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# HyMA

An update on Hyderabad Mergers & Acquisitions

A fortnightly E-Newsletter from  
Lakshmikumaran & Sridharan Attorneys

INDIA



Artistic Representation of  
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## Retaining Founders: The rise of ‘Rollover Equity’

In the Indian M&A landscape, particularly in private equity-led acquisitions of founder-driven companies, retaining the founders post-transaction has become increasingly important. Founders often embody the institutional knowledge, customer relationships, and operational control that are critical to a business’s continuity and future growth. To address this, acquirers have traditionally relied on mechanisms like earnouts, where part of the purchase consideration is deferred and paid only if the company meets certain performance targets. Earnouts function as an incentive for the founder to stay engaged during a transitional period, ensuring short-term alignment.

However, earnouts are contractual and time bound. Once the earnout period ends, the founder has little ongoing stake in the future of the business unless separately incentivised. They are also prone to disputes around performance metrics and accounting treatment. As an alternative, a more enduring and equity-aligned structure has begun to gain traction in Indian deals which is ‘rollover equity’.

‘Rollover equity’ allows the founder to continue as a stakeholder in the business even after selling a majority or controlling interest. Instead of receiving the entire consideration in cash, the founder retains or reinvests a portion of his/her shareholding into the acquirer or a newly formed holding company. This gives the founder an ownership interest in the post-acquisition structure, allowing them to participate in the long-term upside of the business alongside the new investor. Importantly, this continuing

economic stake acts as a powerful enabler for founders to remain invested—not just financially, but also operationally—after the sale.

‘Rollover equity’ aligns with the founder’s interests with those of the acquirer on a broader and longer time horizon. Founders are no longer merely service providers fulfilling transition obligations—they are co-owners of the restructured business, with real capital at stake. This deeper alignment results in greater commitment, smoother integration, and a more stable leadership structure post-acquisition. In India, this concept is gaining traction, especially in sectors where businesses are built around founder leadership and where acquirers prefer not to disrupt the existing operating model too abruptly.

‘Rollover equity’ structures have been increasingly observed in private equity-backed control deals, where investors seek both ownership and continuity. There are two primary ways in which ‘rollover equity’ can be structured. One is through a share swap, where the promoters exchange their shares in the target company for shares in the acquiring company or a holding company used for the acquisition. The other is a reinvestment structure; the promoters sell their shares and reinvest part of the proceeds into the acquirer. Both structures result in the promoters becoming shareholders of the acquirer, which may hold the target company directly or through a layered structure.

From a legal perspective, rollover equity in domestic transactions must comply with the provisions of the Companies Act, 2013, particularly in relation to share issuances, valuations, and board and shareholder approvals. If the acquiring company is issuing shares to promoters as consideration for their shares in the target, it must do so in accordance with Section 42 or Section 62 of the Act, depending on the mode of issuance. This includes complying with pricing guidelines, filing private placement offers, if applicable, and conducting a valuation from a registered valuer to determine the fair value of shares being issued.

Governance rights for promoters holding ‘rollover equity’ are also important. The promoters as they become minority shareholders in the acquirer or hold company, they negotiate shareholder rights—such as board

seats, information access, or veto rights particularly concerning the target company, to retain influence in key decisions during the transition and scaling phases.

In conclusion, ‘rollover equity’ offers a middle path between a full exit and continued operational management. For acquirers, it provides continuity and reduces integration risks. For founders, it offers not only partial liquidity but also a way to get meaningfully involved in the long-term journey of the business they built—with equity, not just employment, as the anchor. They can also get benefited in future from the sale of the equity. Its adoption also reflects the growing maturity of India’s dealmaking landscape, where full exits are no longer always viewed as necessary or desirable at the first stage of acquisition.

## Defence-tech startup Zebu raises \$1M in pre-series A round

Zebu Intelligent Systems, a Hyderabad-based defence technology startup, has secured \$1 million in a pre-Series A funding round led by Bluehill VC. The capital infusion is intended to accelerate the transition of four of Zebu's mission-critical drones from prototype development to deployment in active military operations. This strategic move reflects a growing focus on indigenous defence innovation and aligns with India's 'Make in India' initiative, which promotes self-reliance in critical sectors such as defence.

[Source: [The Hindu BusinessLine](#), published on 8 May 2025]

## Ekincare raises strategic investment from pharma giant MSD

Hyderabad-based digital health startup Ekincare has secured a strategic investment from MSD IDEA Studio Asia Pacific, an innovation initiative by pharma giant Merck & Co. ('MSD'). Although the deal size remains undisclosed, the investment falls within the digital health sector, specifically focusing on AI-driven healthcare solutions. This pre-Series-C funding round also saw continued backing from existing investor HealthQuad.

[Source: [The Economic Times](#), published on 29 April 2025]

## Aster Healthcare's acquisition of CARE Hospital's Quality Care India Ltd.

Aster DM Healthcare has completed the acquisition of a 5% stake in Quality Care India Ltd. ('QCIL') from BCP Asia II TopCo IV Pte. Ltd. and Centella Mauritius Holdings through a share swap valued at approximately INR 849 crore, with no cash outflow. Operating in the healthcare sector, this deal marks the first step in merging Aster DM Healthcare and QCIL into Aster DM Quality Care Ltd., creating one of India's top three hospital chains with over 10,150 beds across 38 hospitals. The merged entity, jointly controlled by Aster promoters and BCP Asia, is expected to generate INR 7,300 crore in revenue and INR 1,400 crore in EBITDA, aiming for significant growth and market leadership.

[Source: [Moneycontrol](#), published on 30 April 2025]

## Specialty Healthcare Deal Approved: TPG & GIC consolidate AINU and Rhea Healthcare

The Competition Commission of India (CCI) has approved a multi-layered deal involving global investment firm TPG's growth funds, South India-based healthcare services provider Asian Institute of Nephrology and Urology ('AINU'), and other entities. The deal consolidates specialized healthcare services in India, involving several entities backed by global

investment firms TPG Growth and GIC. Specifically, consolidation of, Asia Healthcare Holdings ('AHH'), a healthcare investment platform jointly owned by TPG and GIC, is acquiring or merging operations with the Hyderabad based AINU – a hospital chain specializing in urology and nephrology and Rhea Healthcare – which runs maternity and child care hospitals in India. Though the deal size remains undisclosed, it falls within the healthcare services sector and this strategic move is expected to strengthen and scale specialized healthcare delivery across India.

[Source: [Business Standard](#), published on 15 April 2025]

## GDAI, SEPC sign pact to boost gaming industry

The Game Developers Association of India ('GDAI'), headquartered in Hyderabad, has signed a strategic Memorandum of Understanding (MoU) with the Services Export Promotion Council ('SEPC') at the World Audio Visual and Entertainment Summit 2025 in Mumbai to strengthen India's gaming and esports industry. The partnership focuses on boosting

collaboration in areas like software development, immersive Technologies and AI, while also supporting startups, promoting exports, and enhancing skill development. Although the MoU was signed in Mumbai, Hyderabad remains central to this initiative, given its status as a key hub for gaming, with GDAI's base and major industry events like IGDC held in the city.

[Source: [The Hindu BusinessLine](#), published on 7 May 2025]

## TCS Hyderabad lease deal

Tata Consultancy Services (TCS) has signed a major 15-year lease for over one million sq. ft. of office space in Hyderabad's Financial District, marking one of the city's largest commercial real estate deals. The lease, valued at INR 52.44 crore annually with a 12% yearly escalation, covers all 19 floors of a Grade-A building owned by Rajapushpa Asset Management LLP and Paradigm Corporation. TCS has also made a six-month security deposit of INR 26.2 crore, further underscoring the scale and seriousness of the transaction.

[Source: [The Economic Times](#), published on 6 May 2025]

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