

Recent wake of EU Sanctions Targeting Indian Companies with Russian Ties: What lies ahead?

In the wake of the European Union's expanded sanctions regime, special attention has turned toward Indian energy companies, with Nayara Energy emerging as a focal point of debate. As a major player with Russian investment ties, Nayara's business operations have become emblematic of the wider challenges faced by Indian firms navigating the evolving compliance landscape.

On July 18, 2025, the European Union announced its 18th sanctions package against Russia, which included unprecedented measures targeting Nayara Energy, an Indian refinery with Russian ownership. Nayara Energy's refinery at Vadinar in Gujarat became the first in India to come under Western sanctions as the European Union announced fresh curbs on Russian oil exports.

Introduction

The European Union (EU) has recently expanded its sanctions framework in response to Russia's ongoing actions in Ukraine, introducing measures that include entities and companies outside the borders of Russia. Notably, a number of Indian companies have come under scrutiny for their business dealings and affiliations with Russian enterprises, leading to their inclusion in the latest round of EU sanctions. This alert provides an overview of the recent developments, analyzes the implications for Indian businesses, and offers strategic guidance for companies navigating this evolving landscape.

Since 2014, the EU has imposed several layers of sanctions on Russia, with escalating measures following the annexation of Crimea and the full-scale invasion of Ukraine in February 2022. These sanctions have targeted Russian individuals, companies, financial institutions, and sectors such as energy, defense, and technology.



The recent expansion represents a significant evolution: for the first time, the EU has aimed sanctions at non-Russian companies that are perceived as facilitating Russia's circumvention of existing bans. This includes certain Indian firms accused of aiding Russian industries or acting as intermediaries for restricted goods and services. The inclusion of non-European entities marks a pivotal shift in the EU's enforcement strategy, emphasizing its commitment to closing loopholes and pressuring Russia from multiple angles.

Details of the Recent EU Sanctions

The latest EU sanctions package, announced in mid-2025, extends restrictive measures to a select list of Indian companies. These companies are alleged to have provided material support or facilitated transactions that benefit Russian interests. The sanctions typically involve asset freezes, restrictions on trade, and prohibitions on providing certain goods or services.

- ▮ **Scope:** Sanctions apply to both commercial and financial activities, including technology exports, dual-use goods, and certain energy-related services.
- ▮ **Asset Freezes:** Any assets held by the designated companies within the EU jurisdiction are subject to immediate freeze, and EU citizens or entities are prohibited from making funds or resources available to them.
- ▮ **Prohibition on Dealings:** EU individuals and companies are barred from engaging in direct or indirect business with the listed Indian companies, potentially affecting supply chains and global operations.
- ▮ **Reporting Requirements:** Entities operating within the EU must report any direct or indirect holdings or relationships with sanctioned companies.

Rationale for Sanctions on Indian Companies

The EU's rationale for targeting Indian businesses is grounded in evidence suggesting that certain companies have played a role in circumventing sanctions imposed on Russia. This may include:

- ▮ Supplying dual-use goods (products that can be used for both civilian and military applications) to Russian entities;
- ▮ Acting as intermediaries in complex supply chains designed to obscure the final Russian destination of restricted items;
- ▮ Engaging in financial transactions that facilitate Russian access to global markets otherwise barred by EU regulations.

This heightened scrutiny underscores the complexities confronting companies operating at the intersection of global energy markets and geopolitically charged regulatory frameworks.

Way forward for business in light of such sanctions

In light of these sanctions, Indian companies such as Naryana must navigate an increasingly complex international landscape. The immediate priority will be ensuring robust compliance mechanisms to monitor transactions, supply chains, and business relationships, minimizing inadvertent breaches of EU regulations. Firms will need to conduct thorough due diligence on clients and counterparties, particularly when dealing with goods or services that could have potential military applications or dual-use functionalities.

Strategically, companies may consider diversifying their markets and reducing dependence on jurisdictions where exposure to sanctions risk is highest. Engaging with legal and compliance experts to keep pace with rapidly evolving regulatory requirements will be critical. Transparent communication with investors, partners, and regulatory bodies can help maintain trust and demonstrate a commitment to lawful and ethical practices.

Long-term, Indian firms may need to reassess global partnerships and supply chain structures, investing in technologies and processes that provide greater visibility and traceability. Proactive engagement with policymakers, industry bodies, and international organizations could also support advocacy efforts and facilitate dialogue around evolving sanctions regimes. Ultimately, adaptability, vigilance, and strategic foresight will be key for Indian companies to sustain business operations and global competitiveness as sanctions landscapes continue to shift.

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