



कोंकण रेलवे कार्पोरेशन लिमिटेड
KONKAN RAILWAY CORPORATION Ltd.
(A Government of India Undertaking)

FIRST ANNUAL REPORT
1990-91



BOARD OF DIRECTORS

1. SHRI E. SREEDHARAN - Chairman and Managing Director
2. SHRI K. B. KUMAR - Advisor (works) Railway Board
3. SHRI P. RAJAGOPALAN - Executive Director (Foreign Loans), Railway Board
4. SHRI K.B.SRINIVASAN - Chief Secretary, Govt. of Maharashtra
Alternate :
SHRI P. P. MAHANA - Secretary Transport, Govt. of Maharashtra
5. SHRI P.V. JAYAKRISHNAN - Chief Secretary, Govt. of Goa
Alternate :
- Vacant
6. SHRI T.P.ISSAR - Chief Secretary, Govt. of Karnataka
Alternate :
SHRI N. VISWANATHAN - Secretary to CM , Govt. of Karnataka
7. SHRI S.PADMAKUMAR - Chief Secretary, Govt. of Kerala
Alternate :
SHRI N. CHANDRASEKHARAN NAIR- Secretary Transport, Govt. of Kerala.

Partners in the Project

GOVT. OF INDIA - Ministry of Railways

GOVT. OF
MAHARASHTRA

GOVT. OF
GOA

GOVT. OF
KARNATAKA

GOVT. OF
KERELA

COMPANY SECRETARY

Umesh P. Maskeri

STATUTORY AUDITORS

Thakur Vaidyanath Aiyer & Co.

Registered office :

Room No.101, Rail Bhavan,
Raisina Road,
New Delhi-110001.

Corporate Office :

Belapur Bhavan,
Sector 11, CBD Belapur
New Bombay- 400614



KONKAN RAILWAY CORPORATION LIMITED

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NOTICE OF THE FIRST ANNUAL GENERAL MEETING

Notice is hereby given that the First Annual General Meeting of the Konkan Railway Corporation Limited will be held at 12.00 Hrs. on Friday, the 6th day of December, 1991 at Board Room, Railway Board, New Delhi to transact the following business :-

ORDINARY BUSINESS

1. Ordinary Resolution :

To receive and adopt the Director's Report, Balance Sheet, and Development Account (in place of Profit and Loss Account) for the year ended 31st March 1991 and the Auditor's Report thereon.

SPECIAL BUSINESS

2. 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 in terms of Section 293 (1) (a) of the Companies Act, 1956 and other applicable provisions, if any, to the Board of Directors of the Company, to mortgage and / or create pari passu first charge on all or any of the movable and immovable properties, present and future, of the Company, and to create such mortgage / charge in such form and manner as the Board of Directors may determine for the purpose of securing the Trustees of the Bond holders of the issue of 9% Tax free Bonds of Rs. 1000 each at par for cash aggregating to Rs. 250 crores proposed to be issued during the year 1991-92.

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

"Resolved that 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 (apart from temporary loans obtained from the bankers of the Company in the ordinary course of business) shall not exceed in the aggregate at any one time a sum of Rs. 750 crores (Rupees Seven hundred Fifty crores) irrespective of the fact that such aggregate amount of borrowing outstanding at any one time may exceed the aggregate for the time being, of the paid up capital of the Company and its reserves, that is to say; reserves not set apart for any specific purpose".

By order of the Board of Directors.

Belapur, New Bombay.
Dated : 12/11/91.

UMESH P. MASKERI
Company Secretary

Notes :

1. A member who is entitled to attend and vote at the meeting is also entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member. Form of proxy is enclosed.
2. Explanatory statement in respect of special business as required under Section 173(2) is enclosed.



EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956

Item No 2 : Creation of Charge

Konkan Railway Corporation Limited has proposed to issue 9% Tax free bonds aggregating to Rs.250 Crores during 1991-92, and these bonds will be fully secured by a pari-passu first charge on the assets of the company in favour of Trustees to the Bondholders. In order to enable the Company to offer securities by creating charge on all or any of the movable and immovable assets of the Company, the consent of the Company in a General Meeting under Section 293(1)(a) of the Companies Act, 1956 is required. Hence the resolution.

Item No 3 : Borrowing Powers

A major portion of the cost of construction of the Konkan Railway line is to be met by borrowings from the open market. In terms of Article 38(1) of the Articles of Association of the Company, the limit on such borrowings is 3 times of the equity capital viz., Rs. 750 crores. As this exceeds the paid up capital and free reserves of the Corporation, consent of the share holders is required to be obtained under section 293(1)(d) of the Companies Act, 1956. Hence the resolution.

Director's Interest

None of the directors of the Company is interested in the proposed resolution except as Shareholders to the extent of their shareholding in the Company.

CHAIRMAN'S SPEECH FOR ANNUAL GENERAL MEETING

Gentlemen,

I have great pleasure in welcoming you to the First Annual General Meeting of your company. The Annual Report of the Board of Directors as well as the Audited Accounts for the year ended 31st March 1991, have already been circulated and, with your permission, may I take them as read.

The Konkan Railway Corporation was established with the objectives of constructing a Broad Gauge Railway line from Roha to Mangalore, by raising the bulk of the finances needed from non-governmental sources and operating the system with rolling stock leased from Indian Railways, for a period of ten years or till such time the money borrowed from the market is repaid with interest.

After the Konkan Railway Corporation took over the responsibilities of the project from the Indian Railways, we had to practically re-survey the entire route to take into account certain developments that had taken place after the final location survey of 1986-87. We took advantage of this survey to upgrade the technical standards of this line. In the process we have been able to reduce the length of the line from 837 km to 762 km, a saving of 75 km. You will agree that this is a great achievement as the whole nation will reap the benefit of reduced haulage distance and travel time. The survey work took us almost the whole of last working season. Even so, we have made considerable progress in our field activities. We have delineated the lands to be acquired for the entire project and considerable progress has been made in the land acquisition work. For over 400 km length, we have taken possession of the lands to commence works i.e. 53% of lands required are already in our possession. Soil investigation work for tunnels and bridges have been completed and contracts for earthwork and minor bridges have been awarded over a length of more than 690 km (i.e. for over 90% of the length, contracts have been awarded). Out of 146 major bridges, contracts have been awarded for 115 bridges. Similarly, out of 71 tunnels, contracts have been awarded for 43 tunnels. In short, more than 80% of civil works have been awarded in such a short time. I consider this as an impressive achievement. After the monsoon lull, works are being re-started at all locations and towards the end of this year, we expect the works to proceed in full steam all along the entire route.

It is our effort to complete the Mangalore-Udupi section from South - a length of 70 km - by March, 1992. The next phase will be Roha-Dasgaon section from North - a distance of 45 km - which we expect to complete by June, 1992. That means, 115 km of this 762 km line will be ready by June 1992. We have set a very tight target of completing the entire line by October, 1994. Although the Konkan Railway Corporation commenced operation only on 15th October, 1990, in the last financial year we have spent Rs. 38 crores. In the current financial year, our estimated investment is Rs. 330 crores.

We have so far received an amount of Rs. 205.8 crores from the Ministry of Railways and the State Governments towards share capital of the corporation. The balance to be received for the current year is Rs. 13.20 crores. The Government of India has already cleared issue of 9% tax free bonds to the extent of Rs. 150 crores to meet the full cash requirement of the current year.

The Konkan Railway Project will have a number of 'Firsts' to its credit. This is the first project of its type which is being constructed on the 'Build, Operate and Transfer' -- B.O.T.-- concept in the country. This is the first time a new railway line is being constructed with a speed potential of 160 kms. This line will have as many as 71 tunnels with an aggregate length of 75 kms. This will be the first time tunnels longer than 2.2 kms are being constructed on the Indian Railways. The longest tunnel on this project will be 6.45 kms. Long tunnels will have for the first time, special ventilation arrangements. This line will have the highest viaduct, which will be 64 metre in height above the lowest bed level. A number of technological innovations will be incorporated in the



construction of this line for the first time such as, incremental launching method for high viaducts, welded high tensile steel girders for bridges, adoption of shields for driving tunnels in soft soil on the surface etc. A modern and scientific system of project control and project management is also being adopted. Gentlemen, Konkan Railway is a new experiment for creating an important transport infrastructure by tapping private funds. If this experiment succeeds, it will be the fore-runner for a number of such projects to be taken up on similar financing pattern, in our country. This success of this project will depend upon the co-operation and assistance extended to it by the Central and the Governments of the three States through which the alignment runs. The technical challenges involved in the Konkan Railway work are unparalleled in the history of Railway construction. No railway project of this magnitude has been completed within such a short time anywhere in the world. We, in the Konkan Railway, are a dedicated team. We have set before us the twin objectives of completing this line within the target date of October 1994 and to complete this project without exceeding the cost estimates, except for the inflationary elements. These figure prominently in our Corporate objectives. With the active support of the Ministry of Railways and the State Governments and the people of the Konkan Region, we are confident of achieving these objectives.

I wish to acknowledge the dedication and commitment of the Officers, Staff and Contractors of the Konkan Railway Corporation, which has enabled us to achieve so much in such a short time.

May I take this opportunity to thank the present and past members of the Board of Directors of your Company. Their mature advice and directions have been of immense help. The interest taken by them in the affairs of your company has been of significance and a matter of great encouragement to me.

I conclude with a reference to the Corporate objectives of the company as formulated and widely circulated among the personnel of the Corporation at all levels as "Our Corporate Mission".

1. To complete the Konkan Railway Project by October 1994.
2. The project to be completed without cost overruns (except for annual inflation).
3. To make it a model project with high technical standards and quality of construction.

I assure all the share holders that no efforts will be spared to achieve these objectives.

New Delhi.
6th December, 1991.

Thanking you,

E. SREEDHARAN
Chairman & Managing Director

DIRECTOR'S REPORT

Gentlemen,

Directors of the KONKAN RAILWAY CORPORATION LIMITED. have great pleasure in presenting the First Annual Report on the working of your company, together with the Audited Statement of Accounts for the financial year ended 31st March 1991.

Incorporation and commencement of business

Your company was incorporated under the Companies Act, 1956 on 19-07-1990 and the registered office is situated at New Delhi. The Company obtained the certificate of commencement of business on 20-08-1990 from the Registrar of Companies, New Delhi.

Operation of the Company

The work on the biggest railway line project of the Country on the Indian subcontinent, connecting Roha to Mangalore - distance of 760 Km has commenced in right earnest. The estimated cost of the line is Rs. 1043 crores at 1989-90 price level. By the time project is completed, (targeted for October 1994) the cost with escalation and interest liability on bonds is expected to be around Rs. 1400 crores. The line passes through the States of Maharashtra (382 Km.), Goa (105 Km) and Kamataka(273 Km). The terrain through which the line is to be constructed is perhaps one of the most difficult ever in the history of Indian Railway construction.

The section from Mangalore to Udupi (70 Km) is expected to be ready for opening by March 1992 and the section from Roha to Dasgaon (45 Km) by June 1992.

Financial Results

Since the project is in the process of execution and commercial operations have not been commenced there is no profit/loss to be reported in respect of the period under review. The expenditure profile for the period is as below :

	Rs. in Crores
Capital works in progress including advance and deposits for works	26.85
Other fixed assets (after depreciation)	3.38
Current assets (Net)	77.38
Preliminary expenditure	0.38
Total	107.99



Share Capital

Your Company was incorporated with an Authorised Share Capital of Rs.250 crores. Equity shares have been allotted against the contribution received from the Government of India and the State Governments of Maharashtra, Karnataka, Goa, and Kerala respectively to the tune of Rs.1,78,44.48 lakhs as per details furnished below :

	Share Capital (Rupees in thousands)		
	Cont. 90-91	Cont. 91-92	Total Cumulative
Govt. of India - (Ministry of Railways)	62,99,48	51,00,00	1,13,99,48
Govt. of Maharashtra	22,00,00	10,00,00	32,00,00
Govt. of Goa	2,00,00	3,45,00	5,45,00
Govt. of Karnataka	15,00,00	5,00,00	20,00,00
Govt. of Kerala	6,00,00	1,00,00	7,00,00
	107,99,48	70,45,00	1,78,44,48

Issue of Bonds:-

Your Company has received the consent from the Controller of Capital Issues for issue of 9% Tax free Bonds of Rs.1000/- each aggregating to a sum of Rs.150 crores in favour of Indian Railway Finance Corporation, New Delhi. The C.C.I has stipulated that the subscription collected by way of issue of said bonds by Indian Railways Finance Corporation should be immediately transferred to Konkan Railway Corporation Ltd. The matter is being pursued constantly. The corporation will be approaching the Ministry of Finance for approval to issue a second tranche of bonds for the value of Rs.100 crores.

Expenditure on the project

An expenditure of Rs. 31.38 crores has been incurred on the project upto 31-03-91 excluding the estimated expenditure of Rs. 6.93 crores incurred by Southern and Central Railways prior to the taking over of work by the Corporation.

Dividend

Your directors do not propose to recommend payment of dividend as the company is still in preliminary stages of implementation of the project and it has not started earning profits.

Future plans

Your company has advanced the schedule of completion of the project by one year i.e. the original schedule of five years as per progress report has been compressed to four years now. State Governments have been requested to speed up the acquisition of lands wherever this has not been done. To complete the speedy execution of tunnelling work, import of critical equipments for tunnelling and rail welding are essential and the concerned authorities will be approached for import licence and release of required foreign exchange. Efforts will also be made for import of these items against international aid or credit packages available.



Meeting of the Board of Directors

During the year i.e. from 19.07.1990 to 31.03.1991, three meetings of the Board of Directors were held.

Particulars of employees

During the year under report, no employee of the Company was in receipt of a salary of Rs.12000/- per month 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 & Companies (particulars of employees) (Amendment) Rules 1988 and 1990 are not attached.

Directors

During the year under report the following directors held offices :

Shri. E. Sreedharan
Chairman & Managing Director
from 31-10-90

Shri. Y. V. Aswathanarayana
from 19-7-90 to 30-9-90

Shri. P. V. Jayakrishnan
from 19-07-90

Shri. M. Sankaranarayanan
from 19-07-90 to 15-03-91.

Shri. S. Narayanaswamy
from 19-07-90 to 1-11-90.

Shri. N. Radhakrishnan
from 6-8-90 to 15-5-91.

Shri. K. B. Srinivasan
from 9-10-90.

Shri. K. B. Kumar
from 28-11-90.

Smt. Padma Ramachandran
from 1-11-90. to

Shri. N. K. Parabhakara Rao
from 28-2-91.



Auditors

The Company Law Board, on the advice of Comptroller & Auditor General of India have appointed M/s. Thakur Valdyanath Aiyer & Co., Chartered Accountants as the Statutory Auditors for the first financial year.

Acknowledgement

The Board of Directors gratefully acknowledge the assistance, active support and guidance received from the Ministry of Industry (Bureau of Public Enterprises) and other Government Departments and also the State Governments of Maharashtra, Goa, Karnataka and Kerala. The Board of Directors express their deep appreciation for the valuable contribution made by the officers and employees of the Corporation and those on deputation from Railways / State Governments, which has enabled the Corporation to keep to the tight schedules required for the completion of the Project.

New Bombay.
11th October, 1991

For and on behalf of the Board of Directors,

E. SREEDHARAN
Chairman and Managing Director



KONKAN RAILWAY CORPORATION LIMITED
BALANCE SHEET AS AT 31ST MARCH 1991

	Schedule No.	As at 31st March 1991.	
		Rs.	Rs.
I. SOURCES OF FUNDS			
(1) Shareholders' funds:			
(a) Capital	1		1,079,950,000
II. APPLICATION OF FUNDS			
(1) Fixed assets:			
(a) Gross Block	2	35,100,311	
(b) Less depreciation		<u>1,317,989</u>	
(c) Net block		33,782,322	
(d) Capital work in progress	3	173,826,788	
(e) Advances & Deposits for Capital Works	4	<u>94,659,070</u>	
			302,268,180
(2) Current Assets, Loans and Advances	5	801,643,437	
Less :			
Current liabilities and provisions	6	<u>27,795,786</u>	
Net current assets			773,847,651
(3) Miscellaneous expenditure to the extent not written off or adjusted			
Preliminary Expenses			<u>3,834,169</u>
TOTAL			<u>1,079,950,000</u>
Note forming part of Accounts	9		

On behalf of the Board

(UMESH P. MASKERI)
COMPANY SECRETARY

(P. RAJAGOPALAN)
DIRECTOR

(E. SREEDHARAN)
CHAIRMAN-AND-MANAGING DIRECTOR

As per our report of even date

For THAKUR VAIDYANATHA AIYAR & CO.
Chartered Accountants

(C. V. PARAMESWAR)



KONKAN RAILWAY CORPORATION LIMITED
DEVELOPMENT ACCOUNT FOR THE PERIOD 19-07-90 TO 31-03-91

	Schedule No.	Total
		Rs.
I. EXPENDITURE DURING CONSTRUCTION		
a) Survey		20,964,576
b) Salaries & Allowances		7,236,594
c) Other Administrative Expenses	7	14,031,553
d) Depreciation	2	1,317,989
II. LESS INCIDENTAL INCOME	8	(31,415,496)
Transfer to capital works in progress (Schedule No.3)		12,135,216

On behalf of the Board

(UMESH P. MASKERI)
COMPANY SECRETARY

(P. RAJAGOPALAN)
DIRECTOR

(E. SREEDHARAN)
CHAIRMAN-AND-MANAGING DIRECTOR

As per our report of even date

For THAKUR VAIDYANATHA AIYAR & CO.
Chartered Accountants

(C. V. PARAMESWAR)

**SCHEDULE 1 - SHARE CAPITAL**

	Rs.
AUTHORISED	
25,00,000 Equity shares of Rs.1000 each	2,500,000,000
ISSUED, SUBSCRIBED & PAID UP	
10,59,950 Equity shares of Rs.1000 each	1,059,950,000
Application money for allotment of 20,000 shares	20,000,000
	<u>1,079,950,000</u>

SCHEDULE 2 - FIXED ASSETS

(Figures in Rs.)

Sr. NO.	PARTICULARS	GROSS BLOCK		DEPRECIATION	NET BLOCK
		ADDITIONS DURING PERIOD	BALANCE AS ON 31-3-91	FOR THE PERIOD	BALANCE AS ON 31-3-91
(1)	(2)	(3)	(4)	(5)	(6)
1	BUILDINGS	5,090,579	5,090,579	411,357	4,679,222
2	PLANT & MACHINERY	2,762,936	2,762,936	28,549	2,734,387
3	OFFICE EQUIPMENT & PERIPHERALS	5,612,137	5,612,137	62,576	5,549,561
4	FURNITURE & FIXTURES	5,199,278	5,199,278	49,707	5,149,571
5	VEHICLES	16,435,381	16,435,381	765,800	15,669,581
	TOTAL	35,100,311	35,100,311	1,317,989	33,782,322



SCHEDULE 3 - CAPITAL WORKS IN PROGRESS

	Rs.	Rs.
1. WORKS		
i. Land		21,755,861
ii. Structural Engg. Works		
a) Formation	55,075,001	
b) Permanent way	621,914	
c) Bridges	22,082,458	
d) Station & Bldgs.	5,356,942	83,136,315
iii. Equipment, Plant & Machinery		222,722
2. CONSTRUCTION MATERIAL & EQUIPMENT		
i. Rails	5,950	
ii. Sleepers	4,410	
iii. Cement	8,574,827	
iv. Steel	43,593,782	
v. Diesel	577,550	
vi. Others	3,820,155	
		56,576,674
3. Balance In Development Account to be allocated to items of Capital Work In Progress when completed		12,135,216
	TOTAL	173,826,788

SCHEDULE 4 - ADVANCE & DEPOSITS FOR CAPITAL WORKS

	Rs.
i. Contractors & Suppliers	54,419,031
ii. Land Acquisition	7,623,052
iii. Capital works	51,432
iv. Purchase of Materials & Equipment	32,565,555
	TOTAL
	94,659,070

SCHEDULE 5 - CURRENT ASSETS & LOANS & ADVANCES

	Rs.	Rs.
A. CURRENT ASSETS		
i. Interest Accrued		17,037,352
ii. Cash in Hand		245,560
iii. Balance with Scheduled banks		
Current Account	36,980,740	
Term Deposit	743,381,056	
		<u>780,361,796</u>
		797,644,708
B. LOANS & ADVANCES		
(Unsecured, considered good unless otherwise stated)		
i. Deposits for accommodation		1,638,772
ii. Deposits for Telephone		365,550
iii. Other Deposits		139,290
iv. Advances to employees		27,533
v. Miscellaneous Advances		1,827,584
	TOTAL	<u>801,643,437</u>

SCHEDULE 6 - CURRENT LIABILITIES & PROVISIONS

	Rs.	Rs.
1. SUNDRY CREDITORS		
i. Contractors	7,268,211	
ii. Expenses	14,758,463	
iii. Others	3,945,594	
		<u>25,972,268</u>
2. SECURITY DEPOSITS		1,823,518
	TOTAL	<u>27,795,786</u>



SCHEDULE 7 - OTHER ADMINISTRATIVE EXPENSES

	Rs.
i. Rent (Office & residential)	1,191,072
ii. Printing & Stationery	924,260
iii. Postage, Telephone & Telex	4,754,256
iv. Travelling & conveyance	2,031,539
v. Building Maintenance	413,895
vi. Repairs & Maintenance (Others)	1,073,198
vii. Electricity & water Charges	345,436
viii. Books & Periodicals	148,119
ix. Auditors Remuneration	40,000
x. Other Expenses	3,109,778
TOTAL	<u>14,031,553</u>

SCHEDULE 8 - INCIDENTAL INCOME

	Rs.
i. Interest from Banks	30,659,240
ii. Sale of Tender Form etc.	122,648
iii. Rent recovery	45,399
iv. Other Receipts	588,209
TOTAL	<u>31,415,496</u>



Schedule 9

NOTES FORMING PART OF ACCOUNTS

1. 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 Line and operate the same for a period upto which the Corporation discharges its loan liabilities raised for financing the Project. According to the Memorandum of Undertaking, the contribution made by the State Governments towards Equity would be returned at par value by the Government of India on the Corporation liquidating the loans obtained for completing the Project.
2.
 - a. Land cost includes indirect expenses directly incurred in the process of acquisition of land and the 80% advance payments. The balance 20% is likely to amount to Rs. 53 lakhs which has not been provided for pending receipts of awards.
 - b. All the payments to the land owners are provisional and subject to final settlement.
 - c. The title deeds are still to be obtained.
3. Capital commitment entered into by the Corporation other than for land referred to in (2) above, not provided for, amount to Rs. 156.37 crores.
4.
 - a. The amount spent by the Government of India, Ministry of Railways, through Southern Railway and Central Railway approximately amounting to Rs. 4.57 crores, & Rs. 2.36 crores respectively have not been brought to books pending, rendering and settlement of detailed accounts by the Railways concerned. The amount involved, when settled, is to be adjusted towards Equity contribution by the Government of India. Meanwhile, the works and assets involved in the above expenditure have been taken over by the Corporation with effect from 15-10-1990.
 - b. Sundry creditors (others) include Rs. 10,00,000 provided by the Central Railway which is to be adjusted by way of allotment of Equity Shares to the Government of India.
5.
 - a. The Corporation is currently engaged in laying 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. Hence, only a Development Account showing the Revenue Expenditure 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 instead of a "Profit and Loss" Account.
 - b. Eventually the expenditure either the net of certain incidental income or the incidental income themselves would be apportioned in a suitable manner on the assets created during the construction period.
6. The Corporation has been advised that in view of the judgement in various High Courts and the Income Tax Tribunal that the incidental income arising out of the carrying out the Project would not be liable for Income Tax. Hence no provision for Income Tax liability is considered necessary.



KONKAN RAILWAY CORPORATION LIMITED FIRST ANNUAL REPORT

7. a. In classifying the nature of Fixed Assets and Capital Work in progress the requirements of schedule VI of the Companies Act 1956 and the format of disclosure followed by the Indian Railways have been kept in view.
- b. The assets (except temporary building structures) in use during the construction period have been depreciated at rates prescribed in Schedule XIV of the Companies Act 1956 under straight line method. Depreciation is charged pro rata from the month of addition of Asset. Temporary building structure has been depreciated on straight line method at 100%.
- c. The inventory of construction materials like cement, steel etc. , being essentially procured to be used in Capital Works is shown in the Fixed Asset Block.
8. The provision made for the Statutory Auditor's remuneration of Rs. 40,000/- for fees is as recommended by the Board of Directors which is pending approval of the Company Law Board.
9. The remuneration of Chairman and Managing Director is as under:-
- | | |
|--|----------------------------|
| Salary and Allowances | - Rs. 31875.00 |
| | (from 1.11.90 to 31.3. 91) |
| Contribution to Provident & other Funds. | - Nil |
10. Balances, deposits due to, and due from Contractors are subject to confirmation.
11. a. The Corporation being new, the liabilities towards Provident Fund and Gratuity do not arise at this stage.
- b. Liability to Contractors has been accrued to the extent work done and had been measured upto 31-03-1991.
12. This being the first year of the Accounts of the Corporation there are no previous year figures.

UMESH P. MASKERI
Company Secretary

P. RAJAGOPALAN
Director

E. SREEDHARAN
Chairman and Managing Director

For **THAKUR VAIDYNATH AIYER & CO.**
Chartered Accountants

(C.V. PARAMESWAR)



AUDITOR'S REPORT

To the members of
Konkan Railway Corporation Ltd.

We have audited the attached Balance Sheet of Konkan Railway Corporation as at 31st March 1991, and the Development Account of the company for the year ended on that date annexed thereto and report that :-

1. As required by the Manufacturing and Others Companies (Auditor's Report) Order 1988, issued by the Company Law Board in terms of Section 227 (4A), of the Companies Act 1956, we annex hereto a statement on the matters specified in paragraphs 4 & 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph (i) above, we report that
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our Audit.
 - b) In our opinion proper books of Accounts as required by Law have been kept by the Company so far as appears from our examination of the books.
 - c) The Balance sheet and the Development Account (in place of 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 subject to Note No(4) regarding the Company not being able to bring into books the amounts spent by other agencies; Note No(6) regarding the liability to Income Tax and noteNo.(10) regarding confirmation of balances, give the information required by the Companies Act 1956, in the manner so required and give a true and fair view :-
 - i) in the case of the Balance Sheet of the state of affairs of the Company as at 31st March 1991, and
 - ii) in the case of the Development Account of the Net expenditure carried to Balance Sheet for the period ended on that date.

For THAKUR VAIDYANATH AIYAR & CO.
Chartered Accountants

Bombay :
11th October, 1991

(C.V. PARAMESWAR)
Partner



**ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE AUDITORS' REPORT OF EVEN
DATE ON THE ACCOUNTS OF KONKAN RAILWAY CORPORATION LIMITED
FOR THE YEAR ENDED 31ST MARCH, 1991.**

1. The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. As per the information and explanation given to us the Fixed Assets located in Offices have been verified at the end of the accounting period and no discrepancies were noticed on such verification. In our opinion the frequency of verification is reasonable having regard to the size of the Company and the nature of its Fixed Assets.
2. None of the Fixed Assets have been revalued during the year.
3. Physical verification of Construction material, stores etc. have been carried out by the Management during the period. In our opinion the frequency of verification is reasonable.
4. In our opinion and according to the information and explanation given to us, the procedures of physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
5. The discrepancies noticed on verification between the physical stocks and book records were not material and have been properly dealt with in the books of account.
6. In our opinion the valuation of the stocks is fair and proper, in accordance with normally accepted accounting principles.
7. There are no companies listed in the Registers maintained under section 301 and 370 (1-B) of the Companies Act 1956, and hence there are no transactions to be reported upon.
8. In respect of loans and advances given by the Company to Contractors and others, recoveries of principle and interest are effected as per terms stipulated.
9. According to the information and explanation given to us the company is more or less following the internal control procedures prevalent in the Indian Railways with modifications, wherever necessary. As such, the internal control procedures, relating to purchase of stores, Plant and Machinery, Equipment and other assets are adequate.
10. There are no Companies listed in the Registers maintained under Section 301 & 370 (1-B) of the Companies Act, 1956 and hence there are no transactions of purchase/sale of goods material and services exceeding Rs.50,000/- or more in respect of each party to be reported upon.
11. The Company, being at the construction stage, the question of determination of unservicable stores does not arise.
12. The Company has not accepted any Deposits from the public.
13. As the company is in the construction stage there are no by products or scrap.



14. The Company has engaged the services of a firm of Chartered Accountants to conduct Internal Audit. The system as such is in the process of evolution and the Management expects to take adequate steps to make the scope of Internal Audit commensurate with the size and nature of its business.
15. The maintenance of cost records under section 209(i) (d) of the Companies Act 1956, has not been prescribed.
16. The Company being new and most of the employees being on deputation from Indian Railways and other organisations, the PF Scheme is not applicable. Where deductions are made towards PF from the employees on deputation the same is being remitted to the authorities concerned.
17. According to the information and explanation given to us there were no undisputed amounts payable in respect of the various taxes on 31st March 1991 for a period of more than six months from the date they became payable.
18. As per the information and explanations given to us no personal expenses other than those as per contractual obligation or in accordance with generally accepted business practice, have been charged to the Development Account.
19. The company does not come within the purview of clause 'O' of Sub Section (i) of Section 3 of the Sick Industrial Companies (Special Provision) Act 1985.

Bombay
11th October, 1991

For THAKUR VAIDYANATH AIYAR & CO.
Chartered Accountants

(C. V. PARAMESWAR)
Partner

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

Comments of the Comptroller and Auditor General of India under section 619(4) of the Companies Act, 1956 on the accounts of Konkan Railway Corporation Limited, New Bombay for the year ended 31st March 1991

1. Development Account for the period 19.07.1990 to 31.03.1991 - I. Expenditure during construction (A) Survey Rs. 2,09,64,576.00

This item includes survey instruments valued at Rs. 71,34,339. The cost of survey instruments should have been capitalised resulting in understatement of fixed assets (Schedule 2) and overstatement of survey expenses to that extent. Consequently, depreciation has also been undercharged.

2. Development Account for the period 19.07.1990 to 31.03.1991. Schedule - 7 other Administrative Expenses (iii) postage, Telephone and Telex Rs. 47,54,256/-

The EPABX Telephone Exchange system is an asset and its cost of Rs. 25,79,555 should have been capitalised and depreciation provided for accordingly. For the amount of Rs. 10,79,555 yet to be paid a liability should have been created. This has resulted in understatement of fixed assets by Rs. 25,79,555 and current liabilities I. Sundry Creditors (iii) others by Rs. 10,79,555/-

Telecommunication equipments costing Rs. 5,57,198/- should also have been capitalised resulting in understatement of fixed assets and under provision of depreciation.

REKHA GUPTA
Pr. DIRECTOR OF AUDIT
CENTRAL RAILWAY, BB. VT

REVIEW OF ACCOUNTS OF KONKAN RAILWAY CORPORATION LIMITED FOR THE YEAR ENDED 31ST MARCH 1991
BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA.

1. **Financial Position :**
The Table below summarises the financial position of the company under broad headings for the year ended 31.03.1991.

	<u>(Rupees in lakhs)</u>
LIABILITIES :	
(a) Paid up Capital	10599.50
Application Money	200.00
(b) Reserves & Surplus
(c) Borrowings
(d) Current Liabilities & Provisions	227.96
	<u>11077.46</u>
ASSETS	
(e) Gross Block	351.00
(f) Less Depreciation	13.18
(g) Net Fixed Assets	337.82
(h) Capital work in progress	1738.27
(i) Advances & Deposits for Capital Work	946.60
(j) Investments
(k) Current Assets Loan & Advances	8016.43
(l) Miscellaneous expenditure (to the extent not written off adjusted)	38.34
	<u>11077.46</u>
Capital Employed	8076.29
Net worth	10561.16

NOTE :

1. Capital employed represents net fixed assets plus working capital.
 2. Net worth represents paid up capital plus reserve and surplus less intangible assets.
2. **RESERVES, & SURPLUS:**
The reserves and surplus amounted to
- (a) NIL per cent of Total Liabilities in 1990-91.
 - (b) NIL per cent of the Share Capital in 1990-91.
3. **LIQUIDITY & SOLVENCY:**
- (a) The percentage of current assets to total net assets works out to 72.62
 - (b) The percentage of current assets to current liabilities works out to 2884.02
 - (c) The percentage of quick assets (Sundry debtors, loans advances, cash and bank balances) to current liabilities works out to 2884.02
4. **WORKING CAPITAL :**
The working capital (current assets, loans and advances less trade dues and current liabilities excluding provision for gratuity) of the company at the close of the year ending 31st march, 1991 amounted to Rs. 7738.47 lakhs.
5. **SOURCES AND USES OF FUNDS :**
Funds amounting to Rs. 13.18 lakhs from internal sources (Reserve and Surplus; depreciation and provision) and Rs. 11077.45 lakhs from external sources were utilised during 1990-91 as detailed below :

	<u>(Rs. in lakhs)</u>
Gross fixed assets	351.00
Current Assets, loans and advances	8016.43
Capital work in progress	1738.27
Advances and deposits for capital works	946.59
Miscellaneous Expenditure	38.34
	<u>11090.63</u>

- * 6. **WORKING RESULTS :**
- * 7. **COSTS TRENDS :**
- * 8. **SUNDRY DEBTORS AND TURNOVER :**
- * During the current year the Corporation is engaged in laying Railway line between Roha in Maharashtra and Mangalore in Karnataka through the state of Goa. This railway line is intended to provide the service facilities on the West Coast. The incidental income realised/accrued during the first year of construction has been accounted for.

This being the first year of incorporation, these figures cannot be compared with previous years figures. Figures have been regrouped/recast wherever necessary.

REKHA GUPTA
Principal Director Of Audit
Central Railway, Bombay V.T.

**REMARKS OF DIRECTORS ON THE COMMENTS OF
COMPTROLLER & AUDITOR GENERAL OF INDIA**

COMMENT No. 1

The Corporation is following a policy of booking of expenditure according to rules of allocation of expenditure as followed on Indian Railways. Accordingly, expenditure on Survey Instruments has been included in the total survey expenditure (as per para 634 of Engineering Code) and the net expenditure on this account will be capitalised on completion of the Project.

COMMENT No. 2

Out of the total cost of Rs. 25,79,555/- only, a provisional payment of Rs. 15,00,000/- was made during 1991-92 on receipt of the equipment. This expenditure was charged to Development Account pending final payment after installation, testing & commissioning was done during 1991-92, after which the residual payment of Rs. 10,79,555/- was made in September, 1991. Since the work of installation and commissioning was done only during 1991-92, there was no occasion for creating an Asset Account or making provision under Sundry Creditors for 1990-91. As the asset has been commissioned during 1991-92, the question of its capitalisation will be examined during the current year.

The amount of Rs. 5,57,198/- under tele-communication represents principally payments made to Mahanagar Telephone Nigam Ltd. for telephone circuits hired from them and since no assets have been created on this account, there has been no understatement of fixed assets.