

## India - Return of the Jedi ? Highlights from My U.S. Trip

Sep 22 - Oct 13, 2025

I have just boarded an Emirates flight from JFK to Dubai (and onwards to Mumbai), having spent the past 3 weeks in the U.S. with my family. This was my second visit this year, and as always was part work and part holiday covering both coasts. We traveled to Napa, San Jose, San Francisco, Boston, Laconia, NH (New Hampshire), Stowe, VT (Vermont) and finally New York City. The U.S. remains my favorite country to visit as it offers some of the world's best national parks and natural vistas coupled with friendly and welcoming locals.

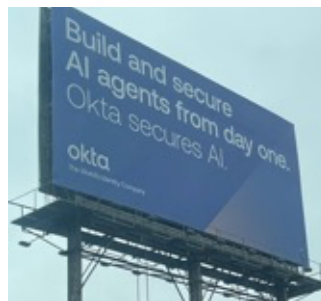
### Investor feedback:

1. **UW India:** I met a cross section of fund managers and allocators on both coasts. The consensus feedback was that India is still too expensive relative to EMs/Asia and most investors are underweight relative to its MSCI weight by 200-250 bps. Historically, India's high valuations were not much of a concern, but couple them with an earnings slowdown and, *Houston we have a problem*. So far this year, foreign portfolio investors (FPIs) have sold \$18 Bn worth of stock, while domestic institutional investors (mutual funds + insurance companies) have bought a record \$69 Bn. Yet the secondary market is up a mere 2% YTD (in US\$ terms); the IPO market is roaring. New companies have raised \$14 Bn this year, +110% YoY; this compares to \$24 Bn in the U.S. Strangely, FPIs have been actively participating in the IPO market investing over \$5 Bn this year. The recent \$1.3 Bn IPO of LG Electronics India was oversubscribed 54x; its Indian valuation is more than that of the Korean parent !
2. **Will the GST cuts bring back consumption ?** Investors asked how Indians were reacting to the GST (Goods & Services Tax) cuts that have made products cheaper and left people with more disposable income. The initial impact has been phenomenal with the country witnessing its strongest *Navratri* (a Hindu festival) sales in over ten years. For example, Hyundai Motors (India) registered around 11,000 dealer billings, its best single-day performance in the last five years. While Maruti saw a 50% jump in bookings (a 35-year high), Tata Motors recorded nearly 10,000 car deliveries, a new best for the company. Daily credit card transactions at e-commerce platforms jumped almost 100% week on week. If the momentum in sales sustains, earnings will rebound.
3. **Need for Power:** Investors spoke about how the U.S. needs to invest hundreds of billions in new power generating capacity to fuel AI usage. Consulting and technology firm ICF estimates that the U.S. will be adding about 80 GW of new power generation capacity a year to keep pace with AI as well as cloud computing, crypto, industrial demand and electrification trends. The WSJ reports that data centers consumed less than 2% of U.S. electricity before 2020, but by 2028 could consume as much as 12%. We are seeing similar trends in power demand in India, across generation, transmission and distribution. In fact, power is the second highest sector allocation in our fund. One investor mentioned that he recently hosted some 30 undergraduate students and was shocked to find out how dependent they have become on AI (in this case mostly ChatGPT). From search functions to homework, AI is pervasive. ChatGPT now has 800 Mn weekly users, which equates to 10% of the world's population. On the other hand, Perplexity has tied up with India's second largest mobile company, Bharti Airtel, to offer its 400 Mn subscribers the Pro version free for the first 12 months.
4. **What is the future of Indian IT:** One question asked was, can Indian IT reinvent itself in light of the curbs on future H1-B visas and the coming onslaught of AI ? Several investors asked if there were any listed AI plays in India. While India lacks pure AI companies, a few data center/cloud computing plays have emerged. Interestingly while I was in the U.S., TCS (India's largest IT services company) announced that it will invest \$7 Bn to build a 1GW data center in India. This week Google announced plans to invest \$15 Bn in India to build data center capacity for a new artificial intelligence hub, its largest outside of the U.S.
5. **Investor interest in China and Japan has peaked.** Two years ago, I felt proud that India and Japan were mentioned in the same sentence with respect to foreign investor interest. However, interest in

India soon declined as earnings faltered while interest in China rebounded with the announcement of Deepseek, the country's answer to Open AI. The consensus feedback on this trip was that interest in China (HSCEI, +30.6% YTD) and Japan (NIKKEI +22.8%) is waning and FPIs are booking profits in both markets. I asked investors that if earnings were to return to double digit growth in India, will the foreign selling abate or reverse. I was pleasantly surprised when two-thirds of the investors said yes ! India's weight in the MSCI EM index has decreased to 15.4% from a peak of 21% in September last year, while China's weight has increased to 30% from a bottom of 24%. This makes a case for increased allocations to India as earnings growth returns and as a result the underperformance relative to Asian and EM markets should reverse. It could be a *Return of the Jedi* moment for India.

## AI is omnipresent in the Bay Area

Two-thirds of the billboards in the city of Pune in India are advertising upcoming residential launches. Similarly, most of the billboards in the Bay Area have AI companies promoting their respective capabilities or as they say in the tech world, *Use Case*.



Two years ago, my younger son Aayush graduated from Duke with an undergrad degree in Computer Science. Armed with a Green Card, he lives in San Francisco working on his own AI project. Aayush says that the energy of the Bay Area's tech world is so positive that when you are introduced to someone the first thing they ask you is, *What are you working on ?* Apparently, a record US\$192.7 billion has been invested in AI startups over the first nine months of 2025, putting the year on track to be the first where over half of all VC investment has gone towards the industry. Adding the words AI to your start-up does make raising capital easier.

The AI fervor is such that when we were having dinner at *Burma Superstar* in San Francisco (309 Clement St.), there was a live pitch going at the very *next* table. A tousled 20 something year old was pitching his AI video technology in a high-pitched voice to a potential investor. He intended to market his product to movie studios in both *Hollywood* and *Bollywood*. I was tempted to join the conversation but resisted lest I spoil the pitch or they both accuse me of eavesdropping.

## Inflation is relentless

If you thought hotel rates in New York could not get any higher, then you were wrong. The week that I was there, 4-star hotels ranged from US\$650-\$1,000 a night; 5-stars were in the stratosphere, ranging from \$1,200 to \$2,500. Apart from NYC hotels, food prices at restaurants remain elevated (relative to pre-COVID) but mostly unchanged from a year ago. A tiny portion of chia pudding cost me a whopping \$10 at *Le Pain Quotidien*. And yes, most restaurants across the cities that we visited were packed !



## Labour shortages are even more apparent

Let's take the example of *George's Diner* (but manned by an all-woman crew) in Meredith, New Hampshire. While they did a great job of serving customers, they were clearly stretched and looked stressed; the diner could easily do with a couple of more hands. The eggs and the sweet potato fries were delicious as was the maple syrup infused mustard.

Similarly, department stores like Macy's seemed to have limited salespeople who could aid customers. I found several restaurants/stores looking at hiring.



*Joe & The Juice*



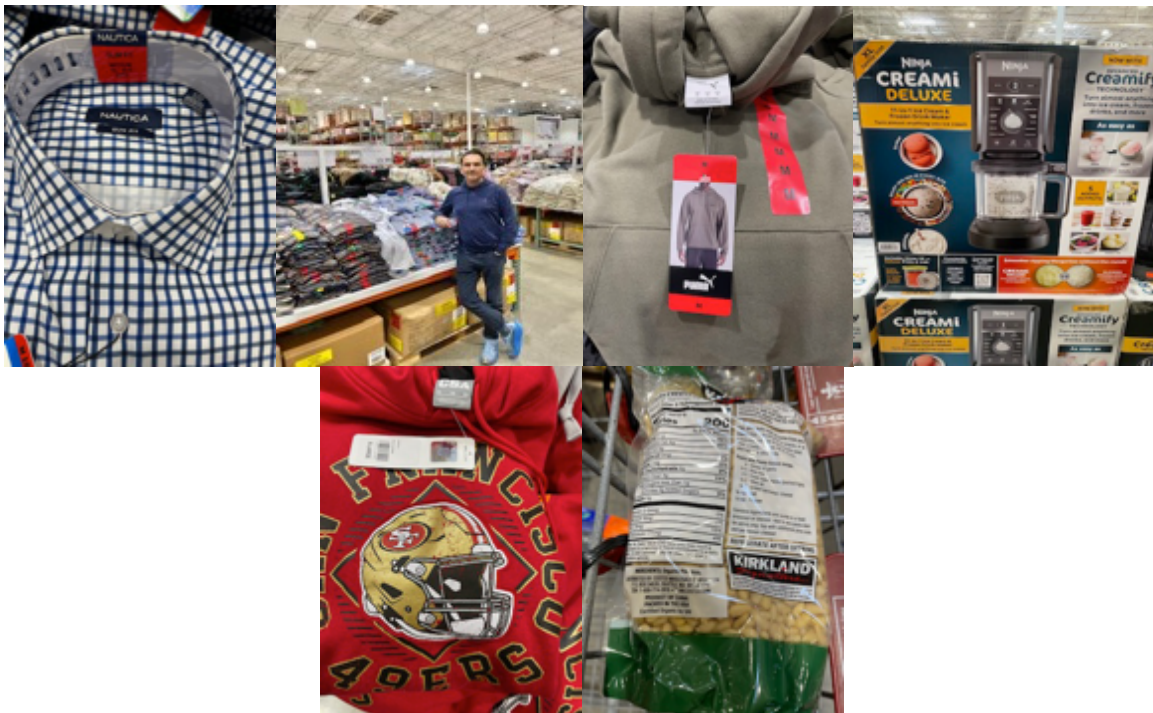
*Zara*



*Peet's Coffee*

## My semi-annual visit to Costco

I spent a couple of hours at the San Jose outlet of Costco, which was brimming with shoppers. Did you know that Costco's clothing business had sales of \$9.7 Bn in 2024, outselling major retailers like GAP, Calvin Klein, Tommy Hilfiger, Abercrombie & Fitch and Old Navy ? I found that *Made in China* still rules the clothing section, followed by Vietnam, Bangladesh, Indonesia, Turkey and even Peru. Unlike my visit to Costco in May this year, I was dismayed to find very few clothes *Made in India*. Frankly, it's really not a surprise given that on August 7<sup>th</sup>, the Trump administration imposed an additional 25% tariff on merchandise imports from India (that's over and above the 25% baseline tariff). This makes India among the most highly taxed countries that trade with the U.S. and hurts its ability to become one of the China+1 nations. All the Indian exporters that we have spoken to in the past two months have said that the U.S. market is effectively shut for now.



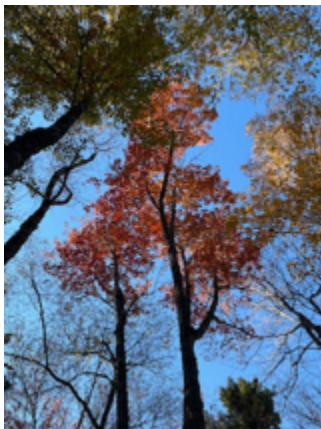
China doesn't just dominate clothing, but almost everything from shoes to pinenuts to YETI mugs to Duracell rechargeable lanterns to children's books to Ninja ice-cream makers. It will be interesting to see how the fresh 100% tariff on China (that goes into effect from November 1) plays out.

*On a lighter note:*



**Waymo, my first autonomous car experience:** One of my *must do things* on this trip was riding a Waymo in San Francisco. Aayush had used it a few times, and I asked him to hail one on our way to Golden Gate Park. The experience was surreal. Although scary at first but I was eventually able to get comfortable. It drove like a well-behaved Singaporean driver, i.e. very polite, stopping at all STOP signs/traffic lights, not breaking any law and not speeding. Moreover, it lets you play your songs on Spotify (which syncs with Waymo's music system). I sent a video of the ride to my driver in Mumbai. He was petrified and asked if a ghost was driving the car. I put his fears to rest and also told him that his job was not under threat, at least not in India.

**The fall colors of New England:** #2 on my *must do things* list was to see the fall colors in New Hampshire and Vermont (Oct 5-7), two states that we visited for the first time. We used the heat map to identify where the foliage had reached, and zeroed in on the town of Laconia, NH. The foliage usually peaks by the first or second week of October, but we soon discovered that this year the season was probably delayed by a week. Nonetheless, we drove through the picturesque Kancamagus Highway, a 34.5-mile scenic byway in New Hampshire's White Mountains, and into the quaint town of Stowe, VT.



Little did we suspect that the locals are increasingly upset with tourists invading their otherwise idyllic lives during the fall. An article in the WSJ dated Oct 12, sums it up:

*Crowding has become a testy issue around Vermont, where small towns have taken aim at intrusive leaf-peeping visitors by shutting down scenic roads and ramping up parking enforcement—even towing vehicles. General stores sell figurines that satirize social media-obsessed tourists. They've complained about TikTokers trespassing onto countryside farms, tourists defecating on private property and near-fist fights over trailhead parking—not to mention unsafe traffic blockages on narrow roads. Meanwhile, small towns like Huntington—which has no stop lights and little commerce—may see few direct economic benefits from the crowds.*

Link to the article:

<https://www.wsj.com/lifestyle/new-england-vermont-tourists-fall-foliage-b007441c?mod=Searchresults&pos=1&page=1>