‘The Conviction in India Continues to be Very High’

ET Q&A

India remains Citi's third most important market in Asia and the bank expects to continue deploying capital across commercial banking, corporate banking and investment banking, said **Achintya Mangla, head of financing, Investment Banking, Citi**. In an interview with **Shilpy Sinha**, Mangla said he expects AI, energy and data-centre infrastructure to drive opportunities, while calling for a need to improve the ease of doing business and reforms to attract more foreign capital. He said while foreign investors may be questioning India's position in the global AI race and turning their attention to markets such as South Korea and Taiwan, long-term conviction in the country remains intact. Edited excerpts:

THE AI PICTURE

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India saw a record IPO run over the last two years. How is the pipeline looking?

Globally, the IPO pipelines have slowed in the last few years, and this is the year it is coming back. A lot of it is driven by AI and everything else. The other deal activity is M&A which has been very ferocious in the US, driven by high valuations and a lot of ease of credit liquidity. When you take that to India, it is slightly different. When rest of the world was quiet on IPOs, Indian IPOs were off the charts for last two years. This year, Indian IPOs are slow.

Why are foreign investors turning cautious on India?

The perception outside is that India is currently behind in the AI race. Broadly speaking, 45% of the urban workforce in India is financial services and IT services. All those are at risk of AI. Valuations have moderated, but not enough. Foreign investors are asking whether to invest money in India or relatively more in markets like Korea and Taiwan, which are more directly linked to the AI supply chain. Korea and Taiwan have been rescued, to some extent, by their role in AI.

Does that mean investors are losing faith in India's long-term story?

We have to distinguish short term volatility from the conviction that I continue to believe everyone still has in India. The demographics are still in our favour. Manufacturing is growing. Infrastructure improvements are visible. I think we underestimate the positives. The conviction in India continues to be very high, which is why some of the largest private equity funds have raised more capital in the last one year for investments in India than ever before. I think FII withdrawal is a short-term effect. We should not confuse that with India's long-term potential.

Which sectors do you expect to drive deal activity over the next few years?

The biggest theme globally is AI. You have construction companies benefiting because data centres need to be built, similar is the case for power and energy. Energy is one of the biggest constraints on compute. India can provide renewable energy much cheaper than the US. That's why companies such as Google are setting up data centres here. Globally, we see deals in the foundation models like OpenAI and Anthropic.