Advocates & Solicitors

Union Budget 2026-27 Sectoral Primer

Comprehensive Sectoral Analysis, Market Dynamics, Policy Impacts & Strategic Opportunities

Presented By:
AK & Partners

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Executive Summary

Catalysing India's Multi-Sector Transformation Through Strategic Policy Interventions

Budget 2026-27 deploys strategic fiscal interventions and regulatory reforms across seven high-growth sectors to accelerate India's manufacturing scale-up, digital infrastructure leadership, and clean energy transition.

- **Data Centres & Cloud Infrastructure**: 21-year tax holiday for foreign operators, automated APA approvals, and capital-goods duty exemptions.
- **Electronics Manufacturing**: Electronics & Components Manufacturing Scheme (ECMS) doubled to INR 40,000 Crore | Toll manufacturing tax exemptions | India Semiconductor Mission 2.0 launch.
- **EV Battery & Solar Panel Manufacturing:** BCD exemption on lithium oxide/hydroxide and BESS capital goods (7.5% to Nil) BCD exemption on sodium antimonate for solar glass | Rare Earth Permanent Magnets scheme.
- **Pharmaceuticals**: Biopharma SHAKTI scheme and duty exemptions on 17 oncology drugs + 7 rare disease therapies position India as global biologics hub while expanding patient access.
- **Care Economy**: INR 150,000 trained caregivers, 100,000 Allied Health Professionals, and Divyang Sahara Yojana unlock formal eldercare markets for assistive devices.
- **Miscellaneous:**
  - **Carbon Markets:** INR 20,000 Crore CCUS allocation over 5 years (power, steel, cement, refineries, chemicals) | Carbon Credit Trading Scheme (CCTS) launch mid-2026
  - **Nuclear Energy**: BCD exemption on nuclear equipment extended to 2035 | INR 24,124 Crore allocation to Department of Atomic Energy.
  - **Infrastructure:** INR 12.2 Lakh Crore for public capex | Dedicated Freight Corridors (DFCs) expansion | High-speed rail projects | Central Road and Infrastructure Fund (CRIF) allocations.

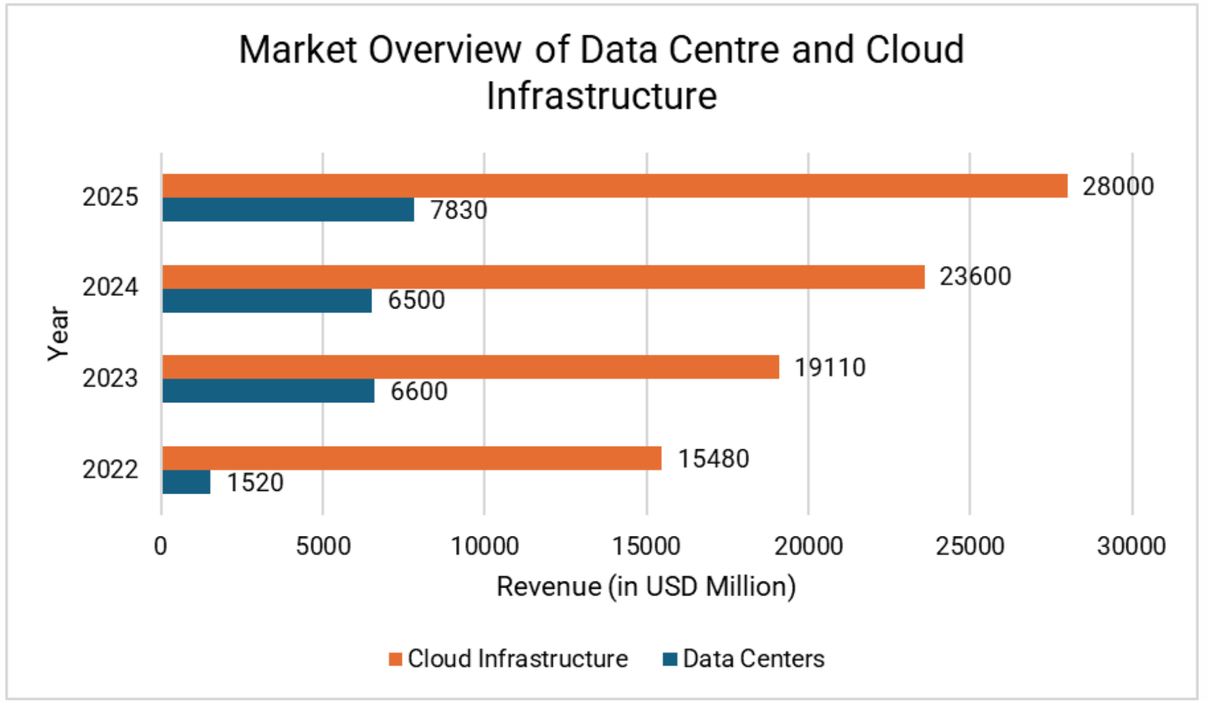
Data Centre & Cloud Infrastructure

India's digital backbone—data centers and cloud infrastructure has skyrocketed from USD 17 Billion in 2022 to USD 36 Billion in 2025, propelled by AI workloads and 97% capacity utilisation. Budget 2026's unprecedented 21-year tax holiday for foreign operators unlocks hyperscale investments, targeting 8GW capacity by 2030 and positioning India as Asia-Pacific's premier compute hub.

Market Overview: Data Centre and Cloud Infrastructure

India's data centre and cloud sector is exploding, driven by AI, digital economy growth, and Union Budget 2026-27 incentives like a 21-year tax holiday to 2047 for foreign firms using local DCs (via Indian resellers).

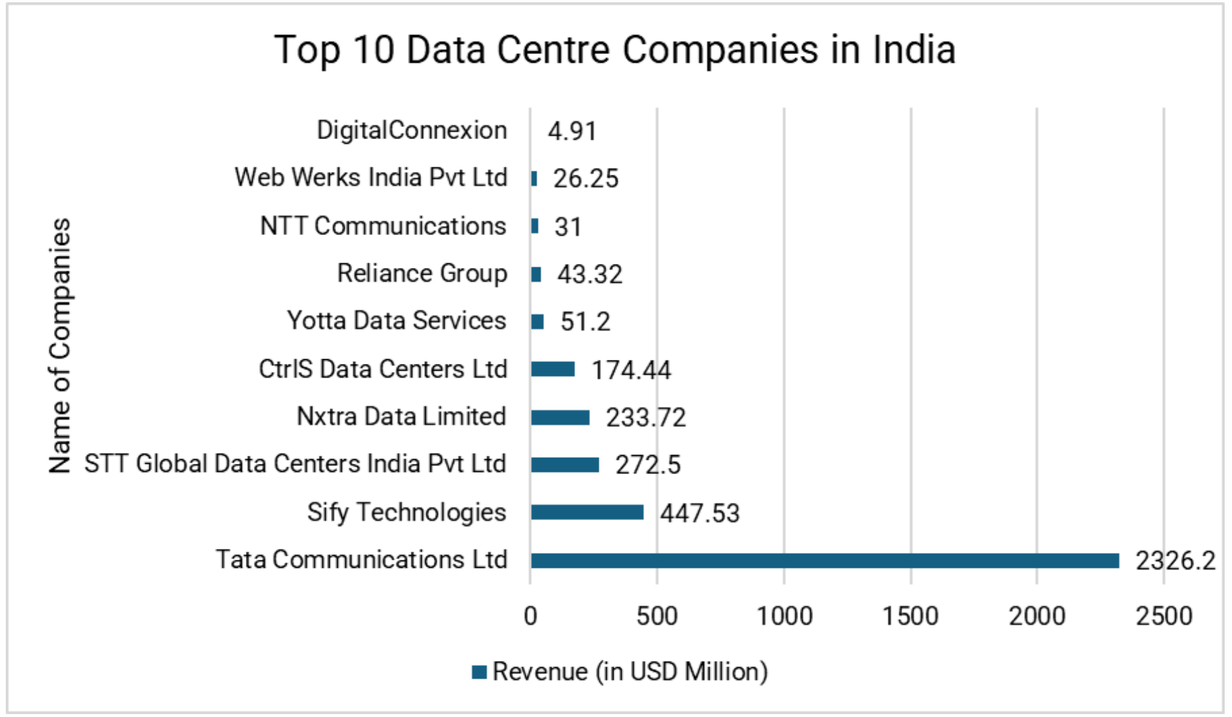
Year	Data Centres (In USD Million)	Growth (in %)	Cloud Infra (In USD Million)	Growth (in %)
2022	1,520	-	15,480	-
2023	6,600	334.2	19,110	23.4
2024	6,500	-15	23,600	23.5
2025	7,830	20.5	28,000	18.6



Insight: *Data centres act as the growth accelerator within India's $36B digital infrastructure market by 2025. While cloud provides stable scale, data center capacity constraints (near-97% utilisation) create pricing power and attract hyperscale investments explaining Budget 2026's 21-year tax holiday. The combined market's 110% growth since 2022 positions India as Asia's #2 digital infrastructure hub after China.*

Top 10 Companies in Data Centre in India

Rank	Name of the Company	Revenue (in USD Million)	Indian/Foreign
1	Tata Communications Ltd	2,326.20	Indian
2	Sify Technologies	447.53	Indian
3	STT Global Data Centers India Pvt Ltd	272.5	Indian
4	Nxtra Data Limited	233.72	Indian
5	CtrlS Data Centers Ltd	174.44	Indian
6	Yotta Data Services	51.2	Indian
7	Reliance Group	43.32	Indian
8	NTT Communications	31	Indian
9	Web Werks India Pvt Ltd	26.25	Indian
10	DigitalConnexion	4.91	Indian

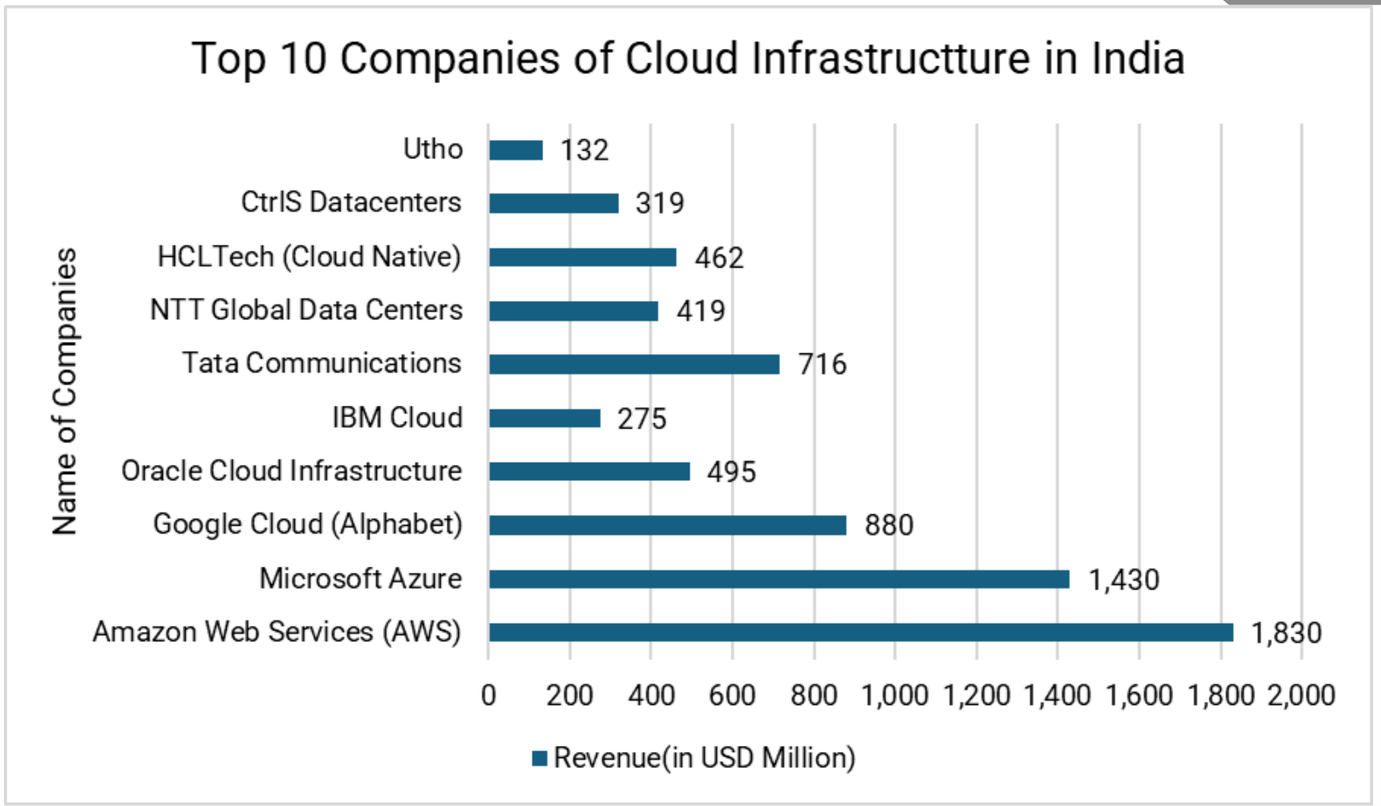


***Landmark STT GDC Deal**: USD 10.9B KKR-Singtel Acquisition of ST Telemedia Global Data Centres (STT GDC)—Asia's largest data center transaction—sees KKR (75%) and Singtel (25%) acquire remaining 82% stake for $5.1B equity from STT promoters. STT GDC India Pvt Ltd (Tata JV) strengthens #3 position (273MW revenue); pipeline grows to 1.7GW amid AI boom.*

***Insight**: Tata, Sify, and STT GDC control over 60% of listed revenues, fueling the 1.7 GW colocation market where Indian operators hold strategic positions despite global hyperscaler partnerships. Top 5 firms (Tata, Sify, STT GDC, Nxtra, CtrlS) command ~$2.45B (68% share), positioning them to capture Budget 2026's tax holiday benefits through hyperscale partnerships.*

Top 10 Companies of Cloud Infrastructure in India

Rank	Name of the Company	Revenue (in USD Million)	Type (Indian/International)
1	Amazon Web Services (AWS)	1,830	USA
2	Microsoft Azure	1,430	USA
3	Google Cloud (Alphabet)	880	USA
4	Oracle Cloud Infrastructure	495	USA
5	IBM Cloud	275	USA
6	Tata Communications	716	India
7	NTT Global Data Centers	419	Japan
8	HCLTech (Cloud Native)	462	India
9	CtrlS Datacenters	319	India
10	Utho	132	India



Insight: *US hyperscalers dominate India's USD 4.8 Billion cloud revenue (AWS/Azure/Google: 85% share) while Indian firms focus on infrastructure, signaling lucrative partnership opportunities under Budget 2026's tax incentives.*

Energy Consumption Patterns in Data Center

1. Global Data Center Energy and Projection

Year	Annual Energy (TWh)
2023	350-375
2024	415
2025	448
2026 (Projection)	650-680
2030 (Forecast)	980-1,050

***Insight**: Global data center energy consumption is accelerating dramatically, jumping from 350-375 TWh in 2023 to a projected 980-1,050 TWh by 2030—a near tripling in just seven years driven primarily by AI workloads. The 2026 projection of 650-680 TWh reflects a 45%+ surge from 2025's 448 TWh, highlighting the power crunch ahead as hyperscalers race to deploy GPU clusters for model training and inference.*

2. India Data Center Energy and Projection

Year	Annual Energy (TWh)
2023	8.3
2024	~12-13
2025	14.1
2026 (Projection)	17.5
2030 (Forecast)	70

***Insight:** India's data center energy consumption is set to explode from 8.3 TWh in 2023 to a forecasted 70 TWh by 2030—an 8x surge that dwarfs global growth rates and signals acute infrastructure strain. The 2026 projection of 17.5 TWh (24% YoY from 2025) captures accelerating AI and cloud workloads, yet remains just 25% of the 2030 target, highlighting the massive power investments needed.*

Union Budget 2026-27: Key Measures and Statutory Amendments

Budget Announcement	Statutory Amendment	Business Implication for Data Centres Companies	Business Implication for Cloud Infrastructure Companies
Tax holiday until 2047 for foreign companies using Indian data centers to serve global customers, provided they serve Indian customers via a local reseller.	To attract investment in data centers and promote an AI data center framework in India, the proposal amends Schedule IV to exempt foreign companies from tax on income accruing or arising in India from procuring services from specified data centers, for up to the tax year ending March 31, 2047.	**Enables hyperscale campus development:** 21-year tax certainty unlocks multi-billion FDI; secures long-term colocation contracts with global tenants.	**De-risks region launches**: Global cloud revenue stays offshore while compute locates in India tax-free; accelerates AI cluster deployments
Modified return filing under APA provisions is extended to associated entities of the APA signatory, in addition to the primary entity.	The proposal amends section 169 of the Income-tax Act, 2025, to rationalise APA provisions. Currently, only the APA signatory can file a modified return, leaving associated enterprises unable to adjust their returns, claim refunds, or address excess taxes despite income modifications from the APA. Effective from April 01, 2026, the APA signatory must, and any associated enterprise may, file a return or modified return aligned with the APA within 3 months of the agreement's end-month, covering relevant tax years where the APA is entered on/after that date.	**Group-wide Transfer Pricing alignment:** Reduces historic adjustment risk across DC JVs/captives; improves cashflow planning.	**Predictable cloud service pricing:** Enhanced tax certainty for shared services; supports larger India delivery centre expansion

Union Budget 2026-27: Key Measures and Statutory Amendments

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Safe harbour of 15.5% to the resident entity providing data centre services to a related foreign company (who is providing cloud services to any part of the world outside India. *All these services are proposed to be clubbed under a single category of IT services, which will use an automated, rule-driven approval process without tax officer review; once applied by an IT services company, it can continue uninterrupted for 5 years at the company's choice.*	It has been proposed that any income of a non-resident individual from services rendered outside India is exempted from tax if notified by the Central Government, but such exemption does not apply beyond five consecutive tax years during which he visits India for services in connection with such scheme, along with other prescribed conditions.	**Lowers captive DC ops costs:** 15.5% margin certainty for (Site Reliability Engineering SRE)/facility management; reduces litigation exposure.	**Consolidates global cloud functions:** Automated approval enables 24×7 Network Operations Center (NOC) and Security Operations Center (SOC) scaling; standardises group service pricing.

Impact Assessment of Incentives and Policies

Scheme/Incentive	Short Term Impact	Medium-Term Impact	Long-Term Impact
Tax Holiday till 2047: Foreign companies are exempt from tax on income earned via Indian data centres until March 31, 2047.	**FDI Surge:** An immediate surge in foreign direct investment (FDI) to lock in projects for 21-year tax benefits.	**Infrastructure Expansion:** Massive expansion of physical infrastructure, with India's data centre capacity projected to grow significantly by 2030 to support large-scale AI model training.	**Digital Sovereignty:** Ensuring permanent digital sovereignty and a steady tax base through the mandatory local reseller model.
Automated Approval & 5-Year Renewal for IT Services: IT services to be approved through an automated process and renewable for 5 years at a time.	**Faster Approvals:** Faster approvals; reduced human interface; certainty of treatment for extended periods.	**Automated Normalisation:** Normalisation of automated tax approvals; reduction in discretionary decision-making; enhanced ease of doing business rankings.	**Algorithmic Governance:** Embeds algorithmic governance into tax administration; long-term movement towards faceless, rules-based regulatory infrastructure with minimal interpretational ambiguity.
Threshold Increase (INR 300 Cr to INR 2,000 Cr): Threshold for Information Technology services raised from INR 300 Crore to INR 2,000 Crore.	**Eligibility Expansion:** Larger set of entities become eligible for simplified safe harbour; immediate relief for mid-to-large IT service providers.	**Scale Encouragement:** Encourages scaling of operations without proportional compliance burden; reduces administrative oversight for tax authorities over time.	**Risk-Based Oversight:** Regulatory signal favouring scale and consolidation in IT services; reflects policy shift from micro-scrutiny to risk-based oversight; contributes to long-term institutional confidence in automated tax administration systems.
Faster APA & Modified Return Extension: Unilateral APAs for IT services will be concluded within two years (extendable by six months), and the modified-return mechanism is extended to associated enterprises affected by an APA.	**Dispute Resolution:** Quicker dispute resolution; immediate certainty for multinational groups; reduced compliance friction.	**Cooperative Compliance:** Normalisation of cooperative tax compliance models; expanded APA usage across associated enterprises.	**Global Best Practices:** Institutional strengthening of APA framework as a core tax certainty mechanism; long-term reduction in international tax disputes; reinforces India's alignment with global best practices in transfer pricing administration.

Existing Stock vs Supply Pipeline of Data Centres in India

Existing Stock

As of 2024, India's operational colocation data center capacity stands at approximately 1.35 GW of IT load. Despite this growth, India accounts for only about 5.5% of global data center capacity while generating around 20% of global data, highlighting a pronounced demand-supply mismatch.

Geographic Concentration:

- Mumbai and Chennai together account for approximately 70% of installed capacity.
- Mumbai alone contributes roughly 53% (594 MW operational)
- Secondary clusters in Delhi NCR, Bengaluru, and Hyderabad

Utilisation: Average occupancy levels are close to 97%, indicating near-full utilisation and sustained undersupply.

Supply Pipeline

Approximately 3.3 GW of data center capacity is under construction or planned for commissioning by 2028. Cumulative announced new capacity exceeds 5 GW, with major players including NTT, STT GDC, CtrlS, Nxtra, Yotta, Adani Connex, and Reliance.

Future Supply Requirements:

- India projected to require 15-18 million square feet of additional data center space over next 4-5 years.
- Capacity expected to increase nearly five times to approximately 8 GW by 2030.
- Investment requirement: approximately USD 30 billion over the decade.
- Leasing income projected to rise fivefold to around USD 8 billion by 2030.

State-Level Beneficiaries in India

State	Existing Capacity/Cluster	Post Budget 2026-2027 Outlook
Maharashtra	Mumbai-Navi Mumbai is one of India's largest data center clusters with dense fiber connectivity and proximity to financial services customers.	21-year tax holiday and safe-harbor regime make it easier for hyperscalers to justify additional availability zones and disaster-recovery sites.
Telangana	Hyderabad as technology and data center hub, backed by proactive state policies.	Cloud-focused incentives dovetail with state-level DC policies and skilled IT workforce availability.
Tamil Nadu	Chennai as strategic DC hub with multiple cable landing stations and growing hyperscale activity alongside electronics manufacturing base.	Benefits from both central cloud-tax regime and hardware-manufacturing incentives (ECMS, ISM 2.0).

Foreign Direct Investment Framework

Under the Department for Promotion of Industry and Internal Trade (DPIIT) Consolidated FDI Policy 2020, 100% FDI is permitted via the automatic route for data centres under construction and development, allowing investment without prior approvals.

Infrastructure Classification: Data centres with at least 5 MW IT load are classified as infrastructure under the Ministry of Finance's Harmonised Master List of Infrastructure, under the Communication category. This classification fundamentally improves access to bank finance and expedites government approvals.

Land Acquisition Framework: Foreign entities cannot directly acquire immovable property in India unless they establish a local presence (branch, subsidiary, or LLP under the Companies Act 2013). Acquisition of agricultural or plantation land is prohibited unless first converted to non-agricultural use.

Critical Distinction: While FDI in "real estate business" (speculative dealing in land) is prohibited, this restriction does not apply to infrastructure development. Therefore, FDI is permitted for land acquisition for data center projects, provided the investment is for operational development.

Special Economic Zones (SEZs): India supports data center investments through SEZs offering tax-efficient environments including duty-free procurement of goods and services. Key SEZ states:

- Maharashtra
- Karnataka
- Tamil Nadu
- Uttar Pradesh

FDI Inflow Trends: India lacks specific, segregated official statistics on FDI exclusively for "cloud infrastructure," as government data aggregates it under "Computer Software & Hardware" or "Services" categories.

Cumulative FDI (Apr 2000-Mar 2025): ~USD 110.7 billion in Computer Software & Hardware (15% of total FDI).

Strategic Investment Rationale: Why Investment Matters Now

Explosive Market Growth with Structural Depth

India's public cloud market expands at 24-25% CAGR, projected to reach USD 17.8 billion by 2027 and potentially USD 192 billion by 2033. This growth is structurally underpinned by enterprise digitization, SaaS adoption, and multi-cloud strategies across BFSI, manufacturing, and government

Policy Stability and Tax Certainty

The 2026 Budget provides an unusually long-dated tax holiday to 2047 for foreign cloud companies using Indian data centers to serve non-resident customers, together with clear safe-harbor and APA regime. Investors entering now secure economics, locations, and regulatory certainty that late entrants will not obtain

Domestic and Export Market Access

India offers a large and under-penetrated domestic customer base (SMEs, government agencies, traditional industries adopting cloud) while the tax-holiday design positions India as a regional export hub for cloud services to Asia, Africa, and Europe without incremental Indian tax drag on offshore revenues

Complementary Capabilities in Talent and Hardware

India's deep pool of cloud-literate developers and engineers, along with ISM 2.0 and ECMS initiatives, creates a unique talent-plus-hardware proposition. Hyperscalers can colocate engineering, operations, and increasingly hardware design and assembly near major cloud regions

Demand-Supply Mismatch as Immediate Opportunity

India generates 20% of global data but hosts only 5.5% of global data center capacity. Occupancy levels near 97% indicate near-full utilization. This structural undersupply, combined with 21-year tax certainty, creates a rare investment window

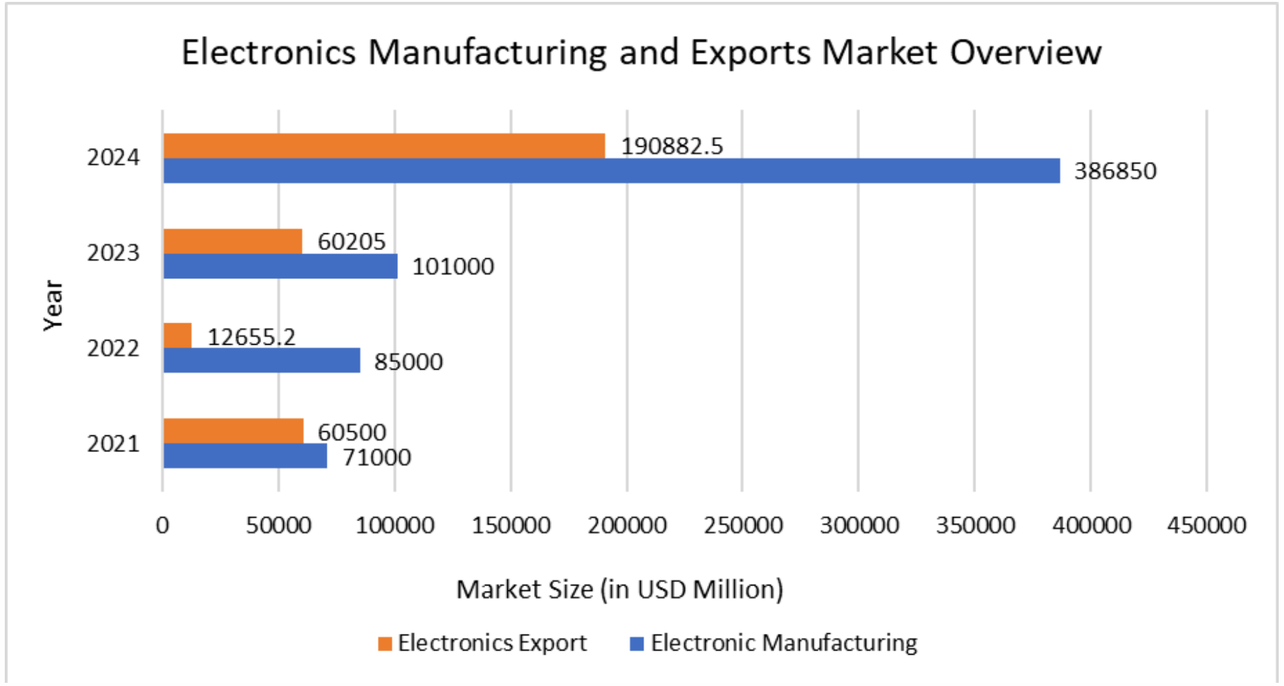
Electronics Manufacturing & Export

India's electronics manufacturing sector has emerged as a cornerstone of its export strategy, growing from USD 15 Billion in FY21 to USD 29 Billion in FY25 amid PLI schemes and global supply chain shifts. With Budget 2026 doubling ECMS outlay to INR 40,000 Cr and introducing toll manufacturing exemptions, the sector targets USD 100 Billion exports by 2030—led by mobile components, consumer electronics, and strategic localization of high-value assemblies.

Market Overview: Electrical Goods Manufacturing and Export

India's electrical goods manufacturing sector is rapidly positioning itself as a global export powerhouse, leveraging policy incentives and supply chain diversification to capture a significant share of the international market.

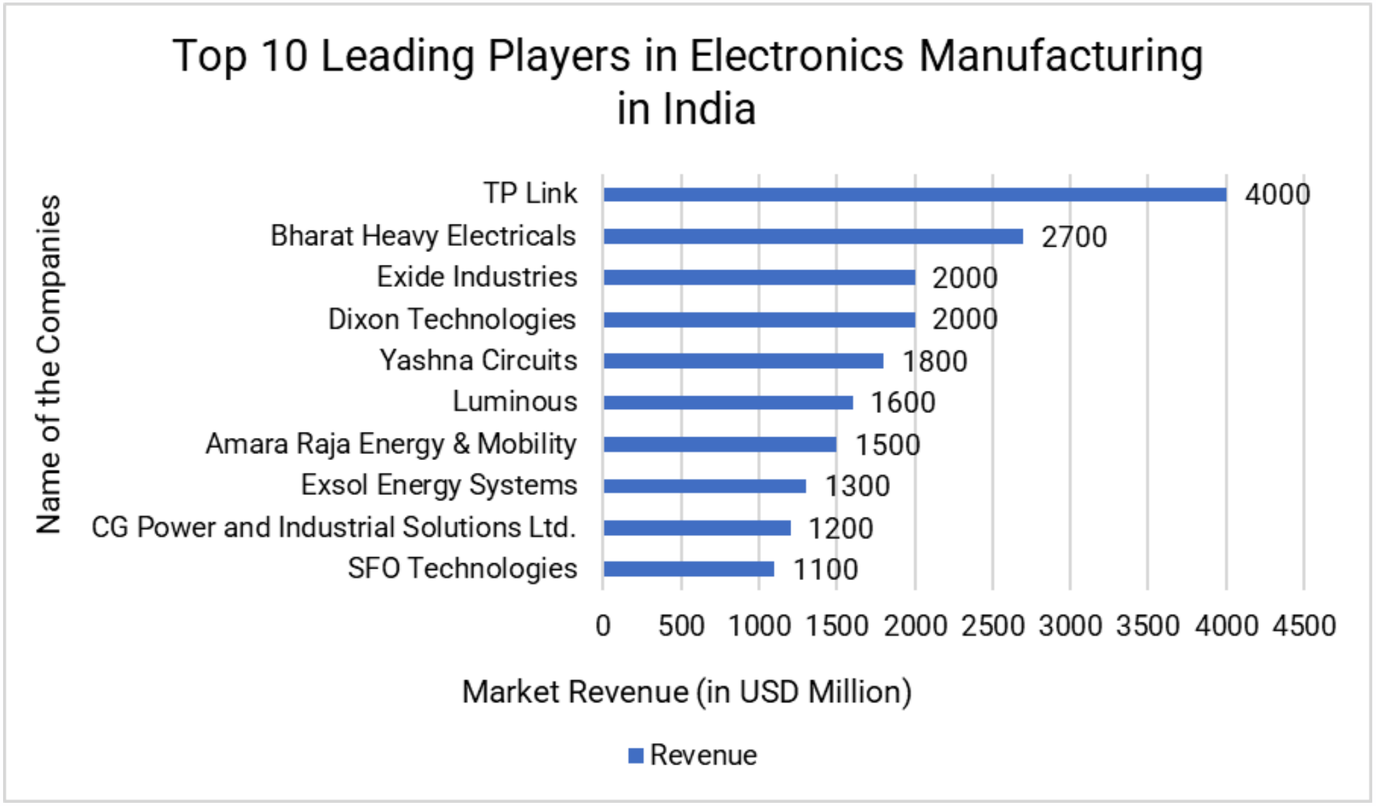
Year	Electronics Manufacturing Market Size (USD Million)	Growth Rate (%)	Export of Electronics Goods (in USD Million)	Growth Rate (%)
2021	71,000.00	-	60,500	-
2022	85,000.00	1972.00%	12,657	-79.08
2023	151,000.00	77.65	60205	375.67
2024	386,850.00	156.19	190882.5	50.96



Insight: *Rapid scale-up in India's electronics manufacturing between 2021-23 driven by capacity expansion and export push, with 2024 marking a peak growth phase for both domestic manufacturing.*

Leading Players in Electronics Manufacturing in India

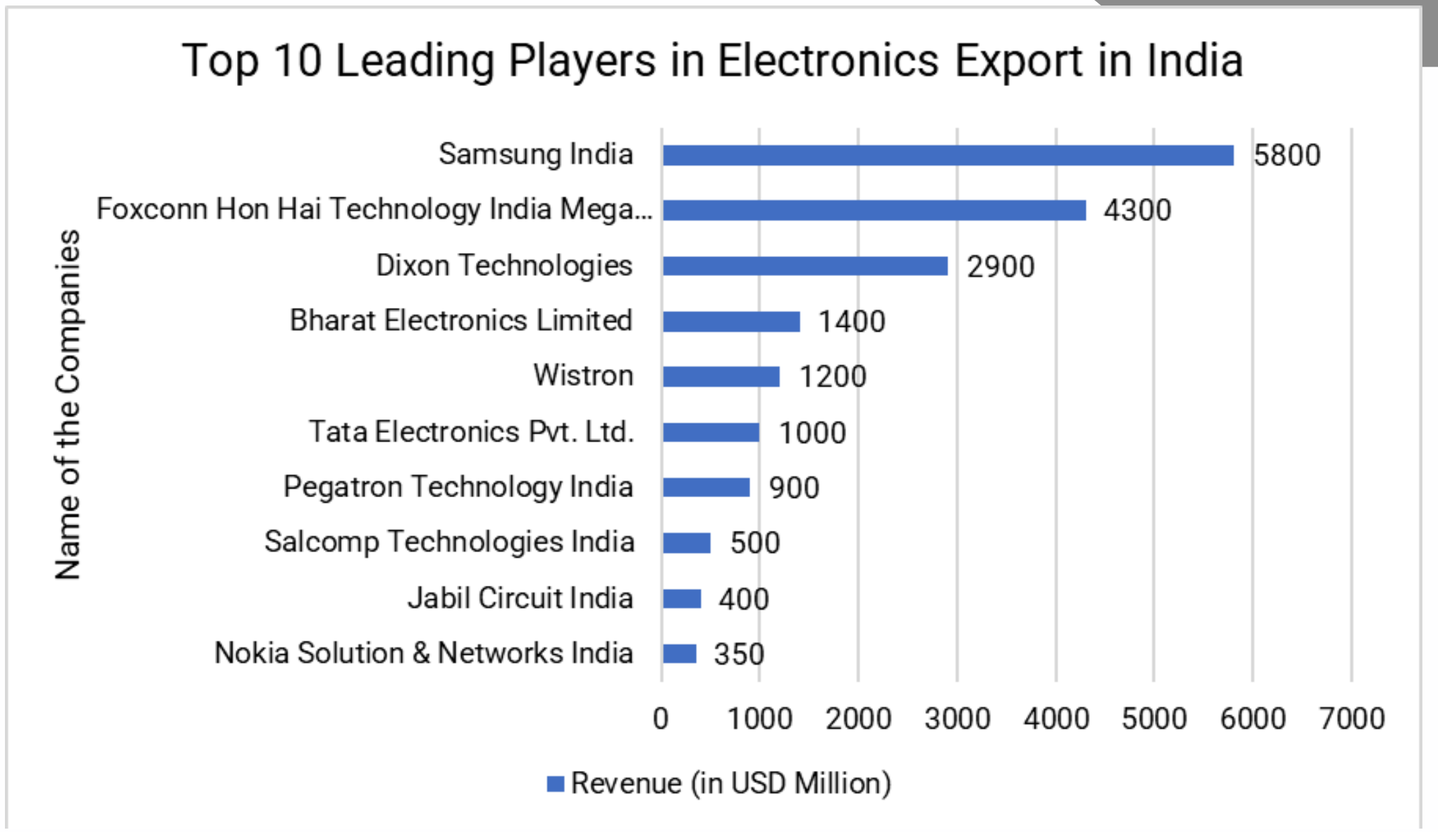
Rank	COMPANY	REVENUE (USD Million)	INDIAN OR FOREIGN
1	TP Link	4000	Foreign
2	Bharat Heavy Electricals	2700	Indian
3	Dixon Technologies	2000	Indian
4	Exide Industries	2000	Indian
5	Yashna Circuits	1800	Indian
6	Luminous	1600	Indian
7	Amara Raja Energy & Mobility	1500	Indian
8	Exsol Energy Systems	1300	Indian
9	CG Power and Industrial Solutic	1200	Indian
10	SFO Technologies	1100	Indian



Insight: *TP Link and Bharat Heavy Electricals significantly outperform other players in revenue, indicating strong scaleand market penetration compared to the largely mid sized domestic manufacturers. Overall, the market appears moderately concnetrated with sharp drop after the first two entities highlighting limited revenue parity among India's leading electronucs manufacturers.*

Top Electronics Export Leaders in India

Rank	COMPANY	REVENUE (USD Million)	INDIAN OR FOREIGN
1	Samsung India	5800	Foreign
2	Foxconn Hon Hai Technology India Mega Development Pvt. Ltd.	4300	Foreign
3	Dixon Technologies	2900	Indian
4	Bharat Electronics Limited	1400	Indian
5	Wistron	1200	Foreign
6	Tata Electronics Pvt. Ltd.	1000	Indian
7	Pegatron Technology India	900	Foreign
8	Salcomp Technologies India	500	Foreign
9	Jabil Circuit India	400	Foreign
10	Nokia Solution & Networks India	350	Foreign



Insight: *Samsung India and Foxconn account for a disproportionately large share of electronics exports from India due to the scale and global supply chain integration. Indian exporters, while present across the top 10, operate at significantly lower exporter volumes, indicating that export leadership remains driven by multinational companies.*

Union Budget 2026-27: Key Measures and Statutory Amendments

Budget Announcement	Statutory Amendment	Business Implications
Basic customs duty exempted on specified parts for microwave oven manufacturing to boost value addition in consumer electronics.	BCD is exempted on specified parts for microwave oven manufacturing under tariff items 8510 20 (synchronous motors), 8543 10/8543 90 (8501 40 electrical converters), 8504 31 (transformers), and 8536 90 (resistors) effective after March 31, 2028	**Clarifies Cross-Border IT Service Taxation:** Non-resident digital/IT service suppliers get a clearer, potentially exempt regime if they qualify under notified schemes, reducing tax exposure and encouraging remote delivery of services into India
To provide fillip to toll manufacturing in India, it is proposed to provide exemption from income tax for 5 years, to any non-resident who provides capital goods, equipment or tooling, to any toll manufacturer in a bonded zone	The Schedule IV to the Income-tax Act is proposed to be amended to incentivise domestic manufacturing of electronic goods and to provide certainty regarding the taxation of capital equipment supplied by foreign companies. The amendment grants an income-tax exemption, up to tax year one year (2030–31) on income earned by a foreign company from the provision of capital goods, equipment, or tooling to an Indian resident contract manufacturer operating in a customs-bonded warehouse, where such manufacturing is undertaken on behalf of the foreign company for consideration. The amendment takes effect from 1 April 2026.	**Enhanced Cost Efficiency:** The amendment reduces tax exposure for foreign companies supplying capital goods and tooling to Indian contract manufacturers, lowering overall manufacturing costs and providing certainty for long-term investment and capacity expansion in India’s electronics manufacturing ecosystem.

Budget 2026-2027: Policy Measures & Strategic Impact

Scheme/Incentive	Short Term Impact	Medium-Term Impact	Long-Term Impact
Safe harbour for non-residents' electronic manufacturing warehousing : Provides safe harbour for non-residents' electronic manufacturing warehousing of components. A tax of 0.7 per cent of the invoice value would apply, resulting in a rate lower than in competing jurisdictions	**Immediate Cost Savings:** Immediate reduction in customs duty outgo for non-residential electronic manufacturing and warehousing units due to availability of Basic Customs Duty exemption / concessional treatment.	**Supply Chain Localisation**: Supports supply chain consolidation within India by making local assembly and storage more cost-efficient. Encourages scaling up of domestic manufacturing and warehousing capacity as lower duty incidence improves operating margins.	**Ecosystem Transformation:** Supports sustained capacity expansion, localisation of value chains, and employment generation in the electronics manufacturing ecosystem.
Expansion of Electronics Components Manufacturing Scheme (ECMS): The outlay for the Electronics Components Manufacturing Scheme is increased from INR 22,919 crore to INR 40,000 crore to support rising investments and accelerate domestic semiconductor and component manufacturing.	**Investment Acceleration:** Immediate fiscal stimulus through increased outlay; incentivises fresh investments in component manufacturing	**Semiconductor Ecosystem Growth:** Capacity expansion in semiconductor and component eco systems; gradual localisation of supply chains; increased participation of global OEMs and suppliers.	**Electronics Self-Reliance Foundation:** Structural deepening of electronics manufacturing base; long-term reduction in import dependency; ECMS functions as a sustained industrial policy framework anchoring India's electronics value chain strategy.

Scheme/Incentive	Short Term	Medium-Term Impact	Long-Term Impact
India Semiconductor Mission (ISM) 2.0 - ISM is expanded to cover semiconductor equipment and materials manufacturing, full-stack Indian IP design, resilient supply chains, and industry-led R&D and skilling infrastructure.	**Investor Confidence Boost:** Policy continuity reassures investors; immediate funding support for equipment, materials, and design ecosystem.	**Talent & IP Development:** development of domestic IP, supply chain resilience, and skilled manpower; creation of specialised design, R&D, and training institutions.	**Institutional Transformation:** ISM emerges as a permanent institutional body governing semiconductor strategy; long-term transformation from assembly-led to IP-driven semiconductor ecosystem; integration of industrial, skill, and technology policy under a single mission framework.
Tax exemption on Toll Manufacturing Support - Foreign companies supplying capital goods, equipment, or tooling electronic-goods toll manufacturers in bonded zones are granted a 5 -year income-tax exemption.	**Rise in Foreign Investment:** Immediate attractiveness for foreign manufacturers; cost reduction for capital goods suppliers.	**Global Integration Catalyst:** Increased inflow of foreign manufacturing expertise; integration of Indian bonded zones into global electronics manufacturing chains.	**Bonded Zone Institutionalisation:** Strengthens bonded manufacturing as a policy tool; long-term regulatory differentiation between domestic and export-oriented manufacturing zones; institutionalisation of bonded zone-based industrial clusters.
Microwave Oven Value Addition (BCD Exemption) - Basic Customs Duty exemption is provided on specified microwave oven components to enhance domestic value addition in consumer electronics.	**Production Cost Reduction:** Short-term reduction in production costs; incentivises domestic assembly and manufacturing.	**Supply Chain Localisation:** Encourages gradual localisation of components; increased domestic value addition in consumer electronics	**Tariff-Led Industrial Policy:** Supports long-term tariff-based industrial policy; establishes precedent for targeted duty exemptions to drive localisation; regulatory shift from finished-goods import substitution to component-level manufacturing strategy.

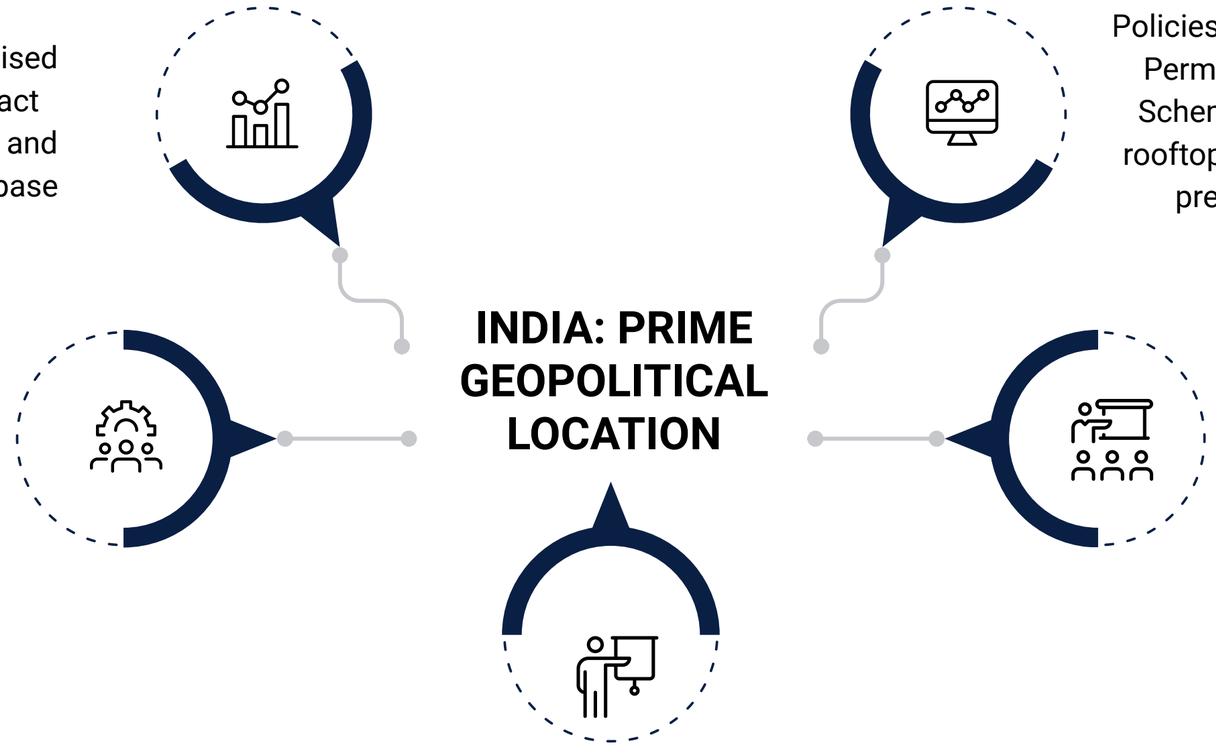
Top Three Beneficiary States in India

State	Existing Capacity	Benefit from the Budget 2026-2027
Tamil Nadu	Robust infrastructure, proactive industrial policies, and strong electronics manufacturing clusters around Chennai, Sriperumbudur, and Hosur. It has attracted top global firms like Foxconn, Pegatron, Samsung, and Dell, which have established large-scale operations in the region	Targeted capital-goods duty relief and PLI extensions improve capex economics for setting up/expanding facilities in Tier-2 clusters
Gujarat	Gujarat already has a strong industrial base that supports electronics component manufacturing. The state is a well established manufacturing and automobile hub with robust industrial infrastructure, mature supply chains, ad logistics-established manufacturing and automobile hub with robust industrial infrastructure, mature supply chains, and logistics connectivity. Notably, four semiconductor plants are already operational in Gujarat, providing a solid upstream ecosystem for electronics components	BCD relaxations on capital goods plus export incentives make Gujarat attractive for export-oriented electronics manufacturing.
Karnataka	Karnataka has a mature, design-led ESDM ecosystem with India's largest chip design base and approximately 40 per cent of national electronic design output. It is supported by global R&D centres, testing and certification facilities, and electronics manufacturing clusters in Bengaluru, Mysuru, Hubballi-Dharwad-Belagavi, and Mangaluru, offering plug-and-play infrastructure and skilled talent across the electronics value chain	Budget measures that combine Design-Linked / Semiconductor Mission Phase II and R&D push plus PLI encourage higher value manufacturing & exports from Karnataka

Foreign Investment Imperative

Microwave BOM Localisation
Microwave oven can be more localised BOM because specified parts attract zero BCD, improving gross margins and making India a competitive export base for these SKU.

Toll-Manufacturing Tax Shield
Toll-manufacturing model now has a 5-year income-tax exemption for any non-resident who provides capital goods, equipment or tooling to a toll manufacturer in a bonded zone engaged in manufacturing electronic goods.



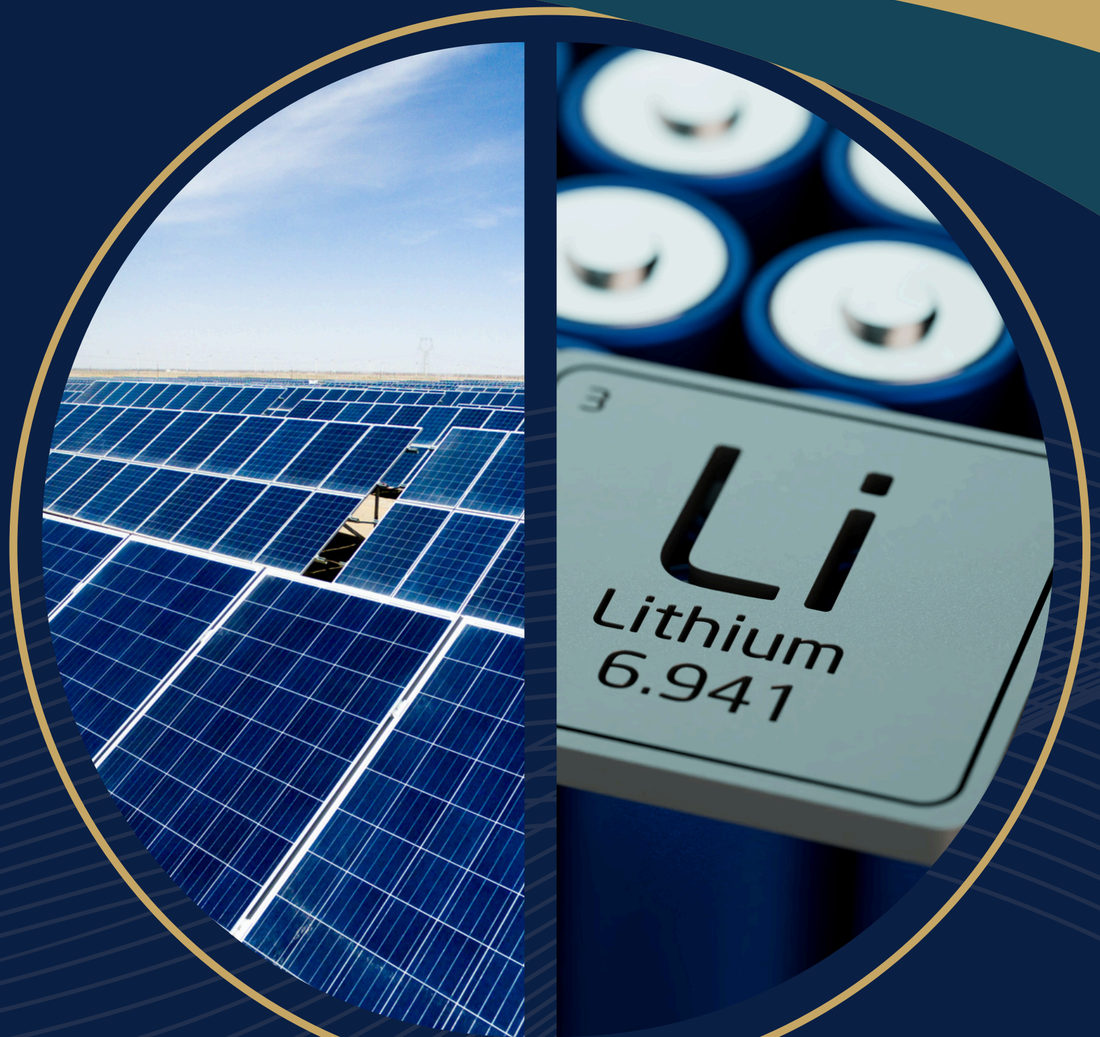
Policy Support Matrix
Policies include PLI schemes, Rare Earth Permanent Magnets initiative, CPSU Scheme, PM-KUSUM, grid-connected rooftop programs, ALMM list, purchase preferences for local suppliers,.

Component Ecosystem Alignment
Semiconductor supply-chain players - (Tata, Foxconn, Pegatron, Salcomp, Kaynes, Syrma SGS) can align CapEx with ISM 2.0 and the enlarged Electronics Components Manufacturing Scheme outlay (INR 40,000 Crore INR 22,919 Crore), which is explicitly meant to incentivise deeper component ecosystems.

Tooling Retention Economics
Allows foreign OEMs/EMS to retain ownership of expensive tooling, keep it on Indian soil, and still receive tax-free returns on that asset-use for five years improving post-tax IRR on India localisation vs third-country manufacturing.

EV Battery & Solar Panel Manufacturing

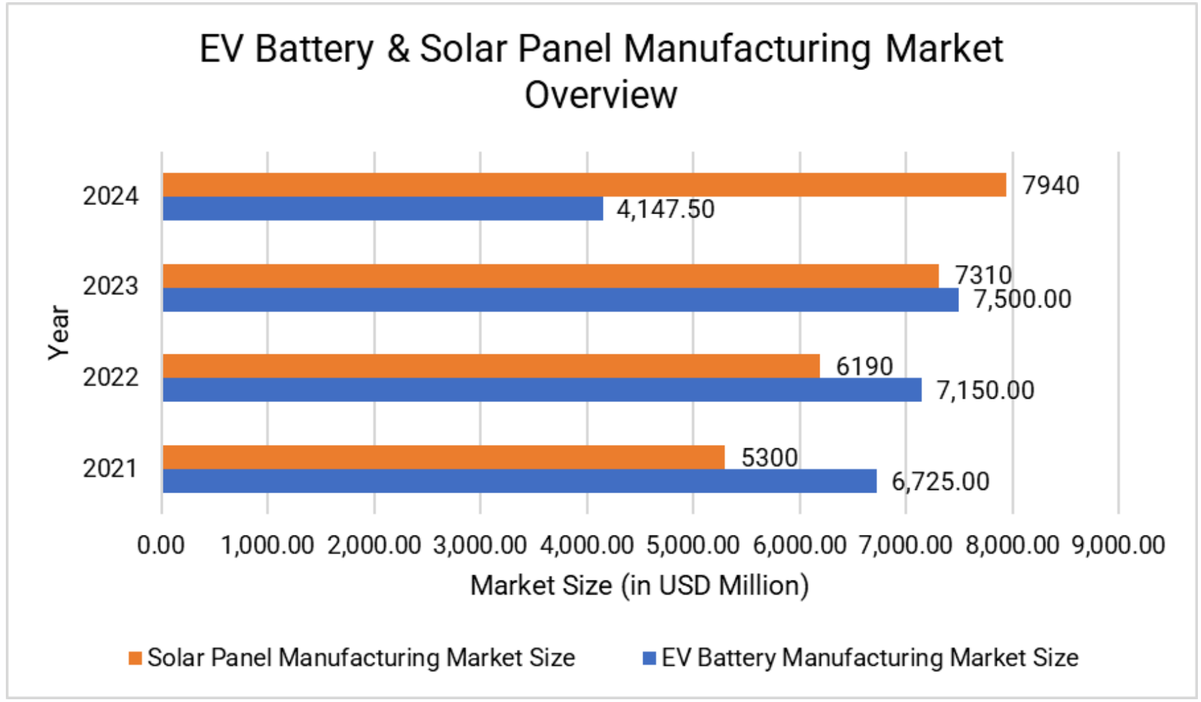
EV Battery and Solar Panel Manufacturing are key areas in India's energy transition. Both sectors are positioned as strategic priorities under India's energy transition and Atmanirbhar Bharat initiatives, with substantial policy support through customs duty exemptions, capital expenditure commitments, and targeted industrial schemes.



Market Overview: Electric Vehicle (EV) Battery & Solar Panel Manufacturing

The Indian EV battery manufacturing sector has demonstrated consistent growth, while India's solar panel manufacturing sector has experienced robust growth, supported by aggressive capacity expansion and favorable policy frameworks.

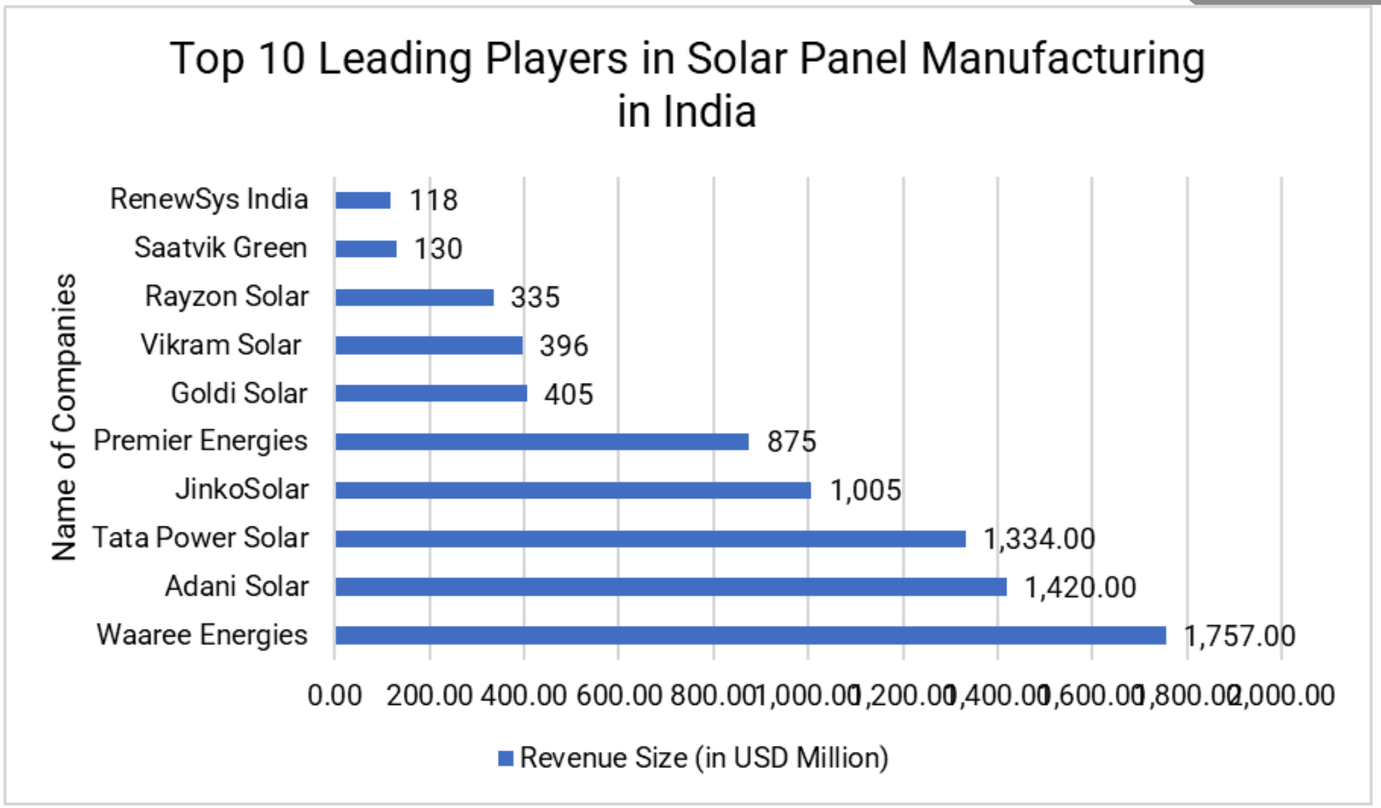
Year	EV Battery Manufacturing Market Size (USD Million)	Growth Rate (%)	Solar Panel Manufacturing Market Size (in USD Million)	Growth Rate (%)
2021	6,725.00	-	5300	-
2022	7,150.00	6.23	6190	16.79
2023	7,500.00	4.89	7310	18.09
2024	4,147.50	-44.7	7940	8.62



Insight: *India's EV battery manufacturing market grew steadily from USD 6.7B in 2021 to USD 7.5B in 2023 (4.9-6.2% CAGR), but contracted sharply to USD 4.1B in 2024 (-44.7%) due to global supply chain disruptions and import pressures. In contrast, solar panel manufacturing showed robust expansion from USD 5.3B (2021) to USD 7.9B (2024), with 8.6-18.1% annual growth, reflecting strong domestic policy support and renewable energy demand.*

Leading Players in Solar Panel Manufacturing in India

Rank	COMPANY	REVENUE (USD Million)	INDIAN OR FOREIGN
1	Waaree Energies	1,757	India
2	Adani Solar	1,420	India
3	Tata Power Solar	1,334	India
4	JinkoSolar	1,005	China
5	Premier Energies	875	India
6	Goldi Solar	405	India
7	Vikram Solar	396	India
8	Rayzon Solar	335	India
9	Saatvik Green	130	India
10	RenewSys India	118	India



Insight: *India's solar panel manufacturing sector features strong domestic leadership, with the top 10 companies generating USD 6.77B in combined revenue. Waaree Energies tops the list at USD 1.76B (26% share), followed by Adani Solar (USD 1.42B) and Tata Power Solar (USD 1.33B)—all Indian firms. JinkoSolar (China, 4th at USD 1.01B) provides the primary foreign competition, underscoring India's growing self-reliance in solar manufacturing.*

Union Budget 2026-27: Key Measures and Statutory Amendments

Framework	Budget Announcement	Statutory Amendment	Business Implication
Extension of BCD Exemption to Battery Energy Storage Systems	The existing Basic Customs Duty exemption on capital goods used for manufacturing Lithium-Ion Cells for batteries has been extended to also cover capital goods used for manufacturing Lithium-Ion Cells for Battery Energy Storage Systems (BESS).	Changes in Tariff Rate: (i) Lithium oxide and hydroxide from 7.5% to Nil (ii) Lithium carbonates from 7.5% to Nil S. No. 69A of Notification No. 25/2002 dated 1 March 2002 is being amended to extend the existing BCD exemption on capital goods for manufacturing Lithium-Ion Cells for EV batteries to also cover Battery Energy Storage Systems (BESS). The change will take effect from 02 February, 2026.	• **Boost to Domestic EV Ecosystem:** Cheaper critical inputs will encourage local manufacturing of lithium-ion cells and EV batteries, supporting Government's push for electric mobility and localisation. • **Expansion of Energy Storage Market:** Extension of BCD exemption on capital goods to Battery Energy Storage Systems (BESS) will lower project setup costs, making large-scale energy storage projects more viable.
Solar Panel Manufacturing – Input Cost Reduction	Basic Customs Duty exemption has been introduced on the import of sodium antimonate for use in the manufacture of solar glass.	Changes in Basic Customs Duty, Sodium antimonate for use in manufacture of solar glass from 7.5 % to Nil.	Elimination of import duty lowers raw material costs, improving margins and cost competitiveness for solar glass manufacturers.
Critical Minerals – Upstream Value Chain Development	The existing Basic Customs Duty exemption on imports of goods for Nuclear Power Projects has been extended up to 2035 and expanded to cover all nuclear plants irrespective of	Changes in Basic Customs Duty (i) All goods for generation of nuclear power from 7.5% to Nil. (ii) Control and Protector Absorber Rods, and Burnable Absorber Rods, for generation of	· Lower project and equipment costs for nuclear power developers: Improving project viability and encouraging faster investment and capacity expansion in the nuclear energy sector.

Impact Assessment of Incentives and Policies

Scheme/Incentive	Short Term	Medium-Term Impact	Long-Term Impact
Scheme for Rare Earth Permanent Magnets: The Scheme for Rare Earth Permanent Magnets, launched in November 2025, aims to strengthen India's domestic production and self-reliance in rare earth materials. Under this scheme, the mineral-rich states of will be supported to establish dedicated Rare Earth Corridors, promoting mining, processing, research and manufacturing of rare earth elements and permanent magnets.	**Rare Earth Corridors Activation** Rare Earth Permanent Magnets Scheme will initiate corridors in Odisha, Kerala, Andhra Pradesh, and Tamil Nadu, boosting domestic mining/processing jobs/investments while reducing import dependency for EV/clean energy manufacturing.	**Supply Chain & Investment Growth:** Rare Earth scheme can drive research/manufacturing capabilities for elements/permanent magnets, strengthens EV/electronics/clean energy supply chains, and attracts increased private/public investments in technology/infrastructure.	**Rare Earth Ecosystem Maturity:** India can emerges as self-reliant rare earth/permanent magnet hub, significantly contributing to energy transition/EV adoption/clean energy technologies while enhancing global competitiveness and reducing import dependency.
Extension of BCD Exemption to Battery Energy Storage Systems: Basic Customs Duty exemption on capital goods used for manufacturing Lithium-Ion Cells for Battery Energy Storage Systems (BESS) from 7.5 % to Nil.	**Capacity Boost:** Hospitals and diagnostic chains may get a clearer talent pipeline; training providers see immediate enrolment demand.	**Operational Scale-Up:** Improved staff availability can expand bed utilisation, diagnostics throughput, and tier -2/3 expansion; wage inflation may moderate in some roles.	**Quality Transformation:** More standardised allied workforce may improve quality, patient experience, and scalability of hospital/diagnostic models nationwide.

Geographic Manufacturing Hubs in India

1. EV Battery Manufacturing - Top Beneficiary States

State	Strategic Advantages	Key Projects
Gujarat	Currently the leader in planned capacity, Gujarat hosts major gigafactory projects due to its strategic port access and industrial ecosystem.	Reliance New Energy is developing a 30 GWh gigafactory in Jamnagar, including a 2 GWh sodium-ion line commissioned in 2026. Agratas Energy Storage (Tata Group) is setting up a 20 GWh plant in Sanand.
Tamil Nadu	Positioned as India's "EV Capital," the state has attracted significant investment through attractive land subsidies (up to 50% in southern districts) and electricity-duty exemptions.	Ola Electric established its inaugural 5 GWh cell facility here, with plans to scale to 20 GWh by 2026. The state also hosts major EV OEMs like TVS and Ather that drive local battery demand.
Karnataka	Known as an R&D and high-tech manufacturing hub, the state benefits from a mature ecosystem in the Bangalore-Mysore corridor.	Exide Energy Solutions is setting up a 12 GWh gigafactory with an investment of INR 6,000 crore. Rajesh Exports is also establishing a cell manufacturing facility in Dharwad.
Maharashtra	The state leads in EV sales and has anchored battery demand through a mandate requiring 25% of state vehicle purchases to be battery-electric by 2025.	Host to Exide's Pune manufacturing line and Amara Raja's Chakan project.
Telangana	Emerging as a strong contender, Telangana has successfully attracted large-scale investments from established battery majors.	Amara Raja Energy & Mobility is developing a massive 16 GWh gigafactory with a planned investment of INR 9,500 crore

2. Solar Power – Top 5 State-wise Installed Capacity

As of late 2025/early 2026, Rajasthan continues to lead India in solar power capacity, followed by Gujarat and Maharashtra. The country's cumulative solar capacity has reached approximately 135.81 GW as of December 2025.

The following are the top 5 states by installed solar power capacity:

State	Strategic Advantages	Solar Power Capacity (GW)
Rajasthan	Leverages the vast Thar Desert for large-scale projects like the Bhadla Solar Park, currently one of the world's largest.	~28.76 GW
Gujarat	A pioneer in solar development, leading particularly in rooftop solar installations and large-scale parks like Charanka.	~19.42 GW
Maharashtra	Has seen rapid expansion recently, significantly increasing its utility-scale and distributed solar footprint.	~11.15 GW
Tamil Nadu	Known for its diverse renewable mix, it hosts major projects like the Kamuthi Solar Power Project.	~10.31 GW
Karnataka	An early leader in the sector, home to the massive Pavagada Solar Park (Shakti Sthala).	~9.69 GW

Competitive Dynamics: Beneficiary Analysis Post Budget

1. EV Battery Manufacturing

Parameter / Aspect	Exporter / Domestic Manufacturer	Importer/Foreign Manufacturer
Customs duty on capital goods (cell & BESS machinery, critical mineral processing equipment)	**Strong Positive:** BCD exemption cuts capex 10-20%	**Moderate:** No direct benefit
Input/Parts Duty	**Strong Positive:** 8-15% cost reduction	**Moderate:** Less relevant for finished goods
Setup/Scaling Costs	**Strong Positive:** 15-25% viability boost	**Moderate:** Duties unchanged
Policy Alignment	**Strong Positive:** Localisation focus	**Moderate:** Indirect support
Net Assessment	**Primary Beneficiary:** +20% export revenues FY27	**Secondary Beneficiary:** Cost/policy disadvantage

2. Solar Panel Manufacturing

Parameter / Aspect	Exporter / Domestic Manufacturer	Importer/Foreign Manufacturer
Capital Goods Duty	**Strong Positive:** BCD exemption on clean energy & critical mineral equipment cuts capex 10-20%	**Moderate:** No direct benefit
Input/Parts Duty	**Strong Positive:** 7.5% to 0% on sodium antimonate reduces solar glass costs 8-12%	**Moderate:** Less relevant for finished modules
Setup/Scaling Costs	**Strong Positive:** 15-25% viability boost via input relief	**Moderate:** Duties unchanged
Policy Alignment	**Strong Positive:** Domestic value addition focus	**Moderate:** Indirect via adoption push
Net Assessment	**Primary Beneficiary:** Localisation edge, export gains FY27	**Secondary Beneficiary:** Cost/policy pressures

Foreign Investment Imperative

1. EV Battery Manufacturing

Large Market

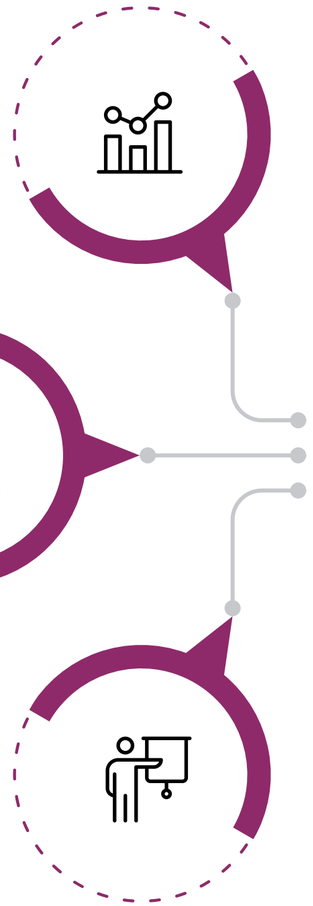
India ranks as the 3rd largest automotive market globally by sales volume, surpassing Japan and Germany, creating massive scale potential as EV adoption accelerates.

Attractive Global Investments

In 2024, the government approved a USD 500-million EV Policy with incentives designed to attract global EV companies

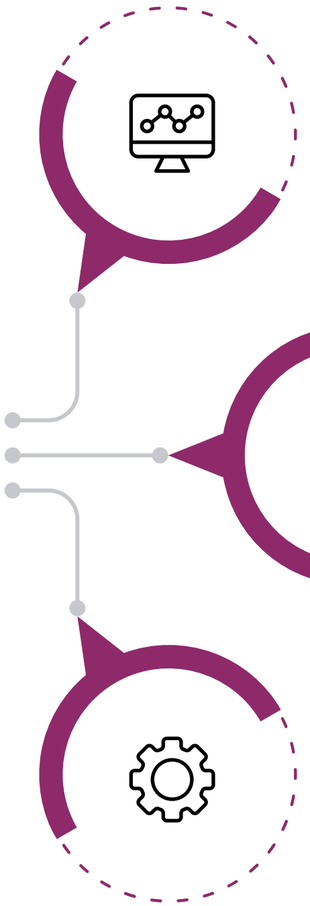
Lucrative Incentives

Central and state policies offer Production Linked Incentives (PLI), Rare Earth Permanent Magnets scheme and basic customs duty exemptions on battery manufacturing and storage equipment to drive plant setups,.



INDIA OFFERS STRATEGIC POSITION

2. Solar Panel Manufacturing



Explosive Export Market

Indian solar PV module exports surged over 23x from FY2022 to FY2024, with 97% directed to the US; India is positioned to displace Southeast Asian nations as the top US PV exporter.

PLI & Key Schemes

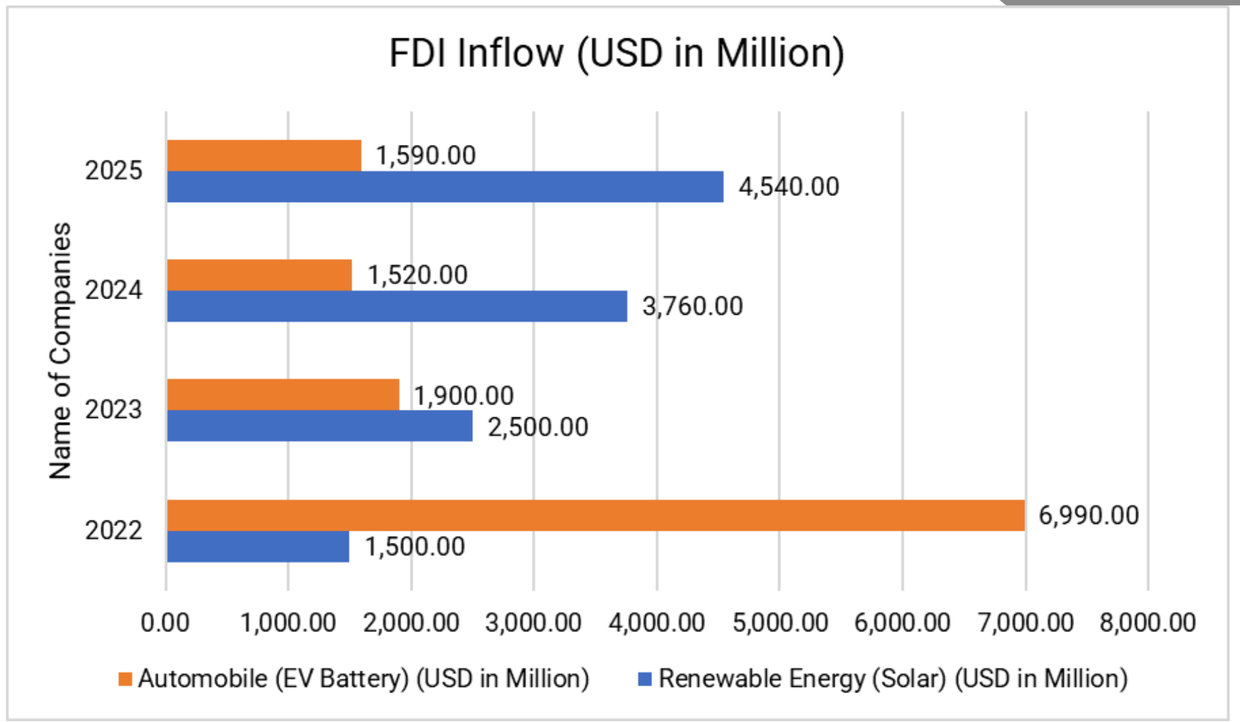
Policies include PLI schemes, Rare Earth Permanent Magnets initiative, CPSU Scheme, PM-KUSUM, grid-connected rooftop programs, ALMM list, purchase preferences for local suppliers,.

Duty Cuts & Scaling Up

BCD exemptions on sodium antimonate for solar glass—fueling 100 GW domestic capacity (4th globally) and ecosystem growth.

Comparative Analysis: Foreign Direct Investment (FDI) Trends

Year	Renewable Energy (Solar) (USD in Million)	Automobile (EV Battery) (USD in Million)
2022	1,500.00	6,990.00
2023	2,500.00	1,900.00
2024	3,760.00	1,520.00
2025	4,540.00	1,590.00



Trend Analysis:

Solar Panel Manufacturing:

- Consistent upward trajectory with 202% growth from FY2022 to FY2025.
- Strong policy support and export market opportunities driving investment confidence.
- PLI scheme disbursements attracting global solar manufacturers.
- Average annual FDI growth of 44% over four-year period.

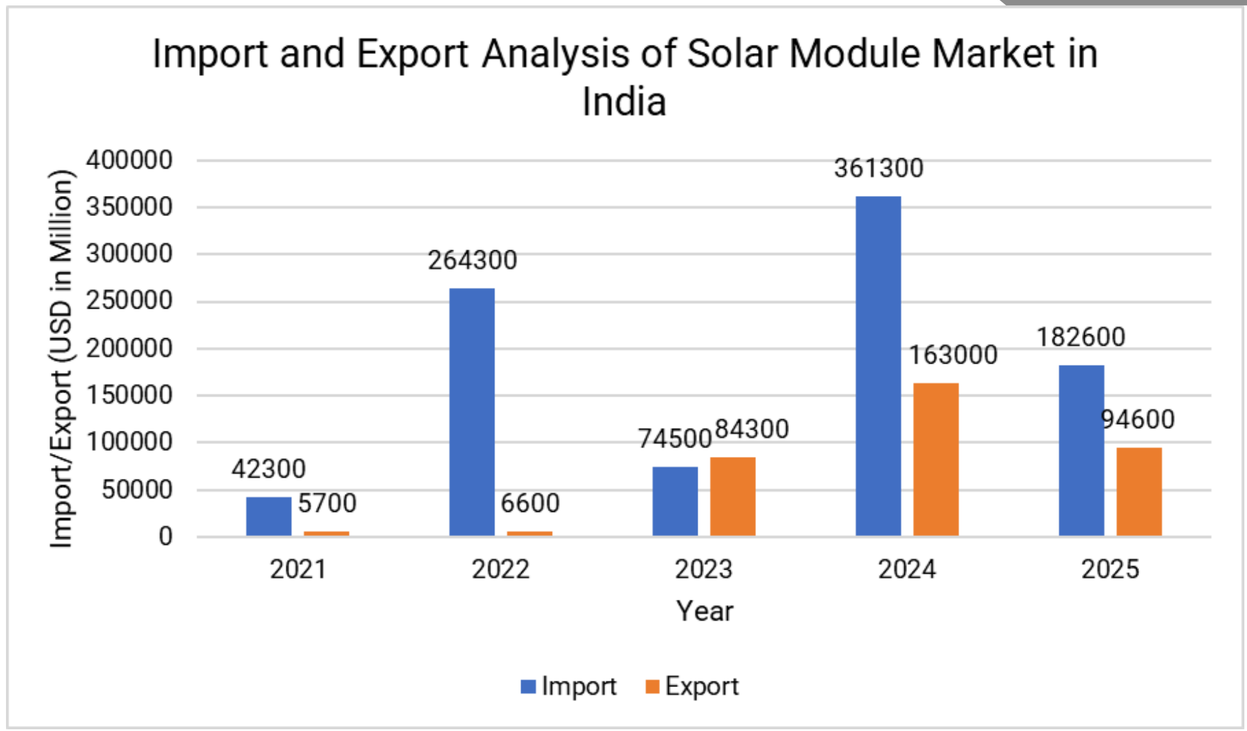
***Insight**: Solar demonstrates more consistent growth momentum in FDI attraction compared to EV battery sector, suggesting stronger near-term investor confidence in solar manufacturing opportunities.*

EV Battery Manufacturing:

- High FDI in FY2022 (USD 6,990 million) followed by normalisation to the USD 1,500-1,900 million range.
- Initial spike possibly driven by large announcements that subsequently faced execution challenges.
- Stabilisation at USD 1,500-1,600 million annual inflow, indicating steady ongoing investment.
- Market awaiting policy clarity on battery chemistry standards, recycling mandates, and long-term incentive visibility.

Domestic vs. Imported Solar Panels: Market Analysis

Year	Import (USD Million)	Export (USD Million)
2021	42300	5700
2022	264300	6600
2023	74500	84300
2024	361300	163000
2025	182600	94600



Market Analysis:

- **Market Transition:** India has steadily shifted from net importer to net exporter of photovoltaic products between FY2022 and FY2024, driven primarily by US market demand as American developers diversified sourcing away from China.
- **Recent Trends:** In FY2025, exports declined primarily due to steep drop in US-bound shipments (which accounted for over 95% of India's module exports). The decline resulted from scrutiny of US imports under the Uyghur Forced Labour Prevention Act.
- **Recovery Pattern:** Exports to the US rebounded in first four months of FY2026 as developers accelerated shipments ahead of tariff deadlines, while domestic demand absorbed most locally produced cells.
- **Import Reduction:** Imports fell by 54% in early FY2026 period, underscoring India's progress toward solar self-sufficiency at the module level (though not cell level).

Price Differential: Domestic vs. Imported Solar Panels

Aspect	Imported (China)	Domestic (DCR/ALMM)
Price per Watt	INR 14-18	+ INR 25-28(+50-100%)
EPC Cost Impact	Baseline	+INR 10-13/W
Tariff Impact	Baseline	+30-40p/unit
5kW Rooftop	INR 2.7 Lakh	INR 4 Lakh

Price Gap Drivers:

- Higher manufacturing costs in India due to lower economies of scale.
- Limited domestic cell production capacity requiring imported cells.
- ALMM certification and compliance costs.
- Higher input costs despite recent duty relief measures.
- Newer manufacturing facilities with higher capital recovery requirements.

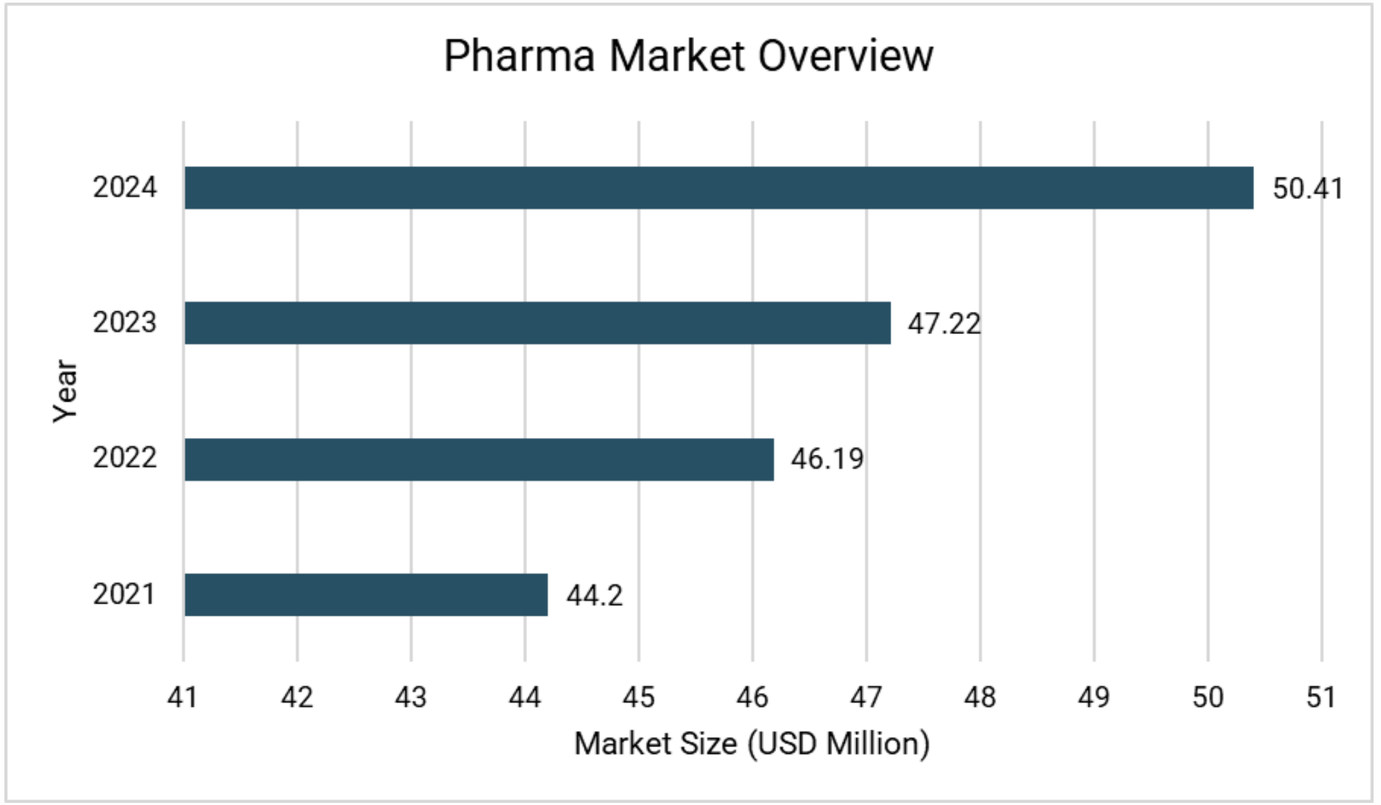
Pharmaceutical Sector

India's pharmaceutical sector stands as the world's pharmacy, excelling in generic production while advancing toward biologics leadership. Budget 2026's Biopharma SHAKTI scheme and targeted duty exemptions on oncology/rare disease drugs catalyse innovation, manufacturing scale-up, and patient access.

Indian Pharma Market Overview: Size & Growth

The Indian pharmaceutical market has demonstrated consistent growth over the past four years, recovering strongly from pandemic disruptions and maintaining double-digit expansion:

Year	Market Szie (USD Million)	Growth Rate (%)
2021	44,197.24	-
2022	46,188.80	4.8
2023	47,217.00	10.2
2024	50,410.07	10

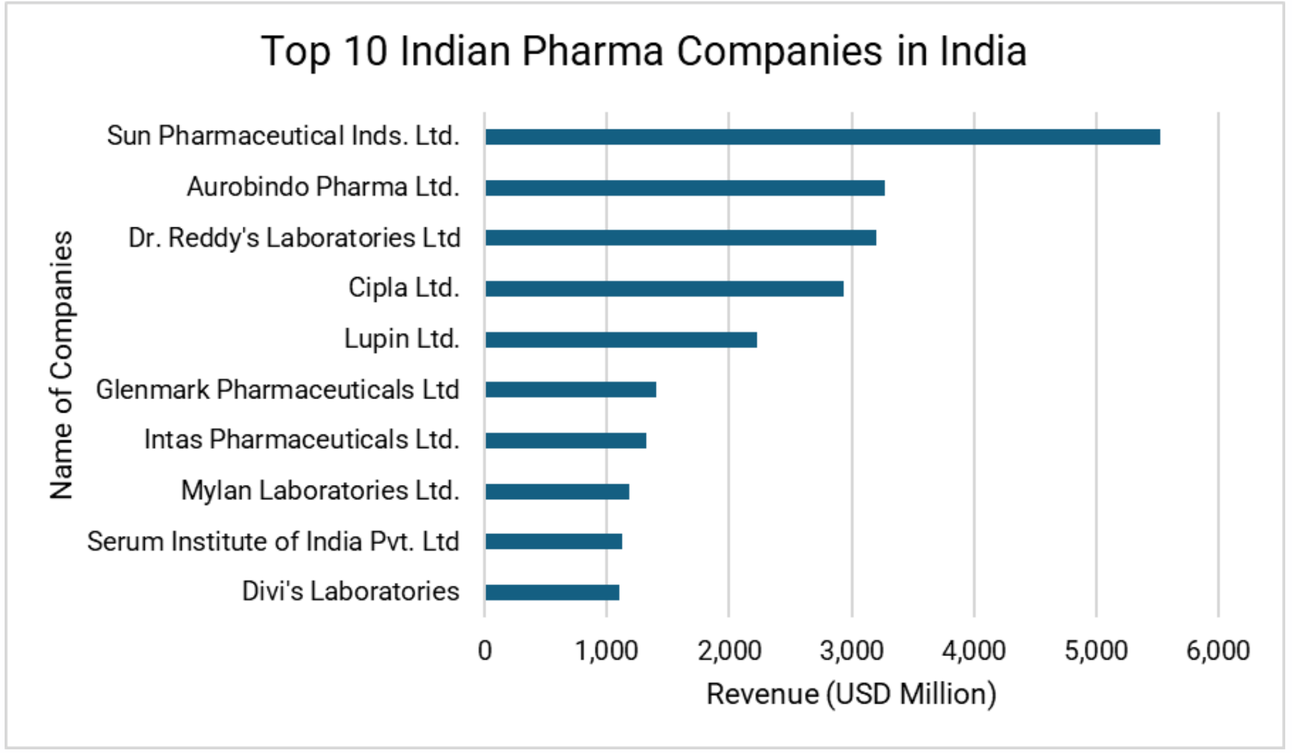


Insight: *The sector's resilience is evident in its recovery trajectory, with growth stabilizing around10% following the volatility of 2021-2022. This performance reflects strong domesticdemand, expanding export markets, and increasing penetration of chronic therapysegments.*

Leading Pharma Players in India

India’s pharmaceutical market is dominated by large, primarily Indian-owned generic and formulations companies with meaningful export exposure. These firms are also key candidates to benefit from Biopharma SHAKTI and related innovation-linked incentives over the medium term.

Rank	COMPANY	REVENUE (USD Million)	INDIAN OR FOREIGN
1	Sun Pharmaceutical Inds. Ltd.	5,525	Indian
2	Aurobindo Pharma Ltd.	3,276	Indian
3	Dr. Reddy's Laboratories Ltd.	3,203	Indian
4	Cipla Ltd.	2,939	Indian
5	Lupin Ltd.	2,231	Indian
6	Glenmark Pharmaceuticals Ltd.	1,402	Indian
7	Intas Pharmaceuticals Ltd.	1,317	Indian
8	Mylan Laboratories Ltd.	1,187	U.S.
9	Serum Institute of India Pvt. Ltd.	1,129	Indian
10	Divi’s Laboratories	1,100	Indian



***Insight**: India's top 10 pharma firms (9 Indian) generate USD 22B+ revenue, led by Sun Pharma (USD 5.5B). Aurobindo, Dr. Reddy's, and Serum are primed for Biopharma SHAKTI via R&D/CDMO strengths. They control ~40% organized market share and will capture disproportionate gains from oncology/rare disease budget measures.*

India’s Global Position

India's pharmaceutical industry occupies a unique position in the global healthcare ecosystem.

Volume Leadership

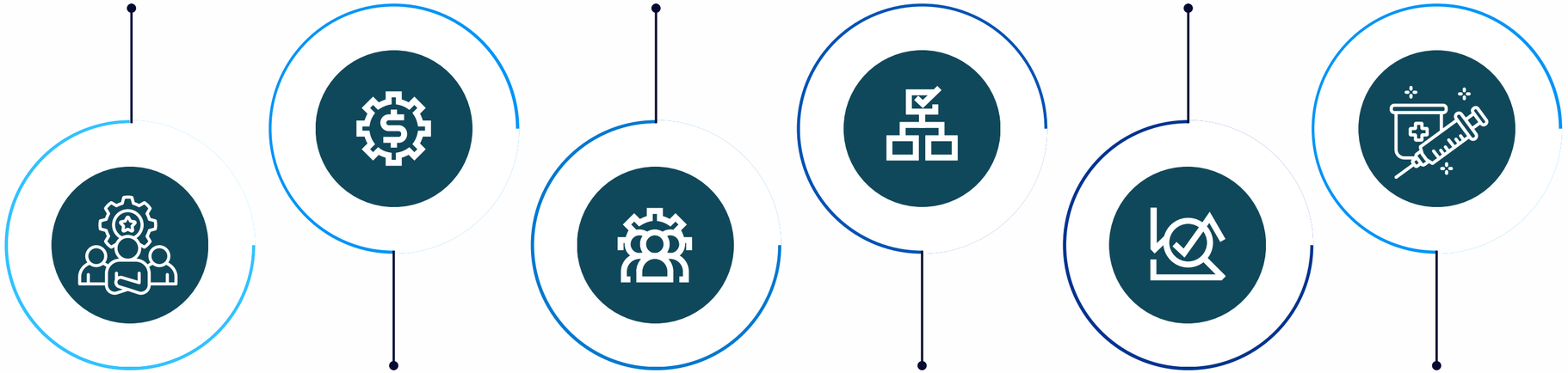
3rd largest pharmaceutical market globally by volume

Export Powerhouse

FY2023-24 exports reached INR 2,19,439 crore (USD 26.44 billion), representing 13% growth year-over-year

Quality Recognition

Largest number of US FDA-approved plants outside the United States



Generic Medicine Dominance

Largest global supplier, fulfilling 20% of world wide generic demand

Manufacturing Hub

Over 10,500 manufacturing units with 929 facilities in Maharashtra alone

Vaccine Leadership

Major global supplier of vaccines, including 60% of globalvaccine demand

The sector's competitive advantage stems from cost-effective manufacturing, skilled scientific talent, strong process chemistry capabilities, and an established track record inregulated markets.

Budget 2026-2027: Policy Measures & Strategic Impact

1. Biopharma SHAKTI Programme

Programme Allocation

INR 10,000 Crores

Strategic Objective

To transform India into a global biologics and biosimilars manufacturing hub, reducing import dependence on high-value biopharmaceutical medicines.

Programme Components

Infrastructure Development

- New & upgraded National Institutes of Pharmaceuticals Education and Research (NIPER) facilities.
- State-of-the-art biologics manufacturing centers.
- Advanced cold chain and storage infrastructure.

Clinical Trials Ecosystem

- Establishment of 1000+ clinical trial sites across India.
- Enhanced Good Clinical Practice (GCP) compliance infrastructure.
- Capacity building for contract research organisations (CROs).

Regulatory Strenghtening

- Central Drugs Standard Control Organisation (CDSCO) capacity enhancement.
- Faster approval pathways for biologics and biosimilars.
- Harmonisation with international regulatory standards.

2. Customs Duty Exemptions

Budget Announcement	Statutory Amendment	Business Implications
Exempts basic customs duty (BCD) on 17 drugs / medicines (relief to patients, especially cancer).	List 3 of Notification 45 / 2025 - Customs modified to include 17 new drugs / medicines for BCD exemption, effective February 2, 2026. Following are the new drugs/medicines added: • Ribociclib • Abemaciclib • Talycabtagene autoleucel • Tremelimumab • Venetoclax • Ceritinib • Brigatinib • Darolutamide • Toripalimab • Serplulimab • Tislelizumab • Inotuzumab ozogamicin • Ponatinib • Ibrutinib • Dabrafenib • Trametinib • Ipilimumab	• **Importer Margin Expansion:** Immediate 5-10% margin improvement for distributors/importers; expect 15-20% volume growth as oncologists expand patient eligibility. • **Oncology Pipeline Acceleration:** Pharma companies fast-track dossiers for biosimilars; CDSCO approvals could accelerate 20-30% as duty savings improve ROI projections. • **Private Equity Interest Spike:** Oncology-focused CDMO/infrastructure may see 15% valuation uplift; investors target cold-chain logistics, specialty distribution serving Ipilimumab, Serplulimab demand surge.

Budget Announcement	Statutory Amendment	Business Implications
Adds 7 more rare diseases for exempting import duties on personal imports of drugs / medicines and FSMP used in treatment.	List 22 modified to include 7 rare diseases under National Policy for Rare Disease (NPRD), 2021, extending customs-duty exemption on drugs / medicines / FSMP when imported for personal use, effective February 2, 2026. The new rare diseases include: • Congenital Hyperinsulinemic Hypoglycemia (CHI) • Familial Homozygous Hypercholestrolemia • Alpha Mannosidosis • Primary Hyperoxaluria • Cystinosis • Hereditary Angioedema • Primary Immune Deficiency Disorders	• **Niche CDMO Opportunities**: Orphan drug formulators may target small-batch production for these 7 diseases; PLI 2.0 eligible firms gain pricing edge over pure imports. • **PE/VC Focus Shift**: INR 1,500 Cr investment flows to rare disease platforms; investors may prioritise patient registries, diagnostics, and therapy access coordinators. • **Diagnostic Ecosystem Growth**: Genetic testing labs may see 30% demand increase for confirmatory tests enabling duty-free imports; NGS panels for Hyperoxaluria, Cystinosis become standard. • **Specialty Pharmacy Boom**: Rare disease logistics providers see 20% revenue growth handling FSMP/drug imports for Primary Hyperoxaluria, Alpha Mannosidosis; compliance services for NPRD documentation become new profit center.

Strategic Outlook for Pharma Post Budget 2026-2027

Scheme/Incentive	Short Term (Preparation and Pipeline)	Medium-Term Impact (Scale-up & Efficiency)	Long-Term Impact (Structural Shift & Maturation)
Biopharma SHAKTI Programme	**Pipeline + deal activity:** Pharma / biotech, CROs, clinical-site networks may start preparing proposals, MoUs, and capacity plans; early compliance / quality upgrades.	**Market Deepening:** More trials, more tech transfer, and higher demand for specialised talent may increase, QA / QC, cold chain, and bio-manufacturing inputs; faster approvals may reduce time-to-market risk.	**Structural shift:** India can become a stronger global biologics hub; sustained export growth potential, deeper innovation ecosystem, and increased competition (pricing + quality).
Customs duty exemption on 17 drugs / medicines	**Immediate pricing / headroom:** importers and distributors can reduce landed costs (or improve margins); hospitals can revisit procurement pricing.	**Market access:** improved affordability can expand patient pool and volumes; competitive pressure on substitutes increases.	**Therapy adoption**: long-term increase in treatment uptake and chronic therapy adherence for eligible products; may reshape competitive landscape in targeted segments.
Duty exemption for 7 additional rare diseases	**Patient Access Surge:** Duty-free personal imports of therapies for Congenital Hyperinsulinemic Hypoglycemia, Cystinosis etc. cut costs 10-15%; expect 25-30% volume jump as families access orphan drugs previously priced out.	**Specialty ecosystem growth:** may introduce more formal pathways for rare disease therapy access; potential for structured patient support and care coordination services.	**Rare disease market maturation:** may improve access and would encourages diagnostics, registries, and long-term therapy ecosystems; specialty pharma and support services become more viable at scale.

State-Level Opportunities: Regional Cluster Analysis

India's pharmaceutical manufacturing is concentrated in specific state clusters, each offering distinct advantages for capacity expansion and investment under Biopharma SHAKTI.

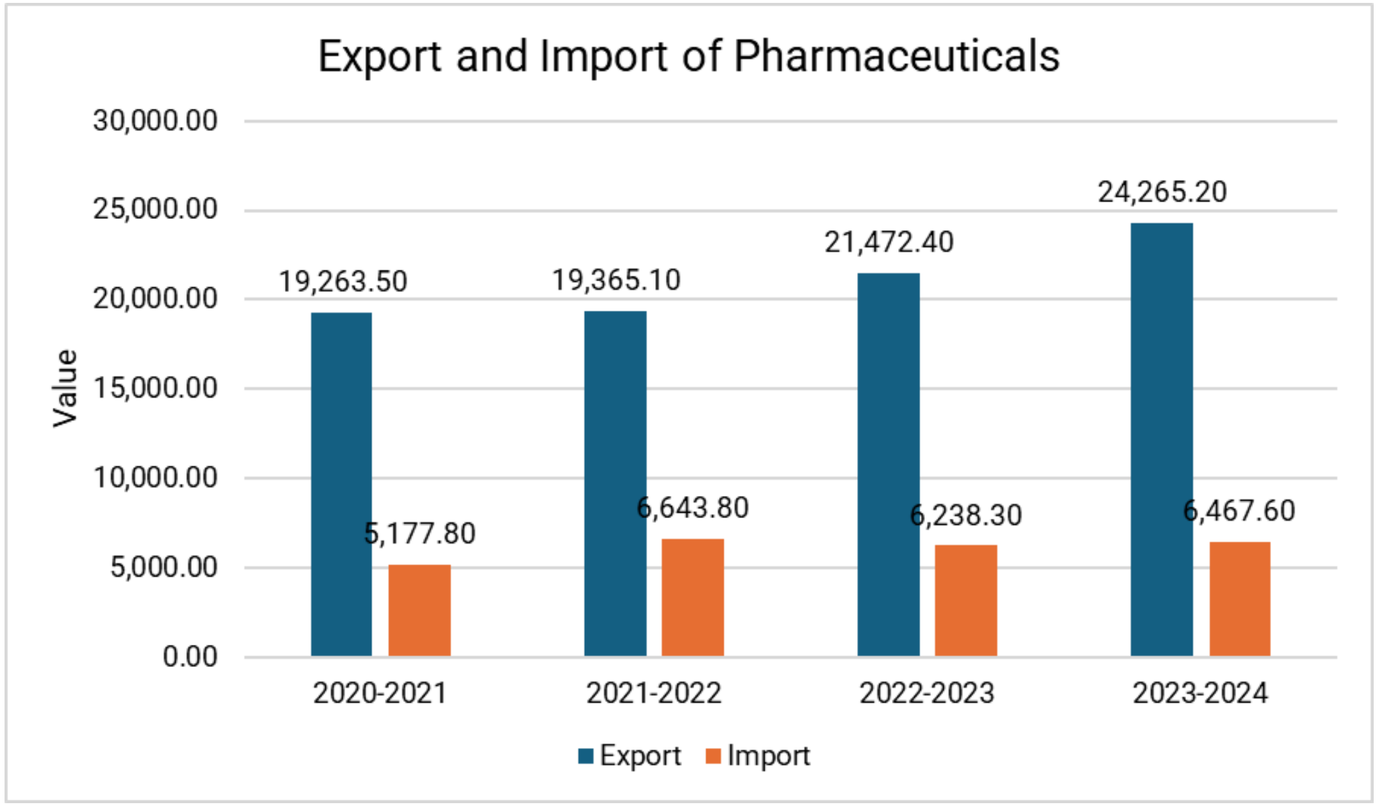
Top Beneficiary States

State	Pharma Clusters	Manufacturing Units	Strategic Advantages
Maharashtra	40	929	• Highest cluster concentration; established supplier ecosystem; QA/QC talent pool; cold chain infrastructure; fill-finish capabilities; proximity to ports. • Ideal for biologics scale-up due to existing ecosystem maturity, specialised talent availability and established supplier networks for complex manufacturing requirements.
Gujarat	13	3,332	• Largest unit base; strong manufacturing capacity; favourable industrial policy; robust logistics network MSME ecosystem. • Best positioned for high-volume generic and biosimilar production, leveraging extensive manufacturing base and cost-competitive operations.
Telangana	7	523	• Strong cluster footprint; biotech research ecosystem; skilled workforce; supportive state policies; rapid infrastructure development. • Emerging as innovation hub with strong government support, suitable for R&D-intensive biologics development and clinical trial operations.

Trade Dynamics: Export-Import Analysis

India's pharmaceutical exports have demonstrated consistent growth, establishing the country as a critical supplier to global markets.

Sr. No.	Financial Year	Export (In USD Million)	YoY Growth (%)	Import (in USD Million)
1	2020-2021	19,263.50	-	5,177.80
2	2021-2022	19,365.10	0.53	6,643.80
3	2022-2023	21,472.40	10.88	6,238.30
4	2023-2024	24,265.20	12.01	6,467.60



Import Dependency Categories:

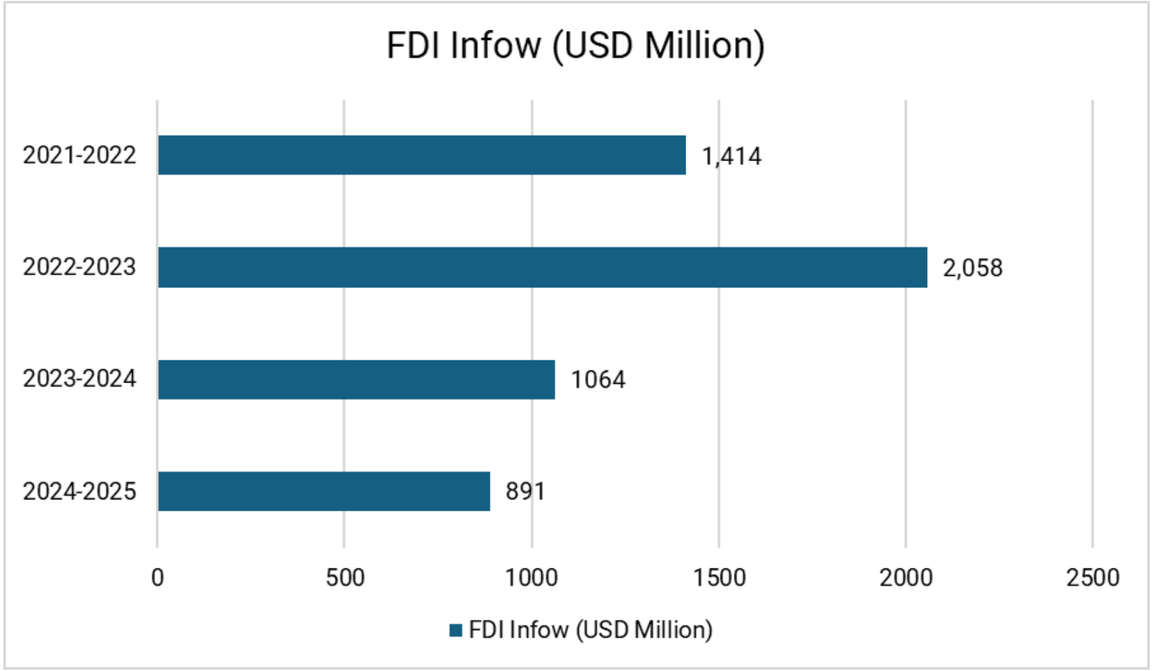
- **Biopharmaceuticals:** High-value biologics, monoclonal anti-bodies, gene therapies.
- **Specialty APIs:** Complex active pharmaceutical ingridients for specialty formulations.
- **Oncology Drugs:** Advanced cancer therapeutics and targeted therapies.
- **Rare Disease Medicines:** Ultra-orphan drugs and specialised FSMP products.

***Insight**: India maintains a strong and stable trade surplus in the sector, with exports consistently exceeding imports by roughly 3.5–3.8 times in recent years. In 2023–24, this translated into a substantial USD 17.8 billion surplus, reflecting the sector's solid global demand and India's growing competitive strength. This expanding surplus—rising by over USD 2.5 billion annually in the last two years—positions the sector as an important contributor to India's overall trade balance and foreign exchange earnings.*

Foreign Direct Investment (FDI) Trends

Foreign investment in Indian pharmaceuticals has shown volatility, reflecting global economic conditions and sector-specific dynamics.

Sr. No.	Financial Year	FDI Inflow (USD Million)	YoY Change (%)
1	2021-2022	1,414.00	-
2	2022-2023	2,058.00	45.5
3	2023-2024	1,064.00	-48.35
4	2024-2025	891.00	-16.30



Investment Themes

Recent FDI has concentrated in the following areas:

- **CDMO Partnerships:** Global pharmaceutical companies establishing contract manufacturing relationships with Indian firms.
- **Biologics Capacity:** Investment in monoclonal antibody and biosimilar manufacturing infrastructure.
- **Specialty Segments**: Oncology, respiratory and dermatology therapeutic areas.
- **API Manufacturing:** Backward integration into active pharmaceutical ingredient production.
- **Digital Health Integration:** Pharma tech convergence, patient engagement platforms, supply chain digitisation.

***Insight**: The decline in FDI from the FY2022-23 peak reflects global risk-off sentiment, rising interest rates, and regulatory uncertainties in key markets. However, Biopharma SHAKTI and India's strengthening position in complex generics and biosimilars are expected to catalyse renewed FDI interest.*

Competitive Dynamics: Beneficiary Analysis

Policy Change	Importer/Foreign Manufacturer	Exporter / Domestic Manufacturer
Import Duty Changes (17 oncology + 7 rare disease drugs)	**Positive Impact**: 8-12% landed cost reduction boosts volumes 15-25% for Ribociclib, Cystinosis imports; short-term margin gains before local competition ramps up.	**Positive overall**: India's low-cost edge (40% US generics share) preserves export dominance; duty-free imports pressure domestic pricing but spur biosimilar innovation under PLI/SHAKTI.
Biopharma SHAKTI (INR 10,000 Crore biologics hub)	**Moderate Impact**: Domestic scale-up erodes 20-30% high-value import share long-term; tech transfer opportunities short-term.	**Strong Positive**: Top exporters (Sun, Dr. Reddy's) leverage 1000+ trial sites, fast approvals for 25-40% biosimilar capacity growth; export revenues projected +15% FY27.

***Insight**: Domestic manufacturers and exporters capture 70%+ of net benefits across both measures, leveraging India's structural cost advantages (40% US generics market share) and policy tailwinds. Import duty exemptions drive short-term volume growth for foreign players but accelerate domestic biosimilar development under PLI/SHAKTI frameworks, eroding pricing power within 18-24 months. Top 10 Indian firms (Sun Pharma, Dr. Reddy's, Aurobindo) gain disproportionate advantage through existing R&D/CDMO infrastructure, positioning them to dominate oncology/rare disease segments while sustaining $26B+ export momentum into FY27.*

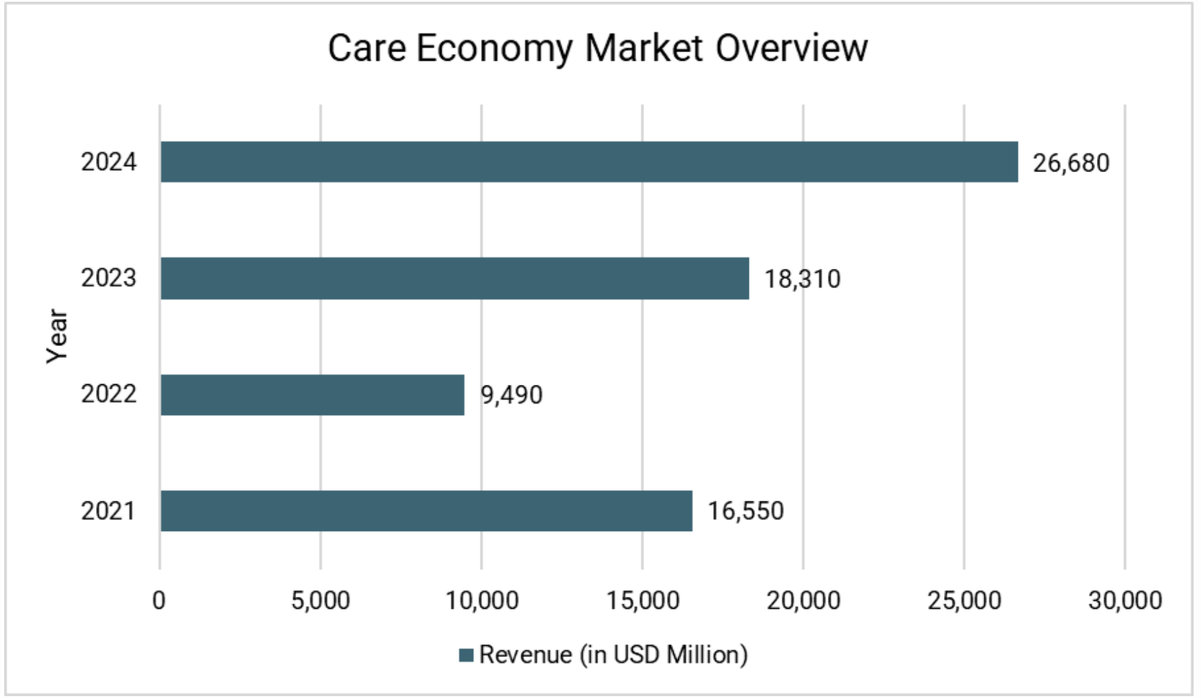
Care Economy

The Union Budget 2026-27's comprehensive care economy initiatives—Divyang Sahara Yojana, AHP expansion, and caregiver training—represent a strategic inflection point for India's eldercare sector.

Care Economy Market Overview: Size & Growth

The Indian care economy market has exhibited significant volatility, reflecting the sector's fragmentation and evolving regulatory landscape.

Year	Market Size (in USD Million)	Growth	Data Quality
2021	16550	-	High Variance
2022	9,490	-42.66	Consolidation Phase
2023	18,310.00	92.94	Recovery
2024	26,680.00	45.72	Expansion



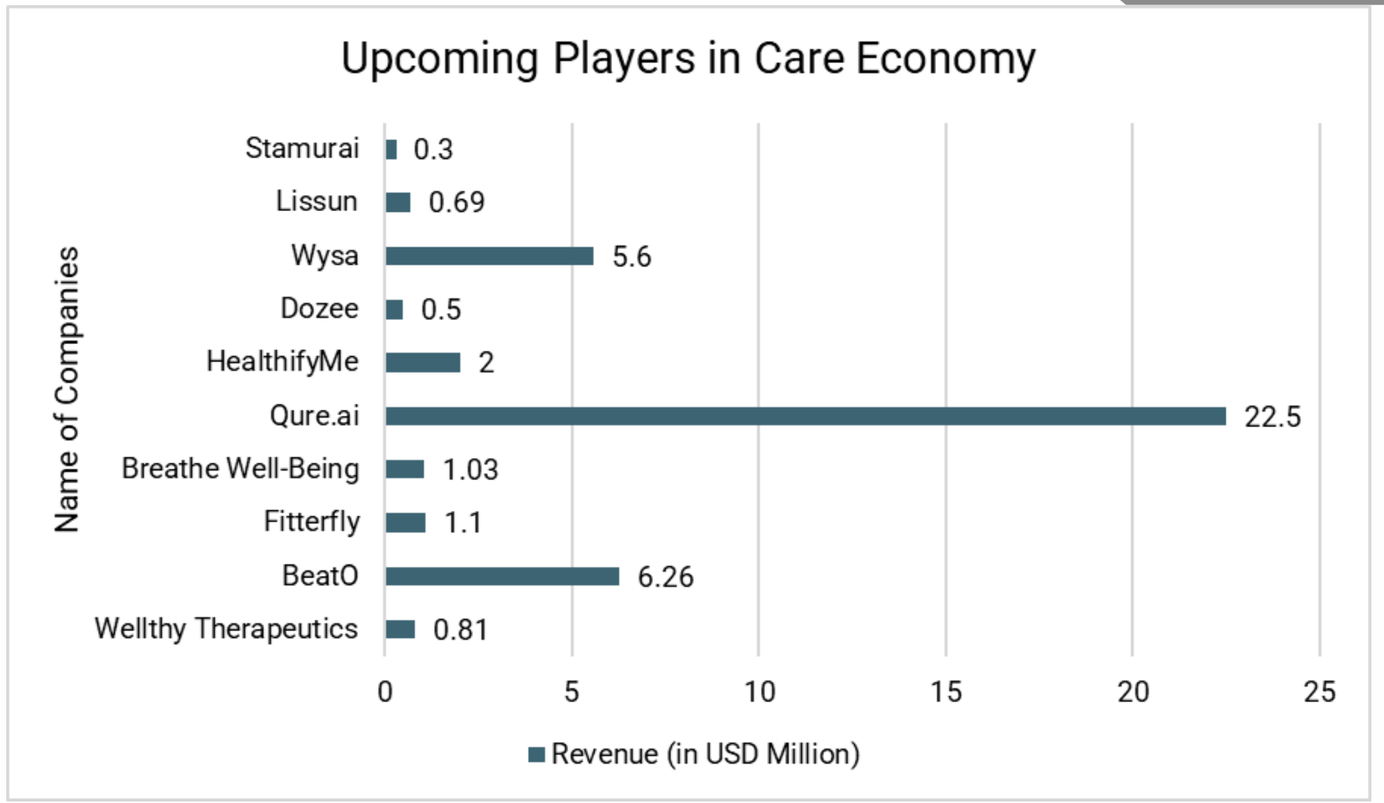
Demographic Drivers:

- India's 60+ population projected to reach 194 million by 2031 (13.1% of total).
- Kerala already at ~20% elderly population with dedicated elderly budget exceeding INR 46,000 crore.
- Uttar Pradesh elderly population projected to grow from 7% (2011) to 12% (2036).
- Rising nuclear family structures are increasing demand for formal care services.
- Growing middle-class willingness to pay for quality elderly care.

Insight: *The dramatic fluctuations reflect methodological inconsistencies across market research firms, varying definitions of "care economy" scope (home care, institutional care, assistive devices, digital health), and rapid entry-exit dynamics of startups. The volatility underscores sector immaturity but also signals high innovation velocity and investor interest.*

Upcoming New Companies Care Economy Sector in India

Company	Revenue (in USD Million)	Services
Wellthy Therapeutics	0.81	Digital Therapeutics (DTx)
BeatO	6.26	Digital Care Ecosystem for Diabetes
Fitterfly	1.1	Meabolic Digital Therapy
Breathe Well-Being	1.03	Digital Program T2 Diabetes Reversal
Qure.ai	22.5	AI-Powered Medical Imaging
HealthifyMe	2	AI Nutrition Coach
Dozee	0.5	Contactless remote patient monitoring
Wysa	5.6	AI mental health cognitive behavioural
Lissun	0.69	AI Employee Wellness
Stamurai	0.3	AI Speech Therapy



Insight: *Digital health startups dominate India's care economy innovation, generating $41M+ revenue with Qure.ai leading at $22.5M (AI imaging). BeatO and Wysa target chronic care (diabetes, mental health) while Dozee pioneers contactless RPM, positioning these players to capture Budget-driven caregiver ecosystem growth.*

Budget 2026-2027: Policy Meassures & Strategic Impact

Scheme/Incentive	Short Term (Preparation and Pipeline)	Medium-Term Impact (Scale-up & Efficiency)	Long-Term Impact (Structural Shift & Maturation)
Divyang Sahara Yojana: Supports Artificial Limbs Manufacturing Corporation of India (ALIMCO) to scale assistive device production (incl. R&D/AI) and expands access via distribution points/markets.	**Procurement + distribution:** device makers, rehab clinics, and distributors may see near-term tender and channel opportunities.	**Market deepening:** may improve last-mile access and increase adoption; ancillary services (fitting, maintenance, training) grow.	**Domestic capability:** stronger local manufacturing and innovation reduces import dependence; long-term expansion of the assistive-tech ecosystem.
Allied Health Professionals (AHP) expansion: Expand AHP capacity across public and private sector. This will cover 10 selected disciplines, including optometry, radiology, anesthesia, OT Technology, Applied Psychology and Behavioural Health and the addition of 100,000 AHPs over the next 5 years.	**Capacity Boost:** Hospitals and diagnostic chains may get a clearer talent pipeline; training providers see immediate enrolment demand.	**Operational Scale-Up:** Improved staff availability can expand bed utilisation, diagnostics throughput, and tier -2/3 expansion; wage inflation may moderate in some roles.	**Quality Transformation:** More standardised allied workforce may improve quality, patient experience, and scalability of hospital/diagnostic models nationwide.
Care Ecosystem & Caregiver Training: Build geriatric and allied care ecosystem by training 150,000 caregivers with NSQF-aligned certification, including assistive device handling and digital health tools.	**Caregiver Onboarding Acceleration:** Home-health, rehab, assisted living, and staffing firms may onboard talent faster; device companies benefit from trained user.	**Scalability Catalyst**: Organised home-care and post-acute care can become more scalable; B2B tie-ups with hospitals/insurers become more viable.	**Formal Market Maturity:** Larger formal care market (home + facility based), with stronger compliance and quality benchmarks; long run growth tailwind from ageing demographics.

State-Level Opportunities: Regional Market Analysis

India's care economy opportunity varies significantly by state, driven by demographic profiles, existing infrastructure, and policy support.

Top Beneficiary States

State	60+ Population	Strategic Advantages
Kerala	~20% (2026)	Dedicated elderly budget (INR 46,000+ crore); Vayomithram project operational; highest old-age home density; early mover in formal care services.
Tamil Nadu	13.6% (2021), projected 18.2% (2031)	State policy on senior citizens; strong public health infrastructure; organised geriatric care leadership; ideal for AHP training scale-up.
Uttar Pradesh	7% (2011), projected 12% (2036)	Largest absolute elderly population; dual market (premium urban + basic rural); significant unmet demand for formal care services.

Technology Trends Reshaping Care Economy

Digital Theraoeutics (DTx)

Key Applications in Care Economy:

- Chronic disease management (diabetes, hypertension).
- Cognitive rehabilitation for dementia and stroke patients.
- Mental health interventions for elderly depression and anxiety.
- Medication adherence and lifestyle coaching.

Telemedicine at Scale

Care Economy Integration:

- Post-discharge follow-ups for elderly patients.
- Chronic disease monitoring and medication adjustments.
- Specialist consultations (geriatric medicine, palliative care).
- Caregiver training and support via teleconsultation.

AI in Hospital Operations

Care Economy Applications:

- Automated patient documentation reducing AHP administrative burden.
- Predictive analytics for elderly patient deterioration risk
- Care plan optimisation for chronic conditions
- Staffing optimisation in assisted living facilities

Remote Patient Monitoring (RPM)

Market Opportunity:

- Integration with trained caregiver workforce (150,000 NSQF-certified).
- Insurance reimbursement models for RPM-enabled home care.
- Chronic disease management (diabetes, heart failure, COPD).
- Post-acute care and hospital-at-home programs.

Wearables for Elderly Care

Care Economy Integration:

- Fall detection and emergency response.
- Activity monitoring and mobility tracking.
- Medication reminders and health metric logging.
- Integration with caregiver dashboards for real-time monitoring.

For more information on Digital Therapeutics Refer Here:

- Digital Health & Digital Therapeutics in Policy Pathways of the EU and India
- Case Study: Barriers to Digital Therapeutics for Elderly Care

Competitive Dynamics: Beneficiary Analysis

Gainers- High-Growth Segments: Private healthcare providers, med-tech manufacturers, and insurers capture disproportionate value from Budget 2026-27's workforce expansion across assistive devices, AHPs, and caregivers.

Private Healthcare Providers

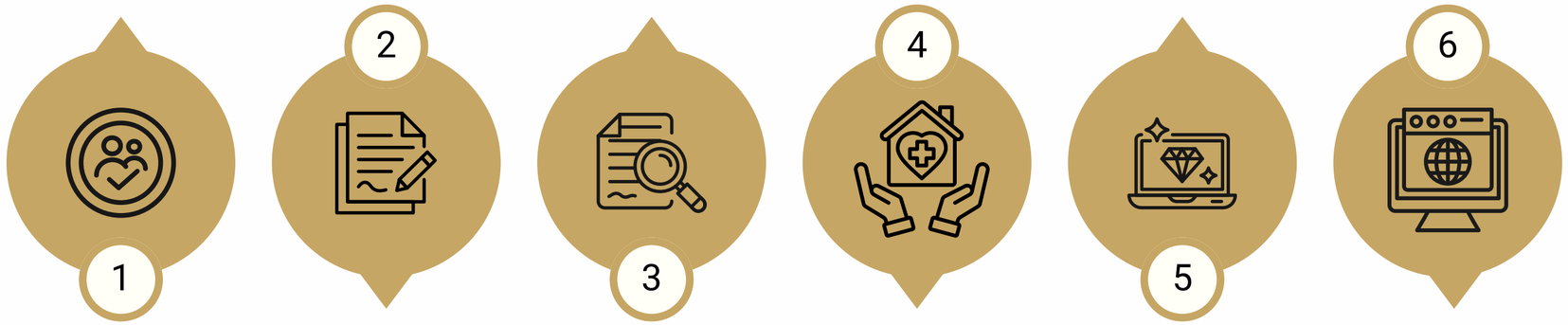
B2B tie-ups with medtech companies for home care; hospital post-discharge care coordination; chronic disease management programs; expansion into elderly-focused specialty clinics

Medtech & Assistive Device Manufacturers

150,000 trained caregivers drive device sales (digital monitors, mobility aids, glucose meters, BP monitors); ALIMCO partnerships for distribution; government procurement tenders

Insurers

Professionalised AHPs enable home care insurance product innovation; reduced claim fraud through certified caregiver networks; expansion into long-term care insurance; integrated care models



Training & Education Providers

AHP training enrollment surge; NSQF certification programs; corporate tie-ups for caregiver placement; recurring re-certification revenue

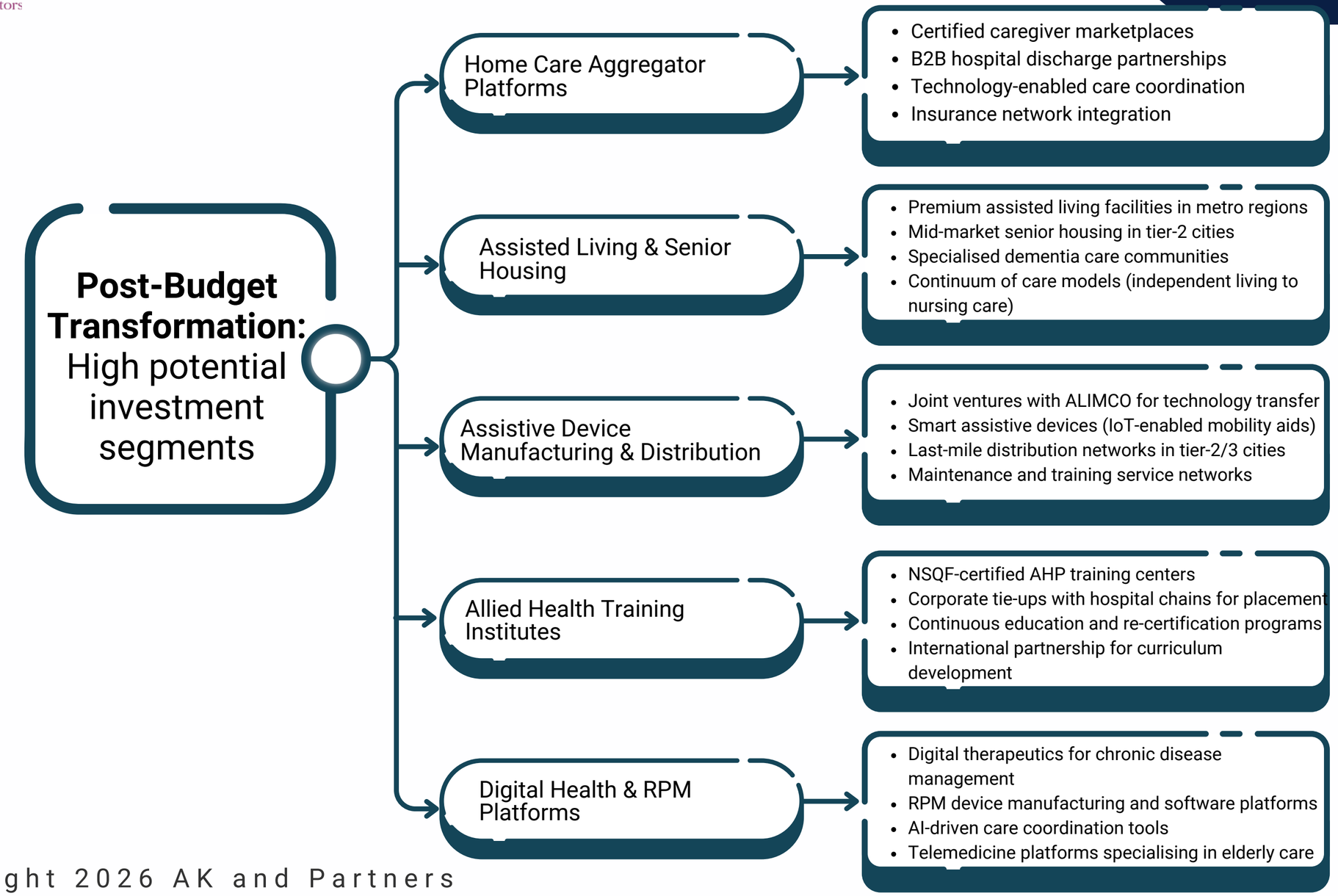
Home Care Aggregators

Certified caregiver supply enables scale; quality differentiation vs. unorganised players; B2B hospital discharge partnerships; insurance network integration

Technology Platforms

Telemedicine (eSanjeevani expansion); digital therapeutics growth (USD 1.1B by 2034) ; RPM device manufacturers; AI workflow automation for hospitals

Investment Thesis & FDI Opportunity



Miscelleneous

Infrastructure, nuclear energy, and carbon markets—represent complementary growth engines powering the nation's clean energy transition and physical economy expansion.

Carbon Credits Market Framework

India is establishing a robust national carbon market, the Indian Carbon Market (ICM), anchored by the Carbon Credit Trading Scheme (CCTS) launched in 2023-2024 to curb greenhouse gases, with compliance set for 2026. It covers nine major industrial sectors under a rate-based emission intensity system, enabling the issuance of Carbon Credit Certificates (CCCs) for exceeding emission targets.

Budget 2026 Anouncement: Carbon Capture Utilization and Storage (CCUS)

Aligning with the roadmap launched in December 2025, CCUS technologies at scale will achieve higher readiness levels in end-use applications across five industrial sectors, including, power, steel, cement, refineries and chemicals. An outlay of INR 20,000 crore is proposed over the next 5 years.

Business Implication: Budget 2026's INR 20,000 crore CCUS allocation accelerates technology readiness across power, steel, cement, refineries, and chemicals—five emissions-heavy sectors covering 40%+ of India's industrial CO_2. This funding bridges the commercial viability gap, enabling EPC firms, technology licensors, and carbon project developers to capture first-mover premiums as CCUS credits integrate with CCTS compliance obligations by 2028.

Supporting Policy and Regulatory Frameworks

- **Energy Conservation (Amendment) Act, 2022:** Legal foundation for CCTS; empowers BEE to issue Carbon Credit Certificates (CCC); establishes compliance and voluntary mechanisms.
- **Perform, Achieve, and Trade (PAT) Scheme:** Operational since 2012; covers 1,000+ entities across 13 sectors; reduced emissions intensity 15-25%; baseline infrastructure for CCTS integration.
- **National Green Hydrogen Mission:** 5 MMT annual production target by 2030; CCC methodologies approved March 2025; generates offset credits from avoided emissions.
- **National Steering Committee for ICM (NSCICM):** Strategic oversight for CCTS; sector identification, target setting, international linkage; chaired by MoP with BEE as secretariat.
- **Bureau of Energy Efficiency (BEE):** Nodal agency; CCC issuance/verification; MRV protocols; trading platform development; 9-sector ETS rollout mid-2026.
- **Green Credit Program & Mission LiFE:** Voluntary offsets for agriculture/afforestation; lifestyle sustainability; complements CCTS offset mechanism.

Nuclear Energy: Sector Overview

Operational Capacity and Growth Trajectory

Year	Energy Capacity of Operable Nuclear Plants (In MW electric)
2021	6,795
2022	6,795
2023	6,795

Current Infrastructure:

- 22 operational reactors: 6,780 MW capacity
- 9 reactors under construction: 6,700 MW pipeline
- 12 reactors approved (June 2017): 9,000 MW sanctioned capacity

Regulatory Framework:

The Sustainable Harnessing and Advancement of Nuclear Energy for Transforming India (SHANTI) Act, 2025 marks India's most significant nuclear policy reform in decades.

Key Provisions:

- Enables private sector participation in nuclear power generation
- Permits foreign collaboration in technology transfer and operations
- Amends Atomic Energy Act (1962) and Civil Liability for Nuclear Damage Act
- Addresses historical concerns over safety protocols and land acquisition

Budget 2026: Customs Duty Exemptions: Basic customs duty exemption extended on nuclear power equipment imports until 2035, expanded to all nuclear plants irrespective of capacity.

Eligible Equipment:

- Reactor components (pressure vessels, steam generators)
- Absorber rods and control mechanisms
- Turbine-generator sets for nuclear applications
- Specialised instrumentation and safety systems

Business Impact: Reduces upfront capital costs by 10-15% for nuclear projects, improving project IRR and making nuclear competitive with coal and gas baseload alternatives. Signals long-term policy certainty for equipment suppliers and EPC contractors.

Advocates & Solicitors

Infrastructure

Budget 2026-2027: Impact Assessment of Incentives and Policy Measures

01

Construction & Infrastructure Equipment (CIE) Scheme

New scheme to strengthen domestic manufacturing of construction/infrastructure equipment (e.g., lifts, fire-fighting equipment, tunnel-boring machines for metros and high-altitude roads).

02

Infrastructure financing push via InVITs / REITs + NIIF / NABFID + focus on Tier II / III cities

Government reiterates scaling up infrastructure using financing vehicles / institutions (InVITs / REITs, NIIF, NABFID) and continuing infra focus on growth-centre cities with over 5 lakh population (Tier II / III).

03

Public Capex Push

Public capex proposed to increase to INR 12.2 lakh crore in FY 2026-27 to continue the investment momentum.

Allocated to: Ministry of Finance

04

Infrastructure Risk Guarantee Fund

Partial credit guarantees to lenders to reduce construction-phase risk and crowd in private infrastructure developers/lenders.

Allocated to: Ministry of Finance with INR 9,860 Crores

05

CPSE REITs for asset recycling

Setting up dedicated REITs to monetise and recycle significant real-estate assets of CPSEs.

Allocated to: Ministry of Ports, shipping and waterways with INR 15,990 Crores

Advocates & Solicitors

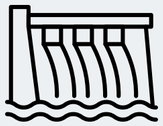
06

New Dedicated Freight Corridors

New DFCs proposed to connect Dankuni (East) to Surat (West).

Allocated to: Ministry of Railways with INR 50,000 Crores.

07



National Waterways expansion + ship-repair ecosystem

20 new National Waterways over 5 (five) years (starting with NW-5 in Odisha) plus skill / training centres and ship-repair ecosystems at Varanasi and Patna.

Allocated to: Ministry of Ports, shipping and waterways with INR 9,810 Crores.

08

Coastal Cargo Promotion Scheme

Incentivises modal shift from rail / road to waterways / coastal shipping, targeting increase in share from 6 per cent (six per cent) to 12 per cent (twelve per cent) by 2047.

Allocated to Ministry of Ports, Shipping and Waterways

09

Seaplane Indigenisation

Incentives to indigenise seaplane manufacturing and a Seaplane VGF scheme to support operations for last mile / remote connectivity.

Allocated to: Ministry of Ports, shipping and waterways.

10

City Economic Regions (CER) funding

Allocation of INR 5,000 crore per CER over 5 (five) years, via challenge mode and reform-cum-results-based financing, to build modern infrastructure / amenities in Tier II / III cities and temple towns.

Allocated to: Ministry of Housing and Urban Affairs.

11

High-Speed Rail Corridors

Seven high-speed rail corridors proposed as “growth connectors” between identified city pairs.

Allocated to: Ministry of Railways with INR 15,000 Crores

12

Municipal Bond issuance incentive

INR 100 crore incentive for a single municipal bond issuance exceeding INR 1,000 crore (with existing AMRUT incentive continuing for smaller issuances).

Allocated to: Ministry of Housing and Urban Affairs with 98.38 Crores.

13

East Coast Industrial Corridor

Integrated East Coast Industrial Corridor proposal (node at Durgapur) plus 4,000 e-buses (and allied tourism destination development).

Allocated to: Ministry of Commerce and Industry with INR 2,518 Crores.

14

Buddhist Circuits connectivity

Scheme includes connectivity and pilgrim amenities (along with preservation and interpretation infrastructure).

Allocated to: Ministry of Tourism with INR 2,509 Crores.

Budget 2026: Multi-Phase Infra Acceleration

Short Term (Initiation Phase)

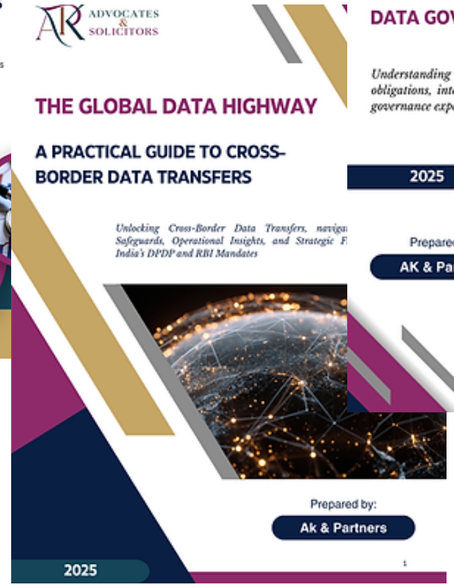
- **Order Book Boost**: EPC firms, roads, rail, urban infra, and power contractors see immediate order influx from INR 12.2 lakh crore public capex push, improving cash flows across the value chain.
- **Tendering Surge**: OEMs and EPC supply chains ramp up for CIE scheme with faster localisation plans; early DPR signals for freight corridors, waterways, and high-speed rail trigger land and supply chain planning.
- **Financing Momentum**: Increased InvIT/REIT deal flow and CPSE asset pipelines spur advisory and investor activity; municipalities prep credit ratings for bond incentives.
- **Procurement Uptick**: Demand rises for e-buses, coastal vessels, seaplanes, and consulting/PMC for CER funding and Buddhist circuits.

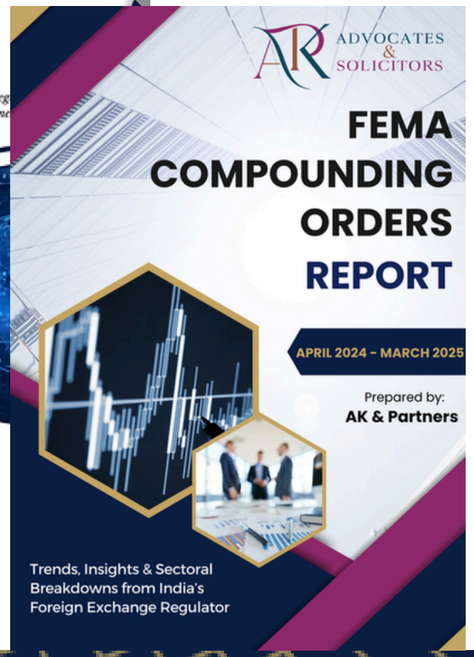
Medium-Term Impact (Expansion Phase)

- **Capacity Build**: Higher domestic equipment output via CIE reduces import reliance; multipliers from capex lift cement, steel, and logistics utilisation.
- **Logistics Gains:** Freight corridors, waterways, and coastal schemes enable faster cargo movement, inland port growth, and lower costs for industries.
- **Financing Depth**: Deeper InvIT/REIT markets and risk guarantees ease debt for PPPs; municipal bonds improve urban project funding.
- **Urban & Regional Push**: CER reforms crowd in private urban services; e-bus corridors and seaplane routes scale networks and tourism.

Long-Term Impact (Transformation Phase)

- **Indigenous Ecosystem:** Stronger infra-equipment manufacturing with export potential; durable rail-tech, EV, and seaplane bases cut costs and FX risks.
- **Capital Efficiency:** Institutionalised InvIT/REIT/CPSE recycling sustains funding; creditworthy municipalities reduce grant dependence.
- **Logistics Transformation:** Modal shifts to rail/water/coastal lower national costs, boost clustering, and enhance export competitiveness.
- **Regional Growth:** Tier II/III hubs, high-speed corridors, and cultural circuits drive productivity, liveability, and economic integration.





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