

Accounting for business combination

A study of purchase price allocation (PPA) in India

January 2026



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21:09

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Open High Low Close EMA5 EMA10 EMA50

(Day)

28.00
Vol: 16.24 M

186,064.39
(+4.89)

stActiveVal NPM Above Avg

Top 2

Introduction

EY has undertaken a study of business combination accounting for transactions that were disclosed in annual reports of the top 500+ listed companies in India by market capitalization and 90+ private companies (covering over 750 transactions) since the implementation of Ind AS till 31 March 2025. This study presents the results of assets (primarily intangible assets) that are typically recognized and reported by a company during an acquisition. However, the results of this study cannot be viewed in isolation, since each deal would have specific nuances.

We would appreciate any feedback that you may have on this study or if you would want to connect with our Valuation, Modeling & Economics services team of EY.



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Fair value accounting of business combination and its manifold implications

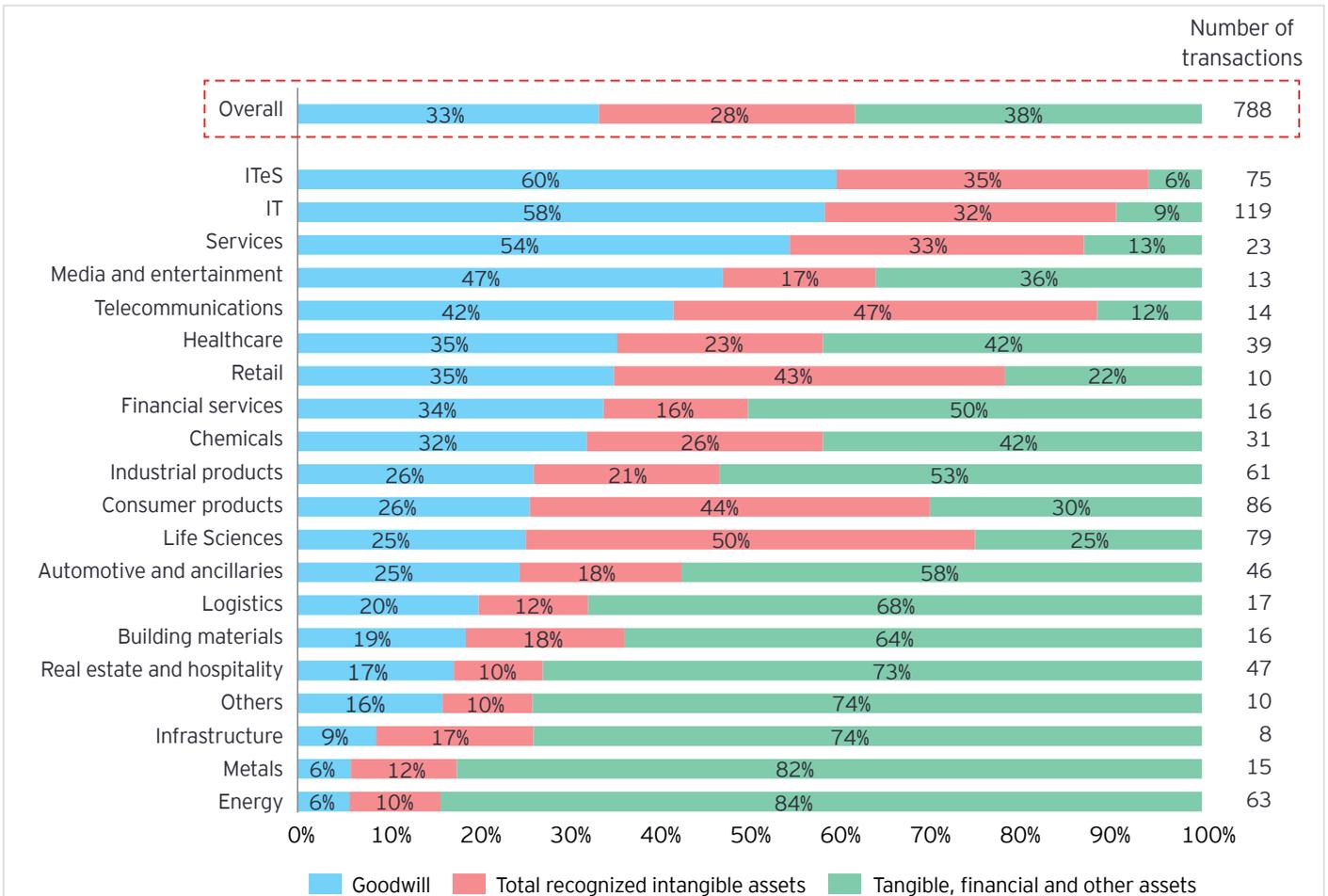


Goodwill: an important element



Key findings

- Based on the study, 28% of the enterprise value of acquired companies was allocated to identified intangible assets and 33% was attributable to goodwill, with the allocation varying considerably from industry to industry. Goodwill allocation in India follows a similar pattern to that observed in global transactions, such as those in the US
- In sectors such as telecommunications, life sciences, retail, consumer products and technology (IT/ITeS), a relatively higher proportion of deal value is allocated to intangible assets. This is reflected by the underlying products, brands, intellectual property, license and rights and customer relationships, etc.
- Capital-intensive sectors, such as real estate and hospitality, energy, metals, infrastructure and logistics, allocate more than two-thirds of the target's enterprise value to tangible assets.

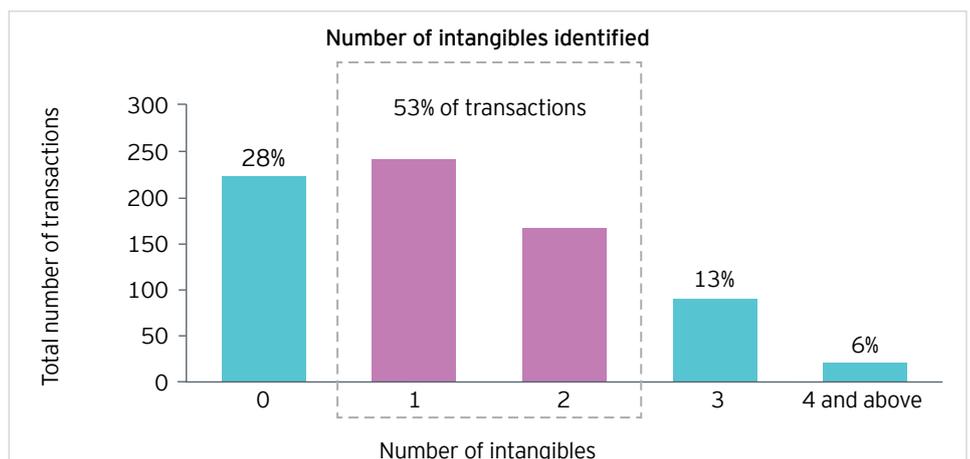


Note 1: Tangible, financial, and other assets for financial services are higher due to higher composition of financial assets (i.e., loans and advances)

Note 2: The above numbers are average and should not be considered as a benchmark for the sector, as allocation of assets and goodwill may vary significantly based on transaction-specific facts.

Note 3: Sectors with less than five transactions are categorized under "Others".

In 28% of the transactions analyzed, no intangible asset was recognized. These transactions were mostly in asset-heavy sectors, such as real estate and hospitality, energy, industrial products, and metals. Transactions where more than two intangible assets were identified pertained majorly to sectors, such as IT, ITeS, consumer products, life sciences, building materials and automotive and ancillaries.



Frequency of intangible assets recognized by sector

Sector	Number of transactions	Brand/ Trademark/ Product/AND A	Software/ Technology/ platform/design/ know-how	Customer contract/ relationship	Dealer network	Non-compete agreement	License and rights	Other intangibles
Automotive and ancillaries	46	28%	33%	30%	2%	4%		15%
Building materials	16	38%	44%	13%	25%	6%	38%	25%
Chemicals	31	48%	29%	29%	6%	19%	3%	13%
Consumer products	86	71%	23%	17%	13%	19%	7%	19%
Energy	63	2%	11%	14%			13%	6%
Financial services	16	19%	44%	31%	13%	6%	13%	13%
Healthcare	39	38%	13%	23%		15%	13%	18%
Industrial products	61	20%	30%	38%		16%	7%	16%
Infrastructure	8		25%				38%	25%
IT	119	31%	36%	75%	2%	20%	3%	13%
ITeS	75	44%	29%	85%	1%	20%	4%	13%
Life sciences	79	75%	22%	16%		5%	8%	14%
Logistics	17	12%	29%	18%	6%	12%	18%	24%
Media and entertainment	13	31%	31%	23%		8%	15%	15%
Metals	15	20%	7%	20%		7%	7%	20%
Retail	10	60%	30%		10%		10%	10%
Real estate and hospitality	47	9%	11%	2%		2%	11%	2%
Services	23	48%	39%	52%	13%	35%		26%
Tele-communications	14	36%	50%	50%		14%	29%	29%
Total	778	37%	26%	36%	4%	13%	8%	15%

0%
 <15%
 Between 15% and 30%
 Between 30% and 45%
 Above 45%

Note: Sectors classified as "Others" are not considered in the analysis.

Marketing-related intangibles were the key acquisition driver in the consumer products, life sciences, chemicals and retail sectors. Customer-related intangibles seem to be the acquisition driver in IT/ITeS sector, services and telecommunications sectors.



Allocation within intangible assets

The average allocation of an intangible asset's value within different types of intangible assets (excluding goodwill), recognized among sectors, is tabulated below:

Sector wise	Brand/ Trademark/ Product/AND A	Software/ Technology/ platform/design/ know-how	Customer contract/ relationship	Dealer network	Non-compete agreement	License and rights	Other intangibles
Automotive and ancillaries	26%	30%	38%	0%	1%		5%
Building materials	20%	1%	6%	8%	3%	51%	11%
Chemicals	50%	14%	21%	5%	5%	1%	4%
Consumer products	71%	5%	9%	3%	3%	7%	3%
Energy	1%	10%	39%			36%	14%
Financial services	1%	45%	35%	4%	1%	10%	4%
Healthcare	45%	5%	19%		4%	12%	15%
Industrial products	12%	23%	39%		9%	8%	9%
Infrastructure		25%				74%	0%
IT	9%	17%	63%	0%	3%	3%	4%
ITeS	9%	11%	72%	1%	2%	3%	2%
Life sciences	69%	11%	10%		0%	4%	6%
Logistics	8%	7%	23%	8%	11%	27%	15%
Media and entertainment	23%	22%	28%		5%	9%	13%
Metals	23%	2%	38%		1%	17%	19%
Retail	63%	16%		11%		10%	0%
Real estate and hospitality	20%	32%	4%		0%	37%	6%
Services	28%	10%	45%	6%	4%		7%
Tele-communications	12%	10%	44%		1%	23%	10%
Total	26%	16%	28%	2%	3%	17%	8%

0%
 <15%
 Between 15% and 30%
 Between 30% and 45%
 Above 45%

Note: Sectors classified as "Others" are not considered in the analysis.

Generally, a non-compete agreement is a part of most acquisitions as a safeguard to the buyer. However, the allocation of value to non-compete agreements is on the lower side possibly indicating either a shorter life or that the probability or impact of competition is perceived to be minimal.

In the building materials and infrastructure sectors, value is largely driven by licenses and rights, including mining rights and reserves, long-term procurement arrangements, and rights to operate toll ways and ports.

Methodology

This study is based only on annual reports of the top 500+ listed companies in India by market capitalization for FY17 to FY25 and private companies in India reporting revenue greater than INR5,000 crore in FY25, for which information was available in the public domain. Transactions with an enterprise value of less than INR10 crore were ignored. For certain transactions, only the total value of recognized intangible assets was disclosed. In previous editions, these values were classified under "Other Intangible Assets." However, in the current edition, such transactions have been excluded. If these transactions were included, the total number of transactions would have increased to 903, compared to the 788 transactions reported in the current edition. Additionally, the allocation to "Other Intangible Assets" within total intangible assets would have been 29%, instead of the 8% presented in this edition.

Results are presented as percentages of enterprise value. If cash and cash equivalents are not disclosed, gross debt is assumed to be net debt.

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