

Beyond Startups and Giants: Why India's Mid-Market Is the Talent Without Capital That Could Define the Next Decade of Economic Growth



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For years, India's business narrative has largely been dominated by two extremes.

On one end are startups that capture headlines with billion-dollar valuations, disruptive business models and rapid fundraising announcements. On the other are large listed conglomerates whose quarterly earnings and strategic decisions influence markets and shape national economic conversations. Yet between these two worlds lies a vast segment of businesses that receive far less attention, despite contributing significantly to India's economy. These companies are profitable, entrepreneurial, deeply rooted in their industries and often serving millions of customers. They are building products, creating jobs, expanding manufacturing capacity, and providing vital services across India.

This is India's mid-market. It is ambitious, entrepreneurial and hungry for capital. It may also hold the key to India moving from a 7 percent growth orbit to the 9 percent growth orbit the country now needs.

India faces two capital allocation challenges. In some parts of the economy, there is capital without enough entrepreneurial talent to absorb it productively. This is the debate we usually hear, framed as the question of why large businesses are not investing faster. But there is a second challenge that deserves equal attention: talent without capital. Across India's mid-market, there are capable founders, professional managers and first-generation entrepreneurs with the hunger to build, the discipline to execute and the will to break through constraints. They are not waiting for perfect conditions or easier business conditions. They are building despite friction. What they need is patient capital,

institutional support and the confidence to scale.

Having spent more than two decades investing exclusively in this segment, I have come to believe that India's mid-market represents one of the most compelling and underappreciated opportunities in the country's economic landscape. While startups and corporate giants will continue to play a crucial role in India's growth story, the next generation of industry leaders are increasingly likely to emerge from businesses that have spent years building quietly, steadily and often overlooked despite their contributions.

The 'Missing Mid-market' in India's Growth Story

Every successful economy is built on more than a handful of large corporations and fast-growing startups. Its true strength comes from thousands of businesses that create employment, drive innovation within industries, strengthen supply chains and generate sustainable long-term value. In India, these businesses form what is often referred to as the "missing middle" companies that have moved beyond the startup stage but have not yet achieved large-scale corporate status.

The revised MSME classification announced in the Union Budget expanded the definition of medium enterprises to include businesses with investments of up to ₹125 crore in plant and machinery and annual turnover of up to ₹500 crore. However, from an investment perspective, the mid-market extends well beyond these thresholds.

Many of the companies that are attracting growth capital today generate revenues ranging from ₹100 crore to nearly ₹2,000 crore. They have established customer relationships, proven business models, and strong operating track records. What they often lack is access to patient capital, institutional governance frameworks and strategic support required to accelerate growth.

Importantly, these are not businesses searching for product-market fit. They have already demonstrated resilience and commercial viability; their challenge now is scale.

A Segment Hiding in Plain Sight

The scale of India's mid-market opportunity is difficult to overstate. India is home to nearly 5.93 crore registered MSMEs, collectively employing more than 25 crore people. The sector contributes close to 29 percent of the country's GDP and approximately 45 percent of exports.

Behind these headline figures lies an enormous universe of businesses that have crossed the survival threshold and entered the growth stage. They have recurring revenues, loyal customers and positive cash flows. The mid-market is also India's nursery for applied innovation – IP and customer solutions that have moved from the 'lab' to delivering real customer value, at scale. Yet many remain overlooked by both venture capital investors, who typically focus on hyper-growth technology businesses, and public market investors, who often require larger and more liquid investment opportunities.

As a result, thousands of capable businesses find themselves in a capital gap. They are too mature for venture capital but not yet large enough to attract significant institutional attention.

That gap is increasingly becoming one of the most attractive investment opportunities in India.

Why Capital Flows Are Shifting Toward the Mid-Market

Several structural changes are reshaping India's investment landscape and making the mid-market more attractive than ever before.

A recent study conducted by McKinsey in partnership with the Indian Venture and Alternate Capital Association found that private equity and venture capital investment activity in India expanded 1.6 times to approximately \$207 billion between the periods 2016–2020 and 2021–2025. During the same period, exits more than doubled to nearly \$120 billion.

These numbers indicate a maturing investment ecosystem with greater confidence in long-term value creation.

At the same time, investors are becoming more selective.

According to Deloitte's Asia Pacific Private Equity Almanac for India, overall deal volumes declined by roughly 8 percent in FY2025, yet transaction values increased by 23 percent. This suggests that investors are concentrating capital into fewer but higher-conviction opportunities where they see significant room for growth and operational improvement.

For many investors, that opportunity is increasingly found in the mid-market.

Unlike larger businesses that have already undergone multiple rounds of institutional ownership, mid-market companies often present greater potential for transformation. Improvements in governance, technology adoption, leadership recruitment and operational efficiency can create meaningful value over relatively short periods.

This shift reflects a broader evolution in private equity itself.

Historically, returns were often driven by financial engineering, leverage and valuation expansion. Today, investors are increasingly focused on operational value creation. Bain & Company's India Private Equity Report 2026 highlights that platform-building strategies and buy-and-build models are gaining momentum, particularly among mid sized businesses, where substantial headroom for growth still remains.

In other words, investors are looking for businesses they can help build—not simply businesses they can buy.

The Rise of New Capital Sources

Another important development is the widening diversification of capital available to growing businesses. Private credit has emerged as a significant financing option for mid-market companies. Bain's data indicates that private credit deal volumes increased by approximately 35 percent in 2024, driven largely by businesses facing tighter access to traditional bank financing.

For founders, this represents a valuable alternative. Growth capital no longer needs to come exclusively through equity dilution. Flexible credit structures are allowing companies to fund expansion, acquisitions and working capital requirements while maintaining greater ownership control.

At the same time, domestic pools of capital are becoming increasingly sophisticated.

Family offices, institutional investors and pension-linked capital are showing greater interest in long-term growth opportunities. This trend is particularly significant because it reduces dependence on foreign capital while creating a more resilient investment ecosystem.

Global investors are also paying close attention.

At a time when international capital is seeking exposure to economies that combine scale, demographic strength, and long term growth visibility, India stands out as a compelling destination. The country's expanding consumer base, improving infrastructure and rising formalisation of the economy continue to strengthen the investment case.

For many investors, the mid-market offers the opportunity to participate in value creation before companies achieve their full potential.

Where the Next Wave of Leaders Will Emerge

Every generation of economic growth creates a new set of corporate leaders.

Many of India's most respected companies today began as relatively small enterprises serving niche markets. What distinguished them was not access to unlimited capital. It was the ability to scale operations, build trust and adapt to changing opportunities over time.

Today, the same process is unfolding across India's mid market. Thousands of businesses have already moved beyond the uncertainty of their early years. They have proven demand, capable leadership and clear growth opportunities ahead of them. What they need now is the support required to bridge the gap between potential and scale.

For investors willing to look beyond the obvious, this is among the most compelling opportunities in the country. Many of these companies already exist. The challenge is not in finding them, but in recognising their potential before everyone else does.

Capital Alone Does Not Build Institutions

One lesson stands out from more than two decades of investing in mid-market businesses: money rarely solves the most important problems.

The companies that successfully make the transition from regional players to national leaders almost always undergo a deeper transformation. They strengthen governance, build professional management teams, institutionalise decision-

making and create systems that allow growth to continue beyond the founder.

Many Indian mid-market companies remain founder-led, which is often a source of strength rather than weakness. Founders typically bring long-term commitment, deep customer relationships and an close understanding of their industries. Yet scaling a business from ₹200 crore to ₹2,000 crore in revenue requires a different operating model from the one that helped build it in the first place.

The challenge is not simply access to capital. It is access to experience, talent and institutional capabilities.

This is where growth-stage investors can play a meaningful role. The best partnerships are not defined by the size of the cheque. They are defined by the ability to help a business recruit leadership, improve governance, expand into new markets and prepare for the next stage of growth.

In our own experience, the most successful investments have rarely been those where capital was the differentiator. They have been situations where founders and investors worked together to build stronger organisations.

Where Do the Opportunities Lie

Over the years, one pattern has become increasingly clear: some of India's most promising businesses are often the ones that receive the least attention.

Across sectors such as Digital Technology (intelligent software & automation), Consumer, BFSI and Education, there are companies quietly building strong franchises, serving large markets, and creating meaningful impact without attracting the headlines associated with venture-backed startups or large listed corporations.

For instance, some of the most important businesses in the education sector are focused on addressing fundamental challenges in learning outcomes, assessment, and access to quality education. These companies are solving problems that affect millions of students and families across the country and many of these innovations have crossed borders and are expanding internationally.

Beyond these sectors, the opportunity is evident across large parts of the Indian economy. Manufacturing businesses are gaining from shifting global supply chains and rising domestic demand. We are entering a phase of 'smart manufacturing' and India's strengths in software will result in some very innovative solutions from India for the world. Many have built impressive capabilities over decades and now stand at an inflection point, where technology, additional capital and strategic support can accelerate their growth.

Healthcare remains another area of significant potential. India has one of the best medical talent pools in the world but we are still supply constrained. Affordable, personalized and quality healthcare needs to far more accessible than it currently is. We cannot just rely on the few multi-specialty chains to serve patients across India. India can leapfrog its more developed counterparts in delivering affordable healthcare at scale leveraging technology and our strengths in pharma and healthcare delivery. Outside the large hospital networks in metropolitan centres, there are diagnostic chains, specialty healthcare providers, and regional hospital groups serving rapidly expanding markets. Many have strong business models but remain undercapitalised relative to the scale of the opportunity before them.

The Decade of the Mid Market

Every economic cycle produces its own winners.

For much of the past decade, attention has centered on disruptive startups and large corporate champions. Both will remain important pillars of India's future. Yet the coming decade may well belong to a third category of businesses—companies that have spent years building steadily, leveraging technology to deliver real customer value at affordable prices consistently – being the workhorses of India's innovation economy without seeking recognition. These enterprises are not driven by headlines; they are driven by execution.

They are solving real problems, generating employment, strengthening industries, and building long term economic resilience. For investors, the opportunity lies in spotting them before the rest of the market does. India's mid market represents precisely that kind of inflection point today.

India's next decade may well be defined by how effectively we connect mid-market talent with the capital it deserves. With the right combination of capital, governance, and strategic support, these businesses can evolve into institutions built to endure for decades. That transformation is already underway across India—and increasingly, smart capital is beginning to take notice.