Union BUDGET 2026-2027

Analysis and Insights

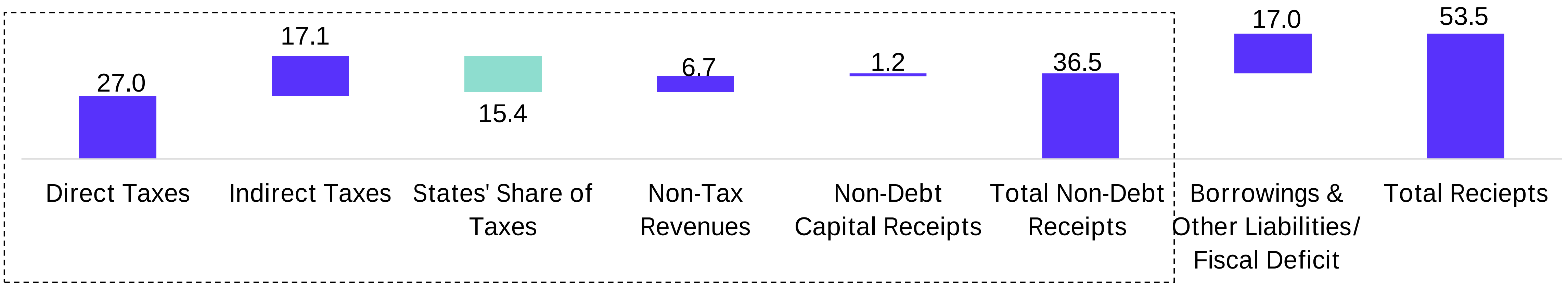
Budget Breakdown

Budget Highlights:

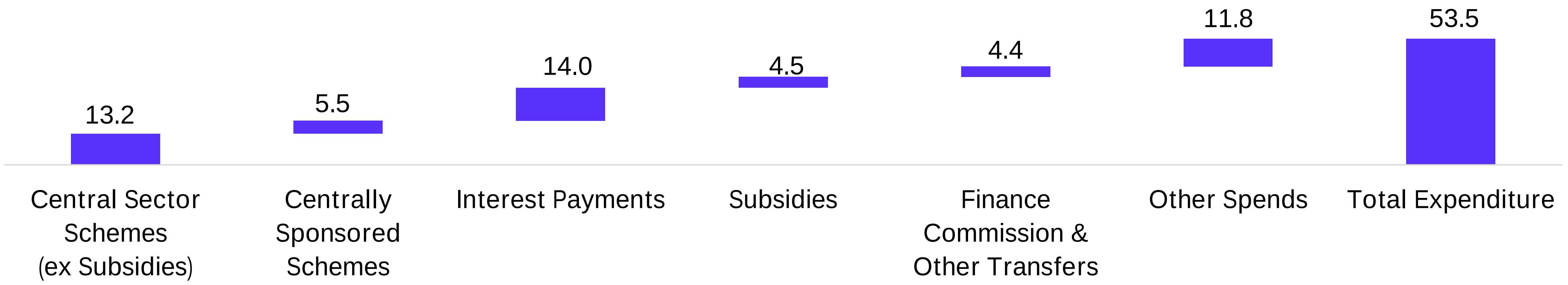
- Multiple announcements around scaling up manufacturing in 7 strategic sectors – Pharma, Semiconductor, Electronic Component Manufacturing, Rare Earth Magnets, Chemicals, Capital Goods, and Textiles
- Support to SMEs through dedicated funds and strengthened TReDS—mandating CPSE purchases, providing CGTMSE credit guarantees, linking GeM for faster financing, and enabling securitisation of TReDS receivables
- Infrastructure push for Tier II–III cities, alongside Infrastructure Risk Guarantee Fund, REITs for CPSE assets, expanded cargo corridors and waterways, and seaplanes to boost last-mile connectivity and tourism
- Focus on the corporate bond market by introducing a market-making framework, enabling total return swaps, and promoting municipal bond issuance through incentives
- Reduction in TCS on education, medical expenses under LRS, and overseas tours, along with an increase in IT services safe harbour threshold from Rs 3 bn to Rs 20 bn at 15.5% margin
- Initiatives to attract global business, including tax holidays for cloud service providers, 15% safe harbour for related entities, and 2% profit margin safe harbour for bonded warehouses
- Buyback to be taxed as capital gains, with promoters to pay an additional buyback tax
- STT on futures raised to 0.05%, and on options (premium and exercise) increased to 0.15%
- Reduction in customs duties on selected inputs for marine, leather, textile, nuclear power, civil and defence aviation, and electronics sectors, along with measures to streamline customs procedures
- Share of tax devolution to states retained at 41% as per the recommendation of the 16th Finance Commission

FY27 Budget Snapshot

Budgeted Receipts (Rs Tn)



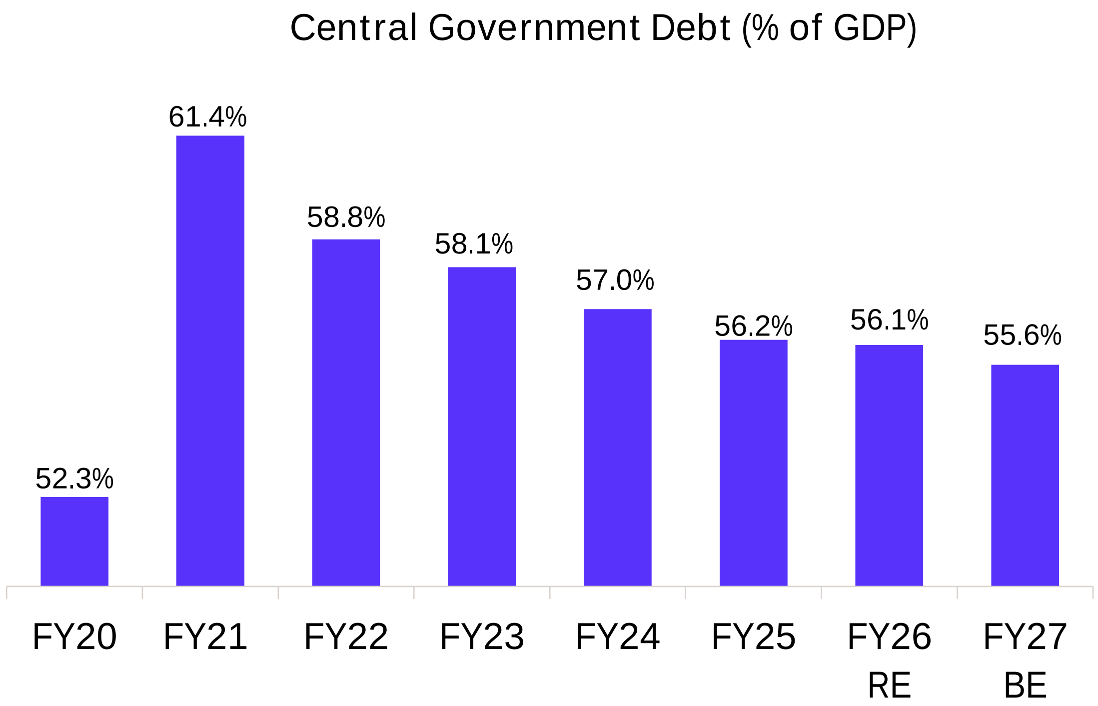
Budgeted Expenditure (Rs Tn)

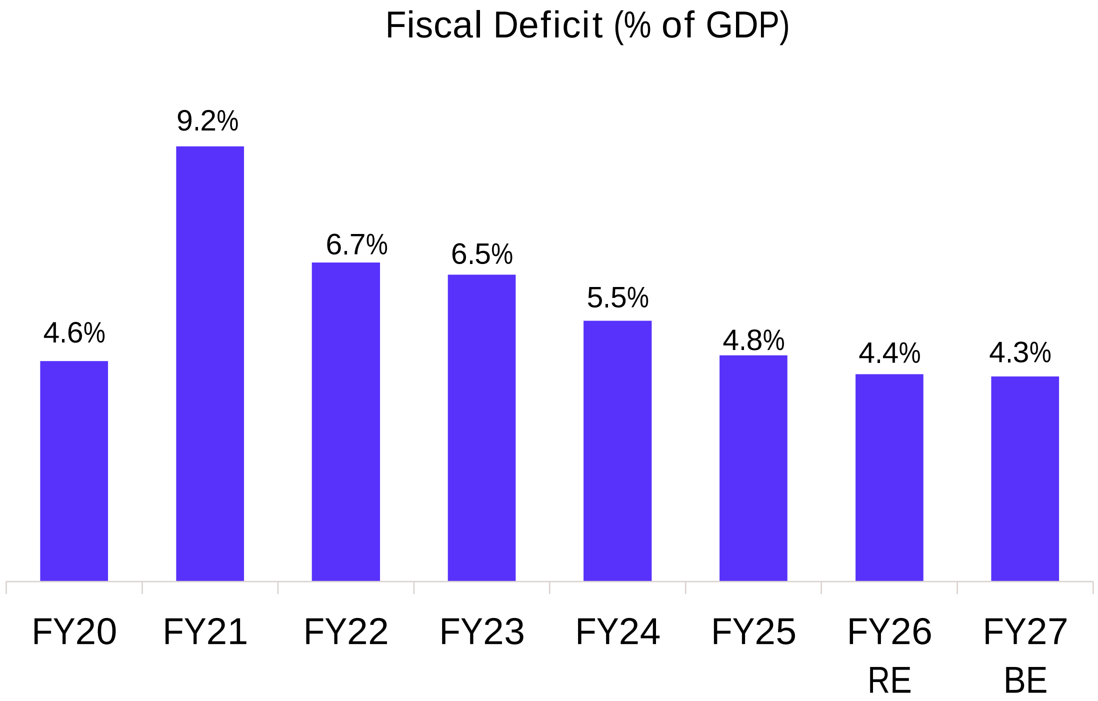


Source: Budget documents, CMIE, 360 ONE Asset Research

Note: States' share of taxes also includes NCCD transferred to the NCCF/NDRF

Does the budget stick to the fiscal consolidation path?





- The government aims to bring down the central debt-to-GDP ratio to 50%±1% by FY31
- The government targets a debt-to-GDP ratio of 55.6 in FY27BE, down from 56.1 in FY26RE
- This would entail a 10-bps reduction in the fiscal deficit to 4.3% of GDP in FY27BE from 4.4% in FY26RE

Source: Budget documents, CMIE, 360 ONE Asset Research

Note – RE: Revised Estimates, BE: Budget Estimates

How realistic are the budget calculations?

Major Heads	Rs Tn				% YoY			
	FY24 A	FY25 A	FY26 RE	FY27 BE	FY24 A	FY25 A	FY26 RE	FY27 BE
GDP (Nominal)	301.2	330.7	357.1	393.0	12.0%	9.8%	8.0%	10.0%
Tax Revenue (Net to Centre)	23.3	25.0	26.7	28.7	10.9%	7.4%	7.0%	7.2%
Non-Tax Revenue	4.0	5.4	6.7	6.7	40.8%	33.5%	24.4%	-0.2%
Disinvestments & Others	0.6	0.4	0.6	1.2	-17.2%	-30.0%	53.1%	84.9%
Total Receipts	27.9	30.8	34.1	36.5	13.6%	10.4%	10.7%	7.2%
Revenue Expenditure	34.9	36.0	38.7	41.3	1.2%	3.1%	7.4%	6.6%
Capital Expenditure	9.5	10.5	11.0	12.2	28.3%	10.8%	4.2%	11.5%
Total Expenditure	44.4	46.5	49.6	53.5	6.0%	4.7%	6.7%	7.7%
Fiscal Deficit	16.5	15.7	15.6	17.0	-4.8%	-4.8%	-1.0%	8.8%

- The budget projects a realistic nominal GDP growth of 10% YoY for FY27
- The projections for tax revenue (net to centre) and non-tax revenue are also credible
- However, non-debt capital receipts (disinvestment and others) may be challenging to achieve

Source: Budget documents, CMIE, 360 ONE Asset Research

Note – A: Actual, RE: Revised Estimates, BE: Budget Estimates

How will the fiscal deficit be financed? What are the implications for the debt market?

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Deficit Financing	Rs Tn				% share of total financing			
	FY24 A	FY25 A	FY26 RE	FY27 BE	FY24 A	FY25 A	FY26 RE	FY27 BE
Fiscal Deficit	16.5	15.7	15.6	17.0				
Financing of Deficit								
Net Borrowings (incl. Short term)	12.3	9.1	10.4	13.0	74%	58%	67%	77%
Small Savings	4.5	4.3	3.7	3.9	27%	27%	24%	23%
State PF's	0.1	0.0	0.0	0.0	0%	0%	0%	0%
Others	-0.9	1.8	0.8	-0.5	-5%	11%	5%	-3%
External Assistance	0.6	0.5	0.2	0.2	3%	3%	1%	1%
Cash Drawdown	0.0	0.0	0.5	0.3	0%	0%	3%	2%

- Borrowings account for 77% of total deficit financing in FY27, higher than the 67% share in the revised estimates for FY26
- The government plans to draw down Rs 0.5 tn of cash balance in FY26 and Rs 0.3 tn in FY27 to fund the deficit
- Outflow in 'others' head in FY27 driven by higher net disbursement under the 'Public Account' head (includes National Small Savings and other reserve fund)
- The FY27 borrowing figures are significantly higher than market expectations and are likely to keep the yields elevated

Source: Budget documents, CMIE, 360 ONE Asset Research

Note – A: Actual, RE: Revised Estimates, BE: Budget Estimates

Will the government be able to achieve the targeted tax revenues?

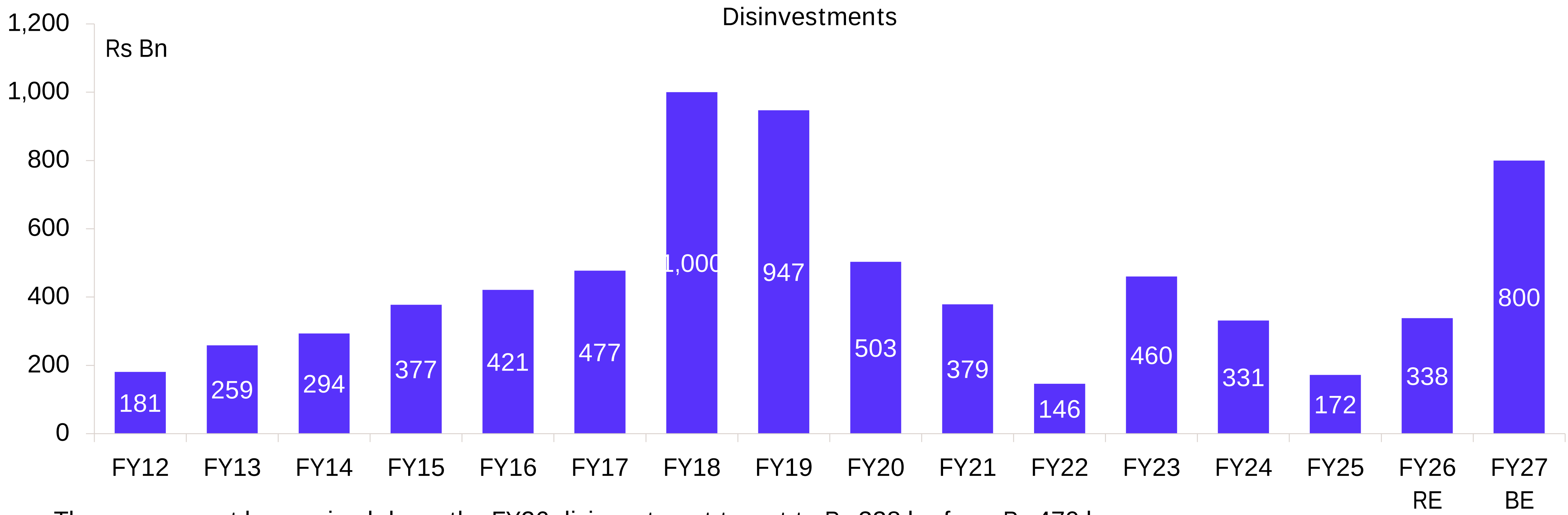
Tax Revenue Heads	Rs Tn				% YoY			
	FY24	FY25	FY26	FY27	FY24	FY25	FY26	FY27
	A	A	RE	BE	A	A	RE	BE
Gross Tax Revenue	34.7	38.0	40.8	44.0	13.5%	9.5%	7.4%	8.0%
Income	10.8	12.4	13.1	14.7	25.7%	14.5%	6.2%	11.7%
Corporation	9.1	9.9	11.1	12.3	10.3%	8.3%	12.4%	11.0%
Excise	3.1	3.0	3.4	3.9	-4.3%	-1.7%	12.1%	15.6%
Customs	2.3	2.3	2.6	2.7	9.3%	0.0%	10.8%	5.0%
Central GST	8.2	9.1	9.6	10.2	14.2%	10.8%	5.4%	6.3%
Compensation Cess	1.4	1.5	0.9	0.0	12.4%	6.5%	-41.6%	-100.0%
Direct Tax	19.9	22.2	24.2	27.0	18.1%	11.7%	9.0%	11.4%
Indirect Tax	14.8	15.7	16.6	17.1	7.7%	6.7%	5.2%	3.0%
Tax Revenue (Net to Centre)	23.3	25.0	26.7	28.7	10.9%	7.4%	7.0%	7.2%

- As per the accepted recommendations of the 16th Finance Commission, the states' share has been retained at 41% of the net proceeds of shareable central taxes; Tax revenue (net to the Centre) is calculated after the devolution of the states' share of taxes
- Income tax and corporation tax growth targets are realistic under the assumption of 10% nominal GDP growth
- Compensation cess collections are lower in FY26 because it was removed from various commodities following GST rationalisation and will cease to exist from 1st February 2026
- Healthy excise growth on account of higher duties on tobacco products following the removal of the compensation cess

Source: Budget documents, CMIE, 360 ONE Asset Research

Note – A: Actual, RE: Revised Estimates, BE: Budget Estimates

What is the disinvestment target for FY27?



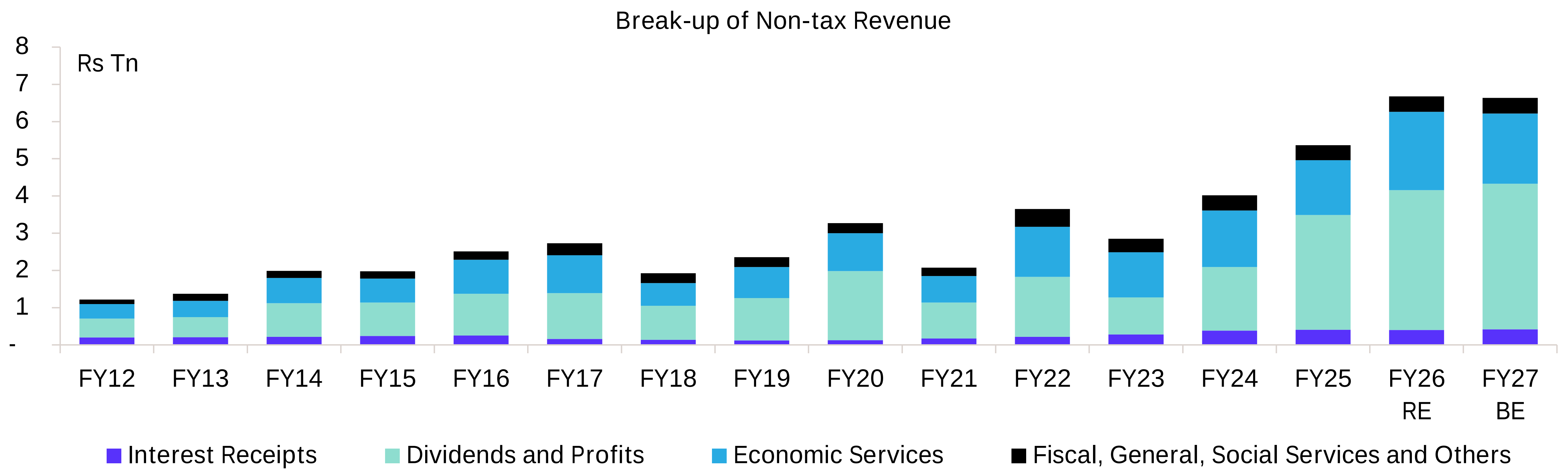
- The government has revised down the FY26 disinvestment target to Rs 338 bn from Rs 470 bn
- The FY27 disinvestment target has been set at an ambitious Rs 800 bn in the budget; however, achieving this may be challenging, given the consistent failure in meeting previous disinvestment targets

Note: Disinvestments may include other heads like proceeds from monetization of national highways

Source: Budget documents, CMIE, 360 ONE Asset Research

Note – RE: Revised Estimates, BE: Budget Estimates

What is the breakdown of non-tax revenues?



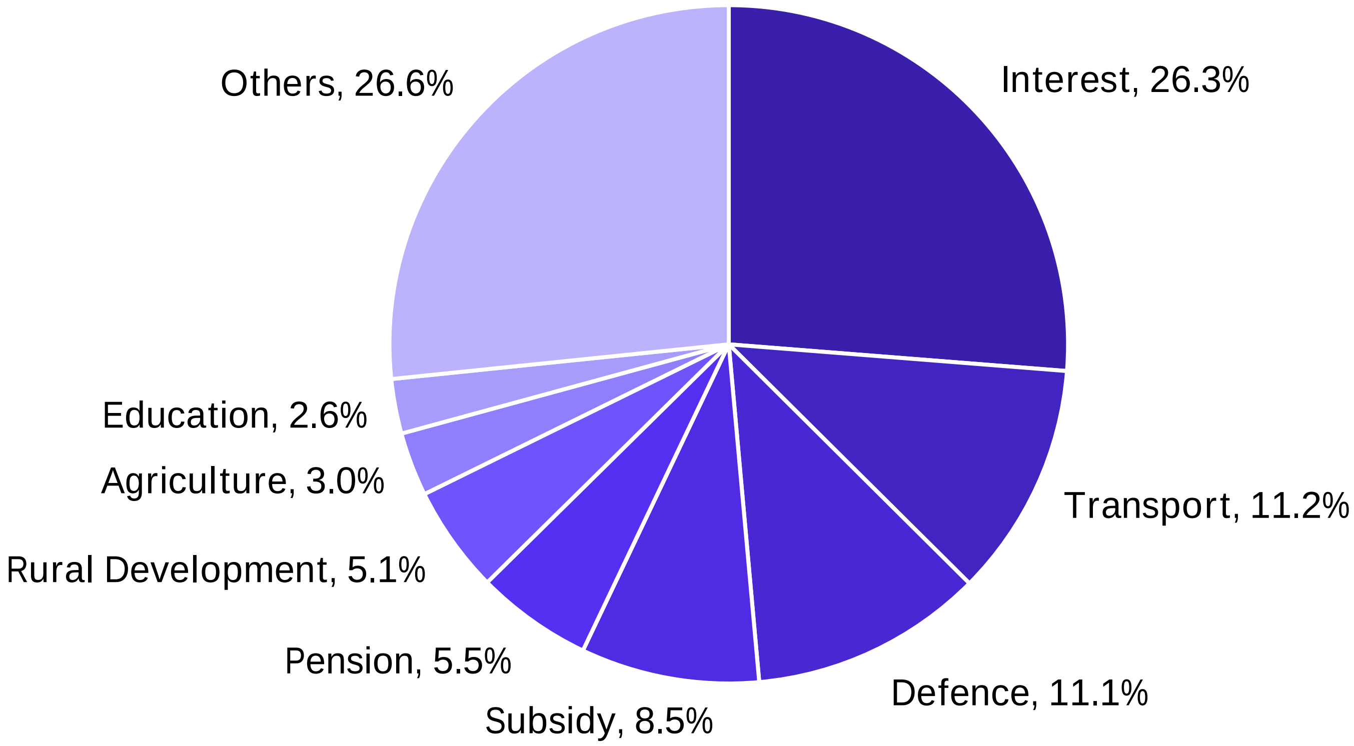
- Dividends from **'RBI** and other financial **institutions'** are expected to remain robust at Rs 3.9 tn in FY27BE, largely driven by dividends from the RBI
- Economic services include spectrum usage charges, telecommunication licence fees and Universal Access Levy (UAL)

Source: Budget documents, CMIE, 360 ONE Asset Research

Note – RE: Revised Estimates, BE: Budget Estimates

How is the budget expenditure distributed among key heads?

Share of Various Heads in Total Expenditure – Budget FY27



- Interest, subsidies, and pensions together account for nearly 40% of the total expenditure

Source: Budget documents, 360 ONE Asset Research

Has the quality of budgetary expenditure improved?

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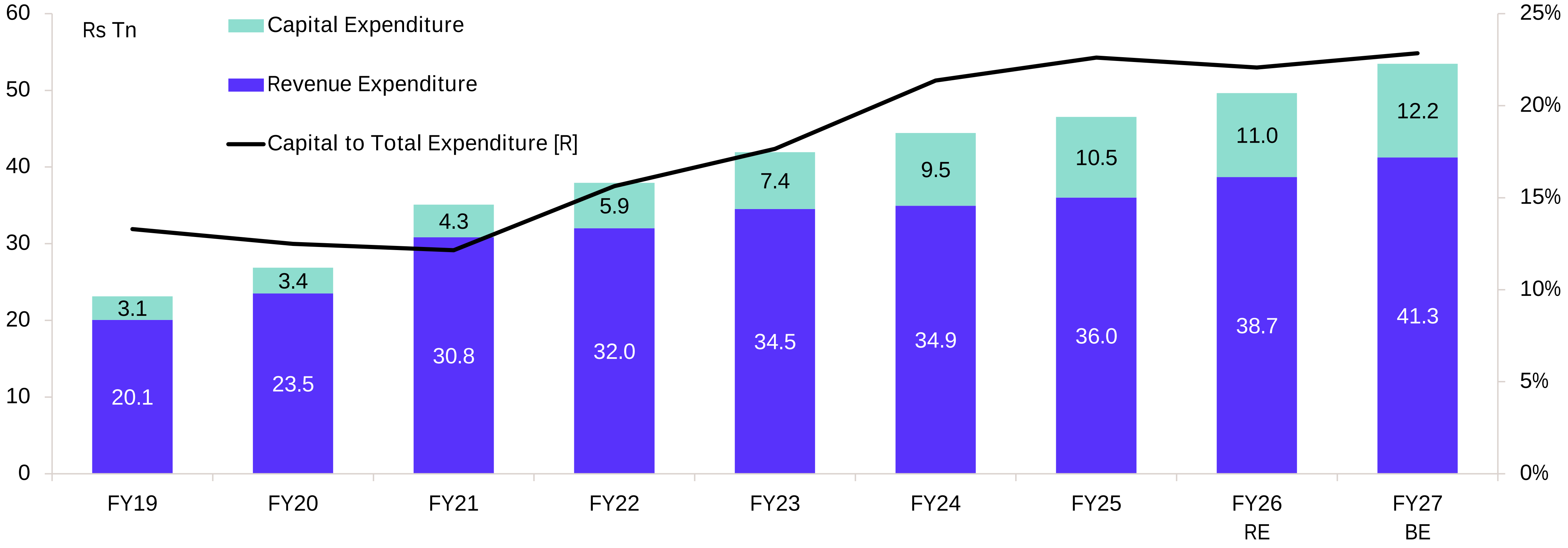


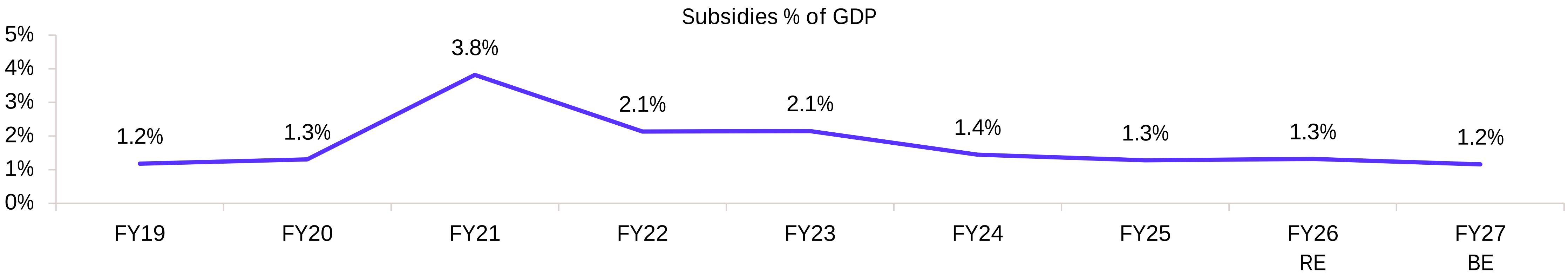
- The quality of spending improves, as the ratio of capital to total expenditure rises marginally to 23% in FY27BE from 22% in FY26RE

Source: Budget documents, CMIE, 360 ONE Asset Research

Note – RE: Revised Estimates, BE: Budget Estimates

How much is the subsidy outgo in Budget FY27?

Subsidies Expenditure	Rs Tn				% YoY			
	FY24 A	FY25 A	FY26 RE	FY27 BE	FY24 A	FY25 A	FY26 RE	FY27 BE
Subsidies	4.3	4.2	4.7	4.5	-24.7%	-2.8%	11.1%	-3.1%
o/w Food	2.1	2.0	2.3	2.3	-22.4%	-5.6%	14.2%	-0.2%
Fertilizer	1.9	1.7	1.9	1.7	-25.1%	-9.4%	9.2%	-8.4%
Petroleum	0.1	0.1	0.2	0.1	79.5%	18.3%	4.4%	-20.1%



- Subsidy expenditure is expected to be lower at Rs 4.5 tn in FY27BE, down from Rs 4.7 tn in FY26RE
- Petroleum subsidies are projected to decrease by 20% YoY, and fertiliser subsidies by 8.4% in FY27BE

Source: Budget documents, CMIE, 360 ONE Asset Research

Note – A: Actual, RE: Revised Estimates, BE: Budget Estimates

What are the key capital expenditure heads?

Capital Expenditure Major Heads	Rs Tn				% YoY			
	FY24 A	FY25 A	FY26 RE	FY27 BE	FY24 A	FY25 A	FY26 RE	FY27 BE
Capital Expenditure	9.5	10.5	11.0	12.2	28.3%	10.8%	4.2%	11.5%
o/w: Capital Outlay on Defence Services	1.5	1.6	1.9	2.2	7.9%	3.6%	16.7%	17.6%
Road Transport and Highways	2.6	2.9	2.7	2.9	28.1%	8.1%	-4.7%	8.1%
Railways	2.4	2.5	2.5	2.8	52.3%	3.9%	0.0%	10.3%
Transfers to States	1.2	1.7	1.7	2.3	32.5%	34.9%	5.6%	29.4%
Urban Development	0.3	0.3	0.3	0.3	-1.6%	19.6%	4.3%	5.5%
Police	0.1	0.1	0.2	0.2	18.7%	18.7%	38.6%	32.8%
Telecommmunications	0.6	0.7	0.2	0.5	8.5%	24.4%	-67.6%	97.7%
Economic Affairs	0.1	0.1	0.7	0.2	254.8%	80.9%	604.4%	-77.0%

- Capital outlay on defence witnesses a healthy growth rate of 16.7% YoY and 17.6% YoY in FY26RE and FY27BE, respectively
- Roads and railways capex showed limited growth in FY26RE, but the budget sets a moderate growth target for FY27BE
- ‘Transfers to states’ include 50-year, interest-free loans to states for capital expenditure

Source: Budget documents, CMIE, 360 ONE Asset Research

Note – A: Actual, RE: Revised Estimates, BE: Budget Estimates

Sectoral Impact & Conclusion

What is the impact on GCCs and IT services?

Budget Proposals	Implications	Net impact
Global Capability Centers for IT services		
• IT and ER&D services are proposed to be clubbed under a single category with a common safe harbour margin of 15.5% • The threshold for availing safe harbour for IT services is being enhanced substantially from Rs 3bn to Rs 20bn.	• Positive for GCCs, as transfer pricing margins for GCCs will be standardised. Moreover, increasing the safe harbour limit to Rs 20bn (vs. Rs 3bn) meaningfully expands the pool of GCCs covered. • The majority of listed IT services companies already operate margins of more than 15.5% baring a few mid-tier companies. Hence, no material implications on the listed IT companies.	
IT Services		
• Buyback tax - Tax on buybacks for all types of shareholders shall be treated as Capital Gains. However, promoters will pay an additional buyback tax. This will make effective tax 22% for corporate promoters. For noncorporate promoters the effective tax will be 30%.	• Positive for companies that have high cash levels, providing a tax-effective way of distributing cash to shareholders with a tax arbitrage in favour of buybacks vs dividends. • Although promoters, including individuals, will incur additional tax, the effective tax rate after the additional levy remains below the marginal tax rate, thereby continuing to incentivise promoters	

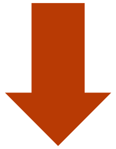
Source: Budget documents, 360 ONE Asset Research

What is the impact on data centre and manpower services?

Budget Proposals	Implications	Net impact
Data center services		
• A tax holiday till 2047 to any foreign company that provides cloud services to customers globally by using data centre services from India. • However, the company will need to provide services to Indian customers through an Indian reseller entity. • Safe harbour of 15% on cost in case the company providing data centre services from India is a related entity.	• Positive for data centre capex in India from both colocation service providers and hyperscalers. • Tax holidays provided to foreign hyperscalers will enable them to use more data centre services from Indian colocation providers. • The safe harbour of 15% on costs is positive for global hyperscalers for direct capex investment to build datacentres in India.	
Manpower services		
• TDS on supply of manpower services to be at the rate of either 1% or 2%	• TDS on the supply of manpower services is positive for compliant staffing companies. Over the past two years, several measures—including the employment-linked incentive scheme, labour code reforms, and TDS on manpower services—have been introduced.	

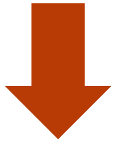
Source: Budget documents, 360 ONE Asset Research

What is the impact on banks and NBFCs?

Budget Proposals	Implications	Net impact
Banks and NBFCs		
• A high-level committee will be formed to comprehensively review the sector and align it with India's next phase of growth.	• These will point to structural reforms, and we expect certain announcements in due course. However, the widely anticipated consolidation in PSU banks and the increase in FII ownership have not come through.	
• Higher support for the MSME sector and push for infrastructure via budgetary allocations and credit guarantee fees.	• Positive for credit flow to these segments and the overall asset quality scenario	
• Vision for GOI owned NBFCs would be outlined with a clear target on disbursement and technology. Restructuring of major NBFCs; tech & credit targets. PFC and REC will be restructured.	• While the details need to be examined, the budget recognizes the importance of NBFCs and their scalability. The restructuring should aim for larger scale and a stronger role in infrastructure credit	
• Higher than expected gross market borrowings by GOI of Rs 17.2tr.	• Negative for bond yields which in turn impacts the treasury profits.	

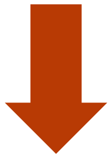
Source: Budget documents, 360 ONE Asset Research

What is the impact on capital markets and payment companies?

Budget Proposals	Implications	Net impact
Capital Markets		
• STT increased on Futures from 0.02% to 0.05% • STT increased on Options from 0.10% to 0.15% • Buybacks to be taxed as capital gains for all categories of shareholders as against earlier marginal tax rate.	• Increased transaction costs for proprietary traders and high-frequency participants; likely to moderate volumes. • Improves tax efficiency for shareholders, making buybacks more attractive as a capital allocation tool.	 
Payments		
• UPI incentive for FY26 raised from Rs 4.37 bn to Rs 22 bn. FY27 incentive allocation of Rs 20 bn.	• Higher UPI incentives provides near term revenue support and cost offset for all players in the value chain under the zero-MDR regime. Sustained allocation signals policy commitment to UPI scale-up.	

Source: Budget documents, 360 ONE Asset Research

What is the impact on cement and building materials?

Budget Proposals	Implications	Net impact
Cement and Building Materials		
• Total PMAY allocation (Urban + Rural + Urban 2.0) decreased 2% vs FY26BE to Rs 765 billion, with rural allocation remaining unchanged at Rs 549 billion while urban saw reduction by ~7%. • Budget allocation to Road Transport and Highways at Rs 3099 billion vs Rs 2873 billion in FY26BE up by 8%. (Rural road development allocation maintained at Rs 190 billion)	• The non-trade segment cement demand outlook appears subdued. While road transport and highway allocation has increased by 8%, this is offset by a 2% decrease in PMAY funding and reduced allocations for irrigation and river linking projects, leading to an expectation of overall slower demand.	
• Lower allocation towards river linking projects, irrigation projects	• The government's focus on water supply under the Jal Jeevan Mission continues to support demand for PVC, HDPE, and DI pipes during project execution	
• Jal Jeevan Mission received a healthy allocation of Rs 677 billion.	• University townships, Girls' hostel in every district, development of archaeological & pilgrimage sites and development of hiking and trail sites bodes well for overall cement and building materials demand	

Source: Budget documents, 360 ONE Asset Research

What is the impact on the metals & mining sector and healthcare?

Budget Proposals	Implications	Net impact
Metals and Mining		
• Thrust on critical minerals: (1) Custom duty exemption for capital goods required for processing of critical minerals; (2) Expansion of critical minerals list and incentivizing more exploration. • Jal Jeevan Mission budgetary allocation increased vs FY26RE	• This is more focused on processing than mining, of critical minerals. Neutral impact. • After a sharp downward revision in FY26RE, FY27 allocation has been increased to initial FY26 levels which is positive for steel pipe companies.	↔
Healthcare		
• Biopharma SHAKTI – to develop India as a global biopharma manufacturing hub with an outlay of INR 100bn over 5 years. The proposal also entails creation of 1000 clinical trial sites. • Create 5 regional hubs for Medical Value Tourism. • Addition of 100K allied health professionals in 10 selected disciplines. • Budgetary allocations reduced for Jan Aushadhi, modest increase in CGHS and increase in PLI.	• Will benefit Indian pharma companies. Thrust on biologics/ biosimilars, addition of clinical trial sites augurs well for innovation and CRO/CDMO companies. • This will particularly benefit large corporate hospitals as it will attract more international patients. • This will again benefit hospitals. • The decrease in Jan Aushadhi budget is a positive for domestic branded generic companies. Modest increase in CGHS is despite price hikes. PLI scheme increase is positive for eligible companies.	↑

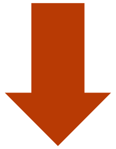
Source: Budget documents, 360 ONE Asset Research

What is the impact on consumer companies?

Budget Proposals	Implications	Net impact
Consumer Durables		
• PMKUSUM – FY26 BE was Rs 26bn while FY26RE is Rs 50bn. FY27BE is Rs 50bn (flat YoY vs FY26RE). • Solar Rooftop scheme – FY26 BE was Rs 200bn while FY26RE is Rs 170bn. FY27BE is Rs 220bn (+29% YoY vs FY26RE). • Waived custom duty on import of basic component for microwaves and oven manufacturing.	• Both the schemes bodes well for some of the consumer durable companies who are expanding their revenue streams by incrementally focusing on solar rooftop as well as solar pump business. • Benefits consumer durable companies manufacturing microwave ovens through lower input cost.	
Consumer Staples		
• Announced an increase in allocations for rural employment under the Viksit Bharat Guarantee for Rozgar and Ajeevika Mission (Gramin), amounting to Rs 956bn. However, the allocation for MGNREGA has been reduced sharply from Rs 880bn to Rs 300bn.	• On a combined basis, total budgetary support for rural employment rises to Rs 1,256bn, representing a 42% increase over the earlier MGNREGA allocation of Rs 880bn. We believe this enhanced outlay should help revive consumption, especially, at the bottom of the pyramid.	

Source: Budget documents, 360 ONE Asset Research

What is the impact on the tobacco and textile sectors?

Budget Proposals	Implications	Net impact
Excise duty and NCCD on Cigarette		
• There was no specific announcement on tobacco taxes in the budget. There were some expectations that NCCD may see a change or even discontinuation, but there has been no change.	• This would mean that the tax hike on cigarettes announced earlier (31st Dec-25) will be effective from tonight (2-Feb). Cigarette companies will need to take a sharp price hike (range of 30-40%) which might impact the volumes and/or margin for cigarette manufacturers.	
Textiles		
• Allocation of Rs 15bn focusing on self-reliance, cluster modernisation, sustainable products, and upskilling, along with a proposal for Mega Textile Parks for value addition in technical textiles.	• This should be a mild positive for textile stocks.	

Source: Budget documents, 360 ONE Asset Research

What is the impact on the automobile and auto ancillary sectors?

Budget Proposals	Implications	Net impact
Automobile and Auto Ancillary		
• Auto & Components PLI outlay increased to Rs 59.4 billion from Rs. 20.91 billion	• PLI surge signals favorable government backing for EV manufacturing localization, incentivizing large-scale capacity expansion by OEMs and suppliers.	
• PM E-Drive outlay increased to Rs 15 billion from Rs 13 billion	• PM E-Drive provides immediate demand visibility through e-bus procurement and charging infrastructure deployment, creating a dual support mechanism.	
• Public capital expenditure increased to Rs 12.2 trillion from Rs.11.2 trillion	• Infrastructure-led growth remains the strongest pillar for auto sector, with sustained capex driving demand especially for commercial vehicles and construction equipment.	
• Extension of Basic Customs Duty (BCD) exemption on capital goods for lithium-ion cell manufacturing (Now includes BEES Manufacturing equipment)	• Lowers gigafactory capex, enables cost-competitive domestic production, and reduces China dependency. BESS inclusion creates scale economies, driving structural decline in per-kWh battery costs	

Source: Budget documents, 360 ONE Asset Research

What is the impact on the automobile and auto ancillary sectors?

Budget Proposals	Implications	Net impact
Automobile and Auto Ancillary		
• Semiconductor mission 2.0 (400 bn outlay) & Rare Earth Corridors – Technology Self-Reliance	• Addresses supply chain. Domestic semiconductor fabrication eliminates 6-9 months lead times and geopolitical risks, while REPM corridors ensure reliable supply for EV motors & electronics, enhancing global competitiveness.	
• Mandatory phased blending of Compressed Biogas (CBG) in CNG and PNG	• CBG blending (20-30% without engine modifications) extends CNG viability across India's 4.5 million vehicle fleet, reducing natural gas import dependency while providing fuel cost stability. This technology-agnostic approach positions CNG as a bridging solution during EV transition, while creating rural employment through waste-to-energy infrastructure	

Source: Budget documents, 360 ONE Asset Research

What is the impact on infrastructure?

Budget Proposals	Implications	Net impact
Infrastructure		
• Capex target for FY27: Raised to Rs 12.2 trillion up 8.9% from FY26BE (Rs 11.2 trillion) and 11.5% from FY26RE (Rs 10.96 trillion). This falls slightly short of market expectations (~9-10% growth). Capex remains at 3.1% of GDP, similar to FY26. • Electronic components manufacturing scheme 2.0 – Outlay increased from Rs 0.23 trillion to Rs 0.4 trillion to encourage full stack Indian IP, fortify supply chains and build R&D centers. • 7 high speed rail corridors announced to connect financial centers, technology hubs, and manufacturing clusters • Carbon capture utilization and storage – Announced a Rs 0.2 trillion fund for critical sectors like power, steel, refinery and chemical	• Higher allocation towards Defence (up 17.7%), railways (up 10% YoY) and roads (up 8% YoY) positive for the companies in the respective sectors • Electronics sector – policy announcement favors OSAT players and companies venturing into electronics components and backward integration. • No announcements on PLI for nuclear and solar wafer manufacturing and discom privatisation were the key negatives	

Source: Budget documents, 360 ONE Asset Research

What is the impact on telecom and logistics?

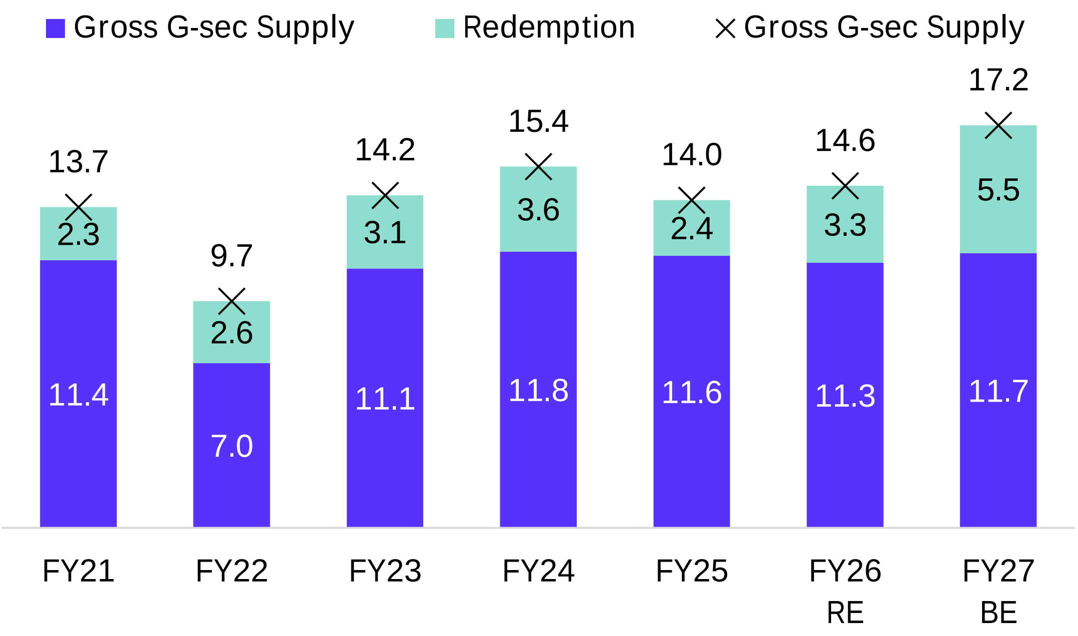
Budget Proposals	Implications	Net impact
Telecom		
• Data Center Tax Holiday - Foreign cloud providers using Indian data centers to get tax exemption till 2047	• Increased cloud services will drive higher data traffic and enterprise connectivity demand (fiber, MPLS, SD-WAN), benefiting telecom operators. Telecom operators owning data center facilities can benefit from colocation fees from foreign cloud providers, while distributed cloud infrastructure creates edge computing and international bandwidth opportunities.	
Logistics		
• Establish new Dedicated Freight Corridors connecting Dankuni in the East, to Surat in the West.	• Long term positive for rail containerized logistics companies. However, execution cycle maybe long and hence near to medium term impact is neutral.	

Source: Budget documents, 360 ONE Asset Research

Conclusion: The budget focuses on targeted reforms over big-ticket announcements

- **Budget sets realistic target for GDP growth and revenue collections** – The government has broadly presented realistic estimates, except perhaps for the disinvestment target. However, downside risks to revenue collections exist if nominal GDP growth disappoints.
- **Pace of capital expenditure maintained** – The budget maintains capital expenditure at 3.1% of GDP for FY27, with a healthy increase in defence allocation. Roads, railways, and loans to states also witness a pickup in growth.
- **Commitment to fiscal consolidation commendable** – The fiscal deficit target has been reduced to 4.3% of GDP in FY27BE from 4.4% in FY26RE. Debt-to-GDP ratio projected to reduce to 55.6 from 56.1 during the same period.
- **Budget focuses on reviving manufacturing** – Multiple announcements across strategic and frontier sectors aimed at boosting domestic manufacturing. Customs duty reductions and exemptions for key inputs are also aimed at supporting domestic manufacturing.
- **Borrowing figures to weigh on the debt market** – Borrowings for FY27 are significantly higher than market expectations and are likely to push yields higher. RBI's liquidity measures and rate-cut expectations will now be the key drivers of the debt market.

G-sec Supply (Rs Tn)



Source: Budget documents, 360 ONE Asset Research

Note – RE: Revised Estimates, BE: Budget Estimates

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