Envision Capital

Union Budget 2026

Steady Capital Formation, Structural Push Continues

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The Union Budget 2026 reinforces continuity in India's growth strategy. The focus remains on capital formation, industrial depth, digital infrastructure, and fiscal consolidation rather than short-term stimulus. While select measures may create near-term market noise, the overall framework remains supportive for long-term investors.

Capital Expenditure & Infrastructure

Capital expenditure for FY26–27 has been proposed at ₹12.2 lakh crore, marginally higher than last year. More important than the headline number is the improvement in execution support. The introduction of a ₹25,000 crore infrastructure insurance fund—equivalent to ~2% of total capex—provides guarantees to lenders and should improve credit availability, reduce funding friction, and accelerate project execution across infrastructure-linked sectors such as power, steel, cement, refineries, and chemicals.

The announcement of seven high-speed rail corridors connecting major economic centres further reinforces the long-term infrastructure pipeline, supporting multi-year demand across construction, engineering, and capital goods.

Manufacturing & Industrial Policy

The budget continues to push manufacturing across both legacy and emerging segments. Allocations for semiconductor components manufacturing have been increased to ₹40,000 crore, signalling a focus on building ecosystem depth beyond fabrication. A ₹10,000 crore subsidy for container manufacturing aims to reduce import dependence and strengthen trade logistics.

Traditional industries also receive attention through the announcement of five mega textile parks focused on labour upskilling and productivity enhancement. In parallel, a ₹20,000 crore outlay for carbon capture and storage reflects early but important steps toward industrial decarbonisation.

Logistics & Connectivity

A new Dedicated Freight Corridor, 20 new waterways, and renewed focus on coastal cargo promotion underline the government's intent to lower logistics costs over time. While the benefits will accrue gradually, these measures enhance long-term efficiency across ports, rail-linked logistics, and multimodal transport networks.

Digital Infrastructure & Data Centres: A Key Structural Shift

One of the most significant announcements in the budget is the long-term tax holiday until 2047 for foreign cloud companies serving global customers from data centres located in India. Alongside this, a 15% safe harbour on operating costs for related-party data centre services has been proposed, providing tax certainty and reducing regulatory friction.

Foreign firms will be required to serve Indian customers through local reseller entities, ensuring domestic value capture. Collectively, these measures are designed to attract large-scale investments into data centres, support AI adoption, and position India as a global hub for digital infrastructure and data exports.

Healthcare, SMEs & Energy Transition

The budget acknowledges the rising burden of non-communicable diseases, with a ₹10,000 crore allocation toward the Bio-Pharma Shakti initiative, supporting long-term growth in chronic therapies. Healthcare services are further supported through the development of five regional

medical tourism hubs, with medical tourism already accounting for ~6% of foreign tourist arrivals.

To create SME champions, the budget provides ₹10,000 crore for SME support along with a ₹2,000 crore fund for micro enterprises, providing incremental credit support. On the energy front, excise exemptions for biogas-blended CNG encourage cleaner fuel adoption while leveraging existing infrastructure.

Growth & Fiscal Consolidation: Strengthening the Macro Foundation

India's nominal GDP continues to grow at around 10%, supporting revenue growth alongside fiscal discipline. The fiscal deficit stands at 4.4%, with a clear path to reduce it further to 4.3%, and a reiterated commitment to lower the debt-to-GDP ratio to 50% by FY31.

Over time, this combination of growth and consolidation should lower the cost of capital, improve macro stability, and support sustained private investment.

Our Take

Union Budget 2026 is not designed to excite markets in the short term. Instead, it reinforces a disciplined, long-term growth framework built around infrastructure, manufacturing, digital capacity, healthcare, and fiscal stability.

For long-term investors, the budget strengthens the foundations required for durable compounding, even as near-term market volatility persists.

Warm regards,

Tanay Shah

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