

Digital Cos with 10% India Users Need CCI Nod for M&As

Our Bureau

New Delhi: Mergers and acquisitions involving digital firms that have one tenth of their global users or gross merchandise value in the previous one year or annual turnover in India would require clearance from the Competition Commission of India (CCI), as they would then be considered to have "substantial business operations" in this country, the regulator said.

The CCI (Combinations) Regulations, 2024, which comes into effect from September 10, follow the government's Monday notification that said deal value above ₹2,000 crore and where the target firm has "substantial business operations in India" would need regulatory clearance.

The CCI regulations define what constitutes substantial business operations.

Transactions involving non-digital firms that have an annual gross merchandise value or turnover of more than ₹500 crore in India will need the mandatory regulatory approval, as per the new regulations.

The rules will apply to even those transactions that are already signed but not formally closed yet, the CCI said, removing doubt over their applicability.

The deal value threshold, introduced in the amended competition

law of 2023, aims to enable the CCI to capture important transactions, especially in the digital sector, which could otherwise escape its scrutiny based on the traditional asset or turnover criteria, experts have said.

Unnati Agrawal, partner at IndusLaw, said: "The parties will now have to carefully assess the consideration value ascribed to ongoing deals as the consideration would include all payments whether direct or indirect, immediate or deferred, cash or otherwise made within two years from the relevant date."

The parties will also have to account for separate deals which may be inter-connected, she added.

The turnover threshold of ₹500 crore, in addition to the turnover or gross merchandise value criteria, will ensure that smaller entities are not burdened with the requirement to seek the regulatory nod, Agrawal added.

The CCI has also reduced the review period for M&A deals to 150 days from 210 days.

