UNION BUDGET
2026 - 2027

AXIS BANK

INDEX

KEY HIGHLIGHTS

The Hon'ble Finance Minister presented the Union Budget 2026–27 against a backdrop of global uncertainty shaped by geopolitical tensions, tariff risks, tighter financial conditions, and muted external demand. Despite these challenges, India's macroeconomic fundamentals remain resilient, supported by fiscal discipline, stable policy management, and sustained reform momentum. The Budget advances the vision of Viksit Bharat through a strategic, reform-driven approach focused on economic stability, long-term growth, and inclusive development. It emphasizes strengthening competitiveness, institutional capacity, and structural resilience, while ensuring that the benefits of growth reach farmers, Scheduled Castes, Scheduled Tribes, youth, women, and other vulnerable groups. Fiscal consolidation remains a central pillar, with reforms and investment-led growth aimed at building India as a globally competitive, future-ready economy.

With this context, we present the key highlights of the Union Budget 2026–27.

ECONOMY

- The total expenditure for FY27BE is pegged at ₹ 53.47 lakh crore, which is up by 7.7% for FY26RE, whereas capital expenditure is pegged at ₹ 12.22 lakh crore for FY27BE, which is a rise of 11.5% from FY26RE or 9.0% from FY26BE.
- Effective Capital Expenditure of the Central Government is estimated at ₹ 17.15 lakh crore in FY27BE, a growth of 22.1% to FY26RE and will be about 4.4% of GDP.
- Nominal GDP growth for FY26BE is pegged at ₹ 393.00 lakh crore, a 10.0% growth over FY26AE of ₹ 357.14 lakh crore.
- Gross tax revenues are expected to grow by 8.0% in FY27BE at ₹ 44.04 lakh crore over FY25RE, estimated to be at 11.2% of GDP for FY27BE.
- Direct taxes for FY27BE are projected to grow at 11.4% over FY26RE and 7.0% over FY26BE, at ₹ 26.97 lakh crore; Indirect taxes are pegged at ₹ 16.89 lakh crore, an increase of 2.3% over FY26RE.
- Fiscal deficit is projected at 4.3% of GDP for FY27BE as against the deficit of 4.4% for FY26RE or FY26BE.
- Disinvestment target for FY27BE is at ₹ 0.80 lakh crore; higher from Rs.0.47 lakh crore for FY26BE.
- Gross market borrowings for FY27BE are slated at Rs.17.20 lakh crore (4.4% of GDP), and net market borrowings at Rs.11.73 lakh crore (3.0% of GDP).

BE=Budget Estimates, RE=Revised Estimates; AE=Advanced Estimate; PA=Provisional Actuals; GDP=Gross Domestic Product
Source: Union Budget 2026-27, Axis Bank Investment Research

VIKSIT BHARAT

Balancing ambition with inclusion

Government's Sankalp - Kartavya

1

Accelerate and sustain economic growth

Boost productivity and competitiveness while strengthening resilience to global shifts

2

Fulfil aspirations of our people

Build people's capacity so they can actively contribute to india's prosperity

3

Vision of Sabka Sath, Sabka Vikas

Provide inclusive access to resources, amenities, and opportunities for all

Source: Union Budget 2026-27, Axis Bank Investment Research

1. KARTAVYA: Accelerate and sustain economic growth

- Public capex increased to ₹12.2 lakh crore in FY26-27 vs. ₹11.2 lakh crore in BE 2025-26.Infrastructure Risk Guarantee Fund set up to provide calibrated partial credit guarantees to support private developers during construction-phase risks.
- An outlay of ₹10,000 Cr for **Biopharma SHAKTI** over 5 years to expand domestic biologics/biosimilars via 1,000+ new trial sites and upgraded research institutes.
- **ISM 2.0:** Strengthens semiconductor equipment, materials, full-stack Indian IP, and supply chains; Electronic Components Manufacturing Scheme outlay raised to ₹40,000 Cr from ₹22,919 Cr.
- **Establishment of Rare Earth Corridors** to boost mining, processing, research, and manufacturing in mineral-rich states.
- **Integrated Textile Programme**: natural fiber self-reliance, modernization of clusters, sustainable textiles (Tex-Eco), and Mega Textile Parks. ₹10,000 Cr SME Growth Fund to create future champions; ₹2,000 Cr top-up to Self-Reliant India Fund for capital-starved micro enterprises.
- Faster CPSE real estate monetization through SEBI-regulated REITs, focused on Tier II and III cities.
- CCUS technologies: ₹20,000 Cr over 5 years to advance readiness in end-use applications.

Source: Union Budget 2026-27, Axis Bank Investment Research

- Restructuring PFC and REC is proposed to achieve scale and improve efficiency across Public Sector NBFCs.
- Environment-friendly cargo movement through new Dedicated Freight Corridors, operationalizing 20 National Waterways, and a Coastal Cargo Promotion Scheme to double waterway share to 12% by 2047. Seven High-Speed Rail corridors to be developed as sustainable passenger "growth connectors."
- Incentive of ₹100 Cr proposed for large municipal bond issuances above ₹1,000 Cr; current AMRUT scheme for issuances up to ₹200 Cr continues for smaller towns.
- Individual PROIs permitted to invest in listed equity under PIS; individual limit raised from 5% to 10%, and overall PROI limit increased to 24% from 10%.

2. KARTAVYA: People Centric Development:

- Setting up of a High-Powered 'Education to Employment and Enterprise' Standing Committee to recommend measures that focus on the Services Sector as a core driver of Viksit Bharat. This will make India a global leader in services, with a 10% global share by 2047.
- Existing institutions for Allied Health Professionals (AHPs) to be upgraded and new AHP Institutions to be established in private and Government sectors 100,000 Allied Health Professionals to be added over the next 5 years.
- Five Regional Medical Hubs to be established, to promote India as a hub for medical tourism services.
- AYUSH: 3 new All India Institutes of Ayurveda to be established.
- 5 University Townships to be created in the vicinity of major industrial and logistic corridors through challenge route.
- A National Destination Digital Knowledge Grid to be established to digitally document all places of significance—cultural, spiritual and heritage. 15 archeological sites to be developed into vibrant, experiential cultural destinations.
- Khelo India Mission to transform the Sports sector over the next decade with the vision to facilitate an integrated talent development pathway, supported by training centers, systematic development of coaches and support staff, integration of sports science and technology, competitions and leagues to promote sports culture and provide platforms, and development of sports infrastructure for training and competition.

Source: Union Budget 2026-27, Axis Bank Investment Research

3. KARTAVYA: Sabka Sath, Sabka Vikas

Increasing Farmer Incomes:

- Fisheries: New initiatives to be undertaken for integrated development of 500 reservoirs and Amrit Sarovar's.
- Govt. to support high value crops such as coconut, sandalwood, cocoa and cashew in coastal areas. Coconut Promotion Scheme to be launched to increase production and enhance productivity.
- Government to launch Bharat-VISTAAR, a multilingual AI tool to integrate the AgriStack portals and the ICAR package on agricultural practices with AI systems.
- Self-Help Entrepreneur (SHE) Marts will be set up as community-owned retail outlets within the cluster level federations through enhanced and innovative financing instruments for women.

Empowering Divyangjan:

- Divyangjan Kaushal Yojana for Divyangjans to offer task-oriented and process-driven roles in IT, AVGC sectors, Hospitality and Food and Beverages sectors.
- Commitment to Mental Health and Trauma Care by setting up NIMHANS-2 in north India and upgrade National Mental Health Institutes in Ranchi and Tezpur as Regional Apex Institutions.
- Focus on the Purvodaya States and the North-Eastern Region by developing an integrated East Coast Industrial Corridor with a well-connected node at Durgapur, creation of 5 tourism destinations in the 5 Purvodaya States, and the provision of 4,000 e-buses.
- Government provided ₹1.4 lakh crore to the States for the FY 2026-27 as Finance Commission Grants as recommended by the 16th Finance Commission.

Source: Union Budget 2026-27, Axis Bank Investment Research

DIRECT TAX PROPOSALS

PERSONAL TAXES:

- The budget maintains the existing income tax slabs without any changes.
- The Income Tax Act, 2025 will come into effect from 01 April 2026. Simplified income tax rules and forms will be notified shortly, providing adequate time for taxpayers to familiarize themselves.
- The time limit for revising income tax returns has been extended to 31 March from 31 December, with a small fee. Individuals will continue to file income tax returns by 31 July, while non-audit business cases and trusts will file returns by 31 August.

RATIONALISATION OF TDS/TCS:

- TCS rate on overseas tour packages reduced from 5% and 20% to a flat 2%, with no threshold. TCS rate on Liberalised Remittance Scheme (LRS) for education and medical expenses reduced from 5% to 2%.
- Relaxation from the requirement to obtain a Tax Deduction or Collection Account Number (TAN) by a resident individual or HUF, where the seller of the immovable property is a non-resident.
- Interest on the compensation amount awarded by the Motor Accidents Claims Tribunal to an individual will now not be subject to tax deduction at source. This amendment is effective from 1 April 2026.
- TCS Rationalization proposed at 2% for Sale of alcoholic liquor for human consumption; tendu leaves; scrap; minerals, being coal or lignite or iron ore; Remittance under the Liberalised Remittance Scheme (LRS) for purposes of education or medical treatment.

DISCLOSURE OF FOREIGN ASSETS:

- A special six-month window has been introduced for two categories of taxpayers to declare:

  Category A—undisclosed income or assets up to ₹1 crore; and

  Category B—taxpayers who disclosed foreign income and/or paid tax but did not declare foreign assets up to INR5 crore.
- Immunity from prosecution for non-disclosure of non-immovable foreign assets valued below ₹20 lakh, with retrospective effect from 01 October 2024, providing relief to taxpayers who may have inadvertently missed reporting such assets.

CAPITAL MARKET:

- Increase in Securities Transaction Tax (STT) rates on Futures from 0.02% to 0.05% and STT on options premium and exercise of options to be raised to 0.15% from rates of 0.1% and 0.125%, respectively.

Source: Union Budget 2026-27, Axis Bank Investment Research

DIRECT TAX PROPOSALS

MINIMUM ALTERNATE TAX (MAT):

- MAT changes from tax year 2026-27 onwards.
- MAT proposed to be reduced from the existing 15% to 14%.
- MAT proposed to be inapplicable to all non-residents (NRs) opting for presumptive taxation, including NRs engaged in (a) operating cruise ships, or (b) providing services or technology in India to resident companies engaged in electronic manufacturing under a notified scheme.
- For domestic companies, it is proposed that:
  - MAT would be a final tax, and no new MAT credit to be allowed.
  - No set-off of MAT credit if continuing in the old regime.
- Set off of MAT credit if transitioning to the new regime during or after the tax year 2026-27, as follows:
  - Set off restricted to 25% of normal tax liability
  - Balance credit can be carried forward to subsequent tax years (subject to the existing limit of 15 years) and set off as above.

BUY-BACK TAX:

- Consideration received on buy-back of shares chargeable to tax under the head ‘capital gains’, instead of being treated as dividend income.
- However, additional income tax on capital gains shall be payable by ‘promoter’ shareholders, which shall result in an effective tax at 22% (for domestic corporate shareholders) and 30% (for others).

MISCELLANEOUS:

- Eligible business income of units in IFSC will now be taxed at 15% instead of the 22% or 30% rate applicable to income earned after the tax holiday period. This is applicable from tax year 2026-27.
- Individual PROIs (Person Resident Outside India) are permitted to invest in equity instruments of listed Indian companies through the Portfolio Investment Scheme (PIS). Individual PROI limits under PIS increased from 5% to 10% with the overall limit increased.
- Presently, a taxpayer can obtain a stay of demand on an order which is in appeal by paying 20% of the amount payable under the Act (including the amount of tax, interest, fee, penalty, or any other sum). The stay can now be availed by paying only 10% of the amount of tax.

Source: Union Budget 2026-27, Axis Bank Investment Research

INDIRECT TAX PROPOSALS

- Raising the limit for duty-free imports of specified inputs used for processing seafood products from 1% to 3% of the previous year's export turnover. In addition, the time period for exporting final products has been increased from six months to one year for exporters of leather garments, textile garments, footwear and other leather products—offering greater operational flexibility.
- Extending the basic customs duty exemption on capital goods used for manufacturing lithium-ion cells to include battery energy storage systems.
- Full exemption on basic customs duty for the import of sodium antimonate used in the manufacture of solar glass. (Potassium hydroxide BCD 0 → 7.5%.; Sodium antimonate BCD 7.5% → 0% (solar glass).)
- Extend the existing customs duty exemption on imports required for nuclear power projects until 2035 and expanding its scope to cover all nuclear plants, irrespective of capacity. Capital goods required for processing critical minerals in India will also be eligible for customs duty exemption.
- Exemptions on basic customs duty for components and parts used in the manufacture of civilian and training aircraft, as well as raw materials imported for defence-sector maintenance, repair and overhaul operations.
- "Ease of Living" initiative is the proposed reduction in customs duty on dutiable goods imported for personal use, with the tariff rate halved from 20% to 10%.
- Exemptions on basic customs duty for 17 drugs or medicines, with a particular focus on cancer treatment.

Source: Union Budget 2026-27, Axis Bank Investment Research

MARKET MOVEMENT

EQUITY MARKET

- The Indian market continued to underperform global peers, much like in 2025 due to geopolitical tensions, trade-deal uncertainty, persistent foreign outflows, currency weakness, high valuations, and uneven sector trends. After a long phase of outperformance, India is now experiencing relative consolidation versus global markets.
- The Union Budget maintained fiscal discipline, with the government anchoring deficit reduction to nominal GDP growth while sustaining public capex and supporting the medium-term growth and investment cycle.
- Equity markets ended lower on Budget day. The Nifty 50 closed at 24,825 (-1.96%) and the BSE Sensex at 80,723 (-1.88%). The Nifty Midcap 150 ended at 21,042 (-2.09%) and the Nifty Small Cap 250 at 15,421 (-2.17%), largely due to the hike in Securities Transaction Tax on Futures and Options.
- Among the Nifty sectors, Nifty IT (+0.6%), the only gainer, while Nifty PSU Bank (-5.6%), Nifty Metal (-4.0%), and Oil & Gas (-2.9%) were among the top laggards.
- Among Nifty 50 companies, Wipro (+2.1%), Max Health (+1.8%) and TCS (+1.7%) were the top gainers, while BEL (-6.0%), Hindalco (-5.8%) and ONGC (-5.5%) were among the top losers.

DEBT MARKET

- The Centre continues to toe the delicate balance between fiscal consolidation and finding space to remain growth supportive.
- The focus on fiscal consolidation was retained with fiscal deficit target set at 4.3% of GDP in the FY27 against 4.4% in the FY26 The fiscal consolidation anchor has shifted to debt-to-GDP from deficit-to-GDP from financial year FY27 onwards.
- The combination of surge in supply and weakness in investment demand has forced the RBI to bridge the gap. The dependence on RBI to bridge supply-demand gap will only rise in the financial year FY27 where the supply will be even higher.
- In the financial year FY27, the government-securities supply target was higher than expected at ₹17.2 trillion which is higher than last year by 18%.
- The government has maintained fiscal prudence is fundamentally positive for the bond market. The bond markets were closed on the Budget day. However, we expect the yields to move up tracking the global yield and given the increased gross borrowing numbers.

Source: Union Budget 2026-27, Axis Bank Investment Research

ECONOMIC UPDATE

- **FY26RE/ FY27BE deficit targets largely in-line; the fiscal headwinds to growth have now faded**
  - Central fiscal deficit in FY26RE 8bps of GDP below FY26BE; FY27BE target of 4.3% 10bp above expectations.
  - The Covid-related surge in fiscal deficit has been fully wound down; primary deficit ratio in FY26 and FY27 0.9pp below pre-Covid levels.
  - Government sticking to the debt-to-GDP anchor is helpful for bond markets.
  - Without a significant improvement in disinvestment further fiscal consolidation may be difficult.

- **Tax projections for FY27BE reasonable, on slightly conservative GDP growth estimates**
  - Centre's nominal GDP projection of 10% is conservative; the outcome is likely to be better.
  - The tax to GDP improvement trend should continue as there are no further tax cuts now.
  - Headline assumptions on GST seem conservative, even after adjusting for the accounting of compensation cess.

- **Capex growth continues in line with nominal GDP**
  - Healthy growth in defence and railways capex on FY26RE.
  - Setting the stage for more capex on urban infrastructure, but near-term pick up appears unlikely.

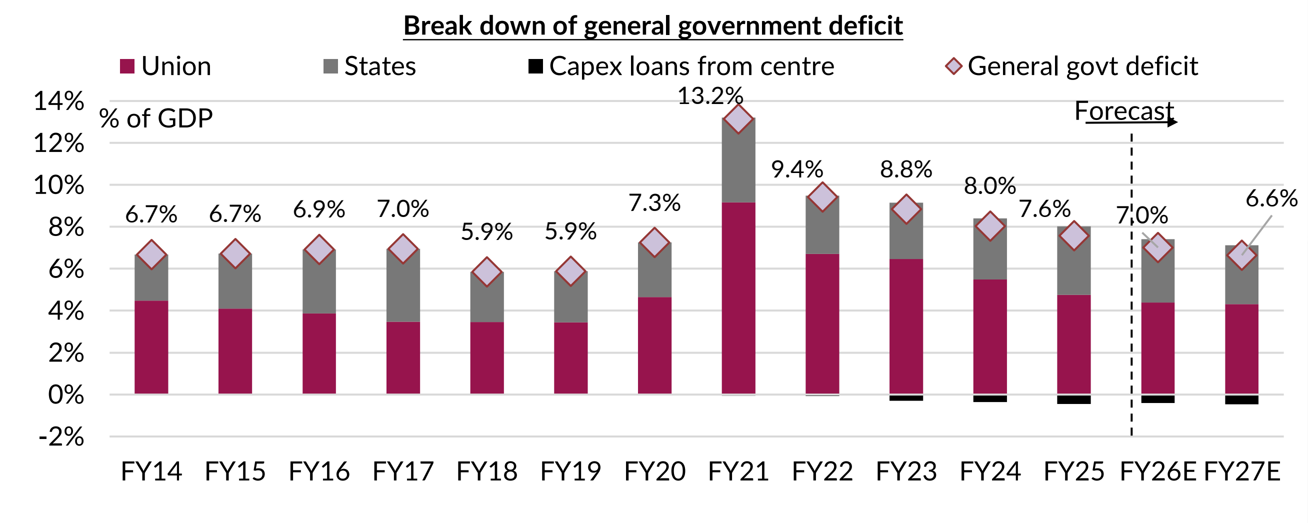
- **Financing of the deficit seems unduly conservative**
  - Inflows assumed in small savings schemes appear well below what near-term trends show.
  - Bond markets likely to be disappointed by the borrowing number, but it is a conservative estimate.
  - Increase in T-bill issuance (Rs. 1.3tn) a positive.

Source: Union Budget 2026-27, Axis Bank Investment Research

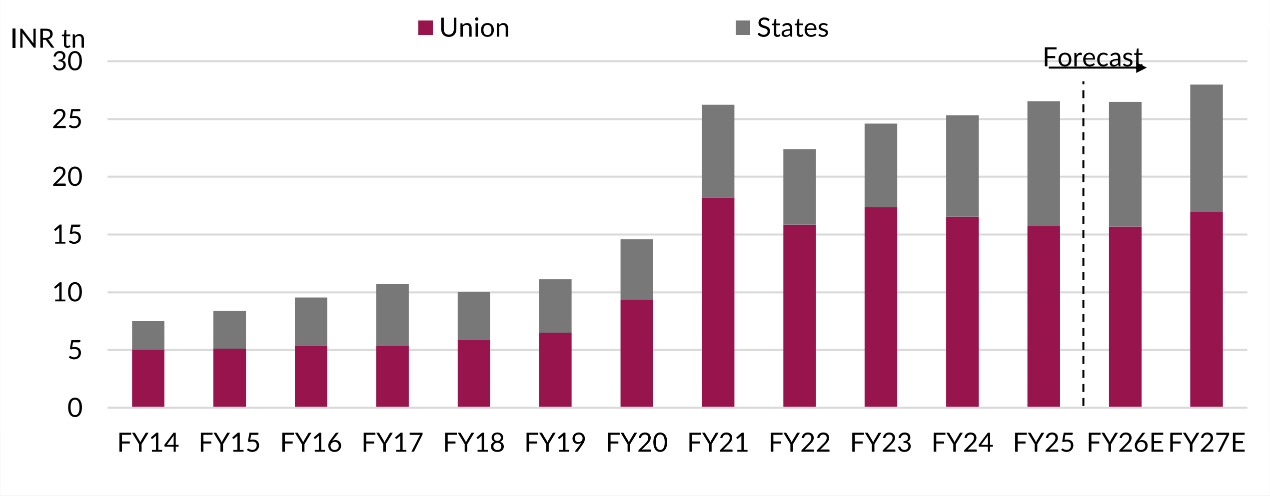
ECONOMIC UPDATE

FISCAL CONSOLIDATION CONTINUES, IN-LINE WITH POST-COVID TARGET

Fiscal consolidation continues, FY26RE/FY27BE at 4.4%/4.3%



General govt deficit to be INR~1.1tn higher in FY27



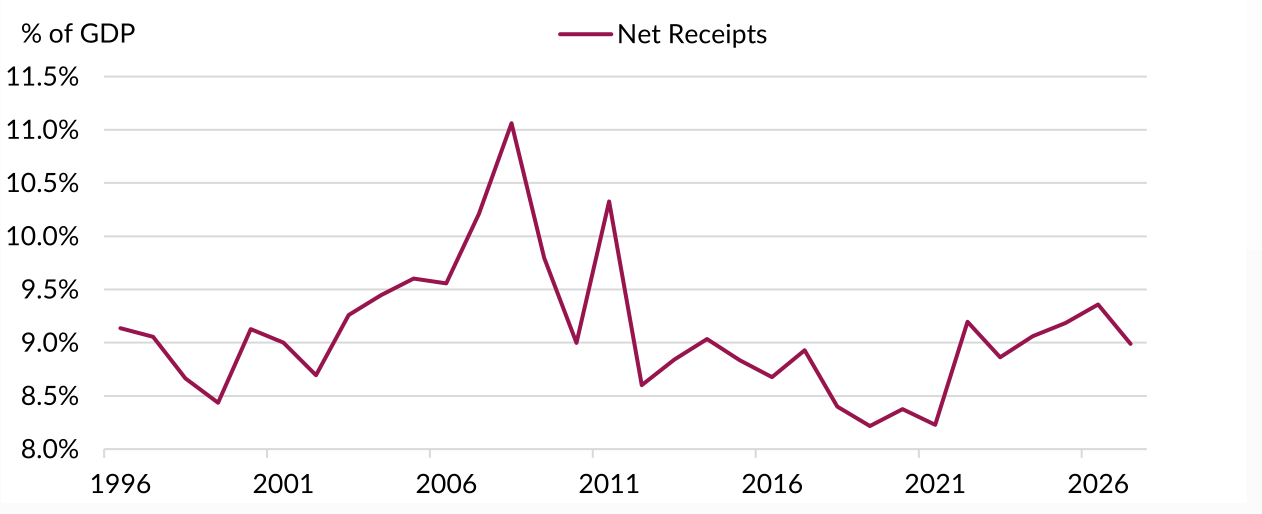
- Fiscal consolidation to continue in FY27, with centre budgeting deficit at 4.3% of GDP and expected deficit for states at 2.8%.
- This implies fiscal consolidation of 30bp in FY27 at a general government level.
- States' absolute deficit to be stable, higher deficit from centre to increase general govt. deficit by INR~1.1tn (adjusted for SASCI loans).

Source: Union Budget 2026-27, RBI, Axis Bank Business & Economic Research, Axis Capital

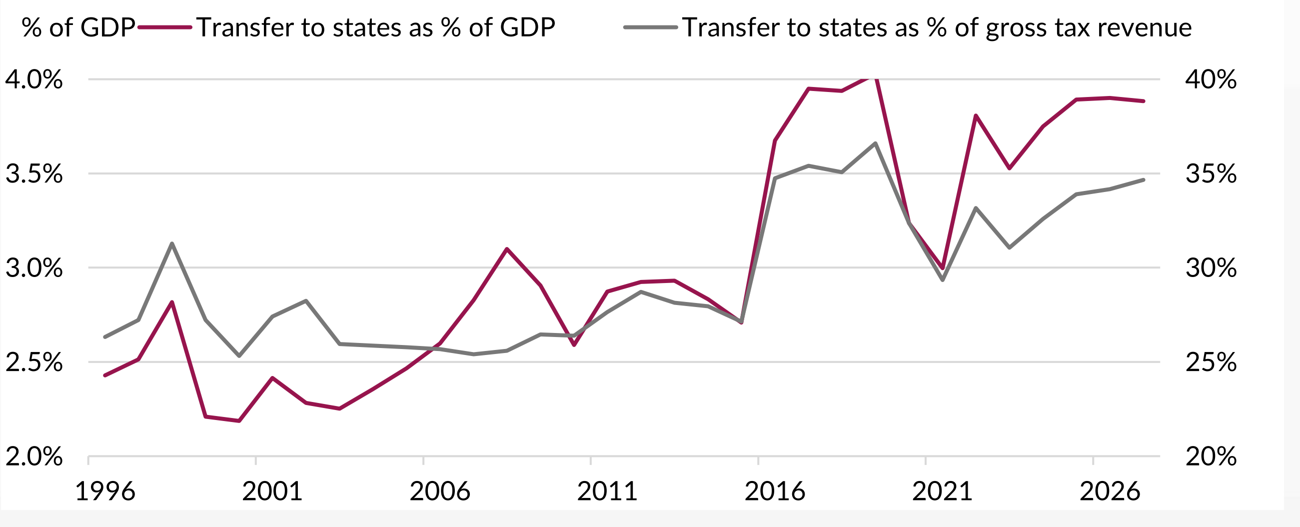
ECONOMIC UPDATE

NET RECEIPTS AS % OF GDP BUDGETED TO FALL BY 40BPS IN FY27

Net receipts as % of GDP 100bps above 2011-19 level



Tax devolution to states as % of GDP has been rising



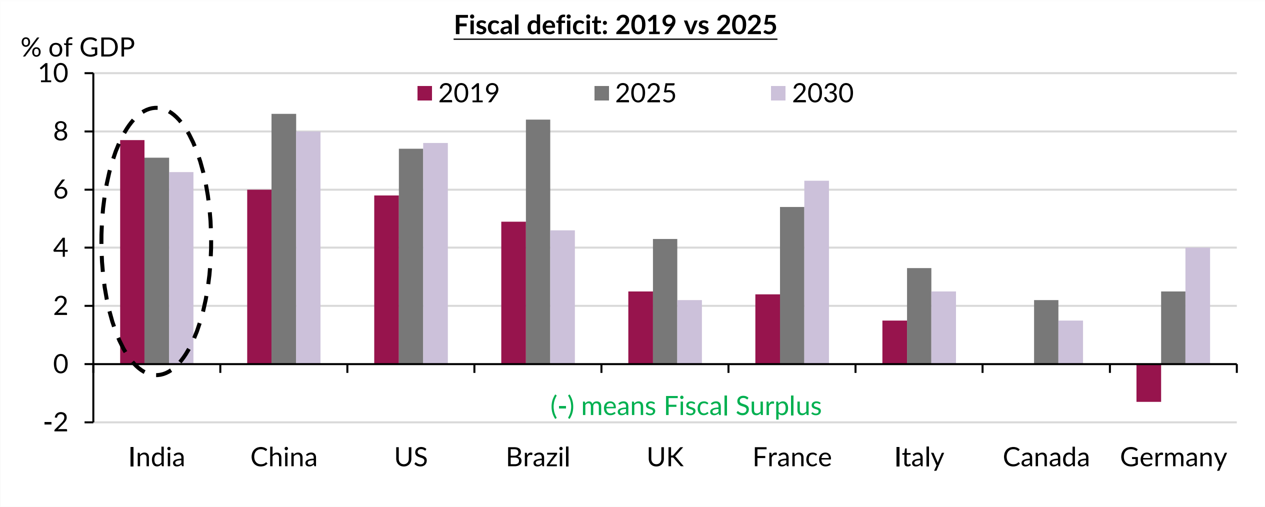
- With improvement in gross tax collection, net tax receipts as % of GDP had moved higher than 2011-19 levels.
- However, this is budgeted to decline by 40bps in FY27; gross tax revenues are budgeted to grow at 8% (assumed weakness in GST the key reason) but states' share is growing at 9.6%.
- Tax devolution to states has also been strong in recent years, supporting state receipts.

Source: Union Budget 2026-27, RBI, Axis Bank Business & Economic Research, Axis Capital

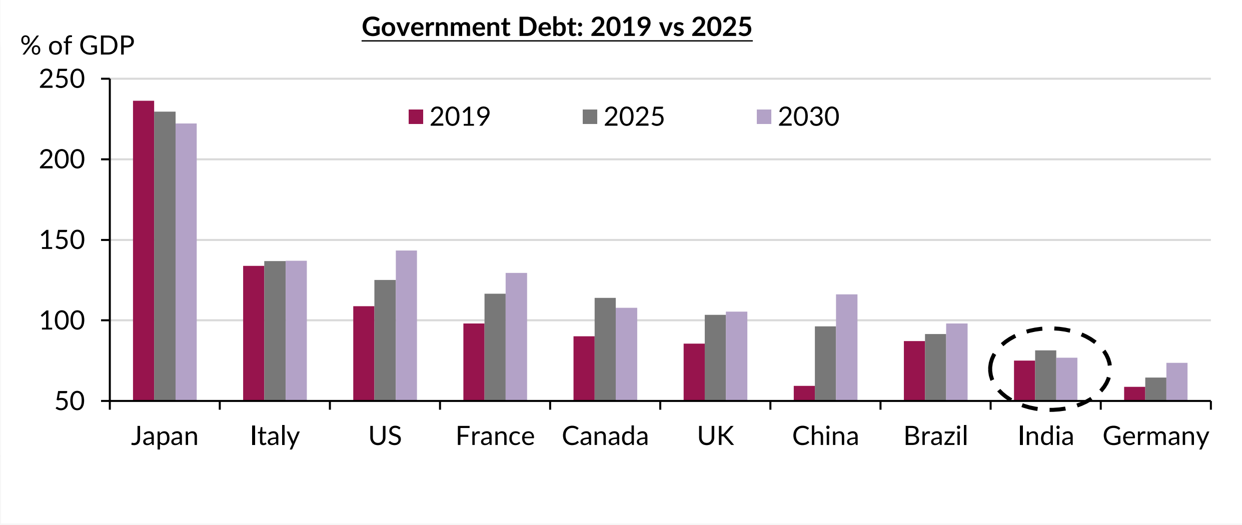
ECONOMIC UPDATE

FISCAL DISCIPLINE LED TO INDIA'S SOVEREIGN RATING UPGRADE

India's fiscal path an exception among major economies



India's government debt (% of GDP) is low vs. 'Big 10'



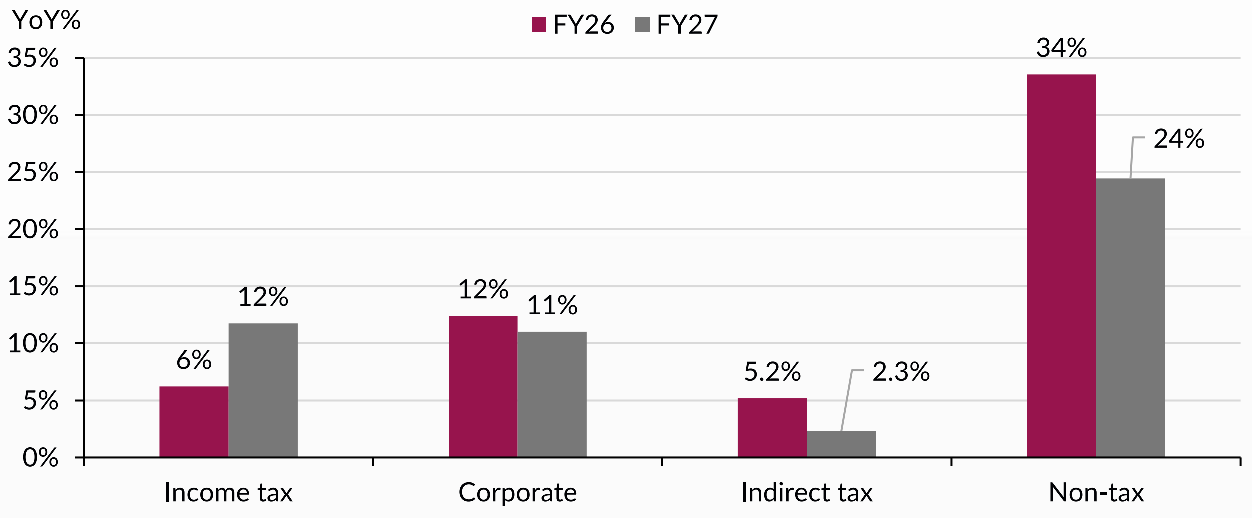
- India's overall fiscal deficit (% of GDP) has been trending lower vs. pre-pandemic level.
- Higher nominal growth than other large economies makes deficit levels more sustainable.
- Govt debt (% of GDP) at 82% is low compared to other large economies; also expected to fall to 77% by 2030.

Source: Union Budget 2026-27, RBI, Axis Bank Business & Economic Research, Axis Capital

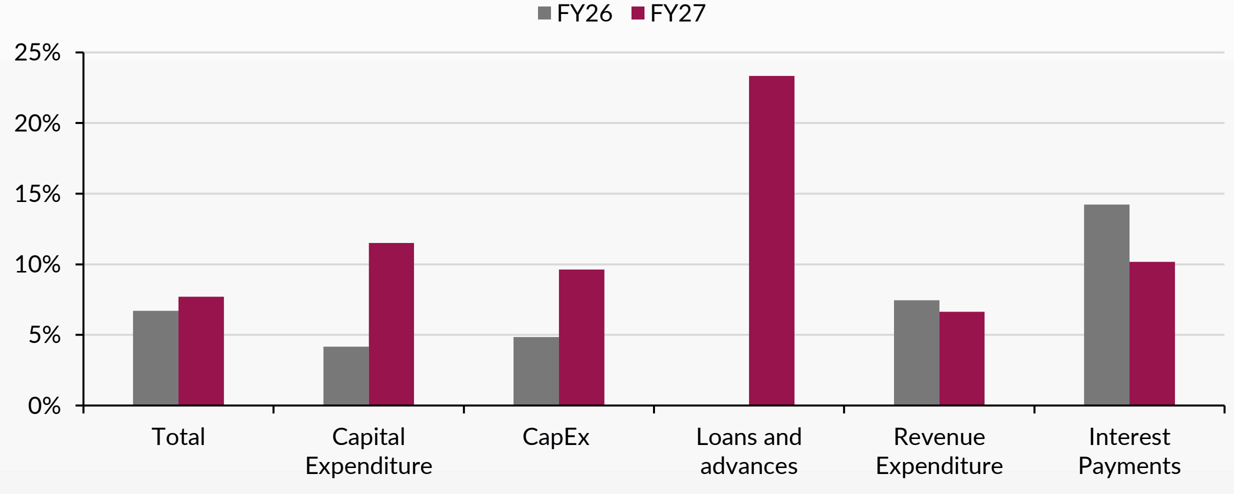
ECONOMIC UPDATE

FY27 FISCAL DEFICIT IS BUDGETED 1.3TN HIGHER VS. FY26RE

FY27BE: revenue assumptions not aggressive



FY26BE: Spending discipline continues



- In FY27, expenditure budgeted to rise by INR 3.825 tn, financed mostly by higher revenues (+2.5tn).
- Tax revenue growth assumptions: 12% for income tax, 11% for corporate tax, 10.9% for GST; nominal GDP growth of 10%.
- Lower growth in indirect taxes is primarily due to cut in excise duties; GST assumed to decline by 2.6%.
- Meaningful increase in loans to states after no increase in the last two years.

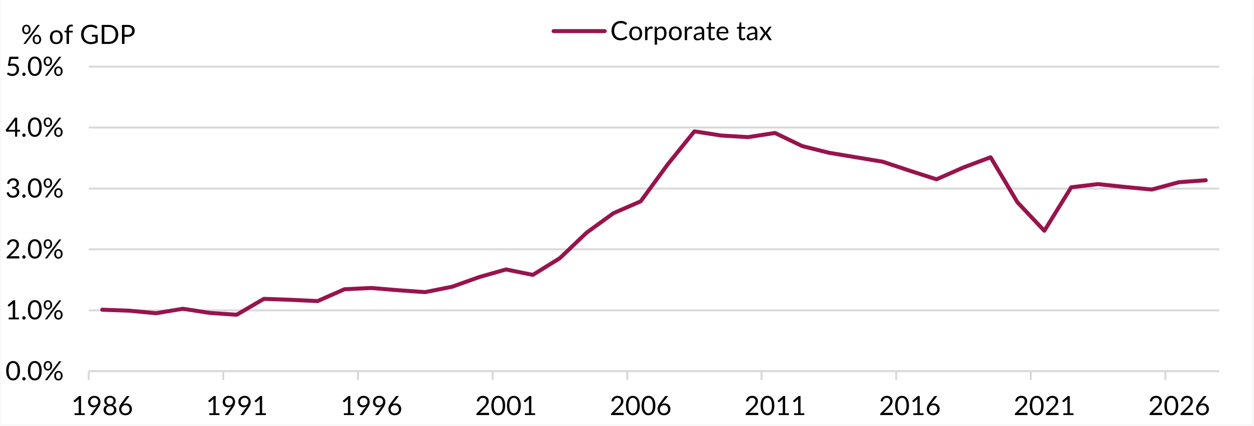
Source: Union Budget 2026-27, RBI, Axis Bank Business & Economic Research, Axis Capital

ECONOMIC UPDATE

DIRECT TAXES: LONGER-TERM IMPROVEMENT IN TAX-TO-GDP TO CONTINUE

Personal income tax to GDP accelerated after 2019

Corporate tax collections stable at 3%



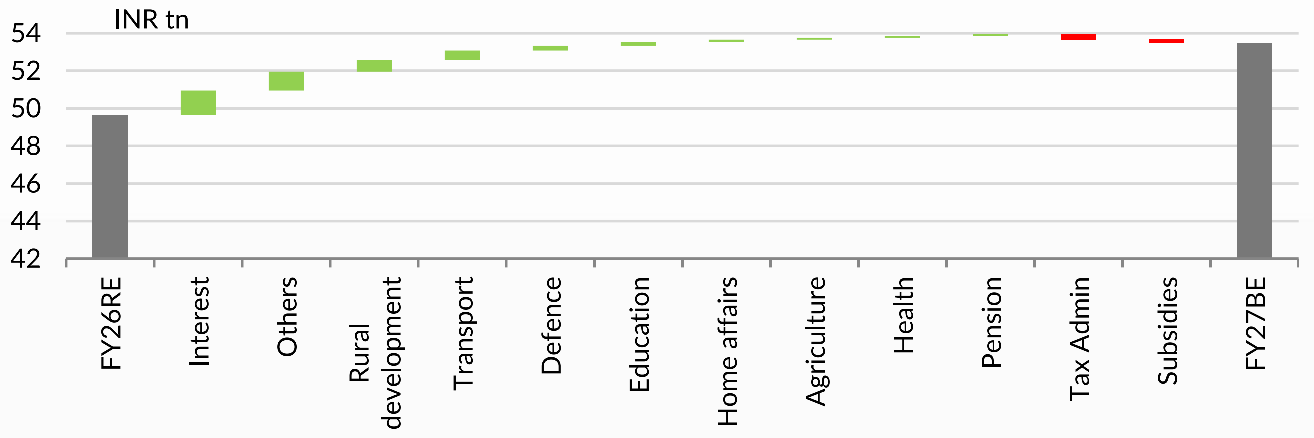
- The steady 5bps p.a. improvement in income tax as a share of GDP between 2001-19 has accelerated post-Covid, rising 20bps p.a.
- The steady decline in corporate income tax as % of GDP between 2008 and 2019 has also reversed.
- Government estimates for both corporate and income tax are in-line with the trend.
- FM proposed to raise the STT on futures to 0.05% from 0.02% and on options transactions to 0.15% from 0.1% earlier.
- Last year post the STT increase, the govt. budgeted Rs. 780bn; RE puts it at Rs. 637bn.

Source: Union Budget 2026-27, RBI, Axis Bank Business & Economic Research

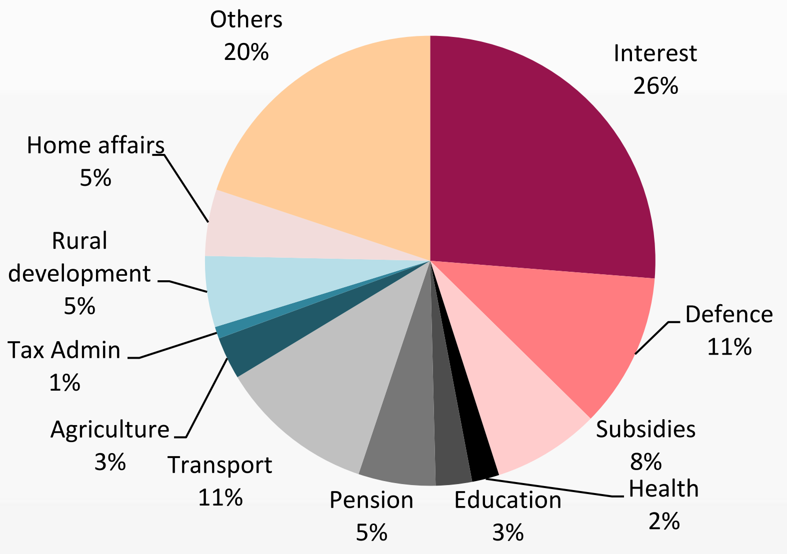
ECONOMIC UPDATE

SPENDING TO INCREASE ~8% YOY IN FY27

Spending to likely increase from FY26 (interest, rural, transport)



Split of FY27BE total expenditure



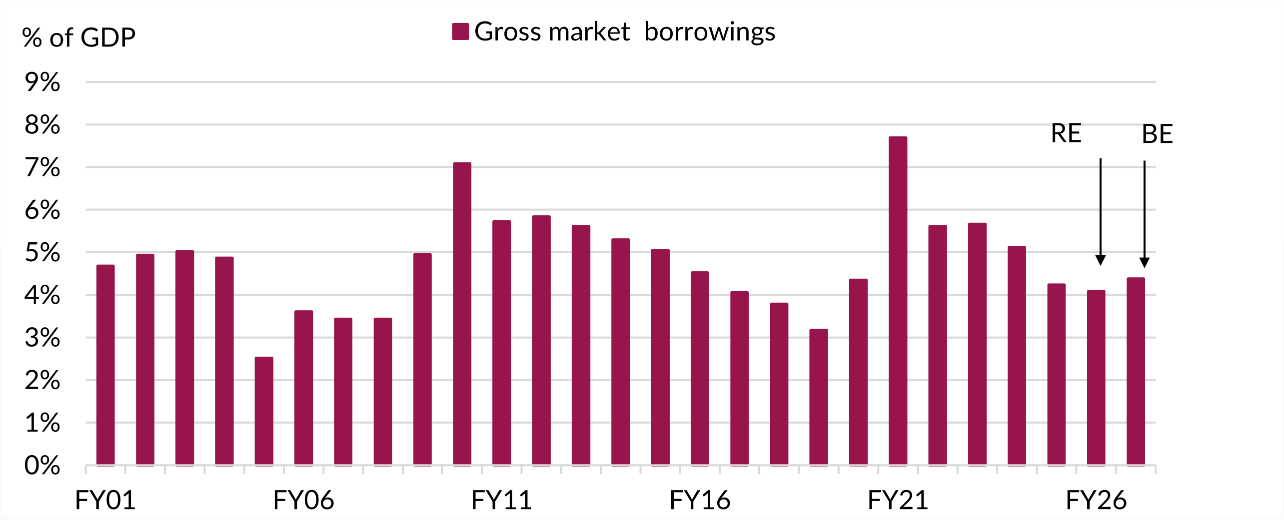
- Half of government spend remains to be committed or in hard-to-cut expenses: Interest, defense, pensions, tax admin, subsidy.
- Incrementally, rural development, transport and defence to see a boost apart from rising interest costs.
- The reduction in spending is mostly from tax administration (with phasing out of GST compensation cess) and subsidies (fertilizer and petroleum).

Source: Union Budget 2026-27, RBI, Axis Bank Business & Economic Research

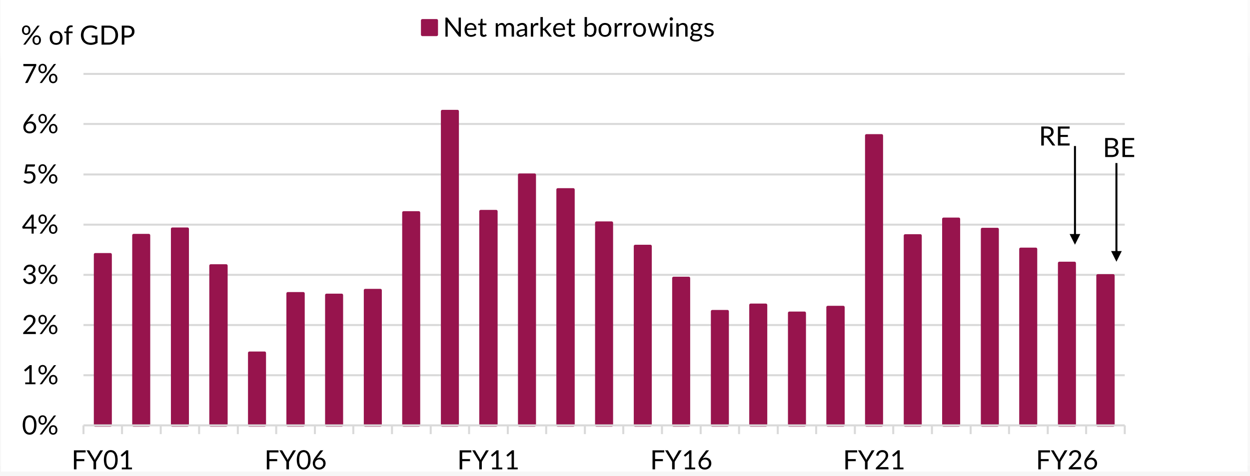
ECONOMIC UPDATE

NET MARKET BORROWING NO LONGER A SHOCK TO THE SYSTEM

Gross market borrowings rose as % of GDP



…but net borrowing continues to fall



- Absolute deficit 1.3tn higher.
- FY26 RE net market borrowings are ~1tn lower vs. BE.
- FY26RE cash balances at year end: 457bn vs. BE of 25bn ; FY27 be is 327bn.
- Govt. has raised non-market borrowings via small savings scheme vs Feb's est. of INR 3.4tn. (+0.3tn vs. BE).
- FY26 RE at INR 3.7tn conservative vs. flows this year. Thus, we also believe that FY27BE at INR 3.9tn is conservative.

Source: Union Budget 2026-27, RBI, Axis Bank Business & Economic Research, Axis Capital

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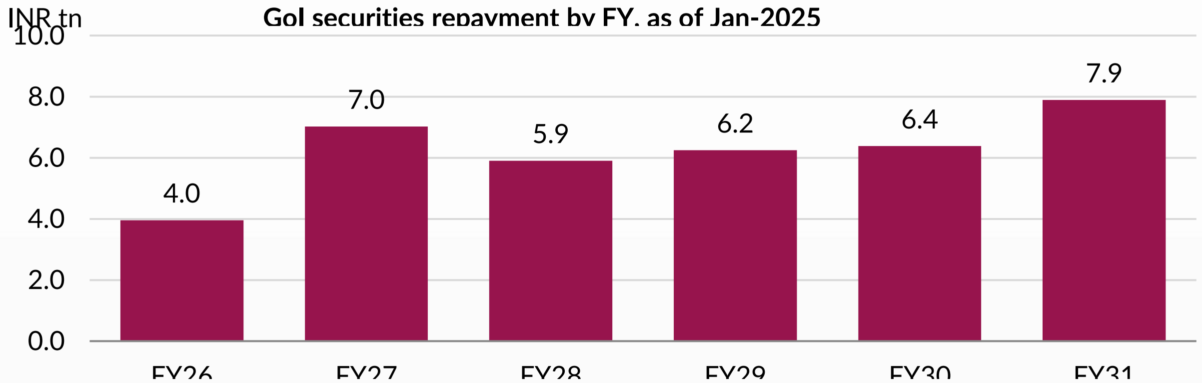
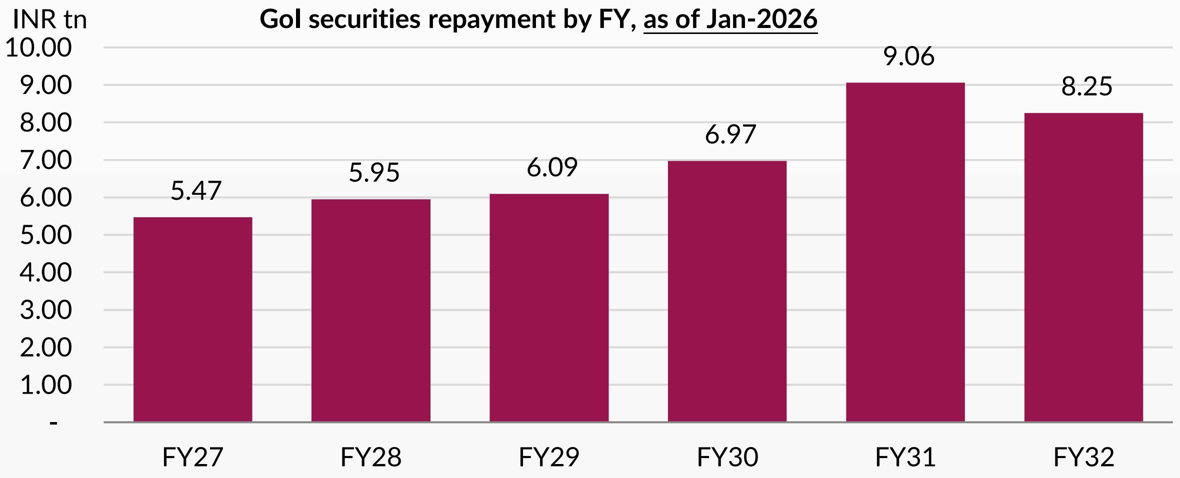
ECONOMIC UPDATE

SWITCHING OF SECURITIES, OMOS → REPAYMENT SCHEDULE MORE EVEN NOW

FY27 repayments were high before last years' budget



OMOs, securities switch may include FY31/FY32



- FY31 and FY32 redemptions higher; RBI may try to lower it via OMOs, securities switches.
- Positive supply dynamics with a 20bps consolidation at general government level; increased demand from banks a key variable.
- Demand is likely to be supported by RBI's OMO purchases.
- As markets price "lower for longer" policy path and if the govt. significantly lowers the duration of overall issuances → Lower yields.
- Lower uncertainty around USDINR and lower FX premia should help as well.

Source: Union Budget 2026-27, RBI, Axis Bank Business & Economic Research, Axis Capital

SECTOR UPDATES

Automobiles: Neutral

Key Budget Measures	Impact and Beneficiaries
• **Infrastructure-led demand visibility for CVs:** Higher public capex of ₹12.2 lakh Cr in FY27 vs. ₹11.2 lakh Cr in FY26, with continued focus on roads, logistics, freight corridors, and urban infrastructure, is expected to boost freight movement, fleet utilisation, and replacement demand across the CV ecosystem. • **Localisation-driven cost competitiveness for EVs & auto electronics:** Customs duty exemptions on key capital goods for EV and lithium-ion battery manufacturing, along with policy push on critical minerals and rare earth processing, will support higher localisation, lower import dependence, and improve medium-term cost structures for EV and electronics-heavy auto segments. • **Working-capital efficiency improvement for auto ancillaries:** MSME financing measures—mandatory TReDS onboarding for all CPSE procurement and expanded credit support for receivables—are likely to ease liquidity pressure, shorten cash cycles, and enhance return ratios across the auto ancillary value chain.	• **Positive** impact on CV OEMs and Auto Ancillary.

Banks and NBFCs: Neutral

Key Budget Measures	Impact and Beneficiaries
• **Banking Committee:** A high-level Committee on Banking for Viksit Bharat will be set up to review the sector and align it with India's next growth phase, while ensuring stability, inclusion, and consumer protection. • **Higher Capital Outlay:** FY27 capex is pegged at ₹12.2 lakh crore, about 9% higher than the ₹11.2 lakh crore allocated for FY26. • **Restructuring Power Financiers:** To enhance scale and efficiency across public sector NBFCs, restructuring of Power Finance Corporation and Rural Electrification Corporation is proposed. • **STT Raised** on F&O trades	• **Positive** for Banking Sector • **Negative** for brokers and exchanges

Source: Union Budget 2026-27, Axis Securities, Axis Bank Investment Research

SECTOR UPDATES

Cement: Positive

Key Budget Measures	Impact and Beneficiaries
• **Higher Capital Expenditure**: Government capex has increased from ₹11.1 lakh crore to ₹12.2 lakh crore. • **Road Sector Boost**: Road-sector capex has been raised from ₹2.5 lakh crore to ₹2.8 lakh crore. • **Impact on Cement Demand**: Higher infrastructure spending—especially on roads and highways—is expected to drive cement demand.	**Positive** for all cement companies.

FMCG : Neutral

Key Budget Measures	Impact and Beneficiaries
• FMCG Implications: The Budget introduces targeted fiscal and policy measures across food processing, personal care, household appliances, tobacco, alcohol, and rural retail to strengthen domestic manufacturing, improve global competitiveness, and support inclusive growth. • Allocation under PM-FME increased to ₹1,700 Cr (vs. ₹1,500 Cr), with an additional ₹1,200 Cr for the food processing PLI scheme. Focus remains on upgrading agri-produce into premium brands, supporting micro food enterprises, promoting cashew and cocoa exports by 2030, and enhancing coconut productivity and farmer income. • Duty-free import limit for seafood processing inputs raised to 3% of prior-year FOB exports, improving export competitiveness. • Custom duty on gold remains unchanged, benefiting jewellery companies.	• **Neutral to Positive** for major FMCG companies. • **Positive** for jewellery companies.

Source: Union Budget 2026-27, Axis Securities, Axis Bank Investment Research

SECTOR UPDATES

Infrastructure: Positive

Key Budget Measures	Impact and Beneficiaries
• **Higher Infrastructure Capex**: Public capex for FY27 is set at ₹12.2 lakh crore (11% YoY), slightly above expectations, with railway capex up 10% and roads/bridges up 9% YoY. • **Urban & Transport Infrastructure Focus**: Continued emphasis on developing Tier II and III cities (5+ lakh population). Seven High-Speed Rail corridors—Mumbai-Pune, Pune-Hyderabad, Hyderabad-Bengaluru, Hyderabad-Chennai, Chennai-Bengaluru, Delhi-Varanasi, and Varanasi-Siliguri—will be developed as sustainable "growth connectors". • **De-risking Infrastructure Financing**: An Infrastructure Risk Guarantee Fund will be set up to provide calibrated partial credit guarantees to lenders and enhance private developer confidence during construction phases. • **Sustainable Cargo Mobility**: Plans include new Dedicated Freight Corridors, expansion of inland waterways, skill development through training institutes and ship-repair hubs, and incentives to shift cargo to waterways/coastal shipping with a target to double their share to 12% by 2047.	• **Positive** for infra companies.

Source: Union Budget 2026-27, Axis Securities, Axis Bank Investment Research

SECTOR UPDATES

Information Technologies: Positive

Key Budget Measures	Impact and Beneficiaries
• Tax Holiday for Global Cloud Companies: To promote digital infrastructure and attract data-centre investments, the government proposes a tax holiday until 2047 for foreign cloud service providers operating global services through data centres in India. These companies must, however, serve Indian customers via an Indian reseller. • Fast-track APA Process for IT Services: The government proposes to expedite unilateral APAs for IT services companies, targeting completion within two years, extendable by six months on request. The option to file modified tax returns—previously limited to the entity signing the APA—will now also be available to its associated entities. • Automated Taxation with Uniform Safe Harbour Margin: All IT services will be classified under a single category with a uniform 15.5% safe harbour margin. The revenue limit for availing safe harbour increases from ₹300 Cr to ₹2,000 Cr, enabling larger IT companies to benefit. The approval process will be fully automated with no tax-authority intervention, and once opted for, companies can continue the safe harbour regime for five consecutive years, ensuring tax certainty and fewer disputes.	The Budget measures are **positive for the Indian IT sector** as they reduce regulatory friction, strengthen India's appeal as a global IT and cloud hub, and support stable long-term margins—creating a decisively supportive policy environment for sustained growth.

Source: Union Budget 2026-27, Axis Securities, Axis Bank Investment Research

SECTOR UPDATES

Metals & Mining: Neutral

Key Budget Measures	Impact and Beneficiaries
• Capital Expenditure Growth: Total capex is projected to grow 11.5% in FY27BE vs. FY26RE. These increases will support steel and metals demand. • Higher Allocation for Jal Jeevan Mission: Funding rises from ₹17,000 Cr in FY26RE to ₹67,670 Cr in FY27BE, driving demand for steel pipes. • Rare Earth Corridors & Duty Exemptions: Dedicated Rare Earth Corridors will be set up in Odisha, Kerala, Andhra Pradesh, and Tamil Nadu to promote mining, processing, research, and manufacturing. Customs duty is exempted on capital goods used for processing critical minerals in India.	• **Positive:** Continued allocation towards housing and railways will support steel and metal demand. • **Positive**: Rare earth mining focus will benefit companies. • **Positive**: allocation towards the Jal Jeevan mission will be beneficial for ERW and DI pipe manufacturers.

Others: Neutral

Key Budget Measures	Impact and Beneficiaries
• **Textile Sector Support**: The Budget proposes mega textile parks and a five-part integrated programme • **Dedicated Chemical Parks**: A new scheme will support states in setting up three Chemical Parks to boost domestic production and reduce import dependence. • **Capital Goods Exemptions**: Tax/duty exemptions announced for capital goods used in specific applications such as critical-mineral processing, toll manufacturing in bonded zones, lithium-ion cell production, and electronics manufacturing in bonded zones.	• **Positive** for textile players. • **Positive** for Chemical Stocks that may be able to benefit from the new Chemical Parks (will depend on locations).

Source: Union Budget 2026-27, Axis Securities, Axis Bank Investment Research

SECTOR UPDATES

Pharma: Neutral

Key Budget Measures	Impact and Beneficiaries
• BioPharma SHAKTI: ₹10,000 Cr over five years to strengthen biologics and biosimilars through upgraded NIPERs and 1,000+ accredited clinical trial sites—signalling a shift from volume-led generics to a value-driven biopharma ecosystem. • Customs Duty Exemptions: Full customs duty exemption on 17 life-saving cancer and critical drugs, plus 7 additional rare-disease therapies to enhance access and affordability. • Allied Health Professionals: Plan to create 1 lakh Allied Health Professionals over five years across 10 disciplines, addressing skill gaps in healthcare delivery. • Healthcare Infrastructure: Five regional healthcare hubs (hospitals, diagnostics, rehabilitation) under the PPP model, 50% expansion in district-hospital emergency and trauma care, and establishment of NIMHANS-2 to strengthen critical care and medical tourism.	• **Positive** for pharma companies on account of BCD exemption on cancer drugs.

Source: Union Budget 2026-27, Axis Securities, Axis Bank Investment Research

SECTOR UPDATES

Real Estate: Neutral

Key Budget Measures	Impact and Beneficiaries
• REITs Asset Monetisation: Budget proposes accelerating monetisation of large CPSE real estate through dedicated REITs. • Urban Infrastructure Focus: Continued push for InVITs and REITs in Tier II and III cities (5+ lakh population), which are emerging as growth centres. • Digital Infrastructure Boost: Emphasis on enabling critical infrastructure and expanding investments in data centres. • Tax Holiday Till 2047: Foreign companies offering global cloud services using India-based data centres will receive a tax holiday until 2047, positioning India as a global data-centre hub. • Higher Public Capex: Public capex raised to ₹12.2 lakh crore, supporting infrastructure and construction demand and indirectly benefiting plastic pipe companies.	• **Positive** for data center players • **Positive** for plastic pipes manufacturing companies.

Utilities & Power Ancillaries: Neutral

Key Budget Measures	Impact and Beneficiaries
• Higher Solar & BESS Outlay: FY27BE allocations increased—Solar Power (Grid) to ₹1,775 Cr (from ₹1,000 Cr), PM Surya Ghar to ₹22,000 Cr (from ₹17,000 Cr), and BESS VGF to ₹1,000 Cr (from ₹100 Cr). • Renewable Energy Duty Cuts: Duty on sodium antimonate for solar glass reduced to NIL; customs duty waived on capital goods for lithium-ion cell manufacturing. • Nuclear Energy Duty Exemptions: All goods used for nuclear power generation exempt from duty; full exemption for equipment for approved nuclear projects registered before 30 Sep 2035. • Data Centre Tax Holiday: Tax holiday until 2047 for foreign companies delivering global services via India-based data centres, supporting data-centre growth and power demand.	• **Positive** for Nuclear Power companies. • Custom duty exemption on lithium-ion cell manufacturing capital goods, coupled with the 10x increase in Viability Gap Funding for BESS to Rs 1,000 Cr, signals a strong government commitment towards energy storage adoption. **Positive** for segment.

Source: Union Budget 2026-27, Axis Securities, Axis Bank Investment Research

EQUITY MARKET OUTLOOK AND STRATEGY

- The Union Budget 2026–27 is presented against a supportive macro backdrop—moderating inflation, resilient domestic growth, and improving fiscal indicators. Building on prior reforms in income tax, GST rationalisation, and labour codes, the Budget signals a shift from stimulus towards execution, capacity building, and consolidation.

- With the fiscal deficit now anchored below 4.5% of GDP, the government is pivoting to infrastructure-led growth and manufacturing competitiveness under the Viksit Bharat 2047 vision. The focus on structural reforms and job creation reinforces India's long-term economic positioning rather than short-term populism.

- The Budget strengthens India's medium-term growth outlook through sustained capital expenditure and steady fiscal consolidation. While the STT hike and higher buyback tax may create short-term market pressure, the broader macro backdrop remains favourable. Stable fiscal metrics, controlled borrowing, and infrastructure-driven growth continue to support a constructive long-term view. Risk-reward is gradually shifting toward broader markets, though large caps remain better positioned from a margin-of-safety perspective. A phase of near-term consolidation with narrow market breadth is likely, supported by healthy earnings, improving liquidity, and stable fundamentals.

- Markets will remain sensitive to global trade and geopolitical developments, with corporates diversifying supply chains to mitigate external risks. Ongoing tariff discussions, domestic policy execution, and high-frequency data will shape investor sentiment. Despite near-term caution due to macro uncertainties, the long-term outlook for Indian equities stays positive, underpinned by strong structural drivers and improving domestic demand.

- Given limited room for further valuation expansion, market returns will increasingly depend on earnings growth. With stronger safety in large caps, broader markets may undergo time correction in the near term. Investors should consider accumulating equities with a 3–5-year horizon, acknowledging expected near-term volatility. Any interim correction driven by external events should be used as an opportunity to build equity exposure in a staggered manner over the next 3–6 months. Investors may also evaluate hybrid asset allocation funds to manage market timing and asset-mix decisions more efficiently.

Source: Union Budget 2026-27, Axis Bank Investment Research

DEBT MARKET OUTLOOK AND STRATEGY

- The Budget was presented amid a tougher global backdrop—rising developed-market yields, higher commodity prices, escalating geopolitical risks, and muted capital inflows that have pressured the rupee despite a stable current account. Domestic growth is improving, though tariff hikes pose some headwinds. The Budget centers on execution, people, and fiscal responsibility.

- Fiscal discipline remains intact, with the deficit at 4.4% of GDP in FY26 (RE) and projected at 4.3% in FY27 (BE), alongside a commitment to reduce the debt-to-GDP ratio to 50 ± 1% by 2030. These targets have been achieved while sustaining growth-focused public investment.FY27 gross borrowing is set at ₹17 trillion, above market expectations of ₹16–16.5 trillion, likely putting upward pressure on yields.

- India's macro fundamentals remain strong, suggesting a consolidating bond market with limited room for further softening. Carry-focused strategies are preferred, especially in the 1–5-year segment, which offers better risk-reward. The 10-year yield is expected to trade in the 6.00%–6.50% range, with tactical long-end duration opportunities depending on risk appetite and market conditions. Accrual-based positioning remains prudent for 2026.

- Key risks include higher government borrowing if foreign inflows lag, prolonged domestic growth weakness leading to curve steepening, and potential delays in India's inclusion in Bloomberg's FAR indices, which could affect sentiment.

- **We remain constructive on the short to medium end of the yield curve. Short Duration funds, Banking & PSU Debt funds, Corporate Bond funds, Debt Index funds (Target Maturities), Medium Duration funds, Floating Rate funds, Money Market funds, Low Duration funds and Ultra Short Duration funds** can be considered by investors with an investment horizon commensurate with the maturity profile of the schemes. Investors can consider investing in **Medium/Long Duration** funds as per their risk appetite with an investment horizon of at least 2-3 years to avoid any intermittent volatility. Having said this, one should consider aspects such as exit load, capital gains tax and asset allocation amongst others while evaluating their investment options.

Source: Union Budget 2026-27, Axis Bank Investment Research

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