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ET Markets Smart Talk | AI infrastructure, not just AI software, will drive India's next wealth cycle: Amit Joshi

For years, investors chasing the artificial intelligence (AI) boom have largely focused on software companies. But the next wave of wealth creation could come from the infrastructure powering this technological revolution.

From data centres and power transmission to manufacturing and the energy transition, these sectors are emerging as the real enablers of the global AI ecosystem. In an interaction with Kshitij Anand of ETMarkets, Amit Joshi, Chief Investment Officer at Bajaj General Insurance, explains why AI infrastructure—not just AI software—could be India's biggest long-term investment opportunity.

He also shares his outlook on markets after the RBI policy, portfolio allocation strategy, preferred sectors, key risks from crude oil and geopolitics, and the biggest mistakes retail investors should avoid in the current market. Edited Excerpts –

Q) Post RBI's Monetary Policy Committee (MPC) meeting scheduled for August 3 – August 5, 2026. How are you looking at the outcome?
A) The RBI has maintained a supportive stance in the monetary policy with a focus firmly on growth. The RBI has kept the policy rates unchanged at 5.25% and reduced the inflation outlook to 5% while raising the GDP growth forecast to 6.7%. Overall assessment is that the economy has been able to sustain the volatility brought in due to the Middle East conflict. A resolution of the tensions in the Middle East will further strengthen India's growth momentum.

Q) Indian market. Indian market started the 2H2026 on a sombre note falling over 1% so far in July. What is weighing on markets?
A) Indian market has underperformed in the last couple of years after an earlier prolonged period of outperformance, as earning growth slowed down for large caps.
Additionally, Nifty 50 companies lack direct or indirect exposure to the AI related sectors, which is the ongoing global investment theme, positioning India as somewhat of an "anti-AI" trade in large-caps. Consequently, the Nifty 50 is down 6.0% YTD. Broader markets have, in fact, done better: the Midcap 100 and Smallcap 100 indices are up YTD 4% and 9.2%, respectively, due to better earnings visibility and growth.

This resilience is driven by indirect AI exposure specifically through data centers, Power Transmission & Distribution (T&D), and manufacturing sectors benefiting from the capex cycle. Beyond sector dynamics, elevated crude oil prices and persistent geopolitical uncertainties leading to currency volatility created headwinds across H1.

Q) Are current market valuations justified by earnings growth? How are you reading into June quarter numbers which have come so far?
A) Earnings reported so far have comfortably beaten initial expectations despite input prices inflation and global demand uncertainties. The fallout from global geopolitical conflicts has been confined to a few isolated pockets, largely because the Government of India has managed to absorb a significant portion of the shock from rising crude oil prices.
Based on historical levels, market valuations are at a comfortable level given the earnings revival and expectation of reduced global uncertainties.

Q) If you were building a fresh portfolio today, how would you allocate between large caps, midcaps and small caps?
A) While Large-caps look relatively attractive on a valuation basis, SMIDs (Small and Mid-caps) offer superior earnings growth prospects. Therefore, a balanced 50:50 allocation between Large-caps and SMIDs is ideal for a fresh portfolio allocation today.

Q) Which sectors are you overweight, underweight and why?
A) We are currently OW on domestic focussed sectors like automobile, premium consumer discretionary, capital goods, healthcare, private banks and NBFCs space. OW is driven by strong domestic capex, stable demand on premium and semi premium sectors, niche earnings visibility and credit expansion. We are underweight mostly on global oriented sectors like Commodity, software oriented companies.

Q) Which structural theme has the potential to create the most wealth over the next five years—manufacturing, AI infrastructure, defence, financialisation, energy transition or consumption?
A) Among the major multi-year trends, AI Infrastructure and the Energy Transition stand out as the two biggest drivers for long-term wealth creation as the world is still under invested in this and capital expenditure is supported mostly by governments.

Q) What's the single biggest risk to Indian equities over the next 12 months?
A) The primary near-term risks include sustained high oil prices, further escalation of Middle East conflict, and any domestic political turbulence.

Q) What's the biggest mistake retail investors are making in the current market?
A) The biggest misstep is chasing short-term gains through speculative Futures & Options (F&O) trading rather than building long-term wealth by investing in fundamental, high-quality businesses.

Q) Brent Crude is again hovering around the $100/bbl mark. Do you think higher crude oil will cap upside for Indian market in the 2H2026 as well?
A) We expect crude oil to trade comfortably within the $80–$90/bbl range, which remains manageable for the Indian economy.
However, if prices consistently hover above $100/bbl, it will exert severe upward pressure on both domestic inflation and the Indian Rupee and will impact GDP growth by almost one percentage point.

While the Government of India (GoI) would likely step in to absorb a major portion of this cost burden to protect consumers, doing so will widen the fiscal deficit, which, in turn, will feed back into broader inflationary pressure and constrain market upside in H2 2026.