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Investment Opportunity in India Manufacturing Grows with AI Infra

With AI as the catalyst for the fourth Industrial Revolution, $7 trillion has already been pumped into the enabling infrastructure, based on the use cases known today. That will shoot up in the future, creating some of the best applications in traditional industrial or manufacturing businesses, Anuj Ranjan, chief executive of Brookfield's private equity group, told **Arijit Barman** at the World Economic Forum in Davos. In India, investment opportunities are emerging away from consumer, tech and services industries — that have traditionally attracted maximum PE capital — and towards manufacturing, he said.

As productivity rises, deglobalisation will result in higher capital investments to fund the push to produce locally. "If you look at US manufacturing, the investment to build or expand plants was $50 billion in 2020 — this year, it'll be $250 billion," said Ranjan. "That's created a massive need for cash from major companies." With more than $1 trillion assets under management, Brookfield has grown into one of the world's largest alternative asset managers.

If you Look at the AI Impact, we are in 4th Industrial Revolution

The days of free revenue growth of portfolio firms, free multiple expansions, and free money are over, according to Anuj Ranjan, CEO of Brookfield Private Equity Group. Speaking to ET's **Arijit Barman**, Ranjan said the primary task of private equity fund managers is to operationally improve businesses to make them more resilient and generate returns. In a broad-ranging interview, he spoke about global trends to the new opportunities in India. Edited excerpts:

What themes are shaping your investment outlook across asset classes as you look ahead to 2026?
There have been two big things that we've been observing. Firstly, it's digitalisation. When you now look at the impact of AI, we truly are in the fourth industrial revolution. The key word there is industrial; $7 trillion investment has gone into infrastructure alone around AI to enable it. And that's for use cases today. The use cases in the future could be even higher. We think one of the best applications is traditional industrial or manufacturing businesses. We've always had automation but automation that is AI enabled is going to transform some of these businesses.

The other big trend is de-globalisation. If you look at US manufacturing, the investment to build plants or expand plants in 2020 was $50 billion. This year, it'll be $250 billion. Now you see every country in the world reorienting supply chains and planning to produce more domestically. That's created a massive need for cash from major companies. Conglomerates are also reviewing their portfolio far more intensely. So, on one hand, they're all going to be more productive because of technology, on the other hand, they must spend a lot to produce locally and that creates opportunities.

With so much geopolitical uncertainty, how do you make sustainable business plans?
Trying to figure out what is going to happen is not the right use of time. What makes more sense is to ensure that the businesses we buy are resilient and durable.

Resilience means extended timelines. Does that mean that the investment horizons are also getting stretched?
To make real returns today you can't bet on what the industry bet on in the past. There were vast amounts of money flooding the general private equity landscape. It didn't cost very much and there was unlimited growth, so you could buy a business, leverage it, and with financial engineering, get your returns in 2-3 years. Those days are gone. Today you have to operationally improve businesses to make them more resilient and generate returns. You're not going to get free revenue growth,

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free multiple expansion, or free money today. The only way to make strong returns is to go out and really work these assets. It'll be tougher to do that in two to three years. We typically have 5-8 year horizons.

What about India, a market where you have been very prudent. Are valuations still stretched or do you see fundamental shifts?
Brookfield has invested over $30 billion in India. It's one of our biggest growth markets. Of course, we think there's growth in India and the growth is real. But for us, we are value investors and we don't want to invest in sectors or areas that we don't bring anything special to. The thing in India is that industrials or real asset-linked services, where we are experienced, aren't sectors where PE activity has been.

ET Q&A

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