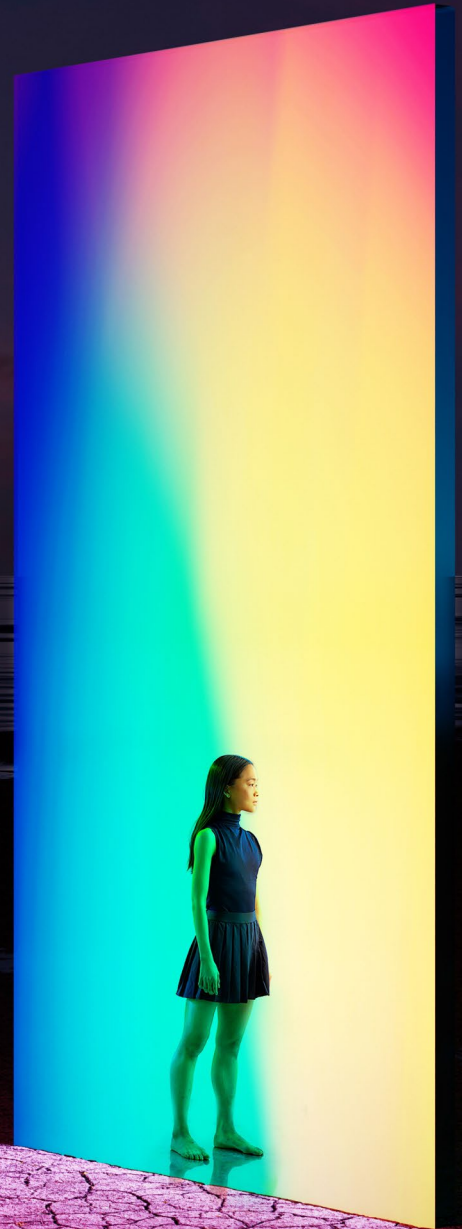



Operational diligence 2.0

A forward-looking, AI-enabled
rethink of diligence with value
at the core



The better the question.
The better the answer.
The better the world works.

EY Parthenon
Shape the future with confidence

A hand holding a glowing crystal ball against a background of fiber optic lights. The scene is illuminated with vibrant purple and blue light, creating a futuristic and ethereal atmosphere. The crystal ball is held in the foreground, and the fiber optic lights are visible in the background, some forming a large, glowing ring.

Disclaimer

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The scope of this report and all data presented herewith covers the Indian transaction landscape, the evolution of Operational Due Diligence and Operational Due Diligence as a value creation bridge.

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Foreword

India's private equity (PE) and Mergers and Acquisitions (M&A) landscape is undergoing a significant evolution, driven by a stable macroeconomic environment, a long-term uptrend in Gross Domestic Product (GDP) growth, and sustained investment activity. As deal flow increasingly shifts toward mid-market and control-oriented transactions, investors are prioritizing execution certainty and tangible value realisation.

This evolution has transformed Operational Due Diligence (ODD) from a traditional, confirmatory, risk-focused exercise into a strategic value creation tool. Today, ODD serves as an early blueprint for assessing execution readiness, validating scalability, pressure-testing cost and capital assumptions, and identifying actionable value creation levers—before capital is deployed. These insights are now influencing valuation, pricing, investment committee discussions and post-close priorities, effectively bridging the gap between investment thesis and execution reality.

In the competitive world of buyouts, operational diligence has emerged as a critical differentiator at entry. It enables investors to translate strategic intent into executable value creation agendas, establish competitive advantage early in the lifecycle, and drive better outcomes through faster execution and more credible equity stories at exit. EY-Parthenon has been at the forefront of these trends, helping buyout fund clients evaluate, assess, plan, and execute their investment thesis through Commercial Due Diligence (CDD), ODD and post-deal value creation offerings.

Further, ODD is no longer carried out in isolation or focused only on narrow-based operational aspects. Instead, buyers are actively engaging advisors to conduct ODD as part of integrated diligence, leveraging and overlaying insights from other diligences with coordinated delivery across multiple workstreams (commercial, finance, tax, tech). This integrated approach delivers advantages over “isolated” diligence by enabling deeper insights at a faster pace, improving coordination across workstreams, reducing redundancies and ensuring consistency.

Finally, we foresee a shift towards greater use of Artificial Intelligence (AI), with use cases spanning agentic solutions and AI-driven insights focused on delivering more strategic outcomes across the deal lifecycle. Diligence practitioners, together with buyers, will increasingly leverage AI to enable faster and more complex deal-making, unlocking higher value potential in every transaction.



Anurag Gupta

India leader
EY-Parthenon



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01 | Key insights

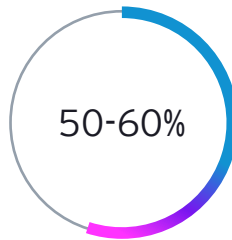
Key insights

Control, capability and conviction are redefining deals and the nature of operational diligence in India

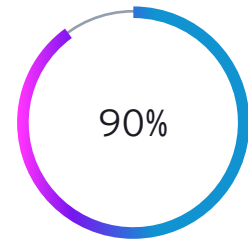
With strong economic growth and steady transaction momentum in India, Operational Due Diligence is evolving in both scale and sophistication.



growth in advanced manufacturing and other sector deals, leading to growth in operational diligence

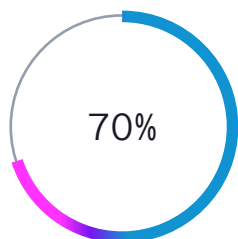


of buyers have favored control-stake deals over the past two to three years, up from a historical 40-45%.

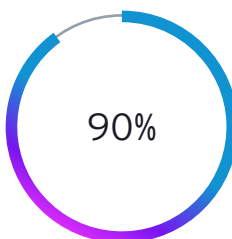


of funds have undertaken Operational Due Diligence in 25% to 100% of their total deals

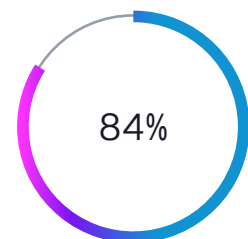
Forward-looking operations due diligence insights shape valuation and pricing assumptions; reinforcing its role as a source of competitive advantage and improved value realization at exit.



majority of Operational Due Diligence undertaken have had a value creation focus



PE and M&A leaders find significant benefit in conducting diligences to enhance post-deal outcomes



Of the Indian business leaders believe returns from AI investments have exceeded expectations

¹Estimate reflects only transactions where the deal-stake information is publicly disclosed,



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Investment Banker in 2025

A leadership position retained for
20+ consecutive years
(across league tables)

- *On deal count: Mergermarket, LSEG, Bloomberg, VCC
- *On deal value: Bloomberg, VCC



02 | Transactions landscape

India's resilient, multi-engine economy

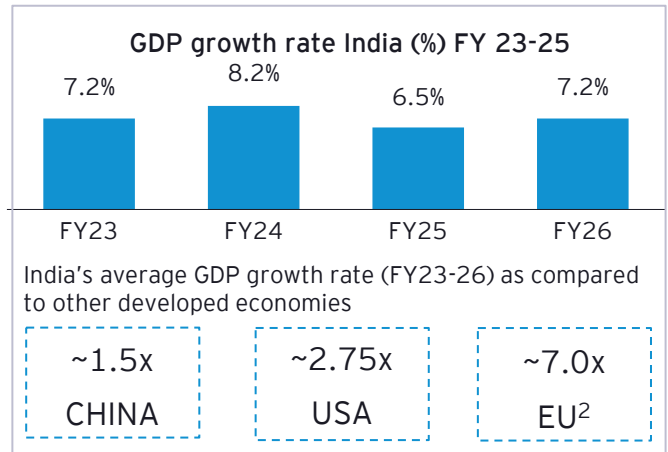
Domestic demand, sectoral diversification and technology underpin sustained growth in India

Resilient growth anchored in consumption and investment

India sustained GDP growth of 6.5% to 8.0% through FY23-FY26¹, reaffirming its position as the fastest-growing major economy.

Despite global tightening, geopolitical uncertainty and Rupee depreciation against the dollar, the economy remained resilient, supported by strong domestic demand.

Exports reached a record high in FY25, further underscoring India's attractiveness as an investment destination.

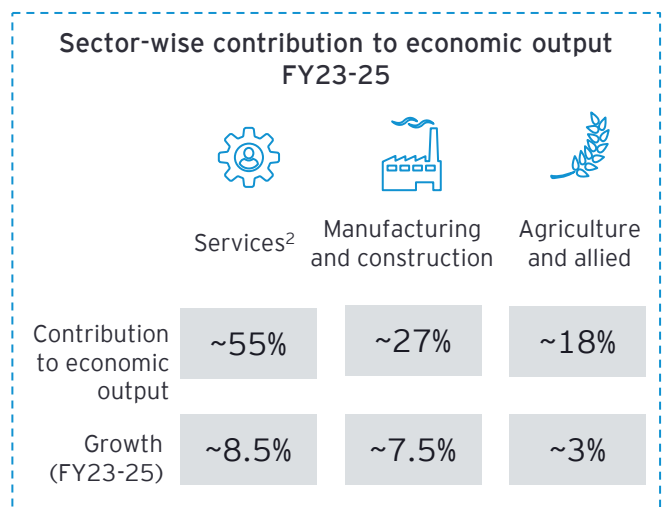


Services and manufacturing as co-drivers of growth

Structural reforms such as Goods and Service Tax (GST) rationalization, interest rate cuts, improvements in the ease of doing business and rapid digitalization have strengthened consumption, investment and overall momentum.

India remains a services-led economy, contributing ~55% of the output. Service exports reached an all-time high of over US\$340 billion in FY25, led by Information Technology/ Information Technology Enabled Services (IT/ITES).

The manufacturing and construction sectors continue to gain traction, supported by initiatives such as Make in India, Production Linked Incentive (PLI) Scheme and sustained capital expenditure.



With GST 2.0 reforms boosting domestic demand and trade diversification efforts, India is well positioned to sustain its growth momentum. Strategic investments in technology and targeted policy measures will be key to long-term economic gains.

DK Srivastava

EYP Economic advisor

Technology as a foundational growth engine

India's digital economy is projected to account for approximately 20% of GDP by 2029. Technology functions as economic infrastructure, enhancing scalability, reducing friction, and improving integration across consumption, enterprise activity and supply chains.

~US\$500-600b

Estimated productivity gains added to the Indian economy by 2035 through accelerated AI adoption

¹Estimate for FY26 by the IMF,

²Excludes FY 23 growth for EU

Indian transactions landscape

Mid-market, control-led, operations-intensive transactions shape India's deal landscape

India remains among the most resilient deal markets globally. Annual deal value rose 11% over three years, reflecting sustained capital and investor confidence.

Both PE and strategic M&A rebounded through 2023-25, supported by stable macro conditions, strong public markets and healthy corporate balance sheets.

Shift towards mid-market, control-led transactions

In India, private equity accounts for a smaller share of total M&A deal value than corporates, while deal volumes are similar. This points to a growing concentration of mid-market, execution-heavy deals.

Investors are favoring control buyouts and majority investments to gain greater influence over execution, capital allocation, and value creation amid prolonged holding periods and tighter return expectations. PE deal values are likely to increase as control-led transactions gain share, in line with patterns witnessed in developed economies.

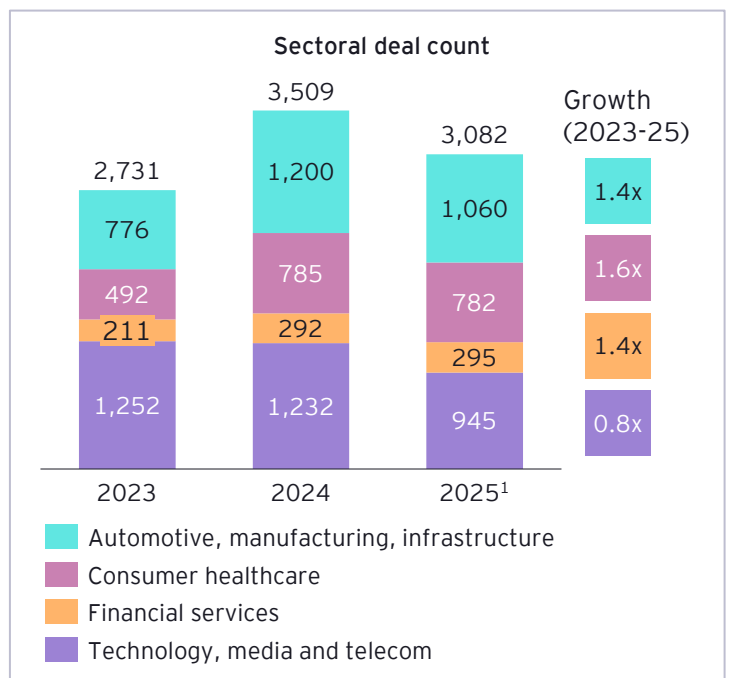
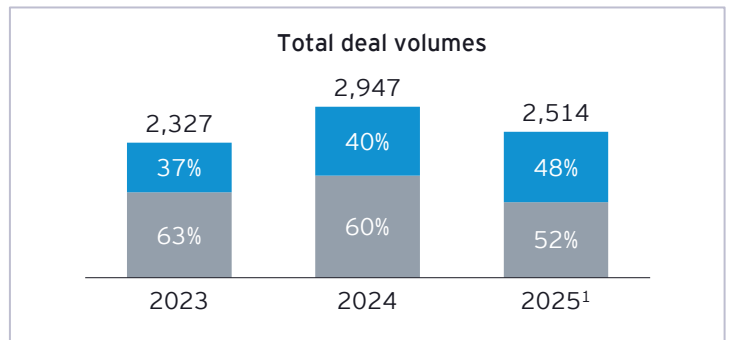
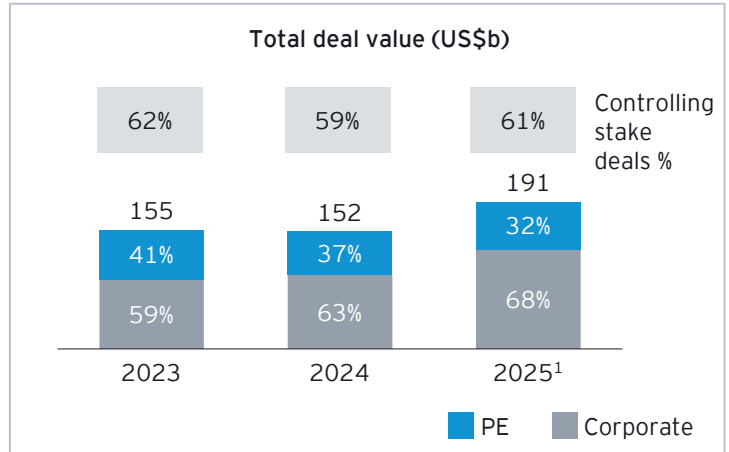
As control-oriented investments become more prevalent, investors are increasingly explicit about value creation at entry, making operational execution central to the investment thesis.

Increasing deal activity across sectors

Deal activity in advanced manufacturing, automotive, infrastructure, consumer and healthcare has grown in the last three years. These assets are operations led and require diligence on capacity, capex, cost, supply chains, scalability.

As the economy matures, technology and financial services is expected to gain momentum, with value driven by platform scaling, operating leverage and execution.

In this context, robust operational analysis and diligence are increasingly critical to buyer decisions and post deal value delivery.



¹Data considered for 2025 is up to November month





Investment Banker in 2025

A leadership position retained for
20+ consecutive years

(across league tables)

For over 20 years, EY Investment Banking has been the **Banker of Choice**, shaping businesses and India growth story.

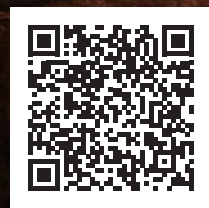
Thank you for trusting us.

<p>Advised</p> <p>Emirates NBD PJSC</p> <p>Acquisition of</p> <p>RBL Bank Ltd (62% Stake)</p> <p>US\$3.2b</p> <hr/> <p>Largest foreign direct investment in the Indian banking sector</p>	<p>Advised</p> <p>Access Healthcare Services</p> <p>Fundraise from</p> <p>New Mountain Capital</p> <p>US\$1,400m</p>	<p>Advised</p> <p>CK Birla</p> <p>Sale of Orient Cement to</p> <p>Ambuja Cements (Adani)</p> <p>US\$956m</p>	<p>Advised</p> <p>ITD Cementation India</p> <p>Stake sale to</p> <p>Adani Group</p> <p>US\$685m</p>
	<p>Advised</p> <p>Impetus Technologies</p> <p>Fund raise from</p> <p>Kedaara Capital</p> <p>US\$350m</p>	<p>Advised</p> <p>iD Fresh Foods</p> <p>Stake sale to</p> <p>Apax Partners</p> <p>US\$170m</p>	<p>Advised</p> <p>Citykart Retail</p> <p>Stake sale to</p> <p>TPG & A91</p> <p>US\$65m</p>

- ***On deal count:** Mergermarket, LSEG, Bloomberg, VCC
- ***On deal value:** Bloomberg, VCC



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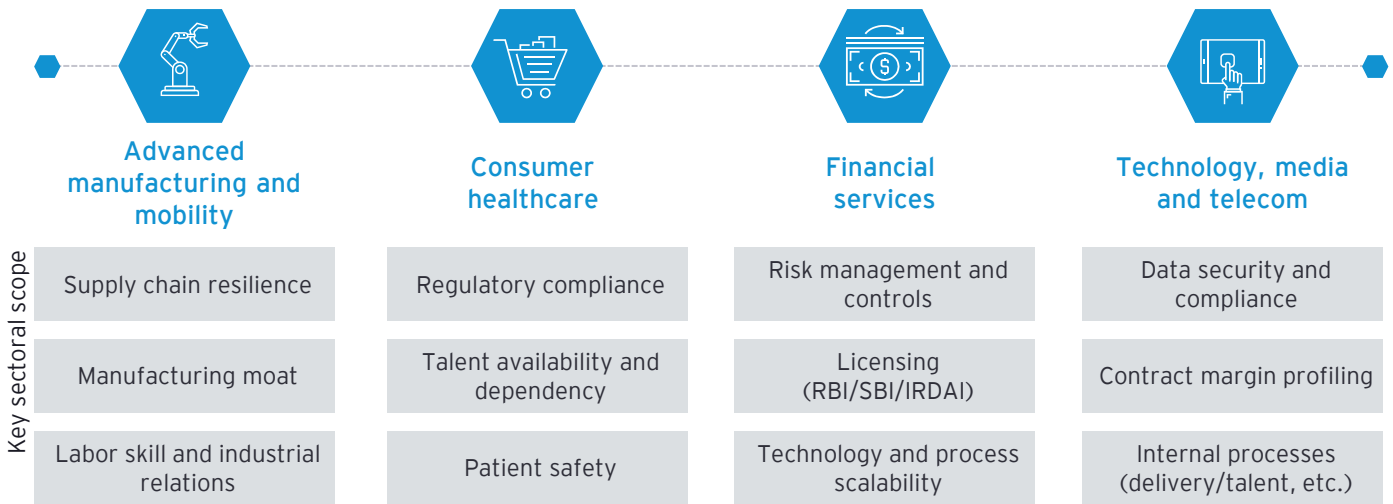


03 | Evolution of Operational Due Diligence

Sectoral dynamics that shape diligence

Operational Due Diligence is evolving to cover traditional assessments, along with sector-specific nuances

As deal activity expands across manufacturing, healthcare, technology and financial services, operational diligence is increasingly emerging as a core lens to understand how businesses operate across sectors, extending well beyond traditional sectors. The scope of Operational Due Diligence continues to evolve in line with deal thesis and sector-specific priorities, rather than following a standardized approach.



Select Operational Due Diligence coverage areas across sectors that have been the key focus in the last few quarters

- 
Advanced manufacturing and mobility
 - **Supply chain resilience:** Exposure to global input volatility, supplier concentration, alternate sourcing and substitution readiness
 - **Manufacturing moat defensibility:** Proprietary designs, certifications, switching costs, process know-how, barriers to replication
- 
Consumer healthcare
 - **Regulatory compliance and quality systems:** Product approvals, audits, recalls, compliance maturity
 - **Consumer trust and redressal systems:** Labeling accuracy, claims substitution, grievance redressal, recall preparedness
- 
Financial Services
 - **Risk management and underwriting:** Credit models, risk appetite frameworks, portfolio stress testing, early warning systems
 - **Process controls and governance:** Internal controls, fraud prevention, data integrity, audit trails
- 
Technology media & telecom
 - **Contract analysis:** Types of contracts (Fixed price and time-and-material), utilization metrics, total cost of ownership (TCO), margins
 - **Talent supply chain transformation:** Demand forecasting, supply planning, employee profiling, talent matching, upskilling requirements

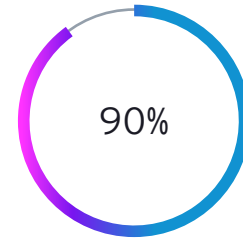
Expanding role of operational diligence

Execution-led deals are reshaping how operational risks and execution readiness are assessed

Why Operational Due Diligence matters more in India

India's deal landscape is increasingly skewed toward mid-market, control-oriented transactions, where competition is intense and differentiation at entry is critical. **Execution certainty** has therefore become central to investment conviction.

Operational Due Diligence is now more heavily used to assess **organizational readiness, scalability and delivery feasibility**, evolving from a confirmatory, risk-focused exercise into a **strategic value-creation tool**.



90%
% of PE professionals have undertaken operational diligence in >25% of total deals

ODD focus is expanding beyond risk identification



Traditional operational diligence

- Focused on risk and red flags
- Short, standalone assessment
- Limited linkage to post-close execution



Contemporary operational diligence

- Deeper, cross-functional analysis
- Focused on execution readiness by evaluating people, processes, systems
- Holistic view directly supports Day-1 and execution plans

The scope and duration of ODD have expanded, indicating a stronger emphasis on a holistic viewpoint:

- **Operational Due Diligence** now covers three core areas: **risk identification, value creation and valuation impact**, strengthening confidence in underwriting and execution.
- **Operational Due Diligence timelines** have expanded from **two to three weeks to five to six weeks**, reflecting a broader scope and deeper focus on execution readiness.
- Funds increasingly use diligence to assess organizational strength and agility across **people, processes and systems**.
- ODD is also increasingly used to **identify the people capabilities required for current and future roles**. This supports overall **succession readiness**.
- **Environmental, Social and Governance (ESG) assessments** are increasingly embedded into diligences to evaluate **sustainability risks alongside operational and value creation levers**.

In a recent transaction, a PE investor emerged as the preferred bidder despite competitive interest due to a higher valuation for the target's business, which was supported by a holistic, value-focused diligence exercise. The investor was able to identify and quantify actionable value levers across operations, enabling greater conviction on forward-looking optimization potential.

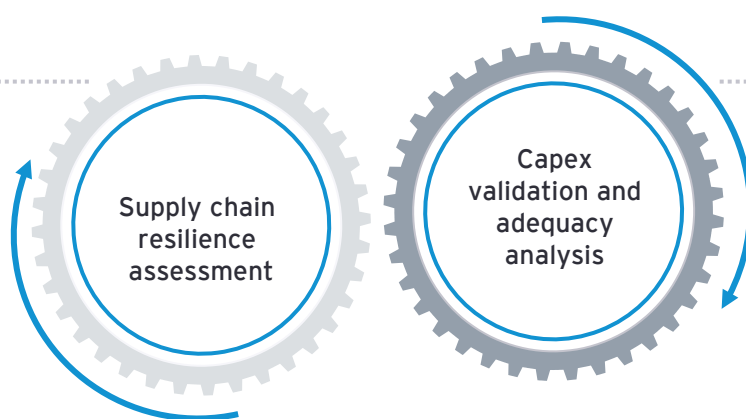
Growing focus on capital and supply discipline

Contemporary ODD is evolving amid rising supply chain complexity and capital intensity

India's transaction landscape is increasingly influenced by global supply-chain realignment and rising capital intensity in manufacturing and infrastructure. China+1 dynamics, localization requirements, and sustained public and private capex have heightened the importance of **supply continuity, asset productivity and disciplined capital deployment** in deal assessment.

As a result, investors are looking beyond headline growth to **evaluate how resilient and scalable operating models are amid disruption.**

Supply-chain resilience and capex validation have become priority diligence themes, with investors expanding operational diligence beyond baseline risk review to test **scalability, localization feasibility and capex sufficiency**. This shift is most pronounced in mid-market and control-oriented deals, where execution risk and capital misallocation can materially impact early post-close value delivery.



In a recent transaction, we supported a **leading consumer durables player** to assess supply risk, regulatory exposure and localization pathways.

In a deal involving a **polymer bath fittings and faucets manufacturer**, diligence scope included bottom-up capex assessment, utilization diagnostics and asset productivity analysis.



Impact delivered

- Assessed exposure to Bureau of Indian Standards (BIS) actions affecting imported suppliers.
- Identified **high-risk components and suppliers**, quantified localization gaps and validated capex required to support future growth and mitigate disruption risks.
- Assessed local versus global supplier concentration and scalability of key vendors to mitigate supply disruption risks.
- Provided **actionable insights to strengthen supply resilience** and inform deal decision-making.
- Reviewed historical and projected capex to distinguish **replacement versus growth** requirements.
- Validated capex sufficiency against infrastructure constraints and future demand scenarios, **enabling the investor to re-phase and postpone non-critical capex** while protecting growth capacity.
- Identified improvement opportunities in production planning, quality, maintenance and inventory management.

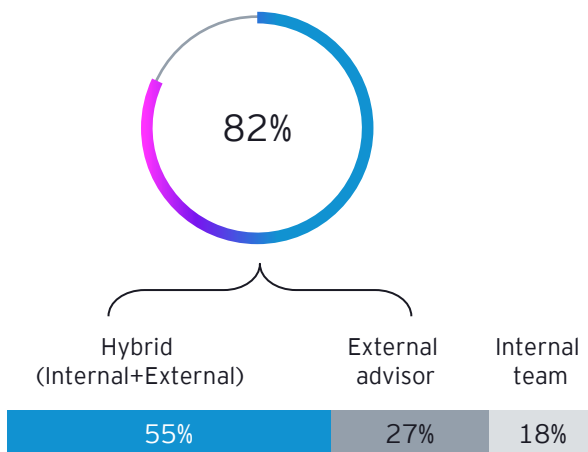
Constraints to confidence

The growing need for speed, objectivity and certainty is driving support from external advisors in ODD

Majority of funds take the help of an external advisor in their ODD engagements

As diligence timelines compress and execution expectations rise, internal teams increasingly face structural constraints.

% of senior PE professionals have worked with external advisors



Top three challenges faced by buyers while conducting ODD

- 1 Sector/function expertise
- 2 Resource bandwidth
- 3 Time constraints

As Operational Due Diligence priorities evolve, buyers are actively engaging with external advisors to help them:

- Overcome execution-related challenges through tried and tested sector and functional expertise
- Strengthen buyers' internal teams, enabling deeper analysis within compressed timelines
- Combine objective, cross-deal insight with dedicated execution capacity to pressure test assumptions and provide early clarity on execution priorities, supporting more confident investment decisions

Buyers are increasingly adopting a hybrid diligence model where a sizeable internal team works alongside external advisors to combine contextual insight with objective assessment, strengthen internal thesis ownership, and drive better execution alignment across investment, operating and portfolio teams.

In our survey, 55% of PE professionals indicated a preference for a hybrid operational diligence model.

Furthermore, buyers are now predominantly looking for a one-stop solution - an integrated diligence approach across multiple streams to reduce redundancies along with achieving consistent diligence exercises with consistent insights. ODDs are no longer looked at in isolation, rather as part of an integrated approach targeted towards seamless coordination with one advisor.



We have internal teams for specific functions such as technology, finance, Human Resource (HR); we engage consultants for all other areas where our in-house expertise is lacking.

PE leader of an investment team at a prominent fund





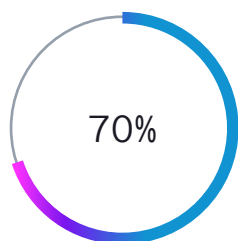
04 | Operational Due Diligence as a value creation bridge

ODD through a value-creation lens

ODD anchors value creation strategies by defining clear, sequenced, execution-ready initiatives

Investors are framing ODD around value creation

Contemporary ODD turns diligence insights into an actionable **value creation blueprint** by prioritizing initiatives and sequencing them over the holding period to give investors clear execution direction. As a result, buyers are increasingly adopting value creation-focused ODD.



2 out of 3 operational diligences in the past two to three years were focused on value creation



We view operational diligence beyond capacity or capex assessment and more as a holistic evaluation of people, process, systems to assess the organizational strength and agility as an anchor to the investment thesis.

PE leader - investment team

From insight to action: The impact of value creation-focused ODD

90% % PE practitioners believe value creation-focused ODDs are beneficial for executing Day 1-100 plans

Value creation-focused ODD has the greatest impact where it directly shapes investment decisions early by:

- Translating the thesis into executable initiatives
- Identifying near-term post-close levers
- Sequencing initiatives by feasibility and impact
- Aligning deal, operating and portfolio teams before Day 1

For a consumer business, the right to win in regions with limited presence was determined by cost competitiveness, driven by efficiency and productivity. The diligence identified meaningful upside in gross margins and helped underwrite the company's cost advantage, providing confidence in its ability to sustain competitive product pricing.

Key value creation areas in recent engagements:

- Raw material substitution and input mix optimisation
- Packaging material value engineering potential to improve material margins
- Fuel and energy mix flexibility to reduce conversion cost volatility

Top outcomes of value creation-focused ODD



» Better investment thesis



» Impacted valuation discussion



» Easier to plan post deal value creation



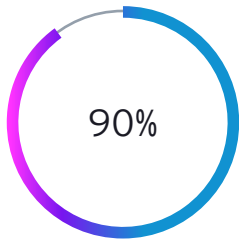
» Others (early view on value creation levers, operational risks etc.)

ODD aligns the investment case

Forward-looking ODD links value creation, risk and valuation through key operational levers

Contemporary ODD is forward-looking

Contemporary ODD employs forward-looking assessments grounding projections in realistic operating assumptions.



90%
% of PE practitioners undertook forward-looking operational diligence, aligning investment-case assumptions with operational realities.

This plays a key role in aligning the target leadership, deals team and operating partners before the case is presented to buyers' investment committee. This shared analytical frame aligns stakeholders.

A MedTech deal's investment thesis was strengthened by the ODD, which provided granular visibility into the forward-looking conversion cost structure. The analysis highlighted levels of automation and the potential cost upside relative to competitors, assessed the sustainability of raw material pricing driven by global demand-supply dynamics, and evaluated direct labor costs shaped by state-level regulations. This comprehensive view of cost competitiveness enabled the fund to price the asset optimally in a highly competitive bidding environment.

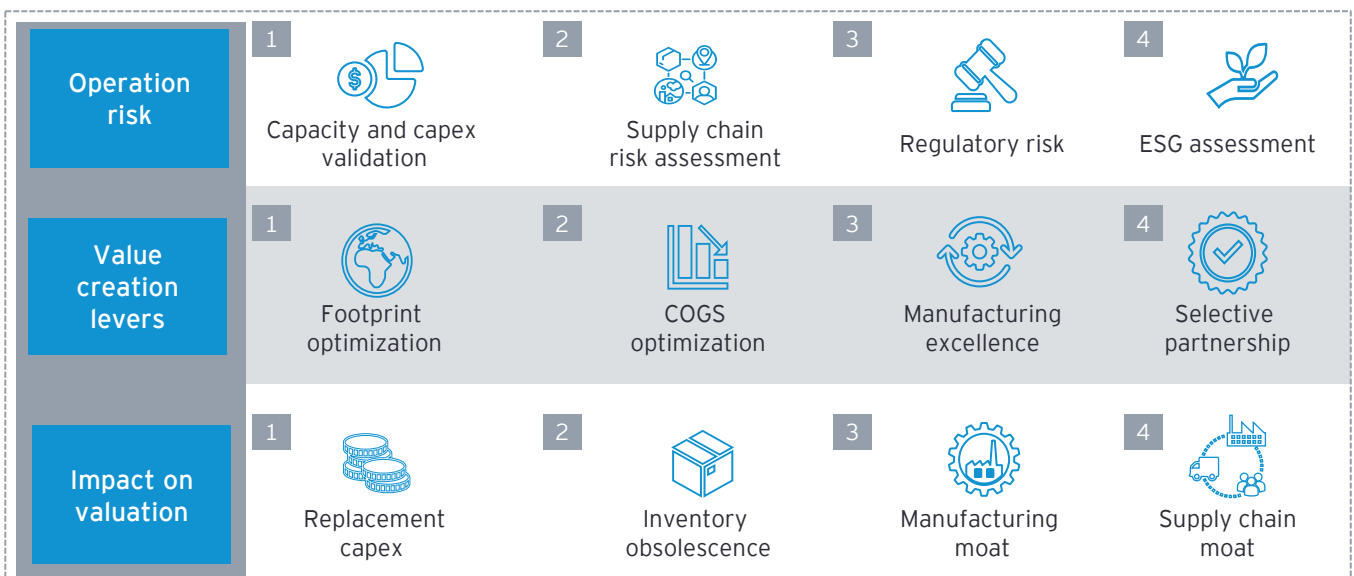


Operational Due Diligence has transcended its traditional role of validating risks and has become pivotal in how investors assess value. It enables a comprehensive understanding of true performance drivers, separating aspirational potential from tangible opportunities. ODD equips the buyer with a data-driven Day-1 roadmap for alignment and sustained value creation.

Ashish Singhal,

Partner, Strategy and Transactions, EY India

Pillars that drive ODD as per senior PE and M&A professionals



Diligence to investment conviction

Operational insights reveal executable value-creation levers that underwrite investment conviction

Operation Due Diligence



70% ODDs incorporated upside and value creation potential assessment along with operational risk assessment

Value creation levers

Revenue and growth



- Differentiates executable growth through de-bottlenecking and pricing from capex-led expansion
- Links growth assumptions to capacity, conversion costs and supply chain readiness
- **45% of funds view revenue and growth as the leading source of post-close upside**

Cost and efficiency



- Identifies structural Cost of Goods Sold (COGS) and productivity levers filtered for feasibility and timing
- Converts efficiency opportunities into margin improvement initiatives
- **50% of funds view cost and efficiency optimization as the leading source of post-close upside**

Operating expenses



- Develops a fact-based opex baseline across Selling, General and Administrative (SG&A), overheads and indirect costs
- Distinguishes bankable opex reduction opportunities from execution and change-management risk
- **25% of funds identify operating expense reduction as the primary driver of post-close upside**

Value creation impact



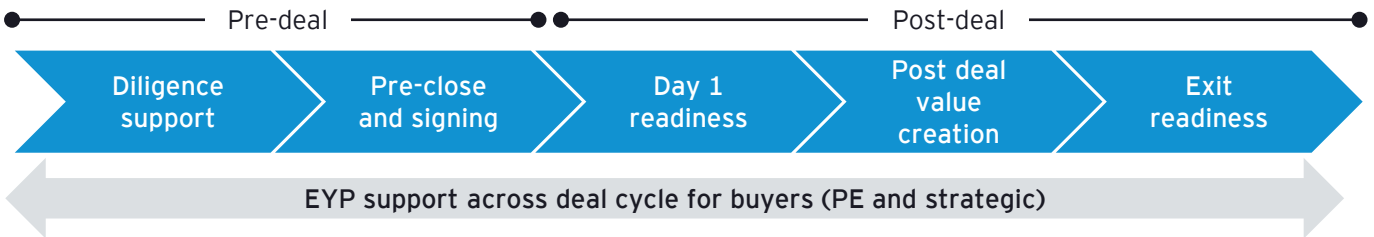
In 40% of diligences, value creation recommendations were presented to the Investment Committee, strengthening underwriting conviction and accelerating post-deal execution.

End-to-end support, including ODD and value creation planning, in a deal to acquire a steel target spread across multiple locations

- A recent diligence quantified revenue and Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) upside across throughput and yield improvement, manpower optimization and reductions in power, repair and maintenance costs.
- These insights were presented to the Investment Committee.
- Post the deal, identified levers were translated into an execution-ready value creation roadmap.
- The client subsequently used this roadmap to launch a full-fledged Day-1 value creation program jointly with external advisors.

Operational coverage from entry to exit

Translating insights from diligence through valuation, integration and post-deal execution



EY-Parthenon is India’s fastest-growing strategy firm and has been in the thick of control deals, helping our clients evaluate, assess, plan and then execute their investment thesis with our comprehensive diligence and post deal value creation offerings.

Vivek Soni

National Leader, Private Equity,
EY India

ODD supports buyers across the full deal cycle. It covers pre-deal risk and value identification and builds value creation playbooks for Day 1 readiness and post-merger execution.

When investors retain the same external partner throughout the cycle, continuity of insight enables faster execution, stronger value capture and sustained impact until exit. This was evidenced in a recent diligence case for a global investor.

End-to-end deal lifecycle support for a leading PE client– From pre-deal diligence to post-deal merger-integration and value creation for one of the largest packaging platform





Analytics

Monthly Sales



Relative Performance: Weekly Comparison | Week 39 / 40



Top Performers



Yearly Growth



Revenue By State



Powering infrastructure growth through landmark transactions for over 20 years

EY is at the forefront of infrastructure transactions, advising on deals in **CY25**, worth **~US\$5 billion** across roads, renewable energy, green mobility, EPC, smart metering and asset-heavy logistics.

The **Banker of Choice** for over two decades, we continue to shape businesses and India's infrastructure narrative.

Sell side roads M&A

Advised

Macquarie - SBI Funds

Exiting Ashoka Concessions Limited through proceeds from sale of portfolio of 5 BOT and 11 HAM road assets

US\$1.2b

Buy side roads M&A

Advised

Vertis Infrastructure Trust (KKR Investee)

Acquisition of 12 road assets from PNC Infra

US\$1b

Fund raise for green mobility

Advised

Vertelo (Macquarie Investee), GreenCell Mobility (Eversource investee) and others

US\$630m

Exit by international energy assets developers

Advised

Statkraft and Fortum

Sale of ~3 GW of Power Gen. assets over 4 transactions

US\$600m

Strategic partnerships between Indian RE developers and infra funds

Advised

Jakson Green and Oriana Power

Development of 1GW of assets each

US\$500m

Renewable energy asset level transactions

Advised

Ibvogt and Oriana Power

Sale of 2 assets of ~ 250 MWp each

500 MWp



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with confidence

**Strategic sale in EPC
Company**

Advised

**Italian Thai
Development Public
Company**

Sale of ~47% stake to

Renew Exim (Adani Entity)

US\$375m

Asset heavy logistics

Advised

**LEAP India (KKR
Investee)**

Acquisition of

**CHEP India subsidiary
of Brambles Limited**

US\$85m

Smart metering platform

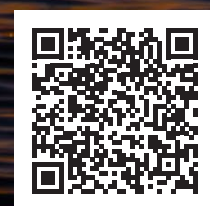
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EDF

Strategic partnership with

Actis

Confidential



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05 | ODD 2.0: Future of Operational Due Diligence

Integrated diligences shaping transactions

ODD is evolving from standalone assessment to being embedded at the core of integrated diligence

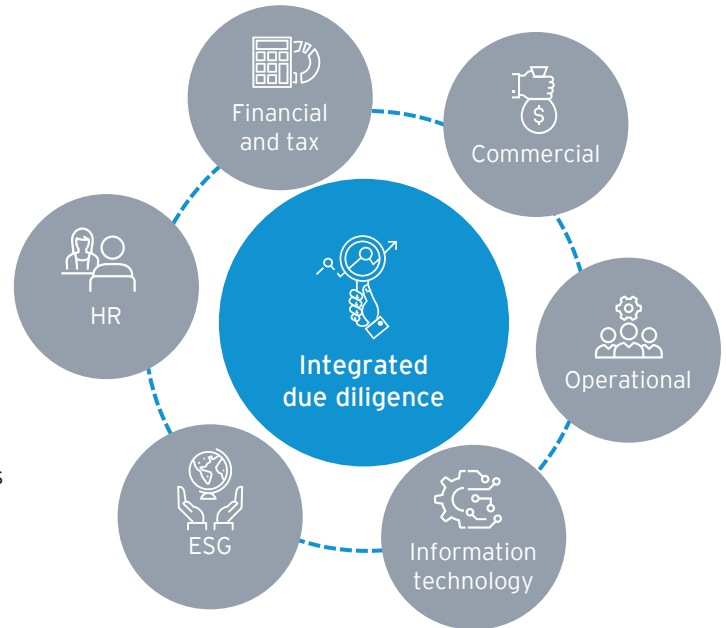
As deals increasingly involve carve-outs, integrations and scale acquisitions, execution certainty now drives success. Traditional, siloed diligence, focused on historical performance, no longer answers the core question of buyers: can the asset deliver value embedded in the investment thesis?

The power of integrated diligence

Integrated diligence unifies commercial, financial, tax, HR, tech, valuation and operational insights. It **shifts diligence** from a confirmatory checklist to **true value underwriting**; explicitly linking price, risk and post-close value creation.

Benefits for clients:

- ✓ Deeper insights through cross-workstream perspectives
- ✓ Faster outputs via streamlined, coordinated analysis
- ✓ Holistic view with unified readouts; minimized gaps



Siloed diligence no longer works in execution-led deals. Investors need an integrated view where price, risk and value creation are evaluated through a single operational lens.

Kuldeep Tikkha,

India TD Leader

The integrated approach was critical in a recent life sciences carve-out, where an API business was separated from a larger biosimilars platform and acquired by a scaled Contract Development and Manufacturing Organization (CDMO). While the sector context was specific, the diligence challenge was universal: assets embedded in a larger organization, distorted cost structures, shared infrastructure and resources, and a value thesis dependent on post-close integration and scale benefits.

By integrating ODD, C-ODD and Human Rights Due Diligence (HRDD), financial and commercial workstreams, the **diligence centered on the future-state operating model** under the buyer's ownership; assessing asset health and fungibility, true standalone costs, utilization uplift, shared-resource dependencies and people risks. This translated strategic synergy hypotheses into **quantified, execution-ready levers**, while surfacing separation and integration risks early enough to inform valuation, deal structure and IC decision-making.

The result: higher IC confidence, stronger pricing discipline, and a post-close plan grounded in operational reality.

Whether in manufacturing, infrastructure, healthcare, consumer or services, transactions where value depends on scale, integration, asset re-use require diligence that mirrors how value will be created. Integrated, operations-led diligence is becoming a **prerequisite for buyers seeking certainty of outcomes in increasingly complex deals**.

The future of diligence with AI

AI is redefining diligence into faster, deeper and forward-looking insight

1 Accelerated analysis

- AI enables rapid ingestion and **synthesis of large volumes of operational data** (data rooms, Standard Operating Procedures (SOPs), Key Performance Indicators (KPIs), contracts, external signals), **freeing teams to focus on strategic review**.
- GenAI can quickly identify value levers, size opportunities, outline timelines, compressing diligence tasks.

3 Deeper insights with stronger hypothesis

- AI builds dynamic peer sets by **scanning transcripts, patents and filings** to identify operational and commercial comparables; improving benchmark selection and **uncovering missed peers** that materially reset the value bar.
- AI ingests Enterprise Resource Planning (ERP) data, Internet of Things (IoT) logs, maintenance records, and quality metrics to **detect anomalies and inefficiencies early**, enabling predictive oversight that **strengthens risk pricing and deal conviction**.

2 Broader coverage with fewer blind spots

- AI enables **full-population analysis** across purchase registers, ledger accounts, supplier agreements, maintenance logs, eliminating the need for selective sampling.
- With ESG gaining prominence, AI can also scan ESG disclosures, regulatory filings and news sources to surface sustainability risks.

4 Proprietary datasets and reusable diagnostics

- Diligence teams can train AI models on **proprietary data** such as past deal outcomes, synergy identification methods, KPIs and playbooks.
- Over time, AI can **extract insights from playbooks** and quantify future value creation opportunities. AI-led orchestration of technology, productized analytics, and global talent will make ODD faster and more comprehensive.
- AI models and applications are built with **strong safeguards** that protect data privacy, prevent unauthorized access, and reduce the risk of sensitive information exposure.



For diligence recommendations to clients, we aim to move from AI-enabled dashboards to full-fledged, proactive, data-driven AI decision support

Senior Leader,

Technology Services
EY India

Live project examples

1 Contract AI tool

- A recent diligence engagement required the review of thousands of contracts and financial instrument deeds. The team deployed a ML-enabled **contract analytics platform** to automatically identify, extract, and analyze key clauses and risk indicators at scale.
- This materially **reduced review timelines** while improving **coverage, consistency and confidence** in cross-border risk assessment and integration planning.

2 AI-powered M&A transaction platform

- We deployed an AI-powered platform to **consolidate client sales and volume data** across 100+ business units providing a customizable, scalable view on commercial performance.
- **Advanced analytics** were applied to then identify white space and cross-sell opportunities that supported the targeted **top-line growth initiatives** of the client.

AI driven outcomes for PE and target companies

Contemporary diligence lays the foundation for funds to unlock portfolio value using agentic AI

Diligence support

- ✓ **Faster diligence:** AI significantly reduces manual review effort and compresses diligence timelines.
- ✓ **Improved underwriting confidence:** Funds can leverage the deeper, broader insights from AI-powered data analysis to build pre-close operational baselines and early value creation plans, improving confidence in entry assumptions and reducing surprises at a later stage.
- ✓ **Structured scorecards:** AI-enabled scorecards assess *people, processes, systems and AI threats or opportunities* in a consistent, repeatable manner, allowing funds to compare targets on execution readiness rather than only historical performance.
 - For a technology services client, the diligence should assess the potential of embedding AI across operations (automated query management, fraud detection, supplier profiling, invoice verification, etc.).

Investment decision

- ✓ **Stronger IC narrative backed by data:** AI-supported diligence improves traceability and consistency of insights, reducing reliance on anecdotal judgment and increasing confidence in value creation assumptions presented to the IC.
- ✓ **Scenario testing:** Agentic models can stress-test operational and financial assumptions (e.g., cost inflation, volume volatility, capex timing), improving risk pricing and deal structuring.

Post-deal value creation and portfolio monitoring

- ✓ **Agentic monitoring of portfolio companies:** Agentic AI enables continuous tracking of operational KPIs, costs, contracts and execution milestones, shifting portfolio oversight from periodic reviews to always-on monitoring.
- ✓ **Live value creation plans:** Funds can store value creation plans as structured data (levers, owners, KPIs, assumptions) and use agents (operations, benchmark, sizing agents) to refresh them monthly or quarterly as new actuals, contracts, customer signals and competitor moves emerge.
- ✓ **Scalable ESG and LP reporting:** Leading General Partners (GPs) increasingly rely on AI-enabled platforms to automate ESG data collection, generate real-time dashboards and streamline Limited Partners (LPs) reporting; reducing manual effort while improving transparency and compliance.

“

Amid the unprecedented uncertainties brought in by the acceleration of AI/digital adoption and global geopolitics, businesses that prioritize technology, business transformation and upskilling in their M&A strategies will emerge as winners.

Amit Khandelwal,

Managing Partner,
Strategy and Transactions,
EY India



“

Assessing the digital maturing of a target, including aspects such as the Management Information System (MIS) data and machine data linkage, is prudent before investment.

PE leader of an investment team at a prominent fund



06 | Conclusion

Conclusion



Transactions landscape

- India's deal environment has remained resilient, delivering healthy growth despite global uncertainty; supported by strong domestic demand, policy initiatives, and sustained capex momentum in manufacturing and services.
- Deal activity is shifting towards mid-market transactions, where execution certainty is driving investment outcomes. While PE continues to represent a smaller share in overall deal value, rising control deals is expected to translate into higher PE deal value and volumes.



Evolution of Operational Due Diligence

- As control-oriented and execution-led investments become more prevalent, investors are increasingly explicit about value creation at entry, positioning operational execution as a core pillar of the investment thesis.
- ODD has evolved into a holistic, cross-functional and cross-sectoral assessment, integrating execution readiness and value creation levers and directly informing Day-1 priorities and post-close value delivery roadmaps.



Operational Due Diligence as a value bridge

- ODD engagements now explicitly incorporate upside assessment and value creation potential alongside operational risk; directly informing underwriting assumptions and Investment Committee recommendations.
- ODD increasingly spans the entire deal lifecycle from pre-deal, Day-1 to post-merger and exit readiness, turning investment conviction into execution certainty and lasting value.



Future of Operational Due Diligence (ODD 2.0)

- ODD is shifting away from standalone assessments toward integrated diligence, enabling deeper insights, faster outputs, and a more connected investor view through coordinated workstreams.
- AI will enable ODD teams to deliver faster, broader and more complex analysis through AI-enabled data ingestion and full-population reviews, with PE funds leveraging these insights to embed AI across portfolios for continuous performance monitoring and stronger value-creation.



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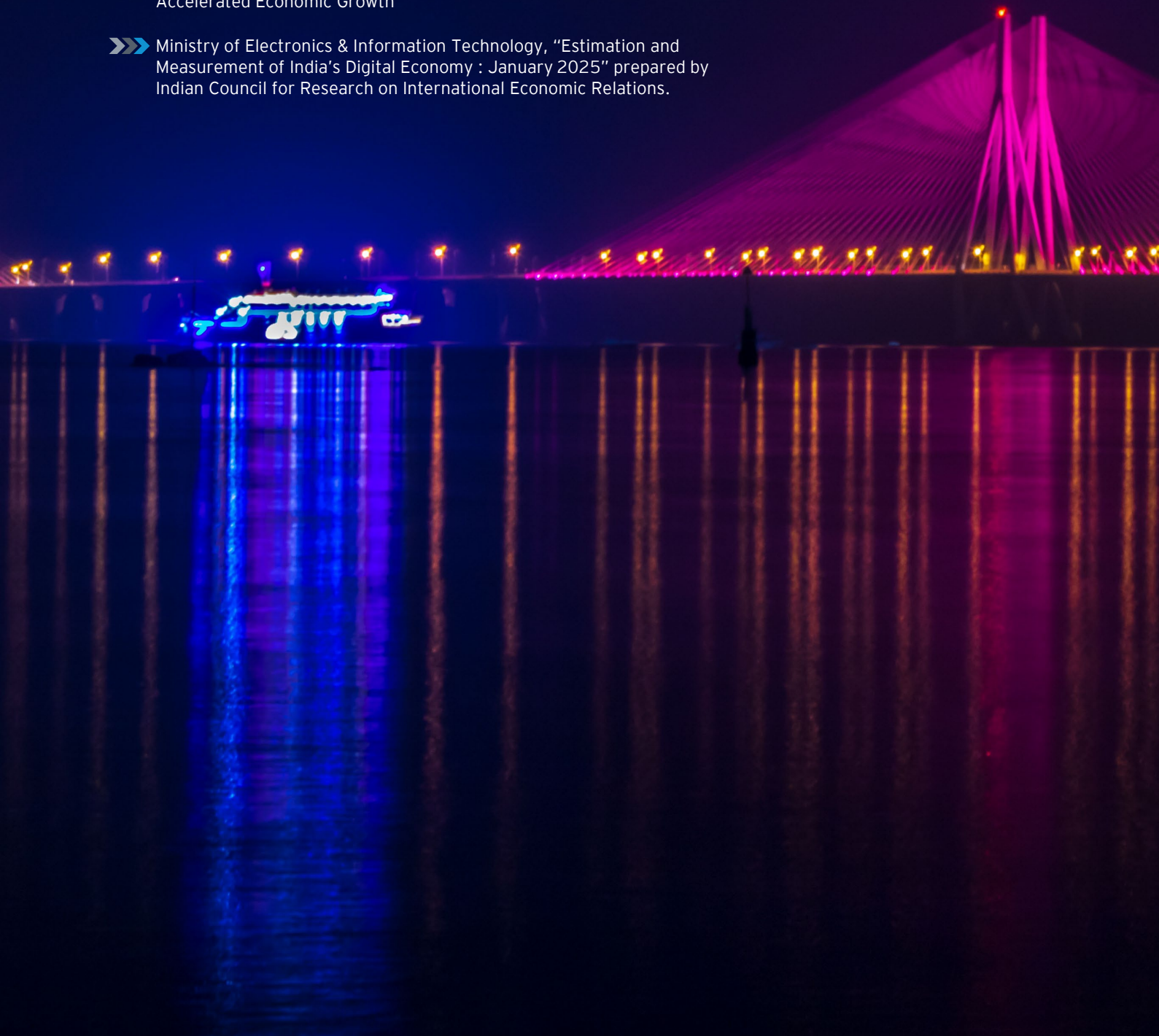


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A person with a backpack is seen from behind, looking out at a city skyline at night. The lights of the buildings are blurred, creating a bokeh effect. The person is standing on a balcony or walkway with a railing.

Methodology

1

Secondary Research and Deals landscape

EYP analysis of deal landscape executed during 2023-25, supplemented with insights from secondary databases including S&P Capital IQ and Merger Market

2

Interviews

In depth discussions with senior PE and M&A leaders to complement quantitative analysis with on-ground insights

3

Survey

Survey conducted with PE and M&A practitioners across leading Indian and global firms

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