INDIAN RAILWAYS
A TURN AROUND STORY

PRESENTATION
BY

SUDHIR KUMAR, IAS
Officer on Special Duty/Minister for Railways
“Indian Railways is today on the verge of a financial crisis. To put it bluntly, the Business As Usual Low Growth will rapidly drive IR to fatal bankruptcy, and in sixteen years Govt. of India will be saddled with an additional financial liability of over Rs.61,000 crores. On a pure operating level, IR is in a terminal debt trap.”

“xk; dk iwjk nw/k ugha nqgus ls xk; chekj gks tkrh gSA”
(“If you do not milk the cow fully, it falls sick.”)
“oSxu jsyos dk dekÅ ?kksM+k gS] ml ij iwjk cks>k ykfn,A mls nkSM+kb,] cSBkdj er IM+kb,A”
(“Wagon is the bread earning horse of the Railways, load it adequately. Make it run and don’t stable it.”)
Shri Lalu Prasad, Minister for Railways – July 2004
IR IS A PLAY ON VOLUMES

What is the **VARIABLE** component of the Rupee

- **Salary & Pension**: 42%
- **Fuel & Stores**: 22%
- **Lease Charges / Dividend / DRF / SRSF / DF**: 27%
- **Others**: 9%
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Index of T.W.E., Unit cost of PKMs, NTKMs at current prices (81-82 to 03-04)

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<tbody>
<tr>
<td>T.W.E. (in Billion Rs.)</td>
<td>32</td>
<td>124</td>
<td>259</td>
<td>347</td>
<td>395</td>
</tr>
<tr>
<td>T.W.E. CAGR(%)</td>
<td>14.56</td>
<td>13.06</td>
<td>10.24</td>
<td>4.40</td>
<td></td>
</tr>
<tr>
<td>Total Earnings (in Billion Rs.)</td>
<td>36</td>
<td>138</td>
<td>286</td>
<td>353</td>
<td>428</td>
</tr>
<tr>
<td>Total Earnings CAGR(%)</td>
<td>14.53</td>
<td>12.83</td>
<td>7.30</td>
<td>6.68</td>
<td></td>
</tr>
<tr>
<td>BTKMs</td>
<td>164</td>
<td>250</td>
<td>284</td>
<td>312</td>
<td>381</td>
</tr>
<tr>
<td>BTKMs CAGR(%)</td>
<td>4.30</td>
<td>2.15</td>
<td>3.19</td>
<td>6.87</td>
<td></td>
</tr>
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HOW LONG IS LONG-TERM
(LTVC may be taken as 78.5% – F.Code, para 217)

Index of T.W.E. at constant prices and GTKMs

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<tbody>
<tr>
<td>GTKM (Billion)</td>
<td>500</td>
<td>518</td>
<td>705</td>
<td>1007</td>
<td>1166</td>
<td>-</td>
</tr>
<tr>
<td>T.W.E. (Billion Rs.)</td>
<td>32</td>
<td>34</td>
<td>40</td>
<td>35</td>
<td>33</td>
<td>-</td>
</tr>
<tr>
<td>CAGR GTKM</td>
<td>-</td>
<td>-</td>
<td>3.89%</td>
<td>3.63%</td>
<td>5.00%</td>
<td>3.92%</td>
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Index of NTKM and cost per NTKM at
constant prices

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</tr>
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<tr>
<td>NTKM (Billion)</td>
<td>164</td>
<td>236</td>
<td>312</td>
<td>381</td>
<td>-</td>
</tr>
<tr>
<td>Cost per NTKM (Paise)</td>
<td>12.39</td>
<td>10.01</td>
<td>6.09</td>
<td>4.28</td>
<td>-</td>
</tr>
<tr>
<td>CAGR NTKM</td>
<td>-</td>
<td>4.10%</td>
<td>2.85%</td>
<td>6.87%</td>
<td>3.90%</td>
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<tr>
<td>Freight Earnings at Current Prices (Billion Rs.)</td>
<td>24</td>
<td>84</td>
<td>233</td>
<td>276</td>
<td></td>
</tr>
<tr>
<td>Freight Earnings at Constant Yield (Billion Rs.)</td>
<td>24</td>
<td>34</td>
<td>45</td>
<td>55</td>
<td></td>
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<tr>
<td>Rate Per NTKM (Paise)</td>
<td>14.35</td>
<td>35.66</td>
<td>74.61</td>
<td>72.44</td>
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Index of PKM and Unit Cost at constant prices

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</thead>
<tbody>
<tr>
<td>PKM (Billion)</td>
<td>221</td>
<td>300</td>
<td>541</td>
</tr>
<tr>
<td>Cost per PKM (Paise)</td>
<td>7.19</td>
<td>6.44</td>
<td>3.42</td>
</tr>
<tr>
<td>Passenger Earnings at current prices (Billion Rs.)</td>
<td>10</td>
<td>43</td>
<td>133</td>
</tr>
<tr>
<td>Passenger Earnings at Constant Yield (Billion Rs.)</td>
<td>10</td>
<td>13</td>
<td>24</td>
</tr>
<tr>
<td>Earnings PKM (Paise)</td>
<td>4.48</td>
<td>14.37</td>
<td>24.53</td>
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Index of Unit Freight Cost and Realisation at Current Prices

<table>
<thead>
<tr>
<th>Years</th>
<th>Index of Input Cost</th>
<th>Cost/NTKM (Paise)</th>
<th>Earnings/NTKM (Paise)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981-82</td>
<td>100</td>
<td>12.39</td>
<td>14.35</td>
</tr>
<tr>
<td>2003-04</td>
<td>1188</td>
<td>50.89</td>
<td>72.44</td>
</tr>
</tbody>
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A TURN AROUND STORY
IR IS A PLAY ON VOLUMES

Operating Efficiency, Technology and Productivity Gains

<table>
<thead>
<tr>
<th>Years</th>
<th>1980-81</th>
<th>2003-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wagon Turn-round</td>
<td>15.2</td>
<td>6.7</td>
</tr>
<tr>
<td>Energy Consumption (in thousand Frt. GTKM)</td>
<td>30.6</td>
<td>14.15</td>
</tr>
</tbody>
</table>
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Operating Efficiency, Technology and Productivity Gains

Index of Diesel Consumption

Index of Electricity Consumption

Years

Index

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Operating Efficiency, Technology and Productivity Gains

<table>
<thead>
<tr>
<th></th>
<th>1980-81</th>
<th>2003-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>NTKM Per Wagon Day</td>
<td>986</td>
<td>2570</td>
</tr>
<tr>
<td>Traffic Density MGTKm per Running Track Km</td>
<td>8.84</td>
<td>15.92</td>
</tr>
<tr>
<td>Traffic Output (in thousand) Per Employee/annum</td>
<td>244</td>
<td>686</td>
</tr>
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A TURN AROUND STORY
IR IS A PLAY ON VOLUMES

KEY STRATEGY

- **Play on freight volumes to reduce unit cost.**
  - a) Enhancement of carrying capacity of wagons
    - i) BOX-N increased from 60 tonnes to 70 tonnes
    - ii) BCN increased from 58 tonnes to 63 tonnes
  - b) Reducing **turn around time of wagons from 7 to 5 days.**

- **Implement three categories of investments on HDN in parallel**
  - Upgrade existing infrastructure for higher operating efficiency
  - Invest in additional track capacity/electrification of routes
  - Increase reliability of systems (wagons/coaches, locos, tracks, signalling)

- **Operating strategy for maximisation of throughput**
KEY STRATEGY

- Reduce passenger losses by
  - a) increasing occupancy of trains through passenger profile management
  - b) Increasing volume of upper class travel
  - c) Augmenting load of well patronized trains to 24
  - d) Reducing losses on catering and parcel by 50% in 2005-06
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REDUCING THE TURN ROUND TIME OF WAGONS TO 5 DAYS

COMMERCIAL, OPERATIONAL & INVESTMENT ISSUES

- Full rake placements
- Round the clock working
- Electrification of diesel sidings on electrified routes
- Amendment in Preferential Tariff Schedule (PTS)
- Faster train examination
IR has no real competition in “door to door” bulk and heavy freight delivery beyond 400 kms
  a) Freight of raw materials/minerals increased.
  b) Freight of finished products reduced.

Scraping of minimum weight condition concept

4000 commodities grouped into 19 commodity heads with single uniform class for different commodities in the same group.
HITHERTO RECIPE FOR SOLVENCY

Increase in Passenger Fares
(from 1990-91 to 1999-2000)

Year

Passenger Fare Index

1990-91
1999-2000

100
250
325

208
250
310

AC First Class
AC - 2 Tier
Sleeper (Mail/Exp)
Second Class (Mail/Exp)
HITHERTO RECIPE FOR SOLVENCY

Increase in Freight Rates of Major Commodities
(from 1990-91 to 1999-2000)

- Cement
- Coal
- Iron & Steel
- Fertilizer
- POL (HSD)
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NINTH & TENTH FIVE YEAR PLAN TARGET AND ACHIEVEMENT

<table>
<thead>
<tr>
<th>Million Tonnes</th>
<th>9th Plan</th>
<th>10th Plan</th>
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<tbody>
<tr>
<td>Target</td>
<td>525</td>
<td>624</td>
</tr>
<tr>
<td>Achievement</td>
<td>493</td>
<td>725</td>
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<tr>
<td>2006-07 (Proj.)</td>
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Freight loading target is likely to be surpassed in 2005-06 and is likely to be exceeded by 18-20% in 2006-07.
Freight tonne Km target has been surpassed by 4% in 2004-05 and is likely to be exceeded by 16% in 2006-07.
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GROWTH IN PASSENGER, FREIGHT, OTHER COACHING AND TOTAL TRAFFIC EARNINGS

- NO PASSENGER FARE HIKE
- NO PARCEL RATE HIKE

![Bar Chart]

- Passenger earnings: 6.1% vs 10%
- Freight earnings: 11.4% vs 18%
- Other Coaching earnings: 7.4% vs 21%
- Total traffic earnings: 9.8% vs 16%

A TURN AROUND STORY
IR IS A PLAY ON VOLUMES
TURN AROUND STORY

Operating Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Ratio (%)</th>
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<tbody>
<tr>
<td>2000-01</td>
<td>98</td>
</tr>
<tr>
<td>2004-05</td>
<td>91</td>
</tr>
<tr>
<td>2005-06 (Projected)</td>
<td>87</td>
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</tbody>
</table>
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A MIDAS TOUCH

NET REVENUE

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Revenue (Rs. in crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-01</td>
<td>1071</td>
</tr>
<tr>
<td>2004-05</td>
<td>5274</td>
</tr>
<tr>
<td>2005-06 (Projected)</td>
<td>8000</td>
</tr>
</tbody>
</table>
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TURN AROUND STORY

GROWTH IN FUND BALANCES

### Fund Balances (Rs. in crore)

<table>
<thead>
<tr>
<th>Year</th>
<th>2000-01</th>
<th>2004-05</th>
<th>2005-06 (Projected)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td>359</td>
<td>7800</td>
<td>11000</td>
</tr>
</tbody>
</table>

**Growth in Fund Balances**

- **2000-01**: 359 crore
- **2004-05**: 7800 crore
- **2005-06 (Projected)**: 11000 crore
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CHALLENGES AHEAD

- Bringing down unit cost of freight traffic at current prices by 50% over five years:

  a) Universalization of 22.9 t axle load on IR.
  b) Increasing axle load for iron ore movement from 22.9 to 25 tonnes.
  c) Improving loaded empty ratio to 75% over a period of 3-4 years.
  d) Transformation of IR from a bulk transporter to a multi-modal transporter.
    - Promoting a consolidation industry for non-bulk traffic
    - Aggressively promoting EXIM and domestic containerized movement through PPP
    - Development of integrated multi-modal logistics parks

- Technology upgradation and modernisation including application of IT.
- Construction of dedicated Freight Corridors.
THE END