"India has historically followed a protectionist policy towards local law firms. Much of that stemmed from the fact that Indian law firms were not accorded reciprocal status in other countries. Many Indian law firms have had strategic alliances with international law firms to fulfil the needs of the India corporate."

Abhijeet Biswas

Mr. Shuva Mandal

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Opening the market

India has been heralded as one of world's largest growing markets alongside China. A string of recent deals and large funds dedicated to the country have put India at the forefront of the merging markets for private equity. ACQ reports.

Foreign law firms are currently prohibited from practising in India, however the government has planned a partial liberalisation of the market. Luis Miranda, president and chief executive officer of IDFC PE, commented: "Many local companies are looking to expand beyond Indian shores and having law firms that work across international borders would only ease operations."

Indian Depository Receipts have been growing in popularity. Sunay Mathure, director of Investments at ICICI Venture, commented: "In the past few years, the Indian capital market has been an attractive investment arena from a valuations standpoint and this has made IDRs a viable option for MNCs."

Abhijeet Biswas is director of Cross-Border M&A at Singhi Advisors.

"India has historically followed a protectionist policy towards local law firms. Much of that stemmed from the fact that Indian law firms were not accorded reciprocal status in other countries. Many Indian law firms have had strategic alliances with international law firms to fulfil the needs of the India corporate. The primary beneficiary of the foreign law firms in India would be local Indian corporates that could benefit from their international legal experience.

"With IDRs, it would be possible to raise funds for the multinational firm from India by issuing IDRs in India. It would also allow Indian investors to directly invest in MNCs. From the perspective of the foreign firm it is lucrative because India can fetch a better stock market valuation even with the current stock market situation. In the long run, a listing also gives the firm currency to pursue M&A deals in India when the market opens up. Besides, it could also give the multinational firm which has a presence in India a branding edge."

Zia Mody is managing partner of AZB & Partners.

"Permitting foreign law firms would most likely deepen the market in terms of skill sets, research and general sophistication in various practice area. There might be competition but competition is often good to bring out the best in an organization. A lot will depend in which form liberalization is allowed. As seen globally, jurisdiction-to-jurisdiction, things have succeeded or failed depending upon the way in which liberalization takes place. Therefore, it would be very difficult to predict the market impact in the absence of more particulars.

"In the very recent past, certain offshore companies have expressed an interest in accessing the Indian capital markets through the IDR route, possibly due to a perceived surfeit of funds in the hands of Indian residents. However, though the Securities and Exchange Board of India has notified guidelines that would govern the issuance of IDRs, there are a few practical difficulties (mainly in relation to the operational aspects of IDR issuances) that still exist in this regard, e.g., connectivity with Indian depositaries, stock exchanges, etc. Further, there is still a conspicuous absence of precedents of IDR issuances. Therefore, while there is a potential appetite for IDR issuances, the aforesaid hurdles will first need to be overcome."

Shuva Mandal is managing partner of Fox Mandal Little, South India.

"We support liberalization as long as it's reciprocal. The entry of foreign law firms may also increase the professionalism and quality of conduct in the legal profession. However, we must ensure that our basic code of ethics remain intact.

"Though not all domestic firms would be able to adapt and prosper, over the time, I am sure that some of them will become competitive and grow. Others will probably either close down or get merged with the more competitive firms. The impact would therefore be adverse on the smaller, uncompetitive firms who fall short of the international standard of expertise and specialization required.

"Depository Receipts (IDRs) is said to generate a great deal of work for Indian firms. IDRs are instruments that enable foreign companies to access the Indian capital markets. It also provides opportunities for Indian investors to make investments in foreign companies. The Companies (Issue of Indian Depository Receipts) Rules, 2004 were promulgated. Asian Development Bank advocates for raising funds from India by IDR. This would be one of the sure ways of preventing 'money supply' related inflation as well. To make such Issue popular the Reserve Bank of India (RBI) has amended the regulation in 2007." **ACQ**

Dealmakers

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