



WE HELP YOU DECIDE

UNION BUDGET ANALYSIS

FEBRUARY 2026

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FOREWORD

Credit Implications for Bond Markets and Rated Issuers

The Union Budget FY27 reflects a deliberate policy choice to reinforce fiscal credibility, macroeconomic stability, and medium-term debt sustainability, at a time when global financial conditions remain tight and uncertainty around capital flows persists. From a credit perspective, the Budget is broadly supportive of sovereign stability and corporate credit resilience, despite near-term pressures arising from higher government borrowing.

A key structural feature of the Budget is the adoption of a debt-anchored fiscal framework, with the central government committing to reduce the debt-to-GDP ratio to 50% ($\pm 1\%$) by FY31. The FY27 fiscal deficit target of 4.3% of GDP, along with a projected reduction in the debt ratio to 55.6%, enhances medium-term fiscal visibility and strengthens policy credibility. While the pace of consolidation remains gradual, the direction and transparency of the framework are positive from a sovereign risk assessment standpoint.

The fiscal arithmetic underlying the Budget appears largely credible, supported by conservative assumptions on growth and revenues. The potential for nominal GDP growth to marginally exceed budgeted levels provides a buffer against revenue slippages, reducing downside risks to headline deficit outcomes. Importantly, fiscal consolidation continues to be driven by restraint in revenue expenditure, while capital expenditure is preserved—an approach that supports long-term growth without undermining fiscal sustainability.

Capital expenditure has been maintained at ₹12.2 lakh crore (3.1% of GDP), the highest in absolute terms to date. Although the growth rate of capex has moderated compared to the post-pandemic period, the quality of fiscal adjustment continues to improve, as reflected in the capex-to-revenue expenditure ratio reaching a multi-decade high. This composition of spending is structurally credit positive, particularly for infrastructure-linked sectors such as roads, railways, ports, logistics, defence manufacturing, and urban infrastructure, where public investment plays a catalytic role in supporting cash flow stability and execution visibility.

At the same time, the Budget signals a calibrated approach to future fiscal risks. The moderation in capex growth acknowledges emerging expenditure pressures, including those associated with the implementation of the Eighth Pay Commission. This measured stance reduces the risk of sharp fiscal reversals or abrupt increases in borrowing requirements in subsequent years.

From a government borrowing perspective, the provision of net market borrowing of ₹11.7 lakh crore for FY27 is higher than market expectations and is likely to exert near-term pressure on sovereign bond yields, particularly in an environment of elevated gross supply and sustained state government borrowings. However, the commitment to fiscal consolidation and the absence of material off-budget liabilities mitigate medium-term concerns around debt sustainability. In this context, active liquidity and duration management by the Reserve Bank of India is expected to play a role in ensuring orderly market conditions.

For corporate bond markets and rated issuers, the Budget is incrementally credit supportive. Policy continuity in infrastructure development, manufacturing incentives, MSME financing and services exports improves earnings visibility and refinancing prospects across several sectors. Initiatives such as the proposed Infrastructure Risk Guarantee Fund, monetisation of public assets through REITs, long-term incentives for data centres, and targeted support for manufacturing and clean energy are expected to reduce execution risk and improve project bankability, particularly for long-gestation assets.

Overall, the Union Budget FY27 strengthens the macro-fiscal anchor underpinning India's credit ecosystem. While higher sovereign borrowing may weigh on yields in the near term, the emphasis on fiscal discipline, improved expenditure quality and structural growth enablers supports sovereign credit stability and corporate credit quality over the medium term. The Budget provides policy continuity and visibility, which remain critical for sustaining confidence among bond investors, lenders, and rated issuers.

Sankar Chakraborti
MD & CEO

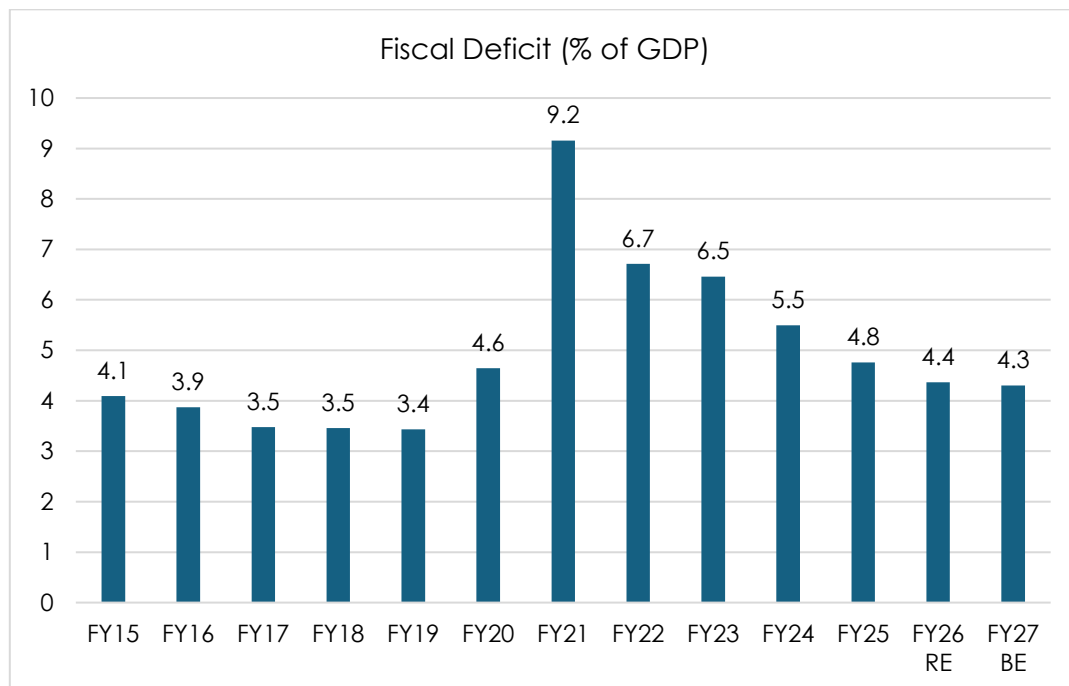
Fiscal Footprint

KEY TAKEAWAYS

- Continuing on the path of fiscal consolidation, the FM announced a 10-bps reduction in the fiscal deficit target to 4.3% of GDP in FY27 from 4.4% (RE) in FY26. The Budget also shifts to a debt-anchored fiscal framework, aiming for 50% ($\pm 1\%$) debt-to-GDP by FY31, beginning with a ~50 bps decline to 55.6% in FY27.
- The fiscal arithmetic presented in the FY27 Union Budget appears largely credible. We do not see any risk of slippage in the headline deficit numbers, given that there is a likelihood of a marginally higher nominal GDP growth than assumed in the Budget arithmetic.
- On capex, the government envisages an 11.5% increase, taking the outlay to Rs12.2 lakh Cr in FY27, around 3.1% of GDP, broadly unchanged from RE 2025-26. This comes after the aggressive capex push in 2024-25 (3.2%).
- In growth terms, capex spends tapering off in recent years. This signals a calibrated withdrawal on the part of the Government - an inevitable necessity, particularly given the impending fiscal obligations arising from the implementation of the 8th Pay Commission in FY28.
- With the provision of net g-sec borrowing of Rs 11.7 Lakh Cr (on a fresh basis) coming higher than market expectations, sentiment in the bond market is likely to remain subdued. We fine-tune our forecast for the 10Y g-sec yield to 6.75% for Mar-26 from 6.60% earlier. Going into FY27, we expect the 10Y g-sec yield to inch towards 6.90% by Mar-27.

Budget FY27 demonstrated the FM's commitment through the introduction of a new fiscal framework aimed at reducing the debt-to-GDP ratio to 50% (+/- 1%) by FY31. As the first milestone, the Budget set to lower the ratio to 55.6% in FY27 from 56.1% in FY26, translating into a fiscal deficit to GDP ratio of 4.3% in FY27 vs. 4.4% in FY26 RE. This marks the slowest pace of fiscal consolidation seen since pre-COVID year of FY19 and turns out to be lower than market consensus.

Chart 1: Central government remains committed towards fiscal consolidation in FY27, aiming to consolidate by 10 bps incrementally



Fiscal arithmetic: Conservative and Credible

The fiscal arithmetic presented in the FY27 Union Budget appears largely credible. We do not see any risk of slippage in the headline deficit numbers, given that there is a likelihood of a marginally higher nominal GDP growth than assumed in the Budget arithmetic.

- The FY27 Union Budget has assumed a Nominal GDP growth rate of 10.0%, a pick-up from 8.0% in FY26. With both CPI and WPI inflation accelerating at a faster clip in FY27, along with reset of GDP series to 2022-23 base (along with wider coverage and enhanced methodology) there could be a likelihood of Nominal GDP growth turning out to be slightly higher. This could serve as a buffer amidst continuing global uncertainties. Recall, Economic Survey has pegged FY27 GDP growth in the range of 6.8-7.2%.

At a granular level, growth in direct tax collection is budgeted to improve to 11.4% in FY27 from 9.0% in FY26 RE. FY26 direct tax collections lagged BE owing to reduction in income tax rates. On the other hand, indirect taxes are expected to slip further to 2.3% in FY27 compared to 4.9% as per FY26 RE. The impact of GST cuts is likely to linger into FY27 along with impact of custom duty rationalized announced for several sectors in

the FY27 Budget. This is despite excise duties likely to pick-up owing to tobacco and related products falling in its ambit, after the cessation of compensation cess.

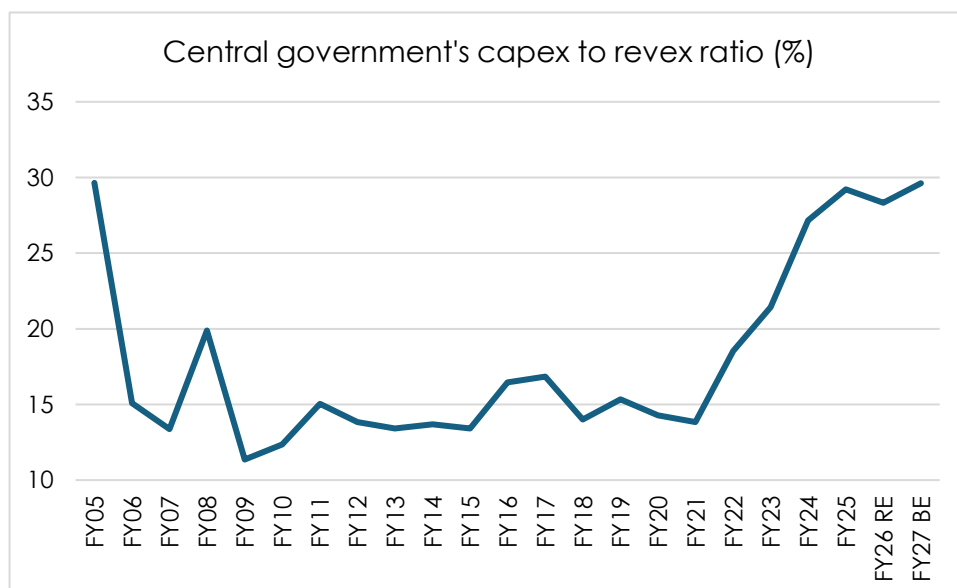
Non-tax revenues are anticipated to ease marginally lower to 1.7% of GDP in FY27 from 1.9% in FY26 RE. This is owing to an improvement in GDP growth standalone, as in absolute terms Non-tax revenues are budgeted to remain unchanged at Rs 6.6 lakh cr – same as per FY26 RE. This indicates that the Government has penciled in a sizeable dividend from the RBI and other financial institutions, pegged at Rs 3.2 tn. Non-tax revenues continue to offer a key support to fiscal consolidation.

The target for disinvestment has been raised to Rs 80,000 Cr for FY27, against the RE of Rs 33,800 Cr. Keeping in mind the disinvestment performance of recent years, including YTD26 traction, the budgeted target definitely looks lofty. Having said, the IDBI stake sale, if executed in FY27, will make the budgeted target within achievable range.

On the expenditure side, the consolidation is being single-handedly led by revenue expenditure, which as a % of GDP is expected to ease to 10.5% in FY27 from 10.8% in FY26 RE. On the other hand, capex is expected to remain unchanged at 3.1% of GDP – same as in FY26 RE. In absolute terms, government is budgeted to spend only Rs 12.2 lakh Cr in FY27, translating into a growth of 11.5%YoY – albeit supported by a shortfall of Rs 200 bn in FY26 RE vis-à-vis BE. The latter has implications for FY26 as well. Given the frontloaded capex outlay on FYTD26 basis, the last quarter is likely to see a restrained pace of capex spending. Dec-25 capex spending already demonstrates an annualized contraction. This could mean a lower growth impulse from government investment in Q4 FY26.

Further, capital expenditure push is clearly on a moderating path. Over the three-year period from FY25 to FY27, average capex growth is estimated at approximately 9%, less than one-third of the nearly 30% recorded during FY21–FY24, i.e., in the immediate aftermath of the pandemic. This signals a calibrated withdrawal of the Government towards capex - an inevitable necessity, particularly given the impending fiscal obligations arising from the implementation of the 8th Pay Commission in FY28.

Chart 2: FY27 continues to maintain superior quality of fiscal adjustment with capex-revex ratio at a 23-year high



As such, the quality of expenditure is expected to see a sizeable improvement in FY27. The ratio of capex to revex is set to increase to 29.6% in FY27 – the highest in past two decades, compared to 28.3% in FY26 RE.

Key underlying features of the FY27 Budget

- Budget continues to focus on infrastructure development as seen from its commitments towards a new dedicated East to West freight corridor, renewed emphasis on National Waterways, development of high-speed rail corridors connecting seven key growth centres, and the proposed establishment of an Infrastructure Risk Guarantee Fund.
- MSMEs to benefit from augmentation of the TReDS, including mandating its use by CPSEs for all MSME procurements.
- Customs duty rationalization benefitting labour-intensive sectors such as marine products, leather, and textiles. Strategic manufacturing sectors, including nuclear power, mining, aerospace, and defense also stand to gain from targeted exemptions on imported inputs. The latter may aid higher imports from US and possibly fasten the impending US-India trade deal.
- Building on the success of electronics manufacturing, Budget doubles the PLI outlay for the sector to Rs 400 bn. This is complemented by exemptions for foreign firms supplying capital goods, equipment, and tooling to contract manufacturers in the electronics sector, likely to push Apple to enhance its iPhone production from India for exports to other countries.
- Strong focus on both traditional and non-traditional services ranging from IT, healthcare, and tourism to the orange economy (animation), GCCs, and AI. Key measures include -A substantial enhancement of the safe harbour threshold for IT services from Rs 300 cr to Rs 2,000 cr, A 20-year tax holiday for investments in data centres, aiming to catalysing FDI along with the constitution of a High-Powered Committee tasked with positioning India firmly within global AI, technology, and innovation ecosystems.

Financing of the fiscal deficit

The Budget pegs fresh gross and net g-sec borrowing for FY27 at Rs 17.2 Lakh Cr and Rs 11.7 Lakh Cr, respectively. Compared to FY26 RE, the gross and net g-sec borrowings on a fresh basis are up by 17.7% and 10.1%, respectively. In addition, the FY27 Union Budget has provided for short-term borrowing via T-Bills of Rs 1.3 Lakh Cr, up from nil in FY26. Taken together, issuance of fresh net g-secs and T-Bills will fund 76.9% of the FY27 fiscal deficit, up from 68.4% in FY26. Few other notable highlights:

- The presence of record-high scheduled g-sec maturity of Rs 5.5 Lakh Cr in FY27 is causing a spike in the provision for gross g-sec borrowing.
- For FY27, the government has budgeted for a record target of g-sec switch operation, at Rs 2.5 Lakh Cr. In comparison, over the previous two years, g-sec switch operations centred around Rs 1.5-1.6 Lakh Cr.
- Unlike the g-sec buyback of Rs 86,775 Cr concluded in FY26, the FY27 Union Budget has made no such provision.
- Reliance on small savings is budgeted to come off marginally, funding 22.8% of the FY27 fiscal deficit compared to 23.9% in FY26

- The government is expected to reduce the usage of its surplus cash balance, with a budgeted drawdown of Rs 32,702 Cr in FY27 vs. Rs 45,722 Cr in FY26

Table 1: Funding of fiscal deficit

| Key Sources of Financing Fiscal Deficit (Rs bn) | | | | |
|-------------------------------------------------|--------------|--------------|--------------|--------------|
| | FY25 | FY26 BE | FY26 RE | FY27 BE |
| External Debt | 473 | 235 | 205 | 154 |
| Net Market Borrowing | 8791 | 10863 | 10653 | 13032 |
| G-Sec | 10393 | 10863 | 10653 | 11732 |
| T-Bill | -1602 | 0 | 0 | 1300 |
| Securities against Small Savings | 4295 | 3434 | 3722 | 3868 |
| Others | 2180 | 1133 | 548 | -423 |
| Draw Down of Cash Balance | 6 | 25 | 457 | 327 |
| Total | 15744 | 15689 | 15585 | 16958 |

Note: (i) Dated Securities represent net issuances on a fresh basis, (ii) Bills include all T Bills and CMBs, and (iii) Other Receipts include State Provident Funds, WMA, Internal Debt and Public Account

Conclusion

The FY27 Union Budget rests on the following broad strategies:

- Preservation of continuity in fiscal consolidation
- Focus on restraining non-discretionary expenditure
- Reviving the focus on asset monetization to fund the fiscal deficit
- Keeping the capex thrust to growth intact, at a time when recovery in private sector capex is yet to assume a broad-based structure, while global conditions remain highly uncertain.

Market implications

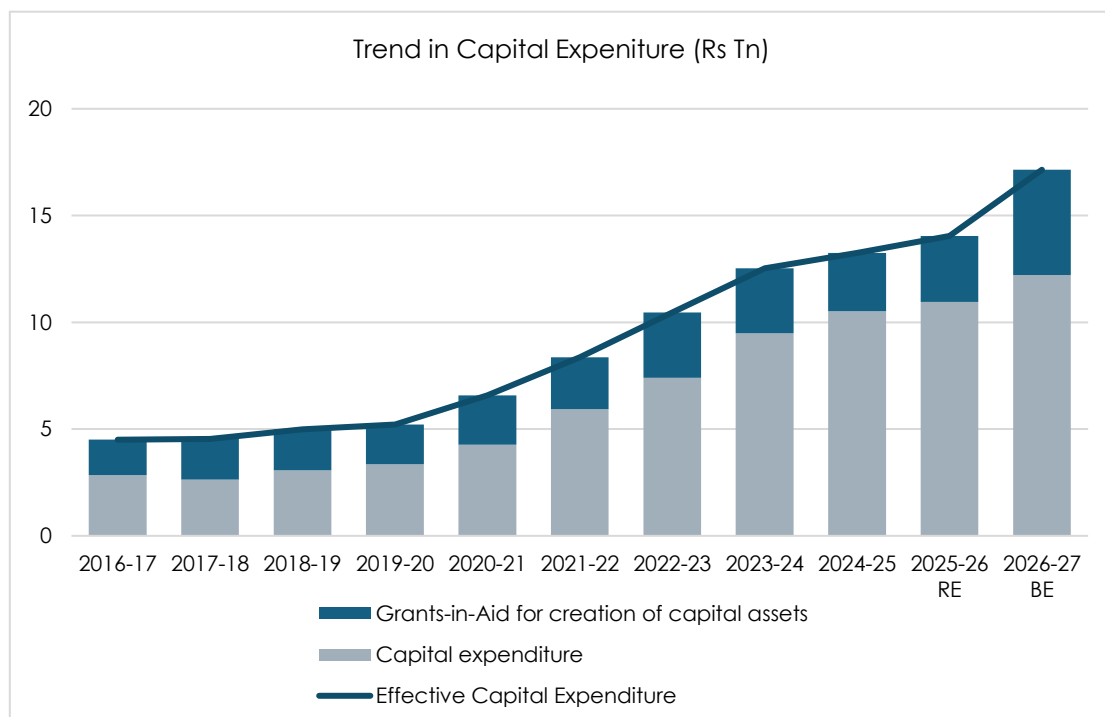
- The g-sec borrowing estimate for FY27 is higher than the market expectation range of Rs 10.5-11.5 Lakh Cr. This is likely to weigh upon market sentiment.
- While g-sec buybacks helped to marginally reduce the issuance pressure in FY26, their absence in FY27 will deprive market participants of a feeling of relief.
- A minor factor of concern is the large quantum of g-sec switches, which will add to the gross supply of duration in the market.
- On the other hand, the projected fiscal adjustment is likely to be viewed favorably by the MPC as headline fiscal commitments have been upheld. The FY27 Union Budget takes forward the ethos of fiscal consolidation, while continuing to strive for a superior quality of expenditure. This could help anchor medium-term inflation expectations close to the 4% target.
- While we expect the RBI to maintain the status quo on monetary policy through FY27, with repo rate at 5.25%, the preference for easing could manifest via its bond operations. We project the need for at least Rs 3 Lakh Cr OMO (Open Market Operation) purchases, along with the restarting of Operation Twist (where the central bank simultaneously buys and sells securities of different maturities) as a policy tool to curb the pressure on the g-sec yield curve.

Overall, we revise up our forecast for the 10Y g-sec yield to 6.75% for Mar-26 from 6.60% earlier. Going into FY27, the 10Y g-sec yield is expected to inch up towards 6.90% by Mar-27.

Table 3: Budget at a glance

| | In Rs bn | | | As % of GDP | | |
|---------------------------|--------------|--------------|--------------|-------------|-------------|-------------|
| | FY25 | FY26 RE | FY27 BE | FY25 | FY26 RE | FY27 BE |
| Revenue Receipts | 30364 | 33423 | 35332 | 9.2 | 9.4 | 9.0 |
| Gross Tax Revenue | 37952 | 40778 | 44041 | 11.5 | 11.4 | 11.2 |
| Net Tax Revenue | 24989 | 26747 | 28669 | 7.6 | 7.5 | 7.3 |
| Non-Tax Revenue | 5375 | 6677 | 6662 | 1.6 | 1.9 | 1.7 |
| Dividends & Profits | 3084 | 3756 | 3910 | 0.9 | 1.1 | 1.0 |
| Non-Debt Capital Receipts | 418 | 640 | 1184 | 0.1 | 0.2 | 0.3 |
| Miscellaneous | 172 | 338 | 800 | 0.1 | 0.1 | 0.2 |
| Total Expenditure | 46555 | 49648 | 53473 | 14.1 | 13.9 | 13.6 |
| Revenue Expenditure | 36035 | 38691 | 41255 | 10.9 | 10.8 | 10.5 |
| Interest Payment | 11163 | 12743 | 14040 | 3.4 | 3.6 | 3.6 |
| Subsidy | 4226 | 4695 | 4548 | 1.3 | 1.3 | 1.2 |
| Capital Expenditure | 10520 | 10958 | 12218 | 3.2 | 3.1 | 3.1 |
| Revenue Deficit | 5671 | 5268 | 5923 | 1.7 | 1.5 | 1.5 |
| Fiscal Deficit | 15773 | 15585 | 16958 | 4.8 | 4.4 | 4.3 |
| Primary Deficit | 4609 | 2842 | 2918 | 1.4 | 0.8 | 0.7 |

Chart 4: Trend in Capex over the years



Sectoral Impact



Cement

Acuite Opinion: **Neutral**



Key Budgetary Announcements:

- The cement sector stands to benefit indirectly from ₹12.2 lakh crore capital expenditure allocation, which represents an increase of ~9% over FY25-26 (RE), primarily through higher spending on infrastructure and housing.
- Sustained focus on infrastructure development across roads, highways, railways, dedicated freight corridors, ports, urban infrastructure and logistics, with special emphasis on Tier II and Tier III cities.
- Continued push for affordable and rural housing, including support for PMAY (urban and rural), rural roads (PMGSY) and urban redevelopment, indirectly supporting cement demand.
- Rs 20,000 crore allocation over five years for Carbon Capture, Utilisation and Storage (CCUS) technologies for carbon-intensive sectors such as cement and steel, aimed at enhancing export competitiveness and sustainability.
- Infrastructure Risk Guarantee Fund proposed, aimed at improving credit flow and accelerating execution of large infrastructure projects, benefiting cement demand visibility.
- Enhanced focus on logistics efficiency, including new freight corridors, inland waterways, and asset monetisation through REITs, helping reduce transportation costs for bulk materials like cement.

Impact Analysis

The increase in capital expenditure to Rs 12.2 lakh crore reinforces the government's long-term commitment to infrastructure-led economic growth. Given the cement sector's strong linkage with public capex, this sustained investment pipeline provides medium-term demand visibility, particularly from roads, railways, metros, and urban infrastructure projects. This capex continuity supports steady volume absorption amid ongoing capacity additions.

The Rs 20,000 crore allocation for Carbon Capture, Utilisation and Storage (CCUS) marks a structurally positive development for the cement industry, which faces rising environmental compliance requirements and global carbon pricing pressures such as the EU's CBAM. Support for carbon capture and green technologies will help cement companies lower emissions intensity, safeguard export competitiveness, and align with long-term sustainability objectives.

The budget's continued focus on infrastructure spending is expected to have a measured impact on the cement sector by supporting demand from roads, railways, urban infrastructure, and housing projects. This infrastructure-led push has already translated into higher outputs, with India's cement production rising by 6.3% year on year to 453 million tonnes in FY25.

Improving demand conditions and better price realizations are expected to support operating profitability in FY26. In anticipation of this trend, the industry has outlined aggressive capacity addition plans of around 150–160 million tonnes between FY25 and FY28, reinforcing a constructive medium-term outlook for the cement sector.

Overall, while the Budget does not introduce sector-specific tax incentives for cement, the policy continuity, focus on execution, and support for green transition collectively create a favourable operating environment. The cement industry is expected to witness steady volume growth of ~6–7% over the medium term, driven primarily by public infrastructure and housing expenditure, supporting a positive to stable sector outlook.

Tourism and Hospitality

Acuité Opinion: **Positive**



Key Budgetary Announcements:

- The sector benefits from scheme-based allocations ₹10,000 crore under Biopharma Shakti, medical tourism hub development, and demand-side tax rationalisation, reflecting policy prioritisation rather than a dedicated fiscal outlay.
- Pilot scheme to upskill 10,000 tourist guides across 20 iconic destinations through a 12-week structured training programme in collaboration with IIMs, aimed at improving service quality and visitor experience.
- Establishment of a National Institute of Hospitality by upgrading the National Council for Hotel Management and Catering Technology to strengthen institutional capacity, professional education, and leadership in hospitality services.
- Development of 15 archaeological and heritage sites (including Sarnath, Hastinapur and Dholavira) into vibrant, experience-based cultural destinations to boost heritage tourism.
- Rationalisation of TCS on overseas tour packages from up to 20% to a uniform 2%, lowering upfront travel costs and supporting outbound travel and allied services.
- Tourism placed at the centre of the government's employment and growth strategy, with a clear focus on livelihood generation, foreign exchange earnings, and regional development.
- Launch of Buddhist circuits in North-Eastern states, supported by connectivity, pilgrim infrastructure, and monastery conservation to strengthen spiritual tourism.
- Significant push for eco-tourism and adventure tourism, including sustainable mountain trails, bird-watching trails, turtle trails, and scenic tourism routes across multiple states.

Impact Analysis

The Union Budget 2026 reinforces tourism's strategic importance through a dedicated allocation of ₹2,541 crore to the Ministry of Tourism, reflecting the government's intent to position the sector as an employment-led growth engine rather than a consumption-driven segment. Measures to improve destination accessibility include the deployment of 4,000 electric buses for last-mile connectivity in tourist areas, alongside targeted development of a Buddhist circuit across northeastern states such as Arunachal Pradesh, Sikkim, Assam, Manipur, Mizoram, and Tripura. These initiatives are expected to widen the geographic spread of tourism activity and support hospitality capacity creation in under-penetrated regions.

The explicit positioning of tourism as a key economic growth and employment driver marks a structural shift for the hospitality and tourism industry. Further, the training of 10,000 tourist guides, is likely to improve service quality, workforce productivity, and long-term sector professionalism, addressing chronic skill-related constraints. Development of archaeological sites, Buddhist circuits, mountain and nature trails is expected to drive demand across Tier II and Tier III locations, encourage hotel development in emerging markets, and help reduce seasonality, benefiting organised hospitality players with diversified geographic footprints.

On the demand side, the reduction in TCS on overseas tour packages to 2% improves affordability and liquidity for travellers, supporting outbound travel demand.

The creation of regional medical tourism hubs further strengthens India's positioning as a global healthcare destination. Higher inflows of foreign patients, longer average lengths of stay, and higher per-visitor spending should support occupancy levels and realisations for hotels located near major healthcare clusters.

Automobile Sector

Acuité Opinion: **Neutral**



Key Budgetary Announcements:

- The Budget outlines the creation of two new high-tech tool rooms, aimed at expanding domestic capabilities in precision tooling and capital goods manufacturing. For the automotive industry—particularly component makers that depend on specialized tooling—this initiative is expected to enhance manufacturing depth and reduce reliance on imported equipment.
- Duty exception on certain EV components.
- Allocation for 4,000 electric buses under regional development initiatives
- The government has proposed the development of seven high-speed rail corridors to bolster environmentally sustainable mobility across major city clusters. While primarily targeted at improving public transportation, these corridors will also support the automotive ecosystem by easing freight movement and decongesting arterial roads, thereby improving logistics efficiency, which indirectly benefit the overall automobile sector.
- The Budget also introduces a programme to revive 200 legacy industrial clusters, intended to enhance manufacturing competitiveness and reduce structural inefficiencies. This is particularly relevant for the auto-component industry, where cluster-based MSMEs form the backbone of the Tier-II and Tier-III supply chain.
- To address persistent working-capital challenges faced by MSMEs, the government has proposed additional liquidity support alongside a transaction settlement platform. This move is expected to stabilise cash flows for small and medium suppliers, many of whom are integral to the automotive components network

Impact Analysis

The combination of new high-tech tool rooms and the revival of 200 industrial clusters is expected to materially improve domestic manufacturing capabilities. For automotive component producers, enhanced access to advanced tooling and better-organised cluster infrastructure will help reduce dependence on imported machinery, improve productivity, and reinforce the resilience of India's auto-supply ecosystem. The substantial ₹12.2 lakh crore capital expenditure allocation, together with the rollout of high-speed rail corridors, underscores a continued push toward integrated national infrastructure. These investments are likely to improve freight efficiency, reduce transport bottlenecks, and indirectly support vehicle demand—particularly for commercial and passenger mobility solutions that rely on robust logistics networks.

The MSME-focused measures—namely liquidity infusion and a dedicated transaction settlement platform—should provide much-needed stability for smaller suppliers that anchor automotive value chains. By easing working-capital pressures and improving payment flows, the sector can expect better continuity in component supply and lower cost volatility for OEMs.

Although this year's Budget does not feature direct policy interventions for either the conventional automobile segment or the EV ecosystem, the broader emphasis on infrastructure, MSME competitiveness, and manufacturing capability lays a supportive foundation for the industry. Improved transport corridors, modernised cluster ecosystems, and stronger supply-chain linkages are expected to collectively enhance operational efficiency and sustain long-term sectoral resilience.

Telecom

Acuité Opinion: **Neutral**



Key Budgetary Announcements:

- The government announced a National Fibre Scheme aimed at improving India's self-sufficiency in fibre production. Although not a telecom-exclusive initiative, the scheme is expected to enhance domestic availability of optical fibre
- The Budget also increased the allocation for the Electronics Components Manufacturing Scheme (ECMS) to ₹40,000 crore.
- A continued emphasis on infrastructure development across Tier-II and Tier-III cities has been reiterated. While this is not a telecom-specific announcement, upgrades in urban infrastructure typically accelerate processes such as right-of-way approvals, tower installation, and fibre trenching. This creates a more conducive environment for operators to expand network coverage and improve service quality, particularly in underserved geographies.

Impact Analysis

The National Fibre Scheme provides a boost to the telecom sector by providing access to domestically produced fibre which can enable faster deployment of high-capacity transport networks, improve backbone resilience, and reduce future cost escalations for operators. This is especially relevant as operators push for deeper 5G penetration and begin focusing on enterprise fibre, fixed wireless access, and emerging use-cases requiring dense fibre backhaul.

The significant increase in funding for electronics manufacturing is likely to yield medium-term benefits for telecom infrastructure development. By enhancing local production of key electronic components, operators and OEMs may gain access to a more stable and cost-competitive hardware ecosystem. This supports India's long-term ambition of becoming a meaningful telecom equipment manufacturing hub and reduces supply-chain vulnerability in network rollouts.

The broader push toward developing Tier-II and Tier-III cities can ease several operational bottlenecks the telecom sector faces during network deployment. Improved civic infrastructure often shortens approval timelines, streamlines civil works, and enables faster rollout of both fibre and tower infrastructure. This indirectly supports operators by improving execution efficiency and facilitating the expansion of high-speed networks across emerging consumption centres. However, telecom industry continues to face existing financial pressures associated with high levies and capital-intensive network rollouts including heavy licence fees, GST on regulatory payments, and high spectrum-related charges.

Real Estate

Acuité Opinion: **Neutral**



Key Budgetary Announcements:

- The government will create special REITs to monetise big Central Public Sector Enterprise (CPSE) real estate assets like railway, land, port land, power transmission assets and other government properties.
- Continued focus on Tier 2, Tier 3 cities (and now including temple towns) by allocating INR5,000 crore over five years per City Economic Region (CER).
- A new Infrastructure Risk Guarantee Fund has been launched to give partial guarantees to banks and lenders, making it easier to fund projects during risky construction phases.
- Pradhan Mantri Awas Yojana (PMAY-Urban) has been given Rs 18,625 crore, plus Rs 3,000 crore more for PMAY-Urban 2.0, which will help complete ongoing houses and start new ones in cities.
- The government has introduced a Rs 10,000 crore Urban Challenge Fund to support redevelopment, improve old city areas and promote new urban infrastructure ideas.
- Public capital expenditure remains high at Rs 12.22 lakh crore, which will support better roads, metros, transport systems, logistics, water supply and overall city infrastructure.
- A long tax holiday till 2047 is announced for foreign cloud service companies that set up data centres in India, which will increase demand for data-centre-related commercial real estate.
- New freight corridors and national waterways will improve connectivity and open new areas for industrial and logistics-led real estate growth.

Impact Analysis

The Infrastructure Risk Guarantee Fund is likely to ease credit constraints by sharing lender risk in long-gestation and infra-linked real estate projects, and alongside sustained high government capex, it should enhance project viability, approval timelines and overall developer confidence.

Pradhan Mantri Awas Yojana (PMAY)-Urban funding should accelerate EWS/LIG/MIG project execution and strengthen urban housing supply while improved infrastructure and redevelopment initiatives support mid-income demand in emerging clusters.

In the commercial segment, the tax holiday for foreign cloud companies is expected to significantly boost data-centre development across major metros and dedicated Central Public Sector Enterprise (CPSE) REITs will deepen institutional participation by adding government-backed, income-generating commercial assets.

Urban governance reforms—through City Economic Region (CER)-based development, redevelopment of older city cores, upgraded mobility and logistics corridors—will unlock new real estate nodes suitable for housing, retail, offices and industrial clusters, with freight corridors and waterways further catalysing warehousing and manufacturing ecosystems. Overall sector sentiment remains positive, supported by policy stability and expanded institutional avenues such as CPSE-led REIT monetisation attracting global investors, though the lack of homebuyer-centric benefits may temporarily weigh on affordable housing demand.

Textiles

Acuité Opinion: **Moderately Positive**



Key Budgetary Announcements:

- An Integrated Textile Programme to be launched covering fibre self-reliance, cluster modernisation, handloom and handicraft support, sustainability measures and upgraded skilling under Samarth 2.0.
- A National Fibre Scheme to promote self-reliance in natural fibres like silk, wool, jute, as well as man-made and new-age fibres.
- Traditional textile clusters to receive support for modern machinery, technology upgrades and improved testing and certification facilities.
- A strengthened handloom and handicraft ecosystem through a unified programme and the Mahatma Gandhi Gram Swaraj initiative, focusing on branding, training and better market linkages.
- Mega Textile Parks to be developed in challenge mode with emphasis on value addition in technical textiles
- Export period for textile and leather products extended from 6 months to 12 months to ease operations for exporters using duty-free imported inputs.

Impact Analysis

The government's push to improve natural, man-made and new-age fibre availability, modernise production centres and upgrade training systems is expected to strengthen operations across the textile value chain, while the development of large integrated parks will help manufacturers lower costs, expand scale and improve global competitiveness.

At the same time, targeted support for crafts, khadi and rural industries through better branding and training can lift incomes for artisans and boost demand for traditional products. The extension of export timelines will ease shipment pressure and offer more flexibility in managing working capital for exporters using duty-free inputs.

Additional emphasis on sustainability will help domestic firms meet international compliance requirements, while improved testing and quality systems are likely to reduce rejections and enhance export preparedness. Further, stronger collaboration between industry and academic institutions will help bridge skill gaps, and focused efforts to grow the technical textiles segment can drive innovation, diversification and better margins for manufacturers.

Sustainability

Acuité Opinion: Positive



Key Budgetary Announcements:

- Rs. 20,000 Cr for Carbon Capture, Utilisation and Storage (CCUS), the programme targets emissions from industrial sectors, ensuring that the high economic growth remains compatible with India's climate commitments.
- Customs duty exemptions on capital goods used for manufacturing lithium-ion cells are extended to cover those used for Battery Energy Storage Systems (BESS), boosting large-scale storage manufacturing in India
- Basic Customs Duty (BCD) exemption is granted on Sodium Antimonate, reducing the cost of producing solar glass for domestic solar module manufacturers
- The Budget also removes BCD on capital goods for processing critical minerals like lithium, cobalt, and rare earths to build domestic refining capacity essential for EVs, wind turbines, and clean technologies.
- To support clean baseload power, the government extends customs duty exemptions on nuclear power project imports until 2035, applicable to all nuclear plants regardless of size
- The full value of biogas in biogas-blended CNG is exempted from central excise duty, incentivising blending, lowering transport emissions, and encouraging waste-to-energy initiatives.
- A structural reform is announced to restructure PFC and REC with the aim of improving operational efficiency, risk management, and financing capacity for large-scale energy and renewable infrastructure

Impact Analysis

The announcement of Rs. 20,000 crore CCUS scheme launched to decarbonize hard-to-abate sectors like steel, cement, power, refineries, and chemicals. Aimed at aligning economic growth with India's long-term climate commitments. Further the BCD exemptions aim at reducing cost of solar glass manufacturing, this is expected to boost the Solar energy sector's competitiveness.

Further, BCD exemptions on capital goods, critical minerals to boost domestic refining for clean tech/EVs. Customs duty exemptions for nuclear power project imports extended till 2035 and applicable to all plant sizes. Entire value of biogas exempted from Central Excise duty when blended with CNG, promoting waste-to-energy and cleaner transport fuels.

Budget focuses on reducing import dependency, supporting domestic clean-tech manufacturing, and building a resilient energy ecosystem aligned with the goal of a Viksit Bharat. These initiatives are expected to boost the overall competitiveness of the sectors while achieving the goals of sustainable development.

Education

Acuité Opinion: **Positive**



Key Budgetary Announcements:

- The Union Budget 2026-27 has increased the allocation for education to Rs 1.39 lakh crore, up from Rs. 1.28 lakh crore last year-an exact year-on-year rise of 8.27 per cent.
- The government plans to address the challenges for girl students in higher education STEM institutions, one girl's hostel will be established in every district.
- Creating 5 University Townships in the vicinity of major industrial and logistic corridors. These planned academic zones will host multiple universities, colleges, research institutions, skill centres and residential complexes.
- The Budget also proposes setting up a new National Institute of Design (NID) in eastern India to strengthen design education and innovation in the region.
- The government has further indicated steps to ease financial pressure on students pursuing education abroad, including revisions to the tax collection at source (TCS) on overseas remittances.
- The Budget announces the setting up of three new NIPERs and the upgradation of seven existing NIPERs, strengthening advanced pharmaceutical education, research and skilled manpower availability.
- Collaboration with professional bodies (ICAI, ICSI, ICMAI) to create short-term modular courses and continued support for research through the Anusandhan Research Fund reflects a shift towards employability-linked education and innovation-driven growth.

Impact Analysis

The Union Budget 2026–27 accords continued priority to the education sector as a key pillar of human capital development, with a total allocation of around Rs. 1.39 lakh crore, reflecting a moderate increase over the previous year. Of this, approximately Rs. 83,500 crore is earmarked for school education, while Rs. 55,700 crore is allocated to higher education, underscoring the government's focus on capacity building, employability and inclusion.

A key thrust of the Budget is the strengthening of industry-linked higher education. The government has announced the establishment of five university townships near major industrial and logistics corridors. These integrated hubs will house universities, research institutions, skilling centres and residential facilities, aimed at improving graduate employability and fostering closer industry–academia collaboration.

The Budget also places strong emphasis on healthcare and allied education. It targets the training of one lakh allied and healthcare professionals over the next five years, supported by a dedicated allocation of Rs. 1,000 crore for allied health professional education.

In addition, the government announced the setting up of three new National Institutes of Pharmaceutical Education and Research (NIPERs) and the upgradation of seven existing NIPERs, strengthening India's pharmaceutical and medical education ecosystem. Overall, the education provisions in the Union Budget 2026–27 signal a shift from mere expansion of enrolment towards quality, employability, healthcare capacity and inclusive access, positioning education as a long-term growth enabler rather than only a social expenditure item.

Chemical

Acuité Opinion: **Neutral**



Key Budgetary Announcements:

- The Budget has proposed financial support of ~Rs. 600 crore in FY2027 for the development of three dedicated chemical parks under a cluster based, plug and play framework. The allocation is aimed at improving common infrastructure, utilities, and environmental compliance facilities, which should gradually enhance scale efficiencies and reduce entry barriers for chemical manufacturers.
- The government proposed an outlay of Rs. 20,000 crore over five years for CCUS to accelerate decarbonisation in hard-to-abate sectors. For chemicals and petrochemicals—where process and fuel emissions are significant—this creates a policy/financing anchor for pilot-to-commercial CCUS projects (including ammonia, methanol, fertilizers and refining interfaces), potentially lowering future carbon-cost risks and enhancing export competitiveness in carbon-sensitive markets.
- Establishment of rare-earth corridors in Odisha, Kerala, Andhra Pradesh, Tamil Nadu to support downstream industries including specialty chemicals.

Impact Analysis

Budget 2026 introduces a shift toward a chemical-park-based cluster model, with Rs. 600 crore allocated to three parks to address long-standing issues like land acquisition, utilities, compliance, and logistics, helping reduce capex and project delays

These dedicated parks, with plug-and-play infrastructure and shared facilities, are expected to lower entry barriers, shorten project timelines, and enhance viability, particularly for basic and intermediate chemicals, while attracting state and private investments. The Rs. 20,000 crore CCUS commitment provides a medium-term decarbonisation path for energy-intensive chemical segments, enabling early pilots in CO₂-to-chemicals, blue hydrogen, and blue ammonia, supporting global market alignment and access to green finance.

Roads, Ports & Airports Sector

Acuité Opinion: **Neutral**

Key Budgetary Announcements:

Roads:

- Increased allocation for the Ministry of Road Transport & Highways (MoRTH) to ~Rs.3.10 lakh crore for FY2027, up from previous year's estimate of ~Rs.2.87 lakh crore, reflecting continued emphasis on road expansion and upgrades.
- National highways authority of India (NHAI) was allocated Rs.1.87lakh crore for FY2027, as compared to Rs. 1.70lakh crore allocated in FY2026, primarily for developing expressways, national highways, and greenfield access-controlled corridors. It reflects a focused effort to continue infrastructure expansion. The funds are supported by budgetary resources, toll-based mechanisms, and asset monetization.
- Allocation for road works, which includes national highway construction development, planning, border roads, logistics parks, ropeways and last mile connectivity projects has been raised to Rs.1.22 lakh crore in FY2027, compared to Rs.1.16 lakh crore in FY2026 budget estimates.
- The budget allocation has significantly increased for the Ports, Shipping and Waterways Ministry to ~Rs. 5164.8 crore, increase nearly by 48 percent over the previous year estimates of Rs. 3,470.58 crore.
- Govt. plans to operationalise 20 new national waterways over the next 5 years, starting with National Waterway- 5 in Odisha to connect mineral rich areas of Talcher and Angul, and industrial centres like Kalinga Nagar to the ports of Paradeep and Dhamra.
- Launch of Costal Cargo Promotion Scheme (Jalvahak Scheme), aims to shift more freight to waterways from rail and road, to increase share of inland waterways and coastal shipping from 6 percent to 12 percent by 2047.
- Setting up training institutes as Regional Centres of Excellence for development of the required manpower, aimed to provide training for the youth in the stretch of waterways. Introduced a Seaplane VGF scheme to enhance last-mile and remote connectivity and promote tourism.
- The Ministry of Civil aviation's total budget for FY2026-27 is ~Rs. 4,699.92 crore slightly higher than the previous estimates of Rs. 4193.83 crore.
- The budget provides a boost to the UDAN scheme, with Rs. 550 crore for enhancing regional air links with focus on tier-2 and tier-3 city connectivity.
- The budget also includes dedicated funds of Rs. 456 crore for safety and compliance, recognises the growing complexity of aviation operations.

Impact Analysis

The increased allocation signals sustained focus of government on strengthening India's road network, which is critical for reducing logistics costs and improving supply chain efficiency. Increased funding will accelerate the construction and upgrading of national highways, expressways, and state road links, boosting connectivity across industrial hubs and economic corridors. A stronger road network also supports rural and urban integration, facilitates faster movement of goods and people, and enhances competitiveness for sectors such as e-commerce, manufacturing, and agriculture. This infrastructure push is expected to improve freight turnaround times and catalyze regional economic activity over the medium term.

The augmented push for ports and waterways reflects a strategic tilt towards more efficient and environmentally sustainable freight movement. Enhancing inland waterways complements the road and rail network by offering cost-effective cargo routes, reducing congestion on highways, and lowering overall logistics costs. Further, operationalizing new waterways improves connectivity between industrial, mineral, and agricultural regions to seaports. The establishment of river-linked ship repair hubs and skill centers will also support the ecosystem development and job creation. For coastal regions, improved port infrastructure will accelerate industrial growth, foster hinterland linkages, and reinforce India's ambitions under Sagarmala initiatives.

The budget for MCA is expected to significantly strengthen India's aviation ecosystem through balances push towards connectivity, manufacturing, and regulatory enhancement. The continued support for the UDAN scheme will improve regional air connectivity, enabling tier-2 & tier-3 cities to integrate more efficiently with major economic centers and boosting tourism and local commerce. The exemption of basic customs duty on aircraft parts and MRO components is set to recuse operating costs and incentivize domestic manufacturing and repair capabilities, supporting India's medium-term goal of becoming an aviation and aerospace hub. Additionally, incentives for seaplane manufacturing and operations will promote tourism-led development and provide new connectivity options for remote regions. Overall, the budget initiative is poised to lower long-term operating costs, strengthen infrastructure resilience, and create a more competitive and self-reliant civil aviation sector.

Healthcare & Pharma

Acuité Opinion: **Positive**



Key Budgetary Announcements:

- Outlay of Rs 10,000 Cr over the next five years in 'BioPharma Shakti' to support domestic production of biologics and biosimilars. This will include developing a Biopharma-focused network with 3 new National Institutes of Pharmaceutical Education and Research (NIPER) and upgrading 7 existing ones.
- Upgradation in existing institutions for Allied Health Professionals (AHPs) coupled with establishment of new AHP Institutions in private and government sectors resulting into addition of 1 lakh AHPs over the next 5 years
- Development of a Care Ecosystem, covering geriatric and allied care services involving training of 1.5 caregivers over coming year.
- Launch of Scheme to support States in establishing five Regional Medical Hubs, in partnership with the private sector.
- Setting up 3 new All India Institutes of Ayurveda, upgrade AYUSH pharmacies and Drug Testing Labs for higher standards of certification ecosystem and make available more skilled personnel and upgrade the WHO Global Traditional Medicine Centre in Jamnagar.
- Setting up a NIMHANS-2 and also upgrade National Mental Health Institutes in Ranchi and Tezpur as Regional Apex Institutions. Further, strengthen and increase these capacities by 50% in District Hospitals by establishing Emergency and Trauma Care Centres.
- Exemption of basic customs duty on 17 drugs or medicines related to cancer disease. Also, addition of 7 more rare diseases for the purposes of exempting import duties on personal imports of drugs, medicines and Food for Special Medical Purposes (FSMP) used in their treatment.

Impact Analysis

Healthcare emerged as an important driver for growth in the country, with a substantial enhancement in the allocation for the Ministry of Health & Family Welfare to ₹ 1,05,530.42 crores, reflecting an increase of 8.96% over the Revised Estimates of FY 2025–26.

The aim is to provide a strong medical infrastructure providing reach and affordability with special focus on mental health, bio pharma, cancer diseases and reviving the emphasis on traditional Ayurveda medications. The policies aim to protect the poor, disabled and vulnerable. Further, strengthening the healthcare workforce coupled with improved quality of healthcare services would help to address current shortages in critical roles, enhance the overall quality in healthcare delivery across urban and rural areas and strengthens India's position as a global healthcare talent hub.

Healthcare expenditure has continued its steady rise in recent years. For FY25, the government allocated ₹99,859 crore to the health sector, marking a ~10% increase over FY24. A substantial share of this outlay went to the Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (PM-JAY), whose budget rose to ₹9,406 crore in FY26, reflecting the scheme's expanded coverage for senior citizens, ASHA and Anganwadi workers, as well as gig workers.

Taxation

Acuité Opinion: **Neutral**



Key Budgetary Announcements:

Direct taxation:

- Introduction of Simplified income tax and rolling out of Income Tax Act, 2025 i.e. April 01, 2026
- Reduction of TCS rate on sale of overseas tour program package from 5% & 20% to 2%.
- Reduction of TCS rate from 5% to 2% for pursuing education and for medical purposes outside India under the Liberalized Remittance Scheme (LRS).
- TDS on supply of manpower services to be at the rate of either 1% or 2%.
- Obtaining a lower or nil deduction certificate through rule-based automated process for small taxpayers.
- Time available for revising returns extended from 31st December to up to 31st March with the payment of a nominal fee.
- Allow taxpayers to update their returns even after reassessment proceedings have been initiated at an additional 10 percent tax rate over and above the rate applicable for the relevant year.
- Honest taxpayers willing to settle disputes will now be able to close cases by paying an additional amount in lieu of penalty
- Share buyback to be taxed as capital gains as against dividend income
- Exemption from Minimum Alternate Tax (MAT) to all non-residents who pay tax on presumptive basis.
- Raising of Securities transaction tax from 0.02% to 0.05%

Impact Analysis

Introduction of simplified income tax bill with the goal of reducing litigation, improving clarity and compliance and providing long-term certainty of business

Reduction of TCS rate on sale of overseas tour program package from 5% & 20% to 2% without any stipulation of amount and for pursuing education and for medical purposes under the Liberalized Remittance Scheme (LRS) from 5% to 2% would improve liquidity and reduce the compliance burdens and enhances affordability and provides financial relief to a wide section of the population.

Supply of manpower services to be brought within the ambit of payment to contractors for the purpose of TDS to avoid ambiguity.

Obtaining a lower or nil deduction certificate through rule-based automated process for small taxpayers would reduce compliance burden (filing an application with the AO) and document hassles.

Extending the ITR revision (with a nominal fee) helps taxpayers by allowing more accurate filing and promoting a more taxpayer-friendly compliance environment.

Allowance to taxpayers to update their returns even after reassessment and honest taxpayers settle disputes in lieu of penalty would result in reduction in litigation process.

Exemption from Minimum Alternate Tax (MAT) to all non-residents who pay tax on presumptive basis would lead to reduction in tax burden for Non-residents, boosting to foreign participation in Indian markets and better alignment with international tax norms.

Further, unlike previously, under the proposed changes on buy back taxation, shareholders can deduct the cost of acquisition of shares from the buyback amount which is expected to lower the tax liability. Also, the lower tax rates on capital gains (12.5% on LTCG and 20% on STCG) shall be beneficial to minority shareholders who are not treated as promoters and hold 10% or less of the company's shareholding. However, the amendment continues to impose higher tax rate on promoters holding more than 10% (effective rate of 22% in case of domestic company and 30% in case of persons other than domestic company), to curb misuse of the route.

Raising the STT on Futures from 0.02% to 0.05% and on options premium and exercise of options to be raised to 0.15% from rate of 0.1% and 0.125% respectively would lead to higher transaction costs for traders, reduced liquidity in derivatives markets led to potential shift towards other asset classes, increase in government revenue, making hedging more expensive. However, this is aimed to curb participation of retail traders in this segment, given the high complexity and vulnerability to significant losses.

Defence

Acuité Opinion: **Moderately Positive**



Key Budgetary Announcements:

- Total defence allocation increased to Rs. 7.85 lakh crore in FY2026-27 budget, marking a significant rise of over ~15 percent from the previous year budgeted sector allocation, positioning defence as the highest-allocated ministry
- Capital Outlay enhanced to Rs. 2.19 lakh crore an increase of ~17.6 percent compared to FY2025-26 (RE). Of this, Capital Acquisition budget is raised to Rs. 1.85 lakh crore in FY2026-27, marking a rise of over ~17 percent from the previous year, of which Rs. 1.39 lakh crore is earmarked for domestic procurement, reinforcing the Padmanabha Bharat agenda.
- Revenue Expenditure increased to Rs. 3.65 lakh crore, an increase of ~4.5 percent compared to FY2025-26 (RE), supporting operational preparedness, maintenance, spares procurement and day to day sustenance requirements.
- Defence Pensions allocation increased to Rs. 1.71 lakh crore, increase of ~1.3 percent compared to 2025-26 (RE), continuing support for servicemen and dependents.
- Customs duty relief extended for components and materials used in aircraft manufacturing and MRO activities, supporting aerospace linked defence manufacturing.

Impact Analysis

The earmarking of nearly three-fourths of the capital acquisition budget for domestic procurement provides significant order visibility to Indian manufacturers—public and private. This strengthens localisation, encourages capacity expansion and improves long-term viability for MSMEs and tier-2/3 vendors.

The substantial rise in capital outlay and acquisition spending is expected to fast-track induction of modern platforms across air, land and sea. This supports India's medium-term force-structuring goals and enhances deterrence against evolving regional security challenges.

Higher revenue allocation ensures availability of critical spares, ammunition, repair infrastructure and maintenance budgets. This will help increase platform uptime and improve overall mission readiness across forces.

Enhanced BRO funding supports rapid development of critical border infrastructure. Improved connectivity and mobility corridors will strengthen logistics, accelerate troop movement and enhance preparedness in sensitive areas.

Increased DRDO funding and a strong capital share for R&D encourage development of indigenous high-tech systems including UAVs, missile systems, EW suites and aerospace platforms. This reduces import dependence and strengthens long-term technological sovereignty.

Union Budget 2026–27 marks a decisive shift toward modernisation, indigenisation and long-term capability creation. The strong increase in capital outlay, domestic procurement, R&D spending and border infrastructure signals the government's strategic focus on readiness and self-reliance. Overall, the defence sector outlook remains moderately positive, supported by multi-year investment visibility and clear policy continuity.

Green Energy

Acuité Opinion: **Neutral**

Key Budgetary Announcements:

- Exemption of basic customs duty (BCD) for:
 - Import of sodium antimonate, used in manufacturing of solar glass
 - Capital goods used for the manufacturing of lithium-ion cells for batteries, used in battery energy storage systems (BESS)
 - Import of goods required for nuclear power projects till the year 2035, irrespective of the plant's capacity.
- Allocation for 4,000 electric buses under regional development initiatives
- Scheme to adopt Carbon Capture Utilisation and Storage (CCUS) with an outlay of Rs. 20,000 Cr.

Impact Analysis

Budget 2026–27 raises renewable energy allocations by 30% to ₹32,914.7 crore, signalling strong policy continuity and deeper support for clean energy.

The Pradhan Mantri Surya Ghar scheme sees a 29% increase over revised estimates to ₹22,000 crore, reinforcing stronger policy backing for household solar adoption and affordability.

CCUS scheme aims to decarbonise heavy industries, foster domestic innovation, create new economic opportunities, and strengthen India's climate leadership.

Allocation of electric buses serves as a driver of clean energy demand, grid modernization, and renewable integration. By aligning mobility with power sector reforms, it reinforces India's trajectory toward sustainable growth and climate resilience.

Overall, the budget marks a strategic shift from rapid capacity growth to reliable execution, prioritizing grid-scale projects, transmission, and renewable integration. Enhanced allocations for renewables, household solar, CCUS, and electric buses collectively advance decarbonisation, grid modernization, and resilience, reinforcing India's pathway to net-zero 2070.

India keeps thrust on renewable power with the total renewable energy capacity currently reaching over 250 GW, rising to 258 GW including large hydro. This is majorly led by solar, crossing ~136 GW (~52% of the total renewable capacity) by November/December 2025, followed by wind power with ~21%. The total capacity FY25 was ~220 GW and targeted capacity is ~275 GW by FY26 end. Further India has committed to installing 500 GW of non-fossil energy capacity by 2030 indicate an investment requirement of ₹30–33 lakh crore, a target reiterated across government platforms, including the Ministry of New & Renewable Energy and COP26 commitments.

Oil and Gas

Acuité Opinion: **Neutral**



Key Budgetary Announcements:

- Exclusion of entire value of biogas in Central Excise Duty payable on biogas blended CNG

Impact Analysis

Exclusion of biogas value from Central Excise Duty on biogas-blended CNG will lower fuel costs, boost adoption of clean mobility, and strengthen rural biogas production, creating economic opportunities while reducing emissions and import dependence.

Employment/Skill Development Sector

Acuité Opinion: **Neutral**



Key Budgetary Announcements:

Skill Development & Training

- Education to Employment and Enterprise Standing Committee: Designed to align education outcomes with industry needs, ensuring smoother school-to-work transitions.
- Divyang Kaushal Yojana: Customized training for differently abled individuals in IT, animation/VFX/gaming (AVGC), and hospitality sectors.
- Yuva Shakti focus: Dedicated programs to enhance youth employability through digital public infrastructure and vocational training.

MSME & Entrepreneurship

- Champion MSMEs initiative: Support for micro, small, and medium enterprises to scale operations, innovate, and integrate into global supply chains.
- Simplified compliance and credit access for MSMEs to encourage entrepreneurship and job creation.

Manufacturing & Industrial Push

- Expansion in seven strategic sectors (biopharma, semiconductors, electronics, textiles, chemicals, rare earths, capital goods).
- Legacy industrial cluster rejuvenation to modernize traditional industries and generate employment.

Infrastructure & Services

- ₹12.2 lakh crore capital expenditure allocation for infrastructure projects, expected to create millions of direct and indirect jobs.
- Dedicated initiatives for sports goods manufacturing and medical tourism hubs, opening new employment avenues.

Impact Analysis

The Education to Employment and Enterprise Standing Committee will bridge the gap between academic learning and industry requirements, ensuring smoother school-to-work transitions. The Divyang Kaushal Yojana focuses on equipping differently abled individuals with specialized skills in IT, AVGC, and hospitality, opening inclusive career opportunities. Meanwhile, the Yuva Shakti programs emphasize enhancing youth employability through digital public infrastructure and vocational training, creating a future-ready workforce.

Further, it strengthens the role of small businesses in job creation through the Champion MSMEs Initiative, which provides financial and policy support to help micro, small, and medium enterprises scale up. Alongside this, simplified compliance processes and easier access to credit are designed to reduce barriers for entrepreneurs, encouraging growth in local clusters and expanding employment opportunities across the country.

The industrial job creation is through targeted interventions in key sectors such as biopharma, semiconductors, electronics, textiles, chemicals, and capital goods, aiming to expand employment opportunities in emerging industries. At the same time, it provides support for legacy industrial clusters, helping rejuvenate traditional employment hubs and ensuring balanced growth across both modern and established sectors.

Agriculture

Acuité Opinion: **Moderately Positive**



Key Budgetary Announcements

- The total outlay for agriculture and allied sectors has been increased to ₹1.63 lakh crore, about 7% rise than the FY 2025–26 revised estimates. This enhanced allocation is primarily aimed at supporting crop diversification, technology adoption, and development of allied activities, signalling a gradual shift away from an over-reliance on price support and input-based subsidies toward productivity- and income-enhancing interventions.
- Promotes high-value agriculture and crop diversification to improve farm income resilience by encouraging a shift towards crops such as coconut, cashew, cocoa, sandalwood, walnuts, almonds, and pine nuts. It proposes targeted interventions for orchard rejuvenation, high-density plantations, and value addition, with an active role envisioned for rural youth and agri-enterprises to enhance productivity and income sustainability.
- Boost for livestock and animal husbandry by introducing a credit/loan-linked capital subsidy to modernise dairy, poultry, and livestock enterprises. It supports for veterinary colleges, hospitals, diagnostic laboratories, and breeding centres, aims to train 20,000 professionals, while promoting Livestock Farmer Producer Organisations (FPOs) to create sustainable rural and peri-urban employment opportunities.
- The Budget advances digital and AI-led agriculture through the launch of Bharat VISTAAR (Virtually Integrated System to Access Agricultural Resources), a multilingual, AI-based digital platform integrating agri-stock data, ICAR databases, and advanced AI tools.
- The Budget places strong emphasis on women-led and community-based agri enterprises by building on the Lakhpati Didi initiative, with a clear shift from credit-linked livelihoods towards enterprise ownership among rural women. It also proposes the establishment of Self-Help Entrepreneur (SHE) Marts as community-owned retail outlets, supported by innovative financing instruments to strengthen last-mile market access and enhance income sustainability.

Impact Analysis

The proposed measures are likely to reshape the agriculture sector from a subsidy-driven model to a more diversified, enterprise-oriented ecosystem. The higher allocation signals policy continuity and confidence in agriculture as a growth engine, while the clear tilt towards diversification, technology adoption, and allied activities can gradually reduce farmers' dependence on traditional crops and price support mechanisms. By encouraging high-value crops, orchard development, and value addition, the initiatives have the potential to stabilise farm incomes, improve resilience against climate and price volatility, and create stronger linkages between agriculture and agri-processing industries, especially benefiting younger farmers and rural entrepreneurs.

The focus on livestock, fisheries, and aquaculture meaningfully broadens income opportunities beyond crop farming, particularly for small and marginal farmers. Credit-linked subsidies, modernisation of dairy and poultry, and investments in veterinary infrastructure can improve productivity while generating skilled employment in rural and peri-urban areas. Similarly, developing reservoirs and Amrit Sarovars for fisheries, along with stronger value chains and market access, can unlock underutilised water resources and promote employment diversification. The emphasis on FPOs and FFPOs also strengthens collective bargaining power, improves market integration, and supports more stable earnings across these sub-sectors.

At the structural level, digital and AI-led interventions and women-centric enterprises could deliver long-term transformational impact. Platforms like Bharat VISTAAR can bridge information gaps, enabling farmers to make timely, data-driven decisions and better manage climate and market risks. Meanwhile, initiatives such as Lakhpati Didi and SHE Marts push rural women beyond self-help activities towards ownership and entrepreneurship, improving household incomes and community resilience. Taken together, these measures support a more inclusive, technology-enabled, and employment-intensive rural economy, with positive spill-overs for consumption, financial inclusion, and overall rural growth.

Capital Goods

Acuite Opinion: **Neutral**



Key Budgetary Announcements:

- ₹10,000 Crore Scheme for Container Manufacturing- A ₹10,000 crore, 5-year scheme will be introduced to build a globally competitive container manufacturing ecosystem, reducing import dependence.
- Focus on Industry 4.0 & Automation- Industry voices highlighted the need for Duty rationalisation to address inverted duty structures, R&D incentives and support for domestic manufacturing of PLCs, robots, and servo systems.
- Duty Exemptions on Key Capital Goods- Multiple basic customs duty (BCD) exemptions directly benefit capital goods used in strategic industries like Lithium-Ion Battery Manufacturing, Critical Mineral Processing, Civilian Aircraft Manufacturing and Microwave Oven Manufacturing.
- Rare Earth Corridors Supporting Capital Goods Supply Chains- The budget allocates support for rare-earth corridors in Odisha, Kerala, Andhra Pradesh, and Tamil Nadu to strengthen mining, processing, research, and manufacturing.
- Hi-Tech Tool Rooms to Boost Precision Manufacturing – The government to set up digitally enabled, automated high-tech tool rooms at two locations through CPSEs.
- New Scheme for Construction & Infrastructure Equipment (CIE)- A dedicated Scheme for Enhancement of Construction and Infrastructure Equipment (CIE) will be launched.

Impact Analysis

₹10,000 Crore Container Manufacturing scheme aims to create a globally competitive container manufacturing ecosystem and cut India's dependence on China (~95% market share). It will strengthen logistics resilience, reduce long-term container costs, and generate employment in a labor-intensive sector.

The CIE scheme boosts domestic production of advanced construction equipment needed for major infrastructure projects. It helps Indian manufacturers benefit from rising capex and reduces reliance on imported heavy machinery.

Rare-earth corridors will build an integrated domestic supply chain for critical minerals used in EVs, electronics, and defence. This strengthens India's self-reliance and reduces vulnerability to China-driven global supply disruptions.

Hi-tech tool rooms will upgrade domestic precision engineering by offering advanced design and manufacturing facilities at lower cost. This will reduce dependence on imported precision components and support MSMEs with access to high-end digital automation technologies.

Extended duty exemptions on capital goods for batteries, critical minerals, aircraft components, and electronics will reduce manufacturing costs. This accelerates growth in EVs, renewable energy, and aerospace by making essential equipment more affordable.

FMCG & Consumer Durables

Acuité Opinion: **Neutral**



Key Budgetary Announcements:

- P M FME (The Prime Minister Formalisation of Micro Food Processing Enterprises) Scheme allocation increased to Rs.1,700 crore (BE 2026) from Rs.1,500 crore (2025). PLI (Production-Linked Incentive) for Food Processing receives a dedicated outlay of Rs.1,200 crore.
- Launch of Self-Help Entrepreneur (SHE) Marts under cluster-level federations to empower rural women through enterprise ownership. Mahatma Gandhi Gram Swaraj initiative to enhance village industries via training, quality improvements, and global linkages
- Customs duty on all dutiable goods imported for personal use reduced from 20% to 10%.
- BCD (Basic Custom Duty) exemption on specified parts used in manufacturing microwave ovens. PLI for White Goods (ACs & LED lights) receives Rs.1,004 crore in BE 2026–27 (vs. Rs.304 crore in RE 2025–26).
- Customs duty exemptions ending (effective April 1, 2026):
Hydrophilic & hydrophobic non-woven fabrics used in adult diapers.

Impact Analysis

Higher PM-FME and Food PLI allocations will boost micro-unit formalisation, processing capacity, improved branding/packaging, and farm-to-FMCG integration—supporting premiumisation and organised value chains.

Lower customs duty on personal-use imports (20%→10%) may spur demand for premium imported goods, intensifying competition but also growing the premium consumer segment.

SHE Marts and Gram Swaraj initiatives will expand rural retail access, support women-led enterprises, and encourage local manufacturing.

BCD exemptions for microwave parts and expanded white-goods PLI will boost domestic manufacturing, increase value addition, and may reduce appliance prices over time.

Continued PLI support for white goods will deepen local production of key components and reduce import dependence.

The new government scheme seeks to improve the supply of high-quality cashew, cocoa, and nuts for FMCG companies, encouraging healthier local snack options. It emphasizes post-harvest processing for sandalwood to enhance the value chain in the personal care sector. The initiative also promotes domestic cultivation of almonds and walnuts, aiming to decrease import dependence and improve pricing for FMCG businesses.

Ending duty exemptions on non-woven diaper fabrics from April 1, 2026, will raise input costs, increase retail diaper prices and short-term financial pressure on manufacturers and consumers reliant on adult hygiene products.

Information Technology

Acuite Opinion: **Positive**



Key Budgetary Announcements:

- The Ministry of Electronics and Information Technology (MeitY), which is driving the government's AI and semiconductor push, has been allocated Rs 21,632.96 crore for FY2026-27, up from Rs 20,232.95 crore in the previous Budget Estimates.
- Software development, ITES, KPO and contract R&D have been merged into single category called Information Technology service, reducing ambiguity and dispute related to service classification.
- A uniform safe Harbour margin of 15.5 % has been introduced, the eligibility threshold has been increased from Rs. 300 crore to Rs. 2000 crore and approvals have been automated providing ease of compliance and tax certainty to both small and large IT companies.
- Unilateral Advanced Pricing Agreement (APAs) will now be completed within two years, with benefits extended to associated entities, helping reduce long-pending transfer pricing disputes and ensuring group level tax alignment.
- A five-year tax exemption on global income of non-resident tech experts, along with higher safe harbor limits and tax certainty, making India a more attractive destination for global talent and GCC expansion.
- The budget provides a 20-year tax holiday (i.e. up to 2047) for foreign cloud companies using Indian data centers, a safe harbor for datacenter services providers.
- Support extended through National Quantum Mission, Anusandhan National Research Fund, and Research, Development & Innovation Fund.
- Launch of Bharat-VISTAAR, a multilingual AI advisory tool integrating with AgriStack and ICAR datasets to help farmers make data-driven decisions.
- The IndiaAI Mission remains underpowered in execution. In the Budget, the finance minister revised last year's ₹2,000 crore allocation to ₹800 crore (RE), and this year's allocation has been reduced to Rs 1,000 crore.

Impact Analysis

The budget measures are positive for Indian IT sector both in the medium and long term. The new safe harbour regime will significantly improve the tax certainty compliances and cost competitiveness for IT/ITEs companies especially mid and large size firms, encouraging expansion and reducing transfer pricing disputes.

Incentive for data centre and cloud services position India as a global digital transfer infrastructure hub, boosting demand for cloud management, cyber security and digital transformation services.

The proposed education- employment -enterprise committee alliance skills with AI and emerging technologies, ensuring a future ready workforce overall. the budget enhances investment inflows demand visibility operational stability and global competitiveness of the Indian it sectors with limited short-term impact but substantial growth term benefits.

Digital infrastructure and manufacturing proposal is a fundamental shift for India from being a global IT service provider to becoming a self-reliant high tech industrial hub with "semiconductor sovereignty". By offering tax holiday until 2047 and a 15% safe harbour for data centres, the budget is expected to create a massive pull factor for global cloud giants to localise their back-end infrastructure in India, effectively turning the country into a global digital warehouse.

The transition from simple assembly to the creation of Indian owned intellectual property and equipment through ISM 2.0 which got an initial provision of ₹1,000 crore, supported by a double Rs. 40,000 crores outlay for electronic manufacturing, ensures that India captures the high value segments of the technology supply chain. This strategy will significantly reduce import dependency for critical components boost high skilled employment and leverage cutting edge technologies like AI as force multiplier to drive productivity across the entire national economy.

Overall, the budget enhances investment inflows, demand visibility, operational stability and global competitiveness of the Indian IT sector, with limited short-term impact but substantial long term growth benefits.

Logistics

Acuité Opinion: **Neutral**



Key Budgetary Announcements:

- Introduction of a dedicated Freight Corridors connecting Dankuni in the east to Surat in the west.
- Launch of a Coastal Cargo Promotion Scheme to increase the share of inland waterways and coastal shipping from 6% to 12% by 2047.
- A five-year budgetary allotment of Rs.10,000 Crore to promote domestic manufacturing of cargo containers.
- Operationalizing 20 new national waterways over the next five years linking mineral and industrial belts to ports.
- A unified digital single-window system for all cargo-related government approvals to be fully operational by April 2026 as a step towards streamlining India's trade logistics ecosystem.

Impact Analysis

The introduction of the dedicated Freight Corridor between Dankuni and Surat will strengthen India's freight backbone by reducing transit delays, enhancing cargo reliability and improving speed of long-distance freight movement. The shift will also help to lower the overall logistics costs - particularly for heavy industries, e-commerce, export-driven sectors thus supporting to smoothen logistics and supply chain.

The introduction of 20 new national waterways and the Coastal Cargo Promotion Scheme will ease burden on road networks, reduce congestion, and lower transportation-related emissions, by expanding inland and coastal shipping options. Together, these initiatives will strengthen multimodal connectivity and build a resilient and sustainable logistics ecosystem.

The unified digital single-window platform will be fully operational for food, pharma, and plant or animal-related shipments by April 2026. This step will bring multiple regulatory agencies onto one integrated system wherein the clearance process will enhance customs-linked efficiency, cut down port and terminal dwell times for export and import operations.

The government's five-year budgetary allocation of Rs.10,000 Crore to boost domestic cargo container manufacturing focuses on building a globally competitive container ecosystem and aims to enhance the availability of modern, high-quality containers, improve cargo mobility, and support efficient multimodal logistics.

Railways

Acuité Opinion: **Neutral**



Key Budgetary Announcements:

- A capex allocation of approx. Rs. 2.78 lakh crore for FY26-27 (from Rs. 2.52 lakh crore for FY2024-25) a ~10% YoY increase and reflecting a strong push toward infrastructure growth. The government continues to prioritize capacity expansion, safety, modern stations, and advanced trains, positioning railways as a key driver of economic growth and logistics efficiency.
- Safety spending increased to Rs. 1.20 lakh crore in FY2026-27 from Rs. 1.16 lakh crore in FY2025-26. Focus areas include track & coach maintenance, rapid deployment of the Kavach automatic train protection system, CCTV installation, OHE upgrades, station redevelopment, and enhanced passenger facilities.
- Budget prioritises heritage and culture tourism, announcing a new scheme for Buddhist Circuits across six northeastern states—Arunachal Pradesh, Sikkim, Assam, Manipur, Mizoram, and Tripura. This includes enhanced rail and road connectivity, improved facilities, and preservation of monasteries and pilgrimage sites to promote spiritual tourism.
- India will develop seven high-speed rail corridors connecting key metro and economic hubs: Mumbai–Pune, Pune–Hyderabad, Hyderabad–Bengaluru, Hyderabad–Chennai, Chennai–Bengaluru, Delhi–Varanasi, and Varanasi–Siliguri. These corridors aim to promote environmentally sustainable passenger systems and serve as major growth connectors.
- Under the Government's Purvodaya initiative for Eastern India:
 - An Integrated East Coast Industrial Corridor will be developed.
 - A well-connected industrial node at Durgapur will boost logistics and manufacturing ecosystems across eastern states. These measures aim to attract investment and create a seamless industrial-transportation chain and strengthen existing railway connectivity.

Impact Analysis

The FY26-27 railway budget presents a capex rise to approx. Rs.2.78 lakh crore from Rs.2.52 lakh crore, reflecting a ~10% YoY increase and reinforcing the government's long-term commitment to railway-led infrastructure growth and logistics efficiency. This improves medium-term execution visibility for large rail projects and supporting more predictable order inflows for EPC players. Higher safety spending further strengthens the system's operational reliability through enhanced track and coach maintenance, Kavach deployment, CCTV rollout, and OHE upgrades—reducing accident-related risks which is a positive outlook for Indian Railways. The near-completion of electrification substantially improves cost efficiency, reduces fuel dependence, and enhances long-term financial sustainability.

The major initiatives announced for FY26-27—such as the seven new high-speed rail corridors, the Dankuni–Surat Dedicated Freight Corridor, industrial corridor developments under the Purvodaya initiative, and enhanced Buddhist tourism circuits in the Northeast—collectively reinforce a long-term infrastructure-building agenda that is expected to boost freight efficiency, stimulate regional economic activity, and improve order visibility for EPC and rail-linked sectors, though benefits will unfold gradually and project execution remains a key monitorable.

Collectively, these measures indicate strong policy continuity, rising execution capacity, and an improving long-term revenue outlook for Indian Railways supported by enhanced logistics efficiency, strengthened safety metrics, and sustained modernization momentum.

Seafood

Acuité Opinion: **Neutral**



Key Budgetary Announcements:

- Fish catch by an Indian fishing vessel in Exclusive Economic Zone (EEZ) or on the High Seas to be made free of duty.
- An increase in the duty-free import limit for seafood inputs from 1% to 3% of FOB value, aimed at improving raw material availability for processors and enhancing export competitiveness.
- Budget 2026 places emphasis on strengthening fisheries value chains in coastal regions, including scaling up Fish Farmer Producer Organisations (FFPOs) to improve market access, reduce intermediaries, and enhance price realisation for fishers.
- Digital and technology adoption in fisheries is supported through integration with the National Fisheries Digital Platform (NFDP) and AI-based advisory tools, enhancing traceability and compliance with global export norms.
- Announcement of integrated development of 500 reservoirs (Amrit Sarovars) to boost inland fisheries production, supporting diversification and stable supply for domestic consumption.
- Continued focus on infrastructure creation under the Pradhan Mantri Matsya Sampada Yojana (PMMSY), including cold chains, processing facilities, fishing harbours and hatcheries, to reduce post-harvest losses and support exports, is backed by a higher PMMSY allocation of Rs.2,500 crore in FY 2026-27 compared to about Rs.2,450 crore in FY 2025-26.
- The Pradhan Mantri Matsya Kisan Samridhi Sah-Yojana (PM-MKSSY) continues to support formalisation of the fisheries sector by improving access to institutional finance, working capital and performance-linked incentives for micro and small enterprises.

Impact Analysis

The increase in the duty-free import limit from 1% to 3% of FOB value is expected to lower input costs, support margin stability, and enhance export competitiveness for seafood processors, particularly in shrimp and value-added products.

Continued support under Pradhan Mantri Matsya Sampada Yojana (PMMSY) is expected to strengthen fisheries infrastructure, reduce post-harvest losses, improve quality, and support higher value addition for both domestic- and export-oriented players.

The focus on strengthening fisheries value chains through FFPOs is expected to improve aggregation, market access, and price realisation for fishers, while reducing reliance on intermediaries and supporting formal producer-processor linkages over the medium term.

The development of 500 Amrit Sarovars for inland fisheries is expected to diversify production beyond marine catch, improve supply stability, reduce seasonality risks, and support growth in inland aquaculture-linked seafood processing.

Ongoing implementation of Pradhan Mantri Matsya Kisan Samridhi Sah-Yojana (PM-MKSSY) is expected to improve formalisation of the fisheries sector by enhancing access to institutional finance and incentives, which is credit positive for small and micro enterprises transitioning to the formal ecosystem.

The push towards digital platforms and traceability, including NFDP integration and AI-based advisory tools, is expected to improve compliance with export norms, strengthen India's presence in regulated markets, and reduce rejection risks for seafood exporters.

Overall, Budget 2026 adopts a structural, medium-term approach for the fisheries and seafood industry. While limited tax or GST relief restricts near-term margin upside, the focus on infrastructure, export facilitation, formalisation (including PM-MKSSY) and value-chain efficiency is expected to support stable growth and improve long-term competitiveness.

Steel

Acuité Opinion: **Neutral**



Key Budgetary Announcements:

- Government is considering mandating 20% green steel usage in public infrastructure projects—this would provide assured long-term demand and accelerate investments in green technologies.
- A scheme to adopt Carbon Capture Utilization and Storage (CCUS) for sectors like power, steel with an outlay of Rs. 20,000 crores over the next five years.
- With the ongoing and new projects in roads, railways (including high-speed corridors), it is expected to drive steady demand for steel and allied products.

Impact Analysis

A clear indication to support demand growth supported by government-led capital expenditure in roads, railways, urban development, and logistics.

With a scheme to adopt CCUS, it specifically targets high emission sectors, including steel sector to enhance their sustainability and meet environmental standards.

Also, focus on green steel incentives, infrastructure spending, securing raw materials with duty rationalisation and strengthening domestic manufacturing. This may impact the steel industry owing to reduced costs for the end users.

Capital Markets

Acuité Opinion: **Neutral**



Key Budgetary Announcements:

- STT on Futures to 0.05 percent from present 0.02 percent. STT on options premium and exercise of options will also be raised to 0.15 percent from the present rate of 0.1 percent and 0.125 percent, respectively
- Share Buybacks will be taxed as capital gains for all shareholders (instead of dividend treatment), with an additional buyback tax on promoters to disincentivise tax arbitrage—resulting in an effective tax rate of 22% for corporate promoters and 30% for non-corporate promoters.
- To encourage large-scale municipal bond issuances, the government has proposed a ₹100 crore incentive for single bond issuances exceeding ₹1,000 crore by large cities, while continuing the AMRUT scheme incentives for smaller issuances (up to ₹200 crore) to support small and medium towns—strengthening urban infrastructure financing and deepening the municipal bond market.
- Taxpayers will be allowed to submit a single declaration to a depository for non-deduction of TDS on income from mutual fund units, interest on securities, and dividends, replacing the need for multiple declarations to different payers, with depositories responsible for electronically reporting the declaration to the relevant income payers—thereby simplifying compliance and improving ease of investing
- The exemption from capital gains tax on Sovereign Gold Bonds will be available only for individuals who subscribe at the time of original issue and hold the bonds continuously until redemption on maturity, with the provision applying uniformly to all SGB issuances by the Reserve Bank of India, thereby restricting the benefit to long-term, original investors and preventing secondary-market arbitrage.
- The budget also proposes no deduction for interest costs incurred to earn dividend income.

Impact Analysis

The sharp increase in STT on futures and options materially raises trading costs, likely reducing high-frequency and speculative derivative activity while encouraging a gradual shift toward cash equities and long-term investment strategies.

A significant portion of broker revenues comes from equity derivatives trading, where STT hikes directly increase the cost for clients. As trading volumes in derivative drops, brokerage fees and earnings might decrease.

Taxing buybacks as capital gains for all shareholders protects minority investors and restores tax neutrality.

The ₹100 crore incentive for large municipal bond issuances (>₹1,000 crore), alongside continued AMRUT support for smaller issuances, strengthens urban infrastructure financing, improves scale and liquidity in the municipal bond market, and enhances its attractiveness to institutional investors.

Allowing a single TDS non-deduction declaration through depositories reduces procedural friction for investors, lowers compliance costs, and improves ease of investing across mutual funds, securities interest, and dividend income.

Restricting capital gains exemption on Sovereign Gold Bonds to original, long-term individual investors discourages secondary-market arbitrage, aligns tax benefits with policy intent, and reinforces SGBs as a long-term savings instrument rather than a trading product.

Banking & Financial Sector

Acuité Opinion: **Neutral**



Key Budgetary Announcements:

- High Level Committee to be established on Banking for “Viksit Bharat”
- The vision for NBFCs for Viksit Bharat has been outlined with clear targets for credit disbursement and technology adoption. To achieve scale and improve efficiency in the Public Sector NBFCs
- Restructuring of PFC & REC
- Introduction to market-making framework & total return swaps (TRS) on corporate bonds.
- Revision of Foreign Exchange Management (Non-debt Instruments) Rules
- Gross market borrowings by GoI for FY 2026-27 estimated at Rs. 17.2 lakh crore higher than previous year estimates of Rs. 16.5 lakh crore

Impact Analysis

The Union Budget FY26–27 reflects the government's comfort with the current health of the banking system, as seen from the absence of any fresh capital support or relaxation measures. This indicates confidence in banks' balance sheet strength and the improvement in asset quality achieved over recent years. The proposal to set up a High-Level Committee on Banking for *Viksit Bharat* focused to suggest reforms on growth alignment with India's next stage of economic growth while keeping the tab on governance, efficiency, and consumer protection.

For NBFCs, the articulation of a clear policy vision and emphasis on technology adoption reinforces their role in the financial ecosystem, which is positive for well-capitalised and diversified players. At the same time, the proposed restructuring of select public sector NBFCs such as PFC and REC signals a push towards scale and consolidation, which could increase competitive pressures for smaller entities over the medium term.

A market-making framework and introduction of total return swaps (TRS) to address long-standing liquidity constraints in the corporate bond market. These measures are intended to improve secondary market trading, price discovery, and risk-management capability. Over time, this is expected to deepen investor participation and reduce liquidity premia embedded in corporate bond yields. The proposal represents a structural, medium-term reform, with effectiveness contingent on implementation and regulatory follow-through.

A comprehensive review of the Foreign Exchange Management (Non-debt Instruments) Rules has been proposed to modernise and simplify the foreign investment framework.

With the higher-than-expected gross market borrowings of Rs. 17.2 lakh crore as compared to the estimated Rs. 16.5 lakh crore for FY 2026-27, (despite net borrowings remaining contained at Rs. 11.7 lakh crore in line with the fiscal consolidation path), the elevated gross supply can lead to near-term upward pressure on G-sec yields with the 10-year G-sec benchmark already trending towards the 6.75–6.80% range. Market conditions are expected to remain stable but cautious, with the trajectory of yields and risk appetite hinging on RBI liquidity management and open-market operations to offset supply pressures.

Overall, the Budget's prudent fiscal stance and emphasis on regulatory continuity support a stable operating environment for both banks and NBFCs.

MSME Sector

Acuite Opinion: **Positive**



Key Budgetary Announcements:

- A Rs10,000 crore SME Growth Fund will be set up to strengthen equity financing for MSMEs.
- The Self-Reliant India Fund (2021) will receive an additional Rs 2,000 crore to expand support for MSME equity infusion.
- TReDS will be mandated as the primary platform for settlement of MSME invoices by CPSEs, setting a benchmark for corporates.
- A credit guarantee facility under CGTMSE will be introduced for invoice discounting on TReDS.
- GeM will be integrated with TReDS to enable faster and more affordable financing for MSMEs.
- TReDS receivables will be treated as an asset class, enabling the development of a secondary market.
- The government will promote Professional Institutions to support MSMEs in corporate structuring and compliance. Special focus will be given to Tier-II and Tier-III towns to provide affordable compliance and professional services.
- The Rs 10 lakh value cap per consignment on courier exports will be removed to support MSME exporters.

Impact Analysis

The initiatives are likely to bring meaningful relief to MSMEs, particularly in addressing long-standing issues related to capital availability and cash-flow pressures. The proposed SME Growth Fund and additional support to the Self-Reliant India Fund can help viable MSMEs strengthen their equity base, which caused challenges for the sector.

Measures aimed at improving liquidity through TReDS are expected to have a more immediate and widespread impact. Delays in receivables, especially from large buyers and public sector entities, have been a persistent challenge for MSMEs. Making TReDS the go to settlement platform for CPSEs, along with credit guarantee support for invoice discounting, should improve confidence among lenders and encourage greater use of formal receivables financing.

The proposed linkage of GeM with TReDS and the recognition of receivables as an asset class reflect an effort to build a more structured and transparent financing ecosystem. Once implemented effectively, these steps may lower funding costs and provide MSMEs with quicker access to funds. The development of a secondary market for receivables could further strengthen liquidity, though this is likely to evolve gradually.

Support for professional and compliance services, particularly in Tier-II and Tier-III locations, addresses another practical constraint faced by MSMEs—limited access to affordable advisory support. Assistance in meeting compliance and governance requirements can improve operational discipline and make smaller MSMEs more acceptable to lenders and larger corporates. Meanwhile, the removal of the value cap on courier exports offers a direct but targeted benefit, enabling small exporters to handle higher-value shipments and better respond to overseas demand. This approach aims to strengthen MSMEs by improving access to capital, easing liquidity constraints, and providing cost-effective professional support, thereby promoting stable growth and long-term competitiveness for MSMEs.

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