

**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 **Eastern Dedicated Freight Corridor Project 1 (hereinafter referred to as "EDFC-1" 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 Loan Agreement dated October 27, 2011 between Ministry of Finance, Government of India and International Bank for Reconstruction and Development (IBRD); this includes the design, implementation and maintenance of internal control relevant to the preparation of the 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.

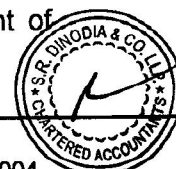
We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India (ICAI). Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the PFS are free from material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

On reconciliation of expenditure incurred on eligible contracts and the total expenditure claimed in IUFR during FY 2017-18, we noted that expenditure of ₹ 1,61,61,197 eligible for reimbursement have not been claimed in IUFR resulting in understatement of amount of expenditure incurred and claimed (**Refer Para 1(A) 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 Project Financial Statements of "EDFC-1" 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.

## 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 IUFIR 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

**Dedicated Freight Corridor Corporation of India Limited : EDFC-1 Project**  
**IBRD Loan No - 8066-IN**

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


(Amount in ₹)				
S No.	Particulars	Opening Balance (Cum) 01.04.2017	For FY ending 31st March 2018	Project to Date
1		2	3	4
<b>A</b>	<b>Opening Balance • Project Bank Account</b>	-	-	-
	<b>Sources of Funds</b>			
<b>B</b>	Amount received from IBRD	15,426,100,997	4,747,215,500	20,173,316,497
<b>C</b>	Counterpart funding - Equity	3,957,819,037	2,128,433,160	6,086,252,197
	<b>Total Sources</b>	<b>19,383,920,034</b>	<b>6,875,648,660</b>	<b>26,259,568,694</b>
	<b>Uses of Funds</b>			
<b>D</b>	<b>CST and System Works - Part 1 of Project</b>			
1	Civil Works and Track I Bhaupur-Etavah (135 km) LOT-101	5,835,711,340	881,801,997	6,717,513,337
2	Civil Works and Track II Etavah-Tundla (101 km) LOT-102	5,272,234,177	1,493,940,565	6,766,174,742
3	Civil Works and Track IE Tundla-Khurja (107 km) LOT-103	4,943,486,066	1,394,249,352	6,337,735,418
4	System Contract (343 km) CONTRACT PKG 104	1,508,062,697	2,431,272,992	3,939,335,689
5	Civil Structure and Track Work , Package CP-302	500,503,652	144,408,443	644,912,095
	<b>Total CST and System Works</b>	<b>18,059,997,932</b>	<b>6,345,673,349</b>	<b>24,405,671,281</b>
<b>E</b>	<b>Consultants' services • Part 1 of Project</b>			
1	Quality and safety monitoring consultant (QSAC)	129,686,083	71,776,146	201,462,229
2	Khurja-Dadri-Ludhiana-Mughalsarai (APL II and III) General (AECOM)	153,827,386	21,067,883	174,895,269
3	Bhaupur - Khurja (APLI) PMC for construction supervision and contract management services (PMC)	621,124,859	274,430,144	895,555,003
4	PMC for KRJ-BER section project 302 HQ/EN/Procurement/PMC/KRJ-BER Dated: 20.10.2016	-	54,163,525	54,163,525
5	Social & Environmental Safeguard Monitoring and Review Consultancy (SESMRC) for Khurja-Bhaupur Section of EDFC Project (343 Kms, APL-1)	5,731,204	650,562	6,381,766
	<b>Total Consultants' Services</b>	<b>910,369,532</b>	<b>422,088,260</b>	<b>1,332,457,792</b>
<b>F</b>	<b>Goods, Consultants' Services &amp; Training under Heavy Haul TA (Part 2 of Project)</b>			
1	Procurement of MIS (HCLT)	111,040,103	28,402,090	139,442,193
2	Institutional Strengthening Module (ISMD)	6,470,829	-	6,470,829
3	Marketing and Commercial Strategy (DMCSD)	28,956,269	19,388,419	48,344,688
-	Technology Research and Evaluation (HHRCDI)	45,756,257	11,489,000	57,245,257
5	Consultancy for Non-Discriminatory Access of DFCCIL (CSNDAD)	10,124,018	-	10,124,018
6	Consultancy Services for Green House Gas Emission Reduction Analysis for DFC (E & Y)	6,022,000	-	6,022,000
7	Consultancy Services for Design Review Consultancy for Khurja-Bhaupur Section of EDFC	12,016,000	-	12,016,000
8	Consultancy Services for Civil Engineering Proof Consultancy for Khurja-Bhaupur Section of EDFC	6,513,000	-	6,513,000
9	Consultancy services from International Panel of expert for EDFC	3,694,000	-	3,694,000
10	Legal Consultancy Services for Dedicated Freight Corridor	-	-	-
11	Consultancy Service for Overall IT Strategy and Program Management for DFCCIL (Wipro)	10,198,314	-	10,198,314
12	Capacity Building and Training of DFCC Staff	27,180,359	4,796,436	31,976,795
13	IHHA-Seminar	11,297,000	-	11,297,000
14	Setting Up of Enterprises Risk Management Frame Work	4,511,921	-	4,511,921
15	SRESTHA (QSEB) (Institute of Railway Technology)	-	28,417,894	28,417,894
16	RPIO (QSEB) (KPMG ADVISORY SERVICES PRIVATE Ltd.)	-	15,393,212	15,393,212
17	ISA Signalling (QSEB) (Italcertifier S.P.A.)	-	-	-
	<b>Total Heavy Haul</b>	<b>283,780,070</b>	<b>107,887,051</b>	<b>391,667,121</b>
<b>G</b>	<b>Front End Fee</b>	<b>129,772,500</b>	-	<b>129,772,500</b>
<b>H</b>	<b>Counterpart (To be specified)</b>	-	-	-
	<b>Total Counterpart</b>	-	-	-
	<b>Total Uses (D+E+F+G+H)</b>	<b>19,383,920,034</b>	<b>6,875,648,660</b>	<b>26,259,568,694</b>
<b>I</b>	<b>Closing Balance • Project Bank Account</b>	-	-	-

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

**Dedicated Freight Corridor Corporation of India Limited : EDFC-1 Project**  
**IBRD Loan No - 8066-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-35	154,561,000	17.05.2017	2,409,556.47	154,321,972
WA-36	202,368,000	28.06.2017	3,133,723.05	201,897,002
WA-37	317,451,000	16.08.2017	4,947,031.32	316,586,753
WA-38	724,951,000	03.11.2017	11,208,271.49	723,453,575
WA-39	1,779,386,000	06.03.2018	27,307,949.66	1,773,178,903
WA-40	1,576,296,000	21.03.2018	24,204,161.23	1,577,777,295
	<b>4,755,013,000</b>		<b>73,210,693.22</b>	<b>4,747,215,500</b>

**For S.R. Dinodia & Co. LLP.**

*Chartered Accountants,*

Firm Registration Number 001478N/NS00005

*(Sandeep Dinodia)*

*Partner*

Membership No.: 083689



Place of Signature: New Delhi

Date: **28 DEC 2018**

**(A V Reddy)**  
**Group General Manager (Finance)**

**A. VENKATAREDDY**  
*Group General Manager / Finance*  
 Dedicated Freight Corridor Corporation of India Ltd  
 2nd Floor, out of India Ministry of Railways Complex  
 Pragati Building Main Street  
 Pragati Complex, New Delhi-110001

## Annexure III

**Dedicated Freight Corridor Corporation of India Limited : EDFC-1 Project**  
**IBRD Loan No - 8066-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)	21,198,786,557
Less: Ineligible Claim	95,636,173
Less : Amount claimed in 4th quarter of FY 2017-18 for IBRD loan	912,882,669
Add: Differences on account of FERV in Amount disbursed for IBRD Loan	(16,951,218)
<b>Amount received from IBRD (Matched with IUFR -1)</b>	<b>20,173,316,497</b>
Amount Disbursed by IBRD upto 31.03.2018	20,173,316,497
Add : Foreign Exchange Fluctuation on reinstatement of liabilities upto 31.03.2018	228,800,700
<b>Balance as per Books of Accounts</b>	<b>20,402,117,197</b>

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. V. 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