

CHAIRMAN'S ADDRESS

Distinguished Shareholders,

On behalf of the Board of Directors of Rail Vikas Nigam Limited, I extend a very warm welcome to all of you on the occasion of the 13th Annual General Meeting of the Company. The audited accounts of the Company for the financial year 2015-16, along with the Directors' Report and reports of Auditors and comments of Comptroller and Auditor General of India have already been circulated and with your permission, I take them as read.

I would like to extend a very warm welcome to Shri A K Mital, Chairman, Railway Board, Shri Pradeep Kumar, Member Staff, Shri Mohd. Jamshed, Member Traffic, Shri Hemant Kumar, Member Rolling Stock and Shri K B Nanda, Financial Commissioner (Railways) and all RVNL's Shareholders and invitees. Shri Aditya Kumar Mittal, Member Engineering - the Administrative Secretary of the Ministry for the Company is not present here as he is travelling overseas. I would like to take this opportunity to thank all of you for the unstinted support and encouragement to the functioning of the Company.

As you are all aware, RVNL, as per its mandate, has a special status and relationship with the Ministry of Railways, vis- a- vis it's other sister Railway PSUs. Your Company is an extended arm of Indian Railways working solely for and on behalf of the Ministry for the fast track implementation of capacity augmentation works and technologically challenging and other priority projects related to rail infrastructure. I would like to take this opportunity to assure the esteemed Shareholders that the Company is fully aware and committed to discharge the onerous responsibilities placed upon it and it is in this background that the continued support of the Ministry is even more valuable to ensure that RVNL is able to build on its inherent potential of improving its performance year on year.

While presenting the Railway Budget for 2015-16, Hon'ble Minister for Railways gave a clarion call for augmenting the transport capacity of Indian Railways and several innovative measures were taken to ensure that the availability of funds would not be a constraint for project execution. RVNL was also allocated funds in excess of its initial budgetary projections and it is with a great sense of achievement and satisfaction that I can inform the Shareholders that RVNL rose to meet the challenge and in 2015-16,

RVNL further consolidated its position as a major provider of rail infrastructure in the country by exceeding all previous physical and financial achievements.

Physical performance

During the year, the Ministry laid a special focus on the commissioning of lines to ensure that the assets created were put to productive use for railway operations and I am happy to inform the Shareholders that Your Company exceeded the target of getting 417 km of track ready for commissioning. Out of this 242 km of doubling and 17 km of New Lines were commissioned and train operations could commence on these sections. Another 120 km was inspected by Commissioners for Railway Safety (CRS) which could not be opened due to operational constraints of the Railways. An additional 68 km of doubling was offered to CRS for inspection, which could not be carried out. One of the most noteworthy achievements was the commissioning of **Dallirajhara- Dondi** (17 km) section on Dallirajhara-Raoghat New Line project in May, 2015, in the difficult working conditions in LWE affected areas in Chattisgarh.

RVNL also met its targets of completion of sections by surpassing all previous achievements and completing a total of 698 km of project length (353 km of Doubling, 17 km of New Line and 328 km of Railway Electrification), compared to 476 km (259 km of Doubling and 217 km of Railway Electrification) of project length in the previous year, i.e. an increase of approximately 52%. RVNL's contribution to the doubling projects is more than 50% of the total 695 km done by IR.

On behalf of the Board of Directors of the Company, I would like to place on record our deep appreciation for the proactive support extended by Chairman, Railway Board without which commissioning of railway projects done by your Company in 2015-16 would not have been possible.

The completed sections of important doubling projects include Rajatgarh - Barang, Khurda - Barang, Hospet-Tinaighat, Jaroli (Banspani) - Jakhapura, Villupuram - Dindigul, Abu Road - Sarotra Road, Rani-Keshavganj, Swaroopganj-Abu Road, Karjoda-Palanpur, Daund-Gulbarga, Raipur-Titlagarh, Sambalpur-Titlagarh, and Rewari-Manheru, Bhimsen-Jhansi, Bina-Kota etc.

The achievements of Railway Electrification projects have also been noteworthy. In 2015-16, RVNL commissioned 266 rkm of pure Railway Electrification works on important routes, including 174 rkm between Daund-Manmad and 92 rkm between Gooty-Dharmavaram of Pune-Guntakal RE project. In addition to the RE works carried

out along with doubling, a total of 328 rkm of pure RE projects were completed including Pune-Wadi-Guntakal (288 rkm) and Amala-Chhindwara-Kalumna etc. The commissioning of RE projects could have improved, but for the delay in laying of transmission lines for connecting the grid to the railway distribution sub-station by State Electricity Agencies.

Your Company has achieved commendable success in commissioning of signalling works associated with Doubling, third line, Intermediate Block Signalling and yard remodelling. During the year 2015-16, RVNL commissioned 54 stations on 3rd line and Doubling projects, 40 stations on Railway Electrification, 10 Mid-section Level Crossing Gates and 7 IBS. The Company has also been able to successfully commission telecom works involving laying of optic fibre cables and 6 Quad cables of a total of 726 rkm.

Your Company, also willingly takes up technologically challenging works which it executes with due diligence and research, and I am happy to report completion of the four-lane Cable Stayed Road Overbridge over Barddhaman Yard, one of the busiest sections of Eastern Railway on the Howrah-Delhi Rajdhani route. The entire erection of the super structure over the yard was completed in a record time of 200 days, without any disruption to rail traffic. The methodology of execution and use of latest technology for this difficult work has been appreciated by all those who visited the site, including the former Financial Commissioner, Railways and other senior officers. RVNL has used ROBO Control System of Mageba for the monitoring of structural health of Cable Stayed Bridge. The forces in critical cables can be seen online through this instrumentation. This is the first railway bridge on IR where live monitoring system has been installed. Acknowledging RVNL's expertise in this field, the work of replacement of full scherzer lift span on Pamban bridge in Manamadurai-Rameswaram section has been assigned to the Company.

Progress was also made in the new hill rail projects assigned to RVNL, that is, the Rishikesh-Karnprayag section in Uttarakhand and Bhanupalli-Bilaspur-Beri section in Himachal Pradesh. With the finalisation of the alignment in the former, the process of land acquisition and environmental clearance is in an advanced stage. The sanction of the revised estimate is under consideration of the Government. The finalisation of alignment of the Bhanupalli-Bilaspur-Beri section, using the latest DEM technology, is under progress.

In December, 2014, Hon'ble Prime Minister of India commenced the work of the project for augmentation of capacity of Diesel Locomotive works at Varanasi. The project is expected to be completed as planned within a period of 24 months, i.e. by December 2016.

The construction of the Indian Railway Institute of Financial Management at Secunderabad, the first institutional building being constructed by RVNL, has also commenced and is progressing satisfactorily.

The projects related to extension of Kolkata Metro have not been progressing as planned due to non- acquisition of land, awaiting various clearances and removal of hindrances by the local authorities. However, the State Government has recently assured full cooperation in this regard, and it is expected that the pace of execution will show improvement in the current year.

Financial Performance

With the assured availability of funds, your Company achieved the highest ever Turnover of ` 4541.30 crore in 2015-16 as compared to ` 3141.97 crore in 2014-15, i.e. an increase of 44.54%. While the turnover from projects of the Ministry increased to ` 3864.98 crore from ` 2789.13 crore in the previous year, the expenditure on works undertaken for SPVs and other deposit works increased to ` 661 crore during 2015-16 in comparison to ` 325 crore in the previous year.

Profit Before Tax increased from ` 236.35 crore in 2014-15 to ` 363.65 crore in 2015-16, and Profit After Tax (PAT) of the Company is at ` 287.59 crore, showing an increase of 54.86% over the previous year.

In view of the improved financial performance, and in line with the directions of the Ministry for payment of 40 per cent of PAT as Dividend, the Directors of your Company have recommended payment of the highest ever dividend of ` 115.10 crore in 2015-16, to the Ministry of Railways compared to ` 37.50 crore in the previous year. The total amount paid as Dividend to the Ministry is now ` 266.30 crore.

The sustainability and continued growth of both the financial performance of the Company, and physical progress of projects, are extremely sensitive to the timely release of funds and the continued assignment of projects by the Ministry to the Company. We urge Ministry of Railway, for their continued support in this regard.

ADB projects

ADB has agreed to provide a multi-tranche financing facility of US \$ 500 million for funding of 5 projects. While the Loan Agreement for the 1st Tranche for an amount of US \$ 150 million was signed in July 2012, the Loan Agreement for the 2nd Tranche of US \$ 130 million was signed in February 2014. During the year 2015-16, an amount of ` 378.84 crore equivalent to \$ 57.83 million has been claimed for reimbursement from the ADB. Execution of the funded projects is in progress.

Special Purpose Vehicles

One of the main objectives for setting up RVNL was to mobilise extra budgetary resources from the market for port connectivity and hinterland rail projects. Accordingly, RVNL took the lead to create five joint venture Special Purpose Vehicles (SPVs) for implementation of projects worth ` 6139 crore with a contribution of only ` 615 crore, which is approximately only 10% of the total investment.

Kutch Railway Company Ltd., Krishnapatnam Railway Company Ltd. and Bharuch Dahej Railway Company Ltd have commenced their operations. These SPVs are contributing substantially to the total revenues of the Railways. However, certain issues affecting the financial position and operations of the SPVs are under consideration of the Ministry of Railways for resolution.

In Krishnapatnam Railway, the work on the section between Venkatachalam and Obulavaripalle is in progress. This section has two tunnels with a total length of about 7.8 km, out of which the boring of one 1.2 km tunnel has been completed. Doubling of 270 km of the Kutch Railway line between Palanpur and Samakhiali which is being funded completely by the SPV at an estimated cost of ` 1400 crore, has been taken up by RVNL on behalf of the SPV. The physical works on Haridaspur-Paradip and Angul-Sukinda New Line projects are in progress.

Newly formed SPVs

During 2015-16, a new SPV was formed by RVNL in partnership with Dighi Port Limited for linking Dighi Port to the main rail line at Roha. During the year, Ministry of Railways has also approved the formation of a new SPV with RVNL and Rewas Port Limited as promoters to link Rewas Port on the Konkan Coast in Maharashtra to Central Railway. An MoU between Rewas Port and your Company is being entered shortly.

RVNL has also decided to participate as a stakeholder in an SPV, Indian Port Rail Corporation Limited, under Ministry of Shipping. The stakeholders are 12 Major Ports and RVNL. RVNL's equity participation is limited to ₹ 10 crore i.e. 10% of the initial subscribed share capital. The SPV has been formed to undertake maintenance, upgradation and modernisation of the Port Railways and also provide capacity augmentation wherever required.

High Speed Rail Projects

RVNL has formed High Speed Rail Corporation of India Ltd. (HSRC), a fully owned subsidiary, for development and implementation of High Speed Rail projects in India, in July 2012. HSRC is undertaking pre-feasibility studies for High Speed Corridors connecting the major metropolitan cities including Delhi-Chandigarh-Amritsar, Delhi-Mumbai, Mumbai-Chennai, Delhi-Kolkata, Mumbai-Kolkata and Delhi-Chennai.

The studies are being carried out by various international consultants. Two studies viz the first phase between Mumbai and Nagpur (of Mumbai-Kolkata Corridor) and Delhi-Nagpur (of Delhi-Chennai Corridor) are being done under technical collaboration agreements with the Governments of Spain and China respectively.

HSRC has also been associated as a Project Integrator to facilitate implementation of projects related to upgrading the speed potential on certain existing tracks upto 160 kmph. Work taken up on the New Delhi-Agra section was completed and the first train to run at 160 kmph was flagged off in April 2016.

Human Resource Development

It is with some degree of satisfaction, that I can inform the Shareholders, that these achievements were realized with an on-roll staff strength of only 446 regular personnel. To maintain a lean and thin organizational structure and to assist this highly motivated team, systems and procedures have been streamlined through various measures, such as introducing Standard Bill of Quantities for different types of works, awarding composite contracts incorporating all aspects of Civil, Electrical and S&T works, floating

multi-package tenders to reduce multiple evaluations etc. These initiatives have greatly reduced the period between assignment of the work to RVNL and actual commencement of work. The task of implementation of an Integrated IT solution for the Company, which is in progress, will further improve productivity and transparency.

Corporate Social Responsibility

RVNL is conscious of its Corporate Social Responsibility. During 2015-16, the Company spent ` 5.94 crore (around 2.98% of the average net profit of last three financial years) on CSR initiatives, compared to ` 4.54 crore in the previous year. RVNL is contributing substantially in the areas of education, health and sanitation, with implementation of CSR projects by Ramakrishna Mission and Sulabh International. Some of the significant projects undertaken under CSR are 'Education for under privileged differently abled children in extremely poor areas of West Bengal, providing operation theatre complex with 50 bed post-operative care unit in Uttarakhand, providing community toilet blocks under "Namami Gange & Swachh Bharat mission" and at Chennai Railway Station. At Chennai, world class maintenance practices with imported German cleaning machines (steam vacuum and jet cleaning) have been adopted, no chemicals are used. Incinerators have been provided for disposal of sanitary napkins. The initiative at Chennai has become a truly successful model, which many are in the process of emulating.

Your Company's CSR initiatives have been well appreciated by the Parliamentary Committee on CSR, the target population and lauded by the Tata Institute of Social Science, the CSR hub, in its social audit.

MOU Performance

Based on overall performance, your Company has been rated as 'Excellent' by Department of Public Enterprises for the financial year 2014-15. The grading achieved by your company was highest among the Railway CPSEs.

It is with a feeling of satisfaction that I can inform the Shareholders that all the performance targets for 2015-16, set under various parameters in the Memorandum of Understanding with Ministry of Railways, and Department of Public Enterprises, Ministry of Heavy Industries, have been achieved. Based on the overall performance, it is

expected that your Company will achieve an 'Excellent' rating for the financial year 2015-16 also, for the sixth consecutive year.

Corporate Governance

RVNL maintains a robust system of checks and balances to ensure that the authority of decision making is exercised with due care and responsibility to meet the aspirations of Shareholders and society. Your Company complies meticulously with all legal requirements and Government guidelines regarding Corporate Governance. A Report on Corporate Governance and Management Discussion and Analysis forms part of the Annual Report.

In the end, I would like to mention that the final integration of doubling, 3rd and 4th line projects being executed by RVNL with the existing running railway system requires meticulous planning and close coordination with the Zonal Railways to ensure availability of blocks, manpower and movement of materials. It is only with the active cooperation of the Zonal Railways, and complete support from the Chairman and Members of the Railway Board and other officers, that RVNL has been able to pursue its mission to ramp up rail infrastructure in the country.

I express my sincere thanks to our esteemed Shareholders, Ministry of Railways, Ministry of Finance, Department of Public Enterprises, Ministry of Heavy Industries, the State Governments, Zonal Railways, ADB, IRFC, Financial Institutions, C&AG's office, our bankers and stakeholders in various railway projects and national and international contractors for their unstinted cooperation to RVNL. I would also like to place on record my deep appreciation for the devotion and dedication of all my fellow RVNL employees who have been pillars of strength for the Company and have delivered their best despite various difficulties and obstacles.

I am confident that the Company will continue to get the required support and cooperation to achieve the overall objectives of the Company.

Satish Agnihotri
Chairman & Managing Director

New Delhi

Date: 22nd September, 2016