ABSTRACT

Indian Railways has a total state monopoly on India's rail transport. It is one of the largest and busiest rail networks in the world, transporting sixteen million passengers and more than one million tons of freight daily. IR is the world's largest commercial or utility employer, with more than 1.6 million employees.

In IR fund balance at the end of 1999-00 had reached a low of Rs 149 crores, improving to Rs 5228 crores by the end of 2003-04 and over Rs 12,000 crores by the end of 2005-06. A 20 year perspective since 1987-88 gives a bird’s eye view of the performance of IR, in terms of total earnings, total working expenses, operating ratio and net revenues. The operating ratio (ratio of total working expenses (including depreciation and pension, but exclude dividend to GOI) to total earnings) and net revenues (total earnings less total working expenses, adjusted with miscellaneous transactions) had reached low levels of performance in 2000-01 (98.3%) and then had consistently improved till 2005-06 (83.7%).

The figures were however not strictly comparable. There had been a decrease in allocations to the depreciation reserve fund during the late 1990s from over Rs 2000 crores to a low of Rs 1155 crores in 1998-99. This was followed by a gradual increase until 2004-05 to Rs 2700 crores. In 2005-06, the allocation jumped to Rs 3600 crores (Exhibit 3). Further, there was a change in accounting practice in 2005-06 when Rs 1615 crores of lease charges to IRFC towards the principal amount for wagon procurement had been shifted from working expenses to miscellaneous expenditure. The operating ratio, for the sake of comparability with
earlier years, would be 86.6%. Exhibit 4 gives the key statistics of IR as on 31st March, 2005.

The basis objective of this study is to study this ‘turn around’ of railway management and financial appraisal of Indian Railway.

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