



India's AI Moment

Policy, Infrastructure, and the Race to Build

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Overview

India's emergence as a serious AI nation is no longer a matter of aspiration. It is a matter of policy, capital, and execution. Across government corridors in New Delhi, data centre campuses being commissioned in Hyderabad and Mumbai, and startup studios in Bengaluru, the country is making consequential bets on artificial intelligence at a pace that would have seemed implausible three years ago.

The IndiaAI Mission, anchored by a ₹10,372 crore budget and an explicit mandate to build sovereign compute, develop indigenous foundational models, and train a workforce capable of competing globally, represents the most coordinated technology policy push India has mounted since the IT boom of the 1990s. The difference this time is that India is not positioning itself as the world's back office for AI — it is attempting, for the first time, to be a builder of the underlying infrastructure and intelligence.

This report examines the key dimensions of India's AI moment: the policy architecture taking shape, the infrastructure race underway, the nascent ecosystem of sovereign AI models, the startup builders and sector applications driving value, the talent gap that remains the single most consequential constraint, and the questions that FY 2026-27 will be forced to answer.



Message from the MD's Desk

Abhinav Kumar Singh
Founder & Managing Director,
Adgcraft Communications



Every era has a technology that forces a reckoning. For India, artificial intelligence is that technology, and the reckoning is happening now, not in some anticipated future.

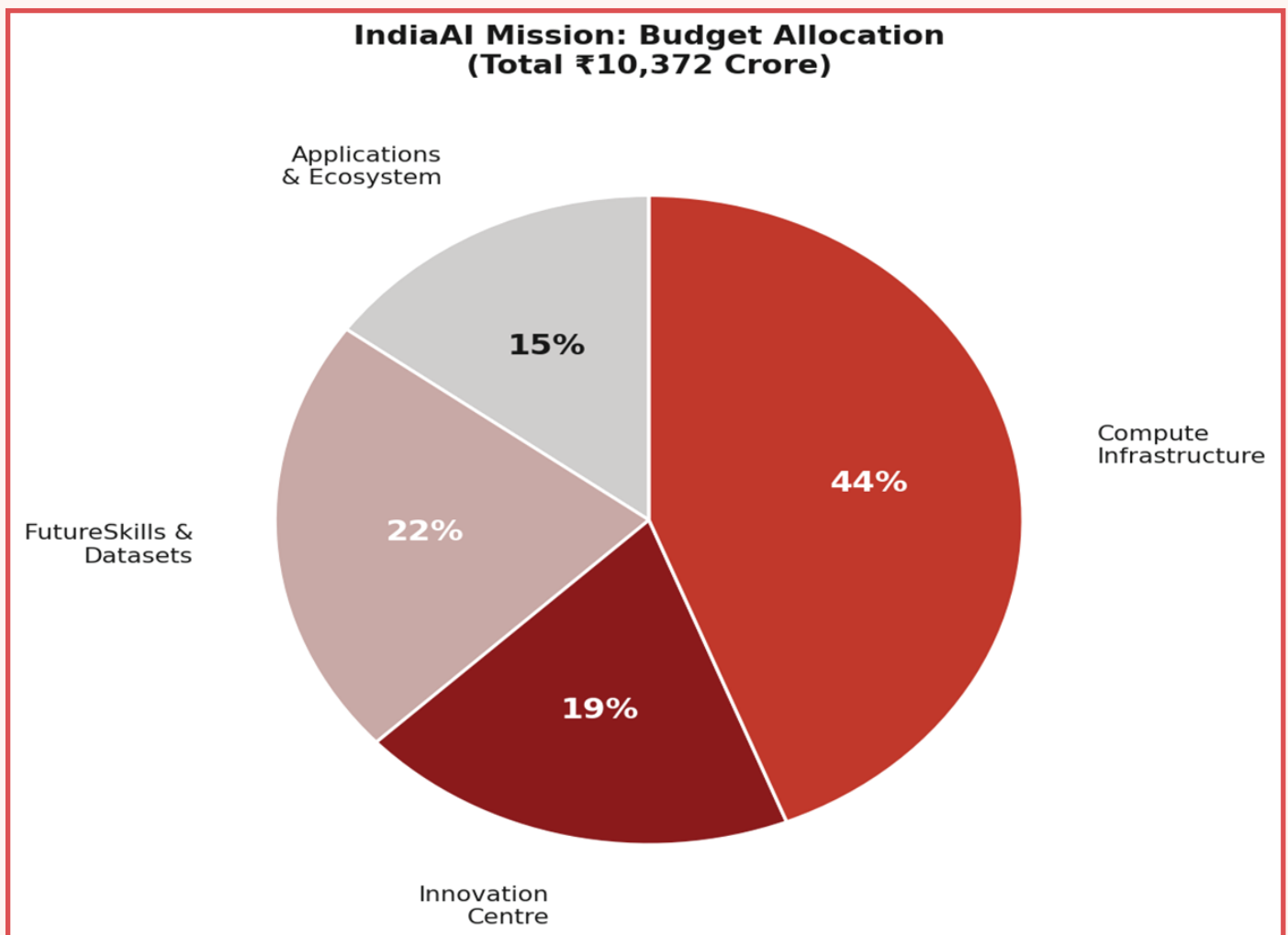
What strikes me most about India's AI moment is not the scale of the ambition, though the ambition is real. It is the convergence of factors that are giving that ambition a structural foundation for the first time. A government that has moved from scepticism to active investment. A private sector committing hundreds of billions of dollars. A generation of founders who grew up on India's IT success story and are now asking why India cannot build the intelligence layer, not just run the services on top of it.

Yet this moment is fragile in ways that the headlines do not capture. The infrastructure is being announced faster than it is being built. The talent needed to fill the roles being created is not yet in the pipeline. The regulatory environment around data is still taking shape. And India's track record of converting policy ambition into operational reality, in technology as in infrastructure, is mixed at best.

The businesses that will shape India's AI decade are not just the ones building the best models or the fastest chips. They are the ones that can communicate what they are building, why it matters, and who it is for, in a landscape where the audience ranges from central government departments to first-generation smartphone users in Tier-3 towns. That communication challenge, and the credibility required to meet it, is where we have spent the last five years building expertise.

1. The Policy Architecture - IndiaAI Mission and the Regulatory Stack

India's AI policy has undergone a fundamental shift from facilitation to active state participation. The IndiaAI Mission, approved by the Union Cabinet in March 2024 with a five-year budget of ₹10,372 crore (\$1.25 billion), is the centrepiece of this transformation. It is not a single programme but a multi-pillar initiative covering compute infrastructure, indigenous model development, datasets, applications, and skills.



The compute pillar, with ₹4,563 crore allocated over five years, represents the most consequential commitment. By making high-performance GPU compute available at 42 per cent below market rates, the government has removed the single largest barrier for Indian startups attempting to train and fine-tune AI models domestically. The IndiaAI FutureSkills initiative is simultaneously attempting to build the human capital pipeline, establishing AI labs in smaller cities and creating fellowship programmes from undergraduate to doctoral levels.

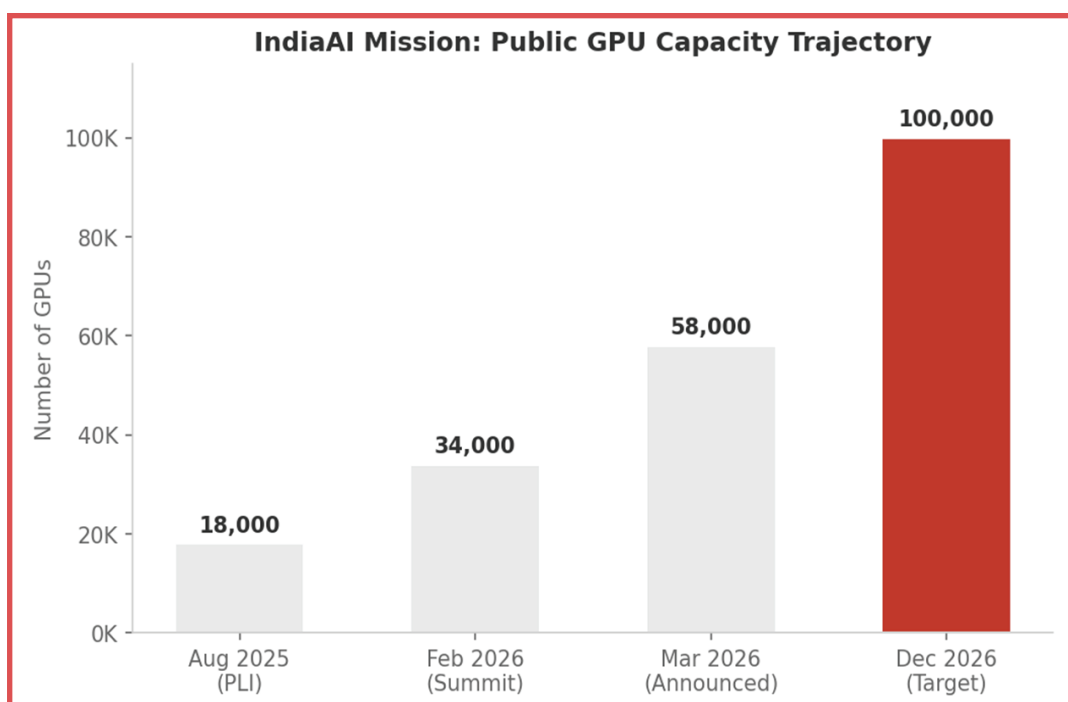
Budget 2025-26 amplified this commitment significantly, with AI funding quadrupling to ₹2,000 crore and the Ministry of Electronics and IT receiving a 48 per cent increase in total allocation to ₹26,026 crore. A ₹20,000 crore Deep Tech Fund of Funds was also introduced, signalling that the government intends to sustain this investment well beyond the initial Mission cycle.

Regulatory Signal to Watch:

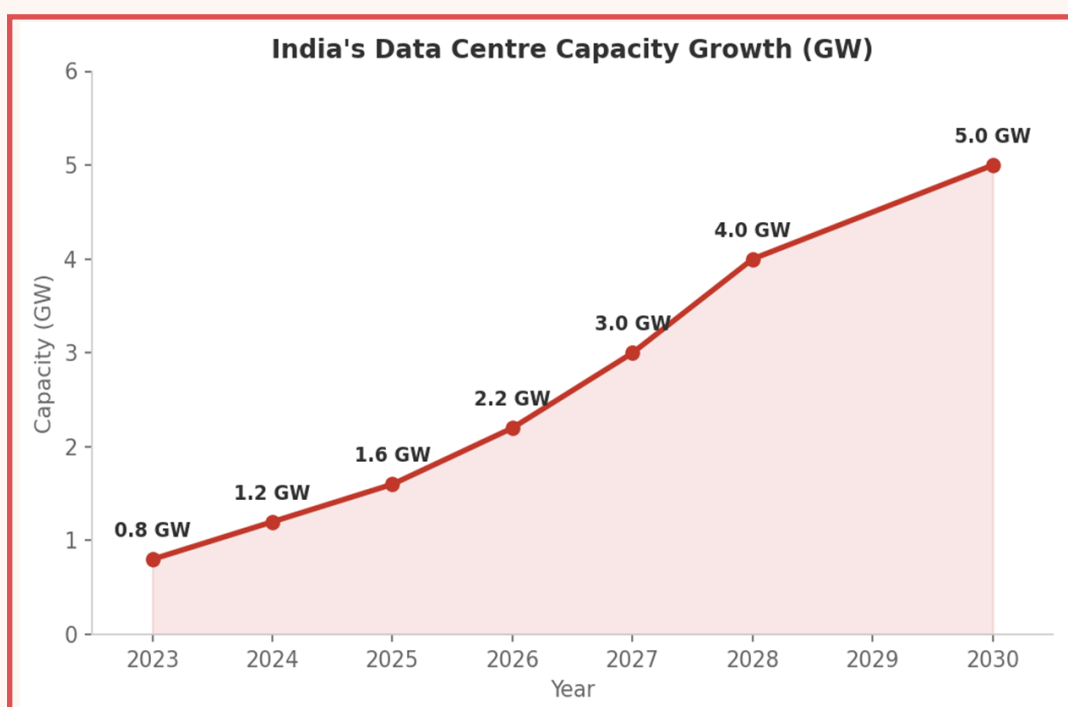
The Digital Personal Data Protection (DPDP) Rules, notified on November 13, 2025, introduce a compliance timeline that will shape every AI company working with Indian user data. Consent Manager registration launches November 2026, with full compliance requirements including breach notifications kicking in by May 2027. For AI systems trained on or processing Indian data, DPDP compliance is now a business-critical requirement, not a future consideration.

2. The Compute Race - GPUs, Data Centres, and Sovereign Infrastructure

Artificial intelligence at scale is, fundamentally, an infrastructure problem. The country that controls the compute controls the trajectory of its AI development. India entered this race with a significant structural deficit - hosting nearly 20 per cent of the world's data but commanding only 3 per cent of global data centre capacity. Closing that gap is now a national priority, and the pace of investment suggests it is being taken seriously.



India's public GPU infrastructure has scaled rapidly. From approximately 18,000 GPUs in August 2025, the IndiaAI Mission's national compute pool has crossed 34,000 units and is targeting 100,000 by end of 2026. The February 2026 India AI Impact Summit saw a pledge of 20,000 additional sovereign GPUs, with Yotta Data Services simultaneously announcing a 20,736-unit NVIDIA Blackwell Ultra cluster scheduled for August 2026 activation. Total public and private GPU deployments are now estimated at over 80,000 units, with projections suggesting 650,000 to 700,000 GPUs could be deployed across India's data centres within five years - representing a \$23 billion investment opportunity.



The data centre capacity story mirrors this acceleration. India's built capacity, at 1.6 GW in 2025, is projected to reach nearly 5 GW by 2030, growing at a CAGR of 26 per cent. Between March 2025 and April 2026 alone, operators announced approximately 30 large projects collectively adding 3.5 GW of planned capacity. Andhra Pradesh and Telangana account for over 2 GW of this pipeline, driven by AI-centric mega campuses; Maharashtra remains the deepest market by project count; and Chennai and Noida continue to attract hyperscale buildouts.

The investment commitments from global technology firms have been extraordinary in scale. Google has announced a \$15 billion AI data hub in Visakhapatnam. AWS has committed \$12.7 billion to cloud and AI infrastructure by 2030. Microsoft has pledged \$3 billion for similar initiatives. TCS plans \$5-7

billion in AI-focused data centres over the next seven years. Total AI investment commitments in India have crossed \$20 billion as of 2025, according to MeitY data.

The Execution Gap:

India's data centre boom is real, but the gap between announced capacity and commissioned capacity is widening. Of the 3.5 GW announced between March 2025 and April 2026, the bottleneck is no longer planning — it is power. Data centres consumed 0.5 per cent of India's electricity in 2025; that figure is projected to more than double by 2030. Grid connections, substation upgrades, and long-term power agreements are now the critical path for AI infrastructure delivery.

3. India's Sovereign AI Models — The LLM Ecosystem

Perhaps the most strategically significant development in India's AI journey over the past twelve months has been the emergence of domestically built, open-source large language models capable of competing with global counterparts on Indian language tasks. This matters because language is the gateway to AI utility for the 900 million Indians who do not primarily communicate in English.

Sarvam AI, the first startup selected under the IndiaAI Mission's Foundation Model pillar, launched two major open-source models in February 2026: Sarvam-30B (a mixture-of-experts architecture) and Sarvam-105B, which activates approximately 9 billion parameters per token with a 128,000-token context window. The company has simultaneously developed use cases including 'AI4Pragati', AI tools for governance and public services, and 'Citizen Connect 2047', positioning its models explicitly within India's development narrative rather than as generic enterprise tools.

Krutrim, founded by Ola's Bhavish Aggarwal, has taken a parallel track. Its Krutrim-1 (7B) and Krutrim-2 (12B) models focus on Indian language support across 13 languages, while Kruti — India's first agentic AI assistant with multilingual capabilities — represents the commercial translation of that research. Aggarwal has committed ₹10,000 crore to Krutrim by 2026 and

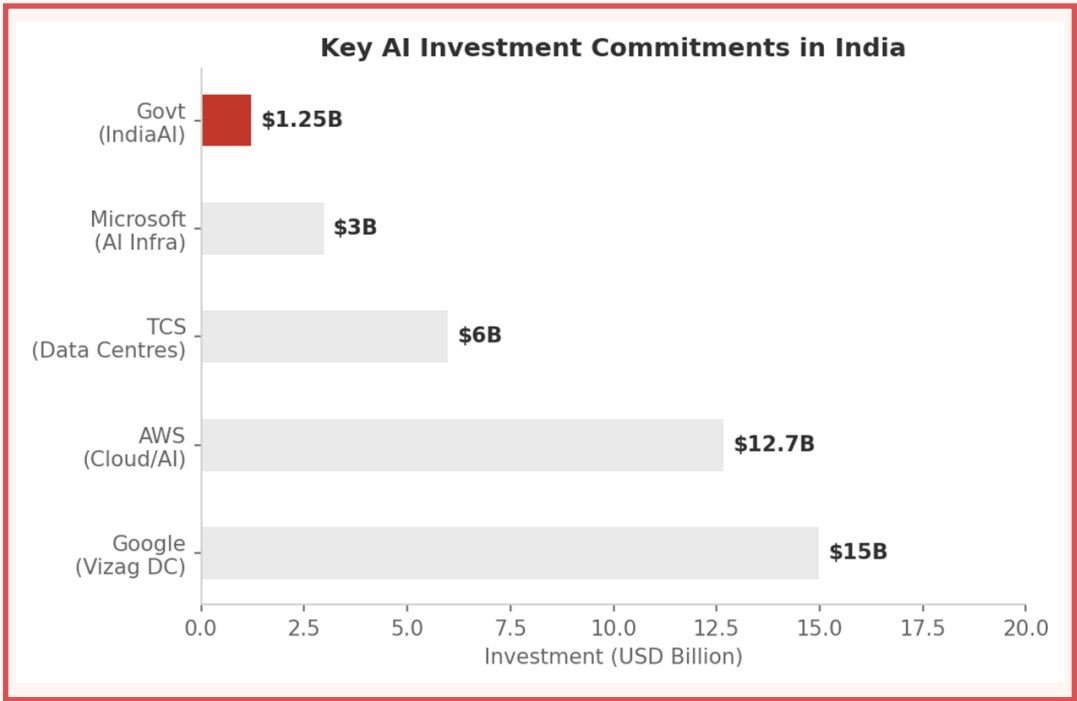
announced a partnership with NVIDIA for India's largest AI supercomputer. Krutrim became India's fastest company to achieve unicorn status in January 2024. Alongside these leaders, the BharatGen initiative at IIT Kharagpur has launched Param2, a 17-billion-parameter model supporting 22 Indian languages.

The Strategic Stakes:

India's linguistic diversity - 22 scheduled languages, hundreds of dialects, is simultaneously its greatest AI challenge and its most powerful competitive moat. A sovereign LLM ecosystem built on Indian data and Indian languages creates a platform that no foreign model can easily replicate. Sarvam's open-source approach, in particular, reflects a calculated bet that the returns from ecosystem building — applications, services, enterprise deployments — outweigh the returns from model proprietary control.

4 The AI Startup Ecosystem, Where the Builders Are

India's AI startup landscape in 2025 and early 2026 presented a nuanced picture: significant activity, but a different character from the AI capital concentration visible in the United States. Indian AI startups raised \$643 million across 100 deals in 2025, a 4.1 per cent increase year-on-year but modest in comparison to the \$121 billion flowing into US AI ventures in the same period.



The distinction that matters most is the application-versus-foundation split. Indian investors and founders have pragmatically concentrated on applied AI, tools that solve specific, high-value problems in sectors including healthcare, agriculture, financial services, logistics, and enterprise software, rather than competing at the foundational model layer where capital requirements are prohibitive. According to NASSCOM-Zinnov analysis, AI accounted for 91 per cent of deeptech funding in India in 2025, with deep-tech funding surging 37 per cent to \$2.3 billion.

Notable leaders from India's AI startup generation: Qure.ai in medical imaging AI, which earned FDA clearance for six new chest X-ray indicators in early 2026; Kore.ai in conversational enterprise AI, which raised \$150 million with NVIDIA participation; SuperAGI, which pivoted in July 2025 to a comprehensive agentic AI platform for marketing and sales automation; and Neysa, which secured a \$600 million commitment from Blackstone for its AI deployment acceleration platform. There are now approximately 1,900 AI companies in India, with 536 having secured venture funding.

What's Missing:

India does not yet have an AI-first company generating \$40-50 million in annual revenue within a year of founding — the marker that signals genuine global competitiveness at the foundation layer. Building that company will require research depth, talent pipelines, and patient capital that India is assembling but has not yet fully deployed. The current cohort of application-led AI companies is building real value; the question is whether India will also build the foundational infrastructure companies that the next generation of applications will run on.

5 Sector Applications, Where AI Is Creating Real Value

India's AI value creation is most visible in sectors where the combination of large, digitised data sets, pressing operational challenges, and massive user scale creates a compelling case for deployment.



Healthcare

Medical AI is arguably India's most globally competitive AI application sector. Qure.ai's radiology AI tools, now cleared by the FDA across multiple diagnostic categories, represent the kind of deep, validated application that can travel from India to global markets. AI-driven diagnostics are being deployed across district hospitals and telemedicine platforms, addressing a physician shortage that makes technology-enabled care not a luxury but a necessity.

Agriculture

With over \$1 billion raised in agritech in early 2025 alone and a 35 per cent year-on-year increase in investor interest, AI applications in agriculture, precision farming, supply chain digitisation, crop health monitoring, and weather advisory, are gaining traction in a sector that employs nearly half of India's workforce. Cropin's AI-powered farm management platform, serving clients across multiple countries, exemplifies the global relevance of India-built agricultural AI.

Financial Services

India's fintech sector, which raised \$2.5 billion in 2025 representing 22 per cent of total startup funding, is the deepest user of applied AI, across credit underwriting, fraud detection, insurance, and investment advisory. The UPI payments infrastructure, processing over 200 billion transactions, generates data sets that make Indian fintech AI among the most practically trained systems in the world.

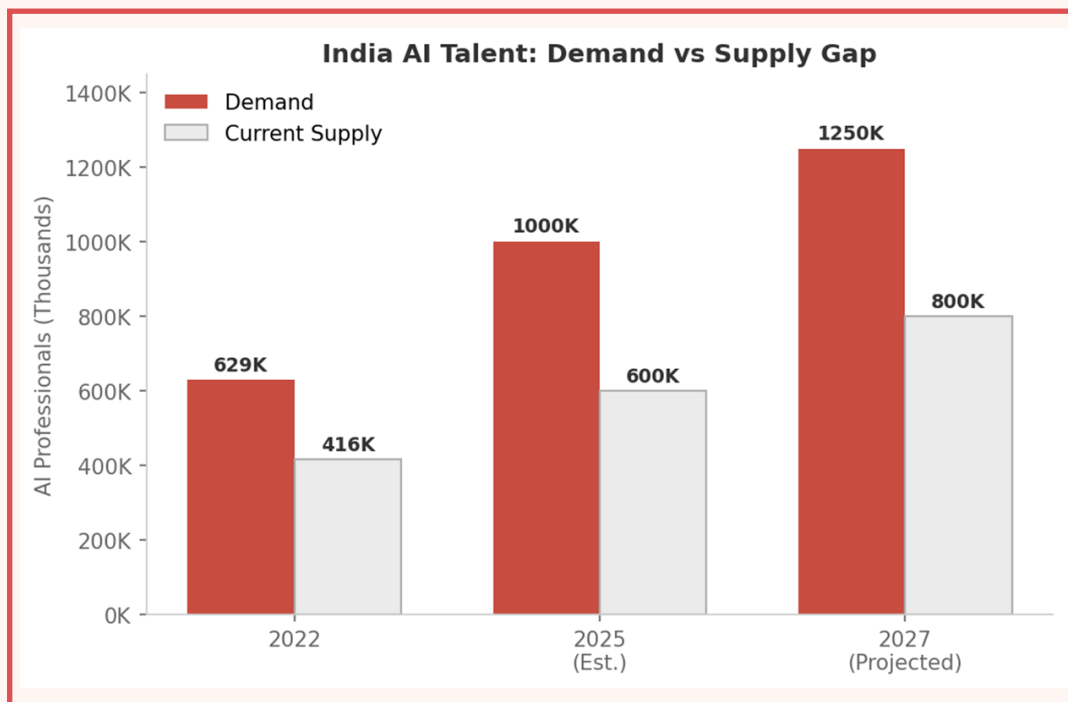
Government and Governance

The government's own deployment of AI is accelerating, driven by the IndiaAI Applications Development Initiative. AI tools for cybercrime complaint classification, developed through the IndiaAI I4C CyberGuard AI Hackathon — are now being integrated into the National Cyber Crime Reporting Portal. AI systems capable of interpreting handwritten FIRs, screenshots, and audio calls represent a fundamentally different mode of public service delivery.



6 The Talent Question, India's Biggest Constraint

If there is a single factor that will determine whether India's AI ambitions are realised or remain perpetually aspirational, it is talent — specifically, the gap between the AI skills the economy demands and the AI skills the education and training system is producing.



The numbers are stark. AI-related job demand in India is projected to cross one million by 2026. As of late 2025, only approximately 16 per cent of IT professionals are AI-skilled, according to MeitY data. The NASSCOM-Deloitte analysis projects the AI talent demand growing to 1.25 million by 2027, with the demand-supply gap widening unless intervention is accelerated significantly. India could face a shortfall of over 1.4 million AI professionals by 2026 if upskilling is not urgently accelerated.

The irony is acute. India has built its global technology reputation on the depth and volume of its IT talent. But the skills that made India the world's software services hub, largely programming, system integration, and project delivery, are not the same skills that frontier AI development requires. ML engineering, data architecture, prompt engineering, LLM fine-tuning, and AI safety evaluation are specialisations that India's educational institutions have only recently begun producing at scale.

The responses are underway but must move faster. The IndiaAI FutureSkills initiative is establishing AI labs in Tier-2 and Tier-3 cities. The SOAR (Skilling for AI Readiness) programme had enrolled 1.34 lakh students and teachers by December 2025. Major IT companies are investing heavily: TCS trained 350,000 employees on AI during 2023-24; Wipro trained 220,000. Microsoft has committed to providing AI skilling to 2 million Indians by 2025. The NASSCOM AI Adoption Index scores India at 2.45 out of 4, with 87 per cent of enterprises actively using AI solutions as of December 2025.

The Structural Opportunity:

India's talent challenge is also its most significant opportunity. A country that succeeds in building a million AI-native professionals — not just AI-aware, but AI-building — will not only meet its domestic demand but will become the world's most significant supplier of AI talent and AI-built solutions. The gap between demand and supply is not a failure; it is the size of the market waiting to be built.

7. Challenges on the Road Ahead

India's AI ambitions are real, well-resourced, and increasingly grounded in tangible progress. They are also navigating four structural challenges that require honest acknowledgement:

7.1 The Hardware Dependency

India's AI infrastructure is overwhelmingly dependent on NVIDIA for high-performance GPUs. This single-supplier concentration creates both cost and geopolitical exposure, a risk made vivid by US export controls that have periodically complicated chip procurement by other nations. India's India Semiconductor Mission, with ₹2,499 crore allocated in Budget 2025-26, is beginning to address domestic chip manufacturing, but the path from current capability to sovereign AI hardware production is measured in years, not quarters.

7.2 Power Infrastructure

The AI data centre buildout is converging on a power constraint. India's installed electricity capacity crossed 510 GW in late 2025, but the distribution infrastructure, grid stability, and long-term renewable energy agreements required to power AI-scale compute are still catching up with the ambition. Data centres already consume 0.5 per cent of India's electricity and this figure will more than double by 2030 on current trajectories. Without grid modernisation and green energy integration, India's AI infrastructure boom will generate emissions that undermine its sustainability credentials.

7.3 The Execution Gap

India's history of announced ambitions outpacing delivered infrastructure is a pattern that AI policymakers must actively resist. The gap between announced data centre capacity and commissioned capacity is already visible. The lesson from the ACC PLI experience in the EV battery space, where only 2.8 per cent of targeted capacity was commissioned on time, is that early execution challenges can compound into structural deficits.

7.4 Data Governance

Effective AI requires high-quality, accessible, and legally usable data. India's DPDP rules are rightly establishing protections for personal data, but the compliance architecture for AI training datasets, particularly for health, agricultural, and financial data, is still being defined. The IndiaAI Datasets Platform represents a good-faith attempt to provide non-personal datasets for research and development, but the data governance framework India ultimately establishes will shape the quality and legality of AI trained on Indian data for years to come.

8. The Road Ahead, What FY 2026-27 Will Define

Several developments in the current fiscal year will determine whether India's AI moment translates into durable structural advantage or remains a cycle of ambitious announcements.

The 100,000 GPU target under the IndiaAI Mission represents the most

concrete near-term test of India's ability to deliver sovereign compute at scale. Reaching that milestone by December 2026, and ensuring meaningful utilisation rather than headline procurement, will signal whether the policy architecture is producing real capability.

The DPDP Rules compliance calendar will begin to bite. Consent Manager registration in November 2026 will be the first major live test of how India's AI ecosystem navigates data protection obligations. How regulators and companies handle the early compliance period will set the tone for India's AI regulatory culture.

In the sovereign LLM space, the next six months will determine whether Sarvam AI, Krutrim, and the newly selected Foundation Model teams under IndiaAI can demonstrate models that are not merely capable in benchmarks but genuinely useful in the sectors, healthcare, agriculture, governance — that India has identified as priorities.

And in talent, the acceleration of AI skilling programmes — particularly in Tier-2 and Tier-3 cities where India's next generation of AI professionals will come from — will be the quiet, high-stakes investment that shapes the decade. The country that trains a million AI-native professionals wins something that no infrastructure investment can replicate.



Voices on AI: What the World Is Saying

As India navigates its AI moment, global leaders and Indian voices alike are defining the stakes. These are perspectives that frame the transformation underway.

Global Voices

“AI is probably the most transformative technology humanity has ever developed. It is quite possibly more transformative than electricity.”

Sundar Pichai

CEO, Google & Alphabet

“Artificial intelligence would be the ultimate version of Google. The ultimate search engine that would understand everything on the web. It would understand exactly what you wanted, and it would give you the right thing.”

Larry Page

Co-Founder, Google

“AI is the new electricity. Just as electricity transformed almost everything 100 years ago, today I actually have a hard time thinking of an industry that I don’t think AI will transform in the next several years.”

Andrew Ng

Co-Founder, Coursera; Founder, DeepLearning.AI

“We are at a point in history where the decisions we make about AI in the next few years will shape the trajectory of this technology for decades to come.”

Sam Altman

CEO, OpenAI

Indian Voices

"India is now a proud contributor to global AI. Whether it is semiconductors, whether it is data centres, whether it is talent, we have everything it takes to lead in AI."

Narendra Modi

Prime Minister of India

"I want India to not just use AI but to build AI. We should not be consumers of AI; we should be creators of AI. That's the direction I want every young Indian to think in."

Bhavish Aggarwal

Founder & CEO, Krutrim; Co-Founder, Ola

"AI is going to be the defining technology of our generation. And I genuinely believe that if we get this right, it can solve some of humanity's hardest problems."

Sundar Pichai

CEO, Google & Alphabet (on India's AI potential)

"The pace of progress in artificial intelligence is incredibly fast. India needs to move with equal speed — in policy, in infrastructure, and in building human capital — if it wants to be a shaper and not just a consumer of this revolution."

Nandan Nilekani

Co-Founder & Chairman, Infosys; Architect of Aadhaar

Adgcraft's POV: Communicating the AI Transition

What We Bring to AI and Technology Communication

India's AI transition is one of the most communication-intensive technology shifts the country has seen. It is simultaneously a policy story, an infrastructure story, an investment story, and a human story about skills, jobs, and the future of work. Each of those audiences — policymakers, investors, enterprise buyers, talent, and the general public — requires a distinct voice, channel, and register.

Over five years, Adgcraft has developed expertise in communicating transformational change across emerging sectors in India. In the technology and AI space, we bring both the sector depth and the narrative capability that this moment demands.

What AI Communication Gets Wrong

Most AI communication in India right now falls into one of two traps: the overclaim, in which companies position themselves as revolutionary without the substance to back it, or the technical opacity, in which genuine innovation is buried under language that only industry insiders can decode. The result is a communication environment simultaneously overloaded with AI announcements and starved of genuine understanding.

The companies and institutions that will define India's AI decade are not simply the ones building the best technology. They are the ones that can explain what they are building, why it matters, and who it serves — in language that reaches the commuter, the crop farmer, the city planner, and the cabinet secretary whose choices will determine the pace and direction of adoption.

What Adgcraft Brings to AI Communication

- Sector depth across the AI stack — from compute infrastructure and sovereign models to enterprise AI applications and AI-enabled public services, we understand the full ecosystem and the distinct stakeholder communities within it.
- Thought leadership development — we build credible, data-backed narratives for founders, CTOs, and policy voices who need to communicate complex technology transitions to non-specialist

audiences.

- Consumer and citizen communication — we translate the abstractions of artificial intelligence into accessible, actionable messaging for audiences at every stage of the adoption journey, from early adopters to the unaware.
- Multilingual and multi-platform reach — Hindi, Tamil, Marathi, Bengali, Telugu — we build campaigns that reach audiences in the language and on the platform where they actually consume information, essential for any AI communication strategy that takes the Bharat opportunity seriously.
- Crisis and regulatory communication — in a sector where policy changes, safety incidents, and competitive disruptions require rapid, precise responses, we have the experience to protect credibility when it matters most.
- Earned media relationships across business and sector journalism, with established credibility across national business media, regional press, and digital platforms covering technology, policy, and innovation.

FY 2026-27 is a year of genuine, consequential change in India's AI landscape. The compute infrastructure is being built. The sovereign model ecosystem is finding its legs. The talent pipeline is being constructed. And the regulatory architecture is taking shape. The story of India's AI moment is largely still unwritten — and the organisations that shape how that story is told will help shape the transition itself.



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