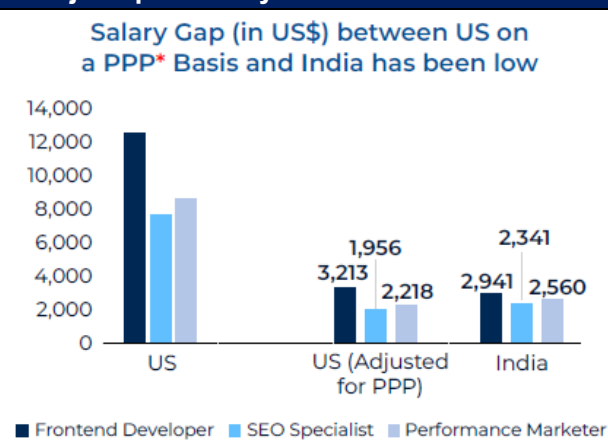
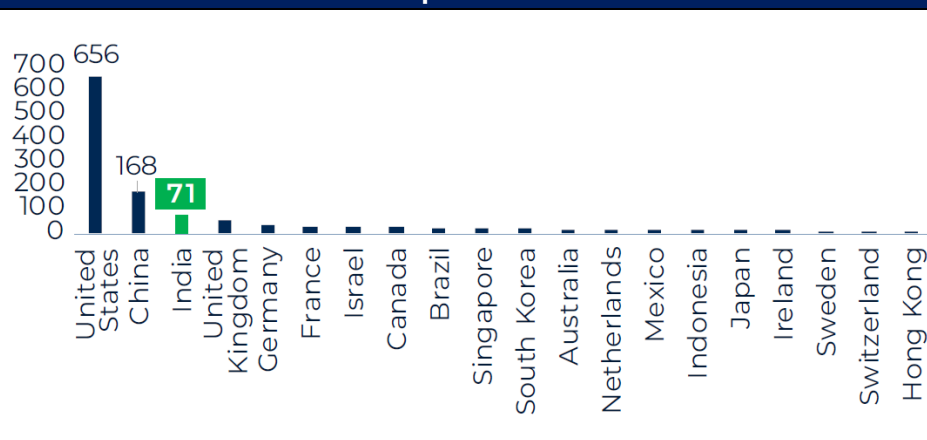


July 01, 2025

Innovation acceleration supported by structural improvements!**What's the Point?**

- India is witnessing improving performance on the World University Rankings as per a recent [report](#). 54 universities featured on the rankings, 4th after US, UK and China. Increasing quality of higher education is directly linked with research and innovation.
- India's rise in Innovation in the past decade is visible in improving innovation ranks, number of unicorns, VC funding and exits, higher adoption of new technologies among others.
- Strong growth in Indian economy has led to a virtuous cycle of innovation. Economic gains have resulted in potential for lower / reversal of brain drain, as salaries are now matching developed nations on a PPP basis.
- Government support to innovation, such as higher budget allocation, PLI schemes and focus on *Atmanirbharta* increase confidence amongst innovators. Continued investment in Digital Public Infrastructure such as Aadhar, UPI, ONDC could continue to enhance reach and delivery of innovative products and services in India.
- Combination of structural drivers around talent, capital, infrastructure, environment along with a wide universe of listed companies makes Innovation a long term investible theme.

Structural Pillars supporting Innovation in India**Chart 1: Reduction in salary gap for high tech jobs potentially reduces 'brain drain'****Chart 2: India now ranks 3rd in number of Unicorns – outpacing developed countries**

Source: World Population Review (2024), India Salary Guide (2024) by Uplers

What are some visible indicators of innovation acceleration?

- **Improving university rankings:** with more than 54 universities represented, India's growing quality and quantity of Higher Education is key to retaining and nurturing talent in the country. The rankings also account for the research quality at the institution, highlighting improving environment for research and innovation.
- **Rising patent filings:** India now [ranks 6 globally](#) in patent filings, with 56% of those patents coming from resident Indians. India's patent to GDP ratio has also been improving, from 144 in 2013 to 381 in 2023. Key sectors with patents in 2023 included Textiles & Accessories, Tools & Machines, and Health & Cosmetics.
- **Rise in Global innovation index:** India's ranking in the Global Innovation Index [improved from 81 in 2015 to 39 in 2024](#). Improved performance on parameters like Knowledge and Technology and Market Sophistication (Funding Environment) have helped.
- **Rising number of unicorns:** With [3rd largest number of unicorns \(>100\) globally](#), India has a vibrant ecosystem of companies that are focusing on evolving drivers of growth, which is expected to propel India higher up the ranking.
- **Improving Funding numbers:** India has seen improving funding environment in the past few years, with a larger share of bigger seed funding deals in an overall rising number of deals. Among all seed funding deals in 2024, >US\$3 million rounds accounted for 50.4%, compared to 9.4% in 2017.
- **Rising weight of new age businesses in indices:** New age businesses with innovative business models such as Quick Commerce are finding their way into frontline indices such as the Nifty 50 Index.

Diverse areas of innovation working at scale: India is witnessing innovation across sectors today, not just technology. This enables creation of a culture of innovation as innovation often transcends sectors and functions, and helps in finding ways to improve product, processes and business models. Some sectors with high degrees of innovation in India today are: Automotive and auto ancillaries, Pharma and Healthcare, Energy, Industrial companies, Electronic Manufacturing, Healthcare, IT Software & Digital Platforms, and Consumer Goods.

Conclusion

With the pace of innovation having the potential to accelerate, India stands at an exciting juncture, providing multiple investment opportunities across different sectors. Keeping that in mind, an investor could consider investing in our NFO – [HDFC Innovation Fund](#). The Fund aims to invest at least 80% of its net assets in equity and equity-related instruments of companies that are adopting innovative themes and strategies through the introduction of new products / services, processes and business models. By investing in this Fund, an investor could participate India's next leg of economic growth led by good quality companies with medium to long-term growth drivers across multiple market caps.

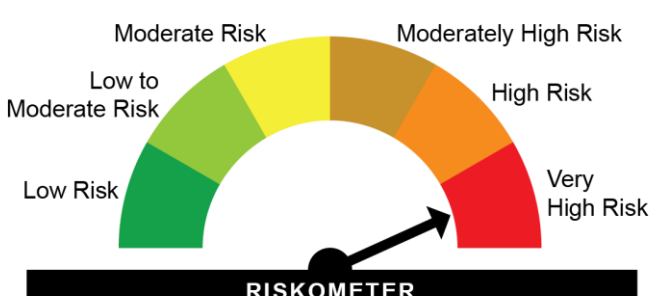
Sources: World Population Review, PIB, Uplers, IMF, and other publicly available information

About Tuesday's Talking Points (TTP): TTP is an effort by HDFC AMC to guide key conversations in the Indian financial markets and investing ecosystem. We aspire to do this by providing relevant facts, along with our perspective on the issue at hand. Please provide your feedback at this link: <https://forms.office.com/r/Cr8JNjMGWk>

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MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

Product Labelling and Riskometer of HDFC Innovation Fund

HDFC Innovation Fund (An open-ended equity scheme following innovation theme) is suitable for investors who are seeking*:	<div style="text-align: center;"> Riskometer#  RISKOMETER <i>The risk of the scheme is very high</i> </div>
<ul style="list-style-type: none"> To generate long-term capital appreciation Investment in equity and equity related instruments of companies that are adopting innovative themes and strategies 	
<p>*Investors should consult their financial advisers, if in doubt about whether the product is suitable for them.</p> <p># The product labeling assigned during the NFO is based on internal assessment of the scheme characteristics or model portfolio and the same may vary post NFO when the actual investments are made. For latest riskometer, investors may refer to the Monthly Portfolios disclosed on the website of the Fund viz. www.hdfcfund.com</p>	

The Scheme being thematic in nature carries higher risks versus diversified equity mutual funds on account of concentration and sector specific risks.