

Significantly improve cost position across functions



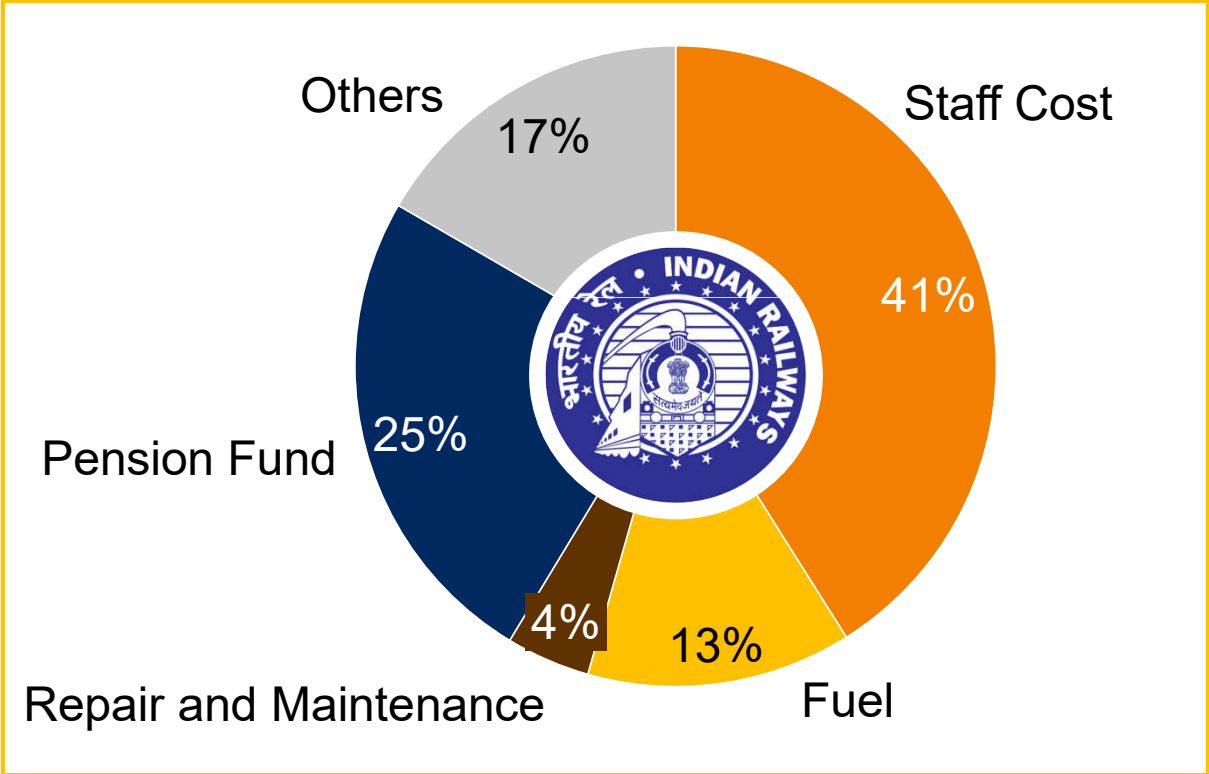
विकास शिविर
चौखंड इकोपोल

विकास शिविर चौखंड इकोपोल

विकास शिविर चौखंड इकोपोल

Staff, Fuel and Repair and Maintenance account for more than 80% of total cost

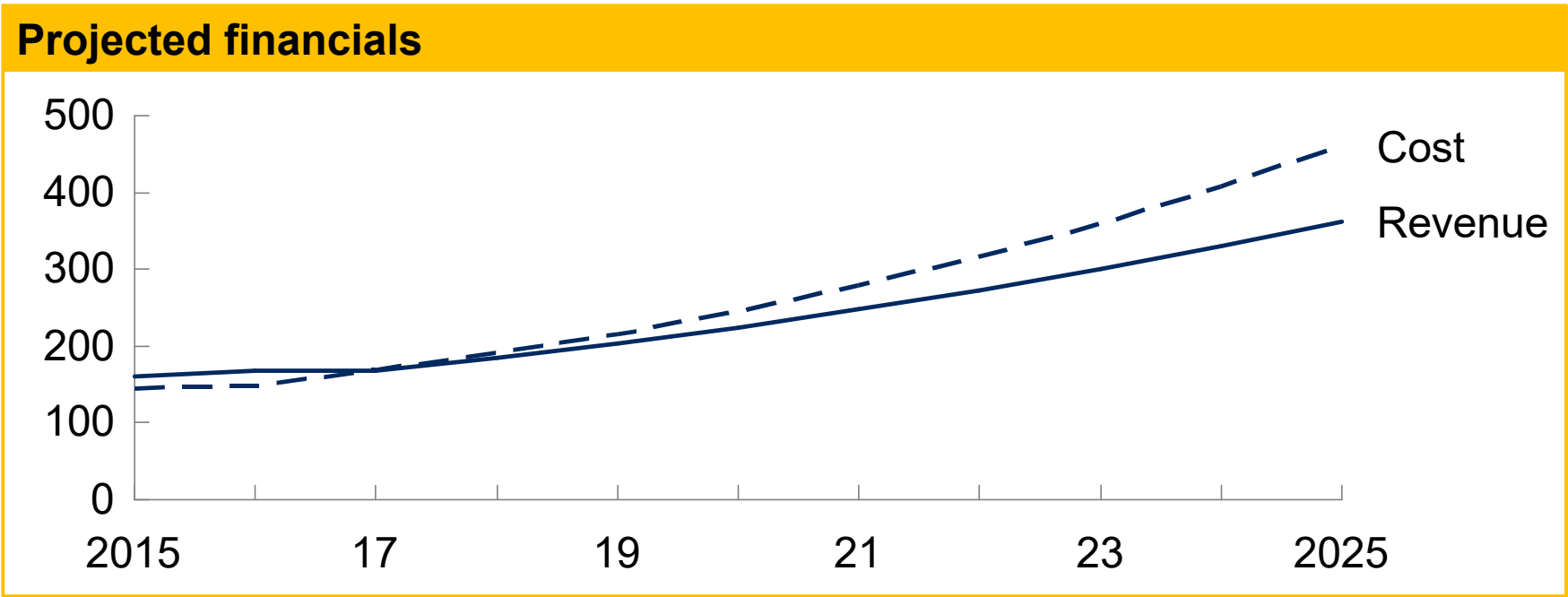
100% = INR 1,71,060 crore (FY16-17)



- Most of the cost heads rigid in the short term
- However, pressing need to reduce cost

With no cost reduction & normal projection of revenue growth, deficit will increase significantly

INR '000 crores



Focus on 3 areas to achieve cost reduction

		<u>Current cost, Rs. Cr. (FY 16-17)</u>
1	Fuel procurement	23,013
2	Manpower Productivity Improvement	112,625
3	Repair & Maintenance	6,842
4	Others	71,845
TOTAL		1,71,060

**Target to reduce
by 10,000 cr in
next 2 years**

1 Fuel: Diesel procurement

Issues

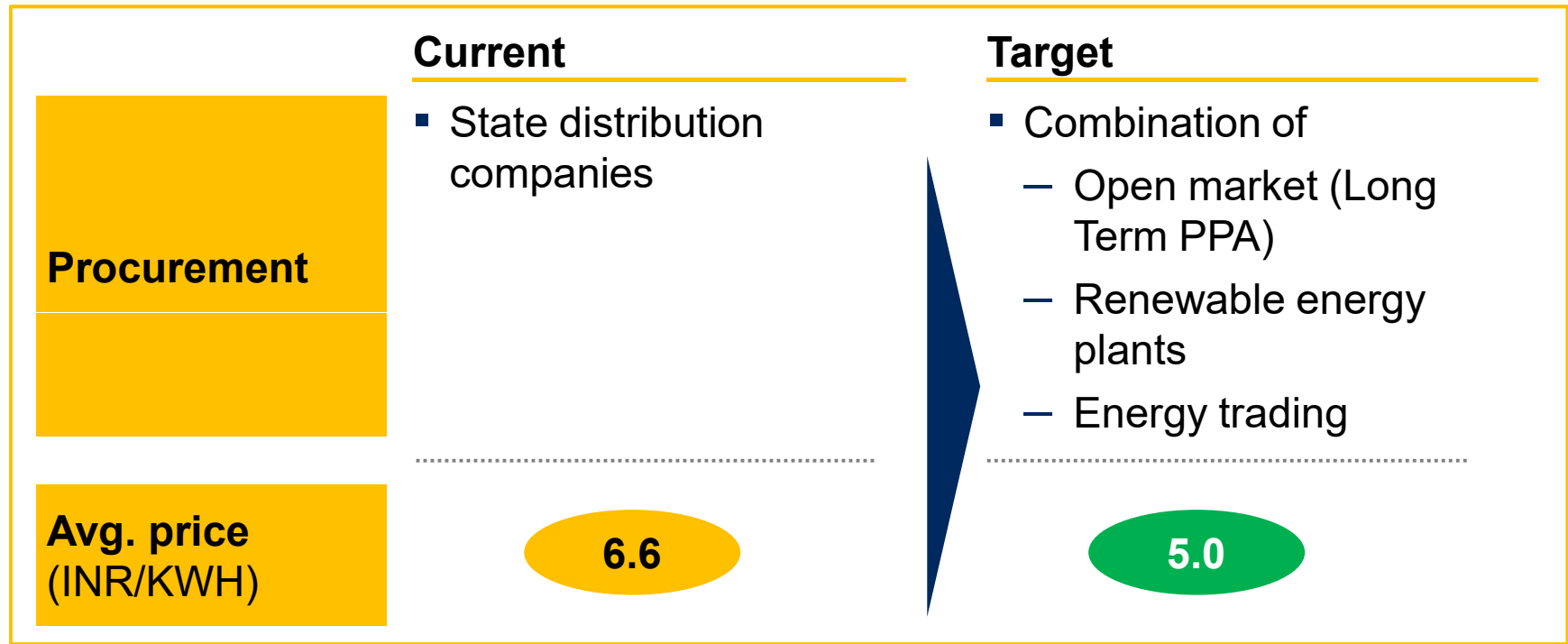
- Nature of contract
 - 1 Year procurement contracts
 - Supply by oil PSUs at L1 after open tendering indicating limited competition
 - Logistics cost and leakages are railways' responsibility
-
- Fixed products specification

Solutions

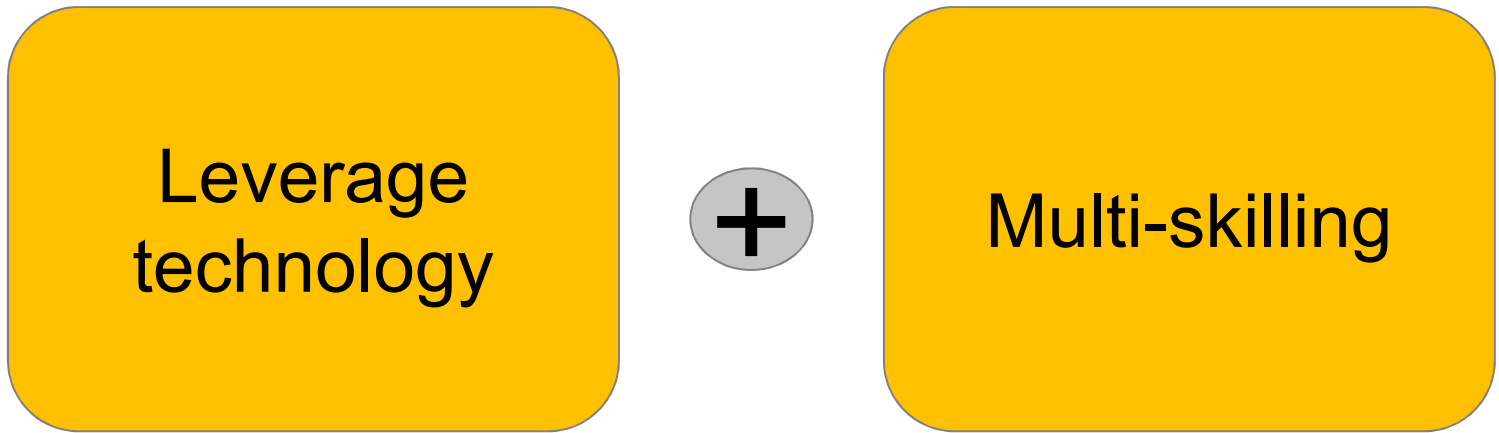
- Modify Procurement strategy
 - Long term contracts
 - On tap supply
 - Logistics fulfillment responsibility with oil companies
-
- Explore blending of Diesel



1 Fuel: Electricity procurement



2 Two pronged approach to address manpower cost



To improve productivity

2 Leverage technology – an illustrative example

Manual

Train guards in a brake van

- Check train completeness
- Carry tools in case of emergency breakdown
- 'All Clear' Signal to engine driver




Technology in many other railways

End-of-train telemetry (EOTT)

- Train completeness check
- Remotely initiate braking from rear unit in case of train parting
- Provide opportunity to add additional loaded wagon



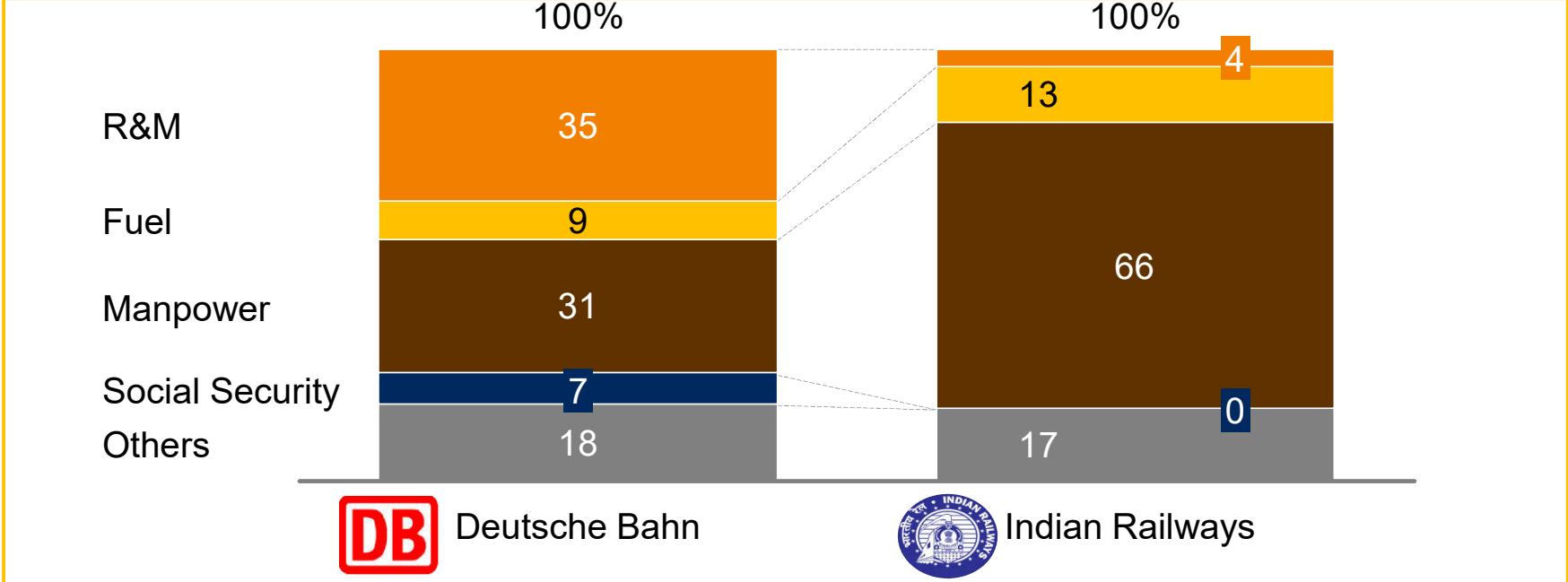
2 Multi-skilling through training to enrich jobs

Current	Proposed
	<ul style="list-style-type: none">▪ Train AC technician▪ Train light technician <p>▶</p>
Categories	<ul style="list-style-type: none">▪ Table Peon▪ Duster <p>▶</p> <ul style="list-style-type: none">▪ Switch board attendant▪ Wireman <p>▶</p>
	<ul style="list-style-type: none">▪ Train technician electrical <p>▪ Multi-skilled staff (MTS)</p> <p>▪ Electrician</p>

Multi-skilled staff can be suitably incentivised

3 R&M: Best-in-class railways optimize spend on R&M

Cost break-up, FY15



- Indian Railways should increase overall spend on R&M to improve asset reliability
- However, there is potential to reduce spend per unit through procurement optimization

Summary

- Reduce fuel cost by 20% through accelerating electrification & strategic procurement of diesel
- Improve organizational effectiveness and productivity by 15% through multiskilling and leveraging technology
- Enhance asset reliability and performance by optimizing repair and maintenance procedures and reducing unit cost of repair and maintenance

Thank you