



**REPLIES TO THE COMMENTS CONTAINED IN STATUTORY AUDITORS REPORT TO THE SHAREHOLDERS ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH,2005.**

1. No Comments.
2. a) No Comments.  
b) No Comments.  
c) No Comments.  
d) i) No Comments.  
ii) In construction industry it is an universal fact that a considerable amount is spent at the initial stages to mobilise the work, such as construction of 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. Whereas these expenses are very nominal at the later stages and the project ultimately ends up with profit. Hence provision is not considered necessary.
- e) No Comments.
3. a) i) The accounts of overseas projects are compiled in Corporate Office based on the statements and documents received from the respective projects which have been examined by the Statutory Auditors at the time of conducting audit.  
ii) The affect of reconciliation and final settlement of accounts with various clients, PRWs, Suppliers and others is not ascertainable, hence the affect on Balance Sheet and Profit & Loss Account could be given.  
iii) The outstanding debts shown as good for recovery for Rs.36,44,00 thousands in respect of closed Inland Projects pertains to the Govt. Deptts/PSUs/State Govt. and are good for recovery. The recovery of the outstanding dues is under negotiation/ follow up.  
iv) No Comments.



- v) The debtors of Rs.70,01,44 thousand in respect of Iraqi projects have been considered good and are in the process of realisation. The Govt. of Iraq has appointed E&Y Debt Reconciliation Agent, Jordan to whom all the required details of outstanding debts have been sent and they have confirmed the receipt of the same vide their e.mail dt. 22.08.2005. Since all the dues are based on actuals, hence have been considered good.
- vi) The outstanding dues including security deposit of Libyan projects could not be realised due to imposition of UN sanctions on Libya. Now the sanctions have been lifted and the Corporation is in the process to realise the outstanding dues through diplomatic channels, since the debtors are based on actuals hence are good for recovery.
- vii) No Comments.
- viii) The non-cumulative redeemable preference shares are redeemable in 10 years upto 31.03.2007 and do not contain the conditions for redemption on yearly basis.
- ix) As per terms of the Joint Venture, the equity participation of NBCC is to be made out of the profit earned by the Joint Venture. Since the Govt. of India approved the Joint Venture with this condition the participation of equity could not be made.
- x) 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.
- xi) Unascertainable hence no comments.
- xii) Govt. of India, Ministry of Urban Development vide their memorandum No.0-17031/22/80-PS dated 14.03.95 had confirmed the grant of Rs.26.00 crore to enable NBCC to repay the OIDB loan and interest thereon. Out of Rs.26.00 crore, Rs.13.00 crore was released and for balance of Rs.13.00 crore, Govt. of India, Ministry of Urban Development has confirmed vide their letter No.0- 17031/22/80-PS dated 13.07.2005 that the case regarding settlement of interest due on the OIDB Loan is under consideration of the Govt. However OIDB had gone to COD for release of their payment and the COD heard the case on 22.07.2005 and has given the verdict that the MOUD may arrange to make the payment of Rs.13 crore to NBCC by making provision in the Supplementary Budget. Hence the case stands settled as per the books of account.



- xiii) The amount lying with Rasheed Bank, Iraq is as per the last balance confirmed by the bank and is good for recovery. The Govt. of Iraq has also appointed E&Y Debt Reconciliation Agent for early settlement.
- xiv) No Comments.
- xv) Since the liability is not ascertainable as there is dispute on rates and time of applicability of Bank Guarantee commission. This has been shown in contingent liability.
- xvi) The arbitration award in favour of NBCC has since been obtained. However, the award could not be implemented against AAI because the 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 persuasion with Libyan Authority through diplomatic channels. This issue was discussed in Nov, 2004 when Indo-Libyan delegation met at Tripoli and in line of the same one Senior Official of NBCC has been deputed to Libya to settle the issue.
- xvii) Advances given by the Corporation to the contractors for Libyan/Iraqi/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 are settled.
  - i) The Arbitration award is accounted for after Rule of Court as per Notes on Accounts Schedule-22 and in these cases Rule of Court is awaited.
  - ii) In construction industry it is an universal fact that a considerable amount is spent at the initial stages to mobilise the work 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 up with profit. Hence provision is not considered necessary.
    - i) No Comments.
    - ii) No Comments.
    - iii) 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 2004-2005 is 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) No Comments.
- (b) No Comments.
- (c) No Comments.
- (d) No Comments.
- (iii) No Comments.
- (iv) No Comments.
- (v) No Comments.
- (vi) No Comments.
- (vii) No Comments.
- (viii) No Comments.
- (ix) (a) The statutory dues 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) The issue has been settled and due amount has been paid in August,2005.



Govt. of India has been requested to convert the interest on GOI loan Rs.67,13,57 into equity through financial restructuring.

As directed by COD the MOUD is making provision in their Supplementary Budget being a grant.

- (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