

Private Capital Practice

India's private markets: The global limited partner view

The private alternatives market is increasingly important to India's economic growth. Our survey finds limited partners are bullish on the country, yet more can be done to grow investor momentum.

*by Peeyush Dalmia and Vivek Pandit
with Debanwita Roy*



Investment activity in private markets across Asia–Pacific has generally contracted in recent years, pressured by everything from significant geopolitical shifts to the reorientation of global supply chains and foreign exchange volatility. However, India has emerged as an increasingly attractive destination for limited partner (LP) allocators. Its regional weight has increased amid China’s slowdown, and improved performance has seen investment activity from private equity and venture capital deals expand 1.6-fold to \$207 billion between 2016–20 and 2021–25.¹ Exits for the same period more than doubled to around \$120 billion.²

Yet India also faces challenges. While its regional standing has improved, its capital pool remains narrow. Private-capital intensity relative to GDP has stagnated: Deployment is heavily concentrated in a limited set of sectors, while other sectors central to India’s growth ambitions do not attract meaningful

private-market investment. This concentration extends to fundraising among fund managers. While fundraising by domestic private equity firms has increased, capital remains skewed, akin to a winner-take-all dynamic: The six largest general partners (GPs) accounted for 64 percent of the total of \$13.68 billion raised between 2022 and 2024, up from 59 percent from 2016 to 2018.³

Addressing structural constraints limiting the breadth and depth of India’s private markets could create additional investable opportunities and enable a more diversified capital pool across sectors, asset classes, and fund managers. To better understand the country’s investment dynamics and measures that broaden its appeal, we surveyed more than 50 global LPs about their perceptions, preferences, and anticipated activities in India (see sidebar, “About our research”).⁴ Here’s what we found.

About our research

McKinsey collaborated with the Indian Venture and Alternate Capital Association (IVCA) to conduct a survey of limited partners (LPs) about India’s private markets. The survey leveraged the IVCA LP Council network to gather insights from more than 50 LPs on the current state of private-market investment in the country and future expectations. Respondents were located in North America (19 respondents), Asia–Pacific (14), India (seven), Europe (six), and the Middle East (four). Some 40 percent represented funds of funds, 18 percent family offices, 14 percent pension funds, 12 percent endowments and foundations, 6 percent development finance institutions, 6 percent insurers, and 4 percent other institutions. The three most prevalent allocation channels used by respondents were multiple channels (32 percent), global funds (28 percent), and India-dedicated funds (20 percent), followed by Asia regional funds and direct investments.

¹ Preqin, accessed January 31, 2026; S&P Capital IQ, accessed January 31, 2026; Venture Intelligence, accessed January 31, 2026; McKinsey analysis.

² Venture Intelligence, accessed January 31, 2026, and McKinsey analysis.

³ Preqin, accessed January 31, 2025, and McKinsey analysis.

⁴ McKinsey-IVCA LP Survey, November 2025.

1. India's private markets outperform regionally

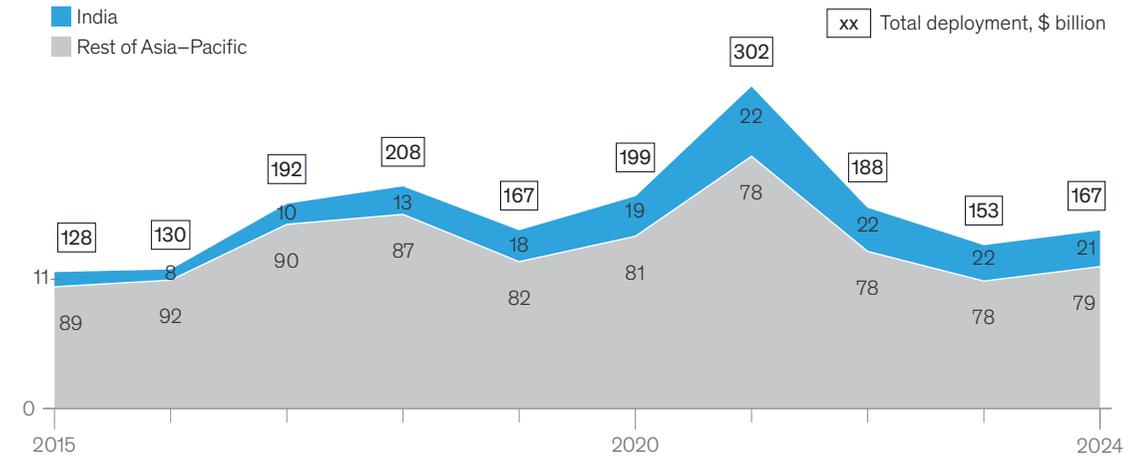
After attracting just \$6.4 billion in investment in 2006, India's private markets are today central to the country's economic growth.⁵ Private-capital deployment across asset classes was \$44 billion in 2025, with its share relative to the country's GDP more than doubling to 1.42 percent in the past decade compared with 0.68 percent from 2006 to 2015.⁶

India has also emerged as a relative outperformer in Asia-Pacific's contracting private-markets landscape.⁷ While the country has not been immune to the regional slowdown—private-capital deployment has plateaued since peaking at \$74 billion in 2021—India's total share of Asia-Pacific private equity (PE) and venture capital (VC) deployment has increased from around 12 percent between 2015 and 2019 to about 21 percent from 2020 to 2024 (Exhibit 1).⁸ And its attractiveness as a destination for alternatives investors seeking diversified long-term growth may further increase; India's share of global GDP is projected to rise from 3.7 percent in 2025 to 7.0 percent by 2050.⁹

Exhibit 1

India's deployment has increased to represent a fifth of Asia-Pacific.

Share of Asia-Pacific private equity (PE) and venture capital (VC) deployment,¹ %



PE and VC deployment by country, %



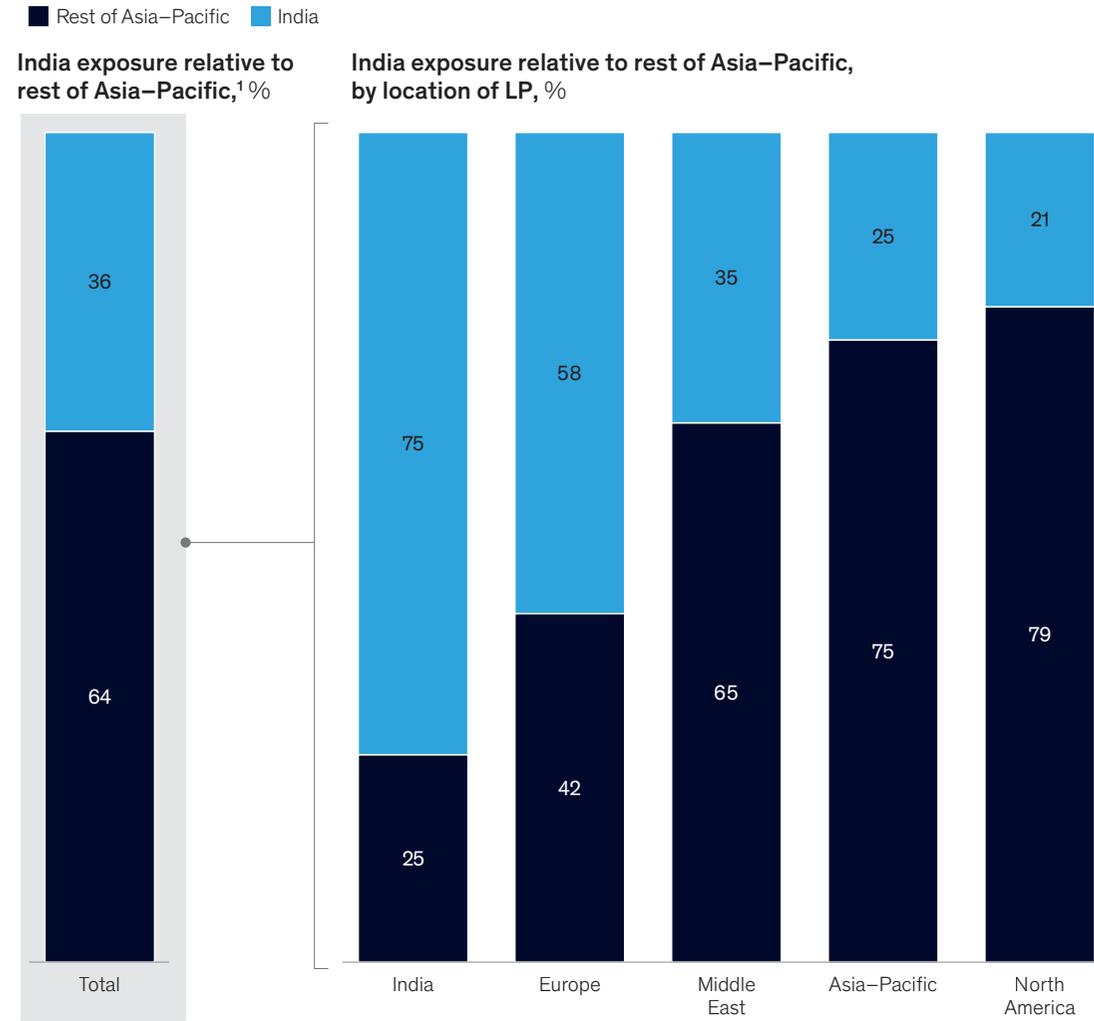
Note: n = 54,762 deals closed and in definitive agreements; figures may not sum to 100%, because of rounding.
¹Includes buyout, expansion and growth, private investment in public equity, seed and R&D, start-up and early stage, late-stage VC, and mezzanine and pre-IPO.
²Greater China includes Mainland China, Hong Kong, Macau, and Taiwan.
³Includes Brunei, Cambodia, Fiji, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam.
 Source: S&P Capital IQ; PitchBook; Venture Intelligence; Preqin; McKinsey analysis

McKinsey & Company

⁵ Preqin, accessed January 31, 2026; S&P Capital IQ, accessed January 31, 2026; Venture Intelligence, accessed January 31, 2026; McKinsey analysis.
⁶ These data do not include private credit and secondaries. Oxford Economics, accessed January 31, 2026; Preqin, accessed January 31, 2026; S&P Capital IQ, accessed January 31, 2026; Venture Intelligence, accessed January 31, 2026; McKinsey analysis.
⁷ PitchBook, accessed January 31, 2025; Preqin, accessed January 31, 2025; S&P Capital IQ, accessed January 31, 2025; Venture Intelligence, accessed January 31, 2025; McKinsey analysis.
⁸ Preqin, accessed January 31, 2026; S&P Capital IQ, accessed January 31, 2026; Venture Intelligence, accessed January 31, 2026; McKinsey analysis.
⁹ Oxford Economics, accessed January 31, 2026.

Exhibit 2

About a third of surveyed LPs' exposure to Asia–Pacific is represented by India.



Limited partners are increasingly prioritizing India

India accounts for more than a third of all Asia–Pacific investment exposure among surveyed LPs. Europe-based LPs indicated the highest exposure (around 60 percent), while exposure among those based in the Middle East, Asia–Pacific, and North America was about 20 to 30 percent of their total Asia–Pacific capital (Exhibit 2).

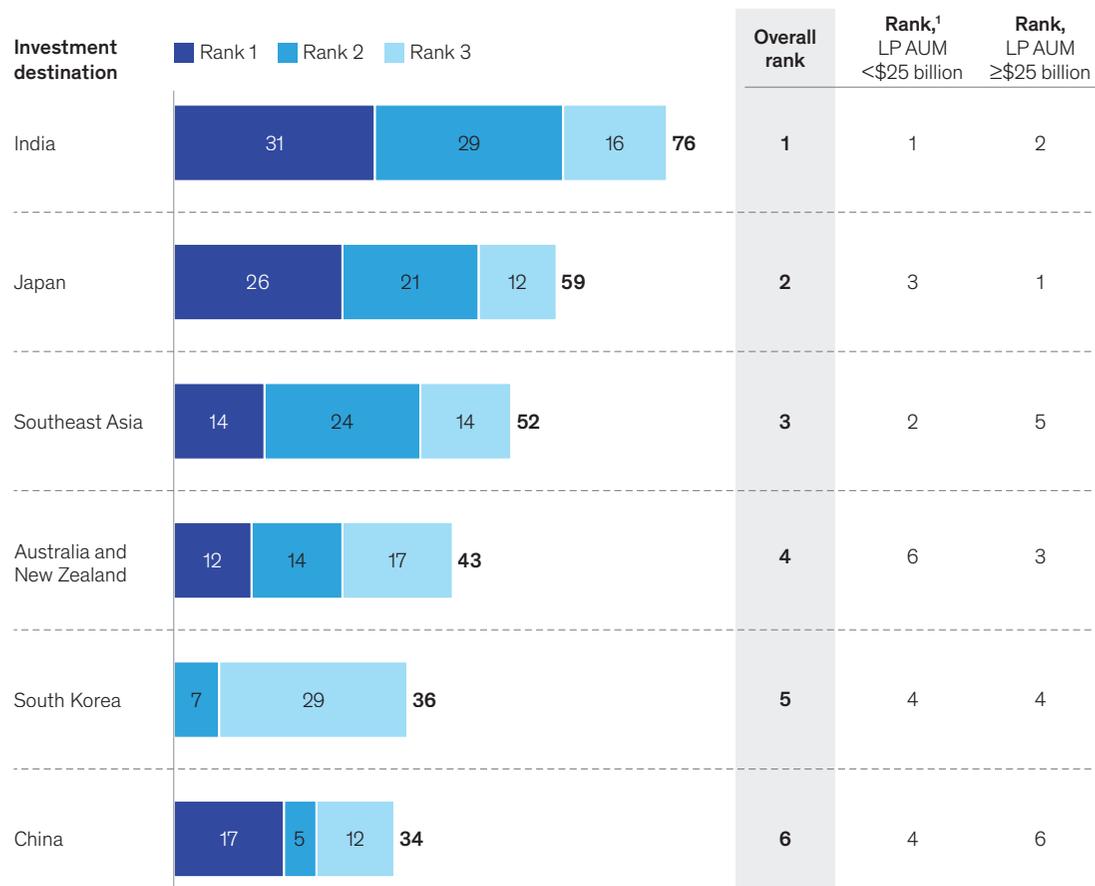
Question: How much is your India allocation as a share of Asia–Pacific allocation (option ranges: 0–10%, 10–20%, 20–30%, 30–40%, 40–50%, and >50%)?
 †Calculated by LP location as the weighted average of respondent selections across India allocation ranges (range midpoints applied); rest of Asia–Pacific represents the residual to 100%.
 Source: McKinsey-IVCA LP survey, Nov 2025

India was the most attractive private market destination in Asia-Pacific, with 31 percent ranking it first and 76 percent placing it within their top three choices (Exhibit 3). More nuance emerges by LP size, with Japan preferred by LPs with more than \$25 billion in assets under management (AUM). China's ranking was polarized: 17 percent ranked it first, but 66 percent placed it fifth or sixth relative to other Asia-Pacific markets.¹⁰ These broad allocation preferences also reflect how markets have shifted in the past decade. For example, within Asia-Pacific, India and Japan's joint share of PE and VC investment increased to 34 percent for 2020 to 2024 from 19 percent in 2015 to 2019. For the same period, China's share declined to 37 percent from 55 percent.

Exhibit 3

Limited partners rank India as their top investment destination in Asia-Pacific.

Most attractive APAC destinations for private market allocation, % of respondents



Question: Rank the investment destinations within APAC based on attractiveness for private equity (1 = most attractive; 6 = least attractive).
¹South Korea and China are jointly ranked based on identical average scores; subsequent rank skipped accordingly.
 Source: McKinsey-IVCA LP survey, Nov 2025

McKinsey & Company

¹⁰ McKinsey-IVCA LP Survey, November 2025.

2. Investors have two lenses on India

Two views of India's attractiveness as an investment destination have emerged. High-allocator LPs—major global investors characterized by a proactive stance to Asian exposure for growth and diversification, sustained allocations, higher future allocation intent, active co-investment participation with GP partners, and more frequent on-ground visits—tend to view the country as a complex, yet scalable, opportunity-rich private-markets destination. Moderate allocators, which carefully weigh known opportunities at home against emerging market risks, episodic exposure and track records, and more muted allocation intent, view India as a bright spot for GDP growth supported by a reform-oriented government. Yet while they feel accessing India's opportunities remains highly contested and richly valued, it requires a look beyond the macro context and they approach the country with greater caution.¹¹ As one group bets on India's future, the other is more anchored on its past record.

India is a complex environment, where granular opportunity identification often matters far more than macro bets, with opposing views on whether India's opportunities outweigh its risks. Consistent with those attributes, respondents provided insights into measures investors and policymakers can take to improve the country's attractiveness as an investment destination. The survey compared high and moderate allocators across three areas: their views of India's macro environment, PE market fundamentals, and private-market manager quality and selection considerations.

The limited partner view of India's macro environment

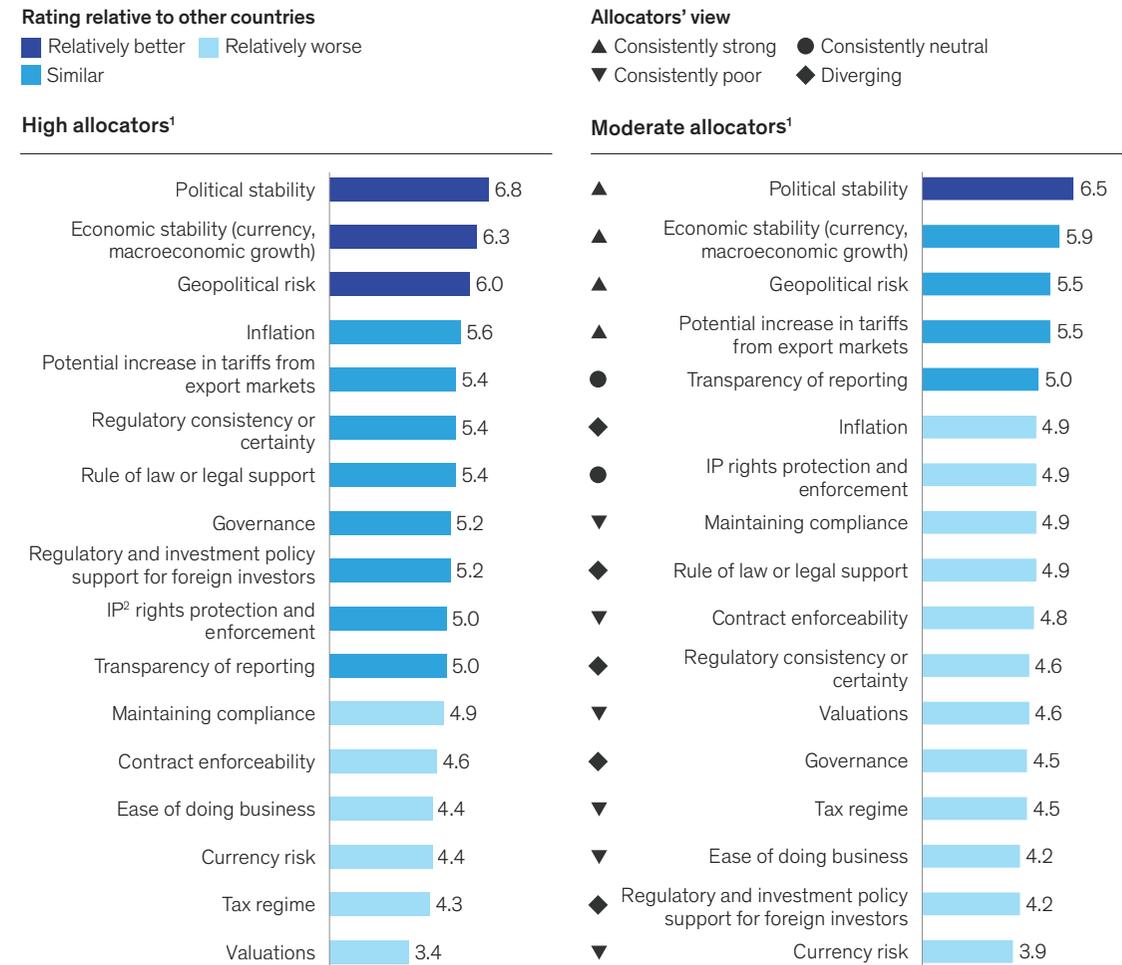
Both high and moderate allocators broadly agree on India's macro strengths, such as its political and economic stability, and on its key challenges, including currency risk, a complicated tax regime, and the difficulty of doing business and contract enforceability. However, they diverge in their degree of confidence on factors such as quality of governance, regulatory consistency, and foreign investment policy (Exhibit 4), which likely drives a different view of macro risks associated with in-country investments and, subsequently, capital allocation decisions.

¹¹ Moderate allocators are defined as LPs allocating 0.0 to 30 percent of their total India allocation to private markets, while high allocators allocate 70 to 100 percent. McKinsey-IVCA LP Survey, November 2025..

Exhibit 4

High- and moderate-allocator LPs differ in their assessment of India's macro factors.

India's rating by limited partners on macro factors vs other countries, average score on a scale of 1–10



Question: Relative to other markets where you invest, how do you rate India on the following factors?

¹High allocators are defined as LPs allocating 70–100% of their total India alternatives allocation to private markets, while moderate allocators allocate 0–30%.

²Intellectual property.

Source: McKinsey-IVCA LP survey, Nov 2025

Assessing the structural attractiveness of India's private equity market

High and moderate allocators broadly align on the structural drivers of India's private markets, such as entrepreneurial talent, economic growth, and domestic manufacturing and consumption. High allocators view exit potential, availability of quality targets, and depth of capital markets as relative strengths, reflecting confidence in India's ability to support full investment cycles, but moderate allocators are more cautious, scoring these factors lower and, in some cases, weaker than other markets (Exhibit 5). Both high and moderate allocators rate ease of access—driven by visa and capital control considerations—and valuations as weaknesses compared with other markets, explaining the relatively defensive or cautious stand several allocators take toward India.

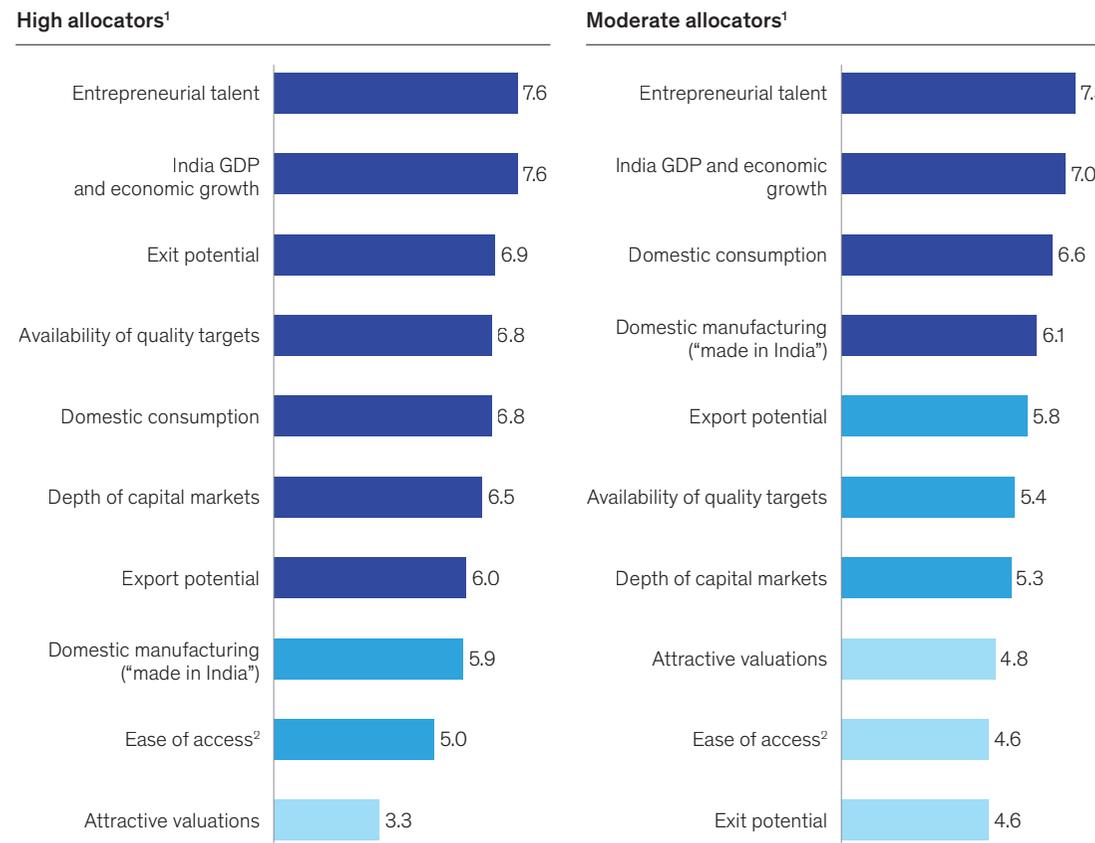
Exhibit 5

Generally, LPs favorably assess the structural growth drivers of India's private equity market.

India's rating by limited partners on PE growth drivers vs other countries, average score on a scale of 1–10

Rating relative to other countries

Relatively better Relatively worse
Similar



Question: Relative to other markets where you invest, how do you rate India on the following factors?

¹High allocators are defined as LPs allocating 70–100% of their total India alternatives allocation to private markets, while moderate allocators allocate 0–30%.

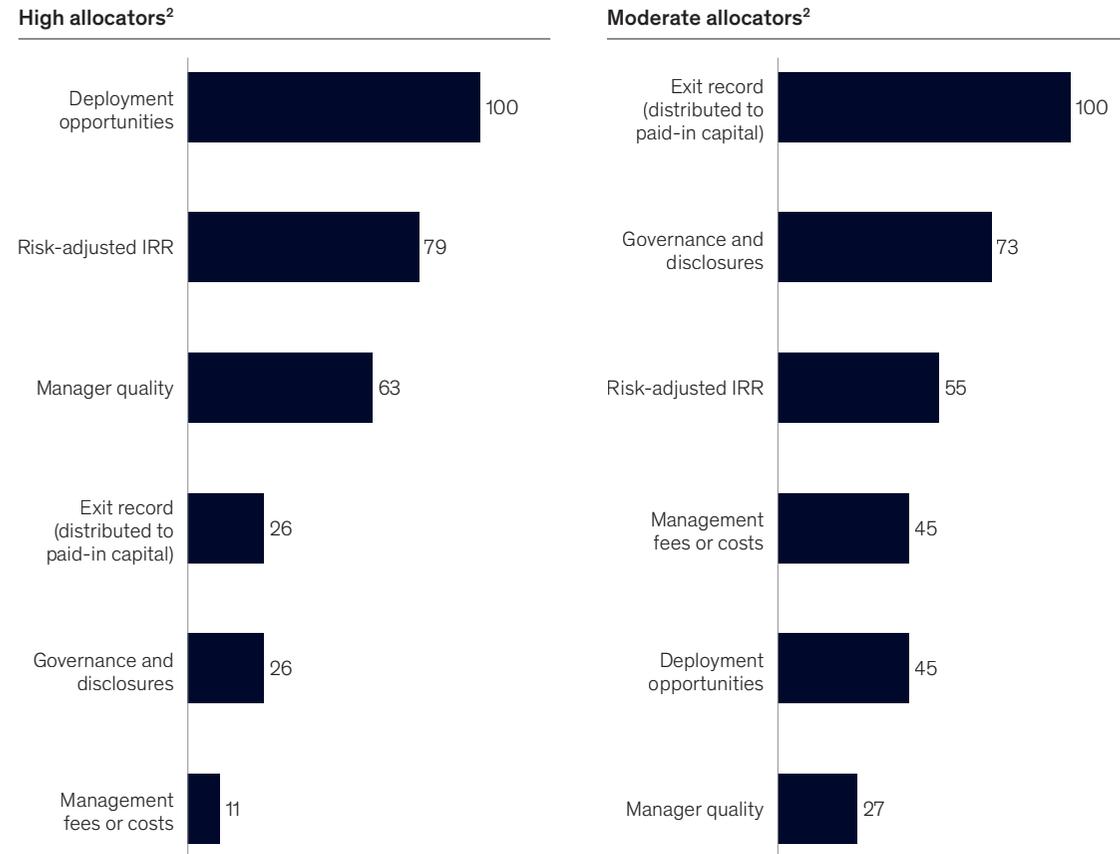
²Includes visa regimes and capital controls.

Source: McKinsey-IVCA LP survey, Nov 2025

McKinsey & Company

High and moderate allocators focus on different factors when considering private market manager selection criteria for India.

Top allocation considerations for Indian private market manager selection among limited partners, number of mentions of top factor is scaled to 100¹



Question: What are the top 3 reasons for higher vs moderate allocation to private markets vs public markets?
¹Number of mentions² for each factor indicates how many times each factor was cited among the top three considerations for private market allocation.
²High allocators are defined as LPs allocating 70–100% of their total India alternatives allocation to private markets, while moderate allocators allocate 0–30%.
 Source: McKinsey-IVCA LP survey, Nov 2025

Private-market manager allocation considerations of limited partners

High-allocator LPs prioritize deployment opportunities (quality of deal pipeline and flow), risk-adjusted internal rates of return (IRR), and manager (team) quality as differentiators when considering private-market manager allocation. Moderate allocators focus on a longer checklist, including exit record as measured by distributed to paid-in capital (DPI), governance and disclosures, risk-adjusted IRR, and manager fees and costs as their dominant manager selection criteria (Exhibit 6). The significant difference in how high and moderate allocators weight manager selection criteria may explain LP diligence emphasis: While high-allocator LPs seek to understand drivers of return outperformance, moderate allocators focus on risk, liquidity, and governance.

3. Investor perceptions of the India opportunity

How do LPs view the opportunity presented by India? It depends. While participation in India has become more intentional, it is deliberate and risk managed. LP preferences are consistent with historical deployment trends around asset class, strategy, sector, and co-investment choices, and are designed to mitigate perceived macro and local private-market risks and access opportunities. Our survey examined these elements in depth, as well as attitudes toward allocations to India-based general partners (GPs).

Among India's alternative asset classes, private markets are favored

Surveyed LPs allocate 64 percent of their India alternatives exposure to private markets, which are favored by investors from all geographies: LPs domiciled in Europe allocate 95 percent to private markets, while LPs in the Middle East allocate 73 percent, those in India allocate 71 percent, those in Asia–Pacific allocate 60 percent, and LPs in North America allocate 51 percent.¹² There is more variation among LP institutions, with funds of funds heavily weighted toward private alternatives and pension funds preferring public alternatives (Exhibit 7).

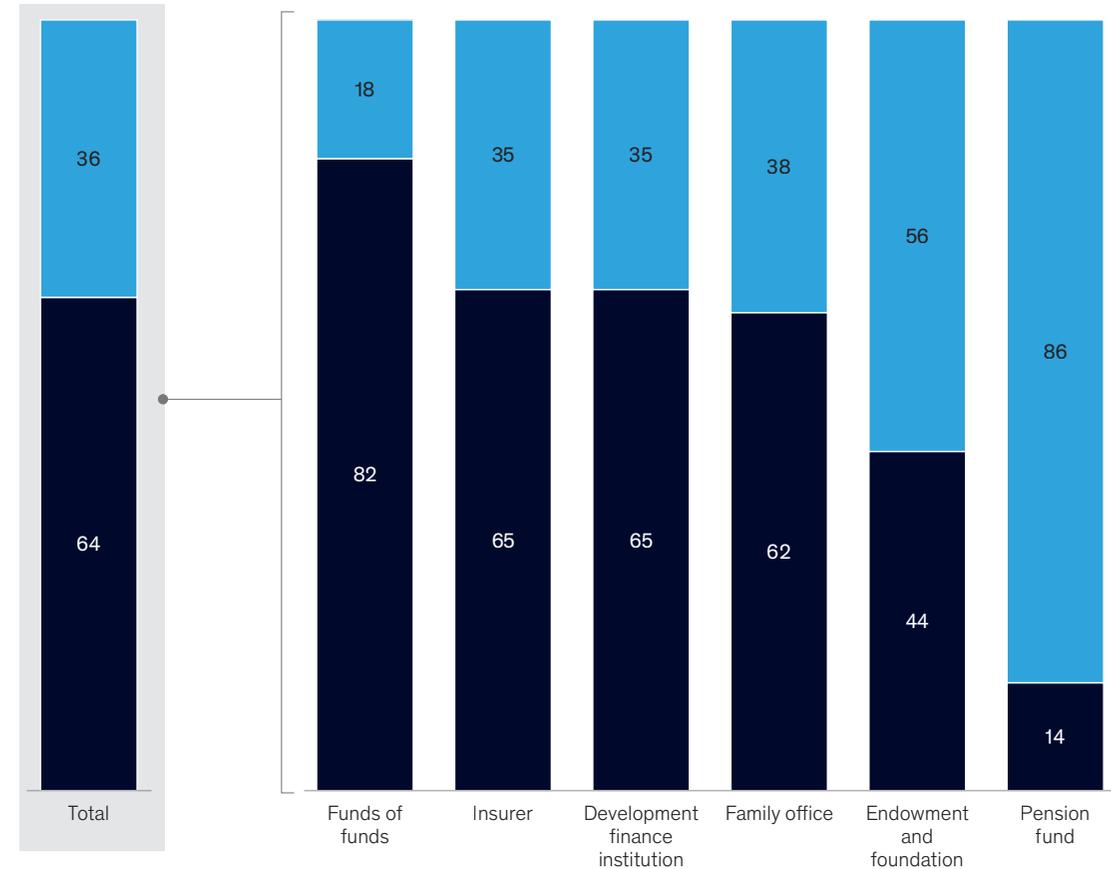
Exhibit 7

India's private markets are favored across LP types.

■ Private markets ■ Public markets

India allocation between private and public alternatives,¹%

India allocation between private and public alternatives by LP type, %



Question: What % of your India allocation is in private markets (option ranges: 0–10%, 10–20%, 20–30%, 30–40%, 40–50%, and >50%)?
¹Calculated for each LP type as the weighted average of respondent selections across private markets allocation ranges (range midpoints applied); public markets allocation represents the residual to 100%.
 Source: McKinsey-IVCA LP survey, Nov 2025

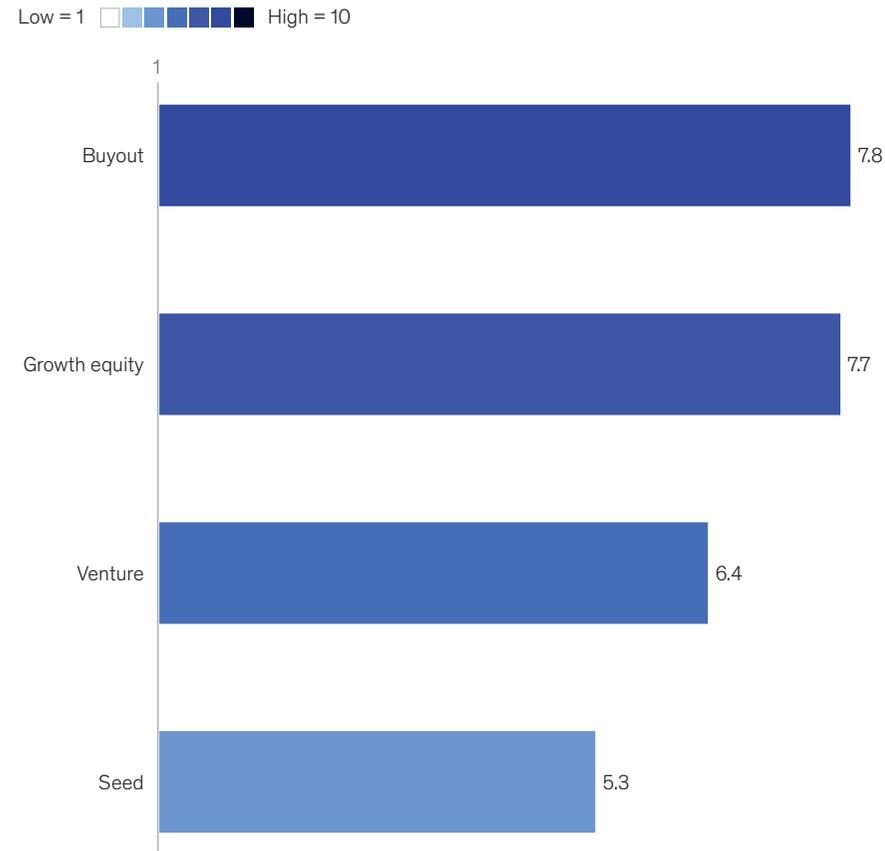
McKinsey & Company

¹² McKinsey-IVCA LP Survey, November 2025.

Exhibit 8

Buyout and growth strategies find favor with surveyed LPs.

LP interest by private equity strategy in India over the next 5 years, average score on a scale of 1–10



Question: How enthusiastic are you about the following strategies in India over the next 5 years?
Source: McKinsey-IVCA LP survey, Nov 2025

McKinsey & Company

Investors expect buyout and growth strategies to dominate

As the industry matures, investors increasingly prefer historically successful strategies with higher persistence. LPs indicate a preference for buyout and growth strategies over the next five years, while several other strategies remain under strong consideration, such as secondaries and VC. Control in buyouts provides greater influence over value creation and exit timing, which helps mitigate exit risk—a key concern of moderate allocators. Earlier-stage strategies, however, see relatively lower preference, reflecting perceptions of market saturation, meeting power law returns that justify risk, and in achieving timely public market exits (Exhibit 8).

Investment is concentrated in scalable and relatively defensive demand-driven industries

Sector preferences follow similar logic. LPs tilt toward export-oriented, consumption-led, and talent-backed export sectors such as pharmaceuticals, IT, and financial services rather than sectors more exposed to regulatory complexity, high capital investment, and execution and timing risks. This pattern is remarkably consistent across buyout, growth, and venture strategies, with the same core sectors emerging as preferred areas of allocation (Exhibit 9). Almost three-quarters of PE capital in India was concentrated across five core sectors from 2021 to 2025: technology (29 percent), financial services (15 percent), IT and IT services (13 percent), pharmaceuticals and healthcare (10 percent), and consumer goods (6 percent).¹³ LP interest is expected to remain focused on sectors that act as natural hedges against macro risks in the next five years, which includes risks and opportunities related to AI as investors seek more digital infrastructure opportunities and re-rate the IT services industry. Notably, core manufacturing, agricultural, construction, and metals and mining sectors solicit muted interest despite growth.

Exhibit 9

Limited partner sector preferences remain consistent across strategies.

LP interest by sector and strategy in India over the next 5 years, average score on a scale of 1 to 10

Low = 1  High = 10

	Buyout	Growth equity	Venture
Pharma and healthcare	8.2	8.2	7.7
New technology	7.8	7.9	8.2
Financial services	7.6	7.7	7.7
Consumer goods	7.6	7.5	7.5
IT and IT services	7.1	6.7	6.9
Travel, transport, and logistics	6.3	6.2	6.1
Machinery and industrial goods	6.1	6.0	6.6
Media and telecommunications	6.1	5.8	6.0
Energy and utilities (incl renewables)	5.8	5.9	6.3
Automobile and components	5.3	5.1	5.3
Engineering and construction	5.2	5.1	5.4
Agriculture	4.8	5.1	4.7
Metals, mining, and materials	4.0	4.0	4.2

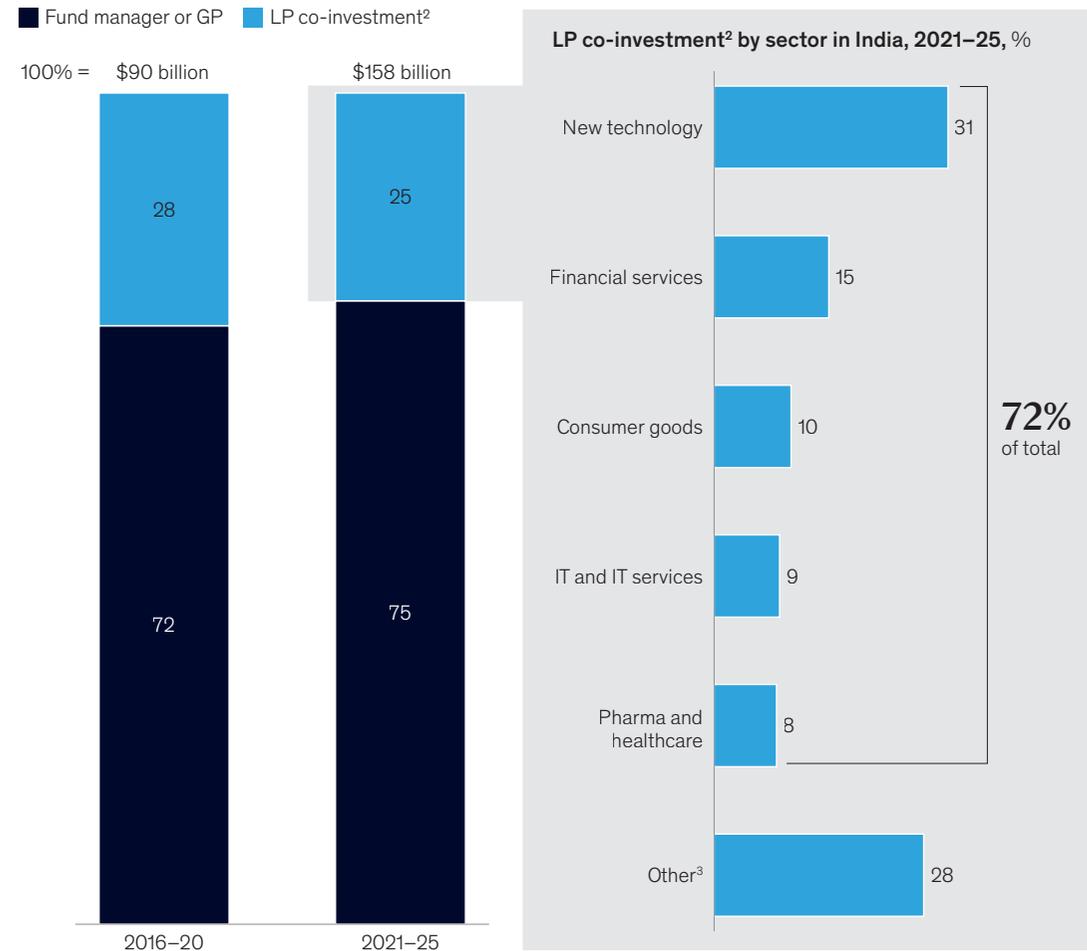
Question: How enthusiastic are you about the following sectors in India over the next 5 years?
Source: McKinsey-IVCA LP survey, Nov 2025

McKinsey & Company

¹³ Preqin, accessed January 31, 2026; S&P Capital IQ, accessed January 31, 2026; Venture Intelligence, accessed January 31, 2026; McKinsey analysis.

Limited partner co-investments account for 25 percent of total India deployment, with high sector concentration.

PE deployment¹ in India by investor type, %



¹Includes buyout, private investment in private equity, growth capital, turnaround, and mezzanine and pre-IPO. Venture capital is not included.

²Strategic makes up a small section of the overall deployment and is included under LP co-investment.

³Other includes media and telecom; travel, transport, and logistics; machinery and industrial goods; energy and utilities; engineering and construction; automobile and components; agriculture; and metals, mining, and materials.

Source: Preqin; S&P Capital IQ; Venture Intelligence; McKinsey analysis

The appetite for co-investment is high

Co-investment has become a popular pricing feature for LPs. In addition to offering favorable economics, it allows LPs to express sector preferences that mitigate perceived macro and private-market risks in India. Co-investment participation—which was negligible two decades ago—has grown to account for about 25 to 28 percent of deployment value and 20 percent of deployment volume over the past five years. Historically, co-investment activity has also been concentrated in the same five core sectors (Exhibit 10). The preferred co-investment strategy is largely buyout—which provides greater control on exit timing—while co-investment sectors are skewed toward those that are currency and inflation hedged, such as pharmaceuticals, financial services, and IT services. Some 60 percent of LPs surveyed have participated in co-investments, with 54 percent of those LPs reporting outperformance relative to underlying fund investments and another 42 percent saying the performance of co-investments was on par with fund investments. Just 4 percent of LPs undertaking co-investments reported underperformance.¹⁴ LPs note that Indian GPs prefer to maintain fee pricing in exchange for generous co-investment opportunities that allow larger LPs to double down on large and attractive exposures.

¹⁴ McKinsey-IVCA LP Survey, November 2025.

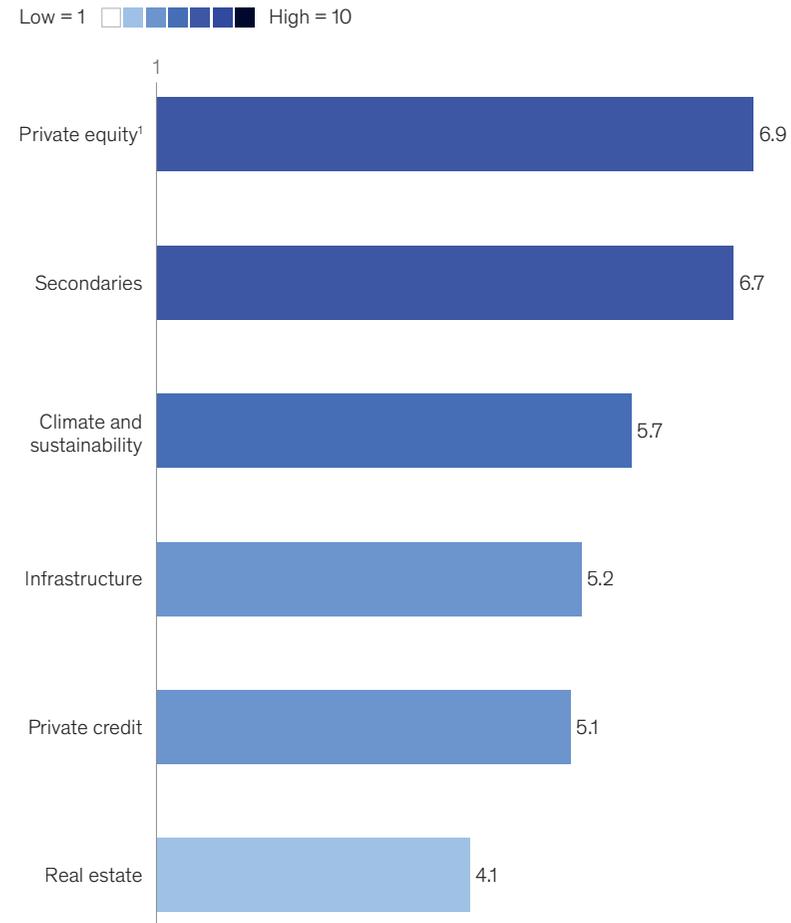
Private equity leads asset class preferences

Private equity emerges as the preferred asset class among LPs in India, followed by secondaries and climate and sustainability, while infrastructure and private credit are viewed as broadly comparable to other markets (Exhibit 11). Real estate ranks as the least preferred asset class, likely reflecting LP caution given its higher exposure to several macro risks identified by respondents, such as regulatory complexity, historical concerns with past closed-end funds, contract enforceability, and permitting processes. Participation in real estate is dominated by partnerships with developers that create core pipelines for real estate investment trust (REIT) listings and asset-specific special purpose vehicles (SPVs). LPs noted that several GPs are in discussion on private credit-related opportunities despite a limited track record.

Exhibit 11

Private equity leads limited partners' future asset class preferences.

LP interest by asset class in India over the next 5 years, average score on a scale of 1–10



Question: How enthusiastic are you about the following asset classes in India over the next 5 years?

¹Includes score for venture capital.

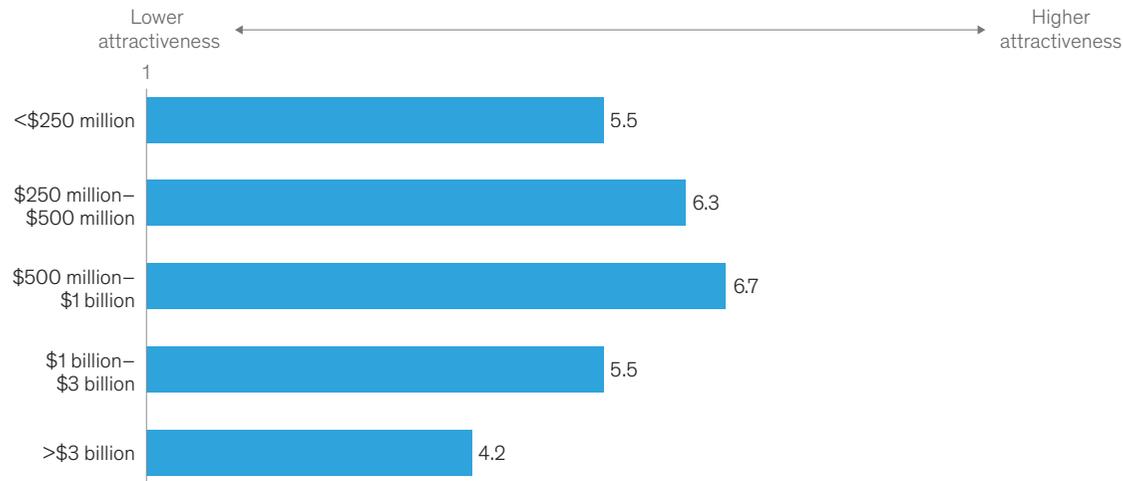
Source: McKinsey-IVCA LP survey, Nov 2025

McKinsey & Company

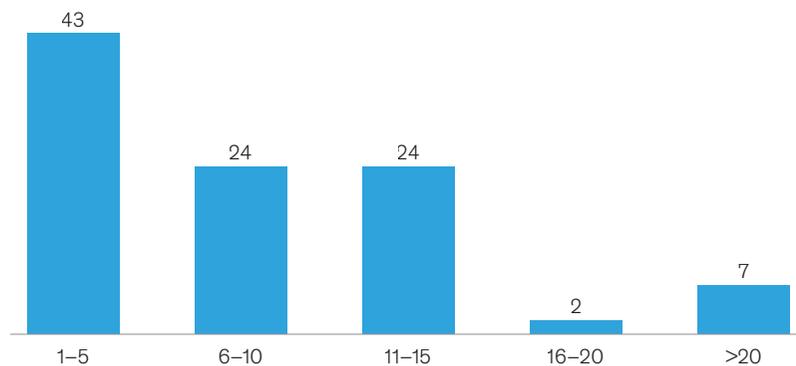
Exhibit 12

In India, LPs prefer domestic fund sizes of \$500 million–\$1 billion, and more than 50 percent expect to allocate to more than five funds.

Target fund size attractiveness for India allocation in future, average score on a scale of 1 to 10



Maximum number of GPs for India allocation, % of respondents



Questions: Based on attractiveness, please rate the listed target fund-sizes for your investments in India. What is the maximum number of GPs (PE or VC) you can fit in your India portfolio?
 Source: McKinsey-IVCA LP survey, Nov 2025

McKinsey & Company

Participation in India-focused funds is growing, and allocations may rise

Multiple domestic GPs have emerged in India in recent years, although they still represent only around 15 percent of total private equity deployment from 2023 to 2025 compared with 62 percent in Korea and 26 percent in Japan.¹⁵ Nonetheless, the share of deployment among domestic GPs has increased to 15 percent in the past three years from 10 percent during 2020 to 2022. These managers are well positioned to capitalize on India’s domestic GDP growth trajectory, leveraging their ability to navigate local dynamics and originate mid-market deals in consumption-led sectors such as food and beverage, fast-moving consumer goods, and consumer businesses in under-branded categories such as packaged foods and personal care. This aligns with emerging LP interest in more India-specific vehicles—more than 50 percent of LPs surveyed plan to increase their allocation to India-dedicated funds, and just 5 percent expect a reduction; 43 percent expect to allocate to one to five Indian GPs across asset classes. LPs today consider domestic fund sizes between \$250 million and \$1 billion to be most attractive, indicating their understanding of capital absorption potential (Exhibit 12). They note larger funds are being raised but only on the back of a record of scaled deployment and strong DPI and returns.

¹⁵ PitchBook, accessed January 31, 2025; Preqin, accessed January 31, 2025; S&P Capital IQ, accessed January 31, 2025; Venture Intelligence, accessed January 31, 2025; McKinsey analysis.

4. Several pathways can enhance India's position as a destination for greater pools of foreign investment capital

Investor belief in the potential of India's private market is strong and growing. Yet, relative to the size of the Indian economy, private-capital investments remain modest. Unlocking additional capital would require addressing execution and structural gaps, including the comparatively lower ranking of Indian GPs on DPI and exit record, and ease-of-doing-business factors (especially in manufacturing and capital-intensive sectors), as well as the need to mitigate several perceived country-specific risks. High allocators appear to be able to navigate some of these risks through their manager selection construction and investment portfolios and sector construction, pointing the way to the kinds of measures required to broaden India's investment attractiveness.

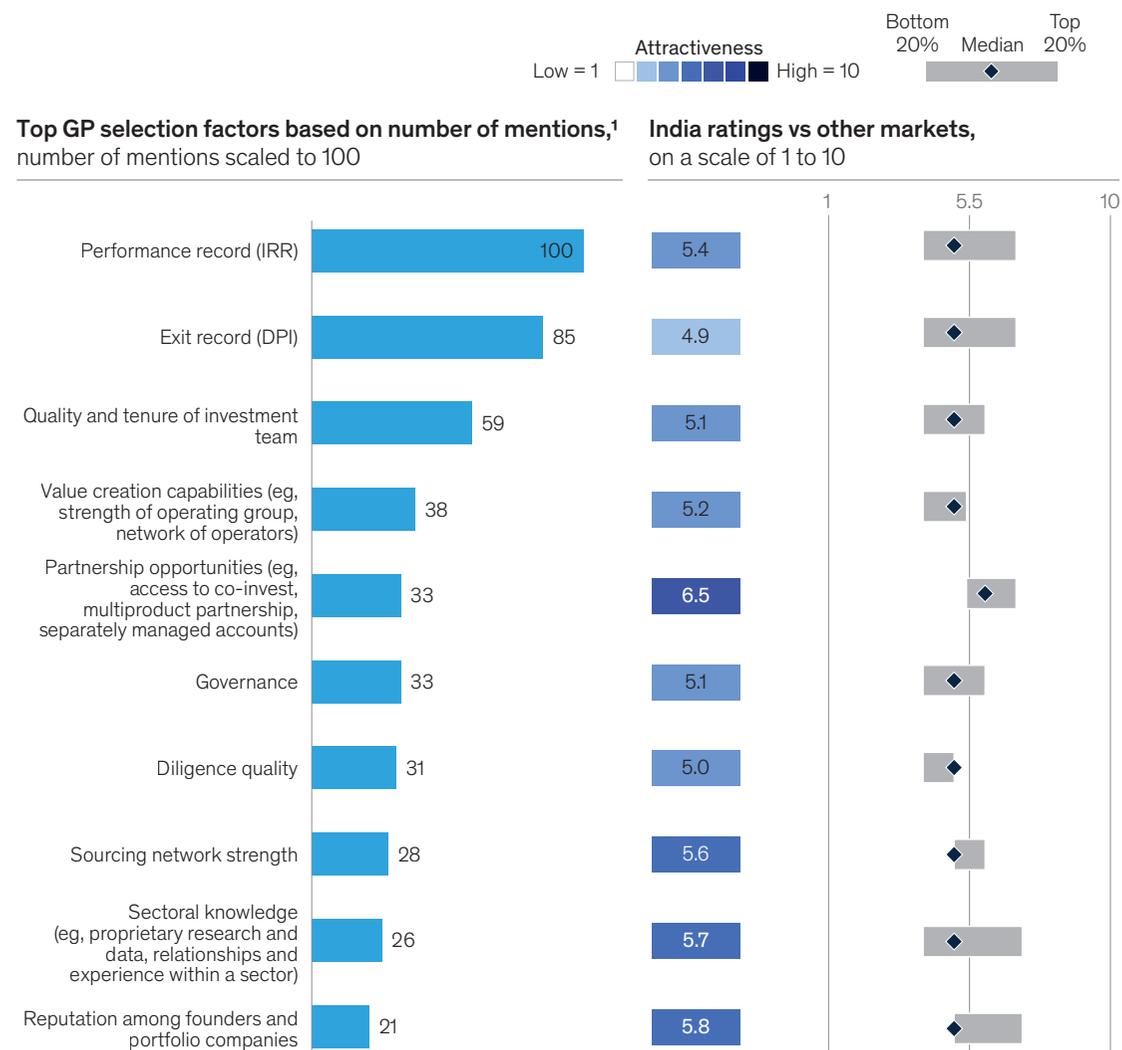
India general partners retain significant room to grow

Returns on PE deals in which exits have occurred have improved over time, with the median IRR rising from 18.0 percent for the 2008 vintage year to 33.1 percent for the 2019 vintage year.¹⁶ Yet even though exit activity has improved in the past five years, a meaningful share of invested capital remains unrealized. Survey respondents ranked India's GPs relatively modestly compared with other market GPs across numerous important selection metrics, including performance and IRR, exit record, diligence record, and the quality and tenure of investment teams (Exhibit 13). There remains wide variance among LPs based on their individual exposures and experiences. For example, top- versus bottom-quintile scores for both IRR and DPI were 7.0 versus 4.0.

Strengthening liquidity and exit pathways will be critical to improving global competitiveness. Measures such as expanding listing opportunities, deepening domestic capital markets, and easing cross-border capital flow could enhance options for investors to exit and improve DPI outcomes over time.

Exhibit 13

LPs rated Indian GPs relatively modestly compared with other markets across various selection criteria.



Questions: What are the top 5 most important criteria to consider when evaluating a GP in India? How would you rate Indian private equity managers relative to managers in other markets against the selected factors?
¹⁶Number of mentions" indicates how many times each factor was cited among the top five reasons for selecting a GP by survey respondents.
 Source: McKinsey-IVCA LP survey, Nov 2025

¹⁶ Venture Intelligence, accessed January 31, 2024, and McKinsey analysis.

Making doing business easier and mitigating macro risk

LPs highlighted the need for a more predictable and less complex tax regime, faster regulatory approvals, clearer capital flow processes, and easier talent mobility. While currency risk persists, LPs account for annual Indian rupee depreciation of 2 to 3 percent in their underwriting. Some also view a weaker Indian rupee as a lever to raise the cost of imports, boosting demand among Indian domestic producers and export competitiveness.

To address macro risks, LPs highlight streamlining processes, enhancing regulatory clarity to make doing business easier, and facilitating smoother capital flows into and out of India, which includes greater clarity around valuation norms and tax treatment (including carried interest taxation and pass-through status), and simplifying approval processes for cross-border transactions. It also encompasses shaping next-generation reforms for alternative investment funds; enabling structures that better accommodate long-term institutional capital (such as longer-duration vehicles with periodic liquidity windows); and aligning regulatory, capital gains tax, and disclosure standards more closely with global norms.

Addressing structural issues could support sector diversification

High capital concentration in a limited set of sectors contributes to valuation pressure. Addressing structural constraints could unlock capital into India's emerging growth arenas, such as those identified by the McKinsey Global Institute, including AI software and services, urban construction, medical devices, aerospace and defense, leasing,

digital infrastructure (for example, data centers), specialty chemicals, and cloud services.¹⁷ These sectors present opportunities for growth equity, roll-ups, and platform plays, particularly where deal sizes have historically been subscale and India's endowments are favorable. However, LPs and GPs note several sunrise sectors are capital intensive, and ease-of-doing-business delays increase risk and impact returns.

Broadening asset class participation can expand the market

Beyond traditional PE and VC, there are opportunities across additional asset classes. Infrastructure and infrastructure investment trusts have seen renewed interest as investors seek predictable, long-duration cash flows. Roads, renewables, transmission, and pipelines offer predictable cash flow attractive to stable low beta yield-oriented investors. Real estate has gained momentum, with around \$25 billion deployed from 2021 to 2025,¹⁸ particularly in logistics and warehousing. Structural growth in e-commerce, manufacturing, and supply chain localization is driving demand for high-quality industrial assets.

Recent updates to REITs and infrastructure investment trust (InvITs) regulations¹⁹—including expanded investment flexibility, streamlined issuance pathways, tax benefits, and broader eligibility for institutional capital—are designed to enhance operational efficiency and portfolio optionality. Together, these measures could support deeper institutional participation and improve liquidity across India's real estate and infrastructure investment trusts.

Private credit is also an emerging opportunity. About \$36 billion was deployed in India from 2020 to 2024,²⁰ driven by factors including demand for bespoke financing, improved creditor resolution frameworks, and persistent funding gaps for mid-market enterprises. Indeed, LPs note that several domestic funds have launched plans to participate in select credit areas, including investment-grade bonds, senior or subordinated debt, mezzanine financing, and distressed private credit.

Finally, recent moves by India's pension regulator to widen investment options for private pension funds to alternative investment funds (AIFs) is expected to bring more capital to domestic funds, providing a much-needed expansion of the LP base beyond foreign investors.

India is an increasingly attractive institutional investment destination within Asia–Pacific. Yet while firms with both high and moderate allocations agree on the country's strengths, addressing weaknesses they have identified and areas where their views diverge is critical to making India more attractive as an investment destination. Doing so could not only unlock a deeper pool of investable opportunities but foster a more diversified capital pool to power an increasingly critical driver of the country's economic growth in high-potential sunrise sectors.

¹⁷ Bhavesh Mittal, Kevin Russell, Rajat Dhawan, and Mamta Deswal, "India's future arenas: Engines of growth and dynamism," McKinsey, June 19, 2025.

¹⁸ Preqin, accessed January 31, 2026; Venture Intelligence, January 31, 2026; and McKinsey analysis.

¹⁹ Brajesh Kumar, "SEBI proposes easing rules for InvITs, REITs; seeks to broaden investment flexibility," Moneycontrol, February 5, 2026.

²⁰ Preqin, accessed January 31, 2025; Venture Intelligence, accessed January 31, 2025; and McKinsey analysis.

McKinsey & Company

McKinsey is a global management consulting firm

committed to helping organizations accelerate sustainable and inclusive growth. We work with clients across the private, public, and social sectors to solve complex problems and create positive change for all their stakeholders. We combine bold strategies and transformative technologies to help organizations innovate more sustainably, achieve lasting gains in performance, and build workforces that will thrive for this generation and the next.

McKinsey's Private Capital Practice is the leading management-consulting partner to investors, managers, and other stakeholders across private markets. Our work spans the full fund cycle, including prefinancing, sourcing strategies, commercial and operational due diligence, post-investment performance transformation, digital business building, portfolio review, buyout and exit strategies, and firm-level strategy and organization. We serve GPs in infrastructure, PE, real estate

credit, and beyond, as well as institutional investors, including endowments, family offices, pensions, and sovereign-wealth funds. McKinsey has a global network of experienced private market advisers serving clients around the world.

To learn more about McKinsey's specialized expertise and capabilities related to private markets and institutional investing, or for additional information about this report, please contact a member of the team:

Peeyush Dalmia

Senior partner, Mumbai
Peeyush_Dalmia@McKinsey.com

Vivek Pandit

Senior partner, Mumbai
Vivek_Pandit@McKinsey.com

Peeyush Dalmia and **Vivek Pandit** are senior partners in McKinsey's Mumbai office, where **Debanwita Roy** is a consultant.

The authors wish to thank Anmol Chaudhary for his contributions to this article. The authors also wish to thank the Indian Venture and Alternate Capital Association (IVCA) and its leadership—Aakriti Bamniyal, Rajat Tandon, and Sumeet Shetty—as well as IVCA LP Council chairperson Kunal Sood (Pantheon) and LP Council members Anand Unnikrishnan (NIIF), David Low (Albourne Partners), Dominic Goh (HarbourVest), Gene Pohren (57 Stars), Kevin Edwards (Carnegie Mellon University), KR Lakshminarayana (Azim Premji Foundation), and Pamela Fung (Morgan Stanley Private Equity Solutions). Their support was instrumental in outreach to LPs and creating the environment for independent review and findings.

McKinsey
& Company

Find more content like this on the
McKinsey Insights App



Scan • Download • Personalize

