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A Critical Study on Strategic Due Diligence and Corporate Risk Governance in Modern Mergers and Acquisitions in India

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A Comprehensive Study on ESG Enforcement and Sustainable Corporate Transformation in India amidst the Era of Digital Governance

ABSTRACT

Mergers and acquisitions have increasingly emerged as important instruments for corporate expansion, restructuring, market consolidation, and strategic growth within India's evolving business environment. As acquisition transactions have proliferated in both number and size, the risk assessment mechanisms have grown in importance due to the size and complexity of the transactions, which has concurrently exposed businesses to a growing number of financial, operational, regulatory, valuation and integration risks. Recent developments underscore the significance of this sector, as India saw deal values rise significantly during 2024, with total deal value of around USD 112 billion, marking a notable surge in acquisition activity and market consolidation. Additionally, India's deal value for M&A transactions rose from USD 106.3 billion in 2024 to USD 123.8 billion in 2025, highlighting the ongoing significance of mergers and acquisitions in the Indian economy. The present study attempts to critically evaluate the correlation between strategic due diligence and corporate risk governance in the present scenario of the mergers and acquisitions deal in India. The research examines the concept of strategic due diligence as a process that goes beyond legal and financial due diligence and encompasses a wider risk identification, transaction evaluation and decision-making process. Second, it explores corporate risk governance structures and their role in the management of risks associated with acquisitions with the different stages of the acquisition process. The study employs a doctrinal and analytical approach to research, utilizing secondary sources such as literature, regulations, reports, and scholarly resources, to assess how far a doctrine of associated mechanisms of risk assessment affects the speed and effectiveness of transactions, as well as acquisition results. The research suggests that a "corporate risk governance" shouldn't co-exist with a "research on due diligence efforts," but instead be "tightly coupled in order to strengthen transaction planning, development of that reduction and long-term acquisition success." This study plays a role in the process of formulating an integrated perspective on the risk management process in the present-day framework of M&A activities in India.

KEYWORDS

Strategic Due Diligence, Corporate Risk Governance, Mergers and Acquisitions, Transaction Risk Management, Indian Corporate Transactions

INTRODUCTION

In today's rapidly expanding competitive and globalized business environment, mergers and acquisitions are now a crucial tool for Indian enterprises aiming to future-proof their operations, expand their market footprint, and secure advanced technology and talent. Meanwhile, many deals that appear promising on paper never realize the synergies they expected due among other things, hidden liabilities, cultural differences, inadequate integration management planning or the lack of compliance and governance. Clearly, the finance or a legal-driven due-diligence is no longer sufficient in this modern Indian landscape between what deals were expected and what was done. In the last few years “strategic due diligence” has been introduced by both practitioners and academics to recapture a more extensive and in-depth understand of a pre transaction analysis. In addition to statutory compliance and documentation, strategic due diligence will also involve assessing the strategic fit between the acquirer and the target, the target's business model, its organisation, human resources, technology, culture and target's long-term sustainability. Without this all-round evaluation, the non-financial, non-contract risks emerge as operational difficulty, not another part of integration or even policy concerns.

Hence, strategic due diligence is closely tied up to the risk identification, understanding and management process both before and after the deal. At the same time, the concept of corporate risk governance has emerged, particularly due to several corporate scandals and the straitening of regulations in India. In addition, boards of directors, audit committees and senior management are now expected to maintain active oversight for any large acquisition or transaction such as an M&A, ensuring that any risks are appropriately assessed as well as doing the homework to make due diligence not a tick in the box exercise. Compliance with the Companies Act, SEBI regulation, other sectoral laws etc. is not the sole measure of risk governance but creating internal structures, policies and reporting lines that enable risk information from the due diligence process to be communicated to the right people at the right time.

However, there is a definite gap between these changing expectations and the practice. There is a substantial body of literature on due diligence and M&A risk management, although there is little focused literature that critically examines the ways in which Indian companies are making

use of strategic due diligence and have incorporated corporate risk governance mechanisms into their modern M&A.

LITERATURE REVIEW

1. To examine the significance of due diligence within the Indian legal framework, the author¹ analysed due diligence practices adopted during corporate transactions and mergers. The study assessed financial, legal, operational, and contractual investigations undertaken before acquisitions and found that comprehensive due diligence reduces transactional uncertainty and information asymmetry. However, the study primarily focused on legal and procedural aspects and provided limited discussion on how strategic risk governance mechanisms interact with due diligence processes. This creates scope for examining due diligence from a broader risk-governance perspective within Indian M&A transactions.

2. The author² examined mergers and acquisitions through the lens of corporate governance by analysing board structures, shareholder protection mechanisms, and managerial accountability during transactions. The findings suggested that stronger governance frameworks contribute to better transaction outcomes and reduce managerial inefficiencies. However, the study primarily emphasized governance mechanisms and did not sufficiently analyse how governance structures operate alongside strategic due diligence practices. This creates an opportunity to study the relationship between governance systems and risk-oriented due diligence mechanisms.

3. The author³ examined different categories of risks arising during merger and acquisition transactions, including financial risks, operational risks, valuation risks, and regulatory risks. The study found that structured risk management frameworks significantly improve transaction efficiency and reduce acquisition failures. However, the research focused more on risk identification and mitigation rather than examining how due diligence processes contribute toward corporate risk governance. Therefore, further research is required to understand how strategic due diligence strengthens organizational risk management.

4. This author⁴ examined risk exposure within Indian M&A transactions

¹ Nandini Shenai, *Due Diligence for Companies under Indian Law*, 3 Indian J. Corp. L. 45 (2018).

² Umakanth Varottil, *Corporate Governance in M&A Transactions*, 25 Nat'l L. Sch. India Rev. 67 (2013).

³ Purna Jain Kala, *Risk Management in M&A Transactions: Legal and Strategic Perspectives*, 10 Indian J. L. & Bus. Stud. 112 (2019).

⁴ A. K. Sharma & R. Kumar, *Structural Risk Modelling in Indian Mergers and Acquisitions*, 14 IUP J. Bus. Strategy 28 (2017).

using empirical modelling approaches. The research assessed financial instability, managerial inefficiencies, operational uncertainty, and market volatility affecting acquisition outcomes. The findings suggested that multiple risk variables significantly influence transaction performance and post-merger success. However, the study focused largely on quantitative risk assessment and did not comprehensively analyse governance mechanisms that manage these risks during transactions.

5. The author⁵ proposed a structured framework for identifying and managing risks throughout acquisition processes. The study examined risks arising during pre-acquisition, transaction execution, and post-merger integration stages. Findings suggested that continuous risk monitoring improves transaction outcomes and integration efficiency. However, the research focused primarily on theoretical risk models and offered limited discussion regarding the application of these frameworks within Indian corporate environments.

6. The authors⁶ examined the relationship between corporate governance principles and the Indian regulatory framework governing mergers and acquisitions. Their analysis focused on compliance mechanisms, disclosure obligations, board responsibilities, and regulatory challenges affecting transactions. The findings emphasized that governance failures increase transaction risks and reduce acquisition efficiency. However, the study did not comprehensively address how strategic due diligence complements governance structures in mitigating these risks.

7. The authors⁷ examined practical challenges faced by Indian firms during merger and acquisition transactions, including cultural integration problems, regulatory barriers, strategic misalignment, and operational challenges. The findings indicated that transaction success depends heavily upon integration efficiency and risk management practices. However, the research focused largely on post-transaction challenges rather than pre-transaction strategic assessment mechanisms such as due diligence.

8. The authors⁸ examined how legal and financial due diligence influence

⁵ B. S. Chui, *A Risk Management Model for Merger and Acquisition*, 8 *J. Risk Fin. Mgmt.* 1 (2015).

⁶ Bhuvaneshwari R. & Jayant Kashyap, *Corporate Governance, Mergers & Acquisitions: Regulatory Framework, Intersection and Challenges in India*, 6 *Indian J. Corp. Governance* 89 (2021).

⁷ Navendu Vijayvergia & Poorvi Agrawal, *Issues and Challenges of Merger & Acquisition for Indian Companies in Global Markets*, 11 *Int'l J. Mgmt. & Soc. Sci. Res.* 41 (2018).

⁸ Sreyashi Mukherjee & Debdeep Banerjee, *The Role of Legal and Financial Due Diligence in Shaping M&A Success*, 12 *Indian J. Corp. & Com. L.* 55 (2022).

transaction quality and acquisition success. The study assessed due diligence processes relating to liabilities, contractual obligations, financial performance, and regulatory compliance. Findings suggested that effective due diligence significantly reduces hidden risks and improves valuation accuracy. However, the research primarily focused on legal and financial dimensions while providing limited discussion on strategic and governance-related due diligence.

9. The authors⁹ examined legal risks associated with Indian acquisition transactions and analysed the impact of inadequate disclosures, contractual uncertainties, and compliance failures. The findings suggested that legal due diligence functions as an important protective mechanism for acquiring firms. However, the research concentrated mainly on legal verification processes and did not sufficiently address broader risk governance concerns.

10. The study¹⁰ examined factors influencing post-merger integration and acquisition success. It analysed communication structures, synergy realization, organizational restructuring, and operational integration practices. The findings indicated that many acquisitions fail because organizations underestimate integration risks. However, the report primarily focused on post-transaction activities and offered limited examination of how pre-transaction due diligence influences integration outcomes.

Mergers and acquisitions keep getting used as ways for companies to grow in India but a lot of them run into trouble anyway. Things like bad valuation or hidden problems come up often and it seems governance does not always catch them in time. The paper looks at how strategic due diligence fits with risk oversight during these deals and whether boards actually get useful information from it.

Traditional checks focus mostly on legal and financial parts which leaves strategic risks kind of overlooked. That gap shows up when integration fails later even if the numbers looked fine at first. Studies already talk about board oversight and compliance but they tend to treat due diligence and governance as separate topics.

I think the research tries to connect those areas across the whole deal cycle rather than just before signing. It also points out that regulatory uncertainties and cultural issues keep causing problems yet not much work examines how early risk checks shape later outcomes. Some parts

⁹ Ruchi Gupta, *Legal Due Diligence in M&A Transactions in India*, 5 Indian Bus. L.J. 73 (2020).

¹⁰ PwC India, *Making M&A Successful: Post-Merger Integration Survey* (last visited June 10, 2026).

of the literature stay narrow on compliance instead of linking it to transaction structure.

The study wants to see how Indian acquirers actually do this kind of due diligence and pass findings along for decisions. Governance mechanisms might help with complex risks but their real effect stays unclear in many cases. There is room to understand the combined impact on efficiency and post deal results better.

One thing that stands out is how limited attention goes to strategic due diligence as something that spots both risks and chances rather than just verification. This leaves a hole when trying to improve long term performance inside Indian rules. The work aims to fill that by looking at the whole process together.

ANALYSIS

1. Understanding Strategic Due Diligence Beyond Traditional Transaction Assessment

It can be seen that mergers and acquisitions have become one of the major avenues of corporate restructuring, market consolidation, corporate growth and competitiveness in today's economy. The nature of the transaction, however, is not the only element of a successful merger and acquisition transaction, proper transactional information, risk management processes and governance are essential as well.

Typically, the process of due diligence has been identified as a process of legal verification, financial examination and compliance assessment prior to completion of the transaction. While traditional practices of acquisition due diligence are important, in today's increasingly complex risk landscape, they are insufficient to meet the needs of an M&A transaction. The traditional meaning of due diligence is what is generally known as legal, financial, and compliance due diligence prior to closing. Conventional acquisition methods are still critical, but contemporary acquisition deals illustrate how traditional due diligence methods are no longer effective in the face of today's increasingly complex corporate risk.¹¹

Strategic due diligence is not just a verification exercise, but also a decision-making tool. Strategic Due Diligence differs from Traditional Due Diligence in that it looks at the viability of a transaction to generate ongoing value and is consistent with organizational goals. This is a more comprehensive strategy that involves assessing operational suitability,

¹¹ Nandini Shenai, *Due Diligence for Companies under Indian Law* (2021) SSRN Electronic Journal.

management systems, integration potential, and the viability of the business, competitive profile, contractual risks, and the possibilities for growth in the future.¹²

The value of due care is especially noticeable when it comes to acquisition failures that happen despite the fact that the legal and monetary due diligence was a success. Many payouts are complicated by post-merger issues that are less about a failure to perform monetary audits, but more about a failure when it comes to accounting for integration issues, governance challenges, operational dissonance or strategic misalignment.¹³ The objective shouldn't be to see strategic due diligence as a part and parcel of the procedure but as an essential part of transaction planning and risk mitigation. The second type is the identification of risk. The second type is to Identify Risk – which is the core function of Strategic Due Diligence.¹⁴

2. Risk Identification as the Central Function of Strategic Due Diligence

In recent years, companies undergoing a merger or acquisition face various types of risks i.e, financial risks, valuation risks, operational risks, regulatory risks, strategic risks, integration risks and reputational risks. In addition, the intricacies of today's corporate organizations place greater emphasis on the potential for newly acquired companies to be burdened with liabilities that were not identified during an insufficient investigation.¹⁵ Financial risk is certainly one of the most obvious acquisition risks, because not valuing, or valuing inaccurately, can lead to over-payment, or a likely disparity in expectations for synergy.

Poorly done due diligence can lead to large miscalculations and misconceptions about the performance of the target firm, which can lead organisations to believe that the efficiencies and additional revenues they are expecting to receive in return for an acquisition premium are realistic.¹⁶ A thorough strategic due diligence is thus not only crucial for analysing financial statements, but is also essential to analyse the potential for long-term value creation and sustainability. In other research, the operational and integration risks have great impact on the outcome of a transaction as well.

Organizations can be able to acquire the target organizations but not the

¹² Sreyashi Mukherjee & Debdeep Banerjee, 'The Role of Legal and Financial Due Diligence in Shaping Mergers and Acquisitions Success' (2023).

¹³ Patrick A. Gaughan, *Mergers, Acquisitions and Corporate Restructurings* (7th edn, Wiley 2018).

¹⁴ PwC India, *Making M&A Successful: Post-Merger Integration Survey* (2017).

¹⁵ Prerna Jain Kala, *Risk Management in M&A Transactions* (2022) SSRN Electronic Journal.

¹⁶ Aswath Damodaran, *Applied Corporate Finance* (4th edn, Wiley 2014).

operational systems, organizational cultures, managerial systems and business processes. The difficulties are often translated as shrunk expected synergies, and inefficient overlap resulting in poor post-merger performance. In many respects, strategic due diligence becomes a way of consideration how well the organisation is able to be compatible in order to reach the integration goals. The acquisition transactions that are carried out these days in India are further complicated by the regulatory risks.¹⁷

The regulatory landscape for corporate transactions is becoming more complex and features a variety of elements including competition conditions, disclosure mandates, corporate governance requirements, sector specific restrictions and the approval process. When these regulatory risks are not addressed during the due diligence phase, it can lead to significant delays, settlements or even transaction abandonment. So, the identifying of risks should not be interpreted as finding issues, rather it is the process by which an organisation is assessing, if any risk still exists that it can be managed and if the transaction benefits outweigh these risks.¹⁸

3. Corporate Risk Governance and Its Influence on Acquisition Outcomes

Corporate risk governance is defined as all the structures and policies that organizations implement to identify, monitor and manage risks and the oversight and decision-making mechanisms that ensure these actions are carried out. In a merger and acquisition process, corporate risk governance is essential because these acquisitions are decisions that impact significantly upon the organizational performance, the interests of its shareholders, the financial stability of its organization, and the long-term direction of organizational strategy.¹⁹ Effective governance structures help achieve successful acquisitions in part through better oversight mechanisms. Institutional arrangements such as involvement of the board, accountability of management, internal control and monitoring mechanisms are in place that are objective and efficient in evaluating transaction risk factors.²⁰ Lack of proper governance processes can lead to management overconfidence, insufficient information or offset by unrealistic growth goals in acquisition

¹⁷ Navendu Vijayvergia & Poorvi Agrawal, *Issues & Challenges of Merger and Acquisition for Indian Companies in Global Markets* (2017).

¹⁸ Umakanth Varottil, *Corporate Governance in M&A Transactions* (2012) 24 National Law School of India Review.

¹⁹ Committee of Sponsoring Organizations (COSO), *Enterprise Risk Management – Integrating Strategy and Performance* (2017).

²⁰ Bhuvanewari & Jayant Kashyap, *Corporate Governance, Mergers & Acquisitions: Regulatory Framework, Intersection and Challenges in India* (2021).

situations.

4. The Relationship Between Strategic Due Diligence and Corporate Risk Governance

The governance structures–acquisition performance relationship is especially relevant because frequently, there is information asymmetry involved in the acquisition. Even with all the work done in researching target companies, acquirers do not always have all of the information. Governance mechanisms thus act as further safety valves to uphold the transparency, accountability and supervision of decision-making processes. But governance is not enough to remove acquisition risks. There is the possibility of high governance standards being accompanied by weak due diligence processes.²¹ Strong governance frameworks can be accompanied by substandard due diligence processes. Likewise, a comprehensive Due Diligence exercise might not yield tangible results without including governance to disseminate the results and feed them into the decision-making process. This indicates that governance structures and due diligence procedures need to be integrated and inter-dependent and part of wider risk management frameworks.²²

5. How to Investigate Fraud and Abandoned Property Claims and the Challenges Within Indian Mergers and Acquisitions

One of the major issues that has been surfacing in recent merger and acquisition activities is the interplay between due diligence and governance. The current approaches often look at these principles through the lens of “due diligence” that picks up risk, and “governance” that manages deals. But this poses a practical problem in that transaction risks are seldom found in a single category. Strategic due diligence can play a supportive part in corporate risk governance by providing information to drive decision making, and governance mechanisms are in place to bring identified risks into play to support the enterprise response and transaction strategy. Hence, no governance without due diligence or due diligence without governance leads to no decisions with adequate information and no information without institutional implementation. These mechanisms gain in significance at various phases in acquisition transactions. Strategic due diligence helps in the governance processes in the pre-acquisition phase with risk identification and transaction evaluation. In its action’s execution, governance mechanisms monitor negotiations, approvals and compliance procedures.

Post-merger integration stages are represented through the governance

²¹ B.S. Chui, *A Risk Management Model for Merger and Acquisition* (Working Paper).

²² Robert F. Bruner, *Applied Mergers and Acquisitions* (Wiley 2004).

framework mechanisms which track the performance of the operations and which govern the implementation of risk mitigation strategies. Organizations that embed due diligence into their governance systems are likely to have a better chance of effective risk management due to the information and governance support of the decision making. The Indian M&A market comes with its specific set of challenges that makes strategic due diligence and corporate risk-governance pertinent. As businesses evolve, their structures are growing, regulatory frameworks have changed and cross-sector acquisitions have also become more prevalent, all leading to an ever-increasing complexity of transactions.²³

Numerous acquisition failures inside India are caused by financial errors together with weak administrative frameworks, lack of merging preparation, false hopes for cooperation, and bad risk evaluation habits. It has been observed that many large business groups put focus on finishing the commercial exchange while these large business groups ignore the value of managing and supervising the business after the purchase is finished. Changing legal systems force many large business groups to follow rules that are becoming very difficult. Because acquisition transactions are growing more complicated, these acquisition transactions need supervision systems which can change when the laws and business world change. Experts claim that the ability for a system to change is necessary for survival. ²⁴For this reason, modern Indian mergers and acquisitions demand that large business groups use larger methods for checking the deal. It is argued that governance mechanisms and due diligence processes must work together instead of working alone because the success of the deal is tied to this unity.²⁵

CONCLUSION

This research shows that strategic due diligence is used for more than just checking facts. Strategic due diligence is understood as a big tool for finding danger, checking the deal, and making choices. Many people believe that corporate risk governance goes past following laws because corporate risk governance acts as a system that is used by large business groups to watch and control the dangers of purchasing other companies. The link between these ideas shows that the victory of a commercial exchange is determined by combining both tools during the whole process. Many experts claim that the victory of a commercial exchange does not come from just one search or one rule. Modern mergers and

²³ Umakanth Varottil, *The Nature of the Market for Corporate Control in India* (2016) SSRN Electronic Journal.

²⁴ Structural Risk Modelling, *Indian Mergers & Acquisitions*, MPRA Working Paper.

²⁵ Patrick A. Gaughan, *Mergers, Acquisitions and Corporate Restructurings* (7th edn, Wiley 2018).

acquisitions in India make large business groups use combined ways to manage danger while efficiency and safety are improved when strategic due diligence and corporate risk governance work as one unit. Thus, the study proves that knowing how these tools talk to each other is vital for better results in difficult business places. It has been observed that better results are achieved when the interaction is understood well.

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