

# Metro railway companies look at financial viability to reduce govt funding

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## DMRCL has signed an agreement with Madhya Pradesh to procure 150 MW of solar power which will fuel its auxiliary power requirements in some of the stations

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With the financial viability of mass rapid transport system coming into question and leading to the postponement of several metro railway projects in the country, companies such as Delhi Metro Rail Corporation Ltd (DMRCL) and Bangalore Metro Rail Corporation Ltd (BMRCL) are coming up with innovative approaches to either open alternative revenue streams or reduce their costs. In turn, it will lead to reducing their dependency on government funds. DMRCL has signed an agreement with Madhya Pradesh to procure 150 Mw of solar power which will fuel its auxiliary power requirements at some stations. While its current procurement of thermal power costs Rs 6 a unit, solar power will cost around Rs 4 per unit. It is estimated that as a result, DMRCL can reduce costs to the tune of Rs 4 billion a year. “This solar power from Madhya Pradesh is expected to come in from October-November this year,” DMRCL’s managing director Mangu Singh said. An official from DMRCL said that this year, the company plans to churn 25 per cent of its annual

revenue from the non-fare vertical. He was speaking at an event on Mass Rapid Transport Systems for Urban Areas: Opportunities and Challenges organised by the Ministry of Finance, AIIB, Research and Information System for Developing Countries and Assocham. It is offering consultancy services for other metro railway projects in India and Singh wants to keep the consultancy focus on India only in the near term. “We also think that our income from advertising space will be in the range of Rs 1.3-1.6 billion for this year,” another official from DMRCL said.



“This solar power from MP is expected by October-November” Mangu Singh DMRCL’s managing director After a series of talks with metro railway coach makers including Alstom, Bombardier and others, it has also floated an expression of interest under which, instead of an outright purchase of coaches, it will take them on a 35-year lease. Typically, one car of DMRCL costs around Rs 120 million and a lease agreement for the procurement of around 150 coaches is expected to bring down its capex requirement by Rs 20 billion.

For the next phase of expansion, DMRCL is expected to take on lease 15 per cent of the total coach requirements. “A similar leasing agreement can also be done for the escalators and lifts”, the official said. BMRCL, on the other hand, has come up with an innovate model to fund its Rs 42-billion corridor in the plush Outer Ring Road area in the city. This 17-km long project, which will have 14 stations, is not part of any phases and hasn’t received any funding commitments from either the state or the central government.



“We are speaking to realtors, hoteliers and IT companies with similar proposals” Deepa Kotnis Executive director of BMRC Deepa Kotnis, executive director at BMRCL said that this company has signed an initial agreement with computer hardware major, Intel worth Rs. 1 billion. Under the terms of the agreement, BMRCL will be giving naming rights to Intel for a station. Intel will also be getting 1000 square foot of space for advertising and an additional 3000 square foot of space for commercial reasons. A direct access from the metro station to their campus will also be made. A similar agreement is also under process with the Embassy Group. BMRCL is also in talks with Infosys, Biocon, Prestige Group and others to work out similar agreements to fund this Rs 42 billion corridor. “We are speaking to realtors, hoteliers and IT companies with similar proposals. Currently, the offer comes as a bundled one but can be unbundled for individual Companies at a later stage if the need be so”, she said. In the coming few months, BMRCL plans to raise around Rs 5 billion from such initiatives which can scale up to Rs 11 billion. “A large part of the required capital can be funded by such agreements. We are looking at monetising space which can reduce our borrowing cost”, she added. Typically, 60 per cent of the project cost in metro railways is borne on account of systems, electrical and other procurement and installation while 40 per cent of the cost comprises of construction cost.

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