

## INDIAN RAILWAYS



### SECTOR OVERVIEW

Indian Railways is among the world's largest rail network, and its route length network is spread over 1,23,236 kms, with 13,523 passenger trains and 9,146 freight trains, plying 23 Million travellers and 3 Million Tonnes (MT) of freight daily from 7,349 stations. India's railway network is recognised as one of the largest railway systems in the world under single management.

The railway network is also ideal for long-distance travel and movement of bulk commodities, apart from being an energy efficient and economic mode of conveyance and transport. Indian Railways is the preferred carrier of automobiles in the country.

Several advanced countries are looking at Foreign Direct Investment (FDI) in Railways to improve infrastructure for freight and high-speed trains. At present several domestic companies are also looking to invest in Indian Rail projects.

### MARKET SIZE

- ✓ Indian Railways' revenue increased at a Compound Annual Growth Rate (**CAGR**) of 6.20% during FY08-FY19 to US\$ 27.13 Billion in FY19. Earnings from the passenger business grew at a CAGR of 6.43% during FY07-FY19 to reach US\$ 7.55 Billion in FY19P. Freight revenue rose at a CAGR of 4.30% during FY08-FY19 to reach US\$ 18.20 Billion in FY19.
- ✓ Revenue growth has been strong over the years. Indian Railways' gross revenue stood at Rs 183,092.74 Crore (US\$ 26.20 Billion) in FY20 (till February 2020). Freight earnings in FY20 (till February 2020) stood at Rs 119,216.11 Crore (US\$ 17.06 Billion). Passenger earnings for Indian Railways was estimated at 51,077.73 Crore (US\$ 7.31 Billion) in FY20 (till February 2020). Freight remains the major revenue earning segment for Railways, accounting for 65.1% of its total revenue in FY20 (till February 2020), followed by the passenger segment.
- ✓ In October 2020, Indian Railways freight loading stood at 108.16 Million tonnes, compared with 93.75 Million tonnes in the same month last year. The Indian Railways earned Rs. 10,405.12 Crore (US\$ 1.40 Billion) from freight loading in October; this is higher by Rs. 868.90 Crore (US\$ 117.41 Million) or 9% compared with Rs. 9,536.22 Crore (US\$ 1.28 Billion) in the same month last year.

In November 2020, India Railways announced that 40% of dedicated freight corridor (DFC) will be opened for traffic by end-FY21, while the entire 2,800 km route will be completed by June 2022.

- ✓ Passenger traffic was valued at 7.25 Billion and freight traffic at 1,208.34 Million tonnes in FY20.
- ✓ India was among the top 20 exporters of railway equipment, rolling stock and services, parts and components globally as of 2017. This has grown at a CAGR of 31.51% during 2010-2018 to US\$ 507.90 Million and stood at US\$ 635 Million in 2019.



### REASONS TO INVEST

- The Ministry of Railways (MoR) has taken various initiatives such as setting up locomotive factories, network expansion, station re-development and induction of railway wagons in order to attract private investment and participation. It has planned private participation in the operation of passenger trains by introducing around 150 modern rakes.
- Under the 'Make in India' initiative, most of the track maintenance machines supplied during the last five years were manufactured in India by leading global manufactures.
- The Project 'Utkrisht' aims to improve the condition of 66 important identified Mail/Express trains, consisting of 140 rakes. 90 rakes have already been renovated till the year 2018-19. Phase 2 of the project will cover 500 rakes.
- The National High-Speed Rail Corporation Limited (**NHSRCL**) has launched the high-speed train corridor Project between Ahmedabad and Mumbai. The Project, commonly referred to as the 'Bullet Train' Project, is being implemented with technical and financial assistance from Japan and is expected to become operational by 2023.
- The Dedicated Freight Corridor Corporation of India Limited (**DFCCIL**) is an undertaking by the Ministry of Railways to overlook planning, development and mobilisation of financial resources, construction, maintenance and operation of the Dedicated Freight Corridors.
- The 'Green Energy Project' is an initiative to make Indian Railways environment friendly by focussing on renewable sources of energy. Indian Railways has planned to install 1000 MW of solar power plants and about 200 MW of wind plants by 2022-23. Out of this, about 204.82 MW (101.42 MW solar and 103.4MW wind power) renewable power has already been set up. Most of the Solar power plant work will be done in Public Private Partnership Mode. The Indian Railways

has signed an MoU with GAIL (India) Ltd to provide infrastructure and supply of CNG/LNG/PNG for both industrial and domestic purposes. This replacement by Natural Gas is expected to reduce costs by INR 20 Crore per annum for the Indian Railways.

## FDI POLICY

The FDI Policy permits 100% FDI in Railways infrastructure sector. FDI is permitted in the construction, operation and maintenance of the railway transport sector:

1. Suburban Corridor Projects Through PPP Model
2. High-Speed Train Projects
3. Dedicated Freight Lines
4. Rolling Stock Including Train Sets, and Locomotives/Coaches Manufacturing and Maintenance Facilities
5. Railway Electrification
6. Signalling Systems
7. Freight Terminals
8. Passenger Terminals
9. Infrastructure in industrial park pertaining to Railways line/sidings including electrified Railways lines and connectivity to the main railway's line
10. Mass Rapid Transport Systems

The cumulative FDI equity inflow in the Railway related components industry is USD 1,215.23 Million during the period April 2000 to September 2020.



## MEANS OF FINANCIAL SUPPORT<sup>1</sup>

- ✓ The 'Indian Railway Finance Corporation Ltd.' (**IRFC**) is a wholly Government-owned PSU under the administrative control of the Ministry of Railways. It mobilizes market borrowings to finance capital expenditure in the Railways. The Market funds raised by IRFC account for Extra-Budgetary Resources (**EBR**) for Railway Plan and are invested in rolling stock and projects leased by IRFC to the Ministry of Railways.
- ✓ The Extra-Budgetary Resources (Institutional Finance) or EBR-IF was introduced from FY 2015-16. EBR-IF funds are long term funds which are deployed to finance projects which enhance the

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<sup>1</sup> Indian Railways Annual Report & Accounts 2018-19,  
[http://www.indianRailways.gov.in/railwayboard/uploads/directorate/stat\\_econ/Year\\_Book/Indian%20Railways%20Annual%20Report%20%26%20Accounts%20English%202018-19.pdf](http://www.indianRailways.gov.in/railwayboard/uploads/directorate/stat_econ/Year_Book/Indian%20Railways%20Annual%20Report%20%26%20Accounts%20English%202018-19.pdf)

throughput of Railways such as electrification projects. A cumulative total of INR 64,794 Crore EBR-IF funds were made available by IRFC to Railways till the end of 2018-19.

- ✓ The revenue of the Indian Railways is also generated through the disposal of scrap, which was INR 4,192.07 Crore during 2018-19.



## INVESTMENTS/ DEVELOPMENTS

Foreign Direct Investment (FDI) Inflow in railway-related components stood at US\$ 1.12 Billion from April 2000 to June 2020.

Following are some of the major investments and developments in India's Railways Sector:

- ✓ In November 2020, Indian Railway launched a completely digitised online Human Resource Management System (**HRMS**), a high thrust project for Indian Railways to leverage improved productivity and employee satisfaction.
- ✓ In October 2020, Western Railways division completed its first consignment journey from Mumbai to New Delhi. The division signed a deal with the logistics partner of Amazon India for speedy transportation of parcels in Rajdhani Express. The deal stipulates consignment deliveries for 113 days from October 2020 to February 2021 with an estimated goods transportation of 2,712 tonnes; this will help generate a revenue of Rs. 2 Crore (US\$ 269.93 thousand).
- ✓ The Indian Railways completed eight major capacity enhancement projects by taking advantage of the Coronavirus Lockdown. These projects include three super critical Projects with a combined length of 68km, three critical Projects with a combined length of 45km, up gradation of the entire 389km railway line from Jhajha in Bihar to Pandit Deen Dayal Upadhyaya Junction in Uttar Pradesh and a new 82km port connectivity line to Paradip.
- ✓ In September 2020, the Indian Railways announced the 'Clone Train Scheme', wherein it planned to run a clone train with the train of the same number, to help and provide relief to the waitlisted passengers over heavy passenger traffic routes.
- ✓ As a part of the Railways' plans to upgrade its network, the Ministry announced that all non-AC sleeper coaches will be replaced by AC coaches for trains running >130 kmph. This move

has been taken as a technical necessity for high-speed trains with the bonus of improving passenger experience.

- ✓ In November 2019, pilot project was launched to study the feasibility of using Railways' parcel service for e-tail players.
- ✓ In November 2019, Indian Railways entered into Procurement cum Maintenance Agreement with Madhepura Electric Locomotive Pvt. Ltd. (**MELPL**), a joint venture of Indian Railways and France-based Alstom to manufacture 800 electric locomotives for freight service and its associated maintenance.
- ✓ In October 2019, Indian Railway launched One Touch ATVM for fast ticketing at 42 Suburban Stations of Central Railway.
- ✓ Khurja-Bhadan section of eastern corridor in Uttar Pradesh to be formally opened for traffic on October 2, 2019.
- ✓ In July 2019, longest electrified tunnel built between Cherlopalli and Rapuru stations.



## GOVERNMENT INITIATIVES

Few recent initiatives taken up by the Government are:

- ❖ In November 2020, the National Rail and Transportation Institute (**NRTI**), Vadodara, launched 7 new programmes, 2 B.Tech UG programmes, 2 MBA and 3 MSc programmes on the core applied sector. These programmes are aimed at creating the best skills sets in railway infrastructure management, systems & communication engineering and transportation cum supply chain management.
- ❖ As of October 2020, the Railway Ministry issued a policy to develop goods shed facilities at small/roadside railway stations aimed at augmenting terminal capacity through the participation of the private sector. Private parties are allowed to develop a goods wharf, utilities for labourers (resting space, drinking water, etc.), approach roads, loading and unloading docks, and other related infrastructure.
- ❖ On September 22, 2020, Indian Railways sanctioned a feasibility study for seven bullet train projects - all open to PPP investments.

- ❖ In July 2020, The Ministry of Railways decided to create a special cell, Project Development Cell (PDC), in the railway board to increase investments and inflow of foreign direct investment (FDI).
- ❖ As on June 02, 2020, a total of 4,155 Shramik Special trains were operationalized from various states across the country and more than 57 lakh passengers have already reached their home state.
- ❖ In February 2019, Indian Railways decided to launch food packets with QR codes and give live kitchen feed.
- ❖ The speed is being raised to 160 kmph on Delhi-Mumbai and Delhi-Howrah routes by 2022-23. The passenger trains have got approval to raise 60% increase in average speed.
- ❖ Dedicated Freight Corridor Corp. of India Ltd (DFCCIL) is already building the first two freight corridors - Eastern Freight Corridor from Ludhiana to Dankuni (1,856 kms) and Western Freight Corridor from Dadri to Jawaharlal Nehru Port (1,504 kms) - at a total cost of Rs 81,000 Crore (US\$ 11.59 Billion).
- ❖ The Government is going to come up with a 'National Rail Plan' to enable the country to integrate its rail network with other modes of transport and develop a multi-modal transportation network.
- ❖ A 'New Online Vendor Registration System' has been launched by Research Designs & Standards Organisation (RDSO), the research arm of Indian Railways, to have digital and transparent systems and procedures.



### **RECENT DEVELOPMENTS**

1. INDIAN Railways (IR) has awarded a Rupees 21.1bn (\$US 289m) contract to the Hyderabad-based Medha Servo Drives to design, manufacture and supply propulsion systems and other electrical components for 44 16-car EMUs.
2. India and Bangladesh have restored the Haldibari – Chilahati rail link. The link was formerly part of the Kolkata–Siliguri-Bangladesh route.

### **FOREIGN INVESTORS**

- ✓ Alstom Transport Holdings B.V. (Netherlands)
- ✓ Bombardier (Singapore)
- ✓ Ansaldo STS (Australia)
- ✓ GE Capital International (Mauritius)
- ✓ Inversiones EN Concesiones (Spain)

## AGENCIES

- Central Road Research Institute
- Ministry of Roads Transport and Highways
- National Highway and Infrastructure Development Corporation
- National Highway Authority of India



## HIGHLIGHTS OF UNION BUDGET 2021-22

The Union Budget of 2021-22 has given the Indian Railways considerable importance. The Budget has allocated Rs. 1,10,055 Crores, for Railways, out of which Rs. 1,07,100 Crores is for capital expenditure. The Budget has proposed the following initiatives in the Railways Sector including Metros:

- a) The Sonnagar – Gomoh Section (263.7 km) of Eastern DFC will be taken up in PPP mode in 2021-22. Gomoh-Dankuni section of 274.3 km will also be taken up in short succession.
- b) Future dedicated freight corridor projects would be undertaken namely, East Coast corridor from Kharagpur to Vijayawada, East-West Corridor from Bhusaval to Kharagpur to Dankuni and North-South corridor from Itarsi to Vijayawada.
- c) Broad Gauge Route Kilometers (RKM) electrified is expected to reach 46,000 RKM i.e., 72% by end of 2021 from 41,548 RKM. 100% electrification of Broad-Gauge routes will be completed by December, 2023.
- d) To further strengthen this effort, high density network and highly utilized network routes of Indian Railways will be provided with an indigenously developed automatic train protection system that eliminates train collision due to human error
- e) A total of 702 km of conventional metro is operational and another 1,016 km of metro and RRTS would be under construction in 27 cities.
- f) Two new technologies i.e., ‘MetroLite’ and ‘MetroNeo’ will be deployed to provide metro rail systems at much lesser cost with same experience, convenience and safety in Tier-2 cities and peripheral areas of Tier-1 cities.
- g) Central counterpart funding will be provided to:

- i. Kochi Metro Railway Phase-II of 11.5 km at a cost of Rs. 1957.05 Crores.
- ii. Chennai Metro Railway Phase-II of 118.9 km at a cost of Rs. 63,246 Crores.
- iii. Bengaluru Metro Railway Project Phase 2A and 2B of 58.19 km at a cost of Rs. 14,788 Crores.
- iv. Nagpur Metro Rail Project Phase-II and Nashik Metro at a cost of Rs. 5,976 Crores and Rs. 2,092 Crores respectively.



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