

Legal sector heads for more competition

3 min read . Updated: 19 Mar 2023, 11:18 PM IST

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A file photo of lawyers at a law firm in New Delhi. (Mint)

SYNOPSIS

Legal heads said the development will be akin to how Singapore has opened up in the past two decades as a hub for global corporate litigation.

MUMBAI : Competition in corporate law practices will increase following the entry of foreign law firms in India. Several firms, such as Saraf and Partners, Pioneer Law, DLA Piper and Spice Route Legal, among others, said charge out rates will increase, referrals from foreign firms will cease and a large number of Indian professionals will join the local arm of the global law firms.

Legal heads said the development will be akin to how Singapore has opened up in the past two decades as a hub for global corporate litigation.

“We need foreign law firms as they have the bench strength and capability to handle the growth we are staring at for next 10-15 years. Without presence of international law firms in India, it would be challenging for Indian law firms to do justice to the additional workflow in next 10-15 years,” said Mohit Saraf, founder of Saraf and Partners, adding that the charge out rates for Indian law firms will significantly improve due to the entry of global peers. Essentially, charge out rates refer to the amount charged from customers for an hour of legal work by lawyers and law firms. This is likely to see a marked increase when international law firms get involved.

On 15 March, the Bar Council of India’s circular allowed foreign law firms and lawyers to practise foreign law and diverse international law and arbitration matters in India. The rules will help flow of foreign direct investment (FDI) and make India a hub for International Commercial Arbitration. “Salaries will go up, which is a good thing, as young Indian lawyers were paid less than desirable rates. We will see collaborations, partnerships and other “buy out” like transactions (especially among law firms whose growth rates are plateauing), and generally seeing an upgrade in the local market,” Mathew Chacko, partner, Spice Route Legal, said.

Competition in the legal sector will heat up as foreign law firms will soon be able to set up offices in India. They can advise clients on transactional and corporate work such as joint ventures, mergers and acquisitions, intellectual property rights cases, drafting contracts and other related jobs. “Firms will stand to lose referrals from foreign law firms once they set up shop in India. Since the

easiest way to start practice is to take over teams they have previously worked with, there is likely to be a mass movement," said Pritha Jha, partner at Pioneer Legal. Jha expects "consolidation" may be another outcome.

Apart from increasing rivalry for legal cases, compensation is expected to see an uptick with the new entrants. "Foreign firms are expected to bring with them a war chest large enough to shake up the current pay scales. The immediate impact is likely to be high. Whether this will be effective in the long term will depend, like all other firms, on profitability," Jha added.

Concerns are also being raised on the need for clarity on the guidelines applicable for the new entrants. "A big concern for most Indian law firms is whether foreign law firms will indirectly or in a surrogate manner practice Indian laws. This is where stricter oversight will be required," said Nishith Desai, founder of Nishith Desai and Associates.

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Foreign law firms would have to 'normally' abide by the same ethical and practice standards laid down under the Advocates Act, according to the notification. For instance, Indian lawyers cannot accept continent fees nor advertise. Moreover, disciplinary action against such foreign firms can only be taken by the disciplinary authority of the concerned foreign country and not by the Indian Bar Council depriving the council of its legitimate jurisdiction.

ABOUT THE AUTHOR



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Priyanka Gawande is a senior legal correspondent at Mint. She has worked as legal reporter for four years with both television and digital mediums. Based in Mumbai, she reports on disputes across sectors including banking, corporates and finance. This also includes insolvency and bankruptcy cases and intellectual property rights (IPR) litigation. Her focus also comprises tracking capital markets and disputes relating to securities law. Previously, Priyanka worked with Informist Media for 2.5 years covering major insolvency and and...

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