

INDIA STRATEGY · AI INFRASTRUCTURE

India: Misunderstood, Mispriced, Mis-owned.

Not absent from the AI trade — the infrastructure layer the trade depends on. Judged by a narrow benchmark, and dismissed for the absence of a trade it is positioned to lead.

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Two narratives have shaped the consensus view on Indian equities for almost a year now. Both are understandable. Neither holds up to scrutiny. *What follows is an attempt to replace ongoing perception with stated facts investors may be overlooking.*

The ongoing ‘narrative’ on India is straightforward — AI is the defining investment theme of this decade. AI is a semiconductor story. Within the Emerging Markets universe, semiconductors are the domain of Taiwan and Korea. India has none. Therefore, India has no meaningful role in the most transformative cycle since the internet boom — and its equity market, viewed from the prism of the Nifty 50 benchmark, reflects that absence. The Nifty 50 and MSCI India (in US\$ terms) have delivered roughly **2%** and **-4%** over the past two years, trailing Korea’s KOSPI (up **74%**) and Taiwan’s Taix (up **61%**) very significantly. Even Brazil, a market that has spent much of the past decade cycling between “undervalued” and “uninvestable,” outperformed India in 2025.

The ‘narrative’ as highlighted above has consequently hardened into common perception. This perspective argues that the Nifty 50 and MSCI India’s subpar returns signal a structural, long-term disadvantage in an AI-driven global economy, and that investor capital should prioritize East Asian hardware suppliers over Indian equities.

In the next few paragraphs, we argue why the ongoing ‘narrative’ is not only misplaced but also overlooking a looming inflection point in the private sector capex cycle, led exactly by a sector India is seen to be absent from. India is misunderstood in a very specific way right now. It is being judged by a narrow benchmark and, most importantly, dismissed for the absence of a trade it is positioned to benefit from. The elusive Godot may eventually be appearing on stage in the form of a multiyear private sector capex cycle.

THE COMING AI OPPORTUNITY — WHERE INDIA ACTUALLY SITS

The semiconductor fabrication phase of the AI value chain is now well understood by investors and increasingly reflected in market valuations, particularly across Korea and Taiwan. While India lacks a listed pure-play semiconductor fabrication opportunity, it offers something arguably more compelling: **one of the most diverse, scalable, and liquid listed equity ecosystems in any emerging market** to participate in the AI infrastructure build-out beyond semiconductors. With every passing quarter, hyperscalers’ capital expenditure is progressively shifting beyond chip procurement towards the physical infrastructure required to support AI at scale. This includes data centres, power generation, renewables, transmission grids, HVDC, cooling systems, and the connectivity layers that underpin AI computation. And this is precisely where India sits, with a listed equity ecosystem that no comparable emerging market can match in terms of its breadth and versatility.

India is not absent from the AI trade. It is the infrastructure layer on which the trade depends — and it is almost entirely under-owned by foreign investors who have spent the past two years concentrated in just three stocks, in just two countries.

Let us look at the opportunity. The AI capex cycle promises the long elusive return of the private sector capex cycle — an inflection point India has been anticipating for more than a decade. Amazon has committed **\$35 billion** to India by 2030. Microsoft announced **\$17.5 billion** over four years in December 2025 — its largest single-country investment in Asia. Google has pledged **\$15 billion** for an AI infrastructure hub in Visakhapatnam that will be its largest data centre cluster globally. In aggregate, India is targeting **US\$100 – US\$150 billion** in data centre plus investment over the coming years. India's data centre capacity is projected to grow from **1.5 gigawatts** today to almost **8–9 gigawatts** by 2030. AI GPU clusters consume **30 to 80 kilowatts per rack** — sixteen times the density of traditional cloud infrastructure. Every watt of that demand must be generated, transmitted, backed up, and cooled. India has liquid, listed companies serving every layer of that value chain: power generators, electrical infrastructure, backup power and gen sets, data centre operators and transmission equipment. Leading companies in these segments are already reporting robust order books, driven explicitly by data centre plus demand.

Where Korea and Taiwan are concentrated single-factor bets on semiconductor pricing, India represents the **“picks-and-shovels” play of the AI era** — providing exposure to the electricity, cooling systems, physical infrastructure, and data centre ecosystem that collectively power the AI ecosystem.

THE BENCHMARK PROBLEM — JUDGED BY THE WRONG RULER?

The benchmark Nifty and the MSCI India Index's sedate returns over the past three months have generated more narrative than they deserve. Beneath the headline, the **Nifty Midcap 50 is up 6%** over the same period and the **BSE Smallcap 250 Index has gained 8%**. The Nifty is a legacy construction, weighted toward discretionary consumption and consumer finance through private sector banking, traditional IT services, and consumer staples — the sectors that defined India's previous two economic cycles. Capital goods, industrials, power, and engineering — the sectors at the centre of the current earnings acceleration — barely register at **9% of Nifty 50** and **14% of MSCI India's weight**. Using these indices to assess the Indian market today may be the equivalent of judging the United States through the narrow Dow Jones index in the mid to late nineties.

History offers a useful reference point: in the **2003 to 2008 Capex Supercycle**, capital goods and engineering stocks delivered multi-bagger returns over five years. The regime conditions that set up that trade — under-owned sectors and accelerating order books — are looking visible again, after a long gap. The market is rotating, visibly and with conviction, from consumption and consumer credit into capital goods, power, manufacturing and corporate credit.

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