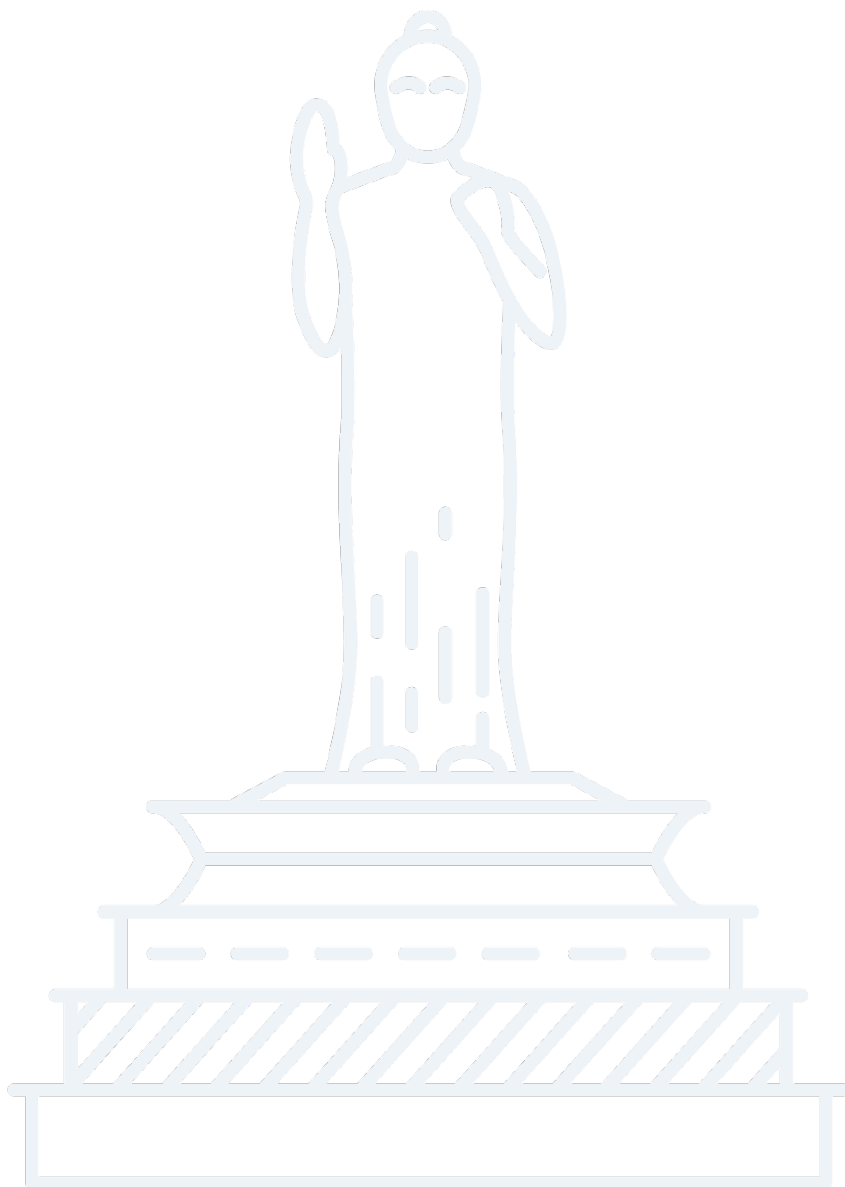




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HyMA

An update on Hyderabad Mergers & Acquisitions

A fortnightly E-Newsletter from
Lakshmikumaran & Sridharan Attorneys

INDIA

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Leveraged Buyouts in India

A Leveraged Buyout ('LBO') is a financial strategy where an investor, typically a private equity (PE) firm, acquires a company primarily using borrowed funds, with the target company's assets or cash flows used as collateral to secure or repay the debt. The key appeal of an LBO lies in minimizing equity while maximizing return on investment, taking the risk that the business performs well post-acquisition. While LBOs have been a mainstream investment tool in the West since the 1980s, their evolution in India has been cautious, creative, and constrained by legal and regulatory barriers.

In an LBO, the acquirer usually sets up a special purpose vehicle (SPV) and contributes a small portion of equity, raising the remainder through loans or debt instruments. After the acquisition, the target's revenue is used to repay this debt. This structure benefits the acquirer through 'leverage', increasing returns if the company grows while also transferring a significant portion of the financial risk to the acquired entity.

One of the earliest and most instructive examples of an LBO-style deal in India was the acquisition of Tetley by Tata Tea (now Tata Consumer Products). While the transaction was not structured as a textbook LBO, the deal closely resembled one in its economic logic. Tata Tea contributed only a small amount in equity, while the remaining significant amount was financed through debt—largely borrowed overseas by an SPV. The acquisition was funded without relying on Tetley's assets pre-acquisition, but once the takeover was complete, the debt was serviced through Tetley's earnings. This strategic move gave Tata access to global markets and

highlighted how Indian firms could creatively leverage financial structuring to fund large global deals.

The expansion of LBOs faces significant legal and institutional barriers in India. One of the principal barriers stems from Section 67(2) of the Companies Act, 2013, which prohibits public companies, from providing direct or indirect financial assistance for the purchase of their own shares or those of their holding companies. However, it's important to note that private companies are not subject to Section 67(2). This means that, in principle, LBOs are legally permissible for such private companies, provided other regulatory conditions are met.

However, an exception exists for outbound LBO-style deals. Under Clause 2.3.1.12 of the RBI's Master Circular on Loans and Advances, banks are permitted to finance Indian companies acquiring equity in overseas joint ventures, wholly owned subsidiaries, or even unrelated foreign companies, provided such acquisitions qualify as strategic investments. The loan given by the bank must comply with Section 19(2) of the Banking Regulation Act, 1949, and be guided by a board-approved policy that sets limits and eligibility criteria. While this provision does not apply to domestic LBOs, it opens a pathway for outbound acquisitions, demonstrating a contrast in regulatory treatment based on jurisdiction.

It is to be noted that for the purpose of LBOs in India, the External Commercial Borrowings (ECBs), regulated by the RBI's 2019 Master Direction, could have offered a potential route for financing LBOs in India,

especially in private deals. However, under the automatic route, ECBs cannot be used directly for equity investments, or for acquiring shares. However, a way through which LBOs can be practiced in India is Non-Banking Financial Companies (NBFCs). Unlike banks, NBFCs are not explicitly barred from financing share acquisitions or changes in corporate control, making them more flexible partners for structuring leveraged transactions. However, NBFC funding comes at a higher cost and is governed by the NBFC Master Directions issued by the RBI, which impose exposure limits, asset-liability guidelines, and enhanced due diligence, especially in deals involving control shifts.

In conclusion, LBOs in India are still limited by legal and regulatory restrictions, especially for public companies and deals involving a change in control. As the government works to ease regulatory compliances and expand financing options, LBOs can become a more common way to invest in India's fast-paced economy.

Mapmygenome acquires Canada-based Microbiome Insights

Mapmygenome, a Hyderabad-headquartered AI-driven genomics and personalized health company, has acquired Canada-based CRO Microbiome Insights, including its CAP-accredited laboratory and intellectual property, to strengthen its expertise in microbial sequencing and microbiome analytics. While financial terms were not disclosed, the acquisition provides Mapmygenome with advanced capabilities in metagenomics, transcriptomics, and targeted metabolomics, and includes access to over 1,000 completed studies for more than 600 clients. This strategic move accelerates Mapmygenome's entry into the North American market and fortifies its integrated genomics and microbiome testing services ahead of its planned public listing in India.

[Source: [The Times of India](#), 29 May 2025]

Frinks AI secures \$5.4 Million in pre-series A round led by Prime Venture Partners

Frinks AI, a Hyderabad-origin deeptech startup founded by IIT Hyderabad alumni Aditya Agrawal, Dharmgya Sharma, and Subhra Shankha Bhattacharjee, has raised \$5.4 million in a Pre-Series A funding round. The round was led by Prime Venture Partners with participation from Chiratae Ventures, Navam Capital, and Ashok Atluri, bringing Frinks's total funding to approximately \$6.25 million. Frinks AI's vision-based quality-control systems, deployed across over 1,000 production lines in sectors such as automotive, medical devices, construction, and consumer goods, operate *via*

a no-code platform that enhances defect detection and operational efficiency.

[Source: [The Economic Times](#), 27 May 2025]

Hyderabad-based AI firm plans overseas acquisition and FCCB fundraising following stock split

Blue Cloud Softech Solutions, a Hyderabad-based AI company with FIIs holding approximately 22% stake, is considering an overseas acquisition and intends to raise capital through Foreign Currency Convertible Bonds (FCCBs) following a recent stock split. The company's board has approved the proposal, which will be put to shareholders at an extraordinary general meeting, as it seeks to accelerate its global expansion and strengthen financial resources for future growth.

[Source: [ET Now Digital](#), May 18 2025]

IKF Finance raises INR 1,465 crore in funding led by Norwest to expand lending operations

Hyderabad-based IKF Finance has secured INR 1,465 crore (approximately \$172 million) in a funding round led by Norwest Venture Partners, which contributed over INR 850 crore through a mix of primary infusion and secondary stake purchase. Existing investor Motilal Oswal Alternates also

participated in the round. The funds will be used to scale IKF's operations, enhance its technology infrastructure, and expand its lending portfolio across commercial vehicle, MSME, and affordable housing segments. IKF currently manages a loan book of INR 6,700 crore across nine states.

[Source: [Mint](#), 15 May 2025]

Telangana Govt clears ₹8,528 cr investment by Hyundai in Zaheerabad

Hyundai Motor Company has received approval from the Telangana government for INR 8,528 crore investment to establish its Global Innovation Research and Development Centre in Zaheerabad's National Investment and Manufacturing Zone. Spread over 675 acres, the facility will feature an automotive test track, pilot production line, and prototyping systems, and is projected to generate approximately 4,276 direct jobs.

[Sources: [The Hindu BusinessLine](#), 26 May 2025]

Tata and Dassault Aviation partner to manufacture Rafale Fuselages in Hyderabad

Tata Advanced Systems Limited (TASL) has entered into a deal with Dassault Aviation to manufacture fuselages for Rafale fighter jets at a new facility in Hyderabad. The agreement, signed under four Production Transfer Agreements, marks the first time Rafale fuselages will be built outside France. Production is expected to begin in the financial year 2028, with the facility delivering up to two fuselages per month to support both Indian naval requirements and global markets.

[Source: [The Economic Times](#), 6 June 2025]

Contact Us

Any query relating to the subject of this Update may be directed to:

Noorul Hassan, Partner, Corporate and M&A

E-mail: noorul.hassan@lakshmisri.com

You can also contact us at:

Lakshmikumaran & Sridharan Attorneys

'Hastigiri', 5-9-163, Chapel Road, Opp. Methodist Church, Nampally,

Hyderabad 500 001 Phone: 040-2323 4924

E-mail: Lshyd@lakshmisri.com

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