

# Railways

Industry Code (as per CMIE Prowess): 0101040502010000'

June 2022

Overall Industry Risk Score: **14/20 | Favourable**

Sample Size: 4 Companies

Median Rating Value of sample size: A+

## Individual Parameters Contributing to the Score

### Demand & Supply Balance



12/20

#### DS Equilibrium

Railways have been a major source of transport both in the cargo segment and passenger segment. As per IBEF data, the railways's freight loading in FY22 stood at 1,418.1 million tonnes (Previous year 1,232.6 million tonnes). The freight revenue was Rs.1.39 trillion during FY22 as against Rs.1.25 trillion during FY21. The freight earnings target for FY23 is Rs.1.65 trillion. As demand normalizes, Railways plans to run more pairs of trains on high frequency routes; 151 high speed trains are expected to run in PPP mode (cooperation with the private sector); increase in Freight/ Cargo movement is expected to positively impact railway revenue in the near term.

### Extent of Competition



16/20

#### Low competition/ Entry Barriers

Indian Railways enjoy near monopoly in the railway transport services including rolling stock. Wagon manufacturing are now being outsourced to the private sector (Titagarh Industries) but in limited numbers. Private players are expected to enter the premium rail road market in the near future. Nevertheless, IR will continue to manage the network. However, railways have competition from the road sector.

## Regulatory Risk 12/20

Predictable Regulatory environment

Regulatory risks are in terms of freight and passenger fares being controlled by the government; lower flexibility to tweak these fares.

## Input Related Risk 16/20

No supply disruptions / very narrow price band or fluctuations

Rolling stock manufacturing supply chain is largely indigenized and therefore remains largely risk free. Signalling and tracking services are under the complete control of IR (Indian Railways). Electrification drive is expected to lower operating costs of IR significantly in the coming years.