

Will new-age companies break into large-cap indices?

RINGSIDE VIEW.



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India may soon lose out to South Korea and Taiwan in market cap if the current trend sustains.

Buoyed by the artificial intelligence (AI) boom, South Korea's market value has surged 190 per cent to \$4.59 trillion in the past year, while that of Taiwan increased nearly 90 per cent to \$4.67 trillion as against India's market capitalisation of \$5.02 trillion.

The Indian market has been on a downward-to-side-ways movement in the last couple of years as foreign investors' risk-off sentiment has weighed down its equity market.

After pulling out nearly ₹1.8 lakh crore in FY26, FII selling continued with more intensity, as they sold over ₹75,000 crore worth shares in just 35 days of FY27.

FII's share declined to a 14-year low of 16.13 per cent, revealed a recent primeinfobase.com data.

In a recent report, JP. Mor-

gan while downgrading India's weight to 'Neutral' said large-cap index (Sensex and Nifty) had minimal AI, data centre and semiconductor representation, relative to the US, Korea, China and Taiwan.

AMBIT'S BOLD CALL

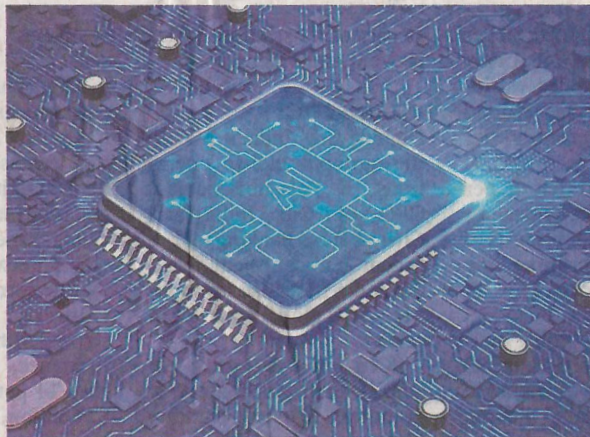
In fact, in 2015, Ambit Capital had predicted that the big guns of the Sensex such as Reliance Industries, SBI, ONGC, Bharti Airtel, HDFC, Tata Steel and L&T may retire from the benchmark index altogether within the next 10 years.

Ambit Capital, betting on the then new government led by Prime Minister Narendra Modi, had predicted a massive overhaul in the way business is done in India, so dramatically that a whole new generation of companies will graduate to the main index, while 15 of the current constituents would be dropped.

INDEX REBALANCING

Market indices undergo periodic rebalancing to maintain their accuracy and relevance in a changing market landscape.

In studying the churn in



ENTERING BIG LEAGUE. There is high potential of National Payments Corporation of India to enter large-cap index, if it wishes to list its shares

the Sensex over 10-year windows, Ambit Capital found that the churn peaked at 67 per cent (or 20 replacements in the 30-stock index) in the years following the 1991 reforms (1993-95).

It then fell to a low of 27 per cent (eight replacements) in 2004-14.

The report pointed out that blue chips of the past, such as Century Textiles, GSF, Bombay Dyeing and Ballarpur Industries, went out of the index when industry was disrupted by the

abolition of the 'Licence Raj'.

However, the big and bold call of Ambit Capital is yet to fructify, as none of the new-age companies is able to challenge them with scale. While India might have missed the AI bus, it's still not too late.

Actually, old-economy companies, especially in the defence, energy, automobile and oil sectors, are adopting both AI and robots to stay relevant in the competitive world.

Revolution is happening in fintech too. India's Unified

Payments Interface (UPI) stands as a global example of digital innovation, catalysing the country's transformation into a digital-first economy.

UPI REVOLUTION

The listing of the National Payments Corporation of India, which facilitates UPI, could help new-age companies featuring in the index and hence provide more traction for Indian stocks.

Indigenously-built Sarvam.AI is the other company which we can be proud of.

However, we need more such companies that are both innovative and have scale to take on global giants, especially in the fields of semiconductors, green hydrogen, renewable energy, electric vehicles, data centres, aerospace and biotechnology.

At the same time, we should also be proud of our old-economy companies and the major job creators, which are managing to stay at the top.

If they excel in their respective fields, taking on the mighty ones with clear vision, good days are ahead for Indian stock investors.