



PROFITABILITY EVALUATION OF INDIAN RAILWAY CATERING AND TOURISM CORPORATION LIMITED

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Abstract:

Indian Railway plays vital role in the National economy. IRCTC plays an important role in success of Indian Railway. The performance of IRCTC is evaluated by analyzing the income of individual services such as catering, Rail neer, Internet ticketing, departmental catering and tourism. In IRCTC few departments earn more income such as Tourism, and Internet ticket booking services. Departmental Catering shows lowest value of income. By way of outsourcing or modifying the catering section and departmental catering the IRCTC can achieve more profitability.

1. Introduction:

Indian Railway plays vital role in Indian economy. IRCTC plays a vital role in the success of Indian Railway. IRCTC was incorporated on 27th September, 1999. The Company obtained Certificate of Commencement of Business on 2nd December 1999. The authorised share capital of the Company is ` 50 crore and paid up share capital is ` 20 crore, fully subscribed by Ministry of Railways, Government of India. The full-fledged functioning of the Company started on 1st August 2001, after setting up the functional Board. The registered and Corporate Office of IRCTC is at New Delhi. Indian Railways to manage the catering and hospitality services at stations, on trains and other locations and to promote domestic and international tourism. It offers special tour packages, information & commercial publicity and global reservation systems. IRCTC is a subsidiary of Indian Railways. It takes care of the online ticketing, catering, Rail neer and tourism operations. Ever since its launch, IRCTC totally modernize rail travel in India. IRCTC is the fastest growing and the largest e-commerce website across the entire Asia-Pacific region. The article analysis the financial performance of the IRCTC.

2. Objective of the Study:

- ✓ To evaluate the financial performance in IRCTC.
- ✓ To study the performance of IRCTC services.
- ✓ To suggest suitable remedial measures to increases the financial income of IRCTC.

3. Research Methodology:

For this study the data were collected from IRCTC annual reports for the past 11 year's through its website.

4. Significance of the Study:

The services sector has been a major and vital force steadily driving growth in the Indian economy for more than a decade. The economy has successfully navigated the turbulent years of the recent global economic crisis because of vitality of this sector in the domestic economy and its prominent role in India's economic interactions.

The development of services sector can transform the burden of large size of manpower into an asset by its proper utilizations and thereby can generate a huge size of income for the nation as a whole.

IRCTC's total income for the financial year 2015-16 stood at ` 1490 crore. IRCTC's total income jumped 34 per cent to ` 1,490 crore in 2015-16 from ` 1,100 crore in the previous fiscal. This is inclusive of service charge for online ticket booking, sales of packaged water Rail neer, Tourism and license fees from catering vendors. This income which helps to develop our Indian economy.

5. Review of Literature:

Johan Holmgren (2013) evaluates the efficiency of public transport operations undertaken in Swedish countries using stochastic frontier analysis with annual data from 1986 to 2009 for 26 Swedish countries. He observed that the cost efficiency as the ratio of minimum cost to observed cost, the overall (average) cost efficiency for the industry fell from 85.7 per cent in the eighties to 60.4 per cent for the period from 2000 to 2009.

Bogart and Chaudhary (2012) have analyzed the trends in Indian Railways performance, the effects of ownership and regulatory policies, and the impact of railways on the Indian economy. Authors signified that the

dividend guarantees and government ownership had effects on Railways performance. There is an increasing market integration and national income that could have used to aid Indian economic development.

6. Performance of IRCTC:

The overall performance of IRCTC is evaluated by analyzing the income of individual services such as catering, Rail neer, Internet ticketing, departmental catering and tourism as follows.

Table 1: Profitability of IRCTC (in Lakhs)

Years	Catering	Railneer	Internet Ticketing	Departmental Catering	Tourism Income	Total Income
2005-06	11,961.38 (84.67%)	4.45 (0.03%)	1,275.95 (9.03%)	258.74 (1.83%)	625.80 (4.43%)	14,126.32 (100%)
2006-07	22,318.73 (84.33%)	0.81 (0%)	2,602.53 (9.83%)	407.59 (1.54%)	1,136.48 (4.29%)	26,466.14 (100%)
2007-08	26,409.31 (83.37%)	2.85 (0.01%)	4,355.25 (13.75%)	0 (0%)	908.24 (2.87%)	31,675.65 (100%)
2008-09	32,078.19 (74.18%)	6.71 (0.02%)	8,261.19 (19.10%)	217.11 (0.5%)	2681.99 (6.20%)	43,245.19 (100%)
2009-10	35,163.33 (67.61%)	16.3 (0.03%)	12289.26 (23.63%)	201.12 (0.39%)	4338.07 (8.34%)	52,008.08 (100%)
2010-11	30390.90 (59.50%)	16.49 (0.03%)	14292.46 (27.98%)	145.12 (0.28%)	6,228.19 (12.19%)	51,073.16 (100%)
2011-12	2806.57 (9.81%)	11.34 (0.04%)	16064.43 (56.15%)	138.54 (0.48%)	9588.65 (33.52%)	28,609.53 (100%)
2012-13	2026.33 (5.08%)	101.53 (0.25%)	18794.15 (47.09%)	350.24 (0.88%)	18636.78 (46.7%)	39,909.03 (100%)
2013-14	2,688.52 (4.65%)	69.99 (0.12%)	22,848.93 (39.49%)	48.66 (0.08%)	32,210.14 (55.66%)	57,866.24 (100%)
2014-15	6,979.35 (9.44%)	76.97 (0.10%)	30,812.47 (41.7%)	85.46 (0.12%)	35,942.52 (48.64%)	73,896.77 (100%)
2015-16	7,608.64 (7.02%)	240.81 (0.22%)	63,214.67 (58.34%)	172.65 (0.16%)	37,121.68 (34.26%)	1,08,358.45 (100%)
CAGR	-4.03%	43.74%	42.59%	-3.61%	44.94%	20.35%

Source: IRCTC Annual Reports

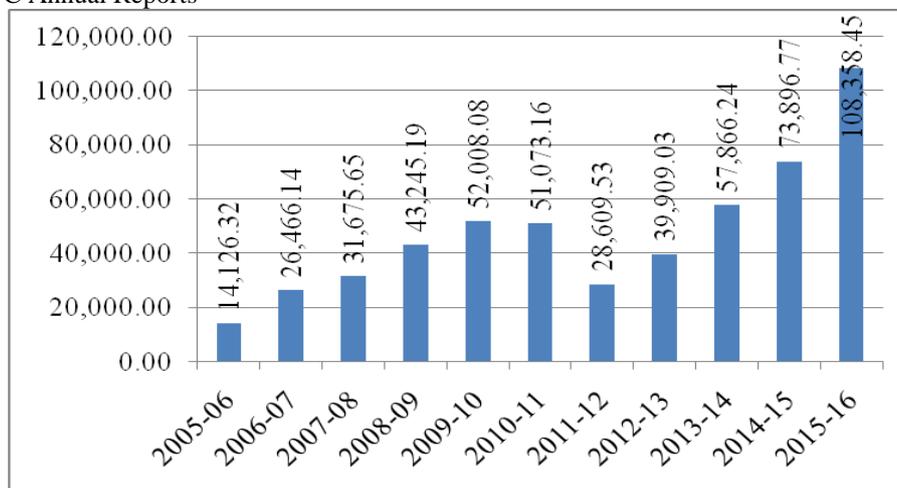


Figure 1: Performance of IRCTC

The above table indicates the total income of IRCTC from 2005-2006 to 2015-2016. The income of IRCTC has an increasing trend upto 2010-11 and from the year 2011-12 it shows declining trend. The highest income of 1,08,358.45 lakhs is registered in the year 2015-2016. The lowest income of ` 14,126.32 lakhs is registered in the year 2005-2006. The compound growth annual return values for the last 11 years shows that 20.35 percent. From this study, Tourism, Rail neer and Internet ticketing contributes to the major income to the IRCTC. Catering and Departmental catering income shows negative trend.

6.1 Catering Services:

Customers are the backbone of every company. Without them, there would be no success. Catering industry is booming sector nowadays that has established itself as brand.

Railways shall gradually take over management of all mobile catering services including base kitchens and mobile catering through departmental catering in a phased manner Railway Board shall determine the menu

and tariff for the standard meals, breakfast, tea, coffee and catering charges for meals, etc., which are included in the fare.

The on-board catering services remain one of the major challenges of the Railways. There are many instances where it was found that the food is unhygienic and in others or found to be stale or sub-standard. Many passengers claim that the complaints regarding sub-standard food quality, delivery of food without any proper receipts or bills goes unattended.

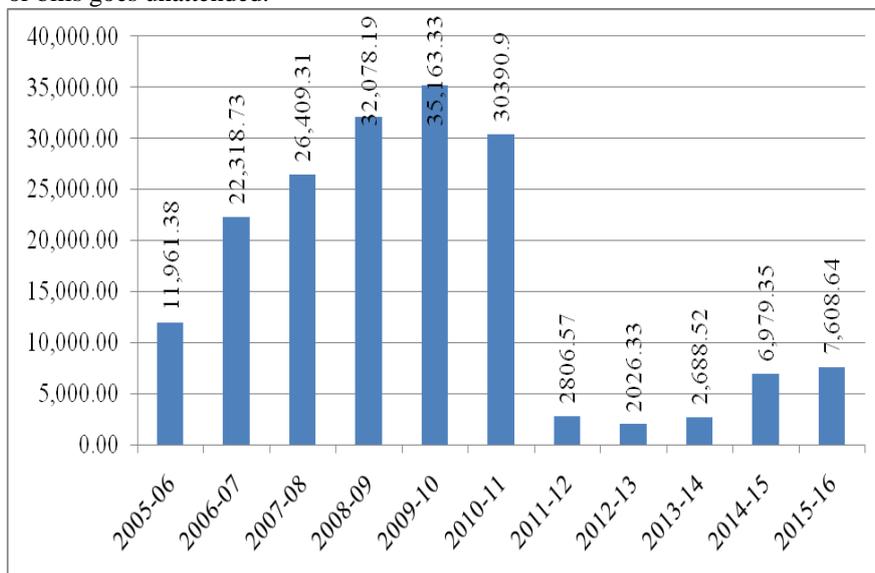


Figure 2: Income of Catering Services Division

The above chart exhibits the Catering Income of IRCTC during the study period from 2005-06 to 2015-16. The catering income of IRCTC was steady increased upto 2009-10 and it shows decline trend during the year from 2011-12 to 2015-16. Highest income of ` 35,163.33 lakhs is registered during the year 2009-10. In the year 2012-13 catering service has the lowest income of ` 2,026.33 lakhs. It shows catering income is not a major source income source of IRCTC. While comparing the overall performance of IRCTC Compound Annual Growth Rate has 20.35 percent, but the Catering service has the Compound Annual Growth Rate shows a negative value of 4.03 percent. IRCTC should concentrate and develop catering services. The catering services growth is slow moving. IRCTC should give more concentration to develop catering service with the suitable new scheme.

6.2 Rail Neer:

Water is a fundamental need. A secure and safe supply of drinking water is fundamental to public health. Quality of drinking water is very important in the way to have a good health in our life. To enhance passenger amenities, the IRCTC launched Rail Neer, a branded packaged drinking water for the rail commuters. IRCTC stands for quality and has a key role in ensuring service and product of the highest quality for the rail passenger as well as visitor to any railway premises. High quality product can only be ensured when production is in-house under full control and supervision of IRCTC. Rail neer bottle is less cost drinking water bottle due to mass production. Its selling price is also lower than the other branded water bottles. Rail neer is a significant product of IRCTC. Rail Neer, a signature product of Indian Railway Catering and Tourism Corporation (IRCTC), was given the award for 'India's Most Trusted Brand for 2016' in the packaged drinking water segment by IBC Info media Private Limited, a leading business management consultant.

At present IRCTC has six operational Rail neer plants located in various places in India such as Danapur (Bihar), Nangloi (Delhi), Palur (Tamilnadu) Ambernath (Maharashtra), Amethi (Uttar Pradesh) and Parassala (Kerala).

During the year 2015-16 total production of Rail neer was 14.40 crore bottles. In the year 2014-15 total production of Rail neer was 11.95 Crore bottles. Next, 2013-14 total production of Rail neer bottle is 10.98 Crore bottles.

The chart exhibits Rail neer Income of IRCTC during the period from 2005-06 to 2015-16. The Rail neer income of IRCTC shows a fluctuating trend during the period. Highest value of income ` 240.81 lakhs is earned during the year 2015-16, followed by ` 101.53 lakhs in the year 2012-13. In the year 2006-07 it has the lowest income of ` 0.81 lakhs. The compound Annual Growth Rate values for the eleven years shows that 43.74 percent. It was greater than the total Compound Annual Growth Rate of IRCTC.

The Rail neer division is third major source of income of IRCTC. Rail neer water quality must be improved.

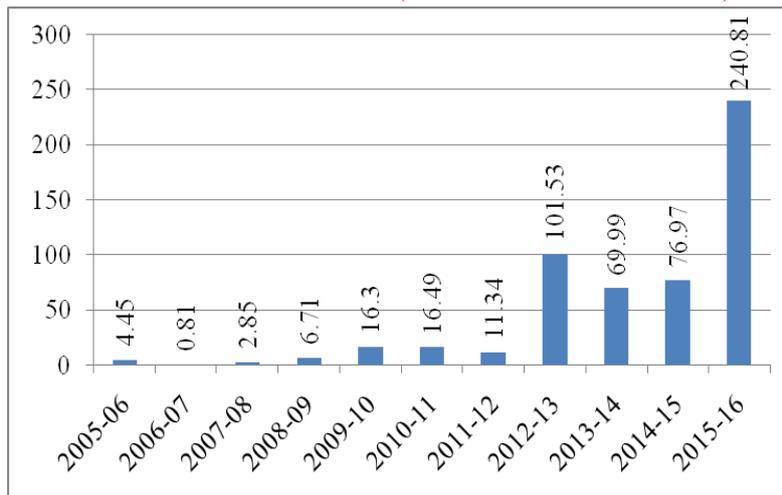


Figure 3: Performance of Rail Neer Division

6.3 Internet Ticket:

An electronic ticket is the digital ticket equivalent of a paper ticket. The term is most commonly associated with airline issued tickets. The principal advantage of e-ticketing is the fact that it reduces booking expense by eliminating the need for printing and mailing paper documents. It eliminates the possibility of critical documents getting lost in the mail or being sent to the wrong address. Since 2002, Internet ticketing is a largest e-commerce portal in our country. In the year 2014-15 around 7.15 lakhs tickets were booked through IRCTC.

IRCTC is most popular for ushering in the age of Internet based Railway ticketing operations in India through its website. (www.irctc.co.in). Two types of tickets are given by IRCTC such as e-ticket and i-ticket. The passengers can book both the types of tickets through online. I tickets are booked online by the passengers and they can get copy of the ticket to the users through the courier / mail services. On the other hand the e-tickets are provided in non-printed form (soft copy). The customer can show the tickets through mobile. If the customer wants the hard copy they can take printout. IRCTC encourages to carry out the ticket through mobile phones.

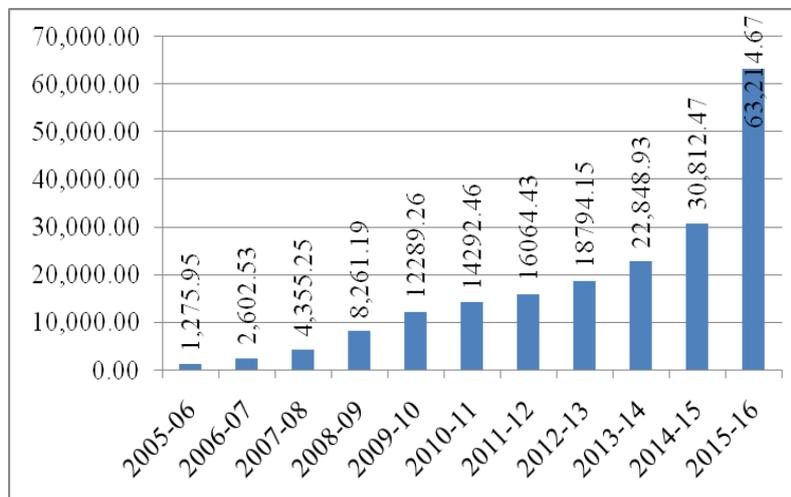


Figure 4: Performance of Internet Ticketing Division

It will be observed from the above table that the Internet ticket income has gradually increased over the years from 2005-06 to 2015-16. The Internet ticket income has also increased from `1275.95 lakhs in 2005-06 to 63214.67 lakhs in 2015-16. Highest income of ` 63,214.67 lakhs is earned during the year 2015-16 followed by 30,812.47 lakhs in the year 2014-15. Under this year 2006-07 it has the lowest income of ` 1,275.95 lakhs. The Compound Growth Annual Rate values shows 42.59 percent. The second major source of income earned by IRCTC with help of Internet Ticketing. The IRCTC has allowed to book ticket through Public sector banks as well as post office. This plan has planned to achieve enormous growth.

As per the finding of this study the major income earned by IRCTC is through Internet ticketing system. IRCTC should improve the process time of its online reservation system.

The Compound Growth Annual Rate value shows that 42.59 per cent. From this above study Internet Ticketing is a second major income source of among various IRCTC service sectors.

6.4 Departmental Catering Service:

Departmental catering services provide foods to passengers while journey in the train. It provides high quality food to the passenger. Mostly the departmental catering services are available in the long journey train.

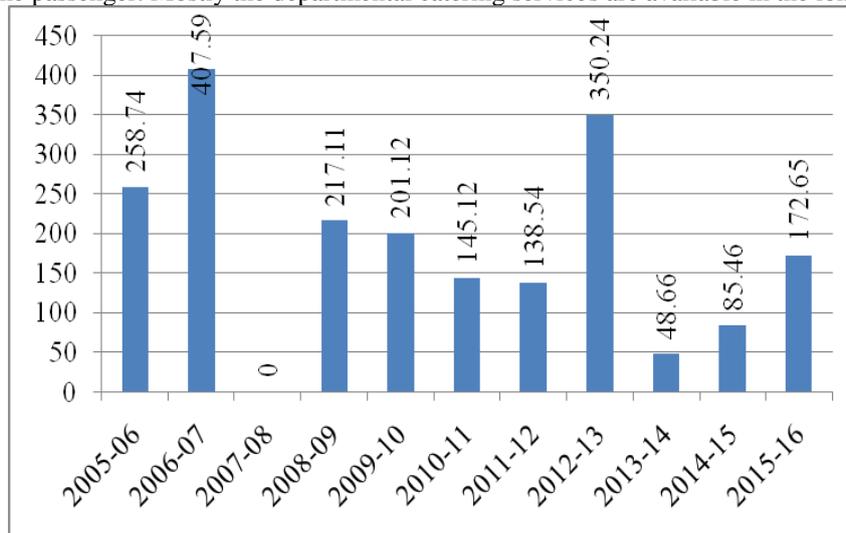


Figure 5: Performance of Departmental Catering Division

It is clear from above chart that the Income from Departmental Catering of IRCTC during the study period from 2005-06 to 2015-16. The Departmental catering income of IRCTC shows that the highly fluctuating trend during the period. Highest value of ` 407.59 lakhs is recorded during the period of 2006-07. There is no catering income on 2007-08. The year 2013-14 has the lowest income of ` 48.66 lakhs. The IRCTC has to take immediate action to develop Departmental Catering division. In terms of CAGR, the earnings from the Departmental Catering Service show negative value of 3.61 percent in 2005-16. The main concern in maintaining food quality is the presence of pathogen and pest ingress- E. Coli, cockroaches, flies, rodents etc. In addition, there is a problem of physical hazards in foods, like hair, stones, buttons, stems and seeds etc. These things disrupt the overall quality of the food chain. So there is a requirement for hygienic practices for food handling. Certain benchmarks for food safety have to be taken.

6.5 Tourism:

Travel has been one of the fastest and ever growing service industries with an enormous potential for further growth in world. The bulk of tourist arrivals are in developed countries but now developing countries are also increasingly sharing in the tourism boom. Tourism has come to play an important role in the socio-economic development of a country. It is both cause and consequence of economic development. Travel and tourism is the one of the most earning service industry in India. IRCTC, provides heritage, cultural, medical, business and sports tourism to the passengers across the country. The main objective of this department is to develop and promote tourism, maintain competitiveness in India as a tourist destination and improve and expand the existing tourism products to ensure employment generation and economic growth.

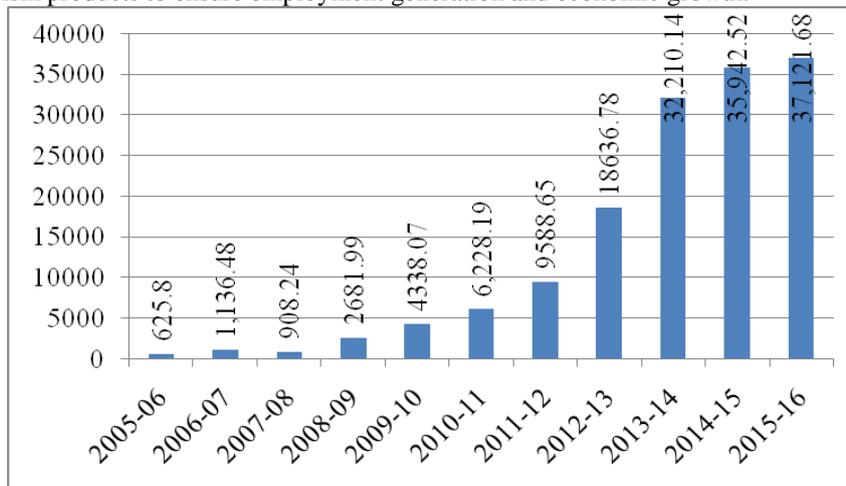


Figure 6: Performance of Tourism Income division

The above chart exhibits the income from tourism of IRCTC. It increased gradually during the study period from 2005-06 to 2015-16. The income from tourism of IRCTC maximum value of ` 35,942.52 during the period of 2014-15. The lowest income has recorded during the period 2005-06 of ` 625.80. The Compound

Annual Growth Rate is 44.94 per cent. IRCTC earn the enormous income which was mainly contributed by Tourism income. It is the top highest profitability service while comparing with the various sectors in the IRCTC.

7. Findings:

- ✓ The highest overall income for IRCTC 1,08,358.45 lakhs in the year 2014-2015. The Compound Annual Growth Rate value is 20.35 per cent during the 10 years of study from 2005 – 06 to 2015 – 16.
- ✓ Highest income of Tourism section of ` 37,121.68 lakhs is registered during the period 2015-16. The Compound Annual Growth Rate shows that value of 44.94 per cent.
- ✓ The highest E-Tickets of 1830.22 lakhs are recorded in the period of 2014-15.
- ✓ During the period of 2014-15 highest numbers of passengers travelled in IRCTC value of 3288.45 lakhs.
- ✓ The collection of E-Tickets Revenue from the period of 2014-15 is ` 20620.99 lakhs.
- ✓ IRCTC earn income from Service charges of Cancellation tickets and booking tickets. During the period of 2014-15 amounting to ` 284.45 crores collected.
- ✓ The second major source of income for IRCTC is Internet Ticketing division. Here, IRCTC recorded by Compound Growth Annual Rate value is 42.59 percent during last 11 years.
- ✓ Catering section earned major income sources between the period of 2005 – 06 to 2010 -11 by contributing more than 50 percent the total income. After the period its registered by less than 10 percentage of the total income.
- ✓ Railneer is one of the source of income generated service sector of IRCTC. At present IRCTC has six operational Railneer plants in various locations. The production of Railneer increased especially major income earned during the period of 2014-15 was produced 11.95 crores bottles.

8. Suggestions:

8.1 Catering:

- ✓ Passengers use catering services to fulfill their needs.
- ✓ As enormous passengers use it, the quality of the product should be maintained.
- ✓ Catering income shows that fluctuating trend for every year.
- ✓ IRCTC is regenerating the Catering services. The catering service is slow has assumed decreasing trend. IRCTC have do concentrate to develop catering service and introduced a suitable new scheme.

8.2 Rail Neer: Rail neer is one of the major income earning sources of IRCTC. IRCTC should be reducing Rail neer price. IRCTC take necessary precautions actions for Rail neer Scam activities. The Rail neer division has contributed major income sources to IRCTC.

8.3 Internet Ticket: The second major income source contributed to IRCTC is Internet Ticketing division. Internet ticket booking services saves the time of passengers. IRCTC should introduce online booking service for the customers on special trains during festivals, holidays, and other important occasions. IRCTC website must be developed as per latest technologies in the world.

8.4 Tourism: Travel and tourism play an important function in India's economy; India ranks 14th in the world in terms of its tourism sector's contribution to the GDP. Creating awareness and people's participation in decision making process for developing tourism products and services, maintenance of heritage tourism sites, Pilgrims tourism and exposure cultural deposits.

8.5 Departmental Catering: Departmental catering provide foods and beverages to passengers while journey in train. Departmental catering income shows decreasing trend. The IRCTC provide advertisement or create awareness about the catering services to increase the income.

9. Conclusion:

The IRCTC is the only railway service provider in our country it enjoys absolute monopoly in the railway travel market and due to this reason the quality of the catering services are not up to the appropriate standard, which need to make tremendous improvement not only in its customer service but also in the quality of food it provides to its travelers. Moreover it has to develop and follows good quality check system to maintain the same and also train its staff members properly. More than 10 million passenger travels by train everyday and almost all of them are from middle class and lower class family. So the food and beverages as well as other services offered in the normal train also need to be improved. In IRCTC few departments earn more income such as Tourism, and Internet ticket booking sources. Departmental Catering shows lowest value of income. By way of outsourcing or modifying the catering section and departmental catering the IRCTC can achieve more.

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