

Analysis of Freight Traffic and Earnings

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 - Freight Traffic Trends
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- ❖ Impact of Covid-19 on Monthly Traffic & Earnings in 2020-21
- ❖ Initiatives for Improving Freight Traffic
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Key Trends (2015-16 to 2019-20)

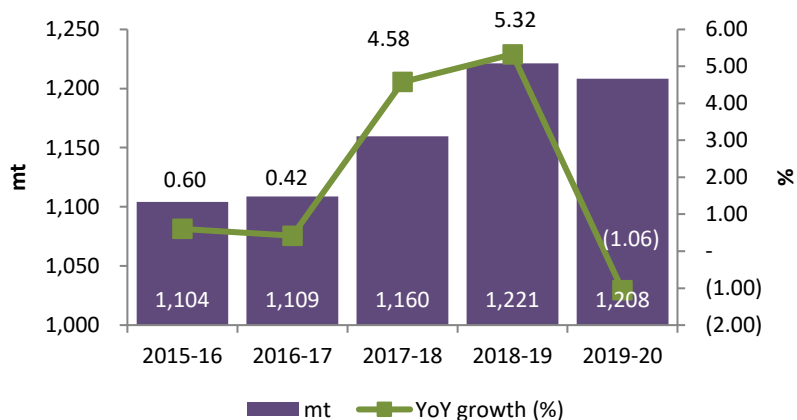
Freight Traffic Trends

Overall, the freight traffic increased at a CAGR of 2.28% during the five year period from 2015-16 to 2019-20.

Freight Traffic Handled by the Indian Railways, 2015-16 to 2019-20

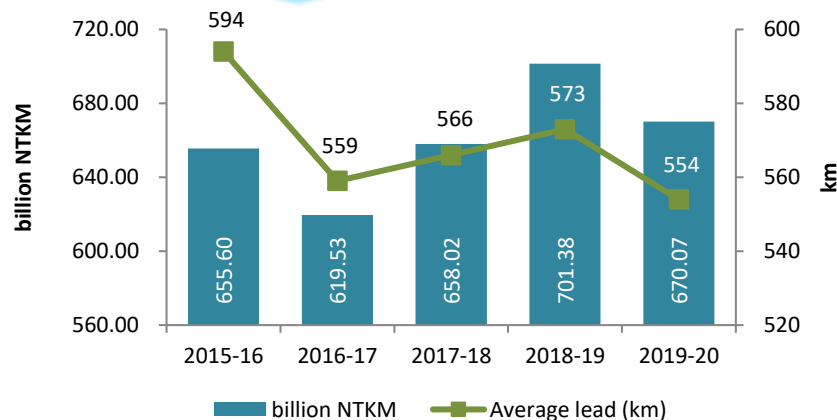
In Terms of No. of Million Tonnes

- Though the freight traffic has been steadily rising from 1,104 mt in 2015-16 to 1,208 mt in 2019-20, the rate of increase has been higher in the previous two years i.e. 2017-18 and 2018-19.



In Terms of Billion NTKM and Average Lead

- After registering decline in the initial two years (2015-16 and 2016-17), the freight traffic registered positive growth rates in the subsequent two fiscals (2017-18 and 2018-19). However, it again declined in 2019-20. The average lead witnessed a similar trend as well.



Note: 2019-20 figures are provisional.

Source: Monthly Reports on Revenue Freight Traffic Statistics on Originating Basis

Key Trends (2015-16 to 2019-20)

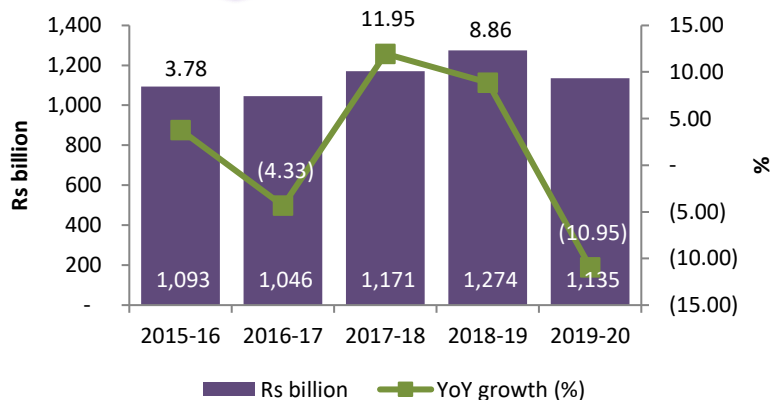
Freight Earnings Trends

Overall, the freight earnings increased at a CAGR of 0.95% during the five year period from 2015-16 to 2019-20.

Freight Earnings of the Indian Railways, 2015-16 to 2019-20

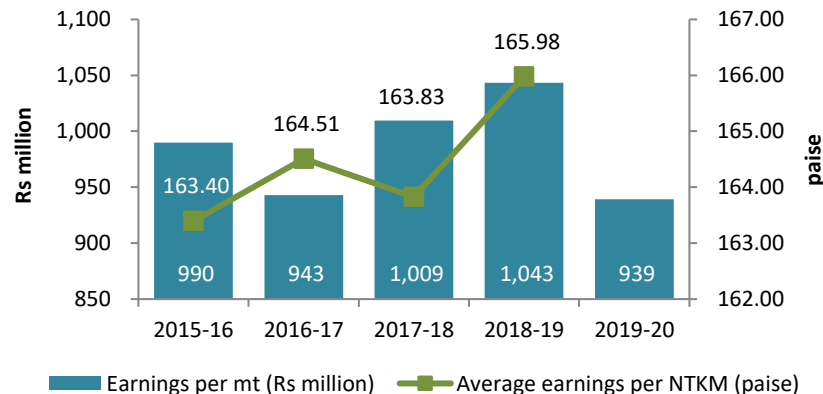
In Terms of No. of Rs Billion

- Except for the drop experienced in 2016-17 by 4.33%, freight earnings have been increasing for the last four years, though the rate of increase has been fluctuating. However, freight earnings registered an exceptional decline of 10.95% during 2019-20, primarily due to Covid pandemic.



Earnings per MT and Average Earnings per NTKM (paise)

- The average earnings per NTKM has shown an upward trend in the period under consideration, increasing from 163.40 paise in 2015-16 to 165.98 paise in 2018-19.

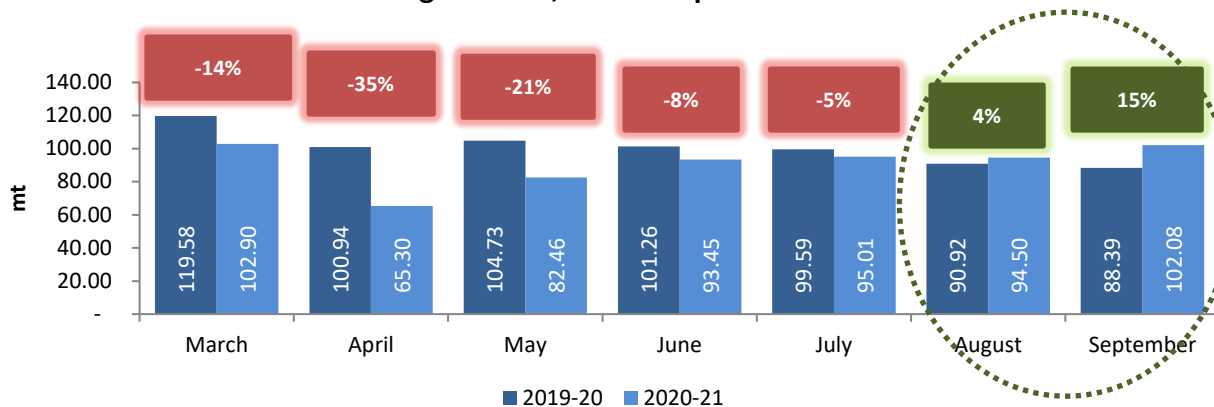


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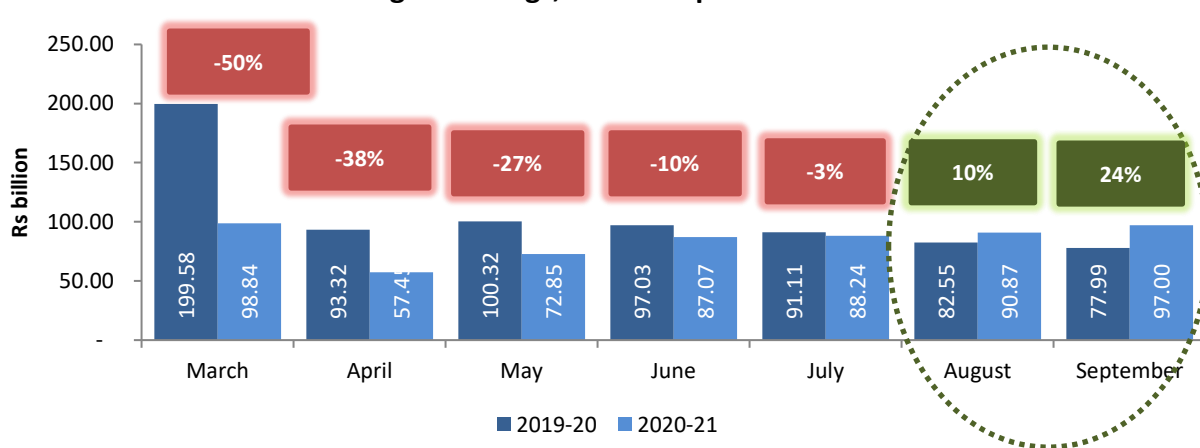
Source: Monthly Reports on Revenue Freight Traffic Statistics on Originating Basis

Impact of Covid-19 on Monthly Traffic & Earnings in 2020-21

Freight Traffic, March-September 2020



Freight Earnings, March-September 2020



Source: Monthly Reports on Revenue Freight Traffic Statistics on Originating Basis

- The maximum impact of the lockdown (with effect from March 24, 2020) imposed to stem the limit of Covid-19 was felt during April 2020.
- However, with the national transporter stepping in to reduce the pandemic's impact on freight business, the decline in freight traffic on month-on-month basis (as compared to the corresponding period of the previous fiscal) started declining.
- As a result of the various initiatives undertaken, the freight traffic started registering positive growth rates from August 2020 onwards.
- A similar trend was witnessed in case of freight earnings as well. After registering significant decline during the past few months (March-July 2020), freight earnings registered an increase of 10.07% and 24.37% during August 2020 and September 2020, respectively.

Initiatives for Improving Freight Traffic

The outbreak of Covid-19 has been used as an opportunity by the Indian Railways to improve its efficiency and performance. IR has undertaken a plethora of initiatives to boost freight operations in spite of Covid-19. As a result, the average speed of freight trains has increased by about 72% in 2020, as compared to 2019-20.

Recent Tariff Rationalisation Initiatives Undertaken by Indian Railways to Boost Freight Traffic in Light of Covid-19

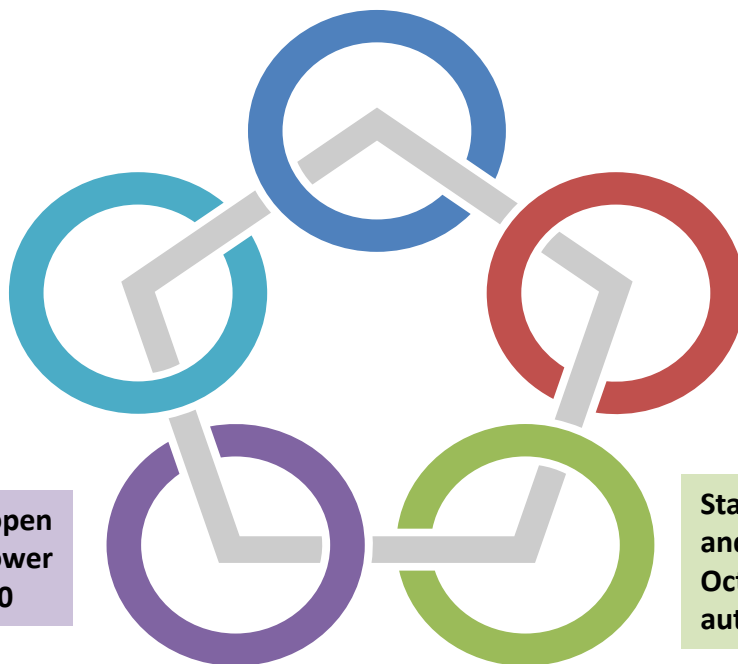
Revision in classification of Industrial salt from 120 to 100 A for the chemical industry from August 3, 2020

Discount for Pond ash (open wagon) to the tune of 40% for power plants, cement, from August 3, 2020

Discount for moisturised ash (open wagon) to the tune of 40% for power plants, cement, from August 3, 2020

5% discount on loaded containers (in addition to 25% on empty) for containers from August 3, 2020

Stabling charges for private container and automobile trains waived off till October 31, 2020 for containers and automobile from August 3, 2020



Source: India Infrastructure Research

Initiatives for Improving Freight Traffic

Other Tariff Rationalisation Initiatives Undertaken by Indian Railways to Boost Freight Traffic

Withdrawal of busy season charge of 15% for all sectors, except coal, iron ore and containers, from October 1, 2019

Discount for fly ash-bagged in open wagon of 40% for power plants and cement, from May 10, 2020

Withdrawal of 5% surcharge of two point/mini rakes for cement, iron and steel, food grains, fertilisers, bulk BOG from October 1, 2019.

Alternate terminal scheme of Rs 56,000 to Rs 80,000 per rake for all sector, from June 27, 2020.

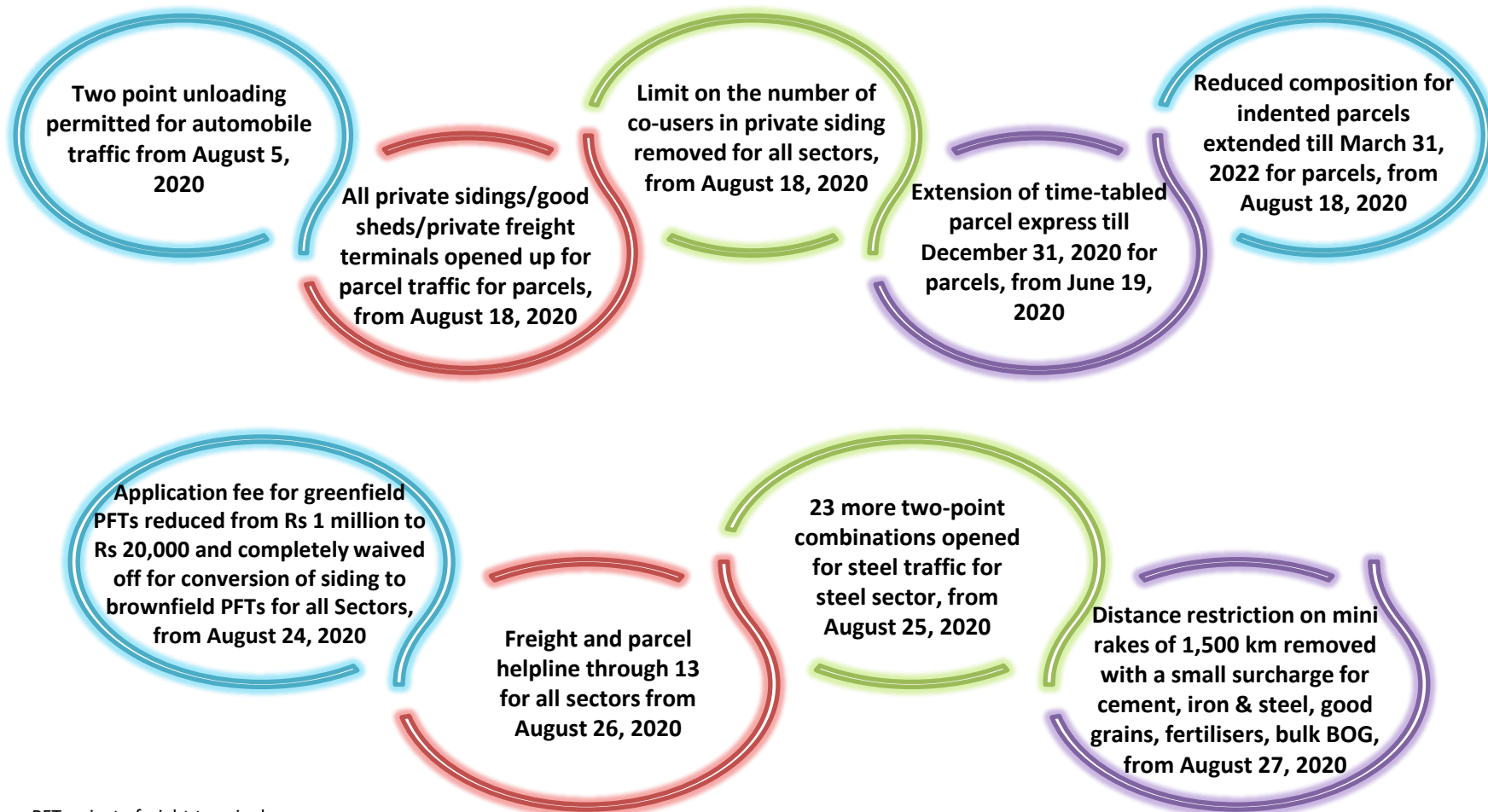
Round trip traffic policy-charging of lower class for all sectors, from July 1, 2020

- Long lead concession of 15-20% for coal, iron ore and iron & steel, from July 1, 2020
- Short lead concession of 10-50% for all sectors (except coal and iron ore), from July 1, 2020

Source: India Infrastructure Research

Initiatives for Improving Freight Traffic

Non-Tariff Initiatives Undertaken by Indian Railways to Boost Freight Traffic



PFT: private freight terminals
Source: India Infrastructure Research

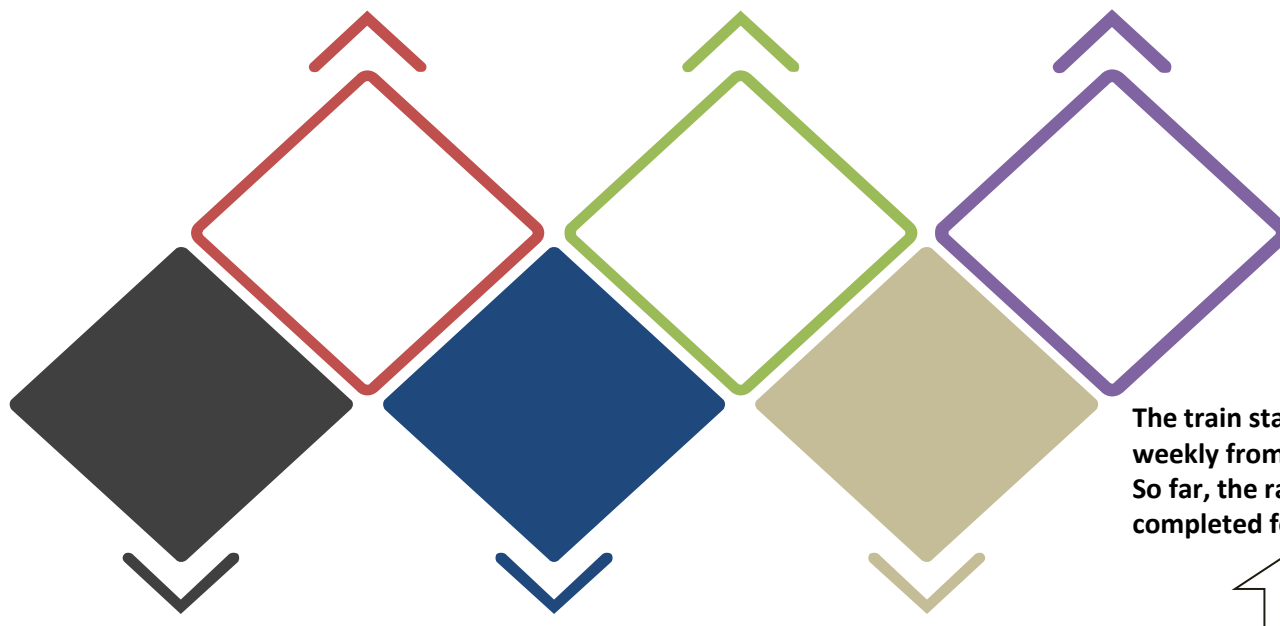
Initiatives for Improving Freight Traffic

Other Initiatives Undertaken by Indian Railways to Boost Freight Traffic

Restrictions on co-use of private sidings removed – 1,079 private sidings allowed to become private freight terminals effectively.

Business Development Units (BDUs) set up at all three levels – Divisions, Zones and Board levels.

405 major good sheds are being improved with concrete surface, bright LED lighting, better roads and labour facilities, to enable three shift operations.



The train started operating bi-weekly from August 24, 2020. So far, the rail service has completed four trips.



Opening up of export traffic to Bangladesh for parcels, containers and automobile

Promotion of time-table parcel trains to improve freight traffic

Kisan rail introduced from Devlali (Nashik) to Danapur (Patna), now extended to Muzaffarpur, on August 7, 2020, with multiple stoppages, multiple commodities, multiple parties. In addition, link train from Kolhapur to Manmad has also added.

Source: India Infrastructure Research

Segment Outlook and Projections

- After declining to a historical low of 1,208 mt in 2019-20 on account the Covid-19 lockdown, railway freight traffic has been witnessing a significant recovery since then.
- **Going forward, the railway freight traffic is expected to cross 1,300 mt by 2024-25.**

Assumptions*

Freight traffic to be impacted in the short-term. Traffic for 2020-21 is expected to reach at most 2019-20 levels.

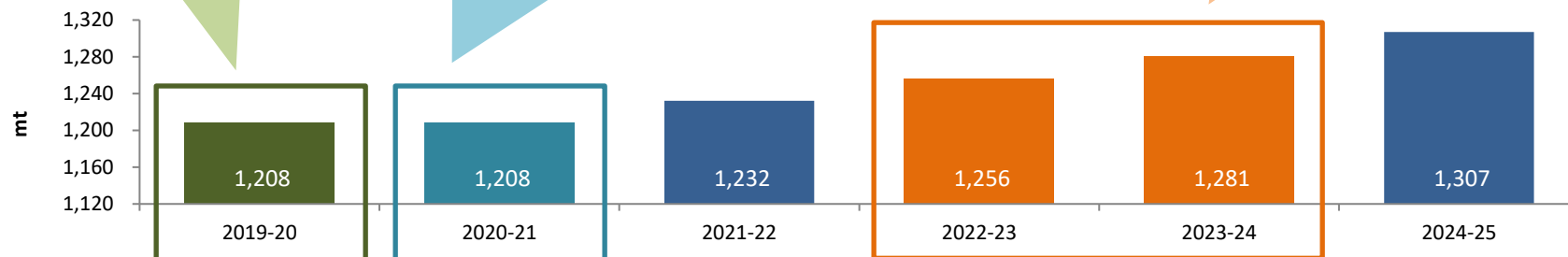
Complete recovery is expected post 2020-21. Freight traffic is expected to grow at CAGR of 2%.

Rail Freight Traffic Projections (mt)

The nation-wide lockdown to stem the spread of Covid-19 was announced in March 2020, however, the freight trains were allowed to operate.

It is difficult to ascertain the freight traffic for the current fiscal (owing to uncertainty regarding risk of second wave and the expected 8-10% contraction in the economy). However, with the freight traffic slowly reaching the pre-Covid level from August onwards, the 2020-21 freight figure is most likely to reach the 2019-20 level.

The commissioning of Eastern and Western freight corridors by June 2022 will give a significant push to the overall freight traffic handled by railways.



Source: India Infrastructure Research

Segment Outlook and Projections

Freight Traffic Projections on Dedicated Freight Corridor

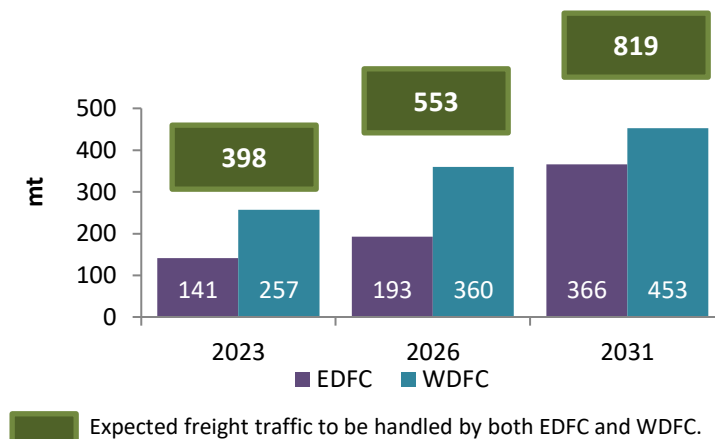
- EDFC and WDFC are expected to be commissioned by June 2020, as per the revised targets given by DFCCIL. The commissioning date of the two corridors has been extended by six months due to the Covid-19 pandemic, thereby affecting the 2023 traffic projections.

- The corridors will not only handle the diverted traffic from the IR, but they will also attract non-IR traffic, resulting in quantum jump in freight transportation. By the year 2026, traffic to the tune of 269 mt is expected to be diverted to IR whereas additional traffic of 284 mt will be added on DFC.

- The total traffic handled by DFCs is expected to increase to 553 mt in 2026 and 819 mt in 2031. By the year 2026, the share of EDFC and WDFC in freight traffic is expected to be 35% and 65%, respectively. Further, the share of EDFC is expected to rise to 45% by 2030-31 due to the commissioning of 538 km long Sonnagar-Dankuni section, to be developed on PPP basis.

Corridor-Wise Freight Traffic Projections

Freight traffic (mt)	2023	2026	2031
Traffic diverted from IR	235	269	304
Additional traffic on DFCs (non-IR)	163	284	515
Total traffic	398	553	819
EDFC's expected share (%)	35	35	45
WDFC's expected share (%)	65	65	55

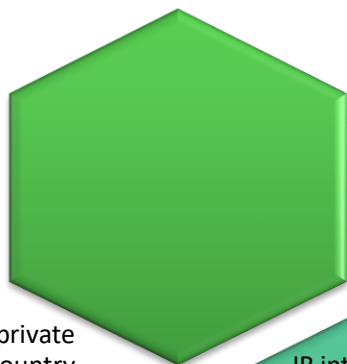


Source: Dedicated Freight Corridor Corporation of India Limited and India Infrastructure Research

Segment Outlook and Projections

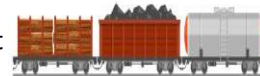


The nascent stage of private participation in the country presents a no. of challenges including difficulty in attracting huge investment on the project and ensuring timely completion. The delay will affect the traffic on the EDFC, especially for coal as mines are in close proximity to this section.



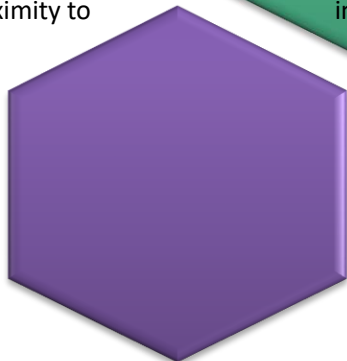
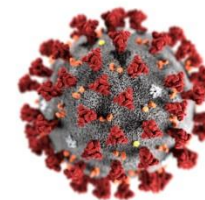
In order to provide a boost to the freight segment, IR has set the target completion of DFCs by June 2022.

IR plans to increase its market share of freight transport with the development and commencement of DFCs. In a strategic vision document, IR has set a target to increase its share in the total freight traffic carried by different modes of transport from 33% to 50-55% by 2030.



IR intends to develop the 538 km-long Sonnagar-Dankuni section through PPP mode, however, private participation is still at a nascent stage in India.

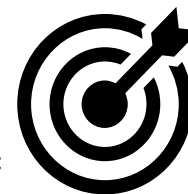
In addition, IR will also need to cover up for the loss of pace of implementation due to Covid-19 and the uncertainties lying ahead.



In order to ensure the timely completion of DFCs, IR needs to pay exclusive attention as they are vital to achieve the total traffic targets.

The project has already missed several deadlines owing to various reasons, primarily land acquisition.

Further, the Covid-19 pandemic pushed its commissioning date from December 2021 to June 2022.



Source: India Infrastructure Research

Nevertheless, freight traffic has been relatively less affected by the Covid-19 pandemic, when compared to other sectors. Due to heavy restrictions on international transport, railways emerged highly important to maintain the optimum supply chain, especially for essential commodities.