



Resilience, Reforms, and the Road Ahead for India

February 24, 2026

Key Takeaways

- ▶ India represents a long term growth opportunity underpinned by favorable demographics and rising domestic consumption.
- ▶ The Indian government is implementing a steady program of business-friendly structural reforms that we believe should support business returns.
- ▶ Indian equities offer diversification and active opportunities within emerging markets, driven by a domestically focused economy and relatively low correlation to other developing markets.

Recent Disconnect Between GDP Growth and Equity Valuations

India is the world's fastest-growing large economy, with forecasts for real gross domestic product (GDP) growth of 6.2% in 2026¹ — approximately 50% faster than the broader emerging market universe and almost four times that of advanced economies.

The Indian equity market significantly outperformed between 2021 and 2024, driven by this rapid economic growth and structural reforms. However, 2025 provided a healthy valuation correction, bringing equity multiples back to long-term average levels and creating what we view as a more attractive environment for potential investment upside.

We believe Indian equities are worth a closer look as they bring many advantages to an emerging markets portfolio:

1. Resilience: Long Term Growth Drivers

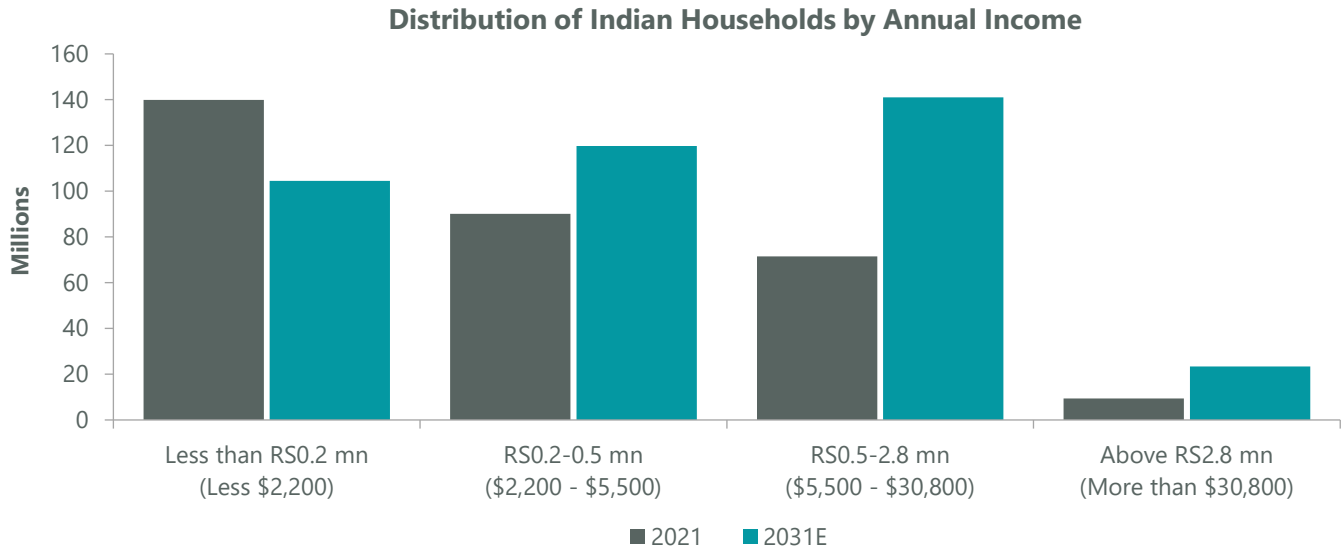
India is known for its large and young population, which provides a significant boost to economic growth and supports an expanding middle class, paving the way for increased consumption. This creates viable investments as it widens the opportunity set of fast-growing, quality businesses benefiting from a vast, increasingly domestic consumer market (Exhibit 1).

2. Reforms: Business-Friendly Improvements

Historically, one of the biggest hurdles of doing business in India has been excessive regulatory red tape, but Indian companies are now benefiting from policy reform initiatives. Such reforms may not be as flashy as India's underlying growth drivers, but they are helping to enhance the business backdrop. The steady, measured progress businesses are making gives us additional confidence in India's long-term growth trajectory.

¹ Source: IMF, as of Feb. 17, 2026.

Exhibit 1: Income Levels Poised to Increase



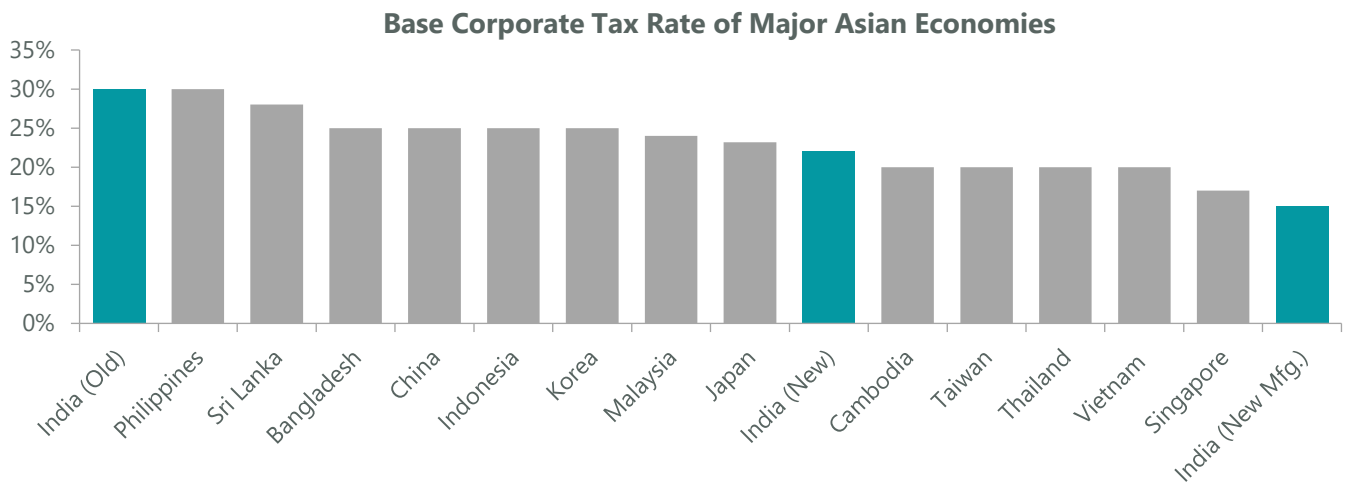
As of February 2026. Source: WEF, Kotak Institutional Equities estimates. Data range: March fiscal year-ends, 2021-31E (mn). RS = rupees. USD values, as of Feb. 25, 2026.

For example, one of the key reforms of the last decade has been the introduction of a countrywide goods and services tax in 2017. This national policy replaced a complex suite of central and state-level taxes and regulations, enabling companies to implement more efficient logistics through the elimination of requirements such as mandatory freight inspections and state-level tax payments at interstate borders.

In addition to ongoing initiatives to simplify goods and services tax frameworks, other recent examples of business-friendly reforms include last year’s streamlining and consolidating of India’s labor code and laws. Given the scale of India’s large workforce, we believe this marks a positive step forward for the country.

Finally, we have seen radical tax changes, in particular significant reductions in corporation taxes that should greatly improve India’s competitiveness as a place to do business and enhance the future profitability of Indian companies.

Exhibit 2: Corporate Tax Rates Becoming More Competitive Versus Rest of Asia



As of February 2026. Source: Deloitte, KPMG, Kotak Institutional Equities. Data: 2023 calendar year-ends.

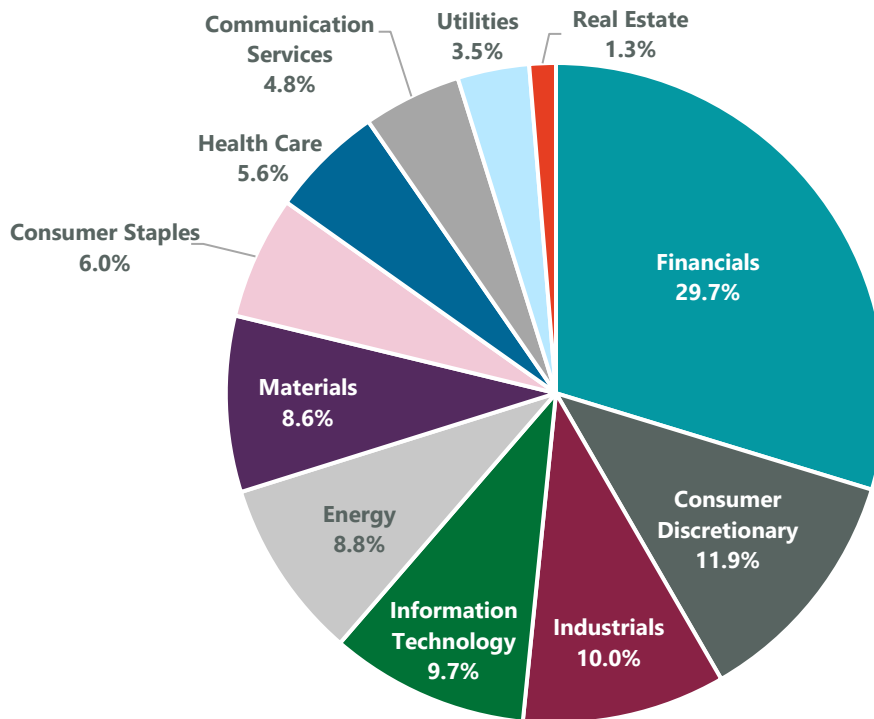
3. Road Ahead: Diversified Opportunities

While India is known for benefiting from its “demographic dividend,” what may be less apparent is the vast breadth of investment opportunities the country offers. The Indian market features over 5,000 listed companies spanning a wide range of sectors and industries.

India is actively expanding and diversifying its manufacturing capabilities and is increasingly being seen as a compelling alternative to China for sourcing technology hardware. For example, 20% of all iPhones are now assembled in India,² a number expected to keep rising as manufacturing supply chains in India mature.

India’s culture of innovative and fast technology adoption, along with its large, tech-savvy workforce, is also helping to facilitate the rapid adoption of AI, which we expect will have significant implications across a wide range of sectors. And, importantly, India’s vibrant start-up economy is supported by a growing domestic investment community.

Exhibit 3: MSCI India Sector Weights

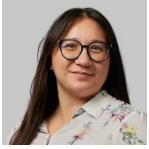


As of Jan. 30, 2026. Source: MSCI India Index (USD).

India’s investment story is built on solid foundations: strong long term growth drivers, a steady pace of reform and an economy that is increasingly diversifying. With growth continuing to outpace peers and valuations having eased back to more reasonable levels, we believe Indian equities are well-placed to play a valuable role within an emerging markets portfolio.

² Source: Techwire Asia as of Aug. 22, 2025.

About the Author



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- Smaller companies may be riskier and their shares may be less liquid than larger companies, meaning that their share price may be more volatile.
- Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. Accordingly, investment in emerging markets is generally characterised by higher levels of risk than investment in fully developed markets.
- The strategy may invest in derivatives index futures and FX forwards to obtain, increase or reduce exposure to underlying assets. The use of derivatives may result in greater fluctuations of returns due to the value of the derivative not moving in line with the underlying asset. Certain types of derivatives can be difficult to purchase or sell in certain market conditions.