

2026-27

Commentary on Indian Budget



**DIGITIAN
CAPITAL**

Future focus

© All copyright protected 2026

www.digitiancapital.com

02/10/2026

Those who are following my Indian budget analysis over the years they will know how I have defined the 2024-2025 Budget as an **Employment oriented Budget** 2025-26 as **Manufacturing Oriented Budget** and I would term 2026-27 Budget as **Service Oriented Budget**. However, the most important factor is **EXECUTION**, which is somewhat lagging and for this time, focus is slightly missing.

Like all other Indian Budget especially that of BJP government, it is more **election facing (even if there is no major election) than economy racing**. But for the first time 2026-27 Budget really addressed the Issue of AI, not by declaring capital intensive Project but by opening up the sector for global corporates. It is no doubt that India want to take the “Third mover Advantage” ; (Read after watching the performance of USA and then China to allow them to take the lead and accepting that since we do not have the skills in the early moving innovative technologies we shall be **happy with playing the third fiddle** in implementation of the innovated and accepted technology and to follow the path of USA and China and prototyping it to service the balance of the world or low value corporates.

Pillars of Growth and Development



The **core pillars are all encompassing** and shows the challenges for the Indian Budget which wants to cover every ambition of Modern economy and every fad covering economic prosperity. As a result cutting meaningless pie of expenses to each department – which is in result suffer from anemia and requires continuous infusion and sometimes wastage.

Over and above **these pillars** budget talked about **three kartavyas – which is also for making headline statement**.

In fact Indian Politicians know that with a capital spending budget of ₹12.2 lakh crore for FY27, up from ₹11.2 lakh crore in FY26, they know this will **create the necessary multiplier effect in the economy** and the economy will grow at a 6% rate. If there is some trade deal with USA and others then the the growth will be higher at 7 %,

This requires the currency to be devalued which has happened this year already by 7% to ₹ 91 to a US \$. In last 11 years, **Rupee devalued by 50% from ₹ 60 to a US \$ in January 2015** .

Importantly, every year for the last 8 years Rupee devalued aggregating 34%. out of 50%

This shows that India's growth mainly comes from **Export Oriented Policy making and monetary stance**. This is the reason Indian monetary policy under BJP devalued the currency in the same way UPA Government did from 2003-2013.

India's total exports (merchandise + services) for FY 2025 reached a record \$825.3 billion a 6.1% growth over FY 2024. That is almost 90% of reported GDP growth. Here, the reader must consider what kind of value-added products India exported --- it is mostly low value-added products hence competition with other countries is high and that necessitates support from the **currency devaluation which makes the Indian export competitive**. (In comparison, China focused on **high value or critical exports which has a price advantage due to quality**, and they do not need the help of currency devaluation. As a result, **China can maintain the currency within a range of RMB 6 - RMB 7 to a US \$** over the last 2 decades). Thus, in India **Export lobby is very strong and controlled by Rich and super Rich who prefers currency devaluation to Innovation and that's the reason R&D expenses are only 0.7% of the GDP**.

India is mainly an Importing country for her **Capital Goods, lifesaving medicines, technical knowhow and Oil**. In theory, if India devalues her currency, then it will make **the Import to India very costly**. So the Indian Finance Ministers maintain a **delicate balance of current account deficit** in external accounts. **India's total imports (merchandise + services) for FY 2025 reached approximately \$919.9 billion** as a result there is a **current account deficit of around \$40 billion - \$64 billion i.e. 1.5%-2.5% of GDP**. In comparison, **Current Account deficit of FY 2013-14 was around \$40-\$88 billion around 1.5% to 3% of GDP**. Thus, how Finance Ministers successively played with export and import through currency devaluation and import substitution. and kept the deficit within a manageable margin.

I am sure over the next 10 years up to 2035, Indian Currency will further devalue by **40% to 50%** to ₹ 128 - ₹137 /USD, provided the Indian politicians do not change their basic outlook towards **innovation and increase R&D expenses** and provide fiscal benefit to Private sector for R&D expenses.

Further, 27%-30% of the Indian Import is in the form of Crude Oil which is around **\$ 225 billion - \$270 billion**. Interestingly, **35%-40% of the refining of this crude oil is in the hands of private sector – Reliance Industries (Mukesh Ambani group) around 24% and one Russian/Italian firm 16%, while rest is with PSUs**. Thus, you can see the strength of the Lobby for fossil fuel.

This dependence on Global Oil mainly creates the inflation in the Indian economy depending upon the global oil prices. Hence, India will perpetually be inflation driven unless India can address this energy gap.

This has resulted in India's poor response to Electric battery and electric vehicle, as there was no strong lobby for this. After years of neglect, in the **last Budget 2025-26** there is a scheme announced “ **Viability Gap Funding for development of Battery Energy and storage systems**” for as low as ₹ 200 crore (only \$25 million) but **Government could spend only 50% and this year allocation is increased to ₹ 1000 crore (\$115 million only)**. Just compare with a private company Tesla that is spending \$1 billion for a 8 GW storage.

Another scheme for Electric Vehicle, **PM Electric Drive Revolution in Innovative Vehicle Enhancement (PM E-DRIVE)** after years of wait 2 years back in **FY 2024-25** allotted ₹ 2000 crore

but could spend only ₹991 crore and hope to spend in 2025-26 ₹ 1300 crore (30% of the budget of ₹4000 crore). In this Budget it is kept at only ₹1500 crore in 2026-27. Thus, a country like India spent only around \$50 million - when Japan spends \$13 billion and Korea spent \$60 billion. As per my assessment, we have given up on electric vehicles, rather India shall open up the market to foreign cars and JV in the future for sure. as it is done by TATA and Maruti.

At this point, the reader must have got a clear idea of the India's budget rational and how the country is moving ahead. Secondly, the reason for India's growing **Income inequality** – it is inherent irrespective of the parties in the Government as ingrained in the low value trading mentality of the Indian controlling interest Group.

But this does not mean India will not be a **3rd Largest Economy** in absolute value terms by **2028/2030** . It will be. However, it will also be a fact that she will still remain at **120s position as a country in terms of “Per Capita GDP (Purchasing Power Parity)” measurement** . The per capita income would be around \$3500-4000 and **60%-65% of the population under food stamp**.

By 2047, the targeted year, when India will be a **fully developed country** that implies Indian per capita Income (even atleast in PPP terms) will reach around \$14,000 per person (say a growth of 3.5x in 22 years). It is very much possible with present Indian budget trend only if the Government does not do many mistakes along the road and maintain focus on execution - that's **in essence the challenges of Indian Budget**.

What is India's core Strength ?

- **Middle Income Market Size** : India's population growth expanding the **meaningful economic market to 450 million** (30% of 1.5 billion) which is an attractive and meaningful economic market in comparison to that of Europe (**360 million**) USA (**300 million**). The market is open to **everything and everyone including China** without any **effective Government Control**.
- Secondly, her **democratic constitution and large diaspora** around the Globe will not be able to take a strict left line policy against foreign investors which China can take.
- **Communication and Intelligence**: India has large working-class population set who has English speaking ability, and numerical ability.
- **Cheap Labor**: India will be still having over 1 billion population who can work for **below \$3-\$5 a day of 10-12 Hours**. The wage level alone is **60% discount to China and almost 70% to 80% discount to USA/Europe** and it is expected to be true for the next **10-15 years**

This provides the Indian Government with some fiscal responsibilities in the Budget which India has been achieving quite successfully and reflected in the Budget 2026-27 as well.

- **GDP growth for 2026-27 has been pegged at 7.2%**
- **Fiscal Deficit at 4.3% of GDP**
- **Government Debt as a % of GDP : 55.6%**

The Government believes with proper fiscal discipline and capital expenditures on developmental schemes India will be able to maintain her growth trajectory

Positive Factors of the Budget

1. Policy-push for Global Data Center in India

A major policy-push for data centers, positioning the country as a global hub for cloud and AI infrastructure.

Key Declarations

- **Tax holiday until 2047:** Exemption for foreign companies using Indian data centers to serve *global* customers resolving permanent establishment risks and providing 20+ years of certainty for hyperscale investments.
- **15% safe harbor margin:** For Indian reseller entities serving *domestic* customers, ensuring local taxation while reducing transfer pricing disputes
- **Supporting measures:** Duty exemptions on BESS (battery energy storage) manufacturing equipment and ₹10,000 crore for container production to bolster energy resilience and infrastructure.

This aligns with India's 1.2 GW capacity (targeting 3+ GW by 2030) and integrates data centers into broader manufacturing/energy reforms

In order to make up the loss of opportunity in AI segment, the Indian Government opened the sector to Global (read US) Giants for Data centers. Instead of using capital to build Data Centers for AI capabilities and Battery storage capacity. This is another way (**Jugar Trader way**) of using your market strength and cover any shortcomings in innovation while maintaining forex flows and job opportunity which would create relevant multiplier effect in the economy. Also making it big for US economic interests to grow in India and may be coming closer to US.

Let's see how much GW capacities get invested in India by Global firms like Google/Oracle/NVDA/Open AI. In contrast USA plan to have 150 GW and China 10 GW by 2030 (around 62% of the Global capacity. But no single other country will have more than 3 GW capacity. Thus, India could be distant number three over others.

2. Large Infrastructure spending Continued :

This will continue to make India connected and new corridors of development can be opened up. The expenditure on Infrastructure creates huge multiplier effect within economy and as well as semi skilled employment opportunity and mostly the domestic industries are capable of supplying materials :

- a) **National Highway Authority of India :** In 2025-26 India utilized full Budget of **₹ 1.7 lacs crore (\$1.89 billion)** and again **proposed ₹ 1.88 lacs crore in 2026-27.**
- b) **Road Works -** In 2025-26 India utilized full Budget of **₹ 1.16 lacs crore (\$1.2 billion)** and again **proposed ₹ 1.22 lacs crore in 2026-27.**
- c) **Railways -** New Lines (7 new high-speed/superfast rail corridors), Gauge Conversion, Double railway line, Railway Rolling stocks, Signaling and Safety measures totaling **₹ 2.42 lacs crore (\$27 Billion) in 2026-27. We observed good** utilization of railway Budget almost 95% in 2025-26. It is certain this money will be spent.

- d) **Jal Jeevan Mission : (Rural Drinking water):** Last 2 years Government only spent 25%-30% of the Budget estimates due to state-wise stock taking of actual implementation as lot of scam is reported. If a stock taking properly happened, it is good. Hopefully, again spending will resume **₹ 0.67 lacs crore (\$ 7.4 billion) is the target for 2026-27.**
- e) **Defence Budget scaled upto 11% of the Budget spending (very high) :** However, the Government is spending heavily on R&D which would increase indigenization of Defence procurement from Domestic Companies. This is roughly **68%** of the overall defence budget's modernization/mod capex components (**~₹2.03 lakh crore total**), aligning with **Aatmanirbhar Bharat** goals. Still Aircraft engines and higher-level complicated ammunition will be mainly procured from USA / France/Russia/Israel

3) Other Major Capex spending will be as per Existing schemes and commitment Department wise :

Agriculture 11.7% of the Total capex of 12.2 lacs crores, **Education** 11%, **Communication (Bharatnet)** 8%, **Housing and Urban Affairs** 7% - This will maintain the speed of the engine.

- 4) **Social Welfare Schemes allocations are maintained :** Two major schemes - **VB G Ram G scheme (in place of MNREGA)** ₹1.25 Lacs crore , Pradhan Mantri Garib Kalyan Anna Yojana (**PMGKAY**) ₹2.28 Lacs crore with good increase in the outlay.

Factors which could have been better handled in the Budget :

1. **Education and Health** did not get the priority they deserve since major funds have been assigned to Defence. Combined **general government** (Centre + States) spending reaches **~4.5% of GDP** (education ~2.7%, health ~1.8%), still below NEP's 6% education target and NHP's 2.5% health goal. This will weaken the quality of the human lives in India for sure, still this area remained always neglected by Governments.

2. Many of the Schemes launched by the Government did not take off or lesser money spent :

Although Government declares with lot of fun fare various development projects but due to paucity of funds finally expenses are cut and diverted to more pressing needs or new schemes declared during the year :

- a. **PMAY Urban and Urban 2.0: Allocation was ₹23294 crore but only ₹8000 crore (around 34%) was spent.** However, the same is higher than ₹ 5865 score spent in 2024-25
- b. **Urban Challenge Fund : Only ₹ 1000 crores (10%) was spent out of allotted ₹ 10,000 crores**
- c. **Emergency Credit line to MSMEs :** declared in 2025-26 for ₹ 9000 crores – but nothing spent. This is a major help required by MSMEs could not be parted.

- d. **Research Development and Innovation Scheme (RDI)** : declared in 2025-26 for ₹ 20,000 crores – but only spent ₹ 3000 crores (15% only). This shows the execution intention;
- e. **In the last 2 years**, in the Budget schemes were mentioned about **AI mission, Semiconductor Mission etc** but nothing major expenses have been made. For Indian AI Mission around **₹ 2000 crore was allotted but only ₹ 800 crore (40%) was spent while ₹ 7000** was allocated for **Semiconductor** and only ₹ 4300 crore was spent;
- f. **New Scheme for Plug N Play Industrial Parks** ₹2500 crore allocated but only ₹250 crores spent (10% of the budget)
- g. **Augmentation of Telecom infrastructure** : ₹28400 crores was planned but only ₹ 9650 crores spent
- h. **Integrated Development of tourists circuit** : was launched in 2025-26 with ₹ **1900 crores** but only **₹517 crores** was spent (27%). Even income generating scheme was also curtailed. Even this year budget speech includes a corridor for tourism and **₹ 1905 crores** allocation was done, which is a very small amount.
- i. **New Schemes announced with very low allocation which shows that the Government is not serious at all** - **28** New schemes with only allocation of **₹ 28 crores to ₹ 500 crores**
- j. **Government spoiled the mood of the capital market and especially that of Foreign Portfolio Investors by again tweaking Tax laws for small tax and meaningless reasons** : (This habit of Indian Government to act whimsically like retrospective Tax laws applicability make the market less reliable). For example :
- **Budget tinkled with STT on F&O** by increasing on **F&O (Sells) by 150%**, on **Options (premium)** by 50% and on **Options(exercise) by 20%** in the name of demotivating individual speculators(who are reported to be losing 95% of their money). But this would not dissuade speculators they will invest but will make it costly for the **international fund house** who takes a hedging and arbitrage position using F&O to protect their investment in cash market. The government should have maintained a consistent policy and should not short change at every budget.
 - **Capital Gain Tax on Buyback shares** at slab rate in the hands of the Individual tax payer when corporate/promoters will pay a buyback tax @22% -30%
- k. **India's personal income tax (PIT)** collections are estimated at around **3.4% of GDP** for FY 2026-27 while **Corporate Tax collections will be 2.7%** - **for the first time individual tax payers are contributing more than corporate** but there is nothing for the individual taxpayers in the budget.

Lastly, we shall discuss the sectors to Invest on :

Defence Sectors : This is the biggest bet of the Government. Defence companies need to be invested in : HAL, **Bharat Electronics, Bharat Dynamics, Tata Advanced Systems, Adani Defence** and L&T Defence

Infrastructure sectors - This sector would continue their Journey upwards. The companies that will benefit from : **Larsen & Toubro, Adani Ports, JSW Infra Ashoka Buildcon, PNC Infratech**

Railways : There has been quite a great spending on Railways with schemes which is going to be utilized as per trend. The companies that will benefit from : **IRCON Intl., RVNL, Larsen & Toubro, Titagarh Rail, Texmaco Rail, HBL Power, Siemens, Cumins**

Cement, Steel will also do good as usual in case of Urban Build Up and Infrastructure Spending.

Government kept dis- investment target of ₹ 80000 crore probably through stake sale in LIC, BPCL and IDBI etc. LIC must divest 3.5% by March 2027 in any case. So Pick your share.

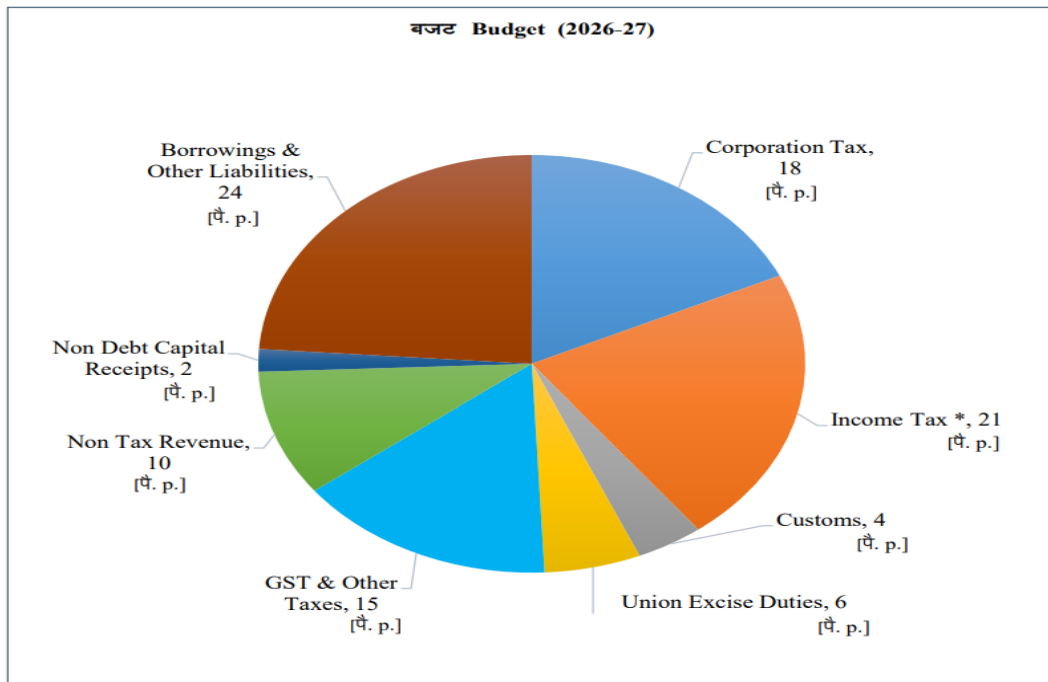
Solar power grid also will get some boost so one can invest in Tata Power, Warea Energies or Vikram Solar.

Please do your own due diligence before investing in any of these companies.

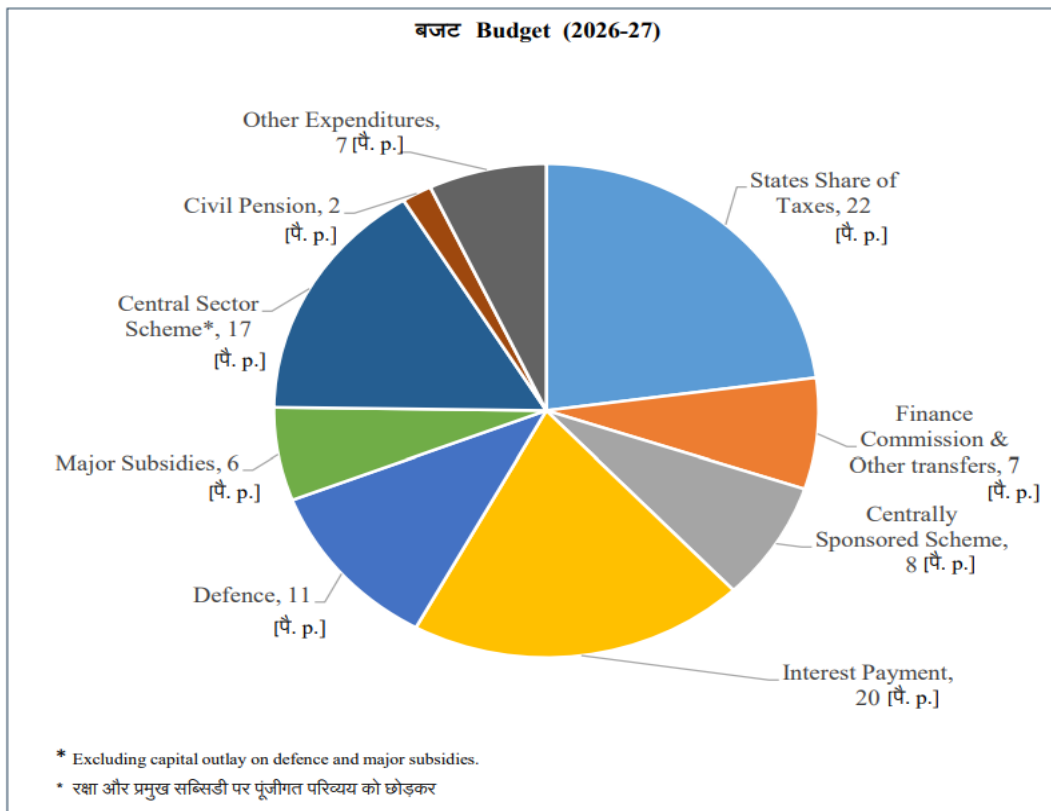
Finally, I am leaving you with the reader a thought : If you just observe the following two charts - Where the Rupee comes from and where the Rupee is spent then atleast you will get an overall picture of the state of Indian Budget. The budget expenditure is funded by borrowing to the extent of 24%, this implies that only 76% are income sources of the Government.

The rupee is spent on Interest on Borrowing to the extent of 20%, and States gets 22% of the same so Central Government is left with **58% of the raised resources for her expenses and growth, out of that if 11% goes for Defence, then Government has only 47%** of the funds for both revenue expenses and could only spend **2.3% of the Budget on Capital expenditure but it has to borrow/deficit financing** for even revenue expenses. **In a growing population set with requirement for so many development goals, it is quite challenging for any Government to do justice to all sectors.**

Where Rupee comes from :



Where Rupee goes to :





Saugata Banerjee is the CEO of Digitian Capital, a global investment firm that invests in USA, India, and MENA.

He is FCA, FCMA, CDIR(UK), CFA, MBA (F), CGEIT, Alumni IIMC & Stanford GBS with over 30 years of Investment Banking experience

Saugata Lives in Maryland USA. He can be reached at saugatab@mydigitian.com

The Views expressed in this article is the writer's professional opinion and not necessarily the views of Digitian Capital and its Other Directors

World first Digital Advisory Platform





SURROGATE INVESTOR
Let's make Money
for Stocks in USA & India
We told you

Country	Name of the Company	Industry	Date of Purchase	Entry Price (\$/ INR)	Actual Gain Published in Dec 2024	Actual Gain Published in June 2025	Actual Gain Published in Dec 2025
USA	Eli Lilly	Pharmaceuticals	27-Mar-23	342	133%	129%	214%
USA	Meta	Social Media	6-Feb-23	174.9	252%	327%	281%
USA	Micron*	Semiconductor	14-Apr-25	67.94	NA	94%	319%
USA	NVDA	AI HW Stack	12-Apr-23	45.43	217%	251%	309%
India	Lauras Lab #	Bio tech	28-Mar-24	392.6	56%	98%	181%
India	Newgen Software@	IT sevices	7-Apr-20	116	1374%	909%	628%
India	Indian Bank	Bank	11-Jan-21	87	595%	647%	862%
India	Glenmark Pharma	Pharmaceuticals	31-Jan-23	371	347%	488%	456%

Still Missed it ?

Surrogate Investor gains 40%+ p.a

Don't Wait
Join free /Register :

<https://www.digitiancapital.com/SurrogateInvestor/Login.aspx>

Read our Monthly Newsletter *free* [Click Here](#)