

Budget Summary for 2026–27

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- **GDP Growth Rate:** Government reaffirms a high-growth, low-inflation path with real GDP growth around 7% and continued focus on public capex, manufacturing and services as twin engines, which is broadly supportive for earnings growth and risk assets.
- **Fiscal consolidation:** Fiscal deficit is estimated at 4.4% of GDP in FY26 RE and 4.3% in FY27 BE, with debt-to-GDP expected to ease from 56.1% to 55.6%, which helps sovereign risk perception and bond yields
- **Capex:** Centre's capital expenditure is proposed to rise from ₹11.2 lakh crore in FY26 BE to ₹12.2 lakh crore in FY27, keeping infrastructure, capital goods, cement, and allied sectors in focus.
- **Direct equity/market structure measures:** Futures STT increases from 0.02% to 0.05%. Options STT on premium and exercise both rise to 0.15% from 0.10% and 0.125%, respectively.
- This is marginally negative for high-frequency/derivatives trading, brokers, and very active traders; Impact on long-only investors is limited but could dent F&O volumes at the margin.

Buyback taxation is overhauled:

➤ To curb the improper use of buybacks by promoters, the budget proposes to tax buybacks for all shareholders as Capital Gains. However, to disincentivize misuse of tax arbitrage, promoters will pay an additional buyback tax. This will make the effective tax 22 percent for corporate promoters.

Corporate tax / MAT regime:

➤ Minimum Alternate Tax (MAT) will become a final tax, with the rate cut from 15% to 14% from 1 April 2026; no fresh MAT credit will accrue thereafter.

➤ Existing MAT credit (accumulated till 31 March 2026) can be set off only if the company migrates to the new regime, capped at 25% of tax liability per year, and usable for up to 15 years from origination.

This nudges corporates towards the new lower-rate regime, simplifying tax planning and, over time, marginally improving post-tax profitability for MAT-paying companies.

Interest deduction on dividend/MF income removed:

➤ No deduction will be allowed for interest expense incurred in relation to dividend or mutual fund unit income. This slightly reduces post-tax yields for leveraged/HNI investors using debt for yield plays, but not very materially at the index level.

Flows, foreign investors, and IFSC

➤ “Persons Resident Outside India” (individuals) can invest in listed equity via the Portfolio Investment Scheme.

➤ Individual PROI limit is raised from 5% to 10% per company, and the aggregate limit for all PROIs from 10% to 24%.

This widens the potential foreign investor base, positive at the margin for equity flows and liquidity, especially in large and mid-caps.

FEM (Non-debt Instruments) Rules review:

➤ A comprehensive review is proposed to make the foreign investment framework more user-friendly and aligned with evolving priorities, which can help FDI/FPI inflows across sectors.

IFSC (GIFT City) incentives:

➤ Deduction period for IFSC units is increased to 20 consecutive years out of 25, and for OBUs also 20 consecutive years; post-holiday business income will be taxed at 15%.

➤ Deemed-dividend provisions are relaxed for specified listed overseas parent groups, reducing tax friction for treasury centres in IFSC.

This is supportive for financial-services, broking, asset-management, re-insurance, and treasury-centre entities in GIFT; positive for listed IFSC-exposed plays

Data Centres and Cloud Services:

- Tax holiday up to 2047 for any foreign company providing cloud services globally using Indian data centres, with Indian revenues routed through an Indian reseller, which is taxed domestically.
- Safe harbour margin of 15% on cost for Indian related-party data-centre providers. This is structurally positive for data-centre REITs, hosting providers, large IT services, and infra/real-estate companies investing in data-centre parks.

Non-residents & toll manufacturing/logistics:

- Five-year income-tax exemption for non-residents providing capital goods/equipment/tooling to toll manufacturers in bonded zones manufacturing electronic goods (from 1 April 2026).
- Safe harbour for non-resident component warehousing in bonded warehouses at 2% margin on invoice value, effective tax around 0.7%.

This reduces friction in supply chains for electronics, positive for contract manufacturers, EMS players and logistics/warehousing companies.

Financial Sector, Bonds and Municipal Finance

Banking and NBFCs:

- A “High Level Committee on Banking for Viksit Bharat” will review the sector to align it with the next phase of growth while safeguarding stability and inclusion.
- Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) will be restructured as a first step to improve scale and efficiency in public NBFCs.

Potential long-term implications for PSU banks and PSU NBFCs (PFC/REC valuations, business mix); details will matter for equity impact.

Corporate Bond Market:

- Introduction of a market-making framework with access to funds and derivatives on corporate bond indices, and total return swaps on corporate bonds.

This can deepen bond-market liquidity, benefit corporate issuers (lower spreads over time), and support business for listed brokers, primary dealers and exchanges.

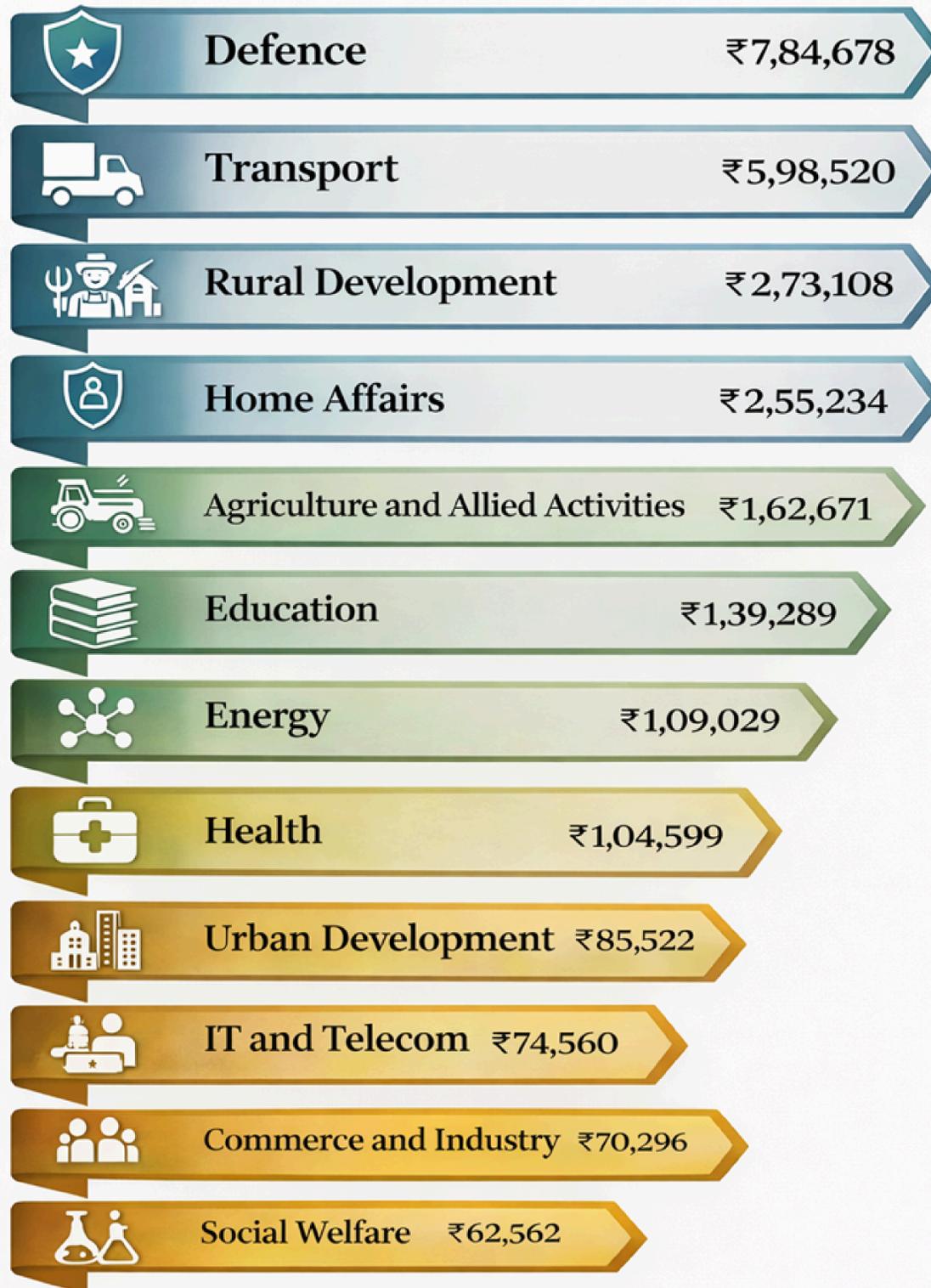
Municipal Bonds:

- Incentive of ₹100 crore for any single municipal bond issuance above ₹1,000 crore; the existing AMRUT incentive for up to ₹200 crore issuances continues.

Over time this can create more credit and project opportunities for infra/city-utility companies and encourages listed infra/AMC players to build muni debt products.

Sector-specific measures

Expenditure of Major Items



Semiconductors & Electronics:

- ISM 2.0 to expand into equipment, materials, full-stack Indian IP design, and supply-chain strengthening; focus on industry-led R&D and training centres.
- Electronics Components Manufacturing Scheme outlay increases from ₹22,919 crore to ₹40,000 crore

Positive for semiconductor fabs, OSAT, component makers, EMS players, and capex suppliers.

Rare Earths & Critical Minerals:

- Dedicated Rare Earth Corridors in Odisha, Kerala, Andhra Pradesh, and Tamil Nadu for mining, processing, and manufacturing.
- Basic customs duty exemption on capital goods for processing critical minerals; monazite BCD cut from 2.5% to nil. This supports miners, advanced materials, magnets, EV, and wind-supply-chain companies.

Chemicals & Capital goods:

- New scheme to support States in setting up 3 Chemical Parks on a cluster-based plug-and-play model.
- Hi-Tech Tool Rooms at 2 locations by CPSEs; Scheme for Enhancement of Construction and

Infrastructure Equipment:

- ₹10,000 crore allocation over 5 years for Container Manufacturing Scheme.

Textiles & Apparel:

- Integrated programme with 5 components (National Fibre Scheme, expansion/modernisation scheme, handloom/handicraft support, Tex-Eco, and Samarth 2.0 skilling).
- Mega Textile Parks in challenge mode, focus on technical textiles; Mahatma Gandhi Gram Swaraj initiative for khadi/handloom/handicrafts. It helps listed textile, garment, home-textile, and technical-textile companies.

Sports Goods:

- Dedicated initiative to develop India as a hub for high-quality sports goods which is beneficial for listed sports goods and footwear/apparel manufacturers.

Legacy industrial clusters:

- Scheme to revive 200 legacy industrial clusters via infra and tech upgradation.
- Broad positive for MSME-linked manufacturing ecosystems and banks lending into such clusters.

MSMEs, Services, and IT

- MSMEs: ₹10,000 crore SME Growth Fund to create “Champion” SMEs; ₹2,000 crore top-up to the Self-Reliant India Fund.
- TReDS to be mandated as settlement platform for all CPSE purchases from MSMEs; CGTMSE guarantee for TReDS invoices; GeM–TReDS link; TReDS receivables allowed as asset-backed securities to create a secondary market.

Positive for SME lenders, fintech invoice-discounting platforms, NBFCs and MSME-heavy banks; structurally improvement in MSME credit culture.

IT & Global capability centres:

- All software/ITeS/KPO/contract R&D services grouped under a single “Information Technology Services” category with a 15.5% safe-harbour margin.
- Safe-harbour threshold raised from ₹300 crore to ₹2,000 crore of revenue; safe-harbour approvals to be automated and valid up to 5 years.
- Unilateral APAs for IT services to be fast-tracked with a 2-year target plus 6-month extension. These measures reduce tax disputes for IT services, beneficial for large and mid-cap IT exporters and global capability centres.
- Data centre and cloud ecosystem (covered above) is an important tailwind for IT infra, REITs and hyperscale-exposed listed firms.

Infrastructure, Construction & Transport:

- Public capex to **₹12.2 lakh crore**, plus an **Infrastructure Risk Guarantee Fund** for partial credit guarantees to infra lenders, support order books for EPC, roads, rail, urban infra, and allied sectors.
- **Dedicated Freight Corridors** (Dankuni–Surat), 20 new National Waterways (starting with NW-5 in Odisha), seaplane-manufacturing incentives plus a VGF seaplane scheme, and Coastal Cargo Promotion Scheme targeting an increase in waterways/coastal share from 6% to 12% by 2047.
- **Seven High-Speed Rail corridors** (e.g., Mumbai–Pune, Pune–Hyderabad, Delhi–Varanasi, Varanasi–Siliguri) to be developed as “growth connectors.”
- These are structurally positive for rail, ports, logistics, cement, steel, EPC, urban-infra, and tourism-linked companies.
- **City Economic Regions (CERs)**: Each CER gets ₹5,000 crore over 5 years via reform-cum-results-based financing, focusing on Tier II/III cities and temple towns. This supports urban real estate, city infra, utilities and local services plays.

REITs:

- The government will recycle significant CPSE real-estate assets via dedicated REITs.
- Positive for listed REITs, property managers, and construction/engineering companies participating in these monetisation programmes.

Energy, renewables, nuclear, EV chain:

- Basic customs duty exemptions: Capital goods for lithium-ion cells are extended to those used in battery energy storage systems.
- Sodium antimonate for solar glass set to zero BCD.
- All goods for nuclear-power generation and key control rods get BCD exemption; project-specific exemptions extended till 2035.
- These measures support solar, energy-storage, nuclear-equipment, and critical-mineral players; positive for utilities and EPC firms in these segments.

CCUS (Carbon Capture Utilization and Storage):

- Outlay of ₹20,000 crore over 5 years to scale CCUS across power, steel, cement, refineries, and chemicals. Beneficial for energy-intensive listed corporates that invest early in CCUS tech and for engineering/technology providers.

Biogas & CNG:

- Value of biogas in blended CNG is excluded from central excise duty computation.

Supports biogas/CBG projects and city-gas distributors partnering on blended CNG.

Tourism & Hospitality:

- National Institute of Hospitality (upgrading NCHMCT), upskilling 10,000 guides at 20 iconic sites, National Destination Digital Knowledge Grid, trekking/birding/turtle trails and 5 tourism destinations in Purvodaya States.

Positive for hotels, airlines, tour operators, theme-park and leisure-focused listed names.

Healthcare & AYUSH:

- Biopharma SHAKTI with ₹10,000 crore outlay over 5 years to build biologics/biosimilar capacity, 3 new NIPERs, 7 upgraded NIPERs and 1,000+ clinical-trial sites.
- 3 new All India Institutes of Ayurveda, upgraded AYUSH pharmacies/testing labs and Jamnagar WHO Traditional Medicine Centre.

Supports pharma/biotech, CROs, hospitals and AYUSH product companies.

Education and Skilling:

- Five University Townships near major industrial/logistics corridors; one girls' hostel in every district for STEM institutions via VGF/capital support.

Helps education services, student housing, and allied infrastructure firms.

Orange Economy (AVGC):

- AVGC Content Creator Labs in 15,000 schools and 500 colleges via the Indian Institute of Creative Technologies, Mumbai, building a talent pipeline for gaming/VFX/animation.

Positive for listed content, media, gaming, and ed-tech firms servicing AVGC.

High-value Agriculture:

- Coconut Promotion Scheme; dedicated cashew & cocoa programme to make India self-reliant and create premium global brands by 2030; sandalwood revival; high-density walnut/almond/pine-nut orchards.

Positive for agro-inputs, plantation companies, and FMCG players sourcing these inputs.

Fisheries & Animal Husbandry:

- Integrated development of 500 reservoirs and Amrit Sarovars; strengthened fisheries value chain and FPOs; rural livestock/dairy/poultry entrepreneurship via credit-linked subsidies and value-chain programmes.

Supports listed dairy, poultry, feed, and cold-chain/logistics firms.

Bharat-VISTAAR:

- Multilingual AI farm-advisory integrating AgriStack and ICAR packages to improve productivity and risk management.

Side-benefit for agri-tech platforms and input companies via better adoption.

SHE-Marts:

- Community-owned retail outlets for women-led enterprises under Lakhpati Didi, improving rural non-farm incomes. Medium-term positive for rural consumption (FMCG, discretionary).

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