



The Finance Minister is set to present the Union Budget for FY2026–27 on 1<sup>st</sup> February 2026, at a time when India stands out amid a challenging global economic environment. While global growth remains uneven, marked by geopolitical uncertainties, tighter financial conditions, and subdued external demand, India's macroeconomic fundamentals continue to exhibit resilience, with fiscal discipline remaining a key policy anchor.

India's real GDP growth is estimated at around 7.4% for FY26, supported by government-led capital expenditure, resilient services exports, and gradual improvement in private investment sentiment. However, uneven global growth, geopolitical risks, and moderation in consumption demand necessitate a carefully calibrated fiscal strategy. Markets are likely to favour a Budget that sustains growth without compromising medium-term fiscal consolidation. At this juncture, we believe the Budget is likely to further strengthen the long-term vision of "Viksit Bharat @2047", building on the structural transformation achieved over the past decade, while laying the foundation for durable, inclusive, and investment-led growth in the years ahead.

### Our Broad Expectations from the Union Budget 2026-27:

- **Government Capex: The Primary Growth Engine:** Capital expenditure (capex) remains the cornerstone of India's growth strategy. The Union Budget 2026–27 is expected to allocate Rs12–13 trillion towards capex, implying a 10–15% YoY increase. Key focus areas are likely to include Roads, Railways, Logistics infrastructure, Defence and indigenisation of equipment, Urban Infrastructure and Housing, Power Transmission, Renewables, and Green Energy.
- **Consumption vs Growth: Finding the Right Balance:** One of the key challenges for Budget 2026–27 is balancing capex-led growth with consumption support. Urban consumption has moderated while rural demand remains uneven. The government may support consumption through rural infrastructure and agriculture support, employment and skilling programs, and targeted welfare spending.
- **Fiscal Deficit: Credibility and Market Confidence:** The government is expected to continue on its fiscal consolidation roadmap, targeting a fiscal deficit of around 4.2–4.4% of GDP for FY27. Achieving this would signal strong policy credibility to both domestic and global investors. Containing the fiscal deficit is important as it limits government borrowing, reduces upward pressure on bond yields, and keeps inflation expectations anchored.
- **Disinvestment & Asset Monetization: Unlocking Value:** Disinvestment and asset monetization are expected to play a critical role in non-tax revenue generation. The government may target Rs 50,000–70,000 Cr through strategic disinvestment, stake sales, and asset monetization initiatives. While execution has historically lagged targets, a clearer and time-bound roadmap would be positively viewed by markets.
- **Revenue Growth & Tax Expectations:** While major tax cuts may be fiscally constrained, the Budget may focus on tax simplification rather than aggressive rate cuts. Possible areas include a reduction in litigation and faster refunds, targeted tax incentives for manufacturing, green energy, and innovation.
- **RBI Dividend: Supporting Fiscal Math:** The dividend transfer from the Reserve Bank of India (RBI) has emerged as a key support to government finances. For FY26, the RBI transferred a record surplus, and expectations remain elevated for FY27 as well. A higher-than-budgeted RBI dividend can help offset revenue shortfalls, reduce market borrowings, and improve fiscal optics without cutting growth expenditure.
- **Structural Reforms: Long-Term Wealth Creation:** Beyond numbers, markets will closely watch signals on ease of doing business reforms, labour and logistics efficiency, digital public infrastructure, legal and regulatory simplification. Such reforms improve productivity, attract foreign capital, and support sustainable earnings growth over the long term.

With global uncertainty, domestic growth resilience, and fiscal discipline all in play, the Union Budget 2026-27 is expected to strike a balance between growth support and macro stability. For emerging markets like India, the current environment presents both risks and opportunities. While volatile global capital flows and currency movements remain a concern, India's relatively strong growth outlook, large domestic market, and policy stability continue to position it favourably in global asset allocation.

**Our Positive Budget Play (Coverage):** Ultratech Cement, Maruti Suzuki, Bharati Airtel, NALCO, Prestige Estate, Chalet Hotels, Max Healthcare, Credit Access Grameen,

**Our Positive Budget Play (Non-Coverage):** GMDC(Rare Earth Play), BEL & MTAR( Defence Play), Amar Raja Energy ( EV Play), CESE(Power reform play ), M & M Finance (Credit Growth) , Jain Resource Recycling

# *Macro Picture*



## Fiscal Account FY25-26: Revenue Receipt

In Cr	2023-24 Actuals	2024-25 Budget Estimates	2024-25 Revised Estimates	2025-26 Budget Estimates
<b>Gross Tax Revenue</b>	<b>34,65,519</b>	<b>38,40,170</b>	<b>38,53,455</b>	<b>42,70,233</b>
<b>1) Direct Tax</b>	<b>19,55,812</b>	<b>22,07,000</b>	<b>22,37,000</b>	<b>25,20,000</b>
<i>Personal Income Tax</i>	10,44,757	11,87,000	12,57,000	14,38,000
<i>Corporation tax</i>	9,11,055	10,20,000	9,80,000	10,82,000
<b>2) Indirect Tax</b>	<b>15,09,707</b>	<b>16,28,170</b>	<b>16,16,455</b>	<b>17,50,233</b>
<i>GST</i>	9,57,208	10,61,899	10,61,899	11,78,000
<i>Excise Duties</i>	3,05,362	3,19,000	3,05,000	3,17,000
<i>Custom Duty</i>	2,33,119	2,37,745	2,35,000	2,40,000
<i>Union Territories</i>	9,242	9,426	9,456	10,133
<i>Service Tax</i>	425	100	100	100
<i>Others</i>	4,351	5,000	5,000	5,000
Less: To states & NCCD transfer	11,38,268	12,56,671	12,96,495	14,32,824
<b>Net Tax Revenue</b>	<b>23,27,251</b>	<b>25,83,499</b>	<b>25,56,960</b>	<b>28,37,409</b>
<i>Non Tax Revenue (Interest, Dividend, grants)</i>	4,01,785	5,45,701	5,31,000	5,83,000
<i>Non-Debt Receipts (Loans And Disinvestments)</i>	59,768	78,000	59,000	76,000
<b>Total Receipts</b>	<b>27,88,804</b>	<b>32,07,200</b>	<b>31,46,960</b>	<b>34,96,409</b>
<b>Borrowings &amp; other Liabilities</b>	<b>16,54,643</b>	<b>16,13,312</b>	<b>15,69,527</b>	<b>15,68,936</b>
<b>Total Receipts inc Borrowings</b>	<b>44,43,447</b>	<b>48,20,512</b>	<b>47,16,487</b>	<b>50,65,345</b>
<b>Fiscal Deficit</b>	<b>5.60%</b>	<b>4.90%</b>	<b>4.80%</b>	<b>4.40%</b>

- Net Tax revenue is up merely 3% to Rs 19.5 Lc Cr for April-Nov'25, owing to weaker income tax and GST rate rationalisation
- As of 11<sup>th</sup> Jan'26, the GOI has collected Direct tax of **Rs 18.38 Tn** (~73% of the Budget estimate of FY25-26).
- In 8MFY25, Total Indirect tax collections stand at ~10 Tn (57.2% of FY26 BE) led by modest growth in CGST (YoY: +5.4%)
- As per NSO's first advance estimate, FY25 Nominal GDP is estimated at **Rs 357.1 Tn** vs. Rs 324 Tn as per the last budget presentation.
- FY25 CAPEX stands at Rs 6.6 Tn for Apr-Nov'25, at 58.7% of the budgeted Rs 11.2 Tn; underscoring the continued emphasis on infrastructure creation and long-term capacity building.
- The FY26 fiscal deficit is expected to remain closely aligned with the budgeted glide path of 4.4%; supported by steady revenue growth and disciplined expenditure management

## Fiscal Account FY25-26: Subsidy & Non Tax Receipt

	2023-24	2024-25	2024-25	2025-26
Subsidy (In Cr)	Actuals	Budget Estimates	Revised Estimates	Budget Estimates
<b>Food</b>	<b>2,11,814</b>	<b>2,05,250</b>	<b>1,97,420</b>	<b>2,03,420</b>
<b>Fertiliser</b>	<b>1,88,292</b>	<b>1,64,000</b>	<b>1,71,311</b>	<b>1,67,900</b>
Urea	1,23,092	1,19,000	1,19,001	1,18,900
Nutrition based	65,200	45,000	52,310	49,000
<b>Petroleum</b>	<b>12,240</b>	<b>11,925</b>	<b>14,700</b>	<b>12,100</b>
LPG	12,240	11,925	14,700	12,100
Kerosene				
Interest Subsidies	19,516	29,550	28,156	27,840
Other	3,037	17,698	16,294	14,969
<b>Total</b>	<b>4,34,898</b>	<b>4,28,423</b>	<b>4,27,881</b>	<b>4,26,229</b>

	2023-24	2024-25	2024-25	2025-26
Non Tax and Capital Receipt (In Cr)	Actuals	Budget Estimates	Revised Estimates	Budget Estimates
Interest	38,260	33,107	34,042	47,738
Dividends	1,70,877	1,50,000	2,89,285	3,25,000
From Public Enterprises	65,382	48,000	55,000	69,000
From RBI & Financials Institutions	1,05,495	1,02,000	2,34,285	2,56,000
Disinvestment	33,122	50,000	33,000	47,000

### Subsidy bill for FY26

- Actual expenditure of ~Rs 0.5 Tn was recorded by Jul'25. Full year Fertilizer subsidy is likely to exceed the original BE, on account of higher input costs and policy support.
- Food subsidies are likely to exceed the BE. Upside to the FY26 food subsidy will be driven by strong kharif output of rice and coarse cereals, which is likely to boost government procurement, raise carrying and storage costs, and necessitate higher allocations for distribution under food security schemes

- FY26 disinvestment receipt is expected to be lower than the BE. As per DIPAM data, the total receipts from disinvestment stood at just Rs 87.7 Bn as of Jan'26. This included sales of the GOI's stake in Mazagaon Dock Shipbuilders, Bank of Maharashtra, Indian Overseas Bank, and Other Remittance from SUUTI. The government is actively considering additional stake sales in PSU Banks such as Central Bank of India, UCO Bank, Punjab and Sind Bank, while a decision on major strategic transactions like the IDBI Bank is awaited.

## Government Schemes: Major Outlay

In Cr	2023-24 Actuals	2024-25 Budget Estimates	2024-25 Revised Estimates	2025-26 Budget Estimates	% Increase over FY25 RE
<b>Centrally sponsored Schemes</b>					
<i>National Social Assistance Program</i>	9,476	9,652	9,652	9,652	0%
<i>MNREGA</i>	89,154	86,000	86,000	86,000	0%
<i>Pradhan Mantri Krishi Sinchai Yojna</i>	7,652	10,751	8,421	10,765	28%
<i>Pradhan Mantri Gram Sadak Yojna</i>	15,380	19,000	14,500	19,000	31%
<i>Pradhan Mantri Awas Yojna (PMAY)</i>	43,455	80,671	47,596	78,126	64%
<i>Jal Jeevan Mission / National Rural Drinking Water Mission</i>	69,992	70,163	22,694	67,000	195%
<i>Swachh Bharat Mission (Urban)</i>	2,392	5,000	2,159	5,000	132%
<i>Swachh Bharat Mission (Gramin)</i>	6,546	7,192	7,192	7,192	0%
<i>Environment, Forestry and Wildlife</i>	530	713	590	720	22%
<i>AMRUT and Smart Cities Mission</i>	13,573	10,400	8,000	10,000	25%
<i>Modernisation of Police Forces</i>	2,659	3,720	2,624	4,069	55%
<i>Others</i>	1,83,738	1,12,339	2,05,928	2,44,303	19%
<b>Total Centrally Sponsored Schemes</b>	<b>4,44,547</b>	<b>5,05,978</b>	<b>4,15,356</b>	<b>5,41,827</b>	<b>30%</b>
<b>Major Central Sector Schemes</b>					
<i>Crop Insurance Scheme</i>	12,949	14,600	15,864	12,242	-23%
<i>Pradhan Mantri Kisan Samman Nidhi (PM-Kisan)</i>	61,441	60,000	63,500	63,500	0%

### Key Expectations

- Budget is expected to support job creation through incentives for labour-intensive sectors, expanded skilling programs, and youth employment initiatives.
- Continued focus on rural livelihoods and farm incomes is expected via enhanced support for agro-processing, rural infrastructure, and guaranteed work schemes.
- Affordable housing may witness a boost
- Public health has become very critical, and further investments in the infrastructure seem quite possible.
- Expansion of PLI schemes to boost domestic manufacturing.

## Major Announcements on Infrastructure in the Last Fiscal

Infrastructure Budget (In Cr)	2023-24 Actuals	2024-25 Budget Estimates	2024-25 Revised Estimates	2025-26 Budget Estimates	% Increase over FY25 RE
Roads	2,75,986	2,78,000	2,80,519	2,87,333	2%
NHAI	1,67,398	1,68,464	1,69,371	1,70,266	1%
Railways	2,45,791	2,55,393	2,55,348	2,55,445	0%
Urban development	68,565	82,577	63,670	96,777	52%
Smart Cities+AMRUT	13,573	10,400	8,000	10,000	25%
MRTS and Metro Projects	19,450	21,248	24,602	31,106	26%
Shipping	2,231	2,377	2,859	3,471	21%
Sagar Mala Port	491	700	709	866	22%
Power	16,327	20,502	19,845	21,847	10%
Aviation	2,757	2,357	2,659	2,400	-10%
Jal Shakti	18,539	21,323	21,641	25,277	17%
Pradhan Mantri Awas Yojna (PMAY)	43,455	84,671	47,596	78,126	64%
PMAY (Urban)	21,684	30,171	15,170	23,294	54%
PMAY (Rural)	21,770	54,500	32,426	54,832	69%
Pradhan Mantri Gram Sadak Yojna	15,380	19,000	14,500	19,000	31%
Swachh Bharat	8,938	12,192	9,351	12,192	30%

### Key Highlights of the FY25 Budget

- Allocation for MRTS and Metro Projects was increased by 26% over FY25 RE.
- PMAY increased by 64% vs FY25RE, with PMAY (Urban) increasing by 54% and PMAY (Rural) increasing by 69%
- Allocation for the Sagar Mala Port project was increased by 22%, and Swachh Bharat by 30% vs. FY25RE
- The Power segment received an allocation of Rs 21,847 Cr, an increase of 10% vs FY25RE

# Fiscal Account FY25-26: Expenditure budget

UNION BUDGET 2026-27

Expenditure Major items (Cr)	2023-24 Actuals	2024-25 Budget Estimates	2024-25 Revised Estimates	2025-26 Budget Estimates
Pension	2,38,328	2,43,296	2,75,103	2,76,618
Defence	4,44,699	4,54,773	4,56,722	4,91,732
Subsidy				
<i>Fertiliser</i>	1,88,292	1,64,000	1,71,299	1,67,887
<i>Food</i>	2,11,814	2,05,250	1,97,420	2,03,420
<i>Petroleum</i>	12,240	11,925	14,700	12,100
Agriculture and Allied Activities	1,45,995	1,51,851	1,40,859	1,71,437
Commerce and Industry	49,809	47,559	56,502	65,553
Development of North East	1,628	5,900	4,006	5,915
Education	1,23,365	1,25,638	1,14,054	1,28,650
Energy	52,405	68,769	63,403	81,174
External Affairs	28,915	22,155	25,277	20,517
Finance	23,403	86,339	63,512	62,924
Health	81,594	89,287	88,032	98,311
Home Affairs	1,96,872	2,19,643	2,20,371	2,33,211
Interest	10,63,872	11,62,940	11,37,940	12,76,338
IT and Telecom	82,277	1,16,342	1,17,869	95,298
Others	4,03,367	1,44,477	4,50,008	4,82,653
Rural Development	2,41,193	2,65,808	1,90,675	2,66,817
Scientific Development	24,657	32,736	29,831	55,679
Social Welfare	42,065	56,501	46,482	60,052
Tax Admin	1,91,327	2,03,530	2,07,968	1,86,632
GST Compensation fund	1,45,000	1,50,000	1,53,440	1,30,641
Transport	5,26,765	5,44,128	5,41,384	5,48,649
Urban Development	68,565	82,577	63,670	96,777
<b>Grand Total</b>	<b>44,43,447</b>	<b>48,20,512</b>	<b>47,16,487</b>	<b>50,65,345</b>

## Key Highlights



- Total Expenditure: **Rs 50.65 Lc Cr**
- Education allocation: up 13%
- Expenditure for Rural Development increased by 40% and urban development up by 52% vs FY25 RE.
- Allocation for Agriculture and Allied Activities was up by 22% and Commerce and Industry is also up by 16% vs. FY25 RE.



# *Sectoral Picture*



# Sectoral Expectations

## Sector



**Banking,  
Financial  
Services and  
Insurance  
(BFSI)**

## Key Budget Expectations



### Capex-led Growth

- We anticipate continued thrust on capital expenditure (Capex), which could act as a trigger to support corporate credit growth for banks.

### Support to MFI-NBFCs

- We expect a large one-time microfinance credit guarantee scheme for NBFCs to strengthen MFI-NBFCs' position by improving access to funding and easing liquidity pressures, while ensuring continued lending to low-income households.

### MSME support amidst Tariff headwinds

- Initiatives to make working-capital loans more affordable for MSMEs and export-oriented firms are likely, aimed at mitigating tariff headwinds. A dedicated refinancing window for NBFCs and wider credit guarantee coverage would be keenly watched out for.

## Impact



### Positive Coverage:

- SBI, BoB, HDFC Bank and ICICI Bank

### Non-Coverage:

- CANBK

### Coverage:

- Credit Access Grameen

### Non-Coverage:

- Spandana Sphoorty, Fusion Microfinance, Muthoot Microfin

### Coverage:

- DCB Bank, CUB

# Sectoral Expectations

## Sector



**Banking,  
Financial  
Services and  
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## Key Budget Expectations



### Lowering the SARFAESI Act limit

- An announcement regarding lowering of minimum loan size from Rs 20 Lc currently to Rs 1 Lc for NBFCs under the SARFAESI Act to enable faster recovery of retail loans and improve credit flow could be expected

### Push to PMAY

- CLSS under PMAY-U 2.0 to further boost end-user demand could be expected. Additionally, modifications to stamp duty and registration charges for affordable housing projects could also find a place in the budget.

### Working towards “Insurance for All”

- We could expect announcements around a tax-aligned framework that encourages long-term retirement planning, greater policy support for micro-insurance, and measures that improve affordability and coverage.

## Impact



### Positive Non-Coverage:

- **L&T Finance, Tata Cap**

### Coverage:

- **Can Fin Homes**

### Non-Coverage:

- **Aavas Financiers, Bajaj HFL**

### Coverage

- **SBI Life**



**AXIS DIRECT**

# Sectoral Expectations

## Sector



### Cement

## Key Budget Expectations



- 1. Sustained Infrastructure & Housing Outlay in the Union Budget 2026-27:** The primary expectation is a 10–15% hike in capital expenditure (Capex).
  - **Infrastructure:** Continued momentum in the National Infrastructure Pipeline (NIP), specifically for high-intensity cement projects like high-speed rail, expressways, and dedicated freight corridors.
  - **Housing for All:** Fresh allocations for PMAY-U 2.0 (Urban) and PMAY-G (Gramin). With the government's push for "Viksit Bharat," a target of 2–3 Cr additional rural houses would be a major volume catalyst.
- 2. Incentives for "Green Cement" & Decarbonization:** As the second-largest carbon emitter in the industrial sector, the cement industry is looking for fiscal support to go green. Key measures include green credits/subsidies to incentivise investments in Waste Heat Recovery Systems (WHRS) and the use of alternative fuels (biomass/hazardous waste), as well as carbon capture support in the form of specific grants or tax breaks for pilots in Carbon Capture, Utilisation, and Storage (CCUS) technologies.
- 3. Logistics & Supply Chain Efficiency:** Logistics accounts for nearly 25–30% of the total cost of cement. Expectation of faster completion of last-mile rail connectivity to cement clusters to reduce dependency on expensive road transport. Increased funding for riverine transport, which could significantly lower freight costs for clusters in Eastern and Southern India.

## Impact



### Positive

- For the Cement Sector, the Union Budget 2026–27 is viewed as a critical "volume driver" event. Following the significant GST rationalisation in late 2025 (where rates were slashed from 28% to 18%), the industry is now shifting its focus toward execution, capacity absorption, and green transition.

### Positive Coverage

- **UltraTech Cement, Ambuja Cement, Dalmia Bharat Ltd and JK Cements Ltd**



# Sectoral Expectations

## Sector



### Pharma & Healthcare

## Key Budget Expectations



- **Anticipated Policy Support for the Pharma & Med-Tech Sector in the Union Budget 2026-27:** We expect the Union Budget 2026-27 to provide incremental policy and fiscal support to the pharmaceutical and medical technology sector to strengthen domestic manufacturing and reduce import dependence. A key focus is anticipated on extending the Production-Linked Incentive (PLI) scheme to cover Active Pharmaceutical Ingredients (APIs), intermediates, and select high-value medical devices, in line with the government's Atmanirbhar Bharat objectives.
- **Extension of PLI and Support for Domestic Manufacturing:** The industry is seeking an expansion and extension of the PLI scheme for APIs and key raw materials to improve supply-chain resilience and enhance India's position as a global manufacturing hub. Dedicated allocations toward bulk drug parks and API manufacturing clusters are also expected.
- **Revival of R&D Incentives and Innovation Push:** We expect renewed emphasis on innovation through the possible restoration of the 200% weighted tax deduction on R&D expenditure. This would support investments in complex generics, biosimilars, vaccines, and novel therapies, aiding long-term competitiveness.

## Impact



### Positive

- With the government's increasing emphasis on strengthening the domestic pharmaceutical manufacturing ecosystem—particularly through PLI extension to APIs, incentives for backward integration, and renewed support for R&D and innovation—companies with strong API presence, integrated capabilities, and CDMO exposure are well positioned to benefit. These measures are expected to improve supply-chain resilience, enhance global competitiveness, and support long-term growth in the sector.

### Positive Coverage

- **Aarti Drugs, Dr Reddy's Laboratories**

### Positive Non-Coverage:

- **Divi's, Syngene International Laboratories & Sun Pharmaceuticals**



# Sectoral Expectations

## Sector



### Pharma & Healthcare

## Key Budget Expectations



- **GST Rationalisation and Duty Structure Reforms:** Measures to rationalise GST rates and correct the inverted duty structure are anticipated to ease cost pressures on manufacturers. The industry also expects lower customs duties on select advanced medical devices to improve affordability and access
- **Improving Access to Long-Term Funding:** Steps to enhance access to long-term, low-cost funding for pharma and med-tech companies—particularly for capacity expansion and technology upgrades—are expected, potentially through dedicated financing mechanisms.
- **Medical Tourism:** India is well-positioned as a preferred global hub for medical tourism, supported by cost-effective treatment, skilled medical professionals, and improving hospital infrastructure. To further strengthen this segment, the industry requires access to low-cost funding and supportive tax policies for both new and existing healthcare projects. We expect the government to consider a tax holiday of up to 15 years for new medical tourism-oriented hospitals, along with 10 years of tax relief for existing hospitals undertaking reinvestment and expansion. Additionally, an incentive allowing 50% of the capex incurred on infrastructure development for new hospitals with over 100 beds as an additional tax deduction could be introduced. Such measures would accelerate capacity addition, enhance India's attractiveness as a medical tourism destination, and support long-term growth of the hospital sector.

## Impact



### Positive

- With the government's continued focus on expanding healthcare infrastructure, promoting medical tourism, strengthening Ayushman Bharat coverage, and improving access to long-term financing, hospital operators with strong expansion pipelines, tertiary care capabilities, and presence in key medical hubs are poised to see significant opportunities. These measures are expected to support faster capacity addition, higher occupancies, and sustained improvement in profitability.

### Positive Coverage

- **Max Healthcare, Fortis Healthcare, KIMS Healthcare, Healthcare Global Enterprises (HCG)**

### Positive Non Coverage

- **Apollo Hospitals, Aster DM Healthcare, Narayana Hrudayalaya**



# Sectoral Expectations

## Sector



### Hotels

## Key Budget Expectations



- **Hotel Sector Seeks Budget Support:** With the government's continued thrust on tourism development, infrastructure creation, and employment generation, the hotel sector expects supportive policy measures in the upcoming Union Budget. The industry anticipates infrastructure status for hotels, particularly for projects in tier-2 and tier-3 cities, to enable access to long-term, low-cost financing. Additionally, rationalisation of GST rates on room tariffs and relief from the inverted duty structure are expected to support demand and improve margins.
- **Policy Support to Fuel Hotel Growth:** The sector also expects targeted incentives for new hotel development, including tax holidays or capex-linked benefits for greenfield projects and heritage hotels, to accelerate room additions. Continued allocation toward tourism infrastructure, regional connectivity (UDAN), and destination development is likely to drive sustained growth in domestic and inbound travel. Overall, supportive budget measures could significantly enhance capacity creation, profitability, and long-term growth visibility for the hotel industry.

## Impact



### Positive

- With the government's continued push on tourism infrastructure, regional connectivity, and incentives for hotel development, organised hotel chains are poised to benefit from faster capacity addition and lower financing costs. Supportive measures such as infrastructure status, GST rationalisation, and tax incentives would further improve profitability and ROCE.

### Positive Coverage:

- **Indian Hotels (IHCL), Chalet Hotels**

### Positive Non Coverage:

- **Mahindra Holidays, Lemon Tree Hotels, ITC Hotels**



# Sectoral Expectations

## Sector



### Telecom

## Key Budget Expectations



- **License Fee Rationalisation:** From the Union Budget 2026–2027, the Cellular Operators Association of India expects a reduction in the license fee from the current 3% to 0.5%–1% of AGR. Telecom operators have stated that the fee should primarily cover the government's administrative costs rather than serve as a major revenue-generating tool.
- **GST Relief and Cash Flow Support:** The industry is seeking GST relief on regulatory payments, including exemption or reduction of GST from 18% to 5% on license fees and spectrum charges. Additionally, allowing ITC utilisation for RCM liabilities is expected to ease cash flows and support higher investments in network expansion.
- **5G Expansion and 6G Preparedness:** The budget is expected to support 5G expansion and 6G preparedness through extension of PLI schemes to specialised 5G/6G components, increased funding for the Bharat 6G Alliance, and greater emphasis on AI-led networking equipment.
- **Incentives for Fiberisation:** The government is also expected to incentivise fiberisation, which currently stands at around 36% of telecom towers, to strengthen network capacity and improve service quality.

## Impact



### Positive (Coverage)

- **Bharti Airtel**

### Positive (Non-coverage)

- **Vodafone Idea**





# Sectoral Expectations

## Sector



### Metals & Mining

## Key Budget Expectations



- **Mining Policy to Cut Imports, Boost Silver & Copper Production:** Budget is expected to unveil a new policy to slash import reliance by boosting domestic production of silver, copper, and zinc. The focus will be on increasing private sector participation in mining and processing, alongside incentives to improve silver recovery as a by-product to support the "Make in India" initiative.
- **Building a Domestic Rare Earth Supply Chain:** Regarding Rare Earth Elements (REE), the government aims to build a long-term domestic ecosystem to secure supply chains for high-tech industries like EVs and electronics. Since REE mining is a complex, multi-year process, the budget may introduce initial incentives for prospecting and refining to reduce long-term dependence on global suppliers.
- **Steel Industry's Expectations from the Government:** Fiscal incentives for hydrogen-based DRI technologies and concessional green financing to support decarbonisation efforts. Promoting iron ore beneficiation, removing import duty on critical raw materials, and rationalising royalty calculations to eliminate double taxation.
- **AAI Pushes for Higher Import Duties and Stricter Scrap Norms:** The Aluminium Association of India (AAI) has urged the government to increase the basic customs duty on all aluminium products (including primary, downstream, and scrap) to a flat 15% from the current 7.5% to prevent India from becoming a dumping ground. Introduce strict quality standards on aluminium scrap.
- **IPCPA Seeks Import Duties and Restrictions on Copper:** Indian Primary Copper Producers Association (IPCPA) has appealed to the government for the imposition of 3% safeguard duty on copper cathode, rod, wire, and tube imports irrespective of FTA status. Correction of Tariff Rate Quota (TRQ) under India-UAE Comprehensive Economic Partnership Agreement (CEPA) to curb import surge. Quantitative restrictions on copper imports to protect the domestic smelting and refining industry, facing TC/RC collapse.

## Impact



### Positive

- **Higher allocation for infrastructure and construction expected to continue, which will drive steel and aluminium demand.**

### Positive Coverage

- **Tata Steel, NALCO, SAIL, Hindalco**

### Positive Non Coverage

- **Hindustan Zinc, Hindustan Copper**

# Sectoral Expectations

## Sector



### Utilities & Power Ancillaries

## Key Budget Expectations



- **Boost to Renewable Energy Capacity:** To achieve the government's target of 500 GW of non-fossil fuel power capacity by 2030 and to address curtailment due to transmission unavailability, a continued impetus to the renewable sector generation and grid infrastructure is expected in the Union Budget 2026-27. The focus will be on i) Sustained budgetary allocation for MNRE beyond Rs 26,549 Cr allocated in FY26, ii) Viability gap funding for offshore wind projects beyond the current 1 GW allocation along with announcements towards accelerating wind energy capacity additions, which crossed 54 GW in Nov'25, iii) Enhanced transmission infrastructure outlay to address grid curtailment issues, iv) Intra-state transmission augmentation, v) Policy support for HVDC transmission manufacturing in India, and vi) Increased allocation for the Reforms Linked Distribution Scheme to incentivise DISCOM privatisation and PPP models.
- **Energy Storage - BESS & Pumped Hydro:** With the market's preference shifting from standalone solar towards hybrid renewable energy and FDRE systems, announcements on energy storage will be keenly eyed. As per the National Electricity Plan, India requires 74 GW/411 GWh of storage by FY32, comprising 27 GW pumped hydro and 47 GW BESS. Key focus will be i) Extension of Rs 9,160 Cr Viability Gap Funding for BESS beyond the current 43.2 GWh, ii) Continuation of ISTS charge waivers for storage projects beyond 2028, and iii) Policy support for long-duration storage technologies, including pumped hydro.
- **Clean Energy Mission:** The Rs 20,000 Cr Nuclear Energy Mission is expected to progress on legislative amendments enabling private participation, SMR framework, and a roadmap for 100 GW capacity by 2047. Simultaneously, the Green Hydrogen Mission seeks enhanced allocation beyond Rs 600 Cr with blending mandates, purchase obligations, and VGF support for industrial pilots.

## Impact



### Positive

- **Power Utilities:** JSW Energy, NTPC, NLC India
- **T&D Component and EPC:** Skipper Limited.
- **Smart Metering Stocks:** Genus Power
- **Wind Generation:** Inox Wind



# Sectoral Expectations

## Sector



### Infrastructure

## Key Budget Expectations



- **Enhanced Capital Outlay for Infrastructure in the Union Budget 2026-27:** We expect the capital outlay on the infrastructure sector to witness modest to high increment in the Union Budget 2026-27, reflecting continued emphasis on infrastructure as a growth engine and to achieve the targets set under the National Infrastructure Pipeline, National Logistics Policy, Sectoral Vision 2047 roadmaps and Gati Shakti Master Plan. With the government focusing on expanding the road network, a 9%-10% higher allocation YoY for the Ministry of Road Transport & Highways is expected. Similarly, railways should also witness a 15% growth in budgetary allocation in 2026-27.
- **Prioritise the Transport and Urban Infrastructure:** Continued support for highway expansions, faster clearances, and monetisation frameworks (e.g., InvITs) to pull in private investment is expected to feature strongly. Increased allocations for rail capacity, safety, and new services are anticipated, reflecting the strategic emphasis on connectivity. Urban infrastructure funds (for sanitation, mobility, water resources) may see higher injections to support city-level development programs.
- **Measures to De-risk Infrastructure Financing:** Ahead of the Union Budget for FY27, the Centre is mulling a Rs 25,000 Cr safety buffer for infrastructure projects. The proposed risk guarantee fund is expected to ease the financing crunch in the infrastructure sector and help revive stalled projects.
- **Advancement of Infrastructure:** Infrastructure modernisation, including rolling stock upgrades and station redevelopment, alongside safety enhancements, will remain critical. Within capacity expansion, economic corridors, coupled with accelerated deployment of Kavach 4.0 and advanced signalling across the network, are expected to dominate both budgetary priorities and execution strategies.
- **Capex Boost to Power Transmission:** A higher capital expenditure allocation to the Ministry of Power and transmission would accelerate execution of transmission line projects, substation packages, and renewable energy evacuation infrastructure for solar and wind projects. This, in turn, would improve the pace of project awards and execution, directly benefiting transmission EPC players through stronger order inflows, better revenue visibility, and sustained medium-term growth.

## Impact



### Positive

- With the government intensifying its focus on holistic infrastructure development—particularly highways, railways, and urban infrastructure—companies operating in these segments are well positioned to benefit from significant growth opportunities.

### Positive (Coverage):

- **Kalpataru Projects International, KEC International, J Kumar Infraprojects, Ahluwalia Contracts, RITES, GR Infra**

### Positive (Non Coverage):

- **Rail Vikas Nigam, Titagarh Rail Systems**

# Sectoral Expectations

## Sector



### Auto & Ancillaries

## Key Budget Expectations



- **Higher Disposable Income to Support Demand:** With income tax relief up to Rs 12 Lc already in place, the FY27 Budget is expected to help translate higher take-home income into consumption. This should support demand for mass-market two-wheelers and entry-level passenger vehicles, benefiting OEMs and auto ancillary suppliers.
- **Lower Vehicle Prices to Aid Volume Growth:** Following the GST rate cut that lowered vehicle prices, the government is expected to maintain a stable tax structure. Improved affordability should drive higher sales, especially in price-sensitive segments.
- **Support for Tighter Emission and Efficiency Norms:** As stricter CAFE-III emission norms are expected to come into effect from FY28, the FY27 Budget may focus on helping companies prepare through R&D support and incentives for fuel efficiency, electrification, and lightweight technologies.
- **Push to Improve Exports and Global Competitiveness:** Building on the government's Rs 7,000 Cr GVC initiative, the Budget is expected to support auto exports by encouraging localisation, improving logistics, and helping Indian companies become part of global supply chains.

## Impact



### Positive Coverage

- Maruti Suzuki India
- TVS Motors
- Eicher Motors
- Bajaj Auto
- Hero MotoCorp
- Ashok Leyland

### Positive Non Coverage

- Mahindra & Mahindra



# Sectoral Expectations

## Sector



### Auto & Ancillaries

## Key Budget Expectations



- **Continued Focus on EV Ecosystem Development:** The government is expected to maintain strong policy support for EVs, with increased investment in charging infrastructure and continued support under the PM E-DRIVE scheme (Rs 10,900 Cr, extended till Mar'28). These initiatives should aid EV adoption, reduce import dependence, and strengthen domestic EV manufacturing.
- **Easier Financing for Electric & Commercial Vehicles:** Measures to improve access to financing for electric commercial vehicles and fleet operators could help accelerate EV adoption, especially in government and fleet segments.
- **Infrastructure Spending to Support CV Demand:** Sustained spending on roads, highways and logistics infrastructure should support medium-term demand for commercial vehicles and improve utilisation levels.

## Impact



### Positive Coverage

- **Sansera Engineering**
- **Minda Corp**
- **Uno Minda**

### Positive Non Coverage

- **Amara Raja Energy**
- **Motherson Sumi Wiring**



# Sectoral Expectations

## Sector



### Real Estate

## Key Budget Expectations



### Affordable & Luxury Housing Segment

- In the past, the government has taken steps including PMAY “Housing for All” and SWAMIH scheme for stalled projects. We may see future plans on the PMAY-HFA, which plans to provide affordable housing for all in urban areas.
- For luxury projects, we can expect fewer roadblocks rather than incentives.
- Incentives like lower stamp duty, raising affordable housing price limits, increasing tax deductions and rationalizing GST on stamp duties could be considered.

### Tax Benefits

- We expect to see a revision for interest payment deductions from Rs 2 Lc to Rs 5 Lc under section 24(b) for tax relaxation
- We can also expect a revisit on tax holidays for affordable housing developers

## Impact



### Positive Coverage

- Prefer big brands like **Prestige Estates, Oberoi Realty**

### Positive non –coverage

- We prefer **Godrej Properties and Puravankara** to benefit from incentives on affordable housing.

# Sectoral Expectations

## Sector



### Building Materials

## Key Budget Expectations



- **GST Rationalisation:** Lower effective GST could make materials such as tiles, adhesives, plywood, and plumbing materials relatively cheaper for builders and end-user consumers.
- **Jal Jeevan Mission:** Any enhancement or other changes could materially impact plastic pipes and fittings
- **Manufacturing Support:** Boost for domestic manufacturing with credit guarantee schemes, expansion of PLI schemes and subsidies on raw materials could be suggested. This could help reduce overall reliance on imports.
- **Simplification of Regulations:** Macro structure like ease of doing business for infrastructure and housing could result in increasing demand for plumbing, modular carpentry, bath ware, etc.
- **Sustainable & Green Building:** Incentives for green building materials, energy-efficient construction, and the adoption of sustainable practices.

## Impact



### Positive Coverage

- Companies like **Greenply**, **Cera & Astral** could benefit from increased boost on infrastructure capex and housing demand.

### Positive Non Coverage

- **Century Plywood**, as it could benefit from increasing support on affordable housing

# Sectoral Expectations

## Sector



### Chemicals & Fertilizers

## Key Budget Expectations



### Liquidity Support for Fertiliser Sector

- We anticipate Budget 2026 to address key concerns of fertiliser manufacturers by pushing for uniform taxation across all fertilisers, speeding up refunds of accumulated input tax credits, and introducing a streamlined "one nation, one license" framework. With subsidy allocations likely to rise amid higher input costs, such measures would help ease working capital pressure, improve compliance, and support capacity expansion and quality enhancement in the sector.

### Higher MSP Coverage and Investment Push for Agriculture

- We expect Budget 2026 to address farmers' demands for wider coverage of crops under the Minimum Support Price framework and a stronger focus on increasing investment in the agriculture sector.

### Reforms to Strengthen the Agriculture Sector

- Alongside continued support through food subsidies, the budget is likely to tilt toward higher spending on farm infrastructure, mechanisation, and public-private investment to improve productivity and deliver more sustainable long-term growth, rather than relying predominantly on subsidies and direct income support. We anticipate higher focus on rural infrastructure, irrigation, water management, and climate resilience. Support for micro-irrigation systems, water-saving projects, and solar pumps is likely, along with initiatives to encourage organic farming, improve soil health, and enhance minimum support price realisation through Farmer-Producer Organisations (FPOs).

## Impact



### Positive Coverage

- Dhanuka Agritech Ltd.**
- PI Industries Ltd,**

### Positive Non-Coverage

- UPL Ltd.**
- Coromandel International Ltd.**



# Sectoral Expectations

## Sector



### Mid-Cap Opportunities

## Key Budget Expectations



### Boost for Circular Economy

- We expect the upcoming Budget to place greater emphasis on renewable energy and circular economy as a growth enablers for sustainable development, with measures to promote recycling, reuse, and organised waste management to help lower emissions and reduce dependence on imported critical minerals. Enhanced incentives and funding support for circular-focused start-ups are likely to be key priorities to accelerate adoption and scale up the sector.

### Unlocking India's Ethanol Surplus Opportunity

- We expect Budget 2026 to support absorption of surplus ethanol through incentives for E100 infrastructure and faster adoption of Sustainable Aviation Fuel, along with a policy push toward ethanol-based chemicals to position India as a key player in sustainable manufacturing.

### Manufacturing and Infrastructure Push

- The government is expected to continue prioritising higher capital expenditure, particularly in infrastructure, in the forthcoming budget to drive economic growth. Companies operating in serving sectors such as railways, mining, defence, sustainable fuels and rural infrastructure are likely to be key beneficiaries. We also expect manufacturing companies to benefit from initiatives aimed at "ease-of-business", such as fast-tracking approvals, seamless documentation, etc.

## Impact



### Positive Coverage

- Elecon Engineering Company Ltd.**
- Praj Industries Ltd.**

### Positive Non-Coverage

- Jain Resource Recycling Ltd.**
- Acutaas Chemicals Ltd.**



*Thank You*

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