NORTHCAPE
CAPITAL

Global Emerging Markets

A Letter from India…

Our recent trip to India highlighted the coordinated expansion underway in the country, driven by public infrastructure, digital innovation, and rising private-sector investment. Rapid improvements in both digital and physical infrastructure—such as UPI and major expressways—are boosting productivity and financial inclusion. Together, these forces are creating multi-year growth across industries, positioning India as a leading long-term emerging-market opportunity.

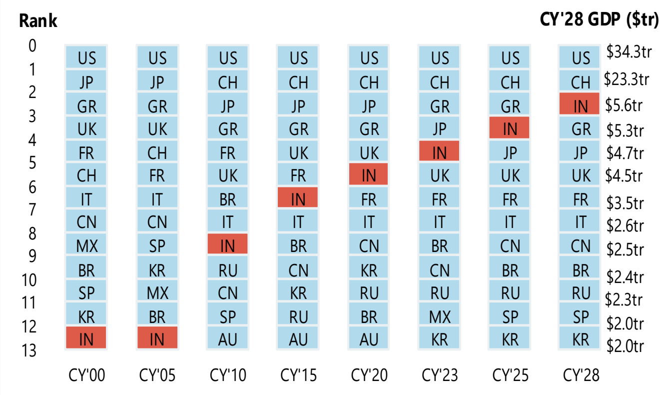
Public-Private Alignment Sets the Stage for India' Next Growth Phase

At 31 December 2025, India remains Northcape's most important market, representing our single largest sovereign exposure, comprising 26% of our portfolio. Having travelled to India for over 17 years, Northcape has observed the country's rapid economic growth and evolution at close range (see Exhibit 1 – highlighting India's economy growing threefold since 2000, lifting its global ranking from 13 to 4 in 2025, and is on track for number 3 rank in 2028).

Over the past two decades, we have witnessed India transforming from a consumption-driven economy into a more complex and increasingly competitive globally linked economy. Specifically, supported by its excellent demographics, our recent visit over November and December reinforced our long-standing view of India, being one of the strongest structural growth investment opportunities in EM. Yet what stood out most on this recent research trip was the extent of alignment now clearly visible across public policy, infrastructure investment, and private-sector expansion. With this, it is our firm view that India has the foundation for sustainable and potentially even higher than forecast growth over the long-term.

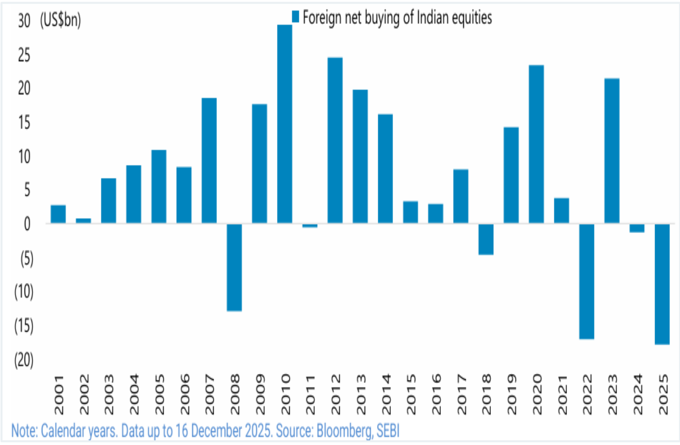
Looking at the macroeconomic indicators, India recorded exceptionally strong GDP growth of +8.2% year-on-year in the September 2025 quarter, exceeding expectations by a full percentage point. Tax reductions, lower policy rates and robust household demand all contributed to this outperformance. At the same time, headline inflation fell sharply from +6% in 2024 to just +0.25%, largely due to weaker oil prices and the delayed effects of earlier monetary tightening. This unusual combination of strong real growth but subdued inflation has temporarily compressed nominal GDP growth from 13% to 8% and has led to a moderation in both credit and corporate revenue growth.

Exhibit 1: India is on track to be the third largest economy by 2028 (Source: IMF, Jefferies)



The Indian stock market has experienced its worst relative performance in thirty years in 2025 compared to the emerging market index. MSCI India Index finished up only +3.8% in US dollar terms on a total-return basis for 2025 compared with the +30.4% gain from the MSCI EM index. Contributing to this underperformance has been foreign investor outflows (see Exhibit 2) and the 5% depreciation of the rupee against the US dollar in 2025, with the currency breaking the psychologically critical 90 level in December.

Exhibit 2: Foreign net buying of Indian Equities (Source: Bloomberg, SEBI, Jefferies)



Importantly, this has not translated into higher inflation, which remains contained through favourable commodity dynamics and ongoing productivity improvements. India's current account deficit for the fiscal year ending 31 March 2026 is forecast at -0.6% of GDP, near a 20-year low, while foreign exchange reserves are a comfortable US$687 billion. This will allow the macroeconomic backdrop to remain stable and allow the Reserve Bank of India (RBI) to ease. As inflation normalises towards the 4% target over the next two years and the impact of the GST reduction rolls through the base, nominal GDP growth should begin to reaccelerate. Economists expect real GDP growth of between 6% and 7% to be sustainable for the foreseeable future.

India's Infrastructure Leap

After years of steady macroeconomic performance, India's accelerating infrastructure build-out now stands as one of the most visible manifestations of the economy's growing dynamism. The clearest evidence of India's structural transformation lies in the rapid evolution of its infrastructure. At the centre of this shift is the emergence of world-class digital infrastructure, a development that has fundamentally reconfigured the functioning of the Indian economy.

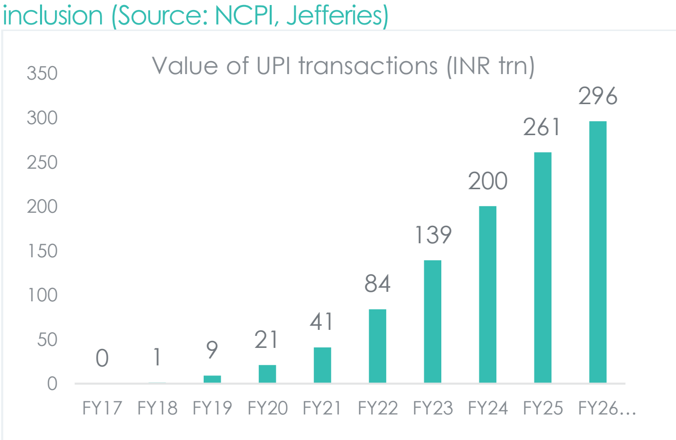
The Digital Infrastructure leap:

India's digital transformation has been profoundly shaped by the creation of the Unified Payments Interface (UPI) and the broader suite of public digital infrastructure developed by the government, commonly referred to as the "India Stack." UPI is a digital payment system created by the Indian government that allows people to send money instantly from one bank account to another using just a mobile phone with no cards, no fees, no bank visits, and no waiting.

Before UPI, digital payments in India were slow, often expensive, and required bank details or card numbers. UPI changed everything by creating a single, universal, government-backed system that every bank and payment app can use. Because it is free, fast and extremely easy, Indians now use it for almost everything from splitting a restaurant bill to paying a taxi driver or a street vendor.

UPI thus enabled instantaneous, low-cost, interoperable payments across banks and platforms, and in doing so removed one of the most persistent barriers to financial participation: frictions in moving money. What makes UPI remarkable is not only its scale, now processing billions of transactions each month, but its architecture as a public good (see Exhibit 3).

Exhibit 3: UPI transactions have increased financial inclusion (Source: NCPI, Jefferies)

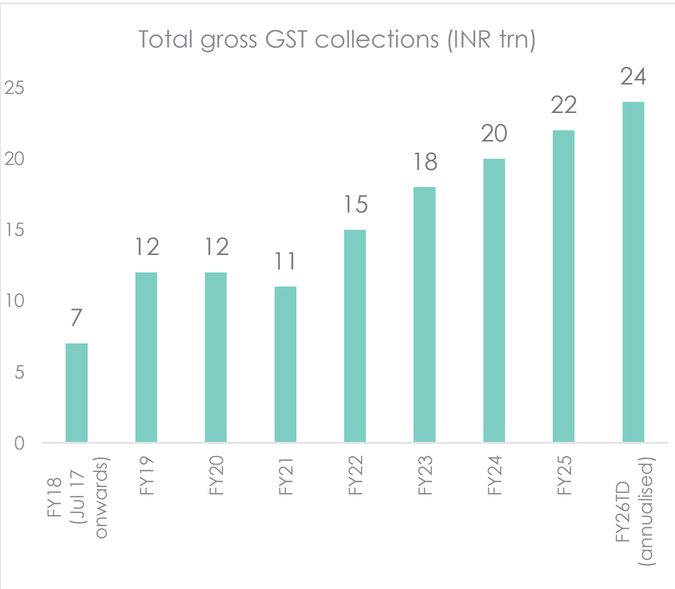


By providing the core digital rails as an open, government-backed utility rather than a commercial product, India ensured universal access, minimal costs, and rapid innovation by private firms operating on top of the platform.

This in turn accelerated the formalisation of the economy, deepened financial inclusion, and created a unique data footprint that has strengthened credit underwriting and enabled new business models across retail, fintech, e-commerce, mobility and public services.

This has subsequently contributed to stronger GST collections that provide the government with greater fiscal capacity to fund future infrastructure and development projects (see Exhibit 4). The India Stack has become one of the most significant productivity enhancements in modern Indian history, reducing transaction costs at a national scale and embedding digital efficiency into everyday economic activity.

Exhibit 4: GST collections have risen: barometer of economic health (Source: Govt. of India, Jefferies)



The Physical Infrastructure Leap

India's physical infrastructure has transformed meaningfully over the past 17 years, and this progress is now an essential driver of national productivity. For a country as vast and densely populated as India, quality infrastructure underpins economic efficiency allowing for improved mobility, lower logistics costs, and creating the connectivity required for sustained long-term development.

A recent example is the opening of the Sambhaji Link in Mumbai, a major underground tunnel connecting Land's End to South Mumbai (see Exhibit 5). This new road has significantly eased congestion and reshaped travel patterns across the city. A journey from Mumbai Airport to a hotel in Colaba that was previously well over an hour now takes approximately 35 minutes. During our recent visit, Northcape witnessed firsthand how materially this single piece of infrastructure enhances access to one the city's key commercial centres.

Exhibit 5: Mumbai Coastal Road (Source: MoneyControl)

The project is emblematic of a broader national push to eliminate bottlenecks and enhance mobility across India. The scale of ambition is further evident in the 1,300-kilometre, eight-lane expressway linking Mumbai and Delhi (see Exhibit 6), which is expected to be fully operational by mid-2026. Spanning five major states, this corridor will materially improve freight efficiency and stands as one of the most consequential infrastructure undertakings in India's modern economic history.

Exhibit 6: Delhi-Mumbai Expressway (Source: NHIA)

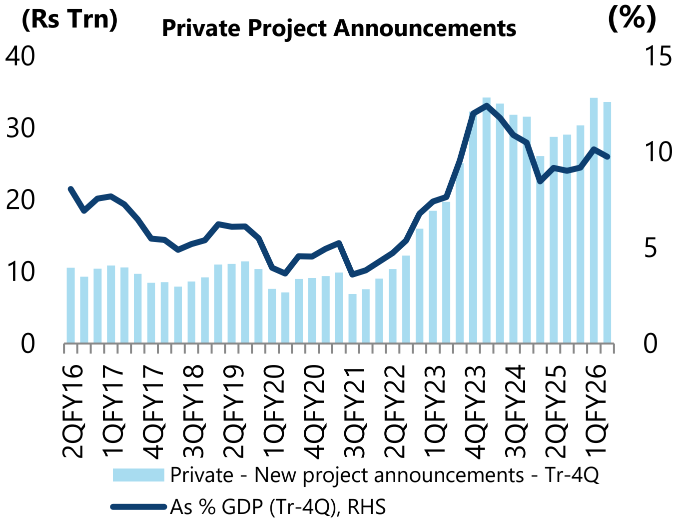
Private Sector Investment Accelerates as Company Meetings Signal Multi-Year Growth

Against this backdrop, our company meetings provided a granular view of how India's private sector is both benefiting from and actively responding to the government's sustained infrastructure push.

Conversations with JSW Infrastructure and JSW Steel confirmed our view that India is entering a significant industrial investment cycle, comparable in ambition to phases previously seen in China, though grounded in far stronger balance sheets, and more disciplined returns. JSW Steel is expanding steel capacity 48.5% from 35 to 52 million tonnes of steel per annum by 2030, with plans that could see this rise to 75 million tonnes. In parallel, JSW Infrastructure is massively scaling its seaport capacity from 177 million tonnes to 400 million tonnes by 2030, positioning the group to capture rising trade and domestic logistics demand.

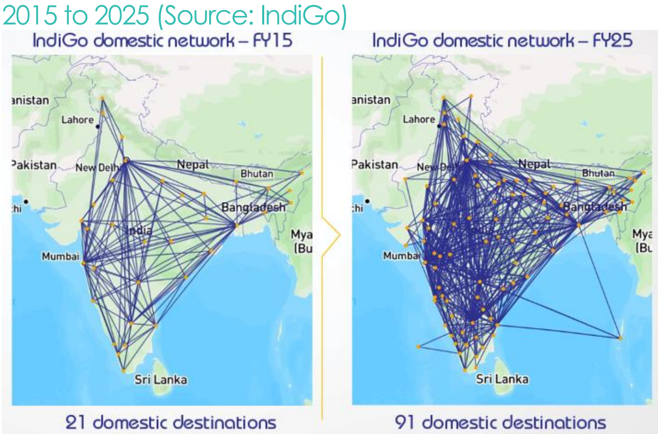
This level of private-sector investment is not isolated. Similar capacity expansion is occurring across the country, reflecting improved capital discipline and confidence in long-term demand. Exhibit 7 illustrates the sharp increase in private investment since 2016, which remains at historically healthy levels. These developments confirm that India's industrial and logistics capabilities are not only growing, but maturing, in a way that strengthens the country's economic resilience and reduces its dependence on external cycles.

Exhibit 7: Private projects = resilient, optimistic about the future (Source: CMIE, RBI, Jefferies)



In aviation, meetings with IndiGo and GMR Airports underscored the profound changes underway in India's mobility landscape. India's aviation sector has entered a multi-year structural growth phase, driven by rapid expansion in both airport infrastructure and airline capacity, underpinned by the rising purchasing power and long-distance travel demands of the country's growing middle class. This deepening of aviation capacity, linking cities, accelerating commerce and enhancing national connectivity is a hallmark of every emerging economic leader, and India is now firmly following this trajectory. As seen in Exhibit 8, IndiGo's domestic network has grown enormously from 21 destinations in 2015 to 91 domestic destinations today.

Exhibit 8: Expansion of IndiGo's domestic network from 2015 to 2025 (Source: IndiGo)



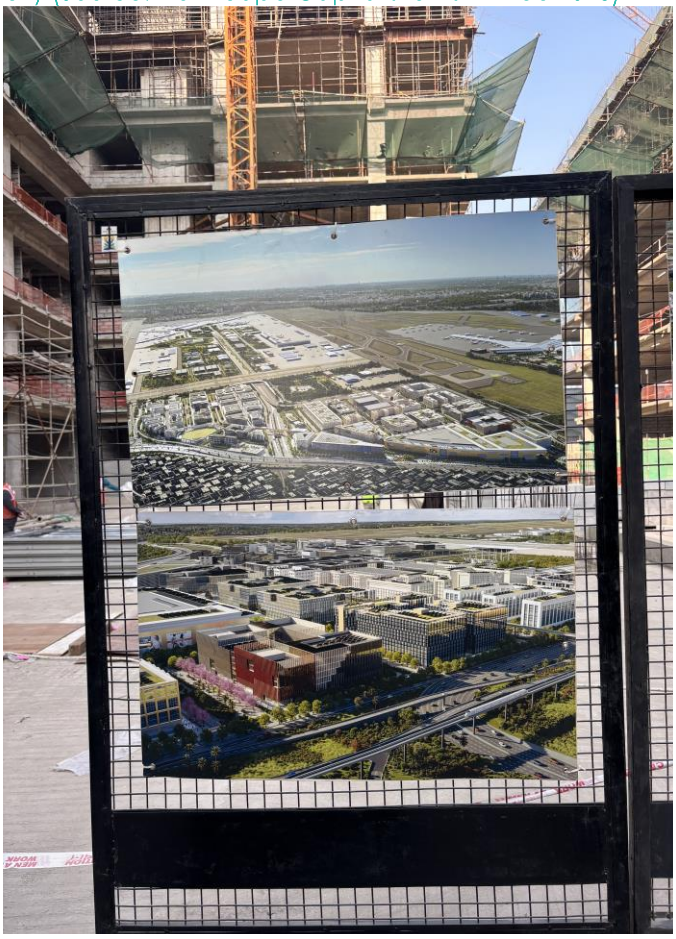
IndiGo now operates more than 2,000 flights per day and carries one million passengers every three days, reflecting both rising household incomes and the substitution of air travel for long-distance rail. Yet the long-term value creation in the sector resides not with airlines but with airports, which benefit from rising passenger throughput while avoiding the structurally low margins, high capital intensity, and cyclicality inherent in airline operations.

GMR Airports, a holding in Northcape's portfolio, is a clear example of how India's structural growth story is translating into company-level outcomes, supported by aligned public policy, infrastructure investment and private capital. And our recent meeting with GMR Airports reinforced the view that the company is far more than a pure-play airport operator.

We identified significant value beyond the core airport operations, particularly within GMR's land development strategy. Importantly, while this development sits within the airport concession framework, the revenue-sharing arrangements are materially more favourable, resulting in higher margins, profits and returns for GMR.

GMR's airports in Delhi, Hyderabad and Goa are being transformed into sophisticated multi-business ecosystems that integrate real estate, logistics, hospitality and retail. The company's commercial property development program (see Exhibit 9), comprising ten million square feet over the next decade, has the potential to generate significant capital gains as India's property cap rates compress with institutional demand for high-quality assets increasing. The development of GMR's new airports, including Bhogapuram and Nagpur, further extends this growth runway and reflects the scale of India's aviation super cycle.

Exhibit 9: GMR's office development plans in Delhi Aero city (Source: Northcape Capital site visit 4 Dec 2025)



India's Rise in Automotive Manufacturing

Perhaps the most compelling evidence of India's rising manufacturing capabilities came from our meeting with Maruti Suzuki (58% owned by Suzuki Motors Jp, and a longstanding portfolio stock of Northcape). Mirroring its GDP rank, India is now the fourth-largest auto market globally (see Exhibit 10). The big beneficiary (and driver) of this growth is the market leader, Maruti, whose competitive advantage continues to deepen, supported by a vast and highly integrated auto ecosystem that spans R&D, design, production, distribution, and after-sales service.

Whilst Maruti's dominance in traditional ICE vehicles is well established, we were encouraged to learn that its electric vehicle strategy is also gaining meaningful traction, with the clear potential to materially elevate both India's and Maruti's presence on the global stage.

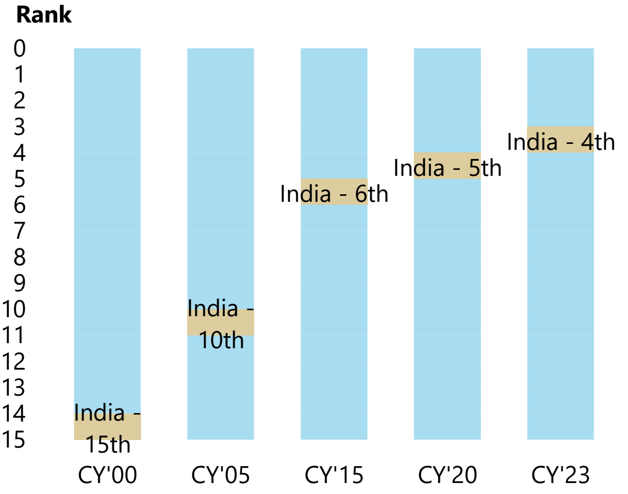
The newly launched e-Vitara, which we viewed at the company's headquarters, appears exceptionally well positioned in terms of design, cost competitiveness, and market fit. Export orders for this model have already reached approximately 12,000 units per month (144,000 units annually) despite only commencing deliveries a few months ago. This represents an immediate 5% uplift to Maruti's total volumes. Overall exports are booming and are expected to exceed 400,000 units this year, with November shipments alone rising more than 60% year-on-year.

Domestically, Maruti is undertaking a major expansion of its distribution and service footprint, with plans to add 1,000 new sales outlets to total 5,000, and 2,000 service centres to total 7,500, over the next five years. The company is preparing for eight new SUV launches over the next four years, a segment where it currently under-indexes relative to its dominant position in small cars.

Maruti expects that its renewed product strategy, combined with the boost to small-car affordability from the GST reduction, should support annual volume growth of close to 10% over the next five years, seeing Maruti extend its leading market share of 41% to potentially 50%.

In our view, Maruti Suzuki represents one of the premier platforms within emerging markets, and its trajectory provides a powerful illustration of how India's manufacturing and export capabilities are strengthening in parallel with domestic demand.

Exhibit 10: India's big leap in auto production (Source: Bloomberg, SIAM, Jefferies. Autos include PVs + CVs)



Conclusion

Taken together, these insights paint a picture of an Indian economy entering a new phase of coordinated expansion. Public-sector infrastructure spending, digital public goods, regulatory reform, and private-sector investment are now reinforcing one another. Growth is no longer reliant on one single engine; rather, it is emerging from a broad-based and increasingly interconnected system. Heavy industry, aviation, housing, consumer businesses, financial services, digital infrastructure and autos are all contributing to a more balanced and resilient growth profile.

For investors, this environment remains highly attractive. India benefits from structural growth drivers that are likely to persist well beyond typical emerging-market cycles, and its corporate sector is demonstrating both discipline and confidence. While nominal GDP growth has softened temporarily, the medium-term outlook is one of reacceleration, supported by stable inflation, rising productivity and continued investment. In our view, India remains one of the most compelling long-term opportunities within emerging markets, driven by both the breadth and the durability of its growth engines.

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