Indian corporates seek more clarity on new M&A rules

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MUMBAI May 12 (Reuters) - Indian companies and dealmakers are seeking more clarity on some guidelines for overseas mergers and acquisitions (M&As) and creeping acquisitions , after the country's competition watchdog announced new M&A rules.

The Competition Commission of India (CCI) on Wednesday set out new guidelines for M&A transactions -- which would take effect from June 1 -- easing some rules, but leaving some grey areas.

"There needs to be more clarity--especially when it comes to cross-border mergers, creeping acquisitions...," said a mergers and acquisition head at a top U.S. bank.

"We also need to wait and see how this will work with SEBI's new takeover code," he added.

Under the new rules, all M&As with a combined turnover of more than 45 billion rupees ($1 billion), or combined assets of 15 billion rupees, would require the CCI's prior approval.

Transactions such as acquisition of stock in trade, assets or investment in the ordinary course of business, and bonus issues or stock split are exempted from seeking the CCI nod.

"Things have improved from what proposed earlier. Indian market is matured enough to impose some restriction. Most of the matured markets have competition laws, protecting interests of consumers and monopoly," said Siddharth Shah, partner at Nishith Desai Associates.

However, concerns mainly related to overseas mergers and creeping acquisitions remain.

"CII still remains concerned about the fact that transactions where control is not being acquired, remain subject to the notification requirement," Chandrajit Banerjee, director-general of lobby group Confederation of India Industry (CII) said in a statement.

"The regulations still do not talk about pre-merger consultation which is a global good practice," Vijaya Sampath, co-chair of Corporate Law Committee at industry lobby group Federation of Indian Chambers of Commerce and Industry (FICCI) said in a statement.

India's market regulator, the Securities and Exchange Board of India, is drafting a new takeover code, which are expected to lay some additional guidelines for M&As.

M&A volume in India surged three-fold to $67.2 billion in 2010, from $21.3 billion the previous year, Thomson Reuters data shoed, as cash rich Indian firms rushed to expand markets and acquire natural resources assets.

For a link to the new M&A guidelines, see link.reuters.com/qad59r ($1 = 44.60 rupees) (Reporting by Indulal P.M.; additional reporting by Devidutta Tripathy; editing by Malini Menon)