CCI gives cos more room to change internal setup

The Competition Commission on Thursday eased the rules for internal reorganization and restructuring of companies and additional stake acquisitions in a company. Under the new rules, if an entity acquires upto 5% additional stake in a year in company in which it already holds 25% or more stake then it will not have to seek prior or post acquisition permission from the Competition Commission of India if its total take does not cross 50%. Such permission will also not be needed if a subsidiary was merging with the parent company.

Earlier rules required consent from the CCI if the additional stake acquisition resulted in total holding crossing 25%. The Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Amendment Regulations, 2013 says: "An acquisition of additional shares or voting rights of an enterprise by the acquirer or its group, not resulting in gross acquisition of more than 5% of the shares or voting rights of such enterprise in a financial year, where the acquirer or its group, prior to acquisition, already holds 25% or more shares or voting rights of the enterprise, but does not hold 50% or more of the shares or voting rights of the enterprise, either prior to or after such acquisition".

The rules also allow exemption from approval of the commission for mergers of subsidiaries with parent companies. Until now the only procedure exempted was that of a wholly owned subsidiary merging with the parent company. Now any group subsidiary in which the parent company owns more than 51% can merge without seeking the commission's approval.Girish Vanvari,Co-head Tax at KPMG said that these measures would facilitate restructuring and save time and resources.

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