
Indian Railways earns 9% more on scrap in 2008-09

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According to initial estimates, high commodity prices in the first half of 2008-09 fiscal and increase in scrap volumes have helped the Indian Railways earn about INR 3,005 crore by selling rail scrap in 2008-09. This is almost 9% higher than the corresponding figure of INR 2,770 crore in the previous fiscal.

In volume terms, the Railways sold approximately 1.1 million tonnes of scrap in 2008-09 up by 10%.

A Ministry official said that “Steel rails are re used in construction activities. They are used as reinforcement bars in buildings. So, the revenue realization from scrap sale saw significant growth in the range of 20 to 30% in various railway zones in the first six months of the 2008-09 fiscal. But in the subsequent months, the realizations softened.”

Money from the sale of scrap directly goes into the surplus of the Indian Railways. The Railways expect to close 2008-09 with a surplus before dividend of INR 19,320 crore. So, at the current levels earnings from scrap sales will account for about 15.5% of the surplus.

The Railways sells thousands of tonnes of scrap over 12,000 to 16,000 wagons, 1,200 to 1,300 coaches, 50-100 locomotives, worn-out rails, unserviceable items, condemned machinery and plant every year through tenders or public auction.

Railways is also working on a plan to start selling scrap through online auctions. CRIS, the IT arm of Indian Railways, is developing e-auction software for the purpose. This will be a part of the e-procurement module that is being rolled out. A pilot project for online auction for scrap sales was started in 2006-07 in Southern Railway. The software was provided by Metal Scrap Trading Corporation. But the Railways decided to develop the e-auction software internally after MSTC demanded charges of about 1.5 to 2% of total proceeds from scrap sale.

(Sourced from Business Line)

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