

Trust as Capital: India's New Dealmaking Advantage



Raja Lahiri
Partner & IPO Advisory
Leader
Grant Thornton Bharat

At the midpoint of 2025, while much of the global capital system continues to search for conviction, India's dealmaking engine is doing something that only a few markets can claim, i.e., quietly compounding trust.

Across the first half of the year, India recorded over 1,192 deals worth USD 37 billion, with a visible moderation in large-ticket volumes. Yet behind this cooling lies a deeper signal—capital isn't retreating; it's rotating. From scale-chasing to signal-seeking, from exuberance to execution, monthly deal values remained steady despite fewer announcements, reflecting rotation rather than retreat in investor behaviour.

In a world where capital is cautious, India has become a structural exception—not because volatility doesn't exist, but because policy, preparation, and public market design are converging into a credibility premium.

Deal summary	Volume			Value (USD million)		
	Q4 2024	Q1 2025	Q2 2025	Q4 2024	Q1 2025	Q2 2025
Domestic	139	166	147	11,256	10,659	2,023
Inbound	22	27	23	734	2,737	2,692
Outbound	37	36	27	1,076	2,494	638
Total M&A	198	↑ 16% 229	↓ 14% 197	13,066	↑ 22% 15,890	↓ 66% 5,353
PE	299	↑ 37% 409	↓ 13% 357	5,199	↑ 70% 8,857	↓ 16% 7,416
Grand total	497	↑ 28% 638	↓ 13% 554	18,265	↑ 35% 24,747	↓ 48% 12,769

Figure 1: India recorded 1,190 deals worth USD 37 billion in H1 2025 despite global headwinds

Source: Grant Thornton Bharat, Q2 2025 Dealtracker

Global dislocation, local design

The global investment environment remains fractured. US Federal Reserve Chair Jerome Powell's mid-2025 FOMC update reaffirmed a cautious stance on rate cuts, citing persistent inflationary stickiness. The Bank of England similarly held rates steady amid political flux and a weak growth outlook.

In contrast, the Reserve Bank of India walked a narrower but more stabilising path—cautiously cutting interest rates while prioritising growth, financial stability, INR liquidity, and bond market predictability.

Within emerging markets, compared to Brazil's capital volatility and Indonesia's centralised infra push via INA, India's decentralised regulatory design—particularly the RBI's bond predictability and SEBI's listing governance—continues to offer a more trust-rich deal landscape.

M&A activity slowed in Q2 2025, with 197 deals totalling USD 5.4 billion, marking the lowest quarterly deal value since Q2 2023, while PE activity experienced a modest dip in Q2 2025, in line with the broader market slowdown, with 357 deals valued at USD 7.4 billion.

H1 2025 saw 766 PE deals totalling USD 16.3 billion, marking a marginal 17% increase in deal volume over H1 2024 (652 deals), but a dip in total value compared to USD 17.4 billion last year. Deals ≤ USD 50 million made up nearly 90% of all transactions in H1 2025, the same as when compared with H1 2024. Meanwhile, mid- to large-sized transactions (USD 49.9–499.9 million) increased from 45 in H1 2024 to 59 in H1 2025. This points to a market that remains active but increasingly selective, characterised by smaller ticket sizes, tighter underwriting, and a focus on calibrated capital deployment.

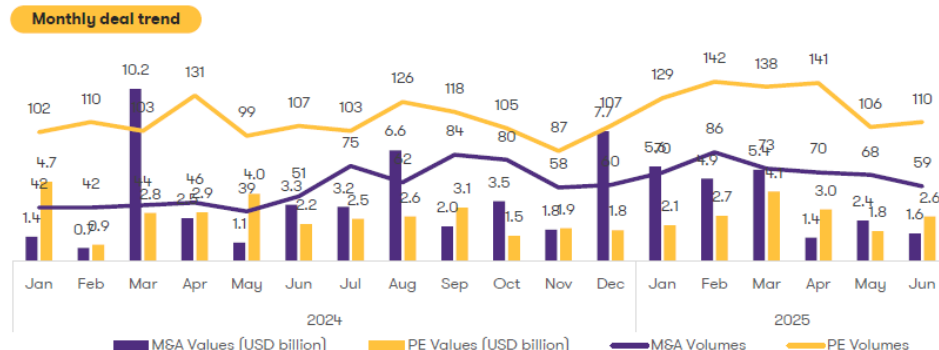


Figure 2: Despite moderation in volume, deal value remained resilient through H1 2025

Source: Grant Thornton Bharat, Q2 2025 Dealtracker

Budget 2025: Structural incentives, not signals

India's 2025 Union Budget quietly reinforced its capital formation agenda. Over INR 11 lakh crore in capital expenditure, expanded PLI schemes, and the launch of the Unified FDI Portal weren't headline-grabbing, but they were highly directional.

- FDI access simplification is already showing green shoots: Inbound cross-border M&A activity in Q2 2025 rose despite geopolitical drag.

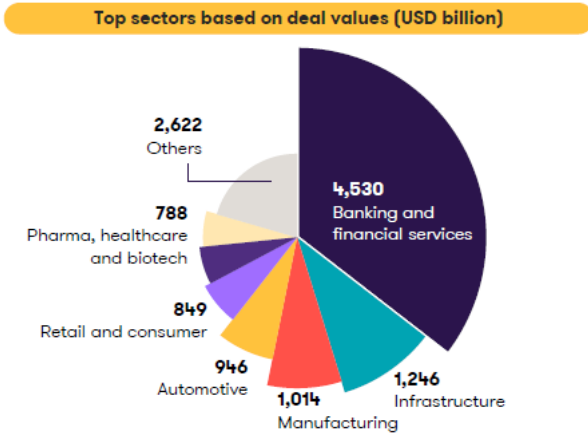


Figure 3: BFSI and infrastructure continue to dominate deal value distribution

Source: Grant Thornton Bharat, Q2 2025 Dealtracker

- BFSI-led sector-wise deal values in Q2 2025, followed by industrials and renewable infra—each shaped by structural tailwinds. BFSI led with 73 deals totalling USD 4.5 billion, representing nearly 35% of the overall deal value. The sector saw six high-value transactions across banking and NBFC, fintech, and financial services and asset management segments, amounting to USD 3.7 billion. Within the sector, the NBFC segment dominated in terms of value, contributing 66%, while fintech led in deal volumes with a 53% share.
- Expanded infrastructure monetisation pathways (REITs and InvITs) are giving PE firms new exit velocity, which is visible in energy and urban infra deal clusters.
- Green corridors, hydrogen pilots, and tech-stack-led infra enablement are turning capex into capital strategy.

Sectoral micro-cycles are deepening. EV infra deals are now shaped by battery-swapping regulations and state EV policies (NITI Aayog, 2023), while SaaS investors increasingly scrutinise data compliance readiness under India's DPDP Act and CERT-In mandates.

Dealmaking: The shift from speed to signal

The sectoral shifts are mirrored in how capital is being deployed—smaller, sharper, and more signal-driven.

The nature of deployment is shifting:

- Sub-USD 100 million rounds dominate early-stage flows. Valuations are recalibrated, governance filters are stricter.
- Investors aren't chasing growth. They're buying operating discipline.
- Several domestic and sovereign hybrid funds (Temasek, GIC, and ADIA) are building platform-style positions, focused on monetisation and infra-backed adjacencies.
- Consumer and retail, banking, IT & ITeS, and pharma sectors led the deal activity by volume, collectively accounting for nearly 50% of the total transactions in Q2 2025.

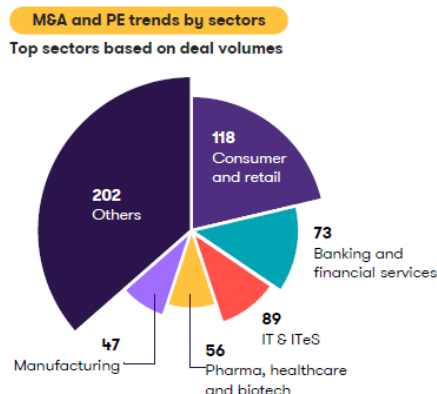


Figure 4: Sectoral interest remains broad-based

Source: Grant Thornton Bharat, Q2 2025 Dealtracker

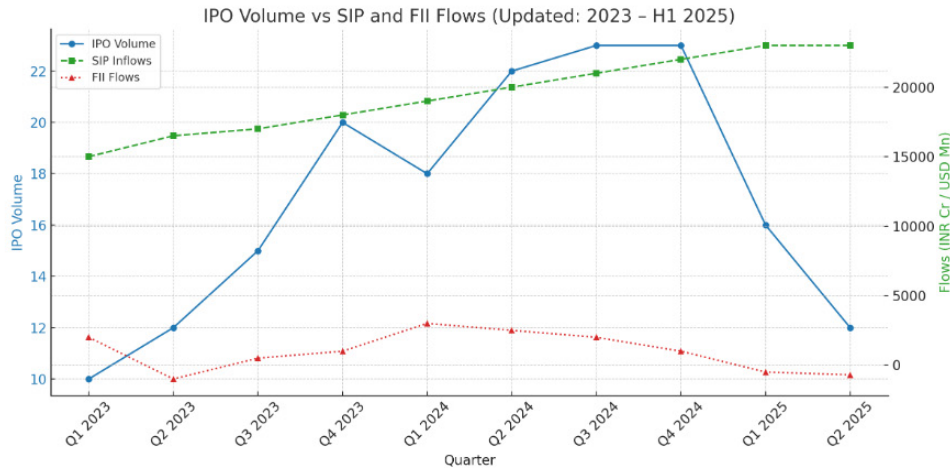
Due diligence no longer focuses on financials alone. ESG compliance, cyber-readiness, and exposure to state-specific tariff shifts, particularly in renewable and infra assets, are now routine parts of investor checklists.

IPOs: Not an exit, but a test

IPO trends (2023–2025):

India's IPO engine hit record highs in 2024, with 86 listings raising over USD 21 billion—more than triple the value in 2023. However, the real story isn't just about volumes; it's about validation with governance-heavy sectors like automotive, energy, and telecom dominating. The trend continued into Q1 2025 with Hexaware's USD 1 billion debut before moderating in Q2.

What we're seeing is the market rewarding preparedness, not just prospects. From ESOP restructuring to SEBI's stricter pre-filing mandates, IPOs are no longer just exits—they're stress tests of governance.



As we see in the chart above, IPO activity remained healthy in early 2025, contradicting any assumption of a full freeze, with only the global economic uncertainty in Q2 2025 leading to a dip in activity. SIP inflows continue to rise and anchor listings. FII flows show volatility, but IPO momentum is increasingly decoupled, suggesting stronger domestic capital confidence.

Companies are now:

- Cleaning up books post-listing
- Restructuring ESOPs and pre-IPO debt
- Preparing public governance playbooks 18 months in advance

SEBI's reforms on pre-filing disclosures, lead bank accountability, and listing governance mean that IPOs are now earned, not engineered.

This reflects a wider FII view. In Morgan Stanley's recent Emerging Markets Strategy note, India remains their top overweight due to IPO-led public ownership, free float depth, and domestic capital anchors.

Deals lifecycle

India's modern deal lifecycle: Where trust is engineered

Preparation	Diligence	Structuring	Execution/ investment	Exit/listing
Back-of-the-envelope models	Diligence	Tax arbitrage	Ticket-size calibration	IPO = exit endorsement
<ul style="list-style-type: none"> • Balance sheet clean-up • Corporate structuring 12–18 months ahead • DPIIT + FDI clearance readiness 	<ul style="list-style-type: none"> • ESG and cyber due diligence • Data protection readiness (DDPP Act, CERT-In) • Cross-border regulatory mapping 	<ul style="list-style-type: none"> • Platform creation (REITs, InVITs, SPVs) • Mid-cap rotation with monetisation intent • Hybrid capital (sovereign + private) 	<ul style="list-style-type: none"> • Ticket-size calibration (<850M dominates) • Signal-led flows (operating discipline over scale) • LP sensitivity to real impact 	<ul style="list-style-type: none"> • IPO = trust test • Pre-IPO governance track • Post-IPO credibility metrics
Forward-loaded governance	Institutional transparency	Structure as strategy	Discipline over exuberance	Exit as endorsement

Capital flow headline timeline

Lifecycle segment	Capital type
Preparation → Diligence	Early-stage (VC)
Diligence → Structuring	Mid-stage (PE)
Structuring → Execution	Platform/infra
Execution → Exit	IPO

In today's India, dealmaking is no longer a sprint from pitch to payout—it's a choreography of credibility. Preparation now begins 12–18 months before capital arrives, with founders cleaning up balance sheets and securing regulatory clearances early. Diligence has deepened beyond financials, and investors now demand ESG maturity, cyber compliance, and data protection readiness. Structuring is now strategy-led, with REITs, InvITs, and platform SPVs attracting hybrid sovereign and private capital. Execution has shifted as well. Smaller tickets dominate, and capital now rewards governance and operating discipline over growth hype. Finally, IPOs are no longer just exits—they're litmus tests of institutional readiness. In this environment, trust is the currency of scale.

Capital markets: Not just deeper, but wiser

India's capital formation story is no longer linear. What we are witnessing is a capital stack maturity curve—an evolution across four distinct stages:

- Stage 1: Sentiment-driven FII Flows – Dominated the early 2010s; volatile and externally triggered
- Stage 2: Domestic anchors emerge – SIPs (~INR 20,000 crore/month), sovereign hybrids (NIIF and LIC) provide a steady flow
- Stage 3: Platform capital and exit infrastructure – PE-backed InvITs, REITs, and structured SPVs gain momentum
- Stage 4: Institutional design and governance depth – IPO governance norms, SEBI-led listing controls, and public accountability mechanisms begin to converge

Capital stack maturity curve India (2010–2025)

Institutional design →

Stage 4	Governance discipline (SEBI IPO norms, ESG filings)
Stage 3	Platform monetisation (InvITs, REITs, SPVs)
Stage 2	Domestic anchors (MF SIPs, NIIF, LIC)
Stage 1	FII flows (volatile, sentiment-led)

Time → 2010–2025

This staged maturity is what now separates India from other emerging markets, marked not just by depth but by design fidelity.

As the domestic mutual fund SIP base (~INR 20,000 crore/month) continues to fund IPOs and anchor QIPs, India's capital stack is becoming self-sustaining.

VC and PE funds are also rotating to mid-cap plays. With retail and HNI participation staying steady despite volatility, India is now building a new muscle: market maturity.

Post-listing, companies are less focused on expansion and more on credibility:

- **Fixing finances** by reducing debt and cleaning up their balance sheets
- **Upgrading tech** to remove outdated systems and improve reliability
- **Improving sales efficiency** by streamlining how they reach and retain customers

Where the second half might be headed

As H2 2025 begins, three structural signals stand out:

- Infra and cleantech exits will dominate structured PE returns via InvITs, SPVs, and monetised platforms
- IPO rotation into mid-caps across digital health, mobility, SaaS infra, and EV chains is already underway
- Diligence has become a growth engine—companies embedding financial, cyber, and operational transparency are growing faster and exiting smoothly

Currency hedging, cross-border compliance, and ESG impact disclosures are becoming preconditions, not preferences, for outbound M&A and global listings.

Conclusion

In times when most capital is trapped between fear and fatigue, India offers a unique pattern: A market where trust compounds and where preparation sets the yield instead of sentiment. The private markets are no longer decoupled from the public. They're converging into a discipline of design, and in that lies India's structural alpha, i.e., credibility as currency, and systems that convert signal into trust.