



# **KRISHNAPATNAM RAILWAY COMPANY LIMITED**

**14<sup>TH</sup> ANNUAL REPORT**

**2019 -2020**

# CONTENTS

## OVERVIEW:

BOARD OF DIRECTORS, MANAGEMENT & CORPORATE INFORMATION	01
NOTICE OF 14 <sup>TH</sup> ANNUAL GENERAL MEETING	03
DIRECTOR'S REPORT	07

## FINANCIAL STATEMENTS:

BALANCE SHEET & STATEMENT OF PROFIT AND LOSS	42
STATUTORY AUDIT REPORT	76
MANAGEMENT REPLY	93

## OTHERS:

C&AG REPORT	
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## **BOARD OF DIRECTORS, MANAGEMENT & CORPORATE INFORMATION**

## BOARD OF DIRECTORS AND MANAGEMENT

SH. SUSHANT KUMAR MISHRA , ADDITIONAL MEMBER (TRAFFIC)/MOR  
CHAIRMAN (NOMINEE OF MINISTRY OF RAILWAYS)

DR. D. V. SUBRAHMANYAM  
ACTING MANAGING DIRECTOR (NOMINEE OF RAIL VIKAS NIGAM LTD.)

SH. SIDDHARTH JAIN  
DIRECTOR (NOMINEE OF GOVT. OF ANDHRA PRADESH)

SH. D. K. GUPTA  
DIRECTOR (NOMINEE OF SAGARMALA DEVELOPMENT CO. LTD.)

SH. D. K. RAI  
DIRECTOR (NOMINEE OF SAGARMALA DEVELOPMENT CO. LTD.)

SH. ALOK KUMAR MEHTA  
DIRECTOR (NOMINEE OF NMDC LTD.)

SH. GUDENA JAGANNADHA RAO  
DIRECTOR (NOMINEE OF KRISHNAPATNAM PORT COMPANY LTD.)

SH. S. SUBBA RAO  
DIRECTOR (NOMINEE OF KRISHNAPATNAM PORT COMPANY LTD.)

SH. M. P. SINGH  
DIRECTOR (NOMINEE OF RAIL VIKAS NIGAM LTD.)

MRS. SHILPI AGARWAL  
DIRECTOR (NOMINEE OF RAIL VIKAS NIGAM LTD.)

SH. B. K. REDDY  
DIRECTOR (NOMINEE OF RAIL VIKAS NIGAM LTD.)

SH. S. N. BANERJEA  
CHIEF EXECUTIVE OFFICER

SH. T. MUNI PRASAD  
CHIEF FINANCIAL OFFICER

SH. TRILOK GARG  
COMPANY SECRETARY



## CORPORATE INFORMATION

### REGISTERED OFFICE

AMSRI FAUST COMPLEX,  
DOOR NO 9-1-164/A TO 166,  
5<sup>TH</sup> FLOOR, SAROJINI DEVI ROAD,  
SECUNDERABAD- 500003, TELANGANA

### CORPORATE OFFICE

ROOM No. G-80, GROUND FLOOR,  
AUGUST KRANTI BHAWAN,  
BHIKAJI CAMA PLACE,  
NEW DELHI- 110066

### STATUTORY AUDITORS

M/S JINDAL & COMPANY  
FIRM REGISTRATION NO. 000844N

### INTERNAL AUDITORS

M/S SUNIL K. GUPTA & ASSOCIATES  
FIRM REGISTRATION NO. 002154N

### SECRETARIAL AUDITORS

CS ANIL ANAND  
COMPANY SECRETARY IN PRACTICE

### LENDERS'

BANK OF INDIA,  
STATE BANK OF INDIA  
PUNJAB NATIONAL BANK  
UNION BANK OF INDIA  
INDIAN BANK  
ADITYA BIRLA FINANCE LTD.



NOTICE  
OF  
14<sup>TH</sup> ANNUAL GENERAL MEETING

**KRISHNAPATNAM RAILWAY COMPANY LIMITED**  
**Registered Office:** Amsri Faust Complex, Door No 9-1-164/A to 166,  
5<sup>th</sup> Floor, Sarojini Devi Road, Secunderabad- 500003, Telangana  
Ph. No. 011-26738406, Fax. No. 011-26182957  
CIN:U45200TG2006PLC051378

NOTICE  
of the 14<sup>th</sup> Annual General Meeting

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Notice is hereby given that the 14<sup>th</sup> Annual General Meeting (AGM) of members of Krishnapatnam Railway Company Limited will be held on Thursday, 24<sup>th</sup> September, 2020 at 14:30 hrs through Video Conferencing to transact the following businesses:-

**ORDINARY BUSINESS:**

**1. Adoption of Financial Statements & Board Report**

To receive, consider and adopt the Audited Financial Statements of the Company for the financial year ended March 31, 2020 together with the Report of the Board of Directors, the Statutory Auditors and Secretarial Auditors thereon.

**2. Appointment of Director**

To appoint a Director in place of Shri S Subba Rao, (DIN No. 07124119), who retires by rotation and being eligible, offers himself for re-appointment.

**3. Appointment of Director**

To appoint a Director in place of Shri Devendra Kumar Rai, (DIN No. 08335219), who retires by rotation and being eligible, offers himself for re-appointment.

**4. Appointment of Director**

To appoint a Director in place of Shri Dilip Kumar Gupta, (DIN No. 08203085), who retires by rotation and being eligible, offers himself for re-appointment.

**5. Remuneration of Statutory Auditors for the year 2020-21**

As per the provisions of section 139(5) of the Companies Act, 2013 appointment of Statutory Auditors of the Company is made by the Comptroller & Auditor General of India (C&AG). Section 142 of the Companies Act, 2013 provides that, the remuneration of the auditor of the Company shall be fixed by the Company in General Meeting or in such

manner as the Company may determine in the General Meeting. Therefore the following resolution is proposed before the General Meeting:

To consider and if thought fit, to pass with or without modifications, the following resolution as **Ordinary Resolution:**

**"RESOLVED THAT** the Board of Directors of the Company be and is hereby authorized to fix the remuneration of Statutory Auditors of the Company appointed by the office of Comptroller & Auditor General of India for audit of Accounts of the Company for financial year 2020-21."

By Order of Board of Directors

**Date: September 01, 2020**  
**Place: New Delhi**

  
**Trilok Garg**  
**Company Secretary**

**NOTES:**

1. In view of the outbreak of COVID -19 pandemic, social distancing norms is being followed and restrictions on movement of persons are still in place in several locations in the country. Pursuant to the General Circular No. 14/2020 dated 8<sup>th</sup> April 2020, General Circular No.17/2020 dated 13<sup>th</sup> April 2020 and General Circular No. 20/2020 dated 5<sup>th</sup> May 2020 issued by the Ministry of Corporate Affairs (MCA)), physical attendance of the Members at the AGM venue is not required and AGM can be held through video conferencing (VC) or other audio visual means (OAVM). Hence, Members can attend and participate at the ensuing AGM through VC. LINK FOR ATTENDING THE AGM ON VC WILL BE SENT TO THE MEMBERS IN EMAIL ON THEIR REGISTERED EMAIL ADDRESS WITH THE COMPANY.
2. As per aforementioned MCA circulars Company is allowed to send notice of the Meeting and other correspondences related thereto, through electronic mode i.e. emails. In compliance with the requirements of MCA Circulars above, an electronic copy of the Notice of 14<sup>th</sup> Annual General Meeting of the Company along with Annual Report for the financial year ended 31<sup>st</sup> March, 2020 consisting of financial statements, Board's Report, Auditors' Report and other documents required to be attached therewith(Collectively referred to as Notice) are being sent to members on their registered e- mail ids with the Company and no physical copy of the Notice has been sent by the Company to any member. The Notice has also been hosted on the website of the Company.
3. If there is any change in the e-mail ID already registered with the Company, members are requested to immediately notify such change to the Company by sending a request on [krcl.rail@gmail.com](mailto:krcl.rail@gmail.com).
4. Since the requirement of physical attendance of AGM by members has been dispensed with by Ministry of Corporate Affairs, there is no requirement of appointment of proxies by individual members. Accordingly, the facility of appointment of proxy by members will not be available. However, Institutional/Corporate members are required to send to the Company, a certified copy of the Board Resolution, pursuant to section 113 of the Companies Act 2013, authorizing their representative to attend and vote at the Meeting through VC.
5. The Register of Directors and Key Managerial Personnel and their shareholding maintained under Section 170 of the Companies Act, 2013 and the Register of Contracts and Arrangements in which Directors are interested maintained under Section 189 of the Companies Act, 2013 shall be made available only in electronic form for inspection during the Annual General Meeting through VC.
6. All other relevant documents referred to in the accompanying notice/explanatory statement shall be made open for inspection by the members only in electronic form at the AGM and on all working days, except Saturdays, from 11:00 a.m. to 01:00 p.m. up to the date of the Annual General Meeting subject to receipt of request from member(s) to this effect on [krcl.rail@gmail.com](mailto:krcl.rail@gmail.com)
7. The Notice for this Meeting along with requisite documents and the Annual Report for the financial year ended 2019-20 is available on the Company's website <http://krcl.org.in/>

- 8.** Members are requested to contact the Authorized representative of the Company on Mob: 9045890079, e-mail: [krcl.rail@gmail.com](mailto:krcl.rail@gmail.com) during Monday to Friday between 10:00 AM to 05:00 PM till the date of AGM for any assistance with using the Video Conference facility for attending the AGM or reply to their queries/ redressal of complaints, if any.
- 9.** During the 14<sup>th</sup> AGM (being called through VC), where a poll on any item is required the members shall cast their vote(s) on the item(s) only by sending emails through their registered email address with the Company. The said emails shall only be sent to Company on its email: [krcl.rail@gmail.com](mailto:krcl.rail@gmail.com).
- 10.** The facility of joining the meeting shall be open 15 minutes before the time scheduled to start the meeting and shall be closed 15 minutes after such scheduled time of the AGM.

TO:

- i. ALL THE SHAREHOLDERS OF THE COMPANY.
- ii. STATUTORY AUDITORS OF THE COMPANY.
- iii. SECRETARIAL AUDITOR OF THE COMPANY
- iv. ALL DIRECTORS OF THE COMPANY.



## DIRECTOR'S REPORT



## BOARD'S REPORT

To  
The Members,

Your Directors take pleasure in presenting the 14<sup>th</sup> Annual Report on the working of your Company along with Audited Annual Accounts, for the Financial Year ended March 31, 2020.

### 1. Financial Performance: Summary of Financial Results

	<b>In Rs. Lakhs</b>	
<b>Particulars</b>	<b>2019-20</b>	<b>2018-19</b>
Revenue from Operations	42,513.16	74,209.41
Other Income	580.41	198.23
Profit/Loss before Depreciation, Finance Costs, Exceptional Items and Tax Expense	<b>43,093.57</b>	<b>74,407.64</b>
Less: Depreciation / Amortisation / Impairment	7,303.78	700.82
Profit / Loss Before Finance Cost, Exceptional items and Tax Expense	<b>35,789.79</b>	<b>73,706.82</b>
Less: Finance Cost	17,345.13	733.17
Profit / Loss Before Exceptional items and Tax Expense	<b>18,444.66</b>	<b>72,973.65</b>
Less : Employees Benefit Expenses, O&M Expenses and Other Expenses	25,666.54	63,693.50
Profit / Loss Before Tax Expense	<b>(7,221.88)</b>	<b>9,280.15</b>
Less: Tax Expense (Current & Deferred)	(2,362.56)	1,988.19
Profit / Loss for the Year (1)	<b>(4,859.32)</b>	<b>7,291.96</b>
Total Comprehensive Income (2)	-	-
Total (1+2)	<b>(4,859.32)</b>	<b>7,291.96</b>
Balance of Profit /Loss for the earlier Years	-	-
Less : Transfer to Debenture Redemption Reserve	-	-
Less : Transfer to Reserves	-	-
Less : Dividend paid on Equity Shares	-	-
Less : Dividend paid on Preference Shares	-	-
Less : Dividend Distribution Tax	-	-
<b>Balance Carried Forward (PAT)</b>	<b>(4,859.32)</b>	<b>7,291.96</b>
Earnings Per Share	(0.78)	2.02
- Basic	(0.78)	2.02
- Diluted	(0.78)	2.02

\*Figures of revenue and expenditures given above are according to assumptions taken while preparation of Financial Statements by the Company as per IND-AS. Actual figures of revenue from operations and O&M expenses are given at para 2 below.



**2. Operations and Performance of the Company**

During the FY 2019-20 the Country witnessed a sharp decline in industrial growth. As per the Economic Survey of India (2019-20) the overall industrial Growth for FY 2019-20 was estimated to be 2.5% in 2019-20 as compared to 6.8% growth in 2018-19. The Growth in GDP during FY 2019-20 also remained about 5.0% as compared to 6.8% in 2018-19. The Industrial slowdown in India has resulted in decreased level of Industrial output, due to which consumption across core sectors such as steel, power, cement, etc, were severely affected. As a result, volume of Traffic movement on KRCL line also got hit by the overall Industrial slowdown that prevailed in the Country predominantly during second half of FY 2019-20.

In FY 2019-20 11.83 MT traffic was moved on the Line of KRCL, whereas, during FY 2018-19, 20.24 MT traffic carried through the truncated line (21 Km.). There was a decrease of about 8.41 MT i.e. 41.55% in the movement of traffic volume on the Line during the period under report, compared to FY 2018-19.

Fundamentally, the movement of Traffic on the Railway Line of the Company depends on Import/Export policies of the Government. The overall performance of the Company depends on the nature of growth of output of the Industrial sector in the Country and the performance of Krishnapatnam Port (Imports by the Core sector industries).

The Company is happy to inform its Members that the construction of balance portion (93 Km) of the Project Line became operational in month of July of the year under report. This is a Mile-stone achievement of the Company after long wait.

In spite of decrease in volume of Traffic movement, the Net earnings of the Company from operations after defraying of O & M Costs but before depreciation increased by about 51%, i.e., Rs.171.08 Cr. for FY 2019-20 as against Rs.113.33 Cr. for FY 2018-19. This hooping jump in Revenue Earnings was possible due to movement of Traffic on complete line section of 113 Km with effect from 3<sup>rd</sup> July, 2019, in comparison to movement of Traffic on 21 Km section during FY 2018-19, for the complete year.

It is pertinent to note here that the traffic during FY 2020-21 is expected to remain weak during first 6 to 8 months due to impact of COVID 19 Pandemic on overall industrial production and consumption. In turn, this Pandemic has caused severe disruption in the supply chain management of the country. However, it is expected that later during FY 2020-21 the traffic may pick at least up to the levels of FY 2019-20 of the corresponding period.

**3. Commencement of Operations of Phase-II Single Line from Obulavaripalle to Venkatachalam Road Junction (93 km) and status of Project:**

The Construction of the Phase-II Line between Obulavaripalle (OBVP) and Venkatachalam (KAPT) (93 Km) had completed. After completion of all formalities and receipt all of clearances from SCR and from other concerned Authorities, the Commercial Operations on 93 Km section started with effect from 3<sup>rd</sup> July, 2019 as per the Notification issued by SCR.

With the commissioning of this 93 Km section, the complete Project Line of the Company between Krishnapatnam and Obulavaripalle (113 Km) is now fully operational.

**4. Operations & Maintenance of 113 KM Line between KAPT-OBVP**

Operations of the complete section between KAPT and OBVP of 113 KM are carried out by Railways and the Company took over the fixed P-Way Maintenance, including OHE, S & T and TRD of the 93 Km section between Obulavaripalle (OBVP) and Venkatachalam Road Junction (VRJN) with effect from 3<sup>rd</sup> July, 2019 in order to save on Fixed Maintenance Cost. Contracts for P-Way, S&T, OHE, Electrical General and PSI Maintenance on the 93 Km section between Obulavaripalle and Venkatachalam, were awarded initially for a period of 6 Months.

The Company was already carrying out the fixed P-way maintenance of the 21 Km section between KAPT and VKT during the period under report. Further, SCR agreed to handover S&T, OHE, Electrical General and PSI Maintenance on the 21 Km section too to the Company. However, in view of the national Lockdown imposed due COVID 19 Pandemic in the Country during the Months of March, April and was extended upto May 31, 2020, finally the Company could take over the maintenance of S&T, OHE, EG, PSI from SCR with effect from June 01, 2020, against it was decided from April 01, 2020.

After taking over the maintenance of the complete section (113 Km) of the Project from SCR, the Company has awarded maintenance contracts for P-Way, S&T, OHE, Electrical General and PSI Maintenance for the complete Line between KAPT and OBVP, through Open bidding, with effect from June 01, 2020.

The Company is also in discussion with SCR for execution of a fresh O & M Agreement for the complete 113 Km BG Electrified Railway Line.

**5. Reserves**

Except unabsorbed loss for the year, the Company does not propose to carry any amount to any reserve.

**6. Share Capital and Debt Structure**

During the year under review, there was no change in the Capital Structure of the Company. Authorized share Capital of the Company is Rs. 650 Crore. Issued, subscribed and paid-up Equity Share capital of the Company on 31<sup>st</sup> March, 2020 is Rs. 625 Crore.

The Company had already obtained a Term Loan of Rs. 1074.97 Crore (sanctioned limit Rs. 1083 Crore) from schedule Banks/FI, before the commencement of financial year 2019-20 to finance the construction of the project. The Principle Term loan is payable in 52 quarterly instalments starting from September, 2019. During the FY 2019-20 the Company has paid Three quarterly instalment of the Term Loan and the outstanding balance of the Term Loan is Rs. 1042.72 Crore as on 31<sup>st</sup> March, 2020.

**7. Dividend**

During the year the Company earned no profit after tax. Hence the Directors do not recommend any dividend for the Financial Year ended on 31<sup>st</sup> March, 2020.

**8. Changes in the nature of the Business**

During the year under review, there were no changes in nature of business of the Company.

**9. Material changes and Commitments affecting the Financial Position of the Company**

There are no material changes and commitments, from the date of the Balance Sheet till the date of this Report, affecting the financial position of the Company, except the impact of Covid- 19 pandemic on the revenue from operations.

**10. Impact of Covid-19 Pandemic on Financial Position of the Company**

It is relevant to mention that while the Nation was trying hard to recover from the Industrial slow-down, which set-in from the month of September 2019 onward, suddenly the spread of COVID-19 Pandemic cropped up in the Country in the last month of the financial year under report. The Union Government had to impose National Lockdown, which continued till 31<sup>st</sup> May, 2020 and the Lockdown further slowed down the economy, which was already in severe depression (IIP recorded peak **-4.65%**) during last quarter of FY 2019-20.

All the industrial productions were harshly affected across all sectors except medical and essential commodities. Impacts on Industrial out-put have resulted in very little movement of Traffic on KRCL Line also, which in turn, caused in depletion of revenue of KRCL in the first quarter of current FY accordingly. During the Months April to June 2020, per month average number of Rakes moved only 133, as against the average of 323 Rakes moved during the corresponding months of last year (FY 2019).

Even after such decrease in revenue generation due to COVID-19 Pandemic, the Company is in comfortable financial condition and capable of taking care of all its statutory financial obligations including servicing of Bank Loan and re-payment of principal. There is no eminent threat to the financial position of the Company or its existence envisaged by the management till the date of signing this report.

## **11. Details of Board of Directors**

### **11.1 Board's composition, Category of Directors and their Meetings**

The Board is collectively responsible for the sustainable success of the Company under the leadership of Chairman. The Company's Board has an optimum combination of Non-Executive Nominee Directors and reflects diversity in terms of disciplines, professions, social groups, and gender and stakeholder interest.

The strength of the Board as on March 31, 2020 was Ten (10) Directors. They are as follows:

<b>Sl. No.</b>	<b>Name</b>	<b>DIN Number</b>	<b>Designation</b>
1	Sh. Shushant Kumar Mishra (MoR)	07869414	Chairperson
2	Dr. D. V. Subrahmanyam (RVNL)	08729104	Nominee director
3	Sh. D.K. Gupta (SDCL)	08203085	Nominee Director
4	Sh. Devendra Kumar Rai (SDCL)	08335219	Nominee Director
5	Sh. S Subba Rao (KPCL)	07124119	Nominee Director
6	Mrs. Shilpi Agarwal (RVNL)	08004390	Nominee Director
7	Sh. Sumit Deb (NMDC)	08547819	Nominee Director
8	Sh. M. P. Singh (RVNL)	08165734	Nominee Director
9	Sh. B. K. Reddy (RVNL)	07823758	Nominee director
10	Sh. Siddharth Jain, IAS (GoAP)	07868198	Nominee Director

During the financial year ended March 31, 2020, the Board of Directors met Four (4) times on 28<sup>th</sup> May, 2019, 04<sup>th</sup> September, 2019, 30<sup>th</sup> September, 2019 and 27<sup>th</sup> December, 2019.

**11.2 Details of attendance of each Director in the Board meetings held during the period April 01, 2019 to March 31, 2020:**

Sl. No	Name of the Director	Designation	Meetings Held during the tenure	Meetings Attended
1	Mr. Anurag	Chairperson	4	3
2	Dr. Koya Praveen	Nominee Director	1	0
3	Dr. T R K Rao	Nominee Director	1	0
4	Mr. D.K. Gupta	Nominee Director	4	4
5	Mr. Anil Kumar Yendluri	Nominee Director	4	3
6	Mr. Devendra Kumar Rai	Nominee Director	4	3
7	Mr. S Subba Rao	Nominee Director	4	3
8	Mr. S. P. Shastri	Nominee Director	2	0
9	Mr. M. P. Singh	Nominee director	4	3
10	Mr. Vinay Singh	Nominee Director	1	0
11	Mrs. Shilpi Agarwal	Nominee Director	4	3
12	Mr. Kamal Nayan	Nominee Director	2	0
13	Sh. Sushant Kumar Mishra	Chairperson	0	0
14	Dr. D. V. Subrahmanyam	Nominee Director	0	0
15	Mr. Siddharth Jain	Nominee Director	3	1
16	Mr. B. K. Reddy	Nominee Director	3	2
17	Mr. Sumit Deb	Nominee Director	3	3

**\*Cessation/ Appointment/Re-appointment of Directors during April 01, 2019 to March 31, 2020. Details are given under section 11.3 below.**

**11.3 Changes in the Board during the period April 01, 2019 to March 31, 2020**

During the year under review, following changes took place in the composition of the Board of Directors of the Company:



S. No	Name of the Director	Designation	Appointment Resignation/ Re-appointment and Change in Designation of Director
1.	Dr. T R K Rao	Nominee Director	Cessation on July 11, 2019
2.	Dr. Koya Praveen	Nominee Director	Cessation on August 10, 2019
3.	Sh. Siddharth Jain	Nominee Director	Appointment on August 10, 2019
4.	Sh. Vinay Singh	Nominee Director	Cessation on September 04, 2019
5.	Sh. B K Reddy	Nominee Director	Appointment on September 04, 2019
6.	Sh. Sumit Deb	Nominee Director	Appointment on September 04, 2019
7.	Sh. S. P. Shastri	Nominee Director	Cessation on September 30, 2019
8.	Sh. Kamal Nayan	Nominee Director	Appointment on September 30, 2019
9.	Sh. Y. Anil Kumar	Nominee Director	Cessation on March 12, 2020 (due to resignation)
10.	Sh. Anurag	Chairman	Cessation on March 18, 2020
11.	Sh. Sushant Kumar Mishra	Chairman	Appointment on March 18, 2020
12.	Sh. Kamal Nayan	Nominee Director	Cessation on March 20, 2020
13.	Dr. D. V. Subrahmanyam	Nominee Director	Appointment on March 20, 2020

## 12. Extract of Annual Return

The Extract of Annual Return in Form MGT-9 pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12 of the Companies (Management and Administration) Rules, 2014 is attached as **ANNEXURE- I** to this Report and is placed on Company's website i.e. <http://krcl.org.in/>

## 13. Details of Appointment and cessation of Key Managerial Personnel (KMP)

During the year under review all the personnel appointed/designated as KMP under provisions of the Companies Act, 2013 remained the same. Presently following persons are the designated KMPs of the Company:

1. Sh. S N Banerjea, Chief Executive Officer
2. Sh. T Muni Prasad, Chief Financial Officer
3. Sh. Trilok Garg, Company Secretary

**14. Particulars of Employees and related Disclosures**

In terms of the provisions of section 197 (12) of the Companies Act, 2013 read with Rule 5(2) and Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014. During the year under Report, no employee of the Company was drawing remuneration in excess of Rs. 6,00,000/- per month.

**15. Particulars of Loans, Guarantees or Investments**

During the year under review, the Company has not advanced any loans/ given guarantees/made investments under section 186 of the Companies Act, 2013.

**16. Particulars or Contracts with Related Party Transactions**

No Related Party Transactions was entered into by the Company during the year as per the provisions of section 188(1) of the Companies Act, 2013. Accordingly, the disclosure of Related Party Transactions as required under Section 134(3)(h) of the Companies Act, 2013 in Form AOC-2 is not applicable.

**17. Internal Financial Control**

The Company has in place adequate internal control system which is commensurate with its size, scale and complexities of its operations. The Board of Directors actively reviews the adequacy and effectiveness of the internal control systems and no reportable material weakness in the design or operation were observed.

**18. Statutory Auditors Report**

M/s Jindal & Co., Chartered Accountants was appointed as Statutory Auditors of the Company for FY 2019-20 by the office of the CAG. The report of the Statutory Auditors of the Company has been received and circulated to the shareholders along with notice of Annual General Meeting.

**19. Secretarial Audit Report**

The Company appointed Mr. Anil Anand (Company Secretary in Practice), as Secretarial Auditor of the Company for FY 2019-20 pursuant to provisions of Section 204 of the Companies Act, 2013.

The Report of Secretarial Auditor for the Financial Year 2019-20 was received and is annexed to this report as **Annexure-II**.

**20. Explanations or comments by the Board on qualifications, reservations, adverse remarks or disclaimer in the Auditor's Report and Secretarial Auditor's report**

Explanations or replies of the Board on qualifications/reservations/adverse remarks, disclaimers in the Audit Report issued by the Statutory Auditor of the Company is enclosed as **Annexure-III**, to Directors report.

**21. Risk Management Policy**

The Company got a mandate to execute the Obulavaripalle- Krishnapatnam New BG Rail Line project on built, own, operate and transfer basis for a period of 30 years or on attainment of NPV payback at a discount rate of 14% (whichever is earlier), under a concession agreement signed by the Company with Ministry of Railways on 23<sup>rd</sup> November, 2007. Thus the rights of the Company to earn revenue from operations of the project are protected by the concession agreement.

The volume and size of Company's earnings and profit largely depends on the volume of traffic movement on the line, which is dependent on several factors beyond the control of the Company i.e. economic conditions, import/export policy of the Government, currency fluctuations, level of demand and supply of various components of traffic moved on the line, etc. To combat the risks of uncertainty in earnings of the Company the Company is moving forward in the direction of capacity augmentation of the line, building strong relationship with the stakeholders and customers, providing hassle free services, reduction of O&M cost, etc.

The risk associated with the project assets of the Company of the operational line are protected by obtaining the comprehensive insurance policies for the assets and the risk associated with the assets under construction are safeguarded by obtaining contractor's all risk insurance policy.

The management is of the view that a business of this size and nature must be reviewed constantly to identify the risk factors and proper measures should be adopted in time for risk mitigation, risk handling.

The Board keeps a close watch on the happenings in and outside the Company that can have any major impact on the Company, its earnings and its existence. Based on the above factors, the Board is of the opinion that, at present various risks associated with the Company and its business are low to moderate level.



**22. Corporate Social Responsibility**

The Company is committed to conduct its business in a socially responsible, ethical and environmental friendly manner and to continuously work towards improving quality of life of the communities. The Company has constituted a CSR Committee, which is responsible for fulfilling the CSR Objectives of the Company. As on 31<sup>st</sup> March 2020, the committee comprised of Three Directors i.e. Shri M. P. Singh, Shri S Subba Rao, and Shri Siddharth Jain, IAS as its members. A meeting of the Committee was held on 28<sup>th</sup> May, 2019.

**Corporate Social Responsibility Policy**

The Company has in place CSR Policy which lays down the philosophy and approach towards CSR commitment. The annual report on CSR containing particulars specified in Companies (CSR Policy) Rules 2014 including an update on the CSR initiatives taken by the Company during the year in given in **Annexure IV** and forms integral part of this Report.

**23. Compliance with Secretarial Standards**

The Board has devised proper systems to ensure compliance with the provisions of all applicable Secretarial Standards and that such systems are adequate and operating effectively.

**24. Corporate Governance**

Corporate Governance is about maximizing all stakeholders' value legally, ethically and sustainably. At KRCL the goal is to ensure fairness to all stakeholders so as to enhance and retain their trust. The Company will continue to uphold the true spirit of Corporate Governance and implement the best governance practices. It lays emphasis on transparency, accountability, ethical practices and professional management in its activities.

**25. Subsidiary Companies, Joint Venture or Associate Companies**

During the year under review, there are no companies which has become/ ceased to become a Subsidiary/ Joint Ventures/ Associate Companies of KRCL.

**26. Deposits**

During the year under review the Company has not accepted any deposits from the public within the meaning of Section 73 of Companies Act, 2013.

**27. Orders Passed by Regulator or Courts or Tribunals**

There is no order passed by the regulators or courts or tribunals impacting the going concern status and Company's operations.

**28. Directors Responsibility**

Your directors would like to inform that the Audited accounts containing the Financial Statements for the year ended March 31, 2020 are in full conformity with the requirements of the Companies Act, 2013 and they believe that the financial statements reflect fairly the form and substance of transactions carried out during the year. The financial statements, audited by the statutory auditors M/s Jindal & Co., Chartered Accountants, reasonably present the Company's financial condition and results of operations, particularly considering the unique nature of operations of the company.

In pursuance of section 134(5) of the Companies Act, 2013, the Directors hereby confirm that:

- (a) In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) The directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- (c) The directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) The directors had prepared the annual accounts on a going concern basis; and
- (e) The directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

**29. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & Outgo:**

- a) The particulars required under Section 134(3)(m) of the Companies Act, 2013 read with the rule 8(3)(A) of the Companies (Accounts) Rules, 2014 regarding Energy Conservation do not apply.
- b) The Company uses relevant technologies in carrying out its office activities and maintenance of Rail line in compliance with all applicable Guidelines issued by MoR.

c) During the year under review, your Company's foreign exchange earnings and outgo were NIL.

**30. Disclosure as per the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013**

The Company has zero tolerance policy towards sexual harassment at the workplace and strives for prevention, prohibition of sexual harassment at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules there under. During the Financial Year 2019-20 the Company had no women employee and has not received any complaint related to sexual harassment.

**31. Maintenance of Cost Records As Specified by the Central Government Under Sub-Section (1) Of Section 148 Of The Companies Act, 2013**

Maintenance of Cost Records under Section 148(1) of The Companies Act, 2013 is not applicable to the Company.

**32. Details in respect of frauds reported by auditors under section 143(12) of the Companies Act, 2013**

No fraud has been reported by the Auditors during the reporting period under section 143(12) of the Companies Act, 2013.

**33. Statement on Declaration Given By Independent Directors under Section 149(6) of the Companies Act, 2013.**

Declaration Given by Independent Directors under Section 149(6) of the Companies Act, 2013 is not applicable to the Company as the Company does not have any Independent Director during the reporting period.

**34. Company's Policy On Directors' Appointment And Remuneration Including Criteria For Determining Qualifications, Positive Attributes, Independence Of A Director And Other Matters Provided Under Sub-Section (3) Of Section 178 the Companies Act, 2013.**

All the Directors in the BoD of the Company are representative Directors nominated by its Shareholders under provisions of Shareholders and Share Subscription Agreement, who are all part time non executive Directors. No Director is yet appointed through any selection process and the Nominee Directors do not draw any remuneration from KRCL.

Selection of Whole Time Managing Director of the Company is in process.

**35. Filing of Statutory E-forms With Ministry of Corporate Affairs**

During Period under review Company has filed all Statutory E-forms with Registrar of Companies (Ministry of Corporate Affairs)

**36. Appreciation and Acknowledgement**

Your Directors place on record their appreciation for the continued assistance, valuable guidance and support rendered by the Ministry of Railways (MoR), South Central Railway, Lender Banks, Auditors and shareholders of the Company. The Directors look forward to your continued support in future.

Your Directors also wish to place on record their sincere appreciation to the commitment, involvement and dedication by Company's staff in ensuring high level of performance and growth of the Company that was achieved during the year under review.

**On behalf of the Board of Directors**

**Place: New Delhi**

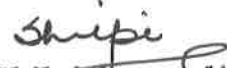
**Date: 25<sup>th</sup> July, 2020**



**D. K. Gupta**

**Director**

**(DIN: 08203085)**



**Shilpi Agarwal**

**Director**

**(DIN: 08004390)**

FORM NO. MGT 9					
EXTRACT OF ANNUAL RETURN					
as on financial year ended on 31.03.2020					
Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration ) Rules, 2014.					
I	<b>REGISTRATION &amp; OTHER DETAILS:</b>				
i	CIN	U45200TG2006PLC051378			
ii	Registration Date	10/11/2006			
iii	Name of the Company	Krishnapatnam Railway Company Limited			
iv	Category/Sub-category of the Company	Company limited by shares/Indian non- government company			
v	Address of the Registered office & contact details	Amsri Faust Complex, Door No D-9-1-164/A to 166,5th Floor, Sarojini Devi Road Secunderabad, Telangana			
vi	Whether listed company	No			
vii	Name , Address & contact details of the Registrar & Transfer Agent, if any.	M/s. Alankit Assignments Limited Alankit House, 4E/2 Jhandewalan Extension New Delhi -110 055, 011-4254 1234			
II	<b>PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY</b>				
	All the business activities contributing 10% or more of the total turnover of the company shall be stated:-				
SL No	Name & Description of main products/services	NIC Code of the Product /service	% to total turnover of the company		
1	Railway Transport (Freight)	60102 (NIC 2004)	100		
2		49120 (NIC 2008)			
4					
III	<b>PARTICULARS OF HOLDING , SUBSIDIARY &amp; ASSOCIATE COMPANIES</b>			NIL	
SL No	Name & Address of the Company	CIN/GLN	HOLDING/ SUBSIDIARY/ ASSOCIATE	% OF SHARES HELD	APPLICABLE SECTION
1	Nil	***	***	***	***
2	Nil	***	***	***	***
3	Nil	***	***	***	***

IV SHAREHOLDING PATTERN (Equity Share capital Break up as % to total Equity)									
Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
(1) Indian									
a) Individual/HUF	*****	5	5	0.00	5	0	5	0.00	0
b) Central Govt. or State Govt.	*****	3,50,00,000	3,50,00,000	5.60	*****	3,50,00,000	3,50,00,000	5.60	0
c) Bodies Corporates	35,50,00,000	23,49,99,995	58,99,99,995	94.40	51,69,99,995	7,30,00,000	58,99,99,995	94.40	0
d) Bank/FI	*****				*****				
e) Any other	*****				*****				
<b>SUB TOTAL (A) (1)</b>	<b>35,50,00,000</b>	<b>27,00,00,000</b>	<b>62,50,00,000</b>	<b>100</b>	<b>51,70,00,000</b>	<b>10,80,00,000</b>	<b>62,50,00,000</b>	<b>100</b>	<b>NIL</b>
(2) Foreign	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
a) NRI- Individuals									
b) Other Individuals									
c) Bodies Corp.									
d) Banks/FI									
e) Any other...									
<b>SUB TOTAL (A) (2)</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>
<b>Total Shareholding of Promoter</b>									
<b>(A)= (A)(1)+(A)(2)</b>	<b>35,50,00,000</b>	<b>27,00,00,000</b>	<b>62,50,00,000</b>	<b>100</b>	<b>51,70,00,000</b>	<b>10,80,00,000</b>	<b>62,50,00,000</b>	<b>100</b>	<b>NIL</b>
<b>B. PUBLIC SHAREHOLDING</b>									
	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(1) Institutions	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
a) Mutual Funds									
b) Banks/FI									
c) Central govt									
d) State Govt.									
e) Venture Capital Fund									
f) Insurance Companies									
g) FIIS									
h) Foreign Venture Capital Funds									
i) Others (specify)									
<b>SUB TOTAL (B)(1):</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>
(2) Non Institutions	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
a) Bodies corporates									
i) Indian									
ii) Overseas									
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs.1 lakhs									
ii) Individuals shareholders holding nominal share capital in excess of Rs. 1 lakhs									
c) Others (specify)									
<b>SUB TOTAL (B)(2):</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>
<b>Total Public Shareholding (B)= (B)(1)+(B)(2)</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>									
	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
<b>Grand Total (A+B+C)</b>	<b>35,50,00,000</b>	<b>27,00,00,000</b>	<b>62,50,00,000</b>	<b>100</b>	<b>51,70,00,000</b>	<b>10,80,00,000</b>	<b>62,50,00,000</b>	<b>100</b>	<b>NIL</b>

## (ii) SHARE HOLDING OF PROMOTERS

Sl No.	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		NO of shares	% of total shares of the company	% of shares pledged encumbered to total shares	NO of shares	% of total shares of the company	% of shares pledged	
1	M/s. Rail Vikas Nigam Limited (RVNL)	31,09,99,996	49.76	*****	31,09,99,996	49.76	*****	*****
2	Shri Ashok K. Chaudhary (RVNL)	1		*****	1		*****	*****
3	Shri Arun Kumar (RVNL)	1		*****	1		*****	*****
4	Shri A. K. Panda (RVNL)	1		*****	1		*****	*****
5	Shri Pradeep Gaur (RVNL)	1		*****	1		*****	*****
6	M/s. Krishnapatnam Port Company Limited (KPCL)	8,09,99,999	12.96	*****	8,09,99,999	12.96	*****	*****
7	Shri C. Sasidhar (KPCL)	1		*****	1		*****	*****
8	Governor of the State of Andhra Pradesh (GoAP)	3,50,00,000	5.6	*****	3,50,00,000	5.6	*****	*****
9	M/s. National Mineral Development Corporation Limited (NMDC)	4,00,00,000	6.4	*****	4,00,00,000	6.4	*****	*****
10	M/s. Bramhani Industries Limited (BIL)	3,30,00,000	5.28	*****	3,30,00,000	5.28	*****	*****
11	M/s Sagarmala Development Company Limited	12,50,00,000	20		12,50,00,000	20		
	Total	625000000	100		625000000	100		

## (iii) CHANGE IN PROMOTERS' SHAREHOLDING ( SPECIFY IF THERE IS NO CHANGE): As per table above

Sl. No.		Share holding at the beginning of the Year		Cumulative Share holding during the	
		No. of Shares	% of total shares of the company	No of shares	% of total shares of the company
	At the beginning of the year	****	****	****	****
	Date wise increase/decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)				
		****	****	****	****
	At the end of the year	****	****	****	****

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters & Holders of GDRs & ADRs)

Sl. No		Shareholding at the end of the year		Cumulative Shareholding during	
		No. of shares	% of total shares of the company	No of shares	% of total shares of the company
	For Each of the Top 10 Shareholders				
	At the beginning of the year	----	----	----	----
	Date wise increase/decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)				
	At the end of the year (or on the date of separation, if separated during the year)	----	----	----	----

(v) Shareholding of Directors & KMP

NIL

Sl. No		Shareholding at the beginning of the year		Cumulative Shareholding during	
		No. of shares	% of total shares of the company	No of share	% of total shares of the company
	For Each of the Directors & KMP				
	At the beginning of the year	----	----	----	----
	Date wise increase/decrease in Directors & KMPs Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)				
	At the end of the year	----	----	----	----



V	INDEBTEDNESS					
Indebtedness of the Company including interest outstanding/accrued but not due for payment						
			Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year						
i)	Principal Amount		10749688001	0	0	10749688001
ii)	Interest due but not paid		0	0	0	0
iii)	Interest accrued but not due		1257329	0	0	1257329
	<b>Total (i+ii+iii)</b>		10750945330	0	0	10750945330
Change in Indebtedness during the financial year						
Additions			0	0	0	0
Reduction			322490646			0
	<b>Net Change</b>		322490646			0
Indebtedness at the end of the financial year						
i)	Principal Amount		10427197355	0	0	10427197355
ii)	Interest due but not paid		0	0	0	0
iii)	Interest accrued but not due		0	0	0	0
	<b>Total (i+ii+iii)</b>		10427197355	0	0	10427197355
VI	REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL					
A.	Remuneration to Managing Director, Whole time director and/or Manager:					NIL
Sl.No	Particulars of Remuneration		Name of the MD/WTD/Manager			Total Amount
1	Gross salary					
	(a) Salary as per provisions contained in section 17(1) of the Income Tax. 1961.		-	-	-	-
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961		-	-	-	-
	(c ) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961		-	-	-	-
2	Stock option		-	-	-	-
3	Sweat Equity		-	-	-	-
4	Commission		-	-	-	-
	as % of profit		-	-	-	-
	others (specify)		-	-	-	-
5	Others, please specify		-	-	-	-
	<b>Total (A)</b>		-	-	-	-
	<b>Ceiling as per the Act</b>					

<b>B.</b>	<b>Remuneration to other directors:</b>			NIL		
<b>Sl.No</b>	<b>Particulars of Remuneration</b>		<b>Name of the Directors</b>			<b>Total Amount</b>
1	Independent Directors					
	(a) Fee for attending board committee meetings		NIL	NIL	NIL	
	(b) Commission		NIL	NIL	NIL	
	(c ) Others, please specify		NIL	NIL	NIL	
	<b>Total (1)</b>		NIL	NIL	NIL	
2	Other Non Executive Directors		NIL	NIL		
	(a) Fee for attending board committee meetings		NIL	NIL		
	(b) Commission		NIL	NIL		
	(c ) Others, please specify.		NIL	NIL		
	<b>Total (2)</b>		NIL	NIL		
	<b>Total (B)=(1+2)</b>		NIL	NIL		
	<b>Total Managerial Remuneration</b>					
	<b>Overall Cieling as per the Act.</b>					
<b>C.</b>	<b>REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD</b>					
<b>Sl. No.</b>	<b>Particulars of Remuneration</b>		<b>Key Managerial Personnel</b>			
1	<b>Gross Salary</b>		<b>CEO</b>	<b>Company Secretary</b>	<b>CFO</b>	<b>Total</b>
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961.		1,492,392	1,338,324	973,019	3,803,735
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961		-	53,510	-	53,510
	(c ) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961					
2	Stock Option		NIL	NIL	NIL	NIL
3	Sweat Equity		NIL	NIL	NIL	NIL
4	Commission		NIL	NIL	NIL	NIL
	as % of profit		****	****	****	****
	others, specify		****	****	****	****
5	Others, please specify		****	****	****	****
	<b>Total</b>		<b>1,492,392</b>	<b>1,391,834</b>	<b>973,019</b>	<b>3,857,245</b>



**CS ANIL ANAND**

(Company Secretary in Practice)

351, Prakash Mohalla

East of Kailash

New Delhi – 110065

Ph: +91-9873925927

E-mail: csanilanand96@gmail.com

**SECRETARIAL AUDIT REPORT  
FOR THE FINANCIAL YEAR ENDED ON 31<sup>ST</sup> MARCH, 2020**

*[Pursuant to section 204(1) of the Companies Act, 2013 and rule No. 9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]*

To,

**The Members,  
KRISHNAPATNAM RAILWAY COMPANY LIMITED**

Amsri Faust Complex),  
Door No D-9-1-164/A to 166,  
5th Floor, Sarojini Devi Road  
Secunderabad  
Telangana-500003.

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s. Krishnapatnam Railway company Limited (CIN: U45200TG2006PLC051378) (hereinafter called the company). Secretarial Audit was conducted in a manner that provides us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31<sup>st</sup> March, 2020 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by Company for the financial year ended on 31<sup>st</sup> March, 2020 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ("SCRA") and the rules made thereunder: - Not Applicable
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder: - Not Applicable
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment: - Not Applicable



- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ("SEBI Act") :-
  - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ;- Not Applicable
  - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 1992 ;- Not Applicable
  - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2009 ;- Not Applicable
  - d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 ;- Not Applicable
  - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;- Not Applicable
  - f) The Securities and Exchange Board of India (Registrar to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client ;- Not Applicable
  - g) The Securities and Exchange Board of India (Delisting of Enquiry Shares) Regulations, 2009 ;- Not Applicable and
  - h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 ;- Not Applicable
- (vi) Other laws as are and to the extent applicable to the Company as per the management representation made by the Company.
  - a) The Employee Provident Funds and Miscellaneous Provision Act, 1952
  - b) Applicable Local/Municipal Laws
- (vii) We have also examined compliance with the applicable clauses of the following:
  - i. Secretarial Standard issued by Institute of Company Secretaries of India.
  - ii. The Listing Agreements entered into by the Company with... Stock Exchange(s) :- Not Applicable;

During the period under review, the Company has complied with the provisions of the Acts, rules, regulations and guidelines mentioned above

#### **We further report that**

The Board of Directors of the Company is duly constituted with proper balance of Directors as per Companies Act, 2013. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance to the Directors for holding the Board Meetings during the year, and a system exists for seeking and obtaining further information and clarification on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the meeting duly recorded and signed by the Chairman, the decisions of the Board were unanimous and no dissenting views have been recorded.



**We further report that**

- i. there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines, and
- ii. during the Audit period, there are no such specific events/actions having a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards taken place.

The Report is to be read with our letter of even date which is annexed as "Annexure A" and forms an integral part of this report.

**Place: New Delhi**  
**Date: 25<sup>th</sup> July 2020**



  
**CS Anil Anand**  
**ACS-10328**  
**C P No.:11295**

**Annexure 'A'**

To,

**The Members,  
KRISHNAPATNAM RAILWAY COMPANY LIMITED**

Amsri Faust Complex),  
Door No D-9-1-164/A to 166,  
5th Floor, Sarojini Devi Road  
Secunderabad  
Telangana-500003.

Our Report even date is to be read along with this letter.


1. Maintenance of Secretarial record is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. We have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretariat records. The verification was done on test basis to ensure that correct facts are reflected in Secretariat records. I believe that the process and practices, I followed provide a reasonable basis for my opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the Management representation about the Compliance of laws, rules and regulations and happening of events etc.
5. We further report, that the compliance by the Company of applicable financial laws like Direct and Indirect tax laws has not been reviewed in this Audit since the same have been subject to review by statutory financial audit and other designated professionals.
6. The Compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedure on test basis.



7. The Secretariat Audit is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**Place: New Delhi**  
**Date: 25<sup>th</sup> July 2020**



  
**CS Anil Anand**  
**ACS: 10328**  
**C P No.:11295**





# **KRISHNAPATNAM RAILWAY COMPANY LIMITED**

**Regd. office:** Amsri Faust Complex, Door No 9-1-164/A-166, 5<sup>th</sup> Floor, Sarojini Devi Road, Secunderabad- 500003, Telangana, CIN NO. U45200TG2006PLC051378

Sl. No	Auditor's Comments for Financial Year 2019 -20	Management Reply
	<b>Basis for Qualified Opinion:</b>	
1	The company's revenue are carried in the Statement of Profit & Loss a/c under Note-19 Revenue from Operation of Rs.20229.02 lakhs. Monthly revenue bills/ apportionment sheet of revenue are received from the South Central Railway (SCR). All these bills are marked 'Provisional'. The outcomes of the provisional bills are not known at subsequent dates. Further, supporting documents of the monthly revenue bills are not available. As stated, in note-19(i)(d), all supporting evidences related to revenue bookings are being controlled and managed by the SCR only and not made available for verification. The monthly revenue statements are not checked and certified by the company. Thus, the operating revenue statement could not be verified. In view of these, leakage in the operating revenue cannot be ruled out. Financial impact, if any, cannot be ascertained.	<p>It is the practice of Railway Administration to furnish such statements, viz., Revenue or O&amp;M or any other amount paid to be marked as 'Provisional'.</p> <p>KRCL do not have any control over the practices followed by Railway Administration.</p> <p>Revenue Statements are always checked by KRCL officers at Secunderabad. Copies of all revenue statements certified by CFO/KRCL and Sr. Technical Manager/KRCL have been furnished to Audit team.</p>
2	The company has not provided for Departmental charges of Rs.112.81 crore. Reference is drawn regarding Note no-39 (c) - Contingent liability in respect of Departmental charges on construction of project. A departmental charge @5% would be payable by the company to RVNL on the total cost of work as per detailed estimate/revised estimate/ completion estimate in the books of accounts of the company. The total charges have been estimated by the company at Rs.112.81 crore. In our opinion, a provision for liability should have been made on the best estimated basis for the departmental charges on year to year on accrual basis. Instead, a contingent liability has been disclosed. Thus, the cost of the project should have gone up by Rs.112.81 crore and so the provision for liability for the same amount.	<p>In terms of Construction Agreement with Rail Vikas Nigam Limited, Departmental Charges are payable to RVNL on the basis of final cost of work. Since RVNL has not raised any invoice/claim in this regard, therefore this amount has been treated as contingent liability in Books of Accounts.</p> <p>It is noted that provisions for Departmental Charges can be made in Books of Accounts. However, Company has represented to RVNL for waiving off the Departmental Charges. Hence, it would be logical to retain the amount of Departmental Charges in Contingent Liability.</p>
3	The company has not provided for liability to pay GST under the reverse charge mechanism in respect of operation & maintenance costs incurred by the company as billed by SCR. Thus, there is an understatement of O&M Expenses and overstatement of profit by Rs.3.50 crore.	Amount of O&M Costs deducted from Apportioned Revenue is in the nature of allocation of cost between SCR and KRCL, as such there is no service provided by SCR to KRCL. SCR is performing operations and for carrying out operations, Maintenance is mandatory, so these two activities are complementary. Hence, Operations and

		<p>Maintenance cannot be seen as two separate activities. Due to operations, whatever revenue is generated, GST is paid to Government by SCR.</p> <p>Since there is no service, therefore no GST is payable.</p>
4	<p>The company has not fully provided for CSR liability for the FY 2018-19 in accordance with the provision of Section 135 of the Companies Act, 2013. The company was required to spend Rs.15.80 lakhs, but only a sum of Rs 10 lakhs has been spent so far for CSR activities for FY 2018-19. Thus, there is an understatement of liability by Rs.5.80 lakhs.</p>	<p>FY 2018-19 was the 1<sup>st</sup> year of applicability of CSR on KRCL. The Company identified the project to comply with its CSR obligations of Rs. 15.80 Cr. for FY 2018-19. The Company has already paid Rs. 10.00 Lakh in two instalments of Rs. 5 Lakh each as per payment schedule fixed.</p> <p>However, pending the receipt of completion certificate of the balance work the balance CSR amount of Rs. 5.80 Lakh could not be paid.</p>






Sl. No	Auditor's Comments for Financial Year 2019 -20	Management Reply
	<b>Key Audit Matters</b>	
1	<p>The Company had taken Term Loans from consortium of 7 banks led by Bank of India (BOI) in 2013. The first installment of the Term Loan was due in June, 2018. However, the company did not stick to the repayment plan and approached banks to re-schedule the term loan by fixing the revised repayment plan starting from September 2019, due to delay in completion of the phase-II project and consequent change in the Commercial Operation Date (COD). Though the re- schdulement has taken place, and COD achieved on 03rd July 2019 .The phase II project has still not fully completed and work is still going on. Considering the critical financial situation of the company due to high project cost due to cost overrun and time overrun. There has been nonpayment of dues by the SCR such as Terminal cost of Rs. 476.72 crores (as on 10.08.2017) and apportionment of tariff income of Rs 268.47 crores for 14.45 kms of Port siding. The company has shown loss of Rs. 72.22 crores in FY 19-20. Further the company will have to pay in FY 2020-21 bank installment of Rs. 51 crores and banks interest of Rs. 92.60 crores and RVNL interest of Rs 101.44 crores. It appears Companies inability to generate adequate revenue and stringent measures being imposed by the RBI and other authorities on restructuring of loans, it is likely that any default on the part of the company to service debt, will place it as NPA in the near future.</p>	<p>The Construction of the project has been completed and Operations of the project started with effect from 03/07/2019.</p> <p>Company is duly servicing interest on Banks Loan for past seven years without any default, Repayment of Principal Loan amount has also started from September 2019. Up to March 2020, the Company paid Interest on Loan as well as installments of Principal Loan had been paid without any default.</p> <p>The Company envisages to service the Bank Loan Interest regularly, as well as the due Repayment of Principal Loan from its Revenue Earnings due to the longer length of Project, i.e., 113 Km. Earlier upto July month of FY 2019-20, the Company was getting Apportioned Revenue Earnings only for 21 Km, whereas, the Revenue Earnings in FY 2020-21 will be for 113 Km.</p> <p>In view of this fact, Company expects that the Financial condition of the Company will stabilise and liabilities of 2020-21 can be met, even it is assumed that same level of Revenue Earnings as of FY 2019-20 is achieved in 2020-21.</p>
2	<p>In the absence of availability of records/documents in support of the monthly O&amp;M bills sent by SCR, such bills are not checked/ certified by the company. Financial impact, if any, cannot be ascertained.</p>	<p>Detailed Monthly O&amp;M Bills are duly checked and verified by CFO/KRCL and Sr. Technical Manager/KRCL, which were furnished to Audit Team during Audit.</p>
3	<p>RVNL bills for construction of phase-II project are sent from time to time to the company for payment. Such bills are only xerox copies and not the original ones. Further these bills are not checked and certified by the company and thus, payments are made to RVNL in this regard without any checking and certification.</p>	<p>It is the practice of RVNL to provide the photocopy of monthly Construction Bills to KRCL and RVNL is retaining the original bills for their record.</p> <p>It is a practice of RVNL that before forwarding the Construction Bills to any SPV, including KRCL to get the same checked by the Accounts Department of the concerned PIUs. In case of KRCL, the concerned PIU is at Chennai.</p>

4	<p><b>Capitalization of Intangible Assets</b></p> <p>During the year ended March 31, 2020, the Company has Capitalized significant expenditure. Intangible Assets capitalized during the year relates to the construction of the phase-II project in the books of the company. The expenditure incurred by the company on construction for FY 2018-19 was Rs.607.91 crores. Cumulative expenditure up to 31.03.2019 was Rs 2423.73 Crores and the cumulative expenditure up to 31.03.2020 was Rs.2646.57 crore. This project was started in 2008 with an estimated cost of Rs.732 crore. Thereafter, the project cost was revised from time to time to Rs.1203 crore in 2011 and Rs.1866 crore in 2016. It was then estimated that the cost was likely to go up to Rs.2060 crore. It was to be completed in November, 2018, but Phase II has become commercially operational on 3<sup>rd</sup> July 2019 only. The cumulative expenditure of this project has gone up to Rs.2646.57 crore as on 31.03.2020. In addition, the company is still receiving expenditure bills from RVNL and there are further bills in the pipeline. Such bills are only xerox copies and not the original ones. Further these bills are not checked and certified by the Company. Board is yet to approve increased cost. Details of project cost were to be made available by RVNL which were to be verified by Independent agency. RVNL have yet to give Project cost/ completion / handover certificate to the Company.</p>	<p>In 2017, the detailed estimate submitted by RVNL was Rs. 1850 Cr. (Hard Cost), which was approved by the BoD.</p> <p>It is a fact that the cost of the Project has increased to certain extent primarily due to change in geology of two Tunnels mid-way of the longest tunnel (7 Km. in length) while excavation was continuing.</p> <p>Due to which the progress of the work was hindered in order to mitigate the problem in respect of change in technology.</p> <p>Further Change of the scope of the project had also taken place in form of elimination of LC Gates as directed by MoR. Due to which 47 RUBs needed to be constructed on high embankments, which alone led to cost escalation to the extent of over Rs. 400 Cr.</p> <p>The project became operational on July 03, 2019, but a few ancillary works being completed. Due to this Construction Bills are still received from RVNL. Approval for Rs. 2646.57 crore has been obtained from the BoD meeting held on 25/07/2020.</p>
5	<p>Confirmations of balances for Sundry Creditors, Debtors and Imprest as on 31.03.2020 have not been provided.</p>	<p>Balance Confirmation of the major creditor i.e., RVNL and SBI capital markets limited, etc. were furnished already.</p> <p>Further, Balance Confirmation from SCR cannot be furnished as per the Practice of Railways.</p>
6	<p>Reference is drawn to Note no-19(1) (b) &amp; (c) under Revenue from Operations. The company's claim relating to (a) earnings on length of about 14.45 Km section from Krishnapatnam Railway Station to the buffer of port from South Central Railway and (b) apportionment of Terminal costs. These issues are now pending for Arbitration.</p>	<p>Noted.</p>
7	<p>Reference is drawn to Note no-19, regarding revenue from operations of Rs.202.29 crore, the Company is not charging GST on such revenue.</p>	<p>Revenue is collected by Indian Railway (IR). IR is paying the necessary GST to the Government of India. Hence, further, GST is not to be paid by KRCL.</p>

8	<p>Attention is drawn towards Note-5.2. RVNL is charging interest on delay in payment for project expenditure inclusive of D&amp;G charges whereas as per management, construction agreement does not contain any provision for charging the interest on D&amp;G charges.</p>	<p>There is no clause in the existing Construction Agreement executed between RVNL and KRCL, which prohibits RVNL from charging interest on D&amp;G outstanding Amount.</p> <p>At the time of re-conciliation after completion of all balance works, this point will be raised to RVNL.</p>
9	<p>Attention is drawn towards Note No-5.4, Clause 10.2 of the Construction Agreement, which provides "D&amp;G charges shall be payable to RVNL @9.13% for civil work, 10.18% for electrical works and 10.69% for S&amp;T work. However, the above percentage shall be calculated finally based on the actual completion cost". Thus D&amp;G charges being capitalized and amortized/depreciation being capitalized and amortized/depreciation being charged thereon is subject to change based on the outcome of final actual completion cost.</p>	<p>At present RVNL is charging D&amp;G Charges in accordance with provisions of Construction Agreement.</p> <p>On Completion of work, final D&amp;G Charge will be calculated and actual impact will be taken in Financial Statements.</p>
10	<p>We draw attention to Note no 21(iv) and as such Operation Agreement is yet to be entered into with SCR pertaining to operation of Phase-III which is functional since 2<sup>nd</sup> March, 2014 and Phase II which is function since 3<sup>rd</sup> July 2020, Thus accounting for of revenue and operation cost of Phase-III between KRCL and SCR is being made on the basis of Operation and Maintenance Agreement for Phase-I. If the terms of agreement change, the related revenue and operation cost will vary and the amount unascertained.</p> <p>As per Operation &amp; Maintenance agreement of phase-I, the agreement is to be reviewed every six months but the same was reviewed last in October, 2012.</p>	<p>Same Agreement is followed for all Phases.</p> <p>O&amp;M Agreement for the entire project is to be concluded, the same is under consideration of with SCR for all Phases. The existing O&amp;M Agreement is being followed till the new Agreement is signed.</p> <p>Review of O&amp;M Agreement is a continuous process which takes place at regular intervals in review meeting between KRCL &amp; SCR. All operational disputes are discussed at these meetings. However, review does not necessarily mean change in O&amp;M Agreement.</p>
11	<p>In absence of any approval from the Board of the Company, no figure has been shown under Capital Commitment as on 31.03.2020.</p>	<p>Noted.</p>
12	<p>The company has obtained a comprehensive insurance policy for its project assets of 21 km only but for assets of the 93 km line for which commercial operations on the section has started w.e.f. 3rd July 2019, the company has not taken comprehensive insurance policy as per the common loan agreement with the banks.</p>	<p>The Phase-II Project Insurance has already taken by the Implementing Contractors. As soon as this Insurance will expire, Company will make composite Insurance for assets of the Project.</p>
13	<p>Rounding off errors have been observed in certain cases which are given below: Asset side of balance sheet of company: Non-current asset -Property plant and equipment schedule -3 as on 31.03.2020 shows a EDP addition of Rs 1.67 lakhs, whereas addition of EDP assets in</p>	<p>There is no impact on overall value of Property, Plant &amp; Equipment, and the difference of Rs. 0.03 Lakhs has been adjusted automatically in other heads during rounding off. Therefore, closing balance of Property, Plant &amp; Equipment will remain</p>


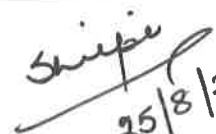
books is of Rs 1.64 lakhs. Total of its constituents of PPE amount should be Rs 279.12 instead of Rs 279.15 lakhs making a difference of Rs 3000/-.	same, i.e., Rs. 279.15 Lakhs.
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Sl. No	Auditor's Comments for Financial Year 2019 -20	Management Reply
	<b>Internal Financial Control</b>	
1.	The operations of the company's business are solely controlled by the South Central Railway (SCR). All supporting evidences related to revenue booking are being controlled and managed by SCR only and not made available for verification.	Every month reconciliation is being done with the Traffic revenue Officer of SCR. RR wise reconciliation is done every month by KRCL officers in order to arrive at correct revenue of the company. Also systematic records are maintained.
2.	There is no control over the revenue apportionment of South Central Railway (SCR) as the revenue sheets are sent by SCR to the company only on provisional basis and collateral records neither supplied by the SCR nor maintained by the company. As a result, there is no basis to verify the same.	Comments are same as mentioned in Item No. 1 of Internal Financial Control above.
3.	There is no control over the operation and maintenance (O&M) expense, overhead charges, indirect cost etc. billed by the South Central Railway and deducted from the revenue dues to the company.	The matter has been raised in the meeting with South Central Railway and KRCL officials and the same has been minuted in meetings.  In respect of any kind of over-charging in O&M Costs, Company is following up with South Central Railway, after issuing letters for the refund of the same.
4.	Absence of Internal Financial Control has been felt in the booking of expenditure for the construction of phase-II of the project of the company. It is observed that the bills for construction of the project by the contractor (RVNL) were sent from time to time to the company for payment, but such bills were only xerox copies and not the original ones. These bills are not checked by the company and thus, payments are made to RVNL without any checking and certification.	It is the practice of RVNL to provide the photocopy of monthly Construction Bills to KRCL and RVNL is retaining the original bills for their record.  It is a practice of RVNL that before forwarding the Construction Bills to any SPV, including KRCL to get the same checked by the Accounts Department of the concerned PIUs. In case of KRCL, the concerned PIU is at Chennai.
5.	As informed to us, there is no methodology on the part of the management to ensure the up to date progress of expenditure on construction projects, including bills which are already in the pipeline and also which are awaiting dispatch by the contractors for the construction.	RVNL submits monthly/bimonthly bills of the contractors for ongoing construction of the project. Since, RVNL is an EPC Contractor, KRCL does not have any indication on the forthcoming / future construction bills.
6.	Deficiency in Internal Financial Control has been observed in the capitalization of the expenditure of Phase II project of the company. Whereas, this action was taken by board in its 60 <sup>th</sup> meeting on 25 <sup>th</sup> July 20, It is observed that the effect of capitalization of intangible assets of Phase II had taken place much before the approval of the board as per company's quarterly report to RVNL. Further	Financial statements and books of Accounts are prepared in accordance with Ind-AS specified under Companies Act, compliance of Ind-AS is mandatory. Management/Board is required to comply with Ind-AS mandatorily, defined under Companies Act. Therefore, recognition of expenditure incurred should be taken based on guidance



<p>project final cost/ completion/handover certificate is yet to be provided by the RVNL to the Company.</p>	<p>available under Ind-AS. Recognition and measurement of Intangible assets (Project Assets of Phase II) is governed by Ind-AS 38. Para 8 of Ind-AS 38 provides that</p> <p><i>"An asset is a resource:</i></p> <p><i>(a) controlled by an entity as a result of past events; and</i></p> <p><i>(b) from which future economic benefits are expected to flow to the entity."</i></p> <p>Above mentioned Para clearly states that if a resource is controlled by entity and future economic benefits are flowing to entity than it can be recognised as asset. Ind-AS defines that the future economic benefits flowing from an intangible asset may include revenue from the sale of products or services, cost savings etc. In case of KRCL revenue from Railway Operation has started flowing to KRCL from 3<sup>rd</sup> July 2019, this is clearly date of recognition of Intangible Asset.</p> <p>Further, Concession Agreement signed between KRCL and MoR provides that COD of Project shall be from date of Safety Certificate by the Chief Engineer (Construction) of South Central Railway, KRCL received this certificate on 3<sup>rd</sup> July 2019, therefore this date can only be treated as date of commercial operation of project for the purpose of capitalisation of project assets. Accordingly, it can be concluded that project assets have been capitalised in compliance with Ind-AS and Concession Agreement.</p> <p>Further, interim Provisional Financial Statements prepared for September 2020 were approved by Board of Directors in its meeting, capitalisation and related depreciation was part of Interim financial statements therefore approval of capitalisation was in concurrence with Board of Directors of the company.</p> <p>In view of the above it can be summarised that there is no deficiency in Internal Control over Financial Reporting for capitalisation or reporting in interim financial statements.</p>
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25/8/2020.

### ANNUAL REPORT ON CSR ACTIVITIES -FY 2019-20

Sr. No.	Particulars	Remarks
1	A Brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the weblink to the CSR policy and project or programs.	The Corporate Social Responsibility (CSR) Policy of Krishnapatnam Railway Company Limited (hereinafter referred as KRCL) is issued within the provisions of Companies Act 2013, Companies (Corporate Social Responsibility Policy) Rules 2014 and Schedule- VII. The scope of this policy extends to activities as stated under Schedule VII of the Companies Act, 2013, as may be amended from time to time. Weblink to access CSR policy on Company's website: <a href="http://krcl.org.in/csr/">http://krcl.org.in/csr/</a>
2	The Composition of the CSR Committee	<ol style="list-style-type: none"> <li>1. Mr. M. P. Singh (Non Executive Director)</li> <li>2. Mr. S Subba Rao (Non Executive Director)</li> <li>3. Shri Siddharth Jain, IAS (Non Executive Director)</li> </ol>
3	Average net profit of the Company for last three financial years.	Rs. 4161.16 Lakh
4	Prescribed CSR Expenditure (two per cent. of the amount as in item 3 above).	Rs. 83.22 Lakh
5	Details of CSR spent during the financial year:  a) Total amount to be spent for the financial year b) Amount unspent, if any; c) Manner in which the amount spent during the financial year is detailed below:	Rs. 83.22 Lakh  Rs. 83.22 Lakh (However, after completion of FY 2019-20, the Company has donated the entire CSR funds to PM CARES FUND on 17 <sup>th</sup> April, 2020.)
6	In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the reasons for not spending the	The Company could not spent the prescribed CSR funds Rs. 83.22 at 5 (a) till 31.03.2020.  However, after completion of FY

	amount in its Board report.	2019-20, the Company has donated the entire CSR funds to PM CARES FUND on 17 <sup>th</sup> April, 2020.
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7. The implementation and monitoring of CSR Policy is in compliance with the CSR objectives and Policy of the Company.

Sd/-  
(M. P. Singh)  
Member CSR Committee

Sd/-  
(S. Subba Rao)  
Member CSR Committee



# BALANCE SHEET AND STATEMENT OF PROFIT & LOSS

**KRISHNAPATNAM RAILWAY COMPANY LIMITED**  
**Balance Sheet as at 31st March 2020**

(₹ In Lakhs)

Particulars	Note No	As at 31st March 2020	As at 31st March 2019
<b>I. ASSETS</b>			
<b>1 Non-current assets</b>			
(a) Property, Plant and equipment	3	279.15	306.67
(b) Other Intangible assets	4	2,70,499.80	13,116.34
(c) Intangible assets under development	5	-	2,42,373.15
(d) Financial Assets	6		
(i) Loans	6.1	1.50	1.50
(i) Others	6.2	1,856.37	1,664.96
(e) Deferred Tax Asset	15	2,312.71	-
(f) Other non-current assets	7	67.00	8.66
		2,75,016.53	2,57,471.28
<b>2 Current assets</b>			
(a) Financial Assets	8		
(i) Trade Receivables	8.1	4,517.13	1,900.53
(ii) Cash and cash equivalents	8.2	4,118.12	5,003.87
(iii) Bank Balances other than (ii) above	8.3	5,945.45	5,777.57
(v) Others	8.4	74.36	33.45
(b) Current Tax Assets (Net)	9	466.04	119.33
(C) Other current assets	10	90.58	14.13
		15,211.68	12,848.88
<b>Total Assets</b>		<b>2,90,228.21</b>	<b>2,70,320.16</b>
<b>II. EQUITY AND LIABILITIES</b>			
<b>1 Equity</b>			
(a) Equity Share Capital	11	62,500.00	62,500.00
(b) Other Equity	12	2,871.88	7,731.20
		65,371.88	70,231.20
<b>2 Liabilities</b>			
<b>(i) Non-current liabilities</b>			
(a) Financial Liabilities	13		
(i) Borrowing	13.1	99,165.87	1,04,271.97
(ii) Trade Payables	13.2		
a) Total Outstanding Due to Micro enterprises and small enterprises			
b) Total Outstanding Due to creditors other than Micro enterprises and small enterprises	13.2	249.39	260.78
(b) Provisions	14	3,947.37	2,994.11
(c) Deferred Tax Liability	15	-	49.02
(d) Other Non-Current Liability	16	96.70	123.68
		1,03,459.33	1,07,699.56
<b>(ii) Current liabilities</b>			
(a) Financial Liabilities	17		
(i) Trade Payables	17.1		
a) Total Outstanding Due to Micro enterprises and small enterprises			
b) Total Outstanding Due to creditors other than Micro enterprises and small enterprises		476.05	319.91
(ii) Other financial liabilities	17.2	1,20,724.26	91,696.08
(b) Other Current liability	18	196.69	297.22
(c) Current Tax Liability (Net)	9	-	76.19
		1,21,397.00	92,389.40
<b>Total Equity and Liabilities</b>		<b>2,90,228.21</b>	<b>2,70,320.16</b>
<b>III. See accompanying notes to the financial statements (Note-1-47)</b>			

As per our Report of even date attached  
For Jindal & Company  
Chartered Accountants  
FRN : 00844N

Akhil Jindal  
Partner  
M No. 090515

Place : New Delhi  
Date : 25/07/2020



D. K. Gupta  
Director  
DIN : 08335219

Trilok Garg  
Company Secretary  
M No. 30019

For and on behalf of Board of Directors

Shilpi Agarwal  
Director  
DIN : 08004390

MUNI PRASAD  
PRASAD TRIPURASETTY  
TRIPURASETTY  
Digitally signed by MUNI PRASAD TRIPURASETTY  
Date: 2020.07.25 16:02:53 +05'30'  
T. Muni Prasad  
Chief Financial Officer

VSIN: 20090515AAACOKOI

**KRISHNAPATNAM RAILWAY COMPANY LIMITED**  
Statement of Profit & Loss for the Year ended 31st March 2020

(₹ in Lakhs)

Particulars	Note No.	For the year ended 31st March 2020	For the year ended 31st March 2019
I. <b>Revenue :</b>			
Revenue from operations	19	42,513.16	74,209.41
Other income	20	580.41	198.23
III. <b>Total Income (I + II)</b>		<b>43,093.57</b>	<b>74,407.64</b>
IV. <b>Expenses:</b>			
Operation & Maintenance Expense	21	24,775.92	62,875.89
Employee benefits expenses	22	64.71	47.95
Finance costs	23	17,345.13	733.17
Depreciation and amortization	24	7,303.78	700.82
Other Expenses	25	825.91	769.66
<b>Total Expenses (IV)</b>		<b>50,315.45</b>	<b>65,127.49</b>
V. <b>Profit/(Loss) Before exceptional items and Tax (III - IV)</b>		(7,221.88)	9,280.15
VI. Exceptional items		-	-
VII. Profit/(Loss) before tax (V - VI)		(7,221.88)	9,280.15
VIII. Tax expense:			
(1) Current tax			
- For the year		-	2,063.99
- For earlier years (net)		(0.83)	(0.83)
(2) Deferred tax (net)	26	(2,361.73)	(74.97)
Total Tax Expense (VIII)		(2,362.56)	1,988.19
IX. <b>Profit/(loss) for the period from continuing operation (VII - VIII)</b>		<b>(4,859.32)</b>	<b>7,291.96</b>
X Profit/(loss) from discontinued operations		-	-
XI Tax Expense of discontinued operations		-	-
XII Profit/(loss) from discontinued operations (after tax) (X-XI)		-	-
XIII <b>Profit/(loss) for the period (IX+XII)</b>		<b>(4,859.32)</b>	<b>7,291.96</b>
XIV <b>Other Comprehensive Income</b>			
A. (i) Items that will not be reclassified to profit and loss		-	-
(ii) Income Tax relating to Items that will not be reclassified to profit and loss		-	-
B. (i) Items that will be reclassified to profit and loss		-	-
(ii) Income Tax relating to Items that will be reclassified to profit and loss		-	-
<b>Total Comprehensive Income for the period (IX +X) (Comprehensive profit and other comprehensive income for the period)</b>		<b>(4,859.32)</b>	<b>7,291.96</b>
XV Earnings Per Equity Share:			
(For Continuing Operation)			
(1) Basic (Face Value of Share ₹ 10/-)	27	(0.78)	2.02
(2) Diluted (Face Value of Share ₹ 10/-)	27	(0.78)	2.02
XVII Earnings Per Equity Share:			
(For Discontinuing Operation)			
(1) Basic (Face Value of Share ₹ 10/-)	27	-	-
(2) Diluted (Face Value of Share ₹ 10/-)	27	-	-
XVIII Earnings Per Equity Share:			
(1) Basic (Face Value of Share ₹ 10/-)	27	(0.78)	2.02
(2) Diluted (Face Value of Share ₹ 10/-)	27	(0.78)	2.02

As per our Report of even date attached

For Jindal & Company

Chartered Accountants

FRN : 000844N

Akhil Jindal

Partner

M No. 090515

Place : New Delhi

Date : 25/07/2020



For and on behalf of Board of Directors

D. K. Gupta

Director

DIN : 08335219

Trilok Garg

Company Secretary

M No. 30019

Shilpi Agarwal

Director

DIN : 08004390

MUNI PRASAD  
TRIPURASETTY

T. Muni Prasad

Chief Financial Officer

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**KRISHNAPTNAM RAILWAY COMPANY LIMITED**  
Statement of Cash Flow for the Year ended 31st March 2020

(₹ in Lakhs)

Particulars		For the year ended 31st March 2020	For the year ended 31st March 2019
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net Profit before taxation		(7,221.88)	9,280.15
Adjustment for :			
Depreciation, amortization and impairment		7,303.78	700.82
Interest Income		(359.36)	-
Interest Expense		16,963.40	450.09
Unwinding of discount-receivable from SCR		(191.41)	(171.25)
Unwinding of discount-overhead cost payable		27.70	32.67
Payment for employee benefit expenses		-	(12.95)
Income from reversal of deferred Overhead costs payable		(26.98)	(26.98)
Interest on Provision for resurfacing		312.14	222.14
<b>Operating Profit before operating capital changes</b>	<b>(1)</b>	<b>16,807.39</b>	<b>10,474.69</b>
Adjustment for :-			
Decrease / (Increase) in Trade Receivables / Loans & Advances		(2,616.60)	117.96
Decrease / (Increase) in Other Financial current Assets		(40.91)	(18.54)
Decrease / (Increase) in Other current Assets		(76.45)	(0.03)
Decrease / (Increase) in Other Non Current Assets		2.91	2.92
Decrease / (Increase) in Other Assets		-	-
Decrease / (Increase) in Other Non Current Financial Assets		-	-
(Decrease) / Increase in Non Current Trade Payables		(39.09)	(43.83)
(Decrease) / Increase in Current Trade Payables		156.14	103.96
(Decrease) / Increase in Other Financial Liability		27,146.99	12,043.11
(Decrease) / Increase in Other Current Liability		(100.53)	(27.96)
Decrease / (Increase) in Current Assets		-	-
(Decrease) / Increase in Other Non Current Liability		-	-
(Decrease) / Increase in non-current Provision		641.12	641.12
	<b>(2)</b>	<b>25,073.58</b>	<b>12,818.71</b>
<b>Cash generated from operation</b>	<b>(1+2)</b>	<b>41,880.97</b>	<b>23,293.41</b>
Income Tax Paid (Net of Refund)		(422.07)	(2,134.93)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>(A)</b>	<b>41,458.90</b>	<b>21,158.48</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital Expenditure on Property Plant Equipment and Intangible Assets, Including Capital Advances		(17,175.71)	(60,560.64)
Increase in deposits having original maturity of more than three months and other bank balances		(167.88)	(5,149.45)
Interest Income		359.36	-
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(B)</b>	<b>(16,984.23)</b>	<b>(65,710.09)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from Long Term Borrowings		-	14,500.00
Repayment of Loan		(3,224.91)	-
Proceeds from Issue of Shares		-	35,500.00
Interest Expenses		(22,135.51)	(450.09)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>(C)</b>	<b>(25,360.42)</b>	<b>49,549.91</b>
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENT</b>	<b>(A+B+C)</b>	<b>(885.75)</b>	<b>4,998.30</b>
<b>CASH AND CASH EQUIVALENT (OPENING)</b>	<b>(D)</b>	<b>5,003.87</b>	<b>5.57</b>
Balances with banks-Current Account		3.87	5.57
Deposits with Bank with less than 3 months maturity		5,000.00	-
<b>CASH AND CASH EQUIVALENT (CLOSING)</b>	<b>(E)</b>	<b>4,118.12</b>	<b>5,003.87</b>
Balances with banks-Current Account		18.12	3.87
Deposits with Bank with less than 3 months maturity		4,100.00	5,000.00
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENT</b>	<b>(E-D)</b>	<b>(885.75)</b>	<b>4,998.30</b>

As per our Report of even date attached  
For Jindal & Company  
Chartered Accountants  
FRN : 00844N

Akhil Jindal  
Partner  
M No. 090515

Place : New Delhi  
Date : 25/07/2020



For and on behalf of Board of Directors

Dr. K. Gupta  
Director  
DIN : 08335219

Trilok Garg  
Company Secretary  
M No. 30019

Shilpi Agarwal  
Director  
DIN : 08004390

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T. Muni Prasad  
Chief Financial Officer



**STATEMENT OF CHANGES IN EQUITY**  
**KRISHNAPATNAM RAILWAY COMPANY LIMITED**  
Statement of changes in equity for the Year ended 31st March 2020

**A. Equity share capital**

(₹ in Lakhs)

Particulars	Number of Share in Lakhs	Amount
<b>Balance at April 1, 2018</b>	2,700.00	27,000.00
Changes in equity share capital during the year		
Issue of equity shares capital during the year	3,550.00	35,500
<b>Balance at March 31, 2019</b>	<b>6,250.00</b>	<b>62,500.00</b>
Changes in equity share capital during the year		
Issue of equity shares capital during the year	-	-
<b>Balance at March 31, 2020</b>	<b>6,250.00</b>	<b>62,500.00</b>

**B. Other Equity**

(₹ in Lakhs)

Particulars	Reserve & Surplus	Total
	Retained Earnings	
<b>Balance at April 1, 2018</b>	452.19	452.19
Changes in accounting policy or prior period errors	(12.95)	(12.95)
<b>Restated Balance as at April 1, 2019</b>	<b>439.24</b>	<b>439.24</b>
Profit for the year	7,291.96	7,291.96
Other Comprehensive Income for the year (net of income tax)	-	-
<b>Total Comprehensive Income for the year</b>	<b>7,291.96</b>	<b>7,291.96</b>
Dividends paid		
<b>Balance at March 31, 2019</b>	<b>7,731.20</b>	<b>7,731.20</b>
Changes in accounting policy or prior period errors	-	-
<b>Restated Balance as at April 1, 2019</b>	<b>7,731.20</b>	<b>7,731.20</b>
Profit for the year	(4,859.32)	(4,859.32)
Other Comprehensive Income for the year (net of income tax)	-	-
<b>Total Comprehensive Income for the year</b>	<b>(4,859.32)</b>	<b>(4,859.32)</b>
Dividends paid		
<b>Balance at March 31, 2020</b>	<b>2,871.88</b>	<b>2,871.88</b>



*Garima* *Chary* 

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# Notes to the Financial Statements

## For the year ended 31st March 2020

### Accounting policies and measurement methods

#### Note: - 1 Corporate Information

Krishnapatnam Railway Company Limited (KRCL) is a public limited company domiciled and was incorporated in India on October 11, 2006 as a Special Purpose Vehicle (SPV) for the purpose of constructing the Krishnapatnam-Obulavaripalle New Railway Line (Andhra Pradesh) Project. The Company is a Joint Venture between Rail Vikas Nigam Limited (RVNL), Krishnapatnam Port Company Limited, National Mineral Development Corporation, Government of Andhra Pradesh, and Bramhani Industries Limited. The registered office of the company is located at Door no. 9-1-164/A to 166 5th Floor Amsri Faust Complex Sarojini Devi Road, Secunderabad, Telangana.

The Company has entered into a Concession Agreement with Ministry of Railways (MoR), Government of India dated 23rd November, 2007 in terms of which the Ministry of Railways (Concession Authority) has authorized the Company (Concessionaire) to develop, finance, design, engineer, procure, construct, operate and maintain the Project Railway and to exercise and/or enjoy the rights, powers, benefits, privileges authorizations and entitlements upon its completion. Further, in terms of the said agreement, the South Central Railway (SCR) will lease the existing Land to the company for the purpose of the Project, lease rental for which shall be as per the extant policy of the MoR as revised from time to time and the new land acquired by it in lieu of a nominal Annual Lease rental of ₹ 1 as referred to in the Lease Deed forming part of the Concession Agreement. Further new Land acquisition will be done by KRCL (through SCR) and will remain the property of KRCL till the expiry of 30 year lease period or Net present Value (NPV) payback equal to equity investment @14% whichever is earlier. In case the NPV payback is reached earlier than 30 years, the concession agreement would stand terminated and the project line would be repossessed by railway.

The Operation and Maintenance of the Phase 1 project railway is being conducted by South Central Railway (SCR) under its right, vide agreement dated 6th January, 2012 which is co-terminus with the Concession Agreement, entered into between the MoR and KRCL. Further, in terms of this agreement, SCR is to operate traffic (Passenger & Freight), collect revenue, maintain the facility and is required to pass-on the apportioned revenue and operation & Maintenance cost to Krishnapatnam Railway Company Limited (KRCL).

Phase-1 of the Project involving the laying of railway line of 24.5 Km from Krishnapatnam to Venktachalam (as per concession agreement signed on 03-11-2007) has been completed and commercial traffic is being operated on the same w.e.f from November 15th, 2008.

Phase-2 of the Project involving the laying of railway line of 93.0 Km from Venktachalam to Obulavaripalle (as per concession agreement signed on 03-11-2007) has been completed and commercial traffic is being operated on the same w.e.f from July 3rd, 2019.

Phase-3 of the Project involving the doubling of the track laid down in phase 1 has been completed and commercial traffic is being operated on the same w.e.f. from 2nd March 2014.

The financial statements are authorised for issue in accordance with a resolution of the board of directors on 25th July 2020.

#### Note: - 2 Basis of Preparation

##### 2.1 Statement of Compliance

The financial statements as at and for the year ended March 31, 2020 have been prepared in accordance with Indian Accounting Standards (Ind-AS) notified under section 133 of the Companies Act 2013, as companies (Indian Accounting Standards) Rules, 2015 as amended from time to time. Assets and liabilities are classified between current and non-current considering 12 months period as operating cycle.

##### 2.2 Basis of Measurement

The financial statements have been prepared under the historical cost convention and on an accrual basis, except for the following item that have been measured at fair value as required by relevant Ind-AS.

- (a) Certain financial assets and liabilities measured at fair value (refer note no. 6.2 and 13.2)

##### 2.3 Use of estimates and judgment

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, disclosure of contingent assets and liabilities at the date of financial statements and the reported amount of income and expenses. Examples of such estimates includes estimated useful life of property, plant and equipment. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on a periodic basis. Future results could differ due to changes in these estimates and difference between the actual result and the estimates are recognised in the period in which the results are known /materialize.

All financial information presented in Indian rupees and all values are rounded to the nearest lakhs up to two decimals except where otherwise stated.

##### 2.4 Statement of cash flow

Cash flows are reported using the indirect method, whereby profit / (loss) before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

For the purposes of statement of cash flow, cash and cash equivalents include cash in hand, cash at banks and demand deposits with banks, net of outstanding bank overdrafts that are repayable on demand are considered part of the Company's cash management system.

##### 2.5 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (i.e. Functional Currency). The financial statements are presented in Indian rupees, which is the functional and presentation currency of the company.



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## 2.6 Property, plant and equipment

A (a) Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any Cost of asset includes the following

- (i) Cost directly attributable to the acquisition of the assets
  - (ii) Present value of the estimated costs of dismantling & removing the items & restoring the site on which it is located if recognition criteria are met.
- (b) Cost of replacement, major inspection, repair of significant parts are capitalized if the recognition criteria are met.
- (c) An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from continued use of assets. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in statement of profit or loss.

### B Depreciation

(a) Depreciation on Property, plant and Equipment is provided on pro-rata basis on written down value (WDV) on all assets on this basis of life provided by the Companies Act 2013.

(b) Each part of an item of Property, Plant and Equipment is depreciated separately if the cost of part is significant in relation to the total cost of the item and useful life of that part is different from the useful life of remaining asset.

The estimated useful life of assets for significant items of property plant and equipment are as follows:

Particulars	Useful Life (In Years)
Office Building	30
Furniture & Fixture	10
Office Equipment's	5
EDP Assets	3

(c) Leasehold improvements are amortized over the period of lease from the month in which such improvements are capitalised or over the useful life as computed under Companies Act 2013 whichever is lower.

(d) Depreciation methods, useful lives and residual values are reviewed at each reporting date, with the effect of change in estimate accounted for on a prospective basis.

## 2.7 Intangible Assets

### Freight Sharing Right (Railway Line under SCA)

The company recognizes an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value on initial recognition by reference to the fair value of the services provided. Subsequent to initial recognition, the intangible asset is measured at cost, which includes capitalized borrowing costs, less accumulated amortization and accumulated impairment losses.

The estimated useful life of an intangible asset in a service concession arrangement is the period from when the company is able to charge the public for the use of the infrastructure to the end of the concession period (i.e. 30 year of operation or Net present Value (NPV) payback equal to equity investment @14% whichever is earlier.).

Freight sharing right is amortised using the straight line method on prorata basis from the date of addition or from the date when the right brought in to service to the expiry of 30 year of operation or Net present Value (NPV) payback equal to equity investment @14% whichever is earlier.

Amortisation methods and useful lives are reviewed at each reporting date, with the effect of change in estimate accounted for on a prospective basis.

The carrying value of intangible asset is reviewed for impairment annually or more often if events or changes in circumstances indicate that the carrying value may not be recoverable.

## 2.8 Intangible Assets under development

### Freight sharing right under development

Expenditure which can be directly identifiable & fair value adjustment of land related to the service concession arrangements are recognised to freight sharing right under development

The following amounts are reduced from the intangible under development:

- (a) Interest earned on the Mobilization Advances given in respect of the project execution.
- (b) Amount received on sale of tender.
- (c) Interest received on FD created out of Borrowed fund, which was taken for exclusively project expenditure.

## 2.9 Provisions

Provisions are recognized when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance sheet date. Provisions are reviewed at each Balance Sheet date.

Provision which expected to be settled beyond 12 months are measured at the present value by using pre-tax discount rate that reflects the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expenses.

In respect of Operation & Maintenance expenses through SCR, same are accounted for on the basis of information received from South Central Railway (SCR). Whenever such information is not received, same is accounted for on pro-rata estimated basis.



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## 2.10 Revenue Recognition

### a) Revenue from Contracts with Customers

Revenue from contract with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

### b) Revenue from Railway Operation

The operating income of the company is recognized on point in time as per the provisional figures advised by South Central Railways for the share of revenue due to the company from the operations of goods traffic.

Operating revenue and operation & maintenance cost of earlier years in respect of operation of goods trains are accounted for in the year of advice of provisional figures by the South Central Railways.

### c) Construction Contract Revenue under SCA

Revenue related to construction or upgrade services under a service concession arrangement is recognized based on the stage of completion of the work performed, when the outcome of construction contract can be measured reliably and where the outcome of construction contract can not be measured reliably, revenue is recognised only to the extent of contract cost incurred that is probable to be recoverable. Performance obligation is measured by the company on the basis of inputs to the satisfaction of a performance obligation (i.e. Input Method).

### d) Other Revenue Recognition

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the interest rate applicable using Effective Interest rate Method.

## 2.11 Leasing

### i. As a Lessee

The Company Recognizes a right-to-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-to-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-to-use asset or the end of the lease term. The estimated useful life of the right-to-use asset is determined on the same basis as those of property, plant and equipment. In addition, the right-to-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease liability is measured at amortized cost using the effective interest method, it is remeasured when there is a change in future lease payments from a change in an index or rate. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use asset that do not meet the definition of Investment property in the "Property plant and equipment" and lease liabilities in "other financial liabilities" in the Balance Sheet.

Short term Lease and Leases of low value assets.

The Company has elected not to recognize right-of-use asset and lease liabilities for short term leases that have lease term of 12 months or less and leases of low value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### ii. As A Lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all the risk and rewards incidental to the ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not then it is an operating lease. As part of the assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Company applies Ind AS-115 "Revenue from contract with customers" to allocate the consideration in the contract.

## 2.12 Impairment of non-financial assets

In accordance with Indian Accounting Standard-36 Impairment of Assets, the carrying amounts of Company's assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated as the higher of the net selling price or the value in use. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

## 2.13 Borrowing Cost

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of such assets till such time the assets are substantially ready for their intended use. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use. All other borrowings costs are recognized in the statement of Profit and Loss in the period in which they are incurred.

## 2.14 Employee Benefits

### Short Term Employee Benefits

The undiscounted amount of short term employee benefits expected to be paid for the services rendered are recognized as an expense during the period when the employees render the services.

## 2.15 Taxes

### a) Current income tax

(i) Tax on income for the current year is determined on the basis of taxable income and tax credits computed in accordance with the provision of the Income Tax Act, 1961, based on the expected outcome of the assessment / appeals.

(ii) Current income tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, liability for additional taxes if any, is provided / paid as and when assessments are completed.

(iii) Current tax related to OCI Item are recognized in Other Comprehensive Income (OCI).



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**b) Deferred tax**

(i) Deferred income tax assets and liabilities are recognized for temporary differences which is computed using the tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

(ii) Deferred income tax asset are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

(iii) The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

(iv) Deferred tax related to OCI Item are recognized in Other Comprehensive Income (OCI).

Minimum Alternative Tax credit is recognized as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Company will pay normal income tax during the specified period.

**2.16 Earnings Per Share**

In determining basic earnings per share, the company considers the net profit attributable to equity shareholders. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. In determining diluted earnings per share, the net profit attributable to equity shareholders and weighted average number of shares outstanding during the period are adjusted for the effect of all dilutive potential equity shares.

**2.17 Contingent Liabilities and contingent Assets**

(a) Contingent Liabilities are disclosed in either of the following cases:

(i) 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; or

(ii) A reliable estimate of the present obligation cannot be made; or

(iii) A possible obligation, unless the probability of outflow of resource is remote.

(b) Contingent assets is disclosed where an inflow of economic benefits is probable.

(c) Contingent Liability and Provisions needed against Contingent Liability and Contingent Assets are reviewed at each Reporting date.

(d) Contingent Liability is net of estimated provisions considering possible outflow on settlement.

**2.18 Non-derivative financial assets**

The company recognizes a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction or upgrade services provided. Such financial assets are measured at fair value on initial recognition and classified as loans and receivables. Subsequent to initial recognition, the financial assets are measured at amortized cost.

If the company is paid for the construction services partly by a financial asset and partly by an intangible asset, then each component of the consideration is accounted for separately and is recognized initially at the fair value of the consideration received or receivable.

**2.19 Fair Value Measurement**

Company measures financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

1- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

2 -Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

3 -Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At the reporting date, the Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Company also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The fair value of an intangible asset received as consideration for providing construction services in a service concession arrangement is estimated by reference to the fair value of the construction services provided. When the company receives an intangible asset and a financial asset as consideration for providing construction services in a service concession arrangement, the company estimates the fair value of intangible assets as the difference between the fair value of the construction services provided and the fair value of the financial asset received.



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## 2.20 Dividend to equity holders

Dividend paid/payable shall be recognised in the year in which the related dividends are approved by shareholders or board of directors as appropriate.

## 2.21 Financial instruments:-

### (a) Initial recognition and measurement

Financial Instruments recognized at its fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

### (b) Subsequent measurement

#### Financial Assets

financial assets are classified in following categories:

#### (i) At Amortised Cost

A financial asset shall be measured at amortised cost if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

(b) 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.

Financial assets measured at amortised cost using effective interest rate method less impairment if any. The EIR amortisation is included in finance income in the statement of profit and loss.

#### (ii) At Fair Value Through Other Comprehensive Income

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

- The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On de-recognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to P&L. Interest earned is recognised using the EIR method.

#### (iii) At Fair Value Through Profit and Loss

FVTPL is a residual category for financial Assets. Any financial assets, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the company may elect to designate financial asset, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. If doing so reduces or eliminates a measurement or recognition inconsistency. The company has not designated any financial asset as at FVTPL.

Financial assets included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

#### Financial liabilities

#### (i) Financial liabilities at Amortised Cost

Financial liabilities at amortised cost represented by trade and other payables, security deposits and retention money are initially recognized at fair value, and subsequently carried at amortized cost using the effective interest rate method.

#### (ii) Financial liabilities at FVTPL

The company has not designated any financial liabilities at FVTPL.

#### (c) Derecognition

##### Financial Asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized only when the contractual rights to the cash flows from the asset expires or it transfers the financial assets and substantially all risks and rewards of the ownership of the asset.

##### Financial Liability

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 a Derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

#### (d) Impairment of financial assets:

Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss. The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivable. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition

Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVTOCI debt instruments. The impairment methodology applies on whether there has been significant increase in credit risk.

ECL impairment loss allowance (or reversal) recognised during the period is recognised as income/expense in the statement of profit and loss.

## 2.22 Non-current Assets held for Sale

Non-current assets 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 and liabilities classified as held for sale are presented separately in the balance sheet.

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 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.



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**Note: - 3****Property, Plant and Equipment**

(₹ in Lakhs)

Particulars	Office Building	Furniture & Fixture	Office equipments	EDP Assets	Total
<b>At 1 April 2018</b>	<b>456.74</b>	<b>0.26</b>	<b>0.43</b>	<b>1.12</b>	<b>458.55</b>
Additions	-	-	-	-	-
Disposals/Adjustments	-	-	-	-	-
<b>At 31 March 2019</b>	<b>456.74</b>	<b>0.26</b>	<b>0.43</b>	<b>1.12</b>	<b>458.55</b>
Additions	-	0.20	0.61	1.67	2.48
Disposals/Adjustments	-	-	(0.27)	(0.49)	(0.76)
<b>At 31 March 2020</b>	<b>456.74</b>	<b>0.46</b>	<b>0.77</b>	<b>2.30</b>	<b>460.27</b>
<b><u>Depreciation and impairment</u></b>					
<b>At 1 April 2018</b>	<b>118.20</b>	<b>0.13</b>	<b>0.21</b>	<b>0.97</b>	<b>119.51</b>
Depreciation charge for the year	32.16	0.03	0.07	0.11	32.37
Impairment	-	-	-	-	-
Disposals/Adjustments	-	-	-	-	-
<b>At 31 March 2019</b>	<b>150.36</b>	<b>0.16</b>	<b>0.28</b>	<b>1.08</b>	<b>151.88</b>
Depreciation charge for the year	29.11	0.03	0.20	0.61	29.95
Impairment	-	-	-	-	-
Disposals/Adjustments	-	-	(0.26)	(0.45)	(0.71)
<b>At 31 March 2020</b>	<b>179.47</b>	<b>0.19</b>	<b>0.22</b>	<b>1.24</b>	<b>181.12</b>
<b><u>Net book value</u></b>					
<b>At 31 March 2020</b>	<b>277.27</b>	<b>0.27</b>	<b>0.55</b>	<b>1.06</b>	<b>279.15</b>
<b>At 31 March 2019</b>	<b>306.38</b>	<b>0.10</b>	<b>0.15</b>	<b>0.04</b>	<b>306.67</b>

**Note 3.1 :** The Company has purchased a property for the purpose of administration which is temporarily idle with carrying amount of ₹ 277.27 Lakhs as at 31 March 2020 (as at 31 March 2019: ₹ 306.38 Lakhs).

**Note 3.2 :** Property Plant & Equipment with a carrying amount of ₹ 279.15 Lakhs as at 31st March 2020 (as at 31st March 2019: ₹ 306.67 Lakhs) are charged with secure Company's loans. The property plant and equipment of ₹ 0.88 Lakhs are held in the name Employees.

**Note: 3.3 :** In line with the IND AS 101, The Company has restated the gross block of Property , Plant and Equipment by reducing accumulated depreciation by ₹ 21.45 Lakhs



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**Note: - 4**  
**Other Intangible assets**

(₹ in Lakhs)

Particulars	Revenue Sharing Right	Total
<b>Cost or deemed cost</b>		
At 1 April 2018	15,771.57	15,771.57
Additions	-	-
Disposals/Adjustments	-	-
At 31 March 2019	15,771.57	15,771.57
Additions	2,64,657.29	2,64,657.29
Disposals/Adjustments	-	-
At 31 March 2020	2,80,428.86	2,80,428.86
<b>Amortisation and impairment</b>		
At 1 April 2018	1,986.78	1,986.78
Amortisation for the year	668.45	668.45
Impairment	-	-
Disposals/Adjustments	-	-
At 31 March 2019	2,655.23	2,655.23
Amortisation for the year	7,273.83	7,273.83
Impairment	-	-
Disposals/Adjustments	-	-
At 31 March 2020	9,929.06	9,929.06
<b>Net book value</b>		
At 31 March 2020	2,70,499.80	2,70,499.80
At 31 March 2019	13,116.34	13,116.34

**Note 4.1 :** Amortisation on other intangible assets are included in Note no. 24 of Depreciation and Amortisation.

**Note 4.2 :** All Intangible with a carrying amount of ₹ 270499.80 Lakhs as at 31st March 2020 (as at 31st March 2019 : ₹13116.34 Lakhs) are charged to secure the Company's loans.

**Note 4.3 :** Assets of phase-1, phase-2 & phase-3 of the company are insured as required under the Concession Agreement dated 23rd November, 2007.

**Note 4.4 :** In line with the IND AS 101, The Company has restated the Gross Block of Intangible Assets by reducing accumulated depreciation by ₹ 9626.84 Lakhs



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**Note: - 5**  
**Intangible Assets Under Development**

(₹ in Lakhs)

Particulars	Revenue sharing right under development	Total
<b>Cost or deemed cost</b>		
At 1 April 2018	1,81,581.30	1,81,581.30
Additions	60,791.85	60,791.85
Disposals/Adjustments	-	-
<b>At 31 March 2019</b>	<b>2,42,373.15</b>	<b>2,42,373.15</b>
Additions	22,284.14	22,284.14
Disposals/Adjustments	(2,64,657.29)	(2,64,657.29)
<b>At 31 March 2020</b>	<b>-</b>	<b>-</b>

**Note 5.1** Title of Leasehold Land shown under the head Intangibles under development and Intangible Assets represents land acquired / to be acquired is with South Central Railway and the company hold the leasehold rights on the Land till the period of Concession Agreement i.e. 30 years or on to attainment of the Net Present Value (NPV) payback equal to equity investment @14% whichever is earlier. In case the NPV payback is reached earlier than 30 years, the concession agreement would stand terminated and the project line would be repossessed by railway.

The Leasehold Land acquired by KRCL (through SCR) will remain the property of KRCL till the period of Concession Agreement and thereafter will revert to SCR since, the value of land will be recovered from SCR.

**Note 5.2 Capitalised borrowing costs**

Intangible includes expenditure on account of interest Payable to Rail Vikas Nigam Limited (Project Contractor), during the year ending 31st March 2020 is ₹2390.24 Lakhs (31 March 2019: ₹9261.35/-) during the period for delay in payment for project expenditure as calculated by RVNL on balance outstanding in the books of accounts of RVNL and as accepted by Company. Further, RVNL has provided infrastructure and other indirect establishment facilities to KRCL for which no amount is charged by RVNL.

The amount of borrowing costs capitalised for loan taken from banks, during the year ended 31st March 2020 is ₹2781.87 Lakhs (31 March 2019 : ₹9336.46 Lakhs). The rate used to determine the amount of borrowing costs eligible for capitalisation was the effective interest rate of the specific borrowing.

**Note 5.3 Capitalization of interest earned on Fixed Deposits**

Amount of ₹106.95 Lakhs (31 march 2019 ₹172.03 Lakhs) towards Interest earned on Fixed Deposit out of borrowed fund which was taken for project expenditure PH -II has been reduced from Intangible Assets during the year ended 31st March 2020.

**Note 5.4**

Intangible Assets and Intangible Under Development includes expenditure on account of Directional & General Charges (D&G charges) amounting to ₹ 1297.87 Lakhs/- (Previous Year ₹ 3114.64 Lakhs) as charged by RVNL (Project Contractor) during the period which is as per the clause no. 10.2 of Construction Agreement dated 29th September 2011, is subject to change. Cumulative D&G Charges up to 31st March 2020 is ₹17357.14 Lakhs (Previous Year ₹16,059.27/- Lakhs) is subject to change. Break up of "D & G charges" included in Intangible under development and intangible assets during the period is as under:

Particulars	(₹ in Lakhs)	
	Year Ended 31.3.2020	Year Ended 31.3.2019
1. Civil Works	977.73	2722.36
2. Signaling & Telecom	71.76	191.97
3. Electric Works	248.38	200.31
<b>Total</b>	<b>1297.87</b>	<b>3114.64</b>



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**Note: - 6**  
**Financial assets**

**Note: - 6.1**  
**Loans**

Particulars	(₹ in Lakhs)	
	As at 31st March 2020	As at 31st March 2019
Security Deposit-NSDL	1.50	1.50
<b>Total</b>	<b>1.50</b>	<b>1.50</b>

**6.2 Other Financial Assets**

Particulars	(₹ in Lakhs)	
	As at 31st March 2020	As at 31st March 2019
<b>At Amortised cost</b>		
Receivable from South Central Railways under Service Concession Arrangement (Value of land) (Refer note-28)	1,856.37	1,664.96
<b>Total</b>	<b>1,856.37</b>	<b>1,664.96</b>

**Note: - 7**  
**Other non-current assets**

Particulars	(₹ in Lakhs)	
	As at 31st March 2020	As at 31st March 2019
<b>a) Capital Advances</b>		
Advances towards Project Expenditure - Mobilization and other Advance	65.00	3.75
<b>b) Other than Capital Advances</b>		
Maintenance Charges Paid in Advance for Building	2.00	4.91
<b>Total</b>	<b>67.00</b>	<b>8.66</b>

**Note: - 8**  
**Financial Assets - Current**

**8.1 Trade Receivables**

Particulars	(₹ in Lakhs)	
	As at 31st March 2020	As at 31st March 2019
<b>Trade Receivables</b>		
Unsecured, considered good - Trade receivables	4517.13	1,900.53
<b>Total</b>	<b>4,517.13</b>	<b>1,900.53</b>

**Note 8.1.1** The trade receivable represents the amount receivable from the South Central Railways (SCR) being the gross revenue apportioned and are non interest bearing. Since, the revenue apportioned by the South Central Railways is on provisional basis and the final figures may vary, the above trade receivables and their classification is subject to change. Further, the amount of receivable being ₹ 4517.13/- lakhs (March 31st 2019 ₹ 1900.53/- Lakhs) is subject to confirmation by the South Central Railways.

**Note 8.1.2** Trade receivables are non-interest bearing and are generally on terms of 15 to 75 days.

**Note 8.1.3** No trade or other receivable are due from directors or other officers of the Company either severally or jointly with any other person. No any trade or other receivable are due from firm or private companies respectively in which any director is a partner, a director or member.



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**Note: - 8.2**  
**Cash and Cash Equivalent**

Particulars	(₹ in Lakhs)	
	As at 31st March 2020	As at 31st March 2019
Balances with banks:		
– On current account	18.12	3.87
– Deposits with original maturity of less than three months	4,100.00	5,000.00
<b>Total</b>	<b>4,118.12</b>	<b>5,003.87</b>

**Note 8.2.1** As at 31st March 2020 the company has availability of ₹ 803.12/- Lakhs ( As at 31st March 2019, ₹ 803.12/- Lakhs ) of undrawn committed borrowing facilities.

**Note: - 8.3**  
**Bank Balances other than Cash and Cash equivalent**

Particulars	(₹ in Lakhs)	
	As at 31st March 2020	As at 31st March 2019
Balances with banks:		
– Term Deposit in Schedule Bank (Maturity more than 3 Months but less than 12 months)	5,700.00	5,000.00
– On Escrow account, Earmarked Balance	245.45	777.57
<b>Total</b>	<b>5,945.45</b>	<b>5,777.57</b>

**Note 8.3.1** The Amount lying in Escrow Account can be used by company in compliance with terms of Loan Agreement

**8.4 Other Financial Assets-Current**

Particulars	(₹ in Lakhs)	
	As at 31st March 2020	As at 31st March 2019
<b>a) Other Receivables</b>		
Receivable from Banks towards Interest	20.82	20.79
Interest Accrued on Fixed Deposits	53.54	12.66
<b>Total</b>	<b>74.36</b>	<b>33.45</b>



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**Note: - 9**  
**Current Tax**

Particulars	(₹ in Lakhs)	
	As at 31st March 2020	As at 31st March 2019
<b>Current Tax Assets</b>		
Advance Tax Paid / Refund of Previous Years	110.40	119.33
Tax Deducted at Source & Advance tax Paid	355.64	
<b>Total</b>	<b>466.04</b>	<b>119.33</b>
<b>Current Tax Liability</b>		
Current Year Tax	-	2,063.99
Tax Deducted at Source & Advance tax Paid	-	(1,987.80)
<b>Total</b>	<b>-</b>	<b>76.19</b>

**Note: - 10**  
**Other current assets**

Particulars	(₹ in Lakhs)	
	As at 31st March 2020	As at 31st March 2019
<b>a) Other than Capital Advances</b>		
Maintenance Charges Building Assets	2.92	2.92
Other Advances	0.07	0.10
<b>b) Others</b>		
Prepaid Expenses	87.59	11.11
<b>Total</b>	<b>90.58</b>	<b>14.13</b>





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**Note: - 11**  
**Equity Share capital**

(₹ in Lakhs)

Particulars	As at 31st March 2020	As at 31st March 2019
<b>Authorized share capital</b>		
65,00,00,000 Equity Share of Rs 10 each	65,000.00	65,000.00
(March 31,2019: 65,00,00,000 Equity Share of Rs 10 each)		
	<b>65,000.00</b>	<b>65,000.00</b>
<b>Issued/Subscribed and Paid up Capital</b>		
62,50,00,000 Equity Share of Rs 10 each	62,500.00	62,500.00
(March 31,2019: 62,50,00,000 Equity Share of Rs 10 each)		
	<b>62,500.00</b>	<b>62,500.00</b>

**Reconciliation of the number of equity shares and share capital**

Particulars	As at 31st March 2020		As at 31st March 2019	
	No. of shares (in Lakhs)	Amount (in Lakhs)	No. of shares (in Lakhs)	Amount (in Lakhs)
Issued/Subscribed and Paid up equity Capital outstanding at the beginning of the year	6,250.00	62,500.00	2,700.00	27,000.00
Add: Shares Issued during the year	-	-	3,550.00	35,500.00
<b>Issued/Subscribed and Paid up equity Capital outstanding at the end of the year</b>	<b>6,250.00</b>	<b>62,500.00</b>	<b>6,250.00</b>	<b>62,500.00</b>

**Terms/Rights attached to Equity Shares**

The company has only one class of equity shares having par value of ₹ 10/- per share. Each holder of equity shares is entitled to one vote per share and also to dividends in Indian rupees. The dividend proposed by the board of directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the company after distributing all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**Details of shares held by each shareholder holding more than 5% shares in the company**

Name of the shareholder	As at 31st March 2020		As at 31st March 2019	
	No. of Shares (in Lakhs)	% holding in the class	No. of Shares (in Lakhs)	% holding in the class
1 Rail Vikas Nigam Limited (RVNL)	3,110.00	49.76%	3,110.00	49.76%
2 Krishnapatnam Port Company Ltd.(KPCL)	810.00	12.96%	810.00	12.96%
3 National Mineral Development Corporation (NMDC)	400.00	6.40%	400.00	6.40%
4 State of Andhra Pradesh (GOAP)	350.00	5.60%	350.00	5.60%
5 Bramhani Industries Limited (BIL)	330.00	5.28%	330.00	5.28%
6 Sagarmala Development Company Limited	1250.00	20.00%	1250.00	20.00%
<b>Total</b>	<b>6,250.00</b>	<b>100%</b>	<b>6,250.00</b>	<b>100%</b>

**Aggregate number of shares issued for consideration other than cash , bonus shares issued and shares bought back during the year:-**

Particulars	As at 31st March 2020	As at 31st March 2019	As at 31st March 2018	As at 31st March 2017
Equity Shares issued for consideration other than cash	-	2,300.00	-	-
Equity Shares issued as fully paid up bonus shares	-	-	-	-
Equity Shares bought back	-	-	-	-
	<b>-</b>	<b>2,300.00</b>	<b>-</b>	<b>-</b>



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## Note: - 12

### Other Equity

	(₹ in Lakhs)	
Particulars	As at 31st March 2020	As at 31st March 2019
Retained Earnings (Refer Note 12.1)	2,871.88	7,731.20
<b>Total</b>	<b>2,871.88</b>	<b>7,731.20</b>

#### Note 12.1 Retained Earnings

	(₹ in Lakhs)	
Particulars	As at 31st March 2020	As at 31st March 2019
Opening Balance	7,731.20	452.19
Add: Profit/(Loss) for the year	(4,859.32)	7,291.96
Less: Prior Period Adjustment		(12.95)
<b>Total</b>	<b>2,871.88</b>	<b>7,731.20</b>

There was an prior period expenses (i.e. Salary Arrears) of ₹12.95 lakhs which was recognised in the previous Financial Year, accordingly opening Balance of Retained earning were restated as per Ind- AS guidelines

## Note: - 13

### Financial Liability-Non Current

#### 13.1 Borrowings

	(₹ in Lakhs)	
Particulars	As at 31st March 2020	As at 31st March 2019
<b>Secured- At Amortised Cost</b>		
Term Loans		
From Banks	90,206.97	92,996.88
From Aditya Birla Finance Limited	14,065.00	14,500.00
<b>Total</b>	<b>1,04,271.97</b>	<b>1,07,496.88</b>
Less: Current Maturities of long term debt (Refer Note 17.2)	(5,106.10)	(3,224.91)
<b>Total</b>	<b>99,165.87</b>	<b>1,04,271.97</b>

#### Note 13.1.1 Summary of borrowing arrangement

i) A Term Loan of ₹ 93300 Lakh has been taken by the company from the Banks and ₹ 15000 Lakh from Aditya Birla Finance Limited against the revised project cost under the common Loan agreement, out of which ₹ 92996.88 Lakh has been disbursed by the Bank and ₹ 14500 Lakh has been disbursed by Aditya Birla Finance Limited up to 31st March 2020.



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**Note 13.1.2 Terms of security for loan are as follows:**

The Secured Obligations shall, to the satisfaction of the Secured Parties, be secured to the extent permitted under the Concession Agreement by:-

- a) a first mortgage and charge on all the Borrower's immovable properties, both present and future (save and except Project Site);(see note-3 and 4)
- b) a first charge on all the Borrower's tangible moveable assets, including movable plant and machinery, machinery spares, tools and accessories, furniture, fixtures, vehicles and all other movable assets, both present and future (save and except the Rolling Stocks);(see note-3)
- c) a first charge on all bank accounts of the Borrower, including but not limited to the Trust and Retention Account and the Retention Accounts, or any account in substitution thereof established and opened pursuant to the provisions of the TRA Agreement or any of the Project Documents wherein all revenues, Drawdowns, Receivables and other funds of the Borrower shall be deposited from time to time and all Permitted Investments or other securities representing all amounts credited to the TRA Account;(see note-8.3)
- d) a first charge on all Receivables (including profits of the Borrower after provisions for Tax and dividends (if any as permitted under this Agreement)) of the Borrower pertaining to the Project; (see note-8.1)
- e) a first charge on all intangibles of the Borrower including but not limited to goodwill, intellectual property rights, undertakings, present and future; (see note-4)
- f) a first charge on the uncalled capital of the Borrower;
- g) a first charge/assignment of the security interest
- (i) on all the rights, title, interest, benefits, claims and demands whatsoever of the Borrower in, to and under the Project Documents (excluding the Concession Agreement); all as amended, varied or supplemented from time to time; and
- (ii) all the rights, title, interest, benefits, claims and demands whatsoever of the Borrower in, to and under any letter of credit, guarantee including contractor guarantees, liquidated damages and performance bonds provided by any party to the Project Documents (excluding the Concession Agreement);  
Provided that the aforesaid, mortgages, charges, assignments and guarantees shall in all respects rank pari-passu inter-se amongst the Lenders without any preference or priority to one over the other or others.

**Note 13.1.3 Terms of Repayment****Banks and Aditya Birla Finance Limited**

Term loan is repayable in 52 Quarterly installments commencing on 30th September 2019 and last installment falls due on June 30, 2032, amount payable during next 12 months is 4.75% of total term loan.

**Note 13.1.4 Interest Terms**

The Applicable Interest rate is SBI Base rate plus spread of 1.5% for both Banks and Aditya Birla Finance Limited.



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## 13.2 Trade Payables

	(₹ in Lakhs)	
Particulars	As at 31st March 2020	As at 31st March 2019
<b>At Amortised Cost</b>		
Overhead Cost Payable (SCR)	249.39	260.78
<b>Total</b>	<b>249.39</b>	<b>260.78</b>
<b>Total Financial Liabilities</b>	<b>99,415.26</b>	<b>1,04,532.75</b>

Trade payable represents Overhead cost payable (i.e. Salary for RPF, medical and personnel, accounts and corresponding retirement benefits etc.) which are not payable to South Central Railway as it is deferred for first five year of operation and same being payable by the company over a period of 10 years commencing from the 6th year of operation as per the O&M agreement. In terms of clause 3.1.8 of the operations and maintenance agreement.

## Note: - 14 Provisions

	(₹ in Lakhs)	
Particulars	As at 31st March 2020	As at 31st March 2019
Provisions for Re-surfacing Cost	3,947.37	2,994.11
<b>Total</b>	<b>3,947.37</b>	<b>2,994.11</b>

In terms of Concession agreement, there is an obligation on the Company to keep the project assets in working condition, including making replacement, as per laid down standards of MOR, of all project assets whose codal life expire during the concession period. Accordingly, Company has made estimated liability of ₹ 5,000 lakhs by the end of financial year 2021 in respect of replacement obligations arising during the remaining concession period as per requirement of Appendix D of the Ind AS 115. Based on said estimated liability, provision for year ended 31st March 2020 of ₹ 641.12 lakhs (previous year ended 31st March 2019 ₹ 641.12 Lakhs) has been made [Refer note no 25]. Interest cost of ₹ 312.14 lakhs for the year ended 31st March 2020 (Previous year ended 31st March 2019 ₹ 222.14 ) have been charged to Statement of Profit and Loss [Refer note no 23].



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**Note: - 15**  
**Deferred Tax**

	(₹ in Lakhs)	
Particulars	As at 31st March 2020	As at 31st March 2019
Deferred tax liability	8,620.58	1,095.28
Deferred tax assets	(10,933.29)	(1,046.26)
Deferred tax liability (Net of deferred tax assets)	<b>(2,312.71)</b>	<b>49.02</b>

**The balance comprises to temporary differences attributable to:**

**Deferred tax assets**

Unused Tax Losses & Unabsorbed Depreciation	9,553.92	-
Provision for re-surfacing Cost	1,379.37	1,046.26
	<b>10,933.29</b>	<b>1,046.26</b>

**Deferred tax liability**

Property, Plant and Equipment & Intangible Assets	8,620.58	1,095.28
	<b>8,620.58</b>	<b>1,095.28</b>

**Deferred Tax Assets (Liability)**

	<b>2,312.71</b>	<b>(49.02)</b>
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**Note: - 16**  
**Other Non current Liability**

	(₹ in Lakhs)	
Particulars	As at 31st March 2020	As at 31st March 2019
a) Fair valuation adjustment-Financial Liabilities		
Overhead Cost Payable	96.70	123.68
<b>Total</b>	<b>96.70</b>	<b>123.68</b>

It represents unamortized portion of the difference between the fair value of financial Liabilities on initial recognition and expenditure incurred.



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**Note: - 17****Financial Liability-Current****17.1 Trade Payables**

Particulars	(₹ in Lakhs)	
	As at 31st March 2020	As at 31st March 2019
Overhead Cost Payable (SCR) [Refer Note 13.2]	28.90	43.84
O&M Expenses Payable (SCR)	447.15	276.07
<b>Total</b>	<b>476.05</b>	<b>319.91</b>

**17.2 Other Financial Liability**

Particulars	(₹ in Lakhs)	
	As at 31st March 2020	As at 31st March 2019
Audit Fees Payable	3.43	3.57
Current Maturities of long term debt (Refer Note 13.1)	5,106.10	3,224.91
Rail Vikas Nigam Limited [Note 17.2.1]	1,15,411.38	88,381.56
Expenses Payable	153.82	80.71
Security Deposit	22.26	1.79
Earnest Mont Deposit	16.78	-
Term Loans		
From Banks - Interest Payable on Loan (Refer Note 13.1)	10.49	3.54
<b>Total</b>	<b>1,20,724.26</b>	<b>91,696.08</b>
<b>Total Current Financial Liability</b>	<b>1,21,200.31</b>	<b>92,015.99</b>

**Note 17.2.1 Terms of Payment to RVNL**

RVNL does not allow any credit period to company, In case of failure to make timely payment to RVNL, then the Interest is payable at the SBI base rate plus one percent from the last date of the month in which expenditure is incurred and charged up to the date of actual payment received from company.

**Note: - 18****Other Current Liability**

Particulars	(₹ in Lakhs)	
	As at 31st March 2020	As at 31st March 2019
Statutory liabilities		
TDS payable	192.64	295.67
GST Payable	2.54	1.38
Labour Cess	1.33	-
Provident Fund payable	0.18	0.17
<b>Total</b>	<b>196.69</b>	<b>297.22</b>



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## Note 19 : Revenue from Operation

Particulars	(₹ in Lakhs)	
	For the year ended March 31st, 2020	For the year ended March 31st, 2019
<b>Revenue from Contract with Customer:</b>		
a.) Sale/Rendering of services	20,229.02	13,417.56
b.) Construction contract revenue under SCA (Refer Note 28)	22,284.14	60,791.85
<b>Total</b>	<b>42,513.16</b>	<b>74,209.41</b>

### Note (i) : Operating Income:

a) After completion of the Phase-I of the project on 15th November 2008, same is being operated by South Central Railway (SCR) and revenue is being collected by SCR which has been apportioned between the company and various Zonal Railways from 15th November 2008 in terms of Operation and Maintenance Agreement dated 6th, January 2012 signed detailing the modalities of revenue and cost sharing between the company and SCR. Phase 3 of the project is being operated from 2nd March 2014. Phase-II of project is being operated from 3rd July 2019.

Revenue is based on the Calculation sheets received from SCR showing Apportioned Revenue and O&M expenses on Provisional basis. Also the Figures intimated by SCR are provisional and Subject to Confirmation. Hence any Impact arising out of Confirmation of the Figures will be accounted for in the year in which it is finalized.

b) Krishnapatnam Railway Company Limited (KRCL) is anticipating earnings on Length of about 14.45 Km section from Krishnapatnam Railway Station to the Buffer of Port from South Central Railway and O&M Cost. Decision of Ministry of Railway is pending. Hence, the revenue reported is subject to the same.

c) KRCL has been earning revenue on account of Apportioned Terminal Cost from South Central Railway (SCR) from 11th August 2017 onwards. The company has been claiming for the similar apportionment of Terminal Cost during the period of operation from beginning i.e. for the period 15th November 2008 to 10th August 2017. But it has been able to get the Apportioned Revenue from Railways for the said period so far, pending Railway Board decision which is not quantified yet. Hence, the revenue reported is subject to the same.

d) Further all supporting evidences related to revenue bookings are being controlled and managed by SCR only and not made available for verification

e) Also the Income pertaining to Phase-1, Phase -3 and Phase-2 is not made available for segregation.

## Note 20 : Other Income

Particulars	(₹ in Lakhs)	
	For the year ended March 31st, 2020	For the year ended March 31st, 2019
Other Non Operating Income		
Interest income on Bank FDR	359.36	-
Unwinding of discount on receivable from South Central Railways under SCA	191.41	171.25
Income from reversal of deferred Overhead costs payable	26.98	26.98
Other Income	2.66	-
<b>Total</b>	<b>580.41</b>	<b>198.23</b>



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**Note 21 : Operation & Maintenance Expense (O&M Expenses)**

(₹ in Lakhs)

Particulars	For the year ended March 31st, 2020	For the year ended March 31st, 2019
Operation & Maintenance Expenses	2201.09	1,799.36
Overhead Cost	290.69	284.68
Construction Contract Cost under SCA	22284.14	60,791.85
<b>Total</b>	<b>24,775.92</b>	<b>62,875.89</b>

**Note (i) :** Operation & Maintenance Expenses recognized in current year as intimated by South Central Railway are provisional and subject to Confirmation. Hence, any impact arising on the confirmation of the figures will be accounted for in the year in which it is finalized.

**Note (ii) :** Also, the O&M expenses pertaining to Phase 1, Phase 3 and Phase 2 is not made available for segregation

**Note (iii) :** Operation agreement pertaining to operation of phase 2 & 3 line is pending for finalization and signing.

**Note (iv)** Operation & Maintenance expenses of Phase 1, Phase 2 and Phase 3 are being accounted for in terms of the Operations and Maintenance Agreement signed with South Central Railway for 24.50 Km Railway line from Venkatachalam to Krishnapatnam for Phase 1.

**Note (v)** Operation & Maintenance expenses includes Lease Rent of ₹ 1 in accordance with terms of concession agreement.

**Note (vi)** All supporting evidences related to O & M expenses incurred have been controlled and managed by SCR only and not made available for verification.

**Note 22 : Employee Benefit Expenses**

(₹ in Lakhs)

Particulars	For the year ended March 31st, 2020	For the year ended March 31st, 2019
Salary & Wages	63.49	47.16
Contribution to Provident and Other funds	1.22	0.79
<b>Total</b>	<b>64.71</b>	<b>47.95</b>

**Note 23 : Finance Costs**

(₹ in Lakhs)

Particulars	For the year ended March 31st, 2020	For the year ended March 31st, 2019
<b>Interest cost:</b>		
Interest Expenses	16,963.40	450.09
<b>Other borrowing cost:</b>		
Unwinding of discount on Overhead costs payable	27.70	32.67
Unwinding of interest cost on Provision for Re-surfacing	312.14	222.14
Interest on Taxes	41.89	28.27
<b>Total</b>	<b>17,345.13</b>	<b>733.17</b>



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**Note 24 : Depreciation and amortization**

(₹ in Lakhs)

Particulars	For the year ended March 31st, 2020	For the year ended March 31st, 2019
Depreciation on Property Plant and Equipment (Note 3)	29.95	32.37
Amortisation of Intangible Assets (Note 4)	7,273.83	668.45
<b>Total</b>	<b>7,303.78</b>	<b>700.82</b>

**Note 25 : Other Expenses**

(₹ in Lakhs)

Particulars	For the year ended March 31st, 2020	For the year ended March 31st, 2019
(a) Legal & Professional Fees	48.42	41.38
(b) Travelling and Conveyance	17.46	11.13
(c) Payments to the Auditor as		
(i) Auditor	1.84	3.42
(ii) Taxation	1.18	0.73
(iii) Reimbursement of expenses	0.35	0.32
(iv) Other Certification	0.24	-
(d) Telephone Charges	1.13	0.93
(e) Printing & Stationery	0.69	0.50
(f) Insurance Expenses	11.48	11.48
(g) Membership & Subscription Charges	-	3.54
(h) Repair & Maintenance	2.92	2.92
(i) Miscellaneous Expenses	2.64	0.69
(h) Medical expenses	0.24	0.21
(i) Provisions for Re-surfacing Cost	641.12	641.12
(j) ROC filing	0.31	51.29
(k) Advertisement Expenses	2.67	-
(l) CSR Expenses	93.22	-
<b>Total</b>	<b>825.91</b>	<b>769.66</b>



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## Note: - 26

### Income Tax Expense

#### Note 26.1 Income tax recognised in profit and loss

	(₹ in Lakhs)	
Particulars	As at 31st March 2020	As at 31st March 2019
<b>Current income tax:</b>		
Current income tax charge	-	2,063.99
Adjustments in respect of current income tax of previous year	(0.83)	(0.83)
<b>Deferred tax:</b>		
In respect of the current year	(2,361.73)	(74.97)
<b>Total</b>	<b>(2,362.56)</b>	<b>1,988.19</b>

#### Note 26.2 Reconciliation between tax expense and the accounting profit :

	(₹ in Lakhs)	
Particulars	As at 31st March 2020	As at 31st March 2019
Accounting profit before tax from continuing operations	(7,221.88)	9,280.15
<b>Accounting profit before income tax</b>	<b>(7,221.88)</b>	<b>9,280.15</b>
At India's statutory income tax rate of 21.54% (31 March 2020: 21.54%)	-	1,999.76
<b>Tax effect of amounts which are not deductible</b>		
Impact of IndAS transition Adjustment	-	58.13
Deferred Tax recognised (Reversed)	(2,361.73)	(74.97)
Adjustments in respect of current income tax of previous year	(0.83)	(0.83)
Expenses disallowed as per income tax act, 1961	-	6.09
<b>Total Tax expense</b>	<b>(2,362.56)</b>	<b>1,988.19</b>
Income tax expense reported in the statement of profit and loss (relating to continuing operations)	(2,362.56)	1,988.19
<b>Effective income tax rate</b>	<b>0.00%</b>	<b>21.42%</b>

**Note :** Company is eligible for 80IA deduction in accordance with provisions of Income Tax Act 1961, therefore tax liability is computed using MAT provisions

#### Note 26.3 : Movement in Deferred Tax

Particulars	Property, Plant and Intangible Equipment	Tax Losses	Provision for Resurfacing cost	Total
<b>Opening balance as at 1<sup>st</sup> April 2018</b>	<b>861.43</b>	<b>-</b>	<b>(737.44)</b>	<b>123.99</b>
Charged/(credited) during the period				
To Profit and Loss	233.85	-	(308.82)	(74.97)
To Other Comprehensive Income	-	-	-	-
<b>Closing balance as at 31st March 2019</b>	<b>1,095.28</b>	<b>-</b>	<b>(1,046.26)</b>	<b>49.02</b>
Charged/(credited) during the period				
To Profit and Loss	7,525.30	(9,553.92)	(333.11)	(2,361.73)
To Other Comprehensive Income	-	-	-	-
<b>Closing balance as at 31st March 2020</b>	<b>8,620.58</b>	<b>(9,553.92)</b>	<b>(1,379.37)</b>	<b>(2,312.71)</b>



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**Note: - 27****Earnings per share (EPS)**

Particulars	(₹ in Lakhs)	
	Year ended 31st March, 2020	Year ended 31st March, 2019
	(₹ per share)	(₹ per share)
<b>Basic EPS</b>		
From continuing operation	(0.78)	2.02
From discontinuing operation	-	-
<b>Diluted EPS</b>		
From continuing operation	(0.78)	2.02
From discontinuing operation	-	-

**27.1 Basic Earning per Share**  
average number of equity

Particulars	(₹ in Lakhs)	
	Year ended 31st March, 2020	Year ended 31st March, 2019
Profit attributable to equity holders of the company:		
Continuing operations	(4,859.32)	7,291.96
Discontinuing operations	-	-
<b>Earnings used in calculation of Basic Earning Per Share</b>	<b>(4,859.32)</b>	<b>7,291.96</b>
Weighted average number of shares for the purpose of basic earnings per share	6,250	3,605

**27.2 Diluted Earning per Share**

The earnings and weighted average number of equity shares used in calculation of diluted earning per share:-

Particulars	(₹ in Lakhs)	
	Year ended 31st March, 2020	Year ended 31st March, 2019
Profit attributable to equity holders of the company:		
Continuing operations	(4,859.32)	7,291.96
Discontinuing operations	-	-
<b>Earnings used in calculation of diluted Earning Per Share from continuing operations</b>	<b>(4,859.32)</b>	<b>7,291.96</b>

The weighted number of equity shares for the purpose of diluted earning per share reconciles to the weighted average number of equity shares used in calculation of basic earning per share as follows:

Particulars	(₹ in Lakhs)	
	Year ended 31st March, 2020	Year ended 31st March, 2019
Weighted average number of Equity shares used in calculation of basic earnings per share	6,250	3,605
Effect of dilution:		
Share Options	-	-
<b>Weighted average number of Equity shares used in calculation of diluted earnings per share</b>	<b>6,250</b>	<b>3,605</b>



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# KRISHNAPATNAM RAILWAY COMPANY LIMITED

## Note: 28 Service Concession arrangements

Public-to-private service concession arrangements are recorded according to "Service Concession Arrangements" IND-AS-115. Appendix "D" applies if:

- The Grantor controls or regulates which services the operator should provide with the infrastructure, to whom it must provide them, and at what price; and
- The grantor controls-through ownership, beneficial entitlement, or otherwise- any significant residual interest in the infrastructure at the end of the term of the arrangement.

If both of the above conditions are met simultaneously, an intangible asset is recognized to the extent that the operator receives the right to charge users of the public service, provided that these charges are conditional on the degree to which the service is used.

These intangible assets are initially recognized at cost, which is understood as the fair value of the service provided plus other direct costs directly attributable to the operation. They are then amortized over the term of the concession.

The KRCL(Company) has entered into a Concession Agreement with Ministry of Railways (MoR), Government of India dated 23rd November, 2007 in terms of which the Ministry of Railways (Grantor) has authorized the Company (Operator) to develop, finance, design, engineer, procure, construct, operate and maintain the Project Railway and to exercise and/or enjoy the rights, powers, benefits, privileges authorizations and entitlements upon its completion. In terms of the said agreement KRCL has an obligation to complete construction of the project railway and to keep the project assets in proper working condition including all projects assets whose lives have expired.

The concession period is determined with reference to attainment of NPV payback benchmark at the rate of return of 14%.The concession period shall be 30 years of operation or till the NPV payback equal to equity investment is reached, whichever is earlier. In case the NPV payback is reached earlier than 30 years, the concession agreement would stand terminated and the project line would be re-possessed by railway.

At the end of concession period, the project assets shall be hand over by KRCL to MOR and KRCL shall be entitled to receive and MOR shall pay to KRCL an amount equal to the value of new assets and additional facilities created by the KRCL net of depreciation and amortisation. The original existing assets leased to KRCL by MOR shall revert back to MOR. The fresh land acquired by MOR and leased to KRCL shall also revert back to MOR on payment of an amount equal to the cost of acquisition.

In terms of the above agreement upon expiry of 30 years of operation the concession period shall be extended by an equal period of time which corresponds to the period for which material disruption of operation and maintenance occurred during the concession period. However such extension will be limited to provision that if NPV payback equal to equity investment is reached earlier then the period so extended , the concession period would stand terminated.

In case of material breach in terms of the agreement the MOR and KRCL both have the right to terminate the agreement if they are not able to cure the event of default in accordance with such agreement.

The Operation and Maintenance of the project railway is being conducted by MOR through South Central Railway (SCR) under its right, vide agreement dated 6th January, 2012 which is co-terminus with the Concession Agreement, entered into between the MoR and KRCL. Further, in terms of this agreement, SCR is to operate traffic (Passenger & Freight), collect revenue, maintain the facility and is required to pass-on the apportioned revenue and operation & Maintenance cost to Krishnapatnam Railway Company Limited (KRCL).

The above project is covered in three phase :

Phase-1 of the Project involving the laying of railway line of 24.5 Km from Krishnapatnam to Venktachalam (as per concession agreement signed on 23-11-2007) has been completed and commercial traffic is being operated on the same w.e.f from November 15th, 2008.

Phase-2 of the Project involving the laying of railway line of 93.0 Km from Venktachalam to Obulavaripalle (as per concession agreement signed on 23-11-2007) has been completed and commercial traffic is being operated on the same w.e.f from July 3rd, 2019.

Phase-3 of the Project involving the doubling of the track laid down in phase 1 has been completed and commercial traffic is being operated on the same w.e.f. from 2nd March 2014.

For the year ended 31st March 2020, the company has recognized revenue of ₹42,513.16 Lakhs (for the year ended 31st March 2019: ₹ 74,209.41 Lakhs), consisting of ₹ 22,284.14 Lakhs (for the year ended : 31st March 2019: ₹ 60,791.85 Lakhs) on construction of intangible assets under service concession arrangement and ₹ 20,229.02 Lakhs (for the year ended 31st March 2019: ₹13,417.56 Lakhs) towards sharing of apportioned earning from operation of railway line under service concession arrangement. Company has recognized Loss of ₹ 7221.88 Lakhs for the year ended 31st March 2020 (Profit for the year ended 31st March 2019: ₹ 9280.15 Lakhs) , consisting of a nil profit on construction of intangible assets under service concession arrangement and a Loss of ₹ 7221.88 Lakhs for the year ended 31st March 2020 (Profit for the year ended 31st March 2019: ₹ 9280.15 Lakhs) towards sharing of apportioned earning from operation of railway line under service concession arrangement. The revenue recognized in relation to construction of intangible assets under service concession arrangement in the year ended 31st March 2020 represents the fair value of services provided towards construction of intangible assets under service concession arrangement. The company has recognized receivable under service concession arrangement measured at the fair value at 31st March 2020 of ₹ 1,856.37 Lakhs (at 31st March 2019 : ₹ 1,664.96 Lakhs) , representing the present value of fresh land acquired by MOR and leased to KRCL which is recoverable at the end of concession period from MOR of which ₹ 763.31 Lakhs (at 31st March 2019: ₹ 571.89 Lakhs) represents accrued interest as at 31st March 2020. The company has recognized an intangible asset of ₹ 264657.29 Lakhs (31st March 2019: Nil), of which ₹ 7273.83 Lakhs (31st March 2019 : Nil) has been amortized during the year ended 31st March 2020. The intangible asset represents the freight sharing rights to receive freight traffic earnings under service concession agreement.



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<b>Note 28.1: Disaggregation Of Revenue</b> (₹ In Lakhs)		
Particulars	As at 31st March 2020	As at 31st March 2019
Construction Contract Revenue under SCA	22,284.14	60,791.85
Sale/Rendering of services	20,229.02	13,417.56
	<b>42,513.16</b>	<b>74,209.41</b>

<b>Note 28.2: Contract balances</b> (₹ In Lakhs)		
Particulars	As at 31st March 2020	As at 31st March 2019
Trade receivables	4,517.13	1,900.53
Contract assets	-	-
Contract liabilities	-	-

<b>Note 28.3: Contract Assets</b> (₹ in Lakhs)		
Particulars	As at 31st March 2020	As at 31st March 2019
Contract Asset at the beginning of the year	-	-
Transfer from Contract Asset to Trade Receivable and Increase as a result of changes in measure of progress.	-	-
Contract Asset at the end of the year	-	-

<b>Note 28.4: Contract Liabilities</b> (₹ in Lakhs)		
Particulars	As at 31st March 2020	As at 31st March 2019
Contract Liabilities at the beginning of the year	-	-
Transfer from Contract Liabilities to Revenue and increase as a result of changes in measure of progress.	-	-
Contract Liabilities at the end of the year	-	-

There was no revenue recognized in the current reporting period that related to performance obligations that were satisfied in a prior year.

#### Notes :29 Capital management

The company objective to manage its capital in a manner to ensure and safeguard their ability to continue as a going concern so that company can continue to provide maximum returns to share holders and benefit to other stake holders.

Further, company manages its capital structure to make adjustments in light of changes in economic conditions and the requirements of the financial covenants. The company maintain an optimal capital structure of Debt equity to reduce the cost of capital. The company debts includes long term debt , interest bearing loans and borrowings from banks.

(₹ in Lakhs)		
Particulars	31 March 2020	31 March 2019
Borrowing (Note No. 13.1)	1,04,271.97	1,07,496.88
<b>Net debt</b>	<b>1,04,271.97</b>	<b>1,07,496.88</b>
Equity (Note No. 11)	62,500.00	62,500.00
Other equity (Note No. 12)	2,871.88	7,731.20
<b>Total equity</b>	<b>65,371.88</b>	<b>70,231.20</b>
<b>Net Debt to equity ratio</b>	<b>6 : 4</b>	<b>6 : 4</b>

There are no changes made in the objectives, policies or processes for managing capital during the period ended 31.03.2020.

Note: Total long term debt sanctioned by bank is ₹ 933 /- Crores and ₹ 150/- Crores from Aditya Birla Finance Limited , out of which ₹ 929.96/- Crores has been disbursed by Banks and ₹ 145/- Crore is disbursed by Aditya Birla Finance Limited up to 31st March 2020.



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**Note 30 :Fair Value measurements**
**(i) Financial Instruments by Category**
**(₹ in Lakhs)**

Particulars	31 March 2020			31 March 2019		
	FVTPL	FVTOCI	Amortised Cost	FVTPL	FVTOCI	Amortised Cost
<b>Financial Assets</b>						
(i) Trade Receivables	-	-	4,517.13	-	-	1,900.53
(ii) Cash and Cash Equivalents	-	-	4,118.12	-	-	5,781.44
(iii) Bank Balances other than (ii) above	-	-	5,945.45	-	-	5,000.00
(iv) Loans	-	-	1.50	-	-	1.50
(iii) Receivable from railways under SCA	-	-	1,856.37	-	-	1,664.96
(iv) Other Receivable	-	-	74.36	-	-	33.45
<b>Total Financial Assets</b>	-	-	<b>16,512.93</b>	-	-	<b>14,381.88</b>
<b>Financial Liabilities</b>						
(i) Borrowings	-	-	1,04,271.97	-	-	1,07,496.88
(ii) Trade Payables	-	-		-	-	
Over Head Cost Payables	-	-	278.29	-	-	304.62
Other Trade Payables	-	-	447.15	-	-	278.07
(iii) Capital Creditors	-	-	1,15,411.38	-	-	88,381.56
(iv) Other payables	-	-	206.78	-	-	89.61
<b>Total Financial Liabilities</b>	-	-	<b>2,20,615.67</b>	-	-	<b>1,96,648.74</b>

**(ii) Fair value of financial assets and liabilities that are measured at amortised cost:-**
**(₹ in Lakhs)**

Particulars	31 March 2020		31 March 2019	
	Carrying Value	Fair value	Carrying Value	Fair value
<b>Financial Assets</b>				
Receivable from Railways under SCA	1,856.37	2,520.91	1,664.96	1,957.85
<b>Total Financial Assets</b>	<b>1,856.37</b>	<b>2,520.91</b>	<b>1,664.96</b>	<b>1,957.85</b>
<b>Financial Liabilities</b>				
Over Head Cost Payables	278.29	317.07	304.62	310.27
<b>Total Financial Liabilities</b>	<b>278.29</b>	<b>317.07</b>	<b>304.62</b>	<b>310.27</b>

- i) The fair value of trade receivables, other trade payables, capital creditors, cash and cash equivalents and other short term trade receivables and payables are considered to be the same as their carrying values, due to short term nature.
- ii) Long term variable rate borrowings are evaluated by company on parameters such as interest rates, specific country risk factors and other risk factors. Based on this evaluation the fair value of such payables are not materially different from their carrying amount.
- iii) The fair value of receivables from railways under service concession arrangement and overhead cost payables were calculated based on cash flows discounted using current lending rate. They are classified as level 3 fair values in fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

**Fair Value hierarchy as on 31-03-2020**
**(₹ in Lakhs)**

Particulars	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Financial assets at Amortised Cost				
Receivable from railways under SCA	-	-	2,520.91	2,520.91
	-	-	2,520.91	2,520.91

**Fair Value hierarchy as on 31-03-2020**
**(₹ in Lakhs)**

Particulars	Level 1	Level 2	Level 3	Total
<b>Financial Liabilities</b>				
Financial Liabilities at Amortised Cost				
Over Head Cost Payable	-	-	317.07	317.07
	-	-	317.07	317.07

**Fair Value hierarchy as on 31-03-2019**
**(₹ in Lakhs)**

Particulars	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Financial assets at Amortised Cost				
Receivable from railways under SCA	-	-	1,957.85	1,957.85
	-	-	1,957.85	1,957.85

**Fair Value hierarchy as on 31-03-2019**
**(₹ in Lakhs)**

Particulars	Level 1	Level 2	Level 3	Total
<b>Financial Liabilities</b>				
Financial Liabilities at Amortised Cost				
Over Head Cost Payable	-	-	310.27	310.27
	-	-	310.27	310.27



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### (iii) Financial risk management

The Company's principal financial liabilities comprise Bank Borrowings and other Borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the company's operations and to provide guarantees to support its operation. The Company's principal financial assets include trade and other receivables and cash and cash equivalents that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The company financial risk activities are governed by appropriated policies and procedures and that financial risk are identified, measured and managed in accordance with the companies policies and risk objectives. The board of directors reviews and agrees policies for managing each of these risk, which are summarised below:-

#### a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instruments will fluctuate because of changes in market prices. Market risk comprises Interest rate risk. Financial instruments affected by market risk includes loans and borrowing, deposits and other non derivative financial instruments.

#### b) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instruments will fluctuate because of change in market interest rate. The company exposure to the risk of changes in market interest rate relates primarily to the company long term debt obligations with floating interest rate. The company manages its interest risk in accordance with the companies policies and risk objective.

#### c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The company is exposed to credit risk from its financial activities including deposits with banks, financial institutions and other financial instruments.

#### Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed in accordance with the companies policy. Investment of surplus are made only with approved counterparty on the basis of the financial quotes received from the counterparty.

#### d) Liquidity risk

Ultimate responsibility for liquidity risk management rest with the board of directors the company manages maintaining adequate banking facilities and reserves borrowing facilities by continuously monitoring forecast and actual cash flows and by matching the maturities of financial liabilities

The table below analyse the company's major financial liabilities i.e. Borrowings into relevant maturity groupings based on their contractual maturities

(₹ In Lakhs)					
Contractual Maturities of Financial Liabilities	Within 1 Year	Between 1 to 2 Years	Between 3 to 5 years	Later than 5 years	Total
31st March 2020					
Borrowings	5,106.10	13,974.59	17,199.50	67,991.77	1,04,271.97
31st March 2019					
Borrowings	3,224.91	11,555.91	15,049.56	77,666.50	1,07,496.88



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**Note : 31 Key sources of estimation uncertainty**

The followings are the key assumptions concerning the future, and the key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities with next financial year.

**a) Useful lives of Intangibles**

As described in note 2, company has estimated the useful live of intangible assets (Intangible under service concession arrangement) is 30 years for amortisation of intangible assets. As per service concession arrangement if NPV payback equal to equity investment @14% is reached earlier than 30 years, the concession agreement would stand terminated and the project line would be repossessed by railway.

The financial impact of the above assessment may impact the amortisation expenses in subsequent financial years.

**b) Fair valuation measurement and valuation process**

The fair values of financial assets and financial liabilities is measured using the valuation techniques including the DCF model. The inputs to these method are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 30 for further disclosures.

**c) Taxes**

Deferred tax assets are recognized for unused tax losses and unabsorbed depreciation to the extent that it is probable that taxable profit will be available against which losses can be utilized significant management judgment is required to determine the amount of deferred tax asset that can be recognised, based upon the likely timing and level of future taxable profit together with future tax planning strategies.

**Note :32 Application of Ind AS on material items**

The Prior Period Items and changes in accounting policies are applied retrospectively on account of materiality only in line with the provisions of Indian Accounting Standards.

**Note : 33 Construction Contracts**

In terms of the disclosure required in Ind-AS 115 as notified in the companies (Accounting standard) rules 2015 as amended, the amount considered in the financial statements up to the balance sheet date are as follows:-

Particulars	₹ in Lakhs	
	During the year ended 31st March 2020	During the year ended 31st March 2019
Contract revenue recognised	22,284.14	60,791.85
Aggregate amount of costs incurred and recognized in	22,284.14	60,791.85

**Note : 34 Contractual Commitments**

The amount of contractual commitments in relation to project assets recognised as intangible assets.

Particulars	₹ in Lakhs	
	As at 31st March 2020	As at 31st March 2019
Capital commitment for project related assets is under review for March 2020		
For March 2019 under review (₹ 2060.42 Crore being total revised estimated project cost) (Total cost of project upto 31st March 2020 is ₹ 2911.40 Crore).	-	-
During the year no material foreseeable losses incurred on any Long term contracts.		
<b>Total</b>	-	-

**Note : 35 Leases Disclosures**

(i) Company has adopted the Ind AS-116 as per the requirement of the applicable financial reporting framework from the 01.04.2019. Company is having Nil impact due to adoption of the Ind AS-116 since, there is no leases transaction in the Company except the leased assets as per the concession agreement.

(ii) South Central railway (lessor) has leased all the existing assets as per concession agreement and any land to be newly acquired for the project to company (Lessee) for the duration of Concession Agreement i.e., 30 years or on to attainment of the Net Present Value (NPV) payback equal to equity investment @14% whichever is earlier.

Company shall pay to the lessor, an annual lease rentals @ ₹ 1/- per annum in respect of the new land acquired by South Central Railway and for original land leased to the company as per the extant policy MOR as revised from time to time. This lease rental shall be payable in advance in one single installment payable in first week of January.

During the year ended March 2020, ₹ 1/- have been recognised as lease expense.



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## Note 36 : Related Party Disclosures

### 36.1 Related Parties

#### A- Related Parties held equity of company

Name	Relationship	As at 31st March 2020		As at 31 March, 2019	
		Number of shares held	% holding in that class of shares	Number of shares held	% holding in that class of shares
Rail Vikas Nigam Limited	Parties to joint venture agreement	31,10,00,000.00	49.76%	31,10,00,000.00	49.76%
Krishnapatnam Port Company Limited	Parties to joint venture agreement	8,10,00,000.00	12.96%	8,10,00,000.00	12.96%
Govt. of Andhra Pradesh	Parties to joint venture agreement	3,50,00,000.00	5.60%	3,50,00,000.00	5.60%
National Mineral Development Corporation Limited	Parties to joint venture agreement	4,00,00,000.00	6.40%	4,00,00,000.00	6.40%
Bramhani Industries Limited	Parties to joint venture agreement	3,30,00,000.00	5.28%	3,30,00,000.00	5.28%
Sagarmala Development Company Limited	Parties to joint venture agreement	12,50,00,000.00	20.00%	12,50,00,000.00	20.00%

### 36.2 Key Managerial personnel of the entity

Name	Position
Anurag (upto March 18, 2020)	Chairman
Sushant Kumar Mishra	Chairman
Anil Kumar Yendluri (upto March 12, 2020)	Acting Managing Director
Ramakishan Tanugula (upto July 11, 2019)	Director
Subbarao Sabbineni	Director
Koya Praveen (upto August 8, 2019)	Director
Shilpi Agarwal	Director
Vinay Singh (upto September 4, 2019)	Director
D.K. Gupta	Director
Devendra Kumar Rai	Director
S.P. Shastri (upto September 30, 2019)	Director
M.P. Singh	Director
Kamal Nayan (upto March 20, 2020)	Director
Venkata Subrahmanyam Dronamraju	Director
Sumit Deb	Director
Sidhartha Jain Fouzdar	Director
B. K. Reddy	Director
Trilok Garg	CS
Shanti Nath Banerjee	CEO
Muni Prasad Tripurasetty	CFO

### 36.3 Disclosure of transaction with related parties:

#### (i) Joint Venture:

Particulars	Transactions (₹ in Lakhs)		Outstanding Amount Payable/ (Receivable) (₹ in Lakhs)	
	Year ended 31 March 2020	Year ended 31 March 2019	As at 31 March 2020	As at 31 March 2019
			Unsecured	Unsecured
<b>RVNL</b>				
Expenditure towards project (Net of interest on mobilisation advance & sale of tender).	18,149.42	42,359.88	1,15,411.38	88,381.56
Interest Charged by RVNL	10,143.95	9,261.35	-	-
Travelling and Other expenses	-	-	-	-
Payment for project expenditure and share capital issued	-	37,500.00	-	-
Advance for project expenditure given	(65.00)	(3.75)	(65.00)	(3.75)
Advance for project expenditure adjusted	3.75	234.96		

Sub-contract work have been given to RVNL which has been made at the price prevalent in market.

The amount outstanding are unsecured and will be settled in cash. There have been no guarantees provided or received for any related party receivable or payable.



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**(ii) Compensation of key management personnel:**

The remuneration of directors and other key management personnel during the year was as follows:

Particulars	(₹ in Lakhs)	
	Year ended 31 March 2020	Year ended 31 March 2019
Short-term benefits	38.57	33.35
Contribution to Provident fund	1.10	0.79
	<b>39.67</b>	<b>34.14</b>

**Note 37 :**

The confirmations from South Central Railway for Apportioned Revenue, O&M expenses, balance and statement of account with the company are yet to be received.

**Note 38 :**

There are no reported Micro, Small and Medium enterprises as defined in the "The Micro, Small & Medium Enterprises Development Act 2006" to whom the company owes any dues.

**Note 39: Contingent liability**

a) Department has raised demand in respect of alleged offence of evasion of Service Tax amounting to ₹ 7.58 crore and ₹ 2.86 crore for financial year 2014-15 and 2015-16 respectively. Also department has raised demand of ₹ 2.95 crore for the F.Y. 2016-17 and 2017-18 (upto June'17). However Company has not accepted the liability and has submitted its reply to department. Since the Company had earlier received favorable ruling from CESTAT, it is confident that no additional liability will devolve on it. Further for the period F.Y. 2011-12 to F.Y. 2013-14, KRCL has received favorable order from CESTAT for demand of ₹ 13.42 Crore, Department has moved to Hon'ble Supreme court in this case.

During the F.Y. 2019-20 Income Tax Department has moved to Hon'ble High Court of Delhi in respect of Tax demand of ₹ 5.17 Crore for A.Y. 2011-12, Company has already received favorable order from ITAT in this case. Therefore, liability for this case has not been recorded in the books of Accounts. Arbitration proceedings are going with MoR (Respondent).

b) During the previous years, company has received certain bills under protest from contractor pertaining to phase 1 on which a future liability may arise. Financial impact of the same is not ascertainable at present.

c) Contingent liability in respect of departmental charges not claimed by RVNL @ 5% of project cost is estimated at ₹ 112.81 Crore.

**Note 40 : Impairment of Assets**

On the basis of review, the management is of the opinion that the economic performance of non financial assets of the Company is not lower than expected and therefore there is no impairment of any assets as on the Balance Sheet date.

**Note 41 :** RVNL has charged Interest on Outstanding Balance including D & G Charges, further review of bills issued by Major Contractor RVNL is not carried out independently by KRCL.

**Note 42:** Company has adopted INDAS 115 (revenue from contract with customers) in accordance with requirement of applicable Financial Reporting Framework. On the adoption of this, there is no material impact on Financial Statement of KRCL.

**Note 43: Approval of financial statement**

The financial statements were approved for issue by the Board of Directors on 25th July 2020.

**Note 44 : CSR Expenditure**

Particulars	(₹ in Lakhs)	
	For Year ended 31.03.2020	For Year ended 31.03.2019
Gross amount required to be spent by company during the year	99.02	15.80
Actual amount spent by company during the year	10.00	-

**Note 44.1 :** Amount of ₹ 99.02 Lakhs represents Liability for F.Y. 2019-20 of ₹ 83.22 Lakhs and for F.Y. 2018-19 of ₹ 15.80 Lakhs.

**Note 44.2 :** Out of total liability of ₹ 99.02 Lakhs an amount of ₹ 83.22 Lakhs has been contributed to PM CARES FUND on 17th April 2020 and ₹ 10.00 Lakhs has been spent during F.Y. 2019-20 balance contribution of ₹ 5.80 Lakhs shall be made in F.Y. 2020-21. Payment of ₹ 5.80 lakhs is not made due to pending utilisation certificate from CSR implementing agency.

**Note 45 : Goods and Service Tax**

Ministry of Railway is apportioning Revenue net of Goods and Services tax to company and GST on the same is deposited by Ministry of Railways, GST on Operation Expenses Allocated by South Central Railways is not made, since in view of management. There is no supply of service involved.



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**Note 46:-COVID-19 impacts on the Financial statements**

The World Health Organisation (WHO) declared outbreak of novel Corona virus (COVID -19) a global pandemic on March 11, 2020. Consequent to this, Government of India declared nationwide lockdown on March 24, 2020 and ordered temporarily closure of non-essential businesses, imposed restrictions on the movement of goods and services, travel etc.

As the nature of business performed by the Company, falls under the essential category, the Company continues the operations in compliance with the lockdown instructions issued by the Central and State Governments. These nationwide lockdown restrictions had not impacted the normal operations of the Company during the lockdown period since 22nd March'2020.

The Central and State Government have initiated the steps to lift the lockdown and the Company is adhering to the same as it has resumed its activities based on the resources available. The Company has taken necessary precautions to ensure the health, safety and wellness of all employees and also put in place all the guidelines as per the Central and State Governments to prevent the spread of COVID-19.

**Financial performance**

The Company believes that for the year 2019-20, there has been no significant impact of COVID 19 pandemic on the financial performance of the Company in terms of revenue and profitability of the Company.

**Liquidity**

The Company expects to recover the carrying amount of its assets comprising property, trade receivables, deferred taxes, other financial and non-financial assets etc. in the ordinary course of business based on information available on current economic conditions.

**Estimation of the future impact of COVID-19**

It is relevant to mention that while the Nation was trying hard to recover from the Industrial slow-down, which set-in from the month of September 2019 onward, suddenly the spread of COVID-19 Pandemic cropped up in the Country in the last month of the financial year under report. The Union Government had to impose National Lockdown, which continued till 31st May, 2020 and the Lockdown further slowed down the economy, which was already in severe depression (IIP recorded peak -4.65%) during last quarter of FY 2019-20.

All the industrial productions were harshly affected across all sectors except medical and essential commodities. Impacts on Industrial out-put have resulted in very little movement of Traffic on KRCL Line also, which in turn, caused in depletion of revenue of KRCL in the first quarter of current FY accordingly. During the Months April to June 2020, per month average number of Rakes moved only 133, as against the average of 323 Rakes moved during the corresponding months of last year (FY 2019).

Even after such decrease in revenue generation due to COVID-19 Pandemic, the Company is in comfortable financial condition and capable of taking care of all its statutory financial obligations including servicing of Bank Loan and repayment of principal. There is no eminent threat to the financial position of the Company or its existence envisaged by the management till the date of signing of Financial Statement. Though the management expects to have reduction in Revenue and Profitability in the FY 2020-21, the impact of the lockdown disruption will have to be assessed from time to time and communicated as we progress during the current financial year. A lot depends on the success of the various pandemic containment efforts being undertaken by the State and Central Governments and Health authorities. It is therefore premature to forecast the future impact with credibility at this stage.

**Note 47:** Previous year figures has been rearranged, reclassified and regrouped to make them confirmatory with current year reported figures



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# STATUTORY AUDIT REPORT

**INDEPENDENT AUDITOR'S REPORT**

**TO THE MEMBERS OF KRISHNAPATNAM RAILWAY COMPANY LIMITED**

**Report on the Audit of the Financial Statements**

**Qualified Opinion**

We have audited the accompanying Financial Statements of Krishnapatnam Railway Company Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2020, the Statement of Profit and Loss, the Cash Flow statement and the Statement of Changes in Equity for the year then ended and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the aforesaid Financial Statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020 and its Loss, changes in equity and its cash flows for the year ended on that date.

**Basis for Qualified Opinion**

1. The company's revenue are carried in the Statement of Profit & Loss a/c under Note-19 Revenue from Operation of Rs. 20229.02 lakhs. Monthly revenue bills/ apportionment sheet of revenue are received from the South Central Railway (SCR). All these bills are marked '**Provisional**'. The outcomes of the provisional bills are not known at subsequent dates. Further, supporting documents of the monthly revenue bills are not available. As stated, in note-19(i)(d), all supporting evidences related to revenue bookings are being controlled and managed by the SCR only and not made available for verification. The monthly revenue statements are not checked and certified by the company. Thus, the operating revenue statement could not be verified. In view of these, leakage in the operating revenue cannot be ruled out. Financial impact, if any, cannot be ascertained.
2. The company has not provided for Departmental charges of Rs.112.81 crore. Reference is drawn regarding Note no-39(c)- Contingent liability in respect of Departmental charges on construction of project. A departmental charge @5% would be payable by the company to RVNL on the total cost of work as per detailed estimate/revised estimate/ completion estimate in the books of accounts of the company. The total





charges have been estimated by the company at Rs.112.81crore. In our opinion, a provision for liability should have been made on the best estimated basis for the departmental charges on year to year on accrual basis. Instead, a contingent liability has been disclosed. Thus, the cost of the project should have gone up by Rs.112.81crore and so the provision for liability for the same amount.

3. The company has not provided for liability to pay GST under the reverse charge mechanism in respect of operation & maintenance costs incurred by the company as billed by SCR. Thus, there is an understatement of O&M Expenses and overstatement of profit by Rs.3.50crore.
4. The company has not fully provided for CSR liability for the FY 2018-19 in accordance with the provision of Section 135 of the Companies Act, 2013. The company was required to spend Rs.15.80 lakhs, but only a sum of Rs 10 lakhs has been spent so far for CSR activities for FY 2018-19. Thus, there is an understatement of liability by Rs.5.80 lakhs.

We conducted our audit of the Financial Statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Financial Statements.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements for the financial year ended March 31, 2020. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

S. No.	Key Audit Matter	Auditor's Response
1.	Restructuring of existing loans or cases of waiver/ write off debts/loans/ interest	The Company had taken Term Loans from consortium of 7 banks led by Bank of India (BOI) in 2013. The first installment of the Term Loan was due in June, 2018. However, the company did not stick to the repayment plan and approached banks to re-schedule the term loan by fixing the revised repayment plan starting from September, 2019, due to delay in completion of the phase-II project and consequent change in the Commercial



		<p>Operation Date (COD). Though the re-schedulement has taken place, and COD achieved on 03<sup>rd</sup> July 2019. The phase II project has still not fully completed and work is still going on. Considering the critical financial situation of the company due to high project cost due to cost overrun and time overrun. There has been nonpayment of dues by the SCR such as Terminal cost of Rs. 476.72 crores (as on 10.08.2017) and apportionment of tariff income of Rs 268.47 crores for 14.45 kms of Port siding. The company has shown loss of Rs. 72.22 crores in FY 19-20. Further the company will have to pay in FY 2020-21 bank installment of Rs 51 crores and banks interest of Rs. 92.60 crores and RVNL interest of Rs 101.44 crores. It appears Companies inability to generate adequate revenue and stringent measures being imposed by the RBI and other authorities on restructuring of loans, it is likely that any default on the part of the company to service debt, will place it as NPA in the near future.</p>
2.	Accuracy of recognition, measurement, presentation and disclosures of expenses	<p>In the absence of availability of records/documents in support of the monthly O&amp;M bills sent by SCR, such bills are not checked/ certified by the company. Financial impact, if any, cannot be ascertained.</p>
3.	Accuracy of recognition, measurement, presentation and disclosures of expenses	<p>RVNL bills for construction of phase-II project are sent from time to time to the company for payment. Such bills are only xerox copies and not the original ones. Further these bills are not checked and certified by the company and thus, payments are made to RVNL in this regard without any checking and certification.</p>
4.	Identifying and assess the risk of material misstatement	<p>Capitalization of Intangible Assets</p> <p>During the year ended March 31, 2020, the Company has capitalized significant expenditure. Intangible Assets capitalized during the year relates to the construction of the phase-II project in the books of the company. The expenditure incurred by the company on construction for FY 2018-19 was Rs.607.91 crores. Cumulative expenditure up to 31.03.2019 was Rs.2423.73 Crores and the cumulative expenditure upto 31.03.2020 was Rs.2646.57Crore. This project was started in 2008 with an estimated cost of Rs.732 crore. Thereafter, the project cost was revised from time to time to Rs.1203 crore in 2011 and</p>





		<p>Rs.1866 crore in 2016. It was then estimated that the cost was likely to go up to Rs.2060 crore. It was to be completed in November 2018, but Phase II has become commercially operational on 3<sup>rd</sup> July 2019 only. The cumulative expenditure of this project has gone up to Rs.2646.57 crore as on 31.03.2020. In addition, the company is still receiving expenditure bills from RVNL and there are further bills in the pipeline. Such bills are only xerox copies and not the original ones. Further these bills are not checked and certified by the company.</p> <p>Board is yet to approve increased cost. Details of project cost were to be made available by RVNL which were to be verified by Independent agency. RVNL have yet to give Project cost/completion / handover certificate to the company.</p>
5.	Accuracy of recognition, measurement, presentation and disclosure of sundry debtors and creditor balances	Confirmations of balances for Sundry Creditors, Debtors and Imprest as on 31.03.2020 have not been provided.
6.	Accuracy of recognition, measurement, presentation and disclosures of revenue	Reference is drawn to Note no-19(1)(b) & (c) under Revenue from Operations. The company's claim relating to (a) earnings on length of about 14.45 Km section from Krishnapatnam Railway Station to the buffer of port from South Central Railway and (b) apportionment of Terminal costs. These issues are now pending for Arbitration.
7.	Evaluation of uncertain tax positions. The company has material uncertain tax positions including matter under dispute which involves significant judgment to determine the possible outcome of these disputes.	Reference is drawn to Note no-19, regarding revenue from operations of Rs.202.29 crore, the Company is not charging GST on such revenue.
8.	Accuracy of recognition, measurement, presentation and disclosures of expenses	Attention is drawn towards Note-5.2. RVNL is charging interest on delay in payment for project expenditure inclusive of D&G charges whereas as per management, construction agreement does not contain any provision for charging the interest on D&G charges.
9.	Accuracy of recognition, measurement, presentation and disclosures of expenses	Attention is drawn towards Note No-5.4, Clause 10.2 of the Construction Agreement, which provides "D&G charges shall be payable to RVNL @9.13% for civil work, 10.18% for electrical works and 10.69% for S&T work. However, the above percentage shall be calculated finally based on the actual completion cost". Thus D&G charges being capitalized and amortized/depreciation being



		capitalized and amortized/depreciation being charged thereon is subject to change based on the outcome of final actual completion cost.
10.	Accuracy of recognition, measurement, presentation and disclosures of revenue	We draw attention to Note no 21(iv) and as such Operation Agreement is yet to be entered into with SCR pertaining to operation of Phase-III which is functional since 2 <sup>nd</sup> March, 2014 and Phase II which is function since 3 <sup>rd</sup> July 2020, Thus accounting for of revenue and operation cost of Phase-III between KRCL and SCR is being made on the basis of Operation and Maintenance Agreement for Phase-I. If the terms of agreement change, the related revenue and operation cost will vary and the amount unascertained. As per Operation & Maintenance agreement of phase-I, the agreement is to be reviewed every six months but the same was reviewed last in October, 2012.
11.	Accuracy of recognition, measurement, presentation and disclosures of capital commitment	In absence of any approval from the Board of the Company, no figure has been shown under Capital Commitment as on 31.03.2020.
12.	Accuracy of recognition, measurement, presentation and disclosures of capital commitment	The company has obtained a comprehensive insurance policy for its project assets of 21 km only but for assets of the 93 km line for which commercial operations on the section has started w.e.f. 3 <sup>rd</sup> July 2019, the company has not taken comprehensive insurance policy as per the common loan agreement with the banks.
13.	Accuracy of recognition, measurement, presentation and disclosure	Rounding off errors have been observed in certain cases which are given below: Asset side of balance sheet of company: Non-current asset -Property plant and equipment schedule -3 as on 31.03.2020 shows a EDP addition of Rs 1.67 lakhs, whereas addition of EDP assets in books is of Rs 1.64 lakhs. Total of its constituents of PPE amount should be Rs 279.12 instead of Rs 279.15 lakhs making a difference of Rs 3000/-.

#### Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the Financial Statements and our



auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

### **Management's Responsibility for the Financial Statements**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Financial Statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:



i) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

ii) Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

iv) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

v) Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the Financial Statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Financial Statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the Financial Statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse





consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report that:
  - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - c. The Balance Sheet, the Statement of Profit and Loss, Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account.
  - d. In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - e. On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.
  - f. With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "**Annexure A**". Our report expresses an qualified opinion on the adequacy and operating effectiveness of the Company's internal financial controls with reference to financial statements.
  - g. With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:  
In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.
  - h. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
    - i) The Company has disclosed the impact of pending litigations on its financial position in its Financial Statements (Refer note no 39) and no provisions have been made in the books.
    - ii) The Company has made no provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts. (Refer note no 34)
    - iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.



2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "**Annexure B**" a statement on the matters specified in paragraphs 3 and 4 of the Order.
3. As required by the directions issued by Comptroller and Auditor General of India, in terms of Section 143(5) of the Act, on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we hereby enclose the compliance in "**Annexure C**"

Place: New Delhi  
Dated: 25/07/2020

For and on behalf of  
Jindal & Company  
Chartered Accountants

CA Akhil Jindal  
PARTNER

M. No. 090515

Firm Reg. No. 000844N

UDIN 20090515AAAC0190



## Report on the Internal Financial Controls

### **ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT**

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of **KRISHNAPATNAM RAILWAY COMPANY LIMITED** of even date)

### **Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of **KRISHNAPATNAM RAILWAY COMPANY LIMITED** ("the Company") as of March 31, 2020 in conjunction with our audit of the IND AS financial statements of the Company for the year ended on that date.

### **Management's Responsibility for Internal Financial Controls**

The Board of Directors of the Company is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.





We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

### **Meaning of Internal Financial Controls over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### **Limitations of Internal Financial Controls over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion, the company has an internal control system over financial reporting, but this system has not been operating effectively. Hence, we feel that internal financial control in the company requires immediate improvements in the areas as mentioned below:

- i. The operations of the company's business are solely controlled by the South Central Railway (SCR). All supporting evidences related to revenue booking are being controlled and managed by SCR only and not made available for verification.
- ii. There is no control over the revenue apportionment of South Central Railway (SCR) as the revenue sheets are sent by SCR to the company only on provisional basis and collateral records neither supplied by the SCR nor maintained by the company. As a result, there is no basis to verify the same.
- iii. There is no control over the operation and maintenance (O&M) expense, overhead charges, indirect cost etc. billed by the South Central Railway and deducted from the revenue dues to the company.
- iv. Absence of Internal Financial Control has been felt in the booking of expenditure for the construction of phase-II of the project of the company. It is observed that the bills for construction of the project by the contractor (RVNL) were sent from time to time to



the company for payment, but such bills were only xerox copies and not the original ones. These bills are not checked by the company and thus, payments are made to RVNL without any checking and certification.

- v. As informed to us, there is no methodology on the part of the management to ensure the up to date progress of expenditure on construction projects, including bills which are already in the pipeline and also which are awaiting dispatch by the contractors for the construction.
- vi. Deficiency in Internal Financial Control has been observed in the capitalization of expenditure of phase-II project of the company. Whereas this action was taken by board in its 60<sup>th</sup> meeting on 25<sup>th</sup> July 20 , it is observed that the effect of capitalization of intangible assets of Phase II had taken place much before the approval of the board as per the company's quarterly report to RVNL . Further Project final Cost/ completion/handover certificate is yet to be provided by the RVNL to the Company.

Place: New Delhi  
Dated: 25/07/2020



For and on behalf of  
Jindal & Company  
Chartered Accountants  
Firm Reg. No. 000844N

CA Akhil Jindal  
PARTNER  
M. No. 090515

UDIN 20070515AAA601901

## ANNEXURE 'B' TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of **Krishnapatnam Railway Company Limited** of even date)

- i. In respect of the Company's fixed assets:
  - a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets except project cost/completion/ handover certificate of Phase II from RVNL.
  - b) The company has no regular program for verification of fixed assets. As informed to us physical verification of assets had taken place for intangible assets i.e. Phase-I and Phase-III, Phase II and property, plant and equipments. In our opinion, company should have a regular program for verification of fixed assets so that the material discrepancies are noticed on such verification can be accounted for.
  - c) According to the information and explanation given to us and on the basis of our examination of the records of the company, the title deeds of immovable properties (Building) are held in the name of the Company, for leasehold land title deeds are held in the name of South Central Railway and leasehold rights are in the name of company as per Lease deed appended in concession agreement.
- ii. The Company does not have any inventories. Accordingly, reporting under clause 3 (ii) of the Order is not applicable to the Company.
- iii. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013 accordingly sub clauses (a), (b) & (c) of paragraph 3(iii) are not applicable.
- iv. In our opinion and according to the information and explanations given to us, the Company has not granted any loans or provided any Guarantees or security to the parties covered under section 186 of the Act except its own term loan and in respect of investments made or loans or guarantee or security provided to parties covered under Sections 186 of the Act.
- v. The Company has not accepted deposits under the provisions of Section 73, 74, 75 and 76 or any other provisions of the act and the rules framed thereunder.
- vi. The maintenance of cost records has not been specified by the Central Government under section 148(1) of the Companies Act, 2013 for the business activities carried out by the Company. Thus, reporting under clause 3(vi) of the order is not applicable to the Company.
- vii. According to the information and explanations given to us, in respect of statutory dues:
  - a. According to the information and explanations given to us and the records of the company examined by us, in our opinion, the Company is regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Employee's State Insurance, Income Tax, Sales Tax, Goods



and Service tax, Excise Duty, Custom Duty, value added tax, cess and other material statutory dues have been regularly deposited during the year ended 31<sup>st</sup> March, 2020 by the Company with the appropriate authorities though there has been delay in deposit of TDS/GST/PF on few occasions.

b. As explained to us, the Company did not have any dues on account of Provident Fund, Employees State Insurance, Sales tax, Goods and Service tax, duty of Customs, duty of Excise, value added tax and cess. According to the information and explanation given to us, no undisputed amounts payable in respect of Provident Fund, Employees State Insurance, Income Tax, Sales tax, Goods and Service tax, Service Tax, duty of Customs, duty of Excise, value added tax, cess and other statutory dues were in arrears, as at March 31, 2020 for a period of more than six months from the date they became payable.

c. According to the information and explanations given to us the following Service tax, sales tax and Income tax dues have not been deposited on March 31, 2020 with the appropriate authorities on account of dispute:

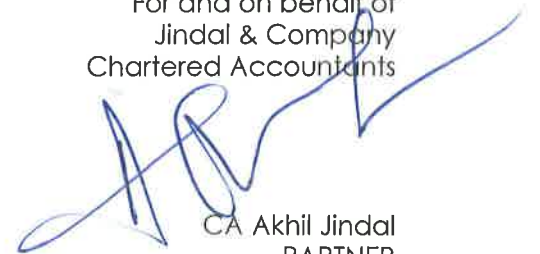
Name of the Statute	Nature of dues	Amount (in Rs.)	Period which relates to it	Forum where the dispute is pending
Finance Act 1994 (CBEC)	Service Tax	7.58 crore	F.Y. 2014-15	CESTAT
Finance Act 1994 (CBEC)	Service Tax	2.86 crore	F.Y. 2015-16	CESTAT
Finance Act 1994 (CBEC)	Service Tax	2.95 crore	F.Y. 2016-17 & F.Y. 2017-18 (upto June 2017)	CESTAT
Income Tax Act, 1961	Income Tax	5.17 crore	F.Y. 2011-12	High Court Delhi

- viii. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of loans or borrowing to a financial institution, bank.
- ix. The company did not raise any money by way of initial public offer or further public offer and Term Loan has been applied for the purposes for which they were raised.
- x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud by the Company or on the Company by any of its officers or employees, noticed or reported during the year, nor have we been informed of such case by the management during the year ended 31<sup>st</sup> March, 2020.
- xi. According to the information and explanations given to us and based on our examinations of the records of the Company, the Company has paid / provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with schedule V to the Act.



- xii. In our opinion and according to the information and explanations given to us, the company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the order is not applicable.
- xiii. All transactions with related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards.
- xiv. The company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) of the Order are not applicable to the company.
- xv. The company has not entered into any non-cash transactions with the directors or persons connected with him. Accordingly, para 3 (xv) of the Order is not applicable.
- xvi. The company is not required to be registered under section 45IA of the Reserve Bank of India Act 1934.

For and on behalf of  
Jindal & Company  
Chartered Accountants



CA Akhil Jindal  
PARTNER

M. No. 090515

Firm Reg. No. 000844N

UDIN 20090515AAAAC01901

Place: New Delhi  
Dated: 25/07/2020



**Annexure-C** to the Independent Auditor's Report referred in our report of even date on the financial statements of **KRISHNAPATNAM RAILWAY COMPANY LIMITED** for the year 31.03.2020.

S. no.	CAG' s Direction	Our Report thereon
1.	Whether the company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.	The company maintained the accounts in IT system. The maintenance of the accounts services and preparation of balance sheet as per IND AS is provided by outsource firm <b>M/s UCC &amp; Associates LLP</b> . In absence of full time accounts personnel of the company, the risk associated with the outsource work remains such as data/security protection and loss of government knowledge and processes.
2.	Whether there is any restructuring of an existing loan or cases of waiver/write off of debts/loans/interest etc. made by a lender to the company due to company's inability to repay the loan? If yes, the financial impact may be stated.	The Company had taken Term Loans from consortium of 7 banks led by Bank of India (BOI) in 2013. During the FY 2018-19 existing term loan from the banks was re-scheduled. The project has achieved commercial operation on 3 <sup>rd</sup> July 2019. The re-payment installment is being paid from September, 2019 onwards regularly. The phase II project expenses are still continuing. Considering the critical financial situation of the company due to high project cost due to cost overrun and time overrun and non-payment of full dues by the SCR. Further, the company will have to pay in FY 2020-21, installment of Rs 51 crores and banks interest of Rs. 92.60 crores and RVNL interest of Rs 101.44 crore. The company has shown loss of Rs 72.22 crores in FY 19-20. Company inability to generate adequate revenue and stringent measures being imposed by the RBI and other authorities on restructuring of loans, it is likely that any default on the part of the company to service debt, will place it as NPA in the near future.





3.	Whether funds received/ receivable for specific schemes from Central/ State agencies were properly accounted for/ utilized as per its term and conditions? List the cases of deviation.	The company has not received any fund from Central/State Agency but loans are due to banks and financial institution for Rs.104271.97 lakhs and amount of Rs.115411.38 lakhs is due to Rail Vikas Nigam Ltd on account of construction of phase-II project.
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For and on behalf of

Jindal & Company  
Chartered Accountants

CA Akhil Jindal  
PARTNER

M. No. 090515

Firm Reg. No. 000844N

Place: New Delhi

Dated: 25/07/2020

UDIN 20090515-AAAAC01901







## MANAGEMENT REPLY



## KRISHNAPATNAM RAILWAY COMPANY LIMITED

**Regd. office:** Amsri Faust Complex, Door No 9-1-164/A-166, 5<sup>th</sup> Floor, Sarojini Devi Road, Secunderabad- 500003, Telangana, CIN NO. U45200TG2006PLC051378

Sl. No	Auditor's Comments for Financial Year 2019 -20	Management Reply
	<b>Basis for Qualified Opinion:</b>	
1	The company's revenue are carried in the Statement of Profit & Loss a/c under Note-19 Revenue from Operation of Rs.20229.02 lakhs. Monthly revenue bills/ apportionment sheet of revenue are received from the South Central Railway (SCR). All these bills are marked ' <b>Provisional</b> '. The outcomes of the provisional bills are not known at subsequent dates. Further, supporting documents of the monthly revenue bills are not available. As stated, in note-19(i)(d), all supporting evidences related to revenue bookings are being controlled and managed by the SCR only and not made available for verification. The monthly revenue statements are not checked and certified by the company. Thus, the operating revenue statement could not be verified. In view of these, leakage in the operating revenue cannot be ruled out. Financial impact, if any, cannot be ascertained.	<p>It is the practice of Railway Administration to furnish such statements, viz., Revenue or O&amp;M or any other amount paid to be marked as 'Provisional'.</p> <p>KRCL do not have any control over the practices followed by Railway Administration.</p> <p>Revenue Statements are always checked by KRCL officers at Secunderabad. Copies of all revenue statements certified by CFO/KRCL and Sr. Technical Manager/KRCL have been furnished to Audit team.</p>
2	The company has not provided for Departmental charges of Rs.112.81 crore. Reference is drawn regarding Note no-39 (c) - Contingent liability in respect of Departmental charges on construction of project. A departmental charge @5% would be payable by the company to RVNL on the total cost of work as per detailed estimate/revised estimate/ completion estimate in the books of accounts of the company. The total charges have been estimated by the company at Rs.112.81 crore. In our opinion, a provision for liability should have been made on the best estimated basis for the departmental charges on year to year on accrual basis. Instead, a contingent liability has been disclosed. Thus, the cost of the project should have gone up by Rs.112.81 crore and so the provision for liability for the same amount.	<p>In terms of Construction Agreement with Rail Vikas Nigam Limited, Departmental Charges are payable to RVNL on the basis of final cost of work. Since RVNL has not raised any invoice/claim in this regard, therefore this amount has been treated as contingent liability in Books of Accounts.</p> <p>It is noted that provisions for Departmental Charges can be made in Books of Accounts. However, Company has represented to RVNL for waiving off the Departmental Charges. Hence, it would be logical to retain the amount of Departmental Charges in Contingent Liability.</p>
3	The company has not provided for liability to pay GST under the reverse charge mechanism in respect of operation & maintenance costs incurred by the company as billed by SCR. Thus, there is an understatement of O&M Expenses and overstatement of profit by Rs.3.50 crore.	Amount of O&M Costs deducted from Apportioned Revenue is in the nature of allocation of cost between SCR and KRCL, as such there is no service provided by SCR to KRCL. SCR is performing operations and for carrying out operations, Maintenance is mandatory, so these two activities are complementary. Hence, Operations and

		<p>Maintenance cannot be seen as two separate activities. Due to operations, whatever revenue is generated, GST is paid to Government by SCR.</p> <p>Since there is no service, therefore no GST is payable.</p>
4	<p>The company has not fully provided for CSR liability for the FY 2018-19 in accordance with the provision of Section 135 of the Companies Act, 2013. The company was required to spend Rs.15.80 lakhs, but only a sum of Rs 10 lakhs has been spent so far for CSR activities for FY 2018-19. Thus, there is an understatement of liability by Rs.5.80 lakhs.</p>	<p>FY 2018-19 was the 1<sup>st</sup> year of applicability of CSR on KRCL. The Company identified the project to comply with its CSR obligations of Rs. 15.80 Cr. for FY 2018-19. The Company has already paid Rs. 10.00 Lakh in two instalments of Rs. 5 Lakh each as per payment schedule fixed.</p> <p>However, pending the receipt of completion certificate of the balance work the balance CSR amount of Rs. 5.80 Lakh could not be paid.</p>

*Handwritten signature and initials*

Sl. No	Auditor's Comments for Financial Year 2019 -20	Management Reply
	<b>Key Audit Matters</b>	
1	<p>The Company had taken Term Loans from consortium of 7 banks led by Bank of India (BOI) in 2013. The first installment of the Term Loan was due in June, 2018. However, the company did not stick to the repayment plan and approached banks to re-schedule the term loan by fixing the revised repayment plan starting from September 2019, due to delay in completion of the phase-II project and consequent change in the Commercial Operation Date (COD). Though the re- schdulement has taken place, and COD achieved on 03rd July 2019 .The phase II project has still not fully completed and work is still going on. Considering the critical financial situation of the company due to high project cost due to cost overrun and time overrun. There has been nonpayment of dues by the SCR such as Terminal cost of Rs. 476.72 crores (as on 10.08.2017) and apportionment of tariff income of Rs 268.47 crores for 14.45 kms of Port siding. The company has shown loss of Rs. 72.22 crores in FY 19-20. Further the company will have to pay in FY 2020-21 bank installment of Rs. 51 crores and banks interest of Rs. 92.60 crores and RVNL interest of Rs 101.44 crores. It appears Companies inability to generate adequate revenue and stringent measures being imposed by the RBI and other authorities on restructuring of loans, it is likely that any default on the part of the company to service debt, will place it as NPA in the near future.</p>	<p>The Construction of the project has been completed and Operations of the project started with effect from 03/07/2019.</p> <p>Company is duly servicing interest on Banks Loan for past seven years without any default, Repayment of Principal Loan amount has also started from September 2019. Up to March 2020, the Company paid Interest on Loan as well as installments of Principal Loan had been paid without any default.</p> <p>The Company envisages to service the Bank Loan Interest regularly, as well as the due Repayment of Principal Loan from its Revenue Earnings due to the longer length of Project, i.e., 113 Km. Earlier upto July month of FY 2019-20, the Company was getting Apportioned Revenue Earnings only for 21 Km, whereas, the Revenue Earnings in FY 2020-21 will be for 113 Km.</p> <p>In view of this fact, Company expects that the Financial condition of the Company will stabilise and liabilities of 2020-21 can be met, even it is assumed that same level of Revenue Earnings as of FY 2019-20 is achieved in 2020-21.</p>
2	<p>In the absence of availability of records/documents in support of the monthly O&amp;M bills sent by SCR, such bills are not checked/ certified by the company. Financial impact, if any, cannot be ascertained.</p>	<p>Detailed Monthly O&amp;M Bills are duly checked and verified by CFO/KRCL and Sr. Technical Manager/KRCL, which were furnished to Audit Team during Audit.</p>
3	<p>RVNL bills for construction of phase-II project are sent from time to time to the company for payment. Such bills are only xerox copies and not the original ones. Further these bills are not checked and certified by the company and thus, payments are made to RVNL in this regard without any checking and certification.</p>	<p>It is the practice of RVNL to provide the photocopy of monthly Construction Bills to KRCL and RVNL is retaining the original bills for their record.</p> <p>It is a practice of RVNL that before forwarding the Construction Bills to any SPV, including KRCL to get the same checked by the Accounts Department of the concerned PIUs. In case of KRCL, the concerned PIU is at Chennai.</p>

4	<p><b>Capitalization of Intangible Assets</b></p> <p>During the year ended March 31, 2020, the Company has Capitalized significant expenditure. Intangible Assets capitalized during the year relates to the construction of the phase-II project in the books of the company. The expenditure incurred by the company on construction for FY 2018-19 was Rs.607.91 crores. Cumulative expenditure up to 31.03.2019 was Rs 2423.73 Crores and the cumulative expenditure up to 31.03.2020 was Rs.2646.57 crore. This project was started in 2008 with an estimated cost of Rs.732 crore. Thereafter, the project cost was revised from time to time to Rs.1203 crore in 2011 and Rs.1866 crore in 2016. It was then estimated that the cost was likely to go up to Rs.2060 crore. It was to be completed in November, 2018, but Phase II has become commercially operational on 3<sup>rd</sup> July 2019 only. The cumulative expenditure of this project has gone up to Rs.2646.57 crore as on 31.03.2020. In addition, the company is still receiving expenditure bills from RVNL and there are further bills in the pipeline. Such bills are only xerox copies and not the original ones. Further these bills are not checked and certified by the Company. Board is yet to approve increased cost. Details of project cost were to be made available by RVNL which were to be verified by Independent agency. RVNL have yet to give Project cost/ completion / handover certificate to the Company.</p>	<p>In 2017, the detailed estimate submitted by RVNL was Rs. 1850 Cr. (Hard Cost), which was approved by the BoD.</p> <p>It is a fact that the cost of the Project has increased to certain extent primarily due to change in geology of two Tunnels mid-way of the longest tunnel (7 Km. in length) while excavation was continuing.</p> <p>Due to which the progress of the work was hindered in order to mitigate the problem in respect of change in technology.</p> <p>Further Change of the scope of the project had also taken place in form of elimination of LC Gates as directed by MoR. Due to which 47 RUBs needed to be constructed on high embankments, which alone led to cost escalation to the extent of over Rs. 400 Cr.</p> <p>The project became operational on July 03, 2019, but a few ancillary works being completed. Due to this Construction Bills are still received from RVNL. Approval for Rs. 2646.57 crore has been obtained from the BoD meeting held on 25/07/2020.</p>
5	<p>Confirmations of balances for Sundry Creditors, Debtors and Imprest as on 31.03.2020 have not been provided.</p>	<p>Balance Confirmation of the major creditor i.e., RVNL and SBI capital markets limited, etc. were furnished already.</p> <p>Further, Balance Confirmation from SCR cannot be furnished as per the Practice of Railways.</p>
6	<p>Reference is drawn to Note no-19(1) (b) &amp; (c) under Revenue from Operations. The company's claim relating to (a) earnings on length of about 14.45 Km section from Krishnapatnam Railway Station to the buffer of port from South Central Railway and (b) apportionment of Terminal costs. These issues are now pending for Arbitration.</p>	<p>Noted.</p>
7	<p>Reference is drawn to Note no-19, regarding revenue from operations of Rs.202.29 crore, the Company is not charging GST on such revenue.</p>	<p>Revenue is collected by Indian Railway (IR). IR is paying the necessary GST to the Government of India. Hence, further, GST is not to be paid by KRCL.</p>

8	Attention is drawn towards Note-5.2. RVNL is charging interest on delay in payment for project expenditure inclusive of D&G charges whereas as per management, construction agreement does not contain any provision for charging the interest on D&G charges.	There is no clause in the existing Construction Agreement executed between RVNL and KRCL, which prohibits RVNL from charging interest on D&G outstanding Amount.  At the time of re-conciliation after completion of all balance works, this point will be raised to RVNL.
9	Attention is drawn towards Note No-5.4, Clause 10.2 of the Construction Agreement, which provides "D&G charges shall be payable to RVNL @9.13% for civil work, 10.18% for electrical works and 10.69% for S&T work. However, the above percentage shall be calculated finally based on the actual completion cost". Thus D&G charges being capitalized and amortized/depreciation being capitalized and amortized/depreciation being charged thereon is subject to change based on the outcome of final actual completion cost.	At present RVNL is charging D&G Charges in accordance with provisions of Construction Agreement.  On Completion of work, final D&G Charge will be calculated and actual impact will be taken in Financial Statements.
10	We draw attention to Note no 21(iv) and as such Operation Agreement is yet to be entered into with SCR pertaining to operation of Phase-III which is functional since 2 <sup>nd</sup> March, 2014 and Phase II which is function since 3 <sup>rd</sup> July 2020, Thus accounting for of revenue and operation cost of Phase-III between KRCL and SCR is being made on the basis of Operation and Maintenance Agreement for Phase-I. If the terms of agreement change, the related revenue and operation cost will vary and the amount unascertained. As per Operation & Maintenance agreement of phase-I, the agreement is to be reviewed every six months but the same was reviewed last in October, 2012.	Same Agreement is followed for all Phases.  O&M Agreement for the entire project is to be concluded, the same is under consideration of with SCR for all Phases. The existing O&M Agreement is being followed till the new Agreement is signed.  Review of O&M Agreement is a continuous process which takes place at regular intervals in review meeting between KRCL & SCR. All operational disputes are discussed at these meetings. However, review does not necessarily mean change in O&M Agreement.
11	In absence of any approval from the Board of the Company, no figure has been shown under Capital Commitment as on 31.03.2020.	Noted.
12	The company has obtained a comprehensive insurance policy for its project assets of 21 km only but for assets of the 93 km line for which commercial operations on the section has started w.e.f. 3rd July 2019, the company has not taken comprehensive insurance policy as per the common loan agreement with the banks.	The Phase-II Project Insurance has already taken by the Implementing Contractors. As soon as this Insurance will expire, Company will make composite Insurance for assets of the Project.
13	Rounding off errors have been observed in certain cases which are given below: Asset side of balance sheet of company: Non-current asset -Property plant and equipment schedule -3 as on 31.03.2020 shows a EDP addition of Rs 1.67 lakhs, whereas addition of EDP assets in	There is no impact on overall value of Property, Plant & Equipment, and the difference of Rs. 0.03 Lakhs has been adjusted automatically in other heads during rounding off. Therefore, closing balance of Property, Plant & Equipment will remain

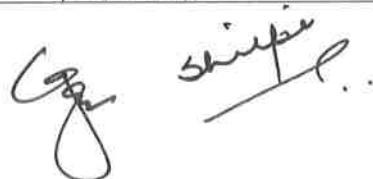


books is of Rs 1.64 lakhs. Total of its constituents of PPE amount should be Rs 279.12 instead of Rs 279.15 lakhs making a difference of Rs 3000/-.	same, i.e., Rs. 279.15 Lakhs.
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Sl. No	Auditor's Comments for Financial Year 2019 -20	Management Reply
	<b>Internal Financial Control</b>	
1.	The operations of the company's business are solely controlled by the South Central Railway (SCR). All supporting evidences related to revenue booking are being controlled and managed by SCR only and not made available for verification.	Every month reconciliation is being done with the Traffic revenue Officer of SCR. RR wise reconciliation is done every month by KRCL officers in order to arrive at correct revenue of the company. Also systematic records are maintained.
2.	There is no control over the revenue apportionment of South Central Railway (SCR) as the revenue sheets are sent by SCR to the company only on provisional basis and collateral records neither supplied by the SCR nor maintained by the company. As a result, there is no basis to verify the same.	Comments are same as mentioned in Item No. 1 of Internal Financial Control above.
3.	There is no control over the operation and maintenance (O&M) expense, overhead charges, indirect cost etc. billed by the South Central Railway and deducted from the revenue dues to the company.	The matter has been raised in the meeting with South Central Railway and KRCL officials and the same has been minuted in meetings.  In respect of any kind of over-charging in O&M Costs, Company is following up with South Central Railway, after issuing letters for the refund of the same.
4.	Absence of Internal Financial Control has been felt in the booking of expenditure for the construction of phase-II of the project of the company. It is observed that the bills for construction of the project by the contractor (RVNL) were sent from time to time to the company for payment, but such bills were only xerox copies and not the original ones. These bills are not checked by the company and thus, payments are made to RVNL without any checking and certification.	It is the practice of RVNL to provide the photocopy of monthly Construction Bills to KRCL and RVNL is retaining the original bills for their record.  It is a practice of RVNL that before forwarding the Construction Bills to any SPV, including KRCL to get the same checked by the Accounts Department of the concerned PIUs. In case of KRCL, the concerned PIU is at Chennai.
5.	As informed to us, there is no methodology on the part of the management to ensure the up to date progress of expenditure on construction projects, including bills which are already in the pipeline and also which are awaiting dispatch by the contractors for the construction.	RVNL submits monthly/bimonthly bills of the contractors for ongoing construction of the project. Since, RVNL is an EPC Contractor, KRCL does not have any indication on the forthcoming / future construction bills.
6.	Deficiency in Internal Financial Control has been observed in the capitalization of the expenditure of Phase II project of the company. Whereas, this action was taken by board in its 60 <sup>th</sup> meeting on 25 <sup>th</sup> July 20, It is observed that the effect of capitalization of intangible assets of Phase II had taken place much before the approval of the board as per company's quarterly report to RVNL. Further	Financial statements and books of Accounts are prepared in accordance with Ind-AS specified under Companies Act, compliance of Ind-AS is mandatory. Management/Board is required to comply with Ind-AS mandatorily, defined under Companies Act. Therefore, recognition of expenditure incurred should be taken based on guidance

<p>project final cost/ completion/handover certificate is yet to be provided by the RVNL to the Company.</p>	<p>available under Ind-AS. Recognition and measurement of Intangible assets (Project Assets of Phase II) is governed by Ind-AS 38. Para 8 of Ind-AS 38 provides that</p> <p><i>"An asset is a resource:</i></p> <p><i>(a) controlled by an entity as a result of past events; and</i></p> <p><i>(b) from which future economic benefits are expected to flow to the entity."</i></p> <p>Above mentioned Para clearly states that if a resource is controlled by entity and future economic benefits are flowing to entity than it can be recognised as asset. Ind-AS defines that the future economic benefits flowing from an intangible asset may include revenue from the sale of products or services, cost savings etc. In case of KRCL revenue from Railway Operation has started flowing to KRCL from 3<sup>rd</sup> July 2019, this is clearly date of recognition of Intangible Asset.</p> <p>Further, Concession Agreement signed between KRCL and MoR provides that COD of Project shall be from date of Safety Certificate by the Chief Engineer (Construction) of South Central Railway, KRCL received this certificate on 3<sup>rd</sup> July 2019, therefore this date can only be treated as date of commercial operation of project for the purpose of capitalisation of project assets. Accordingly, it can be concluded that project assets have been capitalised in compliance with Ind-AS and Concession Agreement.</p> <p>Further, interim Provisional Financial Statements prepared for September 2020 were approved by Board of Directors in its meeting, capitalisation and related depreciation was part of Interim financial statements therefore approval of capitalisation was in concurrence with Board of Directors of the company.</p> <p>In view of the above it can be summarised that there is no deficiency in Internal Control over Financial Reporting for capitalisation or reporting in interim financial statements.</p>
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# C&AG REPORT



**भारतीयलेखापरीक्षाएवंलेखाविभाग**  
**कार्यालयप्रधाननिदेशकलेखापरीक्षा**  
**रेलवेवाणिज्यक ,नईदिल्ली**  
**INDIAN AUDIT AND ACCOUNTS DEPARTMENT**  
**OFFICE OF THE PRINCIPAL DIRECTOR OF AUDIT**  
**RAILWAY COMMERCIAL, NEW DELHI**



संख्या/पी.डी.ए/आर.सी/ 13-45/AA-KPRCL/2020-21/170

दिनांक: 21.09.2020

सेवा में,

प्रबंध निदेशक,  
कृष्णापटनम रेल कंपनी लिमिटेड,  
247,पहला फ्लोर ,अगस्त क्रान्ति भवन,  
बीकाजी कामा प्लेस, आर.के पुरम,  
नई दिल्ली- 110 066.

**विषय: 31 मार्च 2020को समाप्त वर्ष के लिए Krishnapatnam Railway Company Limited**  
**के वित्तीय विवरणों पर कंपनी अधिनियम 2013 कीधारा 143 (6) (b) के अंतर्गत भारत के**  
**नियंत्रक एवं महालेखा परीक्षक की टिप्पणियाँ |**

महोदय,

मैं, **Krishnapatnam Railway Company Limited** के**31 मार्च 2020को समाप्त वर्ष के**  
**वित्तीय विवरणों पर कंपनी अधिनियम 2013 कीधारा 143 (6) (b) के अंतर्गत भारत के नियंत्रक एवं महालेखा**  
**परीक्षक की टिप्पणियाँ अग्रेषित कर रहा हूँ |**

कृपया इस पत्र की संलग्न को सहित प्राप्ति की पावती भेजी जाए |

भवदीय,

संलग्न :यथोपरी

के. एस. रामवालिया  
प्रधान निदेशक (रेलवे वाणिज्यक)

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA  
UNDER SECTION 143(6) (b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL  
STATEMENTS OF KRISHNAPATNAM RAILWAY COMPANY LIMITED FOR THE  
YEAR ENDED 31 MARCH 2020.**

The preparation of financial statements of **KRISHNAPATNAM RAILWAY COMPANY LIMITED** for the period ended 31 March 2020 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 139 (5) of the Act are responsible for expressing opinion on the financial statements under Section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 25.07.2020

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of **KRISHNAPATNAM RAILWAY COMPANY LIMITED** for the period ended 31 March 2020 under section 143(6)(a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

On the basis of my supplementary audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditors' report under section 143 (6) (b) of the Act.

For and on the behalf of the  
Comptroller & Auditor General of India



**Place: New Delhi**  
**Dated: 21.09.2020**

**(K. S. Ramuwalia)**  
**Principal Director of Audit**  
**Railway Commercial, New Delhi**