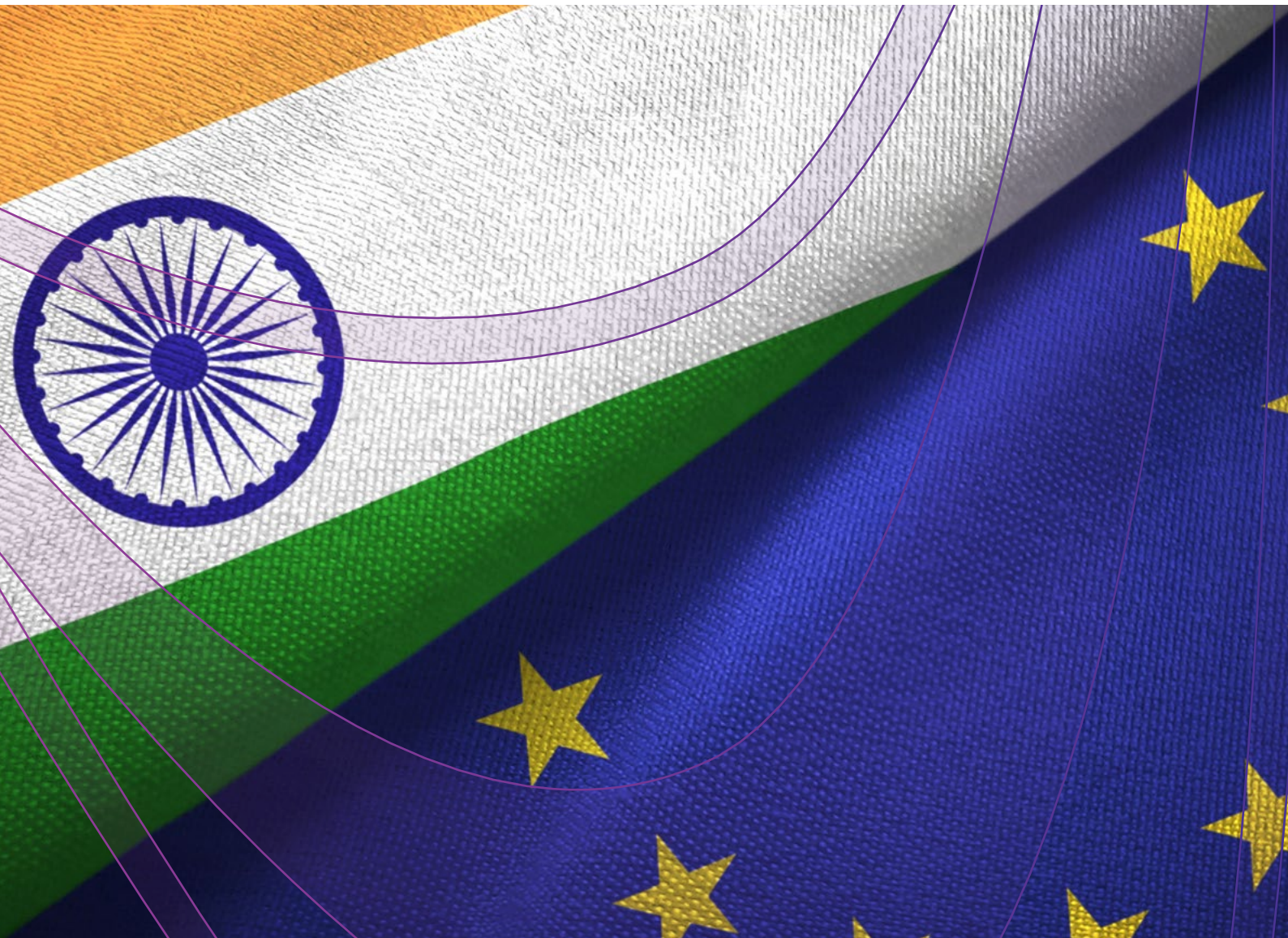




Indo-European Deal Landscape

Insights for European investors navigating cross-border deals
in India



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Foreword

India's growth over the past decade has shifted the equation for European boards. A large domestic market, a young workforce, and steady policy continuity have made the country harder to overlook in any global allocation conversation.

For European corporates and funds already active in adjacent markets, India increasingly sits on the shortlist rather than the wishlist. The reasons extend beyond headline GDP growth to the depth and maturity of its capital markets, a stable currency-management framework, a widening domestic tax base, and a policy environment that has grown more predictable over time.

Over the past 25 years, India received over EUR 660 billion in Foreign Direct Investment (FDI), to which Europe has been a leading contributor at EUR 150 billion, with the Netherlands, the UK, Germany, Cyprus and France as the top European sources of FDI.

Despite global headwinds, inorganic activity in India remained strong in 2025 as total M&A deal value amounted to EUR 103 billion, with strong global interest as cross-border M&A deal value rose to EUR 49 billion. Sector interest extends beyond IT services and pharmaceuticals into manufacturing, renewable energy, financial services, industrials and capital goods,

and consumer businesses, supported by manufacturing-linked incentive schemes, policy continuity, and a large, increasingly skilled workforce.

The corridor no longer runs one way. Indian companies are acquiring and investing in Europe at a pace that merits equal attention from advisors on both sides: outbound M&A into Europe reached EUR 8 billion in 2025, the highest since 2020, led by Tata Motors' EUR 3.8 billion acquisition of Italian truckmaker Iveco Group, alongside Lupin's acquisition of the Netherlands' VISUfarma and Wipro Infrastructure Engineering's majority stake in France's Lauak Group.

European strategic and financial sponsors have, in turn, increased their India exposure through both greenfield entry and acquisitions of established promoter-led businesses, illustrated by Schneider Electric's EUR 5.5 billion buyout of Temasek's remaining stake in its India joint venture, completed in December 2025, and continued expansion by established European names such as Siemens, Allianz, SAP and Bayer. European advisors now sit on both sides of the table in this corridor more often than they once did, and Indian acquirers tend to retain existing European management teams post-acquisition.

Trade and investment ties have deepened further. The India-UK Comprehensive Economic and Trade Agreement (CETA), signed in July 2025, entered into force on 15 July 2026, eliminating UK duties on 99% of Indian tariff lines. Negotiations on the India-EU Free Trade Agreement concluded in January 2026, with entry into force to follow. This sits alongside a shared interest, on both sides, in reducing overreliance on any single trading partner.

This paper draws on our work across the India-Europe corridor and transaction experience with European corporates, funds, and family offices investing into and out of India. We hope it gives you a practical starting point for the questions that matter most once a target is identified.



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Deal Preparation and Negotiations



Understanding Indian Businesses Across the Deal Spectrum



Most small-to-mid-market Indian companies remain family-owned, with the founder or promoter family retaining board control. Decision-making authority in such companies often rests with one or two individuals rather than a professional management layer.

This changes as deal size grows. Large Indian businesses are typically run by professional management with institutional governance and more sophisticated transaction processes, even where a promoter family retains a controlling stake.

As a broad guide, mid-market transactions in India are generally understood to sit in the EUR 10 million to EUR 100 million enterprise-value range, with large deals extending beyond that, though the boundary is far less standardised than in more mature markets and shifts by sector.

Succession planning is frequently unresolved when a deal is discussed, and related-party arrangements, shared brands, property or working capital / financing lines are common. Trust-building typically precedes any substantive discussion of terms.

Understanding the promoter's objectives—whether liquidity, continued involvement, succession or retaining an economic interest—is important to identify potential deal issues early and can materially influence transaction structure and negotiations. For promoter-led targets in particular, buyers often weigh a strategic partnership or joint-venture structure against an outright acquisition: retaining the promoter's local know-how, customer relationships, and management of domestic operations can be as valuable to the buyer as the underlying asset itself.

Large deals, PE-backed exits, and competitive sale processes look markedly different from this pattern. They tend to be more structured and advisor-led, run to defined timelines, follow formal bid processes, and arrive with better-organised data rooms than the typical promoter-led mid-market transaction, bringing them closer in practice to the European norms set out in the table.

	India	Europe	
Promoter or founder-led in small to mid-sized deals, institutionalized across stakeholders in larger transactions	Decision-making	Distributed across board, management, and sponsor	
Extended relationship-building before terms are discussed	Pace of early engagement	Often more process-driven, with terms discussed early on	
Varies by target maturity and professionalism, typically more structured in larger processes	Data room readiness	Generally structured and populated ahead of launch	
Consultative, but promoter retains final say in mid-sized deals. Greater advisor involvement in larger/competitive processes	Advisor involvement	Advisors often lead negotiation directly	
Influenced by target readiness and promoter alignment	Typical timeline	More evenly paced from first contact to signing	

Negotiation Dynamics in India



Negotiations tend to be relationship-driven and unfold over a longer preliminary period than European buyers may expect. Promoters often prefer direct engagement with the buyer's principals over advisor-led discussions in the early stages of a deal to gain comfort and build a trusted foundation for the deal.

Identifying the key decision-makers and any dependencies early is important, particularly where multiple promoter or family shareholders are involved, to ensure alignment and avoid delays during negotiations.

Local market knowledge and an adviser's on-the-ground network remain decisive across both segments of the market, but especially where multiple stakeholders or

family dynamics shape the negotiation. Even in mid-market deals the process is evolving: promoters are engaging advisors earlier to improve deal preparedness and execution, as transactions grow more sophisticated with carve-outs, investor-backed deals, cross-border restructurings, and transformation-linked mandates.

Data room readiness for initial assessment of the company can vary widely depending on the target maturity and level of professionalism in its operations. For large, competitively run Indian transactions, several of these dynamics (data room readiness, pace of engagement, an advisor-led process) converge closely with the European pattern shown above; the sharpest contrast with Europe is concentrated in the small-to-mid-market segment.

Due Diligence



Due diligence in India carries a distinct set of technical considerations that go beyond the standard European or US diligence checklist. This section covers the areas that most often shape valuation and deal structure.

Finance Matters



Quality of Earnings

Revenue concentration among a small number of customers is more common among Indian mid-market targets than European peers, and normalised EBITDA often requires closer scrutiny of related-party pricing and one-off promoter-linked expenses. Working capital trends should be assessed over at least two to three years given seasonal and festival-linked demand swings in many consumer and retail businesses.

Financial Reporting Environment

Ind AS, India's converged accounting standard, differs from IFRS in specific areas including revenue recognition timing, lease accounting transition provisions, and financial instrument classification.

Management information system quality varies significantly by company size; smaller promoter-led businesses frequently run on basic accounting software with limited analytical reporting, requiring diligence teams to rebuild management accounts from source data. Small and mid-sized Indian companies typically do not have as robust a financial reporting environment as larger, professionally managed businesses, and this gap is one of the more common causes of extended due diligence timelines in Indian transactions. Audit practices and internal controls should be reviewed with this variability in mind.

Ind AS versus IFRS: differences concentrate in revenue recognition, lease treatment, and financial instrument classification. Reported EBITDA under Ind AS should not be assumed directly comparable to an IFRS-prepared figure without adjustment.

Cash Flow and Working Capital

Collection cycles in India often run longer than European norms, particularly in businesses selling to government or public sector entities. Vendor financing practices and informal credit arrangements between group entities can obscure the true standalone working capital requirement of the target business.

Related Party Transactions

Related-party transactions are common across Indian promoter groups and can include shared services, inter-company loans, and common facility usage. These require careful normalisation, since post-deal the target may no longer benefit from group pricing or shared infrastructure, changing the standalone cost base going forward.

Tax Matters



Tax due diligence in India carries jurisdiction-specific risks that rarely feature in a European or US process. The items below are frequently flagged as part of tax due diligence on Indian targets.

Input Tax Credit and GST Litigation

Goods and Services Tax (GST) input credits are subject to matching requirements against vendor filings, and mismatches or vendor non-compliance can result in denial of credit to the buyer's target. GST litigation, particularly around classification disputes, remains active across several sectors.

Unresolved GST positions can create a net debt-like liability and, in disputed cases, an ongoing litigation cost that should be reflected in price or covered through indemnity.

Cross-Border Inter-company Transactions and Permanent Establishment Risk

Cross-border transactions with group entities are subject to transfer pricing scrutiny, and the presence of expatriate staff, dependent agents, or shared decision-making functions in India can trigger permanent establishment exposure for the foreign parent.

Permanent establishment risk can create unplanned corporate tax exposure for the European parent, not just the Indian target, making this a diligence item that should be scoped jointly with the buyer's home-country tax advisors.

State Incentives and PLI Schemes

Targets claiming state investment incentives or production-linked incentive scheme benefits are subject to conditions tied to employment, investment thresholds, or export ratios. A change of control can trigger reassessment of eligibility.

Loss of incentive eligibility post-acquisition can materially affect projected margins, and buyers should confirm whether benefits transfer automatically or require fresh approval before closing.

India Tax Due Diligence: Key Risk Areas

A focused review of tax exposures and incentive eligibility helps investors price accurately, structure efficiently, and avoid post-close surprises.

GST & Input Tax Credits

Risk	Deal Impact
• Ineligible or blocked input tax credits	• Higher tax cost and cash outflow
• GST classification, valuation, and rate disputes	• Interest, penalties, and working capital blockage

Transfer Pricing & PE Risk

Risk	Deal Impact
• Inadequate documentation and benchmarking	• Transfer pricing adjustments and tax demands
• Permanent Establishment (PE) exposure for non-resident investors	• PE-related tax liabilities and double taxation risk

SEZ Benefits, State Incentives & PLI Schemes

Risk

- Non-compliance with SEZ conditions or PLI scheme requirements
- Clawback of incentives and benefits availed

Deal Impact

- Loss of tax holidays, duty exemptions, or PLI benefits
- Reversal of incentives with interest and penalties

Tax due diligence should be tailored to the industry, business model, and scale of operations. Early identification of risks and incentive opportunities strengthens deal value and post-close outcomes.

Legal, Compliance and Regulatory Framework

Labour and Employment

India's labour law framework is fragmented across central and state legislation, and compliance gaps around statutory contributions, contract labour usage, and the classification of gig or contract workers are common findings in diligence. The four new labour codes, once fully implemented, will consolidate this framework, but transition timing continues to vary by state.

Licenses and Regulatory Approvals

Sector-specific licenses, particularly in manufacturing, food, pharmaceuticals, and financial services, are often held at the state level and can lapse or require fresh approval around a change of control. Confirming license transferability early in the process avoids delays at closing.

Timelines for reissuing licenses vary considerably by state and by the regulator involved, and this variability should be built into the closing timetable rather than treated as a formality to sort out afterward.

ESG Considerations

Environmental, Social and Governance (ESG) diligence in India has grown more focused on supply chain labour practices and environmental clearances for manufacturing sites, areas where documentation standards can lag European expectations even when underlying practices are broadly compliant.

Regulatory Framework for Foreign Investors

Foreign investment into India is governed by the FDI policy and the Foreign Exchange Management Act (FEMA) regulations administered by the Reserve Bank of India (RBI), with sector-specific caps and approval routes, automatic or government, depending on the sector and country of origin. Competition law clearance from the Competition Commission of India (CCI) applies above defined asset and turnover thresholds.

	India	Europe	
Reserve Bank of India under FEMA; Competition Commission of India for merger control	Competent authority	European Commission and Member State authorities	
Automatic or government route depending on sector; investments from land-bordering countries require prior approval	Approval route	Review procedure varies by Member State and sector sensitivity	
Defined foreign ownership limits in sectors including defence, insurance, and media	Sectoral caps	Sector sensitivity lists vary by Member State	

Deal Signing and Closing



Purchase Price Considerations



Locked Box vs Completion Accounts

Completion accounts remain the most common mechanism in Indian mid-market deals, allowing buyers to factor in any risks associated with net debt / cash and working capital in the purchase price at closing. Locked box structures are gaining ground in more institutionalised deal processes, but are still less standard in India than in Europe.

Earn-Out Structures

Earn-outs in India are frequently tied to promoter retention for a defined transition period, commonly one to three years, reflecting the buyer's reliance on founder relationships and institutional knowledge that has not been formally documented elsewhere in the business.

Tax-Specific Price Adjustments

Purchase price mechanisms account for GST credit positions, pending tax refunds, and indemnities for open tax assessments, given the multi-year assessment cycles typical of Indian tax authorities.

SPA Negotiation Considerations

Representations and warranties in Indian Sale and Purchase Agreements (SPAs) are typically as extensive as European equivalents, tailored to the target subject to materiality qualifiers. Indemnity frameworks tend to carry longer survival periods for tax and regulatory warranties: India's income-tax reassessment window runs up to three years in normal cases and can extend to ten years where undisclosed income exceeds INR 50 lakh (~EUR 52,000), materially longer than the three-to-five-year windows typical of most European jurisdictions.

Diligence findings may translate into pre-closing actionables, including group restructuring activities, regulatory approvals

and third-party consents. Identifying and prioritising these early is important to avoid delays between signing and closing.

Disclosure practice also differs. Indian sellers tend to favour general disclosure against the full data room rather than the specific, schedule-based disclosure more common in European and US agreements, which places greater weight on how thoroughly a buyer's team reviews the data room itself.

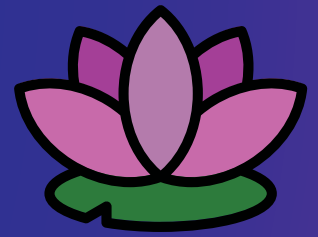
Warranty and indemnity (W&I) insurance remains uncommon in Indian small-to-mid-market transactions and, based on current market practice, is generally seen only on larger, sponsor-backed deals; buyers should expect to negotiate indemnity coverage directly with the seller rather than assuming an insurance-backed structure is available by default. That said, as cross-border transaction volumes grow and foreign deal practices play a growing role in shaping execution in India, W&I insurance offerings in the market are expanding.

Key Structuring Questions

The questions below recur across most Indian transactions and are best raised during structuring discussions rather than left until SPA drafting begins.

- **Share deal versus asset deal:** share deals dominate promoter exits; asset deals remain more common in distressed situations or carve-outs.
- **Foreign ownership restrictions:** FDI sectoral caps and entry routes must be checked early, particularly for regulated sectors such as insurance, defence, and multi-brand retail.
- **Treatment of tax credits and incentives:** confirm whether accumulated credits and incentive eligibility continue after change in ownership or business transfer or require fresh registration.
- **Carve-outs and business transfer:** slump sale mechanisms under Indian tax law carry specific valuation and stamp duty consequences.
- **Management incentives:** equity-linked instruments such as Employee Stock Ownership Plans (ESOPs) are the common structure, with tax treatment depending on the instrument used and the recipient's residency status.
- **Acquisition financing and debt pushdown:** thin capitalisation and interest deductibility limits apply, and pushdown structures require careful tax modelling, especially in related-party debt.
- **Earn-outs and Deferred Payment Structures:** FEMA restrictions on pricing, timeline and quantum of deferred payments (including escrow / hold-back arrangements) for in-bound transactions must be factored in when employing earn-outs and other structures to bridge the valuation gap or protect against deal risks.

Why India Is Different: Key Takeaways for European Investors



Common Transaction Challenges

- Promoter-driven decision-making that can slow or accelerate a deal unpredictably, most pronounced in small-to-mid-market targets, less so in large, professionally run businesses.
- Lack of transaction preparedness, such as documentation and financial-reporting gaps at small-sized targets, which can meaningfully extend due diligence timelines.
- An active tax litigation environment, particularly around GST and transfer pricing, with reassessment windows extending up to ten years in serious cases.
- Regulatory complexity across FDI policy, FEMA, and sector-specific licensing.
- Related-party transactions that require careful normalisation before valuation.
- Working capital management is shaped by longer collection cycles.

Success Factors for European Investors



- ✓ Early diligence scoping tailored to India-specific risk areas.
- ✓ Local advisors who understand promoter dynamics and regulatory approval routes.
- ✓ A deliberate choice between outright acquisition and a strategic partnership or joint-venture structure, weighed against how much value sits in the promoter's relationships and local know-how.
- ✓ Tax structuring built around India's transfer pricing, permanent establishment exposure, and longer assessment windows.
- ✓ Deliberate stakeholder management with promoter families through and beyond closing.
- ✓ Regulatory planning that accounts for state-level variation in approvals and incentives.

How We Can Support You



Nexdigm works alongside European advisors and investors at every stage of an India transaction, combining local regulatory depth with cross-border deal experience across the areas covered in this guide.

300+

Active European Clients

Our Advantage

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- Flexible engagement models

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- Payroll & HR Support Services
- Company Secretarial

Professional Services

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- Tax
- Risk Advisory
- Transaction Support
- CFO Services

Business Process Services

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- Commercial Operations
- Contract Management

Business Consulting

- Market Research
- Supply Chain Operations
- Program Management
- Data Analytics/AI

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We provide integrated, digitally-driven solutions encompassing Business and Professional Services across industries, helping companies address challenges at all stages of their business lifecycle. Through our direct operations in the USA, Poland, the UAE, and India, we serve a diverse range of client base, spanning multinationals, listed companies, privately-owned companies, and family-owned businesses from over 50 countries. By combining strategic insight with hands-on execution, we help businesses not only develop and optimize strategies but also implement them effectively. Our collaborative approach ensures that we work alongside our clients as partners, translating plans into tangible outcomes that drive growth and efficiency.

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Nexdigm resonates with our plunge into a new paradigm of business; it is our commitment to *Think Next*.

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About Eight Advisory

Eight Advisory is a financial, operational and strategy consulting firm, specialising in Transactions, Restructuring and Transformation. We work with companies of all sizes: family companies, SMEs, top listed companies, and multinational groups. With the strength of our international network and recognition for the quality of our approach, we are a market-leading consulting firm. Our independent, pan-European group supports managers and investors in decision-making at an international level.

Eight Advisory, Europe's leading independent advisory firm specialising in financial, operational and strategy consulting, is involved in transactions, restructuring and transformation. With more than 1100 employees, including 127 Partners, Eight Advisory advises managers and investors on their projects. A founding member and driving force behind the worldwide Eight International network, Eight Advisory now supports its clients in more than 30 countries on every continent.

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