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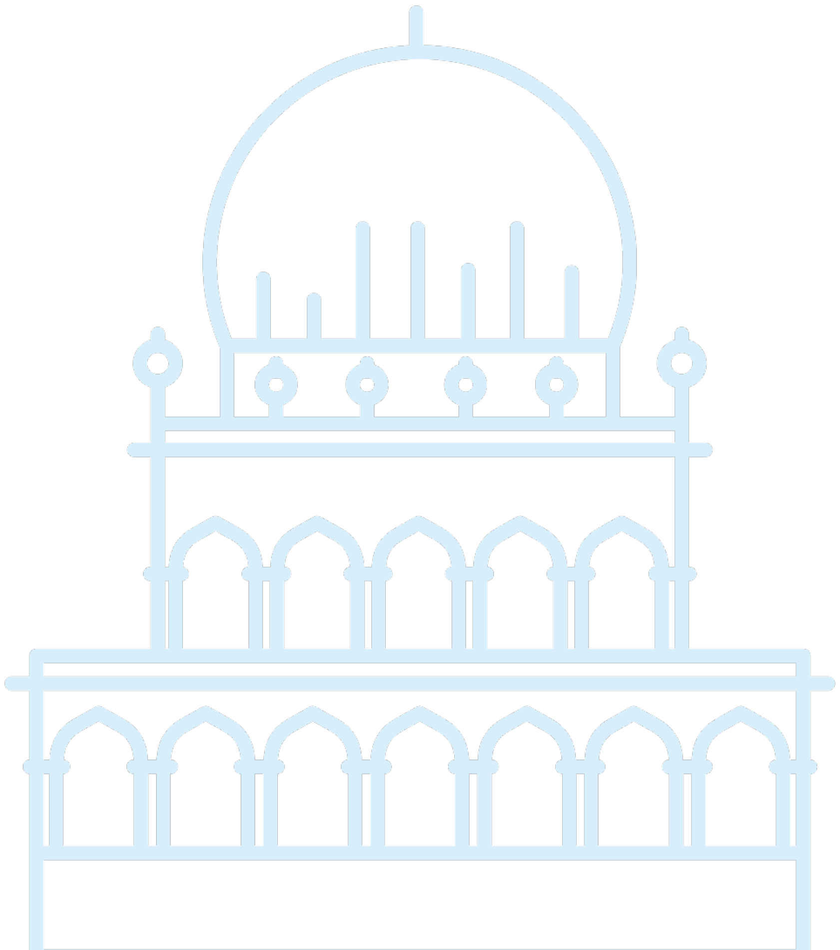
30 JUNE 2025 / Issue-8

HyMA

An update on Hyderabad Mergers & Acquisitions

A fortnightly E-Newsletter from Lakshmikumaran & Sridharan Attorneys

INDIA



Artistic Representation of Qutb Shahi Tombs Golconda, Hyderabad, India

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Mergers and Acquisitions in India's Education Sector

The Indian education sector has, in recent years—particularly in the post-COVID-19 context—witnessed a notable uptick in merger and acquisition (M&A) activity. Prior to the pandemic, mergers and acquisitions in the education sector were mostly centred around tutoring centres and franchised school systems. Now, the landscape has evolved significantly, with activity extending to private equity-led school takeovers, international university collaborations, ed-tech sector consolidation, and innovative hybrid models that blend digital platforms with traditional classroom learning. This accelerated digitisation of learning, increased investor interest, and the progressive corporatisation of educational services have led to consolidation across various verticals, including pre-school and K-12, test preparation, higher education, edtech, and vocational training. However, from a legal standpoint, in India education is not classified as a conventional commercial activity. However, transactions in this space are to be carefully considered and tailored structuring to address regulatory, corporate, and foreign investment requirements.

What is significant in the operations of the pre-school and K-12 segment is the nature of the institutions, since Indian education regulations permit only not-for-profit entities — such as societies, public trusts, or Section 8 companies under the Indian Companies Act, 2013 — to establish and operate educational institutions. A significant portion of entities operating currently are constituted as not-for-profit organisations, therefore entities are not governed by principles of shareholding and do not permit distribution of surplus. For instance, Section 8(1)(b) and (c) of the Companies Act, 2013 mandates that such companies apply their profits solely towards their stated charitable objects and prohibits the payment of dividends.

Given their non-commercial legal structure and absence of share capital, these entities cannot be acquired in the conventional manner through equity transfer or business acquisition; accordingly, investment is structured suitably to ensure compliance with regulations. The applicable regulatory framework for educational institutions involves, Companies Act, 2013, Competition Act, 2002, Board specific regulations such as CBSE, ICSE or state board affiliation, state specific educational legislations (if any) and the applicable societies or public trust legislation (as may be applicable).

In respect of foreign investments, the foreign direct investment (FDI) regime under the FEMA (Non-Debt Instruments) Rules, 2019 imposes further structuring constraints. While FDI up to 100% is permitted under the automatic route in education services—including online education, test preparation, and skill development—FDI is expressly prohibited in entities directly engaged in providing formal school education. Therefore, such regulatory implications are to be factored in. As such, cross-border transactions are typically executed at the level of holding companies, intermediate service providers, or edtech platforms, rather than the core educational institutions themselves.

Increasing urbanisation, global awareness and a rising young population only accelerates the demand for quality education that is on par with international standards. Further, the scale of the appropriate demographic enhances the criticality of need for improved educational institutions that can meet the needs of urban and rural India. Currently, the pre-school and K-12 segment largely comprises of unbranded and independent institutions. However, the emergence of franchise model of schools and pre-schools has heavily aided the spread of standardised education to semi-urban and rural India, particularly franchised pre-schools have significantly increased theirpresence in non-urban areas in comparison to the K-12 segment. This market penetration of franchise models in pre-schools has further piqued investor interest due to which India has seen a rise in M&A activity in the last decade.

In conclusion, while the education sector presents certain legal and regulatory complexities not commonly encountered in other commercial sectors, M&A activity remains feasible and increasingly prevalent. With appropriately structured transactions—aligned with company law, sectoral regulations, and foreign investment rules—consolidation and private capital participation can be successfully implemented in the evolving Indian education landscape.

GMR Hyderabad Airport to acquire full control of logistics JV for INR 41cr

GMR Hyderabad International Airport Ltd (GHIAL) has announced the acquisition of the remaining 70% stake in ESR GMR Logistics Park Pvt Ltd for approximately INR 41 crore, making it a wholly owned subsidiary. The logistics park, originally a joint venture, is situated within the Hyderabad airport's Aerotropolis zone. With this move, GHIAL aims to expand its warehousing and logistics footprint as part of a broader strategy to develop non-aero commercial infrastructure around the airport, supporting regional trade and economic activity.

[*Source*: Business Standard, 27 June 2025]

Utopia secures $1.5 mn from Whale Tank to develop obesity vaccine

Hyderabad-based biotech firm Utopia Therapeutics has raised $1.5 million (approximately INR 12.75 crore) in a seed funding round led by Whale Tank Biocatalyst Fund. The capital will accelerate preclinical development of UT009, a pioneering immunotherapy vaccine aimed at preventing obesity by targeting lipid-associated antigens. It will also support regulatory toxicology studies, IND-enabling activities, and preparations for Phase I clinical trials.

[*Source*: Business Standard, 24 June 2025]

Brihaspathi Tech raises $10 million; mulls IPO next year

Brihaspathi Technologies, a Hyderabad-based firm specializing in AI-powered surveillance and security systems, has raised $10 million from foreign institutional investors and strategic partners. The funds will be used to establish a new 72,000 sq ft CCTV manufacturing facility in Hyderabad and to hire over 400 professionals. The company recently secured a significant contract with the Maharashtra State Road Transport Corporation to deploy AI-enabled CCTV systems across its transport network. With over 1.2 million cameras already deployed nationwide for clients including the BSF, Election Commission, and NEET authorities, Brihaspathi is also planning an IPO in FY 2026–27 to fund further R&D, product innovation, and capacity expansion.

[*Source*: The Hindu Business Line, 26 June 2025]

Entain India opens GCC in Hyderabad with 3,400 employees

Entain India has inaugurated a new Global Capability Centre in Hyderabad, marking its first such hub outside the UK, and has onboarded approximately 3,400 employees. The centre will support global operations across engineering, business services, data analytics, and technology functions. This expansion aligns with Entain's strategy to enhance its digital transformation and deliver scalable, tech-driven solutions, while leveraging Hyderabad's deep pool of skilled tech talent.

[*Source*: The Hindu Business Line, 27 June 2025]

Quantum Energy expands manufacturing plant in Hyderabad to meet EV demand

Quantum Energy Ltd, a Hyderabad-based electric two-wheeler startup, has expanded its Maheshwaram manufacturing facility to a sprawling 2.4 lakh sq ft net-zero premises capable of producing 2 lakh units annually.

The upgraded plant will serve its existing models—Plasma, Milan, Bziness—as well as upcoming launches tailored to Indian conditions.

[*Source*: Business Standard, 9 June 2025]

Regulatory Landscape

Master Direction - Reserve Bank of India (Electronic Trading Platforms) Directions, 2025

The Reserve Bank of India, under Section 45W of the RBI Act, has issued a revised Master Direction on Electronic Trading Platforms (ETPs), dated 16 June 2025, superseding the earlier 2018 directions. The Direction aims to enhance transparency, efficiency, and systemic integrity in financial markets. It mandates that all ETPs must obtain specific authorisation from the RBI. Operators are required to have a minimum net worth of INR 5 crore, robust technological infrastructure, and relevant market experience. The Direction also outlines detailed norms on governance, algorithmic controls, system resilience, data storage (for at least 10 years), surveillance mechanisms, and periodic reporting to RBI. The RBI retains powers to inspect, audit, or revoke authorisation if conditions are breached.

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