LEXOLOGY

Recent Trends and Changes in M&A in India

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Introduction

India's M&A landscape entered a period of renewed strength in 2025. Following a relatively cautious phase in the previous years, deal activity has surged both in terms of volume and value, as businesses regain confidence and shift focus to strategic expansion. Companies across sectors such as technology, media, energy and financial services are actively exploring M&A as a pathway to consolidate market share, access new capabilities and accelerate growth. Private equity (PE) participation continues to deepen and many transactions are being shaped not just by commercial considerations but also by evolving regulatory frameworks.

This upswing in activity comes at a time when India's legal and regulatory environment is undergoing meaningful transformation. Recent changes, from merger control thresholds to foreign exchange regulations and capital market norms, are making deal structuring more nuanced and flexible. Buyers and sellers are increasingly adopting innovative mechanisms to bridge valuation gaps, manage risk and meet compliance requirements, especially in complex or cross-border transactions.

In this article, we examine three key trends and three key changes in 2025. These trends and changes are influencing how deals are being structured in India. These developments reflect the growing maturity of the Indian M&A market and highlight the importance of aligning commercial objectives with regulatory clarity.

The three key trends of 2025 impacting deal-making are:

- the emergence of reverse flip structures in startup and mid-market deals;
- the growing use of deferred consideration structures; and
- increased PE-backed strategic acquisitions.

The three key changes of 2025 shaping the M&A landscape are:

- the introduction of the deal value threshold (DVT) by the Competition Commission of India (CCI);
- a liberalised regime for cross-border share swap transactions; and
- the Securities and Exchange Board of India's (SEBI) regulatory changes relating to pre-initial public offering (IPO) placements.

Reverse flip structures

An emerging trend in India's M&A and startup ecosystem is the increasing use of reverse flip structures, where companies shift their overseas holding entity back to India. Traditionally, many Indian startups set up holding companies in jurisdictions like Delaware or Singapore to access global capital, flexible regulations and international investor pools. However, several macro and policy developments have led to a growing preference for Indian shores. These include improved access to domestic capital markets, a more mature regulatory framework, easing of IPO norms and rising investor demand for Indian-domiciled assets.

In 2025, several high-profile companies undertook reverse flip transactions. Recently, fintech unicorn Razorpay completed its move to bring its US-based parent entity back to India, becoming one of the first large startups to receive formal regulatory approval for such a transition. Similarly, Zepto, a quick-commerce platform, secured NCLT approval for its reverse flip from Singapore. In June 2025, Meesho followed suit, opting to unwind its US holding company structure and re-domicile in India. These companies are likely to list on the Indian public markets.

Indian regulators have also been bringing in reforms to make reverse flips more accessing and easier in implementation. The introduction of the fast-track merger process acted as a strategic enabler for reverse flipping.[1] The fast track-merger route now allows for quicker, less cumbersome mergers involving small companies, startups, and wholly owned subsidiaries, by eliminating the need for National Company Law Tribunal (NCLT) approval and instead routing approvals through regional directors. These rules further simplify procedural requirements such as notices, declarations, and approvals, thus reducing administrative burden. This reform significantly lowers the legal and regulatory friction that previously deterred such inward restructurings, thereby facilitating smoother repatriation of business operations, intellectual property, and capital into the Indian startup ecosystem.

While these structures require careful navigation of tax, foreign exchange, and company law regulations, the trend signals a growing shift in sentiment. Many founders are reassessing the long-term advantages of having a global structure when their operations, customers, and investors are increasingly India-focused. As SEBI and the Reserve Bank of India (RBI) continue to ease capital market access and streamline foreign investment rules, reverse flips may become an increasingly viable strategy for Indian-origin businesses looking to list domestically or align with India's regulatory and funding ecosystem.

Deferred consideration structures

In the evolving Indian M&A landscape, deferred consideration mechanisms, including earn-outs and instalment-based payments, have gained significant traction. These structures offer pragmatic solutions for bridging valuation gaps, especially in transactions where business performance and post-closing synergies play a critical role.

Buyers and sellers are increasingly moving away from paying the entire consideration upfront. Instead, they are adopting mechanisms that allow a portion of the purchase price to be deferred and tied to future performance milestones or paid over time. These arrangements offer commercial flexibility, align incentives, and help mitigate valuation risks, benefiting both parties. The Indian foreign exchange regulations (FEMA) facilitate such arrangements in cross-border secondary transactions.[2] Specifically, when equity instruments are transferred between a resident and a non-resident, up to 25 per cent of the total consideration can be (1) deferred and paid within 18 months from the date of the transfer agreement; (2) held in escrow for the same period or (3) covered under an indemnity arrangement, where full payment is paid upfront.

To ensure regulatory compliance, the entire consideration — including any deferred component — must meet fair value norms, with foreign investors required to pay at least fair value and domestic buyers restricted from paying more than fair value to foreign sellers. The deferred amount is typically safeguarded through escrow accounts or contractual protections, reinforcing transactional integrity.

A key development in 2025 has been the clarification issued under the RBI's updated master direction on foreign investment,[3] confirming that foreign-owned or controlled Indian companies (FOCCs) can undertake the same deferred consideration structures as foreign acquirers so long as they meet these conditions. This alignment promotes consistency and legal certainty in deal structuring. Importantly, such arrangements must be clearly articulated in the transaction documents to be enforceable.

It is worth noting that while these provisions apply to secondary transfers, deferred payments are not permitted in primary issuances of equity instruments to foreign investors. Nonetheless, the overall regulatory stance continues to support flexible deal-making within a defined compliance framework.

An area that may benefit from further regulatory refinement is the reporting of deferred consideration arrangements by FOCCs. While Form DI must be filed for share allotments, it currently lacks a mechanism to disclose deferred structures. Market participants await potential updates or new forms to streamline such disclosures.

Despite certain limitations, the use of deferred consideration, particularly in promoter-led deals and private company acquisitions, continues to rise. These structures empower sellers to participate in the long-term success of the business while protecting buyers against immediate overpayment. The increasing use of escrow mechanisms and warranty & indemnity insurance further enhances transactional confidence.

On the outbound M&A front, India has embraced progressive changes under the FEMA (Overseas Investment) Regulations, 2022. Deferred payments for overseas acquisitions are now permitted, provided the foreign securities are issued or transferred upfront, pricing norms are met, and the deferral period is contractually agreed. This reform reflects India's growing global investment footprint and an encouraging shift toward more sophisticated and investor-friendly structures.

PE-backed control transactions

PE funds remain pivotal players in Indian M&A market, both as independent acquirers and co-investors. Historically, PE funds have played an important role in providing liquidity and the required cash flow for growth to new age start-ups and mid-sized companies. This was done through minority investments made by PE funds with necessary rights to protect their financial interests, whereas such companies continued to be controlled by its founders and promoters.

However, PE funds have recently been engaged in strategic acquisitions involving control with board representation and operational influence. They are undertaking strategic buyouts and controlling stakes in targets, to run the targets using a professionally managed team. Buyout activity has significantly increased across all traditional sectors, such as infrastructure, telecom towers, financial services, real estate, as well as emerging verticals like healthcare, technology services, renewables. Increased activity has been seen in buyouts of listed and unlisted target companies alike. Additionally, PE funds are also forming consortia to undertake such buyouts.

The sectoral focus of PE investment also highlights a strategic dimension. PE funds continue to pour money into sectors earmarked for growth, renewables, logistics, fintech and healthcare, which often are also priority areas for industrial buyers. The result is intense competition between PEs and traditional strategic players for target assets. When valuations are high or when regulatory approvals are involved, corporates sometimes defer action, allowing PE buyers to step in. Likewise, PEs cashing out often find ready buyers in traditional strategic acquirers, fuelling a cycle of strategic sales.

Deal value threshold

India's merger-control regime was overhauled in September 2024, and one of the noteworthy changes is the introduction of DVT,[4] which effectively creates an additional circumstance for seeking prior notification of the CCI. This was created to ensure that large-value deals that had previously escaped scrutiny (owing to lower asset and turnover values of the target companies) do not go unnoticed, especially in sector such as digital services and pharmaceuticals, where the value of the target is attributable to non-monetary factors such as data or network effects. The DVT addresses this by applying a broad test based on the transaction's value and Indian business presence, significantly reducing the scope for such exemptions in high-value transactions. Further, it also aims to capture within its scope 'killer acquisitions' that would have ordinarily impacted the competitive landscape by escaping the scrutiny of the antitrust regulator.

Accordingly, even if the target can avail benefits under the Indian merger control regime due to lower asset or turnover thresholds, the transaction will continue to remain notifiable if crosses the DVT threshold and will need prior approval of the CCI. The criteria for a transaction notifiable on account of DVT is as below:

- the total 'value of the transaction' exceeds 2000 Crore (approximately US$238.4 million); and
- the target enterprise has 'substantial business operations' (SBO) in India.

The above criteria have been elaborated in greater detail within the regulations, which also provide clarity on: (1) the factors to be considered when assessing the deal value and (2) the sector-wise thresholds and metrics to determine whether the target has SBO in India. Additionally, these regulations were recently supplemented with the release of 'Frequently Asked Questions' (FAQs) by the CCI in May 2025, which provides much-needed clarity on certain important concepts in relation to the calculation of deal value in case of the presence of call options, the manner of determination of 'acquirers' in share swap transactions, and the treatment of co-investments by investors (as part of the same funding round) in the same target company.

These developments clearly indicate the regulator's intent to capture any transaction that could significantly affect the Indian market, even if the target company is primarily foreign-owned or asset-light. Pertinently, this is also likely to impact global-level acquisitions involving Indian subsidiaries within the group structure of the target, given that the value of the transaction will be aggregated to the total deal value at the global level. Lastly, greater scrutiny will be applied to the valuation of intangibles involved in these transactions by deal makers (as early as from the structuring stage), especially in tech and digital economy deals, where low-revenue targets may still cross regulatory thresholds due to high valuations.

Overall, these amendments significantly broaden CCI's oversight to include large-value deals previously outside its jurisdiction, particularly targeting digital economy transactions and foreign investments with substantial Indian presence.

Cross- border share swaps

Recently, deal-makers in India are exploring alternative cross-border M&A structures, with a growing preference for share swaps and equity-based consideration gradually replacing traditional cash payment structures. Historically, cash was the preferred mode of payments in M&As, however, with the market seeing an uptick, it has become lucrative for selling shareholders to continue holding some shares in their acquirers or their entities, to benefit from the valuation boost that the acquirer would get due to the acquisition. This structure also solves liquidity concerns of the acquirers.

In August 2024, Foreign Exchange Management (Non-Debt Instruments) (Fourth Amendment) Rules, 2024,[5] explicitly allowed a wider range of share-swap transactions. These amendments permit Indian companies to issue equity shares to non-residents in exchange for their shares in Indian or foreign entities, facilitating 'reverse share swaps' and broadening global share-for-share exchanges. Such regulatory liberalisation opens new avenues for structuring cross-border deals and have reduced reliance on cash.

In practice, this means that instead of an Indian acquirer paying cash for a foreign target, it might issue its own shares, or the shares of its foreign parent company shares to the sellers. This helps preserve cash and can be tax-efficient for sellers (in some cases, allowing tax deferral on capital gains). It also appeals to companies looking to align incentives by making sellers part-owners of the combined entity. Moreover, issuing shares aligns incentives between sellers and the new combined company, as sellers become part-owners and participate in the future growth of the business.

These share-swap transactions continue to have to comply with RBI's pricing guidelines under FEMA:[6] the equity issued must be on internationally accepted method on an arm's length basis at a price not lower than fair market value. It also often requires shareholder and regulatory approvals (eg, a preferential allotment resolution under the Companies Act, 2013,[7] and updates to share registers). If the target is unlisted, the swap must meet valuation norms (eg, certified by a chartered accountant or merchant banker).[8] Hence, any cross-border share-for-share deal must be carefully assessed to ensure the share issue is authorised and to check for transfer pricing or capital gains consequences. Additionally, the non-cash consideration of these share swaps is also added to determine the DVT.

Overall, share-swaps are becoming an attractive alternative to traditional cash deals particularly when strategic investors seek to manage leverage or align their incentives. While the cash payment mechanism still has its place given a plethora of benefits, especially in domestic deals but where cross-border synergies are at play, share swaps are fast on the rise.

Pre-IPO share sales

Another recent trend is the interest of investors and regulators in the pre-IPO market. With the increase in the number of IPOs in the Indian market, two common type of investment strategies are becoming trends in the market: (1) investors using the IPO phase to sell their existing shares in IPO bound companies and getting and exit, thereby hedging against the unexpected consequences of an IPO; or (2) investors acquiring shares of pre-IPO companies from existing shareholders, to benefit from the IPO. However, given this trend was on the rise, the regulators also jumped in to ensure the shareholders' protection.

Recently, SEBI amended the SEBI (Issuance of Capital Disclosure Requirements) Regulations, 2018,[9] introducing a new explanation to regulation 8A.[10] This regulation imposes limits on the

number of shares that promoters and significant pre-IPO shareholders can offer for sale during an IPO, aiming to ensure a stable shareholding structure once the issuer company's shares are listed.

Under this regulation, shareholders holding more than 20 per cent of the pre-issue shareholding can offer for sale up to 50 per cent of their pre-issue holding. Those holding less than 20 per cent can offer for sale up to 10 per cent of their pre-issue holding, both calculated on a fully diluted basis as of the date of filing of the draft red herring prospectus (DRHP). The explanation clarifies that the limits are calculated with reference to the shareholding as on the date of filing the DRHP and apply cumulatively to both the offer for sale in the IPO and any secondary sales prior to the issue.[11] These regulations clarify that shareholders holding, individually or with persons acting in concert, more than 20 per cent of the pre-issue holding are subject to the lock-in provisions that would otherwise apply to them. To avoid tripping this regulation, IPO-bound companies have started contractually requiring all pre-IPO investors to serve a lock-in to ensure compliance with these regulations.

Conclusion

India's M&A ecosystem is becoming more sophisticated, and the Indian regulators are bringing in changes to keep pace with it. Far from being a barrier, the evolving regulatory framework is enabling more thoughtful, balanced, and transparent deal-making. Structures like deferred consideration, share swaps, and reverse flips are not only permitted, but they are also increasingly supported by clearer guidance from regulators, giving parties more flexibility to get deals done in a smoother and time-efficient manner. With the CCI expanding its merger control scope, SEBI tightening pre-IPO norms and FEMA rules being revamped, regulators are focused on long-term market stability and investor protection. These changes bring greater predictability and instil confidence among the investing public. Legal considerations are no longer just about risk avoidance, they are a tool for unlocking value, building durable deal structures and navigating complexity with clarity. As India continues to offer a strong pipeline of M&A opportunities across sectors, careful planning can help transacting parties not only meet regulatory expectations but move faster towards a successful closure of their M&A transactions.