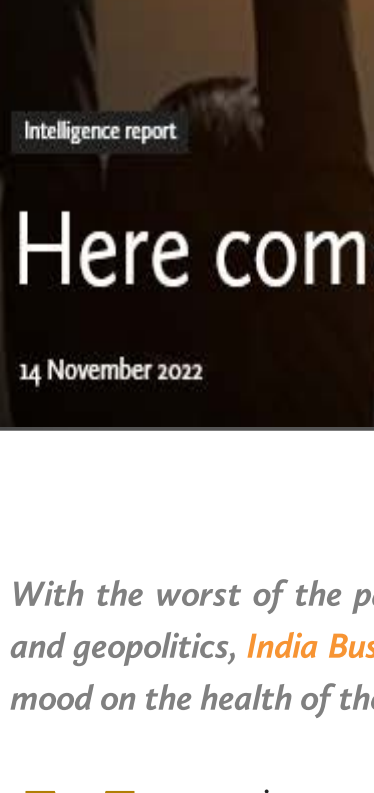




Intelligence report

Here comes the sun

14 November 2022

With the worst of the pandemic behind us, and despite looming clouds in the global economy and geopolitics, **India Business Law Journal's** annual market survey finds law firms in a buoyant mood on the health of the legal profession. **Parinaz Daruwalla** reports

Managing partners at law firms are more optimistic about the future than they have been in years as the negative effects of the pandemic on the economy decline. For the current fiscal year, law firm leaders believe that the impact of economic growth will percolate deeper into the legal system, translating into more opportunities within the industry.

"The growth of the Indian economy and corporate India is a huge opportunity for law firms in India," says Mohit Saraf, founder and managing partner of **Saraf & Partners** in New Delhi.

Rabindra Jhunjhunwala, a senior partner at **Khaitan & Co** in Mumbai, notes: "Opportunities abound for Indian businesses, and by extension for legal service providers. India has been resilient through the pandemic and is a relatively bright spot for global investors on the long-term horizon."

In the past year, law firms have observed notable trends spinning off from increased digitalisation, which has prompted operations to become more tech-savvy, as well as to develop capabilities in new practice areas that have come to the fore with this innovation.

"The digitalisation of legal processes gave an unprecedented change to the legal services industry," says Uday Singh Ahlawat, the managing partner of Ahlawat & Associates in New Delhi. "Indian courts resorted to virtual court systems. This had seemed unimaginable in a vast country like India."

Aliff Fazelbhoy, a senior partner at **ALMT Legal** in Mumbai, says: "At a firm's operational level, the hybrid model of working from home and office, and heavy dependence on technology for data like SharePoint, OneDrive etc., was largely unheard of pre-2020, but has become a regular norm."

Apurv Sardeshmukh, a partner at **Legasis Partners** in Pune, adds: "There is now a realisation that sticking to conventional practice areas is not sufficient. Firms are now increasingly building their practices in non-conventional and developing areas like cryptocurrencies, the metaverse, NFTs [non-fungible tokens], data privacy, etc."

Manisha Singh, the founding partner of **LexOrbis** in New Delhi, says that internally, the increased dependency on technology has paved the way for a reformed legal service delivery model. "The virtual conduct of work at IP offices was a welcome move to assist the ease of doing business," she says.

Joshita Davar Khemani, the managing partner at **LS Davar & Co** in Kolkata, says that in the past year, "digitalisation of courts and law firms going paperless has been the most significant update in India".

As part of our editorial report accompanying the **India Business Law Directory**, **India Business Law Journal** conducted an annual survey to ascertain the general mood of the industry.

Responses were received from firms of various sizes, including: **DSK Legal**, **Khaitan & Co**, **Saraf & Partners**, Ahlawat & Associates, **Fox Mandal & Associates**, **Singhania & Partners**, **Dhir & Dhir Associates**, **LexOrbis**, **ALMT Legal**, **DLS Law Offices**, **Solomon & Co**, **Juris Corp**, **Lexicon Law Partners**, **YNSS Law Offices**, **Bhasin & Co**, **LS Davar & Co**, **Hitesh Soni & Associates**, **LexCounsel Law Offices**, and many others.

Additional insights

Observations from our survey respondents on the legal market and other issues pertinent to economic growth

India is the only country in Asia capable of attracting foreign corporate investment, and it is not only the most cost-effective but also the most dependable in comparison to its neighbours

Hitesh C Soni
Founder & managing partner
Hitesh Soni & Associates
Mumbai

India not coming out in strong support of Ukraine in the ongoing conflict is a significant concern. India is clearly dependent on the US and Western European investment, technology and markets for its continued growth. But by adopting a neutral posture, India may lose the opportunity it has to position itself amongst the most favoured destinations for global investment and business

Aaron Solomon
Managing Partner
Solomon & Co
Mumbai

Socio-political stability and rule of law are preconditions for the development of any nation. The recent socio-divisive actions, impediments on freedom of speech, and selective targeting of communities can cause social and communal unrest and strife, discouraging industry and foreign investors to invest in India. This trend needs to be checked as this will have a direct impact on investment, economic stability, growth and employment

Seema Jhingan
Founding Partner
LexCounsel Law Offices
New Delhi

As of today, there is a laundry list of approvals that a developer is required to obtain from several authorities before initiating any development or redevelopment-related activity. The process is not only cumbersome but also expensive. Therefore, the government can introduce a one-stop shop for the ease of the developer

Ajay Vazirani
Managing Partner
Lexicon Law
Mumbai

Lawyers believe India is set to lead the global growth trajectory, backed by more manufacturing, increasing forex reserves, strong domestic demand, the resilience of the IT sector from a weakening rupee against the dollar, and a capex cycle that is gathering pace.

"Initiatives such as 'Make in India' and 'Atmanirbhar Bharat' [Self-reliant India] seek to increase India's self-sufficiency by promoting the domestic industry," says **L Badri Narayanan**, executive partner at **Lakshminikumar & Sridharan** in New Delhi.

Saraf explains that currently the economy stands at USD2.8 trillion, but is expected to grow to USD10 trillion in the next 10-12 years with increased deal flows and investments. "Assuming an investment of 55 cents needed for every US dollar of the requisite USD7.2 trillion growth, we are looking at an investment flow of over USD3.2 trillion in little over one decade," he says.

India became the world's fifth-largest economy this year, displacing the UK, and is now behind only the US, China, Japan and Germany.

CHANGING LANDSCAPE

The nation is emerging as a global investment market and accompanying transformations are evident among the legal houses.

Mohit Goel, a partner at Sim And San in New Delhi, speaks of increased opportunities emerging for IP lawyers from the pharma and tech industries. "I believe IT and patent laws are going to take centre stage for the next five years, at least until new legislation dealing with advances in other fields come into force and is tested," he says.

Anand Desai, the managing partner of **DSK Legal** in Mumbai, says law firms have seen overall growth in size and expertise, in addition to specific practice areas. "Indian firms have reached the stage of being competitive in international commercial arbitrations, and transactions such as projects and finance."

Law firms agree there is more awareness about ESG (environmental, social and governance) issues owing to interest from investors, and from regulators such as the **Securities and Exchange Board of India** (SEBI) mandating the inclusion of a business responsibility and sustainability report for the top 1,000 listed companies by market cap in their annual reports from April this year.

In March, Trilegal and the leading industry body, the Federation of Indian Chambers of Commerce and Industry, tabled a report detailing key issues that Indian industry faces in order to meet ESG requirements. The report says India needs USD20 billion in investment annually to achieve its climate targets and fund its green transition.

Ravi Singhania, the managing partner at **Singhania & Partners** in New Delhi, says the most significant development of the past year was the emergence of boutique and specialised law firms catering to ESG issues, along with other niche areas such as startups, logistics, technology and insolvency laws.

Jayesh H, co-founder of Mumbai-based **Juris Corp**, notes that the legal market has been adapting to ESG issues as a result of global challenges. He sees opportunity in the energy and infrastructure sectors, especially in renewable industries in line with India's commitments to fight climate change.

OPPORTUNITIES, CHALLENGES AHEAD

According to Ajay Vazirani, managing partner of **Lexicon Law Partners** in Mumbai: the promotion of international arbitration in India is one of the greatest opportunities for the future. "The promotion of low cost, speedy timelines and process, arbitration of parties, a more comfortable environment and the non-adversarial nature of arbitration is the need of the time," he says. "It is an excellent opportunity and I am happy to see that India is promoting alternate dispute resolution."

HR costs have increased a lot to attract and retain quality talent. There is a lot of hiring activity. Attrition and new recruits are getting unusually high salaries

Ravi Singhania
Managing Partner
Singhania & Partners

In March, India set up its first arbitration/mediation institution, the International Arbitration and Mediation Centre (IAMC) in Hyderabad.

Apurv Sardeshmukh, a partner at **Legasis Partners** in Pune, sees gold in labour regulatory and data management reforms. "The new labour regulations and the wage codes will soon be implemented in India. All these present great opportunities," he says.

But with reforms and opportunity comes a warning. "Firms that seize the opportunity to reform, adapt and innovate will grow sustainably, and the codes which we will be witnessing the slow demise of firms and the loss of precious talent," says Saraf.

Sim and San's Goel adds: "With almost all companies shifting to a website or app-based model, e-commerce and digital media have shifted physical markets into the digital realm. If you are still stuck with sales calls and fieldwork for customer acquisition or physical promotions, then you have not tapped into the new-age consumer shift and are, without a doubt, losing out on profits because of it."

The majority of respondents to our survey feel talent acquisition and retention is a massive challenge, as the next in line negotiate with increasing leverage.

"We have seen a lot of musical chairs at the senior level, both with larger than usual team moves and individual lateral hires," says **Khaitan & Co**'s Jhunjhunwala, who warns: "Although under the radar, we have seen an incredible number of young professionals seizing job opportunities overseas."

Recently, the legal industry has seen some spectacular mass movements at renowned legal firms, where partners and entire teams have relocated.

"Given the amount of legal demand globally last year, many firms were struggling to keep up and hired en-masse in India, where we have a great talent pool of English-speaking, common law-trained associates," notes Jhunjhunwala.

Singhania, of **Singhania & Partners**, adds: "HR costs have increased a lot to attract and retain quality talent. There is a lot of hiring activity, attrition and new recruits are getting unusually high salaries, they are declining existing job offers and negotiating for higher salaries."

Alok Dhir, managing partner at **Dhir & Dhir Associates** in New Delhi, says economic recovery has been characterised by an increase in talent acquisition and the mushrooming of boutique law firms. "Since companies are presently more focused on streamlining their operations to cover for lost ground during the pandemic, they have now shifted focus on engaging outsourced legal services only during external exigencies, and aim to fulfil their legal requirements with either in-house counsel or automated software tools, which negatively impacts cash flow at law firms," he says.

Although under the radar, we have seen an incredible number of young professionals seizing job opportunities overseas

Rabindra Jhunjhunwala
Senior Partner
Khaithan & Co

Another noteworthy trend is that many senior lawyers are joining corporate houses. Saraf notes: "The challenge many law firms face in reinventing themselves is how do they give up control held by existing structures to enable equitable ownership and participation in a new sustainable institution that lives long beyond its founding family."

Fazelbhoy, of **ALMT Legal**, says Indian law firms "need to move away from the traditional style of working, like billable hours, to flat/fixed/blended fees, talent attrition or poaching, adapting to a hybrid model of working, technological dependence like online court hearings, and competition from accounting and consulting firms".

Rajesh Begur, founder and managing partner at **Begur & Partners** in Mumbai, says the commoditisation of legal services and products is on the rise, and therefore there is pressure on fees. "Enforceability of contracts in a time-bound manner remains a pipe dream. Professional indemnity insurances are rarely invoked – no liability on lawyers thanks to our judicial system."

ECONOMIC MOMENTUM

The Indian economy has fully recovered to the pre-pandemic real GDP level of 2019-20, according to provisional estimates of GDP released in May 2022 by the National Statistical Office. Real GDP growth in FY2021-22 stands at 8.7%, which is 1.5% higher than FY2019-20. This is associated with stronger growth momentum, indicating increased economic demand.

"India's economy has been one of the best performers in terms of recovering from the covid downfall," says Dhir.

Shiva Mandal, managing partner at **Fox Mandal & Associates** in Mumbai, believes the domestic auto sector is bound for recovery. "The industry presents an impressive opportunity for businesses in India," he says. "The sector has managed to reclaim pre-pandemic sales despite the hindrance in manufacturing owing to semi-conductor scarcity."

Mandal says the sector has been boosted by government policies such as the Faster Adoption and Manufacturing of Hybrid and Electric Vehicles (FAME-II) scheme, the enhancement of incentives for two-wheelers, and the launch of a production-linked incentive (PLI) scheme.

Dipti Lavya Swain, founder and managing partner of DLS Law Offices in New Delhi, speculates that growth in investment will be sporadic due to policy shifts, global uncertainties and supply chain disruptions. "In the past few years, India has seen a rapid growth in startups, and several firms that have invested in growing startups," he says. "India very recently marked 75,000 startups upon completing 75 years of independence. This positive shift indicates a wide opportunity for the creation of employment."

But not all is rosy, and **IndusLaw** founding partner **Suneeth Katark**, based in Bengaluru, says a lack of policy certainty continues to plague business. "Certainty in tax and policies are the major areas of concern since there is a constant flux, and changes are made with little time given to business to manoeuvre," says Katark.

"Infrastructure is getting better but is still a problem, as delays and land acquisitions and approvals for major manufacturing facilities," he says. "Also are lack of confidence in enforcing contractual obligations in a timely manner are other concerns."

Compliance is also constricting, and Goel from Sim And San observes: "The compliance framework is so diverse and individualistic that keeping a tab on all of them is highly tiresome, particularly since some of these compliances are so restrictive and their processes so exceptionally intricate that procuring licences and registrations takes six to 12 months."

Jayesh H, of **Juris Corp**, says India is allowing foreign investors greater access than ever to its massive market, but obstacles remain. "Challenges and hurdles do set in with regard to cost, processes and procedures of setting up a business in India, seeking permits from the relevant government authorities, credit availability, registering a property in India, cumbersome labour-related filings, labour and trade union dispute-related disruptions, protecting investors and enforcing contracts in a court of law, including cross-border contracts, tax payments, challenges relating to cultural differences, dissolution of business etc," he says.

CLEARING THE WAY

For businesses to flourish, our respondents voice strong opinions on where the government needs to ensure smoother and easier procedures for developing corporate India.

Rohan Batra, a partner at Anagram Partners in New Delhi, says that it takes around a month to start a business, compared with just 12 days in OECD member countries. "This must be the first point of concern for any government, and this process must be streamlined and made less cumbersome," he says. Others point to the need for single-window clearing systems while applying for licences, permits and registrations.

"The government needs to provide more incentives to infrastructure, hospitality industry, tourism and civil aviation and most importantly to SMEs and MSMEs," notes Lalit Bhasin, the founder of **Bhasin & Co** in New Delhi. "These sectors had a very acute setback during the covid period and there is no sign of immediate recovery until and unless government provides the succor and support."

Archana Balasubramanian, a partner at **Agana Law Associates** in Mumbai, says that although the Make in India campaign is a step in the right direction, "the logical next step would be to focus on facilitating supply chain management and bringing ease into movement of forward and backward linkages".

Sanjay Chhabra, a partner at Archer & Angel in New Delhi, sees solutions within a simplification of tax laws, including the goods & services tax, adequate training of courts and authorities who are the actual implementers of government policies, and having more staff to handle disputes and bringing down backlog.

In the wider picture, economic factors not exclusive to India are causing concern among lawyers. "India currently faces a plethora of challenges across various sectors which have enforced unbridled pressure upon the economic structure of the country," says Swain, of DLS. "The prevalent inflation circumstances or mild recessionary conditions are the cause of unease among the corporate entities. In the past few months, the **Reserve Bank of India** has raised several concerns regarding the increasing inflation rate in the country."

Roma Priya, the founder of Burgeon Law in New Delhi, notes that with inflation impacting the investment industry, startups throughout India face financial challenges. "A dip in bets on startups resulted in a 25% drop in investment by private equity and venture capital firms in April 2022, totalling USD5.5 billion," says Priya.

"Rising inflation, oil prices, dollar appreciation versus the Indian rupee, and rising Indian interest rates are all downside factors that might dampen growth expectations and PE/VC investment activity."

THE CLIENT RELATIONSHIP

Dynamics governing client-law firm relationships have undergone significant transformations. Respondents say the days when lawyers had the final word are giving way as clients have more of a say in transactions and, while they choose their partners and firms, they may even indulge in having multiple players for one deal.

Indian firms have reached the stage of being competitive in international commercial arbitrations, and transactions such as projects and finance

Anand Desai
Managing Partner
DSK Legal

"There has been a shift in the balance of power, with clients looking to have a much greater say in the client-law firm relationship," says Narayanan, of **Lakshminikumar & Sridharan**. "This manifests in ways such as a greater push towards fixed fee mandates and also increased law firm shopping."

"It is key for firms to focus on deepening their relationships with clients and understanding their needs better, instead of just focusing on the price points that they can offer," he counsels.

Swain, of DLS, notes that the number of legal service providers has increased markedly in the past decade, "which has led to an increase in the number of choices available to the clients, thereby allowing the client a discretion in selecting its legal service provider, and as an outcome they are dominating terms, pricing, working environment and selection of team members".

Vineetha MG, a founding partner at **Sanwad Partners**, says cost-sensitive clients are driving new developments at law firms. "One of the key trends I have witnessed in the client-law firm relationship is commoditisation," she says. "Legal services are being commodified, rapidly driven by the demands of the clients for quicker turnaround times. The client wants easy, accessible, efficient and affordable services, and to make this economically sustainable a lot of law firms are standardising/commoditising legal services to fit the trend."

Singhania, of **Singhania & Partners**, observes that law firm billings have become more transparent and simplified. "The trend is shifting from hourly billing to mandate-based billing," he says. "There is a free flow of information and clients are better-read. Clients are looking for specialist lawyers who have a genuine interest and understanding of their business. Being just 'legally sound' is in-house, the clients expect lawyers to be industry-wise, tech-savvy, and an extension of their in-house team."

Bhasin, of **Bhasin & Co**, goes further, noting a trend of the past year has been an insistence of clients that law firms should reduce their professional charges, and certainly that no increases would be entertained. "Significantly, in-house counsel played an important role in minimising the role of the external counsel/law firms, and this factor also resulted in less work for the law firms, with consequently less remuneration," he says.

Desai, from **DSK Legal**, says there was a huge demand for capital market lawyers in the past couple of years because of increased capital and debt market offerings. "At times temporarily resulted in a demand-supply mismatch, and higher fees for such matters. "For standard mergers and acquisitions, and private equity transactions, as also routine litigations, the pressure on fees has grown as clients are rightly asking for lower fees," he says.

THE OUTLOOK

Many law firms are of the view that business is improving, and are confident and positive on their outlook for the future. Of the 51 law firm respondents in our survey, 51% were optimistic and 31% were very optimistic about their businesses. Just 12% registered a neutral assessment, while 6% chose not to offer an opinion.

"We are looking at a phenomenal growth potential in India and the growth drivers are going to have a multi-sectoral impact," says Saraf. "In this environment of broad-based growth and active regulatory developments, one can envision an exciting growth trajectory."

Nitu Agarwal, the founder and partner at YNNS Law Offices in Mumbai, agrees. "While we may be affected by a global slowdown, India is a growing economy and there will always be opportunities for growth and investments," she says. "The economic outlook for India remains positive and private equity funds are committed to continue making investments in India, even this year. This means that there will be more opportunities and work for Indian law firms who operate in this space."

Chhabra, from Archer & Angel, says globalisation has impacted the Indian economy, leaving a positive effect on the legal sector. "International firms are seeking entry into the Indian market, and at the same time our firms are bagging international transactions with global implications. Embracing technology has also led to an increase in productivity."

Pritha Jha, a co-founding partner at Pioneer Legal in Mumbai, sums up that, despite the signs of a slowdown, the firm is optimistic that the year will be a good one. "There is no dearth of availability of funds in the market," she says. "People have just been more conservative on valuations and are picking the right companies with the right set of people. Dealmaking is therefore taking longer."

Additional insights

Observations from our survey respondents on the legal market and other issues pertinent to economic growth

In the current economic scenario, the biggest challenge for businesses in India remains rising input costs and inflation

L Badri Narayanan
Executive Partner
Lakshminikumar & Sridharan
New Delhi

India clocked its 100th unicorn this year, however, our progress as a nation can increase multifold by adapting certain new methods that encourage our youth-centric population to choose the entrepreneurial pathway

Uday Singh Ahlawat
Managing Partner
Ahlawat & Associates
New Delhi

Low investment growth is the most significant macro challenge that is directly impacting us, as corporates are moving to more stable economies and foreign investors are pulling out their funds from the Indian stock market. India is the most expensive market relative to other economies and hence foreign portfolio investments are relocating capital elsewhere. This has had a huge impact on the number of corporate deals in India and reduced our prospective volume of legal work from our clients

Bhushan Shah
Partner
MICO Law
Mumbai

With India maturing as a legal market, there is more awareness to avail legal advice – even among mid-sized companies and individuals. There is tremendous potential growth in tier two and tier three, which will increase TAM [total addressable market] for law firms and legal practitioners in general

Jaideep Khattar
Partner
The Iart Circle
Mumbai

MOST POPULAR

- International A-List 2022**
The top 100 international lawyers for handling India matters
28 April 2022
- Indian Law Firm Awards 2022**
In a celebration of hard work, integrity and excellence, India Business Law Journal reveals the winners of the 2022 Indian Law Firm Awards
1 June 2022
- Future Legal Leaders 2022**
50 up-and-coming lawyers who are poised for further success
28 November 2022
- Deals of the Year**
The standout deals and disputes of the year, all completed in challenging times
25 October 2022

MARKET PULSE

- Rajah & Tarn names new heads of South Asia desk**
By Savant Singh and Aditya Bhargava
28 November 2022
- Grey Matter Legal Founders, Luthra partner launch new firm Arvetha**
By Shreshth Kumar, Spire Route Legal
3 November 2022
- Partner Amit Mehta boosts IndusLaw's Mumbai transaction list**
By Samson Borokaty and Ashwin Shukla, Koehler & Co.
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CORRESPONDENTS

- New framework for ABCs perhaps a missed opportunity**
Phoenix Legal
12 November 2022
- Digital lending goes up; RBI cracks down**
By Hitesh Chakla, Aditya Misra and Shreshth Kumar, Spire Route Legal
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- Strenger links stimulate Japan investment in India**
By Samson Borokaty and Ashwin Shukla, Koehler & Co.
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As it's 1st game, the Competition Amendment Bill, 2022, seems to be revolutionary and innovative. However, its success will depend on the implementation of the regulations issued by the antitrust watchdog
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As India aims for greater adoption of electric vehicles, some key challenges need to be overcome
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