India M&A and PE/VC deal activity

Q1 2026

Policy tailwinds meet global headwinds

India's dealmaking landscape in Q1 2026 presented a clear divergence strong transaction volumes but softer deal values. The quarter was supported by domestic policy momentum, particularly the Union Budget 2026, while global geopolitical tensions, especially in the Middle East, created uncertainty and led to more cautious capital deployment.

Overall, the market remains fundamentally strong, but investment behaviour has clearly shifted toward a more disciplined and value-focused cycle.

Market overview: high activity, lower deal values

700 Transactions recorded in Q1 2026

making it one of the most active quarters in recent years. However, total deal value declined by more than 40% year-on-year, driven by fewer large-ticket and megadeals.

This gap between volume and value reflects an important shift in investor behaviour. While deal activity remains healthy, capital deployment is becoming more selective. Investors are increasingly focusing on mid-sized, high-conviction deals with clearer return visibility, rather than large, complex transactions.

Despite the moderation in value, India continues to demonstrate strong resilience, supported by robust domestic consumption, stable macroeconomic conditions, and consistent policy support.

Union budget 2026: key implications for M&A and PE/VC

The Union Budget 2026 played a meaningful role in shaping investment sentiment and deal structuring in Q1. It reinforced India's position as a preferred global investment destination by improving regulatory clarity and easing cross-border capital flows.

Key positive reforms included expanded tax incentives for offshore financial activities, simplified transfer pricing rules, and clearer regulatory frameworks. These measures have improved ease of doing deals, particularly for global investors and fund managers operating in India.

At the same time, certain provisions increased transaction costs. Higher taxation on buybacks and stricter rules on interest deductibility have made leveraged buyouts less attractive. This has led to a gradual shift toward equity-heavy deal structures and longer-term investment horizons, with stronger focus on cash flow stability and operational performance.

₹80,000 Cr

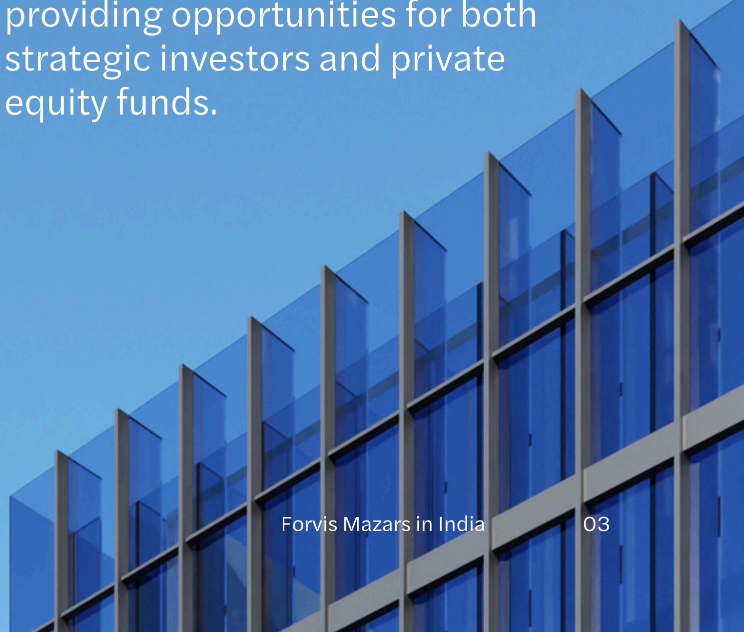
Disinvestment target set for FY27

signaling an active government-led pipeline for asset monetisation.

The approach is increasingly shifting away from outright privatisation toward:

- Strategic stake sales in public sector enterprises
- IPOs of PSU subsidiaries
- Structured asset monetisation mechanisms

This is expected to generate steady deal flow across financial services, infrastructure, and energy sectors, providing opportunities for both strategic investors and private equity funds.



M&A activity: mid-market dominance and sector leadership

M&A activity in Q1 2026 was largely driven by mid-sized transactions, while large-scale deals remained limited. Inbound investor interest remained steady, supported by India's long-term growth story, especially in consumption-led and infrastructure-linked sectors.

Sector momentum was concentrated in a few key areas.

The IT & ITES sector emerged as the largest contributor

USD 3.5Bn | **66 Deals** | **~22% Share**

This was driven by ongoing global consolidation in technology services. A standout transaction was Coforge's USD 2.4 billion acquisition of Encora Inc., reinforcing India's position as a global hub for IT services consolidation and platform expansion.

The Energy & Natural Resources sector ranked second

USD 2.2Bn | **44 Deals**

Reflecting strong momentum in energy transition themes. The sector also recorded a 31% quarter-on-quarter increase in deal value, supported by rising investor interest in renewable energy and power infrastructure assets.

Key transactions included:

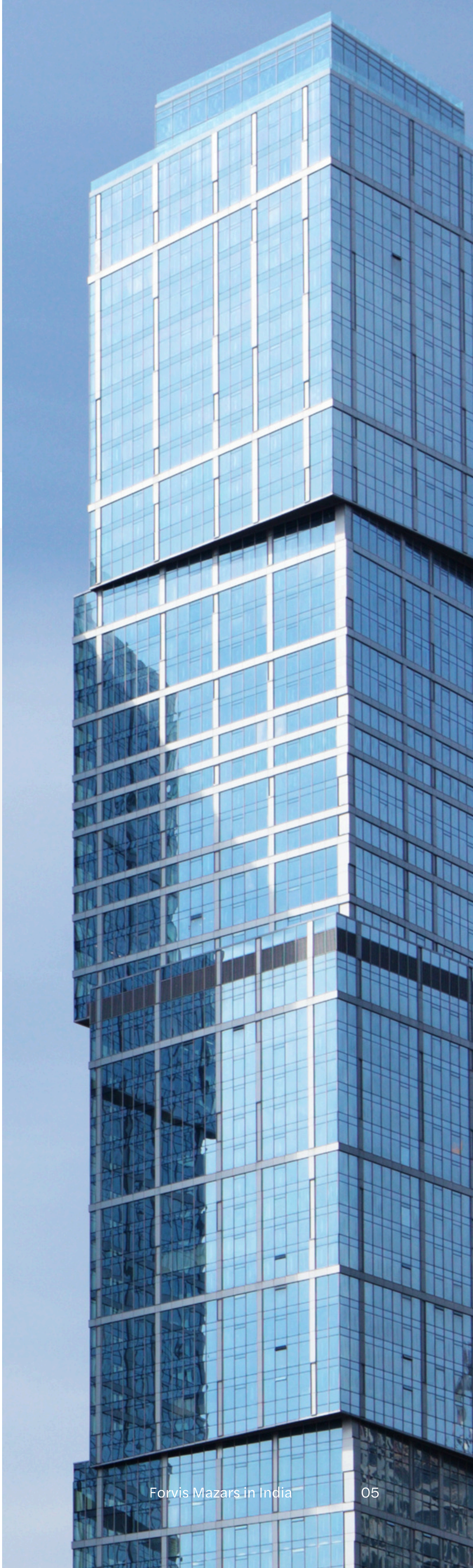
USD 749M Deal

Torrent Power acquires Nabha Power Ltd, strengthening its conventional and thermal power portfolio

USD 133M Deal

Waaree Renewable Technologies acquires 55% stake in Associated Power Structures Ltd, highlighting continued consolidation in renewable energy infrastructure

In addition, BFSI and Media & Entertainment sectors saw steady deal activity, supported by digital transformation, platform consolidation, and rising consumer demand for digital content.



PE and VC: selective but active

Private equity and venture capital (PE and VC) activity declined by approximately 20–25% year-on-year in value terms, reflecting global risk aversion, valuation mismatches, and cautious capital deployment. However, deal volumes remained stable, indicating continued underlying interest in India's growth story.

A key trend was the decline in average PE deal size, which fell from around USD 36 million to USD 22 million quarter-on-quarter. This reflects a more selective investment approach, with greater emphasis on profitability, scalability, and operational resilience.

Despite this moderation, several notable transactions stood out. The quarter saw the USD 1.78 billion acquisition of Royal Challengers Sports Private Ltd, led by a consortium including Aditya Birla Group, Times of India Group, Bolt Ventures, and Blackstone. This deal highlights continued investor appetite for high-visibility consumer and entertainment assets.

Key transactions included:

USD 600M

Blackstone leads round valuing Neysa at USD 1.4Bn

USD 344M

Investors including CalPERS fund Inox Clean Energy and Inox Solar

USD 315M

KKR invests in PMI Electro Mobility Solutions and Allfleet India Pvt Ltd

Venture capital activity remained relatively resilient, particularly in AI, deeptech, and healthtech, supported by policy incentives around digital infrastructure and innovation ecosystems.

Impact of conflict: a cautious overlay

Geopolitical tensions involving Iran, the U.S. Israel and Middle East introduced an additional layer of global uncertainty. While the direct impact on India was limited, indirect effects were visible across dealmaking.

Cross-border transactions were delayed as investors adopted a wait-and-watch stance. Energy supply chain disruptions and volatility in commodity prices created pressure in sectors such as manufacturing and semiconductors. Currency fluctuations further added to valuation uncertainty.

As a result, investors shifted toward defensive sectors and businesses with stable, predictable cash flows, particularly infrastructure and domestic consumption-driven companies.

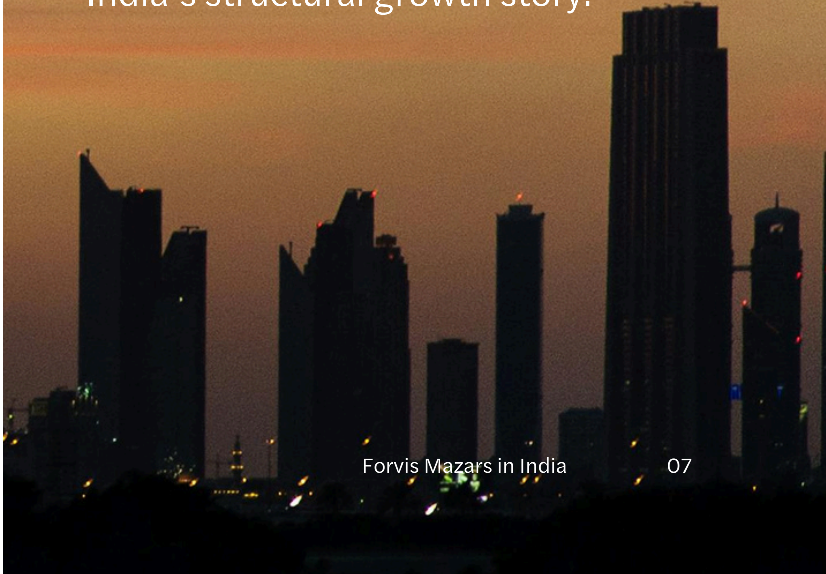
Investor sentiment and strategy evolution

Investor sentiment in Q1 2026 remained cautiously optimistic. While long-term confidence in India's growth story is intact, near-term strategies have become more selective and disciplined.

Key shifts include:

- Higher allocation to India- and Asia-focused funds
- Greater use of structured, risk-mitigated deals
- Focus on consolidation in fragmented sectors to build scale
- Alignment with policy themes such as energy transition, digital infrastructure, and manufacturing

Overall, investors are more disciplined but remain strongly committed to India's structural growth story.



Outlook for Q2 2026

Q1 2026 marks a transition phase in India’s M&A and PE/VC landscape, with global uncertainties tempering valuations and large deal activity. Despite this, strong domestic policy support particularly from the Union Budget 2026 along with continued momentum in IT and energy, reinforces India’s long-term attractiveness.

Against this backdrop, the outlook for Q2 2026 remains stable, with expectations of a gradual recovery in deal values. The government’s disinvestment pipeline is likely to gain traction, potentially unlocking larger transactions across banking, infrastructure, and energy sectors.

As geopolitical conditions stabilize, the market is expected to see a rebound in large cross-border deals and stronger capital deployment in the second half of 2026. Overall, the market is becoming more disciplined, selective, and structurally aligned, positioning it well for gradual acceleration through the rest of the year.

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