

India

Not Rated

Technology - Overall

Bharat sovereign AI stack crystallizing

- Bharat/India sovereign AI stack building blocks in place. Build-out could extend beyond data localization to multiple layers in the value chain.
- Strategic imperatives are driving its adoption globally. Indosat Ooredoo Hutchison is a real-world use-case.
- Curated a list of participants across Indian private and publicly listed space (see Fig. 1). We would profile the key players in our subsequent reports.

Data and AI sovereignty takes precedence

Artificial Intelligence (AI) is gaining traction not just for enterprises but for economies as well, given the potential incremental economic value and is the strategic imperative behind the transformative approach to AI development that prioritizes national and regional control over the entire AI lifecycle. This strategy enables countries to develop and deploy AI capabilities using own infrastructure, data, and talent, and, in turn, maintain complete control over how AI is built, trained, and deployed.

Strategic imperative

The concept of sovereign AI builds upon the sovereign cloud movement focusing on data protection and regulatory compliance and has elevated it further to national, economic, and security strategy. The technological independence and sovereignty stakes are high as AI is increasingly integrated into critical infrastructure such as hospitals, financial institutions, and public services, and countries face risks of relying on foreign providers for essential services. Simply put, sovereign AI creates opportunities to be captured from the value generated by nations' data and intelligence (as against outsourcing it to foreign providers and purchasing them back at premium prices) vs. focusing only on protecting data.

Key drivers of adoption

Read-through of Accenture's filings on the topic suggests 1) technology independence: for security and intelligence capabilities as AI becomes central to critical infrastructure, 2) control and compliance: regulatory framework and proposed policy initiatives, and 3) localization: locally trained models supporting indigenous languages become critical to technological advancement as AI is democratized and natural language becomes the new programming paradigm, are the primary motivations of adoption.

Curated a list of participants across private and publicly listed space

We believe India sovereignty stack build-out could extend beyond data localization to data centre, infrastructure software, integrated hardware design and manufacturing, application software, and semiconductor layer, and could create multiple opportunities across distinct themes. Although not exhaustive, we have curated a list of private and publicly listed participants (refer Fig. 1) and would profile them in our subsequent reports.

Real world use-case: The Indosat Ooredoo Hutchison case study

Indonesian telecom company Indosat Ooredoo Hutchison (IOH), through its subsidiary Lintasarta, has partnered with Accenture and NVIDIA to accelerate its sovereign AI cloud platform aimed at driving AI-driven digital transformation in Indonesia. The initiative, called Sahabat-AI, represents a collection of open-source Indonesian large language models (LLMs) that local industries, government agencies, universities, and research centres can leverage to create generative AI applications. Sahabat-AI models understand local contexts and enable building generative AI services and applications in Bahasa Indonesian and various local languages. The collaboration, initially focusing on AI solutions for the financial services sector, could help Indonesian banks to harness AI, driving profitability, operational efficiency, and sustainable growth in a highly competitive market.

Research Analyst(s)

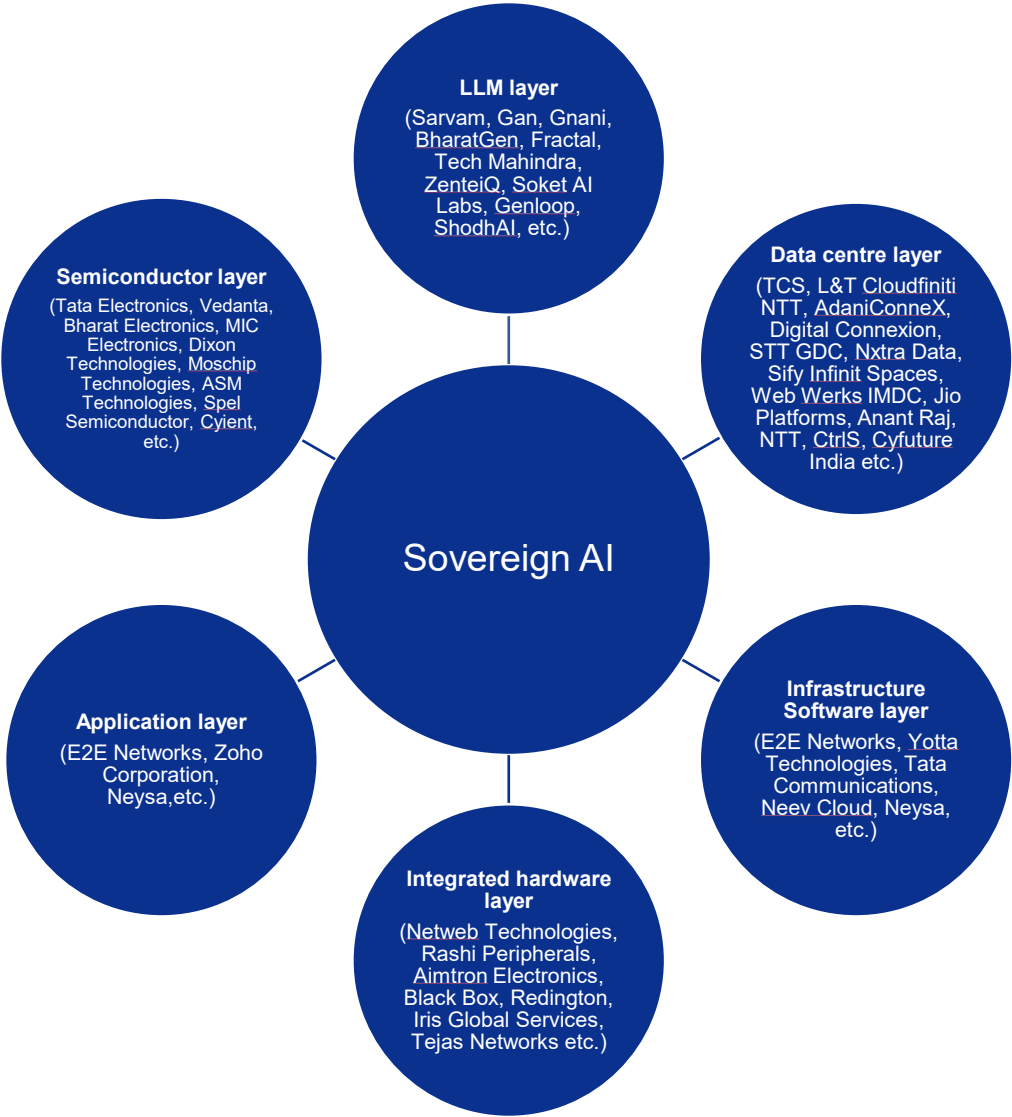


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Figure 1: India sovereign AI stack



SOURCE: INDIAAI MISSION, COMPANY REPORTS, INCRED RESEARCH

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Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.