

Independent Auditors' Report

To
The Board of Directors,
Dedicated Freight Corridor Corporation of India Limited (DFCCIL),
New Delhi.

We have audited the accompanying Project Financial Statements (**hereinafter referred as the "PFS"**) of the **Eastern Dedicated Freight Corridor Project 3 (hereinafter referred to as "EDFC-3" or the "Project")** of **Dedicated Freight Corridor Corporation of India Limited** which comprise the following:

- a. Statement of Sources and Uses of Funds (IUFR-1) for the year April 1, 2017 to March 31, 2018 (**Annexure-I**),
- b. A list of all Individual Withdrawal Applications during FY 2017-18 (**Annexure-II**), and
- c. A Statement of Reconciliation of Claims to Total Applications of Funds for the year ended March 31, 2018 (**Annexure-III**).

Management's Responsibility for the Project Financial Statements

Management is responsible for the preparation of these PFS in accordance with the financial reporting provisions of Section 5.09 of the General Conditions of the Loan Agreement dated October 21, 2016 between DFCCIL and International Bank for Reconstruction and Development (IBRD); this includes the design, implementation and maintenance of internal control relevant to the preparation of PFS that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these PFS based on our audit.

We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India (ICAI). Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the PFS are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the PFS. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the PFS, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the PFS in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the PFS.

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

Basis for Qualified Opinion

- 1) On reconciliation of expenditure incurred on eligible contracts and the total expenditure claimed in IUFR during FY 2017-18, we noted that expenditure of ₹ 376,860,250 on civil structure & track work (CST) contract eligible for reimbursement under contract have not been claimed in IUFR resulting in understatement of amount of expenditure incurred and claimed (**Refer Para 1 of Annexure A to Management Letter enclosed**).
- 2) Due to classification error, CST expenditure are overstated by ₹ 78,03,159 and PMC Expenditure are understated by the same amount and PMC services are overstated by ₹ 94,07,500 and QSAC expenditure are understated by the same amount (**Refer Para 3 of Annexure IV-A enclosed**)).



Qualified Opinion

Except for the effect of the matter stated in Basis for Qualified Opinion Paragraph, in our opinion, the PFS of "EDFC-3" of Dedicated Freight Corridor Corporation of India Limited for the year ended March 31, 2018 are prepared, in all material respects in accordance with the financial reporting provisions of Section 5.09 of the General Conditions of the Loan Agreement referred to above.

Other Matters and restriction on distribution and use

- 1) The PFS of the Project for the year ended March 31, 2017, were audited by another firm of chartered accountants who vide their report dated December 29, 2017, expressed an unmodified opinion on those PFS.
- 2) We draw attention to the Management Letter (**Annexure IV enclosed**), which contains detailed observations noted during the course of the audit. The PFS are prepared to assist DFCCIL to comply with the financial reporting provisions of the Loan Agreement referred to above. As a result, the PFS may not be suitable for another purpose. Our report is intended solely for DFCCIL and IBRD/World Bank and should not be distributed to or used by parties other than DFCCIL, or IBRD/World Bank.

Our opinion is not modified on the above matters except as given in basis for Qualified Opinion Paragraph above.

We further report that:

- a. Except for the effect of matter specified in the Basis for Qualified Opinion Paragraph above, in our opinion, the PFS give a true and fair view of the expenditure of the Project and of the sources and application of project funds for the period under audit.
- b. The project funds were utilized for the purposes for which they were provided.
- c. Expenditure, including assets created under the Project, shown in the PFS are eligible for financing under the relevant Loan Agreement and these were exclusively financed through the project funds and no other sources of funds have been received by DFCCIL for incurring these expenditures.
- d. The IUFs submitted during the period under audit are supported by adequate documentation maintained in DFCCIL's offices/branches to support claims to the IBRD for reimbursement of expenditure incurred.
- e. As per the information and explanation given to us, the clause relating to Procurement by DFCCIL in line with the agreed procedure as detailed in the Project Implementation Manual is not applicable to the Project for the year under audit, as there was no Procurement Contract executed during the year which was not prior reviewed by IBRD.
- f. The Project has an adequate internal control system and adheres to the provisions of the Project Implementation Manual in all material aspects.

For S.R. Dinodia & Co. LLP.

Chartered Accountants,

Firm's Registration Number 001478N/N500005



(Sandeep Dinodia)

Partner

Membership No. 083689



Place of Signature: New Delhi

Date: 28 DEC 2018

Sources and Uses of Funds for Financial Year Ending March 31, 2018 (IUFR-1)

				(Amount in ₹)
A	Opening Balance - Project Bank Account	-	-	-
B	Amount received from IBRD	1,321,150,803	1,160,888,338	2,482,039,141
C	Counterpart funding - Equity	618,351,392	555,985,036	1,174,336,428
D	Total Sources	1,939,502,195	-	1,939,502,195
E	Uses of Funds	-	-	-
F	GST and System Works - Part I of Project 1 Design & Const. of Civil Structure & Track Work between Sahaneval-Pilkhani & Contract No. HQ/EN/Proc/CST/301 & 302/ Part-II dt. 29.08.2016 2 Design and Construction of Civil Structure and Track Work for Railway HQ/EN/EC/D-B/Khurja-Pilkhani Section /CP-303 Dated: 15.03.2018	1,789,664,960	351,743,316	2,141,408,276
G	Consultants' services - Part II of Project 1 Project Management Consultancy Services for Const. of Single line electrified (2x25KV) Rail Track complete with signalling & tele. system & related Social & Environmental Safeguard Monitoring and Review Consultancy (SEMRC-3) for Sahnawal-Pilkhani and Khurja-Dadhi (Total 221Kms of EDFC-3) 2 Goods, Consultants' Services & Training under Heavy Haul TA (Part 2 of Project)	41,330,622	122,808,704	164,139,326
H	Total Counterpart	1,939,502,195	-	1,939,502,195
I	Closing Balance - Project Bank Account	-	-	-

For S.R. Dinodia & Co. LLP.

Chartered Accountants,

Firm Registration Number 001478N/N500005



(Sandeep Dinodia)

Partner

Membership No.: 083689

Place of Signature: New Delhi

Date: 28 DEC 2018

A V Reddy

Group General Manager (Finance)

Group General Manager / Finance/

Dedicated Freight Corridor Corporation of India Ltd.

A Government of India (Ministry of Railways) Enterprise)

Pragati Maidan Metro Station,
Bldg. Complex, New Delhi-110 001

Annexure II

**Dedicated Freight Corridor Corporation of India Limited : EDFC- 3 Project
IBRD Loan No - 8513-IN**

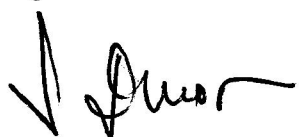
A list of all Individual Withdrawal Applications during FY 2017-18

Application No.	Claim Amount(₹)	Date of Receipt	Receipt in USD	Receipt Amount (₹)
WA-02	15,704,143	12/05/2017	244,071.07	15,640,684
WA-03	15,530,171	09/08/2017	242,185.90	15,532,485
WA-04	22,577,761	03/11/2017	349,176.63	22,581,431
WA-05	136,368,871	13/02/2018	2,121,482.13	135,599,834
WA-06	970,600,240	26/03/2018	14,938,631.57	971,533,904
	1,160,781,186		17,895,547.30	1,160,888,338

For S.R. Dinodia & Co. LLP.

Chartered Accountants,

Firm Registration Number 001478N/n500005



(Sandeep Dinodia)

Partner

Membership No.: 083689



Place of Signature: New Delhi

Date: 28 DEC 2018



A V Reddy

Group General Manager (Finance)

A. VENKATA REDDY

Group General Manager / Finance/

Dedicated Freight Corridor Corporation of India Ltd.

(A Government of India (Ministry of Railways) Enterprise)

Pragati Maidan Metro Station,

Bldg. Complex, New Delhi-110 001

Annexure III

Dedicated Freight Corridor Corporation of India Limited : EDFC-3 Project
IBRD Loan No - 8513-IN

Statement of Reconciliation of Claims to Total Application of Funds as on 31.03.2018

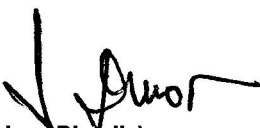
(Disbursement mechanism: Reimbursement through IUFR)

Particulars	Amount in (₹)
Amount claimed from IBRD (for Application of Funds)	2,485,481,313
Less: Ineligible Claim	-
Less : Amount claimed in 4th quarter of FY 2017-18 for IBRD loan	5,228,117
Add: Differences on account of FERV in Amount disbursed for IBRD Loan	1,785,946
Amount received from IBRD (Matched with IUFR -1)	2,482,039,142
Amount Disbursed by IBRD up to 31.03.2018	2,482,039,142
Add : Foreign Exchange Fluctuation on reinstatement of liabilities upto 31.03.2018	(3,203,885)
Balance as per Books of Accounts	2,478,835,257

For S.R. Dinodia & Co. LLP.

Chartered Accountants,

Firm Registration Number 001478N/N500005


(Sandeep Dinodia)
 Partner

Membership No.: 083689




A V Reddy

Group General Manager (Finance)

Place of Signature: New Delhi

Date: 28 DEC 2018

A. VENKATA REDDY
 Group General Manager / Finance
 Dedicated Freight Corridor Corporation of India Ltd
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 Pragati Maidan Metro Station
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