



कोंकण रेलवे कार्पोरेशन लिमिटेड
(भारत सरकार का उपक्रम)

KONKAN RAILWAY CORPORATION LTD.

(A Government of India Undertaking)

आठवीं
8TH

वार्षिक
ANNUAL

रिपोर्ट
REPORT

1997-98
1997-98



**EIGHTH ANNUAL REPORT
1997 - 98**

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BOARD OF DIRECTORS

1.	Shri V.K. Agarwal	-	Chairman
2.	Shri B. Rajaram	-	Director (P) & Managing Director
3.	Shri R.K. Sinha	-	Director (Finance)
4.	Shri L.C. Jain	-	Addl. Member (Works), Railway Board
5.	Shri S. Suryanarayanan	-	Addl. Member (Plg.), Railway Board
6.	Shri Swarup K. Gupta	-	Addl. Member (Traffic), Railway Board
7.	Shri Arun Bongirwar	-	Chief Secretary, Govt. of Maharashtra
	Alternate		
	Shri Suresh Chandra	-	Secretary (Transport), Govt. of Maharashtra
8.	Shri B.K. Bhattacharya	-	Chief Secretary, Govt. of Karnataka
	Alternate		
	Smt. Achala Moulik	-	Addl. Chief Secretary, Govt. of Karnataka
9.	Shri S.R. Sharma	-	Chief Secretary, Govt. of Goa
	Alternate		
	Shri Kewal K. Sharma	-	Secretary (Transport), Govt. of Goa
10.	Shri M. Mohan Kumar	-	Chief Secretary, Govt. of Kerala
	Alternate		
	Smt. Nalini Natto	-	Secretary (Transport), Govt. of Kerala

COMPANY SECRETARY

Shri. B. Satyanarayana

STATUTORY AUDITORS

M/s. Bhusan Bensal Jain Associates

CRAG AUDITORS

Principal 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 EIGHTH ANNUAL GENERAL MEETING

Notice is hereby given that the Eighth (Adjourned) Annual General Meeting of the Konkan Railway Corporation Limited will be held at 15.30 hrs. on 18th June, 1999 at Committee Room, Rail Bhavan, Raisina Road, New Delhi - 110 001, to transact the following business :

ORDINARY BUSINESS

ITEM 1. Adoption of Annual Accounts :

To receive and adopt the Directors' Report, Balance Sheet and Profit and Loss Account for the year ended 31.3.98 and Auditors' Report thereon.

SPECIAL BUSINESS

ITEM 2. Modification in objects clause in the Memorandum of Association :

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

- (A) "Resolved that subject to the approval of the President of India and the confirmation by the Company law Board, if necessary objects clause III (c)-Other Objects of the Memorandum of Association of the Company be altered by inserting following sub clauses immediately after existing sub clause 5.
- 6 (a) To carry on business relating to Railways and Roads & Buildings and other construction and to enter into contracts in India or abroad, on a turnkey basis or otherwise, either individually or jointly with other undertakings and companies, firms, associations, persons etc. abroad or in India, including supply, erection and commissioning of equipment and all services ancillary thereto, including but not limited to construction of new railway lines and construction of bridges, roads, tunnels, ventilation & lighting in tunnels, earth work, ect.
- (b) To build, construct, alter, enlarge, put down, replace, maintain, improve, develop, work, control and or manage any building, office, factories, mills, ships, machinery, engines, water-works, gasworks, bridges, wharves, reservoirs, roads, tramways, railways, branches or siding, electric power, heat and light, supply works, telephone works, hotels, clubs, restaurants, bars, places of worship, places of amusement, pleasure grounds, parks, gardens, reading rooms, stores, shops, dairies and other works and conveniences which the Company may think directly or indirectly conducive to its objects or which may advance the interests of the Company and to contribute or otherwise assist or take part in construction, maintenance, development, working, control and management thereof and to join with any other person or company, firm, association, etc. in doing any of these things.
- (c) To engage in the business of engineering, contracting and construction, including the design, manufacture, construction, erection, alteration, repair and installation of Plants, Roads, Buildings, Structures, Ways, Works, Tunnels systems and mechanical, electrical and electronic machinery, equipment, apparatus and devices, as covered by objects clause.
- (d) To amalgamate, enter into partnership, or into any arrangement for sharing profits, union of interests, co-operation, joint venture or reciprocal concession, or for limiting competition with any person, firm or company carrying on or engaged in or about to carry on or engage in, any business or transaction which the company is authorised to carry on or engaged in, or which can be carried on in conjunction therewith or which is capable of being conducted so as directly or indirectly to benefit the Company.



- (e) To do all and everything necessary suitable or proper for the accomplishment of any of the purposes or the attainment of any of the objects or the furtherance of any of the powers hereinbefore set forth, either alone or in association with other corporate bodies, firms or individuals, etc. and to do every other act or thing or things incidental or appurtenant to or growing out of or connected with the aforesaid business or powers or any part or parts thereof, provided the same be not inconsistent with the laws of the Union of India."
- (B) To consider and, if thought fit, to pass with or without modification the following resolution as an ordinary resolution.
- "Resolved that pursuant to section 149 (2A) and other applicable provisions, if any, of the Companies Act, 1956, approval is hereby accorded to the Company for commencing and undertaking the business as enumerated in the newly introduced subject clause 6 of the Other objects clause of the Memorandum of Association of the Company, upon the said sub clause becoming effective."
- "Resolved further that Shri B. Rajaram, Managing Director of the Corporation or the representative (s) nominated by him on behalf of him to do all acts, deeds and things necessary in this regard."

ITEM NO.3

(A) Increase of Authorised Capital

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

"Resolved that subject to the approval of the President of India and pursuant to the provisions of Section 94 (1) (a) of the Companies Act, 1956 and other applicable provisions, if any, the Authorised Share Capital of the Company be and is hereby increased from Rs. 800 crores divided into 80,00,000 Equity Shares of Rs. 1000 each to Rs. 810 crores divided into 81,00,000 Equity Shares of Rs. 1000 each."

(B) Amendment to Memorandum of Association

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

"Resolved that subject to the approval of the President of India that the existing clause V of the Memorandum of Association of the Company as to the Share Capital be and is hereby deleted and in its place the following clause V is substituted.

"The authorised Share Capital of the Company is Rs. 810 crores (Rupees Eight Hundred Ten Crores) divided into 81,00,000 (Eighty One Lakhs) Equity Shares of Rs. 1000/- (Rupees One Thousand) each."

(C) Amendment to Articles of Association

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

"Resolved subject to the approval of the President of India and pursuant to the provision of Section 32 (1) of the Companies Act, 1956, the existing Article 5 of the Articles of association of the Company be and is hereby deleted and in its place the following article be substituted there of :

The Authorised Share Capital of the Company Shall be Rs. 810 crores (Rupees Eight Hundred Ten Crores) divided into 81,00,000 (Eighty One Lakhs) Equity shares of Rs. 1000/- (Rupees One Thousand) each to be contributed by the Government in the name of President of India and by the State of Maharashtra, Goa, Karnataka and Kerala in the name of Governors of the respective states in the following proportions :



	Percentage
Central Government (Through the Ministry of Railways)	51%
State of Maharashtra	22%
State of Karnataka	15%
State of Goa	6%
State of Kerala	6%
Total	100%

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

Belapur, Navi Mumbai
Date : 20/05/1999

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 -110001 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.

For ITEM 2 : 2(a) & 2(b)

The activities of the Company are proposed to be diversified in order to broad base and strengthen the Company and to share with other companies the experience and know-how acquired by the Company over the years. From time to time, the Company receives requests from within as well as outside the country for technical and managerial assistance in various fields in which the Company has acquired expertise particularly in Railway construction, tunnels, ventilation & lighting in tunnels, earth work, bridges, etc. To enable the Company to provide such assistance and to enter into joint projects, the object clause III (C)-Other Objects of the Memorandum of Association is proposed to be suitably modified, subject to the approval of the President of India and confirmation by the Company Law Board, if necessary.

The Corporation has received some requests letters for undertaking Mumbai-Nasik Expressway and Mumbai-Talasari Expressway under BOT Scheme and further the Corporation also received request letter from Border Roads Organisation to undertake the work of ventilation and lighting in the Jawahar Tunnel at a total cost of Rs. 9 crores.

The tunnelling work which was undertaken with regard to Mumbai-Pune Expressway will be completed shortly. The surplus engineers and the machinery and equipments including the expertise available in tunnelling work etc. could be used if the Corporation is awarded the above works. The Corporation will be able to undertake similar works in future also to enable the Company to earn profits for making the Corporation a viable one.

Hence the resolutions commend the approval of the shareholders.

None of the Directors of the Company is interested in the proposed resolutions.



For ITEM 3 : 3(a) to 3(c)

The Board of Directors at its 39th Meeting held on 30/12/98 approved subject to the approval of the President of India to increase the share capital to meet the expenditure for providing forced ventilation at Tike and Berdewadi tunnels. Commissioner of Railway (Safety) while giving clearance for Ratnagiri-Sawantwadi Section for passenger traffic insisted to go for forced ventilation arrangement at Tike and Berdewadi tunnels each having 4km length. The Corporation has requested the Railway Board to give time for providing ventilation facilities for the present moment since the traffic has not been increased to invest huge sums on ventilation, for which the Railway Board has directed vide letter no.97/W2/KRC/5 dated 15th Sept., 98, the ventilation facilities should be provided immediately. The cost of the work has been estimated at Rs. 6.47 crores. It may be mentioned that the original project provided for shafts/edits in these tunnels to ensure availability of natural ventilation. These shafts have already been provided. The proposed facility will, therefore, be an additional facility and will be carried out as a separate Capital work.

The Board of Directors authorised to increase the Authorised Share Capital subject to the approval of President of India & Shareholders to meet the above capital expenditure which should be contributed by the Ministry of Railways - 51%, Government of Maharashtra - 22%, Government of Karnataka - 15%, Government of Goa - 6% and Government of Kerala - 6%.

Hence the resolutions commend the approval of the shareholders.

None of the Directors of the Company is interested in the proposed resolutions.

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

Gentlemen,

It gives me great pleasure to welcome you to this Eighth Annual General Meeting of your Corporation. The Directors' Report along with the Provisional Accounts for the year ended 31st March, 1998 are already with you and with your permission I shall take them as read. The audited Accounts are still provisional, as the remarks of C&AG have not been received as yet.

2. The performance of the Corporation for the year 1997-98 has been covered in the Directors' Report and therefore, does not call for any further elaboration from my side. The prestigious Konkan Railway Project connecting Roha and Mangalore along the west coast of India was completed and opened for traffic on the Republic Day viz: 26th January, 1998. The Hon'ble Prime Minister of India, Shri Atal Behari Vajpayee dedicated the 760 km Konkan Railway line to the Nation in the 50th year of Independence, on 1st May, 1998 at a ceremony held at Ratnagiri (Maharashtra State) and released a Commemorative Volume "A DREAM COME TRUE" published by Konkan Railway narrating the trials and tribulations encountered by the Corporation in the construction phase. The KONKAN RAILWAY STAMP was also released on this historic occasion to remember the efforts of the Indian Engineers who battled against all odds to turn a hundred-year old dream into reality in accomplishing the mission in seven years. Tributes were paid to all those who laid down their lives during the construction of the Konkan Railway. In their honour 'Shramashakti Smarak' has been dedicated at Ratnagiri by Hon'ble Minister of State for Railways, Shri Ram Naik on 14.10.1998.

3. The Corporation has adopted front line technologies which includes optic fibre communication system, computer network along the route to facilitate efficient train movements. The Corporation has developed and successfully constructed a ballastless track structure for adoption in long tunnels which is a major break through in the area of Permanent way technology in the country. Asia's tallest viaduct across Panval Nadi near Ratnagiri was constructed using incremental launching technique for the first time in our country.

4. The cost of the completed project is Rs.3550 crores including financing costs. The Challenge now is to earn revenues to service debt of Rs. 2750 crores. To meet this challenge on 26th June, 1998 Konkan Railway presented a scheme to Railway Board to improve viability. Railway Board appointed a High Power Committee to make recommendations for the Ministry to take action.

5. The benefits of this Railway system start with shortened distances and speedier travel along the west coast route. At present 6 pairs of trains have been diverted via Konkan Route and 2 new trains introduced between CST-Mangalore and Kurla-Mangalore. We are able to realise projected earnings from passenger segment and this meets the day-to-day working expenditure.

All avenues are being explored to improve the goods traffic. However, development of new traffic is taking some time. I would like to take this opportunity to inform the Shareholders that the traffic patterns, which emerged from the initial survey for this Project, have undergone tremendous changes. Three major factors, which were not envisaged at the time of original traffic survey relate to:

- a) Import of food grains at southern ports considerably reduces the movement of food grains from North to South.
- b) Development of coastal shipping between Sourashtra/Gujarat to Madgaon/Mangalore, and
- c) The general slump in the economy in the steel sector, due to which a number of investment plans in the Konkan region have either been cancelled or postponed.

6. This has severely affected the availability of traffic to be carried over Konkan Railway line. The Corporation is making all efforts to develop new streams of traffic to compensate for the loss of traffic, which was originally expected to come. We have taken consultancy from IIM Ahmedabad, marketing drives are being organised in co-operation with Chambers of Commerce in Kerala, Karnataka, Maharashtra and Gujarat. New and innovative products like Ro-RO service of loaded trucks are being tried and it is expected that traffic should develop in due course. Further in the passengers segment, "Konkan Star" service to augment revenues is under discussion with Ministry of Railways.



7. In recognition of the capacity and expertise developed by your Corporation in the construction of tunnels, the Maharashtra State Road Development Corporation Ltd. has entrusted the work of five twin tube tunnels and one single tube tunnel (at an estimated cost of Rs.200 crores) on the alignment of the Mumbai-Pune Expressway to our Corporation on cost plus basis. The work is to be completed within 22 months from the date of signing of the agreement viz. 8-12-97, The work is progressing satisfactorily and is in fact ahead of schedule.

8. The Corporation has emerged as the only agency in the country with proper expertise in ventilation of long tunnels for transportation. Other organisations like Border Security Force and National Highway Authority are discussing such ventilation projects to be taken up by the Corporation. Such continued construction activity will augment the revenues of the Corporation.

9. The Corporation has successfully sold its spare capacity in OFC, between Mangalore and Udupi to realise revenue of Rs.18 lakhs per annum. Further efforts are on.

10. However, as a result of the present bleak scenario of goods traffic, the profitability of the project has been severely affected, at least in the short run. We are all aware that the Konkan region has a wealth of natural resources and there is a vast potential for economic growth, which has been untapped mainly for want of viable transport system. Now that Konkan Railway has filled the void, development is bound to take place and in the long run, therefore, we expect that the Corporation will come out with flying colours.

11. The Konkan Railway Project was undertaken on BUILD, OPERATE, AND TRANSFER (BOT) concept for the first time in India on experimental basis in this backward region. The Project was completed successfully which will be a trailblazer for the identification and execution for many more infrastructure projects, which would take the country towards achieving the cherished objective of attaining sustained economic development.

12. I would like to conclude by thanking Ministry of Railways and other Central Government Departments and Agencies as well as the Government of the States 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 contractors, Suppliers, and others who have helped in giving physical shape to the Project and in extending assistance and encouragement to the Corporation. I would like to place on record my deep appreciation of the active support, advice and guidance received from my colleague Directors on the Board in the difficult task of managing the affairs of the Corporation in a challenging environment.

Thanking you,

Sd/-
(V.K. Agarwal)
Chairman

**DIRECTORS' REPORT**

Gentlemen,

The Directors of Konkan Railway Corporation Limited have great pleasure in presenting the Eighth Annual Report on the working of your Corporation.

1. OPERATIONS OF THE COMPANY

The Konkan Railway line was declared opened for through traffic between Roha and Mangalore w.e.f. 26th January, 1998. However, the first passenger train was diverted via Konkan Railway only from 21st March, 1998 after coming out notice for its diversion. More trains have gradually been diverted via Konkan Railway route connecting New Delhi, Rajkot, Gandhidham and Ahmedabad with various stations in south. Two new trains have been started from Mumbai/Kurla to Madgaon and Mangalore. We are now operating 8 passenger trains per day on this route. Further this level of passenger trains operations was achieved only w.e.f. July, 98 and it may not be possible for the Corporation to achieve the full targets for the current year which are set assuming full operations for the whole year.

The goods traffic has not yet materialised as per the projection of the original traffic which were updated in 1996. There have been three major facts responsible for change in traffic flows and non materialisation of traffic as originally expected.

- 1) Import of food grains at ports in South India has reduced the movement of food grains from north to south in the past year.
- 2) Due to economic recession, especially slump in steel market many industries like Usha Ispat and Nagarjuna Steel etc. which are coming up in the Konkan area have either delayed or shelved their plans.
- 3) During the past decade, since the construction of Konkan Railway Project began, the coastal shipping has developed tremendously and a lot of traffic which was anticipated to move over this line has been diverted through low cost shipping alternative.

The Corporation has taken consultancy from IIM, Ahmedabad and is making all efforts to aggressively market its services and identify new streams of traffic. It is expected that goods traffic will develop slowly and the next two to three years may be difficult for the Corporation.

2. FINANCIAL RESULTS

The finished cost of the project has gone up to Rs. 3,550 crores. The Corporation is expected operating loss of Rs. 131 crores.

The Operations of the Corporation is not picking up as expected and the operating losses may go up during the year 1998-99.

**3. SHARE CAPITAL**

The paid up share capital of the Corporation stood at Rs. 750.7694 crores as on 31.03.1998 against the Authorised share Capital of Rs. 800 Crores. The details are as under :

	As on 31.03.97	(Rs. in thousand) As on 31.03.98
Ministry of Railways	315,71,92	407,71,92
Government of Maharashtra	132,00,00	139,65,00
Government of Goa	36,00,00	38,40,00
Government of Karnataka	90,00,01	117,00,01
Government of Kerala	36,00,01	48,00,01
Total	609,71,94	750,76,94

As you are aware the Corporation has increased the Authorised Share Capital of the Corporation from Rs. 600 to Rs.800 crores last year. To meet the interest liability on bonds, external commercial borrowings, short term borrowings and statutory obligations including contractual liabilities, arbitration claims and land compensation, etc. additional funds were found necessary in the financial year 1998-99 for which necessary steps were taken to increase the debt-equity ratio from 4:1 to 5:1 to enable the Corporation to resort to market borrowings. However, as a debt-equity ratio beyond 3 is quite adverse, it may not be possible for The Corporation to borrow at reasonable cost. It may therefore, become necessary to enhance the equity base to improve the debt-equity ratio to 3:1. in view of the expected cash outflows on account of redemption of bonds & interest liability during the years 1998-99 and 1999-2000 the equity base of the Corporation may be required to be enhanced in order to cope up the situation since the expected revenues were not forthcoming from the operations.

4. ISSUE OF BONDS

The Corporation has been able to raise Rs. 290.50 crores during the year under review by issue of 10.5% Tax Free/9.25% Infrastructure Bonds making total issue of bonds of Rs. 1996.2975 crores so far, leaving a balance of Rs.73.7025 crores carried forward to 1998-99, against total sanctioned amount of Rs. 2070 crores including Rs. 131.14 crores raised through IRFC.

5. REDEMPTION / EXTENSION OF THE TENURE OF THE BONDS

The following series of tax-free Bonds which were issued during the financial year 1993-94 and 1994-95 are falling due as follows:

a) During the financial 1998-99

SERIES	AMOUNT (Rs. in Crores)	DUE DATE FOR REDEMPTION
1A	51.98	30th June, 1998
1B	0.31	1st October, 1998
1C	21.89	30th November, 1998
2B	140.70	31st March, 1999
Total	214.88	



b) During the financial 1999-2000

SERIES	AMOUNT (Rs. in Crores)	DUE DATE FOR REDEMPTION
2C	71.50	5th May, 1999
2D	136.65	1st August, 1999
3A	<u>276.10</u>	27th August, 1999
Total	<u>484.25</u>	

All the above issues were made through private placements and the maturity period had to be restricted to five years because of the compulsions imposed by the adverse market conditions prevailing at the material time, even though in terms of the extant guide-lines, tax free bonds could be issued with a maturity period of upto ten years. The Corporation therefore intends to avail of the complete ten year period, as planned, by providing 2 options to the bondholders.

1) They can opt for redemption on due date

OR

2) They can opt for extension of the tenure of the bonds.

In case they opt for redemption of bonds the same bonds could be reissued under the provisions of the Companies Act, 1956. In such an eventuality the amount required for redemption is to be met through market borrowings which could be repaid from the reissue proceeds of the bonds.

6. SHORT TERM BORROWINGS

An amount of Rs. 279 crores (approx.) was outstanding as on 31.03.98 excluding interest, which was borrowed from the market during the year under review, to meet the interest liability & statutory obligations etc. mainly on account of nonrealization of equity and other authorised borrowings.

7. EXTERNAL COMMERCIAL BORROWINGS

The Corporation has borrowed US\$ 115 million through external commercial borrowing route. In the finance bill 1998, the exemption available in respect of interest payable on external commercial borrowings u/s 10(15)(iv)(c), (e) & (f) was withdrawn, resulting in payment of income tax on interest payable on external commercial borrowings. Further because of the slide in the exchange rates, the rupee equivalent of this loan has increased from Rs. 409 crores to a present level of Rs. 487 crores. (42.35/US\$). The Government is however confident of stabilising the currency rates position. However in case the exchange rates increases, as brought out above, it is likely the Corporation will need to provide to the same to meet its obligations during the coming financial years.

8. EXECUTION OF TWIN TUBE TUNNELS FOR MUMBAI-PUNE EXPRESSWAY BY KONKAN RAILWAY CORPORATION LIMITED :

Maharashtra State Road Development Corporation Ltd. (MSRDC) has entrusted the work of "Construction of 5 Nos. twin tube tunnels & one Single tube tunnel (about 7000 m length) on the alignment of Mumbai-Pune Expressway to KRCL on "turn-key basis. " An Agreement was signed on 08.12.97. As per the Agreement the amount is to be paid by MSRDC on cost plus basis. A separate division headed by a Chief project Manager has been set up to complete the work including ventilation arrangements in a targeted time of 22 months from the date of signing of the agreement. The cost of the project is estimated at Rs. 200 crores.

9. DIVIDEND

The Directors do not propose to recommend payment of dividend, since the Corporation has entered into operational phase only on 26th January, 1998.

**10. PARTICULARS OF CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION**

Provisions of Section 217 (1) (e) of the Companies Act, 1959, 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.

11. KONKAN RAILWAY INSTITUTE OF STAFF TRAINING (KRIST)

Konkan Railway Institute of Staff Training was established at Mangalore for providing in house training to the staff and for organising refresher courses to improve skills and efficiency.

12. PARTICULARS OF EMPLOYEES

Particulars of Employees as required under section 217 (2A) of the Companies Act, 1956 are furnished as under :

Employed during the financial year under review and were in receipt of remuneration aggregating not less than Rs. 25,000/- p.m. or Rs. 3,00,000/- p.a. as the case may be.

Name	Designation	Remuneration	Nature of Employment	Qualification	Total Experience	Date of Employment	Date of Birth	Last employment held before joining corporation
Shri Varagur Ramachandran Vatsal	CMO	Rs.1,04,772/- (from Dec. 97 to March 98)	On Deputation	MBBS DCH GDHM	18 yrs.	28.11.97	18.12.54	Senior Divisional Medical Officer, Western Railway

13. PROGRESS MADE IN USE OF HINDI IN THE CORPORATION

The Company has made satisfactory progress in the propagation of Hindi under the provisions of Official Language Act and Rules during the year under review. Employees who have done their official work in Hindi were awarded suitably. To popularise Hindi, competitions viz. Hindi Essay and Hindi Elocution were conducted. Hindi Diwas was celebrated on 14th September, 98. On this occasion Hindi competitions were conducted and awardees were awarded by Mukhya Rajbhasha Adhikari, Shri R.S. Chugh.

The Official Language Implementation Committee, headed by Managing Director reviewed the progress of Hindi every quarter and took concerted measures for achieving the targets fixed for the year.

14. DIRECTORS :

Name	Tenure
1. Shri E. Sreedharan, CMD	31.10.90 to 15.12.97
2. Shri M. Ravindra	17.12.97 To 31.12.97
3. Shri V.K. Agarwal	13.02.98
4. Shri B. Rajaram	26.10.93
5. Shri L.C. Jain	22.09.97
6. Shri Swarup K. Gupta	04.03.97
7. Shri S. Suryanarayanan	04.03.97
8. Shri Jasbirpal Singh	04.10.94 To 31.01.98
9. Shri N.P. Srivastav	04.10.94 To 29.08.97
10. Shri Dinesh Afzulpurkar	09.04.96 To 31.08.97
11. Shri P. Subrahmanyam	20.09.97
12. Shri B.R. Prabhakara	10.10.96 To 23.08.97
13. Shri B.K. Bhattacharya	23.08.97
14. Shri G.C. Srivastava	28.07.95 To 31.08.98
15. Shri C.P. Nair	17.10.96 To 30.04.98

15. 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 1997-98.

**16. ANNUAL GENERAL MEETING**

The Corporation has obtained the approval for extension of time upto 31/12/98 for convening the Annual General Meeting to place the annual accounts, from the Department of Company Affairs, New Delhi after getting the approval from the Board. The accounts for the year 1997-98 are under finalisation and simultaneously statutory audit is in progress. After the approval of the accounts by the Board of Directors the same will be submitted to the statutory auditors for their Audit Report. Thereafter the Board has to approve the final accounts after making necessary amendments in the accounts, if any suggested by the auditors before submitting to the CAG auditors for their comments. After receiving their comments, if any, final accounts will be submitted to the shareholders. Till such time the Annual General Meeting is to be adjourned for adoption of accounts as soon as they are ready.

17. 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 at all levels for successful completion of the project.

For and on behalf of the Board of Directors

B. Rajaram

Director (P) & Managing Director

**BALANCE SHEET AS AT 31st MARCH, 1998**

Particulars	Schedule No.	As at 31st March 1998		As at 31st March 1997	
		Rs.	Rs.	Rs.	Rs.
I. SOURCES OF FUNDS					
(1) Shareholders' funds:					
(a) Capital	1	7507694000		6097194000	
(b) Reserves and Surplus	2	18165000		18165000	
			7525859000		6115359000
(2) Loan Funds					
(a) Secured Loans	3	20164069795		19590575000	
(b) Unsecured Loans	4	7418172754		4884170767	
			27582242549		24474745767
(3) Current liabilities and Provisions	5	1639148037		1501961225	
Less:					
Current Assets, Loans and Advances	6	1148538678		1178319958	
Net Current Liabilities			490609359		323641267
TOTAL			35598710908		30913746034
II. APPLICATION OF FUNDS					
(1) Fixed Assets					
(a) Gross Block		33353178340		1196797714	
(b) Less depreciation		122005006		399382629	
(c) Net Block	7	33231173334		797415085	
(d) Capital works in progress advances and deposits for Capital works	8	0		29311272762	
			33231173334		30108687847
(2) Miscellaneous Expenditure (to the extent not written off or adjusted)					
a. Preliminary Expenses		3672386		4080429	
b. Expenditure on Public Issue		245360354		272622615	
c. Discount on Bonds Issue		160133010		106458900	
			409165750		383161944
(3) Profit and Loss Account			1958371824		421896243
TOTAL			35598710908		30913746034

On behalf of the Board

As per our report of even date appended hereto
For **BHUSHAN BENSAL JAIN ASSOCIATES**
CHARTERED ACCOUNTANTSSd/-
(RAVI BHARADWAJ)
PARTNER
PLACE : NEW DELHI
Date : 23.02.1999Sd/-
(R.K. SINHA)
DIRECTOR(FINANCE)Sd/-
(B. RAJARAM)
DIRECTOR(PROJECTS)Sd/-
(B.SATYANARAYANA)
Company Secretary

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 1998**

Particulars	Schedule No.	Current Year (Rs.)	Previous Year (Rs.)
A. Traffic Earnings	13	183545842	53250357
Other Income	18	5497890	
	(A)	189043732	53250357
B. Expenses on train operations			
1. Expenses on Staff	14	131611574	36030877
2. Hire Charges for Rolling Stock & Motive power.		38666504	21344972
3. Fuel		38985935	8698569
4. Lease Rentals		202609444	157787834
5. Repairs and Maintenance			
a) Permanant Way		53751451	16464760
b) Station and Other buildings		1759736	3235914
c) Equipment		18110044	1450971
d) Bridges & Tunnels		4253052	2685235
e) Rolling stock		4990139	781719
		82864422	24618599
6. Commission		48794	52563
7. Loss on Sale of Assets		0	238469
8. Depreciation		118242097	3044586
9. Misc. & Other Operating Expenditure	15	94704376	0
10. Finance Charges	17	902797037	12064480
			0
	(B)	1610530183	263880949
	(B-A)	-1421486451	-210630592
13. Prior Period Expenses	11b	114989130	-2943474
Net Loss during the year		-1536475581	-207687118
Add Loss brought forward		-421896243	-214209125
Total Loss transferred to Balance Sheet		-1958371824	-421896243
Accounting Policies and Notes to A/c	19		
Schedules 1-19 form an intergral part of accounts			

On behalf of the Board

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

Sd/-
(RAVI BHARADWAJ)
PARTNER
PLACE : NEW DELHI
Date : 23.02.1999

Sd/-
(R.K. SINHA)
DIRECTOR(FINANCE)

Sd/-
(B. RAJARAM)
DIRECTOR(PROJECTS)

Sd/-
(B. SATYANARAYANA)
Company Secretary

**SCHEDULE 1 - SHARE CAPITAL**

PARTICULARS	AS AT 31.03.1998 Rs.	AS AT 31.03.1997 Rs.
AUTHORISED 80,00,000 Equity Shares of Rs. 1000 each	<u>8000000000.00</u>	<u>8000000000.00</u>
ISSUED, SUBSCRIBED AND PAID UP 7507694 Equity Shares of Rs. 1000 each fully paid up (Previous year 6097194 shares)	<u>7507694000.00</u>	<u>6097194000.00</u>
TOTAL	<u>7507694000.00</u>	<u>6097194000.00</u>

SCHEDULE 2 - RESERVES & SURPLUS

PARTICULARS	AS AT 31.03.1998 Rs.	AS AT 31.03.1997 Rs.
CAPITAL RESERVE Premium on Issue of Bonds.	<u>18165000.00</u>	<u>18165000.00</u>
TOTAL	<u>18165000.00</u>	<u>18165000.00</u>

**SCHEDULE 3 - SECURED LOANS**

PARTICULARS	AS AT 31.03.1998 Rs.	AS AT 31.03.1997 Rs.
1. BONDS		
A. PUBLIC ISSUE 2A SERIES		
10.5% secured redeemable at par noncumulative and non convertible bonds of Rs. 1000 each redeemable on 01.03.2004. (LOC issued by Ministry of Railways)	2308597000.00	2308597000.00
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 74) valued at Rs. 74000 (previous year Rs. 74000/-) held by Directors (LOC issued by Ministry of Railways)	2000000000.00	2000000000.00
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	519800000.00	519800000.00
2. 3100 bonds of series 1B redeemable on 01.10.1998	3100000.00	3100000.00
3. 218900 bonds of series 1C redeemable on 30.11.1998	218900000.00	218900000.00
4. 1407000 bonds of series 2B redeemable on 31.03.1999	1407000000.00	1407000000.00
5. 715000 bonds of series 2C redeemable on 05.05.1999	715000000.00	715000000.00
6. 1366500 bonds of series 2D redeemable on 01.08.1999	1366500000.00	1366500000.00
7. 2761000 bonds of series 3A redeemable on 27.08.1999	2761000000.00	2761000000.00
8. 740000 bonds of series 3B redeemable on 31.10.2001	740000000.00	740000000.00
9. 645000 bonds of series 3C redeemable on 31.10.2004	645000000.00	645000000.00
10. 120000 bonds of series 4A redeemable on 07.02.2005	120000000.00	120000000.00
11. 630000 bonds of series 4B redeemable on 20.02.2005	630000000.00	630000000.00
12. 750000 bonds of series 4C redeemable on 05.07.2000	750000000.00	750000000.00
13. 420000 bonds of series 5A redeemable on 05.08.2000	420000000.00	420000000.00
14. 200000 bonds of series 5B redeemable on 11.10.2000	200000000.00	200000000.00
15. 432500 bonds of series 5C redeemable on 30.03.2001	432500000.00	432500000.00
16. 380000 bonds of series 6A redeemable on 18.05.2001	380000000.00	380000000.00



SCHEDULE 3 - SECURED LOANS(contd.)

PARTICULARS	AS AT 31.03.1998 Rs.	AS AT 31.03.1997 Rs.
17. 129178 bonds of 6C series issued at 5% discount redeemable on 03.02.2007	129178000.00	129178000.00
18. 1140000 bonds of series 7A redeemable on 23.06.2002	1140000000.00	0
19. 17650bonds of 7B series issued at 5% discount redeemable on 26.12.2004 (LOC issued by Ministry of Railways)	1765000000.00	0
	18651575000.00	15746575000.00
20. LOANS FROM I R F C (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) From Bank - Cash credit (Secured by Hypothecation of all tangible, movable property, present and future)	1311400000.00	1311400000.00
	201094795.00	0.00
TOTAL	20164069795.00	17057975000.00

SCHEDULE 4- UNSECURED LOANS

PARTICULARS	AS AT 31.03.1998 Rs.	AS AT 31.03.1997 Rs.
i. SHORT TERM LOANS		
From Banks	1645164732	2534424902
Inter Corporate Deposit	1100000000	2210000000
Add : Interest Accrued and due (Amount repayable within next one year Rs. 2769447543) (Previous Year Rs. 4744424902)	24282811	24282811
	2769447543	4768707713
ii. FOREIGN CURRENCY LOAN		
From a Bank (Amount repayable within next one Year Rs. 2,10,09,720) (previous Year Rs. 19243840)	105075211	115463054
iii. FOREIGN CURRENCY LOAN - ECB (External Commercial Borrowings) (LOC issued by Ministry of Railways)	4543650000	2532600000
TOTAL	7418172754	4884170767



SCHEDULE 5 - CURRENT LIABILITIES & PROVISIONS

PARTUCULARS	AS AT 31.03.1998 Rs.	AS AT 31.03.1997 Rs.
A. CURRENT LIABILITIES		
1. Sundry Creditors		
i. Contractors	512492591	407108715
ii. Expenses	75112901	44864809
iii. Deposits from contractors & others	271163130	381792684
iv. Payable to Railway		
a) Train operating expenses	63959465	29137500
b) Apportioned share of earnings	60264784	687756
	124224249	29825256
v. Other Liabilities	5956374	5828711
2. Interest accrued but not due on		
a) Loans	125311291	179458488
b) Bonds	484088219	407528461
	609399510	586986949
3. Unclaimed Interest on Bond (2A series)	27191032	3285774
4. Unclaimed Application Money	870000	7414249
5. Interest on Application Money	855305	4137428
6. Advance against sales	10416282	28096356
7. Unclaimed Brokerage	134420	1288051
B. PROVISIONS		
Provision for Wealth Tax	1332243	1332243
TOTAL	1639148037	1501961225

SCHEDULE 6 - CURRENT ASSETS, LOANS & ADVANCES

PARTICULARS	AS AT 31.03.1998 Rs.	AS AT 31.03.1997 Rs.
A. CURRENT ASSETS		
I		
i. Interest Accured	4300146	5883791
ii. Cash in Hand	3510600	1032527
iii. Funds in Transit	3500000	10547329
iv. Balance with Scheduled banks in		
a) Current Account	176999979	626322066
b) Term Deposit (Out of this	149307880	95260194
Rs. 149307880.00 an amount of	326307859	721582260
Rs. 64983018.00 is pledged		
with bank)		
v. Traffic Earnings receivable		
a) Over six months	524717	3051
b) less than 6 months	69813262	12709685
	70337979	12712736
	407956584	751758643
II		
Inventory (Schedule-16)	222539034	0
A (I+II)	630495618	751758643

**SCHEDULE 6 - CURRENT ASSETS, LOANS & ADVANCES (contd.)**

PARTICULARS	AS AT 31.03.1998 Rs.	AS AT 31.03.1997 Rs.
B. LOANS & ADVANCES (Unsecured, considered good unless Otherwise stated)		
I		
i. Advances recoverable in cash or in kind or for value to be received)	21717193	29317752
ii. Sundry Receivables	88077777	44832353
iii. Advances to Employees	7513644	805994
iv. Deposits for Accomodation	3747120	3589217
v. Deposits with Government Agencies	1208985	2559570
vi. Other Deposits	22470822	28080064
vii. Deposit for Lease of Assets	21600000	216000000
viii. Deposit works to other Govt./Dept	341113	95091288
ix. TDS deduction from interest income	9320975	6285077
	370397629	426561315
II		
ADVANCES & DEPOSITS FOR CAPITAL WORKS		
i. Contractors & Suppliers	93709299	58746920
ii. Land Acquisition	33111812	52761123
iii. Purchase of Material & Equipment	19838048	108586600
iv. Advance to Govt. agencies for works	986272	35100533
	147645431	255195176
B (I+II)	518043060	681756491
GRAND TOTAL (A+B)	1148538678	1433515134



SCHEDULE - 7 FIXED ASSETS (CONSTRUCTION)

GROSS BLOCK			DEPRECIATION				NET BLOCK				
SL DESCRIPTION NO	ASSET VALUE AS AT 01.04.1997	ADDITION OF ASSET FROM 01-04-97 TO 25-01-98	ADJ/TRF/DELOF ASSET FROM 01-04-97 TO 25-01-98	ASSET VALUE AS ON 25.01.1998	DEPRECIATION AS AT 01-04-97	DEPR UP TO 25-01-98 1997-98	DEPR TRF/ADJ DEL DURING 1997-98 UPTO 25.01.98	CUMULATIVE DEPRECIATION VALUE AS ON 25.01.98	NET ASSET VALUE AS ON 26-01-1998	TRANSFER TO (WDVI) OPENLINE	
1	2	3	4	5	6	7	8	9	10	11	12
1 LAND	44556210			44556210				0	44556210	44556210	
2 BUILDINGS	108942769	10233204	-3307934	115868039	24564706	1369534	2695505	28629745	87238294	87238294	
3 FURNITURES & FIXTURES	19230611	728105	-610956	19347760	5285432	1019653	1497132	7802217	11545544	11545544	
4 OFFICE EQUIPMENTS	34017321	1236083	-743030	34508374	13973440	792653	-9618275	5147818	29360556	29360556	
5 PLANT AND MACHINERY	795373788	33270723	159898657	988543168	320233247	78265257	196913074	595411578	393131589	393131589	
6 VEHICLES	52986941	202060	2851395	56040396	31562895	4972040	4018906	40553841	15486555	15486555	
TOTAL	1055107640	45668175	158088132	1258863947	395619720	86419137	195506342	677545199	58138748	581318748	
PREVIOUS TOTAL	1036719453	275393316	115315055	1196797714	297043096	104239595	1900062	399382629	797415085	0	





SCHEDULE - 7 FIXED ASSETS (OPEN LINE)

SR NO.	DESC	GROSS BLOCK				DEPRECIATION				NET BLOCK			
		ASSET VALUE AS AT 01-04-1997	NET ASSET TRFD. FROM CONSTN (WDV)	ASSETS ADD/ TRFD (WIP) ON 26-01-98	DELETIONS ASSET IN 97-98	ASSET VALUE AS ON 31-03-98	DEPRECIATION AS AT 01-04-97	ADJ. USTMENT DEPR. IN 97-98	DELETION DEPR. IN 97-98	DEPR. IN 97-98	NET FOR THE YEAR 1997-98	CUMULATIVE DEPR. IN END 1997-98	NET ASSET VALUE AS AT 31-03-98
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	LAND	0	44556210	1077903568		1122459778				0	0	0	1122459778
2	FORMATION	0	0	22498959470		22498959470				40000799	40000799	40000799	22458958671
3	PWAY	0	0	5610035810		5610035810				44027495	44027495	44027495	5566008315
4	BUILDINGS	48639	93136996	1511372637	5719	1609552553	48639	-47625		4388283	4340658	4389297	1605163256
5	PLANT & EQUIP	4154576	393131590	1798263769	6675971	2188873964	477370	-99647	57540	22999852	22842665	23320035	2165553929
6	LOCO & OTHER ROLLING STOCK	133300000	0	28216688		161516688	2446646	-1158938		3605921	2446983	4893629	156623059
7	FURNITURE & FIXTURES	1497980	646841	1486958	66093	3565686	83430	-10961		171103	160142	243572	3322114
8	OFFICE EQUIP. & FURNITURE	2688879	29360556	113032132	2353731	142727836	706824	46481	1074045	5188913	4161349	4868173	137859663
9	VEHICLES	0	15486555	14530	14530	15486555				262006	262006	262006	15224549
		141690074	581318748	32639285562	9116044	33353178340	3762909	-1270690	1131585	120644372	118242097	122005006	33231173334

(d)

NOTE :

- a. Includes six dunnet concrete sleeper laying machines received free of cost from the Australian International Development Assistance Bureau otherwise valued at Rs. 323.54 lakhs, however other incidental costs are capitalised of Rs. 12661349.
- b. Includes Nil (previous year Rs. 5192250) on account of Foreign Exchange Fluctuation
- c. Includes Rs. Nil (previous year Rs. 3044586) on Assests used in operating line.
- d. The accumulated depreciation is inclusive of current year depreciation upto 25-01-98 on open line assets is carried forward in the books as on 31-03-98.
- e. Previous year total includes for all assets i.e. Construction and Open line.



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

PARTICULARS	AS AT 31 MARCH 1998 Rs.	AS AT 31 MARCH 1997 Rs.
A. CAPITAL WORKS IN PROGRESS		
I Works		
i) Land	0	1030282425
ii) Structural Engg Works	0	17671537251
iii) Equipment, Plant & Machinery	0	990489653
II Construction Material	0	464201864
III Computers & Peripherals under development / installation	0	77937315
IV Balance in development A/c to be allocated to items of Capital Works in progress when completed	0	8821629078
TOTAL [A]	0	29056077586
B ADVANCE & DEPOSITS FOR CAPITAL WORKS Trf to Sch.6		

SCHEDULE 9 - SALARIES, ALLOWANCES & BENIFITS

Particulars	Current Year Rs.	Previous Yea Rs.
i. Salaries & Allowances	0	115520923
ii. Contribution to Provident & other funds	0	7934229
iii. Gratuity Fund	0	15865
iv. Foreign Service Contribution	0	1441869
v. Staff Welfare	0	6189859
TOTAL	0	131102745

SCHEDULE 10 A - OTHER ADMINISTRATIVE EXPENSES

Particulars	Current Year Rs.	Previous Year Rs.
i. Rent	0	9192223
ii. Insurance and Taxes	0	2223978
iii. Printing and Stationery	0	3602800
iv. Postage, Telephone & Telex	0	12279048
v. Travelling and Conveyance	0	28291290
vi. Vehicles Expenses	0	17703263
vii. Repairs and Maintenance		
a) Plant and Machinery	0	10227884
b) Buildings	0	3148785
c) Others	0	2114529
viii. Electricity & Water Charges	0	2273393
ix. Advertisement and publicity	0	8504218
x. Auditors remuneration	0	391566
xi. Legal and professional Expenses	0	8382408
xii. Other Expenses	0	12722036
xiii. (Profit)/Loss on sale of assets	0	2132268
TOTAL	0	123189689

**SCHEDULE 10 B - FINANCE CHARGE**

Particulars	Current Year Rs.	Previous Year Rs.
a) Interest on Bonds (includes Rs. 4758 (previous year Rs. 3885) paid to directors) is Rs. 2914 and payable is Rs. 1844	0	1591577830
b) Interest on Loans	0	966791986
c) Management fee on bonds	0	28500000
d) Foreign currency fluctuation	0	42309419
TOTAL	0	2629179235

SCHEDULE 11 A - PRIOR PERIOD ADJUSTMENTS

Particulars	Current Year Rs.	Previous Year Rs.
1. Salaries, Allowances and Benefits	0	2702952
2. Insurance	0	57998
3. Printing and Stationery	0	3560
4. Repairs and Maintenance to Plant and Machinery (Net)	0	679964
5. DPG Commission	0	3468374
TOTAL	0	6912848

SCHEDULE 11 B - PRIOR PERIOD ADJUSTMENTS - TRAIN OPERATION

Particulars	Current Year Rs.	Previous Year Rs.
1. Hire charges on-Coaches/Wagons	0	-839510
2. Hire charges-Motive Power	0	-453197
3. Fuel and lubricants	1082	-1537489
4. Salary and Establishment	958488	-489774
5. Repairs and Maintenance-Rolling stock	0	65401
6. Repairs & Maintenance - P & M stn bldgs etc.	661886	0
7. Other Operating Expenses	20767	311095
8. Depreciation	-673292	0
9. Loss on sale of Assets	113789700	0
10. Repair and Maintenance of Vehicles	140803	0
11. Advertisement and Publicity	89696	0
TOTAL	114989130	-2943474

**SCHEDULE 12 - INCIDENTAL INCOME**

Particulars	Current Year Rs.	Previous Year Rs.
i. Interest from Banks and others	0	34372112
ii. Sale of Tender Forms etc.	0	419727
iii. Sale of Scrap	0	9280775
iv. Rent Recovery	0	699819
v. Other Receipts	0	2157657
TOTAL	0	46930090

SCHEDULE 13 - TRAFFIC EARNINGS

Particulars	Current Year Rs.	Previous Year Rs.
1. Passenger (Includes earlier year's provisions of Rs. 1178917 to other Railway written back)	153767838	51850826
2. Other Coaching (Includes earlier year's provisions of Rs. 130187 to other Railways written back)	1750231	505638
3. Goods	27039365	524717
4. Sundry	988408	369176
TOTAL	183545842	53250357

SCHEDULE 14 - EXPENSES ON STAFF

Particulars	Current Year Rs.	Previous Year Rs.
i. Salary, Wages and Allowances etc.	100291904	27992747
ii. Travelling Expenses	12187079	4811748
iii. Cash Award	33650	2000
iv. Contribution to Provident and other Funds	6314361	1479436
v. Foreign Service Contribution	2469016	189248
vi. Staff Welfare Expenses	10315564	1555698
TOTAL	131611574	36030877

**SCHEDULE 15 - MISCELLANEOUS EXPENSES**

Particulars	Current Year Rs.	Previous Year Rs.
i. Electricity and Water Charges	16878380	3493933
ii. Cost of Tickets and Forms	1260576	1174237
iii. Telephone and Communications	3395538	812818
iv. Vehicle Expenses	7424219	1178340
v. Rent for Residential buildings	576750	90299
vi. Rent for Office buildings	84387	23100
vii. Other Sundry Expenses	64357456	5251163
viii. Legal Expenses	430410	0
ix. Advertisement & Publicity	296660	0
TOTAL	94704376	12023890

SCHEDULE 16 - INVENTORY

	Current Year Rs.	Previous Year Rs.
i. Rails	50265941	118552667
ii. Sleepers	64576212	74005747
iii. Cement	13530181	48089288
iv. Steel	29797205	43597870
v. Diesel	5742262	2242732
vi. Explosives	1340798	13092819
vii. Others	57286435	164620741
(Includes Materials in Transit Rs. 6872517 (previous year Rs. 11,20,87,536))		
TOTAL	222539034	464201864

SCHEDULE 17 - FINANCE CHARGES

	Current Year Rs.	Previous Year Rs.
a) Interest on Bonds (Includes Rs. 4758 (previous year Rs. 3885) paid to Directors is Rs. 2914 and payable is Rs. 1844)	371457371	1591577830
b) Interest on Loans	121072913	966791986
c) Management Fee on bonds	71144	28500000
d) Foreign Currency Fluctuation	410195609	42309419
TOTAL	902797037	2629179235

**SCHEDULE 18 - INCIDENTAL INCOME**

Particulars	Current Year Rs.	Previous Year Rs.
1. Other Earnings	77450	0
2. Interest on Investments	1898608	0
3. Rent for Residence	15498	0
4. Miscellaneous Receipts	37553	0
5. Furniture Hire Charges	738	0
6. Re-imbusement of Est. Expenses	3468043	0
TOTAL	5497890	0



SCHEDULE NO. :19 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 borrowing attributable to the fixed assets are capitalised.
 - (c) The Broad Gauge line between Roha and Mangalore was completed and opened for traffic on 26.1.1998. The entire expenditure net of income in the Development account has been apportioned to the various assets heads as a whole on a prorata basis.
 - (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. In case of assets where Schedule XIV of the Companies Act is silent, the rate of depreciation have been worked out with reference to effective life of the respective assets as given in Indian Railway Engineering Code. However,
 - i) Assets costing below Rs. 5000/- were depreciated at usual rate instead of 100%, upto 1996-97. But, during the year assets below Rs. 5000/- have been written off fully.
 - ii) Vehicles owned by Corporation mostly being used at sites are depreciated at rate of 11.31%, as 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 which have been transferred and sold is provided at 4.75% from the date of completion.
 - (f) Leasehold land are not amortised over the period of lease.
 - (g) Computer and peripherals to be capitalized include cost of development of software.
 - (h) As per the practice followed in Railways, furniture and fixtures lying at offices, rest houses will be added with the respective building head.
5. The inventories of construction materials are shown at cost.
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 and Profit & Loss Account.
7. **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.
8. **Lease**
Lease rentals and other charges are adjusted with reference to lease terms and other conditions.
9. **Income Recognition**
- I. Income recognition in the case of contracts executed by the Corporation will be made by following percentage completion method.
 - II. (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 ticket.
(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.
10. **Contractor's claims**
- (a) Claims for escalation by contractors are accounted for only when such claims are accepted after due verification.
 - (b) The contractors liabilities are taken into account on the basis of works completed and also in respect of those incomplete works, by making a suitable provision, based on estimated Technical Assessment.
 - (c) Recovery on account of risk and cost transactions is effected at the time of completion of works after due determination.
11. **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.
12. **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. Discount on issue of bonds is to be amortised over the tenure of the bonds.
13. **Contingent liabilities** are not provided for but are disclosed by way of notes to the account.

B) NOTES TO THE ACCOUNTS

14. 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 BROAD GAUGE 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 Contributions made by the State Governements towards Equity would be paid at par by the Government of India on the Corporation liquidating the loans obtained for completing the Project.
15. (a) The passenger trains are being run through Konkan Rly system with Indian Rly's rolling stock and a detailed Memorandum of Understanding has been sent for the approval of Ministry of Railways regarding Inter Railway Adjustment on the reciprocal arrangements, for movement of Inter Railway traffic.



- (b) Meanwhile tentatively the arrangements existing for Inter-Railway financial adjustments have been adopted for the purpose of providing for the liability for the services provided by other Railways. The Corporation's share of passenger traffic receivable out of the income collected by 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.
- (c) 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.
16. (a) Though the assets have been put into use in a phased manner on technical completion but could be declared commercially feasible only when the entire line was opened for traffic. Based on that the allocation of development expenditure including finance and interest charges was made as per the Accounting Policy No.4(c).
- (b) The assets under different heads have been capitalised based on figures appearing in the Books of Accounts with minor difference on account of interhead booking which could not be located. In cases where works have not been completed, remaining portion to be executed, the value of same have been taken based on the technical assessment and capitalised, and Depreciation has been charged from the date of opening of entire line, i.e., 26.1.1998.
- (c) The entire fixed assets used in the construction has been transferred to open line with the written down value as on 25.1.1998 after depreciation. The consequent effect on the Development Account and Profit & Loss Account has not been quantified.
- (d) Depreciation on the vehicles has been charged at the normal rate of 9.5% from 26.1.98 instead of 11.31% applicable to trucks upto the completion of the project. The effect of the same in the P&L Account could not be quantified.
- (e) Furniture and fixtures available at the stations office, rest-houses is added with the respective building head and depreciated @ 1.63% as applicable to buildings, as per the practices followed by Indian Railways
- (f) An amount of Rs. 7,56,739.86 has been debited to the Development Account being the unreconciled balance of the cumulative depreciation as per general ledger and fixed assets register.
17. (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 SLAO'S are received.
- (b) An aggregate amount of Rs. 3.31Cr. was provided to be disbursed by special land acquisition officer not transferred to land account as the acquittance details certified by the SLAO'S not received.
18. Amount spent by the Government of India, Ministry of Railways through Southern Railway approximately amounting to Rs. 39.23 Lacs have not been accounted for pending settlement of detailed accounts by the Southern Railway.
19. Advance for materials and other advances could not be adjusted to the final head amounting to Rs. 1.67 Cr. (previous year Rs. 10.86 Cr.) for want of full reconciliation.
20. (a) Transactions of Receipts / Issues for the year in respect of construction materials are recorded in the stores and charged to the works. However there is a difference between book balance and ground balance of Rs. 1.10 crores which is still under reconciliation. This constitutes 0.2% only compared to total value of Rs. 547.04 crores of materials charged under rails, sleepers, cement and steel, handled by the Corporation.
- (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, excess material, if any, issued to the contractors will be accounted for by crediting to Work-In-Progress as and when finally settled. Due to this, works-in-progress and Advances/Recoverable are overstated and understated respectively to that extent.
- (c) Stores in Transit is having a balance of Rs. 68.73 lakhs, (previous year Rs. 4.12 Cr.) which is still to be adjusted.



21. (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.
22. (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.
23. (a) 10.5% Tax Free Bonds and Infrastructure 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.
24. 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.
25. Future obligations towards lease rentals under the lease agreements as on 31st March, 1998 in case of Primary lease are Rs. 118.43 crores and in case of Secondary lease Rs. 3.89 crores.
26. Sales-Tax assessment 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.
27. Sundry advances include dues from Ex-Officer of the Corporation during the current year Rs. NIL (Previous year Rs. 27.20) Maximum Balance outstanding on any day during the current year Nil (Previous year Rs. 11407.25)
28. Loans and Advances include due from Directors Rs. 3104/- (Previous year Rs. 5,726/-). Maximum balance outstanding on any day during the year was Rs. 10724/- (Previous year Rs. 24,174/-).
29. Fuel charges and Hire charges paid for passenger coaches are shown net of recoveries. From Indian Railways the amount receivable on this account of Fuel and passenger coaches hire being Rs. 2,40,23,490/- (Previous year Rs. 1,19,32,792/-) and Rs. 78,88,605/- (Previous year Rs. 38,54,275) respectively.
30. The loss on sale of tracks during 95-96 and 1996-97 was booked on the basis of Estimated input Cost. The difference of Rs. 11.38 Cr. between the actuals and estimated cost and consequent difference of Depreciation of Rs. 6.73 lakhs also have been adjusted through Prior Period Account, during the year.
31. Previous year figures have been regrouped/ rearranged wherever necessary to make them comparable with the current year figures.
32. Contingent Liabilities not provided for
 - (a) Estimated amount of contracts remaining to be executed and not provided for as certified by the management was Nil (previous year Rs. 72.00 crores)
 - (b) Contractor's and other claims against the Corporation not acknowledged as debt as per the certificate submitted by the management are Rs. 134.65 Crores. (Previous year Rs. 184.02 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. 22.04 crores (previous year Rs. 2.83 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.

**33. (a) Director's Remuneration**

The remuneration of director's is as under:-

	Current Year (Rs.)	Previous Year (Rs.)
Salary and Allowances	8,97,160	7,73,611
Contribution to Provident Fund	21,064	38,987
Pension contribution paid to Railways	2,36,696	67,839
	<u>11,54,920</u>	<u>8,80,437</u>

b) Auditor's remuneration

Auditor's remuneration is as under:-

	Current Year (Rs.)	Previous Year (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	60,069	72,002

34. Earnings in foreign exchange:-

	Current Year (Rs.)	Previous Year (Rs.)
Other (Sale of Tender forms)	Nil	Nil

35. Foreign currency expenditure:-

	Current Year (Rs.)	Previous Year (Rs.)
Travelling	5,81,086	25,10,776
Interest, Handling & other Charges Other than Capital goods	31,96,73,057	10,53,88,266
	1,55,247	3,30,008
	<u>32,04,09,390,</u>	<u>10,82,29,050</u>

36. Value of imports on C.I.F. basis:-

	Current Year (Rs.)	Previous Year (Rs.)
I. Component and spare parts	1,12,63,108	78,93,258
II. Capital goods	57,83,582	24,62,111
	<u>1,70,46,690</u>	<u>1,03,55,369</u>

37. Balance Sheet Abstract and a Company's General Business Profile.

Registration Details :

Registration No

State code No

Balance Sheet Date

55-10891

55

31.03.1998



II	Capital Raised during the year	
	Public Issue	.....Nil.....
	Rights Issue	.....Nil.....
	Bonus Issue	.....Nil.....
	Private Placement (Firm allotment to the Promoters and their associates)	141.05.00.000
III	Position of Mobilisation and Deployment of Funds	
	Total Liabilities	3674,72,49,586
	Total Asset	3674,72,49,586
	SOURCES OF FUNDS	
	Paid-up capital	750,76,94,000
	Reserves & Surplus	1,81,65,000
	Secured Loans	2016,40,69,795
	Unsecured Loans	741,81,72,754
	Net Current Liabilities	<u>49,06,09,359</u>
		<u>3559.87.10.908</u>
	APPLICATION OF FUNDS	
	Net Fixed Assets (including Capital WIP & Pre-operative Expenditure)	3323,11,73,334
	Investments	NIL
	Misc Expenditure	40,91,65,750
	Accumulated Losses	195,83,71,824
IV	Performance of Company	
	Turnover	18,35,45,842
	Total Expenditure (Including Prior Period Adjustment)	172,55,19,313
	Profit (loss) before Tax	(153,64,75,581)
	Profit (loss) after Tax	(153,64,75,581)
	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	Railway Transportation.
	Product Description	
38.	Cash Flow Statement for 1997-98	
A	CASH FLOW FROM OPERATING ACTIVITIES	
	Net profit before tax & extraordinary items	(153,64,75,581)
	Adjustments for :	
	Depreciation	11,82,42,097
	Foreign Exchange	
	Investments	
	Interest/Dividend	
	Operating Profit Before Working Capital Changes	
	Adjustments for	
	Trade & other receivables	
	Inventories	
	Trade Payables	
	Cash generated from operations	



Interest paid	
Direct Taxes Paid	
CASH FLOW BEFORE EXTRAORDINARY ITEMS	
Extraordinary Items	
Net cash from operating activities	(153,64,75,581)
B. CASH FROM INVESTING ACTIVITIES	
Purchase of fixed assets (including WIP & Fictitious assets)	314,84,89,293
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	314,84,89,293
C. CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from issue of share capital	141,05,00,000
Proceeds from long term borrowings	310,74,96,782
Repayment of finance lease liabilities	23,28,75,565
Dividends paid	—
NET CASH USED IN FINANCING ACTIVITIES	
Net increase in cash & cash equivalents	39,98,43,657
Cash & Cash equivalents as at 01.04.97 (Opening balance)	73,31,62,116
Cash & Cash equivalents as at 31.03.98 (Closing balance)	33,33,18,459

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

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

Signatures for Schedules 1 to 19

On behalf of the Board

As per our report of even date

For **BHUSHAN BENSAL JAIN ASSOCIATES**

CHARTERED ACCOUNTANTS

Sd/-

(RAVI BHARADWAJ)

PARTNER

Place : NEW DELHI

Date : 23.2.1999

Sd/-

(R.K. SINHA)

DIRECTOR(F)

Sd/-

(B. RAJARAM)

DIRECTOR (P)

Sd/-

(B. SATYANARAYANA)

COMPAY 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 1998, the 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 in paragraph 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 Account 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 and the Profit & Loss Account dealt with by this report are in agreement with the Books of Accounts.
 - D. In our opinion Profit & Loss Account and Balance Sheet does not comply with Accounting Standards As-6, As-10 and AS-15 due to different accounting policies adopted by the corporation, which have been suitably commented upon by us in this report.
 - E. In our opinion and to the best of our information and according to the explanations given to us. Accounts read together with the accounting policies and notes thereon and subjected to.
3.
 1. Regarding sale of track of Rs. 108 crores measuring 185.275 km till 31.03.1998 effected is subjected 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. Penalties imposable under Income Tax Act, 1961 on account of Non Deduction of Tax from various parties is not quantifiable at his stage.
 4. Interest and other finance charges relating to assets completed and put to use on different dates have been charged to development account and allocated to different assets. However, interest and finance charges pertaining to the period after the assets have been put to use, has not been segregated & quantified and charged to revenue. We are unable to express any opinion on the same.
 5. No provision of Liabilities in respect of gratuity and Leave Encashment, amount being unascertained as per accounting policy No. 7 of the Corporation.
 6. Though the assets have been put into use on different dates but depreciation has been charged only from 26.01.1998. The consequential impact on the assets and Profit & Loss is not ascertainable. To that extent the assets have been over stated and loss under stated.
 7. Accounting Policy No. 4 (d) (1) has undergone a change during the year. Consequently, the depreciation has been in excess by Rs. 25,42,271/-. To that extent, the assets have been under stated and loss over stated.



8. Note No. 16(c) with regard to transfer of assets on written down value and Note No. 16(d) with regards to change of rate of depreciation on vehicles with effect from 26.01.1998.
9. (a) Land includes leasehold land, which is required to be shown separately,
(b) Note No. 17(a) Land cost is subject to reconciliation with final awards and note no. 17(b), regarding non adjustment of advances to works Rs. 3.31 crores; note No. 32(e) regarding non provision of amounts to be paid to land owners.
10. Note No. 18. regarding non-adjustment of Rs. 39,23,000/= incurred by other railways.
- 11 Note No. 19, regarding non-adjustment of advances amounting to Rs. 1.67 crores.
12. Note No. 20(a), regarding non-reconciliation of transactions of receipts / issues of construction materials. Note No. 20(b), regarding non-adjustment of construction material issued to contractors and Note No. 20(c) regarding stores in transit includes old balances of Rs. 68.73 lakhs unreconciled.
13. Note No. 21 (a) & (b) regarding Sundry balances in debit and credit accounts are subject to confirmation / reconciliation.
14. Accounting policy No.6(c) relating to adjustment of exchange difference with regard to fixed assets have undergone a change, which has resulted in under statement of fixed assets by Rs. 88.56 lakhs and over statement of loss to that extent.
In view of the matters described in paragraphs 3.1 to 3.14 above and paras 1 to 5 of annexure referred 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 and fair view.
A. In the case of Balance Sheet of the state of affairs of the company as at 31.03.1998.
B. In case of Profit & Loss account of the loss for the year ended on that date.

For Bhushan Benseal Jain Associates,
Chartered Accountants,

PLACE : New Delhi
DATE : February 26, 1999

(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 1998.**

1. The company has not generally maintained proper records showing full particulars including quantitative details and locations of Fixed Assets barring some cases. As informed to us, the Fixed Assets have been physically verified by the management during the year. However the discrepancies noticed on physical verification have not been compared and adjusted with book records.
2. None of the Fixed Assets have been revalued during the year, except assets used for construction, which have been transferred to open line on written down value as on 26.01.1998.
3. Physical verification of high value items of the construction materials, stores etc. at most of the units has been carried out by the management. However discrepancies noticed have been dealt with the book records. In our opinion the frequency & scope of verification still needs to be increased & proper control has to be exercised.
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. The discrepancies noticed on verification between physical stock wherever done and book records were not dealt with, 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 years, except those stocks, which are not reconciled or pending for reconciliation are valued on the book value.
7. According to the information and explanation given to us the company has not taken any loan, from companies, firms or other parties listed in the register maintained under section 301 and 370 (1-B) of the Companies Act, 1956.
8. According to the information and explanation given to us the company has not granted any loans secured or unsecured to companies, firms or other parties listed in the register maintained under section 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 employee's recoveries of principal and interest, wherever applicable, are generally affected as per terms stipulated. In case of default, actions are generally been 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/= or more in respect of each party in pursuance of contracts or agreements entered in the register under Section 301 of the Companies Act, 1956.
12. There is no adequate procedure for determination of unserviceable or damaged materials 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 there in.
14. Reasonable records are being maintained by the company for the sale and disposal of scrap of steels, empty cement bags. 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 nature of its business. Scope and extent of checking of the same needs to be enlarged.
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 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 amount payable in respect of Income Tax, Sales Tax, Customs Duty as on 31st March, 1998 outstanding for a period of more than Six months from the date they became payable except for an amount of Rs. 12,18,288/= in respect of Wealth Tax.
19. As per 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 & Loss Account.
20. The company is not a sick company, within the meaning of clause (o) of subsection (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 materials 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 : New Delhi
DATE : February 26, 1999

(RAVI BHARDAWAJ)
PARTNER



Comments of the Comptroller and Auditor General of India under the Sec. 619 (4) of Companies Act, 1956 on the accounts of the Konkan Railway Corporation Ltd. (KRCL) for the year ended 31st March 1998.

Remarks of KRCL**A. Balance Sheet****I. Sources of funds****1. Schedule 5 Current liabilities & Provisions Rs. 16391.48 lakhs**

i) This is overstated by Rs. 78.40 lakhs being the cost of Signal and Tele-communication equipment. Although the equipment was procured in the year 98-99, it was capitalised on 26-1-98. This has also resulted in overstatement of assets to that extent and depreciation thereon.

Not accepted. As per the Accounting policies, it is clearly stated under 16 (b), in cases where works have not been completed the value of the same has been taken on technical estimate basis. The items referred by the audit is not a new item/work. It is included in the revised estimate of the project & part of the work has been done before and during the year 1997-98. Thus, the capitalisation of balance work has been done correctly as per the Declared Accounting Policy. As the provision has been made on 31st March 1998, there is no depreciation charged during 1997-98.

ii) This is understated due to non-provision of Rs. 7.12 lakhs being the amount of interest on delayed payment of Provident Fund contribution payable to Konkan Railway Provident Fund Trust.

The Corporation was unable to make this payment in time due to paucity of funds and the priority for outsider's payments. It has since been made & accounted for in 1998-99.

iii) This doesn't include cost of 8 wheeler wagon procured from Central Railway in July 1996 and converted into Fire Fighting Truck. Neither the cost of wagon has been ascertained from Central Railway nor provision made for the same in the accounts.

No provision has been made in the absence of any bill or demand from Central Railway, as the amount was not known.

Schedule 6-B II Advances and Deposits for Capital Works.

2. [iv] Advances to Govt Agencies for works Rs. 9.86 lakhs.

This is understated by Rs. 36.36 lakhs being the amount of Advance paid to State Government for deposit works but same has been treated as final expenditure without receipt of the completion report and actual expenditure statements. This has also resulted in over-statement of Fixed Assets to the same extent.

Not accepted. as per the letter No. 3810 D (B) / 95-96/12 dtd 10-8-98, SDOT/ Kumtha. of DOT, the Corporation has been informed by DOT that the works has been completed and expenditure incurred was equals to deposit, and the preparation of completion report is under progress. The same is the position in case of an amount of Rs. 34.50 lakhs deposited with Executive Engineers. Dharwad.



II. Application of Funds

3. Miscellaneous Expenditure

Discount on Bonds Issue Rs. 1601.33 lakh

This includes Rs. 519 lakh allowed as discount in excess of the prescribed limit of 2.5% of the face value of the Tax Free Bonds [7A Series]. In addition the company has paid Rs. 23.50 lakh as arranger's fees while issuing these Tax Free Bonds. This is in contravention of Article 7 of the the Articles of Association as well as Sec. 76 of the Companies Act, 1956

Not accepted. Commission referred to in the Articles, as well as Sec. 76 refers to remuneration for services or work done on an intermediary for getting subscription to the issue of debentures. This is clear from Sections 76 (i) (iv) & (v) which stipulate that the no. of debentures which persons have agreed to subscribe for a commission should be disclosed in the prospectus, and a copy of the contract for the payment of commission is delivered to the Registrar at the time of delivery of the prospectus. It is clear that for the purpose of Sec. 76, only that payment is treated as commission for which persons have contracted to subscribe for a commission before the issue is approved by the Registrar. By inference, the reduction in price offered for subscription to any prospective subscriber, without any obligation or contract to subscribe, can not be treated as commission within the meaning of Section 76. In market parlance it is known as underwriting Commission.

As far as Arranger's fee is concerned, it has been paid only in the case of private placement. It is a common market practise to appoint Arranger's for selling private issues. The Corporation has paid a fee of only 0.10% of the issue price. As already pointed out, a reduction in issue price for all subscribers does not amount to commission. In the view of the Corporation, the provisions of article 7 of Articles of Association and Section 76 of the Companies Act are not contravened.

B) Profit and Loss Account Expenses on Train Operations

4. B-1 Expenses on staff [Schedule 14] Rs. 1316.12 lakhs.

i) This does not include the propoortinate cost of administrative expenses of the Corporate Office though 60% of the total lines were opened for traffic prior to the year 1997-98. This has also resulted in overstatement of assets to the extent the administrative cost was chargeable to Revenue Account.

Not accepted. As clearly brought out by Para 1610 of Railway Engineering Code the date of opening of new line should be held to be date of opening for passenger traffic of the whole line for which the construction estimate was prepared. The same has



ii]. This is understated by Rs. 199.97 lakh being the administrative expenses of Karwar Unit [Rs. 13.50 lakh during 97-98] and Panaji unit [Rs.88.28 lakh during 97-98 & Rs. 98.19 lakh during 98-99] charged to capital head of account although the expenditure was incurred after 26/1/98 i.e. the date of capitalisation. This has also resulted in overstatement of Fixed Assets.

5. B2 :- Hire charges for Rolling Stock and Motive Power Rs. 386.66 lakhs. This does not include the hire charges payable for 2 DEMUs (Diesel Electric Multiple Unit) taken on hire from Indian Railway's during 1997-98 as hire charges have not been ascertained by the management from the Indian Railways.

6. B5 :- Repairs & Maintenance - Rs. 828.64 lakh

This is understated by Rs. 6.99 lakh being sum of the expenditure incurred on repairs and maintenance of assets. This has also resulted in overstatement of Fixed Assets and understatement loss to that extent.

7. Item 10(c) Schedule 19

The company has not assessed the amount of risk and cost recoverable from defaulting contractors, even though the construction of the project has been completed and the line has been opened for traffic in January 1998. The amount of risk and cost recoverable from Contractors in respect of four units (Karwar, Panaji, Ratnagiri (N) and Ratnagiri (South)) alone, has assessed by the concerned Chief Engineers, Works out to Rs. 2122.26 lakh. Non-assessment and non-recovery of risk and cost amount has inflated the cost of the assets to the extent the amount is due from the Contractors.

8. Item 33 (b) Schedule - 19

The expenditure incurred on Statutory Auditors including audit fees has been shown as Rs. 1,70,069 as against the actual expenditure of Rs. 4,34,735 incurred by the Company.

/been reiterated by the Corporation in its Accounting Policy No. 4 (c) and maintained since inception.

Not accepted. As clearly stated in the Accounting Policies and Notes forming part of accounts of 97-98 under 16(b) in cases where works have not been completed necessary provision has been made accordingly. However, the administrative expenses linked to construction activities will continue to be shown under Development account only.

No Provision has been made as no debits has been raised by Indian Railways. The Corporation has also approached Railway Ministry for deferment of hire charges. In the absence of any clear bill no provision can be made.

Not accepted. The expenditure has been incurred by Panaji / Madgaon unit is basically a construction unit, and nature of the expenses incurred is of balance construction works only.

Not accepted. The amount of Risk & Cost has not been reflected in the accounts mainly because it is seen that the Risk & Cost amount has been worked out on the completion of the contract, the same could not be accounted in the Books of Accounts unless the Corporation either realises this amount or is sure of tenability of recovery through legal suit. This is as per the Standard Accounting Practices.

The figure in Schedule 19 should Rs. 2,44,208 and not Rs. 4,34,735 as pointed out by Audit. an amount of Rs. 74,139 was inadvertently omitted to be included under Item 33 (b) Schedule - 19 in the disclosure.



2. WORKING RESULTS

PARTICULARS	(Rs. in lakh)		
	1995-96	1996-97	1997-98
(i) Sales	92.75	532.50	1835.46
(ii) Less Excise Duty	....	....	....
(iii) Net Sales	92.75	532.50	1835.46
(iv) Other or Misc. Income	....	....	54.98
(v) Profit/Loss before tax and prior period adjustments	(-) 1765.68	(-) 2106.31	(-) 14214.86
(vi) Prior period adjustments	3.24	(-) 29.44	1149.89
(vii) Profit/Loss before tax	(-) 1768.92	(-) 2076.87	(-) 15364.76
(viii) Tax provisions	....	....	....
(ix) Profit after tax	(-) 1768.92	(-) 2076.87	(-) 15364.76
(x) Proposed Dividend	....	....	....

3. 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 :-

PARTICULARS	(in percentage)		
	1995-96	1996-97	1997-98
A. Liquidity Ratio	0.304	0.772	0.690
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	2.65	3.71	3.28
Long term debt equity (c(i) to (v) but excluding short term loans/o)			
C. Profitability Ratio			
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

4. Working results

The working results of the Company for the last 3 years ending 31st March 1998 are as under :-

PARTICULARS	1995-96	1996-97	1997-98
i) Traffic earnings	92.75	532.50	1835.46
ii) Loss for the year	1768.92	2076.87	15364.76
iii) Accumulated loss	2142.09	4218.96	19583.72
iv) Percentage of accumulated loss to paid up capital	3.67	6.92	26.08

Sd/-
Principal Director of Audit