



कोंकण रेलवे कार्पोरेशन लिमिटेड
(भारत सरकार का उपक्रम)

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

पां च वीं वार्षिक रिपोर्ट 1 9 9 4-9 5
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(भारत सरकार का उपक्रम)

KONKAN RAILWAY CORPORATION LIMITED

(A Government of India Undertaking)

FIFTH ANNUAL REPORT

1994-95

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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 S. D. GUPTA | - Advisor (Works), Railway Board |
| 6. SHRI S. P. UPASANI | - Chief Secretary, Govt of Maharashtra |
| ALTERNATE
SHRI P. M. A. HAKEEM | - 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 S. B. MUDDAPPA | - Chief Secretary, Govt. of Karnataka |
| ALTERNATE
SHRI CECIL NORONHA | - Addl. Chief Secretary, Govt Of Karnataka |
| 9. SHRI R. RAMCHANDRAN NAIR | - Chief Secretary, Govt. of Kerala |
| ALTERNATE
SHRI N. CHANDRANSEKHARAN NAIR | - Commissioner & Secretary, Transport, Govt. of Kerala |
| 10. SHRI G. K. KANCHAN | - Advisor (Plg), Railway Board. |
| 11. SHRI M. K. MISRA | - Advisor (Commercial), Railway Board. |
| 12. SHRI JASBIRPAL SINGH | - Advisor (ME), Railway Board. |
| 13. SHRI R. K. JAIN | - Advisor (Sig), Railway Board. |
| 14. SHRI N. P. SRIVASTAV | - Advisor (Budget), Railway Board. |

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 FIFTH ANNUAL GENERAL MEETING

Notice is hereby given that the Fifth Annual General Meeting of the Konkan Railway Corporation Limited will be held at 12.15 hrs. on Thursday, the 26th October, 1995 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 Directors' Report, Balance Sheet and Development Account (in lieu of Profit & Loss account) and Profit and Loss Account (for areas already opened for traffic) for the year ended 31/03/95 and Auditors' Report thereon.

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

Belapur, New Bombay
Date :- 09.08.1995

Sd/-
B. SATYANARAYANA
Company Secretary

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.



CHAIRMAN'S SPEECH AT THE FIFTH ANNUAL GENERAL MEETING

Gentlemen,

It is my privilege and pleasure to welcome you to the Fifth Annual General Meeting of the Corporation. The Directors' Report along with the Audited Accounts for the year ended March 1995 as also the Auditors' Report thereon are with you, and with your permission I shall take them as read.

Physical Progress :

The performance of your Corporation for the year 1994-95 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 1995. From March onwards it has been a very bleak picture as regards fund availability for the project and this has caused serious set-backs to the project. Even so the weighted physical progress achieved on the project as a whole was 89.5% as on 31/07/95 and at the time our meeting today stands at 92%. In terms of the various project components, the progress on earthwork in formation is 97.72% complete, while tunnelling has progressed 85% with 65 tunnel having been fully completed out of a total of 92. Construction work has been fully completed on 155 major bridges out of 171, while 1720 Minor bridges have been finished out of a total of 1759. Procurement of rails, sleepers, turn-out assemblies and track fittings is almost complete and these items have also been led out and collected along the alignment. Welding of rails at site into long welded panels for the track is also practically over, while the physical progress in linking and laying the track is 50.7%. Commensurate progress has been achieved in other associated areas such as construction of station and service buildings and quarters and the work of cable laying and equipment installation for the signalling, telecommunication and tunnel ventilation systems. While on this point, I must mention in particular the many trials and tribulations undergone by the Corporation, and its Contractors in tunnel construction, especially in soft soils. In the experience of the Corporation this medium has been notoriously unpredictable in its behaviour and, by all reckoning, has been the greatest single technical challenge faced by the Project Engineers.

The soft soil tunnels, particularly the four tunnels in Goa Sector, continue to give us anxiety. Tunnelling experience in such type of soil conditions is not available in this country. We are, however, valiantly facing the situation with improvisation and innovation, and have mustered the best tunnelling talents available in the country to deal with the situation. Completion of these four tunnels will therefore, ultimately decide the completion date for the whole project.

Among the landmarks achieved during the past year the following deserve mention :

- * The 6.5 km Karbude tunnel as well as the 4.4 km Nathuwadi tunnel, which are the longest tunnels on the Project, have been successfully completed.
- * The longest welded open web steel girder of 124.22 m span was floated to site, lifted and placed in position on the Mandavi bridge using a barge-mounted heavy lift crane - a method adopted for the first time in the country.
- * Forced ventilation system with monitoring and control devices has been installed in the long Nathuwadi tunnel.



- * The 52 km long Veer-Khed section was opened to traffic on 25/09/1995, and every effort is being made to open the 30 km Khed-Chiplun section also in December 1995. So far about 200 km of the project are under passenger operation.
- * Asia's tallest viaduct across Panval Nadi near Ratnagiri was completed. Construction of this viaduct saw the use of the "incremental launching technique" for the first time in our Country. I am happy to inform the shareholders that this Panval Nadi viaduct has been adjudged as the best concrete structure constructed in the country in the year 1994 by the Maharashtra India Chapter of American Concrete Institute.
- * The Corporation has been able to develop and successfully construct a ballastless track structure for adoption in long tunnels. This is a major break - through in the area of permanent way technology in the country. Laying of such a track in the 4.4 km long Nathuwadi tunnel is completed.
- * Central Government approval has been received for diversion of forest land in Karnataka for the railway alignment passing through that State. With this we have received clearance for all forest lands.
- * Railway Ministry has now decided that the passenger coaches needed for the Konkan Railway trains should be procured by the Corporation itself. We have placed orders for these coaches with Integral Coach Factory, Perambur, and Rail Coach Factory, Kapurthala. These passenger coaches are proposed to be procured on lease basis for which tenders have already been floated. The remaining rolling stock such as engines and goods wagons will be made available by the Indian Railways.
- * The Corporation had been able to obtain sizeable financial concession from the Central and the State Governments in the shape of exemptions from Central Excise Duty for PSC sleepers and the turnout assemblies, waiver of sales tax on concrete sleepers and levy of sales tax at concessional rates in the States of Maharashtra and Karnataka.

Financial Progress :

The Corporation was able to mobilise market borrowings through tax free Bonds to the full extent of the authorization of Rs. 450 crores received at the commencement of the year, as well as Rs. 173 crores against residual authorizations carried over from the previous year. In addition, an amount of Rs. 75 crores was raised against a further authorization of Rs. 150 crores received in the same financial year.

From the beginning of the calender year, the capital market has witnessed a serious recession in the demand for debt instruments, particularly tax-free Bonds. As a result, the Corporation has been finding it increasingly difficult to mobilise funds to meet the needs of on-going works. To some extent, the mismatch between the need and availability could be bridged through short-term borrowings, but as it has not always been possible to secure such short-term funds to the full extent of the needs, the progress of works could not be maintained to the desired extent.

**Future Planning & Financial Strategy :**

On account of severe shortage of funds, and the geological problems faced in some of the tunnels, the target date for commissioning this project, which was June, 1995 has now been shifted to March, 1996. Every effort is being made to advance this target date by a month or two. The line will be initially made through for goods operations and after a month or two opened for passenger services.

In the meantime, a detailed exercise was carried out for assessment of the cost of residual works to be executed and after taking into account the expenditure already incurred, it would be seen that it would not be possible to contain the cost of construction within the previously estimated figure of Rs. 1784 crores. The total cost of the Project is now estimated at Rs. 2034 crores and a revised abstract estimate for this amount has been submitted to Government. With the need to make two more half-yearly payments of Interest on Bonds, the estimated financing costs have also had to be revised upwards from Rs. 300 crores to Rs. 450 crores. To meet the additional funding needed, it is proposed to increase Bond borrowings by Rs. 300 crores during the current year and also mobilise Rs. 100 crores through sale-and-lease back of some of the physical assets. I am glad to inform you that Government have authorised an additional borrowing of Rs. 250 crores, and also approved in principle of the proposal for realization of Rs. 100 crores by sale-and-lease-back of assets.

General Scenario :

Konkan Railway is bound to change the face of otherwise backward coastal strip of the four states & would act as a catalyst for the economic development and growth of tourism in the region, besides providing an excellent mode of transport. It is to be hoped that the Konkan Railway experiment will be a trail-blazer for the identification and execution for many more infrastructure projects which would take the country onwards towards achieving the cherished objective of attaining sustained economic development and securing a good life for its citizens.

Acknowledgement :

I would like to conclude by thanking the Ministry of Railways and other Central Government Departments and Agencies as well the Governments of the States of Maharashtra, Karnataka, Goa & Kerala for the help, support and cooperation extended by them. I must, in addition, acknowledge the hard and dedicated work put in by the Corporation's employees at all levels, and by contractors, suppliers and other agencies who have helped in giving physical shape to the project and in extending assistance and encouragement to the Corporation. I would be sorely remiss if I also do not record my deep appreciation of the active support, advice and guidance received from my fellow Directors, on the Board in the difficult task of managing the affairs of your Corporation in a challenging environment.

Thanking You,

Sd/-

(E. SREEDHARAN)

Chairman Cum Managing Director.



DIRECTORS' REPORT

Gentlemen,

The Directors' of Konkan Railway Corporation Limited have great pleasure in presenting the fifth Annual Report on the working of your Corporation, together with audited statements of accounts for the financial year ended 31 March, 1995.

1. Operations of the Company

During 1994-95, the Corporation entered its 5th year of existence. In the normal course, the year which went by should also have witnessed the completion of the Project and opening of the line, but due to unavoidable circumstances particularly geological conditions met within some of the tunnels, the target date for commissioning had to be extended. However, the Directors are now hopeful that the project would be ready for goods traffic by the end of December 1995 and for passenger traffic by end of March 1996. The Directors are also happy to report that physical execution of work in the field reached an overall weighted progress of 89.5%. This includes completion of earth work to the extent of 97.5%, major bridges 90.64%, minor bridges 97.6%, tunnels 88%, welding of rails 76.5%, station buildings and quarters 80%, Signal and Telecommunication works 61.77% and track linking 48.55%. The adverse geological conditions encountered in 9 tunnels at different locations are the cause of continued concern, but the Directors are hopeful that with adoption of new strategies for executing the work at the various sites, adequate progress would be achieved and maintained.

During the year under review, an additional length of the line from Udupi to Kundapur (32 KMs) was opened to passenger traffic. With this, a total length of 147 KMs has now been opened for passenger traffic.

2. Financial Results

In the earlier report of the Directors, it had been mentioned that the updated cost of the project at 1993-94 price-levels was estimated at Rs.1784 crores. Taking into account, the expenditure already incurred, as well as the residual quantities of work required to be executed before commissioning of the line, it is now estimated that actual cost of construction would be about Rs.2030 crores, the increase in cost having been occasioned mainly by factors such as increase in the price of rails and permanent way fittings, additional cut-and-cover and protective works required at various vulnerable locations, increase in cost of tunnelling through soft-soil strata, and the general rise in the level of prices and wages. Similarly, owing to the deferment in the date of commissioning, two half-yearly interests payable on the Corporation's Bonds would also have to be charged to the Capital account. The provision required on this account is estimated to be Rs.150 crores.



The expenditure incurred on construction activity is given below:-

	(Rs.in Crores)
Capital Works in Progress including advance and deposits for works	1993.56
Other Fixed Assets (After Depreciation)	83.48
Current Assets (Net)	(123.94)
Preliminary Expenditure	14.20
Total	1967.30

3. Share Capital

The paid up Share Capital of the Corporation stood at Rs.554,71,94,000 as on 31.03.95.

	(Rs.in thousands)		
	Upto 93-94	94-95	Total
Ministry of Railways	254,71,92	51,00,00	305,71,92
Government of Maharashtra	132,00,00	—	132,00,00
Government of Goa	16,00,00	1,00,00	17,00,00
Government of Karnataka	56,25,01	18,75,00	75,00,01
Government of Kerala	20,00,01	5,00,00	25,00,01
Total	478,96,94	75,75,00	554,71,94

4. Issue of Bonds

As on date, the Corporation has been able to raise Rs. 1391.62 Crores (Rs.1274.62 Crores upto 31.03.95) by issue of 10.5% tax free bonds.

5. Borrowings

An amount of Rs. 125 Crores was outstanding as on 31.03.95 excluding interest which was borrowed from the market during the year under review.

6. Dividend

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

7. 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.

**8. 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 :

	Current Year (1994-95) Rs.	Previous Year (1993-94) Rs.
Foreign Exchange Earnings	16,144	12,520
Foreign Exchange Outgo	22,50,43,545	8,98,89,597

9. Particulars of Employees

During the year under report, no employee of the Company was in receipt of salary of Rs.25,000 per month or Rs. 3,00,000 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.

10. Directors

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

Shri E. Sreedharan, CMD	From 31.10.90
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 to 16.03.95
Shri N. Raghunathan	From 16.03.93 to 15.10.94
Shri Rajendra Pal	From 23.06.93 to 02.01.95
Shri R. Ramchandran Nair	From 01.03.94
Shri G. K. Kanchan	From 04.10.94
Shri M. K. Misra	From 04.10.94
Shri Jasbirpal Singh	From 04.10.94
Shri R. K. Jain	From 04.10.94
Shri N. P. Srivastava	From 04.10.94
Shri R. P. Jain	From 02.01.95 to 31.07.95
Shri S. P. Upasani	From 15.10.94
Shri S. B. Mudappa	From 16.03.95
Shri D. C. Misra	From 27.05.94
Shri S. D. Gupta	From 31.07.95

**11. 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 1994-95

12. Acknowledgement

The Board of Directors gratefully acknowledge the assistance, active support and guidance received from the Indian Railways as well as from the State Govts. of Maharashtra, Goa, Karnataka and Kerala. The Board of Directors express their deep appreciation of the valuable contributions made by the officers and employees of the Corporation and by those on deputation from Indian Railways / State Governments / Other PSUs in taking the challenges arising from the tight time schedule within which the innumerable works forming various segments of the project had to be conceived, designed, planned and executed.

for and on behalf of Board of Directors

Sd/-

E. Sreedharan

CHAIRMAN CUM MANAGING DIRECTOR

**BALANCE SHEET as at 31st March 1995**

Particulars	Schedule No.	As at 31st March 1995		As at 31st March 1994	
		Rs.	Rs.	Rs.	Rs.
I. SOURCES OF FUNDS					
(1) Shareholders' funds:					
(a) Capital	1	5,54,71,94,000		4,78,96,94,000	
(b) Reserves and Surplus	2	1,81,65,000		—	
			5,56,53,59,000		4,78,96,94,000
(2) Loan Funds					
(a) Secured Loans	3	12,74,62,97,000		5,76,87,97,000	
(b) Unsecured Loans	4	1,39,86,40,832		2,13,10,61,870	
			14,14,49,37,832		7,89,98,58,870
(3) Current Liabilities and Provisions	5	1,51,77,68,718		1,41,69,58,158	
Less :					
Current Assets, Loans and Advances	6	27,76,18,271		72,82,48,815	
Net Current Liabilities			1,24,01,50,447		68,87,09,343
TOTAL			20,95,04,47,279		13,37,82,62,213
II. APPLICATION OF FUNDS					
(1) Fixed assets:					
(a) Gross Block		1,02,34,37,629		86,04,31,568	
(b) Less depreciation		21,63,95,303		11,91,76,264	
(c) Net Block	7	80,70,42,326		74,12,55,304	
(d) Capital works in progress and advances and deposits for Capital works	8	19,96,41,27,166		12,48,43,89,257	
			20,77,11,69,492		13,22,56,44,561
(2) 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		13,78,79,904	
			14,19,60,333		14,19,60,333
(3) Profit and Loss Account			3,73,17,454		1,06,57,319
TOTAL			20,95,04,47,279		13,37,82,62,213

Accounting policy & Notes forming part of Accounts.

Schedule 1-15 forming an integral part of Accounts.

As per our report of even date	On behalf of the Board	
For SHANKARLAL JAIN & ASSOCIATES	sd/-	sd/-
CHARTERED ACCOUNTANTS	(U. V. ACHARYA)	(E. SREEDHARAN)
sd/-	DIRECTOR	CHAIRMAN & MANAGING DIRECTOR
(DINESH S. AGARWAL)		sd/-
PARTNER		(B. SATYANARAYANA)
Place : Bombay,		COMPANY SECRETARY
Date : 09.08.1995		

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 1995**

	Schedule No.	Current year (Rs.)	Previous year (Rs.)
A. Traffic Earnings	(A)	22,13,684	6,05,513
B. Expenses on train operations			
1. Expenses on staff	13	57,41,054	25,19,340
2. Hire charges for Rolling Stock & Motive power.		32,80,434	24,23,134
3. Fuel		17,26,113	11,79,061
4. Compensation claims		0	82,699
5. Repairs and Maintenance			
a) Permanent Way		1,19,07,554	33,30,595
b) Station and Other buildings		7,06,894	4,43,380
c) Equipment		3,44,238	2,58,285
d) Bridges		13,51,728	0
e) Others		30,349	0
		1,43,40,763	40,32,260
6. Commission		29,113	9,547
7. Other operating expenses		14,63,973	3,63,950
8. Miscellaneous Expenses	14	22,92,369	3,95,505
	(B)	2,88,73,819	1,10,05,496
Net Loss of Train Operations (B-A)		(2,66,60,135)	(1,03,99,983)
Add loss brought forward		(1,06,57,319)	(2,57,336)
Total loss transferred to Balance Sheet		(3,73,17,454)	(1,06,57,319)

Schedule 1-15 form an integral part of accounts.

As per our report of even date
For **SHANKARLAL JAIN & ASSOCIATES**
CHARTERED ACCOUNTANTS
sd/-

(DINESH S. AGARWAL)
PARTNER

Place : Bombay,
Date : 09.08.1995

On behalf of the Board

sd/-
(U. V. ACHARYA)
DIRECTOR

sd/-
(E. SREEDHARAN)
CHAIRMAN & MANAGING DIRECTOR

sd/-
(B. SATYANARAYANA)
COMPANY SECRETARY

**DEVELOPMENT ACCOUNT FOR THE YEAR 01.04.94 TO 31.03.95**

Particulars	Schedule No.	Current year Rs.	Previous year Rs.
I. EXPENDITURE DURING CONSTRUCTION PERIOD			
i) Survey		1,14,277	10,41,583
ii) Salaries, Allowances & Benefits	9	10,51,13,045	9,11,93,755
iii) Other Administrative Expenses	10	1,61,64,11,620	1,12,56,52,907
iv) Depreciation for the year		10,24,47,390	7,55,09,260
v) Adjustment for Short/(Excess) depreciation		(49,99,932)	95,80,729
vi) Provision for Wealth Tax		5,40,000	1,60,000
vii) Prior period adjustments	11	3,39,57,943	7,54,317
II. LESS INCIDENTAL INCOME	12	(14,46,76,089)	(2,00,32,755)
Transfer to capital works in progress (Schedule No.8)		<u>1,70,89,08,254</u>	<u>1,28,38,59,796</u>

Schedule 1-15 form an integral part of accounts

As per our report of even date
For **SHANKARLAL JAIN & ASSOCIATES**
CHARTERED ACCOUNTANTS
sd/-
(DINESH S. AGARWAL)
PARTNER

On behalf of the Board
sd/-
(U. V. ACHARYA)
DIRECTOR

sd/-
(E. SREEDHARAN)
CHAIRMAN & MANAGING DIRECTOR

sd/-
(B. SATYANARAYANA)
COMPANY SECRETARY

Place : Bombay,
Date : 09.08.1995

**SCHEDULE 1 - SHARE CAPITAL**

	AS AT 31-3-95 Rs.	AS AT 31-3-94 Rs.
AUTHORISED 60,00,000 Equity shares of Rs.1,000 each (Previous year 60,00,000)	<u>6,00,00,00,000</u>	<u>6,00,00,00,000</u>
ISSUED, SUBSCRIBED & PAID UP 55,09,694 Equity shares of Rs.1,000 each Fully paid up. (Previous year 47,89,694) Of the above shares 6,72,444 Equity shares have been allotted as fully paid up for consideration other than cash. Share application money for allotment of 37,500 shares	<u>5,50,96,94,000</u> <u>3,75,00,000</u>	<u>4,78,96,94,000</u> <u>-----</u>
TOTAL	<u>5,54,71,94,000</u>	<u>4,78,96,94,000</u>

SCHEDULE - 2 RESERVES AND SURPLUS

	AS AT 31-3-95 Rs.	AS AT 31-3-94 Rs.
CAPITAL RESERVE Premium on Issue of Bonds. Received during the year	<u>1,81,65,000</u>	<u>0</u>
TOTAL	<u>1,81,65,000</u>	<u>0</u>

**SCHEDULE 3 - SECURED LOANS**

	AS AT 31-03-95 Rs.	AS AT 31-03-94 Rs.
1. BONDS		
A. PUBLIC ISSUE 2A SERIES 10.5% secured, redeemable, non-cumulative and non-convertible bonds of Rs.1000/- each redeemable on 01.03.2004. (Includes 13 bonds (previous year 40) valued at Rs.13,000/- (previous year Rs.40,000/-) held by Directors)	2,30,85,97,000	2,30,85,97,000
B. PRIVATE PLACEMENT 10.5% secured, redeemable, non- cumulative and non-convertible bonds of Rs.1000/- each		
1. 519800 bonds of series 1A redeemable on 30.06.1998	51,98,00,000	51,98,00,000
2. 3100 bonds of series 1B redeemable on 01.10.1998	31,00,000	31,00,000
3. 218900 bonds of series 1C redeemable on 30.11.1998	21,89,00,000	21,89,00,000
4. 1407000 bonds of series 2B redeemable on 31.03.1999	1,40,70,00,000	1,40,70,00,000
5. 715000 bonds of series 2C redeemable on 05.05.1999	71,50,00,000	---
6. 1366500 bonds of series 2D redeemable on 01.08.1999	1,36,65,00,000	---
7. 2761000 bonds of series 3A redeemable on 27.08.1999	2,76,10,00,000	---
8. 740000 bonds of series 3B redeemable on 12.10.2001	74,00,00,000	---
9. 645000 bonds of series 3C redeemable on 31.10.2004	64,50,00,000	---
10. 120000 bonds of series 4A redeemable on 07.02.2005	12,00,00,000	---
11. 630000 bonds of series 4B redeemable on 20.02.2005	63,00,00,000	---
	11,43,48,97,000	4,45,73,97,000
2. LOANS (Being the proceeds of 9% tax free bonds for Rs.111.64 Crores and 10.5% tax free bonds for Rs.19.5 Crores issued by IRFC for Konkan Railway Project)	1,31,14,00,000	1,31,14,00,000
TOTAL	12,74,62,97,000	5,76,87,97,000



SCHEDULE - 4 UNSECURED LOANS

		AS AT 31.03.95 Rs.	AS AT 31.03.94 Rs.
i. Short Term Loans			
From a Bank	35,00,00,000		
Inter corporate deposit	90,00,00,000		
	<hr/>	1,25,00,00,000	1,98,00,00,000
[Amount repayable within next one year Rs.125,00,00,000]			
Add : Interest accrued and due			
		1,43,01,370	<hr/>
		1,26,43,01,370	1,98,00,00,000
ii. Foreign currency Loan			
From a Bank		13,43,39,462	15,10,61,870
[Amount repayable within next one year Rs.1,67,91,820]			
TOTAL		<hr/> 1,39,86,40,832 <hr/>	<hr/> 2,13,10,61,870 <hr/>

SCHEDULE 5 - CURRENT LIABILITIES & PROVISIONS

		AS AT 31-3-95 Rs.	AS AT 31-3-94 Rs.
A. CURRENT LIABILITIES			
1. Sundry Creditors			
i. Contractors & Suppliers		21,72,98,138	16,13,22,923
ii. Expenses		89,47,72,837	85,62,62,141
iii. Payable to Railways			
a) Train operating expenses	61,78,359		40,01,620
b) Apportioned share of earnings	29,27,972	91,06,331	2,93,020 42,94,640
	<hr/>		<hr/>
iv. Other Liabilities		2,30,16,220	1,02,40,884
2. Temporary bank overdraft			
		1,16,653	<hr/>
3. Interest accrued but not due on			
a) Loans	8,75,43,992		17,46,88,994
b) Bonds	28,48,13,979		20,93,87,400
c) Others	<hr/>		2,00,608
		37,23,57,971	<hr/>
B. PROVISIONS			
Provision for Wealth Tax		11,00,568	5,60,568
TOTAL		<hr/> 1,51,77,68,718 <hr/>	<hr/> 1,41,69,58,158 <hr/>

**SCHEDULE 6 - CURRENT ASSETS, LOANS AND ADVANCES**

	AS AT 31.03.95 Rs.	AS AT 31.03.94 Rs.
A - CURRENT ASSETS		
i. Interest Accrued	1,14,14,305	1,67,10,471
ii. Cash in Hand	4,31,933	3,16,396
iii. Funds in Transit	2,194	—
iv. Balance with Scheduled banks		
a) Current Account	8,79,32,000	34,87,18,099
b) Term Deposit [Out of this Rs.12,15,81,600 (previous year Rs.10,00,00,000) is pledged with bank]	12,18,81,600	31,16,06,000
	20,98,13,600	66,03,24,099
v. Traffic Earnings due from other Railways	8,03,517	1,52,455
vi. Sundry receivables	1,01,696	48,04,708
TOTAL [A]	22,25,67,245	68,23,08,129
B - LOANS & ADVANCES [Unsecured, considered good unless otherwise stated]		
i. Advances recoverable in cash or in kind or for value to be received	4,87,68,484	3,93,66,939
ii. Advances to employees	5,65,854	2,65,210
iii. Deposits for accommodation	52,14,067	52,54,270
iv. Deposits for Telephone	2,29,300	3,44,088
v. Other Deposits	2,73,321	7,10,179
TOTAL [B]	5,50,51,026	4,59,40,686
TOTAL [A + B]	27,76,18,271	72,82,48,815



SCHEDULE 7 - FIXED ASSETS

(Figures in Rs.)

Sr. No.	Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK			
		Balance as at 1.4.94	Additions during the Year	Less Transfers/ Adjustments	Total as at 31.3.95	Upto 31.3.94	For the Year	Less Excess/ (Short) provision for earlier years on adjustments/ Transfers	Upto 31.3.95	As at 31.3.94	As at 31.3.95
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1	BUILDINGS	96139145	5880569	—	102019714	14270015	6436999	6035	20700979	81318735	81869130
2	PLANT & MACHINERY	663642355	182938750	30837353	815743752	82187266	85252825	4244477	163195614	652548138	581455089
3	OFFICE EQPT. & PERIPHERALS	28371870	4085786	225000	32232656	5350005	2853414	74252	8129167	24103489	23021865
4	FURNITURE & FIXTURES	17123956	1434512	—	18558468	1880163	1124502	2358	3002307	15556161	15243793
5	VEHICLES	55154242	2902849	3174052	54883039	15488815	6779650	901229	21367236	33515803	39665427
	TOTAL	860431568	197242466	34236405	1023437629	119176264	102447390	5228351 *	2163995303	807042326	741255304
	PREVIOUS YEAR	621496862	238934706	—	860431568	34086275	75509260	(9580729)	119176264	741255304	

* Includes Rs.2,28,419 (previous year - Nil) on assets sold during the year.

**SCHEDULE 8 - 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 31-3-95 Rs.	AS AT 31-3-94 Rs.
I. WORKS			
i. Land		88,73,01,072	76,90,49,579
ii. Structural Engg. Works			
a) Formation	5,44,61,36,549		3,57,34,33,903
b) Permanent way	1,99,88,87,520		88,15,98,220
c) Bridges	4,42,57,55,178		2,77,07,44,122
d) Station & Buildings	32,14,46,200		16,50,13,648
		12,19,22,25,447	7,39,07,89,893
iii. Equipment, Plant & Machinery		49,84,69,233	14,09,69,528
II. CONSTRUCTION MATERIAL (As taken, valued and certified by the Management)			
i. Rails	75,03,20,127		18,40,37,731
ii. Sleepers	80,02,01,770		48,50,78,635
iii. Cement	6,42,26,568		3,60,53,907
iv. Steel	21,40,20,446		22,11,65,060
v. Diesel	1,05,11,467		52,55,697
vi. Explosives	1,12,32,938		2,00,54,109
vii. Others	27,12,10,526		40,38,83,226
		2,12,17,23,842	1,35,55,28,365
[Includes materials in transit Rs. 15,12,49,032 (previous year Rs. 33,19,23,338)]			
III. Balance in Development Account to be allocated to items of Capital Work in progress when completed			
a) As at 1-4-94	1,96,86,14,553		68,47,54,757
b) As per development account for the year	1,70,89,08,254		1,28,38,59,796
		3,67,75,22,807	1,96,86,14,553
TOTAL [A]		19,37,72,42,401	11,62,49,51,918
B. ADVANCE & DEPOSITS FOR CAPITAL WORKS			
i. Contractors & Suppliers		30,53,72,455	59,30,99,763
ii. Land Acquisition		6,24,05,512	1,14,63,646
iii. Purchase of Materials & Equipment		21,91,06,798	25,48,73,930
		58,68,84,765	85,94,37,339
TOTAL [B]		58,68,84,765	85,94,37,339
GRAND TOTAL [A + B]		19,96,41,27,166	12,48,43,89,257

**SCHEDULE 9 - SALARIES, ALLOWANCES & BENEFITS**

	Current year Rs.	Previous year Rs.
i. Salaries & Allowances	9,36,72,313	8,17,66,748
ii. Contribution to Provident & other Funds	50,94,020	46,15,429
iii. Foreign Service Contribution	24,89,008	21,64,325
iv. Staff Welfare	38,57,704	26,47,253
TOTAL	10,51,13,045	9,11,93,755

SCHEDULE 10 - OTHER ADMINISTRATIVE EXPENSES

	Current year Rs.	Previous year Rs.
i. Rent	1,14,82,250	1,04,86,612
ii. Insurance and Taxes	61,74,522	29,57,048
iii. Printing & Stationary	41,13,819	37,44,062
iv. Postage, Telephone & Telex	1,38,17,372	1,52,37,394
v. Travelling & conveyance	2,95,81,180	2,46,07,386
vi. Vehicles Expenses	2,02,12,758	1,45,66,106
vii. Repairs & Maintenance		
a) Plant & Machinery	3,13,00,203	2,28,83,217
b) Buildings	15,66,702	15,30,310
c) Others	15,73,608	23,27,067
viii. Electricity & water Charges	18,63,112	19,59,996
ix. Advertisement & publicity	4,24,098	1,21,72,650
x. Auditors Remuneration	1,39,261	1,00,772
xi. Finance charges		
a) Management fee on bonds & Service charges paid	24,37,77,500	10,74,49,684
b) Interest on Bonds (includes Rs 1365 (previous year Rs.1108) paid to directors)	98,41,29,765	12,58,87,428
c) Interest on loans	28,81,76,471	76,01,19,958
xii. Donations	—	10,50,000
xiii. Other Expenses	1,78,32,914	1,85,73,217
xiv. Loss on sale of assets	2,46,085	—
TOTAL	1,61,64,11,620	1,12,56,52,907

**SCHEDULE 11 - PRIOR PERIOD ADJUSTMENTS**

	Current year Rs.	Previous year Rs.
1. Survey	30,286	—
2. Salaries, allowances and Benefits	14,438	—
3. Insurance	56,26,328	—
4. Printing and Stationary	5,41,722	—
5. Repairs and Maintenance to Plant and Machinery (Net)	44,48,307	—
6. Interest and other charges on Foreign currency loan	1,94,90,962	—
7. DPG Commission	37,75,882	—
8. Other expenses	4,81,690	7,54,317
	<u>3,44,09,615</u>	<u>7,54,317</u>
Less:-		
1. Sale of Tender forms	2,22,360	
2. Excess provision written back	<u>2,29,312</u>	
	<u>4,51,672</u>	<u>—</u>
TOTAL	<u>3,39,57,943</u>	<u>7,54,317</u>

SCHEDULE 12 - INCIDENTAL INCOME

	Current year Rs.	Previous year Rs.
i. Interest from Banks and others	3,54,19,305	1,59,37,900
ii. Sale of Tender Forms etc.	4,62,077	2,85,816
iii. Sale of Scrap	20,67,770	—
iv. Rent recovery	5,93,501	3,75,410
v. Other Receipts	8,03,977	3,69,292
vi. Excess provision of interest written back	10,53,29,459	30,64,337
TOTAL	<u>14,46,76,089</u>	<u>2,00,32,755</u>

**SCHEDULE - 13 - EXPENSES ON STAFF**

	Current year Rs.	Previous year Rs.
i) Salary, wages and allowances etc.	54,71,835	24,54,314
ii) Contribution to Provident & other Funds	1,60,769	—
iii) Staff Welfare Expenses	1,08,450	65,026
TOTAL	57,41,054	25,19,340

SCHEDULE - 14 MISCELLANEOUS EXPENSES

	Current year Rs.	Previous year Rs.
i. Electricity and Water Charges	7,46,786	2,59,835
ii. Cost of tickets and forms	22,295	8,146
iii. Travelling Expenses	8,50,482	1,620
iv. Telephone and Communication	1,61,964	77,924
v. Vehicle Expenses	4,12,966	—
vi. Rent for Residential buildings	31,626	—
vii. Other sundry Expenses	66,250	47,980
TOTAL	22,92,369	3,95,505

**SCHEDULE 15 - 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. The company generally follows accrual method of accounting except Bonus and some petty expenses which are accounted on cash basis.
4. (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 are shown at cost less accumulated depreciation. Depreciation is charged 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%. Vehicles owned by the Company are being used mostly at the sites and are subject to heavy wear & tear. Hence vehicles are also being depreciated at the rate applicable to trucks. In case of addition to fixed assets, depreciation is charged prorata from the month of addition.

(c) 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 under capital works in progress 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 a loss, it is accounted for.
7. **Expenditure during Construction**
It is the Corporation's intention to capitalise the major part of this expenditure when whole railway line is ready for traffic.
8. **Interest Income**
Interest income is recognised on a time proportion basis depending upon amount outstanding and the rate applicable.

**9. 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 31.3.95 or on pro-rata basis for works completed before 31.3.95 but measured and billed upto 30.6.95.
10. Preliminary Expenses and Expenditure on Public issue of Bonds will be amortised one-tenth every year over a period of 10 years after the entire Railway line is ready for traffic.

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 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. Baring 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 have been 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 traffic services 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 expenses, allocable, on the passenger traffic operation are yet to be ascertained. Due to this the loss for the year and balance in development account are under-stated and over-stated respectively to that extent.
13. Depreciation on items of Fixed Assets whose cost doesn't exceed Rs.5,000 should be provided at the rate of 100% as per Schedule XIV to the Companies Act, 1956 such amount of depreciation on these items of Fixed Assets hasn't been ascertained. Consequently depreciation charges for the year and Fixed Assets are understated and overstated respectively to that extent.
14. (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 and acquittance of SLAOS 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.



15. (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 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 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 treated as advance included in the loans and advances recoverable in cash or kind. The same will be adjusted to the final head of account 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. 21,91,06,798 (previous year Rs. 25,48,73,930) in the absence of receipt of materials or receipt of related bills or want of relevant data for adjustment.
16. The inventories of construction material like Cement, Steel, and other stores are lying in the stores and at site are being periodically and regularly subjected to stock verification. However, the precise physical balance held on 31.3.95 could not be fully verified and reconciled.
17. Balances in debit and credit accounts of contractors, Government authorities and companies, Deposits, Suppliers and others are subject to confirmation, reconciliation and adjustments, if required, any.
18. (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 Corporation under various series as stated in Schedule 3 are secured by way of pari passu charges/Mortgage created/to be created on movable and immovable assets relating to this project both present and future.
- (d) The necessary Bond Redemption Reserve will be created in the year in which the company will have profit.
19. 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.



20. 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 and turnout assemblers 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.
21. Advances to works include Rs. Nil (Previous year Rs. 3,000) due from an officer of the company. Maximum balance outstanding on any day during the year was Rs. 28,100 (previous year Rs. 6,000).
22. **Contingent Liabilities not provided for**
- (a) Estimated amount of contracts remaining to be executed and not provided for as certified by the management Rs. 265.09 Crores (previous year Rs. 402.93 crore).
- (b) Contractor's and other claims against the company, not acknowledged as debt as certified by the management are Rs. 24.33 Crores. (Previous Year Rs. 20.14 crore)
- (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 at present.
23. (a) **Directors Remuneration**

The remuneration of Directors is as under:-

	Current Yr. (Rs.)	Previous Yr. (Rs.)
Salary and allowances	5,26,732	2,77,451
Contribution to Provident Fund	21,926	21,408
Pension contribution paid to Railways	34,268	6,444

- (b) **Auditors Remuneration**

Auditors remuneration is as under:-

	Current Yr. (Rs.)	Previous Yr. (Rs.)
For Audit fee	40,000	40,000
For Tax Audit	30,000	30,000
For Income Tax matters	5,000	0
For reimbursement of out of pocket expenses	64,261	30,772 (*)

(*) includes Rs. 8,374/- incurred by Previous Year's statutory auditors.

**24. Earnings in Foreign Exchange:-**

	Current Yr. (Rs.)	Previous Yr. (Rs.)
Others (Sale of Tender forms)	16,144	12,520

25. Foreign Currency Expenditure:-

	Current Yr. (Rs.)	Previous Yr. (Rs.)
Travel	16,93,962	8,33,441
Interest and other related expenses	72,67,011	1,62,39,054

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

(excluding freight element)

	Current Yr. (Rs.)	Previous Yr. (Rs.)
i. Component and spare parts	65,52,643	20,80,331
ii. Capital goods	19,46,06,661	6,99,03,330

27. Previous year's figures have been regrouped and rearranged wherever considered necessary.

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

Signature for Schedules 1-15.

As per our report of even date
For **SHANKARLAL JAIN & ASSOCIATES**
CHARTERED ACCOUNTANTS
sd/-
(DINESH S. AGARWAL)
PARTNER

On behalf of the Board

sd/-
(U. V. ACHARYA)
DIRECTOR

sd/-
(E. SREEDHARAN)
CHAIRMAN & MANAGING DIRECTOR

sd/-
(B. SATYANARAYANA)
COMPANY SECRETARY

Place : Bombay,
Date : 09.08.1995



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, 1995, the Development Account and Profit & 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 (Auditor's report) order, 1988, issued by the Company Law Board in terms of Section 227 (4A), of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraph 4 & 5 of the said order.
2. Subject to our comments in the Annexure referred to in Paragraph above, we further 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 & Loss Account dealt with by this report are in agreement with the Books of Accounts.
 - D. In our opinion and to the best of our information and according to the explanation given to us, the Accounts read together with the Accounting Policies and notes thereon and subject to :-
 - i. Note No. 12 (d) regarding completed assets which are in use & shown as Capital works in Progress, Note No. 12 (e) not charging of depreciation on such assets and Note No. 12 (f) non-allocation of Corporation Office expenses on traffic operation.
 - ii. Note No. 13 regarding under charge of depreciation on fixed assets costing less than Rs. 5,000/- amount unascertained.
 - iii. Note No. 14 (a) land cost subject to reconciliation and final awards which are yet to be received. Note No. 14 (b) regarding title deeds still to be obtained and Note No. 14 (c) regarding land being included in work in progress.
 - iv. Note No. 15(a) & (b) regarding non-adjustment of expenditure of Rs.5,74,16,461/- incurred by other Agencies and Note No. 15(c) regarding non-adjustment of certain advances amounting to Rs.21,91,06,798/-.
 - v. Note No. 17 balances in debit and credit accounts of contractors, Government Authorities and Companies, Deposits, suppliers and others are subject to confirmations, reconciliations and adjustments, if required, any.



- vi. Note No. 19 regarding non provision for income tax liability.
- vii. Note No. 22 (c) regarding non-provision of amount to be paid to the land owners, amount unascertained, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view.
 - a) In the case of the balance sheet of the State of Affairs of the Company as at 31st March, 1995.
 - b) In the case of the Development Accounts for the year ended on that date, of the net expenditure carried to the balance sheet; and
 - c) In the case of the Profit and Loss Account of the loss for year ended on that date.

for **SHANKARLAL JAIN & ASSOCIATES**
CHARTERED ACCOUNTANTS

Sd/-

DINESH S. AGARWAL
PARTNER

Place : Bombay
Date : 09.08.95





**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956
ON THE ACCOUNTS OF
KONKAN RAILWAY CORPORATION LTD. (KRCL),
FOR THE YEAR ENDED 31ST MARCH, 1995.**

A. BALANCE SHEET :**I. SOURCES OF FUNDS****1. Schedule 5 : Current Liabilities and Provisions - Sundry Creditors - Expenses Rs. 8947.73 lakh.**

These are understated by Rs. 36.52 lakh due to non-provision of inspection charges (Rs. 8.89 lakh) payable to Railway Designs & Standards Organisation (RDSO) and contractors liabilities for works executed upto 31st March, 1995 in the case of CEs office at Karwar (Rs. 17.05 lakh) and Panaji (Rs.10.58 lakh). The non-provision of inspection charges (RDSO) has also resulted in understatement of Structural Engineering Works (Rs. 121922.25 lakh - Schedule - 8) to the extent of Rs. 8.89 lakh. The Management has accepted the audit observations stating that so far as RDSO is concerned, the bills for inspection charges have not been received.

2. Schedule 6 : Current Assets, Loans and Advances - Loans & Advances recoverable in cash or in kind or for the value to be received Rs. 487.68 lakh.

This amount does not include Rs. 23.94 lakh recoverable from Manmad Workshop of Central Railway towards cost of material supplied to them. The Management replied that this amount has been disputed by Manmad Workshop stating that the recoverable amount was not even Rs. 10 lakh. The Management's reply is not tenable as the amount of material supplied, though disputed, should have been accounted for to the extent recoverable.

II. APPLICATION OF FUNDS**3. Schedule 7 : Fixed Assets - Plant and Machinery Rs. 8157.44 lakh.**

(i) The wrong allocation of interest and handling charges for Rs. 8.29 lakh to 'Plant & Machinery' has resulted in overstatement of 'Plant & Machinery' and understatement of 'Interest on Loans' (Rs. 2481.76 lakh - Schedule - 10) to the same extent. The Management has accepted the audit observation.

(ii) The amount of Rs. 324 lakh being the value of six Dunnet Concrete Sleeper Laying Machines and spares, gifted by Australian International Development Assistance Bureau (AIDAB), has not been disclosed in the Notes forming part of Accounts.

Office equipment & Peripherals Rs. 322.33 lakh

(iii) This is overstated by Rs. 0.80 lakh due to double accounting of an item. The Management has accepted the audit observation.

B. DEVELOPMENT ACCOUNT**4. Schedule 10 : Other Administrative expenses - Auditors remuneration Rs. 1.39 lakh.**

(i) This amount does not include Rs. 0.50 lakh being expenses incurred on travelling, lodging and boarding etc. for Statutory Auditors. The Management's contention that amount spent by the



Corporation towards travel, lodging etc., does not qualify as Auditors' remuneration is not correct, as any sums paid by the Company in respect of the Auditors' expenses are to be included in the expression 'remuneration' as stated under Section 224(8) of the Companies Act.

Interest on Bonds Rs. 9841.30 lakh - Interest on Loans Rs. 2481.76 lakh.

- (ii) The 'Interest on Bonds' is understated and 'Interest on Loans' is overstated by Rs. 302.83 lakh. The Management has accepted the audit observation.

Finance charges - Management fee on Bonds and Service charges paid Rs. 2437.78 lakh.

- (iii) This amount includes Rs. 855.18 lakh by way of commission called management fee while issuing 10.5 percent tax free bonds on private placements paid by the Management. This is in excess of the prescribed limit of 2.5 percent. The Management's contention that the management fee was covered under the internal guidelines approved by the Board of Directors of the Company is not relevant as the limit of 2.5 percent prescribed in the Companies Act as well as in the Articles of Association is required to be followed.

C. SCHEDULE 15 - ACCOUNTING POLICIES AND NOTE FORMING PART OF ACCOUNTS

5. Item 25 : Foreign Currency expenditure - Travel Rs. 16.94 lakh.

- (i) This expenditure has been shown less by Rs. 7.42 lakh. The Management has accepted the audit observation.
- (ii) A reference is invited of Item No. 4(b) of the Notes forming part of Accounts wherein it has been mentioned that "Depreciation on Assets is charged at rates prescribed in Schedule XIV of the Companies Act, 1956 under straight line method". The fact, that the Corporation's Plant & Machinery other than Earth moving has been depreciated at a special rate of 11.31 percent (as applicable of Earth moving machinery) instead of 4.75 percent because of working triple shift, has not been disclosed in the Notes forming part of Accounts.

NIRANJAN PANT
PRINCIPAL DIRECTOR OF AUDIT

Bombay, 3rd November, 1995.



**REVIEW OF ACCOUNTS ON KONKAN RAILWAY CORPORATION LTD.
FOR THE YEAR ENDED 31ST MARCH, 1995
BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA**

(Review of accounts has been prepared without taking into account the effect of comments of Comptroller & Auditor General of India under Section 619 (4) of the Companies Act, 1956, and qualifications of Auditor's report)

FINANCIAL POSITION

The table below summarises the financial position of the Company under broad heading for the three years ended 31-03-1995.

	1992 - 93	1993 - 94	Rupees in Lakh 1994 - 95
LIABILITIES			
a)			
i) Paid up Capital	34221.94	47896.94	55096.94
ii) Application Money	250.00	—	350.00
	34471.94	47896.94	55471.94
b) Reserves & Surplus	—	—	181.65
Committed Reserve			
c) Borrowings from			
i) Government of India			
ii) Others	41705.12	78998.59	141449.38
d) Current Liabilities and Provisions.	9510.53	14169.58	15177.68
TOTAL	85687.59	141065.11	212280.65
ASSETS			
e) Gross Block	6214.97	8604.32	10234.37
f) Less Cumulative Depreciation	340.86	1191.76	2163.95
g) Net Block	5874.11	7412.56	8070.42
h) Capital work in progress and advances and deposits for Capital works	76704.53	124843.89	199641.27
i) Investment	—	—	—
j) Current Assets, Loans & Advances	3065.58	7282.49	2776.18
k) Accumulated Loss	2.57	106.57	373.18
l) Miscellaneous Expenditure			
i) Preliminary Expenses	40.80	40.80	40.80
ii) Expenditure on Public Issue of Bonds	—	1378.80	1378.80
TOTAL	85687.59	141065.11	212280.65
Capital Employed (g+j-d)	-570.84	525.47	-4331.08
Net worth (a-k-l)	34428.57	46370.77	53679.16

**2. CAPITAL STRUCTURE :**

The debt equity of the Company was 2.32:1 in 1994-95 as against 1.24:1 in 1993-94 and 0.40:1 in 1992-93.

3. RESERVE & SURPLUS :

The Company has issued 10.5% Tax Free Bonds on premium during 1994-95 and the amount of premium of Rs. 181.65 lakhs released has been shown as Capital Reserve.

4. LIQUIDITY :

- (a) The percentage of current assets to the total net assets of the Company was 3.58%, 5.22% and 1.32% in 1992-93, 1993-94 and 1994-95 respectively.
- (b) The percentage of current Assets to Current Liabilities (including provisions) which is a measure of liquidity was at 18.29% in 1994-95 as against 51.39% in 1993-94 and 32.23% in 1992-93.
- (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 18.30% in 1994-95 as against 51.42% in 1993-94 and 32.25% in 1992-93.

5. WORKING CAPITAL :

The working capital of the Company as on 31st March of the last 3 years ending 1995 was (-) Rs. 6444.95 lakhs, (-) Rs. 6887.09 lakhs and (-) Rs. 12401.50 lakhs respectively.

6. SOURCES AND UTILISATION OF FUNDS :

Funds amounting to Rs. 76427.44 lakhs were generated from internal and external sources and utilised during the year ended 31st March, 1995 as shown below :

	Rs. in lakh
SOURCES OF FUNDS	
a) Increase in Paid up Capital	7575.00
b) Increase in reserve & Surplus	181.65
c) Increase in Borrowed Fund	62450.79
d) Decrease in working Capital	5514.41
e) Funds generated from Operations :-	
Net Loss during the Year	-266.60
Add Depreciation	972.19
705.59	705.59
TOTAL	76427.44
UTILISATION OF FUNDS	
f) Addition of Fixed Assets	1630.06
g) Increase in Capital works in progress and advances and deposits for capital works	74797.38
h) Increase in Misc. expenditure written off	—
TOTAL	76427.44

NIRANJAN PANT
PRINCIPAL DIRECTOR OF AUDIT

**REPLIES OF BOARD OF DIRECTORS ON THE COMMENTS OF C & AG****A. BALANCE SHEET :****I. SOURCE OF FUNDS :****1. Schedule 5 : Current Liabilities and Provisions - Sundry Creditors - Expenses Rs. 8947.73 lakh.**

- i) Since no bills were received the provision for liability for Rs. 8.89 lakhs as inspection charges from RDSO has not been taken into account. In the other cases, the comments have been noted for remedial action in future.

2. Schedule 6 : Current Assets, Loans and Advances - Loans & Advances recoverable in cash or in kind or for the value to be received Rs. 487.68 lakh.

The materials and consumables supplied for fabrication of girders were not of the nature of a recoverable advance, and the intention was to adjust the cost of these items progressively against payments due for fabrication. Hence the question of reflecting the cost in question in Schedule 6 does not arise.

II. APPLICATION OF FUNDS :**3. Schedule 7 : Fixed Assets - Plant & Machinery Rs. 8157.44 lakh.**

- i) This inadvertent error, has been rectified in the accounts on hand.
- ii) Necessary disclosure will be made in the note to accounts in future.

iii) Office Equipment & peripherals Rs. 322.33 lakh.

This has occurred due to an oversight in the completion stage of closing of accounts and has since been rectified in the accounts on hand.

B. DEVELOPMENT ACCOUNT**4. Schedule 10 : Other Administrative expenses - Auditors remuneration Rs. 1.39 lakh.**

- i) It is reiterated in the instant case the amount of Rs. 0.50 lakh represents the expenditure directly incurred by the Corporation in arrangements made for the conduct of annual audit and therefore does not qualify as "remuneration" for the purpose of the Companies Act.

ii) Interest on Bonds Rs. 9841.30 lakh - Interest in loans Rs. 2481.76 lakh.

The total interest payable has been correctly disclosed. The inadvertent mistake in the sub-classification of interest does not affect the balance sheet or the schedules in any way.

iii) Finance Charges : Management Fee on Bonds and service Charges paid Rs. 2437.78 lakh.

The payment in question is not a 'commission' or 'Brokerage' coming within the purview of Section 76 of the Companies Act or the Articles of Association. Where Bonds are subscribed to in bulk by banks, Financial Institutions and Corporates, it has been the practice over the years for them to charge a Management Fee, presumably for the purpose of compensating them for the cost incurred in custody and management of the portfolio devolving upon them. Such Management Fees has also been paid by various other PSUs in the course of Private Placement of Bonds.



It may be also be mentioned that the guidelines issued by the Central Government envisage the payment of Front - End fees with the stipulation that the payment should be in conformity with the internal guidelines to be prescribed by the Board of Directors. In the case of this Corporation, the payment of Management Fees upto 7.5% has been specifically approved by the Board of Directors.

C. SCHEDULE 15 : ACCOUNTING POLICIES AND NOTE FORMING PART OF ACCOUNTS**5. Item 25 : Foreign Currency expenditure - Travel Rs. 16.94 lakh.**

- i) The error due to oversight is regretted and will be avoided in future.
- ii) The observation has been taken note of, and necessary disclosures will be made in future.

For and on Behalf of Board of Directors.

Sd/-

E. SREEDHARAN
CHAIRMAN AND MANAGING DIRECTOR