

Our Analysis

**Railway budget – “ Election Manifesto”!**

The Railways budget announced today seems to be more of a populist one as election in West Bengal is approaching. The major focus was on West Bengal, while rest of India was ignored. Railway budget was announced targeting common man, as there was no increase in passenger fares. The freight rates were also not increased considering high inflation level in the economy. We expect such more measure to tame inflation in upcoming Union budget on 28 Feb. 2011.

**Addition of 700 km new lines in one year**

The government has announced that there will be an addition of 700 km new lines in 2011-12. Though it is planned lower than previous year of 1000 km but emphasized on aggressive implementation in next year which had always leged in the past. In the current year till date railway has put up 150 km of new line as compared to target of 1000 km. The government has taken more aggressive steps by setting a target of 25,000 km new lines over next 10 years. If implemented, we feel this can act as a positive factor for the railway companies like Kalindee Rail, ARSS Infra and Stone India.

**Implementation of ACD**

Anti Collision Device (ACD) to be commissioned on three zonal railways, Southern, South Central and South Western Railways. With this the railways will covered 8 out of 17 zonal railways. This can act positive for Karnex Microsystem.

**New initiatives taken by the government**

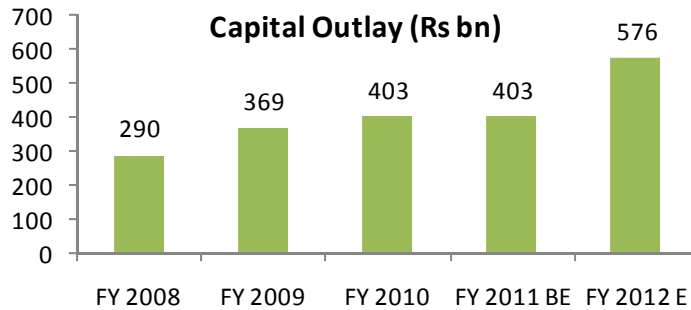
To meet the increasing demand of rolling stocks, the government has initiated to set up various plants and manufacturing facilities. It includes:

- To set up a coach factory in Palaghat
- To set up a metro coach factory in Singur
- To set up a diesel locomotive centre in Manipur
- To set up a coach factory in Kolar via Public Private Partnership (PPP) or Joint Venture (JV)
- To set up two more wagon unit at Kerela
- To set up a bridge factory in Jammu and Kashmir
- To set up an industrial park in at New Bongaigon, Nandigram

Government emphasis of setting up various factories has given a negative signal to rolling stock manufacturers which led to a sharp fall in stock prices of some of the players like Titagarh Wagons, BEML and Texmaco.

**Capex plans**

The government has announced the highest ever capex plan outlay of Rs. 57,630 crs for FY 12 against Rs 40,315 crs BE last year. The funding will be met through market borrowing of Rs 20,594 crore, budgetary support of 20,000 crs, diesel cess of Rs 1,040 crs, PPP of Rs. 1,780 crs and balance through internal accruals and other sources (approximately Rs. 14,220 crs).



Source: Budget Speech

**Key Budget Highlights**

- Gross Traffic Receipts estimated at Rs.1,06,239 crore exceeding one lakh crore mark for the first time.
- Excess (Surplus) projected to be Rs 5,258 crs for FY 2012 as against Rs.4,105 crs (revised) for FY 2011
- Emphasis on Public Private Partnership (PPP) by the government and has obtained 85 proposals for PPP
- The total capex allocated for rolling stocks is Rs. 13,824 crs
- To aim 700 km of annual rail line addition
- To construct 172 rail over bridges
- To double spending on gauge conversion to Rs 2,470 crore
- To spend Rs 9,583 crore for new lines in FY12
- Anti Collision Device (ACD) to be commissioned on three zonal railways, Southern, South Central and South Western Railways. With this the railways will have covered 8 out of 17 zonal railways.
- All unmanned level crossing upto 3000 to be eliminated
- To acquire 18,000 new wagons in next one year. There is no year over year increase in the target
- The freight loading for FY 2011 was 924 mt against target of 944 mt (decline of 20 mt). The government has kept an ambitious target for FY 2012 at 993 mt

## Railway Budget

Feb 25 2011

### Financial Highlights

Particulars(Fig in Crs)	FY 2011		FY 2012
	Budgeted	Revised	Budgeted
Gross traffic receipts	94,765	94,840	106,239
Ordinary working expenses	65,000	67,000	73,650
Depreciation reserve fund	7,600	5,700	7,000
Reserve pension fund	14,500	14,500	15,800
<b>Total working expenses</b>	<b>87,100</b>	<b>87,200</b>	<b>96,450</b>
Net misc income/(exp)	-2,117	-1,382	-2,204
<b>Net revenues</b>	<b>9,782</b>	<b>9,022</b>	<b>11,993</b>
Dividend	6,609	4,917	6,735
<b>Net Surplus</b>	<b>3,173</b>	<b>4,105</b>	<b>5,258</b>
Freight loading target(mt)	944	924	993

### Other Highlights

- 236 more stations to be upgraded as Adarsh Stations
- IRFC to borrow Rs 10,000 crs rupees via tax-free bonds FY12
- FY12 Disaster Relief Fund appropriation Rs 7,000 crs rupee
- Set up single window for public-private partner project
- To create fund to implement socially desirable plans
- Government has proposed to set up various power plants at Bihar, Andhra, Agra and Maharashtra cumulating 4320 MW

**NOTE**

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