

CHAIRMAN'S MESSAGE

It gives me immense pleasure to welcome you all to the Fifth Annual General Meeting of the Company. The report of the Board of Directors and audited annual accounts of the Company for the year ended 31st March 2011 together with the Auditor's Report have already been circulated to you, and with your permission, I take them as read.

The Dedicated Freight Corridor is one of the biggest infrastructure projects undertaken by Govt. of India after independence. As the country's economy has entered into a high-growth phase, the infrastructure needs of the country have multiplied. To meet this economic challenge, Ministry of Railways have undertaken a mega project for a quantum jump in Railway's transportation capacity for ensuring a sustainable growth of the national economy. The golden quadrilateral comprise of some of the busiest routes of IR and the quadrilateral with two diagonals carry 55% of the revenue earning freight traffic of IR. The existing traffic routes of Howrah-Delhi on Eastern Corridor and Mumbai-Delhi on Western Corridor are highly saturated where line capacity utilisation varies from 115% to 150%.

Freight corridor concept plan is 10,122 Kms. but to begin with, the construction of two dedicated freight corridors on Eastern Corridor from Ludhiana to Dankuni via Mughalsarai of 1839 Kms. and on Western Corridor from Dadri to JNPT of 1534 Kms. have been approved. The DFC is a mega project and the completion cost as per the Business Plan is Rs.77630 Crore. The additional capacity of Eastern and Western Corridor will meet the demand of heavy coal movement' growing international trade and booming infrastructure construction.

I would like to mention some of the major project activities undertaken in the current year. The Business Plan of DFC setting out the framework of conduct of business of DFC Vision, Mission, Objectives and Supporting Strategies is approved. The Concession Agreement, which will be defining the relationship between Indian Railways and DFC, has also been approved. The Concession Agreement lays down the principles of the revenue stream for Dedicated Freight Corridor and which will be the basis of the operational and financial management of the company.

DFC Project has been declared as the special project of Ministry of Railways and land acquisition is being done as per Railway Amendment Act, 2008. Land is being acquired by DFCCIL on behalf of Central Govt. (MoR) through nominated competent authorities who are the revenue officers of the State Govt. DFC alignment in Eastern and Western Corridor passes through 61 districts of 9 states covering 10840 hectares of land (4349 hectares on Eastern Corridor and 6494 hectares on Western Corridor). While acquiring land for freight corridors, environmental issues like forest land in Thane, right of passage through Sanjay Gandhi National Park in Thane Distt. and forest clearance through Balaji-Ambaji Wildlife Sanctuary in Gujarat have posed major challenges.

In case of densely populated area, the detours have been proposed so as to minimise the shifting of population. The compensation for land is guided by the Principles of Equity and Justice enshrined in the Railway Amendment Act, 2008 and National Rehabilitation and Settlement Policy 2007. For this purpose, the compensation includes new benefits given in the entitlement matrix approved by the Ministry of Railways such as ex gratia payment, additional compensation to marginal farmers etc. By March 2011, about 6666 hectares of land (2541 hectares on Eastern Corridor and 4125 hectares on Western Corridor) has been notified for being taken over for construction of freight corridor. Out of this, compensation awards have been declared for 4252 hectares (1286 hectares on Eastern Corridor and 2946 hectares on Western Corridor) which is about 40% of the total requirement of land. Upto August 2011, 5004 hectares of land has been acquired which is 50% of the total requirement of DFC. By June 2012, entire DFC land acquisition is likely to be completed. On Eastern and Western Corridor, 303 Kms. of alignment had to be changed for minimizing the social and environmental impact due to construction of dedicated freight corridor.

I would like to throw some light on the progress of funding of the project. The Western Dedicated Corridor is to be funded by JICA (Japan International Cooperation Agency). The Eastern Dedicated Corridor between Ludhiana and Mughalsarai is to be funded by World Bank. The progress is as under

(i) Phase I (Vadodara – Rewari) 920 km (JICA)

Loan Agreement ID-P205 for Engineering Services Consultancy (Ph. I) for Two Billion Six hundred six million Japanese Yen and Loan Agreement ID-P209 for construction in the Phase I for Ninety Billion two hundred sixty two million Japanese Yen was signed with JICA on 31/03/2010 and activities for final execution have started in full swing. The construction contract is expected to be awarded by March 2012.

(ii) Phase II (Vadodara – JNPT and Rewari - Dadri) 564 km (JICA)

Loan Agreement ID-P212 for Engineering Services Consultancy (Ph.II) for One billion six hundred sixteen million Japanese Yen was signed with JICA. Loan Agreement for construction of Phase-II is expected to be signed in March, 2012.

iii) Funding for Mughalsarai-Kanpur-Khurja-Ludhiana section (1131 kms) of Eastern Dedicated Freight Corridor – World Bank "in principle" has agreed to finance Eastern Dedicated Freight Corridor from Mughalsarai to Ludhiana. World Bank has approved US\$ 975 million loan for Phase 1 Project of Eastern DFC from Khurja to Bhaupur (343km).

One of the important requirements for speedy construction of DFC is its organisation building for the construction phase. By 2015, 932 staff strength would be required for this purpose. DFC has taken recourse to market recruitment and Indian Railways have also been helping DFC by giving manpower on deputation right from inception.

It has also been decided to build Sonnagar – Dankuni section on Eastern DFC which is 525 Kms. long on Public Private Partnership (PPP) model. Various options of financial models are under evaluation by Railway Board which would form the basis of PPP agreement. Steps are being taken to expedite the process.

The project faces a number of challenges like development of new rolling stock with 25 t / 32.5 t axle load, high horse power locomotives and Multimodal Logistic Parks on the Dedicated Freight Corridors. To achieve the full potential of the freight corridors, parallel development of higher axle load wagons is a very important input so that heavier loads can be run on Dedicated Freight Corridors. To operate heavier loads, Railways are also developing high horsepower locos which will be very crucial as the maximum train speeds on the Dedicated Freight Corridors will increase from 75 Kmph to 100 Kmph. Further development of logistic parks is also a key infrastructure where Multimodal traffic handling arrangements with other allied services would be necessary.

Another area of challenge is development of feeder routes alongwith the freight corridor. The proposed feeder routes at present on Eastern and Western corridor have a route length of about 4,500 Kms. These routes have to be developed to run 25 t axle load and they need to be electrified to have uniformity of traction. These works will be necessary for seamless operation of traffic from ports to hinter land and for coal movement from mines to power houses.

With the rapidly changing corporate environment, Corporation is adopting CSR as a strategic tool for sustainable growth. The Corporation has formulated a long term Corporate Social Plan specifying activities to be undertaken, budgets allocated, responsibilities and authorities defined, and measurable results expected. We are committed to operate in an economically, socially and environmentally sustainable manner.

Ministry of Railways has entrusted DFCCIL with the task of managing Preliminary Engineering-cum-Traffic Survey (PETS) for future dedicated heavy haul freight corridor named as East Coast Corridor (between Kharagpur- Vijayawada, length about 1100 km), North-South Corridor (between Delhi-Chennai length about 2173 km), Southern Dedicated freight Corridor (between Chennai-Goa, length about 890 km) and East-West Corridor (between Kolkata-Nagpur-Mumbai, length about 2000 km) to be arranged through M/s. RITES. The work in this direction has started.

I would also like to inform you that as per the guidelines issued by Department of Public Enterprises on Corporate Governance for Central Public Sector Enterprises in May 2010, "A Report on Corporate Governance" and "Management Discussion and Analysis Report", forms the part of the Annual Report for the year ended 31st March 2011. Company is committed towards ensuring that business ethics and values are adhered to. The Corporation has achieved the targets as set out in the Memorandum of Understanding for the year 2010-2011 signed between Ministry of Railways and DFCCIL. The Corporation has been graded as "Good" by Department of Public Enterprises under the MOU targets for the year 2009-2010.

Acknowledgments

I thankfully acknowledge the cooperation and support extended by the Ministry of Railways, Zonal Railways, other Ministries under the Government of India, the State Governments and its Departments.

Further, I would like express my sincere thanks to the stakeholders of the Company for their support to the Company. I look forward to their continued support in future also. I sincerely express my gratitude to my colleagues on the "Board" for their valuable advice and their unstinted cooperation.

I must place on record my sincere thanks to our Bankers and Business Associates for their cooperation and support to DFFCIL.

I acknowledge the dedicated, concerted, and sincere efforts put in by all officers and employees of the Company. I am sure that with our dedicated efforts, it would be possible to achieve the mission of the Company by pursuing the company's motto of Sincerity, Speed and Success, through a focused approach.

Date : 17.09.2011
Place : New Delhi

Sd/-
Vinay Mittal
Chairman