
LEGAL ASPECTS OF MERGERS AND ACQUISITIONS IN BANKS

Krishna G H & Chaithanya A, B.B.A. LL.B., Ramaiah College of Law, Bangalore.

ABSTRACT

Mergers and acquisitions (M&A) in the banking sector are pivotal for enhancing financial stability, operational efficiency, and market expansion. These transactions are governed by a complex legal framework to ensure compliance, protect stakeholders, and maintain market competition. This research paper examines the legal aspects of bank M&A in India, focusing on key statutes such as the Banking Regulation Act, 1949, Companies Act, 2013, Competition Act, 2002, SEBI Regulations, FEMA, 1999, Insolvency and Bankruptcy Code, 2016, Income Tax Act, 1961, and Securities Contracts (Regulation) Act, 1956. It explores the roles of regulatory bodies like the Reserve Bank of India (RBI), Competition Commission of India (CCI), and National Company Law Tribunal (NCLT) in overseeing M&A processes. The paper also highlights the importance of due diligence, key legal documents, and challenges such as regulatory delays, shareholder protection, and tax implications. Through case studies of significant bank mergers, including SBI and its associate banks (2017) and HDFC Bank and HDFC Ltd. (2023), the paper analyzes regulatory challenges and lessons learned. It concludes by emphasizing the need to balance compliance with financial sector growth and anticipates future trends in banking M&A regulations.

Keywords: Mergers and Acquisitions (M&A), Banking Regulation Act, Competition Law, Due Diligence, SEBI Regulations, Corporate Governance, Financial Stability, Regulatory Compliance, Cross-Border Transactions.

Introduction

Mergers and acquisitions (M&A) in the banking sector refer to the consolidation of financial institutions through the combination or transfer of assets, liabilities, and operations. A *merger* typically denotes the integration of two banks into a single entity, whereas an *acquisition* involves one bank gaining control over another. These strategies are often pursued to enhance financial stability, improve operational efficiency, and expand market reach.

M&A plays a critical role in strengthening the capital base of banks, diversifying risk, and streamlining operations, thereby enhancing competitiveness and resilience. Consolidation also enables access to new markets, enlarged customer bases, and technological innovation—especially important for smaller banks facing rising compliance costs and rapid technological changes.

However, such consolidation necessitates a robust regulatory framework to mitigate risks such as reduced competition and potential monopolistic tendencies. In India, the Reserve Bank of India (RBI) regulates the M&A approval process to ensure financial prudence, while the Competition Commission of India (CCI) monitors anti-competitive concerns under the Competition Act, 2002. Notably, mergers involving nationalized banks are exempt from CCI scrutiny to expedite public sector consolidation.

India has witnessed a notable surge in banking and financial sector M&A activity, reflecting strategic goals of consolidation, modernization, and market expansion. A major milestone was the April 2022 merger between HDFC Bank and HDFC Ltd., one of the largest in the country's financial history. In October 2023, AU Small Finance Bank announced its acquisition of Fincare Small Finance Bank through an all-share deal.¹

Other significant transactions include Mahindra & Mahindra's minority stake in RBL Bank, SBI's acquisition of SBI Capital in SBICAP Ventures for ₹708 crore, and its 20% stake in SBI Pension Funds. HDFC Bank also acquired over 20% in Griha Pte and a 7.75% stake in fintech start-up Mintoak in December 2022.

¹ Atmadip Ray, 'AU Small Finance Bank to Acquire Fincare Small Finance Bank in Share Deal' The Economic Times (30 October 2023) <https://m.economictimes.com/industry/banking/finance/banking/au-small-financebank-to-acquire-fincare-small-finance-bank-in-share-deal/articleshow/104809695.cms> accessed 20 April 2025.

As per a Refinitiv report, domestic M&A activity in 2022 reached ₹10.33 lakh crore (US\$119.2 billion), a 156.3% rise from 2021. Total M&A with an India angle stood at ₹14.81 lakh crore (US\$171 billion), with major deals involving HDFC, Adani Group, Biocon, Mindtree, L&T Infotech, and others. Noteworthy banking deals also included Kotak

Mahindra Bank's investment in KFin Technologies, Indian Bank's stake in NARCL, and Axis Bank's acquisition in Max Bupa Health Insurance.²

This trend highlights the increasing reliance on M&A as a strategic tool for growth, innovation, and risk management in India's financial landscape.

Legal Framework Governing Bank Mergers and Acquisitions

Mergers and acquisitions (M&A) in the banking sector are intricate processes governed by a network of legal and regulatory provisions aimed at ensuring financial stability, protecting stakeholder interests, and preserving competitive market dynamics. In India, these transactions are subject to oversight by multiple regulatory authorities and governed by a combination of statutes and guidelines. Collectively, this framework ensures that consolidation within the banking sector is conducted in a transparent, accountable, and orderly manner. A detailed examination of the relevant legal provisions and regulatory bodies reveals the structured environment within which bank mergers and acquisitions take place.

1. Banking Regulation Act, 1949

The Banking Regulation Act, 1949, serves as the cornerstone of banking regulation in India. Section 44A of the Act specifically governs the voluntary amalgamation of banking companies. Under this provision, a merger scheme must first receive approval from a majority in number representing two-thirds in value of the shareholders of each bank involved. Following shareholder consent, the Reserve Bank of India (RBI) plays a pivotal role by examining and sanctioning the scheme. The RBI's scrutiny ensures that the amalgamation aligns with the broader objectives of financial stability and public interest, while also determining fair

² Naveen Kumar T S and Sureshramana Mayya, 'The Factors Influencing Investors Decision Towards Investment in Banking Sector in India: A Case Study' (2024) 6 *International Journal for Multidisciplinary Research 1* <https://www.ijfmr.com/papers/2024/3/23546.pdf> accessed 1 May 2025.

compensation for dissenting shareholders.³

2. Companies Act, 2013

Corporate restructuring, including mergers and amalgamations, is primarily regulated by the Companies Act, 2013. Sections 230 to 240 of the Act lay down a detailed procedure for mergers involving companies, including banks. The proposed scheme must be placed before the National Company Law Tribunal (NCLT) for approval after securing consent from creditors and shareholders.⁴ The involvement of the NCLT ensures judicial oversight, thereby adding a layer of transparency and safeguarding the interests of all stakeholders involved in the restructuring process.

3. Competition Act, 2002

In an effort to preserve market competition, the Competition Act, 2002, empowers the Competition Commission of India (CCI) to review mergers and acquisitions that exceed prescribed financial thresholds. The objective is to prevent the creation of monopolistic structures that could stifle competition and harm consumers. Banks entering into significant M&A deals must notify the CCI if their combined assets or turnover crosses the specified limits. Additionally, a new "deal value" threshold requires prior approval for transactions exceeding INR 2,000 crore, irrespective of the asset or turnover size, further strengthening regulatory oversight in large mergers.⁵

4. Securities and Exchange Board of India (SEBI) Regulations

For publicly listed banks, mergers and acquisitions must comply with SEBI's Substantial Acquisition of Shares and Takeovers (SAST) Regulations, 2011.⁶ These rules are designed to

³ Jaypee Kensington Boulevard Apartments Welfare Association v NBCC (India) Ltd [2021] 12 SCR 603 (SC) https://digiscr.sci.gov.in/admin/judgement_file/judgement_pdf/2021/volume%2012/Part%20I/2021_12_603902_1702531744.pdf accessed 21 April 2025.

⁴ Mist Direct Sales Private Limited (CA(CAA) – 10/ND/2024) https://nclt.gov.in/gen_pdf.php?filepath=/Efile_Document/ncltdoc/casedoc/0710102020722024/04/OrderChallenge/04_order-Challenge_004_17213920351547801552669a5ba3b244e.pdf accessed 21 April 2025.

⁵ Acuity Law, 'Corporate Yearly Rewind 2024' (28 March 2025) <https://acuitylaw.co.in/corporate-yearly-rewind2024/> accessed 23 April 2025.

⁶ Securities and Exchange Board of India, Substantial Acquisition of Shares and Takeovers Regulations, 2011 (last amended 17 May 2024) https://www.sebi.gov.in/legal/regulations/may-2024/securities-and-exchangeboard-of-india-substantial-acquisition-of-shares-and-takeovers-regulations-2011-last-amended-on-may-172024-_69218.html accessed 21 April 2025.

ensure that acquisitions of significant stakes are conducted transparently, with mandatory disclosures to protect the interests of public shareholders. Acquirers are required to make open offers and disclose their intentions when crossing certain shareholding thresholds, thereby promoting fairness and transparency in the acquisition process.

5. Foreign Exchange Management Act (FEMA), 1999

Given the increasingly global nature of banking operations, cross-border mergers and acquisitions are becoming more common. The Foreign Exchange Management Act (FEMA), 1999, governs such transactions, ensuring that they comply with India's foreign exchange laws. The RBI's Cross Border Merger Regulations, 2018, provide specific guidelines for both inbound and outbound mergers involving Indian banks and foreign entities. Prior approval from the RBI is often required, particularly in cases involving foreign direct investment (FDI) in the banking sector.

Together, these statutes and regulatory frameworks form a comprehensive system that guides mergers and acquisitions in India's banking sector. They ensure that while banks pursue growth, consolidation, and operational efficiencies, the principles of financial stability, competition, and stakeholder protection remain firmly upheld.

Regulatory Approvals and Compliance

Mergers and acquisitions (M&A) in the banking sector are subject to a detailed regulatory approval process to ensure that they contribute to financial stability, preserve market competition, and protect the interests of stakeholders. Several regulatory bodies, including the Reserve Bank of India (RBI), the Competition Commission of India (CCI), the National Company Law Tribunal (NCLT), and the Securities and Exchange Board of India (SEBI), play crucial roles in overseeing and approving these transactions.

• Role of the Reserve Bank of India (RBI)

The Reserve Bank of India (RBI) is the primary regulator responsible for maintaining the stability of the banking sector during mergers and acquisitions. Under Section 44A of the

Banking Regulation Act, 1949⁷, any voluntary amalgamation of banks requires prior approval from the RBI. The central bank evaluates the financial soundness of the merging entities, the impact on depositors, and the overall effect on the banking system before granting its consent. The RBI's role is critical in ensuring that the merged entity continues to operate in a manner that safeguards public confidence and systemic stability. Furthermore, in cross-border mergers involving Indian banks and foreign entities, the RBI's approval is mandatory to ensure compliance with India's broader financial and foreign exchange policies.⁸

• Role of the Competition Commission of India (CCI)

The Competition Commission of India (CCI) ensures that mergers in the banking sector do not lead to unfair market dominance or reduce competition to the detriment of consumers. As per the Competition Act, 2002, mergers exceeding specified thresholds of assets and turnover must be notified to the CCI for prior approval. The commission examines whether the proposed combination would cause an appreciable adverse effect on competition (AAEC) in the relevant market.⁹ If necessary, the CCI may impose modifications on the merger scheme or even block the transaction to maintain a fair and competitive market structure. In this way, the CCI plays a key role in balancing consolidation with healthy competition.

• National Company Law Tribunal (NCLT) Approval

The National Company Law Tribunal (NCLT) acts as the adjudicating authority for the sanctioning of mergers and acquisitions under the Companies Act, 2013. For a banking merger, once approvals from regulators like the RBI and CCI are secured, the scheme of amalgamation must be submitted to the NCLT for final sanction.¹⁰ The tribunal reviews the scheme to ensure that it is fair, legal, and protects the rights of shareholders, creditors, and other stakeholders.

⁷ The Banking Regulation Act, 1949 (India Code)

<https://www.indiacode.nic.in/bitstream/123456789/1885/1/A194910.pdf> accessed 21 April 2025.

⁸ India Briefing, 'Cross-Border M&A in India: 2024 Market and Regulatory Updates' (21 October 2024) <https://www.india-briefing.com/news/cross-border-ma-in-india-2024-market-and-regulatory-updates34873.html/> accessed 19 April 2025.

⁹ Competition Commission of India, 'Frequently Asked Questions' (2025) <https://www.cci.gov.in/faqs> accessed 25 April 2025.

¹⁰ Chadha & Co, 'Regulatory Interventions in M&A – Including CCI, RBI and SEBI' (10 September 2021) <https://www.lexology.com/library/detail.aspx?g=f3f85237-78a9-42fc-8850-c4dc92c49b04> accessed 21 April 2025.

Judicial oversight by the NCLT enhances transparency and prevents any potential abuse of the merger process, thereby adding an important layer of stakeholder protection.

• SEBI Oversight for Listed Banking Companies

When a merger or acquisition involves a publicly listed banking company, the Securities and Exchange Board of India (SEBI) ensures that the transaction is conducted in a transparent manner that protects the rights of minority shareholders. Under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, any acquirer crossing specified shareholding thresholds must make a public announcement and extend an open offer to minority shareholders.¹¹ SEBI also mandates detailed disclosures throughout the merger process, thereby empowering shareholders to make informed decisions and ensuring fairness in the capital markets.

Ministry of Corporate Affairs

The Companies Act, 2013, provides the legal framework for corporate restructuring, including mergers and acquisitions. It outlines the procedural requirements and approvals needed from bodies like the National Company Law Tribunal (NCLT). Under Sections 230 to 232 of the Act, companies can undertake compromises, arrangements, and amalgamations, subject to approval by shareholders, creditors, and the NCLT. The Ministry of Corporate Affairs (MCA) is the administrative authority overseeing the enforcement and amendment of these provisions.¹² It plays a crucial role in prescribing rules such as the *Companies (Compromises, Arrangements and Amalgamations) Rules, 2016*, which detail the procedural framework for M&A transactions. Through its oversight, the MCA ensures compliance with filing requirements (like Form NCLT-1 and Form CAA-2) and facilitates transparency by mandating disclosures in the explanatory statement under Section 230(3). Additionally, it oversees cross-border mergers permitted under Section 234 of the Act and regulated through the *Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2017*. These allow Indian companies to merge with foreign companies in notified jurisdictions, subject to RBI approval. The MCA, through its Real-life merger challenges due to failed due diligence. For

¹¹ Securities and Exchange Board of India, Frequently Asked Questions on SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (March 2022) https://www.sebi.gov.in/sebi_data/faqfiles/mar2022/1648620806406.pdf accessed 21 April 2025.

¹² Ministry of Corporate Affairs, Unified Manual of MCA (Government of India) <https://www.mca.gov.in/content/dam/mca/documents/UnifiedManualofMCA.pdf> accessed 25 April 2025.

instance, an acquisition that later revealed hidden NPAs. E-Governance initiatives and the Central Registration Centre (CRC) also ensure efficient and digital processing of M&A-related approvals and filings.

Insolvency and Bankruptcy Board of India

The Insolvency and Bankruptcy Code (IBC), 2016, facilitates the acquisition of distressed assets and companies, providing a clear and efficient framework for insolvency resolution. The IBBI is established under Section 188 of the IBC as the regulatory authority responsible for implementing and overseeing the Code. It regulates the conduct of Insolvency Professionals (IPs), Insolvency Professional Agencies (IPAs), and Information Utilities (IUs), and ensures adherence to the *IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016*. The IBC allows any financial or operational creditor to initiate a Corporate Insolvency Resolution Process (CIRP) under Section 7 or 9, or the corporate debtor itself under Section 10. Once admitted, the management vests in the Interim Resolution Professional (IRP), and the Committee of Creditors (CoC) evaluates resolution plans, which can include the acquisition or merger of the corporate debtor. These resolution plans must comply with Section 30(2) of the Code and require NCLT approval under Section 31. India's regulatory framework for banking mergers and acquisitions is robust and multitiered, with each authority playing a vital role. The RBI ensures financial stability, the CCI monitors market competition, and the NCLT provides judicial oversight to uphold legality and fairness. SEBI protects investor interests in listed entities, while the MCA ensures procedural compliance under the Companies Act, 2013. Additionally, the IBBI facilitates acquisitions of distressed assets through structured insolvency mechanisms under the IBC. Collectively, these regulators ensure that banking M&As are not only commercially viable but also legally sound, transparent, and aligned with public interest.

Due Diligence and Legal Documentation

The process of mergers and acquisitions (M&A) in the banking sector is far more than a strategic realignment or financial transaction. It is a complex, multi-layered process requiring a meticulous assessment of financial health, operational efficiency, regulatory compliance, and legal soundness. Two critical pillars supporting a successful merger or acquisition are **due diligence** and **robust legal documentation**. These components not only minimize risks but also ensure that the interests of all stakeholders, shareholders, creditors, employees, regulators, and customers are safeguarded throughout the transition.

A prominent real-life challenge in the Indian banking sector was the sudden and steep rise in non-performing assets (NPAs) post-2008, which exposed major gaps in due diligence and asset quality assessments, particularly during large-scale corporate lending and restructuring. Banks, especially PSBs, extended credit aggressively during the boom years of 2006–2008, often relying on borrower-submitted project reports without conducting independent due diligence.¹³

These loans were later found to be unsustainable, leading to exponential growth in NPAs between 2014–2018, following the RBI's Asset Quality Review (AQR). It notes how banks were “pursued by promoters waving cheque books,” with some banks forgoing proper risk assessment in a phase of irrational exuberance.¹⁴ The situation was exacerbated by **regulatory forbearance**, which allowed banks to restructure debt without downgrading asset quality. As a result, when mergers or acquisitions involving such banks occurred later, the acquiring or amalgamated entities often faced unexpected asset deterioration due to previously hidden NPAs. The RBI's 2015 AQR revealed this systemic masking, underscoring how inadequate due diligence prior to restructuring and M&A activity can severely undermine financial stability and erode investor and depositor confidence.

Importance of Due Diligence in Bank M&A

Due diligence is the systematic investigation and evaluation of a bank's business, legal obligations, and financial position before entering into a merger or acquisition. In the banking sector, where institutions are custodians of public funds and are highly regulated, the due diligence process is particularly rigorous and comprehensive.

First and foremost, financial due diligence involves an in-depth analysis of the target bank's balance sheets, income statements, loan portfolios, asset quality, non-performing assets (NPAs), capital adequacy ratios, and overall profitability. This assessment provides the acquiring bank with a clear picture of the financial stability and potential liabilities of the institution it intends to merge with or acquire.

¹³ Ahita Paul, 'Examining the Rise of Non-Performing Assets in India' (PRS India, 13 September 2018) <https://prsindia.org/theprsblog/examining-the-rise-of-non-performing-assets-in-india> accessed 25 April 2025.

¹⁴ Insolvency and Bankruptcy Board of India, Insolvency and Bankruptcy Regime in India: A Narrative (IBBI 2020) <https://www.ibbi.gov.in/uploads/whatsnew/2020-10-01-210733-43cms9224c9b668aac0d6149a5d866bfb4c79.pdf> accessed 25 April 2025.

Beyond financial metrics, legal due diligence is equally critical. This includes the examination of the target bank's compliance with various laws and regulations, scrutiny of ongoing or pending litigation, assessment of contractual obligations, evaluation of employment contracts, and understanding of intellectual property rights and licensing agreements. Regulatory due diligence ensures that the bank has been compliant with guidelines laid down by authorities such as the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), and other financial regulators. Any historical or ongoing regulatory infractions can significantly impact the feasibility of the merger.¹⁵

Operational due diligence focuses on evaluating the target's internal governance structure, risk management practices, technological capabilities, customer service models, and cultural compatibility with the acquiring institution. Misalignment in these areas can cause significant friction during post-merger integration.

Thus, comprehensive due diligence enables the acquiring bank to uncover hidden risks, negotiate better terms, structure the deal effectively, and plan a smoother integration. Failure to conduct thorough due diligence can result in unforeseen liabilities, regulatory penalties, loss of reputation, and even financial collapse post-merger.

Key Legal Documents in Bank Mergers

Following due diligence, the foundation of a legally sound and enforceable merger lies in the careful drafting and execution of various legal documents. These documents formalize the understanding between the parties and ensure compliance with the legal and regulatory framework.

- **Merger Agreement:** The cornerstone document, the Merger Agreement, captures the essential terms of the transaction, the structure of the merger (whether it is a share swap, cash transaction, or asset purchase), the rights and obligations of each party, conditions precedent to closing, representations and warranties, indemnity provisions, dispute resolution mechanisms, and termination clauses. The agreement is a legally binding

¹⁵ Reserve Bank of India, Master Direction – Know Your Customer (KYC) Direction, 2016 (updated 6 November 2024) <https://www.rbi.org.in/commonman/English/scripts/notification.aspx?id=2607> accessed 25 April 2025.

contract that governs the relationship between the merging parties and lays the roadmap for executing the merger.

- **Scheme of Amalgamation:** The Scheme of Amalgamation is a comprehensive document that outlines the legal process by which two entities will merge. It details the transfer of assets, liabilities, and employees, the share exchange ratio, the date of effect, and adjustments in the capital structure. This scheme must be approved by the Board of Directors of the merging entities, their shareholders, creditors, regulatory authorities like the RBI and CCI, and finally sanctioned by the National Company Law Tribunal (NCLT). The Scheme ensures that the merger is conducted fairly and equitably.
- **Share Purchase Agreement (SPA):** In scenarios where the acquisition involves the purchase of shares rather than an outright merger, an SPA becomes critical. This document defines the number of shares to be acquired, purchase consideration, representations and warranties made by the seller about the state of the company, conditions precedent to closing, and indemnification for breaches. An SPA protects the buyer from undisclosed liabilities and sets clear expectations for both parties.
- **Non-Disclosure Agreements (NDA):** Confidentiality is paramount during M&A discussions. An NDA ensures that sensitive information exchanged during the due diligence and negotiation phases remains protected and is not disclosed to unauthorized third parties. It builds trust between the parties and safeguards the competitive interests of the banks involved.

Each of these documents must be crafted with precision, keeping in mind the complex legal environment governing banks. Errors or ambiguities in legal drafting can lead to prolonged litigation, regulatory interventions, and transaction failures.

Challenges and Legal Risks in Bank Mergers

Mergers and acquisitions (M&A) in the banking sector are complex undertakings that involve navigating a myriad of regulatory approvals, safeguarding stakeholder interests, and addressing financial and operational risks. While M&A can lead to enhanced market presence and operational efficiencies, they also present significant challenges and legal risks that require meticulous planning and execution.

1) Regulatory Delays and Compliance Burdens

One of the foremost challenges in banking M&A is obtaining the requisite approvals from multiple regulatory bodies. In India, transactions involving banks necessitate clearances from:

- **Reserve Bank of India (RBI):** Oversees the financial health and stability of the merging entities.
- **Competition Commission of India (CCI):** Assesses the impact of the merger on market competition.
- **Securities and Exchange Board of India (SEBI):** Regulates disclosures and shareholder rights, especially for listed entities.
- **National Company Law Tribunal (NCLT):** Sanctions the merger scheme post approval.

The approval process can be time-consuming, with each body conducting thorough evaluations to ensure that the merger aligns with national interests and regulatory standards. Delays in obtaining these approvals can postpone the merger timeline, affecting strategic plans and market positioning.

2) Shareholder and Minority Protection Issues

Protecting the rights of shareholders, particularly minority stakeholders, is paramount during a merger. The Companies Act, 2013, provides mechanisms for dissenting shareholders to voice objections and seek redressal. However, ensuring fair treatment requires transparent communication, independent valuations, and adherence to the principle of equity. Failure to adequately address minority concerns can lead to legal disputes and reputational damage.

3) Tax Implications and Financial Risks

M&A transactions have significant tax implications that can affect the financial viability of the deal. The Income Tax Act, 1961, under Section 72A, allows for the carry-forward of accumulated losses and unabsorbed depreciation in certain mergers. However, these benefits are contingent upon fulfilling specific conditions. Non-compliance with tax regulations or

improper structuring can result in tax liabilities, penalties, and financial instability for the merged entity.¹⁶

4) Employee and Consumer Protection

Mergers often lead to organizational restructuring, which can impact employees and customers. The Industrial Disputes Act, 1947, mandates the protection of employee rights during mergers, including the transfer of employment and compensation. Additionally, the Contract Labour (Regulation and Abolition) Act, 1970, addresses the implications for contract workers. Ensuring job security, fair compensation, and transparent communication is essential to maintain workforce morale and productivity.

For consumers, maintaining service continuity and safeguarding interests are critical. Regulatory bodies like the RBI and SEBI oversee that consumer rights are upheld during the transition, ensuring that the merged entity continues to meet customer expectations and regulatory standards.¹⁷

In conclusion, while bank mergers present opportunities for growth and consolidation, they are fraught with challenges and legal risks that require careful consideration and management. A thorough understanding of the regulatory landscape, proactive stakeholder engagement, and meticulous planning are essential to navigate these complexities and achieve a successful merger outcome.

Relevant Legal Framework

1. RBI v. Peerless General Finance & Investment Co. (1987 AIR 1023)

Case Summary: The case reaffirmed the Reserve Bank of India's (RBI) significant authority to regulate financial institutions, especially in matters of mergers. It highlights the necessity of RBI approval for mergers, emphasizing the RBI's role as a watchdog ensuring systemic stability.

¹⁶ Maheshwari & Co., 'Legal Insights into Merger & Amalgamation in India: A 2024 Guide' (5 December 2024) <https://www.maheshwariandco.com/blog/merger-amalgamation-in-india/> accessed 28 April 2025.

¹⁷ Lisa Marie Chittilappilly and Dr. Vipin Das R V, 'Protection of Labour Rights in Mergers and Acquisitions in the Indian Banking Sector: Legal Issues and Challenges' (2025) 13(4) International Journal of Creative Research Thoughts c790–c808 <https://ijcrt.org/papers/IJCRT2504335.pdf> accessed 28 April 2025.

Impact on M&A: In the context of M&A, the RBI's role, as outlined in Section 44A of the Banking Regulation Act, becomes critical. The case reinforces the importance of the RBI's oversight in ensuring that mergers do not adversely affect financial discipline, ensuring the process is carried out with a focus on stability and minimizing risks, including those to employees.

2. Indusind Enterprises and Finance Ltd. vs. Indusind Bank Ltd. (2003)

Case Summary: This case confirmed the role of the National Company Law Tribunal (NCLT) under Sections 232 to 234 of the Companies Act, 2013, in authorizing mergers, including those involving banking companies. The Bombay High Court affirmed that NCLT has the final authority to approve merger plans between banking and non-banking entities.

Impact on M&A: This case is significant because it solidifies the jurisdiction of NCLT over corporate mergers, even in the banking sector, and sets out the legal framework for obtaining approval. It underscores the judicial oversight and the need for transparency and due diligence in executing merger schemes.