

Union Budget 2026-2027



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Staying on course of growth and reforms

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Staying on course of growth and reforms

Budget 2026-27 has carried forward the foundations and work being done in past few years by focus on 1) creating Infrastructure to push trade and manufacturing 2) Defence production for security needs 3) Rural and urban Infra and 4) social welfare (schemes like G Ram G (MNREGA), Food security, agricultural subsidies and PM Kisan etc). The focus remains on making India a global hub for manufacturing, tourism, defence and technology.

Govt. has been able to hold on to fiscal targets (4.4% of GDP) despite major rationalisation in both income tax and GST rates in a single year is a big positive. It has been achieved by expenditure reduction on revenue account and 3% lower central Govt capex and much lower expenses by states on capex.

Govt has refrained from any fancy assumptions for FY27 as it is assuming around 10% higher tax collections, 2% decline in GST, 15% excise increase (led by cigarette excise duty). Overall capex has been increased by 12% and including grants to states there has been 22% higher proposal for capex. As the benefits of last year's reduction in Income tax, GST and interest rate cuts is yet to fully play out, 10% nominal GDP growth and 4.3% fiscal deficit have room for a positive surprise if global geopolitical situation stabilizes and India US tariff issue gets resolved.

Markets have been spooked by lack of any direct announcements unlike last year, increase in STT rates on F&O and dashed hopes of LTCG reduction for FII's. However, we believe that the Budget carries forward the focus on Infra, Renewables, defence, Logistics Clusters, Tourism, Value Added Farming, Data Centres etc which will help economy sustain strong growth momentum. We believe bottom-up approach will be a better way to play the current uncertainty. We remain constructive on Banks, NBFC, Automobiles, select staples, Jewellery, select durables, Hospitals, Defence, Ports and telecom stocks.

FY27 GDP growth at 10%, Fiscal Deficit at 4.3%, Capex growth (incl. states) at 22%

	FY24 (A)	FY25 (A)	FY26 (RE)	FY27 (BE)	FY27 - BE vs RE
Capex excluding grants in aid for creation of capital assets(Rs. Trn)	9.5	10.5	11.0	12.2	11%
Fiscal deficit (% of GDP)	5.6%	4.8%	4.4%	4.3%	
Fertilizer subsidy (Rs. Bn)	1,883	1,707	1,865	1,708	-8%
Income tax collection (Rs. Bn)	10,447	12,352	13,120	14,660	12%
Disinvestment Target (Rs. Bn)	331	172	338	800	136%
Healthcare expenditure (Rs bn)	816	884	946	1046	11%
Net borrowings (Rs. Bn)	11,778	11,629	11,328	11,732	4%
Gross borrowings (Rs. Bn)	15,403	14,007	14,610	17,200	18%
GDP growth (Nominal) (%)	8.8%	11.9%	8.0%	10.0%	
GST collection (Rs. Bn)	9,572	10,270	10,465	10,190	-3%
Defence Expenditure (Rs. Bn)	4,447	4,507	5,679	5,946	5%

Source: Budget Document

Key Highlights

Capital markets and Taxation

- ₹100bn equity fund to support SME growth and create future champions, along with ₹20bn Self-Reliant Fund.
- STT on futures increased to 0.05% from 0.02%, STT on options premium/exercise of options to be raised to 0.15% from rate of 0.1%/0.125%
- Plans to set up dedicated REITs to recycle and monetize CPSE land assets could meaningfully accelerate the government's asset monetization agenda by unlocking prime land parcels and attracting institutional and retail capital.
- Income from buybacks will now be treated as **Capital Gains** for all shareholders. To prevent tax arbitrage, promoters face an effective tax rate of **22% (corporate)** or **30% (non-corporate)**.
- No MAT to non-resident paying tax on presumptive tax, No MAT credit accumulation going forward
- Restructure PFC and REC to achieve scale and improve efficiency

Capital Expenditure and Infra

- Capex for FY27 has been raised to Rs 12.2trn (vs Rs 10.95trn in FY26, ~11% YoY increase), capex increased by 22% including grant in Aids to states for creation of capital assets (Rs3.08trn to Rs4.92trn).
- REM corridors for Rare earth permanent magnet expanded in mineral rich states of Odisha, Kerela, AP, TN – mining, processing, research and manufacturing
- Emphasis on R&D-led high-precision component manufacturing by PSUs in defense, aerospace, electronics and strategic sectors to drive indigenization and reduce import dependence.
- Set up of 7 high-speed rail corridors is expected to drive multi-year demand for rail electrification, electrical equipment, propulsion systems and rolling stock.
- Continued exemption on nuclear sector equipment till 2030 to support the atomic energy program and achieve ~100 GW nuclear power target

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- Incentives for data centers and cloud services (tax holiday till 2047) to drive sustained demand for EPC, power, electricals, HVAC, transmission and backup power equipment.
- Basic customs duty will be exempted on components and parts used in the manufacture of civilian, training, defense and other aircraft.
- Infrastructure development will continue in tier 2 and tier 3 cities with over 5 lakh population.
- Launch of scheme to support states in establishing three dedicated chemical parks on a cluster-based plug-and-play model to enhance domestic chemical production and reduction in import dependency.
- PLI in Electronics component manufacturing increased to Rs400bn from Rs229bn
- Rs100bn to spend over 5 years to promote container manufacturing with an aim at building a globally competitive ecosystem for the sector.
- To revive 200 legacy industrial clusters to improve their cost competitiveness and efficiency through infrastructure and technology upgradation.
- A Coastal Cargo Promotion Scheme will be launched to incentivize with the objective of increasing the share of inland waterways and coastal shipping from 6% to 12% by 2047.

IT services and Technology

- IT/ITeS/KPO/contract R&D software services to be clubbed under a single 'IT services' category with a common safe-harbor margin of 15.5% and safe-harbor threshold for IT services increased from Rs 3 bn to Rs 20 bn
- Semiconductor Mission 2.0 to produce equipment and materials, develop full-stack Indian IP, and strengthen supply chains with outlay of Rs400bn
- Tax holiday till 2047 for any global company providing cloud services to global clients using Indian data centers. However, it will need to provide services to Indian customers through an Indian reseller entity.

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- The Animation, Visual Effects, Gaming and Comics (AVGC) sector, projected to require two million professionals by 2030, will be supported through the establishment of AVGC Content Creator Labs in 15,000 secondary schools and 500 colleges via the Indian Institute of Creative Technologies, Mumbai.

Tourism and Healthcare

- **Medical Tourism hubs:** Plans to establish five regional PPP-led integrated medical hubs; spanning healthcare delivery, education, research, AYUSH, diagnostics, rehabilitation and medical tourism facilitation. Aims to position India as a global medical tourism hub
- Biopharma shakti: A Rs 100bn, 5-year push to build India's end-to-end biologics and biosimilars ecosystem—spanning R&D, talent (new NIPERs), clinical trial capacity, and faster, globally aligned regulatory approvals.
- Fifteen archaeological sites, including Lothal, Dholavira, Rakhigarhi, Adichanallur, Sarnath, Hastinapur and Leh Palace, will be developed into experiential cultural destinations with curated walkways, interpretation centres and immersive storytelling technologies.

The 4 main growth engines – Agriculture, MSME, Investment & Exports



Capital Markets

- STT on futures increased to 0.05% (from 0.02%), while STT on options raised to 0.15% on premium/exercise (from 0.10%/0.125%)
- Buyback proceeds to be taxed as capital gains with promoters facing an effective tax rate of 22% (corporate) or 30% (non-corporate)
- Restructure PFC and REC to achieve scale and improve efficiency



Infrastructure

- FY27 capex increased to Rs12.2trn (vs Rs10.9trn in FY26; 11% YoY)
- Coastal Cargo Promotion Scheme to be launched to boost the share of inland waterways and coastal shipping from 6% to 12% by 2047.
- 200 legacy industrial clusters to be revived
- PLI in Electronics component manufacturing increased to Rs400bn from Rs229bn



Technology

- Tax holiday till 2047 for global cloud providers using Indian data centres; Indian customers to be served via local resellers.
- Semiconductor Mission 2.0 launched with Rs400bn outlay
- AVGC sector support to be scaled via Content Creator Labs in 15,000 schools and 500 colleges through IICT Mumbai, addressing a projected 2mn talent requirement by 2030



Tourism

- Plans to establish five regional PPP-led integrated medical hubs.
- Biopharma shakti: A Rs 100bn, 5-year push to build India's end-to-end biologics and biosimilars ecosystem.
- 15 archaeological sites to be developed into experiential cultural destinations with curated walkways, interpretation centres and immersive storytelling technologies.

Budget Picks

	CMP (Rs.)	TP (Rs)	Upside	Mcap (Rs bn)	Mcap (US\$ m)	Revenue Gr. (%)				Earnings Gr. (%)				RoE (%)				RoCE (%)*				PER (x)				P/BV (x)*			
						2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Large Cap																													
Adani Port & SEZ	1,345	1,876	39.5%	3,098.6	33,794	25.7	15.4	16.9	19.8	19.3	20.0	21.0	20.9	20.8	16.1	17.1	18.1	21.4	18.0	15.0	4.1	3.4	2.9						
Bharti Airtel	1,949	2,259	15.9%	11,275.9	122,978	18.7	8.3	8.3	9.2	18.3	11.3	22.4	21.3	19.3	17.2	17.0	16.9	39.3	33.2	29.9	7.9	6.4	5.3						
Britannia Industries	5,758	6,761	17.4%	1,387.0	15,127	9.7	13.2	11.1	16.7	17.6	15.5	54.4	54.0	52.5	55.3	57.3	57.2	54.0	45.9	39.7	27.2	22.8	19.3						
Hindustan Aeronautics	4,377	5,507	25.8%	2,927.2	31,925	9.0	14.2	14.5	4.0	7.3	10.0	22.6	20.8	19.8	12.7	12.3	12.1	34.0	31.7	28.8	7.1	6.1	5.3						
ICICI Prudential Asset Management Company	2,927	3,300	12.7%	1,446.9	15,780																								
Larsen & Toubro	3,814	4,806	26.0%	5,245.6	57,210	15.4	16.5	14.3	26.1	26.4	17.5	17.4	18.7	18.6	11.2	12.3	12.4	28.3	22.4	19.0	4.6	3.9	3.3						
Mahindra & Mahindra	3,364	4,100	21.9%	4,039.2	44,053	23.1	12.5	12.2	23.6	11.8	11.6	23.2	21.7	20.4	23.7	22.4	21.1	25.7	23.0	20.6	5.5	4.6	3.9						
Ultratech Cement	12,284	14,168	15.3%	3,619.8	39,479	18.2	13.5	13.2	34.4	45.5	16.6	11.0	14.6	15.2	12.3	16.2	19.1	44.6	30.7	26.3	4.7	4.2	3.8						
Mid / Small Caps																													
Amber Enterprises India	5,993	8,263	37.9%	210.6	2,297	22.1	24.2	19.0	1.8	84.2	47.4	7.4	9.5	12.5	11.2	12.0	14.4	79.3	43.1	29.2	4.3	3.9	3.4						
Aster DM Healthcare	570	775	35.9%	284.9	3,107	12.1	18.4	18.0	36.7	42.7	29.4	12.1	16.1	18.7	16.2	20.7	24.5	67.5	47.3	36.5	8.0	7.3	6.4						
LG Electronics India	1,403	1,920	36.8%	952.3	10,386	5.0	11.9	12.0	(8.5)	24.1	14.8	32.4	34.3	31.3	44.0	46.3	42.3	47.3	38.1	33.2	14.8	11.7	9.3						
Max Healthcare Institute	977	1,350	38.2%	949.5	10,355	18.4	22.6	17.1	13.7	32.5	25.4	15.1	17.4	18.6	16.7	19.3	21.0	56.1	42.3	33.7	7.9	6.8	5.8						
Supreme Industries	3,487	4,566	30.9%	443.0	4,832	6.6	15.0	14.1	(10.9)	42.3	19.1	14.5	18.6	19.3	18.1	23.1	23.9	51.8	36.4	30.6	7.2	6.4	5.5						

* For Banks P/BV = P/ABV & RoCE = RoAA

Direct Tax Changes

- The Income Tax Act 2025 will take effect on **April 1, 2026**.
- The Tax Collected at Source (TCS) for **overseas tour packages** and remittances for **education and medical purposes** (under LRS) is slashed to **2%**
- Interest awarded by the **Motor Accident Claims Tribunal** is now exempt from Income Tax and TDS
- Income from buybacks will now be treated as **Capital Gains** for all shareholders. To prevent tax arbitrage, promoters face an effective tax rate of **22% (corporate)** or **30% (non-corporate)**.
- No MAT to non-resident paying tax on presumptive tax
- No MAT credit accumulation going forward
- Securities Transaction Tax (STT) on **Futures** rises to **0.05%** and on **Options** to **0.15%**
- Taxpayers can now file **revised or belated returns** until March 31. Filing dates are staggered: **July 31** for ITR 1/2 and **August 31** for non-audit businesses and trusts
- Foreign companies providing global cloud services via Indian data centres receive a **tax holiday until 2047**
- **Foreign Asset Disclosure:** A one-time **six-month scheme** allows taxpayers to disclose previously undeclared overseas assets or income (up to ₹10mn or ₹50mn, depending on the category) to gain immunity from prosecution.
- **Litigation Reduction:** Assessment and penalty proceedings will be integrated into a **common order**. Prepayment for appeals is reduced from **20% to 10%** of the core tax demand

Custom Duty Rationalisation

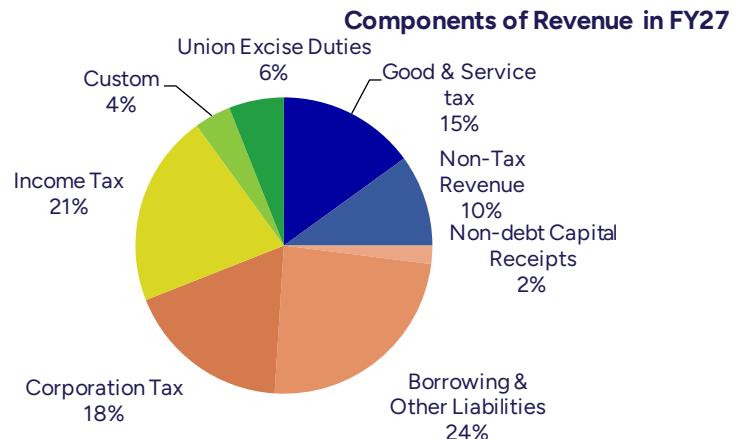
Sector	Key Items Affected	Previous BCD	New BCD
Healthcare	17 anti-cancer drugs, 7 rare disease drugs	10%	0%
Aviation & Defence	Aircraft manufacturing materials/components, MRO, training aircraft	5-10%	0%
Renewable Energy	Sodium antimonate (solar glass), solar cells/modules, Li-ion battery cells	7.5%	0%
Electronics	Parts for microwave ovens	10-20%	0%
Nuclear Power	Goods for nuclear power projects (till 2035) -Duty-free inputs limit	7.5-10%	0%
Seafood Exports	-Fish caught by Indian vessels in the Exclusive Economic Zone (EEZ) or high seas is now duty-free	1% of FOB value	3% of FOB value
Leather/Textiles	Inputs for leather, footwear, textiles (export window extended)	Varies (~10%)	Retained/Extended
Personal Goods	Dutiable personal imports	20%	10%

Customs Process and Administrative Reforms

- **AEO Benefits:** The duty deferral period for Tier 2 and Tier 3 **Authorised Economic Operators (AEOs)** is increased from 15 to **30 days**.
- **Warehousing:** The framework is being transformed into a **warehouse operator-centric system** using self-declarations and electronic tracking, removing the need for officer-dependent approvals.
- **Digital Integration:** A **Customs Integrated System (CIS)** will be rolled out within two years as a single, scalable digital platform for all processes.
- **Cargo Clearance:** Approvals for food, drugs, and animal products will be processed through a **single digital window** by April 2026.
- **Baggage Rules:** Provisions for international travellers are being revised to **enhance duty-free allowances** and clarify rules for temporary carriage of goods.
- **Provisional Refunds:** Provisions for provisional refunds are being extended to cases involving **inverted duty structures**.

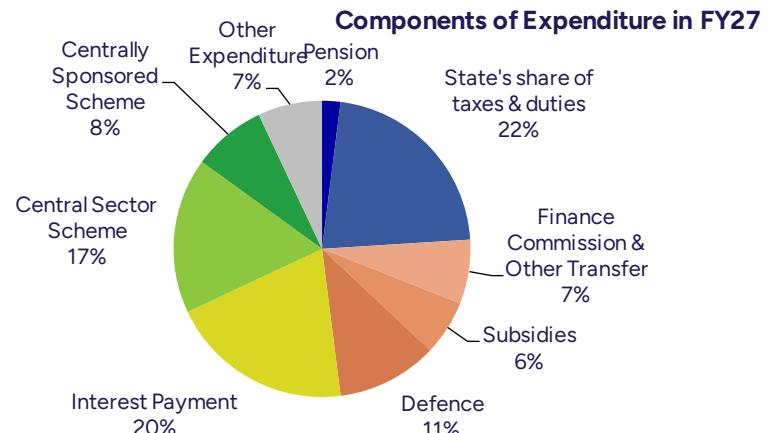
FY27 receipts at ₹53.47 trillion, driven by 11% growth in tax collections

Gross Tax Revenue up 8.0% YoY, driven by higher income tax collections



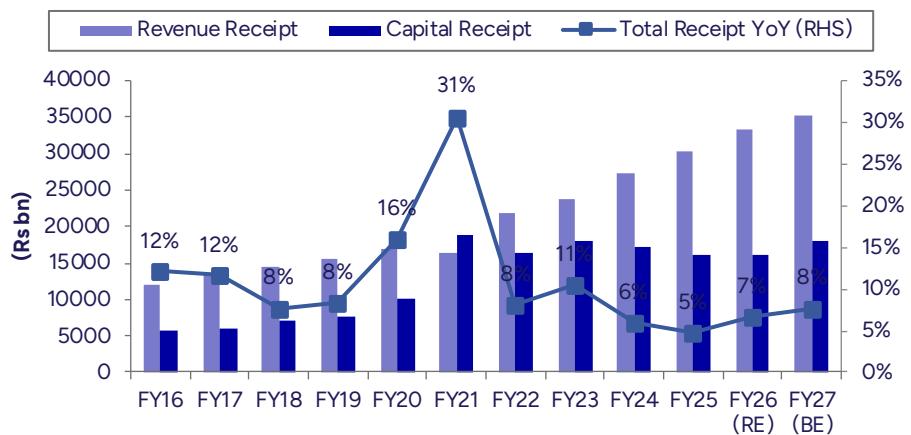
Source: Union Budget, PL

Government spending to rise 7.7%, with capital spending rising 11.5%



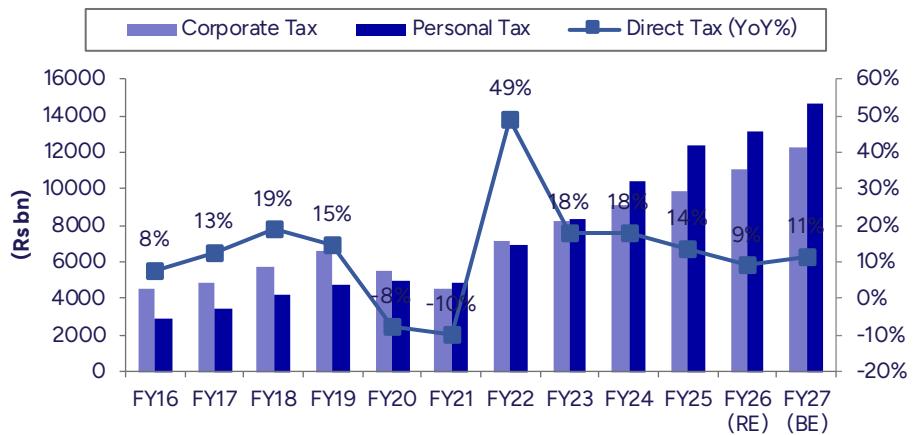
Source: Union Budget, PL

Capital receipts to rise substantially by 13.0%, driven by Divestment



Source: Union Budget, PL

Income tax receipts to increase by 11% in FY27



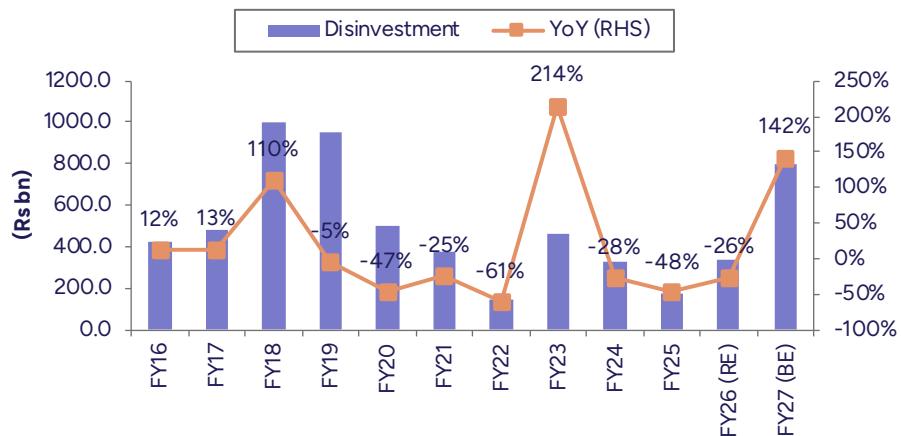
Source: Union Budget, PL

Bounce back in income tax collections to curtail fiscal deficit to 4.3%

Lower revenue expenditure and less spending by states on capex enabled 4.4% fiscal deficit in FY26, despite 6.2% growth in income tax collections and 1.9% growth in GST collections.

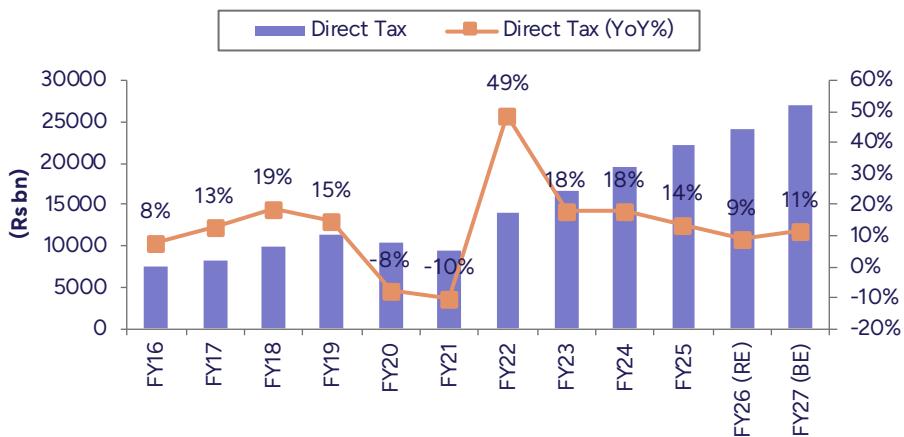
- FY27 direct tax revenues are expected to increase by 11.4% led by 11.7% higher income tax collections and 11% increase in corporate tax rate on a low base as income tax collections increased by just 6.2% in FY26.
- GST collections are expected to decline by 2.6% on a base of just 1.9% growth as abolition of compensation cess and rationalization of GST rates is likely to impact collections in FY27.
- Excise duties are expected to increase by 15.6% on a base of 12.1% growth mainly led by sharp increase in excise duties on cigarettes.
- Overall debt receipts are expected to increase by 9.9% and net market borrowings are expected to rise by 3.6% YoY.

Divestment up 136.4% to Rs. 0.8 tn in FY27, looks ambitious



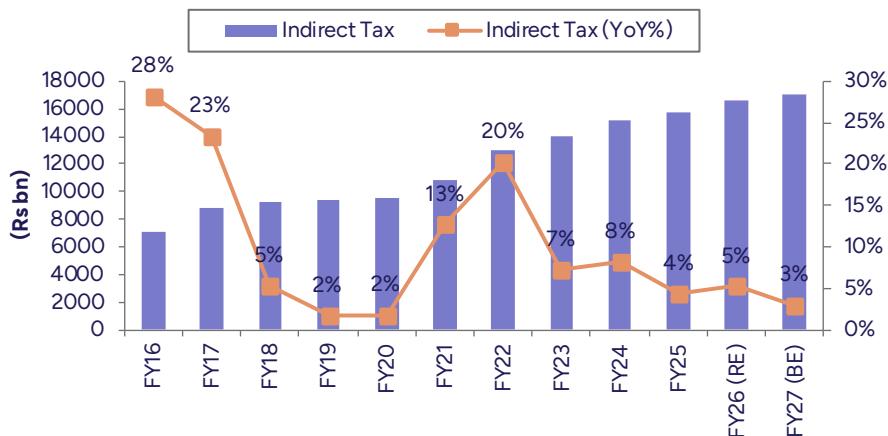
Source: Union Budget, PL

Direct tax collection to rise by 11.4% to Rs. 27.0 Tn



Source: Union Budget, PL

Indirect tax collection to rise by 3.0%, mainly due to cigarette excise duties



Source: Union Budget, PL

Reduced Subsidies & higher tax collections to curtail fiscal deficit

Budget Strategy

Subsidy Allocation to decline in FY27

Total subsidy allocation increased by 10% in FY26 due to 11% higher food and fertilizer subsidy while interest subsidy declined 11%. Total subsidy burden is likely to decline by 3.5% led by lower subsidies in fertilizers and petroleum.

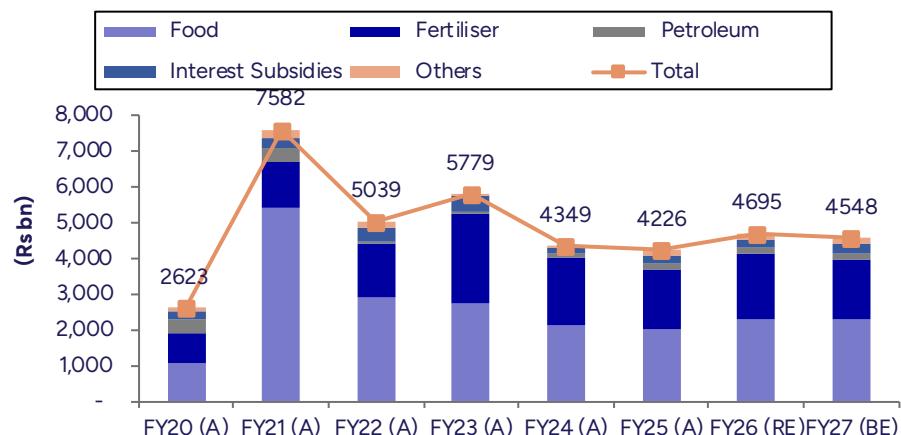
Fiscal deficit to decline on higher tax collections, cigarette excise

Fiscal deficit is likely to decline to 4.3% of GDP led by revival of income tax collections with 11.7% growth and 3.6% higher indirect tax collections mainly led by 15.6% growth in excise collections. Excise collections growth is driven by cigarette excise post sharp increase in taxes recently.

Net borrowings likely to increase y 3.6%

Gross market borrowings are likely to increase by 25% while net borrowings are likely to increase by 3.6% due to higher repayments. Curtailed new borrowings are likely to prevent any crowding out of private investments.

Subsidy spending to decline for fertilizers in FY27



Source: Union Budget, PL

Subsidies increase led by fertilizers, food and petroleum in Fy26

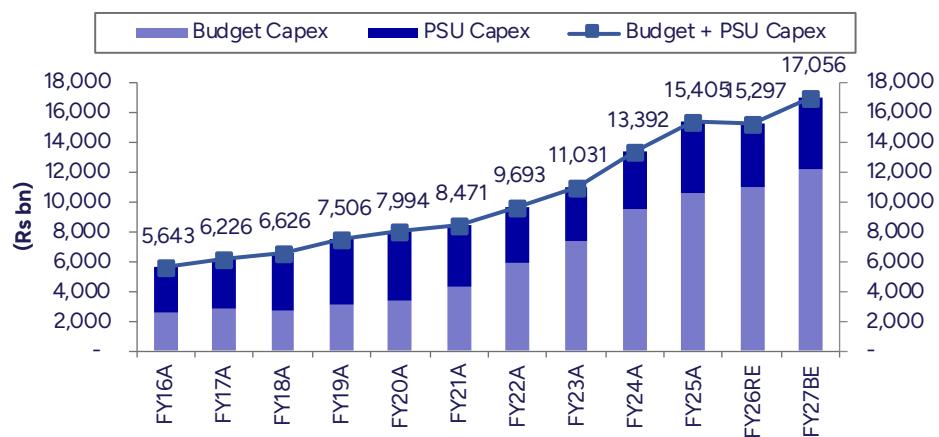
Rs bn	FY23 (A)	FY24 (A)	FY25 (A)	FY26 (BE)	FY26 (RE)	FY27 (BE)
Food	2,728	2,118	1,999	2,034	2,282	2,276
Fertiliser	2,513	1,883	1,707	1,679	1,865	1,708
Petroleum	68	122	145	121	151	121
Interest Subsidies	417	195	219	278	247	274
Others	53	30	157	150	151	168
Subsidy	5,779	4,349	4,226	4,262	4,695	4,548

Source: Union Budget, PL

Capex remains priority up 11.5% YoY, effective capex allocation up 22%

- Focus on Manufacturing boost:** Emphasized R&D-led high-precision component manufacturing by PSUs, enable domestic manufacturing of Construction & Industrial Equipment (CIE) through higher localisation
- Defence Modernisation:** With the Capital Outlay surged to ₹2.19trn (a 21.8% increase). This specifically targets next-gen fighter aircraft, submarines, and drones to enhance combat readiness.
- Rail & Heavy Infra: Announcement of 7 High-Speed Rail corridors** (e.g., Delhi-Varanasi, Mumbai-Pune) and a localized Construction & Industrial Equipment (CIE) ecosystem to drive sustained demand for rolling stock and industrial machinery.
- Decarbonisation & Digital Hubs:** A ₹200bn fund over 5 years for Carbon Capture (CCUS) technologies and tax holidays until 2047 for Data Centres to fuel energy-efficient digital infrastructure.

Overall capex up 11.5% as compared to FY26RE



Source: Union Budget, PL

Budget capex up 11.5% ; PSU capex up 11.5% (led by steel, New & Renewable Energy and power)

Budget Capex (Rs bn)	FY26RE	FY27BE	YoY gr.
Defence	1,865	2,193	17.6%
Road transport & Highways	2,721	2,942	8.1%
Railways	2,520	2,778	10.3%
Housing & Urban Affairs	330	348	5.5%
Transfer to states	1,750	2,264	29.4%
Telecommunication	239	473	97.7%
Atomic Energy	121	100	-17.4%
Others	1,413	1,121	-20.7%
Total Budget Capex (1)	10,958	12,218	11.5%

PSU Capex (Rs bn)

Railways	130	150	15.4%
Housing & Urban Affairs	674	726	7.7%
Steel	175	251	43.7%
Coal	228	247	8.6%
Power	858	1,018	18.6%
New & Renewable Energy	361	429	18.9%
Petroleum & Natural Gas	1,300	1,338	3.0%
Others	614	679	10.5%
Total PSU Capex (2)	4,339	4,838	11.5%
Budget + PSU Capex (1+2)	15,297	17,056	11.5%

Source: Union Budget, PL

Expenditure of major heads increases by 8% in FY27 to Rs. 57.0 Tn

	FY21	FY22	FY23	FY24	FY25	FY26 (BE)	FY26 (RE)	FY27 (BE)
Transport	2,168	3,322	3,905	5,268	5,602	5,486	5,476	5,985
Defence	3,401	3,665	3,991	4,447	4,507	4,917	5,679	5,946
Subsidy	7,077	4,462	5,310	4,123	3,850	3,834	4,297	4,105
Agriculture & Allied	1,344	1,433	1,259	1,460	1,546	1,588	1,519	1,627
Interest	6,799	8,055	9,285	10,639	11,156	12,763	12,743	14,040
Transfer to States	2,115	2,746	2,734	2,886	2,990	3,280	3,565	4,342
Total Expenditure	35,098	37,938	41,932	47,320	49,518	53,704	53,213	57,815
Total Exp (YoY %)	30.7	8.1	10.5	12.9	4.6	8.5	7.5	8.6

Source: Union Budget, PL

FY27 shows revival in spending on key central schemes

- Centrally sponsored schemes had shown lower spending by central Govt in case of PM Awas and Rural Drinking water. However, FY27 allocations show smart increase of 69% and 298%.
- PM Surya Ghar Bijli Uojana (Solar Rooftop) has seen a spend of Rs111bn in FY26 and allocation has been increased by 80% for FY27 to Rs200bn.
- New employment generation scheme has seen a spend of Rs68bn in FY26 and allocation has been increased to Rs200bn in FY27.
- Modified Program for Semiconductor and display manufacturing ecosystem had seen a spend of 43bn in FY26, same has been increased to Rs80bn in FY27
- MNREGA+ G RAM G has seen an increase from 880bn to Rs1257bn, an increase of 42.8% YoY
- Urea and nutrient based subsidy have seen a decline of 7.7% and 10% in FY27. expenses on PM Garib Kalyan Yojana are expected to be flat YoY.

We believe increase in allocation for PM Awas, Semiconductor ecosystem, Solar Rooftop and Rural drinking water are positives.

Increase in allocation for MNREGA+ G RAM G will boost rural demand

PM Surya Ghar, Rural Drinking water, PMAY and Employment allocation up

Centrally Sponsored Schemes with Significant increase (Rs bn)	2024-25	2025-26	2026-27	YoY gr.
	Actual	RE	BE	(BE vs RE)
Pradhan Mantri Awas Yojna (PMAY) - Urban	59	75	186	148.3%
Pradhan Mantri Awas Yojna (PMAY) - Grameen	323	325	549	69.0%
National Rural Drinking Water Mission	226	170	677	298.1%
Compensation to Service Providers for telecom infra	82	97	240	148.7%
Modified Prog for Semiconductor and Display Mfg Ecosystem	6	43	80	86.0%
New Internship Programme	-	4	108	2600.0%
PrLI Scheme for Automobiles and Auto Components	3	21	59	184.1%
Border Infrastructure and Management	33	31	56	82.3%
New Employment Generation Scheme	-	68	200	194.2%
PM Surya Ghar Muft Bijli Yojana		111	200	80.2%
Biotechnology Research Innovation and Entr (Bio-RIDE)	3	17	23	34.0%
Develo theme based Tourist Circuits (Swadesh Darshan)	1	5	19	280.0%

Source: Union Budget, PL

MNREGA and Swatch Bharat Mission to see increased allocation

Centrally Sponsored Schemes (Rs bn)	2024-25	2025-26	2026-27	YoY gr.
	Actual	RE	BE	(BE vs RE)
VB-G RAM-G (MGNREGA)	858	880	1,257	42.8%
PM Kisan Samman Nidhi	661	635	635	0.0%
Urea Subsidy	1,179	1,265	1,168	-7.7%
Nutrient Based Subsidy	552	600	540	-10.0%
Urban AMRUT and Smart Cities Mission	55	75	80	6.7%
PM Garib Kalyan Anna Yojana (PMGKAY)	1,195	2,278	2,274	-0.1%
Swachh Bharat Mission	51	80	97	21.2%
National Health Mission	85	299	318	6.5%

Source: Union Budget, PL

Sectoral Impact

Key Proposal	Existing (Rs bn)	Proposed (Rs bn)	Impact
PM Electric Drive Revolution in Innovative Vehicle Enhancement (PM E-DRIVE) Scheme	13.0	15.0	Beneficial for EV players
Production Linked Incentive (PLI) Scheme for Automobiles and Auto Components	20.91	59.4	Beneficial for EV players who have received approvals under the scheme
Heavy and Medium Vehicles (Defense)	36.96	45.8	Beneficial for MHCV OEMs like AL, TML CV
Scheme for Faster Adoption and Manufacturing of (Hybrid and) Electric Vehicles in India (FAME - India)	11.81	Nil	Negative for EV players
PLI Scheme for National Programme on Advanced Chemistry Cell (ACC) Battery Storage	0.13	0.86	Beneficial for battery players
PM-eBus Sewa-Payment Security Mechanism for Procurement and Operation of e-Buses by Public Transport Authorities	5.1	0.12	Negative for e-bus players like TML CV, Olectra Greentech, AL
Beneficiaries: Tata Motors, Ashok Leyland, EV players			
Losers: NA			
Top Picks: TVS Motor Company, Mahindra & Mahindra, Tata Motors, Ashok Leyland			

Asset Management Companies

Overall Budget Impact
Neutral

Key Proposal	Existing (Rs bn)	Proposed (Rs bn)	Impact
STT raised to 0.05% from 0.02% for futures. STT on options premium/exercise of options to be raised to 0.15% from rate of 0.1%/0.125%	0.02% for futures 0.1%/0.125% for options premium/exercise of options	0.05% for futures 0.15% for options premium/exercise of options	AMC impact: STT is passed on by AMCs and recovered from investors Assessment: Govt seems to be disincentivizing F&O trading, which may be beneficial for MF investments. No immediate material impact on AMCs, but may boost MF product sales in the longer run
Beneficiaries: NA			
Losers: NA			
Top Picks: NA			

Key Proposal	Existing (Rs bn)	Proposed (Rs bn)	Impact
Rs100bn equity fund to support SME growth and create future champions	90	100	<p>Banking impact: MSME loans form ~14% of total bank credit (Rs194trn)</p> <p>Distribution: PSU banks have 13% SME share in their total credit, while private banks have 16% share</p> <p>Assessment: Impact on banking sector is insignificant but slightly positive</p>
Beneficiaries: NA			
Losers: NA			
Top Picks: NA			

Building Materials

Overall Budget Impact
Positive

Key Proposal	Existing (Rs bn)	Proposed (Rs bn)	Impact
Jal Jeevan Mission / National Rural Drinking Water Mission	170	677	Allocation increased by 298%. Will improve demand for pipes on YoY basis
Pradhan Mantri Awas Yojna (PMAY-Urban & PMAY-Urban 2.0)	75	186	Allocation up 148% from FY26 RE, but down by 6% from FY26 BE, partially positive for building materials companies
Swachh Bharat Mission - Urban	20	25	Will improve sanitary market penetration, long-term benefit for bathware companies
Beneficiaries: Supreme Industries, Finolex Industries, Astral Ltd			
Losers: NA			
Top Picks: Astral Ltd, Supreme Industries			

Capital Goods & Defence

Overall Budget Impact
Positive

Key Proposal	Existing (Rs bn)	Proposed (Rs bn)	Impact
Capex on defence aircraft & aeroengines went up significantly in FY26RE and FY27BE	Rs444bn in FY25 & Rs486bn in FY26BE	Rs728bn in FY26RE & Rs637bn in FY27BE	Positive for HAL, BEL
Capex on other defence equipment, which includes missiles and other defence electronics, went up ~30% in FY27BE vs. FY26BE	Rs631bn in FY26BE	Rs822bn in FY27BE	Positive for BEL, BDL, Astra Microwave
Scale up of manufacturing across pharma, semiconductors, EMS, etc., likely to drive private capex			Positive for industrial machinery manufacturers (TMX, KKPC, KKC, ELEQ)
Scheme to incentivize CCUS with an outlay of Rs200bn over 5 years			Positive for Siemens Energy, Thermax
Tax exemptions for data center cloud services aimed to attract foreign investments			Direct/Indirect positive impact for electrical equipment and machinery manufacturers like ABB, KKC, SIEM, POWERIND and TDPS
~11.5% growth in PSU capex (IEBR) in FY27BE likely to aid infra growth	Rs4.8trn in FY27BE vs. Rs4.3trn in FY26RE		Positive for T&D companies like LT, KEC, KPIL, etc.
Announcement of 7 high-speed rail corridors			Positive for railway equipment manufacturers along with EPC players like LT
Higher allocation for signalling and telecommunication works (likely includes KAVACH)	Rs65bn in FY26RE	Rs75bn in FY27BE	Positive impact for CGPOWER, KEC (EPC), Apar (turnkey), HBL, ABB
Beneficiaries: Larsen & Toubro, Hindustan Aeronautics, Bharat Electronics, Cummins India, ABB India, Kirloskar Pneumatic Company, Elgi Equipments, Thermax, Siemens Energy India			
Losers: NA			
Top Picks: Larsen & Toubro, Hindustan Aeronautics			

Key Proposal	Existing (Rs bn)	Proposed (Rs bn)	Impact
11.5% increase in infrastructure capex	10,956	12,218	Positive for cement & metals companies
7 high speed rail corridors	NA	NA	Positive for steel, SS & cement companies
Outlay on PMAY-Gramin to continue	325	549	Positive for cement and steel companies
Outlay on PMAY-Urban to continue	75	186	Positive for cement and steel companies
PMGSY (Rural roads) outlay	110	190	Positive for cement companies
Urban Rejuvenation Mission – AMRUT & Smart Cities Mission	75	80	Positive for cement, steel & SS companies
Dedicated Rare Earth corridors to promote mining	NA	50	NACL, GMDC, HZL, VEDL
To revive 200 legacy industrial clusters	NA	NA	ADSEZ & JSWINFRA
New dedicated freight corridors	NA	NA	Positive for ADSEZ
Coastal cargo promotion scheme	6%	12%	Positive for ADSEZ & JSWINFRA

Beneficiaries: PAN India cement players; Steel & Stainless steel companies

Losers: NA

Top Picks: Ultratech Cement, JK Cement, Ambuja Cement, JSW Cement, Jindal Stainless, Tata Steel, JSW Steel and Jindal Steel

Key Proposal	Existing	Proposed	Impact
Potassium hydroxide customs duty increased from 0% to 7.5%	0%	7.5%	Incremental protection to domestic producers and supporting import substitution
Support states in establishing 3 dedicated chemical parks			Enhance domestic chemical production and reduction in import dependency
Beneficiaries: Gujarat Alkalies and Chemicals			
Losers: NA			
Top Picks: NA			

Consumer & Discretionary

Overall Budget Impact
Positive

Key Proposal	Existing (Rs bn)	Proposed (Rs bn)	Impact
Increased allocation to VB-G RAM-G/MGNREGA	860	1,256.9	The increase in allocation is expected to boost incomes among lower income segments, indirectly supporting income growth in rural areas, which in turn should benefit FMCG companies
Support high-value crops such as coconut, cashew, sandalwood and cocoa in coastal areas	NA	NA	This would improve farmer productivity and enhance farm incomes, potentially leading to higher consumption levels
Duty-free imports of specified inputs extended to export of shoe uppers in addition to leather or synthetic footwear	NA	NA	This would enhance cost competitiveness and strengthen the domestic footwear manufacturing ecosystem
Beneficiaries: Britannia Industries, Hindustan Unilever, Marico, Emami, Dabur India, Campus Activewear, Relaxo Footwear			
Losers: None			
Top Picks: None			

Consumer Durables

Overall Budget Impact
Positive

Key Proposal	Existing (Rs bn)	Proposed (Rs bn)	Impact
PLI Scheme - White Goods (ACs and LED Lights)	3	10	Increased allocation in PLI will accelerate capacity expansion via higher incentivized domestic production
Kisan Urja Suraksha Evam Utthaan Mahabhiyan (KUSUM)	50	50	Allocation has been maintained
Specified goods for use in the manufacture of microwave ovens	As applicable	Nil	Lowers input costs for microwave oven manufacturers
Beneficiaries: Havells India, Crompton Greaves Consumer Electricals, Voltas, Bajaj Electricals, Blue Star, Voltas, LG Electronics India			
Losers: NA			
Top Picks: LG Electronics India			

Electronic Manufacturing Services

Overall Budget Impact
Positive

Key Proposal	Existing (Rs bn)	Proposed (Rs bn)	Impact
Export Promotion Mission (cross-border factoring support)	22.5	Rs 23.0bn	
PLI Scheme 1. White Goods (ACs and LED Lights) 2. Large Scale Electronics Manufacturing 3. IT Hardware	1. 3.0 2. 69.6 3. 0.4	1. 10 2. 13.5 3. 1.8	Increase PLI allocation will boost domestic electronics manufacturing
India Semiconductor Mission 2.0	-	10	ISM 2.0 builds on ISM 1.0 to localize semiconductor manufacturing, IP, and supply chains.
Electronics Components Manufacturing Scheme	0.1	15	Scheme outlay of Rs15bn in BE FY27
Modified Programme for Development of Semiconductors and Display Manufacturing Ecosystem in India	43.0	80	Will benefit semiconductor manufacturing ecosystem. The scheme will reduce import dependence and support the Atmanirbhar Bharat initiative
Beneficiaries: Avalon Technologies, Keynes Technology India, Syrma SGS Technology, Dixon Technologies (India), Amber Enterprises India			
Losers: NA			
Top Picks: Amber Enterprises India, Keynes Technology India			

Financial Services – NBFCs & Exchanges

Overall Budget Impact
Neutral

Key Proposal	Existing (Rs bn)	Proposed (Rs bn)	Impact
Restructuring of public sector NBFCs like PFC and REC	-	-	Expansion of scale of business and improvement of operational efficiency
STT raised for futures and options - Futures: 0.02% to 0.05% - Options: 0.1% / 0.125% to 0.15%	-	-	May temper near-term F&O volumes posing revenue headwind for exchanges and broking firms, though structural impact remains limited
Beneficiaries: Power Finance Corporation and REC			
Losers: BSE, Angel One, Billionbrains Garage Ventures, IIFL Capital Services, Nuvama Wealth Management, Motilal Oswal Financial Services			
Top Picks: NA			

Key Proposal	Existing (Rs bn)	Proposed (Rs bn)	Impact
Increased allocation for Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (PMJAY) scheme	90	95	Despite a proposed ~6% YoY increase that is largely flat in real terms, patient footfalls under government health schemes are expected to remain steady. Among listed hospital companies, govt schemes contributes to 10-20% of overall revenues
Strengthen and increase capacities by 50% in district hospitals by establishing emergency and trauma care centers			This will improve healthcare access in Tier 2 and 3 cities. Overall negative for listed hospital chains as they get patients from such areas. However, for complex treatments, corporate hospital chains will continue to be preferred
Increased assistance to states for public health infrastructure	~7	42	The proposed 5x increased allocation should fast-track public health infrastructure, improve non-metro healthcare access. This may improve hygiene levels and thereby may reduce medicine consumption
Biopharma Shakti – Spend of Rs100bn spread over 5years to build India's end-to-end biologics and biosimilars ecosystem	0	100	This should benefit CDMO, biopharma and biologic players in India
Cut of basic customs duty on 17 cancer drugs.	5%/10%	Nil	The list includes biosimilars/drugs, which are manufactured & marketed by MNC pharma companies. Announcement to remain beneficial for MNC pharma companies
Strengthening of Central Drugs Standard Control Organisation to meet global standards and approval timeframes	-	-	This will standardize the regulatory process and act positive for top 30-50 Indian pharma companies
Beneficiaries: NA			
Losers: NA			
Top Picks: NA			

Key Proposal	Existing (Rs bn)	Proposed (Rs bn)	Impact
Ministry of Road Transport and Highways (incl NHAI)	2,866	3,093	After remaining subdued over the past 2–3 years, road capex is expected to rise ~8% YoY. This is constructive for beaten-down EPC names. Though pickup in project awards remains the key monitorable. Improved budgetary support could also enable faster land acquisition by NHAI
Jal Jeevan Mission	170	676	Allocation for Jal Jeevan Mission in FY27BE has increased sharply (~298% YoY) vs. FY26RE, though it remains largely flat compared with FY26BE. If the budgeted increase translates into actual execution, it would be positive for EPC players
Pradhan Mantri Awas Yojana – Rural and Urban	400	735	A comparable pattern is visible in Pradhan Mantri Awas Yojana – Rural and Urban, with headline growth vs. revised estimates, but limited incremental increase over budgeted levels
Ministry of Railways	2,650	2,928	Railway capex outlay is budgeted to increase ~11% in FY27BE over both FY26RE and FY26BE, indicating continued policy focus on rail infrastructure

Beneficiaries: PNC, KNR, NCC

Losers: NA

Top Picks: PSP, PNC

Key Proposal	Existing (Rs bn)	Proposed (Rs bn)	Impact
Exemption from central excise duty payable on biogas-blended CNG	NA	NA	Neutral
No excise duty hike on petrol/diesel	NA	NA	NA
Petroleum subsidy	151	121	Neutral
Beneficiaries: NA			
Losers: NA			
Top Picks: NA			

Key Proposal	Existing (Rs bn)	Proposed (Rs bn)	Impact
PGCIL	280	370	PGCIL's capex projected to rise ~32% in FY27BE over FY26RE, ~5% higher than our current estimates Other companies' capex is to rise (which is in line with estimate) – NTPC up 7%, SJVN 25%, NHPC 15%, NLC 6% and Coal India 3%
Surya Ghar Muft Bijli Yojana	170	220	Allocation for Surya Ghar Muft Bijli Yojana in FY27BE is up ~29% YoY over FY26RE (and ~10% YoY vs. FY26BE), reinforcing policy support for rooftop solar. This remains beneficial for integrated utilities and module manufacturers such as Tata Power and other module manufacturers
Beneficiaries: NTPC, PGCIL, JSW Energy			
Losers: NA			
Top Picks: NTPC, PGCIL, JSW Energy			

The tax holiday until 2047 for data center cloud services is aimed at attracting global hyperscalers to set up operations in India. This is structurally positive for power demand, given that data centers account for ~4% of total electricity consumption in the US, compared with a negligible share in India currently—indicating significant long-term headroom

Key Proposal	Existing (Rs bn)	Proposed (Rs bn)	Impact
Increased allocation for Pradhan Mantri Awas Yojana - Urban 2.0 (PMAY-U 2.0)	3	30	Earlier budgeted Rs35bn was sharply revised to Rs3bn in FY25-26. Likely to significantly boost urban housing supply, revive residential real estate demand, and drive higher activity for developers, construction and allied sectors
No change in direct taxation			No impetus will keep affordability and demand in the real estate sector broadly unchanged
Beneficiaries: NA			
Losers: NA			
Top Picks: NA			

Key Proposal	Existing (Rs bn)	Proposed (Rs bn)	Impact
Solar Power (Grid)	10	17.6	Allocation will boost grid-connected solar capacity addition
Kisan Urja Suraksha evam Utthaan Mahabhiyan (KUSUM)	50	50	Allocation has been maintained
PM Surya Ghar Muft Bijli Yojana	170	220	Will accelerate rooftop solar adoption
National Green Hydrogen Mission	3	6	Will drive steady demand for manufacturers
Basic customs duty revision 1. Sodium Antimonate 2. Machinery to manufacture lithium-ion cells for BESS	1. 7.5% 2. As applicable	1. Nil 2. Nil	1. Will reduce input costs for solar glass manufacturers 2. Will lower capex for manufacturers

Beneficiaries: Waaree Energies, Adani Green, NTPC Green, Tata Power (will gain both from power capacity, EPC and solar rooftop)

Losers: NA

Top Picks: Premier Energies

Key Proposal	Existing (Rs bn)	Proposed (Rs bn)	Impact
Civil aviation ministry's budget allocation has been increased	Rs20.6bn (BE: Rs24.0bn)	Rs21.0bn	Budgetary allocation is flat and thus, impact is neutral
Tourism ministry's budget allocation has been increased	Rs13.1bn (BE: Rs25.4bn)	Rs24.4bn	Will create employment opportunities and boost consumption
Basic customs duty will be exempted on components and parts used in the manufacture of civilian, training and other aircraft	As applicable (Not specified)	NIL	MROs would be the direct beneficiary
National Institute of Hospitality will be established by upgrading the National Council for Hotel Management and Catering Technology, serving as a bridge between academia, industry and the government	NA	NA	Will strengthen service standards and will bring in more professionalism into the sector
15 archaeological sites, including Lothal, Dholavira, Rakhigarhi, Adichanallur, Sarnath, Hastinapur and Leh Palace, will be developed into experiential cultural destinations with walkways & interpretation centers	NA	NA	Will promote tourism at historic/religious destinations
Scheme for Development of Buddhist Circuits will be launched across Arunachal Pradesh, Sikkim, Assam, Manipur, Mizoram and Tripura, covering heritage preservation	NA	NA	Will promote tourism in the North-East

Beneficiaries: Travel oriented sectors like airlines and hotels will benefit

Losers: NA

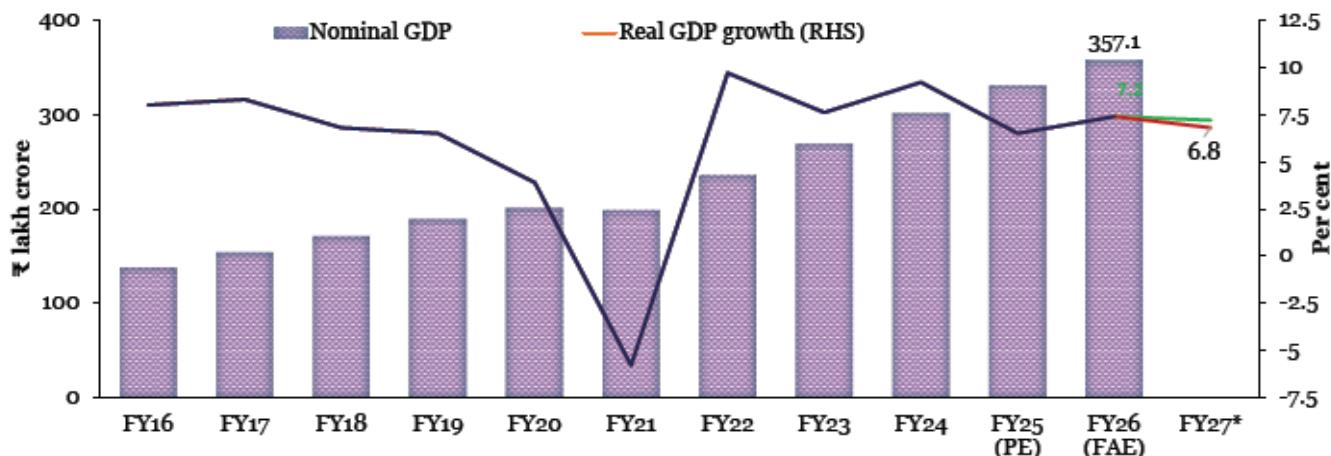
Top Picks: NA

Key Proposal	Existing (Rs bn)	Proposed (Rs bn)	Impact
Tax holiday till 2047 for global data center services companies providing services outside India through Indian data centers	NA	NA	Positive
Safe harbor of 15% on cost to Indian entity providing data center services to a related foreign company	NA	NA	Neutral
Beneficiaries: Bharti Airtel, Reliance Industries			
Losers: NA			
Top Picks: NA			

Key highlights of Economic Survey

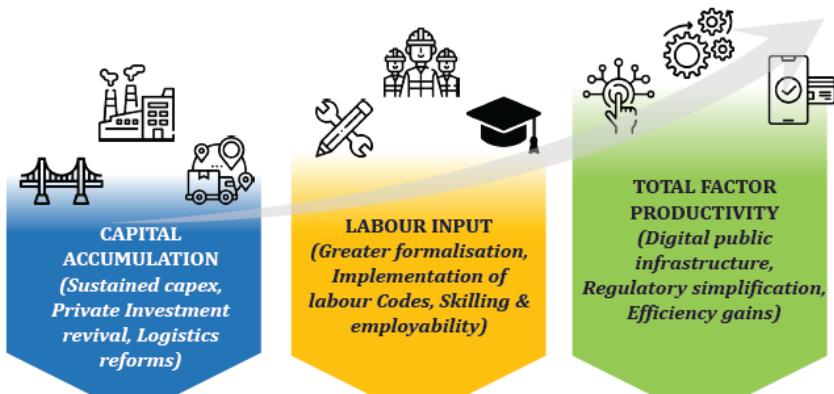
FY27 GDP growth est at 6.8% in real terms

FY27 Real GDP growth estimated at 6.8%



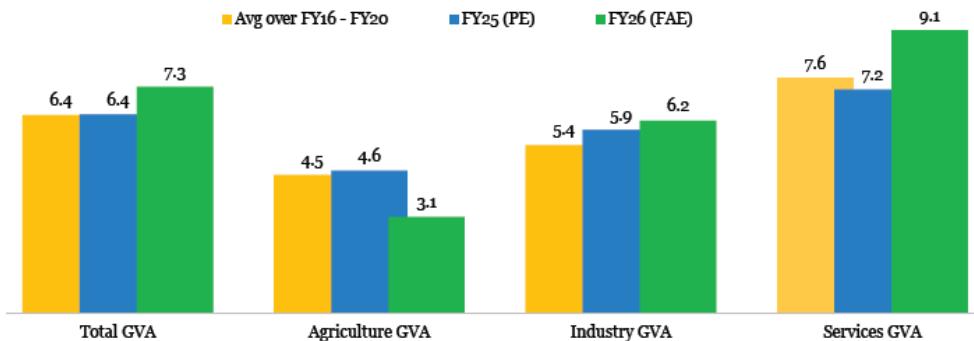
Source: Economic Survey 2025-2026

Focus on capital accumulation, labor input and productivity



STRONG MACRO FUNDAMENTALS AND SUSTAINED REFORMS

Services and Industry GVA continue to lead growth

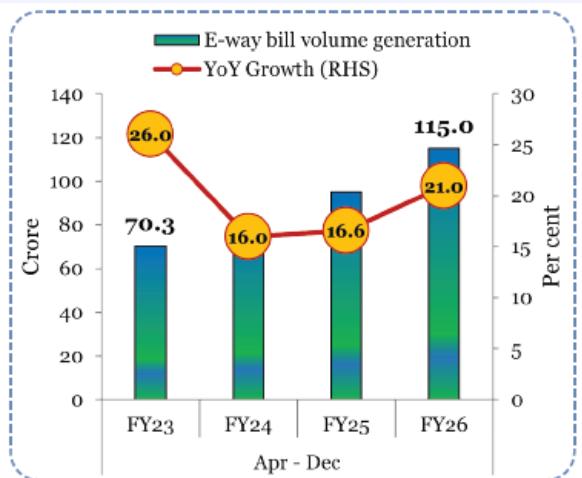


Source: Economic Survey 2025-2026

Source: Economic Survey 2025-2026

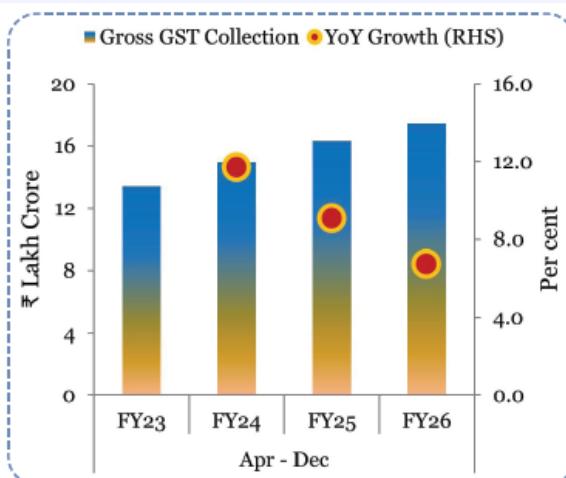
GST collections point to strong outlook

E Way bill generation up 21%



Source: Economic Survey 2025-2026

GST rate cuts results in lower growth in FY26



Source: Economic Survey 2025-2026

GST 2.0 to boost consumption, manufacturing and trade



GST 2.0 reforms & impact

Two-rate Structure

18% Standard and 5% Merit

40% De-merit/ Sin-good (incl of cess)

Expected channels of impact

CONSUMPTION BOOST
Simplified Compliance, Support household consumption, Wider Tax Base.

MANUFACTURING & TRADE
Boost Manufacturing, Enhance trade competitiveness, Encourage small businesses to formalise.

STRUCTURAL REFORMS
Resolve Inverted Duty Structure, Improve Working Capital.

Source: Economic Survey 2025-2026

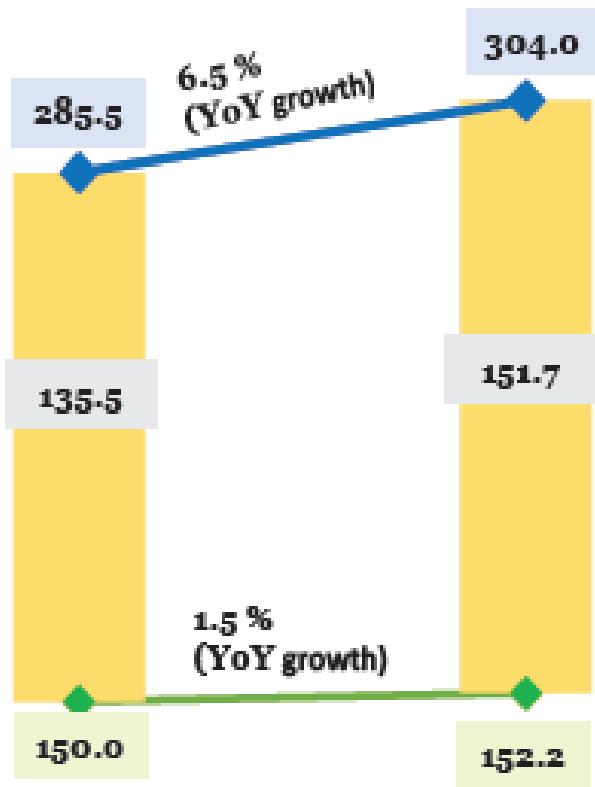
India's external balance remains comfortable

Net deficit remains at just USD5bn



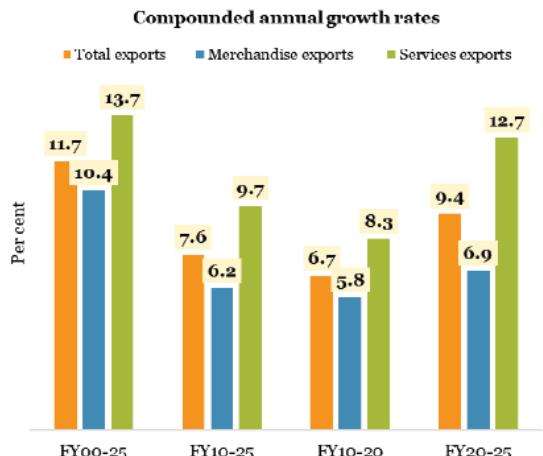
Services trade surplus has increased by 15% YoY

Service export Service import
Services trade surplus



Source: Economic Survey 2025-2026

Service exports have been key driver of total exports



Source: Economic Survey 2025-2026

Source: Economic Survey 2025-2026

New FTA's key to growth in merchandise and services exports

8 Free Trade Agreements Comprehensive Partnerships Agreements concluded in the past 5 years

India-Mauritius CECPA
(2021)



India-UAE CEPA (2022)



India-Australia ECTA
(2022)



India-EFTA TEPA
(2024)



India-UK CETA
(2025)



Yet to be implemented

India-Oman CEPA (2025)

Yet to be implemented



India-New Zealand FTA
(2025)



Negotiations concluded

Negotiations concluded



Free Trade Agreements under negotiation



India - Australia CECA



India - Sri Lanka ETCA



India- Peru FTA



India - Chile CEPA



India - USA
Bilateral Trade Agreement



India - Eurasian
Economic Union FTA



India - Korea CEPA
Upgraded negotiations

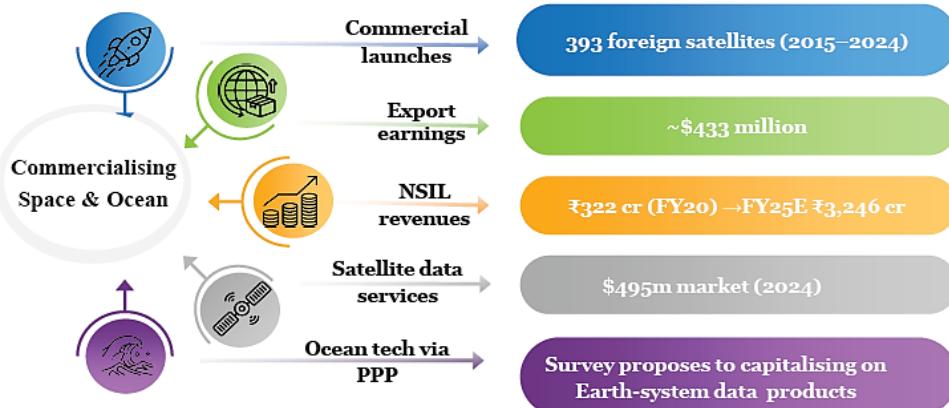


ASEAN - India (AITIGA)

Review ongoing

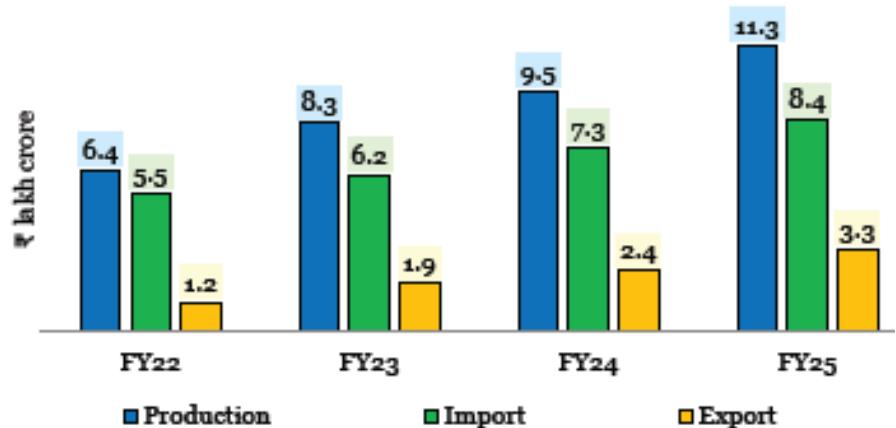
Focus on technology and hitech industries

Space launches have been rising steadily



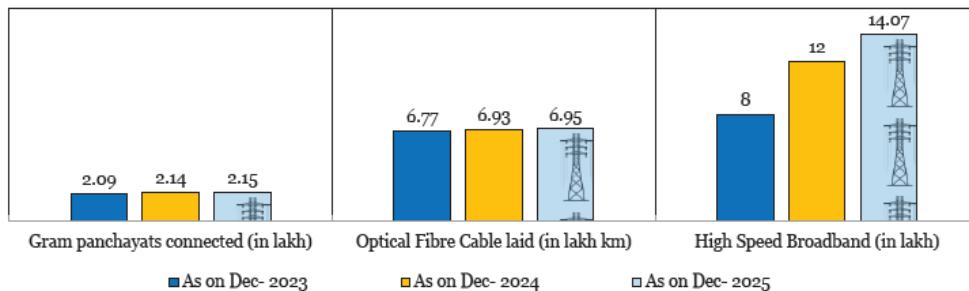
Source: Economic Survey 2025-2026

Electronics production and exports have been rising steadily



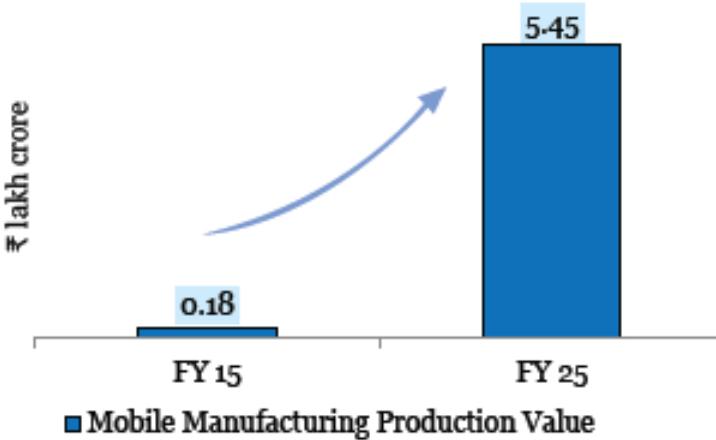
Source: Economic Survey 2025-2026

Telecom and data connectivity has been rising



Source: Economic Survey 2025-2026

Mobile mfg has shown sharp improvement



Source: Economic Survey 2025-2026

Agricultural support has been rising steadily

Policy and Institutional Support

- National Food Security and Nutrition Mission
- National Mission on Edible oils-Oilseeds
- National Mission on Edible-oil-Oil Pms
- Krishi Vigyam Kendras
- Promotion of FPOs and Cooperatives
- Insurance support through PM Fasal Bima Yojana
- Krishonnati Yojna
- Digital Agriculture Mission

Input Support

- Providing access to High Yielding seeds
- Assured Irrigation through Pradhan Mandri Krishi Sinchayee Yojana
- Soil Health Cards
- Fertiliser Subsidy
- Kisan Credit Card Scheme
- Establishing Custom Hiring Centres
- Food and Mouth disease control programme for livestock.
- Pradhan Mantri Matsya Kisan Samridhi-Sah-Yojana for fisheries

Income Support

- Pradhan Mantri Kisan Samman Nidhi (PM Kisan)
- Minimum Support Prices
- PM Maadhan Yojana

Annexure

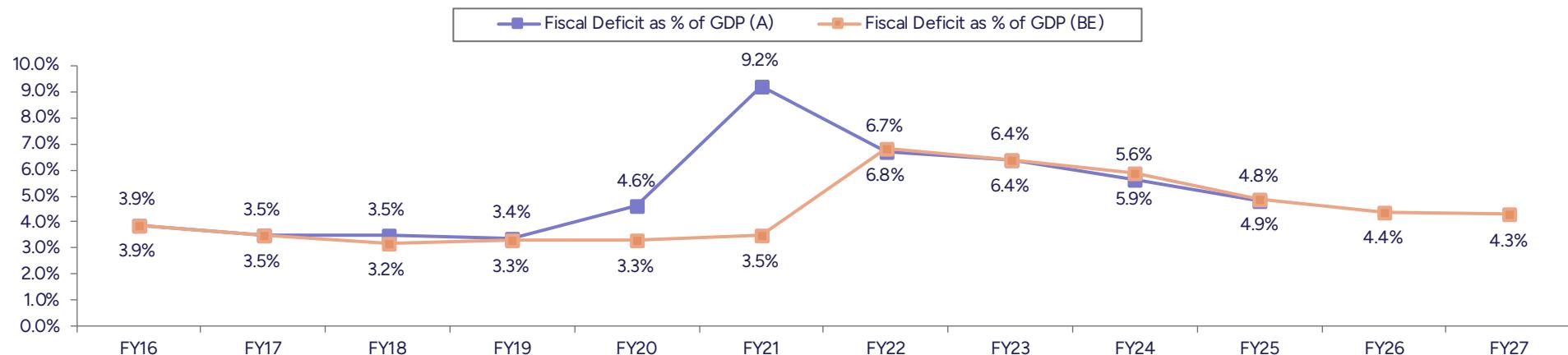
Budget Summary – Fiscal deficit at 4.3%, net borrowings up 3.6%

(Rs bn)	2024-25 (A)	YoY gr. #	2025-26 (BE)	YoY gr. #####	2025-26 (RE)	YoY gr. ###	2026-27 (BE)	YoY gr. ##
RECEIPTS								
1. Revenue Receipts	30,366	11.3%	34,204	10.8%	33,423	10.1%	35,332	5.7%
% of total receipts	65.3%		67.5%		67.3%		66.1%	
1a. Tax Revenues (net to centre)	25,000	7.4%	28,374	11.0%	26,747	7.0%	28,669	7.2%
% of revenue receipts	82.3%		83.0%		80.0%		81.1%	
1b. Non-Tax Revenues	5,366	33.5%	5,830	9.8%	6,677	24.4%	6,662	-0.2%
% of revenue receipts	17.7%		17.0%		20.0%		18.9%	
2. Capital Receipts	16,163	-5.7%	16,449	1.0%	16,225	0.4%	18,142	11.8%
% of total receipts	34.7%		32.5%		32.7%		33.9%	
2a. Non debt receipts	418	-30.0%	760	28.8%	640	53.1%	1,184	84.9%
% of capital receipts	2.6%		4.6%		3.9%		6.5%	
2b. Borrowings and Other Liabilities	15,744	-4.8%	15,689	0.0%	15,585	-1.0%	16,958	8.8%
% of capital receipts	97.4%		95.4%		96.1%		93.5%	
A. Total Receipts (1+2)	46,529	4.7%	50,653	7.4%	49,648	6.7%	53,473	7.7%
EXPENDITURES								
3. Revenue Expenditure	36,009	3.1%	39,443	6.7%	38,691	7.4%	41,255	6.6%
as a % of Total Expenditure	77.4%		77.9%		77.9%		77.2%	
4. Capital Expenditure	10,520	10.8%	11,211	10.1%	10,958	4.2%	12,218	11.5%
as a % of Total Expenditure	22.6%		22.1%		22.1%		22.8%	
B. Total Expenditure (3+4)	46,529	4.7%	50,653	7.4%	49,648	6.7%	53,473	7.7%
Fiscal Deficit (FD) (B-1-2a)	15,744	-4.8%	15,689	0.0%	15,585	-1.0%	16,958	8.8%
% of GDP	4.8%		4.4%		4.4%		4.3%	
Primary Deficit (PD) (FD-Interest Payments)	4,589	-22.3%	2,926	-32.2%	2,842	-38.1%	2,918	2.7%
% of GDP	0.0%		0.8%		0.0%		0.0%	
Revenue Deficit (RD) (3-1)	5,643	-26.3%	5,238	-14.1%	5,268	-6.7%	5,923	12.4%
% of GDP	0.0%		1.5%		0.0%		0.0%	
Net Borrowings	11,629	-1.3%	11,538	7.4%	11,328	-2.6%	11,732	3.6%
Gross Market Borrowings	13,123	-14.8%	14,820	21.1%	13,686	4.3%	17,200	25.7%
Nominal GDP	3,30,680	11.9%	3,56,576	9.0% 	3,57,139	8.0%	3,93,004	10.0%

2024-25 (A) v/s 2023-24 (A)
2026-27 (BE) v/s 2025-26 (RE)
2025-26 (RE) v/s 2024-25 (A)
2025-26 (BE) v/s 2024-25 (RE)

Fiscal Deficit – Sustains path of fiscal responsibility

Fiscal Deficit at 4.3% in FY27; While for FY26RE it is estimated to be at 4.4%



Source: Union Budget, PL

Absolute fiscal deficit to broaden, market borrowings to go up 25%

(Rs bn)	2024-25 (A)	YoY gr. #	2025-26 (BE)	YoY gr. #####	2025-26 (RE)	YoY gr. ###	2026-27 (BE)	YoY gr. ##
Fiscal Deficit	15,744	-4.8%	15,689	0.0%	15,585	-1.0%	16,958	8.8%
Debt Receipts	15,738	-4.8%	15,665	3.2% ▲	15,128	-3.9%	16,631	9.9%
Market borrowings (G-sec + T-bills)	9,144	-25.7%	11,538	10.7%	10,404	13.8%	13,032	25.3%
Securities against small savings	4,295	-4.9%	3,434	-16.6%	3,722	-13.3%	3,868	3.9%
State Provident Funds	40	-21.0%	50	0.0%	38	-5.0%	35	-7.9%
Other receipts (Internal debt & Public account)	1,787	-301.5%	407	56.5%	759	-57.5%	(458)	-160.4%
External debt	473	-14.2%	235	-26.6%	205	-56.7%	154	-24.8%
Draw down of cash balance	6	-23.4%	25	-95.2% ▲	457	7420.1%	327	-28.5%
Total	15,744	-4.8%	15,689	0.0% ▲	15,585	-1.0%	16,958	8.8%

2024-25 (A) v/s 2023-24 (A)

2026-27 (BE) v/s 2025-26 (RE)

2025-26 (RE) v/s 2024-25 (A)

2025-26 (BE) v/s 2024-25 (RE)

Source: Union Budget, PL

Receipts & Expenditure

Receipts - (Rs billion)	2024-25 (A)	YoY gr. #	2025-26 (BE)	YoY gr. #####	2025-26 (RE)	YoY gr. ###	2026-27 (BE)	YoY gr. #
1. Gross tax revenue	37,964	9.5%	42,702	10.8%	40,778	7.4%	44,041	8.0%
1a. Direct tax	22,219	13.6%	25,200	12.7%	24,210	9.0%	26,970	11.4%
% of Gross Tax Revenue	58.5%		59.0%		59.4%		61.2%	
Corporation tax	9,868	8.3%	10,820	10.4%	11,090	12.4%	12,310	11.0%
% of Direct Tax	44.4%		42.9%		45.8%		45.6%	
Income tax	12,352	18.2%	14,380	14.4%	13,120	6.2%	14,660	11.7%
% of Direct Tax	55.6%		57.1%		54.2%		54.4%	
1b. Indirect tax	15,744	4.3%	17,502	8.3%	16,568	5.2%	17,071	3.0%
% of Gross Tax Revenue	41.5%		41.0%		40.6%		38.8%	
Goods & Services Tax (GST)	10,270	7.3%	11,780	10.9%	10,465	1.9%	10,190	-2.6%
% of Indirect Tax	65.2%		67.3%		63.2%		59.7%	
Excise duties	3,003	-1.7%	3,170	3.9%	3,366	12.1%	3,889	15.6%
% of Indirect Tax	19.1%		18.1%		20.3%		22.8%	
Customs	2,332	0.0%	2,400	2.1%	2,583	10.8%	2,712	5.0%
% of Indirect Tax	14.8%		13.7%		15.6%		15.9%	
Service tax	-	-100.0%	1	0.0%	-	#DIV/0!	-	#DIV/0!
% of Indirect Tax	0.0%		0.0%		0.0%		0.0%	
Wealth tax & commodity transac'	-	-100.0%	-	#DIV/0!	-	#DIV/0!	-	#DIV/0!
% of Indirect Tax	0.0%		0.0%		0.0%		0.0%	
Taxes of UTs	95	3.1%	101	7.2%	96	1.0%	103	6.6%
% of Indirect Tax	0.6%		0.6%		0.6%		0.6%	
Other taxes and duties***	44	12.5%	50	0.0%	58	31.8%	177	203.6%
% of Indirect Tax	0.3%		0.3%		0.4%		10%	
2. Less transfers to states, UTs, etc.	12,963	13.9%	14,328	10.5%	14,031	8.2%	15,372	9.6%
% of total revenue receipts	27.9%		28.3%		28.3%		28.7%	
3. Net tax revenue (1-2)	25,000	7.4%	28,374	11.0%	26,747	7.0%	28,669	7.2%
% of total revenue receipts	53.7%		56.0%		53.9%		53.6%	
4. Non tax revenue	5,366	33.5%	5,830	9.8%	6,677	24.4%	6,662	-0.2%
% of total revenue receipts	11.5%		11.5%		13.4%		12.5%	
Interest receipts	404	5.7%	477	40.2%	402	-0.7%	418	4.0%
Dividends & profits	3,084	80.5%	3,250	12.3%	3,756	21.8%	3,910	4.1%
External grants	7	-32.2%	12	-0.1%	16	138.6%	23	42.0%
Other non-tax revenues	1,842	-2.3%	2,057	1.1%	2,485	34.9%	2,294	-7.7%
Receipts of union territories	28	-7.8%	34	11.4%	18	-36.1%	18	-2.3%
A. Total revenue receipts (3+4)	30,366	11.3%	34,204	10.8%	33,423	10.1%	35,331	5.7%
% of total receipts	131.2%		147.7%		144.4%		152.6%	
5. Non debt receipts	418	-30.0%	760	28.8%	640	53.1%	1,184	84.9%
% of total capital receipts	2.6%		4.6%		4.1%		6.6%	
Divestment & Strategic Receipts	172	-48.1%	470	42.4%	338	96.7%	800	136.4%
Recoveries of loans	246		290		302		384	
6. Debt receipts	15,738	-4.8%	15,665	3.2%	15,128	-3.9%	16,631	9.9%
% of total capital receipts	97.4%		95.4%		95.9%		93.4%	
Net Market Borrowings	11,629	-1.3%	11,538	7.4%	11,328	-2.6%	11,732	3.6%
Market loans for buyback	(882)		-		(868)		-	
Short Term Borrowings	(1,602)	-401.0%	-	-	-	-	1,300	-
External assistance	473	-14.2%	235	-26.6%	205	-56.7%	154	-24.8%
Securities against small savings	4,295	-4.9%	3,434	-16.6%	3,722	-13.3%	3,868	3.9%
State provident funds	40	-20.9%	50	0.0%	38	-50.0%	35	-7.9%
Others	22	-102.4%	407	56.5%	-1,033	-487.7%	-458	-55.7%
B. Total Capital receipts (5+6)	16,156	-5.7%	16,425	4.2%	15,768	-2.4%	17,815	13.0%
% of total receipts	34.7%		32.4%		31.8%		33.3%	
C. Draw down of cash balance	6		25		457		327	
Total Receipts (A+B+C)	46,529	4.7%	50,653	7.4%	49,648	6.7%	53,473	7.7%

2024-25 (A) v/s 2023-24 (A)

2026-27 (BE) v/s 2025-26 (RE)

2025-26 (RE) v/s 2024-25 (A)

2025-26 (BE) v/s 2024-25 (RE)

Expenditure - (Rs billion)	2024-25 (A)	YoY gr. #	2025-26 (BE)	YoY gr. #####	2025-26 (RE)	YoY gr. ###	2026-27 (BE)	YoY gr. ##
Revenue expenditure								
Interest payments	11,156	4.9%	12,763	12.2%	12,743	14.2%	14,040	10.2%
% of total expenditure	31.0%		32.4%		32.9%		34.0%	
Defence	2,910	0.2%	3,117	4.9%	3,498	20.2%	3,655	4.5%
% of total expenditure	8.1%		7.9%		9.0%		8.9%	
Rural Development	1,767	9.1%	1,878	8.0%	1,870	5.9%	1,944	3.9%
% of total expenditure	4.9%		4.8%		4.8%		4.7%	
Subsidies	4,226	-2.8%	4,262	-0.4%	4,695	11.1%	4,548	-3.1%
Food	1,999	-5.6%	2,034	3.0%	2,282	14.2%	2,276	-0.2%
Fertilizers	1,707	-9.4%	1,679	-2.0%	1,865	9.2%	1,708	-8.4%
Petroleum	145	18.3%	121	-17.7%	151	4.4%	121	-20.1%
Interest Subsidies	219	12.1%	278	-1.1%	247	12.7%	274	11.3%
Others	157	416.8%	150	-8.1%	151	-3.7%	168	11.3%
% of total expenditure	0.4%		0.4%		0.4%		0.4%	
Agri	1,299	19.9%	1,272	-3.0%	1,230	-5.3%	1,305	6.1%
% of total expenditure	3.6%		3.2%		3.2%		3.2%	
Health & Family Welfare	850	8.5%	923	9.9%	905	6.5%	988	9.2%
% of total expenditure	2.4%		2.3%		2.3%		2.4%	
Housing & Urban Affairs	216	-48.6%	592	84.8%	242	12.0%	507	109.3%
Transfer to States	1,333	-19.6%	1,574	-0.5%	1,815	36.2%	1,678	-7.6%
% of total expenditure	3.7%		4.0%		4.7%		4.1%	
Others	12,254	6.7%	13,061	4.0%	11,692	-4.6%	12,592	7.7%
% of total expenditure	34.0%		33.1%		30.2%		30.5%	
Total Revenue Expenditure	36,009	3.1%	39,443	6.7%	38,691	7.4%	41,255	6.6%
% of total expenditure	100.0%		100.0%		100.0%		100.0%	
Capital expenditure								
Defence	1,598	3.6%	1,800	12.9%	1,865	16.7%	2,193	17.6%
% of total expenditure	4.4%		4.6%		4.8%		5.3%	
Roads & Highways	2,853	8.1%	2,722	-0.1%	2,721	-4.7%	2,942	8.1%
% of total expenditure	7.9%		6.9%		7.0%		7.1%	
Railways	2,519	3.9%	2,520	0.0%	2,520	0.0%	2,778	10.3%
% of total expenditure	7.0%		6.4%		6.5%		6.7%	
Housing & Urban	316	19.6%	376	18.8%	330	4.3%	348	5.5%
% of total expenditure	0.9%		1.0%		0.9%		0.8%	
Transfer to States	1,657	34.9%	1,706	22.4%	1,750	5.6%	2,664	52.3%
% of total expenditure	4.6%		4.3%		4.5%		6.5%	
Others	1,576	13.2%	2,086	27.7%	1,773	12.5%	1,293	-27.1%
% of total expenditure	4.4%		5.3%		4.6%		3.1%	
Total Capital Expenditure	10,520	10.8%	11,211	10.1%	10,958	4.2%	12,218	11.5%
% of total expenditure	22.6%		22.1%		22.1%		22.8%	
Total expenditure	46,529	4.7%	50,653	7.4%	49,648	6.7%	53,473	7.7%

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