

Mayank Arora, director (Regulatory) at Nangia Andersen India, said the notified Competition (Minimum Value of Assets or Turnover) Rules would “ease M&A activity in entities that do not pose a systemic risk” of holding a dominant market position.

“The move should help investors in start-ups looking for an exit, or exploring synergies with other start-ups,” Arora said.

# Centre sets new deal value threshold for merger deals

**DECKS CLEARED.** Move to expand Competition Commission's scrutiny window

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The revamped merger control regime as envisaged under the Competition (Amendment) Act 2023 is now a reality with the Corporate Affairs Ministry (MCA) on Monday notifying several provisions in this regard to be effective from September 10.

The MCA has now overhauled the merger control regime in India by implementing the much-awaited 'deal value threshold' provision that would bring certain M&A deals within the scope of prior CCI approval.

Also, more accountability is now being statutorily demanded from the Competition Commission of India (CCI), which is now required to complete its merger review within 150 days as against the current timeline of 210 days.

MCA has also now provided exemption from "standstill obligations" for the open offers triggered from acquisition of controlling stake through transactions put through the stock exchanges.

The exemption has been provided as imposition of "standstill obligations" under competition law was being seen as restrictive and often threatening the viability of those acquisition transactions itself. Put simply, standstill obligations meant

## REVAMPED REGIME

- Deal value threshold provision to come into effect from Sep 10
- CCI must complete merger review within 150 days
- Standstill obligation exemption for open offer transactions
- Safe harbour introduced for combinations requiring CCI approval
- CCI approval not needed for M&A with enterprise asset size less than ₹450 crore and turnover less than ₹1,250 crore



no part of the deal can be proceeded with until the approval of CCI to the acquisition transaction.

## DEAL VALUE THRESHOLD

Nearly 16 months after the Presidential assent to the Competition Amendment Act 2023 and lot of push-backs by the Big Tech, the MCA on Monday notified that 'deal value threshold' provision would come into effect from September 10.

With this move, transactions where (i) global deal value is in excess of ₹2,000 crore (about \$ 240 million); and (ii) the party acquired, taken control of, merged or amalgamated has 'substantial business operations in India' (SBO), require prior CCI approval.

What would constitute SBO in India would be covered by the CCI regulations on merger control which are expected to be is-

sued shortly, said competition law experts. Nisha Kaur Uberoi, Partner & Chair Competition Law, JSA, said that the newly-notified merger control amendments herald the single largest overhaul of the Indian merger control regime.

"The introduction of the deal value threshold of ₹ 2,000 crore for companies with substantial business operations in India brings the CCI on par with global regulators like the US, Germany, Austria. However, the devil will lie in the details - the enabling regulations and the need for CCI to enhance capacity to keep up their efficient track record of clearing M&A deals will be key to ensure ease of doing business remains unimpacted."

Dinoo Muthappa, Partner, AZB & Partners, said that the deal value thresholds introduce an additional layer to the Indian merger control

framework. "By expanding scrutiny beyond the size of transacting parties (based on asset and turnover), the new rules ensure that smaller targets in high-value deals are also scrutinised," she said.

The forthcoming guidance from the CCI will be key for businesses navigating these changes, Muthappa added.

The "deal value threshold" refers to a criterion used to determine whether a merger or acquisition must be notified to a competition authority (CCI) for review and approval.

This threshold is typically based on the total value of the transaction, rather than the turnover or market share of the involved companies.

## SAFE HARBOUR

Meanwhile, MCA has also notified new rules — Competition (minimum value of assets or turnover) Rules — that provides a safe harbour for combinations requiring approval from CCI. Under these Rules, any acquisition, merger, or amalgamation of an enterprise with asset size of less than ₹ 450 crore and turnover of less than ₹1,250 crore would not be treated as a combination requiring CCI approval.

"This change has been brought about to ease M&A activity in entities that do not pose a systemic risk to dominant market position by a participant," Mayank Arora, Director-Regulatory, Nangia Andersen India, said.