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United States sanctions and implications for Indian companies

Overview of United States sanctions regime

Sanctions have emerged as strategic tools used by governments to advance their foreign policy objectives, enforce international law and norms, safeguard national security, and combat terrorism. By restricting trade, financial transactions, and technology transfers, sanctions apply economic pressure to influence the behaviour of targeted entities or nations.

Prior to 2001, sanctions were primarily imposed by the United Nations Security Council through a multilateral process and were aimed at maintaining international peace and addressing crimes against humanity. While unilateral sanctions did exist (such as those imposed by the United States (“US”) on Cuba (since the 1960s), Iran (from 1979), and North Korea (from the 1990s)), the use of such unilateral measures surged after the events of September 11, 2001. Since then, sanctions have become a central component of the US’ national security and foreign policy strategy.

The Office of Foreign Assets Control (“OFAC”), a division of the US Department of the Treasury, administers and enforces these sanctions.

US sanctions vary in scope and focus and generally fall into 2 (two) broad categories:

1. **Comprehensive sanctions:** These prohibit nearly all transactions with targeted countries such as Iran, North Korea, Cuba, and Russian occupied regions of Ukraine.
2. **Targeted or list-based sanctions:** These apply to individuals, companies, and entities designated on OFAC’s Specially Designated Nationals (SDN) List or Sectoral Sanctions Identification (SSI) List (which would include sectors such as defense, energy, and high-end technology).

Further, each of these sanctions contain both: (a) “Primary Sanctions” i.e. restrictions applicable to US persons including US citizens, permanent residents, entities organised under US laws, and anyone physically present in the US; and (b) ‘Secondary Sanctions’ which seek to penalise non-US persons and entities for engaging in transactions with sanctioned parties, even in the absence of a direct US connection. While under primary sanctions, US persons are prohibited from engaging in transactions with sanctioned parties unless specifically authorised by OFAC, secondary sanctions are aimed at deterring non-US persons from engaging in activities that threaten the effectiveness of US sanctions policy. Notably, a non-US person may also be held liable under primary sanctions if they ‘cause’ a US person, such as a US financial institution, to engage in a prohibited transaction. Secondary sanctions, on the other hand, are typically imposed when a non-US person is found to have “*materially assisted, sponsored, or provided financial, material, or technological support*”, to a person designated under a US sanctions program.

Secondary sanctions, in particular, have become a prominent feature of US enforcement action in recent years, expanding the global compliance burden.

Impact on Indian companies

India's growing strategic relevance, as the fastest-growing major economy with surging energy demand and an expanding diplomatic footprint, has drawn increased attention from US regulators. Its principled stance of rejecting all unilateral sanctions further heightens the scrutiny for Indian companies operating globally. In recent years, several Indian entities have faced regulatory action stemming from inadvertent or indirect involvement in transactions that violated US sanctions.

As per OFAC's public records, more than 80 (eighty) Indian entities are subject to US secondary sanctions, including 21 (twenty-one) designated in October 2024¹ for transactions linked to Russia. Indicatively:

1. In 2023, Godfrey Phillips India Ltd., settled with OFAC for causing US banks to process dollar transactions related to supply of certain tobacco products to North Korea².
2. In 2024, Shaurya Aeronautics Private Limited and other Indian firms were sanctioned for supplying high-priority microelectronics to Russia, thereby causing US correspondent banks to violate sanctions³.

The risk is further amplified for Indian companies with US subsidiaries or where Indian companies appoint US citizens or residents as directors, executives, secondees, or signatories, as those individuals bring a US nexus into play. If these individuals approve or facilitate prohibited transactions, both the individual and the company could be held liable under OFAC regulations.

It is also relevant to note that while secondary sanctions are predominately imposed on the basis of 'materially' assisting, sponsoring or providing support to a sanctioned party, 'material' support is not explicitly defined. OFAC evaluates it on a case-by-case basis and retains discretion to impose sanctions irrespective of the number/quantum of the dealings. Additionally, US authorities can designate entities without prior notice and without affording the affected party an opportunity to be heard.

In case an Indian entity is designated, it could, *inter alia*, lead to:

1. penalties and asset freezes;
2. loss of US Dollar clearing capabilities; and
3. severed access to US institutions (financial, insurance, shipping etc.).

Adding to the complexity for companies operating in multiple jurisdictions, countries such as the European Union and the United Kingdom have blocking statutes which prohibit local companies from complying with certain US sanctions (e.g., those related to Cuba or Iran), creating tension between competing legal regimes. Indian companies involved in cross-border transactions must, therefore, balance their domestic interests with varying international sanctions frameworks.

Conclusion

US sanctions, especially secondary sanctions, pose serious extraterritorial risks for Indian businesses. To mitigate these risks, Indian companies need to consider and implement a comprehensive sanction monitoring and compliance framework, including:

1. robust due diligence across supply chain;
2. regular screening of customers, suppliers, and third parties;

¹ [U.S Sanctions on Indian Companies](#)

² [OFAC Settles with Godfrey Phillips India Limited, Department of The Treasury, March 1, 2023.](#)

³ [Treasury Takes Aim at Third-Country Sanctions Evaders and Russian Producers Supporting Russia's Military Industrial Base](#)

3. written sanctions policy supported by automated tools;
4. regular training for directors and key decision-makers;
5. strong contractual safeguards such as representations, warranties, and indemnities; and
6. periodic internal and external audits to assess controls and red flags proactively.

Given the evolving nature of sanctions and the severity of penalties, Indian companies need to consider deal-specific legal advice for cross-border transactions to tailor compliance protocols and reduce exposure in real time.

Corporate (Sanctions Advisory)

JSA's corporate practice is centred around transactional and legal advisory services including day-to-day business, regulatory issues, corporate and governance affairs. We have an expert team of attorneys who advise on legal issues concerning inbound and outbound investments, strategic alliances, collaborations, corporate restructurings as well as sanction related matters. As part of our sanctions advisory work, we have advised several large PSUs and oil and gas companies with regard to their transactions and helped develop a sanctions compliance matrix. With a collaborative, cross-disciplinary approach, our teams offer commercially pragmatic, solutions-oriented advice, seamlessly integrated across offices and practice areas. We work closely with in-house legal teams, foreign law firms, and consulting firms on structuring and scale-up strategies. Our expertise extends to anti-bribery and anti-corruption compliance, FCPA matters, and internal investigations, ensuring holistic corporate legal support under one roof.

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