



कोंकण रेलवे कार्पोरेशन लिमिटेड
(भारत सरकार का उपक्रम)

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

चतुर्थ वार्षिक रिपोर्ट 1993-94
4TH ANNUAL REPORT 1993-94



KONKAN RAILWAY CORPORATION LIMITED

(A Government of India Undertaking)

FOURTH ANNUAL REPORT

1993-94

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BOARD OF DIRECTORS

1. **SHRI E. SREEDHARAN** - Chairman and Managing Director
2. **SHRI A.K. SOMANATHAN** - Director (Technical)
3. **SHRI B. RAJARAM** - Director (Projects)
4. **SHRI U.V. ACHARYA** - Director (Finance)
5. **SHRI RAJENDRA PAL** - Advisor (Works), Railway Board
6. **SHRI N. RAGHUNATHAN** - Chief Secretary, Govt. of Maharashtra.
ALTERNATE
SHRI V.H. SAKHALKAR - Secretary, Transport, Govt. of Maharashtra.
7. **SHRI D.C. MISRA** - Chief Secretary, Govt. of Goa.
ALTERNATE
SMT. GEETA SAGAR - Secretary, Transport, Govt of Goa.
8. **SHRI J.C. LYNN** - Chief Secretary, Govt. of Karnataka.
ALTERNATE
SHRI S.K. GHOSAL - Addl. Chief Secretary, Govt. of Karnataka.
9. **SHRI R. RAMACHANDRAN NAIR** - Chief Secretary, Govt. of Kerala
ALTERNATE
SHRI N.CHANDRASEKHARAN NAIR - Commissioner & Secretary, Transport, Govt. of Kerala.

COMPANY SECRETARY
SHRI B. SATYANARAYANA

STATUTORY AUDITORS
M/s. SHANKARLAL JAIN & ASSOCIATES

C & AG AUDITORS
Principal Director of Audit,
Central Railway, Bombay V.T.

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 FOURTH ANNUAL GENERAL MEETING

Notice is hereby given that the Fourth Annual General Meeting of the Konkan Railway Corporation Limited will be held at 11.30 hrs. on Tuesday, the 27th September 1994 at Committee Room, Rail Bhavan, Raisina Road, New Delhi 110 001 to transact the following business:-

ORDINARY BUSINESS

1. **Ordinary Resolution :**

To receive and adopt the Director's Report, Balance Sheet and Development Account (in lieu of Profit and Loss account) and Profit and Loss Account (for areas already opened for traffic) for the year ended 31/03/94 and Auditor's Report thereon.

SPECIAL BUSINESS

2(a) **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 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.1500 crores (Rupees One Thousand Five Hundred Crores) or 2.5 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 kept apart for any specific purpose".

2(b) **Special Resolution :**

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

"Resolved that pursuant to the provisions of section 31(1) of the Companies Act, 1956 the existing Article 38(1) of the Articles of Association of the Company be and is hereby deleted and in its place the following Article 38(1) be and is hereby substituted.

"Subject to the provision of Section 58A, 292 and 293 of the Companies Act, 1956 the Directors shall have the power from time to time at their discretion to borrow, raise and secure the payment of any sum of money for the purpose of the company in such manner and upon such terms and conditions in all respects as they think fit and in particular by the issue of debentures or Bonds or promissory notes of the Company or by mortgage, charge upon all or any of the properties of the Company both present and future including its uncalled capital for the time being provided that the ratio between the equity and loan capital shall be maintained at all times at 1 : 2.5".



3. **Ordinary Resolution :**

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

"Resolved that pursuant to Section 293(1)(e) of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the following donations made by the Board of Directors during the year 1993-94

- a) Donation of Rs.50,000/- contributed to Chief Minister, Maharashtra's Earthquake relief fund
and
- b) Donation of Rs.10,00,000/- towards construction of a Musical Fountain in Cubbon Park at Bangalore.

Yours faithfully,

By the Order of the Board of Directors,
for **Konkan Railway Corporation Ltd.**

sd/-

B. SATYANARAYANA
Company Secretary

Belapur, New Bombay
Date : 02.08.1994

Notes :

1. A member entitled to attend and vote at the meeting is also entitled to appoint a proxy to attend and vote thereat instead of himself and the 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 110 001, not less than 48 hours before the time fixed for holding the meeting .
3. The explanatory Statement in respect of Special business as required under Section 173(2) is enclosed.

**EXPLANATORY STATEMENT (PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956)****ITEM 2(a) AND 2(b)**

At the extraordinary General Meeting held on 26/09/93, share holders of the company had approved of the increase in the authorised share capital of the company to Rs.600 crores and revision of the ratio between equity capital and debt to 1:2 from 1:3.5. As a result of the same, the total permissible borrowing by the company works out to Rs.1200 Crores. This modification of the borrowing limit was consented to by the share holders pursuant to the provisions of Section 293 (1) (d) of the Companies Act, 1956, in the 3rd Annual General Meeting.

The detailed estimate for the Project has since been revised from Rs.1391 crores gross (excluding inflation and financing cost) to Rs.1784 crores gross (at the 1993-94 price level). The revised estimate of Rs.1784 crores gross is excluding the financing cost and interest charges of about Rs.300 crores during the period of construction. The revised estimate was approved by the Board of Directors in their 17th Meeting held on 6th April, 1994 and it has been forwarded to the Railway Board for their clearance and is under consideration of the Railway Board.

In view of the revised estimate, the total funds required for completion of the project is Rs.2084 crores with approved equity capital of Rs.600 crores, the balance requirement of Rs.1484 crores is required to be financed necessarily by borrowing. This requires the enhancement of borrowing powers from Rs.1200 crores to Rs.1484 crores and the change in debt equity ratio from 2:1 to 2.5:1. The enhancement of borrowing powers and change in the debt equity ratio requires consent of the share holders of the company. The change in debt-equity ratio needs that existing Article 38 (1) of the Articles of Association to be amended by the General body.

DIRECTOR'S INTEREST

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

ITEM 3.

The State of Maharashtra faced an un-precedented natural calamity when some parts of the State were severely hit by an earthquake resulting in immense loss of properties and human life and which rendered thousands of families homeless. In view of the severity of the situation a generous voluntary contributions were made by the staff and Officers of the Corporation to the tune of Rs.2,10,000/- decided that an amount of Rs. 50,000/- be paid by the Corporation as the State of Maharashtra was not only a beneficiary of the Konkan Railway Project but also the second largest shareholder of the Corporation and the severity of the calamity definitely required assistance from all sources.



In a meeting held in Railway Board on 17/09/93, it was decided that by the Minister of Railways that Konkan Railway Corporation along with Indian Railways and other Public Sector Undertakings under the Ministry of Railways would contribute Rs.10 lakhs towards construction of a musical fountain at the Cubbon Park, Bangalore. This issue was discussed at length by the Board Of Directors at their 16th meeting held on 05/02/94. After the deliberations it was decided to pay Rs.10 lakhs for the purpose as decided in the meeting of the Railway Ministry. With this payment the total contribution made by the Corporation during the year 1993-94 exceeds the aggregate of Rs.50,000. Hence this resolution is put up for the approval of the shareholders as provided under section 293(1)(e) of the Companies Act, 1956.

DIRECTOR'S INTEREST

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



CHAIRMAN'S SPEECH AT THE FOURTH ANNUAL GENERAL MEETING

Gentlemen,

It gives me great pleasure to welcome you all to the Fourth Annual General Meeting of your Corporation. The Directors' Report and Audited Accounts for the year ending 31st March, 1994, as also the Auditors' Report thereon, have already been circulated and, with your permission, I shall take them as read.

General scenario

Your Corporation believes that in a large developing country like ours, Railways will continue to play a very dominant role in the field of transportation. In the emerging scenario of increasing integration of domestic economy with global markets, and expanding industrial activity as a result of liberalisation, a modern and efficient transport infrastructure is vital for the country. Our basic infrastructure is required to grow at a higher rate of, say, 8% to help the economy to attain a growth rate of over 5% in national output and 20% in exports. Substantial investment for expansion and modernisation of transport capacities is, therefore, called for to sustain this growth rate. The options before the country in this regard are very clear. Unless private investments are attracted to strengthen the transport infrastructure, the expansion and modernisation that is needed cannot be achieved. Konkan Railway Project is the first major experiment in the country for creating an important transport infrastructure by tapping private funds. If the Konkan Railway experiment succeeds, it will pave the way for several such projects to be taken up in the country on similar financing pattern. Your Corporation is, therefore, determined to make the B.O.T. concept a resounding success.

Performance during the year

The performance of your Corporation for the year 1993-94 has been already covered in the Directors' Report circulated to you. I shall not, therefore, dwell at length on the events that had taken place till 31st March, 1994. It gives me great pleasure, however, to inform you that the works all along the route are progressing at a hectic pace. We are almost on schedule on most of the works and ahead of schedule in certain areas. However, we are yet to fully make up the time that was lost in the Goa sector on account of the stoppage of works between Bali and Mayem from March 1993 till November 1993. Certain soft soil tunnels are also presenting serious technical problems in progressing fast. The exceptionally severe monsoon in the current year has also caused some set-back in some of our tunnel works. Special efforts are being taken to monitor the critical works and my assessment is the whole line should be ready for goods operations by June, 1995, and for passenger operations by December, 1995.

As on August end, the weighted physical progress achieved on the Project as a whole is 72%. While the progress achieved on earthwork and minor bridges is 84%, on major bridges the progress is ahead of schedule (83%). Only three major bridges, viz. the Savitri bridge near Sangameshwar and the two major bridges in Goa across Zuari and Mandovi rivers, may extend upto March, 1995. In regard to tunnels, the overall progress is behind the needed proportionate progress. The rate of tunnelling needs to be improved to adhere to the target date. This is all the more so, as in long tunnels after completion time is needed to lay the ballastless track.

I am happy to inform you the second longest tunnel on this Project, viz. the Nathuwadi tunnel, which is about 4.4 km in length, has been made through on 6.9.94. Today, this is the longest railway tunnel in the country. Preliminaries to lay ballastless track in this tunnel are already on hand.

Asia's tallest bridge, which is a viaduct across Panval Nadi near Ratnagiri, has also been completed. Konkan Railway has the distinction of bringing to the country the technology of "incremental launching", in building this bridge. The deck of this bridge, which is in the form of a continuous pre-stressed concrete BOX girder, weighing about 4300 tonnes, was pushed from one end using hardly 75 tonnes of force. This viaduct will stand as an important land-mark in the upgradation of bridge technology in this country.

I am also happy to inform you that your Corporation has been able to develop and perfect a ballastless track structure for adopting in long tunnels. This is a major break through in the area of permanent way upgradation in the country.

Train operations

As you are aware, passenger trains are already in operation on the Mangalore-Udupi section in the south and Roha-Veer section on the northern end. While the services on the Roha-Veer section are fairly well



patronised, the services between Mangalore-Udupi are very poorly patronised. As these passenger services are now running at a loss, your Corporation has no proposal to extend the passenger services further, until the whole line is ready.

Funds position

The up-to-dated cost of the Project now stands at Rs.1784 crores gross. It will be recalled, the cost of the Project as estimated in November 1991, was Rs.1385.5 crores. The increase in the cost was mainly due to increase in the acquisition cost of land, inflation during the intervening period, increase in the length of lining of tunnels necessitated due to geological reasons, works stoppage in Goa sector and adoption of the recommendations of Justice Oza Committee.

Financing cost during the construction period has now been estimated as Rs.300 crores approximately. To raise the required funds based on the revised cost, the equity base of your Corporation has since been raised from Rs.400 crores to Rs.600 crores. I wish to take this opportunity to thank the Railway Ministry and the four State Governments for coming to the assistance of the Corporation by raising the equity base to Rs.600 crores.

You are aware, right from the start, the Corporation has been facing serious difficulties in raising funds for the Project. It was only towards end of April, 1993, that the Government of India finally agreed to allow the Konkan Railway Corporation itself to raise the funds for the Project. Till then, Indian Railway Finance Corporation was issuing Bonds for this Project. I am happy to inform you, once we had the authorisation to issue Bonds, there has been a dramatic change in the fund mobilisation for this Project. Our public issue of "Konkan Railway Bonds" has netted Rs.230.86 crores, and a further Rs.423.06 crores was raised by the Corporation on private placement basis during 1993-94, making the total fund raised through issue of tax-free Bonds till June, 1994, to Rs.785.03 crores (including fund mobilised through IRFC to the extent of Rs.131.14 crores). To keep up the progress of the Project, we had to resort to short term bridging loans which, I am happy to inform you, as the Bond realisation takes place, we are able to close one by one.

In the current financial year, we have just received authorisation to float Bonds to the extent of Rs.450 crores and I expect no difficulty to raise this money, as today the Bond market is quite favourable.

"Konkan Railway Bonds" are already listed in New Delhi, Bombay, Bangalore, Mangalore and Cochin Stock Exchanges, and action has been initiated to enlist them in the National Stock Exchange as well.

Operation stage

Now that the construction phase of the project is drawing to a close, we have already commenced our exercises in regard to the organisational set up, induction and training of staff, mobilisation of rolling stock and such other activities needed during the operation stage. As during the construction phase, it will be your Corporation's endeavour, during the operation stage also, to bring in an entirely new and distinct philosophy of management with a view to ensure full customer satisfaction and maximum profitability which, I am sure, will serve as an example to the rest of the Indian Railways.

Acknowledgement

In conclusion, I must thank the Ministry of Railways, various other Ministries of the Government of India and the four participating State Governments for the co-operation and assistance extended to your Corporation.

I wish 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 so much in such a 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 Konkan Railway Corporation Limited have great pleasure in presenting the fourth Annual Report on the working of your Company, together with audited statement of accounts for the financial year ended 31st March, 1994.

Operations of the Company

The year 1993-94 was the fourth year of existence of the Corporation. From the point of view of timely completion of the Project as per the target date in March '95, this was perhaps the most important year upto now. We are happy to report that we have been able to achieve brisk progress all along the alignment and we are hopeful that the Project would be ready for goods operation as per schedule. By March '94, the weighted progress of the entire project was more than 65%.

Opening of Roha-Veer Section

The 47 km long section from Roha to Veer was declared open for passenger traffic on 27/09/93 by Shri. Sharad Pawar, the Hon'ble Chief Minister of Maharashtra. One pair of passenger trains has since been running regularly.

Financial Results

Except for commercial operations on two small sections i.e., Mangalore-Udupi (68 kms in South) and Roha-Veer (47 kms), the Corporation is still in the process of execution of the Project and the profile of expenditure incurred on construction activities is given below :-

	(Rs. in Crores)
Capital Works in Progress including advance and deposits for works	1248.42
Other Fixed Assets (After Depreciation)	74.12
Current Assets (Net)	(68.86)
Preliminary Expenditure	14.79
Total	1268.47



Share Capital

It may be recalled that the authorised capital of your Company was increased to Rs.600 Crores at the extra-ordinary general meeting held on 29/06/93 and the debit:equity ratio was fixed at 2:1

In 93-94 Equity shares have been allotted against subscriptions received from the Government of India and the participating State Govts. to the extent of Rs.13,425.00 Lakhs as per details furnished below. With this, paid up share capital of the company stands increased to Rs.47,896.92 lakhs from the level of Rs.34,471.92 lakhs.

	(Rupees in thousands)		
	Upto 92-93	93-94	Total
Ministry of Railways	203,71,92	51,00,00	254,71,92
Government of Maharashtra	66,00,00	66,00,00	132,00,00
Government of Goa	15,00,00	1,00,00	16,00,00
Government of Karnataka	45,00,00	11,25,00	56,25,00
Government of Kerala	15,00,00	5,00,00	20,00,00
Total	344,71,92	134,25,00	478,96,92

Revision of Project Estimate

The Corporation had submitted a revised Project Estimate of Rs.1385.5 crores at 1991-92 price-levels to Ministry of Railways for sanction in December '91. As per the desire of Ministry of Railways, this estimate has now been updated to 1993-94 price levels and has been re-submitted to the Ministry of Railways in Feb. '94. The updated cost of the project at 1993-94 price levels has been estimated at Rs.1784 crores gross. There will be an additional liability of Rs.300 crores towards financing cost including interest liability on Bonds during construction period, management fee & other service charges on Bonds and interest paid on Short-term Bridge Loans.

Issue of Bonds

1993-94 was the first year during which the Corporation was permitted to issue its own tax-free Bonds. Previously, the Government sanctions have been issued in favour of Indian Railway Finance Corporation to the extent of Rs.350 crores for issue of tax free bonds on behalf of the Corporation.

During the year 1993-94, Konkan Railway Corporation was authorised to issue tax-free Bonds by the Central Government for a sum of Rs.400 Crores. Rs.227.9 Crores being unutilized balance from the sanctions issued in favour of I.R.F.C. during previous years, was also re-validated to be issued by Konkan Railway Corporation.

We are happy to report that the Corporation placed Bonds for an amount of Rs.445.73 crores during the financial year including Rs.230.85 crores placed through a Public Issue.

We are also happy to report that the balance amount of Rs.173.02 crores, which was revalidated by the Ministry of Finance to be issued during 1994-95 has also been fully subscribed. Thus the sanction for Rs. 750 crores issued by the Central Government upto now has been fully utilised.



Bridge Finance

The Corporation had taken a bridge loan of Rs.200 crores from Unit Trust of India and Rs.88 crores from IRFC during the year 1992-93. The loan taken from IRFC has been fully repaid in June '94. The Corporation has also paid back Rs.165 crores to UTI. New bridging loans were also taken in 93-94, to the tune of Rs.125 crores (SBI-Rs.50 crores, Dena Bank Rs.50 crores, Bank of Maharashtra Rs.25 crores). All these loans except Rs.30 crores taken from Dena Bank in March 94 have already been liquidated. The Corporation has also taken a new bridging loan of Rs.140 crores from M/s. Bharat Dynamics Ltd. (a Public Sector undertaking of Ministry of Defence) to tide over the interim period before bond issues in 94-95. The bridging loans outstanding at the end of June 94 are as under :

UTI	..	Rs.35 crores Payable in Dec.'94.
Dena Bank	..	Rs.30 crores payable in Sept.'94.
Bharat Dynamics	...	Rs.140 crores payable in Aug./Sept '94

Goa Sector

It had been reported to you that the work in Goa Sector had been stopped temporarily as per the instructions received from the Ministry of Railways. Since then, the High Level Committee, headed by Justice G.J. Oza, Retired Judge, Supreme Court of India, has submitted its report to the Govt. We are happy to report that the high level committee has not suggested any major changes in the alignment of the disputed portion and the Govt. has accepted the report in toto. The Central Government has also accorded permission to resume work in the concerned section. The work has since been resumed from November 1993 at a brisk pace.

Dividend

The Directors do not propose to recommend payment of dividend, as the Corporation is still in construction stage.

Meeting of the Board of Directors

During the year under Report, four 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 (Amendment) Act, 1988 is furnished as under :

	1993-94	Previous Year
Foreign Exchange Earnings	Rs.12,520	Nil
Foreign Exchange Outgo	Rs.8,98,89,597	Rs.7,12,57,884



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 (particulars of employees) Rules, 1975 amendments thereof from time to time are not attached.

Directors

During the year under report, the following Directors held offices :-

Shri.E.Sreedharan, CMD	From 31.10.90
Shri.A.P.Chopra	From 14.11.91 to 31.01.94
Shri.L.C.Monga	From 10.01.92 to 30.04.93
Shri.P.S.Bhatnagar	From 18.03.92 to 27.05.94
Shri.A.K.Somanathan	From 08.04.92
Shri.B.Rajaram	From 26.10.93
Shri.U.V.Acharya	From 01.02.94
Shri.J.C.Lynn	From 09.02.93
Shri.N.Raghunathan	From 16.03.93
Shri.Rajendra Pal	From 23.06.93
Shri.K.V.Rabindran Nair	From 01.09.92 to 28.02.94
Shri.Ramchandran Nair	From 01.03.94

Auditors

The Company Law Board, New Delhi, on the advice of Comptroller & Auditor General of India, have appointed M/s.Shankarlal Jain & Associates, Chartered Accountants, as Statutory Auditors for the year 93-94.

Acknowledgement

The Board of Directors gratefully acknowledge the assistance, active support and guidance received from the Indian Railways, IRFC, UTI and the State Govts. 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 PSUs 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
sd/-

E.Sreedharan
CHAIRMAN & MANAGING DIRECTOR

**BALANCE SHEET as at 31st March 1994**

	Schedule No.	As at 31st March 1994		As at 31st March 1993	
		Rs.	Rs.	Rs.	Rs.
I. SOURCES OF FUNDS					
(1) Shareholders' funds :					
(a) Capital	1		478,96,94,000		344,71,94,000
(2) Loan Funds					
(a) Loans & Advances	2		789,98,58,870		417,05,11,830
			1268,95,52,870		761,77,05,830
II. APPLICATION OF FUNDS					
(1) Fixed assets :					
(a) Gross Block (At cost)	3	86,04,31,567		62,14,96,861	
(b) Less depreciation		11,91,76,263		3,40,86,274	
(c) Net block		74,12,55,304		58,74,10,587	
(d) Capital works in progress and advances and deposits for Capital works	4	1248,43,89,257		767,04,53,360	
			1322,56,44,561		825,78,63,947
(2) Current Assets, Loans and Advances	5	72,82,48,814		30,65,57,630	
Less :					
Current liabilities and provisions	6	141,69,58,158		95,10,53,512	
Net current assets			(68,87,09,344)		(64,44,95,882)
(3) Miscellaneous Expenditure (to the extent not written off or adjusted)					
i) Preliminary Expenses		40,80,429		40,80,429	
ii) Expenditure on Public issue of Bonds		13,78,79,904		---	
			14,19,60,333		40,80,429
(4) Profit & Loss Account			1,06,57,319		2,57,336
TOTAL			1268,95,52,870		761,77,05,830
Accounting policy & Notes forming part of Accounts	12				

Schedule 1-12 form an integral part of accounts

On behalf of the Board.

As per our report of even date
For Shankarlal Jain & Associates
Chartered Accountantssd/-
S.L.AGRAWAL
Partnersd/-
U.V.ACHARYA
DIRECTOR(F)sd/-
E.SREEDHARAN
CHAIRMAN AND MANAGING DIRECTORBombay
Dated : 02.08.94

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDING 31st MARCH, 1994**

	Schedule No.	Current year (Rs.)	Previous year (Rs.)
A. Earnings from passenger traffic		6,05,513	32,269
B. Expenses on train operations			
1. Expenses on staff	10	25,19,340	22,114
2. Hire charges for Rolling Stock & Motive power.		24,23,134	2,07,857
3. Fuel		11,79,061	27,825
4. Compensation claims		82,699	—
5. Repairs and Maintenance			
a) Permanant Way	33,30,595		
b) Station and Other buildings	4,43,380		
c) Equipment	2,58,285	40,32,260	—
6. Commission		9,547	—
7. Other operating expenses	11	7,59,454	31,809
Net Loss of Train Operations		(1,03,99,983)	(2,57,336)
Add loss brought forward		(2,57,336)	—
Total loss transferred to Balance Sheet.		(1,06,57,319)	(2,57,336)

Schedule 1-12 form an integral part of accounts

On behalf of the Board.		
As per our report of even date		
For Shankarlal Jain & Associates		
Chartered Accountants		
sd/- S.L.AGRAWAL Partner	sd/- U.V.ACHARYA DIRECTOR(F)	sd/- E.SREEDHARAN CHAIRMAN AND MANAGING DIRECTOR
Bombay		
Dated : 02.08.94		

**DEVELOPMENT ACCOUNT FOR THE YEAR 01.04.93 TO 31.03.94**

	Schedule No.	Current year (Rs.)	Previous year (Rs.)
I. EXPENDITURE DURING CONSTRUCTION			
i) Survey		10,41,583	1,98,62,281
ii) Salaries & Allowances	7	9,11,93,755	7,81,64,488
iii) Other Administrative Expenses	8	112,64,07,224	39,39,88,404
iv) Depreciation		8,50,89,989	2,36,06,336
v) Provision for Wealth Tax		1,60,000	4,00,568
II. LESS INCIDENTAL INCOME	9	(2,00,32,754)	(3,05,43,182)
Transfer to capital works in progress (Schedule No.4)		128,38,59,796	12,20,33,673

Schedule 1-12 form an integral part of accounts

On behalf of the Board.		
As per our report of even date For Shankarlal Jain & Associates Chartered Accountants		
sd/- S.L.AGRAWAL Partner	sd/- U.V.ACHARYA DIRECTOR(F)	sd/- E.SREEDHARAN CHAIRMAN AND MANAGING DIRECTOR
Bombay Dated : 02.08.94		

**SCHEDULE 1 - SHARE CAPITAL**

	As at 31-3-94 Rs.	As at 31-3-93 Rs.
AUTHORISED		
60,00,000 Equity shares of Rs.1,000 each (Previous year 40,00,000)	<u>600,00,00,000</u>	<u>400,00,00,000</u>
ISSUED, SUBSCRIBED & PAID UP		
47,89,694 Equity shares of Rs.1,000 each (Previous year 34,22,194)	478,96,94,000	342,21,94,000
Application money for allotment of shares	—	2,50,00,000
TOTAL	<u>478,96,94,000</u>	<u>344,71,94,000</u>

SCHEDULE 2 - LOANS & ADVANCES

	As at 31-3-94 Rs.	As at 31-3-93 Rs.
I. LOANS		
a) <u>Secured Loans</u>		
i) Loans from IRFC (being the proceeds of 9% Tax-free bonds for Rs.111.64 Crores, & 10.5% Tax-free Bonds for Rs.19.5 Crores issued by IRFC for Konkan Railway Project)	131,14,00,000	122,14,00,000
ii) Proceeds of Tax-free Bonds issued by the Corporation (44,57,397 number of 10.5% Tax-free bonds of Rs.1000 each.) (Includes Rs. 40,000 received from directors)	445,73,97,000	—
b) <u>Unsecured Loans</u>		
i) Short term loans	198,00,00,000	294,91,11,830
ii) Foreign currency loan (Amount payable during 94-95 is Rs.1.66 Crores)	15,10,61,870	—
TOTAL	<u>789,98,58,870</u>	<u>417,05,11,830</u>

**SCHEDULE 3 - FIXED ASSETS**

(Figures in Rs.)

SL. NO.	PARTICULARS	GROSS BLOCK			DEPRICIATION BLOCK			NET BLOCK	
		BALANCE AS AT 1.4.93	ADDITIONS DURING THE YEAR	TOTAL AS AT 31-3-94	UPTO 31-3-93	FOR THE YEAR	TOTAL AT 31-3-94	TOTAL AS AT 31-3-94	BALANCE AS AT 31-3-93
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1.	BUILDINGS	7,10,11,111	2,51,28,034	9,61,39,145	90,28,396	52,41,619	1,42,70,015	8,18,69,131	6,19,82,715
2.	PLANT & MACHINERY	46,39,00,870	19,97,41,485	66,36,42,355	1,19,62,616	7,02,24,650	8,21,87,266	58,14,55,089	45,19,38,254
3.	OFFICE EQPT. & PERIPHERALS	2,15,80,413	67,91,457	2,83,71,870	29,76,088	23,73,917	53,50,005	2,30,21,865	1,86,04,325
4.	FURNITURE & FIXTURES	1,56,66,149	14,57,807	1,71,23,956	8,37,630	10,42,533	18,80,163	1,52,43,793	1,48,28,519
5.	VEHICLES	4,93,38,318	58,15,924	5,51,54,242	92,81,544	62,07,271	1,54,88,815	3,96,65,427	4,00,56,774
	TOTAL	62,14,96,861	23,89,34,706	86,04,31,567	3,40,86,274	* 8,50,89,989	11,91,76,263	74,12,55,304	58,74,10,587
	PREVIOUS YEAR	12,14,09,507	50,00,87,354	62,14,96,861	1,04,79,938	2,36,06,336	3,40,86,274	58,74,10,587	11,09,29,569

* Includes an amount of Rs. 95,80,729 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 31-3-94 Rs.	As at 31-3-93 Rs.
I. WORKS		
i. Land	76,90,49,579	71,41,01,419
ii. Structural Engg. Works		
a) Formation	357,34,33,903	225,59,07,384
b) Permanent way	88,15,98,220	52,85,91,622
c) Bridges	277,07,44,122	155,60,24,159
d) Station & Bldgs	16,50,13,649	10,74,63,722
	739,07,89,893	444,79,86,887
iii. Equipment, Plant & Machinery	14,09,69,528	9,03,28,421
II. CONSTRUCTION MATERIAL		
i. Rails	18,40,37,731	1,63,81,973
ii. Sleepers	48,50,78,635	21,88,12,479
iii. Cement	3,60,53,907	2,33,40,980
iv. Steel	22,11,65,060	33,07,49,936
v. Diesel	52,55,697	31,30,820
vi. Explosives	2,00,54,109	1,07,67,496
vii. Others	40,38,83,226	5,04,15,933
	135,55,28,365	65,35,99,617
(includes materials in transit Rs.33,19,23,338 previous year Rs.nil)		
III. Balance in Development Account to be allocated to items of Capital work in progress when completed		
a) As at 1-4-93	68,47,54,757	21,43,61,000
b) As per development account for the year	128,38,59,796	196,86,14,553
	196,86,14,553	47,03,93,757
	1162,49,51,918	68,47,54,757
		659,07,71,101
B. ADVANCE & DEPOSITS FOR CAPITAL WORKS		
i. Contractors & Suppliers	59,30,99,763	78,16,41,664
ii. Land Acquisition	1,14,63,646	1,00,39,508
iii. Purchase of Materials & Equipment	25,48,73,930	28,80,01,087
	85,94,37,339	107,96,82,259
TOTAL	1248,43,89,257	767,04,53,360

**SCHEDULE 5 - CURRENT ASSETS AND LOANS AND ADVANCES**

	As at 31-3-94 Rs.	As at 31-3-93 Rs.
A - CURRENT ASSETS		
i. Interest Accrued	1,67,10,471	1,77,20,886
ii. Cash in Hand	3,16,396	2,51,339
iii. Cash in Transit	—	50,00,000
iv. Balance with Scheduled banks		
a) Current Account	34,87,18,099	11,94,44,218
b) Term Deposit (Out of this deposits of Rs.10 Crores pledged with bankers)	31,16,06,000	12,93,10,319
	66,03,24,099	24,87,54,537
v. Traffic Earnings due from other Railways	1,52,455	4,638
vi. Sundry receivables	48,04,708	—
	<u>68,23,08,129</u>	<u>27,17,31,400</u>
B. LOANS & ADVANCES		
(Unsecured, considered good unless otherwise stated)		
i. Advances recoverable in cash or in kind or for value to be received	3,89,34,655	2,70,80,261
ii. Advances to employees	2,65,210	1,18,523
iii. Deposits for accommodation	52,54,270	52,08,280
iv. Deposits for Telephone	3,44,088	2,93,152
v. Other Deposits	11,42,462	21,26,014
	<u>4,59,40,685</u>	<u>3,48,26,230</u>
TOTAL	<u>72,82,48,814</u>	<u>30,65,57,630</u>

**SCHEDULE 6 - CURRENT LIABILITIES & PROVISIONS**

	As at 31-3-94 Rs.	As at 31-3-93 Rs.
A. CURRENT LIABILITIES		
I - SUNDRY CREDITORS		
i. Contractors & Suppliers	16,13,22,923	12,01,34,667
ii. Expenses	85,62,62,141	63,95,74,302
iii. Payable to Railways		
a) Train operating expenses	40,01,620	2,35,682
b) Apportioned share of earnings	2,93,020	42,94,640
c) Others		2,35,682
iv. Other Liabilities	1,02,40,884	5,84,21,073
v. Interest accrued but not due		
a) Loans	17,46,88,994	13,21,79,260
b) Bonds	20,93,87,400	—
c) Others	2,00,608	1,07,960
	38,42,77,002	13,22,87,220
B. PROVISIONS		
Provision for Wealth Tax	5,60,568	4,00,568
TOTAL	<u>1,41,69,58,158</u>	<u>95,10,53,512</u>

SCHEDULE 7 - SALARIES, ALLOWANCES & BENEFITS

	Current year Rs. 93-94	Previous year 92-93 Rs.
i. Salaries & Allowances	8,17,66,748	7,13,75,616
ii. Contribution to Provident & other Funds	46,15,429	32,04,831
iii. Foreign Service Contribution	21,64,325	31,56,377
iv. Staff Welfare	26,47,253	4,27,664
TOTAL	<u>9,11,93,755</u>	<u>7,81,64,488</u>

**SCHEDULE 8 - OTHER ADMINISTRATIVE EXPENSES**

	Current year Rs.	Previous year Rs.
i. Rent (Office & Residential buildings)	1,04,86,612	93,14,407
ii. Insurance (Other than vehicles)	11,11,441	—
iii. Printing & Stationary	37,44,062	28,13,245
iv. Postage, Telephone & Telex	1,52,37,394	86,29,872
v. Travelling & Conveyance	2,46,07,386	2,03,99,497
vi. Building Maintenance	15,30,310	18,28,182
vii. Vehicles		
a) Operation & Maintenance	1,45,66,106	1,05,76,146
b) Insurance and Taxes	18,45,607	45,08,992
viii. Repairs & Maintenance (Others)	2,52,10,284	1,18,99,279
ix. Electricity & Water Charges	19,59,996	17,30,605
x. Advertisement & Publicity	1,21,72,650	20,77,758
xi. Auditors Remuneration	1,00,772	68,656
xii. Finance charges		
a) Management fee on Bonds & Service charges paid to IRFC	10,74,49,684	63,00,000
b) Interest on Bonds (includes Rs.1108 paid to Directors)	12,58,87,428	1,00,000
c) Interest on long term loans	76,01,19,958	29,49,19,496
xiii. Donations	10,50,000	—
xiv. Other Expenses	1,93,35,908	1,88,22,269
TOTAL	<u>112,64,07,224</u>	<u>39,39,88,404</u>

**SCHEDULE 9 - INCIDENTAL INCOME**

	Current year Rs.	Previous year Rs.
i. Interest from Banks (Gross)	1,59,37,900	2,86,05,450
ii. Sale of Tender Form Etc.	2,85,816	16,350
iii. Rent recovery	3,75,410	3,15,723
iv. Other Receipts	3,69,291	16,05,659
v. Excess interest provision written back	30,64,337	—
TOTAL	<u>2,00,32,754</u>	<u>3,05,43,182</u>

SCHEDULE 10 - EXPENSES ON STAFF

	Current year Rs.	Previous year Rs.
i) Salary and wages	24,41,190	22,114
ii) Other staff expenses	78,150	—
TOTAL	<u>25,19,340</u>	<u>22,114</u>

SCHEDULE 11-OTHER OPERATING EXPENSES

	Current year Rs.	Previous year Rs.
i. Electricity and water charges	2,58,503	—
ii. Cost of tickets and forms	8,146	—
iii. Travelling expenses	1,620	—
iv. Telephone and communication	77,924	—
v. Miscellaneous expenses	46,765	—
vi. Other sundry expenses	3,66,496	31,809
TOTAL	<u>7,59,454</u>	<u>31,809</u>

**SCHEDULE 12-ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS****A) APPLICABLE SIGNIFICANT ACCOUNTING POLICIES**

1. The company after completion of the project 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 cost 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 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. The Fixed Assets are stated at cost of acquisition, including financing costs and other attributable expenses or construction less depreciation.

(b) The company follows accrual method of accounting except Bonus and some petty expenses which are accounted on cash basis. Accordingly, these petty expenses have not been bifurcated and accounted as prepaid and prior period expenses. Further, as the project is under construction stage, all the expenses are part of development account which forms part of capital work in progress. Hence this accounting doesn't have any affect on over all capital cost of the project.
4. (a) 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 Company 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.

(b) Depreciation is charged pro-rata from the month of addition of assets.

(c) Consequent to the amendment of Schedule XIV of the Companies Act, 1956 vide notification dated December 16, 1993 of the department of company affairs, the company has decided to depreciate all the Fixed Assets at the SLM rates (including assets whose actual cost not exceeding Rs. 5,000/- are depreciable at 100%) as prescribed in the amended Schedule XIV with effect from 1st April, 1993. However, as a result of this change the depreciation charge for the year is higher by Rs. 3.87 lakhs.

Depreciation on Fixed Assets whose cost doesn't exceed Rs.5,000/- should be provided at the rate of 100% as per the above amended rates of Schedule XIV such amount of depreciation on these fixed assets hasn't been ascertained. Consequently depreciation charges for the year and Fixed Assets are understated and overstated respectively to that extent.

(d) Lease hold land are not amortised over the period of lease.
5. The inventories of construction material like Cement, Steel, Rails, Sleepers and other construction materials procured essentially to be used in capital works, are shown at cost in the fixed asset block.

**6. Foreign Exchange Transactions**

Assets and Liabilities related to foreign currency transactions remaining unsettled at the end of the year are converted at rates prevailing at the end of the year. If the result of the conversion is a gain, such gain is ignored. If the result is loss, it is accounted for.

7. Employees Retirement benefits

Company's monthly contribution to Provident Fund and other Funds during the year are paid by the Company on accrual basis.

8. Expenditure during Construction

All the pre-operative expenditure including interest on borrowings for the project, incurred upto the completion of the project, will be capitalised at the end of completion and will be added pro-rata to the cost of fixed assets.

9. Interest Income

Interest income is recognised on a time proportion basis depending upon amount outstanding and the rate applicable.

10. Contractor's claims

- a) Claims for escalation by contractors are accounted for only when such claims are accepted after due verification.
- b) The contractors liabilities are taken into account on the basis of works completed and measured upto 31.3.94 or on pro-rata basis for works completed before 31.3.94 but measured and billed upto 30.6.94.

B) NOTES TO THE ACCOUNTS

11. The company 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 company discharges its loans raised liabilities for financing the Project.

According to the Memorandum of Understanding the contribution made by the State Governments towards Equity would be paid at par by the Government of India on the Company liquidating the loans obtained for completing the Project.

12. (a) The Company 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 Company opened two sections of short distances, from Mangalore to Udupi and from Roha to Veer on 21.3.93 and 27.9.93 respectively. Barring this, the major portion of the Project is still under execution. Profit and Loss account has been drawn for the stretches already opened for traffic to show the results of the operations of providing the facility of passenger traffic.
- (c) The passenger trains are being run by the Southern Railway (Mangalore-Udupi) and Central Railway (Roha-Veer) as a provisional measure and a detailed Memorandum of Understanding has been sent for the approval of Ministry of 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 Southern Railway & Central Railway. The Company share of passenger traffic income collected by the Railway stations operated by other Railways and share payable to other Railways out of the collections made by this Company have been accounted for based on the available information though confirmation from the respective Railways are yet to be received.

After approval of Memorandum of Understanding by the Ministry of Railways, if any changes arise it will be accounted for during that year.

- (d) Where, the assets already put in operation, the full costs of the assets 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; and the same are continued to be shown in capital works-in-progress.
 - (e) 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 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 Company intends to provide for the depreciation only when the full value of the assets in operation after allocation of developmental expenditure is available. Due to this, the fixed assets are overstated and loss during the year on account of train operation are understated by the amount of depreciation which is unascertained.
 - (f) The Corporate office establishment and other expenses, allocable, on the passenger traffic operation are yet to be ascertained. Due to this the loss of the year is under stated to that extent.
13. (a) Land cost includes indirect expenses directly incurred in the process of acquisition of land and advance provisional payments consequent to awards based on certificates of Special Land acquisition officer which will be reconciled and finally adjusted as and when final awards are received.
- (b) The Title deeds are either still be obtained or the mutation in the name of the Company are still to be entered in the revenue records of the states concerned.



- (c) Land under work in progress includes lease hold land which has to be transferred to Fixed Assets heads after due verification.
14. (a) Amount spent by the Government of India, Ministry of Railways through Central Railway and Southern Railway approximately amounting to Rs.94,461 and Rs.33,22,000 (previous year figures Rs.2,28,000 and Rs.33,22,000) have not been brought to book 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 Company to run the passenger traffic. Though the entire payment of Rs.5.40 Crores have already been paid to Southern Railway (Rs.4.40 Crores in 93-94 and Rs.1.00 Crore in previous year), pending receipt of the details of the expenditure, the above sum has not been accounted for and the amount of Rs.5.40 Crores paid has been as advance included in the loans and advances recoverable in cash or kind. The same will be adjusted to final head only after details of expenditure incurred are received from Southern Railway.
- (c) Advance for materials and other advances could not be adjusted to the final head amounting to Rs.25,48,73,930 (previous year Rs.28,80,01,087) in the absence of receipt of materials or receipt of related bills or want of relevant data for adjustment.
15. Inventories of construction material like Cement, Steel, and other stores are lying in the stores and at site are not physically verified fully and reconciled.
16. Sundry balances of Loan taken, sundry receivables, Bank balance deposits due to and due from Contractors/Suppliers are subject to confirmation.
17. (a) The Loan from Indian Railway Finance Company Limited (IRFC) represents the gross face value of Bonds issued on a private placement by IRFC on behalf of the Company. The loan carries the same rate of interest as the Bonds.
- (b) The loan is secured by a hypothecation charge of present and future movable and immovable assets including book debts.
- (c) 10.5% Tax-free bonds issued by company are secured by 1st charge by way of hypothecation of movable assets both present and future. The company has also given an undertaking to the trustees of bonds to create a mortgage over its immovable properties relating to the Konkan Railway Project.
- (d) The necessary Bond Redemption Reserve will be created in the year in which the company will have profit.
18. The Company has been advised 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.
19. The Government of India vide its Notification No.F.No.:134/7/93-CX.4 dated 4th April, 1994, (Adhoc Exemption order No.2/2/94) has exempted, prestressed concrete sleepers manufactured and supplied during the period from December, 1991 to 31.03.1995, from payment of the whole of excise duty. As the notification is valid from retrospective date, the amount of refund of excise duty will be adjusted as and when received.



20. Donation of Rs.10,50,000/- given during the year is subject to approval of Shareholders of the company as required under section 293(1)(e) of the Companies Act,1956.

21. Advances to works include Rs.3,000/-(Previous year Nil) due from an officer of the company. Maximum balance outstanding on any day during the year was Rs.6,000/- (previous year Nil).

22. Contingent Liabilities not provided for

(a) Estimated amount of contracts remaining to be executed and not provided for Rs. 402.93 Crores (previous year Rs. 534.91 crores).

(b) Contractor's and other claims against the company, not acknowledged as debt are Rs. 20.14 Crores. (Previous Year Rs. 19,50,484)

(c) Various court cases have been filed by land owners in civil courts for revision of the amount of awards passed by the State Government. The amount of likely liability on this account is not ascertainable.

23. (a) Directors' Remuneration

The remuneration of Directors' is as under:-

	Current Year (Rs.)	Previous Year (Rs.)
Salary and allowances	2,77,451	1,72,352
Contribution to Provident Fund.	21,408	17,703
Pension contribution paid to Railways	6,444	—
Perquisites	21,418	—

(b) Auditors' Remuneration

Auditors' remuneration is as under:-

	Current Year (Rs.)	Previous Year (Rs.)
For Audit fee	40,000	40,000
For Tax Audit	30,000	15,000
For reimbursement of out of pocket expenses	30,772 (*)	13,665

(*) include Rs. 8,374/- incurred by previous year's statutory auditors.

**24. Foreign Currency Expenditure:-**

	Current Year (Rs.)	Previous Year (Rs.)
Purchase of Equipment	7,19,83,661	7,04,41,609
Travel	8,33,441	8,10,048
Others	1,62,39,054	6,227

25. Value of imports on C.I.F. basis.

(Excluding freight element)

	Current Year (Rs.)	Previous Year (Rs.)
Capital goods	7,19,83,661	7,04,41,609

26. Previous year's figures have been arranged to make them comparable with current year figures.

27. Figures have been rounded off to the nearest rupee.

Signature for Schedules 1-12.

On behalf of the Board.		
As per our report of even date For Shankarlal Jain & Associates Chartered Accountants		
sd/- S.L.AGRAWAL Partner	sd/- U.V.ACHARYA DIRECTOR(F)	sd/- E.SREEDHARAN CHAIRMAN AND MANAGING DIRECTOR
Bombay Dated : 02.08.94		



AUDITOR'S REPORT

To the members of Konkan Railway Corporation Limited .

We have audited the attached Balance Sheet of Konkan Railway Corporation Limited as at 31st March, 1994, the Development Account and Profit and Loss Account of the Company for the year ended on that date, annexed thereto and report that:-

1. As required by the Manufacturing and Other Companies (Auditors'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 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. 4(c) regarding Excess/Short depreciation provided.
 2. Note No. 12(d) regarding completed assets which are in use shown as Capital works in progress.
 3. Note No. 13(a) land cost subject to reconciliation and final awards are yet to be received.
 4. Note No. 14(a) & (b) regarding non adjustment of expenditure Rs. 5,40,94,461.00 incurred by other Agencies.
 5. Note No. 14 (c) regarding non adjustment of certain advances amounting to Rs. 25,49,73,930.00 and subject to confirmation.
 6. Note No. 15 Inventories of Construction material are subject to reconciliation and not verified physically fully.



7. Note No. 16 some of the Bank balances, sundry receivables, due to and due from contractors/ suppliers are subject to confirmation.
8. Note No. 18 regarding the liability of Income Tax.
9. Note No. 20 regarding Donation paid of Rs.10,50,000.00 subject to approval of Shareholders as required U/s 293 (l) (e) of the Companies Act, 1956.

Given 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, 1994.
- ii) in the case of the Development Account for the year ended on that date, of the net expenditure carried to the Balance Sheet and
- iii) in the case of the Profit and Loss Account for the year ended 31st March, 1994, the Loss could be fully quantified to be true and fair only subject to the adjustments contemplated in Note No.12 (c), (e) & (f) for depreciation and allocable expenses.

for **SHANKARLAL JAIN & ASSOCIATES**
CHARTERED ACCOUNTANTS

Sd/-

S.L. AGRAWAL
PARTNER

Place : Bombay
Dated : 02.08.94

**ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE AUDITOR'S REPORT OF EVEN DATE ON THE ACCOUNTS OF KONKAN RAILWAY CORPORATION LIMITED FOR THE YEAR ENDED 31ST MARCH, 1994.**

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 units, where these are accounted for. These records have also not been fully updated to show the additions during the year. There is a scope for maintaining a more systematic and useful and uniform records for the fixed Assets. All the assets have not been physically verified fully by the management during the year. Discrepancies, if any will be determined only after the physical verification of Assets is done.
2. None of the fixed Assets have been revalued during the year.
3. Physical verification of some of the construction materials at some units 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 not fully 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 balances are pending for reconciliation with the books balances and discrepancies, if any, will be adjusted after fully reconciled.
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, except those stocks which are not reconciled fully are valued on book value.
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 & Advances including interest free advances given by the Company to the contractors and other recoveries of principle and interest are generally effected as per terms stipulated. In case of default barring some case of waiverment of interest and Deferment of recovery of principle amount appropriate actions are 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 where 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 maintaining 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 unservicing of 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 has the system of Internal Audit but in our opinion it still needs to be further regularised and strengthened so as to make it commensurate with the size and nature of Company's business particularly in view of the increase the tempo of work and opening of passenger traffic.
15. The maintenance of cost records under Section 209 (l) (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, 1994 outstanding for a period of more than six months from the date they become payable except for an amount Rs. 71,93,854/- towards Tax Deducted at Source, and Wealth Tax liability of Rs. 4,00,568/-.
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 'O' of sub section (l) of section (3) of the Sick Industrial Companies (Special Provisions) Act, 1985 and as such the Act is not applicable.

for **SHANKARLAL JAIN & ASSOCIATES**
CHARTERED ACCOUNTANTS

Sd/-

S.L. AGRAWAL
PARTNER

Place : Bombay
Dated : 02.08.94



COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

COMMENTS OF THE COMPTROLLER & AUDITOR-GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF KONKAN RAILWAY CORPORATION LIMITED FOR THE YEAR ENDED 31ST MARCH 1994.

BALANCE SHEET:-

I. APPLICATION OF FUNDS

1. FIXED ASSETS (Schedule 3)

Plant and Machinery Rs. 6636.42 lakhs

- i) This does not include Rs.48.02 lakhs being cost of Plant and Machinery and incidental charges which were wrongly booked to other heads of account resulting in understatement of Plant and Machinery and consequently undercharge of depreciation of Rs.2.18 lakhs.
- ii) Plant and Machinery includes Rs.17.89 lakhs being items of expenditure relating to other heads of account and double accountal of an item of expenditure under Plant and Machinery resulting in overstatement of Plant and Machinery and consequent overcharge of depreciation of Rs.1.73 lakhs.

2. CURRENT ASSETS, LOANS & ADVANCES (Schedule 5)

- (i) Advances recoverable in cash or kind or for value to be received -Rs.389.35 lakhs.

This does not includes Rs.193.16 lakhs being the cost of steel supplied to Central Railway administration for fabrication of Bridge Girders. There has been overstatement of Capital works in progress (A II-IV-Steel) to the extent of Rs.189.43 lakhs and understatement of sundry creditors by Rs.3.73 lakhs.

- (ii) Loans and advances-other deposits - Rs.11.42 lakhs.

This does not include Rs.19.89 lakhs being the prepaid expenses pertaining to the Corporate Office (Rs.18.11 lakhs) Ratnagiri-South (Rs.0.17 lakhs) and Ratnagiri- North (Rs.1.61 lakhs) for the year 1993-94 due to accounting of expenses on cash basis instead of accrual basis which is in contravention of section 209(3)(b) of the Companies Act,1956, which has also resulted in overstatement of expenses to that extent.

- (iii) Total

The total has been overstated by Rs.1 due to a totalling mistake under B 'Loans and Advances'.

3. CURRENT LIABILITIES & PROVISIONS (SCHEDULE-6)

Sundry Creditors -Expenses Rs.8562.62 lakhs

The above amount is overstated to the extent of Rs.2.67 lakhs due to incorrect calculation of provisions for expenses payable.

**II. DEVELOPMENT ACCOUNT****1. EXPENDITURE DURING CONSTRUCTION - DEPRECIATION Rs. 850.90 lakhs.**

- (i) This is understated to the extent of Rs.50.71 lakhs due to (a) non provision of depreciation (@100%) on temporary structures (Rs.38.07 lakhs) and (b) undercharge of depreciation on fixed assets (Rs.12.64 lakhs)
- (ii) This is also overstated to the extent of Rs.7.85 lakhs due to non adjustment of depreciation on the amounts wrongly debited to Plant and Machinery account but subsequently rectified to correct heads without effecting necessary rectification to depreciation.
- (iii) Depreciation has been provided at the special rate of 11.31% for entire plant and machinery including Plant and Machinery for which the general rate of 4.75% is applicable. The amount of over provisioning on this account could not be quantified since the break up of assests under the two categories was not made available by the Company.

2. OTHER ADMINISTRATIVE EXPENSES (SCHEDULE-8)

- (i) Auditors' Remuneration Rs.1.01 lakhs
This does not include Rs.0.86 lakh paid on account of travelling and other expenses to statutory auditors
- (ii) Management fee on Bonds and service charges Rs.1074.50 lakhs

This does not include Rs.1378.80 lakhs being the expenses incurred on issue of Public Bonds and booked as miscellaneous expenditure. This is also overstated by Rs.4.58 lakhs due inclusion of incidental expenses incurred in procurement of Plant and Machinery.

- (iii) Interest on long term lonas Rs.7601.20 lakhs
This is overstated to the extent of Rs.24.53 lakhs being the incidental expenses incurred on procurement of Plant and Machinery.

Sd/-

REKHA GUPTA
PRINCIPAL DIRECTOR OF AUDIT

**REVIEW OF ACCOUNTS ON KONKAN RAILWAY CORPORATION LTD. FOR THE YEAR ENDED 31ST MARCH, 1994 BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA.****FINANCIAL POSITION:**

The table below summarises the financial position of the Company under broad heading for the three years ended 31.3.1994.

(Rupees in lakhs)

	1991-92	1992-93	1993-94
LIABILITIES			
a) i) Paid up Capital	25,934.50	34,221.94	47,896.94
ii) Application Money	300.00	250.00	
	<u>26,234.50</u>	<u>34,471.94</u>	<u>47,896.94</u>
b) Reserves & Surplus	—	—	—
c) Borrowings from			
(i) Government of India	—	—	—
(ii) Others	11,164.00	41,705.12	78,998.59
d) Current Liabilities and Provisions	1,884.17	9,510.53	14,169.58
TOTAL	<u><u>39,282.67</u></u>	<u><u>85,687.59</u></u>	<u><u>1,41,065.11</u></u>
ASSETS			
e) Gross Block	1,214.10	6,214.97	8,604.32
f) Less Cumulative Depreciation	104.80	340.86	1,191.76
g) Net Block	1,109.30	5,874.11	7,412.56
h) Capital work in progress and advances and deposits for Capital works	32,113.94	76,704.53	1,24,843.89



i) Investment	—	—	—
j) Current Assets, Loans & Advances	6,018.58	3,065.58	7,282.49
k) Accumulated Loss	—	2.57	106.57
l) Miscellaneous Expenditure			
(i) Preliminary Expenses	40.80	40.80	40.80
(ii) Expenditure on Public Issue of Bonds	—	—	1,378.80
TOTAL	<u>39,282.67</u>	<u>85,687.59</u>	<u>1,41,065.11</u>
Capital Employed (g+j-d)	5,243.76	(-)570.84	525.47
Net worth (a+b-k-l)	26,193.70	34,428.57	46,370.77

2. CAPITAL STRUCTURE:

The debt equity of the Company was 1.24:1 in 1993-94 as against 0.40:1 in 1992-93 and 0.43:1 in 1991-92.

3. LIQUIDITY AND SOLVENCY:

- (a) The percentage of current assets to the total net assets of the Company was 15.34% ; 3.58% and 5.22% in 1991-92, 1992-93 and 1993-94 respectively.
- (b) The percentage of current Assets to Current Liabilities (including provisions) which is a measure of liquidity was at 51.39% in 1993-94 as against 32.23% in 1992-93 and to 319.43% in 1991-92.
- (c) The percentage of quick assets (Sundry Debtors, Loans and Advances and cash & Bank Balances) to Current Liabilities (excluding provisions) which is another measure of liquidity was only 51.42% in 1993-94 as against 32.25% in 1992-93 and 319.43% in 1991-92.

4. WORKING CAPITAL

The working capital of the Company as on 31st March of the last 3 years ending 1994 was Rs.4134.46 lakhs, (-) Rs.6444.95 lakhs and (-) Rs.6887.09 lakhs respectively.

**5. SOURCES AND UTILISATION OF FUNDS:**

Funds amounting to Rs.51907.50 lakhs were generated from internal and external sources and utilised during the year ended 31st March 1994 as shown below.

	(Rs.in lakhs)
SOURCES OF FUNDS	
(a) Increase in Paid up Capital	13425.00
(b) Increase in Borrowed Fund	37293.47
(c) Decrease in Working Capital	442.13
(d) Funds generated from Operations	
Net Loss during the year	(-) 104.00
Add Depreciation	850.90
	746.90
TOTAL	<u><u>51907.50</u></u>
UTILISATION OF FUNDS	
(e) Addition to fixed Assets	2389.35
(f) Increase in Capital work in progress and advances & deposits for capital works	48139.35
(g) Increase in misc.expenditure written off	1378.80
TOTAL	<u><u>51907.50</u></u>

Sd/-
REKHA GUPTA
PRINCIPAL DIRECTOR OF AUDIT

**REPLIES OF BOARD OF DIRECTORS ON THE COMMENTS OF C & AG.****BALANCE SHEET****I. APPLICATION OF FUNDS****1. FIXED ASSETS (Schedule 3) - Plant and Machinery - Rs.6,636.42 lakhs.**

- i) Out of 48.02 lakhs mistake pointed out by C & AG, the mistake pertaining to Rs.14,29,852 is accepted and has since been corrected in the year 1994-95. The total effect of under statement of depreciation is only Rs.13,478/- which is negligible.

The Balance Rs.33,72,148/- pertains to -

- a) Rs.29,11,029/- towards interest on foreign loan and handling charges payable to SBI Nassau. This has been charged to Development account in keeping with the practice followed by the Corporation in the case of Interest paid on all borrowings. These amounts have therefore been correctly debited to management fee and Interest on loan and there has been no under-statement of depreciation.
- b) Second item amounting to Rs.4,60,836/- pertains to installation of a weigh-bridge. This Weigh-bridge is meant to be handed over to open line organisation in the operation phase of the Project and will be included in the first cost of Equipment. In keeping with the declared policy of the Corporation, this has been correctly charged to Capital Works in progress and is not, therefore, required to be included in the gross block or depreciated consequently, there is no understatement of depreciation.

- ii) The mistakes pointed out by C & AG are accepted and have been corrected in the year 1994-95.

2. CURRENT ASSETS, LOAN & ADVANCES (Schedule 5).

- i) Advances recoverable in cash or kind or for value to be received Rs.389.35 lakhs.

Mistake has been corrected in the financial year 1994-95

- ii) Loans and advances - other deposits - Rs 11.42 lakhs.

This amount represents the aggregate of several small items of which have been accounted for on a cash basis as explained in Schedule No.12 - Notes to the Accounts - Item no. 3.e. that petty expenses are accounted on cash basis. Hence the question of exhibiting this amount in 93-94 Accounts on accrued basis does not arise.

As the individual transactions involve only petty amounts, it is the opinion of the Corporation that the stated policy of the Corporation does not contravene section 209(3) (b) of the Companies Act.

- iii) Total.

The mistake has taken place due to rounding off of figures. It will be corrected in the printed account.

**3. CURRENT LIABILITIES & PROVISIONS (SCHEDULE-6).**

Sundry Creditors - expenses Rs.8562.62 lakhs.

The mistake is not considered to be material and gets automatically corrected during current year.

II. DEVELOPMENT ACCOUNT**1. EXPENDITURE DURING CONSTRUCTION - Depreciation Rs 850.90 lakhs.**

- i) (a) This is similar to item I 1.(i) (b)
(b) These have been corrected during the year 1994-95.
- ii) This has been corrected during the year 1994-95.
- iii) Depreciation has been provided at a special rate of 11.31% only for the construction - Plant & Machinery which are in the opinion of the Corporation, covered under items B(4), B(9) or the Note No.6 to the Schedule 14 of the Companies Act. The rate of depreciation at 11.31% has, therefore, been correctly applied.

2. OTHER ADMINISTRATIVE EXPENSES (SCHEDULE-8)

- i) Auditor's remuneration Rs.1.01 lakhs.

Noted. These were not separately disclosed as the amounts were not in the nature of reimbursement made to Statutory Auditors but represent expenditure directly incurred by the Corporation.

- ii) Management fee on Bonds and service charges Rs.1074.50 lakhs.

The amount of Rs.1378.80 lakhs being expenses incurred on the issue of public bonds are not in the nature of management fee and service charges which are normally paid by the Corporation after realising the money through private placement of bonds. These expenses are on public issue of bonds incurred in the process of raising the funds and have therefore been correctly shown as miscellaneous expenditure as per requirements of Companies Act.

The amount of Rs.4.58 lakhs paid to M/s SBI Nassau as services charges on loan taken from them has been correctly booked to management fee and service charges as it is payable on loans and not an expenditure on procurement of plant and machinery.

- iii) The amount of Rs.24.53 lakhs represents the the interest paid by the Corporation on borrowings from SBI, Nassau. As explained in the Corporation's remarks against C & AG's comments on item 1. Fixed Assets, the expenditure had been correctly charged to the Development Account in keeping with the practice followed by the Corporation in the case of expenditure incurred in the servicing of borrowed funds. The charge to interest on long term loans is, therefore, correct and there is no overstatement on this account.

for and on behalf of Board of Directors
sd/-

E.Sreedharan

CHAIRMAN & MANAGING DIRECTOR



KONKAN RAILWAY CORPORATION LIMITED

Room No. 101, Rail Bhavan, Raisina Road, New Delhi - 110 001.

FORM OF PROXY

I.....of.....in the district ofbeing a member of the Konkan Railway Corporation Limited hereby appointof in the district of or failing him.....of.....in the district of..... as my proxy to vote for me/us/on my/our behalf at the Fourth Annual General Meeting of the Company to be held on the 27th day of September 1994 and at any adjournment thereof.

Signed this.....day of1994.

Affix
30 paise
stamp

Name

Address

.....

.....