



Corporate governance for private equity- backed companies

Board Leadership Center (India)



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Governance that drives value



Strong corporate governance is a critical enabler of value creation, risk mitigation, and sustainable growth in private equity investments. It goes beyond compliance, it shapes organisational culture, drives strategic alignment, and builds investor confidence throughout the investment lifecycle.

For PE-backed companies, governance plays a pivotal role in ensuring transparency, accountability, and readiness for key milestones such as IPOs or exits. In today's dynamic regulatory and business environment, robust governance frameworks are no longer optional—they are a strategic necessity to safeguard value and manage reputational risks.

Following our recent session on **Corporate Governance for PE-backed Companies – 'Driving value creation and protection through effective Governance'**, this document serves as a practical guide to reinforce key insights and provide actionable steps.

Recognising that governance priorities evolve over time through the deal lifecycle, we have structured the content into two sections:

Tailored governance due diligence 'Pre-deal'

Covering governance considerations during the pre-deal phase and the critical first 100 days post-deal to establish a strong foundation



Ongoing sustainable governance initiatives

Focusing on governance practices that evolve post-deal and continue through the company's growth journey, including readiness for an eventual IPO or exit



1. Tailored governance due diligence (pre-deal stage and 100-days post deal)



Pre-deal stage

PE teams typically develop an early sense of the governance maturity at the target company – whether formal structures exist or not. In promoter-driven businesses, governance is often minimal and highly centralised, whereas in more institutionalised companies, some governance practices may already be in place. Understanding this baseline is essential to calibrate post-deal priorities and interventions. The table below provides a structured lens into how governance themes such as board oversight, decision-making rigor, and control environments are addressed across different due diligence workstreams

Covered in due diligences

Coverage	Financial	Human resource	Commercial	Legal	Not likely covered in 'pre-deal'
Board effectiveness	<ul style="list-style-type: none"> Board financial oversight overview Capital allocation. 	<ul style="list-style-type: none"> Executive profiles board diversity metrics. 	<ul style="list-style-type: none"> Market entry approvals Market growth assumptions. 	<ul style="list-style-type: none"> Board composition compliance Board minutes review. 	<ul style="list-style-type: none"> Board Dynamics and Culture More 'reviewer' than 'approver' role of the board. Depth of L2 leadership team Delegation of authority. Crisis management readiness Audit observation resolutions. Vendor and customer negotiations and rates agreement.
Financial decision making	<ul style="list-style-type: none"> Investment return validation Historical performance. 	<ul style="list-style-type: none"> Payroll compliance checks. 	<ul style="list-style-type: none"> Pricing strategy validation Revenue model assessment. 	<ul style="list-style-type: none"> Contractual obligations debt covenants Regulatory compliance. 	
Audit and controls	<ul style="list-style-type: none"> High-level view on adequacy of statutory and internal audit Past instances of audit observations. 	<ul style="list-style-type: none"> HR policy compliances Review of regulatory assessments. 	<ul style="list-style-type: none"> Internal control gaps in sales and distribution Third-party risk. 	<ul style="list-style-type: none"> Statutory audit compliance Litigation exposure review Internal policies. 	
Promoter override	<ul style="list-style-type: none"> Related party transactions. 	<ul style="list-style-type: none"> Key positions held by Promoter family. 	<ul style="list-style-type: none"> Key customer/vendor relationships managed personally by promoter. 	<ul style="list-style-type: none"> Bypassing formal approval processes. 	

The table captures governance topics typically covered in due diligence, along with areas that may be under-addressed due to time constraints or the view that they can be streamlined post-deal.

Post deal (immediate 100 days)

The first 100 days should be used judiciously to set the foundation for long-term governance, by developing a deeper understanding of the existing governance processes and underlying team culture, and building alignment on a governance roadmap with the stakeholders involved. Rather than launching multiple initiatives in first 100 days, they must agree on a few critical initiatives that can be prioritised.

- Key actions include:
- ✓ Stakeholder mapping and engagement
 - ✓ Agree on governance roadmap
 - ✓ Baseline governance assessment
 - ✓ Implement foundational elements

2. Ongoing sustainable governance initiatives (Post-deal)



Governance does not end with the first 100 days—it must evolve in step with the company's growth, complexity, and strategic ambitions. For PE-backed businesses, sustaining strong governance is essential to maintaining investor confidence, mitigating risks, and preparing for value-realization events such as an IPO or exit. These initiatives can broadly be categorised into two dimensions:



Board-driven initiatives

Actions led by the board to set the tone at the top, strengthen oversight, and ensure strategic alignment.

Board culture

Set the tone at the top by promoting integrity, ethical behaviour, and clear non-negotiables across the organisation.

Defining management's role in committees

Clearly outline CEO and senior management participation in board committees to balance oversight and input.

Governance Effectiveness Reviews

Conduct structured evaluations and feedback sessions to improve board performance and alignment.

Lines of defence

Establish clear roles across the three lines of defence for risk management and assurance.

Active board engagement

Encourage site visits and interactions with level-2 leadership for deeper operational insights.

Strategic pivoting

Guide management in shifting priorities, such as moving from growth to profitability when required.

Empowering whistleblower mechanisms

Ensure robust whistleblower programmes with anonymity and timely resolution.

Succession planning

As an important board agenda item, drive succession planning as a continuous activity, not event-based.



Management-driven initiatives

Operational measures implemented by management to embed governance into day-to-day processes and maintain a state of readiness.

Governance scorecard

Track governance maturity through measurable KPIs for transparency and accountability as part of robust periodic management reviews

Continuous State of Readiness

Use periodic Business Review Process to drive a continuous state of readiness through a diligence-type rigour to enable a quick launch of deal/IPO process, when needed

Five Pillars of Governance

Embed a holistic framework covering strategy, risk, compliance, performance, and culture.

Culture surveys

Conduct periodic surveys to assess organisational health and cultural alignment.

Enhanced internal audit

Build strong in-house audit capabilities for continuous monitoring and assurance.

Self-discovery at operational level

Empower lowest operational units to self-assess and correct governance gaps, identified based on data centric thresholds / rules

Data analytics, automation and Digitisation

Use technology to enhance business reporting and review process, monitor compliance and drive operational efficiencies.

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