Part III: Inter-Connected Transactions — CCI's Recent Penalty Order In Matrix Pharma's Case



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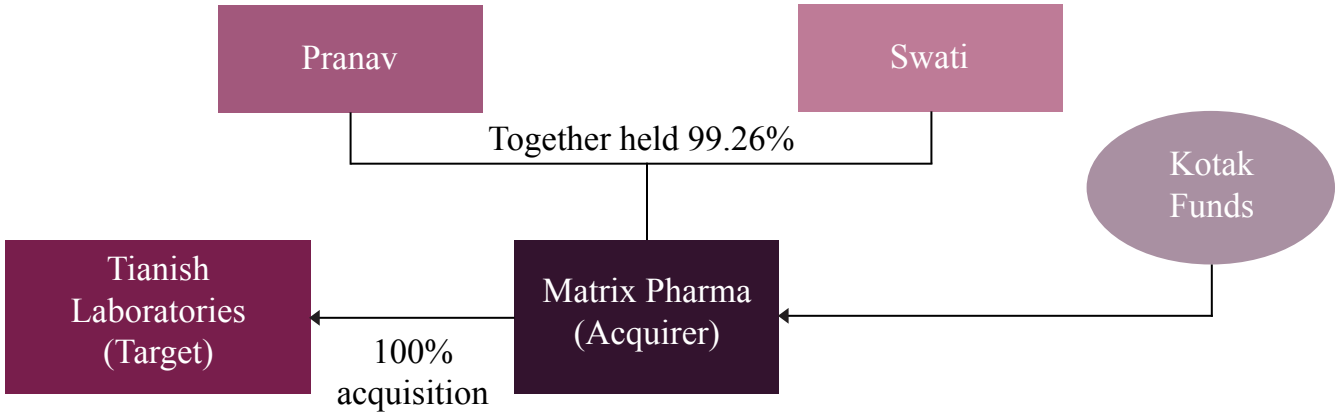
Key Takeaways

- Change in transaction structure post approval – guidance on "inter-connected" steps from CCI's most recent Matrix Pharma/Mudhra Labs order
- Other key principles emerging from CCI's historical view on inter-connected transactions:
  - When must dealmakers aggregate multi-step transactions for approval?
  - How early in the deal lifecycle can a filing obligation arise?
  - How does CCI assess whether two or more deal steps are commercially inter-linked or mutually dependent?
  - When deal steps unfold over time, how does CCI assess future acquisitions?

In an era of increasingly layered deal structures and staggered closings, competition regulators around the world have come to recognize a simple truth: the true competitive impact of a transaction often lies not in its individual steps but in the sum of its parts. Accordingly, CCI must be notified at the outset if any part of a multi-step deal is notifiable.

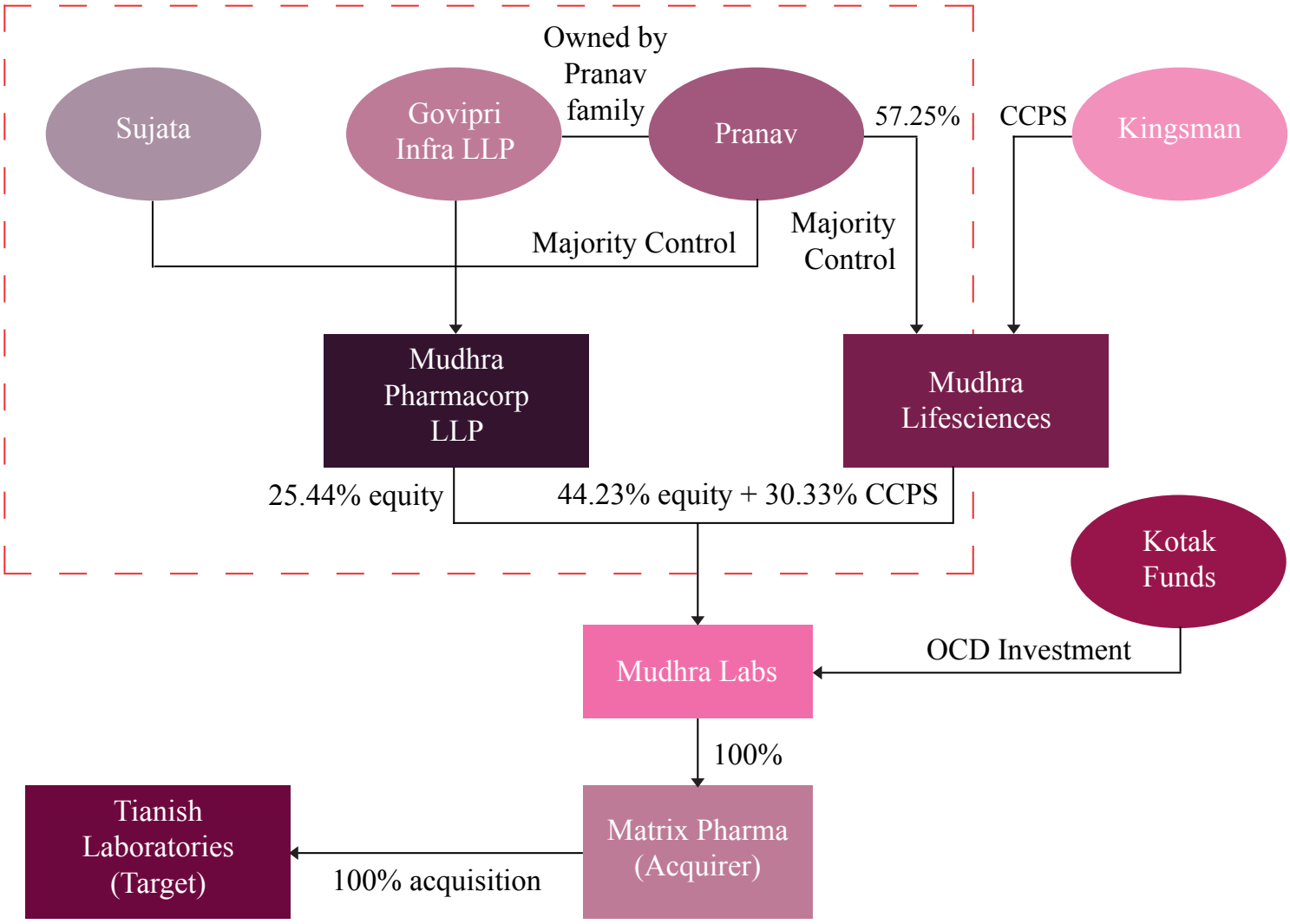
Most recently, CCI penalized Matrix Pharmaceuticals Limited (**Matrix/Acquirer**) for failing to notify the full series of transactions. While approval was obtained for the initial structure in February 2024, the structure changed in April. By April 5, several transactions under the revised structure had already been executed – steps not contemplated in the original filing approved by CCI in February. Although the revised structure was notified afresh on April 23, 2024, by then some steps had already been implemented. The Acquirer argued that the revised structure did not alter ultimate ownership, control, or the competitive landscape. However, CCI still penalized the acquirer for gun-jumping, emphasizing that a fresh filing was required before certain steps were consummated.

Here's what happened – Matrix intended to acquire 100% equity shares of Tianish Laboratories (**Target**). When CCI originally approved the acquisition in February 2024, Matrix was owned and controlled by Pranav Reddy and his wife, who together held 99.26%. The acquisition was contingent on investment by Kotak Funds, which would subscribe to optionally convertible debentures (OCDs) of Matrix post CCI approval. The CCI filing and approval were based on this specific fact pattern.



However, subsequently, the entire holding structure of Matrix underwent a change. Its shareholders changed, and third parties indirectly participated in acquiring the target. The Acquirer maintained that these changes were not material, as Pranav continued to exercise control – albeit now indirectly, through multiple layers.

Revised Transaction



CCI rejected the argument that the absence of additional competitive overlaps or the retention of ultimate control by Pranav obviated the need for a fresh notification.

It emphasized that, under Regulation 9(4)[1] and 9(5)[2], all steps that are mutually dependent and form part of a single commercial objective must be notified together in one comprehensive filing.

This decision reaffirms that merger control is a continuing obligation. Parties cannot treat a prior notification as a shield when the transaction's substantive contours change.

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[1] 9(4): *"Where the ultimate intended effect of a business transaction is achieved by way of a series of steps or smaller individual transactions which are inter-connected, one or more of which may amount to a combination, a single notice, covering all these transactions, shall be filed."*

[2] 9(5): *"The requirement of filing notice under regulation 5 of these regulations shall be determined with respect to the substance of the transaction and any structure of the transaction(s), comprising a combination, that has the effect of avoiding notice in respect of the whole or a part of the combination shall be disregarded."*

Inter-Connected Steps: CCI's Historical Stance

Beyond the principle that any changes to a CCI-approved combination may require a fresh filing, several other regulatory precedents offer additional guidance on "inter-connected" steps for dealmakers navigating complex deal structures.

Drawing from recent amendments and cases, several key principles now govern how inter-connected transactions are assessed and notified. *We discuss the key ones below.*

Principle: Mutual Interdependence, Strategic Cross-Linkages, and Simultaneity

The clearest and most oft-invoked test of inter-connectedness is mutual interdependence. Where distinct transactions reference each other, share conditions precedent, are negotiated simultaneously, or serve a common commercial purpose, CCI has consistently held them to be a single composite combination requiring a unified notification.

In *Jet/Etihad* (2013), three distinct agreements – an Investment Agreement (IA), a Shareholders' Agreement (SHA), and a Commercial Cooperation Agreement (CCA) – were signed contemporaneously with a fourth step: the sale and leaseback of Heathrow airport slots. While parties argued the Heathrow deal was standalone, CCI emphasized that all documents were cross-referenced, and the IA itself defined the slot agreement as a "Transaction Document". Even more compelling, failure to execute the IA within 30 days was an event of default under the slot sale agreement. These structural and contractual linkages demonstrated that the parties intended to consummate a single integrated combination.

In *Mandala Rose/Jain Irrigation (2016)*, CCI evaluated two private equity investments: one in Jain Irrigation and another in its subsidiary, Jain Farm Fresh Foods. Closing of the first was a condition precedent to the second. CCI reasoned that despite the first transaction being passive, not leading to control and seemingly exempt, its interdependency with the second necessitated notification under Regulation 9(4). In essence, if one step exists solely to enable another, they are commercially inseparable.

CCI's treatment in *Piramal/Shriram (2016)* further illustrates this. Piramal Enterprises Limited's (PEL) separate acquisitions in Shriram Transport Finance Company (STFC), Shriram Capital Limited (SCL), and Shriram City Union Finance Limited (SCUF), despite varying transaction modes and timelines, were strategically interconnected, the regulator said. It concluded that these acquisitions collectively constituted a single combination since the transactions occurred within two years, involved companies from the same corporate group, and clearly reflected strategic intent, underscored by PEL's active management influence in the Shriram Group. The strategic nature of these investments was further evident from PEL's annual reports, highlighting their objective to establish a long-term partnership and active involvement in the Shriram Group's financial services businesses, reinforced by Ajay Piramal's appointment as Chairman of SCL. Consequently, CCI rejected PEL's argument of independent, non-controlling investments, imposing a penalty of INR 5 crore for failing to notify these interconnected transactions as a single combination.

A textbook application of Regulation 9(5) was in *Visteon/Cerberus (2017)* where CCI explicitly disregarded the artificial separation of steps and focused on their commercial interdependence and overall effect. When Cerberus Capital Management acquired Visteon's automotive interiors business in India through Reydel Automotive Holdings, it believed the transaction fell below notification thresholds as the immediate target company had minimal assets. CCI held that the demerger of Visteon Automotive Systems' interiors business into Visteon Interiors System India before its acquisition was an interconnected step requiring unified assessment.

Principle: Binding Agreements as Precursor to Notification and Consummation

Until September last year, CCI's approach was that inter-connected transactions cannot be partially notified or consummated until a binding agreement for all steps exists. This was because Section 6(2) of the Act required a filing upon *"execution of any agreement or other document for acquisition referred to in clause (a) of section 5 or acquiring of control referred to in clause (b) of that section."*.

Combination Regulations, 2011 defined "other document" to mean a "binding document..."[3]

CCI had also applied this principle in 2019, when SVF Holdings (SoftBank) notified its acquisition of 22.44% in Delhivery but had only an MoU for a subsequent asset transfer. CCI approved Step 1 but instructed that Step 2 be re-notified only upon execution of a binding agreement.

But effective September 9 last year, the Competition Act, 2002 has been amended to define *"other document"* as *"any document, by whatever name called, conveying an agreement or decision to acquire control, shares, voting rights or assets..."*

This shift ensures even preliminary steps in a transaction, regardless of binding status, may trigger filing obligations.

Principle: Exempt Steps Lose Immunity in a Notifiable Whole

Exempt transactions lose immunity when intrinsically tied to a notifiable combination.

In *CPPIB/ReNew/Ostro (2019)*, CCI examined the interplay between two sequential transactions: first, CPPIB's investment in ReNew Power, which was duly notified and approved by the CCI; and second, ReNew's subsequent acquisition of Ostro Energy.

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[3] Combination Regulations, 2011: "The reference to the "other document" in clause (b) of sub-section (2) of section 6 of the Act shall mean any binding document, by whatever name called, conveying an agreement or decision to acquire control, shares, voting rights or assets:
Provided that if the acquisition is without the consent of the enterprise being acquired, any document executed by the acquiring enterprise, by whatever name called, conveying a decision to acquire control, shares or voting rights shall be the "other document":

Upon investigation, CCI found that these two steps were not independent. Internal emails, investment committee notes, and IRR projections revealed that CPPIB's investment in ReNew was strategically and commercially linked to ReNew's planned acquisition of Ostro. Specifically, CPPIB's internal financial models for the ReNew investment factored in the revenue and asset base of Ostro, and ReNew's need for capital was directly tied to funding the Ostro acquisition.

By failing to disclose this linkage in its original notification, CPPIB deprived CCI of the opportunity to assess the full competitive impact of the combination. The regulator imposed a INR 50 lakh penalty.

This case firmly establishes that exempt steps, when part of a broader, strategically inter-connected combination, must be notified and reviewed as a whole. CCI's approach – relying on internal documents, financial logic, and commercial intent – demonstrates the primacy of substance over form and signals to dealmakers that all inter-connected steps, even those independently exempt, must be transparently disclosed to avoid regulatory pitfalls.

Principle: Conditional Approvals When Market Effects are Indeterminate

CCI recognizes that not all inter-connected transactions may be ripe for full approval, particularly where market impact is uncertain.

In *Reliance Jio/RCom (2017)*, RJio acquired spectrum rights from RCom through multiple agreements, including options for future spectrum use. While approving the primary transaction, CCI required fresh notification for any option exercises beyond a year, citing the inability to assess market effects of future acquisitions. The decision embodies a pragmatic middle ground: approval is not blanket if downstream effects are indeterminate.

Conclusion: Commercial Purpose as the North Star

CCI's treatment of inter-connected transactions has moved decisively towards a commercial purpose test. Regulatory scrutiny is no longer tethered merely to document execution but probes deeper into strategic intent, funding rationale, execution timing, and structural linkages.

Indian merger control has matured into a regime where interconnectedness is not a trap for the unwary, but a check against regulatory circumvention. Transactions must be assessed not in silos, but in how they collectively reshape market power, control, and commercial outcomes. CCI's jurisprudence now ensures that where combinations are bound in substance, they must be notified in form.

You may also like to read our previous papers on critical aspects of CCI filing in India:

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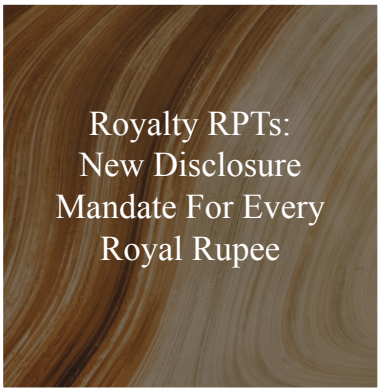



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