Union Budget – 2026 Highlights

Monday, 02 February 2026

Budget 2026 Impact on Indian Equity Markets:

The union budget 2026 mainly aims at heightening infrastructure growth and economic stability throughout the country with several strategic measures. The first Budget prepared in Kartavya Bhawan, is inspired by 3 kartavyas:

- First kartavya is to accelerate and sustain economic growth, by enhancing productivity and competitiveness, and building resilience to volatile global dynamics.
- Second kartavya is to fulfil aspirations of people and build their capacity, making them strong partners in India's path to prosperity
- Third kartavya, aligned with vision of Sabka Sath, Sabka Vikas, is to ensure that every family, community, region and sector has access to resources, amenities and opportunities for meaningful participation.

The National Indices NIFTY & SENSEX observed major volatility on the day of the budget announcement (01ST February 2026), benchmark indices initially rising before turning sharply lower — the BSE Sensex ended down over 1,546.84 points and the NSE Nifty50 closed below 24900, replicating traders/investors' concern over key measures such as the STT hike and buy back capital gains tax actions. The Sensex increased to an intra-day high of 82,726.65 (a rise of 457 points or 0.55%) ahead of the Budget announcement, while Nifty moved up to 25,440.90, gaining about 0.47% or 120.25 points. By 12.30-1 PM, however, profit booking pulled the benchmarks off their highs. The Sensex slipped down by 1.88% to close at 80,722.94, while the Nifty came down by 1.96% or 495.20 points to 24,825.45.

Budget Outlay

- **Expenditure:** Government spending in FY27 is estimated at ₹53.47 lakh crore, up 7.7% YoY, with interest payments forming 26% of total expenditure and 40% of revenue receipts.
- **Receipts:** FY27 receipts (excluding borrowings) are projected at ₹36.52 lakh crore, a 7.2% increase YoY, led by an expected 8% growth in tax revenues.
- **GDP:** Nominal GDP growth for FY27 is estimated at 10%, factoring in both real growth and inflation.
- **Deficits:** Revenue deficit is targeted at 1.5% of GDP in FY27, while fiscal deficit is set to decline to 4.3% of GDP from 4.4% in FY26.
- **Debt:** Central government liabilities are estimated at 55.6% of GDP in FY27, with a medium-term target of reducing debt to ~50% of GDP by March 2031.
- **Tax holidays:** Tax holiday till 2047 granted to foreign cloud service providers using Indian data centres, while IFSC and Offshore Banking Unit tax holidays are extended to 20 years, followed by a 15% tax rate.
- **Share buyback taxation:** Share buybacks will be taxed as capital gains, with an additional levy on promoters, raising the effective tax rate to 22% for corporates and 30% for non-corporates.
- **STT hike:** Securities Transaction Tax has been increased across derivatives—options, exercised options, and futures—to curb excessive trading activity.

Sector Transformations

Defence:

India's defence allocation in the Union Budget 2026–27 has been increased to ₹7.85 lakh crore, up nearly 15% over the previous year, marking the first major defence budget after Operation Sindoor. Overall defence spending is estimated to rise by ₹52,166 crore (7%) over the FY26 revised estimates. Capital outlay for defence services has been set at ₹2.19 lakh crore, reflecting a sharp 17.6% YoY increase. Additionally, basic customs duty has been exempted on imported raw materials used for aircraft parts in defence MRO activities.

Railway:

The Union Budget announced seven new high-speed rail corridors across key city pairs and a dedicated freight corridor from Dankuni to Surat, while work on the Ahmedabad–Mumbai high-speed rail continues. Indian Railways has been allotted a record capex of ₹2.93 lakh crore in FY27, the highest ever. Safety remains the top priority, with nearly ₹1.20 lakh crore earmarked for safety upgrades. Key initiatives include track and rolling stock maintenance, faster rollout of Kavach, CCTV installation, OHE upgrades, station redevelopment, and improved passenger facilities.

Travel & Tourism:

The government will develop 15 archaeological sites—including Lothal, Dholavira, Rakhigarhi, Sarnath, Hastinapur and Leh Palace—into vibrant cultural destinations, while a Buddhist Circuit scheme in the Northeast (Arunachal Pradesh and Sikkim) will preserve key temples and monasteries. Ecologically sustainable trekking trails are planned in Himachal Pradesh, Uttarakhand and Jammu & Kashmir. A pilot programme will skill 10,000 tourist guides across 20 iconic locations through a 12-week hybrid training with IIMs.

Additionally, the Centre will support states in setting up five medical tourism hubs to boost employment, foreign exchange earnings and local economic growth.

Pharmaceutical:

The Union Budget 2026–27 announced the Biopharma SHAKTI initiative with an outlay of ₹10,000 crore over five years to position India as a global biopharma manufacturing hub. The programme aims to boost domestic production of biologics and biosimilars, reduce import dependence, and support affordable advanced therapies. It includes setting up three new NIPERs, upgrading seven existing institutes, and creating a nationwide network of over 1,000 accredited clinical trial sites. Regulatory capabilities at CDSCO will also be strengthened to align approvals with global standards and accelerate innovation.

Metals & Mining:

The government will support mineral-rich states—Odisha, Kerala, Andhra Pradesh and Tamil Nadu—to set up dedicated rare-earth corridors covering mining, processing, research and manufacturing of critical minerals. Announced by Finance Minister Nirmala Sitharaman, the move aims to cut India's dependence on China for rare earth supplies. These 17 strategic elements are vital for electronics, electric vehicles, renewable energy systems and defence applications, including fighter jets.

Electronics Manufacturing:

The government has raised the ECMS outlay to ₹40,000 crore to strengthen India's electronics manufacturing ecosystem, expanding support across key components to boost localisation, value addition and export competitiveness. The enhanced ECMS 2.0 lowers costs and capital intensity for EMS players, while ISM 2.0, with ₹1,000 crore in FY27, will deepen semiconductor capabilities through indigenous equipment, IP, R&D and skill development.

Textiles:

The initiative focuses on achieving self-reliance in textiles by promoting natural, new-age and man-made fibres, modernising clusters with technology and capital support, and strengthening artisans and weavers. It aims to build globally competitive, sustainable apparel through skill upgrades, industry–academia collaboration, technical textiles, and enhanced branding and market linkages for handicrafts and handlooms.

Infrastructure:

Union Finance Minister Nirmala Sitharaman announced a nearly 9% increase in public capital expenditure to a record ₹12.22 lakh crore (4.4% of GDP) in the Union Budget 2026–27, up from ₹11.2 lakh crore, to sustain infrastructure-led growth. Key measures include setting up an Infrastructure Risk Guarantee Fund to boost private investment, developing five tourism destinations in Purvodaya states, deploying 4,000 electric buses, building a Surat–Dankuni dedicated freight corridor, operationalising 20 new national waterways, and launching schemes to support construction equipment and container manufacturing.

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