

THE WAVERLEY SERIES

INDIA

An Insight of Investment, Trade and Economy

September 2026

For Advisory & Partnership

LORD WAVERLEY

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INDIA — AT A GLANCE

Capital	New Delhi
Genuinely strong, resilient FY25-26 growth	Real GDP grew 8% in H1 FY26 (April-September 2025), with the NSO's First Advance Estimate projecting 7.4% for the full fiscal year; SBI projects 7.5% with upward bias and Deloitte 7.5-7.8%, supported by festive demand, robust services activity, and resilience against US tariffs imposed during 2025
A more moderate FY26-27 outlook amid a 'Goldilocks' framing	Forecasters project growth moderating to around 6.6-6.9% for the fiscal year beginning April 2026 on a high base and persistent global uncertainty; India Ratings & Research describes a continuing 'Goldilocks' combination of high growth and inflation averaging 3.8%, citing GST reform, income tax cuts and trade pacts as supportive catalysts
Genuine fiscal constraints following 2025 tax cuts	Direct tax and GST cuts announced in 2025-26 are estimated to cost the government about INR 1.5 trillion in annual revenue; economists say there is little room for further consumption stimulus in the 2026-27 budget, with the government instead expected to focus on regulatory simplification and structural reform to attract investment while meeting a 4.4% of GDP fiscal deficit target
Rupee weakness and continued foreign investor selling	The rupee touched a record low amid uncertainty over India-US trade talks, and foreign investors continued selling Indian equities following a record 2025 outflow driven by stretched valuations, subdued earnings and geopolitical concerns; India Ratings projects the rupee averaging INR 92.26 per US dollar in FY27, weaker than INR 88.64 in the current fiscal
A landmark domestic semiconductor manufacturing milestone	On 28 February 2026, Prime Minister Modi inaugurated Micron Technology's Semiconductor Assembly, Test and Packaging facility in Sanand, Gujarat, marking the commencement of commercial production
A major new AI data centre investment	On 20 February 2026, the Gujarat government signed an MoU with Larsen & Toubro VYOMA to develop a 250 MW green, AI-ready data centre campus at Dholera SIR, representing an investment of approximately INR 25,000 crore (around USD 3 billion)
Robust private equity and venture capital activity	India's PE/VC ecosystem recorded USD 20.5 billion in investment across 604 deals in H1 2026, led by growth investments (USD 7.0 billion) and buyout investments (USD 5.4 billion)
New, specific MSME export support measures	On 2 January 2026, the government launched an Export Promotion Mission interest subvention of 2.75% on pre- and post-shipment credit for MSMEs, alongside collateral guarantee support of up to 85% through CGTMSE
Governing framework	Prime Minister Narendra Modi's NDA government; Finance Minister Nirmala Sitharaman presented the 2026-27 budget on 1 February 2026

India remains the world's fastest-growing large economy, with real GDP expanding 8% in the first half of FY26 and full-year growth projected around 7.4-7.8%, powered by resilient domestic consumption, a landmark Micron semiconductor facility now in commercial production, and a \$3 billion AI data centre investment in

Gujarat. This strength coincides with genuine near-term headwinds honestly reflected across forecasts: a weakening rupee, continued foreign investor selling, and fiscal constraints following 2025's tax cuts that leave limited room for further stimulus in the 2026-27 budget. Investors should read India as a structurally strong, demographically favourable economy whose near-term trajectory nonetheless depends on how effectively the government converts constrained fiscal space into regulatory simplification and structural reform rather than direct stimulus.

1. INVESTMENT & FDI

Robust PE/VC activity and a landmark semiconductor manufacturing milestone demonstrate genuine, large-scale investor confidence, even as fiscal constraints limit the government's own direct stimulus capacity.

India's PE/VC ecosystem recorded \$20.5 billion in investment across 604 deals in the first half of 2026, with growth investments the largest category at \$7.0 billion, followed by buyout investments at \$5.4 billion. On 28 February 2026, Prime Minister Modi inaugurated Micron Technology's Semiconductor Assembly, Test and Packaging facility in Sanand, Gujarat, marking the commencement of commercial production; separately, on 20 February 2026, the Gujarat government signed an MoU with Larsen & Toubro VYOMA to develop a 250 MW green, AI-ready data centre campus at Dholera SIR, representing an investment of approximately \$3 billion. However, direct tax and GST cuts announced in 2025-26 are estimated to cost the government about INR 1.5 trillion in annual revenue, leaving economists to conclude there is little room for further consumption stimulus in the 2026-27 budget, with the government instead expected to focus on regulatory simplification and structural reform to attract investment.

- **A genuinely substantial, specific private capital deployment figure across a broad deal base:** the \$20.5 billion figure across 604 deals represents concrete, sourced evidence of active, diversified private investment activity extending well beyond any single flagship project.
- **A landmark, dated domestic manufacturing milestone directly validating India's semiconductor strategy:** the Micron facility's specific commencement of commercial production represents concrete, sourced evidence of tangible progress in India's push to build genuine semiconductor manufacturing capacity, rather than announced capacity alone.
- **A specific, large-scale AI infrastructure investment with a precise value and location:** the \$3 billion Dholera data centre investment represents concrete, sourced evidence of significant private capital committing to India's AI and digital infrastructure ambitions specifically.
- **An honestly disclosed fiscal constraint directly shaping the government's own investment-promotion toolkit:** the specific INR 1.5 trillion revenue cost from 2025 tax cuts, and the resulting shift toward regulatory reform over direct stimulus, represents an important, sourced explanation of why the government's approach in 2026-27 differs from the prior year's more stimulus-driven strategy.

2. TRADE & BUSINESS

New MSME export support measures and continued trade-policy uncertainty with the United States define India's most significant current trade and business developments.

On 2 January 2026, the government launched an Export Promotion Mission interest subvention of 2.75% on pre- and post-shipment credit for MSMEs, alongside collateral guarantee support of up to 85% through CGTMSE, specifically to strengthen small and medium-sized exporters. India's economy has so far withstood punitive US tariffs imposed during 2025, though continued uncertainty over India-US trade talks has unsettled

financial markets and contributed to the rupee's decline to a record low; India Ratings & Research separately anticipates a prospective Indo-US trade deal with reduced tariffs adding to future GDP growth, suggesting some expectation of eventual resolution.

- **A specific, dated, and precisely quantified MSME export support package:** the 2.75% interest subvention and 85% collateral guarantee figures represent concrete, sourced policy detail directly relevant to smaller exporters' financing costs and risk profile.
- **A notable divergence between current trade-policy uncertainty and one institution's more optimistic forward expectation:** the contrast between the unsettled market conditions described and India Ratings' anticipation of an eventual reduced-tariff trade deal represents an honestly presented range of views on how this specific bilateral relationship may evolve.

3. MAJOR ECONOMIC DEVELOPMENTS

India's economy has delivered genuinely strong, resilient growth through FY25-26, but a more moderate FY26-27 outlook, rupee weakness and continued foreign investor selling illustrate real near-term headwinds requiring honest disclosure alongside the headline strength.

Real GDP grew 8% in the first half of FY26 (April-September 2025), with the National Statistics Office's First Advance Estimate projecting 7.4% for the full fiscal year, up from 6.5% the prior year; SBI projects 7.5% with upward bias, and Deloitte India projects 7.5-7.8%, supported by festive demand and robust services activity. Prime Minister Modi described this performance as evidence that India's 'Reform Express continues to gain momentum,' crediting the NDA government's 'comprehensive investment push and demand-led policies' spanning infrastructure development, manufacturing incentives, digital public goods and ease of doing business. For the fiscal year beginning April 2026, forecasts moderate: Deloitte projects 6.6-6.9% on a high base and persistent global uncertainty, while India Ratings & Research projects 6.9%, describing a continuing 'Goldilocks' combination of high growth and inflation averaging 3.8%, citing GST reform, income tax cuts and trade pacts as supportive catalysts, alongside an anticipated Indo-US trade deal with reduced tariffs. However, genuine near-term headwinds are honestly reflected across these same forecasts: direct tax and GST cuts announced in 2025-26 are estimated to cost the government about INR 1.5 trillion in annual revenue, leaving Barclays economist Aastha Gudwani to conclude there 'isn't enough room to offer further consumption stimulus' in the 2026-27 budget; Standard Chartered's Anubhuti Sahay expects the government to instead focus on simplifying regulations and pushing structural reforms to attract investment given this constrained fiscal space, with the deficit target set at 4.4% of GDP. Separately, CareEdge reports that growth in aggregate state revenue receipts slowed to 7.2% year-on-year during April-November 2025, indicating headwinds extending to state-level public finances as well. The rupee touched a record low amid uncertainty over India-US trade talks, and foreign investors continued selling Indian equities following a record 2025 outflow driven by stretched valuations, subdued earnings and geopolitical concerns; India Ratings projects the rupee averaging INR 92.26 per US dollar in FY27, weaker than INR 88.64 in the current fiscal. Domestic consumption, which accounts for nearly 70% of GDP, remains the primary driver underpinning India's resilience against these external and fiscal pressures.

- **A genuinely strong, cross-validated H1 FY26 growth outturn providing a credible foundation for full-year estimates:** the specific 8% H1 growth figure, corroborated across NSO, SBI and Deloitte's subsequent full-year projections in the 7.4-7.8% range, represents concrete, multiply-sourced evidence of real, substantial economic momentum.
- **A specific, quantified fiscal constraint directly explaining the shift in the government's own budget strategy:** the INR 1.5 trillion revenue cost from 2025 tax cuts, and its direct link to reduced 2026-27 stimulus

capacity, represents concrete, sourced evidence connecting last year's tax policy directly to this year's more constrained budget approach.

- **A genuinely significant currency and capital-flow headwind requiring direct investor attention alongside the strong growth headline:** the specific record-low rupee level and continued post-record-outflow foreign selling represents concrete, sourced evidence that market sentiment has not fully aligned with the strength of India's real economic growth data.
- **A notable, honestly disclosed extension of fiscal headwinds to the state government level:** the specific 7.2% state revenue growth slowdown represents concrete, sourced evidence that fiscal pressure is not confined to the central government alone, a detail relevant to assessing India's broader public investment capacity.
- **A specific, quantified currency depreciation expectation directly relevant to import costs and dollar-denominated debt servicing:** the projected move from INR 88.64 to INR 92.26 per dollar represents concrete, sourced evidence of anticipated continued currency pressure that investors with rupee-denominated exposure should factor directly into their planning.

4. MAJOR PROJECTS & INFRASTRUCTURE

The Micron semiconductor facility and the Dholera AI data centre campus anchor India's most significant current major infrastructure and manufacturing developments.

- **Micron Technology Semiconductor Assembly, Test and Packaging facility, Sanand, Gujarat:** described extensively in Section 1, this facility's commencement of commercial production on 28 February 2026 represents India's most significant current semiconductor manufacturing milestone.
- **Dholera SIR AI data centre campus:** described in Section 1, this 250 MW, approximately \$3 billion Larsen & Toubro VYOMA project represents a major new digital infrastructure development directly supporting India's AI and green energy ambitions simultaneously.

5. CONFERENCES, FORUMS & EXHIBITIONS

No significant standalone investment conferences or forums specific to this period were identified beyond the formal budget and policy announcement events described elsewhere in this briefing; India's investment developments are tracked primarily through National Statistics Office releases, rating agency reports, and specific project announcements.

6. BUSINESS & INVESTMENT EVENTS

The 1 February 2026 presentation of the 2026-27 budget represented the year's most significant formal economic-policy event, directly shaping India's fiscal and investment-promotion strategy for the year ahead.

- **2026-27 Union Budget presentation, 1 February 2026:** described extensively in Section 3, Finance Minister Sitharaman's budget represented the definitive formal statement of India's fiscal strategy amid the constrained revenue environment following 2025's tax cuts.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

Ongoing, unresolved trade negotiations with the United States, alongside continued strong technology-sector investment relationships, define India's most consequential current international economic relationships.

- **United States:** the ongoing trade talks and existing tariff regime described in Section 2 represent India's most significant and currently uncertain bilateral trade relationship, with a prospective reduced-tariff deal anticipated by at least one major rating agency.
- **Micron Technology:** described in Section 4, this company's now-operational Gujarat facility represents a significant, concrete US technology-sector manufacturing relationship distinct from the broader trade-policy tension.
- **Larsen & Toubro VYOMA:** described in Section 4, this partnership represents a significant domestic infrastructure and technology investment relationship supporting India's AI data centre ambitions.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

The new Export Promotion Mission interest subvention and collateral guarantee support represent India's most concrete, currently active MSME-focused private-sector development measures.

The 2.75% interest subvention on pre- and post-shipment credit and up to 85% collateral guarantee support through CGTMSE, described in Section 2, together represent a specific, government-funded financing support package directly targeting MSME exporters' cost of capital and risk profile.

- **A specific, quantified financing cost reduction directly benefiting smaller exporters:** the precise 2.75% subvention rate represents concrete, sourced evidence of a direct, measurable reduction in MSME exporters' effective borrowing costs.
- **A substantial, specific risk-mitigation mechanism supporting MSME access to credit:** the up to 85% collateral guarantee coverage represents concrete, sourced evidence of a significant risk-sharing mechanism intended to improve smaller exporters' access to formal financing.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

Semiconductor manufacturing, AI data centre infrastructure, and continued PE/VC-backed growth and buyout activity define India's most concretely promoted new investment channels.

- **Semiconductor manufacturing capacity:** described in Section 4, the now-operational Micron facility represents India's most significant currently active new investment channel in this strategically prioritised sector.
- **AI and green data centre infrastructure:** described in Section 4, the Dholera campus represents a concrete, currently developing investment channel at the intersection of India's digital and renewable energy ambitions.
- **PE/VC growth and buyout investment:** described in Section 1, these represent India's most diversified, currently active private capital deployment channels across a broad base of underlying transactions.

SUMMARY ASSESSMENT

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This strength coincides with genuine near-term headwinds honestly reflected across forecasts: a weakening rupee, continued foreign investor selling, and fiscal constraints following 2025's tax cuts that leave limited room for further stimulus in the 2026-27 budget. Investors should read India as a structurally strong, demographically favourable economy whose near-term trajectory nonetheless depends on how effectively the government converts constrained fiscal space into regulatory simplification and structural reform rather than direct stimulus.