

India's Private Equity Boom

WHERE THE NEXT BILLION-DOLLAR STORIES BEGIN



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India's private equity and venture capital market closed 2025 with a headline that demanded attention: \$60.7 billion invested across 1,475 deals — the second-highest annual investment value ever recorded in the country's history. Deal value rose 8% year-on-year and volumes grew 9%, a performance made more striking by the context in which it was achieved: a global environment marked by geopolitical fracture, US tariff volatility, a depreciating rupee touching INR 92/USD, and mid-cap equity market corrections that constrained India's IPO window for much of the year.

If 2024 was the year India's PE market proved it could recover, 2025 is the year it proved it could sustain. The recovery was not a dead-cat bounce from the 2022–23 trough. It has now compounded for two consecutive years, with fundraising hitting an all-time record and strategic exits surging to levels that signal something qualitatively different: India is no longer merely a destination for capital. It is a market where capital can compound, exit, and be redeployed with institutional discipline.

Three structural pillars continue to underwrite every investment thesis written in this country: domestic consumption at scale, a startup ecosystem approaching genuine maturity, and a digital public infrastructure with no peer anywhere in the world. Together, they are the architecture of India Growth 2.0: the phase where private capital stops riding the macro wave and starts intermediating it.

The 2025 Numbers: Resilience Becomes a Data Pattern

The headline from the EY–IVCA Trendbook 2026, released in March 2026 at the 15th IVCA Conclave, is unambiguous: India's PE/VC ecosystem recorded its

second-strongest year ever. But the more important signal lies in the composition of that performance. Growth investments emerged as the leading investment strategy of 2025, with deal volumes rising 56% to 282 transactions. The startup segment expanded as well, with volumes rising 19% to 767 deals. This breadth across growth and early-stage cohorts simultaneously is the signature of a market with a functioning capital stack, not a market chasing one hot sector.

Sectorally, the top five financial services, infrastructure, real estate, technology, and e-commerce accounted for 72% of total investment, consistent with 2024 patterns. Financial services overtook infrastructure as the single largest sector in 2025, a rotation that reflects both the depth of India's NBFC and fintech ecosystem and investors' appetite for credit-oriented structures in a higher-for-longer rate environment. The private credit market alone surged 53% to \$9 billion in the first half of 2025 before the full-year figures consolidated.

On the venture side, Bain & Company's India Venture Capital Report 2026 notes that the VC and growth equity market reached approximately \$16 billion in 2025 its second consecutive year of growth with larger rounds (\$100 million or more) rebounding sharply in software/SaaS and fintech, and \$250 million-plus deals doubling year-over-year. The thematic focus of new funds sharpened markedly around AI, deeptech, climate, space, and industrial technology, signalling a broadening of India's venture ambition well beyond the consumer-tech origins of the ecosystem.



Exits and Fundraising: The Infrastructure of Confidence

If investment volumes tell you where capital is going, exit and fundraising data tell you whether investors believe in the cycle. On both dimensions, 2025 delivered records or near-records that would have seemed improbable three years ago.

Exit value reached \$32.9 billion across 257 transactions, the second-highest annual total on record, growing 17% over 2024 despite a 10% decline in exit volumes. The more important structural development was the composition of those exits. Strategic exits corporate acquisitions, both domestic and cross-border surged 211% year-on-year to \$16 billion, accounting for nearly half of total exit value. This is a significant evolution from the IPO and block-trade dominated exits of 2024. When strategic buyers are competing for PE-held assets at scale, the market is signalling that India's private equity portfolio companies are genuinely attractive assets not just IPO candidates which dramatically widens the exit optionality available to fund managers.

The fundraising story is perhaps the most underappreciated data point of the 2025 vintage. Fundraising hit an all-time high of \$23.2 billion more than doubling the \$9.8 billion raised in 2024 and the number of fundraises rose 35% to 123, the highest annual count ever recorded. Sovereign wealth funds, global pension managers, and domestic family offices deepened their India allocations even as they recalibrated exposure elsewhere. When LP capital doubles in a single year, the signal is not optimism. It is conviction.

The Macro Architecture: Why the Foundation Holds

Short-term volatility has tested the India thesis in each of the last four years. In each of those years, long-term investors

chose to add exposure rather than reduce it. Understanding why requires looking beneath the headline investment totals at the structural conditions that make India uniquely insulated from the cyclical forces that batter other emerging economies.

India's macroeconomic fundamentals entering 2026 are supportive. GDP is projected to expand at approximately 7%, keeping India among the fastest-growing major economies globally. The Reserve Bank of India cut rates by a cumulative 125 basis points through 2025, and with inflation trending toward 4%, monetary conditions are incrementally enabling for deal activity. The government's continued capital expenditure push with an FY27 allocation of INR 12.2 lakh crore provides a durable pipeline of infrastructure and manufacturing opportunities for PE capital.

The digital infrastructure layer deserves particular attention because its scale has no global parallel. UPI processed 228.5 billion transactions in 2025 a 33% year-on-year increase with monthly transaction values approaching INR 28 lakh crore, equivalent to approximately 70% of India's entire currency in circulation. By March 2026, UPI was recording 22.64 billion transactions monthly. This is not a payments statistic. It is the data trail, the credit underwriting backbone, and the distribution infrastructure for virtually every consumer and financial services business that PE funds are backing in India today.

For private equity, the practical implication of this infrastructure is that every business built on digital payments, lending, e-commerce logistics, or financial services in India is operating on a public utility an open, interoperable, government-designed stack that compresses the cost of building distribution and acquiring customers in ways that no other market has replicated at India's scale.

The narrative arc connecting private capital to national development has deepened considerably. The PE/VC ecosystem is no longer narrowly digital; it is becoming multi-sectoral and asset-backed in ways that parallel the economy's own diversification. Bain's 2026 report highlights increasing investor interest in what it terms 'old economy sectors undergoing tech-led transformation' — manufacturing, logistics, and agritech — a rotation that mirrors India's own industrial policy priorities around PLI schemes, supply-chain localisation, and green energy transition.

The domestic fundraising story is equally part of the nation-building narrative. The doubling of LP commitments to \$23.2 billion in 2025 reflects the maturation of India's own institutional investor base domestic family offices, insurance capital, and pension pools deploying alongside global sovereigns rather than merely following their lead. This is sticky capital. It recycles domestic dividends, reduces sensitivity to foreign-exchange volatility, and provides the dry powder continuity that enables funds to remain deployed across global risk-off cycles.

The regulatory environment has continued to evolve in ways that reduce structural friction. Fast-track merger approvals, the liberalisation of share-swap and deferred consideration structures, and the ongoing buildout of GIFT City as a domestic AIF domicile have collectively narrowed the gap between what Indian PE can structurally achieve and what its global peers take for granted. These are not headline-making reforms. They are the quiet infrastructure of a maturing market.

Entering 2026, the industry's tone is measured rather than euphoric and appropriately so. The EY-IVCA Trendbook 2026 identifies a cluster of near-term risks: policy uncertainty around US tariffs (now reduced to 18% on key Indian exports but awaiting operational guidelines); equity market volatility triggered by the Union Budget's increase in Securities Transaction Tax; the Iran-Israel-US conflict's potential impact on crude oil prices; and the rupee's depreciation touching INR 92/USD, which has compressed dollar returns for foreign investors.

The bid-ask spread remains wide. Sellers are anchoring on peak valuations; buyers are pricing in earnings uncertainty. Deal closures are extending. The IPO pipeline while improving is not the frictionless exit window it was in 2024.

And yet: \$60.7 billion deployed. \$32.9 billion returned to investors. \$23.2 billion of fresh LP commitments. A VC market of \$16 billion with deal sizes expanding and thematic breadth widening. These numbers were assembled in a year when the rupee depreciated, global trade fractured, and domestic equity markets corrected. The India thesis did not require a perfect environment to deliver. It delivered despite the imperfections.

That is the most important fact about India Growth 2.0. It does not need perfect conditions. It needs sufficient conditions — and those remain firmly in place: a 1.4 billion-person consumer market still formalising, a digital public infrastructure building compounding advantages in every sector it touches, a startup ecosystem that has survived its boom-bust adolescence and emerged with discipline, and an LP base that is deepening rather than withdrawing.

The billion-dollar stories of the next decade will be found where healthcare delivery intersects with AI-powered diagnostics, where consumer aspiration meets formalised supply chains, where manufacturing ambition meets green energy transition. Private equity disciplined, operationally engaged, and patient remains the instrument best designed to find them, fund them, and bring them to scale.

The boom is not a cycle. It is a structural repricing of what India is worth.

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