



कोंकण रेलवे कार्पोरेशन लिमिटेड
(भारत सरकार का उपक्रम)

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

सातवीं वार्षिक रिपोर्ट 1996-97
7TH ANNUAL REPORT 1996-97



कोंकण रेलवे कार्पोरेशन लिमिटेड

(भारत सरकार का उपक्रम)

KONKAN RAILWAY CORPORATION LIMITED

(A Government of India Undertaking)

SEVENTH ANNUAL REPORT 1996 - 97

| | |
|---------------------------------|--------------|
| Board of Directors | 1 |
| Notice of AGM | 2-3 |
| Chairman's Speech | 4-5 |
| Directors' Report | 6-8 |
| Annual Accounts | 9-29 |
| Auditors' Report | 30-38 |

**BOARD OF DIRECTORS**

| | | | |
|-----|---|---|--|
| 1. | Shri M. Ravindra | — | Chairman |
| 2. | Shri B. Rajaram | — | Director (Projects) |
| 3. | Shri L.C. Jain | — | Addl. Member (Works), Railway Board |
| 4. | Shri S. Suryanarayanan | — | Addl. Member (Plg.), Railway Board |
| 5. | Shri Jasbirpal Singh | — | Addl. Member (ME), Railway Board |
| 6. | Shri Swarup K. Gupta | — | Addl. Member (Traffic), Railway Board |
| 7. | Shri P. Subramanyam Alternate Shri P.M.A. Hakeem | — | Chief Secretary, Govt. of Maharashtra Secretary, Transport, Govt. of Maharashtra |
| 8. | Shri B.K. Bhattacharya Alternate Shri N.A. Muthanna | — | Chief Secretary, Govt. of Karnataka Addl. Chief Secretary, Govt. of Karnataka |
| 9. | Shri G.C. Srivastava Alternate Shri Kewal K. Sharma | — | Chief Secretary, Govt. of Goa Secretary, Transport, Govt. of Goa |
| 10. | Shri C.P. Nair Alternate Shri N. Chandrasekharan Nair | — | Chief Secretary, Govt. of Kerala Principal Secretary, Transport, Govt. of Kerala. |

COMPANY SECRETARY

Shri B. Satyanarayana

STATUTORY AUDITORS

M/s. Bhusan Bensal Jain Associates

C&AG AUDITORSPrincipal Director of Audit
Central Railway, Mumbai C.S.T.**Registered Office :**Room No.101, Rail Bhavan,
Raisina Road,
New Delhi - 110 001.**Corporate Office :**Belapur Bhavan,
Sector 11, CBD Belapur,
Navi Mumbai - 400 614.



NOTICE OF THE SEVENTH ANNUAL GENERAL MEETING

Notice is hereby given that the Seventh Annual General Meeting of the Konkan Railway Corporation Limited will be held at 15.00 hrs. on 19th December, 1997 at Committee Room, Rail Bhavan, Raisina Road, New Delhi - 110 001, to transact the following business :

ORDINARY BUSINESS

ITEM 1. Ordinary Resolution :

To receive and adopt the Directors' Report, Balance Sheet and Development Account (in lieu of Profit and Loss Account) and Profit and Loss Account (for areas already opened for traffic) for the year ended 31.3.97 and Auditors' Report thereon.

SPECIAL BUSINESS

ITEM 2. Ordinary Resolution :

To consider and, if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution.
"Resolved that the consent of the Company be and is hereby accorded to the Board of Directors of the Company pursuant to Section 293 (1) (d) of the Companies Act, 1956, for borrowing from time to time any sum or sums of money which together with the money already borrowed by the Company shall not exceed the aggregate at any time a sum of Rs.3200 crores (Rupees Three Thousand Two Hundred Crores) or 4 times the paid up equity capital and free reserves whichever is less, irrespective of the fact that such aggregate amount of borrowing outstanding at any time may exceed the aggregate of the paid up share capital of the Company and its free reserves, that is to say, reserves not kept apart for any specific purpose.

Yours faithfully,

By the Order of the Board of Directors,
For **KONKAN RAILWAY CORPORATION LTD.**

Belapur, Navi Mumbai
Date : 7/11/1997

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, not less than 48 hours before the time fixed for holding the meeting.
3. The Explanatory Statement in respect of Special Business as required under Section 173(2) is enclosed.

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

The cost of the project has been estimated at Rs. 3350 crores including financing cost. Keeping in view the additional financing cost arising due to delay in completion of the project and operational losses. The total funds required for completion of the project is financed by equity capital of Rs.800 Crores and the balance through market borrowings. Even though the debt equity ratio was approved as 4:1, the borrowing powers of the Board was fixed as Rs.2600 crores at the Extra Ordinary General Meeting held on 17.01.1997. The Corporation is yet to receive the full additional equity contributions from the shareholders and also yet to fully tie up long term sources of funds and in the meantime the fund requirements have to be met by Short term borrowing for timely availability of funds to keep pace of the works in progress. Hence the borrowing powers of the Board be enhanced by removing the cap of Rs.2600 crores with the approval of shareholders. Hence this resolution. None of the directors of the Company is interested in the proposed resolution.

**CHAIRMAN'S SPEECH AT THE SEVENTH ANNUAL GENERAL MEETING**

Gentlemen,

It gives me great pleasure to welcome you to this Seventh Annual General Meeting of your Corporation. The Directors' Report along with the Audited Accounts for the year ended 31st March, 1997 and the Auditors' Report thereon are already in your hands and with your permission, I shall take them as read.

The performance of your Corporation during the year in retrospect has already been covered at length in the Directors' Report and therefore does not call for any further elaboration from my side. It now only remains for me to bring you up-to-date and say that the 760-km Konkan Railway is practically a reality today, with trains running over 742 km of its length. The gap to be bridged is the 18-km section between Pednem and Sawantwadi, the commissioning of which was held up because of the difficulty in completing the soft-soil tunnel at Pednem. I am now glad to be able to inform you that after the innumerable reverses suffered in the course of tunnelling at this location the heading for the 1543-metre tunnel is at last through, and that it would only be a matter of days for residual portion of the tunnel to be bored to the full profile, and for the track to be linked. The completion of this section would enable the commissioning of the entire line, and the commencement of regular commercial operations thereafter.

As shareholders are aware, the bulk of the cost of the Konkan Railway Project is funded through market borrowings. Because of the time over-run, there has been a substantial increase in the financing costs, as the cost incurred on borrowed funds during the period of construction has also to be capitalised and financed on a long-term basis. The total cost of the Project, including the financing cost, is now estimated at Rs.3350 crores. The funds mobilised through borrowings so far amount to Rs.1820 crores in the form of Tax-free Bonds, and Rs.439 crores in the shape of external commercial borrowings. Authorization for issue of Bonds amounting to Rs.250 crores was received during the current year, and the Corporation is in the process of raising these funds from the market.

With the construction phase having been completed, the Corporation has now to rise to the formidable challenges awaiting it in the area of commercial operations. Steps have been taken to devise and implement innovative procedures and practices in the areas of operation as well as maintenance, and to bring into force a system of management aimed at achieving the objective of maximum profitability consistent with ensuring the highest safety and full customer satisfaction. I am confident that the Corporation will succeed in this effort, and that it would be able to blaze new trails in various areas of railway administration and management. It also needs to be mentioned in this context that the realisation of the full traffic potential of the Konkan Railway may call for some incremental investments on certain line capacity works in the foreseeable future. A proper assessment would however be possible only after the whole line is commissioned, and the full operational picture emerges.

Konkan Railway has been seven years in the making and, for reasons which I shall shortly mention, has exceeded the time-frame originally envisaged for it. Nonetheless, the completion of a Railway Project of this scale and dimensions in such a span of time has not been accomplished anywhere else in our times, not even in the more advanced countries with vastly greater resources at their disposal.



I am glad to inform shareholders that acknowledgement of this fact, and acclaim for the technical excellence of several aspects of construction have been received from various quarters at the national and international level.

The execution of the Konkan Railway Project has been punctuated by many ups and downs. In particular, progress in the construction activity was severely affected by several adverse factors which could not have been foreseen earlier, and which were beyond the control of the Corporation. The first of these was the difficulty in raising domestic borrowings in the wake of what is now known as the 'securities scam' of 1992, and the virtual collapse of the market for Bonds and other debt instruments. The mobilisation of funds to meet the ongoing needs of project execution has been a continuing struggle ever since, and the increased level of funding required, not only for the construction activity but also for costs incurred on borrowed funds during the period of construction, only served to aggravate the situation further. A second factor was the controversy raised on the alignment of the Konkan Railway line through Goa, and the eventual decision of the Central Government to halt construction activity, but by that time much of the headway and momentum achieved had been lost irretrievably. Adverse geological conditions met with at several tunnelling sites, and the unexpected and unpredictable behaviour of various types of strata, particularly soft soil, under different ambient conditions, were also responsible for slowing down the tunnelling work as well as the overall physical progress. It is a measure of the resilience and resourcefulness of the Project team that the many challenges continually arising on account of these adversities have been successfully faced, and that the Konkan Railway line is now a reality.

I am also glad to be able to report to you that in recognition of the capacity and expertise developed by your Corporation in the construction of tunnels, the Maharashtra Road Development Corporation Ltd. have selected the Konkan Railway Corporation as the agency to be entrusted with the work of executing the tunnelling work on the proposed Mumbai-Pune Expressway. The related memorandum of understanding has been signed, and the work will be commenced shortly.

In conclusion, I must thank the Ministry of Railways, the various other Ministries of the Government of India, and the four participating State Governments for the generous help and co-operation extended by them at all times to your Corporation, and for their constant encouragement and support. I would be failing in my task if do not also acknowledge the immense contribution of Directors, past and present, of Officers and Staff of the Corporation at various levels, and of the many Contractors, in the form of their dedication, commitment and untiring effort which has enabled the realisation of the magnificent dream of the Konkan Railway.

Thanking you,

M. RAVINDRA
CHAIRMAN

**DIRECTORS' REPORT**

Gentlemen,

The Directors of Konkan Railway Corporation Limited have great pleasure in presenting the Seventh Annual Report on the working of your Corporation, together with Audited Statements of Accounts for the financial year ended 31st March, 1997.

1. OPERATIONS OF THE COMPANY

- 1.1 The construction work on the Project continued at a hectic pace during the year under review. The Northern section was extended for passenger train operations from Chiplun to Ratnagiri, a distance of 75 km, on 16.11.96. This was further extended from Ratnagiri to Sawantwadi (162 km) on 20.1.97. Further extension beyond Sawantwadi was not possible as the work on the Pernem tunnel was not completed.
- 1.2 On the southern section, although the work was completed upto Karwar, further extension for passenger services beyond Kundapura was not possible as Tunnel No.1 near Byndoor and Tunnel No. 2 Bhatkal were not completed. Thus, 468 km out of 760 km were commissioned for goods and passenger operations by 31.3.97. Track linking was, however, completed over a length of 742 km out of 760 km. The overall weighted physical progress achieved was 98.48%.
- 1.3 Five tunnels viz. Byndoor, Bhatkal, Padi, Old Goa and Pernem, continued to present serious technical problems. All these are soft soil tunnels and the combination of heavy water percolation and flowing soil has been impeding the progress of the work. The Directors wish to assure the shareholders that all possible efforts are being taken to complete these tunnels at the earliest.
- 1.4 On the northern section one pair of Express trains has been introduced between Kurla Terminus and Sawantwadi and a City Booking Office has been opened at Panaji with Kadamba Transport buses bridging the gap between Panaji and Sawantwadi. In addition, one pair of passenger trains is now plying between Dadar and Chiplun has been now extended to Ratnagiri. The patronage of these trains is extremely satisfactory.
- 1.5 On the southern sector, one pair of trains is running between Mangalore and Kundapura.
- 1.6 The Directors are hopeful that the whole project would be commissioned by September, 1997.

2. FINANCIAL RESULTS

- 2.1 On account of the postponement of the target dates, and the additional expenditure found necessary to tackle the soft soil tunnels and other safety and protective works, the Directors had to revise the cost of the project from Rs. 2230 crores to Rs. 2400 crores, in December, 1996. There was also a corresponding increase in the financing cost from Rs. 550 crores to Rs. 660 crores. Allowing for Rs. 40 crores to meet the operational losses and other expenses, the total requirement of funds has now been estimated at Rs. 3100 crores.
- 2.2 To meet additional requirement of funds, at the instance of Government of India, it was decided to raise the equity base of the Corporation from Rs. 600 crores to Rs. 800 crores, and the President's sanction for the same was obtained in 19th February, 1997. Government's approval was also taken to access foreign market for another USD 45 million through external commercial borrowing, in addition to the USD 70 million already availed in November, 1996. The funding gap was however, made up with short-term commercial borrowings.

The expenditure on construction activity is given below upto 31.03.97 :

| | Rs. in Crores |
|---|----------------|
| Capital Works in progress including | 2931.13 |
| Advance and deposits for works | |
| Other fixed assets (After depreciation) | 79.74 |
| Current Assets (Net) | (32.36) |
| Misc. Expenditure | 38.31 |
| Total | 3016.82 |

**3. SHARE CAPITAL :**

The paid up share capital of the Corporation stood at Rs. 609.7194 Crores as on 31.03.1997

| | As on 31.3.96 | (Rs. in thousands) As on 31.3.97 |
|---------------------------|---------------|-------------------------------------|
| Ministry of Railways | 305,71,92 | 315,71,92 |
| Government of Maharashtra | 132,00,00 | 132,00,00 |
| Government of Goa | 27,00,00 | 36,00,00 |
| Government of Karnataka | 88,75,01 | 90,00,01 |
| Government of Kerala | 34,30,01 | 36,00,01 |
| Total | 587,76,94* | 609,71,94 |

(* This includes Rs. 34000 of application money)

4. ISSUE OF BONDS :

The Corporation has been able to raise Rs. 250.9178 crores during the year under review by issue of 10.5% Tax Free Bonds making total issue of bonds of Rs. 1705.7975 crores so far leaving a balance of Rs. 14.2025 crores which was carried forward to 1997-98, against total sanctioned amount of Rs. 1720 crores including Rs. 131.14 crores raised in the name of IRFC.

5. SHORT TERM BORROWINGS :

An amount of Rs. 476.87 crores was outstanding as on 31.03.97 including interest which was borrowed from the market during the year under review, mainly on account of non-realization of equity and other authorised borrowings.

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 (1996-97) Rs. | Previous Year (1995-96) Rs. |
|---------------------------|----------------------------------|-----------------------------------|
| Foreign Exchange Earnings | -- | Nil |
| Foreign Exchange Outgo | 11,85,84,419 | 12,00,68,032 |

9. PARTICULARS OF EMPLOYEES :

During the year under review, no employees 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 |
| | To | 30.06.97 |
| Shri B. Rajaram | From | 26.10.93 |
| Shri U.V. Acharya | From | 01.02.94 |
| | To | 30.06.97 |
| Shri R. Ramachandran Nair | From | 01.03.94 |
| | To | 17.10.96 |
| Shri Jasbirpal Singh | From | 04.10.94 |
| Shri N.P. Srivastav | From | 04.10.94 |
| Shri Dinesh Afzulpurkar | From | 09.04.96 |
| Shri Cecil Noronha | From | 07.03.96 |
| | To | 31.08.96 |
| Shri U.R. Chopra | From | 15.02.96 |
| | To | 31.12.96 |
| Shri Shanti Narain | From | 08.11.95 |
| | To | 30.11.96 |
| Shri G.C. Srivastava | From | 28.07.95 |
| Shri M.M. Goyal | From | 15.03.96 |
| | To | 30.11.96 |
| Shri B.R. Prabhakara | From | 10.10.96 |
| Shri Swarup K. Gupta | From | 04.03.97 |
| Shri C.P. Nair | From | 17.10.96 |
| Shri S. Suryanarayanan | From | 04.03.97 |

11. AUDITORS :

The Department of Company Affairs, New Delhi on the advice of Comptroller & Auditor General of India, have appointed M/s. Bhusan Bensal Jain Associates as Statutory Auditors for the year 1996-97.

12. ACKNOWLEDGEMENT :

The Board of Directors gratefully acknowledge the assistance, active support and guidance received from the Ministry of 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 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 and Managing Director

**BALANCE SHEET AS AT 31st MARCH, 1997**

(Figures in Rs.)

| Particulars | Schedule No. | As at 31st March 1997. | | As at 31st March 1996. | |
|---|--------------|------------------------|------------------------|------------------------|-----------------|
| | | Rs. | Rs. | Rs. | Rs. |
| I. SOURCES OF FUNDS | | | | | |
| (1) Shareholders' funds: | | | | | |
| (a) Capital | 1 | 6,09,71,94,000 | | 5,87,76,94,000 | |
| (b) Reserves and Surplus | 2 | 1,81,65,000 | | 1,81,65,000 | |
| | | | 6,11,53,59,000 | | 5,89,58,59,000 |
| (2) Loan Funds | | | | | |
| (a) Secured Loans | 3 | 19,59,05,75,000 | | 14,64,86,71,179 | |
| (b) Unsecured Loans | 4 | 4,88,41,70,767 | | 3,94,80,85,273 | |
| | | | 24,47,47,45,767 | | 18,59,67,56,452 |
| (3) Current Liabilities and Provisions | 5 | 1,50,19,61,225 | | 1,64,24,91,135 | |
| Less : Current Assets, Loans and Advances | 6 | 1,17,83,19,958 | | 55,42,23,686 | |
| Net Current Liabilities | | | 32,36,41,267 | | 1,08,82,67,449 |
| TOTAL | | | 30,91,37,46,034 | | 25,58,08,82,901 |
| II. APPLICATION OF FUNDS | | | | | |
| (1) Fixed Assets: | | | | | |
| (a) Gross Block | | 1,19,67,97,714 | | 1,03,67,19,453 | |
| (b) Less: Depreciation | | 39,93,82,629 | | 29,70,43,096 | |
| (c) Net Block | 7 | 79,74,15,085 | | 73,96,76,357 | |
| (d) Capital works in progress advances and deposits for Capital works | 8 | 29,31,12,72,762 | | 24,48,50,37,086 | |
| | | | 30,10,86,87,847 | | 25,22,47,13,443 |
| (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 | | 27,26,22,615 | | 13,78,79,904 | |
| c. Discount on Public Issue | | 10,64,58,900 | | - | |
| | | | 38,31,61,944 | | 14,19,60,333 |
| (3) Profit and Loss Account | | | 42,18,96,243 | | 21,42,09,125 |
| TOTAL Rs. | | | 30,91,37,46,034 | | 25,58,08,82,901 |

Accounting policies & Notes to Accounts '16'
Schedules 1-16 forming an integral part of Accounts.

On behalf of the Board

As per our report of even date
For **BHUSHAN BENSAL JAIN ASSOCIATES**
CHARTERED ACCOUNTANTS

Sd/-
(RAVI BHARDWAJ)
PARTNER

Place : Mumbai.
Date : 24/10/97

Sd/-
(B. RAJARAM)
DIRECTOR

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

Sd/-
(B. SATYANARAYANA)
COMPANY SECRETARY

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 1997**

| | Schedule No. | Current year (Rs.) | Previous year (Rs.) |
|--|---------------------|-----------------------|------------------------|
| A. Traffic Earnings | (A) 13 | 5,32,50,357 | 92,74,745 |
| B. Expenses on train operations | | | |
| 1. Expenses on staff | 14 | 3,60,30,877 | 1,43,62,813 |
| 2. Hire charges for Rolling Stock & Motive power. | | 2,13,44,972 | 69,01,160 |
| 3. Fuel | | 86,98,569 | 26,52,759 |
| 4. Lease Rentals | | | |
| (a) Rentals | 15,43,87,834 | 1,26,42,790 | |
| (b) Other Charges | 34,00,000 | 70,88,709 | |
| | | 15,77,87,834 | 1,97,31,499 |
| 5. Repairs and Maintenance | | | |
| a) Permanant Way | 1,64,64,760 | 1,44,72,652 | |
| b) Station and Other buildings | 32,35,914 | 33,22,102 | |
| c) Equipment | 14,50,971 | 12,85,058 | |
| d) Bridges | 26,85,235 | 8,06,161 | |
| e) Rolling Stock | 7,81,719 | 1,34,714 | |
| | | 2,46,18,599 | 2,00,20,687 |
| 6. Consumption on tools and other stores | | 40,590 | 6,07,576 |
| 7. Commission | | 52,563 | 51,227 |
| 8. Loss on Sale of Assets | | 2,38,469 | 3,76,50,836 |
| 9. Depreciation | | 30,44,586 | 3,29,96,996 |
| 10. Depreciation for earlier years | | -- | 4,42,78,889 |
| 11. Miscellaneous and other Operating Expenditure | 15 | 1,20,23,890 | 65,88,934 |
| | (B) | 26,38,80,949 | 18,58,43,376 |
| Net (Loss) of Train Operations (B-A) | | (21,06,30,592) | (17,65,68,631) |
| 12. Prior period adjustments | 11b | -29,43,474 | 3,23,040 |
| Net Loss during the year | | (20,76,87,118) | (17,68,91,671) |
| Add (loss) brought forward | | (21,42,09,125) | (3,73,17,454) |
| Total (loss) transferred to Balance Sheet | | (42,18,96,243) | (21,42,09,125) |

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

As per our report of even date
For **BHUSHAN BENSAL JAIN ASSOCIATES**
CHARTERED ACCOUNTANTS
Sd/-
(RAVI BHARDWAJ)
PARTNER
Place : Mumbai.
Date : 24/10/97

On behalf of the Board
Sd/-
(B. RAJARAM)
DIRECTOR
Sd/-
(E. SREEDHARAN)
CHAIRMAN & MANAGING DIRECTOR
Sd/-
(B. SATYANARAYANA)
COMPANY SECRETARY

**DEVELOPMENT ACCOUNT FOR THE YEAR ENDED 31st MARCH, 1997.**

| Particulars | Schedule No. | Current year Rs. | Previous year Rs. |
|---|--------------|-----------------------|-------------------|
| I. EXPENDITURE DURING CONSTRUCTION PERIOD | | | |
| i) Survey | | 6,649 | 56,187 |
| ii) Salaries, Allowances & Benefits | 9 | 13,11,02,745 | 12,63,70,108 |
| iii) Other Administrative Expenses | 10a | 12,31,89,689 | 11,58,51,030 |
| iv) Foreign Exchange fluctuation | | 3,95,00,000 | - |
| v) Finance Charges | 10b | 2,62,91,79,235 | 2,05,79,89,766 |
| vi) Depreciation for the year | | 10,08,14,353 | 10,36,29,237 |
| vii) Short/(Excess) depreciation for earlier years. | | 3,80,656 | 20,22,991 |
| viii) Wealth Tax | | 1,13,955 | 17,720 |
| TOTAL | | 3,02,42,87,282 | 2,40,59,37,039 |
| II. LESS INCIDENTAL INCOME | | | |
| | 12 | 4,69,30,090 | 2,42,02,533 |
| | | 2,97,73,57,192 | 2,38,17,34,506 |
| III. Prior period adjustments | 11a | 69,12,848 | 1,65,76,929 |
| IV. Balance carried to capital works in progress (Refer Schedule No. 8) | | 2,98,42,70,040 | 2,39,83,11,435 |

Accounting Policies and Notes to Accounts '16'

Schedules 1-16 form an integral part of Accounts

On behalf of the Board

As per our report of even date
For **BHUSHAN BENSAL JAIN ASSOCIATES**
CHARTERED ACCOUNTANTSSd/-
(RAVI BHARDWAJ)
PARTNER

Place : Mumbai.

Date : 24/10/97

Sd/-
(B. RAJARAM)
DIRECTORSd/-
(E. SREEDHARAN)
CHAIRMAN & MANAGING DIRECTORSd/-
(B. SATYANARAYANA)
COMPANY SECRETARY

**SCHEDULE 1 - SHARE CAPITAL**

| | AS AT 31.03.97 Rs. | AS AT 31.03.96 Rs. |
|---|-----------------------|-----------------------|
| AUTHORISED 80,00,000 Equity Shares of Rs.1,000 each (Previous year 60,00,000) | 8,00,00,00,000 | 6,00,00,00,000 |
| ISSUED, SUBSCRIBED & PAID UP 60,97,194 Equity shares of Rs.1,000 each fully paid up. (Previous year 58,43,694) | 6,09,71,94,000 | 5,84,36,94,000 |
| 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 (previous year 34,000 shares) | --- | 3,40,00,000 |
| TOTAL | 6,09,71,94,000 | 5,87,76,94,000 |

SCHEDULE 2 - RESERVES AND SURPLUS

| | AS AT 31.03.97 Rs. | AS AT 31.03.96 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 31.03.97 Rs. | AS AT 31.03.96 Rs. |
|---|-----------------------|-----------------------|
| 1. BONDS | | |
| A. PUBLIC ISSUE 2A SERIES | | |
| 10.5% secured, redeemable at par, non-cumulative and non-convertible bonds of Rs.1000/- each redeemable on 01.03.2004. | 2,30,85,97,000 | 2,30,85,97,000 |
| B. PUBLIC ISSUE 6B SERIES | | |
| 10.5% secured, issued at 5% discount redeemable at par, non-cumulative and non-convertible bonds of Rs. 1000/- each redeemable on 09.01.2007 [Includes 74 bonds (previous year 37) valued at Rs.74,000/- (previous year Rs.37,000/-) held by Directors] | 2,00,00,00,000 | |
| C. PRIVATE PLACEMENT | | |
| 10.5% secured, redeemable at par, 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 | 75,00,00,000 |
| 13. 420000 bonds of series 5A redeemable on 05.08.2000 | 42,00,00,000 | 42,00,00,000 |
| 14. 200000 bonds of series 5B redeemable on 11.10.2000 | 20,00,00,000 | 20,00,00,000 |

**SCHEDULE 3 - SECURED LOANS (contd.)**

| | AS AT 31.03.97 Rs. | AS AT 31.03.96 Rs. |
|---|------------------------|-----------------------|
| 15. 432500 bonds of series 5C redeemable on 30.03.2001 | 43,25,00,000 | 43,25,00,000 |
| 16. 3,80,000 bonds of series 6A redeemable on 18.05.2001 | 38,00,00,000 | |
| 17. 1,29,178 bonds of 6C series issued at 5% discount redeemable on 03.02.2007 | 12,91,78,000 | |
| | 15,74,65,75,000 | 13,23,73,97,000 |
| 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) Secured by pari passu charge on Current Assets and immovable properties of the Corporation (Present and Future) | 1,31,14,00,000 | 1,31,14,00,000 |
| ii) FROM BANK - Cash Credit Secured by pari passu charge on Current Assets and immovable properties of the Corporation (Present and Future) | 9,98,74,179 | |
| iii) Foreign Currency Loan (External Commercial Borrowings) | 2,53,26,00,000 | |
| TOTAL | 19,59,05,75,000 | 14,64,86,71,179 |

SCHEDULE 4-UNSECURED LOANS

| | AS AT 31.03.97 Rs. | AS AT 31.03.96 Rs. |
|---|-----------------------|-----------------------|
| i. Short Term Loans | | |
| From a Bank | 2,53,44,24,902 | 10,00,00,000 |
| Inter Corporate Deposit | 1,01,00,00,000 | 2,28,82,00,000 |
| Others | 1,20,00,00,000 | 1,25,00,00,000 |
| Add : Interest accrued and due | 2,42,82,811 | 18,06,54,077 |
| | 4,76,87,07,713 | 3,81,88,54,077 |
| [Amount repayable within next one year Rs.4,74,44,24,902 (Previous Year Rs. 363,82,00,000)] | | |
| ii. Foreign Currency Loan | | |
| From a Bank | 11,54,63,054 | 12,92,31,196 |
| [Amount repayable within next one year Rs.1,92,43,840 (Previous Year Rs.1,84,56,640)] | | |
| TOTAL | 4,88,41,70,767 | 3,94,80,85,273 |



SCHEDULE 5 - CURRENT LIABILITIES & PROVISIONS

| | AS AT 31.03.97 Rs. | AS AT 31.03.96 Rs. |
|--|-----------------------|-----------------------|
| A. CURRENT LIABILITIES | | |
| 1. Sundry Creditors | | |
| i. Contractors | 40,71,08,715 | 64,64,08,183 |
| ii. Expenses | 4,48,64,809 | 11,27,82,959 |
| iii. Deposits from Contractors & Others | 38,17,92,684 | 34,36,44,984 |
| iv. Payable to Railways | | |
| a) Train operating expenses | 2,91,37,500 | 1,52,41,619 |
| b) Apportioned share of earnings | 6,87,756 | 1,03,26,630 |
| | 2,98,25,256 | 2,55,68,249 |
| v. Other Liabilities | 58,28,711 | 87,62,448 |
| 2. Temporary bank overdraft | -- | 1,22,900 |
| 3. Interest accrued but not due on | | |
| a) Loans | 17,94,58,488 | 13,72,67,223 |
| b) Bonds | 40,75,28,461 | 34,22,81,241 |
| | 58,69,86,949 | 47,95,48,464 |
| 4. Unclaimed interest on bonds (2A Series) | 32,85,774 | - |
| 5. Unclaimed application money | 74,14,249 | |
| 6. Interest on application money | 41,37,428 | |
| 7. Advance against sale | 2,80,96,356 | 2,45,34,660 |
| 8. Unclaimed brokerage | 12,88,051 | |
| B. PROVISIONS | | |
| Provision for Wealth Tax | 13,32,243 | 11,18,288 |
| TOTAL | 1,50,19,61,225 | 1,64,24,91,135 |

SCHEDULE 6 - CURRENT ASSETS, LOANS AND ADVANCES

| | AS AT 31-3-97 Rs. | AS AT 31-3-96 Rs. |
|--|----------------------|----------------------|
| A. CURRENT ASSETS | | |
| i. Interest Accrued | 58,83,791 | 96,37,313 |
| ii. Cash in Hand | 10,32,527 | 4,97,591 |
| iii. Funds in Transit | 1,05,47,329 | 2,55,00,000 |
| iv. Balance with Scheduled Banks in : | | |
| a) Current Account | 62,63,22,066 | 9,64,36,785 |
| b) Term Deposit (Out of this Rs. 9,52,60,194 (previous year Rs. 8,22,24,014) is pledged with bank) | 9,52,60,194 | 16,93,67,222 |
| | 72,15,82,260 | 26,58,04,007 |
| v. Traffic Earnings Receivable : | | |
| a) Over six months | 3,051 | 38,134 |
| b) Less than 6 months | 1,27,09,685 | 42,07,904 |
| | 1,27,12,736 | 42,46,038 |
| TOTAL [A] | 75,17,58,643 | 30,56,84,949 |

**B - LOANS & ADVANCES**

[Unsecured, considered good unless otherwise stated]

| | | |
|--|-----------------------|--------------|
| i. Advances recoverable in cash or in kind or for value to be received | 2,93,17,752 | 1,76,43,915 |
| ii. Sundry receivables | 4,48,32,353 | 82,36,648 |
| iii. Advances to employees | 8,05,994 | 6,81,436 |
| iv. Deposits for accommodation | 35,89,217 | 35,35,924 |
| v. Deposits with Government Agencies | 25,59,570 | 28,61,200 |
| vi. Other Deposits | 2,80,80,064 | 5,46,943 |
| vii. Deposits for Lease Assets | 21,60,00,000 | 19,60,00,000 |
| viii. Deposit works for other Govt/Dept. | 9,50,91,288 | 1,90,32,671 |
| ix. TDS deduction from interest income | 62,85,077 | |
| TOTAL [B] | 42,65,61,315 | 24,85,38,737 |
| TOTAL [A + B] | 1,17,83,19,958 | 55,42,23,686 |



SCHEDULE 7 - FIXED ASSETS

| Sr. No. | Particulars | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|---------|-----------------------------|------------------------|---------------------------|-----------------------------|----------------------|------------------|---------------------|--|------------------|------------------|------------------|
| | | Balance as at 01/04/96 | Additions during the year | Less Transfers/ Adjustments | Total as at 31/03/97 | Upto 31/03/96 | For the year | Less Excess/(Short) provision for earlier year on adjustments/ Transfers | Upto 31/03/97 | As at 31/03/97 | As at 31/03/96 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 1 | PWAY TRACK | | 100020269 | 100020269(a) | | | | | | | |
| 2 | LAND | 44556210 | | | 44556210 | | | | | 44556210 | 44556210 |
| 3 | BUILDINGS | 103886580 | 5104828 | | 108991408 | 21996353 | 2616992 | | 24613345 | 84378063 | 81890227 |
| 4 | PLANT & MACHINERY | 780792964(b) | 122193609(c) | 15158210 | 887828363 | 233146391 | 91872618 | 1861746 | 323157263 | 564671100 | 547646573 |
| 5 | OFFICE EQUIPT & PERIPHERALS | 35136385 | 1569815 | | 36706200 | 11744461 | 2935803 | | 14680264 | 22025936 | 23391924 |
| 6 | FURNITURE & FIXTURES | 19380353 | 1456954 | 108715 | 20728592 | 4196106 | 1193478 | 20722 | 5368862 | 15359730 | 15184247 |
| 7 | VEHICLES | 52966961 | 47841 | 27861 | 52986941 | 25959785 | 5620704 | 17594 | 31562895 | 21424046 | 27007176 |
| 8 | LOCOMOTIVES | | 45000000 | | 45000000 | | | | | 45000000 | |
| | TOTAL | 1036719453 | 275393316 | 115315055 | 1196797714 | 297043096 | 104239595(d) | 1900062(e) | 399382629 | 797415085 | 739676357 |
| | PREVIOUS YEAR TOTAL | 1023437629 | 1201542521 | 1188260697 | 1036719453 | 216395303 | 180905122 | 100257329 | 297043096 | 739676357 | 807042326 |

NOTE :

- a) Rs.10,00,20,269/- represents (previous year Rs.10,39,39,433/-) on account of assets sold during the year.
- b) Includes six dunnet concrete sleeper laying machines received free of cost from Australian International Development Assistance Bureau, otherwise valued at Rs. 323.45 lakhs, however other incidental costs are capitalised of Rs. 1,26,61,349/-.
- c) Includes Rs. 51,72,250/- (Previous year Rs. 1.26,40,559/-) on account of Foreign Exchange fluctuation.
- d) Includes Rs. 30,44,586/- (Previous year Rs. 3,29,96,996/-) on assets used in operating line and Rs. Nil on account of depreciation for earlier years
(Previous year Rs. 4,42,78,889/-)
- e) This includes excess provision of Depreciation for earlier years Rs. 3,80,656/- on Pantoon.

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

| | AS AT 31-3-97 Rs. | AS AT 31-3-96 Rs. |
|---|---|------------------------|
| A. CAPITAL WORKS IN PROGRESS | | |
| (Includes Works which have been technically completed but not yet commissioned for use) | | |
| I. WORKS | | |
| i. Land | 1,03,02,82,425 | 86,44,67,198 |
| ii. Structural Engg. Works | | |
| a) Formation | 7,92,69,05,279 | 6,95,76,58,772 |
| b) Permanent way | 3,62,28,89,615 | 2,32,24,67,203 |
| c) Bridges | 5,41,94,58,192 | 5,05,61,70,034 |
| d) Station & Buildings | 48,57,17,184 | 34,70,24,273 |
| e) Other Works | 21,65,66,981 | 17,02,57,082 |
| | 17,67,15,37,251 | 14,85,35,77,364 |
| iii. Equipment, Plant & Machinery | 99,04,89,653 | 79,44,34,684 |
| II. CONSTRUCTION MATERIAL | | |
| (As taken, valued and certified by the Management) | | |
| i. Rails | 11,85,52,667 | 48,14,89,252 |
| ii. Sleepers | 7,40,05,747 | 59,45,44,519 |
| iii. Cement | 4,80,89,288 | 11,96,12,397 |
| iv. Steel | 4,35,97,870 | 6,73,13,272 |
| v. Diesel | 22,42,732 | 50,11,888 |
| vi. Explosives | 1,30,92,819 | 1,38,78,835 |
| vii. Others | 16,46,20,741 | 26,52,77,922 |
| | 46,42,01,864 | 1,54,71,28,085 |
| | [Includes materials in transit Rs. 11,20,87,536 (previous year Rs. 15,12,49,032)] | |
| III. Computers & peripherals under development/installation | 7,79,37,315 | 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 1-4-96 | 5,86,00,33,720 | 3,67,75,22,807 |
| b) Addition during the year as per Development Account | 2,98,42,70,040 | 2,39,83,11,435 |
| c) Less : Capitalised on Assets | 2,26,74,682 | 21,58,00,522 |
| | 8,82,16,29,078 | 5,86,00,33,720 |
| TOTAL [A] | 29,05,60,77,586 | 23,98,86,92,038 |
| B. ADVANCE & DEPOSITS FOR CAPITAL WORKS | | |
| i. Contractors & Suppliers | 5,87,46,920 | 10,08,50,576 |
| ii. Land Acquisition | 5,27,61,123 | 17,26,30,202 |
| iii. Purchase of Materials & Equipment | 10,85,86,600 | 20,06,86,044 |
| iv. Advance to Govt. Agencies for Works | 3,51,00,533 | 2,21,78,226 |
| TOTAL [B] | 25,51,95,176 | 49,63,45,048 |
| GRAND TOTAL [A + B] | 29,31,12,72,762 | 24,48,50,37,086 |

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

| | Current Year Rs. | Previous Year Rs. |
|---|-----------------------------|------------------------------|
| i. Salaries & Allowances | 11,55,20,923 | 11,11,96,773 |
| ii. Contribution to Provident & Other Funds | 79,34,229 | 76,14,909 |
| iii. Gratuity paid | 15,865 | |
| iv. Foreign Service Contribution | 14,41,869 | 21,77,737 |
| v. Staff Welfare | 61,89,859 | 53,80,689 |
| TOTAL | 13,11,02,745 | 12,63,70,108 |

SCHEDULE 10a - OTHER ADMINISTRATIVE EXPENSES

| | Current Year Rs. | Previous Year Rs. |
|---------------------------------------|-----------------------------|------------------------------|
| i. Rent | 91,92,223 | 1,14,20,131 |
| ii. Insurance and Taxes | 22,23,978 | 16,90,803 |
| iii. Printing & Stationary | 36,02,800 | 39,65,088 |
| iv. Postage, Telephone & Telex | 1,22,79,048 | 1,28,27,273 |
| v. Travelling & Conveyance | 2,82,91,290 | 2,80,01,622 |
| vi. Vehicles Expenses | 1,77,03,263 | 1,75,84,836 |
| vii. Repairs & Maintenance | | |
| a) Plant & Machinery | 1,02,27,884 | 1,83,32,106 |
| b) Buildings | 31,48,785 | 24,66,186 |
| c) Others | 21,14,529 | 16,11,345 |
| viii. Electricity & Water Charges | 22,73,393 | 16,39,601 |
| ix. Advertisement & publicity | 85,04,218 | 30,60,584 |
| x. Auditors' Remuneration | 3,91,566 | 1,45,002 |
| xi. Legal and Professional Expenses | 83,82,408 | 61,50,290 |
| xii. Other Expenses | 1,27,22,036 | 99,31,156 |
| xiii. (Profit)/Loss on Sale of Assets | 21,32,268 | (29,74,993) |
| TOTAL | 12,31,89,689 | 11,58,51,030 |

SCHEDULE 10b - FINANCE CHARGES

| | Current Year Rs. | Previous Year Rs. |
|---|-----------------------------|------------------------------|
| i. Interest on Bonds (includes Rs 4758 (previous year Rs.3885) paid to directors) is Rs.2914 and payable is Rs.1844. | 1,59,15,77,830 | 1,43,71,43,308 |
| ii. Interest on loans | 96,67,91,986 | 50,88,49,054 |
| iii. Management fee on Bonds | 2,85,00,000 | 10,57,05,000 |
| iv. Service Charges | 4,23,09,419 | 62,92,404 |
| TOTAL | 2,62,91,79,235 | 2,05,79,89,766 |

**SCHEDULE 11 a - PRIOR PERIOD ADJUSTMENTS**

| | Current Year Rs. | Previous Year Rs. |
|--|---------------------|----------------------|
| 1. Survey | | 1,276 |
| 2. Salaries, Allowances and Benefits | 27,02,952 | 6,87,224 |
| 3. Insurance | 57,998 | 5,028 |
| 4. Printing and Stationary | 3,560 | - |
| 5. Repairs and Maintenance to Plant and Machinery (Net) | 6,79,964 | 5,58,046 |
| 6. Interest on Bonds | | 1,22,14,493 |
| 7. Interest and other charges on Foreign Currency Loan | | 13,71,015 |
| 8. DPG Commission | | - |
| 9. Other Expenses | 34,68,374 | 18,98,226 |
| | 69,12,848 | 1,67,35,308 |
| LESS :- | | |
| 1. Sale of Tender Forms | | 1,47,250 |
| 2. Excess provision written back | | 11,129 |
| TOTAL | 69,12,848 | 1,65,76,929 |

SCHEDULE 11-b - PRIOR PERIOD ADJUSTMENTS -TRAIN OPERATION

| | Current Year Rs. | Previous Year Rs. |
|---|---------------------|----------------------|
| 1. Hire charges - Coaches/Wagons | (8,39,510) | 2,39,612 |
| 2. Hire charges - Motive power | (4,53,197) | (1,05,521) |
| 3. Fuel and Lubricant | (15,37,489) | - |
| 4. Salary and Establishment charges | (4,89,774) | 764 |
| 5. Repairs and maintenance - | 65,401 | 923 |
| 6. Repairs and maintenance - Plant & machinery, station bldgs etc. | - | 1,04,811 |
| 7. Other Operating Expenses | 3,11,095 | 82,451 |
| TOTAL | (29,43,474) | 3,23,040 |

**SCHEDULE 12 - INCIDENTAL INCOME**

| | Current Year Rs. | Previous Year Rs. |
|-----------------------------------|-----------------------------|------------------------------|
| i. Interest from Banks and others | 3,43,72,112 | 1,27,69,162 |
| ii. Sale of Tender Forms etc. | 4,19,727 | 3,78,035 |
| iii. Sale of Scrap | 92,80,775 | 42,65,957 |
| iv. Rent Recovery | 6,99,819 | 7,36,479 |
| v. Other Receipts | 21,57,657 | 60,52,900 |
| TOTAL | 4,69,30,090 | 2,42,02,533 |

SCHEDULE - 13 - TRAFFIC EARNINGS

| | Current Year Rs. | Previous Year Rs. |
|--|-----------------------------|------------------------------|
| i) Passenger (Includes earlier years' provision of Rs.11,78,917 to other Railways written back) | 5,18,50,826 | 89,54,900 |
| ii) Other Coaching (Includes earlier years' provision of Rs.1,30,187 to other Railways written back) | 5,05,638 | 1,16,186 |
| iii) Goods | 5,24,717 | |
| ii) Sundry | 3,69,176 | 2,03,659 |
| TOTAL | 5,32,50,357 | 92,74,745 |

SCHEDULE - 14 - EXPENSES ON STAFF

| | Current Year Rs. | Previous Year Rs. |
|---|-----------------------------|------------------------------|
| i) Salary, wages and allowances etc. | 2,79,92,747 | 1,04,92,070 |
| ii) Travelling Expenses | 48,11,748 | 27,44,726 |
| iii) Cash Award | 2,000 | |
| iv) Contribution to Provident & other Funds | 14,79,436 | 5,08,695 |
| v) Foreign Service Contribution | 1,89,248 | 1,20,959 |
| vi) Staff Welfare Expenses | 15,55,698 | 4,96,363 |
| TOTAL | 3,60,30,877 | 1,43,62,813 |

**SCHEDULE - 15 - MISCELLANEOUS AND OTHER OPERATING EXPENDITURE**

| | Current Year Rs. | Previous Year Rs. |
|-----------------------------------|-----------------------------|------------------------------|
| i. Electricity and Water Charges | 34,93,933 | 19,45,934 |
| ii. Cost of tickets and forms | 11,74,237 | 1,11,237 |
| iii. Telephone and Communication | 8,12,818 | 5,89,008 |
| iv. Vehicle Expenses | 11,78,340 | 9,44,056 |
| v. Rent for Residential buildings | 90,299 | 45,999 |
| vi. Rent for Office buildings | 23,100 | |
| vii. Other Sundry Expenses | 52,51,163 | 16,79,900 |
| viii. Legal Expenses | | 12,72,800 |
| TOTAL | 1,20,23,890 | 65,88,934 |

**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. Payment of bonus is accounted for in the year when Govt. of India's sanction is issued.
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.
(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 pro-rata 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 the usual rate of 4.75%.
(e) Depreciation on Permanent way (track) which have been transferred from work in progress (Capital) to fixed assets 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) Computer 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 expense 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.
- d) Accounting in respect of profit/loss on sale of assets are made at the time of delivery to the buyer.

11. 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 31.3.97 for which bills were received upto 31st May '97. The liability due to the change in the accounting policy viz-a-viz last year, though insignificant is, however, understated to that extent.
- (c) Recovery on account of risk and cost transactions is effected at the time of completion of works after due determination.

12. 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.

13. 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.**14. Contingent liabilities are not provided for but are disclosed by way of notes to the account.****B) NOTES TO THE ACCOUNTS****15. 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.

16. (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 and sold.

(b) However, the Company has opened for traffic two sections from Mangalore to Kundapur and from Roha to Sawantwadi. Barring this, the remaining 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 traffic.

(c) The passenger trains are being run on Mangalore-Kundapur on the southern sector and Roha-Sawantwadi on the northern sector and a detailed Memorandum of Understanding has been sent for the approval of Ministry of Railways, regarding inter Railway understanding on the reciprocal arrangements, for movement of inter Railway traffic.

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 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 and bills received.



17. (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 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.
18. (a) Depreciation on fixed assets whose cost does not exceed 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 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.
19. (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.5.27 Crores provided to 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.
20. 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.
21. Advance for materials and other advances could not be adjusted to the final head amounting to Rs.10,85,86,600 (previous year Rs. 20,06,86,044) for want of full reconciliation.
22. (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. 4,11,77,828 lying unadjusted and unverified.
23. (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.
24. (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.



25. (a) The authorised share capital has been increased from Rs. 600 Crores to Rs. 800 Crores vide resolution passed at the Extrordinary General Meeting held on 17.01.97. Necessary amendment has been carried out in the Memorandum of Association and Articles of Association.
- (b) 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.
- (c) Necessary Bond Redemption Reserve will be created in the year in which the Corporation will have profit.
26. 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.
27. 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 Pre-tressed 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. Refund of Excise Duty, if any, will be adjusted as and when received.
28. (a) During the year, the Corporation has effected Sale and Lease back transaction of Rs.10 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 transactions, the Corporation has obtained sanction of the President of India.
- (c) Future obligations towards lease rentals under the lease agreements as on 31st March 1997 in case of Primary lease are Rs.128.26 crores and in case of Secondary lease Rs.3.89 crores.
29. Sales-Tax assesement from the year 1990-91 to 1995-96 has not been completed so far except Karnataka State Sales Tax. Hence liability, if any, in this regard will be accounted for as and when assessment will be finalised.
30. Sundry advances include Rs.Nil (Previous year Rs.1407.25) and Rs.27.20 (Previous Year Rs.2027.20), due from an officer and ex-officer of the Corporation respectively. Maximum balance outstanding on any day during the year was Rs.11.407.25 (Previous year Rs.5000/-).
31. Loans and Advances include due from Directors Rs.5,726.00 (Previous Year Rs.50,421/-). Maximum balance outstanding on any day during the year was Rs.24,174/- (Previous year Rs. 52,508/-).
32. In Mangalore-Bhatkal Section Construction of Kankanadi Station and other allied works have been carried out 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 for an amount of Rs.8.16 Crores. Due to this Capital work in progress is overstated and advances are understated to that extent.
33. Contingent Liabilities not provided for
 - (a) Estimated amount of contracts remaining to be executed and not provided for as certified by the management Rs. 72.00 Crores (previous year Rs.180.00 crores).
 - (b) Contractor's and other claims against the Corporation not acknowledged as debt as per the certificate submitted by the management are Rs.184.02 Crores. (Previous Year Rs. 30.20 crores). The Corporation has rejected the claims which have subsequently been referred to Arbitration. The exact amount payable can be ascertained only after the Arbitration Award are received.
 - (c) Income Tax demands being disputed of Rs.2.83 Crores (Previous year Rs. 2.70 crores)
 - (d) Excise duty demands being disputed of Rs.484.39 lacs. (Previous year Rs.484.39 lacs).
 - (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.
34. Fuel charges and hire charges paid for passenger coaches are shown net of recoveries. From Central Railway amounts receivable on this account of Fuel and passenger coaches hire being Rs.1.19,32,792/- (Previous year Rs. 2,69,074/-) and Rs.38,54,275/- (Previous year Rs.2,23,197), respectively.



35. (a) Directors' Remuneration

The remuneration of Directors is as under:-

| | Current Yr. (Rs.) | Previous Yr. (Rs.) |
|---------------------------------------|----------------------|-----------------------|
| Salary and Allowances | 7,73,611 | 11,85,106 |
| Contribution to Provident Fund | 38,987 | 54,933 |
| Pension contribution paid to Railways | 67,839 | 68,103 |
| | <u>8,80,437</u> | <u>13,08,142</u> |

(b) Auditors' Remuneration

Auditors' remuneration is as under:-

| | Current Yr. (Rs.) | Previous Yr. (Rs.) |
|---|----------------------|-----------------------|
| For Audit fees | 75,000 | 75,000 |
| For Tax Audit | 30,000 | 30,000 |
| For Income Tax matters | 5,000 | 5,000 |
| For reimbursement of out of pocket expenses | 72,002 | 70,002 |

36. Earnings in Foreign Exchange :-

| | Current Yr. (Rs.) | Previous Yr. (Rs.) |
|-------------------------------|----------------------|-----------------------|
| Others (Sale of Tender forms) | Nil | Nil |

37. Foreign Currency Expenditure:-

| | Current Yr. (Rs.) | Previous Yr. (Rs.) |
|-----------------------------------|----------------------|-----------------------|
| Travelling | 25,10,776 | 4,44,444 |
| Interest Handling & Other Charges | 10,53,88,266 | 31,51,270 |
| Other than Capital Goods | 3,30,008 | — |
| | <u>10,82,29,050</u> | <u>35,95,714</u> |

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

| | Current Yr. (Rs.) | Previous Yr. (Rs.) |
|------------------------------|----------------------|-----------------------|
| i. Component and spare parts | 78,93,258 | 98,26,989 |
| ii. Capital goods | 24,62,111 | 10,66,45,329 |
| | <u>1,03,55,369</u> | <u>11,64,72,318</u> |

39. Additional information pursuant to Part IV of Schedule VI to the Companies Act, 1956.

| | | | |
|----|--|---|--------------|
| I | Registration Details | : | |
| | Registration No. | : | 55 - 40891 |
| | State Code No. | : | 55 |
| | Balance Sheet Date | : | 31.03.1997 |
| 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) | : | 21,95,00,000 |



| | | | |
|-----|--|---|------------------------|
| III | Position of Mobilisation and Deployment of Funds | | |
| | Total Liabilities | : | 32,09,20,65,992 |
| | Total Assets | : | 32,09,20,65,992 |
| | SOURCES OF FUNDS | : | |
| | Paid-up Capital | : | 6,09,71,94,000 |
| | Reserve and Surplus | : | 1,81,65,000 |
| | Secured Loans | : | 19,59,05,75,000 |
| | Unsecured Loans | : | 4,88,41,70,767 |
| | Net Currents Liabilities | : | 32,36,41,267 |
| | | | <hr/> |
| | | | 30,91,37,46,034 |
| | APPLICATION OF FUNDS | | |
| | Net Fixed Assets (Including Capital WIP & Pre-operative Expenditure) | : | 30,10,86,87,847 |
| | Investments | : | --- |
| | Misc. Expenditure | : | 38,31,61,944 |
| | Accumulated Losses | : | 42,18,96,243 |
| | | | <hr/> |
| | | | 30,91,37,46,034 |
| IV | Performance of Company | | |
| | Turnover | : | 5,32,50,357 |
| | Total Expenditure (including prior period adjustment) | : | 26,09,37,475 |
| | Profit (Loss) Before Tax | : | (20,76,87,118) |
| | Profit (Loss) After Tax | : | (20,76,87,118) |
| | Earnings Per Share Rs. | : | N.A. |
| | Dividend Rate % | : | N.A. |
| V | Generic Name of Principal Product of Company | : | 700 as per |
| | (As per Monetary Terms) | | Industrial |
| | Item Code No. | | Classification of |
| | | | Joint Stock Companies. |
| | Product Description | : | Railway |
| | | | Transportation |

40. Cash Flow Statement for 1996-97**A. CASH FLOW FROM OPERATING ACTIVITIES :**

| | |
|---|----------------|
| Net profit before tax and extraordinary items | (20,76,87,118) |
| Adjustments for : | |
| Depreciation | 30,44,586 |
| Foreign exchange | |
| Investments | |
| Interest/Dividend | |
| Operating profit before working capital changes | |
| Adjustments for : | |
| Trade and other receivables | |
| Inventories | |
| Trade payables | |



| | |
|--|----------------|
| Cash generated from operations | |
| Interest paid | |
| Direct Taxes paid | Nil |
| CASH FLOW BEFORE EXTRAORDINARY ITEMS | |
| Extraordinary items | |
| Net Cash from operating activities | (20,46,42,532) |
| B. CASH FROM INVESTING ACTIVITIES : | |
| Purchase of fixed assets (including work in progress and fictitious assets) | 512,51,76,015 |
| Sale of fixed assets | |
| Acquisition of Companies (As per Annexures) | |
| Purchase of Investments | |
| Sale of Investments | |
| Interest received | |
| Dividend received | |
| Net cash used in investing activities | 512,51,76,015 |
| C. CASH FLOW FROM FINANCING ACTIVITIES | |
| Proceeds from issue of share capital | 21,95,00,000 |
| Proceeds from longterm borrowings | 587,79,89,315 |
| Repayment of finance lease liabilities | 32,63,10,250 |
| Dividends paid | |
| NET CASH USED IN FINANCING ACTIVITIES | |
| Net increase in cash and cash equivalents | 44,13,60,518 |
| Cash and Cash Equivalents as at 1.4.96 (Opening balance) | 29,18,01,598 |
| Cash and Cash Equivalents as at 31.3.97 (Closing balance) | 73,31,62,116 |

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

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

Signatures for Schedules 1 to 16.

As per our report of even date
For **BHUSHAN BENSAL JAIN ASSOCIATES**
CHARTERED ACCOUNTANTS

Sd/-
(RAVI BHARDWAJ)
PARTNER

Place : Mumbai.
Date : 24/10/97

On behalf of the Board

Sd/-
(B. RAJARAM)
DIRECTOR

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

Sd/-
(B. SATYANARAYANA)
COMPANY SECRETARY



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, 1997, 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 annexe hereto Statement on the matters specified to paragraphs 4 & 5 of the said order.
2. Subject to our comments in the Annexure referred to in 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 except for certain items accounted for on Cash basis as referred to in accounting policy No. 3, as 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 :
3.
 1. Regarding sale of track of Rs.10 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 importance 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. Management fees paid on 10.5% tax free bonds on private placement during the year is in excess by Rs. 1.90 Crores to the ceiling of 2.5% as prescribed under Section 76 of the Companies Act, 1956, as well as in the Articles of Association of the Corporation.
 4. Sale of 14,405 Kilometres of track for which cost calculated is on estimated input basis and book records have not been relied upon, Profit and Loss on this transaction cannot be commented upon by us.
 5. Inter-unit Reconciliation with regard to Construction materials have not been done and its consequential impact on assets, liabilities, income and expenditures is not quantifiable, and cannot be commented upon by us.
 6. Board has exceeded its borrowing powers as fixed by the Company by Rs. 4.64 crores as at the year end.
 7. Accounting Policy No. 11(b) regarding accounting for contractors liabilities has undergone a change. Consequential financial impact has not been quantified.
 8. Penalties imposable under Income Tax Act, on account of Non-Deduction of Tax from various parties is not quantifiable at this stage.
 9. Interest and other finance charges relating to assets completed and put to use has neither been segregated nor quantified and charged to revenue. We are unable to express any opinion on the same.



10. Non-provision of Liabilities in respect of gratuity and Leave Encashment, amount being unascertained as per accounting policy No.8 of the Corporation.
11. Note No.17(a) regarding completed assets which are in use and shown as Capital Work-in-Progress, Note No.17(b) for non-charge of depreciation on such assets.
12. Note No.18(a) regarding under-charge of depreciation on fixed assets and Note No.18(b) regarding overcharge of depreciation on loose tools.
13. Note No.19(a) land cost subject to reconciliation with final awards, Note No.19(b) regarding non-adjustment of advances to works Rs.5.27 crores, Note no.19(e) regarding Leasehold Land not shown separately being included in Work-in-Progress and Note No.33(e) regarding non-provision of amount to be paid to land owners.
14. Note No. 20 regarding non-adjustment of Rs.39.23,000.00 incurred by other Railways.
15. Note No. 21(a) regarding non-adjustment of advances amounting to Rs.10,85,86,600.00.
16. Note No. 22(a) regarding non-reconciliation of transactions of receipts/issues of construction materials not physically verified Note No:22(b) regarding non-adjustment of construction materials issued to contractors and Note No. 22(c) regarding stores in transit includes old balances of Rs.4,11,77,828.00 unreconciled.
17. Note No. 23(a) & (b) regarding Sundry balances in debit and credit accounts are subject to confirmation/reconciliation.
18. Note No. 32 regarding work done for others by the Corporation amounting to Rs. 8.16 crores is shown as Capital Work-in-Progress.

In view of the matters described in paragraph 3.1 to 3.18 above and paras 1,3,4 and 5 of annexure referred to in para 1 above, the aggregate effect of which in our opinion cannot be worked out precisely, give the information required by the Companies Act, 1956 in the manner so required and give a True & Fair View.

- A. In the case of Balance Sheet of the state of affairs of the Company as at 31st March, 1997.
- B. In the case of Development Account for the year ended on that date of the net expenditure carried to the Balance Sheet and
- C. In the case of Profit and Loss Account of the loss for the year ended on that date.

For **Bhushan Bensal Jain Associates,**
Chartered Accountants,

Place : Mumbai
Date : 24/10/1997

Sd/-
(RAVI BHARDWAJ)
Partner.

**ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE AUDITORS' REPORT ON THE ACCOUNTS OF KONKAN RAILWAY CORPORATION LIMITED, FOR THE YEAR ENDED 31st MARCH, 1997.**

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, arising 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, however, huge quantities of construction materials lying at sites has not been physically verified. In our opinion, the frequency and scope of verification still needs to be increased and proper control has to be exercised on materials at sites.
4. In our opinion and according to the explanation and information given to us, the procedure of physical verification of construction material, stores etc. followed by the management are not 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 and materials at sites were not physically verified during the year.
5. In discrepancies noticed on verification between physical stock wherever done and book records were not very material since material at sites was not physically verified and at some of the units, some of the material and 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 loans, from companies, Firms 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 us, 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 contractors and others including employees recoveries of principal and interest, wherever applicable, are generally affected, as per terms stipulated. In case of default, barring some cases of waiver of interest and deferment of recovery of principal amount, actions 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 assets and sale of services and system of cash transaction.
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.50,000.00 or more in respect of each party in pursuance of contracts or agreements entered in the registers maintained under Section 301 of the Companies Act, 1956.
12. There is no adequate procedure for determination of unreceivable or damaged material and no records have been maintained at some of the units.



13. The Company has not accepted any deposits 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-products.
15. In our opinion, the internal 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 amount 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 as on 31st March, 1997 outstanding for a period of more than six months from the date they became payable except for an amount of Rs.12,18,288.00 in respect of wealth Tax.
19. As per the information and explanations 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 of 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 required to be maintained by the Company.

for BHUSHAN BENSAL JAIN ASSOCIATES
Chartered Accountants

Place: Mumbai
Date : 24/10/1997

Sd/-
(RAVI BHARDWAJ)
Partner.

**Comments of the Comptroller and Auditor General of India under the section 614 of the Companies Act, 1956 on the accounts of the KRCL for the year ended 31 March 1997.****Remarks of KRCL****A. Balance Sheet****I Source of funds****1 Schedule 5 Current liabilities and provisions Rs 15019.61 lacs**

(i) This is understated by Rs 160.00 lacs being the amount payable towards the cost of work done at Manmad and Bhopal Workshops.

Not accepted since as per the accounting policy no 11b the provision is to be made for contractors' liabilities on the basis of works completed and measured upto 31-3-97. In this case, as these bills could not be verified and certified they could not be treated as liability.

(ii) This is also understated by Rs 19.93 lacs being the cost of duty cheque passes and other dues payable to Central Railway.

Provision was made in the accounts based on the CR letter dated 5-5-97. However later the figures were revised by CRailway, which required detailed scrutiny because of wide variation, and hence revised provision was not made.

2 Schedule 6 Current assets loans and advances : Rs. 11783.206 lacs**B Loans and advances (I) Advances recoverable in cash or in kind for the value to be received Rs 293.18 lacs.**

This is understated by Rs 300.40 lacs being the amount recoverable from M/S Usha Ispat Ltd towards the cost of deposit work by KRCL in Kudal. This also resulted in under statement of current liabilities in Schedule 5 A (i) to the extent of amounts payable to the contractors.

Being a deposit work provisions for current assets and liabilities were not provided for.

II Application of funds**3 Schedule 7 Fixed Assets : Rs. 11967.98 lacs.**

KRCL has not maintained proper asset register to show the details of assets held by them.

KRCL has generally maintained proper records showing full particulars including quantitative details and locations of fixed assets barring a few case where details and locations are to be updated.

4 Schedule 7 Fixed Assets Item 7 - Vehicles Rs 529.87 lacs.

This is understated by Rs 11.56 lacs being cost of vehicles purchased during 1990-1992. This has also resulted in under-provision of depreciation.

Not accepted. The asset register includes cost of all vehicles purchased by the Corporation from inception. Audit's conclusion is based on incomplete data in a few case as cited above.

5 Schedule 8: Capital works in progress and advances and deposits for Capital works. Rs 293112.73 lacs.**(i) I (I) Land 10302.82 lacs.**

This is overstated by Rs 21.22 lacs being the advance paid to SLAO in Ratnagiri South zone of KRCL and capitalised without adequate scrutiny of disbursements made by SLAO Ratnagiri. This has also resulted in understatement of Schedule 8(B) Advances and Deposits for Capital works. (ii) Land acquisition.

The adjustments were carried out based on cumulative outstanding of advance with SLAO at the end of 96-97 as per SLAO statement of receipts and payments.



(ii) II (i & ii) - Rails Rs 1183.53 lacs and sleepers Rs 743.06 lacs. These are understated by Rs 876.20 lacs in Ratnagiri South zone and RS 85.95 lacs in Kudal zone being the cost of rails and sleepers capitalised without adequate support of relevant documets. This has resulted in overstatement of (B) Permanent Way under Schedule 8 (A) i 'Works', by Rs 962.15lacs

The Corporation has established practice of booking of stores to final heads based on issue notes. However in a project of this nature where work-sites are faraway from depts heavy materials moved directly to site without going through depot. As practical methodology to ensure proper accountal of material adjustments have been carried out based on laid inventory of track and fittings.

(III) II (iii) Cement Rs 480.89 lacs.

This is overstated by Rs 12.93 lacs being double account of cement received in Kudal unit from Ratnagiri South.

Noted. Since rectified in current year's account.

6 Balance Sheet II(2): Misc expenditure Rs 3831.62 lacs
(b) Expenditure on public issue. Rs 2726.23 lacs

1 This is understated by Rs 75.12 lacs being expenditure incurred on advertisement for public issue of bonds.

The treatment of expenditure is correct as this relates to Corporate advertisement and not directly for public issue.

2 This includes an amount of Rs 50.71 lacs being non-mandatory expenditure in excess of limits prescribed by SEBI

In view of remarks against 6 (1) , the audit's observation is not accepted.

B Profit and Loss account.

7 Item 8 Loss on sale of assets Rs 238 lacs.

This is understated by Rs 39.41 lacs being loss incurred on sale of track on technical assessment basis instead of book value.

The correct book-value can be arrived at only after finalisation of contracts and closure of project accounts. Pending this the book-value was assessed taking into account the prevailing contract and material costs. The loss on sale has been booked based on the difference between the sale value and the book-value so arrived. The valuer's assessment for estimating the present day value of the asset cannot serve as basis to book profit or loss on sale.

C Development account :

8.1 Expenditure during construction period: Schedule 9
(ii) Salaries, Allowances and other benefits Rs 1311.0

This includes an amount of Rs 62.55 lacs being the salaries paid to non-technical and technical staff employed beyond the prescribed age of 60 and 62 years respectively without sanction of the competent authority.

Re-employment is inescapable , due to the need for experienced personnel to complete the major project in a relatively short time.as well as to run the trains keeping safety in view, as the Railways are not in position to spare the required staff. The administrative ministry is apprised. of the position.

9 Schedule 10(A): Other administrative expenses:(10)
Auditor's Remuneration Rs 3.92 lacs.

This is understated by Rs 2.02 lacs being expenditure incurred on auditor's travelling , lodging and boarding. Further the auditors' remuneration in Schedule 10(A) do not agree with details shown in Schedule 16.

Accepted. This will be accounted for in current year's accounts

Schedule 16 contains expenditure pertaining to current year whereas the Schedule 10(A) contains arrears of remuneration paid as revised by Company Law Board and expenditure on audit for two years due to change in the accounting procedure.



- 10** Schedule 11(A): Prior period adjustments Rs 69.13 lacs. Accepted. This will be rectified in the current year's accounts.
- (i) This is overstated by Rs 3.1 lacs being the amount wrongly accounted for under the prior period expenses.
- (ii) Item 9: Other expenses Rs 34.68 lacs
This is overstated by Rs 7.29 lacs being the amount paid to M/S Paramount Industries in connection with supply of material Same as above.
- 11** Schedule 12: Incidental income; Rs 469.30 lacs.
This is understated by Rs 63.77 lacs being the supervision charges and interest & finance charges accrued on the work executed by Kudal zone of Konkan Railway corporation for a private party without entering into an agreement. As the Corporation's estimate for the deposit work was yet to be accepted, the issue relating to departmental charges was awaiting settlement, no provision could be made in the accounts towards notional departmental charges on the expenditure to the end of 31 March 97.
- 12** Schedule 16: Accounting Policies and Notes forming part of accounts.
Loss exhibited in profit and loss account is not realistic as adjustments required to be carried out after determination of actual cost of asset as per note 30 (a) of accounts for 95 - 96 was neither carried out nor the same was disclosed by way of suitable note. Since no loss was booked under P&L account against this transaction carried out in the year 95-96 the relevant note as pointed out by Audit ,was not included in the notes. In case of any adjustments in future suitable remarks will be appended in the accounts of the concerned year.

**REVIEW OF ACCOUNTS ON KONKAN RAILWAY CORPORATION LTD. FOR THE YEAR ENDED 31ST MARCH 1997 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 Auditors' Report.

1. Financial Position.

The table below summarises the financial position of the company under Broad heading for the last three years.

| | | | (Rs. in lakh) |
|--|----------------------|----------------------|------------------|
| | 1994-95 | 1995-96 | 1996-97 |
| LIABILITIES | | | |
| a) Paidup Capital | | | |
| i) Government (Application money) | 55096.94 (375.00) | 58436.94 (340.00) | 60971.94 |
| ii) Others | | | |
| b) Reserves & Surplus | | | |
| i) Free Reserves & Surplus | | | |
| ii) Share premium account. | 181.65 | 181.65 | 181.65 |
| iii) Capital Reserves | | | |
| c) Borrowings | | | |
| i) From Govt. of India | | | |
| ii) From Financial Institutions | 130962.97 | 146487.97 | 195924.00 |
| iii) Foreign Currency Loans | 1343.39 | 1292.31 | 26480.63 |
| iv) Cash Credit | - | 998.74 | - |
| v) Others | 9000.00 | 35382.00 | 22100.00 |
| vi) Interest accrued and due | | 1806.54 | 242.83 |
| d) i) Current liabilities and Provisions | 15320.70 | 16424.91 | 15019.61 |
| ii) Provision for Gratuity | | | |
| TOTAL | 212280.65 | 261351.06 | 320920.66 |
| ASSETS | | | |
| e) Gross block | 10234.37 | 10367.19 | 11967.97 |
| f) less : Depreciation | 2163.95 | 2970.43 | 3993.82 |
| g) Net Block | 8070.42 | 7396.76 | 7974.15 |
| h) Capital work in progress | 199646.53 | 244850.37 | 293112.73 |
| i) Investments | | | |
| j) Current assets loans and advances | 2770.92 | 5542.24 | 11783.20 |
| k) Misc-expenditure not written off | 1419.60 | 1419.60 | 3831.62 |
| l) Accumulated loss | 373.18 | 2142.09 | 4218.96 |
| TOTAL | 212280.65 | 261351.06 | 320920.66 |
| m) Working capital (j-d)(i)-c(vi) | (-)12549.78 | (-)12689.21 | (-)3479.24 |
| n) Capital employed (g+m) | (-)4479.36 | (-)5292.45 | 4494.91 |
| o) Net worth (a+b(i)+b(ii)-k-l) | 53860.81 | 55396.90 | 53103.01 |
| p) Net worth per rupee of paid up capital in Rs. | 0.971 | 0.9425 | 0.8709 |

**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 percentage) | | |
|--|-----------------|---------|---------|
| | 1994-95 | 1995-96 | 1996-97 |
| A. Liquidity Ratio | 0.181 | 0.304 | 0.772 |
| 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 | 2.39 | 2.65 | 3.71 |
| Long term debt equity (cli to v but excluding short term loans/o | | | |
| C. Profitability Ratios | 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. |

3. Working Results

The working results of the company for the last 3 years ending 31st March, 1997 are as under.

| | (Rs. in lakhs) | | |
|--|----------------|---------|---------|
| | 1994-95 | 1995-96 | 1996-97 |
| i) Traffic earnings | 22.14 | 92.75 | 532.50 |
| ii) Loss for the year | 266.60 | 1768.92 | 2076.87 |
| iii) Accumulated loss | 373.17 | 2142.09 | 4218.96 |
| iv) Percentage of accumulated loss to paid up capital. | 0.681 | 3.67 | 6.92 |

Sd/-
(Revathy Iyer)
Pr. Director of Audit