

REVIEW OF ANNUAL REPORT AND AUDITED ACCOUNTS OF RITES LIMITED FOR THE YEAR 2016-17

OUTLOOK

Over the years, RITES, as one of the leading transport infrastructure Consulting Companies in Public Sector in the Country, has been playing a pivotal role in the development of transport and infrastructure sectors viz, Railways, Highways, Ports, Airports, Waterways, Ropeways, Urban Transport, Urban Engineering, Container Depots, Institutional Buildings, and Railway Electrification etc. RITES has also diversified into providing multidisciplinary services from concept to commissioning for efficient and economic implementation of the projects.

The Company continued to provide specialized, integrated services under single roof in transportation infrastructure sector and export packages for supply of locomotives, coaches, wagons, spare parts and modernization of workshops. The Company is expanding its reach through its subsidiary & JV companies by venturing into the business of wagon manufacturing and is also planning to develop potential business avenues in power sector including Green Energy etc. The company is also exploring business opportunities in captive railway systems in India through equity participation with other stakeholders, with the main focus on providing total transportation solution as against pure consultancy assignments. Business of offering shunting locomotives on wet lease including operation & maintenance continued to be well received by domestic Non- Railway clients. 35 locos have so far been put to service in India.

As a matter of diversification (i) RITES and the Indian Railways promoted a Joint Venture Company, Railway Energy Management Company Ltd. (REMCL) for renewable energy projects, bilateral purchases, power trading and energy efficiency projects etc. In a record time of 10 months, it has commissioned 26 MW Wind Mill in Jaisalmer and also concluded power procurement contracts for 1200 MW in different states (ii) RITES has completed setting up of the state-of-the-Art wagon factory, at Kulti, West Bengal as a 50:50 JV between RITES and SAIL, a "Make in India" initiative of the Indian Railways. An assured off-take Agreement has also been signed with Railways for manufacture of 1200 wagons/annum and rehabilitation of a minimum of 300 wagons/annum and (iii) Company has taken over turnkey works for construction and supply, installation and commissioning of Machinery & Plant for upgradation / modernization of Railway Workshops.

BUSINESS PERFORMANCE

During the year, company has achieved highest ever turnover of Rs 1509 crore as compared to previous year's turnover of Rs 1278 crore, higher by 18%. The profit before tax is Rs 488 crore as against Rs 516 crore of the previous year. Decline in profitability is mainly because of provisioning of additional liability arising on account of pay revision and enhancement in Gratuity ceiling.

FINANCIAL HIGHLIGHTS

The financial performance of the Company for the year 2016-17 & 2015-16 is given below:

(Rs.in
Crore)

Particulars	2016-17	2015-16
Financial Results:		
Total Income	1509	1278
Operating Turnover	1304	1086
Operating Expenditure	1021	762
Other Income	205	192
Profit Before Tax (PBT)	488	516
Income /deferred tax	(157)	(178)
Profit After Tax (PAT)	331	339
Appropriations:		
Dividend including interim dividend*	146	77
Dividend Tax	30	16
Transfer to General Reserve	155	246

* As per New Accounting Standard (IndAS) the dividend is to be accounted for on payment basis. In view of the same, dividend for the year 2016-17 includes final dividend of Rs. 91 crore for the year 2015-16 paid in 2016-17 and interim dividend of Rs. 55 crore of 2016-17 paid in 2016-17.

CAPITAL STRUCTURE

The company has increased its paid up capital from Rs 100 crore to Rs 200 crore through Issue of Bonus Shares by capitalizing free reserve and surplus. The Company has also increased its Authorised Share Capital from Rs 150 crore to Rs 300 crore during the year under consideration.

DIVIDEND

The total dividend pay-out for the year will amount to Rs 133 crore (i.e. Rs. 6.65 per share) which is 66.5 % of paid up share capital of the company.

TECHNOLOGY ABSORPTION

Being a leading consultancy organization in the field of transportation, RITES keep itself abreast with the latest technology and knowhow in not only in the area of the transportation but also the technology and technological innovation that bring better efficiency and economic benefits to the sector. To achieve this, the company continuously strives to procure and absorb the best and the latest technological innovations in all the areas of its business by continuously updating its software and knowledge base by sponsoring and encouraging its experts to actively participate in national and international seminars and conferences, perusal of information and technological updates available on internet, study of periodicals.

FOREIGN EXCHANGE EARNINGS AND OUTGO

Total foreign exchange earnings during the year under review were Rs.422.03 crore (previous year Rs.233.45 crore) and foreign exchange outgo were Rs.31.84 crore (previous year Rs.13.43 crore) respectively. This resulted in net foreign exchange earnings of Rs 390.19 crore (previous year Rs 220.02 crore).

PROPAGATION OF HINDI

All round efforts were made to accelerate the progressive use of Hindi in official work of the Company. Important documents, such as Annual Report, MOU, Circulars, Office Orders and Minutes of various meetings and Questionnaire of Committees of Parliament were prepared and issued in bilingual form.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Corporate Social Responsibility and Sustainability policy is our commitment to operate in economically, socially and environmentally sustainable manner that is transparent and ethical. It encourages engagement with the stakeholders in determining their needs and expectations. The stakeholders include employees, shareholders, investors, customers, clients, business associates, civil society groups, Centre/State/local government, communities, environment and society at large. A total of Rs. 9.20 crore was spent during 2016-17.

AWARDS

Company received following awards for its performance during the year 2016-17:

- i. EEPC Silver Trophy for top Exporter
- ii. PSU excellence award by Indian Chamber of Commerce
- iii. India pride Award 2016- Dainik Bhaskar
- iv. Golden Peacock National Quality Award- 2017
- v. QCI-D.L. Shah Quality Award – 2016 at 11th National Quality Conclave held at New Delhi.