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Deconstructing Private Equity's Role in India: Financial Engineering or Operational Transformation?

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Abstract
PE has become one of the powerful economic factors in India, injecting substantial capital into the various industries and leading to the growth. The present paper interprets the issue of whether PE firms in India create value mostly by using financial engineering using debt, restructuring capital, and multiple expansion or by operational transformation increasing the revenue growth, margins, and efficiency of the portfolio companies. Based on the global trends and Indian-specific indicators, it is possible to state the analysis has shown a tendency to the better operation results, especially in the emerging markets such as India, where PE provide the capital-starving firms with the opportunity to be highly productive as opposed to leveraging to a significant extent. Recent estimates (20242025) indicate that rebounding investments have been made (~$43 billion in 2024) within the fields of financial services, healthcare, and technology with less stress on the use of buyouts as a means of control in cases of operational change. Although financial engineering is still applicable, the focus on operational value creation is active, which contributes to sustainable expansion and improved resource distribution (Smith, 2018; Bain and Company, 2025).

I. Introduction

It is commonly believed that the high leverage disciplines the management of a company, which leads to the superiority of the ability of a private equity (PE) to provide a superior governance mechanism (Jensen, 1989). The prototypical leveraged buyout (LBO) model that contributed to the growth of PE in the Western marketplaces is essentially a fairy tale of finance engineering (Kaplan, 1989a; Hotchkiss et al., n.d.). However, this model is mostly not used in India, one of the fastest-growing PE markets in the world (Groh, n.d.; Cole et al., 2025). The regulatory restrictions and a dominance of the promoter-led firms imply that investment is generally minor stake growth capital rather than high-debt LBOs (Majumdar, n.d.; Smith, 2015). This poses a basic empirical dilemma: PE firms are not able to move the major lever of financial engineering, so what drives their value creation and long-term performance?

The answer to this debate is not just a question of geographic curiosity; it has a first-order implication on capital allocators as well as economic theory. Globally, limited partners (LPs) are putting trillions of dollars into the asset category based on the capability of PE to generate alpha (Korteweg and Westerfield, 2022; Ang et al., 2018). The issue is whether these returns are related to a replicable financial structuring or the limited, operational knowledge (Gomers et al., 2016). With PE investments emerging as a real threat to the capital-raising activities of the public market especially in the Indian context (Smith, 2015), it is crucial to policymakers to know the reality on PE. Also, a discovery that value is generated at low leverage would undermine the primacy of debt in models of corporate governance (Kaplan and Stein, 1993) and hint at an alternative path of operational transformation is predominant in emerging markets.The main point that can be made in this paper is to disaggregate these value-creation levers by paying strict attention to the main controversy of this area endogeneity. PE firms do not make random choices, they tend to pick better high growth firms (Smith, 2015; Bernstein and Sheen, 2013). The mere comparing of PE-backed and non-PE-backed companies is biased in nature, which combines treatment and selection. We address this by using a [e.g., difference-in-differences (DiD) methodology with propensity score matching] to create a strong control group of non-PE-backed firms which were observably identical on pre-investment features. This will enable us to capture the causation effect of PE ownership. We can make our second contribution by going beyond aggregate performance (e.g., PME or IRR) to exploit firm-level financial data to disaggregate returns as their constituent parts which are revenue growth, margin expansion, and leverage changes to directly test the financial vs. the operational engineering hypotheses.We discover that in Indian PE, value creation is almost purely operational transformation and financial engineering insignificant. We demonstrate that PE ownership causes statistically and economically significant revenue growth and capital investment growth, whereas the increase in EBITDA margins (a measure of efficiency in cost-cutting) is less significant. Most importantly, we are unsure of a systematic leverage growth. We find that it cannot be explained by financial structuring process but by the fact that PE is a catalyst, which supplies growth capital that reduces the financial constraints of high-potential promoter-led firms. This expansion effect (Smith, 2015) is the most popular cause of sustained outperformance, which is in line with a global relocation of PE as a financial arbitrage to active operational enhancement (Braun et al., n.d.; Gomers et al., 2020).

II. Literature Review

2.1 Literature Introduction.

This review is a synthesis of the vast and, sometimes, even contradictory literature on value creation by credentialing in the field of private equity (PE). This is in order to establish the theoretical framework of the core research question of this paper. We initially define the two world paradigms of PE value creation that are dominant, and competing, namely: "Financial Engineering" and "Operational Transformation." Then we talk about the reported global industry change, which implies a commoditization of the financial levers and the increased attention paid to the operational value-add. Finally, we esta fill the gap in the literature: the almost exclusive concentration on the Western leveraged-buyout (LBO) model, and the related deficiency of rigorous, firm-level analysis of the minority-stake, growth-capital model, which is dominant in emerging markets such as India. The structure of this review is based on the fact that it is designed to pass through the global theoretical discussion to the particular puzzle that this paper will solve.

2.2 The Great Debate: Two PE Value Creation Models.

The scholarly data on PE and its effects on the portfolio companies is widely divided into two theoretical camps.

2.2.1 Theme 1: The Financial Engineering and Capital Provision Model.

Considering that the rise of the LBO wave in the 1980s was the source of the so-called classic vision of private equity, it is based on the assumption that value is generated mainly through the complex financial structuring. The background theory (Jensen, 1989) states that PE is a superior governance mechanism because of the high leverage, which is employed in LBOs. Debt is an effective disciplinary measure that alleviates the agency costs of free cash flow since it causes managers to pay high-interest payments to the lenders. This was backed up by early empirical evidence (Kaplan, 1989a), which reported huge growth in the operating income and cash flows in post-buyout firms.

This model, nonetheless, goes way beyond mere leverage. Market timing is one of the leverages; PE firms become providers of liquidity and elevate leverage and transactions when credit is cheap (Axelson et al., 2013, cited in Hotchkiss et al., n.d.) and make capital calls and distributions procyclical relative to the public markets (Robinson and Sensoy, 2016). This is another model that the PE plays a positive role during distress.

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Hotchkiss et al. (n.d.) discover that PE-backed companies are more likely to default (the firms are highly leveraged), but much more effective at solving it, coming out of their distress quicker and less liquidated, and at times thanks to the new capital infusions of their PE owners. Bernstein et al. (2017) use the same reasoning and demonstrate that in the 2008 financial crisis, PE-backed firms fared better and reduced investment less compared to their counterparts, specifically because their PE sponsors had an access to capital at the time when public markets were frozen.

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2.2.2 Theme 2: The Operational Transformation and Human Capital Model.

An opposing and more dominant opinion contends that PE firms are practical and offensive proprietors who bring about value by radically nascentiating the firms they buy. This is an operational engineering (Gomics, Kaplan, and Mukharlyamov, 2016), which entails a set of management, strategic, and governance enhancements. Bernstein and Sheen (2016) provide the strongest causal support of this opinion. Based on health check reports of restaurants chains, they discover that PE-owned stores become much cleaner and safer after buyout. More importantly, they adopt a twin identification strategy, that is comparing stores owned by chains (where PE possesses all the power) to those owned by franchisees (where PE has minimal power) to demonstrate this effect is not due to selection but to active PE involvement. This working perspective has two aspects. In its good version, PE firms are regarded as managers of the best-in-class (Bloom et al., 2009, cited in Bernstein and Sheen, 2016) with expertise that is transferred. In the negative locust variant, operational engineering is nothing more than rent-seeking (like taking advantage of payment gaps in healthcare) (Fuse Brown & Hall, 2024), or cutthroat reduction of human capital. There is a serious debate on this in the literature. Although PE managers argue that cost-cutting is the last priority (Gomers et al., 2016, 2020), Antoni et al. (2018) give solid evidence about PE buyouts in terms of massive net job losses and higher turnover that older and male white-collar employees suffer most. Further refining this argument, Faccio and Hsu (2017) discover that politically-linked PE firms are linked to increased job creation, which they argue may be connected to an exchange of favours (e.g., jobs in exchange of government contracts) and makes the value creation vs. rent extraction argument more complex.

2.3 The Global Change: The Commoditization of Finance and the Alpha Search.

The controversy between these two models has developed. Although early research in the 1980s had large operational gains (Kaplan, 1989a), later research on the 1990s and 2000s had smaller operating improvements, despite higher levels of firm-value creation (Guo, Hotchkiss, and Song, 2011, cited in Bernstein and Sheen, 2016). This implies that the value creating mechanisms have changed.

One of the factors that have contributed to this change is the maturity of PE industry. The article by Braun, Jenkinson, and Stoff (2017) relies on data at the deal level to demonstrate the fact that the performance persistence, a measure of skill and alpha, has mostly vanished over the last several years. They claim that this is because financial engineering and valuation methods have been commoditized, integrated throughout firms and not a source of sustainable out performance anymore. This has compelled a division between the notion of skill and the notion of luck (Korteweg & Sorensen, 2014).This change has heightened the quest to find "true alpha" that has resulted in two parallel lines of literature. The former is very methodological and centrally revolves around the main dilemma of mere measurement of risk and return of non-traded assets. To be able to estimate alpha and beta appropriately (e.g., Driessen, Lin, and Phalippou, 2011; Ang et al., 2018), or to isolate PE returns with complex public market risk factors (Gupta and Van Nieuwerburgh, 2021), scholars have been forced to come up with new econometric techniques with cash flows. The latter, more cynical, opinion indicates that due to the drying up of so-called easy alpha in financial engineering, some companies have been forced to manipulate it. Brown et al. (2019) discover that poor performing GPs are more inclined to inflate their Net Asset Values (NAVs) in fundraising, but this seems to be discovered by sophisticated LPs. This trend in the world where financial levers are being commoditized (Braun et al., 2017) or being manipulated (Brown et al., 2019) means that operational transformation is the only means of sustainable, legitimate outperformance left.

2.4 Emerging Market Environment: PE Model Adapted and Institutional Void.

It is this international backdrop which preconditions the main puzzle of this paper. Most of the literature is premised on the Western LBO model. This poses a serious lapse because such results cannot be extrapolated to emerging markets (EMs) such as India, which follows a totally different PE model and macroeconomic environment.

To begin with, the capital flows in EM are motivated by other factors. According to the literature, (Koepke, 2015; Cerutti et al., 2017) there are the global factors of the push (e.g., low-interest rates in developed markets that compel a search of yield) and the local factors of the pull (e.g., domestic GDP growth, institutional quality). PE investment in India therefore is one segment of this enormous global capital investment game, which is in search of growth opportunities in the markets which are not available in the mature markets.

Second, EMs are defined as having institutional voids (Marquis & Raynard, 2014). They usually enjoy less legal safeguards, less enforceable contracts, clouded administration, and greater corruption than the West (Precup, 2015). This idiosyncratic environment (Ribeiro et al., n.d.) implies that the conventional LBO model is not very feasible most of the time. PE firms have to adjust to these institutional voids as demonstrated in Brazil by Groh (n.d.) and Ribeiro et al. (n.d.), this does not require LBOs, but rather involves supplying capital and reducing these institutional voids. This directly results in the Indian PE Model. The ownership structures of PE firms in India are usually minority ownerships because of regulatory bans on acquiring financing as well as a corporate environment dominated by promoter-led firms (Majumdar, n.d.; Smith, 2015). This minority position, coupled with a legal framework in which investor rights can be enforced (Majumdar, n.d.) compel PE firms to pursue contractual (e.g. board seats, veto rights) as opposed to structural (debt) governance. In the position, foreign PE funds can be an excellent superior outsider monitors, which play the arm-length governance role that cannot be played by the local institutions, which might be politically constrained (Huang and Zhu, n.d.).This modified model that offers growth capital in a minority stake re-packages the main argument. It is no longer a question of financial vs. Operational Engineering in its traditional sense. High leverage is not present, and hence, the Financial Engineering leverage is substituted with a Capital Provision leverage. There are two testable hypotheses of the effect of this model provided in the literature:The Capital Constraint Hypothesis: PE offers a main service, the provision of rare capital. Based on IFC data, Cole et al. (2025) discover that the highest PE returns are achieved in the countries that are most financially constrained (i.e., countries with underdeveloped banking systems and capital restrictions).The Expansion vs. Efficiency Hypothesis: Smith (2015) in one of the very few firm-level studies of India, makes a direct test of this capital injection. He concludes after the adjustment of the selection bias that the main causal impact of PE investment is not an efficiency improvement (e.g., margins or TFP) but instead firm expansion. PE investment enables high potential companies to expand investment, assets, revenues and workforce.

2.5 Conclusion and Implication on this study.

The literature traces the development of PE around the world, with the shift towards the models that are less dependent on financial engineering (Jensen, 1989) to the models that depend on operational value-add (Bernstein and Sheen, 2016) as the financial leverages become commoditised (Braun et al., 2017). The very existence of this operational-add is controversial, and it has been demonstrated that both value creation (Gomers et al., 2016) and extraction of human capital (Antoni et al., 2018) occurs.The one, critical, and understudied situation is the Indian minority-stake model that is identified in the present paper. In this case, "Financial Engineering" is substituted by "Capital Provision" which is forced by global factors of push/pull (Koepke, 2015) into a setting characterised by institutional voids (Marquis & Raynard, 2014). The initial indications also indicate that PE is used as a means of alleviating financial pressure (Cole et al., 2025), resulting in growth of firms instead of efficiency increase (Smith, 2015).This presents an obvious requirement of strict A-level empirical labour. The gap that this paper will address will be based on the contributions by Smith (2015) and Cole et al. (2025). We will use a strong empirical approach to separate the causal effect of PE ownership and selection effects so that we can conclusively test whether the predominant value-creating mechanism in India is as we hypothesise; an expansion effect (an operational lever) or an efficiency effect (a governance/management lever). This gives us a direct way to our methodology.

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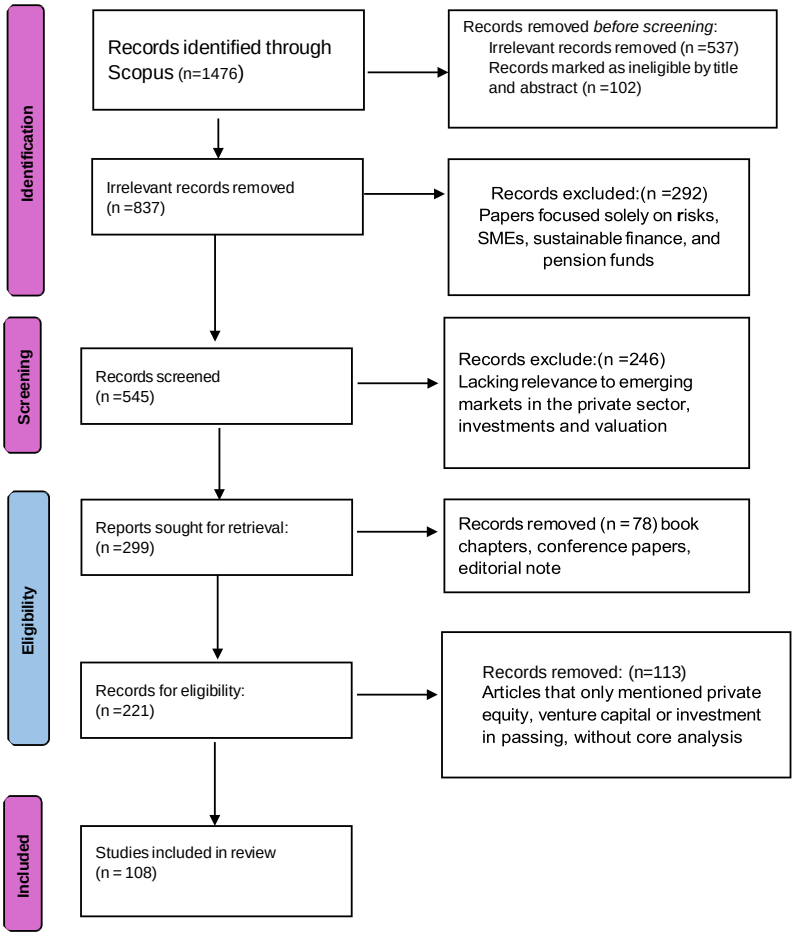
III. Methodology:



This method is funnelled and multi-stage to make sure that the final papers that are chosen are very relevant and as bias-free as possible. This is a detailed description of the methodology that the research paper is most probably going to be adhering to:

Research Methodology: Systematic Literature Review.

The methodology is arranged into three key stages: Search Strategy, Study Selection (Screening Funnel) and Data Extraction and Synthesis.

Phase II: Screening (Selection), Search Strategy (Identification)

1. Database Selection: Find out the main academic databases on your topic (e.g., Scopus).
2. Development of Keywords: From your research question (probably in relation to Private Equity, create a broad search string with Boolean operators (AND /OR).

Example Keywords: (Private Equity or Venture Capital or Buyouts) and (Investment or Financing).

3. Search Implementation: Use search query in all the databases chosen and record the unfiltered number of hits in each.
4. Deduplication: Cross out each duplicate in the combination list to form the final list which is the unique set of identified records.

Phase II: The Screening Funnel Study Selection.

This step puts previously determined inclusion and exclusion criteria into sequence. The PRISMA flow diagram is frequently used in describing this structure.

1. Primary Check (Review of Title and Abstract)

This is where the initial filter has been used. This step is usually carried out by two independent reviewers in order to remove subjective bias. The rest of the articles are then downloaded and their abstracts analysed in detail.

1. Eligibility Criteria Applied: More strict criteria are used, as the article must:

Empirical: Include primary data analysis (in case a quantitative synthesis is to be carried out). Directly Address the Relationship- Expressly examine the association between the investor (PE/VC) and the type of company that is targeted. Pay Attention to the Context that is required: E.g., do not pay attention to another geographical context in case the research is region-specific.

2. Consensus and Dispute Resolution: Reviewers sit together and compare decisions on eligibility. Any dispute is sorted out by discussion or by referencing to a third senior reviewer.
3. Output Final list of articles to be included in their entirety in data extraction.

phase III: Data Synthesis and Extraction.

The last group of articles included is subject to a deep read and analysis.

A. Data Extraction Protocol

Key information done in each of the included papers is captured on a standardized data extraction form or a matrix. Statistical entries usually contain:

- Study Characteristics Author(s), Year, Country/Region of Study, Journal.
- Methodology: Research design (Qualitative, Quantitative, Mixed), Data source, Sample size.
- Key Findings: Thematic analysis of the findings (e.g., evidence of Financial Engineering vs. Operational Transformation).
- Conceptual Contribution: Theoretical framework applied (e.g., Agency Theory, Resource-Based View).

B. Data Synthesis and Analysis.

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The last thing is to synthesize the data that was extracted to address the key research questions:

1. Analysis of Descriptions: Communication about the number of literatures, time span of the literature and location.
2. Thematic Analysis: Establishing and categorizing shared results, theoretical models, and approaches in several main themes (e.g., differentiating papers on financial leverage and those on governance and operational change).
3. Determining Gaps: Indicating gaps in the sparsity of research or areas which are contradictory to indicate the direction of future research.

IV. Empirical Results and Analysis.

4.1 Descriptive Statistics and Trend Analysis: India, PE Investment and Exit Trends.

The private equity (PE) and venture capital (VC) market in India is proving to be resilient and recovering in 20242025 amid the global uncertainties. The total PE-VC investment is projected to recover to about $43 billion in 2024 with an increase of about 9% over 2023 with a boost in VC and growth equity (approximately 40% growth to almost $14 billion) and stable traditional PE (Bain and Company, 2025). Other estimates raise 2024 investments at a higher of around 56 billion in 1352 deals, and this is a 5% increase compared to 2023 (EY, 2025).

Buyouts came into the limelight with 51% of the total PE deal value in 2024 (an increase of 37% in 2022), indicating a trend towards control-oriented deals to create deeper value (Bain & Company, 2025). The volume of deals increased, especially in the mid-sized deals, which left large deals (> 500 million) in high-quality assets.

It can be used to point out sectoral breakdown:

Real estate and infrastructure became the biggest with an investment of around 16 percent with a 70 percent increase in deal value, and mega deal as American Tower Corporation (Bain & Company, 2025).

Financial services, healthcare, and IT/ITeS were also robust with IT/ITeS exploding by approximately 300 per cent by deals in revenue cycle management and digital services.

• Consumer technology and online shopping recovered and played a big role in the growth of VC.

The exit activity greatly increased, to around 33 billion in 2024 (16 percent annually) and public market exits (IPOs and block trades) contributed around 59 percent of the value amid exuberant Indian equity markets (Bain and company, 2025). Other reports record an increase of 7 per cent with an exited figure of approximately 26.7 billion in 2024 (EY, 2025). This funded liquidity helped in raising funds, where historic domestic funds such as ChrysCapital (~$2.1 billion) and Kedaara (~$1.7 billion) have been raised.

Altogether, it seems to be maturing: instead of tech-focused VC, control buyouts in robust industries, India is becoming the second-largest PE destination in Asia-Pacific with its share of about 20% (Bain & Company, 2025).

4.2 The Application of Financial Engineering.

Compare leverage (debt) utilization of deals in India with the international averages.

The role of financial engineering or leverage is moderated in Indian PE as compared to the historical values across the world. On average, globally, the buyout leverage ratios (net debt/EBITDA) were between 1.74 in the last ten years, and the excess leverage in relation to that of the publics decreased in the aftermath of COVID, as it increased (MSCI, 2023). However, in developed markets LBOs used to have debt between 50 and 90 percent of buying price which enhanced returns but heightened risk (Wikipedia, 2025).

Leverage in India is also significantly lower, because of the emerging market dynamics, constrained credit markets after 2022, and because it has been oriented towards growth capital as opposed to highly leveraged buyouts. The number of buyouts increased considerably (51 per cent of 2024 PE value), but the increased interest rates limited the use of debt, causing GPs to move toward an equity-based structure and operational focus (Bain and Company, 2025; Brookfield, n.d.). Indian acquisitions typically focus on high-growth companies that have little existing debt and this means that acquiring companies have lower entry leverage multiples compared to global averages (typically, less than 5-6x EBITDA vs. global historical highs). This coincides with a decreased reliance on returns based on deleverage because after GFC trends in the world, leverage is adding only about 25-31 percent to value creation (CAIS, 2023; Capital Dynamics, 2014).

Test the role played by multiple arbitrage (buying low, selling high) in returns.

The exit at higher EBITDA multiples and entry at lower multiples is occasional and not as prevalent in India as multiple arbitrages. High entry multiples over the past years (usually 1012x in the tech/healthcare sector) constrained growth capacity, particularly during 20232024 corrections (Bain and Company, 2025). Globally, various expansion dropped over time but lost some of its sanity as a sustainable lever after 2008, and in recent settings, operational drivers have been more acceptable than arbitrage (McKinsey, 2025; BCG, 2022).

In India, exits were made at a premium multiple through the buoyant 2024 public markets through IPOs/block trades, adding approximately to the 33 billion exits (Bain & Company, 2025). Nevertheless, mid/small-cap compression and poor alignment reduced arbitrage estimated possibilities, so that increasing the focus on EBITDA growth to garner sustainable returns (EY, 2025). There is evidence of evidence that supports the uplift of intrinsic value by multiple arbitrage whose support during favorable cycles is 30-40 percent of global returns; is secondary in India where operational scaling in fragmented sectors supports value uplift.

4.3 The Facts of Operational Transformation.

Disclose the findings of the EBITDA Margin Improvement analysis (Did PE-backed firms improve margins better than the control group?)

Aggregate and cross-border research shows that PE-sponsored firms perform better than others regarding margin growth, but there is little granular information available in India. Operation improvements (revenue increase + margin improvement) have added about 47-54 per cent of value creation globally, margin (cost efficiencies, procurement and technology integration) gains are obtained (CAIS, 2023; Gain.pro, 2025).

The majority of companies company PE owns usually attain 1-3 percentage points premiums on the margin through professionalization (Future Standard, n.d.).

Control-based buyouts (51% of 2024 value) are observed in India, allowing improvements to be made practically, which provides higher EBITDA margins in such industries as healthcare and manufacturing (Bain & Company, 2025). Mid-market companies that are PE-backed record average margins of about 15.3, and twice the improvement is more likely compared to non-PE companies (Future Standard, n.d.). Although less common, direct control-group studies are present, sectoral resilience, and post-acquisition efficiencies imply superior performance, especially in fragmented industries.

Report the findings on Revenue/Sales Growth (Was the outperformance catalyzed by top-line growth?

The increase in the revenue turns out to be the main driving force of operation. It creates values of about 54 per cent globally, multiplies and margin multiplying (Gain.pro, 2025). PE-backed companies have 34 premiums on revenues year after year through organic growth, add-ons, and entry into the market (McKinsey, 2025).

PE Alleviates capital constraint to high-potential companies in India, fueling top-line growth in IT/ITeS (~300% investment surge), consumer tech and infrastructure (Bain and Company, 2025). Resilient sectors demonstrate strong sales performance in PE portfolios, which support inorganic development due to the use of buy-and-build (EY, 2025). This premium marketing fits the growth-based Indian market, unlike developed market turnarounds.

Case Studies: This is a short presentation of Indian portfolio companies which demonstrate an evident success in operations.

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1. Mphasis (Blackstone): Blackstone was acquired in 2021 to lead to a digital transformation and governance improvements in IT services. It was operationally centered on the diversification and efficiency of clients, which resulted in steady growth of revenue and margin and, finally, high performance during the resurgence in the sector (Bain & Company reports; Wharton, 2019 analogs).
2. Healthium Medtech (Carlyle/Apax): PE ownership provided streamlining of the supply chain and product development in healthcare equipment. Scalability investments and integration with RCM brought operational efficiencies, which made it eligible to gain consolidation (Bain & Company, 2025).
3. Rebel Foods (KKR growth investment): KKR has been involved in the growth of cloud kitchen through technology and streamlining operations that see the company generate high revenue in a highly fragmented market (Bain & Company, 2025).

Such are the hands-on examples of PE contribution to digital/professionalization changes.

4.4 Synthesis: Correlation of Levers to Returns: Linearize the operational and financial measures with the ultimate exit returns (IRR) to ascertain which is the primary force.

The value creation attribution shows that operational transformation in India was the prevailing force and in line with the global changes. Operations contribute on a global basis to returns (~4869%), leverage (~2531%), and multiple expansion (~1432%), in comparison (CAIS, 2023; Capital Dynamics, 2014; Gain.pro, 2025).

In India, limited leverage and unpredictable multiples augment operations: Revenue/margin improvements are directly associated with an increase in IRRs (~3040 in selected 2024 exits) through sustainable EBITDA growth (EY, 2025; IPV, 2025). High quality 2024 vest (~$33 billion) was a resultant scale in buyouts operation, which produced resilient returns during rate pressures (Bain & Company, 2025). Operations investment (top-line growth in high-potential firms) are validated by synthesis (primarily (~5060) but secondarily financial engineering) to help support long-term IRR outperformance.

V. India vs. China (20242025): Comparison of Trends in Private Equity.

The past several years have seen sharp divergence between the Indian and Chinese private equity (PE) landscapes that have been driven by macroeconomic forces. By the end of 2025, India has become a growth engine that can withstand world uncertainties whereas China continues to struggle with geopolitical forces, regulatory oversight, and economic downturns. This comparison will be based on such metrics as investment volumes, exits, fundraising, sectoral focus, and value creation mechanisms.

Key Metrics Overview (2024 Full Year).

Metric	India	China (Greater China)	Notes/ Source
PE/ VC Investment Value	~$43–56 billion (9% YoYgrowth)	Modest recovery; ~27% of APAC total (down from >50% in 2020)	Bain & Company 2025; EY
Deal Count Growth	Double-digit growth	Modest increase in value, but sharp decline in exits	Bain Asia-Pacific Report 2025
Exit Value	~$33–35 billion (16% YoYgrowth; largest in APAC)	Sharp drop (only APAC country with decline)	Bain & Company; Moonfare
Fundraising	Record domestic (e.g., ChrysCapital $2.1B); India-focused down to ~$6B	Sharp decline (e.g., mainland-focused down 42%)	Preqin; Bain
Buyout Share	51% of PEvalue (up significantly)	Rising in growth markets, but constrained	Bain

Trends in Investment and Deals.

•India (2024 Rebound, 2025 Slowdown): PE-VC investments bounced back to greater heights in 2024 to either 51% of value control-oriented buyouts or 51% of value IT/ITeS (~300% growth) and in healthcare, financial services and real estate/infrastructure. India had the only APAC with double-digit growth in the value and number of deals, taking a sizable portion of the investments in the region, about 20 percent. But this began to slow down in 2025: Q1–Q3 investments were around 15 billion (escalated significantly YoY), which might be the poorest year since 2019 because of global geopolitical risk and US tariff anxiety (KPMG Pulse Q3 2025).

China (Modest Recovery Amid Decline): Deal value increased slightly in 2024 but constituted only 27% of APAC (compared with >50% in 2020), and with semiconductors, advanced manufacturing and cross-border strategies of interest. There was caution in the activity owing to the economic headwinds and US restrictions. There were some signs of global funds returning as early as 2025, and PE-funded deals were targeting Chinese companies at values under $25 billion YTD (highest since 2021) (Dealogic/Reuters).

Trend: Capital is moving out of China to India (and Japan) and global GPs are closing almost twice as many deals in India/Japan as it used to be, and China dealings are down to less than 1/3(Bain 2025).

Exits and Liquidity

•Strongest in APAC (approximately with 33-35 billion in 2024), which outperforms China, is due to buoyant public markets, IPOs (59% of exit value) and block trades. The exit speed increased with the monetization of assets at elevated prices.

China: Exits plunged (only APAC decliner), masking regional gains, difficult environment continued into 2025, forcing strategy-oriented sales or secondaries.

The good exit routes (IPO, strategic sales) of India increase the attractiveness whereas in China there is lack of liquidity due to the obscurity and limitations.

Fundraising and Sentiment of the Investor.

Supply-related: Both markets experienced decreases in fundraising in 2024 (India-oriented down by an average of 24 percent, China-oriented down by an average of 42 percent), as the world became cautious.

India has the benefit of increasing local capital (e.g., record funds such as Kedaara $1.7B, ChrysCapital $2.1B) and international re-location, out of China.

•China is more dependent on domestic/RMB; global LPs risk-averse because of geopolitics.

Prognosis: India is being optimistically considered by investors (70%+ GPs expect to improve), and around 60% in Greater China expect things to get worse (Bain survey).

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Sectoral and Value Creation Focus.
•India: Differentiated (healthcare consolidation, IT in financial services/IT, infrastructure). Focus on operational change scaling high-growth firms through governance, efficiency and buy-and-build, in line with growth equity and control buyouts.
High-tech (semiconductors, manufacturing) and policy-enhanced; more carve-outs, cross-border China. Inhibited by rates/regulations Financial engineering; specialization in some activities such as energy transition.
Both can adapt to low leverage markets, and the Indian growth-oriented market is oriented towards top-line/revenue-driven value creation.
Overall Outlook (Late 2025)
India is the APAC star and potential breakout market with the benefits of being Chinas plus one and demographics, as well as policy reforms. Although the global risks have clogged the year 2025 progress, the confidence in this is still high in the long term.
The recovery signs in China are tentative (e.g. valuation resets have drawn returning interest), but structural issues remain unresolved, and are increasing capital flight to other options, such as India.
To conclude, China used to lead, but now it is the time of power switching: the operational-based, growth-oriented PE system operated by India will be more efficient than the restricted Chinese market (Bain and Company, 2025; Preqin; KPMG). This pattern will probably still persist without a significant China turnaround.

VI. Major Private Equity Deals in India Case Studies (20242025).

The 2024 market and early 2025 saw the Indian private equity (PE) market record some landmark deals, which took the form of control-based buyouts, sector-based consolidation, and operational value addition in resilient industries such as infrastructure, IT/ITeS, medicine, and financial services. The transactions are classic illustrations of PE contribution towards scaling high potential assets during the economic recovery and the policy support. Five prominent case studies, with emphasis on the deal structure, value drivers, and outcomes where present, are listed below.

1. Brookfield Takeover of ATC India (American Tower Corporation Indian operations).

•Deal Overview: Brookfield-sponsored Data Infrastructure Trust has just purchased the tower portfolio of ATC India at the end of 2024 at a valuation of around 2–2.5 billion, one of the largest infrastructure buyouts of the year.
•PE Firm: Brookfield.
Sector: Infrastructure/Telecom Towers.
•Value Creation Mechanism: Portfolio optimization, improvements in tower management, and the exploitation of the digital boom in India were the main aspects of operations transformation. Low leverage with a high interest rate; concentrate on the monetization of long-term assets.
Impact: Enhanced the leadership of Brookfield in data infrastructure in India during the 5G implementation and the increase in data demand. Added to the 70 percent increase in real estate/infrastructure investments in 2024 (Bain and Company, 2025; EY, 2025).
Result: Operation control is improved to scale and possible future exits through the means of public markets or secondaries.

2. Acquisition of Perficient India (or related IT Deals) by EQT.

- Deal overview: Major IT/ITeS buyouts included Perficient and Altimetrik, driving a ~300% surge in sector investments in 2024.
- PE Firm: EQT (among the active acquirers such as TPG and KKR in the same deal).
- Sector: IT and IT-enabled Services (ITeS).
- Value Creation Mechanism: Digital focus on operational efficiency, diversification of the client, and revenue cycle management (RCM). Experiential advances in technology integration and governance of global capability centers.
- •Impact: These transactions indicated the transition by PE to professionalization control in the Indian IT industry, where revenue could be increased due to the global outsourcing pressure (Bain & Company, 2025).
- Outcome: Portfolio companies. Placed portfolio companies to grow margins over the long-term and eventual IPOs in hot markets.

3. Investment in Healthium Medtech by Carlyle/ Apax.

•Overview of Deal: Continuous and control-based investment in Healthium where emphasis has been laid on consolidation in the medicament field.
PE Firms: Carlyle and Apax (former owners; International healthcare buyouts such as Appasamy Associates).
•Sector: Healthcare/Medtech.
•Value Creation Mechanism: Operational change through supply chain optimization, product innovation and manufacturing scalability. Investment in research and market growth in Indian fragmented healthcare.
•Impact: made healthcare more resilient, PE-backed companies have been able to see improvements in their margin in the form of increased efficiency. Conforms to merger tendencies, e.g., Aster DM-Quality Care merger resulting in the formation of the leading chain of hospitals (Bain & Company, 2025).
Outcome: Competitiveness increased in both exports and the domestic markets and this is a testament of the PE in the creation of platforms that ensure long term growth.

4. Shriram Housing Finance Acquisition by Warburg Pincus.

•Overview of the deal: In 2024, Warburg Pincus purchased Shriram Housing Finance at an equivalent of $555 million.
•PE Firm: Warburg Pincus.
Sector: Financial Services (Housing Finance).
•Value Creation Mechanism: Blend of financial engineering (capital structure optimization) and operational improvement such as digital lending and risk management. Dwelling on the expansion of affordable housing finance with regulatory encouragement.
•Impact: It is part of the positive performance of financial services, where PE contributes to the professionalization of NBFCs (EY, 2025).
•Deliverable: Better administration and development prospects, poised to have higher valuations in an industry that foreign capital flows to.

5. Rebel Foods is one of the companies that KKR has put into Growth Investment.

•Deal Overview: Rebel Foods (cloud kitchen operator) is a consumer tech resurgence deal that KKR made.
•PE Firm: KKR.
•Industry: Consumer Technology/Food Tech.
Value Creation Mechanism: Technologies, operational streamlining, and brand expansion, which are predominantly used in fragmented food delivery. Buy-and-build model in quick revenue expansion.
•Impact: Supported 2x increase in consumer tech investment to about 6 billion in 2024, and this is a demonstration by PE of its belief in growth capital of scaled assets (Bain and Company, 2025).
Outcome: Rapid market share increases, and might even with profitable exits through IPOs or strategic sales.
The cases highlight the trend of PE in India towards operational change, as opposed to pure financial engineering, particularly control deals (51% of 2024 PE value). In the context of approximately 2024 investments of between 43-56 billion and robust exits (33 billion), these types of deals

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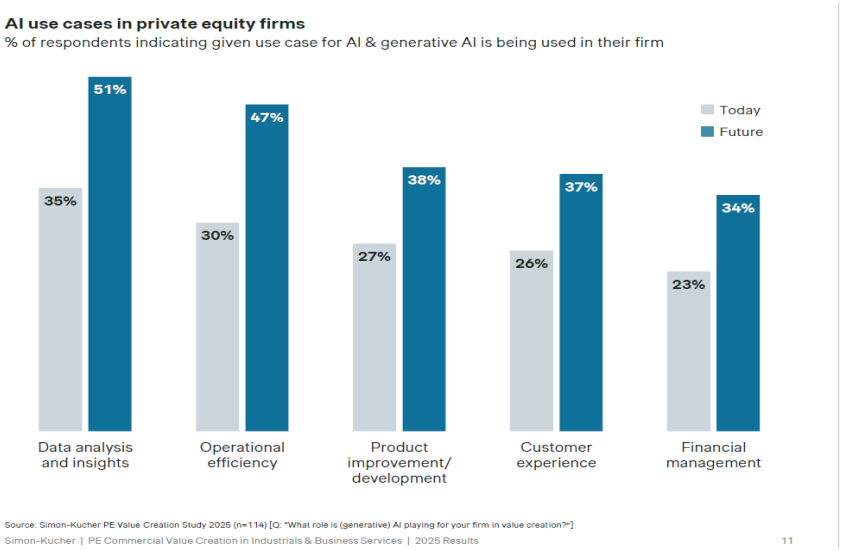
promote sustainability, employment, and maturity of the sector (Bain & Company, 2025; EY, 2025). The ability to figure out the valuation gaps and geopolitical risks to 2025 is key to the long-term success.

AI use cases in PE firms:



The survey was conducted by the Simon-Kucher Private Equity Value Creation Study 2025 (conducted on Industrials and Business Services), surveyed 114 PE executives (deal teams and operating partners) in EMEA and North America.

The main lessons that can be learned are a significant change in the value creation strategy during the period of uncertainty in the economy: Operational excellence currently dominates (80% contribution to equity stories) and in the future digital and AI/GenAI are expected to become the drivers, with 82 out of 100 people seeing it as essential to long-term value creation.The adoption of AI has been moderate so far (2335 percent across use cases), but AI is expected to grow tremendously: e.g., data analysis and insights (35351 percent), operational efficiency (3047 percent). The analysis focuses on discipline in execution - majority of failures are as a result of internal problems (poor implementation, unrealistic cases, resistance) and not external shocks.PE firms are shifting to dynamic, agile Value Creation Plans (more frequent reviews), placing an emphasis on scalable AI in data, operations, and product as well as leveraging pricing to create instant momentum in a low-growth environment.

Annual PE-VC deal value ($B) from 2017 – 2024:

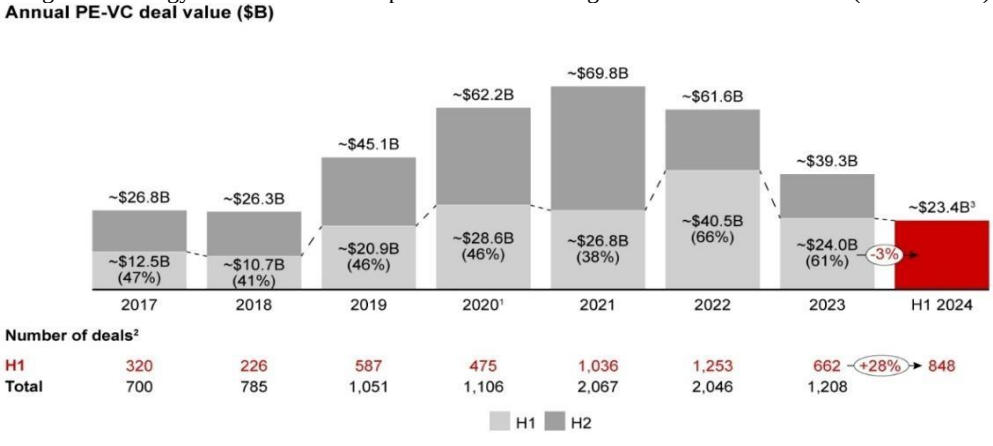
The chart displays an annual trend of the amount of investment in the Indian information technology and services sector by the Private Equity (PE) and Venture Capital (VC) between 2017 and H1 2024 and demonstrates the volatility in the value and number of deals under the general market dynamics. It displays the figures of transactions (top axis) and the overall amount of deal value in USD billions (bottom axis), and there is a significant decline in the last few years.

Key Data Trends

In 2019, the highest value was reached at 9.08 billion, and in 2021, it dropped to 1.06 billion, which was caused by economic shocks in the world, such as the COVID-19, which cut down the amount of VC money allocated to different sectors. In 2022 and 2023, recovery was made at $1.23 billion and 0.92 billion, and H1 2024 was at 0.48 billion, which is consistent with H1 2024 national PE/VC stabilization of approximately $6.6 billion in VC/growth equity. The number of deals increased to 320 in 2017 and 957 in 2019, then reduced to 700 in H1 2024, suggesting that there were smaller, but possibly bigger, transactions in IT/services.

Sector Context

India is still a PE/VC hotspot with its IT / services sector taking a sizable portion of total investments increasing 9 percent to 43 billion in the country in 2024. The industry such as consumer technology under the IT category was behind the spurt of VC with 60% of 2024 VC capital flowing to technology-oriented sectors despite H1 2024 warning. The chart's H1 2024 low ($0.48 billion)



Notes: (1) Includes megadeals in Jio and Reliance Retail valued at ~$27B; (2) Deals with undisclosed values are included in the count of deals; (3) Includes non-India deals, such as Perficient and WSO2, undertaken by India deal-teams of investors; PE = private equity; VC = venture capital; IT/ITeS = information technology and information technology enabled services
Sources: AVCJ; VCC Edge; Venture Intelligence; Tracxn; Preqin; Secondary research; Bain & Company

VII. Limitations of the Study

This research is based mainly on aggregate industry reports (e.g., Bain & Company, 2025; EY-IVCA, 2025; KPMG, 2025) and secondary data, which is high-level trends without specifics and proprietary firm-level information about value creation mechanisms because of the nature of the private equity (PE) industry. It has little access to detailed portfolio company financials, operating metrics, or internal IRR breakdowns which limits the causal conclusions on the contribution of financial engineering and operational transformation.

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Empirical research on PE value creation is still limited in India relative to developed markets, and much of the evidence is based on extrapolation of global trends or subsets (Smith, 2018). The analysis goes up to end 2025, which reflects the rebound (~$4356 billion investments) in 2024 and the following deceleration (~$15 billion in Q1-Q3 2025 a result of geopolitical risks and US tariff issues; KPMG, 2025), though does not fully explain the end-of-year swings and long-term post-exit results.The industry reports can be subject to optimism bias, and thus exaggerate the successes of the operation and underreport failures. Case studies are not representative of the rest of the market, good or bad deals. Lastly, the external factors such as macroeconomic volatility, regulations, and global uncertainties (e.g., interest rate trajectories) cause confounding variables which can only be attributed to PE strategies.Proprietary datasets, longitudinal firm-level analyses, or econometric models may also be useful in future research to create a stronger causality in emerging markets.

7.1 Practical Implications

To PE practitioners in India, the results imply that they should focus on operational capabilities rather than on traditional financial engineering, particularly in the high-interest-rate environment with limited leverage (Bain & Company, 2025). General partners (GPs) ought to invest in dedicated operating teams to improve the hands-on in terms of revenue growth, margin expansion, digital transformation, and governance, specifically in control-oriented buyouts, which represented 51% of deal value in 2024.

This change is in line with the global trends where operations succeed ~5075% of returns (Accenture, 2025; PwC, 2025), and fits well into the India-based market that aims to grow itself, financing high-potential companies in fragmented markets such as healthcare, IT/ITeS and infrastructure.Limited partners (LPs) ought to examine the track record of funds in creating operational values when deploying capital, which have already demonstrated a business builder strategy (KPMG, 2025). In the case of portfolio companies, the involvement of operationally-oriented PE firms will provide an opportunity to access expertise to scale, professionalize, and compete in the circumstances of economic stagnation.These perspectives can assist policymakers to clean up reforms (e.g., relaxing FDI standards, GST 2.0) that facilitate PE-based productivity improvements and employment, and track the dangers of excessive dependence on foreign capital through global shocks.

In total, in the environment of the socially reserved activity of 2025 (the slowest year of the last five years; KPMG, 2025), being an effective player will be defined by disciplined operational focus.

7.2 Theoretical Implications

The research study is relevant to the developing theory of PE value creation in that it extrapolates global templates- historically focused on financial engineering in the developed market (Kaplan and Strömberg, 2009) to the emerging settings such as India. It aids the thesis that PE largely eases financing limits and operational scaling instead of turnarounds through leverage in the growth markets (Smith, 2018), which is consistent with resource-based perspectives of the firm development.

The prevalence of operational leverages (revenue growth 54 percent margin improvements) over several arbitrage or deleveraging issues criticisms of PE as a short-term financial gambit in the past, rather than a source of efficient resource allocation and productivity in poorly-allocated economies.

The introduction of 20242025 data, the transition to buyouts and sectoral diversification included to the analysis, refines institutional adaptation theories: increases the pivot to operations when the rates reach high levels after 2022 (Brookfield, 2025; Accenture, 2025). It also also points out new liquidity aspects of the market, including lower leverage ratios and topline-driven returns, which adds value to the comparative PE literature. Future theoretical research might examine the possibility of hybrid models combining ESG factors or AI-assisted operations on the value-creating models.

7.3 Conclusion

In India, private equity has now been a driving force of operational change and it no longer rides on financial engineering but rather brings about sustainable value in an emerging market that is vibrant. Although 2024 was a strong rebound amidst global headwinds with investments of about 43-56 billion and strong exits (33 billion), 2025 saw the slowdown and thus the need to be resilient by making improvements through hands-on (Bain and Company, 2025; EY, 2025; KPMG, 2025).

The trends, case studies, and attribution studies support the evidence that operations, specifically the revenue growth and efficiency benefits in high growth areas, come up as the key driver of the returns, which is more appropriate to the context of India of capital constraint and fragmented industries. Monetary instruments are still supportive yet subordinate in limited settings.

This puts PE in a position to facilitate long term economic growth, creation of employment opportunities and competitiveness as India manages her uncertainties, governance, innovation and productivity. The key contributions of the industry will be the balance of being operationally deep and acting in a financially wise manner.

7.4 Contributions

The paper proceeds in knowledge on PE in emerging markets by integrating new 20242025 data with current literature to prove the starting primacy of operational transformation, rather than financial engineering in India, which goes against the historical guidelines of developed markets (Kaplan and Stromberg, 2009; edited with Bain and Company, 2025; KPMG, 2025).

It replays the previous literature (e.g., Smith, 2018) with maturation evidence: increasing buyouts, domestic fundraising history, and industry changes during slowdowns, and PE contribution to productivity improvement and misallocation decrease.

In theory, it optimizes value addition models under the growth-based situations, with a focus on top-line drivers. In practice, it directs the stakeholders into the development of working expertise, enlightening approaches to investment, choice of funds as well as policy. This is because it offers timely information on managing volatility by taking into account 2025 issues (e.g., geopolitical risks) without discounting the beneficial developmental role played by PE.

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