



**REPLIES TO THE COMMENTS CONTAINED IN STATUTORY AUDITORS REPORT TO THE SHAREHOLDERS ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2004.**

1. No comments
2. No comments.
3. a.
  - i) The accounts of overseas projects are compiled in H.O. based on the statements and documents received from the respective projects which have been examined by the Statutory Auditors.
  - ii) No comments
  - iii) The outstanding debts shown as good for recovery for Rs. 33,12,30 thousands in respect of closed inland projects pertains to the Govt. Deptts/PSUs/State Govts. and are good for recovery. The recovery of the outstanding dues is under negotiation / follow up.
  - iv) This is in conformity with our Accounting Policy No.13 of Schedule-20.
  - v) No comments.
  - vi) No comments.
  - vii) The old unclaimed credit balances written-back during the year have been made with proper identification after due review and assessment made by the Management and consist only the credit balances which remained unclaimed for more than 3 years.
  - viii) No comments
  - ix) Debts outstanding for a period exceeding six months have been shown under Schedule-6 (Sundry Debtors) of Annual Accounts. Necessary bill-wise details are available at respective zones / units.
  - x) As per Memorandum 1 of Minutes of Meeting held on 9.8.02 between the Ministry of Statistics & Programme Implementation and the representatives of NBCC/HUDCO, NBCC was allowed to utilise for consultancy and overhead expenses upto 10% of the project cost out of interest earned on the money received and deposited with banks. The Ministry has accepted the expenditure statement accordingly.
  - xi) Necessary deduction on amounts payable to Professionals, Contractors, rent etc. has been made as per statutory provisions.
  - xii) The non-cumulative redeemable preference shares are redeemable in 10 years upto 31.3.2007 and do not contain the conditions for redemption on yearly basis. Moreover, the Corporation has requested the Ministry of Urban Development to convert the preference shares into equity in the Financial Restructuring proposal submitted which is under consideration as confirmed vide MOUD letter No.0-17031/7/2002-PS dt. 13.8.02.
  - xiii) The inventory transferred to stockyard at Ghitorni Delhi is on temporary basis and is duly reconciled / verified as per practice of the Corporation and valuation has been done as per Accounting Policy No. 5(f). There is no considerable diminution in the value of stock as pointed out.



- xiv) The equity participation is not payable immediately by NBCC in the joint venture company - Jamal - NBCC International Pvt Ltd. The Joint Venture Co. is engaged in small maintenance works only. The contribution of NBCC's share of equity of the company is to be paid by the JTC in the first instance. This payment shall be returned to them out of NBCC's share of profit.
  - xv) The gross block of fixed assets contains only the fixed assets which are in active use. The fixed assets which become inactive in use are disposed off in the same year.
  - xvi) Provision for leave encashment and gratuity is made based on Actuarial valuation conforming to Accounting Standard.
  - xvii) The Daman Ganga Bridge was re-constructed on the existing bridge and handed over to the respective client in June, 2004. The bridge got damaged because of extra-ordinary heavy rains / floods and discharge of high volume of water and due to this, the flow of water on 2nd & 3rd of August, 2004 rose more or less 3 times of the designed capacity. The water level at the bridge site had gone upto 3.5 mtrs above the designed HFL and due to this some portion of the bridge washed away. A detailed report is also given in the Director's Report.
  - xviii) The loans and advances given to the staff represent the recoverable advance like scooter advance, cycle advance, festival advances, computer advance, salary advance on transfer / salary advance in case of non-drawal of salary due to transfer and necessary adjustments are carried out through salary bill as per the nature of the advance.
- b.
- i) No provision is considered necessary as clients are withholding our inventory / Plant & Machinery temporarily.
  - ii) The current assets representing outstanding book debts / advances / security deposits etc. which are under court cases / arbitration do not require provision to be created because the recourse for settlement of any issue / dispute is given in the contract agreement which is as per Arbitration Act. The amount involved in arbitration / court cases are based on actual work done and had arisen out of the contract agreement only.
  - iii) The Sundry Debtors amounting to Rs. 6,64,27 thousands are based on the actual work done and are accounted for in accordance with the accounting policy being followed by the Corporation.
  - iv) The arbitration award in favour of NBCC has since been obtained. However, the award could not be implemented against AAI as AAI has asked for the release of bank guarantee which was executed by AAI in favour of Libyan Custom Deptt. for import of machinery by NBCC. The matter is under persution with Libyan Authority through diplomatic channels. This issue was last discussed on 11th August, 2004 when Libyan delegation met at New Delhi. The representative of the concerned Libyan bank was also apprised of the facts who assured that the matter will be taken up with the Libyan Custom Deptt. based on the records submitted by the Corporation.



- v) Advances given by the Corporation to the contractors for Libyan / Mauritius projects are not doubtful, however, their settlement is pending because the dues from Libyan / Iraqi projects are yet to be settled, the advances shall be adjusted immediately when the final bills of the contractors / suppliers settled.

For Mauritius the advances could not be adjusted because the contractor has gone for arbitration.

- vi) The arbitration award published against NBCC for Rs. 49,10 thousands by Arbitrator are challenged in the court by NBCC, hence necessary effect was not given in the books of accounts.
- vii) There is a special rupee loan from Syndicate Bank against which a progressive liability of Rs. 45,43,92 thousands exists in the books of accounts as on 31.3.04 M/s Syndicate Bank has given their consent for one time settlement vide their letter No.NP/9044/1071/2003 dt. 23.7.2003 to the extent of amount of GOI guarantee i.e. Rs. 31.32 crores in view of which no further provision of interest amounting to Rs.6,32,14 thousands is required.
- viii) No provision is considered necessary as the clients are withholding the money due to pending extension of time which normally takes time but is made available before completion of the project and thereafter withhold amount is released.
- ix) In construction industry it is an universal fact that a considerable amount is spent at the initial stages to mobilise the work at site, to construct temporary hutment, office, store, transportation of equipment / labour etc. and as per Companies Act the expenditure incurred on temporary construction is to be accounted for in the same year hence the expenditure in the initial stages is on higher side. Similarly there are expenses on design, technology which are also incurred at the initial stage. These expenses are very nominal at the later stages and the project ultimately ends with profit. Hence provision is not considered necessary.
- x) The ministry of Urban Development had confirmed the payment of Rs.13.00 crores to NBCC to discharge the liability of OADB towards interest vide their letter No. 0-17031/22/80-PS dt. 14.3.95. NBCC has again requested the Ministry vide letter No.NBCC/CMD/2004 dt. 17.8.2004 for making a provision in the Revised Estimates of the Budget for the year 2004-05 for making payment directly to OADB.
- xi) NBCC has requested MOUD that the total interest accrued on the cost of land be converted into equity in Financial Restructuring proposal which is under consideration as confirmed by MOUD vide their letter No.0-17031/7/2002-PS dt. 13.8.02. However, the upto date interest accrued is shown under Contingent Liability.
- xii) NBCC has requested the Govt. for conversion of RBI Bonds of Rs.19.15 crore alongwith interest thereon (this includes Rs.7,63,08 thousands) into equity in the Financial Restructuring proposal which is under consideration as confirmed by MOUD letter No.0-17031/7/2002-PS dt. 13.8.02.



- xiii) The Corporation is showing the guarantee fee including penal levy in contingent liability. Simultaneously, request was made to Govt. of India, MOUD to convert the interest into equity in the Financial Restructuring Proposal. The proposal is under consideration as confirmed vide MOUD letter No.0-17031/7/2002-PS dt. 13.8.02.
  - xiv) The provision of stamp duty for land at Ghitorni is not required to be made because the lease deed is yet to be finalised by the Govt. The land at Raniganj does not pertain to NBCC hence payment of stamp duty is not required.
  - xv) The payment of ex-gratia to the employees who obtained VRS has been charged to Profit & Loss Account for the year 2003-04.
  - xvi) The sale of Real Estate to a party for Rs.4,29,88 thousands has been shown correctly as per the existing accounting policy of the Corporation. Moreover, the buyer has deposited the total sale proceeds and has taken over the possession of the building and the Corporation has transferred all risk and reward of the property to the buyer.
  - xvii) The VWD of Rs.2,36,78 thousands do not represent the cost incurred in the year in connection with future activity on contracts as stated by Statutory Auditors, the expenditure booked is as per contract agreement where the supply of Tailored made item has been made.
  - xviii) The value of work done is not overstated by Rs.45,17 thousands as the same is recoverable from clients and accepted by clients in this year. The expenditure on this account was booked in the previous years. The revenue was not recognised during the year of expenditure because the clients approval received during the year 2003-04 only.
  - xix) The balance lying with Canara Bank and Syndicate Bank, London are translated as per the practice being followed consistently by the Corporation.
- 4.(a) No comments.  
(b) No comments.  
(c) No comments.  
(d) i) Noted
- ii) **AS-7- Para 3(b)(viii)**  
In view of the explanation given for sub-para 3(b)(viii), the provision is not necessary.
- AS-7- Para 3(b)(ix)**  
In view of the explanation given for the sub-para 3(b)(ix), the provision is not considered necessary.
- AS-7-3(b)(xvii)**  
As per the explanation given for the sub-para 3(b)(xvii) the provision is not created.



**AS-7-3(xviii)**

The Value of Work Done has been considered as per the term of the contract agreement. The related expenditure to the VWD was booked in the previous years but the revenue was recognised only when the clients accepted the work done, hence no violation.

iii) **AS-9-3(b)(xvi)**

The provisions are as per Acturial Valuation and impact is not ascertainable.

iv) **AS-11-3(a)(v) - No comments.**

**AS -11-3(b)(xix)**

The balance lying with Canara Bank and Syndicate Bank, London are translated as per the practice being followed by the Corporation.

(e) Considering the disclosures made in the accounts and the explanations given above, the net profit and net assets as stated in the accounts of the Company are correctly shown in conformity with the generally accepted Accounting, Principles and Accounting Standards. Further the Management is of the opinion that considering the explanation given to the Statutory Auditors together with the Accounting Policies and Explanatory Notes given in Schedule 21 forming part of the Assets, give the required information and therefore the Balance Sheet considered at 31.3.04 gives a true and fair view of the state of affairs of the company and Profit and Loss Account gives the true and fair view of the profit of the company for the year ended on that date.

i) No comments.

ii) No comments.

iii) No comments.

5. No comments.

Sd/-  
(ARUP ROY CHOUDHURY)  
Chairman-cum-Managing Director



**REPLIES TO THE OBSERVATIONS OF STATUTORY AUDITORS  
CONTAINED IN ANNEXURE TO THE REPORT**

- i) a) No comments.  
b) Physical verification report of fixed assets for the year 2003-04 are in the process of reconciliation with the books of accounts. However, financial impact of annual Physical Verification has been carried out in the books of accounts.  
c) No comments.
- ii) a) The material lying at Ghitorni, Delhi is duly reconciled and physical verification was conducted by the respective units to whom this material pertain.  
b) No comments.  
c) No comments.
- iii) No comments.
- iv) No comments.
- v) The register required to be maintained under Section 301 of the Act is duly maintained and certificate thereof was also given to Auditors.
- vi) No comments.
- vii) The Internal Audit is functioning independently under a Dy.General Manager(Finance) who is directly reporting to the Director(Fin) of the Corporation. The staff deployed in the Internal Audit Cell is sufficient to cater the requirement of audit, the follow up of reports is also very prompt. In view of this the opinion given by the Statutory Auditor is not commensurate with the actual status.
- viii) No comments.
- ix) a) The comment is not commensurating with the actual status because the statutory dues like Provident Fund. Sales Tax and Income Tax deducted at source are deposited regularly by the Company with the appropriate authorities.  
b) NBCC has filed an appeal against the demand raised by the Assessing Officer and the matter is subjudice.
- x) No comments.
- xi) No comments.
- xii) No comments.
- xiii) No comments.
- xiv) No comments.
- xv) No comments.
- xvi) No comments.
- xvii) No comments.
- xviii) No comments.
- xix) No comments.
- xx) No comments.
- xxi) No comments.

Sd/-  
(ARUP ROY CHOUDHURY)  
Chairman-cum-Managing Director