



कोंकण रेलवे कार्पोरेशन लिमिटेड
KONKAN RAILWAY CORPORATION LTD.
(A Government of India Undertaking)

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KONKAN RAILWAY CORPORATION LIMITED

**SECOND ANNUAL REPORT
1991-92**

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**BOARD OF DIRECTORS**

- | | | | |
|----|-----------------------------|---|---|
| 1. | SHRI E. SREEDHARAN | - | Chairman and Managing Director |
| 2. | SHRI A.K.SOMANATHAN | - | Director (Technical) |
| 3. | SHRI L.C. MONGA | - | Advisor (Works), Railway Board |
| 4. | SHRI A.P. CHOPRA | - | Advisor (Budget), Railway Board |
| 5. | SHRI S.RAMAMOORTHI | - | Chief Secretary, Govt. of Maharashtra |
| | ALTERNATE | | |
| | SHRI B.K. AGARWAL | - | Secretary Transport, Govt. of Maharashtra |
| 6. | SHRI P.S.BHATNAGAR | - | Chief Secretary, Govt. of Goa |
| | ALTERNATE | | |
| | SHRI FELIX SEQUIRA | - | Secretary Transport, Govt. of Goa |
| 7. | SHRI J.ALEXANDER | - | Chief Secretary, Govt. of Karnataka |
| | ALTERNATE | | |
| | SHRI N.VISWANATHAN | - | Secretary to CM, Govt. of Karnataka |
| 8. | SHRI K.V.RABINDRAN NAIR | - | Chief Secretary, Govt. of Kerala |
| | ALTERNATE | | |
| | SHRI N.CHANDRASEKHARAN NAIR | - | Secretary Transport, Govt. of Kerala |

COMPANY SECRETARY

SHRI UMESH P. MASKERI

STATUTORY AUDITORS

Thakur Vaidyanath Aiyer & Co.

C & AG AUDITORS

Principal Director Of Audit
Central Rly. BOMBAY VT.

Registered Office

Room No. 101, Rail Bhavan
Raisina Road,
New Delhi-110001

Corporate Office

Belapur Bhavan,
Sector 11, CBD Belapur
New Bombay-400614



NOTICE OF THE SECOND ANNUAL GENERAL MEETING

Notice is hereby given that the Second Annual General Meeting of the Konkan Railway Corporation Limited will be held at 15.00 Hrs. on Monday, the 28th day of September 1992, at Committee Room, Rail Bhavan, Raisina Road, New Delhi to transact the following business :-

ORDINARY BUSINESS :

1. Ordinary Resolution :

To receive and adopt the Directors' Report, Balance Sheet, and Development Account (in place of Profit and Loss Account) for the year ended 31st March 1992 and the Auditor's Report thereon.

SPECIAL BUSINESS :

2. Ordinary Resolution :

To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution.

"Resolved that in supersession of the earlier Resolution No.7 passed at the First Annual General Meeting held on 06-12-1991, consent of the Company be and is hereby accorded to the Board of Directors of the Company pursuant to section 293 (1) (d) of the Companies Act, 1956, for borrowing from time to time any sum or sums of money which together with the money already borrowed by the Company shall not exceed in the aggregate at any time a sum of Rs. 1400 crores (Rupees fourteen hundred crores) or 3.5 times the paidup Equity Capital and free reserves whichever be less irrespective of the fact that such aggregate amount of borrowing outstanding at any time may 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 apart for any specific purpose."

3. Ordinary resolution :

To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution :

"Resolved that the consent of the Company be and is hereby accorded in terms of section 293(1) (a) of the Companies Act 1956 and other applicable provisions, if any, to the Board of Directors of the Company to mortgage and/or create charge on all or any of the movable and immovable properties, present and future, of the Company and to create such mortgage /charge in such form and manner as the Board of Directors may determine for the purpose of securing the Trustees of the Bond holders/Indian Railway Finance Corporation/Nationalised Banks or Government Financial Institutions.

By order of the Board of Directors.

Belapur, New Bombay.
Date : 01-09-92.

Umesh P. Maskeri
Company Secretary

Notes :

1. A member who is entitled to attend and vote at the meeting is also entitled to appoint a proxy to attend and vote thereat instead of himself and a proxy need not be a member. Form of Proxy is enclosed.
2. The instrument of proxy must be deposited at the Registered Office, Room No. 101, Rail Bhavan, Raisina Road, New Delhi not less than 48 hours before the time fixed for holding the Meeting.
3. Explanatory Statement in respect of special business as required under section 173 (2) is enclosed.



EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956.

ITEM NO. 2 : BORROWING POWERS

At the Extraordinary General Meeting held on 04-02-1992, Shareholders of the Company had approved of increase in the Authorised Share Capital of the Company to Rs. 400 crores and Revision of ratio between Equity Capital and Loan to 1: 3.5 . Formal resolutions for amendments to the Memorandum of Association and to the Articles of Association of the Company in these respects were also passed by the Shareholders at the above meeting. As brought out in the Explanatory Statement furnished to the Shareholders at the said Meeting, the amendments had become necessary in order to cater for the actual requirement of funds after taking into account the revised estimated cost of Rs. 1391 crores at 1991-92 prices, the likely price escalations after 1991-92, and also the interest payable on borrowings during the period of constructions.

The existing limit of total borrowings by the Company is Rs. 750 crores in terms of the resolution passed by the Shareholders at the Annual General Meeting held on 06-12-91. Taking into account the enhanced Equity base of the Company, and also the revised Equity : Debt ratio of 1:3.5, the maximum limit of borrowings is Rs. 1400 crores. As this borrowing limit exceeds the aggregate of the paid-up capital and free reserves of the Company, the consent of the Share holders is required to be obtained under provisions of section 293 (1) (d) of the Companies Act, 1956. Hence the resolution.

ITEM NO 3 : CREATION OF CHARGE

As referred to in item No. (2) above, the Company proposes to borrow a sum of Rs. 1400 crores to finance the Project in addition to the Equity Capital of Rs. 400 crores. It is proposed to borrow this amount by way of issue of bonds and/or loans from IRFC, Nationalised Banks and/or Government Financial Institutions. Such borrowings will need to be fully secured by a charge on the assets of the Company in favour of trustees to Bond Holders/Lending Institutions. Consent of the share holders is required to be obtained for creating charge under section 293 (1) (a) of the Companies Act, 1956. Hence the resolution.

DIRECTOR'S INTEREST

None of the Directors of the Company is interested in the proposed resolution except as Shareholders to the extent of their shareholding in the Company.



CHAIRMAN'S SPEECH AT THE 2ND ANNUAL GENERAL MEETING.

Gentlemen,

I have great pleasure in welcoming you to the Second Annual General Meeting of your Corporation. The Annual Report of the Board of Directors as well as the audited accounts for the year ended 31st March 1992 have already been circulated, and with your permission, may I take them as read ?

The performance of your Corporation for the year 1991-92 has been already covered in the Directors' Report, already circulated to you. I shall not therefore dwell at length on the events that had taken place till 31st March, 1992. The remaining working season from April to June 1992 was packed with hectic activity throughout the length of the project. The momentum reached was such that our daily cash out flow reached an average figure of about Rs. 1.5 crores. As on date, only 764 days are left for commissioning this Project. The expenditure incurred on the Project so far is approximately Rs.520 crores. Therefore, if the project is to be completed on time, a level of expenditure of Rs.1.5 crores a day would become inevitable.

Unfortunately, in the current year we had a prolonged monsoon period starting almost from first week of June and still continuing late in September. This prolonged monsoon has given a set-back to our plans to commission the Phase I of the Project by June 1992. The monsoon had also caused considerable damages to completed works, particularly on the Southern sector between Mangalore and Udipi. As things stand today, we feel these monsoon damages can be rectified, the balance work completed, and the Southern section of 70 KMs between Mangalore and Udipi can be opened in November 1992 and Northern section between Roha and Dasgaon, a distance of 45 KMs, by December, 1992. I hasten to assure the shareholders that this delay in opening Phase I of the Project will not have any repercussion on the final target of October, 1994 for commissioning the full project.

In spite of the long intervening monsoon, we have been able to achieve impressive progress on the remaining length of the project as well. More than 95% of the lands required for the project have been taken possession of. The progress on formation work, that is, earth work in embankments and cuttings is about 40%. The progress achieved on minor bridges is 34% and that on major bridges is 28%. As regards Tunnels, the progress achieved is 7%, which may not appear to be impressive, but I wish to inform the shareholders that the preliminary works connected with the tunnelling, such as, completion of the approach cuts, arrangement for electric supply, clearance for blasting operations, etc., take considerable time. The real progress on the tunnels, particularly on long tunnels, will be achieved only after the imported machinery start working in these tunnels on a regular basis.

I am happy to inform the shareholders that our efforts to line up a credit package from the Swedish Agency for International Technical and Economic Cooperation (BITS) was successful and orders have been placed for 9 sets of Drilling Jumbos and Haggloaders. The credit terms are very attractive in that no interest charges are payable and the repayment is spread over a period of 10 years, the first instalment falling due six months after the mean date of shipment of consignments. Two sets of machinery have already landed and have started working in the Karbude Tunnel which is 6.5 KM long and Nathuwadi Tunnel, which is about 4.8 KM long. The imported machinery are giving about two cycles a day, with each cycle giving a progress of about 3.5 metres.

While the weighted physical progress on the project as a whole is about 30%, this is no matter for complacency. From our experience on Phase I it is seen that arrangement and supply of track materials on time to the respective areas, linking of the track, welding of rails and final packing are all time consuming items of work. Computer based monitoring system has been established to watch these activities critically and to take remedial measures wherever called for. Gentlemen, from the progress that we have achieved and the way we have planned the rest of the works, the completion of this project by the target date of October 1994, appears to be well within the realm of possibility.



On the funding side, we are passing through one of the most difficult periods in the existence of our Corporation. While the share contributions from the Ministry of Railways and the four participating States have been quite satisfactory and indeed ahead of schedule, the borrowings through 9% tax-free bonds have run into very serious difficulties consequent to the uncertainties in the bond market conditions following the various irregularities unearthed in the transactions of Government securities and bonds. So much so, against Rs.250 crores cleared by the Finance Ministry for raising bonds, we have been able to issue bonds worth only about Rs.112 crores and that too after payment of heavy all-inclusive management fees. The net materialisation has been only about Rs. 96.5 crores. As the bond money was not forthcoming, your Corporation had to negotiate a commercial loan of Rs.100 crores at 18% interest per annum from the Indian Railway Finance Corporation. This money is also now exhausted and we are presently negotiating with UTI for another commercial loan of about Rs.200 crores. Meanwhile, IRFC has gone to the market again with an issue of Rs.500 crores, out of which Rs.100 crores are meant for the Konkan Railway Project. We are awaiting an advice from IRFC about the response to this issue.

The Konkan Railway is a unique experiment. A very important and essential transport infrastructure, in a backward area of the country, is being sought to be established on the BOT (Build, Operate and Transfer) concept. If the Konkan Railway experiment succeeds, this will be a forerunner for similar projects to be undertaken in this country on the BOT pattern. Your Corporation has a very dedicated team of Officers and staff who are determined to see that the Konkan Railway experiment succeeds. The support the Corporation has received from the Ministry of Railways has been indeed valuable. Similarly, the assistance and co-operation we have received from the participating States have also been equally valuable. We are confident this assistance and co-operation will continue to be extended to the Corporation.

I like to take this opportunity to acknowledge the dedication and commitment of the Officers, staff and contractors of the Konkan Railway Corporation which has enabled us to achieve this progress within this short time. May I also take this opportunity to thank the present and past Members of the Board of Directors of your Company. Their timely and mature advice and directions have been of utmost help and encouragement to me.

Thank you,

E. SREEDHARAN
CHAIRMAN & MANAGING DIRECTOR.



DIRECTOR'S REPORT

Gentlemen,

Directors of the Konkan Railway Corporation Limited have great pleasure in presenting the Second Annual Report on the working of your company, together with the Audited Statement of Accounts for the financial year ended 31st March 1992.

Operations of the Company.

Your Company has entered the second year of its operation. It will be recalled the Company took over the responsibilities for constructing the Roha-Mangalore, Konkan Railway line from the Indian Railways on 15th October, 1990.

The working season in this area is generally restricted to November to May, the remaining months being subjected to heavy and frequent rains. The first working season was used mainly for completing the final surveys and to peg the alignment on the ground, demarcate the lands to be acquired and to commence land acquisition proceedings, complete the soil, hydrological and seismic studies for the design and planning of the various civil engineering structures, preparation of tender schedules and awarding of contracts. While so doing, more emphasis was laid on the Mangalore-Udupi section (70 Km) and Roha-Veer Dasgaon section (45 Km), which were proposed to be opened as phase I of the Project. The first monsoon season from June, 1991 to October 1991, was used for completing the remaining designs, drawings and tender schedules and for awarding of contracts. The works were recommenced on the field after the rains stopped in October 1991, with full vigour and activity and the working season was well utilised.

By 31st March 1992, approximately 75% of land was taken possession of, and about 27% of earthwork and minor bridges completed. The progress of major bridges and tunnels was 17% and 8% respectively. The overall weighted physical progress of the project was 17.7%. The progress achieved on Mangalore-Udupi section was 90% and Roha-Veer Dasgaon section was about 80%.

Considering the fact that the Corporation had to start almost from scratch on an entirely new alignment, I am sure, you will agree with me that the progress achieved during this short time of operation of your Company is indeed impressive.

Revision of Project Estimate.

The cost of the project was originally estimated at Rs. 1043 crores. After undertaking a complete resurvey of the alignment on the ground and updating the quantities and rates, the cost of construction of the line has now been estimated at Rs. 1385.5 crores at 1991-92 price levels. If the price escalation after 1991-92 is allowed for on the basis of average rate of inflation of 10% per annum and if the interest liabilities on Bonds during construction period are also accounted for, the fund requirements for completing the project works out to Rs. 1822 crores.

Authorised Share capital and Debt Equity Ratio.

In order to finance the revised project cost, the share holders passed resolutions at the Extra Ordinary General Meeting held on 04-02-92 to increase the authorised Share Capital to Rs. 400 crores (from Rs 250 crores) and Debt Equity ratio to 3.5 : 1 (from 3 : 1) respectively. The amendments to Memorandum and Articles of Association passed by Shareholders were approved by the President of India (Ministry of Railways.)



Financial Results.

Since the Project is still in the process of execution and commercial operations have not commenced there is no profit/loss to be reported in respect of the period under review. The expenditure profile for the period is as below:

	Rs. in Crores
Capital works in Progress including advances and deposits for works	321.14
Other Fixed Assets (after Depreciation)	11.09
Current Assets (Net)	41.35
Preliminary Expenditure	0.40
Total	373.98

Share Capital.

The authorised Capital of your Company was increased from Rs. 250 crores to Rs. 400 crores during the year as already referred to. Equity Shares have been allotted against the contribution received from the Govt. Of India and the participating State Governments to the tune of Rs. 25934.50 lakhs as per details furnished below.

	(Rupees in thousands)		
	Cont. 90-91	Cont. 91-92	Total cumulative
Govt. of India (Ministry of Railways)	62,99,48	1,01,00,00	1,63,99,48
Govt. of Maharashtra	22,00,00	22,00,00	44,00,00
Govt. of Goa	2,00,00	10,35,00	12,35,00
Govt. of Karnataka	15,00,01	15,00,00	30,00,01
Govt. of Kerala	6,00,01	3,00,00	9,00,01
TOTAL	1,07,99,50	1,51,35,00	259,34,50

A further amount of Rs. 300 lakhs has been received from Govt. of Kerala on 31-03-92, for which shares have been allotted in April '92.

Issue of Bonds

On an application made by your Company to the Controller of Capital Issues for issue of 9% tax-free Bonds of Rs.1000/- each for a sum of Rs. 250 crores during the year, the CCI authorised IRFC to issue Bonds for Rs. 150 crores initially. Thereafter, on a second application from your Company, CCI authorised IRFC in March 1992, to issue Bonds for another Rs. 100 crores in the financial year 1992-93. The CCI stipulated that the subscription collected by IRFC should be immediately transferred to KRCL for the Project work. IRFC could issue Bonds only to the extent of Rs. 111.64 crores during the year and after allowing for all-inclusive management fees upto 15%, the net proceeds of Rs. 95.38 crores have been passed on to your Company. A sum of Rs. 111.64 Crores has been, therefore, classified as borrowings from IRFC.

Expenditure on the Project.

An expenditure of Rs 327 crores has been incurred on the project upto 31-03-92 excluding the estimated



expenditure of Rs. 6.93 crores incurred by Southern & Central Railways prior to taking over of work by the Corporation.

Dividend

Your Directors do not propose to recommend payment of dividend as the Company is still in preliminary stages of implementation of the project and has not yet started commercial operations.

Future Plans

Your Company has chalked out a detailed schedule for completion of work in each field unit keeping in mind the overall target for implementation of the Project. Special attention will be focussed on critical items of work like major bridges and tunnels.

Meeting of the Boards of Directors.

During the year under report , 4 meetings of the Board of Directors were held.

Particulars of Employees.

During the year under report, no employee of the Company was in receipt of salary of Rs. 12,000 per month or Rs. 144,000 per annum and hence the particulars of such employees to be disclosed under section 217(2A) of the Companies Act 1956 and Companies (particular of employees) Rules 1975 and Companies (particulars of employees) (Amendments) Rules 1988 and 1990 are not attached.

DIRECTORS

During the year under report the following Directors held offices

Shri E.Sreedharan Chairman and Managing Director.	From 31-10-90.
Shri N.Radhakrishnan	From 6-08-90 to 15-05-91.
Shri N.K.Prabhakara Rao.	From 28-2-91 to 27-11-91.
Shri P.V.Jayakrishnan	From 19-7-90 to 17-3-92.
Shri K.B.Srinivasan	From 9-10-90 to 31-12-91
Shri K.B.Kumar	From 28-11-90 to 31-12-91
Smt. Padma Ramachandran	From 1-11-90 to 1-08-91
Shri P.Rajagopalan	From 15-5-91 to 14-11-91
Shri A.P.Chopra	From 14-11-91
Shri L.C.Monga	From 10-1-92
Shri T.P.Issar	From 27-11-91
Shri S.Ramamoorthi	From 1-1-92
Shri S.Padmakumar	From 1-08-91
Shri P.S.Bhatnagar	From 18-03-92

Auditors :

The Company Law Board New Delhi on the advice of Comptroller & Auditor General Of India have appointed M/S Thakur Vaidynath Aiyer & Co.,Chartered Accountants as Statutory Auditors for the second financial year.

**Auditor's Report**

The Company's observation in respect of qualifications in the Auditor's Report regarding inability in bringing to books the amount spent by Central Railway & Southern Railway, non provision of Income Tax and confirmation of balances from Contractors is appropriately made in notes 8(a), 10 & 12 respectively of schedule 10 annexed to the accounts. Remarks are separately appended in respect of qualifications made in Annexure to the Auditors Report.

Acknowledgement

The Board of Directors gratefully acknowledge the assistance, active support and guidance received from the Indian Railways, Indian Railway Finance Corporation, and the State Governments of Maharashtra, Goa, Karnataka and Kerala. The Board of Directors express their deep appreciation for the valuable contribution made by the officers and employees of the Corporation and those on deputation from Railways/State Governments, which has enabled the Corporation to adhere to the tight schedule for the completion of the Project.

For and on behalf of the Board of Directors

NEW BOMBAY
20/08/1992.

E.Sreedharan
Chairman and Managing Director


BALANCE SHEET as at 31st March 1992

	Schedule No.	As at 31st March 1992.		As at 31st March 1991.	
		Rs.	Rs.	Rs.	Rs.
I. SOURCES OF FUNDS					
(1) Shareholders' funds:					
Capital	1		262,34,50,000		107,99,50,000
(2) Loan Funds					
Loans & Advances	2		111,64,00,000		—
			<u>373,98,50,000</u>		<u>107,99,50,000</u>
II. APPLICATION OF FUNDS					
(1) Fixed assets:					
(a) Gross Block	3	12,14,09,507		3,51,00,311	
(b) Less depreciation		(1,04,79,938)		(13,17,989)	
(c) Net block		11,09,29,569		3,37,82,322	
(d) Capital works in progress, advances and deposits for Capital works.	4	321,13,93,657		26,84,85,858	
			<u>332,23,23,226</u>		<u>30,22,68,180</u>
(2) Current Assets, Loans and Advances	5	60,18,63,203		80,16,43,437	
Less:					
Current liabilities and provisions	6	(18,84,16,858)		(2,77,95,786)	
Net current assets			41,34,46,345		77,38,47,651
(3) Miscellaneous expenditure to the extent not written off or adjusted					
Preliminary Expenses			40,80,429		38,34,169
TOTAL			<u>373,98,50,000</u>		<u>107,99,50,000</u>
Accounting policy & Notes forming part of Accounts	10				

Schedule 1-10 form an integral part of accounts

On behalf of the Board.

 (UMESH P MASKERI)
 COMPANY SECRETARY

 (A.K.SOMANATHAN)
 DIRECTOR

 (E.SREEDHARAN)
 CHAIRMAN-AND-MANAGING DIRECTOR

 As per our report of even date
 For Thakur Vaidyanath Aiyer & Co.
 Chartered Accountants

(C.V.PARAMESWAR)


DEVELOPMENT ACCOUNT FOR THE YEAR ENDED 31st MARCH 1992

	Schedule No.	Current year Rs.	Previous Period Rs.
I. EXPENDITURE DURING CONSTRUCTION			
i) Survey		2,06,97,610	2,09,64,576
ii) Salaries & Allowances	7	4,21,31,205	72,36,594
iii) Other Administrative Expenses	8	22,09,96,582	1,40,31,553
iv) Depreciation		91,61,949	13,17,989
II. LESS INCIDENTAL INCOME	9	(8,36,27,222)	(3,14,15,496)
Transferred to capital works in progress (Schedule No.4)		20,93,60,124	1,21,35,216

Schedule 1-10 form an integral part of accounts

(UMESH P MASKERI) COMPANY SECRETARY	(A.K.SOMANATHAN) DIRECTOR	On behalf of the Board. (E.SREEDHARAN) CHAIRMAN-AND-MANAGING DIRECTOR
As per our report of even date For Thakur Vaidyanath Aiyer & Co. Chartered Accountants		
(C.V.PARAMESWAR)		


SCHEDULE 1 - SHARE CAPITAL

	As at 31st March 92 Rs.	As at 31st March 91 Rs.
AUTHORISED		
40,00,000 Equity shares of Rs.1,000 each	<u>400,00,00,000</u>	<u>250,00,00,000</u>
ISSUED SUBSCRIBED & PAID UP		
25,93,450 Equity shares of Rs.1,000 each fully paid up in cash	259,34,50,000	105,99,50,000
Application money for allotment of 30,000 shares (Previous Period 20,000)	3,00,00,000	2,00,00,000
	<u><u>262,34,50,000</u></u>	<u><u>107,99,50,000</u></u>

SCHEDULE 2 - LOANS & ADVANCES

I. LOANS		
i) Secured Loan		
Loans from IRFC (Being the proceeds of 9% Tax free bonds issued by IRFC for Konkan Railway Project)	111,64,00,000	—
	<u><u>111,64,00,000</u></u>	<u><u>—</u></u>


SCHEDULE 3 - FIXED ASSETS

(Figures in Rs.)

SL. NO.	PARTICULARS	GROSS BLOCK			DEPRECIATION BLOCK			NET BLOCK	
		BALANCE AS AT 1.4.91	ADDITIONS DURING YEAR	BALANCE AS AT 31-3-92	UPTO 31-3-91	FOR THE YEAR	TOTAL	BALANCE AS AT 31-3-91	BALANCE AS AT 31-3-92
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	BUILDINGS	50,90,579	1,65,98,245	2,16,88,824	4,11,357	35,17,671	39,29,028	46,79,222	1,77,59,796
2	PLANT & MACHINERY	27,62,936	* 2,75,71,460	3,03,34,396	28,549	9,65,245	9,93,794	27,34,387	2,93,40,602
3	OFFICE EQUIPMENT & PERIPHERALS	56,12,137	1,08,86,596	1,64,98,733	62,576	10,35,383	10,97,959	55,49,561	1,54,00,774
4	FURNITURE & FIXTURES	51,99,278	76,79,529	1,28,78,807	49,707	3,04,195	3,53,902	51,49,571	1,25,24,905
5	VEHICLES	1,64,35,381	2,35,73,366	4,00,08,747	7,65,800	33,39,455	41,05,255	1,56,69,581	3,59,03,492
	TOTAL	3,51,00,311	8,63,09,196	12,14,09,507	13,17,989	** 91,61,949	1,04,79,938	3,37,82,322	11,09,29,569
	PREVIOUS PERIOD	—	3,51,00,311	3,51,00,311	—	13,17,989	13,17,989	—	3,37,82,322

* Includes Rs. 71,34,339 transferred from (Balance in Development Account) in schedule 4 - Capital works in progress.

** Includes Rs. 1,04,636 for the previous period.



SCHEDULE 4 - CAPITAL WORKS IN PROGRESS, ADVANCES & DEPOSITS FOR CAPITAL WORKS

A. CAPITAL WORKS IN PROGRESS

(Includes Works which might have been technically completed but not yet commissioned for use)

	As at 31st March 92 Rs.	As at 31st March 91 Rs.
I. WORKS		
i. Land	28,07,10,910	2,17,55,861
ii. Structural Engg. Works		
a) Formation	77,71,18,884	5,50,75,001
b) Permanent way	15,64,44,297	6,21,914
c) Bridges	49,43,00,248	2,20,82,458
d) Station & Bldgs	5,05,18,752	1,47,83,82,181
iii. Equipment Plant & Machinery	1,66,98,076	53,56,942
		8,31,36,315
		2,22,722
II. CONSTRUCTION MATERIAL & EQUIPMENT		
i. Rails	2,64,15,747	5,950
ii. Sleepers	5,57,00,878	4,410
iii. Cement	3,59,88,790	85,74,827
iv. Steel	19,40,46,543	4,35,93,782
v. Diesel	4,77,260	5,77,550
vi. Explosives	57,87,084	
vii. Others	1,22,23,653	38,20,155
	33,06,39,955	5,65,76,674
III. Balance in Development Account to be allocated to items of Capital Work in progress when completed		
a) As at 1-4-91	1,21,35,216	
less transferred to fixed Assets	(71,34,339)	
b) As per development account for the year	20,93,60,124	1,21,35,216
	<u>21,43,61,001</u>	
	232,07,92,123	<u>17,38,26,788</u>
B. ADVANCE & DEPOSITS FOR CAPITAL WORKS		
i. Contractors & Suppliers	66,81,80,236	5,44,19,031
ii. Land Acquisition	1,00,17,189	76,23,052
iii. Purchase of Materials & Equipment	21,24,04,109	3,26,16,987
	<u>89,06,01,534</u>	<u>9,46,59,070</u>
TOTAL	<u>321,13,93,657</u>	<u>26,84,85,858</u>



SCHEDULE 5 - CURRENT ASSETS AND LOANS AND ADVANCES

	As at 31st March 92 Rs.	As at 31st March 91 Rs.
A - CURRENT ASSETS		
i. Interest Accrued	1,69,31,726	1,70,37,352
ii. Cash in Hand	2,02,356	2,45,560
iii. Balance with Scheduled banks		
Current A/C	11,41,39,949	3,69,80,740
Term Deposit	45,10,26,638	74,33,81,056
	<u>56,51,66,587</u>	<u>78,03,61,796</u>
	<u>58,23,00,669</u>	<u>79,76,44,708</u>
B - LOANS & ADVANCES		
(Unsecured considered good unless otherwise stated)		
i. Deposits for accommodation	49,31,864	16,38,772
ii. Deposits for Telephone	2,30,000	3,65,550
iii. Other Deposits	14,55,114	1,39,290
iv. Advances to employees	42,644	27,533
v. Advances recoverable in cash or in kind or for value to be received	1,29,02,912	18,27,584
	<u>1,95,62,534</u>	<u>39,98,729</u>
TOTAL	<u><u>60,18,63,203</u></u>	<u><u>80,16,43,437</u></u>

SCHEDULE 6 - CURRENT LIABILITIES & PROVISIONS

I - SUNDRY CREDITORS		
i. Contractors	4,84,59,634	90,91,729
ii. Expenses	11,17,86,518	1,47,58,463
iii. Interest accrued but not due on Loan	82,49,622	—
iv. Others	1,99,21,084	39,45,594
	<u>18,84,16,858</u>	<u>2,77,95,786</u>
TOTAL	<u><u>18,84,16,858</u></u>	<u><u>2,77,95,786</u></u>



SCHEDULE 7 - SALARIES AND ALLOWANCES

	Current Year	Previous Period
i. Salaries and Allowances	4,16,56,287	72,36,594
ii. Contribution to Provident Fund	4,74,918	—
TOTAL	4,21,31,205	72,36,594

SCHEDULE 8 - OTHER ADMINISTRATIVE EXPENSES

i. Rent (Office & residential)	64,53,638	11,91,072
ii. Printing & Stationary	32,65,873	9,24,260
iii. Postage, Telephone & Telex	57,84,689	47,54,256
iv. Travelling & conveyance	1,03,26,968	20,31,539
v. Building Maintenance	30,06,115	4,13,895
vi. Repairs & Maintenance (Others)	75,57,458	10,73,198
vii. Electricity & water Charges	9,73,111	3,45,436
viii. Books & Periodicals	4,02,652	1,48,119
ix. Auditors Remuneration	63,300	40,000
x. Finance charges		
a) Management fee on tax free bonds	16,25,60,000	—
b) Service charges paid to IRFC	1,00,000	—
c) Interest on long term loan	82,49,622	—
xi. Other Expenses includes staff welfare expenses of Rs 2,53,827.	1,22,53,156	31,09,778
TOTAL	22,09,96,582	1,40,31,553

SCHEDULE 9 - INCIDENTAL INCOME

i. Interest from Banks (Gross)	8,23,13,472	3,06,59,240
ii. Sale of Tender Form Etc.	98,681	1,22,648
iii. Rent recovery	2,70,276	45,399
iv. Other Receipts	9,44,793	5,88,209
	8,36,27,222	3,14,15,496

**SCHEDULE 10 - ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS****(A) APPLICABLE SIGNIFICANT ACCOUNTING POLICIES**

1. The corporation is intended to be merged with the Indian Railways as and when its loan liabilities are fully discharged. Accordingly, the Accounting Policies, including rules of allocation and classification of revenues and expenditure and incidence of costs, of Indian Railways as far as possible are being followed.
2. The Accounting policies involved in the guidance note on "Treatment of Expenditure during construction period" published by the Institute of Chartered Accountants of India as is relevant and applicable have been followed.
3.
 - a) In classifying the nature of 'Fixed Assets' and 'Capital Works in Progress' the requirements of Schedule VI of the Companies' Act, 1956 and the format of disclosure followed by the Indian Railways have been kept in view.
 - b) The Assets in use during the construction period (except temporary building structures), which are shown at cost, have been depreciated at rates prescribed in schedule XIV of the Companies' Act, 1956 under the straight line method. Depreciation is charged prorata from the month of addition of Asset. Temporary building structures and small tools have been depreciated at 100%.
 - c) The inventory of construction materials like cement, steel, etc., being essentially procured to be used in capital works is shown at cost in the Fixed Asset block.

(B) NOTES

4. The Corporation was incorporated as a joint venture between the Government of India (Indian Railways) and the beneficiary State Governments of Maharashtra, Goa, Karnataka and Kerala to construct the Konkan Railway Line and operate the same for a period upto which the Corporation discharges its loans raised for financing the Project. According to the Memorandum of Undertaking, the contribution made by the State Governments towards Equity would be returned at par by the Government of India on the Corporation liquidating the loans obtained for completing the Project.
5.
 - a) The Corporation is engaged in the laying of railway line between Roha (in Maharashtra) and Mangalore (in Karnataka) through the State of Goa and carrying out various constructional works, involved in laying of the railway line to provide the service facilities to operate the Railway System between these points. Hence, only a 'Development Account' (instead of a 'Profit and Loss Account') showing the Revenue expenditure incurred during the construction period and the incidental income arising out of such expenditure has been drawn incorporating disclosure requirements of Part II of Schedule VI of the Companies' Act, 1956.
 - b) Eventually the expenditure in the Development Account would be apportioned either item wise net of incidental income or expenditure as whole net of all the incidental income or by a combination of both in a suitable manner on the assets created during the construction period which will be commissioned on completion.
6.
 - a) Land costs include indirect expenses directly incurred in the process of acquisition of land and advance provisional payments consequent to Awards. The balance payments to cover the possible full cost of Awards is likely to be of the order of Rs.1.63 crores (Previous Period Rs. 53 lakhs).
 - b) The title deeds are either still to be obtained or the mutation in the name of the Corporation are still to be entered in the revenue records of the States concerned.
7. Capital commitments entered into by the Corporation other than for land referred to in (6) above, not provided for, amounts to Rs. 568 crores (Previous period Rs. 156.37 crores).



8. a) The amount spent by the Government of India, Ministry of Railways, through Central Railway and Southern Railway, approximately amounting to Rs 4.57 crores and Rs 2.36 crores respectively (Previous period Rs. 4.57 crores and Rs. 2.36 crores respectively), have not been brought to books pending rendering and settlement of detailed accounts by the Railways concerned. The amount involved, when settled, is to be adjusted towards Equity contribution by the Government of India. Meanwhile, the works and assets involved in the above expenditure have been physically taken over by the Corporation with effect from 15.10.1990.
- b) Sundry creditors (others) include Rs. 10 lakhs (Previous Period Rs. 10 lakhs) provided by the Central Railway which is to be adjusted by way of allotment of Equity shares to the Government of India.
9. a) The loan from Indian Railway Finance Corporation (IRFC) represents the gross face value of Bonds issued on a private placement basis by IRFC for Konkan Railway Project. The loan carries the same rate of interest as the Bonds.
- b) Management Fee represents the charges paid by IRFC to the subscribers of the bonds.
- c) The loan, ^{is} secured by a hypothecation charge of present and future movable and immovable assets including book debts.
- d) The interest on loan from IRFC has been accrued from the date of subscription to the bonds which were issued by IRFC on behalf of Konkan Railway Corporation.
10. The Corporation has been advised that in view of the judgements in various High Courts and the Income Tax Tribunal that the incidental income arising out of the carrying out and completion of a project would not be liable for Income Tax. Hence no provision for Income Tax liability is considered necessary.
11. a) The remuneration of Chairman and Managing Director is as under :
- | | Current
Year | Previous
Period |
|--------------------------------------|-------------------------|--------------------|
| Salary and allowances | Rs. 76,500 | Rs. 31,875 |
| Contribution to Provident Funds | Rs. 2,499 | — |
| b) Auditors remuneration is as under | | |
| For Statutory Audit | Rs. 40,000 | Rs. 40,000 |
| For Tax Audit | Rs. 15,000 | — |
| For Certification Fee | Rs. 5,000 | — |
| For Reimbursement of expenses | Rs. 3,300 | — |
12. Balances, deposits due to, and due from Contractors are subject to confirmation.
13. Liability to Contractors has been accrued to the extent work done had been measured upto 31st March 1992.
14. Previous Period figures have been regrouped wherever necessary to correspond to the current year figures. The previous year covered a period of about eight and half months.



AUDITOR'S REPORT

To the Members of Konkan Railway Corporation Limited.

We have audited the attached Balance Sheet of Konkan Railway Corporation as at 31st March , 1992 and the Development Account of the Company for the year ended on that date annexed thereto and report that :

1. As required by the Manufacturing and others companies (Auditor's Report) order 1988, issued by the Company Law Board in terms of Section 227 (4A), of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraph 4 & 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph (1) above, we report that
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our Audit.
 - b) In our opinion books of Account as required by Law have been kept by the Company so far as appears from our examination of the books.
 - c) The Balance Sheet and the Development Account (in place of Profit and Loss account) dealt with by this report are in agreement with the Books of Account.
 - d) In our opinion and to the best of our information and according to the explanation given to us, the accounts subject to Note No. 8 (a) regarding the Company not being able to bring into books the amount spent by other agencies, Note No. (10) regarding the liability to Income Tax and Note No. (12) regarding confirmation of balances, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :-
 - i) in the case of the Balance Sheet of the state of affairs of the Company as at 31st March 1992, and
 - ii) in the case of the Development Account of the Net expenditure carried to Balance Sheet for the year ended on that date.

Bombay
01-09-92

For Thakur Vaidyanath Aiyer & Co.
Chartered Accountants

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(C.V. Parameswar)
Partner

**ANNEXURE REFERRED TO IN PARAGRAPH I OF THE AUDITORS' REPORT OF EVEN DATE ON THE ACCOUNTS OF KONKAN RAILWAY CORPORATION LIMITED FOR THE YEAR ENDED 31ST MARCH, 1992.**

- 1) The Company's records showing full particulars including quantitative details and situation of Fixed Asset, have not been updated for the additions made during the year. As per the information and explanation given to us only some of the Fixed Assets in office have been verified during the year, and no significant discrepancies were noticed on such verification. In our opinion the frequency of verification needs to be increased having regard to the size of the Company and nature of Assets.
- 2) None of the Fixed Assets have been revalued during the year.
- 3) Physical verification of some of the construction materials have been carried out by the Management. In our opinion the frequency of verification needs to be increased.
- 4) In our opinion and according to the information and explanation given to us, the procedures of physical verification of construction materials followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
- 5) The discrepancies noticed on verification between the physical stocks and book records were not material. In some of the Units the physical balance are pending reconciliation with the book balances.
- 6) In our opinion the valuation of the stocks is fair and proper, in accordance with normally accepted accounting principles.
- 7) There are no companies listed in the Registers maintained under section 301 and 370(1-B) of the Companies Act, 1956, and hence there are no transactions to be reported upon.
- 8) In respect of loans and advances given by the Company to Contractors and others, recoveries of principle and interest are effected as per terms stipulated.
- 9) According to the information and explanation given to us the Company is more or less following the internal control procedure prevalent in the Indian Railways with modifications, wherever necessary. As such, the internal control procedures, relating to purchase of stores, Plant and Machinery, Equipment and other assets are adequate.
- 10) There are no Companies listed in the Registers maintained under Section 301 and 370(1-B) of the Companies Act, 1956, and hence there are no transactions of purchase/sale of goods, material and services exceeding Rs. 50,000/- or more in respect of each party to be reported upon.
- 11) The Company, being at the construction stage, the question of determination of unserviceable stores does not arise.
- 12) The Company has not accepted any Deposits from the public.
- 13) As the Company is in the construction stage there are no by-products or scrap.
- 14) The Company's internal audit system needs to be strengthened to make the scope and coverage by internal audit commensurate with the size and nature of its business.
- 15) The maintenance of cost records under Section 209(i) (d) of the Companies Act, 1956, has not been prescribed.
- 16) The Company has started a PF Trust during the Year. The PF deduction have generally been deposited with the appropriate authorities in time.



- 17) According to the information and explanation given to us there were no undisputed amounts payable in respect of the various taxes as on 31st March, 1992 outstanding for a period of more than six months from the date they become payable.
- 18) As per the information and explanation given to us no personal expense other than those as per contractual obligation or in accordance with generally accepted business practice, have been charged to the Development Account.
- 19) The Company does not come within the purview of Clause "C" of sub section (i) of section (3) of the Sick Industrial Companies (Special Provision) Act, 1985 and as such the Act is not applicable.

Bombay
01-09-92

For Thakur Vaidyanath Aiyer & Co.
Chartered Accountants

(C.V. Parameswar)
Partner

**OBSERVATIONS OF THE BOARD OF DIRECTORS IN RESPECT OF QUALIFICATIONS MADE BY THE STATUTORY AUDITORS IN THEIR ANNEXURE TO THE AUDITORS REPORT.**

"Paras 1 & 3 - Complete physical verification was not possible during the year owing to large scale increase in the volume of transactions and lack of adequate man power. The frequency of verification will be increased duly keeping in view the practice prevailing in the Zonal Railways and the arrears of physical verification will be wiped out in the current year.

"Para (5) - Due to increase in the tempo of works the volume of stores transactions has increased considerably and the delay in reconciliation in some units has taken place due to lack of adequate staff strength. The arrears in reconciliation will be liquidated during the current year.

"Para (14) - The internal audit machinery will be suitably strengthened, and internal audit by way of post check will be conducted on transactions for the year ended 31.03.1992.

For and on behalf of the Board of Directors

A.P.Chopra
Director

E.Sreedharan
Chairman and Managing Director



