

2 February 2026

Union Budget 2026-27

Discipline Sans Disruptions

This year's Budget marks a deliberate inflection in India's fiscal and macroeconomic strategy. After several years of BS expansion to absorb pandemic shocks, fund infrastructure and stabilise growth, policy is now pivoting toward normalisation. The focus is on a calibrated withdrawal of fiscal support, while preserving growth momentum and strengthening policy credibility. This is not a growth-maximising Budget, rather a credibility-building one, aimed at long-term capital formation.

Fiscal Discipline Sans Demand Shock: The fiscal deficit is budgeted at ~4.3% of GDP, maintaining a credible glide path towards consolidation. Net market borrowing remains stable at 3% of nominal GDP, easing pressure on bond yields. Revenue assumptions are anchored in tax buoyancy and formalisation rather than rate hikes. Capex continues to rise at a strong 11.5% to Rs12.2trn, underscoring continued investment support within a disciplined fiscal framework. This framework reflects consolidation without austerity.

Policy Orientation – From Stimulus to Competitiveness: The organising principle of the Budget is a shift from cyclical support to structural efficiency. Infrastructure spending is increasingly directed towards productivity-enhancing assets i.e., logistics, freight corridors, urban transport, tourism and power T&D. Manufacturing policy has turned more strategic with semiconductors, specialty chemicals, rare earths and biopharma prioritised as long-term economic drivers. Services receive clearer policy recognition through employment, skilling and export-oriented initiatives.

Sectoral Read-Through: This Budget may not excite in the near term, but it strengthens institutional credibility. It replaces the language of rescue with that of competitiveness and institution-building, an essential step towards making growth a structural outcome rather than a policy promise.

Infrastructure and capital goods are positioned to benefit from sustained public investment and increasing private-sector crowd-in. Electronics, semiconductors and specialty manufacturing enjoy extended policy visibility and financial support. Pharmaceuticals and biotech are supported to move up the value chain, as the country aims to transition beyond low-cost generics. Financial markets, particularly corporate bonds, asset management and municipal finance stand to gain from efforts to mobilise long-term capital.

In contrast, consumption-oriented sectors receive limited direct support, with no broad-based tax cut, subsidies or rural transfers to boost demand. Low-value, labour-intensive manufacturing may exert pressure, as incentives increasingly favour technology- and capital-intensive industries. Informal segments are also likely to remain under strain as digitisation, compliance and formalisation continue to deepen.

Sensex: 80,723

Nifty: 24,825

Large Cap	
Indian Hotels	JSW Steel
Jindal Stainless	Polycab
Jindal Steel	
Mid Cap	
Ashok Leyland	L&T Finance
Astral	Marico
Dabur India	Poonawalla Fincorp
JK Cement	Supreme Industries
Jubilant Ingrevia	Waaree Energies
KFin Technologies	
Small Cap	
Ashoka Buildcon	Greenply Industries
Cera	NCC
Dilip Buildcon	PNC Infratech
Fine Organic Industries	ZF Commercial Vehicle Control Systems India
Greenpanel Industries	

India Research Team

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Sujan Hajra
Chief Economist

Union Budget 2026–27

Raj Singh
Economist

Sweta Jain
Research Analyst

Macroeconomic and Policy Outlook

India's economic momentum remains strong, as the Budget anchors on a favourable macro-outlook. Nominal GDP is projected to grow ~10% in FY27 (with an estimated real growth of 7.4% in FY26). Total effective capex is set at Rs17.15 trillion (4.4% of GDP), including Rs12.22 trillion of the central capex. Fiscal discipline is underscored by a fiscal deficit target of 4.3% of GDP in FY27 (down from 4.4% in FY26) and a declining central debt ratio (55.6% of GDP). Private consumption remains robust at ~61.5% of GDP. In sum, the Budget sustains growth momentum, while consolidating public finances.

Health and Education

- **Health Allocation & Initiatives:** Allocation for the Health Ministry increased by ~10% to Rs1.06 trillion. New schemes include expansion of Allied Health training (adding 100k allied health professionals over 5 years in 10 disciplines) and training 150k health caregivers next year. To boost medical value tourism, the government will set up five Regional Medical Hubs (integrated healthcare complexes for international patients) in partnership with states/private sector.
- **Education Allocation & Infrastructure:** Education gets Rs1.39 trillion allocation (up 8.3%). Support for higher education includes funding for five university townships near major industrial/logistics corridors, and capital assistance to build at least one girls' hostel in every district with a higher-education STEM institution. These measures (together with expanded digital labs and STEM facilities) aim to improve access and inclusivity in education.

Strategic Indigenisation

- **Biopharma & Electronics:** Biopharma SHAKTI scheme (Rs100bn over 5 years) will position India as a global biotech/pharma hub. Similarly, India Semiconductor Mission 2.0 (Rs400bn) targets semiconductor and electronics equipment manufacturing, R&D and materials.
- **Critical Minerals & Raw Materials:** The Budget announces dedicated Rare Earth processing corridors in Odisha, Kerala, AP and TN. New chemical and fertiliser parks (support for 3 chemical parks) and a Rs100bn container manufacturing scheme will boost domestic output. A scheme to enhance manufacturing of construction and infrastructure equipment was also proposed. These initiatives, along with duty exemptions on critical inputs, are designed to secure supply chains and raise indigenous production of strategic goods.

Services Sector as Growth Driver

- **Medical Tourism:** Besides health subsidies, India will promote medical value tourism. Five Regional Medical Hubs (shared with Health above) and upgraded AYUSH facilities aim to attract international patients.
- **Tourism & Hospitality:** A National Institute of Hospitality will be established (by upgrading the Hotel Management Council) and 10,000 tourist guides will be trained (12-week course) at 20 iconic sites. These measures, along with new tourist circuits (pilgrimage, eco-trails) and events (e.g. Youth Games), are meant to boost employment in tourism industry.

- **Creative & Digital Services (AVGC):** The government will create Content Creator Labs in 15,000 schools and 500 colleges to train Animation, VFX, Gaming and Comics professionals. The target is to develop ~2m AVGC-sector jobs by 2030.
- **Service Exports:** The Budget emphasises a long-term vision of capturing ~10% of global services exports by 2047. It also emphasises on training (particularly in IT, creative and hospitality skills) and infrastructure (internet, logistics and airports) to further India's competitiveness in services exports.

Agriculture and Rural Development

- **Water & Fisheries:** Integrated development of 500 reservoirs and Amrit Sarovars is planned, strengthening fisheries value chains in coastal areas. This includes support for fish-processing, women-led cooperatives and start-ups to market fishery products.
- **Animal Husbandry:** A credit-linked subsidy programme and modernisation drive for dairy, poultry and livestock will be launched. The Budget encourages livestock-focused value chains and Farmer Producer Organisations (FPOs) to boost rural income from animal products.
- **High-Value Crops:** Several crop initiatives aim to raise farm income and reduce imports. A Coconut Promotion Scheme will replace old coconut trees to increase productivity. Dedicated programmes are announced for cashew and cocoa (to achieve self-reliance by 2030). Efforts to revive India's sandalwood forests and rejuvenate nut orchards (walnut, almond, pine nut) with high-density cultivation are also proposed. These target region-specific crops (i.e., coconuts in coastal areas, cashew/cocoa in south, nuts in hills).
- **Digital Agri-Advisory (Bharat-VISTAAR):** A new AI-driven tool, Bharat-VISTAAR will integrate government AgriStack portals and ICAR agronomy practices. This multilingual advisory platform is intended to give farmers real-time, customised advice on crops, weather and input to enhance productivity and risk management.

Employment and Skilling

- **Women's Infrastructure:** A Rs100bn District Hostel scheme will finance girls' hostels at the district level, addressing female student dropouts by providing affordable housing. In addition, one girls' hostel in every district with a STEM college is funded. SHE-Marts (market outlets) for women entrepreneurs are set up to improve women-led micro-enterprise livelihoods.
- **Upskilling Youth:** Industry-focused skilling is emphasised. A pilot will train 10k tourist guides (12-week courses) at 20 heritage sites. Divyangjan (differently abled) will receive vocational training in IT, AVGC and hospitality (Divyang Kaushal Yojana). The Hotel Management Council will be upgraded to National Institute of Hospitality to provide advanced training in hospitality management.
- **Education-Employment Alignment:** A new 'Education to Employment and Enterprise' standing committee will examine skills gaps with special focus on emerging technologies (AI and digital skills). This panel will recommend integration of AI and vocational skills into school/college curricula, ensuring future workers are job ready. Sectoral skilling programmes (i.e., Samarth 2.0 for textiles, expansion of ITI/Polytechnic institutes) will continue under the Skill India mission.

MSMEs and Manufacturing

- **SME Growth Fund:** A dedicated Rs100bn SME Growth Fund will be established to build ‘future champions’ – catalysing equity/capacity in promising MSMEs through matching capital or incentivized lending.
- **Textile Sector:** The Budget launches a five-part Integrated Textile Programme covering (a) fibre self-reliance; (b) modernisation of clusters; (c) unified handloom-handicraft schemes; (d) eco-friendly (Tex-Eco) processes; and (e) Samarth 2.0 skilling. Concurrently, Mega Textile Parks will be built on a challenge basis with full infrastructure (also supporting technical textiles). Export facilitation includes extending export obligation period to 12 months for garments and leather exporters. To improve liquidity for textile MSMEs, Trade Receivables Discounting System (TReDS) use will be mandated for CPSEs and CGTMSE guarantees will support invoice financing.
- **Manufacturing Support:** Capital goods and strategic manufacturing receive a boost. Credit-linked schemes and PLI incentives in electronics, EV and equipment sectors (from prior budgets) continue. Policy emphasis on local capacity-building via technology parks, startup incubators and industry-academic partnerships underlies a focus on capacity building.

Taxation and STT Policy

- **STT Hike:** The FM doubled the STT on equity futures to 0.05% (from 0.02%) and raised STT on options to 0.15% to curb speculative F&O bets. However, the markets reacted sharply: capital-market indices fell and brokerage stocks plunged (BSE fell ~10%). Analysts warn that higher STT will raise trading cost, dampen retail participation and trade volume, potentially reducing liquidity without significant revenue gain. Critics argue this move is likely counterproductive in a high-growth environment, as much stock trading is hedging or institutional rather than ‘speculative’.
- **Personal Tax Simplification:** No changes were made to I-T slabs or rates. Simplifications include full exemption of Motor Accident Claims Tribunal interest payouts and reducing TCS on overseas education/medical remittances (from 5% to 2%) and on foreign tour packages (to 2%). A one-time six-month window for disclosure of undeclared foreign assets was opened (with immunity on payment). Return-filing deadlines were eased (staggered due dates, extended revision window). These steps streamline compliance but do not affect core rates or deductions.
- **Corporate Tax, MAT and Buybacks:** The MAT rate is cut from 15% to 14% and MAT is made a final tax from Apr-26 (no new MAT credit carry-forward). For buybacks, the old system (35% tax at company level) is replaced: buyback gains will be taxed as capital gains in the hands of the shareholders, and promoters will bear an additional tax. These changes remove prior tax-arbitrage (previously, it was cheaper for the companies to buy back shares).

Conclusion and Outlook

Budget 2026-27 blends fiscal prudence with targeted investment. By holding the deficit at 4.3% of GDP and reducing debt, it preserves macro stability, while higher capex and reforms in health, infra and industry aim to sustain >7% growth. While the global demand shocks and commodity swings are the key risks, expanded capex and sectoral programmes should bolster domestic demand and productivity. Overall, the budget’s combination of strong public

investment and structural reforms lays a foundation for continued economic transformation.

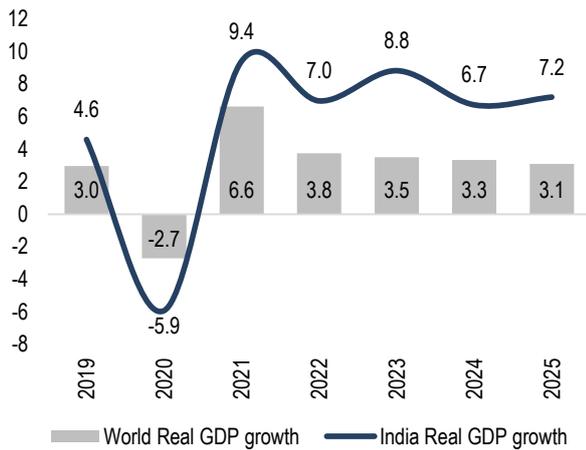
Fig 1 – Final Budget Details

	FY25	FY26BE	Growth (%)	FY26 RE (Interim Budget)	Growth (%)	FY27 BE (Final budget)	Growth (%)
Total receipts	24.6	27.9	13.4	30.9	25.6	32.1	3.9
Gross tax	31.5	42.7	35.6	40.7	29.2	44.4	9.1
Net tax	25	28.3	13.2	26.7	6.8	28.6	7.1
Direct taxes	16.6	22.2	33.7	22.5	35.5	25.4	12.9
Corporate tax	9.8	10.8	10.2	11.09	13.2	12.31	11.0
Income tax	12.3	14.38	16.9	13.12	6.7	14.66	11.7
Indirect tax	15	16.2	8.0	16	6.7	17.4	8.7
GST	10.2	11.78	15.5	10.46	2.5	10.1	-3.4
Custom	2.33	2.4	3.0	2.58	10.7	2.71	5.0
Excise duty	3	3.17	5.7	3.36	12.0	3.88	15.5
Transfer to states (less)	12.8	14.2	10.9	13.9	8.6	15.2	9.4
Non-tax revenue receipts	5.36	5.83	8.8	6.67	24.4	6.66	-0.1
Non-debt capital	0.4	0.6	50.0	0.8	100.0	0.8	0.0
Disinvestments	0.5	0.5	0.0	0.3	-40.0	0.8	166.7
Total expenditure	46.5	50.6	8.8	49.6	6.7	53.4	7.7
Revenue expenditure	36	39.4	9.4	33.9	-5.8	36.06	6.4
Major subsidies	3.85	3.8	-1.3	4.3	11.7	4.1	-4.7
Interest payments	11.15	12.7	13.9	12.7	13.9	14	10.2
Capital expenditure	10.5	11.2	6.7	10.9	3.8	12.2	11.9
Fiscal deficit	15.7	15.6	-0.6	15.58	-0.8	16.95	8.8
Fiscal deficit to GDP (%)	4.8	4.4		4.4		4.3	
Gross Market Borrowings	14	14.8	5.7	14.6	4.3	17.2	
Net Market Borrowings	11.6	11.5	-0.6	11.3	-2.6	11.7	

Source: Budget documents, Ministry of Finance

Key Charts

Fig 2 – India – the Fastest Growing Economy in the World



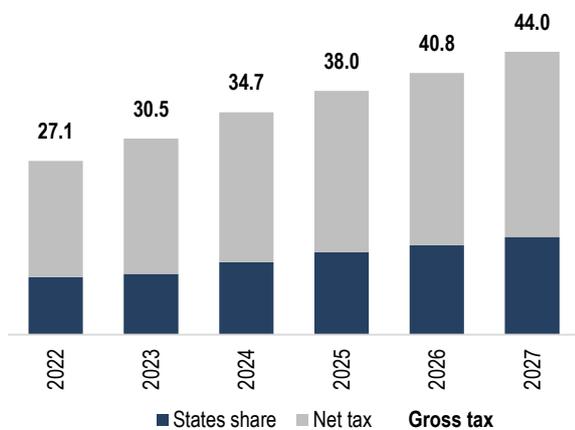
Source: IMF, RBI, Anand Rathi Research

Fig 3 – India's Retail Inflation vs. Global World Average



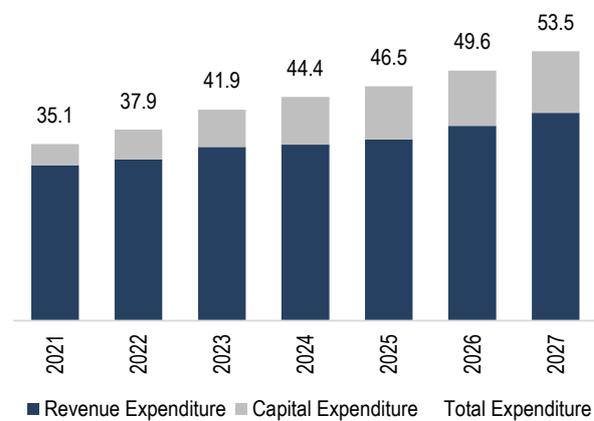
Source: IMF, RBI, Anand Rathi Research

Fig 4 – Government Receipts (Rs. '000 crore)



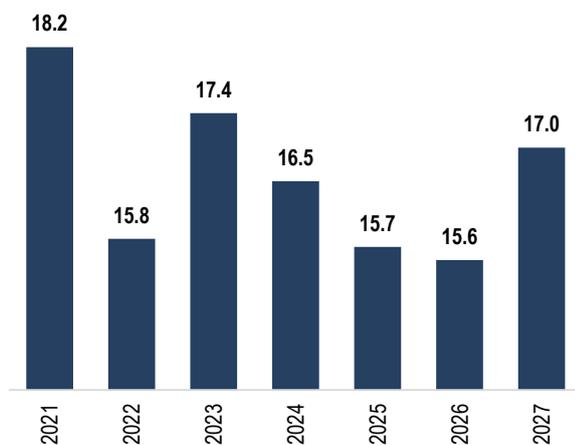
Source: Budget documents, Ministry of Finance, Anand Rathi Research

Fig 5 – Government Spending (Rs. '000 crore)



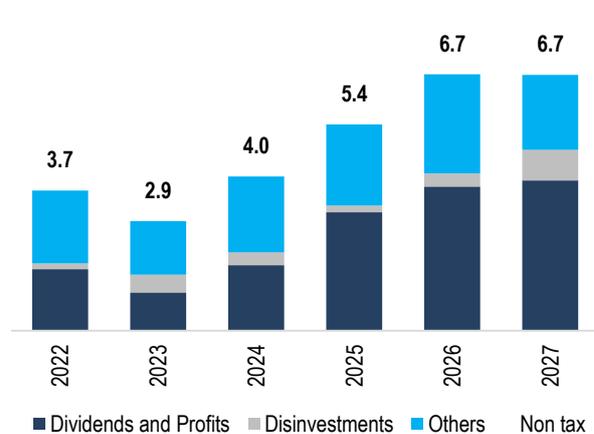
Source: Budget documents, Ministry of Finance, Anand Rathi Research

Fig 6 – Fiscal Deficit (Rs. '000 crore)



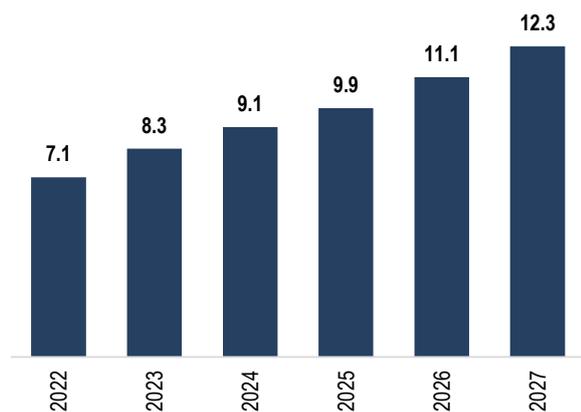
Source: Budget documents, Ministry of Finance, Anand Rathi Research

Fig 7 – Non-tax Collection (Rs. '000 crore)



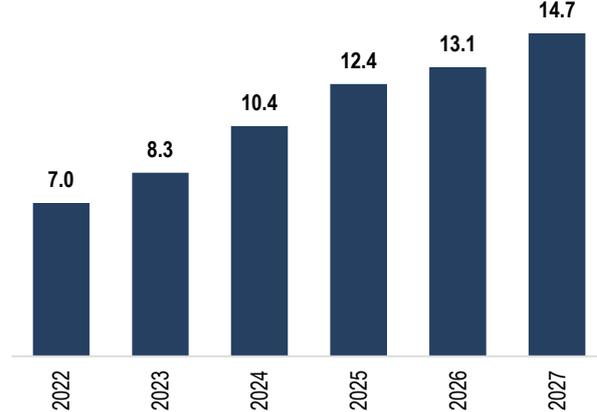
Source: Budget documents, Ministry of Finance, Anand Rathi Research

Fig 8 – Corporate Tax (Rs. '000 crore)



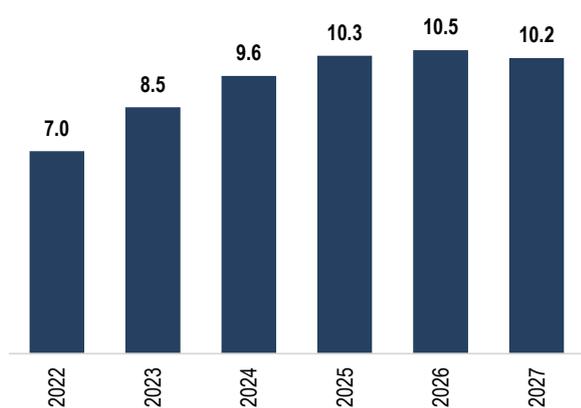
Source: Budget documents, Ministry of Finance, Anand Rathi Research

Fig 9 – Personal Income Tax (Rs. '000 crore)



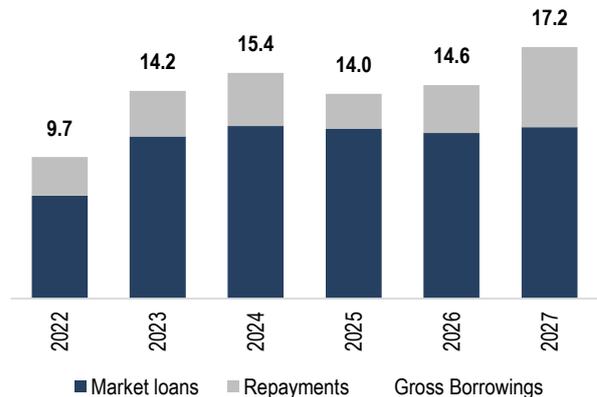
Source: Budget documents, Ministry of Finance, Anand Rathi Research

Fig 10 – GST (Rs. '000 crore)



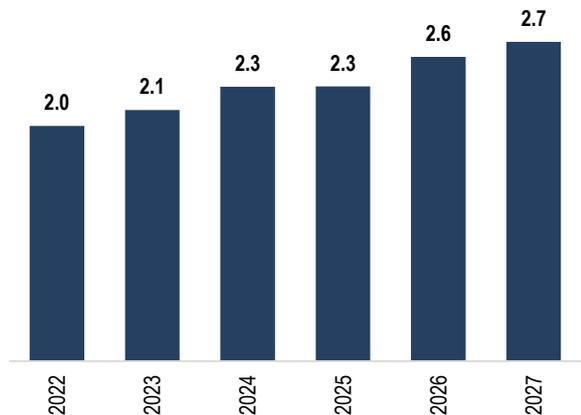
Source: Budget documents, Ministry of Finance, Anand Rathi Research

Fig 11 – Market Borrowing (Rs. '000 crore)



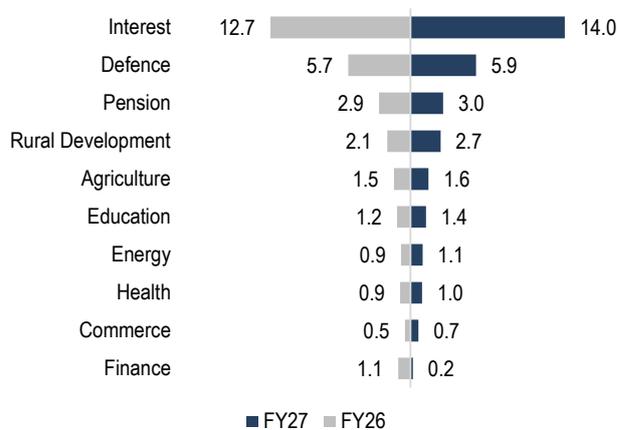
Source: Budget documents, Ministry of Finance, Anand Rathi Research

Fig 12 – Customs Duty (Rs. '000 crore)



Source: Budget documents, Ministry of Finance, Anand Rathi Research

Fig 13 – Major Expenses (Rs. '000 crore)



Source: Budget documents, Ministry of Finance, Anand Rathi Research

Mumuksh Mandlesha
Research Analyst

Shagun Beria
Research Associate

Dishant Jain
Research Associate

Automobile and Auto Ancillaries

- The notable increase in overall capex, announcement of 4,000 e-bus, and defence budget will positively impact companies like Ashok Leyland, Tata Motors (CV), ZF Commercial Vehicle Systems. Increase in defence budget will positively impact companies like Bharat Forge. Battery manufacturers would also have a slight positive due to lower custom duties on good. However, DFC/Inland Waterway announcement is negative for long term for CV players.

Fig 14 – Impact on Sector and Stocks

Budget Announcements	Impact on Sector	Impact on Companies
Higher capex	Positive for CV players	ALL, Tata Motors (CV) & ZFCVS
Increase in defence budget	Positive for defence players	Bharat Forge
Higher PLI for	Positive for auto and auto components	Bajaj Auto, TVS, M&M
DFC/inland waterway	Long-term negative for CV players	ALL, Tata Motos (CV), ZFCVS

Source: Budget documents, Ministry of Finance, Anand Rathi Research

Budget Snippets

- **PLI for Auto & Auto Components:** Allocation increased by 284% y/y to Rs59.4bn, as PLI-complied EV volume is increasing.
- **PLI for Advance Chemistry Cell (ACC):** Allocation low at Rs860m.
- **PM E-drive:** Allocation is increased by 15% y/y to Rs15bn.
- **PM eBus:** Allocation is decreased to Rs120m from Rs5.1bn in FY26.
- **Purvodaya Scheme:** Provision of 4,000 e-buses.
- **Capex:** Overall allocation (including grant-in-aid) increased by 22% y/y to Rs17.1trn. Defence capex outlay by 18% to Rs2.19trn, while Railway capex is increased by 13% to Rs5trn.
- **Proposed East-West DFC:** Proposal to establish **DFC** connecting Dankuni (WB) in the East to Surat (Gujarat) in the West with budgetary allocation of Rs5bn.
- **New National Waterways (NWs):** The Budget proposes to operationalise 20 new NWs over next 5 years, starting with NW-5 in Odisha to connect mineral rich areas of Talcher and Angul and industrial centres like Kalinga Nagar to Paradeep and Dhamra ports.
- **Coastal Cargo Promotion Scheme:** The Budget proposes to incentivise a modal shift from rail and road, double the share of inland waterways and coastal shipping to 12% by 2047 with capital allocation of Rs8.55bn.
- **BCD on Specified Capital Goods:** Basic custom duty for specified capital goods for use in manufacture of lithium-ion cells for batteries of BESS is reduced to zero.
- **Biogas CNG:** The Budget excluded the entire value of biogas while calculating the central excise duty on biogas blended CNG.

Himanshu Binani
Research Analyst

Agrochemicals & Fertilisers

- **Multiple Benefits in Agri Sector:** Focus continues to be on farming community where the FM laid down for several benefits in the agri input sector and especially the farmers. Under PM-KISAN SAMMAN Yojna, direct financial assistance provided to 118mn farmers. Crop insurance was availed by 40mn farmers under PM Fasal Bima Yojna.
- **Custom Duty on Naphtha/Ammonium Phosphate:** Custom duty on Naphtha/Ammonium Phosphate or Ammonium Nitro-phosphate, for use in manufacture of fertilisers/manure or complex fertilisers to lapse on Apr-26 and Feb-26, respectively.
- **Ministry of Agriculture & Farmers Welfare:** Allocation for Department of agriculture and farmers welfare budget stands at Rs1,306bn vs. Rs1,230bn for FY26RE and Department of agricultural research and education budget stands at Rs100bn vs. Rs103bn for FY26RE

Fig 15 – Impact on Sector and Stocks

Key Proposals	FY26 (RE) (Rs bn)	FY27 (BE) (Rs bn)	Change (%)	Impact
Total Fertiliser Subsidy	1,865	1,708	-8.4	MARGINALLY NEGATIVE to fertiliser companies; Contrary to rising RM prices
Urea Subsidy	1,265	1,168	-7.6	
Non-urea Subsidy	600	540	-10	
Crop Insurance Scheme	123	122	-0.5	
PM Krishi Sinchai Yojna-PMKSY	69	71	3.1	Neutral to POSITIVE for Rural economy
PM-Kisan	635	635	-	
Modified Interest Subvention Scheme	226	226	-	
MGNREGA	880	300	-65.9	
Pradhan Mantri Awas Yojna-PMAY	75	186	148.3	
Food Subsidy to FCI	2,282	2,276	-0.2	
Rashtriya Krishi Vikas Yojna	70	86	22.1	
Krishionnati Yojna	68	112	64.7	
Crop Husbandry	754	764	1.3	
NAMO DRONE DIDI	1	7	576.9	

Budget documents, Ministry of Finance, Anand Rathi Research

Budget Snippets

- **Fertiliser Subsidy:** Fertiliser subsidy for FY27 stands at Rs1,708bn (down 8% y/y from FY26RE of Rs1,865bn (FY26BE was Rs1,679bn).
 - Budgeted allocation in FY26-27: Urea: Rs1,168bn; Non-urea: Rs540bn (Total: Rs1,708bn).
 - Revised allocation in FY25-26: Urea: Rs1,265bn; Non-urea: Rs600bn (Total: Rs1,865bn).
 - Budgeted allocation in FY25-26: Urea: Rs1,189bn; Non-urea: Rs490bn (Total: Rs1,679bn).
- **Self-reliance in High-value Agricultural Products:** Dedicated programmes and schemes to achieve self-reliance for high-value agricultural products like coconuts, cashew, cocoa, walnuts, almonds, pine nuts and sandalwood.
- **Bharat-VISTAAR:** Bharat-Virtually Integrated System to Access Agricultural Resources (Bharat-VISTAAR) a multilingual AI tool integrated to Agristack portals and ICAR package on agricultural practice

with AI systems to enhance farm productivity, enable better decisions for farmers and reduce risk.

- **Krishionnati Yojna:** To realise higher income to farmers by enhancing production, productivity and better returns on produce, Krishionnati Yojna is being implemented to develop agriculture and allied sector, with a mission for vegetables and fruits allocation of Rs7bn is merged into this scheme.

Impact on the sector

- Fertiliser subsidy allocation seems to be lower vs. FY26RE. Lower subsidy allocation for FY27e is on the expectations of softer price rise in key RMs' prices globally. Urea subsidy is down 8% vs. last year, while there has been a reduction of 10% y/y in non-urea subsidy. Going by the current trend in global RM prices, we expect the overall fertiliser subsidy to get revised upwards for FY27E (although hinges on RM price trend, going forward). Overall, NEUTRAL for fertiliser industry.

Impact on Companies

- Overall NEUTRAL for the sector.

Yuvraj Choudhary, CFA
Research Analyst

Banks

Kaitav Shah, CFA
Research Analyst

Fig 16 – Impact on Sector and Stocks

Budget Announcements	Impact on Companies
High FY27 gross borrowing(Rs 17.2trn)	Could lead to higher yields (lower treasury gains)
High-Level Committee on Banking Reforms	Positive long-term for PSU/private banks on governance and regulations.

Budget documents, Ministry of Finance, Anand Rathi Research

Budget Snippets

- Higher-than-expected gross market borrowings keeping near-term pressure on G-sec supply and yields.
- Capex-led, non-populist budget sustains system credit growth visibility without adding fiscal or regulatory overhangs for the banks.
- Targeted support to textiles/MSMEs/manufacturing reduces asset-quality tail risks, particularly for regionally exposed lenders where tariff-related stress was a key concern.
- Modernisation and strengthening of textile segment is a positive read-through for regional lenders (CUB/KVB), alleviating earlier concerns around asset quality stress from tariff-related disruptions.
- Policy support should aid cash-flow stability and capex-led competitiveness, reducing downside risks to slippages in these textile-exposed books.

Utkarsh Nopany
Research Analyst

Tania Lalla
Research Associate

Building Materials

Budget Snippets

- Increase in FY27 budgetary allocation for:
 - PMAY by 84% y/y to Rs735bn.
 - Urban Redevelopment Programme by 112% y/y to Rs180bn.
 - Jal Jeevan Mission programme by 298% y/y to Rs677bn.
 - Metro project by 5% y/y to Rs287bn.
- Reduction in import duty on polymers of vinyl chloride or other halogenated olefins, in primary forms (i.e. PVC resin) from 10% to 7.5%.

Impact on the Sector

- Sharp rise in government allocation for PMAY, Amrut Scheme, Urban Redevelopment and Jal Jeevan Mission is likely to drive demand for building materials.
- Reduction in import duty on polymers of vinyl chloride or other halogenated olefins, in primary forms from 10% to 7.5% is likely to negatively impact the PVC resin producers in India.

Impact on Companies

- Supreme is likely to be a major beneficiary, as it is the largest player in infrastructure plastic pipe segment.
- Reduction in import duty on PVC resin is likely to negative impact the spread of PVC resin producers (i.e., Finolex Industries and Chemplast Sanmar etc).

Santosh Yellapu
Research Analyst

Siddhi Jain
Research Associate

Capital Goods and Defence

- **Overall Allocation:** Even though overall budgetary allocation saw a 7% growth, capital outlay witnessed 17.6% increased allocation to Rs2.19trn. IN and IAF procurement declined 19/12% (FY26RE) to Rs254.5/637.3bn. Allocation for other equipment increased to Rs822.17bn. Capital outlay for NPCIL saw 34.5% decline (FY27 vs. FY26RE) to Rs53bn.
- Allocation towards Metro increased by 2.5% to Rs295.7bn.
- Railways on hand, after reporting almost flat allocation, is targeting for 10.3% increase (FY27 vs. FY26 revised numbers) to Rs2,778bn.
- **Lower Customs Duty on RMs for Manufacturing Aircraft Parts:** Reduction of customs duty on RMs for manufacturing aircraft parts for MRO and components/parts, including aircrafts engines from 2.5% to 0%. Notably, this clause is applicable only if the goods are imported by DPSUs.
- **No BCD on Goods Used in Nuclear Power Generation:** The Budget proposes zero BCD on goods that go into nuclear power generation.

Fig 17 – Impact on Sector and Stocks

Budget Announcements	Impact on Sector	Impact on Companies
19% decline in IN allocation	Negative	GRSE, CSL, MDL
12% decline in IAF allocation	Neutral	HAL (were not expecting major order wins in FY27)
Reduction in BCD for RM, engine components for MRO activities	Positive	HAL (given their Nashik, North-East plant are/ would cater to MRO)
34.5% decline in NPCIL allocation	Negative	KSB
2.5% increase in Metro allocation	Negative	BEML

Budget documents, Ministry of Finance, Anand Rathi Research

Budget Snippets

- Reduction of customs duty on RMs for manufacturing aircraft parts for MRO and components/parts including aircraft engines from 2.5% to 0%. Notably, this is applicable only if the goods are imported by DPSUs.
- The Budget proposes zero BCD on goods that go into nuclear power generation including control and protection absorber rods, and (ii) burnable absorber rods.

Impact on Companies

- We turn cautious towards the all the 3 shipyards i.e., GRSE, CSL and MDL.
- It is NEUTRAL for BEL given the diverse range of product offerings.
- We don't expect any major awarding for HAL manufacturing division.
- Solar Industries would continue to remain our top pick from the defence pack.

Manish Valecha
Research Analyst

Vibha Jain
Research Associate

Cement

- **Capex Outlay:** Higher capex allocation for infrastructure continues with emphasis on all round infra development i.e., transport, railways, waterways, and hospitality etc. is positive for all cement players.
- **Transformation of Cities to Growth Hubs:** Focus continues to drive the transformation of cities (Tier-II and Tier-III) into growth hubs.
- **Increasing Farmer Income:** Targeted efforts to increasing farmer income to aid rural demand.

Fig 18 – Impact on Sector and Stocks

Budget Announcements	Impact on Sector	Impact on Companies
Large-scale infrastructure projects such as railways, waterways, freight corridors etc	POSITIVE	POSITIVE for all companies
High emphases on Tier II & III cities development	POSITIVE	POSITIVE for all companies
Purvodaya: Development of Integrated East Coast Industrial Corridor	POSITIVE	POSITIVE for companies especially having eastern/NE region presence such as Dalmia Bharat, Ultratech, Adani cement, Nuvoco Vistas, Shree, Star etc.
Efforts for increasing farmer income	POSITIVE	POSITIVE for all companies

Budget documents, Ministry of Finance, Anand Rathi Research

Budget Snippets

- With capex outlay of Rs12.2trn, the government continues to maintain strong focus on infra development. Several initiatives (InVITs, REITs, NIIF and NABFID) announced to enhance public infrastructure.
- Continued focus on developing infrastructure in cities with >5 lakh population (Tier-II and Tier-III).
- Recycling of real estate assets of CPSEs through the setting up of dedicated REITs.
- New Dedicated Freight Corridors connecting Dankuni in the East to Surat in the West.
- Operationalising 20 new National Waterways connecting mineral rich areas, industrial centres and ports. Setting up of ship repair ecosystem catering to inland waterways.
- Establishment of seven high-speed rail corridors between cities for environmentally sustainable transport systems.
- Launch a Coastal Cargo Promotion Scheme to increase the share of inland waterways and coastal shipping from 6% to 12% by 2047.
- Development of Integrated East Coast Industrial Corridor with a well-connected node at Durgapur, creation of 5 tourism destinations in 5 Purvodaya states and provision of 4,000 e-buses.
- Setting up of a new National Institute of Design through the Challenge route in eastern region, a girls' hostel in higher education STEM institutions in every district, National Institute of Hospitality, 3 new All India Institutes of Ayurveda etc.
- Targeted efforts for Increasing farmer incomes through productivity enhancement and entrepreneurship, with special attention to small and marginal farmers

Impact on the Sector and Companies

- Increased allocation for infrastructure development would aid cement sector. The focus continues for various schemes for urban infra

development along with more infra for hospitality, tourism, education etc. Further, the efforts for increasing farmer income and incremental spending on development of railway/freight corridors, waterways etc. would aid the sector positively.

Manish Valecha
Research Analyst

Surbhi Lodha
Research Analyst

Prasheel Gandhi
Research Analyst

Consumer Durables and FMEG

- **Continued Focus on EMS:** The government's focus on EMS continues with announcement of ISM 2.0 scheme and increased allocation towards ECMS scheme.
- **BCD Exemption on Microwave Parts:** BCD exemption of microwave oven parts will also benefit domestic manufacturing.
- **Capex Outlay:** Capex increased to Rs12.2trn, reinforcing the government's long-term infrastructure push.

Fig 19 – Impact on Sector and Stocks

Budget Announcements	Impact on sector	Impact on Companies
ISM 2.0 announced	POSITIVE	Kaynes, Syrma, Avalon
ECMS outlay hike to Rs400bn	POSITIVE	Dixon, Amber, E-pack, Kaynes, Syrma, Avalon
BCD exemption on microwave parts	POSITIVE	Dixon, IFB Industries, Whirlpool, LG
Rs12.2trn provided as infrastructure capex	POSITIVE	Havells, Polycab, Finolex, KEI

Budget documents, Ministry of Finance, Anand Rathi Research

Budget Snippets

- ISM 2.0 announced to produce equipment and materials, design full-stack Indian IP, and fortify supply chains.
- ECMS outlay hiked to Rs400bn from Rs229.1bn announced in Apr'25.
- BCD exemption on specified parts used to manufacture microwave.
- Public capex raised from Rs11.2trn to Rs12.2trn to boost infrastructure.

Impact on the Sector

- ISM 2.0 announcement and higher ECMS outlay will positively impact EMS sector.
- BCD exemption on microwave parts will positively impact domestic microwave manufacturing.
- Allocation of Rs12.2trn as infra capex will create a structural demand tailwind for all cable intensive companies.

Impact on Companies

- Key beneficiaries from ISM 2.0 & ECMS will be benefit Dixon, Amber, E-Pack, Kaynes, Syrma, Avalon, and other EMS players.
- Key beneficiaries from BCD exemption on microwave parts will be: IFB, Whirlpool, LG, and other consumer durable companies who manufacture microwave. Additionally, Dixon is planning to enter microwave manufacturing and will also benefit from it
- Key beneficiaries from infrastructure outlay will be: Havells, Polycab KEI Industries and Finolex Cables with higher infra capex of Rs12.2trn creates a structural demand tailwind as higher allocation to power, rail and urban infra likely to translate into sustained volume growth for all cable companies.

Vaishnavi Mandhaniya
Research Analyst

Shreya Baheti
Research Associate

Anjali Ojha
Research Associate

Consumer Retail

Budget Snippets

- **No Change in Custom Duty on Gold:** Customs duty on gold imports remains unchanged at 6% (5% BCD + 1% AIDC), providing continuity for jewellery sector after cut from 15% in 2024. This stability supports cost predictability for organised jewellers amid volatile global prices, avoiding short-term disruptions but limiting further demand stimulus.
- **Footwear Sector:** Duty-free inputs for shoe uppers (leather/synthetic) and extended export timelines boost competitiveness. This might benefit players like Relaxo, Bata India, and Mirza International, aiding scale-up and margins for the segment.
- **Indirect Benefits to Apparel Retailers through Textile Focus:** Union budget 2026's textile benefits, including the Rs100bn integrated program under the 5F strategy (Farm to Fibre to Factory to Fashion to Foreign), mega textile parks, machinery modernisation subsidies, skill development via textile expansion scheme, and PLI extensions for man-made fibres, provide indirect tailwinds to listed apparel companies by lowering input costs, enhancing supply chain competitiveness, improving margins on fast-fashion and technical apparel lines.
- **Emphasis on organised retail via MSME credit enhancements** (e.g., Rs100bn fund), digital compliance (invoicing/GST simplification, etc.), and GST tweaks for apparel/footwear favours branded chains over unorganised players. Digital commerce gets impetus through e-commerce customs frameworks and export platforms like BharatTradeNet, enabling omnichannel growth. This shifts market share towards formal retail, boosting chains like Trent, Aditya Birla Fashion and Arvind Fashions and helping them gain competitive edge over unorganised players via scale and tech upgrades. Further, prior initiatives undertaken to boost domestic demand through GST rationalisation and income tax reliefs will further help boost consumption.

Ajay Thakur
Research Analyst

FMCG

- **Coconut Promotion Scheme:** The proposed scheme should stabilise coconut supply and prices, thereby reducing margin volatility for edible oil and hair oil players.
- **Alcohol TCS Hike:** Hike in TCS on alcoholic liquor sales from 1% to 2% is marginally negative, though the impact should be limited as the incremental levy is pass-through in nature and unlikely to materially affect demand or profitability of spirit players.
- **Agriculture & CER Push:** Focus on boosting farmer incomes through high-value agriculture and targeted rural support, along with creation of CERs across Tier-II/III cities and temple towns, should structurally lift rural and non-metro employment, infrastructure, and consumption, benefiting agri-linked, mass and mid-premium FMCG categories.

Fig 20 – Impact on Sector and Stocks

Budget Announcements	Impact on Sector	Impact on Companies
Coconut Promotion Scheme	Positive	Marico, Dabur, Bajaj Consumer
Alcohol TCS Hike	Marginal Negative	United Spirits, United Breweries, Radico Khaitan, Allied Blenders & Distilleries, Tilak Nagar Industries
Focus on Agriculture & CER Push	Positive	FMCG Sector (especially rural focussed ones like HUL, Dabur, Emami)

Budget documents, Ministry of Finance, Anand Rathi Research

Budget Snippets

- Diversifying farm outputs, increased productivity, higher farmers' income and employment opportunities will support high value crops i.e., coconut, sandalwood, cocoa and cashew in coastal areas.
- India is the world's largest producer of coconuts. About 30 million people, including nearly 10 million farmers, depend on coconuts for their livelihood. To further enhance competitiveness in coconut production, propose a Coconut Promotion Scheme to increase production and enhance productivity through various interventions including replacing old and non-productive trees with new saplings/plants/varieties in major coconut growing States
- It is proposed to reduce multiplicity of TCS rates. Also, certain TCS rates are rationalised to address cash flow issues on this account. The proposed rate on sale of alcoholic liquor consumption doubled to 2%.
- Cities are India's engines of growth, innovation, and opportunities. It shall now focus on Tier-II and Tier-III cities and even temple-towns, which need modern infrastructure and basic amenities.
- An allocation of Rs50bn/CER over 5 years is proposed to implement the plans with a reform-cum-results based financing mechanism.
- Its third Kartavya aligns with its vision of "Sabka Sath, Sabka Vikas towards a Viksit Bharat". This requires targeted efforts to increase farmer incomes through productivity enhancement and entrepreneurship.

Impact on the Sector

- **Coconut Promotion Scheme:** The proposed scheme, aimed at should stabilise coconut supply and prices and reduce margin volatility for edible oil and hair oil players.

- **Alcohol TCS Hike:** TCS on sale of alcoholic liquor for human consumption is doubled to 2%. While directionally negative, the impact is expected to be marginal, as the incremental levy can be passed on.
- **Agriculture & CER Push:** This should structurally lift rural and non-metro employment, infrastructure, and consumption, benefiting agri-linked, mass, and mid-premium FMCG categories.

Impact on Companies

- The coconut production scheme will help in lowering volatility of coconut production/prices and thereby reduce margin impact for coconut oil players. **Long-term POSITIVE for Marico, Dabur and Bajaj Consumer.**
- Alcohol TCS hike is supposed to be negative, but the impact is expected to be marginal and unlikely to materially affect demand or profitability. **Marginally NEGATIVE for United Spirits, United Breweries, Radico Khaitan, Allied Blenders and Tilaknagar Industries.**
- Focus on agriculture push and CER will be **POSITIVE for FMCG Consumption (especially rural focussed ones like HUL, Dabur and Emami).**

Our Sector picks for Budget: Marico and Dabur

Himanshu Binani
Research Analyst

Anubhav Sangal
Research Associate

Healthcare

- **Healthcare Expenditure:** Healthcare expenditure would be Rs1,017bn vs. Rs929bn for FY26RE (budgeted expenditure was Rs960bn).
- **Health Research:** Spending on health research would be Rs48bn vs. Rs39bn for FY26RE (budgeted expenditure was Rs39bn).
- **BCD:** 17 new drugs/medicines to have a 0 BCD from 5/10% earlier.
- **Custom Duties on Equipment to Lapse:** Custom duties on x-ray tubes and flat panel detectors for use in medical x-ray machines under phased manufacturing programme to lapse with effect from 01.04.2026.

Fig 21 – Impact on the Sector and on Stocks

Budget Announcements	Impact on Sector	Impact on Companies
Boost to Medical Value Tourism	Positive	NCR-based hospitals like Max Healthcare, Medanta, Yatharth, Artemis Medicare, Indraprastha Medical
Boost to Animal Husbandry and veterinary services	Positive	Likely to be positive for Veterinary product companies like Vijash Scientific.

Budget documents, Ministry of Finance, Anand Rathi Research

Budget Snippets

- **Setting up Regional Medical Hubs on PPP Mode:** To promote medical value tourism, the Budget proposes to launch scheme to support states to set up 5 regional medical hubs on PPP mode to serve as integrated healthcare complexes combining medical, educational and research facilities.
- **New All India Institutes of Ayurveda:** Three new All India Institutes of Ayurveda, upgrading AYUSH pharmacies and Drug Testing Labs for higher standards of certification ecosystem, and upgrading the WHO Global Traditional Medicine Centre.
- **Capital Subsidy Support Scheme:** Loan-linked capital subsidy support scheme to establish veterinary and para-vet colleges, veterinary hospitals, diagnostic labs and breeding facilities in private sector.
- **Biopharma Manufacturing Hub:** The Budget proposes Biopharma SHAKTI with an outlay of Rs100bn over the next 5 years.

Impact on the Sector

- **National Sickle Cell Anaemia Elimination Mission:** Sickle cell anaemia is common in the tribal population of India (1 in 86 births among STs) especially in Chhattisgarh, WB, UP, Maharashtra, MP, Jharkhand, Gujarat, Odisha, Kerala and Rajasthan.
- **Upgradation of Anganwadi Centres:** Upgradation of Anganwadi centres under “*Saksham Anganwadi and Poshan 2.0*” will be expedited for improved nutrition delivery, early childhood care and development.
- **Extension of Healthcare Cover under Ayushman Bharat:** Healthcare cover under Ayushman Bharat scheme will be extended to all ASHA workers, Anganwadi workers and helpers.

Impact on Companies

- **Focus on Medical Value Tourism to Benefit Private Hospitals:** Focus on medical value tourism and PLI in manufacturing of medical equipment is likely to benefit private hospitals in terms of better payor-mix for hospitals and lower capex due to savings in purchase of medical equipment.

Bhavin Modi
Research Analyst

Infrastructure

- **Shifting Back Focus to Capex:** Budget underlying theme aimed at shifting back focus to capex (raising effective capex to ~Rs17trn from ~Rs14.0trn FY26RE) post consumption-push budget last year through I-T relief and cut in GST rates.
- **Capital Outlay:** Proposed budgetary allocation for capital outlay is ~Rs12.2trn, and the balance is explained by the grants (~Rs4.9trn). Please refer to Fig 26 for provisions for key ministries. Rail and roads stood out in terms of capex allocation.
- **Higher Allocation for NHAI:** Allocation to NHAI increased by 10% to ~Rs1.9trn. Including this, total capital outlay of the MoRTH is envisaged at ~Rs2.9trn.
- **Higher Allocation for Railways:** Allocation for Railways grew 10.5% to ~Rs2.8trn. Budget has proposed development of seven high-speed rail corridors and new DFC connecting Dankuni to Surat.
- **National Waterways (NWs):** The Budget proposes to operationalise 20 new NWs in next 5 years for sustainable cargo movement. It proposes coastal cargo promotion scheme to incentivise shift from surface and double the share of inland waterways/coastal shipping to 12% by 2047.
- **Allocation for Jal Jeevan Mission (JJM):** It allocates ~Rs677bn for providing tap water to households. JJM FY26RE was reduced to ~Rs170bn from budgeted ~Rs670bn.
- **Rural Housing:** Focus on rural housing is reflected with allocation of Rs549bn to PMAY-G vs. Rs325bn for FY26RE. Allocation for PMAY (Urban)/PMAY (Urban 2.0) has been increased to Rs186/30bn.
- **Metro Projects:** Allocation for Metro Projects increased to Rs309bn from previous budget allocation of Rs295bn.
- **PPP Project Pipeline:** As directed in last year, the infrastructure ministry has come out with pipeline of PPP projects of ~Rs17trn to be awarded in next 2-3 years.

Fig 22 – Effective Capex

Rs bn	FY25 Actuals	FY26BE	FY26RE	FY27BE	Change (%) over FY26BE	Change (%) over FY26RE
Capital Expenditure	10,520	11,211	10,958	12,218	9.0	11.5
Grants in Aid for creation of capital assets	2,727	4,272	3,082	4,927	15.3	59.9
Total	13,246	15,483	14,039	17,145	10.7	22.1

Source: Budget Documents

Budget Snippets

- **Effective Capex:** Budgetary allocation is proposed at ~Rs12.2trn (up ~12% compared to FY26RE). Including grants, FY27 effective capex is proposed at ~Rs17.1trn (up ~22% from FY26RE).
- **Infrastructure Creation – Remains the Key Thrust:** It is evident that infrastructure creation remains key to its intent to government's intent to keep economy uplifted. We believe it enhances credibility and robustness of government fiscal figures.

Fig 23 – Allocation under major schemes, and to Authorities

Rs bn	FY25 Actuals		FY26BE		FY26RE		FY27BE		Change over FY26BE (%)	Change over FY26RE (%)
	GBS	IEBR	GBS	IEBR	GBS	IEBR	GBS	IEBR		
Schemes										
MGNREGA Program	858	-	860	-	880	-	300	-	-65.1	-65.9
Viksit Bharat-Guarantee for Rozgar and Ajeevika Mission (Gramin)	-	-	-	-	-	-	957	-		
Pradhan Mantri Awas Yojna (PMAY, Urban + Gramin)	381	-	746	-	400	-	735	-	-1.5	83.9
Pradhan Mantri Awas Yojana - Urban 2.0 (PMAY-U 2.0)	1	-	35	-	3	-	30	-	-14.3	900.0
Pradhan Mantri Gram Sadak Yojna	179	-	190	-	110	-	190	-	-	72.7
Metro and MRTS Projects	285	-	342	-	295	-	309	-	-9.4	5.1
Urban Rejuvenation Mission: AMRUT and Smart Cities Mission	55	-	100	-	75	-	80	-	-20.0	6.7
Swachh Bharat Mission (Urban + Gramin)	51	-	122	-	80	-	97	-	-20.5	21.2
Jal Jeevan Mission	226	-	670	-	170	-	677	-	1.0	298.1
Pradhan Mantri Krishi Sinchai Yojna	65	-	83	-	64	-	66	-	-20.3	3.4
Border Infrastructure and Management	40	-	56	-	55	-	56	-	-0.4	1.9
National Ganga Plan	30	-	34	-	27	-	31	-	-8.8	15.4
Pradhan Mantri Swasthya Suraksha Yojana	17	-	22	-	15	-	20	-	-8.9	33.7
Interlinking of Rivers	20	-	24	-	18	-	19	-	-20.6	5.4
Authorities										
National Highways Authority of India	1,686	-	1,703	-	1,703	-	1,873	-	10.0	10.0
National Investment and Infrastructure Fund (NIIF)	8	-	30	-	17	-	30	-	-	76.5

Source: Budget Documents

- **Roads:** The Budget proposes allocation of ~Rs1.9/1.1trn for NHAI/MoRTH (other than NHAI), entirely from gross budgetary support. We believe the rise in proposed allocation considers government efforts to revive PPP through the BOT-toll and HAM mode of road infrastructure creation and targeted asset-monetisation proceeds. When seen in the backdrop of live NHAI and MoRTH tenders of ~Rs1trn+, increased budget allocation looks convincing.

Fig 24 – Roads Outlay

(Rs bn)	FY25 Actuals		FY26BE		FY26RE		FY27BE		Change over FY26BE (%)	Change over FY26RE (%)
	GBS	IEBR	GBS	IEBR	GBS	IEBR	GBS	IEBR		
National Highways Authority of India	1,686	-	1,703	-	1,703	-	1,873	-	10.0	10.0
Other road works	1,167	-	1,020	-	1,018	-	1,069	-	4.8	5.0
Total	2,853	-	2,722	-	2,721	-	2,942	-	8.1	8.1

Source: Budget Documents

- Targeted spend under PM Gram Sadak Yojana (PMGSY) is ~Rs190bn (up Rs80bn from FY26RE).
- Railways: Including IEBR of ~Rs0.15trn, outlay for FY27 is budgeted at ~Rs2.92trn compared to ~Rs2.65trn capital allocation in FY26.

Fig 25 – Railways Outlay

Railway Authorities	FY25 Actuals		FY26BE		FY26RE		FY27BE		Change over FY26BE (%)	Change over FY26RE (%)
	GBS	IEBR	GBS	IEBR	GBS	IEBR	GBS	IEBR		
Indian Railway Finance Corporation	-	-	-	-	-	-	-	-	-	-
Dedicated Freight Corridor Corporation of India	79	-	5	-	44	-	5	-	-	-88.6
Kolkata Metro Rail Corporation Limited	5	-	5	-	6	-	5	-	5.8	-18.3
National High Speed Rail Corporation Limited	160	-	190	-	155	-	150	-	-21.1	-3.2
Equity in State Joint Ventures and Others	10	-	21	-	7	-	7	-	-65.5	-1.1
Indian Railways	2,269	20	2,296	30	2,304	30	2,606	30	13.3	12.9
Public Private Partnership	-	150	-	100	-	100	-	120	20.0	20.0
Bengaluru Suburban Transport Project by K RIDE	-	-	4	-	4	-	5	-	42.9	-
Total	2,522	170	2,520	130	2,520	130	2,778	150	10.5	10.5

Source: Budget Documents

- Capital outlay for rolling stock is likely to entail ~Rs521bn, new line (construction) ~R367bn, and doubling (of lines) spend is envisaged at ~Rs378bn.
- **High Speed Rail Corridor and East-West DFC:** Seven High-Speed Rail corridors will be developed. The Budget also proposes to develop new DFC connecting Dankuni to Surat.
- **MRTS/Metro Rail:** The Budget proposes ~Rs309bn outlay vs. ~Rs295bn in FY26RE. The government sees metro-rail and MRTS as catalysts of required urban transformation.
- **Water – Drinking and Irrigation:** The Budget proposes ~Rs677bn outlay vs. ~Rs170bn in FY26RE. Further, the PM Krishi Sinchai Yojana continues to see steady allocation of ~Rs66bn (~R64bn in FY26RE).
- **Inland Water Transport:** The Budget proposes operationalisation of 20 new NWs in the next five years to improve connectivity between industrial region and ports. It also proposes to launch Coastal Cargo Promotion Scheme to incentivise modal shift from rail/road, to double the share of inland waterways/coastal shipping to ~12% by 2047.
- **Data Centres:** The Budget proposes tax holiday for Indian data centres till 2047 to boost critical infrastructure and data centre investment.

Other Snippets

- REITs have emerged as an effective asset-monetisation tool. Accelerating the recycling of CPSE real estate through dedicated REITs can unlock value and improve capital efficiency.
- Over the past decade, policy support and new financing tools (InVITs, REITs) along with institutions like NIIF and NABFID have scaled up public infra. The focus will now shift to accelerating infrastructure development in Tier-II and Tier-III cities as key growth centres.
- The Budget proposes to set up an Infrastructure Risk Guarantee Fund to offer partial credit guarantees to lenders during construction phase.
- The central government will help the states to create five university townships near major industrial/logistic corridors, hosting universities, research institutions, skill centres and residential complexes.
- The Budget shifts focus to Tier-II, Tier-III and temple towns by mapping CERs based on local growth drivers. It proposes Rs50bn per CER over five years through a reform-linked, results-based mechanism.

Impact on the sector

- Higher capital outlay is positive, which we believe will keep growth opportunities bright in the sector. Proposed grants hold potential to turn the opportunity landscape brighter. Railways and Roads stood out in terms of outlay allocation.
- Allocation reflects the government's efforts to enhance the growth potential and job creation, crowd-in private investments, and provide a cushion against global headwinds.

Impact on companies

- **Diverse Beneficiaries:** Proposed capital outlay would benefit those involved in creating such infrastructure. Roads, Railways, Water-transport, Metro-rail/MRTS and housing etc. are the key beneficiaries of sizeable allocation with Roads and Railways continue to see healthy allocation. Thus, we see more opportunities for infra players in general. Railways and roads are a clear standout in terms of allocation.

Fig 26 – Budget Provision (Net of Receipts and Recoveries by Major Ministries)

Ministry / Department	Capital (Rs bn)
Ministry of Road Transport Highways	2,942
Ministry of Railways	2,778
Ministry of Finance	2,502
Ministry of Defence	2,310
Ministry of Communications	485
Ministry of Housing and Urban Affairs	348
Ministry of Home Affairs	271
Ministry of Petroleum and Natural Gas	2
Department of Atomic Energy	100
Department of Space	64
Ministry of Health and Family Welfare	29
Ministry of Development of North Eastern Region	46
Ministry of External Affairs	14
Ministry of Commerce and Industry	52
Ministry of Ports, Shipping and Waterways	12
Ministry of Micro, Small and Medium Enterprises	19
Ministry of Electronics and Information Technology	4
Ministry of Earth Sciences	7
Ministry of Power	4
Ministry of Jal Shakti	5
Ministry of Personnel, Public Grievances and Pensions	2
Ministry of Fisheries, Animal Husbandry and Dairying	5
Ministry of Culture	2
Others	217
Total	12,218

Source: Budget Documents

Top Picks: PNC Infratech and Ashoka Buildcon in Road EPC space and NCC and Dilip Buildcon in diversified EPC space.

Sushovon Nayak
Research Analyst

Harshita Parakh
Research Associate

Apoorva Khandelwal
Research Associate

Information Technology

- **Clubbing Software Development, ITeS and KPO under a Unified Digital Services Category:** The move materially reduces transfer pricing disputes and litigation risk, improving tax certainty for Indian IT players, especially in analytics, AI and platform-led service lines.
- **Safe Harbour Rationalisation:** Safe harbour margin to a flat 15.5%, expanding eligibility to Rs20bn and providing a 5-year policy stability window. Together, these measures enhance tax certainty and long-term visibility, allowing Indian IT firms to scale global workloads from India and commit to multi-year engagements and reduced audit friction.
- **Tax Holiday till 2047 for Foreign Cloud Providers using India-based data Centres:** The move positions India as a global cloud and AI infrastructure hub, accelerating hyperscaler investments in local data centre capacity. Increased hyperscaler data centre investments are likely to drive downstream demand for Indian IT services across cloud migration, data platform modernisation, managed services, AI infrastructure optimisation and FinOps.
- **Mandatory Routing of Indian Customer Services via Indian Reseller Entities:** The move preserves domestic tax base, while still enabling global cloud players to scale India-centric delivery and infrastructure operations.
- **Buyback Taxation:** Buyback taxation aligned with capital gains vs. erstwhile deemed dividend, improving tax efficiency of buybacks as a capital return tool for promoter-led IT companies vs. dividends. Large-cap IT firms i.e., TCS, Wipro and Infosys may turn more aggressive on buybacks, as minority investors would benefit from treatment as capital gains tax vs. deemed dividend earlier.

Impact on the Sector

- Tax incentives for hyperscalers and clearer digital services classification support increased data centre investments and workload offshoring.
- Safe Harbour rationalisation, wider eligibility and a 5-year stability window materially reduce tax uncertainty and improve earnings visibility.
- Revised Buyback norms, positive from a capital allocation perspective

Impact on Companies

- Given Infosys has already done a buyback, and TCS capital allocation would focus more on datacentre business in the near-term, we believe Wipro may end up as a beneficiary from the change in buyback norms (deemed dividend earlier vs. capital gains tax presently), with favorable tax treatment for minority shareholders. Moreover, with ~ \$5bn cash, and weak Q4FY26 guidance, Wipro looks poised to do a buyback.

Parthiv Jhonsa
Research Analyst

Prakhar Khajanchi
Research Associate

Metal and Mining

- **Capex Outlay:** Record capex outlay of Rs12.2Tr (Rs17.1Tr including grant-in-aid). With allocation under PM Awaas Yojana, focus on affordable housing for urban poor/middle-class families to continue.
- **Dedicated Rare Earth Corridor:** The Budget proposes to set up Dedicated Rare Earth Corridor to promote mining, processing, research and manufacturing in Odisha, Kerala, AP and TN.
- **National Waterways (NWs):** Operationalising 20 new NWs over next 5 years. NW-5 is expected to be the first corridor connecting mineral, industrial and port regions in Odisha.
- **High-Speed Rail Corridors:** Seven high-speed rail corridors connecting major Tier-I and II cities of India to drive steel and stainless-steel demand. Proposed corridors are: (a) Mumbai-Pune; (b) Pune-Hyderabad; (c) Hyderabad-Bengaluru; (d) Hyderabad-Chennai; (e) Chennai-Bengaluru; (f) Delhi-Varanasi; and (g) Varanasi-Siliguri.

Fig 27 – Impact on Sector and Stocks

Budget Announcements	Impact on Sector	Impact on Companies
Record Capex outlay	POSITIVE	All ferrous and non-ferrous companies
Establishment of Rare Earth Corridors	POSITIVE	NALCO, NMDC, GMDC
Operationalizing NW-5	POSITIVE	TATA, JINDALST, SAIL
Scheme for Container Manufacturing	POSITIVE	All Tier-I ferrous mills
Establishment of 7 new High-Speed Rail corridors	POSITIVE	SAIL, JINDALST, JDSL
Higher divestment roadmap	POSITIVE	COAL (got in-principal approval for listing of SECL/MCL)
Increase in defence budgetary allocation	POSITIVE	All Tier-I ferrous mills
Exemption of BCD on imports of goods required for Nuclear Power Projects	POSITIVE	JDSL

Budget documents, Ministry of Finance, Anand Rathi Research

Budget Snippets

- An outlay of Rs200bn over next 5 years for Carbon Capture Utilization and Storage technologies across five sectors, including steel. Key focus on developing infrastructure in Tier-II and Tier-III cities.
- Operationalising 20 new NWs connecting mineral-rich areas, industrial and Coastal Cargo Promotion Scheme to increase the share of inland waterways and coastal shipping from 6% to 12% by 2047.

Impact on the Sector

- Higher investments in infrastructure, water management, defence and construction have a multiplier impact on economic growth. Allocation to various schemes and infra projects would be positive for the sector. We expect all ferrous and non-ferrous companies to benefit from the various schemes.

Impact on Companies

- The companies having presence in Odisha i.e., TATA, JINDALST and SAIL are expected to benefit from operationalisation of NW-5 under 'New National Waterways' initiative connecting Talcher and Angul with KalingaNagar and further to the Ports of Paradeep and Dhamra. The ~265kms water highway follows Brahmani River connecting Odisha's steel/mining hub making local mills prime winners. This would reduce freight cost for minerals transportation from mines to facilities and shipment of finished products to ports.

- Allocation of Rs100bn over next five years towards scheme for container manufacturing is likely to be structurally positive for Indian ferrous companies.
- The companies i.e., SAIL, JINDALST and JDSL with established track record in supplying rails, large structural steels and steel for wagons/parts to Indian Railways will be key beneficiaries.

Kaitav Shah, CFA
Research Analyst

Yuvraj Choudhary, CFA
Research Analyst

Harsh Sheth
Research Associate

NBFCs and Capital Markets

Fig 28 – Impact on Sector and Stocks

Budget announcements	Impact on companies
Positive glide path for Reduction in Fiscal Deficit	POSITIVE for Cost of Funds for NBFCs.
NBFCs for Viksit Bharat	Clear targets for disbursement and technology adoption. It is proposed to restructure the PFC and REC.
PM Awas Yojana	The subsidy under PMAY-Urban and rural has broadly remained the same. Full utilisation of the outlay would be POSITIVE for affordable housing companies
Focus on MSME	Mandate TReDS for transaction settlement and provide a credit guarantee scheme here; POSITIVE for MSME-focused NBFCs.
Development of corporate bond market	Budget proposes to introduce a market-making framework with suitable access to funds and derivatives on corporate bond indices. NBFCs are large borrowers in the corporate bond market
STT increase on options and futures	Budget has increased STT by .03% to .05% on futures and to 0.15% in options. This can impact overall volume initially, as arbitrage and HFT volume can get impacted. NEGATIVE for brokerage houses with high exposure to derivatives income and exchanges.
UPI transactions	To promote increased penetration of digital payments budget outlay increased to Rs20bn. POSITIVE for payment companies

Budget documents, Ministry of Finance, Anand Rathi Research

Budget Snippets

- **Reduction in Fiscal Deficit:** A reduction in fiscal deficit and a glide path to 4.3% of GDP in FY27 should lead to favourable yield and cost of funds for NBFCs.
- **PM Awas Yojana:** The revised estimated for PMAY-Urban has been decreased from Rs197bn to Rs7.5bn. For next year the budgeted allocation stands at Rs186bn. The interest subsidy scheme under revised budget for FY26 is at Rs3bn vs. 35bn. For FY27 it is set at Rs30bn.
- **PM Awas Yojana -Rural:** Revised allocation for FY26 has been maintained at Rs325bn from Rs323bn in FY25. This number is budgeted at Rs549bn for FY27. NEUTRAL for affordable housing companies.

MSME Sector

- **Liquidity Support via TReDS:** (a) Mandate TReDS as transaction settlement platform for all purchases from MSMEs by CPSEs, serving as a benchmark for other corporates; (b) linking GeM with TReDS to encourage cheaper and quicker financing; (c) introduce credit guarantee support mechanism through CGTMSE for invoice discounting on TReDS platform.
- **Equity Growth Fund:** Dedicated Rs100bn SME growth fund.

Capital Markets

- **Increase in STT for futures and options:** (a) raising STT on futures from 0.02% to 0.05%; (b) STT on options premium and exercise of options to be raised to 0.15% from 0.1% and 0.125%. Due to this, total impact cost (assuming Rs1 lakh turnover) as % of turnover will go up by marginal 3bps for futures and 5bps for options. This is NEGATIVE in the short-term on volume for capital market plays. However, we continue to believe in the increasing penetration play. Additionally the government did not tax commodities trades which was an overhang on MCX
- **Digital Payments Outlay:** Outlay increased to Rs20bn for FY27 from of Rs4.5bn in RE26 to promote penetration of digital payments via UPI/BHIM for small ticket sizes. POSITIVE for payment companies like Paytm and Mobikwik.

Sweta Jain
Research Analyst

Kartik Sharma
Research Associate

Sahil Sheth
Research Associate

Renewables

- **Allocation to Ministry of New & Renewable Energy (MNRE):** The Budget proposes Rs292bn allocation to MNRE (up 25% y/y), with spending concentrated on large-scale adoption and distributed energy.
 - **PM Surya Ghar:** Allocation of Rs210bn (up 30% y/y) for Muft Bijli Yojana to accelerate solar rooftop adoption.
 - **KUSUM Scheme:** Allocation of Rs49bn (flat y/y) indicates execution focus after prior scale-up in decentralised solar pumps.
 - **Solar Power (Grid):** Allocation of ~Rs18bn (up 78%) to support continued addition of utility-scale solar capacity.
 - **National Green Hydrogen Mission:** Allocation of Rs5.4bn (up 129% vs. FY26 RE of Rs2.3bn), signals policy continuity while large project execution remains medium-term.
- **Customs Duty Rationalisation for Clean Energy:** This lowers input cost across wind, solar and nuclear supply chains, improving domestic manufacturing competitiveness.
 - BCD removed on refined copper used in solar PV ribbons/interconnects. POSITIVE for Waaree Energies, Premier Energies, Adani Solar, NPCIL, L&T and BHEL.
 - Zero BCD for goods (EVA sheets, PoE, backsheets) used in manufacturing of solar cells or modules.
 - Nil BCD on sodium antimonate used in manufacturing of solar glass.
 - Nuclear power equipment including absorber rods now attracts nil duty, irrespective of their capacity.
 - Critical wind turbine components (bearings, gearboxes, yaw systems, controllers, blade inputs) - fixed BCD of 5%.
- **Grid Infra & Storage Push Strengthens Power System:** Capital asset allocations towards T&D reform and storage rise meaningfully, supporting renewable integration and grid stability.
 - **Green Energy Corridor:** Allocation of Rs6bn vs. Rs8bn suggests partial completion of major transmission corridors with selective incremental addition.
 - **Reform Linked Distribution Scheme:** Allocation of Rs176bn (up 15% y/y) is made to sustain momentum in DISCOM reforms.
 - **Power System Development Fund:** Allocation retained at Rs6.5bn.
- **Industrial Decarbonisation via CCUS:** Allocation of Rs5bn under **CCUS Scheme** to support emission reduction in thermal and industrial sectors, is positive for technology providers and EPC players.

Fig 29 – Impact on Sector and Stocks

Budget Announcements	Impact on Sector	Impact on Companies
Rs210bn for PM Surya Ghar (up 30% y/y)	POSITIVE: Continued rooftop solar push	Waaree, Premier Energies & Emmvee
Rs5.4bn for National Green Hydrogen Mission (up 129% y/y)	POSITIVE: Boosts hydrogen production, electrolyser manufacturing	Waaree, NTPC and JSW Energy
Rs176bn RDS Allocation (up 15% y/y)	POSITIVE: Aids DISCOM reforms, smart metering, AT&C loss & ACS-ARR gap reduction.	PGCIL, Adani Energy & Tata Power
Rs10bn VGF for BESS (up 10x y/y)	POSITIVE: Improves viability of grid-scale storage, enables higher RE penetration/peak management	Waaree, Premier Energies & Vikram Solar
Rs5bn CCU Scheme (new allocation)	POSITIVE: Kickstarts carbon capture ecosystem in thermal and industrial sectors	NTPC, Tata Power & Adani Power
Rs6bn for Green Energy Corridor (down 25% y/y)	POSITIVE: Supports RE evacuation	PGCIL, Acme Solar, KPI Green & SWSolar, Advait Energy

Budget documents, Ministry of Finance, Anand Rathi Research

Nitesh Dhoot
Research Analyst

Tanvi Warekar
Research Associate

Speciality Chemicals

- Budget'26 offers no direct PLI or subsidy for chemicals, but provides structural support via manufacturing push, clean-energy transition and cost rationalisation, structurally favouring speciality and export-oriented segments.
- Key positives: (a) three new chemical parks (Rs6bn outlay) reinforcing the cluster-based manufacturing approach; (b) customs tweaks for critical minerals, batteries, solar glass and clean-energy value chains; (c) Rs200bn Carbon Capture Utilization and Storage (CCUS) outlay (incl. chemicals) aligning with India's long-term decarbonisation roadmap.
- Higher effective capex (Rs17.1tn), logistics, freight corridors, MSME support and export facilitation are structurally supportive for downstream chemical demand over time.

Fig 30 – Impact on Sector and Stocks

Budget Announcements	Impact on Sector	Impact on Companies
3 Dedicated Chemical Parks	POSITIVE	NA
Special one-time measure for SEZ units to facilitate sales in Domestic Tariff Area at concessional duty	POSITIVE	Mild positive for export-oriented speciality chemicals and CDMO players operating in SEZs
Custom duty increased on Potassium Hydroxide	POSITIVE	Gujarat Alkali, Epigral
Custom duty reduction on Lithium Carbonate	POSITIVE	Neogen Chemicals, Gujarat Fluorochemicals
Custom duty reduction on Ammonium Nitrate	NEGATIVE	Deepak Fertilizers, GNFC

Budget documents, Ministry of Finance, Anand Rathi Research

Budget Snippets

- **Three Dedicated Chemical Parks with Rs6bn outlay in FY27:** The move would aid ecosystem development and import substitution.
- **Extension of Import Duty Deferral Window from 15 to 30 days:** The move offers working capital relief to large chemical importers.
- **Duty-free imports of rare earth compounds:** Exemption on gallium, germanium, indium, vanadium, niobium is strategically positive for high-end specialty chemicals, electronics, EVs and semiconductor-linked chemistries.
- **New Tariff Lines introduced:** The move would help getting transaction data of precursor chemicals and help in tracking exports. For eg. acid-grade fluorspar (>97%) at 2.5%.

Fig 31 – Custom Duty Revision on Key Chemicals

Custom Duty Changes	From (%)	To (%)
Potassium Hydroxide	NIL	7.5
Sodium Antimonate	7.5	NIL
Phosphoric Acid	7.5	5
Potassium Nitrate	7.5	NIL
Lithium Carbonate	7.5	NIL
Ammonium Nitrate	10	5
Polymers of Vinyl Chloride/ Other Halogenated Olefins	10	7.5
Silicon Dioxide	7.5	2.5
Reactors, Columns, Towers, Chemical Storage Tanks	10	7.5

Budget documents, Ministry of Finance, Anand Rathi Research

Impact on Companies

- **Higher BCD on Potassium Hydroxide to 7.5%:** The move is POSITIVE for domestic producers like Gujarat Alkalies & Epigral.
- **Lower Duty on Lithium Carbonate to Zero:** The move is POSITIVE for importers like Neogen Chemicals and Gujarat Fluorochemicals in their lithium-ion battery chemicals value chain.
- **Lower BCD on Ammonium Nitrate to 5%:** The move is NEGATIVE for domestic manufacturers like Deepak Fertilizer and GNFC, while positive for downstream users lowering import costs for fertilizer and mining/explosive intermediates.
- **One-time Concession for SEZ Manufacturers:** The move is POSITIVE for export-oriented specialty chemicals and CDMO players in SEZs i.e., PI Industries, Jubilant Ingrevia, Aarti Industries and SRF (packaging), allowing Domestic Tariff Area sales at concessional duty, helping address utilization challenges.

Shobit Singhal
Research Analyst

Sagarika Chetty
Research Associate

Tourism & Internet

- **Promotion of Domestic Tourism:** The Budget emphasised on promotion of domestic tourism, particularly places of cultural, spiritual and heritage significance. Further, emphasis was also laid on promotion of both winter and wildlife tourism spots.
- **Focus on Upskilling:** Another key point of focus was upskilling (pilot scheme proposal for upskilling ~10,000 guides across ~20 iconic tourist sites) and improvement in quality of education by setting-up a National Institute of Hospitality by upgrading the existing National Council for Hotel Management and Catering Technology.

Fig 32 – Impact on the Sector and on Stocks

Budget Announcements	Impact on Sector	Impact on Companies
Upskilling ~10,000 guides across ~20 iconic tourist sites	Positive for hotels, aviation and OTAs	Positive for IHCL, IndiGo, SpiceJet, EIH, ixigo and Yatra
Developing winter tourism spots for trekking & hiking experiences		
Develop ~15 archaeological sites into experiential cultural destinations		

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Budget Snippets

- **Promoting India as a Global Hub for Trekking & Hiking:** The government plans to develop of ecologically sustainable mountain trails in HP, Uttarakhand, J&K, Araku Valley and Podhigai Malai, turtle trails (in Odisha, Karnataka & Kerala) and bird-watching trails (AP & TN) to promote India as a global hub for trekking and hiking experiences.
- **Heritage & Culture Tourism:** The government plans to develop ~15 archaeological sites into experiential cultural destinations (including Lothal, Dholavira, Rakhigarhi, Adichanallur, Sarnath, Hastinapur and Leh Palace etc) to be opened to public through curated walkways.
- **National Destination Digital Knowledge Grid:** The government plans to establish a National Destination Digital Knowledge Grid to enable digital documentation of places of significance (cultural, spiritual and heritage) and creating jobs for local researchers, historians, content creators as well as technology partners.
- **TCS Rate:** TCS rate on sale of overseas tour packages reduced from ~5% and ~20% to ~2% irrespective of the package cost.

Impact on the sector

- **Development of Spiritual, Culture & Heritage Hubs to Benefit Tourism:** The government plans develop and promote key hubs of cultural, heritage and spiritual tourism, along with active involvement in overall sector, through effective upskilling and improvement in quality of education. This is expected to benefit the overall tourism space, including hotels, aviation and Online Travel Agents (OTAs).

Impact on Companies

- **Key Players Catering to Cultural, Spiritual & Heritage Tourism:** Overall, focus on development and promotion of domestic tourism to remain a positive for all hotel companies especially those present in key spiritual and leisure spots (Indian Hotels - present in >50 spiritual spots with >60 properties including IndiGo and OTAs etc).

Appendix

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Compliance officer: Deepak Kedia, email id: deepakkedia@rathi.com, Contact no. +91 22 6281 7000. **Grievance officer:** Madhu Jain, email id: grievance@rathi.com, Contact no. +91 22 6281 7191

ARSSBL registered address: Express Zone, A Wing, 10th Floor, Western Express Highway, Diagonally Opposite Oberoi Mall, Malad (E), Mumbai – 400097.

Tel No: +91 22 6281 7000 | Fax No: +91 22 4001 3770 | CIN: U67120MH1991PLC064106.