

(https://www.tatacommunications.com/cloud/india-sovereign-cloud?utm_source=aim&utm_medium=cpm&utm_campaign=vayu-cloud-made-in-india&utm_content=roadblock-built-within-our-borders)



(<https://analyticsindiamag.com/>)

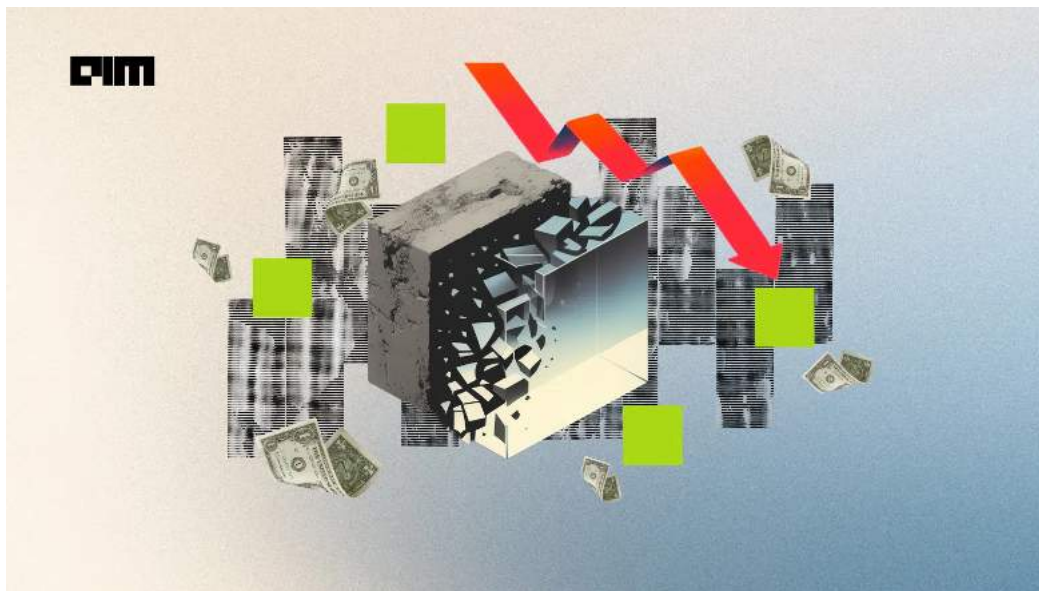


Subscribe
(<https://analyticsindiamag.com/subscribe/>)

Published on November 3, 2025 • In [AI Startups](https://analyticsindiamag.com/ai-startups/) (<https://analyticsindiamag.com/ai-startups/>)

Big Money, Local Momentum and the Startup Reality Check

“Large AI investments from hyperscalers often create optimism but limited short-term startup traction.”



By Smruthi Nadig



(<https://t.me/+TrPapV7gnN2Oz1AZ>)
(<https://whatsapp.com/channel/0029VaCAfCMGehEGsj0COi2R>)



(<https://t.me/+TrPapV7gnN2Oz1AZ>)



(<https://news.google.com/publications/CAAqBwgKNhgsW4ZiFAw?ceid=IN:en&oc=3>)

India's AI economy has entered a high-stakes phase. On paper, the country has never looked stronger. Over \$20 billion (<https://www.communicationstoday.co.in/india-crosses-20-billion-in-new-ai-investment-commitments/>) in new AI investment commitments have poured in this year alone, led by a wave of bets from hyperscaler and conglomerates on compute, data and digital infrastructure.

Yet, on the ground, startup founders are facing an altogether different rhythm: funding rounds have slowed, enterprise pilots have stretched longer, and the real work of translating policy and capital into product-market traction has just begun.

"The \$20 billion investment commitment is fundamentally dual-natured," Peeyoosh Pandey, CEO of Hoonartek, explained. "On one side, there's structural conviction at the infrastructure layer, long-term capex by global hyperscalers and Indian conglomerates. On the other hand, a speculative hype vector is driving valuations in the generative-AI application layer."

But Pandey is quick to add a note of caution: "Nearly 76% of Indian AI startups rely on external, open-source foundational models. Without serious investment in data governance, the hype premium could fade fast. No data governance, no AI."

Slower Deals, Sharper Filters

Although capital commitment is surging, venture deal activity has slowed. CB Insights' State of Venture Q3'25 Report (https://www.cbinsights.com/research/report/venture-trends-q3-2025/?utm_source=chatgpt.com) shows that Indian startup deal volumes decreased by 18% year-over-year, despite an increase in aggregate capital inflow, driven by infrastructure-heavy projects. The implication: fewer but larger cheques and much stricter filters on business viability.

Jayaprakash Nair, head of AI and analytics at Altimetrik, explained the dichotomy: "Large AI investments from hyperscalers often create optimism but limited short-term startup traction. Much of that capital goes into internal capabilities, not open innovation."

For startups, the translation from commitment to opportunity depends entirely on "readiness to plug into these ecosystems, leveraging APIs, accelerators and co-selling programmes".

According to Nair, many founders are still trapped in what he calls the "POC trap," endless proof-of-concept cycles that never make it to production. "To escape, they must define ROI upfront, price for business impact and design for repeatable use-cases. Governance can't be an afterthought; it has to be baked into design from day one," he emphasised.

The Rise of the Regions

Beyond funding metrics, the geography of innovation itself is undergoing a shift. The Economic Times referred to Gurugram's transformation as the emergence of the 'Haryana Valley', reflecting a broader decentralisation of India's tech map.

Sagar Vishnoi, co-founder of Future Shift Labs, believes this evolution is structural, not symbolic. "The growing reference to Gurugram and NCR as the 'Haryana Valley' signals a transition from a corporate-services hub to an innovation-led ecosystem anchored in AI, analytics and digital infrastructure," he explained.

"What distinguishes NCR's rise is ecosystem design, startups, enterprises and public institutions collaborating around data innovation. It's less about geography and more about trajectory."

Hyderabad, too, is emerging as a specialised AI hub, leveraging its life sciences R&D and enterprise base. Pandey believes India's clusters are complementary, not competitive.

“Bengaluru leads in foundational research and GenAI IP; Hyderabad contributes through life-sciences AI; Delhi-NCR dominates logistics and consumer data; and Pune, with its industrial backbone, focuses on deploying agentic-AI automation into manufacturing,” he said.

This regional specialisation, he argues, is creating a “supply chain of AI IP, talent and domain data” that mirrors India’s traditional manufacturing clusters.

Vishnoi highlights a quieter but significant trend, deep-tech roots spreading into Tier 2 and Tier 3 cities.

“Through MeitY’s centres of excellence in AI, Nasscom DeepTech Club and Startup India’s seed programmes, we’re seeing innovation in places like Coimbatore, Bhubaneswar, Indore and Jaipur,” he said. “Founders there are using open-source frameworks and India’s digital public infrastructure to build context-specific AI, from crop analytics to vernacular health diagnostics.”

This “distributed innovation model,” Vishnoi adds, could become India’s defining strength: a bottom-up network where local founders build socially relevant, scalable deep-tech products, not just for India, but for the world.

The Compute Access Gap

Policy has been a strong tailwind. The government’s IndiaAI Mission, the Digital India stack and government-backed GPU clusters have made national headlines. Yet, access remains uneven.

Pandey pointed to Google’s \$15 billion data hub in Visakhapatnam and the \$15 billion-plus capacity expansion plans by Reliance and TCS as proof that India’s digital economy has reached infrastructure maturity. Together with the IndiaAI Mission, which will deploy 38,000 GPUs, these moves “fundamentally de-risk India’s dependence on the global AI supply chain”, he noted.

However, Yasir Wani, Group Product Manager at a Saudi-based rental platform, sees a disconnect between policy intent and on-the-ground reach.

“While initiatives like shared compute clusters are strong moves, early-stage founders still face barriers in access and awareness. The benefits tend to reach more established or institution-linked startups,” he explained.

For India’s AI revolution to trickle down, “support must become easier to access, transparent and tailored for small, resource-constrained teams building for India’s realities”.

Building for India, Competing for the World

The Indian market’s unique constraints, affordability, diversity and patchy data can be frustrating, but Nair calls them “a feature, not a bug.”

“Founders must view India as both a testing ground and a springboard for global relevance,” he said. “Building for Indian constraints forces innovation in efficiency and adaptability. Once the tech matures locally, it can be tailored for developed markets. Frugal innovation meets global design, that’s India’s edge.”

Pandey echoes that sentiment from an enterprise lens: “The competitive edge is no longer about building AI capability in-house. It’s about delivering value from it, integrating AI into proprietary data and systems. That’s where startups, especially those mastering agentic-AI and RAG (Retrieval-Augmented Generation), will thrive.”

Even with funding and infrastructure in play, specialised AI talent remains scarce. “The only real competition between clusters today is for elite AI talent,” Pandey admits. His prescription: domain-centric career paths and academic partnerships to retain engineers who “value depth in our industrial domains.”

Vishnoi added that proximity to global capability centres (GCC) has become an underrated accelerator.

“These hubs concentrate data, complex problem statements, and enterprise infrastructure, perfect sandboxes for startups to test models and validate use-cases,” he added.

However, he suggested that geography is becoming less critical. “Digital proximity is rivalling physical proximity. Cloud access and open APIs mean a startup in Indore can co-develop with a GCC in Hyderabad.”

The combination of policy ambition, hyperscaler infrastructure and regional dynamism paints a picture of promise, but not inevitability.

“India’s AI startups can build a sustainable innovation engine, but only if they stop repackaging global APIs and start solving India-specific challenges. The opportunity lies in embedding AI into real operational problems, not just interface layers,” Wani reminded.

Pandey agrees, framing it as an evolution from product promise. “The real winners will be those investing in data quality, lineage, and AI governance, not just code.”

India’s AI surge is both a macro boom and a micro grind. The billions flowing into infrastructure are setting the stage for long-term resilience. Still, the startup race will be decided by those who can convert access into adoption, hype into hard returns, and clusters into collaboration.

As Gurugram, Hyderabad, Pune and a dozen smaller cities rise, India’s AI geography is being redrawn, not around where code is written, but where real-world intelligence meets real-world impact.



📌 *Want to advertise in AIM? [Book here \(https://aim.media/\)](https://aim.media/).*



Smruthi Nadig

[\(https://analyticsindiamag.com/author/smruthi-nadig/\)](https://analyticsindiamag.com/author/smruthi-nadig/)