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RAILWAY CONVENTION COMMITTEE

(2014-19)

(SIXTEENTH LOK SABHA)

MINISTRY OF RAILWAYS

(RAILWAY BOARD)

ROLE OF IRCON IN INFRASTRUCTURE BUILDING
OF INDIAN RAILWAYS



LOK SABHA SECRETARIAT

NEW DELHI

December, 2015 /Pausha, 1935 (Saka)

SECOND REPORT
RAILWAY CONVENTION COMMITTEE
(2014-19)

(SIXTEENTH LOK SABHA)
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

ROLE OF IRCON IN INFRASTRUCTURE BUILDING
OF INDIAN RAILWAYS

Presented to Lok Sabha on 22.12.2015

Laid in Rajya Sabha on 22.12.2015



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NEW DELHI

December, 2015/ Pausha, 1935 (Saka)

CONTENTS

	PAGES
COMPOSITION OF THE RAILWAY CONVENTION COMMITTEE (2014-19)	(i)
INTRODUCTION	(ii)
PART-I	
(I) Introductory	1-3
(II) Objectives and achievements	3-4
(III) National Projects undertaken	5-14
(IV) Cross border Rail link Projects	15
(V) Overseas Projects	15-21
(VI) Projects for DFCCIL	21
(VII) Coal connectivity Projects	22-25
(VIII) Joint Ventures (JVs) and Special Purpose Vehicles (SPVs)	25-27
(IX) Financial performance	27-30
PART-II OBSERVATIONS/RECOMMENDATIONS	31-40

APPENDICES

- I. Minutes of the Fifth sitting of the Railway Convention Committee (2014-19)
held on 15 July, 2015
- II. Minutes of the Ninth sitting of the Railway Convention Committee (2014-19)
held on 13 November, 2015
- III. Minutes of the Tenth sitting of the Railway Convention Committee (2014-19)
held on 17 December, 2015.

COMPOSITION OF THE RAILWAY CONVENTION COMMITTEE

(2014-19)

Shri Bhartruhari Mahtab, MP- Chairperson

MEMBERS

LOK SABHA

2. Shri Abhishek Banerjee
3. Shri Sanganna Amarappa Karadi
4. Shri K. Ashok Kumar
5. Shri Kamalbhan Singh Marabi
6. Smt. Anupriya Patel
7. Shri Nana Patole
8. Shri Janak Ram
9. Shri Rahul Ramesh Shewale
10. Shri Bharat Singh
11. Shri Liladharbhai Khodaji Vaghela
12. Shri K.C. Venugopal

RAJYA SABHA

13. Shri Avinash Rai Khanna
14. Shri Derek O' Brien
15. Dr. Vijaylaxmi Sadho
16. Shri Arvind Kumar Singh
17. Shri T.K. Rangarajan
18. Shri K.C. Tyagi

SECRETARIAT

- | | | | |
|-----|------------------------|---|----------------------|
| 01. | Shri K. Vijaykrishnan | - | Additional Secretary |
| 02. | Shri M. K. Madhusudhan | - | Director |
| 03. | Shri D. R. Mohanty | - | Additional Director |

INTRODUCTION

I, the Chairperson, Railway Convention Committee (2014-19), having been authorized by the Committee, present this Second Report on 'Role of IRCON in infrastructure building of Indian Railways'.

2. The Committee obtained background material and written information from the Ministry of Railways (Railway Board) and IRCON in connection with the examination of the subject. The Committee also took oral evidence of the representatives of the Ministry of Railways (Railway Board) and IRCON on 15th July, 2015 and 13th November, 2015. The Committee express their thanks to the representatives of the Ministry of Railways (Railway Board) and IRCON for appearing before the Committee and also for furnishing requisite written information on the subject, as desired by the Committee.

3. The Committee considered and adopted this Report at their sitting held on 17.12.2015. The Minutes of the sitting of the Committee are appended to the Report.

4. The Committee place on record their appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

5. For facility of reference and convenience, the Observations/ Recommendations of the Committee have been printed in bold letters in the Report.

New Delhi:
18 December, 2015
27 Agrahanaya, 1937 (SAKA)

BHARTRUHARI MAHTAB
CHAIRPERSON
RAILWAY CONVENTION COMMITTEE

PART - I
REPORT

I. INTRODUCTORY

A large investment had been programmed in the Railway Sector by various countries of the world in the 1980s and thereafter. In view of the possibilities of substantial net foreign exchange inflow that was likely to accrue by participating in Railway Construction Projects abroad, it was thought appropriate to avail the opportunity that offered itself to enter this field, especially in the developing countries, where India's experience as a developing Nation and its huge Railway infrastructure was of considerable assistance in getting preferential treatment. The two opportunities that were present initially were the construction of new railway lines in Iraq and Nigeria.

2. Railway construction had been considered highly specialized and covered the entire spectrum of infrastructure work. Therefore, for undertaking Railway construction on a turnkey basis, there was a need to have an agency which could execute all these specialized items, for which the Indian Railways possessed the necessary expertise and know-how.

3. Therefore, it was felt to channelize the special skills and expertise of Indian Railways in the field of execution of construction and railway works for business ventures, for which there was an immediate need and an expanding market abroad. This need was to be met through a commercial body, capable of undertaking such execution as a business proposition. It was, therefore considered necessary to form a new Company, under the Indian Companies Act 1956. Accordingly, Indian Railway Construction Company Limited, a

public enterprise under the aegis of the Ministry of Railways was set up.

4. Thus with a view to giving an impetus to develop world class infrastructure for the Railways, the Indian Railway Construction Company Ltd. was incorporated on 28th April, 1976. The name of the company was changed to IRCON International Limited w.e.f. 17th October, 1995. The Company became a Mini Ratna Category-I w.e.f. 10th June, 1998 and became a Schedule 'A' company w.e.f. 15th May 2006.

5. IRCON was envisaged mainly for the purpose of construction of Railway Projects in India and abroad on commercially prudent lines with the help of expertise from Railways. The core competence of IRCON is to undertake construction activities in India and abroad on turnkey basis or otherwise in various fields of Infrastructure like Railways, bridges, roads, highways, industrial and residential complexes, airports, etc.

6. The Company started its operation in 1977-78 and entered the international market in a big way with a major breakthrough in Iraq and Algeria. Since then, the Company has executed significant railway projects in Malaysia, Bangladesh, Saudi Arabia, Jordan, Turkey, etc., earning substantial foreign exchange for the country and continues to do so till date with new projects in Malaysia and Sri Lanka.

7. Since its inception, the Company has specialized as a construction organization covering the entire spectrum of construction activities and services in the infrastructure sector. Railways, and highway construction, sub-station (engineering and

construction) and MRTS have emerged as the core competence of IRCON which aims to have operated not only in a highly competitive environment but also in difficult terrains and regions in India and abroad, and claims to be an active participant in prestigious nation building projects.

8. With a view to gauging the extent of the participation of IRCON in important and prestigious nation building projects, its achievements in international projects and the contribution to the finances of Indian Railways in particular, the Committee took up the subject for examination and report. In the process, the Committee obtained background notes, written replies and the other relevant documents from the of the Ministry of Railways, IRCON. The Committee also took evidence of the representatives of the Ministry of Railways (Railway Board) and IRCON on two occasions . Based on the written and oral depositions of the Ministry of Railways and IRCON, the Committee have deliberated on the issues concerning the subject matter in the succeeding paragraphs.

II. OBJECTIVES AND ACHIVEMENTS

9. The Committee were inter-alia informed that the main objectives and functions for which the Company was established were to carry out business relating to railway and other construction and to enter into contracts in India and abroad, including supply, erection, and commissioning of equipment and all services ancillary thereto, including but not limited to the following :

- (i) Construction of new railway lines;
- (ii) Strengthening, doubling, or conversion of existing railway lines;

- (iii) Laying of new railway track, including points and crossings, and also re-laying of existing track and turnouts;
- (iv) Construction of new railway bridges;
- (v) Strengthening, re-building or re-girdering of existing railway bridges;
- (vi) Construction of new locomotive repair shops, running sheds, carriage and wagon repair shops and maintenance depots;
- (vii) Setting up of new production units for manufacture of rolling stock, signaling, interlocking and telecommunication equipment, bridge girders, structures, welded rails, pre-stressed concrete sleepers, and other requirements of permanent way;
- (viii) New signaling and telecommunication systems;
- (ix) Modernization of existing signaling and telecommunication system;
- (x) Railway electrification, sub-stations, transmission lines, industrial power supply systems, and other electrical and related works;
- (xi) Operation of railway systems or installations; and
- (xii) Maintenance of ways, works, all types of fixed installations, locomotives, rolling stock and railway equipment, including signaling and interlocking, telecommunication, and electrical installations.”

10. When the Committee desired to know the extent to which IRCON had been able to achieve the objectives for which it was set up, the Railway Board, in their written submission, stated as under:-

“IRCON has been able to position itself as a leading infrastructure development company in India and the

developing world. It secured projects by way of participating in bidding process and also by way of nomination. IRCON has undertaken some Railway Construction projects for New Lines, Track Works, Construction of Railway Bridges and Road over bridges, Railway Electrification and Turnkey construction of Rail Coach Factories, etc. The Company has successfully completed and commissioned some projects in different regions of the country.”

III. NATIONAL PROJECTS UNDERTAKEN

11. In response to a specific query of the Committee regarding the contribution of IRCON in the infrastructure development of Indian Railways during the last two decades, the Ministry submitted as under:-

IRCON has contributed in Infrastructure development for Indian Railways by completing the following projects in the last two decades, viz. 1995-2015:

- (i) Construction of Rail Coach Factory and its further expansion at Kapurthala.
- (ii) Construction of Quazigund Baramulla section and Quazigund Banihal section of Udhampur Srinagar Banihal Rail link project.
- (iii) Track linking works of Gauge conversion of Rewari to Ajmer section of Northern Railway.
- (iv) Track linking works of 3rd line, including electrification of Aligarh-Ghaziabad section of North Central Railway.
- (v) Electrification of Mughalsarai-Sultanpur-Utaratia section of Northern Railway.

- (vi) Merry Go Round (MGR) and other sidings totaling to about 900 km track for other PSUs.
- (vii) Construction of about 100 Road over Bridges (RoBs) / flyovers.
- (viii) Projects in advanced stage of completion are as follows:
 - (ix) Construction of 4.5 Km Rail cum Road bridge over Ganga River at Patna, in Bihar.
 - (x) Construction of Rail Coach Factory on turnkey basis at Rae Bareilly in Uttar Pradesh.

12. The Committee then desired to be apprised of the various Railways Projects undertaken and completed by the Company during the last five years. In reply, the following information, in tabular form, was furnished to the Committee:

Sl. No.	Zone	Client	Name of Project
1	North Western Railway	Rail Vikas Nigam Limited	Track linking works of Gauge conversion- Rewari to Ajmer (294.56 km) at a cost of Rs. 154.46 cr.
2	Rail Coach Factory	Rail Coach Factory	Expansion of Rail Coach Factory and setting up of Wheel Shop, Kapurthala at a cost of Rs. 126.8 cr.
3	Northern Railway	Rail Vikas Nigam Ltd.	Track linking works of 3rd line of Aligarh – Ghaziabad (106 km) section at a cost of Rs. 131.82 cr.
4	Northern Railway	Central Organization for Railway Electrification	Electrification works for Mughalsarai – Sultanpur –Utaratia (288 km) section at a cost of Rs. 265.93 cr.
5	Northern Railway	Northern Railway	Banihal- Qazigund – Srinagar – Baramulla (136 km) leg of New BG Rail Link Project in Jammu & Kashmir, at a cost of Rs. 2422.18 cr.
6	East Central Railway	East Central Railway	Pre-stressed Concrete sleeper plant at Chak Sikandar at a cost of Rs. 9.49 cr.

13. As regards projects under execution and the expected date of their completion, the following information was furnished to the Committee:-

IMPOTANT ONGOING PROJECTS

Sl. No.	Name of Project	Expected Completion Date
1	Detail, Design and Construction of BG New Railway line from Dharam to Qazigund (Dharam-Qazigund) Km 100.88 to km 168 in J&K	June 2020
2	Setting up of New rail Coach Factory at Rae Bareli at a cost of Rs. 2312.68 cr.	March 2016
3	Sivok-Rangpo New Rail Line project (45 km) at a cost of Rs. 4170 cr.	4 years after completing land acquisition.
4	Construction of Rail Link between Jogbani (Bihar) India to Biratnagar (Nepal) (18.6 km) at a cost of Rs. 406.38 cr.	Two years after complete handing over of land by Government of Nepal.
5	Construction of rail link between Jayanagar-Bijalpura (GC) with extension to Bardibas (69.1 Km) on India-Nepal border at a cost of Rs. 721.66 cr..	Three years after complete handing over of land by Government of Nepal.
6	Setting up of new electric loco shed for homing 200 three phase locos at Daund (DD), Central Railway at a cost of Rs. 67.42 cr.	March 2018
7	Setting up of new electric loco shed to home 200 locos at Mughalsarai (MGS), Northern Railway at a cost of Rs. 55.14 cr.	3 years after completing land acquisition.
8	Setting up of new electric loco shed to home 200 locos at Bondamunda (BNDM), South Eastern Railway at a cost of Rs. 111.92 cr	March 2018
9	Construction of Corridor-I of East Corridor between Kharsia to Dharamjaygarh in the State of Chhattisgarh for coal connectivity.	March 2018
10	Construction of Corridor - III of East-West Corridor between Gevra Road to Pendra Road in the State of Chhattisgarh for coal connectivity.	March 2019

11	Construction of steel super-structure and other ancillary works of rail cum road bridge across River Ganga at Patna (4.5 km) at a cost of Rs. 1591.24 cr.	September 2015
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14. A scrutiny of the above information revealed that no expected completion of date has been furnished regarding the construction of Rail-link between Jogbani (Bihar) to Biratnagar (Nepal) and Jaya Nagar (Bihar) to Bardibas (Nepal). In this context, the Committee desired to be apprised of the position of acquisition of land and the present status thereof. In response, the Railway Board submitted as under:

Position of Land:

Jayanagar-Bardibas: Out of total track length of 68.72 (65.75 Km in Nepal & 2.97 Km in India), land for 44.4 Km handed over till date by Govt. of Nepal and for 2.97 km by Govt. of Bihar (except 2.67 hectares for yard lines). Land for remaining portion in Nepal yet to be handed over.

Jogbani - Biratnagar: Out of total track length of 18.60 Km (13.15 Km in Nepal & 5.45 Km in India), land for 11.35 Km handed over by Govt. of Nepal and for 5.45 Km by Govt. of Bihar. Land for remaining 1.8 Km of Biratnagar yard in Nepal is yet to be handed over.

Present status:

Work of formation, bridges, station buildings and staff quarters has been taken up in available land and work was in progress till 15.08.2015.

Due to indefinite strike in Nepal w. e. f. 16.08.2015 called by various political parties in Terai region of Nepal, no work is in progress in Nepal Portion for the last three and a half months.

CONSTRAINTS

- (i) Acquisition of land by Govt. of Nepal.
- (ii) Progress of project is suffering due to indefinite strike in Nepal since 16.08.2015. Work has come to standstill, and no work is in progress for the last three and a half months.

15. The Committee then asked whether there was any time and cost-overrun in the completion of the projects undertaken by IRCON. In reply, the Ministry submitted as under:

“...There have been time and cost overrun in railway projects for various reasons mainly on account of delay in land acquisition, forest clearance, wildlife clearance, public agitation, law & order problem, etc. Whereas construction of Sivok-Rangpo new railway line has been delayed for want of Forest & Wildlife clearance, the Indo-Nepal connectivity projects have been delayed on account land acquisition issues, mainly in Nepal. J&K project has suffered due to the fact that Katra-Banihal (111 kilometres) section of the project passes through one of the world’s most difficult terrains both in terms of logistics and geological condition. The region has complex topography and unsettled geology dotted with faults and thrusts full of uncertainties and this problem has been compounded by inaccessibility of areas and overall security threats. Further, the progress of work has been greatly affected by a series of public interest litigations since 2009.”

16. As regards the original and revised schedules of the completion of projects, the Ministry further submitted as under:

“IRCON has undertaken several of the railway projects on turnkey basis which involves execution of projects from concept to commissioning. The technical parameters and time lines for execution of such projects get developed over the project period and the completion period is subject to clearances, approvals, availability of land and funds, etc.”

17. Asked to furnish the details of projects where time and cost overrun have taken place along with reasons thereof, the following information in a tabular form, was furnished by the Ministry stating that time and cost overrun in these projects were unavoidable:-

Major Railway Projects which have suffered delays in last 5 years							
S. No.	Name of Projects	Zone	Client	Date of Award	Date of Completion Contracted	Date of Completion (Revised)	Reason for Delay
1	Detail, Design and Construction of BG New Railway line from Dharam to Qazigund (Dharam-Qazigund) Km 100.88 to km 168 in J&K	Nothern Railway	Northern Railway	Jan-04	Aug-07	Jun-20	Work in progress. Delay mainly due to design changes on account of complex geological problems. Delay also due to frequent law & order problems in the Kashmir region.
2	Sivok-Rangpo New Rail Line project	Northeast Frontier Railway	Northeast Frontier Railway	May-10	May-15	May-19	Work in progress. Delay due to land acquisition, forest clearance & wildlife clearance.
3	Construction of Rail Link between Jogbani (Bihar) India to	East Central Railway	East Central Railway	Jan-11	Jun-13	Dec-16	Work in progress. Delay due to land acquisition.

	Biratnagar (Nepal)						
4	Copnstruction of rail link between Jayanagar-Bijalpuru (GC) with extension to Bardibas on India-Nepal border.	East Central Railway	East Central Railway	Oct-11	Oct-14	Dec-17	Work in progress. Delay due to land acquisition.
5	Construction of steel super-structure and other ancillary works of rail cum road bridge across River Ganga at Patna	East Central Railway	East Central Railway	Jun-08	Jun-12	Sep-15	Work in progress. Delay in finalization of Design & Drawing by client. Work to be completed as per schedule.
6	Gauge conversion work of NW Railway: Rewari to Ajmer	North Western Railway	Rail Vikas Nigam Limited	Nov-05	Aug-07	Jan-10	IRCON's Scope was only for track work. Traffic block provided late due to delay in infrastructure work by other agency.
7	Expansion of RCF, Kapurthala	Rail Coach Factory, Kapurthala	Rail Coach Factory, Kapurthala	Oct-06	Jan-08	Jun-09	Delay due to technical reasons. Work completed as per extended date of completion.
8	Wheel Shop, Rail Coach Factory, Kapurthala	Rail Coach Factory, Kapurthala	Rail Coach Factory, Kapurthala	Dec-06	Mar-08	Jun-09	Delay due to technical reasons. Work completed as per extended date of completion.
9	Provision of 3rd line of Aligarh-Ghaziabad Section of NCR in the State of Uttar Pardesh.	Northern Railway	Rail Vikas Nigam Limited	Jun-06	Jun-08	Mar-12	Signaling contract awarded late by client. Work Completed as per extended date of completion.

10	Design, supply, Erection Testing & Commissioning of 25 kv (Lucknow), Single Phase, 50Hz, Electrification works for Mughalsarai-Utaratia Section	Central Organisation for Railway Electrification (CORE)	Central Organisation for Railway Electrification (CORE)	Jun-07	Dec-15	Apr-13	Work was for electrification of double line. Construction of infrastructure for second line was not completed on time. Work completed as per extended date of completion.
11	Qazigund-Srinagar-Baramulla New BG Rail Link Project	Northern Railway	Northern Railway				Work completed as per extended date of completion
	Phase-I			Jan-00	Aug-08	Oct-08	
	Phase-II			Apr-01	Oct-08	Feb-09	
	Phase-III			Apr-01	Jun-09	Oct-09	
12	Design, Engineering, manufacturing, supply to site, construction, installation, commissioning of railway siding for Kalisingh Thermal Power project, stage-I, Halawar, Rajasthan. (27 Km)	West Central Railway	Rajasthan Rajya Vidyut Utpadan Nigam Limited	Oct-09	Aug-11	Jul-13	Delay in land acquisition by client. Site not handed over by client. Scope of work increased. work completed as per extended date of completion

18. Taking into consideration the fact that many projects undertaken by the Indian Railways suffered from time and cost overrun, the Committee enquired about the steps taken by the IRCON to ensure timely completion of projects. In response, the Railway Board submitted as follows:-

“IRCON endeavors to ensure timely completion of projects through regular and close monitoring of all projects through PMIS (Project Management Information System). A close follow up for approval of design, drawing, variation & estimate by clients is done apart from proactively pursuing

land acquisition issues and environmental & forest clearances with the concerned authorities. However, some projects do suffer time and cost overrun due to circumstances beyond the control of IRCON.”

19. On being asked about the efforts made by the company to sort out the problems/constraints like delay in land acquisition, forest/wild life clearance, law and order problems, etc., the Railway Board submitted as follows:

“IRCON has faced such constraints on Sivok Rangpo New Rail Line project, Nepal connectivity, Bangladesh connectivity projects, construction of Road over bridges in Bihar and Rajasthan, J&K Rail link project, and Pradhan Mantri Gram Sadak Yojana (PMGSY), Jharkhand. IRCON officials regularly pursue with Central and State Government authorities to expeditiously resolve any problems related to land acquisition, forest clearance, wildlife clearance, law & order, etc. for domestic projects. For international projects, IRCON is pursuing the matter of land acquisition through MEA and the respective High Commissioners by regular follow-ups and meetings.”

20. The Committee then desired to know categorically the mechanism put in place for co-ordination with the State Governments concerned for ensuring smooth implementation of projects. In response, the CMD, IRCON, citing a specific example, deposed in evidence as under:

“In Jammu and Kashmir, IRCON found it difficult to go ahead for timely procurement activities for its projects pertaining to strengthening transmission and distribution network across the State due to objection raised by the

project management agency, many a time in drawings and designs of the projects also. Similarly, IRCON has to take various approvals, clearances from a number of agencies and authorities.”

21. The CMD, IRCON, further submitted as under:

“At times, State Government officials and various departments had never executed such a large project unified on a turnkey manner. They had their various wings of distribution, procurement and the maintenance, all other different departments were there. While these projects require the inputs from all the departments, like the design, construction, commissioning, putting even individual houses by electrical meter, but the State Government had never undertaken such a large project. They were not equipped fully to undertake this kind of project. So, it took a lot of time for the State Government to manage their systems. We raised this issue at the highest level. Last time, we had three meetings with even Deputy Chief Minister who is basically driving us to complete this project in a fast manner. He had meeting with our hon. Minister of Railway also. The Principal Secretary in charge of the Government for this project holds monthly meeting in which I personally go and attend those meetings. So, it is being done. We have said that in spite of initial delay of one and a half years, we have promised that we will finish substantial work by March, 2016 which is after four-five months and complete the work by July, 2016. So, in spite of initial delays, we have executed similar projects in the past successfully in Goa, Trivandrum and Kochi.”

IV. CROSS BORDER RAIL LINK PROJECTS

22. As regards cross border Rail link projects undertaken by IRCON, the following information was furnished to the Committee:

(i) Indo – Nepal connectivity

- i) Construction of 18.6 Km long Rail link between Jogbani (India) and Biratnagar (Nepal) at a cost of Rs. 406.38 Crore (5.45 Km in India and 13.15 Km in Nepal). This project was sanctioned in the year 2010-11. Except a small portion of land in Nepal, land has been acquired. Earth work, bridges and buildings construction works are in progress.
- ii) Construction of 69.10 Km long Jayanagar-Bijalpura-Bardibas new Rail line Project at a cost of Rs. 721.66 Crore (2.99 Km in India and 66.11 Km in Nepal). This project was sanctioned in the year 2010-11. About 50% of the land has been acquired. Earth work, bridges and buildings construction works are in progress.

(ii) Indo – Bangladesh connectivity

- (i) 15 Km long Akhaura – Agartala Rail link Project at a cost of Rs. 870.20 Crore (5 Km in India and 10 Km in Bangladesh). Project is not progressing as funding for Indian portion of the project is to be tied up. Bangladesh portion of the project is being funded by Ministry of External Affairs.

V. OTHER OVERSEAS PROJECTS

23. Regarding other overseas projects undertaken and accomplished by the Company, the CMD, IRCON, apprised the Committee in evidence as under:

“We have completed a large number of projects in India relating to railways, highways, and other metro sectors. We also have our international presence in several countries. In the last couple of years, the important projects which we have completed was a project worth US \$ 1 billion in Malaysia, and also another project worth Rs. US \$ 600 million in Sri Lanka. We are doing a line, which is a high-speed line, in Algeria. We are currently connecting to all neighbouring countries – connections to Bangladesh; connections to Nepal; we are working in Myanmar; and we are working in Sri Lanka.”

24. When the Committee desired to know the challenges and remunerative aspects of the overseas projects undertaken by IRCON, the Ministry of Railways, in their written submission, deposed as under:

“Foreign projects primarily were in South East Asia, Africa and in the neighboring countries, where occasionally, the Company faces logistic challenges for which it is well equipped. At the same time these projects have been quite remunerative to IRCON, especially the projects undertaken on EPC [turnkey] basis. Among the overseas projects of IRCON, the most challenging and remunerative projects have been Railway Infrastructure projects carried out on a turnkey basis. Further, in some of the foreign projects, profit margins are higher than the average, but at the same time there are some domestic and overseas projects, where the margins are very low and in some cases there are losses also.”

25. The representatives of IRCON elaborated in evidence as under:

“We have, in the recent past, completed two mega projects. One was in Malaysia. It was one billion dollar project. The defects liability period is also over. The second was a combination of four or five projects totaling to about 700 million dollars... We have been getting some major projects outside, and during that year our percentage of the foreign earning goes up. But, if you look at our balance sheet which was included in the Annual Report along with the points which were made, for the last three-four years we have a balance of about 50 per cent each. Approximately, 50 per cent of the earning comes from the overseas projects and 50 per cent earning comes from the Indian projects. This year, it is going to be a little skewed in terms that the Indian projects will be 75 per cent. It is because two mega projects have been completed in Sri Lanka and Malaysia and we are still to get more projects. The projects which we got in Bangladesh are yet to take off. So, this year and next year, again it will revert to 75 per cent Indian and 25 per cent abroad. But, generally it remains 50:50 per cent both sides. Currently the projects which we are executing include two projects in Bangladesh. One is Khulna-Mongla and another is a bridge. Then we are doing a project in Malaysia. We are doing a high-speed railway line in Algeria. These are the major projects which we are doing. We have been recently been awarded a project in South Africa for which the actual award letter is yet to receive but we have been communicated this project. These are the major projects outside.”

26. Elaborating the profitability factor in the foreign projects, the CMD, IRCON, submitted in evidence:

“Profitability of the foreign project is generally much higher as compared to Indian project because we have an USP in terms of railway construction experience. Our ability to execute the project at the least cost is much better than anybody else. In fact, many of the countries in Europe or in America do not go for competitive bidding in the way we go through the Indian market. Otherwise our competitive ability is much higher as compared to others. We are able to earn a good profit. May be it is also partly because we carry a large amount of railway equipment which we are holding. When we go for railway project, generally the equipment is already depreciated. When I do the costing for my project, I take the depreciated value of the project while anybody else who is entering otherwise has to take the full cost of the project. Maybe that is one of the reasons also to have a higher profitability on the railway projects abroad as compared to the other projects that we execute whether we are executing distribution projects, road projects or electrical projects. There it is project per se. The value addition is not as much as what we have in the railway projects because we are basically a railway organization. That is how the profitability of railway projects abroad is higher as compared to any other project”.

27. On being asked about international to national ratio and value of projects in Indian Rupees taken up by IRCON, the CMD, IRCON submitted before the Committee as follows:

“It varies cyclically. Just about two years back, we had about 50 per cent of the turnover coming from the international projects, and 50 per cent coming from the Indian projects. It has gone down because two of our mega projects – one in Malaysia and another in Sri Lanka – have just been completed. After completion of that, our order book in the international market has gone down. Again, it will go up because we are L1 in some of the projects in Bangladesh, in two mega projects, and we are also on way to get two projects – one in Sri Lanka and one in Malaysia, which will, again, recoup back”.

28. As regards the overall scenario of the profit margins of the company, the CMD, IRCON, deposed in evidence as under:

“Last year, our profit was about Rs.1200 crore. In the last five years, we have grown in terms of CAGR, in terms of turnover by about 14 percent, while in case of profitability, we have grown by more than 25 per cent every year, but most of this profit application, i.e. 80 percent, I would say comes from the international projects. From Indian projects, profitability is limited. Depending on the project size and project location, it varies anywhere between 4 and 7 per cent”.

29. Asked to state specifically the Rate of Return on domestic projects vis-à-vis the overseas projects, the Railway Board, in their written deposition, stated as under :

“Profit margin in overseas projects is normally higher than margins in inland projects. Profit margins in domestic projects are generally around 5% whereas profit margins in

overseas projects are generally in the range 7-15%. However, in some foreign EPC projects, IRCON could further enhance the profit margins by design and process optimization. Profit margins are also higher in cases where we could use our existing plant and equipment. There have been losses also in some project both in India and abroad.”

30. Taking into consideration the fact that IRCON was venturing into the African Continent, including Algeria and South Africa, the Committee desired to know about the major competitor of IRCON there. In response, the representatives of IRCON submitted in evidence:

“China is our competitor, currently we are not able to compete with them in a way that we don’t have that much muscle power in terms of money available with us and also from the Government, so much money is not being given.”

31. Asked to state the measures taken by the Ministry/IRCON to compete with China in the African projects, the representatives of IRCON deposed:

“...Sir, recently there is a silver lining in a way that in the recent Indo-Africa Summit which took place about two weeks back, the Government of India announced a very big line of credit. Other than the few rich countries like Algeria which is rich because of the gas, most of the African countries are not doing so well in terms of economy. They look for financing from outside. There was no structured financing of a big value available. With the result, China was going aggressively on executing the project along with

acquiring natural assets. They were taking over the mines whether it is coal mine, ore mine.”

32. In a post evidence information, the Ministry of Railways further stated as under:-

“Measures to cope with challenges posed by China are undertaken on case to case basis. Most of the international/ global tenders are based on technical as well as financial bids, and IRCON prepares the bids based on technical expertise and credentials available at most competitive rates. However, the ability to secure projects on nomination basis also depends on the availability of funds at competitive rates. Recently, Govt. of India has announced availability of huge funds under Lines of credit, which should help IRCON in securing more projects abroad.”

VI. PROJECTS FOR DFCCIL

33. The Committee were informed that two packages of Civil, Building and Track works of the Western Dedicated Freight Corridor have been awarded to IRCON in Joint Venture with a Japanese and an Indian firm by DFCCIL.

- i) Package 12- Vaitarna – Sachin section (186 Km) is awarded at a cost of Rs. 2170.65 Crore in May 2015. The work consists of earth work, bridges, buildings and tracks.
- ii) Package 13- Sachin – Vadodara section (134 Km) is awarded at a cost of Rs. 2157.60 Crore in May 2015. The work consists of earth work, bridges, buildings and tracks.

VII. COAL CONNECTIVITY PROJECTS

34. Regarding coal connectivity projects undertaken by IRCON, the Committee were informed as under:

- i) IRCON is developing and constructing the Rail corridors in the northern region of the State of Chhattisgarh for coal connectivity at a cost of Rs. 5155 Crore. The corridors being constructed are East Corridor (length 180 km) and East West corridor (length 122 km).
- ii) Presently, work is in progress in a part of East Corridor between Kharsia to Dharamjaygarh. Land acquisition is in progress. Work has just started.
- iii) IRCON has signed an MOU with respective State Governments and Coal companies for development of coal transport connectivity in the States of Orissa and Jharkhand.

35. Asked to furnish details of the above said two coal connectivity projects undertaken by IRCON, the Ministry furnished the following information:

Odisha

“A memorandum of understanding (MOU) was signed between Ministry of Railways (MoR), Ministry of Coal (MoC) and Government of Odisha (GoO) on 20th April, 2015 for formation of Joint Venture, with equity participation by themselves or through their Public Sector Undertakings, to undertake project development, financing and implementation of identified projects important for coal connectivity. MoR, MoC and GoO nominated Ircon International Limited (IRCON), Mahanadi Coalfields Limited (MCL) and Odisha Industrial Infrastructure Development Corporation (IDCO), respectively, and they in turn entered

into another MOU on 20th May 2015. IRCON is the nominated project implementation agency under the MOU. Accordingly, Mahanadi Coal Railway Limited (MCRL), a JV Company, was incorporated on 31.08.2015 under the Companies Act, 2013 with equity participation of MCL, IRCON and IDCO in the ratio of 64:26:10. The company has identified two new railway line corridors Angul-Kalinga-Jharpada (Approx 50 km) with a link to Kalinga Balram siding and Jharpada-Budhapunk (Approx 90 Km) via Tetuloi, Tiribira, Chandrabila and Sakhigopal and a few smaller doubling and connectivity works of coal sidings in Talcher Coalfields. Pending signing of a formal implementation agreement, MCRL has provided an advance of Rs. 2 crore to IRCON for undertaking feasibility studies of these projects. Scope of works is under preparation and tenders for appointment of consultant will be invited by IRCON shortly.”

Jharkhand

“An MOU was signed between Ministry of Railways (MoR), Ministry of Coal (MoC) and Government of Jharkhand (GoJ) on 4th May, 2015 for formation of Joint Venture, with equity participation by themselves or through their Public Sector Undertakings, to undertake project development, financing and implementation of identified projects important for coal connectivity. MoR and MoC nominated Ircon International Limited (IRCON) and Central Coalfields Limited (CCL) respectively and another MOU was signed between IRCON, CCL and GoJ on 20th May 2015. IRCON is the nominated project implementation agency under the MOU. Accordingly, Jharkhand Central Railway Limited

(JCRL), a JV Company was incorporated on 31.08.2015 under the Companies Act 2013 with equity participation of CCL, IRCON and GoJ in the ratio 64:26:10. The company is in the process of identifying the coal linkage works.”

36. In response to a specific query of the Committee regarding the diminishing trend in the highway project portfolio of IRCON, the reasons therefore and efforts made by the company to bag such projects, the Railway Board stated as under:

“The diminishing trend in highway projects portfolio of IRCON has been due to tactical shift by the company after it faced delays due to land acquisition and consequently low profit in earlier projects. There has also been intensive competition among the private constructions companies in highway sector in EPC tenders. However, IRCON has started bidding for selective BOT projects and has recently bagged two large value highway projects tendered by National Highway Authority of India which are under implementation.”

37. Regarding IRCON’s participation in the Metro Rail Projects, the Committee were informed as under:

“IRCON is participating in ongoing Metro projects of Delhi Metro and Kochi Metro. Although IRCON had earlier executed work for Metropolitan Transport Project (Railways), Chennai, it could not secure further contract from Chennai Metro. IRCON would continue to participate in the upcoming metro projects in different cities in the country.”

38. The CMD, IRCON, further explained in evidence as follows:

“In Metros, we started with the Delhi Metro initially from an underground section. We also did the electrification. In fact, the first section of Metro which was opened was entirely on the work which was done by IRCON India. Thereafter we have been continuously working on the Metros. We have worked in Metro, Chennai as well as in Kolkata Metro”.

VIII. JOINT VENTURES (JVs) AND SPECIAL PURPOSE VEHICLES (SPVs)

39. When the Committee desired to know whether IRCON has entered into any Joint Ventures, the Ministry responded as under:

“IRCON has entered into strategic Joint Ventures for securing contracts both in India and abroad. The Joint Ventures formed by IRCON during the last 5 years for securing projects are as follows:

- (i) Consortium of Mitsui, Tata projects Limited and Ircon for contract package CTP-12 & 13 of Western Dedicated Freight Corridor.
- (ii) JV of IRCON & AFCONS for construction of 2nd Bhairab Bridge along with project railway line in Bangladesh.
- (iii) JV of IRCON-SPSCPL for construction of Cable stayed bridge at Basoli for Border Roads Organization.”

40. Regarding forming Special Purpose Vehicles (SPVs) for construction of Railways Projects in the country, the Committee were apprised as under:

IRCON has formed following SPV for construction of Railway projects in the country:

- (i) Indian Railway Stations Development Corporation Limited, an SPV of IRCON and Rail Land Development Authority (RLDA) for development of Railway stations of Indian Railways.
- (ii) Chhattisgarh East Railway Limited, an SPV of IRCON, Govt. of Chhattisgarh, South Eastern Coalfields Limited (SECL), for development of Coal connectivity project in the State of Chhattisgarh.
- (iii) Chhattisgarh East West Railway Limited, an SPV of IRCON, Govt. of Chhattisgarh, South Eastern Coalfields Limited (SECL), for development of Coal connectivity project in the State of Chhattisgarh.
- (iv) Further SPVs for connectivity to coal mines are being formed in the State of Odisha and Jharkhand.

41. Elaborating the different ventures of IRCON in which it has entered into SPVs with State and Central PSUs, the CMD, IRCON, submitted before in evidence as under:

“Recently, we have formed SPVs in Chhattisgarh. It was originally for two corridors – East Corridor and the East-West Corridor totaling to 300 kilometers length. Later on, we formed another SPV with Steel Authority of India Limited and NMDC for another project in the South. Two more SPVs – one in Odisha and one in Jharkhand; in Jharkhand, it is with the Central Coalfields Limited; in Odisha, it is with the MCL and NITCO – are under formation. Within the next two or three months, these two SPVs in Jharkhand and Odisha should be in place. The SPV in Chhattisgarh has already been formed. The project

report has been prepared; the site survey has been done; most of the land has been acquired; and the work has also started on all the major bridges in one corridor, which is the Eastern Corridor. In fact, some of the bridges have come up to three or four meters high level. In case of East-West Corridor, the land acquisition is in progress. It will take about two months time before the project on the East-West Corridor gets started”.

IX. FINANCIAL PERFORMANCE

42. When the Committee queried about the detailed Financial Performance of IRCON during each of the last five years, the following information was furnished:

Financial performance as approved by Board and adopted by Shareholders for the five years period from 2009-10 to 2013-14 is given below. Financial results for the year 2014-15 are under audit:

Sl. No.	Particulars	Years				
		2009-10	2010-11	2011-12	2012-13	2013-14
1	Gross Sales (Operating Turnover)	3,152.88	3,175.33	3,601.41	4232.43	4066.82
2	Profit Before Tax (PBT)	264.01	401.25	602.14	1014.73	1249.06
3	Profit After Tax (PAT)	182.18	240.51	469.92	729.99	906.50
4	Net Worth (Rs. crores)	1,199.36	1,382.31	1,742.94	2300.37	2993.03
5	Share of International Business (%)	37.94%	49.65%	51.36%	46.65%	52.56%
6	Gross Margin / Gross Sales (%)	10%	14%	19%	20%	24%
7	Operating Profit / Operating Turnover (%)	6%	10%	12%	18%	25%
8	Gross Profit / Capital Employed (%)	22%	29%	35%	44%	42%

9	Net Profit / Net Worth (%)	15%	17%	27%	32%	30%
10	Income (Turnover) per employee (Rs. crores)	1.84	1.94	2.22	2.48	2.57
11	PBDIT / Total employment	0.17	0.26	0.39	0.62	0.81

43. Asked to state the profit before tax and Profit after tax for the year 2014-15 and projections for 2015-16, the Ministry provided the following information:

Profit before tax and Profit after tax for the year 2014-15, and projections for the year 2015-16 are as follows:

Particulars	2014-15 (Audited)	2015-16 (Projections)
Profit before tax	844.29	500
Profit after tax	579.39	327

Profit during 2015-16 is expected to be low as percentage of turnover from foreign projects, which are normally more remunerative, has declined.

44. The Committee pointed out in evidence that the net profit ratio of IRCON has increased consistently from 2009-10 to 2012-13 while there had been a down slide since 2013-14. Asked to state the reasons therefor, the representative of IRCON deposed as under:

“Coming to the next question on the falling profitability, we are into a business of construction and it is a difficult business and it is very difficult to earn profit. Still we had lot of profit, and there is an increase in the profit in the last four or five years, it was something of an exception. It was

not a rule. It was exception because we happen to get some projects where we could utilize our own equipment and earn large margins. They took holiday from highway in the last four or five years. We are doing a lot of highway projects and there was a time came when they thought that because of the delay, because of the suffering losses, we had large equipment bank for earth work, compaction, crushers and other things. When we got these Railway Projects, in the last two or three years, we deployed all those equipment removing from the Highway projects to the Railway projects and that increased our profits substantially. So, this 20-25 per cent profit is unheard of. It does not happen in construction industry. So, it was a sudden spike because of the particular reason. Now, we will have to normalize ourselves with the international trend which is 7 to 10 per cent profit. We have to accept it as a reality. There was an increase in the dollar rate also from Rs. 44 to Rs. 60, so, the currency fluctuation has also added to our profit which is quite substantial.”

45. The Committee then enquired about the actual contribution of IRCON to the Railway revenue. In response, the representative of IRCON submitted in evidence:

“...there are two issues. One is, because we are hundred per cent Railways, so whatever remains with me even as a net worth is Railways’ net worth. Out of total cumulative so far, my net foreign exchange earning to the country, that is, after taking out taxes, after taking out all expenditure, everything, is about Rs. 5,400 crore so far in terms of foreign exchange earning. In terms of dividend, about Rs.

5 crore initial equity was put up by the Railways to the IRCON and after that we had 1:1 and 1:1, two times bonus issues, so my equity is currently about Rs.20 crore. On that Rs.20 crore equity, we have paid about Rs.900 crore dividend already to the Railways. Railways are a gigantic organization. My figure is a very small figure in respect of Railways' earnings. But we do contribute.”

46. When the Committee desired to hear the views of the Chairman, Railway Board, on the Financial Performance of IRCON, he deposed in evidence:

“I think IRCON is doing reasonably well. Their total turnover is around Rs.4000 crore. Their profit after tax is little more than Rs.900 crore. So, they work on a gross margin of 25 percent. I think that is a reasonably good performance by IRCON, by any construction company in this field.”

PART-II

OBSERVATIONS/RECOMMENDATIONS

1. The Committee note that with a view to undertaking Railway construction, which is considered as a highly specialized work, on a turnkey basis, there was a need to have an agency that could execute these specialized works. The Indian Railways possess the necessary expertise and know-how in this area. This need was to be met through a commercial body, capable of undertaking execution of construction and railway works for business ventures for which there was an expanding market abroad. Accordingly, the Indian Railway Construction Company Limited, a public enterprise under the aegis of the Ministry of Railways was set up on 28th April, 1976 in accordance with the Indian Companies Act, 1956. The name of the Company was changed to “IRCON International Limited” w.e.f 17th October, 1995. The Company became a Mini-Ratna Category-I w.e.f. 10th June, 1998 and it also became a Schedule ‘A’ Company w.e.f. 15th May, 2006. The main objectives for which the Company was established are inter-alia to carry on business relating to railway and other construction and to enter into contracts in India or abroad, on a turnkey basis or otherwise. The core competence of IRCON is

construction activities in India and abroad on turnkey basis or otherwise in various fields of infrastructure like railways, bridges, roads, highways, industrial and residential complexes, airports, etc. The Committee are satisfied to note that in accordance with its mandate, IRCON has successfully completed and commissioned some Projects in different regions of the country and overseas too, and has been able to position itself as a leading infrastructure development company in India and the developing world. However, some pertinent issues and areas of concern relating to the role of IRCON in the process of infrastructure building of the Indian Railways have engaged the attention of the Committee and they have given their considered opinion in the succeeding paragraphs after due deliberations.

2. The Committee are pleased to note that during the last two decades, IRCON has substantially contributed to the infrastructure development in the Indian Railways by completing important projects like construction of the Quazigund-Baramulla section and Quazigund-Banihal section of the Udhampur-Srinagar-Banihal Rail Link Project; the Rail Coach Factory and its further expansion at Kapurthala; track linking works of gauge conversion from Rewari to Ajmer and from Aligarh to Ghaziabad; electrification works for Mughalsarai-Sultanpur-Utaratia;

construction of around 100 Road over Bridges (ROBs)/flyovers etc. The Committee also find that 11 projects like design and construction of the Broad Gauge New Railway Line from Bharam to Qazigund; setting up of New Rail Coach Factory at Rai Bareli; Sivok-Rangpo New Rail Line Project; setting up of new electric loco sheds at Daund, Mughalsarai, Bondamunda etc. are in hand. The expected completion date of these projects varies between 2016 and 2020. The Committee desire that IRCON should make concerted efforts to ensure that the ongoing projects are completed in time so that the reputation of the company is further enhanced and the Indian Railways are benefited.

3. The Committee are deeply concerned to note that almost all the projects undertaken by IRCON have suffered from time and cost overruns due to various reasons and mainly on account of delay in land acquisition, forest clearance, public agitation, Public Interest Litigation (PIL), law and order problems, difficult terrain and topography, etc. IRCON has submitted that though the company endeavours to ensure timely completion of projects through regular and close monitoring of all the projects through the Project Management Information System (PMIS), some projects do suffer time and cost overrun due to circumstances beyond the control. The Company

officials, therefore, regularly pursue with the Union and State Government authorities to expeditiously resolve any problems relating to land acquisition, forest and wildlife clearance, law and order, etc. The Committee are of the opinion that difficult topography and inaccessible terrain like in J&K and North-Eastern States and Public Interest Litigations (PIL) are some of the unavoidable reasons and beyond the control of IRCON, leading to delay in the completion of projects. But other impediments like delay in land acquisition and obtaining forest and wildlife clearance can be overcome by resolutely pursuing the matter with the Union and State Government Authorities. The Committee, therefore, exhort the Ministry and IRCON to strengthen their coordination mechanism so as to promptly resolve the above said problems and ensure that there is no further time overrun and consequent cost escalation in the completion and implementation of the ongoing projects. So far as public agitation is concerned, the Committee desire that the Railway Board/IRCON should make an effort to hold awareness campaigns, where agitations are apprehended, so as to educate the public about the socio-economic development that will accrue once the projects are completed.

4. As regards Cross-border Rail Link Projects, the Committee find that at present three such projects have been taken

up by IRCON. There are two projects under Indo-Nepal Connectivity, i.e. Rail-Link between Jogbani (India) and Biratnagar (Nepal) and also between Jayanagar (India) and Barbidas (Nepal). The third Cross-border project is between Akhaiura (Bangladesh) and Agartala (India) under the Indo-Bangladesh connectivity mission. As regards the Indo-Nepal connectivity projects, the Committee are concerned to note that though works of formation bridges, station buildings and staff quarters were taken up in the available land, IRCON was facing constraints like delay in land acquisition and indefinite strike in Nepal w.e.f. 16th August, 2015, because of which the works have come to a standstill. Regarding the these Indo-Nepal connectivity projects, the Committee call upon the Railway Board and IRCON to pursue the matter of land acquisition in Nepal through the Ministry of External Affairs so that the stalled work recommences once normalcy is restored there and the vision of the Government of India is accomplished. So far as the Indo-Bangladesh Project is concerned, the Committee are dismayed to find that the project is not progressing since funding for the Indian portion of the project is yet to be tied up. While expressing their deep concern at the state of affairs, the Committee impress upon the Railway Board and IRCON to take urgent measures, in coordination with other Authorities concerned to urgently finalize the

funding pattern of the Indian portion so that the project is implemented within the stipulated time frame.

5. The Committee are pleased to note the international presence of IRCON in several countries, especially in South-East Asia, Africa and the neighboring countries in the last couple of years, and that the Company has completed two mega overseas projects, i.e. one in Malaysia worth One Billion US Dollars and the other one in Sri Lanka worth 600 Million US Dollars. It is encouraging to observe that recently IRCON has been awarded a mega project in South Africa. It is equally heartening to note the submissions of the Railway Board and IRCON that the Company is well equipped to counter the logistic challenges being encountered in the Overseas Projects. The Committee also appreciate that in the recent Indo-Africa Summit, the Government of India has announced a very large line of credit in order to enable IRCON to carry out its foreign projects. The Committee are optimistic that such financial support by the Government of India will help IRCON to counter the challenge posed by China, which is its biggest competitor in International Projects. In view of the fact that overseas projects are quite remunerative and 80% of the profit of the Company comes from such projects, as submitted by the Railway Board and IRCON, the Committee would like IRCON to endeavour,

with all the expertise and know-how at its command, to strive to secure more lucrative and challenging overseas projects and complete them within the contracted timeline, so that the country gets enhanced foreign exchange for its economic growth.

6. The Committee note that a Memorandum of Understanding (MOU) has been signed between the Ministry of Railways, Ministry of Coal and the respective State Governments of Odisha and Jharkhand for development of coal transport connectivity in the two States. IRCON is the nominated project implementation agency under the MOU. The Committee find that the scope of works is under preparation and tenders for appointment of consultants will be invited by IRCON shortly so far as the project in Odisha is concerned. As regards the Jharkhand Project, the Committee have been informed that IRCON is in the process of identifying the coal linkage works. As the identified projects are very important for coal connectivity in the two States, the Committee desire that after the initial formalities are over, IRCON should work to ensure timely completion of these projects by regular and close monitoring through its own Project Management Information System (PMIS) as also through the requisite and proactive coordination with the Coal Companies and State Governments concerned.

7. The Committee note with concern that there has been a diminishing trend in the highway projects portfolio of IRCON due to tactical shift by the Company for difficulties faced in land acquisition and consequently low profit in earlier projects, besides intensive competition faced from the private construction companies. However, the Committee draw consolation from the fact that of late IRCON has started bidding for selective BOT Projects and has recently bagged two high value highway projects tendered by NHAI. The Committee are of the considered opinion that since the core competence of the Company is construction activities in various fields, including bridges, roads and highways, IRCON should venture more and more into highway projects and implement them expeditiously for the Company's increased expansion in diverse fields. Equal importance is warranted in IRCON's endeavour towards bagging the Metro Rail Projects.

8. The Committee further note that IRCON has entered into strategic Joint Ventures for securing contracts, both in India and abroad. Similarly, the Company has formed Special Purpose Vehicles (SPVs) with a number of Central and State PSUs like the Steel Authority of India (SAIL), Mahanadi Coalfields Limited (MCL), Central Coalfields Ltd. (CCL), etc. While appreciating IRCON's efforts in entering into JVs and forming SPVs, the Committee would like to

encourage the Company to go in for more such JVs, especially to secure contracts abroad, where the Rate of Return (ROR) is much higher than the inland projects. The Company should also continue to form SPVs for carrying out important domestic projects for overall socio-economic growth.

9. The Committee are deeply concerned that the net profit margin of IRCON is showing a decreasing trend during the last couple of years, whereas it had consistently increased from 2009-10 to 2013-14. For example, in 2009-10, the profit after Tax was Rs.182.18 crore which rose to Rs.906.50 crore in 2013-14. But in 2014-15, profit after Tax came down to Rs. 579.39 crore and the projections in this regard for 2015-16 is Rs. 327 crore. Clarifying the downward trend in the profit margin of the Company, the representative of IRCON has submitted before the Committee that the company is into business for construction where it is very difficult to earn profit and the profit earned by the Company during the previous years was something exceptional because they got some projects where they could utilize their own equipment and earn large margins. He further reasoned that the increase in the dollar rate from Rs. 44 to Rs. 60 had also added to their profit margin. The Committee are not convinced with these reasons adduced for the noticeable down slide

in the profit margin of the Company in view of the submission of the CMD of IRCON that the profit margin will again go up once some other International projects are undertaken. The Committee, therefore, recommend that instead of trying to justify the downslide in the profit margin, IRCON should strive hard to bag mega international projects, besides undertaking more and more inland construction activities, so that the upward trend of profit after Tax is consistently maintained.

New Delhi:
18 December, 2015
27 Agrahayana, 1937 (Saka)

BHARTRUHARI MAHTAB
CHAIRPERSON
RAILWAY CONVENTION COMMITTEE

RAILWAY CONVENTION COMMITTEE (2014-2019)

MINUTES OF THE FIFTH SITTING OF THE COMMITTEE

The Committee sat on Wednesday, the 15th July, 2015 from 1100 hrs. to 1245 hrs. in Committee Room-B, Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri Bhartruhari Mahtab - Chairperson

Members

Lok Sabha

2. Shri Kamalbhan Singh Marabi
3. Shri K.C. Venugopal
4. Shri K. Ashok Kumar
5. Shri Janak Ram
6. Smt. Anupriya Patel

Rajya Sabha

7. Shri Arvind Kumar Singh
8. Shri Derek O Brien
9. Shri T.K. Rangarajan
10. Shri K.C. Tyagi

Secretariat

1. Sh. K. Vijaykrishnan - Addl. Secretary
2. Smt. Anita Jain - Joint Secretary
3. Sh. M. K. Madhusudhan - Director

Witnesses

Representatives of the Ministry of Railways (Railway Board)

S.No	S/Shri	Designation
1.	A . K. Mittal	Chairman, Railway Board
2.	Rajalakshmi Ravikumar	Financial Commissioner
3.	V.K. Gupta	Member (Engineering)
4.	Ajay Shukla(L/A)	Member (Traffic)
5.	Navin Tondon	Member (Electrical)
6.	Hemant Kumar	Member (Mechanical)
7.	Pradeep Kumar	Member (Staff)
8.	H.K. Kala	Addl. Member (Planning)
9.	S. Subramhayan	Addl. Member (Budget)
10.	B.N. Mohapatra	Adviser (Accounts)
11.	Girish Pillai	Adviser (Infrastructure)
12.	Mohan Tiwari	Chairman & Managing Director (IRCON)
13.	S. Vijayaraghvan	Addl. Member (Finance)

2. At the outset, the Chairperson welcomed the Members and the representatives of the Ministry of Railways (Railway Board) to the sitting. Drawing the attention of the witnesses to Directions 55 and 58 of Directions by the Speaker regarding Confidentiality of proceedings of the Committee, the Chairperson requested the Chairman, Railway Board, to brief the Committee on various aspects of the financial health of the Railways

and the Rate of Dividend payable for the year 2014-15 and 2015-16. Accordingly, the Chairman, Railway Board in support of his contention to reduce the Rate of Dividend payable for 2014-15 by the Railways to the general revenues from the existing 5% to 4% and moratorium of five years on payment of dividend, briefly apprised the Committee about the extant difficult financial position of Railways, the reasons thereof, its impact on the performance of Railways and efforts being made by the Railways to overcome the financial crisis. Thereafter, the Committee sought clarifications on the Rate of Dividend payable by the Railways to the general revenue. The representatives of the Ministry of Railways responded to the queries.

3. The Committee thereafter, took up the subject "Role of IRCON in infrastructure building of Indian Railways" for examination. The CMD, IRCON, briefed the Committee about the genesis of IRCON and its role in infrastructure building for Indian Railways. Thereafter, the Chairperson and the members raised queries on various issues concerning the subject, viz. strategy/policies adopted by IRCON to cover entire spectrum of construction activities and services in the infrastructure projects for Indian Railways, cost and time over-run effects in completion of Railway Projects by IRCON, role of Railways administration for reviewing the overall performance of the company, etc. The representatives of the Ministry of Railways responded to the queries.

4. As some queries required detailed and statistical reply and on which information was not readily available, the Chairperson asked the Chairman, Railway Board to furnish replies thereon within ten days.

5. The Chairperson thanked the witnesses for appearing before the Committee and furnishing the available information that the Committee desired in connection with the examination of the two subjects.

The witnesses then withdrew.

A verbatim copy of the proceedings was kept on record.

The Committee then adjourned.

RAILWAY CONVENTION COMMITTEE (2014-2019)

MINUTES OF THE NINTH SITTING OF THE COMMITTEE

The Committee sat on Friday, the 13th November, 2015 from 1030 hrs. to 1230 hrs. in Committee Room-C, Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri Bhartruhari Mahtab - Chairperson

Members

Lok Sabha

2. Shri K. Ashok Kumar
3. Smt Anupriya Patel
4. Shri Janak Ram
5. Shri Rahul Ramesh Shewale
6. Shri Bharat Singh
7. Shri K.C. Venugopal

Rajya Sabha

8. Shri Avinash Rai Khanna
9. Shri T. K. Rangarajan
10. Dr. Vijaylaxmi Sadho
11. Shri Arvind Kumar Singh
12. Shri K. C. Tyagi

Secretariat

1. Sh. K. Vijaykrishnan - Addl. Secretary
2. Sh. M. K. Madhusudhan - Director
3. Sh. D. R. Mohanty - Additional Director

Witnesses

Representatives of the Ministry of Railways (Railway Board)

- | | | | |
|----|--------------------|---|-------------------------------------|
| 1. | Sh. A. K. Mittal | - | Chairman, Railway Board |
| 2. | Sh. S. Mookerjee | - | Financial Commissioner |
| 3. | Sh. V. K. Gupta | - | Member (Engineering) |
| 4. | Sh. H.K Kala | - | Additional member (Planning) |
| 5. | Sh. S. Subramhayan | - | Additional member (Budget) |
| 6. | Sh. Mohan Tiwari | - | Chairman & Managing Director/ IRCON |

2. At the outset, the Chairperson welcomed the Members and the representatives of the Ministry of Railways (Railway Board) to the sitting of the Committee, convened to take the evidence of the representatives of Ministry of Railways on the subject "Role of IRCON in infrastructure building of Indian Railways". Impressing upon the witnesses to keep the proceedings of the Committee "Confidential", the Chairperson requested the Chairman, Railway Board, to brief the Committee on the various activities undertaken by the IRCON to address the infrastructure needs of Indian Railways.

3. The Chairman, Railway Board, then made a brief presentation inter-alia highlighting the genesis of IRCON, its contribution to the infrastructure development of Railway network in India, its achievement, in terms of various projects completed and the status of ongoing/upcoming Projects. Thereafter, Members raised several queries relating to the subject, viz delay in projects due to Land acquisition and Environmental clearances, comparison of overseas earnings vis-a-vis domestic earnings of IRCON, cost and time overruns in completion of projects, employment issues in overseas projects, diversification plans, disinvestment in IRCON by Indian Railways, contribution of IRCON to the Railway revenues, assessment of minimum project cost, status of implementation of various ongoing cross border Rail link projects undertaken by IRCON etc. The representatives of the Ministry of Railways responded to most of the queries raised by the Members. As some queries required detailed and statistical replies, the Chairperson asked the Chairman (Railway Board) to furnish written reply thereon within ten days time. The Chairman (Railway Board) assured to comply.

4. The Chairperson thanked the witnesses for appearing before the Committee and for furnishing the available information that the Committee desired in connection with the examination of the subject.

The witnesses then withdrew.

A verbatim copy of the proceedings was kept on record.

The Committee then adjourned.

RAILWAY CONVENTION COMMITTEE (2014-19)

MINUTES OF THE TENTH SITTING OF THE COMMITTEE

The Committee sat on Thursday, the 17th December, 2015, from 1015 hrs. to 1045 hrs. in Room No.-133A, (Chairperson's Chamber), First Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri Bhartruhari Mahtab - Chairperson

MEMBERS

Lok Sabha

2. Shri K. Ashok Kumar
3. Shri Nana Patole
4. Shri Rahul Ramesh Shewale
5. Shri Bharat Singh
6. Shri K.C. Venugopal

Rajya Sabha

7. Shri Avinash Rai Khanna
8. Shri Derek 'O' Brien
9. Shri T. K. Rangarajan
10. Shri Arvind Kumar Singh
11. Shri K. C. Tyagi

Secretariat

1. Sh. K. Vijaykrishnan - Additional Secretary
2. Sh. M. K. Madhusudhan - Director
3. Sh. D. R. Mohanty - Additional Director

2. At the outset, the Chairperson welcomed the Members to the sitting and apprised them that the meeting convened to consider and adopt the Draft Reports on 'The Rate of Dividend payable by the Railways to the General Revenue for the years 2014-15 and 2015-16 and other ancillary matters' and 'Role of IRCON in infrastructure building of Indian Railways' had been fixed at 1015 hrs. to facilitate the Members' timely presence in Lok Sabha/Rajya Sabha. Giving an overview of the important recommendations contained in both the Draft Reports, the Chairperson solicited the views suggestions of the Members.

3. The Committee then took up for consideration the following Draft Reports:

- (i) Rate of Dividend payable by the Ministry of Railways to the General Revenues for the years 2014-15 and 2015-16 and other ancillary matters.
- (ii) Role of IRCON in infrastructure building of Indian Railways.

4. One of the Members, appreciating the balanced recommendations given in the Draft Reports, suggested that in view of the huge social responsibilities of the Railways, they should be allowed exemption from paying Dividend to the General Revenues. The Chairperson clarified that taking into consideration the views expressed by the Ministries of Railways and Finance, the Committee have recommended 5 percent Dividend for the year 2014-15 and 4 percent for the year 2015-16. The Chairperson further apprised that all other suggestions of the Railway Ministry regarding appropriation and interest to various Railway Funds have been endorsed by the Committee. The Members took note of this and the Draft Reports were then adopted by the Committee.

5. The Committee then authorized the Chairperson to finalize the Reports in the light of consequential changes that might arise out of factual verification of the Draft Reports and present the same to both the Houses.

6. The Committee then decided to undertake an On-the-Spot Study Visit during the first/second week of February, 2016 to get first hand knowledge of the subjects under examination.

The Committee then adjourned.