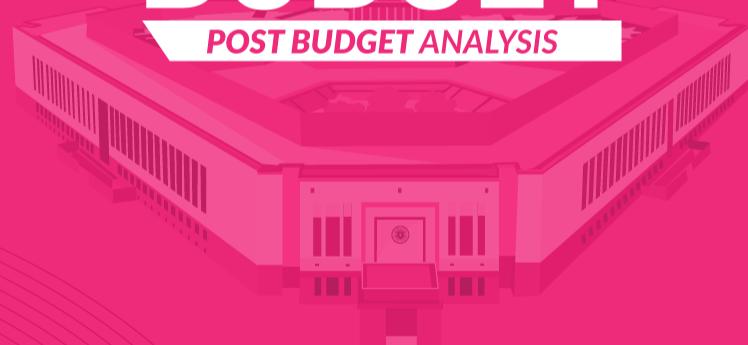


UNION BUDGET

2026-27



POST BUDGET ANALYSIS



AXIS DIRECT

The Union Budget 2026-27 was presented today by the Finance Minister Nirmala Sitharaman. The Union Budget FY26-27 was presented against a backdrop of resilient domestic growth, moderating inflation, and a challenging global environment marked by geopolitical risks, tighter global financial conditions, and uneven recovery across major economies. Framed against a backdrop of fiscal prudence, the FY26-27 Budget reflects India's transition from consolidation to long-term capacity building. Having successfully anchored the fiscal deficit below 4.5% of GDP, the government is now pivoting toward infrastructure-led growth and manufacturing competitiveness. Guided by the *Viksit Bharat 2047* vision, this budget prioritises structural reforms and job creation over populist measures, signalling a clear commitment to scaling India's global economic footprint.

Our Key Takeaways from the Union Budget:

Continued Thrust on CAPEX: Capital expenditure has been increased to **~Rs 12.2 Lc Cr**, marking a **~9% YoY** rise and extending the multi-year focus on public investment over the revised estimates. We believe these CAPEX estimates are reasonable and align with the nominal GDP growth rate of 10% for FY27. Its unwavering focus remains on Roads, Power, Urban Development, and Railways, sectors that are expected to drive significant long-term economic multipliers. Public capex continues to act as a key multiplier for private investment, employment creation, and medium-term productivity gains.

Fiscal Math Reasonable: The fiscal deficit for FY26-27 has been budgeted at **~4.3% of GDP**, reflecting a marginal improvement over the previous year and reaffirming the government's commitment to medium-term fiscal consolidation. The fiscal stance balances prudence with growth imperatives, reinforcing macro stability and supporting India's sovereign credibility.

Manufacturing & Strategic Industries: A stronger focus on domestic manufacturing with incentives across electronics, machinery, textiles, and rare earth mineral corridors. Under India Semiconductor Mission 2.0, the outlay has been increased to Rs 40,000 Cr for building the semiconductor ecosystem and supply chain capabilities.

Bio Pharma SHAKTI: The FM has proposed an outlay of Rs 10,000 Cr over five years to strengthen biologics and biosimilars, focusing on integration and upgradation of NIPERs and creation of over 1,000 accredited clinical trial sites. This marks a clear pivot from volume-led generics to a value-led Bio-Pharma hub with global ambitions.

Increase in Securities Transaction Tax (STT): The upward revision in STT rates is a **marginal negative for capital market participants**, particularly high-frequency traders and derivatives volumes. However, the overall impact on long-term investors is expected to be limited.

The Union Budget FY26-27 largely reinforces India's **medium-term growth narrative** through sustained capital expenditure and gradual fiscal consolidation. While the increase in STT and buyback tax introduces a modest near-term headwind for equity markets, the broader macro framework remains supportive. Stable fiscal metrics, controlled borrowing, and infrastructure-led growth continue to provide a constructive foundation for long-term investors.

Our Positive Budget Play (Coverage): Ultratech Cement; Ashok Leyland; Max Healthcare; HCL Technologies; Welspun Living; Embassy Office Park REIT, Ahluwalia Contract, Biocon

Our Positive Budget Play (Non-Coverage): GMDC (Rare Earth play); REC (Restructuring Play); Anant Raj Ltd (Data Centre Play); Syrma SGS Tech (EMS Play); MTAR (Nuclear Play); Narayan Hrudayalaya Ltd

Key Highlights

Key Announcements

- FY26-27 Capex target stands at 12.2 Lc Cr, up from the FY25-26 Revised estimate of 11 Lc Cr
- STT Raise on F&O:** Proposal to raise STT on Futures to 0.05% from 0.02% currently. STT on options premium and exercise of options are both proposed to be raised to 0.15% from the present rate of 0.1% and 0.125%, respectively.
- Proposal on setting up of Banking Committee** to review the sector and align it with India's next phase of growth, while safeguarding financial stability, inclusion, and consumer protection.
- The government will club software development, ITES, KPO, and R&D services into a single IT Services category with a unified 15.5% safe harbour margin. The eligibility threshold is being increased from Rs 300 Cr to Rs 2,000 Cr to include more companies.

Fiscal Outlook

- Nominal GDP growth for FY27 is pegged at Rs 393 Lc Cr, up 10.0% over the FY26 advance estimates.
- Total expenditure for FY26 is budgeted at Rs 53.5 Lc Cr, up 7.7% from the FY26RE.
- Gross revenue collection is expected to grow at 8% in FY27. The expectations are likely to be met.**
- The government is on the right track of the fiscal consolidation path with a target of 4.3% for FY27.
- The gross borrowing target for the next year is set at Rs 17 Lc Cr.

Specific Areas

- Budget has announced on key strategic Manufacturing and Infrastructure sectors such as: i) **Biopharma SHAKTI:** A Rs 10,000 Cr outlay over 5 years to build a domestic ecosystem for biologics and biosimilars, ii) **ISM 2.0:** Expansion of the India Semiconductor Mission to focus on full-stack Indian IP and equipment manufacturing, iii) **EMS Scheme**, outlay increased to Rs 40,000 Cr, and iv) establish dedicated **Rare Earth Corridors** to promote mining, processing, research and manufacturing.
- To support digital infrastructure and global investment, a **tax holiday until 2047** for foreign companies providing **cloud services** through Indian data centres, provided Indian customers are served via a local reseller.
- SME Growth Fund:** A dedicated Rs 10,000 Cr fund to help MSMEs scale into "Champions".
- Restructuring of Power Financiers (REC/PFC).

Macro Picture



Fiscal Account FY26-27: Revenue Receipt

In Cr	2024-25 Actuals	2025-26 Budget Estimates	2025-26 Revised Estimates	2026-27 Budget Estimates
Gross Tax Revenue	37,96,382	42,70,233	40,77,772	44,04,086
1) Direct Tax	22,21,938	25,20,000	24,21,000	26,97,000
Personal Income Tax	12,35,171	14,38,000	13,12,000	14,66,000
Corporation tax	9,86,767	10,82,000	11,09,000	12,31,000
2) Indirect Tax	15,74,444	17,45,133	16,56,772	17,07,086
GST	10,27,041	11,78,000	10,46,480	10,19,020
Excise Duties	3,00,253	3,17,000	3,36,550	3,88,910
Custom Duty	2,33,201	2,40,000	2,58,290	2,71,200
Union Territories	9,527	10,133	9,622	10,256
Service Tax				
Others	4,422	5,100	5,830	17,700
Less: To states & NCCD transfer	12,96,343	14,32,824	14,03,111	15,37,164
Net Tax Revenue	25,00,039	28,37,409	26,74,661	28,66,922
Non Tax Revenue (Interest, Dividend, grants)	5,36,580	5,83,000	6,67,662	6,66,228
Non-Debt Receipts (Loans And Disinvestments)	41,818	76,000	64,027	1,18,397
Total Receipts	30,78,437	34,96,409	34,06,350	36,51,547
Borrowings & oth Liabilities	15,74,431	15,68,936	15,58,492	16,95,768
Total Receipts inc Borrowings	46,52,868	50,65,345	49,64,842	53,47,315
Fiscal Deficit	4.80%	4.40%	4.40%	4.30%

Key Highlights

- Gross tax revenue is expected to go up by 8.0% in FY27 vs. 7.4% growth in FY26 revised estimates. We believe these numbers are reasonable.
- The government expects to maintain a personal income tax collection growth rate of 11.7% in FY27.
- Corporate tax rate collection was 12% in FY26 and is expected to grow by 11% in FY27.
- GST collection in FY27 is expected to be 3% lower than FY26 on account of the GST rate cut.
- Government borrowings for FY27 are targeted at 17 Lc Cr, which is 9% higher than FY26 levels.
- The fiscal deficit for FY27 is pegged at 4.3% of GDP.

Fiscal Account FY26-27: Subsidy & Non Tax Receipt

Subsidy (In Cr)	2024-25 Actuals	2025-26 Budget Estimates	2025-26 Revised Estimates	2026-27 Budget Estimates
Food	1,99,867	2,03,420	2,28,154	2,27,629
Fertiliser	1,70,683	1,67,887	1,86,460	1,70,799
<i>Urea</i>	117872.96	1,18,887	1,26,460	1,16,799
<i>Nutrition based</i>	52810	49,000	60,000	54,000
Petroleum	14,479	12,100	15,121	12,085
<i>LPG</i>	14479	12100	15121	12085
<i>Kerosene</i>	21,885	27,840	24,666	27,441
Interest Subsidies	15,692	14,969	15,105	16,820
Other	4,22,606	4,26,216	4,69,505	4,54,773
Total	1,99,867	2,03,420	2,28,154	2,27,629

Subsidy Budget Saw A Slight Reduction In FY27 On Account of Normalcy

- Overall subsidy budget has been reduced to 3.14% of GDP for FY27 vs. (1.19%) for FY26 RE on account of the encouraging pace of the economic recovery.
- Allocation to the fertiliser subsidy has been reduced to Rs 1,70,799 Cr

Non Tax and Capital Receipt (In Cr)	2024-25 Actuals	2025-26 Budget Estimates	2025-26 Revised Estimates	2026-27 Budget Estimates
Interest	40,435	47,738	40,165	41,763
Dividends	3,08,424	3,25,000	3,75,590	3,91,000
<i>From Public Enterprises</i>	74,140	69,000	71,000	75,000
<i>From RBI & Financials Institutions</i>	2,34,285	2,56,000	3,04,590	3,16,000
Disinvestment	17,202	47,000	33,837	80,000

Continuation of High Dividend Income Targeted for FY27

- FY26 disinvestment has been revised down to Rs 33,837 Cr and set at Rs 80,000 Cr in FY27
- Estimate for the RBI dividends is set at Rs 3.9 Lc Cr in FY27

Government Schemes: Major Outlay

In Cr	2024-25 Actuals	2025-26 Budget Estimates	2025-26 Revised Estimates	2026-27 Budget Estimates	% Increase over FY26 RE
Centrally sponsored Schemes					
<i>National Social Assistance Program</i>	9652	9,652	9,197	9,671	5%
<i>VB-G RAM G</i>	85,834	86,000	88,000	30,000	-66%
<i>Pradhan Mantri Krishi Sinchai Yojna</i>	6498	8,260	6,372	6,587	3%
<i>Pradhan Mantri Gram Sadak Yojna</i>	17871	19,000	11,000	19,000	73%
<i>Pradhan Mantri Awas Yojna (PMAY) - Rural</i>	32327	54,832	32,500	54,917	69%
<i>Pradhan Mantri Awas Yojna (PMAY) - Urban</i>	5815	19,794	7,500	18,625	148%
<i>Jal Jeevan Mission / National Rural Drinking Water Mission</i>	22612	67,000	17,000	67,670	298%
<i>Swachh Bharat Mission (Urban)</i>	1893	5,000	2,000	2,500	25%
<i>Swachh Bharat Mission (Gramin)</i>	3,211	7,192	6,000	7,192	20%
<i>AMRUT</i>	5513	10,000	7,500	8,000	7%
<i>Modernisation of Police Forces</i>	2860	4,069	3,280	4,061	24%
<i>Others</i>	2,08,282	2,51,051	2,29,729	3,20,575	40%
Total Centrally sponsored schemes	4,02,368	5,41,850	4,20,078	5,48,798	31%
Major Central sector Schemes					
<i>Crop Insurance Scheme</i>	14473	12,242	12,267	12,200	-1%
<i>Pradhan Mantri Kisan Samman Nidhi (PM-Kisan)</i>	66121	63,500	63,500	63,500	0%

Key Highlights

- Allocation to the PMAY (rural) has increased to Rs 54,917 Cr vs. Rs 32,500 Cr in FY26 RE
- Allocation to VB-G RAM G reduced to Rs 30,000 Cr
- Allocation to the PM Gram Krishi Sinchai Yojana increased by 3% in FY27RE to 6,587 Cr.
- Rs 67,670 Cr allocated to the Jal Jeevan Mission for FY27
- AMRUT has received an allocation of 8,000 Cr for FY27.
- Allocation to Swachh Bharat Mission (Urban) increased by 25% in FY27, whereas for the Gramin scheme, it increased by 20% in FY27.

Major Announcements on Infrastructure

Infrastructure Budget (In Cr)	2024-25 Actuals	2025-26 Budget Estimates	2025-26 Revised Estimates	2026-27 Budget Estimates	% Increase over FY26 RE
Roads	2,99,460	2,87,333	2,87,142	3,09,875	8%
NHAI	1,68,601	1,70,266	1,70,266	1,87,293	10%
Railways	2,55,263	2,55,445	2,55,445	2,81,377	10%
Urban development	53,255	96,777	57,204	85,522	50%
Smart Cities+AMRUT	5,647	10,000	7,500	8,000	7%
MRTS and Metro Projects	24,602	31,106	27,310	28,695	5%
Shipping	2,838	3,471	2,899	5,165	78%
Sagar Mala Port	658	866	699	617	-12%
Power	19,714	21,847	21,588	29,997	39%
Aviation	2,601	2,400	2,055	2,103	2%
Jal Shakti	20,867	25,277	18,406	19,913	8%
Pradhan Mantri Awas Yojna (PMAY)	38,142	74,626	40,000	73,542	84%
PMAY (Urban)	5,815	19,794	7,500	18,625	148%
PMAY (Rural)	32,327	54,832	32,500	54,917	69%
Pradhan Mantri Gram Sadak Yojna	17,871	19,000	11,000	19,000	73%
Swachh Bharat	5,506	12,192	8,000	9,692	21%

Key Highlights

- Allocation to Railways increased by 10% in FY27.
- Allocation to Road & Highways (NHAI) increased by 8% in FY27 to Rs 3.1 Lc Cr
- Allocation to the Power sector has increased to Rs 29,997 Cr in FY27, up 39% YoY.
- Urban development continues to be the focus area. Rs 8,000 Cr has been allotted to Smart Cities, and Rs 28,695 Cr to Metro Projects, which stands reduced compared to FY26RE.
- PMAY continues to be a key focus area for the government. The scheme has been allocated Rs 73,542 Cr for FY27.
- Allocation to Swachh Bharat Mission has increased 21% to Rs 9,692 Cr.

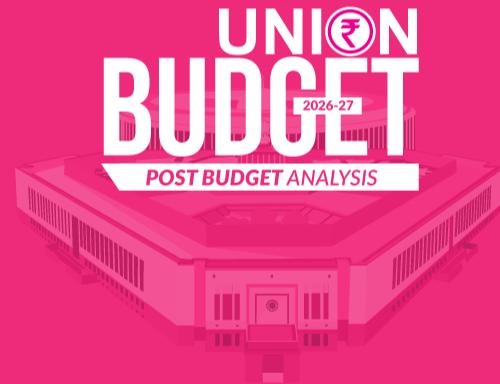
Fiscal Account FY26-27: Expenditure Budget

Expenditure Major items (cr)	2024-25 Actuals	2025-26 Budget Estimates	2025-26 Revised Estimates	2026-27 Budget Estimates	% increase from previous fiscal
Pension	2,73,772	2,76,618	2,86,641	2,96,214	3%
Defence	4,50,733	4,91,732	5,67,855	5,94,585	5%
Subsidy					
<i>Fertiliser</i>	170683	1,67,887	1,86,460	1,70,781	-8%
<i>Food</i>	199867	2,03,420	2,28,154	2,27,629	0%
<i>Petroleum</i>	14479	12,100	15,121	12,085	-20%
Agriculture and Allied Activities	154610	1,58,838	1,51,853	1,62,671	7%
Commerce and Industry	44446	65,553	52,324	70,296	34%
Development of North East	3371	5,915	4,479	6,812	52%
Education	110736	1,28,650	1,21,949	1,39,289	14%
Energy	66052	80,174	86,471	1,09,029	26%
External Affairs	25512	20,517	21,743	22,119	2%
Finance	58217	62,924	1,12,175	20,649	-82%
Health	88353	98,311	94,625	1,04,599	11%
Home Affairs (inc UT)	224585	2,33,211	2,41,485	2,55,234	6%
Interest	1115575	12,76,338	12,74,338	14,03,972	10%
IT and Telecom	117163	86,898	53,946	74,560	38%
Others	439193	4,82,654	4,86,100	5,56,020	14%
Rural Development	206010	2,65,817	2,12,750	2,73,108	28%
Scientific Development	27518	55,679	37,014	55,756	51%
Social Welfare	45804	60,052	50,053	62,362	25%
Tax Admin	202772	1,86,632	74,540	45,500	-39%
Transport	560162	5,48,649	5,47,563	5,98,520	9%
Urban Development	53255	96,777	57,204	85,522	50%
Grand Total	46,52,868	50,65,346	49,64,843	53,47,312	8%

Key Highlights

- Total Expenditure for FY27 is set at Rs 53.47 Lc Cr, up 7.7% from FY26RE levels.
- Education allocation is up 14%
- Health allocation is up 11%
- Scientific Development allocation is up 51% for FY27 vs FY26RE
- Rural Development allocation is up 28%.
- Allocation to Social Welfare schemes is up 25%
- Allocation to Urban Development schemes is up 50% for FY27 vs FY26RE.

Sectoral Picture



Winners: Biocon; Dr Reddy's Laboratories, Max Healthcare, Medanta

Losers: None



Key Budget Announcements

- **BioPharma SHAKTI:** The FM has proposed an outlay of Rs 10,000 Cr over five years to strengthen biologics and biosimilars, focusing on integration and upgradation of NIPERs and creation of over 1,000 accredited clinical trial sites. This marks a clear pivot from volume-led generics to a value-led Bio-Pharma hub with global ambitions.
- **Customs Duty Exemptions:** The Union Budget FY27 proposes full customs duty exemption on 17 life-saving cancer and critical drugs, with 7 additional rare disease therapies included to improve access, affordability, and treatment availability.
- **Allied Health Professionals:** The FM announced the creation of 1 Lc Allied Health Professionals over the next five years across 10 disciplines, including optometry, radiology, anaesthesia, and allied clinical services—addressing the skilled manpower gap in healthcare delivery.
- **Healthcare Infrastructure:** The government will facilitate five regional healthcare hubs (hospitals, diagnostics, and rehabilitation) under the PPP model to promote medical tourism and strengthen the healthcare value chain. Additionally, 50% capacity expansion in emergency and trauma care at district hospitals and the establishment of NIMHANS-2 have been announced to improve critical care accessibility.



Our View

- **Positive for Dr Reddy's and AstraZeneca (non-coverage)** on account of BCD exemption on cancer drugs
- **Positive for Biocon, Dr Reddy's, and Zydus Lifescience (non-coverage)** on account of being dominant players in the biosimilars segment.
- **Positive for Max, Medanta, and Narayana (non-converge)** as they operate under the PPP model and have a higher medical tourism reach.

Winners: Banks – SBI, Bank of Baroda, HDFC Bank, ICICI Bank
NBFCs – REC, PFC (Non-coverage)

Losers: None



Key Budget Announcements

- Setting up of Banking Committee:** Proposal to set-up high-level Committee on Banking for Viksit Bharat to comprehensively review the sector and align it with India's next phase of growth, while safeguarding financial stability, inclusion, and consumer protection
- Capital Outlay Increased:** Capex outlay for FY27 is expected at Rs 12.2 Lc Cr, ~9% higher than the Rs 11.2 Lc Cr earmarked for FY26.
- Restructuring of Power Financiers:** To achieve scale and improve efficiency in the Public Sector NBFCs, as a first step, it is proposed to restructure the Power Finance Corporation and Rural Electrification Corporation.



Our View

- Positive** for the **entire banking sector** as it could ensure better structural reforms, better governance standards and improved risk management
- Positive** for the **entire Banking sector**, given an increase in capital outlay, which would boost credit growth in the sector.
- Our Preferred Picks:** SBI, BoB, HDFC Bank, ICICI Bank
- Positive (Non-coverage)** for REC Ltd. and Power Finance Corporation

Winners: Banks – None

Losers (Non-coverage): BSE, Angel One, Groww, Nuvama



Key Budget Announcements

- **STT Raise on F&O:** Proposal to raise STT on Futures to 0.05% from 0.02% currently. STT on options premium and exercise of options are both proposed to be raised to 0.15% from the present rate of 0.1% and 0.125%, respectively.

Our View



- **Negative** for brokers and exchanges as it could impact volumes and resultantly revenues. We believe this step is an extension of the regulator's intent to curb retail speculation and reduce market risk.

Winners: All Cement Companies

Losers: None



Key Budget Announcements

- Increase in Capital Expenditure:** The government has increased capital expenditure from Rs 11.1 Lc Cr to Rs 12.2 Lc Cr. In the Road sector, capex has been raised from Rs 2.5 Lc Cr to Rs 2.8 Lc Cr. Increased investment in infrastructure is expected to drive cement demand, as higher capital allocation will lead to the construction of more roads and highways.

Our View

- Positive** for all cement companies
- Our Preferred Picks: **UltraTech Cement, JK Cement, Dalmia Bharat, Ambuja Cement**



Winners: TCS, Infosys, HCL Tech, Wipro, Tech Mahindra, and Bharti Airtel (Nxtra - Data Centre Subsidiary)

Losers: None



Key Budget Announcements

- Tax Holiday for Global Cloud Companies:** To support important digital infrastructure and encourage investment in data centres, the government proposes to offer a tax holiday until 2047. This benefit will be available to foreign companies that provide cloud services to customers around the world using data centres located in India. However, these companies must serve Indian customers through an Indian reseller company.
- Fast-track the Unilateral Advance Pricing Agreement (APA) Process for IT Services:** The government proposes to fast-track the unilateral Advance Pricing Agreement (APA) process for IT services companies, to conclude such agreements within two years, extendable by six months on request. Further, the facility of filing modified tax returns, earlier available only to the entity entering into the APA, will now be extended to its associated entities as well.
- Automated Taxation Process Under a Single Category with a Uniform Safe Harbour Margin:** The government proposes to classify all IT services under a single category with a uniform safe harbour margin of 15.5%. The revenue limit for availing safe harbour has been increased significantly from Rs 300 Cr to Rs 2,000 Cr, allowing larger IT companies to benefit. The approval process will be fully automated, requiring no intervention from tax authorities. Once opted for, companies can continue the safe harbour for a continuous period of five years, providing tax certainty and reducing disputes.

Our View



- The measures announced in the Budget are **positive for the Indian IT sector** as they will lower regulatory friction, enhance India's attractiveness as a global IT and cloud hub, and support sustainable margin stability, making the policy environment decisively **supportive for long-term growth**.

Winners: Embassy Office Parks, Astral, Anant Raj (Non-coverage)

Losers: None



Key Budget Announcements

- REITs Asset Monetisation Push:** Budget proposes accelerating recycling of significant CPSE real estate through dedicated REITs.
- Enhancement of Public Infrastructure:** Continued focus on developing infrastructure investment trusts (InvITS and RIETS) in cities with a population of over 5 Lc (Tier II and Tier III), which have expanded to become growth centres.
- Boost to Digital Infrastructure:** Budget recognises the need to enable critical infrastructure and increase investments in data centres.
- Tax Holiday Incentive Till 2047:** Budget proposes a tax holiday till 2047 for any foreign company that provides cloud services to customers globally by using data centre services from India. This move aims to position India as an emerging global data centre hub.
- Public Capex Allocation:** Government has increased public capital expenditure to Rs 12.2 Lc Cr, sustaining strong infra and construction demand, indirectly benefitting plastic pipe companies.

Our View



- Positive** for players such as **Embassy Office Parks** who might benefit due to the upcoming enhanced investment in infrastructure and real estate investment trusts.
- Positive** for data center players such as **Anant Raj** (Non-coverage), benefitting from increased focus on making India a data center hub.
- Positive** for plastic pipes manufacturing companies like **Astral**, driven by an increased public capex expense.

Winners: All infra Companies

Losers: None



Key Budget Announcements

- Enhanced Capital Outlay for Infrastructure in the Union Budget 2026-27:** Public capex for FY27 is set at Rs 12.2 Lc Cr, up 11% YOY, slightly above expectations, to sustain infrastructure growth momentum. The capital outlay for railways has increased by 10% YoY, and for roads and bridges it has increased by 9% YoY.
- Focus on Urban & Transport Infrastructure Development:** The government will continue to focus on developing infrastructure in cities with over 5 Lc population (Tier II and Tier III), which have emerged as growth centres. To promote environmentally sustainable passenger systems, the government will develop seven High-Speed Rail corridors between cities as 'growth connectors', namely i) Mumbai-Pune, ii) Pune-Hyderabad, iii) Hyderabad-Bengaluru, iv) Hyderabad-Chennai, v) Chennai-Bengaluru, vi) Delhi-Varanasi, and vii) Varanasi-Siliguri.
- Measures of De-Risking Infrastructure Financing:** To strengthen the confidence of private developers regarding risks during the infrastructure development and construction phase, the government proposes to set up an Infrastructure Risk Guarantee Fund to provide prudently calibrated partial credit guarantees to lenders.
- Boosting Sustainable Cargo Mobility through Multimodal Infrastructure:** To promote sustainable cargo movement, the proposal includes developing new Dedicated Freight Corridors, expanding inland waterways and related infrastructure, building skilled manpower through training institutes and ship-repair hubs, and launching incentives to shift cargo from road and rail to waterways and coastal shipping—aiming to double their share to 12% by 2047.

Our View



- Positive for infra companies
- Our Preferred Picks from Coverage Companies: **PNC Infratech, Ahluwalia Contract, J Kumar Infra, RITES Ltd.**
- Our Preferred Pick from Non-coverage Companies: **NCC**

FMCG – Neutral to Positive

Winners: FMCG – Nestle, Britannia, Dabur, ITC (Foods),

FMCG (Non-coverage): Godrej Consumer Products, Jubilant Foodworks

Losers: None



Key Budget Announcements

- FMCG Implications:** The Budget introduces targeted fiscal measures and policy interventions impacting the FMCG sector across food processing, personal care, household appliances, tobacco, alcohol, and rural retail. The proposals aim to strengthen domestic manufacturing, enhance global competitiveness, and support inclusive growth.
- The Budget reinforces the push to upgrade agri-produce into premium brands while strengthening micro food enterprises.** Allocation under PM-FME has been raised to Rs 1,700 Cr in BE 2026 (vs. Rs 1,500 Cr in RE 2025), alongside a Rs 1,200 Cr outlay for the food processing PLI scheme. Global branding initiatives aim to position Indian cashew and cocoa as premium exports by 2030, while the Coconut Promotion Scheme focuses on productivity enhancement and farmer income support. For seafood exports, the duty-free import limit on processing inputs has been increased to 3% of prior-year FOB exports, improving export competitiveness.
- Custom duty on gold remains unchanged, which is positive for Jewellery companies.



Our View

- Neutral to Positive** for Major FMCG Companies – **Nestle, Britannia, ITC (Foods), Dabur,**
- FMCG (Non-coverage): Godrej Consumer Products, Jubilant Foodworks**
- Positive for Jewellery Companies – Titan (Non-coverage)**

Winners: Textile Companies, Select Chemical Players

Losers: None



Key Budget Announcements

- **Support for the Textile Sector:** Proposed mega textile parks and an integrated programme with 5 sub-parts for the labour-intensive textile sector, which includes:
 - 1) The National Fibre Scheme for self-reliance in natural fibres
 - 2) Textile Expansion and Employment Scheme to modernise traditional clusters
 - 3) A National Handloom and Handicraft Programme
 - 4) Tex-Eco Initiative to promote globally competitive and sustainable textiles and apparel
 - 5) Samarth 2.0 to modernise and upgrade the textile skill development
- **Dedicated Chemical Parks:** The government will launch a scheme to support states in establishing three dedicated Chemical Parks to enhance domestic chemical production and reduce import dependency.
- **Exemptions for Capital Goods Used for Specific Applications:** The budget announced tax/duty exemptions on the sale of Capital Goods to be used in specific applications like processing of critical minerals in India, toll manufacturing in a bonded zone, manufacturing Lithium-Ion Cells for batteries, electronic goods in a bonded zone, etc.

Our View



- **Positive for Textile Players:**
- **Textile (Coverage): Welspun Living**
- **Textile (Non-coverage): Gokaldas Exports, Wardhman Textiles, Pearl Global Industries, KPR Mill, and others.**
- **Positive for Chemical Stocks** that may be able to benefit from the new Chemical Parks (will depend on locations).

Winners: Ashok Leyland, Eicher Motors (VECV)

Losers: None



Key Budget Announcements

- Infrastructure-led Demand Visibility for the CV Ecosystem:** The sustained public capital expenditure outlay of Rs 12.2 Lc Cr in FY27 vs Rs 11.2 Lc Cr in FY26, with continued focus on roads, logistics, freight corridors and urban infrastructure, is expected to support higher freight movement and fleet utilisation, improving volume visibility and replacement demand across the commercial vehicle value chain.
- Localisation-driven Cost Competitiveness for EVs & Auto Electronics:** Customs duty exemptions on select critical capital goods (duty reduced to NIL) for EV and lithium-ion battery manufacturing, along with policy focus on critical minerals and rare earth processing, are expected to support higher localisation levels, reduce import dependence, and improve medium-term cost structures for EV and electronics-intensive auto segments.
- Improvement in Working-capital Efficiency Across Auto Ancillaries:** Measures aimed at strengthening MSME financing, including mandatory TReDS onboarding for CPSE procurement (100% coverage) and enhanced credit support for receivables financing, are likely to ease liquidity constraints, shorten cash conversion cycles and improve return ratios across the auto ancillary value chain.

Our View



- Positive** impact on CV OEMs: Ashok Leyland, Eicher Motors (VECV)
- Positive** for Auto Ancillary: Automotive Axle, Minda Corp, Endurance Tech, and Sansera Engineering

Winners: NTPC, JSW Energy, Tata Power (Non-Coverage) and Waaree Energies Ltd (Non-Coverage)

Losers: None



Key Budget Announcements

- Capital Outlay in Solar Energy and BESS:** The allocation towards Solar Power (Grid) is at Rs 1,775 Cr in FY27BE vs. Rs 1,000 Cr in FY26RE. The investment towards PM Surya Ghar Muft Bijli Yojana has been increased to Rs 22,000 Cr in FY27BE from Rs 17,000 Cr in FY26RE. The investment towards Viability Gap Funding for BESS has been increased significantly to Rs 1,000 Cr in FY27BE from Rs 100 Cr in FY26RE.
- Custom Duty Exemptions for Renewable Energy:** Duty on sodium antimonate for use in the manufacture of solar glass has been reduced from 7.5% to NIL. Specified capital goods for use in the manufacture of lithium-ion cells for BESS batteries have been exempted from customs duty.
- Custom Duty Exemptions for Nuclear Energy:** All goods for the generation of nuclear power, comprising Control and Protector Absorber Rods, Burnable Absorber Rods for nuclear power generation been exempted (reduced from 7.5% to NIL). Goods required for setting up specified Nuclear Power Projects registered with Customs Houses on or before 30th Sep'35 have been fully exempted.
- Tax Holiday for Data Centre Services:** The government has proposed a tax holiday up to 2047 for any foreign company providing services to any part of the world outside India by procuring data centre services in India. This could indirectly support data centre ecosystem in India. Data Centres would create supportive demand dynamics in power sector.

Our View



- Positive:** The comprehensive custom duty exemptions across nuclear energy goods are positive for **NTPC**, given its ambitious nuclear capacity addition plans under the Nuclear Energy Mission.
- Custom duty exemption on lithium-ion cell manufacturing capital goods, coupled with the 10x increase in Viability Gap Funding for BESS to Rs 1,000 Cr, signals a strong government commitment towards energy storage adoption. **This is positive for NTPC, JSW Energy, and Tata Power (Non-coverage) with BESS ambitions.**
- Duty exemption on sodium antimonate for solar glass manufacturing supports domestic solar value chain development, could benefit **Borosil Renewables** and **Waaree Energies Ltd** (Non-coverage), and other integrated solar module manufacturers.

Winners: Steel Companies, Non-Ferrous companies, GMDC, Pipe Companies

Losers: None



Key Budget Announcements

- Capital Expenditure Growth:** In the Union Budget, total capital expenditure growth is projected at 11.5% for FY27BE vs. FY26RE. The investment towards PMAY-Urban increased to Rs 18,625 Cr in FY27BE from Rs 7,500 Cr in FY26RE, PMAY Urban 2.0 allocation increased to Rs 3,000 Cr in FY27BE from Rs 300 Cr in FY26RE, PMAY-Rural allocation increased to Rs 54,917 Cr in FY27BE from Rs 32,500 in FY26RE and Railway Allocation to Rs 2.77 Lc Cr in FY27BE from Rs 2.52 Lc Cr in FY26RE, which will support steel and metals demand.
- Increased Allocation for Jal Jeevan Mission:** The allocation for the Jal Jeevan Mission/National Rural Drinking Water Mission has been increased from Rs 17,000 Cr in FY26RE to Rs 67,670 Cr in FY27BE, which could drive demand for steel pipes.
- Rare Earth Corridors and Custom Duty Exemption:** A Scheme for Rare Earth Permanent Magnets was launched in Nov'25. The government now proposes to establish dedicated Rare Earth Corridors in mineral-rich states of Odisha, Kerala, Andhra Pradesh, and Tamil Nadu to promote mining, processing, research, and manufacturing. Additionally, basic customs duty is exempted for the imports of capital goods required for the processing of critical minerals in India.

Our View



- Positive:** Continued allocation towards housing and railways will support steel and metal demand.
- Coverage:** **Tata Steel, Hindalco, NALCO, SAIL**
- Non-coverage:** **JSW Steel, Jindal Stainless, Jindal Steel and Power**
- Positive:** Rare earth mining focus will benefit companies like **GMDC**.
- Positive** (Coverage): The allocation towards the Jal Jeevan mission will be beneficial for ERW and DI pipe manufacturers such as **APL Apollo Tubes and JTL Industries** (Coverage)
- Positive** (Non-coverage): **Electro Steel Castings, Jai Balaji Group, and other DI players.**

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Compliance Officer Details: Name – Mr Rajiv Kejriwal, Tel No. – 022-68555574, Email id – compliance.officer@axisdirect.in;

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kuria (W), Mumbai – 400070.

Administrative office address: Axis Securities Limited, Aurum Q Park, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

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