



कोंकण रेलवे कार्पोरेशन लिमिटेड

(भारत सरकार का उपक्रम)

KONKAN RAILWAY CORPORATION LTD.

(A Government of India Undertaking)

नौवी
9TH

वार्षिक
ANNUAL

रिपोर्ट
REPORT

1998 - 99
1998 - 99



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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 (Planning), 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 ASHOK NATH | - | Chief Secretary, Govt. of Goa |
| | ALTERNATE | | |
| | MS. ARCHANA ARORA | - | Secretary, Transport, Govt. of Goa |
| 10. | SHRI M. MOHAN KUMAR | - | Chief Secretary, Govt. of Kerala |
| | ALTERNATE | | |
| | SMT. NALINI NETTO | - | Secretary, Transport, Govt. of Kerala |

COMPANY SECRETARY

SHRI B. SATYANARAYANA

STATUTORY AUDITORS

M/S. BHUSAN BENSAL JAIN ASSOCIATES

C & AG 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 NINTH (ADJOURNED) ANNUAL GENERAL MEETING**

Notice is hereby given that the Ninth (Adjourned) Annual General Meeting of Konkan Railway Corporation Limited will now be held on 30th December, 1999 at 15.30 hrs. 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 31.03.99 and Auditors' Report thereon.

SPECIAL BUSINESS**ITEM 2. Delisting of Bonds :**

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

'RESOLVED that subject to the provisions of the Companies Act, 1956, (including any statutory modification (s) or re-enactment thereof for the time being in force and as may be enacted hereinafter) and subject to such approvals, permissions and sanctions, as may be necessary from Securities & Exchange Board of India, Stock Exchanges concerned and Debenture Trustees etc. and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution), consent is hereby accorded to the Board to delist its 10.5% p.a. Tax-Free Bonds from The Stock Exchange, Mumbai, Cochin Stock Exchange Ltd., Bangalore Stock Exchange Ltd. and Mangalore Stock Exchange Ltd."

Yours faithfully,

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

PLACE : NAVI MUMBAI

DATE : 08-12-1999

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 No. 2 :**

The Corporation has mobilised an amount of Rs. 230.8597 crores in December, 1993 (2A Series) and Rs.200 crores in December, 1996 (6B Series) through issue of bonds to the public.

The above bonds were listed on the following Stock Exchanges in India.

1. The Stock Exchange, Mumbai.
2. Bangalore Stock Exchange Ltd.
3. Cochin Stock Exchange Ltd.
4. Mangalore Stock Exchange Ltd.
5. Delhi Stock Exchange Association Ltd.
6. National Stock Exchange of India Ltd.

In fact there was no trading in the above Stock Exchanges. A miniscule number of members are located in these regions where the Cochin Stock Exchange Ltd., Bangalore Stock Exchange Ltd. and Mangalore Stock Exchange Ltd. are situated. Therefore the proposed delisting of the Company's securities on these Stock Exchanges will not therefore adversely effect any investors including the members located regions where the said Stock Exchanges are situated. The Delhi Stock Exchange Limited being the regional Stock Exchange (since Registered Office of our Corporation is situated in Delhi) voluntary delisting is not allowed. Many bondholders are located in Mumbai. Hence it is proposed to keep listing in National Stock Exchange of India Ltd., and proposed to delist in The Stock Exchange, Mumbai.

Stock Exchanges in India with the permission of SEBI are now free to fix the prescribed listing fees unilaterally and it has been observed that the listing fees paid to the Stock Exchanges are disproportionately higher and no trading had taken place since the date of listing even in Mumbai and Delhi Stock Exchanges.

As a part of its cost reduction measures, the Company has proposed delisting of securities from the said four Stock Exchanges and in line with the SEBI regulations for voluntary delisting of the Company's Securities by the Company, members approval is sought by a Special Resolution for delisting its Securities from the Stock Exchanges subject to the approval of the bondholders located in the regions of Bombay, Cochin, Mangalore, Bangalore and the debenture trustees - State Bank of India, Main Branch, Mumbai. The Corporation has to offer exist option to the Bondholders if the rules and regulations of SEBI stipulates. The proposed delisting is in the interest of the Company and the Board commends the Resolution for acceptance. None of the Directors is interested in this resolution.



CHAIRMAN'S SPEECH AT THE NINTH ANNUAL GENERAL MEETING

Gentlemen,

It gives me great pleasure to welcome you to this 9th Annual General Meeting of your Corporation. As you are aware, the annual accounts for the year 1997-98, had been delayed as the project account had to be closed after undertaking a reconciliation of the materials issued, advances, contractors ledgers etc. for the full duration of the construction. As a result the accounts could be adopted by the share holders only in June, 99. Consequently, the process of account finalisation and auditing for the year 1998-99 has also been delayed.

The experience of the past one and a half years has revealed that the financial and commercial projections made in the original Traffic Survey done by the Southern Railway and later updated by M/s. RITES in 1995 and 1999 have been way off the mark. As has been repeatedly brought out, original traffic patterns on which the projections were based, have changed dramatically during the seven year construction period, due to changes in the economic scenario of the country.

As a result, the traffic earnings of the Corporation are barely sufficient to cover the operating expenses and the financing costs are totally uncovered.

The Corporation has continuously kept the Ministry of Railways apprised of the situation, and following steps have been taken under the guidance of the Ministry :-

1. A revised Business plan has been made on the basis of latest data available. Efforts are being made to realize traffic as per these plans.
2. Financial problems of the Corporation have been examined by the Ministry, which has agreed to advance interest free, long term loans to the Corporation, subject to parliamentary approvals.
3. Ministry of Railways have also agreed to defer the recovery of certain operating expenses of the Corporation, to help its cash flows.

REVISED BUSINESS PLAN :

The Corporation expected to get the following major streams of traffic for the current year.

- | | |
|-------------------|---------------|
| 1. Food grains | Rs. 30 crores |
| 2. RO-RO traffic | Rs. 10 crores |
| 3. HR steel coils | Rs. 30 crores |
| 4. POL from MRPL | Rs. 30 crores |



The POL traffic is subject to clearance of revised linkages from OCC. However, current trends indicate that food grain traffic from Punjab to Kerala has not materialised through Konkan Railway and the HR Steel Coil traffic also is unlikely to materialise, causing a drop in revenues by about Rs.50 Crores. As a result, the Corporation is likely to have a freight revenue of Rs.50 crores during 1999-2000. The business plan assumes a growth of 5% per annum for subsequent years.

The performance of the Corporation for the year 1998-99 has been covered in the Director's Report and therefore it is not called for any further elaboration from my side.

The Corporation is making all efforts to mobilise as much freight as possible. The Indian Railways also agreed to divert goods traffic whatever is possible through Konkan Railway. New and innovative products like RO-RO service was introduced and it is expected that traffic will be improved in due course of time. Inspite of these efforts the short term prospects for freight traffic continues to be bleak. In order to improve the earnings by tapping the potential market the Corporation has engaged Chief Commercial Manager (Marketing) recently. Further it was decided to reconstitute the Board of Directors in operational phase. In the reconstituted Board, Director (Operations & Commercial) will be inducted on full-time basis in addition to four non-official part-time Directors to strengthen the marketing efforts to improve the performance of the Corporation.

The Corporation is expected to pay an amount of Rs.350 crores approx. towards yearly interest. The Corporation is also expected to redeem the bonds/loans falling due for redemption out of surpluses generated from the operations. Since the Corporation is not able to meet its liability towards payment of interest and redemption of loan from its own resources, the Ministry of Railways has agreed to enter into long term loan agreement with Konkan Railway to provide interest free loan annually over the next 10 years for an estimated amount of Rs.260 crores p.a. assuming that the surpluses will be generated through increase in traffic levels to meet the revenue deficits and redemption obligations. The Railway Board assured that in case the expected levels of traffic does not materialise the interest free loan will be enhanced suitably to meet its liabilities in future.

The Railway Board also agreed to postpone the lease rentals payable on rolling stock in the initial years of operations and also providing necessary financial assistance including letters of comfort to the Corporation for getting good ratings for its borrowing programme. As you are aware the bonds worth Rs.214.86 crores had fallen due in the financial year 1998-99 and also Rs.484.25 crores worth of bonds had fallen due during the financial year 1999-2000. The Corporation has been able to repay the amount who had opted for redemption and successfully reissued those bonds for a further period of 5 years.

The activities of the Corporation are also proposed to diversify in order to broad base and strengthen the Company, to augment revenues by utilising the expertise gained over the years particularly in railway construction, tunnels, lighting and ventilation in tunnels, earth work, bridges, etc. As part of this diversification programme the Corporation has undertaken the work of construction of twin tube tunnels



in Mumbai-Pune Expressway on Turn Key Basis (Cost plus Basis) with an estimated cost of Rs.200 crores. The work will be completed shortly. The Corporation also has taken up lighting and ventilation work in 2.5 km. long Jawahar tunnel at an estimated cost of Rs.9.17 crores and the work will be completed by November, 2000. This work was awarded by Border Roads Organisation. The Corporation will also take up similar works in future in order to utilise the surplus engineers and the machinery and equipments including the expertise available in the tunneling work, etc. to enable the Corporation to earn profits for making the Corporation a viable one. Several measures were taken to increase the earnings and curtail the expenditure wherever it is possible.

The Corporation has excess capacity in its optic fibre communication link. Some of this excess capacity has been exploited to generate revenues, by leasing it out to licensed cellular service providers in Karnataka. A proposal has now been received by the Corporation to float a joint venture alongwith a US based NRI Company to start the business of Internet Service Provider in the Konkan region by utilizing its existing excess capacity. This is expected to generate revenues which will be many times more than the lease rentals being received and may start generating a net revenue of about Rs.8 to 10 crores per annum in the next two years. Possibilities for the future are much larger. The Corporation is exploring the possibilities of taking up this proposal in consultation with the Ministry of Railways and other agencies and ministries of the Government as required.

I hope all the measures stated above will help to improve the performance of the Corporation in the years to come.

I would like to conclude by thanking Ministry of Railways and other Central Government Departments and agencies as well as the Governments of 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. 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 the 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 Ninth Annual Report on the working of your Corporation.

1. OPERATIONS OF THE COMPANY

The Corporation has entered into operational phase on 26th January, 1998. Many trains have gradually been diverted via Konkan Railway route connecting New Delhi-Rajkot-Gandhidham-Trivendrum. The public patronage for these trains is very encouraging. During the year from April, 98 to March, 99 the following goods traffic was moved through Konkan Railway.

	<u>98 - 99</u>
i) Total Terminating Trains on Konkan Route	57
ii) Total Originating Trains on Konkan Route	35
iii) Through Traffic on Konkan Railway	<u>97</u>
	<u>189</u>

However, the goods traffic is not yet materialised as projected due to various factors during the period from April, 98 to March, 99.

Several measures were taken to improve the performance of the Corporation during the year under review. Ro-Ro Service was introduced between Kolad-Suratkal station on Konkan Railway. And it is expected that the goods traffic will develop slowly since expected industrial development has not taken place during the past two years due to economic slump in the market. Since the economy is recovering it is expected the goods traffic will improve during the current year.

2. FINANCIAL RESULTS

The Corporation is able to generate Rs. 80.35 crores through traffic earnings and Rs. 18.13 crores through other earnings during the year under review. After taking into account the depreciation and interest the Corporation has incurred a loss of Rs.340.31 crores during the year 1998-99. The accumulated losses are around Rs. 536.14 crores. Since the operations of the Corporation has not picked up as expected, the operating losses may also go up during the current year 1999-2000. In order to mitigate the amount of losses the Corporation desires to diversify the activities and strengthen the marketing operations to improve the traffic.

During the year under review the Corporation raised an amount of Rs.303.50 crores by issue of tax free / taxable / infrastructure bonds. An amount of Rs.214.88 crores worth of bonds had fallen due for payment during the year under review. The Corporation is able to redeem these bonds to the



bond holders who had opted for redemption and the same were reissued and some bond holders opted for extension of the tenure of bonds.

3. SHARE CAPITAL

The paid up share capital of the Corporation stood at Rs.770.5194 crores as on 31.03.1999 against the Authorised Share Capital of Rs. 800 Crores. The details are as under :

	(Rs. in thousand)	
	As on 31.03.99	As on 31.03.98
Ministry of Railways	407,71,92	407,71,92
Government of Maharashtra	154,65,00	139,65,00
Government of Goa	40,15,00*	38,40,00
Government of Karnataka	120,00,01	117,00,01
Government of Kerala	48,00,01	48,00,01
	770,51,94	750,76,94

(* including application money of Rs.1.75 crores)

4. ISSUE OF BONDS

The Corporation has mobilised Rs. 2299.7975 crores so far including Rs.131.14 crores raised through IRFC Ltd. from inception of the Corporation by issue of taxable/tax-free/infrastructure bonds. The Corporation has been able to reissue the bonds worth Rs.214.88 crores which had fallen due for repayment during the financial year 1998-99.

5. SHORT TERM BORROWINGS

An amount of Rs.75.45 crores (approx.) is outstanding as on 31.03.99 excluding interest, which was borrowed from the market during the year under review, to meet the interest liability & statutory obligations etc.

6. LONG TERM BORROWINGS

An amount of Rs.350 crores is outstanding as on 31.03.1999.

7. EXTERNAL COMMERCIAL BORROWINGS

The Amount of US \$ 115 million borrowed through external commercial borrowing route is outstanding as on date.



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 on the alignment of Mumbai-Pune Expressway to KRCL on "turn-key basis. An Agreement was signed on 08.12.97. The work is to be completed including ventilation arrangements in target time of 22 months from the date of signing of the Agreement. The work was undertaken on cost plus basis. The cost of the work is estimated at Rs.200 crores (approx.). The work is on schedule.

9. DIVIDEND

The Directors do not propose to recommend payment of dividend since the Corporation did not earn any profits during the year under review.

10. PARTICULARS OF CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

Provisions of Section 217 (1) (e) of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 1988 are not applicable to the Company as far as conservation of energy and technology absorption are concerned.

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. Several courses were organised during the year under review.

12. PARTICULARS OF EMPLOYEES

During the year under review, no employee of the Company was in receipt of salary of Rs.50,000 per month or Rs. 6,00,000 per annum and hence the particulars of such employees to be disclosed under section 217 (2A) of the Companies Act, 1956 and Companies (particulars of employees) Rules, 1975 and amendments thereof from time to time are not attached.

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 made thereunder during the year under review. Regular classes are being conducted to those employees who are appearing for examinations under Hindi Teaching Scheme. During the year staff who have done good work in Hindi were awarded suitably. Essay, elocution, noting and drafting competitions were conducted on the occasion of Hindi Diwas. Hindi work shops were organised to encourage the employees to use Hindi in their day to day work.

**14. DIRECTORS**

	NAME	Tenure
1.	Shri V. K. Agarwal, Chairman	13.02.98
2.	Shri B. Rajaram, D (P) & Acting MD	26.10.93
3.	Shri R. K. Sinha, D (F)	05.05.98
4.	Shri L. C. Jain	22.09.97
5.	Shri Swarup K. Gupta	04.03.97
6.	Shri S. Suryanarayanan	04.03.97
7.	Shri P. Subrahmanyam	20.09.97
8.	Shri B. K. Bhattacharya	23.08.97
9.	Shri S. R. Sharma	01.09.98
10.	Shri M. Mohan Kumar	17.10.98

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 1998-99.

16. ANNUAL GENERAL MEETING

The accounts for the year ended 1998-99 are under finalisation and simultaneously statutory audit is in progress. After approval of the accounts by the Board of Directors the same will be submitted to the statutory auditors for their audit report. There after the accounts will be submitted to C&AG for their comments. After receiving the comments, if any, final accounts will be submitted to the Board and the shareholders for adoption.

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.

For and on behalf of the Board of Directors

Sd/-

B. Rajaram

Director (P) & Acting Managing Director


BALANCE SHEET as at 31st March 1999

Particulars	Schedule No.	As at 31st March 1999		As at 31st March 1998	
		Rs.	Rs.	Rs.	Rs.
I. SOURCES OF FUNDS					
(1) Shareholders' funds:					
(a) Capital	1	7705194000		7507694000	
(b) Reserves and Surplus	2	18165000		18165000	
			7723359000		7525859000
(2) Loan Funds					
(a) Secured Loans	3	25393916204		20164069795	
(b) Unsecured Loans	4	6248585478		7418172754	
			31642501682		27582242549
			39365860682		35108101549
II APPLICATION OF FUNDS					
(1) Fixed Assets					
a. Gross Block		34215122045		33353178340	
b. Less depreciation		801862060		122005006	
c. Net Block	7	33413259985		33231173334	
d. Capital works in progress advances and deposits for Capital works	8	103745601		0	
			33517005586		33231173334
(2) Current Assets, Loans and Advances	6	2158118634		1148538678	
Less:					
Current Liabilities and Provisions	5	2025462742		1639148037	
Net Current Assets			132655892		(490609359)
(3) Miscellaneous Expenditure (to the extent not written off or adjusted)					
a. Preliminary Expenses		3264343		3672386	
b. Expenditure on Public Issue		218098092		245360354	
c. Discount on Bonds Issue		133407120		160133010	
			354769555		409165750
(4) Profit and Loss Account			5361429649		1958371824
			39365860682		35108101549

As per our report of even date appended hereto

For BHUSHAN BENSAL JAIN ASSOCIATES
CHARTERED ACCOUNTANTS

Sd/-
(ARUN KUMAR JAIN)
PARTNER

On behalf of the Board

Sd/- (R. K. SINHA) DIRECTOR (FINANCE)
Sd/- (B. RAJARAM) DIRECTOR (PROJECTS)

Sd/-
(B. SATYANARAYANA)
COMPANY SECRETARY

PLACE : MUMBAI
DATE : 16.10.1999


PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 1999

Particulars	Sch No	Rs.	Current Year Rs.	Rs.	Previous Year Rs.
A. INCOME					
a. Traffic Earnings	13		803558510		183545842
b. Other income	18		181272648		5497890
	(A)		984831158		189043732
B. EXPENDITURE					
1. Expenses on staff	14		321779421		131611574
2. Hire charges for Rolling Stock & Motive power.			90496774		38666504
3. Fuel			134369372		38985935
4. Lease rentals			199650000		202609444
5. Repairs and Maintenance					
a) Permanant Way		71846589		53751451	
b) Station and Other buildings		8465268		1759736	
c) Equipment		31115348		18110044	
d) Bridges & Tunnels		31732149		4253052	
e) Rolling stock		14749794		4990139	
			157909148		82864422
6. Commission			91834		48794
7. Loss on sale of assets			4064966		0
8. Depreciation			681325051		118242097
9. Depreciation Written back			(126531)		0
10. Depreciation for earlier years			(14186)		0
11. Misc. & other operating Expenditure	15		168205286		94704376
12. Finance charges	17		3038178463		902797037
	(B)		4795929598		1610530183
	(A - B)		(3811098440)		(1421486451)
13. Prior period adjustments	11		408040615		(114989130)
Net loss during the year			(3403057825)		(1536475581)
Add loss brought forward			(1958371824)		(421896243)
Total loss transferred to Balance Sheet			(5361429649)		(1958371824)
Accounting Policies and Notes to Accounts, Schedules 1 to 19 form an integral part of accounts.					

As per our report of even date appended hereto

For **BHUSHAN BENSAL JAIN ASSOCIATES**

CHARTERED ACCOUNTANTS

Sd/-

(ARUN KUMAR JAIN)

PARTNER

PLACE : MUMBAI

DATE : 16-10-1999

On behalf of the Board

Sd/-

(R. K. SINHA)

DIRECTOR (FINANCE)

Sd/-

(B. RAJARAM)

DIRECTOR (PROJECTS)

Sd/-

(B. SATYANARAYANA)

COMPANY SECRETARY

**SCHEDULE 1 - SHARE CAPITAL**

PARTICULARS	Current Year	Previous Year
AUTHORISED 80,00,000 equity shares of Rs.1000 each	<u>8000000000</u>	<u>8000000000</u>
ISSUED, SUBSCRIBED AND PAID UP 7687694 equity shares (Previous yr 7507694 shares) of Rs. 1000 each fully paid up	7687694000	7507694000
SHARE APPLICATION MONEY 17500 shares (Previous year NIL) of Rs. 1000 each	17500000	0
TOTAL	<u>7705194000</u>	<u>7507694000</u>

SCHEDULE 2 - RESERVES & SURPLUS

PARTICULARS	Current Year	Previous Year
CAPITAL RESERVE Premium on Issue of Bonds.	18165000	18165000
TOTAL	<u>18165000</u>	<u>18165000</u>


SCHEDULE -3 - SECURED LOANS

Particulars	Current Year	Previous Year
1. BONDS		
A. PUBLIC ISSUE 2A SERIES 10.5% secured redeemable at par non-cumulative and non-convertible bonds of Rs. 1000 each redeemable on 01.03.2004. (Letter Of Comfort issued by Ministry of Railways)	2308597000	2308597000
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 (Letter Of Comfort issued by Ministry of Railways)	2000000000	2000000000
C. PRIVATE PLACEMENT		
(I) 10.5% secured, redeemable, at par non-cumulative and non-convertible bonds of Rs.1000/- each.		
1. 519800 bonds of series 1A redeemable on 30.06.2003	519800000	519800000
2. 3100 bonds of series 1B redeemable on 01.10.2003	3100000	3100000
3. 218900 bonds of series 1C redeemable on 30.11.2003	218900000	218900000
4. 302000 bonds of series 2B redeemable on 31.03.2004 (previous year 1407000 bonds redeemable on 31.03.99)	302000000	1407000000
5. 715000 bonds of series 2C redeemable on 05.05.1999	715000000	715000000
6. 1366500 bonds of series 2D redeemable on 01.08.1999	1366500000	1366500000
7. 2761000 bonds of series 3A redeemable on 27.08.1999	2761000000	2761000000
8. 740000 bonds of series 3B redeemable on 31.10.2001	740000000	740000000
9. 645000 bonds of series 3C redeemable on 31.10.2004	645000000	645000000
10. 120000 bonds of series 4A redeemable on 07.02.2005	120000000	120000000
11. 630000 bonds of series 4B redeemable on 20.02.2005	630000000	630000000
12. 750000 bonds of series 4C redeemable on 05.07.2000	750000000	750000000
13. 420000 bonds of series 5A redeemable on 05.08.2000	420000000	420000000
14. 200000 bonds of series 5B redeemable on 11.10.2000	200000000	200000000
15. 432500 bonds of series 5C redeemable on 30.03.2001	432500000	432500000
16. 3,80,000 bonds of series 6A redeemable on 18.05.2001	380000000	380000000
17. 1,29,178 bonds of 6C series issued at 5% discount redeemable on 03.02.2007	129178000	129178000
18. 11,40,000 bonds of series 7A redeemable on 23.06.2002	1140000000	1140000000



Schedule 3 continued.....		
(II) Secured, redeemable, at par non-cumulative and non-convertible bonds of Rs.100000/- each backed by Letter Of Comfort issued by Ministry of Railways.		
19. 9.25% bonds of 17,650 of 7B series issued at 5% discount redeemable on 26.12.2004	1765000000	1765000000
20. 5771 bonds of series 8A issued at 13% redeemable on 30.05.2005	577100000	0
21. 10000 bonds of series 8B issued at 10.5% redeemable on 11.08.2008	1000000000	0
22. 6000 bonds of series 8C issued at 10.15% redeemable on 29.01.2006	600000000	0
23. 3579 bonds of series 8D issued at 10.5% redeemable on 04.02.2006	357900000	0
24. 5000 bonds of series 8E issued at 12.6% redeemable on 12.02.2002	500000000	0
TOTAL	20581575000	18651575000
2 LOANS		
Financial Institutions		
- IRFC	1311400000	1311400000
(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)		
- ICICI	3000000000	0
(Secured by Hypothecation of Assets present and future)		
Bank		
- Cash credit	500941204	201094795
(Secured by Hypothecation of all tangible, moveable property, present and future)		
GRAND TOTAL	25393916204	20164069795

**SCHEDULE 4 - UNSECURED LOANS**

Particulars	Current Year	Previous Year
i. SHORT TERM LOANS		
From Banks	254580000	1645164732
(Short term F.C.N.R loan)		
Inter corporate deposit	500000000	1100000000
Add : Interest accrued and due	24282811	24282811
(Amount repayable within next		
one year Rs.778862811]		
[Previous year Rs.2769447543]	778862811	2769447543
ii. MINISTRY OF RAILWAYS	500000000	0
iii FOREIGN CURRENCY LOAN		
From a Bank	90272667	105075211
[Amount repayable within next		
one Year Rs.22568163]		
[Previous Year Rs.2,10,09,720]		
iv FOREIGN CURRENCY LOAN - ECB	4879450000	4543650000
(External Commercial Borrowings)		
(LOC issued by Ministry of Railways)		
TOTAL	6248585478	7418172754


SCHEDULE 5 - CURRENT LIABILITIES & PROVISIONS

Particulars	Current Year	Previous Year
A. CURRENT LIABILITIES		
1. Sundry Creditors		
i. Contractors	269752167	512492591
ii. Expenses	72403346	75112901
iii. Deposits from contractors & others	124056706	271163130
iv. Payable to Railways		
a) Train operating expenses	225608073	63959465
b) Apportioned share of earnings	107250601	60264784
	332858674	124224249
v. Other Liabilities	10257428	5956374
2. Interest accrued but not due on		
a) Loans	251702818	125311291
b) Bonds	536535399	484088219
	788238217	609399510
3. Unclaimed Interest on Bonds	161435146	27191032
4. Unclaimed Application Money	123300	870000
5. Interest on application money	(3140030)	855305
6. Advance against sales	121212869	10416282
7. Unclaimed Brokerage	134420	134420
8. MSRDC	146798256	0
B. PROVISIONS		
Provision for Wealth Tax	1332243	1332243
TOTAL	2025462742	1639148037

* - Figure of MSRDC for previous year merged with other heads of liabilities


SCHEDULE 6 - CURRENT ASSETS, LOANS & ADVANCES

Particulars	Current Year		Previous Year	
A. CURRENT ASSETS				
I i. Interest Accrued		5062927		4300146
ii. Cash in Hand		4320122		3510600
iii. Funds in Transit		1758939		3500000
iv. Balance with Scheduled banks in				
a) Current Account	703911073		176999979	
b) Term Deposit [Out of this	479818912	1183729985	149307880	326307859
An amount of Rs.71814462				
is pledged with bank .				
(Previous yrRS. 64983018)				
v. Traffic Earnings receivable				
a) over 6 months	1440556		524717	
b) less than 6 months	98747219	100187775	69813262	70337979
		1295059748		407956584
II. Inventory (Schedule-16)		240264868		222539034
A (I + II)		1535324616		630495618
B. LOANS & ADVANCES				
[Unsecured, considered good unless otherwise stated]				
I. i. Advances recoverable in cash or in kind or for value to be received	13786849		21717193	
ii. Sundry receivables	252023468		88077777	
iii. Advances to employees	2136731		7513644	
iv. Deposits for accomodation	1631478		3747120	
v. Deposit with government agencies	1080801		1208985	
vi. Other Deposits	22653860		22470822	
vii. Deposit for lease of assets	216000000		216000000	
viii. Deposit works to other Govt/Dept	5826060		341113	
ix. TDS deduction	36460702	551599949	9320975	370397629
II. Advances and deposits for Capital Works				
i. Contractors & Suppliers	37116661		93709299	
ii. Land Acquisition	19618052		33111812	
iii. Purchase of Material & Equipment	13831359		19838048	
iv. Advance to Govt agencies for works	627997	71194069	986272	147645431
B (I + II)		622794018		518043060
GRAND TOTAL [A + B]		2158118634		1148538678



SCHEDULE - 7 FIXED ASSETS

		GROSS BLOCK					DEPRECIATION					NET BLOCK	
SR NO	DESCRIPTION	ASSET VALUE AS AT 01.04.98	ADDITION DURING 98-99	ADJUSTMENTS TRANSFER/DELET OF ASSETS 98-99	ASSET VALUE AS ON 31.03.99	DEPR AS AT 01.04.98	DEPR FOR 98-99	ADJ. OF TRF/DEL DEPR. IN 98-99	CUMULATIVE DEPR. IN END 98-99	VALUE AS AT 31.3.99.	NET ASSET VALUE AS AT 31.3.98		
1	2	3	4	5	6	7	8	9	10	11	12		
1.	Land	1122459778	30066539	581192	1153107509	0	0	0	0	1153107509	1122459778		
2.	Formation	22498959470	254799111	306666161	23060424742	40000799	243548444	0	283549243	22776875499	22458958671		
3.	P. Way	5610035810(a)	64024889	83492210	5757552909	44027495	268241652	0	312269147	5445283762	5566008315		
4.	Buildings	1609552553	22388526	37864212	1669805291	4389297	27785103	-108409	32065991	1637739300	1605163256		
5.	Plant & Equipment	2188873964(b)	44625098	7208133	2240707195	23320035	114088787	-1016426	136392396	2104314799	2165553929		
6.	Locos & Other Rolling Stock	161516688	1961174	2055599	165533461	4893629	4096264	0	8989893	156543568	156623059		
7.	Furniture & Fixtures	3565686	763024	-4154069	174641	243572	11920	-229283	26209	148432	3322114		
8.	Office Equip. Pherperals	142727836	10839845	-1159593	152408088	4868173	22083481	-65143	26886511	125521577	137859663		
9.	Vehicles	15486555	565699	-644045	15408209	262006	1469400	-48736	1682670	13725539	15224549		
TOTAL		33353178340	430033905	431909800	34215122045	122005006	681325051	-1467997	801862060	33413259985	33231173334		
Previous Yr.		141690074	33220604310	9116044	33353178340	3762909	120644372	-2402275	122005006	33231173334			

a. The value of PWay Track excludes an amount of Rs.131.66 crores being the sale and lease back.

b. Includes six Dunnet Concrete Sleeper Laying Machines received free of cost from Australian International Development Assistance Bureau otherwise valued at Rs. 3.24 Crores. however other incidental costs are capitalised of Rs.458209/-


SCHEDULE 8 - CAPITAL WORKS IN PROGRESS AND DEVELOPMENT EXPENDITURE

Particulars		Current Year	Previous Year
A. CAPITAL WORKS IN PROGRESS			
I. Works			
i) Structural Engg Works		93191345	0
TOTAL - A		93191345	0
B. I EXPENDITURE ON CONS. ESTT			
i) Salaries, Allowance & Benefits	9	13280312	0
ii) Other Administrative Expenses	10	2736225	0
iii) Prior period adjustments	11	155508	0
TOTAL		16172045	0
II. LESS INCIDENTAL INCOME	12	(5617789)	0
TOTAL B		10554256	0
GRAND TOTAL [A+B]		103745601	0

SCHEDULE 9 - SALARIES, ALLOWANCES & BENIFITS

Particulars	Current Year Rs.	Previous Year Rs.
i. Salaries & Allowances	11464944	0
ii. Contribution to Provident & other funds	997906	0
iii. Gratuity	304449	0
iv. Foreign Service Contribution	151812	0
v. Staff Welfare	361201	0
TOTAL	13280312	0

**SCHEDULE 10 - OTHER ADMINISTRATIVE EXPENSES**

Particulars	Current Year	Previous Year
	Rs.	Rs.
i. Rent	117999	0
ii. Insurance and Taxes	97788	0
iii. Printing and Stationery	46344	0
iv. Postage , Telephone & Telex	111202	0
v. Travelling and Conveyance	978871	0
vi. Vehicles Expenses	505584	0
vii. Repairs and Maintenance		
a) Plant and Machinery	345625	0
b) Buildings	20010	0
c) Others	5305	0
viii. Electricity & water Charges	133241	0
ix. Advertisement and publicity	15012	0
x. Other Expenses	359244	0
TOTAL	2736225	0

**SCHEDULE 11 - PRIOR PERIOD ADJUSTMENTS - (DEVELOPMENT ACCOUNT)**

Particulars	Current Year Rs.	Previous Year Rs.
1. Salaries, allowances and Benefits	155508	0
TOTAL	155508	0

SCHEDULE 11 A - PRIOR PERIOD ADJUSTMENTS - (P & L ACCOUNT)

Particulars	Current Year Rs.	Previous Year Rs.
1. Hire charges on - Coaches/Wagons	2181951	0
2. Fuel and lubricants	(8394358)	1082
3. Salary and establishment	7246949	958488
4. Duties and taxes	853518	0
5. Lease rentals	(3875000)	0
6. Miscellaneous expenses	3871108	0
7. Financing charges	(410195610)	0
8. Repairs & mntc - P & M stn bldgs etc	270827	661886
9. Other operating expenses	0	20767
10. Depreciation	0	(673292)
11. Loss on sale of Assets	0	113789700
12. Repair and Maintenance of Vehicles	0	140803
13. Advertisement and Publicity	0	89696
TOTAL	(408040615)	114989130

**SCHEDULE 12 - INCIDENTAL INCOME**

Particulars	Current Year Rs.	Previous Year Rs.
i. Sale of Tender Forms etc.	30357	0
ii. Rent recovery	13412	0
iii. Other receipts	45940	0
iv. Depreciation written back (Dunnet Sleeper laying machine)	5528080	0
TOTAL	5617789	0

SCHEDULE 13 - TRAFFIC EARNINGS

Particulars	Current Year Rs.	Previous Year Rs.
1. Passenger	630201104	153767838
2. Other Coaching	2569624	1750231
3. Goods	166444945	27039365
4. Sundry	4342837	988408
TOTAL	803558510	183545842

**SCHEDULE NO .19 : ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS.****A) APPLICABLE SIGNIFICANT ACCOUNTING POLICIES.**

1. The Corporation 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 as adopted by 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 interest on delayed payment of T.D.S and sales tax which are treated on cash basis. Payment of bonus is accounted for in the year of disbursal.
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 are shown at cost less accumulated depreciation.
(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 as a whole on a Prorata basis. The further expenditure incurred on uncompleted works is proposed to be apportioned on the same basis as and when completed.
(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/- are written off fully in the year of acquisition.
 - ii) Vehicles owned by Corporation are depreciated at the rate of 9.5%.
(e) Leasehold land is not amortised over the period of Lease.
(f) Computer and peripherals include cost of development of software.
(g) As per the practice followed in Railways, the cost of furniture and fixtures lying at offices, stations and rest houses are added with the respective building cost.



5. The inventories of construction materials are shown at cost.
6. Foreign Exchange Transactions.
 - a) The transaction denominated in foreign currencies is 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 recognized in the Profit & Loss Account except in case where the exchange difference relate to acquisition of fixed assets in which case the same is adjusted to the carrying cost of such assets.
7. Employees Retirement Benefits : Corporation's contributions to Provident Fund are charged to the Profit & Loss Account. Gratuity and leave encashments are provided for on actuarial basis.
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 is made by following percentage completion method.
 - II.
 - (a) Interest income is recognized on a time proportion basis depending upon amount outstanding and the rate applicable.
 - (b) The sale of traffic tickets through agents are treated as earning as and when sold to them, irrespective of consumption of tickets.
 - (c) The revenue from sale of scrap, salvage or waste materials is accounted for in the year of sale.
 - (d) Accounting in respect of profit/loss on sale of assets is 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 measurements taken upto 31.03.99 and bills received upto 30.06.1999.
 - (c) Recovery on account of risk and cost transactions is effected at the time of completion of works after due determination and the same is being accounted for on actual realisation.

**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 is being amortised at the rate of one-tenth every year over a period of 10 years. Discount on issue of bonds is being 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 Governments 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 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 Corporations 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 the 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. 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. The variation between provision made and actual expenditure incurred till the completion and consequent variation in depreciation has been adjusted in the cost of the Asset concerned. Further financial impact in case of some Assets capitalised based on technical estimation for which final bills have not been settled can not be quantified at this stage.
- (c) Consequent on the completion of various capital works of the konkan railway project the development account was closed as on 25/01/98. However the new works which are being carried out during 98-99 and not completed are continued to be shown under capital works in progress along with the development expenditure.
- (d) The entire fixed assets used in the construction has been transferred to open line with the written down value as on 25.01.1998 after depreciation. The consequent effect on the Development Account and Profit and Loss Account has not been quantified.
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.1.96Cr. 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.(Previous year Rs.3.31 Crore)
18. Amount spent by the Government of India, Ministry of Railways through Southern Railway 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.1.97 Crores (previous year Rs.3.07 Crores)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 for which the reconciliation is in progress and the exact amount of difference can not be quantified at this stage.
- (b) Construction material like cement,steel,issued to the contractors and actual consumption can be determined only after final measurement of the work and shall be accounted for as and when finally settled.



- (c) Stores in Transit is having a balance of Rs. 61.00 lakhs (previous year Rs. 68.73 lakhs) which is still to be adjusted.
21. (a) Sundry balance receivables and payable accounts from/to contractors, Government authorities, suppliers and others are subject to confirmation and reconciliation.
- (b) Sundry balances of unsecured loans are subject to confirmation.
22. 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) All categories of bonds issued by the Corporation under various series as stated in Schedule 3 are secured by way of Pari Passu charge/mortgage, created/to be created on movable/immovable assets relating to the Corporation both present and future.
- (b) Necessary Bond Redemption Reserve will be created in the year in which the Corporation will have profit.
24. Future obligations towards lease rentals under the lease agreements as on 31st March, 1999 in case of Primary lease are Rs. 98.495 crores and in case of Secondary lease Rs. 3.89 crores.
25. Sales-Tax assessment in respect of 1995-96 in case of Maharashtra State has been finalised and the Sales Tax Department has raised a demand of Rs. 91 Lacs against which the Corporation has gone for appeal and stay order against the demand has been obtained and interim amount of Rs. 24 Lacs has been deposited with the Sales Tax Department.
26. The Corporation has changed its accounting policy No. 6 (c) in accordance with the accounting standard No. 11 issued by the Institute of Chartered Accountants of India for account of translation difference on the balance sheet date. Due to the change in the Accounting Policy the carrying cost of fixed Asset has gone up by Rs. 41.02 crores for 1997-98 and Rs. 34.40 crores for the year 1998-99. This has resulted in reduction of accumulated losses by Rs. 41.02 crores pertaining to 1997-98.
27. As per the Accounting policy of 10(c) the total estimated risk and cost amount of Rs. 25.81 crores is recoverable from the various contractors which will be accounted for as and when realised.
28. Hire charges paid for passenger coaches are shown net of recoveries. The amount receivable from Indian Railways on account of Fuel and passenger coaches hire being Rs. 3,97,33,182/- (Previous year Rs. 2,40,23,490/-) and Rs. 130,61,505/- (Previous year Rs. 78,88,605/-) respectively.



29. Short Term investment of Rs.5 crores for 45 days was made in M/s.Punwire Communications Ltd., Chandigarh backed by the post-dated cheques. On presentation the cheques bounced. However M/s.Punwire Communications Ltd.,has made a payment of Rs.2 Crores which was adjusted against the principal and interest. The Corporation has initiated criminal proceedings under Sec.138 of the Negotiable Instruments Act. The Corporation is of the opinion that an amount of Rs. 3.68 crores towards principal and Rs.15 Lacs towards interest is recoverable and the debt is good and hence no provision is made.
30. Loans and Advances include due from Directors Rs. 822/- (Previous year Rs.3,104/-) Maximum balance outstanding on any day during the year was Rs. 25,000/- (Previous year Rs.10,724/-).
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 as assessed by the management was 8.23Crores (previous year Nil)
 - (b) Contractor's and other claims against the Corporation not acknowledged as debt as assessed by the management are Rs. 193.48 Crores (Previous year Rs.134.05 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 Awards are received.
 - (c) The Income Tax demands for Rs.22.04 crores get extinguished by order of Commissioner of Income Tax (Appeals) which is being disputed by Income Tax Department before Income Tax Appellate Tribunal.
 - (d) Excise duty demands being disputed of Rs.4.84 crores (Previous year Rs.4.84 crores).
 - (e) Various court cases have been filed by the land owners in several courts for revision of the amount of the award passed by the State Government. The amount of likely liability on this account is unascertainable at present.
 - (f) Sales tax demands being disputed of Rs 0.91 crores (previous year Nil)



ADDITIONAL INFORMATION PERSUANT TO THE PROVISION PART II OF SCH.VI OF THE COMPANIES ACT, 1956

33(a).	Director's Remuneration	Current year	Previous year
	The remuneration of Director's is as under :-	(Rs.)	(Rs.)
	Salary and Allowances	1187124	897160
	Contribution to Provident Fund	21844	21064
	Pension Contribution paid to Rlys.	155876	236696
		1364844	1154920
(b).	Auditors Remuneration		
	Auditors remuneration is as under :-		
	For Audit fees	75000	75000
	For Tax Audit	30000	30000
	For Income Tax matters	5000	5000
	For reimbursement of out of pocket expenses	202018	60069
34	Earnings in foreign exchange :-	Nil	Nil
35	Foreign currency expenditure :-		
	Travelling	1112624	581086
	Interest, Handling & Other Charges	321790007	319673057
	Other than Capital goods	425355	155247
		323327986	320409390
36	Value of imports on C.I.F. basis :-		
	I. Component and spare parts	7154110	11263108
	II. Capital goods	29592162	5783582
		36746272	17046690
37	Balance Sheet Abstract and a Company's General Business Profile as per Schedule VI part (iv) of the Companies Act, 1956.		
I	Registration Details:		
	Registration No:		55-10891
	State Code No :		55
	Balance Sheet Date :		31.03.1999
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)		180000000



III	Position of Mobilisation and Development of Funds:-	(Rs.)
	Total Liabilities	41391323424
	Total Assets	41391323424
	SOURCES OF FUNDS	
	Paid-up Capital (Includes Share Application Money Amounting to Rs.1.75 crores)	7705194000
	Reserves & Surplus	18165000
	Secured Loans	25393916204
	Unsecured Loans	6248585478
		<u>39365860682</u>
	APPLICATION OF FUNDS	
	Gross Fixed Assets including Capital WIP	34318867646
	Investments	Nil
	Misc Expenditure	354769555
	Accumulated Losses	5361429649
	Net Current Assets	132655892
IV	Performance of Company	
	Turnover	984831158
	Total Expenditure (Including prior period adjustment)	4387888983
	Profit / (loss) before Tax	-3403057825
	Profit / (loss) after Tax	-3403057825
	Earnings per share Rs.	N.A.
	Dividend Rate %	N.A.
V	Generic name of Principal Product of Company (as per monetary terms)	700 as per industrial classification of joint stock companies
	Item Code No	
	Product Description	Railway Transportation

Signatures for Schedules 1 to 19

On behalf of the Board

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

Sd/-
(ARUN KUMAR JAIN)
PARTNER.

Sd/-
(R.K.SINHA)
DIRECOTR (F)

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

PLACE : MUMBAI
DATE : 16.10.99

Sd/-
(B.SATYANARAYANA)
COMPANY SECRETARY



AUDITORS' REPORT

To the Members of Konkan Railway Corporation Limited.

We have audited the attached Balance Sheet of KONKAN RAILWAY CORPORATION LIMITED, as at 31st March 1999, the Profit and Loss Account of the company for the year ended on that date annexed hereto:

1. As required by the Manufacturing and Other Companies (Auditor's Report) order, 1988, issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we annexe hereto statement on the matters specified in paragraphs 4 & 5 of the said order.
2. Subject to our comments in the Annexure referred to in the paragraph above, we further report that:
 - A. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - B. In our opinion, proper Books of 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 and 10C 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-3, As-6, As-10 and As-13 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 subject to:
3.
 - I. 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.
 - II. 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 the Articles of Association of the Corporation. Also the retired persons reemployed by the Corporation have been given the benefits of contributory Provident Fund, which is in violation of Provident Fund Act. The Financial impact could not be ascertained.
 - III. Penalties imposable under Income Tax Act, 1961 on account of Non Deduction of Tax from various parties is not quantifiable at this stage.
 - IV. 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.

- V. 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.
- VI. Note No.16(d) with regard to transfer of assets on written down value.
- VII. (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.1.96 crores; note No.32(e) regarding non provision of amounts to be paid to land owners.
- VIII. Note No.18, regarding non-adjustment of Rs. 39,23,000/- incurred by other railways.
- IX. Note No.19, regarding non-adjustment of advances amounting to Rs.1.97 crores.
- X. 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.61.00 lakhs unreconciled.
- XI. Note No.21(a) & (b) regarding Sundry balances in debit and credit accounts are subject to confirmation/reconciliation.
- XII. Accounting policy No. 6(C) relating to adjustment of foreign exchange difference with regard to Fixed Assets has under gone a change which has resulted in increasing carrying cost of the fixed assets by Rs.41.02 crores for 1997-98 and Rs. 34.40 crores for the year 98-99 and reduction in accumulated losses to the tune of Rs. 41.02 crores for the year 1997-98.
- XIII. During the year equity shares worth Rs. 18 crores have been allotted with out being backed by Board's resolution.
- XIV. Management has exceeded the ceiling of Rs.100 crores for short term investments by Rs.12.35 crores on 16th February, 1999.
- XV. The following accounting standards have not been followed by the corporation.
 - (a) AS-3 with regard to Cash Flow Statements.
 - (b) AS-6 with regard to disclosure of chargeable rate of depreciation.



- (c) AS-10 with regard to transfer of construction assets to open line at Written Down Value.
- (d) AS-13 with regard to classification of investments.
- XVI. Refer to Note no. 27 regarding accounting for risk and cost recoveries from contractors amounting to Rs. 25.81 crores.
- XVII. The corporation has violated Article No 72 (12) of the Articles of Association of the Corporation by making deposits in Non-Nationalised Banks.
- XVIII. Income and expenditure items pertaining to previous year less than one lakh Rupees have not been routed through the prior period adjustment account. The consequential impact on profit and loss account is not quantified and to that extent the loss is overstated.

In view of the matters described in paragraphs 3(I) to 3(XVIII) above and paras 1,3 to 5 and 15 of annexure referred to in para 1 above, the aggregate effect of which in our opinion cannot be worked out precisely, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view.

A. In the case of Balance Sheet of the state of affairs of the company as at 31.03.1999.

B. In case of Profit & Loss account of the loss for the year ended on that date.

For **BHUSHAN BENSAL JAIN ASSOCIATES,**
CHARTERED ACCOUNTANTS,

Sd/-

(**ARUN KUMAR JAIN**)
PARTNER

PLACE : MUMBAI

DATE : October 16, 1999

**ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE AUDITORS REPORT ON THE ACCOUNTS OF KONKAN RAILWAY CORPORATION LIMITED, FOR THE YEAR ENDED 31ST MARCH 1999.**

1. The company has 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.
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. We have been given to understand that Corporation is following Indian Railways manual with regard frequency of physical verification for different items which in our opinion is not reasonable.
5. The discrepancies noticed on verification between physical stock wherever done and book records were not dealt with, physical balance are pending for reconciliation with the book balance 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 being taken by the company but in our opinion, the company should initiate close follow up action of 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, 1999 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 Provisions) 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

Sd/-

(**ARUN KUMAR JAIN**)
PARTNER

PLACE: MUMBAI

DATE : October 16, 1999



CASH FLOW STATEMENT FOR 1998-99		(Rs. '00,000)
A CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax & extraordinary items:		-34031
Adjustments for :		
Depreciation		6812
Interest & other income		-1813
Prior period Adjustment		-4080
Interest expenses		30382
Operating loss before working capital changes		-2730
Increase in Sundry debtors		-1346
Increase in inventories		-178
Increase in Sundry creditors		3864
Cash generated from operations		-390
Income taxes paid		
Cash flow before extraordinary item		-390
NET CASH FROM OPERATING ACTIVITIES		-390
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets		-1737
Proceeds from sale of equipment		149
Interest received		
NET CASH FROM INVESTING ACTIVITIES		-1588
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital		1975
Proceeds from long term borrowings		135476
Repayment of long term borrowings		-98314
Interest paid		-28594
NET CASH USED IN FINANCING ACTIVITIES		10543
Net increase in cash & cash equivalents		8565
Cash & Cash equivalents at beginning of period		3333
Cash & Cash equivalents at end of period		11898

For and on behalf of the Board of Directors.

Sd/-
(B. SATYANARAYANA)
COMPANY SECRETARY

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

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

Auditors Certificate

We have verified the attached Cash Flow Statement of the Konkan Railway Corporation Ltd., which has been compiled from and is based on the audited financial statement for the year ended March 31, 1999. To the best of our knowledge and belief and according to the information and explanations given to us, it has been prepared pursuant to clause 32 of the Listing Agreement with The Stock Exchange, Mumbai and New Delhi.

For **BHUSHAN BENSAL JAIN ASSOCIATES**
CHARTERED ACCOUNTANTS

Place : Mumbai
Date : 9/12/99

Sd/-
(RAVI BHARADWAJ)
PARTNER



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 (KRCL) for the year ended 31st March 1999.

A. Profit & Loss Account.

1. Expenses on staff - Rs. 32.18 crores (Schedule -14).

This is understated by Rs. 1.75 crore being the amount of staff expenditure chargeable to revenue account but charged to Development Account and capitalised. This has also resulted in overstatement of assets as well as understatement of loss for the year to that extent.

2. Repairs & Maintenance - Rs.15.79 crore.

a) This is understated by Rs.43.32 lakh being the expenses chargeable to the accounting year 1998-99 but charged to accounting year 1999-2000. This has resulted in understatement of loss for the year to the same extent.

b) This is overstated by Rs. 21.78 lakh being the expenditure pertaining to the accounting year 1997-98 but charged in the accounting year 1998-99. This has resulted in understatement of prior period expenses and overstatement of loss for the year to that extent.

B) Balance Sheet

3. Fixed Assets (net block) Rs.3341.33 crore (Schedule -7)

This is overstated by Rs.2.47 crore being amount of foreign currency fluctuations required to be apportioned to the assets sold under sale & lease back arrangement, as the amount of foreign currency was also utilised for creating the assets sold. This has also resulted in understatement of prior period adjustments as well as net loss to that extent.

Management's Remarks

Not accepted. Although the entire line was opened for traffic on 26.1.1998, there were other subsidiary works in progress, like construction of Quarters, Lining works at Pernam, FOBs, Misc.works in stations, union buildings, side drains, etc. and even after completion the staff have to be retained for a period of atleast six months to complete the formalities of reconciling material, drawing Final Bills and closing of contracts. The expenditure has therefore, been capitalised correctly.

The corporation has accepted an amount of Rs.32.06 lakhs only. Difference pertains to prior period expenses, below Rs.1,00,000/-. The Corporation had decided not to operate prior period expenses for petty items of expenses below Rs.1.00 lakh as amount is not very material to accounts and involves detailed maintenance of records. In the opinion of the management, the amount is not material and no corrective action is required.

Not accepted. The corporation had taken a decision not to operate prior period expenses for petty items of expenditure below one lakh, as it involved maintenance of record based on billing period etc. for items like telephone, electricity, water bills etc. Not disclosed as it was not considered as significant Accounting Policy.

Not accepted. The adjustments were made as per Accounting standard 11.



**REVIEW OF ACCOUNTS ON KONKAN RAILWAY CORPORATION LIMITED,
FOR THE YEAR ENDED 31ST MARCH 1999
BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA.**

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

(Rs. in Lakh)

PARTICULARS	1996-97	1997-98	1998-99
LIABILITIES			
a) Paid up Capital			
i) Government (Application money)	60971.94	75076.94	76876.94 175.00
ii) Others			
b) Reserves & Surplus			
i) Free Reserve & Surplus			
ii) Share premium account	181.65	181.65	181.65
iii) Capital Reserves			
c) Borrowings			
i) From Govt. of India			5000.00
ii) From Financial Institutions	195924.00	216081.40	251475.55
iii) Foreign Currency Loans	26480.63	46487.25	49697.23
iv) Cash Credit		2010.95	5009.41
v) Others	22100.00	11000.00	5000.00
vi) Interest accrued and due	242.83	242.83	242.83
d) i) Current liabilities and Provisions	15019.61	16391.48	20254.63
ii) Provision for Gratuity			
TOTAL	320920.66	367472.50	413913.24
ASSETS			
e) Gross block	11967.97	333531.78	342151.22
f) less : Depreciation	3993.82	1220.05	8018.62
g) Net Block	7974.15	332311.73	334132.60
h) Capital work in progress	293112.73	0.00	1037.46
i) Investments			
j) Current assets, Loans and advances	11783.20	11485.39	21581.19
k) Misc-expenditure not written off	3831.62	4091.66	3547.69
l) Accumulated loss	4218.96	19583.72	53614.30
TOTAL	320920.66	367472.50	413913.24
m) Working Capital (j-d(i)-c(vi))	(-) 3479.24	(-) 5148.92	1083.73
n) Capital Employed (g+m)	4494.91	327162.81	335216.33
o) Net Worth (a+b(ii)+b(iii)-k-l)	53103.01	51583.21	20071.60
p) Net Worth per Rupee of paid up capital in Rs.	0.8709	0.6871	0.2605



2. WORKING RESULTS

(Rs. in Lakh)

PARTICULARS	1996-97	1997-98	1998-99
i) Traffic Earnings	532.50	1835.46	8035.58
ii) Less Excise Duty			
iii) Net Traffic Earnings		1835.46	8035.58
iv) Other or Misc. Income		54.98	1812.73
v) Profit/Loss before tax and prior period adjustments	(-) 2106.31	(-) 14214.86	(-) 38110.98
vi) Prior period adjustments	(-) 29.43	(-) 1149.89	4080.40
vii) Profit / Loss before tax	(-) 2076.87	(-) 15364.76	(-) 34030.58
viii) Tax provisions			
ix) Profit / Loss after tax	(-) 2076.87	(-) 15364.76	(-) 34030.58
x) Proposed Dividend			
xi) Accumulated loss	4218.96	19583.72	53614.30
xii) Percentage of accumulated loss to paid up capital	6.92	26.08	69.58

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 :-

(in percentage)

PARTICULARS	1996-97	1997-98	1998-99
A. Liquidity Ratio	0.772	0.690	1.053
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			
Long term debt equity	3.71	3.28	3.88
C. Profitability Ratios			
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 Rupee)	N. A.	N. A.	N. A.

Sd/-
(K. Ganga)
Principal Director of Audit