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Legal Aspects of Mergers and Acquisitions in India

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Abstract

In India, mergers and acquisitions (M&A) are essential tools for corporate restructuring and economic expansion, reflecting the country's growing business environment and growing integration with international markets. With an emphasis on important legislation including the Companies Act of 2013, the Competition Act of 2002, SEBI regulations, and the Foreign Exchange Management Act, this research paper critically analyses the entire legal framework governing M&A transactions in India. It examines regulatory clearances, procedural constraints, and minority shareholder safeguards, emphasizing the influence of court rulings and seminal case legislation that have molded the current M&A environment. The study highlights important issues with the legal and regulatory systems, such as overlapping jurisdictional regulations, approval delays, and the difficulties of complying with foreign investment laws. It also looks at new developments and current revisions. Accelerated mergers, digitalized processes, and improved dispute resolution systems, among others. Through in-depth doctrinal insights and case law research, this paper adds to a more sophisticated understanding of how law and corporate strategy interact under India's M&A system. In order to promote a more effective, transparent, and investor-friendly M&A environment in India, the study emphasizes the necessity of additional institutional strengthening and legislative improvement.

Introduction

Mergers and acquisitions (M&A) form a cornerstone of corporate restructuring and business strategy worldwide. In India, M&A activity has accelerated over the last two decades, influenced by economic liberalization, globalization, and evolving corporate governance norms. M&A transactions in India can be broadly defined as the consolidation or purchase of

companies or their assets, involving complex legal interplay across multiple statutes, regulatory bodies, and judicial pronouncements.

In addition to the legacy of consistent policy evolution and globalization, India's M&A environment in 2025 reflects the nation's rise to prominence as a strategic economic power in Asia. M&A deals, which have historically been used to consolidate and expand businesses, have gotten more complex due to factors like investor attitude, sector-specific growth, technical advancements, and regulatory complexity.

Despite a modest reduction in volume, India's first half of 2025 saw about 1,285 M&A transactions with a deal value of \$50 billion. This statistic indicates significant market stability in the face of both domestic and international uncertainty. Domestic transactions make up over 86% of activity, demonstrating the depth and intensity of local demand as well as strategic consolidations in key industries including technology, consumer goods, financial services, and energy. For example, with \$8.5 billion in agreements and nearly 80% of sectorial M&A, the power sector—particularly renewable energy—has become a leader, indicating a quickly expanding market and the influence of supportive government policies.

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The legal framework governing M&A in India is multifaceted and dynamic, aiming to balance business interests, protect minority shareholders, uphold competition, and ensure transparency. Key laws include the Companies Act 2013, Competition Act 2002, Securities and Exchange Board of India (SEBI) regulations, Foreign Exchange Management Act (FEMA), and various sector-specific statutes.

The legal features of mergers and acquisitions in India are thoroughly examined in this paper, which includes a thorough examination of regulatory frameworks, legislative provisions, significant court rulings, and procedural elements. It also describes the difficulties and new developments in the M&A market in India. The practical execution of legal requirements is greatly influenced by case law, which provides clarification on controversial topics like cross-border transactions, minority safeguards, and approval processes.

Regulatory framework governing mergers and acquisitions

The Companies Act, 2013

The foundation of M&A regulation in India is the Companies Act, 2013 ("the Act"). It outlines specific procedures and protections for shareholders, creditors, and other stakeholders, and it defines mergers, amalgamations, and demergers.

In general, agreements, amalgamations, and compromises are governed by Sections 230–240. Their procedure entails:

- Approval by the participating firms' boards of directors
- Approval from creditors and shareholders through sessions held under the watchful eye of a tribunal
- The National Company Law Tribunal (NCLT), which conducts judicial review to safeguard interests, approved the plan.

Under the Act, mergers and amalgamations between firms are particularly governed by Section 232. At least 75% of the value must be approved by the majority of shareholders voting in a properly called meeting.

Section 233 streamlines approvals by eliminating the need for NCLT sanction in some situations, introducing the fast-track merger procedure for small businesses and wholly owned subsidiaries.

The Act's provisions safeguard minority shareholders by mandating an independent appraisal and a dissenting opinion. Minority shareholders may use the NCLT to protest and request a fair price for their shares if they are not satisfied.

The Competition Act, 2002

In order to control the anti-competitive aspects of significant mergers and acquisitions, the Competition Act is essential.

- Combinations that cross defined asset and turnover criteria must be disclosed to the Competition Commission of India (CCI) for prior clearance to ensure that they do not produce an appreciable adverse effect on competition (AAEC).
- Market share, entry hurdles, and competitor elimination are the main criteria used by CCI to evaluate agreements. In order to maintain competition, CCI may impose requirements like divestitures or conduct remedies.
- The Supreme Court and the National Company Law Appellate Tribunal (NCLAT) both have the authority to hear appeals of its rulings.

SEBI Regulations

SEBI laws offer additional levels of compliance for listed companies, specifically

- To ensure fairness and openness when acquiring controlling stakes, the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 outline disclosure standards and procedural mandates.
- SEBI's insider trading regulations come into play during delicate M&A discussions and disclosures.
- Preferential allocations and buybacks that affect M&A finance and shareholding structures are likewise governed by SEBI.

Foreign Exchange Management Act .1999

FEMA regulations, which govern foreign direct investment (FDI) in Indian enterprises, apply to cross-border M&A transactions.

- Transactions must abide by sector-specific FDI caps and, if necessary, government clearances.
- The RBI regulates international investments made by Indian businesses through joint ventures or the purchase of foreign targets.

Procedural Aspects and Approvals

The following steps are commonly involved in M&A transactions:

- **Board and shareholder approvals:** For substantial mergers or amalgamations, a 75% majority of shareholders must approve the initial board approval followed by shareholder meetings.
- **NCLT Sanction:** Before approving schemes, NCLT examines procedural compliance, minority interest representation, and transaction fairness in a quasi-judicial capacity
- **Regulatory Filings:** Careful execution is required for notifications to the CCI, SEBI disclosures, and RBI filings pertaining to compliance and clearances.
- **Valuation by Independent Experts:** Independent professional values carry out appraisals in order to establish fair exchange ratios and guarantee minority protection.
- **Public Notices and Objections:** In order to ensure transparency, the Act requires public ads as well as a chance for impacted parties to voice their objections.

Judicial Pronouncements

1. SCC Online SC 73, Swiss Ribbons Pvt. Ltd. & Ors. v. Union of India & Ors. (2019)

Background:

This historic Supreme Court case contested the constitutionality of a number of sections of the 2016 Insolvency and Bankruptcy Code (IBC), which deals with corporate reorganization, including mergers and acquisitions, particularly in financially troubled businesses.

Important legal queries:

- Retrospective disqualifications under the Code, creditor categorization, and the insolvency resolution process's validity.
- The National Company Law Appellate Tribunal (NCLAT) and National Company Law Tribunal (NCLT) member appointments are constitutional.

- If Article 14 of the Indian Constitution, which guarantees equality before the law, was broken by the law.

The Supreme Court's Views:

- The Court affirmed the IBC's full constitutionality, highlighting that its preamble and goals were to maximize asset value and revitalize corporate debtors rather than just liquidate businesses.
- It did not violate Article 14 since it distinguished between operational and financial creditors in a way that was understandable.
- In accordance with legislative intent, the Court approved the NCLT and NCLAT members' appointment procedure.

Significance for M&A:

By offering a transparent, constitutionally sound framework for insolvency resolution—a crucial component of M&A involving financially troubled firms—the ruling strengthened the legal foundation for distressed mergers and acquisitions.

2. Securities and Exchange Board of India v. Hindustan Lever Ltd. (2013) 13 SCC 1

Background:

In order to protect investor interests in the capital markets, this case addressed SEBI's authority to regulate acquisition activity and takeover bids.

Conclusion:

The Supreme Court upheld SEBI's jurisdiction to carry out and enforce takeover laws in accordance with the SEBI Act and associated takeover guidelines. It concluded that during mergers and acquisitions of publicly traded companies, openness and fair play were guaranteed by SEBI's strict disclosure and procedural requirements for acquirers.

Significance:

The conduct and outcome of acquisitions involving listed firms are significantly impacted by this case, which strengthened SEBI's supervisory role in M&A by requiring stringent adherence to disclosure standards and takeover procedures.

3. Mukand Iron Ltd. v. Tata Steel Ltd. (2017) 12 SCC 629

In summary, this decision made clearer the requirements for minority interest protection and shareholder authorization in merger deals.

Important Holdings:

- Confirmed that protections for minorities must be balanced with the power of dominant shareholders.
- Supported fair valuation practices and highlighted the procedural fairness of shareholder meetings.

Impact:

It strengthened the rights of minority shareholders in mergers, guaranteeing equitable dissent and exit opportunities—two essentials in contentious or hostile purchases.

4. Insolvency Case of Essar Steel (2019) SC 1033

Context:

A significant case involving Essar Steel's insolvency resolution and the court examination of the resolution plan.

Highlights:

In distressed M&A, the Supreme Court outlined the narrow scope of judicial review over commercial decisions by the committee of creditors and resolution expert. It emphasized practicality, business savvy, and minimal intervention from NCLT or the courts in mergers and acquisitions based on insolvency.

Together, these judgments have shaped India's strict merger and acquisition laws, which combine corporate law, insolvency procedures, securities laws, and judicial supervision to safeguard interested parties and guarantee equitable, open restructuring and acquisition procedures.

Challenges in Indian M&A Landscape

1. Several regulatory approvals and jurisdictions that overlap

In India, completing M&A deals frequently involves approval from a variety of bodies, including;

- Scheme approvals under the Companies Act of 2013 are handled by the National Company Law Tribunal (NCLT).
- Under the Competition Act, 2002, for merger control permission from the Competition Commission of India (CCI), especially for transactions that surpass certain asset, turnover, or transaction value limits.

- Rules and disclosures pertaining to takeovers for listed firms from the Securities and Exchange Board of India (SEBI).
 - For adherence to FEMA in cases involving foreign direct investment (FDI), consult the Reserve Bank of India (RBI).
 - For tax clearances pertaining to values, indirect taxes, and capital gains, contact the Income Tax Department.
- These regulators' inability to coordinate leads to sequential, redundant procedures that can raise transaction costs, create legal ambiguity, and cause delays.

2. Costs of Compliance and Regulatory Uncertainty

- Unpredictability brought about by frequent changes to rules and regulations makes it necessary to update legal advice and compliance.
- Deal structure is made more difficult by valuation criteria that are occasionally at odds with international standards, particularly when it comes to share swaps and fair value evaluation in cross-border transactions.
- More acquisitions are scrutinized than previously due to the CCI's enlarged scope, especially following 2024 revisions that included transaction value thresholds and new exemption criteria, which raises the burden of compliance.

3. Legal Actions and Procedural Postponements

- Notices, hearings, minority objections, and judicial approvals are all part of NCLT projects, which can have lengthy schedules that extend into months or years.
- Appeals before High Courts or the National Company Law Appellate Tribunal (NCLAT) further delay the settlement of disputes.
- When courts step in on procedural or minority protection grounds, M&A deals may be delayed or even derailed.

4. Complexities of Finance and Taxation

Deal economics may be significantly impacted by uncertainties around indirect tax classifications, stamp duty, capital gains tax, and transfer pricing.

Tax rulings frequently necessitate drawn-out procedures, which increase uncertainty.

5. Cultural and Integration Challenges (Important but Non-Legal)

Long-term value generation is impacted by the practical problem of post-merger integration involving systems, workers, and cultures in Indian M&A transactions.

6. The Challenges of Protecting Minority Shareholders

- Even though the Companies Act requires minority protections through dissent and valuation rights, schemes are regularly contested by irate shareholders, which can result in legal action.

- Merger approvals are slowed down by valuation disagreements and accusations of tyranny, which can present reputational problems.

7. **Difficulties in International M&A**

The following factors limit the actual use of Section 234 of the corporations Act, which permits mergers between Indian and foreign corporations in designated jurisdictions:

- Limited list of countries with reciprocal jurisdictions.
- Unclear enforcement and procedural impediments.
- Complicating matters are FEMA's rules regarding RBI approvals, pricing standards, and FDI caps.
- Further impeding cross-border transactions are concerns about the enforcement of arbitration verdicts and foreign judgments.

Emerging trends and Future Outlooks

1. Value-driven, strategic negotiation

Indian investors and corporations are taking a purposeful stance that prioritizes value generation and strategic fit over scale alone. Mid-market transactions, particularly platform-building by private equity in dispersed industries like B2B technology, logistics, and healthcare, are becoming more and more popular. In order to support long-term competitiveness, acquirers are focusing on competencies including distribution networks, technological infrastructure, and product innovation rather than aggressive scaling.

2. Ingenious Deal Forming During Volatility in Valuation

Earn-outs, contingent payments, and deferred consideration are examples of innovative structures that are used to bridge the gap between buyers and sellers as a result of deal prices fluctuating with market conditions. In India's unstable economic and legal landscape, this adaptability is essential for closing deals with misaligned expectations.

3. Areas of Interest Technology, especially artificial intelligence (AI), deep-tech start-ups, block chain, and cyber security, is a key driver of M&A activity. Regulatory reforms and demand from international investors are driving consolidation in the still very dynamic healthcare and pharmaceutical industries. Deal volumes and values in 2025 are also dominated by energy, financial services, and infrastructure projects.

4. Changes to Regulations Improving Openness and Compliance

the Competition Commission of India (CCI) has broadened the range of deals that need permission by introducing new merger control levels, while SEBI's simplified disclosure rules make takeovers in public businesses go more smoothly. NCLT's digitization of the hearing and filing procedures is cutting down on procedural hold-ups.

5. Greater Participation of Private Equity

Private equity firms' buy-and-build tactics are still driving mid-market consolidation. The availability of dry powder is increasing, which is driving investment in industries like environmental services, consumer technology, and education. The use of integrated exit planning in PE-backed deals is increasing in sophistication

Conclusion

The legal environment around mergers and acquisitions (M&A) in India is at a turning point, reflecting the complexity and dynamic nature of a fast growing economy that is intertwined with international markets. In order to balance corporate growth goals with stakeholder protection, transparency, and market fairness, a complex system of comprehensive statutory frameworks under the Companies Act, Competition Act, SEBI regulations, and FEMA, as well as judicial oversight, is in place.

Even with established procedural channels, the Indian M&A industry nevertheless faces many obstacles. Regulatory overlap frequently leads to delays and increased compliance costs, and additional layers of uncertainty are introduced by shifting valuation standards, dissenting minority shareholders, and broad judicial discretion. The regulations governing foreign investment and their enforcement present unique challenges for cross-border transactions, indicating a developing but yet still evolving legal environment

Emerging tendencies, however, provide a hopeful path. Market activity is expected to be lively due to growing private equity investment, increased domestic consolidation, and a strategic move toward the IT and green industries. Regulatory changes that emphasize expedited approvals, digitalized procedures, and raised merger control criteria demonstrate how responsive governance is adjusting to global best practices.

In the end, creating an effective, open, and just atmosphere where corporate expansion plans can flourish without sacrificing governance norms is essential to the future success of the Indian M&A system. Given that India's economy is expected to grow to be the fourth largest in the world, the M&A market there will attract more interest from around the world, requiring a strong legislative framework that promotes innovation, sustainability, and equitable economic growth.

Dealmakers, regulators, the judiciary, and policymakers must work together proactively in this changing environment to keep legal frameworks flexible and responsive to new international dynamics and business imperatives. This will allow India to reach its full potential as a global M&A hub in the years to come.

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