UNION BUDGET 2025-26

Post-Budget Analysis and Stock Ideas

AXIS SECURITIES

Consumption Bonanza – Delivering Growing Aspirations of Masses!

The Union Budget 2025-26 was presented today by the finance minister Nirmala Sitharaman. The expectations from the Budget were reasonably high as the Indian economy was facing signs of moderation in economic growth during H1FY25 due to a reduction in government spending, credit tightening in unsecured lending, consumption slowdown (especially in the urban areas), extended monsoon, and inflation. The biggest expectation from the finance minister was to spur economic consumption. We believe the finance minister has laid the foundation for consumption growth in the economy by giving landmark tax rebates for individuals with income up to Rs 12 Lc, thereby providing a significant boost to the masses. The fiscal deficit for FY25 is now revised to 4.8%, 10bps lower than the projected number and is set at 4.4% for FY26. Overall, we believe the Union Budget has played a balancing act to maintain fiscal discipline and support a consumption-led demand in the economy.

The past decade was defined by development-focused schemes, with the construction of roads, bridges, metro systems, and other infrastructure projects serving as benchmarks for the ruling party's success. However, the capacity creation phase has had its own set of challenges that resulted in lower allocation to social schemes. Now, with this budget further strengthening, the focus is given towards rural, masses, and the middle class for spurring consumption, indicating a shift in the economic regime. Consumption-led growth will have a cascading effect on the economy and provide a much-needed boost to the private capex, which has been sluggish for several years. This is expected to positively impact consumption-related stocks, while some moderation is anticipated in capex-related stocks.

Our Key Takeaways from the Union Budget are as follows:

Consumption Booster for the Middle Class: The Finance Minister has provided a consumption boost to the middle class by implementing a transformational reform in the tax structure, offering rebates for individuals with incomes up to Rs 12 Lc under the new regime. We believe that individuals in the Rs 12 Lc salary bracket will save approximately Rs 83,000 per year, translating to savings of around Rs 7,000 per month. This is expected to benefit the middle class. Urban consumption, which has been sluggish for multiple quarters, is likely to see a revival in the coming quarters. Sectors such as Retail, FMCG, QSR, Automobiles, and Travel & Tourism are expected to be the key beneficiaries.

Continued Thrust on CAPEX: The CAPEX spending in FY25 was sluggish due to the election year. The revised estimate for FY25 CAPEX spending was Rs 10.18 Lc Cr vs the Budget estimates of Rs 11.1 Lc Cr. For FY26, the government has set the CAPEX target of Rs 11.2 Lc Cr, a growth of 10% over the revised estimates. We believe these CAPEX estimates are reasonable and align with the nominal GDP growth rate of 10.1% for FY26. Its unwavering focus remains on Roads, Power, Urban Development, and Railways, sectors that are expected to drive significant long-term economic multipliers.

Fiscal Math Reasonable: Nominal GDP growth for FY26 is projected at Rs 356.97 Lc Cr, reflecting a robust increase of 10.1% from the revised FY25 figure of 324.11 Lc Cr. The government has set the fiscal deficit target at 4.4% for FY26, demonstrating fiscal prudence in the coming financial year, even with the landmark tax rebate for individuals with incomes up to Rs 12 Lc.

Significant Push for Rural and Skill Development: The budget's emphasis on Rural Development and Agriculture & Allied Activities, with a total outlay of Rs 2.66 Lc Cr and Rs 1.71 Lc Cr, respectively, is likely to benefit sectors such as Auto, FMCG, Fertilizer, and other rural-oriented industries moving forward. Additionally, the budget will indirectly support the rural sector through infrastructure improvements, tourism, fisheries, and skill development initiatives.

Our Positive Budget Play (Coverage): Ultratech Cement; Maruti; Hero Motocorp; Trent; Westlife Food; Avenue Supermart; Bajaj Finance; Prestige Estate; Indian Hotels

Our Positive Budget Play (Non-Coverage): Macrotech Developers (Real Estate play); Allied Blenders (Consumption Play); Metro Brands (Footwear Play); Exide industries (Support towards Green Mobility play); Thomas Cook (Travel & Tourism play)

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Key Highlights

Key Announcements

- FY25-26 Capex target stands at 11.2 Lc Cr, marginally up from the FY24-25 Capex level of 11.1 Lc Cr
- An outlay of Rs 1.5 Lc Cr is proposed for the 50-year interest-free loans to states for capital expenditure and incentives for reforms.
- A modified UDAN scheme will be launched to enhance regional connectivity to 120 new destinations and carry 4 Cr passengers in the next 10 years.
- The FDI limit for the insurance sector will be raised from 74 to 100%
- In this Budget, the government has announced that there will be **no income tax payable up to the income of Rs 12 Lc** (i.e., an average income of Rs 1 Lc per month other than special rate income such as capital gains) under the new regime.

Fiscal Outlook

- Nominal GDP growth for FY26 is pegged at Rs 357 Lc Cr, up 10.1% over the FY25 revised number.
- Total expenditure for FY26 is budgeted at Rs 50.65 Lc Cr, up 7.4% from the FY25RE.
- **Gross revenue collection is expected to grow at 10.8% in FY26. The expectations are likely to be met.**
- The government is on the right track of fiscal consolidation path with a target of 4.4% for FY26.
- The gross borrowing target for the next year is set at Rs 15.68 Lc Cr.

Specific Areas

- The government will support Clean Tech manufacturing to improve domestic value-addition, create jobs, and build our ecosystem for solar PV cells, EV batteries, motors & controllers, wind turbines, very high voltage transmission equipment, and grid-scale batteries
- Broadband connectivity (Bharat Net) will be provided to all government secondary schools and primary health centres in rural areas.
- The government will arrange for Gig workers' identity cards and registration on the e-Shram portal. Gig workers will be provided healthcare under PM Jan Arogya Yojana. This measure is likely to assist nearly 1 Cr gig-workers

Macro Picture

UNION BUDGET 2025-26

Fiscal Account FY25-26: Revenue Receipt

In Cr	2023-24 Actuals	2024-25 Budget Estimates	2024-25 Revised Estimates	2025-26 Budget Estimates
Gross Tax Revenue	34,65,519	38,40,170	38,53,455	42,70,233
1) Direct Tax	19,55,812	22,07,000	22,37,000	25,20,000
Personal Income Tax	10,44,757	11,87,000	12,57,000	14,38,000
Corporation tax	9,11,055	10,20,000	9,80,000	10,82,000
2) Indirect Tax	15,09,707	16,28,170	16,16,455	17,50,233
GST	9,57,208	10,61,899	10,61,899	11,78,000
Excise Duties	3,05,362	3,19,000	3,05,000	3,17,000
Custom Duty	2,33,119	2,37,745	2,35,000	2,40,000
Union Terriotories	9,242	9,426	9,456	10,133
Service Tax	425	100	100	100
Others	4,351	5,000	5,000	5,000
Less: To states & NCCD transfer	11,38,268	12,56,671	12,96,495	14,32,824
Net Tax Revenue	23,27,251	25,83,499	25,56,960	28,37,409
Non Tax Revenue (Interest, Dividend, grants)	4,01,785	5,45,701	5,31,000	5,83,000
Non-Debt Receipts (Loans And Disinvestments)	59,768	78,000	59,000	76,000
Total Receipts	27,88,804	32,07,200	31,46,960	34,96,409
Borrowings & oth Liabilities	16,54,643	16,13,312	15,69,527	15,68,936
Total Receipts inc Borrowings	44,43,447	48,20,512	47,16,487	50,65,345
Fiscal Deficit	5.60%	4.90%	4.80%	4.40%

Key Highlights

- **Gross tax revenue is expected to go up by 10.8% in FY26 vs. 11.2% growth in FY25 revised estimates. We believe these numbers are reasonable.**
- Even after announcements of major tax benefits for the middle class, the government still expects to maintain a personal income tax collection growth rate of 14.3% in FY26.
- Corporate tax rate collection was sluggish in FY25 and is expected to grow by 10.4% in FY26.
- GST collection in FY26 is expected to grow by 10.9%, which is fairly in sync with the nominal GDP growth rate.
- Net government borrowings for FY26 are targeted at 15.68 Lc Cr, which is almost the same as FY25
- The fiscal deficit for FY25 is pegged at 4.8% on account of reduced expenditure in FY25. Further, the **government maintained its fiscal consolidation stance by pegging the FY26 deficit number at 4.4%.**

Fiscal Account FY25-26: Subsidy & Non Tax Receipt

Subsidy (In Cr)	2023-24 Actuals	2024-25 Budget Estimates	2024-25 Revised Estimates	2025-26 Budget Estimates
Food	**2,11,814**	**2,05,250**	**1,97,420**	**2,03,420**
Fertiliser	**1,88,292**	**1,64,000**	**1,71,311**	**1,67,900**
Urea	*1,23,092*	*1,19,000*	*1,19,001*	*1,18,900*
Nutrition based	65,200	45,000	52,310	49,000
Petroleum	**12,240**	**11,925**	**14,700**	**12,100**
LPG	*12,240*	*11,925*	*14,700*	*12,100*
Kerosene				
Interest Subsidies	19,516	29,550	28,156	27,840
Other	3,037	17,698	16,294	14,969
Total	**4,34,898**	**4,28,423**	**4,27,881**	**4,26,229**

Subsidy Budget Saw A Slight Reduction In FY26 On Account of Normalcy

- Overall subsidy budget has been reduced to 1.19% of GDP for FY26 vs. 1.32% for FY25 RE on account of the encouraging pace of the economic recovery.
- Allocation to the fertiliser subsidy has been reduced to Rs 1,67,000 Cr

Non Tax and Capital Receipt (In Cr)	2023-24 Actuals	2024-25 Budget Estimates	2024-25 Revised Estimates	2025-26 Budget Estimates
Interest	38,260	33,107	34,042	47,738
Dividends	1,70,877	1,50,000	2,89,285	3,25,000
From Public Enterprises	*65,382*	*48,000*	*55,000*	*69,000*
From RBI & Financials Institutions	1,05,495	1,02,000	2,34,285	2,56,000
Disinvestment	33,122	50,000	33,000	47,000

Continuation of High Dividend Income Targeted for FY26

- FY25 disinvestment has been revised down to Rs 33,000 Cr and set at Rs 47,000 Cr in FY26
- Estimates for the RBI dividends are set at Rs 2.56 Lc Cr in FY26

Government Schemes: Major Outlay

In Cr	2023-24 Actuals	2024-25 Budget Estimates	2024-25 Revised Estimates	2025-26 Budget Estimates	% Increase over FY25 RE
Centrally sponsered Schemes					
National Social Assistance Program	*9,476*	*9,652*	*9,652*	*9,652*	**0%**
MNREGA	*89,154*	*86,000*	*86,000*	*86,000*	**0%**
Pradhan Mantri Krishi Sinchai Yojna	*7,652*	*10,751*	*8,421*	*10,765*	**28%**
Pradhan Mantri Gram Sadak Yojna	*15,380*	*19,000*	*14,500*	*19,000*	**31%**
Pradhan Mantri Awas Yojna (PMAY)	*43,455*	*80,671*	*47,596*	*78,126*	**64%**
Jal Jeevan Mission / National Rural Drinking Water Mission	*69,992*	*70,163*	*22,694*	*67,000*	**195%**
Swachh Bharat Mission (Urban)	*2,392*	*5,000*	*2,159*	*5,000*	**132%**
Swachh Bharat Mission (Gramin)	*6,546*	*7,192*	*7,192*	*7,192*	**0%**
Environment, Forestry and Wildlife	*530*	*713*	*590*	*720*	**22%**
AMRUT and Smart Cities Mission	*13,573*	*10,400*	*8,000*	*10,000*	**25%**
Modernisation of Police Forces	*2,659*	*3,720*	*2,624*	*4,069*	**55%**
Others	*1,83,738*	*1,12,339*	*2,05,928*	*2,44,303*	**19%**
Total Centrally sponsored schemes	**4,44,547**	**5,05,978**	**4,15,356**	**5,41,827**	**30%**
Major Central sector Schemes					
Crop Insurance Scheme	*12,949*	*14,600*	*15,864*	*12,242*	**-23%**
Pradhan Mantri Kisan Samman Nidhi (PM-Kisan)	*61,441*	*60,000*	*63,500*	*63,500*	**0%**

Key Highlights

- Allocation to the PMAY has increased to Rs 78,126 Cr vs. Rs 47,596 Cr in FY25 RE
- Allocation to MNREGA stands unchanged at Rs 86,000 Cr
- Allocation to the PM Gram Krishi Sinchai Yojana has increased by 28% in FY26BE to 10,765 Cr.
- Rs 67,000 Cr allocated to the Jal Jeevan Mission for FY26
- AMRUT and Smart Cities Mission have received an allocation of 10,000 Cr for FY26.
- Allocation to Swachh Bharat Mission (Urban) increased by 132% in FY26, whereas for the Gramin scheme, it stands unchanged at Rs 7,192 Cr

Major Announcements on Infrastructure

Infrastructure Budget (In Cr)	2023-24 Actuals	2024-25 Budget Estimates	2024-25 Revised Estimates	2025-26 Budget Estimates	% Increase over FY25 RE
Roads	2,75,986	2,78,000	2,80,519	2,87,333	2%
NHAI	1,67,398	1,68,464	1,69,371	1,70,266	1%
Railways	2,45,791	2,55,393	2,55,348	2,55,445	0%
Urban development	68,565	82,577	63,670	96,777	52%
Smart Cities+AMRUT	13,573	10,400	8,000	10,000	25%
MRTS and Metro Projects	19,450	21,248	24,602	31,106	26%
Shipping	2,231	2,377	2,859	3,471	21%
Sagar Mala Port	491	700	709	866	22%
Power	16,327	20,502	19,845	21,847	10%
Aviation	2,757	2,357	2,659	2,400	-10%
Jal Shakti	18,539	21,323	21,641	25,277	17%
Pradhan Mantri Awas Yojna (PMAY)	43,455	84,671	47,596	78,126	64%
PMAY (Urban)	21,684	30,171	15,170	23,294	54%
PMAY (Rural)	21,770	54,500	32,426	54,832	69%
Pradhan Mantri Gram Sadak Yojna	15,380	19,000	14,500	19,000	31%
Swachh Bharat	8,938	12,192	9,351	12,192	30%

Key Highlights

- Allocation to Railways is kept almost unchanged at Rs 2.55 Lc Cr in FY26
- Allocation to Road & Highways (NHAI) has seen a slight increase to Rs 1.70 Lc Cr in FY26
- Allocation to the Power sector has been increased to Rs 21,847 Cr in FY26, up 10% YOY
- Urban development continues to be the focus area. Rs 10,000 Cr has been allotted to Smart Cities, and Rs 31,106 Cr has been allotted to Metro Projects.
- PMAY continues to be a key focus area for the government. The scheme has been allocated Rs 78,126 Cr for FY26
- Allocation to Swachh Bharat Mission has been increased by 30% to Rs 12,192 Cr.

Fiscal Account FY25-26: Expenditure Budget

Expenditure Major items (cr)	2023-24 Actuals	2024-25 Budget Estimates	2024-25 Revised Estimates	2025-26 Budget Estimates	% increase from previous fiscal
Pension	2,38,328	2,43,296	2,75,103	2,76,618	1%
Defence	4,44,699	4,54,773	4,56,722	4,91,732	8%
Subsidy					
Fertiliser	1,88,292	1,64,000	1,71,299	1,67,887	-2%
Food	2,11,814	2,05,250	1,97,420	2,03,420	3%
Petroleum	12,240	11,925	14,700	12,100	-18%
Agriculture and Allied Activities	1,45,995	1,51,851	1,40,859	1,71,437	22%
Commerce and Industry	49,809	47,559	56,502	65,553	16%
Development of North East	1,628	5,900	4,006	5,915	48%
Education	1,23,365	1,25,638	1,14,054	1,28,650	13%
Energy	52,405	68,769	63,403	81,174	28%
External Affairs	28,915	22,155	25,277	20,517	-19%
Finance	23,403	86,339	63,512	62,924	-1%
Health	81,594	89,287	88,032	98,311	12%
Home Affairs (inc UT)	1,96,872	2,19,643	2,20,371	2,33,211	6%
Interest	10,63,872	11,62,940	11,37,940	12,76,338	12%
IT and Telecom	82,277	1,16,342	1,17,869	95,298	-19%
Others	4,03,367	144477	4,50,008	4,82,653	7%
Rural Development	2,41,193	2,65,808	1,90,675	2,66,817	40%
Scientific Development	24,657	32,736	29,831	55,679	87%
Social Welfare	42,065	56,501	46,482	60,052	29%
Tax Admin	1,91,327	2,03,530	2,07,968	1,86,632	-10%
GST Compensation fund	1,45,000	1,50,000	1,53,440	1,30,641	-15%
Transport	5,26,765	5,44,128	5,41,384	5,48,649	1%
Urban Development	68,565	82,577	63,670	96,777	52%
Grand Total	**44,43,447**	**48,20,512**	**47,16,487**	**50,65,344**	7%

Key Highlights

- Total Expenditure for FY26 is set at Rs 50.6 Lc Cr, up 7.4% from FY25RE levels.
- Education allocation is up 13%
- Health allocation is up 12%
- Scientific Development allocation is up 87% for FY26 vs FY25RE
- Rural Development allocation is up 40%.
- Allocation to Social Welfare schemes is up 29%
- Allocation to Urban Development schemes is up 52%

Analysis of Tax Benefits in Proposed Scheme

	New Regime FY26 (Proposed)						New Regime - FY25 (Existing)					
Gross Salary (A)	**13,25,000**	**15,00,000**	**18,00,000**	**24,00,000**	**25,25,000**	**30,00,000**	**13,25,000**	**15,00,000**	**18,00,000**	**24,00,000**	**25,25,000**	**30,00,000**
Std Deduction (B)	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
80CCD(2) NPS (C)	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Net Taxable Income (A-B-C)	**12,00,000**	**13,75,000**	**16,75,000**	**22,75,000**	**24,00,000**	**28,75,000**	**12,00,000**	**13,75,000**	**16,75,000**	**22,75,000**	**24,00,000**	**28,75,000**
Tax Liability(As per slabs given below) (D)	**60000**	**86,250**	**1,35,000**	**2,68,750**	**3,00,000**	**4,80,000**	**80000**	**1,06,250**	**1,92,500**	**3,72,500**	**4,10,000**	**5,52,500**
Cess @4% (E)	2,400	3,450	5,400	10,750	12,000	19,200	3,200	4,250	7,700	14,900	16,400	22,100
Total tax Liability (D + E)	62,400	89,700	1,40,400	2,79,500	3,12,000	4,99,200	83,200	1,10,500	2,00,200	3,87,400	4,26,400	5,74,600
Rebate u/s 87A (As per new announcement no tax up to 12 lac income) *	(-62400)											
Net Tax	**-**	**89,700**	**1,40,400**	**2,79,500**	**3,12,000**	**4,99,200**	**83,200**	**1,10,500**	**2,00,200**	**3,87,400**	**4,26,400**	**5,74,600**
Savings Under Proposed Scheme vs Existing New Regime	**83,200**	**20,800**	**59,800**	**1,07,900**	**1,14,400**	**75,400**						

New Tax Rates (Proposed)	
0 - 4,00,000	**Nil**
4,00,000 - 8,00,000	**5%**
8,00,001 - 12,00,000	**10%**
12,00,001 - 16,00,000	**15%**
16,00,001 - 20,00,000	**20%**
20,00,001 - 24,00,000	**25%**
Above 24,00,001	**30%**

Old Tax Rates (Existing)	
0 - 3,00,000	**Nil**
3,00,000 - 7,00.000	**5%**
7,00,001 - 10,00,000	**10%**
10,00,001 - 12,00,000	**15%**
12,00,001 - 15,00,000	**20%**
Above 15,00,001	**30%**

Notes:
C: Assuming employer will contribute on NPS Account behalf of employee maximum benefit under section 80CCD(2) is 50,000
* As per section 87A rebate is allowed total taxable income is upto 12 Lakhs. Previouly it was allowed upto 7 Lakhs

Sectoral Picture

UNION BUDGET 2025-26

FMCG & Retail – Big Positive

Winners: FMCG - HUL, Nestle, Britannia, ITC, VBL, Jyothy Labs; Discretionary – Trent, D-Mart, Zomato, Westlife Foodworld

Losers: None

Key Budget Announcements

- **Impact of Income Tax Revision on Disposable Income:** A revision in income tax rates should result in higher disposable income in the hands of consumers (Rs 6,000 – Rs 9,000 per month), thereby supporting the revival of consumption in urban areas.
- **Boost to Premium FMCG, QSR, Tourism, and Retail Sectors:** The increase in disposable income will benefit the premium FMCG, QSR, tourism, and retail sectors.
- **Support for Footwear and Leather Sector:** The government has announced a scheme to boost the footwear and leather sector, facilitating employment for 22 Lc and generating a turnover of Rs 4 Lc Cr and export opportunities of over Rs 1.1 Lc Cr.
- **Bihar Initiatives for Growth:** The Finance Minister has established a Makhana Board to enhance production, processing, value addition, and FPO organization in Bihar. Additionally, initiatives to support the state's future growth include the development of greenfield airports to increase tourism and financial assistance for the Western Koshi Canal ERM Project, benefiting companies in Bihar.
- **Rural Credit Access Initiatives:** The Finance Minister's initiative aims to boost credit access for 7.7 Cr farmers, fishermen, and dairy producers by offering short-term loans with an increased limit of Rs 5 Lc (from Rs 3 Lc) under the Kisan Credit Card (KCC) scheme. Additionally, through the Agri Districts Program, the Prime Minister's Dhan-Dhaanya Krishi Yojana is set to support the development of 100 districts, benefiting approximately 1.7 Cr farmers.
- **Tourism Sector Growth:** The Finance Minister's new initiatives will drive consumption by boosting tourism. Streamlined e-visa facilities and improved connectivity to top tourist destinations will attract more visitors. Skill-development programs and MUDRA loans for homestays will support local businesses, while performance-linked incentives to states will enhance growth in the sector.

Our View

- **Positive** for major FMCG companies based on premiumisation agenda - **HUL, Nestle, Britannia, Jyothy Labs,**
- **Positive** for Cigarette manufacturing companies such as - **ITC, Godfrey Phillip, VST Industries**
- **Positive** for Retail companies based on increased disposable income – **Trent, D-mart, Zomato, Westlife Food World**

Automobiles - Positive

Winners: Hero Motocorp, Maruti Suzuki, Exide Industries.

Losers: None

Key Budget Announcements

- **No Income Tax up to 12 Lc:** No Income Tax up to 12 Lc (12.75 Lc for salaried individuals) and revised tax slabs (0-30%). This will give higher disposable income, boosting middle-class spending on discretionary items.
- **Support to green mobility and boost localisation:** To support green mobility and boost localisation, exemptions to the customs duty rate on the import of critical capital goods essential for EV manufacturing, alongside a focus on cobalt powder and lithium-ion batteries, have been proposed.
- **Policy-led boost to the auto sector:** The budget's focus on Rural Development and Agriculture & Allied Activities with schemes like PM Dhan Dhaanya Krishi Yojna, which aims to cover 100 districts and likely help 1.7 Cr farmers; facilitating short-term credit loans to 7.7 Cr farmers through KCC; Mission for Cotton Productivity and National Mission on High Yielding Seeds – all these indirectly bode well for the auto sector, particularly the tractor industry and entry-level 2Ws.

Our View

- Positive impact on **2W OEMs – Hero Motocorp, Eicher Motors, TVS Motors, Bajaj Auto; 4W PV OEMs – Maruti.**
- Positive for **Battery Manufacturers: Exide Industries, Amara Raja Energy**
- Positive for **Tractor OEMs**: **Mahindra and Mahindra.**

Cement – Neutral to Positive

Winners: All Cement Companies

Losers: None

Key Budget Announcements

- **Increase in Capital Expenditure:** The government has marginally increased capital expenditure from Rs 11.1 Lc Cr to Rs 11.2 Lc Cr. In the road sector, capex has been raised from Rs 2.75 Lc Cr to Rs 2.87 Lc Cr. Increased investment in infrastructure is expected to drive cement demand, as higher capital allocation will lead to the construction of more roads and highways.

- **Efficient Implementation of Gati Shakti Plan:** Proper monitoring of the Gati Shakti Plan will enable efficient implementation of the overall infrastructure development program, facilitating long-term growth and further boosting cement demand. Additionally, the modified UDAN scheme, aimed at developing 120 new destinations, is expected to drive higher cement consumption.

Our View

- Positive for all cement companies
- Our Preferred Picks: **UltraTech Cement, JK Cement, Dalmia Bharat and Ambuja Cement**

Infra – Neutral to Positive

Winners: All infra Companies

Losers: None

Key Budget Announcements

- **Extension of Jal Jeevan Mission:** The extension of the Jal Jeevan Mission to 2028 with an enhanced capital outlay is positive for infrastructure companies. Additionally, each infrastructure-related ministry will outline a three-year pipeline of projects that can be implemented under the PPP model. States will also be encouraged to follow suit and can seek support from the IIPDF scheme to prepare PPP proposals.
- **Interest-Free Loans for States:** An outlay of Rs 1.5 Lc Cr has been proposed for 50-year interest-free loans to states for capital expenditure and reform-linked incentives. Building on the success of the first Asset Monetization Plan announced in 2021, a second plan for 2025-30 will be launched, targeting Rs 10 Lc Cr to be reinvested into new projects, with regulatory and fiscal measures being fine-tuned to support the initiative.
- **Asset Monetization Plan for 2025-30:** Furthermore, a modified UDAN scheme will be introduced to enhance regional connectivity to 120 new destinations, with a target of carrying 4 Cr passengers over the next 10 years. The scheme will also support the development of helipads and smaller airports in hilly, aspirational, and North Eastern districts.

Our View

- Positive for infra companies
- Our Preferred Picks from Coverage companies: **HG Infra, Ahluwalia Contract, J Kumar Infra**
- Our Preferred Picks from Non-coverage companies: **Afcons Infrastructure**

Real Estate - Neutral

Winners: None

Losers: None

Key Budget Announcements

- **House Property Occupation Relief:** House property that the owner cannot occupy due to employment, business, or profession in another location will have its annual value considered nil. Taxpayers can now claim nil valuation for two self-occupied properties instead of just one, aligning with the government's focus on promoting homeownership and real estate investments.
- **Increase in TDS Threshold on Rent:** The annual TDS threshold on rent has been raised from Rs 2.40 Lc to Rs 6 Lc, improving liquidity and reducing compliance burdens, particularly benefiting the rental housing market in metropolitan cities.
- **SWAMIH Fund 2 Allocation:** Additionally, **SWAMIH Fund 2** has been allocated Rs 15,000 Cr for the completion of 1 Lc stalled housing units, providing much-needed relief to homebuyers with stuck investments.

Our View

- Positive for players such as **Prestige Estates** who might benefit due to upcoming mid-segment and affordable housing projects as well as rental projects.
- Positive for second homes developers such as **Arvind Smartspaces and Macrotech Developers.**

Travel & Tourism - Positive

Winners: Indian Hotels

Losers: None

Key Budget Announcements

- **Development of Top 50 Tourist Destinations:** In collaboration with state governments, the focus will be on upgrading infrastructure at prominent tourist spots to improve the visitor experience.
- **Hospitality Investment under the Harmonized list:** By adding new hotels in 50 key destinations to the infrastructure harmonized list, the government aims to make it easier for investors to access infrastructure lending and larger funds, especially via External Commercial Borrowings (ECBs). This will result in lower interest costs.
- **Improved Connectivity:** The launch of a modified UDAN (Ude Desh ka Aam Naagrik) scheme will enhance regional air connectivity to 120 new destinations, helping to connect more regions, with a goal of transporting 4 Cr passengers over the next 10 years.
- **Mudra For Homestays:** Training youth in the hospitality industry through specialised institutes will be a focus, alongside providing MUDRA loans for establishing homestays and contributing to entrepreneurship in the tourism sector.

Our View

- **Positive** for employment generation as well as for promoting India as a global tourism destination.
- **Positive** as the sector is now under infrastructure status through a harmonized list.

Banks and NBFCs – Neutral

Winners: Banks - HDFC Bank, ICICI Bank, SBI, Federal Bank,
NBFCs - Bajaj Finance, Shriram Finance, Cholamandalam Inv & Finance and SBI Cards

Losers: None

Key Budget Announcements

- **MSMEs:** With a view to improving access to credit for MSMEs, the budget has **proposed enhancing the credit guarantee cover**
  - from Rs 5 Cr to Rs 10 Cr, resulting in an additional credit of Rs 1.5 Lc Cr over the next 5 years for MSMEs.
  - Additionally, for well-run exporter MSMEs for term loans up to Rs 20 Cr
- **Capital outlay increased**: Capex outlay for FY26 is expected at Rs 11.2 Lc Cr, only marginally higher than the Rs 11.1 Lc Cr ear-marked for FY25 (revised downwards to Rs 10.8 Lk Cr)
  - **Higher disposable income:** A revision in income tax rates should result in **higher disposable income** in the hands of consumers, thereby supporting the revival of retail credit growth

Our View

- **Positive** for MSME-focused lenders such as **City Union Bank, Federal Bank, Karur Vysya Bank** and **DCB Bank**
- **Positive** for the entire Banking sector, given an increase in capital outlay, which would boost credit growth in the sector.
- **Positive** trigger to support retail credit, specifically for players like **SBI cards** (anticipating better spends) and **Bajaj Finance**

Insurance – Neutral

Winners: None

Losers: None

Key Budget Announcements

- The **FDI limit for the insurance sector will be raised from 74% to 100%.** This is a major reform aimed at achieving the goal of "Insurance for All" by 2047. Foreign investments will provide much-needed capital to the Indian insurance sector and should also help improve insurance penetration in India.

- **Rationalization of Taxation of ULIPs** - All ULIPs which are not exempt under section 10(10D) will be taxable as capital gains similar to equity oriented funds.

Our View

- **Positive** for insurance companies

Metals - Neutral

Winners: HZL, Hindustan Copper, GMDC

Losers: None

Key Budget Announcements

- **Capital Expenditure Growth:** In the Union Budget, total capital expenditure growth is projected at 10.1% for FY26 BE vs. FY25RE, while growth over FY25 BE is only 1% YoY. Although total capex is below expectations, the government's focus remains on PMAY-Urban (up 45% YoY), Urban 2.0 (up 133% YoY), and Rural (up 69% YoY), which will support steel and metals demand.
- **Increased Allocation for Jal Jeevan Mission:** The allocation for the Jal Jeevan Mission/National Rural Drinking Water Mission has been increased from Rs 22,694 Cr to Rs 67,000 Cr, driving demand for steel pipes. Mining sector reforms, including those for minor minerals, will be encouraged by sharing best practices and establishing a State Mining Index.
- **Mining Sector Reforms and Critical Minerals:** A policy for recovering critical minerals from tailings will be introduced, with the National Critical Mineral Mission (NCMM) receiving an allocation of Rs 410 Cr from Nil earlier. Additionally, basic customs duty has been fully exempted for cobalt powder, lithium-ion battery scrap, lead, zinc, and 12 other critical minerals.

Our View

- Neutral for the Metals & Mining and Steel companies.
- Positive: The allocation towards the Jal Jeevan mission will be beneficial for ERW and DI pipe manufacturers such as **APL Apollo Tubes, JTL Industries, Electro steel castings, Jai Balaji Group and other DI players.**
- Positive: A critical mineral policy for recovery from tailings could benefit non-ferrous mining companies like **HZL, Hindustan Copper, and GMDC.** However, the impact will not be material

Utilities & Power Ancillaries – Neutral

Winners: NTPC, Inox Wind, Integrated module manufacturers such as Premier Energies

Losers: None

Key Budget Announcements

- **Power Sector Reforms**: Power sector reforms will focus on incentivizing distribution reforms and augmentation of intra-state transmission.
- **Clean Tech Manufacturing Support**: The government plans to support clean-tech manufacturing, aiming to improve domestic value addition and build the ecosystem for solar PV cells, EV batteries, motors and controllers, electrolyzers, wind turbines, very high voltage transmission equipment, and grid-scale batteries.
- **Nuclear Energy Mission**: The target is to develop at least 100 GW of nuclear energy by 2047 under the Nuclear Energy Mission. Amendments will be made to the Atomic Energy Act and the Civil Liability for Nuclear Damage Act to encourage active partnerships with the private sector.
- **Investment in Solar Energy:** The investment in solar energy will increase to Rs 24,224 Cr from Rs 15,061 Cr in FY25 revised estimates. The investment towards PM Surya Ghar Muft Bijli Yojana has been increased to Rs 20,000 Cr from Rs 11,100 Cr in FY25 revised estimates.
- **Investment in Wind and Other Renewable Energy:** The investment in Wind and other renewable energy has decreased from Rs 846 Cr to Rs 551 Cr.
- **Viability Gap Funding for BESS:** The investment towards Viability Gap Funding for the development of Battery Energy Storage Systems (BESS) has increased from Rs 46 Cr to Rs 200 Cr.
- **Custom Duty on Solar Modules:** The effective custom duty, including cess on solar modules, decreases from 44% to 40%. (The BCD reduced from 40% to 20%, AIDC increased from 0% to 20%, and SWS decreased from 4% to 0%). The effective duty on solar cells remains unchanged at 27.5%.

Our View

- **Positive:** Announcements towards nuclear power capacity are positive for **NTPC.** Viability Gap Funding towards BESS would be slightly positive for **NTPC, JSW Energy, and Tata Power** as the quantum is not significant.
- The government's focus on distribution reforms is positive for the overall sector.
- No major announcement was made in the budget towards the power sector, with the exception of nuclear power and solar energy. Within the solar energy space, the government's focus remains on PM Surya Ghar Yojna. The demand for solar cells & modules will continue. However, the effective duty on import of solar modules has been reduced from 44% to 40%, which is slightly negative for domestic solar module manufacturers. Duty on cells is unchanged, and with a focus on the ecosystem of PV cells, cell manufacturers will benefit. **(Premier Energies)**

Chemicals & Midcap – Neutral

Winners: Battery Manufacturers

Losers: None

Key Budget Announcements

- **Emphasis on Agricultural Growth:** The budget puts increased emphasis on agriculture growth through schemes like Prime Minister Dhan-Dhaanya Krishi Yojana and Aatmanirbharta in Pulses. These schemes are expected to enhance agricultural productivity, improve irrigation facilities, and facilitate credit availability, among other measures.
- **Extension of Jal Jeevan Mission:** Jal Jeevan Mission, which aims to improve water availability, is now extended till 2028 with enhanced Budget Outlay. The focus would be on the quality of infrastructure and O&M of rural piped water supply schemes through "Jan Bhagidhari".
- **National Manufacturing Mission:** The Government launched National Manufacturing Mission to support clean tech manufacturing including production of EV batteries, solar panels etc. The Indian government also exempted the BCD on waste & scrap of Lead, Lithium Ion Batteries & 35 additional capital goods for EV manufacturing, which shall boost the production of batteries and related chemicals.

Our View

- Positive for **Exide Industries, Amara Raja Energy, and other battery stocks.**
- Positive for **Neogen and Himadri** may benefit from the resultant increase in demand for batteries/battery chemicals
- Positive for **Va Tech Wabag** and **Jain Irrigation,** given its involvement in water, water infrastructure and related services or products

Pharma - Neutral

Winners: Biocon; Astrazeneca Pharma, Lupin

Losers: None

Key Budget Announcements

- **Customs Duty Exemptions:** The Union Budget 2025-26 proposes a full customs duty exemption on 36 life-saving drugs and a 5% concessional duty on six more, aimed at reducing treatment costs for cancer and rare diseases. This move will make essential medicines more affordable for patients.
- **Patient Assistance Programmes:** Specified drugs and medicines provided through patient assistance programmes run by pharmaceutical companies are now fully exempt from Basic Customs Duty (BCD), provided they are supplied free of cost to patients. This exemption is expected to enhance access to life-saving treatments and reduce the financial burden on patients.
- **Healthcare Infrastructure:** The government will facilitate the establishment of Day Care Cancer Centres in all district hospitals over the next three years, with 200 Centres set to be established in 2025-26.

Our View

- **Positive for Biocon & Astrazeneca Pharma on account of BCD exemption on cancer drugs**

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