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Rail Budget 2016 futuristic, pragmatic, say top voices on D-Street

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NEW DELHI: Railway Minister Suresh Prabhu presented a Rail Budget on Thursday that was futuristic and was aimed at fuelling economic growth. The budget was focused on infrastructure development, which will also aid job creation.

Suresh Prabhu in his speech highlighted the importance of Railways and its linkages to economic growth. He said every rupee of investment in Railways has the capacity to increase economy-wide output by Rs 5.

"The impact that this increased investment in Railways will have on the economic growth of the country is unprecedented. It would also lead to realizing the vision of a modern and efficient railway system," he added.

"The Railway budget proves the pro-reform agenda of the Modi Government and is futuristic. The emphasis on modernisation and providing customer delight is something that every Indian Railway traveler has been dreaming about," said Amit Jain, Managing Director, CMI.

"The focus on infrastructure development and ensuring last mile connectivity across the length and breadth of the country augurs well for the Indian economy," he added.

We have collated reactions from various experts on rail budget 2016:

Motilal Oswal, CMD, Motilal Oswal Financial Services "Railway minister is looking at the opportunity very differently. He is looking at a 10% revenue growth and is creating an eco-system to facilitate the guidance," said the analyst.

Railways will try to use all its assets optimally, bring in more freight routes and also work aggressively on awarding the contracts for earlier ones.

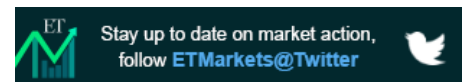
"To ensure speedy execution of this vision he is bringing in a corporate-like structure whereby Railways will have a Chairman and various boards who will help the cause," he added.

Ajay Bodke, CEO & Chief Portfolio Manager - PMS at Prabhudas Lilladher I believe that the Railway Minister has successfully navigated a very challenging economic environment and expected burden of VII Pay Commission on salaries by presenting a growth-oriented budget that emphasizes on aggressive capacity build-up with an enhanced capex of Rs 1.21 lakh crores (44% YoY growth of BE FY17 over RE FY16) that is likely to have a 5x economic multiplier on aggregate demand over the medium term.

Jimeet Modi, CEO, SAMCO Securities The Rail Budget has laid a roadmap for digitization of railways which will drive in lot of efficiencies. The implementation of ERP would be the game changer in weeding out the corruptions and pilferages. IT companies are likely to benefit this time because huge expected capex plan of 1.21 Lacs Crs, a good part of this would flow to IT companies too.

The impetus to dedicated freight corridors and placing of civil contracts worth Rs 24000/- crore to start with, would result in tangible benefits for the cement companies. The cement industry is operating at 70% capacity, incremental revenues now will quickly add to their bottom line growth. This bet looks safest.

Nitasha Shankar, Vice President - Research, YES Securities Over time railways has steadily lost market share of freight transportation in the country in favor of roads. In light of the significant correction in fuel prices, the difference in freight rates for the two has become even higher. Even from an economic perspective to help de-bottleneck the entire supply chain, there is an expectation that freight rates

could be rationalized.

Till there is an improvement in visibility of order (both for size and execution) from the railways, we would prefer to postpone any investment in such stocks from a fundamental point of view. Nevertheless, stocks that could likely outperform would be all railway-related stocks like Cimmco, Texmaco, Titagarh Wagons, Kalindee Rail etc.

Sandeep Upadhyay- MD & CEO, Centrum Infrastructure Advisory The budget seems to be focused on huge [Investments](#) in technology and upgrading Railway infrastructure which is a move with positive intent despite the disappointing overall revenue growth.

Emphasis on PPP model, evaluating Holding company structure for asset monetization and creation of a dedicated fund for Railway projects are the key positive takeaways from [Budget speech](#), however, the real test would be the implementation strategy and commercial framework for executing the announced plan.

Dr. Vikas Gupta, Executive Vice President and Chief Investment Officer at ArthVeda Capital

We expect companies in the rail-equipment supplying and EPC business likely to benefit from the [Rail Budget 2016](#), as first the basic infrastructure for capacity expansion needs to be put in place.

But, Wagon manufacturing companies such Texmaco Rail and Engineering and Titagarh Wagons would not be the principal beneficiaries of the rail spending push in the next few years as the focus would be on laying the infrastructure first, which would take a few years from now.

Amit Jain, Managing Director, CMI The Railway budget proves the pro-reform agenda of the Modi Government and is futuristic. The emphasis on modernisation and providing customer delight is something that every Indian Railway traveller has been dreaming about.

The focus on infrastructure development and ensuring last mile connectivity across the length and breadth of the country augurs well for the Indian economy. The focus on [funding](#) by creating efficiencies in the Railway system and not burdening the customer by increasing fares or freight rates is a laudable step by the honorable Railway Minister.

Rohit Gadia, Founder & CEO, CapitalVia Global Research Railway Minister Shri Suresh Prabhu today proposed increasing capital outlay for the Railways, the world's fourth-largest rail network, by 21% to Rs 1.21 lakh crore. The market is likely to remain weak in near term, Some revival can be seen, only if [Union Budget](#) brings any positive changes.

Technically, [Nifty Future](#) has major support at the level of 6950, we are expecting it to trade in a range of 7100 and 6950 if it consolidates and breaches this support mark, it may test the next support level of 6875. On upper side major resistance is at 7300 until the market sustains above this level on closing basis, no trend reversal is expected.

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