

INDIAN RAILWAYS



SECTOR OVERVIEW

India has the fourth largest rail freight carrier in the world and has the largest passenger carrier. Indian Railways (IR) aims to be the engine for Indian's economic growth and development by being safe, financially viable, environment-friendly and caring for its customers and employees. Indian Railways network spans more than 66030 kilometers, making it the world's third largest rail network with 1.3 million strong work force in IR. Indian Railways carried around 8224.12 million passengers in 2014-15 which is about 1.430 million higher than the passengers of the world put together.

REASONS TO INVEST

1. 100% Foreign Direct Investment (FDI) in the railway infrastructure segment has been allowed recently which has opened up opportunities for participation in infrastructure projects such as high-speed railways, railway lines to and from coal mines and ports, projects relating to electrification, high-speed tracks and suburban corridors.
2. Indian Railways envisages a prospective investment of USD 130.76 billion in the next five years.

3. The sector aims to boost passenger amenities by involving Public Private Partnership (PPP) investments in provision of foot-over bridges, escalators and lifts at all major stations.
4. Last-mile connectivity to boost business activity in and around ports and mines has been proposed through the formation of special purpose vehicle (SPV) companies under the PPP model.
5. Indian Railways aims to involve private equity through individuals, NGOs, trusts, charitable institutions, corporates, etc. to provide passenger amenities such as battery-operated carts to facilitate movement for senior citizens and differently abled, at stations.
6. To strengthen rail connectivity with various ports, Indian Railways has floated SPVs under the PPP mode. Pipavav Rail Corporation Ltd., Bharuch-Dahej Railway Company Ltd., Kutch Railway Company Ltd., Hassan-Mangalore Rail Development Company, Obullavaripalle-Krishnapatnam Railway Company Ltd., and Anugul-Sukinda Railway Company Ltd., have been established.
7. Three rail connectivity projects namely Gevra Road-Pendra Road new line, Raigarh-Bhupdeopur new line and Jaigarh Port connectivity projects are being implemented through the joint venture route.
8. Eastern Dedicated Freight Corridor of 1840 km length and Western Dedicated Freight Corridor of 1504 km length is under construction as well as many projects are under planning stage.
9. Wifi provided in 100 stations, to be provided in 400 stations more.

STATISTICS

- Increasing urbanization coupled with rising incomes (both urban and rural) is driving growth in the passenger segment. Growing industrialization across the country has increased freight traffic over the last decade.
- Both passenger and freight traffic volumes have increased steadily in the past five years. While passenger traffic witnessed a Compound Annual Growth Rate (CAGR) of 2.6% during 2010-2015, freight traffic has registered a marginally lower CAGR of 4.3% during the same period.
- The sector runs 22,300 train carrying over 23 million passengers daily and connecting more than 7137 stations. Indian Railways runs more than 9202 freight trains, carrying about 3 million tonnes of freight every day.
- The sector total track length is 117996 Km. It also comprises 68,558 coaches, more than 2,54,006 wagons and 1.3 million employees.

GROWTH IN THE INDIAN RAILWAYS SECTOR

1. The long-term strategic plan of the Ministry of Railways is to construct six high-capacity, high-speed dedicated freight corridors along the Golden Quadrilateral and its diagonals.
2. The sector has taken up port connectivity on priority, through the PPP mode of funding in tandem with the Sagar Mala Project of Port Development. Railways will facilitate connectivity to new and upcoming ports through private participation. So far, in principle, approval has been granted for building rail connectivity to the ports of Jaigarh, Dighi, Rewas, Hazira, Tuna, Dholera, Astranga, Chara and Nargol under the Participative Model Policy of the Indian Railways, amounting to USD 615.38 Million.
3. A Diamond Quadrilateral network of high-speed rail, connecting major metros and growth centres of the country.
4. Private investment in railway logistics is to be encouraged. Indian Railways proposes to modernize its logistics operations by setting up logistic parks that provide for warehousing, packaging, labelling, distribution, door-to-door delivery and consignment tracking in order to achieve better efficiency; mechanization of loading and unloading will be given top priority.
5. A scheme for private participation in parcel movement will be launched shortly whereby procurement of parcel vans or parcel rakes by private parties will be facilitated.
6. To develop a network of freight terminals, the Policy of Private Freight Terminals on the PPP model is being further refined.
7. A proposal is in place to harness solar energy by utilising rooftop spaces of railway stations, other railway buildings and land, through the PPP mode.
8. During the period of 2012-17, Mass Rapid Transit Systems (MRTS) projects are being planned in Ahmedabad, Bengaluru, Hyderabad, Chandigarh, Chennai, Delhi, Jaipur, Kochi, Kolkata, Mumbai, Patna, Pune, Lucknow and Surat through the PPP model.
9. The share of private investment in MRTS projects is expected to increase from 13% during 2007-12 to 42% during 2012-17.
10. Rail tourism is on the anvil, with emphasis on the introduction of eco-tourism and education tourism in the North-eastern States, the identification of special pilgrim circuits such as the Devi Circuit, the Jyotirling Circuit, the Jain Circuit, the Christian Circuit, the Sufi Circuit, the Sikh Circuit, the Buddhist Circuit and the Temple Circuit. Specially packaged trains for these circuits have been proposed and private participation will be encouraged.

FDI POLICY

- 100% FDI under automatic route is permitted for the following:
- Construction, operation and maintenance of suburban corridor projects through PPP.
- High speed train projects.

- Dedicated freight corridors.
- Railway electrification.
- Signaling systems.
- Freight terminals.
- Passenger terminals.
- Infrastructure in industrial parks pertaining to railway line/siding including electrified railways lines and connectivity to main railway line.
- Mass Rapid Transport Systems (MRTS).

SECTOR POLICY

Policy on Participative Models for Rail Connectivity and Capacity Augmentation Projects

Indian Railways are operating in the core sector of the economy. To strengthen, modernise and expand the railway network, the investment requirement is huge. Private sector participation would be required for accelerated construction of fixed rail infrastructure. For this purpose, railways has formulated participative investment models for its existing shelf of projects and also for new projects. These models have only general provisions while the specific issues are decided on a case-to-case basis depending on the model of private investment, Ministry of Railways will either grant direct permission or go in for competitive bidding for award of concession. Under this Policy, the following can participate in the development of railway infrastructure:

- State Governments
- Local bodies
- Beneficiary industries
- Ports
- Large import and export companies
- Co-operative Societies and other body corporate
- Infrastructure and Logistics providers
- Person of Indian Origin (PIO)
- Overseas Corporate Bodies (OCB) (After foreign investment promotion board clearance)
- Foreign Direct Investor (After foreign investment promotion board clearance)

Key points in the Rail budget 2017- 2019

Technological solutions to improve safety and reduce accidents. The guidelines will encourage foreign investors for making investment under 'Make in India' programme. The Ministry of Railways issued Sectoral Guidelines for permitting domestic/foreign direct investment (FDI) in construction, operation and maintenance in the following identified areas:-



1. INFRASTRUCTURE UPGRADATION:

- Create a 3X bigger Indian Railways that is economically viable: Leverage INR 8,50,000 cr. of capex to expand the railways infrastructure to support the aspirational modal mix in freight volumes.

2. INCREASE THROUGHPUT ON EXISTING NETWORK:

- Reduce the differential in maximum rated capacity of freight wagons
- Propagate 25 Ton, and low tare freight wagons
- Reduce different types of rolling stock on the system
- Increase throughput by 10% by an integrated approach across 2-3 critical corridors.

3. BUILD TERMINAL INFRASTRUCTURE:

- Upgrade operating conditions of goods sheds based on pre-defined infrastructure requirements via PPP arrangements
- Conversion of Existing Goods sheds to Outsourced Goods sheds by Outsourcing Goods shed activities: policy change, retaining ownership, railways as common carrier.
- Expand capacity and scope of terminal services by partnering with existing Government agencies [(e.g., Delhi Mumbai Industrial Corridor Development Corporation Limited (DMICDC), State Governments, National Highway Authority of India (NHAI)] to build multi-commodity, multi-modal freight logistics parks.

4. INNOVATIVE FUND RAISING/ SOURCING/ STRUCTURING:

- Equity participation of Ministry of Railways (limited to maximum 50%) and concerned State Governments to undertake rail infrastructure works

- Project specific subsidiaries (SPVs) with equity participation from Public Sector Undertakings (PSUs), industries etc.
- PSUs to leverage free reserves/ equity for providing funds upfront for undertaking projects
- Proposed to set up Railways of India Development Fund - To tap sovereign wealth funds, insurance and pension funds
- Projects capable of servicing debt to be financed
- Funds to be available for MOR, Rail SPVs, PPPs etc.
- Merge plan heads to facilitate greater flexibility in allocation of capex
- Pool all available resources from budgetary support and internal surplus for financing capex including replacements and renewals
- Continue to source funds from World Bank, Japan International Cooperation Agency (JICA), Asian Development Bank (ADB), Asian Infrastructure Investment Bank (AIIB) etc. as required
- Create a mechanism for pooling and utilizing CSR funds from corporates
- Seek approval and set up a holding company to give Railways access to disinvestment receipts of its PSUs.

5. ACCELERATE INFRASTRUCTURE BUILD-OUT:

- Prioritize and fast-track project development of financially viable as well as socially desirable projects through a central Rail Planning and Investment Organization (RPIO)
- From 7 to 14 km per day through better-quality DPRs (e.g., quality expertise and use of cutting edge technology, such as Light Detection and Ranging), financial empowerment of field executives
- EPC/turnkey contracting and sophisticated project management systems, rigorous monitoring through technology
- Review contract conditions in line with best practices
- Complete electrification of 4000 km of track in the next 3 years
- Set up a strong project review mechanism to ensure completion of Eastern and Western DFCs by 2019
- Complete the planning of the new DFCs and commence execution.

6. DELIVER HIGH-SPEED NETWORK:

- Explore 'new age' technology for high speed operations
- Expedite commencement of construction of high speed railways between Mumbai and Ahmedabad

- Develop semi high speed corridors by raising maximum permissible speed to 150-200 kmph for mail/express by 2019
- Expedite procurement of rolling stock technology with the ability to run at 200 kmph on existing network.

Make Indian Railways the preferred freight carrier in India

Improve modal share to 37% in 10 years through dynamic pricing, key account management, expanding the freight basket and incorporating a customer focused approach. IR has identified 2 sub themes for increasing the freight business through railways

1. Policy intervention:

- Redefine freight pricing model to incorporate route utilization, transit time assurances, type of service offering, market dynamics, etc.
- Develop a road map to digitalize operations across Indian Railways including setting up of SUTRA
- Develop the roll out plan to offer time tabled freight services
- New organizational structure which is more market oriented and possesses rigorous analytical horsepower.

2. New Service Offerings:

- Implement end-to-end integrated transport solution for selected commodities through partnership with national road logistics player.
- Conduct accelerated trials for new service models e.g., Dwarf containers to capture domestic cargo market.
- Develop 3-4 new rolling stock design which would help capture new commodity traffic.

VISION AND MISSION FOR 2017-2019

1. **ZERO FATALITY-** IR will provide safe travel by achieving a 'Near Zero fatality' performance.
2. **INFRASTRUCTURE UPGRADATION AND PREFERRED FREIGHT CARRIER-** IR aspires to add 1.5% to India's GDP by building infrastructure to support 40% modal freight share of India's economy.
3. **LEVERAGING TECHNOLOGY-** IR is committed to leveraging latest technology, employee trainings and infrastructure upgrades on stations and trains to increase customer satisfaction.
4. **PREFERRED FREIGHT CARRIER-** IR will develop integrated business solutions to capture new traffic.

5. SUSTAINABILITY- IR will take a proactive approach to ensure sustainability especially environmental in its pursuits.



FINANCIAL SUPPORT

For manufacturing activity:

State Incentives:

- State Governments offer additional incentives for industrial projects. Incentives are in areas such as rebates in land cost, relaxation in stamp duty on the sale or lease of land, power tariff incentives, concessional rates of interest on loans, investment subsidies/tax incentives, backward areas subsidies and special incentive packages for mega projects.

Export Incentives:

- Various kinds of incentives on exports are available under foreign trade policy.

Area based Incentives:

- Incentives for units in Special Economic Zones (SEZ) / National Investment and Manufacturing Zones (NIMZ) as specified in respective Acts or setting up of projects in special areas such as the North-east, Jammu and Kashmir, Himachal Pradesh and Uttarakhand.

Tax Incentives Research and Development Incentives:

- Industry/private sponsored research programmes: a weighted tax deduction is given under section 35 (2AA) of the Income Tax Act. Weighted deduction of 200% is granted to assess for any sums paid to a national laboratory, university or institute of technology, or specified persons with a specific direction, provided that the said sum would be used for scientific research within a programme approved by the prescribed authority.

- Companies engaged in manufacture, having an in-house R & D centre. Weighted tax deduction of 200% under section 35 (2AB) of the Income Tax Act for both capital and revenue expenditure incurred on scientific research and development. (Expenditure on land and buildings are not eligible for deduction).

INVESTMENT OPPORTUNITIES

- Components manufacturing
- Infrastructure projects
- High speed train projects
- Railway lines to and from coal mines and ports
- Projects relating to electrification, high-speed tracks and suburban corridors
- Dedicated freight corridors
- The re-development of railway stations
- Power generation and energy-saving projects
- Freight terminals operations
- Setting up of wagon, coaches and locomotive units
- Gauge conversion
- Network expansion.

FOREIGN INVESTORS

- EMD (USA)
- Bombardier Transportation (Canada)
- GE (USA)
- Siemens (Germany)
- Alstom (France)
- AGENCIES
- Indian Railways
- Container Corporation of India Ltd.
- Dedicated Freight Corridor Corporation of India
- Rail Vikas Nigam Ltd.
- Railtel Corporation of India Ltd.
- Rail India Technical and Economics Services Ltd.
- IRCON International Ltd.
- Rail Land Development Authority
- Mumbai Railway Vikas Corporation Ltd.

CONTACT PERSONS

Sushila Ram Varma

Chief Legal Consultant

Ph: +91 98111 91142, +91 99492 78548

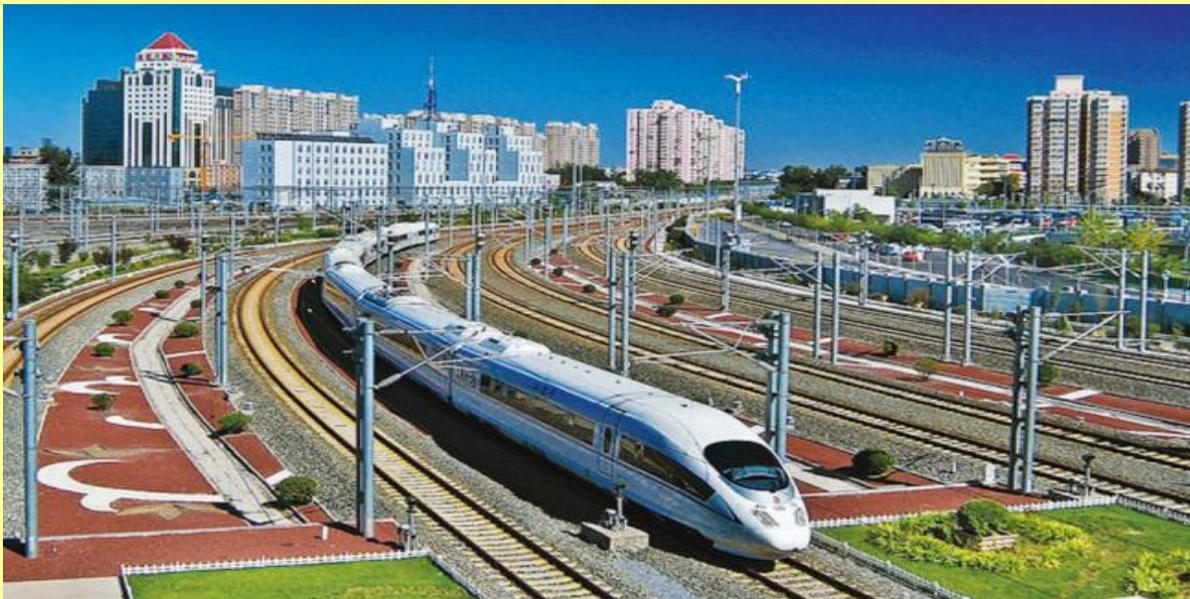
Email - sushilaram@theindianlawyer.in, contact@theindianlawyer.in, sushilaram@gmail.com

Mogli S.V

Chief Business Consultant

Ph: +91 78933 37474

Email – mstv@theindianlawyer.in, mogilisvarma@gmail.com



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