
JAPANESE FINANCIAL INSTITUTIONS' STRATEGIC ENTRY VIA M&A IN INDIA: ANALYSING PATTERNS EXEMPLIFIED BY THE MIZUHO–AVENDUS ACQUISITION AND RELATED TRENDS IN JAPANESE OUTBOUND CAPITAL TOWARD INDIAN TARGETS

Kushagra Prasad, Gujarat National Law University, Gandhinagar

Uday Shikari, Gujarat National Law University, Gandhinagar

ABSTRACT

India's financial services sector has quietly become one of the most attractive destinations for Japanese outbound capital, and the acquisition of Avendus Capital by Mizuho Financial Group offers a compelling lens through which to examine this shift. This paper investigates why Japanese megabanks, facing a stagnant domestic market, aging demographics, and mounting pressure to improve return on equity, are choosing M&A over greenfield entry as their preferred route into India's fast-growing financial ecosystem.

Using the Mizuho-Avendus deal (valued at approximately \$523 million) as its central case study, the paper unpacks the transaction's governance architecture, regulatory conditions, and the valuation friction that nearly derailed it. The analysis is then widened through a comparison with SMBC's crisis-driven stake in Yes Bank and MUFG's proposed investment in Shriram Finance, revealing how deal motivations and control structures vary meaningfully across Japanese players.

The paper also maps the dual regulatory environment, India's liberalizing FDI framework under FEMA, SEBI, and the Companies Act on one side, and Japan's outbound regime under FEFTA on the other, arguing that this legal architecture simultaneously enables and constrains these transactions. Ultimately, the paper contends that the Indo-Japanese financial corridor is maturing from opportunistic capital deployment into something far more deliberate.

Introduction

The financial services sector in India has established itself as a base for the country's mergers and acquisitions (M&A) markets, exhibiting exceptional strength in the face of global financial uncertainty. By the end of 2025, India's financial markets experienced a surge, with total M&A transactions increasing by approximately 37%. This phenomenon is especially true for Indian markets with respect to financial services. In this context, large-scale foreign investments have become a major force for M&A markets. It has been observed that throughout history, global capital originates from diverse markets. However, a recent phenomenon that can be cited is the shift from traditional caution to commitment among Japanese megabanks with respect to financial services markets.

The rationale behind this surge is linked to a push-pull effect. On one hand, in their home country of Japan, they experience a crowded market environment driven by declining demographics and an increase in return on equity (ROE) demand due to unwanted cross-shareholding. On the other hand, India represents a favourable environment in which an economy is growing very quickly while becoming increasingly formalized. For Japanese players like Mizuho Financial Group, Mitsubishi UFJ Financial Group (MUFG), and Sumitomo Mitsui Financial Group (SMFG), M&As in India represent something beyond just diversification. Growth becomes a necessity that is becoming ever elusive in their home country.

Central to this analysis is the recent landmark acquisition by Mizuho Financial Group, which entered into an agreement to acquire the majority stake of the Avendus Capital investment bank from KKR and other shareholders. Estimated to be worth Rs. 5900 crores, it represents the modern Indo-Japanese financial route. By gaining access to a controlling stake in India's premier investment bank, the company reportedly aspires to bring together contrasting corporate cultures and provide patient capital to grow the multiple businesses of Avendus. Along with other relevant movements, including the significant investment of MUFG in the NBFC space, it forms the rich context of the current trends of the market.

The purpose of this research paper is to evaluate the underlying mechanics of these strategic entry decisions. Several very pertinent questions arise in this context. Firstly, what macroeconomic or internal factors influence Japanese organizations to adopt M&A over greenfield entry in India? Secondly, how are deal structures negotiated in areas like board

composition, veto rights, or operating independence? Finally, what economic value is ultimately created for local stakeholders that enhances the overall Indian financial market? An in-depth analysis of the acquisition deal between Mizuho and Avendus serves to provide insight into the ever-changing legal and business models that are now defining Japanese outbound funds in the 21st century.

Literature Review

This research paper synthesizes a diverse array of legal, regulatory, and commercial sources to analyse the strategic expansion of Japanese financial institutions into the Indian market. The literature cited serves three primary functions: establishing the regulatory landscape, providing granular deal data through financial news, and offering comparative strategic analysis via legal and industry commentaries.

Regulatory and Statutory Foundations

The basic blocks that form the foundation of this research are mainly dependent on primary legal statutes from both India and Japan. The author depends on the Indian Companies Act, 2013, and the Foreign Exchange Management Act (FEMA), 1999, to clearly outline a structured legal framework that impacts cross-border mergers, which is essential for an explanation on how India changed from a restrictive licensing approach to a more permissive framework called an automatic route for attracting foreign direct investments (FDI).

Moreover, the paper invokes the Securities and Exchange Board of India (SEBI) Act, 1992, and the Competition Act, 2002, to elaborate the procedural hurdles and antitrust regulations to be navigated in the case of M&A transactions involving listed entities. As for the Japanese side, the Foreign Exchange and Foreign Trade Act (FEFTA) of 1949, along with the Banking Act, is drawn upon to highlight Japan's free in principle approach to outbound investments and the prudential regulations followed by the Japan Financial Services Agency (JFSA). This set of sources provides the layered regulatory oversight required to assess the viability of the M&A transaction in question.

Case-Specific Commercial Evidence

The paper heavily relies on various financial news sources and corporate reports to obtain data on the central case - namely, the Mizuho-Avendus deal. The reports from The Economic Times

and ETBFSI.com deliver vital information on the exchange - primarily, the total deal value (~\$523 million) and stake acquired (61.6-78.3%). These reports play an integral role in determining the strategic motivations behind two or more entities coming together - especially in regards to Mizuho's objective to fill the missing piece through its acquisition of Greenhill & Co.

Similarly, Reuters and Wikipedia provide deeper background information on the players, suggesting Avendus's growth under KKR's support, as well as Mizuho's position as a global conglomerate in search of refuge from Japan's stagnating domestic environment. This provides real-world business settings concerning the theory of law.

Comparative Strategic Analysis

Finally, the research employs comparative literature from legal journals and industry trackers to contextualize the Mizuho deal against other Japanese entries. References to Nishith Desai Associates and the Journal of International Banking Law and Regulation provide a nuanced look at SMBC's stake in Yes Bank and MUFG's interest in Shriram Finance.

These specialized sources help the author categorize different entry archetypes:

- Mizuho represents a growth-oriented controlling acquisition.
- SMBC reflects a crisis-driven, defensive entry focused on stability rather than operational synergy.
- MUFG illustrates a calculated bet on retail credit via a minority stake.

By integrating these varied sources, the research paper moves beyond a simple deal summary to provide a comprehensive analysis of the nuanced, deal-specific Japanese M&A playbook in India.

Research Methodology

This study utilizes a qualitative case study methodology, combined with a rigorous doctrinal analysis, is used to assess the strategic entry of Japan's financial institutions within the Indian market. The main focus of this research is to conduct a profound analysis of the Mizuho-Avendus acquisition, which is considered a contemporary benchmark to highlight the changing

trends in terms of legal and business models in Japan's outbound investments in the 21st century. To conduct this analysis, this research attempts to propose a multi-dimensional analytical framework that "starts with a rigorous analysis of the interface between two sets of laws, namely, India's ever-evolving outbound M&A laws under the Companies Act, 2013, FEMA, and SEBI, and Japan's outbound investment laws, encapsulated in FEFTA and Banking Act laws."

The core of the study is a case study methodology involving a detailed examination of the Mizuho–Aventus deal terms, governance structures, and valuation discrepancies to provide necessary empirical context. To identify broader market trends, the research further conducts a comparative assessment of other significant transactions, such as SMBC's stake in Yes Bank and MUFG's planned investment in Shriram Finance. This comparison highlights critical variances in deal motivations, ranging from crisis-driven capital defense to strategic bets on retail credit growth and varied control structures.

The analysis is built on a variety of authoritative literature, such as the Competition Act, 2002; RBI prudence rules; India-Japan Double Taxation Avoidance Agreement (DTAA); transactional reports; news reports; official press releases; and secondary literature such as financial journals and expert reports on issues such as cross-cultural integration and risk pricing. However, there are many specific limitation factors involved with such a study. This can be explained by the fact that the study is built heavily on publicly generated information that may or may not bring out all the nuances of private negotiation dialogues. Also, because M&A transactions are inherently private and confidential by nature, there are specific reports that cannot be accessed. Moreover, because Indian and Japanese financial regulations are constantly changing and refining their models, this respective analysis has been undertaken based on the dynamic legal scenario existing till the end of 2025.

Historical and Regulatory Context

The regulatory and historical context framing Japanese financial institutions' strategic entry via M&A in India must be situated within both India's evolving inbound M&A regime and Japan's outbound investment environment. Over the past three decades, Indian law has progressively liberalized to attract foreign direct investment (FDI) and cross-border mergers, creating a structured yet dynamic legal framework for foreign acquisitions. At the centre of India's corporate regulatory regime is the Companies Act, 2013, which supplanted earlier

corporate law and provides a comprehensive statutory base for corporate governance, mergers and acquisitions, and shareholder rights. Under this Act, cross-border mergers require specific approvals from the Reserve Bank of India (RBI), but compliance with foreign investment regulations such as foreign shareholding limits and sectoral caps largely rests on regulatory self-certification by the parties, subject to oversight by appropriate authorities.¹

To this extent, an alternative legislation that has seen its share of amendments is the Foreign Exchange Management Act (FEMA), 1999, which addresses issues related to inward and outward investments, as well as exchange and security transactions. The evolution of FEMA indicates a developing and ever more liberalized stance in India's balance of payments and capital flow policies, supporting foreign acquisitions in both priority and non-priority sectors by regulatory agencies. Along with these regulations, which form a major part of India's M&A regulatory framework, another important legislation, namely, the Securities and Exchange Board of India Act, 1992, addresses mandatory guidelines related to acquisitions, particularly involving listed firms. Furthermore, a more attractive legislation, namely, the Competition Act, 2002, addresses issues related to cross-border deals by granting powers to the Competition Commission of India (CCI) to address anti-competitive concerns in Indian M&A policies.

India's FDI regime has undergone substantial reform to encourage inbound capital, particularly in financial services where foreign participation was historically constrained. Beginning in the early 1990s, the Indian government progressively liberalized FDI caps across sectors, replacing restrictive licensing with automatic routes for investment.² In banking and insurance, these reforms have been incremental: private banks have been permitted up to 74 % foreign ownership, subject to RBI approval and fit-and-proper criteria, and in late 2025 the Indian parliament approved legislation to increase the FDI cap in insurance to 100 %, signalling a growing openness to foreign capital in financial intermediation.³ The RBI continues to review shareholding norms and licensing rules to further facilitate foreign bank entry, though

¹ 'Navigating Inbound M&a in India: An Overview' (Skadden.com 13 August 2024) <https://www.skadden.com/insights/publications/2024/08/navigating-inbound-ma-in-india-an-overview?utm_> accessed 15 January 2026.

² 'How Will India's Policy Reforms and Regulatory Developments Shape Inbound M&a and FDI? | Insight | Baker McKenzie' (Baker McKenzie 2026) <https://www.bakermckenzie.com/en/insight/publications/2024/08/india-policy-reforms-shape-inbound-ma-fdi?utm_> accessed 15 January 2026.

³ Ohri N, 'India's Parliament Approves Bill to Raise Foreign Direct Investment in Insurance to 100%' (Reuters 17 December 2025) <https://www.reuters.com/world/india/indias-parliament-approves-bill-raise-foreign-direct-investment-insurance-100-2025-12-17/?utm_> accessed 15 January 2026.

substantial safeguards, such as caps on voting rights, promoter reduction requirements, and rigorous regulatory scrutiny, remain in place to balance openness with systemic stability.

Sector-specific regulation in financial services illustrates this calibrated approach: foreign acquisitions in banking, insurance, and securities must meet both sectoral caps and supervisory approvals by the RBI, IRDAI (Insurance Regulatory and Development Authority of India), or SEBI, as applicable. In addition to regulatory approvals, inbound M&A deals in financial services typically trigger fit-and-proper assessments and ongoing compliance with prudential norms, reflecting the state's interest in safeguarding depositor interests and market integrity.

Unlike the case of India, in the case of Japan, it can be observed that the regulations related to the deregulation of outbound investment rules have been the focus of Japanese regulation. Under Japanese regulations, which relate to the legal tradition in the case of those regulations by the Japanese government, the main regulation in the case of foreign investments in Japan is the Foreign Exchange and Foreign Trade Act of 1949. The initial regulations related to the Foreign Exchange and Foreign Trade Act of 1949 were primarily intended for the regulation of international transactions to restore balance in the context of national security. However, in the late 20th century, regulations relating to the international transactions of Japan were amended to shift their status from a restricted to a free in principle basis. Unlike the case of FDI, no restrictions can be imposed on outbound FDI.

Japanese financial institutions themselves have firmly established operations under a strong domestic financial regulation structure. The Banking Act, as well as the regulations of the Japan Financial Services Agency (JFSA), ensure that financial institutions have sound governance, capital, and risk management practices, which are fundamental basics of their operations prior to their foreign expansions. Domestic prudential standards affect outbound M&A strategies by shaping capital allocation, risk profiles, and supervisory expectations that apply to cross-border operations. Changes to foreign investment screenings via FEFTA, meanwhile, represent the nuances of the balance between openness and economic security concerns in Japan's foreign investment policy, which could affect key strategic acquisitions by financial institutions linked to Japan's critical industries.

Overall, the liberalization of the Indian regime with respect to inbound M&A and the structured approach to outbound M&A from Japan provide a set of legal circumstances wherein a deal such as the one proposed by the acquisition bid of Mizuho by Avendus is feasible while at the

same time heavily regulated through various degrees of oversight.

The Mizuho–Aventus Transaction

Background of Parties

Aventus Capital is a financial services company based in India, with a presence in over 11 cities and four countries, and is a leading financial services organization. Aventus was founded in 1999 and is based in Mumbai, India. Over time, the organization has built a strong presence in investment banking, wealth management, asset management, and credit solutions. The financial services company specializes in advising corporates on various sectors, along with facilitation in terms of equity raising, private placement, strategic mergers, acquisitions, and more for clients in India's large and growing capital markets. The financial and investment advisory company caters to corporates in India, high-growth entrepreneurs, as well as international investors looking to access Indian opportunities. In a short span of a decade, Aventus has grown with the aid of investments from a large global investor, KKR, which invested in Aventus in 2016 for the first time.

Mizuho Financial Group, Inc. is a major financial service conglomerate in Japan, formed through a merger between three major financial institutions in Japan in the early 2000s. It began operations in Tokyo, Japan, and its services include a wide range of financial services. Among its operations are banking, securities, trust, and asset management, all operated through its subsidiaries, including Mizuho Bank, Mizuho Trust & Banking, and Mizuho Securities. The organization has also taken aggressive steps towards expanding its operations internationally, especially in investment banking and advisory services, to enhance its international presence rather than relying in Japan's stagnant economy. This has seen the financial institution make several acquisitions.

Motivations Behind the Acquisition

The Mizuho acquisition of a controlling stake in Aventus Capital reflects a confluence of strategic drivers shaped by global market dynamics and regional growth trends. At the core is Mizuho's objective to gain deep access to India's fast-growing capital markets, where deal activity, IPO pipelines, and institutional investment demand remain among the highest globally. Indian markets have demonstrated robust economic expansion, driven by high

corporate growth, burgeoning wealth creation, and strong entrepreneurial activity, making local investment banks like Avendus valuable partners for foreign players seeking credible, market-proven platforms. By integrating Avendus, Mizuho gains a direct foothold in India's institutional financial landscape.⁴

For Mizuho Financial Group, this transaction also represents diversification prospects due to Japan's stagnant domestic environment. Japan's current demographic challenge due to aging and its stagnating economy provide minimal potential for revenue growth within its domestic markets. This has led financial institutions based in Japan to look for revenue growth prospects outside their domestic markets. India's robust demographic and respective corporate industry represent lucrative mitigants to these challenges. Another factor that this transaction emphasizes, according to executives at Mizuho, is post-Greenhill synergies. This involves the financial institution's need to complete a strategic transaction in 2023 by acquiring a U.S.-based M&A advisory group named Greenhill & Co. In this instance, India represented a missing piece within Mizuho's global network.

Such sentiments are also likely to receive encouragement through incentives in regulation and markets. For example, it has been observed that the Indian environment is becoming more conducive to foreign investment in financial services to an extent that even its oversight is aimed at facilitating higher-quality global players to add to its capital base, skill sets, and global connectivity. So, it is easier to strike an arrangement in transaction dialogues with foreign investors like Mizuho; Indian players reap the advantages of global standards in every aspect.

Briefly, to recap, there are strategic advantages of the purchase at all three levels, surrounding the bolstering of cross-border advisory capacity, the generation of new revenue streams beyond those found in Japan, and the acquisition of access to one of the world's most dynamic financial markets.

Deal Terms and Structure

Under the announced transaction, Mizuho Securities will acquire between 61.6% and 78.3% of Avendus Capital's equity from existing shareholders, including private equity firm KKR's

⁴ ET BFSI, 'Mizuho to Acquire Majority of Investment Bank Avendus from KKR for around \$523 Million' (*ETBFSI.com* 17 December 2025) <https://bfsi.economicstimes.indiatimes.com/articles/mizuho-to-acquire-majority-of-investment-bank-avendus-from-kkr-for-around-523-million/126029684?utm_> accessed 17 January 2026.

affiliate Redpoint Investments, valuing the deal at up to approximately ¥81 billion (~\$523 million). Upon completion, Avendus will become a consolidated subsidiary of Mizuho Securities, reflecting majority ownership and control over governance and strategic direction.⁵

The governance arrangement envisages continued participation by Avendus leadership during the transition phase; for instance, Avendus co-founder and executive vice chairman continues to hold a share and will remain in his role until the deal closes, subject to approvals. This structure supports continuity of client relationships and internal management stability while enabling Mizuho to align the firm with its global objectives.⁶

Regulatory approvals are critical conditions precedent and include clearance from Indian authorities such as the Reserve Bank of India (RBI), Competition Commission of India (CCI), and the Securities and Exchange Board of India (SEBI), each of which will assess compliance with financial market guidelines, competition norms, and investor protection standards. The deal is also subject to other customary closing conditions, such as shareholder consents, due diligence outcomes, and statutory filings, reflecting the multi-jurisdictional nature of cross-border M&A in financial services.

Value Creation & Strategic Implications

The deal creates immense value for both parties and the overall institutional ecosystem. To Mizuho, Avendus brings depth in market insight and strengthens its origination and execution capabilities in the equity capital markets, M&A advisory, and wealth management services in India—a market where domestic insight and relationships are a key competitive differentiator. The combined global network further allows cross-regional collaboration, co-ordinated deal execution linking India with Asia-Pacific, Americas, and EMEA clients, and a broader product suite capable of capturing cross-border flows.⁷

⁵ ET BFSI, 'Mizuho to Acquire Majority of Investment Bank Avendus from KKR for around \$523 Million' (*ETBFSI.com* 17 December 2025) <https://bfsi.economictimes.indiatimes.com/articles/mizuho-to-acquire-majority-of-investment-bank-avendus-from-krk-for-around-523-million/126029684?utm_> accessed 17 January 2026

⁶ ET Online, 'Japanese Giant Mizuho to Acquire Majority Stake in India's Avendus from KKR' (*The Economic Times* 17 December 2025) <https://economictimes.indiatimes.com/industry/banking/finance/banking/mizuho-to-acquire-majority-of-indian-investment-bank-avendus-from-krk-for-around-523-million/articleshow/126028545.cms?utm_> accessed 17 January 2026.

⁷ ET BFSI, 'Mizuho to Acquire Majority of Investment Bank Avendus from KKR for around \$523 Million' (*ETBFSI.com* 17 December 2025) <https://bfsi.economictimes.indiatimes.com/articles/mizuho-to-acquire-majority-of-investment-bank-avendus-from-krk-for-around-523-million/126029684?utm_> accessed 19 January 2026

From the Avendus side, becoming part of a global financial group offers access to more international clients, funding sources, and technical expertise, particularly for industries such as infrastructure, healthcare, and energy, where cross-border investment interest is increasing. The management has also signaled that they are planning to ramp up their hiring and investing not just in teams that are competent to handle bigger and more complex mandates, but also those that involve multinational corporations.

Legal due diligence and compliance oversight are also key aspects that have an impact on the realization of the overall deal value. It is imperative to note that under Indian corporate and M&A regulations, due diligence must consider sector-specific regulations, shareholder concerns, and enforcement norms. Also, designing a transaction model that addresses antitrust issues, securities regulations, and RBI prudential regulations is critical to successfully addressing concerns of risk mitigation, trust, and the overall integration plan.

Comparative Analysis of Related Japanese M&A in India

Sumitomo Mitsui's Stake in Yes Bank

Another instance is that of Sumitomo Mitsui Banking Corporation (SMBC)'s investment share in Yes Bank, which had to deal with crisis as an entry criterion as opposed to more typical investments, like that with Mizuho Avendus, that focus on wider group synergies. The Japanese bank gained a 4.9% stake in Yes Bank as part of a restructuring package by RBI in 2020 after liquidity issues made it difficult for Yes to meet obligations at that time. The deal also had to pass through a series of regulatory approvals with RBI and also with Competition Commission of India regulations, besides ensuring that a regulatory barrier, being a globally systemic bank, it remains a non-promoter shareholder with Yes Bank. Commentaries have noted several instances that highlight this particular deal as an example of Japan's willingness to use capital as a means to defend counterparties that are vitally significant to Japan itself but not necessarily gain synergies from operations.

MUFG's Strategic Investment in Shriram Finance

Another different but analogous scenario can be observed in relation to Mitsubishi UFJ Financial Group's (MUFG) planned strategic investment in Shriram Finance. According to

reports carried by Reuters, MUFG has been exploring buying a significant minority stake, possibly in excess of multibillion dollars, in Shriram Finance, one of India's largest non-banking financial companies. Unlike the Yes Bank deal, which is driven by crisis-like circumstances, MUFG's planned deal can be seen as part of a carefully crafted bet on retail credit growth in India. Certain legal perspectives on this deal carried by reputed financial journals indicate how MUFG's proposed deal is in line with its long-term strategic initiative to secure higher growth opportunities in Asian economies. The deal would leverage local partners to navigate India's complex NBFC environment.

Comparative Themes

When compared with Mizuho's deal to acquire a controlling stake in Avendus Capital, a comparison of these deals generates elements of similarity as well as dissimilarity between outbound M&A deals made directly from Japan. Apparently, beyond just risk diversification, SMBC, MUFG, and Mizuho are all currently motivated by a quest for yield as well as wanting to leverage India's regulatory-friendly environment together with strong consumption growth prospects. However, with regard to this, a major element of dissimilarity between all deals lies in terms of controlling stake, as evidenced by the fact that Mizuho targeted a majority stake and operational integration of Avendus Capital, as well as SMBC preferring to become a passive, non-promoter of Yes Bank to avoid regulatory issues altogether.

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Key Legal Challenges and Deal Risks

The strategic entry of Japanese financial institutions into India through mergers and acquisitions is frequently obstructed by structural legal obstacles, including valuation

discrepancies and stringent regulatory oversight. The recent Mizuho-Avendus acquisition exemplifies how valuation discrepancies and negotiation obstacles can extend the duration of deal finalization. The transaction encountered substantial delays due to discrepancies in valuation estimates between Mizuho and the sellers, including KKR, as well as intricate negotiations about exit rights for minority shareholders.⁸ These disputes often intersect with regulatory constraints, as the Foreign Exchange Management Act, 1999⁹, mandates that non-resident acquirers cannot purchase shares of an Indian company at a price lower than the fair market value determined by internationally accepted pricing methodologies.

Moreover, RBI and industry-specific regulatory challenges present significant entrance obstacles. Japanese acquirers pursuing Non-Banking Financial Companies (NBFCs) or banks must adhere to the obligatory “fit and proper” requirements for promoters. The Reserve Bank of India imposes rigorous regulation on control changes, frequently necessitating prior consent for acquisitions surpassing designated shareholding limits, potentially leading to extended due diligence concerning the ultimate beneficial ownership and capital adequacy of the acquirer.

Large-ticket transactions must navigate the Competition Commission of India's notification regime in the domain of competition and foreign investment scrutiny. The transaction necessitates a comprehensive merger review to prevent any significant adverse impact on competition in the Indian financial services market if the combined assets or turnover of the parties exceed statutory thresholds, notwithstanding *de minimis* exemptions.¹⁰

Additionally, cross-border compliance and tax considerations remain critical. Japanese investors must navigate the India-Japan Double Taxation Avoidance Agreement (DTAA) to mitigate withholding tax liabilities, while simultaneously addressing potential risks under the General Anti-Avoidance Rules (GAAR) and indirect transfer provisions if the underlying asset value is substantial.¹¹

⁸ ET BFSI, ‘Mizuho’s India Deal with Avendus Is Said to Stall on Valuation’ (ETBFSI.com 4 September 2025) <<https://bfsi.economicstimes.indiatimes.com/news/financial-services/mizuho-financials-acquisition-of-avendus-capital-stalls-over-valuation-disputes/123695090>> accessed 29 January 2026

⁹ Foreign Exchange Management Act 1999

¹⁰ NEXGENO, ‘Ahlawat Associates’ (<https://www.ahlawatassociates.com> 27 January 2025) <<https://www.ahlawatassociates.com/blog/cross-border-mergers-and-acquisitions-in-india-key-legal-challenges-and-solutions-for-global-corporations>> accessed 29 January 2026

¹¹ Nishimura & Asahi, ‘Taxing Offshore Transfers – India Income Tax Implications to Drafting’ (2023) Asia Newsletter 2 https://www.nishimura.com/sites/default/files/newsletters/file/asia_230705_2_en.pdf accessed 29 January 2026.

Discussion and Interpretation

The increase of Japanese outbound capital directed at Indian financial objectives, as demonstrated by the Mizuho-Avendus transaction, signifies a fundamental transition from opportunistic investments to long-term strategic integration. This trend is influenced by a certain “push-pull” economic dynamic. Japanese financial institutions are encountering saturation domestically and are under pressure from the Tokyo Stock Exchange to enhance Return on Equity (ROE) and dissolve cross-shareholdings, necessitating the allocation of surplus capital in high-growth regions.¹²

Conversely speaking, India offers a “*strategic growth market*” characterized by rapid credit expansion and a digitizing financial ecosystem, which aligns with the Japanese mandate to transition from traditional lending to fee-based services like investment banking and wealth management.¹³

The Mizuho-Avendus transaction interprets a critical evolution in deal terms: the adoption of a “*hybrid governance*” model. Unlike historical failures where foreign acquirers struggled with cultural integration (e.g., Daiichi-Ranbaxy), Mizuho’s decision to acquire a controlling stake (approx. 65-70%) while retaining the founding leadership signals a sophisticated approach to value creation. It balances Japanese balance sheet strength with Indian operational agility. However, the friction observed in valuation negotiations, stemming from disagreements on minority exit rights and future growth projections, highlights the persistent challenge of “*risk pricing*” in Indian assets, where high promoter expectations often clash with the conservative due diligence of Japanese acquirers.¹⁴

The legal framework acts as both a catalyst and a constraint in these transactions. The Reserve Bank of India’s evolving stance, evidenced by its approval of SMBC’s significant stake acquisition in Yes Bank, indicates a policy shift toward permitting higher foreign ownership in

¹² Morgan JP, ‘Global Dealmaking Trends 2025: M&A, IPOs, Private Credit & AI’ (Jpmorgan.com2024) <<https://www.jpmorgan.com/insights/banking/global-dealmaking-trends-driving-growth>> accessed 2 February 2026

¹³ Rurash Financials, ‘Mizuho Looks to Wrap up Avendus Deal This Week - Rurash Financials Private Limited | Unlisted Equity Investments in India, Leading Stock Brokers and Stock Dealers in India’ (Rurash Financials Private Limited | Unlisted Equity Investments in India, Leading Stock Brokers and Stock Dealers in India15 December 2025) <<https://rurashfin.com/mizuho-looks-to-wrap-up-avendus-deal-this-week/>> accessed 2 February 2026

¹⁴ ‘Avendus and Mizuho Announce Strategic Partnership to Power Growth and Expand Global Capabilities’ (Avendus.com2025) <<https://www.avendus.com/india/newsroom/avendus-and-mizuho-announce-strategic-partnership-to-power-growth-and-expand-global-capabilities>> accessed 2 February 2026

sensitive financial sectors to ensure capital stability. Yet, strategic outcomes are heavily influenced by rigid compliance norms. The emphasis on “*fit and proper*” criteria for promoters and the pricing guidelines under FEMA often necessitate complex deal structures, such as phased acquisitions or the use of put/call options, to align regulatory compliance with commercial objectives.

Broader Implications necessitates a re-evaluation of corporate law mechanisms concerning cross-border integration. As Japanese investors increasingly take “*strategic but minority*” or “*controlling but non-operational*” positions, the enforcement of Shareholder Agreements (SHAs), particularly veto rights and affirmative vote matters, becomes paramount for investor protection. Future regulatory reforms may need to address the friction between the ease of doing business and the stringent scrutiny of beneficial ownership to foster deeper integration in the Indo-Japan financial corridor.