VALUEQUEST

PERSPECTIVES: OCTOBER 2026

# India's AI Opportunity Beyond the Benchmark

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# Introduction

India has no Nvidia. That much is obvious. What follows from it is less obvious than the market seems to think.

The popular argument runs in four steps. AI is creating the next generation of global winners. India does not own the leading models, the largest cloud platforms or the factories that make advanced chips. Its technology industry faces disruption. Therefore, India is an anti-AI trade. Foreign investors have pulled more than $32 billion out of Indian equities since the start of CY2026, and more than $60 billion since September 2024.

The first three steps are fair. The fourth does not follow from them. It confuses what India's largest index owns with the role India will play in the AI build-out, both at home and through exports.

> ***The absence of an Indian Nvidia does not mean the absence of an Indian opportunity.***

We see three ways India participates. It can supply the global AI investment cycle. It can build the infrastructure the cycle needs here. And it can use AI across its own economy. These are different opportunities. They will show up in different companies and at different speeds. None of them needs India to produce the next Nvidia.

**54.4%**
of the Nifty 50 sits in three sectors

**46.3%**
of listed free float lies outside the index

**>$2.5bn**
Sterlite Tech's orderbook tied to US AI data centres

**1.8 → 8 GW**
India's data centre capacity, H1 CY26 to CY30

This note makes three claims. **Each one can be checked, and each one can fail.**

**EXHIBIT 1: Testing our claims**

| OUR CLAIM | THE EVIDENCE | WHAT WOULD PROVE US WRONG |
|---|---|---|
| **1. The benchmark is the wrong instrument.** | Three sectors (financial services, IT, and oil & gas) make up 54.4% of the Nifty 50, and IT is mostly services. The index covers 53.7% of listed free float, so 46.3% sits outside it. | Evidence that companies outside the index carry no AI-linked earnings. |
| **2. Indian businesses are already earning from the build.** | Sterlite Technologies has received multiple multiyear orders from hyperscalers worth more than $2.5 billion. MTAR has won repeat orders worth more than $325 million for the fuel cell hot boxes it supplies to Bloom Energy. Azad Engineering has multiyear gas turbine airfoil contracts with GE Vernova, Siemens Energy and Mitsubishi Heavy Industries. Sansera and Cyient DLM have begun supplying semiconductor capital equipment makers. | Initial orders do not convert into repeat business of meaningful size over the next four quarters. |
| **3. Returns will reach select companies, not the theme.** | History shows how quickly shortages fade and suppliers go back to commodity-like realisations, margins and returns. Niche companies will keep their pricing power and margins. | Savings are passed on to customers, and suppliers earn subpar margins and return metrics. |

Source: VQ Research

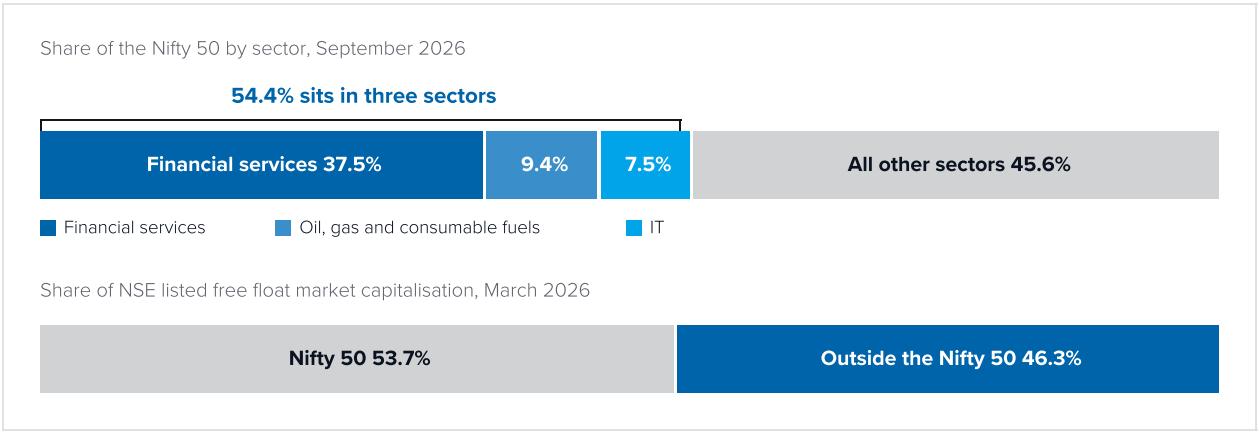
SECTION ONE

# A closer look at the Nifty explains the perception, not the opportunity

In September 2026, financial services made up 37.5% of the Nifty 50; oil, gas and consumable fuels were 9.4%; and IT was 7.5%. Together, these three made up **54.4% of the index.** The IT bucket buys exposure to services, not ownership of dominant AI platforms. Meanwhile, the Nifty covered only 53.7% of NSE-listed free-float market capitalisation in March 2026. **Nearly half of the market lay outside it.**

This matters because India's AI-linked opportunity sits mainly in capital goods and precision engineering, not in technology stocks. None of the companies we cite, including Sterlite Tech, MTAR and Azad Engineering, is part of the index.

**EXHIBIT 2: Three sectors are 54.4% of the Nifty 50. The Nifty 50 is 53.7% of the market.**




SOURCE: NSE INDICES. THE THREE SECTOR TOTAL AND THE SHARE OUTSIDE THE INDEX ARE VQ CALCULATIONS.

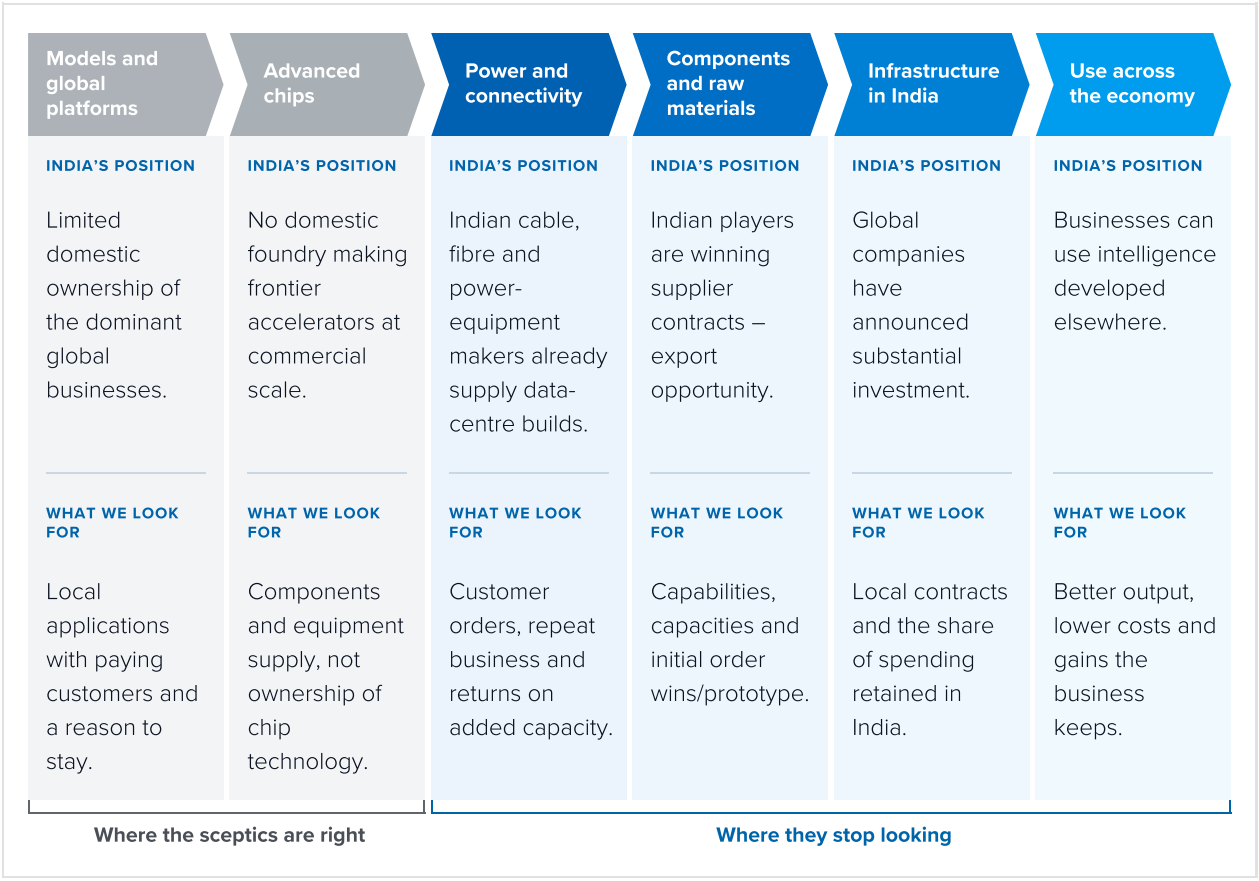
That is where part of the search must move. Not everything outside the index benefits from AI, but fifty stocks cannot settle the question for an entire market. Even inside the Nifty, Reliance, Adani Enterprises and Bharti Airtel have announced data centre investment plans, with L&T building them. For these groups, the exposure does not yet move the needle. India offers limited, concentrated exposure to the AI frontier. Calling the whole market anti-AI takes that observation too far.

SECTION TWO

# India does not need to win or participate in every layer

AI is a chain of businesses. The company that builds the model, the company that supplies its equipment and the business that uses its output earn money in different ways. We should assess India's position in each layer, not give the whole country one label.

**EXHIBIT 3: The sceptics are right about two layers. They stop looking before the other four.**




SOURCE: VQ ANALYSIS.

SECTION THREE

# Participation is not the same as profit

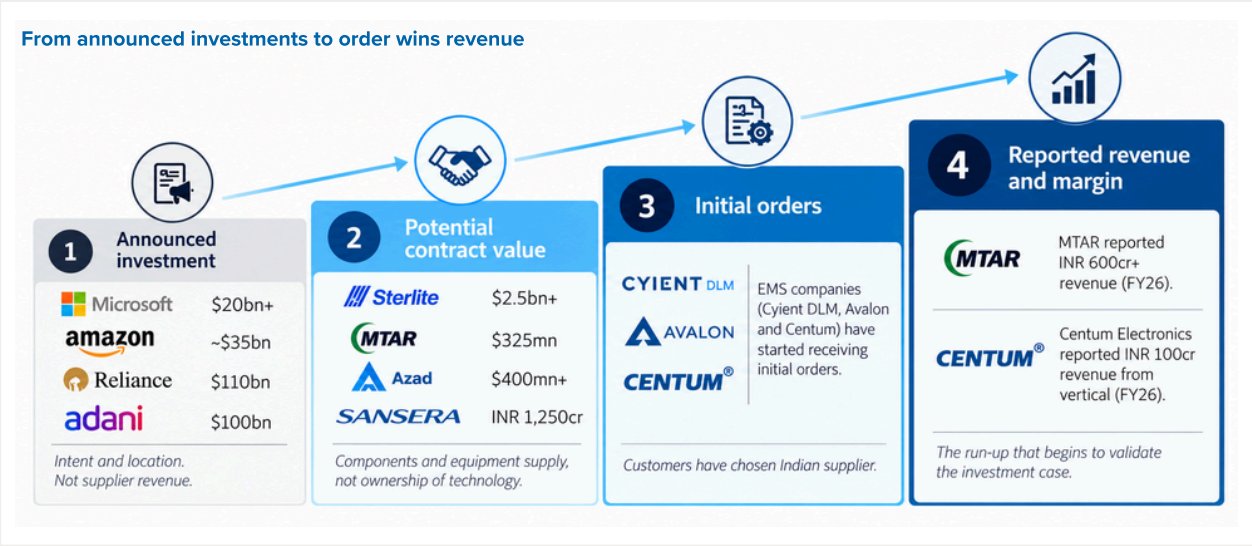
A bank can use a foreign AI model to process loans faster. A hospital can use it to cut paperwork. A manufacturer can use it to improve yields. India does not need to own the underlying model to benefit from any of this. But an economic benefit is not automatically a shareholder return. Competition may pass the savings on to customers and shrink incremental profits. Some jobs will change and others will disappear. None of this can be inferred from the number of AI projects announced.

For an investor, the test is simpler. Does the company earn more, serve its customers better or need less capital to grow? Until those changes show up in the numbers, adoption is an opportunity to examine, not earnings to count.

> ***Follow the order, then the margin, then the cash flow.***

Most of the debate on India and AI rests on the first rung of the ladder below. We would rather build the case from the second and third rungs and wait for the fourth.

**EXHIBIT 4: Several of India's suppliers have started to feature in rungs two and three, and the fourth is beginning to show.**




SOURCE: VQ ANALYSIS OF COMPANY DISCLOSURES.

Note: MTAR generated INR 615 crore of revenue from its clean energy (fuel cells and hydel) vertical in FY26 and INR 221 crore in Q1 FY27.

SECTION FOUR

# Some of the evidence is already here

The case becomes stronger when we move from announcements to the companies supplying the build. Three examples show how India's participation works. They also show why **a commercial order must be kept apart from a possible future market.**

| STERLITE TECH: DIRECT EXPOSURE | MTAR: A LINK AND A DIRECT ORDER | AZAD ENGINEERING: LINK THROUGH GAS TURBINES |
|---|---|---|
| **THE FACT** | | |
| Since May 2026, Sterlite has signed three multiyear agreements with hyperscalers to supply optical fibre and data centre connectivity products. **Cumulative order value is above $2.5 billion**, running into 2030. | MTAR supplies hot boxes for Bloom Energy's fuel cells. Bloom's agreement with Oracle covers up to 2.8 GW of fuel cells, of which 1.2 GW is contracted. **Latest orderbook is above $325 million.** MTAR has also won an order from SLB to supply sheet metal for data centre infrastructure. | Azad has signed multiple long-term airfoil contracts for gas turbines with GE Vernova, Siemens Energy and Mitsubishi Heavy Industries. **Cumulative order value is above INR 3,600 crore**, executable over five to six years. |
| **WHAT IT ESTABLISHES** | | |
| Global hyperscalers have qualified an Indian supplier for AI data centre connectivity and committed to multiyear volumes. | An alternative route. Data centre power demand is reaching Indian manufacturers through the customer's orderbook, and repeat orders show a scaling relationship. | An Indian supplier has qualified into the global turbine supply chain. The three largest OEMs are committing to multiyear volumes and asking for dedicated capacity. |
| **WHAT REMAINS TO BE PROVED** | | |
| Conversion of the awards into purchase orders. Margins and cash flow as capacity scales. Dependence on one or two customers. | How much of Bloom's demand comes from AI data centres. MTAR's customer concentration, margins and return ratios. | How much of the OEMs' turbine demand is driven by data centres. Whether delivery can keep pace with the orderbook. |

Others point the same way. Sansera has won an order of about INR 1,250 crore from a global semiconductor equipment maker. Three EMS companies, Cyient DLM, Avalon Technologies and Centum Electronics, supply global wafer fabrication equipment makers and are adding capacity in anticipation of a scale-up. Diamond Power won an INR 436 crore order in July 2026 to supply cables for 310 MW of data centres in Hyderabad. None of this proves durable returns. All of it shows global customers placing orders with Indian manufacturers.

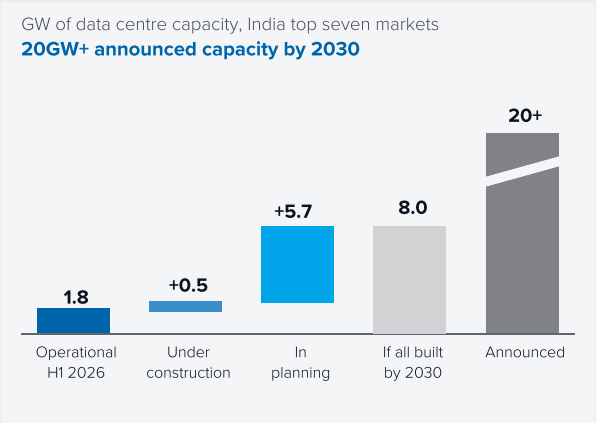
SECTION FIVE

# AI needs a physical economy, and part of it is being built in India

A model can be downloaded. A reliable power connection cannot. AI needs land, electricity, cables, cooling and equipment that works every day. That gives India a route into the global investment cycle even where it does not own the technology at the top. The IEA's 2025 base case has global data centre electricity use rising from about 415 TWh in 2024 to around 945 TWh by 2030. That covers all data centres, not just AI.

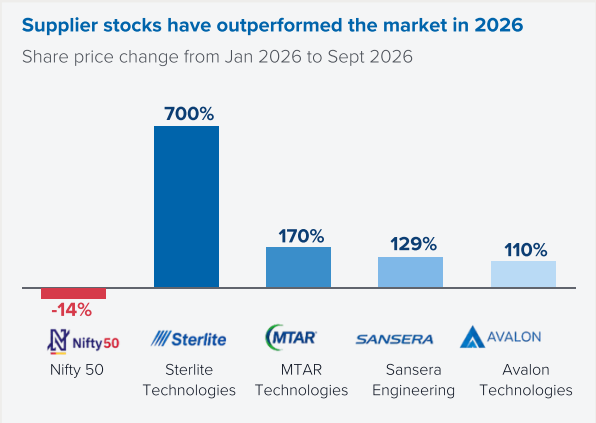
The largest commitments now come from both global and Indian groups. Google announced about $15 billion for an AI hub in Visakhapatnam over 2026 to 2030, in partnership with AdaniConneX and Airtel. Microsoft announced more than $20 billion over the next few years in India. Reliance announced about $110 billion over seven years for AI infrastructure, and Adani Enterprises announced $100 billion by 2035 for renewable-powered AI data centres. These are not mere announcements. They are backed by real need. India generates nearly a fifth of the world's data but has less than 5% of global data centre capacity. Rising AI use, data localisation laws and a supportive regulatory environment make the build out more achievable. Consultants differ on today's base and the CY30 capacity, but the direction is clear.

**EXHIBIT 5:**
**India's data centre capacity could reach 8 GW by 2030**




SOURCE: VQ ANALYSIS AND CORPORATE ANNOUNCEMENTS.

**EXHIBIT 6:**
**While the Nifty corrected, suppliers rose multifold**




SOURCE: NSE, AS ON OCT 22, 2026. RETURNS FROM JAN 01, 2026 TO OCT 22, 2026.

These commitments establish intent and location. They are not a revenue forecast for Indian suppliers. GPUs and servers will absorb a large part of the overall spend, largely through imports. **The investment case rests on what local companies supply and earn, not on total project value.** The opportunity is most credible where a company has already done the difficult work: meeting specifications, passing customer tests and delivering consistently. A customer relationship opens a door. It does not remove the need to prove quality, price and delivery.

These businesses are easy to miss. A cable maker stays in an industrial bucket even when its customer is building AI infrastructure. A new business can be small inside a large listed group. Qualification can take years before sales become material. That creates a gap between India's participation and the exposure available through its headline index. It does not prove the market has mispriced the companies. **Underrepresentation in an index and undervaluation in a stock are two separate claims. We need evidence for both.**

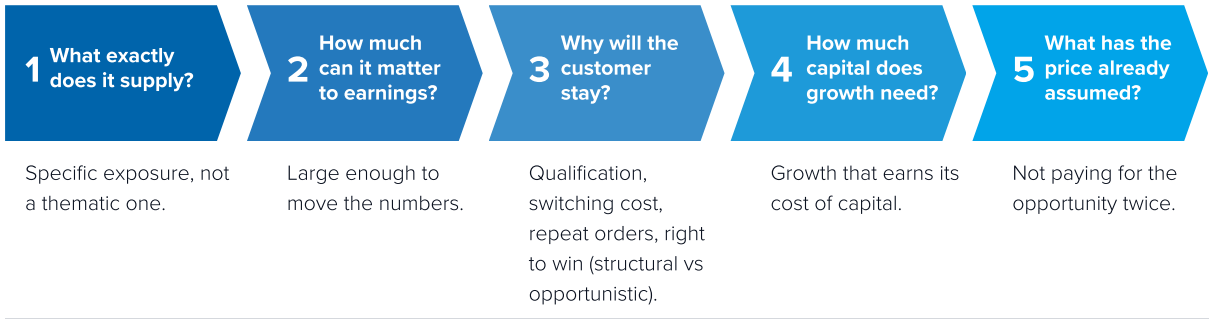
The market has also begun to find some of them. The Nifty 50 has corrected about 14% this year, while Sterlite Tech shares have risen about 700% over the same period. **When a stock has risen eightfold, the theme is no longer hidden, and the work moves from finding the business to judging the valuation.** We cite these companies as evidence of rerating potential, not as a recommendation.

SECTION SIX

# A good theme still needs a good business

At VQ, the question is where this investment cycle can produce durable earnings for an Indian business. We look for suppliers that are difficult to replace, whose products matter far more to the customer than their share of the project cost would suggest. This is the thinking behind our **Mandatory Participant** framework. The label should follow the evidence.

**EXHIBIT 7: Five questions we ask of every company before the theme matters**




SOURCE: VQ ANALYSIS.

> ***Being right about AI is not enough. We also must be right about the business and the valuation.***

We will be selective about the bottlenecks. More demand does not guarantee lasting scarcity. Suppliers add capacity. Customers qualify alternatives. Product designs change. A standard component can go from shortage to surplus while the broader cycle continues. That is why optimism about AI and electrification can sit alongside caution on parts of the transformer or cable market. Nor are suppliers insulated from a pause in AI spending. Data Center Watch tracked at least 120 US projects, worth about $200 billion, that were delayed or blocked in the first half of 2026. So far, such opposition in India has been limited. A full orderbook gives visibility, not immunity.

**EXHIBIT 8: What would change our mind**

| IF WE SEE | WE WOULD CONCLUDE |
|---|---|
| **Initial orders do not convert into repeat business.** | The theme is an announcement, not earnings. |
| **Subpar margins and return metrics for suppliers as savings are passed on to customers.** | The business is capital hungry, whatever the demand. |
| **Customers capturing most of the benefit through lower prices.** | The gain is real for the economy and thin for the supplier's shareholder. |
| **Indian participation confined to low-value work.** | The attractive economics are staying elsewhere. |

SECTION SEVEN

# India has a role to earn

India's gaps are real. We do not own the dominant AI platforms, and some of our existing businesses face disruption. But those facts do not cancel the orders being won by Indian suppliers, the infrastructure being planned here or the gains available to businesses that use AI well. Our job is to connect these developments to specific cash flows. Some opportunities will be listed. Others will emerge in private markets. Many will disappoint. The work is to tell a useful capability from a fashionable claim, and a growing business from an expensive stock.

> ***The Nifty is a useful benchmark. It is an incomplete answer to where India participates in AI. We intend to look beyond it.***

**Ravi Dharamshi**
Founder & Chief Investment Officer, ValueQuest

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