

THE ECONOMIC TIMES

DEAL COVER PE FIRMS MAKING A BEELINE FOR DESI FLAVOUR

# Lawyers shed black robes, don biz suites

Amanpreet Singh & Bhanu Pande  
NEW DELHI

WHEN Baring Private Equity Partners (BPEP) invested in Bangalore-based BFL Software, they placed their lawyer BR Menon on the company board for eight years. This is not a stray incident. In fact, it exhibits how integral lawyers are to the deal ecosystem.

With the kind of PE and M&A action being witnessed in India, Indian lawyers are hot property. From drawing up a deal draft to project bidding, due diligence and even hand holding new foreign entrants, lawyers are simply ubiquitous.

The last two years saw over 120 new PE players making a beeline for India but law firms have not kept up with the growth. While older PE players have established relationship with top law firms, newer entrants are facing bottlenecks. "Funds are lined up, investee company is ready but the deal gets delayed as lawyers are tied up," says a partner in a PE firm.

Globally, Silicon Valley is one such deal ecosystem which has law firms - Cooley Godward Kronish and Wilson Sonsini Goodrich to name a few - with specialised PE practices. "Currently, the entire value chain of people involved in a deal are in short supply. Top Indian lawyers are on a par with their Western counterparts but slightly lower down the quality significantly drops off," says Rahul Bhasin, managing partner, Baring PE.

While it is understood that lawyers are an integral part of a deal, today their role has enlarged beyond recognition. "Lawyers have become the centrepiece in most M&A and private equity

deals. We have seen scores of such deals, where merchant bankers have been eliminated but lawyers have been retained," says Cyril Shroff, partner, Amarchand Mangaldas, a law firm. This is happening because over the years structuring of deal has become important from the regulatory framework viewpoint. So, if merchant bankers have an involvement in financial structuring of the deal, lawyers follow that up with their own assessment of regulatory glitches, if any.

The single-biggest driver of demand for lawyers in the past year has been M&A deals, because of the asymmetry of information between the buyer and the seller in a buyout. "Lawyers are integral for drafts, tax work, due diligence et al in a PE deal. Their involvement will become critical when PE firms move towards buyouts in India," says Ashish Dhawan, managing partner, Chrys Capital. Adds Som Mandal, managing partner, Fox Mandal & Little, a Delhi-based law firm: "Lawyers no longer wear just a black robe, they wear many hats." This is being driven by the fact that businesses no longer see legal

assistance as a fire-fighting process. "Legal specialists are engaged even before a project is on the drawing board to avoid legal wrangles at each stage which could jeopardise the project and result in cost overruns," says Mandal.

All this means mega bucks for lawyers. While legal firms decline to share their revenue details from deal making, sources say an average payout for a small \$10-million deal could range anywhere between \$30,000 and \$50,000. At an hourly fee of \$150-250, Indian lawyers still have a lot of catching up to do with their Western counterparts. For instance, lawyers in the US charge \$800-900 per hour for each deal they are roped in for.

aman.preet@timesgroup.com

