NEGOTIATION PRIORITIES FOR JAPANESE INVESTORS IN INDIA

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India-Japan dealmaking is evolving rapidly. Japanese companies, once focused on manufacturing joint ventures and greenfield projects, now acquire Indian tech, financial services and digital businesses to gain specialised capabilities in high-growth sectors.

NTT DATA's acquisition of Niveus Solutions and Mizuho Securities' proposed acquisition of Avendus Capital reflect this shift, reinforced by India-Japan Special Strategic and Global Partnership, India-Japan Digital Partnership 2.0, the Production Linked Incentive (PLI) Scheme and the Digital Personal Data Protection Act, 2023.

Japanese acquirers remain conservative on risk allocation, but their focus has shifted to IP, technology, talent and regulatory compliance. They conduct thorough due diligence and expect identified risks remedied pre-closing, reflecting a preference for certainty over post-closing indemnities.

In transaction documents, Japanese buyers favour joint and several liability for fundamental warranties with limited qualifications, while Indian sellers prefer proportionate liability, disclosure-based qualifications and liability caps. Outcomes typically balance protection against fundamental risks with commercially acceptable limits on operational matters.

Leadership continuity

Founder and management continuity is often the key asset in technology-led acquisitions, where warranties and indemnities cannot compensate for losing key personnel post-closing.

TechnoPro Holdings' acquisition of Robosoft Technologies illustrates this: although the founders exited fully, the existing management team continued leading the business.

A similar dynamic underpins Mizuho Securities' proposed Avendus acquisition, where leadership continuity is central to the commercial rationale.

These deals show seller identity and operating continuity are distinct, whether the exiting shareholder is a founder or financial sponsor, preserving the customer relationships and operations teams often matters more for post-acquisition value.

Buyers increasingly negotiate retention arrangements, earn-outs and non-compete obligations to keep key talent, as evident in NTT DATA's Niveus acquisition, where engineering talent and IP constitute much of acquired value.

Integration and governance

Integration and governance planning should begin at signing, not after closing. Japanese investors generally negotiate board representation, information rights and reserved matters from the outset, alongside exit mechanisms like drag-along and put rights.

Recent challenges at B9 Beverages (Bira 91), despite Kirin Holdings' backing, show how governance concerns and management disputes can erode investor confidence and enterprise value.

Buyers increasingly negotiate stronger governance rights, interim operating covenants and clear material adverse change provisions to protect the business until closing. Reflecting their long-term approach, Japanese investors seek governance frameworks that support continuity and integration from day one.

Technology licensing

A newer trend is using technology licensing, not just equity, to move value into India. Rather than investing cash, the Japanese company licenses its technology to the Indian target often exclusively, worldwide; and for the product's life, allowing the target to commercialise it for a royalty.

Often, this fee is paid from the same investor's capital, so money effectively cycles back rather than adding fresh capital.

Deal teams must scrutinise the licence agreement closely, as the share purchase agreement royalty rates, withholding tax, Reserve Bank of India/FEMA reporting and transfer pricing all shape economics. Valuation should reflect what capital stays in India after licence fee outflows, not the headline figure.

Practical takeaways
For Japanese investors, the real challenge is no longer entering Indian markets but preserving the value of businesses built on technology, innovation and human capital.

The next phase of India-Japan investment will be defined less by transaction volume than by quality. As tech-led acquisitions grow, negotiation strategy will increasingly determine whether value identified during due diligence is realised after closing.