



कोंकण रेलवे कार्पोरेशन लिमिटेड
(भारत सरकार का उपक्रम)

KONKAN RAILWAY CORPORATION LTD.
(A Government of India Undertaking)

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KONKAN RAILWAY CORPORATION LIMITED

(A Government of India Undertaking)

THIRD ANNUAL REPORT

1992-93

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BOARD OF DIRECTORS

- | | |
|---|---|
| 1. SHRI E. SREEDHARAN | - Chairman and Managing Director |
| 2. SHRI A. K. SOMANATHAN | - Director (Technical) |
| 3. SHRI RAJENDRA PAL | - Advisor (Works), Railway Board |
| 4. SHRI A. P. CHOPRA | - Advisor (Budget), Railway Board |
| 5. SHRI S. JAMBUNATHAN
ALTERNATE
SHRI B. K. AGARWAL | - Addl.Chief Secretary, Govt. of Maharashtra
- Secretary Transport, Govt. of Maharashtra |
| 6. SHRI P. S. BHATNAGAR
ALTERNATE
SMT. SAVITRY KASHYAP | - Chief Secretary, Govt. of Goa
- Secretary Transport, Govt. of Goa |
| 7. SHRI J. C. LYNN
ALTERNATE
SHRI S. K. GHOSAL | - Chief Secretary, Govt. of Karnataka
- Addl.Chief Secretary, Govt. of Karnataka |
| 8. SHRI K. V. RABINDRAN NAIR
ALTERNATE
SHRI N. CHANDRASEKHARAN NAIR | - Chief Secretary, Govt. of Kerala
- Commissioner & 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 - 110 001.

Corporate Office

Belapur Bhavan,
Sector 11, CBD Belapur,
New Bombay - 400 614.



NOTICE OF THE THIRD ANNUAL GENERAL MEETING

Notice is hereby given that the Third Annual General Meeting of the Konkan Railway Corporation Limited will be held at 12.00 Hrs. on Wednesday, the 29th September 1993, at Committee Room, Rail Bhavan, Raisina Road, New Delhi to transact the following business:

ORDINARY BUSINESS

1. Ordinary Resolution :

To receive and adopt the Director's Report, Balance Sheet, Development Account and Profit and Loss Account for the year ended 31st March 1993 and 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 modification of the resolution passed by the 2nd Annual General Meeting held on 28-9-92 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 1200 Crores (Rupees Twelve Hundred Crores), or two times the paid up 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."

Yours faithfully,
By the Order of the Board of Directors
For **Konkan Railway Corporation Ltd.**,

Belapur, New Bombay
Date : 25-08-93

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 Registerd 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.**

At the Extraordinary General Meeting held on 4.2.92 Shareholders of the Company had approved of the 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. Subsequently at the Second Annual General Meeting held on 28-9-92 the shareholders increased the total borrowing powers to Rs.1400 crores in order to match increased authorised capital and increased debt equity ratio.

After a review of the funding pattern, the shareholders at the Extraordinary General Meeting held on 29.6.93 decided to increase the authorised share capital to Rs.600 crores and bring down the debt equity ratio to 2:1. As a result of this maximum limit of total borrowings by the Company works out to Rs.1200 crores. For modification of the borrowing limit the consent of the shareholders is required to be obtained under the provisions of Section 293(1)(d) 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 THIRD ANNUAL GENERAL MEETING

Gentlemen,

I have great pleasure in welcoming you to the Third 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 1993, have already been circulated, and with your permission, may I take them as read ?

I am happy to inform the shareholders, the Corporation has been able to achieve significant progress on the construction of the Konkan Railway line. By the end of the last working season, i.e. by 30th June 1993, the weighted physical progress achieved on the project as a whole was 48%. While on earthwork and minor bridges, we had achieved a progress of 70%, the progress achieved on major bridges was 59%. However, the progress on tunnels is giving us some anxiety. For your information, as many as 75 tunnels with an aggregate length of 78.35 Kms are to be completed for this project, which is more than 10% of the project's route length. Quite a few of these tunnels are in soft soils and such tunnels have presented formidable problems. We are finding appropriate technical solutions to these problems, but have to proceed very cautiously in view of the inherent dangers involved. Even in solid rock tunnels, the progress achieved is not very satisfactory, mainly because of the delay in importing the special machinery needed for this purpose. As on date, the total length of the tunnelling completed is only 25.5 Kms, i.e. about 32.5%. I want to, however, assure the shareholders, no efforts will be spared by your Corporation to complete these tunnels in time to adhere to our target date of March 1995.

From June 1993 onwards, the project area is experiencing very heavy rains and works have almost come to a standstill except inside the tunnels and on some of the major bridges. The works will re-start from October onwards when the next working season will commence.

I am happy to inform the Shareholders that the first section of the Konkan Railway from Mangalore to Udupi, a distance of 68 Kms, was inaugurated for passenger services by the Hon'ble Prime Minister of India, Shri P.V.Narasimha Rao, on 20th March, 1993. The second section from Roha to Veer, a distance of 47 Kms, at the northern end, has also been inaugurated for train services by the Hon'ble Chief Minister of Maharashtra, Shri Sharad Pawar, on 27th inst. Thus, 115 Kms out of the 760 Kms length of the project is now ready in all respects.

The expenditure incurred on works upto end of August 1993 is Rs.831.50 Crores.

The whole of last financial year and the last working season, your Corporation had been facing serious difficulties to raise funds to keep up the pace of the project. This was solely due to the very poor response to the issue of tax free bonds on account of the changed market conditions. The Corporation had to, therefore, avail a bridging loan of Rs.88 Crores from Indian Railway Finance Corporation in June 1992, and again another Rs.200 Crores from Unit Trust of India in December 1992. These funds could last only till about February 1993. Thereafter we started defaulting badly in our payments to contractors and suppliers. on 23rd April 1993, the Finance Ministry finally gave permission to the Konkan Railway Corporation itself to issue the bonds. Till then, IRFC was floating the bonds for the Konkan Railway Project. We immediately swung into action and were able to raise about Rs.52 Crores in May 1993 by private placement. In June 1993, the Hon'ble Railway Minister convened a meeting of the Chief Ministers of the four participating States and in the meeting it was decided to raise the share capital of the Konkan Railway Corporation from Rs.400 Crores to Rs.600 Crores, and this decision was ratified by the shareholders in their Extraordinary General Meeting held on 29th June 1993. I am happy to report to the shareholders, we have been able to get Rs.51 Crores from the Railway Ministry and Rs.20 Crores from the Maharashtra Government towards this enhanced equity, which have come as a very welcome relief to the fund-starved project.



Meanwhile, all the formalities needed for coming out with a public issue of 10.5% tax-free "Konkan Railway Bonds" are being gone into and it is our expectation that our issue will hit the market in the beginning of November 1993. The size of the issue has been kept at Rs.320 Crores and the Company has been permitted to retain over-subscription to the extent of 25% of the issue. We hope that the issue will find favourable response from the investing public and that the collection target would be achieved. In the meantime, to fund the project till such time money is mobilised through the public issue, we are presently negotiating a bridge loan of Rs.100 Crores from the State Bank of India.

Gentlemen, the Konkan Railway Project, as you are aware, is an engineering challenge by itself. My experience has been, more than the engineering and managerial challenges, the problem of raising timely funds for the project is today the biggest challenge facing your Corporation.

Suspension of work, at the instance of the Government of India, over a 55 Km length between Mayem and Bali in the Goa sector of the project from 26th March 1993 onwards, has been a major set-back to the project. A one-man committee consisting of Shri Justice G.J. Oza, a retired Judge of the Supreme Court, had gone into the alignment problems, at the instance of the Railway Ministry and the committee has submitted its report to the Railway Minister on 9th September 1993. Government's decision on this report is still awaited.

I have to regretfully inform the shareholders, the stoppage of work in the Goa sector, where works were already behind schedule on account of the alignment controversy, coupled with the serious shortage of funds, has made it now impossible to adhere to our earlier target date of October 1994. The target date has been tentatively shifted to March 1995, but adherence to this target date will again depend upon the timely availability of funds and an early favourable decision for resumption of work in Goa sector.

The Konkan Railway is a unique experiment. A very important and an 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 Railway 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 available 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 much of 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 valuable advice has 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 **Third Annual Report** on the working of your company, together with Audited Statement of Accounts for the financial year ended 31st March 1993.

Operations of the Company

Your Company has entered the third year of its operation. It may be recalled that after taking over from Indian Railways on 15-10-90, the first and second working seasons were utilised for completing survey, acquisition of land, awarding of contracts and commencing civil works. During the year just concluded, works progressed all along the alignment at a brisk pace. By 31st March 1993, about 99% of the land required for the entire project was acquired and taken possession of, about 60% of the earth work and minor bridges were completed. The progress of major bridges was about 50%. Due to commissioning of all the 9 imported tunnelling machinery, the progress of tunnelling was 17 KM which constituted a progress of 22%. The overall weighted physical progress was 43%.

Opening of the Phase I

The Section from Mangalore to Udupi (68 km) was declared open for passenger traffic on 20-03-93 by the Hon'ble Prime Minister Shri P.V.Narasimha Rao. The section from Roha-Veer (47 KM) from the Bombay end has been completed in all respects and this section will be opened for traffic soon after monsoon.

Financial Results

The Company commenced commercial operations from Mangalore to Udupi during the year and has incurred a loss of Rs 2.57 lakhs for the period from 21-3-1993 to 31-3-1993. The Company is still in the process of execution of the project and the expenditure profile is as below

	Rs. in Crores
Capital Works in Progress including advances and deposits for works	767.05
Other Fixed Assets (After Depreciation)	58.74
Current Assets (Net)	(64.45)
Preliminary Expenditure	0.43
Total	761.77



Share Capital

Equity shares have been allotted against subscriptions received from Government of India and the participating State Governments to the tune of Rs.8287.44 Lakhs as per details furnished below:

	(Rupees in thousands)		
	upto 1990-91	1992-93	Total
Ministry of Railways	1,63,99,48	39,72,44	2,03,71,92
Govt. of Maharashtra	44,00,00	22,00,00	66,00,00
Govt. of Goa	12,35,00	2,65,00	15,00,00
Govt. of Karnataka	30,00,01	12,50,00	42,50,01
Govt. of Kerala	9,00,01	6,00,00	15,00,01
TOTAL	2,59,34,50	82,87,44	3,42,21,94

A further amount of Rs. 2.5 Crores has been received from the Government of Karnataka on 31-3-93 for which shares have been allotted in April 93.

Authorised Share Capital & Debt Equity Ratio

The shareholders at the Extraordinary General Meeting held on 29-06-93 have passed resolutions to increase the authorised share capital to Rs.600 Crores (from Rs.400 Crores) and decrease the debt:equity ratio to 2:1(from 3.5:1).

Issue of Bonds

Due to the unfavourable conditions in the Bond market considerable difficulty has been experienced by all Public Sector Units to raise funds by means of Tax-Free Bonds. The financing scheme of the project had envisaged that the bulk of the funds should come from market borrowings to be raised from public in the form of Tax-Free Bonds. Against the sanctions received for raising Bonds for a sum of Rs. 350 Crores, Indian Railway Finance Corporation was able to raise a sum of Rs. 131.14 Crores by way of Tax-Free Bonds on behalf of the Corporation during the years 1991-92, 1992-93 and 1993-94.

The Central Government permitted the KRC to raise Bonds directly in April 1993 for a sum of Rs.400 Crores and also revalidated sanction for Rs. 227.9 Crores being unutilised balance for the previous years. The Corporation immediately launched an issue by private placement among Banks and Financial Institutions of 10.5% tax-free Bonds for a sum of Rs.200 Crores. In spite of a sluggish market, KRC was able to procure subscription for a sum of Rs.54.50 Crores against an all inclusive management fees of Rs.2.43 Crores. Your Corporation has also initiated action to make a public issue of 10.5% tax-free Bonds and it intends to enter the capital market shortly.



Bridge Finance

Against the background of severe shortage of funds, the Corporation had to obtain bridge loan of Rs.200 Crores from Unit Trust of India at a rate of interest of 19% and Rs.88 Crores from IRFC at 18% rate of interest in order to keep the critical works going.

Stoppage of works in Goa Sector

The works on the Mayem to Balli Section (55km) in Goa Sector have been temporarily suspended since 26-3-93 as per instructions received from Ministry of Railways. The Central Government have appointed a High Level Committee headed by Mr.Justice G.J.Oza, Retired Judge, Supreme Court of India on 3-6-93 to examine various aspects of the alignment problem and finally decide upon a suitable alignment in the said section. The Committee has started its work from first week of July. The report of the committee is expected shortly.

Dividend

Your Directors do not propose to recommend payment of dividend in view of the financial position of the Corporation.

Future Plans

Your Company has chalked out a detailed schedule for completion of work in each field unit and special attention is focussed on all critical items of work like major bridges and tunnels.

Meeting of the Board of Directors

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

Particulars of Conservation of Energy & Technology Absorption

Provisions of Section 217(1)(e) of the Companies Act,1956 as amended by the Companies (Amendment) Act, 1988 are not applicable to the Company as far as conservation of energy and technology absorption are concerned.

Foreign Exchange Earnings and Outgo

Information required under Section 217(1)(e) of the Companies Act 1956 as amended by the Companies (Amendments) Act, 1988 is furnished as under:-

	1992-93	Previous year
Foregin Exchange earnings	NIL	NIL
Foreign Exchange outgo	7,12,57,884	1,55,000

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 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 & Managing Director	From 31-10-90
Shri A.P.Chopra	From 14-11-91
Shri L.C.Monga	From 10-01-92 to 30-04-93
Shri T.P.Issar	From 27-11-91 to 27-09-92
Shri S.Ramamoorthi	From 01-01-92 to 12-03-93
Shri S.Padmakumar	From 01-08-91 to 31-8-92
Shri P.S.Bhatnagar	From 18-03-92
Shri A.K.Somanathan	From 08-04-92
Shri J.Alexander	From 22-7-92 to 09-02-93
Shri K.V.Rabindran Nair	From 01-09-92
Shri J.C.Lynn	From 09-02-93
Shri S.Jambunathan	From 14-06-93

Auditor's Report

The Company's observation in respect of qualifications in the Auditor's Report regarding non-adjustment of expenditure incurred by other agencies, liability to Incom Tax and confirmation of balances is appropriately made in Notes No. 8(a),8(c), 10 and 12 respectively in Schedule 10 annexed to the accounts.

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 Third Financial Year.

Acknowledgement

The Board of Directors gratefully acknowledge the assistance, active support and guidance received from the Indian Railways, Indian Railway Finance Corporation, Unit Trust of India 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 Indian Railways/State Governments/other PSU's which has enabled the Corporation to adhere to the tight schedule for the completion of the Project.

For and on behalf of Board of Directors

E.Sreedharan
Chairman and Managing Director

NEW BOMBAY
12 / 08 /1993.


BALANCE SHEET as at 31st March 1993

	Schedule No.	As at 31st March 1993.		As at 31st March 1992.	
		Rs.	Rs.	Rs.	Rs.
I. SOURCES OF FUNDS					
(1) Shareholder's funds:					
(a) Capital	1		3,44,71,94,000		2,62,34,50,000
(2) Loan Funds					
(a) Loans & Advances	2		4,17,05,11,830		1,11,64,00,000
			<u>7,61,77,05,830</u>		<u>3,73,98,50,000</u>
II. APPLICATION OF FUNDS					
(1) Fixed assets:					
(a) Gross Block	3	62,14,96,861		12,14,09,507	
(b) Less Depreciation		3,40,86,274		1,04,79,938	
(c) Net block		<u>58,74,10,587</u>		<u>11,09,29,569</u>	
(d) Capital works in progress and advances and deposits for Capital works.	4	7,67,04,53,360		3,21,13,93,657	
			<u>8,25,78,63,947</u>		<u>3,32,23,23,226</u>
(2) Current Assets, Loans and Advances	5	30,65,57,630		60,18,63,203	
Less:					
Current liabilities and provisions	6	(95,10,53,512)		(18,84,16,858)	
Net current assets			(64,44,95,882)		41,34,46,345
(3) Profit & Loss A/c			2,57,336		
(4) Miscellaneous expenditure to the extent not written off or adjusted Preliminary Expenses			40,80,429		40,80,429
TOTAL			<u>7,61,77,05,830</u>		<u>3,73,98,50,000</u>
Accounting policy & Notes forming part of Accounts	10				

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)		



DEVELOPMENT ACCOUNT FOR THE YEAR

1/4/92 TO 31/03/93

	Schedule No.	Current year Rs.	Previous year Rs.
I. EXPENDITURE DURING CONSTRUCTION			
i) Survey		1,98,62,281	2,06,97,610
ii) Salaries & Allowances	7	7,81,64,488	4,23,85,032
iii) Other Administrative Expenses	8	37,89,03,266	22,07,42,755
iv) Depreciation		2,36,06,336	91,61,949
v) Provision for Wealth Tax		4,00,568	-
II. LESS INCIDENTAL INCOME	9	(3,05,43,182)	(8,36,27,222)
Transferred to capital works in progress		<u>47,03,93,757</u>	<u>20,93,60,124</u>
(Schedule No.4)			

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)		



PROFIT & LOSS ACCOUNT FOR THE PERIOD 21/3/93 to 31/3/93

	Current year
A. Earnings from passenger traffic	32,269
B. Expenses on train operations	
1. Salaries & Wages	22,114
2. Hire charges for Rolling Stock & Motive power.	2,35,682
3. Other operating expenses	31,809
Net Result of Train Operations (Transferred to Balance Sheet)	<u>(2,57,336)</u>
<p>This being the first year of commencement of Traffic operations, there are no previous years figures</p>	

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
<p>As per our report of even date For Thakur Vaidyanath Aiyer & Co. Chartered Accountants</p>		
(C.V.PARAMESWAR)		


SCHEDULE 1 - SHARE CAPITAL

	As at 31-3-93 Rs.	As at 31-3-92 Rs.
AUTHORISED 40,00,000 Equity shares of Rs.1000 each	4,00,00,00,000	4,00,00,00,000
ISSUED 35,10,000 Equity shares of Rs.1000 each (Previous year 26,90,000)	3,51,00,00,000	2,69,00,00,000
SUBSCRIBED & PAID UP 34,22,194 Equity shares of Rs.1000 each (Previous year 25,93,450)	3,42,21,94,000	2,59,34,50,000
Application Money for allotment of 25,000 shares (Previous year 30,000)	2,50,00,000	3,00,00,000
TOTAL	3,44,71,94,000	2,62,34,50,000

SCHEDULE 2 - LOANS & ADVANCES

	As at 31-3-93 Rs.	As at 31-3-92 Rs.
I. LOANS		
i) Secured Loans Loans from IRFC (being the proceeds of (a) 9% Tax free bonds for Rs.111.64 Crores (b) 10.5% Tax free bonds for Rs. 10.5 Crores issued by IRFC for Konkan Railway Project)	1,22,14,00,000	1,11,64,00,000
ii) Unsecured Loans (a) Short Term Loan from UTI	2,00,00,00,000	-
(b) Bridging Loan from IRFC	78,13,00,000	-
iii) Machinery Purchase Suspense	16,78,11,830	-
TOTAL	4,17,05,11,830	1,11,64,00,000



SCHEDULE 3 - FIXED ASSETS

(Figures in Rs.)

SL. NO.	PARTICULARS	GROSS BLOCK			DEPRICIATION BLOCK			NET BLOCK	
		BALANCE AS AT 1.4.92	ADDITIONS DURING THE YEAR	BALANCE AS AT 31-3-93	UPTO 31-3-92	FOR THE YEAR	TOTAL	BALANCE AS AT 31-3-92	BALANCE AS AT 31-3-93
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	BUILDINGS	2,16,88,824	4,93,22,287	7,10,11,111	39,29,028	50,99,368	90,28,396	1,77,59,796	6,19,82,715
2	PLANT & MACHINERY	3,03,34,396	43,35,66,474	46,39,00,870	9,93,794	1,09,68,822	1,19,62,616	2,93,40,602	45,19,38,254
3	OFFICE EQUIPMENT & PERIPHERALS	1,64,98,733	50,81,680	2,15,80,413	10,97,959	18,78,129	29,76,088	1,54,00,774	1,86,04,325
4	FURNITURE & FIXTURES	1,28,78,807	27,87,342	1,56,66,149	3,53,902	4,83,728	8,37,630	1,25,24,905	1,48,28,519
5	VEHICLES	4,00,08,747	93,29,571	4,93,38,318	41,05,255	51,76,289	92,81,544	3,59,03,492	4,00,56,774
	TOTAL	12,14,09,507	50,00,87,354	62,14,96,861	1,04,79,938	* 2,36,06,336	3,40,86,274	11,09,29,569	58,74,10,587
	PREVIOUS YEAR	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

* Includes an amount of 5,10,692 for previous years.

SCHEDULE 4 - CAPITAL WORKS IN PROGRESS AND 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 31-3-93 Rs.	As at 31-3-92 Rs.
I. WORKS		
i. Land	71,41,01,419	28,07,10,910
ii. Structural Engg. Works		
a) Formation	2,25,59,07,384	77,71,18,884
b) Permanent way	52,85,91,622	15,64,44,297
c) Bridges	1,55,60,24,159	49,43,00,248
d) Station & Bldgs	10,74,63,721	4,44,79,86,886
iii. Equipment, Plant & Machinery	9,03,28,421	5,05,18,752
II. CONSTRUCTION MATERIAL & EQUIPMENT		1,47,83,82,181
i. Rails	1,63,81,973	9,03,28,421
ii. Sleepers	21,88,12,479	1,66,98,076
iii. Cement	2,33,40,980	2,64,15,747
iv. Steel	33,07,49,936	5,57,00,878
v. Diesel	31,30,820	3,59,88,790
vi. Explosives	1,07,67,496	19,40,46,543
vii. Others	5,04,15,933	4,77,260
	65,35,99,617	57,87,084
		1,22,23,653
		65,35,99,617
III. Balance in Development Account to be allocated to items of Capital Work in progress when completed		33,06,39,955
a) As at 1-4-92	21,43,61,001	50,00,877
b) As per development account for the year	47,03,93,757	20,93,60,124
		21,43,61,001
	<u>6,59,07,71,101</u>	<u>2,32,07,92,123</u>
B. ADVANCE & DEPOSITS FOR CAPITAL WORKS		
i. Contractors & Suppliers	78,16,41,664	66,81,80,236
ii. Land Acquisition	1,00,39,508	1,00,17,189
iii. Purchase of Materials & Equipment	28,80,01,087	21,24,04,109
	<u>1,07,96,82,259</u>	<u>89,06,01,534</u>
TOTAL	<u>7,67,04,53,360</u>	<u>3,21,13,93,657</u>



SCHEDULE 5 - CURRENT ASSETS AND LOANS AND ADVANCES

	As at 31-3-93 Rs.	As at 31-3-92 Rs.
A - CURRENT ASSETS		
i. Interest Accrued	1,77,20,886	1,69,31,726
ii. Cash in Hand	2,51,339	2,02,356
iii. Cash in Transit	50,00,000	
iv. Balance with Scheduled banks		
Current A/C	11,94,44,218	11,41,39,949
Term Deposit	12,93,10,319	45,10,26,638
	24,87,54,537	56,51,66,587
v. Traffic Earnings due from other Railways	4,638	
	<u>27,17,31,400</u>	<u>58,23,00,669</u>
B. LOANS & ADVANCES		
(Unsecured, considered good unless otherwise stated)		
i. Deposits for accommodation	52,08,280	49,31,864
ii. Deposits for Telephone	2,93,152	2,30,000
iii. Other Deposits	21,26,014	14,55,114
iv. Advances to employees	1,18,523	42,644
v. Advances recoverable in cash or kind or for value to be received	2,70,80,261	1,29,02,912
	3,48,26,230	1,95,62,534
TOTAL	<u>30,65,57,630</u>	<u>60,18,63,203</u>



SCHEDULE 6 - CURRENT LIABILITIES & PROVISIONS

	As at 31-3-93 Rs.	As at 31-3-92 Rs.
A. CURRENT LIABILITIES		
I - SUNDRY CREDITORS		
i. Contractors & Suppliers	12,01,34,667	4,84,59,634
ii. Expenses	63,97,67,971	11,17,86,518
iii. Interest accrued but not due on loan	13,21,79,260	82,49,622
iv. Others	5,85,71,046	1,99,21,084
	<u>95,06,52,944</u>	<u>18,84,16,858</u>
B. PROVISIONS		
Provision for Wealth Tax	4,00,568	
TOTAL	<u><u>95,10,53,512</u></u>	<u><u>18,84,16,858</u></u>

SCHEDULE 7 - SALARIES, ALLOWANCES & BENEFITS

	Current year Rs.	Previous year Rs.
i. Salaries & Allowances	7,13,75,616	3,90,22,512
ii. Contribution to Provident & other Funds	32,04,831	4,74,918
iii. Foreign Service Contribution	31,56,377	26,33,775
iv. Staff Welfare	4,27,664	2,53,827
TOTAL	<u><u>7,81,64,488</u></u>	<u><u>4,23,85,032</u></u>



SCHEDULE 8 - OTHER ADMINISTRATIVE EXPENSES

	Current year Rs.	Previous year Rs.
i. Rent (Office & residential)	93,14,407	64,53,638
ii. Printing & Stationary	28,13,245	32,65,873
iii. Postage, Telephone & Telex	86,29,872	57,84,689
iv. Travelling & Conveyance	2,03,99,497	1,03,26,968
v. Building Maintenance	18,28,182	30,06,115
vi. Repairs & Maintenance (Others)	1,18,99,279	75,57,458
vii. Electricity & Water Charges	17,30,605	9,73,111
viii. Books & Periodicals	3,48,486	4,02,652
ix. Auditors Remuneration	68,656	63,300
x. Finance charges		
a) Management fee on tax free bonds	63,00,000	16,25,60,000
b) Service charges paid to IRFC	1,00,000	1,00,000
c) Interest on long term loans	29,49,19,496	82,49,622
xii. Other Expenses (Includes Rs.45,08,992 towards Insurance & Taxes for Vehicles)	2,05,51,541	1,19,99,329
TOTAL	37,89,03,266	22,07,42,755

SCHEDULE 9 - INCIDENTAL INCOME

	Current year Rs.	Previous year Rs.
i. Interest from Banks (Gross)	2,86,05,450	8,23,13,472
ii. Sale of Tender Form etc.	16,350	98,681
iii. Rent recovery	3,15,723	2,70,276
iv. Other Receipts	16,05,659	9,44,793
TOTAL	3,05,43,182	8,36,27,222

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 & classification of revenues and expenditure and incidence of cost of Indian Railway, 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 Asset' and 'Capital Work 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 for construction purposes (except temporary building structures), are shown at cost, and have been depreciated at rates prescribed in Schedule XIV of the companies act 1956 under straight line method. Temporary building structures and small tools have been depreciated at 100%. Motor cars owned by the Corporation are being used mostly in the sites and are expected to wear heavily Hence cars are also being depreciated at the rate applicable to trucks.

Depreciation is charged pro rata from the month of addition of Asset.

- c) The inventory of construction material like cement, Steel etc., essentially procured to be used in capital works, is shown at cost in the fixed asset block.
 - d) Where the full cost of the asset including the allocated portion of developmental expenditure have not been ascertained, such assets, though have been technically completed and are used in operating the passenger traffic, continue to be shown in capital works in progress.
4. Claims for escalation by Contractors are accounted for only when such claims are accepted after due verification.

(B) NOTES

5. 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.

6. 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. A 'Development 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 Companies Act 1956. Eventually the expenditure in the Development Account would be apportioned either itemwise net of incidental income or the expenditure as whole net of all 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.
- b) However, the Corporation opened the line from Mangalore to Udupi, a short distance, for passenger traffic on 21/03/1993. Barring this, the major portion of the project is still under execution. Profit and loss Account has also been drawn for the period from 21/03/1993 to 31st March 1993 to show the results of the operations of providing the facility of passenger traffic between the two stations mentioned above.
- c) The passenger trains are being run by the Southern railway (of the Indian Railways) as a provisional measure and a detailed Memorandum of Understanding is yet to be entered into by the Corporation with Indian Railways. Meanwhile, tentatively, the arrangements which exist for Inter-railway financial adjustments have been adopted for the purpose of providing for the liability for the services provided by the Southern Railway. The Corporation's share of passenger traffic income collected by the railway stations operated by the other Railways and share payable to other railways out of the collections made by this Corporation have been accounted for based on the available information though confirmation from the respective railways are yet to be received.
- d) No provision has been made for the charge of depreciation on the assets used in providing the passenger traffic since the value of the assets themselves are provisional in so far as some of the contractors bills are yet to be finally settled and since no portion of the developmental expenditure has been allocated to the assets used in operations. Hence, the full charge of depreciation could not be quantified at this stage. The Corporation intends to provide for the depreciation only when the full value of the assets in operation after allocation of developmental expenditure is available.
- e) The Corporate office expenses, allocable if any, on the passenger traffic operations are yet to be ascertained.



7.
 - a) Land cost includes 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. 7.78 crores. (Previous year Rs. 1.63 crores).
 - 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.
8.
 - (a) Capital commitment entered into by the Corporation other than for land referred to in (6) above, not provided for, amount to Rs. 534.91 crores. (Previous years Rs.568 crores).
 - (b) Contractors' Claims against the Company not acknowledged as debts amount to Rs.19,50,484. (Previous year nil).
9.
 - a) Amount spent by the Government of India, Ministry of Railways, through Central Railway and Southern Railway approximately amounting to Rs.2.28 lakhs and Rs.33.22 lakhs respectively (Previous year Rs.2.36 crores and Rs.4.57 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.
 - b) Southern Railway has spent a sum of Rs. 5.40 crores in upgrading their own line to enable the Corporation to run the passenger traffic. Pending receipt of the details of the expenditure, the above sum has not been accounted for except for the fact that an on account payment of Rs. 1 crore was paid and treated as advance included in the loans and advances recoverable in cash or kind. In the meanwhile the balance due has been included in the sum shown as capital commitment in note 8.
 - c) Certain advances could not be adjusted to the final head amounting to Rs.19,74,529/- in the absence of receipt of related bills or want of relevant data for adjustment. The figure relates to only those units where the information was available. Further, Rs. 5,32,96,687 advance payment made to steel companies for supply of steel materials have not been adjusted to the final head for want of relevant data for adjustment.
10.
 - a) The loan from Indian Railway Finance Corporation Limited. (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 Ltd.
11. a) The Corporation has acquired certain plant and machinery and related accessories valued at Rs.18.99 crores with the necessary sanction of concerned authorities to be financed by means of deferred payment facility from State Bank of India, Nassau. SBI(N). The Corporation has paid 15% of the value to the suppliers of the plant and machinery and an Aid Agency had paid the balance amount which in turn has to be reimbursed to them through the deferred credit arrangements with SBI(N). Since the deferred payment through SBI(N) has not become due for payment before 31-3-1993, the eventual liability for the balance dues i.e. 85% has been accommodated in an account stated as 'Machinery Purchase Suspense'. When the deferred payment arrangement becomes operational, the amount held in 'Machinery Purchase Suspense' would be transferred to the head "Deferred Payment Credit".

The dues to the SBI(N) are secured by a guarantee issued by State Bank of Mysore, who in turn have a charge on the concerned imported plant and machinery and accessories.

- b) For the financial arrangement made for the import of the machines referred to above, certain charges/fees were to be paid to a foreign agency who had arranged the loan facility. These charges/fees amount to approximately Rs.8.64 lakhs. This could not be brought to books by virtue of the provisions of Section 9(1)(a) of the Foreign Exchange Regulation Act 1973 since the permission from the Reserve Bank of India is still awaited.
- c) All the amount stated above are conversion of US dollar in terms of Indian rupee at exchange rate as on 31/03/1993.
12. 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.

13. a) The remuneration of Directors is as under:

	Current Year	Previous Year
	Rs.	Rs.
Salary and allowances	1,72,352	76,500
Contribution to Provident Fund	17,703	2,499
b) Auditors remuneration is as under:		
For Statutory Audit	40,000	40,000
For Tax Audit	15,000	15,000
For Certification Fee	-	5,000
For Reimbursement of out of pocket expenses	13,665	3,300



c) The expenditure under the head 'Other expenses' in the Development account vide Schedule (8) includes Rs. 12,49,544 relating to prior period. Previous year Rs. 1,34,820.

14. Following expenditure has been incurred in Foreign currency.

	Current Year Rs.	Previous Year Rs.
Purchase of Equipment.	7,04,41,609	-
Travel	8,10,048	1,55,000
Others	6,227	-

15. Balances, deposits due to, and due from Contractors/Suppliers are subject to confirmation.

16. Liability to Contractors has been accrued to the extent work done had been measured upto 31st March 1993.

17. Previous year's figures have been regrouped wherever necessary to correspond to the current year figures.

Signature for Schedules 1-10.

<p>(UMESH P MASKERI) COMPANY SECRETARY</p> <p>As per our report of even date For Thakur Vaidyanath Aiyer & Co. Chartered Accountants</p> <p>(C.V.PARAMESWAR)</p>	<p>(A.K.SOMANATHAN) DIRECTOR</p>	<p>On behalf of the Board, (E.SREEDHARAN) CHAIRMAN AND MANAGING DIRECTOR</p>
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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, 1993 the Development Account for the year ended on that date and Profit and Loss Account of the Company for the period 21/3/93 to 31/3/93 annexed thereto and report that :

1. As required by the Manufacturing And Other Companies (Auditors 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 proper Books of Accounts as required by Law have been kept by the Company so far as appears from our examination of the books.
 - c) The Balance Sheet, the Development Account and the 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 together with the Accounting policies and notes and subject to
 - 1) Note No.9 (a) and (b) regarding non adjustment of expenditure Rs.5,75,50,000 incurred by other agencies,
 - 2) Note No.9 (c) regarding non adjustment of certain advances amounting to Rs.19,74,529,
 - 3) Note No.11 (b) regarding charges and fees amounting to Rs.8.64 lakhs on a loan facility,
 - 4) Note No.12 regarding the liability of Income tax and
 - 5) Note No.15 regarding confirmation of balances of Contractors / Suppliers
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 1993 and
 - ii) in the case of the Development Account for the year ended on that date, of the net expenditure carried to the Balance Sheet.
 - iii) in the case of the Profit and Loss account for the period 21/3/93 to 31/3/93, the loss could be fully quantified to be true and fair only subject to the adjustments contemplated in Note No.6(d) & (e) for depreciation and allocable expenses.

Place : Bombay

Date : 12 / 08 / 1993

For **Thakur Vaidyanath Aiyer & Co.**

Chartered Accounts

(**C.V. Parameswar**)

Partner



ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE AUDITORS' REPORT OF EVEN DATE ON THE ACCOUNTS OF KONKAN RAILWAY CORPORATION LIMITED FOR THE YEAR ENDED 31ST MARCH, 1993.

- 1) The Company has kept certain records for showing the quantitative details and situation of the Fixed Assets. However, the records relating to Fixed Assets have not been kept in a uniform manner in the offices where these are accounted for. These records have also not been fully updated to show the additions during the year. There is scope for maintaining a more systematic and useful and uniform information record for the Fixed Assets. It is stated that during the year physical verification of Assets were carried out in some of the locations and no significant discrepancies were noticed on such verification. In our opinion the frequency of verification needs to be increased having regard to size of the Company and nature of asset.
- 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 material 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 books balances.
- 6) In our opinion, the valuation of stocks is fair and proper and is in accordance with normally accepted accounting principles and is on the same basis as in the earlier year.
- 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 the Contractors and others recoveries of principle and interest are generally effected as per terms stipulated. In case of defaults appropriate action is being taken by the company.
- 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, Equipments and other Assets are adequate.



- 10) There are no Companies listed in the Register 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 bye-products or scrap.
- 14) There is still room for improvement in the scope and coverage of internal audit so as to make it commensurate with the size and nature of Company's business particularly in view of the increase in the tempo of work and opening of passenger traffic.
- 15) The maintenance of cost records under Section 209 (i) (d) of Companies Act, 1956, has not been prescribed.
- 16) As per the records of the Company, the Provident Fund 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 various taxes as on 31st March, 1993 outstanding for a period of more than six months from the date they become payable except for an amount of Rs. 1,16,266/- towards Tax Deducted at Source, which has since been deposited.
- 18) As per the information and explanation given to us, no personal expenses other than those as per contractual obligation or in accordance with generally accepted business practice, have been charged to the Development Account and Profit & Loss 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.

Place : Bombay
Date : 12 / 08 / 1993

For **Thakur Vaidyanath Aiyer & Co.**

Chartered Accounts

(**C.V. Parameswar**)

Partner



COMMENTS OF THE COMPTROLLER AND AUDITOR GENETAL OF INDIA

COMMENTS OF THE COMPTROLLER AND AUDITOR GENETAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF KONKAN RAILWAY CORPORATION LIMITED, NEW BOMBAY FOR THE YEAR ENDED 31ST MARCH 1993.

BALANCE SHEET

I. SOURCES OF FUNDS

1. Loans and Advances - Schedule 2

I. Loans-(i) Secured Loans

Loans from IRFC (9% Tax free Bonds)- Rs.122.14 crores.

These also include 10.5% Tax free Bonds of Rs.10.50 crores.

II. APPLICATION OF FUNDS.

2. Fixed assets - Schedule 3 Plant and Machinery - Rs. 46,39,00,870

This does not include Rs.107.90 Lakhs being the cost of Jumbo Drilling machine which has been wrongly booked under capital-work-in-progress resulting in understatement of fixed assets and consequently under charge of depreciation of Rs.10.49 lakhs .

3. Current Assets, Loans and Advances - (Schedule 5) Other Deposits - Rs.21,26,014.

This does not include Rs.23.89 lakhs being prepaid insurance premium for the year 1993-94 for insuring tunnelling machineries. This has resulted in overstatement of expenses to that extent.

4. Current Liabilities and provisions - (Schedule -6) Rs.95,10,53,514

i) This is understated by Rs. 231.78 lakhs due to non provision of liabilities in respect of the following items of expenditure:

	Rs
a) Printing & stationery charges	1,31,045
b) Consultancy charges	70,784
c) Cost of duty passes payable to Railways	9,84,000
d) Management Fee, etc. payable to SBI Nassau in connection with import of plant and machinery	1,43,82,460
e) Liabilities against contractors bills	76,10,084

ii) Sundry creditors for expenses are overstated by Rs. 101.52 lakhs being items of capital works-in-progress relating to the accounting period 1993-94.

**DEVELOPMENT ACCOUNT**

5. Expenditure during Construction - Depreciation - Rs. 2,36,06,336

This is understated to the extent of Rs. 87.25 lakhs due to adoption of (5.15%) rate of depreciation as against 11.31% rate for Tunnelling equipments employed in construction of Tunnels.

6. Other Administrative Expenses - Schedule 8 Auditors remuneration Rs. 68,656

This does not include Rs.58,302 paid on account of travelling expenses to statutory auditors.

7. Other Administrative Expenses - Schedule 8 - Other Expenses - Rs.2,05,51,541

This does not include Rs. 3.00 lakhs being the amount of premium payable to an insurance company resulting in understatement of expenses to that extent.

GENERAL

8. Accounting policies and Notes forming parts of accounts Schedule 10B

- i) Note No. 9(c) - Rs.19,74,529

This does not include Rs.532.97 lakhs being unadjusted advances paid to steel companies for supply of steel materials.

- ii) Note no. 13(c)

Prior period expenses have been wrongly shown as Rs.14,42,487 instead of Rs.12,49,544.

(REKHA GUPTA)
Pr.Director of Audit



REVIEW OF ACCOUNTS OF KONKAN RAILWAY CORPORATION LIMITED FOR THE YEAR ENDED 31ST MARCH 1993 BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA.

1. Financial Position

The Table below summarises the financial position of the company under broad headings for the first three years ended 31-03-1993.

LIABILITIES	(Rupees in lakhs)		
	1990-91	1991-92	1992-93
(a) (i) Paid up Capital	10599.50	25934.50	34221.94
(ii) Application Money	200.00	300.00	250.00
	<u>10799.50</u>	<u>26234.50</u>	<u>34471.94</u>
(b) Reserves & Surpluses			
(i) Free Reserve and Surplus	-	-	-
(ii) Committed Reserves	-	-	-
(c) Borrowings from:-			
i) Govt. of India	-	-	-
ii) Others	-	-	-
(A) (i) Loans from IRFC,	-	11164.00	12214.00
(ii) Deferred payment arrangement	-	-	1678.12
(B) Short term loans			
(i) from UTI	-	-	20000.00
(ii) from IRFC	-	-	7813.00
(d) Current liabilities and provisions	277.96	1884.17	9510.53
ASSETS			
(e) Gross Block	351.00	1214.10	6214.97
(f) Less Cumulative Depreciation	13.18	104.80	340.86
(g) Net Block	337.82	1109.30	5874.11
(h) Capital work in progress	2684.86	32113.94	76704.53
(i) Investment	-	-	-
(j) Current Assets, Loans & Advances.	8016.43	6018.63	3065.58
(k) Accumulated Loss	-	-	2.57
(l) Miscellaneous expenditure	38.34	40.80	40.80
TOTAL	<u>11077.46</u>	<u>39282.67</u>	<u>85687.59</u>
(m) Working capital (j-d)	7738.47	4134.46	(-) 6444.95
(n) Capital Employed (g+j-d)	8076.30	5243.76	(-) 570.84
(o) Net worth (a+b-k-i)	10761.16	26193.70	34428.57



2. Debt Equity Ratio

The Debt Equity ratio of the company was 0.40 : 1 in 1992-93 as against 0.43 : 1 in 1991 -92.

3. Liquidity and Solvency

- (i) The liquidity of the company in terms of percentage of current asset to total net asset of the company was at 72.62% , 15.34% and 3.58% in 1990-91,1991-92 and 1992-93 respectively.
- (ii) The percentage of current asset to current liability (including provisions) which is one measure of solvency deteriorated to 32.33 in 1992-93 as against 319.43 in 1991-92 and 2884.02 in 1990-91.
- (iii) The percentage of quick asset (sundry debtors, loans and advances, cash and bank balances) to current liability (excluding provisions) was only 32.25 in 1992-93 as against 319.43 in 1991-92 and 2882.02 in 1990-91. This ratio shows the relationship between the liquid assets and current liability. The decrease in quick assets ratio during 1992-93 when compared with previous two years was due to increase in current liabilities and decrease in quick assets.

4. Working Capital

The working capital of the company as on 31st March of the last three years ending 1993 was Rs.7738.47 lakhs, Rs.4134.46 lakhs and (-) Rs.6444.95 lakh respectivel. The negative working capital in 1992-93 is due to increase in current liabilities and provisions.

5. Sources and Utilisation of Funds

Funds amounting to Rs.49594.64 lakhs from internal and external sources were utilised during year 1992-93 as shown below :

Sources of Funds	Rs in Lakhs
(a) Addition to paid-up capital	8237.44
(b) Addition to borrowed funds	30541.12
(c) Decrease in current assets and loan and advances	2953.05
(d) Increase in current liabilities & provisions	7626.37
(e) Addition to cumulative depreciation	236.06
Total funds inflow during the year	<u>49594.04</u>
Utilisation of Funds	(Rs.in Lakhs)
(a) Addition to gross block	5000.87
(b) Addition to capital work-in-progress	44590.60
(c) Increase in accumulated losses	2.57
Total utilisation of funds during the year	<u>49594.04</u>

(REKHA GUPTA)

Pr. Director of Audit



OBSERVATION OF THE BOARD OF DIRECTORS ON COMMENTS OF THE C & AG REPORT

1. SOURCES OF FUNDS

1. This segregation is being shown in the printed copy of the accounts.

2. APPLICATION OF FUNDS

2. Fixed Assets Schedule 3 :

Plants and Machinery Rs.46,39,00,870.00. The amount of Rs.1,07,90,108.00 which should have been debited to Head 2016 - Plant and Machinery (Schedule 3) have been inadvertently booked to "2532 Tunnels Under Schedule 4". This mistake and mistake as regards to depreciation will be rectified in 93-94 accounts. The depreciation on the same, however, will remain @ of 5.15 % as Jumbo Drilling Machines cannot be classified as Earth Moving Machinery.

3. CURRENT ASSETS, LOANS AND ADVANCES (SCHEDULE 3) Other deposits - Rs. 21,26,014.00.

Rs. 20,47,916 out of Rs. 23.89 lakhs should have been booked to pre-paid expenses. (The policies were operational from 4/9/92 and 12/2/92). This will be rectified in 93-94 accounts. The balance amount has been correctly booked in 92-93 accounts.

4. CURRENT LIABILITIES AND PROVISIONS - (Schedule 6) Rs. 95,10,53,512.00

(i) (a) and (b) have not been provided due to oversight and the same will be rectified in 93-94.

(c) Noted. This will be rectified in 93-94 and from 93-94 this provision will be made.

(d) The Management Fee, commitment fee, arrangement fee, legal and out of pocket expenses became due for payment only on June 14 and July 7, 1993 as per the terms of agreement, hence no provision was made in 92-93. Even the RBI's approval for payment was received in 1993-94 only.

(e) The amount of Rs. 76,10,084.00 is included in the provisions made in the accounts for 92-93.

(ii) The amount of Rs. 1,01,52,239.00 pertain to the liability incurred in 92-93 and the bills preferred in 93-94 and as such there is no overstatement or provisions as brought out in comments.



5. DEVELOPMENT ACCOUNT

Expenditure during Construction

Depreciation - Rs. 2,36,06,336.00

The Jumbo Drilling Machines cannot be classified as Earth Moving Machinery, hence the depreciation has been correctly provided @ 5.15%.

6. OTHER ADMINISTRATIVE EXPENSES - Schedule 8

Auditor's remuneration Rs.68,656.00

The amount of Rs.58,302 was neither paid nor reimbursed to statutory auditors but the same was directly incurred by the Corporation and duly accounted for and hence it is not included separately as remuneration to statutory auditors.

7. OTHER ADMINISTRATIVE EXPENSES - Schedule 8

Other expenses Rs.2,05,51,541.00

For want of reconciliation, Rs.3.00 Lakhs could not be included. Now the details are available and the same will be included in 93-94 accounts.

8. ACCOUNTING POLICIES AND NOTES FORMING PARTS OF ACCOUNTS:

Schedule 10B.

i) Note No. 9(c) - Rs.19,74,529

The amount of Rs.5,32,96,687 advance payment made to steel companies for supply of steel materials have been correctly exhibited under the head "Advance for purchase of materials and equipments". The reconciliation of materials received before 31/3/93 is being done and pending reconciliation, it has been kept under "Advance" to have better control. The amount has not been included under item 9(c) of Schedule 10 by oversight and is being corrected in the printed copy of accounts.

ii) Note No. 13(c)

This is a typographical mistake in the notes. The correct figures as per trial balance is Rs.12,49,544.00 and is being corrected in the printed copy of accounts.