

# Indian Railways

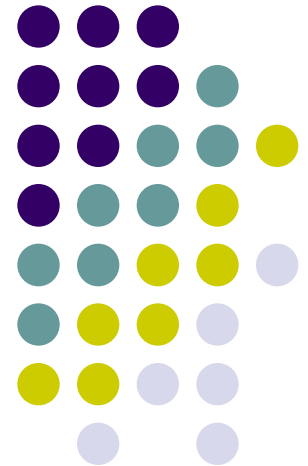
Growth, Sustenance and the Leap Forward

Ankit Gupta

2003CS10153

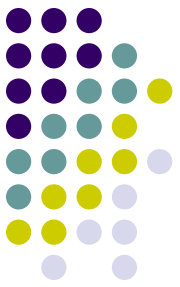
Vidya Bhat

2004BB50025



# The Turnaround Story

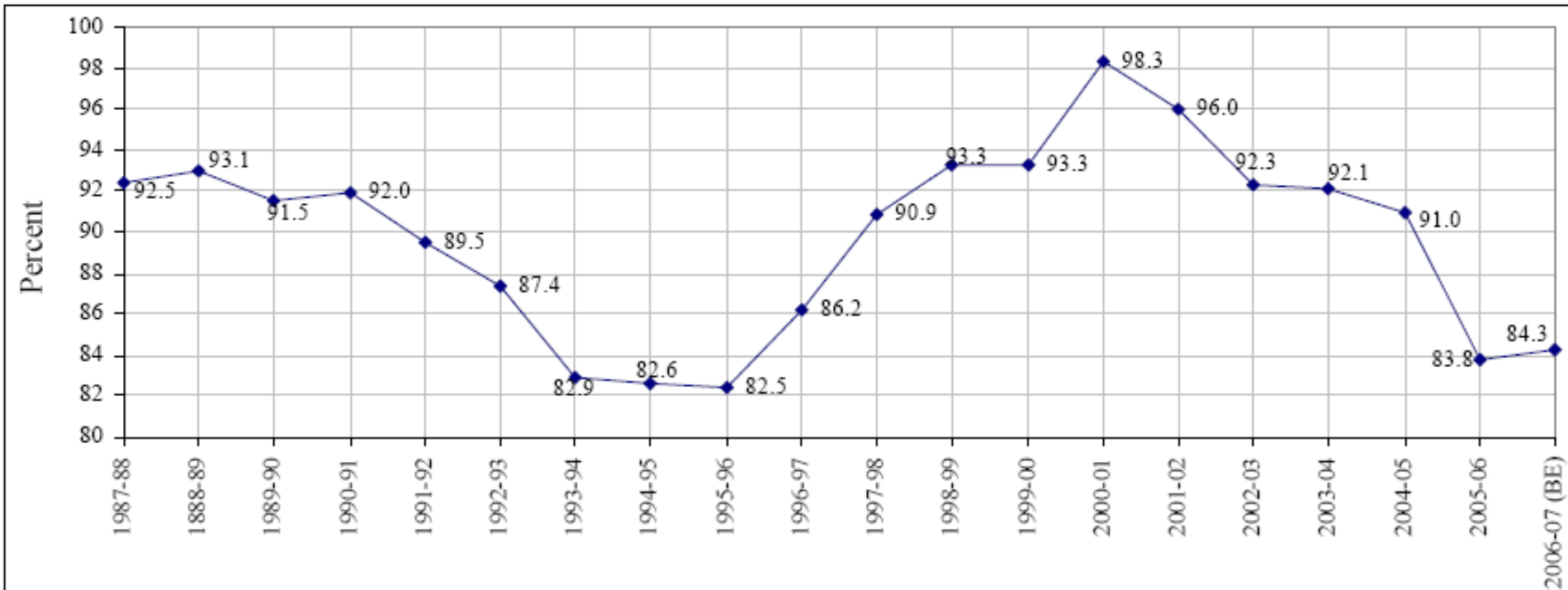
## Earnings and Expenses



Data source – Year Books, Ministry of Railways (1987-88 to 2005-06)

# The Turnaround Story

## Operating Ratio



Data source – Year Books, Ministry of Railways (1987-88 to 2005-06)

# Indian Railways

Growth, Sustenance and the Leap Forward



Critical questions:

- Marketing
- Restructuring and Privatization

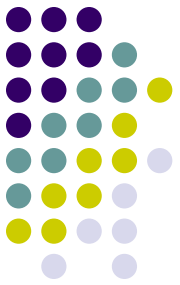


**Guiding Indian Railways  
to the Future**

# MARKETING



- Shift from the ‘Supply’ concept to the ‘Marketing’ Concept.
- **NEED**: Competition from low cost airlines (LCAs) like Air Deccan.
  - Time of travel.
  - Fares.



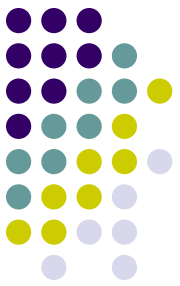
# Passenger distribution

Year	Number (in million)			
	2001-02	2002-03	2003-04	2004-05
Railways	5,093	4,971	5,112	5,475
Airlines	12.81	13.32	14.54	18.17

Source: 1. 'Turnaround' of Indian railways: A critical appraisal of Strategies and Processes, G. Raghuram

2. Ministry for Civil Aviation

# Fare comparison



Airline	Sector	Lowest Fare	
Indian Airlines	Delhi-Bangalore	Rs 3,965	
	Delhi-Mumbai	Rs 3,965	
	Delhi-Chennai	Rs. 5,065	
	Delhi-Hyderabad	Rs. 3,965	
	Delhi-Kochi	Rs 8,035	
SpiceJet	Delhi-Bangalore	Rs 1,999	
	Delhi-Mumbai	Rs 1,599	
	Delhi-Hyderabad	Rs 1,499	
	Delhi-Chennai	Rs 1,699	
Air Deccan	Delhi-Bangalore	Rs. 2,529	
	Delhi-Mumbai	Rs 1,829	
	Delhi-Chennai	Rs 2,829	
	Delhi-Hyderabad	Rs 2,279	
Jet Airways	Delhi-Bangalore	Rs 3,720	
	Delhi-Mumbai	Rs. 3,220	
	Delhi-Chennai	Rs 3,620	
	Delhi-Hyderabad	Rs. 3,220	
<b>Route (By Rajdhani)</b>		<b>AC 1 Fare</b>	<b>AC-II fare</b>
Nizamuddin-Chennai		Rs 4,567	Rs 2,696
Nizamuddin-Bangalore		Rs 4,715	Rs 2,776
Nizamudin-Secundarabad		Rs 3,854	Rs 2,268

# Income distribution

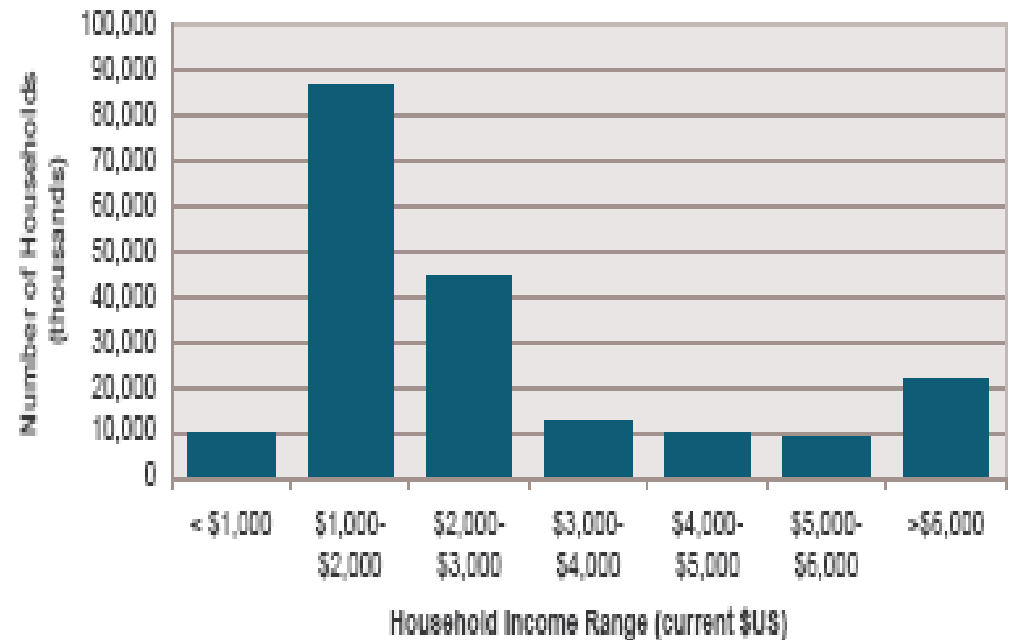


## II. Income Distribution and Size of Markets,

Income distribution by Income bracket (In current US dollars)

Household Income Range (current \$US)	% of households	number of households
< \$1,000	5	9,593,204
\$1,000-\$2,000	45	86,338,640
\$2,000-\$3,000	23	44,128,740
\$3,000-\$4,000	6.5	12,471,166
\$4,000-\$5,000	5	9,593,204
\$5,000-\$6,000	4.5	8,633,884
>\$6,000	11	21,105,050
Total	100	191,864,088

Household Distribution by Income Level, India (\$US)



# Income based segmentation

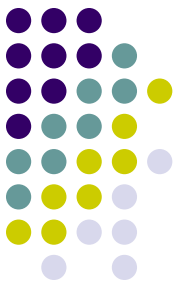
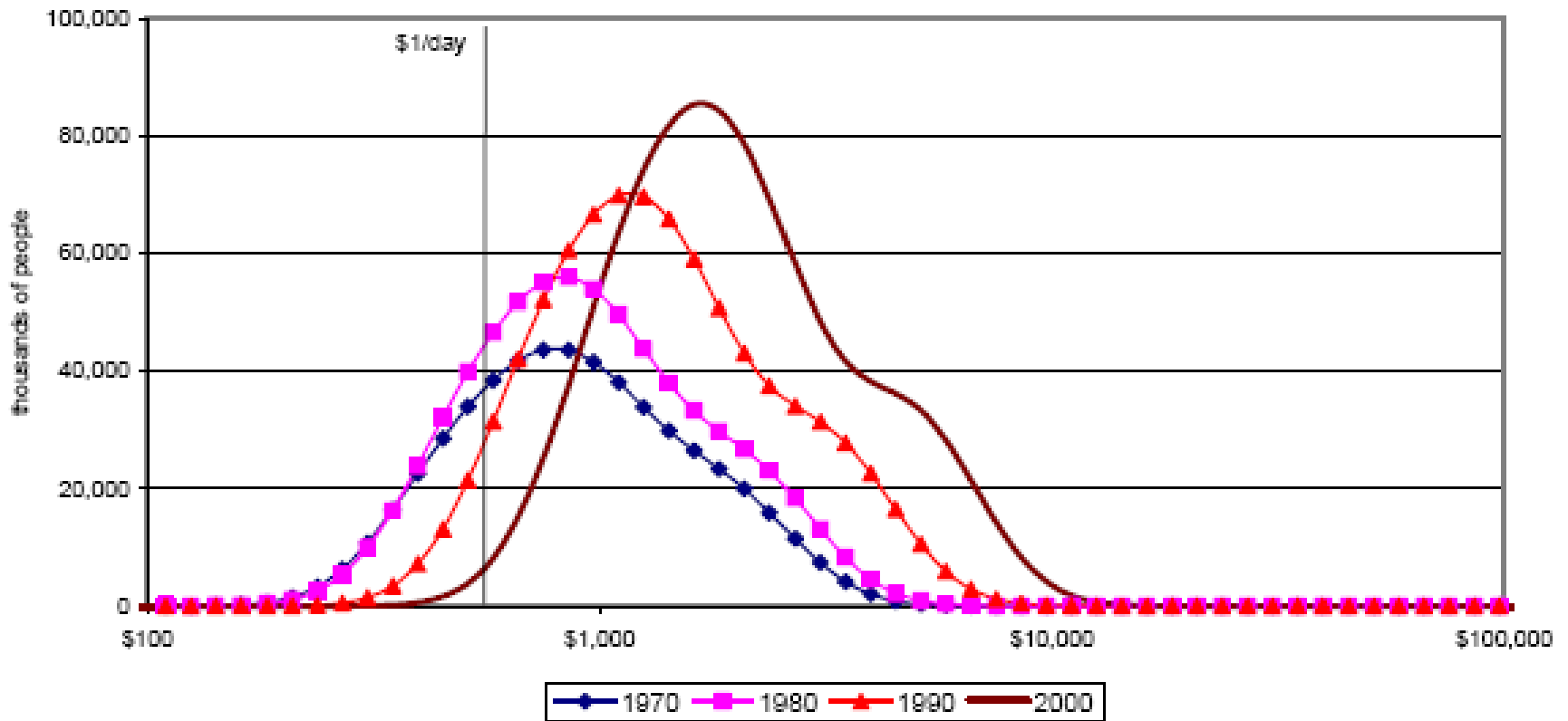
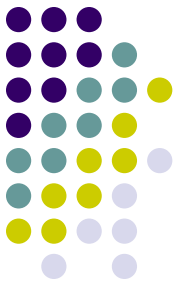








Figure 1 : Distribution of Income in India





# Services IR can offer:

Service \ Segment	Lower class ( $<$ Rs. 3 lakh p.a.)	Middle Class (Rs. 3 – 10 lakh p.a.)	Upper Class ( $>$ 10 lakh p.a.)
Travel		 <i>Intermediate distances</i>	
Tourism (Luxury trains)			

# What has been done...



- Increase in number of super fast trains.
- Reduction in fares
- Differential pricing based on time of booking:  
The 'Tatkal' scheme.
- Automatic upgrades to passengers.
- Improvement in service quality.

# The way ahead...



- Lower class:
  - unreserved compartments in new trains to be increased from four to six.
  - efforts to be made to increase unreserved second-class coaches in existing trains.
  - Wooden seats in ordinary class passenger trains to be replaced by cushioned seats.



## ● Middle Class

- Eight new **Garib Raths** and 32 pairs of new trains to be introduced in the coming year.
- 200 trains to be made superfast.
- **Dynamic pricing**: Differential discounts in peak and off-peak seasons.
- reduction of super fast charge on second-class tickets by **20 per cent** from Rs 10 to Rs eight.
- Cyber cafes and ATMs to be opened at major stations.
- E-tickets
  - Made cheaper
  - to be made available for all mail and express trains.



The Twin bedded Saloon

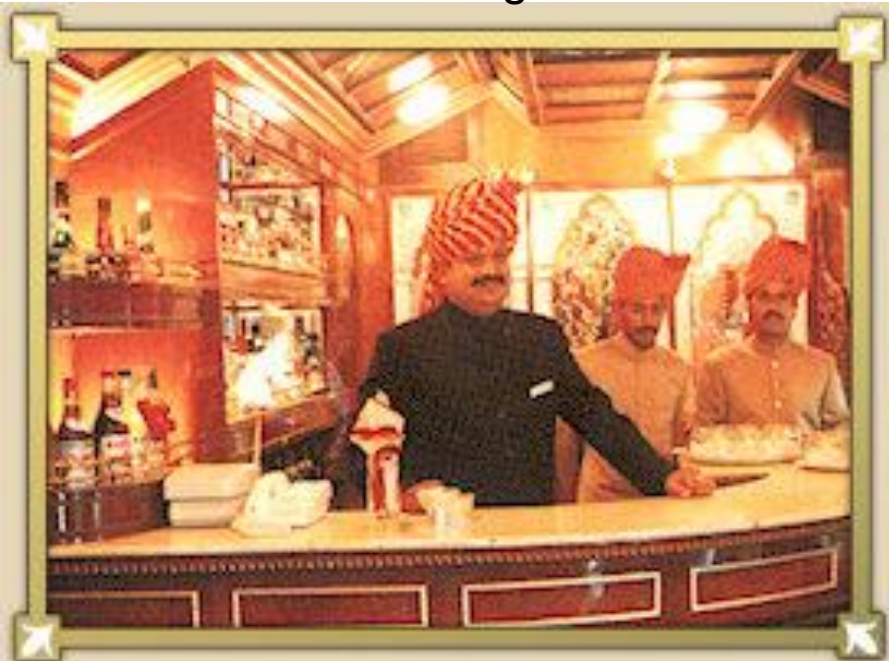
PALACE  
ON  
WHEELS



The Bar Lounge

The Bar Lounge

The Exterior



# Brand 'Laloo'



Shri Lalu Prasad  
Minister of Railways

Indian Railways now give you a reason to rejoice  
Travel in cool upper-class  
comfort at **No Extra Cost!**



AVAIL THE SCHEME OF  
AUTOMATIC UPGRADATION  
OF CLASS



TRAVEL UPPER-CLASS.  
TRAVEL SMART.  
BEFORE BOARDING THE TRAIN,  
CHECK RESERVATION CHART.

Upgradation scheme has now been extended to RAC & Wait list ticket holding passengers as well.

Jumping of classes will be permitted in case eligible passengers are not available in the immediately lower class.

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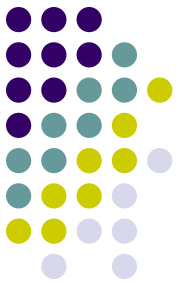


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**Privatization does reap benefits....**



# Privatization does reap benefits....



## How about privatizing the whole Indian Railways now?

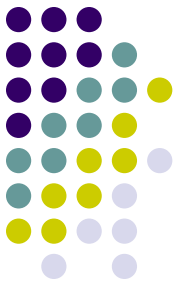


***Shri Lalu Prasad***  
***Minister***  
***Indian Railways***



***Mr Anil Ambani***  
***CEO***  
***Indian Railways***

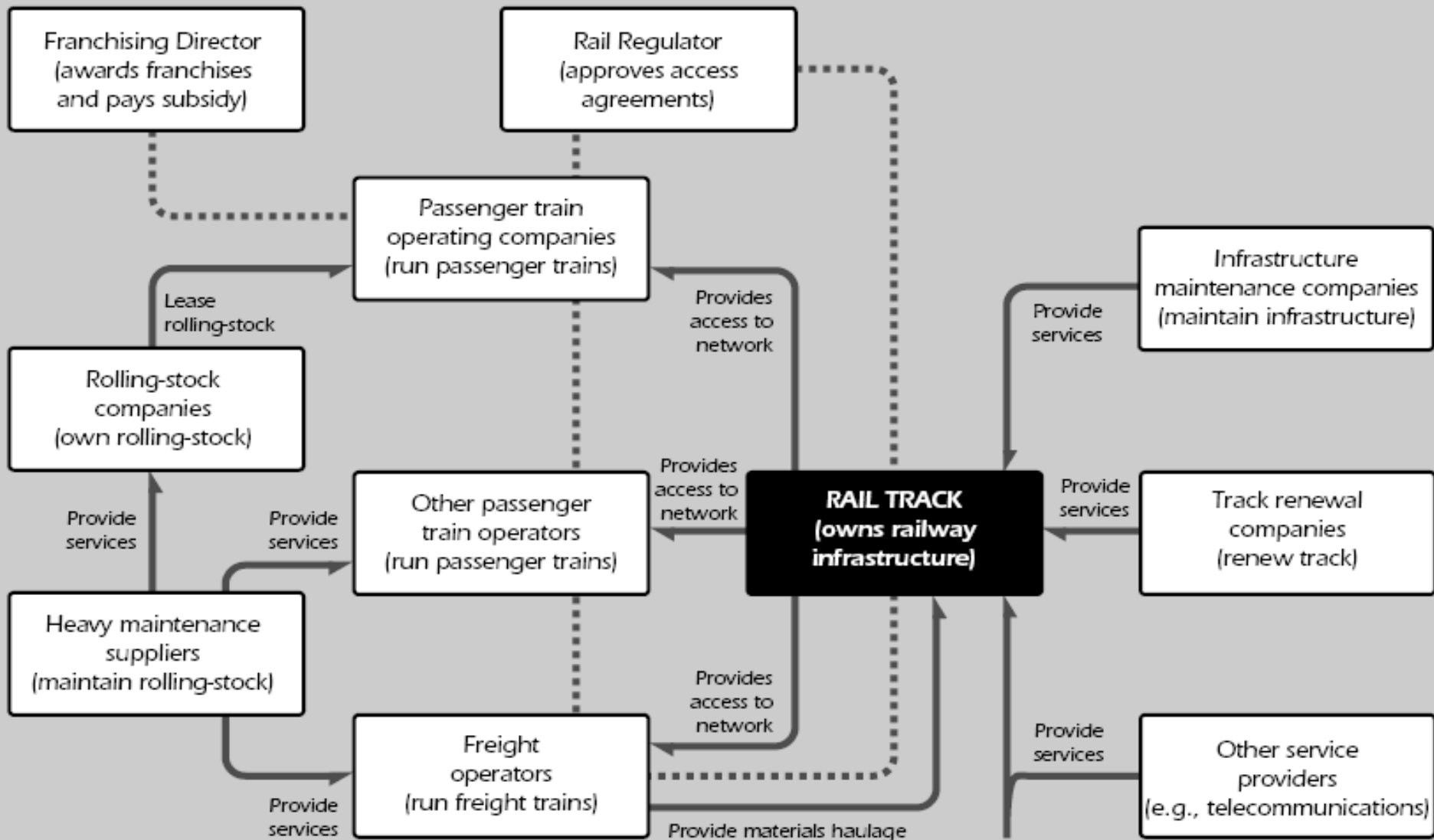
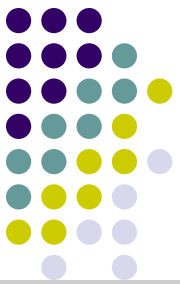
# British Railways Privatized in 1990s



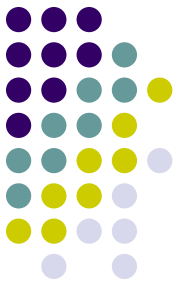
British Railways

Till 1980s

# British Railways Privatized in 1990s



# Shortcomings



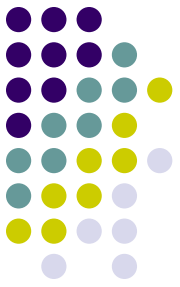
- Atomization of BR
  - Maintenance of a network of more than 100 companies
  - Increase in government expenditure – **2 Billion Pounds annually**
- Role of government still required
- Employee dissatisfaction

# Is complete restructuring really required in India?



- Critical role of railways in economy
- Too complex system

# Is complete restructuring really required in India?

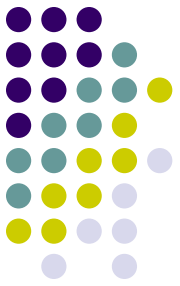


- Critical role of railways in economy
- Too complex system

## Advantages of Commercialization

- Competitive Rates
- Less political interference
- Financial freedom to an extent

# Is complete restructuring really required in India?



- Critical role of railways in economy
- Too complex system
  
- Need of partial restructuring
- Non core activities outsourced

# Commercializing Activities



- Annual Catering Contracts
  - Howrah Kalka Mail – **Rs 83.6 lakhs** from **Rs 5 lakhs**
  - License fee (Bandra) – **Rs 16 lakhs** from **Rs 78,000**
  - Licence fee (Nagpur) – **Rs 34 lakhs** from **Rs 32,000**
- Hotels
  - Talks on with the Oberoi Group
- Food Plazas
- Vending machines .....

Data Source - IIMA analysis of the Railways Turnaround (G. Raghuram)

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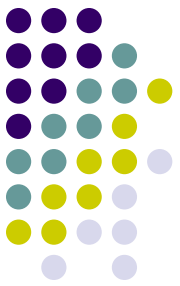


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# References

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# Avail the **GOLDEN DISCOUNT SCHEMES** and script your own success story



## TERMINAL INCENTIVE CUM ENGINE-ON-LOAD SCHEME

- Freight customers opting for the EOL scheme by making investment in infrastructure for mechanized loading & unloading of goods and round-the-clock working etc. will get a freight rebate @ 5% in the first year. Over the next ten years the rebate will be given at a diminishing rate and would be 1% from the fifth year onwards.
- The eligible parties will have to utilize the railway loco within the free time available under the scheme, without paying the engine hire charges.



## LIBERALISED SIDING SCHEME

- Under this scheme, the cost of the removable super structure including the track, sleepers, fastening etc. and the overhead electric equipment shall be borne by the railways. The capital cost of all traffic facilities such as "Y" connection, additional lines at the serving station, crossing stations, patch doubling of the section etc. shall be borne fully by the railways. The siding owners will be required to bear the cost of the land, earthwork and the sub structure of the track.
- The freight discount will remain fixed at 10%. The duration during which this discount is to be given will depend on the time period of repayment of the expenditure incurred by the siding owner on behalf of railways. However, such discount shall be admissible for a maximum period of 10 years only, irrespective of whether the investment made on behalf of railways is recovered or not.



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