

FORM B

Filing of Annual Report with the Stock Exchange

1	Name of the Company	Titagarh Wagons Limited (Consolidated Financial Statements)
2	Annual Financial Statements for the year ended	31 st March, 2013
3	Type of Audit Qualification	Qualified Audit Report
4	Frequency of qualification	Note no. 1 (mentioned below): Repetitive since Financial Year Ended (FYE) March 31, 2011. Note no. 2 (mentioned below): Was Emphasis of Matter for FYE 2010-11 and 2011-12, and qualification for FYE 2012-13. Note no. 3 (mentioned below): Qualification for FYE 2012-13.
5	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors' report.	i. <i>Note No. 31 regarding proportionate share in demand of a joint venture company of Rs 662.50 lacs (Rs 900 lacs as at 31st March 2012) plus interest thereon (amount unascertainable) made by Asset Reconstruction Company (India) Limited (ARCIL), which is disputed by the Company and hence, no provision there against has been made in the accounts. Pending outcome of the matter, the impact, if any, of the above non provision is presently unascertainable. Our audit opinion on the consolidated financial statements for the previous year was also qualified in respect of the above matter.</i> ii. <i>Note No. 13.2 regarding proportionate share in certain claims of a joint venture company of Rs 2449.67 lacs (Rs 2449.67 lacs as at 31st March 2012), net of Rs 75 lacs received under a guarantee given by the Company, which have been considered good of recovery by the management. Pending decision of the Courts/ Arbitration proceedings, the recoverability of these claims is presently unascertainable, although the management is hopeful to recover these claims in full. This matter was covered as emphasis of matter in our audit opinion on the consolidated financial statements for the previous year.</i> iii. <i>Note No 11 regarding recognition of net deferred tax asset (DTA) of Rs. 236.53 lacs on unabsorbed depreciation and brought forward business losses upto 31st March 2013, based on the future profitability projections made by the management. We are unable to express an opinion on the virtual certainty of achieving these projections as required by Accounting Standard 22, Accounting for Taxes on Income, and the consequential impact, if any, of the recognition of such deferred tax asset.</i>

Had the impact of item (iii) stated above been considered, the profit for the year would have been Rs. 2121.62 lacs as against the reported profit of Rs. 2358.15 lacs and net surplus in Reserves and Surplus would have been Rs. 27,931.68 lacs as against the reported net surplus of Rs. 28,168.21 lacs.

Management Response.

The qualifications pertain to Cimmco Limited, a subsidiary of a jointly controlled enterprise namely, Cimco Equity Holdings Private Limited (CEHPL) where TWL holds 50 % of equity shares and whose financials have been consolidated into the Company's financial statement of accounts and the management response is given below:

1. ARCIL had sanctioned restructuring of secured debts of Cimmco, a subsidiary of CEHPL and by an addendum thereto raised a demand of Rs 900 lacs referring to terms of settlement agreed with the Cimmco vide its letter dated 24.12.2010. However, the subject sanction of the terms and conditions for settlement was based on the understanding that the said liability of Rs 900 lacs was to be secured exclusively by pledge of 7,92,575 equity shares of CEHPL and upon invocation of the pledge by ARCIL the said liability will be fully extinguished and it will be discharged of its obligations. However, in spite of invoking the pledge, ARCIL demanded Rs.662.50 lacs (Rs 900 lakhs less Rs 237.50 lakhs being value of 7,92,575 shares on the date of invocation of pledge).

As the demand of ARCIL was not in consonance with the understanding, Cimmco naturally denied and disputed the same and accordingly no provision in respect of the same has been considered necessary. Subsequently, ARCIL initiated proceedings by filing an application before the Board for Financial & Industrial Reconstruction (BIFR) which has since been dismissed.

2. The claim of Rs 2449.67 lacs consists of three separate claims which are pending before different forum/court:
 - a) Rs.1976.17 lacs recoverable from Indian Railways on account of difference of lease rental for the wagons leased to Indian Railways:

In the year 1997-98 Cimmco had entered into 3 separate sub-lease rental agreements with Indian Railways (IR) for lease to IR of 1200 wagons for a primary period of 10 years. However, owing to changes in the rate of Income Tax as well as the depreciation rate as per the Income Tax Act, the sub-lease rentals payable by IR to Cimmco in terms of the sub-lease agreements were impacted and IR, on a misinterpretation of the relevant clause in the sub-lease agreements, did not release the differential sub-lease rental to the Company. Although the issues were clarified, IR continued to withhold the differential payment and being compelled by non-recovery of its dues Cimmco invoked the Arbitration Clause and referred the matter to Arbitration on 27/10/2004. Due to the erosion of the net worth of Cimmco as at 30.06.2000 and Cimmco having become sick, the operations of Cimmco were suspended/closed with effect from 13.11.2000. As such, only a skeleton staff/personnel were available in Cimmco to actively pursue the matter. This led to lack of attention to the arbitration in the matter for a long time.

Ultimately after BIFR's sanction of the rehabilitation scheme in 2010 the matter was pursued aggressively and arbitration resumed. Cimmco is persistently monitoring the progress of arbitration and is convinced of merit of the case. The management is hopeful of recovering the amount

and hence this amount has been considered good of recovery.

- b) Primary Lease Rental aggregating Rs 101.99 lacs withheld by SBI Capital Markets Limited:

In the year 1997-98, 206 wagons were taken on lease by Cimmco (the Lessee) from SBI Capital Markets Limited (the Lessor) and in turn sub-leased to Indian Railways (the sub-lessee). The said amount has been withheld by SBI on the alleged ground of disallowance of depreciation benefit to them by the ITO. An appeal preferred by SBI Caps against the said disallowance is pending before ITAT, Mumbai. For the reasons affecting Cimmco's operations as already explained, the matter of recovery of its dues from SBI Caps could not be pursued to the fullest extent therefore recovery of the amount has been pending. Recently a judgement has been given by the Hon'ble Supreme Court of India which upholds the validity of depreciation claimed by the lessor. In view of the above Cimmco is hopeful of recovering the amount and no provision has been considered necessary.

- c) Insurance claim of Rs. 371.51 lacs is recoverable from National Insurance Company in terms of the order passed by the Hon'ble National Consumer Disputes Redressal Commission (NCDRC) in favour of Cimmco. Although an appeal has been filed by National Insurance Company before the Hon'ble Supreme Court of India, the matter is pending for hearing by the apex court. In view of the fact that judgment in the forum/fora below the Hon'ble Supreme Court has been in favour of Cimmco, the management is hopeful of recovering the amount.

3. During the year 2012-13, the Indian Railway (IR) did not comply with the provisions of the BIFR's Sanctioned Scheme in the allocation of Wagons against the Tender floated by IR. As such, only a meagre quantity of 353 wagons was allocated in favour of Cimmco against its entitlement for a much higher quantity of Wagons. This led to an application being filed by Cimmco in BIFR for appropriate directions on the IR and the matter was ultimately decided by the Hon'ble Supreme Court in favour of Cimmco. Subsequent to the said decision IR has placed order for Wagons with Cimmco and in compliance of the now settled proposition that the BIFR's Sanctioned Scheme is sacrosanct and binding on the IR, it is expected that IR will also do so in future. The management is virtually certain that it would earn reasonable taxable profit on execution of the order from IR to claim the entire Deferred Tax Assets (DTA) of Rs.236.53 lacs.

- 6 Additional comments from the ~~Board~~ Audit Committee chair.

During the review of the subject Financial Statements, Audit Committee interacted with the Statutory Auditors and management and after perusal of the information furnished, followed by deliberations on each item involved in the qualified opinion, commended the Consolidated Financial Statements to the Board for final consideration.

Keeping in view the nature of transactions/issues behind such qualified opinion and time taken for their resolution being beyond the Company and Cimmco's control as well, the Audit Committee while commending the said Financial Statements nevertheless specifically advised the management to take the best possible care to attend to the said items appearing in the Auditors' Report with a view to moving towards a Report without any qualification or adverse remark at the earliest.

7	To be signed by- • Vice Chairman and Managing Director and CEO • Chief Financial Officer • Auditor of the Company • Chairman of Audit Committee	• Shri Umesh Chowdhary • Shri Anil Kumar Agarwal • Shri Bhaswar Sarkar, Partner of S.R.Batliboi & Co. LLP, Chartered Accountants • Shri D N Davar
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For S. R. BATLIBOI & CO. LLP

Firm Registration Number: 301003E

CHARTERED ACCOUNTANTS

Sd/

per Bhaswar Sarkar

Partner

Membership No.055596

For Titagarh Wagons Limited

Sd/

(Umesh Chowdhary)

Vice Chairman & Managing Director and CEO

Sd/

(Anil Kumar Agarwal)

Chief Financial Officer

Sd/

(D.N. Davar)

Chairman of the Audit Committee

Date : 05.08.13

Place : Kolkata