Choice
Institutional Equities

FY27 Union Budget Review

Parsing the Budget for Investment Opportunities

February 01, 2026

Manufacturing in India, Servicing The World

institutional.equities@choiceindia.com

FY27E nominal GDP growth is estimated at 10%

BCD exempted on certain goods to encourage Manufacturing

CapEx budgeted to expand at ~11% to INR 12.2 Tn

Debt-to-GDP Ratio targeted at 49% to 51% by FY31E

Services will become a strategic priority

Sufficient Forex reserves boost current account stability

Utsav Verma
utsav.verma@choiceindia.com
+91 22 6707 9440

Karan Kamdar
karan.kamdar@choiceindia.com

Executive Summary:

- **Nominal GDP growth for FY27E is estimated at 10%,** whereas real GDP is expected to grow at 7.4%.
- The budget focused on creating sustainable **pillars for growth via key programmes in Manufacturing and Services**. Manufacturing focused on BioPharma, EMS, Exports, Semiconductors and Containers **while Services to contribute 51% of GVA** through Tourism, Healthcare, TReDS mandates and Creative Economy.
- A **fiscal consolidation pathway is underway**, targeting 4.3% Fiscal Deficit on the back of lower overall **Debt-to-GDP ratio of 50% ± 1% by FY31E.**

Revenue and Taxation: Expect Lower Tax Buoyancy

- **Direct Taxes:** Growing at a rate of 9.0% from FY26E to FY27E form a major part of Revenues. Lower tax buoyancy of 0.8 is expected on the back of tax revenues growing slower than GDP.
- **Custom Duty Exemptions:** Basic custom duties have been exempted on capital goods for processing of seafood, inputs for footwear exports, Aircraft Manufacturing, Defence.
- **Non-Tax Revenue:** The budget has set a target of INR 800 Bn from share sales and asset monetisation via REITs. Real Estate carved out from CPSEs could be monetised via REITs and InViTs

Expenditure Profile: Quality and Capex Multipliers

- **Capital Outlay Expansion:** The Centre's capital expenditure estimates have been revised downwards for FY26RE, however, FY27E budget allocates **INR 12.2 Tn** , a growth of 10.9%
- **Effective Capex:** Broader capital measures, including grants-in-aid for asset creation, are budgeted at **4.4% of GDP** for FY27E.
- **Defence Capex:** Set to grow at a pace of 17.6% for FY27E, growing by more than 15% second year in a row.

Fiscal Strategy: Consolidating in Times of Stress

- **Deficit Targets:** The government is on a firm path to reach a **fiscal deficit of 4.4% of GDP in FY26**, and further targets 4.3% in FY27 BE.
- **The New Fiscal Anchor:** A transition to a **Debt-to-GDP ratio target of 50% ± 1% by FY31** provides a concrete long-term commitment while retaining policy flexibility in a volatile global environment.
- Lower subsidy burden, Slower growth in CapEx is leading to a sharper fiscal deficit reduction. With smart allocations CapEx is estimated to exceed borrowings for the first time.

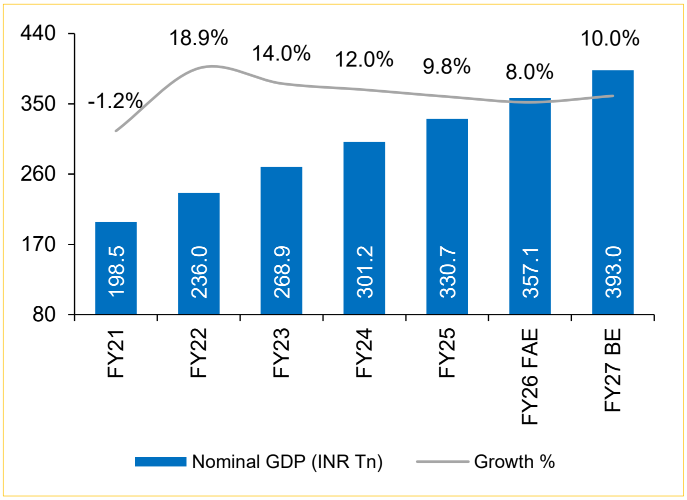
Sectoral Themes: Strategic Indispensability for Local Manufacturing and Services

- **Pushing for Strategic Local Manufacturing:** A 10-year blueprint to double manufacturing's GDP contribution to **25% by 2035E** and generate **143 Mn jobs**. Further emphasized via **Indian Semiconductor Mission 2.0, BioPharma Shakti, EMS monitoring.** The government targets reviving **200 legacy industrial clusters** while establishing dedicated chemical parks and supporting construction equipment manufacturing. Plug and Play Industrial parks in or near 100 cities have been allocated INR 30 Bn. Basic customs duty have been reduced on select capital goods and inputs to encourage exports.
- **Services Evolution:** Services remain a stabilizing force, expecting to contribute over **51% of GVA**, with a focus on new frontiers like the **"Orange Economy"** and **Medical Tourism**. There is an ambitious target of 2047E to capture **10% of global services' share**. Healthcare tourism will be supported by strong policy measures. **Foreign Players that provide cloud services in India to receive a tax holiday till 2047E.** Medium Enterprises will receive INR 100 Bn SME Growth Fund plus TReDS platform mandates for enhanced liquidity. Services sector gains prominence through a High-Powered Standing Committee, with investments in medical value tourism hubs, Animation, Visual, Gaming, Content (AVGC) labs across 15,500 institutions, and comprehensive tourism infrastructure development.

External Sector: Resilience Amid Fragmentation

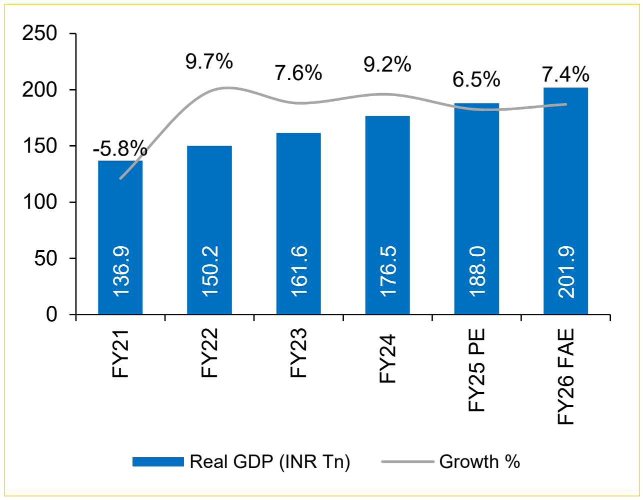
- **Current Account Stability:** The CAD remains manageable at **0.8% of GDP (H1 FY26)**, buffered by resilient services trade and remittances.
- **FDI & Strategic Resilience:** While global FDI is deteriorating, India is focusing on **"connector country" strategies** to attract high-value manufacturing.
- **Foreign Exchange Buffers:** Reserves are sufficient to cover over **11 months of imports**, providing a significant cushion against external shocks.

Low Deflator leading to 10% Nominal GDP in FY27E



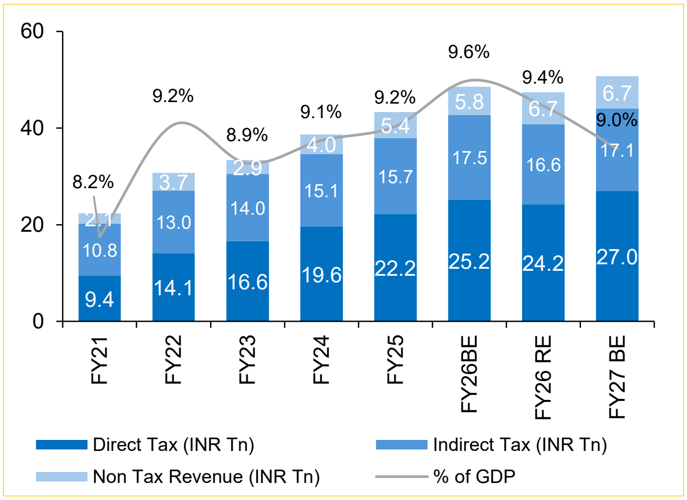
Source: MOSPI, Choice Institutional Equities

High Real GDP growth of 7.4% expected in FY26E



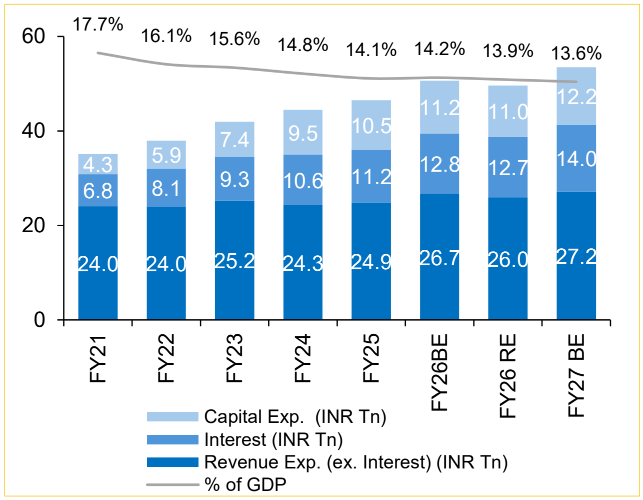
Source: MOSPI, Choice Institutional Equities

Tax Revenue expected to grow at a slower pace of 9.0%



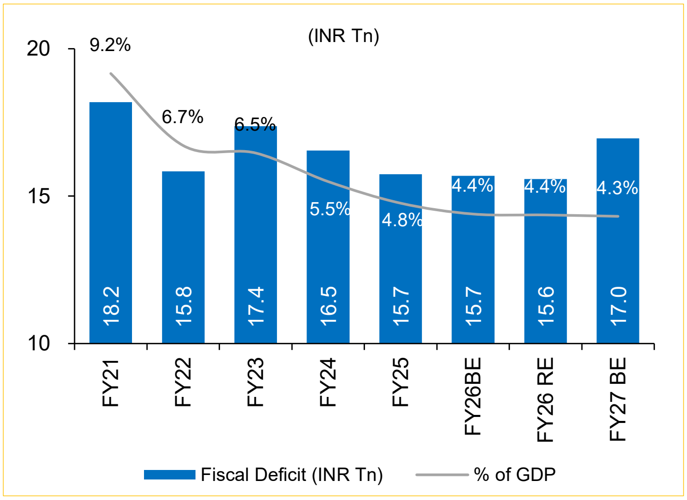
Source: Ministry of Finance, Choice Institutional Equities

FY27BE CapEx expected to grow by 10.9% over FY26RE



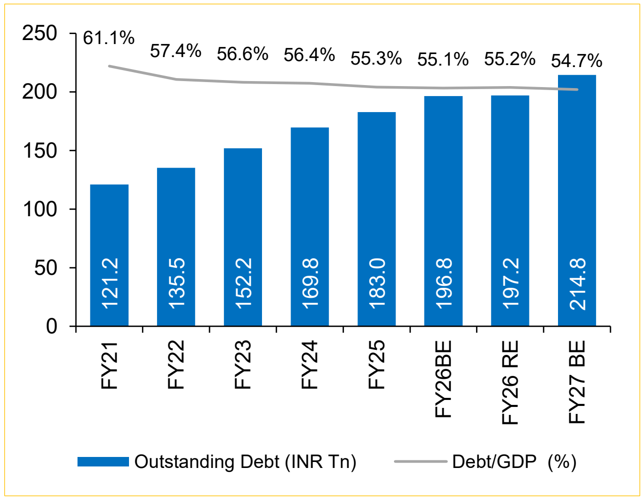
Source: Ministry of Finance, Choice Institutional Equities

Fiscal Deficit tamed, expected to decline by 10bps in FY27E



Source: Ministry of Finance, Choice Institutional Equities

Lower Fiscal Deficit to keep Debt at controllable levels

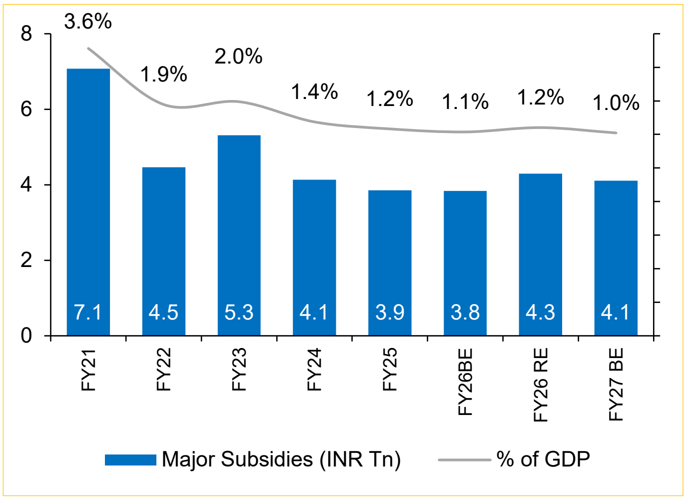


* Central Govt. Debt

Source: Ministry of Finance, Choice Institutional Equities

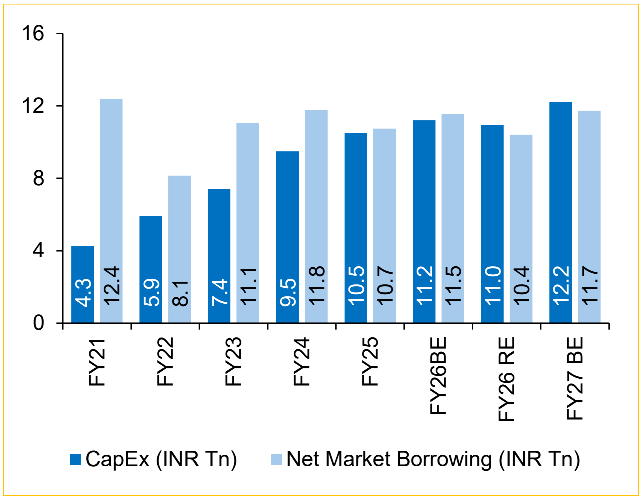
Budget in Charts

Lower value of subsidies in line with consolidation stance



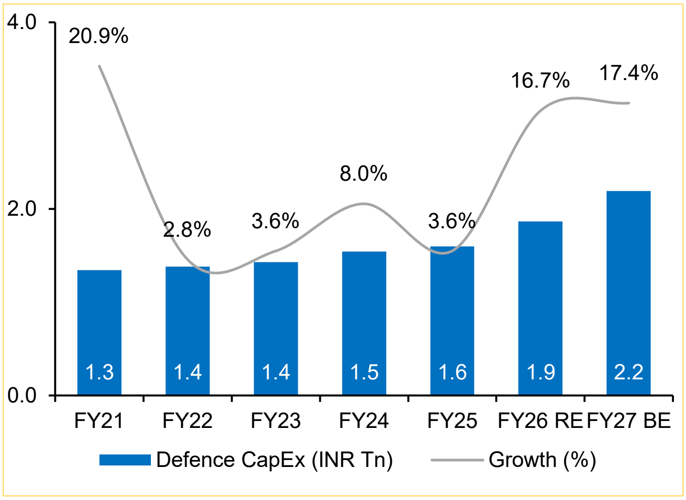
Source: Ministry of Finance, Choice Institutional Equities

CapEx for the year higher than borrowings in 5 years



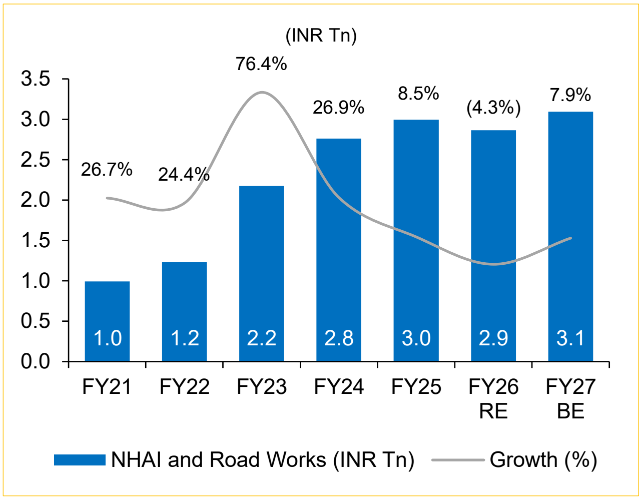
Source: Ministry of Finance, Choice Institutional Equities

CapEx for Defence to growth at ~18% higher than previous est.



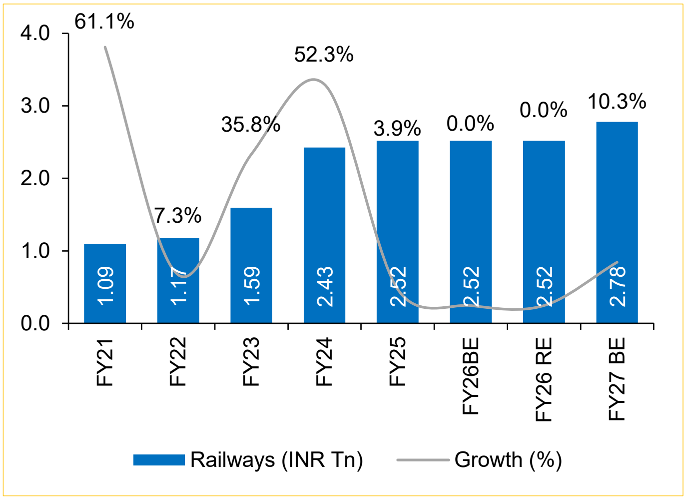
Source: Ministry of Finance, Choice Institutional Equities

Road and Highways Budget Allocation spend under budget



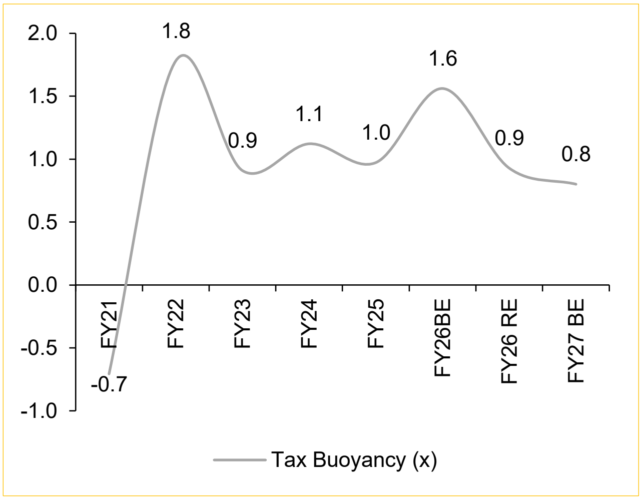
Source: Ministry of Finance, Choice Institutional Equities

Railways Outlay to grow at 10% for FY27 BE, stagnant last year



Source: Ministry of Finance, Choice Institutional Equities

Lower Tax buoyancy induced by slower tax growth vs GDP



Source: Ministry of Finance, Choice Institutional Equities

Industry Budget Impact

Industry	Budget Announcements	Implications
Banking and Financial Services	**Banks** - The gross market borrowings budgeted at INR 17.2 Tn vs. Consensus of INR 16.3 Tn, while net market borrowings budgeted at INR 11.7 Tn vs. Consensus of INR 11.6 Tn.	We believe higher then expected borrowings may impact G-Sec yields negatively. So, PSU Banks with higher exposure to government securities, are likely to observe weaker treasury income on account of higher mark-to-market losses. However, we anticipate this to remain short lived, as RBI may support the industry through sustained OMO purchases.
	- Proposed to set-up high-level committee to review banking sector, to align with next leg of growth phase. - Proposed to provide equity support of INR 100 Bn SME Growth Fund and INR 20 Bn Self-Reliant Fund (2021), for supporting MSMEs. - Proposed to offer Infrastructure Risk Guarantee Fund, which provides partial risk mitigation to lenders.	We anticipate stronger credit demand across MSMEs and manufacturing end-sectors, leading higher credit offtake. Positive for: Private Banks with higher focus on MSME and Infrastructure Financing Negative for: PSU Banks with higher exposure to government securities
	NBFCs - Proposed to focus on building champion MSMEs through equity support of INR 100 Bn SME Growth Fund and INR 20 Bn Self-Reliant Fund (2021).	Equity support to MSMEs will support them in their next leg of growth journey, which is anticipated to boost formal credit offtake.
	- Proposed to mandate TReDS as the transaction settlement platform for all purchases from MSMEs by CPSEs. - Introduce a credit guarantee support mechanism through CGTMSE (Credit Guarantee Fund Trust for Micro and Small Enterprises) for invoice discounting.	Mandating CPSE procurement from MSMEs via TreDS is likely to improve liquidity conditions, as NBFCs focused on bill discounting would gain greater scope to extend credit.
	- Announced to restructure large power financiers (PFC and REC).	Restructuring of large power financiers, signals governments intent of sustained long-term reforms in power sector. Positive for: NBFCs with higher focus on MSME and Power Financing.
	Diversified Financials – (AMCs, Brokers, Exchanges, DPs)	We believe the government effort of limiting equity derivative trading, should boost long-term investing through structured products including Mutual Funds, and will be positive for pure-play AMC and Mutual Fund Transfer Agencies (MFTAs).
	- STT tax hiked on trade in Equity Futures from 0.02% to 0.05%, while hiked on Equity option premium and exercise of Equity options from 0.01% and 0.0125% to 0.015%, respectively.	We believe Market Infrastructure Companies including exchanges and broker companies with higher dependency on Equity F&O income to be impacted, led by negative impact on trading volumes.
	- To allow individual PROI participation under the Portfolio Investment Scheme. - Further, proposed to increase individual PROI limits under Portfolio Investment Scheme from 5.0% to 10.0% and aggregate limits from 10.0% to 24.0%.	Further, higher investment limit should benefit broker companies offering individual PROIs, as it provides potential for higher broking revenues. Positive for: AMCs, Brokers serving Individual PROIs and MFTAs Negative for: Exchanges and Brokerage Companies with higher dependency on Equity Derivate Income.

Industry	Budget Announcements	Implications
Basic Materials	**Mining** - Creation of dedicated *rare earth corridors* in four mineral-rich states — Odisha, Kerala, Andhra Pradesh and Tamil Nadu.	Rare earth corridors indicate sustained policy backing rather than a one-time announcement, marking a strategic shift from pure mining to higher-value segments such as processing, alloys, magnets and advanced materials. Positive for: GMDC* and NMDC*
	Cement / Steel & Other Metals - Capital expenditure (capex) raised to INR 12.2 Tn for FY2026-27, ~9% higher than last year. - Budget announces a carbon capture and emissions strategy with earmarked funding (~INR 200 Bn over 5 years) covering power, steel, cement, refineries and chemicals. - Investment of INR 35.3 Bn in the coal/lignite gasification scheme.	Higher government capex should lift cement demand via increased infrastructure spending, supporting better utilisation and pricing power. At the same time, sustainability initiatives such as carbon-capture support improve long-term cost efficiency and regulatory compliance, with no additional tax burden on the sector. Positive for Cement Manufacturers: ULTRACEMCO, AMBUJACEM, ACC, BIRLACORPN, NUVOCO among others. Carbon capture and emissions initiatives are positive for steel and other metals, as earmarked funding lowers the cost of CCUS adoption at existing facilities, supporting long-term cost efficiency and compliance without disrupting capacity. The provision is for the Coal Gasification Scheme, introduced to achieve the target of 100 MT of coal gasification by 2030, supporting India's dual objectives of self-reliance and energy independence.
	Chemicals - A fresh outlay of INR 6 Bn for Chemical Parks	The government has proposed 3 dedicated chemical parks. These are aimed at: boosting domestic chemical manufacturing, reducing import dependence, improving competitiveness for both commodity and speciality chemical producers. It will also enable **long-term cost advantages** through shared infrastructure, improved logistics and better utilities, supporting sustainable growth and competitiveness.

*Not covered

Industry	Budget Announcements	Implication
Consumer Discretionary	**Automobiles & Parts** - Allocation under the PM Electric Drive Revolution in Innovative Vehicle Enhancement (PM E-DRIVE) scheme stands at INR 15,000 Mn in BE 2026-27, compared to INR 13,000 Mn in RE 2025-26 - Allocations under the Production Linked Incentive (PLI) Scheme for Automobiles and Auto Components witness a sharp increase to INR 59,400 Mn in BE 2026-27, up from INR 20,910 Mn in RE 2025-26, reflecting the transition of the scheme into its peak incentive disbursement phase	The continued allocation for PM E-Drive indicates sustained support for EV demand through incentives for electric 2W, 3W buses, and charging infrastructure, albeit with a calibrated approach to spending. Positive for EV Manufacturers: TVSMOTOR, BAJAJ-AUTO, HEROMOTOCO, M&M, OLAELEC*, TMPV*, ATHERENERG*, HYUNDAI*, ASHOKLEY, EICHERMOT. The sharp ramp-up in allocation for the PLI scheme suggests improving the eligibility of OEMs and auto component manufacturers, supported by higher domestic production, localisation, and export traction. Positive for: M&M, TMPV*, MARUTI, HYUNDAI*, ASHOKLEY, TVSMOTOR, BAJAJ-AUTO, OLAELEC*, HEROMOTOCO, BOSCHLTD*, UNOMINDA, MSUMI LUMAXTECH.
	Consumer Products - Exemption of Basic Customs Duty on Microwave Products and Open Cell parts for manufacture of LCDs/TVs	Improved margins for consumer durable manufacturers, however microwaves are a small market, if benefit is passed it can lead to heightened demand Positive for: Mildly margin accretive for Consumer Durables
	Travel & Leisure - Training and Upskilling Programs for guides - Development of National Destination Digital Knowledge Grid - Development of Mountain Trails - Development of 15 archaeological sites - Northeast Buddhist sites to be developed for tourism - Heightened Medical Tourism	Mountain Trails, Archaeological sites and North-East sites are some of the most under-developed tourism areas in India. Training and upskilling program will aid in improvement of livelihoods in such areas. A rise in medical tourism can lead to an increase in revenue for Upper Upscale/Luxury accommodations. Positive for: Hospitality as a sector is likely to benefit as new areas are developed for tourism. Newer luxury hotels can serve the additional tourist demand.
Consumer Staples	**Beverages** - Increasing TCS on sale of alcoholic liquor to 2% from 1%	Expected to be Neutral for the AlcoBev sector, as TCS is revenue and cost neutral for Alcohol Manufacturers
	Food & Tobacco - Improving ease of doing business with simpler processes for clearance of food, drugs and plant, animal and wildlife product. - Increase in value of duty-free import for use in processing of seafood - Effective rate maintained at 25%, while NCCD increased from 25% to 60%	Fast-track custom clearance is likely to augur well for Luxury Food Products Duty Free imports will add to margins of seafood producers Positive for: Seafood Manufacturers With a tax hike already planned to go into enforcement on February 1, this revenue neutral hike will have minimum impact on Tobacco players.

*Not covered

Industry	Budget Announcements	Implications
Energy	**Alternative Energy** **BESS** - The Basic Customs Duty (BCD) on Sodium Antimonate has been reduced to 0% from the earlier rates which typically ranged between 7.5% and 10%.	The BESS manufacturers will face reduced procurement costs for imported chemical additives translate directly into enhanced operating margins across long-term contractual portfolios. Total cell manufacturing costs are projected to decrease by 1% to 2% The waiver functions as a strategic subsidy for early movers in non-lithium technologies. Positive for: BESS Manufacturers
	Biofuels - To prevent cascading taxes, the government has moved toward GST-neutrality for blended CNG. This allows City Gas Distribution (CGD) entities to claim full Input Tax Credit (ITC) on the biogas component, ensuring price parity at the retail level.	The firms can now meet ESG mandates without compromising their retail margins or passing on higher costs to consumers. Positive for: City Gas Distribution Companies
	Nuclear Power - Nuclear energy has been re-classified as a critical transition fuel, with fiscal support aimed at reducing the high upfront capital intensity of these projects.	Under the newly operationalized joint venture reforms, PSUs outside the traditional nuclear core are poised to significantly expand their nuclear footprint via its partnership with the nuclear authority. Positive for: Power Generation and Utility Companies
	Solar Power - Capital Outlay of INR 305 Bn has been allocated for Solar Energy: INR 50 Bn for KUSUM Scheme and INR 0.5 Bn for Wind Power. - PM Surya Ghar Muft Bijli Yojana: The budget estimate for 2026-27 is set at INR 220Bn, a significant rise from the revised estimate of INR100Bn in 2025-26. - Solar Power (Grid): The allocation for grid-connected solar power is INR17.75 Bn for 2026-27, compared to a budget estimate of INR10Bn crore.	A 66% increase in KUSUM will support solar component manufactures and improve the fiscal health of rural power utilities. The 120% increase in PM Surya Ghar Muft Bijli Yojana ensures a guaranteed domestic market for high efficiency modules. It provides the demand visibility required to achieve economics of scale and justify capital-intensive cell investments. An increase of 77% increase in Grid Solar will support the integration of large-scale renewable assets. Positive for: Solar Module and Cell Manufacturers, Solar Pump Manufacturers
	Oil & Gas Upstream and Oil Equipment - The Basic Customs Duty (BCD) on specialized equipment required for deep-water and ultra-deep water has been reduced to 0 to 5% from 10-15%	The overall F&D costs will be lowered supporting domestic oil & gas production and reducing import dependence. Positive for: Exploration & Production as well as Oil Field Services Companies
	Oil & Gas Downstream - There is a sharp decline in the direct budgetary capital outlay for the Ministry, falling from a Revised Estimate of INR14.07 Bn in 2025-26 to just INR2.38 BN in 2026-27. **LPG subsidies for OMCs** - No additional subsidies have been announced except for INR 300 Bn announced last year. **Excise Duty on Petrol and Diesel** - No hike in excise duty on Petrol and Diesel	OMCs are increasingly expected to fund their massive infrastructure and refinery expansion projects through Internal and Extra Budgetary Resources (IEBR) rather than direct government support. Marketing margins remain insulated from excise duty hikes, but without a fresh subsidy allocation to absorb costs, OMCs remain structurally vulnerable to LPG under-recoveries. Negative for: IOCL*, BPCL*, HPCL*
Utilities	**Gas** - Exclusion of entire value of biogas in Central Excise duty payable on biogas blended CNG	Heightened use of biogas in CNG, and possibly cheaper CNG

*Not covered

Industry	Budget Announcements	Implications
Healthcare	**Biotechnology** - Biopharma SHAKTI, introduced under the Strategic & Frontier Manufacturing initiative, carries a total outlay of INR 100 Bn over five years.	The program is aimed at strengthening domestic manufacturing capabilities for biologics and biosimilars, with the objective of reducing import dependence and improving supply-chain resilience in critical therapies. Over its multi-year horizon, the initiative is expected to reposition India from a generics-led manufacturing base to a global hub for biologics and advanced biopharma. Positive for: SUNPHARMA, DRREDDY, CIPLA, LUPIN, ZYDUSLIFE, BIOCON*
	Pharmaceuticals - Central Drug Standard Control Organisation (CDSCO) modernisation announced to strengthen regulatory capacity and enable faster drug approvals. - 3 new NIPERs (National Institute of Pharmaceutical Education and Research) to be set up and 7 existing institutes to be upgraded. - Customs duty waiver on 17 cancer drugs and 7 drugs for rare diseases. - PLI on Key Starting Materials and APIs increased.	Shorter approval timelines and higher regulatory predictability improve launch visibility and attract global clinical research. Improves patient affordability; modest margin expansion for companies with a strong presence in oncology therapies. Positive for: CIPLA, DRREDDY, SUNPHARMA, LUPIN, DIVISLAB, AKUMS*
	Medical Equipment - Reaffirmed support for Make in India medical devices, including continuation of PLI schemes for medical devices and reduction in dependency on imports for high-value equipment. - Continued funding under schemes like PM-Ayushman Bharat Health Infrastructure Mission (PM-ABHIM) increased to ~INR 6 Bn from INR 4 Bn, aimed at strengthening primary care, diagnostics and critical care blocks.	Strengthens domestic medical device manufacturers through higher localization and improved competitiveness supporting margin expansion over the medium term. Drives sustained public procurement of diagnostic, ICU and basic medical equipment, benefiting device manufacturers and PPP-focused healthcare players through steady volume growth. Positive for: Diagnostics and Medical Equipment Manufacturers
	Hospitals - Announced upgradation of existing and new Allied Health Professional (AHP) in government and private sectors across 10 disciplines, adding 100,000 AHPs over the next 5 years. - The Budget also announced training of ~1.5 lakh caregivers to support the medical tourism and broader healthcare care ecosystem. - 50% capacity increase in District Hospitals by establishing Emergency & Trauma Care Centres. - Reiterated support for the "Heal in India" initiative, with the Budget announcing the development of five regional medical tourism hubs in partnership with states and private players. - The government will establish National Institute of Mental Health and Neurosciences (NIMHANS) 2.0 to set up a premier mental health institute in North India. - To upgrade National Mental Health Institutes in Ranchi and Tezpur as Regional Apex Institutions. - Announcement of 3 new All India Institutes of Ayurveda (AIIA) to strengthen education, research and tertiary Ayurveda care. - Upgradation of AYUSH pharmacies and drug testing laboratories to ensure better quality control, standardisation and global certification of traditional medicine products. - WHO Global Traditional Medicine Centre, Jamnagar to be upgraded to drive evidence-based research, training, and awareness in traditional medicine.	Supports long-term hospital capacity expansion and manpower availability, enabling higher procedure volumes and scale-up of tertiary care services. Facilitates asset-light expansion and faster capacity creation for private hospitals, improving ROCE and execution timelines. Positive for: Hospitals and Allied Healthcare Services Positive for accredited hospital chains through higher international patient inflows, superior case mix and margin-accretive revenues. Positive for: MAXHEALTH, FORTIS, YATHARTH, ARTEMIS, NH, APOLLOHOSP Strengthen AYUSH education and research, improve quality and global credibility of traditional medicine products, and expand tertiary Ayurveda care Positive for: JSLL, MADHAVBAUG*

* Not Covered

<table>
<tr><th>Industry</th><th>Budget Announcements</th><th>Implications</th></tr>
<tr><td rowspan="4">Industrials</td><td>Aerospace & Defence

Aviation and Maritime Infrastructure
- Aviation Manufacturing and MRO: Basic customs duty exempted on raw materials and components for aircraft parts across defence sector maintenance/repair/overhaul operations and civilian aircraft production. This will lead to reduction in input cost and expand domestic manufacturing capacity.
- Seaplanes: Indigenous manufacturing incentives with Viability Gap Funding scheme announced. This is expected to support operations and regional connectivity.

Shipbuilding, Waterways and Allied Sectors
- Ship Repair Infrastructure: Establishment of inland waterway vessel servicing ecosystems at Varanasi and Patna.
- Modal Shift Initiative: Coastal Cargo Promotion Scheme targets freight diversion from rail and road to waterways, aiming to eventually increase inland waterways and coastal shipping modal share from 6% to 12% by 2047.
- Defence Capital Outlay Surges 17.6% in FY27 BE over FY26 RE
- FY26-27 Defence Capital Outlay: INR 2.19 Tn (+21.8% YoY over FY25–26BE)</td><td>We view the 17.6% YoY increase in defence capital outlay as a clear indication of strategic prioritisation towards hardware modernisation and long-term capability-building.

Strategic Pivot to Ecosystem Value
We believe that the FY27 budget marks a structural shift from mere asset procurement to ecosystem-led value-creation. By slashing duties on MRO inputs, we believe that India will materially lower its cost base. This is expected to accelerate localisation and cement the nation's status as a dominant regional aerospace hub.

Positive for:
HAL – Seaplanes and Aviation MRO
AZAD, UNIMECH* – Aircraft Spares and Components
GRSE*, COCHINSHIP* – Ship MRO, Inland Waterways</td></tr>
<tr><td>Industrial Goods
- Exemption of BCD on import of capital goods required for the processing of critical minerals in India.</td><td>Critical Mineral processing will be strategically important to be locally manufactured, in an era of heightened protectionism</td></tr>
<tr><td>Transportation
- 7 High Speed Rail Connectors to be developed between Tier 1 and Tier-2/Tier-3 cities
- 20 new national waterways connecting mineral rich areas, industrial centres and ports
- Scheme for Container Manufacturing Scheme allocated INR 100 Bn over 5 years</td><td>Improved movement of goods and people.
Positive For: Wagon Manufacturers, EPC Players, Pump Manufacturers, Construction

Positive For: Container Mnufacturing Companies</td></tr>
<tr><td>Leather and Textiles
- Duty Free imports of specified inputs for leather, synthetic footwear for export
- Extension of time from 6 months to 1 year for exporters of leather, garments and textiles
- Integrated Textile Programme with INR 15Bn support for upgradation and modernization. Further, initiatives for promotion of globally competitive technical textiles.</td><td>Indian textile mills likely to be upgraded, modernized yielding better outputs. Upgrading textile skilling ecosystem to improve workforce and employment opportunities.
Positive for: Textiles, Leather, Footwear</td></tr>
</table>

*Not covered

Industry Budget Impact

Choice
Institutional Equities

Industry	Budget Announcements	Implications
Realty and Infrastructure	**Infrastructure** - Centre continued focus on infrastructure development in cities with over 5 lakh population - Public capital expenditure allocated to INR 12.2 Tn for FY27 vs. INR 11.2 Tn for FY26, 9% higher - Setting up Infrastructure Risk Guarantee Fund to provide prudently calibrated partial credit guarantees to lenders **Freight & Waterways** - Announced new freight corridor linking Dankuni (East) to Surat (West) - To operationalise 20 new national waterways over next 5 years - Ship repair eco-system (in Varanasi and Patna) **Railway Construction** - Infrastructure spending will support the Amrit Bharat Station redevelopment, Vande Bharat trains, metro rail expansion, and national highway projects - Focus on passenger experience, boost logistics efficiency, and strengthen regional connectivity - 7 new high speed rail corridor to be developed as growth connectors (between Mumbai–Pune, Pune–Hyderabad, Hyderabad–Bengaluru, Hyderabad–Chennai, Chennai–Bengaluru, Varanasi–Siliguri, Delhi–Varanasi)	The Budget remains strongly positive for the infrastructure sector, with higher public capex and focused urban infrastructure development. Continued thrust on freight corridors, waterways and high-speed rail will further improve connectivity, logistics efficiency, and long-term infra growth visibility. Positive for: Infrastructure & EPC Companies, Rail & Metro Infrastructure Companies and Urban Developers
	Real Estate - The corresponding allocation for PMAY–Urban is INR 60.0 BN (up 87.5%) and for PMAY–Urban 2.0 is INR 126.3 BN (up 193.7%), respectively (vs. INR 32.0 Bn and INR 43.0 Bn, respectively in Budget 2025-26)	Supportive for the urban housing and construction ecosystem, as it will drive affordable housing demand, accelerate project execution, and improve visibility for developers. Positive for: Affordable Housing Developers, MAHLIFE*
	REITs/Office Space - Tax holiday till 2047 to any foreign companies that provides cloud services (data centre) to Indian Customers - To set up dedicated REIT vehicles to monetise land and property assets held by Central Public Sector Enterprises (CPSEs)	Tax holiday till 2047 for foreign cloud service providers and setting up dedicated REIT vehicles to monetise CPSE land and property assets to support REIT and commercial real estate sector. Positive for: Office Space Providers/Developers, Global Hyperscalers, Renewable IPPs
	Building Materials - Budget for Jal Jeevan Mission increased by INR 6.7 Bn to INR 676.7 Bn (up by 1% vs. Budget 2025-26)	This will help steady order inflows. Positive for: EPC Players, Pipe Manufacturers (APOLLOPIPE and HINDWAREAP)

*Not covered

Industry	Budget Announcements	Implications
Technology	**IT Services and Software** - All IT services are consolidated under a single category with a 15.5% margin, safe harbor limit expanded from INR 3 Bn to INR 20 Bn, and approvals are granted through an automated, rule-based process under the Safe Harbour regime. - AI Mission budget increased from INR 8 Bn to INR 10 Bn, while the 'Education to Employment and Enterprise' committee will focus on the services sector to drive Viksit Bharat. - Introduction of National Framework to help states attract GCCs in Tier-2 cities by improving talent availability, infrastructure, urban regulations, and industry collaboration.	Reduce Tax scrutiny on IT companies having not more than INR 20 Bn transactions between overseas group companies. Positive for: India based technology MNC's Democritise and catalyse AI innovation ecosystem in India. Emphasis on AI-focused curriculum, Improved AI talent pipeline, and boost AI-led services exports. Positive for: IT companies focused on AI solutions This move helps decentralise growth, create skilled jobs in smaller cities, and strengthen India's role as a global services and AI delivery centre. Positive for: INFY, TCS, HEXW*
	Hardware and Datacentres - Budget proposes a tax holiday till 2047 for foreign cloud providers delivering global services from India-based data centres, subject to serving domestic customers via an Indian reseller. - Introduction of 15% safe-harbour margin on cost for India-based data centre service entities, supporting capex-led investments and accelerating hyperscaler localisation.	Improves ROI visibility for players, accelerates hyperscaler localisation, boosts utilisation, and drives faster capex deployment across India's data-centre ecosystem. Positive for: Data-centre Operators / Platforms: TATACOMM*, BHARTIARTL* & ANANTRAJ* EPC & Power Infrastructure: TATAPOWER*, SIEMENS* Data-centre Hardware & Digital Infrastructure & Solutions: AURIONPRO, NETWEB* & E2E* IT & Cloud Services: Tier-I IT companies Real Estate: Major Real Estate Players and REITs focused on providing Data Center Infrastructure
	EMS and Semiconductors - Building on ISM 1.0's fab and assembly push, GOI announced ISM 2.0 that will focus on industry-led R&D and training centres, development of full-stack indigenous semiconductor IP, and localisation of equipment, materials and supply chains. - Government proposes to increase semiconductor and electronics manufacturing incentives to INR 40,000 crore (from INR 22,919 crore), aimed at accelerating domestic manufacturing scale-up and innovation across the value chain.	Accelerates domestic semiconductor depth along with R&D, IP build, equipment localisation (benefiting fabs, OSATs, design houses, and suppliers. Positive for: Foundry / Manufacturing: VEDL* OSAT & Packaging: KAYNES* & CGPOWER* IP Design: CYIENT, LTTS & TELX EMS & Electronics Scale-up: DIXON* & SYRMA*
	Gaming - Govt to scale Animation, Visual Effects, Gaming, and Comics (AVGC) skilling (targeting 2 Mn professionals by 2030) via ABGC creator labs across ~15,000 schools and 500 colleges, alongside expansion of design and university infrastructure supportive of long-term content creation, gaming IP and ecosystem depth.	Expands skilled talent pool, lowers costs, accelerates IP-led game development and supports long-term industry scalability. Further, following the Online Money Gaming Bill, 2025 banning RMG, the government has not signaled adverse sentiment toward the broader gaming segment despite youth addiction concerns. Positive for: NAZARA
Telecommunications	**Services** - IT and Telecom budget have increased from 539 Bn to 745 Bn for FY27 up 38.2% from revised estimates of FY26 - The government has made provision for Capital infusion for technology upgradation and restructuring in BSNL.	INR 400Bn electronics PLI boosts telecom component manufacturing, improving supply-chain efficiency and supporting telecom sector beneficiaries. Positive for: Small and Mid Tower Players: INDUSTOWER* Telecom Service Provider: BHARTIARTL*, IDEA*, JIO* Internet Service Provider: BHARTIHEXA*
*Not covered	**Hardware and Equipment** - Budget outlay has been scaled up from INR 229.2 Bn to INR 400 Bn in FY27, indicating incremental government spending largely being channeled into component manufacturing rather than end-product assembly under the mobile and IT hardware PLI schemes.	Budget emphasis appears to be shifting away from the mobile and IT hardware PLI framework towards deeper localisation via the Electronics Component Manufacturing Scheme (ECMS). Overall Favorable for component supplier; moderate incremental upside for handset and IT hardware assemblers. Positive for: Component localizations & value-added electronics manufacturing companies Negative for: Assembly-led Mobile & IT Manufacturing companies

Institutional Research Team			
Utsav Verma, CFA	Head of Institutional Research	utsav.verma@choiceindia.com	+91 22 6707 9440
Ashutosh Murarka	Analyst – Building Materials	ashutosh.murarka@choiceindia.com	+91 22 6707 9521
Deepika Murarka	Analyst – Healthcare	deepika.murarka@choiceindia.com	+91 22 6707 9513
Dhanshree Jadhav	Analyst – Technology	dhanshree.jadhav@choiceindia.com	+91 22 6707 9535
Dhaval Popat	Analyst – Energy	dhaval.popat@choiceindia.com	+91 22 6707 9949
Fenil Brahmbhatt	Analyst – Realty & Building Materials	fenil.brahmbhatt@choiceindia.com	+91 22 6707 9930
Ishank Gupta	Analyst – Banking and Financial Services	ishank.gupta@choiceindia.com	+91 22 6707 9867
Karan Kamdar	Analyst – Consumer Discretionary, Small and Midcaps	karan.kamdar@choiceindia.com	+91 22 6707 9451
Kunal Bajaj	Analyst – Technology	kunal.bajaj@choiceindia.com	+91 22 6707 9901
Maitri Sheth	Analyst – Pharmaceuticals	maitri.sheth@choiceindia.com	+91 22 6707 9511
Prashanth Kumar Kota, CFA	Analyst – Basic Materials	prashanth.kota@choiceindia.com	+91 22 6707 9521
Putta Ravi Kumar	Analyst – Defence	ravi.putta@choiceindia.com	+91 22 6707 9908
Aayush Saboo	Sr. Associate– Realty	aayush.saboo@choiceindia.com	+91 22 6707 9930
Abhinav Kapadia	Sr. Associate – Capital Goods	abhinav.kapadia@choiceindia.com	+91 22 6707 9987
Avi Jhaveri	Sr. Associate – Technology	avi.jhaveri@choiceindia.com	+91 22 6707 9901
Bharat Kumar Kudikyala	Sr. Associate – Building Materials	bharat.kudikyala@choiceindia.com	+91 22 6707 9521
Samarth Goel	Sr. Associate– Small and Midcaps	samarth.goel@choiceindia.com	+91 22 6707 9451
Subhash Gate	Sr. Associate – Autos	subhash.gate@choiceindia.com	+91 22 6707 9233
Vikrant Shah, CFA (ICFAI)	Sr. Associate – Banking and Financial Services	vikrant.shah@choiceindia.com	+91 22 6707 9867
Heer Gogri	Associate – Small and Midcaps	heer.gogri@choiceindia.com	+91 22 6707 9433
Heet Chheda	Associate – Autos	heet.chheda@choiceindia.com	+91 22 6707 9233
Komal Jain	Associate – Healthcare	komal.jain@choiceindia.com	+91 22 6707 9513
Rushil Katiyar	Associate – Technology	rushil.katiyar@choiceindia.com	+91 22 6707 9901
Shreya Mehra	Associate – Technology	shreya.mehra@choiceindia.com	+91 22 6707 9535
Stuti Bagadia	Associate – Pharmaceuticals	stuti.bagadia@choiceindia.com	+91 22 6707 9511
Vinay Rawal	Associate – Small and Midcaps	vinay.rawal@choiceindia.com	+91 22 6707 9433

CHOICE RATING DISTRIBUTION & METHODOLOGY	
Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

***Large Cap: More Than INR 20,000 Cr Market Cap**
***Mid & Small Cap: Less Than INR 20,000 Cr Market Cap**

Disclaimer & Disclosure

Research Disclaimer and Disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

Choice Equity Broking Private Limited is a registered Research Analyst Entity (Reg. No. INH000000222) CIN. NO.: U65999MH2010PTC198714. Reg. Add.: Sunil Patodia Tower, J B Nagar, Andheri (East), Mumbai 400099. Tel. No. 022-6707 9999 . Compliance Officer-Prashant Salian. Tel. 022-6707 9999-Ext. 896. Email-Compliance@choiceindia.com. Grievance officer-Deepika Singhvi Tel.022-67079999- Ext-834.

Email- ig@choiceindia.com

General Disclaimer:

Investment in securities market are subject to market risks. Read all the related documents carefully before investing. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors

This report ("Report") is prepared by Choice Equity Broking Private Limited as a Research Entity (hereinafter referred as "CEBPL") in its capacity as a SEBI-registered Research Analyst and is intended solely for informational and educational purposes. This Report is meant exclusively for the recipient and shall not be circulated, reproduced, or distributed, in whole or in part.

This Report does not take into account the specific investment objectives, financial situation, risk profile, or particular needs of any individual or class of investors and does not constitute a personal recommendation or investment advice. Any views, opinions, or recommendations expressed herein are based on publicly available information and internal analysis and are subject to change without notice.

Nothing contained in this Report shall be construed as an offer, solicitation, or inducement to buy, sell, or subscribe to any securities, derivatives, or other financial instruments, nor shall it be considered as investment, legal, accounting, or tax advice. Recipients are advised to conduct their own independent analysis and are encouraged to seek independent professional advice before making any investment or trading decisions.

The information contained in this Report has been compiled from sources believed to be reliable; however, CEBPL does not represent or warrant the accuracy, completeness, or reliability of such information. CEBPL, its directors, employees, or associates shall not be liable for any losses, damages, or expenses arising directly or indirectly from the use of or reliance upon this Report.

Investments in securities are subject to market risks. The price and value of investments and the income from them may fluctuate, and investors may incur losses. Past performance is not indicative of future results. Opinions expressed herein are as of the date of this Report and may differ from views expressed in other research reports due to differences in methodology, assumptions, or time horizons.

Disclaimers in respect of Jurisdiction:

This Report is not intended for distribution to, or use by, any person or entity who is a citizen or resident of, or located in, any jurisdiction where such distribution, publication, or use would be contrary to applicable laws or regulations, or would subject CEBPL to any registration or licensing requirements in such jurisdiction.

No action has been taken or will be taken by CEBPL in any jurisdiction outside India where such action would be required for distribution of this Report. Accordingly, this Report shall not be directly or indirectly distributed, published, or circulated in any such jurisdiction except in compliance with applicable laws and regulations.

Recipients of this Report are required to inform themselves of, and comply with, all applicable legal and regulatory restrictions at their own expense and without any liability to CEBPL. Any dispute arising out of or in connection with this Report shall be subject to the exclusive jurisdiction of the competent courts in Mumbai, India.

Disclosure on Ownership and Material Conflicts of Interest:

- "CEBPL", its Research Analyst(s), their associates and relatives may have any financial interest in the subject company covered in this Research Report.
- "CEBPL", its Research Analyst(s), their associates and relatives may have actual or beneficial ownership of one percent (1%) or more of the securities of the subject company, as on the last day of the month immediately preceding the date of publication of this Research Report.
- "CEBPL", its Research Analyst(s), their associates and relatives may have any other material conflict of interest at the time of publication of this Research Report.

Disclosure on Receipt of Compensation:

- "CEBPL" or its associates may have received compensation from the subject company during the past twelve months.
- "CEBPL" or its associates may have managed or co-managed public offerings of securities for the subject company during the past twelve months.
- "CEBPL" or its associates may have received compensation from the subject company during the past twelve months for investment banking, merchant banking or brokerage services.
- "CEBPL" or its associates may have received compensation from the subject company during the past twelve months for products or services other than investment banking, merchant banking or brokerage services.
- "CEBPL" or its associates have not received any compensation or other benefits from the subject company or any third party in connection with the preparation or publication of this Research Report.
- Research Analyst may have served as an officer, director or employee of the subject company covered in this Research Report.
- "CEBPL" and Research analyst may engage in market-making activity in the securities of the subject company.

Details of Associates of CEBPL and Brief History of Disciplinary action by regulatory authorities are available on our website i.e. www. https://choiceindia.com/research-listing

KARAN KAMDAR

Digitally signed by KARAN KAMDAR
Date: 2026.02.02 00:39:09 +05'30'