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“Coal dependent Indian Railways makes 65 per cent of its revenue from goods traffic”

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Coal dependent Indian Railways makes 65 per cent of its revenue from goods traffic, according to AEP

The turnaround growth story of the Indian Railways, the largest public sector enterprise, has been highly dependent on coal and iron ore for export, the freight earnings arising from which account for maximum of one third its total revenues.

According to an Assocham Eco Pulse (AEP) Study, while the freight earnings account for 65.2 per cent of the total revenues of Indian Railways, the majority share of this is contributed by coal (37.4 per cent) and iron ore for export (14.67 per cent).

According to the AEP, coal and iron ore for export have been the major drivers of goods earnings, which are expected to register a turnover of Rs. 17,876.29 crore and Rs. 7004.41 crore respectively by the end of this fiscal, contributing heavily to the total freight income of Rs. 47,743 crore.

“The Railway industry needs to effectively diversify its freight commodity basket in order to insulate itself from the sectoral risks and maintain its growth momentum”, said Mr. Venugopal N Dhoot, President, Assocham.

The month of February 2008 saw an increase of 23.3 per cent with total goods earnings recorded at Rs. 4,404.22 crore compared to Rs. 3,571.62 crore in the corresponding period last year. Maintaining the trend, coal contributed a major share in the total earnings amounting to Rs. 1,610.94 crore, followed by

transportation of iron ore with Rs. 748.34 crore and Rs. 358.19 crore from foodgrains.

The robust performance from the goods revenue has been mainly on account of the increase in the volume of goods traffic with coal taking a major share of 338.35 million tonnes followed by the transportation of 136.17 million tonnes of iron ore while the total tonnage estimated to be 790 million tonnes for the FY 2007-08.

Earnings (Rs. crore)				
Items	Year			
	2006-07	2007-08	Share (in per cent)	Feb-08
Coal	15,886.61	17,876.29	37.4	1,610.94
Iron ore for export	2,516.3	7,004.41	14.6	748.34
Food grains	3,071.46	3,319.26	6.95	365.56
Cement	3,649.1	3,932	8.2	358.19
POL	2,860.48	3,004.56	6.2	266.43
Pig Iron & finished Steel	2,259.26	2,802.48	5.8	238.64
Fertilizers	1,791.32	2,412.51	5.0	179.35
Raw material to steel plants	1,899.59	781.35	1.64	69.35

Source: Railway Budget 2008-09.

The effect of soaring food grains prices has impacted the volume of traffic being carried, which declined from 41.8 million tonnes in 2006-07 to 35.4 million tonnes in 2007-08. Despite the decline in the traffic volume, the segment witnessed an 8.1 per cent increase in earnings from Rs. 3,071.46 crore in 2006-07 to Rs. 3,319.26 crore in the current fiscal.

With cement production growing at 7.2 per cent (April-Nov 2007-08), the sector contributed a low share of 8.24 per cent in the freight income as its market is largely dominated by the road transport. Cement, input to major industries

registered a 7.8 per cent rise in its earnings from Rs. 3,649.1 crore in FY 2006-07 to Rs. 3,932 crore in the current fiscal.

POL, pig iron & finished steel and fertilizers have constituted 6.2 per cent, 5.8 per cent and 5.0 per cent share in the total earnings respectively, while raw material to steel plants has a very miniscule share of 1.6 per cent registering a negative growth of 58.9 per cent in its earnings from Rs. 1,899.59 crore in 2006-07 to Rs. 781.35 crore in 2007-08.