Budget Special

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Budget 2026-27 was more growth-focused than populist, which was expected given that several populist measures like GST rate cuts and relief in direct taxes have already been rolled out the last budget session. Key expectations were support policies for FII investments, Incremental capex and growth-related measures. The government seems to have missed the mark on FII support-driven policies – an increment in the Securities Transaction Tax (STT) only dampened the equity market's spirits - but on the capex and growth themes, Budget 2026 has delivered well. played out as per the estimates.

Populist measures undertaken in the previous Budget session The measures taken earlier like GST and relief in personal income tax in last budget session and other consumption boosting policies leave the FM with little headroom for capex allocation. Hence, the Budget outlined a 10% increase in FY27BE capex, with the capex to GDP ratio set at 3.1%, almost similar to last year's levels. However, the government's endorsement of Public Private Partnership (PPP) model may take a center-stage hereon, given a sustained pick-up in infrastructure activities in the country, which, in our view, could be a daunting task given historical track record of the PPP model.

Supportive policies in heavy manufacturing and emerging sectors: A Masterpiece of Budget 2026-27

Manufacturing tops the winners' chart. Sectors such as electronics, semiconductors, biopharma, capital goods, containers, and textiles are clearly the government's priority bets. With bigger spending commitments, smarter duty structures and well-targeted incentives, the message is loud and clear: India looks to position itself as a global manufacturing player, even as amid trade tensions rise worldwide. For businesses in these spaces, the Budget offers better earnings visibility rather than a short-term demand boom. All these self-sufficient indigenous policies along with earlier initiatives to boost consumption shall spur the economy's growth.

Following massive capital commitments from industry majors - $15 billion from Google for Visakhapatnam, $35 billion from Amazon, and $17.5 billion from Microsoft — Budget 2026 features a tax holiday for data centers until 2047. Major technology firms are increasingly utilizing India's massive population as a primary laboratory for AI development. While tariff disputes persist, this sector is a rising engine for employment, contrasting with the stagnation seen in legacy IT services.

On the flipside, capital market stocks have been severely hit by the increment in STT on options and futures, which will raise cost and dampen derivative volumes, besides the fact that there were no FII supportive announcements. Other sectors which facing the brunt are - Consumption (no changes in personal income tax brackets), Rate-sensitive sectors such as real estate, banks, NBFCs, etc., (government borrowing plans which would keep yields elevated). However, the government's commitment to fiscal consolidation provides some reassurance over the medium term.

Commitment on fiscal consolidation offers comfort

The government remained committed to fiscal consolidation path and announced moderate capex target (FY27BE capex up by over 9% from FY26BE). For FY27, the government is targeting fiscal deficit at 4.3%. Also, FY27 capex growth is higher over revenue expenditures, which reflects that quality spending is still in the government's agenda, which bodes well for the economy.

Outlook – Budget to accentuate manufacturing growth in longer term

Budget 2026's policy thrust clearly favours productive enterprise (builders and producers) over trading/speculative activity and long-term structural capacity over short-lived consumption spikes. For portfolio decisions, the signal is to discount near-term volatility and allocate toward manufacturing-linked plays, infrastructure beneficiaries, and employment-intensive themes — domains enjoying deep, persistent government support. We believe that 2026 could be marked with stabilization in large cap stocks and correction in the broader markets (SMID space) and besides investments in regular sectors, funds shall also be allocated towards new age themes such as Data center, Semiconductor etc.

While the absence of capital gains tax relief and the increase in STT create near-term headwinds, we at the Mirae Asset India Research Centre believe that investors should remain selective, focus on quality sectors with strong policy visibility, and avoid aggressive short-term bets. Defensive allocation and long-term positioning remain key in navigating post-Budget volatility.

In conclusion, Budget 2026 marks a clear shift from consumption boost to ensuring fiscal and policy stability, amid uncertain global waters. This year's Budget may have its hits and misses, but to borrow a phrase from the FM's speech – "The Reform Express is well on its way and will maintain its momentum."

Investment Picks:

Large-Caps: Sun Pharma, ICICI Bank, M&M, SBIN, L&T, HUL, Dabur, Tata Consumer, Sun Pharma, Hero MotoCorp, NTPC, PowerGrid, UltraTech, TCS, Infosys, DLF, JSW Steel and Jindal Steel.

Mid-caps: Lupin, Torrent Pharma, Biocon, Marico, Persistent Systems, HUDCO, Varun Beverages, Zydus Wellness, Polycab India, REC, PFC.

Small-caps: Kirloskar Oil Engines, Radico, ABDL, Arvind Smartspaces, KEC, V2 Retail and Emami.

Budget summary **(Rs '00 crore)**

Particulars	FY21	FY22	FY23	FY24	FY25	FY26BE	FY26RE	FY27BE
Gross tax revenues	20,271	27,093	30,542	34,655	37,964	42,702	40777.72	44040.86
% change yoy	*1*	*34*	*13*	*13*	*10*	*12*	*-5*	*8*
Net tax revenues	14,263	18,048	20,978	23,273	25,000	28,374	26,747	28,669
% change yoy	*5*	*27*	*16*	*11*	*7*	*13*	*-6*	*7*
Non tax revenues	2,076	6,255	2,854	4,018	5,366	5,830	6,677	6,662
Total expenditure	35,098	37,938	41,932	44,434	46,529	50,653	49,648	53,473
% change yoy	*31*	*8*	*11*	*6*	*5*	*9*	*-2*	*8*
Fiscal deficit	18,183	15,845	17,378	16,546	15,744	15,689	15,585	16,958
% as of GDP	*9.2*	*6.8*	*6.4*	*5.6*	*4.8*	*4.4*	*4.4*	*4.3*
Revenue deficit	14,496	10,310	10,699	7,652	5,643	5,238	5,268	5,923
% as of GDP	*7.3*	*4.4*	*4.0*	*2.6*	*1.7*	*1.5*	*1.5*	*1.5*
Primary deficit	11,384	7,790	8,092	5,908	4,589	2,926	2,842	2,918
% as of GDP	*5.8*	*3.4*	*3.0*	*2.0*	*1.4*	*0.8*	*0.8*	*0.7*

Source: Budget documents, Mirae Asset Sharekhan Research

Amendments made under Direct Tax

Direct tax proposals

- No changes in tax slabs.
- In Union Budget 2026, share buyback proceeds will be taxed as capital gains for all shareholders (allowing taxation only on actual profit, often at lower LTCG rates), benefiting retail and minority investors as compared to the earlier dividend treatment. To prevent tax arbitrage by promoters, an additional buyback tax will apply specifically to them, leading to an effective tax rate of 22% for corporate promoters and 30% for non-corporate promoters.
- The TCS rate for sellers of specific goods namely alcoholic liquor, scrap and minerals will be rationalized to 2% and that on tendu leaves will be reduced from 5% to 2%.
- The Budget also proposes raising the Securities Transaction Tax (STT) on futures trades from the current 0.02% to 0.05% (a 150% increase), aiming to curb excessive speculation in the derivatives segment. For options, STT on the premium is set to increase from 0.1% to 0.15% (50% hike), while the STT on the exercise of options will rise from 0.125% to 0.15% (20% hike).
- Minimum Alternate Tax (MAT) is proposed to be made the final tax. So, there will be no further credit accumulation from April 1, 2026. In line with this change, the effective rate is being reduced to 14% from 15% currently. The brought forward MAT credit of taxpayers accumulated till March 31, 2026, will continue to be available to them for set-off as above.
- The TCS rate on the sale of overseas tour program package from the current 5% and 20% to 2% without any stipulation of amount.

Indirect tax proposals:

- Due to omission of clause 13 (b) (8) the services provided by Indian brokers to FPI’s shall be considered as export services and not liable to GST.

Budget Beneficiaries

Sector	Hits (↑) / Misses (↓)
Consumer goods & Discretionary (↑)	
Travel and tourism initiatives include promotion of medical tourism, setting up of a National Institute of Hospitality, upskilling of guides and development of ecological/ turtle/bird-watching trails, among others	(↑) Lemon Tree Hotels, Indian Hotel Co, ITC Hotels, India Tourism Development Corporation, Oriental Hotels, EIH Associated Hotels, Easy Trip Planners
Multiple measures announced for textiles including a 5-part integrated programme, proposal to set up mega-textile parks, launch of Mahatma Gandhi Gram Swaraj Initia-tive and export promotion measures.	(↑) KPR Mills, Gokaldas Exports, Welspun Living, S.P. Apparels, Himatsingka Seide
Export promotion schemes for footwear and leather sectors	(↑) Relaxo Footwear, Bata India, Campus Activewear, Liberty Shoes
Infrastructure (↑)	
Revised capital investment budget estimates for FY26 of Rs 10.95 lakh crore lower than earlier BE of Rs. 11.21 lakh crore presenting an 2% shortfall.	(↔) L&T and other cap goods companies
Budget capex for FY27 is estimated at Rs 12.2 lakh crore an increase of 9% from the 2026 revised BE of Rs 11.2 lakh crore for FY25. The capex announced was broadly meeting the street estimates.	
Real Estate (↔)	
Government focus shifts towards Tier-2 and Tier-3 cities, with funding support under City Economic Regions to improve urban infrastructure and expand housing and commercial demand beyond metros. Monetisation of CPSE assets via REIT structures and policy support for data centre expansion further support commercial real estate demand. However, no relief was provided for homebuyers, with no increase in housing loan interest deduction limits, no GST reduction, and no revision in affordable housing price limits, limiting affordability improvement. Further, higher government borrowing could keep interest rates elevated, increasing funding costs and moderating demand	(↑) Puravankara, Mahindra Lifespaces, Sobha (↑) Data centre : Anant Raj, Techno Electric; (↑) REITs: Embassy, Brookfield India, Mindspace.
Healthcare (↑)	
Budget 2026 prioritises pharma and healthcare growth via Rs.10,000 crore Biopharma Shakti for biologics innovation, NIPER expansions for talent, duty waivers on cancer drugs, and caregiver training. These measures aim to cut import reliance, speed approvals, and boost high-margin exports, positioning India as a global biopharma hub.	(↑) Positive for pharma in the biologics/ innovative and complex drugs space. (↑) Biocon, Sun Pharma, Zydus Lifescience, Torrent, Lupin
Metals & Mining (↑)	
Dedicated rare earth corridors in mineral-rich states such as Odisha, Kerala, Andhra Pradesh, and Tamil Nadu to boost extraction, processing, and magnet production. Mining sector reforms, including those for minor minerals, will be encouraged through sharing of best practices and institution of a SMI. Proposed to provide basic customs duty (BCD) exemption to the import of capital goods required for processing of critical minerals in India. Reduced BCD on critical minerals like Monazite from 2.5% to NIL. Proposed to rationalize certain TCS rates to address the cash flow issues on this account under sale of minerals, being coal or lignite or iron ore from current rate of 1% to 2%. The Budget allocates Rs. 380 crore for the Product Linked Incentive (PLI) scheme for specialty steel, up from Rs. 305 crore in FY 2025-26.	(↑) Positive for mining stocks like GMDC, NMDC, OMDC and Ashapura Minechem, JSW steel, SAIL Jindal Steel

Budget Beneficiaries

Sector	Hits (↑) / Misses (↓)
Chemicals (↑)	
Establishment of three, dedicated chemical parks to enhance domestic chemical production and reduce import-dependency through challenge route, on a cluster-based plug-and-play model and outlay of Rs. 20,000 crore over five years for Carbon Capture, Utilisation and Storage (CCUS) technologies.	(↑) SRF, Navin Fluorine, Atul, Aarti industries, Balaji Amines
Cements (↑)	
Higher public capex and steady infrastructure expansion across transport and urban projects, along with city development initiatives and rail connectivity projects, are expected to sustain construction demand, supporting cement volumes over the medium term.	(↑) UltraTech Cement, Ambuja Cements, Dalmia Bharat, Shree Cement.
Cargo Transport and Logistics (↔)	
A Rs.10,000 crore scheme to develop domestic container manufacturing is expected to improve container availability and ease logistics bottlenecks, supporting smoother cargo movement in the medium term. New freight corridors, operationalisation of waterways and promotion of coastal cargo movement aim to reduce logistics costs and improve cargo movement efficiency, supporting logistics and port operators through higher cargo volumes over time.	(↔) Container Corporation Of India, TCI, Allcargo Gati, Mahindra Logistics.
Railway (↑)	
The government has allocated ~Rs. 2.9 lakh crore capital expenditure for Indian Railways, supporting network expansion and freight infrastructure, benefiting railway EPC and equipment companies through sustained project execution.	(↑) Rail Vikas Nigam, Titagarh Rail Systems, Texmaco Rail & Engineering.
Capital goods (↑)	
Establishing hi-tech tool rooms by CPSEs at two locations for automated, cost-effective high-precision manufacturing.	(↑) Azad Engineering, AIA Engineering, ABB India, Siemens
Proposed Phase-II of the India Semiconductor Mission (ISM 2.0) and announced an increase in the budget outlay for the Electronic Component Manufacturing Scheme to Rs. 40,000 crore.	(↑) Dixon, Amber Enterprises, Syrma SGS Technology
Centre has allocated Rs 5165 crore for the ports, shipping, and waterways ministry, raising the FY27 outlay.	(↑) Mazagaon Docks, Cochin Shipyard, Garden Reach
Basic customs duty (BCD) has been removed on capital goods used to make lithium-ion batteries and battery energy storage systems (BESS), as well as on sodium antimonate (a key material for solar glass production) and capital goods needed for processing critical minerals.	(↑) Kirloskar Pneumatic, CG Power
Energy (↔)	
The basic customs duty (BCD) has been removed on capital goods used to make lithium-ion batteries and battery energy storage systems (BESS) outlay of 1,000 crore, as well as on sodium antimonate (a key material for solar glass production) and capital goods needed for processing critical minerals.	(↑) HSCL, Exide Industries, Amara Raja
One-time grant to PSU OMCs for under recoveries in Domestic LPG, amounting to Rs 17,500 crore.	(↑) BPCL, HPCL, IOC
Carbon Capture Utilization and Storage Scheme, with a capital outlay of Rs 500 crore	-

Budget Beneficiaries

Sector	Hits (↑) / Misses (↓)
Defence (↑)	
Allocation for FY2026-27 to Rs. 7.85 lakh crore, up 15% from Rs. 6.81 lakh crore last year. Capital outlay for modernization and procurement rose sharply to Rs. 2.19 lakh crore, a 22% jump from the original Rs. 1.80 lakh crore (revised to Rs. 1.86 lakh crore) in FY2025-26.	(↑) HAL, BEL, Zen Tech, Astra Microwave
An amount of Rs. 63,733 crore earmarked for aircraft and aero engines, Rs. 25,023 crore for naval fleet enhancements, alongside investments in submarines, UAVs, and other platforms. Revenue expenditure is set at Rs. 5.54 lakh crore, of which Rs. 1.71 lakh crore goes towards defence pensions	(↑) Mazgaon Dock, Astra Microwave
The Budget exempts basic customs duty (Nil rate) on raw materials imported by Defence PSUs for aircraft parts used in MRO, as well as components/parts for civilian, training, and other aircraft, and raw materials for defence sector MRO activities.	(↑) HAL, BDL, BEL
IT (↑)	
Eased transfer pricing rules for IT services by consolidating software development, ITeS/BPO, KPO, and contract R&D under one "Information Technology Services" category with a uniform 15.5% safe harbour margin on costs. The safe-harbour threshold has been raised from Rs. 300 crore to Rs. 2,000 crore per year, with fully automated approvals (no tax officer review) and eligibility for up to five consecutive years. Advanced Pricing Agreements (APAs) are now fast-tracked to two years (extendable by six months) with modified return provisions, reducing litigation, compliance burden, and boosting profitability for mid-to-large IT firms in AI and digital transformation	(↑) TCS, Wipro, Infosys, Persistent Systems, Coforge
To prevent tax arbitrage, promoters will face an additional buyback tax, leading to effective rates of 22% (corporate) and 30% (non-corporate), discouraging promoter-driven buybacks while encouraging productive use of cash and improving governance.	(↓) TCS, Infosys, HCL Tech

Source: Budget documents, Mirae Asset Sharekhan Research

Sectoral analysis

Sector	Key announcements	Overall impact	Key companies impacted
Budget impact: Positive **Sector view: Positive (Preferred picks: Asian Paints, Radico Khaitan, Allied Blenders & Distillers, Titan, Indian Hotels Company, Lemon Tree Hotels, Samhi Hotels)**			
Consumer Goods & Discretionary	**Travel & Tourism:** • Launched a scheme to support states in establishing five regional medical hubs, in partnership with the private sector. These Hubs will serve as integrated healthcare complexes that combine medical, educational and research facilities. • Proposed to set up a National Institute of Hospitality by upgrading the existing council. • Proposed a pilot scheme for upskilling 10,000 guides in 20 iconic tourist sites. • Establishment of a National Destination Digital Knowledge Grid to digitally document all places of significance—cultural, spiritual and heritage. • Development of ecological trails in Himachal, Uttarakhand and J&K, along with Turtle trails in Kerala, Odisha, Karnataka and three bird-watching trails along the Pulicat lake. • Development of 15 archeological sites into vibrant, experiential cultural destinations. • Creation of 5 tourism destinations in the 5 Purvodaya States	Positive	Lemon Tree Hotels, Indian Hotel Co, ITC Hotels, India Tourism Development Corporation, Oriental Hotels, EIH Associated Hotels, Easy Trip Planners
	Textiles • Proposed an integrated program, which includes o The National Fiber Scheme for self-reliance in natural, man-made and new-age fibers o Textile expansion and employment scheme to modernise traditional clusters. o A National Handloom and Handicraft program to integrate and strengthen existing schemes and ensure targeted support for weavers and artisans o Tex-eco initiative to promote globally competitive and sustainable textiles and apparels o Samarth 2.0 program to modernize and upgrade the textile skilling ecosystem • Proposal to set up mega-textile parks in challenge mode. • Announced the launch of Mahatama Gandhi Gram Swaraj Initiative to strengthen khadi, handloom and handicrafts. • Extended the time period for export of final product from the existing 6 months to 1 year, for exporters of textile garments.	Positive	KPR Mills, Arvind, Vardhman Textiles, Welspun Living, Indo Count Industries, Filatex India, S P Apparels, Gokaldas Exports, Himatsingka Seide, Kitex Garments, among others
	Leather & footwear: • The time period for export of leather garments, leather/synthetic footwear or any other leather product by exporters is being extended from six months to 12 months. • The benefit of duty exemption on inputs for manufacture of leather/synthetic footwear for export is being extended to exporters of shoe-uppers also.	Positive	Relaxo Footwears, Bata India, Capus Activewear, Liberty Shoes and other footwear companies.

Sectoral analysis

Sector	Key announcements	Overall impact	Key companies impacted
Budget impact: Banking - Neutral, NBFCs – Neutral, Capital Markets – Negative **Sector View: Positive (Preferred picks: ICICI Bank, HDFC Bank, SBI, Bank of Baroda, REC, PFC, HUDCO)**			
Banking & Financial Services	Setting up a high-level committee for Banking for Viksit Bharat to comprehensively review the sector, and align with India's next phase of growth, while safeguarding financial stability, inclusion and consumer protection	Neutral to Positive	Aimed to focus on credit disbursement and technology adoption leading to better efficiencies.
	Restructuring of REC and PFC is a part of government's strategy to strengthen these financial institutions, improve operational efficiency so that these companies are on a strong footing to finance power sector.	Positive	This will positively impact REC and PFC and will help them capture financing opportunities in power space.
	STT on futures is proposed to be raised to 0.05% from 0.02% earlier while on options it will be increased to 0.15% from 0.1% earlier.	Negative	This move will impact high frequency traders and large volume players, could see potential moderation in some trading activity and thus volumes. Negative for Broking and capital market stocks.
	Proposed to set up an infrastructure risk guarantee fund which shall provide partial credit guarantee on loans extended to infra projects.	Positive	This would reduce financing risk, enable higher credit flow and take large exposures ultimately boosting loan growth.
	Government's gross market borrowing proposal at Rs. 17.2 lakh crore for FY27 at was higher than consensus estimates.	Sentimentally Negative	Higher government borrowing may impact liquidity in the system and raise yields, this may impact treasury income of banks and higher rates could lead to increased market borrowing cost. However, overall fundamentals of the sector remain positive with strong balance sheet, benign asset quality and improving growth outlook.

Sectoral analysis

<table>
<tr><th>Sector</th><th>Key announcements</th><th>Overall impact</th><th>Key companies impacted</th></tr>
<tr><td colspan="4">Budget impact: Positive
Sector view: Positive (Preferred picks: Puravankara, Mahindra Lifespaces)</td></tr>
<tr><td rowspan="6">Real Estate</td><td>Urban development focus shifts beyond metros with the government targeting Tier-2 and Tier-3 cities (with a population above five lakh) as emerging growth centres, including temple towns requiring improved civic infrastructure.</td><td rowspan="6">Positive</td><td rowspan="6">Puravankara, Mahindra Lifespaces, Sobha

DC – Anant Raj, Techno Electric

REITS – BrookField India, Embassy Office Parks REIT, Mindspace Business Parks REIT</td></tr>
<tr><td>Under the City Economic Regions (CER) framework, Rs. 5,000 crore per region over five years has been allocated to develop urban infrastructure aligned to each region’s economic drivers, supporting housing and commercial expansion.</td></tr>
<tr><td>REITS - The government plans to monetise CPSE real estate assets through dedicated REIT structures, improving liquidity and supply of income-generating commercial assets.</td></tr>
<tr><td>Data Centres-The budget supports data centre expansion through a tax holiday till 2047 for foreign companies offering cloud services through Indian reseller entities, supporting demand for specialised commercial real estate.</td></tr>
<tr><td>However, the Budget did not provide additional relief for homebuyers, as there was no increase in home loan interest deduction limits, no GST reduction, and no revision in the affordable housing price definition (Rs. 45 lakh cap), even as rising construction costs are pushing developers toward mid and premium housing segments, limiting affordability improvement.</td></tr>
<tr><td>Moreover, higher government borrowing may keep interest rates elevated, increasing funding costs for developers and limiting affordability improvement, which could moderate demand in rate-sensitive housing segments.</td></tr>
<tr><td colspan="4">Budget impact: Positive
Sector view: Positive (Preferred picks: Ultratech Cement, Dalmia Bharat, Shree cement. J.K Lakshmi)</td></tr>
<tr><td>Cements</td><td>The government has increased public capital expenditure to Rs. 12.2 lakh crore for FY27, compared with Rs. 11.2 lakh crore in FY26, ensuring continued momentum in infrastructure construction across roads, railways, logistics and urban projects all key drivers of cement consumption.

Infrastructure expansion in Tier-2 and Tier-3 cities, along with the rollout of seven high-speed rail corridors connecting major economic centres, is expected to sustain construction activity across residential, commercial and civic infrastructure projects, supporting multi-year cement demand growth.</td><td>Positive</td><td>Ultratech Cement, Ambuja Cements, Dalmia Bharat, Shree cement, JK Lakshmi Cement</td></tr>
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Sectoral analysis

Sector	Key announcements	Overall impact	Key companies impacted
Budget impact: Positive Sector view: Positive (Preferred picks: TCI, Allcargo Gati, Gateway Distriparks)			
Cargo Transport and Logistics	The government has also announced a Rs. 10,000 crore scheme over five years to build a globally competitive container manufacturing ecosystem in India, reducing dependence on imports and improving container availability. This is expected to gradually lower logistics bottlenecks and support smoother cargo movement, benefiting logistics companies and strengthening export–import supply chains.	Positive	Container Corporation Of India, Shipping Corporation of India TCI, Allcargo Gati, Gateway Distriparks
	The government has proposed establishing a new Dedicated Freight Corridor connecting Dankuni in the East to Surat in the West, operationalising 20 National Waterways over the next five years, and launching a Coastal Cargo Promotion Scheme to shift cargo movement from road and rail to waterways and coastal shipping, targeting an increase in cargo share from 6% to 12% by 2047. These measures aim to reduce logistics costs, ease congestion, and enable faster cargo movement, supporting logistics operators, ports and industrial supply chains over the medium term.		
Budget impact: Positive Sector view: Positive			
Railways	The government has announced capital expenditure of Rs. 2.93 lakh crore for Indian Railways, with an overall outlay of Rs. 2.7 lakh crore has been set aside for the Railway Ministry, supporting continued investment in network expansion, capacity augmentation, rolling stock, station redevelopment and freight infrastructure. This is expected to sustain order inflows for railway EPC, construction and equipment companies while improving freight and passenger connectivity over the medium term.	Positive	Rail Vikas Nigam, Titagarh Rail Systems, Texmaco Rail & Engineering.
Budget impact: Positive Sector view: Positive (Preferred Picks: Infosys, TCS, HCL Tech, Tech Mahindra, LTIM, Persistent, Coforge and Mastek)			
Information Technology	Software development, ITeS/BPO, KPO, and contract R&D services have been consolidated under a single “Information Technology Services” category with a uniform safe harbour operating profit margin of 15.5% on costs. The eligibility threshold for availing a safe harbour has been substantially increased from Rs. 300 crore to Rs. 2,000 crore per annum, approvals will now be fully automated (no tax officer scrutiny), and the benefit can be claimed for up to five consecutive years.	Positive	TCS, Infosys, Wipro, Persistent Systems, Coforge

Sectoral analysis

Sector	Key announcements	Overall impact	Key companies impacted
Budget impact: Positive **Sector view: Positive (Preferred picks: Biocon, Sun Pharma, Cipla, Zydus Lifesciences, Piramal, Lupin)**			
Pharmaceuticals/ Healthcare	It is proposed to set up a biologics/biosimilars ecosystem at a total cost of Rs. 10,000 crore outlay over five years.	Positive	Biocon
	Three new and seven upgraded National Institutes of Pharmaceutical Education and Research to build talent/research pipeline.	Positive	Sun Pharma, Zydus Lifescience
	Customs duty exemptions on 17 cancer and 7 rare disease drugs, lowering costs for patients.	Positive	Torrent Pharma, Cipla
	CDSCO upgrades for global-standard approvals to accelerate generics/biosomilar entry.	Positive	Piramal Pharma
	Training 1.5 lakh geriatric caregivers and new allied health institutes.	Positive	Lupin
Budget impact: Positive **Sector view: Positive (Preferred picks: GMDC, NMDC, Ashapura Minechem, OMDC)**			
Metals & Mining	Budget introduced rare earth corridors in four states but no new specific monetary allocation for rare earth minerals was reported. Late 2025 National Critical Mineral Mission (NCMM) and rare earth magnet scheme outlay was (Rs 16300 crore & Rs 7280 crore for 7 years). Allocation for NCMM is Rs. 440 crores from Rs. 410 crore for budget 2026-2027. Expenditure incurred exploration of critical minerals and amortized over a period of 5 years. Scheme for REMs launched – helps in mining, research & design of REMs.	Positive	Positive for mining and rare earth minerals extracting companies
	A key player in Odisha's mineral belt, benefiting from dedicated infrastructure linking mining sites to ports and processing hubs, slashing logistics costs by 20-30%. Also, GMDC received advanced rare-earth processing technology from the Bhabha Atomic Research Centre (BARC) for its Ambadungar Rare Earth Project.	Positive	GMDC, OMDC
	The Budget allocates Rs 380 crore for the Product Linked Incentive (PLI) scheme for specialty steel, up from Rs 305 crore in FY 2025-26.	Positive	JSW Steel, Jindal Steel, SAIL

Sectoral analysis

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<tr><td colspan="4">Budget impact: Neutral
Sector view: Positive (Preferred Picks: L&T, KPIL, Cummins)</td></tr>
<tr><td rowspan="4">Capital Goods</td><td>Establishment of Hi-Tech Tool Rooms by Central Public Sector Enterprises (CPSEs) at two locations, operating as digitally enabled, automated service bureaus for local design, testing, and large-scale, cost-effective manufacturing of high-precision components.</td><td>Positive</td><td>Azad Engineering,
AIA Engineering, ABB India, Siemens</td></tr>
<tr><td>BCD has been removed on capital goods used to make lithium-ion batteries and battery energy storage systems (BESS), as well as on sodium antimonate (a key material for solar glass production) and capital goods needed for processing critical minerals.</td><td>Positive</td><td>Kirloskar Pneumatic, CG Power</td></tr>
<tr><td>Centre has allocated Rs. 5165 crore for the ports, shipping, and waterways ministry, raising the FY27 outlay.</td><td>Positive</td><td>Garden Reach, Cochin Shipyard, Mazagaon Dock</td></tr>
<tr><td>Proposed Phase-II of the India Semiconductor Mission (ISM 2.0) and announced an increase in the budget outlay for the Electronic Component Manufacturing Scheme to Rs. 40,000 crore.</td><td>Positive</td><td>Dixon, Amber Enterprises, Syrma SGS Technology</td></tr>
<tr><td colspan="4">Budget impact: Positive
Sector view: Preferred Stocks (BEL, HAL)</td></tr>
<tr><td rowspan="3">Defence</td><td>India's defence allocation for FY2026-27 to Rs. 7.85 lakh crore, up 15% from Rs. 6.81 lakh crore last year. The capital outlay for modernisation and procurement rose sharply to Rs. 2.19 lakh crore, a 22% jump from the original Rs. 1.80 lakh crore (revised to Rs. 1.86 lakh crore) in FY2025-26.</td><td>Positive</td><td>HAL, BEL, Zen Tech, Astra Microwave</td></tr>
<tr><td>An amount of Rs. 63,733 crore earmarked for aircraft and aero engines, Rs. 25,023 crore for naval fleet enhancements, alongside investments in submarines, UAVs, and other platforms. Revenue expenditure is set at Rs. 5.54 lakh crore, of which Rs. 1.71 lakh crore goes towards defence pensions.</td><td>Positive</td><td>Mazgaon, Astra Microwave</td></tr>
<tr><td>Exempting basic customs duty (nil rate) on raw materials imported by defence PSUs for aircraft parts used in MRO, as well as components/parts for civilian, training, and other aircraft, and raw materials for defence sector MRO activities.</td><td>Positive</td><td>HAL, BDL, BEL</td></tr>
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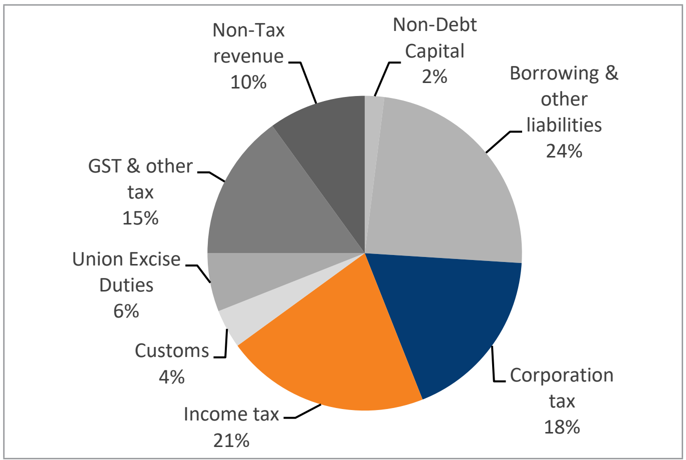
Sectoral analysis

Sector	Key announcements	Overall impact	Key companies impacted
Budget impact: Positive **Sector view: Positive**			
Energy	Basic customs duty (BCD) has been removed on capital goods used to make lithium-ion batteries and battery energy storage systems (BESS) amounting to Rs 1,000 crore, as well as on sodium antimonate (a key material for solar glass production) and capital goods needed for processing critical minerals.	Positive	Amara Raja, Exide, HSCL
	One-time grant to PSU OMCs for under recoveries in Domestic LPG amounting to Rs 17,500 crore	Positive	HPCL, BPCL, IOC
	Carbon Capture Utilization and Storage Scheme amounting to Rs 500 crore	Positive	-
	Extend BCD exemption on imports of goods required for nuclear power projects till 2035 and expand it for all nuclear plants irrespective of their capacity.	Positive	L&T, BHEL
	Kisan Urja Suraksha evam Utthaan Mahabiyan (KUSUM) outlay increased to 5,000 crore. PM Surya Ghar Muft Bijli Yojana outlay increased to 22,000 crore.	Positive	Waaree Energies, Premier Energies, Adani Green, Tata Power

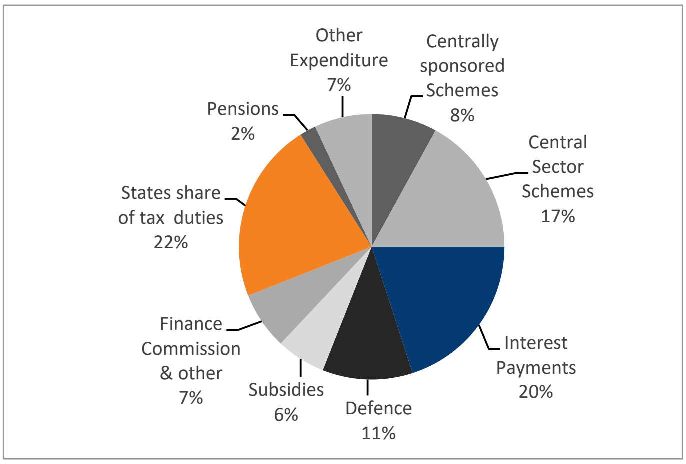
Source: Budget documents, Mirae Asset Sharekhan Research

Budget Reciepts



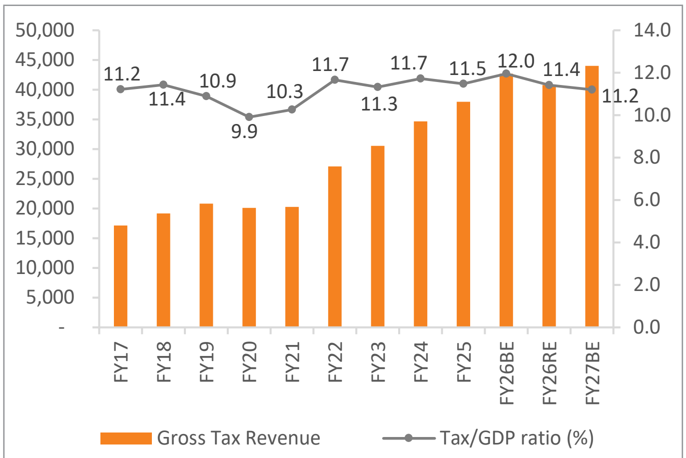
Source: Budget documents, Mirae Asset Sharekhan Research

Budget Expenditure



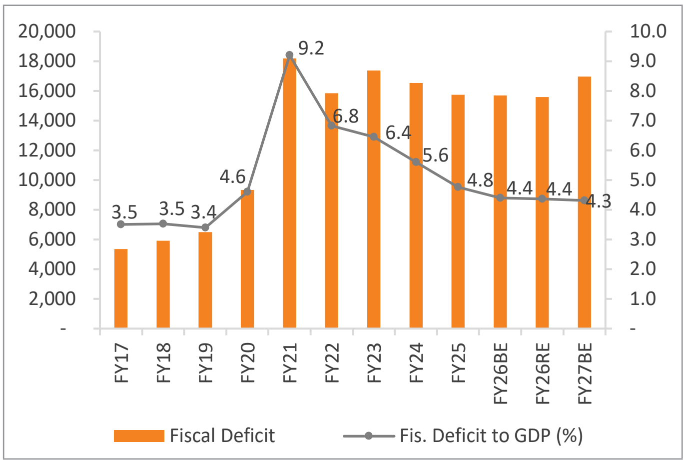
Source: Budget documents, Mirae Asset Sharekhan Research

Gross tax revenue and Tax as % of GDP



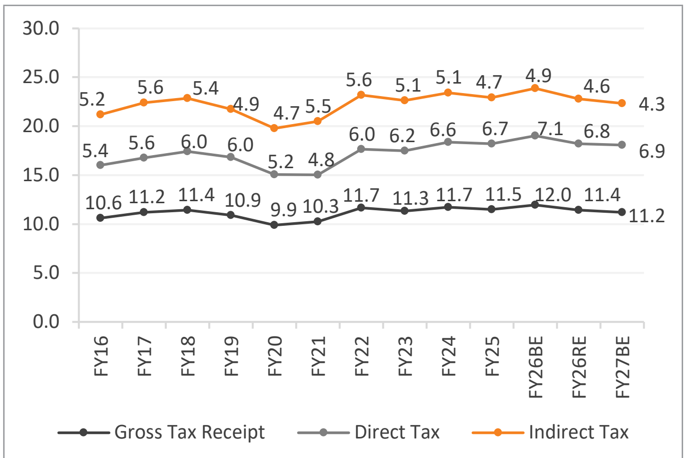
Source: Budget documents, Mirae Asset Sharekhan Research

Fiscal deficit movement and FD as % to GDP



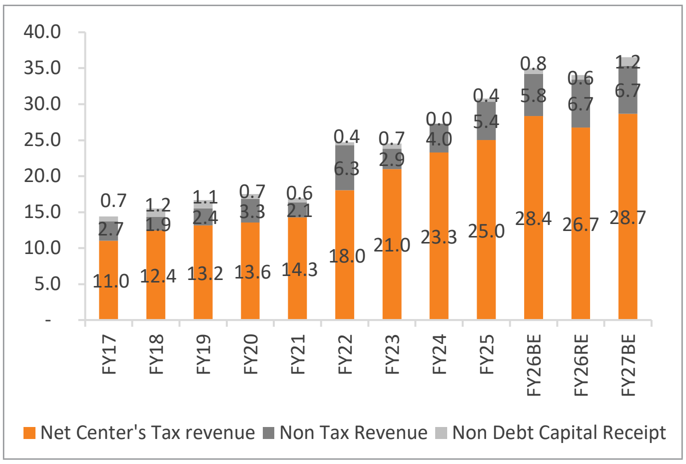
Source: Budget documents, Mirae Asset Sharekhan Research

Trends in Tax Receipts (% of GDP)



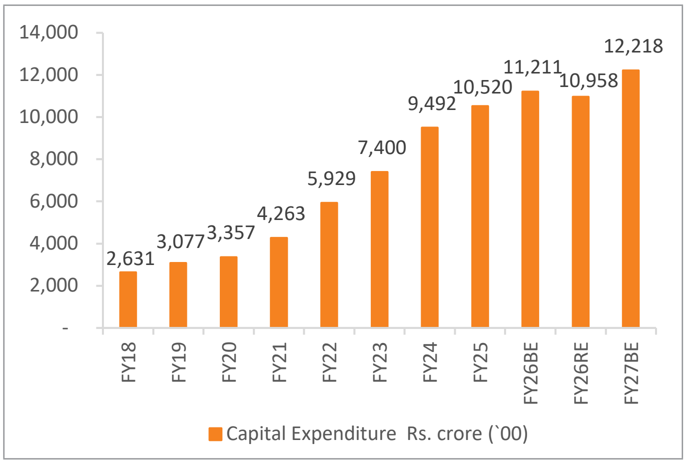
Source: Budget documents, Mirae Asset Sharekhan Research

Net receipts of the centre (Rs Lakh cr)



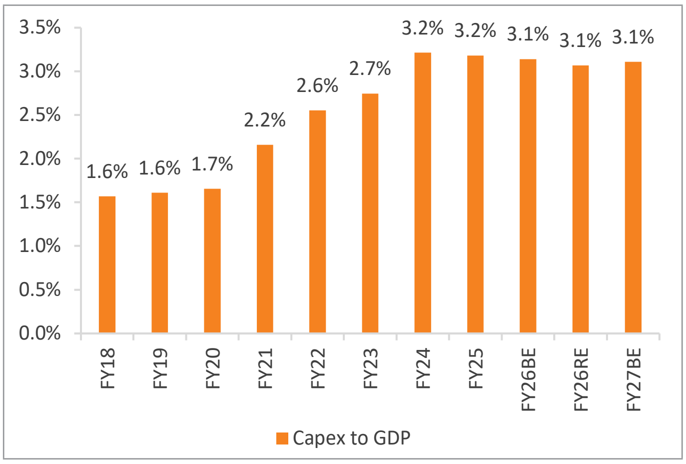
Source: Budget documents, Mirae Asset Sharekhan Research

FY27 Capex maintained at same level as budgeted for FY26



Source: Budget documents, Mirae Asset Sharekhan Research

Trend in Capex to GDP ratio



Source: Budget documents, Mirae Asset Sharekhan Research

SOMIL RAMESH MEHTA

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