Notes to Standalone Financial Statements

1. **Corporate information:**

Konkan Railway Corporation Ltd. ('Corporation') is a Government Company domiciled in India and is incorporated on 19th July'1990 under the provisions of the Companies Act. The registered office of the company is located at Belapur Bhavan, Plot No 6, Sector 11, CBD-Belapur, Navi Mumbai 400614.

The Corporation is engaged into the passenger and goods transport services by rail as well as project services for Zonal Railways and Other Agencies.

The bonds of the company are listed on National Stock Exchange.

The standalone financial statements are approved for issue by the Company's Board of Directors on May 25, 2023.

2. **Significant Accounting Policies**

A. Basis of Preparation of Standalone Financial Statements

The standalone financial statements of the Corporation have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 and amendments thereafter and the relevant provisions of the Companies Act 2013, as applicable. The standalone financial statements for the year are prepared in accordance with Ind-AS.

The standalone financial statements are prepared on a going concern basis. The standalone financial statements have been prepared on a historical cost convention and on an accrual concept basis.

The standalone financial statements are presented in INR which is the functional currency of the Corporation, and all values are rounded to the nearest Lakhs (INR 00,000).

2.2 Accounting Estimates

The preparation of the Standalone financial statements, in conformity with the recognition and measurement principles of Ind AS, requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the date of Standalone financial statements and the results of operation during the reported period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates which are recognised in the period in which they are determined.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the Standalone financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the Standalone financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the Standalone financial statements.

B. Property, Plant and Equipment & Depreciation.

i. The cost of an item of property, plant and equipment shall be recognized as an asset if, and only if:
(a) it is probable that future economic benefits associated with the item will flow to the entity; and
(b) the cost of the item can be measured reliably.

ii. The Property, Plant and Equipment in use are shown at cost comprises of purchase price, import duties, related incidental expenses and non-refundable purchase taxes, after deducting trade discounts and rebates less accumulated depreciation and accumulated impairment losses, if any. Adjustments arising from Foreign Exchange Rate variations relating to borrowings attributable to fixed assets are allocated to those assets purchased out of Foreign Exchange Loans. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalized as part of the cost of that asset if the recognition criteria are met.

iii. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate only when it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably.

iv. The Corporation considers adjustment to carrying cost of its assets on account of cost of decommissioning, only if the same is significant.

v. In case of Fixed Assets other than Land the amount of arbitration claim and interest upto 26.01.1998 (date of Capitalization) is added to the fixed assets. Interest paid for post 26.01.1998 is be charged to Revenue.

vi. When a major replacement or maintenance is performed, its cost is recognized in the carrying amount of the plant and equipment, if the recognition criteria are satisfied and the gross block and depreciation block of old assets is removed from the block. All other repair and maintenance costs are recognized in profit or loss as incurred.

vii. As required by IND AS 16 the depreciation has been calculated considering Component Accounting wherever relevant i.e. if component of an asset is significant in value as compared to the total value of the asset and its useful life is different than the life of the asset. The depreciation of each such component is calculated separately.

vii. Depreciation under Straight–Line Method is charged as per useful life prescribed in Schedule II of the Companies Act, 2013 except the following items:

Asset description	**Life of asset (in years)**	**Basis of Depreciation**
Lease hold land		As per Lease agreement
Bridges	80	As per Research Designs & Standards Organization Code
Tunnels	80	
P.Way Track: a)Rails and Fastenings	25	As per Technical assessment.

b)Sleepers. c)Ballast	35 35	
ROB/RUB/Level crossing	60	As per Railway Finance code
Loco Diesel	36	
Wagons	30	
Crane	25	
Other service wagon	30	
Tower Wagon	40	
Electronic Interlocking	15	

viii. Depreciation on assets added/disposed off during the year is charged from/up to the date of addition/disposal. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

ix. As the corporation had paid the original compensation based on the value determined and provided by Special Land Acquisition Officer (SLAO), the Interest on additional compensation as per the Court award is added to the cost of land, considering it as part of land compensation.

x. An item of property, plant and equipment and any significant part is derecognized upon disposal or when no future economic benefits are expected from its use or disposal and any gain or loss arising from it is included in the income statement when the asset is derecognized.

C. Capital work-in-progress:

Tangible property, plant and equipments which are not yet ready for their intended use are carried at cost, comprising of purchase price, import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, related incidental expenses and attributable interest and are shown as Capital work-in-progress.

The capital inventory at the year end is also shown under Capital Work in progress.

D. Intangible Assets and Amortization:

i. The cost of an item of property, plant and equipment shall be recognized as an asset if, and only if:
it is probable that future economic benefits associated with the item will flow to the entity; and
the cost of the item can be measured reliably.

ii. Intangible assets are stated at cost of acquisition net of recoverable taxes less accumulated amortization/depletion and accumulated impairment losses. All costs, including financing costs till commencement of commercial production, net charges on foreign exchange contracts and adjustment arising from exchanges rate variation attributable to the intangible assets are capitalized.

iii. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably.

iv. The Company's intangible assets comprises assets with finite useful life which are amortized on a straight-line basis over the period of their expected useful life. Amortization/Depreciation of Intangible Assets is made as under:

v. Patents, designs, R&D expenses considered as intangible assets - over their useful life or 10 years whichever is lower.

vi. Specialized computer software - over a period of 3 years.

vii. An intangible asset arising from development (or from the development phase of an internal project) shall be recognised if, and only if, an entity can demonstrate all of the following:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale.
(b) its intention to complete the intangible asset and use or sell it.
(c) its ability to use or sell intangible assets.
(d) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
(f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

viii. An intangible asset shall be derecognized:

(a) on disposal; or
(b) when no future economic benefits are expected from its use or disposal

ix. Gains or losses arising from derecognition of an Intangible Asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of Profit and Loss when the asset is derecognized.

E. Inventories:

i. The inventories are valued at cost or net realizable value whichever is lower. The cost of Inventories is determined on Weighted Average basis.
ii. Rails released from decapitalization which are reusable, are valued at written down value.
iii. Project and construction related Works in Progress are valued at cost or net realizable value whichever is lower.
iv. Cost includes expenditures incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.
v. Net realizable value is the estimated selling price in the ordinary course of business, less the selling expenses.

F. Foreign Currencies:

Foreign currency transactions are initially recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

i. Monetary items denominated in foreign currencies at the yearend are restated at yearend foreign exchange rates. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

ii. Any income or expense on account of foreign exchange difference either on settlement or on translation is recognized in the Statement of Profit & Loss except in case where they relate to acquisition of Fixed Assets in which case they are adjusted to the carrying cost of such Fixed Assets.

iii. In cases where the historical cost of a depreciable asset has undergone a change due to increase or decrease in the long term liability on account of foreign exchange fluctuations arising at the year end, the depreciation on the revised unamortized depreciable amount is provided prospectively over the residual useful life of the asset from the year following such capitalization.

G. Post-employment benefits and short-term employee benefits:

i. **Defined benefit plans:**

The liability in respect of defined benefit plans and other post-employment benefits (mainly pensions to employees joined prior to 01.01.2004 and Gratuity) are calculated using the projected unit credit method and spread over the period during which the benefit is expected to be derived from employees' services, consistent with the advice of qualified actuaries. The long term obligations are measured at present value of estimated future cash flows discounted at rates reflecting the yields on risk free government bonds that have maturity dates approximating the terms of the Corporation's obligations.

Actuarial gains and losses are recognized in Other Comprehensive Income.
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, attrition rate and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

ii. Termination benefits:

Termination benefits are recognized as an expense when the Corporation is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Corporation has made an offer encouraging voluntary redundancy. It is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

iii. Defined contribution plans:

The Corporation pays fixed contributions in relation to several state plans and insurances for individual employees. The Corporation has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognized as an expense in the period that related employee services are received.

iv. Compensated leave of absence:

The Corporation's current policies permit certain categories of employees to accumulate and carry forward a portion of their unutilized compensated absences and utilize them in future periods or receive cash in lieu thereof in accordance with the terms of such policies. The Corporation measures the expected cost of accumulating compensated absences as the additional amount that the Corporation expects to pay as a result of the unused entitlement that has accumulated at the

statements of financial position date. Such measurement is based on actuarial valuation as at the statements of financial position date carried out by a qualified actuary. Gains and losses resulting from remeasurements of the net defined benefit liability are included in profit and loss account as Leave encashment expenses in the period in which they occur.

v. Post Retirement Medical benefits:

The Company have Post Retirement Medical Benefit Plan for Employees and their spouse at superannuation with minimum 20 years of service against one time contribution by the employee equivalent to the last month's basic pay at the time of retirement. The valuation of the benefit plan has been carried by the qualified actuary. Gain and losses resulting from measurement of the net defined benefit liabilities are included in the Profit & Loss account.

vi. Other Employees benefit:

Service cost on the Corporation's defined benefit plan is included in employee benefits expense. Employee contributions, all of which are independent of the number of years of service, are treated as a reduction of service cost. Net interest expense on the net defined benefit liability is included in finance costs. Gains and losses resulting from remeasurements of the net defined benefit liability are included in Other Comprehensive Income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Employees who have joined service on or after 1.1.2004 are governed by 'National Pension System' as announced by the Government of India. The said scheme is a defined contribution scheme and contribution is charged to Statement of Profit & Loss.

H. Impairment of Non-Financial Assets:

The Company assesses at each Balance Sheet date whether there is any indication that an asset, including intangible asset, may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Profit and Loss Account.

Recoverable amount is determined:

- In case of an individual asset, at the higher of the assets' fair value less cost to sell and value in use; and
- In case of cash generating unit (a group of assets that generates identified, independent cash flows), at the higher of cash generating unit's fair value less cost to sell and value in use
- In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and risk specified to the asset. In determining fair value less cost to sell, recent market transaction are taken into account. If no such transaction can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the Statement of Profit and Loss, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through the Statement of Profit and Loss.

Notes to Standalone Financial Statements

I.Leased Assets:

The Company as a lessee: The Company's lease asset classes primarily consist of leases for land and buildings, Vehicles, Plant and Machinery, IT Asset. The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether : (i) the contract involves the use of an identified asset (ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognizes a right-of-use (ROU) asset and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of 12 months or less (short-term leases) and low value leases. For these short -term and low-value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities include these options when it is reasonably certain that they will be exercised.

The ROU assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses. ROU assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset.

ROU assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. Lease liabilities are remeasured with a corresponding adjustment to the related ROU asset if the Company changes its assessment of whether it will exercise an extension or a termination option.

Lease liability and ROU assets have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

The Company as a lessor: Leases for which the Company is a lessor is classified as a finance or operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately The sublease is classified as a finance or operating lease by reference to the ROU asset arising from the head lease. For operating leases, rental income is recognized on a straight-line basis over the term of the relevant lease.

J. Financial Instruments:

FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are recognised initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Investment in Subsidiaries, Associates and Joint Ventures

The Company accounts for its investments in Subsidiaries, associates and joint venture at cost less impairment loss (if any).

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in following categories

Financial assets at amortized cost

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business model with an objective to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets is included in finance income using the effective interest rate ("EIR") method. Impairment gains or losses arising on these assets are recognized in the Statement of Profit and Loss.

Financial assets at fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in the Statement of Profit and Loss. In respect of equity investments (other than for investment in subsidiaries and associates) which are not held for trading, the Company has made an irrevocable election to present subsequent changes in the fair value of such instruments in OCI. Such an election is made by the Company on an instrument-by-instrument basis at the time of transition for existing equity instruments/ initial recognition for new equity instruments.

Financial assets at fair value through profit or loss

Financial assets are measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are immediately recognized in statement of profit and loss.

Impairment of Financial Assets

In accordance with Ind AS 109, the Company applies the expected credit loss ("ECL") model for measurement and recognition of impairment loss on financial assets and credit risk exposures. The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables. Simplified approach does not require the Company to track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime ECL at each reporting date, right from its initial recognition. For recognition of impairment loss on

other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognizing impairment loss allowance based on 12-month ECL. ECL is the difference between all contractual cash flows that are due to the group in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls),

De-recognition of Financial Assets

The Company de-recognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the assets and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

EQUITY INSTRUMENT AND FINANCIAL LIABILITIES

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments which are issued for cash are recorded at the proceeds received, net of direct issue costs. Equity instruments which are issued for consideration other than cash are recorded at fair value of the equity instrument.

Financial Liabilities

Initial recognition and subsequent measurement

Financial liabilities are recognized initially at fair value and in case of borrowing and payables, net of material directly attributable cost.

Financial liabilities are subsequently carried at amortized cost using the effective interest method, except for contingent consideration recognized in a business combination which is subsequently measured at fair value through profit or loss. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

De-recognition of Financial Liabilities

Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as de-recognition of the original liability and recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

Offsetting Financial Liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis to realise the assets and settle the liabilities simultaneously.

Financial Derivatives:
Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The purchase contracts that meet the definition of a derivative under Ind-AS 109 are recognized in the statement of profit and loss

K. Revenue Recognition:

The Corporation recognises revenue to depict the transfer of promised services to customers. The revenue is recognised in accordance with Ind AS 115 Construction Contracts is detailed as under:

i. The corporation has recognised it's revenue in accordance with Ind AS 115 – Revenue from Contracts with Customers as under:

ii. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration entitled in exchange for those goods or services. Generally, control is transferred upon supply of goods to the customer or when the goods is made available to the customer, provided transfer of title to the customer occurs and the Company has not retained any significant risks of ownership or future obligations with respect to the contracts.

iii. Revenue from rendering of services is recognised over the time by measuring the progress towards complete satisfaction of performance obligations at the reporting period. For performance obligation satisfied over time, the revenue recognition is done by measuring the progress towards complete satisfaction of performance obligation. The progress is measured in terms of a proportion of actual cost incurred to-date, to the total estimated cost attributable to the performance obligation.

The Company transfers control of a good or service over time and therefore satisfies a performance obligation and recognises revenue over a period if one of the following criteria is met:
(a) the customer simultaneously consumes the benefit of the Company's performance or
(b) the customer controls the asset as it is being created/enhanced by the Company's performance or
(c) there is no alternative use of the asset and the Company has either explicit or implicit right of payment considering legal precedents,

In all other cases, performance obligation is considered as satisfied at a point in time.

iv. The revenue is recognised to the extent of transaction price allocated to the performance obligation satisfied. Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer excluding amounts collected on behalf of a third party. The Company includes variable consideration as part of transaction price when there is a basis to reasonably estimate the amount of the variable consideration and when it is probable that a significant

reversal of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. Variable consideration is estimated using the expected value method or most likely amount as appropriate in a given circumstance. Payment terms agreed with a customer are as per business practice and the financing component, if significant, is separated from the transaction price and accounted as interest income. The company measures progress towards complete satisfaction of performance obligation by Input Method wherever possible.

v. In many cases, the Company receives short-term advances from its customers. The Company does not adjust the committed amount of consideration for the effects of a significant financing component if it expects, that the period between the transfer of the good or service to the customer as per the contract and the receipt of payment from customers will be one year or less.

vi. The Company also receives long-term advances from customers. Excess income generated out of differential interest are recognised as finance income for the corporation.

vii. Contract balances: Contract balances represent the balance of contract to an amount for which the Company's right could not have been established. No such balances have been accounted for in the books of the Corporation for the current Financial year.

viii. Trade receivables: A receivable represents the Company's right to an amount of consideration that is unconditional, and the corporation has accounted the same in line with the provisions of Ind AS 115.

ix. Contract Assets & Liabilities: A Contract Assets is the performance by transferring goods and services to a customer, before the customer pays consideration or before payment is due, the entity shall present the contract as a contract asset, excluding any amount presented as a receivable.

x. A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

xi. The Corporation has complied with the aforesaid provision in preparation of Standalone Financial Statement.

xii. Contract modification: During the year no contracts were modified, hence contracts were not required to be recognised as separate & distinct.

xiii. The traffic earning from Railway business is received from goods and passenger traffic. Goods earnings are pertaining to Railway Receipts generated through the system for carriage of goods over railway network. Passenger earnings are pertaining to Tickets booked by people.

xiv. Performance Obligation : Railway Receipt (RR) is prepared by the railway for booking the freight for movement of goods from one station to another station. Once the RR is prepared, performance obligation of Railways is to transport the materials up to location defined in the Railway Receipt.

xv. Revenue from passenger is recognised once the Tickets(seat) are booked on railway network based on application submitted by passengers. Seat once allotted by railways gives exclusive right of travel to the concerned passenger only. Railways cannot allot this reserved seat to another person unless it is cancelled by first person. Journey by passenger on the specified date is the performance obligation of railways.

xvi. The passenger must pay 100% fare at the time of booking the seat. There is no variable consideration involved. There is no significant financing component involved. The railways take the responsibility of safe journey up to the destination booked by the passenger.

xvii. Revenue collected by all railways on account of freight and fares is processed through a computerized program run by CRIS to allocate the share of revenue to each railway for the distance travelled by the train on that railway. For KRCL, Central Railway is the nodal agency for the settlement of dues among KRCL and all other railways. Revenue on account of apportioned earnings is booked by KRCL based on monthly settlement between KRCL and Central Railway through single window system. Revenue collected on KR stations every month is treated as originating earnings and the same is brought into the books of accounts.

The above treatment is in line with provision of Ind AS 115 related to performance obligation.

xviii. Sale of scrap, salvage or waste materials is accounted at the time of realization.

xix. Commission received on encashment of warrants issued by Defense/Police is recognized on accrual basis.

xx. Interest income is recognized using Effective interest rate (EIR). Interest income is included in finance income in the statement of profit and loss.

xxi. Dividend income is recognized when the Corporation's right to receive the payment is established, which is generally when shareholders approve the dividend.

L. Contractor's claims:

i. Claims for material escalation by contractors are accounted for only when such claims are accepted after due verification.
ii. Penalty for delay in completion / defective work is accounted as and when recovered from the contractors.

M. Provisions:

A provision shall be recognized when:
(a) an entity has a present obligation (legal or constructive) as a result of a past event;
(b) it is probable that an outflow of resources embodying economic benefits will be required to

settle the obligation; and
(c) a reliable estimate can be made of the amount of the obligation. If these conditions are not met, no provision shall be recognized.

Provision is made for all known material undisputed liabilities (legal or constructive) existing on the date of balance sheet.

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.

No provision for contingency is recognized in respect of warranty/ defect or maintenance liability where the corporation has back to back arrangement with sub-contractor for the same liability and there is certainty that such liability would be made good by the sub-contractor.

N. Contingent liabilities and Contingent assets:

i. Contingent Liability is disclosed in the case of:-

a) a present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation.
b) a possible obligation, unless the probability of outflow of resources is remote.

ii. Contingent liability is disclosed for defects or maintenance liability when corporation has no back to back arrangements with sub-contractor for liability and there is virtual certainty that such liability would be made good by the sub-contractor.

iii. Contingencies are reviewed at each balance sheet date and adjusted to reflect the correct management estimates.

iv. Contingent Assets are not recognised in the standalone financial statements. However, when the realisation of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

O. Taxes on Income

Income tax comprises of current and deferred income tax. Income tax is recognised as an expense or income in the Statement of Profit and Loss, except to the extent it relates to items directly recognised in equity or in OCI

a. Current Income Tax

Current income tax is recognised based on the estimated tax liability computed after taking credit for allowances and exemptions in accordance with the Income Tax Act, 1961. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date

b. Deferred Income Tax

Deferred tax is determined by applying the Balance Sheet approach. Deferred tax assets and liabilities are recognised for all deductible temporary differences between the financial statements' carrying amount of existing assets and liabilities and their respective tax base. Deferred tax assets and liabilities are measured using the enacted tax rates or tax rates that are substantively enacted at the Balance Sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the period that includes the enactment date. Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Such assets are reviewed at

each Balance Sheet date to reassess realisation. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

P. Current and Non-Current Classifications:

The Corporation presents assets and liabilities in the balance sheet based on current/ non-current classification.

An asset as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle.
- Occurs primarily for the purpose of trading.
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Q. Borrowing Cost:

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

R. Government Grants:

Governments grant are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the period that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

S. Cash & cash Equivalents:

Cash and cash equivalents comprise of cash on hand, cash at banks, short-term deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

T. Earnings per share

Basic earnings per share is computed by dividing the net profit or loss for the period attributable to the equity shareholders of the Company by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares, that have changed the number of equity shares outstanding, without a corresponding change in resources.

Diluted earnings per share is computed by dividing the net profit or loss for the period attributable to the equity shareholders of the Company and weighted average number of equity shares considered for deriving basic earnings per equity share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable had the equity shares been actually issued at fair value (i.e. the average market value of the outstanding equity shares).

U. Trade Receivables and Trade Payable

Trade receivables

A receivable is classified as a 'trade receivable' if it is in respect of the amount due on account of goods sold or services rendered in the normal course of business. Trade receivables are recognised initially at fair value and subsequently measured at amortized cost using the EIR method, less provision for impairment.

Trade payables

A payable is classified as a 'trade payable' if it is in respect of the amount due on account of goods purchased or services received in the normal course of business. These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. These amounts are unsecured and are usually settled as per the payment terms stated in the contract. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortized cost using the EIR method.

V. Non-Current Assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The sale is considered highly probable only when the asset or disposal group is available for immediate sale in its present condition it is unlikely that the sale will be withdrawn, and sale is expected within one year from the date of the classification. Disposal groups classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell. Property plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets classified as held for sale are presented separately in the statement of financial position. If the criteria stated by IND AS 105 "Non-current Assets Held for Sale and Discontinued Operations" are no longer met the disposal group ceases to be classified as held for sale. Non-current asset that ceases to be classified as held for sale are measured at the lower of (i) its carrying amount before the asset was classified as held for sale adjusted for depreciation that would have been recognised had that asset not

been classified as held for sale and (ii) its recoverable amount at the date when the disposal group ceases to be classified as held for sale.

W. Prior period errors

Material prior period errors are corrected retrospectively by restating the comparative amounts for the prior periods presented in which the error occurred. If the error occurred before the earliest period presented, the opening balances of assets, liabilities and equity for the earliest period presented, are restated.