INDIAN RAILWAYS

BANKRUPTCY TO BILLIONS IN RAILWAYS

Presentation for

THE TURNAROUND STORY
“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 the Govt. of India will be saddled with an additional financial liability of over Rs. 61,000 crores (12.20 billion US $). On a pure operating level, IR is in a terminal debt trap.”

Expert Group on IR headed by Dr. Rakesh Mohan (July 2001)
## FASTER, HEAVIER AND LONGER TRAINS

### THE MIDAS TOUCH

(Figures in billion US $)

<table>
<thead>
<tr>
<th></th>
<th>2000-01</th>
<th>2007-08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Generation</td>
<td>0.47</td>
<td>5.01</td>
</tr>
<tr>
<td>Fund Balances</td>
<td>0.07</td>
<td>4.46</td>
</tr>
<tr>
<td>Operating Ratio</td>
<td>98.3%</td>
<td>75.9%</td>
</tr>
<tr>
<td>Ratio of Net Revenue to capital-at-charge (Return on Net Worth)</td>
<td>2.5%</td>
<td>20.7%</td>
</tr>
<tr>
<td>Debt services cash coverage ratio (times)</td>
<td>1.74</td>
<td>6.53</td>
</tr>
</tbody>
</table>

Exchange rate Rs.50 per dollar in November, 2008.

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THE TURNAROUND STORY
MANAGING CHANGE

Leadership

Appreciating Change

Mobilizing Support

Building Change Capability

Executing Change

Source: Change Management by Prof. V. Nilakant & Prof. S. Ramnarayan
LEADERSHIP FOR CHANGE

Integrity

Humility

Visionary

Passionate

‘Can-Do’ Attitude

THE TURNAROUND STORY
SCANNING BUSINESS ENVIRONMENT

- Revenue streams
- Cost centres
- Socio-political context
- Organization

Do Reality Check

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EXECUTION

Reflection And Learning

Cross functional coordination

Guiding Coalition

Inclusive innovation

Resource Leveraging

THE TURNAROUND STORY
INCLUSIVE INNOVATION

Low Cost

Resource efficient

Scalability

Aspirational

THE TURNAROUND STORY
STRETCH AND LEVERAGE ARE BLOOD RELATIONS

RESOURCE LEVERAGING

Concentrating

Accumulating

Conserving

Complementing

Recovering

Source: ‘Competing for the Future’ by Mr. Gary Hamel & Mr. CK Prahalad
COMMUNICATION

Ownership and involvement

Create and celebrate success

Safeguard organizational identity

Transparency

Performance

THE TURNAROUND STORY
RAILWAY REFORMS WITH A HUMAN FACE

Traffic Earnings (2007-08)

- 3.16 Billion US $22%
- * Social Conscience
- 11.19 Billion US $78%
  Market Driven

Annual Plan (2007-08)

- 1.15 Billion US $20%
- # Allocation for Schemes Sanctioned on Socio Economic Considerations
- 4.59 Billion US $80%
  others

* Social conscience consists of passenger earnings other than earnings from AC classes.

# It includes allocation for new lines & metropolitan transport projects but does not include gauge conversion works as it has become an operational necessity.

THE TURNAROUND STORY
Cost & Earnings per Train Kilometer at same distance (1385 km) for different rake composition

<table>
<thead>
<tr>
<th>Coach Composition</th>
<th>Cost/TKM</th>
<th>Earnings/TKM</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>16 Coach</td>
<td>$7.17</td>
<td>$4.89</td>
<td>50</td>
</tr>
<tr>
<td>24 Coach</td>
<td>$10.23</td>
<td>$13.23</td>
<td>171</td>
</tr>
</tbody>
</table>

- Cost/TKM for Goods: $13.89
- Cost/Coach Km (Passenger): $0.76
- Cost/Wagon Km (Goods): $0.36
- Cost/PKM: 0.78 US Cent
- Cost/NTKM: 1.08 US Cent

Class | Earnings per Coach KM | Fare Index |
------|-----------------------|------------|
Sub-urban | $0.44               | 100        |
General (Ordinary) | $0.44              | 100        |
General (Mail/Express) | $0.40             | 182        |
Sleeper | $0.32               | 291        |
3AC    | $0.80               | 819        |
2AC    | $0.74               | 1310       |
1AC    | $0.74               | 2550       |

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