

Government of India Finances

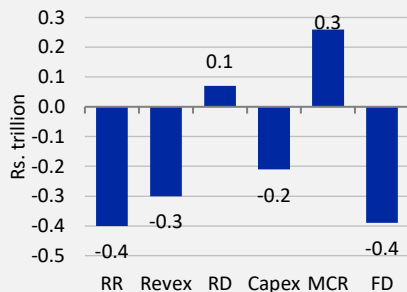
**Gol met FY2026 fiscal deficit target
of 4.4% of GDP via expenditure cuts;
West Asia conflict to trigger
moderate fiscal slippage in FY2027**

JUNE 2026



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EXHIBIT: Change in key fiscal metrics in FY2026 PA over RE



RR: Revenue receipts, Revex/Capex: Revenue/Capital expenditure and net lending; RD/FD: Revenue/Fiscal Deficit; MCR: Miscellaneous capital receipts; Source: CGA, ICRA Research

The Government of India's (GoI's) fiscal deficit was contained at Rs. 15.2 trillion in FY2026, as per the provisional actuals (PA) released by the Controller General of Accounts (CGA), undershooting the revised estimate (RE) of Rs. 15.6 trillion, and containing the fiscal deficit at the targeted 4.4% of GDP. This stemmed from compression in both revenue and capital expenditure compared to the revised targets, and overshooting in miscellaneous capital receipts, which outweighed the modest miss in revenue receipts. Subsequently, FY2027 has begun on an expectedly sombre note, with a YoY dip in net tax and non-tax revenues and surge in total expenditure, resulting in fiscal deficit widening to Rs. 3.6 trillion in April 2026 from Rs. 1.9 trillion in April 2025. While fiscal risks abound, ICRA estimates the fiscal slippage at a moderate ~40 bps over the budgeted 4.3% of GDP for FY2027. Nevertheless, the incremental borrowing requirement may be limited by higher cash balances aided by the sizeable overshooting in small savings inflows seen in FY2026.

- FY2026 fiscal deficit target achieved at 4.4% of GDP, aided by expenditure cuts:** The GoI's revenue receipts fell short of the FY2026 RE by Rs. 0.4 trillion in FY2026 PA, while revenue expenditure compression over the RE stood at Rs. 0.33 trillion, leading to a mild slippage in revenue deficit of ~Rs. 70 billion to Rs. 5.3 trillion or 1.5% of GDP. However, miscellaneous capital receipts surpassed the FY2026 RE by Rs. 0.3 trillion, which along with modest miss in capex target resulted in an undershooting in the fiscal deficit of Rs. 0.4 trillion to Rs. 15.2 trillion in FY2026 PA, against the revised target of Rs. 15.6 trillion. As a proportion of GDP, fiscal deficit amounted to 4.4%, in line with the RE for the fiscal (amid a lower nominal GDP figure).
- Fiscal deficit may exceed BE by 40 bps in FY2027 amid fallout of West Asia conflict:** With a YoY dip in net tax (-5.9%) and non-tax (-63.8%) revenues and surge in both revenue (+25.9%) and capital (+18.8%) spending, the GoI's fiscal deficit saw a near doubling in April 2026 vis-à-vis year ago levels. Fiscal risks abound in the form of higher than budgeted fertiliser and fuel subsidies, and shortfalls in excise duty, corporate taxes, and dividend from the Oil Marketing Companies (OMC). However, a portion of the stress would be absorbed by higher import duty collections on gold and silver, as well as the balance in the ESF. ICRA estimates the fiscal slippage at around 40 bps over the FY2027 BE of 4.3% of GDP, although this may not entirely translate into higher market borrowings. Nevertheless, India's 10Y yield may remain elevated in the near term, given the fisc-inflation trade off.

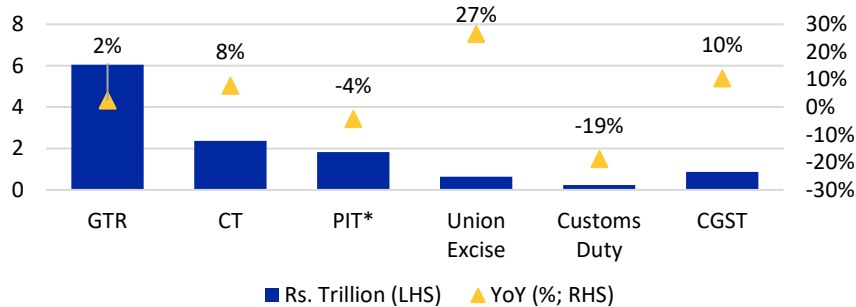


FY2026 Provisional Fiscal Balances of the Government of India

Gol's fiscal deficit contained at the target of 4.4% of GDP in FY2026 PE, with expenditure cuts outweighing the miss in receipts

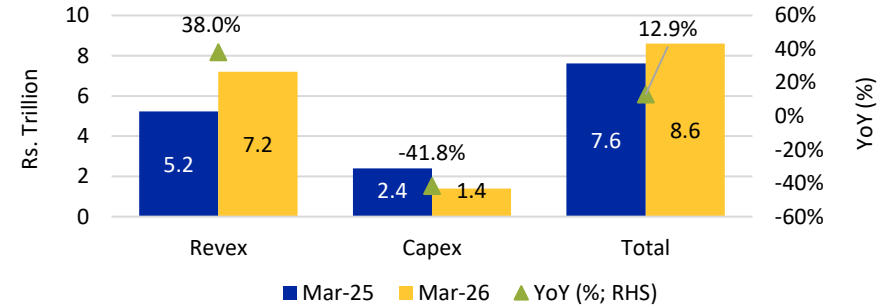
Govt's GTR rose by mild 2.3% YoY in March 2026, while revex surged by ~38%

EXHIBIT: GTR and its components in March 2026



*Excluding security transaction tax (STT) amount; GTR: Gross Tax Revenue; CT: Corporation Tax; PIT: Personal Income Tax; Source: CGA, Ministry of Finance, Govt; ICRA Research

EXHIBIT: Revex, capex and total expenditure in March 2025-2026

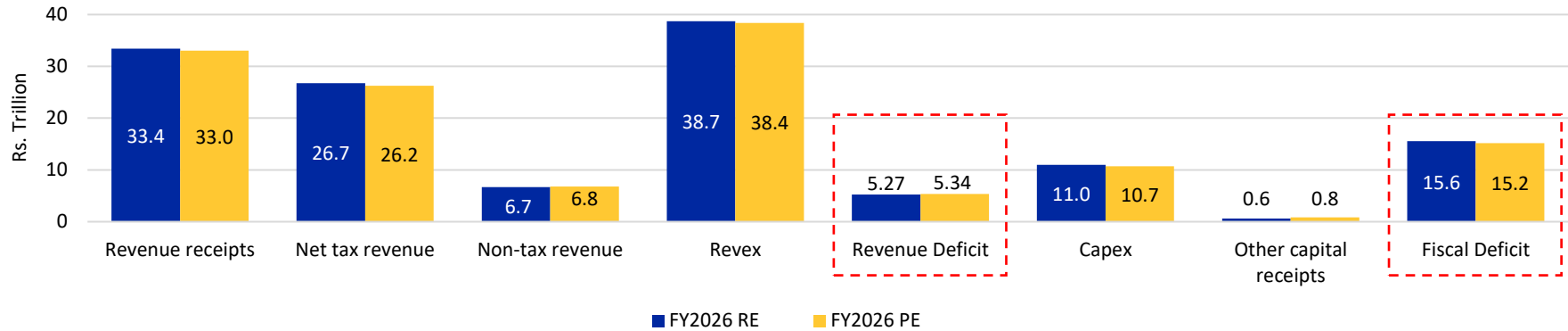


Source: CGA, Ministry of Finance, Govt; ICRA Research

- The Govt's gross tax revenues rose by a tepid 2.3% YoY in March 2026, amid a growth in corporation tax (CT; +7.7%), union excise duty (+26.5%), and CGST (+10.4%) collections, which was partly offset by the contraction in personal income tax (-4.3%) and customs duty (-18.9%) collections. With a ~19% YoY expansion in the central tax devolution to states, the Govt's net tax revenue declined by 1.1% in the month.
- On the expenditure front, the Govt's total spending rose by 12.9% YoY to Rs. 8.6 trillion in March 2026, entirely attributed to the steep ~38% jump in revenue expenditure to Rs. 7.2 trillion (led by a surge in subsidy payments and a likely transfer to the ESF), even as capex contracted by a sharp 41.8% YoY to Rs. 1.4 trillion in that month.
- Overall, the Govt's revenue deficit stood at Rs. 1.4 trillion in March 2026 as against the surplus of Rs. 52.5 billion seen in March 2025, with the growth in revex (+38.0%) outpacing that in revenue receipts (+9.2%). However, the YoY decline in capex and a surge in non-debt capital receipts (+309%) limited the widening in the fiscal deficit to Rs. 2.7 trillion in March 2026 from Rs. 2.3 trillion in the year-ago month.

Govt's fiscal deficit curtailed at Rs. 15.2 trillion in FY2026 PE, amid Rs. 0.6 trillion cut in expenditure

EXHIBIT: Fiscal trends in FY2026 RE and FY2026 PE

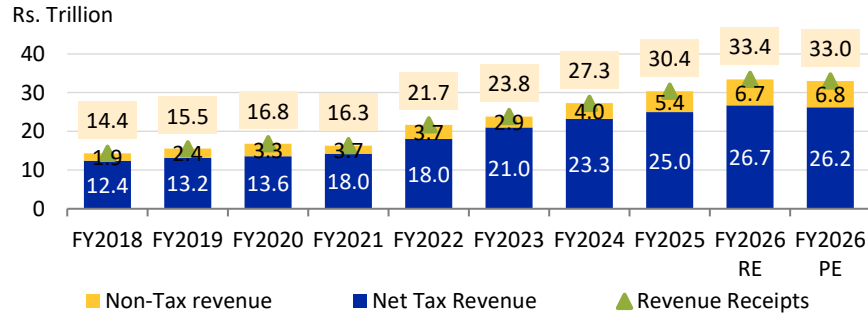


Source: Union Budget, CGA, Ministry of Finance, Govt; ICRA Research

- As per the provisional data released by the CGA, the revenue deficit printed at Rs. 5.34 trillion in FY2026 PE, marginally higher than Rs. 5.27 trillion included in the RE for the fiscal. The revex was pared slightly to Rs. 38.4 trillion in FY2026 PE vs. the RE of Rs. 38.7 trillion, even as the shortfall in revenue receipts was slightly sharper (PE: Rs. 33.0 trillion vs. RE: Rs. 33.4 trillion). The latter was mainly attributed to the miss of Rs. 0.5 trillion in net tax revenues, whereas non-tax revenues expectedly surpassed the target by a marginal Rs. 0.1 trillion.
- Under the capital head, the Govt incurred capex of Rs. 10.7 trillion in FY2026 PE, undershooting the RE of Rs. 11.0 trillion, even as the other capital receipts overshot the FY2026 RE by Rs. 0.2 trillion.
- Overall, the Govt's fiscal deficit was contained at Rs. 15.2 trillion in FY2026 PE, lower than the RE of Rs. 15.6 trillion, largely led by the expenditure savings of Rs. 0.6 trillion, which more than offset the marginal undershooting on the receipts front (-Rs. 0.2 trillion).

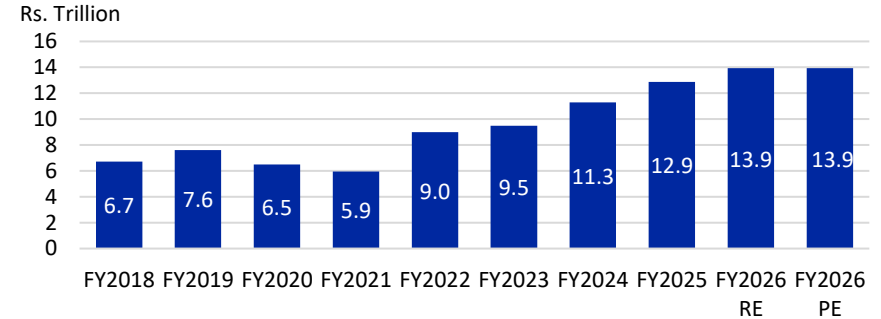
Revenue receipts missed FY2026 RE by Rs. 0.4 trillion, led by shortfall in net tax revenues

EXHIBIT: Gov's revenue receipts, net tax revenues and non-tax revenues



Source: CGA, Ministry of Finance, Gov; ICRA Research

EXHIBIT: Annual trends in Central tax devolution

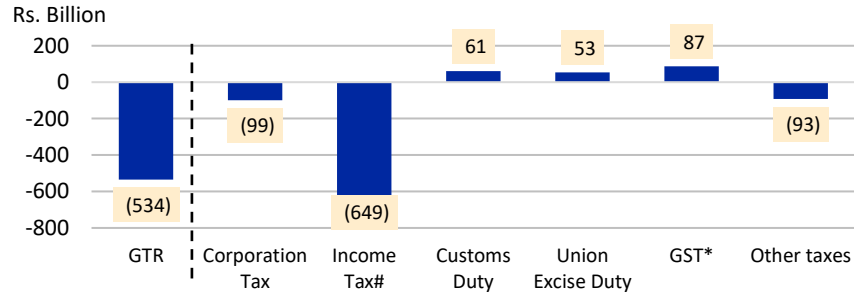


Source: CGA, Ministry of Finance, Gov; ICRA Research

- Provisional data indicates that the revenue receipts stood at Rs. 33.0 trillion in FY2026, translating to a growth of 8.8% over Rs. 30.4 trillion in FY2025 Actuals.
 - The YoY expansion in non-tax revenues was much stronger at 26.3% in FY2026 PE (to Rs. 6.8 trillion in FY2026 PE from Rs. 5.4 trillion in FY2025 A), compared to the net tax revenues (+5.0%; to Rs. 26.2 trillion from Rs. 25.0 trillion).
- Overall, the provisional revenue receipts in FY2026 trailed the RE of Rs. 33.4 trillion by Rs. 0.4 trillion, entirely driven by lower-than-budgeted net tax revenues of the Gov (by Rs. 0.5 trillion), even as non-tax revenues exceeded the RE (by Rs. 0.1 trillion).
- The miss in net tax revenues entirely stemmed from gross tax revenues (by Rs. 534.3 billion), which saw a 6.0% YoY growth in FY2026 PE, against the RE of 7.4%, even as the CTD released to the states stood in line with the target of Rs. 13.9 trillion in FY2026 PE (+8.2% YoY).

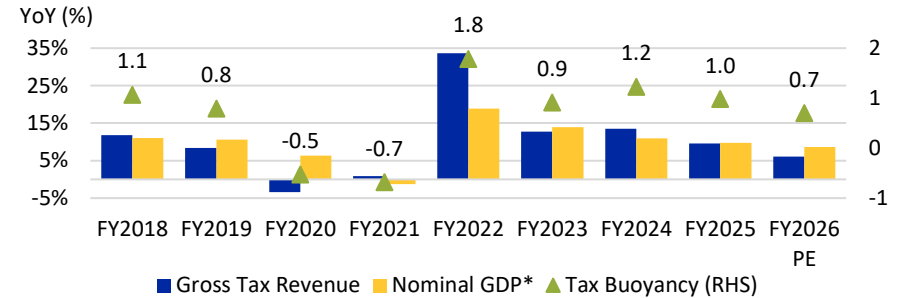
Shortfall of Rs. 0.5 trillion in GTR in FY2026 PE over RE stemmed from PIT collections

EXHIBIT: Variation in GTR and its components in FY2026 PE vs. RE



#excluding Security transaction tax; *includes CGST, IGST and GST compensation cess; Source: CGA, Ministry of Finance, GoI; ICRA Research

EXHIBIT: YoY trends in Gross tax revenue, nominal GDP, and tax buoyancy

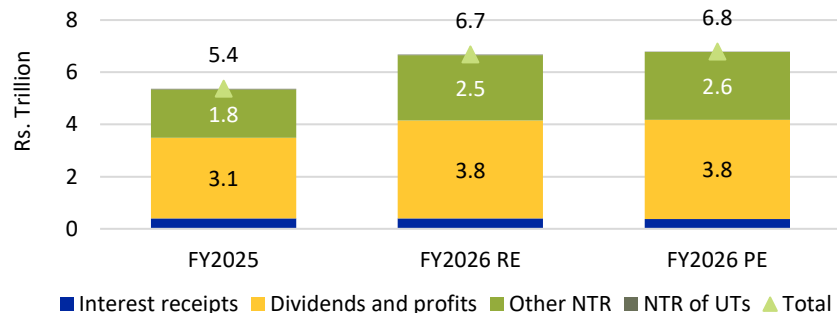


*GDP data for FY2018-2023 is based on 2011-12 series and that for FY2024-2026 is based on 2022-23 series; Source: NSO; CGA, Ministry of Finance, GoI; ICRA Research

- Against the revised target of 7.4%, net of refunds (gross of devolution to States), the GoI's gross tax revenues increased by a shallower 6.0% YoY to Rs. 40.2 trillion in FY2026 PE from Rs. 38.0 trillion in FY2025 A. In YoY terms, while the inflows under personal income tax (PIT) remained flat over the FY2025 Actuals (vs. RE: +5.5%; excluding STT), the YoY expansion in CGST (+6.4% vs. +5.4%), customs duty (+13.5% vs. +10.8%), union excise duty (+13.9% vs. +12.1%), and corporation tax (+11.4% vs. +12.4%) supported the aforesaid growth in GTR in FY2026.
- With the growth in GTR (+6.0%) trailing that in nominal GDP (+8.6%), the tax buoyancy fell to a five-year low of 0.7 in FY2026 PE from 1.0 in FY2025.
- The GoI's gross tax revenues in FY2026 PE missed the revised target by as much as Rs. 534.3 billion, driven by PIT (-Rs. 649.3 billion; excluding the STT amount), corporation tax (-Rs. 98.7 billion), and other tax (-Rs. 93 billion; including STT) collections, even as all the other tax components managed to surpass their respective FY2026 targets.

Non-tax revenues, miscellaneous capital receipts exceeded the FY2026 RE, with the latter supported by monetisation-related inflows

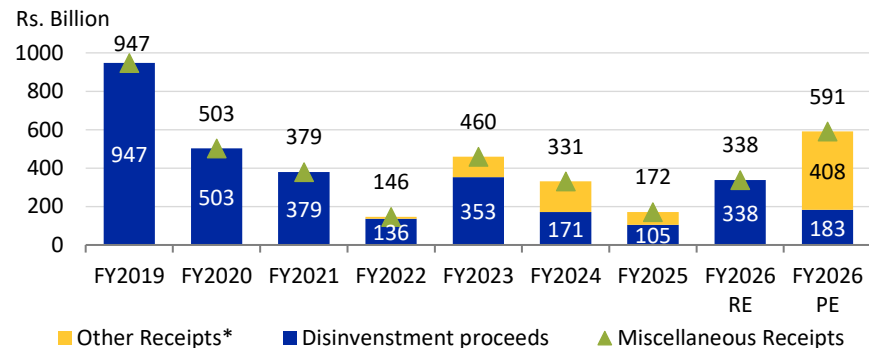
EXHIBIT: Annual trends in Non-tax revenues and its constituents



Source: CGA, Ministry of Finance, Gol; ICRA Research

- Non-tax revenues (NTR) rose by a sharp 26.3% YoY to Rs. 6.8 trillion in FY2026 PE from Rs. 5.4 trillion in FY2025 A, led by the considerable expansion in dividends and profits (+23.3% to Rs. 3.8 trillion) and other non-tax revenues (other NTR; +40.2% to Rs. 2.6 trillion), even as interest receipts (-5.9% to Rs. 0.4 trillion) witnessed a moderation in the fiscal.
- Notably, non-tax revenues exceeded the target included in the FY2026 RE by a Rs. 113 billion, largely reflecting the overshooting on account of dividends and profits (+Rs. 45.5 billion, led by higher dividend pay-outs from PSUs) and other NTR (+Rs. 90.9 billion) against the respective revised targets. This outweighed the shortfall in interest receipts (-Rs. 21.0 billion), and NTR of UTs (-Rs. 2.4 billion).
- Miscellaneous capital receipts (disinvestment proceeds + other receipts) aggregated to Rs. 591.4 billion in FY2026 PE, considerably higher than the inflows of Rs. 172 billion seen in FY2025. Notably, such receipts exceeded the revised target of Rs. 338.4 billion in FY2026 PE, aided by monetisation-related inflows (PE: Rs. 408.2 billion vs. RE: nil).

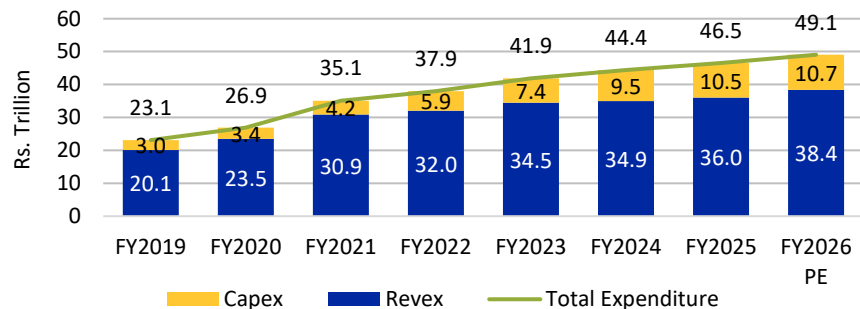
EXHIBIT: Annual trends in miscellaneous receipts



*Includes monetisation and other receipts; Source: CGA, Ministry of Finance, Gol; ICRA Research

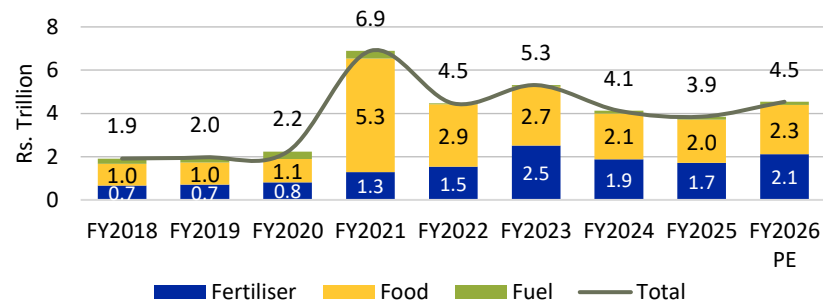
Total expenditure contained at Rs. 49.1 trillion in FY2026 PE, Rs. 0.6 trillion lower than RE

EXHIBIT: Annual Trends in Centre's total expenditure, revex and capex



Actuals till FY2025; Source: CGA, Ministry of Finance, Gol; ICRA Research

EXHIBIT: Annual outgo under major subsidies

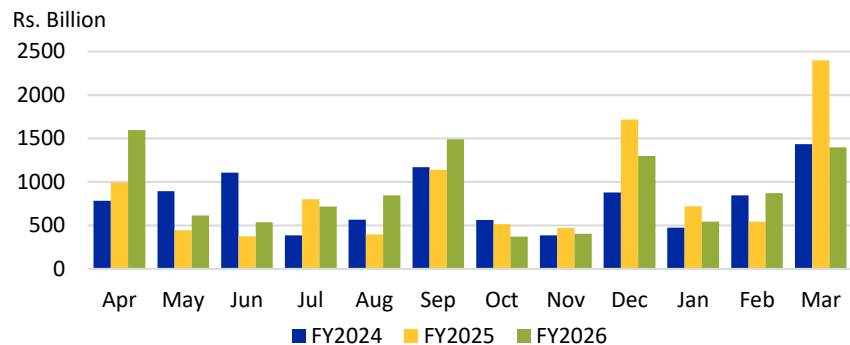


Source: CGA, Ministry of Finance, Gol; ICRA Research

- Compared to the 6.7% target, the Gol's total expenditure rose by a milder 5.4% YoY to Rs. 49.1 trillion in FY2026 PE, reflecting the lower-than-budgeted growth in both revenue (+6.5% in PE vs. +7.4% in RE) and capital (+1.6% vs. +4.2%) expenditure in the fiscal.
- The total spending trailed the FY2026 RE of Rs. 49.6 trillion by a mild Rs. 0.6 trillion, led by a shortfall in both revex (-Rs. 0.3 trillion) and capex (-Rs. 0.3 trillion).
- Within revex, the interest outgo increased by 11.3% YoY in FY2026 PE, while subsidy outgo rose by a sharp 17.9% in the fiscal.
 - Fertiliser Subsidy:** The fertiliser subsidy released in FY2026 amounted to Rs. 2.1 trillion as per the provisional data released by the CGA, higher than the revised target of Rs. 1.9 trillion. Additionally, the subsidy outgo was 23.8% higher than Rs. 1.7 trillion spent in FY2025 A.
 - Food Subsidy:** The food subsidy outgo rose by 14.1% to Rs. 2.3 trillion in FY2026 PE from Rs. 2.0 trillion in FY2025 A, while printing largely in line with the RE.
 - Fuel subsidy:** The outgo eased to Rs. 143.8 billion in FY2026 PE from Rs. 144.8 billion in FY2025 A, while trailing the RE of Rs. 151.2 billion for the fiscal.
- Additionally, the non-interest non-subsidy revex rose by a marginal 1.8% YoY to Rs. 21.4 trillion in FY2026 PE, albeit printing lower than the RE of Rs. 21.7 trillion.

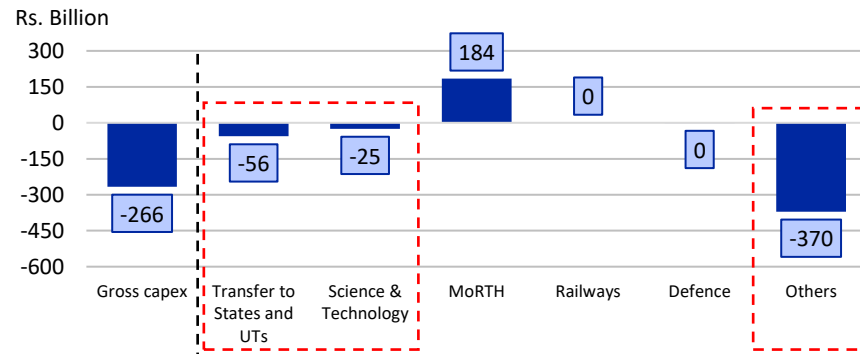
Capex amounted to Rs. 10.7 trillion in FY2026 PE, trailing the RE by Rs. 0.3 trillion

EXHIBIT: Monthly trends in capital expenditure



Source: CGA, Ministry of Finance, Gol; ICRA Research

EXHIBIT: Variation in Gol's capex in FY2026 PE vs. RE

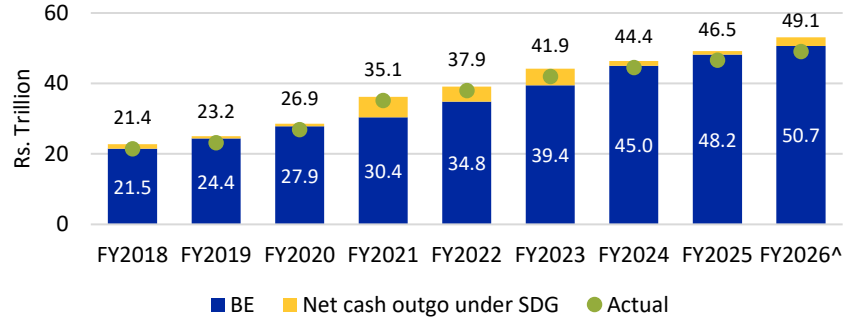


Source: CGA, Ministry of Finance, Union Budget, Gol; ICRA Research

- The Gol's capex rose by a muted 1.6% YoY to Rs. 10.7 trillion in FY2026 PE from Rs. 10.5 trillion in FY2025, while missing the RE of Rs. 11.0 trillion pencilled in for the fiscal. This implies that capital spending averaged around Rs. 891 billion/month in FY2026 against Rs. 877 billion/month seen in FY2025.
- According to the CGA data, combined capital transfers to states (which includes transfers under the 50Y capex loan scheme) stood at Rs. 1.69 trillion in FY2026 PE, ~Rs. 56 billion lower than the amount indicated in the RE (Rs. 1.75 trillion; Rs. 1.66 trillion in FY2025 A). Additionally, capital spending by the Ministry of Science and Technology trailed the FY2026 RE by Rs. 24.7 billion.
- While the capex by the Ministry of Road Transport and Highways (PE: Rs. 2.9 trillion vs. RE: Rs. 2.7 trillion) exceeded the FY2026 RE, that by the Ministry of Railways (Rs. 2.5 trillion), and capital outlay on defence services (Rs. 1.9 trillion) remained in line with the revised estimate for FY2026.

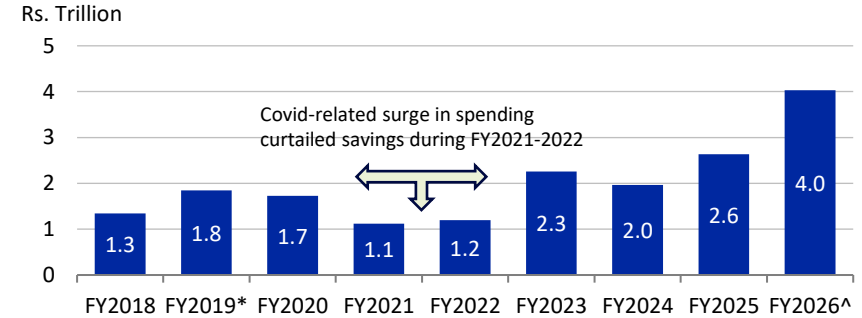
Total spending in FY2026 trailed the BE despite large outgo under supplementaries, leading to sizeable expenditure savings of Rs. 4.0 trillion during the year

EXHIBIT: Budgeted and Actual Total Expenditure with Net Cash Outgo announced under Supplementary Demand for Grants (Rs. trillion)



*Second batch of SDG for FY2019 is not available in the public domain and hence savings might be modestly lower than Rs. 1.8 trillion; [^]Based on Provisional estimate for FY2026; Source: Union Budget; ICRA Research

EXHIBIT: Estimated Expenditure Savings (BE + NSDG – Actual)

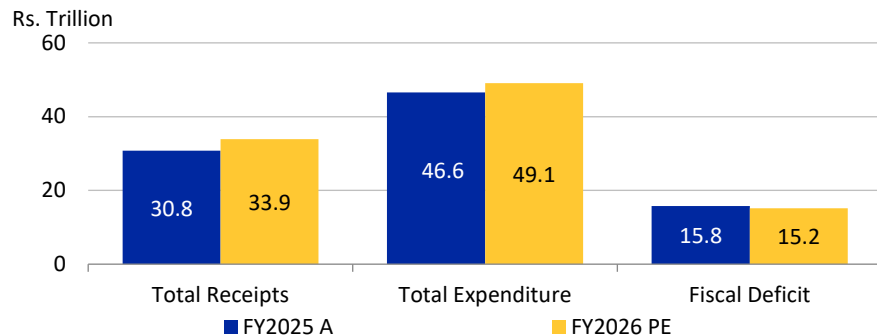


Actuals for FY2018-24; Aggregate expenditure savings of the GoI are computed by adding net cash outgo under the SDG to the budgeted total expenditure and subtracting actual spending incurred in each fiscal; *Second batch of SDG for FY2019 is not available in the public domain and hence savings might be modestly lower than Rs. 1.8 trillion; [^]Based on Provisional Estimate for FY2026; Source: Union Budget; ICRA Research

- The GoI's total expenditure stood at Rs. 49.1 trillion in FY2026 PE, Rs. 0.6 trillion lower than the revised target of Rs. 49.6 trillion for the fiscal. This also stood lower by Rs. 1.6 trillion than the BE of Rs. 50.7 trillion for the fiscal, despite the additional net cash outgo of ~Rs. 2.4 trillion on account of the two supplementary demand for grants announced during the year.
- This implies that Ministries/Departments generated substantial expenditure savings to the tune of ~Rs. 4.0 trillion in FY2026, significantly higher than the yearly average of Rs. 1.8 trillion/year seen during FY2018-2025. The implementation of SNA SPARSH system has enabled a Just-in-Time release of funds, preventing the build up of idle cash balances, and may have also enabled larger expenditure savings by the GoI.

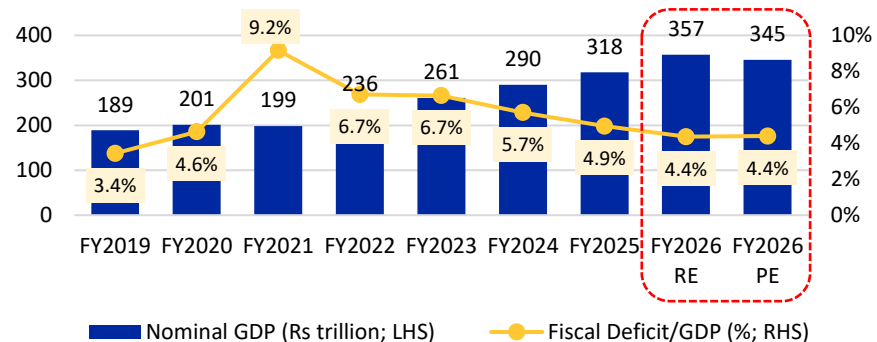
FY2026 fiscal deficit stood at 4.4% of GDP, in line with the target

EXHIBIT: Trends in Revenues and Expenditure of the GoI



Source: CGA, Ministry of Finance, GoI; ICRA Research

EXHIBIT: Trends in fiscal Deficit/GDP ratio and nominal GDP



GDP data for FY2019-2023 is based on 2011-12 series and that for FY2024-2026 is based on 2022-23 series; Source: CGA, Ministry of Finance, GoI; ICRA Research

- The GoI's revenue deficit printed at Rs. 5.34 trillion in FY2026 PE, marginally higher than its RE (by Rs. 70 billion), led by a slightly larger miss in revenue receipts (-Rs. 0.4 trillion) vis-à-vis revex (-Rs. 0.3 trillion) in FY2026 PE vs. RE.
- The GoI's fiscal deficit trailed the RE for FY2026 by Rs. 0.4 trillion, aided by a Rs. 0.6 trillion expenditure cut (including both revex and capex), which more than offset the marginal miss on the receipts front. This enabled the fiscal deficit to be contained at 4.4% of GDP in FY2026, in line with the target for the fiscal, notwithstanding the downward revision in the nominal GDP prints. As per the new 2022-23 base GDP series, the second advance estimate (SAE) for FY2026 nominal GDP was pegged lower (SAE: Rs. 345.5 trillion vs. RE: Rs. 357.1 trillion).
- **Notably, the inflows from small savings scheme (savings deposits and certificates and public provident funds) exceeded the RE by ~Rs. 1.0 trillion, higher than our expectations, boosting the cash balance of the GoI, which will be carry forwarded to the next fiscal year. This is expected to provide some cushion to the GoI's fiscal position in FY2027, and prevent market borrowings from substantially exceeding the budgeted levels.**

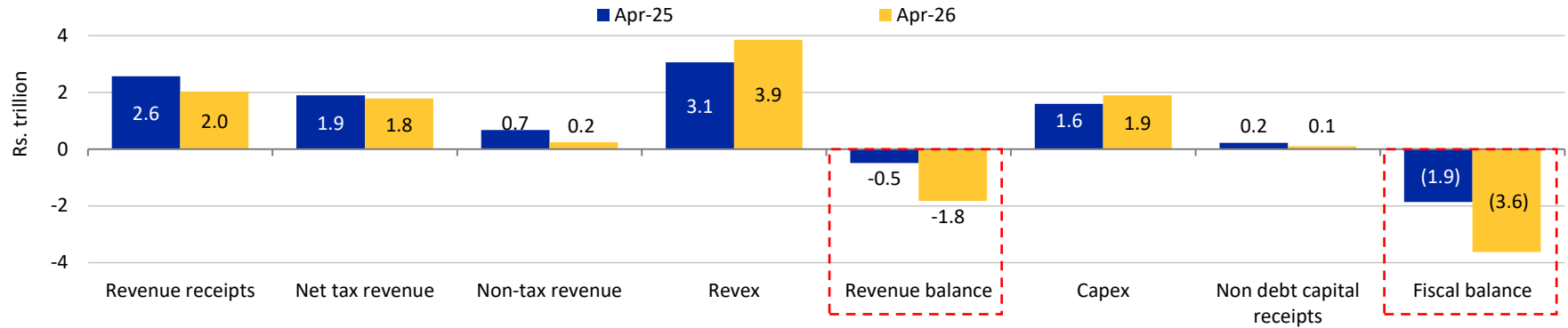


Fiscal Trends for April 2026 and Outlook for FY2027

Fiscal deficit doubled on a YoY basis in April 2026; West Asia fallout to trigger fiscal slippage of 40 bps in FY2027 over targeted 4.3% of GDP

Gol's fiscal deficit nearly doubled to Rs. 3.6 trillion in April 2026 from Rs. 1.9 trillion in April 2025

EXHIBIT: Fiscal trends in April 2025 and 2026

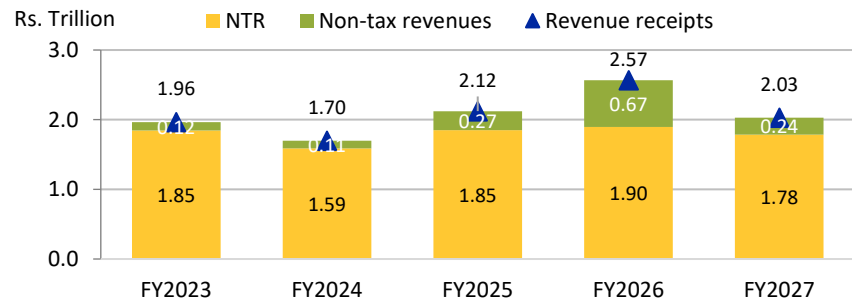


Source: CGA, Ministry of Finance, Gol; ICRA Research

- As per the provisional data released by the CGA, the Gol's revenue deficit widened sharply to Rs. 1.8 trillion in April 2026 (30.8% of FY2027 BE) from Rs. 0.5 trillion in the corresponding month of FY2026 (9.2% of FY2026 PA), led by YoY contraction in revenue receipts (-21.0%) as well as sharp uptick in revex (+25.9%).
- Besides, the Gol's capex expanded by a healthy 18.8% YoY to Rs. 1.9 trillion in April 2026 (15.5% of FY2027 BE) from Rs. 1.6 trillion in April 2025 (14.9% of FY2026 PA).
- Consequently, the Gol's fiscal deficit nearly doubled to Rs. 3.6 trillion in April 2026 (21.4% of FY2027 BE) from Rs. 1.9 trillion in April 2025 (12.3% of FY2026 PA).

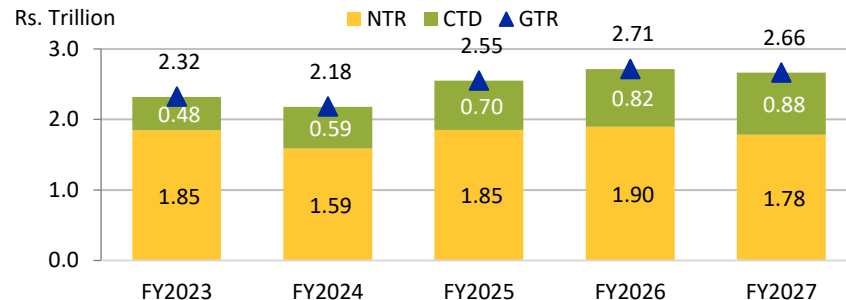
Revenue receipts dipped by 21% YoY in April 2026, amid moderation in both net tax revenue and non-tax revenue

EXHIBIT: Trends in revenue receipts, net tax revenues and non-tax revenues in April FY2023-27



Source: CGA, Ministry of Finance, Gol; ICRA Research

EXHIBIT: Trends in Gross tax revenues, net tax revenues and tax devolution in April FY2023-27

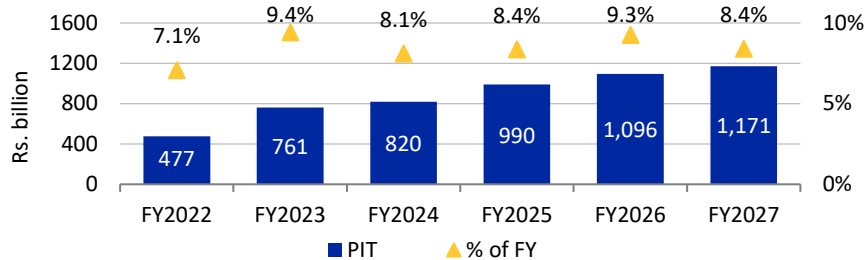


Source: CGA, Ministry of Finance, Gol; ICRA Research

- The Gol's revenue receipts declined by 21.0% YoY to Rs. 2.0 trillion (5.7% of FY2027 BE) in April 2026 from Rs. 2.6 trillion in April 2025 (7.8% of FY2026 PE), led by dip in both non-tax revenues (-63.8% YoY to Rs. 0.2 trillion from Rs. 0.7 trillion; 3.6% of FY2027 BE) and net tax revenues (-5.9% YoY; to Rs. 1.8 trillion from Rs. 1.9 trillion; 6.2% of FY2027 BE) in the month.
- The Gol's GTR declined modestly by 1.9% YoY to Rs. 2.66 trillion in April 2026 (6.0% of FY2027 BE) from Rs. 2.71 trillion in April 2025 (6.7% of FY2026 PE), pulled down by indirect taxes (-3.4%; to Rs. 1.19 trillion in April 2026 from Rs. 1.23 trillion in April 2025), even as direct tax collections (+8.6%; to Rs. 1.4 trillion from Rs. 1.3 trillion) rose slightly in the month.
- **In FY2026, gross tax revenues turned out to be ~Rs. 40.2 trillion or Rs. 0.5 trillion lower than the RE, pushing up the embedded growth target for FY2027 BE to a higher 9.4% vs. the budgeted 8.0%. Given this, and the CTD amount in the provisional being similar to the RE, the required NTR growth for the ongoing fiscal is also higher at 9.3% vs. the budgeted 7.2%.**

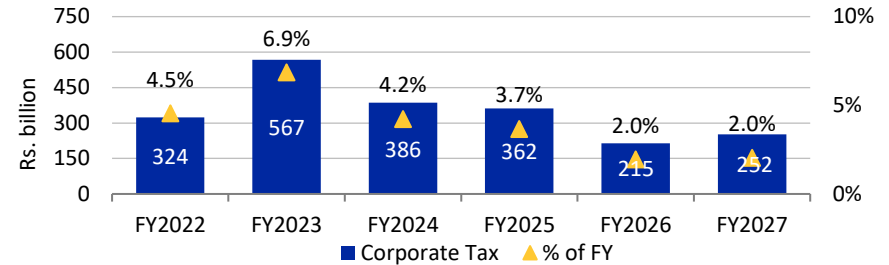
Dip in indirect tax collections in April 2026 stemmed entirely from turnaround in IGST inflows

EXHIBIT: Personal income tax collections rose by a modest 6.8% YoY to Rs. 1.2 trillion in April 2026, amounting to ~8.4% of the FY2027 BE (vs. 9.3% of FY2026 PE in April 2025)



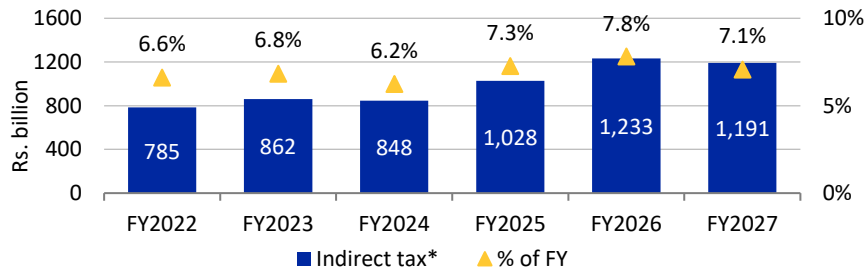
Source: CGA, Ministry of Finance, GoI; ICRA Research

EXHIBIT: Corporate tax collections, on the other hand, surged by 17.4% to Rs. 0.3 trillion in April 2026, albeit amounting to just 2.0% of the FY2027 BE



Source: CGA, Ministry of Finance, GoI; ICRA Research

EXHIBIT: Indirect tax collections contracted by 3.4% YoY to Rs. 1.2 trillion in April 2026, led by IGST outflows (relative to inflows in year-ago), CGST (+37.7%) and customs (+25.0%) posted healthy growth in the month

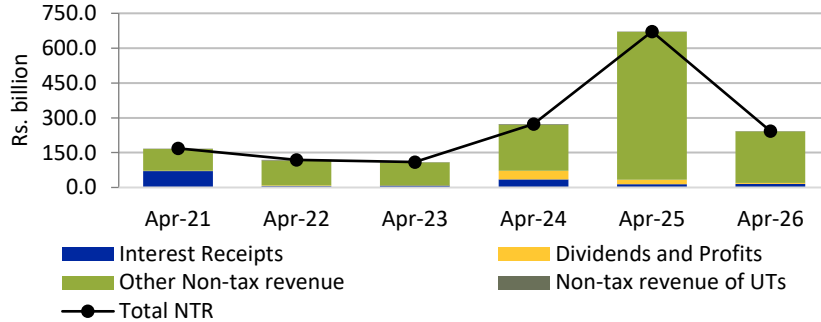


*Computed as CGST+UTGST+IGST+ Customs duty + Excise duty + Services tax; Source: CGA, Ministry of Finance, GoI; ICRA Research

- Given the sharp miss in personal income taxes in FY2026 PE over RE, the embedded growth target for the same now stands at a higher 17.7% in FY2027, relative to 11.5% pegged in the Union Budget for FY2027 (over FY2026 RE).
- Similarly, the growth for corporation taxes is also estimated at a marginally higher 12.0% in FY2027, relative to 11.0% targeted earlier.
- Within indirect tax collections, the growth targets for most tax heads are now lower than what was estimated in the FY2027 BE over FY2026 RE, given the overshooting in these collections in the FY2026 PE vs. RE.
- For instance, the growth required for customs duty (+2.6% vs. +5.0%), union excise duty (+13.8% vs. +15.6%), and CGST (+5.3% vs. +6.3%) in FY2027 is lower than the earlier growth targets over the FY2026 RE.

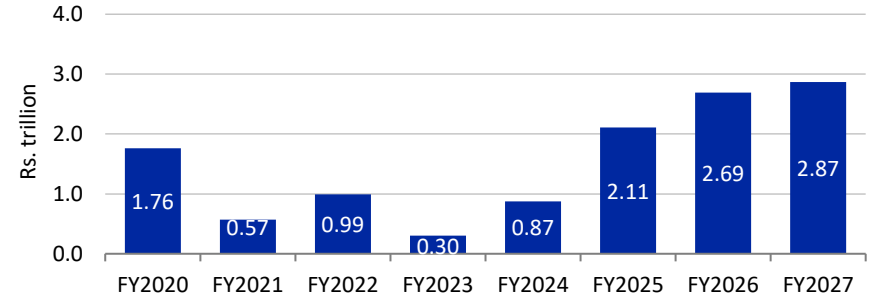
Non-tax revenues contracted in April 2026, amid a high base

EXHIBIT: April trends in Non- tax revenues and its constituents



Source: CGA, Ministry of Finance, Gol; ICRA Research

EXHIBIT: Trends in RBI's surplus transfer to the Gol

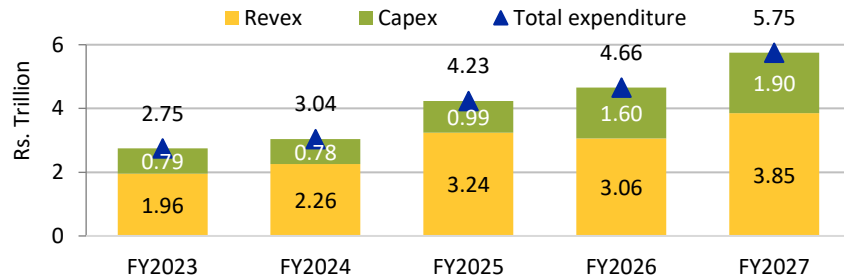


Source: RBI; ICRA Research

- Following the sharp one-off surge to Rs. 671.6 billion in April 2025 (amid lagged influx of telecom receipts), the Gol's non-tax revenues eased to Rs. 242.9 billion in April 2026, while remaining healthy. Even as interest receipts (+8.3% to Rs. 15.5 billion) and non-tax revenue of UTs (+17.9% to Rs. 2.1 billion) increased, other non-tax revenue expectedly declined from the unusually high levels of the previous year, while remaining robust (at Rs. 221.9 billion vs. Rs. 636.4 billion in April 2025; Rs. 198.9 billion in April 2024).
- The Gol has budgeted aggregate dividends from the RBI, banks and FIs at Rs. 3.2 trillion for FY2027. As on May 22, 2026, the RBI announced the dividend surplus transfer to the Gol at Rs. 2.87 trillion for FY2027, ~7% higher than the year-ago level of Rs. 2.69 trillion, while printing in line with ICRA's expectations for the fiscal. This uptick was despite the more-than-doubling of risk provision amount allocated towards contingency risk buffer (CRB) for FY2027 (Rs. 1.1 trillion; ~6.5% of RBI's balance sheet), as compared to FY2026 (Rs. 0.45 trillion; 7.5%). The record dividend pay-out in FY2027 stemmed from higher interest income from foreign securities (+11.0% YoY to Rs. 1.1 trillion) and domestic securities (+37.7% to Rs. 1.2 trillion) as well as exchange gain from forex transactions (+52.0% to Rs. 1.7 trillion).
- Interestingly, as per the CGA data, miscellaneous capital receipts amounted to Rs. 63.7 billion April 2026 (vs. 214.1 billion in April 2025), of which disinvestment proceeds were pegged at just Rs. 0.05 billion (vs. Rs. 36.7 billion) and the remaining Rs. 63.7 under other receipts (vs. Rs. 177.4 billion), trailing the year-ago levels.

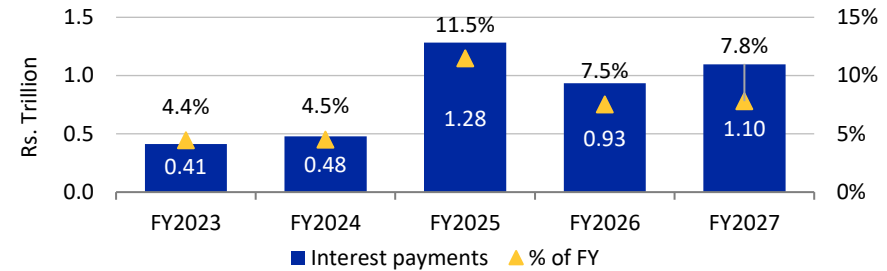
Gol's spending surged by 23.5% YoY in April 2026, led by subsidies, non-interest non-subsidy revex

EXHIBIT: The Gol's total expenditure rose sharply by 23.5% YoY to Rs. 5.7 trillion (10.8% of BE) in April 2026, led by the 25.9% surge in revex as well as the healthy 18.8% growth in capex in the month



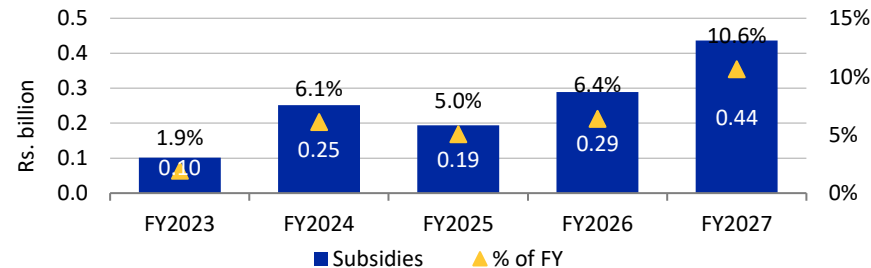
Source: CGA, Ministry of Finance, Gol; ICRA Research

EXHIBIT: Interest payments rose by 17.2% YoY to Rs. 1.1 trillion (7.8% of BE) in April 2026, contributing to the expansion in revex in the month



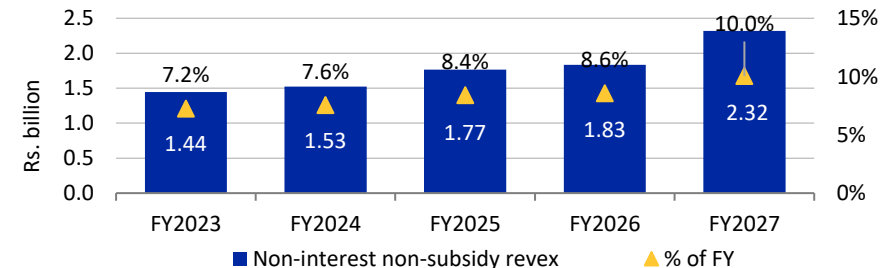
Source: CGA, Ministry of Finance, Gol; ICRA Research

EXHIBIT: The Gol's subsidy bill soared 50.7% YoY to Rs. 0.4 trillion in April 2026, amounting to 10.6% of FY2026 BE, higher than the average of 4.9% of full year spending seen in the last four years



Source: CGA, Ministry of Finance, Gol; ICRA Research

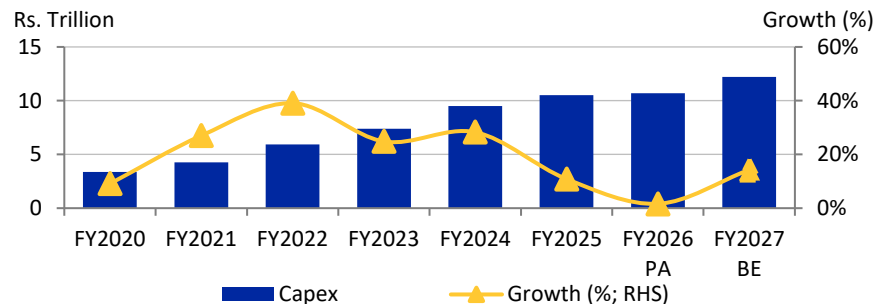
EXHIBIT: Interestingly, the non-interest non-subsidy revex rose by 26.5% YoY to Rs. 2.3 trillion in April 2026, amounting to 10% of the FY2027 BE, well above the average of 7.9% of full year spending seen in the last four years



*Includes food, fertilizer, and fuel subsidies; Source: CGA, Ministry of Finance, Gol; ICRA Research

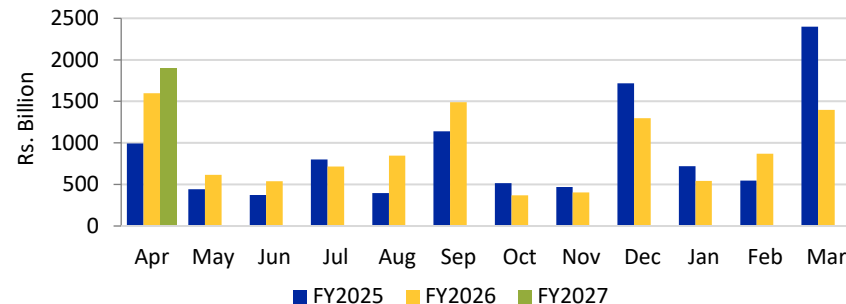
Embedded growth target for capex placed at 14.3% in FY2027; growth in April 2026 stood at robust ~19%

EXHIBIT: Annual Trends in Gross Capital Expenditure



BE: Budget Estimates; Source: Union Budget, ICRA Research

EXHIBIT: Monthly Trends in Gross Capital Expenditure



Source: CGA, ICRA Research

- **With undershooting in capex of Rs. 266 billion in FY2026 PA against the RE, the embedded growth target for FY2027 is pegged at a stronger 14.3% (over FY2026 PA), against 11.5% budgeted for the fiscal over the FY2026 RE.**
- In April 2026, the Govt's capex expanded by 18.8% YoY to Rs. 1.9 trillion, equivalent to ~16% of the budgeted target of Rs. 12.2 trillion for FY2027 (~15% of FY2026 PA in April 2025). This is also well above the monthly required target of Rs. 1.02 trillion for the fiscal. The strong bump up in capex in April 2026 augurs well for supporting the GDP growth in the conflict-marred Q1 FY2027, if this pace continues in May-June 2026 as well.
- Out of the YoY uptick of 18.8% or Rs. 300 billion in gross capex, more than ~70% was driven by the surge in capex by the Ministry of Railways (by ~69% or +Rs. 213 billion to Rs. 523 billion in April 2026 from Rs. 310 billion in April 2025). However, the growth in capex by MoRTH was tepid at 3% (to Rs. 570 billion from Rs. 553 billion). Transfers to states under capital head amounted to Rs. 41.2 billion in April 2026, up from Rs. 9.5 billion in the year-ago month.

West Asia conflict to weigh on Gol's fisc via lower dividend receipts, tax collections and increased subsidy burden

Higher subsidy burden

The rise in ammonia as well as LNG prices may impact the profitability of phosphorus and potassium (P&K) fertiliser players unless subsidy corrections are made in the upcoming Nutrient-Based Subsidy (NBS) rate revision. This could push up the fertiliser subsidy bill of the Gol in FY2027 beyond the BE of Rs. 1.7 trillion.

Lower tax collections

Elevated level of crude oil prices, if sustained for a long period, could potentially exert some pressure on corporate margins (including marketing margins of OMCs) and hence corporate tax collections of the Gol to some extent. Besides, the recent excise duty cut on fuels would compress excise duty collections in FY2027.

Lower dividends by OMCs

While the OMCs have raised petrol and diesel RSPs by ~Rs. 7.5/litre each, the hike seems to be modest. This would only provide marginal respite to the OMCs, and they would continue to incur losses at the current diesel and petrol price if crude oil prices persist above \$95/bbl for a sustained period. This would also lead to lower dividend payouts by these companies to the Gol.

Economic stabilisation fund, gold import duty hike to absorb part of the shock stemming from revenue compression, higher subsidy requirements

The GoI allocated Rs. 1.0 trillion towards the Economic Stabilisation Fund (ESF), to absorb part of the shock triggered by the West Asia crisis.

Besides, the total effective duty on gold and silver has been raised from 6% to 15%, which would boost customs duty collections in FY2027.

These buffers could partly absorb the initial hit from lower OMC dividends, corporate tax collections, and higher spending on fertiliser subsidy in FY2027, although further revisions in RSPs may still be in the offing.

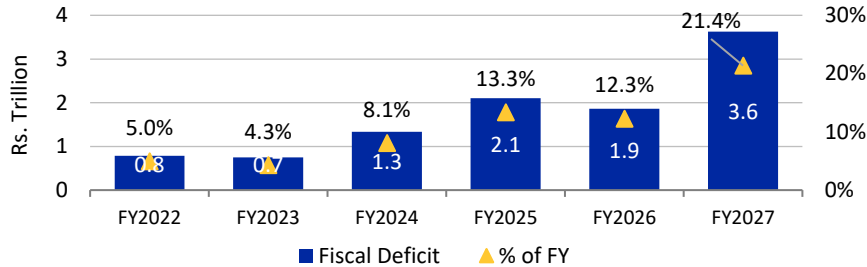
EXHIBIT: Estimated impact of West Asia conflict on the GoI's fisc in FY2027

Negatives	Rs. Billion
Additional Fertiliser Subsidy	500
Additional Fuel Subsidy*	500
Lower OMC dividend**	150
Lower excise collections	1,100
Lower Direct Taxes/GST	500
Total (A)	2,750
Positives	
Additional Customs on Gold and Silver	500
Economic Stabilisation Fund	1,000
Total (B)	1,500
Net fiscal slippage (A+B)	1,250
Nominal GDP (ICRA's estimate)	3,88,064
% of GDP	0.3%

*Estimated on-budgeting of under recoveries across petrol, diesel and LPG; **Estimated based on past trends as per PPAC data; Source: ICRA Research

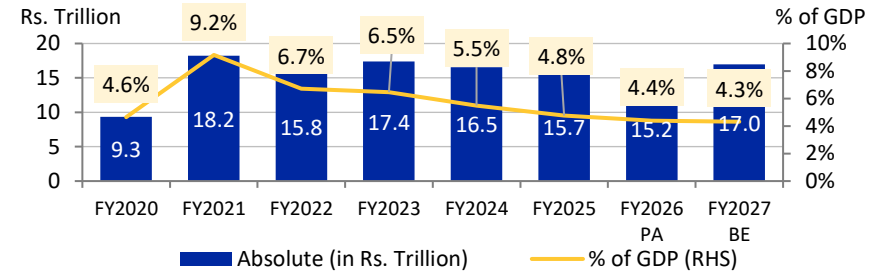
FY2027 fiscal deficit to exceed BE of 4.3% of GDP by ~40 bps

EXHIBIT: Trends in fiscal deficit in April of FY2022-27



Source: CGA, Gol; ICRA Research

EXHIBIT: Gol's fiscal deficit (Rs. trillion and as % of GDP)



Source: Union Budget Documents; Gol; NSO; ICRA Research

EXHIBIT: Scenario based fiscal deficit outcomes for FY2027*

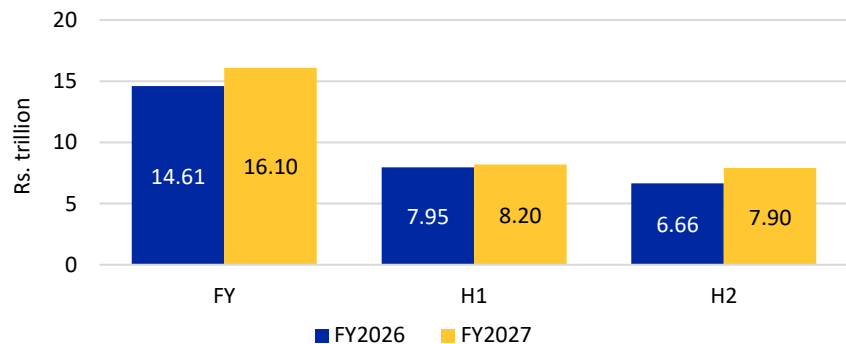
Crude oil (\$/bbl)	Fiscal Deficit	Extent of Slippage
\$95/bbl (Baseline)	~4.7%	~Rs. 1.1 trillion
\$105/bbl	~5.0%	~Rs. 2.3 trillion

Source: PPAC, CGA, Ministry of Finance, Gol; ICRA Research

- The release of RBI dividend pay-out of Rs. 2.9 trillion on May 22, 2026 is set to boost non-tax revenues, and cool the fiscal deficit print for the month of May 2026, after the spike seen in April 2026.
- ICRA's base case pencils in a fiscal slippage of 40 bps over the budgeted 4.3% of GDP in FY2027, with a 10 bps slippage on account of revision in nominal GDP and a 30 bps slippage stemming from the impact of the West Asia conflict.
- If crude oil prices stay elevated beyond our baseline levels for a prolonged period, subsidy requirements would increase further, thereby exerting pressure on the fisc in FY2027.

Gol's net market issuances were 43% lower on a YoY basis at end-May 2026, amid higher redemptions

EXHIBIT: Planned Gol market borrowings for FY2027



Source: RBI; ICRA Research

EXHIBIT: Progress of Gol market borrowings in FY2026-27 so far

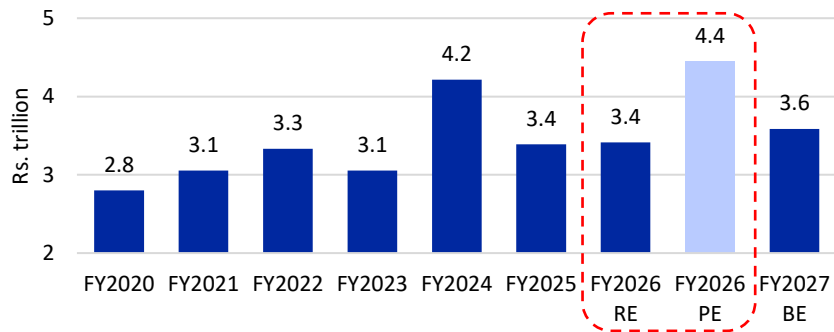
Rs. Trillion	FY2026	FY2027	Growth
Gross Borrowings - Planned	14.61	16.10	10.2%
Gross Borrowings Completed by May 29/30	2.81	2.82	0.4%
% of Gross Borrowings completed	19.2%	17.5%	
Devolvement by May 29/30	0.00	0.00	
Cancellations by May 29/30	0.00	0.00	--
Redemptions	3.96	4.37	10.4%
Redemptions by May 29/30	0.6	1.53	175.5%
Net Borrowings	10.65	11.73	10.1%
Net Borrowings Completed by May 29/30	2.3	1.3	-42.6%
% of Net Borrowings completed	21.2%	11.0%	

Source: RBI; ICRA Research

- In FY2026, the Gol's gross and net market issuances stood at Rs. 14.6 trillion and Rs. 10.7 trillion, respectively, 4.3% and 2.5% higher on a YoY basis.
- Of the revised Rs. 16.1 trillion indicated for FY2027 (YoY growth of ~10%), the Gol has planned to borrow Rs. 8.2 trillion (51.0% of total) in H1 FY2027; this is somewhat less front-loaded than the pattern seen in the recent years (54.0% in H1 FY2026).
- Up to May 29, 2026, the Gol has raised gross borrowing of Rs. 2.82 trillion, marginally higher than the corresponding year-ago level of Rs. 2.81 trillion. However, G-sec redemptions have amounted to Rs. 1.5 trillion till May 29, 2026, as against Rs. 0.6 trillion in the year-ago period. This has resulted in a significant drop in net market borrowings to Rs. 1.3 trillion till May 29, 2026 from Rs. 2.3 trillion seen in the same period of FY2026.

Carry forward of cash balances aided by excess small savings inflows to limit rise in market borrowing in FY2027 relative to BE, despite fiscal slippage risks

EXHIBIT: Inflows under savings deposit and certificates, and PPF



PE/RE/BE: Provisional/Revised/Budgeted Estimates; Source: CGA, Ministry of Finance, Gol; ICRA Research

EXHIBIT: Sources for Financing Fiscal Deficit

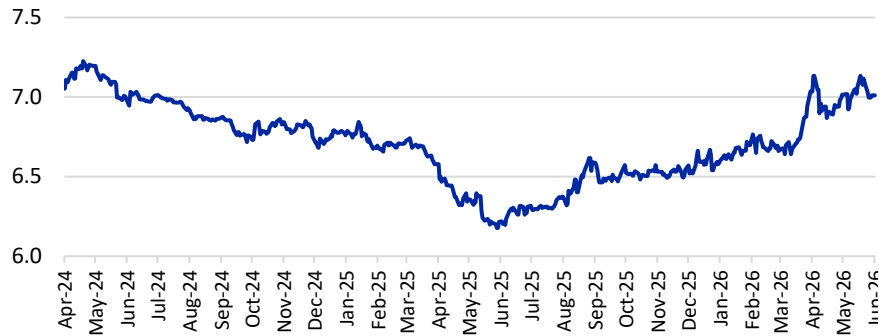
Rs. Trillion	FY2026 RE	FY2026 PE	FY2027 BE
(A) Market Borrowings*	10.40	10.07	13.03
(B) Securities against Small Savings	3.72	4.86	3.87
(C) Cash Balance {Decrease(+)/Increase(-)}	0.46	-0.01	0.33
(D) Investment (-) / Redemption (+) of Surplus Cash	0.00	-1.29	0.00
(E) Other Domestic sources	0.80	1.30	-0.42
(F) External Financing	0.20	0.26	0.15
Total Financing	15.58	15.19	16.96

*Includes dated market issuances and T-bills, net switches, buybacks and Post Office Life Insurance Fund; Source: CGA, ICRA Research

- As per the provisional data released by the CGA, the Gol has garnered Rs. 4.4 trillion of inflows under small savings deposits and certificates and public provident fund (PPF) in FY2026, Rs. 1.0 trillion higher than the revised target of Rs. 3.4 trillion for the fiscal. While we had anticipated that such inflows would exceed the RE, the extent of the overshooting is much higher than our expectations.
- A lower fiscal deficit (at Rs. 15.19 trillion in FY2026 PE vs. Rs. 15.58 trillion in RE) and higher collections from the NSSF (Rs. 4.86 trillion vs. Rs. 3.72 trillion) have led to an increase in the cash balance of the Gol, as against the Rs. 0.5 trillion drawdown that was envisaged as per the RE. This is expected to provide some cushion to the Gol's fiscal position in FY2027, and prevent any fiscal slippage from translating into an equivalent increase in net market borrowings, beyond the target of Rs. 11.73 trillion set for the fiscal.

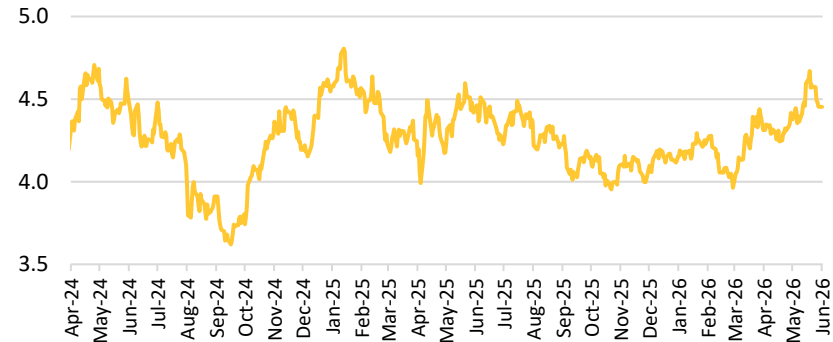
India's 10-year yield to remain elevated amid double whammy of fiscal slippage and inflation risks owing to West Asia war

EXHIBIT: Trends in India's G-sec 10-year yield



*Data as on June 1, 2026; Source: Refinitiv; ICRA Research

EXHIBIT: Trends in UST 10-year yield



*Up to June 1, 2026; Source: Refinitiv; ICRA Research

- India's previous benchmark G-sec (6.48 GS 3035) yield spiked by nearly 50 bps to 7.13% on April 2, 2026 (highest in ~2 years) from 6.64% seen on March 11, 2026. This followed from the West Asia crisis, and the consequent surge in crude oil prices as well as worsening of the Govt's fiscal outlook amid growing subsidy requirements and likely fall in revenues post excise duty cut on fuels on March 27, 2026. Thereafter, yields cooled to 6.87% by mid-April 2026, before creeping upwards again. On May 8, 2026, a new 10Y yield was issued at 6.94% GS 3036, which crossed the 7% mark on May 11, and rose to 7.13% on May 18. Amid positive developments around the conflict, the 10Y yield cooled to 7.00-7.01% during May 26-June 1, 2026.
- The 10Y UST yield rose by 32 bps to a 1-year high 4.67% on May 19, 2026 in two weeks, given uncertainty around resolution of conflict with West Asia, before moderating by 22 bps to 4.45% by June 1, 2026. The 30Y UST also rose to 5.2% on May 19, its highest level since 2007, amid mounting debt and higher inflationary pressures.
- Moreover, the spread between India 10Y and UST 10Y yield eased from 270 bps at end-February 2026 to 263 bps at end-April 2026 and further to 256 bps at end-May 2026.
- While the retail selling price (RSP) hikes on auto fuels are likely to ease some pressure on fisc., these are expected to push up the inflation trajectory materially. Besides, other fiscal concerns persist, including rising fuel and fertiliser subsidies, and lower excise duty revenues, which is set to put pressure on deficit and mildly raise the borrowing requirements. Consequently, ICRA expects the 10Y G-sec yield to remain elevated in the near term.**

Table A.1: Trends in Tax Revenue Receipts in FY2025 Actuals, FY2026 RE and FY2026 PE

	FY2025 Actuals		FY2026 RE		FY2026 PE	
	Rs. Billion	Rs. Billion	Growth % ~	Rs. Billion	% of RE	Growth % ~
Gross Tax Revenues[^]	37,963.8	40,778	7.4%	40,243.5	98.7%	6.0%
Direct Taxes	21,697.4	23,573	8.6%	22,825.3	96.8%	5.2%
Corporation Tax	9,867.7	11,090	12.4%	10,991.3	99.1%	11.4%
Income Tax*	11,829.7	12,483	5.5%	11,834.0	94.8%	0.0%
Indirect Taxes	14,153.1	15,583	10.1%	15,766.4	101.2%	11.5%
Central GST (CGST)	9,089.5	9,584.8	5.4%	9,675.5	100.9%	6.4%
Union Territory GST (UTGST)	54.0	50.2	-7.0%	71.5	142.5%	40.4%
IGST	-324.8	0.0	--	-25.4	---	-
Customs Duty	2,332.0	2,582.9	10.8%	2,643.9	102.4%	13.5%
Excise Duty	3,002.5	3,365.5	12.1%	3,418.5	101.6%	13.9%
GST Compensation Cess	1,505.7	880.0	-41.6%	1,003	114.0%	-33.3%

[^]Net of Refunds, Gross of States' share in Central Taxes; *excluding security transaction tax; ~Relative to FY2025 Actuals; Source: CGA; Union Budget; ICRA Research

Table A.2: Trends in Key fiscal metrics in FY2025 Actuals, FY2026 RE and FY2026 PE

	FY2025 Actuals		FY2026 RE		FY2026 PE	
	Rs. Billion	Rs. Billion	Growth~	Rs. Billion	% of RE	Growth~
Revenue Receipts	30,366.2	33,423.2	10.1%	33,022.3	98.8%	8.7%
Tax Revenues\$	25,000.4	26,746.6	7.0%	26,232.6	98.1%	4.9%
Non-Tax Revenues	5,365.8	6,676.6	24.4%	6,789.6	101.7%	26.5%
Revenue Expenditure	36,009.1	38,690.9	7.4%	38,360.3	99.1%	6.5%
Revenue Balance	-5,643.0	-5,267.6		-5,338.1	101.3%	
Capital Receipts	172.0	338.4	96.7%	594.1	175.6%	245.4%
Capital Expenditure, Net Lending	10,273.4	10,655.7	3.7%	10,445.0	98.0%	1.7%
Fiscal Balance	-15,744.3	-15,584.9		-15,189.0	97.5%	

\$Net of Refunds, Net of States' share in Central Taxes; ~Relative to FY2025 Actuals; Source: CGA; Union Budget; ICRA Research



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