

# Union Budget 2026-27



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# UNION BUDGET 2026-27

## Accelerating India's Growth, Manufacturing & Infrastructure Led Transformation

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# INTRODUCTION

*Finance Minister Nirmala Sitharaman presented the Union Budget 2026-27 on 1<sup>st</sup> February, 2026, marking her 9<sup>th</sup> consecutive Budget. Union Budget 2026–27 highlights the government’s continued focus on driving economic growth through higher public spending, stronger manufacturing, a healthier financial system, and responsible fiscal management. The budget builds on a long-term, investment- led growth strategy with strong emphasis on capital expenditure, manufacturing expansion, infrastructure development, financial sector strengthening, and energy transition.*

# EXECUTIVE SUMMARY

*Union Budget 2026–27 framed as a “Yuva Shakti-driven Budget” and guided by the principle of “Action Over Ambivalence, Reform over Rhetoric, and People over Populism,” the Budget priorities scaling domestic manufacturing in strategic sectors, accelerating infrastructure-led growth, strengthening MSMEs, advancing fiscal consolidation, and enhancing youth skilling and employment to support the vision of Viksit Bharat by 2047. The budget follows the seesaw approach for balances the growth priorities with fiscal consolidation and policy stability.*

*Union Budget 2026–27 continues India’s journey toward becoming a high-growth, globally competitive economy. The government has chosen a clear strategy centered on public capital expenditure, manufacturing expansion, financial sector strengthening, and energy transition, while maintaining a steady path of fiscal consolidation.*

*Key highlights include strong allocations for infrastructure, extension of Production Linked Incentive (PLI) schemes, support for clean energy, measures to deepen financial markets, and targeted assistance to MSMEs and startups. Overall, the budget aims to balance growth, stability, and inclusiveness.*

# KEY FISCAL PARAMETERS

**₹53.5 Cr**

Total Expenditure  
7.7% increase over  
2025-26 revised  
estimate

**₹36.5 Cr**

Total Receipts  
7.2% higher,  
excluding  
borrowings

**4.3%**

Fiscal Deficit  
Below 4.4% target,  
creating  
investment space

## Budget Highlights:

- Capital expenditure rises 11.5% to ₹12.2 lakh crore. Revenue expenditure increases 6.6%. Transfer to states grows 12.2% to ₹26.2 lakh crore, including ₹1.85 lakh crore for capital expenditure loans.
- Debt-to-GDP projected at 55.6%, continuing steady decline. Nominal GDP is estimated to grow at 10% in 2026-27.

# ECONOMIC OUTLOOK

- Debt-to-GDP is projected at 55.6%, continuing a steady decline, while the fiscal deficit is estimated at 4.3% of GDP, below the 4.5% target, creating space for priority investments.
  - **2025-26 Revised Estimates:** Non-debt receipts stood at ₹34 lakh crore, net tax receipts were ₹26.7 lakh crore, and total expenditure reached ₹49.6 lakh crore, including ₹11 lakh crore in capital spending.
  - **2026-27 Budget Estimates:** Non-debt receipts are projected at ₹36.5 lakh crore, net tax collections at ₹28.7 lakh crore, and total expenditure at ₹53.5 lakh crore. The fiscal deficit will be financed through ₹11.7 lakh crore in net market borrowings and small savings, with gross borrowings of ₹17.2 lakh crore.
- 
- The Income Tax Act, 2025, effective from 1st April 2026, introduces simplified rules and redesigned forms for easier filing.
  - Citizens benefit from interest exemption on motor accident claims, reduced TCS on overseas travel, education, and medical remittances, and clarified TDS rules for manpower services.
  - Automation will allow lower/nil deduction certificates and depository-enabled Form 15G/15H submission. Timelines for return revision are extended, and filing deadlines are staggered for convenience.
  - Small and overseas taxpayers see support through simplified TDS on non-resident property sales and a 6-month foreign asset disclosure window, allowing limited undisclosed assets to be regularized with immunity from penalties and prosecution.

**1****Fiscal Management & Budget Estimates:****2****Income Tax & Ease of Compliance**

- All software, IT-enabled, KPO, and contract R&D services are grouped under Information Technology Services with a 15.5% safe harbour margin.
  - The safe harbour threshold increases from ₹300 crore to ₹2,000 crore, with automated approvals for 5-year continuity.
  - Advance Pricing Agreements (APA) for IT services are fast-tracked to 2 years (extendable by 6 months), with a modified return facility extended to associated entities.
  - **Data centres and cloud services:** Foreign companies providing global cloud services via Indian data centres enjoy a tax holiday till 2047, with a 15% safe harbour for related entities.
  - **Electronic & toll manufacturing:** Non-resident component warehousing gets a 2% profit margin safe harbour, and suppliers of capital goods/equipment to toll manufacturers in bonded zones enjoy a 5-year income tax exemption.
  - **Global talent & non-residents:** Experts working in India for up to 5 years are exempt from tax on non-India-sourced income, and non-residents paying presumptive tax are exempt from MAT.
  - **Corporate taxation & MAT reform:** Buybacks are taxed as capital gains, with promoters facing additional tax (22% corporate, 30% non-corporate). MAT is now final at 14% from 1st April 2026, and brought-forward MAT credits can only be set off under the new regime (maximum  $\frac{1}{4}$  of liability).
- 
- Customs duty on personal imports reduced from 20% to 10%.
  - Exemptions provided for 17 critical drugs, including cancer medications, and 7 additional drugs for rare diseases.

**3**

Corporate &  
International Tax  
Reforms

**4**

Ease of Living &  
Healthcare

- *Duty-free imports of specified inputs for seafood, leather, footwear, and shoe uppers have been increased, and export timelines have been extended from 6 months to 1 year.*
- *Customs exemptions are extended to capital goods for lithium-ion batteries, solar glass, nuclear power, critical minerals, aircraft manufacturing, biogas-CNG, and electronics components.*
- *SEZ units can make one-time domestic sales at concessional duty to address global trade disruptions.*
- *New opportunities for fishermen: Fish caught in EEZ or High Seas can be exported duty-free, even if landed at foreign ports.*

- *TCS adjustments: Liquor, scrap, and minerals. TCS was rationalized to 2%, and tendu leaves were reduced to 2%.*
- *STT adjustments: Futures STT increased to 0.05%, and options premium/exercise to 0.15%.*

- *Tier 2/3 AEOs and eligible manufacturer-importers get a 30-day duty deferral.*
- *Advance rulings are now valid for 5 years (up from 3).*
- *Trusted importers/exporters benefit from risk-based clearances, electronic sealing, self-declarations, and faster warehouse processing.*
- *A single digital window for approvals will be operational by the end of FY 2026, with CIS integration scheduled for 2 years later. AI-based non-intrusive scanning will cover all major ports.*

5

Export & Manufacturing Incentives

6

Market & Securities Adjustments

7

Customs & Process Reforms

# EXPENDITURE ON MINISTRIES

MINISTRY	BUDGETED 2025-26 (IN ₹ CRORE)	REVISED 2025-26 (IN ₹ CRORE)	BUDGETED 2026-27 (IN ₹ CRORE)	%CHANGE (25-26 RE TO 26-27 BE)
Defence	6,81,210	7,32,512	7,85,000	7.1%
Home Affairs	2,33,211	2,41,485	2,55,000	5.6%
Agriculture & Farmers Welfare	1,37,757	1,33,370	1,40,000	~4.97%
Consumer Affairs, Food & Public Distribution	2,15,767	2,38,409	2,39,000	~0.25%
Rural Development	1,90,405	1,88,753	1,97,000	4.37%
Education	1,28,650	1,21,949	1,39,000	13.98%
Health & Family Welfare	99,859	96,854	1,07,000	10.47%
Road Transport & Highways	2,87,333	2,87,142	3,10,000	7.96%
Railways	2,55,445	2,55,466	2,81,000	10.0%
Housing and Urban Affairs	96,777	57,204	85,522	49.51%
Jal Shakti	99,503	41,437	94,808	128.8%
<b>TOTAL EXPENDITURE</b>	<b>50,65,345</b>	<b>49,64,842</b>	<b>53,47,315</b>	<b>7.71%</b>

# BUDGET ALLOCATION FOR THE MAJOR CENTRAL SECTOR SCHEME

ALLOCATION TO MAJOR SCHEME (IN ₹ CRORE)	2025-26 (RE)	2026-27 (BE)	GROWTH YOY
Pradhan Mantri Awas Yojana – Urban 2.0	300	3000	900%
Jal Jeevan Mission (JJM)/ National Rural Drinking Water Mission	17,000	67,670	198%
Pradhan Mantri Matsya Sampada Yojana (PMMSY)	1,500	2,500	67%
Swachh Bharat Mission (SBM)-Urban	2,000	2,500	25%
Ayushman Bharat	9,000	9,500	5%
Mahatma Gandhi National Rural Employment Guarantee Programme	88,000	30,000	-66%

# GROWTH THEME ACROSS SECTORS

## Infrastructure and Capital Expenditure

*Infrastructure remains the backbone of the budget.*

**Major focus areas include:**

- Roads and highways
- Railways
- Ports and shipping
- Urban infrastructure
- Logistics parks and industrial corridors

*The continued emphasis on the PM Gati Shakti National Master Plan ensures better coordination between ministries, states, and implementing agencies.*

**Impact:**

- Improves connectivity and logistics efficiency
- Reduces the cost of doing business
- Attracts private investment
- Generates large-scale employment

*Infrastructure spending also has strong multiplier effects on sectors such as cement, steel, construction equipment, and logistics.*

## Manufacturing and Make in India

*The government's manufacturing strategy revolves around:*

**Major focus areas include:**

- Expansion of PLI schemes
- Support for MSMEs
- Customs duty rationalization
- Development of industrial clusters

*The objective is to make India a global manufacturing hub, not only for domestic consumption but also for exports.*

**Key focus sectors:**

- Electronics
- Auto and auto components
- Renewable energy equipment
- Pharmaceuticals
- Medical devices
- Specialty chemicals.

*This approach reduces import dependence and improves India's trade balance.*

## **Electronics and Semiconductor Ecosystem**

*Electronics manufacturing is one of the most strategically important sectors.*

### **The budget supports:**

- Semiconductor fabrication units
- Assembly, testing, marking, and packaging (ATMP) facilities
- Chip design ecosystem
- Electronics manufacturing clusters

*These measures aim to build a complete value chain within India.*

### **Impact:**

- Positions India as an alternative global electronics supply base
- Encourages large multinational companies to set up operations
- Creates high-skilled jobs.

## **Renewable Energy and Energy Transition**

*India's energy transition agenda receives strong support.*

### **Focus areas:**

- Solar power
- Wind power
- Green hydrogen
- Battery storage
- Pumped hydro storage

*The government is balancing energy security with sustainability.*

### **Impact:**

- Lower dependence on fossil fuels
- Growth opportunities for EPC players, module manufacturers, and IPPs
- Attracts global climate-focused capital

## Defence and Strategic Manufacturing

### The defence sector benefits from:

- Higher capital allocation
- Increased domestic procurement
- Support for private manufacturers and startups.

The focus is on self-reliance in defence production.

### Impact:

- Strong order pipeline for private defence companies
- Growth in defence electronics, shipbuilding, and aerospace

## Banking, NBFCs, and Financial Services

Financial sector measures focus on:

### Focus areas:

- Strengthening public sector banks
- Expanding MSME credit
- Deepening the corporate bond market
- Promoting digital lending infrastructure

A healthy financial system is critical for sustaining high growth.

## Digital Infrastructure and Data Centres

*Data centres continue to receive policy support through:*

- *Infrastructure status*
- *Power and connectivity facilitation*

*India's digital economy growth creates long-term demand for data storage and processing.*

## Agriculture and Rural Economy

*Key focus areas:*

- *Irrigation*
- *Warehousing and cold storage*
- *Agri-logistics*
- *Credit expansion*

*These measures aim to improve farm incomes and rural consumption.*

## Capital Markets and Investment Climate

### Measures include:

- Simplified compliance
- Faster IPO approvals
- Support for REITs and InvITs

*This improves the fundraising environment for corporates and infrastructure projects.*

## Economic Outlook

### India's medium-term outlook remains strong due to:

- Favorable demographics
- Urbanization
- Infrastructure build-out
- Manufacturing expansion
- Digital transformation

*Growth is expected to remain among the highest globally.*

## Railways and Logistics

*Railways remain a major beneficiary.*

### Key areas:

- Capacity expansion
- Station redevelopment
- Indigenous rolling stock manufacturing
- Freight corridor

*Improved rail infrastructure directly supports industrial growth and export competitiveness.*

## MSMEs and Startups

### MSMEs receive:

- Higher credit guarantee cover
- Faster receivable settlement mechanisms
- Continued support for technology upgradation

### Startups benefit from:

- Fund of Funds support
- Easier compliance
- Improved access to capital

*This strengthens entrepreneurship and job creation.*

# SECTORAL OUTLOOK



## ***Biopharma SHAKTI – Global Manufacturing Hub***

- **Outlay:** ₹10,000 crore over 5 years to build India into a global biopharma manufacturing hub.
- Focus on scaling biologics and biosimilars production and innovation.
- Expand infrastructure with 3 new NIPERs, upgrade 7 existing NIPERs, and create 1,000+ accredited clinical trial sites nationwide.



## ***India Semiconductor Mission (ISM) 2.0***

- Builds on ISM 1.0 to deepen semiconductor design, equipment, materials, and supply-chain capabilities.
- Encourages full-stack Indian IP design and resilient supply chains.
- Supported through the Electronics Components Manufacturing Scheme, now enhanced from ₹22,919 crore to ₹40,000 crore.



## **Rare Earth & Chemicals Initiatives**

- **Rare Earth Corridors:** Dedicated support for Odisha, Kerala, Andhra Pradesh, and Tamil Nadu to promote mining, processing, research, and manufacturing in rare earths.
- **Chemical Parks for Atmanirbhar Chemicals:** A new scheme to boost domestic chemicals production and cut import dependence.
- ₹600 crore allocated in BE 2026-27 to establish 3 dedicated chemical parks through a cluster-based, plug-and-play model.



## **Sports Goods Manufacturing & Innovation**

- Dedicated push to position India as a global hub for high-quality, affordable sports goods.
- Promotes manufacturing, research, and innovation in sports equipment design and advanced materials.



## **Capital Goods & Manufacturing Capability**

- *Set up Hi-Tech Tool Rooms by CPSEs at 2 locations for digitally enabled, automated precision manufacturing.*
- *Launch of Construction & Infrastructure Equipment (CIE) Scheme for advanced machinery production.*
- *Container Manufacturing Scheme with ₹10,000 crore over 5 years to build a globally competitive ecosystem.*



## **Textile Sector Transformation & Jobs**

- *Integrated Textile Programme to achieve fibre self-reliance, modernise clusters, strengthen handloom & handicrafts, and promote sustainability and skills via Samarth 2.0.*
- *Mega Textile Parks (challenge mode) to increase scale, technology adoption, and value addition, including in technical textiles.*
- *Mahatma Gandhi Gram Swaraj Initiative to support khadi, handloom, and handicrafts with skilling, quality improvements, branding, and global market linkages.*



## **Champion MSMEs — Equity, Liquidity & Support**

- **Equity Support:** ₹10,000 crore SME Growth Fund and ₹2,000 crore top-up to the Self-Reliant India Fund to nurture future MSME champions.
- **Liquidity Support:** Strengthened TReDS with mandatory CPSE onboarding, credit guarantees, GeM linkage, and receivables securitisation for affordable financing.
- **Professional Support:** ‘Corporate Mitras’ through short-term courses to help MSMEs with compliance, especially in Tier-II & Tier-III towns.



## **City Economic Regions (CERs)**

- Focus on Tier-II, Tier-III cities and temple-towns, with CERs mapped to local growth drivers.
- ₹5,000 crore per CER over 5 years, implemented in challenge mode with reform- and results-linked financing.
- Development of 7 High-Speed Rail corridors as sustainable growth connectors between major cities.



## **Infrastructure Development**

- **Public capex:** Rises to ₹12.2 lakh crore in FY 2026-27, continuing India's infrastructure push.
- Creation of an Infrastructure Risk Guarantee Fund and accelerated monetisation of CPSE real estate via dedicated REITs to attract private investment.
- **Expanded connectivity through:** East–West Dedicated Freight Corridor
- 20 National Waterways, Coastal cargo incentives, ship-repair hubs, seaplane manufacturing, and VGF support.



## **Agriculture, Fisheries & Animal Husbandry**

- **Fisheries:** Integrated development of 500 reservoirs and Amrit Sarovars and stronger coastal fisheries value chains engaging start-ups, women-led groups, and FPOs.
- **Animal Husbandry:** Promote entrepreneurship through credit-linked subsidies, modernised livestock enterprises, and integrated dairy/poultry/livestock value chains.
- **High-Value Agriculture:** Focus on coconut, sandalwood, cashew, cocoa, almonds, walnuts, pine nuts to diversify output, increase incomes, and create jobs.



## **Tourism & Cultural Development**

- **Skill & Employment:** National Institute of Hospitality and a pilot to upskill 10,000 guides at 20 iconic sites via a 12-week hybrid course.
- **Digital Knowledge Grid:** A national platform to document cultural, spiritual, and heritage sites, generating jobs for researchers, creators, and tech partners.
- **Eco-Tourism Trails:** Mountain trails, turtle trails, and bird-watching trails to boost nature-led tourism.
- **Heritage & Conservation:** Collaboration with 95 countries at the Global Big Cat Summit and development of 15 major archaeological sites (e.g., Lothal, Dholavira, Rakhigarhi, Sarnath, Hastinapur, Leh Palace) as experiential destinations.

# WHAT BECAME CHEAPER?

CATEGORY	WHAT CHANGED	WHAT IT MEANS
Aircraft Manufacturing Components	BDC exempt	Push to Civilian Aviation Manufacturing
Nuclear Power Project Imports	BDC exempt	Lower Capex for Nuclear Expansion
Textile & Leather Export	Export Realisation Period Extended from 6 Months to 1 Year	Support Textile Industry
Battery & Electronic Metal Oxides	Duty Cut to Nil	Support EVs & Electronics
Foreign Education	Lower TCS Under LRS	Less Money Blocked for Students
Overseas Tourism Packages	TCS Cut from 5%-20% to 2%	Foreign Trips Need Less Upfront Cash
Energy Transition Equipment	BCD Exempt	Lower Renewable Infra Costs
Solar Glass Ingredients	BCD Exempt	Cheaper Solar Project Execution

# WHAT BECAME COSTLIER?

CATEGORY	WHAT CHANGED	WHAT IT MEANS
Income Tax Misreporting	Penalty now 100% of tax due	Zero tolerance for under-reporting
Alcoholic Liquor, Minerals & Scrap	TCS increased from 1% to 2%	Higher cash outflow for sellers
Refrigerated Containers	Duty raised to 5%	Higher cold-chain logistic cost
Potassium Hydroxide	Duty raised from 0% to 7.5%	Increased input cost for users

# OUTLOOK

- *The Budget underscores a capex-driven, reform-oriented, and manufacturing-focused growth strategy while maintaining fiscal discipline, positioning India to sustain a 7%+ real GDP trajectory and to enhance supply-chain resilience and the utilization of the demographic dividend.*
- **Long-term positives include:** *infrastructure and manufacturing initiatives (EPC, capital goods, semiconductors, biopharma, defence, and renewables); strengthened MSME credit and funding support; simplification and ease of compliance; and incentives for the energy transition.*
- **Near-term considerations include:** *the impact of the Securities Transaction Tax (STT) on trading volumes and derivatives, potential crowding-out effects from borrowing, the pace of scheme implementation, and exposure to global commodity and geopolitical risks.*

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THANK  
YOU!

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