



Summary

According to the official website of the Indian Railways (IR) and other published sources, it is the world's second largest passenger system and the fourth largest freight carrier. The IR also operates suburban trains and metro systems in some cities. According to the official India Railway (IR) website and other published sources, each day 19,000 trains carry an average of 2.8 million tons of freight and more than 23 million people between 7,500 stations in a network spanning 40,389 miles. Nearly two thirds, or 12,000 trains, are for passenger travel while 7,000 are dedicated freight trains. Rolling stock totals include approximately 230,000 freight and 60,000 passenger cars. There are currently four thousand diesel and over five thousand electric locomotives in operation plying long haul routes, of which about 32% are electrified. The Indian Railways also operates nine factories which manufacture about 250 electric locomotives, 250 diesel-electric locomotives and 3,000 passenger coaches each year for domestic use as well as for export. In addition, it produces 'traction motors, switch gears and control gears, cast & fabricated bogies, cast steel railroad wheels and forged axles'. The Indian Railways uses several gauges including 1,676 mm (5 ft 6 in) broad gauge; 1,435 mm (4 ft 8 1/2 in) standard gauge; the 1,000 mm (3 ft 3 3/8 in) meter gauge; and two narrow gauges, 762 mm (2 ft 6 in) and 610 mm (2 ft). Broad gauge accounts for nearly 85% of all installed track, with meter gauge comprising less than 12% and narrow gauges three percent, respectively.

Despite its own manufacturing capabilities, the Indian Railways annually procures equipment valued at \$5 billion. There are major opportunities for foreign suppliers because approximately \$446 million worth of equipment is imported. All told, the Indian Railways has budgeted capital expenditure expenses of \$10 billion during FY 14 for current and ongoing projects.

Market Overview & Data

Indian Railways operates the largest rail network in Asia and the world's second largest. It is divided into 17 zones, including the Kolkata Metro. The General Manager of each zone is under the direct supervision of the Railway Board. Zones are further sub-divided into 68 divisions under the control of Divisional Railway Managers (DRM).

Each day, the Indian Railways system transports over 23 million passengers and 2.8 million tons of freight. The total freight traffic for FY13 was 1,010 million tons, an increase of 4% compared to FY12. In FY 13, freight volume is projected to grow another 5.5%. The railway system carries a wide array of goods ranging from mineral ores (including petroleum, coal and other fuel oil), fertilizers and petrochemicals, industrial goods and finished products, livestock, agricultural produce, as well as iron and steel, among others.

The Indian Railways earned \$23.09 billion between April 2012 and March 2013, up 19.63 percent from \$19.29 billion the previous year. Seventy percent of its revenue and most of its profits are derived from freight. The passenger system operates at a loss even though total passenger revenue earnings grew by 11.35 per cent in 2013.

Department of Industrial Policy and Promotion (DIPP) statistics show that foreign direct investment (FDI) inflow into the railway components and locomotive manufacturing sector between April 2000 and June 2013 totaled US\$ 348 million. Within that period, in FY 2011, all private investments in the railway system totaled \$218 million. The railway budget for 2013-14 calls for \$10 billion in government expenditures and a greater focus on promoting incentives designed to stimulate as much as \$16 billion in investments in public private partnership projects (PPP). According to ministry sources, private investment in railways could then increase to \$ 1 billion in FY 2014.

The first coal connectivity project worth \$0.6 billion is moving ahead after the signing of a Memorandum of Understanding (MoU) between Chhattisgarh Government, IRCON (a division of Indian Railways) and SECL (the coal producer). The majority will be spent by SECL.

The five port connectivity projects worth a combined \$600 million have also attracted private investors. Five out of six projects for Astranga, Dighi, Jaigarh, Dhamra, and Rewas have already been approved by Ministry of Railways. Feasibility studies will be conducted soon. Only the Hazira port project is still pending.

The Indian economy has been growing rapidly and has created a demand for additional freight movement to and from the economic growth centers. The existing railway lines carrying both passenger and freight trains are already strained and unable to handle additional traffic. Priority is always given to passenger traffic which causes further delays and higher costs for freight shipments. To resolve the issue, the Indian Government established the Dedicated Freight Corridor Corporation of India Limited (DFCCIL) in 2006. According to the official website, 'The DFCCIL is a corporation run by the Government of India to undertake planning & development, mobilization of financial resources and construction, maintenance and operation of the Dedicated Freight Corridors. The new corridor is designed to carry freight trains that are wider, higher (up to two container stacks), longer (up to 1500 meter), heavier load (up to 15,000 ton) and run faster. The first phase includes two corridors running east and west with a combined total of over 3,338 kilometers. The World Bank and JICA (Japan) are providing funding. Another eastern section between Sonnagar and Dankuni spanning 534 km may be constructed under a PPP. In addition, six other corridors have been identified for technical studies on setting up high speed rail corridors for passenger service. In addition to improving long haul routes, India's major cities have begun or are expanding metro rail networks including Kolkata, Delhi, Mumbai, Bangalore, Hyderabad and Chennai.

Recent Developments in the Railway Sector

For more information on the following, please visit <http://www.oifc.in/railways>

- Allcargo Global has decided to invest in setting up a rail terminal in Hyderabad as part of the company's expansion plans in India;
- L&T Metro Rail (Hyderabad), an arm of infrastructure firm L&T has granted a \$40.67 million project to Korean technology firm Samsung SDS Company, for setting up automatic fare collection (AFC) system for the upcoming Hyderabad metro rail project;
- India witnessed the roll-out of its first mono rail which was test run in Mumbai recently. The first phase of the project spans for 8.80 km and is anticipated to be opened to public in August 2013;
- Harsco Corporation of US is a global industrial services company with decades of experience in India. The company is interested in making new alliances and acquisitions in India and sees great potential in helping to develop the country's railway infrastructure;
- The World Bank is planning to finance the international expansion of the Indian Railways to bring transport infrastructure to African countries and other developing nations. The World Bank has earmarked US\$ 2 billion for the project. Indian Railways has a growing business in Africa and has supplied locomotives to Mozambique, Tanzania, Mali and Senegal and has also rehabilitated lengths of track in Liberia and Mozambique.

Best Prospects

- Shortlisting of companies for two upcoming locomotive projects worth \$484 million in Bihar under the PPP model is expected in the last quarter of 2013. Multinationals like GE, EMD and CSR have expressed interest in setting up diesel locomotive factories while GE CSR, Bombardier, Alstom and Siemens have shown interest in the electric locomotive factory. The project is expected to be awarded in early 2014.

- The Indian Railways has introduced multi-genset locomotives in order to decrease the carbon footprint in train operations through reductions in fuel consumption and emissions. Indian Railway spends about \$1.2 billion for 2.4 billion liters of high speed diesel each year. The prototype under development is in the medium horse power range with 3 gensets of 800 Horse Power (HP) capable of a combined total of 2400 HP.
- According to an article published in LiveMint on Sept. 9, 2013, the Indian Railways is actively pursuing a public-private partnership (PPP) model for setting up a new coach factory in Kerala which is expected to cost \$92 million and produce 400 coaches a year. Upon completion, the factory will supply 1,200 stainless steel coaches and 200 aluminum coaches to Indian Railways.
- Rail Vikas Nigam Ltd is the parent company of HSRC, a newly launched corporation that will coordinate the development of high speed rail in India. Seven corridors are planned. The feasibility studies for the Mumbai-Ahmedabad and Delhi-Amritsar routes have been completed. A 630 km stretch between Ahmedabad and Pune is the subject of a feasibility study by the French national railway for a high speed rail corridor. The cost of the future project is estimated at \$9 billion.
- Intermodal city transport management experience: Major transit authorities have tremendous experience in intermodal transport management which is India needs. Leading U.S. trade development agencies can play a leading role in bringing American and Indian transit authorities together through in-country workshops and reverse missions.
- The Indian Railway Catering and Tourism Corporation Ltd (IRCTC), Indian Railways' online ticket selling portal, is planning to invest \$17 million to revamp its online ticketing system. After rebuilding the website, its ticket-processing capacity will increase by 275 per cent, up from the current 2,000 tickets a minute to 7,500 tickets. As a result, IRCTC's daily revenue is expected to jump by 67 percent to \$150,917.

Prospective Buyers

Indian Railways and its nine manufacturing units (with *products listed in brackets*)

- Chittaranjan Locomotive Works, Chittaranjan (Electric Locomotive)
- Central Organisation for Railway Electrification- CORE, Allahabad (Railway Electrification)
- Diesel Locomotive Works, Varanasi (Diesel Locomotive)
- Diesel Loco Modernization Works- DMW, Patiala (Loco Rebuilding)
- Integral Coach Factory, Chennai (Railway Passenger Coach)
- Mumbai Railway Vikas Corporation Ltd-MRVC, Mumbai (Suburban Rail Improvement Project)
- Rail Coach Factory- RCF, Kapurthala (Railway Passenger Coach)
- Rail Wheel Factory- RWF, Bangalore (Rail Wheel and Axle)
- Rail Coach Factory- RCF, Raebareli (Railway Passenger Coach)

There are eleven public companies under the administrative control of the Ministry of Railways:

- Rail India Technical and Economic Services Limited (RITES)
- Indian Railway Construction (IRCON) International Limited
- Indian Railway Finance Corporation Limited (IRFC)
- Container Corporation of India Limited (CONCOR)
- Konkan Railway Corporation Limited (KRCL)
- Indian Railway Catering and Tourism Corporation Limited (IRCTC)
- Railtel Corporation of India Limited (Rail Tel)
- Mumbai Rail Vikas Nigam Limited (MRVNL)
- Rail Vikas Nigam Limited (RVNL)
- Dedicated Freight Corridor Corporation of India Limited (DFCCIL)
- Bharat Wagon and Engineering Co. Ltd. (BWFL)

- Various Metro rail Corporations in India

Market Entry

U.S. companies can have comprehensive or project-based business joint ventures or supplier agreements with local firms. Partnership with local companies is recommended in the early phase of market entry for small and medium enterprises. If the response from key clients is good, it is also worthwhile to open a local office. U.S. companies need to understand the government procurement process since all government purchases are tender based.

A foreign company can choose from the following options, for its market entry strategy:

- Wholly owned subsidiary company- this is treated as an Indian company for all regulations. At least two shareholders are mandatory for a private limited company and seven for a public limited company.
- Joint venture with an Indian partner, preferably with majority equity participation -- this is again treated as an Indian company. Such strategic alliances are forged with local companies having substantial experience and expertise in the relevant line of activity.
- Liaison office -- this is treated as a foreign company. Its role is limited to collecting information about the possible market and providing information about the company to prospective clients. Such offices act as "listening and transmission posts," and are not allowed to undertake any business activity and cannot earn any income in India as per approval granted by the Reserve Bank of India.
- Project office -- this is treated as a foreign company, meant for executing specific projects.
- Branch office -- this is treated as a foreign company, meant for foreign companies engaged in manufacturing, trading and consulting; with prior approval of Reserve Bank of India.
- Agency/Distributorship – a foreign company can always pursue this route of market entry by appointing agents or distributors in India.

Market Issues & Obstacles

A major portion of all purchases is done by the government owned Indian Railways and its subsidiaries. Although the global tender process is quite lengthy and requires bid security deposits, the market is very attractive. The formalities and processes can be managed effectively by Indian agents. Exporters should also consider seeking support from the [Advocacy Center](#). Other issues to be aware of are price sensitivity in the Indian market as well as local and foreign competition in certain railway industry subsectors.

U.S. Railway Component Companies working in India

U. S. Company

3M
Brady Corporation
Click Bond Inc.
Ametek
Carrier Transport Air-conditioning
Eaton Corporation
EMD
Enerpac
Gates Corporation
GE
Wabtec
Federal Mogul Goetze India Ltd
Ingersoll Rand
GATX Corporation

Product/Sector

Adhesive
Labels, printers, id system
Adhesive bonded fastener system
Brushless DC motor, fan, pumps
HVAC
Hydraulic, pneumatic components
Railway Engine
Hydraulic Jack
Hoses,
Compressor, Rail Engine
Automatic doors, braking system
Piston and piston rings
Compressor
Railcar Leasing

Indian companies supplying to Indian Railways

Indian Company

Stesalit Limited
Phooltas Harsco Rail Solutions Pvt. Ltd. (also reps Knox Kershaw)
Braithwaite & Co. Ltd.
Jessop & Co. Ltd.
Texmaco Ltd.
Burn Standard Co. Ltd.
Bridge & Roof Co. India Ltd.
Titagarh Wagons
Bharat Forge
Tata Growth Shop
Emson Tools
Llyod Electric & Engineering Ltd
Bharat Heavy Electricals Ltd
Air Control & Chemical Engineering Co. Ltd.
Sidwal Refrigeration Industries
Beekay Precision India Pvt. Ltd.
Urban Engineering Pvt. Ltd
Rail Udyog Pvt. Ltd.
Bharat Earthmovers Ltd
Patil Rail Infrastructure Pvt. Ltd.
Daulat Ram Engineering Services Pvt. Ltd

Product/Sector

Electronics for rolling stock
Tower wagon, utility vehicle, crane, trolley
Freight Wagon
Freight Wagon
Freight Wagon
Freight Wagon
Freight Wagon
Freight Wagon
Camshaft
Engine Block, crankcase, cover & frame
Forging components
HVAC
Locomotive, motors, controls, transformers
HVAC
HVAC
Aluminum casting products
Signaling component and lights
Track fitting, trolley and couplings
Rail coach, engine, inspection and track car
Concrete Sleepers and track fasteners
Motors, HVAC, Insulation, Castings

Trade Events

Event Name : AREMA 2014
Date : Sept 28- Oct 1, 2014
Venue : Chicago
City/State : U.S.A
URL : <http://www.arema.org/meetings/2014/index.html>

A buyer delegation will be recruited by the U.S. Commercial Service in India for this exhibition.

Event Name : The International Railway equipment exhibition (IREE)
Date : October 3 – 5, 2013
Venue : Pragati Maidan, New Delhi
City/State : New Delhi
URL : <http://www.ireeindia.com/>

U.S. companies seeking to meet a larger number of potential buyers should plan to exhibit at this exhibition.

Resources & Key Contacts

Key websites:

Indian Railways: <http://www.indianrailways.gov.in/>
RITES Limited: <http://new.rites.com/>
IRCON: <http://www.ircon.org/>
Railway Budget: <http://www.indianrail.gov.in/>
Ministry of External Affairs, Investment and Trade Promotion Division: <http://indiainbusiness.nic.in>
Dedicated Freight Corridor Corporation of India Ltd.: <http://www.dfccil.org/>

For More Information

The U.S. Commercial Service in Kolkata, India can be contacted via e-mail at: Shantanu.Sarkar@trade.gov;
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The U.S. Commercial Service — Your Global Business Partner

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Comments and Suggestions: We welcome your comments and suggestions regarding this market research. You can e-mail us your comments/suggestions to: tic@trade.gov Please include the name of the applicable market research in your e-mail. We greatly appreciate your feedback.

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