

## Railway Budget: FY16

The Railway Minister presented his maiden Budget for FY16 with an agenda that outlines a vision of a new dimension which will transform the Indian railway system over a period of 5 years with emphasis on creation of robust railway infrastructure and improved customer services. The proposals lay emphasis on safety, decongestion & capacity augmentation, electrification, modernization, technology up gradation and significantly improving operating ratios.

The Railway Minister has laid down in its agenda a set of four goals. To achieve the same it proposes five key drivers with focus on eleven thrust areas.

### Goals

1. Improvement in customer experience by way of systematically addressing the concerns regarding cleanliness, comfort, accessibility service quality and speed of trains.
2. To make Rail a safer means of travel
3. To expand Indian Rail's capacity substantially and to modernize infrastructure.
4. To make Indian Rail financially self-sustainable

### Drivers

1. Adopting a medium-term perspective
2. Building Partnerships
3. Leveraging additional resources
4. Revamping management practices, systems, processes, and re-tooling of human resources
5. To set standards for Governance and Transparency

### Highlights:

- No hike in passenger fares
- The freight structure for the base class-100 has been proposed to be increased by 10%. The rates will be effective from 1<sup>st</sup> April 2015
- Plan Outlay Proposed at Rs.1,00,011 crore, increased by 52%
- Allocation for passenger amenities up by 67%
- Proposed to increase track length by 20% from 1,14,000 km to 1,38,000 km:
- Grow annual freight carrying capacity from 1 billion to 1.5 billion tonnes.
- Hot buttons, coin vending machines for railway tickets within 5 minutes, e-catering to select meals from an array of choices
- 200 more stations to come under Adarsh Station scheme; Wi-Fi to be provided at B category stations

- 24X7 helplines for attending passenger problems and security related complaints
- For the safety of women passengers surveillance cameras in suburban coaches
- The speed of nine railway corridors will be increased to 160 and 200 kmph
- 77 new projects covering 9,400 km of doubling/tripling/quadrupling works proposed
- A new department for keeping stations and trains clean under 'Swachh Rail Swachh Bharat Abhiyan' to be set up
- Commissioning 800 km of gauge conversion targeted in current fiscal.
- Resource for financing Plan expenditure

Rs. crore	FY16 (BE)
Capital Outlay	1,00,011
Gross Budgetary Support	40,000
Railway Share of Diesel Cess	1,645
Market Borrowing	17,655
Internal Sources	17,793
PPP Mode	5,781
From Institutions	17,136

### Financial Performance- (FY11-FY16)

Rs. Crore	FY11	FY12	FY13	FY14	FY15 (RE)	FY16 (BE)
Freight Earnings	62,845	69,548	85,263	93,906	106,927	121,423
Passenger Earnings	25,793	28,246	31,323	36,532	43,003	50,175
Other Coaching	2,470	2,717	3,054	3,679	4,028	4,612
Sundry Earnings	3,418	3,643	4,261	5,721	5,241	7,318
Suspense	10	(43)	(168)	(279)	50	50
<b>Gross Traffic Receipts</b>	<b>94,536</b>	<b>104,111</b>	<b>123,733</b>	<b>139,559</b>	<b>159,249</b>	<b>183,578</b>
% growth		10.1	18.8	12.8	14.1	15.3
Miscellaneous Receipts	2,145	2,135	2,448	3,656	4,202	4,979
<b>Total Receipts</b>	<b>96,681</b>	<b>106,256</b>	<b>126,200</b>	<b>143,227</b>	<b>163,465</b>	<b>188,572</b>
Ordinary Working Expenses	68,139	74,537	84,012	97,571	108,970	119,410
Pension outgo	15,820	17,610	20,710	24,850	29,225	34,900
Appropriation to DRF	5,515	6,520	6,850	7,900	7,775	7,900
<b>Total working expenses</b>	<b>89,474</b>	<b>98,667</b>	<b>111,572</b>	<b>130,321</b>	<b>145,970</b>	<b>162,210</b>
<b>Other Expenses</b>	<b>886</b>	<b>822</b>	<b>1,019</b>	<b>1,144</b>	<b>1,028</b>	1270.25
<b>Total Expenditure</b>	<b>90,360</b>	<b>99,489</b>	<b>112,591</b>	<b>131,465</b>	<b>146,998</b>	<b>163,480</b>
Dividend payable to General Revenues	4,916	5,630	5,323	8,009	9,174	10,811
<b>Surplus balance</b>	<b>1,405</b>	<b>1,137</b>	<b>8,286</b>	<b>3,754</b>	<b>7,294</b>	<b>14,281</b>
<b>Operating Ratio %</b>	<b>92.1</b>	<b>95.0</b>	<b>90.2</b>	<b>93.6</b>	<b>91.8</b>	<b>88.5</b>

Source: Indian Railways

- **Gross traffic receipts**-The Rail Minister has targeted 15.3% growth in the gross traffic receipts to achieve Rs 1,83,578 crore for FY16 which would be mostly driven by strong 16.6% growth in passenger fare earnings to Rs 50,175 crore. *Given that there has been no change in fare rates, it may be expected that the number of passenger kms would increase during the year.* The freight earnings are also targeted to improve 13.56% to Rs 1,21,423 crore in FY16 which would be due to a combination of higher freight rates for selected goods as well as increase in overall volumes.
- **Expenses**- Ordinary working expenses are to increase at a lower rate of 9.2% relative to gross receipts which has helped to increase the net surplus. *Lower crude oil prices have led to moderation in fuel costs for the Railways, and the assumption is that this trend will persist in FY16 too.* The Budget has proposed working expenses of Rs 1,62,210 crore, while the appropriation to the Pension Fund of Railway Employees and Depreciation Reserve Fund stand at Rs 34,900 crore and Rs 7,900 crore for FY16. After dividend payable at Rs 10,811 crore for FY16, the surplus is expected to be at Rs 14,281 crore up from Rs 7,294 crore for FY15.
- **Operating ratio** during the FY16 is expected to improve considerably and come down to 88.5% compared with 91.8% in FY15. If this target is achieved, it would be the lowest ratio in the last 9 years.

### Budget Implications on economy and Industry

#### 1. Efficiency:

The measures to improve the operational efficiency to achieve the target of 88.5% operating ratio of the rail system will leave a larger surplus amount with railways which can be used for expansion purposes.

#### 2. Capital formation:

The share of railway investment (as per the capital outlay of Rs.65,796 crore) in Gross fixed capital formation (GFCF) was 1.8% in FY15. Under *ceteris paribus* conditions, the growth rate of GFCF could increase by 0.1%-0.2% (7.4% to 7.5%) in FY16 based on the increase of 52% in capex envisaged in FY16. The share of railways in GFCF will increase under these *ceteris paribus* conditions from 1.8% to 2.5-2.6%.

#### 3. Industrial growth

The expansion by way of additional lines in the railway system will have an indirect and positive impact on growth across various sectors such as cement, steel, Electrical equipment, Railway

wagons, cables, etc. This in turn shall positively contribute to the economic growth of the country.

**4. Services sector:**

The use of technology by providing easy access to customers through mobile phones and other e-platforms will provide a boost to the telecommunication and IT industries. Also provision of food and other passenger amenities is likely to boost the overall service industry in particular the tourism industry.

**5. Inflation:**

The upward revision in freight rates across various commodities is likely to have inflationary impact of about 0.4-0.5% in WPI inflation (assuming all other factors remain unchanged) when both the direct and indirect impact is taken into account.

**6. Corporate debt market:**

The partial funding of railways by of market borrowings of Rs.17,655 crore compared with Rs 12,046 cr in FY15, which would lead to a an increase in activity in the corporate bond market.

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