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AN OVERVIEW OF MERGERS AND ACQUISITIONS AND ITS IMPACT ON MARKET

~ *Khushi Sadhwani*

INTRODUCTION

We are in the era of artificial intelligence, automation, and digital revolution, where the technology is transforming the manner in which business is conducted. In today's fast-changing economy, organizations are advancing to innovate, expand market reach, and align their operations with market competition. It has not only accelerated business processes, but also raised the standards of competition in industries. In an effort to hold down their forts and remain competitive in such a scenario, firms are no longer depending on organic growth alone but instead are increasingly resorting to strategic mergers and partnerships. Mergers and Acquisition, has thus become key corporate policy tools whereby firms can establish scale, diversify the business, penetrate new markets, and take advantage of technological expertise complementing their strength. The expanding function of M&A in the contemporary business worlds emphasizes its potential not only as a deal but as a change process that defines the form and functions of the modern industries.

MEANING

A merger or acquisition is the collaboration of two or more companies with the aim of accomplishing operational, financial, or strategic advantages. Although the terms are frequently used equivalently, an acquisition occurs when one company takes control of another, usually by buying shares or other assets. In contrast, a merger usually involves two companies agreeing to merge and create a new company. A merger is the voluntary fusion of two companies on broadly equal terms into one legal entity. The firms that agree to merge are roughly equal in terms of size, customers, and scale of operations. Acquisitions, unlike mergers, are generally not voluntary, and involve one company actively purchasing another.

A business taking over another business occurs more frequently than one would think. The takeovers are known as acquisitions. Situations, where two or more companies come together to form a single company, are known as mergers. The Indian law recognizes these mergers as 'Amalgamation'. These transactions are vessels of corporate growth, creating major growth steps. Through one of these transactions, a company can achieve three to five years of organic growth. Often these deals bring a whole new customer base that is strategic for the participating companies. The new customer base brings new potential sources of revenue. Moreover, this also brings a new set of products or services. This new line-up strengthens the existing product portfolio and gives more ways to create sales growth.¹

In India, mergers and acquisitions are regulated by a regulatory framework aimed at ensuring transparency, fairness, and protection of stakeholders' interests. The Companies Act of 2013 regulates the procedural and substantive aspects of mergers, including schemes of arrangement, amalgamation, and reconstruction. Additionally, M&As of listed companies are regulated by the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, that protects minority shareholders and provide fair treatment. The Competition Commission of India (CCI), which oversees the Competition Act of 2002, is a crucial tool for analysing combinations that could significantly harm competition and achieving market equilibrium. In terms of the economy, M&A transactions are corporate actions to seek expansion, efficiency, and synergy rather than contracts. Through M&A deals, companies can take advantage of economies of scale, obtain new technology, penetrate new markets, root out duplications in operations, and enhance their competitive edge. As such, mergers and acquisitions exist on the cusp of economics and law - capable of remaking companies but also capable of defining the large-scale outlines of market and industrial change.

TYPES OF MERGERS AND ACQUISITIONS

Mergers and acquisitions can be divided according to the type of combining entities and their respective place in the market or production structure. Each form of merger: horizontal, vertical, and conglomerate - has its own distinct strategic purposes and implications for competition and structure in the market.

Horizontal Mergers take place when firms are engaged in a similar line of business and are at the same level of production or distribution. These mergers are primarily designed to secure economies of scale, increase market share, and curtail competition. Yet, these mergers are

¹ <https://www.irejournals.com/formatedpaper/1702599.pdf>

subject to scrutiny by competition regulators as such transactions can lead to monopolistic practices or restriction in consumer choice. A prime example in India is the Vodafone India and Idea Cellular merger in 2018, which formed one of the largest telecommunication operators in the nation.

In contrast, a vertical merger materializes between firms at different levels of the supply chain, for example, between a producer and a distributor or a supplier. The main aim of vertical mergers is to enhance process efficiency, lower production costs, and gain more control over supply and distribution processes. Such combinations generally improve coordination, reduce reliance on outside suppliers, and provide better operation integration. The consolidation of Reliance Industries Limited with its refining, petrochemicals, and retail subsidiaries, which enabled the corporation to enhance its dominance in the entire value chain, from raw materials to consumer delivery, can be used as an example.

A conglomerate merger, however, involves the union of companies operating unrelated business activities. Conglomerate mergers are mostly driven by diversification and risk management purposes to enable firms to stabilize their revenues by making investments in diverse industries. These mergers are typically reported from a corporate governance perspective as an assessment of financial synergy, even though they are less likely to raise issues under competition law.

Comparatively, conglomerate mergers concentrate on diversification and risk management, vertical mergers impact supply chain efficiency and integration, and horizontal mergers largely impact market competition. Each type is subject to a different regulatory approach under the competition law framework, especially the Competition Act, 2002, which aims to prevent combinations that could have a significant negative impact on competition, horizontal mergers are subject to the strictest scrutiny. When combined, these various merger types show the complex nature of corporate consolidation, with each one making a distinct contribution to the nation's industrial development, market dynamics, and economic expansion.

IMPACT OF M&A ON MARKET COMPETITION AND CONSUMER WELFARE

Mergers and Acquisitions hold a prominent place in shaping market as they affect competition, consumer welfare, and the economy as a whole. These types of deals do lead to growth and new ideas, but can also lead to market concentration, dominance, and abuse of power if they aren't regulated wisely. Thus, making it important to maintain the equilibrium between promoting these transactions and protecting fair competition, and the responsibility of

maintaining it vested in the Competition Commission of India (CCI) under the Competition Act, 2002.

The CCI is mandated to investigate all types of "combinations" - mergers, amalgamations, and acquisitions - to determine whether they lead or likely to lead to an appreciable adverse effect on competition (AAEC) in the market under consideration. The evaluation is based on market share, entry barriers, foreclosure of competition, and consumer benefit through gains in efficiency. For example, in the historic Sun Pharma-Ranbaxy merger (2014), the CCI cleared the deal only after Sun Pharma offered to sell some overlapping products to mitigate fears of less competition in the pharma industry. Likewise, in the PVR–INOX merger (2022), though the CCI noted the possibility of market leadership in the multiplex space, it also weighed the gains in efficiency and technological advancements likely to accrue to consumers. These matters highlight the subtle path followed by Indian competition regulators - one that encourages development but ensures that market power is not used at the expense of consumer well-being.

In addition, M&A deals can have pro-competitive and anti-competitive impacts. On the positive front, mergers tend to result in economies of scale, better production efficiencies, cost savings, and more research and innovative capabilities—all of which can manifest in better product and service quality to consumers. However, if mergers result in over-concentration or remove major competitors, they have the potential to drive prices up, lower output, or constrain consumer choice. The interventions by the CCI thus act in a preventive and corrective nature so that market efficiencies are attained without undermining the competitive framework of the economy.

Besides control through regulation, judicial pronouncements also reinforced the significance of a healthy competitive environment. The Supreme Court of India, through decisions such as *Competition Commission of India v. Steel Authority of India Ltd. & Anr.* (2010), enunciated the significance of the CCI playing an active role in preventing anti-competitive practices and promoting consumer interests. This jurisprudence highlights the dynamic nature of Indian competition law, which is progressively getting more globalized in comparison while being sensitive to local market compulsions.

Therefore, the effect of mergers and acquisitions on competition in the marketplace and consumer well-being hinges to a great extent on the interplay between efficiency and market distortion. When properly regulated, M&A activity is an economic growth and technological

development driver; when unbridled, it threatens to dismantle the very foundations of even-handed competition that underpin market integrity.

CHALLENGES AND FUTURE PROSPECT OF M&A IN INDIA

Although mergers and acquisitions offer tremendous opportunities for consolidation and growth, they are also with a set of issues that make the process of transaction challenging. In India, these issues are regulatory compliance, cultural integration, complexities in valuation, and management of stakeholders. Gaining multiple approvals from authorities like NCLT, SEBI, and CCI usually requires stringent procedural and document requirements, which can delay or change structure of transactions. In addition, organizational culture alignments and managing post-merger human resources are ever-recurrent challenges, especially in cross-industry or cross-border consolidations.

Cross-border mergers and acquisitions add additional layers of complexity, such as foreign regulation compliance, tax matters, exchange rate fluctuations, and geopolitical risk. In an age of globalization, Indian businesses are increasingly making outbound acquisitions to obtain technology, intellectual property, or gain entry into new markets, while foreign investments flowing into India aim to capitalize on India's expanding consumer market and skilled population. Every cross-border transaction requires meticulous due diligence for regulatory compliance in India as well as outside the country.

Technology, and in specific artificial intelligence (AI) and data analytics, is revolutionizing how M&A deals are executed. AI-powered solutions enable quicker due diligence through the review of massive volumes of contracts, financial statements, and regulatory documents in a fraction of the time it would take for manual reviews. Predictive analytics can also be utilized to assess prospective acquisitions' financial and operational risks, whereas digital platforms enable safe communication and document sharing between parties. These advances will more likely drive M&A deals, reduce expenses, and enhance decision-making accuracy.

The future of mergers and acquisitions in India looks bright. The economic growth of the country, expanding middle class, and heightened digital adoption provide a conducive environment for domestic as well as international M&A activity. Segments like technology, healthcare, e-commerce, green energy, and financial services will see increased consolidation due to the demands of innovation, expansion in the market, and operational cost efficiency. In addition, the convergence of AI, machine learning, and other technological solutions will be

anticipated to automate deal-making, enhance risk identification, and make more strategic and better-informed investment choices.

However, for India to be in a position to maximize the M&A potential, there must be constant change in the regulatory framework, corporate governance culture, and infrastructure on the back of technology. A strategy that is geared towards development, enables fair competition, and safeguards consumer interests will define the direction of mergers and acquisitions in India in the times to come.

CONCLUSION

Mergers and acquisitions have become unavoidable tools of corporate restructuring and economic reformation in the new business order. With technological disruption and global integration characterized by the current era, these strategic transactions lead to the achievement of scalability, innovation, and long-term sustainability by the companies. The Indian regulatory environment—centered around the Companies Act, 2013, SEBI regulations, and the Competition Act, 2002—has adapted to develop fairness, transparency, and competitive balance among M&A activities so that growth does not have to be achieved at the cost of market integrity or consumer protection. Although there are challenges in the form of regulatory complications, valuation disagreements and post-deal integration issues, the growing deployment of technology, especially artificial intelligence and data analytics, is transforming the efficiency and accuracy of deal-making. While India continues to establish itself as a global economic leader, mergers and acquisitions will be at the heart of its corporate success story—still not just as business deals, but as drivers of innovation, competitiveness, and sustainable development.