

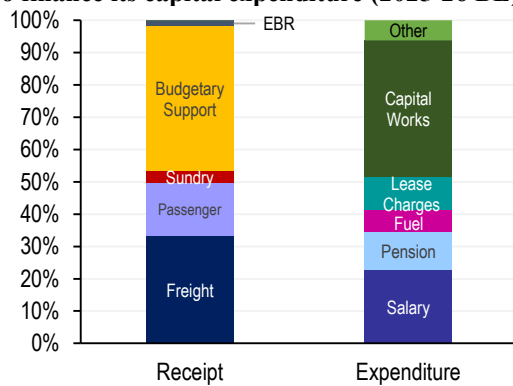
Demand for Grants 2025-26 Analysis

Railways

The Railways finances were presented on February 1, 2025, by the Finance Minister Ms. Nirmala Sitharaman along with the Union Budget. Indian Railways is a commercial undertaking of the central government. The Ministry of Railways administers Railways through the Railway Board.¹

Expenditure of Railways is financed through: (i) its own internal revenue (mainly goods and passenger earnings), (ii) budgetary support from the central government, and (iii) extra-budgetary resources (includes borrowings, institutional financing, and public-private partnerships). Working expenditure including salaries, pension, and maintenance of assets is covered through its internal resources. The surplus generated by the Railways after this expenditure is insufficient to cover capital expenditure (such as construction of lines, track renewals, and wagon procurement). Capital expenditure is supported by grant from the central government and extra-budgetary resources. This note looks at the proposed expenditure of Railways for 2025-26, and the state of its finances.

Figure 1: Railways’ internal revenue inadequate to finance its capital expenditure (2025-26 BE)



Note: Lease charges – payments to Indian Railway Finance Corporation for leased assets. EBR: Extra-budgetary resources. BE: Budget estimates.

Sources: Expenditure Profile, Railway Statements, Union Budget Documents, 2025-26; PRS.

Budget Overview

- **Revenue:** Railways’ internal revenue for 2025-26 is estimated to be Rs 3,02,100 crore. This is an increase of 8.3% over the revised estimate for 2024-25.
- **Traffic revenue:** In 2025-26, 99.8% of revenue is estimated to be raised from traffic operations (Rs 3,01,400 crore). 62% of traffic revenue is estimated to come from freight services (Rs 1,88,000 crore), and 31% from passenger services (Rs 92,800 crore). In 2025-

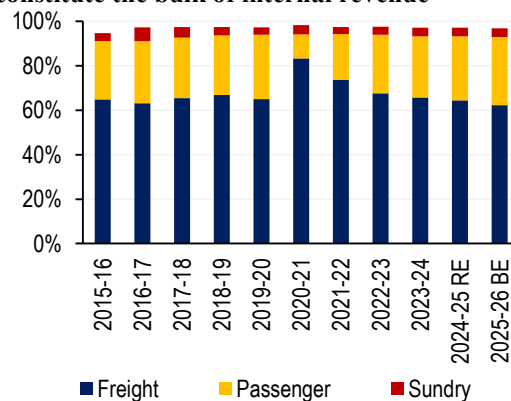
26, revenue from freight and passenger services are estimated to increase by 4.4% and 16% over the previous year, respectively.

- **Revenue Expenditure:** The total revenue expenditure in 2025-26 is estimated at Rs 2,99,059 crore, an increase of 7.7% over the revised estimate of 2024-25.
- **Capital expenditure:** In 2025-26, capital expenditure is estimated at Rs 2,65,200 crore, same as the revised estimate for 2024-25. In both 2024-25 and 2025-26, the budgetary support from the central government is estimated at Rs 2,52,200 crore, financing 95% of the capital expenditure in these years.
- **Operating Ratio:** In 2025-26, the Railways’ operating ratio is estimated to be 98.43%. This is slightly lower than the revised estimate for operating ratio in 2024-25 (98.9%). Operating Ratio is the ratio of working expenses to the receipts from traffic. A lower ratio implies better profitability and availability of resources for capital spending.

Railway Revenue

Railway earns its internal revenue through: (i) passenger train operations, (ii) goods train operations, and (iii) sundry revenue. Sundry revenue includes rent, catering receipts, revenue from commercial utilisation of land, and advertisements on coaches and stations. Freight revenue is estimated to constitute 62% of total internal revenue in 2025-26. This is followed by earnings from passenger train operations at 31% of total revenue. Sundry revenue is estimated to constitute 4% of the total internal revenue.

Figure 2: Earnings from freight operations constitute the bulk of internal revenue



Note: BE: Budget Estimates; RE: Revised Estimates. Sources: Expenditure Profile, Railway Statements, Union Budget Documents, 2017-18 to 2025-26; PRS.

Table 1: Overview of receipts and expenditure of Indian Railways (Rs crore)

S.No.	Item	2023-24 Actuals	2024-25 BE	2024-25 RE	% Change (24-25 BE to 24-25 RE)	2025-26 BE	% Change (24-25 RE to 25-26 BE)
Receipts							
1	Passenger Revenue	70,693	80,000	80,000	0.0%	92,800	16.0%
2	Freight Revenue	1,68,293	1,80,000	1,80,000	0.0%	1,88,000	4.4%
3	Other Traffic Sources	16,286	18,100	18,600	2.8%	20,600	10.8%
4	Gross Traffic Receipts (1+2+3)	2,55,273	2,78,100	2,78,600	0.2%	3,01,400	8.2%
5	Miscellaneous Receipts	821	400	400	0.0%	700	75.0%
6	Total Internal Revenue (4+5)	2,56,093	2,78,500	2,79,000	0.2%	3,02,100	8.3%
7	Budgetary Support from Government	2,42,648	2,52,200	2,52,200	0.0%	2,52,200	0.0%
8	Extra Budgetary Resources (EBR)	16,625	10,000	10,000	0.0%	10,000	0.0%
9	Total Receipts (6+7+8)	5,15,367	5,40,700	5,41,200	0.1%	5,64,300	4.3%
Expenditure							
10	Ordinary Working Expenses	1,91,094	2,05,000	2,08,000	1.5%	2,26,256	8.8%
11	Appropriation to Pension Fund	59,000	67,000	66,359	-1.0%	68,603	3.4%
12	Appropriation to Depreciation Reserve Fund	800	1,000	800	-20.0%	1,500	87.5%
13	Total Working Expenditure (10+11+12)	2,50,894	2,73,000	2,75,159	0.8%	2,96,359	7.7%
14	Miscellaneous	1,940	2,700	2,500	-7.4%	2,700	8.0%
15	Total Revenue Expenditure (13+14)	2,52,834	2,75,700	2,77,659	0.7%	2,99,059	7.7%
16	Total Capital Expenditure	2,62,217	2,65,200	2,65,200	0.0%	2,65,200	0.0%
17	Total Expenditure (15+16)	5,15,051	5,40,900	5,42,859	0.4%	5,61,259	4.0%
18	Net Revenue (6-15)	3,260	2,800	1,341	-52.1%	3,041	126.7%
19	Operating Ratio	98.43%	98.22%	98.90%		98.43%	

Sources: Expenditure Profile, Railway Statements, Union Budget Documents, 2025-26; PRS.

Railways' targets to scale freight operations

The Railway Board (2022) noted that between 1950 and 2021, India's logistics market grew from 87 million tonnes (MT) of originating freight to about 4,500-5,000 MT (55 times growth).³ In the same period, rail freight grew from 73 MT to 1,418 MT (about 20 times growth).³ Hence, the modal share of Railways in the freight traffic has come down. The modal share of Railways is estimated at around 26% in 2021-22, reducing from 36% in 2007-08.^{2,3} Railways aims to increase the modal share to 45% by 2030-31.³ The Railway Board (2022) noted that this increase is desirable from both environmental and efficiency considerations.³

In 2022, Railways set a target to achieve originating freight traffic of 3,000 MT by 2027, about double from the 2022-23 level (1,509 MT).³ This target date has later been revised to 2030.⁴ Thus, Railways' freight traffic needs to grow at an annualised rate of 9% to achieve this target by 2030-31. In 2025-26, as per budget estimates, it has estimated to transport 1,700 MT of freight. This is an annualised growth rate of 4.1% over 2022-23. In the earlier 10 years (between 2012-13 and 2022-23), freight traffic in terms of tonnage had also grown at a similar rate of around 4%.

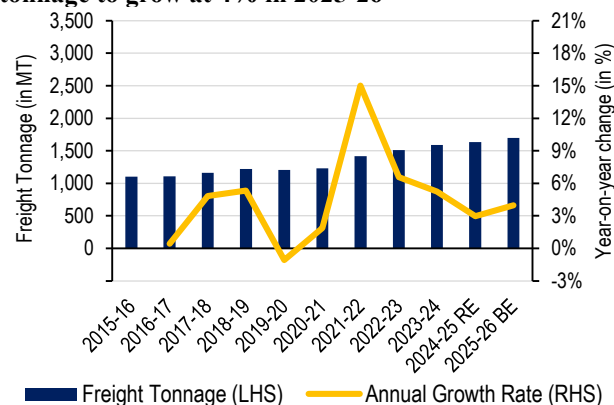
In 2025-26, coal is estimated to have the highest share in freight tonnage (51%), followed by iron ore (11%), and cement (9%). Between 2022-23 and 2025-26, while coal traffic is estimated to grow at an annualised rate of 5.8%, iron ore and cement are estimated to grow at an annualised rate of 3.8% and 2.4%, respectively (Table 3 on next page).

Table 2: Railways freight concentrated in a few bulk goods (Figures in million tonnes, 2021-22)

Commodity	All-India Tonnage	Share in overall tonnage	Carriage through Railways	Railways' modal share for commodity
Coal	1,022	19%	653	64%
Raw material for steel plant*	457	8%	29	6%
Cement	423	8%	139	33%
Food grain	316	6%	73	23%
Petroleum	330	6%	45	14%
Container	295	5%	74	25%
Iron ore	237	4%	168	71%
Steel	137	3%	68	50%
Fertiliser	73	1%	49	68%
Other	2,153	40%	118	5%
Total	5,443	-	1,418	26%

Note: *Excluding coal and iron ore.

Source: Mission 3000 MT, Railway Board, June 2022; PRS.

Figure 3: Railways freight traffic in terms of tonnage to grow at 4% in 2025-26

Source: Part C: Revenue Earning Traffic Performance Targets, Railway Statements, Union Budget, 2017-18 to 2025-26; PRS.

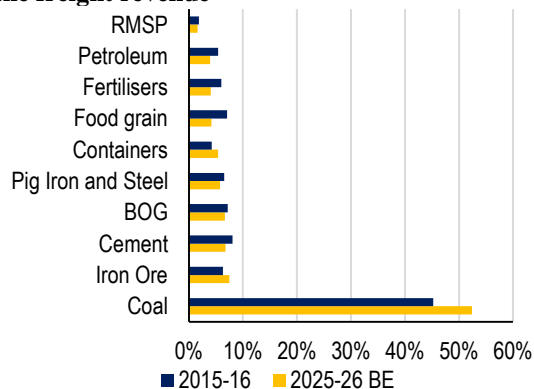
Table 3: Growth rate across categories of Railway freight in terms of tonnage

Commodity	% share in tonnage 2025-26 BE	Annualised growth	
		12-13 to 22-23	22-23 to 25-26
Coal	51%	3.9%	5.8%
Iron Ore	11%	3.7%	6.2%
Cement	9%	3.1%	2.9%
Containers	5%	6.8%	4.7%
Pig Iron and steel	4%	7.1%	2.4%
Fertilisers	4%	2%	2.1%
Petroleum	3%	1.7%	2.2%
Foodgrains	3%	3.8%	-11.0%
Raw material for steel plant*	2%	6.1%	3.8%
Balance Other Goods	8%	6.0%	3.1%
Overall	100%	4.1%	4.1%

Note: *excluding coal and iron ore.

Source: Part C: Revenue Earning Traffic Performance Targets, Railway Statements, Expenditure Profile, Union Budget Documents, 2017-18 to 2025-26; PRS.

In 2025-26, coal is estimated to account for 52% of freight revenue, up from 45% in 2015-16 (Figure 4), reflecting an increased reliance on coal for revenue. As part of its climate change commitments, India aims to bring down the share of coal in power generation, thus, coal demand is expected to grow at a slower pace going forward.³ In 2025-26, 76% of coal estimated to be transported by Railways is for thermal power plants (39% of overall freight tonnage for 2025-26). The Central Electricity Authority has estimated that between 2026-27 and 2031-32, coal demand for power will grow at an annualised rate of 3%.⁵ Thus, decarbonisation targets, and increase in thermal power plants situated close to mines may pose a medium-term risk for growth in rail freight.³ Developments such as increase in pipeline-based movement of petroleum may also pose a challenge in attracting traffic from that segment.³

Figure 4: Coal expected to contribute over half the freight revenue

Note: RMS: Raw material for steel plant (excluding coal and iron ore); BOG: Balance Other Goods.
Source: Expenditure Profile, Railway Statements, Union Budget Documents, 2017-18 to 2025-26; PRS.

The Railway Board (2022) noted that Railways needs to attract traffic for other goods such as finished metals, agricultural produce, chemicals, parcels, and container traffic.³ Container traffic in terms of tonnage is estimated to grow at annualised rate of 4.7% between 2022-23 and 2025-26.

Need for capacity augmentation

The National Rail Plan, 2020 (NRP) had noted that due to underinvestment in capacity, there is significant congestion across high-demand routes, and average speed is low.⁶ This makes rail less attractive for carrying freight compared to road.⁶ According to NRP, about 80% of high-density network routes and 48% of highly utilised network routes registered over 100% capacity utilisation, implying significant network congestion.⁶ In 2022-23, average speed of freight trains in India was 30 km per hour, slow improvement from about a decade ago (26 km per hour in 2012-13).^{7,8}

NRP has set a target of increasing the average speed of freight trains to 50 km per hour by 2030.⁶ This is proposed to be achieved through: (i) construction of dedicated freight corridors, (ii) addition of new lines, (iii) multi-laning of high density networks, (iv) construction of new lines, and (v) procurement of wagons and diversification of wagons based on type of goods.^{3,6} To meet these requirements, capital outlay of Rs 8.5 lakh crore has been proposed between 2022-23 and 2026-27.³

Two dedicated corridors are operational currently (Table 4).^{9,10} As of November 2024, 2,741 km of the total 2,843 km (96%) is operational.^{9,10} NRP has proposed three more dedicated freight corridors to be taken in phases after 2031 – (i) east-west, (ii) north-south, and (iii) east coast.⁶

Table 4: Status of Eastern and Western Dedicated Freight Corridors

DFC	Track Length (in km)		Average Speed in 2023-24
	Approved	Operational	
Eastern DFC - Ludhiana (Punjab) to Sonnagar (Bihar)	1,337	1,337	48 kmph
Western DFC - Navi Mumbai to Noida	1,506	1,404	54 kmph
Total	2,843	2,741	-

Source: Unstarred question no. 610, Rajya Sabha, Ministry of Railways, November 29, 2024; Unstarred question no. 3739, Lok Sabha, Ministry of Railways, December 18, 2024; Annual Report 2023-24, DFCCIL; PRS.

Issues in first and last mile connectivity

Railways also face competition in attracting freight from the road sector due to latter offering better first and last mile connectivity.³ Some measures taken by Railways to address this issue include: (i) investment in infrastructure projects to connect

Schemes for private investment in wagons⁷

The Railways has introduced certain schemes to promote private investment in wagons for freight.

- **General Purpose Wagon Investment Scheme:** This scheme allows private operators to invest in minimum of one rake of general-purpose wagons to carry any commodity in these rakes.⁷
- **Liberalised Wagon Investment Scheme:** This scheme allows investment by manufacturers and logistics service providers in special purpose wagons and high-capacity wagons. In 2022, 'Roll-on-Roll-Off' services have also been included in the liberalised wagon investment scheme.⁷
- **Automobiles Freight Train Operator Scheme:** This scheme permits private investment in special purpose wagons for carrying automobiles.⁷
- **Wagon Leasing Scheme:** This scheme enables leasing of wagons on Indian Railways through a public-private partnership model.⁷

to industrial hubs, ports, and mining areas, (ii) development of cargo terminals under 'Gati Shakti Multi-Modal Cargo Terminal (GCT)' policy, and (iii) door-to-door services in partnership with India post for attracting small parcel segment.^{3,11} As of December 2024, 354 multi-modal cargo terminals have been identified, out of which 91 have been commissioned.¹² The construction of these cargo terminals is expected to be completed within 24 months of approval.¹²

Challenges in attracting container traffic

Railway container traffic is categorised between Export-Import containers (EXIM containers) and domestic containers. Domestic containers are used to carry non-bulk cargo such as fast-moving consumer goods (FMCGs), chemicals, and pharmaceuticals. Between 2015-16 and 2025-26, domestic container traffic is estimated to grow at an annualised rate of 9%, and EXIM container traffic at 5%. The share of containers in total traffic volume of Railways is estimated at 7.9% in 2025-26, an improvement from 6.6% share in 2015-16.

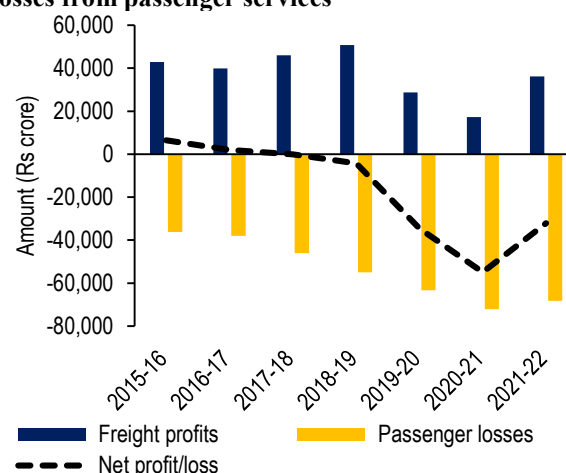
The Railway Board (2022) had observed that following are key issues in attracting container traffic: (i) absence of assured transit time, (ii) idling of rakes on account of maintenance delays which leads to increase in turnaround time, (iii) high cost of access to container terminals, and (iv) high cost of repositioning empty containers (as much as 60% of the loading cost).³

Pricing of freight and passenger services

The Railway Board (2022) also noted that customers find rail tariffs along with first and last-mile connectivity costs less competitive than roads, leading to a preference for road.³

Currently, freight services cross-subsidise passenger services.¹³ NITI Aayog (2023) noted that freight charges were almost three times the passenger charges as of 2018-19.¹⁴ It also observed that between 2009 and 2019, freight rates increased by 91%, whereas passenger fares increased by 28%.¹⁴ Revenue from passenger services across most categories are unable to cover costs (Table 5). Except AC 3 tier and AC chair car (in some years), all other classes of passenger services have observed losses in all four years between 2018-19 and 2021-22. The Standing Committee on Railways (2024) recommended a comprehensive review of Railways' operating expenses for passenger trains, and passenger fares.¹⁵ It recommended rationalising them to reduce losses while also ensuring affordability of prices.¹⁵

Figure 5: Profit from freight unable to cover for losses from passenger services



Source: Report No. 13 of 2023, Railway Finances, CAG; PRS.

Table 5: Most passenger service categories register losses (Figures in Rs crore)

Class	2018-19	2019-20	2020-21	2021-22
AC- 1 st class	-249	-403	-719	-406
AC 2 Tier	-908	-1,378	-2,995	1,564
AC 3 Tier	318	65	-6,500	-698
AC Chair Car	243	-182	-1,079	-473
Sleeper	-13,012	-16,056	-20,134	-17,038
Second Class	-13,214	-14,457	-17,641	-16,393
Ordinary Class	-19,124	-20,450	-11,438	-15,282
Suburban	-6,754	-6,938	-7,799	-8,316

Note: Second Class refers to non-AC 2nd sitting class and Ordinary class refers to general (unreserved) class.

Sources: Report No. 13 of 2023, CAG; PRS.

Losses in the passenger segment are classified as social service obligations of the Railways.¹⁶ Indian Railways is a commercial undertaking of the government.¹ Therefore, the question arises whether a commercial entity must bear social costs. The NITI Aayog had noted that there is lack of clarity on the social and commercial objectives of Railways.¹⁷

Slow growth in traffic in non-AC segment

The passenger segment consists of suburban and non-suburban train operations. About 90% of the traffic generated is through non-suburban operations (long distance trains). In 2025-26, Railways' passenger traffic is estimated to grow at 9% over the revised estimate of the previous year. In recent years, some of the non-AC segments have seen muted growth in passenger traffic (Table 6). The National Rail Plan, 2020 noted that reason for a slow growth in unreserved and non-AC categories could be stagnation in supply.⁶ In December 2024, the Ministry of Railways noted that it aims to add 10,000 non-AC coaches.¹⁸

Table 6: AC segments have seen a faster growth in passenger traffic

Class	Estimated share in non-suburban traffic		Annualised growth between 15-16 and 25-26
	2015-16	2025-26 BE	
Non-AC Segment			
Second Class (M E)	35%	39%	3%
Sleeper Class (M E)	29%	25%	0.3%
Second Class (Ordinary)	26%	7%	-10%
AC Segment			
AC 3 Tier	7%	22%	14%
AC 2 Tier	2%	4%	8%
AC Chair car	1%	2.4%	10%
AC First Class	0.2%	0.4%	11%

Note: M E: Mail and Express. BE: Budget Estimate.

Source: Expenditure Profile, Railway Statements, Union Budget, 2017-18 to 2025-26; PRS.

Recently introduced passenger train services

Amrit Bharat non-AC trains (2024): Amrit Bharat trains are fully non-AC trains comprising 12 sleeper class coaches and eight general class coaches.¹⁹ In 2024, four Amrit Bharat trains have been introduced.¹⁹

Vande Bharat AC chair car (2019): Vande Bharat trains were launched in 2019.²⁰ As of December, 2024, there are 136 Vande Bharat trains operating in the country.²¹ These trains can run at a maximum speed of 160 kmph.²⁰

Vande Bharat AC Sleeper train: These trains can run at 180 kmph.^{22,23} These trains will be operationalised after field trials.

Bharat Gaurav trains (2021): Bharat Gaurav trains are specialised tourist and pilgrimage trains.²⁴ They have a mixture of AC and non-AC coaches. These trains are operated between cultural heritage sites.²⁴

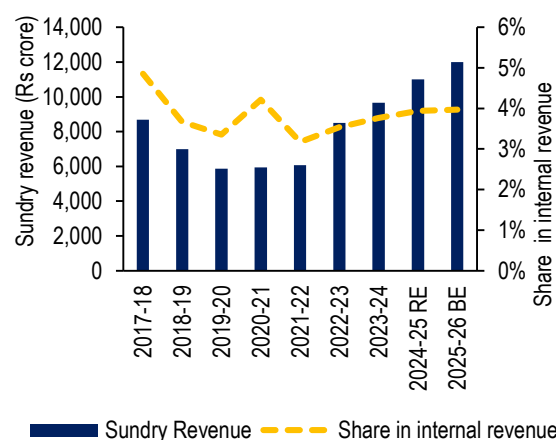
Sundry earnings below potential

Sundry revenue includes revenue earned through catering services, advertisements on coaches and license fees on utilisation of land and buildings. In 2025-26, sundry revenue is projected to be Rs 12,000 crore. This is an increase of 9% over the

revised estimate for the previous year. Since 2017-18, the contribution of sundry revenue to the internal receipts has stayed around 4%.

The Standing Committee (2024) noted that Railways aims to increase the non-fare revenue from 3.4% to 20% of total revenue by 2030.¹⁵ Measures taken by Railways to augment sundry revenue include: (i) advertisements in coaches and stations, (ii) station re-development schemes, and (iii) asset monetisation.²⁵ CAG (2022) observed that there is a considerable scope for increasing revenue generation from advertisements and commercial utilisation of railway land.²⁶

Figure 6: Share of sundry revenue in internal revenue has stayed around 3%-4%



Source: Expenditure Profile, Railway Statements, Union Budget, 2017-18 to 2025-26; PRS.

Station Re-development Schemes

Station re-development scheme was initially launched in 2009-10.²⁷ This scheme was called the Adarsh station re-development scheme. This scheme was continued till 2022-23.²⁸ Under this, 1,253 stations were re-developed.²⁹ Financing for this scheme was through general budgetary expenditure. Between 2018-19 and 2021-22, Rs 9,328 crore was allocated for this scheme.

In 2023-24, Railways announced a new scheme called the Amrit Bharat station re-development scheme. Under this, 1,337 stations have been identified for re-development.³⁰ This scheme focuses on: (i) improvement of station infrastructure by increasing access facilities, (ii) promoting local products through kiosks, and (iii) building executive lounges and nominated enclosures for business meetings.³⁰

Under this scheme, two stations are being re-developed through PPP mode. The Kelkar Committee (2015) had recommended station re-development projects to be carried out through PPP mode.³¹ The Standing Committee on Railways (2023) noted that the Amrit Bharat scheme is largely financed through budgetary expenditure.³² It observed that bids for re-development of 23 railway stations through PPP mode were invited.³² Of which, only two bids were received.³²

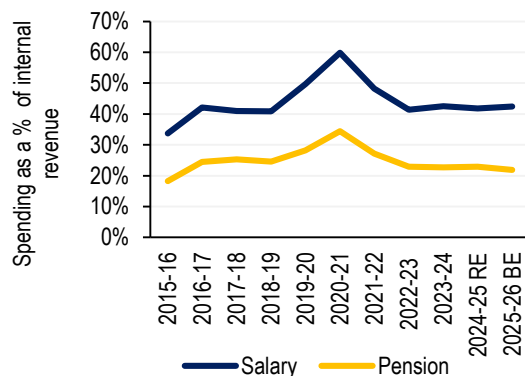
Expenditure

About two-third of internal revenue to be incurred towards salaries and pension

A major share of Railways' revenue expenditure is budgeted towards staff salaries and pension. On average, Railways has spent 69% of its revenue on salaries and pension in the last 10 years. In 2025-26, 42% of the internal revenue will be spent towards staff salaries and 22% towards pension. Over the last ten years, salaries and pension expenses had each grown at an annualised rate of 8%. In comparison, internal revenue has grown at 6% during this period.

The Standing Committee on Railways (2020) had noted that the new pension scheme (NPS) implemented in 2004 to reduce the pension bill will show results only around 2034-35.³³ The central government has announced the implementation of the unified pension scheme from April 1, 2025.³⁴ Employees under NPS can shift to this scheme. This scheme provides for assured pension.³⁴ Under the unified pension scheme, the government's contribution rate will increase from 14% to 18.5%.³⁴ The central government has also announced the constitution of the 8th Pay Commission. These changes may further impact expenditure on salaries and pension.

Figure 7: Spending on salaries and pension at about two-third of internal revenue



Note: In 2020-21, revenue declined due to impact of COVID-19 pandemic, resulting in higher ratios than usual.

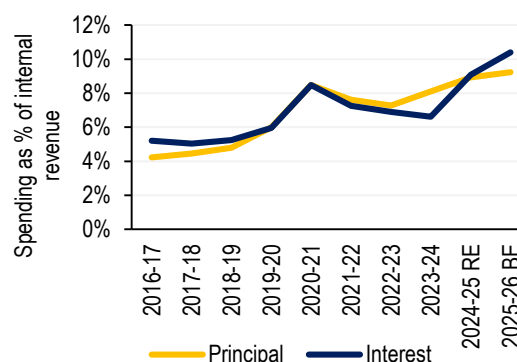
Source: Expenditure Profile, Railway Statements, Union budget documents, 2017-18 to 2025-26; PRS.

Rise in debt servicing obligation

Railways raise extra budgetary resources through Indian Rail Finance Corporation (IRFC).¹³ IRFC borrows from market and follows a leasing model to finance the rolling stock assets.¹³ Outstanding liabilities raised by IRFC under the leasing arrangement are estimated to be Rs 4.4 lakh crore in 2025-26.³⁵ In 2015-16, these liabilities were Rs 1.1 lakh crore.³⁵ Lease charges have both interest and principal components. Expenditure on both principal and interest component of lease charges

has increased over the last few years. Interest expenditure is estimated to grow from Rs 8,598 crore in 2016-17 to Rs 31,433 crore in 2025-26. Expenditure on repaying principal amount is estimated to rise from Rs 7,000 crore in 2016-17 to Rs 27,905 crore in 2025-26. In 2025-26, total expenditure towards lease charges is estimated to be 20% of internal revenue.

Figure 8: Spending on lease charges payment to IRFC has risen (as % of internal revenue)

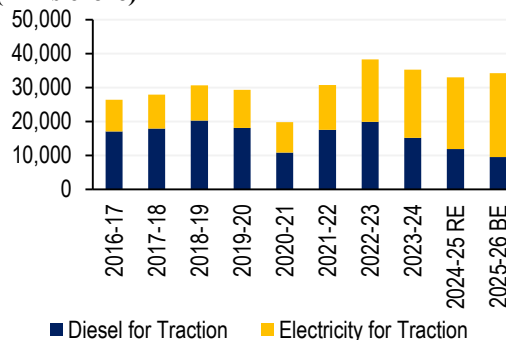


Source: Expenditure Profile, Railway Statements, Union budget documents, 2017-18 to 2025-26; PRS.

Fuel expenses

In 2025-26, Railways is estimated to spend Rs 38,259 crore on fuel, an increase of 4% over the revised estimate of the previous year. Increase in electrification is expected to shift the fuel expense from diesel to electricity charges.³⁶ As of December 2024, 97% of broad-gauge routes have been electrified.³⁷

Figure 9: Spending on fuel for traction (in Rs crore)



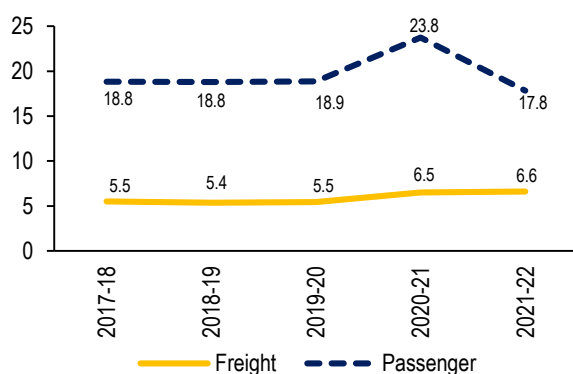
Source: Expenditure Profile, Railway Statements, Union budget documents, 2017-18 to 2025-26; PRS

CAG (2024) noted that gaining open access to directly procure electricity from generators instead of local discoms has helped Railways save costs on electricity.³⁶ Between 2017-18 and 2021-22, it saved Rs 13,417 crore on electricity costs through this measure.³⁶ CAG highlighted that as of January 2024, Railways had open access in only 11 states despite pursuance at the highest level.³⁶ Other states have not provided required permission for open access.³⁶

Railways has also planned addition of renewable energy capacity to meet some of its energy needs.³⁶ It has set a target of setting up solar and wind power capacity of 30 GW by 2030.³⁶ CAG (2024) observed that Railways was unable to achieve its planned renewable capacity.³⁶ As per the Economic Survey 2024-25, Railways has commissioned 375 MW of solar power and 103 MW of wind power as of October 2024.³⁸

CAG (2024) also observed that, with increasing electrification, a rise in specific energy consumption (SEC) in the freight segment may be a point of concern for Railways (Figure 10).³⁶ SEC is the average number of units of electrical energy consumed to transport 1,000 tonnes of train load for a kilometre.³⁶ A lower ratio indicates a higher energy efficiency.

Figure 10: Energy efficiency of electric trains in unit/kgTKM

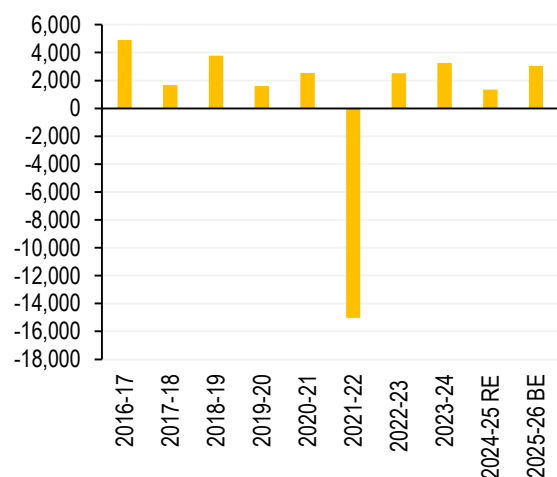


Source: Report No. 6 of 2024, CAG; PRS.

Limited revenue surplus

On average, revenue expenditure of the railways in last decade has stood at about 99% of its internal revenue receipts. This has resulted in generation of limited revenue surplus for the Railways, limiting its ability to invest toward capital works from its own resources.

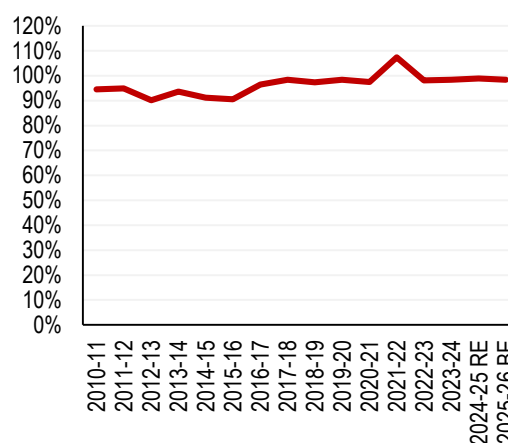
Figure 11: Limited revenue surplus (Rs crore)



Source: Expenditure Profile, Railway Statements, Union Budget Documents, 2018-19 to 2025-26; PRS.

Operating Ratio is the ratio of the total working expenditure and the internal revenue of the Railways. It indicates how much the Railways spends to earn Rs 100. A higher operating ratio indicates poorer financial performance. Operating ratio has stayed above 96% since 2016-17.¹³ In 2021-22, operating ratio was 107%. CAG observed that without certain adjustment, such as advance receipts in 2018-19 and pension costs in 2019-20 and 2020-21, the operating ratio would have exceeded 100% in those years.³⁹ For 2025-26, the operating ratio is estimated to be 98.4%.

Figure 12: Operating ratio above 98% since 2019-20



Source: Railway Statistical Publications, Year Books, 2010-11 to 2021-22, Ministry of Railways; Expenditure Profile, Railway Statements, Union budget documents, 2022-23 to 2025-26; PRS.

Limited surplus impact appropriation to various funds

Appropriation to the Depreciation Reserve Fund (DRF) is for financing the costs of replacement of old assets.⁴⁰ In 2025-26, appropriation to DRF is estimated at Rs 1,500 crore. Over the past few years, appropriation to DRF has declined. The actual appropriation in recent years has been lower than originally planned (Table 7).

Table 7: Appropriation to DRF (in Rs crore)

Year	Budget	Actual
2017-18	5,000	1,540
2018-19	500	300
2019-20	500	400
2020-21	800	200
2021-22	800	0
2022-23	2,000	700
2023-24	1,000	800
2024-25	1,000	800*

Note: *Revised estimate for 2024-25 shown as actual.

Source: Expenditure Profile, Railway Statements, Union Budget Documents, 2017-18 to 2025-26; PRS.

In 2021-22, Rs 800 crore was budgeted towards the DRF.⁴¹ Against this amount, no expenditure was made.^{13,41} Due to the low allocation to DRF, there has been a significant backlog incurred on renewal

of over-aged assets. CAG (2023) observed that the total value of assets to be replaced from DRF was estimated at Rs 34,319 crore as of March 2022 (Table 8).¹³ The maximum backlog was for rolling stock followed by track renewal works.

Table 8: Backlogs in works due to under-provisioning to DRF (as of March 2022)

Works	Backlog (in Rs crore)
Rolling Stock	23,763
Track Renewals	3,542
Workshops including production units	2,763
Staff Welfare	1,683
Signalling and telecommunication	1,465
Bridge and Tunnel Works	1,077

Source: Source: Report No.13 of 2022, CAG; PRS.

Rashtriya Rail Sanraksha Kosh (RRSK)

The central government created the RRSK fund in 2017-18.⁴² The fund was created to renew, replace, or upgrade critical safety assets of the railways.⁴² The fund was to have a corpus of one lakh crore rupees over a period of five years.⁴² The assured annual outlay for the fund was Rs 20,000 crore every year, with Rs 15,000 crore as contribution from the central government and Rs 5,000 crore from the internal resources of Railways.⁴² The fund has been extended for another five years from 2022-23.⁴³ CAG (2022) observed that Railways have been falling short of funding the RRSK through its internal revenue due to inadequate revenue surplus (Table 9).^{13,44} In 2025-26, Rs 2,000 crore has been allocated towards this fund from internal revenue. In 2024-25, as per revised estimate, allocation towards this fund is expected to be 49% lower than the budget estimate.

Table 9: Appropriation to RRSK from Railway resources (in Rs crore)

Year	Budget	Actual
2017-18	1,000	0
2018-19	5,000	3,024
2019-20	5,000	201
2020-21	5,000	1,000
2021-22	5,000	0
2022-23	2,000	1,517
2023-24	1,000	1,760
2024-25	1,800	920*

Note: *Revised estimate for 2024-25 shown as actual.

Source: Expenditure Profile, Railway Statements, Union Budget Documents, 2017-18 to 2025-26; PRS.

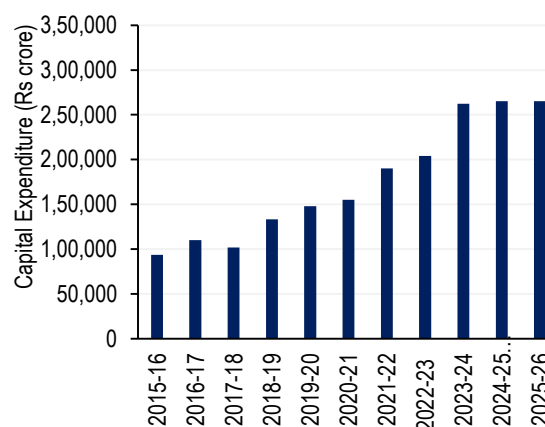
Budgetary support from the government helps sustain capital expenditure

The capital expenditure of Railways is estimated at Rs 2,65,200 crore in 2025-26, an annual increase of 11% over 2015-16. However, only 1% of capital expenditure will be financed from internal revenue. About 95% of the capital expenditure is estimated to be financed from the budgetary support from the

central government. Between 2014-15 and 2020-21, Railways also saw an increase in use of extra budgetary resources (EBR) for financing capital expenditure (Figure 14). However, since then, its share has come down. EBR includes borrowing, institutional financing, and public-private partnerships. In 2025-26, 4% of capital expenditure is estimated to be financed from EBR.

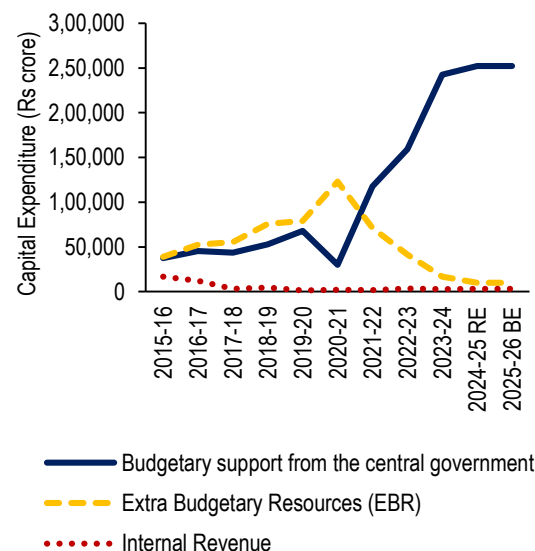
The Economic Survey 2024-25 observed that private sector participation in areas such as construction, maintenance, monetisation, and impact assessment can relieve the pressure on the government for infrastructure creation, and also accelerate project completion.³⁸ The Standing Committee on Railways (2024) recommended encouraging private participation in creation of Railway infrastructure.¹⁵

Figure 13: Capital expenditure in 2025-26 estimated to be same as 2024-25



Sources: Expenditure Profile, Railway Statements, Union budget documents, 2014-15 to 2025-26; PRS.

Figure 14: Capital expenditure mostly to be financed from budgetary support from the central government in 2025-26



Sources: Expenditure Profile, Railway Statements, Union budget documents, 2015-16 to 2025-26; PRS.

Table 10: Achievement on targets for capital works between 2022-23 and 2024-25

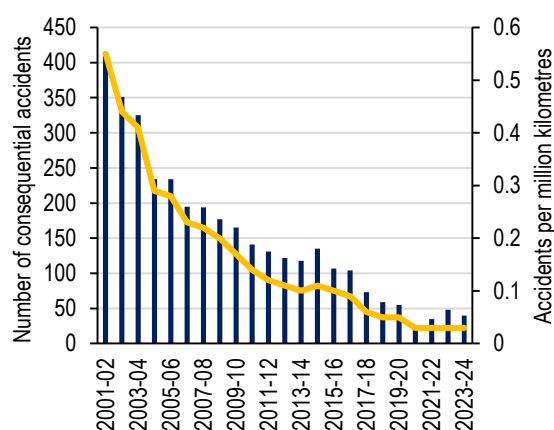
Type	2022-23	2023-24	2024-25*
New Lines	605%	468%	100%
Gauge Conversion	48%	173%	100%
Doubling	187%	80%	100%
Diesel Locos	103%	105%	100%
Electric Locos	84%	106%	125%
Coaches	78%	94%	94%
Wagons	138%	78%	79%
Track Renewals	141%	124%	100%
Electrification	101%	111%	-

Note: *As per revised estimates.

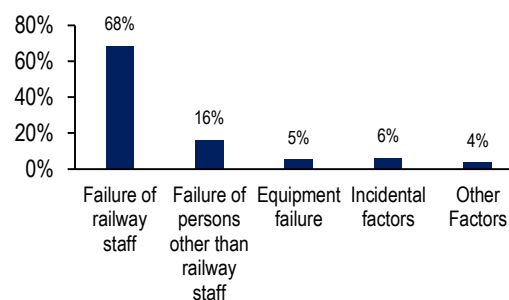
Sources: Expenditure Profile, Railway Statements, Union Budget Documents, 2022-23 to 2025-26; PRS.

Railway Safety

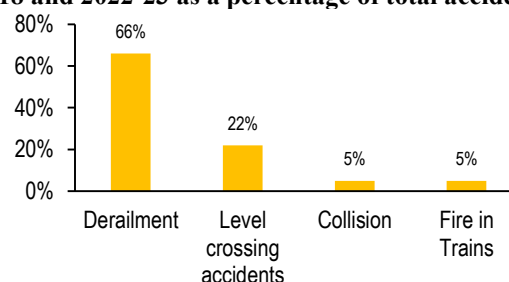
Between 2000-01 and 2023-24, 3,953 consequential train accidents have taken place.⁴⁵ This includes 48 accidents in 2022-23 and 40 accidents in 2023-24.⁴⁶ An accident refers to an occurrence that affects or may affect the safety of the railway, its engine, or passengers.⁴⁷ Consequential accidents have serious repercussions, and may include human injury, the loss of human life, loss of property or interruption of rail traffic. Consequential accidents typically involve collision, fire, or derailments. The Ministry of Railways also measures the prevalence of accidents in terms of number of accidents per million kilometres. In 2000-01, for every million kilometres, 0.65 accidents took place.⁴⁵ This figure came down to 0.03 in 2023-24.^{45,46}

Figure 15: Accidents per million kilometres have come down over the years

Sources: Railway Year Books of various years; "Steep decline in consequential train accidents from 473 in 2000-01 to 48 in 2022-23", Press Information Bureau, Ministry of Railways, July 21, 2023; Unstarred Question No. 2191, Rajya Sabha, Ministry of Railways, August 9, 2024; PRS.

Figure 16: Failure of staff was recorded as the leading cause of accidents between 2017-18 and 2021-22

Source: Railway Year Books, 2017-18 to 2021-22; PRS.

Figure 17: Types of rail accidents between 2017-18 and 2022-23 as a percentage of total accidents

Sources: Railway Year Books, 2017-18 to 2022-23; PRS.

In cases of derailments, CAG (2021) noted the following to be among key reasons: (i) bad driving or over speeding, (ii) lack of track maintenance, (iii) deviation of track parameters beyond permissible limits, (iv) defects in coaches/wagons, and (v) mistakes in shunting operations.⁴⁸ It also noted a shortfall ranging between 30-100% in inspections to assess the conditions of railway tracks.⁴⁸ It observed that 63% of the assessed non-AC coaches did not have fire extinguishers.⁴⁸

Some measures taken by Railways to address safety issues include: (i) replacement of mechanical signalling, (ii) removal of unmanned level crossings, and (iii) introduction of Kavach – automatic train protection system.⁴⁹ Kavach has been tested on 1,465 route kilometres in South-Central Railways.⁴⁹ Installation cost of Kavach is about Rs 50 lakh/km and Rs 80 lakh/locomotive.⁵⁰ As of December 2024, Rs 1,547 crore has been spent on Kavach.⁵⁰

Table 11: Progress on Kavach as of November 2024

Milestone	Progress
Laying of optical fibre	5,133 km
Installation of telecom towers	540 towers
Installation of Kavach at stations	533 stations
Installation of Kavach on locos	707 locos
Installation of track-side equipment	3,434 route km

Source: Unstarred question No. 2,969, Rajya Sabha, Ministry of Railways, December 20, 2024; PRS.

Annexure

Table 12: Passenger traffic details (traffic volume in million PKM; earnings in Rs crore)

Head	2023-24 Actuals		2024-25 Revised		2025-26 Budget		% change (2024-25 RE to 2025-26 BE)		% share in 2025-26 BE	
	Earning	Volume	Earning	Volume	Earning	Volume	Earning	Volume	Earning	Volume
Suburban (A)	2,862	1,18,506	2,874	1,20,173	3,071	1,24,374	7%	3%	3%	9.5%
Non-Suburban (B)	67,832	9,46,194	77,126	10,83,552	89,729	11,86,209	16%	9%	97%	91%
AC First Class	1,138	3,574	1,295	4,157	1,527	4,796	18%	15%	2%	0.4%
AC 2 Tier	6,671	35,388	7,560	40,986	8,776	46,571	16%	14%	9%	4%
AC 3 Tier	25,015	1,79,822	30,089	2,21,045	37,115	2,66,885	23%	21%	40%	20%
Executive Class	490	1,166	698	1,697	987	2,349	41%	38%	1%	0.2%
AC Chair Car	3,326	16,680	4,281	21,936	5,626	28,219	31%	29%	6%	2%
First Class (ME)	32	22	37	26	41	28	11%	8%	0%	0.002%
First Class (Ordinary)	5	118	6	131	7	147	15%	12%	0%	0.01%
Sleeper Class (ME)	15,113	2,67,530	15,597	2,82,167	16,509	2,92,321	6%	4%	18%	22%
Sleeper Class (Ordinary)	6	92	6	82	6	82	2%	0%	0%	0.01%
Second Class (ME)	15,213	3,98,222	16,041	4,29,125	17,511	4,58,501	9%	7%	19%	35%
Second Class (Ordinary)	821	43,580	1,517	82,200	1,626	86,310	7%	5%	2%	7%
Total (A+B)	70,693	10,64,700	80,000	12,03,725	92,800	13,10,583	16%	9%	100%	100%

Note: PKM – Passenger Kilometre (One PKM is when a passenger is carried for a kilometre).

RE: Revised Estimates; BE: Budget Estimates. M E: Mail and Express.

Sources: Expenditure Profile; Union Budget 2025-26; PRS.

Table 13: Freight traffic details (traffic volume in million NTKM; earnings in Rs crore)

Head	2023-24 Actuals		2024-25 Revised		2025-26 Budget		% change (2024-25 RE to 2025-26 BE)		% share in 2025-26 BE	
	Earning	Volume	Earning	Volume	Earning	Volume	Earning	Volume	Earning	Volume
Coal	85,131	4,26,075	93,126	4,31,771	98,503	4,39,758	6%	2%	52%	45%
Other Goods	11,322	84,107	11,536	84,002	12,547	88,949	9%	6%	7%	9%
Cement	13,303	89,112	11,565	77,954	12,789	82,739	11%	6%	7%	9%
Containers service	8,117	76,894	9,777	73,814	10,170	76,796	4%	4%	5%	8%
Food grains	7,024	58,415	8,303	58,172	7,891	58,800	-5%	1%	4%	6%
Iron ore	13,156	64,954	13,893	58,949	14,110	61,464	2%	4%	8%	6%
Pig iron and Finished steel	11,464	71,968	11,180	54,804	10,847	59,510	-3%	9%	6%	6%
Fertilisers	7,068	50,360	7,551	48,609	7,651	48,600	1%	-0.02%	4%	5%
Petroleum, Oil, and Lubricant	6,707	35,394	7,222	33,795	7,367	33,990	2%	1%	4%	4%
Raw materials for steel plants*	2,589	16,689	2,906	16,080	3,053	16,695	5%	4%	2%	2%
Total	1,68,293	9,73,968	1,80,000	9,37,950	1,88,000	9,67,301	4%	3%	100%	100%

Note: NTKM – Net Tonne Kilometre (One NTKM is when one tonne of freight is carried for a kilometre). RE: Revised Estimates; BE: Budget Estimates. *Excluding coal and iron ore.

Sources: Expenditure Profile; Union Budget 2025-26; PRS.

Table 14: Details of capital expenditure (Rs crore)

Head	2023-24 Actuals	2024-25 BE	2024-25 RE	2025-26 BE	% change from 24- 25 RE to 25-26 BE
New Lines (Construction)	33,702	34,603	31,459	32,235	2.5%
Gauge Conversion	4,488	4,720	4,536	4,550	0.3%
Doubling	36,806	29,312	31,032	32,000	3.1%
Traffic Facilities-Yard Remodelling and Others	7,375	8,983	8,599	8,601	0.0%
Rolling Stock	53,958	52,314	58,852	58,895	0.1%
Leased Assets-Payment of Capital Component	20,741	24,270	24,920	27,905	12.0%
Road Safety Works-Road Over/Under Bridges	6,097	9,275	7,474	7,000	-6.3%
Track Renewals	17,850	17,652	22,669	22,800	0.6%
Electrification Projects	5,807	6,472	6,072	6,150	1.3%
Other Electrical Works incl. TRD	1,434	1,682	1,633	1,651	1.1%
Workshops Including Production Units	4,515	4,904	4,546	4,624	1.7%
Staff Welfare	669	815	737	833	13.0%
Customer Amenities	8,122	15,511	12,994	12,118	-6.7%
Investment in Govt. Commercial Undertaking - Public Undertaking/JVs/SPVs	31,909	32,761	27,571	22,444	-18.6%
Metropolitan Transport Projects	4,487	4,090	3,940	4,003	1.6%
Others	7,631	7,838	8,166	9,391	15.0%
EBR- Partnership	16,625	10,000	10,000	10,000	0.0%
Total	2,62,217	2,65,200	2,65,200	2,65,200	0.0%

RE: Revised Estimates; BE: Budget Estimates. EBR: Extra Budgetary Resources.

Sources: Expenditure Profile; Union Budget 2025-26; PRS.

Table 15: Physical target and achievement for capital expenditure

Head	2023-24			2024-25			2025-26	% change from 24-25 RE to 25-26 BE
	Budget Target	Achievement		Budget Target	Revised Target	Revised as % of Budget Target	Budget Target	
		In Units	In %					
Construction of new lines (Route km)	600	2,806	468%	700	700	100%	700	0%
Gauge conversion (Route Km)	150	259	173%	200	200	100%	200	0%
Doubling of lines (Route Km)	2,800	2,244	80%	2,900	2,900	100%	2,600	-10%
Rolling stock (vehicle units)								
<i>Diesel locomotives</i>	100	105	105%	100	100	100%	100	0%
<i>Electric locomotives</i>	1,290	1,367	106%	1,280	1,600	125%	1,600	0%
<i>Coaches</i>	6,978	6,560	94%	8,405	7,910	94%	9,423	19%
<i>Wagons</i>	26,000	20,186	78%	38,000	30,000	79%	38,000	27%
Track renewals (Track kms)	4,800	5,950	124%	5,000	5,000	100%	5,500	10%
Electrification Projects (Route km)	6,500	7,188	111%	-	-	-	-	-

Sources: Expenditure Profile; Union Budget Documents, 2024-25 and 2025-26; PRS.

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