Union Budget 2026

A bundle of expectations!

Disclosures and Disclaimer : This report must be read with the disclosures in the Disclosure appendix, and with the Disclaimer, which forms part of it. This document does not contain any investment views or opinions.

As we write, Nifty has now fallen to its lowest levels in the last 3 months.

Dalal Street is actually having a rough start for the year 2026 with Nifty receiving drubbing of 3.42% in January 26. Caution still remains the buzzword as investors need to be beware of any flash crashes…

Actually, the year began with markets assuming trade-policy risk was a 2025 problem. It's now clear this is a theme investors will have to grapple with well into 2026.

Blame it on land mines that are placed here and there — and primarily planted by the 47th president of the United States, President Donald Trump — which is clearly derailing any optimism at Dalal Street.

Strictly speaking, Trump's policies continue to be the preferred theme and are likely to determine how the US economy will shape up and also Dalal Street's trading theme shall hinge on the same.

Nifty and its stocks remain unsure on how serious Trump's Tariff Threats are.

The only one thing certain at the moment is: Uncertainty, uncertainty and uncertainty.

The battle going forward will also be between deteriorating technical conditions, vanishing liquidity from FIIs camp, weaker Indian Rupee, domestic growth slowdown / demand fatigue and rising US bond yields while on the other hand are positive global cues, a government committed to reforms and bring back the economy on track on backdrop of fading geopolitical tensions.

Now, The Good News: Well, there could be fireworks in store for investors at Dalal Street.

Why We Say So? Honestly speaking, investors have 1-big reason to be hopeful that Nifty could make a solid comeback with much more joy, rediscovery and optimism.

Well, all bullish eyes turn to the finance minister Nirmala Sitharaman who has the singular responsibility of proving to the big investors across globe that the Prime Minister Narendra Modi's magic is still on.

So, all bullish eyes turn to the most powerful and the most important minister in Narendra Modi’s cabinet — Finance Minister Nirmala Sitharaman — known for her behind-the-scenes influence over the economic affairs in the country.

 # The street is betting on the measures to boost consumption and support economic growth while maintaining fiscal consolidation path.

Before we get into detail, here are the 11 major takeaways from Modi governments’ Union Budget since 2014:

Trends and Insights: Indian Economy —— 11 Years of PM Modi.

Before we get into detail, here are the 10 major takeaways from Modi governments Union Budget since 2014:

1) The World has recognized the Indian Economy as a 'bright star' as India is set to dominate the global economic landscape, maintaining its status as the fastest-growing large economy for the next two fiscal years. The January 2026 edition of the World Bank's Global Economic Prospects (GEP) report projects India's economy to grow at a steady rate of 6.7% in both FY26 and FY27, significantly outpacing global and regional peers. At a time when global growth is expected to remain at 2.7 per cent in 2026-27, this remarkable performance underscores India's resilience and its growing significance in shaping the world's economic trajectory.

Indian Economy in a "Sweet Spot"		
	2026	**2014**
GDP	6.7%	7.41%
Inflation Rate (CPI)	1.33% (December)	6.67%
Foreign Exchange Reserve	701.36 bn USD	304.2 bn USD
Fiscal Deficit	4.4%	4.1%
CapEX Trends	11.1%	9.01%
Services (Growth Rate of GVA)	9.1%	8.16%
Agriculture & Allied Activities	3.06%	2.6%
Industrial Growth	6.7%	6.34%

2) Investors' confidence grows on backdrop of economic dynamism.

Dalal Street —— Now and Then.			
	January 2026	2014	% Gain
NIFTY Levels	25175	8248	205%
Market-Cap (BSE)	Rs. 452 lakh crore.	Rs. 81 lakh crore.	458%

3) GST collections on the rise:

₹ 8.63 lakh crore in FY16-17

₹ 18.45 lakh crore in FY23-24

₹ 22.08 lakh crore in FY24-25

4) Boosting India's rising global profile are accomplishments in unique World Class Digital Public Infrastructure namely:

Aadhaar Co-Win UPI.

5) A better quality of life for all citizens… a better quality of living… a life of dignity…

…as the per capita income has more than doubled to Rs 2.12 lakh in around nine years.

6) Affordable health for all (Enhanced Health Expenditure: 3. 8% of GDP in FY23).

7) The Indian economy has increased in size in last 11 years…From being 10th to 4th largest in the world… (The street is now excited as in PM Modi's third term, the Indian economy is likely to be the 3rd largest economy.

8) The Indian economy has become a lot more formalized as reflected in the EPFO membership… more than doubling to 27 crore, and 7,400 crore digital payments of Rs 126 lakh crore through UPI in 2022.

9) Infrastructure building is a rare bright spot: Capital investment outlay is being increased steeply to Rs 11.11 lakh crore or 3.1% of the GDP in 2024-25. (India's infrastructure spending is likely to touch Rs 143 lakh crore by 2030).

10) 3.7 Lakh Cr cash transferred to over 11 crore farmers under PM Kisan Samman Nidhi.

10.41 Cr, LPG connections under Ujjawala Yojana

56.16 Cr. Bank Accounts in PM Jan Dhan Yojana

The key Budget Expectations 2026-27: Accelerate progress and strengthen India's global competitiveness

The Budget expectations are running high.

The good news is that the Union Budget 2026 is expected to bring a variety of changes such as income tax reforms, an increased focus on agriculture, and balancing between fiscal consolidation and economic growth.

The street is expecting a continued push for economic reforms that have seen India emerge as the world's fastest-growing major economy.

We too suspect that confidence of the Modi government is expected to roll out and be boldly become visible in upcoming budget on February 1st 2026, under the leadership of Hon'ble Finance Minister Nirmala Sitharaman.

India's FY26 budget is likely to prepare ground to position India as a formidable alternative to China's dominance in global supply chains and shall offer a crucial glimpse into the government's priorities and spending plans. The spotlight will be on the finance minister's measures to address fiscal stability, inclusive development, infrastructure investment, green growth, and strategic tax adjustments.

This will be Sitharaman's ninth consecutive budget. **Government needs to strike balance between fiscal consolidation and incremental capex in FY2025 Budget.**

Union Budget 2026–27: Key Expectations

Macro Backdrop

- Union Budget 2026–27 will be presented on 1st February 2026.
- India's GDP growth is projected at 7–7.5%, led by:
    - o Strong consumer demand
    - o Infrastructure spending

- Ongoing policy reforms
- Corporate deal activity remains healthy: M&A volumes at USD 61.3 billion in H1 2025.
- Foreign investments continue to rise.
- However, tax litigation remains a concern: Over 5.4 lakh pending tax appeals, highlighting need for faster resolution.

Key Direct Tax Expectations

1. Tax-neutral Fast-Track Demergers

- Currently, Income-tax Act 2025 does not provide tax neutrality for fast-track demergers.
- Expected reform:
  - Grant tax-neutral status.
- Benefits:
  - Easier corporate restructuring
  - Lower compliance burden
  - Faster unlocking of growth opportunities

2. Rationalisation of Slump Sale Holding Period

- Present rule:
  - Slump sale requires **36 months** for long-term classification.
- Expectation:
  - Reduce to **24 months**, in line with other assets.
- Impact:
  - Improves capital reallocation
  - Boosts M&A and asset monetisation

3. MAT Relief for Foreign Companies

- MAT exemption currently applies only if income is purely from specified businesses.
- Issue:
  - Incidental income exposes foreign firms to MAT.
- Expected:
  - Clear MAT exemption.
- Benefit:
  - Improves India's attractiveness for foreign investors in shipping, oil, infra, aviation.

4. Clearer Definition of Associated Enterprises

- Current definition is complex and leads to disputes.
- Expectation:
  - More objective and simplified definition.
- Impact:
  - Lower transfer pricing litigation
  - Easier compliance for MNCs

5. Dividend Tax Exemption for IFSC Investors

- Present:
  - Interest income exempt, dividends taxed at 10%.
- Expected:
  - Remove dividend tax for non-residents.
- Benefit:
  - Attracts global funds
  - Strengthens IFSC as wealth management hub

Key GST Expectations

6. Place of Supply for Intermediary Services

- Proposal:
  - Delete Section 13(8)(b) of IGST Act.
- Impact:
  - Aligns GST with global norms
  - Reduces cross-border disputes
  - Boosts service exports

7. Simplification of Post-Sale Discounts

- Amendment expected to Section 15(3)(b).
- Remove requirement of pre-agreed invoice-linked discounts.
- Benefit:
  - Easier compliance
  - Better for FMCG, auto, e-commerce sectors

8. Export Refund Relief for SMEs

- Proposal:
  - Omit Section 54(14).
- Impact:
  - No minimum value threshold for refund claims.
  - Improves liquidity for small exporters.

9. Provisional Refunds for Inverted Duty Structure

- Amend Section 54(6) to allow provisional refunds.
- Benefit:
  - Faster working capital
  - Reduces refund delays
  - Parity with zero-rated supplies

Bottom Line: Budget Wish-List

- Focus on:
  - Simpler tax laws
  - Faster dispute resolution
  - Better cash flows
  - Global tax alignment
- If implemented, these reforms could:
  - Unlock investments
  - Support MSMEs & exporters
  - Improve India’s global competitiveness
  - Reinforce India as a preferred investment destination.

Reinforce India as a preferred investment destination.

1) The GoI should signal a movement towards the stated fiscal deficit target of 4.5% of GDP in FY27. The street will spy with one big eye if the GoI lays out annual reduction targets to achieve the norm of 3% of GDP latest by FY28.

2) The government will also look to come out with aggressive policies to emerge as a viable option for foreign firms exiting China. To bolster the theme the Indian government will look to building and strengthening India's supply chain capacity, and most importantly, simplify legislations supported by liberal tax compliance regime. Production linked incentive (PLI) scheme details including investment and production thresholds for the extended sectors are awaited. The PLI scheme is currently extended to several sectors including auto components, telecom and networking products, advanced chemistry cell batteries, textile, food products, solar modules, white goods, and speciality steel.

3) Ease of doing business is the need of the hour to lure big foreign firms eager to locate in India. The Government should consider curtailing the scope of transactions covered under TDS compliances, relaxations to non-resident taxpayers in return filing compliances where taxes have been appropriately withheld and provide clarifications on certain vexed issues particularly on the new charge of Equalisation levy and TDS/TCS provisions on e-commerce and also abolish applicability of Income Computation and Disclosure Standards. The industry needs efficient and sustained incentive policies to create a viable investment environment. The government should expedite and bring more clarity on PLI, PMP and FTP in the Union Budget.

4) The budget should go a long way in doubling farmers' income by addressing incentives for the fertilizers, more thrust on irrigation, food processing, logistics, and most importantly on the research & development. The key expectations of farmers are export curbs such as the imposition of minimum export price, a quantitative limit on shipment, export duty, and an outright ban tend to negatively impact farmers' incomes. The street will also spy with one big eye on the ongoing farmer protests against the introduced new farm laws. Commanding attention would be the government's commitment towards minimum support prices.

5) The new normal these days are 'Work-from-home'. The budget should introduce standard deduction for additional expenditure incurred by salaried class to meet communication and infrastructure requirements. Also, the Government should consider increasing the limit of interest deduction paid on home loan as the pandemic has accelerated demand for bigger new homes to accommodate

working space. So, incentives to support the real estate sector may include higher tax exemptions on interest and principal payments on housing loans. This will help the real estate sector immensely.

A key area of focus and need of the hour is to generate jobs, especially in the rural economy.

6) The GoI has missed its divestment target for the seventh year in a row. Disinvestment Target likely to be slashed for FY25 amidst rising uncertainty in a tense global environment and also unfavourable market conditions. So, for the upcoming Budget, the street not foreseeing a major bump in divestment targets, with most estimates falling between the Rs 30,000 crore - Rs 60,000 crore range. The missed targets are generally attributed to volatile market conditions, complex administrative processes, and the prioritization of long-term value over quick sales.

7) Investors and Traders seek removal of STT and LTCG…

Honestly speaking, transaction cost in India is too high and LTCG and STT are seen as a sentiment dampener for the market. Way back in 2004, security transaction tax (STT) replaced the long-term capital gains (LTCG) tax. Budget 2018 brought back LTCG, levied again at a rate of 10% on annual gains of over Rs 1 lakh but STT was not removed. The biggest positive trigger for Dalal Street in the upcoming Union Budget 2022 could be abolition of Securities Transaction Tax (STT). Investors will also want LTCG to be removed. This should give boost to the new investors who have started their investment journey in last 12–36 months.

As requested also by ANMI, the government should provide tax exemptions of up to 1 lakh in STCG. At present, STCG on equity shares (listed), which have suffered STT, are taxed at 15 percent plus surcharge, without any tax exemptions like in the case of long- term capital gains (LTCG).

Short-term capital gains from equities are taxed at 15% while long-term capital gains over Rs 1 lakh are taxed at 10%. The government levies a 0.1% STT on each equity sale or purchase transactions on exchanges. Short-term capital gains on all other assets are taxed as per an individual's income tax slab, while long-term capital gains are taxed at 20% with indexation benefit.

Automobile Sector:

The auto industry.

As we approach the presentation of the Union Budget, the Indian automobile sector is at a unique crossroads. Following the major "GST 2.0" reforms of late 2025, the industry is shifting its focus from "survival" to "structural scaling."

Here is what is in store for auto stocks and what investors are watching:

Budget Expectations:

1. **The "EV Economics" Shift**

The conversation has moved beyond simple subsidies. Markets are looking for:

FAME III / PM E-DRIVE Updates: While PM E-DRIVE provided a bridge, the industry is pushing for long-term clarity (up to 2030) to justify massive R&D spends.

Inverted Duty Correction: Currently, finished EVs are taxed at 5%, but many components and charging services are taxed at 18%. Rationalizing this would improve cash flow for companies like Tata Motors and Ola Electric.

Battery Localisation: Expect potential announcements regarding the Production Linked Incentive (PLI) scheme for Advanced Chemistry Cells (ACC), specifically targeting the domestic manufacturing of battery cells to reduce reliance on imports.

2. **Rural Demand & Entry-Level Recovery**

While the "premiumization" trend is strong (SUVs now command ~65% of the market), the entry-level segment has lagged.

- **Affordability Measures:** We expect the government to possibly introduce interest subvention schemes or rural-focused credit easing to help **Maruti Suzuki** and **Hero MotoCorp** revive their mass-market volumes.

3. Key Policy Expectations

Focus Area	Expectation	Potential Impact
Scrappage Policy	Higher incentives (rebates) for scrapping old vehicles.	Boosts new vehicle replacement demand.
GST on Hybrids	Clarity on whether hybrid vehicles will get a tax cut similar to EVs.	Major for Toyota and Maruti.
Charging Infrastructure	Dedicated funding for 50,000+ public charging points by 2027.	Reduces "range anxiety" and boosts EV penetration.
Customs Duty	Rationalization of duties on critical minerals (Lithium, Cobalt).	Lowers input costs for battery manufacturers.

4. Market Sentiment: "Cautious Optimism”

Auto stocks have seen a "tale of two halves" in the current fiscal year. After a sluggish start, a strong festive season (post-GST 2.0) has revived investor interest.

- Growth Outlook: ICRA expects two-wheeler volumes to grow 6–9% in FY26.
- Luxury Segment: Keep an eye on the "Top-End Vehicle" (TEV) segment. Despite higher GST on luxury cars, the removal of the Compensation Cess in late 2025 has stabilized pricing, helping players like Mercedes-Benz and BMW maintain margins.

Best Plays: ASHOK LEYLAND, M&M, TVS MOTORS.

Infrastructure Sector:

The infrastructure sector remains the primary engine of India's "Viksit Bharat 2047" vision. However, there is a visible shift in strategy: the government is moving from purely "building more" to "building smarter" and leveraging private capital.

Budget Expectations:

1. **The "NIP 2.0" and "Gati Shakti" Push**

   Industry insiders project a 10–14% hike in Capex, potentially pushing the total infrastructure outlay to an unprecedented ₹13–15 trillion.

   Asset Monetization: Expect a heavy focus on recycling capital (Target: ₹10 lakh crore over 5 years). The government is likely to push the Infratrust (InvIT) model further to reduce the debt burden on agencies like NHAI.

   Project Completion: A new "outcome-centric" metric is expected, prioritizing projects that are more than 80% complete to ensure they are commissioned within the fiscal year.

2. Sectoral Deep Dive

Sector	Expected Allocation / Policy	Strategic Focus
Railways	₹2.75 trillion (~10% increase)	**Kavach 4.0** (safety), Vande Bharat expansion, and Dedicated Freight Corridors (DFCs).
Roads/Highways	₹2.72–2.85 trillion (Flat/Stable)	Shift toward the BOT (Build-Operate-Transfer) model to attract private players.
Urban Infra	₹1 lakh crore Urban Challenge Fund	Smart cities, waste management (AMRUT), and last-mile metro connectivity.
Digital Infra	"Infrastructure Status" for Data Centres	Boosting the **India AI Mission** and nationwide fiber connectivity (Bharat Net).

Water Enhanced Jal Jeevan Mission 100% rural household coverage and urban sewerage treatment.

3. **Key Stocks to Watch**

The "Multiplier Effect" of this budget will likely hit three main categories of stocks:

- **Engineering & Construction (EPC):** * L&T: The bellwether for the Indian construction cycle.
  - **KNR Constructions / PNC Infratech:** Likely beneficiaries of the renewed push for BOT projects.
- **Railway & Logistics:** * Jupiter Wagons / Titagarh Rail Systems: Driven by the demand for rolling stock and freight wagons.
  - **CONCOR:** Positioned to gain from the optimization of Dedicated Freight Corridors.
- **Ancillary & Materials:**
  - **UltraTech / Shree Cement:** Direct beneficiaries of increased concrete consumption in highways and housing.
  - **Cummins India / ABB India:** Key players in the power and heavy equipment needed for large-scale projects.

4. **The "Private Participation" Pivot**

A major theme this year is the National Infrastructure Pipeline (NIP) 2.0. The government is expected to introduce "investor-friendly" risk-sharing models. If the budget successfully clarifies the legal frameworks for public-private partnerships (PPP), it could unlock massive stagnant private capital, providing a long-term re-rating for infrastructure stocks.

Best Plays: LARSEN

Financial Sector

The financial sector—comprising banks, NBFCs, and insurance firms—is bracing for reforms focused on "Quality Growth" rather than just volume. With credit growth remaining robust but deposit mobilization becoming a challenge, the budget is expected to address systemic liquidity and structural shifts.

Budget Expectations:

1. Banking: Consolidation and "Mega-Banks”

The government is likely to move away from small-scale fixes toward creating global-scale institutions.

- **PSB Privatization & Consolidation:** After the 2025 mergers, the roadmap for the next phase of privatization (possibly targeting 1–2 mid-sized PSBs) or further consolidation to create "world-class banks" is a high-conviction expectation.
- **Deposit Mobilization Incentives:** To help banks compete with equity markets for capital, there are strong rumors of tax parity for fixed deposits (reducing the lock-in for tax-saving FDs from 5 years to 3 years) or raising the TDS threshold on interest income.
- **MSME Credit:** Expect an increased outlay for the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) to lower the risk weightage for banks lending to small businesses.

2. Insurance: The "Insurance for All" 2047 Push

With the insurance regulator (IRDAI) pushing for 100% penetration, the budget may provide the legislative muscle:

- **FDI Limits & Composite Licenses:** There is anticipation around allowing Composite Licenses (allowing one company to sell both life and non-life products) and potentially increasing FDI limits further for specific sub-sectors.
- **Tax Relief (Section 80D):** A separate, higher deduction limit for health insurance premiums is a perennial demand, especially for the "missing middle" who aren't covered by government schemes.

- **GST on Premiums:** The industry is lobbying for a reduction in GST on term life and health insurance from 18% to 5% to make protection products more affordable.

3. Capital Markets & Wealth Management

The "financialization of savings" is at an all-time high, and the budget might refine the rules:

- **LTCG Rationalization:** Investors are eyeing a potential increase in the Long-Term Capital Gains (LTCG) exemption limit from ₹1.25 lakh to ₹2 lakh.
- **Debt Mutual Fund Parity:** Following the 2023-24 changes, there is a request to restore some form of indexation benefit or preferential tax treatment for debt MFs to support the corporate bond market.
- **STT & Speculation:** While a decrease in Securities Transaction Tax (STT) is unlikely given its revenue generation, the budget might introduce measures to curb excessive F&O (Derivatives) trading to protect retail investors.

The "Digital Rupee" Factor

Watch for announcements regarding the wider rollout of the Central Bank Digital Currency (CBDC). The government may provide incentives for merchants to adopt the Digital Rupee, which could reduce the operational costs for banks and payment aggregators.

Best Plays: SBI, ICICI BANK, CANARA BANK, UNION BANK OF INDIA, HDFC BANK.

Real Estate and Housing Finance Companies

The real estate sector is arguably the most vocal "expectations" group. After a strong 2025 for luxury housing but a cooling period for the affordable segment, the industry is looking for a "reset" to align policy with current market pricing..

Budget Expectations:

1. **The "Affordable Housing" Redefinition**

   The most significant move expected is a revision of what qualifies as "Affordable Housing."

   - **Price Cap Hike:** The current limit of ₹**45 lakh** (set in 2017) is seen as outdated. Industry bodies like CREDAI are pushing to raise this to ₹**75–85 lakh** in metros and ₹**60–70 lakh** in Tier II cities.
   - **The Impact:** A higher cap would allow more projects to qualify for the **1% GST rate** (instead of 5%) and enable more buyers to access PMAY subsidies. This would be a massive tailwind for developers focused on the mid-market, like Signature **Global** and **Macrotech Developers (Lodha).**

2. **Tax Relief for Homebuyers (Section 24b)**

   To counter the "EMI stress" from high interest rates, there is a strong demand for:

   - **Deduction Limit:** Raising the home loan interest deduction cap from ₹**2 lakh** to ₹**5 lakh** under the old tax regime.
   - **First-Time Buyers:** Reintroduction of the **Section 80EEA** benefit, which provided an additional ₹1.5 lakh deduction for first-time buyers but expired in 2022.
   - **Standard Deduction:** Potential linkage of property tax or maintenance costs to a higher standard deduction for rental income to boost the "Buy-to-Let" market.

3. **Supply-Side Stimulus & "Industry Status"**

developers are seeking structural changes to lower the cost of doing business:

- **Industry Status:** Granting "Industry Status" to the entire real estate sector (not just affordable housing) would allow developers to access loans at lower interest rates from commercial banks.
- **PMAY-U 2.0:** Investors are looking for a massive allocation (projected around ₹**1 lakh crore**) for the second phase of the Pradhan Mantri Awas Yojana (Urban) to stimulate construction in urban outskirts.
- **GST on Inputs:** A request to reduce GST on **cement (currently at 28%)** and other raw materials to ease the "margin squeeze" caused by high construction costs.

Best Plays: OBEROI REALITY, PRESTIGE ESTATE, GODREJ PROPERTIES.

Stocks to Watch Out for In Defence

1) The defence sector is expected to be a major highlight of the Union Budget 2026-27, particularly following the high-intensity military developments of late 2025 (notably Operation Sindoor).

2) The industry is moving from "general indigenization" to a specialized focus on DeepTech, UAVs, and high-tech attrition warfare.

Budget Expectations:

1. The Fiscal Pivot: From 10% to 20%?

For years, the defence budget saw incremental hikes of around 9–10%. However, ahead of February 1, experts and government officials have hinted at a more aggressive stance:

- **Capital Outlay Hike:** There is a strong consensus for a 15–25% increase in capital expenditure (Capex). Analysts expect the total allocation for the Ministry of Defence to potentially cross ₹7.5–8 trillion.
- **Modernization Focus:** A significant portion of this will likely be earmarked for the Air Force and Navy to fast-track the procurement of 97 additional Tejas Mk-1A jets, Netra Mk-1A surveillance aircraft, and advanced submarine programs (P-75I).

2. Emerging "Warfare Tech" Allocations

The lessons from recent border tensions have shifted priority toward:

- **Unmanned Systems:** Massive funding is expected for UAVs (Drones), Anti-Drone systems, and Loitering Munitions. The government may expand the "Drone Shakti" initiative with higher production incentives.
- **Ammunition Stockpiling:** Following the rapid depletion of munitions during recent operations, a dedicated Emergency Procurement Fund (potentially up to $11 billion by 2030) is likely to be formalized in the budget.

- **ADITI 3.0:** Look for an increased corpus for the "Accelerating Development of Innovative Technologies with iDEX" (ADITI) scheme to support startups working on Quantum computing and AI-driven targeting.

3. Export & Indigenization Targets

Metric	FY 2025 Actuals	FY 2026/27 Projections	2030 Target
Total Production	₹1.54 lakh crore	₹2.0+ lakh crore	₹3.0 lakh crore
Defence Exports	₹23,622 crore	₹30,000+ crore	₹50,000 crore
Private Share	~23%	30%	+40%

Best Plays: HAL, BEL, DATA PATTERNS

Outlook for Gold & Silver

Ahead of the **Union Budget 2026-27,** gold and silver are in the midst of a historic rally, with prices hitting fresh lifetime highs in late January 2026. The outlook is a mix of record-breaking domestic prices and intense speculation regarding government policy changes on **February 1.**

Market Outlook: Current State

As of late January 2026, the bullion market is experiencing unprecedented volatility and growth:

- **Gold:** Recently touched an all-time high near 1.8 lakh per 10 grams (MCX). International spot prices have crossed $5,500/oz.
- **Silver:** Scaled the psychological 4 lakh per kg mark for the first time, fueled by industrial demand (solar/EVs) and safe-haven buying.
- **Performance:** Gold rallied over 66% in 2025, while silver outperformed with a massive 150% gain, making them the top-performing asset classes.

Key Budget Expectations & Triggers

The industry and investors are closely watching three main areas:

1. Import Duty Adjustments

- **The Argument for a Cut:** The jewelry industry is pushing to reduce the current **6% import duty** to **4% or 3%.** This aims to improve affordability for consumers and curb the rising cases of smuggling.
- **The Risk of a Hike:** Conversely, the **Economic Survey 2025-26** noted that record gold/silver imports are pressuring India's trade deficit and core inflation. Some analysts fear the government might increase duties to manage the Current Account Deficit (CAD) and stabilize the rupee.

2. GST & Sovereign Gold Bonds (SGB)

- **GST Rationalization:** There is a strong demand to lower the **3% GST** on gold jewelry to 1% or 1.25% to boost the organized retail sector.
- **SGB Revival:** After a quiet period for Sovereign Gold Bonds, experts expect new measures to revive the scheme, such as tax-free interest or digital-only formats, to divert physical gold demand into financial assets.

3. Macro-Economic Signals

- **Inflation Impact:** The Economic Survey highlighted that "precious metal prices are inflating India’s core inflation." If the Budget prioritizes inflation control, we may see stricter policies on bullion trading.
- **Global Tensions:** With ongoing geopolitical risks (Middle East and trade wars), gold remains the primary "safe haven." Any Budget signal favoring fiscal stability could further cement this status.

Best Plays: Hindustan Zinc

Other Metals Space Ahead of Union Budget

While precious metals are currently grabbing the headlines with record highs, the outlook for **industrial (base) metals** ahead of the **Union Budget 2026-27** is centered on a major structural shift toward domestic self-reliance and "Green Steel."

The industry is expecting a "Mining Policy Overhaul" aimed at slashing imports and boosting the production of copper, zinc, and silver.

1. Base Metals: The "Import Substitution" Push

The government is expected to unveil a new Mining Policy in this Budget. The goal is to reduce the massive trade deficit caused by metal imports, which is projected to hit ₹30,000 crore for aluminum alone in FY26.

- **Copper:** With international prices hovering near **$12,000/tonne**, Indian smelters are under stress. The industry is pushing for a **3% safeguard duty** on copper cathodes and wires to protect domestic plants from cheap imports under Free Trade Agreements (FTAs).
- **Aluminum:** The Aluminium Association of India (AAI) has demanded a hike in basic customs duty to a uniform **15%** (up from 7.5%) on all products and scrap to prevent India from becoming a "dumping ground" for global waste.
- **Zinc & Silver:** Expect incentives for "by-product recovery." Since silver is often a by-product of zinc and copper mining, the Budget may offer tax breaks to companies that maximize silver extraction to meet high domestic demand.

2. Steel: The "Green Transition"

The steel sector's outlook is dominated by decarbonization.

- **Green Hydrogen Incentives:** Industry bodies like Assocham are pushing for fiscal support for **hydrogen-based DRI (Direct Reduced Iron)** technologies.
- **Coking Coal Relief:** There is a strong expectation of a reduction or removal of the **2.5% import duty on coking coal,** a key raw material that India lacks but needs for steel production.

- **Scrap Recycling:** To promote a circular economy, the Budget might introduce incentives for organized scrap collection centers, helping reduce the carbon footprint of domestic steel.

3. Strategic Focus: Rare Earth Elements (REE)

For the first time, the Budget is expected to provide a clear roadmap and initial funding for a Domestic Rare Earth Ecosystem.

- **The Goal:** Secure supply chains for high-tech industries like **EVs, defense, and electronics.**
- **The Policy:** Look for incentives for **prospecting and refining**, as the government aims to move India from an "assembly-led" model to a "raw-material-integrated" manufacturing hub.

Best Plays: National Aluminium, Hindalco, Tata Steel, Steel Authority of India.

Railways

The outlook for **Indian Railways** ahead of the **Union Budget 2026-27** is defined by a massive pivot from "announcement mode" to "execution mode." Following the Economic Survey 2026, it is clear the government is doubling down on safety technology and high-speed connectivity.

1. Record Capital Expenditure (Capex)

Analysts expect a record-breaking allocation, with some projections reaching as high as **₹5.64 lakh crore** (gross outlay), representing a significant jump from previous years.

- **Gross Budgetary Support (GBS):** Expected to be in the range of **₹2.7 lakh crore to ₹2.9 lakh crore**, a 10–12% increase year-on-year.
- **The Goal:** Achieving the "Viksit Bharat @2047" vision by modernizing tracks and rolling stock to handle higher speeds.

2. The "Safety First" Mandate

In light of recent scrutiny, safety is the top priority for 2026-27.

- **Kavach 4.0:** A massive **25% increase** in allocation for the Kavach Automatic Train Protection system is expected. The ministry is already working on an 18,000-km tender to fast-track its rollout.
- **Track Renewal:** Significant funds will be earmarked for track strengthening to support the 160 kmph potential of Vande Bharat trains.
- **Total Safety Outlay:** Could cross **₹1.3 lakh crore**, covering signaling, bridge works, and eliminating level crossings.

3. Rolling Stock & New Trains

The budget will likely fund the next generation of India's fleet:

- **Vande Bharat Sleeper:** Following the 2025 prototype launch, the budget will likely provide for the manufacturing of **50+ sleeper versions** for long-distance travel.
- **Amrit Bharat & Namo Bharat:** Focus on "common man" connectivity with 100+ non-AC Amrit Bharat trains and 50 Namo Bharat (Rapid Rail) services for inter-city travel.
- **General Coaches:** To address overcrowding, the production of **17,500 non-AC general coaches** is expected to be sanctioned over the next few years.

4. Strategic Infrastructure Projects

- **Bullet Train (NHSRCL):** Expect an allocation of over ₹**25,000 crore** to accelerate the Mumbai-Ahmedabad High-Speed Rail corridor.
- **Decongestion:** With electrification nearly 100% complete, funds are being redirected **to track doubling and triple-lining** (budgeted at ~₹32,000 crore) to improve punctuality.
- **Station Redevelopment:** The "Amrit Bharat Station Scheme" will continue its phased upgrade of 1,337 stations.

Best Plays: RVNL, IRFC, RailTel, Jupiter Wagons

IT Sector

For Indian IT companies, the outlook ahead of the Union Budget 2026-27 is marked by a shift from traditional software services toward becoming a global "AI and Data Hub." While the sector is navigating global headwinds, the domestic focus is heavily on Artificial Intelligence (AI), Global Capability Centres (GCCs), and tax rationalization.

1. The AI & GenAI Thrust

The government is expected to significantly expand the IndiaAI Mission.

- **Compute Capacity:** Industry experts are calling for a massive increase in sovereign AI compute infrastructure (GPUs) to help Indian IT firms develop local Large Language Models (LLMs) and reduce reliance on foreign hardware.
- **Incentives:** There is anticipation for Production-Linked Incentives (PLI) to be extended to AI, SaaS, and cybersecurity sectors to encourage original IP creation rather than just service exports.

2. NASSCOM & Industry Demands

NASSCOM has laid out a clear wishlist to improve the "Ease of Doing Business" for tech firms:

- **ESOP Tax Deferment:** A major demand is to extend the tax deferment on Employee Stock Option Plans (ESOPs) to all DPIIT-recognized startups, not just a select few. This is seen as critical for retaining high-end tech talent in India.
- **Cloud Services Clarity:** The industry is seeking explicit rules that foreign cloud providers using Indian data centers do not create a "Permanent Establishment" (PE) in India, which would simplify tax liabilities for global collaborations.
- **R&D Tax Credits:** Companies are pushing for a weighted tax deduction for R&D expenditure to stay competitive with hubs like the US and China.

3. Boosting the "Office of the World" (GCCs)

India now hosts over 1,700 Global Capability Centres, and Budget 2026 is expected to cement this:

- **Infrastructure Support:** Expect targeted incentives for setting up tech hubs in Tier-2 and Tier-3 cities to distribute the tech talent pool and lower operational costs.
- **SEZ Rules:** Further easing of rules for Special Economic Zones (SEZs) to allow "Work from Anywhere" permanently, which is vital for the modern hybrid IT workforce.

4. Tax & Compliance Outlook

- **TDS Rationalization:** The IT sector currently deals with complex TDS (Tax Deducted at Source) rates. A roadmap to simplify these into 3–4 standard slabs is highly expected to free up working capital.
- **Safe Harbour Rules:** Strengthening Safe Harbour provisions for transfer pricing would provide much-needed tax certainty for the international operations of companies like Infosys, TCS, and Wipro.

Best Plays: Infosys & HCLTECH

Pharma Space

The outlook for the Pharmaceutical and Healthcare sector ahead of the Union Budget 2026-27 is centered on a pivot from "Volume to Value." As India aims to hit a $130 billion pharma market cap by 2030, the government is expected to shift focus from basic manufacturing to high-end innovation and R&D.

1. The Innovation Catalyst (R&D)

The biggest expectation is a "Research and Development" stimulus package to bridge the gap with the US and China.

- **Weighted Tax Deductions:** Industry leaders like Dr. Reddy's and Mankind Pharma are strongly advocating for the restoration of the 200% weighted tax deduction on R&D expenditure (currently at 100%).
- **Innovation Fund:** Speculation suggests the creation of a structured ₹50,000 crore Life Sciences Innovation Fund to support translational research and drug discovery.

2. Strengthening API Self-Reliance

While the earlier PLI schemes helped, India still imports roughly 70–80% of its Active Pharmaceutical Ingredients (APIs) from China.

- **PLI 2.0 for APIs:** The Budget is expected to expand the Production Linked Incentive (PLI) scheme specifically for "starting materials" and "intermediates" to lower production costs.
- **Inverted Duty Structure:** A key demand is to fix the inverted duty where raw materials are taxed higher than finished medicines, which currently blocks working capital for small and medium manufacturers.

3. GST Rationalization

Tax relief for the end consumer is a major theme:

- **Essential Medicines:** There is a push to move more life-saving drugs (especially for cancer and rare diseases) from the 12% GST bracket to 5% or 0%.

- **Health Insurance:** Following the removal of GST on retail health insurance in late 2025, the industry expects further tax benefits for senior citizens and middle-class families to increase insurance penetration.

4. Digital Health & Med-Tech

- **Ayushman Bharat Digital Mission (ABDM):** Expect a significant jump in funding for digital health infrastructure, focusing on AI-driven diagnostics and cybersecurity for patient data.
- **Med-Tech Parks:** Incentives for the domestic manufacturing of high-end medical devices (MRI, CT scanners) to reduce the 70% import dependency in the med-tech sector.

Best Plays: Lupin & Laurus Labs

Nifty's Monthly chart

Nifty	CMP 25343	Technically speaking, the recent sequence of higher high/low is still intact on monthly time frames. From a chartist standpoint, still extremely overbought technical conditions prevail on the medium-term charts. The near-term price action for Nifty is suggesting that we are likely to see an 24000- 26500 range with slight negative bias. Please note, on the downside good support exists only at 23000-23500 zone and then strong support seen at psychological 22,000 mark. If Nifty moves above its psychological 26,500 mark, then there is a bright possibility that the benchmark could reach the magnificent levels of 27,500 by next Union Budget. **As of writing, the most probable bullish scenario could be that the benchmark holds their ground.**

Bank Nifty daily chart

Bank Nifty	CMP 59599	We suspect, Bank Nifty is likely to be a big market outperformer. Technically speaking, the recent sequence of higher high/low is intact on the monthly time frames. If Bank Nifty moves above its biggest hurdles at 60500 then there is a bright possibility that the benchmark shall eye the magnificent levels of 67500 and possibly 70000 by next Union Budget. Please note, on the downside good support exists only at 55000-55500 zone and then strong support seen at psychological 53,000 mark. The technical are firmly bullish, hence, as of writing, the most probable bullish scenario could be that the benchmark should be accumulated on declines.

Long story short: We will spy with one big eye if FM Sitharaman's Union Budget 2026-27 can be one in a century budget which takes Nifty straight above the 27,000 mark.

Fingers crossed!!

DISCLOSURES DISCLAIMER:

This Report is published by Mehta Equities Limited (hereinafter referred to as "MEL") for registered client circulation only. MEL is a registered Research Analyst under SEBI (Research Analyst) Regulations, 2014 having Registration no. INH00000552. MEL is a registered broker with the Securities & Exchange Board of India (SEBI) and registered with National Stock Exchange of India Limited and BSE Limited in cash and derivatives segments, Multi Commodity Exchange of India (MCX), National Commodity & Derivatives Exchange Ltd. (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL), is registered with SEBI for providing PMS services and distribute third party PMS product and also member of Association of Mutual Funds of India (AMFI) for distribution of financial products.

MEL a "Research Entity" under SEBI (Research Analyst) Regulations 2014 has independent research teams working with a Chinese wall rule with other business divisions of MEL as mentioned above.

MEL or its associates have not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market. MEL, its associates or Research analyst or his relatives do not hold any financial interest in the subject company. MEL or its associates or Research analysts do not have any conflict or material conflict of interest at the time of publication of the research report with the subject company. MEL or its associates or Research Analyst or his relatives do not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report.

MEL or its associates or Research analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Research analyst during the past twelve months. MEL or its associates have not received any compensation or other benefits from the company covered by Research analyst or third party in connection with the research report. Research Analyst has not served as an officer, director or employee of Subject Company and MEL / Research analyst has not been engaged in market making activity of the subject company.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. MEL is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. In preparing this research, we did not take into account the investment objectives, financial situation and particular needs of the reader. This research has been prepared for the general use of the clients of MEL and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient, you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MEL will not treat recipients as customers by virtue of their receiving this report. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MEL & its group companies to registration or licensing requirements within such jurisdictions.

The report is based on the information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. We accept no obligation to correct or update the information or opinions in it. MEL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. MEL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This information is subject to change without any prior notice. MEL reserves its absolute discretion and right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, MEL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

The information/document contained herein has been prepared by Mehta Equities Ltd and is intended for use only by the person or entity to which it is addressed to. This information/document may contain confidential and/or privileged material and is not for any type of circulation and any review, retransmission, or any other use is strictly prohibited. This information/document is subject to changes without prior notice. Kindly note that this information/document is based on technical analysis by studying charts, patterns, trends of a stock's price movement and trading volume of the stock and as such, may not match with any company's fundamentals. This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this information/report at the same time. MEL will not treat recipients as customers by virtue of their receiving this information/report.

Mehta Equities Ltd
903, 9th Floor, Lodha Supremus, Dr. E. Moses Road,
Adjacent to Konark Empress Building,
Worli Naka, Worli, Mumbai - 400018
info@mehtagroup.in
For Grievances
grievance@mehtagroup.in
T : +91 22 61507101
F : +91 22 61507102

DISCLOSURES DISCLAIMER (Contd):

Before making an investment decision on the basis of this research, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. Opinions expressed are subject to change without any notice. Neither the company nor the director or the employees of MEL accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Here it may be noted that neither MEL, nor its directors, employees, or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profit that may arise from or in connection with the use of the information contained in this report.

Analyst Certification: Research Analyst the author of this report, hereby certify that the views expressed in this research report accurately reflects my personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the Research analyst was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The Research analyst is principally be responsible for the preparation of this research report and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Msearch's Recommendation (Absolute Performance) Buy: > 20% within the next 12 Months
Accumulate: 5% to 20% within the next 12 Months Sell : < -20% within the next 12 Months

MEHTA EQUITIES LTD
BSE: - Membership Clearing No. 122 - SEBI Regn. No. INZ000175334, NSE: - Membership Clearing No. 13512-
SEBI Regn. No. INZ000175334, NSE FO SEBI Regn. No. INZ000175334, CIN No: U65990MH1994PLC078478
MSEI: - Membership Clearing No. 51800 - SEBI Regn. No. INZ000175334 SEBI registered RA Reg No INH000000552
Mehta Equities Limited, 903, 9th Floor, Lodha Supremus, Dr.E.Moses Road, Worli Naka, Worli, Mumbai 400 018, India
Tel: +91 22 6150 7101, Fax: +91 22 6150 7102
Email: info@mehtagroup.in, Website: www.mehtagroup.in