Professional services firms seek PE money to expand as scale becomes a necessity

Synopsis
Grant Thornton Bharat is in discussions with multiple funds to secure private equity, mirroring a global trend in professional services. Firms are seeking capital for expansion, technology investments, and to offer competitive compensation. This move could revolutionize the sector in India, potentially leading to more mergers and acquisitions as firms strive for scale and global reach.

Representative Image

Mumbai: The worldwide trend of private equity entering professional services is gaining traction in India as well. Grant Thornton Bharat, the nation's fifth-largest professional services provider, is in talks with five funds to raise money following similar deals by smaller firms Uniqus Consultech and KNAV, and experts say more such transactions are in the offing.

Globally, over the last two years, affiliates of second-tier global networks such as Grant Thornton, BDO, Baker Tilly and RSM have raised private equity or sold holdings in their regional arms to fuel global expansion, compensate partners competitively, and invest in technology. Some of these networks have strong India operations.

On April 21, Baker Tilly and Moss Adams announced a $7 billion merger to form the sixth-largest consulting CPA firm in the US, backed by Hellman & Friedman and Valeas Capital Partners. Baker Tilly's UK network member, MHA, completed a £98 million IPO on April 15, 2025.

Grant Thornton Advisors USA and Ireland, backed by New Mountain Capital, expanded their multinational platform on April 23 by merging affiliates from the UAE, Luxembourg and the Cayman Islands, with additional tie-ups in the works. GT UK had previously secured private equity funding from Cinven.

In India, Grant Thornton Bharat is looking to sell a stake in its holding company, Grant Thornton Advisory Pvt Ltd, to raise funds. "This is about corporatisation and capitalisation, as we aim to build the first India-led global professional services firm," said chief executive Vishesh C Chandiok.

PE funding allows firms like Grant Thornton to challenge the status quo by offering stock options to their employees, disrupting the 100-year-old partnership structure, he said. "With the value of stock, partners can expect a 3x+ uptick in annual earnings. Increasingly, true partners want to shift from being employee-like, relatively fixed-share earners to value-oriented owner-shareholders at GT Bharat."

Since a potential investment in Grant Thornton Bharat will be the first big deal in the Big Six in India, some experts believe it will mark a step change in PE investments in professional services in the country. So far in the sector, Uniqus Consulting raised $20 million in April and KNAV received a minority investment from Zerodha's Nikhil Kamath in September 2024.

Networks outside the Big Four are not tightly controlled structures, allowing well-capitalised country firms to invest in member firms across other geographies as well.

Need for scale

Facing consolidation pressures, succession hurdles and the push to grow non-audit businesses, Indian professional services firms may need to pursue mergers or private capital to fund tech upgrades and scale.

"I've engaged a banker in the US to scout for smaller CPA firms," said Jeenendra Bhandari, partner at MGB, an Indian professional services firm. "The India-US corridor offers significant potential, with Indian back-end capabilities supporting a US front end. Going forward, access to capital will be a key competitive advantage," he said.

"Right now, we are a well-capitalised and debt-free firm, but when the time is right, we would be open to exploring growth capital from private equity," said Ajay Sethi, founder and managing partner of Baker Tilly ASA India LLP. "Accessing funds should be with a clear growth and deployment plan."

Globally, private equity-led consolidation is transforming the professional services sector, but in India, M&A remains rare and contentious, frequently hampered by partner conflicts, power fights and a strongly entrenched personality-driven culture. After the initial wave of Indian firms' integrations into the Big Four networks in 1990s and early 2000, few have worked.

In June 2002, Andersen India merged with EY, but in November 2003 a leadership clash saw chief executive Bobby Parikh lose an internal election for CEO position to Rajiv Memani, son of then-chairman Kashi Memani, prompting several partner exits. Years later, BMR & Co—founded by Parikh, Mukesh Butani and Rajiv Dimri—split in 2017, with Deloitte and KPMG acquiring different parts, underscoring the sector's integration challenges.

In February 2007, PwC announced plans to merge the tax and advisory practices of Ambit RSM with its own. But by 2009, several senior partners, including noted tax expert Dinesh Kanabar, walked out, eventually joining KPMG. Kanabar went on to launch Dhruva Advisors in 2014.

Shifting models

Worldwide, the deal momentum has been building over 2–3 years, driven by private equity chasing stable recurring income, a fragmented market ripe for consolidation, a scalable **business** model and a sticky, loyal client base.

An investor group led by Blackstone acquired a majority stake in Citrin Cooperman from New Mountain Capital, while Centerbridge Partners and Bessemer Venture Partners backed Carr Riggs & Ingram, TowerBrook invested in EisnerAmper, and Parthenon Capital in Cherry Bekaert. Meanwhile, ex-EY and PwC partners, with $300 million from Warburg Pincus, are launching a Big Four challenger, Unity Advisors.

In a sign of shifting models, BDO USA raised $1.3 billion from Apollo in 2023 to fund employee trust and refinance debt, while Aprio, backed by Charlesbank, acquired RSM US' PS+ practice in March 2025.

Experts say scale is no longer optional—it's a must for survival. Midsize firms must either expand geographically, invest in technology, adopt leaner ownership models and globalise for cost efficiencies, or risk being side lined.