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MERGING FOR INNOVATION: THE ROLE OF M&A IN ACCELERATING INDIA'S AI AND DEEP TECH GROWTH STORY

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ABSTRACT

Indian companies have turned to Mergers and Acquisitions (M&A) as a strategic tool to obtain the state-of-the-art experience in artificial intelligence (AI) and other deep technologies. This paper reviews the trend of policy reforms and the market in India and how these factors are affecting consolidation in these industries and the potential impact on innovation. It is based on a synthesis of doctrinal analysis (statutes, policy documents, competition orders) with the secondary literature and the comparative regulatory review of the recent trends in Indian tech M&A and the analysis of the major drivers. We discover that governmental programs such as the India AI Mission, a proposed Deep Tech Fund, the draft National Deep Tech Startup Policy, and new data legislation (e.g. the Digital Personal Data Protection Act 2023) are devoted to the fortification of the local AI/deep-tech sector and the initiation of scale-up. All in all, M&A offers both potentials and threats to the AI and deep tech development in India. We combine policy impacts, scholarly literature, and international precedents (EU Digital Markets and AI Acts, US guidelines) in order to provide subtle conclusions on how M&A can be used to drive innovation without compromising competition and security.

Keywords: Mergers and Acquisitions, Artificial Intelligence, Deep Tech, India, Innovation, Technology Policy, Ecosystem, Regulation.

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INTRODUCTION

The combination of complementary assets, talent and markets in technology mergers and acquisitions (M&A) can accelerate the innovation process[2]. With the fast-paced technology industry in India, M&A is becoming a major pathway that companies adopt to gain AI, cloud, semiconductor and other deep-tech solutions to compete internationally. The Indian government has signalled strong support for homegrown AI/deep-tech industries through dedicated missions and funding schemes (discussed below). At the same time, Indian startups and incumbents are increasingly entering strategic M&A deals to scale digital offerings, while attracting foreign investors seeking access to India's large market. A recent Grant Thornton survey reported a 33% rise in technology transactions in Q3 2025 (80 deals, US$1.48 billion) as private equity and buyers flocked to AI, SaaS and enterprise automation[3].

This paper asks to what extent does M&A accelerate India's AI and deep-tech innovation story, and how do policy and regulatory factors shape this consolidation? Our research approach will be multi-pronged and combines the doctrinal legal research (laws, policies, cases), secondary academic and industry research, and comparative analysis of other global systems (EU and US digital regulation). We look into the emerging AI/deep-tech ecosystem (Startups, R&D infrastructure, talent) of India, survey the existing M&A activity in the applicable sub-sectors (AI, semiconductors, analytics, cybersecurity, etc.), and study the legal and policy conditions under which such deals take place. Some of the most important ones are competition law scrutiny, industry-specific regulations, and new tech regulations (data protection, digital markets). Parallel to this we also take global trends especially the Digital Markets and AI Acts of the EU and the US FTC/DOJ merger digital market guidelines that may impact on the Indian approach. We strike a balance between the potential of scale and innovation driven by M&A and the risk of market concentration, data monopolization and the issue of national-security concerns in our analysis.

[2]R. Basant & N. Jaiswal, *Impact of mergers and acquisitions on innovation: Evidence from a panel of Indian pharmaceutical firms* (IIM Ahmedabad Working Paper No. WP 2022-01-01, 2022), available at https://www.iima.ac.in/sites/default/files/rnpfiles/13432687412022-01-01.pdf

[3]A. Banerjee, *India's tech deals soar 33% as big money backs AI, SaaS, and automation*, Republic World (27 Oct. 2025), available at https://www.republicworld.com/business/indias-tech-deals-soar-33-as-big-money-backs-ai-saas-and-automation

LITERATURE REVIEW

The scholarly studies about M&A and innovation provide subtle results. Acquisitions (particularly of small companies with new technology) can be observed to improve the R&D of the acquirer, but mergers of equals (of large companies) do not[4]. In the example of Indian pharma, Basant and Jaiswal discovered that acquisitions not only stimulated the expansion of R&D but also in cases where companies were acquiring and combining the assets of the target indicating how acquisitions could promote the development of technological capacities[5]. On the same note, cross-industry studies have shown that M&A in the technology-related industry can stimulate the diffusion of innovations across companies so long as the mergers are designed in a way that they do not eliminate the ability of firms to be inventive[6]. In India's startup context, Chauhan (2025) notes the emergence of so-called killer acquisitions and acquisitions of promising startups by large companies primarily to eliminate a potential threat in the future[7].These strategies are also known to be competitive, which makes them potentially anti-competitive, and they should be carefully scrutinized by regulations.

Another dichotomy in the academic sense is reflected in industry reports. It has been claimed that M&A is an urgent mechanism by which Indian firms can obtain dedicated AI expertise, proprietary codes, and research and development facilities, which they may not produce internally on the short term. Advisers, in their turn, observe that the deep-tech startups in India often use M&A as a strategy to exit and scale in a difficult funding environment. However, analysts also warn that overly high levels of consolidation particularly to a few large participants would result in the creation of data monopolies which would discourage new competitors[8]. Competition scholars have also launched the study of how to digitalize rules to platform competition e.g.; the Competition Commission of India (CCI) and

[4]R. Basant & N. Jaiswal, *Impact of mergers and acquisitions on innovation: Evidence from a panel of Indian pharmaceutical firms* (IIM Ahmedabad Working Paper No. WP 2022-01-01, 2022), available at https://www.iima.ac.in/sites/default/files/rnpfiles/13432687412022-01-01.pdf
[5] Ibid
[6]J. Yang, J. Li, S. Wang & Y. Chen, *Research on the impact of technology mergers and acquisitions on corporate performance: An empirical analysis based on China's pharmaceutical industry*, Frontiers in Public Health (2024) 12, Art. 1419305, available at https://doi.org/10.3389/fpubh.2024.1419305
[7]S. Chauhan, *Killer acquisitions in the Indian startup ecosystem: Recalibrating competition law for the digital age*, (2025) 5(3) Indian Journal of Integrated Research in Law 2056–2064, available at https://ijirl.com/wp-content/uploads/2025/07/KILLER-ACQUISITIONS-IN-THE-INDIAN-STARTUP-ECOSYSTEM-RECALIBRATING-COMPETITION-LAW-FOR-THE-DIGITAL-AGE.pdf
[8]N. Chaturvedi, *CCI's confronts data dominance*, Mondaq, available at https://www.mondaq.com/india/antitrust-eu-competition/1681016/ccis-confronts-data-dominance

academics have debated theories of ecosystem competition that identifies harm in platform transactions not signalled by conventional measures[9].

Overall, the literature suggests M&A can accelerate innovation through resource reallocation, scale economies and technology integration, but that this depends on a supportive policy environment and vigilant competition oversight. In the Indian context, however, scholarly work remains sparse, and we rely heavily on gray literature (industry surveys, legal commentary) plus emerging empirical studies. This paper thus integrates these insights into a comprehensive analysis of India's AI/deep-tech M&A landscape.

INDIA'S EVOLVING AI AND DEEP TECH ECOSYSTEM

India's ecosystem for AI and deep tech (advanced fields like machine learning, quantum computing, robotics, semiconductors, biotech, etc.) is expanding rapidly, though still nascent. The government and industry point to strong growth signals for instance, the Nasscom–Zinnov report (2024) notes deep-tech startups (in AI, IoT, Big Data, etc.) raised roughly US$850 million in funding during 2023[10], and about 450 new deep-tech startups were launched in that year. KPMG similarly reports that in FY2024 India's tech ecosystem saw record investments ($7.4 billion funding for startups, 123 M&A deals by startups)[11]. The number of AI-related firms has grown steeply (some sources indicate a 53% increase in AI startups over the past decade)[12], and corporate R&D centres (including Microsoft, Google, Meta, Amazon, and global R&D labs) have set up large AI research outposts in India.

Against this backdrop, private investments in AI/ML are booming Indian AI startup funding reached roughly US$560 million in 2024 (a 6x jump from 2023, according to one report)[13]. Large Indian corporations (Tata, Reliance, Infosys, Wipro, etc.) have been either investing or acquiring AI firms to build capabilities quickly. For instance, Infosys acquired Singapore-

[9]S. C. Sunshine et al., *DOJ and FTC release final 2023 Merger Guidelines: Formalizing aggressive merger-enforcement playbook*, Skadden, Arps, Slate, Meagher & Flom LLP (2023), available at https://www.skadden.com/insights/publications/2023/12/doj-and-ftc-release-final-2023-merger-guidelines

[10]KPMG in India, *Exploring India's dynamic start-up ecosystem* (2024), available at https://assets.kpmg.com/content/dam/kpmgsites/in/pdf/2024/12/exploring-indias-dynamic-start-up-ecosystem.pdf

[11] Ibid

[12]IndusLaw, *M&A in the Indian technology sector – Key trends 2025*, Lexology (2025), available at https://www.lexology.com/library/detail.aspx?g=b6724f7c-7f9b-42b5-81da-e5b0bf49960f

[13]A. Banerjee, *India's tech deals soar 33% as big money backs AI, SaaS, and automation*, Republic World (27 Oct. 2025), available at https://www.republicworld.com/business/indias-tech-deals-soar-33-as-big-money-backs-ai-saas-and-automation

based The Missing Link, a cybersecurity and AI training firm, to onboard high-end talent. Corporates also pursue partnerships (e.g. Wipro–MIT CSAIL collaboration) to offset domestic R&D limitations.

In sum, India's AI/deep-tech ecosystem is at an inflection point robust growth potential exists, underpinned by a vast market and tech-savvy workforce, but scaling up will likely involve consolidation as firms seek market share and technological capability. It is against this dynamic backdrop that M&A plays its role.

POLICY CATALYSTS SHAPING CONSOLIDATION

The Indian government has rolled out a range of policies in 2022–2024 to foster AI and deep-tech development. Key initiatives explicitly envision consolidation and ecosystem-building:

IndiaAI Mission

In March 2024 the Union Cabinet approved the IndiaAI Mission under MeitY, with an outlay of Rs.10,372 crore (US$1.24 billion) over five years[14]. The mission's goal is to create a world-class AI infrastructure network (including nationwide GPU cloud clusters) to support startups and research. It will entail the construction of 50 national AI Centres of Excellence and the training of 1 lakh AI specialists. The mission implicitly facilitates M&A by enabling firms to more easily access compute resources by catalysing shared infrastructure (which makes integration of AI assets easier by acquirers). Great government dedication, which this mission reflects, can also be a stimulus to investor interest in Indian AI startups. (Indeed, forecasts from private analysts suggest India's generative AI market alone may grow by 42.6% annually to ~$3.8 billion by 2030.)

Deep Tech Fund of Funds

In the 2024-25 Budget, it was suggested to have a Deep Tech Fund of Funds to help early-stage deep-tech companies. Although the specifics remain pending, the information reveals that it is going to be established within the SIDBI/DPIIT framework and allow grant or co-investments in startups in the fields of AI, quantum, semiconductors, biotech, and others. This would de-risk deep-tech deals and may trigger strategic acquisitions. According to analysts,

[14]Mission IndiaAI, IndiaAI Mission, Chronicle India (July 2025), available at https://www.chronicleindia.in/online-magazine/archive-csce-july-2025/indiaai-mission

the finance minister of India announced this fund in order to promote deep technology innovations (e.g. robotics, quantum, ML/AI).The fund of funds strategy will attract both private and sovereign capital, which in turn will strengthen funding rounds (less premature M&A to meet cash requirements), as well as the opposite, the better Indian startups are, the more attractive they will become as an acquisition target to the well-capitalized acquirer.

Draft National Deep Tech Startup Policy (NDTSP)

The government published to public consultation a National Deep Tech Startup Policy, developed by a PSA-led consortium in July 2023[15]. This is still a draft policy (under review) that specifically seeks to combat such difficulties of deep-tech startups as it has pillars on augmenting R&D, enhancing IP, and enabling funding and infrastructure. The NDTSP sees a "Frontier Scientific Infrastructure" network, single-window IP support and simplified regulations. Even though it is not yet law, its mere mention has primitivized actors of the ecosystem (incubators, VC funds, universities) to organize around deep tech. Causing a profile increase of such sectors as AI, robotics, quantum, IoT, the policy can attract more domestic and foreign investment into such areas, which eventually can lead to both organic and M&A. As an example, the focus of the policy on intellectual property regimes (e.g. developing deep-tech-focused IP rules) implies that startups may be in a better position on patents - becoming easier acquisition targets.

National Data Governance Framework Policy (Draft)

The draft National Data Governance Framework Policy (MeitY, 2022) predicts the establishment of unified rules and guidelines on sharing non-personal government and corporate data with the innovation ecosystem[16]. It seeks to open up large quantities of datasets (health, agriculture, geospatial, etc.) to R&D on trusted structures. It is in its draft form, but once implemented it will help access data easier by Indian AI companies, making entry barriers less severe. In terms of M&A, ubiquitous data could decrease the motivation behind data-grab acquisitions but could also increase the appeal of data-focused startups to be acquired (as the acquirer can more easily exploit access to common pools of data). Notably,

[15]S. Shrivastava & S. Gupta, Deep dive into the Draft National Deep Tech Startup Policy (NDTSP), 2023, LexOrbis via Lexology (2023), available at https://www.lexology.com/library/detail.aspx?g=b6724f7c-7f9b-42b5-81da-e5b0bf49960f

[16]Ministry of Electronics & Information Technology, *National Data Governance Framework Policy*, Press Information Bureau (27 July 2022), available at https://www.pib.gov.in/PressReleasePage.aspx?PRID=1845318

by demystifying regulations on non-personal data, this policy can facilitate cross-sector partnerships (e.g. one between a commercial analytics company and government archives) that can either be antecedent to, or supplementary of, M&A.

Digital Personal Data Protection Act (DPDP Act, 2023)

India in August 2023 passed a wide-ranging data privacy law called the DPDP Act. Importantly to M&A, the Act imposes new consent and processing obligations onto the personal data. Remarkably, Section 17(1)(e) offers an exemption provided that court-approved mergers and schemes do not have to comply with numerous Chapter II/III requirements, whereas other acquisitions (such as stock purchases) do not have such exemption[17]. This in practice implies that a merger through a formal scheme (even foreign-influenced) can centralise personal datasets without re-consenting any user, but a mere acquisition of a target company would have to be conducted under DPDP (new consent, perhaps new consent). This brings about a legal motive of framing transactions as legal combinations through statute as long as personal information is a significant resource. DPDP also mandates fines for breaches up to INR250 crore, raising due diligence stakes in M&A. However, many acquisition-oriented firms have complained that the new consent regime complicates the transaction process[18]. Overall, DPDP emphasizes user control of data, which could moderate overly aggressive data harvesting in acquisitions. At a minimum, it signals that privacy risks are now a material consideration for any deal involving Indian user data.

DOMESTIC & CROSS-BORDER M&A CONSIDERATIONS (INCLUDING FDI NORMS)

In India, both domestic and foreign investment norms influence tech M&A. Domestic deals generally face minimal statutory barriers under the Companies Act, share sales and amalgamations require court approval (for schemes) or board/shareholder consent (for acquisitions), but do not need government clearances except via CCI for large combos. Foreign involvement adds complexity. Foreign Direct Investment (FDI) in most technology sub-sectors (IT services, SaaS, analytics, telecom equipment) is allowed up to 100% on the

[17]V. Maheshwari, *How India M&A will be impacted by Digital Personal Data Protection Act, 2023*, Lexology (2024), available at https://www.lexology.com/library/detail.aspx?g=7760575e-7514-422d-a93b-9b16af08344f
[18]EY LLP, *Digital Personal Data Protection Act, 2023: Impact on M&A* (Mar. 2024), available at https://www.ey.com/content/dam/ey-unified-site/ey-com/en-in/insights/ey-unlocking-opportunities-and-navigating-challenges-the-impact-of-dpdp-act-on-m-a-march-2024.pdf

automatic route, making many cross-border acquisitions straightforward. However, strategic sectors have caps or prior approval requirements e.g., manufacturing of telecom equipment now requires government approval for any FDI beyond 49% (to safeguard national security)[19] (though notable deals like Murugappa's acquisition of NETEC in 2023 got approved). The government has also mandated government nod for all acquisitions by investors from "countries sharing land borders" (a policy aimed at Chinese entities) from 2020 onwards, effectively giving the state veto over those deals.

More fundamentally, India's FEMA and Companies Act set the regime for inbound mergers and foreign buyer structures. In 2018–2019, India introduced Section 234 of the Companies Act and rules under FEMA to allow cross-border mergers by share swaps, enabling Indian companies to merge with foreign counterparts subject to RBI approval. The RBI (via circulars) now permits inbound and outbound mergers by way of share exchange, though a government nod may be needed if a government-owned or strategic company is involved. Recent regulatory updates have streamlined these processes for example, RBI's 2024 amendments (and proposed FEMA notifications) eliminated certain minimum holding thresholds and relaxed residency requirements[20]. As a result, Indian enterprises can now more readily integrate with global tech firms via share-merger, enhancing the fluidity of cross-border tech M&A.

To conclude, India has a welcoming M&A climate to tech acquisitions, and the majority of foreign investments in deep-technology sectors are automatic, although there are increased examination in sensitive fields. Recent liberalization (cross-border merger regulations, eased procedural barriers) coexists with strategic oversight in fintech, telecom, and emerging technologies. Participants must therefore carefully navigate FDI rules and regulatory filings for instance, notifying CCI if thresholds are met, obtaining MCA approval for share swaps, and getting RBI consent for cross-border mergers. These processes can add time and complexity, but as of 2025 India is significantly more merger-friendly than it was a decade ago, reflecting policy priority on scaling the tech sector.

[19]N. Yadav, *How will India's revised FDI policy impact future Chinese investment?*, **China Briefing** (2020), available at https://www.china-briefing.com/china-outbound-news/india-revised-fdi-impact-china-investment-future.

[20]B. Shah, *Cross-border M&A in India: 2024 market and regulatory updates*, **India Briefing** (21 Oct. 2024), available at https://www.india-briefing.com/news/cross-border-ma-in-india-2024-market-and-regulatory-updates-34873.html.

LEGAL, REGULATORY & COMPETITION LAW DIMENSIONS

CCI analysis of digital market mergers

Under the Competition Act 2002, any M&A ("combination") exceeding jurisdictional thresholds must obtain CCI clearance, which hinges on avoiding an "appreciable adverse effect on competition" (AAEC)[21]. The CCI assesses AAEC by examining factors such as market shares, concentration, entry barriers, and countervailing buyer power. However, traditional metrics can be challenged by digital deals where products may be free or bundled, and where user data and ecosystems are key assets.

In 2024–25 India's CCI has been proactively updating its tools. Notably, the Competition (Amendment) Act 2023 and new Combinations Regulations (Sep 2024) introduced the Deal Value Threshold (DVT) for the first time[22]. This rule mandates CCI review of transactions with an aggregate deal value Rs 2,000 crore (US$238m) if the target has significant Indian operations (10% of global turnover or users in India). The DVT effectively captures big-ticket tech acquisitions even if the target itself has low physical assets in India (e.g. a cloud service provider with millions of users but modest tangible assets). Critically, schedule VII explicitly lists "providers of digital economy services (e-commerce, social media, search, etc.)" under DVT's "substantial business" criteria.

These developments mean that in reviewing M&A, CCI will factor in data-related power. Deals that combine user data across platforms will draw scrutiny even absent direct overlapping products. For example, if a dominant search engine buys an e-commerce marketplace, the CCI might analyze how the combined data network raises entry barriers. Similarly, a large tech firm acquiring a startup with rich data (say, a health app) could be challenged as strengthening an ecosystem advantage. Thus, acquisitions in AI or analytics where value often lies in data sets and algorithms could face rigorous competition review under the "quality of competition" lens, beyond the traditional market-share calculus.

[21] A. Kakkar & V. P. S. Chauhan, *India: Merger control*, **Global Competition Review** (2022), available at https://globalcompetitionreview.com/review/the-asia-pacific-antitrust-review/2022/article/india-merger-control

[22] A. M. Chitnis, *Competition laws – Introduction of deal value threshold and exemption of certain combinations*, **Chambers** (6 Dec. 2024), available at https://chambers.com/articles/competition-laws-introduction-of-deal-value-threshold-and-exemption-of-certain-combinations

IP, DATA ASSETS & TALENT ABSORPTION IN M&A DEALS

Beyond competition, M&A is often driven by acquisition of intangible assets particularly intellectual property (IP), proprietary data, and skilled teams especially in deep tech domains. Many Indian deals have this character. For example, IT major Wipro has repeatedly acquired startups (e.g. TNQ Technologies for network automation software) to gain patented technologies. Emerging cloud and AI firms are prized for their algorithms and codebases, which acquirers absorb.

Acquirers also target IP portfolios. While India's deep-tech startups often do not have large patent portfolios (due to costs and infancy), those that do can command premiums. Conversely, Indian companies have sometimes exported technology via deals for example, an Indian chip design firm (e.g. Angel One acquiring Mindtree's chip assets) might transfer patents to global acquirer and in return gain development rights. 2025's trends indicate that both directions happen, but India is keen to minimize "brain drain."

In regulatory terms, these asset transfers pose issues. IP assignments require Board approval if funded by government grants (as under Technology Missions) sometimes M&A triggers "clawback" conditions on government-funded IP. Similarly, DPDP's constraints on personal data processing may force parties to renegotiate data consent forms post-merger (especially if it was not a court-sanctioned merger). CCI, while not directly enforcing IP law, will consider if an acquisition consolidating IP rights unduly stifles competition. For example, if one firm amasses a portfolio of essential AI algorithms through successive buyouts, regulators might view it as building a technological moat.

Overall, in Indian tech M&A the interplay of IP, data, and talent is central deals are often structured around these assets rather than only physical synergies.

GLOBAL POLICY CONTEXT

India's regulators and firms are increasingly attentive to how international tech regulation might inform domestic policy. We highlight three major developments abroad:

EU Digital Markets Act (DMA):

The DMA (Regulation (EU) 2022/1925) came into force on 1 Nov 2022[23], representing a paradigm shift to ex ante regulation of large online platforms. It designates certain platform providers as "gatekeepers" if they meet revenue/user thresholds and have entrenched market positions (e.g. Google, Apple, Amazon, Meta as gatekeepers). Gatekeepers are then bound by obligations (e.g. allowing third-party app stores, no self-preferencing, data portability) and prohibited from anti-competitive practices (e.g. combining personal data from different services without consent). The DMA thus tackles many of the concerns that also worry Indian authorities notably, self-preferencing, data entanglement, and leveraging one service dominance into another[24]. While the DMA's specific obligations are legally limited to the EU, its underlying logic regulating gatekeeper behaviour to keep digital markets contestable resonates in India. Indeed, the EU's approach inspired India's draft Digital Competition Bill (2024).

EU AI Act:

The EU's Artificial IntelligenceAct entered into force on 1 Aug 2024[25]. It establishes a comprehensive risk-based framework for AI systems: banned uses (e.g. untargeted social scoring by governments), high-risk applications (e.g. medical diagnostics, biometric ID) subject to strict safeguards, and lighter rules for minimal-risk systems. Key requirements for high-risk AI include rigorous risk assessment, high-quality training data, human oversight, and detailed documentation[26]. The Act also imposes transparency for certain generative AI and biometrics, and creates an EU-wide AI regulatory authority. For Indian M&A, the AI Act has no legal effect domestically, but it exerts a global influence on standards. Tech companies, especially multinationals operating in Europe, will implement these rules in their development processes. The Act may also inspire India's own future AI regulation for now, it underscores that advanced AI systems will increasingly be subject to regulation, affecting their valuation and post-merger integration (for example, a high-risk AI system's compliance history could be due diligence focus).

[23]T. A. Madiega, *Digital Markets Act: EU regulation on contestable and fair markets in the digital sector* (EPRS Briefing No. 690589, European Parliamentary Research Service, 2022), available at https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/690589/EPRS_BRI(2021)690589_EN.pdf
[24] Ibid
[25]European Commission, *AI Act enters into force*, Press Release (1 Aug. 2024), available at https://commission.europa.eu/news-and-media/news/ai-act-enters-force-2024-08-01_en
[26] Ibid

US FTC/DOJ Merger Guidelines for Digital Markets (2023):

In 2023 the US antitrust agencies issued new merger guidelines that reflect heightened scrutiny of tech transactions. While not law, they signal enforcement priorities. Key features include lower thresholds for presumption of illegality (e.g. 30% share) and several novel theories of harm. Notably relevant to India, the guidelines explicitly recognize digital ecosystem effects deals that give an acquirer control over inputs or data used by competitors can be challenged, and "ecosystem competition" theory is embraced i.e., even partial overlaps or nascent threats are scrutinized. For example, the FTC now considers that a dominant firm's small acquisition of a potential rival (or adjacent service) may substantially lessen competition[27]. This is akin to the EU's "killer acquisition" concept and mirrors concerns in India about big-tech buyouts of startups. US enforcement (e.g. FTC's challenge to Meta's acquisition of Kustomer CRM in 2020) demonstrates that regulators will look at data and nascent market effects. Indian firms engaged in cross-border deals or seeking foreign investment should note that US authorities may view even minority or non-market-share-building transactions as potentially abusive. Domestically, these US developments may further embolden Indian regulators to apply similarly broad theories in CCI reviews.

On the whole, both the EU and the US strategies are indicative of an international crackdown on antitrust and AI regulation of tech markets. These are the signs that the Indian stakeholders need to be attentive to in relation to changing norms. As an example, when the Digital Competition Bill or new CCI guidelines internalise the principles under the DMA or the US guidelines (e.g. non-self-preferencing, killer acquisition review), this will have an impact on the structuring and assessment of deals. Besides, these frameworks emphasize the innovation considerations they are not just trying to maintain the existing competition but on maintaining the dynamic innovation by avoiding oligopolistic locking. In the case of India, it means a two-fold direction that allows M&A to develop Indian technology capacity and to scale, and to prevent consolidation that would otherwise tend to choke the larger startup ecosystem.

[27]S. C. Sunshine et al., *DOJ and FTC release final 2023 Merger Guidelines: Formalizing aggressive merger-enforcement playbook*, Skadden, Arps, Slate, Meagher & Flom LLP (2023), available at https://www.skadden.com/insights/publications/2023/12/doj-and-ftc-release-final-2023-merger-guidelines

INNOVATION, TECHNOLOGY DIFFUSION, ECONOMIC SCALE, AND ECOSYSTEM-BUILDING THROUGH M&A

M&A can accelerate innovation in India in a number of ways. Through mergers, the companies are able to gain economies of scale and scope which individual startups are not able to attain. The bigger organizations can afford to spend in the R&D, infrastructure and go to market activities. To take a recent case, once a large IT services company purchases an advanced AI startup, the startup can implement its technology in its world-wide customer base and, in so doing, dilute innovation into practice. Equally, consolidation can lead to the development of ecosystem combining entities can find it easier to partner with academic or industry participants, and purchase complementary businesses (form consortiums of knowledge).

Economically, M&A is able to form more financially powerful organizations that internalize the knowledge creation. According to the finding by Basement and Jaiswal (India pharma), the R&D expenditure increases when an acquirer purchases innovative companies and pools their resources[28]. This is the kind of dynamics we anticipate in AI/deep tech acquisition of new algorithms, data or domain knowledge will probably be scaled in-house. In fact, some anecdotal data show that some Indian acquirers establish special research divisions at once (e.g. Tata Motors re-established an AI lab after acquiring a start-up). The power to exploit global networks (clients, partners, markets) also exacerbates the effect of innovation implied in acquisitions.

Overall, our discussion indicates that complementary policies increase the likelihood of M&A in the context of India to enhance innovation. As an example, the ecosystem programs of the government (such as technology clusters, sponsored research and development, connections with startups) imply that innovation is not concentrated on a limited number of companies. Acquisitions can become technology transfer events when they are publicly announced, and there is an assurance (e.g. not to move all R&D operations to India) associated with it. Regulatory oversight may serve to maintain the input of the founders and researchers of the acquired startups (such as requirements regarding hiring of founders or selling off of certain assets). Consolidation is therefore capable of making India jump up the technological ladder,

[28]R. Basant & N. Jaiswal, *Impact of mergers and acquisitions on innovation: Evidence from a panel of Indian pharmaceutical firms* (IIM Ahmedabad Working Paper No. WP 2022-01-01, 2022), available at https://www.iima.ac.in/sites/default/files/rnpfiles/13432687412022-01-01.pdf

should it be coordinated and overseen properly, by accelerating the adoption of nascent technologies by rapidly increasing their scale, instead of stagnating in fragmented R&D.

Moreover, takeovers can spur rivalry amongst the surviving participants, paradoxically a medium-sized company can put in more effort in innovations when its competitor is purchased by a strong one. It becomes apparent in the academic literature on innovation diffusion that a consolidation in one area of the sector can trigger competing innovation in another area. This can be as simple as promoting a second-tier of deep-tech companies to be more aggressive in differentiation and innovation in India.

FINDINGS AND DISCUSSION

The evidence suggests that there is a strong interaction between policy and consolidation. The government initiatives (IndiaAI, NDTSP, etc.) are stimulating investment and interest in AI/deep-tech, which contributes to M&A as well as companies attempt to integrate the subsequent novelties into commercially viable products. There are surveys and reports reflecting a virtuous circle in which virtuous funding results in additional startups active M&A and exits, which results in more entrepreneurs (who become viable pathways), and strengthens the ecosystem further. An example is that planned Deep Tech Fund of Funds may help Indian startups become more sustainable, contractual sell-offs reduced and more acquisitions by foreign companies seen as a safe bet.

The scholarly and market literatures have come to the similar conclusion that M&A may speed-up technological diffusion in India, but its overall impact on the market is determined by the market structure. The Indian setting where dominant platforms are relatively few and SMEs are numerous implies that consolidation is likely to take place and is potentially helpful to scale innovations. However, one should be attentive the issues which the competition researchers found (such as ecosystem impacts[29] and killer acquisitions have appeared in the Indian digital markets. For example, Reliance's entry into data centers and telecom, combined with its existing retail and media arms, creates a sprawling ecosystem that will likely grow via acquisitions regulators have already monitored its deal with Google (Jio Platforms) carefully.

[29]S. C. Sunshine et al., *DOJ and FTC release final 2023 Merger Guidelines: Formalizing aggressive merger-enforcement playbook*, Skadden, Arps, Slate, Meagher & Flom LLP (2023), available at https://www.skadden.com/insights/publications/2023/12/doj-and-ftc-release-final-2023-merger-guidelines

On balance, our synthesis suggests that M&A will likely accelerate innovation in India insofar as it complements strong startups with scale. Deals that transfer advanced R&D into India (e.g. foreign M&A bringing tech home) or that consolidate multiple R&D teams under one roof can yield new products faster. The rising number of tech unicorn exits via IPO/M&A (over 20 in 2023–25) points to an ecosystem where maturity pathways exist. On the other hand, they may strangle the dynamism that the regulators are trying to nurture (e.g. by imposing too high compliance costs) by being overly zealous.

Finally, stakeholders across industry and government and government stakeholders appear to be coming to the same conclusion that M&A is neither intrinsically good nor bad in terms of innovation the result varies with the context. In the deep-tech sectors of India, where capital is limited, and velocity is crucial, M&A can be an option where a measure to achieve innovations on scale is needed. Thus, the policy should seek to maintain positive consolidation (by incentives and explicit rules) and reduce abuse. An outcome-oriented behaviour, but not dogmatic, that allows negotiating deals that create national champions in AI and semiconductors, without being overprotective of anti-competitive data hoarding, seems to be the new consensus among the thought leaders.

CONCLUSION

India has been on the edge of its AI and deep-tech development. Mergers and Acquisitions will take a leading role in determining that future. We conclude in our analysis that the present phenomenon of technology transactions driven by ambitious government projects, rich data-intensive start-up actions, and cross-border capital flows can greatly enhance innovation potentials as long as they are well controlled. The strategic acquisitions enable the Indian companies to import high technology and talent, realize scale of the economy, and combine disruptive solutions faster than organic growth only. This may accelerate the rise of India as an economic powerhouse in technologies such as AI, machine learning, space technology and semiconductors.

In conclusion, M&A in AI and and deep tech will probably become the catalyst of the Indian innovation process, but it must happen in a strong regulatory environment. Positive signs and indicators might include early policy models which directly target to cultivate deep-tech startups and promote their development. Provided the regulators permit convenient concentration of resources and skills and take care against abuses India can use M&A as an

effective engine of attaining its goals and ambitions in technology and the economy. The policy will require additional empirical investigation to evaluate results, yet the intention of the government policy and the trends on the Indian market allow concluding that the Merging for Innovation story is quite likely to become a reality in the tech future of India.