



Behind the Scenes: Foreign Investments in India

Cross-border private equity and M&A activity in India is gaining unprecedented momentum. Over past several years, we have advised on a series of inbound transactions involving strategic and financial investors from across the globe. Continued interest in Indian assets is well-deserved, anchored by strong long-term fundamentals and a maturing entrepreneurial ecosystem. With FDI inflows reaching over \$80 billion in FY25 - a 14% year-on-year increase, according to the India Brand Equity Foundation - investor confidence is firmly grounded. These flows are supported by ongoing structural reforms, rising domestic consumption, and a growing middle class.

What sets successful investors apart is not just capital or conviction - it is a clear understanding of how to navigate India's unique context.

“ India's mid-market ecosystem is rich with resilient, founder-led businesses that are increasingly open to strategic alignment. As we have seen in the past transactions for SC ventures, the ability to navigate regulatory nuances and founder dynamics is essential. What makes a difference is having partners who bring a deep understanding of the local context and can help translate investor intent into outcomes that work on the ground for all parties, and especially clients.

— **Gautam Jain, Operating Member at SC Ventures by Standard Chartered**

”

This article aims to uncover some subtleties with respect to Indian businesses.

India's Dynamic Regulatory Policies

The regulatory environment, while evolving through periodic refinements, reflects the natural complexity of a high-growth market. Many global buyers enter India with thoughtfully designed structures and top-tier legal counsel. Yet, between due diligence and closing, any

regulatory change can warrant immediate consideration and response. This reinforces that diligence in India is a dynamic, iterative process, demanding on-the-ground awareness and operational flexibility. For well-prepared investors, this presents an opportunity to differentiate themselves through agility and insight. For example, in a recent transaction, a regulatory update under FEMA required a late-stage adjustment to the deal structure necessitating a prompt response and realigning documentation seamlessly without impacting the deal timelines. Success lies in anticipating these shifts and partnering with advisors who can navigate them proactively.

Context of Indian Business Operations

Understanding the operational nuances of Indian mid-market businesses is equally important. In our experience, close to half the Indian mid-market companies still run their core functions on Excel and standalone systems given the rapid scaling up – a reality of building fast, lean, founder-driven businesses. But it means that foreign buyers expecting SAP-level reporting often find themselves interpreting ledger entries and reading through scanned PDFs for answers. We saw this first-hand in a deal where the acquirer's diligence team raised concerns regarding customer incentives, only to realize those were trust-based rebate arrangements tracked manually by the sales head. Perfectly legal, well-understood locally - but completely alien to outsiders without context.

Understanding Indian Promoters

The cultural dimension plays a significant role as well. Business decisions in India are as relational as they are transactional. Trust, intent, and continuity are paramount. Deals rarely falter on valuation; more often, misread intent or transactional engagement disrupts progress. Investors who embrace these subtleties build stronger partnerships and unlock superior post-deal outcomes. Post-acquisition integration is another critical area for alignment. Founders frequently remain involved after majority transactions - not out of reluctance, but as a strategic imperative. Continuity in leadership, local knowledge, and relational equity are vital to maintaining business momentum. Integration models that respect these elements - while gradually institutionalizing governance - tend to succeed. Challenges often stem not from differing goals but from mismatched expectations around pace and process.

All the factors discussed above signal a maturing market that rewards thorough preparation, local understanding, and strategic alignment. India is projected to surpass a \$5 trillion GDP by FY27, to become the third-largest economy in the next few years powered by sectors such as manufacturing, healthcare, financial services, and consumer goods. According to LSEG, M&A activity in Q1 2025 reached a three-year high of \$27.5 billion, despite a temporary dip in inbound deal volume to \$3.7 billion - a matter of transaction timing rather

than reduced interest. Inbound deal pipelines remain robust, and fundamentals continue to strengthen. India's mid-market remains one of the most compelling opportunities globally. It offers access to businesses with solid unit economics, experienced leadership, and significant potential for operational transformation. These are not merely targets - they are platforms for sustainable value creation.

The most successful investors are those who commit with depth rather than speed. They appreciate that localization does not imply compromise, that governance must be calibrated rather than transplanted, and that long-term success depends on integrating without dismantling the core strengths of the business.

In India, it's not enough to land the deal. You must land softly.

The logo for o3 capital, featuring a red 'o3' followed by the word 'capital' in a grey sans-serif font.