

MARKET INSIGHTS INDIA

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M&A amid market turbulence and uncertainty due to geopolitical tensions

The global M&A market is no longer governed by familiar cycles of expansion and contraction. Instead, it is being reshaped by a confluence of structural forces: intensifying geopolitical tensions, prolonged armed conflicts, sanctions, technology export controls, trade realignments, and sustained volatility in financial markets. For dealmakers, this global uncertainty has become a defining feature of the operating environment and risk assessment today extends far beyond price and synergies.

Amidst the uncertainty, India has emerged as one of the most resilient and strategically significant M&A markets globally and has continued to attract substantial strategic and financial capital. Aggregate M&A and private equity deal value in India crossed USD 105 billion in Q3 of 2025 (PwC Deals at a Glance: Q3 CY 2025), with early 2026 data indicating continued momentum, particularly in domestic consolidation and sponsor-led transactions.

Interestingly, for India, instead of being a headwind, in many cases, geopolitical uncertainty has acted as a catalyst, accelerating consolidation, strategic acquisitions, and inbound investments aligned with long-term growth and resilience.

The reasons are instructive: India's resilient macroeconomic fundamentals, strong domestic demand, sustained reform momentum, strategic positioning in global supply chains, a deepening private equity ecosystem, and capital markets that have matured into credible global exit venues.

Cross-border M&A: geopolitics as a driver of strategic M&A in India

While geopolitical tensions are reshaping corporate strategies worldwide, they have not diminished global interest in India. Foreign Direct Investment (FDI) inflows in 2025 surged by 73% to USD 47 billion (UN Trade Development, Global Investment Trend Monitor, January 2026). Growth remains important, but resilience, control, and regulatory certainty are now equally decisive and have fundamentally altered transaction design. In India, this shift is visible across several sectors.

Manufacturing and supply-chain reconfiguration

One of the clearest manifestations of geopolitics in dealmaking has been the global reconfiguration of supply chains. Companies seek to diversify away from concentrated manufacturing geographies; however, owing to operating scale, established supplier networks, and local execution capabilities, India has gained prominence across electronics, automotive components, industrial manufacturing, specialty chemicals, and pharmaceuticals.

A leading example is Apple's success under the "Make in India" program under which iPhone manufacturing and exports have rapidly scaled to USD 50 billion in the last five years, reinforcing India's position as a strategic global manufacturing and export hub and accelerating supply-chain realignment and deal activity in India.

Technology, semiconductors and digital infrastructure

Technology has become a geopolitical asset class. Export controls, data localisation regimes, and national security considerations have elevated the strategic importance of semiconductors, advanced electronics, and digital infrastructure. Semiconductor

manufacturing in India alone has witnessed investments worth USD 18 billion (Economic Survey 2025–26, PIB) with joint ventures being the preferred transaction design as is evident from the recent collaborations between Tata Electronics and PSMC, CG Power and Renesas Electronics and Foxconn and HCL Group.

Similarly, India's policy push to develop domestic capabilities, supported by USD 4.43 billion incentive schemes for electronics manufacturing, has catalysed a new wave of deal activity in the country.

Energy transition and critical infrastructure

Energy security has re-emerged as a geopolitical priority, reshaping deal activity in renewable energy, transmission networks, energy storage, and related infrastructure. India's long-term decarbonisation goals and predictable demand profile have attracted sustained interest from global energy companies, infrastructure funds and sovereign investors. In fact, the first three quarters of 2025–2026 saw FDI inflow of USD 3.4 billion (CEEW-GFC, Press Release, FY25) and BlackRock's infrastructure fund recently agreeing to invest USD 222.5 million in Aditya Birla Renewables with a greenshoe option to increase the investment to USD 335 million reinforces India's resilient growth story in this space.

Global tariff tensions and dealmaking

Unpredictable tariff regimes are complicating due diligence, widening bid-ask spreads, and extending deal timelines as acquirers globally are forced to recalibrate strategies.

In contrast, India's proactive trade strategy, focused on deeper integration into global value chains, has helped offset these headwinds for India-linked M&A. Recent landmark developments, including the U.S. tariff rollback from 25% to 18% and the announcement of a comprehensive India-EU trade agreement have materially strengthened India's attractiveness as a manufacturing base, export platform, and long-term investment hub for global players.

Domestic M&A: the primary growth engine

Domestic M&A remains the most reliable driver of deal activity in India. In a volatile global environment, domestic M&A activity remained robust with domestic consolidation of USD 104 billion in 2025 (Economic Times, December 2025). The solid deal momentum seen in 2025 provides a strong foundation for sustained M&A activity in 2026.

Indian corporates are using M&A to build scale, acquire technology, and consolidate fragmented sectors. Among other sectors, this trend is evident across:

- Financial services, including consolidation among NBFCs, fintech platforms, and insurance intermediaries with Bajaj Group's acquisition of Allianz SE's 23% stake in Bajaj General Insurance and Bajaj Life Insurance for USD 2.38 billion recently making headlines.
- Infrastructure space where factors like regulatory reforms, capital incentives, and modernisation of core assets have heightened M&A activity with Vedanta Group's acquisition of Jai Prakash Associates for USD 2.1 billion leading the deal table.

- AI and technology with Reliance Jio's recent collaborations in the cloud computing space signalling a wave of consolidations in the coming months.

Private equity and sovereign capital: capital with conviction

PE and sovereign wealth funds have played a stabilising role in India's deal ecosystem. In Q3 of 2025, PE and VC investments exceeded USD 42 billion (PwC Deals at a Glance: Q3 CY 2025), clearly suggesting sustained deployment despite global risk aversion.

One key trend that stands out is that buyouts have become the preferred model for PE deployment in India. Sponsors are prioritising control from the outset to directly influence strategy, accelerate operational transformation, and strengthen governance, rather than relying on minority positions. This shift is reinforced by conviction in India's sustained growth trajectory, regulatory predictability, and the resilience of domestic equity markets.

Capital markets: from exit alternative to exit preference

One of the most consequential shifts in India's deal ecosystem has been the sustained strength of its capital markets. India's IPO market has outperformed its peers and remained as the world's most active market in 2025 with a record 367 listings (accounting for 28.4% of worldwide IPO volumes) and issuers collectively raising USD 22.9 billion (13.3% of total global fundraising), up 9% year-on-year (EY Global IPO Trends 2025).

For PE sponsors, Indian IPOs have evolved from being a fallback option to a preferred exit route, often delivering superior valuations and liquidity compared to offshore listings or trade sales. For strategic buyers, strong public market valuations introduce competitive tension into M&A processes. This has materially influenced deal planning, with IPO readiness embedded early through governance standards, compliance frameworks, and capital structuring.

Evolving deal trends amid global uncertainties

Valuation discipline

Market volatility has reinforced pricing discipline across the Indian M&A market. While high-quality assets continue to command premium valuations, valuation gaps persist in cyclical or globally exposed sectors. To bridge these gaps, transactions now increasingly feature:

- earn-outs and performance-linked consideration;
- deferred payments and escrow arrangements; and
- options, convertibles, and staged ownership structures.

Expanded due diligence scope

Geopolitical tensions have expanded the scope of M&A due diligence in India. In addition to traditional legal and financial diligence, acquirers are now focused on:

- exposure to sanctioned or high-risk jurisdictions;
- data localisation, cybersecurity, and technology controls; and
- ESG compliance and reputational risk.

While this has lengthened deal timelines, it has also improved transaction quality and alignment with long-term regulatory expectations – an important consideration for global companies operating in multiple jurisdictions.

Risk allocation

Heightened regulatory, tax, and trade uncertainty has driven buyers to seek cleaner exits and reduced post-closing recourse to sellers. Consequently, RWI is becoming a popular risk allocation tool in Indian dealmaking, particularly in large private equity-led and cross-border transactions.

Regulatory reset

A defining feature of India-related cross-border M&A has been Press Note 3 (PN3), which mandates prior government approval for investments from countries sharing a land border with India. PN3 has materially influenced deal timelines, certainty, and structuring. However, owing to the geopolitical recalibration, the government is reportedly considering streamlined approval procedures. While national security considerations remain central, there is growing acknowledgement of the need to balance strategic oversight with economic growth imperatives.

Conclusion: opportunity in a fragmented world

Market turbulence and geopolitical uncertainty are redefining global dealmaking. In this environment, India stands out as a market where scale, growth, and relative stability intersect.

India's M&A ecosystem has matured – becoming more disciplined, more structured, and more closely aligned with long-term value creation. Domestic consolidation remains robust, private and sovereign capital continues to demonstrate conviction, and capital markets provide a powerful counterbalance to global volatility.

For global business leaders and their legal advisers, success in India lies not in avoiding complexity, but in navigating it with foresight and precision. Those who combine regulatory insight, structural creativity, and a long-term perspective will continue to find compelling opportunities in one of the world's most resilient and strategically important M&A markets.

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