



कोंकण रेलवे कार्पोरेशन लिमिटेड
(भारत सरकार का उपक्रम)

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

छठवीं वार्षिक रिपोर्ट 1995-96
6TH ANNUAL REPORT 1995-96



कोंकण रेलवे कापेरिशन लिमिटेड

(भारत सरकार का उपक्रम)

KONKAN RAILWAY CORPORATION LIMITED

(A Government of India Undertaking)

SIXTH ANNUAL REPORT

1995-96

BOARD OF DIRECTORS	1
NOTICE OF AGM	2-3
CHAIRMAN'S SPEECH	4-6
DIRECTORS' REPORT	7-10
ANNUAL ACCOUNTS.....	11-31
AUDITORS' REPORT	32-40



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 U. R. CHOPRA** - Addl. Member (Works), Railway Board
 6. **SHRI JASBIRPAL SINGH** - Addl. Member (ME), Railway Board
 7. **SHRI N. P. SRIVASTAV** - Addl. Member (Budget), Railway Board
 8. **SHRI SHANTI NARAIN** - Addl. Member (Traffic), Railway Board
 9. **SHRI M. M. GOYAL** - Addl. Member (Planning), Railway Board
 10. **SHRI DINESH AFZULPURKAR** - Chief Secretary, Govt. of Maharashtra
ALTERNATE
SHRI P. M. A. HAKEEM - Secretary, Transport, Govt. of Maharashtra
 11. **SHRI G. C. SRIVASTAVA** - Chief Secretary, Govt. of Goa
ALTERNATE
SHRI JANAK DIGAL - Secretary, Transport, Govt. of Goa
 12. **SHRI B. R. PRABHAKARA** - Chief Secretary, Govt. of Karnataka
ALTERNATE
SHRI S. K. GOSHAL - Addl. Chief Secretary, Govt. of Karnataka
 13. **SHRI C. P. NAIR** - Chief Secretary, Govt. of Kerala
ALTERNATE
SHRI N. V. MADHAVAN - 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, Mumbai, CST.

Registered Office :

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

Corporate Office :

Belapur Bhavan, plot 6,
Sector 11, CBD, Belapur,
Navi Mumbai 400 614.



NOTICE OF THE SIXTH ANNUAL GENERAL MEETING

Notice is hereby given that the Sixth Annual General Meeting of the Konkan Railway Corporation Limited will be held at 11.30 hrs. on Monday, 23rd September, 1996 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 area already opened for traffic) for the year ended 31.03.96 and auditors' Report thereon.

SPECIAL BUSINESS :

Special Resolution :

"Resolved that subject to the confirmation of the Company Law Board, the Registered Office of the Company be shifted from New Delhi (State of Delhi) to Belapur, Navi Mumbai, (State of Maharashtra) and that clause II of the Company's Memorandum of Association be substituted by the following clause."

II. "The Registered Office of the Company will be situated in the State of Maharashtra at Plot 6, Sector 11, C.B.D., Belapur, Belapur Bhavan, Navi Mumbai - 400 614."

"Resolved further that the Secretary of the Company be and is hereby authorised to take all necessary steps required in regard to shifting of Registered Office from New Delhi (State of Delhi) to Navi Mumbai (State of Maharashtra)."

"Resolved further that the sign / Name Board be affixed at Registered Office with the name of the Company and address in letters easily legible both in English and Hindi and that the address of the Registered Office be mentioned in all letter heads, notices and other official publications, as also all other documents pursuant to the provisions contained in Section 147 of the Companies Act, 1956."

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

Sd/-

B. SATYANARAYANA
COMPANY SECRETARY

Belapur, Navi Mumbai
Date : 20/08/1996.

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, 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

Clause II of the Memorandum of Association of the Company provides that the Registered Office of the Company will be situated in the Union Territory of New Delhi. The decision to locate the Registered Office in New Delhi was based on several considerations such as the need to maintain close liaison with various Ministries and Government Departments in the construction phase for furtherance of the Corporation's objectives. The project is under completion stage. The operational activities will be closely monitored and controlled from Belapur, Navi Mumbai which will be the nodal point. Hence it is felt there is need to shift the Registered Office for its present location in New Delhi to Belapur, Navi Mumbai. Hence this resolution. After obtaining the shareholder's approval, the proposal will be submitted to the Company Law Board for confirmation as required under Section 17(2) 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 SIXTH ANNUAL GENERAL MEETING

Gentlemen,

It is my proud privilege to welcome you to the Sixth Annual General Meeting of your Corporation. The Directors' Report along with the Audited Accounts for the year ended March, 1996 as also the Auditors' Report thereon are with you, and with your permission I shall take them as read.

STATUS OF THE PROJECT

The performance of your Corporation for the year 1995-96 has been already covered in the sixth annual report 1995-96 circulated to you. I shall not, therefore, dwell at length on the events that had taken place till 31st March, 1996. Since February, 1995 onwards, the Corporation has been passing through very difficult times. On account of adverse market conditions, we could not raise sufficient funds through issue of tax-free bonds. For the entire year 1995-96, out of a total authorisation of Rs. 445 crores, we could raise only Rs. 180.25 crores and even though the unutilised portion was revalidated for the year 1996-97, till date further mobilisation through this route was only to the extent of Rs. 38 crores. The shortfall to some extent, was made good by short-term commercial borrowings though at very high interest rates. Even then we did not succeed to raise adequate funds on account of tight liquidity conditions prevailing in the market. Persistent, crippling fund shortages over a prolonged period had a serious set-back to the progress of the project as a whole, as the Corporation was not able to pay the contractors and suppliers in time.

Compounding the severe fund shortages, adverse geological conditions in some of the deep cuttings and particularly in nine of the tunnels caused inevitable delays in various sectors. The target date of March, 1996 for commissioning of the Project given in the last Annual General Meeting could not, therefore, be adhered to.

The time over-run, general escalation in prices and enhancement of the scope of the work by way of extensive protective works in cuttings and tunnels and replacement of a portion of the Cortalim bank with six bridges have, all put together, hiked the cost of the project from Rs. 2034 crores estimated at February, '95 to Rs. 2230 crores at April, '96 price level. There has been a corresponding increase in the financing cost of the project also which has gone up from Rs. 450 crores to Rs. 550 crores. Thus the total requirement of funds for the project got enhanced to Rs. 2780 crores as against Rs. 2484 crores indicated to you in the last Annual General Meeting.

Despite the severe fund constraints and the technical problems encountered in some of the tunnels, cuttings and Cortalim bank, significant progress has been achieved on the project as a whole. Out of the nine tunnels which were giving trouble, three have been completed. Three more have been made through in heading and the benching operations and other finishing works are going on. But three tunnels in Goa sector are still to be made through. The most critical among the three is Pernem tunnel which is 1.54 km in length, of which about 430 metres are still remaining. In the 542-metre long Old Goa tunnel, about 110 metres of heading is still remaining. In the 1.87 km long Padi tunnel, only 10 metres are still to be bored through. Completion of these tunnels by December, 1996 is still a challenge, but we are vehemently at it. Unfortunately, in the current monsoon season, there were five serious tunnel collapses - two in Old Goa tunnel, one in Padi tunnel and one each in Bhatkal and Byndoor tunnels. The last one occurred on the morning of 19th of this month. Fortunately, in none of these collapses, there was any loss of life or injury to the workers, but in all these cases, the partially completed tunnels got fully blocked, seriously delaying further works in these tunnels.

The heavy rains during the current monsoon have also caused large scale slips and boulder falls in some of the deep cuttings. Repair works are going on at a feverish pace at all these locations.



As on 31st August, 1996, the weighted physical progress was 96.3%. Now the formation work is all complete except for the repairs earlier referred to. All the bridges are also completed except the six bridges which have been taken up recently to replace the portion of the Cortalim bank. These bridges will also get completed by 31st October.

Out of the 760-km route length, track linking has been completed over 700 km. By October end the entire track linking would be over, except for the tunnels which still remain to be completed. Telecommunication and signalling works are going on satisfactorily. Therefore, the progress achieved on the project can still be considered as impressive, considering the serious shortage of funds and the technical problems encountered by the Corporation.

EXPECTED TARGETS

The difficult days of the Corporation on the fund front appears to be coming to an end. Corporation's efforts to raise an external commercial borrowing have met with resounding success. Our 30 million USD syndicated loan was over-subscribed by more than three times. The Government of India has now permitted the Corporation to retain 70 million USD and the agreement for the same was signed at Hong Kong on 20th of this month. This money is expected to be available from 1st week of October onwards. The Corporation intends to approach the Government to permit another 20 million USD also to be availed out of this syndication effort. The Corporation is also entering the market with a public issue of tax-free bonds to the extent of Rs. 150 crores, with an option to retain over-subscription to the extent of Rs. 50 crores. This fund mobilisation should see the completion of the project as also repayment of a major portion of the short-term loans taken.

Shareholders are aware, 230 km out of the 760 km length of the project have been already opened for train services. The section from Chiplun to Kudal - a distance of 235 km - has been now notified for goods opening from 30th of this month. With this 465 km of route length will be operational. 188 km from Kundapura to Canacona in the south has also been proposed for opening by November end. This would leave about 107 km mainly in Goa sector, where the three difficult tunnels exist. It will be the effort of the Corporation to complete these tunnels by end of December, so that the whole line can be commissioned in December, 1996 or January, 1997.

OPERATION PHASE

With the construction phase gradually coming to a close, the Corporation is gearing itself to transform it into an operating Railway. The traffic projections on the route have been updated in May, 1996 by M/s. RITES. The latest projections show a substantial increase in the traffic volume than originally anticipated. Indian Railways have taken steps to augment the line capacity on the adjoining sections of the project so that the traffic flow is smooth and unhindered. Indian Railways have also taken the decision that the required rolling stock would be made available to the Corporation on lease terms as applicable to other zonal railways. With the approval of the Ministry of Railways, the Corporation has decided to levy tariff rates with 40% distance inflation for passenger services and 50% inflation for freight services, with a view to ensure adequate return on the investments made. Recruitment, training and placement of staff required for the operation stage are now going on. During the operational phase, the total requirement of manpower is expected to be less than 3500, as against the normal requirement of about 15,000/- employees for a comparable section of the Indian Railways. This has been achieved by our investment strategy, creating assets needing minimum cost of operation and maintenance. We are also introducing an integrated computersed system covering all aspects of train operation, including real time control, train scheduling, ticketing, monitoring of rolling stock and asset management. This has been made possible by the excellent communication facilities set up based on optic fibre cables. It is our hope, the computerisation scheme of train operations, asset management and the new work culture that we intend to introduce for the



operation stage, which will ensure maximum profitability to the Corporation at the same time ensuring full customer satisfaction, will be fore-runner to similar exercises on the Indian Railways.

ACKNOWLEDGEMENT

I would like to conclude by thanking the Ministry of Railways and other Central Government departments and agencies as well as the State Governments of Maharashtra, Karnataka, Goa and Kerala for the help, support and co-operation 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. I would be failing in my duty if I 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 Sixth Annual Report on the working of your Corporation, together with audited statements of accounts for the financial year ended 31 March, 1996.

1. OPERATIONS OF THE COMPANY :

- 1.1 The year 1995-96 was the sixth year of existence of the Corporation. The Construction activities on the Project continued at a hectic pace during the year. Roha-Veer section was extended upto Khed in September, 1995, and further extended upto Chiplun - an important industrial area - in February, 1996, thus bringing the total length opened for passenger services to 230 km. Two pairs of passenger trains are running on the Roha-Chiplun section whereas only one pair of passenger trains is running on the Mangalore - Kundapura section.
- 1.2 On account of the severe fund constraints faced by the Corporation and the adverse geological conditions met with in 9 of the tunnels, the earlier target of March, 1996, for commissioning of the whole line could not be adhered to. The present position is all except 3 tunnels in Goa sector have been made through and all major and minor bridges completed, except the 6 Nos of the major bridges taken up for execution recently to replace the Cortalim bank, which was sinking badly on account of weak marine clay underneath. These six bridges are now expected to be completed by October, 1996. The entire formation work has been completed except about half a dozen cuttings where final levels are being reached presently. Out of the 760 km length, track linking has been completed over 680 km and the overall weighted physical progress of the Project as on 30.6.96 is 95.10%.
- 1.3 In order to overcome the technological problems in the tunnels, the Corporation had availed the services of three eminent tunnel experts, viz. Shri K. Madhavan, Member (retired), Central Water Commission, Shri N. Appukuttan, from Asian Tech and Mr. Mark H. Balissat, Locher & Cie AG of Switzerland, who while concluding that no change is required in the methodology and procedure adopted by the Corporation, have, however, given valuable suggestions for expediting the work.
- 1.4 Despite the technical problems in the three tunnels, and the fund shortages, the Directors are making all efforts to commission the whole line by December, 1996 for passenger services.

2. FINANCIAL RESULTS :

In the earlier Directors' Report, the estimated cost of construction was projected as Rs. 2030 crores and the financing cost as Rs. 450 crores. However, a review of the Project cost based on the balance work on hand, now indicates that the completion cost of the work would be of the order of Rs. 2230 crores and the financing cost would be Rs. 550 crores. Increase of Rs. 200 crores on the works side is due to various factors like extra lining in tunnels owing to the adverse geological conditions encountered at site and provision of a large number of protective works in the cuttings and other vulnerable areas and steep rise in the price of Cement and P. Way materials etc. Increase of Rs. 100 crores in the financing cost is mainly due to time over-run and the resultant interest payments which have been capitalized. The Corporation has proposed to fund the extra Rs. 300 crores through Extra Commercial Borrowings of \$ 30 million (100 crores) and through a Central Government loan of Rs. 200 crores or any other suitable long term financing.



The expenditure on construction activity is given below upto 31.03.96 :-

	Rs. in crores
Capital works in Progress including	
Advance and deposits for works	2448.50
Other Fixed Assets (After Depreciation)	73.96
Current Assets (Net)	(108.82)
Preliminary Expenditure	14.20
Total	2427.84

3. Share Capital :

The paid up Share Capital including application money of the Corporation stood at Rs. 587,76,94,000 as on 31.03.1996.

	(Rs. in Thousands)		Total
	upto 94-95	Upto 95-96	
Ministry of Railways	305,71,92	---	305,71,92
Government of Maharashtra	132,00,00	---	132,00,00
Government of Goa	17,00,00	10,00,00	27,00,00
Government of Karnataka	75,00,01	13,75,00	88,75,01
Government of Kerala	25,00,01	9,30,00	34,30,01
Total	554,71,94	33,05,00	587,76,94 *

(* This includes Rs. 34000 application money)

4. Issue Of Bonds :

The Corporation has been able to raise Rs. 1454.8797 Crores upto 31.03.96 by issue of 10.5% tax free bonds leaving a balance of Rs. 264.75 crores which was carried forward to 1996-97 against total sanctioned amount of Rs. 1720 crores including Rs. 131.14 crores realised in the name of IRFC.

5. Short Term Borrowings :

An amount of Rs. 363.82 crores was outstanding as on 31.03.96 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 and 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 217 (1) (e) of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 1988 as under.

	Current Year (1995-96)	Previous Year (1994-95)
Foreign Exchange Earnings	Nil	16,144
Foreign Exchange Outgo	12,00,68,032	22,50,43,545

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 and 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 R. Ramachandran Nair	From 01.03.94
Shri G. K. Kanchan	From 04.10.94 to 15.03.96
Shri M. K. Misra	From 04.10.94 to 08.11.95
Shri Jasbirpal Singh	From 04.10.94
Shri R. K. Jain	From 04.10.94 to 31.03.96
Shri N. P. Srivastav	From 04.10.94
Shri S. P. Upasani	From 15.10.94 to 09.04.96
Shri S. B. Mudappa	From 16.03.95 to 07.03.96
Shri D. C. Misra	From 27.05.94 to 28.07.95
Shri S. D. Gupta	From 31.07.95 to 15.02.96
Shri Dinesh Afzulpurkar	From 09.04.96
Shri Cecil Noronha	From 07.03.96
Shri U. R. Chopra	From 15.02.96
Shri Shanti Narain	From 08.11.95
Shri G. C. Srivastava	From 28.07.95
Shri M. M. Goyal	From 15.03.96

**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 1995-96.

12. ACKNOWLEDGEMENT :

The Board of Directors gratefully acknowledge the assistance, active support and guidance received from the Indian Railways as well as from State Govts. of Maharashtra, Goa, Karnataka, and Kerela. The Board of Directors express their deep appreciation of the valuable contribution 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 the Board of Directors

Sd/-

E. Sreedharan

Chairman cum Managing Director



BALANCE SHEET AS AT 31st MARCH, 1996

Particulars	Schedule No.	As at 31st March 1996		As at 31st March 1995	
		Rs.	Rs.	Rs.	Rs.
I. SOURCES OF FUNDS					
(1) Shareholder's funds:					
(a) Capital	1	5,87,76,94,000		5,54,71,94,000	
(b) Reserves and Surplus	2	1,81,65,000		1,81,65,000	
			5,89,58,59,000		5,56,53,59,000
(2) Loan Funds					
(a) Secured Loans	3	14,64,86,71,179		12,74,62,97,000	
(b) Unsecured Loans	4	3,94,80,85,273		1,38,43,39,462	
			18,59,67,56,452		14,13,06,36,462
(3) Current Liabilities and Provisions	5	1,64,24,91,135		1,53,20,70,088	
Less :					
Current Assets, Loans and Advances	6	55,42,23,686		27,70,92,606	
Net Current Liabilities			1,08,82,67,449		1,25,49,77,482
TOTAL			25,58,08,82,901		20,95,09,72,944
II. APPLICATION OF FUNDS					
(1) Fixed assets:					
(a) Gross Block		1,03,67,19,453		1,02,34,37,629	
(b) Less depreciation		29,70,43,096		21,63,95,303	
(c) Net Block	7	73,96,76,357		80,70,42,326	
(d) Capital works in progress advances and deposits for Capital works	8	24,48,50,37,086		19,96,46,52,831	
			25,22,47,13,443		20,77,16,95,157
(2) Miscellaneous Expenditure (to the extent not written off or adjusted)					
a. Preliminary Expenses		40,80,429		40,80,429	
b. Expenditure on Public issue		13,78,79,904	14,19,60,333	13,78,79,904	14,19,60,333
(3) Profit and Loss Account			21,42,09,125		3,73,17,454
TOTAL			25,58,08,82,901		20,95,09,72,944

Accounting policies & Notes to Accounts '16' Schedule T-16 forming an integral part of Accounts.

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

sd/-
(U.V. ACHARYA)
DIRECTOR

On behalf of the Board.
sd/-
(E.SREEDHARAN)
CHAIRMAN & MANAGING DIRECTOR

sd/-
(B. SATYANARAYANA)
COMPANY SECRETARY

Place : Mumbai.
Dated : 9.8.96.



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 1996

	Schedule No.	Current year (Rs.)	Previous year (Rs.)
A. Traffic Earnings (A)	13	<u>92,74,745</u>	<u>22,13,684</u>
B. Expenses on train operations			
1. Expenses on staff	14	1,16,18,087	57,41,054
2. Hire charges for Rolling Stock & Motive power.		69,01,160	32,80,434
3. Fuel		26,52,759	17,26,113
4. Lease Rentals			
(a) Rentals		1,26,42,790	
(b) Other Charges		<u>70,88,709</u>	
		1,97,31,499	----
5. Repairs and Maintenance			
a) Permanent Way		1,44,72,652	1,19,07,554
b) Station and Other buildings		33,22,102	7,06,894
c) Equipment		12,85,058	3,44,238
d) Bridges		8,06,161	13,51,728
e) Rolling Stock		<u>1,34,714</u>	----
		2,00,20,687	1,43,10,414
6. Consumption on tools and other stores		6,07,576	30,349
7. Commission		51,227	29,113
8. Loss on sale of Assets		3,76,50,836	----
9. Depreciation		3,29,96,996	----
10. Depreciation for earlier years		4,42,78,889	----
11. Prior period adjustments (including Hire Charges of Rs.1,34,091)		3,23,040	1,135
12. Miscellaneous and other		<u>93,33,660</u>	<u>37,55,207</u>
Operating Expenditure (B)		<u>18,61,66,416</u>	<u>2,88,73,819</u>
Net (Loss) of Train Operations (B-A)		(17,68,91,671)	(2,66,60,135)
Add (loss) brought forward		(3,73,17,454)	(1,06,57,319)
Total (loss) transferred to Balance Sheet		<u>(21,42,09,125)</u>	<u>(3,73,17,454)</u>

Accounting Policies and Notes to Accounts '16' Schedule 1-16 form an integral part of accounts.

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

sd/-
(U.V.ACHARYA)
DIRECTOR

On behalf of the Board.
sd/-
(E.SREEDHARAN)
CHAIRMAN AND MANAGING DIRECTOR

sd/-
(B. SATYANARAYANA)
COMPANYSECRETARY

Place : Mumbai.
Dated :9.8.96.

**DEVELOPMENT ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1996.**

Particulars	Schedule No.	Current year Rs.	Previous year Rs.
I. EXPENDITURE DURING CONSTRUCTION PERIOD			
i) Survey		56,187	1,14,277
ii) Salaries Allowances & Benefits	9	12,63,70,108	10,55,22,685
iii) Other Administrative Expenses	10a	11,58,51,030	13,99,18,244
iv) Finance Charges	10b	2,05,79,89,766	1,47,60,83,736
v) Depreciation for the year		10,36,29,237	10,24,47,390
vi) Short/(Excess) depreciation for earlier years.		20,22,991	(49,99,932)
vii) Provision for Wealth Tax		17,720	5,40,000
viii) Prior period adjustments	11	1,65,76,929	3,39,57,943
TOTAL		2,42,25,13,968	1,85,35,84,343
II. LESS INCIDENTAL INCOME	12	2,42,02,533	14,46,76,089
III. Balance carried to capital works in progress (Refer schedule No.8)		2,39,83,11,435	1,70,89,08,254

Accounting policies and notes to accounts '16'
Schedule T-16 form an integral part of accounts

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

Place : Mumbai.
Dated :9.8.96.

sd/-
(U.V.ACHARYA)
DIRECTOR

On behalf of the Board.
sd/-
(E.SREEDHARAN)
CHAIRMAN AND MANAGING DIRECTOR

sd/-
(B. SATYANARAYANA)
COMPANY SECRETARY

**SCHEDULE - 1 - SHARE CAPITAL**

	AS AT 31.03.96 Rs.	AS AT 31.03.95 Rs.
AUTHORISED		
60,00,000 Equity shares of Rs.1,000 each (Previous year 60,00,000)	6,00,00,00,000	6,00,00,00,000
ISSUED, SUBSCRIBED & PAID UP		
58,43,694 Equity shares of Rs.1,000 each Fully paid up. (Previous year 55,09,694) Of the above shares 67,244 Equity shares have been allotted as fully paid up for consideration other than cash. Share application money for allotment of 34,000 shares (Previous 37,500 shares)	5,84,36,94,000 3,40,00,000	5,50,96,94,000 3,75,00,000
TOTAL	5,87,76,94,000	5,54,71,94,000

SCHEDULE - 2, RESERVES AND SURPLUS

	AS AT 31.03.96 Rs.	AS AT 31.03.95 Rs.
CAPITAL RESERVE		
Premium on Issue of Bonds. (As per last Balance Sheet)	1,81,65,000	1,81,65,000
TOTAL	1,81,65,000	1,81,65,000



SCHEDULE - 3 - SECURED LOANS

	AS AT 31.03.96 Rs.	AS AT 31.03.95 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 37 bonds (previous year 13) valued at Rs.37,000/- (previous year Rs.13,000/-) 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	71,50,00,000
6. 1366500 bonds of series 2D redeemable on 01.08.1999	1,36,65,00,000	1,36,65,00,000
7. 2761000 bonds of series 3A redeemable on 27.08.1999	2,76,10,00,000	2,76,10,00,000
8. 740000 bonds of series 3B redeemable on 12.10.2001	74,00,00,000	74,00,00,000
9. 645000 bonds of series 3C redeemable on 31.10.2004	64,50,00,000	64,50,00,000
10. 120000 bonds of series 4A redeemable on 07.02.2005	12,00,00,000	12,00,00,000
11. 630000 bonds of series 4B redeemable on 20.02.2005	63,00,00,000	63,00,00,000
12. 750000 bonds of series 4C redeemable on 05.07.2000	75,00,00,000	---
13. 420000 bonds of series 5A redeemable on 05.08.2000	42,00,00,000	---
14. 200000 bonds of series 5B redeemable on 11.10.2000	20,00,00,000	---
15. 432500 bonds of series 5C redeemable on 30.03.2001	43,25,00,000	---
	13,23,73,97,000	11,43,48,97,000
2. LOANS		
i) FROM IRFC		
(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
ii) FROM BANK - Cash Credit		
(Secured against hypothecation of current assets of the Corporation)	9,98,74,179	---
TOTAL	14,64,86,71,179	12,74,62,97,000



SCHEDULE - 4 UNSECURED LOANS

	AS AT 31.03.96 Rs.	AS AT 31.03.95 Rs.
i. Short Term Loans		
From a Bank	10,00,00,000	35,00,00,000
Inter Corporate deposit	2,28,82,00,000	90,00,00,000
Others	1,25,00,00,000	---
Add : Interest accrued and due	18,06,54,077	---
	<u>3,81,88,54,077</u>	<u>125,00,00,000</u>
[Amount repayable within next one year Rs.363,82,00,000 (Previous Year Rs. 125,00,00,000)]		
ii. Foreign currency Loan		
From a Bank	12,92,31,196	13,43,39,462
[Amount repayable within next one year Rs.1,84,56,640 (Previous Year Rs.1,67,91,820)]		
TOTAL	<u><u>3,94,80,85,273</u></u>	<u><u>1,38,43,39,462</u></u>

SCHEDULE - 5 - CURRENT LIABILITIES & PROVISIONS

	AS AT 31.03.96 Rs.	AS AT 31.03.95 Rs.
A. CURRENT LIABILITIES		
1. Sundry Creditors		
i. Contractors	64,64,08,183	84,67,34,792
ii. Expenses	11,27,82,959	5,93,55,127
iii. Deposits from Contractors & others	34,36,44,984	21,98,19,673
iv. Payable to Railways		
a) Train operating expenses	1,52,41,619	61,78,359
b) Apportioned share of earnings	1,03,26,630	29,27,972
	<u>2,55,68,249</u>	<u>91,06,331</u>
v. Other Liabilities	87,62,448	83,99,737
2. Temporary bank overdraft	1,22,900	1,16,653
3. Interest accrued but not due on		
a) Loans	13,72,67,223	10,18,45,362
b) Bonds	34,22,81,241	28,48,13,979
	<u>47,95,48,464</u>	<u>38,66,59,341</u>
4. Advance against sales	2,45,34,660	7,77,866
B. PROVISIONS		
Provision for Wealth Tax	11,18,288	11,00,568
TOTAL	<u><u>1,64,24,91,135</u></u>	<u><u>1,53,20,70,088</u></u>

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

	AS AT 31.03.96 Rs.	AS AT 31.03.95 Rs.
A CURRENT ASSETS		
i. Interest Accrued	96,37,313	1,14,14,305
ii. Cash in Hand	4,97,591	4,31,933
iii. Funds in Transit	2,55,00,000	2,194
iv. Balance with Scheduled banks in:		
a) Current Account	9,64,36,785	8,79,32,000
b) Term Deposit (Out of this Rs. 16,93,67,222 (previous year Rs.12,15,81,600) is pledged with bank)	16,93,67,222	12,18,81,600
v. Traffic Earnings Receivable:	26,58,04,007	20,98,13,600
a) Over six months	38,134	4,040
b) Others	42,07,904	7,99,477
	42,46,038	8,03,517
TOTAL [A]	30,56,84,949	22,24,65,549
B. LOANS & ADVANCES [Unsecured, considered good unless otherwise stated]		
i. Advances recoverable in cash or in kind or for value to be received	1,76,43,915	4,82,42,819
ii. Sundry receivables	82,36,648	1,01,696
iii. Advances to employees	6,81,436	5,65,854
iv. Deposits for accommodation	35,35,924	30,85,809
v. Deposits with Government agencies	28,61,200	21,28,258
vi. Other Deposits	5,46,943	5,02,621
vii. Deposits for lease assets	19,60,00,000	---
viii. Deposit works for other Govt/Dept	1,90,32,671	---
TOTAL [B]	24,85,38,737	5,46,27,057
TOTAL [A + B]	55,42,23,686	27,70,92,606



SCHEDULE 7 - FIXED ASSETS

(Figures in Rs.)

Sr. No	Particulars	GROSS BLOCK					DEPRECIATION					NET BLOCK		
		Balance as at 1.4.95	Additions during the Year	Less Transfers/ Adjustments	Total as at 31.3.96	Upto 31.3.95	For the Year	Less Excess/ (Short) provision for earlier years on adjustments/ Transfers	Upto 31.3.96	As at 31.3.96	As at 31.3.95			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)			
1.	Lease Hold Land	---	44556210	---	44556210	---	---	---	---	44556210	---			
2.	Buildings	102019714	2378548	511682	103886580	20700979	2110052	814678	21996353	81890227	81318735			
3.	Permanent Way (Track)	---	1094191928	1094191928	---	---	76541092	76541092	---	---	---			
4.	Plant & Machinery	815743752	55824161\$	90774949	780792964	163195614	91340636	21389859	233146391	547646573	652548138			
5.	Office Equipment and Peripherals	32232656	3302829	399100	35136385	8129167	3747396	132102	11744461	23391924	24103489			
6.	Furniture and Fixtures	18558468	864440	42555	19380353	3002307	1201020	7221	4196106	15184247	15556161			
7.	Vehicles	54883039	424405	2340483	52966961	21367236	5964926	1372377	25959785	27007176	33515803			
	TOTAL	1023437629	1201542521	1188260697	1036719453	216395303	180905122*	100257329#	297043096	739676357	807042326			
	PREVIO US YEAR TOTAL	860431568	197242466	34236405	1023437629	119176264	102447390	5228351	216395303	807042326				

NOTE :

& Includes six dunnet concrete sleeper laying machines received free of cost from Australian International Development Assistance Bureau, otherwise valued at Rs. 323.45 lacs., however other incidental costs are capitalised of Rs. 1,26,61,349/-.

Includes Rs. 10,39,39,433 (previous year Rs. 2,28,419) on account of assets sold during the year.

Includes short and excess depreciation for earlier years of Rs. 4,72,50,033/- (Previous year Rs. 1,76,498/-) & Rs. 9,48,153/- (Previous year Rs.51,76,430/-) respectively.

* Includes Rs. 3,29,96,996/- (Previous year Rs. 2,99,813/-) on assets used in operating line and Rs. 4,42,78,889 on account of depreciation for earlier years (Previous year Rs. nil)

\$ Includes Rs. 1,26,40,559/- (Previous year nil) on account of foreign exchange fluctuation.



SCHEDULE 8 - CAPITAL WORKS IN PROGRESS AND ADVANCES & DEPOSITS FOR CAPITAL WORKS

A. CAPITAL WORKS IN PROGRESS	AS AT 31-3-96 Rs.	AS AT 31-3-95 Rs.
(Includes Works which might have been technically completed but not yet commissioned for use)		
I. WORKS		
i. Land	86,44,67,198	88,73,01,072
ii. Structural Engg. Works		
a) Formation	6,95,76,58,772	5,44,31,50,800
b) Permanent way	2,32,24,67,203	1,99,88,87,519
c) Bridges	5,05,61,70,034	4,42,57,55,178
d) Station & Buildings	34,70,24,273	21,65,29,993
e) Other Works	17,02,57,082	10,49,16,208
	14,85,35,77,364	12,18,92,39,698
iii. Equipment, Plant & Machinery	79,44,34,684	50,14,54,982
ii. CONSTRUCTION MATERIAL (As taken, valued and certified by the Management)		
i. Rails	48,14,89,252	75,03,20,127
ii. Sleepers	59,45,44,519	80,02,01,770
iii. Cement	11,96,12,397	6,42,26,568
iv. Steel	6,73,13,272	21,40,20,446
v. Diesel	50,11,888	1,05,11,467
vi. Explosives	1,38,78,835	1,12,32,938
vii. Others	26,52,77,922	27,12,10,526
	1,54,71,28,085	2,12,17,23,842
[Includes materials in transit Rs. 15,12,49,032 (previous year Rs. 33,19,23,338)]		
III. Computers & peripherals under development/installation	6,90,50,987	---
IV. Balance in Development Account to be allocated to items of Capital Works in progress when completed		
a) Balance as at 1-4-95	3,67,75,22,807	1,96,86,14,553
b) Addition during the year as per development account.	2,39,83,11,435	1,70,89,08,254
c) Less Capitalised being allocated on assets capitalised.	21,58,00,522	---
	5,86,00,33,720	3,67,75,22,807
TOTAL [A]	23,98,86,92,038	19,37,72,42,401
B. ADVANCE & DEPOSITS FOR CAPITAL WORKS		
i. Contractors & Suppliers	10,08,50,576	30,53,72,455
ii. Land Acquisition	17,26,30,202	6,24,05,512
iii. Purchase of Materials & Equipment	20,06,86,044	21,91,06,798
iv. Advance to Govt. Agencies for works	2,21,78,226	5,25,665
TOTAL [B]	49,63,45,048	58,74,10,430
GRAND TOTAL [A + B]	24,48,50,37,086	19,96,46,52,831

**SCHEDULE 9 - SALARIES, ALLOWANCES & OTHER BENIFITS**

	Current year Rs.	Previous Year Rs.
i. Salaries & Allowances	11,11,96,773	9,36,72,313
ii. Contribution to Provident & other Funds	76,14,909	50,94,020
iii. Foreign Service Contribution	21,77,737	24,89,008
iv. Staff Welfare	53,80,689	42,67,344
TOTAL	12,63,70,108	10,55,22,685

SCHEDULE 10a - OTHER ADMINISTRATIVE EXPENSES

	Current year Rs.	Previous Year Rs.
i. Rent	1,14,20,131	1,14,82,250
ii. Insurance and Taxes	16,90,803	61,74,522
iii. Printing & Stationary	39,65,088	41,13,819
iv. Postage, Telephone & Telex	1,28,27,273	1,38,17,372
v. Travelling & conveyance	2,80,01,622	2,95,81,180
vi. Vehicles Expenses	1,75,84,836	2,02,12,758
vii. Repairs & Maintenance		
a) Plant & Machinery	1,83,32,106	3,13,00,203
b) Buildings	24,66,186	15,66,702
c) Others	16,11,345	15,73,608
viii. Electricity & water Charges	16,39,601	18,63,112
ix. Advertisement & publicity	30,60,584	4,24,098
x. Auditors Remuneration	1,45,002	1,39,261
xi. Legal and professional expenses	61,50,290	88,52,527
xii. Other Expenses	99,31,156	85,70,747
xiii. (Profit)/Loss on sale of assets	(29,74,993)	2,46,085
TOTAL	11,58,51,030	13,99,18,244

SCHEDULE 10b - FINANCE CHARGES

i. Interest on Bonds (Includes Rs. 3885 (previous year Rs. 4725) paid to directors)	1,43,71,43,308	1,01,44,12,765
ii. Interest on loans	50,88,49,054	21,78,93,471
iii. Management fee on bonds	10,57,05,000	24,37,77,500
iv. Service Charges	62,92,404	---
TOTAL	2,05,79,89,766	1,47,60,83,736

**SCHEDULE 11 - PRIOR PERIOD ADJUSTMENTS**

	Current Year Rs.	Previous Year Rs.
1. Survey	1,276	30,286
2. Salaries, allowances and Benefits	6,87,224	14,438
3. Insurance	5,028	56,26,328
4. Printing and Stationary	---	5,41,722
5. Repairs and Maintenance to Plant and Machinery (Net)	5,58,046	44,48,307
6. Interest on Bonds	1,22,14,493	---
7. Interest and other charges on Foreign currency loan	13,71,015	1,94,90,962
8. DPG Commission	---	37,75,882
9. Other expenses	18,98,226	4,81,690
	<u>1,67,35,308</u>	<u>3,44,09,615</u>
LESS:-		
1. Sale of Tender forms	1,47,250	2,22,360
2. Excess provision written back	11,129	2,29,312
TOTAL	<u><u>1,65,76,929</u></u>	<u><u>3,39,57,943</u></u>

SCHEDULE 12 - INCIDENTAL INCOME

	Current year Rs.	Previous Year Rs.
i. Interest from Banks and others	1,27,69,162	3,54,19,305
ii. Sale of Tender Forms etc.	3,78,035	4,62,077
iii. Sale of Scrap	42,65,957	20,67,770
iv. Rent recovery	7,36,479	5,93,501
v. Other Receipts	60,52,900	8,03,977
vi. Excess provision of interest	---	10,53,29,459
TOTAL	<u><u>2,42,02,533</u></u>	<u><u>14,46,76,089</u></u>

**SCHEDULE 13 - TRAFFIC EARNINGS**

	Current year Rs.	Previous Year Rs.
i. Passenger	89,54,900	21,47,682
ii. Other Coaching	1,16,186	46,141
iii. Other receipts	2,03,659	19,861
TOTAL	92,74,745	22,13,684

SCHEDULE 14 - EXPENSES ON STAFF

	Current year Rs.	Previous Year Rs.
i. Salary, wages and allowances etc.	1,04,92,070	54,71,835
ii. Contribution to Provident & other Funds	5,08,695	1,60,769
iii. Foreign Service Contribution	1,20,959	---
vi. Staff Welfare Expenses	4,96,363	1,08,450
TOTAL	1,16,18,087	57,41,054

SCHEDULE 15 - MISCELLANEOUS AND OTHER OPERATING EXPENDITURE

	Current year Rs.	Previous Year Rs.
i. Electricity and Water Charges	19,45,934	7,46,786
ii. Cost of tickets and forms	1,11,237	22,295
iii. Travelling Expenses	27,44,726	8,50,482
iv. Telephone and Communication	5,89,008	1,62,230
v. Vehicle Expenses	9,44,056	4,12,966
vi. Rent for Residential buildings	45,999	31,626
vii. Other sundry Expenses	16,79,900	15,28,822
viii. Legal Expenses	12,72,800	---
TOTAL	93,33,660	37,55,207

**SCHEDULE 16****ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS.****A) APPLICABLE SIGNIFICANT ACCOUNTING POLICIES**

1. The Corporation 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, expenditures 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 Corporation generally follows accrual method of accounting except for encashment of leave salary, gratuity and interest on delayed payment of T.D.S, and sales tax are treated on cash basis. Liability for bonus/exgratia is provided for, as and when sanctioned by Govt. of India.
 4. (a) In classifying the nature of "Fixed Assets" and "Capital works in progress" the requirements of Schedule VI of the companies Act, 1956 and the format of disclosure followed by the Indian Railways have been kept in view.
(b) The assets in use for construction purposes are shown at cost less accumulated depreciation. Adjustments arising from exchange rate variations relating to borrowings attributable to the fixed assets are capitalised.
(c) The assets for use in open line are stated at cost less accumulated depreciation. All costs including financing cost will be capitalised when the line is open for traffic. Building includes stations and workshop building for which same rate of depreciation is charged.
(d) Depreciation is charged at the rates prescribed in Schedule XIV of the Companies Act, 1956 under straight line method and in case of addition to fixed assets, depreciation is charged at prorata from the month of addition. However :
 - i) Assets costing below Rs.5000/- are depreciated at usual rate instead of 100%.
 - ii) Vehicles owned by Corporation mostly being used at sites are depreciated at rate applicable to trucks.
 - iii) Certain machineries on which depreciation is applicable at the rate of 4.75% is also depreciated at the rate of 11.31% because of extra shift worked.
 - iv) Loose tools costing more than Rs.5000/- are also depreciated at 100% instead of at the usual rate of 4.75%.
 - (e) Permanent way (track) which consists of rails, sleepers, points and crossings etc. has been transferred from work in progress (Capital) to fixed assets including development cost during the year and are covered under Plant and Machinery. Accordingly, the depreciation is charged at 4.75% from the date of completion and put to use for operation.
 - (f) Lease hold land are not amortised over the period of lease.
 - (g) Computers and peripherals to be capitalized include cost of development of software.
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 assets block.

**6. Foreign Exchange Transactions**

- a) The transaction denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of transaction.
- b) Assets and Liabilities related to foreign currency transactions remaining unsettled at the end of the year are converted at the rate prevailing at the end of the year.
- c) Any income or expenses on account of exchange difference either on settlement or on translation is recognised in the development account except in case where they relate to acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.

7. Expenditure during Construction period

It is the Corporation's intention to capitalise these expenditures as and when the whole railway line is ready for traffic. However these expenditure were allocated on assets sold during the year.

8. Employees' Retirement benefits

Corporation's contributions to Provident Fund are charged to the development/profit and loss account. Gratuity and leave encashments are provided for on cash basis and amount of future liability of gratuity and leave encashment is yet to be worked out.

9. Lease

Lease rentals and other related charges are expenses with reference to lease terms and other considerations.

10. Income Recognition

- a) Interest income is recognised on a time proportion basis depending upon amount outstanding and the rate applicable.
- b) The sale of traffic ticket through agents are treated as earning as and when sold to them, irrespective of consumption of tickets.
- c) The revenue from sale of scrap, salvage or waste materials is reckoned on realisation.

11. Accounting of Sale of Assets

Accounting in respect of profit/loss on sale of assets are made at the time of delivery to the buyer.

12. 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 31.3.96 for which bills were received upto 30th June '96.
- (c) Recovery on account of risk and cost transactions is effected at the time of completion of works after due determination.

13. Liabilities

Provision is made for all known liabilities existing on the date of balance sheet but liabilities not yet crystallised or liabilities whose amount cannot be determined with any reasonable degree of accuracy are not provided for.

14. 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.**15. Contingent liabilities are not provided for but are disclosed by way of notes to the account.**

**B) NOTES TO THE ACCOUNTS**

16. The Corporation was incorporated as a joint venture between the Government of India (Indian Railways) and the beneficiary State Governments of Maharashtra, Goa, Karnataka and Kerala to construct the Konkan Railway B.G.Line and operate the same for a period upto which the Corporation discharges its loans raised for financing the Project.

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

17. (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 expenditures 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. Accordingly, the total expenditure in development account is apportioned on the assets completed in earlier years but sold during the year.
- (b) However, the Company has opened for traffic two sections from Mangalore to Kundapur and from Roha to Chiplun. 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-Kundapur) and Central Railway (Roha-Chiplun) 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/to Southern Railway, Central Railway and South Central Railway. The Corporation's 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 Corporation have been accounted for and provisionally confirmed by the respective Railways.

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

- (d) Similarly operating expenses like hire charges for coaches and engines, Fuel charges, Salary of crew have been provided for, based on formula adopted in Indian Railways though the final bills from the respective railways are yet to be received.
- 18 (a) While the assets have already been put to operation, the full costs of the assets including the allocable portion of expenditure including financing cost in development account is yet to be ascertained and continued to be shown as capital works in progress, though such assets have been technically completed and are in use for operating the passenger traffic.
- (b) 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, non allocation of material cost fully and since no portion of the developmental expenditure has been allocated to the assets used in operations. Hence, the full charge of depreciation could not be quantified at this stage. The Corporation also intends to provide for the depreciation when



- the full value of the assets in operation after allocation of developmental expenditure is available except sale of assets. 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.
- (c) The Corporate office expenses allocable on the passenger traffic portion are yet to be ascertained. Due to this, loss for the 'year' and balance in development account are understated and overstated respectively to that extent.
19. (a) Depreciation on fixed assets whose cost does not exceed to Rs.5000/- is depreciated at usual rate applicable to assets as against 100% as per schedule XIV to the Companies Act, 1956. The amount of short depreciation, on this account has not been ascertained so far. Consequently depreciation for the year and fixed assets are understated and overstated respectively to that extent.
- (b) Similarly, depreciation of loose tools whose cost exceeds to Rs.5000/- is depreciated at 100% instead of at the normal rate of 4.75% as per schedule XIV of the Companies Act 1956. Consequently, Depreciation for the year and fixed assets are overstated and understated respectively to that extent.
20. (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) An aggregate amount of Rs.10.5 Crores disbursed by special Land Acquisition Officer were not transferred to land account, as the same are subject to reconciliation and due verification with concerned land award and hence land and advance for work is understated and overstated respectively to that extent.
- (c) Actual liability in respect of land compensation at the end of the year has not been provided for, as the same is yet to be ascertained after verification of land awards.
- (d) The Title deeds are either still to be obtained or the mutation in the name of the Company are still to be entered in the revenue records of the States concerned.
- (e) Land under work in progress includes also lease hold land which has to be shown separately after due verification.
21. Amount spent by the Government of India, Ministry of Railways through Southern Railway approximately amounting to Rs.39,23,000 have not been brought to books pending rendering and settlement of detailed accounts by the Railways concerned. The amount involved as and when settled, will be adjusted towards Equity Contribution by the Government of India and this liability is also subject to confirmation.
- 22 (a) Advance for materials and other advances could not be adjusted to the final head amounting to Rs.20,06,86,044 (previous year Rs. 21,91,06,798) in the absence, of receipt of materials or receipt of related bills or short receipt of materials or want of relevant data for adjustment. This include old balances lying more than 2 years of Rs.12,78,50,819 for which no provision has been made as the same is under reconciliation.
- (b) Advances to works under capital work in progress include old balances of Rs,1,08,78,399 recoverable in respect of terminated contracts for which provision has not been made.
- 23 (a) Transactions of Receipts/ Issues for the year in respect of construction material like Cement, Steel, rails, sleepers and other stores are recorded in the Stores and are subject to reconciliation with the financial books. Moreover, the inventories of such materials lying in the Stores and at sites are being periodically and regularly subjected to stock verification. But the high value items could be physically verified during the year, however the precise physical balances held at the end of the year are not fully reconciled with the financial books.
- (b) Construction material like cement, steel, issued to the contractors are debited to Work in progress account and actual consumption can be determined only after final measurement of the work. Hence if any,



excess material issued to the contractors will be accounted for by crediting to Works in progress account, as and when finally settled. Due to this, works in progress and Advances/Recoverable are over stated and understated respectively to that extent.

- (c) Stores-in-transit includes old balances of Rs.3,37,15,976 lying since long unadjusted and unverified.
24. (a) Sundry balance in debit and credit accounts of contractors, Government authorities, companies, suppliers and others are subject to confirmation, reconciliation and required adjustment, if any.
- (b) Sundry balances of unsecured loans taken are subject to confirmation.
25. (a) Loan from Indian Railway Finance Corporation (IRFC) represents gross face value of Bonds issued on private placement by IRFC on behalf of the Corporation. The loan carries the same rate of interest as the Bonds.
- (b) The loan is secured by hypothecation charge of present and future movable and immovable assets including books debts.
26. (a) 10.5% Tax Free Bonds issued by the Corporation under various series as stated in Schedule 3 are secured by way of Pari Passu charges/mortgaged, created/to be created on movable/immovable assets relating to this project both present and future.
- (b) Necessary Bond Redemption Reserve will be created in the year in which the Corporation will have profit.
- (c) Interest payable on bonds from June 1994 to December,1995 is awaiting full reconciliation owing to non receipt of upto date list of paid warrants.
27. The Corporation has been advised in view of the judgement in various High Courts, and Income-tax Tribunals that the incidental income arising out of the carrying out and completion of project would not be liable for income-tax. Hence no provision for income-tax liability is considered necessary.
28. Govt. of India vide their Notification No.F/9/134/7/93-c-f/4 dated 4.4.94 (Adhoc Exemption Order No.2/2/94) have exempted Prestressed concrete sleepers and turnout assemblies manufactured and supplied during the period from December,1991, to 31.3.1995 from payment of the whole Excise Duty. During the year, an amount of Rs.217.26 lakhs has been adjusted against Works cost. Further refund of Excise Duty, if any, will be adjusted as and when received.
29. Total borrowings of the Corporation at the end of the year is of Rs.1,81,869.97 lakhs and it exceeds the limit as prescribed by the Shareholders and subject to the compliance of Section 293(l)(d) of Companies' Act,1956 however the same was ratified in April 1996.
30. (a) During the year, the Corporation has effected Sale and Lease back transaction of Rs.98 crores, and the cost of sale of assets has been determined on technical assessment and as certified by the Management. Since the actual cost of these cannot be ascertained, as these assets remain only as part of the total assets completed/to be completed, hence, adjustment, if any will be made as and when actual cost will be determined.
- (b) In respect of Sale and Lease Back transaction, the Corporation has obtained sanction of President of India.
- (c) Future obligations towards lease rentals under the lease agreements as on 31st March 1996 in case of Primary lease are Rs.124.47 Crores and in case of Secondary lease Rs.1.58 Crores.
31. Sale proceeds of Rs.51.3 Lakhs. of a machine is shown as Advance against sale under the head 'current liabilities'. Necessary adjustment in respect of Profit/Loss thereon, will be carried out as and when actual cost is determined. Due to this, both Fixed Assets and Current Liabilities are overstated to that extent.



32. Sales-Tax assesment from the year 1990-91 to 1994-95 has not been completed so far. Hence liability, if any in this regard will be accounted for as and when assesment will be finalised.
33. Auditor's remuneration has been increased vide Board of Directors' Resolution dt. 2.8.94. Since this increase is subject to approval from Comptroller and Auditor General of India. Hence the liability of Rs.1,05,000 has not been provided for.
34. Sundry advances include Rs.1,407.25 (Previous year Rs.NIL) and Rs.2,027.20(Previous Year Rs.2,027.20), due from an officer and ex-officer of the Corporation respectively. Maximum balance outstanding on any day during the year was Rs.5,000(Previous year Rs.28,100/-).
35. Loans and Advances includes due from Directors Rs.50,421/- (Previous Year Rs.2,382). Maximum balance outstanding on any day during the year was Rs.52,508(Previous year Rs.NIL)
36. In Mangalore-Bhatkal Section Construction of Kankanadi station and other allied works are being done by the Corporation, which is intended to be handed over to the Southern Railway, as per directives of Railway Board, but the cost of the works is included in Capital work in progress and the amount being unascertained. Due to this Capital work in progress is overstated and advances are understated to that extent.
37. Contingent Liabilities not provided for
 - (a) Estimated amount of contracts remaining to be executed and not provided for as certified by the management Rs.180.00 Crores (previous year Rs.265.09 crores).
 - (b) Contractor's and other claims against the Corporation not acknowledged as debt as per the certificate submitted by the management are Rs.30.20 Crores. (Previous Year Rs. 24.33 crores)
 - (c) Income Tax demands being disputed of Rs.2.70 Crores (Previous year Nil.)
 - (d) Excise duty demands being disputed of Rs.484.39 lacs. (Previous year Rs. NIL).
 - (e) Various court cases have been filed by the land owners in several courts for revision of the amount of the award passed by the State Government. The amount of likely liability on this account is unascertainable at present.
 - (f) Brokerage payable on public issue of Bonds being disputed of Rs.94,35,802 (Previous year Rs.94.36 lacs)
38. Pursuant to the provision of part II of schedule VI of companies Act 1956 Capital work in progress includes Rs. 93.25 lacs. (Previous year Rs.Nil) in respect of salaries, wages and allowances of employees who are working at sites and Rs 58.74 lacs (Previous year Rs.Nil) in respect of repairs and maintenance of plant and machinery.
39. Fuel charges and hire charges paid for passenger coaches are shown net of recoveries. from Central Railway on this account being Rs.2,69,074/- (Previous year Rs. NIL), Rs.2,23,197/- (Previous year Rs.NIL) respectively.
40. During the year the corporation has revised the accounting procedures in respect of pro rata liability of contractor. As the pro rata liability cannot be precisely worked out. Due to this, liability is understated to that extent.

**41.(a) Directors Remuneration**

The remuneration of Directors is as under:-

	Current Yr. (Rs.)	Previous Yr. (Rs.)
Salary and allowances	11,85,106	5,26,732
Contribution to Provident Fund	54,933	21,926
Pension contribution paid to Railways	68,103	34,268
	<u>13,08,142 *</u>	<u>5,82,926</u>

* Includes Rs. 4,20,506 paid for the earlier years.

(b) Auditors Remuneration

Auditors remuneration is as under:-

	Current Yr. (Rs.)	Previous Yr. (Rs.)
For Audit fees	40,000	40,000
For Tax Audit	30,000	30,000
For Income Tax matters	5,000	5,000
For reimbursement of out of pocket expenses	70,002	64,261

42. Earnings in Foreign Exchange:-

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

43. Foreign Currency Expenditure:-

	Current Yr. (Rs.)	Previous Yr. (Rs.)
Travelling	4,44,444	24,35,962
Interest Handling & Other charges	31,51,270	72,67,011
	<u>35,95,714</u>	<u>97,02,973</u>

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

	Current Yr. (Rs.)	Previous Yr. (Rs.)
i. Component and spare parts	98,26,989	65,52,643
ii. Capital goods	10,66,45,329	19,46,06,661

**45. Additional information pursuant in Part IV of Schedule VI to the Companies Act, 1956.**

I	Registration Details	:	
	Registration No.	:	55 - 40891
	State Code No.	:	55
	Balance Sheet Date	:	31.03.1996
II	Capital Raised during the Year	:	-
	Public Issue (Issue through the prospectus)	:	Nil
	Rights Issue	:	Nil
	Bonus Issue	:	Nil
	Private Placement (Firm allotment to the promoters and their Associates)	:	33,05,00,000
III	Position of Mobilisation and Deployment of Funds	:	
	Total Liabilities	:	26,13,51,06,587
	Total Assets	:	26,13,51,06,587
	SOURCES OF FUNDS	:	
	Paid-up Capital (including Share Application Money)	:	5,87,76,94,000
	Reserve and Surplus	:	1,81,65,000
	Secured Loans	:	14,64,86,71,179
	Unsecured Loans	:	3,94,80,85,273
	Net Currents Liabilities	:	1,08,82,67,449

			25,58,08,82,901
	APPLICATION OF FUNDS		
	Net Fixed Assets (Including Capital WIP & Pre-operative Expenditure):		25,22,47,13,443
	Investments		---
	Misc. Expenditure	:	14,19,60,333
	Accumulated Losses	:	21,42,09,125

			25,58,08,82,901
IV	Performance of Company	:	
	Turnover	:	92,74,745
	Total Expenditure	:	18,61,66,416
	Profit (Loss) Before Tax	:	(17,68,91,671)
	Profit (Loss) After Tax	:	(17,68,91,671)
	Earnings Per Share Rs.	:	N.A.
	Dividend Rate %	:	N.A.
V	Generic Name of Principal Product of Company (As per Monetary Terms)	:	700 as per Industrial Classification of Joint Stock Companies
	Item Code No.	:	



Product Description : Railway
Transportation

- 46. Previous year's figures have been regrouped and rearranged wherever considered necessary.
- 47. Figures have been rounded off to the nearest rupee.

Signature for Schedules 1-16.

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

sd/-
(U.V.ACHARYA)
DIRECTOR

On behalf of the Board.

sd/-
(E.SREEDHARAN)
CHAIRMAN & MANAGING

sd/-
(B. SATYANARAYANA)
COMPANY SECRETARY

Place : Mumbai.
Dated : 9.8.96.



AUDITORS' 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 1996, the Development Account and Profit and Loss Account of the Company for the year ended on that date annexed thereto :-

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 & statement on the matters specified to paragraphs 4 & 5 of the said Order.
2. Subject to our comments in the Annexure referred to the 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 and 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 explanations given to us, the Accounts read together with the Accounting Policies and notes thereon and subject to :-
 1. Regarding sale of track of Rs. 98 crores effected during the year is subject to compliance of Section 293(1) (a) of the Companies Act, 1956, as in our opinion, such sold assets are of foremost important for running the train.
 2. Regarding the employment of the persons who have attained the age of 62 years are subject to compliance of Article No. 69 (2)(a) of Articles of Association of the Corporation.
 3. Capital expenditures including on township, residential quarters etc. incurred upto the end of the year, are subject to, the selling fixed under the direct lines of the railways Board.
 4. Loans and advance includes sundry doubtful advances of Rs. 18,31,291/- for which necessary steps for recoveries are to be taken.
 5. Current Assests includes a bank balances of Rs. 45,012/- and interst accrued of Rs. 2,96,678/- are considered as doubtful.
 6. Management fees of Rs. 1,057.05 Lacs paid on 10.5% tax free bonds on private placement during the year are subject to the limit of 2.5% as prescribed under section 76 of the Companies Act, 1956 as well as in the Articles of Association of the Corporation.
 7. Note No. 8 regarding non-provision of liabilities in respect of gratuity and leave encashment, amount being unascertained.
 8. Note No. 18 (a) regarding completed assets which are in use and shown as Capital works in progress, Note No. 18 (b) for non- charge of depreciation on such assets and Note No. 18 (c) for non-allocation of corporate office expenses on traffic operation.



9. Note No. 19 (a) regarding under charge of depreciation on fixed assets & Note No. 19 (b) regarding overcharge of depreciation on loose tools.
10. Note No. 20 (a) land cost subject to reconciliation with final awards, Note No. 20 (b) regarding non-adjustment of advance to works Rs. 10.5 crore, Note No. 20 (c) regarding non-provision of actual liability of land compensation amount being unascertained. Note No. 20 (d) regarding title deeds still to be obtained, and Note No. 20 (e) regarding leasehold land not shown separately being included in work in progress and Note No. 37 (e) regarding non-provision of amount to be paid to land owners.
11. Note No. 21 regarding non-adjustment of Rs. 29,23,000/- incurred by other Railways.
12. Note No. 22 (a) regarding non-adjustment of advances amounting to Rs. 20,06,86,044/- and Note No. 22 (a) & (b) regarding non-provision of doubtful advances amounting to Rs. 12,78,50,819/- and Rs. 1,08,78,399/- respectively.
13. Note No. 23 (a) regarding non-reconciliation of transactions of receipts/issues of construction materials not physically verified fully, Note No. 23 (b) regarding non adjustment of construction materials issued to contractors and Note No. 23 (c) regarding stores in transit includes old balances of Rs. 3,37,15,976/- unreconciled.
14. Note No. 24 (a) & (b) regarding sundry balances in debit and credit accounts are subject to confirmation/reconciliation.
15. Note No. 26 (c) regarding non-reconciliation of interest warrants payable.
16. Note No. 36 regarding works done for others by the corporation is shown as capital work in progress.
17. Note No. 40 regarding non-provision of contractor's liability on pro-rate basis and other notes.
18. The aggregate effect of the above noted paras in our opinion, could not be worked out precisely. Give the information required by the Companies Act, 1996 in the manner so required and give a true and fair view.
 - a. In case of the Balance Sheet of the State of Affairs of the Company as at 31st March, 1996.
 - 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 the year ended on that date.

For SHANKARLAL JAIN & ASSOCIATES,
CHARTERED ACCOUNTANTS

sd/-
S.L. AGRAWAL
PARTNER.

Place : Mumbai
Dated : 9-8-96

**ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE AUDITOR'S REPORT OF IN DATE ON THE ACCOUNTS OF KONKAN RAILWAY CORPORATION LIMITED. THE YEAR ENDED 31ST MARCH, 1996.**

1. The company has generally maintained proper records showing full particulars including quantitative details and locations of Fixed Assets barring some cases, where details and locations are to be updated. As informed to us, the Fixed Assets have not been physically verified by the management during the year. In the absence of physical verification, we are unable to report on the discrepancies, if any, arises between the physical verification of assets and book records of fixed assets.
2. None of the Fixed Assets have been revalued during the year.
3. Physical verification of high value items of the construction materials, stores, etc. at most of the units have been carried out by the management. In our opinion, the frequency and scope of verification still needs to be increased.
4. In our opinion and according to the explanation and information given to us, the procedure and physical verification of construction material, stores, etc. followed by the management are not fully reasonable and adequate in relation to the size of the Company and the nature of its business as all the items of all the units were not physically verified during the year.
5. The discrepancies noticed on verification between physical stocks wherever done and book records were not very material and at some of the units, some of the material, the physical balances are pending for reconciliation with the book balances and discrepancies, if any as explained to us will be adjusted after reconciliation with the financial books.
6. In our opinion, the valuation of stock is fair and proper and in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year, except those stocks, which are not reconciled or pending for reconciliation are valued on the book value.
7. According to the information and explanations given to us, the company has not taken any loan from companies, Firm or other parties listed in the registers maintained U/s 301 and 370 (1-B) of the Companies Act, 1956.
8. According to the information and explanations given to the company has not granted any loans, secured or unsecured to companies, Firms or Other parties listed in the registers maintained U/s 301 and 370 (1-B) of the Companies Act, 1956.
9. In respect of loans and advances given by the Company to the contractor and other un loading employees recoveries of principal and interest, wherever applicable are generally affected, as per terms stipulated. In case of default, barring some cases of waivment of interest and deferment of recovery of principal amount, action are generally being taken by the company, but in our opinion, the company should initiate close follow up action for recovery.
10. The internal control procedures needs strengthening in order to make the same adequate and commensurate with the size of the company and nature of its business, for the purchase of stores, services, construction materials, equipment, other asset and sale of services and system of cash transation.



11. According to the information and explanations given to us, there has been no purchase of goods and materials and sale of goods, materials and services aggregating during the year to Rs. 50,000/- or more in respect of each party in pursuance of contracts or arrangements entered in the registers maintained under section 301 of the Companies Act, 1956.
12. There is no adequate procedure for determination of unserviceable or damaged material and no records have been maintained at some of the units.
13. The company has not accepted any deposit in terms of section 58-A of the companies Act, 1956, and rules made therein.
14. Reasonable records are not being maintained by the Company for the sale and disposal of scrap of steel, empty cement bags etc. The company has no by-product.
15. In our opinion, the interest audit system of the company, needs strengthening to be commensurate with its size and the nature of its business. Scope and extent of checking of the same needs to be enlarged, and internal audit manual has not been strictly followed.
16. The maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956, has not been prescribed by the Government.
17. As per the records of the company, the provident fund deductions have been deposited regularly, except small in few cases. As informed to us the Employees state Insurance Act, 1948, is not applicable to the company.
18. According to the information and explanations given to us, there were no undisputed amounts payable in respect of income tax, sales tax, customs duty and excise duty, as on 31st March, 1996 outstanding for a period of more than six months from the date they became payable except for an amount of Rs. 303/- towards income tax deducted at source, wealth Tax liabilities of Rs. 11,00,568/- and professional Tax of Rs. 12,400/-.
19. As per the information and explanation given to us, no personal expenses other than those payable as per contractual obligations or in accordance with generally accepted business practices have been charged to the Development Account and Profit and Loss Account.
20. The company is not a sick Company, within the meaning of Clause (o) of sub-section (1) of section 3 the Sick Industrial Companies (Special Provision) Act, 1985.
21. In respect of service activities of the company a lumpsum amount is being charged for material consumed for job and the man hours spent on the job by other Railways, hence as explained to us no separate records in respect of the above are required to be maintained by the company.

for SHANKARLAL JAIN & ASSOCIATES
CHARTERED ACCOUNTANTS,

sd/-
(S.L. AGRAWAL)
P A R T N E R.

Place : MUMBAI.

Dated : 9.8.96



Comments of the Controller and Auditor General of India under Section 619 (4) of the Companies Act, 1956 on the accounts of Konkan Railway Corporation Ltd.,(KRCL) of the year ended 31st March, 1996.

A. Balance Sheet:

I Source of Funds:

1. Schedule 5 : Current liabilities and provision Rs. 16,424.91 lakhs

(i) This includes Rs. 32.31 lakhs being contractors liability provided on pro-rate basis contrary to note 40 of Schedule 16.

(ii) This does not include Rs. 21.29 lakhs being cost of material supplied by a firm during 1995-96.

II. Application of Funds:

2 Schedule 7 : Fixed Assets-4 P and Machinery Rs. 7,807.93 lakhs.

(i) This is understated by Rs. 29.40 lakhs due to incorrect postings made in Asset Register.

(ii) This includes Rs. 30.13 lakhs being custom duty on a machine sold to Southern Railway.

(iii) Depreciation is understated by Rs. 11.54 lakhs due to incorrect postings in the Asset Register. Further depreciation also includes Rs. 7.10 lakhs being depreciation on a machine sold to Southern Railway.

3 Schedule 8 : Capital works in progress and advances & deposits for capital works Rs. 2,44,850.37 lakh.

This includes Rs. 32.31 lakhs being cost of the works estimated to have been completed on pro-rata basis contrary to note 40 of Schedule 16.

4 Schedule 14 : Expenses on Staff - (i) Salaries, Wages allowances etc. Rs. 104.92 lakhs

Non provision for Bonus payable to staff working in Udupi Unit has resulted in understatement of expenditure as well as Net loss by Rs. 8.77 lakhs during the year.

C Development Account :

5 Schedule 9 : Salaries, Allowances & other benefits - (i) Salaries and Allowances Rs. 1,111.97 lakhs

Replies of Board of Directors on the Comments of C&AG

The remarks are noted. It will be ensured that such mistakes are avoided in future.

Non-provision is regretted. However, instruction to ensure that such mistake do not crop up in future are being issued.

The book keeping error pointed out by Audit is an inadvertent error in the Asset Register. Necessary corrections will be carried out in the accounts on hand.

This does not specifically refer to custom duty. The overall cost inclusive of custom duty has been overstated and necessary corrections will be carried out in the accounts on hand.

Remarks against item 2(i) holds good.

The remarks given against item I-1 (i) hold good.

Noted. However, the understatement of expenditure and net loss is only Rs. 3.65 lakhs.



(i) This includes Rs. 22.72 lakhs and Rs. 5.55 lakhs paid to non- technical and technical staff employed beyond prescribed age of 60 and 62 years respectively.

(ii) This does not include Rs. 2.84 lakhs being the arrears of pay and allowances paid to Directors from January 1992 due to revision of pay scale during the year.

6. Schedule 10 (a) Other administrative expenses - X Auditors remuneration Rs. 1.45 lakhs.

This does not include Rs. 1.75 lakhs being the expenses incurred on Auditors travellingm boarding and lodging etc.,

7 Schedule 10 (a) (xiii) /Profit/Loss on sale of Assets Rs. 29.75 lakhs

(i) This does not include the loss of Rs. 20.91 lakhs which the corporation is likely to incur on sale of an asset.

(ii) This is overstated by Rs. 6.99 lakhs due to incorrect calculation of cost and depreciation of a machine sold to southern Railway.

8 Schedule 10 (b) Finance charges (iii) Management Fee on Bonds Rs. 1057.05 lakhs.

This includes Rs. 606.43 lakhs paid in excess of the prescribed limit of 2.5% of the value of bonds.

9 Schedule 11 : Prior period adjustment Salary, Allowances and benefits Rs. 6.87 lakhs.

Re-employment was inescapable due to the need for experienced personnel to complete the major project in relatively short time and where the Railways were not in a position to spare the required number of staff. The administrative ministry has already been apprised of the position.

Noted.

It is reiterated that in the instant case the amount of Rs. 1.45 lakhs 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.

Since the actual cost of the pantoon was not determinable, the profit or loss due to the sale of the assets was not calculated. In case any, since it will not affect the Profit & Loss Account on sale of Assets, it was felt that adjustments could be carried out on the finalisation of cost.

The remarks given against item No. II(2)(i), (II) & (III) pertaining to Schedule 7 hold good.

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, presumbaly for the purpose of compensating them of the cost incurred in custody and management of the portfolio devolving upon them. It may be also mentioned that the guidelines issued by the Central Government envisage the payment of Front-end with the stipulation that the payment should be in conformity with the internal guidelines to be prescribed by 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.



This includes Rs. 2.84 lakhs being the arrears paid to Directors from January 92 due to revision of pay scale during the year.

The remarks given against item No. 5 (ii) of Schedule 9 hold good.

10 Schedule 12 : Incidental income Rs. 242.02 lakhs

This includes Rs. 13.98 lakhs to be received from a firm towards the departmental charges on the excess supplies of rails.

The Corporation is of the opinion that as per the Companies act, Such an income has to be accounted for on accrual basis and has, therefore, been correctly done. However, remarks made by C&AG have been noted.

11 Schedule 16 : Accounting policy and notes forming part of accounts.

- (i) Sale of Lease back transaction of permanent way for Rs. 98 crores effected by the Corporation was without the prior sanction of the shareholders as required under section 293 (i) (a) of the Companies Act.

This question has been examined by the Corporation on detail, even before giving effect to the Sale & Lease-back. It was found, on examination, that the sale of assets with their being leased-back to the corporation would not amount to "Sale of an undertaking" for the purpose of Section 293(i) (a), according to the principles applied in the established case law on the subject.

- (ii) Employees Retirement Benefit-Item No.8

Non provision for liability on account of Gratuity and 'Leave encashment' is against the Accounting Standard 15.

Noted.

sd/

(Revathy Iyer)

Principal Director of Audit



**REVIEW OF ACCOUNTS ON KONKAN RAILWAY CORPORATION LTD.
FOR THE YEAR ENDED 31ST MARCH, 1996 BY THE COMPTROLLER AND
AUDITOR GENERAL OF INDIA**

Note : Review of Accounts has been prepared without taking into account comments under Section 619(4) of the Companies Act, 1956 and qualifications contained in the Statutory Auditor's Report.

1. Financial Position

The table below summarises the financial position of the company under broad heading for the last three years :

	1993-94	1994-95	(Rs. in Lakh) 1995-96
Liabilities			
a) Paidup Capital			
i) Government	47896.94	55096.94	58436.94
(Application money)		(375.00)	(340.00)
ii) Others			
b) Reserves & Surplus			
i) Free Reserves & Surplus			
ii) Share premium account		181.65	181.65
iii) Capital Reserves			
c) Borrowings			
i) From Govt. of India			
ii) From Financial Institutions	57687.97	130962.97	146487.97
iii) Foreign Currency Loans	1510.62	1343.39	1292.31
iv) Cash Credit			998.74
v) Others	19800.00	9000.00	35382.00
vi) Interest accrued and due			1806.54
d) (i) current liabilities and Provisions	14169.58	15320.70	16424.91
(ii) Provision for Gratuity			
Total	141065.11	212280.65	261351.06
ASSETS			
e) Gross block			
f) less : Depreciation	8604.32	10234.37	10367.19
g) Net Block	1191.76	2163.95	2970.43
h) Capital work in progress	7412.56	8070.42	7396.76



i) Investments	124843.89	199646.53	244850.37
j) Current assets, Loans and advances	7282.49	2770.92	5542.24
k) Misc-expenditure not written off	1419.60	1419.60	1419.60
l) Accumulated loss	106.57	373.18	2142.09
Total	141065.11	212280.65	261351.06
m) Working Capital (J-d(i)-c(vi))	(-)6887.09	(-)12549.78	(-)12689.21
n) Capital Employed (g+m)	525.47	(-)4479.36	(-)5292.45
o) Net Worth (a+b(i)+b(ii)-k-l)	46370.77	53860.81	55396.90
p) Net Worth per Rupee of paidup capital in Rs.	0.968	0.971	0.9425

2. Ratio Analysis

Some important financial ratios on the financial health and working of the company at the end of last 3 years are as under :

	(in percentages)		
	1993-94	1994-95	1995-96
A. Liquidity Ratio	0.514	0.181	0.304
Current Ratio (current assets to current liabilities & provisions and interest accrued and due but excluding provisions for Gratuity) J/(d(i)+c(vi))			
B. Debt Equity Ratio	1.28	2.39	2.65
Long term debt equity (c(i to v) but excluding short term loans/o)			
C. Profitability Ratio	N.A.	N.A.	N.A.
a) Profit before tax to i) Capital employed ii) Net worth iii) Sales			
b) Profit after tax to equity	N.A.	N.A.	N.A.
c) Earning per share (in Rupees)	N.A.	N.A.	N.A.

Loans disbursed

The information regarding the loans disbursed is not enclosed as the same is applicable only for such companies who have substantial transactions of disbursal of loans.

(Revathy Iyer)
Principal Director of Audit



FORM OF PROXY

I..... of.....
 in the district of.....
 being a member of the Konkan Railway Corporation Limited hereby appoint

 of
 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 sixth annual general meeting of the company to be held
 on the 23rd September, 1996 and at any adjournment thereof.

Signed this day of1991.

Affix Rs. 1.00 Revenue Stamp and sign across
--

Name :

Address :

.....

.....