

# **Consistent, Prudent but Lackluster 2026-2027 Union Budget Review**



**FIDENT ASSET  
MANAGEMENT**

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# **Key Takeaways from the Budget**





# Fident's Five Budget KTAs

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- **FY27 Capex growth of 11.5% to 12.2 lakh crore** in line with nominal GDP growth. This reinstates government's continued focus on capex
- Continued progress on fiscal consolidation with FY27 fiscal deficit pegged at **4.3% of GDP** (FY26 RE 4.4% in line with guidance)
- Substantial increase in gross market borrowings by 17.8% to **17.2 lakh crore** tightening bond yields and liquidity
- No major tweaks on direct or indirect taxes. **However, increase in STT in future and option contracts was a negative surprise to the market**
- Focus on sunrise sectors like **Semiconductors, Data centre, AI & EMS**



# Budget at a glance

- Projected growth of revenue receipts lower than nominal GDP growth of 10%
- Capital expenditure is projected to grow by 11.5% to 12.2 lakh crore in FY27
- Fiscal deficit estimate at 4.3% for FY27 is largely in-line with expectations; close to pre-covid levels
- Gross market borrowings higher however net borrowings is in line with expectations

In INR Lakh Crore	FY2025	FY 2026 BE	FY2026 RE	FY 2027 BE	YoY (%)
Revenue receipts	30.4	34.2	33.4	35.3	5.7%
Capital Receipts	16.2	16.4	16.2	18.1	11.7%
Total expenditure	46.5	50.6	49.6	53.5	7.7%
Capital account expenditure	10.5	11.2	10.9	12.2	11.5%
Fiscal deficit as % of GDP	4.8%	4.4%	4.4%	4.3%	
Gross market borrowings	14.0	14.8	14.6	17.2	17.8%
Net market borrowings	10.7	11.5	10.4	11.7	12.5%



# Market Outlook





# Market Outlook

ASSET CLASS	BUDGET ANNOUNCEMENT	IMPACT
Equity	<ul style="list-style-type: none"> <li>➤ <b>Personal Tax Stability:</b> No change in personal income tax rates</li> <li>➤ <b>Corporate Tax Stability:</b> No change in corporate tax rates</li> <li>➤ <b>Increase in limit for individual PROI to invest in listed Indian equities from 5% to 10%</b></li> <li>➤ <b>Buyback:</b> Buybacks to be taxed as capital gains at 12.5% vs slab rates earlier for individuals</li> <li>➤ <b>Nominal GDP:</b> The budget assumes a conservative <b>10%</b> nominal growth rate, providing a "cushion" for tax buoyancy</li> </ul>	↔
Debt	<ul style="list-style-type: none"> <li>➤ <b>Fiscal Deficit Reduction:</b> Targeted at <b>4.3% of GDP</b>, continuing fiscal consolidation</li> <li>➤ <b>Market Borrowings:</b> Pegged at <b>17.2 lakh crore</b>. This is a <b>17.8% jump</b> from the 14.82 lakh crore (BE) of FY26</li> <li>➤ A new <b>market-making framework</b> will be introduced, including access to funds and derivatives on corporate bond indices</li> <li>➤ Additionally, <b>Total Return Swaps</b> on corporate bonds will be introduced to deepen market liquidity</li> </ul>	↓
Real Estate	<ul style="list-style-type: none"> <li>➤ <b>PMAY-Gramin (Rural):</b> Outlay increased to <b>54,917 crore</b> (up from 32,500 crore), a ~69% jump. This is a tailwind for building materials companies (cement, tiles, paints) with strong rural footprints</li> <li>➤ <b>City Economic Regions:</b> An allocation of <b>5,000 crore per CER</b> (for cities with &gt;5 lakh population) over 5 years. This is aimed at developing rental housing, better transit, and "challenge-mode" infrastructure</li> <li>➤ Development of infrastructure credit guarantee fund to provide partial credit guarantees to lenders during the high-risk construction phases of large projects</li> </ul>	↑
Gold	<ul style="list-style-type: none"> <li>➤ Capital gains tax exemption removed for SGBs bought via open markets</li> </ul>	↓








# **Impact on Sector and Themes**





# Impact on Sector/Themes

SECTOR/THEMES	ANNOUNCEMENTS	NET IMPACT	IMPACT ASSESSMENT
<b>Financials</b>	<ul style="list-style-type: none"> <li>Setup of High level banking committee primarily focussed towards merger of PSU banks</li> <li>Proposal to restructure Power Finance Corporation and Rural Electrification Corporation to increase in efficiency</li> <li>Compensation from motor accident claims to be tax free</li> </ul>		Negative for public sector banks, positive for general insurance
<b>Textiles</b>	<ul style="list-style-type: none"> <li>Setup mega textile parks in challenge mode</li> <li>Focus on upskilling and modernising the textile sector</li> <li>Establishment of National Fibre scheme to support the growth of man-made and industrial fibres</li> </ul>		Positive for textile companies
<b>Information Technology</b>	<ul style="list-style-type: none"> <li>A uniform safe harbour margin of 15.5% will now apply across the entire IT services sector. Previously, segments like KPOs often faced much higher margin requirements (up to 24-25%)</li> <li>Tax holiday till 2047 for global cloud service providers using data centres located in India</li> </ul>		Budget supports innovation, IT infrastructure self-reliance, and global competitiveness
<b>Defence</b>	<ul style="list-style-type: none"> <li>Total defence budget now at ~7.6 lakh crore, representing a ~7% YoY increase over the revised estimate</li> <li>Capex outlay for military modernisation has been raised to ~2.19 lakh crore, marking a ~17.6% YoY increase, and lifting capital spending to its highest share of total defence expenditure in over a decade (~29% of defence budget)</li> <li>Aircraft and aero engines sees strong capital outlay growth over budgeted estimates (31%), while Navy sees subdued growth</li> </ul>		Positive for defence companies
<b>Railways</b>	<ul style="list-style-type: none"> <li>Setup of a new 3<sup>rd</sup> East to West dedicated freight corridor over the next 5 years</li> <li>New 10,000 crore container manufacturing scheme to make India a global hub for shipping containers</li> <li>7 new high speed rail corridors announced</li> </ul>		Neutral for railways



# Impact on Sector/Themes

SECTOR/THEMES	ANNOUNCEMENTS	NET IMPACT	IMPACT ASSESSMENT
<b>Pharma and Chemicals</b>	<ul style="list-style-type: none"> <li>500 crore allotted in FY27 to Bio-pharma Shakti for manufacturing of biosimilars and biologics (~10,000 crore for 5 years)</li> <li>Improving medical tourism with 5 regional medical hubs in PPP model</li> <li>Pharma outlay for FY27 is 36% higher than RE in FY26</li> <li>No major increase in Chemicals budget outlay, while allocation for FY27 for Fertilizers is 9% lower than RE FY26</li> </ul>	↑	Positive for Biologics and Biosimilar manufacturers Positive for Hospitals and Diagnostics Neutral for Chemicals and Fertilizers
<b>Automobiles</b>	<ul style="list-style-type: none"> <li>PLI outlay for OEM's and ancillaries at ~6,026 crore in FY27 (v/s 2,104 crore)</li> <li>PM E-drive scheme allotments sharply lower from 4,000 crore in BE 26 to 1,500 crore in FY27 mainly for E-bus sector</li> </ul>	↔	PLI outlay is set to end in FY27 For PM E-drive (EV Trucks / Buses) no major uptick in adoption
<b>EMS</b>	<ul style="list-style-type: none"> <li>ECMS outlay increased from 22,900 to 40,000 crore i.e., 66% YOY</li> <li>Additional 5,000 crore outlay for large scale electronics manufacturing</li> <li>Non-renewal of PLI for smartphones ending in March-26 on expected lines</li> </ul>	↑	Positive for EMS companies
<b>Capital Markets</b>	<ul style="list-style-type: none"> <li>STT on Futures raised from 0.02% to 0.05%</li> <li>STT on options premium increase from 0.1% to 0.15%</li> <li>Investment limit for PROI individuals increased from 5% to 10%</li> <li>Buybacks to shareholders will be treated as Capital Gains at 12.5%</li> </ul>	↓	Negative for Stock Exchanges, Brokers and other market participants. Positive for PMS
<b>Tourism</b>	<ul style="list-style-type: none"> <li>Focus on 50 identified tourist destinations to be developed in mission mode, covering infrastructure, amenities and PPP-led development</li> <li>Focus on upskilling tour guides in collaboration with IIMs</li> </ul>	↑	Sentimentally positive for domestic tourism



# Impact on Sector/Themes

	ANNOUNCEMENTS	NET IMPACT	IMPACT ASSESSMENT
<b>Power</b>	<ul style="list-style-type: none"> <li>BCD exemption on manufacturing lithium-ion cells has been extended to Battery Energy Storage Systems (BESS)</li> <li>Dedicated 20,000 crore Nuclear Energy Mission to provide a steady "baseload" of clean power</li> </ul>	↔	No major announcements on power sector reforms
<b>Rare -earth</b>	<ul style="list-style-type: none"> <li>Dedicated corridors in Odisha, Tamil Nadu, Andhra Pradesh, and Kerala to promote research and mining of critical minerals</li> <li>Full exemption of Basic Customs Duty (BCD) on capital goods imported for the processing of critical and rare earth minerals</li> </ul>	↑	Positive for mining companies
<b>Housing</b>	<ul style="list-style-type: none"> <li>Fund allocation under PMAY (Urban) fell sharply for 2<sup>nd</sup> consecutive year to 7,500 crore (-45% YoY) in FY26FRE (1/3rd of FY23RE spends)</li> <li>PMAY (Rural) outlay remained flat YoY on low base at 32,500 crore in FY26FRE</li> </ul>	↓	Execution continues to remain weak on housing
<b>Consumption</b>	<ul style="list-style-type: none"> <li>No change in personal income tax slabs</li> <li>New scheme (VB-G RAM G) — Viksit Bharat-Guarantee for Rozgar &amp; Ajeevika Mission (Gramin) – a new statutory rural employment scheme replacing MGNREGA with an expanded framework and 125 days of guaranteed work per household</li> </ul>	↔	No major impact
<b>Industrials and Capital Goods</b>	<ul style="list-style-type: none"> <li>FY27 Capex growth in line, coming in at ~9% to 12.2 lakh crore</li> <li>Allocation for Defence and Railways continues to be strong, while Roads, Highways and Power T&amp;D was lower than anticipated</li> </ul>	↔	Neutral for capital goods and industrial company including Cement, Road and Infra companies



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