

Consistent, Popular & Practical : 2025-2026 Union Budget Review



**FIDENT ASSET
MANAGEMENT**





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KEY TAKEAWAYS FROM THE BUDGET



Fident's Five Budget KTAs

- Direct Tax - In the new regime, up to Rs. 12 lakh income is tax free, which was earlier Rs. 7 lakhs. This coupled with lower tax rates will reduce direct tax burden on 70 lakh middle-class tax payers by Rs. 1 lakh crore
- FY26 Capex growth in line with nominal GDP at ~10% to 11.21 lakh crores. However, on the back of lower spending in FY25 (~10.18 lakh crores v/s budget estimate 11.11 lakhs), street was anticipating higher capex outlay of Rs. 12 lakh crore.
- No increase in fertiliser, food and petroleum subsidy. Abstaining from higher spending on such revenue expenditures is a positive sign.
- No major tax tweaks in capital gains or indirect tax
- Clear and consistent focus on simplifying regulations, tax compliance and ease of doing business



Budget at a glance

- Projected growth of revenue receipts inline with nominal GDP growth
- Capital expenditure is projected to grow by 10.1% to Rs 11.2 lakh crore in FY26.
- Fiscal deficit estimate for FY26 is inline with market estimates at 4.4%
- Switching of securities from shorter to longer maturities is projected to increase to Rs 2.5 tn from estimated Rs 1.47 lakh crore in FY25
- Further reduction in receipts from small savings schemes reducing interest burden on government

In INR Lakh Crore	FY2024	FY 2025 BE	FY2025 RE	FY 2026 BE	YoY (%)
Revenue receipts	27.3	31.3	30.9	34.2	10.8%
Total expenditure	44.4	48.2	47.2	50.7	7.4%
Capital account expenditure	9.5	11.1	10.2	11.2	10.1%
Fiscal deficit as % of GDP	5.6%	4.9%	4.8%	4.4%	
Gross market borrowings	15.4	14.0	14.0	14.8	5.8%
Net market borrowings	12.3	11.1	10.4	11.5	10.7%
Small savings schemes receipts	4.5	4.2	4.1	3.4	(16.6%)
Subsidies (Fertiliser, Food and Petroleum)	4.1	3.8	3.8	3.8	0.0%



MARKET OUTLOOK



Market Outlook

Asset Class	Budget announcement	Impact
Equity	<ul style="list-style-type: none"> ➤ Personal Tax Relief: Tax-free income threshold increased to ₹12 lakh per annum ➤ Corporate Tax Stability: No change in corporate tax rates ➤ Ease of business: Focus on simplification of compliance; Faster approval process for M&A transactions. ➤ Encouraging private capex: Public-private partnerships for infra projects incentivised with ₹10 lakh crore asset monetization target ➤ Realistic expectations: Nominal GDP growth expectation of 10.1% is reasonable along with tax collections projections 	↑
Debt	<ul style="list-style-type: none"> ➤ Fiscal Deficit Reduction: Targeted at 4.4% of GDP, continuing fiscal consolidation; Absolute deficit value remains stable ➤ Market Borrowings: Gross market borrowings of ₹14.8 lakh crore via G-Secs in FY26, an increase of 5.8% over FY25 estimate ➤ NaBFID Credit Enhancement Facility: Aimed at strengthening corporate bond markets ➤ Foreign Investor Participation: Bilateral Investment Treaty (BIT) framework revised to attract FPI flows into debt 	↔
Real Estate	<ul style="list-style-type: none"> ➤ REITs & InvITs Taxation Simplified: Measures introduced to ease compliance and taxation for Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) to attract more institutional investments. ➤ Affordable Housing Boost: ₹60,000 crore allocated for urban housing, with a special push for Pradhan Mantri Awas Yojana (PMAY). ➤ SWAMIH Fund 2.0: ₹15,000 crore fund introduced to help complete stressed and stalled housing projects. ➤ Urban Challenge Fund: ₹1 lakh crore allocation for urban infrastructure projects 	↑
Gold	<ul style="list-style-type: none"> ➤ Customs Duty & GST Reforms: No direct changes in gold import duty, but simplified GST compliance for the bullion sector to streamline trade. 	↔



IMPACT ON SECTORS AND THEMES

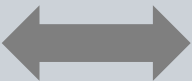





IMPACT ON THEMES / SECTORS

THEMES / SECTORS	ANNOUNCEMENTS	NET IMPACT	IMPACT ASSESSMENT
Consumption	<ul style="list-style-type: none"> • Tax exemption up to Rs 12 lakhs (vs Rs 7 lakhs earlier) likely to drive consumption. • No increase in taxation on sin products (cigarettes, etc) 	↑	Consumer Discretionary, FMCG, Cigarette companies, Retail, Malls. etc.
Financials	<ul style="list-style-type: none"> • Enhanced credit through Kisan Credit Cards, customised credit cards for micro enterprises, increase credit guarantees to MSMEs • Investment and turnover limit for classification of all MSMEs to be enhanced to 2.5 and 2x respectively 	↑	Positive for banks and lenders
Insurance	<ul style="list-style-type: none"> • Allowing 100% FDI in insurance • Tax exemption up to income of Rs 12 lakhs (vs Rs 7 lakhs earlier) • Clarification on ULIP tax ambiguity for high net worth individuals (no change in taxation) 	↔	Competition is expected to increase, but it will take long to play out. 80C tax saving impetus reduces for ULIPs and insurance savings schemes
Information Technology	<ul style="list-style-type: none"> • CoE in AI for education with a total outlay of ₹500 crore. • IFSC tax incentives extended for IT and fintech firms in GIFT City till 2030 • Expansion of capacity in IITs, establishment of 50,000 Atal Tinkering Labs in government schools 	↔	Strong commitment towards start-ups through availability of equity capital. Budget supports innovation, self-reliance, and global competitiveness in IT
Defence	<ul style="list-style-type: none"> • The total defence budget for the current fiscal year stands at Rs 6.81 lakh crore. (up 9.6% YoY from 6.21 lakh crore last year). • However, the capital expenditure for military modernisation has been set at Rs 1.8 lakh crore, reflecting a 4.6% increase. 	↓	Slight negative for defence companies
Railways	<ul style="list-style-type: none"> • Budget for railways was flattish for most major expenses – New lines, electrification, rolling stock etc. • Signaling and Telecom (broadly) Kavach has a higher budget of Rs 6800 crores in FY26 v/s Rs 6006 crores in FY25 	↓	Broadly no incremental positive for most railway players barring Kavach equipment manufacturers



IMPACT ON THEMES / SECTORS

THEMES / SECTORS	ANNOUNCEMENTS	NET IMPACT	IMPACT ASSESSMENT
Pharma and Chemicals	<ul style="list-style-type: none"> • PLI Scheme for Pharma formulations ~2300 crores (~15% jump) • Increase of Ayushman Bharat - Pradhan Mantri Jan Arogya Yojana (PMJAY) by 23.7% to Rs 9,406 Cr • Fertilizer subsidy is flattish • Changes in BCD for several input's such as agri inputs, phosphoric acid, boric acid, sorbitol amongst others. 		<p>Slight positive for domestic pharma players Positive for hospitals and diagnostics chains</p> <p>Negative for Fertilizer companies Slight positive for chemical players due to lower input costs</p>
EV & Battery	<p>Schemes to drive electrification –</p> <ul style="list-style-type: none"> • Outlay of Rs 8129 crores v/s ~4000 crores in FY25 • PM E Drive Scheme, PLI and PM E Bus Seva • BCD reduction on import of battery minerals and capital goods 		<p>Automobile OEM (primarily 2W, 3W and E-bus manufacturers), Auto ancillaries, Battery & Battery Chemical manufactures</p>
E-commerce, Internet and Startups	<ul style="list-style-type: none"> • - 1 crore Gig Workers to be registered and given healthcare benefits • Beneficiaries of lower tax rate • Fund of Fund with expanded scope and a fresh contribution of ~10000 crores • Investment and turnover limit for classification of all MSMEs to be enhanced to 2.5 and 2x respectively 		<p>Quick Commerce Food Delivery Cab Aggregators Start ups and MSME leaders</p>
Industrials and Capital Goods	<ul style="list-style-type: none"> • FY26 Capex growth in line with nominal GDP at ~10% to 11.21 lakh crores. street was anticipating higher capex outlay of Rs 12 lakh crore. • Allocation for Roads and Highways was 4% lower than anticipation 		<p>Negative for capital goods and industrial company including Cement, Road and Infra companies</p>



IMPACT ON THEMES / SECTORS

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Infra	<ul style="list-style-type: none"> Outlay of Rs 1.5 lakh crore is proposed for 50-year interest-free loans Second Asset Monetisation plan for 2025 -2030 to plough back capital of Rs 10 lakh crore in new projects 	↑	Positive for EPC players
Electronic Manufacturing Services	<ul style="list-style-type: none"> 83% increase in spends towards development of semiconductors and displays manufacturing Reduction or exemption of basic customs duty on import of open cell, components and equipment used in manufacturing 	↔	Positive for EMS players looking to engage in semiconductor and flat panel production
Power	<ul style="list-style-type: none"> Incentivise electricity distribution reforms by States An additional borrowing of 0.5% of GSDP will be allowed to States contingent on these reforms. 	↑	Power generation and financing
Nuclear	<ul style="list-style-type: none"> Aim to reach 100 GW nuclear power generation capacity by 2047 Rs 20,000 Cr allocation for building at least 5 small module reactors by 2033 	↑	Positive for construction, turbine equipment and nuclear island equipment providers
Oil and Gas	<ul style="list-style-type: none"> Reduction in LPG subsidies from 14,700 crores to 12,100 crores 	↓	Negative for OMC's



IMPACT ON THEMES / SECTORS

THEMES / SECTORS	ANNOUNCEMENTS	NET IMPACT	IMPACT ASSESSMENT
Water	<ul style="list-style-type: none"> Strong rebound in Jal Jeevan Mission/ National Rural Drinking Water Mission spends from less than Rs 23,000 cr in FY25 to Rs 67,000 Cr in FY26 	↑	Positive for water EPC, equipment and chemical companies
Housing	<ul style="list-style-type: none"> Increase in PMAY Urban and PMAY Grameen together by 64.1% compared to FY2025 revised estimate to Rs 78,126 Cr 	↑	Positive for building materials and housing finance as execution could improve in FY26
Rural	<ul style="list-style-type: none"> No increase in NREGA at Rs 86,000 Cr Increase in PM Sadak Yojan and Rural Livelihood Missions to Rs 19,000 Cr each from about Rs 14,500 cr and Rs 15,000 Cr respectively 	↑	While no increase in MGNREGA is negative for rural employment and wages, increase in other two should aid in recovery of rural consumption helping FMCG and 2 wheelers
Shipbuilding	<ul style="list-style-type: none"> Policy revamp to address cost disadvantages and credit notes for ship-breaking in Indian yards Maritime Development Fund with a corpus of ₹25,000 crore; 49% of contribution from the government and the balance will be from ports and the private sector. 	↑	Positive for shipbuilders



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