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Investment | Wealth

India

JM Finn's insight into this
unique emerging market

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India: An emerging market like no other

This special report is based on insights from a research trip to India to further deepen JM Finn's knowledge of the world's most populated country – which is also among the fastest growing emerging markets globally.

It covers India's rapidly developing infrastructure, adoption of digital payments through to the characteristics of its demographics and employment market.

I spent the majority of my time in Mumbai, but also spent time in Bangaluru, Jaipur, and Agra, meeting industry experts, macroeconomists, fund managers and representatives from the Bombay Stock Exchange as well as a range of companies in sectors spanning healthcare, defence, electric vehicles, travel agencies, ecommerce and financial services (see the end of the report for a full list).

Report summary

Congestion has negatively impacted the country for decades, but ambitious government efforts to build infrastructure including new roads and airports are making rapid inroads to easing the problem. India has plans to build another 200 airports across the country by 2047.

75%

Motorbikes, scooters and mopeds make up 75% of the vehicles on India's roads.

Improved connectivity has fuelled a domestic tourism boom in recent years; more than 99% of tourism in India is domestic.



There has been a rapid expansion in digital payments, with a payments system called Unified Payments Interface (UPI) which has expanded from handling 100m transactions in 2017, to over 131 billion transactions in 2024.



Changes to US visa rules have meant that a greater proportion of those who are educated in US universities are heading back to India for employment.

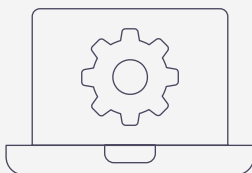
96%

Over 96% of consumption remains in non-durable goods (food, hygiene products, cleaning products etc.), so there is only a small relative market for discretionary spending.

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Over the past five years, 100 million investment accounts have been opened, with new accounts being added at a rate of around 2 million per month.

India remains heavily reliant on imported energy, particularly oil and gas. This leaves the economy exposed to external shocks, especially the US-Iran conflict.



7%

The IT services sector accounts for around 7% of Indian GDP and has been a key pillar of growth over recent decades, however there have been significant layoffs in the sector over the past year.

Infrastructure

Traffic congestion has long been a major challenge in India, with cities often paralysed by gridlock.

The impact of congestion is not to be underestimated; it leads to lost productivity, high pollution, fuel wastage, inefficient supply chains, and of course restricts the mobility of labour, particularly from suburban regions. It is estimated that congestion across India has cost the country in the region of 1-2% of GDP per annum over recent decades due to these factors. What was apparent from my visit, is that the government has taken drastic steps to address these issues in recent years.

Since 2015, India has constructed 89 new airports across the country (yes, 89, all whilst we are still discussing the construction of a third runway at Heathrow!), introduced new metro systems to 21 cities, trebled the length of the rail network, nearly doubled the length of intercity highways, and invested extensively in port infrastructure. In Mumbai, a new international airport, Navi Mumbai, opened in October 2025 with capacity to handle an additional 40m passengers annually. But it doesn't stop there; India has plans to build another 200 airports across the country to bring the total from 150 today, to 350 by 2047. Interestingly, the major hurdle preventing an even greater pace of construction is the lack of available



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airplanes from Boeing and Airbus – India has an over 900 aircraft order pipeline backlog that will take at least 8 years to deliver.

It does not take long to see the infrastructure spending first hand. On the way to my hotel in Nariman Point, I travelled via the city's new Sea Link Road, an 8.2km expressway bridge built offshore alongside the coast to bypass congestion in the city centre. Opened in 2024, it has cut the journey from the airport to Nariman Point from 1 hour 15 minutes to just 30 minutes. Three new Sea Link bridges are currently under construction in Mumbai to further encourage traffic out of the centre, which can only improve the congestion issue.

Even more striking was the scale of Mumbai's metro expansion. The city currently has seven new metro lines under construction, in addition to the three built since 2022, and the original line that opened in 2014. Once completed, Mumbai's metro network will be around 25% larger than the London Underground. This expansion is far from unique to Mumbai, with dozens of cities across India undertaking similar projects.

Outside of Mumbai, I was able to travel on a new Metro in Agra, which had opened in 2025 about a year before my arrival. Agra is a popular tourist destination given it hosts the Taj Mahal, which gets millions of visitors each year and is India's most visited tourist attraction. What was particularly interesting was that despite tens of thousands of people in the area, there was no one utilising the metro. Both the station and the train were deserted. I was told by my local guide that this was due to a few factors, one of which being that only 6 stations have opened thus far, which is a fairly limited service. They have a further 13 stations opening later this year which will improve the connectivity – at present the locals cannot get to their intended destinations using the metro, so they don't use it. Similarly, at 25 rupees a ticket (20p) it is considered an expensive mode of transport, with Tuk-tuks costing a fraction of this amount. The guide I was with believed the state was considering banning tuk-tuks in the future to encourage greater use of the metro and to reduce congestion and pollution.

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Domestic tourism

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90%

Domestic Tourists account for over 90% of the total tourist spend.

More than 99% of tourism in India is domestic, with families from Tier 2 and Tier 3 cities taking their first holidays to destinations that were previously too costly or difficult to reach. Indeed, it was estimated that there were around 3 billion domestic holidays from Indian nationals in 2025 – far outweighing the 10 million international visits to the country.

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There were 3 billion domestic holidays from Indian nationals in 2025.

Domestic Tourists account for over 90% of the total tourist spend, with international tourists making up the balance. There are often two sets of prices at attractions: the local tourist price, and the international tourist price, and the difference was regularly 5x the price for an international tourist.

Transportation

The electrification of India's roads is highly dependent on the electrification of two-wheelers.

Motorbikes, scooters and mopeds make up 75% of the vehicles on India's roads, and there are 263m registered motorbikes in the country. Ather Energy, an Indian e-Scooter business, has already amassed an 18% market share selling electric motorbikes across the Indian market. The company has also introduced significant software and technology to their bikes to suit the Indian consumer; it has mapped out all of the potholes across all major cities and an alert appears when approaching. It has added automatic brakes when a rider is stopped on a hill, integrated helmets that provide audio directly to the driver, and even implemented a 'Find my bike' function that directs owners to within a meter of the bike's location –important in India where thousands of bikes can be parked next to each other in busy areas. This is a great example of how Indian companies are innovating to solve India's problems – there is simply not enough demand in the west for electric scooters for manufacturers to invest so heavily in them. In time, there is a huge opportunity across South East Asia for the company in countries where motorbike usage is highest.



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In terms of four-wheeled vehicles, I was fortunate to meet Mahindra & Mahindra, an Indian conglomerate with businesses spanning multiple sectors. It has a 15% market share in the auto market, and is a leader in electric SUVs. Charging stations on highways are extremely limited, and these cars tend to be purchased in Tier 1 cities where consumers can charge at home. Interestingly, Chinese electric vehicles are heavily restricted in India and cannot be sold to the mass market. Chinese electric vehicle manufacturer BYD sells its batteries to Mahindra & Mahindra, but cannot sell its finished cars to consumers. Again, it will be Indian companies that prevail in these conditions.

Demographics

India has one of the youngest populations in Asia with an average age of just 28 years old (compared to 40 in the UK).

Around 10m individuals are entering the working age population each year, which provides significant competition for university places and early stage careers. One of India's main challenges over the coming decades will be navigating how to find productive employment for these individuals. 45% of India's population (over 600m people) still work in rural agriculture. Often these individuals have been disincentivised to move to the cities due

to the congestion issues, which are slowly alleviating due to the infrastructure spend I mentioned earlier.

The US H1B visa policy (which charges US employers a \$100,000 fee for certain visa petitions to employ foreign nationals) has meant that a greater proportion of those who are educated in US universities are heading back to India for employment – gradually improving the levels of education across the country.

While in Mumbai, I visited the Dharavi slum, where more than 2 million people live in an area of just 2.2 square kilometres, and where Slumdog Millionaire was filmed. More than 99% of children in the slum attend school each day, while reported crime rates are below 0.01%. There is a strong sense of community, with residents looking out for one another, and the visit changed my perception of what a slum is. Guatam Adani, one of the richest individuals in India and CEO of the Adani Group, has acquired the area and, over the next 20 years, it is due to be redeveloped into high-rise housing. Every registered family will receive a home in the new development. Over time, slum areas are gradually being replaced with modern buildings.



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Digital payments

Perhaps the most exceptional example of Indian innovation has been the rapid expansion in digital payments.

In 2016, the National Payments Corporation of India launched a new payments system called Unified Payments Interface, or UPI. UPI payments are instant bank-to-bank transfers between individuals and or businesses, executed by scanning a QR code and accepting the transaction on your smartphone. There are no transaction fees or banking charges, and there is instant settlement of the transaction. Since its launch in 2016, the system has expanded from handling 100m transactions in 2017, to over 131 billion transactions in 2024.

To put this into context, Mastercard handle around 100 billion transactions globally each year, so they have already superseded Mastercard's volumes in just 10 years. Locals have shifted to buying fruit and vegetables from vendors on the street using QR codes, and cash is a distant memory. Indeed, India now processes more digital transactions each year than the US, China and Europe combined, which have around 100 billion digital transactions annually on a combined basis.

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UPI has expanded to over 131 billion transactions.

Ecommerce

Over the past decade, the number of Indian nationals owning a smartphone has risen by around 700m individuals, and it is estimated that there are now over 900m smartphones in India alone.



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The quick commerce market has grown from \$300m in 2022 to \$7.5bn by 2025.

This has opened up access to eCommerce, and growth in Tier 2 and Tier 3 cities is particularly strong. In 2020, India Post and IIT Hyderabad introduced DIGIPIN, which is a nationwide geocoded addressing system to divide India into 4m x 4m squares, with each area having a unique code (similar to WhatThreeWords). This has allowed the rapid expansion of eCommerce, where previously addresses in areas of high population density were difficult to locate.

Indian consumers are at the very early stages of premiumisation, and there is significant growth in health and beauty products across the country. Whilst some western brands have a presence, the majority of fashion and beauty remains dominated by local brands. Over 96% of consumption remains in non-durable goods (food, hygiene products, cleaning products etc), so there is only a small relative market for discretionary spending.

Indian consumers value getting goods quickly, and this has led to the rapid expansion of Quick Commerce, where goods can be delivered to your door in under 15 minutes. The quick commerce market has grown from a \$300m market in 2022, to £7.5bn in 2025, with expectations that it could reach \$30bn by 2030. They use dark stores to execute this service, and the cost of delivery is so low that many customers will use it more than once in a day – often only ordering single products to be delivered through the service.

Indian savers and the stock market

Historically, gold has been the main store of wealth for Indian households.

It is commonly given at weddings and birthdays, and India has been the world's largest gold importer for the past 25 years. Investors have also traditionally favoured property and bank deposits over equities. That pattern is now beginning to shift. Over the past five years, 100 million investment accounts have been opened, with new accounts being added at a rate of around 2 million per month. Around 75% of these accounts have been set up by people under 40 years of age, helping to drive roughly \$3 billion of domestic capital into the stock market each month.

100m

Number of **investment accounts opened** over the past five years.

Risk appetite is clearly strong. In 2023, more than 90% of global retail derivatives trading was linked to Indian retail investors,



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many of whom were influenced by Financial Influencers, or 'finfluencers', promoting highly leveraged products. In response, the Securities and Exchange Board of India (SEBI) has taken firm action. It has restricted derivatives trading for those without a licence, removed harmful online content promoting leverage, banned unlicensed finfluencers from posting trading-related content, and prosecuted several offenders. SEBI has also banned online gambling and betting after concerns that lower-income households were putting significant portions of their savings at risk. The stock market backdrop remains constructive. India has more than 180 potential IPOs in the pipeline for 2026, with 120 already approved.



Manufacturing

Over the past decade, several developments in China have strengthened India's manufacturing appeal.

Rising Chinese wages, tariffs and growing geopolitical tension have prompted multinationals to diversify their supply chains. India has benefited from this 'China-plus-one' strategy thanks to its low labour costs, largely English-speaking workforce, relatively well-educated population, government subsidies and incentives designed to attract investment. Apple is perhaps the most prominent example, now producing 30 million iPhones a year in India. Samsung, Micron, Siemens, Boeing and Airbus have also expanded their manufacturing footprints. As a result, India's electronics exports have risen by more than 300% over the past three years.

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Apple now produces 30 million iPhones a year in India.

Even so, Indian manufacturing remains at an early stage. Higher-end production is still dominated by China, and manufacturers in India often rely on Chinese machinery and technology to kit out their warehouses.

IT services sector

India has long been a hub for IT Services, and the country hosts around a quarter of the global IT services market.

Many multinational businesses have set up Global Capability Centres in India; Google, Microsoft, JP Morgan and Goldman Sachs, for instance, all have significant back-office operations in India. The IT services sector accounts for around 7% of Indian GDP and has been a key pillar of growth over recent decades. With the rapid expansion of Artificial Intelligence, the demand for lower value services such as call centres, HR processing, and accounting has waned. As such there have been significant layoffs in the sector over the past year, with around 24% of companies announcing reductions in headcount. This has caused concern given its importance to Indian growth, and has weighed on investor sentiment to the country.

Whilst the lower value services may be replaced by AI, the huge labour arbitrage opportunity creates enough allure for multinationals to continue increasing their spend in the country. The average starting salary for an employee in IT services in India is \$5,000 - \$7,000 per annum, far below the going rate in the western world, and the Indian population is increasingly well educated and digital given the demographics of the country.

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India hosts around a quarter of the global IT services market.

Impact of the US-Iran War

India remains heavily reliant on imported energy, particularly oil and gas.

More than 85% of its crude oil needs are met through imports, while imported liquified natural gas now accounts for roughly 60% of domestic gas availability. This leaves the economy exposed to external shocks, especially given the importance of Gulf suppliers and the disruption caused by the recent US Iran conflict. Higher oil prices have increased pressure on India's foreign exchange reserves and weighed on the Rupee, even as the country continues to invest heavily in renewable energy as an alternative.

60%

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More than 85% of India's crude oil needs are met through imports.

The Indian economy may be among the most exposed economies to the war, and there are growing concerns that rising living costs are affecting households across the country. Lower oil and gas prices would provide a significant boost to growth, while sustained higher prices will weigh on the economy in the near term.



In summary

Throughout my visit, I was struck by the energy, optimism and entrepreneurial spirit on display, a refreshing contrast to the pessimism often felt in the UK.

The potential for further economic progress over the coming years is colossal, and the country's scale is hard to comprehend. Whilst the war has disproportionately impacted India in the short term, the long-term opportunity remains firmly intact. I came away with a sense that India truly is an emerging market like no other.

Ben Hudson,
Investment Manager

Details of companies and organisations met

I was hosted by the Ashoka WhiteOak team for the majority of the trip, who are managers of both the Ashoka India Equity Investment Trust and the Ashoka WhiteOak India Opportunities Fund, as well as managing over \$11bn of domestic mutual fund strategies. I had the chance to spend significant time with WhiteOak's sector analysts, and WhiteOak CIO Hiren Dasani.

During the week I also met a leading Indian IT services consultant, a senior Morgan Stanley Indian Private Equity analyst, Citi Bank's Chief India Economist, and JP Morgan's Indian Equities team, as well meeting the following Indian listed companies which span a wide range of sectors; Nykaa (a leading beauty & fashion business), Ixigo (a leading online travel agency), Bombay Stock Exchange (India's second largest stock exchange), Cipla (Pharmaceuticals and healthcare), Mahindra & Mahindra Group (Conglomerate and India's leading auto business), Kotak Mahindra Bank (Financial Services), Credit Access (Microfinance lending to women in Rural India), Ather Energy (India's leading e-scooter company), and Dynamatic Technologies (Aerospace & Defence contractor).



The value of securities and the income from them can fall as well as rise.
Past performance should not be seen as an indicator of future returns.
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