					
Particulars	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007
Net tangible Assets ⁽¹⁾	384.25	353.32	352.32	404.11	475.65
Monetary Assets ⁽²⁾	165.61	141.22	212.17	272.75	433.12
Net Profits, after tax, as restated	42.10	47.08	40.87	74.63	117.27
Net Worth	292.16	326.08	353.29	405.12	476.60
Dividends	5	11.67	12	20	40

- (1) Net tangible assets are defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves and intangible assets), trade investments, current assets less current liabilities (excluding long term liabilities) and net of provision for diminution in value.
- (2) Monetary assets include cash on hand and with bank and liquid investments including units in open ended mutual fund schemes at cost. Further, these monetary assets for the preceding three full years viz., March 31, 2007, 2006 and 2005 include Rs. 209.84 crore, Rs. 144.84 crore and Rs. 79.33 crore, respectively as funds held on behalf of customers, which our Company has deployed for business purposes.

For further information, see “**Financial Statements**” on page 117.

Further, in accordance with Clause 2.2.2A of the SEBI Guidelines, we shall ensure that the number of Allottees, i.e. persons to whom the Equity Shares will be allotted under the Issue shall be not less than 1,000; otherwise, the entire application money will be refunded forthwith. In case of delay, if any, in refund, our Company and the Selling Shareholder shall pay interest on the application money at the rate of 15% per annum for the period of delay.

No exemption from eligibility norms has been sought under Clause 2.4 of the SEBI Guidelines, with respect to the Issue.

Disclaimer Clause

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, KOTAK MAHINDRA CAPITAL COMPANY LIMITED, ENAM SECURITIES PRIVATE LIMITED AND ICICI SECURITIES LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS, KOTAK MAHINDRA CAPITAL COMPANY LIMITED, ENAM SECURITIES PRIVATE LIMITED AND ICICI SECURITIES LIMITED, HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED APRIL 1, 2008 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

“(I) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS, MORE PARTICULARLY REFERRED TO IN THE ANNEXURE, IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.

(II) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:

A) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.

(III) BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.

(IV) WE HAVE SATISFIED OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.

(V) WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF ITS SECURITIES AS PART OF PROMOTERS CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTERS CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.”

(VI) WE CERTIFY THAT CLAUSE 4.6 OF THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000, WHICH RELATES TO SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE CLAUSE HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS.

(VII) WE UNDERTAKE THAT CLAUSES 4.9.1, 4.9.2, 4.9.3 AND 4.9.4 OF THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS’ CONTRIBUTION AND SUBSCRIPTION FROM ALL FIRM ALLOTTEES WOULD BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS’ CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS’ CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE COMPANY ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE- NOT APPLICABLE.

(VIII) WHERE THE REQUIREMENTS OF PROMOTERS’ CONTRIBUTION IS NOT APPLICABLE TO THE ISSUER, WE CERTIFY THE REQUIREMENTS OF PROMOTERS’ CONTRIBUTION UNDER CLAUSE 4.10 {SUB-CLAUSE (A), (B) OR (C), AS MAY BE APPLICABLE} ARE NOT APPLICABLE TO THE ISSUER – NOT APPLICABLE.

(IX) WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE ‘MAIN OBJECTS’ LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.

(X) WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SECTION 73(3) OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK

EXCHANGES MENTIONED IN THE PROSPECTUS/LETTER OF OFFER. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION - NOTED FOR COMPLIANCE.

(XI) WE CERTIFY THAT NO PAYMENT IN THE NATURE OF DISCOUNT, COMMISSION, ALLOWANCE OR OTHERWISE SHALL BE MADE BY THE ISSUER OR THE PROMOTERS, DIRECTLY OR INDIRECTLY, TO ANY PERSON WHO RECEIVES SECURITIES BY WAY OF FIRM ALLOTMENT IN THE ISSUE – NOT APPLICABLE.

(XII) WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE – NOT APPLICABLE AS THE ISSUE SIZE IS MORE THAN RS. 10 CRORE, HENCE UNDER SECTION 68B OF THE COMPANIES ACT, 1956, THE EQUITY SHARES ARE TO BE ISSUED IN DEMAT MODE ONLY.

(XIII) WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT PROSPECTUS/LETTER OF OFFER:

(A) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME THERE SHALL BE ONLY ONE DENOMINATION FOR THE SHARES OF THE COMPANY AND

(B) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.”

All legal requirements pertaining to the Issue will be complied with at the time of filing of the Red Herring Prospectus with the RoC in terms of section 60B of the Companies Act. All legal requirements pertaining to the Issue will be complied with at the time of registration of the Prospectus with the RoC in terms of section 56, section 60 and section 60B of the Companies Act. The filing of the Draft Red Herring Prospectus does not, however, absolve the Company from any liabilities under section 63 and section 68 of the Companies Act or from the requirement of obtaining such statutory and other clearances as may be required for the purpose of the proposed Issue. SEBI further reserves the right to take up at any point of time, with the Book Running Lead Managers and any irregularities or lapses in the Prospectus.

Disclaimer from our Company, the Selling Shareholder and the BRLMs

Our Company, the Selling Shareholder, our Directors and the BRLMs accept no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in the advertisements or any other material issued by or at the instance of the above mentioned entities and anyone placing reliance on any other source of information, including our website, www.rites.com would be doing so at his or her own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the MoU entered into among the BRLMs, the Selling Shareholder and us dated March 31, 2008 and the Underwriting Agreement to be entered into among the Underwriters, the Selling Shareholder and us.

All information shall be made available by us, the Selling Shareholder and BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centres, etc.

Our Company, the Selling Shareholder, the BRLMs shall not be liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Investors that bid in the Issue will be required to confirm and will be deemed to have represented to our Company, the Selling Shareholder, the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company and will not offer, sell, pledge or transfer the Equity Shares of the Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company. The Company, the Selling Shareholder, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of the Company.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under the applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies, pension funds, the National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of Government of India published in the Gazette of India. and to permitted non residents including Eligible NRIs, FIIs and other eligible foreign investors (viz. FVCIs, multilateral and bilateral development financial institutions). This Draft Red Herring Prospectus does not, however, constitute an invitation to subscribe to or purchase Equity Shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Draft Red Herring Prospectus comes is required to inform himself or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in New Delhi only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been filed with SEBI for observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in accordance with the applicable laws of such jurisdiction.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933 (the “Securities Act”) or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.

Disclaimer Clause of the NSE

As required, a copy of the Draft Red Herring Prospectus has been submitted to NSE. NSE has given vide its letter No. [•] dated [•] permission to us to use NSE’s name in this Draft Red Herring

Prospectus as one of the stock exchanges on which our securities are proposed to be listed. The NSE has scrutinised the offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. It is to be distinctly understood that the aforesaid permission given by the NSE should not in any way be deemed or construed to mean that the offer document has been cleared or approved by the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the offer document; nor does it warrant that our securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

Every Person who desires to apply for or otherwise acquires any of our securities may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Disclaimer Clause of the BSE

As required, a copy of the Draft Red Herring Prospectus has been submitted to BSE. BSE has given vide its letter No. [•] dated [●], permission to the Company to use BSE's name in this Draft Red Herring Prospectus as one of the stock exchanges on which our securities are proposed to be listed. BSE has scrutinised the offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. BSE does not in any manner:

- (i) warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus; or
- (ii) warrant that the Company's securities will be listed or will continue to be listed on the BSE; or
- (iii) take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of the Company;

and it should not for any reason be deemed or construed to mean that this offer document has been cleared or approved by the BSE. Every Person who desires to apply for or otherwise acquires any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the BSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Filing

A copy of this Draft Red Herring Prospectus has been filed with SEBI at the Corporation Finance Department, Securities and Exchange Board of India, SEBI Bhawan, C-4G, Bandra Kurla Complex, Bandra (East), Mumbai 400 051.

A copy of the Red Herring Prospectus, along with the documents required to be filed under section 60B of the Companies Act, will be delivered for registration to the RoC and a copy of the Prospectus required to be filed under section 60 of the Companies Act will be delivered for registration to the RoC.

Listing

Applications have been made to the NSE and BSE for permission to deal in and for an official quotation of the Equity Shares. NSE shall be the Designated Stock Exchange with which the basis of allocation will be finalised for the Issue.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by any of the Stock Exchanges, our Company and the Selling Shareholder shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Draft Red Herring Prospectus. If such money is not repaid within eight days after our Company and the Selling Shareholder become liable to repay it (i.e., from the date of refusal or within 15 days from the date of Bid/Issue Closing Date, whichever is earlier), then our Company and the Selling Shareholder shall, on and from expiry of eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under section 73 of the Companies Act.

Our Company and the Selling Shareholder shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalisation of the basis of Allotment for the Issue.

Consents

Consents in writing of: (a) our Directors, the Company Secretary and Compliance Officer, the Auditors, the IPO Grading Agency, the Legal Advisor's, the Bankers to the Issue; and (b) the Book Running Lead Managers, the Syndicate Member, the Escrow Collection Bankers and the Registrar to the Issue to act in their respective capacities, have been/will be obtained and filed along with a copy of the Red Herring Prospectus with the RoC as required under sections 60 and 60B of the Companies Act and such consents will not be withdrawn up to the time of delivery of the Red Herring Prospectus and the Prospectus for registration with the RoC.

CRISIL Limited, the agency engaged by us for the purpose of obtaining IPO grading in respect of this Issue, will give its written consent to the inclusion of their report in the form and context in which it will appear in this Draft Red Herring Prospectus and such consent and report will not be withdrawn up to the time of delivery of the Red Herring Prospectus and the Prospectus for registration with the RoC.

Jain Chopra & Co., Chartered Accountants, our Statutory Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Draft Red Herring Prospectus and such consent and report will not be withdrawn up to the time of delivery of the Red Herring Prospectus and the Prospectus for registration with the RoC.

Expert Opinion

Except as stated in "**Financial Statements**" on page 117 and in the IPO grading report provided by CRISIL Limited (a copy of which report will be annexed to the Red Herring Prospectus), furnishing the rationale for its grading, which will be provided to the Designated Stock Exchange and updated at the time of filing of the Red Herring Prospectus with the RoC, pursuant to the SEBI Guidelines, we have not obtained any expert opinions.

Estimated Issue Expenses

Activity	Rs. in crore	% of the Issue Expenses	% of total Issue Size
Estimated lead management, underwriting and selling commission*	[●]	[●]	[●]
Advertisement and marketing expenses*	[●]	[●]	[●]
Printing, stationery including transportation of the same*	[●]	[●]	[●]
IPO Grading Expenses*	[●]	[●]	[●]
Others (Registrar's fees, Legal fees, listing fees, etc.) *	[●]	[●]	[●]
Total	[●]	[●]	[●]

*Will be incorporated at the time of filing of the Prospectus.

Lead managers', registrar's, depositories' and legal fees and expenses, bidding software and printing charges, shall be proportionately shared between the Company and the GoI, and the remaining expenses shall be borne by our Company out of the Net Proceeds of the Fresh Issue.

Fees Payable to the Book Running Lead Managers and Syndicate Member

The total fees payable to the Book Running Lead Managers and Syndicate Member (including underwriting commission and selling commission) will be as stated in the Engagement Letters with the BRLMs, a copy of which is available for inspection at the corporate office of our Company and reimbursement of their out of pocket expenses.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue including fees for processing of application, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register, etc. will be as per the Memorandum of Understanding signed with our Company and the Selling Shareholder, a copy of which is available for inspection at the corporate office of our Company. The Company and the Selling Shareholder, inter se, shall bear such expenses.

The Registrar to the Issue will be reimbursed all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or Allotment advice by registered post/speed post/under certificate of posting.

Particulars regarding Public or Rights Issues during the Last Five Years

There have been no public or rights issue by the Company during the last five years.

Issues otherwise than for Cash

We have not issued any equity shares for consideration otherwise than for cash, except the bonus issues, details of which are set forth in "**Capital Structure**" on page 24.

Commission and Brokerage paid on Previous Issues of our Equity Shares

There has not been any previous public issue of our Equity Shares.

Companies under the Same Management

There are no companies under the same management within the meaning of erstwhile section 370 (1B) of the Companies Act other than the Subsidiaries, details of which are provided in "**History and Certain Corporate Matters**" on page 86.

Promise vs. Performance – Last Three Issues

There has not been any previous public issue of our Equity Shares.

Promise vs. Performance – Last Issue of Group/Associate Companies

Our Subsidiaries are unlisted and neither of them has made a public issue of its equity shares.

Outstanding Debentures or Bonds

Our Company has not issued any debentures and bonds and therefore does not have any outstanding debentures or bonds, warrants or any other convertible instruments.

Outstanding Preference Shares

Our Company has not issued any preference shares and therefore does not have any outstanding preference shares.

Partly Paid Up Shares

There are no partly paid up Equity Shares of our Company.

Stock Market Data of our Equity Shares

The Equity Shares are not listed on any stock exchange and thus there is no stock market data for the same.

Other Disclosures

Our Directors have not purchased or sold any securities of the Company during a period of six months preceding the date of this Draft Red Herring Prospectus, except Mr. R.K. Rao, our part-time Chairman who holds 200 Equity Shares of Rs. 10 each of our Company in his capacity as the Member Mechanical (Railway Board) as a nominee of the President of India.

Mechanism for Redressal of Investor Grievances by our Company

The Memorandum of Understanding between the Registrar to the Issue, the Selling Shareholder and us, provides for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of Allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, Depository Participant, and the bank branch or collection center where the application was submitted.

Disposal of Investor Grievances by our Company

We estimate that the average time required by us, the Selling Shareholder or the Registrar to the Issue for the redressal of routine investor grievances shall be seven days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, our Company and the Selling Shareholder will seek to redress these complaints as expeditiously as possible.

We and the Selling Shareholder have appointed Mr. P.T. Mittal, Company Secretary as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue related problems. He can be contacted at the following address:

Mr. P.T. Mittal
RITES Limited
RITES Bhawan
Plot No. 1, Sector-29
Gurgaon 122 001
Tel: +91 124 257 1187
Fax: +91 124 257 1188

E-mail: ipo@rites.com

Mechanism for Redressal of Investor Grievances by Companies under the Same Management

We do not have any other company under the same management within the meaning of erstwhile section 370 (1B) of the Companies Act, apart from our Subsidiaries.

Changes in Statutory Auditors

Details of the changes in our Statutory Auditors in the last five Fiscals are set forth below:

S. No.	Name of Auditor	Date of Appointment by Comptroller and Auditor General of India	Reason for change
1.	J.L. Garg & Co.	November 12, 2003	Reappointment
2.	Jain Chopra & Co.	August 26, 2004	Appointment- continuing

Capitalisation of Reserves or Profits

We have not capitalised our reserves or profits at any time during last five years, except in relation to the bonus issues, details of which are set forth in “**Capital Structure**” on page 24.

Revaluation of Assets

There has been no revaluation of assets of the Company since incorporation.

SECTION VII – ISSUE INFORMATION

ISSUE STRUCTURE

The present Issue of up to 1,40,00,000 Equity Shares consists of a Fresh Issue of 1,00,00,000 Equity Shares and an Offer for Sale of up to 40,00,000 Equity Shares at a price of Rs. [●] for cash aggregating Rs. [●] crore is being made through the Book Building Process. The Issue comprises a Net Issue of 1,26,00,000 Equity Shares and a reservation for Eligible Employees of 14,00,000 Equity Shares. In case of under subscription in the Issue, the Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale.

	Eligible Employees	QIB Bidders	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares available for allocation*	Up to 14,00,000 Equity Shares	Up to 63,00,000 Equity Shares or Net Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders	At least 18,90,000 Equity Shares or Net Issue less allocation to QIB Bidders and Retail Individual Bidders	At least 44,10,000 Equity Shares or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders
Percentage of Issue Size available for allocation	Up to 10 % of the Issue**	Up to 50% of Net Issue (out of which 5% shall be made available for allocation to Mutual Funds) or Net Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders	At least 15% of Net Issue or Net Issue less allocation to QIB Bidders and Retail Individual Bidders	At least 35% of Net Issue or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders
Basis of Allocation if respective category is oversubscribed	Proportionate	Proportionate	Proportionate	Proportionate
Minimum Bid	[●] Equity Shares	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount exceeds Rs. 1,00,000	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount exceeds Rs. 1,00,000	[●] Equity Shares
Maximum Bid	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid does not exceed the Employee Reservation Portion and subject to the maximum Bid in this portion being Rs. 25,00,000	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid does not exceed the Net Issue, subject to applicable limits	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid does not exceed the Net Issue, subject to applicable limits	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount does not exceed Rs. 1,00,000
Mode of Allotment	Compulsorily in dematerialised form	Compulsorily in dematerialised form	Compulsorily in dematerialised form	Compulsorily in dematerialised form
Trading Lot	One Equity	One Equity Share	One Equity Share	One Equity Share

	Eligible Employees	QIB Bidders	Non-Institutional Bidders	Retail Individual Bidders
Who can Apply ***	Share All or any of the following: (a) a permanent employee of our Company as on the date of the filing of the Red Herring Prospectus and based and present in India as on the date of submission of the Bid cum Application Form; Employees who are recruited against regular vacancy but are on probation on the date of the filing of the Red Herring Prospectus will also be deemed as permanent employees; (b) a whole time Director of our Company and Independent Director as on the date of the filing of the Red Herring Prospectus and based and present in India as on the date of submission of the Bid cum Application Form; and (c) an employee as defined in (a) and (b) above	Public financial institutions, as specified in section 4A of the Companies Act, scheduled commercial banks, mutual funds registered with SEBI, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 25 crore, pension funds with minimum corpus of Rs. 25 crore in accordance with applicable law and the National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of Government of India published in the Gazette of India.	Resident Indian individuals, HUFs (in the name of Karta), companies, corporate bodies, Eligible NRIs, scientific institutions societies and trusts	Resident Indian Individuals, HUFs (in the name of the Karta) and Eligible NRIs applying for Equity Shares such that the Bid Amount does not exceed Rs. 1,00,000 in value

	Eligible Employees	QIB Bidders	Non-Institutional Bidders	Retail Individual Bidders
	of a subsidiary, based and present in India as on the date of submission of the Bid cum Application Form			
Terms of Payment	Margin Amount applicable to Eligible Employees at the time of submission of Bid cum Application Form to the Syndicate Member	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the Syndicate Member	Margin Amount applicable to Non-Institutional Bidders at the time of submission of Bid cum Application Form to the Syndicate Member	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the Syndicate Member
Margin Amount	100% of Bid Amount	10% of Bid Amount	100% of Bid Amount	100% of Bid Amount

**Subject to valid Bids being received at or above the Issue Price. Under subscription, if any, in any category would be met with spill-over from other categories at the sole discretion of our Company and the Selling Shareholder in consultation with the BRLMs. However, if the aggregate demand by mutual funds is less than 3,15,00 Equity Shares, the balance Equity Shares available for allocation in the mutual fund portion will first be added to the QIB portion and be allotted proportionately to the QIB Bidders.*

*** Any under subscription in Equity Shares, if any, reserved for Eligible Employees would be included in the Net Issue and allocated in accordance with the description in “**Issue Procedure - Basis of Allocation**” on page 320. The unsubscribed portion, if any, in the Net Issue shall be allowed to be met with spill-over to the extent of such under subscription from the Employee Reservation Portion.*

**** In case the Bid cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid Cum Application Form.*

Withdrawal of the Issue

Our Company, in consultation with the BRLMs, reserves the right not to proceed with the Fresh Issue at anytime after the Bid/Issue Opening Date but before Allotment, without assigning any reason thereof.

The Selling Shareholder, in consultation with the BRLMs, reserves the right not to proceed with the Offer for Sale at anytime after the Bid/Issue Opening Date but before Allotment, without assigning any reason thereof.

The Issue is subject to our Company obtaining final listing and trading approvals and final RoC approval.

Letters of Allotment or Refund Orders

Our Company and the Selling Shareholder shall give credit of Equity Shares allotted, if any, to the beneficiary account with Depository Participants within two working days from the date of the

finalisation of basis of allocation. Our Company and the Selling Shareholder shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by “Under Certificate of Posting”, and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post or Direct Credit, NEFT, RTGS or ECS at the sole or First Bidder’s sole risk within 15 days of the Bid/Issue Closing Date.

Interest in Case of Delay in Dispatch of Allotment Letters/ Refund Orders

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, our Company and the Selling Shareholder undertake that:

- Allotment shall be made only in dematerialised form within 15 days from the Bid/ Issue Closing Date;
- Dispatch of refund orders, except for Bidders who can receive refunds through Direct Credit, NEFT, RTGS or ECS, shall be done within 15 days from the Bid/Issue Closing Date; and
- Our Company and the Selling Shareholder shall pay interest at 15% (fifteen) per annum if Allotment letters/refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner through Direct Credit, NEFT, RTGS or ECS, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from the Bid/Issue Closing Date.

We will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Bid/Issue Programme

Bidding Period/Issue Period

BID/ISSUE OPENS ON	[•]
BID/ISSUE CLOSES ON	[•]

Bids and any revision in Bids shall be accepted **only between 10.00 a.m. and 5.00 p.m.** ((Indian Standard Time) during the Bidding Period as mentioned above at the bidding centers mentioned on the Bid cum Application Form **except that on the Bid/Issue Closing Date, Bids shall be accepted only between 10.00 a.m. and 3.00 p.m.** (Indian Standard Time) and uploaded till (i) 5.00 p.m. in case of Bids by QIB Bidders and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 1,00,000 and (ii) till such time as permitted by the NSE and the BSE, in case of Bids by Retail Individual Bidders, where the Bid Amount is up to Rs. 1,00,000. Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than 3.00 p.m. (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that due to clustering of last day applications, as is typically experienced in public offerings, some Bids may not get uploaded on the last day. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. If such Bids are not uploaded, our Company, the Selling Shareholder, the BRLMs and the Syndicate Member shall not be responsible. Bids will only be accepted on working days, i.e., Monday to Friday (excluding any public holiday).

On the Bid/Issue Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received by Retail Bidders after taking into account the total number of Bids received up to the closure of timings for acceptance of Bid cum Application Forms as stated herein and reported by the BRLMs to the Stock Exchange within half an hour of such closure.

Our Company and the Selling Shareholder reserve the right to revise the Price Band during the Bidding Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band.

In case of revision in the Price Band, the Bid/ Issue Period will be extended for three additional working days after revision of Price Band subject to the Bid/ Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bid/ Issue Period, if applicable, will be widely disseminated by notification to the NSE and the BSE, by issuing a press release, and also by indicating the change on the web sites of the BRLMs and at the terminals of the Syndicate.

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of this Draft Red Herring Prospectus, Red Herring Prospectus and the Prospectus, Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note and other terms and conditions as may be incorporated in the Allotment advices and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the GoI, the Stock Exchanges, the RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Authority for the Fresh Issue

Our Board of Directors has, pursuant to resolutions passed at its meeting held on November 30, 2007, authorised the Issue, subject to the approval by our shareholders under section 81(1A) of the Companies Act.

Our shareholders have, pursuant to a resolution dated January 8, 2008 under section 81(1A) of the Companies Act, authorised the Issue.

The MoR through letter no. 91/PL/68/48(RITES) dated February 6, 2008 notified cabinet approval for the fresh issue of one crore shares of our Company to the public.

Further, the MoR, through letter No. 91/PL/68/48(RITES) dated March 20, 2008, has approved reservation of 14 lakh Equity Shares out of the Fresh Issue, for employees of our Company, at the Issue Price.

Authority for the Offer for Sale

The MoR through letter no. 91/PL/68/48 (RITES) dated February 4, 2008 duly authorized and granted power of attorney in favour of Mr. P.V. Vaidialingam, Executive Director, Finance Expenditure-I, Railway Board, and Mr. Vinay Kumar Singh, Director PSU, Railway Board (as standby) for the purpose of effecting the Offer for Sale by the GoI of its shareholding in our Company.

The MoR through letter no. 91/PL/68/48(RITES) dated February 6, 2008 notified cabinet approval for disinvestment of 10% of the GoI shareholding in our Company.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares including rights in respect of dividend. The Allottees will be entitled to dividend or any other corporate benefits, if any, declared by our Company after the date of Allotment.

Mode of Payment of Dividend

We shall pay dividend to our shareholders as per the provisions of the Companies Act.

Face Value and Issue Price

The face value of Equity Shares is Rs. 10 each. The Floor Price of Equity Shares being issued in terms of the Red Herring Prospectus is Rs. [•] per Equity Share and the Cap Price is Rs. [•] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

Compliance with SEBI Guidelines

Our Company shall comply with applicable disclosure specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability of Equity Shares; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, the terms of the listing agreements with the Stock Exchanges and our Memorandum and Articles of Association.

For a detailed description of the main provisions of our Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, see “**Main Provisions of our Articles of Association**” on page 329.

Market Lot and Trading Lot

In terms of existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialised form for all investors. Since trading of our Equity Shares is in dematerialised mode, the tradable lot is one Equity Share. In terms of section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. Allotment through this Issue will be done only in electronic form in multiples of [•] Equity Shares subject to a minimum Allotment of [•] Equity Shares.

Joint Holders

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as joint-tenants with benefits of survivorship.

Nomination Facility to the Investor

In accordance with section 109A of the Companies Act, the sole or First Bidder, along with other joint Bidder(s), may nominate any one person in whom, in the event of death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the registered office of our Company or at the registrar and transfer agent of our Company.

In accordance with section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of section 109A of the Companies Act, shall upon the production of such evidence as may be required by our Board, elect either:

- a. to register himself or herself as the holder of the Equity Shares; or

b. to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, our Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of 90 days, our Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with us. Nominations registered with the respective Depository Participant of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective Depository Participant.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Fresh Issue less the Employee Reservation Portion, including devolvement of the members of the Syndicate, if any, within 60 days from the Bid/Issue Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after we become liable to pay the amount, we shall pay interest as per section 73 of the Companies Act.

The requirement for minimum subscription is not applicable to the Offer for Sale.

In case of under subscription in the Issue, the Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale. Any expense incurred by our Company on behalf of the Selling Shareholder regarding refunds, interest for delays, etc. for the Equity Shares being offered through the Offer for Sale, will be reimbursed by the Selling Shareholder to our Company.

Further, in accordance with Clause 2.2.2A of the SEBI Guidelines, we shall ensure that the number of allottees, i.e. persons to whom the Equity Shares will be allotted under the Issue shall be not less than 1,000.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in accordance with the applicable laws of such jurisdiction.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933 (the “Securities Act”) or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.

Arrangement for disposal of Odd Lots

There are no arrangements for disposal of odd lots.

Restriction on transfer of shares

There are no restrictions on transfers and transmission of our equity shares and on their consolidation/splitting except as provided in our Articles. For further details, see “**Main Provisions of our Articles of Association**” on page 329.

Application by Eligible NRIs, FIIs registered with the SEBI and FVCIs registered with the SEBI

It is to be distinctly understood that there is no reservation for NRIs and FIIs registered with the SEBI or FVCIs registered with the SEBI.

As per RBI regulations, OCBs cannot participate in the Issue.

ISSUE PROCEDURE

Book Building Procedure

This Issue is being made through the 100% Book Building Process wherein up to 50% of the Net Issue shall be made available for allocation on a proportionate basis to QIBs, including up to 5% of the QIB Portion, which shall be made available for allocation to Mutual Funds only. Further, at least 35% of the Net Issue shall be made available for allocation on a proportionate basis to the Retail Individual Bidders, and at least 15% of the Net Issue shall be made available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. In case of QIB Bidders, our Company and the Selling Shareholder, in consultation with BRLMs, may reject the Bid at the time of acceptance of Bid cum Application Form provided that the reasons for rejecting the same are provided to such Bidders in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and Bids under the Employee Reservation Portion, our Company and the Selling Shareholder would have a right to reject the Bids only on technical grounds.

Investors should note that the Equity Shares would be allotted to all successful Bidders only in the dematerialised form. Bidders will not have the option of getting Allotment of the Equity Shares in physical form. The Equity Shares on Allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Company and the Selling Shareholder to make the necessary changes in the Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Indian public and Eligible NRIs applying on a non-repatriation basis.	White
Non Residents, Eligible NRIs or FIIs applying on a repatriation basis.	Blue
Bidders in the Employee Reservation Portion.	Pink

Who can Bid?

1. Persons eligible to invest under all applicable laws, rules, regulations and guidelines;
2. Indian nationals resident in India who are majors in single or joint names (not more than three);
3. Hindu undivided families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through

- XYZ, where XYZ is the name of the Karta”. Bids by HUFs would be considered at par with those from individuals;
4. Eligible NRIs on a repatriation basis or a non-repatriation basis subject to applicable laws. NRIs other than Eligible NRIs are not permitted to participate in this Issue;
 5. Companies and corporate bodies registered under the applicable laws in India and authorised to invest in equity shares;
 6. Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorised under their constitution to hold and invest in equity shares;
 7. Scientific and/or industrial research authorised to invest in equity shares;
 8. Indian financial institutions, commercial banks, regional rural banks and co-operative banks (subject to the RBI regulations and the SEBI guidelines and regulations, as applicable);
 9. Mutual funds registered with SEBI;
 10. FIIs registered with SEBI, on a repatriation basis;
 11. Multilateral and bilateral development financial institutions;
 12. Venture capital funds registered with SEBI;
 13. Foreign venture capital investors registered with SEBI;
 14. State Industrial Development Corporations;
 15. Insurance companies registered with the Insurance Regulatory and Development Authority, India;
 16. As permitted by the applicable laws, provident funds with minimum corpus of Rs. 25 crore and who are authorised under their constitution to invest in equity shares;
 17. Pension funds with a minimum corpus of Rs. 25 crore and who are authorised under their constitution to invest in equity shares;
 18. National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of Government of India published in the Gazette of India; and
 18. Eligible Employees of our Company.

Participation by Associates of BRLMs and Syndicate Member:

Associates of BRLMs and Syndicate Member may bid and subscribe to or purchase Equity Shares in the Issue either in the QIB Portion or in the Non-Institutional Portion as may be applicable to such investors. Such bidding and subscription may be on their own account or on behalf of their clients. Allotment to all investors including associates of BRLMs and Syndicate Member shall be on a proportionate basis.

However, the BRLMs and Syndicate Member shall not be entitled to subscribe to or purchase this Issue in any manner except towards fulfilling their underwriting obligation.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

The information below is given for the benefit for the Bidders. Our Company, the Selling Shareholder and the BRLMs are not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

- (a) **For Retail Individual Bidders:** The Bid must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Shares thereafter and it must be ensured that the Bid Amount payable by the Bidder does not exceed Rs. 1,00,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 1,00,000. In case the Bid Amount is over Rs. 1,00,000 due to revision of the Bid or revision of the Price Band or on

exercise of option to bid at Cut-off Price, the Bid would be considered for allocation under the Non-Institutional Portion. The option to bid at Cut-off Price is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase Equity Shares at the final Issue Price as determined at the end of the Book Building Process.

- (b) **For Non-Institutional Bidders and QIB Bidders:** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 1,00,000 and in multiples of [•] Equity Shares. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under existing SEBI Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay the QIB Margin Amount upon submission of the Bid.

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 1,00,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 1,00,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIB Bidders are not entitled to the option of bidding at Cut-off Price.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Draft Red Herring Prospectus.

Refund amounts following a permitted withdrawal of a Bid shall be paid in the manner described under paragraph “**Payment of Refund**” on page 325.

- (c) **For Bidders in the Employee Reservation Portion**

The Bid must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Shares thereafter. Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 1,00,000 may bid at Cut-off Price. However, the maximum Bid by an Eligible Employee cannot exceed Rs. 25,00,000. The allotment in the Employee Reservation Portion will be on a proportionate basis.

Information for the Bidders:

- (a) Our Company and the Selling Shareholder will file the Red Herring Prospectus with the RoC at least three days before the Bid/Issue Opening Date.
- (b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.
- (c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/or the Bid cum Application Form can obtain the same from the Registered Office or from any of the members of the Syndicate.
- (d) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of a member of the Syndicate. Bid cum Application Forms, which do not bear the stamp of a member of the Syndicate will be rejected.

Method and Process of Bidding

- (a) Our Company, the Selling Shareholder and the BRLMs shall declare the Bid/Issue Opening Date and the Bid/Issue Closing Date at the time of filing the Red Herring Prospectus with RoC and also publish the same in two widely circulated newspapers (one each in English and Hindi). This advertisement shall contain the minimum disclosures as specified under Schedule XX-A of the SEBI Guidelines. The members of the Syndicate shall accept Bids from the Bidders during the Bid/ Issue Period in accordance with the terms of the Syndicate Agreement. Investors who are interested in subscribing to our Equity Shares should approach any of the members of the Syndicate or their authorised agent(s) to register their Bid.
- (b) The Bidding Period shall be a minimum of three working days and shall not exceed seven working days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in two national newspapers (one each in English and Hindi) and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding 10 working days.
- (c) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details, see “**Issue Procedure - Bids at Different Price Levels**” below) within the Price Band and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
- (d) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to a member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under “**Issue Procedure - Build up of the Book and Revision of Bids**” below.
- (e) The members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip (“TRS”), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.
- (f) During the Bidding Period, Bidders may approach a member of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and this Draft Red Herring Prospectus.
- (g) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under “**Issue Procedure - Terms of Payment**” on page 302.

Bids at different price levels

- (a) The Price Band has been fixed at Rs. [•] to Rs. [•] per Equity Share of Rs. 10 each, Rs. [•] being the Floor Price and Rs. [•] being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Re. 1.

- (b) In accordance with the SEBI Guidelines, our Company and the Selling Shareholder reserves the right to revise the Price Band during the Bidding Period. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band.
- (c) In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bid/ Issue Period, if applicable, will be widely disseminated by notification to the NSE and the BSE, by issuing a public notice in two national newspapers (one each in English and Hindi) and also by indicating the change on the websites of the BRLMs and at the terminals of the members of the Syndicate.
- (d) Our Company and the Selling Shareholder in consultation with the BRLMs, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation to, the Bidders.
- (e) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. **Retail Individual Bidders and Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 1,00,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB Bidders and Non-Institutional Bidders in excess of Rs. 1,00,000 and such Bids from QIBs and Non-Institutional Bidders shall be rejected.**
- (f) Retail Individual Bidders who bid at Cut-off Price and Eligible Employees bidding under the Employee Reservation Portion at Cut-Off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off Price and Eligible Employees bidding under the Employee Reservation Portion at Cut-Off Price shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders, who Bid at Cut-off Price and Eligible Employees bidding under the Employee Reservation Portion at Cut-Off Price (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders and the Eligible Employees, who Bid at Cut-off Price, shall receive the refund of the excess amounts from the Escrow Account or the Refund Account, as the case may be.
- (g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion at Cut-Off Price, who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band (such that the total amount i.e. original Bid Amount plus additional payment does not exceed Rs. 1,00,000 if the Bidder wants to continue to bid at Cut-off Price), with the member of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 1,00,000, the Bid by a Retail Individual Bidder will be considered for allocation under the Non-Institutional Portion in terms of the Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the Cap Price prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of Allotment, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.
- (h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion, who have bid at Cut-off Price, could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account or the Refund Account, as the case may be.

- (i) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size be changed to such number of Equity Shares such that the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

Application in the Issue

Equity Shares being issued through the Red Herring Prospectus can be applied for in the dematerialised form only.

Bids by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Funds Portion. In the event that the demand is greater than 3,15,000 Equity Shares, allocation shall be made to Mutual Funds on proportionate basis to the extent of the Mutual Funds Portion. The remaining demand by Mutual Funds shall, as part of the aggregate demand by QIB Bidders, be made available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Funds Portion.

The Bids made by the asset management companies or custodian of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

As per the current regulations, the following restrictions are applicable for investments by Mutual Funds:

No Mutual Fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

The above information is given for the benefit of the Bidders. Our Company, the Selling Shareholder and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Bids by Eligible NRIs

Eligible NRIs are required to comply with the following:

1. Individual Eligible NRIs can obtain the Bid cum Application Form from our Registered Office, our corporate office, members of the Syndicate or the Registrar to the Issue.
2. Eligible NRI Bidders may note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for Allotment. Eligible NRIs who intend to make payment through the Non-Resident Ordinary (NRO) accounts shall use the Bid cum Application Form meant for resident Indians (White in colour).

Bids by FIIs

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on

behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. In accordance with the foreign investment limits applicable to us, the aggregate FII investment in us cannot exceed 24% of our total issued capital. The said 24% limit can be increased up to 100% by passing a resolution by the Board followed by passing a special resolution to that effect by the shareholders of our Company. Our Company has not obtained board or shareholders approval to increase the FII limit to more than 24% of our outstanding equity capital.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulation, 1995, as amended, and pursuant to SEBI's press release number 286 of 2007 dated October 25, 2007, foreign institutional investors as defined under SEBI Guidelines ("FIIs"), may issue, deal in or hold, off-shore derivative instruments such as participatory notes, equity linked notes or any other similar instruments against the Equity Shares allocated in this Issue (all such off-shore derivative instruments referred to as "P-Notes"). P-Notes may only be held in favor of entities that are regulated by regulatory authorities in their countries of incorporation or establishment, subject to "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

Associates and affiliates of the Underwriters, including the BRLMs, that are FIIs or its sub-account may issue offshore derivative instruments against Equity Shares allocated to them in the Issue.

Bids by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investors) Regulations, 2000 prescribe investment restrictions on Venture Capital Funds and Foreign Venture Capital Investors registered with the SEBI. Accordingly, the holding by any Venture Capital Fund should not exceed 25% of the corpus of the Venture Capital Fund, a Foreign Venture Capital Investor can invest its entire funds committed for investments into India in one company. Further, Venture Capital Funds and Foreign Venture Capital Investors can invest only up to 33.33% of the investible funds by way of subscription to an initial public offer.

The SEBI has issued a notification dated October 16, 2006 stating that the shareholding of SEBI registered Venture Capital Funds and Foreign Venture Capital Investors held in a company prior to making an initial public offering would be exempt from lock-in requirements only if the shares have been held by them for at least one year prior to the time of filing the draft red herring prospectus with SEBI.

The above information is given for the benefit of the Bidders. The Bidders are advised to make their own enquiries about the limits applicable to them. Our Company, the Selling Shareholder and the BRLMs do not accept any responsibility for the completeness and accuracy of the information stated hereinabove. Our Company, the Selling Shareholder and the BRLMs are not liable to inform the investors of any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Escrow Mechanism

Our Company and the Selling Shareholder shall open Escrow Accounts with the Escrow Collection Banks in whose favour the Bidders shall write the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The monies in the Escrow Account shall be

maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Issue Account and the Refund Account as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the Refund Account as per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the Selling Shareholder, the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder, shall pay the applicable Margin Amount, with the submission of the Bid cum Application Form by way of a cheque or demand draft in favour of the Escrow Account (for details see “**Issue Procedure - Payment Instructions**” on page 314) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Issue Account. The balance amount after transfer to the Issue Account shall be transferred to the Refund Account.

Each category of Bidders i.e. QIB Bidders, Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned in “**Issue Structure**” on page 286. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for Allotment, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which our Company and the Selling Shareholder shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic registration of Bids

- (a) The members of the Syndicate will register the Bids using the on-line facilities of the NSE and the BSE. There will be at least one on-line connectivity in each city where a stock exchange is located in India and where Bids are being accepted.
- (b) The NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Members of the Syndicate and their authorised agents during the Bidding Period. Syndicate Member can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a half hourly basis.

On the Bid/ Issue Closing Date, the members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges. This information will be available with the BRLMs on a regular basis. Bidders are cautioned that a high inflow of bids typically experienced on the last day of the bidding may lead to some Bids received on the last day not being uploaded due to lack of sufficient uploading time, and such bids that could not be uploaded will not be considered for allocation. Bids will only be accepted on working days, i.e., Monday to Friday (excluding any public holiday).

- (c) The aggregate demand and price for Bids registered on the electronic facilities of the NSE and the BSE will be displayed on-line at all bidding centers and at the websites of NSE and BSE. A graphical representation of consolidated demand and price would be made available at the bidding centers during the Bidding Period.
- (d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:
 - Name of the Bidder(s);
 - Investor category – individual, corporate, or Mutual Fund etc.;
 - Numbers of Equity Shares bid for;
 - Bid price;
 - Bid cum Application Form number;
 - Margin Amount paid upon submission of Bid cum Application Form; and
 - Depository participant identification no. and client identification no. of the beneficiary account of the Bidder.
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or the Selling Shareholder or our Company.
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (g) In case of QIB Bidders, the BRLMs and/or their affiliates have the right to accept the Bid or reject the Bids. However, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders and Retail Individual Bidders would not be rejected except on the “**-grounds for technical rejection**” on page 317.
- (h) It is to be distinctly understood that the permission given by the NSE and the BSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company, the Selling Shareholder or the BRLMs are cleared or approved by the NSE and the BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoter, our management or any scheme or project of our Company.
- (i) It is also to be distinctly understood that the approval given by the NSE and the BSE should not in any way be deemed or construed that the Red Herring Prospectus has been cleared or approved by the NSE and the BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; nor does it warrant that our Equity Shares will be listed or will continue to be listed on the NSE and the BSE.

- (j) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/Allotment. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the BRLMs based on the physical records of the Bid cum Application Forms shall be final and binding on all concerned.

Build up of the book and revision of Bids

- (a) Bids registered through the members of the Syndicate shall be electronically transmitted to the NSE or the BSE mainframe on a regular basis.
- (b) The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.
- (c) During the Bid/ Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band during the Bid/ Issue Period using the printed Revision Form which is a part of the Bid cum Application Form.
- (d) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- (e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. **Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.**
- (f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of the Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
- (g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**
- (h) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for Allocation. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the data provided by NSE and BSE shall be considered for allocation, subject to receipt of valid Bids by Registrars.

Price Discovery and Allocation

- (a) After the Bid /Issue Closing Date, the BRLMs will analyse the demand generated at various price levels.
- (b) Our Company and the Selling Shareholder, in consultation with the BRLMs, shall finalise the “Issue Price” and the number of Equity Shares to be allocated in each investor category.
- (c) The allocation under the Issue shall be on proportionate basis, in the manner specified in the SEBI Guidelines and the Red Herring Prospectus and in consultation with Designated Stock Exchange.
- (d) In case of over subscription in all categories, up to 50% of the Net Issue shall be made available for allocation on a proportionate basis to QIB Bidders out of which 5% shall be made available to Mutual Funds. Mutual Funds participating in the 5% share in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. However, if the aggregate demand by Mutual Funds is less than 3,15,000 Equity Shares, the balance Equity Shares available for allocation in the Mutual Funds Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. Further, at least 15% of the Net Issue shall be made available for allocation on a proportionate basis to Non- Institutional Bidders and at least 35% of the Net Issue shall be made available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Any under subscription in the Employee Reservation Portion would be included in the Net Issue. Under subscription, if any, in any category of the Net Issue would be allowed to be met with spill-over from any of the other categories at the discretion of our Company and the Selling Shareholder in consultation with the BRLMs. However, if the aggregate demand by mutual funds is less than 3,15,00 Equity Shares, the balance Equity Shares available for allocation in the mutual fund portion will first be added to the QIB portion and be allotted proportionately to the QIB Bidders.
- (e) Allocation to Non Residents applying on a repatriation basis will be subject to the terms and conditions stipulated by the RBI while granting permission for the transfer of Equity Shares to them and to applicable law.
- (f) The BRLMs, in consultation with us and the Selling Shareholder, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- (g) Our Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date but before the Allotment without assigning any reasons whatsoever. The Selling Shareholder reserves the right to cancel the Offer for Sale any time after the Bid/Issue Opening Date but before the Allotment without assigning any reasons whatsoever.
- (h) In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.
- (i) Our Company and the Selling Shareholder in consultation with the BRLMs, reserves the right to reject any Bid procured from QIB Bidders, by any or all members of the Syndicate. Rejection of Bids made by QIBs, if any, will be made at the time of submission of Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing.

Signing of Underwriting Agreement and RoC Filing

- (a) We, the Selling Shareholder, the BRLMs and the Syndicate Member shall enter into an Underwriting Agreement upon finalisation of the Issue Price.

- (b) After signing the Underwriting Agreement, we would update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price and Issue size and would be complete in all material respects.
- (c) We will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.
- (d) We will issue an advertisement after the filing of the Prospectus with the RoC in two widely circulated newspapers (one each in English and Hindi). This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Advertisement regarding Issue Price and Prospectus

After filing of the Prospectus with the RoC, a statutory advertisement will be issued by our Company in a widely circulated English national newspaper and a Hindi national newspaper of wide circulation. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

- (a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLMs or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. The approval of the basis of allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. Investors should note that our Company and the Selling Shareholder shall endeavour to ensure that the demat credit of Equity Shares pursuant to Allotment shall be made on the same date to all investors in this Issue;
- (b) The BRLMs or members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the entire Bid Amount into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN;
- (c) Such Bidders who have been allocated Equity Shares and who have already paid the Margin Amount for the said Equity Shares into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Accounts. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder; and
- (d) The issuance of CAN is subject to "Notice to QIBs: Allotment Reconciliation and Revised CANs" as set forth herein.

INVESTORS ARE ADVISED TO INSTRUCT THEIR DEPOSITORY PARTICIPANT TO ACCEPT THE EQUITY SHARES THAT MAY BE ALLOTTED TO THEM PURSUANT TO THIS ISSUE.

Notice to QIBs: Allotment Reconciliation and Revised CANs

After the Bid/Issue Closing Date, based on the electronic book, QIBs will be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the physical book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange and specified in the physical book. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

Designated Date and Allotment of Equity Shares

- (a) Our Company and the Selling Shareholder will ensure that the Allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Issue Account and the Refund Account on the Designated Date, our Company and the Selling Shareholder would ensure the credit to the successful Bidders' depository accounts of the allotted Equity Shares to the allottees within two working days from the date of Allotment.
- (b) As per the SEBI Guidelines, **Equity Shares will be issued, transferred and allotted only in the dematerialised form to the allottees.** Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Letters of Allotment or Refund Orders

We shall give credit of Equity Shares allotted, if any, to the beneficiary account with Depository Participants within two working days from the date of the Allotment. Applicants residing at 68 centres where clearing houses are managed by the RBI, State Bank of India, Punjab National Bank, State Bank of Indore, Union Bank of India, Andhra Bank, Corporation Bank, Bank of Baroda, State Bank of Travancore, Central Bank of India, Canara Bank, Oriental Bank of Commerce, United Bank of India, State Bank of Hyderabad and State Bank of Bikaner and Jaipur will get refunds through ECS (subject to availability of information for crediting the refund through ECS) except where applicant is otherwise disclosed as eligible to get refunds through Direct Credit, NEFT or RTGS. In case of other applicants, our Company and the Selling Shareholder shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk within 15 days of the Bid/Issue Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter (refund advice) through ordinary post intimating them about the mode of credit of refund within 15 working days of the closure of the Issue. Our Company and the Selling Shareholder shall ensure dispatch of refund orders/refund advice (for Direct Credit, NEFT, RTGS or ECS), if any, by "Under Certificate of Posting" or registered post or speed post, as applicable, only at the sole or First Bidder's sole risk within 15 days of the Bid/Issue Closing Date and adequate funds for making refunds to applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, we undertake that:

- Allotment and transfer shall be made only in dematerialised form within 15 days from the Bid/Issue Closing Date;
- Dispatch of refund orders shall be done within 15 days from the Bid/Issue Closing Date; and
- We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if Allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above.

Our Company and the Selling Shareholder will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar to the Issue.

Save and except refunds effected through the electronic mode, i.e. Direct Credit, NEFT, RTGS or ECS, refunds will be made by cheques, pay orders or demand drafts drawn on a bank appointed by our Company and the Selling Shareholder as an Escrow Collection Bank and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

GENERAL INSTRUCTIONS

Do's:

- a) Check if you are eligible to apply.
- b) Ensure that you Bid within the Price Band.
- c) Read all the instructions carefully and complete the Bid cum Application Form (white, blue or pink in colour) as the case may be.
- d) Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as Equity Shares will be allotted in the dematerialised form only.
- e) Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate.
- f) Ensure that you have been given a TRS for all your Bid options.
- g) Submit Revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS.
- h) Each of the Bidders, should mention their Permanent Account Number (PAN) allotted under the IT Act.
- i) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form
- j) Ensure that the Demographic Details are updated, true and correct, in all respects.

Don'ts:

- (a) Do not Bid for lower than the minimum Bid size.
- (b) Do not Bid/revise Bid price to less than Floor Price or higher than the Cap Price.

- (c) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate.
- (d) Do not pay the Bid amount in cash, by money order or by postal order or by stockinvest.
- (e) Do not send Bid cum Application Forms by post, instead submit the same to a member of the Syndicate only.
- (f) Do not Bid at Cut-off Price (for QIB Bidders, Non-Institutional Bidders and Bidders bidding under the Employee Reservation Portion, for whom the Bid Amount exceeds Rs. 1,00,000).
- (g) Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Issue size and/or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations.
- (h) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.
- (i) Do not bid at Bid Amount exceeding Rs. 1,00,000 for in case of a Bid by a Retail Individual Bidder.
- (j) Do not submit the Bid without the QIB Margin Amount, in the case of a Bid by a QIB.

Instructions for Completing the Bid cum Application Form

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

- (a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white or blue or pink colour).
- (b) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- (c) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form.
- (d) The Bids from the Retail Individual Bidders must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Shares thereafter subject to a maximum Bid Amount of Rs. 1,00,000.
- (e) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares in multiples of [•] Equity Shares such that the Bid Amount exceeds Rs. 1,00,000. Bids cannot be made for more than the Net Issue. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
- (f) Bids by Eligible NRIs for a Bid Amount of up to Rs. 1,00,000 which would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more

than Rs. 1,00,000 would be considered under Non-Institutional Portion for the purposes of allocation; bids by other eligible Non Resident Bidders for a minimum of such number of Equity Shares and in multiples of [•] Equity Shares thereafter that the Bid Price exceeds Rs. 1,00,000.

- (g) Bids by Non Residents, NRIs, FVCIs, FIIs etc. on a repatriation basis shall be in the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.
- (h) For Bidders bidding under the Employee Reservation Portion, the Bid must be for a minimum of [•] Equity Shares in multiples of [•] thereafter.
- (i) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Our Company and the Selling Shareholder in its absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice/ refunds through electronic transfer of funds, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid-cum-Application Form instead of those obtained from the depositories.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US\$ or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company or the Selling Shareholder will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

As per the RBI regulations, OCBs are not permitted to participate in the Issue.

All applicants will be treated on the same basis with other categories for the purpose of allocation.

Bidder's depository account details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THE EQUITY SHARES IN DEMATERIALIZED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name and identification number and beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders or give credit through Direct Credit, NEFT, RTGS or ECS and occupation ("Demographic

Details”). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ECS credit or credit through Direct Credit, NEFT or RTGS for refunds/CANs/Allocation advice and printing of Company particulars on the refund order and the Demographic Details given by Bidders in the Bid cum Application Form would not be used for these purposes by the Registrar. Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the Bid cum Application Form, the Bidder would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund orders/allocation advices/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the sole or Bidders sole risk and neither the Escrow Collection Bank(s) nor the BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant’s identity (DP ID) and the beneficiary account number, then such Bids are liable to be rejected.

Bidder’s Bank Details

Bidders should note that on the basis of names of the Bidders, Depository Participant’s name, Depository Participant Identification Number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar will obtain from the Depository the Bidder bank Account details. These bank account details would be printed on the refund order, if any, to be sent to Bidders or used for sending the refund through Direct Credit, NEFT, RTGS or ECS, hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in credit of refund to Bidders at the sole or Bidders sole risk and neither the BRLMs nor our Company or the Selling Shareholder shall have any responsibility and undertake any liability for the same.

In case of refunds through electronic modes as detailed in the Red Herring Prospectus, Bidders may note that refunds may get delayed if bank particulars obtained from the Depository Participant are incorrect.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Company and the Selling Shareholder reserve the right to reject such Bids in whole or in part.

In case of the Bids made pursuant to a power of attorney by FIIs, FVCIs, Venture Capital Funds and Mutual Funds, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along

with the Bid cum Application Form. Failing this, our Company and the Selling Shareholder reserve the right to reject such Bid in whole or in part.

Our Company and the Selling Shareholder, in their absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that we/the BRLMs may deem fit.

Bids by Eligible Employees

Bids under the Employee Reservation Portion by Eligible Employees shall be:

- Made only in the prescribed Bid cum Application Form or Revision Form (i.e. pink colour Form).
- Eligible Employees, as defined above, should mention the Employee Number at the relevant place in the Bid cum Application Form.
- The sole/first Bidder should be Eligible Employees.
- Only Eligible Employees (as defined above) would be eligible to apply in this Issue under the Employee Reservation Portion.
- Only those Bids, which are received at or above the Issue Price, would be considered for allocation under this category.
- Eligible Employees who Bid for Equity Shares of or for a value of not more than Rs. 1,00,000 in any of the bidding options can apply at Cut-Off Price. This facility is not available to other Eligible Employees whose Bid Amount in any of the bidding options exceeds Rs. 1,00,000.
- Bid by Eligible Employees can be made also in the 'Net Issue' portion and such Bids shall not be treated as multiple bids.
- If the aggregate demand in this category is less than or equal to 1,400,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand. Under subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue.
- If the aggregate demand in this category is greater than 1,400,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, see "**Issue Procedure - Basis of Allocation**" on page 320.
- The maximum bid under Employee Reservation Portion by an Eligible Employee cannot exceed Rs. 25,00,000.

Bids made by Insurance Companies

In case of the Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by the Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company and the Selling Shareholder reserve the right to reject such Bids in whole or in part.

Bids made by Provident Funds

In case of the Bids made by provident funds, subject to applicable law, with minimum corpus of Rs. 25 crore and pension funds with minimum corpus of Rs. 25 crore, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company and the Selling Shareholder reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

Bids by Non Residents, including Eligible NRIs, FIIs and FVCIs on a repatriation basis

Bids and revision to the Bids must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable (blue in color), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three and in the same order as their Depository Participant details).
3. Eligible NRIs for a Bid Amount of up to Rs. 1,00,000 would be considered under the Retail Portion for the purposes of allocation and for a Bid Amount of more than Rs. 1,00,000 would be considered under Non-Institutional Portion for the purposes of allocation. Other Non-Resident Bidders must Bid for a minimum of such number of Equity Shares and in multiples of [•] Equity Shares such that the Bid Amount exceeds Rs. 1,00,000. For details, see “**Issue Procedure - Maximum and Minimum Bid Size**” on page 296.
4. In the names of individuals, or in the names of FIIs, FVCIs, etc but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding Eligible NRIs) or their nominees.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only, net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US\$ or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their Non-Resident External (“NRE”) accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company and the Selling Shareholder will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Non Residents, including Eligible NRIs, FIIs and FVCIs and all Non Residents will be treated on the same basis with other categories for the purpose of allocation.

As per the existing policy of the GoI, OCBs cannot participate in this Issue. Further, NRIs, who are not Eligible NRIs, are not permitted to participate in this Issue.

As per the current regulations, the following restrictions are applicable for investments by FIIs:

No single FII can hold more than 10% of the post-Issue paid-up capital of our Company. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of the total issued capital of our Company in case such sub-account is a foreign corporate or an individual.

With the approval of the board of directors and the shareholders by way of a special resolution, the aggregate FII holding limit may be increased to 100%.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulation, 1995, as amended, and pursuant to SEBI’s press release number 286 of 2007 dated October 25, 2007, foreign institutional investors as defined under SEBI Guidelines (“**FIIs**”), may issue, deal in or hold, off-shore derivative instruments such as participatory notes, equity linked notes or any other similar instruments against the Equity Shares allocated in this Issue (all such off-

shore derivative instruments referred to as “**P-Notes**”). P-Notes may only be held in favor of entities that are regulated by regulatory authorities in their countries of incorporation or establishment, subject to “know your client” requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

Payment Instructions

Our Company and the Selling Shareholder shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account

- (i) The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid cum Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.
- (ii) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs.
- (iii) The payment instruments for payment into the Escrow Account should be drawn in favour of:
 - (a) In case of resident QIB Bidders: “**Escrow Account - RITES Public Issue-QIB-R**”;
 - (b) In case of Non Resident QIB Bidders: “**Escrow Account - RITES Public Issue-QIB-NR**”;
 - (c) In case of resident Bidders: “**Escrow Account - RITES Public Issue-R**”;
 - (d) In case of Non Resident Bidders: “**Escrow Account - RITES Public Issue-NR**”;
 - (e) In case of Eligible Employees: “**Escrow Account - RITES Public Issue-Employee**”.

In case of Bids by Eligible NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in NRE accounts or Foreign Currency Non-Resident (FCNR) accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE or FCNR account.

In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to a Special Rupee Account.

- (iv) Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount

payable on the Equity Shares allocated, will be refunded to the Bidder from the Refund Account.

- (v) In the case of Bids by Eligible NRIs applying on a non-repatriation basis, the payments must be made by Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application, remitted through normal banking channels or out of funds held in NRE Accounts or FCNR Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of an NRO Account of a Non-Resident Bidder bidding on a non-repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or a FCNR or an NRO Account.
- (vi) The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.
- (vii) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Issue Account.
- (viii) On the Designated Date and not later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Banks shall refund all amounts payable to unsuccessful Bidders and the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.
- (ix) Bidders are advised to mention the number of application form on the reverse of the cheque / demand draft to avoid misuse of instruments submitted along with the Bid-cum-Application Form.
- (x) In case clear funds are not available in the Escrow Accounts as per final certificates from the Escrow Collection Banks, such Bids are liable to be rejected.

Payments should be made by cheque, or demand draft drawn on any bank (including a co-operative bank), which is situated at and is a member of or sub member of the banker's clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/stockinvest/money orders/postal orders will not be accepted.

Payment by Stockinvest

In terms of the RBI's Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn.

SUBMISSION OF BID CUM APPLICATION FORM

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts equivalent to the Margin Amount shall be submitted to the members of the Syndicate at the time of submission of the Bid.

Separate receipts shall not be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection center of the members of the Syndicate will issue a TRS slip giving the details of the Bids registered and acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in case of Individuals

Bids may be made in single or joint names (not more than three). In case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communication will be addressed to the first Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. In this regard, illustrations of certain procedures which may be followed by the Registrar to the Issue to detect multiple applications are provided below:

1. All applications are electronically strung on first name and applicants status. These applications are electronically matched for common first name and address and if matched, these are checked manually for age, signature and father/ husband's name to determine if they are multiple applications.
2. Applications which do not qualify as multiple applications as per above procedure are further checked for common DP ID/ beneficiary ID. Applications with common DP ID/ beneficiary ID are mutually checked to eliminate possibility of data entry error to determine if they are multiple applications.
3. Applications which do not qualify as multiple applications as per the above procedure are further checked for common PAN. All such matched applications with common PAN are manually checked.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

Bids made by Eligible Employees both under Employees Reservation Portion as well as in the Net Issue shall not be treated as multiple Bids.

Our Company and the Selling Shareholder reserve the right to reject, in their absolute discretion, all or any multiple Bids in any or all categories.

In cases where there are more than 20 valid applications having a common address, such shares will be kept in abeyance, post allotment and released on confirmation of Know Your Customer norms by the Depositories.

'PAN' or 'GIR' Number

Pursuant to the circular MRD/DoP/Circ-05/2007 dated April 27, 2007, SEBI has mandated Permanent Account Number (PAN) to be the sole identification number for all participants transacting in the securities market, irrespective of the amount of the transaction w.e.f. July 2, 2007. Each of the Bidders, should mention his/her PAN allotted under the IT Act. **Applications without this information will be considered incomplete and are liable to be rejected.** It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN, as the Bid is liable to be rejected on this ground.

Unique Identification Number (“UIN”)

W.e.f. July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/quote UIN under the SEBI MAPIN Regulations/Circulars vide its circular MAPIN/Cir-13/2005. However, in a press release dated December 30, 2005, SEBI approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner.

The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs. 1,00,000 to Rs. 500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs. 500,000, an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of this Draft Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations. On June 25, 2007, SEBI has decided to discontinue with the requirement of UIN under the SEBI MAPIN Regulations.

Right to Reject Bids

In case of QIB Bidders, our Company and the Selling Shareholder in consultation with the BRLMs may reject Bids provided that the reason for rejecting the same shall be provided to such Bidders in writing. In case of Non-Institutional Bidders, Retail Individual Bidders, Bidders in the Employee Reservation Portion, our Company and the Selling Shareholder have the right to reject Bids based on technical grounds only. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder’s address at the Bidder’s risk.

GROUND FOR TECHNICAL REJECTIONS

Bidders are advised to note that Bids are liable to be rejected on, *inter alia*, the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of first Bidder not given;
3. In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no such partnership firm, shall be entitled to apply;
4. NRIs, except Eligible NRIs;
5. Bids by persons not competent to contract under the Indian Contract Act, 1872, including minors and persons of unsound mind;
6. **PAN not stated or GIR number stated instead of PAN. See “Issue Procedure - PAN or GIR Number” on page 316;**
7. Bids for lower number of Equity Shares than specified for that category of investors;
8. Bids at a price less than lower end of the Price Band;
9. Bids at a price more than the higher end of the Price Band;
10. Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders;
11. Bids for number of Equity Shares, which are not in multiples of [•];
12. Category not ticked;
13. Multiple Bids as defined in the Red Herring Prospectus;
14. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
15. Bids accompanied by stockinvest/money order/postal order/cash;
16. Signature of sole and/or joint Bidders missing;
17. Bid cum Application Form does not have the stamp of the BRLMs or the Syndicate Member;
18. Bid cum Application Form does not have the Bidder’s depository account details;
19. Bid cum Application Form is not delivered by the Bidder within the time prescribed as per the Bid cum Application Form and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum Application Form;

20. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the depository participant's identity (DP ID) and the beneficiary account number;
21. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same in "**Issue Procedure – Bids at Different Price Levels**" on page 298;
22. Bids by OCBs;
23. Bids by QIBs not submitted through members of the Syndicate;
24. Bids by employees of our Company or Directors of our Company not eligible to apply in the Employee Reservation Portion;
25. In case of Bid cum Application forms are not available with Registrar to the Issue for reasons such as force majeure, acts of god, flood or similar circumstances;
26. Bids under the Employee Reservation Portion for amounts greater than Rs. 25,00,000;
27. Bids not uploaded in the book would be rejected;
28. Bids or revision thereof by QIB Bidders and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 1,00,000, uploaded after 5.00 p.m. or any such time as prescribed by Stock Exchanges on the Bid/Issue Closing Date;
29. Bids where clear funds are not available in Escrow Accounts as per the final certificate from the Escrow Collection Banks;
30. Bids by U.S. persons other than in reliance on Regulation S under the Securities Act;
31. Bids by any person outside India if not in compliance with applicable foreign and Indian Laws; and
32. Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority.

Equity Shares in dematerialised form with NSDL or CDSL

As per the provisions of section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed between our Company, the respective Depositories and the Registrar to the Issue:

- (a) an agreement dated [•] between NSDL, us and Registrar to the Issue;
- (b) an agreement dated [•] between CDSL, us and Registrar to the Issue.

All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

- (a) A Bidder applying for Equity Shares must have at least one beneficiary account with the Depository Participants of either NSDL or CDSL prior to making the Bid.
- (b) The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.
- (c) Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
- (d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details with the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details with the Depository.

- (e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.
- (f) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.
- (g) It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- (h) The trading of the Equity Shares would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

COMMUNICATIONS

All future communication in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary accounts, refund orders, etc.

Disposal of Investor Grievances

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances shall be seven days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We and the Selling Shareholder have appointed Mr. P.T. Mittal, Company Secretary as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

Mr. P.T. Mittal
 RITES Limited
 RITES Bhawan
 Plot No. 1, Sector-29
 Gurgaon 122 001
 Tel: +91 124 257 1187
 Fax: +91 124 257 1188
 E-mail: ipo@rites.com

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of section 68A of the Companies Act, which is reproduced below:

“Any person who:

- (a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or
- (b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years.”

Basis of Allocation

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Retail Individual Bidders will be made at the Issue Price.
- The Net Issue less allocation to Non-Institutional Bidders and QIB Bidders shall be made available for allocation to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the valid Bids in this category is for less than or equal to 44,10,000 Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.
- If the valid Bids in this category are for more than 44,10,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of [•] Equity Shares and in multiples of one Equity Share thereafter. For the method of proportionate basis of allocation, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Net Issue less allocation to QIB Bidders and Retail Individual Bidders shall be made available for allocation to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the valid Bids in this category is for less than or equal to 18,90,000 Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their valid Bids.
- In case the valid Bids in this category are for more than 18,90,000 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of [•] Equity Shares and in multiples of one Equity Shares thereafter. For the method of proportionate basis of allocation refer below.

C. For QIB Bidders

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the QIB Bidders will be made at the Issue Price.
- The Net Issue less allocation to Non-Institutional Portion and Retail Portion shall be made available for proportionate allocation to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

- However, eligible Bids by Mutual Funds only shall first be considered for allocation proportionately in the Mutual Funds Portion. After completing proportionate allocation to Mutual Funds for an amount of 3,15,000 Equity Shares (the Mutual Funds Portion), the remaining demand by Mutual Funds, if any, shall then be considered for allocation proportionately, together with Bids by other QIBs, in the remainder of the QIB Portion (i.e. after excluding the Mutual Funds Portion). For the method of allocation in the QIB Portion, see the paragraph titled “Illustration of Allotment to QIBs” appearing below. If the valid Bids by Mutual Funds are for less than 3,15,000 Equity Shares, the balance Equity Shares available for allocation in the Mutual Funds Portion will first be added to the QIB Portion and allocated proportionately to the QIB Bidders. For the purposes of this paragraph it has been assumed that the QIB Portion for the purposes of the Issue amounts to 50% of the Net Issue size, i.e. 63,00,000 Equity Shares.
- Allotment shall be undertaken in the following manner:
 - (a) In the first instance allocation to Mutual Funds for 5% of the QIB Portion shall be determined as follows:
 - (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
 - (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full Allotment to the extent of valid bids received above the Issue Price.
 - (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be made available to all QIB Bidders as set out in (b) below.
 - (b) In the second instance allocation to all QIBs shall be determined as follows:
 - (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids at or above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
 - (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
 - (iii) Under subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

Except for any Equity Shares allocated to QIB Bidders due to under subscription in the Retail Portion and/or Non-Institutional Portion, the aggregate allocation to QIB Bidders shall be made on a proportionate basis of up to [•] Equity Shares up to a minimum of [•] Equity Shares and in multiples of 1 Equity Shares thereafter. For the method of proportionate basis of allocation refer below.

D. For Employee Reservation Portion

- Bids received from the Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Eligible Employees will be made at the Issue Price.

- If the aggregate demand in this category is less than or equal to 14,00,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
- If the aggregate demand in this category is greater than 14,00,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of [•] Equity Shares and in multiples of one Equity Shares thereafter. For the method of proportionate basis of allocation, refer below.
- Only Eligible Employees (as defined above) are eligible to apply under Employee Reservation Portion.

Method of Proportionate basis of allocation in the Issue

In the event of the Issue being over-subscribed, our Company and the Selling Shareholder shall finalise the basis of allocation in consultation with the Designated Stock Exchange.

Bidders will be categorized according to the number of Equity Shares applied for by them.

- (a) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- (b) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

In all Bids where the proportionate allotment is less than [•] Equity Shares per Bidder, the Allotment shall be made as follows:

- Each successful Bidder shall be allotted a minimum of [•] Equity Shares; and
- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner approved by the Designated Stock Exchange.

If the proportionate Allotment to a Bidder is a number that is more than [•] but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient for proportionate Allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares. The basis of allocation on a proportionate basis shall be finalised in consultation with the Designated Stock Exchange.

Illustration of Allotment to QIBs and Mutual Funds (“MF”)

A. Issue details

S. No	Particulars	Issue details
1.	Issue size	20 crore Equity Shares

S. No	Particulars	Issue details
2.	Allocation to QIB (50%)	10 crore Equity Shares
	Of which:	
	a. Allocation to Mutual Funds (5%)	0.50 crore Equity Shares
	b. Balance for all QIBs including Mutual Funds	9.50 crore Equity Shares
3.	Number of QIB applicants	10
4.	Number of Equity Shares applied for	50 crore Equity Shares

B. Details of QIB Bids

S. No	Type of QIB bidders#	No. of shares bid for (in crore)
1.	A1	5
2.	A2	2
3.	A3	13
4.	A4	5
5.	A5	5
6.	MF1	4
7.	MF2	4
8.	MF3	8
9.	MF4	2
10.	MF5	2
	TOTAL	50

A1-A5: (QIB Bidders other than Mutual Funds), MF1-MF5 (QIB Bidders which are Mutual Funds)

C. Details of Allotment to QIB Bidders/Applicants

<i>(Number of equity shares in crore)</i>				
Type of QIB bidders	Shares bid for	Allocation of 0.50 crore Equity Shares to MF proportionately (see note 2 below)	Allocation of balance 9.50 crore Equity Shares to QIBs proportionately (see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	5	0	0.960	0
A2	2	0	0.384	0
A3	13	0	2.495	0
A4	5	0	0.960	0
A5	5	0	0.960	0
MF1	4	0.100	0.748	0.848
MF2	4	0.100	0.748	0.848
MF3	8	0.200	1.497	1.697
MF4	2	0.050	0.374	0.424
MF5	2	0.050	0.374	0.424
TOTAL	50	0.50	9.50	4.242

Please note:

- The illustration presumes compliance with the requirements specified in this Draft Red Herring Prospectus in “**Issue Structure**” on page 286.

2. Out of 10 crore Equity Shares allocated to QIBs, 0.50 crore (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 20 shares in the QIB Portion.
3. The balance 9.50 crore Equity Shares, i.e. 10 – 0.50 (available for Mutual Funds only) will be allocated on proportionate basis among 10 QIB Bidders who applied for 50 crore Equity Shares (including 5 Mutual Fund applicants who applied for 20 crore Equity Shares).
4. The figures in the fourth column titled “Allocation of balance 9.50 crore Equity Shares to QIBs proportionately” in the above illustration are arrived as under:
 1. For QIBs other than Mutual Funds (A1 to A5) = [(No. of Equity Shares Bid for (i.e., in column II of the table above)] X 9.5 /49.50;
 2. For Mutual Funds (MF1 to MF5) = [(No. of Equity Shares bid for (i.e., in column II of the table above) less Equity Shares allotted (i.e., column III of the table above)] X 9.50/49.50;
 3. The numerator and denominator for arriving at allocation of 9.50 crore Equity Shares to the 10 QIBs are reduced by 0.50 crore shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS

Our Company and the Selling Shareholder shall give credit of Equity Share allotted to the beneficiary account with Depository Participants within 15 working days of the Bid/Issue Closing Date. Applicants residing at 68 centres where clearing houses are managed by the RBI, State Bank of India, Punjab National Bank, State Bank of Indore, Union Bank of India, Andhra Bank, Corporation Bank, Bank of Baroda, State Bank of Travancore, Central Bank of India, Canara Bank, Oriental Bank of Commerce, United Bank of India, State Bank of Hyderabad and State Bank of Bikaner and Jaipur will get refunds through ECS (subject to availability of all information for crediting the refund through ECS) except where applicants are otherwise disclosed as eligible to get refunds through Direct Credit, NEFT or RTGS.

In case of other applicants, our Company and the Selling Shareholder shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by “Under Certificate of Posting”, and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post, except for Bidders who have opted to receive refunds through Direct Credit, NEFT, RTGS or ECS.

Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit of refund within 15 working days of closure of the Issue.

Our Company and the Selling Shareholder shall ensure dispatch of refund orders, if any, by “Under Certificate of Posting” or registered post or speed post or Direct Credit, NEFT, RTGS or ECS, as applicable, only at the sole or First Bidder’s sole risk within 15 days of the Bid/Issue Closing Date, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Issuer.

Our Company and the Selling Shareholder shall ensure dispatch of Allotment advice, refund orders and shall give credit of Equity Shares allotted, if any to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within 2 (two) working days of date of Allotment.

Our Company and the Selling Shareholder shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges

where the Equity Shares are proposed to be listed, are taken within 7 (seven) working days finalisation of the basis of Allotment.

Payment of Refunds

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, we and the Selling Shareholder further undertake that:

- Allotment of Equity Shares shall be made only in dematerialised form within 15 days of the Bid /Issue Closing Date;
- Refunds shall be made within 15 days from the Bid/Issue closing date at the sole or First Bidder's sole risk, except for Bidders who have opted to receive refunds through Direct Credit, NEFT, RTGS or ECS; and
- Our Company and the Selling Shareholder shall pay interest at 15% per annum if Allotment letters/ refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner through Direct Credit, NEFT, RTGS or ECS, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from the Bid/Issue Closing Date.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us and the Selling Shareholder, as an Escrow Collection Bank and payable at par at places where Bids are received, except where the refund or portion thereof is made in electronic manner as described above. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Mode of making refunds

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details including nine digit MICR code. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the sole or Bidder's sole risk and neither the BRLMs nor our Company and the Selling Shareholder shall have any responsibility and undertake any liability for the same.

The payment of refund, if any, would be done through various modes in the following order of preference:

I. Direct Credit

Applicants applying through the web/internet whose service providers opt to have the refund amounts for such applicants being by way of direct disbursement by the service provider through their internal networks, the refund amounts payable to such applicants will be directly handled by the service providers and credited to bank account particulars as registered by the applicant in the demat account being maintained with the service provider. The service provider, based on the information provided by the Registrar, shall carry out the disbursement of the refund amounts to the applicants.

II. NEFT

Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code

will be obtained from the website of RBI as on a date prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method.

III. RTGS

Applicants having a bank account at any of the abovementioned 15 centres managed by the RBI and whose refund amount exceeds Rs. 0.1 crore, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by such applicant opting for RTGS as a mode of refund. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

IV. ECS

Payment of refund shall be undertaken through ECS for applicants having an account at any of the following 68 centres: Ahmedabad, Bangalore, Bhubaneswar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna, Thiruvananthapuram (managed by RBI); Baroda, Dehradun, Nashik, Panaji, Surat, Trichy, Trichur, Jodhpur, Gwalior, Jabalpur, Raipur, Calicut, Siliguri (Non-MICR), Pondicherry, Hubli, Shimla (Non-MICR), Tirupur, Burdwan (Non-MICR), Durgapur (Non-MICR), Sholapur, Ranchi, Tirupati (Non-MICR), Dhanbad (Non-MICR), Nellore (Non-MICR) and Kakinada (Non-MICR) (managed by State Bank of India); Agra, Allahabad, Jalandhar, Lucknow, Ludhiana, Varanasi, Kolhapur, Aurangabad, Mysore, Erode, Udaipur, Gorakhpur and Jammu (managed by Punjab National Bank); Indore (managed by State Bank of Indore); Pune, Salem and Jamshedpur (managed by Union Bank of India); Vishakhapatnam (managed by Andhra Bank); Mangalore (managed by Corporation Bank); Coimbatore and Rajkot (managed by Bank of Baroda); Kochi/Ernakulum (managed by State Bank of Travancore); Bhopal (managed by Central Bank of India); Madurai (managed by Canara Bank); Amritsar (managed by Oriental Bank of Commerce); Haldia (Non-MICR) (managed by United Bank of India); Vijaywada (managed by State Bank of Hyderabad); and Bhilwara (managed by State Bank of Bikaner and Jaipur). This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. One of the methods for payment of refund is through ECS for applicants having a bank account at any of the abovementioned 68 centres.

Note: We expect that all payments including where refund amounts exceed Rs. 10,00,000 shall be made through NEFT, however in some exceptional circumstances where refund amounts exceed Rs. 10,00,000, refunds may be made through RTGS.

For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders shall be dispatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Please note that applicants having a bank account at any of the 68 centres where the clearing houses for ECS are managed by the RBI, State Bank of India, Punjab National Bank, State Bank of Indore, Union Bank of India, Andhra Bank, Corporation Bank, Bank of Baroda, State Bank of Travancore, Central Bank of India, Canara Bank, Oriental Bank of Commerce, United

Bank of India, State Bank of Hyderabad and State Bank of Bikaner and Jaipur are eligible to receive refunds through the modes detailed in I, II, III and IV above. For all the other applicants, including applicants who have not updated their bank particulars along with the nine digit MICR Code, prior to the Bid/Issue Opening Date, the refund orders would be dispatched under “Under Certificate of Posting” for refund orders less than Rs. 1,500 and through speed post/registered post for refund orders exceeding Rs. 1,500.

Undertaking by our Company

We undertake as follows:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of Allotment;
- that the funds required for dispatch of refund orders or Allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Bid/ Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;
- that the refund orders or Allotment advice to all the successful Bidders including NRIs shall be dispatched within specified time; and
- that no further issue of Equity Shares shall be made till the Equity Shares issued through this Draft Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under subscription, etc.

Undertakings by the Selling Shareholder

The Selling Shareholder undertakes as follows:

- the Equity Shares being sold pursuant to the Offer for Sale are free and clear of any liens or encumbrances, and shall be transferred to the successful Bidders within the specified time;
- that the complaints received in respect of this Issue shall be attended to by the Selling Shareholder expeditiously and satisfactorily. The Selling Shareholder has authorised the Company Secretary and Compliance Officer and the Registrar to the Issue to redress complaints, if any, of the investors;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allocation;
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Bid/ Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;
- that the funds required for dispatch of refund orders or Allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by the Selling Shareholder;
- that the refund orders or Allotment advice to all the successful Bidders including NRIs shall be dispatched within specified time; and
- that no further offer of Equity Shares shall be made till the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under subscription, etc.

Utilisation of Issue proceeds

Our Board of Directors certifies that:

- all monies received out of the Fresh Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of section 73 of the Companies Act;
- details of all monies utilised out of the Fresh Issue referred above shall be disclosed under an appropriate separate head in our balance sheet indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Fresh Issue, if any shall be disclosed under the appropriate head in our balance sheet indicating the form in which such unutilised monies have been invested; and
- our Company shall comply with the requirements of clause 49 of the Listing Agreement in relation to the disclosure and monitoring of the utilization of the Net Proceeds of the Fresh Issue.

Our Company and the Selling Shareholder shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

Our Company shall transfer to the Selling Shareholder, the net proceeds of the Offer for Sale, on the same being permitted to be released in accordance with applicable laws.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the Industrial Policy and FEMA. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investments.

Subscription by Eligible NRIs/FIIs/FVCIs

It is to be distinctly understood that there is no reservation for Non Residents including Eligible NRIs, FIIs and FVCIs and all Non Residents will be treated on the same basis as other categories for the purpose of allocation.

As per the RBI regulations, OCBs cannot participate in this Issue.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in accordance with the applicable laws of such jurisdiction.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933 (the “Securities Act”) or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.

SECTION VIII - MAIN PROVISIONS OF OUR ARTICLES OF ASSOCIATION

CAPITAL AND SHARES

Capital

4. The Authorized Share capital of the Company shall be such amount and be divided into such shares as may, from time to time, be provided in clause V of Memorandum of Association payable in the manner as may be determined by the Directors, from time to time, with power to increase, reduce, sub-divide or to repay the same or to divide the same into several classes and to attach thereto any right and to consolidate or subdivide or re-organize the shares subject to the provisions of the Act.

Company's Shares not to be purchased

5. Except to the extent allowed by Section 77, no part of the funds of the company shall be employed in the purchase of or in loans upon the security of the company's shares.

Allotment of Shares

6. Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the Company for the time being shall be under the control of the Board of Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provisions of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and subject to the provisions of Section 77A of the Act with the sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or at premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or subject to the provisions of Section 79A of the Act for any services rendered to the Company in the conduct of its business and any shares which may be so allotted may be issued as fully paid-up shares and if so issued shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.

Calls on Shares/Debentures

7. The Board of Directors may from time to time, make calls upon the members or debenture-holders or holders of securities issued by the Company in respect of any moneys unpaid on their shares or debentures or securities and specify the time or times of payments and each member or debenture holder or the holder of the securities shall pay to the Company at the time or times so specified the amount called on his shares/debentures/securities.

Provided however that the Board of Directors may from time to time at their discretion extend the time fixed for the payment of any call.

When interest on calls payable

8. If the sum payable in respect of any call be not paid on or before the day appointed for payment thereof, the holder for the time being or allottee of the share/debenture/securities in respect of which a call shall have been made, shall pay interest on the same at such rate as the Board of Directors shall fix, from the day appointed for the payment thereof to the day of actual payment, but the Board of Directors may waive payment of such interest wholly or in part.

Calls paid in advance

9. The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate, as may be decided by Directors provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

The members shall not be entitled to any voting rights in respect of the moneys so paid by them until the same would but for such payment, become presently payable.

The provisions of these Articles shall mutatis mutandis apply to the calls on debentures and other securities of the Company.

Sums deemed to be call

10. Any sum which by the terms of issue of a share/debenture/security becomes payable on allotment or at any fixed date, shall for the purposes of these Articles be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable, and in case of non-payment all the relevant provisions of these Articles as to payment of interest and forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

Partial payment not to preclude forfeiture

11. Neither the receipt by the Company of a portion of any money which shall from time to time be due from any member/ debenture holder/ holder of securities to the Company in respect of his shares/ debentures/ securities, either by way of principal or interest nor any

indulgence granted by the Company in respect of the payment of any such money shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares/ debentures /securities as provided in these Articles.

CERTIFICATES

Right of Members or Debenture holders to Certificates

12. (a) Every Member shall be entitled, without payment, to receive one or more certificates in marketable lots for all Securities of each class or denomination specifying the certificate number, name of the person in whose favour it is issued, the distinctive number of the Securities to which it relates and the amount paid up thereon. Such certificate shall be issued only in pursuance of a resolution passed by the Board and on surrender to the Company of the letter of allotment or fractional coupons of requisite value, save in cases of issues against letters of acceptance or of renunciation, or in case of issue of bonus Shares.

(b) Every such certificate shall be issued under the seal of the Company which shall be affixed in the presence of two Directors or persons acting on behalf of the Directors under a duly registered power of attorney and the Secretary or some other person appointed by the Board for the purpose and the two Directors or other attorney and the Secretary or other person shall sign the certificate; provided that if the composition of the Board so permits, at least one of the aforesaid two Directors shall be a person other than a managing or a whole time Director. Particulars of every certificate issued shall be entered in the Register of Members or Debentureholders as the case may be against the name of the person to whom it has been issued indicating the date of issue. The certificate of such Securities shall be delivered within 3 (three) months after the allotment or within 1 (one) month from the receipt of application for the registration of the transfer, transmission, subdivision, consolidation or renewal of such Securities as the case may be provided always that notwithstanding anything contained in these Articles the certificate of title to Securities may be executed and issued in accordance with such other provisions of this Act or, any other provisions of law or Rules made thereunder, as may be in force for the time being and from time to time.

(c) Any two or more joint allottees of a Security shall, for the purpose of this Article, be treated as a single Member, and the certificate of any Security, which may be the subject of joint ownership, may be delivered to the first named joint owners on behalf of all of them. For any further certificate the Board shall be entitled, but shall not be bound, to prescribe a charge. The Company shall comply with the provisions of Section

113 of the Act.

(d) Director may sign a certificate by affixing his signature thereon by means of any machine, equipment or other mechanical means, such as engraving in metal or lithography, but not by means of a rubber stamp, provided that the Directors shall be responsible for the safe custody of such machine, equipment or other material used for the purpose.

Provided that in case of securities held by the Member/Debentureholder in dematerialized form, no Share/Debenture Certificate(s) shall be issued.

Issue of new certificates in place of one defaced, lost or destroyed

13. If any security certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer upon production and surrender thereof to the company, a new certificate may be issued in lieu thereof, and if any certificate be lost or destroyed then upon proof thereof to the satisfaction of the company and on execution of such indemnity as the company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every certificate under the Articles shall be issued without payment of fees as the Board may prescribe, not exceeding Rs. 2 (two) for each certificate (or such rate as may be prescribed under the Act or the Rules framed thereunder). Provided that no fee shall be charged for issue of new certificates in replacement of certificates which are worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer.

Provided that notwithstanding what is stated above the directors shall comply with such rules or regulations or requirements of any stock exchange or the rules made under the Act or the rules made further Securities Contract (Regulation) Act, 1956 or any other Act, or rules applicable in this behalf.

The provision of this Article shall *mutatis mutandis* apply to the debentures of the Company.

Where a new certificate has been issued in pursuance of the last preceding paragraph particulars of every such certificate shall also be entered in a Register of Renewed and Duplicate Certificates indicating against the name of the person to whom the certificate is issued, the number and date of issue of the certificate in lieu of which the new certificate is issued, and the necessary changes indicated in the Register of Members or the Register of Debenture holders, as the case may be, by suitable cross reference in the 'remarks' column. All entries made in the Register of Members, the Register of Debenture holders or in the Register of

UNDERWRITING & BROKERAGE

Payment of Underwriting & Brokerage

Renewed and duplicate certificates shall be authenticated by the Secretary or such other person as may be appointed by the Board for purpose of sealing and signing the certificate under paragraph (a) hereof.

14. Subject to the provisions of Section 76 of the Act, as may be applicable, the Company may at any time pay a commission to any person in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares or debentures in the Company or procuring or agreeing to procure subscription (whether absolute or conditional) for any shares or debentures or other securities issued by the Company, but so that the commission shall not exceed in the case of shares five percent (or such percent as may be prescribed by the Act or the Rules framed thereunder or by any statutory authority) of the price at which the shares are issued and in case of debentures or other securities two and a half percent (or such percent as may be prescribed by the Act or the Rules framed thereunder or by any statutory authority) of the price at which the debentures or other securities are issued. Such commission may be satisfied by payment of cash or allotment of fully or partly paid shares/debentures/securities or partly in one way and partly in the other.

Payment of Brokerage

15. The Company may pay a reasonable and lawful sum of brokerage.

LIEN, FORFEITURE AND SURRENDER OF SHARES OR DEBENTURES

Company's lien on shares or debentures

16. The Company shall have a first and paramount lien upon all the shares/debentures (other than fully paid up shares/debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect. And such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/debentures. Unless otherwise agreed the registration of a transfer of shares/debentures shall operate as a waiver of the company's lien if any, on such shares/debentures. The Directors may at any time declare any shares/debentures wholly or in part to be exempt from the provisions of this clause.

Company's right to deal with Shares/debentures on which lien has been marked

16A. The Company may sell, in such manner as the Board thinks fit, any shares or debentures on which the Company has a lien provided that no sale shall be made-

i) Unless a sum in respect of which the lien exists is presently payable, or

ii) Until the expiration of 14 days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share or debenture or the person entitled thereto by reason of his death or insolvency.

16B (i) To give effect to any such sale, the Board may authorise some person to transfer the shares or debentures sold to the purchaser thereof.

(ii) The purchaser shall be registered as the holder of the shares or debentures comprised in any such transfer.

16C(i) The proceeds of the sale shall be received by the company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable.

(ii) The residue, if any, shall subject to a like lien for sums not presently payable as existed upon the shares or debentures before the sale, be paid to the person entitled to the shares or debentures at the date of the sale.

Forfeiture of shares or debentures

17(i) If a member or debenture-holder fails to pay any call or the allotment money which was deferred or kept as term deposit as a condition of subscription or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or allotment money or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued.

(ii) The notice aforesaid shall:

(a) Name a further day (not being earlier than the expiry of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made; and

(b) state that, in the event of non-payment on or before the day so named, the shares or debentures in respect of which the call was made will be liable to be forfeited.

(c) If the requirements of any such notice as aforesaid are not complied with, any shares or debenture in

respect of which the notice has been given may, at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect.

(iii) A forfeited share or debenture may be sold or otherwise disposed of on such terms and in such manner as the Board thinks fit.

(iv) At any time before a sale or disposal as aforesaid, the Board may cancel the forfeiture on such terms as it thinks fit.

Effect of forfeiture

17A (i) A person whose share or debenture have been forfeited shall cease to be a member or holder in respect of the forfeited shares or debentures, but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which, at the date of forfeiture, were presently payable by him to the company in respect of the share or debenture.

(ii) The liability of such person shall cease if and when the Company shall have received payment in full of all such moneys in respect of the shares or debentures.

Declaration of forfeiture

17B (i) A duly verified declaration in writing that the declarant is a Director, Manager or the Secretary of the Company, and that a share or debenture in the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated, as against all persons claiming to be entitled to the shares or debentures.

(ii) The Company may receive the consideration, if any, given for the share or debenture on any sale or disposal thereof and may execute a transfer of the share or debenture in favour of the person to whom the share or debenture is sold or disposed of.

(iii) The transferee shall thereupon be registered as the holder of the share or debenture.

(iv) The transferee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share or debenture be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share or debenture.

(v) The provisions of these regulations as to forfeiture shall apply in the case of non-payment of any sum which, by the term of issue of a share or debenture, becomes payable at a fixed time, whether on account of the nominal value of the share or debentures by way of

premium, as if the same had been payable by virtue of a call duly made and notified.

Company may buy back its own Securities

18. Notwithstanding any provision to the contrary in these Articles, the Company may buy back its own securities subject to the provisions contained in Sections 77A, 77AA and 77B of the Act, as amended from time to time.

**Surrender
Shares/Debentures/Securities**

of 19. Subject to applicable provisions of the law, the Board may accept from any shareholder/debenture/security holder on such terms and conditions as shall be agreed a surrender of all or any of his shares/debentures/securities.

**Register and Index
Members/Debentures holders**

of 20. The Company shall cause to be kept at its Registered Office or at such other place as may be decided by the Board of Directors, the Register and Index of Members/Debenture holders (the Register) in accordance with Section 150 and 151 and other applicable provisions of the Act and the Depositories Act, with the details of shares/debentures held in physical and dematerialized form in any medium as may be permitted by law including any form of electronic medium.

The Register and Index of Beneficial Owner maintained by a Depository under Section 11 of the Depositories Act, 1996 shall also deemed to be the Register and Index of Members/Debenture holder for the purpose of the Companies Act and any amendment or re-enactment thereof. The company shall have power to keep in any State or Country outside India, a Register of Members/Debenture holders for the resident in that State or Country.

TRANSFER AND TRANSMISSION OF SHARES OR DEBENTURES OR OTHER SECURITIES

Transfer and transmission of shares or debentures or other securities

21. The Company shall register the transfer of securities subject to the applicable provisions of the Act, Depositories Act, Listing Agreements with the Stock Exchanges where the securities of the Company are listed and any other applicable law from time to time. Further, the Board may, at its own absolute and uncontrolled discretion, but subject to section 111A of the Act and section 22A of the Securities Contracts (Regulation) Act, 1956 and further subject to the right of appeal, and by giving reasons, decline to register or acknowledge any transfer of shares/debentures/other securities, whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the Company but in such cases, the Directors shall within one month from the date on which the instrument of

transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the Company has a lien on the shares. Transfer of shares debentures/other securities in whatever lot shall not be refused.

The instrument of transfer in case of shares/debentures/other securities held in physical form shall be in writing and all provisions of Section 108 of the Act and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares/debentures/other securities and registration thereof.

A common form of transfer of shares or debentures or other securities as the case may be, shall be used by the Company.

Further, the Board may, subject to applicable law and these Articles and further subject to the right of appeal, decline to register :-

- (a) the transfer of a share or debenture not being fully-paid, to a person of whom they do not approve; or
- (b) any transfer of shares or debentures on which the company has a lien, or when any statutory prohibition or any attachment or prohibitory order of a competent authority restrains the Company from transferring the securities out of the name of the transferor;
- (c) when the transferor objects to the transfer, provided he serves on the Company within a reasonable time a prohibitory order of a Court of competent jurisdiction.

No fees to be charged

22. No fee shall be charged for registration of transfer, transmission, probate, succession certificate and letters of administration, certificate of death or marriage, power of attorney or similar other document.

Register of Transfers

23. The Company shall, if the Shares/Debentures/Securities of the Company are not in dematerialized form, keep a Register of Transfer of Shares (and Debentures or other securities) and therein enter the particulars of several transfers or transmission of any shares or debentures or other securities.

Execution of transfer

24. The instrument of transfer of any share or debenture or other securities in the Company shall be executed both by the transferor and the transferee, and the transferor shall be deemed to remain holder of the share or debenture or security until the name of the transferee is entered in the Register of Members or

Debenture holders/other Security holders in respect thereof.

Closing of Registers of Members and Debenture/ Other Security holders

25. The Register of Members /Debenture/Securities holders may be closed for any period or periods not exceeding 45 days in each year but not exceeding 30 (thirty) days at any one time after giving not less than 7 days previous notice by advertisement in some newspaper circulating in the district in which the registered office of the Company is situated.

Transmission of shares

26. Nothing contained in Article 21 shall prejudice any power of Company to register as shareholder (or debenture holder) any person to whom the right to any shares (or debentures) in the Company has been transmitted by operation of Law.

DEMATERIALIZATION OF SECURITIES

Dematerialization/ Re materialization of securities -

27. (i) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialize its existing securities, rematerialize its securities held in the Depositories and/or offer its fresh securities in dematerialized form pursuant to the provisions of the Depositories Act, 1996 and the rules framed thereunder, if any.

(ii) Every person subscribing to or holding securities of the Company shall have the option to receive security's certificates or to hold the securities with the Depository. Such person who is the Beneficial Owner of the securities can at any time opt out of the Depository, if permitted by law, in respect of any security in the manner and within the time prescribed.

If a person opts to hold his securities with Depository, the Company shall intimate such Depository, the details of allotment of the security and in receipt of the information, the depository shall enter in its record the name of the allottees as the beneficial owner of the securities.

The Company shall within 30 (thirty) days of the receipt of such intimation from the Depository and on fulfilment of such conditions and on payment of such fee as may be specified by the regulations, issue the certificates of Securities to the beneficial owner or the transferee as the case may be.

Every Depository shall furnish to the Company information about the transfer of securities in the name of the beneficial owner thereof, at such intervals and in such manner as may be specified by its bye-laws and the Company in that behalf. The Company shall make

available to the Depositories copies of the relevant records in respect of securities held by such Depository.

Securities in Depository to be in Fungible Form

28. All securities held by the depository shall be dematerialized and be in fungible form. Nothing contained in Section(s) 153, 372A and such other provisions of the Act as may be applicable, shall apply to a Depository in respect of the securities held by it on behalf of the Beneficial Owners. In such event the right(s) and obligation(s) of the shareholder(s) / debenture holder(s) and the matters connected therewith or incidental thereto, shall be governed by the provisions of the Depositories Act, 1996 or any statutory modification thereto or re-enactment thereof.

Rights and Liabilities of Beneficial Owner(s)

29.(a) Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the Beneficial Owners.

(b) Save as otherwise provided in (a) above, the Depository as the registered owner of the Security(ies) shall not have any voting right(s) or any other right(s) in respect of the security(ies) held by it.

(c) The Beneficial Owner of securities shall be entitled to all the right(s) and benefit(s) and be subject to all the liabilities in respect of Security(ies), which are held by a Depository.

Procedure for dematerialization of securities

Upon receipt of certificate of Securities on surrender by a person who has entered into an agreement with the Depository through a Depository Participant, the Company shall cancel such certificate and substitute in its records the name of Depository as the registered owner in respect of the said Securities and shall inform the Depository accordingly.

Joint holding provisions to apply to dematerialized shares

Except as specifically provided in these Articles, the provisions relating to joint holders of shares, calls, lien, on Shares, forfeiture of Shares and transfer and transmission of Shares shall be applicable to Shares held by a Depository so far as they apply to Shares held in physical form subject to the provisions of the Depositories Act.

Service of Documents

30. Notwithstanding anything to the contrary contained in the Act or Articles, where Security (ies) are held in a Depository, the records of the Beneficial Ownership may be served by such Depository on the Company by means of electronic mode by delivery of floppies or discs.

Provisions of Articles not to apply to security(ies) held in Depository	31. Nothing contained in section 108 of the Act or Articles 12, 13 and 16 to 26 of the Articles of Association, shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as Beneficial Owners in the records of a Depository.
Allotment of Securities to be dealt within a Depository	32. Where securities are to be dealt with by the Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities.
Distinctive number of securities held in dematerialized form	33. Nothing contained in the Act or the Articles regarding the necessity of having distinctive numbers on securities issued by the company shall apply to securities held with a Depository.
Trading of securities in Demat Mode	34. Notwithstanding anything contained in these Articles, the Company shall have the right to issue Securities in a public offer in dematerialized form as required by applicable laws and subject to the provisions of applicable, law, trading in the Securities of the Company post-listing shall be in the demat segment of the relevant Stock Exchange(s) where the securities issued by the Company are listed for trading, in accordance with the directions of SEBI, the Stock Exchanges and in terms of the listing agreements to be entered into with the said Stock Exchange(s).
Nomination	35. (i) Every share/debenture/security holder and a depositor under the Company's Public Deposit Scheme (Depositor) of the Company may at any time, nominate in the prescribed manner, a person to whom his shares/debentures/securities or deposits in the Company standing in his name shall vest in the event of his death. (ii) Where the Shares or Debentures or Securities or Deposits in the Company are held by more than one person jointly, the joint holder may together nominate, in the prescribed manner, a person to whom all the rights in the shares or debentures or securities or deposits in the Company, as the case may be, shall vest in the event of death of all the joint holders. (iii) Notwithstanding anything contained in any other law for the time being in force or in disposition, whether testamentary or otherwise, in respect of such shares/debentures, securities or deposits in the Company, where a nomination made in the prescribed manner purport to confer on any person the right to vest the shares/debentures/securities or deposits in the Company, the nominee shall on the death of the

share/debenture/security holder or a depositor or on the death of the joint holders as the case may be, become entitled to all the rights in such shares/debentures/security or deposits, as the case may be, all the joint holders in relation to such shares/debentures/security or deposits, to the exclusion of all persons, unless the nomination is varied, cancelled in the prescribed manner.

(iv) Where the nominee is a minor, it shall be lawful for the holder of the shares/debentures/security or deposits, to make the nomination to appoint, in the prescribed manner, any person to become entitled to shares/debentures/securities or deposits in the Company, in the event of his death, during the minority.

Transmission of Securities by Nominee

36. A nominee, upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either –

(i) To be registered himself as holder of the share/debenture/ security or deposits, as the case may be; or

(ii) To make such transfer of the share/ debenture/ security or deposits, as the case may be, as deceased share/debenture/security holder or depository could have made.

(iii) If the nominee elects to be registered as holder of the share/debenture/security or deposits, himself, as the case may be, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased share/debenture/security holder or depositor, as the case may be;

(iv) A nominee shall be entitled to the same dividends and other advantages to which he would be entitled to, if he were the registered holder of the shares/ debentures/ securities or deposits except that he shall not, before being registered as a member in respect of his share/ debenture/ security or deposits be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company or the meetings of the holders of the debenture/security or deposits.

Provided further that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the shares/debentures/securities or deposits, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses

or other money(s) payable or right(s) accruing in respect of the shares/ debentures/ securities or deposits, until the requirements of the notice have been complied with.

INCREASE, REDUCTION AND ALTERATION OF CAPITAL

Increase of Capital

37. Subject to the provisions of the Act, the company in General Meeting, may increase the share capital by such sum to be divided into shares of such amount, as the Resolution shall prescribe.

Terms of issue of Debentures/Other Securities

38. Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in the General Meeting by a Special Resolution.

On what condition new shares may be issued

39. New shares shall be issued upon terms and conditions and with such rights and privileges annexed thereto as the General Meeting resolving upon the creation whereof shall direct and, if no direction be given, as the Directors shall determine, and in particular, whether such share may be preference share or not. Provided that no Shares (not being preference Shares) shall be issued carrying voting rights or rights in the Company as to dividend, capital or otherwise, which are disproportionate to the rights attaching to the holders of other Shares (not being preference Shares).

Further issue of shares

40. 1. Where at the time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares either out of the un-issued capital or out of the increased share capital then:

- (a) Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in proportion as near as circumstances admit, to the capital paid-up on those shares at the date.
- (b) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not being less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been

declined.

- (c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in sub-clause (b) hereof and shall contain a statement of this right, provided that the Directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares offered to him.
- (d) After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose off them in such manner and to such person(s) as they may think, in their sole discretion, fit.

2. Notwithstanding anything contained in sub-clause (1) hereof, the further shares aforesaid may be offered to any person (whether or not those persons include the persons referred to in clause (a) sub-clause (1) hereof in any manner whatsoever.

(a) If a special resolution to that effect is passed by the Company in General Meeting, or

(b) Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the Chairman) by the members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the Company.

3. Nothing in sub-clause (c) of (1) hereof shall be deemed:

(a) to extend the time within which the offer should be accepted; or

(b) to authorize any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

4. Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debenture issued or loans raised by the Company:

(i) to convert such debentures or loans into shares in the Company; or

(ii) to subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise).

Provided that the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

(a) either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with the rules, if any, made by that Government in this behalf; and

(b) in the case of debentures or loans or other than debentures issued to or loans obtained from the Government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the debentures or raising of the loans.

When to be offered to existing members

41. The new shares (resulting from an increase of capital as aforesaid) may be issued or disposed of in accordance with the provisions of Articles 6 to 10.

Same as original capital

42. Except so far as otherwise provided by the conditions of issue or by these Articles, any capital raised by the creation of new shares shall be considered part of the original capital and shall be subject to provisions herein contained with reference to the payment of calls and instalments, transfer and transmission, forfeiture, lien, surrender, voting and otherwise.

Reduction of capital

43. Subject to the provisions of Section 100 - 104 of the Act, the Company may, from time to time, by special resolution, reduce its capital by paying off capital or cancelling capital which has been lost or is unrepresented by available assets or is superfluous or by reducing the liability on the shares or otherwise as may seem expedient, and capital may be paid off upon the footing that it may be called upon, again or otherwise, and the Board may, subject to the provisions of the Act, accept surrender of shares

Sub-Division and consolidations of shares

44. Subject to the provisions of the Act, the Company in a General Meeting may from time to time sub-divide or consolidate its shares or any of them and exercise any of the other powers conferred by sub-section (i) (a) to (e) of Section 94 of the Act, and shall file with the Registrar such notice in exercise of any such powers as may be required by the Act.

MODIFICATION OF CLASS RIGHTS

Power to modify rights of different classes of shareholders

45. If at any time, the capital by reason of the issue of preference shares or otherwise, is divided into different classes of shares all or any of the rights and privileges attached to each class may, subject to the provisions of

Sections 106 and 107 of the Act be modified, abrogated or dealt with by agreement between the company and by any person purporting to contract on behalf of that class, provided such agreement is (a) ratified in writing by the holder of at least three-fourth of the nominal value of the issued shares of that class or (b) confirmed by a special resolution passed at a separate general meeting of the holders of shares of that class and all the provisions hereinafter contained as to general meeting shall mutatis mutandis apply to every such meeting, except that the by proxy one-fifth of the nominal amount of the issued shares of that class. This article is not by implication to curtail the power of modification which the company would have if the article was omitted.

BORROWING POWERS

Power to borrow

46. Subject to the provisions of Section 58A, 292 and 293 of the Act and Government Guidelines issued from time to time, the Board may by means of a resolution passed at the meeting of the Board, from time to time, borrow or secure the payment of any sum or sums of money for the purpose of the Company on such terms and conditions as may be approved by the Board, subject, however, that the Board shall not without the sanction of the Company in a General Meeting borrow any sum of money which together with money borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceed the aggregate for the time being of the Paid up Capital of the Company and its free reserves, that is to say, reserves not set aside for any specific purpose.

Securities may be assignable free from equities

47. Debentures, debenture-stock bonds, or other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

GENERAL MEETINGS

Notice of General Meeting

48. At least Twenty one clear days' notice in writing, specifying the place day and hour of General Meetings, with a statement of the business to be transacted at the meeting shall be served on every member in the manner provided by the Act but with the consent, in writing, of all the members entitled to receive notice of the same, any General Meeting may be convened by such shorter notice and in such manner as those members may think fit.

Omission to give notice not to invalidate a resolution passed

49. The accidental omission to give notice to or the non-receipt thereof by any member shall not invalidate any resolution passed at any such meeting.

Quorum	50. No business shall be transacted at any General Meeting unless a quorum of Members is present at the time such General Meeting commences, 5 (five) Members present in person or through a duly constituted representative shall constitute the quorum for any General Meeting.
Chairman of General Meeting	51. The Chairman of the Board of Directors or in his absence the Vice-Chairman shall be entitled to take the Chair at every General Meeting but if neither the Chairman nor the Vice -Chairman is to be present within 15 minutes after the time appointed for holding such meeting or is unwilling to act as Chairman, the members present shall choose another Director as Chairman and, if no Director shall be present or if all the Directors present declined to take the chair, then the Members present shall choose one of their Members to be Chairman.
Chairman's decision conclusive	52. The Chairman of any Meeting shall be the sole judge of the validity of every vote tendered at such meeting. The chairman present at the time of taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.
PROCEEDING OF GENERAL MEETING	
Votes	53. Every Member entitled to vote and present in person or by proxy shall have one vote on a show of hands and upon a poll one vote for each share held by him.
Postal Ballot	54. Notwithstanding anything contained in the Articles of the Company may in respect of any business but shall in respect of the businesses prescribed in Section 192A of the Act and the Companies (Passing of Resolutions by Postal Ballot) Rules, 2001 in respect of the matters specified in said Rules as modified from time to time, adopt the mode of passing resolutions by the members of the Company by means of Postal Ballot (which includes voting by electronic mode) instead of transacting such business in a General Meeting of the Company subject to compliances with the procedure for such Postal Ballot and/or other requirements prescribed in the aforesaid rules in this regard.
Vote in respect of shares of deceased members	55 (i) Any person entitled under the Transmission clause to transfer any share may vote at a General Meeting in respect thereof as if he was registered holder of such shares provided that at least 72 hours before the time of holding the Meeting or adjourned Meeting as the case may be at which he proposes to vote, he shall satisfy the Directors of his right to transfer such shares unless the Directors shall have previously admitted his right to vote at such Meeting in respect thereof.

(ii) No member shall be entitled to vote at any General Meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.

Form of Proxy

56. Every instrument of proxy for a specified meeting or otherwise shall as nearly as circumstances will admit be in the form as may be prescribed under the Act, or Regulation made there under:

Company not bound to recognise any interest in shares other than that of the registered holders

57. Save as otherwise provided in these Articles, the Directors shall be entitled to treat the person whose name appears on the register of members as the holder of any share as the absolute owner thereof and accordingly shall not (except as ordered by a court of Competent jurisdiction or as by law required) be bound to recognise any benami trust or equitable, contingent or other claim to or interest in such share on the part of any person whether or not it shall have expressed or implied notice thereof.

BOARD OF DIRECTORS
Number of Directors

58. The number of Directors of the Company shall be not less than three and not more than Eighteen. The Directors are not required to hold any qualification shares.

Appointment and reappointment of Directors

59(1) (a) The Directors shall be appointed by the President in consultation with the Chairman of the Board of Directors and subject to Section 314 of the Act shall be paid such salary and/or allowances as the President may, from time to time, determine and such reasonable additional remuneration as may be fixed by the President may be paid to any one or more of the Directors for extra or special services rendered by him or them or otherwise.

(b) The President may, from time to time, subject to Section 314 of the Act appoint one of the Directors to be the Chairman of the Board of Directors and determine the salary and allowances payable to the Chairman and the period for which he will hold office.

(c) The President may, from time to time appoint one of the Directors as the Managing Director and determine the salary and allowances payable to the Managing Director and the period for which he will hold the office.

(d) The Chairman and the Managing Director or other Directors shall exercise such powers and discretion in relation to the affairs of the Company as may be specifically delegated to them respectively by the Board of Directors and are not required to be done by

the Board of Directors or the Company at the general meeting under the Act.

(e) The President in consultation with the Chairman of the Board of Directors shall have right to fill any vacancy in the office of Directors caused by removal, lustrations, death or otherwise.

(f) Two-thirds (any fraction to be rounded off to the next number) Directors of the Company shall be persons whose period of office shall be liable to determination by retirement by rotation and save as otherwise expressly provided in the Act, be appointed by the Company in General Meeting. The remaining Directors shall not be liable to retire by rotation and shall, subject to the provisions of these Articles.

At every Annual General Meeting of the Company held next after the date of General Meeting in which first Directors are appointed, in accordance with Section 255 of the Act, one-third of such Directors for the time being liable to retire by rotation or if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office.

Directors to retire by rotation at every Annual General Meeting shall be those (other than the Managing Director of the Company and such other non-retiring Directors, if any) who have been longest in office since their last appointment but as between persons who become Directors on the same day, those who are to retire shall, unless otherwise agreed among themselves, be determined by lot.

A retiring Director shall be eligible for re-election. The Company at the Annual General Meeting in which Director retires, may fill-up the vacated office by appointing the retiring Director or some other person thereto.

If the place of retiring Director is not so filled up and the meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the same day in the next week, at the same time and place, or if that day is a public holiday, at the same time and place, and if at the adjourned meeting also, the place of retiring director is not filled up and that meeting also has not expressly resolved not to fill the vacancy, the retiring director shall be deemed to have been re-appointed at the adjourned meeting, unless:

(i) at that meeting or at the previous meeting, a resolution for the re-appointment of such director has been put to the meeting and lost;

(ii) the retiring director has, by a notice in writing addressed to the Company or its Board of Directors, expressed his un-willingness to be so re-appointed;

(iii) he is not qualified or disqualified for appointment;

(iv) a resolution, whether, Special or Ordinary, is required for his appointment by virtue of any provisions of the Act;

(v) the proviso to sub-section (2) of Section 263 is applicable to the case.

(g) A Director representing a Ministry of the Government of India shall retire on his ceasing to be an official of that Ministry.

(h) The President may from time to time remove any part-time Director, from office at his absolute discretion. Chairman and whole-time Directors may be removed from office in accordance with the terms of appointment or if no such terms are specified, on the expiry of 3 months notice issued in writing by the President or with immediate effect on payment of the pay in lieu of the notice period.

(i) The President shall have the right to fill any vacancy in the office of the Directors caused by removal, resignation, death or otherwise.

Payment of sitting fee to Directors

60. The independent / non-official part -time Directors shall be paid such amount of sitting fee for attending meetings of Board of Directors or any Committee thereof as may be approved by the Board of Directors, subject to the maximum ceiling prescribed by the Central Government from time to time in this regard.

General power of Company vested in Board of Directors

61. The business of the Company shall be managed by the Board of Directors who may exercise all such powers of the Company as are not by the Act or any statutory modification thereof for the time being in force or by these Articles, required to be exercised or done by the Company in general meetings, subject nevertheless to the provisions of these Articles, to the provisions of the said Act, and to such regulations being not inconsistent with the aforesaid provisions, as may be prescribed by Company in general meeting provided that no such regulation made by the Company in general meeting shall invalidate any prior act of the Board of Directors which would have been valid if that regulation had not been made.

Specific power to Directors

62. Without prejudice to the general powers conferred by the last preceding Article and the other powers

conferred by these Articles but subject to the provisions of Sections 293, 293-A and 294 of the Act the Board of Directors shall have the following powers that is to say power:-

(1) **To acquire property** - to purchase, take on lease or otherwise acquire for the Company property, rights or privileges which the Company is authorised to acquire at such price, and generally on such terms and conditions as they think fit;

(2) (a) **Works of a capital nature-** to authorise, without reference to Central Government, the undertaking of works of a capital nature where Detailed Project Reports have been prepared with estimates of different component parts of the project and where such Project Reports have been approved by Central Government and to invite and accept tenders relating to works included in the approved Detailed Project Report, including variations, if any, in the approved estimates, provided such variations are not more than 10% for any particular component part and do not substantially change the scope of the Project.

(b) To authorise for undertaking works of a capital nature not covered by clause 2(a) above, if required to be taken up in advance of the preparation of a detailed project report or otherwise as individual works, not exceeding Rs. 500 crore or equal to net worth of the Company, whichever is less, or such enhanced amount as may be permitted by the government guidelines and applicable from time to time, provided that:

(i) the funds required will be found within the budget allocation of the Company for that financial year; and
(ii) the expenditure on such works in subsequent year will be the first call on the respective allocation.

(3) **To pay for property in debentures, etc.-** to pay for any property, rights or privileges acquired by or services rendered to the Company either wholly or partially in cash or in shares, bonds debentures or other securities of the Company and any such shares may be issued either as if fully paid up or with such amount credited as paid up thereon as may be agreed upon; and any such bond, debentures or other securities may be either specifically charged upon all or any part of the property of the Company and its uncalled capital not so charged;

(4) **To secure contracts by mortgage** - to secure the fulfilment of any of the contracts or engagements entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the time being or in such other manner as they may think fit:

(5) **To appoint officers, etc.** - appoint and at their discretion, remove or suspend such managers, secretaries, officers, clerks, agents and servants, for permanent or temporary or special services as they may, from time to time, think fit, and to determine their powers and duties and fix their specific scales of pay and allowances of specific jobs for which there may not be any strict parallel in Government Departments, and to acquire security in such instances and to such amounts as they think fit. The power for creation of and appointment to all posts below the Board level, irrespective of any, except as provided below, shall vest with the Board of Directors.

Provided further that no appointment in the higher categories of posts i.e. General Manager (SA Grade), Group General Manager & Executive Directors of persons who have attained the age of 60 years whether they be from Public or Private Sector shall be made without the prior approval of the President".

(6) **To appoint trustees-** to appoint any person or persons (whether incorporated or not), to accept and hold in trust for the Company, any property belonging to the Company or in which it is interested or for any other purposes, and to execute and do all such **deeds and** things as may be requisite in relation to any such trust and to provide for the remuneration of such trustee or trustees.

(7) **To bring and defend action, etc.-** to institute, conduct, defend, compound or abandon any legal proceedings by or against the Company or its off ices or otherwise concerning the affairs of the Company and also to compound and allow time for payment or satisfaction of any claims or demands by or against the Company;

(8) **To refer to arbitration** - to refer any claims or demands by or against the Company to arbitration and observe and perform the awards;

(9) **To give receipt** - to make and give receipts, release, and other discharges for money payable to the Company; and for the claims and demands of Company;

(10) **To authorise acceptance etc.** - to determine who shall be entitled to sign on the Company's behalf, bills, notes, receipts, acceptances, endorsements, cheques, releases, contracts and documents;

(11) **To appoint attorneys** - from time to time to provide for the management of the affairs of the

Company outside the mining areas which in the context includes the townships and sites of operations of the Company in such manner as they think fit, and in particular to appoint any person to be the attorney or agent of the Company with such powers (including power to sub-delegate) and upon such terms as may be thought fit;

(12) **To invest moneys** - to invest in such securities as may be in accordance with the guidelines of Department of Public Enterprises and deal with any of the moneys of the Company upon such investments authorized by the Memorandum of Association of the Company (not being shares in this company) and in such manner as they think fit and from time to time to vary or realize such investments.

(13) **To give security by way of indemnity** - to execute in the name and on behalf of the Company in favour of any Director or other persons who may incur or be about to incur any personal liability for the benefit of the Company such mortgage of the Company's property (present and future) as they think fit and any such mortgage may contain a power of sale and such other powers, covenants and provisions as shall be agreed on;

(14) **To give percentage** - to give to any person employed by the Company a commission on the profits of any particular business transaction, or a share in the general profits of the Company and such commission or share of profits shall be treated as part of the working expenses of the Company;

(15) **To make bye laws** - from time to time make, vary and repeal bye laws for the regulation of the business of the Company, its officers and servants;

(16) **To give bonus** - to give, award, or allow any bonus, pension, gratuity or compensation to any employee of the Company or his widow, children or dependants, that may appear to the Board of Directors just or proper, whether such employee, his widow, children or dependents have or have not a legal claim upon the Company;

(17) **To create Provident Fund** - before declaring any dividend to set aside such portion of the profits of the Company, as they may think fit, to form a fund to provide for such pensions gratuities or compensation or to create any provident or benefit fund in such manner as the Board of Directors may deem fit;

(18) **To establish Local Board** - from time to time and at any time to establish any local board for

managing any of the affairs of the Company in any specified locality in India, or out of India, and to appoint any person to be members of such local board and to fix their remuneration, and from time to time and at any time to delegate to any person so appointed any of the powers, authorities and discretion for the time being vested in the Board of Directors other than their power to make call and to authorise the members for the time being of any such local board or any of them to fill up any vacancies, therein and to act notwithstanding vacancies, and any such appointment or delegation may be made in such terms, and Subject to such conditions as the Board of Directors may be made in such terms, and subject to such conditions as the Board of Directors may think fit and the Board of Directors may at any time remove any person so appointed and may annul or vary any such delegation.

(19) **To make contracts, etc.,** - to enter into all such negotiations and contracts and rescind and vary all such contracts, execute and do all such acts, deeds, and things in the name and on behalf of the Company as they may consider expedient for or in relation to any of the matters aforesaid or otherwise for the purpose of the Company.

(20) To authorise to establish JV/subsidiary companies in India with equity investment limited to Rs.500 crore in one project subject to maximum of 15% of net worth or 30% of net worth in all JVs and

(21) **To sub delegate powers** – subject to Section 292 of Act to sub-delegate all or any of the powers, authorities and discretion for the time being vested in them, subject, however to the ultimate control and authority being retained by them.

Powers of Board of Directors Subject to the approval of President

63. The Powers of the Board of Directors in relation to the following shall, however, be subject to the approval of the President:-

- (i) Sale, lease or disposal otherwise of the whole or substantially the whole of the Company and
- (ii) The formation of a subsidiary Company abroad and opening of offices abroad.

Appointment of Alternate Director, Additional Director & to fill the casual vacancy among Directors

65 1. The Board of Directors of the Company may by passing a resolution appoint with the approval of the President an alternate Director to act for a Director (hereinafter in this article called "the original Director") during his absence for a period of not less than three months from the State in which meetings of the Board

are ordinarily held and such appointment shall have effect, and such appointee whilst he holds office as an alternate Director shall be entitled to notice of meetings of the Directors and to attend and to vote thereat accordingly; but he shall ipso facto vacate office when the original Director returns to the State in which the meetings are ordinarily held or vacates office as a Director. If the term of office of the original Director is determined before he so returns to the State aforesaid, any provision for the automatic re-appointment of retiring Director in default of another appointment shall apply to the original and not to the Alternate Director.

2. Subject to provisions of section 260 of the Act and Article 59 of the Articles of Association of the Company, the Board of Directors of the Company may by passing a resolution appoint additional directors.

3. Subject to provisions of section 262 of the Act and Article 59 of the Articles of Association of the Company, if an office of director appointed by the Company in the general meeting is vacated before his term of office expires in the normal course, the resulting casual vacancy may be filled by the Board of Directors at a meeting of the Board. Any person so appointed shall hold office only up to the date up to which the director in whose place he is appointed would have held office if it had not been vacated as aforesaid.

PROCEEDINGS OF BOARD MEETINGS

Place of meetings

66. The meeting of the Board may be held at the Registered Office or anywhere else within India if in the interest of the Company.

Directors may summon Meeting

67. (a) A Director may at any time convene a meeting of the Board of Directors.

How questions to be decided

(b) A Director may at any time convene a meeting of the Board of Directors. Questions arising at any meetings shall be decided by majority of votes.

Power of quorum

68. A meeting of the Board of Directors for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers, and discretion by or under the Articles of the Company for the time being vested in or exercisable by the Board of Directors generally.

Chairman of Directors meeting

69. The president may nominate a Director as Chairman of the Directors' meetings and determine the period for which he is to hold office. If no such Chairman is nominated or if at any meeting the Chairman is not present within 5 minutes after the time for holding the same, the Directors present may choose

one of their number to be Chairman of the meeting.

Power of Chairman

70. (1) The Chairman shall reserve for decision of the Central Government any proposals or decisions of the Board of Directors or any matter brought before the Board which raises, in the opinion of the Chairman an important issue and which is on that account fit to be reserved for the decision of the Central Government and no decision on such an important issue shall be taken in the absence of the Chairman appointed by the President. In respect of matters reserved by the Chairman for decision of the Central Government, if the Central Government's views be not received within a period of two months, the Board of Directors shall be entitled to act in accordance with the proposal or decision without further reference to the Central Government.

2) Without prejudice to the generality of the above provision, the Chairman shall reserve for the decision of the President :-

- i) any matter relating to
 - a) the promotion of Company/Companies;
 - b) entering into partnership and/or arrangement of sharing property;
 - c) taking or otherwise acquiring any holding shares in any other company, except as provided in Article 62 (20) of these Articles; and
 - d) division of capital into different classes of shares;
- ii) the annual revenue budget of the Company in case there is an element of deficit which is proposed to be met by obtaining funds from the Government;
- iii) the agreements involving foreign collaboration proposed to be entered into by the Company;
- (iv) purchases and contracts of a major nature involving substantial capital outlay which are in excess of power vested in the Company under the present Articles.

Delegation of powers to Committees

71. The Directors may, subject to the restrictions laid down under section 292 of the Act, delegate any of their powers to Committees consisting of such member or members of their body as they think fit and may, from time to time, revoke such. delegation. Any Committee so formed shall in the exercise of the powers so delegated, conform to any regulation that may, from time to time, be imposed upon it by the Board of Directors. The proceedings of such a Committee shall be placed before the Board of Directors at its next meeting.

Chairman of Meetings of Committees

72. A Committee may elect a Chairman of their meetings. If no such Chairman is elected or if at any meeting the Chairman is not present within 5 minutes after the time appointed for holding the same, the members present may choose one of their number to be Chairman of the meeting.

When acts of Directors or Committee valid notwithstanding defective appointment etc

73. All acts done by any meeting of the Board of Directors, or of a Committee of Directors, or by any person acting as a Director shall notwithstanding that it be afterwards discovered that there was some defect in the appointment of such Directors or, persons acting as aforesaid or that they or any of them were disqualified, be as valid as if every such person has been duly appointed to and was qualified to be Director. Provided that nothing in this Article shall be deemed to give validity to acts done by a Director after his appointment has been shown to the Company to be invalid or to have terminated.

Resolution without Board meeting valid

74. Subject to the provisions of Section 292 of the Act, resolutions of the Board of Directors can be passed by circulation and they shall be as valid and effectual as if they have been passed at a meeting of the Board of Directors duly called and constituted, No resolution shall, however, be deemed to have been duly passed by the Board or by a Committee thereof by circulation unless the resolution has been circulated in draft, together with the necessary papers, if any, to all the Directors, or to all the members of the Committee then in India (not being less in number than the quorum fixed for a meeting of the Board or Committee as the case may be), and to all other Directors or members at their usual address in India, and has been approved by such of the Directors as are then in India, or by a majority of such of them, as are entitled to vote on the resolution.

RESERVES AND DIVIDENDS

Reserve Fund

75. The Directors may, before recommending any dividend set apart out of the profits of the Company such sums as they think proper as a reserve fund to meet contingencies or for equalising dividends, or for special dividends, or for repairing, improving and maintaining any of the property of the Company, and for amortisation of capital and for such other purposes as the Board of Directors shall in their absolute discretion think conducive to the interest of the Company, and may invest the several sums so set aside upon such investments (other than shares of the Company) as they may think fit from time to time, deal with and vary such investments, and dispose of all or any part thereof for the benefit of the Company, and may divide the reserve funds into such special funds, as

they think fit and employ the reserve funds or any part thereof in the business of the Company and that without being bound to keep the same separate from the other assets.

Dividends

76. The profits of the Company available for payment of dividend subject to any special rights relating thereto created or authorised to be created by these presents and subject to the provisions of these present is as to the reserve fund and amortisation of capital shall with the approval of the Members of the Company be divisible among the members in proportion to the amount of capital paid up by them respectively. Provided always that (subject as aforesaid) any capital paid up on a share during the period in respect of which a dividend is declared shall only entitle the holder of such share to an apportioned amount of such dividend as from the date of payment.

Declaration of Dividends

77 (a) The Company in General Meeting may declare a dividend to be paid to the members according to their rights and interests in the profits but no dividend shall exceed the amount recommended by the Board of Directors.

The Company may capitalise the reserve and profits by issue of fully paid bonus shares to the shareholders of the Company subject to the provisions of Companies Act.

Interim dividend

(b) The Directors may from time to time, pay to the members such interim dividends as in their judgment the position of the Company justifies.

Unpaid or Unclaimed Dividend

(c) Where the Company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 30 days, open a special account in that behalf in any scheduled bank, to be called the "RITES LIMITED Unpaid Dividend Account" And transfer to the said account, the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted.

Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred by the Company to a Fund known as Investor Education and Protection Fund established under Section 205C of the Act.

No unclaimed or unpaid dividend shall be forfeited by the Board.

Dividends out of profits only and not to carry interest

78. No dividend shall be declared or paid by the Company for any, financial year except out of profits of the Company for that year arrived at after providing for the depreciation in accordance with the provisions of subsection (2) of Section 205 of the Act or out of profits of the Company for any previous financial year or years arrived at after providing for the depreciation in accordance with those provisions and remaining undistributed or out of both or out of moneys provided by the Government for the payment of dividend in pursuance of a guarantee given by the Government. No dividend shall carry interest against the Company. For the purpose of this Article, the declaration of the Directors as to the amount of the profits of the Company shall be conclusive.

Debts may be deducted

79. The Directors may retain any dividend in respect of shares on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

Dividends to joint holders

80. Any one of the several persons who are registered as the joint holders of any share, may give effectual receipts for all dividends and payments on account of dividend in respect of such shares.

Payment by post

81. Unless otherwise directed any dividend may be paid by cheque or warrant sent through the post to the registered address of the member or person entitled or in the case of joint holders, to the registered address of that one whose name stands first in the register in respect of the joint holding; and every cheque or warrant (including demand draft) so sent shall be made payable to the order of the person to whom it is sent.

Notice of dividends

82. Notice of the declaration of any dividend, whether interim or otherwise, shall be given to the holders of registered shares in the manner hereinafter provided.

**PRESIDENT'S RIGHT
Rights of the President**

92. Notwithstanding anything contained in any of these Articles but subject to the provisions of the Act, the President may, from time to time, issue such directives or instructions as he may consider necessary in regard to the conduct of the affairs of the Company and to attain the objects of the Company and in like manner may vary and annul any such directive. The Board of Directors shall give immediate effect to directives or instructions so issued. Under this Article the President has the right:

(a) to give such directions to the enterprise as to the exercise and performance of its functions in matters involving national security or substantial public interest and to ensure that the enterprise gives effect to such directions ; and

(b) to call for such returns, accounts and other information with respect to the property and activities of the enterprise and its constituent units as may be required from time to time.

NOTICE

How notices to be served on members

93. A notice may be given by the Company to any member either personally or by sending it by post to him to his registered address; if he has no registered address, to the address, if any, supplied by him to the Company for the giving of notices to him.

Notification of address by a holder of registered shares having no registered place of address

94. A holder of registered shares who has no registered place of address may, from time to time, notify in writing to the Company his address, which shall be deemed his registered place of address, within the meaning of the last preceding Article.

When notice may be given by advertisement

95. If a member has no registered address and has not supplied to the Company an address for the giving of notice to him, a notice addressed to him and advertised in newspaper circulating in the neighbourhood of the Registered Office of the Company, shall be deemed to be duly given to him on the day on which the advertisement appears.

Notice to joint holders

96. A notice may be given by the Company to the joint holders of a share by giving the notice to joint holder named first in the register in respect of the share.

How notice to be given to a deceased or bankrupt member

97. A notice may be given by the Company to the person entitled to share in consequence of the death or insolvency of a member by sending it through the post in a prepaid letter addressed to them by name, or by the title of representative of the deceased, or assignee of the insolvent or by any like description, at the address (if any) supplied for the purpose by the persons claiming to be so entitled or (until such an address has been so supplied) by giving notice in any manner in which the same might have been given if the death or insolvency had not occurred.

To whom notice of general meeting to be given

98. Notice of every general meeting shall be given in the same manner hereinbefore authorised to (a) every member of the Company except those members who having no registered address have not supplied to the Company an address for the giving of notice to them, and also to (b) every person entitled to a share in consequence of the death or insolvency of a member

who, but for his death or insolvency, would be entitled to receive notice of the meeting, provided the Company has been given due notice.

Transferees etc. bound by prior notice

99. Every person who by operation of law, transfer or other means whatsoever, shall become entitled to any share, shall be bound by every notice in respect of such share, which previously to his name and address and title to the share being notified to and registered by the Company, shall be duly given to the person from whom he derives his title to such share.

How notice to be signed

100. The signature to any notice to be given by the Company may be written or printed.

How time to be counted

101. Where a given number of days notice or notices extending over any other period is required to be given, the day of service shall unless it is otherwise provided, be counted, in such number or other period.

WINDING UP

Distribution of assets on winding up

102. If the Company shall be wound up and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the members in proportion to the capital paid up or which ought to have been paid up at the commencement of the winding up, on the shares held by them respectively. And if in a winding up, the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid up the excess shall be distributed amongst the members in proportion to the capital paid up or which ought to have been paid up on the shares held by them respectively. But this clause is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.

INDEMNITY AND RESPONSIBILITY

Indemnity

105. Subject to the provisions of Section 201 of the Act, every Director, Manager, Auditor, Secretary and other Officer or servant of the Company shall be indemnified by the Company against, and it shall be the duty of the Board of Directors out of the funds of the Company to pay all costs losses and expenses which any such officer or servant may incur or become liable to by reason of any contract entered into, or act or thing done by him as such officer or servant or in any way in the discharge of his duties; and the amount for which such indemnity is provided shall immediately attach as a lien on the property of the Company and have priority as between the members over all other claims.

Individual responsibility of Directors

106. No Director or other officer of the Company shall

be liable for the acts, receipts, neglect or defaults of any other Director or officer of the Company or for joining in any receipt or other act for conformity or for any loss or expenses happening to the Company through the insufficiency or deficiency of title to any property acquired by the order of the Board of Directors for or on behalf of the Company, or for the sufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortuous act of any person with whom any moneys, securities or effects shall be deposited or for any loss occasioned by any error of judgment or oversight on his part or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto unless the same happens through his own negligence, default, misfeasance, breach of duty, or breach of trust.

SECTION IX – OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of the Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which will be attached to the copy of the Red Herring Prospectus delivered to the Registrar of Companies for registration and also the documents for inspection referred to hereunder, may be inspected at our Corporate Office at RITES Bhawan, 1, Plot No. 1, Sector 29, Gurgaon 122 001, from 10.00 am to 4.00 pm on working days from the date of the Red Herring Prospectus until the Bid/ Issue Closing Date.

Material Contracts

1. Engagement letters dated December 5, 2007 for appointment of Kotak Mahindra Capital Company Limited, Enam Securities Private Limited and ICICI Securities Limited as BRLMs.
2. Memorandum of understanding dated March 31, 2008 between our Company, the Selling Shareholder and the BRLMs.
3. Memorandum of understanding dated March 31, 2008 between our Company, the Selling Shareholder and the Registrar to the Issue.
4. Escrow Agreement dated [●] between our Company, the Selling Shareholder, the BRLMs, Escrow Collection Banks, and the Registrar to the Issue.
5. Syndicate Agreement dated [●] between our Company, the Selling Shareholder, the BRLMs and Syndicate Member.
6. Underwriting Agreement dated [●] between our Company, the Selling Shareholder, the BRLMs and Syndicate Member.
7. Agreement dated February 27, 2008 for appointment of CRISIL Limited as the IPO Grading Agency.
8. Shareholders agreement dated May 24, 2007 between the Government of the United Republic of Tanzania and our Company.
9. MoU dated October 14, 2007 between SREI Infrastructure Finance Limited, Consulting Engineers Services (India) Private Limited and our Company.
10. Joint venture agreement dated September 15, 2004 between our Company and IRCON Limited.
11. Concession agreement dated September 3, 2007 between Tanzania Railways Limited and Reli Assets Holding Company Limited, Tanzania.
12. Concession agreement dated August 30, 2004 between Portos E Caminhos De Ferro Da Mozambique, E.P. and Companhia Dos Caminhos De Ferro Da Beira, SARL.

Material Documents

1. Our Memorandum and Articles of Association as amended till date.
2. Our certificate of incorporation dated April 26, 1974.
3. Fresh certificate of incorporation dated March 28, 2000 consequent to change of name.
4. Fresh certificate of incorporation dated February 5, 2008 consequent to conversion into a public limited company pursuant to section 44 of the Companies Act, 1956.
5. Shareholders' resolutions dated January 8, 2008 in relation to this Issue and related matters.
6. Letter No. 91/PL/68/48 (RITES) dated February 6, 2008 from the MoR to the Company approving the Issue.
7. Letter No. 91/PL/68/48 (RITES) dated February 6, 2008 from the MoR to the Company approving the Offer for Sale by the Selling Shareholder.
8. Letter No. 91/PL/68/48 (RITES) dated February 4, 2008 from the MoR duly authorizing and granting power of attorney in favour of Mr. P.V. Vaidialingam, Executive Director, Finance

Expenditure-I, Railway Board, and Mr. Vinay Kumar Singh, Director PSU, Railway Board (as standby) for the purpose of effecting the Offer for Sale by the GoI of its shareholding in our Company.

9. Resolutions of the Board dated November 30, 2007 authorising the Issue and related matters.
10. Copies of the letters by the MoR, GoI for appointment and remuneration of our Directors.
11. Report of the Auditors, Jain Chopra & Co., Chartered Accountants, dated March 26, 2008 prepared as per Indian GAAP and mentioned in this Draft Red Herring Prospectus.
12. Copies of annual reports of our Company for the past five Fiscals.
13. Consent of the Auditors, Jain Chopra & Co., Chartered Accountants, for inclusion of their report on accounts and statement of tax benefits in the form and context in which they appear in this Draft Red Herring Prospectus.
14. Consents of IPO Grading Agency, Bankers to the Company, BRLMs, Syndicate Member, Registrar to the Issue, Banker to the Issue, Legal Counsel to the Issue, Directors of our Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
15. Applications dated [•] for in-principle listing approval from NSE and BSE, respectively.
16. In-principle listing approval dated [•] and [•] from NSE and BSE, respectively.
17. Agreement between NSDL, our Company and the Registrar to the Issue dated [•].
18. Agreement between CDSL, our Company and the Registrar to the Issue dated [•].
19. Due diligence certificate dated April 1, 2008 to SEBI from Kotak Mahindra Capital Company Limited, Enam Securities Private Limited and ICICI Securities Limited.
20. SEBI observation letter [•] and our in-seriatim reply to the same dated [•].
21. IPO Grading Report by [•] dated [•], 2008.

Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

All the relevant provisions of the Companies Act and the guidelines issued by the GoI or the guidelines issued by the SEBI, established under section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SEBI Act or rules made or guidelines issued thereunder, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and correct.

Signed by the Selling Shareholder

Mr. P.V. Vaidialingam, Executive Director (Finance Expenditure-I)
MoR, Government of India

Signed by all Directors

1. Mr. Raj Kamal Rao
2. Mr. V.K. Agarwal
3. Mr. Anil Madan
4. Mr. B.K. Makhija
5. Mr. Rajeev Mehrotra
6. Mr. R. Ashok*
7. Mr. Virendra Gupta*
8. Dr. Devi Singh
9. Mr. D.P. Tripathi
10. Mr. Prem Saigal*
11. Mr. A.K. Sanwalka

** Signed by duly constituted power of attorney holder, Mr. P.T. Mittal.*

Date: April 1, 2008

Place: Gurgaon