India: Back in Focus

AI-trade rotation, lower valuations and returning foreign flows

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uti Investments

EXECUTIVE SUMMARY

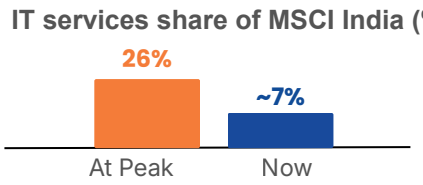
As the AI trade wobbles, India offers a way to take part in emerging-market (EM) equity growth with limited direct exposure to AI-related companies. Valuations have reset, even as earnings forecasts continue to rise. And foreign investors – still heavily underweight – have started to return, The Nifty delivered +9.8% (total return in USD) in the week of 2–6 November. With valuations, positioning and earnings momentum all shifting, India merits a fresh look.

DASHBOARD OF KEY METRICS

+9.8% NIFTY, WEEK OF 2-6 NOV Total Returns in USD, Bloomberg	**$6.4 Bln** FPI NET EQUITY BUYING NSDL, MTD 11th November 2026
19.6x MSCI INDIA FORWARD P/E Bloomberg, 10 November 2026	**<14%** FOREIGN OWNERSHIP CLSA, 10 November 2026

1. EM growth, limited AI exposure

AI-linked credit risk is rising: CoreWeave's 5-year default-protection cost has topped 1,000bp since October, and AI-heavy MSCI Korea is ~36% (in USD) below its June peak (10 Nov). India sits largely outside this: IT services make up ~7% of MSCI India today, down from 26% at peak. For investors seeking EM growth without adding to AI concentration, India stands out.



Source: Jefferies, CLSA, Press Reports, 10 Nov 2026

2. Under-owned, and just returning

Foreign ownership is at its lowest since 2010, and 61% of active EM funds are underweight India. After net selling of US$61bn since September 2024, foreign investors have bought back US$8.2bn since mid-October – including US$6.4bn of net FPI equity buying across 8 trading sessions in November (to 11 Nov). These inflows have offset only a small share of prior selling, leaving room for more. A firmer rupee – at 93.8/US$, its strongest since April – would help more of India's equity gains translate into dollar returns.

93.8 / US$ Rupee at its strongest since April	**61%** Active EM funds underweight India	**-US$61bn** Net selling since Sep'24 **+US$ 8.2bn** Net buying since mid-Oct'26

Source: RBI, 11 Nov 2026, Jefferies, 10 Nov 2026

3. Valuations reset, earnings rising

Valuation	Earnings vs Price since Sep'24	Earnings growth
19.6x	**+18% vs –13.6%**	**16%**
Forward P/E, down from 24.4x (Sep'24), nearly -20%	Forward EPS estimates vs MSCI India total return (in USD)	FY27E EPS growth (FY28E 15%), up from 10% in FY26

The Nifty 50 is down 6.7% YTD in USD, versus a 10.8% gain for MSCI EM (YTD 9 Nov). Over the same period, analysts' forward earnings estimates have risen while share prices have fallen.

Source: Bloomberg (EPS vs price- 30th Sep'24 till 12 Nov'26); Jefferies, 10 Nov 2026 (EPS growth; India fiscal years ending March).

Factors to Monitor

- AI recovery: Renewed tech momentum could slow rotation towards India.
- Durability of the rally: Broader market participation and supportive earnings will be important to sustain recent gains.
- Oil and currency movements: Persistently elevated oil prices or further rupee weakness could weigh on inflation, corporate margins and USD returns.

In Summary

India offers Emerging market growth with limited AI exposure at a time when AI-heavy markets are under pressure. Valuations have reset while earnings forecasts have risen, leaving share prices behind fundamentals. Foreign investors, after heavy selling since September 2024, remain underweight and have only begun to return. Sustained earnings delivery will be key, and the factors below could slow the recovery.

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Prepared By:

Product Team, UTI Investments