

Railway Budget 2010-11 Review

Visionary moves

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Ms. Mamta Banerjee's second Railway Budget has turned out to be a non-event from the stockmarket point of view even though certain key points are worth highlighting, which makes this Railway Budget somewhat different from the earlier ones:

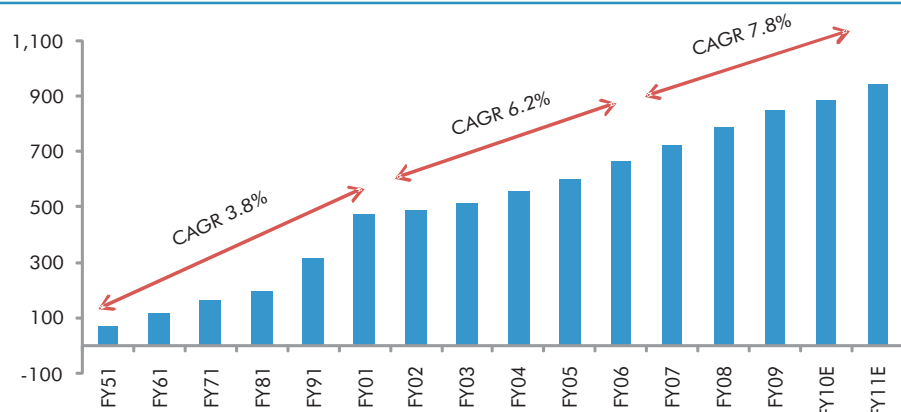
- The release of the 'Vision 2020' document aimed at widening and strengthening the country's rail infrastructure network and regaining the position of the world's second largest network.
- Ambitious target of completing 1,000 route-kms of new lines in 1 year as compared to the last 5-year average of 219 route-kms and 180 route-kms in the last 58 years.
- Special emphasis on building Public-Private-Partnership (PPP) and proposal to set up a special task force to clear investment proposals within 100 days, thus taking care of the administrative and procedural delays.

Apart from the above, other highlights included:

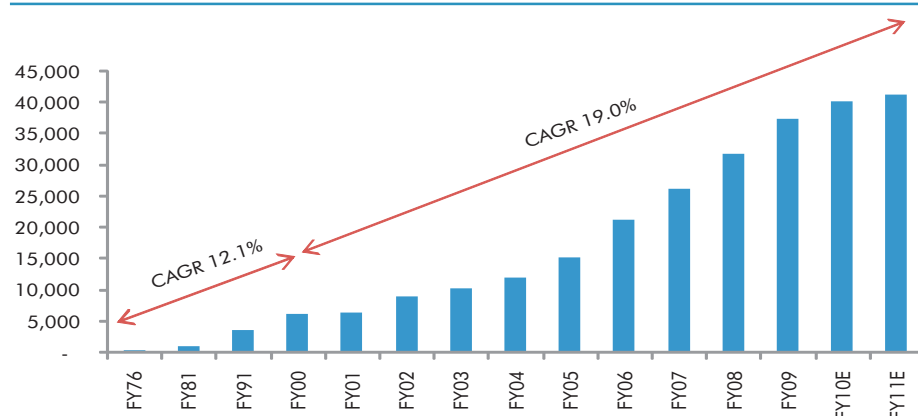
- Private operators to be permitted to invest in Infrastructure and run special freight trains.
- 6 high-speed passenger corridors identified to be executed through the PPP mode. To set up a National High Speed Rail Authority for monitoring of these projects.
- North-South, East-West dedicated freight corridors to be created.
- No increase in Passenger fares; reduction in service charge on e-tickets.
- No increase in freight rates.
- Reduction of Rs100/wagon in freight charges for food-grains for domestic use and kerosene.
- 101 new suburban trains to be introduced in Mumbai.
- 54 new trains to be introduced.
- Various social welfare programmes also formed part of the Railway Budget speech.
- Rs1,302cr provided for passenger amenities in the 2010-11 Budget against Rs923cr last year.
- Allocation for construction of new lines increased from Rs2,848cr to Rs4,411cr.
- Highest ever Annual Plan outlay of Rs41,426cr.

In conclusion

The fact that the Railway Budget spared any hike in passenger fares and freight rates will undoubtedly please both - the common man as well as corporate India. Further, with the Minister showing continued inclination towards an increase in private participation in the years to come, opens up immense opportunities for the private sector to contribute to the growth story of Indian Railways. Overall, the Railway Budget can be stamped as a positive one with a visionary agenda set for Indian Railways to follow over the next decade.

Exhibit 1: Indian Railways - Traffic Trend (mtpa)


Source: Railway Budget Documents, CMIE, Angel Research

Exhibit 2: Indian Railways - Total Capex (Rs cr)


Source: Railway Budget Documents, CMIE, Angel Research

Exhibit 3: Indian Railways Budget Snapshot

(Rs cr)	FY2009	FY2010E	% yoy	FY2011E	% yoy
Gross Traffic Receipts	81,801	88,356	8.0	94,765	7.3
Less: Total Working Exp.	66,590	83,440	25.3	87,100	4.4
Net Traffic Receipts	15,211	4,916	(67.7)	7,665	55.9
Add: Net Misc. Receipts	1,112	1,574	41.6	2,117	34.5
Net Revenue	16,323	6,490	(60.2)	9,782	50.7

Source: Railway Budget Documents, CMIE, Angel Research

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