

## Infrastructure at the Heart of India's Budget 2026-27: A Strategic Inflection Point for Growth



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GUEST ARTICLE

Infrastructure in Budget 2026–27 is positioned as a long-term productivity engine rather than a short-term growth stimulus. Central government capital expenditure has been set at Rs 12.2 lakh crore for FY27, up from Rs 11.1 lakh crore in FY26, and nearly three times the FY15 level of Rs 4.1 lakh crore. This sustained expansion underlines the government's shift towards investment-led growth anchored in continuity, financing reform and execution capacity.

The real significance of the Budget lies not in the headline capex number but in how infrastructure policy is evolving to reduce risk, lower logistics costs and rebalance regional growth.

### Public Capex Becomes a Stable Growth Platform

Public capital spending has now remained above 3.3% of GDP for 4 consecutive years, providing multi-year visibility to infrastructure developers and suppliers. This predictability enables better project planning, improved capacity utilisation and stronger balance sheet discipline across the engineering and construction ecosystem.

For companies such as Capacit'e Infraprojects, sustained capex flows translate into steadier order

books, better tender visibility and the confidence to invest in long-duration urban and transport projects.

### Financing Reform Targets Long-Gestation Risk

The proposed Infrastructure Risk Guarantee Fund directly addresses one of the biggest deterrents to private capital participation. Large infrastructure projects typically have construction and stabilisation phases extending five to ten years, during which credit risk remains elevated. Partial credit guarantees are expected to reduce borrowing costs and improve lender appetite for long-gestation assets.

This reform complements existing vehicles such as InvITs, REITs, NIIF and NaBFID, which together aim to deepen India's long-term infrastructure financing market and reduce dependence on traditional bank lending.

### Freight and Logistics Shift from Capacity to Competitiveness

The Budget reinforces freight efficiency as a national competitiveness lever. The Dedicated Freight Corridors (DFCs) project plans to build a 2000-kilometer route which connects Dankuni in the east to Surat in the west and extends the national freight system while linking existing DFCs. Dedicated freight infrastructure enables better asset management throughout the rail system while it decreases time needed to transport bulk goods and cuts down logistics expenses for manufacturing industries including steel, cement, automobiles and consumer products. These gains directly impact both working capital cycles and export competitiveness.

### Inland Waterways & Coastal Shipping Gain Policy Scale

The operationalisation of 20 new National Waterways over the next five years marks a clear intent to rebalance India's freight mix. Inland

waterways and coastal shipping currently account for around 6% of freight movement, and the government has set a long-term target of 12% by 2047 under the Coastal Cargo Promotion Scheme.

Even incremental modal shifts can significantly reduce road congestion, fuel consumption and emissions, while creating new demand for shipbuilding, repair yards and port-linked logistics services.

### High-Speed Rail as an Economic Integrator

The Budget introduces 7 high-speed rail corridors which connect urban centers to industrial zones, while the report specifically lists the following corridors: Mumbai-Pune, Pune-Hyderabad, Hyderabad-Bengaluru, Hyderabad-Chennai, Chennai-Bengaluru, Delhi-Varanasi and Varanasi-Siliguri as growth connectors between urban and industrial clusters. The corridors enable regional integration by reducing travel times while increasing employee accessibility to labor markets, which enables Tier II and Tier III cities to join national development networks.

### Purvodaya & East Coast Industrialisation

The Purvodaya initiative signals a strategic pivot towards eastern India through the proposed Integrated East Coast Industrial Corridor. Leveraging port infrastructure, mineral resources and industrial land availability, the corridor is expected to catalyse manufacturing clusters and logistics hubs along the eastern seaboard.

This approach supports supply chain diversification and reduces regional concentration of industrial capacity.

### State Capex & Urban Infrastructure Gain Momentum

Budget provides states in Special Assistance Scheme on Capital Investment with Rs 2 lakh crore to strengthen the last-mile execution. Moreover, Finance Commission grants of Rs 1.4 lakh crore to fund FY27 infrastructure in the urban and rural local bodies.

The City Economic Regions initiative targets cities

of above 5 lakh population and especially within the Tier II and Tier III categories since they are the growth engines in the future.

### Asset Monetisation & Capital Recycling

The continued push for monetising mature public assets through REITs and InvITs, including CPSE real estate, allows capital recycling without increasing fiscal stress. This supports sustained infrastructure creation while widening the investor base for operating assets.

### Data Centres & Cloud Infrastructure Get Long-Term Tax Visibility

Budget 2026–27 introduces a structural incentive for India's digital infrastructure ecosystem through a tax holiday until 2047 for foreign companies providing cloud services via India-based data centre infrastructure. The policy also provides a safe harbour margin of 15% on cost for related entities offering data centre services, improving transfer pricing clarity and investment certainty.

The long-term tax visibility is expected to accelerate hyperscaler investments and strengthen India's role as a regional data storage and processing hub. Data centre expansion is being driven by rising digital consumption, AI adoption, fintech growth and data localisation requirements. The segment also generates indirect infrastructure demand through investments in power supply, renewable integration, fibre connectivity and specialised industrial construction, creating new opportunities across infrastructure value chains.

### Outlook

Budget 2026–27 reflects a structural evolution in India's infrastructure strategy. Through long-term government investment and funding reform, logistics, infrastructure can be reinforced as a long-term growth driver through regional diversification.

To infrastructure developers and EPC players like Capaci'e Infraprojects, the Budget enhances the visibility in transport, urban infrastructure and industrial corridors that remain to promote the growth momentum in India through 2047. 