



रेल विकास निगम लिमिटेड  
*Rail Vikas Nigam Limited*  
(A Government of India Enterprise)

2009-2010



वार्षिक रिपोर्ट  
ANNUAL REPORT

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### PERFORMANCE DURING LAST FIVE YEARS

(Figure in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
Total Income	4.64	18.20	46.78	68.10	80.83
Paid-up Share Capital	950.00	1,150.02	2,015.02	2,085.02	2,085.02
Reserve & Surplus	1.24	12.50	35.08	66.56	106.76
Capital Employed	1,669.26	3,115.52	4,495.10	6,061.58	7,417.84
Net worth	1,149.24	1,676.00	2,119.09	2,151.07	2,191.78
Net Fixed Assets	2.78	2.97	3.29	3.37	2.72
Profit before tax	1.89	15.25	39.34	57.28	67.49
Provision for Tax	-	3.98	10.91	16.45	15.58
Profit after tax	1.89	11.27	28.43	40.83	51.91
Dividend	-	-	5.00	8.00	10.00
Earning Per Share (EPS)	0.02	0.12	0.21	0.20	0.25

# Management Team प्रबंधन टीम

(As On Date of AGM)

(जहाँ वर्तमान वेतन की तिथि पर)

## Board of Directors निदेशक मंडल



श्री राकेश चोपड़ा सदस्य इंजीनियरिंग बोर्ड, चेयरमैन (अवकाशिक अधिकारी)  
Mr. Rakash Chopra, Member Engrs. Railway Board  
Chairman (Part-time Official)



श्री सतीश अग्निहोत्री, प्रबंध निदेशक  
Mr. Satish Agnihotri, Managing Director



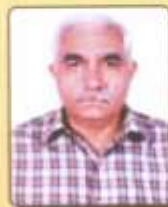
श्री हरिश् चंद्रा, वित्त निदेशक  
Mr. Harish Chandra, Director Finance



श्रीमती गीता मिश्रा, निदेशक: कर्मचारी  
Smt. Geeta Mishra, Director/Personnel



श्री मुकुल जैन निदेशक: परिचालन  
Mr. Mukul Jain, Director/Operations



श्री एस.के. मलिक, अवर सचिव सिविल इंजीनियरी, रेलवे बोर्ड (अवकाशिक अधिकारी) / निदेशक  
Mr. S.K. Malik, AM (CE), Ry. Board  
(Part-time official)/Director



श्री आर.एन. अगा (अवकाशिक गैर-अधिकारी) / निदेशक  
Mr. R. N. Aga, (Part-time Non-official)/Director

**COMPANY SECRETARY**

Mrs. Suman Kalra

**REGISTERED & CORPORATE OFFICE**

1st Floor, August Kranti Bhawan, Bhikaji Cama Place, R. K. Puram, New Delhi-110066

**PROJECT IMPLEMENTING UNITS**

Rail Vikas Nigam Limited  
D. No. 9-1-129/302, 3<sup>rd</sup> Floor, Oxford  
Plaza, Sarojini Devi Road,  
Secunderabad

Rail Vikas Nigam Limited,  
36, Parijat Raj Kishore Naga,  
Bilaspur

Rail Vikas Nigam Limited  
6.9 Acre Complex, B Block,  
Rail Vihar, Chandrashekharpur  
Bhubaneswar

Rail Vikas Nigam Limited  
Shop No. 3, Casablanca,  
Plot No. 45, Sector-11 C.B.D. Belapur,  
Navi Mumbai

Rail Vikas Nigam Limited Mezzanine  
Floor, Thirumalai, Railway Station,  
MTP Field Office, Mylapore  
Chennai

Rail Vikas Nigam Limited  
434, Shekhawat Mansingh Block,  
Neemisagar Colony,  
Queens Roads, Vaishali Nagar,  
Jaipur

Rail Vikas Nigam Limited  
Office Block No. B-1, 3rd Floor, FMC  
Fortuna Building  
234/3A, AJC Bose Road, Kolkata

Rail Vikas Nigam Limited  
1<sup>st</sup> Floor, August Kranti Bhawan,  
Bhikaji Cama Place, R.K. Puram, New  
Delhi-110066

Rail Vikas Nigam Limited  
7, Kesharkunj, Shankar Nagar,  
Near Pragati Petrol Pump,  
Habib Ganj, Bhopal

Rail Vikas Nigam Limited  
Near IRICEN Railway Colony,  
South Main Road, Koregaon Park,  
Pune-411001

Rail Vikas Nigam Limited  
59-A&B, Sector-II Gitanjali Nagar,  
Raipur

Rail Vikas Nigam Limited  
4<sup>th</sup> Floor, DRM Office Building South  
western Railway  
Bangalore

**Statutory Auditors**

Bhushan Bensa Jain Associates,  
Chartered Accountants,  
4648/21, Daryaganj, New Delhi-110002

**Web Site :** [www.rvnl.org](http://www.rvnl.org)

**Bankers**

State Bank of India  
Union Bank of India  
Corporation Bank  
Axis Bank  
ICICI Bank

## 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 Seventh Annual General Meeting of the Company. The audited accounts of the Company for the financial year 2009-10, along with the Directors' Report and reports of Auditors and comments of Comptroller and Auditor General of India have already been circulated to you and with your permission, I take them as read.

I am happy to report that during 2009-10, RVNL continued on the path of its upward trajectory and the Company achieved a turnover from project execution of Rs.1749 crore in 2009-10, registering a growth of 5.7% over the previous year. The gross profit of the Company increased from Rs. 68.10 crore in 2008-09 to Rs. 80.82 crore in the current year. The income from project execution in 2009-10 increased to Rs 58.69 crore as against Rs 34.66 crore in 2008-09. Despite the heavy burden arising out of the implementation of the 6<sup>th</sup> Pay Commission for employees under CDA, and second Pay Committee recommendations for employees under IDA, it is indeed commendable that RVNL was able to restrict its D&G charges in 2009-10 within the limit of 5%, i.e. at 4.58% of project expenditure. In this context, it is also important to highlight that RVNL incurs substantial expenditure on items of expenditure such as rent on offices and residence, medical, travel and lodging which are not incurred by Construction organizations on the Railways and directly charged to the project. RVNL is reviewing the methodology of charging of D&G charges to projects to bring them in line with those charges being incurred on projects on the Railways. To reduce the incurrence of expenditure on D&G charges, as RVNL is engaged in executing only Railway projects, the Company has requested Railway Board for allocation of surplus office accommodation for project offices at nominal charges as is being allowed to other Railway PSUs such as IRCTC. The proposal is presently under consideration of the Railway Board.

The major source of profits of Rs.32.95 crore is from the execution of projects for SPVs while Rs. 25.74 crore was realised as Management Fee for execution

of Railway projects. One of the contributing factors to the improved financial performance of the Company has been the decision of the Railway Board to increase the management fee of RVNL from 1 to 2 per cent. An additional incentive of upto 0.5 per cent has been allowed based on the performance of the Company as assessed by the rating achieved in the MOU entered into with the Ministry of Railways and DPE. While the Company is grateful to the MoR for the confidence placed in it by increasing the Management Fee at the same time there is a further need to ensure that the margins allowed to RVNL are at par with similar placed organizations and that there is sufficient potential for the Company to nurture and grow into a viable and sustainable organization.

In view of the improved financial performance, the Directors have recommended a dividend of Rs 10 crore for 2009-10 as compared to Rs 8 crore during the previous year, i.e an increase of 25%, for the consideration by share holders.

It is also to be highlighted that this level of achievement was realized with an on roll staff strength of only 245 regular personnel and was made possible largely due to basic changes in project planning, tendering, awarding of contracts and project execution. RVNL has done pioneering work in preparation of a new bill of quantities, which significantly reduces the effort in decision making and contract management, thereby reducing the requirement of manpower. RVNL has continued to maintain an extremely thin organization which exemplifies the dedication and efficiency of its officers and staff.

This dedication and efficiency is reflected in the physical completion of projects handed over to the respective Zonal Railways for operations. During the year, RVNL commissioned and handed over to the Railways 80 kms of doubling cum gauge conversion between Phulera-Ajmer of the operationally important Rewari-Phulera-Ajmer Gauge conversion project. The 101 km long section between Sirkazhi-Villupuram of Mayiladuturai-Villupuram gauge conversion project on Southern Railway was

commissioned, thereby completing the project. On North Western Railway the 223 kms long gauge conversion project of Bhildi-Samdari, which provides a vital link between the North and the ports of Western India, was commissioned for goods traffic in December 2009. In March 2010, a loco trial run was successfully conducted after completion of construction of the port connectivity work of Vallarpadm-Idapally new line, funded by Ministry of Shipping. This project involved construction of a 4.6 kms long bridge, which is the longest railway bridge in India. This bridge has been constructed in a record time of 27 months. The Tirivallur-Arakkonam 3<sup>rd</sup> line project which was completed in 2008-09 was commissioned for passenger traffic in 2009-10. On South Central Railway the Pullampet-Bhakrapet, 43 kms section, of the Gooty-Pullampet patch doubling project was commissioned for passenger traffic in February 2010. The Hospet-Guntakal project was completed with the commissioning of Bellari by-pass in March 2010. Among the Railway Electrification Projects, 43 km of the Nandallur-Cuddapah section of the Renigunta-Guntakal Project and 49 km of Tomka-Harichandpur section of Tomka-Banspani Project were also completed and energized in 2009-10.

RVNL has till now completed 422 kms of doubling, 1517 kms of gauge conversion, 185 kms of new line and 1152 kms of Railway Electrification. In all, 22 projects have been fully completed up till 31<sup>st</sup> March 2010. These achievements prove the capability of the company in executing difficult works and meeting the expectation of delivering high quality infrastructure.

In addition to funding of projects through the Budget of the Ministry of Railways, RVNL has been able to mobilize funds from other sources including borrowing and private participation for the execution of projects in SPV mode. RVNL has till now formed five Special Purpose Vehicle (SPVs). The total value of projects identified for implementation in SPV mode is Rs.3837 crore, out of which the total equity of RVNL will be Rs.528 crore, of private stakeholders Rs.722 crore and Rs.2059 crore will be raised through debt leveraged on the equity of the various companies.

The various SPV projects are at various stages of implementation. The first SPV of RVNL, Kutch Railway Company Limited, which constructed the Gandhidham-Palanpur line has seen a geometrical growth over the last three years and is expected to reach its saturation level in the next five years. A proposal for doubling of the line is already in process. Krishnapatnam Railway Company Limited has already commissioned the first portion of the Obulavaripalle-Krishnapatnam new line project between Venkatachalam to Krishnapatnam Port and rail traffic from the Port is now moving along the line to join the Indian Railway system. The project involves construction of two tunnels of a total length of 8.3 kms. with one tunnel being 7 kms long. The work for design consultancy for the tunnel has been awarded and it is planned to award the tender for construction of the tunnel by March 2011. The contract for execution of work for 2 block sections between Obulavaripalle-Nethivaripalli has also been awarded. The work of gauge conversion of the line between Bharuch and Dahej awarded in April, 2009 has picked up pace and is expected to be completed by March 2011. This is in spite of the fact that work on the project inside Baruch city was stopped for a considerable duration by the local population demanding a change of alignment. Angul-Sukinda Railway Limited, the SPV for execution of Angul-Sukinda new line project has become functional with the signing of Shareholders Agreement and Concession Agreement. The land acquisition is in process and the tender for construction of a major bridge on the river Brahmani has been floated. The Haridaspur-Paradeep project has unfortunately received a set back due to local unrest resulting in problems of land acquisition and action is being taken to resolve the issue.

In this context it would not be out of place to highlight that one of the main objectives for which RVNL was established was to raise non-budgetary resources for implementation of bankable railway projects. However, this mandated role of RVNL has been restricted to that of only implementation of projects. The Vision 2020 Document of the Indian Railways project that approximately Rs.14,00,000 crore will be needed for augmentation of capacity,

upgradation and modernization of Railways in the next 10 years. A major part of this amount will have to be raised through extra budgetary resources. Perhaps, with the constraint of availability of funds for project implementation being faced by the Railways, this may be the right time for Railway Board to review the role of RVNL so that it can play a role in raising funds from the market for execution of bankable projects. The large capital base of RVNL can be leveraged for fund raising as per the original scheme. RVNL will also need a sound revenue stream to have a healthy bottom line to increase the strength of its balance sheet for borrowing and debt servicing.

RVNL is doing its utmost to ensure completion of physical targets and is concentrating on projects which have been delayed for one reason or the other. This requires meticulous planning and close coordination with the Zonal Railways to ensure availability of blocks, manpower, movement of material to integrate the project railway with the existing running railway system. This is especially so for doubling and 3<sup>rd</sup> line projects. It is with the active cooperation of the Zonal Railways that a number of sections, as already detailed, were opened during the year. I am sure that the Zonal Railways will be giving their best to ensure full cooperation to RVNL in the current year and future to ensure successful implementation of projects.

I am happy to report that recognizing the good performance of the company, Railway Board has continued to repose faith in RVNL and transferred another seven projects during 2010-11 involving a capital expenditure of about Rs 9300 crore. These include construction of 66 kms of new Metro rail lines, implementation of New Line Projects and construction of a Diesel Loco Component factory which is an entirely new domain of project execution for RVNL. These projects involve either intensive supervision or a longer gestation period, for which a higher D&G level should be permitted by Railway Board. RVNL has already taken action for project preparedness of the five projects to be funded from the second ADB loan

so that tenders can be floated as soon as the "in principle" approval of ADB is received. However, due to delay in the sanction of the ADB loan, the execution of the five projects is held up which is affecting the performance of the Company.

As per Department of Public Enterprises (DPE) guidelines, RVNL like all other PSUs has to sign a Memorandum of Understanding (MOU) with Ministry of Railways every year, which contains specific financial and physical targets to be achieved during the year. I am happy to report that for the year 2009-10, RVNL, as per internal assessment, has evaluated its performance vis-à-vis MOU targets as Very Good. The Company has sent the rating to Department of Public Enterprises for approval. I am confident that RVNL will further improve its performance with respect to the targets set in the MOU for 2010-11 and achieve a rating of "Excellent". I am also happy to inform that as per the guidelines issued by Department of Public Enterprises on Corporate Governance for Central Public Sector Enterprises in June 2007, RVNL had incorporated the Report on Corporate Governance and Management Discussion & Analysis Report in the Annual Report for the financial year 2007-08 and is also a part of the Annual Report for 2009-10.

It is a matter of great satisfaction that RVNL within a short span of its existence and with a lean organizational structure has matured as a leading infrastructure provider in railway sector. I hope and sincerely wish that RVNL would further hone up managerial and technical skills and set up a new benchmark of efficiency, quality and timely delivery of projects. I am confident that RVNL will meet this challenge successfully and come out with flying colours.

Last but not the least, I must take this opportunity to express my sincere thanks and gratitude towards all my colleagues. I express my sincere thanks to our esteemed Shareholders, Ministry of Railways, Ministry of Finance, the State Governments, Zonal Railways, ADB, Financial Institutions, Banks,

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 the RVNL employees who have been the pillars of strength for the company and delivered despite various difficulties and obstacles.

I am confident that the company will continue to get support and cooperation from all the stakeholders to set new landmarks in the history of railway project development and delivery.

Sd/-  
**Rakesh Chopra**  
(Chairman)

New Delhi

Dated: 14/09/2009

*Note: This does not purport to form part of the proceedings of the Annual General Meeting.*

## Directors' Report

### Distinguished Shareholders,

The Directors of your Company are privileged to present the Seventh Annual Report of the Company reflecting the performance of the Company in all spheres, along with Audited Annual accounts, Auditors' Report and review of the accounts by the Comptroller & Auditor General of India for the financial year 2009-10.

#### INTEGRAL REPORTS

In accordance with the guidelines on Corporate Governance laid down by Department of Public Enterprises, this report contains a "Report on Corporate Governance" (**Annexure-A**) and "Management Discussion and Analysis Report" (**Annexure-B**).

The Report on Corporate Governance underlines RVNL's philosophy on Corporate Governance, composition of the Board of Directors of RVNL, information related to Board meetings, Audit Committee, Remuneration Committee and disclosures as required to be made under the aforesaid DPE's guidelines. The Report also contains a Certificate signed by the Managing Director affirming receipt of compliance with the Code of Conduct from all Board members and Senior Management personnel during the year 2009-10 (placed at Annexure "A-1")

It is also supplemented by a Certificate of compliance on Corporate Governance by a Practicing Company Secretary at **Annexure C**.

The Management Discussion and Analysis Report provides an overview of the affairs of the Company, the industry scenario, Company's prospects, Company's SWOT analysis etc.

It has also an Addendum to the Directors' Report containing Management replies to the observations made by auditors' in their report.

The detailed Directors' Report is produced below:

#### 1. FINANCIAL PERFORMANCE

At the outset, the Directors would like to express their appreciation to the Ministry of Railways' continued support in ensuring the sustainability of RVNL as a sound business entity. The decision of the Ministry to increase the management fee for RVNL

from 1% to 2% of project expenditure and the provision of an element of incentive will spur RVNL to continuous growth and improved performance.

During the year 2009-10, your Directors are happy to report that RVNL has been able to sustain and improve on the level of financial performance achieved during the previous year. This is despite the fact that the projected expenditure on ADB projects could not be incurred due to non finalization of the loan conditions.

#### A. Financial Highlights

(i) **Project Expenditure** : The expenditure on projects increased from Rs.1654.16 crore in 2008-09 to Rs.1749.08 crore in 2009-10. During this period, there has been a substantial increase in the expenditure on projects executed for SPVs and deposit works (on behalf of Cochin Port Trust and SAIL) from Rs.257.02 crore to Rs. 399.90 crore which has also contributed to the income of the Company.

(ii) **Net worth** : The net worth of the Company has improved on account of transfer of profits to reserve and surplus. Accordingly, the Net Worth of the Company has increased from Rs.2151.07 crore to Rs.2191.78 crore.

