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# BUDGET MANTHON

2026 - 27

## IMPACT ANALYSIS



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**MANTHAN**

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IMPACT ANALYSIS

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Dun & Bradstreet



The Union Budget FY27 lays out a quantitatively strong push to build resilient supply chains and next generation industrial capacity. The record Rs 12.2trn capex outlay will help ease logistics bottlenecks and sharpen India's cost competitiveness. The Rs 100.0bn SME Growth Fund could unlock Rs 400.0-500.0bn in downstream credit and equity for MSMEs, a sector contributing over 30.0% to Gross Value Added (GVA) and employing more than 110.0mn workers. Targeted support for seven strategic manufacturing sectors and the development of new city economic regions signal a structural pivot toward productivity and investment led growth. Added to this is a long horizon tax holiday till 2047 for foreign cloud firms using India based data centres to serve global customers - a move designed to scale domestic data centre capacity, deepen the cloud AI ecosystem, and attract sustained global capital. However, the Budget also raises concern in market linked segments: Securities Transaction Tax (STT) on futures has been sharply increased from 0.02% to 0.05%, with similar hikes on options - a move that materially raises trading costs for derivatives participants and may impact liquidity.

**Dr. Arun Singh**  
Global Chief Economist  
Dun & Bradstreet



The Union Budget for FY27 maintains the course of growth with prudence. A fiscal deficit of 4.3% and capex of about Rs 12.2trn signal confidence without excess. The focus is not on fresh giveaways but a stronger jobs engine – urban connectors, small-town logistics and skilling, which raise employability, as well as private consumption. In terms of investment, public capex carries on the push like last year, while the government is prioritising enablers over subsidies for private capex: de-risking construction, recycling public assets and ensuring cleaner tax administration to lower friction for private capex. The digital push – especially data centres and IT safe-harbour clarity – creates more formal jobs, while chemical parks, rare earth corridors and semiconductor 2.0 deepen supply chains. The Budget also provides credit support to MSMEs, and targeted relief cushions to tariff-hit clusters. The financing math is tight but credible; debt and deficit anchors are intact. The key will be execution – if land, power, permits and refunds move seamlessly, the transition from state- to private-led growth will be steady, with jobs and wages carrying demand. On the negative side, the STT hike pinches capital market activity, and the absence of fresh, broad-based income tax reliefs for the middle class keeps near-term sentiment gains limited.

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- ESG Registered Solutions
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## CONTENTS

1. Budget at a Glance	6
2. Budget Profile	7
3. A Macroeconomic Perspective	9 - 12
4. Announcements	13 - 28
5. Sectoral Impact	30 - 79
6. Expenditure of Ministries and Departments	80 - 84
7. New Schemes	85 - 86
8. Strongly Focused Schemes	87
9. Receipts	88 - 89
10. Expenditure	90 - 91
11. Key Economic Indicators	92 - 93
12. Industry-wise Deployment Of Bank Credit	94
13. Glossary	95 - 98

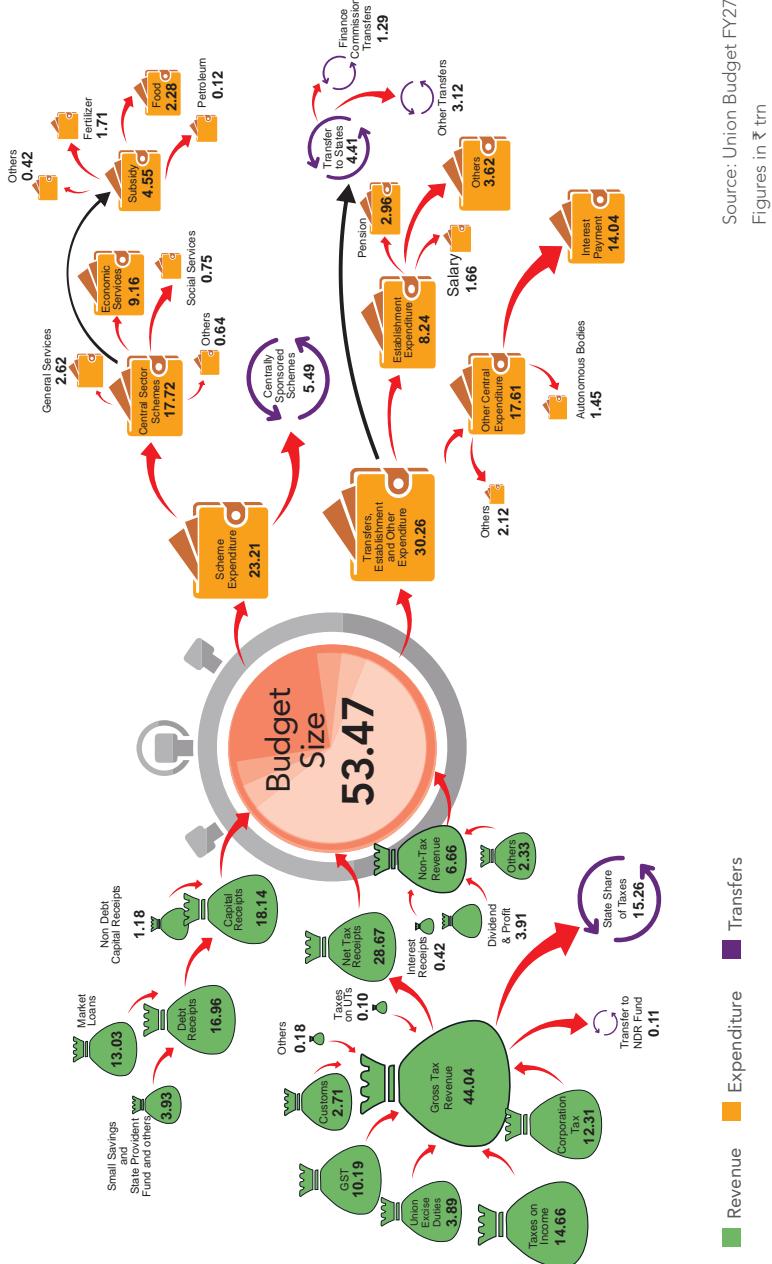
## BUDGET AT A GLANCE

(Rs bn)	2025-26	2026-27
	Revised Estimates	Budget Estimates
<b>1) Revenue Receipts</b>	<b>33,423</b>	<b>35,332</b>
1.1) Tax Revenue (net to centre)	26,747	28,669
1.2) Non-Tax Revenue	6,677	6,662
<b>2) Capital Receipts (2.1+2.2+2.3)</b>	<b>16,225</b>	<b>18,142</b>
2.1) Recoveries of loans	302	384
2.2) Other receipts	338	800
2.3) Borrowings and other liabilities*	15,585	16,958
<b>3) Total Receipts (1+2)</b>	<b>49,648</b>	<b>53,473</b>
<b>4) Total Expenditure (4.1+4.4)</b>	<b>49,648</b>	<b>53,473</b>
4.1) On Revenue Account	38,691	41,255
4.2) Of which, Interest Payments	12,743	14,040
4.3) Grants in Aid for creation of capital assets	3,082	4,927
4.4) On Capital Account	10,958	12,218
Capital expenditure - % share of total	22.1%	22.8%
<b>5) Revenue Deficit (4.1-1)</b>	<b>5,267.6</b>	<b>5,923.4</b>
% of GDP	1.5%	1.5%
<b>6) Effective Revenue Deficit (5-4.3)</b>	<b>2,186.1</b>	<b>996.4</b>
% of GDP	0.6%	0.3%
<b>7) Fiscal Deficit {4-(1+2.1+2.2)}</b>	<b>15,584.9</b>	<b>16,957.7</b>
% of GDP	4.4%	4.3%
<b>8) Primary Deficit (7-4.2)</b>	<b>2,841.5</b>	<b>2,918.0</b>
% of GDP	0.8%	0.7%
<b>GDP</b>	<b>357,138.9</b>	<b>393,003.9</b>

\*The GDP for FY 2026-27 is estimated at Rs 393trn, which is 10% over the Advance Estimates for FY 2025-26 of Rs 357trn released by NSO.

Source: Union Budget FY27

## Budget Profile



## Finance Solutions

Predictive data insights and AI-driven platforms that empower finance teams to better manage risk and improve operational efficiency.



### Platforms

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- D&B Connect



### Solutions

- Credibility Reports
- Project Appraisal Services
- Trade Exchange Program

## A Macroeconomic Perspective

The FY27 Budget keeps the infrastructure push while holding the fiscal line: the deficit is set at 4.3% of GDP and public capex rises to about Rs 12.2trn. It follows the same path as the previous budget, relying on a larger capital outlay and a clear fiscal glide path to support growth and contain borrowing risks.

No new announcements were made related to private consumption. The Budget adds little to last year's GST rationalisation, income tax reliefs or the labour code framework. Instead, it tries to build demand through jobs and employability. Tax slabs are unchanged, but the new Income Tax Act (effective April 1, 2026) simplifies compliance, extends the window to revise returns and gives automated safe harbour certainty for IT services. The intent is for sustained earnings, not giveaways, to drive spending.

Employment measures cut across both urban and rural India in one sweep. In cities and large towns, capex is channelled into 'connectors' such as seven proposed high-speed rail corridors and upgraded Tier 2 and Tier 3 infrastructure – creating construction, logistics and service jobs while cutting commute times. In smaller towns and villages, jobs are expected to grow through mega textile parks, the Mahatma Gandhi Gram Swaraj Initiative push for khadi and handloom, training for tourist guides, and new waterways and coastal shipping. Together, these steps broaden the wage base instead of giving a short-term bump.

Public investment remains the macro backbone. The capex allocation is up roughly 9.0% from last year, anchored in transport, urban connectivity and energy, with flagship corridors such as Mumbai-Pune, Hyderabad-Bengaluru and Delhi-Varanasi as markers. A proposed Infrastructure Risk Guarantee Fund aims to de-risk lenders during the construction phase, keeping sites moving and crowding in private finance even when risk appetite is tight.

For private investment, the focus is on better rules, not subsidies. The accelerated recycling of central public sector enterprise (CPSE) assets through setting up dedicated REITs, better city infrastructure and decriminalising minor offences are likely to help cut red tape and raise expected returns. The result is a cleaner project pipeline for developers and lenders, and a steadier, more predictable setting for long projects, with lower execution risk overall. Ease of doing business is advanced through tax administration clarity rather than rate cuts: the new Income Tax Act modernises the code and forms; safe harbour approvals for IT services shift to a rule-driven model; the revised return deadline moves to March 31; and TCS on overseas spends and education/medical remittances drops to 2.0%, easing cash flows without weakening consolidation. MSMEs - the bridge between training and jobs - get two notable interventions: a Rs 100bn SME Growth Fund to scale promising firms and a top up for the Self Reliant India Fund, easing equity and quasi equity constraints that have plagued them for a long time.

External headwinds are addressed with targeted relief for labour-intensive exports affected by steep US tariffs. Duty-free input limits for seafood processing rise to 3.0% of the Food on Board (FOB) value; footwear input benefits are extended to shoe uppers; exporters get more time to meet obligations; and a one-time concessional window is proposed for SEZ units to sell in the domestic market. In parallel, the freshly concluded EU FTA - granting zero-duty access for textiles, leather and marine products - offers an additional tailwind.

Strategic supply chains get an important push. Dedicated rare earth corridors in Odisha, Kerala, Andhra Pradesh and Tamil Nadu; customs exemptions for capital goods used in critical mineral processing and battery cells; and India Semiconductor Mission 2.0 aim to pull manufacturing deeper into components and materials. If executed well, this reduces import dependence in magnets, batteries and chip inputs and lifts the share of higher productivity manufacturing jobs - raising household incomes durably.

There is also a clear tilt towards the digital economy. A tax holiday till 2047 is offered to foreign companies providing cloud services to global customers using data centres in India (with Indian customers served via a domestic reseller). Safe harbour norms for IT services are raised and automated, and support for electronics components manufacturing is stepped up. At a macro level, this boosts urban formal employment in data centre construction and operations, power and cooling ecosystems, network engineering, cloud security and software support - with spillovers for start ups that can build on cheaper, local compute.

The centre holds the FY27 deficit at 4.3% of GDP even as capex rises, but the arithmetic is tight. The glide path rests on an implied nominal GDP pick-up to about 10.5-11.0% in FY27 after a softer ~8.0% outturn in FY26; this assumption underwrites a pick-up in inflation and revenue buoyancy and keeps the deficit ratio stable despite higher spending. The Budget pegs gross borrowing at ~Rs 17.2trn and net borrowing at ~Rs 11.7trn, alongside total expenditure of ~Rs 53.5trn, non-debt receipts of ~Rs 36.5trn and net tax receipts of ~Rs 28.7trn - a mix designed to fund capex without derailing consolidation. The debt anchor is explicit: central debt-to-GDP is guided to 55.6% in FY27 (vs. 56.1% in FY26), reinforcing the signal that consolidation remains alive. On the receipts side, the centre is leaning on steady direct-tax momentum and post-rationalisation GST stability rather than fresh rate changes, while states' devolution stays at 41.0%, keeping the centre's net constrained and making execution on compliance and buoyancy critical. The macro implication is two-way: higher gross supply can pressure yields and crowd out private borrowers, but the credible deficit/debt glide path should help keep the sovereign curve anchored - vital for MSME credit and corporate bond pricing as project pipelines scale. The risk is on the denominator and buoyancy: if nominal GDP slips below the assumed ~10.0-11.0% or tax inflows disappoint, the deficit and debt ratios will be harder to hold, whereas faster capex execution plus stable GST compliance can deliver the numbers with less strain on the bond market.

Contrary to expectations, the Budget raised the STT on futures to 0.05% (from 0.02%), on options premium to 0.15% (from 0.10%), and on options exercise to 0.15% (from 0.125%). The steeper levy will push derivatives trading costs, likely slowing activity and trimming volumes that drive exchange and broker revenues. Retail turnover may ease, spreads could widen and some flow may shift to cash or offshore markets. Foreign institutional investors (FIIs) also face a higher bill, which can further dampen participation.

To sum it up, growth remains investment-led, with capex doing the heavy lifting for jobs now and productivity over time. Private consumption is supported indirectly – through better employability, more city and small-town jobs, and steadier MSME cash flows – rather than new tax giveaways, which is healthier for inflation and the deficit. Exports still face tariff noise but cost relief and market diversification measures should help clusters get through the next few quarters without large job losses.

Execution is the key risk. Jobs hinge on investments in land and power to expand data centre parks, faster city transport works, smoother customs and timely MSME refunds. If these move on time, growth can shift steadily from state- to private-led, with jobs and wages driving consumption. If not, money will be spent but results will lag. Overall, the Budget stays prudent and capex-led, puts jobs and skills at the core, and backs digital and strategic supply chains – a steady course for stability with growth.

## Announcements

### Manufacturing, Industrial Policy and Technology

- Launch of Biopharma Strategy for Healthcare Advancement through Knowledge, Technology and Innovation (SHAKTI), with an outlay of Rs 100.0bn over five years, to establish India as a global hub for biologics and biosimilars manufacturing.
- The Strategy will include a biopharma-focused network with three new National Institutes of Pharmaceutical Education and Research (NIPER) and upgrades to seven existing ones, creation of a network of over 1,000 accredited India Clinical Trials sites and strengthening of the Central Drugs Standard Control Organisation (CDSCO) to meet global standards and approval timeframes through a dedicated scientific review cadre and specialists.
- Announcement of the India Semiconductor Mission (ISM) 2.0 to expand domestic capabilities across equipment, materials, full-stack IP and skilled workforce development.
- Enhancement of the Electronics Components Manufacturing Scheme (ECMS) outlay from Rs 229.2bn to Rs 400.0bn.
- Establishment of dedicated rare earth corridors in mineral-rich states to promote mining, processing, research and manufacturing.
- Launch of a scheme to support states in setting up three chemical parks through a challenge-based, plug-and-play cluster model.
- Setting up of hi-tech tool rooms by Central Public Sector Enterprises (CPSEs) at two locations as digitally enabled automated service bureaus for high-precision manufacturing at scale and at lower cost.
- Introduction of a scheme for the enhancement of Construction and Infrastructure Equipment (CIE) to strengthen domestic production of high-value equipment.

- Launch of a container manufacturing scheme with a budgetary allocation of Rs 100.0bn over five years.
- Roll-out of an integrated textile programme covering fibre development, cluster modernisation, handloom support, sustainability initiatives and skilling.
- Establishment of mega textile parks through challenge mode, with focus on technical textiles.
- Launch of the Mahatma Gandhi Gram Swaraj Initiative to strengthen khadi, handloom and handicrafts through skilling, quality upgradation and global market linkage, while complementing One-District-One-Product initiative.
- Announcement of a dedicated initiative for sports goods manufacturing, covering research, innovation and material sciences.
- Introduction of a scheme to revive 200 legacy industrial clusters for cost competitiveness and efficiency through infrastructure and technology up-gradation.

## **MSMEs, Entrepreneurship and Market Access**

- Creation of a Rs 100.0bn SME growth fund to support the emergence of 'Champion SMEs'.
- Top-up of the Self-Reliant India (SRI) Fund by Rs 20.0bn to continue risk-capital support to micro enterprises.
- Mandating Trade Receivables electronic Discounting System (TReDS) as the transaction settlement platform for CPSE purchases from MSMEs.
- Introduction of credit guarantee support for invoice discounting on the TReDS platform.
- Linking of the Government e-Marketplace (GeM) portal with TReDS to enable faster and cheaper financing for MSMEs.
- Introduction of securitisation of TReDS receivables to deepen secondary market liquidity.

- Facilitation of a cadre of 'Corporate Mitras' to provide affordable professional and compliance support to MSMEs.

## Infrastructure, Logistics and Urban Development

- Increase in public capital expenditure to Rs 12.2trn in FY27.
- Setting up of an Infrastructure Risk Guarantee Fund to provide partial credit guarantees during construction and development phases.
- Acceleration of CPSE asset monetisation through the creation of dedicated REITs.
- Development of a new dedicated freight corridor connecting Dankuni in the east to Surat in the West.
- Training Institutes will be set up as Regional Centers of Excellence (RCEs) to develop manpower for inland waterways. A ship repair ecosystem for inland waterways will be set up at Varanasi and Patna.
- Launch of the Coastal Cargo Promotion Scheme to incentivise modal shift to waterways and coastal shipping.
- Introduction of a seaplane Viability Gap Funding (VGF) Scheme, along with incentives for indigenous manufacturing of seaplanes.
- Allocation of Rs 200.0bn over five years for deployment of Carbon Capture, Utilisation and Storage (CCUS) technologies.
- Allocation of Rs 50.0bn per City Economic Region (CER) over five years through a challenge-based financing mechanism.
- Development of seven high-speed rail corridors as inter-city growth connectors.

## Financial Sector and Capital Markets

- Setting up of a high-level committee on banking for Viksit Bharat to comprehensively review the banking sector.

- Restructuring of public sector Non-Banking Financial Companies (NBFCs) by initiating restructuring of Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) to improve scale, efficiency and delivery of credit.
- Comprehensive review of the foreign exchange management (non debt instruments) rules to create a more contemporary and user friendly framework for foreign investment.
- Introduction of a market making framework for the corporate bond market, including access to funds and derivatives on corporate bond indices.
- Introduction of total return swaps on corporate bonds to deepen liquidity and risk management options in the bond market.
- Incentives for large municipal bond issuances, with an incentive of Rs 1.0bn for a single municipal bond issuance exceeding Rs 10.0bn.
- Continuation of the Atal Mission for Rejuvenation and Urban Transformation (AMRUT) linked incentives to support municipal bond issuances by small and medium towns for issuances up to Rs 2.0bn.
- Individual Persons Resident Outside India (PROI) will be permitted to invest in equity instruments of listed Indian companies through the Portfolio Investment Scheme (PIS).
- The investment limit for an individual PROI under the scheme will be increased from 5.0% to 10.0%, and the aggregate investment limit for all PROIs will be raised from 10.0% to 24.0%

## **Services, Education, Skills and Tourism**

- Constitution of a high powered 'Education to Employment and Enterprise' standing committee to recommend measures positioning the services sector as a core driver of Viksit Bharat, with the objective of achieving a 10.0% global share in services by 2047.

- Support to the Animation, Visual Effects, Gaming and Comics (AVGC) sector through the establishment of AVGC content creator labs in 15,000 secondary schools and 500 colleges, anchored by the Indian Institute of Creative Technologies, Mumbai.
- Establishment of a new National Institute of Design (NID) in the eastern region of India through a challenge-based approach to strengthen design education and development.
- Support to states for creation of five university townships in the vicinity of major industrial and logistics corridors, to host universities, colleges, research institutions, skill centres and residential facilities.
- Provision of one girls' hostel in every district, through VGF or capital support, to improve access and safety for women students in higher-education science, technology, engineering, and mathematics (STEM) institutions.
- Setting up or upgradation of four telescope infrastructure facilities to promote astrophysics and astronomy.
- Establishment of a National Institute of Hospitality by upgrading the National Council for Hotel Management and Catering Technology (NCHMCT), to serve as a bridge between academia, industry and government.
- Launch of a pilot programme to upskill 10,000 guides across 20 iconic tourist sites through a standardised, high quality 12 week hybrid training programme, in collaboration with an Indian Institute of Management (IIM).
- Creation of a National Destination Digital Knowledge Grid to digitally document cultural, spiritual and heritage sites, generating new employment opportunities for local researchers, historians, content creators and technology partners.
- Development of eco sustainable trekking and hiking trails, including mountain trails in Himachal Pradesh, Uttarakhand and Jammu and Kashmir; Araku Valley in the Eastern Ghats; and Podhigai Malai in the Western Ghats.

- Development of turtle trails and bird watching trails along key nesting and ecological sites, including coastal areas of Odisha, Karnataka and Kerala, and Pulikat Lake in Andhra Pradesh and Tamil Nadu.
- Development of 15 archaeological sites – including Lothal, Dholavira, Rakhigarhi, Adichanallur, Sarnath, Hastinapur and Leh Palace – into vibrant, experiential cultural destinations, with curated walkways and immersive storytelling.
- Launch of the Khelo India Mission to transform the sports ecosystem over the next decade, covering integrated talent development pathways, coaching and support staff development, sports science and technology, competitions and sports infrastructure.
- Roll-out of a loan-linked capital subsidy scheme to support the establishment of veterinary and para-veterinary colleges, veterinary hospitals, diagnostic laboratories and breeding facilities in the private sector. The scheme aims to increase the availability of over 20,000 veterinary professionals, including through collaboration between Indian and foreign institutions.

## **Agriculture and Allied and Rural Economy**

- Integrated development of fisheries infrastructure, including initiatives for the integrated development of 500 reservoirs and Amrit Sarovars, and strengthening of the fisheries value chain in coastal areas with market linkages involving startups, women-led groups and Fish Farmer Producer Organisations (FFPOs).
- Support to animal husbandry entrepreneurship through a credit-linked subsidy programme, scaling-up and modernisation of livestock enterprises, development of livestock, dairy and poultry-focused integrated value chains and promotion of Livestock Farmer Producer Organisations (LFPOs).

- Promotion of high-value agriculture to diversify farm output and enhance farmer incomes, including support for coconut, sandalwood, cocoa and cashew in coastal areas; agarwood in the North-East; and almonds, walnuts and pine nuts in hilly regions.
- Launch of a coconut promotion scheme to increase production and productivity through replacement of old and non-productive coconut trees with improved varieties in major coconut-growing states.
- Dedicated programme for cashew and cocoa to achieve self-reliance in raw material production and processing, enhance export competitiveness, and position Indian cashew and cocoa as premium global brands by 2030.
- Focused promotion of sandalwood cultivation and post-harvest processing, in partnership with state governments, to revive the Indian sandalwood ecosystem.
- Support for rejuvenation of orchards and expansion of high-density cultivation of walnuts, almonds and pine nuts, with emphasis on value addition and youth engagement.
- Launch of Bharat-Virtually Integrated System to Access Agricultural Resources (VISTAAR), a multilingual AI-enabled platform integrating AgriStack portals and the Indian Council of Agricultural Research (ICAR) systems to provide customised advisory support and reduce risk for farmers.
- Establishment of Self-Help Entrepreneur Marts (SHE-Marts) as community-owned retail outlets within cluster-level federations to support rural women-led enterprises.

## **Inclusion and Regional Development**

- Launch of Divyangjan Kaushal Yojana to provide industry-relevant, customised skilling for Divyangjan across sectors such as IT, AVGC, hospitality, and food and beverages, enabling dignified livelihood opportunities.

- Launch of the Divyang Sahara Yojana to ensure timely access to high-quality assistive devices, including support to the Artificial Limbs Manufacturing Corporation of India (ALIMCO) for scaling up production, R&D and AI integration, and strengthening PM Divyasha Kendras and Assistive Technology Marts.
- Development of an integrated East Coast Industrial Corridor, with a well-connected node at Durgapur, creation of five tourism destinations across the five Purvodaya States, and provision of 4,000 electric buses to support regional connectivity and employment.
- Launch of a scheme for the development of Buddhist Circuits in Arunachal Pradesh, Sikkim, Assam, Manipur, Mizoram and Tripura, covering preservation of temples, monasteries and pilgrimage interpretation centres, and connectivity and pilgrim amenities.

## **Social Infrastructure**

- Establishment of the National Institute of Mental Health and Neurosciences (NIMHANS)-2, along with upgradation of National Mental Health Institutes at Ranchi and Tezpur as regional apex institutions to strengthen mental healthcare capacity.
- Expansion of emergency and trauma care centres in district hospitals by 50.0% to improve access to emergency and trauma care, particularly for the poor and vulnerable.
- Upgradation of existing institutions and establishment of new institutions for Allied Health Professionals (AHPs) across 10 identified disciplines, with the addition of 100,000 AHPs over the next five years.
- Development of a comprehensive care ecosystem covering geriatric and allied care services, including National Skills Qualifications Framework (NSQF)-aligned programmes to train 150,000 caregivers combining core care and allied skills.

- Launch of a scheme to support states in establishing five regional medical value tourism hubs, in partnership with the private sector, as integrated healthcare, education and research complexes.
- Establishment of the Ayurveda, Yoga and Naturopathy, Unani, Siddha, and Homeopathy (AYUSH) centres and medical value tourism facilitation centres within the regional medical hubs, along with supporting infrastructure for diagnostics, post-care and rehabilitation.
- Setting up of three new All India Institutes of Ayurveda, along with upgradation of AYUSH pharmacies and drug testing laboratories to strengthen certification standards and skilled manpower availability.
- Upgradation of the WHO Global Traditional Medicine Centre at Jamnagar to strengthen evidence-based research, training and global awareness in traditional medicine systems.

## Direct Tax

- Exemption from income tax and tax deducted at source (TDS) on any interest awarded by the Motor Accident Claims Tribunal (MACT) to a natural person.
- Reduction in tax collected at source (TCS) rate on sale of overseas tour programme packages to 2.0%, without any stipulation of amount.
- Reduction in TCS for remittances for education and medical purposes under the Liberalised Remittance Scheme (LRS) from 5.0% to 2.0%.
- For TDS purposes, supply of manpower services specifically brought within the ambit of payment to contractors, with TDS applicable at 1.0% or 2.0%, to remove ambiguity.
- Introduction of a rule-based automated process enabling small taxpayers to obtain lower or nil TDS certificates without filing applications before assessing officers.

- Depositories to be enabled to accept Form 15G and Form 15H from investors holding securities in multiple companies and forward them to relevant payers, reducing compliance burden.
- Extension of time limit for filing revised returns up to March 31, subject to payment of a nominal fee.
- Individuals filing ITR-1 and ITR-2 to continue with a July 31 deadline, while non-audit business cases and trusts allowed time until August 31. TDS on such transactions to be deducted and deposited using the resident buyer's PAN-based challan, eliminating the requirement to obtain TAN.
- Introduction of a one-time six-month foreign asset disclosure scheme for small taxpayers to disclose income or assets below a certain size, with differentiated compliance and immunity provisions depending on the nature of disclosure.
- Integration of assessment and penalty proceedings through a single common order, to reduce multiplicity of proceedings, speed up dispute resolution and lower compliance costs for taxpayers.
- Suspension of interest on penalty during appeal before the first appellate authority, irrespective of the eventual outcome, to provide relief in disputed cases.
- Reduction in mandatory pre-payment for filing appeals from 20.0% to 10.0% of the core tax demand, excluding penalty and interest components.
- Permission to file updated returns even after initiation of reassessment proceedings, subject to payment of an additional 10.0% tax over and above the applicable tax rate, to reduce litigation.
- Extension of immunity from penalty and prosecution framework to cases of misreporting, subject to a payment of 100.0% of the tax amount as additional income tax.
- Conversion of penalties into fees for certain technical defaults, including failure to get accounts audited, non-furnishing of transfer

pricing audit reports and defaults in furnishing specified financial transaction statements.

- Decriminalisation of select minor offences, including non-production of books of account and TDS payment obligations where consideration is paid in kind.
- Rationalisation of prosecution framework, with minor offences attracting only fines and more serious offences attracting graded punishment commensurate with the quantum of offence.
- Reduction in maximum imprisonment for tax offences to two years, with provision for courts to convert imprisonment into fines where appropriate.
- Immunity from prosecution for non-disclosure of non-immovable foreign assets with aggregate value below Rs 2.0mn, with retrospective effect from October 1, 2024.
- Extension of income tax deduction to primary cooperative societies engaged in supplying cattle feed and cotton seed produced by their members, in addition to existing eligible products such as milk, oilseeds, fruits and vegetables.
- Allowing for deduction of inter-cooperative society dividend income under the new tax regime, to the extent such income is further distributed to members, to avoid double taxation.
- Exemption of dividend income received by a notified national cooperative federation for a period of three years, on investments made in companies up to January 31, 2026, subject to onward distribution of dividends to member cooperatives.
- Clubbing of software development services, IT-enabled services, knowledge process outsourcing and contract R&D services into a single category of information technology services, with a common safe-harbour margin of 15.5%.

- Enhancement of the safe-harbour eligibility threshold for IT services companies from Rs 3.0bn to Rs 20.0bn, to cover a larger share of the sector.
- Introduction of an automated, rule-based approval process for safe-harbour applications for IT services, eliminating the requirement for discretionary examination by tax officers.
- Provision to allow continuation of the chosen safe-harbour option for a period of five years at the option of the IT services company.
- Fast-tracking of the unilateral advance pricing agreement (APA) process for IT services, with a targeted completion timeline of two years, extendable by six months on a taxpayer's request.
- Extension of the facility to file modified returns to associated entities of taxpayers entering into an APA, where their income is impacted by the agreement.
- A tax holiday until 2047 for foreign companies that provide cloud services globally by procuring data centre services from India, subject to serving Indian customers through an Indian reseller entity.
- A safe-harbour margin of 15.0% on cost where data centre services are supplied from India to a related foreign entity providing global cloud services.
- A safe-harbour profit margin of 2.0% of invoice value for non-residents for component warehousing in bonded warehouses, enabling just-in-time logistics for electronics manufacturing.
- Income tax exemption for five years for non-residents supplying capital goods, equipment or tooling to toll manufacturers operating in bonded zones.
- Exemption from tax on global (non-India-sourced) income for non-resident experts for a stay period of five years, under notified schemes, to attract global talent.
- Extension of the minimum alternate tax (MAT) exemption to all non-residents paying tax on a presumptive basis, to improve tax certainty and ease of compliance.

- Constitution of a Joint Committee of the Ministry of Corporate Affairs and Central Board of Direct Taxes to incorporate the requirements of Income Computation and Disclosure Standards (ICDS) into Indian Accounting Standards (Ind-AS), eliminating the need for separate tax-specific accounting compliance from AY28 onwards.
- Rationalisation of the definition of 'accountant' for Safe Harbour Rules, to support the development of home-grown accounting and advisory firms with global scale aspirations.
- Change in taxation of share buybacks, providing that consideration received by shareholders on buyback to be taxed as capital gains, with an additional buyback tax applicable to promoters to discourage tax arbitrage.
- Rationalisation of TCS rates on specified goods, including alcoholic liquor, tendu leaves, scrap and minerals, to reduce multiplicity of rates and ease cash flow pressures.
- Increase in securities transaction tax (STT) on derivatives, with STT on futures increased and STT on options premium and options exercise raised, as a calibrated measure to correct excesses in the futures and options segment.
- MAT to be made a final tax for companies opting for the new corporate tax regime, with no further accumulation of MAT credit from April 1, 2026 onwards.
- Reduction in the MAT rate from 15.0% to 14.0%, along with restricted utilisation of brought-forward MAT credit, allowing set-off up to 25.0% of tax liability for companies transitioning to the new regime, subject to specified conditions.

## Indirect Tax

- Increase in the limit for duty-free imports of specified inputs used in processing seafood products for export from 1.0% to 3.0% of the FOB value of exports in the previous year.

- Extension of duty-free import of specified inputs, currently available for exports of leather or synthetic footwear, to exports of shoe uppers.
- Extension of the time period for export of final products from six months to one year for exporters of leather or textile garments, leather or synthetic footwear and other leather products.
- Extension of the existing basic customs duty (BCD) exemption on capital goods used for manufacturing lithium-ion cells to capital goods used for battery energy storage systems.
- Exemption of BCD on import of sodium antimonate for use in the manufacture of solar glass.
- Extension of the existing customs duty exemption on imports of goods required for nuclear power projects until 2035 and its expansion to all nuclear plants, irrespective of capacity.
- BCD exemption on import of capital goods required for processing critical minerals in India.
- Exclusion of the entire value of biogas when calculating central excise duty payable on biogas-blended CNG.
- Exemption of BCD on specified parts used in the manufacture of microwave ovens, to promote domestic electronics manufacturing.
- One-time concessional customs duty facility for SEZ manufacturing units, permitting eligible units to sell a prescribed proportion of production into the Domestic Tariff Area (DTA) at concessional rates of duty, to address capacity underutilisation due to global trade disruptions.
- Reduction in customs duty on dutiable goods imported for personal use from 20.0% to 10.0%, to rationalise the baggage duty structure.
- Exemption of BCD on 17 identified drugs or medicines, including medicines used in cancer treatment, to provide relief to patients.
- Addition of seven rare diseases for the purpose of customs duty exemption on personal imports of drugs, medicines and food for special medical purposes.

- Extension of the duty deferral period for Tier 2 and Tier 3 Authorised Economic Operators (AEOs) from 15 days to 30 days.
- Extension of duty deferral facility to eligible manufacturer-importers, to encourage accreditation as Tier 3 AEOs.
- Extension of the validity of advance rulings binding on Customs from three years to five years, to improve certainty for trade.
- Recognition of trusted, long-standing importers in risk management systems, reducing repetitive verification and enabling faster cargo clearance.
- Immediate Customs clearance on arrival for goods not requiring compliance, based on filing by trusted importers, with automated completion of clearance formalities.
- Transformation of Customs warehousing framework into a warehouse operator centric system with self declaration, electronic tracking and risk based audit, replacing the current regime of officer dependent approvals.
- Cargo clearance approvals from multiple government agencies will be integrated into a single digital window. Processes covering food, drugs, plant, animal and wildlife products will be onboarded by April 2026.
- Implementation of a customs integrated system within two years as a unified, scalable platform covering end-to-end customs processes.
- Expansion of the deployment of non-intrusive inspection technologies, including advanced imaging and AI-based risk assessment, to enable container scanning across major ports.
- Duty-free treatment of fish caught by Indian vessels in the exclusive economic zones (EEZ) and high seas. The recognition of landing of such catch at foreign ports as export of goods, to support deep-sea fishing and high-seas operations.

- Removal of the value cap of Rs 1.0mn per consignment for courier exports to facilitate e-commerce exports by MSMEs, artisans and startups. The strengthening of systems for handling rejected and returned consignments through technology-enabled identification.
- Revision of baggage clearance rules for international travellers to enhance duty-free allowances and clarify provisions for temporary import and export of personal goods.
- Introduction of a settlement mechanism allowing taxpayers to close disputes by paying an additional amount in lieu of penalty.



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### Solutions

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- Master Data Management
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## SECTORAL IMPACT

Sector	Rating
Micro, Small and Medium Enterprise	Marginally Positive
Agriculture	Marginally Positive
Social Sector	Positive
Infrastructure	Positive Plus
<b>Services</b>	
Banking, Insurance, Financial Services and Markets	Marginally Positive
Hospitality	Positive Plus
IT-ITeS	Positive Plus
Retail	Marginally Positive
Telecom	Neutral
Media & Entertainment	Marginally Positive
<b>Manufacturing</b>	
Automotive	Neutral
Capital and Engineering Goods	Positive
Cement	Positive
Consumer Goods	Marginally Positive
Gems & Jewellery	Marginally Positive
Metals & Mining	Positive
Oil & Gas and Petrochemicals	Marginally Positive
Pharmaceuticals & Healthcare	Positive Plus
Power	Marginally Positive
Real Estate and Construction	Positive
Textiles & Garments	Positive
Personal Finance	Neutral
<b>Ratings:</b>	
Positive Plus	Predominantly positive proposals
Positive	Positive proposals
Marginally Positive	Positive proposals but not upto industry expectations
Neutral	Neutral impact of proposals
Marginally Negative	Negative proposals with limited impact
Negative	Negative proposals with significant impact

## Agriculture

Agriculture output remains robust, with the centre's Second Advance Estimates for FY25 indicating elevated staple production (wheat: 115.4mn metric tonnes, kharif rice: 120.7mn metric tonnes and 15.1mn metric tonnes), alongside strong sugarcane and oilseeds prints; food Consumer Price Index (CPI) inflation was negative in December 2025 (-2.7% y/y), the 2025 monsoon ended around 8.0% above normal and the 21st tranche (over Rs 180.0bn, benefitting around 90.0mn farmers) of PM-Kisan Samman Nidhi (PM-KISAN) was released in November 2025, sustaining farm cash flows.

That said, fiscal sensitivity to weather volatility and global input prices remains a key risk, even as food and fertiliser subsidies for FY26 were budgeted at Rs 2.0trn and Rs 1.7trn, respectively. Notably, crop insurance support continues with Pradhan Mantri Fasal Bima Yojana (PMFBY) through FY26, aided by the Fund for Innovation and Technology (FIAT) to accelerate tech-based assessments (YES-TECH/WINDS).

Sustained emphasis on predictable food subsidy provisioning, fertiliser support calibrated to global prices while keeping retail rates steady, faster PMFBY tech rollout and targeted capex in irrigation and agri-logistics to lock in yields and reduce pulses/oilseeds import dependence should support a steady, policy-anchored growth path.

### *Rating: Marginally Positive*

*Policy continuity in agriculture is maintained, with headline support aligned to strong output and low food inflation. The agriculture and allied activities outlay rose 7.1% y/y, signalling steady fiscal backing without a structural uplift. Continued emphasis on predictable food subsidy provisioning and calibrated fertiliser support helps anchor farm equities amid global input volatility, even as domestic supply conditions remain comfortable.*

Risk management instruments remain central. PMFBY support is maintained in FY26, with an incremental push towards technology-enabled crop assessment under FIAT, supporting faster settlements and lower weather-linked income uncertainty. Targeted focus on irrigation, agri-logistics and oilseed self-reliance supports yield stability and import substitution. Overall, the Budget favours stability over expansion, reinforcing a measured, risk-aware growth path.



## Automotive

India's automotive sector continues to play a central role in the country's growth and manufacturing story. Total vehicle retail registrations rose to over 28.0mn units in 2025 (+7.7% y/y), supported by GST 2.0 rate rationalisation (effective September 2025) and policy rate cuts over 2025, which have helped boost affordability and ease financing conditions. Recent policy actions - including expanded Production Linked Incentive (PLI) support for advanced automotive technologies, and lower duties on EV battery components - are boosting domestic manufacturing depth. Moreover, EV adoption continues to accelerate, with e-2 wheeler sales and total EV volumes having risen 11.0% and 13.7%, respectively, in 2025, aided by the Electric Drive Revolution in Innovative Vehicle Enhancement (PM E-DRIVE) scheme.

Progress hinges on strengthening local production of EV subsystems and integrating MSMEs into global value chains. Key opportunities lie in e-mobility expansion, export growth and meeting distinct urban and rural mobility needs. However, import dependence on critical components, global trade volatility and tariff pressures remain key risks. Continued focus on R&D, duty rationalisation, infrastructure and rare-earth magnet development will help the sector advance towards a more competitive, self-reliant ecosystem.

### *Rating: Neutral*

*The Union Budget FY27 has a broadly neutral impact on the automotive sector. The government offers no direct incentives or tax changes for automakers, instead prioritising infrastructure, transport and energy spending. A boost to capex (to Rs 12.2trn in FY27), including towards the transport sector, is likely to support long-term demand for commercial vehicles, public-transport fleets and EV-linked mobility services. The Budget also mandates phased Compressed Bio Gas (CBG) blending in Compressed Natural Gas (CNG) and exempts basic customs duty on*

critical battery minerals (including cobalt powder and lithium-ion battery scrap), reducing clean-energy input costs. While no new production incentives were introduced, the PLI scheme for Automobile and Auto Components continues to serve as a key pillar for domestic manufacturing policy.



## **Banking, Insurance, Financial Services and Markets**

India's BFSI and markets sector in 2025 shifted from rapid expansion to disciplined consolidation, supported by stronger profitability, tighter regulation and maturing digital infrastructure. Banks and Non-Banking Financial Companies (NBFCs) have improved capital efficiency, strengthened liabilities and enhanced governance under stricter supervisory and digital lending oversight. Key policy measures - including stronger prudential and digital lending norms, enhanced cyber resilience and regulatory liberalisation, along with the removal of GST on health and term insurance, the FY28 rollout of the Expected Credit Loss (ECL) framework and forthcoming reductions in risk weights - reinforced stability and improved credit transmission. Falling gross non-performing assets (NPAs) - at 2.1% as of September; robust capital buffers; deeper digital infrastructure adoption; 7.0% growth in life-insurance premiums to around Rs 8.9trn - as per the Insurance Regulatory and Development Authority of India (IRDAI) Annual Report for FY25; and Rs 17.0trn raised via 311 IPOs in the first 9 months of FY26 underscored continued financial resilience and investor confidence.

However, the sector still faces liquidity constraints for NBFCs, weak recovery frameworks due to high The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) thresholds, and pressure on bank deposits as savings shift towards market products. Banks also contend with limited NPA-provisioning allowances, while the broader system requires stronger digital infrastructure and cyber resilience support, alongside improved credit flow to MSMEs and underserved households. Policy measures to ease these pressures through refinance facilities, tax-treatment parity, higher provisioning limits and targeted inclusion-focused credit measures will be critical for sustained growth.

### *Rating: Marginally Positive*

*The BFSI sector is expected to benefit from the Budget announcements driven by higher public capex, improved MSME activity and sustained macroeconomic stability. The overall approach favours stability and gradual progress, enabling medium term credit expansion and deeper financial intermediation over immediate regulatory or fiscal measures.*

## **Banking**

*The Budget proposes setting up a high level committee to review the banking sector, with focus on consumer protection, financial inclusion and systemic stability, signalling scope for medium term structural reforms. The centre has pegged gross market borrowing at Rs17.2trn, higher than market expectations, which may lift Government Securities (G Secs) yields; however, mark to market (MTM) losses can rise if treasury prices fall due to excess supply. The banking sector is expected to benefit from the capex led growth strategy, including the Rs 12.2trn public investment outlay, and higher MSME support through measures such as the Rs 100.0bn SME Growth Fund, mandatory use of TReDS for CPSE MSME payments and the revival of legacy industrial clusters, which should support credit demand and asset quality trends. There were no major developments on factors such as PSU bank recapitalisation, regulatory liberalisation, recovery framework changes or deposit linked tax incentives.*

## **Insurance**

*The Budget did not announce sector specific reforms for insurance, maintaining continuity in the regulatory and tax framework post the GST council exempting GST on health and term insurance in 2025. There were no changes to insurance laws, capital norms, FDI limits or tax incentives for life and health insurance products. However, the sector*

*is expected to benefit from overall employment generation, income stability and infrastructure expansion resulting from the large public capex programme, which could gradually support insurance demand and penetration over the medium term.*

## Financial Services

*The Budget articulates a vision for NBFCs under Viksit Bharat, with emphasis on credit expansion and technology adoption, reinforcing their role in financial intermediation. NBFCs are also expected to benefit from MSME focused measures, including the Rs 20.0bn top up to the SRI Fund, and expansion of receivables based financing through TReDS, which should improve cash flow visibility and support risk adjusted growth. However, there were no major developments pertaining to new liquidity windows, regulatory relaxations or direct tax incentives.*

## Financial Markets

*The Budget introduces select capital market measures, including changes to buyback taxation alongside steps to deepen markets through greater overseas individual participation and REIT based asset monetisation linked to public infrastructure assets. The Budget also raises the STT on futures to 0.05% (from 0.02%), on options premium to 0.15% (from 0.10%) and on options exercise to 0.15% (from 0.125%), pushing derivatives trading costs. The Budget also defines buyback proceeds as capital gains for all shareholders, simplifying incidence and potentially altering issuer capital-return choices and fund distribution strategy. These measures signal an intent to improve market structure, transparency and long term capital formation rather than stimulate short term trading activity.*

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### Solutions

- Supply Management Solutions
- Channel Partner Risk Management
- Supplier Risk Management
- Compliance Solutions

## Cement

India's cement sector remains a critical pillar of the country's infrastructure and construction push, reinforced by strong public investment and policy support through 2025. Demand has been resilient, with cement output rising 8.5% during January-November 2025, supported by major budgetary allocations for roads, housing and urban development in FY26, as well as extension of interest-free state capex loans. Capacity expansion plans of ~130.0mn tonnes per annum by FY27 underline confidence in sustained demand, partly underpinned by the Gati Shakti National Plan infrastructure pipeline, while green-tech funding and innovation schemes are steering the sector towards more sustainable production.

Looking ahead, growth will be driven by continued infrastructure spending, public-private-partnership-based project pipelines, metro expansion in Tier 2 and Tier 3 cities and housing programmes such as Pradhan Mantri Awas Yojana (PMAY). Key risks include labour-related volatility and uneven state-level execution. Strengthening green-tech adoption, improving project timelines and deepening private participation will be vital to sustain momentum into FY27.

### *Rating: Positive*

*The cement sector is set to advance on the back of supportive structural measures and strengthening demand fundamentals. On the structural side, the introduction of the CCUS in FY27, backed by an outlay of Rs 200.0bn over five years, enhances long-term competitiveness by promoting greener manufacturing. On the demand side, the boost to capital expenditure (to Rs 12.2trn in FY27) is set to lift cement consumption, which, alongside the establishment of the Infrastructure Risk Guarantee Fund, is likely to encourage private investment and facilitate capacity expansion during FY27. Additional momentum will come from faster monetisation of CPSE assets through Real Estate Investment Trusts*

(REITs), which is expected to spur redevelopment activity and support sector profitability. The development of City Economic Regions in Tier 2 and Tier 3 cities will further reinforce cement demand, which together with stronger allocations for PMAY and North East Special Infrastructure Development Scheme (NESIDS) in FY27, lay the groundwork for a favourable overall sector outlook.



## Consumer Goods

India's consumption backdrop in FY26 remains supportive, with the First Advance Estimates from the National Statistical Office (NSO) projecting 7.0% real Private Financial Consumption Expenditure (PFCE) growth. With the PFCE at 56.3% of GDP, household demand remains the key growth driver.

Consumption has improved as policy measures raised disposable incomes mainly through higher tax exemptions of upto Rs 1.2mn with an additional Rs 75,000 standard deduction for salaried individuals. GST rationalisation towards 5.0% and 18.0% slabs, with 40.0% for select luxury and sin goods, has eased prices and compliance, while the Rs 114.4bn Pulses Mission with 100.0% Minimum Support Price (MSP) procurement of Tur, Urad and Masoor for four years has helped temper food inflation risks.

Key risks are food inflation volatility, slow GST pass through and an uneven rural income momentum. Opportunities include a wider demand base due to tax relief, lower indirect taxes on mass items and steadier rural fundamentals.

Looking ahead, growth would be driven by stronger disposable incomes and tax rationalisation, but food price shocks, slow pass through or rural stress could squeeze real purchasing power and delay discretionary upgrades, despite supportive policy conditions.

### *Rating: Marginally Positive*

*The FY27 Budget is mildly supportive for consumer goods, mainly by stabilising essentials and easing supply-side frictions rather than directly boosting demand. A 35.8% rise in the Price Stabilisation Fund outlay to Rs 41.0bn would help curb food price spikes, protect real purchasing power and keep staple volumes steady. Rural demand should strengthen gradually as the wage-heavy Viksit Bharat - Guarantee for Rozgar and*

Ajeevika Mission (Gramin) (VB GRAM G) Act supports lean-season cash flows, and fisheries and livestock initiatives make incomes more regular. From the perspective of affordability, cutting duties on personal imports from 20.0% to 10.0% can lower landed prices for select imported items and widen consumer choices, while SHE Marts can deepen non-metro consumption by improving women's earnings and last-mile retail access.

However, the upside depends on last-mile execution, especially timely procurement and distribution for price stabilisation, consistent logistics and clearances, and reliable market linkages; if these are uneven, consumers will still face uneven availability and periodic price shocks. Overall, the Budget sets conditions for a steadier consumption upcycle, but outcomes will hinge on delivery discipline.



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## Capital and Engineering Goods

India's engineering and capital goods sector maintained strong growth momentum in FY26, driven by public capital expenditure. The Index of Industrial Production (IIP) for capital goods stood at 10.4% in November 2025, 1.5pps higher than 8.9% in November 2024. Defence manufacturing is emerging as a major structural driver, supported by higher allocations, a strong order pipeline and a sustained push for indigenisation under Atmanirbhar Bharat, creating multi year revenue visibility. The sector is also benefitting from global supply chain realignment under the China +1 strategy, with multinational firms increasingly viewing India as a preferred manufacturing base, thereby boosting demand for industrial equipment, automation and electronics systems.

However, private investment remains uneven. Limitations in GST input tax credit for capital goods elevate effective investment costs, inadvertently acting as a tax on capital formation. Addressing these distortions will be critical to unlocking a broader private sector capex cycle and sustaining long term growth in the engineering and capital goods ecosystem.

### *Rating: Positive*

*The Budget gives a strong growth impetus to the capital goods and engineering sector by reinforcing domestic manufacturing and technological depth. The establishment of Hi-Tech Tool Rooms by CPSEs will improve access to precision components, boosting productivity and quality across industries. The introduction of schemes for construction and infrastructure equipment, and container manufacturing, backed by a Rs 100.0bn outlay, is set to support scale, localisation and global competitiveness. Customs duty exemptions on capital goods for lithium-ion cells, energy storage systems and critical minerals are poised to lower input costs. The five-year income tax exemption for non-resident companies supplying capital goods, machinery or tooling*

to toll manufacturers in bonded zones is designed to lower entry costs, encourage technology transfer and catalyse higher-value investment – thereby strengthening India's engineering and advanced manufacturing ecosystem.



## Gems & Jewellery

India's gems and jewellery sector remains a critical pillar of the economy, contributing nearly 7.0% to national GDP and providing employment to about 5mn people. The sector entered 2025 with optimism following reductions in customs duties on platinum findings and jewellery, which were expected to stimulate domestic growth. However, the recent imposition of ~50.0% US tariffs on Indian gems and jewellery has created a severe setback for the sector.

The US is India's largest export destination, accounting for 85.0% of shipments from the Santacruz Electronic Export Processing Zone (SEEPZ). For cut and polished diamonds, about half of India's exports are US bound. The tariff shock has resulted in exports to the US declining sharply by 50.4% y/y. Specific segments are under stress as well, with polished lab grown diamond exports falling 10.3% y/y and coloured gemstone exports dipping 3.2% y/y.

Compounding the challenge, competitor hubs such as Türkiye, Vietnam and Thailand face significantly lower US tariffs, rendering Indian products less cost competitive. While India is leveraging existing FTAs and exploring newer markets through upcoming FTAs, the sector seeks GST reduction, duty cuts, capital-gains tax relief and a GST refund scheme for tourists to boost demand and competitiveness.

### *Rating: Marginally Positive*

*The Union Budget FY27 delivers a positive outlook for the gems and jewellery sector by retaining customs duty and GST, ensuring policy certainty. MSME support, ease of doing business initiatives and litigation reducing tax reforms should aid confidence and planning. Enhanced SEZ flexibility, allowing limited concessional sales to the domestic market, is expected to improve capacity utilisation and protect employment. Simplified customs procedures and stable import duties will support exports, while a supportive environment for lab grown*

*diamonds encourages innovation, sustainability and diversification. The exemption on diamond seeds reduces input costs for the sector, particularly benefiting lab grown diamond manufacturers by improving cost competitiveness and encouraging capacity expansion. This measure aligns with India's ambition to emerge as a global diamond hub, supporting innovation, sustainability, and diversification across the diamond value chain. The removal of the Rs 1.0mn cap on courier exports is a strong positive for the sector, enabling higher-value shipments, faster delivery of studded jewellery and diamonds, and improved export access for MSME manufacturers and exporters.*



## Hospitality

India's hospitality sector sustained strong recovery in FY26, driven by government initiatives and rising domestic tourism. Foreign tourist arrivals reached 3.6mn in Q1 and Q2, generating Rs 1.1trn in FX earnings. Infrastructure development advanced under schemes such as Swadesh Darshan 2.0, Pilgrimage Rejuvenation and Spiritual Heritage Augmentation Drive (PRASHAD) and Special Assistance to States for Capital Investment (SASCI), with over 40 projects worth Rs 33.0bn sanctioned for iconic destinations. Investments remained robust, supported by higher FDI in hotels and restaurants, and steady bank credit growth. Digital upgrades such as the Incredible India portal, AI-powered content hub, and enhancements focused on Meetings, Incentives, Conferences and Exhibitions (MICE) boosted the global visibility, while medical, wellness and MICE tourism gained traction through improved connectivity and targeted campaigns.

A key reform, GST 2.0, has rationalised tax rates, reducing GST on rooms under Rs 7,500 to 5.0%, and standardising restaurant rates at 5.0% has made travel more affordable and globally competitive. Looking ahead, the sector expects Union Budget FY27 to deliver tax neutrality for mergers, extended SASCI funding, PLI-style incentives for mid-market hotels, Mudra-backed credit for homestays, enhanced skilling under Capacity Building for Service Providers (CBSP), streamlined e-visas and support for MICE infrastructure and global marketing.

### *Rating: Positive Plus*

*A significant strengthening of the hospitality sector for FY27 is supported by an enhanced allocation of Rs 24.3bn to the Ministry of Tourism, reflecting strong government commitment to tourism driven development. Higher funding under Swadesh Darshan (Rs 19.1bn) and PRASHAD (Rs 2.5bn) will accelerate the development of tourism circuits, pilgrimage centres and heritage destinations, thereby stimulating*

demand for hotel and travel services. Growth is further reinforced by the government's emphasis on heritage and cultural tourism and medical tourism, with the introduction of five regional medical hubs, three new Ayurveda institutes, and upgraded AYUSH facilities. Additional momentum arises from upgrades to 15 archaeological sites, creation of sustainable mountain and nature trails, training of 10,000 tourist guides, establishment of a National Institute of Hospitality and rollout of a digital destination registry. Incentives for indigenised manufacturing of sea planes is aimed to promote last-mile and remote connectivity. The uniform 2.0% TCS on overseas tours and new content creator labs will further promote visitor engagement, collectively enabling strong expansion of the hospitality sector in FY27.



## Infrastructure

India's infrastructure sector remains central to the growth strategy, supported by a Rs 11.2trn (3.1% of GDP) allocation in Budget FY26 and a continued shift towards integrated physical and digital development. Through 2025, steady progress has been evident across railways, highways and logistics, supported by a corridor-based development approach. Digital expansion is advancing through the initiative to lay 10,000km of optic fibre along national highways. The second asset monetisation plan (2025-30) aims to raise Rs 10.0trn, while, as per market estimates, the Infrastructure Investment Trusts (InvITs) are expected to grow sharply in the near term. The PM Gati Shakti National Master Plan (PMGS-NMP) is helping reduce delays through coordinated planning, while the Dedicated Freight Corridors (DFCs) - of which about 96.0% are operational as of early-2026 - are improving freight flows. Green priorities are also advancing, with 44.5GW of renewable capacity added between January-November 2025, supported by incentives for battery manufacturing, green warehousing and rapid clean energy expansion. Data centres are also emerging as a high-growth infrastructure segment and an increasingly important competitive advantage.

However, risks persist, from funding gaps, payment delays, land approval bottlenecks, uneven state policies and rising cyber vulnerabilities, as digital infrastructure expands. Sustaining momentum will require calibrated capital spending, continued long-term support for states - including the 50-year interest-free capex loan scheme - and a more predictable public-private-partnership framework. Key opportunity areas for further expansion include multimodal logistics and industrial corridors, urban mobility and housing, renewable energy and grid upgrades, data centres, and building materials. Looking ahead, sustained capex, deeper private sector participation, corridor-based planning and broader use of digital tools will be essential to drive more efficient and inclusive infrastructure-led growth in FY27.

### *Rating: Positive Plus*

*The infrastructure sector has received a strong boost in Budget FY27, marked by a record Rs 12.2trn public capital expenditure allocation, reinforcing the government's focus on making assets more efficient and sustainable. The introduction of the landmark Infrastructure Risk Guarantee Fund aims to provide partial credit guarantees to lenders and revitalise private sector participation in large-scale projects. By lowering project risk premiums and easing borrowing costs, this mechanism is likely to help crowd in private capital and accelerate construction phase financing across the sector.*

*The transport and logistics sector, in particular, will buoy infrastructure growth. Railways have received a substantial boost in allocation, which will help support the planned development of seven new high speed rail corridors and a Dankuni-Surat DFC, which aims to cut logistics costs and improve national connectivity. Moreover, the rollout of 20 new National Waterways, new ship repair hubs and a scheme to double the share of coastal and inland water transport from 6.0% to 12.0% by 2047 will together build a greener, more efficient multimodal freight network. Urban transformation continues through targeted development of Tier 2 and Tier 3 cities - with populations over 0.5mn - alongside the creation of City Economic Regions, each supported by multi year challenge based financing to establish new growth hubs and reduce pressure on metros.*

*A broader ecosystem of reforms strengthens medium term sector prospects. The government aims to scale domestic construction and infrastructure equipment manufacturing, reducing import dependence and improving execution capability in tunnelling, metro construction and road building machinery. The monetisation of CPSE assets will be accelerated through dedicated REIT structures, helping unlock liquidity for redevelopment and new project pipelines. Additional support flows through region specific initiatives, such as industrial corridor expansion, and tourism development in cultural and Buddhist heritage zones will further reinforce construction demand.*

Together, these measures will strengthen India's infrastructure ecosystem through higher public investment, improved risk mitigation tools and wider multimodal connectivity – creating a constructive environment for sustained growth in construction, logistics and urban development.



## IT-ITeS

The IT and ITeS sector remains central to India's digital led growth model. In 2025, policy momentum strengthened through larger allocations for digital infrastructure, cybersecurity and AI development, including the IndiaAI Mission and expansion of subsidised compute capacity to more than 38,000 graphics processing units (GPUs). Expanded PLI support for IT hardware manufacturing; higher R&D funding under the Research, Development, and Innovation (RDI) scheme; and targeted incentives for Global Capability Centres (GCCs) have reinforced sector competitiveness. Meanwhile, the 50 year interest free capex loan scheme (allocated Rs 1.5trn for FY26) has supported digital ecosystem development in Tier 2/3 cities, enabling more decentralised IT expansion.

Looking ahead, sectoral growth will hinge on stronger domestic hardware supply chains, wider AI adoption and improved cybersecurity resilience. Opportunities include scaling AI-enabled services, cloud and cybersecurity offerings, and leveraging India's strong GCC position. However, rising global competition, talent shortages, margin pressures and data security risks remain challenges. Continued AI investment, stronger digital governance and steady infrastructure upgrades will prove important in supporting the IT and ITeS sector's transition towards higher-value services and sustained global leadership.

### *Rating: Positive Plus*

*Union Budget FY27 is strongly positive for India's IT & ITeS sector as it improves tax certainty and reduces compliance friction - two recurring constraints on the sector's efficiency. First, the Budget consolidates software development, ITeS, Knowledge Process Outsourcing (KPO) and contract R&D under a single 'Information Technology Services' category, with a uniform transfer pricing safe harbour margin of 15.5%. It also significantly expands eligibility by raising the turnover threshold for opting into safe harbour from Rs 3.0bn to Rs 20.0bn, bringing many mid-sized*

exporters and GCCs into a simplified, rule-driven compliance framework. Safe harbour approvals are proposed to shift to an automated, rule-driven process, and firms can lock in the regime for five years once exercised – supporting pricing decisions, audit outcomes and forward planning.

Second, the Budget takes a long-term approach to position India as a global data infrastructure hub. A tax holiday till 2047 is proposed for foreign companies providing cloud services to global customers using India-based data centres (with Indian customer delivery via an Indian reseller). To reduce transfer pricing risk in related-party structures, a 15.0% safe harbour on cost is proposed where the India data centre service provider is a related entity. In parallel, a safe harbour of 2.0% of invoice value is proposed for non-residents warehousing electronic components in bonded warehouses, supporting just-in-time supply chains for electronics and server hardware.

Third, predictability improves further via faster dispute resolution: unilateral Advance Pricing Agreements (APA) for IT services are targeted to conclude within two years (extendable by six months), and the modified return facility is extended to associated enterprises, aiding group-level clean-ups for multi-entity delivery models. Complementing services, the Budget also advances ISM 2.0 and raises the Electronics Components Manufacturing Scheme outlay to Rs 400.0bn, strengthening the domestic electronics ecosystem and supply resilience. Additional cross-border tax steps – such as MAT exemption for non-residents taxed on a presumptive basis and a five-year income tax exemption for non-residents supplying capital goods/tooling to toll manufacturers in bonded zones – further lower friction for global technology supply chains.

On the demand side, continued public capex and digital public infrastructure should keep pipelines healthy in cloud, analytics and cybersecurity, while skilling initiatives can also ease talent bottlenecks for AI and engineering services. Execution will matter, but on balance, FY27 shifts the operating environment towards lower tax risk, simpler compliance and deeper digital infrastructure capacity, reinforcing India's role as a preferred base for global IT and ITeS delivery.

## Media & Entertainment

India's media and entertainment sector is in a digital upcycle, valued at around Rs 2.5trn in 2024 (~0.7% of GDP) and projected to grow at ~7.0% CAGR during 2024-27. Digital media leads at Rs 800.0bn, while the broader industry supports ~12.8mn livelihoods and produces ~200,000 hours of original content annually.

The Finance Bill 2025's GST changes ease voucher-related ambiguity and amend Input Tax Credit (ITC) provisions, improving certainty but potentially increasing compliance requirements. Content governance has tightened, with 43 Over-the-Top (OTT) platforms blocked under the IT rules framework, aimed at improving market discipline and consumer safety. Beyond policy, ecosystem momentum was evident at WAVES 2025, with WAVES Bazaar generating Rs 13.3bn in business transactions.

Challenges persist around piracy, monetisation and compliance burden. However, opportunities are expanding in animation, visual effects, gaming, comics and extended reality (AVGC-XR), regional language growth and global OTT demand. Looking ahead, growth will likely be driven by rising digital adoption and creator-led momentum. Stronger enforcement, improved infrastructure, streamlined compliance and sustainable monetisation can accelerate progress, helping the industry deepen digital adoption, strengthen margins and encourage greater creative experimentation, further enhancing India's global edge.

### *Rating: Marginally Positive*

*The FY27 budget delivers mixed signals for the media and entertainment sector. Reduced operating and capital outlays for public broadcasting may limit original commissioning and delay infrastructure upgrades, potentially shifting more viewers and advertisers towards OTT and private digital platforms. On the other hand, the government is backing the AVGC domain with a Rs 2.5bn allocation to set up creator labs across 15,000 schools and 500 colleges, with the aim of strengthening*

the talent pipeline, lowering long term production costs and attracting global animation and gaming opportunities to India. The expiry of certain customs concessions could raise the cost of foreign shoots, nudging demand towards domestic equipment and services. Overall, the budget subtly accelerates a move towards private digital consumption while laying foundations for long term content production competitiveness.



## Metals & Mining

India's metal and mining sector continues to demonstrate resilience, supported by record coal production of 1,047.7mn tonnes in FY25 (up 5.0% y/y) and operationally strong performance across public and private leaders, such as Coal India: FY21-25, profit after tax (PAT) CAGR: 29.1%; and Hindalco Industries: FY21-25, PAT CAGR: 46.4%. Recent high-frequency data reinforce this assessment, with the Index of Eight Core Industries up 1.8% y/y in November 2025 and seeing 2.4% cumulative growth in April-November 2025, indicating modest but resilient activity.

Despite these positives, soft external demand, commodity price volatility, and reliance on imported coking coal and scrap weigh on steel margins, while non-ferrous producers face price swings linked to the London Metal Exchange (LME) and the electricity intensity of aluminium smelting. Positively, mining reforms 2025, critical mineral royalty changes and a proposed Mines and Minerals Act (Development and Regulation Act), MMDR Act, amendment point to an improving operating framework.

Looking ahead, rising energy needs should sustain coal demand, given India's position as the world's third-largest energy consumer, while continued infrastructure spending is likely to keep steel demand firm. Improved coal logistics, faster mine auctions and clearances, and calibrated duty and levy frameworks remain key variables shaping domestic value addition.

### *Rating: Positive*

*The Budget marks an inflection point for the country's metals and mining sector, with a push to secure critical mineral supply chains. Dedicated rare earth corridors across Odisha, Kerala, Andhra Pradesh and Tamil Nadu signal a move from fragmented extraction towards integrated value chains spanning mining, processing and advanced manufacturing. Basic customs duty exemptions on capital goods for critical mineral processing*

should catalyse exploration and address long-standing refining gaps.

The focus on rare earth magnets aligns with rising EV, clean energy, electronics and defence demand, reducing import dependence. Alongside faster clearances and existing magnet manufacturing schemes, these measures improve investment visibility, support higher capital expenditure and reposition the metals and mining sector as a strategic pillar of India's industrial and energy transition.



## Micro, Small and Medium Enterprise

MSMEs continue to operate in a challenging environment marked by tariff uncertainty and geopolitical tensions. Data from over 4,000 businesses shows a clear linear pattern: total income of micro firms grew only 0.2% y/y in Q2 FY26, as compared with 5.3%, 7.5% and 7.6% for small, medium and large firms, respectively. The revenue slowdown among micro enterprises - from 7.5% in Q4 FY25 to 7.1% in Q1 FY26 - highlights weakening demand and the disproportionate impact of economic headwinds on smaller businesses. US trade data indicates that Indian shipments were heavily front-loaded in early 2025, with US imports from India surpassing 2024 levels within 10 months, suggesting that the full impact of higher tariffs will materialise only in the months ahead.

Positively, credit conditions have strengthened. MSME lending rose 23.0% y/y by October 2025 to 48.0% of large-firm lending, partly buoyed by public sector bank disbursements, extending a U-shaped recovery after more than a decade of decline. Nevertheless, the total credit stock must still triple to bridge the sector's long-standing financing gap.

### *Rating: Marginally Positive*

*The budget reflects a pragmatic policy approach, with positive steps on liquidity and credit, but limited expansion beyond existing frameworks. Measures such as the SME Growth Fund, the expansion of the Fund of Funds and reforms to the TReDS framework signal a welcome shift towards improving liquidity, payment discipline and equity access for growth oriented firms. Enhanced credit guarantees and continued support for Prime Minister Employment Generation Programme (PMEGP) also reinforce the government's focus on employment generation and financial inclusion. However, allocations for technology adoption, market access, innovation and cluster level competitiveness remain relatively modest. Key programmes aimed at productivity enhancement and*

enterprise upgrading see largely flat or incremental funding. As a result, while the announcements are directionally supportive, they fall short of delivering a transformative boost to MSME competitiveness, justifying a cautious, marginally positive assessment.



## Oil & Gas and Petrochemicals

India's oil and gas sector is entering 2026 with an ambition to strengthen energy security while balancing economic growth and climate goals. As the world's third largest oil consumer and fourth largest refiner, India aims to significantly scale domestic production, targeting 100.0mn metric tonnes (MMT) of crude, 100.0bn cubic metres (BCM) of natural gas and 450.0mn metric tonnes per annum (MMTPA) of refining capacity by 2047, as outlined in the government's long term energy roadmap. These targets align with the broader *Kal Ka Bharat* vision of building a self reliant, globally competitive energy ecosystem.

However, domestic upstream output remains constrained by high import dependence and fiscal burdens. The industry also faces the burden of a 20.0% Oil Industries Development (OID) cess on crude from nomination and pre New Exploration Licensing Policy (NELP) fields, which escalates costs, weakens project viability and leaves domestic output at a disadvantage against imports. Additional pressures stem from the National Calamity Contingent Duty (NCCD) and Basic Excise Duty (BED), which complicate compliance, hinder operational efficiency and affect competitiveness in India. Addressing the need for renewable linked incentives, reduction in duties and storage frameworks, and critical mineral supply chain support, particularly as India scales clean energy manufacturing and infrastructure, could go a long way in supporting growth for the sector.

### *Rating: Marginally Positive*

*The Budget announcement to exclude the value of biogas/CBG, along with GST paid thereon, from the transaction value of biogas-blended Compressed Natural Gas (CNG) for central excise duty computation has a structurally positive impact on the oil, gas and petrochemical sector. By narrowing the excise duty base, the measure reduces the effective tax incidence on blended CNG without distorting GST neutrality. This improves post-tax realisations for city gas distribution (CGD) entities*

and enhances price signals in favour of CBG blending. From a sectoral standpoint, the announcement lowers fiscal disincentives to renewable gas integration, improves project viability for CBG producers and supports a gradual shift towards a low-carbon gaseous fuel basket.



## Personal Finance

India's personal finance sector over the past year was marked by rapid digitalisation, deeper financial literacy and strong adoption of mobile first financial tools, supported by UPI, which now accounts for about 85.0% of digital retail transactions, with monthly values exceeding Rs 24.0trn. The segment is expanding steadily, estimated to grow at an 11.6% CAGR during 2025-31, driven by digital payments, investment platforms and automated financial tools.

Recent reforms - fully digital Aadhaar updates improving KYC efficiency, enhanced UPI security through biometric authentication and Budget FY26 tax cuts that increased disposable incomes - have strengthened household financial management. Insurance liberalisation through 100% FDI promises greater product innovation. However, rising household exposure to unsecured credit, retail-level cyber fraud and data security gaps amid deeper digitalisation, and limited formal credit access for smaller borrowers remain key structural pressures.

Going forward, simplifying personal taxation while strengthening digital lending and cybersecurity safeguards will be essential for sustained growth. Incentives for long term savings, wider UPI-linked credit access and expanded insurance offerings would reinforce household balance sheets and financial resilience.

### *Rating: Neutral*

*The Budget delivered measures such as MSME-focused financial infrastructure, tax exemption on any interest awarded by the Motor Accident Claims Tribunal and a cut in TCS on foreign tour packages to 2.0% from 5.0%, supporting household financial stability. Policies centred on MSMEs, manufacturing and infrastructure should strengthen employment conditions and improve income stability. The increase in securities transaction tax on futures and options will raise trading costs for retail investors and will also marginally impact households.*

Having overhauled the tax structure in FY26, the government maintained status quo on income tax slabs, savings-linked deductions, deposit incentives, insurance benefits and retirement-related tax provisions through FY27. The Budget also announced extended tax filing timelines and simplified tax forms, easing compliance pressures and reducing penalty risks for salaried and self-employed taxpayers. Overall, the Budget favours predictability and cash flow easing over tax relief.



## Pharmaceuticals & Healthcare

The Union Budget FY2026 recorded an increase of around 10.0% in health sector allocations. However, spending continued to remain below the National Health Policy (2017) target of 2.5% of the total Union Budget. PLI schemes were extended to support domestic manufacturing of affordable drugs for the treatment of diabetes and cancer, with emphasis on strengthening indigenous production capabilities and lowering costs of critical therapies.

Under Pradhan Mantri-Ayushman Bharat Health Infrastructure Mission (PM ABHIM), approvals amounting to Rs 330.8bn were granted for the development of Ayushman Arogya Mandirs, Block Public Health Units (BPHUs), integrated district level public health laboratories and critical care blocks, reinforcing diagnostic and critical care infrastructure ahead of FY27. Medical education capacity was enhanced through the addition of 10,000 seats in 2025, while district Day Care Cancer Centres (DCCCs) were expanded and customs relief was provided on select lifesaving drugs. Coverage under the Ayushman Bharat Pradhan Mantri Jan Arogya Yojna (AB PM JAY) was also extended to gig workers.

The sector is simultaneously undergoing a structural transition, driven by rapid adoption of telemedicine and online consultations. The pharmaceutical segment remained robust, supported by strong industrial output and export growth, aided by the India UK FTA in July. Constraints related to R&D capacity and infrastructure gaps persist, necessitating higher and sustained investment to strengthen innovation and long term resilience.

### *Rating: Positive Plus*

*The Budget signals a decisive post-pandemic push to position India as a global biopharma hub. Reflecting the structural shift in the country's disease burden towards non-communicable diseases, biologic medicines are key to longevity and quality of life at affordable costs.*

With this broader vision, the Biopharma SHAKTI strengthens leadership in biologics, biosimilars and clinical trials through expanded research capacity, advanced manufacturing capabilities and closer regulatory alignment with global standards. Proposed expansion of human capital and research infrastructure through the establishment of three new biopharma focused NIPERs and the upgradation of seven existing institutes, alongside the creation of a nationwide network of over 1,000 accredited clinical trial sites, support the growth of the sector. BCD exemption on 17 drugs for cancer treatment shall help in reducing treatment costs. Further, enhancing scientific capacity of the CDSCO is expected to deliver globally benchmarked approvals. Parallel investments in mental health infrastructure, including expanded institutional capacity, highlight a broader healthcare strategy focused on resilience, innovation and inclusive long-term growth.



## Power

India's power sector has continued to advance due to strong investment momentum, a rising renewable energy share and policy measures aimed at long term energy security with overall installed capacity rising to 509.7GW as of November 2025, up from 457.0GW in November 2024. Renewable capacity has also accelerated, reaching ~258.0GW for renewable energy and 266.8GW for non fossil energy (in December 2025), supported by a surge in rooftop solar installations, which scaled from 1.0mn to 2.4mn households in 2025 under the PM Surya Ghar scheme. Policies such as the Nuclear Energy Mission, backed by Rs 200.0bn for small modular reactor (SMR) R&D and a pathway towards 100.0GW of nuclear capacity by 2047, further supported growth.

The sector was defined by policy continuity and a shift from capacity addition towards system reliability. Energy storage gained strategic prominence for round the clock renewable power as the sector pushed for domestic manufacturing and supply chain resilience, even as persistent challenges such as strained distribution company (DISCOM) finances, delayed payments, regulatory hurdles, land acquisition issues and critical mineral dependence continued to weigh on execution. Despite these constraints, the year reflected a balanced mix of transition momentum and operational pressures, underscoring the work needed to secure long term energy reliability and decarbonisation.

Enhanced PLI support across solar and battery value chains, accelerated pumped storage plant (PSP) and storage frameworks, deeper high value direct current (HVDC) investments, grid digitalisation and secure critical mineral pathways should support growth in the medium run.

### Rating: Marginally Positive

The Budget provides a supportive outlook for the power sector, with a clear focus on energy security, cleaner baseload power and faster renewable integration. The Rs 220.0bn allocation for the PM Surya Ghar rooftop solar programme should accelerate household-level solar adoption, expand distributed generation and help manage peak demand. Policy continuity for nuclear power supports reliable low-carbon baseload, while higher emphasis on storage, grid flexibility and digitalisation should help the system absorb rising renewable capacity more efficiently.

Beyond capacity additions, the budget supports gradual modernisation across the power value chain. Greater focus on carbon-reduction technologies, cleaner fuels, and next-generation nuclear and domestic manufacturing strengthen the case for a more self-reliant energy ecosystem. Effective implementation will depend on timely transmission expansion, better DISCOM efficiency through loss reduction and smart metering, and access to low-cost financing, to ensure clean capacity additions translate into stable supply and healthier sector cash flows.



## Real Estate and Construction

FY26 was a defining year for real estate and urban development, anchored by strong public investment of Rs 11.2trn. The government placed renewed emphasis on city level transformation through the Rs 1.0trn Urban Challenge Fund (UCF). Housing remained a core focus, supported through continued Pradhan Mantri Awas Yojana (PMAY) Urban allocations.

Market activity remained firmly aligned with supportive policy environment as Q2 GDP growth in the construction (7.2% y/y) and real estate services, and allied sectors (10.2% y/y) reflected sustained healthy momentum. Urban housing markets recorded steady price appreciation, indicating resilient end user demand. However, the year also exposed widening stress in the affordable and mid income segments, where input costs and project delays weighed on supply, even as premium developments continued to outperform. To address these pressures and unlock stalled inventory, the introduction of Special Window for Affordable and Mid-Income Housing (SWAMIH) Fund 2.0 in the previous Budget was a timely intervention.

From a policy standpoint, the Urban Infrastructure Development Fund (UIDF) progressed towards operationalisation for Tier 2 and Tier 3 cities, expanding access to long term financing. As FY27 approaches, continuity in public capex, accelerated disbursals under the UCF and stronger regulatory mechanisms – including the Real Estate (Regulation and Development) Act, Real Estate Investment Trust (REIT) structures and the Model Tenancy Act – are needed to support a more balanced and resilient housing market.

### *Rating: Positive*

*The Budget announces policies such as the new Infrastructure Risk Guarantee Fund providing partial credit guarantees to lenders, along with the monetisation of large CPSE land parcels through REITs, which*

will help unlock capital. Further, the sector is expected to benefit from focused allocations to City Economic Regions (CERs) and PMAY Urban, and upgrades to the AMRUT.

The Rs 12.2trn in capex aimed at infrastructure push and the revival of 200 industrial clusters and seven high speed rail corridors promise sustained construction demand. New incentives for advanced construction equipment deepen the Make in India footprint. However, there are no major developments in homebuyer tax benefits, affordable housing definitions or rental housing policies. Overall, the sector stands on firmer ground, benefitting from liquidity support, urban renewal and manufacturing momentum.



## Retail

The Indian retail sector – spanning FMCG, apparel, electronics, home goods and e-commerce – remains a key driver of consumption led growth. In FY26, the sector benefitted from a favourable price environment, with headline Consumer Price Index (CPI) inflation at 1.3% in December 2025 and food inflation remaining negative for most of the year, supporting strong consumer demand. Digital retail expanded rapidly, with 0.12mn sellers onboarded onto the Open Network for Digital Commerce (ONDC) by mid December 2025, alongside MSME initiatives integrating small retailers into the digital ecosystem.

The Goods and Services Tax (GST) 2.0 reform, implemented in September 2025, streamlined slabs, added exemptions on certain essentials and set a 40.0% rate for luxury goods, easing compliance and improving supply chain efficiency. Moreover, wheat stock limits and logistics upgrades under the PM Gati Shakti National Master Plan (PMGS-NMP) helped stabilise essential supply chains.

Looking ahead, a key risk to the sector is the credit and capability gap among MSMEs and small retailers, which could constrain supply chain efficiency and temper retail growth. At the same time, sectoral expansion will depend on strengthening domestic retail value chains by deepening manufacturing supported by the PLI scheme, improving credit access for MSMEs and sustaining consumption momentum.

### *Rating: Marginally Positive*

*The Budget is mildly supportive for retail, but the net impact is likely to be uneven as demand and cost pressures persist. With income tax slabs unchanged, a broad consumption lift – especially in urban discretionary categories – may remain limited, while any rural improvement is likely to depend more on food inflation and incomes than on budget measures. Steps like SHE Marts can improve market access for women-led enterprises, and simplified compliance plus lower Tax Collected at*

Source (TCS)/ Tax Deducted at Source (TDS) provide small, at-the-margin relief for retailers.

On the supply side, the removal of the courier export cap and personal import duty cuts should help Direct-to-Consumer (D2C) brands, though benefits will vary by category and scale. Broad-based BCD reductions on inputs for electronics (microwaves and smartphones), EV batteries, footwear, sports equipment and seafood processing can ease costs, but pass-through to prices may be gradual given logistics and other overheads. A push for sports goods manufacturing supports local sourcing over time. The Rs 100.0bn SME Growth Fund is a positive for smaller players, but intense competition and rising operating expenses continue to cap upside, while service-led consumption (spending on eating out and experiences) may stay more resilient than goods consumption.



## Social Sector

The last year marked a major expansion in India's social sector delivery, supported by the FY26 Union Budget's 'Investing in People' agenda that anchors the Viksit Bharat 2047 vision, and signals a shift towards measurable capacity creation across education, healthcare, rural livelihoods and women's empowerment. The focus on scale is evident in education, with 50,000 Atal Tinkering Labs (dedicated workspaces in K-12 schools across India) planned over the next five years, building on the 10,000 already established (as of October 2025) to expand access and innovation. Rural livelihoods have seen a structural shift under the Viksit Bharat Guarantee for Rozgar and Ajeevika Mission (GRAMIN) (VB-G RAM G) Act 2025, which replaces Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) effective December 2025 and increases wage employment entitlement from 100 to 125 days per rural household. The move to a centrally sponsored scheme with a 60:40 centre-state cost-sharing model is intended to strengthen implementation. Health capacity is set to expand with 10,000 new medical seats by 2028-29, while stronger nutrition norms under Saksham Anganwadi and Poshan 2.0 reinforce early-life outcomes.

Key priorities for the sector include closing delivery gaps. The education subsector will focus on addressing the high secondary-level dropout rate (estimated at 8.2% in FY25), with digital enablers offering the fastest route to scale retention. Rural development faces last-mile constraints, with tap water access at 80.95% as of July 2025, underscoring the need to accelerate Jal Jeevan Mission while leveraging complimentary policies to support income security. Health outcomes remain limited by a high out-of-pocket burden of an estimated 39.4%, highlighting the need to strengthen primary care and early diagnosis. Women and child development indicators remain sticky, though Poshan 2.0 offers scope for gains with stronger implementation.

Looking ahead to FY27, the challenge lies in converting spending into faster project completion, wider coverage and reduced household vulnerability, supported by stronger execution discipline, improved community engagement and quicker bottleneck resolution.

### *Rating: Positive*

*Following the FY26 momentum, the Union Budget FY27 reinforces a human capital led pathway towards Viksit Bharat 2047, with strong emphasis on skilling, employability and risk reduction to lift productivity and support consumption.*

*Since Atal Tinkering Labs (ATLs) have worked well, their funding has been increased by more than five times to Rs 32.0bn. Together with the Pradhan Mantri Innovative Learning Programme (DHRUV) programme, this can make learning more practical and job focused, enabling more students to acquire market relevant skills for better paying roles in services and manufacturing. The Viksit Bharat - Guarantee for Rozgar and Ajeevika Mission (Gramin) - VB G RAM G Act largely consists of wage payments, ensuring money reaches rural households quickly during lean seasons. This supports everyday spending at local shops and services while reducing the need for distress migration. With states now sharing responsibility, tracking and delivery can improve.*

*In healthcare, expanding allied health professional (AHP) institutions will train more mid level personnel, such as technicians and assistants. This helps hospitals operate more efficiently by freeing doctors to focus on complex tasks, increasing the number of tests and treatments conducted each day, and lowering the cost per patient. It also creates stable jobs in Tier II and Tier III cities. Self-Help Entrepreneur (SHE) Marts provide women's self-help groups with more reliable market access, enabling them to negotiate better prices, reduce dependence on middlemen and retain a larger share of their earnings.*

*Overall, the Budget aims to achieve two goals simultaneously: support short term spending and strengthen long term systems by improving skills and service delivery. However, many schemes are continuations, and outcomes often fall short due to staff shortage at local offices, uneven implementation, delayed funding and weak monitoring. This is why improving administrative systems and ensuring clear accountability matter more than simply increasing allocations. If implementation*

*improves, these measures can raise productivity, bring more people into quality jobs and help stabilise household consumption as India moves towards Viksit Bharat 2047.*



## Telecom

India's telecom sector remains a strategic infrastructure priority, with fiscal support since 2019 increasingly directed towards closing connectivity gaps and restructuring public operators rather than broad-based subsidies. By end-2025, network expansion largely reached scale, with 5G available across all states and union territories, covering roughly 99.9% of districts and about 85.0% of the population. Rising median data speeds (exceeding 130Mbps) have shifted the sector from access-driven growth towards monetisation.

However, balance sheets remain under strain. Sector net debt stood at roughly Rs 4.0-5.0trn in FY24, while substantial spectrum instalments (around Rs 3.0trn outstanding by mid-FY25) and persistent statutory levies continue to weigh on cash flows. Ahead of FY27, operators have renewed calls for rationalising licence fees and contributions to the Digital Bharat Nidhi (DBN), both of which remain recurring financial burdens.

Offsetting pressures are increasing data intensity, accelerating 5G monetisation (India now has more than 400.0mn users, the world's second-largest base) and increasing enterprise demand, supported by continued policy emphasis on rural broadband through programmes linked to Universal Service Obligation (USO). Sector stability through FY27 will depend on predictable, reform-aligned support; clearer USO implementation; and regulatory certainty around emerging satellite-based services.

### *Rating: Neutral*

*The Budget reaffirms telecom as core digital infrastructure but does not materially alter the cost framework. Policy emphasis remains on fibre expansion and rural connectivity through DBN-linked programmes, while national 5G deployment is largely complete and monetisation is improving. However, the absence of relief on licence fees, DBN*

contributions or spectrum-related liabilities implies limited near-term balance sheet support, with leverage and statutory outflows continuing to constrain cash flows.

Therefore, the sector's risk-reward profile remains largely unchanged. Improving data intensity and enterprise demand are supportive, but stability through FY27 will depend on regulatory certainty, particularly for satellite services, and any future levy rationalisation. On balance, the Budget maintains policy stability rather than adding fresh upside.



## Textiles & Garments

India's textile and garments sector remains a major jobs and export pillar, providing 45.0mn jobs and around 3.9% of global textile and apparel trade. Support strengthened in the FY26 Union Budget, with the Textiles PLI outlay stepping up to Rs 11.5bn (up 2,451.1%).

Early outcomes are visible as the PLI has 91 approved firms (36 MSMEs), delivering Rs 72.9bn turnover and about Rs 7.3bn exports by September 2025. Pradhan Mantri Mega Integrated Textile Region and Apparel (PM MITRA) has 7 parks finalised, enabling integrated hubs to reduce fragmentation and crowd in investment.

The operating environment reflects elevated US trade barriers, cotton-related margin pressures and rising compliance costs for exporters, while timely incentive flows and export market diversification remain key opportunities to strengthen resilience.

Looking ahead, performance will be driven by the scale of expansion under PLI, integrated park infrastructure and strengthening of manmade fibre and technical textile capabilities, while key risks remain tariff uncertainty, external demand volatility and domestic cotton supply tightness.

### *Rating: Positive*

*The FY27 Budget supports a positive outlook for India's textile sector by focusing on long term capability building rather than a short term demand boost. Measures under the integrated textile programme, with an outlay of Rs 15.0bn, aim to improve productivity, lower costs and raise export readiness through better skilling, fibre security and sustainability, as global sourcing continues to diversify, with the EU already accounting for about 38.0% of India's apparel exports in FY25.*

*The National Fibre Scheme should reduce import dependence and improve the stability of raw material supply, while Tex Eco helps firms*

meet stricter sustainability and traceability requirements, particularly for the EU market. A 50.0% increase in PM MITRA funding to Rs 3.0bn supports the development of mega textile parks, which can ease logistics constraints and attract investment in man made fibre (MMF) and technical textiles. Combined with zero duty access under the India-EU FTA, these steps improve India's competitive position versus peers such as Vietnam and Bangladesh, though outcomes will depend on timely execution at the state and cluster levels.



## EXPENDITURE OF MINISTRIES AND DEPARTMENTS

(Rs bn)	2025-26 Revised Estimates	2026-27 Budget Estimates	% Change
Department of Agriculture and Farmers Welfare	1,230.9	1,305.6	6.1
Department of Agricultural Research and Education	102.8	99.7	-3.0
Atomic Energy	244.1	241.2	-1.2
Ministry of Ayush	36.7	44.1	20.1
Department of Chemicals and Petrochemicals	1.9	1.9	0.1
Department of Fertilisers	1,866.3	1,709.4	-8.4
Department of Pharmaceuticals	43.7	59.3	35.7
Ministry of Civil Aviation	20.6	21.0	2.3
Ministry of Coal	4.9	36.4	640.5
Department of Commerce	66.1	58.7	-11.1
Department for Promotion of Industry and Internal Trade	86.2	119.7	38.9
Department of Posts	263.7	282.8	7.2
Department of Telecommunications	534.0	739.9	38.6
Department of Consumer Affairs	33.6	44.7	33.1
Department of Food and Public Distribution	2,350.5	2,350.5	0.0
Ministry of Cooperation	9.8	17.4	77.8
Ministry of Corporate Affairs	89.2	55.6	-37.6
Ministry of Culture	35.5	34.2	-3.8
Ministry of Defence (Civil)	271.0	285.5	5.4
Defence Services (Revenue)	3,497.7	3,654.8	4.5
Capital Outlay on Defence Services	1,597.7	1,800.0	12.7
Defence Pensions	1,576.5	1,608.0	2.0

**EXPENDITURE OF MINISTRIES AND DEPARTMENTS (Cont.)**

(Rs bn)	2025-26 Revised Estimates	2026-27 Budget Estimates	% Change
Ministry of Development of North Eastern Region	44.8	68.1	52.1
Ministry of Earth Sciences	33.8	37.9	12.1
Department of School Education and Literacy	705.7	835.6	18.4
Department of Higher Education	513.8	557.3	8.5
Ministry of Electronics and Information Technology	202.3	216.3	6.9
Ministry of Environment, Forests and Climate Change	34.8	37.6	8.0
Ministry of External Affairs	217.4	221.2	1.7
Department of Economic Affairs	1,306.4	205.6	-84.3
Department of Expenditure	5.1	5.3	2.9
Department of Financial Services	37.0	37.5	1.4
Department of Public Enterprises	0.3	0.3	8.6
Department of Investment and Public Asset Management (DIPAM)	0.3	0.6	65.9
Department of Revenue	203.1	25.1	-87.6
Direct Taxes	127.3	153.0	20.2
Indirect Taxes	415.0	276.8	-33.3
Indian Audit and Accounts Department	66.9	64.4	-3.7
Interest Payments	11,155.7	12,763.4	14.4
Pensions	922.8	901.9	-2.3
Transfers to States	3,564.8	3,941.8	10.6
Department of Fisheries	17.3	27.6	59.4

## EXPENDITURE OF MINISTRIES AND DEPARTMENTS (Cont.)

(Rs bn)	2025-26 Revised Estimates	2026-27 Budget Estimates	% Change
Department of Animal Husbandry and Dairying	53.0	61.5	16.0
Ministry of Food Processing Industries	35.7	40.6	13.8
Department of Health and Family Welfare	929.3	1,017.1	9.5
Department of Health Research	39.3	48.2	22.8
Ministry of Heavy Industries	52.9	79.4	50.0
Ministry of Home Affairs	74.8	103.9	38.9
Cabinet	9.8	11.0	12.7
Police	1,622.8	1,738.0	7.1
Andaman and Nicobar Islands	73.9	66.8	-9.6
Chandigarh	55.6	57.2	2.9
Dadra and Nagar Haveli and Daman and Diu	27.4	28.3	3.4
Ladakh	73.8	48.7	-34.0
Lakshadweep	15.8	16.8	6.4
Transfers to Delhi	12.4	13.5	8.5
Transfers to Jammu and Kashmir	460.0	410.0	-10.9
Transfers to Puducherry	35.2	33.0	-6.1
Ministry of Housing and Urban Affairs	572.0	855.2	49.5
Ministry of Information and Broadcasting	61.0	45.5	-25.4
Department of Water Resources, River Development and Ganga Rejuvenation	184.1	199.1	8.2
Department of Drinking Water and Sanitation	230.3	748.9	225.2
Ministry of Labour and Employment	126.9	326.7	157.5
Law and Justice	51.9	45.1	-13.1
Election Commission	3.7	3.8	2.4
Supreme Court of India	6.3	6.2	-1.7

**EXPENDITURE OF MINISTRIES AND DEPARTMENTS (Cont.)**

(Rs bn)	2025-26 Revised Estimates	2026-27 Budget Estimates	% Change
Ministry of Micro, Small and Medium Enterprises	121.0	245.7	103.1
Ministry of Mines	31.7	38.1	20.3
Ministry of Minority Affairs	21.6	34.0	57.4
Ministry of New and Renewable Energy	253.0	329.1	30.1
Ministry of Panchayati Raj	9.7	11.9	23.2
Ministry of Parliamentary Affairs	0.7	0.7	3.2
Ministry of Personnel, Public Grievances and Pensions	25.3	26.1	3.3
Central Vigilance Commission	0.5	0.5	7.7
Ministry of Petroleum and Natural Gas	298.0	304.4	2.2
Ministry of Planning	8.5	12.3	45.3
Ministry of Ports, Shipping and Waterways	29.0	51.6	78.2
Ministry of Power	215.9	300.0	39.0
Staff, Household and Allowances of the President	1.4	1.4	-3.3
Lok Sabha	9.2	10.1	9.3
Rajya Sabha	4.8	4.8	0.3
Secretariat of the Vice- President	0.1	0.1	-3.6
Union Public Service Commission	4.3	4.4	2.3
Ministry of Railways	2,554.7	2,813.8	10.1
Ministry of Road Transport and Highways	2,871.4	3,098.8	7.9
Department of Rural Development	1,870.0	1,943.7	3.9
Department of Land Resources	17.6	26.5	51.0
Department of Science and Technology	119.2	280.5	135.3
Department of Biotechnology	8.9	23.0	159.7

## EXPENDITURE OF MINISTRIES AND DEPARTMENTS (Cont.)

(Rs bn)	2025-26 Revised Estimates	2026-27 Budget Estimates	% Change
Department of Scientific and Industrial Research	64.3	67.7	5.2
Ministry of Skill Development and Entrepreneurship	27.0	98.9	265.7
Department of Social Justice and Empowerment	114.0	136.9	20.0
Department of Empowerment of Persons with Disabilities	12.9	16.7	29.3
Department of Space	124.5	137.1	10.1
Ministry of Statistics and Programme Implementation	55.5	55.0	-0.9
Ministry of Steel	32.7	4.4	-86.5
Ministry of Textiles	57.7	52.8	-8.5
Ministry of Tourism	13.1	24.4	86.1
Ministry of Tribal Affairs	108.2	154.2	42.5
Ministry of Women and Child Development	243.7	281.8	15.6
Ministry of Youth Affairs and Sports	33.5	44.8	33.9
<b>Grand Total</b>	<b>49,648.4</b>	<b>53,473.1</b>	<b>7.7</b>

Source: Union Budget FY27

## NEW SCHEMES

(Rs bn)	2026-2027 Budget Estimates
Viksit Bharat-Guarantee for Rozgar and Ajeevika Mission (Gramin)-VB-G RAM G Scheme	956.9
Pradhan Mantri Viksit Bharat Rozgar Yojana	200.8
Guarantee Emergency Credit Line (GECL) facility to eligible MSME borrowers	90.0
Pradhan Mantri Skilling and Employability Transformation through Upgraded ITIs PM (SETU)	61.4
Integrated Textile Program	15.0
India Semiconductor Mission 2.0	10.0
Infrastructure Risk Guarantee Fund	10.0
Scheme for Allied Health Care Professionals (AHPs)	10.0
Maritime Development Fund	10.0
Startup India Fund of Funds 2.0	9.0
Chemical Parks	6.0
Integrated Scheme in Skilling Architecture	6.0
Shipbuilding Financial Assistance Scheme (SBFAS) and National Shipbuilding Mission	5.2
Bio-pharma SHAKTI	5.0
SME Growth Fund	5.0
Integrated Scheme for Entrepreneurship Development	5.0
Activities performed under NCMM through National Mineral Exploration and Development Trust (NMEDT) Fund	5.0
Carbon Capture Utilization and Storage Scheme	5.0
Promotion of Sports Goods Manufacturing	5.0
Grants-in-aid to National Co-operative Exports Limited (NCEL)	4.5

## NEW SCHEMES (Cont.)

(Rs bn)	2026-2027 Budget Estimates
Support for High Value Agriculture	3.5
Vibrant Villages Programme Phase-II (VVP Phase-II)	3.0
Talent Development in Animation, Visual Effects, Gaming and Comics (AVGC) Sector	2.5
Scheme for Capacity & Capability development and credit risk coverage for shipbuilding in India-Shipbuilding Development Scheme (SbDS)	2.5
Prime Minister Research Chair (PMRC)	2.0
Scheme for Enhancement of Construction and Infrastructure Equipment (CIE)	2.0
Divyangjan Kaushal Yojana	2.0
Bharat-VISTAAR	1.5
Centralized Monitoring System-2.0	1.0
Municipal Bonds	1.0
Divyangjan Sahara Yojana	1.0
Shram Registration, Inspection, Samadhan and Transparency Initiative (SRISTI)	0.3

Source: Union Budget FY27

## STRONGLY FOCUSED SCHEMES

(Rs bn)	2025-26 Revised Budget	2026-27 Budget Estimates	% Change
Scheme for Promotion of Coal/ Lignite Gasification	2.9	35.3	1,136.8
New Scheme for Plug and Play Industrial Parks	2.5	30.0	1,100.0
Urban Challenge Fund	10.0	100.0	900.0
Pradhan Mantri Awas Yojana - Urban 2.0 PMAY -U 2.0)	3.0	30.0	900.0
PM Internship Scheme	5.3	47.9	810.3
Research, Development and Innovation (RDI) scheme	30.0	200.0	566.7
Atal Tinkering Labs (ATL) Scheme	5.0	32.0	540.0
Drinking Water Mission	170.0	676.7	298.1
Compensation to Service Providers for creation and augmentation of telecom infrastructure	96.5	240.0	148.7
Modernisation of Police Forces	32.8	40.6	23.8
PMAY-Urban	75.0	186.3	148.3
Pradhan Mantri Gram Sadak Yojna	110.0	190.0	72.7
Pradhan Mantri Ayushman Bharat Health Infrastructure Mission (PMABHIM)	24.4	42.0	71.9
Pradhan Mantri Awas Yojna (PMAY) - Rural	325.0	549.2	69.0
PM Schools for Rising India (PM SHRI)	45.0	75.0	66.7
Leased assets - Payment of Capital Component (Railways)	281.6	396.5	40.8
PM Surya Ghar Muft Bijli Yojana	170.0	220.0	29.4
Pradhan Mantri Poshan Shakti Nirman (PM POSHAN)	106.0	127.5	20.3
Deendayal Antyodaya Yojana-National Rural Livelihoods Mission (DAY-NRLM)	160.0	192.0	20.0
Reform Linked Distribution Scheme	156.7	180.0	14.9
National Highways Authority of India	1,702.7	1,872.9	10.0

Source: Union Budget FY27

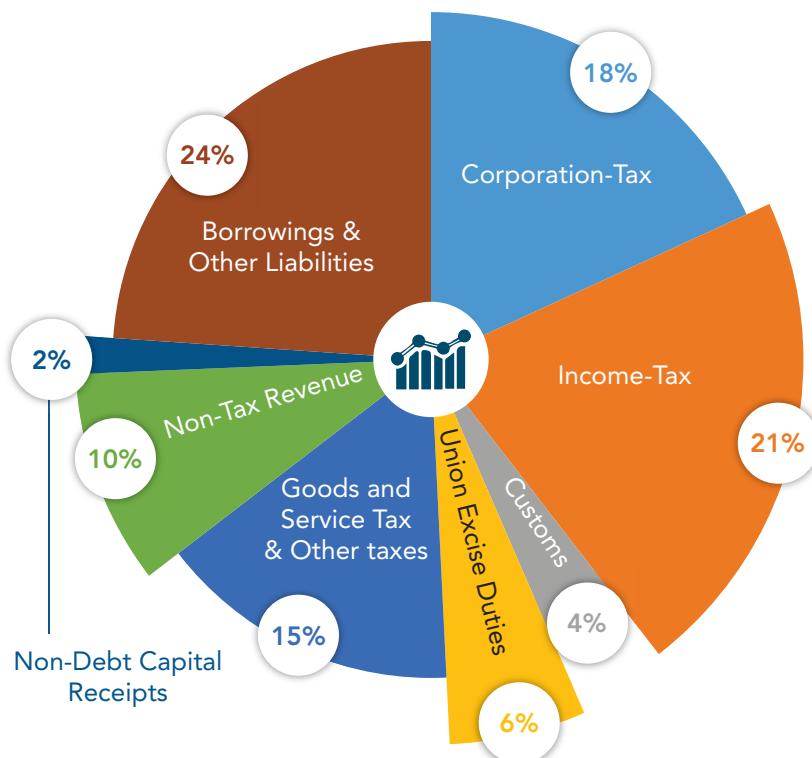
## RECEIPTS

(Rs bn)	2025-26 Provisional Estimates	2026-27 Budget Estimates	% Change
<b>A. REVENUE RECEIPTS</b>			
<b>1. Tax Revenue</b>			
<b>Gross Tax Revenue</b>	<b>40,777.7</b>	<b>44,040.9</b>	
Corporation Tax	11,090.0	12,310.0	11.0
Taxes on Income	13,120.0	14,660.0	11.7
Customs	2,582.9	2,712.0	5.0
Union Excise Duties	3,365.5	3,889.1	15.6
Goods and Services Tax (GST)	10,464.8	10,190.2	-2.6
Taxes on Union Territories	96.2	102.6	6.6
Other Taxes	58.3	177.0	203.6
"Less - NCCD transferred to the National Calamity Contingency Fund/National Disaster Response Fund"	101.4	109.1	7.6
<b>Less - State's share</b>	<b>13,929.7</b>	<b>15,262.6</b>	<b>9.6</b>
1.a Centre's Net Tax Revenue	26,746.6	28,669.2	7.2
<b>2. Non-Tax Revenue</b>	<b>6,676.6</b>	<b>6,662.3</b>	<b>-0.2</b>
Interest receipts	401.7	417.6	4.0
Dividend and Profits	3,755.9	3,910.0	4.1
External Grants	16.4	23.3	42.0
Other Non Tax Revenue	2,484.6	2,293.7	-7.7
Receipts of Union Territories	18.1	17.7	-2.3
<b>Total Revenue Receipts (1.a + 2)</b>	<b>33,423.2</b>	<b>35,331.5</b>	<b>5.7</b>
<b>3. Capital Receipts</b>			
A. Non-debt Receipts	640.3	1,184.0	84.9
B. Debt Receipts*	15,127.7	16,630.7	9.9
<b>Total Capital Receipts (A+B)</b>	<b>15,768.0</b>	<b>17,814.6</b>	<b>13.0</b>
<b>4. Draw-Down of Cash Balance</b>	<b>457.2</b>	<b>327.0</b>	<b>-28.5</b>
<b>Total Receipts (1.a+2+3+4)</b>	<b>49,648.4</b>	<b>53,473.2</b>	<b>7.7</b>

Note: \* The receipts are net of payment.

Source: Union Budget FY27

## Major Items of Revenue - 2026-27 (% of total revenue)



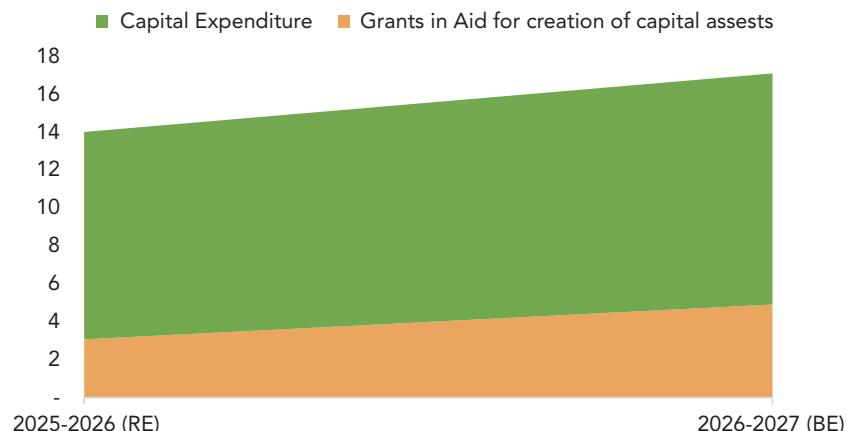
Source: Union Budget FY27

## EXPENDITURE

(Rs bn)	2025-26 Revised Estimates	2026-27 Budget Estimates	% Growth
<b>A. Centre's Expenditure</b>			
I. Establishment Expenditure of Centre	7,827.0	8,241.1	5.3
II. Central Sector Schemes/Projects	16,371.6	17,719.3	8.2
III. Other Central Sector Expenditure	16,999.5	17,613.9	3.6
<b>B. Transfers</b>			
IV. Centrally Sponsored Schemes	4,200.8	5,488.0	30.6
V. Finance Commission Grants	1,529.5	1,294.0	-15.4
VI. Other Grants/Loans/Transfers	2,725.1	3,116.9	14.4
<b>Grand Total</b>	<b>49,648.4</b>	<b>53,473.2</b>	<b>7.7</b>

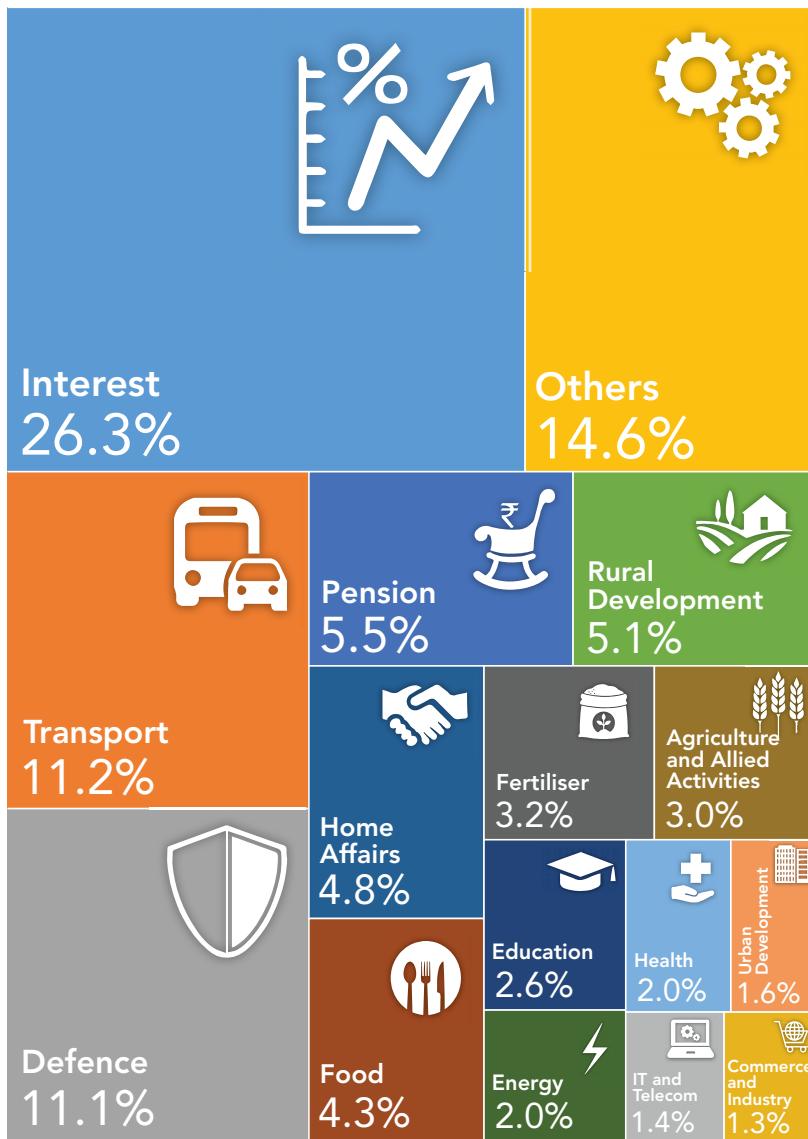
Source: Union Budget FY27

### Capital Expenditure of the Government - 2025-26 (in Rs trn)



Source: Union Budget FY27

## Major Items of Expenditure (% of total expenditure)



Source: Union Budget FY27

## KEY ECONOMIC INDICATORS

(Percentage Change Over Previous Year)

(%)	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026*
<b>Gross Domestic Product at factor cost</b>					
At current market prices	18.5	14.8	11.8	9.8	8.0 <sup>a</sup>
At 2011-12 prices	9.1	7.7	9.8	6.5	7.4 <sup>a</sup>
<b>Sectoral Growth Rates at Constant (2011-12) prices</b>					
Primary Sector	5.0	5.2	4.2	4.4	2.7 <sup>a</sup>
Secondary Sector	15.1	3.3	11.7	6.1	6.6 <sup>a</sup>
Tertiary Sector	8.4	10.2	9.3	7.2	9.1 <sup>a</sup>
<b>Prices (Average)</b>					
Wholesale Price Index (All commodities)	13.0	9.4	-0.7	2.2	0.1 <sup>b</sup>
CPI-Combined (Rural & Urban)	5.5	6.7	5.4	4.4	1.4 <sup>b</sup>
<b>External Sector</b>					
Export	36.1	14.3	0.1	-40.2	-28.0 <sup>b</sup>
Import	48.4	18.0	-4.6	-38.3	-36.5 <sup>b</sup>
Foreign Direct Investment (net)	-12.2	-27.5	-63.4	-90.2	500.0 <sup>c</sup>
<b>Monetary and Finance</b>					
Money Supply (M3)	8.8	9.0	11.1	7.3	6.9 <sup>b</sup>
Foreign Exchange Reserves	5.3	-4.8	11.8	-2.6	10.1 <sup>b</sup>
Exchange rate (INR/USD) (Average)	0.4	7.9	3.0	1.4	4.0 <sup>b</sup>

**Footnotes** - a: Provisional Estimates of FY25-26; b: Apr-Dec 2025; c: Apr-Nov 2025 \*: Outstanding till date

Source: RBI, NSO, MOSPI, OEA

## KEY ECONOMIC INDICATORS

(Absolute Values)

	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026*
<b>Gross Domestic Product at factor cost (Rs trn)</b>					
At current market prices	235	269	301	331	357 <sup>a</sup>
At 2011-12 prices	149	161	177	188	202 <sup>a</sup>
<b>Output (Rs trn)</b>					
Primary Sector	25	26	27	28	29 <sup>a</sup>
Secondary Sector	40	42	46	49	53 <sup>a</sup>
Tertiary Sector	73	81	88	94	103 <sup>a</sup>
<b>Prices (Average)</b>					
Wholesale Price Index (All commodities)	139	153	151	155	155 <sup>b</sup>
Consumer Price Index - Combined (Rural & Urban) (Base 2012)	164	175	184	192	195 <sup>b</sup>
<b>External Sector (USD bn)</b>					
Export	684	781	783	468	337 <sup>b</sup>
Import	766	903	862	532	576 <sup>b</sup>
Current Account Balance (net)	-39	-67	-23	-21	-7 <sup>c</sup>
Foreign Direct Investment (net)	39	28	10	1	6 <sup>d</sup>
<b>Monetary and Finance</b>					
Money Supply (M3) (Rs trn)	205	223	248	266	285 <sup>b</sup>
Foreign Exchange Reserves (USD bn)	607	578	646	630	693 <sup>b</sup>
Exchange rate (INR/USD) (Average)	74.5	80.4	82.8	83.9	87.3 <sup>b</sup>

**Footnotes** - a: Provisional Estimates of FY25-26; b: Apr-Dec 2025; c: Q1 Q2 and Q3 FY26; d: Apr-Nov 2025 \*: Outstanding till date

Source: RBI, NSO, MOSPI, OEA

## Industry-wise Deployment Of Bank Credit

(Percentage Change Over Previous Fiscal Year)

Sector	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026 <sup>#</sup>
Industries	7.1	5.7	9.0	7.8	5.9
Mining & Quarrying (incl. Coal)	12.2	19.7	-9.6	4.8	11.0
Food Processing	10.9	5.6	14.9	5.1	-4.2
Beverage & Tobacco	3.2	28.5	30.6	14.1	4.2
Textiles	10.1	1.7	11.1	8.3	1.2
Leather & Leather Products	9.2	0.9	5.5	3.1	2.9
Wood & Wood Products	9.1	22.5	12.2	16.7	4.3
Paper & Paper Products	9.4	6.0	4.7	13.8	5.3
Petroleum, Coal Products & Nuclear Fuels	30.3	39.2	-10.9	16.5	11.8
Chemicals & Chemical Products	8.7	10.2	11.5	7.4	9.2
Rubber, Plastic & their Products	28.7	9.8	7.6	14.4	2.5
Glass & Glassware	-9.2	36.1	25.8	11.2	0.3
Cement & Cement Products	-13.6	18.1	3.9	0.0	5.8
Basic Metal & Metal Product	-9.2	19.1	11.8	12.8	10.4
All Engineering	8.7	4.3	11.2	22.1	14.4
Vehicles, Vehicle Parts & Transport Equipment	6.2	7.5	11.7	5.2	6.4
Gems & Jewellery	8.8	-3.5	7.6	1.0	20.5
Construction	4.3	4.4	9.3	12.9	2.4
Infrastructure	9.3	-0.7	6.5	1.4	2.8
Other Industries	5.3	1.4	22.3	17.3	10.7

**Footnotes - #:** as on November 2025

Source: RBI

## GLOSSARY

**Appropriation Bill:** This Bill entails the Parliament's approval for withdrawal of money from the Consolidated Fund to pay off expenses. After the Demands for Grants are voted by the Lok Sabha, the Parliament approves this bill. Under Article 114(3) of the Constitution, no amount can be withdrawn from the Consolidated Fund without the enactment of such a law by the Parliament.

**Capital Expenditure:** It is the expenditure incurred on acquisition of assets like land, buildings, machinery, equipment etc and also loans and advances granted by the Central Government to State and Union territories, Public sector enterprises and other parties. This expenditure is also categorised as plan and non-plan capital expenditure.

**Capital Receipts:** Capital receipts include loans raised by the Government from public which are called Market Loans, borrowings by the Government from the Reserve Bank of India and other parties through sale of Treasury Bills, loans received from foreign Governments and bodies and recoveries of loans granted by Central Government to State and Union Territory Governments and other parties.

**Consolidated Fund:** All revenues received by the Government, loans raised by it, and also its receipts from recoveries of loans granted by it, form the Consolidated Fund. All expenditure of the Government is incurred from the Consolidated Fund and no amount can be withdrawn from the Fund without authorisation from the Parliament.

**Contingency Fund:** It is an imprest from the Consolidated Fund, and may be used by the Government without waiting for an appropriation bill to be passed by the Parliament. If it becomes necessary for the Government to incur expenditure not included in the budget, it can do so from the Contingency Fund.

**Customs Duties:** Customs duty is a type of indirect tax levied on goods imported into India as well as on goods exported from India.

**Effective Revenue Deficit:** Effective Revenue Deficit is the difference between revenue deficit and grants for creation of capital assets.

**Exceptional Grant:** Through the Exceptional Grant the House of People can make provision for an exceptional grant that does not form part of the current service of any financial year.

**Excise Duties:** Central excise duty is an indirect tax levied on those goods which are manufactured in India and are meant for home consumption.

**Extra Budgetary Resources:** Extra-budgetary resources are the sum of domestic and foreign loans raised directly by CPSUs. The extra-budgetary resources consist of receipts from the issue of bonds, debentures, external commercial borrowing (ECB), suppliers' credit, deposit receipts and term loans from financial institutions.

**Finance Bill:** At the time of presentation of the Annual Financial Statement before the Parliament, a Finance Bill is also presented in fulfilment of the requirement of Article 110(1) (a) of the Constitution, detailing the imposition, abolition, remission, alteration or regulation of taxes proposed in the Budget. A Finance Bill is a Money Bill as defined in Article 110 of the Constitution.

**Fiscal Deficit:** The difference between the total expenditure of the Government by way of revenue, capital and loans net of repayments on the one hand and revenue receipts of the Government and capital receipts which are not in the nature of borrowing but which finally accrue to the Government on the other, constitutes fiscal deficit.

**Non-Plan Expenditure:** It includes expenses that do not form a part of the Government's five year plan. These expenses consist of revenue and capital expenditure on defense, subsidies, interest payments, postal deficit, pensions, police, loans to public sector enterprises, economic services and loans as well as grants to State Governments, Union Territories and foreign Governments.

**Non-Tax Revenues:** Revenues earned by the Government from sources other than taxes are termed as non-tax revenues. The sources of non-tax revenues may include; dividends and profits received from public sector companies, interest receipts, fines, penalties and fees for various services rendered by the Government.

**Plan Expenditure:** It consists of both revenue expenditure and capital expenditure of the Centre on the Central Plan and Central Assistance to States and Union Territories. Plan expenditure reflects the Government's investment in enhancing the economy's productive aptitude. It arises out of schemes freshly introduced in an ongoing Five Year Plan (FYP) period.

**Plan Outlay:** Plan Outlay refers to the amount sanctioned for expenditure on projects, schemes and programmes announced in the Plan. The provision for this amount is made through extra budgetary resources and from provisions in the Demands for Grants. The budgetary support is also reflected as plan expenditure in Government accounts.

**Primary Deficit:** The amount by which the Government's total expenditure exceeds its total revenue generated, excluding the interest payments on debt. It is primarily the difference between the gross fiscal deficit and gross interest payments.

**Public Account:** Besides the normal receipts and expenditure of the Government which relate to the Consolidated Fund, certain other transactions enter Government accounts, in respect of which the Government acts more as a banker. For example, transactions relating to provident funds, small savings collections, other deposits, etc. The money thus received is kept in the Public Account and the connected disbursements are also made therefrom.

**Public Debt:** It refers to the total debt of the central and the State Governments. Public debt can be classified into internal debt (comprising of money borrowed within the country) and external debt (comprising of funds borrowed from non- Indian sources). The net accretion to public debt is the difference in borrowing and repayments during a fiscal year.

**Revenue Deficit:** Revenue Deficit is the excess of Government's revenue expenditure over revenue receipts.

**Revenue Expenditure:** It is the expenditure incurred by the Government for running of Government departments and conducting various economic, social and general services, interest payments, subsidies, grants and assistance to State and Union territories etc. This expenditure is also categorised as plan and non-plan revenue expenditure.

**Revenue Receipts:** It includes revenues garnered by the Government through taxes and other non-tax sources. Other receipts of the Government mainly consist of interest and dividend on investments made by the Government, fees, and other receipts for services rendered by it.

**Tax Revenues:** It comprises of revenue receipts through taxes and other duties levied by the Government. Tax revenue includes revenue generated through both direct taxes (personal income tax, corporate tax, capital gain tax and wealth tax) and indirect taxes (central excise duty, customs duty, service tax and VAT).

**Vote on Account:** It means a grant made in advance by the Parliament, in respect of the estimated expenditure for a part of the new financial year, pending the completion of the procedure relating to the voting of the demand for grants and the passing of the Appropriation Act.

**Vote of Credit:** Through the Vote of Credit the House of People can approve grant for meeting an unexpected demand upon the resources of India when on account of the magnitude or the indefinite character of the service, the demand cannot be stated with the details ordinarily given in an annual financial statement.

## NOTES



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**BUDGET**  
**MANTHON**  
2026 - 27  
IMPACT ANALYSIS

The logo features the word 'BUDGET' in large blue capital letters, with the 'U' containing a stylized green coin with a crown on top. Below it, 'MANTHON' is written in large green capital letters. A horizontal grey bar spans the width of the 'MANTHON' text. Below this bar, the years '2026 - 27' are centered in blue. At the bottom, the words 'IMPACT ANALYSIS' are written in a large, dark grey sans-serif font.

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