

Driving Structural Reforms Further

The Union Budget 2026 reinforces Government's commitment of an inclusive and 'Viksit Bharat'. A more structural and reform-oriented budget with focus around agriculture, health, infrastructure, and technology, defense (allocation at 1.5% of GDP) and banking remain at the center-stage. Push to support MSME, textile industry, Bio-pharma, fast growing and more promising AI & datacenters, education & youth, point to emphasis at Viksit Bharat. Further, with nominal GDP growth pegged at 10%; net-borrowing at Rs11.7tn (in-line with market expectations) and fiscal deficit at 4.3% of GDP for FY27e points to fiscal-discipline and more than offsets the near-term impact around increase in STT on derivative products. Focus shifts to earnings, valuations, and external factors (India-US trade, currency and FII outflow). Our top-picks: KSB Ltd, TD Power, Ecos Mobility, Aurionpro Solutions, and Rashi Peripherals Ltd.

- Fiscal discipline; glide path towards fiscal consolidation:** The Union Budget 2026, highlights the government's emphasis on fiscal discipline by focusing on the quality of spending rather than its sheer size. *Government's focus on fiscal consolidation remains on track, with the fiscal deficit reducing from 4.8% in FY25 to 4.4% in FY26RE, and a further moderation to 4.3% projected for FY27BE.* Importantly, this disciplined approach is also reflected in a declining debt-to-GDP ratio, which has eased to 56.1% in FY26 and remains on a clear path toward the medium-term target of around 50% by FY31. On the revenue side, net tax receipts are projected to grow by 7.2% to Rs28.7tn for FY27BE (see table below). The growth in Centre expenditure is pegged at Rs43.5tn (up 5.8% YoY) for FY27e; defence budget upped to Rs7.85tn (vs. Rs7.33tn for FY26RE / Rs6.81tn as per FY26BE).
- AI & Data centers:** The proposed tax holiday for data centers is a structural positive for India's digital infrastructure ecosystem, accelerating hyperscaler investments and AI-led workloads hosted domestically. **Netweb Technologies** stands to benefit directly from faster hyperscaler and captive data center capex in India, particularly for AI-first workloads. The co. is well positioned to capture incremental orders in high-performance compute, AI servers and storage as DC capex ramps up. **Aurionpro Solutions** benefits indirectly through its presence in data center design, consulting, and product manufacturing for DC-related applications; an increase in greenfield and brownfield data center projects should expand the company's TAM. **Rashi Peripherals and Redington** stand to benefit from the volume-led expansion in data center hardware procurement, including servers, networking equipment, switches and routers, as new DC capacities are added in India. While we await better clarity, India AI mission the budget has proposed a corpus of Rs10bn towards Artificial Intelligence (AI) through IndiaAI Mission for FY27E (this is half the proposed outlay of the previous year Rs20bn for FY26BE and lowered to Rs8bn as per FY26RE). Enhancement of Safe Harbor Threshold for IT Services from Rs3bn to Rs2bn reduces transfer pricing risk by eliminating margin disputes and prolonged litigation.
- Global Capability Centers (GCCs) – positive for ECOs Mobility:** The Budget continues to strengthen India's appeal as a global GCC hub by focusing on skill alignment, easier compliance and better investment facilitation, while also supporting data centre expansion through long-term tax incentives for global cloud players. The push to develop Tier-II and Tier-III cities under the City Economic Regions framework should help broaden the GCC footprint, reduce operating costs and sustain growth in high-value services. **ECOS Mobility** should get benefited given greater impetus at GCC ecosystem.
- Public expenditure intact:** Public expenditure at Rs 12.2tn (+~8.8% YoY), underscores GOI commitment towards infrastructure / public welfare. The budget emphasized continuation/expansion of customs duty exemptions for capital goods in battery, nuclear power, aircraft and defence MRO, and infrastructure boosts like new DFCs, 20 national waterways, container-manufacturing scheme, and ship repair and seaplane schemes. **We remain constructive on KSB Ltd (play on nuclear power proliferation) and TD Power (data center build outs).**
- BESS manufacturing:** The Budget has extended the existing Basic Customs Duty (BCD) exemption on imported capital goods for lithium-ion battery manufacturing to include Battery Energy Storage Systems (BESS), with the duty reduced to Nil effective February 2, 2026. This measure, introduced under the energy transition framework, is aimed at lowering equipment costs and supporting domestic manufacturing of grid-scale energy storage. We see limited impact on **Godawari Power (GPIL)**, as Phase-1 of its BESS plan involves importing complete battery packs with limited in-house manufacturing. The provision becomes relevant only in Phase-2, if GPIL decides to backward integrate into cell/pack manufacturing, where it could improve capex economics.

KSB Ltd (BUY)

Target Price (Rs)	920
CMP (Rs)	685

TD Power Systems (BUY)

Target Price (Rs)	875
CMP (Rs)	740

ECOS Mobility (BUY)

Target Price (Rs)	375
CMP (Rs)	195

Aurionpro Solutions (BUY)

Target Price (Rs)	2,070
CMP (Rs)	956

Rashi Peripherals (BUY)

Target Price (Rs)	505
CMP (Rs)	359

Monarch Institutional Equities Team

Co_Name	CMP (Rs)	Rating	TP (Rs)	CAGR (FY25-28E) - %			ROE (%)			ROCE (%)			EV/EBITDA (x)			PE (x)		
				Revenue	EBITDA	PAT	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
KSB Ltd	685	BUY	920	13.9%	13.9%	13.5%	16.7%	18.6%	17.8%	19.7%	22.2%	21.7%	32.4	26.0	22.6	45.2	35.8	32.9
TD Power Systems	740	BUY	875	26.2%	27.3%	27.8%	24.6%	24.6%	23.8%	30.0%	30.0%	28.1%	35.3	27.2	23.0	48.5	38.5	31.7
ECOS Mobility	195	BUY	375	18.6%	18.8%	17.7%	23.5%	24.5%	24.3%	30.2%	32.0%	31.7%	10.3	7.8	6.0	18.7	14.6	12.1
Aurionpro Solutions	956	BUY	2070	25.0%	24.7%	24.3%	14.0%	15.7%	17.2%	15.6%	17.5%	19.3%	16.5	12.6	9.5	22.8	17.8	14.1
Rashi Peripherals	359	BUY	505	10.9%	19.0%	11.8%	12.3%	12.2%	12.5%	14.2%	14.8%	15.5%	7.8	6.8	6.1	10.4	9.3	8.1

Source: Companies, MNCL Research Estimates

GOI – Budgetary estimates:

Rs crore	FY25A	FY26BE	FY26RE	FY27BE	% YoY (FY26RE over FY25A)	% YoY (FY27BE over FY26BE)	% YoY (FY27BE over FY26RE)
Total receipt	4,652,867	5,065,345	4,964,842	5,347,315	6.7%	5.6%	7.7%
Tax revenue	2,500,039	2,837,409	2,674,661	2,866,922	7.0%	1.0%	7.2%
Non-Tax revenue	536,580	583,000	667,662	666,228	24.4%	14.3%	-0.2%
Capital Receipt	1,615,641	1,642,452	1,576,797	1,781,463	-2.4%	8.5%	13.0%
- Debt receipts*	1,573,823	1,566,452	1,512,770	1,663,066	-3.9%	6.2%	9.9%
Draw-down	608	2,484	45,722	32,702			
Total Expenditure	4,652,867	5,065,345	4,964,842	5,347,315	6.7%	5.6%	7.7%
Centre Expenditure	3,744,781	4,016,003	4,119,302	4,357,429	10.0%	8.5%	5.8%
Transfers	908,086	1,049,342	845,540	989,886	-6.9%	-5.7%	17.1%
Of the above							
- Defence	636,003	681,210	732,512	784,678	7.1%	15.2%	7.1%
- Subsidies							
<i>Fertilizer</i>	170,683	167,887	186,460	170,781	9.2%	1.7%	-8.4%
<i>Food</i>	199,867	203,420	228,154	227,629	14.2%	11.9%	-0.2%
Interest payment	1,115,575	1,276,338	1,274,338	1,403,972	14.2%	10.0%	10.2%
Rural Development	206,010	265,817	212,750	273,108	3.3%	2.7%	28.4%
Urban Development	53,255	96,777	57,204	85,522	7.4%	-11.6%	49.5%
Fiscal Deficit	1,574,431	1,568,936	1,558,492	1,695,768	-1.0%	8.1%	8.8%
% of GDP	4.8	4.4	4.4	4.3			
Nominal GDP	32,800,646	35,657,636	35,420,273	39,436,465	8.0%	10.6%	11.3%

Source: India Budget. *net borrowing

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