

India

Money, Military & Markets-XXIII

Trump tantrums- Unintended benefit to India

- America's short-term, transactional policies under President Donald Trump have eroded trust and even pushed India and China closer.
- This unintended thaw gives India a decade-long window to modernize its defences instead of relying on hasty arms procurement.
- By investing in indigenous tech, production capacity, & integrated air defence like Sudarshan Chakra, India can turn US missteps into a strategic advantage.

American foreign policy was always transaction-based

America's foreign policy has long been marked by **short-term, transactional thinking**, but under Trump this tendency accelerated dramatically—policy reversals that once took decades now occurred in weeks. His erratic, personality-driven diplomacy shattered the historical consistency across US administrations, leaving allies and rivals uncertain of Washington's commitments. India has witnessed this pattern firsthand. The US alternated between **dumping and embracing Pakistan**, encouraging China's rise only to later brand it as Enemy No. 1, and treating India as a bulwark against Beijing while simultaneously disparaging it. Remarks such as calling India a "dead economy," or the Treasury's disparaging comments on sanctions, echo older wounds like the **Seventh Fleet incident of 1971**—episodes that linger in Indian memory and erode trust. Even threats of banning **H-1B visas**, although unlikely, highlight Washington's unpredictability.

Trump's rants have given India a decade to prepare for a 2-front war

Indian planners are the last to believe that the recent thaw in India-China relations will last. India does not fit into China's long-term hegemonic plan for Asia, and Beijing will continue to use Pakistan as its vassal state. A two-front, high-tech war is therefore inevitable—one in which, unlike Operation Sindoor, attrition on India's side will be higher. However, Trump's behaviour has unintentionally given India a decade-long window to prepare, and the good news is that preparations are underway. An indigenous jet engine program to enable mass production of fighters, along with state-of-the-art air defence systems capable of covering the entire nation, are critical. Project Sudarshan Chakra is a step in precisely that direction.

Defence is a 20-year theme; real gains lie in secondary plays

Defence is likely to remain a 20-year structural theme in India, driven by sustained modernization, indigenization, and the reality of a two-front threat. Beyond frontline contractors and public sector undertakings or PSUs, investors and strategists should look for secondary plays—companies supplying critical inputs like specialty chemicals, alloys, electronics, semiconductors, avionics, drones, and logistics. These second-order beneficiaries often scale faster and offer better risk-adjusted returns, while remaining tied to the defence cycle without being as heavily regulated as frontline manufacturers. Some of the smaller names who are making rapid strides in technology developments are 1) radar makers (Bharat Electronics or BEL, etc.), 2) ideaForge Technology (UNRATED), 3) PTC industries (UNRATED), 4) Solar Industries (UNRATED), 5) Premier Explosives (UNRATED) and hundreds of drone, radar and unmanned combat aerial vehicle or UCAV manufacturers who are unlisted.

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Figure 1: This tweet will hurt India-US relations for decades to come



Donald J. Trump
@realDonaldTrump

I don't care what India does with Russia. They can take their dead economies down together, for all I care. We have done very little business with India, their Tariffs are too high, among the highest in the World. Likewise, Russia and the USA do almost no business together. Let's keep it that way, and tell Medvedev, the failed former President of Russia, who thinks he's still President, to watch his words. He's entering very dangerous territory!

589 ReTruths 2.09k Likes

Jul 31, 2025, 9:30 AM

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Trump tweets- Unintended benefits to India

America's foreign policy has always been transactional, but under Trump its short-termism intensified, with abrupt reversals that unsettled allies like India. Episodes such as disparaging remarks about India and threats on H-1B visas revived old wounds like the 1971 Seventh Fleet incident, eroding trust. Ironically, Trump's behaviour has given India a decade-long window to prepare for an inevitable two-front, high-tech war against China and Pakistan. This reprieve allows India to focus on long-term defence modernization—developing indigenous jet engines, mass-producing fighters, and building nationwide air defence through projects like Sudarshan Chakra. Defence will remain a 20-year structural theme, with real opportunities in secondary plays such as specialty materials, drones, avionics, and ammunition, where companies like BEL, ideaForge Technology, PTC Industries, Solar Industries, and Premier Explosives are emerging as key beneficiaries alongside hundreds of unlisted innovators.

India has long recognized and appreciated the short-term nature of American thinking

India has always recognized the short-term nature of American thinking. The foundation of American capitalism rests on short-term gains, and consequently, the US has always been transactional—dumping Pakistan only to embrace it again, propping up China until it became Enemy No. 1, and using India as a bulwark against China before shifting its stance to openly disparaging India, simply because Mr. Trump's mood was sullied vis-à-vis India. With Trump at the helm, this transactional time limit has shrunk into weeks, which was earlier in years.

American short term think-vis-à-vis Pakistan, China & India ►

1. Pakistan-American short-term thinking is most evident vis-à-vis Pakistan. For decades, Washington has oscillated between abandonment and embrace—discarding Pakistan when its utility waned and re-engaging when strategic necessity arose. From being a Cold War ally against the Soviet Union, to being sanctioned in the 1990s over nuclear proliferation, to being hailed post-9/11 as a 'frontline ally' in the war on terror, and once again being sidelined in recent years, Pakistan has experienced the cyclical and transactional nature of US policy.
2. China - With China, the US policy has also revealed its short-term orientation. In the late 20th century, Washington actively encouraged China's rise—granting it entry into the World Trade Organization or WTO, facilitating trade, and supporting its integration into global markets. The bet was that economic engagement would liberalize China politically. Instead, China used this opening to strengthen itself economically and militarily, eventually emerging as America's principal rival. The US shift from propping up Beijing to branding it 'Enemy No. 1' demonstrates how expedient, rather than foresighted, American policy often is.
3. India - Towards India, the US behaviour has followed a similarly transactional pattern. For years, India was viewed with suspicion due to its non-alignment and ties with the Soviet Union. Later, Washington courted India as a counterweight to China, projecting it as a key partner in the Indo-Pacific strategy. Yet, this embrace has been inconsistent shifting to open disparagement whenever political frictions or leadership moods intruded, as seen in Mr. Trump's erratic approach. Such fluctuations highlight the absence of strategic patience in American dealings with India.

While such behaviour is not uncommon historically, under the Trump administration the timeline has shrunk dramatically—from years to mere weeks ➤

1. One week Trump praises India as America's key partner; the next, he disparages it over trade frictions.
2. He welcomed talks with China and then declared China 'Enemy No. 1' within weeks.
3. Pakistan swung from being ignored to suddenly being courted again for Afghanistan peace deals.

In the past, American foreign policy was consistent across different political streams; however, Trump has broken the pattern ➤

1. In the past, American foreign policy maintained a broad consistency across political streams, anchored in bipartisan consensus on key issues such as the Cold War, engagement with China, and alliances in Europe and the Middle East.
2. This continuity gave Washington a reputation for predictability, even when administrations changed.
3. Trump broke that pattern—introducing abrupt, personality-driven shifts that upended long-held positions, leaving allies and rivals alike uncertain about US commitments.
4. For example, North Atlantic Treaty Organization or NATO, once a cornerstone of bipartisan US strategy, was openly disparaged by Trump as obsolete.
5. China, which had long benefited from US engagement, was suddenly branded as 'Enemy No. 1' within months.
6. India, briefly courted as a bulwark against China, found itself publicly slighted when Trump's mood soured over trade disputes.
7. These swings highlighted how, under Trump, foreign policy moved from strategic continuity to impulsive reversals.

Trump may be dismissed as an aberration, but the damage of impulsive diplomacy is real—strategic partnerships that take decades to build can be undone in days ➤

While some political pundits may dismiss Trump as an aberration, arguing that the inconsistency in US foreign policy will fade with his presidency, the damage caused by such impulsive diplomacy cannot be overlooked. Strategic partnerships are not built overnight—they take years, often decades, of steady engagement, trust-building, and shared sacrifice. Yet, they can be undermined or broken in a matter of days through erratic decisions, hostile rhetoric, or sudden policy reversals. Even if the US returns to a more consistent path after Trump, allies and rivals alike will carry the memory of volatility, making them more cautious in placing long-term bets on Washington's reliability.

For example, it took India nearly 40 years to move past the memory of the US Seventh Fleet sailing into the Bay of Bengal during the 1971 war and the disparaging "bitch" remark aimed at the Indian prime minister of the time. Similarly, Trump's dismissive comment about India being a "dead economy" and the US Treasury Secretary's disparaging remarks on sanctions are episodes that will remain etched in India's memory for decades. Such incidents reinforce a deep-seated perception in New Delhi that Washington's words and actions cannot be trusted, no matter how warm the rhetoric of partnership may sound. Once broken, trust in strategic relationships is not easily rebuilt—and for many Indians, America will never again be seen as a reliable partner.

In an extreme case, Trump could always fire another short-term salvo—such as banning H-1B visas—so India must be prepared for that as well ➤

Trump could always fire another short-term salvo—such as banning H-1B visas—and India must be prepared for that possibility. Such a move would strike at the heart of India's tech talent pipeline, disrupt the aspirations of thousands of professionals, and strain one of the most visible bridges between the two countries. It would also fit neatly into Trump's pattern of transactional, short-term politics—sacrificing long-term strategic goodwill for immediate political gains.

However, the probability of this remains very low as it will hurt US tech industry even more ➤

While the probability of such a move remains limited—since an H-1B visa ban would hurt US companies more than India—the very possibility of Trump firing another short-term salvo cannot be ignored. Such threats, even if not acted upon, reinforce the perception in India that America's commitments are transactional and fragile. Strategic partnerships may take decades to build, but they can be shaken in days, and memories of broken trust last for generations.

Trump has achieved the unthinkable—even a few weeks ago—by pushing India and China closer

Trump has achieved the unthinkable—even a few weeks ago—by pushing India and China closer. Historically, India and China have been wary rivals, divided by border disputes, trade frictions, and competing ambitions, with the US counting on this rivalry to position India as a counterweight to Beijing. Yet Trump's erratic policies, disparaging remarks about India, and transactional approach have shaken New Delhi's trust in Washington, creating space for a limited thaw with China. What once seemed impossible has now become a reality, underscoring how short-term, impulsive actions can upend long-standing geopolitical assumption.

India and China are coming together to fight a common bully- America

India and China, long-time rivals with deep mistrust between them, are now finding common ground in resisting what both see as America's heavy-handed and bullying behaviour. Trump's disparaging remarks about India, his administration's inconsistent policies, and Washington's increasingly transactional approach have shaken New Delhi's confidence in the US. At the same time, China, already cast as America's primary adversary, has every incentive to draw India away from Washington. This convergence of grievances has created an unlikely opening for India and China to edge closer—not out of mutual affection, but out of a shared desire to push back against America's short-term, coercive diplomacy.

The US President's remark to Ukraine President Volodymyr Zelensky— 'what cards do you have?'—should have been a powerful cue to the world ➤

When the US President asked Zelensky, 'what cards do you have?' it was more than a casual remark—it was a telling signal to the world. It underscored how American diplomacy under Trump was framed less in terms of principles or long-term strategy, and more as a transactional negotiation, where allies were expected to show leverage rather than loyalty. For many global observers, this moment highlighted the shift in Washington's tone: allies were treated like bargaining partners, and strategic commitments were seen through the narrow lens of deals and short-term advantage.

Treating Canada with utter disdain was another powerful cue ➤

Trump's open disdain for Canada—one of America's oldest and most reliable allies—was another powerful cue to the world. If Washington could so casually belittle and disregard its neighbour and NATO partner, it sent a clear signal that no alliance was sacrosanct and no friendship immune from insult. For many countries, this reinforced the perception that US commitments under Trump were conditional, fragile, and subject to the whims of his mood rather than the weight of history or shared values.

Trump's remark that President Xi told him China wouldn't invade Taiwan during his presidency is another powerful cue ➤

Please see this Reuters headline <https://www.reuters.com/world/china/trump-says-xi-told-him-china-will-not-invade-taiwan-while-he-is-us-president-2025-08-15>. This headline exemplifies the megalomaniac nature of current American president. He doesn't care for his own country's future after his presidency is over.

India and China are civilization states, where long-term thinking is deeply ingrained in their political and cultural DNA ➤

Unlike the West, which often operates on shorter electoral, or market cycles, India and China see themselves as civilization states—entities whose identities stretch back thousands of years and whose horizons extend far beyond immediate political gains. This historical consciousness has ingrained long-term thinking into their strategic outlooks, whether in the form of China's Belt and Road Initiative or India's gradual but steady pursuit of strategic autonomy. Such perspectives contrast sharply with the transactional short-termism often associated with American policy.

Current American policy resembles that of the defunct investment bank Lehman Brothers—fire when costs rise, rehire when convenient ➤

Current American policy is best exemplified by the behaviour of Lehman Brothers in its hey days, where staff costs were treated as a purely mechanical ratio. If salaries topped 50% of revenue, employees were simply fired, only for many of them to be rehired later when business conditions shifted. This short-sighted, transactional approach mirrors Washington's foreign policy under Trump—alliances and partnerships are treated as disposable, broken off when they appear too costly, and resumed if circumstances change. It captures perfectly the absence of long-term commitment, with relationships reduced to quarterly calculations rather than strategic investments.

This has pushed India and China closer to each other ➤

This has pushed India and China closer to each other, an outcome that would have seemed improbable only recently. Decades of rivalry—marked by border clashes, competing ambitions, and mistrust—kept the two Asian giants apart. Yet Washington's transactional policies, Trump's disparaging remarks toward India, and America's broader short-termism have eroded New Delhi's trust, creating space for limited cooperation with Beijing. Both countries, seeing themselves as long-horizon civilization states, now share a common incentive to resist what they perceive as America's bullying behaviour. In this way, US missteps have inadvertently fostered an alignment between India and China that runs counter to America's long-term strategic interests.

1. **Resumption of direct flights & border trade:** India and China have agreed to resume direct flights and reopen border trade via designated passes, marking a tangible thaw after years of disrupted ties following the 2020 border standoff.
2. **Addressing critical export needs:** In recent border talks, China committed to addressing India's concerns over the supply of rare earths, fertilizers, and

tunnel boring machines—critical components for Indian industry and infrastructure.

3. **High-level diplomatic engagements:** The visit of Chinese Foreign Minister **Wang Yi** to New Delhi, the first in several years, signalled renewed dialogue. It coincided with discussions on reducing troop deployments and improving mutual trust along the Line of Actual Control.
4. **Economic opening: Business visas & trade signals:** India is easing visa restrictions for executives from major Chinese corporations like Vivo, Xiaomi, and others—an important step toward restoring business ties. At the same time, the Chinese ambassador likened the emerging cooperation to a “dragon-elephant tango,” signalling willingness on both sides to expand trade.

Trump's rants had an unintended consequence—India has now secured at least a decade to prepare for the possibility of a two-front war

Trump's rants have produced an unintended consequence: India now has a decade-long window to prepare for the possibility of a two-front war. By pushing India and China into an unlikely thaw, Washington has reduced the immediate threat of simultaneous conflict with both Beijing and Islamabad. This reprieve gives New Delhi valuable time to modernize its armed forces, deepen defence production, and strengthen strategic partnerships. Ironically, what began as a display of American short-termism has created long-term strategic space for India to recalibrate its security posture on its own terms.

India need not resort to hasty emergency imports to bolster its defences ➤

With a decade-long window now available, India need not rush into hasty and overpriced emergency purchases to bolster its defences. Instead, it can follow a deliberate and systematic path of defence modernization—focusing on indigenization, scaling up production of advanced systems, and nurturing long-term partnerships that deliver both technology and sustainability. This shift from reactive buying to planned capability-building not only saves resources but also ensures that the armed forces are better equipped for the future. In effect, the reprieve created by the temporary easing of tensions allows India to transform short-term pressure into a long-term strategic advantage.

India needs to develop indigenous jet engine technology, and the tie-up with Safran is a step in the right direction ➤

India's long-term defence preparedness depends on developing critical technologies that reduce reliance on foreign suppliers, and jet engine technology sits at the core of this effort. For decades, India's aerospace ambitions have been constrained by the lack of a world-class indigenous engine program, forcing dependence on imports for fighters and other advanced platforms. The tie-up with France's Safran marks a step in the right direction—offering not only access to advanced know-how but also a pathway for technology transfer and local capability-building. Such collaborations, if managed strategically, can help India bridge a historic gap in its defence ecosystem and enhance true self-reliance.

Building its own aircraft fleet while relying on multi-decadal partners like France is also a step in the right direction ➤

For India, the path to strategic autonomy lies in a dual approach—building its own aircraft fleet through indigenous programs while simultaneously deepening ties with long-standing, reliable partners such as France. France has consistently demonstrated itself as a multi-decadal partner, willing to share advanced technologies and stand by India even in moments of geopolitical tensions. This combination of indigenous development and trusted partnerships ensures that India strengthens its defence capabilities without falling into the trap of overdependence on any single source. It also creates a sustainable model where self-reliance is complemented by access to cutting-edge global expertise.

To fight a two-front war, India needs to build huge production capacity for defence equipment ➤

To be ready for a two-front war, India needs to build massive production capacity for defence equipment. Advanced technology alone will not suffice; what matters in prolonged conflicts is the ability to sustain supply. History offers clear lessons: during World War II, it was the United States' unmatched industrial capacity—the 'Arsenal of Democracy'—that enabled it to overwhelm adversaries. More recently, Russia's war in Ukraine has shown that industrial scale and the ability to replenish missiles, drones, and artillery shells often matter as much as battlefield tactics. For India, this means investing not just in cutting-edge systems but also in creating large-scale, resilient production lines for aircraft, tanks, missiles, and ammunition. By marrying indigenous capacity with trusted global partnerships, India can ensure that it has the depth to withstand and prevail in a two-front war scenario.

1. **Indigenous engine and aircraft programs:** Jet engines are the crown jewel of aerospace technology. India must accelerate joint ventures like the Safran partnership, while simultaneously investing in domestic R&D to reduce dependence on imports. Indigenous fighters such as the Tejas Mk2 and AMCA will only be credible in large numbers if backed by a homegrown engine ecosystem.
2. **Scaled-up ammunition & missile production:** No modern war can be fought without a steady flow of munitions. India should rapidly expand its production of precision-guided missiles, artillery shells, drones, and air-defence systems. Stockpiles must be maintained at wartime levels, not peacetime comfort zones, drawing lessons from the Russia-Ukraine conflict where industrial output has often decided the tempo of war.
3. **Naval shipbuilding & undersea capacity:** For a two-front war, India cannot ignore the maritime domain. Expanding shipyards, indigenous submarine programs, and faster production cycles for warships are essential. The Indo-Pacific balance depends on India's ability to sustain operations at sea, especially if US reliability is uncertain.
4. **Strategic partnerships for technology transfer:** France (jets, engines, subs), Israel (drones, missile defence), and Russia (legacy systems) remain reliable technology sources. India should leverage these multi-decadal partnerships while avoiding overdependence on the US, which has shown short-term, transactional tendencies. Partnerships must focus on technology transfer and co-production, not just imports.

Operation Sindoor has shown that India urgently needs a nationwide air defence network ➤

Operation Sindoor has underscored a critical vulnerability in India's defence architecture—the absence of a seamless nationwide air defence network. In an era of drones, cruise missiles, and precision strikes, piecemeal systems are no longer sufficient. India must move towards an integrated, layered air defence grid that combines long-range missile shields, medium-range interceptors, and short-range anti-drone systems into a unified command-and-control framework. Without such nationwide coverage, India risks being caught unprepared in a two-front war scenario where the skies will almost certainly become the first battlefield.

Sudarshan Chakra is the right step in that direction ➤

Project Sudarshan Chakra is an ambitious Indian national security initiative announced by Prime Minister Narendra Modi in Aug 2025. The mission's goal is to create a multi-layered, indigenous defence shield by 2035F to protect India's critical assets from a range of modern threats. The name is inspired by the divine discus of Lord Krishna. The key features of the mission are as follows:

1. **Multi-layered defence:** The system will protect against attacks across air, land, and sea. It will integrate advanced surveillance, physical safeguards, and offensive capabilities.
2. **Comprehensive protection:** The shield is intended to secure not only military and strategic installations but also civilian areas like railways, hospitals, and places of worship.
3. **Proactive capabilities:** The system is designed to be more than just defensive. It will have interception and counter-strike capabilities to hit back at adversaries.
4. **Emphasis on indigenous technology:** The entire project, from research and development to manufacturing, will be done in India. This aims to reduce the reliance on foreign defence technologies, in line with the 'Aatmanirbhar Bharat' (Self-Reliant India) initiative.
5. **Cyber defence:** In addition to physical threats, the project will incorporate advanced measures to combat cyber threats like hacking and phishing.
6. **Timeline:** The project is planned to be developed over a decade, with a target date of 2035F.

Recent progress and context

1. **Inspired by recent conflicts:** The initiative follows a period of heightened security concerns, including clashes involving Turkish drones, Pakistani missiles, and Chinese weapons systems.
2. **Successful tests:** Shortly after the project's announcement, India successfully tested an Integrated Air Defence Weapon System (IADWS). This system, which is a part of the broader Sudarshan Chakra Mission, can simultaneously destroy multiple aerial threats, including drones.
3. **Existing capabilities:** The new system will build upon India's existing defensive strengths, such as its Integrated Air Command and Control System (IACCS) and Russian-origin S-400 missile systems.
4. **Distinguishing project and mission:** Some sources also use the term 'Mission Sudarshan Chakra.' Some reports clarify the distinction, noting that Mission Sudarshan Chakra may represent a more comprehensive and strategic vision, with Project Sudarshan Chakra referring to specific technological developments.

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- 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.

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- 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.

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