

INTRODUCTION

India Budget 2026 – Connectivity, Competitiveness, and New Growth Frontiers

Schedule Budget 2026 widens the frame from hard assets to human outcomes, from content creators to coconuts and caregivers, but keeps the growth engine anchored in infrastructure, connectivity, and competitiveness.

With record public capex of INR 12,200 billion, the Budget is about building forward, connecting markets, de-risking supply chains, and moving people and the economy together.

INFRASTRUCTURE RISK GUARANTEE FUNDS- DE-RISKING GROWTH CAPITAL

Budget Proposal

The Finance Minister (“FM”) proposed an Infrastructure Risk Guarantee Fund (“IRGF”) to enhance private sector confidence by providing credit guarantees to lenders, easing credit constraints, and mitigating development and construction risks to facilitate financing of infrastructure projects.

ELP’s INSIGHTS

The proposal formalizes the IRGF, earlier under consideration by a National Bank for Financing Infrastructure and Development led committee exploring measures to strengthen bank and institutional credit flows to infrastructure. The Economic Survey 2025-26 notes that bank credit to the infrastructure sector grew 4.6% year-on-year in October 2025, compared to 2.3% a year earlier, indicating a gradual recovery in lending appetite.

By offering partial credit guarantees on project loans-modelled on MSME credit guarantee structures, the IRGF aims to share development and construction risk with lenders, support longer-tenure and higher-value financing, and enhance bankability for private sponsors in long-gestation infrastructure projects.

NATIONAL WATERWAYS AND COASTAL CONNECTIVITY

Budget Proposal

The FM proposed a push towards water based and coastal cargo connectivity by announcing:

- The operationalisation of 20 new National Waterways over the next 5 years.
- The launch of a Coastal Cargo Promotion Scheme to incentivise a modal shift of cargo from rail and road to inland waterways and coastal shipping.
- Development of a ship repair ecosystem for inland waterways at Varanasi and Patna, supporting long-term operations and skill development

ELP’s INSIGHTS

India’s inland and coastal shipping framework is shifting from standalone pilots to a coordinated multimodal logistics strategy. The government had notified the National Waterways Act, 2016, which had expanded the number of national waterways from 5 to 111. The Economic Survey 2025-26 noted that as of November 2025, 32 National Waterways are operational in India. The Coastal Shipping Act, 2025, requires the central government to publish a National Coastal and Inland Shipping Strategic Plan by August 2027, with regular review of navigable routes and overlaps between inland and coastal assets.

The Jal Vahak Scheme, notified in December 2024, provides up to 35% operating expenditure support for eligible long-haul waterway cargo, while the proposed Coastal Cargo Promotion Scheme is designed to shift freight from road and rail to waterways and coastal shipping. For developers and financiers, these incentives strengthen the business case for river ports, coastal terminals and last-mile links.

The western and eastern waterfronts of India are witnessing a burst of activity by way of active tenders for the development of marinas, water transport, water taxis, jetties, international, and national terminals. There is a clear and apparent effort to not only grow the infrastructure and generate employment but also attract private participation and foreign direct investment in the coastal and inland waterway infrastructure. All this is in line with the Maritime Amrit Kaal Vision 2047 released by the Ministry of Ports, Shipping and Waterways in October 2023 to improve multi-modal integration, and creates a sector to look out

STRATEGIC MINERALS - RARE EARTH CORRIDORS

Budget Proposal

In November 2025, the government approved the 'Scheme to Promote Manufacturing of Sintered Rare Earth Permanent Magnets. The Government now proposes to support the mineral-rich States of Odisha, Kerala, Andhra Pradesh, and Tamil Nadu to establish dedicated Rare Earth Corridors to promote mining, processing, research, and manufacturing.

ELP's INSIGHTS

Rare Earth Corridors signal a shift from scattered mining to planned, corridor-based industrialization, integrating extraction, refining, and permanent magnet production in key states. Building on the 2023 amendment to the Mines and Minerals (Development and Regulation) Act, 1957 and the auction of critical mineral blocks, the approach is designed to strengthen domestic supply chains for electric vehicles, renewable energy, and electronics. When coordinated with the Critical Mineral Mission and emerging offshore mining frameworks, these corridors have the potential to support specialized industrial clusters.

INDIA SEMICONDUCTOR MISSION (ISM 2.0)

Budget Proposal

The FM has announced the launch of ISM 2.0 with a focus on incentivizing domestic production of semiconductor equipment and materials, driving the design of full-stack IP, and fortifying supply chains, alongside industry led research and training canters to develop a skilled workforce.

ELP's INSIGHTS

ISM 2.0 marks a decisive shift from a fab first strategy to a full ecosystem approach, extending incentives to equipment, materials, and indigenous chip and IP design alongside manufacturing capacity. For infrastructure and real assets players, this creates a multi-layered opportunity, semiconductor linked parks, utilities, and specialized campuses can now be developed over an expanded incentive framework, enhancing project visibility and long-term bankability.

The focus on industry led research and training centres also opens scope for public private partnership style models around labs, design institutes, and data centre grade facilities, supported by performance-linked subsidies and technology driven milestones. Together, these measures move semiconductors from a policy ambition to a strategic industrial platform, deepening India's role in global electronics and advanced manufacturing value chains.

CARBON CAPTURE UTILIZATION AND STORAGE

Budget Proposal

The FM has proposed an outlay of INR 200 billion over the next 5 years to scale up Carbon Capture Utilization and Storage ("CCUS") technologies, aligned with the national CCUS roadmap released in December 2025. The program targets 5 sectors, i.e. power, steel, cement, refineries and chemicals, with the objective of moving CCUS from pilot stage to higher technology readiness and commercial deployment across these industries.

ELP's INSIGHTS

By committing multiyear funding and identifying specific sectors, the Government has effectively elevated CCUS from a policy concept to an execution agenda within India's broader decarbonisation toolkit alongside clean power, storage, and advanced thermal and nuclear technologies.

For infrastructure developers, this points to a cluster-based model where steel, cement, refinery, chemical and power assets are integrated with shared capture, transport, and storage infrastructure to enhance scale, offtake visibility, and project bankability. CCUS ready industrial parks and corridors are likely to attract blended climate finance and environmental, social, and governance linked capital, especially where public funds de-risk early technology and storage phases.

For sponsors and investors, the Budget outlay is an early but clear signal that large industrial and energy projects will be expected to incorporate credible CCUS integration where technically and economically viable bridging the gap from pilots to commercial deployment.

TOURISM AND HOSPITALITY - LINKING MOBILITY, SKILLS AND REGIONAL GROWTH

Budget Proposal

The FM announced a significant push towards tourism and hospitality which includes the following:

- 7 High-Speed Rail corridors will be developed as growth connectors between key cities to promote environmentally sustainable passenger systems.
- The National Council for Hotel Management and Catering Technology will be upgraded into a National Institute of Hospitality, serving as a bridge between academia, industry, and the Government. A pilot scheme to upskill guides across 20 iconic tourist sites through a standardized 12-week hybrid training programme will also be launched in collaboration with an Indian Institute of Management.
- Under the Purvodaya initiative, an integrated East Coast Industrial Corridor with a node at Durgapur

will be developed, along with 5 tourism destinations in the 5 Purvodaya States and deployment of 4,000 e-buses. A scheme for development of Buddhist Circuits in North-East states will focus on preservation of temples and monasteries, interpretation centres, connectivity, and pilgrim amenities.

ELP's INSIGHTS

By positioning high-speed rail corridors as growth connectors, the Budget directly links connectivity with tourism and hospitality growth, compressing travel times and expanding catchments for short-stay and weekend travel. Station areas and adjoining city clusters are expected to evolve into hospitality and mixed-use hubs, creating opportunities across business, mid-scale and experiential segments.

The establishment of the National Institute of Hospitality and a nationwide guide upskilling programme marks a shift from infrastructure led tourism to a skills driven model, raising service quality and visitor engagement.

Development of Purvodaya destinations and Buddhist circuits will broaden India's tourism footprint into the East and North-East, fostering cultural, spiritual and eco-sensitive travel. Collectively, these measures create an integrated tourism ecosystem where mobility, skills and sustainability converge to position hospitality and travel as key multipliers of inclusive growth.

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