

## HOW TN FIRED UP ITS ECONOMY

## SPACE INDUSTRIAL POLICY



APRIL 17

The Tamil Nadu government unveiled its ambitious Space Industrial Policy, aiming to attract investments worth ₹10,000 crore in space technology and generate employment opportunities for approximately 10,000 skilled professionals.

## TAIWANESE INVESTMENT PACT



APRIL 26

In a strategic move to boost foreign investment, Guidance Tamil Nadu partnered with the Taiwan Chamber of Commerce to attract investments totalling around ₹10,000 crore from Taiwanese firms across electronics, technical textiles, and footwear sectors.

The state capped off 2025 with strategic measures to fast-track its \$1 trillion dream

## VINFAST EV PLANT LAUNCH



AUGUST 4

Vietnamese EV maker VinFast unveiled its EV assembly unit in Tuticorin, joining global auto brands such as Hyundai, Renault-Nissan, Citroën, BMW, and Daimler, which have factories in the state, cementing TN's reputation as a premier auto hub.

## TN RISING SUMMITS



NOVEMBER 25

The state hosted TN Rising Summits in Coimbatore, Madurai, and Hosur to drive balanced industrial development and highlight key investment projects.

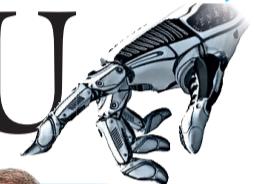
## TOY MANUFACTURING POLICY



DECEMBER 8

Tamil Nadu introduced its Toy Manufacturing Policy 2025, designed to attract new investments in this niche sector and encourage domestic manufacturers to diversify into innovative toy production.

We Asked These Industry Leaders What The Learnings Were From 2025, What Trends They Expect Would Shape 2026, And What Impact They Thought Artificial Intelligence Would Have In The Coming Days

YOU DON'T HAVE A CHOICE,  
MAKE AI WORK FOR YOUAI IS A STRATEGIC  
ENABLER, BUT TECH  
CAN'T REPLACE PEOPLE

**LOOKING BACK ON 2025** | Digital transformation is reshaping competitiveness across sectors, including fintech, agriculture, logistics, and healthcare. Technology adoption is now foundational for scaling, efficiency, and global integration, supported by India's demographic dividend, startup ecosystem, and initiatives such as Digital India, Make in India, and India Stack. With patent filings up over 44% in recent years, IP is enabling premium pricing, protecting homegrown innovation, and supporting rapid expansion across digital and manufacturing domains. In an economy projected to grow at more than 7% amid global uncertainty, companies that prioritize technology leadership and strong IP portfolios are better positioned to manage risk and shape India's next phase of growth.

**TRENDS TO WATCH IN 2026** | First, AI will deepen its impact across sectors, transforming jobs, automating processes, and reshaping customer experiences. Re-skilling will be essential for both organizations and individuals to remain relevant. Second, a more multi-polar world will heighten geopolitical and trade risks, with tariff wars and supply-chain disruptions demanding more resilient and diversified business strategies. Third, in such volatile times, it is important to remember that technology cannot replace people. Placing people and culture at the heart of our strategy elevates leadership as a unifying force and key differentiator.

**THE AI QUESTION** | AI is rapidly evolving from traditional ML to GenAI and agentic systems, shortening planning horizons to two to three years. AI will remain a cornerstone of India's manufacturing evolution and transformation. In the tractor industry, its potential spans smart, data-driven farming solutions—predictive insights, precision agriculture, and autonomous machinery—to boost productivity, sustainability, and food security. AI will play a key role in advancing sustainable and regenerative agricultural practices. We see it as a strategic enabler that complements India's farming and engineering heritage, helping technology and tradition grow together.

Ms Mallika Srinivasan |  
CMD, TAFE



Dr Jairam Varadaraj |  
MD, ELGI EQUIPMENTS

AGENTIC AI IS GOING BE  
THE GAME CHANGER

**LOOKING BACK ON 2025** | The political economy of the world is moving towards protectionism and increasing instances of bilateral treaties rather than multi-lateral agreements. Regulatory envelopes that dictate product conformance will increase making product development complex. Free trade will now be at a cost and thus present a differential challenge to companies in different countries, depending upon how tariffs are negotiated, and this will present product and cost challenges.

**TRENDS TO WATCH IN 2026** | The effects of "E-Commerce/Quick Commerce" will pervade all segments, including industrial segments. Compressed price points, dilution of brand relevance, speed of availability, and try-and-buy options will increasingly become the norm. Agility in cost management is going to be a key competence that will come into play in the future. Country of origin preferences will show some marked polarization depending on geopolitical shifts.

**THE AI QUESTION** | Generative AI is already being used across various functions in a company at various levels of depth. This will only increase, and the models are going to get more refined and more specifically defined. Agentic AI is going to be the game changer, and we have just started scratching the surface and this will be an exciting and challenging discovery.

**LOOKING BACK ON 2025** | The year marked the full arrival of a VUCA world—defined by volatility, uncertainty, complexity, and ambiguity in markets and policymaking. Trade barriers and tariff disputes made global supply chains more fragile, while policy reversals in major economies complicated long-term investment decisions. Extreme weather events and infrastructure damage underscored that the climate crisis is now a structural, not cyclical, risk for govt and businesses. AI moved from experimental pilots to core infrastructure across the public and private sectors.

**TRENDS TO WATCH IN 2026** | Winning in 2026 will require organisations and govt to treat AI literacy as a foundational capability and design work around human-AI collaboration rather than simple automation. As AI

spreads across functions—from analytics and logistics to policymaking and citizen services—workers will need skills to interpret and challenge model outputs and embed them in decisions. Those that fail to build these capabilities risk productivity losses, ethical and compliance issues.

A second key trend is the rise of more fluid, distributed teams operating across geographies, time zones, and organisational boundaries. While digital platforms enable rapid cross-border collaboration, they also demand new approaches to leadership, culture, and performance management. Resilience to geopolitical and cyber shocks will become a core design principle, with firms diversifying suppliers, strengthening backup supply chains, and treating cybersecurity as non-negotiable.

**THE AI QUESTION** | The automobile industry shows how quickly AI can scale once the business case is clear. By

INVEST IN DIGITAL  
CAPABILITIES  
AND TALENT

**LOOKING BACK ON 2025** | The year's key learning is that the automotive sector is benefiting from a far more supportive domestic demand environment. In India, the combination of GST optimisation, lower interest rates, income-tax relief, and favourable monsoon has strengthened domestic demand, particularly in rural markets. The govt's sustained push on infrastructure and manufacturing has added momentum, creating a positive near-term outlook for the industry. Globally, while tariffs and geopolitical shifts remain important watchpoints, there are early signs of softening tensions and realigning supply chains.

**TRENDS TO WATCH IN 2026** | First, the shift toward "energy-diverse mobility"—while EV adoption will continue to grow, 2026 will expand the focus beyond battery-electric vehicles. Hybrids, flex-fuel, hydrogen-ready systems, and advanced internal-combustion powertrains will co-exist based on infrastructure readiness and cost dynamics. Second, the rising importance of smart components, including ADAS, electronics integration with mechanical systems, and wider adoption of premium features in mass-market vehicles. Third, global technology integration and cross-region collaboration—as geopolitical realignments continue, technologies from China and other Asian hubs are likely to gain relevance in India.

**THE AI QUESTION** | AI is quickly becoming a core enabler across the automotive value chain. In design and engineering, AI-driven simulations are accelerating development and improving accuracy. On the shop floor, predictive maintenance and automated quality control are helping create more efficient manufacturing environments. As the technology matures, its greatest impact will be in augmenting human expertise. Companies that invest in digital capabilities and talent will be best positioned to lead the next era of intelligent manufacturing.

Harish Lakshman |  
CHAIRMAN, RANE GROUP



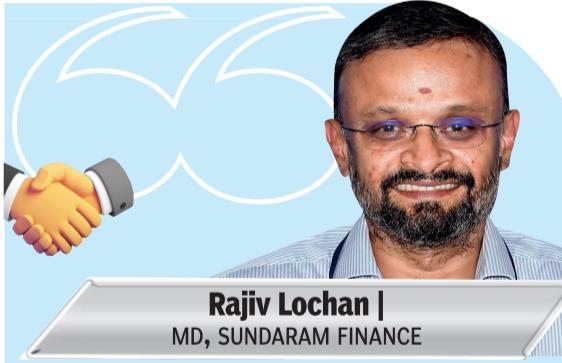
A K SRIVASTAVA |  
MD & CEO, INDIAN OVERSEAS BANK

AI WILL SPAWN DIGITAL  
BANKING PRODUCTS

**LOOKING BACK ON 2025** | With the RBI cutting repo rates by a cumulative 125 bps in 2025 so far, borrowing costs have seen a significant reduction for both consumers and businesses. Driving retail credit growth while upholding the highest credit discipline standards has helped build stronger capital foundations. The supportive liquidity environment has led to increased competition in MSME and retail segments. The focus on improving credit offtake, fortifying asset quality, and pursuing data-driven underwriting has made 2025 a year of building long-term resilience.

**TRENDS TO WATCH IN 2026** | Rapid integration of advanced technologies such as AI, ML, blockchain, big data, and even quantum computing into core banking infrastructure will transform the industry in 2026 and beyond. Modernisation of tech stacks will be a top priority and will see many banks collaborating with technology players to build a robust ecosystem of digital banking products. From a consumer perspective, this digital technology adoption will provide more personalisation features, even as hybrid digital-physical banking models help drive financial inclusion in rural and semi-urban markets.

**THE AI QUESTION** | The next evolution will see banks adopting a single AI intelligence layer that manages risk, automates operations, simplifies distribution, and strengthens compliance to enable prescriptive banking. AI will become an important source of decision-making for most banks; however, banking personnel must remain vigilant in their role as validators. For consumers, AI will unlock a new era of hyper-personalisation and provide curated financial advice, tailored pricing, and real-time recommendations.



Rajiv Lochan |  
MD, SUNDARAM FINANCE

ADAPTABILITY IS  
STRATEGIC ASSET

**LOOKING BACK ON 2025** | Accommodative monetary policy did not uniformly boost growth; geopolitical stress did not trigger systemic instability; and rapid tech adoption did not immediately displace labour. The key lesson: complex systems now absorb stress differently. Firms investing in balance-sheet strength, supply-chain redundancy, organisational health, and market diversification outperformed those optimising for cost or short-term gains. Overall, 2025 reinforced that in a world shaped by technology, geopolitics, and behavioural shifts, adaptability is the ultimate strategic asset.

**TRENDS TO WATCH IN 2026** | In 2026, focus will shift to state and institutional capacity—contract enforcement, regulatory consistency, fiscal health, and last-mile delivery. Productivity gains will come from improving how existing schemes function. Beyond UPI and identity systems, DPI will shape credit delivery, compliance, healthcare, and urban services. The focus will shift from access to quality—data accuracy, grievance redressal, and interoperability—benefiting both consumers and policymakers. Overall, 2026 will reward patience, institutional depth, and execution discipline over headline-driven optimism.

**THE AI QUESTION** | Its real disruptive power lies in re-architecting decision-making. The key question is not "Can AI do this?" but "How do we redesign processes so AI improves outcomes?" Those who recognise this early will shape the next decade.

## AI IS REDEFINING PRODUCT DEVELOPMENT

**LOOKING BACK ON 2025** | India's industrial sectors faced supply chain disruptions from global trade tensions and climate-related impacts, driving up raw material costs. Key lessons included the need for agile sourcing and robust digital inventory management. GDP growth of 6.5-7% reflected resilience amid global slowdowns, while persistent inflation highlighted the importance of consumer-centric pricing and value engineering. Policy developments, including sustainable packaging under extended producer responsibility (EPR) regulations, underscored the need to embed eco-friendly innovation early. GST reforms and rate rationalisation also improved credit flow efficiency for organised FMCG players, enhancing compliance, and gradually benefiting consumers.

**TRENDS TO WATCH IN 2026** | 1) Digitally accelerated

distribution becomes standard. AI-driven demand forecasting, route optimisation, and hyper-local strategies will shift from differentiation to table stakes across FMCG. 2) Quick commerce expands beyond metros. Instant gratification is reaching tier-2 and tier-3 markets, requiring new pack sizes, assortments, and hub-and-spoke logistics for 10-15-minute deliveries across snacks, personal care, and staples. 3) Sustainability as a competitive edge. Packaging innovation, waste reduction, and energy efficiency will shape brand perception and retailer preference. Embedding sustainability into core operations will drive growth. 4) GST rationalisation benefits consumers. Better compliance, input credit reconciliation, and rate rationalisation will stimulate demand and reduce costs. 5) Rupee depreciation pressures margins. Rising import

costs will drive price inflation, slow demand, and strain gross margins.

**THE AI QUESTION** | AI is no longer a future disruptor; it's already reshaping how companies operate. Shifting from automation to augmentation, it enhances human judgment rather than replacing it. AI is redefining product development, demand sensing, supply-chain resilience, personalised marketing, and quality control. Over the next five years, it will embed into daily decision-making and standard processes, becoming a key strategic tool. By enabling deeper micro-market insights, faster innovation cycles, and more precise consumer engagement, AI will define sustainable competitive advantage.

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FOUNDER & CMD, CAVINKARE

