



RBC BlueBay
Asset Management

India: return of the bulls?

Notes from the road

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“The country is rapidly transforming itself and leveraging its domestic economy as a competitive advantage beyond just services.”

On our recent trip to India, it struck us that perhaps the bulls we encountered crossing our path were an omen. As the previous darling of emerging markets, the country is poised for a comeback, and we were left with the overriding impression that the growth story has far from peaked.

Over the last few months, India’s association with the services industry has often led to it being perceived as an “anti-AI” market in a globally technology-dominated landscape. Yet one of our clearest takeaways was that this framing may be too simplistic – the country is rapidly transforming itself and leveraging its domestic economy as a competitive advantage beyond just services. Our trip reinforced the sense that India’s growth model is broadening. Small and mid caps represent one of the most interesting parts of the Indian stock market given the huge pool of entrepreneurial talent.



Investment in manufacturing was another common theme across our meetings and site visits to multiple electronic manufacturing services (EMS) facilities and auto parts plants. India’s advantages are compelling: relatively low labour costs, improving infrastructure, and a growing network of free trade agreements position it as an alternative to China’s supply chain. The government has been focused on increasing the value add in the country’s electronics manufacturing through production-linked incentives. One assembler noted that moving up the value chain of smartphone assembly towards printed circuit boards can raise domestic production value from 7% to almost 15%¹.

¹ Dixon, 2026.

Beyond traditional manufacturing, a quieter but equally important transformation is underway. Global Capability Centres (GCCs) are reshaping India's economic landscape in ways that often go unnoticed. As AI-driven productivity rises, global companies are moving sophisticated functions – engineering, technology, R&D – to India. This shift is evident in the property market. Our conversations with developers indicated record levels of office demand in GCC-heavy cities like Bangalore, while residential markets in these areas have thrived on improving affordability. This trend alleviated our concerns around the long-term viability of India's services model.

“Non-banking financial companies have also grown dramatically in recent years, benefiting from less stringent regulations.”

The broadening of India's economy is increasingly being reflected in the financialisation of the country. Credit is deepening across the economy, supported by very low levels of penetration and recent improvements in bank liquidity (Exhibits 1 and 2). Our meetings with many conglomerates suggested increased appetite for investments, providing hope for the long-awaited renewal in India's capex cycle. For many years, we've focused on banks as a key beneficiary of this trend, with large pools of low-cost deposits providing a distinct competitive advantage. However, non-banking financial companies have also grown dramatically in recent years, benefiting from less stringent regulations and dominant positions in segments underserved by traditional banks.

“Data centres” was perhaps the buzzword of our trip and mentioned far too frequently. Many conglomerates and property developers we met have plans in the area, with several suggesting imminent announcements with hyperscalers.



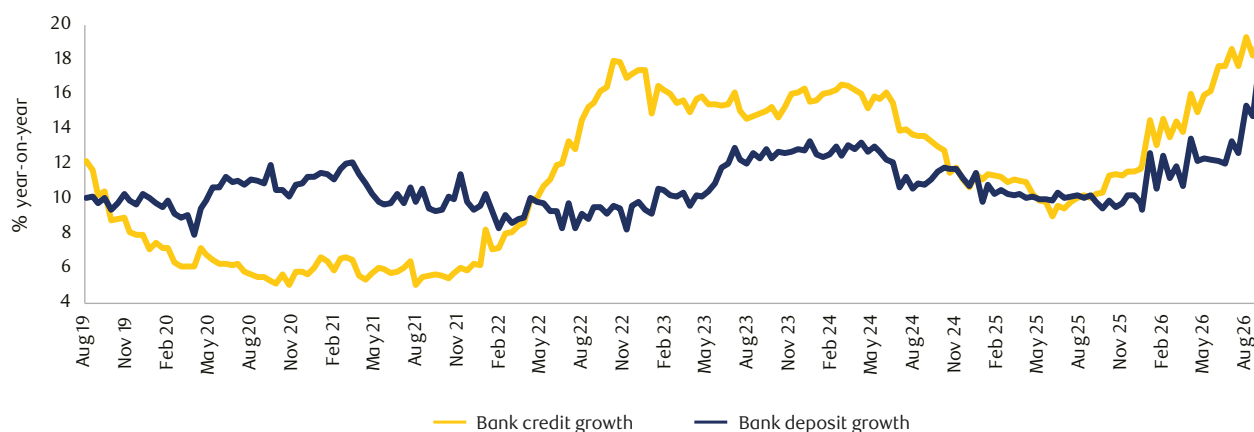
The facade of a leading smartphone manufacturing facility.



Visiting a telecoms manufacturing business.

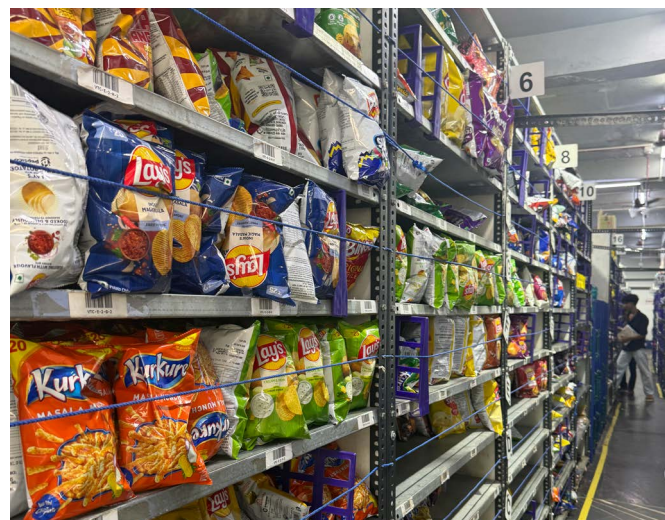
India possesses structural advantages, including enormous and rapidly growing data consumption, strong connectivity through subsea cabling and fibre infrastructure, and an expanding renewable power base. However, the returns potential of such projects remains unclear.

Exhibit 1: India's rising credit growth



Source: RBI. Data to the fortnight ending 31 August 2026.

Meanwhile, quick commerce provided the most tangible example of how rapidly India's consumer economy is evolving. Ten-minute grocery delivery represents a remarkable convenience offering. After touring the “dark stores” of two prominent platforms², it became much easier to understand the operation's speed, from inventory layout to two-minute packing windows. Quick commerce is also accelerating consumption formalisation as consumers shift from unbranded to branded goods. The long-term question, however, is on the sustainability of the labour model: the industry relies heavily on relatively low-paid gig workers with limited social protection, leaving it potentially exposed to future regulation and social security requirements in a highly competitive industry with razor-thin margins.



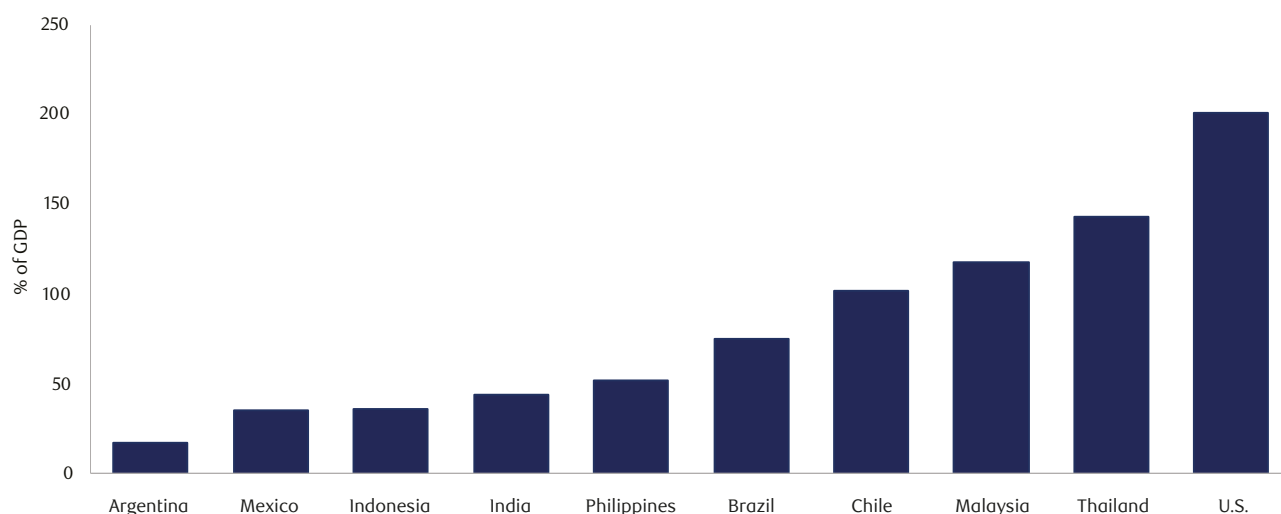
A “dark store” site visit.

“Quick commerce is also accelerating consumption formalisation as consumers shift from unbranded to branded goods.”

Overall, our trip reinforced our view that India is one of the most compelling long-term structural growth stories within EM, supported not only by favourable domestic dynamics but also by the depth and quality of management teams we met.

While the opportunity set is widening, we are cognisant of valuations in certain market segments, especially amongst small and mid-cap names, which reiterates the importance of stock selection. For now, we're optimistic that the bulls are back in town.

Exhibit 2: India's low credit penetration compared to other countries (% GDP)



Source: World Bank, as at 2025.

² Dark stores are retail spaces used exclusively for fulfilling online orders.

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Ashna is a portfolio manager on the RBC Emerging Markets Equity team at RBC GAM-UK. In this role, she is responsible for research on the Indian subcontinent. Prior to joining the firm in 2017 as an emerging markets equity product specialist, she worked in equity sales at Morgan Stanley covering the Asia Pacific region. During her time there, Ashna was also a member of the content development team for the European, and Europe, Middle East and Africa (EMEA) regions. She began her career in the investment industry in 2012.

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