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## EXECUTIVE SUMMARY

### World’s 3rd largest rail network
- Indian Railways has 12,617 passenger trains carrying over 23 million passengers daily.
- On the commercial front, freight traffic of Indian Railways increased to 1,159.57 million tonnes in FY18. Freight traffic during Apr-Jul 2018 increased 5.89 per cent year-on-year to 396.86 million tonnes.

### Growing public-private partnership
- Private sector companies are being encouraged to participate in rail projects, which were largely in the public domain. The Cabinet approved ‘participative models for rail-connectivity and capacity augmented projects’, which allows private ownership of some railway lines.
- Launch of Foreign Rail Technology Cooperation Scheme along with revamping of PPP for better results.
- Setting up of JVs with major public sector customers for fulfilling the requirements of new lines.

### Growth initiatives
- India to build its first railway station inside tunnel at a height of 3,000 meters and length of 27 km on Bilaspur-Manali-Leh line in Himachal Pradesh.
- Indian Railways is planning to invest Rs 1,000 crore (US$ 155.16 million) for setting up 11 new units to double the capacity of its bottled water brand.
- Indian Railways is targeting to triple freight traffic from current 1.1 billion tonnes* in 2017 to 3.3 billion tonnes by 2030.
- Indian Railways has planned completion of electrification in next 4-5 years, which will lead to energy savings worth Rs 10,000 crore (US$ 1.55 billion).

### Modernisation/Technology upgradation
- India Railways as undertaken modernisation of railway stations under the Adarsh station scheme. Out of the total 1,253 railway stations identified under the scheme, over 1,050 railway stations have already been modernised.
- Various technologies such as electronic interlocking at all interlocked Broad Gauge stations, Automatic Train Protection(ATP) system have been introduced by Indian Railways.
- All electric locomotives have been provided with Vigilance Control Devices(VCD) which helps in checking the alertness of Loco Pilots(LP)s.
- The government has decided to manufacture only Linke Hoffman Busche (LHB) type coaches from 2018-19 onwards.

**Note:** *Approximate

**Source:** Make in India, Indian Railways, News Articles

For updated information, please visit www.ibef.org
Increasing urbanisation and rising incomes (both urban and rural) are driving growth in the passenger segment.

Growing industrialisation across the country has increased freight traffic over the last decade.

The government has been investing heavily to upgrade railway infrastructure.

FDI Inflows in railway related components from April 2000 to June 2018 stood at US$ 920.21 million.

Railway infrastructure investments are expected to increase from US$ 58.96 billion in 2013-17RE to US$ 124.13 billion in 2018-22E.^

Freight traffic is set to increase significantly due to rising investments and private sector participation.

Metro rail projects are being envisaged across many cities over the next ten years.

The government has increased the scope of PPP beyond providing maintenance and other such supporting roles. PPP is being utilised in areas such as redevelopment of stations, building private freight terminals and private container train operations.

Government has allowed 100 per cent FDI in the railway sector.

Note: FDI - Foreign Direct Investment, ^As per CRISIL Infrastructure Yearbook 2017, RE – Revised Estimates, E - Estimate
Source: Railway Budget 2014-15, Press Information Bureau, Department of Industrial Policy and Promotion; Aranca Research
MARKET OVERVIEW
Indian Railways (IR) is:
- A departmental undertaking of the Government of India (GOI), which owns and operates most of India’s rail transport
- Overseen by the Ministry of Railways

As of 2016-17, IR has a total route network of about 67,368 kms.
- It operates more than 22,300 trains daily
- It has 0.278 million wagons, 69,322 coaches and 11,461 locomotives

- Over 23 million passengers travel by trains daily in India. The passenger traffic stood at 8,286.95 million in FY18 and is expected to increase to 15.18 billion by FY20
- Around 1,159.57 million tonnes of freight was transported via trains in FY18 and 2,165 million tonnes is expected in FY20
- These include a huge variety of goods such as mineral ores, iron, steel, fertilisers, petrochemicals and agricultural produce

Source: Ministry of Railways, Make In India, Railway Budget FY16-17, Indian Railways Statistical Publications 2016-17, Aranca Research
Revenue growth has been strong over the years. Indian Railways’ revenues increased at a CAGR of 6.20 per cent to US$ 27.71 billion during FY07-FY18. Revenue grew 4.93 per cent year-on-year to Rs 114,595.43 crore (US$ 15.88 billion) during Apr-Nov 2018 (P).

Revenues from the sector are estimated to reach to US$ 44.5 billion by the end of FY20.

Indian Railways has undertaken various measures to boost revenues including:

- **Passenger Earnings** - introduction of new trains, operation of special trains during peak seasons, running premium special trains with dynamic pricing
- **Freight Earnings** – reduction in distance of mini rakes, withdrawal of port congestion charge, rationalisation of Merry-go-Round policy
- **Parcel Earnings** – leasing parcel space to private parties, liberalisation of parcel policy
- **Other Earnings** – adoption of bulk advertising rights, vinyl wrapping of trains, right of way charges

Note: CAGR – Compound Annual Growth Rate, E – Estimates, P-Provisional, FY – Indian Financial Year (April–March), Exchange Rates are averages of the year, ^CAGR is up to FY18, *up to November 2018

Source: Ministry of Railways, Aranca Research
Revenues from the passenger segment of Indian Railways have increased at a CAGR of 6.43 per cent to US$ 7.55 billion in FY18 from US$ 3.80 billion in FY07. Passenger earnings of Indian Railways rose 4.73 per cent year-on-year to Rs 339 billion (US$ 4.70 billion) during Apr-Nov 2018 (P).

Freight earnings of Indian Railways have grown at a CAGR of 6.36 per cent to US$ 18.16 billion in FY18 from US$ 9.21 billion in FY07.

Increasing carrying capacity, cost effectiveness, improving quality of service will support the increment in the share of Railway in the freight movement from 35 per cent to 50 per cent by 2020

With eight metro rail networks spread over a length of 370 kilometres (km) and over two dozen metro projects lined up, India’s metro rail network is expanding at a fast pace. The Government of India has allocated US$ 2.21 billion for metro projects in Budget 2018-19.

Notes: CAGR – Compound Annual Growth Rate, FY – Indian Financial Year, Exchange Rates are averages of the year, ^CAGR is up to FY18, P – Provisional, FY19* - up to November 2018

Source: Ministry of Railways, Aranca Research
FREIGHT ACCOUNTS FOR MORE THAN TWO-THIRDS OF RAILWAY’S REVENUES

- Freight business for Indian Railway is supported by 9 commodities: coal, iron, steel, iron ore, food grains, fertilizers, petroleum products etc.
- Freight remains the major revenue earning segment for the Railways, accounting for 65.48 per cent of total revenues in FY19*, followed by the passenger segment.
- Profits from the freight segment are used to cross-subsidise the passenger segment.
- The first phase of Dedicated Freight Corridors project is expected to commence operations by November 2018. Initially, two stretches of 432 km and 343 km will become operational on the western and eastern corridor, respectively.

![Revenue break-up by segment (FY19*)](image)

*Note: Other Coaching includes service coaches such as pantry cars, parcel vans, mail vans, etc. * - Up to November 2018

Source: Railway Budget 2015-16, Railway Budget 2016-17 Ministry of Railways, Aranca Research
Train travel remains the preferred means of long-distance travel for majority of Indians.

Increase in the demand for passenger trains is supported by urbanisation, improving income standards, etc.

During FY18, passenger traffic in the country increased to 8.29 billion and is further expected to advance to 15.20 billion by FY20. Passenger traffic grew by 1.89 per cent year-on-year to 5.65 billion during Apr-Nov 2018 (P).

In May 2018, IRCTC introduced Alternate Train Accommodation Scheme (ATAS) which aims to provide confirmed berths in alternate trains to waitlisted passengers. The scheme is expected to improve the experience of passengers of Indian Railways.

Note: CAGR – Compound Annual Growth Rate, E – Estimate, FY – Indian Financial Year (April-March), P – Provisional, *up to November 2018, ^CAGR is up to FY18
Source: Make In India, Ministry of Railways, Aranca Research
The government is investing heavily in building rail infrastructure in the country.

With increasing participation expected from private players, both domestic and foreign, due to favourable policy measures, freight traffic is expected to grow rapidly over the medium to long term.

Freight traffic carried by Indian Railways increased from 744.56 million tonnes in FY07 to 1,159.57 million tonnes in FY18. Freight traffic increased by 5.91 per cent year-on-year to 790.42 million tonnes during Apr-Nov 2018 (P).

Indian Railway estimates originating loading for freight business segment would increase to 2,165 MT by FY20.
India was among the top 20 exporters of railways globally, as of 2017.

India’s exports of railways have grown at a CAGR of 27.05 per cent during 2010-2017 to US$ 303.29 million. Exports of railways in 2018* stood at US$ 364.25 million.

The major exporting destinations in 2017 were Australia (US$ 167.84 million), Myanmar (US$ 22.27 million) and Bangladesh (US$ 17.62 million).

As of November 2018, Indian Railways is planning to come out with a new export policy for railways.

Note: CAGR – Compound Annual Growth Rate, *Provisional data for Jan-September 2018, ^Exports of Railway, Tramway Locomotives, Rolling Stock, Equipment, Data is the latest available
Source: UN Comtrade, News Articles
# KEY PLAYERS SUPPORTING INDIAN RAILWAYS

## Key organisations supporting Indian Railways

<table>
<thead>
<tr>
<th>Company</th>
<th>Business description</th>
</tr>
</thead>
</table>
| ![CONCOR](image) | - Navratna PSU under India’s Ministry of Railways  
                 - Carrier, terminal operator and warehouse operator                                                                                           |
| ![DFCC](image)  | - SPV set up under the Ministry of Railways  
                 - Undertakes planning and development; mobilisation of financial resources; construction, maintenance and operation of the Dedicated Freight Corridor (DFC) |
| ![RailTel](image) | - SPV created by the Government of India  
                    - Builds engineering works required by Indian Railways                                                                                     |
| ![RailTel](image) | - Mini Ratna PSU with one of the largest neutral telecom infrastructure providers in the country  
                    - Strives to modernise train control operation and safety system of Indian Railways                                                          |

**Notes:** PSU – Public Sector Undertaking, DFC – Dedicated Freight Corridor, SPV – Special Purpose Vehicle  
**Source:** Relevant Company Annual Reports and websites, Aranca Research
RECENT TRENDS AND STRATEGIES
### Demand for urban transport
- There is a rapid increase in demand for urban mass transportation systems in the country. Several metro rail projects are in progress to improve connectivity within cities.
- The central government inaugurated the Pune Metro Rail project on December 24, 2016. The metro line would have 30 stations and the 1st phase would cover a distance of 31.25 km. The project is estimated to be completed by 2021 at a cost of US$ 1.67 billion. In December 2018, the Prime Minister of India laid the foundation stone for the third phase of the Pune metro.

### M-ticketing and E-ticketing
- As of July 2018, Indian Railways has decided to start accepting soft copies of documents placed in DigiLocker of customers.
- In May 2018, IRCTC introduced its mobile android app which can be utilised by IRCTC e-wallet users to book e-rail tickets.

### International Investment
- IR has attracted increasing foreign investments through strategic alliances with various countries over the last few years.
- In December 2018, France-based Alstom announced plans to augment its coach production capacity at its facility in Sri City from 20 cars per month to 24 cars per month. Also, it will set up a new production line to increase capacity to 44 cars per month by the end of 2019.

### Travel Insurance Scheme
- Railways has rolled out its insurance scheme for passengers, under which they can buy a premium of 1.52 cents while booking a ticket to get an insurance cover of up to US$ 1.5 thousand.

### Semi high-speed trains projects
- IR intends to look for cost effective options to increase speed to 160–200 km per hour on existing routes such as Delhi–Chandigarh and Delhi–Agra.
- Companies from France, China and Russian have joined hands with Indian Railways to bring 3 semi-high speed rail corridor projects on track.

**Notes:** km/h – kilometre per hour

**Source:** Ministry of Railways, Railway Budget 2015–16, Railway Budget 2016–17, Aranca Research
## Bullet Trains

- Studies are being commissioned for other high speed routes in the diamond quadrilateral.
- India is keen on manufacturing and exporting bullet train coaches to possibly bring down the operating cost of Shinkansen trains.
- Average speed of faster trains will increase from the existing 110 and 130 kmph to 160 and 200 kmph respectively.
- The estimated value of the project is US$ 14.52 billion, which will reduce the duration of the journey by 2 hours. Construction of the corridor is expected to complete by 2023.
- In Union Budget 2018-19, an amount of Rs 7,000 crore (US$ 1,081.25 million) was allocated for the bullet train project.

## High-speed trains projects

- Indian Railways plans to build 7 high-speed rail corridors to provide faster rail connectivity across the country, for high speed train project, at a cost of US$ 17 million.
- ‘Train 20’ high speed next generation sleeper class train, which will replace Rajdhani Express, is expected to be rolled out by 2020.
- The Indian Railways has collaborated with the government of Japan for the construction of a high speed passenger train corridor between Ahmedabad and Mumbai. The government has set a target of commencing the train by 2023.

## New Services Launched

- In April 2018, Indian Railways decided to launch 10 new summer special trains that will operate between Mumbai and Varanasi.
- Under Budget 2018-19, railway lines of 4,100 kms will be commissioned and 600 stations will be targeted to be redeveloped during the year.
- Around 4,100 km of Railway lines are expected to be commissioned in 2018-19.

*Notes:  km/h – kilometre per hour
*Source: Ministry of Railways, Railway Budget 2015–16, Railway Budget 2016–17, Aranca Research
## STRATEGIES ADOPTED BY INDIAN RAILWAYS

### Revenue-based strategies

- Provision of online rail bookings, hotel reservations and retiring rooms by IRCTC adds to revenues of Indian Railways and are focusing on international tourists and have also come up with many tour packages for foreigners.
- Indian Railways has set a target of US$ 5.95 billion revenues from monetising, railways in the next 10 years. By doing so, the railways aims to increase earnings through traditional as well as non-traditional sources, and reduce expenditure.

### Turnaround strategies for passenger traffic

- Fare for premium classes were reduced so as to compete with the airlines, luxury buses and personal transport vehicles.
- The length of popular trains was increased from 16–18 coaches to 24–26 coaches.
- Private participation is encouraged and information technology was used to make ticket reservation more feasible to passengers along with an airline-style upgradation from lower class to higher class has been introduced for passengers.
- Increasing speed of the trains in 9 railway corridors to 160 and 200 kmph, to reduce the time of inter-metro journeys.
- Indian Railways reduces the load of trains which have low occupancy and enhances the load of well-patronised trains to improve occupancy in trains.

### Turnaround strategies for freight traffic

- Axle load was increased from 20.3 tonnes to 22.9 tonnes and 25 tonnes for selected routes and freight discounts are allowed to customers offering high tariffs.
- The average speed of freight trains would increase to 50 km/h and Mail/Express trains to 80 km/h by the end of 2020.
- Freight rates on cement, coal, urea, kerosene, LPG and food grain and pulses have been hiked by upto 10 per cent to bring an additional revenue of US$ 655.1 million per year.

**Notes:** IRCTC – Indian Railway Catering and Tourism Corporation

**Source:** Ministry of Finance, Railway Budget 2016, Aranca Research, News articles
GROWTH DRIVERS AND OPPORTUNITIES
STRENGTH DEMAND AND POLICY SUPPORT DRIVING INVESTMENTS

- Government focus on infrastructure building
- Growth of freight traffic due to industrialisation
- Rising demand for urban mass transportation
- Improved safety and modernisation
- Increasing private sector participation
Increasing incomes in urban and rural areas have made rail travel affordable to a large number of Indians.

Improvement of urban-rural connectivity has been another major contributor to the growth of Railways industry in the country.

Population residing in urban areas is expected to increase from 460.78 million\(^^\) in 2018E to 542.74 million\(^^\) in 2025F. The percentage of India’s total population residing in urban areas is expected to increase from 34.03 per cent\(^^\) in 2018E to 37.38 per cent\(^^\) in 2025F.

Note: *Estimates after 2013, \(^^\)data relates to mid-year, E – Estimate, F – Forecast, urbanisation data is expected to be updated from World Urbanization Prospects 2019

Source: Ministry of Railways, IMF World Economic Outlook April 2018, United Nations World Urbanisation Prospects 2018
It is estimated that India will require US$ 4.5 trillion of infrastructure investments by 2040 to enhance economic growth and community well being.

Government of India allocated Rs 5.97 lakh crore (US$ 92.22 billion) for infrastructure in Budget 2018-19, realising the need for investments in the sector.

Railways sector, one of the 34 infrastructure sub-sectors, is expected to get a boost as a result of the government’s initiatives.

Railways infrastructure investment is expected to grow from Rs 3.8 lakh crore (US$ 58.96 billion) to Rs 8.0 lakh crore (US$ 124.13 billion).

### Infrastructure Investments (US$ billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>Railways infrastructure investments</th>
<th>Total infrastructure investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-12</td>
<td>31.03</td>
<td>369.28</td>
</tr>
<tr>
<td>2013-17RE</td>
<td>56.96</td>
<td>577.19</td>
</tr>
<tr>
<td>2018-22E</td>
<td>124.13</td>
<td>778.90</td>
</tr>
</tbody>
</table>

**Notes:** RE – Revised Estimates, E - Estimate  
**Source:** CRISIL Infrastructure Yearbook 2017, Economic Survey 2017-18
EXPANDING SCOPE OF PPP

- In December 2012, the Cabinet approved the new policy of ‘participative models for rail-connectivity and capacity augmented projects’. The policy addressed the issues of ownership of the railway line and repayment of investment.
- Since the launch of the policy, railway authorities have received various proposals from private investors and have already given approval (can now acquire land and begin construction) for four port connectivity projects, to ease congestion.
- Areas proposed for private investment during this period would include elevated rail corridor in Mumbai, some parts of dedicated freight corridor, freight terminals, redevelopment of stations and power generation/energy saving projects.
- Other measures taken/proposed include:
  - Setting up of a modern signalling equipment facility at Chandigarh through the PPP route.
  - Construction of new lines – Bhupdeopur-Raigarh (Mand Colliery) and Gevra Road-Pendara Road – and doubling of Palanpur-Samakhiali section through the PPP route.
  - Setting up of 2 locomotive plants through PPP route is crucial for the development of infrastructure sector.
  - Setting up of Joint Ventures with major public sector customers for fulfilling the requirements of new lines.
- As per Budget 2018-19, PPP investments are expected to increase to Rs 27,000 crore (US$ 4.19 billion) from Rs 24,000 crore (US$ 3.72 billion) in 2017-18 (Revised Estimates).
- Ministry of Railways has jointly set up factories with Alstom and General Electric (GE) at Madhepura and Marhowra to manufacture 800 electric locomotives and 1000 diesel locomotives. The ministry has 26 per cent stake in both the Joint Ventures (JVs). In addition to manufacturing of locomotives, the companies will also have to undertake maintenance of the first 500 units by setting up manufacturing facilities by establishing maintenance facilities at Saharanpur, Nagpur, Roza and Gandhidham. In March 2018, Alstom completed production of the first all-electric locomotive at the manufacturing facility in Madhepura, Bihar.

Notes:
- PPP – Public Private Partnership; MUTP-III: Mumbai Urban Transport Project-III
- Source: Ministry of Railways, Make in India, Aranca Research
To modernise Indian Railways, the focus is on 2 fundamental drivers, Safety and Growth and along with a 5-pronged strategy:

- Modernise core assets – They are key revenue generating assets
- Explore new revenue models – To meet the funding needs for modernisation and growth
- Review projects – To ensure financial viability, social benefits and timely implementation
- Focus on enablers – For a holistic and long-term approach to modernisation and execution
- Mobilise resources – To capitalise on an opportunity

Information Technology – To improve operational efficiency

### Key focus areas

<table>
<thead>
<tr>
<th>Core assets</th>
<th>Track and bridges</th>
<th>Signalling</th>
<th>Rolling stock</th>
<th>Stations and terminals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue models</td>
<td>PPPs</td>
<td>Land</td>
<td>Dedicated freight corridors</td>
<td>High-speed trains</td>
</tr>
<tr>
<td>Projects</td>
<td></td>
<td></td>
<td></td>
<td>Review of existing and proposed projects</td>
</tr>
<tr>
<td>Enablers</td>
<td>ICT</td>
<td>Indigenous development</td>
<td>Safety</td>
<td></td>
</tr>
<tr>
<td>Resources</td>
<td>Funding</td>
<td>Human resource</td>
<td>Organisation</td>
<td></td>
</tr>
</tbody>
</table>

**Note:** ICT – Information and Communication Technology, PPP – Public Private Partnership

**Source:** Ministry of Railways, Aranca Research
## MODERNISATION: NEW THEME OF INDIAN RAILWAYS … (2/2)

### Track upgradation and welded rails
- Sleepers have been upgraded from wooden, steel and CST-9 to PSC sleepers
- Heavier section and high tensile strength rails are being used (52 kg/60 kg 90 UTS rails are being used in place of 90 R/52 kg 72 UTS rails)
- As of FY17, there were 93,902 kms of running track. In Union Budget 2018-19, construction target of new railway lines increased to 1,000 km from 800 km, which was set under the Budget 2017-18
- Replacing analogue type machines with digital type machines and promotion of better and improved welding techniques

### Adarsh Scheme
- Adarsh Station Scheme was started in 2009-10 for development/modernisation of railway stations.
- As of August 2018, 1,253 stations were identified under the scheme of which 1,065 stations have been developed as per norms.
- The total allocation for the scheme has increased from Rs 1,470.79 crore (US$ 228.21 million) in 2017-18 to Rs 1,657 crore (US$ 236.23 million).

### Increasing operational efficiency
- Design and development of 5500 HP WDG5 diesel locomotive for faster, longer and heavier trains
- Development of high-sensitivity thermal imaging camera with online scanning facility to improve the reliability of electric traction system
- Development of 25 KV HV connector for multiple operation of WAP5 locomotives with 1 pantograph in raised condition

### Unreserved Ticketing Services (UTS)
- In February 2017, Railways mobile app allows payments through apps such as Paytm and MobiKwik for unreserved tickets.
- UTS was made functional at 5,778 locations with 10,760 terminals, as of April 2015. Currently, 90 per cent of unreserved tickets are now generated through UTS
- The Indian Railways have introduced a mobile app “utsonmobile” in Chennai which would allow the passengers a paperless ticketing system and have considered to extend the services in all metros

**Note:** Km – Kilometres, IR – Indian Railways, UTS – Ultimate Tensile Strength, CST9 – Central Standard Trial-9, PSC – Pre Stressed Concrete

**Source:** Ministry of Railways, Aranca Research
Objectives

1. Increase rail freight share through customised logistic services
2. Segregate freight and passenger lines for focused approach
3. Reduce unit cost of transportation and increase productivity
4. Adopt high-end technology for real-time data analysis
5. Create additional freight capacity to meet demand
6. Introduce time-tabled freight services to ensure better services

Note: Ministry of Railways, Aranca Research
DFCCIL, a special purpose vehicle, was set up for implementing the DFC project under the administrative control of the Ministry of Railways.

The plan is to construct dedicated freight lines along the Eastern (1856 km route length) and Western (1504 km route length) parts of India.

Total length: 3,360 kms; total estimated cost: US$ 12.44 billion as on July 2016; of which US$ 5.41 billion has already been spent by the Government as of January 2018. The physical progress of the project upto January 2018 was 40.3 per cent.

World Bank granted loan of US$ 1,100 million for EDFC-2 and have sanctioned a loan of US$ 650 million for EDFC-3 in June, 2015.

Note: DFC – Dedicated Freight Corridor, DFCCIL – Dedicated Freight Corridor, Corporation of India Limited, JV – Joint Venture, EDFC – Eastern Dedicated Freight Corridor

Source: Ministry of Railways, Aranca Research
Freight traffic via DFC would increase at a CAGR of 5.4 per cent to 182 MT in 2021–22 from 140 MT in 2016–17

Container traffic would probably be an important constituent of the WDFC and is expected to grow to 5.3 million TEUs in 2021–22 from 3.8 million TEUs in 2016–17

According to the operational strategy as mentioned in the Vision 2020, dedicated freight corridors and speed raising projects would be completed in time bound manner

By 2020, 30,000 km of route would be double/multiple lines.

In August 2018, a 190 km stretch of the Western Dedicated Freight Corridor, between Ateli, Haryana and Phulera, Rajasthan, commenced operations.

Further, in November 2018, a 194 km section between Bhadan and Khurja in Uttar Pradesh was completed and a trial run was conducted.

**Note:** CAGR – Compound Annual Growth Rate, DFC – Dedicated Freight Corridor, EDFC – Eastern Dedicated Freight Corridor, WDFC – Western Dedicated Freight Corridor, MT – Million Tonnes, F - Forecast
### Foreign Direct Investment

- 100 per cent FDI under automatic route is permitted for approved list of projects

### Automobile Freight Train Operator Scheme 2013

- To increase its share in automobiles transportation, Indian Railways notified a new scheme in March 2013, Automobile Freight Train Operator. The scheme provides logistic service providers and road transporters an opportunity to introduce their own special wagons to run on the railways’ network and avail of freight rebates in return. The requirements for the scheme are laid down as under:
  - Companies with minimum net worth of US$ 3.7 million or annual turnover of US$ 5.5 million are eligible to participate in this scheme
  - A registration fee of US$ 0.9 million is required to be paid to the Railway Ministry on approval as AFTOs
  - Companies are required to introduce at least 3 rakes and make them operational within 6 months from the commissioning of the 1st rake
  - The freight rates would be notified from time to time for specific stock to be moved by AFTOs
  - The freight rebate would be incorporated in the freight rates specified for transport of automobiles
  - Special wagons would be designed and developed by Research, Design and Standards Organisation (RDSO) for induction by 3rd party logistics providers and road transporters
  - Each rake is to have a capacity to carry 318 small cars. The rake should be tested by RDSO

- Railways was the preferred carrier of automobiles in the country with loading from automobiles traffic growing 16 per cent in 2017-18
- To make the policy more effective, Ministry of Railways liberalised the AFTO policy by reducing registration fees from Rs 5 crore (US$ 0.78 million) to Rs 3 crore (US$ 0.47 million). Also, the requirement of minimum procurement of at least 3 rakes under the scheme has been relaxed to 1 rake.

**Source:** Times of India, Ministry of Railways, Aranca Research
## R3i policy
- The policy aims to attract private sector participation in rail connectivity projects to create additional rail transport capacity.
- The policy allows for 4 models: (a) Cost Sharing-Freight Rebate (b) Full Contribution- Apportioned Earnings (c) Special Purpose Vehicle (SPV) and (d) Private Line.

## R2CI
- This new policy was initiated to improve rail connectivity to coal and iron ore mines.
- The policy offers the developer involved in the construction of the line to levy a surcharge on the freight over a period of 10–25 years.
- The policy has two models: Capital Cost and SPV Models. The Capital Cost Model is relevant when there are 2 players, whereas the SPV Model is intended for a large number of players.

## Public Private Partnership (PPP)
- Connectivity to the major ports through PPP funding.
- Approval has been granted for 7 ports amounting to US$ 0.7 billion.
- Development of the major stations to equip them with international level of amenities and services.

## Wagon investment scheme
- Indian Railways launched the Wagon Investment Scheme in 2005 to offer freight rebates and supply a guaranteed number of rakes for a period of 7 to 15 years for different types of wagons.
- The Ministry of Railways proposed to set up 5 wagon factories in Secunderabad, Bardhaman, Bhubaneswar/Kalahandi, Guwahati and Haldia under the JV/PPP model.
- In FY16, two companies have been registered as wagon leasing company.
- Approval for 4 new BLC and 2 BTAP rakes have been granted and 12 rakes of BLC wagons were procured in FY16.

**Note:** R3i – Railways’ Infrastructure for Industry Initiative, SPV – Special Purpose Vehicle, R2CI – Railways Policy for Connectivity to Coal and Iron Ore Mines

**Source:** Ministry of Railways, Make in India website, Aranca Research
POLICY AND REGULATORY FRAMEWORK … (3/4)

For 2018-19, the total capital and development expenditure of Railways has been pegged at Rs 148,000 crore (US$ 22.86 billion).

For passenger safety, a Rashtriya Rail Sanraksha Kosh will be created with a corpus of Rs 1 lakh crore (US$ 15.61 billion) over a period of 5 years.

It is proposed to feed about 7,000 stations with solar power in the medium term.

The Government of India is going to come up with a ‘National Rail Plan’ which will enable the country to integrate its rail network with other modes of transport and develop a multi-modal transportation network.

A new Metro Rail Policy will be announced with focus on innovative models of implementation and financing, as well as standardisation and indigenisation of hardware and software.

By 2019, all coaches of Indian Railways will be fitted with bio toilets.

In the next 3 years, the throughput is proposed to be enhanced by 10 per cent.

500 stations will be made differently abled friendly by providing lifts and escalators.

This policy supersedes the R3i and R2CI policies notified earlier

The policy provides for supplementing government’s investment in rail infrastructure projects by private capital flows

The policy contains the following models: non-government railway; JV with equity participation by railways; capacity augmentation through funding by customers; capacity augmentation – annuity model applicability; and BOT

A few projects undertaken under the participative policy of Ministry of Railways include Jaigarh Port-Digni Port, Hamarpur-Rewas Port, Chiplun-Karad, Vaibhavwadi-Kolhapur and Indore-Mammad.

Note: kms – Kilometers
Source: Ministry of Railways, Railway Budget 2015-16, Press Information Bureau, Aranca Research
Key modernisation initiatives

- As per Budget 2018-19, Northern Railways Department of Indian Railways is going to undertake modernisation of its entire signalling system with an estimated investment of Rs 9,000 crore (US$ 1.40 billion)
- Government of India has preponed its target of install bio-toilets in the entire fleet of coaches by 2019. As of March 2018, bio-toilets have been installed in around 60 per cent of all passenger-carrying coaches of Indian Railways.
- Introduced ‘Operation 5 minutes’ scheme for passengers travelling unreserved, which provides the passengers the time to purchase tickets within 5 minutes
- Introducing 24/7 All – India helpline number through which passengers could address their problems on a real – time basis. Toll free number, 138 has been launched as 24/7 All-India helpline number and availability of Toll - free number, 182, for security related complaints
- Moving towards paperless ticketing and charting by development of multi – lingual e – ticketing portal. In the coming years, SMS on mobiles would be taken as proof instead of tickets promoting paperless tickets throughout India.
- In an initiative to decarbonize rail transport, Indian Railways will be collaborating with various public sector enterprises to speed up the process of electrification of railway tracks. Electrification of 6,000 km of routes has been planned for 2018-19.
- As of July 2018, the Indian Railways is preparing to acquire 25 E5 Shinkasen series bullet trains from Japan for an estimated cost of Rs 5,000 crore (US$ 745.82 million)^.
- The high speed corridor will have urinals, western style toilets with hot water and washing closet seat facility, separate washrooms for men and women equipped with triple mirrors for make-up and many other facilities.

Note: ^Financial Express article dated July 29, 2018
Source: Ministry of Railways, Railway Budget 2015 – 16, News Articles; Press Information Bureau, Aranca Research
From April 2000 to June 2018, FDI in Railways related components industry stood at US$ 920.21 million.

Note: FDI – Foreign Direct Investment, *up to June 2018, data is expected to be updated by soon from FDI quarterly statistics report by Department of Industrial Policy and Promotion (DIPP)

Source: Department of Industrial Policy and Promotion, Aranca Research
INDUSTRY
ASSOCIATIONS
Indian Railways

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| New Delhi-110001                          |
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| Website: www.indianrail.gov.in           |
USEFUL INFORMATION
GLOSSARY

- CAGR: Compound Annual Growth Rate
- FDI: Foreign Direct Investment
- FY: Indian Financial Year (April–March)
- FY12 implies April 2011 to March 2012
- DFC: Dedicated Freight Corridor
- DFCCIL: Dedicated Freight Corridor Corporation of India Limited
- PPP: Public-Private Partnership
- IIP: Index of Industrial Production
- R2CI: Railways Policy for Connectivity to Coal and Iron Ore Mines
- R3i: Railways' Infrastructure for Industry Initiative
- CST – 9: Central Standard Trial-9,
- SPV: Special Purpose Vehicle
- US$: US Dollar
- Wherever applicable, numbers have been rounded off to the nearest whole number
### Exchange Rates (Fiscal Year)

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### Exchange Rates (Calendar Year)

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<td>2017</td>
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</tr>
</tbody>
</table>

**Source:** Reserve Bank of India, Average for the year
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