CareEdge
RATINGS

UNION BUDGET
2026-27

A CareEdge Analysis

Foreword

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The Union Budget for 2026-27 comes at a time when India's economy is undergoing a period of consolidation and planning. What stands out this year is not just the scale of announcements but the steady hand guiding them. The Budget continues many of the reforms already in progress, focusing on stability, productivity, and competitiveness. These qualities are crucial as growth needs to sustain itself in a changing global environment.

Much of the government's effort is again aimed at public investment. With capital spending rising to Rs 12.2 lakh crore, the message is clear: infrastructure will remain the foundation of the growth strategy. Projects such as high-speed rail corridors, expanded waterways, and measures to enhance energy security will influence how goods, people, and businesses move across the country over time. Additionally, support for MSMEs, including equity backing and improved liquidity through TReDS, shows an understanding that smaller enterprises need both confidence and capacity to grow.

A major development this year is the clear focus on the services sector. India aims to contribute 10% of global services in the coming years. The Budget connects this goal with increased investment in healthcare, education, tourism, and the orange economy. This signals a shift toward sectors that create high-quality jobs and long-term value.

The financial sector also takes centre stage. The proposal for a high-level committee on banking, changes to the corporate bond market, and a fresh examination of FEMA regulations indicate that the system is preparing for its next phase of development. These actions, along with a planned fiscal deficit of 4.3%, suggest a balance between growth and fiscal responsibility.

As we move toward the vision of Viksit Bharat, the underlying message is clear: progress will rely on collective effort. Government policy can set the direction, but real momentum will come from how institutions, businesses, and citizens respond to the opportunities ahead.

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Budget Overview

Key Focus Areas

1. **Services**
Aiming for a 10% global share by 2047 with focus on IT & digital services, tourism & cultural economy, creative industries, education & skilling, and health.

2. **Manufacturing**
Balancing the focus on both new-age and traditional sectors- pharma, semiconductors, electronics, rare earths, chemicals, capital goods, textiles, and sports.

3. **MSME**
MSMEs remain a key area of focus with enhanced equity, liquidity and professional support.

4. **Capex**
Focus on capex continues, with budgeted capital expenditure at Rs 12.2 trillion, up 11.5% (y-o-y), while total capex (including grants and CPSEs) is set to grow by 19.6%.

5. **Fiscal Consolidation**
Fiscal consolidation continues, with the fiscal deficit at 4.4% of GDP in FY26, budgeted at 4.3% in FY27, and the Centre's debt-to-GDP expected to decline to 55.6% in FY27 (Vs 56.1% in FY26).

Highlights

1 Services Sector

A. IT & Digital Services

- Tax holidays until 2047 for foreign companies providing cloud services globally via India-based data centres.
- Rationalisation of the safe harbour regime for IT services:
  - Clubbing of services under a single IT category with a uniform 15.5% margin
  - Increase in threshold from Rs 300 crore to Rs 2,000 crore
  - Automated rule-based approvals
  - Continuation of the regime for five years at the company's option.

B. Tourism & Cultural Economy

- Pilot scheme to upskill 10,000 tourist guides across 20 iconic sites.
- Support to states in establishing 5 hubs for medical value tourism in partnership with the private sector.

C. Orange Economy, Gaming & Creative Services

- Setting up Animation, Visual Effects, Gaming and Comics (AVGC) Content Creator Labs in schools and colleges.
- Establishment of a new National Institute of Design through the challenge route in eastern India.

D. Education & Skilling

- Establishment of an Education to Employment and Enterprise' Standing Committee. Also, proposed specific measures for embedding AI in the education curriculum.
- Development of 5 University Townships in the vicinity of major industrial and logistics corridors.

E. Health

- Upgrading and establishing new institutions for Allied Health Professionals (AHPs) in 10 selected disciplines.
- Setting up 3 new All India Institutes of Ayurveda, strengthening AYUSH institutions and drug testing labs.

Highlights

2 Manufacturing Sector

- Biopharma Strategy for Healthcare Advancement through Knowledge, Technology and Innovation (SHAKTI) initiative to promote global competitiveness.
- India Semiconductor Mission (ISM) 2.0 to deepen the domestic semiconductor ecosystem and global supply-chain integration.
- Increased outlay to Electronics Components Manufacturing Scheme from Rs 23,000 crore to Rs 40,000 crore.
- Establishment of Rare Earth Corridors to promote mining, processing and manufacturing.
- Establishment of 3 dedicated chemical parks to enhance domestic chemical production and competitiveness.
- Strengthening capital goods manufacturing through Hi-Tech Tool Rooms by CPSEs, a scheme for advanced construction and infrastructure equipment, and a Rs 10,000 crore scheme for container manufacturing.
- Support for the labour-intensive textile sector through an integrated programme focused on fibre self-reliance and cluster modernisation, including the setting up of Mega Textile Parks through the challenge mode.
- Dedicated initiative for the manufacturing of affordable sports goods.
- Schemes announced to revive 200 legacy industrial clusters.
- A special one-time measure to facilitate sales in the domestic tariff area at a concessional rate of duty by eligible manufacturing units of SEZs.
- Basic Customs Duty (BCD) exemptions extended for imports of capital goods and components across strategic sectors, including clean energy (Lithium-ion batteries and solar), nuclear power, while including additional exemptions on critical minerals, civil and defence aviation, and consumer electronics.

Highlights

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3 MSME

- Establishment of a Rs 10,000 crore SME Growth Fund along with additional support to the Self-Reliant India Fund (2021) of Rs 2,000 crore.
- Establishing professional institutions to develop ‘Corporate Mitras’ to help MSMEs meet compliance requirements at affordable costs.
- Further support liquidity via linking GeM with TReDS to encourage cheaper and quicker financing.
- Mandate TReDS as a transaction settlement platform for all purchases from MSMEs by CPSEs, along with making TReDS receivables as asset-backed securities, to develop a secondary market.

4 Financial Sector

- Increase in Securities Transaction Tax (STT) on futures (0.05% from 0.02%) and options (options premium and exercise of options to be raised to 0.15% from the rate of 0.1% and 0.125%, respectively).
- Setting up of the High-Level Committee on Banking for Viksit Bharat to align the sector with future growth needs.
- Buyback taxation revised, with all buybacks taxed as capital gains and higher effective rates for promoters: 22% for corporate promoters and 30% for non-corporate promoters.
- Introduction of market-making framework and total return swaps for corporate bonds.
- Incentive of Rs 100 crore for single municipal bond issuances exceeding Rs 1,000 crore.
- Restructuring of Power Finance Corporation (PFC) and Rural Electrification Corporation (REC).
- Comprehensive review of FEMA (Non-debt Instruments) Rules to facilitate capital inflows.

Highlights

5 Infrastructure, Energy & Urbanisation

- Establishment of an Infrastructure Risk Guarantee Fund and recycling of CPSE real estate assets through REITs to improve financing and capital efficiency.
- Expansion of logistics infrastructure through a new Dedicated Freight Corridor (Dankuni–Surat), operationalisation of 20 National Waterways, and launch of a Coastal Cargo Promotion Scheme.
- Support for regional connectivity and manufacturing through development of the Integrated East Coast Industrial Corridor under the Purvodaya initiative.
- Measures to ensure long-term energy security, including a Carbon Capture Utilisation and Storage (CCUS) scheme, customs duty exemptions for critical minerals, solar glass inputs, lithium-ion cell manufacturing, and nuclear power projects.
- Promotion of city-led growth through development of City Economic Regions and rollout of 7 high-speed rail corridors.

6 Agriculture Sector

- Support for high-value crops including coconut, sandalwood, cocoa and cashew in coastal regions, agarwood in the North-East, and nuts such as almonds, walnuts and pine nuts in hilly areas.
- Bharat-VISTAAR (Virtually Integrated System to Access Agricultural Resources) to integrate AgriStack portals and ICAR agricultural practice packages with AI-based advisory systems.
- Targeted tax and duty relief for fisheries and cooperative societies, including duty-free fish catch in EEZ/high seas (with foreign landings treated as exports) and enhanced tax deductions and dividend exemptions for primary and national cooperative societies to strengthen the cooperative ecosystem.

Highlights

7 Ease of Doing Business

- Individual Persons Resident Outside India (PROIs) will be permitted to invest in equity instruments of listed Indian companies through the Portfolio Investment Scheme (PIS). The investment limit for an individual PROI is proposed to be raised from 5% to 10%, while the aggregate investment cap for all individual PROIs is increased from 10% to 24%.
- Tax deduction period for IFSC is extended to 20 years, post which business income will be taxed at 15%.
- A single, fully integrated digital window for inter-agency cargo approvals to be operational by end-FY, covering ~70% of interdicted cargo by April 2026.
- Instant customs clearance for goods without compliance requirements after online registration and duty payment.
- Customs Integrated System (CIS) to be rolled out over two years as a unified platform.
- Expanded use of AI-enabled, non-intrusive container scanning, with the goal of scanning all containers at major ports.

8 Finance Commission & Fiscal Consolidation

- Acceptance of the 16th Finance Commission recommendation to retain vertical devolution at 41%.
- Fiscal deficit achieved at 4.4% of GDP in FY26 and budgeted at 4.3% in FY27.
- Centre's debt-to-GDP to reduce to 55.6% in FY27 (Vs 56.1% in FY26).

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Fiscal Math

Fiscal Snapshot

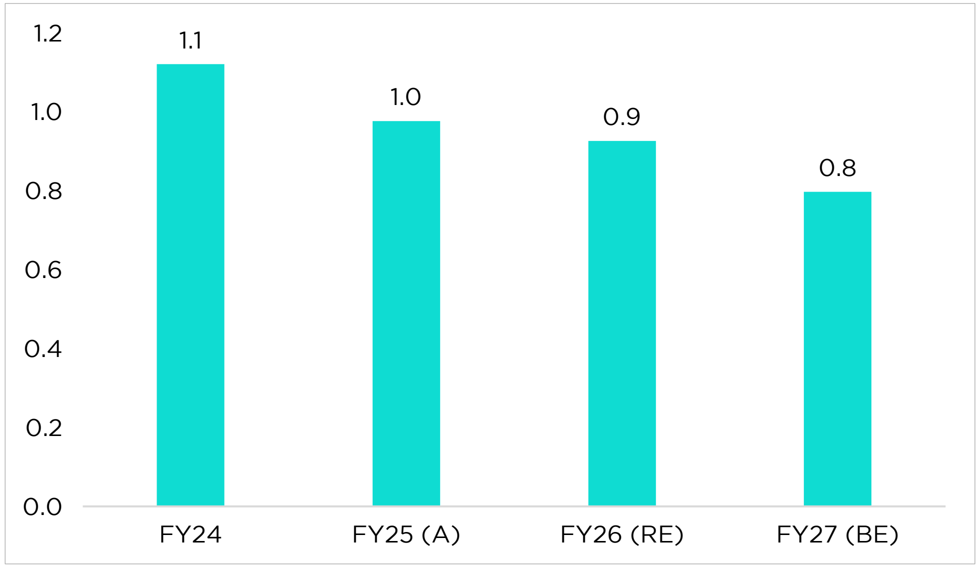
	FY25 (A)	FY26 (RE)	FY27 (BE)	FY26 (RE)	FY27 (BE)
		Rs Trillion		Y-o-Y %	
Net Tax Revenue	25.0	26.7	28.7	7.0	7.2
Non-Tax Revenue	5.4	6.7	6.7	24.4	-0.2
Non-Debt Capital Receipts	0.4	0.6	1.2	53.1	84.9
Total Receipts (Non-Debt)	**30.8**	**34.1**	**36.5**	**10.7**	**7.2**
Revenue Expenditure	36.0	38.7	41.3	7.4	6.6
Capital Expenditure	10.5	11.0	12.2	4.2	11.5
Total Expenditure	**46.5**	**49.6**	**53.5**	**6.7**	**7.7**
Nominal GDP	330.7	357.1	393.0	8.0	10.0
		Rs Trillion		% GDP	
Fiscal Deficit	**15.7**	**15.6**	**17.0**	**4.4**	**4.3**

Source: Union Budget Documents; CareEdge; Note: (A): Actuals; (RE): Revised Estimate; (BE): Budget Estimate

Tax Revenue Snapshot

	FY26 (RE)	FY27 (BE)	FY26 (BE)	FY26 (RE)	FY27 (BE)
	Rs Trillion		Y-o-Y %		
Gross tax revenue	**40.8**	**44.0**	**10.8**	**7.4**	**8.0**
Direct taxes	**24.2**	**27.0**	**12.7**	**8.9**	**11.4**
Corporate tax	11.1	12.3	10.4	12.4	11.0
Income tax	13.1	14.7	14.4	6.2	11.7
Indirect taxes	**16.5**	**16.8**	**8.3**	**5.3**	**1.9**
Goods & service tax	10.5	10.2	10.9	1.9	-2.6
Customs	2.6	2.7	2.1	10.8	5.0
Union excise duty	3.4	3.9	3.9	12.1	15.6

Tax Buoyancy is Projected at 0.8 for FY27

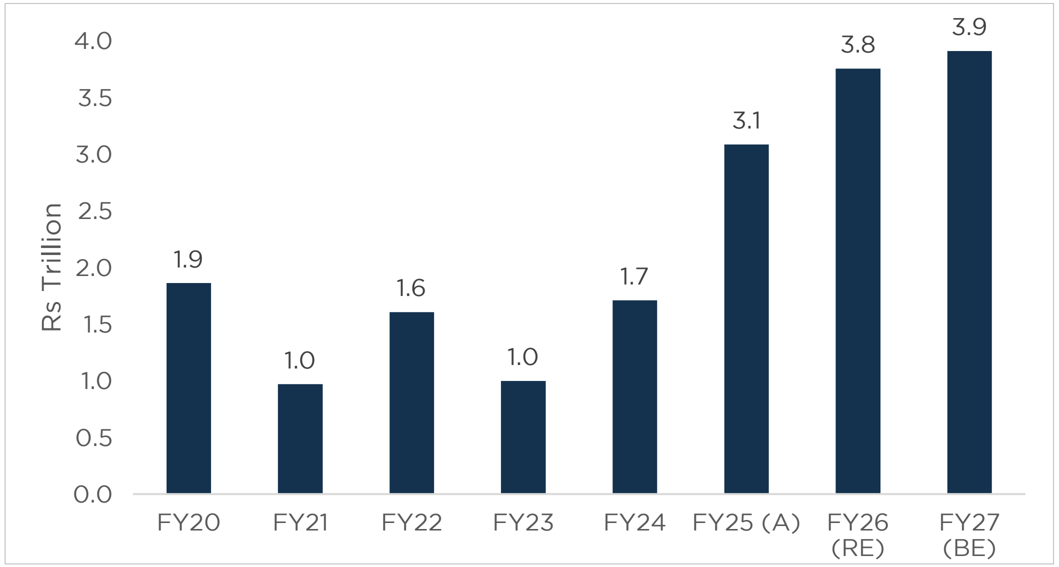


Source: Union Budget Documents; CareEdge; Note: (A): Actuals; (RE): Revised Estimate; (BE): Budget Estimate

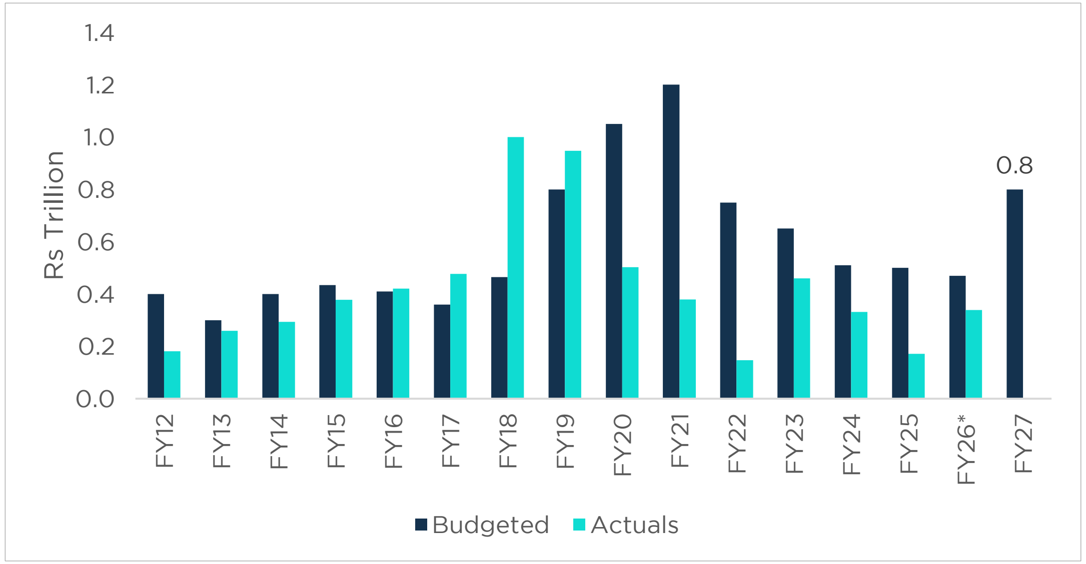
- Gross tax revenue is budgeted to increase by 8% in FY27 from 7.4% in FY26 (lower than 10.8% budgeted last year).
- Income tax cuts and GST rationalisation resulted in lower growth in tax collections in FY26 compared to budget estimates.
- With a projected nominal GDP growth of 10% in FY27, gross tax buoyancy stands at 0.8. Overall, budgeted tax growth appears reasonable.
- Direct taxes are budgeted to grow by 11.4% in FY27, outpacing the growth of 1.9% in indirect taxes.
- Impact of GST rationalisation to spillover into the next fiscal year, as well, resulting in 2.6% contraction in revenues from GST.
- Excise duty on tobacco products effective from February 2026 to support the growth in union excise duty collections in FY27.

Non-Tax Revenue and Non-Debt Capital Snapshot

Dividends and Profits Higher in FY27



Centre Budgets Higher Amount for Divestment and Monetisation in FY27

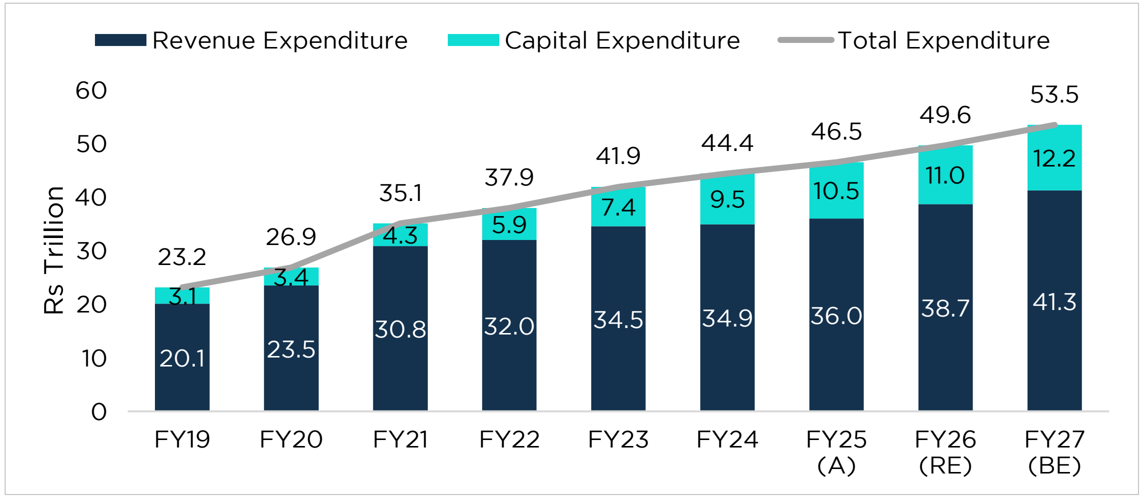


Source: Union Budget Documents; CareEdge; Note: (A): Actuals; (RE): Revised Estimate; (BE): Budget Estimate. *Represents miscellaneous capital receipts which includes disinvestment and asset monetisation as given since FY25 budget. FY26 is RE.

- Centre has budgeted dividend receipts of Rs 3.2 trillion from the RBI and PSBs in FY27 (vs Rs 3 trillion in FY26), implying elevated dividend from the RBI.
- Dividends from PSUs budgeted at Rs 750 billion in FY27, reflecting a growth of 5.6%, following a 4.2% decline in FY26.
- However, non-tax revenue is projected to decline by 0.2%, driven by lower receipts from communication services.
- Lower collection from communication services is on account of a cap on Adjusted Gross Revenue (AGR) payments from a telecom company.
- Miscellaneous capital receipts (divestment and asset monetisation) budgeted significantly higher at Rs 800 billion in FY27 vs Rs 338 billion in FY26.
- Over the past six successive years, Centre has underachieved its disinvestment targets.

Expenditure Snapshot

Trends in Expenditure



Expenditure Snapshot

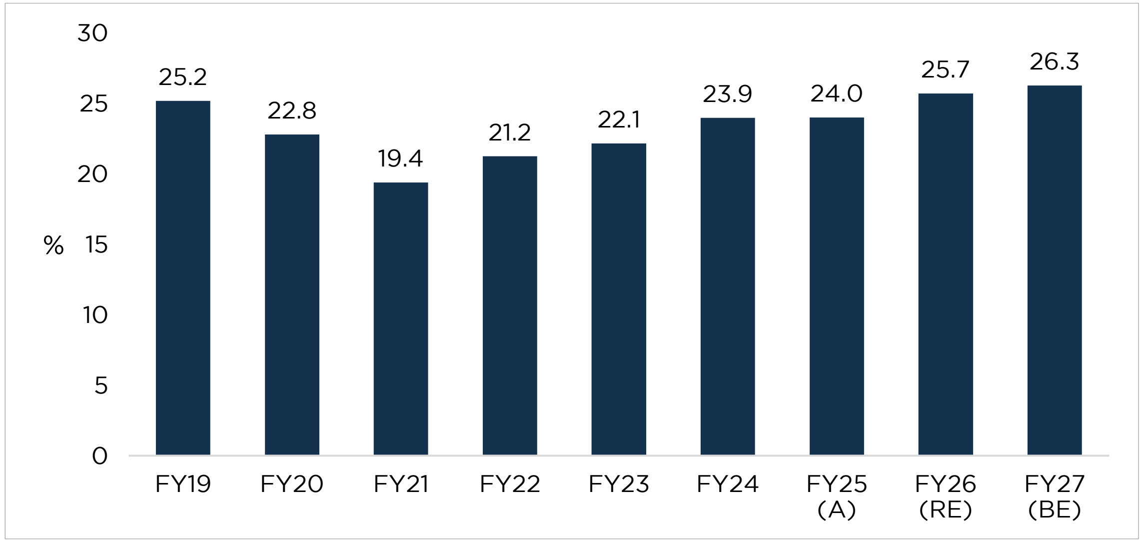
% GDP	FY26 (RE)	FY27 (BE)
Revenue Expenditure	10.8	10.5
Capital Expenditure	3.1	3.1
Total Expenditure	**13.9**	**13.6**

Source: Union Budget Documents; CareEdge; Note: (A): Actuals; (RE): Revised Estimate; (BE): Budget Estimate

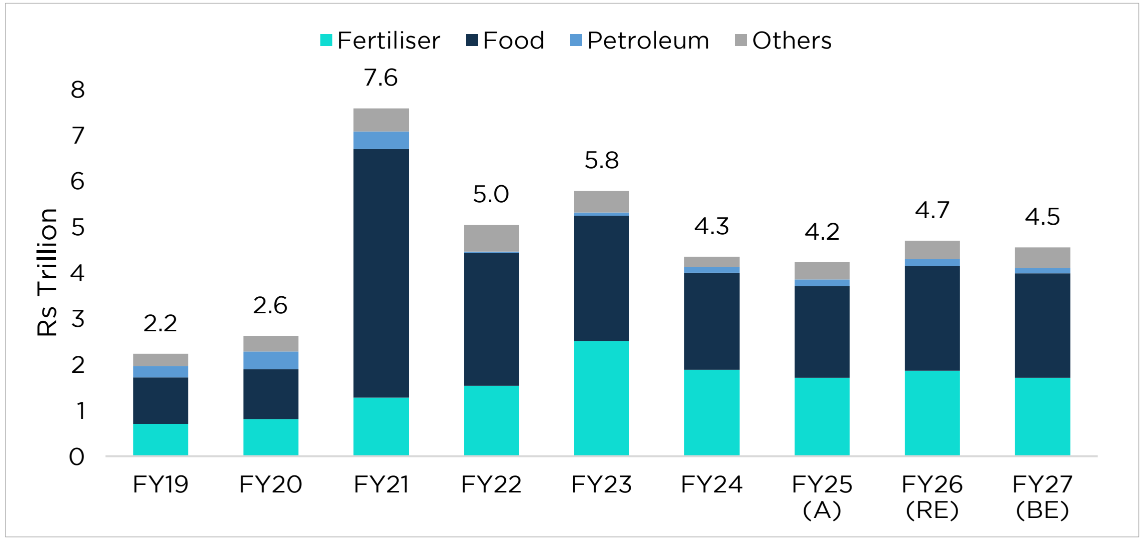
- Centre's total expenditure in FY26 (RE) was lower by around Rs 1 trillion, mainly on account of lower revex.
- In FY26, capex is estimated at Rs 11 trillion (Vs budgeted Rs 11.2 trillion) while revex is estimated at Rs 38.7 trillion (Vs budgeted 39.4 trillion).
- In FY27, capex is budgeted to be at Rs 12.2 trillion, rising 11.5% (y-o-y). Revex is budgeted to be at Rs 41.3 trillion, up 6.6%.
- Total expenditure-to-GDP is budgeted to decline to 13.6% in FY27 (Vs 13.9% in FY26), amid revex rationalisation while capex momentum is maintained.
- With this the Centre's spending quality (capex-to-revex ratio) is budgeted to improve marginally to 0.30 in FY27 from 0.28 in FY26 (RE).
- The spending quality continues to remain above the pre-pandemic average of 0.15 (FY15-19).

Interest & Subsidy Snapshot

Interest Expenditure (% Total Expenditure)



Subsidy Burden & Components



Source: Union Budget Documents; CareEdge; Note: (A): Actuals; (RE): Revised Estimate; (BE): Budget Estimate

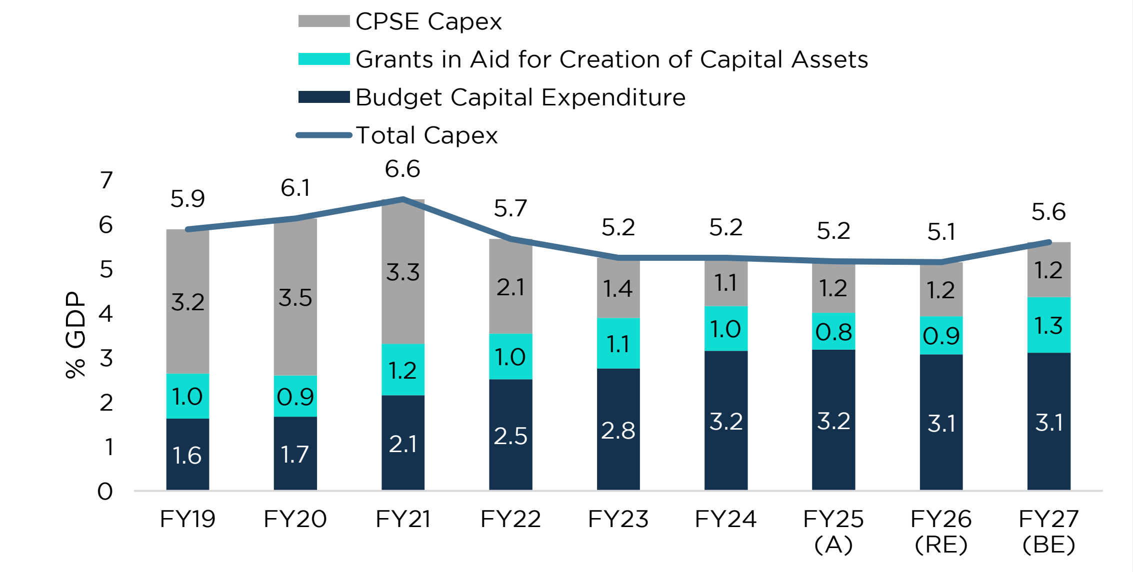
- Interest payments (% total expenditure) are budgeted to climb to 26.3% in FY27, showing an upward trajectory since FY22.
- Subsidy spending is budgeted to decline by 3.1% in FY27, mainly on the back of lower subsidies towards fertilisers (down 8.4% at Rs 1.7 trillion).
- Allocation towards food subsidy is budgeted to be marginally lower by 0.2% at Rs 2.3 trillion in FY27.
- Allocation towards food and fertilisers combined accounts for nearly 88% share in the total subsidy allocation.
- Overall, subsidy allocation (as % GDP) is budgeted to moderate to 1.2% in FY27, from 1.3% seen in the last two years.

Overall Capex Snapshot

Capex Overview

	FY25 (A)	FY26 (RE)	FY27 (BE)	FY26 (RE)	FY27 (BE)
		Rs Trillion		Y-o-Y %	
Budget Capital Expenditure	10.5	11.0	12.2	4.2	11.5
Grants in Aid for Creation of Capital Assets	2.7	3.1	4.9	13.0	59.9
Effective Capital Expenditure	**13.2**	**14.0**	**17.1**	**6.0**	**22.1**
Resources of Public Enterprises (CPSE Capex)	3.8	4.3	4.8	13.5	11.5
Total Capex (Effective + CPSE Capex)	**17.1**	**18.4**	**22.0**	**7.7**	**19.6**

Capex (% GDP)



Source: Union Budget Documents, CEIC; CareEdge; Note: (A): Actuals; (RE): Revised Estimate; (BE): Budget Estimate

- With continued capex momentum, Centre's capex is budgeted to rise by a healthy 11.5% to Rs 12.2 trillion in FY27.
- Grants in aid for creation of capital assets are budgeted to rise notably in FY27, translating into a 22.1% growth in the Centre's effective capex.
- CPSE capex is budgeted to rise to Rs 4.8 trillion in FY27, the highest level in the last five years.
- The total capex (effective + CPSE capex) is seen rising by a strong 19.6% in FY27.
- Overall, total capex (% GDP) is budgeted to rise to 5.6% in FY27, supported by higher grants in aid for the creation of capital assets.

Ministry-Wise Capex

Major Ministries	FY25 (A)	FY26 (RE)	FY27 (BE)	FY26 (RE)	FY27 (BE)
		Rs Trillion		Y-o-Y %	
Ministry of Road Transport and Highways	2.9	2.7	2.9	-4.7	8.1
Ministry of Railways	2.5	2.5	2.8	0.0	10.3
Ministry of Finance	1.8	2.5	2.5	39.0	-0.6
Ministry of Defence	1.7	2.0	2.3	15.7	17.0
Ministry of Communications	0.8	0.2	0.5	-66.7	94.4
Ministry of Housing and Urban Affairs	0.3	0.3	0.3	4.3	5.5
Total Capital Expenditure	**10.5**	**11.0**	**12.2**	**4.2**	**11.5**

Source: Union Budget Documents; CareEdge; Note: (A): Actuals; (RE): Revised Estimate; (BE): Budget Estimate

- Infrastructure sectors (roads & railways) remain at the forefront with a combined share of 47% in the Centre's budgeted capex for FY27.
- Allocation towards roads and railways is budgeted to increase by 8.1% and 10.3%, respectively, in FY27.
- Centre's defence capex is budgeted to rise by 17% in FY27, on the back of high growth of 15.7% in FY26 (RE).
- Among other central ministries, capex towards the Ministry of Communication is budgeted to rise to Rs 0.5 trillion in FY27 from Rs 0.2 trillion in FY26 (RE).
- The main outlay under the Ministry of Finance is towards transfers to states/UTs – budgeted to rise by a notable 29.4% to Rs 2.3 trillion in FY27. This is mainly towards special assistance, such as loans to States/UTs for capital investment.

Outlay Towards Major Scheme

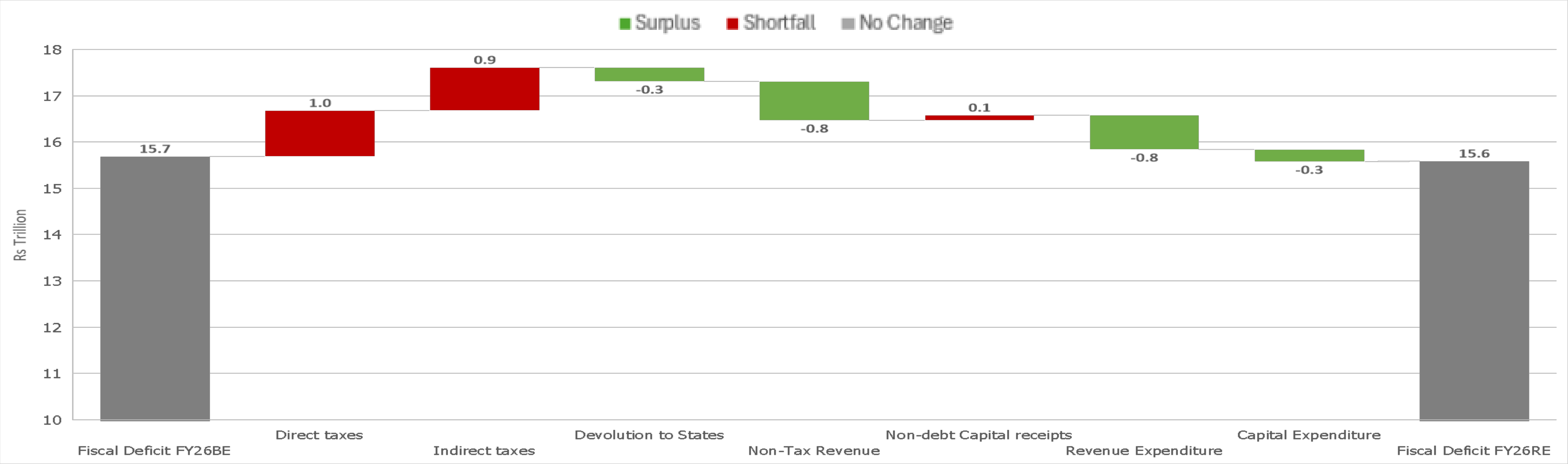
	Rs Billion		
Centrally Sponsored Schemes	**FY25 (A)**	**FY26 (RE)**	**FY27 (BE)**
Viksit Bharat-Guarantee for Rozgar and Ajeevika Mission (Gramin) VB-G RAM G Scheme*	858	880	1,257
Jal Jeevan Mission (JJM) / National Rural Drinking Water Mission	226	170	677
Pradhan Mantri Awas Yojna (PMAY)- Rural	323	325	549
Samagra Shiksha	363	380	421
Flexible Pool for RCH & Health System Strengthening, National Health Programme and National Urban Health Mission	317	299	318
Saksham Anganwadi and POSHAN 2.0	210	209	231
Major Central Sector Schemes	**FY25 (A)**	**FY26 (RE)**	**FY27 (BE)**
Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY)	1,995	2,278	2,274
National Highways Authority of India	1,686	1,703	1,873
Road Works	1,310	1,163	1,220

Source: Union Budget Documents; CareEdge; Note: (A): Actuals; (RE): Revised Estimate; (BE): Budget Estimate
*MGNREGA Scheme has been replaced by the VB-G RAM G Scheme and merged in our calculation

- Among the major centrally sponsored schemes, the largest outlay for FY27 has been budgeted towards the VB-G RAM G Scheme* (Rs 1,257 billion).
- In FY27, outlay towards Jal Jeevan Mission and PM Awas Yojana has seen a notable increase in outlay. However, the actual spending on these schemes remains monitorable given the lower-than-budgeted spending seen in FY26 (RE).
- As per the FY26 (RE), outlay towards Jal Jeevan Mission and PM Awas Yojana was lower than the budgeted amount by Rs 500 billion and Rs 223 billion.

Centre Meets FY26 Fiscal Deficit Target

Contribution to Changes in Fiscal Deficit (FY26 RE over FY26 BE)



Source: Union Budget Documents; CareEdge; Note: (RE): Revised Estimate; (BE): Budget Estimate

- Despite weaker tax and subdued divestment receipts in FY26, the government was able to achieve the fiscal deficit target of 4.4% of GDP due to lower spending and higher RBI dividend transfers.

Committed to Fiscal Discipline

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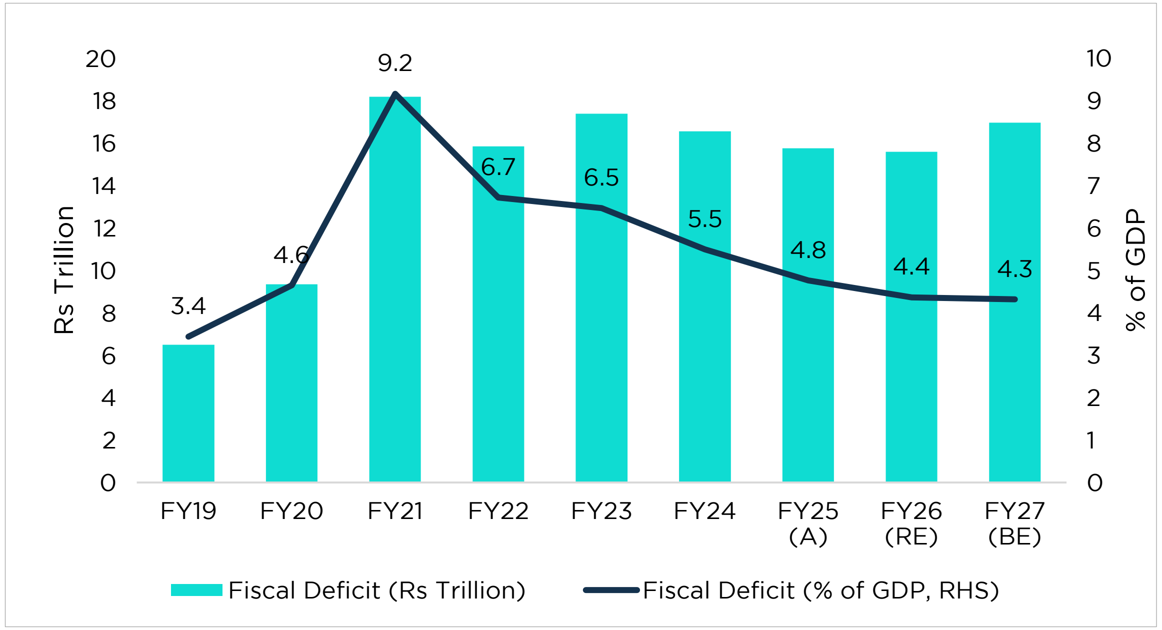
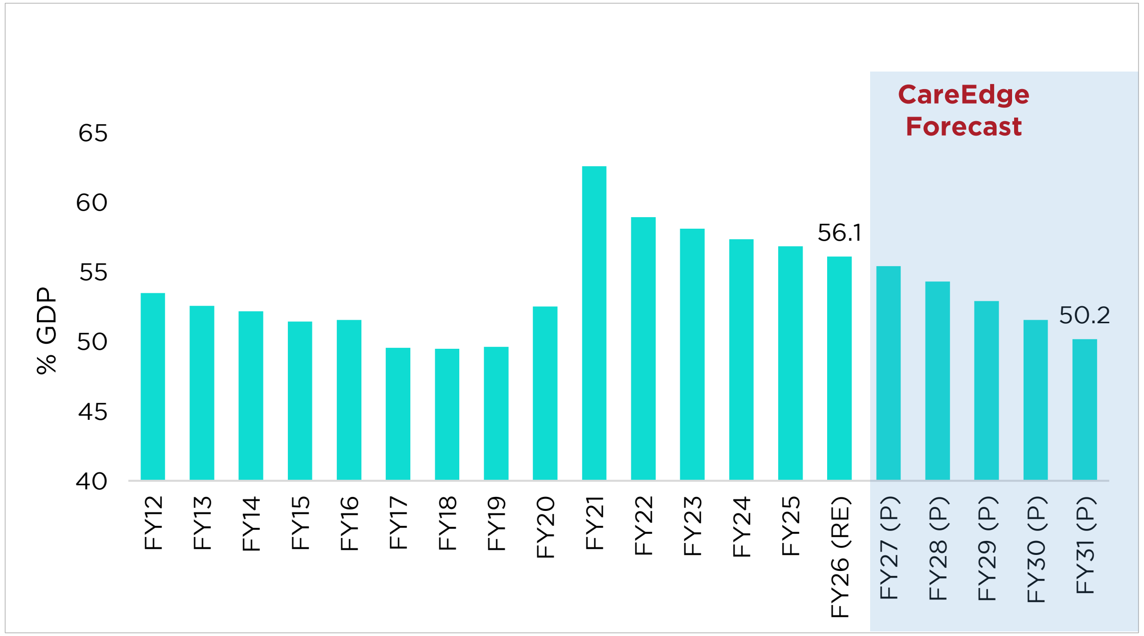
Fiscal Deficit Budgeted at 4.3% of GDP in FY27



Trajectory of Centre's Government Debt (% GDP)

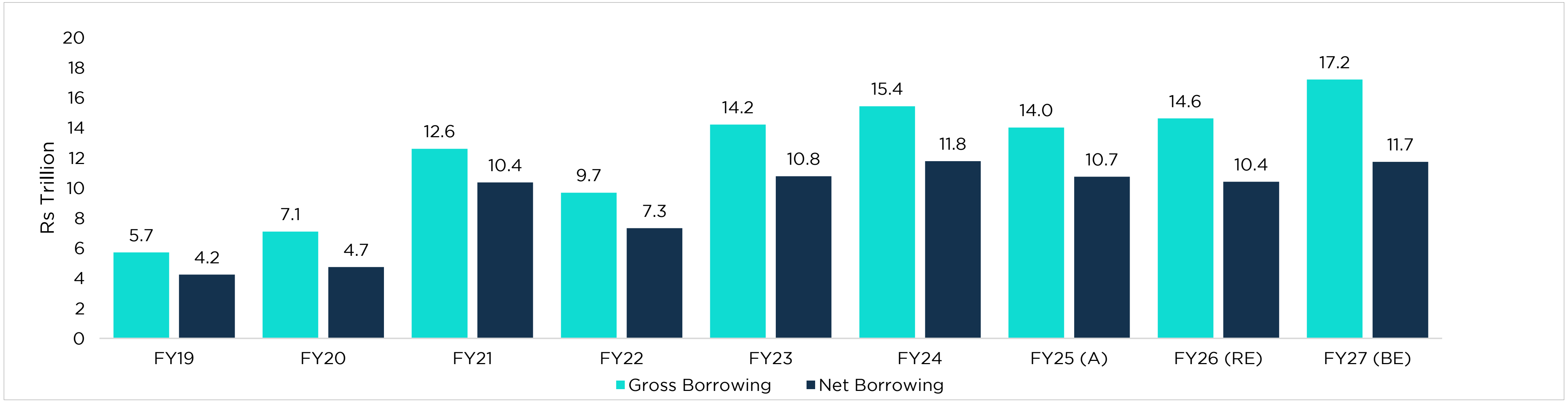


Source: Union Budget Documents; CareEdge; Note: (A): Actuals; (RE): Revised Estimate; (BE): Budget Estimate; (P): CareEdge Projections

- Fiscal deficit to GDP budgeted lower at 4.3% in FY27. Centre's fiscal deficit target looks reasonable.
- This would reduce the Centre's debt-to-GDP ratio to 55.6% in FY27, lower than 56.1% in FY26.
- As per our assessment, even with assuming conservative nominal GDP growth of ~10% in the coming years, the Centre should be able to reduce its debt to GDP ratio to ~50% by 2031.

Borrowing Remains High

Elevated Redemption Keeps Gross Borrowing Elevated



Source: Union Budget Documents; CareEdge; Note: (A): Actuals; (RE): Revised Estimate; (BE): Budget Estimate

- Gross market borrowings budgeted at Rs 17.2 trillion for FY27, around 17.7% higher than FY26 amid higher redemptions.
- Gross borrowing is slightly higher than our expectations, which could increase upward pressures on yields unless the RBI increases OMO purchases.
- Net market borrowings estimated at Rs 11.7 trillion for FY27. Net borrowings to fund 69% of fiscal deficit in FY27, up from 67% in FY26.
- Reliance on small savings declined to 22.8% of the fiscal deficit in FY27 from 23.8% in FY26. However, in absolute terms, it increased by Rs 0.1 trillion.
- There are no net switching of securities and buybacks budgeted in FY27.

PLI Across Major Sectors

Automobile, White Goods, Battery Storage and Specialty Steel seen high budgeted growth in PLI Allocation

Major PLI Schemes (Rs Crore)			
	FY25 (A)	**FY26 (RE)**	**FY27 (BE)**
Ministry of Electronics And Information Technology - PLI For Large Scale Electronics And IT Hardware	5,756	7,000	1,527
Department of Heavy Industry - PLI Automobiles And Auto Components	325	2,091	5,940
Department of Pharmaceuticals - PLI Pharma	2,433	2,493	2,500
Ministry of Food Processing Industries - PLI For Food Processing	450	1,200	1,200
Department of Industrial Policy And Promotion - PLI For White Goods (Acs And LED Lights)	214	304	1,004
Ministry of Steel- PLI Scheme For Specialty Steel In India	52	193	380
Department of Heavy Industry - PLI For Advanced Chemistry Cell (ACC) Battery Storage	12	13	86
Ministry of Civil Aviation - PLI Drone And Drone Component	37	--	--
Ministry of Textiles - PLI Textiles	45	400	405

Source: Union Budget Documents; CareEdge; Note: (A): Actuals; (RE): Revised Estimate; (BE): Budget Estimate

Sectoral Announcements and Analysis

Agri and Allied - Fertilisers

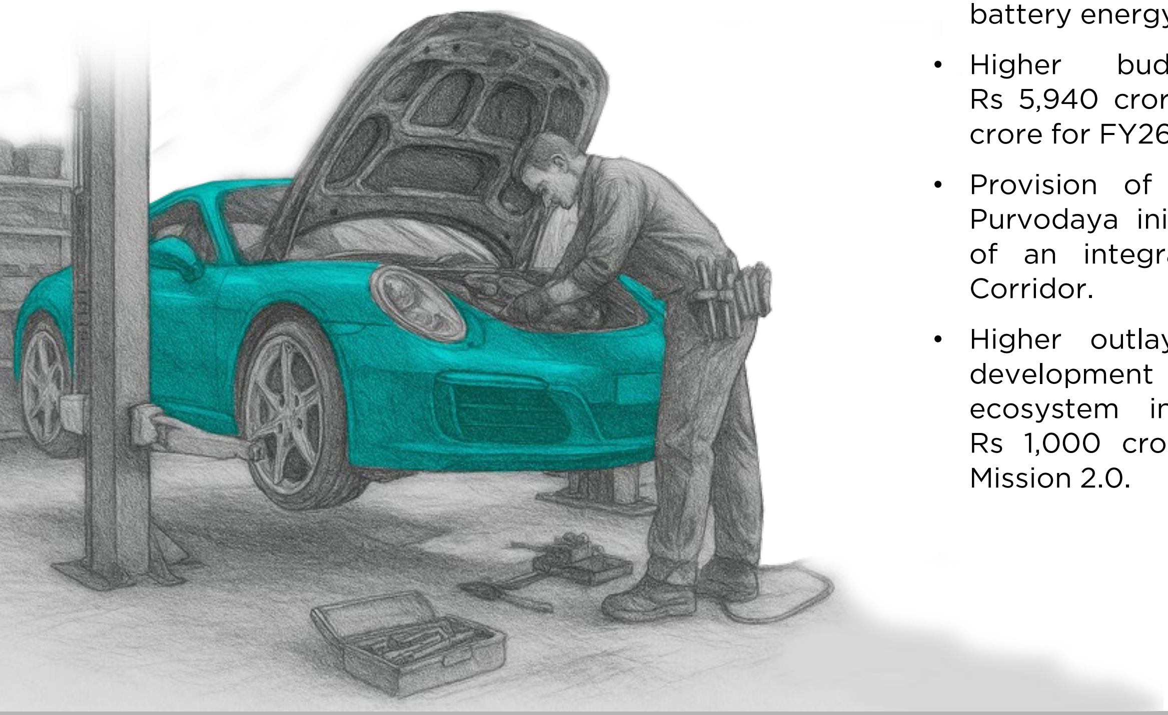
Proposal

- Overall fertiliser subsidy for FY27 is budgeted at Rs 1.71 lakh crore, comprising urea subsidy of Rs 1.17 lakh crore and NBS subsidy of Rs 0.54 lakh crore, vis-à-vis the budgeted subsidy of Rs 1.68 lakh crore for FY26, comprising urea subsidy of Rs 1.19 lakh crore and NBS subsidy of Rs 0.49 lakh crore.

Impact

- Fertiliser subsidy for FY26, as per revised estimates at Rs 1.86 lakh crore, is expected to overshoot the budgeted subsidy by 11%. Such revision is led by both growth in consumption volume and a rise in input prices. With expectations of continued growth in consumption, there could be a need for supplementary grants in FY27 if the key input prices remain at current levels.

Auto and Auto Components



Proposal

- To establish dedicated rare earth corridors in Odisha, Kerala, Andhra Pradesh and Tamil Nadu to promote mining, processing, research, and manufacturing of rare earth minerals.
- Customs duty exemption on capital goods used for manufacturing lithium-ion cells for battery energy storage systems.
- Higher budgeted PLI outlay of Rs 5,940 crore for FY27 vis-à-vis Rs.2091 crore for FY26 (RE).
- Provision of 4,000 e-buses under the Purvodaya initiative for the development of an integrated East Coast Industrial Corridor.
- Higher outlay of Rs 8,000 crore for development of Semiconductors ecosystem in India and allocation of Rs 1,000 crore for India Semiconductor Mission 2.0.

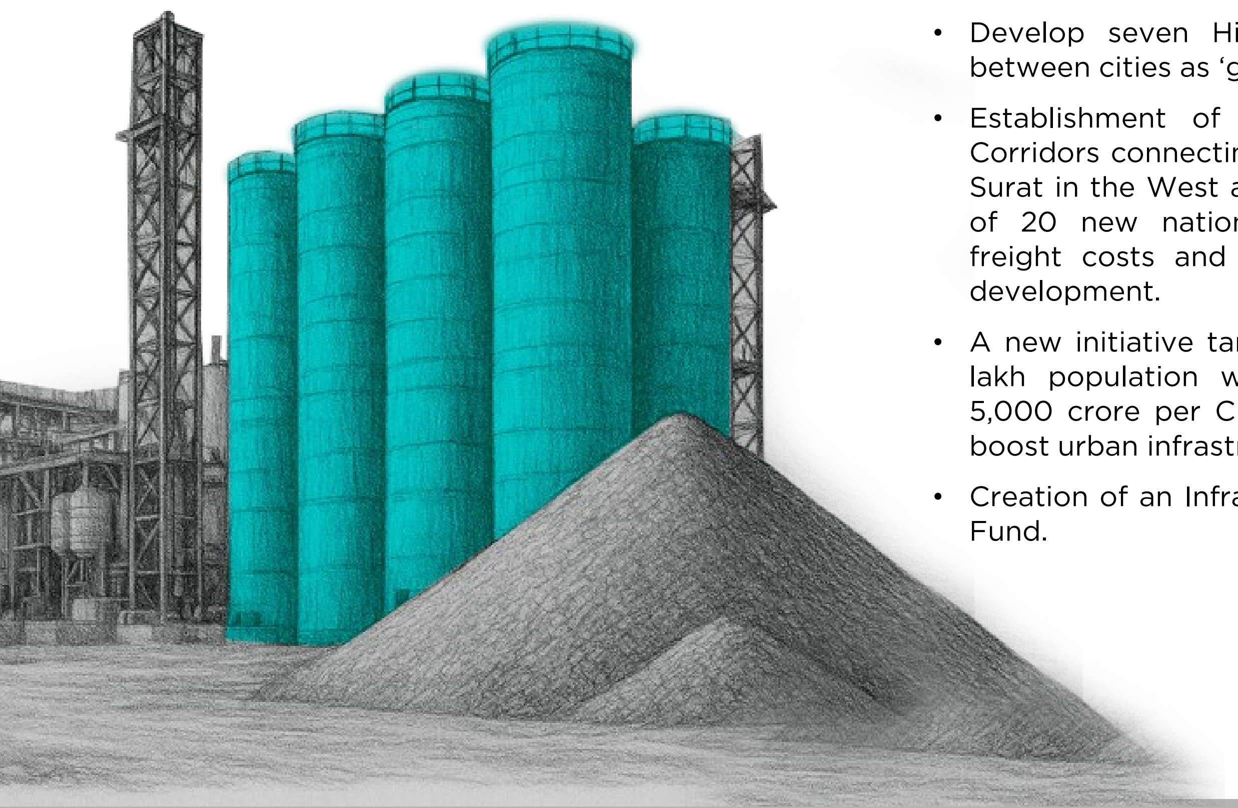
Impact

- Expected to diversify supply away from China and accelerate the domestic ore-to-magnet value chain—bringing down input costs for electric vehicles, renewable power, industrial applications and consumer electronics.
- Increased allocation for PLI will foster growth and boost localisation in the auto and auto components industry.
- Provision of 4,000 e-buses is expected to aid the growth of the e-bus industry.
- Expected to strengthen the domestic ecosystem and improve the availability of semiconductors.

Capital Goods

Proposal	Impact
• Capital expenditure budgeted at Rs 12.20 lakh crore for FY27, providing for a 9% increase year on year.	• The higher capital outlay will boost economic activity through faster infrastructure development and, in turn, augurs well for the capital goods sector.
• Launch a scheme to boost domestic production of high-value, advanced construction and infrastructure equipment—from building lifts and firefighting systems to tunnel-boring machines.	• This is expected to reduce India's import dependency for critical equipment significantly and shall provide an opportunity to domestic players to penetrate this niche segment.
• Scheme for Container Manufacturing with budgetary allocation of Rs 10,000 crore over five years period.	• The scheme will reduce exposure to container shortages, support exporters and strengthen India's logistics and maritime competitiveness.
• High-Tech Tool Rooms (For precision engineering components) to be established by CPSEs at 2 locations.	• New tool rooms will upgrade MSME capabilities through advanced precision-engineering access, improving quality, reducing import dependence, and boosting competitiveness.

Cement



Proposal

- The government increased the infrastructure capex by nearly 9% to Rs 12.2 lakh crore for FY27 (up from Rs 11.2 lakh crore in FY26), continuing a decade-long push in infrastructure investment.
- Develop seven High-Speed Rail corridors between cities as 'growth connectors'.
- Establishment of new Dedicated Freight Corridors connecting Dankuni in the East, to Surat in the West and the operationalisation of 20 new national waterways to lower freight costs and accelerate infrastructure development.
- A new initiative targeting cities with over 5 lakh population with an allocation of Rs 5,000 crore per CER, which is expected to boost urban infrastructure construction.
- Creation of an Infrastructure Risk Guarantee Fund.

Impact

- Key allocations for roads, bridges, high-speed rail corridors, freight corridors, waterways, ports, and urban infrastructure are expected to drive large-scale construction activity across the country. These measures are likely to significantly boost cement demand as cement is a critical input for all major infrastructure projects.
- Improved connectivity and multi-modal transport projects will also spur long-term demand for cement in industrial and logistics hubs.
- The creation of an Infrastructure Risk Guarantee Fund is expected to accelerate private participation in infrastructure development, further enhancing construction volumes.

Financial Services

Banking and NBFCs – MSME Funding

Proposal

MSMEs

- **Equity Support:** Setup dedicated Rs 10,000 crore SME Growth Fund. Top up Self-Reliant India Fund (2021) with Rs 2,000 crore.
- **Liquidity Support through TReDS:** Mandate TReDS as the transaction settlement platform for all purchases from MSMEs by CPSEs, serving as a benchmark for other corporates. Introduce a credit guarantee support mechanism through CGTMSE for invoice discounting on the TReDS platform. Linking GeM with TReDS to encourage cheaper and quicker financing. TReDS receivables as asset-backed securities, to develop a secondary market and enhance liquidity and settlement of transactions.

Impact

- As per the MSME Ministry, there are currently over 5 crore MSMEs registered on Udyam, which employ more than 22 crore people and account for over 30% of manufacturing and 45% of exports.
- The fund will operate alongside incentive frameworks that reward MSMEs which meet select criteria. Typically, these funds operate as “Fund of Funds”, thereby enabling a multiplier effect in deploying funds for the MSME sector.
- This is likely to boost the trade finance chain by enhancing the reach of TReDS. It would also provide visibility on payment cycles. The Credit Guarantee Scheme would help banks and NBFCs increase their MSME book.

Financial Services

Banking

Proposal

- Setting up of the High-Level Committee on Banking for Viksit Bharat to align with India's next growth phase.
- Many schemes for boosting manufacturing and services have been proposed in the budget.
- Lapse of the concessional Basic Customs Duty (BCD) w.e.f. April 01, 2026, on the cash dispenser or automatic banknote dispenser and its parts and components.

Impact

- The banking sector is characterised by strong balance sheets, improved asset quality and coverage. The objective and outcome will be keenly watched to understand the implications on the sector.
- This is likely to create a follow-on effect on the banking sector by boosting the demand for corporate credit.
- Likely to increase operating costs for banks, which may be passed on by the banks to retail customers.

Financial Services

NBFCs

Proposal

- Restructuring of PFC and REC.
- Market-making framework and total return swaps on corporate bond indices.
- Infrastructure Risk Guarantee Fund (partial credit guarantees for lenders) of Rs 1,000 crore.
- PMAY U-2.0 with BE of Rs 3,000 crore (vs 3,500 crore BE and Rs 300 crore RE in FY26) and PMAY-R with BE of Rs 54,917 crore (vs Rs 54,832 crore BE and Rs 32,500 crore RE in FY26).
- Security transaction tax (STT) on derivatives revised; From 0.02% to 0.05% on future contracts, and STT on premium and exercise of options is proposed to be increased from 0.10% to 0.15%.

Impact

- PFC & REC have been operating at a healthy scale with consistent growth, a strong balance sheet and healthy asset quality over the past few years. The objectives and impact of the proposed restructuring will be closely tracked.
- NBFCs are the largest issuers of bonds; the proposal is expected to provide NBFCs with better access to low-cost liquidity.
- This represents a direct de-risking, capital-efficiency and funding-cost positive for the affordable housing finance (AHF) sector, especially for construction-linked and infra-eligible housing portfolios. This also reduces credit risk for other NBFCs lending in the infrastructure space.
- NBFC-HFCs operating in affordable housing in Tier-II/Tier-III cities will continue to see steady demand. With the resolution of operational issues faced earlier in PMAY U-2.0, the scheme mobilisation is expected to gain momentum in FY27.
- This is likely to moderate derivative volumes on stock exchanges, which in turn is expected to impact the revenue of brokers, especially discount brokers who rely heavily on F&O for revenue from brokerage.

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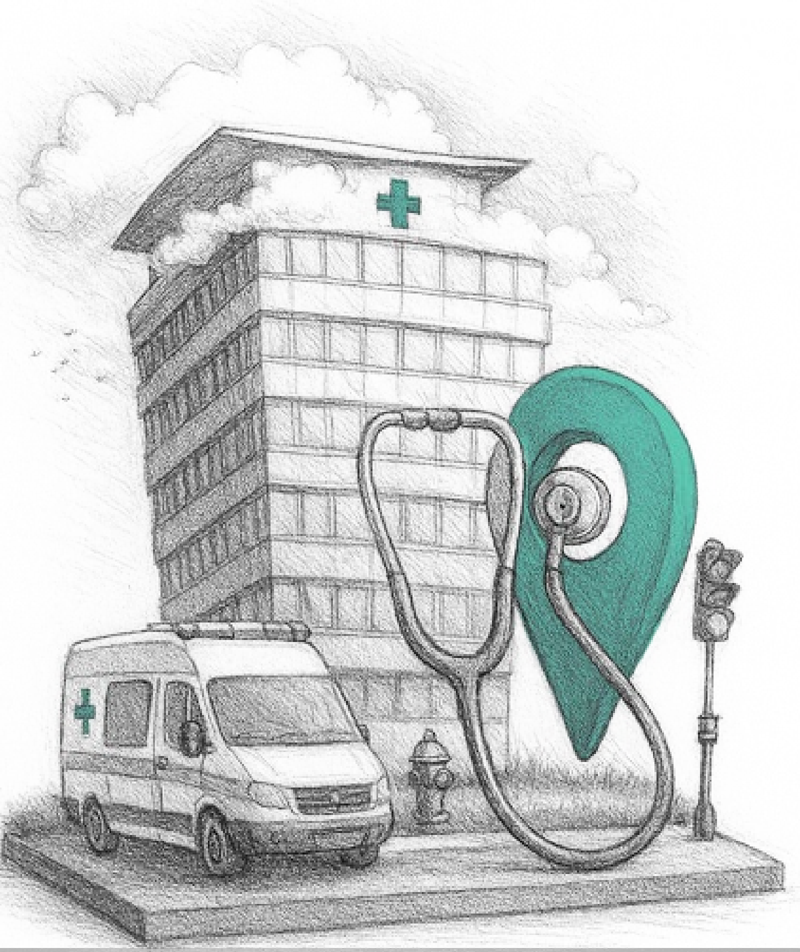
Healthcare (Hospitals)



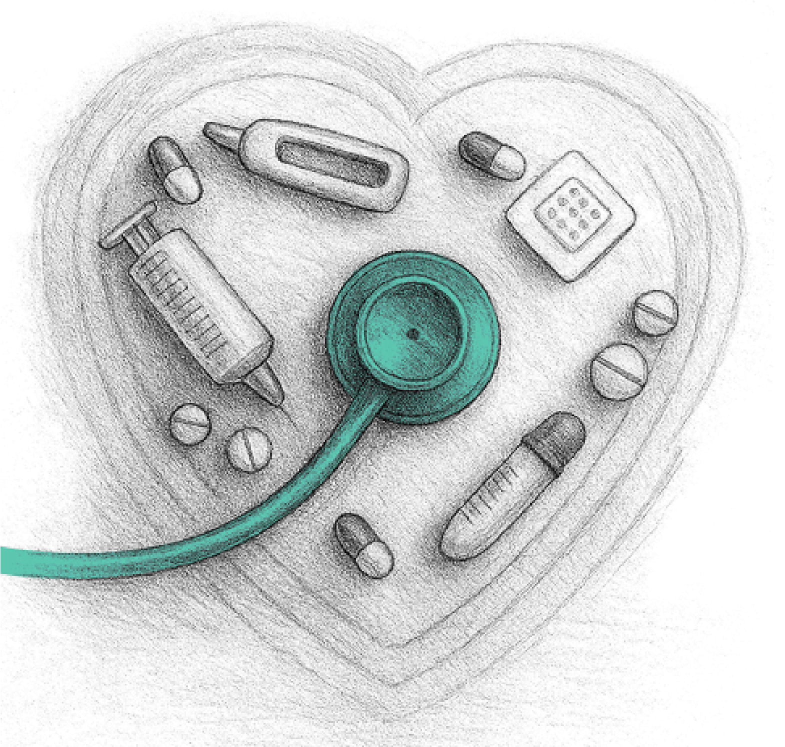
Proposal

- Establishing five regional medical and medical tourism hubs in partnership with the private sector
- The Budget outlined plans to train 1.5 lakh caregivers and expand allied health education across key disciplines (including optometry, radiology, anaesthesia, applied psychology, and behavioural health)

Impact

- The Union Budget 2026-27 is set to bolster India's healthcare and hospital sector with its emphasis on medical tourism. The proposal to establish five regional medical tourism hubs seeks to position India as a global destination for high-quality healthcare, linking medical treatment with education, research, and rehabilitation facilities.
- Investment in training caregivers and allied health professionals improves hospital operational capacity and service standards, addressing key staffing gaps.
- These measures are expected to drive higher patient inflows, improve revenue visibility for organised hospital operators, supporting their growth prospects and financial resilience.

Healthcare & Pharma



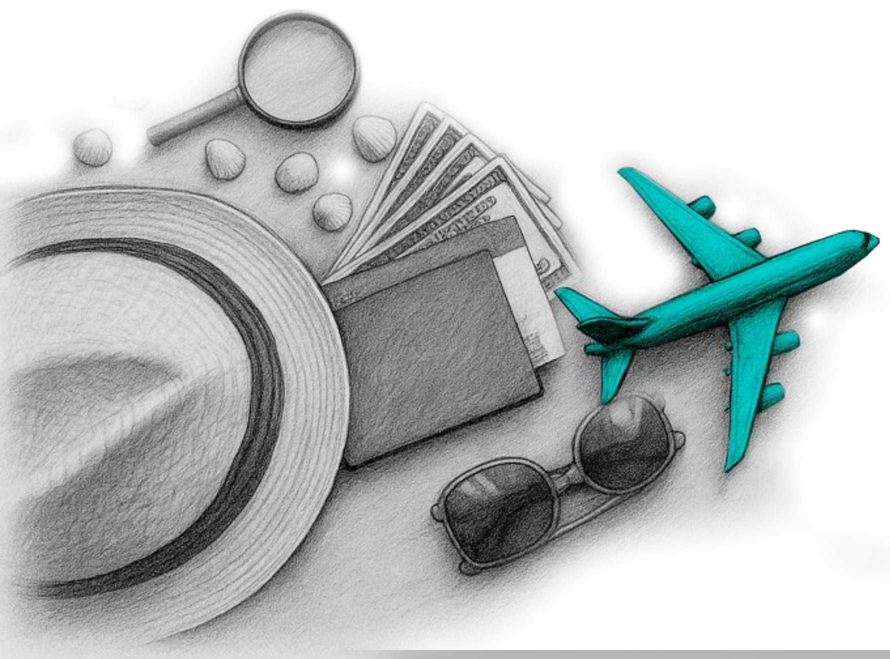
Proposal

- Budget allocation for healthcare stood at Rs 1,04,599 crore (increase of ~6% on y-o-y).
- Outlay of Rs 10,000 crore over the next period of 5 years for Biopharma SHAKTI. Biopharma-focused network with 3 new National Institutes of Pharmaceutical Education and Research (NIPER) and upgrading 7 existing ones. Creation of a network of over 1,000 accredited Indian clinical trials sites.
- Set up 3 new All India Institutes of Ayurveda, upgrade AYUSH pharmacies and Drug Testing Labs
- Existing institution for Allied Health Professionals (AHP) will be upgraded, and new AHP institutions will be established. Aim to add over 1,00,000 AHPs over the next 5 years.
- Scheme to support States in establishing five Regional Medical Hubs, in partnership with the private sector, combining medical, educational and research facilities
- Exemption from Basic Custom Duty to specified 17 cancer drugs or medicines and import duty exemption to 7 more rare diseases for personal use.

Impact

- Provides steady funding support for public healthcare infrastructure, diagnostics, and health services.
- Strong push for domestic biopharma R&D, innovation, and clinical research; allows domestic production of biologics and biosimilars. Reduces import dependence over the medium term.
- Enhances skilled talent pool and clinical trial capacity; improves India's positioning as a global clinical research and drug development hub. Addresses manpower shortages in healthcare delivery; supports hospital capacity expansion and improves service quality.
- Encourages private sector participation in integrated healthcare, education, and research; supports capex-led growth for hospitals and medical colleges. Medical Hubs will provide diverse job opportunities for health professionals, including doctors and AHPs
- Improves affordability and access to critical therapies.

Hotel & Tourism



Proposal

- Setting up a National Institute of Hospitality as a bridge between academia, industry and the Government.
- Pilot scheme for upskilling 10,000 guides in 20 iconic tourist sites.
- To develop ecologically sustainable Mountain trails, Turtle Trails and Bird watching trails in select states.
- India to host the first-ever Global Big Cat Summit.
- Develop 15 archaeological sites into vibrant, experiential cultural destinations and the development of Buddhist Circuits in the Northeast Region.
- Incentives for seaplane manufacturing supported by a VGF scheme, and infrastructure support for Tier II/III cities and temple towns through City Economic Regions (CERs) with allocation of ₹5,000 crore per CER over five years.
- Medical tourism - Schemes to support States in establishing Five Hubs for Medical Value Tourism in partnership with the private sector

Impact

- This Budget highlighted the tourism sector's potential in employment generation, forex earnings and tourism as a core driver of economic growth.
- Focus on training 10,000 tourist guides, creating a National Institute of Hospitality, developing Buddhist circuits, eco-tourism trails, and medical tourism hubs directly enhances tourist inflows, service quality, and sector formalisation.
- Improved destination infrastructure and guide/skill development likely increase occupancy and spending in hotels, resorts, and allied services, supporting higher revenue visibility.
- Reduced foreign tour charges and streamlined travel/connectivity are likely to attract more international tourists.
- Initiatives like medical tourism and eco-tourism broaden revenue sources beyond domestic leisure travel, improving demand resilience against economic cycles.

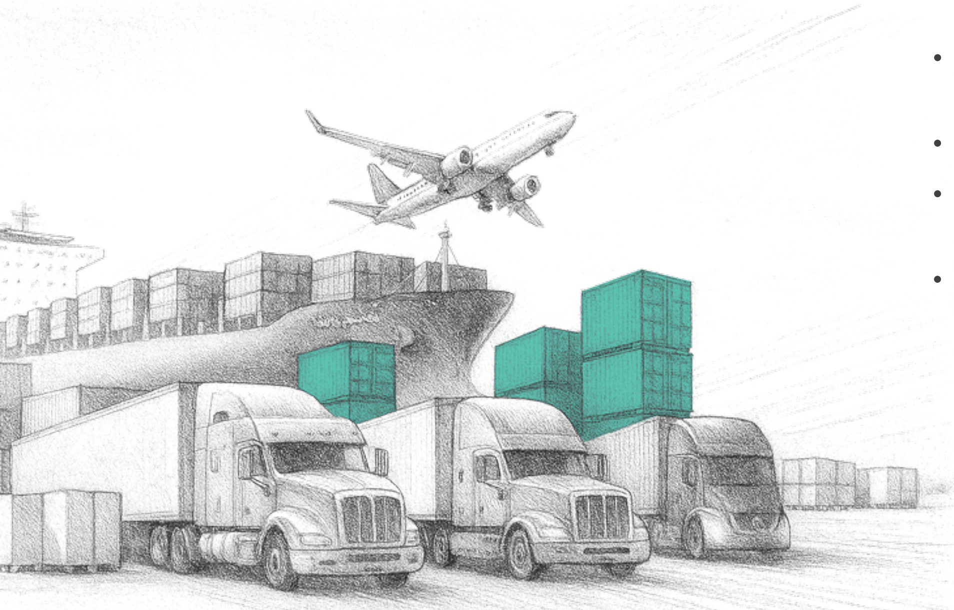
Logistics, Cities, and Digital Infrastructure

Proposal

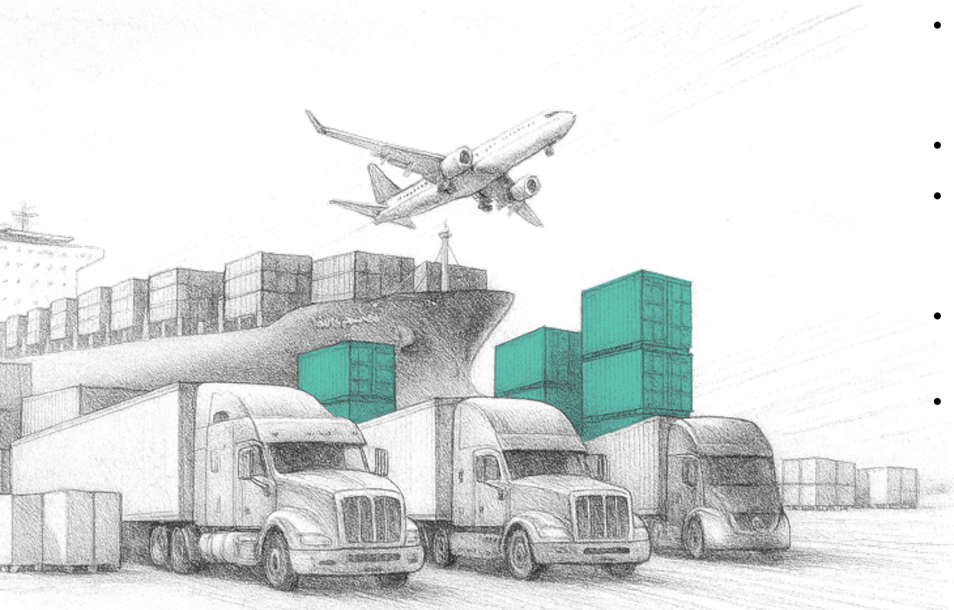
- Capital expenditure allocation increased by 9% to Rs 12.20 Lakh crore with Capex outflow for Roads and Railways at Rs 5.71 Lakh crore
- **Railways:** Capex allocation increased by 10% to Rs 2.77 lakh crore with focus on new lines and doubling of existing lines
- New Dedicated Freight corridors connecting Dhankuni in East to Surat in West.
- Plans for Seven high-speed rail corridors connecting major cities across India
- **Roads:** Capex allocation increased by 8% to Rs 2.94 lakh crore.
- **Waterways & Coastal Cargo**:
- Operationalis 20 new waterways (NW) over next 5 years.
- Launch of coastal cargo promotion scheme to increase share of inland waterways and coastal shipping from 6% to 12% by 2047.

Impact

- Railway capex is focused towards improving mobility of freights and passengers at reduced cost and improved efficiency along with enhanced safety.
- These measures are expected to support a medium-term modal shift from road to rail and coastal transport, uplift logistics efficiency, reduce carbon foot- print and overall logistics costs.
- High-speed rail connectivity between major economic cities aimed at reducing travel duration, enhanced logistics performance and boost regional development.



Logistics, Cities, and Digital Infrastructure



Proposal

- **Data Center**
- Tax holiday till 2047 for foreign cloud service companies using Indian Data Centers
- **Urban Infra**
- Introduction of Rs 100 crore subsidy on single municipal bond issuances of Rs 1,000 crore and above along with continuation of incentive under Atal Mission for Rejuvenation and Urban Transformation (AMRUT)
- Allocation of Rs 5,000 crore per City economic regions (CER) over a period of 5 years
- **Shipping and Aviation**
- Developing ship repair ecosystem catering to inland waterways is proposed at Varanasi and Patna;
- Indigenise manufacturing of seaplanes and a seaplane VGF Scheme to be introduced.
- Exemption of basic customs duty on raw materials imported for manufacture of parts of aircraft to be used in maintenance, repair, or overhaul (MRO) requirements by Units in the Defence sector.

Impact

- Accelerate Data Center investments and strengthen India’s position as a global data and AI hub.
- Facilitating Urban Infrastructure financing by Urban Local Bodies and accelerating infrastructure development in Tier II & III cities Greater participation form larger Urban Local Bodies and ensuring higher investor participation. Development of secondary market for Municipal Bonds
- Reduced downtime and repair costs with improved service efficiency especially along National waterway-1.
- Indigenised sea planes would enhance connections at locations which do not have viable runways. The VGF scheme may reduce initial financial risk for airline operators.
- Support capacity building and enable cost effective Indian defence MRO with increased localization of defence maintenance capabilities.

Power

Proposal

- Higher public capex in infrastructure of Rs 12.2 lakh crore for FY27 and scaling up of manufacturing in 7 strategic and frontier sectors
- Carbon capture, utilisation, and storage (CCUS) technologies in end-use applications across power, steel, cement, refineries and chemicals with an outlay of Rs 20,000 crore over five years
- Establishment of a dedicated freight corridor connecting Dankuni to Surat
- Extend BCD exemption to capital goods used in manufacturing Li-Ion cells for batteries to battery energy storage systems. Exempt BCD on import of sodium antimonate for use in the manufacturing of solar glass. BCD exemption on import of goods for Nuclear Power Projects of all capacities extended till FY35

Impact

- Expected to drive power demand growth, particularly from railways, metro and urban infrastructure, manufacturing, MSMEs, data centres, and industrial corridors. This would also entail faster T&D investments and result in a stronger offtake outlook for generation assets.
- Enhances long-term regulatory clarity for thermal power assets and strengthens their ESG positioning, reinforcing the expectation that thermal generation will continue to play a critical role in the energy mix
- To facilitate faster and lower-cost movement of coal from mineral-rich Eastern states to the rest of the country
- Government reemphasises its intent to make India “Aatmanirbhar”. The BCD exemption on specified capital goods and key components is likely to improve the cost competitiveness of domestic players and promote indigenous manufacturing.

Real Estate

Proposal

Infrastructural thrust

- Budgetary allocation towards public capital expenditure on infrastructure increased from Rs 11.20 trillion in BE 2025-26 to Rs 12.20 trillion in BE 2026-27.
- Setting up of an Infrastructure risk guarantee fund of Rs 1,000 crore.

Strengthening of the REIT and InvIT ecosystem

- Setting up of a new dedicated freight corridor connecting Dankuni, West Bengal, to Surat, Gujarat, along with seven high-speed railway corridors.
- Recycling of real estate assets of Central Public Sector Enterprises (CPSEs) through dedicated REITs.

Tax benefits to IT firms and data centres

- Tax holiday extended up to 2047 for foreign entities providing global cloud services using data centres based in India.
- Safe Harbour threshold for IT services enhanced from Rs 300 crore to Rs 2,000 crore.

Impact

- Higher public capex is likely to support infrastructure-led urban expansion, contributing to improvement in overall demand across residential and commercial real estate.
- The Infrastructure risk guarantee fund is expected to enhance project bankability, support timely execution and increase private participation.
- Development of new freight and high-speed rail corridors is expected to improve connectivity and logistics efficiency, supporting growth in warehousing and industrial real estate.
- Recycling of CPSE real estate assets through the REIT structure is expected to support REIT portfolio expansion and improve asset diversification.
- Extension of the tax holiday for global cloud service providers is expected to attract significant investments in data centres, while also encouraging real estate developers to construct and lease data centre assets.
- Enhancement of the safe harbour threshold improves tax certainty, supporting expansion by IT firms/GCCs and steady office space demand over the medium term.

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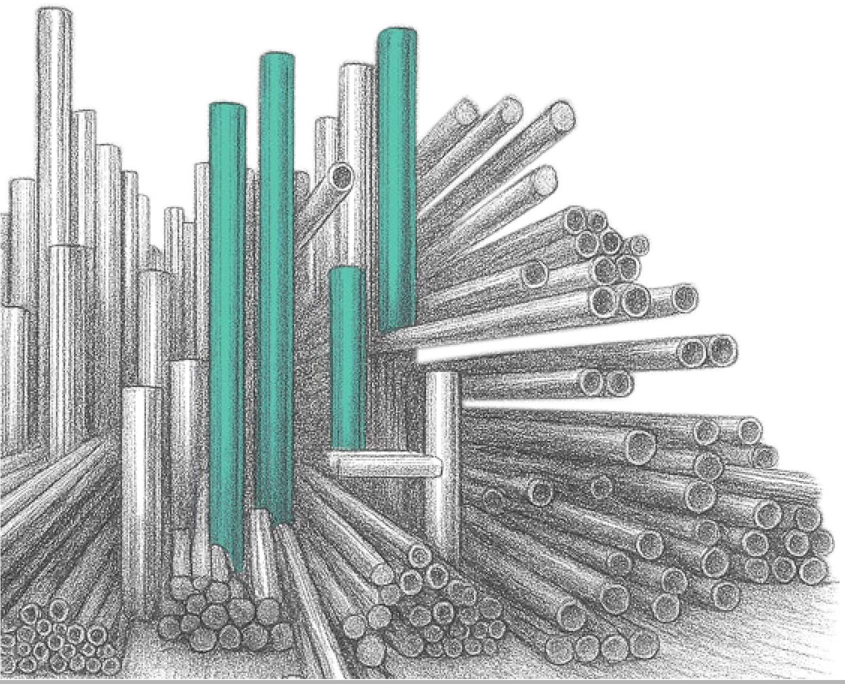
Steel & Steel Products



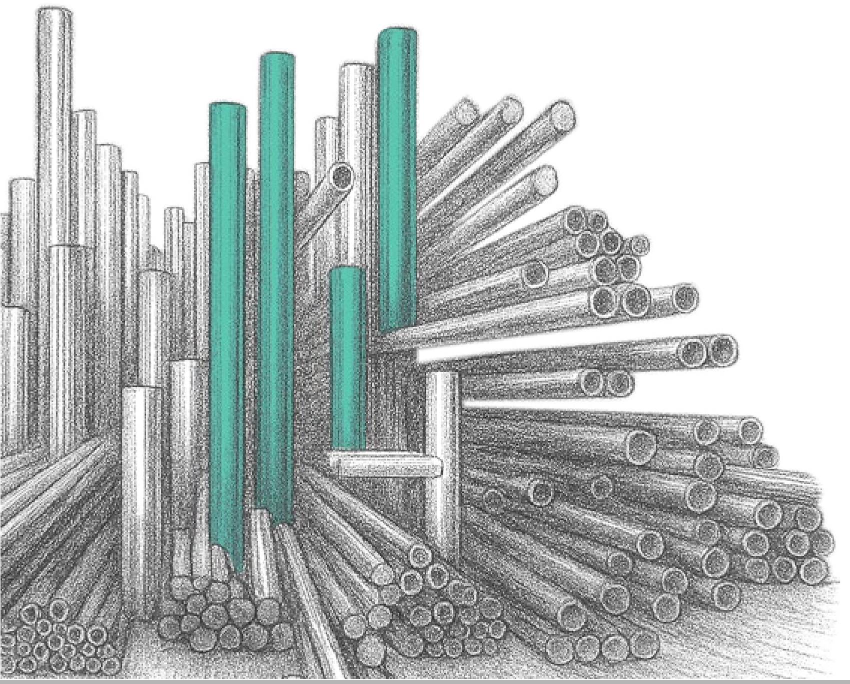
Proposal

- Apart from the continued focus on infrastructure development, the budget has categorically emphasised scaling up manufacturing activity as well as boosting infrastructure in Tier-2/3 cities.
  - Capital Expenditure outlay increased by ~11% to Rs 12.1 Lakh crore.
  - Rs 40,000 crore outlay for electronic component manufacturing.
  - Rs 10,000 crore outlay over the next 5 years towards container manufacturing.
  - Support infrastructure in cities with more than 5 lakh population, majorly targeting the Tier-2/3 cities.
  - Rejuvenating over 200 industrial clusters, along with attention towards creating Champion MSME players.
  - 7 new rail high-speed corridors, as well as supporting road infrastructure.

Impact

- Sustained focus on infrastructure development, along with enhanced focus on domestic manufacturing activity, as well as focus towards improving urban/city infrastructure, will continue to support the growth in domestic steel consumption.
- While the investments in infrastructure development and railways will result in higher demand for long steel and structural steel products, local manufacturing boost, along with urban infra development, will not only boost demand for carbon steel, but also significantly enhance the requirement of various alloy steel products, both flats as well as longs.

Steel & Steel Products



Proposal

- An outlay of Rs 20,000 crore proposed over the next 5 years to be spent on carbon capture, utilisation and storage across five industrial sectors, including power, steel, cement, refineries and chemicals.
- From creating dedicated freight corridors to developing inland national waterways.
    - New dedicated freight corridor connecting the East to the West.
    - Operationalising 20 new national waterways over the next 5 years, starting with Odisha, connecting mineral-rich areas to industrial centres and ports.
- Customs duty exemption on Capital goods required for critical mineral mining/processing.

Impact

- The proposed outlay towards carbon capture and utilisation will support the industry, in terms of transition towards manufacturing clean/green steel.
- Dedicated freight corridors and increased use of inland waterways especially in mineral rich zone, will result in significant reduction in cost of transportation, for both raw materials as well as finished products.
- Recently, coking coal has been categorised as a critical and strategic mineral. A customs duty exemption on capital goods required for critical mineral mining/processing will result in lower capex costs.

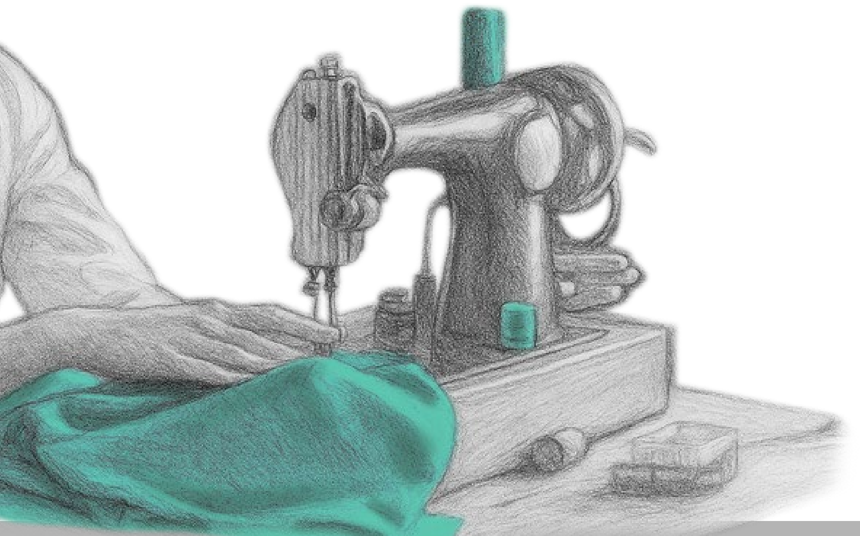
Textile

Proposal

- Allocation of Rs 1,500 crore towards the Integrated Textile Programme for the following five sub-parts:
  - National Fibre Scheme to boost production of fibres.
  - Textile Expansion and Employment Scheme to modernise traditional textile clusters.
  - National Handloom and Handicraft programme to integrate and strengthen existing schemes.
  - Tex-Eco Initiative to promote globally competitive and sustainable textiles and apparel.
  - An enhanced skill development programme to focus on current industry needs.
- Mahatma Gandhi Gram Swaraj initiative to strengthen khadi, handloom and handicrafts.
- Development of additional Mega Textile Parks with enhanced focus on technical textiles.
- Duty-free imports of specified inputs, an extension of the time period for export of final products from 6 months to 1 year.
- Reduced allocation towards Remission of Duties and Taxes on Exported Products (RoDTEP) and Rebate on State and Central Taxes and Levies (RoSCTL).

Impact

- Boosts domestic fibre production and helps reduce import dependence and deepen India's capabilities across the entire textile value chain.
- Modernisation of traditional clusters improves productivity, compliance, and employment.
- Strengthen traditional textile ecosystems supporting rural employment.
- Encourages sustainable and compliant textiles; improves export competitiveness
- Addresses manpower gaps and supports higher value manufacturing; positive for productivity and quality over time
- Mega Textile Parks will enable an integrated textile value chain, reduce logistics and compliance costs, unlock economies of scale, thereby enhancing export competitiveness
- Extension of the time period improves working-capital efficiency and operational flexibility for exporters.
- Reduced allocation towards RoDTEP and RoSCTL is a negative for the export-oriented textile sector.



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