

29 January 2026

## Union Budget FY27 Preview

*Consolidation with Capex: Reinforcing the Investment-Led Growth Cycle*

Sensex: 82,345

Nifty: 25,343

### Executive Summary

We expect the forthcoming Union Budget for FY27 to reinforce policy continuity rather than introduce major surprises. The macro-fiscal backdrop is materially stronger than a year ago, aided by improving revenue visibility, sustained buoyancy in non-tax revenue and a clearly articulated medium-term fiscal consolidation framework anchored to debt-to-GDP rather than the fiscal deficit alone. On this backdrop, the government is likely to balance gradual consolidation with continued emphasis on capex, manufacturing incentives, and ease of doing business, while containing revenue expenditure.

We expect the FY27 fiscal deficit at ~4.2% of GDP (FY26: 4.4%), consistent with the glide path required to achieve a central government's debt-to-GDP ratio of ~50% (+/-1%) by FY31e. Notably, this consolidation path assumes nominal GDP growth of ~10% and does not materially constrain growth-supportive fiscal policy in the near-term.

### Macro and Fiscal Context

India has made incredible progress on fiscal consolidation over the last few years, with the fiscal deficit declining from pandemic-era highs to an expected 4.4% of GDP in FY26. This consolidation has been achieved without sacrificing growth-supportive expenditure, particularly capex. Going into FY27, the fiscal stance is expected to remain pragmatic rather than restrictive.

Transition of fiscal anchor from a headline deficit target to a medium-term debt-to-GDP framework is a key structural shift. Under the government's stated objective of reducing debt from ~56% of GDP in FY26 to ~50% by FY31, the implied pace of consolidation is gradual, requiring an average reduction of ~1 percentage point in debt-to-GDP per year. This allows fiscal policy to remain broadly neutral to growth, especially if nominal GDP growth holds near 10% mark.

### Revenue Outlook – FY27 Better Placed vs. FY26

Revenue dynamics are expected to be meaningfully stronger in FY27 compared to FY26. With the drag from increase in I-T threshold and GST rationalisation that weighed on FY26 collections is largely behind us, no major fresh tax cuts are expected in the upcoming Budget.

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**Direct taxes are expected to be the primary driver of revenue growth in FY27, supported by:**

- Wage growth and formalisation of employment,
- Potential upside from implementation of labour code, and
- Recovery in corporate profitability as domestic demand improves.

*I-T and corporate tax collections are expected to grow broadly in line with nominal GDP, with direct taxes projected to increase by ~10-11% y/y.*

*Indirect taxes are likely to grow at a more moderate pace. Ongoing GST rationalisation and customs duty restructuring could weigh on headline growth, particularly in H1FY27e.*

**However, this may be partially offset by:**

- Continued buoyancy in excise collection, especially on petroleum products and select sin goods,
- Improvement in consumption-led GST buoyancy as demand recovers, and
- Simplification of customs duties and correction of inverted duty structures, which may aid compliance over time.

**Non-tax revenues are expected to remain a key fiscal buffer. Elevated dividends from the RBI and CPSEs are likely to persist into FY27, supported by:**

- Strong profitability in the banking system,
- Lower provisioning requirements due to improved asset quality, and
- The RBI income from forex operations and balance sheet stability.

*Any changes in tax devolution ratios following the recommendations of the 16<sup>th</sup> Finance Commission will affect net revenue retained by the Centre, but higher devolution would likely be accompanied by greater expenditure responsibilities for the states.*

**Expenditure Strategy: Quality Over Quantity**

The FY27 Budget is expected to preserve the improvement in the quality of government spending seen over recent years.

**Capital Expenditure (Capex)**

The government is likely to maintain its capex-to-GDP ratio at ~3.2%, with absolute capex rising ~13% y/y to ~Rs12.6 trillion. Capex will continue to be the primary growth lever and is expected to remain concentrated in:

- Defence (with emphasis on indigenisation),
- Railways and logistics,
- Roads and highways,
- Telecom and digital infrastructure, and
- Long-term capex loans to states.

*This sustained public capex push is intended to crowd in private investment and support medium-term productivity growth.*

## Revenue Expenditure (Revex)

Revenue expenditure growth is expected to remain moderate at ~7% y/y. the key features include:

- Continued rationalisation of subsidies, keeping them near 1.1% of GDP,
- Greater state participation in social sector schemes, and
- Limited expansion in large entitlement programmes.

*The restraint on revex is expected to further improve expenditure efficiency and create space for capital spending without compromising fiscal targets.*

## Manufacturing, Investment and Ease of Doing Business

Manufacturing and investment promotion are expected to remain central theme of the FY27 Budget. Key expectations include:

- Extension and rationalisation of Production Linked Incentive (PLI) schemes, particularly for sectors facing global tariff pressures,
- Continued support for defence manufacturing and electronics,
- Incentives for MSMEs and export-oriented sectors through credit guarantees and interest subvention, and
- Further simplification of customs duties and procedures to improve competitiveness and reduce compliance cost.

*The broader emphasis is likely to be on non-fiscal reforms. Deregulation, faster clearances, and process simplification would improve ease of doing business and attract both domestic and foreign investment.*

## Employment, Skills and Emerging Sectors

Employment generation and skilling are expected to remain politically and economically important focus areas. The Budget may include:

- Enhanced skilling initiatives targeting youth employment,
- Potential urban employment programmes, and
- Support for emerging sectors i.e., AI, data centres and digital infrastructure to attract long-term investment.

*However, any such measures are likely to be calibrated to avoid a meaningful increase in recurring revex.*

## Borrowing Programme and Market Implications

Despite gradual fiscal consolidation, gross market borrowings are expected to remain elevated in FY27 due to a rising redemption profile. While net market borrowing is expected to remain broadly stable, higher repayments imply gross borrowing closer to ~Rs16.5 trillion. **This has several implications:**

- Active debt management through switches and buybacks,
- Greater reliance on small savings may continue, and
- In the absence of near-term global bond index inclusion, long-end yields could remain sensitive to supply pressures.

*Continued RBI liquidity operations and OMOs are likely to play a supportive role in maintaining orderly market conditions.*

**Anand Rathi Budget Projections**

(Rs trillion)	FY24A	FY25PA	FY26BE	FY27E	y/y (%)
<b>Revenue</b>					
<b>Gross Tax Revenue</b>	<b>34.7</b>	<b>38</b>	<b>42.7</b>	<b>42.8</b>	<b>7</b>
Direct Tax	19.6	21.7	25.2	26.5	10
Corporate Tax	9.1	9.9	10.8	11.8	9
Income Tax	10.4	11.8	14.4	14.2	10
<b>Indirect Tax</b>	<b>15</b>	<b>15.9</b>	<b>17.4</b>	<b>18.2</b>	<b>5</b>
Customs	2.3	2.3	2.4	2.4	5
Excise	3.1	3	3.2	3.5	8
CGST	8.2	9.1	10.1	10.4	7
Taxes of Union Territories	0	0.1	0.1	0.1	10
Net tax revenue	23.3	25	28.4	29.5	4
<b>Non-tax revenue</b>	<b>4</b>	<b>5.4</b>	<b>5.8</b>	<b>6.7</b>	<b>8</b>
Revenue receipts	27.3	30.4	34.2	36.2	6
Non-Debt Capital Receipts	0.6	0.4	0.8	0.9	12
<b>Total receipts</b>	<b>27.9</b>	<b>30.8</b>	<b>35.0</b>	<b>37.1</b>	<b>6</b>
<b>Expenditure</b>					
<b>Revex</b>	<b>34.9</b>	<b>36</b>	<b>39.4</b>	<b>41.0</b>	<b>7</b>
Major Subsidies	4.1	3.9	3.8	4.2	3
Fertiliser	1.9	1.7	1.7	1.9	5
Food	2.1	2	2	3	5
Petroleum	0.1	0.1	0.1	0.1	10
<b>Capex</b>	<b>9.5</b>	<b>10.5</b>	<b>11.2</b>	<b>12.6</b>	<b>13</b>
<b>Total expenditure</b>	<b>44.4</b>	<b>46.6</b>	<b>50.6</b>	<b>53.6</b>	<b>6</b>
Gross fiscal deficit (GFD)	16.5	15.8	15.6	16.5	
GFD % of GDP	5.5	4.8	4.4	4.2	
Nominal GDP (Rs trillion)	301	331	357	394	

Source: Budget documents, Anand Rathi Research

**Conclusion**

Overall, the FY27 Union Budget is expected to reinforce policy continuity rather than mark a regime shift. The emphasis is likely to remain on gradual fiscal consolidation, capex-led growth, manufacturing and export competitiveness, and improving the quality of government spending. For markets, this suggests a stable macro-fiscal environment supportive of medium-term growth, with near-term focus on borrowing dynamics and rate transmission rather than fiscal slippage.

Himanshu Binani  
Research Analyst

## Agrochemicals, Fertilisers and Healthcare

### Budget Expectations: Agrochemicals & Fertilisers

- PLI in agrochemicals sector would help in enhanced focus on exports.
- Higher allocation for fertiliser subsidy considering increased RM prices globally.
- Divestments in PSU fertiliser companies.
- Reducing customs duty on key raw materials.
- Enhanced budgetary allocation towards rural Indias

**Top Picks:** UPL and Sharda Cropchem

### Budget Expectations: Healthcare

- Policy implementation of enhanced quality control measures like Good Manufacturing Practices and revised Schedule M.
- Increased budgetary allocation in pharma sector can bolster exports.
- Initiatives to incentivise R&D to support local manufacturing of high-quality pharma products.
- PLI for establishing advanced manufacturing facilities and integrating cutting-edge technologies and machinery.
- Lower duties on certain medical equipment.
- Higher allocation for Ayushman Bharat and other health schemes.

**Top Picks:** Max Healthcare, KIMS and Indraprastha Medical

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Research Associate

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## Automobile and Ancillaries

### Budget Expectations

We expect neutral to positive impact from budget and the key areas to watch out for are:

- **Expectation: Increased allocation for infrastructure.**

*Impact: Positive for CV players like Ashok Leyland, Tata Motors CV and ZF Commercial Vehicle.*

- **Expectation: Increased allocation for PLI/PM-eBus scheme/other schemes**

*Impact: Positive for across sector.*

- **Expectation: Run-down of PM E-Drive scheme (purchase subsidy scheme expected to be over in FY26).**

*Impact: Marginally negative for 2W/3W EV OEMs.*

- **Expectation: Changes in duties towards vehicles, EV segments.**

*Impact: It could be negative for the OEMs if the customs are tweaked for CBUs/CKDs.*

- **Expectation: Reduction in duty towards EV segment (RMs and capital goods etc.)**

*Impact: Positive battery manufacturers.*

**Top Picks:** Ashok Leyland and ZF Commercial Vehicles

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Research Associate

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## Building Materials and Others

### Budget Expectations: Building Materials

- Increased budgetary allocation and spending towards infrastructure.
- Policy easing and tax sop in real estate to boost demand for residential and commercial projects.
- Focus on enhancing farmers income to help in enhanced spending for better irrigation (only for plastic pipes and fittings companies).

**Top Picks:** Supreme Industries, Astral, Cera, Kajaria, Greenply and Greenpanel

### Budget Expectations: Others

- The companies in Artificial Leather industry are likely to benefit owing to incentives to revive demand in the footwear industry.

**Top Pick:** Mayur Uniquoters

**Yellapu Santosh**  
Research Analyst

## Capital Goods and Defence

### Budget Expectations: Defence Sector

- We expect >15% rise in capital outlay (>Rs1.8trn allocation in FY26e), on the back of strong pipeline of DAC clearances, strong need for modernisation of defence equipment's with hostile neighbours around us. If the 'capital-heavy + domestic-first' posture holds, then awarding pipeline is expected to be across platforms, munitions and network-centric capabilities.
- The biggest contracting momentum is expected in: **(a)** aircraft and helicopter fleets; **(b)** missiles/rockets/ammunition; **(c)** C4ISR/EW/space-enabled ISR; and **(d)** drones and counter-drone systems, segments where India has both urgency and growing domestic industrial base.

### Budget Expectations: Power T&D Sector

- The Government of India finalised the National Electricity Plan (NEP) from 2023 to 2032 for central and state transmission systems to meet a peak demand of 458GW by 2032. The total cost of the plan is Rs9.16trn.
- Under the previous plan 2017-22, ~17,700ckm lines and 73GVA transformation capacity were added. Under the new plan, the transmission network in the country will be expanded from 4.98lakh ckm in Nov-25 to 6.48lakh ckm in 2032. During the same period, the transformation capacity will increase from 1,290GVA to 2,342GVA.
- Inter-Regional transfer capacity will increase from 120GW to 168GW. This plan covers the network of 220kV and above. This plan will help in meeting the increasing electricity demand, facilitate RE integration, and green hydrogen loads into the grid.
- Under Inter-State Transmission System (ISTS) segment, ~335GW of transmission network would be required to connect 280GW of Variable Renewable Energy (VRE) to ISTS by 2030. Out of this, 48GW has been completed, 172GW is under construction, and 18.5GW is under bidding, while the balance 96.5GW will be approved in due course.
- Even the 3-year pipeline rolled to be executed under the PPP mode, gives strong visibility for Rs3.4trn of awarding opportunity in T&D space in the coming years, indicating uptick in the government allocation.

### Budget Expectations: Metro Sector

- We expect Metro projects to see at least 10% higher allocation. Allocation (equity + subordinate debt + pass through assistance) stood at Rs194/246/311bn for FY24/FY25RE/FY26, respectively.

**Top Picks:** Solar Industries, HAL and TD Power

**Manish Valecha**  
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## Cement

### Budget Expectations

With the long-awaited GST rate reduction on cement already implemented, the government's emphasis on broad-based infrastructure development is expected to continue.

Budget focus is likely to remain on affordable housing, urban infrastructure, road projects and multimodal logistics, along with incremental spending on hospitality, tourism, airports and education infrastructure.

- **Sustained Capex Allocation:** The government is expected to maintain a strong focus on capex, particularly towards large-scale infrastructure projects i.e., highways, railways, metros, ports and airports.
- **Continued Support for Affordable & Middle-Income Housing:** Incentives and funding for affordable and middle-income housing schemes are expected to continue
- **Higher Emphasis on Urban Infrastructure Development:** Focus to drive the transformation of cities into growth hubs, support creative redevelopment and enhance water & sanitation infrastructure.
- **Higher Spending on Multimodal Logistics Hubs & Freight Corridors:** Higher budgetary allocation for multimodal logistics hubs, dedicated freight corridors and integrated supply chain infrastructure is expected.
- **Incentives for Sustainable Manufacturing & Green Cement:** Aligning with India's climate commitments and support long-term cost efficiency, potential incentives for sustainable manufacturing practices are expected.
- **Incentives to Encourage Private Investment & PPP Models:** Policy clarity and incentives to attract private investment into infrastructure clusters and PPP projects are expected.
- **Interest-Free Loans to State Governments for Infrastructure:** Budget is expected to continue providing interest-free or low-cost loans to state governments for infrastructure development and PPP projects enabling faster project execution.
- **Development of Tourist Destinations & Regional Airports (UDAAN Scheme):** Focused development of tourist destinations, along with the expansion of regional airports under UDAAN scheme is expected.
- **Increased Focus on Water, Irrigation & Coastal Infrastructure (Sea Links):** The Budget is expected to strengthen allocations toward water supply, irrigation, river-linking, coastal protection and sea-link projects i.e., dams, canals, desalination plants, urban water networks, sewage treatment plants and coastal road/sea-link projects.

**Top Picks:** JK Cement and Birla Corp.

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Research Analyst

## Consumer Durables and FMCG

### Budget Expectations: Consumer Durables

- **GST Rationalization & Tax Cuts:** Simplifying and unifying GST on essential home and kitchen appliances from 18% to 5% would directly improve affordability, reduce price distortion across categories and encourage faster replacement and first-time purchases. This is particularly important for accelerating penetration in Tier-II and Tier-III markets, where the price sensitivity remains high and organised players can gain share. Any relief in personal tax rates is expected to lift disposable income, improve consumer sentiment and directly support a recovery in retail demand.
- **Policy Push for Energy Efficiency:** Extension of PLI benefits and targeted incentives for energy-efficient and smart appliances could meaningfully boost adoption of higher-rated products, supporting both premiumisation and compliance with evolving regulatory norms. This would help offset higher input and technology cost for manufacturers while driving sustainable consumption.
- **Acceleration in Domestic Manufacturing:** Continued emphasis on PLI scheme, rationalisation of import duties on key components and raw materials, and focused support for local component ecosystems in Budget 2026 are critical to scale 'Make-in-India' manufacturing. This would improve cost competitiveness, enhance supply-chain resilience, and reduce import dependence over the medium-term.
- **MSME Channel Support:** Easier and cheaper access to WC for MSME-led dealer and distributor networks is vital to sustaining last-mile reach, improving inventory availability and supporting demand recovery, especially in non-metro markets. A stronger MSME ecosystem would also aid formalisation and improve credit discipline across value chain.

**Top Pick:** PG Electroplast

### Budget Expectations: Wires and Cables (W&C)

- **Continued Infra-led Capex Support:** The W&C sector is closely linked to national infrastructure spending across power T&D, railways, metros, roads, urban housing, and industrial projects. Sustained focus on public capex is expected to support grid expansion, electrification programmes, and network upgrades, directly translating into robust order inflows and volume growth for cable manufacturers. Further, a 10-15% increase in allocation for railways with focus on track doubling and new lines will increase demand for signalling and power cables.
- **RE, Data Centres and EV Infrastructure:** With accelerating renewable capacity addition, increase in data centres, smart grid deployment, solar and wind installations, and rollout of EV charging infrastructure, demand for specialised cables is set to rise structurally. The government is expected to increase overall infrastructure allocation from last year and the upcoming Budget should support in the form of grid modernisation incentives, dedicated transmission funding, and energy-transition initiatives that would further strengthen medium-to-long-term growth visibility for W&C industry.

**Top Pick:** Polycab

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## Consumer Retail

### Budget Expectations

- **Boosting Rural Consumption:** Anticipated measures to stimulate rural demand via direct or indirect interventions, will benefit value retailers like Vmart, V2 Retail and Bazaar Style.
- **Gold & Silver Customs Duty Cut:** Expect further reduction in gold and silver duty from 6% currently (slashed from 15% in Budget 2024) to 3-4%. This will help boost gems and jewellery sector amidst rising gold prices. This move will help drive gold and jewellery demand and benefit jewellery players like Titan, Kalyan, Senco, PN Gadgil and Thangamayil.

**Top Pick:** V-Mart



## Budget Expectations

■ **Direct Tax Relief to Spur Consumption:** Higher disposable income through cut in personal I-T or slab rationalisation. Relief, targeted at middle- and lower-income households, forms the core consumption base for staples and mass categories.

■ **GST Simplification, Credit Bottleneck Resolution & Export Focus:** Despite GST reforms, industry flags persistent friction points, including: (a) input tax credit blockages, especially for distributors and smaller trade partners; (b) WC stress due to delayed refunds and compliance complexity; (c) call for rate rationalisation across FMCG categories, especially where inverted duty structures persist.

Faster credit flow and cleaner GST structures would support trade liquidity, reduce friction in supply chain, and improve overall category throughput. It will also aid in formalisation and improve competitiveness of organised FMCG players.

Further, the industry expects sops for exports to be extended, which could support in the wake of high tariff imposition by the US, which can help overall FMCG exports.

■ **Rural & Agricultural Support:** Higher rural allocations (agriculture, VB-G RAM-G, irrigation and allied activities) and measures to improve farm income and rural liquidity. This can aid rural demand especially in entry-level FMCG categories.

**Top Picks:** GCPL, Mrs. Bector Food (exports and formalisation linked names).

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Research Analyst

## Infrastructure

### Budget Expectations: Infrastructure

- **PPP Focus:** In previous year budget, infrastructure ministries were directed to develop 3-year pipeline to implement PPP projects. The PPPAC rolled out 3-year pipeline in Jan-26 first week span across 852 projects worth Rs17trn.
- Road leads with Rs8.8trn followed by Power (Rs3.4trn, majorly in T&D space). Now with that pipeline is in place, we expect the government to set up mechanism to roll out funds and formulate framework to implement these projects.
- Apart from PPP pipeline, lot of opportunities are expected in EPC space, which is typical for Railways, Metro projects, Maritime and Water Infra space.

### Budget Expectations: Rail and Metro

- We expect rail and metro projects to stand out in terms of budget allocation. We expect aggregate budgetary allocation to rise by 10-15% from Rs2.97trn last year.
- In FY26 YTD, the CCEA has approved multitracking/new line projects of 3,920kms worth Rs853bn, which includes important line i.e., Vadodra-Ratlam, Itarsi Bhopal Bina and Badlapur-Karjat etc.
- Additionally, redevelopment scheme of 1,300 stations is undergoing with Rs600bn capex. Proposed bullet train projects (DPR submitted) include Delhi-Varanasi, Delhi-Ahmedabad and Mumbai-Nagpur etc.
- **Metro Projects:** Recently big size metro projects of Thane Ring Road, Jaipur were awarded. Further, we see strong pipeline of metro projects across India i.e., Chennai Metro, Lucknow Metro, Delhi U/G metro, Bangalore double decker metro and Pune Elevated Metro Phase-II.
- This week, the Maharashtra cabinet approved Rs229bn for metro projects gold line connecting Santacruz and Navi Mumbai airport with strict 6 months LA deadline.

### Budget Expectations: Road Budget

- We expect road budget to be steady at ~Rs2.7trillion. Apart from budget, we expect the MoRTH to glean ~Rs700-800bn through monetisation.
- Since NHAI debt levels are at comfortable levels, the budget will be used for LA, clearances, HAM servicing and new awarding.
- NHAI live tenders stand at Rs1.19trn planned to be awarded in next 3 months. 43 tenders worth Rs660bn are at advanced stages with LA > 75% and all major clearances in place.
- The said live tenders echo the government's PPP focus with 57% in HAM and 26% in BOT projects.
- Apart from NHAI, there are MoRTH road projects, state road projects such as Mah (Nashik Ring Road), TN, UP ,etc.

### **Budget Expectations: Water & Irrigation**

- **JJM to sunset:** FY26 JJM allocation of Rs670bn has been requested to revise downwards to Rs160bn. We do not expect significant allocation to JJM
- **River Linking:** We expect river linking allocation to rise with separate line item to be given. The Maharashtra Cabinet has approved 3 linking projects, Bihar has approved Kosi-Mechi project.

### **Budget Expectations: Aviation**

- We expect civil aviation to be allocated Rs300bn for modified UDAN scheme - Rs180bn for airport development and Rs120bn as viability gap funding.
- India's first proposed first India offshore airport of Rs450bn at upcoming Vadhavan port to handle 90m passengers.
- Live tenders include new airport and existing airport opportunities i.e., Ujjain airport and Pantnagar airport etc.

### **Budget Expectations: Maritime Development Fund**

- In the last budget, the government proposed Rs250bn maritime fund to lower financing costs and attract LT investments in shipyards, coastal infra and Maritime Dev Board. We expect this budget to shell out Rs100bn towards MDF to kick in operationalisation.
- Further, Rs700bn Vadhavan port tendering is already floated. Live tenders include dredging tender of Rs190bn, breakwater tenders of Rs50bn and last mile road linkage project.
- Port development projects include opportunities in Kolkata port, Paradip port (Odisha), Deendayal port (Gujarat).

### **State Elections**

- There are upcoming state elections in 3 important states i.e., WB, UP and TN. We expect these states to get leading share of projects and allocations in line with Bihar and AP last year.

**Top Picks: Roads and Railways space:** PNC Infratech (CMP Rs208, TP Rs346), Ashoka Buildcon (CMP Rs147, TP Rs211), **Diversified EPC space:** Dilip Buildcon (CMP Rs460, TP Rs646) and **Buildings contractor space:** Ahluwalia Contracts (CMP Rs852, TP Rs1,154)

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Research Analyst

## Metals and Mining

### Budget Expectations:

- **Railways & Metro Expansion:** High budgetary allocation for track modernisation and metro connectivity is expected, which is a major tailwind for SAIL and JINDALST. For metro projects and stainless-steel rolling stock, JDSL stands as a primary beneficiary. While indirectly benefiting input suppliers like IMFA and MOIL.
- **National Highways & Roads:** Higher expected capex for NHAI, the demand for long steel and structural components remains robust. This offers high volume visibility for the entire ferrous sector, supporting price stability for domestic producers.
- **Critical & Rare Earth Minerals:** A new policy framework supporting 'Make in India' is expected to reduce import reliance. This strategic shift is a major positive for HCP, GMDC and HZL.
- **Aviation & UDAN Scheme:** Increased funding for regional airport infrastructure under the UDAN scheme will drive demand for specialised construction metals and alloys, creating a positive ripple effect across the broader metal ecosystem.
- **Precious Metal Refining:** The industry is pushing duty parity to eliminate the current disadvantage where imports are favored over domestic refining. A relief in the duty structure would be a significant win for DGM.
- **Affordable Housing (PMAY):** Higher outlays for the PM Awas Yojana will stimulate demand for TMT bars, roofing, and galvanized steel. This focus on 'Housing for All' ensures a consistent retail demand base for mid-to-large-scale steel players.

**Top Picks:** JINDALST, JSTL, JDSL, HCP, IMFA and MOIL

Kaitav Shah, CFA  
Research Analyst

## NBFCs

### Budget Expectations

- **Liquidity & Refinancing:** Creation of a dedicated refinance window for NBFCs, like National Housing Bank (NHB) model for housing finance companies.
- **Recovery Mechanisms:** Strengthening recovery frameworks, including lowering the SARFAESI Act threshold for loan enforcement from Rs20 lakh to Rs1 lakh.
- **MSME & Priority Sector Lending:** Expansion of credit guarantee coverage to reduce risk in lending to MSMEs and micro-borrowers.
- **Taxation Relief:** Removal of TDS on interest income for non-individual borrowers and alignment of long-term capital gains tax on FDs.
- **EV Financing Support:** Priority-sector lending (PSL) classification for EV loans and partial credit guarantees to manage residual value risks.

**Top Picks:** L&T Finance, Poonawalla and Aptus Housing

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## Renewables

### Budget Expectations: Positive across RE Space

- **Distribution Reforms & DISCOM Privatisation:** Revival of reforms through the Electricity Amendment Act is likely, with greater private participation. The focus should remain on reducing AT&C losses, improving billing efficiency and ensuring timely payments across the power value chain.
- **Green Corridor:** Higher allocation for inter and intrastate transmission networks is expected to support rising renewable penetration. Continued development of green corridors, HVDC links and tariff-based competitive bidding will be key themes.
- **PLI for Nuclear Components & Private Participation in Nuclear Sector:** Incentive outlay being examined in the range of Rs180-200bn. PLI is expected to focus on heavy forgings, pressure vessels, steel alloys and other nuclear components. SHANTI Act opens the sector to private players.
- **EV Charging Infrastructure & BESS:** We expect capital support for RE-powered EV charging stations and Battery Energy Storage Systems (BESS) to strengthen grid stability and accelerate e-mobility adoption.
- **Expansion of PM-KUSUM:** Higher allocation for feeder solarisation, decentralised solar pumps and hybrid implementation models could support rural demand and improve supply economics of the DISCOMs.
- **National Green Hydrogen Mission (NGHM):** We expect increased budgetary support for electrolyser manufacturing, green hydrogen production incentives and pilot projects in refineries, fertilisers, steel and mobility.

### Likely Impact

- **Utilities & Generators:** Distribution reforms could improve payment security and sector liquidity.
- **Transmission Players:** Strong order pipeline from renewable evacuation and grid expansion.
- **Green Hydrogen Ecosystem:** New industrial demand and manufacturing opportunities.
- **EPC & Decentralised Solar Players:** PM-KUSUM expansion to drive steady execution.
- **Storage & Charging Infra Players:** Policy support to accelerate adoption.

**Top Pick:** Waaree Energies

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Research Analyst

**Tanvi Warekar**  
Research Associate

## Specialty Chemicals

### Policy Backdrop: Fiscal Prudence, Competitive Push

The Union Budget is expected to operate under tight fiscal constraints, with the government prioritising capex continuity and gradual fiscal consolidation. Given limited room for incremental subsidies or sector-specific largesse, chemicals sector is unlikely to see direct fiscal stimulus (PLI/subsidies). Instead, policy support is likely to come through structural measures aimed at improving competitiveness, including customs duty rationalisation, trade-aligned tariff adjustments, compliance simplification, and selective support for MSMEs and green investments. For chemicals, the budget is likely to be enabling rather than expansionary.

### Budget Expectations:

- **Primary Focus – Customs Duty Rationalization & Inverted Duty Correction:** Customs reform is likely the single most important budget driver for chemicals. Multiple value chains face input-output duty inversion, where RM/intermediates attract higher duties than finished products, hurting competitiveness and ITC utilisation. This is relevant across agri/fertiliser chemicals, FMCG/packaging/healthcare formulations and industrial process chemicals.
- **Trade-aligned Tariff Framework (EU & Other FTAs):** Budget is likely to begin aligning customs structures with FTAs, implying gradual tariff recalibration, process simplification and faster refunds. Near-term volume benefits are limited, but export-economics improve structurally.
- **Manufacturing & MSME Ecosystem:** Support is likely to flow via credit access, compliance rationalisation and WC easing, rather than direct incentives. This matters most for mid-sized specialty and custom manufacturers, and particularly relevant for mid-sized specialty chemical companies and custom manufacturers, where balance-sheet strength and execution capability matter more than headline incentives.
- **Green Transition & Compliance-Led Capex:** The budget is likely to reinforce India's energy transition agenda, with indirect but tangible benefits for chemicals. Support is expected to be financing-led rather than subsidy-driven, through preferential funding for green capex, recognition of climate-aligned investments and incentives for cleaner chemistries, energy efficiency and emission reduction.

### Likely Beneficiaries

The budget's structural focus on customs duty rationalization, trade-aligned tariffs and compliance easing is likely to favour integrated, export-oriented specialty chemical companies with import-dependent inputs and strong domestic value addition. The companies i.e., **Aarti Industries, Atul, Deepak Nitrite, Fine Organic Industries, Jubilant Ingrevia, Navin Fluorine, SRF, Sudarshan Chemical and Vinati Organics** stand to benefit, particularly where inverted duty correction improves margin and WC efficiency. However, the impact will be molecule- and chain-specific, with export-facing fluorochemicals and specialty intermediates relatively better positioned than bulk or subsidy-dependent segments.

**Top Picks:** Fine Organic Industries and Jubilant Ingrevia

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## Tourism & Internet

Following are the key points pertaining to the Tourism sector proposed in the last budget vs. ground reality:

**Focus on development of new airports in tier 2, 3 cities under Udan scheme**

- Currently ~163 operational airports comprising of ~93 airports under UDAN scheme (including 15 heliports and two water aerodromes), driving connectivity across ~657 UDAN routes.

**The states are encouraged to pursue comprehensive development of notable tourist centres along with branding and marketing on global scale. Interest-free loans are expected to be offered.**

- The government has issued guidelines for Special Assistance to States for Capital Investment (SASCI) for development of iconic tourist centres to global scale with long-term interest free loans for 50 years to states.
- In-line with scheme guidelines, the government has shortlisted ~40 projects across ~23 states (Rs33bn has been sanctioned).

**Challenge Based Destination Development (CBDD) under Swadesh Darshan 2.0 scheme to enhance tourist experience under key thematic categories.**

- 36 projects sanctioned so far for Rs6.5bn under four thematic categories: (a) spiritual tourism; (b) culture and heritage; (c) vibrant village programme; and (d) ecotourism and *Amrit Dharohar* sites.
- Further, under vibrant villages, 5 villages have identified and allocated ~Rs249m (shortlisted villages include: Kibitho (Arunachal Pradesh), Rakchham-Chhitkul (HP), Grathang (Sikkim) and Jadung & Mana (Uttarakhand).

**Other key progress points**

- **PRASHAD Scheme (integrated development of selected pilgrimage destinations):** Rs17.3bn sanctioned for ~54 projects, out of which ~31 projects are completed.
- Financial assistance to central agencies scheme (Archaeological Survey of India, Port Trust of India, ITDC and Ministry of Railways etc.).
- About Rs9.5bn has been sanctioned for ~66 projects, out of which, ~39 projects completed and ~10 projects are foreclosed.

**Top Picks:** Indian Hotels and InterGlobe Aviation

## Appendix

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