**ANNOTATION TO THE PROJECT**

**REFORMING THE meals SYSTEM IN RUSSIAN RAILWAYS**

**BASED ON FARM PRODUCTS**

**BASIC CONCEPTS AND DEFINITIONS**

**Uniform meals system standards in Russian Railways**

Each dish must strictly comply with the Technical Conditions applicable throughout the industry, and regardless of the place of its preparation and consumption, it has the same high quality, recognizable appearance and taste, as well as the same price. Technical Conditions are approved by the Meals Organizer.

**MENU.**

The program block of Rational devices has a built-in menu, which includes tens of thousands of recipes for preparing dishes from any product: meat, fish, poultry, vegetables, eggs, etc. as well as pastries and desserts. These units can grill, fry, bake, steam, simmer, blanch or sauté.

**The main** or pre-order menu is a menu that allows you to order any dish at least 24 hours in advance. The main menu consists of various national dishes of the peoples of Russia from 500 to 600 items and more than 200 exclusive dishes from the best cuisines of the world. Each client can order any dish from the Big Menu through a mobile application - it will be delivered at a specified time to a specified Russian Railways facility, wherever this facility is located.

**Objects of the Russian Railways' catering system** are restaurant cars, as well as any public catering facility in the system of Russian Railways

**Object menu**

Each Object of the system has its own Object menu, which depends on the season and preferences of the residents of the region where the Object is located. All dishes of each object menu are included in the Main menu. If a client orders food while visiting an object of the Russian Railways system, then he can select dishes from the Object menu of the object on which he is located.

1. **Raw materials**
   1. Farm products
   2. Food products from foreign countries that are absent in our country.
   3. The initial basic raw material for food preparation is the products and semi-finished products of farms, supplied in disposable vacuum thermal containers, specially made for combi steamers. The missing ingredients (spices, etc.) are put into containers immediately before they are put into the combi steamers. All suppliers are selected from among the collective members of the PM "Federal Village Council" located near junction railway stations.

**Equipment.**

The project provides for the use of the most modern intelligent equipment for cooking food, used by such large chain hotel holdings as JW Mariott, the Ritz-Carlton, Hilton, etc. This means that there can be no complaints about the quality of food. These are 7th generation combi steamers from the German company Rational: iVario (for preparing first courses) and iCombi Pro (for preparing second courses). Both models, together with the service area, occupy up to 2.0 m2, have the same productivity - more than 20,000 servings per day, thousands of dishes, with an average power consumption of about 50 watts per dish.

**Capital investments.**

The total capital investment for the creation of a catering system at Russian Railways to serve 3 million people daily will be from 6 to 7 billion rubles, with a payback within a year. This amount also includes the cost of equipment that will be equipped with farms for the production and supply of products and semi-finished products in vacuum thermal containers, specially made for combi steamers. The estimated gross turnover of the company will be about 4.5 trillion per year.

**The goal of the reform:** Due to the high quality of food and a well-built pricing policy based on limiting the rate of profitability, **create an exuberant demand** for our food at all facilities of the System.

**Rationale:**

There are five obvious conditions for the exuberant of food demand:

**a) Exclusive nature of the goods from a single supplier**

**b) High demand**

**c) Mass availability at a price**

**d) The most favorable conditions for word of mouth**

**e) Impossibility of plagiarism**

Exclusivity lies in a set of properties that are inaccessible to any of the competitors: this is a single standard for each dish in the system; healthy, recognizable and delicious food from farm products; as well as value for money. Due to the high level of automation, huge equipment productivity, large production volumes, as well as direct deliveries of their products by farmers without intermediaries, the cost of meals allows setting selling prices at the System's facilities, at least 3 times lower than the cost of the same dishes in mid-price chain restaurants. And the atmosphere in the trains, together with the train radio communication system, create ideal conditions for the active functioning of word of mouth.

The pricing policy is built as follows - the lower threshold for the cost of the dish is 100 rubles, and the upper threshold is limited by the rate of return of 300%.

All of the above features can only be implemented in large systems with a highly developed logistics infrastructure. There is no second such system in Russia as Russian Railways.

**Prerequisites**

Russian Railways' passenger traffic amounted to 1.2 billion people in 2019

When calculating the financial indicators, it was assumed that the number of passengers who use the services of the Russian Railways catering system will be, on average, 20% at the start, and 30% in 2022. The numbers are very low due to the threat of a second wave of the COVID-19 pandemic.

**Financial performance**

No matter how fantastic these indicators may seem, this is an objective reality, confirmed by rigorous calculations of highly qualified specialists.

**NPV** (net present value) will amount to 72.07 billion rubles.

**IRR** (Internal Rate of Return) by 2022 will be equal to 316%

**Revenue** in 2022 - 189.2 billion rubles

**Payback of the project** - less than 1 year

**EBITDA** (Earnings Before Interest, Taxes, Depreciation and Amortization) by 2022 will amount to RUB 27.52 billion.

**Average EBITDA margin** - 14%

**Average net profit margin** - 11%

**Under steady-state conditions, NPV will be at least 250 billion rubles.**

**Meals system implementation results**

Reforming the food system in Russian Railways will provide the project participants with an annual income of at least 250 billion rubles (taking into account the increase in passenger traffic to the level of the same indicator in France), create a serious market for thousands of farmers for their products and give a powerful impetus for the intensive development of cooperation throughout Russia, which will significantly reduce the budgetary burden on providing assistance to small and medium-sized businesses.

According to the calculations of a group of our analysts and economists, the mechanism developed by the Federal Village Council for organizing cooperation with Russian Railways in the field of food on the principles of public-private partnership in the next 2 years will ensure an increase in industry revenues, with a tendency of active growth, from 1.0 to 1.5 trillion rubles.

The project is aimed primarily at improving the standard of living and increasing the production of the agricultural sector in Russia as a whole (according to the "Program of the Federal Village Council for the Development of Rural Areas and Small Towns of Russia").

The sphere of railway communication in France, as well as in our country, is state property, it was nationalized in 1930. Nevertheless, with the length of the railway networks in Russia and France - 85.6 and 31 (thousand km), respectively; the number of passengers using the railway services in 2019 amounted to 1.2 billion people in Russia, and 1.8 billion people in France, with incomparably smaller territories, population and ideal condition of roads.

**Market analysis**

There is only one competitor on the horizon – «Yandex.Lavka». The company is inferior to us both in price and in the quality of the final product; our dishes are made exclusively from farm products, while Yandex.Lavka buys ready-made meals from outsourcers. As of July 2020, Yandex.Lavka operates in Moscow, Moscow Region, St. Petersburg, Leningrad Region and Nizhny Novgorod (180 shops are open). For comparison, there are more than 2.5 million dining cars and catering facilities at railway stations alone.