
Bond Updates

Gold bonds lose glitter (SGB tax change)

- Capital gains tax exemption withdrawn for secondary market purchases of Sovereign Gold Bonds (SGBs).
- Only original subscribers who buy SGBs at primary issuance and hold till maturity will continue to get full capital gains tax exemption.
- Investors who buy SGBs from the stock exchange and hold them till maturity will now pay capital gains tax.
- The move removes an arbitrage opportunity where investors bought discounted SGBs in the secondary market and still claimed tax-free redemption.
- Immediate impact: SGB prices fell 6–10% across maturities after the announcement.
- Liquidity expected to decline further in exchange-traded SGBs.
- With rising gold prices, SGB investors will now face higher tax outgo, reducing post-tax returns.
- The government's intent is to encourage long-term holding and align tax treatment strictly with original issuance.
- The rule will be uniform across all SGB issuances, ensuring consistency.
- **Overall, SGBs are less attractive than before, especially compared to alternatives like gold ETFs for secondary market investors.**

Buy-Back Updates

How buyback taxation changes (Budget 2026):

- **Current rule:** Buyback proceeds are treated as dividend income, taxed at the investor's slab rate.
 - Cost of acquisition cannot be adjusted, but losses can be set off against other capital gains.
 - Proposed change (from FY27): Buybacks will be taxed as capital gains, not dividends.
 - **Capital gain = Buyback price – cost of acquisition (including eligible expenses).**
- **Tax rates under new system:**
- Long-term capital gains (LTCG): 12.5% (holding period > 12 months).
 - Short-term capital gains (STCG): 20%.
 - LTCG exemption: First ₹1.25 lakh of LTCG remains tax-free.
- **Who benefits most:**
- Retail investors / lower-income taxpayers—can pay lower or even zero tax if total income (including buyback gains) stays within exemption limits.
 - Tax liability depends on overall income, not just buyback proceeds.
- **Who pays more:**
- Promoters and high-income investors, especially corporates and foreign entities, face higher effective taxation than earlier.
 - Buybacks lose their earlier tax arbitrage advantage over dividends.
- **Impact on market behavior:**
- Reduces tax arbitrage between dividends and buybacks.
 - Makes the system more neutral and balanced, without overly favoring buybacks.
 - Buybacks remain a valid capital return tool, but no longer a tax-driven choice.
- **Bottom line:**
- The proposal simplifies and rationalizes buyback taxation—fairer for small investors, less generous for promoters, and closer alignment with capital gains principles.

Taxation Updates

Rewriting MAT playbook: Budget recasts MAT as 'final' tax

- **MAT overhaul:** Budget redesigns the Minimum Alternate Tax (MAT) from a credit-based system to a final tax for companies under the old tax regime.
- **Effective date:** From April 1, 2026, MAT paid will no longer generate MAT credit; accumulation and carry-forward of MAT credit will stop.
- **Transition incentive:** Companies shifting to the new concessional corporate tax regime (which is not subject to MAT) can use accumulated MAT credit to set off up to 25% of their annual tax liability.
- **Purpose:** Push companies to migrate to the new tax regime and simplify corporate tax computation.
- **MAT rate cut:** MAT rate proposed to be reduced from 15% to 14%, partially offsetting the loss of future MAT credit.
- **Limited eligibility:** Utilisation of brought-forward MAT credit is only for companies opting into the new regime.
- **Certainty & cash flow:** Improves tax certainty, predictability, and cash-flow planning during the transition period.
- **Who may lose:** Capital-intensive, incentive-driven or currently loss-making companies staying in the old regime may be disadvantaged.
- **Final tax impact:** MAT paid after April 1, 2026 becomes a permanent tax cost, not a prepayment recoverable later.
- **Policy signal:** Clear shift toward simplicity over complexity, with MAT used as a migration tool, not a parallel system.

Sector Updates

Railways gets ₹2.78 lakh crore with focus on expansion & safety (Budget FY27):

- Record allocation: Indian Railways gets ₹2.78 lakh crore in FY27 — the highest-ever outlay for the ministry.
 - Capex-led push: Total railway capital expenditure set at ₹2.93 lakh crore, up 10.5% over FY26 (RE).
 - Budgetary support: Government support to Railways rises to ₹2.78 lakh crore, a 10% increase over FY26.
- Key focus areas:
- Safety upgrades and modernisation
 - New lines, doubling, and traffic facilities
 - Rolling stock and station improvements
 - High-speed passenger rail corridors, especially in the Southern States
 - Extra Budgetary Resources (EBR): Investment via EBR increases to ₹12,000 crore in FY27 (vs ₹10,000 crore in FY26).
- Revenue outlook:
- Gross Traffic Receipts (GTRs) budgeted at ₹3.02 lakh crore, up 8.4% YoY
 - Passenger revenue expected to grow 9%
- Operating ratio:
- 98.9% in FY26, indicating tight margins
 - Expected to improve slightly to 98.4% in FY27
 - Freight & corridors: Plans include dedicated freight corridors, including Dankuni–Surat connectivity.
- Bottom line:
- Strong capex commitment prioritizes capacity expansion and safety, though financial margins remain tight due to slow revenue growth.

Sector Updates

Focus on biopharma at right time' (Union Budget 2026–27):

- Strategic push: Budget places strong emphasis on biopharma (biologics & biosimilars), seen as timely for India's pharma sector.
- ₹10,000-crore Biopharma Shakti programme: Aimed at moving India from a volume-driven generic supplier to a global biopharma innovation leader.
- R&D boost: Expected to significantly strengthen research, development, and innovation in high-value therapies.
- Clinical trials expansion:
 - Larger national clinical trials network
 - Strengthening of CDSCO (drug regulator)
 - Network of 1,000 accredited clinical trial sites
- Institutional support:
 - Three new biopharma-focused NIPERs
 - Upgrading seven existing NIPERs
 - Therapeutic focus areas: Cancer, diabetes, autoimmune diseases, and other complex disorders.
 - Manufacturing & regulation: Emphasis on scale-up manufacturing, global-grade regulation, and faster translation of funding into projects.
- Industry view:
 - Widely welcomed; success depends on speedy execution and clarity in fine print.
 - *Industry readiness: Large Indian pharma players (e.g., Dr Reddy's, Biocon, Aurobindo) already investing heavily in biopharma pipelines.*
- Bottom line:
 - Budget marks a decisive shift toward innovation-led growth, positioning India as a global biopharma manufacturing and R&D hub.

Sector Updates

Data centres on cloud nine with tax sops (Budget 2026):

- Big incentive push: Budget 2026 offers a long-term tax holiday up to 2047 to attract global cloud and data centre players to India.
- Who benefits: Foreign companies providing data centre services from India to overseas customers.
- Safe harbour rule:
 - 15% safe harbour margin on costs for related-party data centre services sourced from India.
 - Reduces transfer pricing disputes and improves tax certainty.
- Conditions:
 - Services to be delivered outside India; Indian customers must be served via Indian resellers.
 - Incentives apply only to new investments, not retrospective—existing data centre operators get no benefit.
 - Objective: Position India as a preferred global data centre and cloud hub, competing with SE Asia and Europe.
- Ecosystem impact:
 - Boosts foreign investment, infrastructure standards, and job creation.
 - Strengthens supply chains and enterprise cloud credibility.
 - Cost advantage: India's data centre build cost (~\$5 million per MW) is far lower than global averages (\$10–12 million), improving project viability.
- Growth potential:
 - India has ~20% share of global data economy, but only ~1% of global data centre capacity (~120 GW globally).
 - Potential to reach ~10 GW capacity in five years, driving \$70–100 billion in investments.
 - Investor appeal: Improves returns and visibility for global investors, including infrastructure and real-estate funds.
 - Policy caveat: Industry urges support for homegrown cloud players, not just foreign hyperscalers.
 - Bottom line: A strong, long-horizon tax and safe-harbour framework makes India highly attractive for global data centre investments, with large spillover benefits for the digital ecosystem.

Market Updates

BSE PSU & BSE Energy still attractive despite sharp fall:

- Market context: Nifty50 and Sensex fell nearly 3% on Budget Day, triggered by a hike in STT on F&O trades; partial recovery followed.
- Sectoral impact: Most sectoral indices declined, but BSE PSU and BSE Energy continue to show relative strength on technical charts.
- BSE PSU index:
 - Strong supports at 19,950 and 18,900.
 - A bullish inverted head-and-shoulders pattern is visible.
 - Upside potential toward 23,000–24,500 in coming months.
 - Any dip from current levels could be a buying opportunity if supports hold.
- BSE Energy index:
 - Trading above long-term trendline support at 11,280; next support at 11,150.
 - Good probability of rebound from these levels.
 - A break above 12,700 could lead to 14,000 over the longer term.
 - Bearish risk emerges only if it falls below 11,150 (then 10,500 possible).
- BSE Metals (caution):
 - Reversal from below 41,500 signals a possible top.
 - Limited upside; downside risk toward 35,200–34,700, and potentially 33,000–32,800 if weakness persists.
- BSE Capital Goods (caution):
 - Hovering near key support at 64,000 with negative bias.
 - Breakdown could drag it to 56,000.
 - Needs to cross 72,000 to turn convincingly bullish.
- Bottom line:
 - Despite the sharp Budget-day selloff, PSU and Energy indices remain technically strong, while Metals and Capital Goods warrant caution.

Stock Updates

Restructuring PFC & REC to improve credit flows in the power sector:

- Budget proposal: Government plans to restructure PFC and REC, the Power Ministry's key NBFCs, to strengthen credit flow and execution in the power and infrastructure sectors.
 - Policy intent: Part of a broader vision for state-controlled NBFCs under Viksit Bharat, with clear targets for credit disbursement, efficiency, and tech adoption.
 - Why it matters: PFC and REC are critical to funding India's ₹12.2 lakh crore power sector capex, including generation, transmission, and distribution.
- Expected benefits:
- Faster and more predictable capital flow
 - Improved credit discipline and execution quality
 - Better access to deep, long-term capital pools
 - Energy transition boost: Restructuring will materially support renewable energy developers, manufacturers, and grid expansion.
 - Institutional repositioning: PFC and REC likely to evolve into specialized development finance institutions (DFIs) focused on long-tenor funding, without crowding out banks.
 - Industry view: Experts see the move as transformational, helping India shift from just participating in the energy transition to actively shaping it.
- Bottom line:
- The restructuring aims to make PFC and REC more efficient, scalable financiers—key to unlocking power-sector investment and accelerating execution.