



INTERNATIONAL LAW
JOURNAL

**WHITE BLACK
LEGAL LAW
JOURNAL**
**ISSN: 2581-
8503**

Peer - Reviewed & Refereed Journal

The Law Journal strives to provide a platform for discussion of International as well as National Developments in the Field of Law.

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WHITE BLACK LEGAL is an open access, peer-reviewed and refereed journal provided dedicated to express views on topical legal issues, thereby generating a cross current of ideas on emerging matters. This platform shall also ignite the initiative and desire of young law students to contribute in the field of law. The erudite response of legal luminaries shall be solicited to enable readers to explore challenges that lie before law makers, lawyers and the society at large, in the event of the ever changing social, economic and technological scenario.

With this thought, we hereby present to you

THE WALMART-FLIPKART ACQUISITION: A COMPANY LAW PERSPECTIVE ON LEGAL FRAMEWORK, GOVERNANCE, AND SHAREHOLDER PROTECTIONS.

AUTHORED BY - ASHISHA LEELA PRADEEP

ABSTRACT

Mergers and acquisitions (M&A) are pivotal events in corporate law, often reshaping governance structures, ownership models, and shareholder rights. This study critically examines the Walmart-Flipkart acquisition through the lens of company law, focusing on its legal framework, corporate governance implications, and shareholder rights. The Companies Act, 2013, and relevant regulatory provisions played a central role in facilitating this high-profile acquisition, ensuring compliance with legal mandates while addressing concerns of transparency, competition, and investor protection.

The first chapter explores the legal framework governing acquisition, highlighting key provisions under the Companies Act, 2013, including Sections 230-240, which regulate compromises, arrangements, and amalgamations. The role of the Competition Commission of India (CCI) and the Foreign Exchange Management Act (FEMA) in overseeing foreign investments and market competition is also discussed. The second chapter assesses the impact of the acquisition on corporate governance and ownership structures, examining how the acquisition altered Flipkart's board composition, decision-making authority, and compliance requirements under Indian company law. Walmart's majority stake raised crucial questions about control, fiduciary duties, and accountability.

The final chapter delves into shareholder rights and post-acquisition integration, emphasizing how the Companies Act ensures minority shareholder protection, fair valuation, and dispute resolution. Post-acquisition integration under Indian corporate law involves compliance with disclosure norms, restructuring provisions, and taxation regulations. By analysing the Walmart-Flipkart deal within this legal framework, this research underscores the dynamic interplay between company law and large-scale mergers. Ultimately, the study provides insights into how corporate law safeguards stakeholders' interests while enabling global business transactions within India's evolving regulatory landscape.

INTRODUCTION

The Walmart-Flipkart stands as a landmark transaction in India's corporate and legal landscape, exemplifying the critical role of company law in regulating large-scale mergers and acquisitions (M&A). From a company law perspective, such mergers and acquisitions are governed predominantly by the Companies Act, 2013, which provides a comprehensive legal framework for the amalgamation, acquisition, and restructuring of companies. Key provisions under the Act, particularly Sections 230 to 240, lay down the procedural and substantive requirements for compromises, arrangements, and mergers and acquisition, ensuring that transactions are conducted with due regard to transparency, fairness, and the protection of various stakeholders, including shareholders and creditors.

In addition to the Companies Act, the acquisition required regulatory approvals from bodies such as the Competition Commission of India (CCI), which assesses the impact of combinations on market competition under the Competition Act, 2002. The CCI's approval of the Walmart-Flipkart deal underscored the importance of preserving competitive market dynamics while facilitating foreign investment. Given Walmart's status as a foreign entity, compliance with the Foreign Exchange Management Act (FEMA) was also essential to govern the cross-border investment and share acquisition aspects of the transaction.

This acquisition not only reshaped Flipkart's ownership and governance structure but also raised critical company law issues concerning fiduciary duties, board composition, and minority shareholder protections. The Companies Act mandates safeguards to ensure minority shareholders' rights are protected through mechanisms such as fair valuation, veto powers on major decisions, and dispute resolution processes. Furthermore, post-acquisition integration under Indian company law involves adherence to disclosure norms, restructuring provisions, and taxation regulations, all of which are vital to maintaining corporate governance standards and investor confidence.

Thus, the Walmart-Flipkart acquisition offers a rich case study on how Indian company law facilitates complex cross-border M&A transactions by balancing the interests of majority and minority shareholders, ensuring regulatory compliance, and supporting the country's evolving economic and competitive landscape.

LEGAL FRAMEWORK GOVERNING THE WALMART-FLIPKART ACQUISITION

The Walmart-Flipkart acquisition, one of the largest cross-border acquisitions in India, was governed by a comprehensive legal framework encompassing Indian company law, competition law, foreign investment regulations, and taxation statutes. The interplay of these laws ensured the transaction's legality, compliance with regulatory mandates, and protection of stakeholder interests.

Companies Act, 2013: Core Statutory Provisions

The Companies Act, 2013, forms the backbone of the legal framework regulating mergers and acquisitions in India. The provisions under Sections 230 to 240 specifically address compromises, arrangements, and amalgamations, prescribing procedural safeguards and approval mechanisms to ensure transparency and fairness in restructuring transactions¹.

- Section 230 mandates that any scheme of arrangement or compromise, including mergers and acquisitions, requires an application to the National Company Law Tribunal (NCLT). The application must be accompanied by material facts, auditor certificates confirming compliance with accounting standards, and the consent of at least 75% of creditors or members by value.
- Upon receipt, the NCLT orders meetings of creditors and members, with notices sent to all stakeholders and relevant regulatory authorities, including the Central Government, Registrar of Companies, Income Tax Authorities, Reserve Bank of India (RBI), and the Competition Commission of India (CCI).
- The scheme must be approved by a majority of persons representing three-fourths in value of creditors or members present and voting, ensuring broad stakeholder consent.
- The NCLT then sanctions the scheme, making it binding on all shareholders and creditors.²

These provisions ensured that the Walmart-Flipkart acquisition was executed with due process, allowing objections and protecting minority interests³.

¹ Taxmann, *A Study of Flipkart-Walmart Cross-border Mergers and Acquisitions* (2023) <https://www.taxmann.com/flipkart-walmart-study> accessed 30 April 2025.

² iPleaders Blog, 'All You Need to Know About the Laws Governing Mergers and Acquisitions' (2021) <https://blog.ipleaders.in/mergers-acquisitions-law> accessed 30 April 2025.

³ ASC Group, *Compliances for Mergers and Acquisitions in India under Companies Act, 2013* (2023) <https://www.ascgroup.in/merger-compliance> accessed 30 April 2025.

Competition Commission of India (CCI) Approval

Given the size and market impact of the acquisition, approval from the Competition Commission of India (CCI) was mandatory under the Competition Act, 2002. Walmart and Flipkart filed a notice under Section 6(2) of the Act, as the combined assets and turnover crossed the prescribed thresholds.

- The CCI assessed whether the acquisition would lead to an appreciable adverse effect on competition in the Indian e-commerce market.
- Despite opposition from trade bodies concerned about predatory pricing and market dominance, the CCI approved the acquisition in August 2018 under Section 31(1), emphasizing the presence of Amazon as a strong competitor that preserves market competition⁴.
- The CCI retained the right to investigate any anti-competitive behaviour post-acquisition, ensuring ongoing regulatory oversight.

This approval was critical to validating the acquisition's compliance with competition law and maintaining a fair market environment⁵.

Foreign Exchange Management Act (FEMA), 1999

Since Walmart is a foreign multinational acquiring shares in an Indian company, the transaction was subject to regulations under the Foreign Exchange Management Act (FEMA), 1999⁶.

- FEMA governs cross-border investments, share transfers, and foreign direct investment (FDI) in India.
- The acquisition required compliance with FEMA's provisions on foreign investment limits, pricing guidelines, and reporting requirements.
- The deal was structured to comply with India's FDI policy, which permits 100% FDI under the government route in marketplace-based e-commerce but restricts inventory-based models⁷.

This ensured that the foreign investment was lawful and aligned with India's policy objectives.

⁴ Mondaq, 'Walmart's Acquisition of Flipkart' (2018) <https://www.mondaq.com/walmart-flipkart-deal> accessed 30 April 2025.

⁵ RMLNLU Law Review, 'Understanding the Walmart-Flipkart Deal: CCI's Evaluation' (2018) <https://rmlnlu.ac.in/law-review/walmart-flipkart-cci> accessed 30 April 2025.

⁶ AK Legal & Associates, *Analysis of the Walmart-Flipkart Deal* (2018) <https://www.aklegal.in/walmart-flipkart-analysis> accessed 30 April 2025.

⁷ ISID, *The Flipkart-Walmart Deal: A Look into Competition and Other Issues* (2022) <https://www.isid.ac.in/flipkart-walmart-study> accessed 30 April 2025.

Income Tax Act, 1961

Taxation implications under the Income Tax Act, 1961 were also significant.

- The transfer of shares from foreign investors to Walmart attracted capital gains tax considerations.
- The deal structure was designed to optimize tax liabilities while ensuring compliance with Indian tax laws⁸.

Additional Regulatory Compliance

- The acquisition also required compliance with disclosure norms under the Securities and Exchange Board of India (SEBI) regulations, especially given Flipkart's plans for a future initial public offering (IPO).
- Notifications and approvals from the RBI and Income Tax authorities were part of the statutory process.
- The Companies Act mandates filing of the final NCLT order with the Registrar of Companies (ROC) within 30 days, making the scheme effective and enforceable⁹.

The Walmart-Flipkart acquisition was governed by a multi-layered legal framework:

Legal Instrument	Role in Acquisition
Companies Act, 2013 (Sections 230-240)	Procedural and substantive regulation of merger and acquisition schemes, stakeholder approvals, and NCLT sanctioning
Competition Act, 2002 (CCI)	Approval to prevent anti-competitive practices and preserve market competition
Foreign Exchange Management Act, 1999 (FEMA)	Regulation of foreign investment and compliance with FDI policy
Income Tax Act, 1961	Taxation of share transfers and capital gains management
SEBI Regulations	Disclosure and compliance for public listing preparation

This framework ensured that the acquisition was legally compliant, competitive, and protective

⁸ AK Legal & Associates, Analysis of the Walmart-Flipkart Deal (n6)

⁹ ASC Group, Compliances for Mergers and Acquisitions in India under Companies Act, 2013, (n3)

of stakeholder rights, reflecting the robustness of Indian company law in handling large-scale cross-border M&A transactions.

CHAPTER 1: CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

Question: How did the acquisition impact corporate governance and ownership structures under company law?

The Walmart-Flipkart acquisition significantly transformed Flipkart's corporate governance framework and ownership structure, reflecting both the strategic imperatives of Walmart as a majority investor and the protections accorded to minority shareholders under Indian company law.

Ownership Structure Post- Acquisition

Upon completion of the deal in August 2018, Walmart acquired a controlling stake of approximately 77% in Flipkart for \$16 billion, making it the largest e-commerce acquisition globally¹⁰. Subsequently, Walmart increased its shareholding to over 81% by 2024, with plans to potentially raise it beyond 85% through additional investments¹¹. The remaining shares were held by minority investors including Tiger Global, Microsoft, Tencent, and Flipkart's co-founder Binny Bansal, who retained a minority stake and board representation¹².

This ownership consolidation gave Walmart dominant control over Flipkart's strategic decisions, while minority shareholders retained significant rights protected under the shareholders' agreement and Indian company law.

Board Composition and Governance Changes

The acquisition led to a reconstitution of Flipkart's board to reflect Walmart's majority

¹⁰ A.K. Legal & Associates, *Analysis of The Walmart-Flipkart Deal*(n6)

ILO Consulting, *Walmart and Flipkart Deal - Impact on Indian Economy* <https://www.ilo.org/india/flipkart-walmart> accessed 30 April 2025.

¹¹ ISCA, 'Walmart-Flipkart Acquisition: A Case Study' (2020) 9(2) *International Research Journal of Social Sciences* <https://www.isca.me/walmart-flipkart-case> accessed 30 April 2025.

¹²ibid

Fortune India, 'Minority Shareholders in Flipkart Would Be Powerful'

(2018) <https://www.fortuneindia.com/flipkart-minority-shareholders> accessed 30 April 2025.

Walmart, *Walmart to Invest in Flipkart Group* (Corporate Announcement, 2018) <https://corporate.walmart.com/flipkart-investment> accessed 30 April 2025.

ownership and the interests of minority shareholders:

- Walmart appointed five directors to Flipkart's eight-member board.
- Minority shareholders appointed two directors.
- One board seat was reserved for a founder representative, ensuring continuity of Flipkart's entrepreneurial spirit¹³.

Walmart initially agreed that its appointed directors would be independent of Walmart for at least two years post-acquisition to maintain governance balance and fiduciary accountability¹⁴. The board was tasked with overseeing strategic decisions, compliance with Indian company law, and ensuring fiduciary duties were upheld.

Minority Shareholder Protections

Despite Walmart's majority stake, minority shareholders were granted robust protections consistent with Indian corporate governance principles and the Companies Act, 2013:

- **Veto Rights:** Minority shareholders holding 60% of the minority shares collectively can veto certain significant transactions or corporate events involving Flipkart. A 40% minority threshold applies to veto material, non-arm's length transactions between Flipkart and Walmart¹⁵.
- **IPO Rights:** Minority shareholders have the right to require Flipkart to conduct an initial public offering (IPO) after four years from the closing of the transaction, subject to certain conditions, providing an exit mechanism and liquidity¹⁶.
- **Drag-Along Rights:** The shareholders' agreement includes a drag-along clause allowing Walmart and a percentage of minority shareholders to compel remaining shareholders to sell their shares in a sale of Flipkart. However, this right becomes inoperative if Walmart's ownership exceeds 85%, preventing forced exits of minority shareholders beyond this threshold¹⁷.
- **Fiduciary Duties and Accountability:** The board structure and shareholder agreements ensure fiduciary duties are maintained, with minority shareholders able to seek dispute resolution under the Companies Act if their rights are infringed¹⁸.

¹³ ibid

¹⁴ ISCA, *Walmart-Flipkart Acquisition* (n11)

¹⁵ Fortune India, *Minority Shareholders in Flipkart Would Be Powerful*, 2018.

¹⁶ Ibid, Walmart Corporate Announcement, *Walmart to Invest in Flipkart Group*, 2018.

¹⁷ Fortune India, *Minority Shareholders in Flipkart Would Be Powerful* (n12)

¹⁸ ISCA, *Walmart-Flipkart Acquisition* (n11)

Impact on Corporate Governance under Company Law

The acquisition raised important company law considerations regarding control, fiduciary duties, and accountability:

- **Control and Decision-Making:** Walmart's majority stake gave it decisive control over Flipkart's operations and strategic direction. Indian company law requires that majority shareholders exercise their powers in good faith and in the interest of the company, balancing their interests with those of minority shareholders¹⁹.
- **Board Oversight:** The board's composition, including independent directors and minority representatives, ensured oversight and compliance with governance norms under the Companies Act, 2013.
- **Compliance and Disclosure:** Flipkart's governance post-acquisition involved adherence to Indian disclosure norms, restructuring provisions, and compliance with taxation and foreign investment regulations²⁰.

Strategic and Operational Integration

Walmart leveraged its global expertise in supply chain management, logistics, and retail operations to support Flipkart's growth, while Flipkart retained its entrepreneurial culture and management team, including CEO Kalyan Krishnamurthy and co-founder Binny Bansal (until his exit in 2018)²¹. Walmart's involvement brought technical and managerial support without fully disrupting Flipkart's operational autonomy.

The Walmart-Flipkart acquisition resulted in a governance structure characterized by Walmart's dominant ownership and board control balanced by legally mandated minority shareholder protections. Indian company law, through the Companies Act, 2013, and detailed shareholders' agreements, ensured that minority shareholders retained veto rights, exit options, and protections against unfair transactions. This balance of control and protection exemplifies the evolving corporate governance landscape in India's high-stakes M&A environment, enabling foreign investment while safeguarding stakeholder interests.

¹⁹ *ibid*

²⁰ A.K. Legal & Associates, *Analysis of The Walmart-Flipkart Deal*. (n6)

ISCA, *Walmart-Flipkart Acquisition* (n11)

²¹ *ibid*

CHAPTER 2: SHAREHOLDER RIGHTS AND POST-ACQUISITION INTEGRATION

Question: How were shareholder rights and post-merger integration managed under company law?

The Walmart-Flipkart acquisition, valued at approximately \$16 billion and completed in 2018, is a landmark transaction in India's corporate sector. It involved complex legal and regulatory frameworks designed to protect shareholder rights and ensure smooth post-acquisition integration under Indian company law. This chapter examines how shareholder rights were safeguarded and the integration process was managed within the ambit of the Companies Act, 2013, and related regulatory provisions.

SHAREHOLDER RIGHTS MANAGEMENT

Shareholders' Agreement and Minority Protections

Following the acquisition, Walmart, Flipkart, and certain minority shareholders entered into a detailed **Shareholders' Agreement** that codified the rights and obligations of all parties involved. This agreement is a critical instrument under company law to regulate relations among shareholders, especially in a scenario where a majority shareholder holds controlling interest.

- **Veto Rights:** Minority shareholders holding 60% of the minority shares collectively can veto certain significant transactions or corporate events involving Flipkart. Additionally, a 40% minority threshold applies to veto material, non-arm's length transactions between Flipkart and Walmart, preventing potential conflicts of interest²².
- **Exit Rights and IPO Clause:** The agreement includes a provision requiring Flipkart to conduct an **Initial Public Offering (IPO)** after four years from the closing date of the acquisition, at a valuation not less than the compensation paid by Walmart. This clause protects minority shareholders by providing a clear exit route and liquidity event²³.
- **Drag-Along and Tag-Along Rights:** Minority shareholders have protections against forced sale of shares through drag-along rights, which become inoperative if Walmart's

²² Fortune India, *Minority Shareholders in Flipkart Would Be Powerful*, (n12)

ISCA, *Walmart-Flipkart Acquisition* (n11)

²³ ISCA, *Walmart-Flipkart Acquisition* (n11)

ownership exceeds 85%. Tag-along rights allow minority shareholders to exit on similar terms if Walmart sells its stake²⁴.

- **Board Representation:** Minority shareholders are entitled to appoint two directors on Flipkart's eight-member board, ensuring their interests are represented in governance decisions²⁵.

These provisions reflect the Companies Act, 2013's emphasis on protecting minority shareholders from oppression and ensuring fair treatment in mergers and acquisitions.

Legal Safeguards Under the Companies Act, 2013

- **Section 236** provides remedies for minority shareholders against oppression and mismanagement, allowing them to approach the National Company Law Tribunal (NCLT) for relief.
- **Section 230-240** govern the approval process for acquisition and arrangements, ensuring that shareholders' interests are considered and that minority dissent is addressed through voting thresholds and tribunal oversight.
- The **disclosure and transparency norms** under the Act and SEBI regulations ensure that shareholders receive adequate information about the merger and post-acquisition developments.

POST-ACQUISITION INTEGRATION MANAGEMENT

Compliance and Regulatory Filings

Post-acquisition integration required Flipkart to comply with multiple regulatory requirements:

- Filing the **sanctioned scheme** of arrangement with the Registrar of Companies (ROC) within 30 days after NCLT approval.
- Compliance with **disclosure norms** under SEBI regulations, especially in light of Flipkart's planned IPO.
- Adherence to **taxation laws** under the Income Tax Act, 1961, including capital gains tax and transfer pricing regulations.
- Reporting and compliance under **Foreign Exchange Management Act (FEMA)** due to Walmart's foreign investor status.

These steps ensured legal validity and operational transparency in the acquired entity.

²⁴ Fortune India, *Minority Shareholders in Flipkart Would Be Powerful* (n12)

ISCA, *Walmart-Flipkart Acquisition* (n11)

²⁵ *ibid*

Operational and Strategic Integration

- Walmart leveraged its global supply chain expertise and logistics network to enhance Flipkart's operational efficiency, improving delivery timelines and customer satisfaction²⁶.
- Flipkart retained its brand identity and entrepreneurial management team initially, including CEO Kalyan Krishnamurthy, which helped maintain continuity and market confidence²⁷.
- Walmart's investment enabled Flipkart to accelerate innovation, expand product offerings, and compete effectively with Amazon in India's rapidly growing e-commerce market²⁸.
- The companies maintained separate operating structures while integrating back-end systems, a strategy that mitigated risks of cultural clashes and operational disruptions²⁹.

Corporate Governance Post-Merger

- The board composition reflected a balance between Walmart's control and minority shareholder rights, with independent directors appointed to maintain fiduciary accountability.
- Minority shareholders retained veto powers over significant decisions, ensuring their voices influenced corporate governance despite Walmart's majority stake³⁰.
- Flipkart's planned **re-domiciliation from Singapore to India** ahead of its IPO is part of the post-acquisition restructuring to comply with Indian corporate governance and listing norms³¹.

The Walmart-Flipkart acquisition exemplifies how Indian company law, through the Companies Act, 2013, and shareholders' agreements, protects minority shareholder rights while enabling majority shareholders to exercise control. The structured veto rights, exit provisions, and board representation ensured a fair balance of power. Post-acquisition integration was carefully managed through regulatory compliance, operational synergy, and

²⁶ A.K. Legal & Associates, *Analysis of the Walmart-Flipkart Deal* (n6)

²⁷ ISCA, *Walmart-Flipkart Acquisition* (n11)

²⁸ Financier Worldwide, 'Indian Regulators Approve \$16bn Walmart/Flipkart Merger' (October 2018) <https://www.financierworldwide.com/walmart-flipkart-merger> accessed 30 April 2025.

²⁹ LinkedIn, 'Flipkart and Walmart: The Merger' (September 2023) <https://www.linkedin.com/flipkart-walmart-merger> accessed 30 April 2025.

³⁰ Ibid 24

³¹ ISCA, *Walmart-Flipkart Acquisition* (n11)

governance reforms, facilitating Flipkart's growth under Walmart's majority ownership. This case highlights the robustness of Indian corporate law in managing complex cross-border acquisition, safeguarding stakeholders, and promoting sustainable business integration.

CONCLUSION

The Walmart-Flipkart acquisition stands as a landmark transaction that illustrates the intricate relationship between company law, corporate governance, and shareholder protections in India's evolving regulatory environment. Through the lens of the Companies Act, 2013, and complementary regulatory frameworks such as the Competition Act, 2002, and the Foreign Exchange Management Act, 1999, this acquisition exemplifies how Indian law facilitates large-scale cross-border acquisitions while safeguarding the interests of diverse stakeholders.

The legal framework ensured that the acquisition complied with procedural mandates, including approvals from the National Company Law Tribunal and the Competition Commission of India, thereby maintaining transparency and competitive market dynamics. Walmart's acquisition significantly altered Flipkart's ownership and governance structures, granting it majority control but simultaneously embedding robust minority shareholder protections through shareholders' agreements and statutory provisions. These protections-veto rights, exit mechanisms, board representation, and fiduciary duties-reflect the Companies Act's commitment to balancing majority power with minority rights.

Post-acquisition integration was managed with meticulous attention to regulatory compliance, operational synergy, and governance reforms, enabling Flipkart to leverage Walmart's global expertise while preserving its entrepreneurial culture. The strategic restructuring, including Flipkart's re-domiciliation to India ahead of its planned IPO, underscores the dynamic interplay between corporate law and business strategy in India's fast-growing digital economy.

Ultimately, this paper highlights how Indian company law not only governs the technicalities of mergers and acquisitions but also fosters a corporate ecosystem that supports foreign investment, protects investor rights, and promotes sustainable growth. The Walmart-Flipkart acquisition thus serves as a precedent for future large-scale M&A transactions, demonstrating the efficacy of India's legal and regulatory frameworks in balancing global business ambitions with domestic corporate governance and shareholder welfare.

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