

학(항원 I 기 기 기 기 ਬਜ਼ਰ, ਬੁ*ਸ਼*ਲੇ - 4,6,524 MESTERN BAL WAY CHURCHGATE, MUMBAR 400 93

20th Decap;bar, 2010.

Sub. Apportioned freight traffic earning of Western Railway -Concession Agreement with KRCL.

Please refer to my D.O letter no.HQRS/Action Plan rit, 17 12.10 wherein I had given the full analysis of the apportioned earnings and the operating ratio of this Reilway. I had indicated that I will bring out an enalysis on the concession agreement of KRCL and the modifications needed in the concession agreement.

i have had a detailed analysis conducted and the same is enclosed for your appreciation with a request that suitable directions may be given to the an concerned directorate to consider this analytical report for further necessary

In a nutshell, I would like to summarise that this Railway requests the Spend to consider taking action on the following aspects of KRCL agreement-

> Take the legal and financial opinion on the provisions of the Concession Agreement for termination of the said agreement under Clause 8.2 for taking over the assets of the Company.

> issue a presidential directive to the RVNL to liquidate the company since they are the lead stake holders and promoters of KRCL.

> Seek a revision of the Concession Agreement which would put a "CAP" on the return on equity. This could also be translated into a ceiling on the revenue share which needs to be remitted by Vd.R. to KRCL. Railway Board has already faid down a stipulation in their policy of SPVs vide circular no.2008/PL/9/16 dt 20/07/2010 that the assets created by SPVs would revert back to MOR once the Company reaches a return on capital of 14%0 a.

> Presidential directive should be issued by MOR to RVNL for payment of deferred O&M Cost considering the profit of the company. The deferment was to provide financial cash flows at the initial stages. This logic definitely does not hold true anymore so far as KRCL is concerned

Any proposal of doubling of the KRCL segment needs to be viewed in the above light. It would be appropriate to seek a review of the Concession Agreement on account of the reasons given in the detailed note annexed to this letter.

I am sure you will appreciate that when a Zonal Railway runs a line, it has to make some profit but in the case of KRCL line, W. Railway is getting only the O&M cost and surrendering the apportioned earnings totally and even for GIM-SIO line, the apportioned earnings now go to KRCL as all the loaded traffic from GIM move via KRCL line, it being nominated as up line.

I would further like to stress here that continuation of the existing agreement is going to severely undermine the earnings of W.R. as also its Operating Ratio. Even accepting that the increase in through-put for MOR as a whole arising out of KRCL operations would be beneficial, there cannot be any doubt that the profitability of KRCL would continue to increase significantly at expense of Indian Railways in general and Western Railway in particular with the final transfer of these profits to MOR being very meagre in comparison. I am sure that this windfall gain to KRCL was never intended and therefore needs to be appreciated by the Board for corrective action.

It is my earnest submission that this matter may be examined threadbare with utmost urgency since it has significant long term financial implications for Western Railway in particular and Indian Railways in general.

With best wishes,

Encl: Annexure

Yours sincerely.

(R.N. VERMA)

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Additional Member (Planning), Railway Board, Pew Delhi 110001.

Subjectiveness sental to be collected from PRCL.

Ref: HDOPP, kly Bd's lence No. 247WWW. ASBY, Survey de, 14 8 2001.

Railways as a part of the concession agreement with the newly formed PRCL for leasing out the existing assets and newly acquired land to PRCL. As per a ticle 4.2 the rates to be charged as

The annual length count wall be percentage of the lower value of the lensed assessment, which has been assessed at \$3.14.06 crores. For the existing assessment and affects Covers for the laid freshly acquired totaling to its 16.46 crores. These percentage shall be equal to the Note Bank of holia's prime lease rate on the date of execution of this deed.

In this connection it is advised that the basis for the book value of Rs. (4.05 crores has not been advised by Railway Board and the same appears to be on lower side. As per cabiner of the many points of the part of the pa

On perusal of the cost of the existing assets of Rs.14.06 erores as communicated by HD(PP)/RB vide above quoted letter, it is felt that the cost is on much lower side and the cost vill be of the order of Rs.44.18 erores, which can be entirelessed from the data communicated by GP vide letter of even no. dt.19.4.2001. However the calculations are enclosed for ready reference which may be examined.

FA&CAO(F&D) while examining the contents of the above letter has remarked verbatim as under :-

"The book value of the assets in the matter has been taken as Rs.44.18 erores by the two meather committee on W.Riy. The basis of the Board advising the same as only Rs.14.06 is not clear. Further, no accounts/finance concurrence has been taken for the same. It appears that only the capital at charge portion has been taken which is not backed by the Competent Authority's orders."

Since the book value is an the lower side as such the Board is requested to kindly review the position and advise the necessary portections to the cost keeping in view above.

Encl: As above

NS Chlores Tractical (M.S.Ekbote)
Chief Engineer.

FA&CAO(F&B) } icr information.

CAO(C.)CCG

Annexure III

Calculation showing the one time lump sum payment due as lease rent from HMRDC in terms of MoR's orders of October 2001

- A. Width of BG formation=6.85 Mtrs
- B. Length of the line=183 Kms or 183000 Mtrs.
- C. Therefore the area of land required =6.85 X 183000-1253550 Sq. Mtrs.
- D. Average Cost of land based on the rates as advised by Revenue Authorities for the year 2005 =₹ 74 per Sq.Mtr¹
- E. Cost of land in 2004=Cost of land in 2005 reduced by 10 per cent =₹ 67 per Sq. Mtr
- F. Thus, total cost of the land leased =1253550 X 67=₹ 83987850
- G. 99 per cent of the cost of land =₹83147971 say ₹8.31 crore

Thus, one time lumpsum payment required to be recovered as lease rent from HMRDC=₹ 8.31 crore

Note:-

As per Railway Board's letter No. 2001/LML/13/53 dated 04-10-2001 leasing of land to Government Departments on long term basis for a period of 35 years attracts a onetime lump sum payment equivalent to 99 per cent of the market value of the land on the date of lease along with an annual license fee at a nominal amount of ₹ 1000 for land leased to Government Departments or Undertakings.



¹ Calculated at the average market value of land as advised by Revenue Authorities between Hassan and Kankanadi