THE MORNING CONTEXT

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India's dormant company takeover boom is a regulatory blind spot

Long-inactive listed firms are turning into 'sunrise sector' plays—with little scrutiny after a deal is done—often leaving retail investors to bear the risk.

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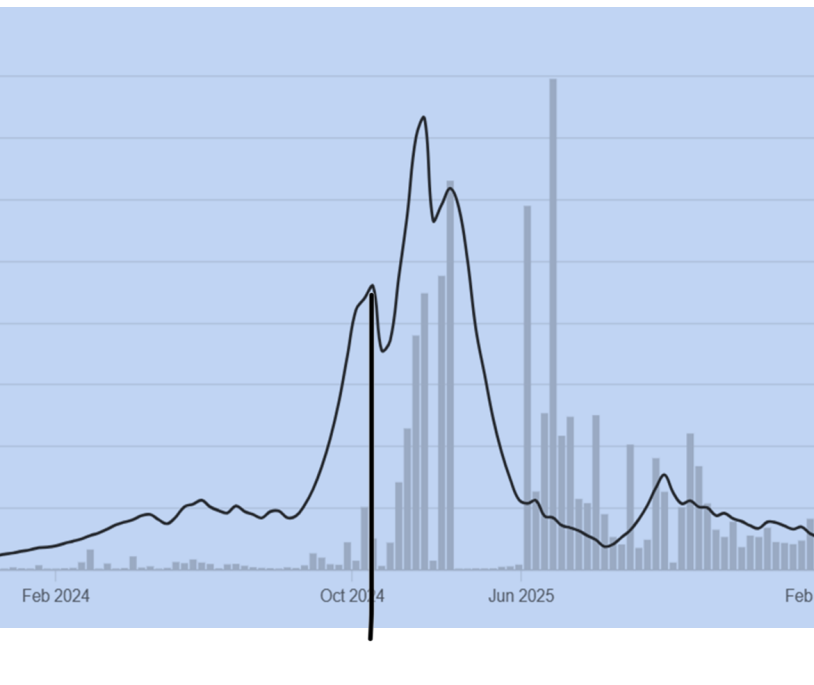

Last month, the Securities and Exchange Board of India issued an interim order that should prompt investors to look more closely at the revival of long-dormant listed companies.

The order targeted RRP Semiconductor Ltd, whose share price surged from Rs 15 to over Rs 10,000 between April 2024 and October 2025—a span of roughly 19 months.

The firm was not always in the semiconductor space. Formerly known as G.D. Trading and Agencies Limited, it operated as an investment and share trading business since being incorporated back in 1980. Following its acquisition by new promoters in 2023, it underwent a sharp rebranding, repositioning itself as a technology and semiconductor business.

SEBI, in its order, observed that during this transformation, a connected group of entities allegedly circulated shares among themselves and placed aggressive "buy" orders to artificially inflate the stock price.

This case itself is no outlier; in fact, it is a window into a broader pattern where legacy listed shells are being repurposed for speculative gains.

As Sonam Chandwani, partner at KS Legal, points out, "The recurring pattern of dormant or low-activity listed entities being revived and repositioned as participants in sunrise sectors exposes a regulatory gap between formal compliance and substantive business legitimacy."

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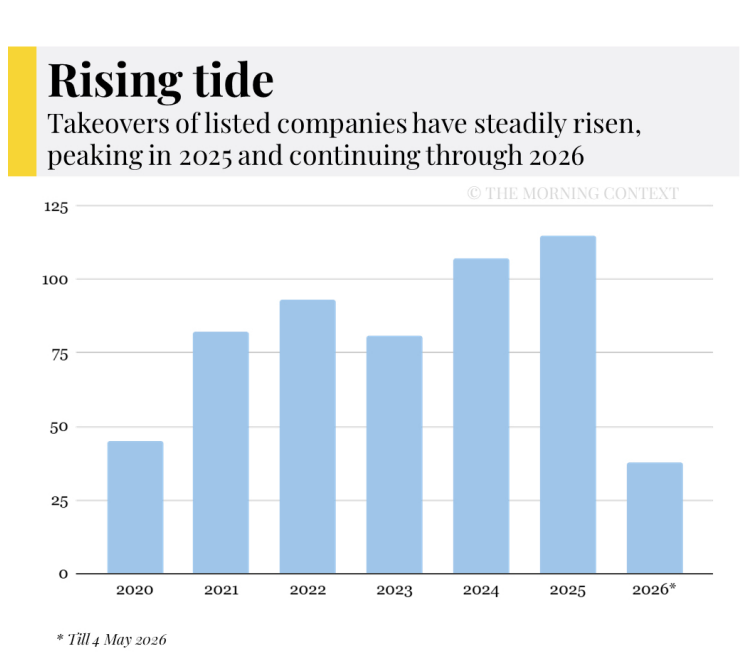
To understand why a semiconductor company might emerge from the shell of a dormant trading firm, one must examine the overall mechanics of public takeovers—transactions where an acquirer gains a controlling stake in a listed company, thereby assuming its operations and management.

Such takeovers peaked in 2025—when there were 115 of them. Even in the current year, India has recorded 38 public takeovers. This, despite the overhang of geopolitical tensions and relatively subdued market activity.

Rising tide

Takeovers of listed companies have steadily risen, peaking in 2025 and continuing through 2026



* Till 4 May 2026

Source: SEBI

This rise presents a paradox. While takeover activity has expanded, there remains a disconnect between acquisition regulations and the operational realities that follow. SEBI and stock exchanges conduct due diligence on the transaction itself. But what happens after the takeover often escapes similar scrutiny.

An acquirer can thus take over a defunct textile mill and, within months, reposition it as a green energy, semiconductor, or AI venture. The listed status lends credibility, while the underlying business risk—or even the possibility of fraud—is effectively transferred to retail investors. Many of these investors, driven by hype, chase these stocks, only to be caught in pump-and-dump cycles. The regulator is often left reacting—removing misleading tips and posts after the fact.

As Chandwani notes, "The absence of such a framework results in a reactive rather than preventive regulatory approach, where intervention typically follows abnormal price movements rather than preceding them."

This tension—between formal compliance and market reality—marks a fracture point that calls for a shift toward preventive oversight.

A pattern

The example of RRP Semiconductors Ltd is far from isolated. If anything, it offers a starting point to examine similar trajectories.

Consider Bharat Global Developers Ltd. Originally incorporated in 1992 as Perfact Weavers Private Limited in the textile sector, the company underwent multiple transformations—becoming Sequel E-Routers Ltd, then Kkrafton Developers Limited, and eventually Bharat Global Developers. Over time, it moved across sectors ranging from technology to construction materials and commodities. It later came under SEBI scrutiny for allegedly making false claims about receiving orders from major corporations, including entities linked to Reliance Industries Limited, UPL Limited, the Tata Group, and McCain Foods. The intent here is not to judge individual companies, but to examine a broader pattern.

What made the Bharat Global case particularly striking was not just the scale of alleged gains, but the ease of execution. Insiders used the preferential allotment route to acquire 99.5% control through heavily discounted shares. To inflate the stock price, the company announced fictitious high-value contracts. Once the mandatory six-month lock-in period expired, 13 allottees exited, extracting approximately Rs 271 crore in profits before SEBI intervened to halt trading.

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The red flags, in hindsight, were evident. The company reported just Rs 4 lakh in revenue between 2022-23, and even that was not from core operations. Its own website descriptions did not match disclosures on exchange platforms.

A similar pattern emerged in Retro Green Revolution Ltd, which, according to a March 2026 SEBI order, was used to generate unlawful gains of Rs 2.94 crore. Originally incorporated in 1990 as Jolly Merchandise Ltd, the company shifted from trading activities to tea blending and packaging, and later to green agriculture services.

The ease of executing such schemes is underscored by how accessible dormant listed companies have become. Earlier this year, a small advertisement in a national daily invited offers from those willing to sell a listed company. A simple online search reveals several such opportunities. For acquirers, these serve as ready-made gateways to public markets—sidestepping the time, scrutiny, and disclosure requirements of a traditional IPO.

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The scale of the problem became clearer in 2025, when SEBI conducted multiple search and seizure operations across cities, targeting 15-20 shell companies allegedly involved in price-manipulation schemes.

According to Pranav Haldea, MD of PRIME Database Group, "The primary incentive for acquiring a thinly traded, legacy listed company is the immediate access to the benefits of a public vehicle without the hurdles of a traditional IPO."

Once an acquisition is complete, the company acquires not just a listing but also future access to sophisticated funding routes. This enables capital raising from institutional investors such as mutual funds or insurance companies through a streamlined process—bypassing the rigours of a public prospectus, he adds.

For investors then, certain red flags tend to recur:

- The valuation at the time of acquisition
- Unusual price volatility in the months following the deal
- High free float, which may enable market manipulation
- Immediate equity dilution post-takeover
- Lack of experienced key managerial personnel
- Sudden changes in company name and business direction, especially toward "hot" sectors

While these indicators can help investors exercise caution, the underlying issue is fundamentally regulatory.

Fix needed

India's markets are neither unregulated nor unsophisticated. The existing takeover framework—The SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011—addresses critical aspects such as valuation, minority shareholder rights, and transaction procedures. However, it falls short on what happens next.

- How should a regulator assess drastic changes in business operations, name, and objectives post-acquisition?
- How should dormant, infrequently traded companies be treated?
- How can the credibility of sudden, high-value business announcements be determined?

As Chandwani suggests, the introduction of a "use it or lose it" principle for listed entities deserves serious consideration. Companies that fail to demonstrate sustained business activity over a defined period should not be allowed to retain listing privileges. Coupled with it, stricter scrutiny of business transformations and stronger accountability for disclosures could act as meaningful deterrents, she adds.

Ultimately, takeovers themselves are not the problem, how they are used is. When dormant companies suddenly reappear with new identities, ambitious narratives, and soaring stock prices, the risks are often borne by retail investors. Many are unaware of the company's history, drawn by momentum and market buzz. In such an environment, the market offers ample opportunity—not just for informed investing, but also for exploitation.

Here, other jurisdictions offer useful cues. In several markets, sudden business pivots and reverse takeovers are subject to far tighter scrutiny. In Hong Kong, for instance, any acquisition that results in a fundamental change in the issuer's principal business is effectively treated as a new listing application, requiring the company to meet full IPO standards, including profitability and track record requirements. Exchanges also monitor changes in control for up to three years to ensure that a series of smaller transactions is not used to quietly introduce a new business.

Australia follows a similar approach, requiring companies undergoing fundamental business changes to meet disclosure standards akin to a fresh listing. In Singapore, such pivots can trigger requirements like appointing directors with relevant domain expertise—ensuring the transition reflects genuine capability rather than a cosmetic shift.

Clearly, the regulatory focus in India must shift to early scrutiny—asking tougher questions about the acquirer's intent, capability, and credibility long before any damage is done.

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