

A new chapter in Corporate Restructuring:

Ambit of Fast-Track Mergers widened

9 September 2025

Background

Section 233 of the Companies Act 2013 (Companies Act) read with Rule 25 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 (Companies Merger Rules) permits mergers and amalgamations under fast track route (Fast Track Route) as compared to the comprehensive procedure set out under Sections 230 to 232 of the Companies Act. This Fast Track Route enables certain categories of companies namely: (a) small companies; (b) a holding company and its wholly owned subsidiary; and (c) start-up companies, to undertake mergers through the Fast Track Route. This mechanism eliminates the need to approach the National Company Law Tribunal (NCLT) for sanction of the scheme of arrangement, and instead requires the said categories of companies to obtain sanction of the Central Government (through office of the jurisdictional Regional Director), subject to compliance with specified procedural and reporting requirements.

The Amendment

The Ministry of Corporate Affairs has notified significant amendments to the Companies Merger Rules, which are effective from 8 September 2025 (Amendment). These amendments have increased the scope of Rule 25 of the Companies Merger Rules by introducing new categories of companies which can opt for undertaking the Fast Track Route.

Key material changes to the scope of the Fast Track Route pursuant to the Amendment are detailed below:

- Merger between one or more unlisted companies

Merger amongst one or more unlisted companies (other than companies referred to in Section 8 of the Companies Act), which has:

- (a) outstanding loans, debentures, or deposits not exceeding ₹200 crore (in aggregate); and
- (b) no default in repayment of such loans, debentures, or deposits.

- Merger between holding company and its subsidiary company

Merger between a holding company and its subsidiary company, both being listed or unlisted companies, except in cases where the transferor company/ies is/are listed on the stock exchanges.

- Merger between subsidiary companies of a common holding company

Merger between subsidiary companies of a common holding company, except in cases where the transferor company/ies is/are listed on the stock exchanges.

- Merger of foreign holding company with its Indian wholly owned subsidiary

Merger of a holding company incorporated in a foreign jurisdiction with its Indian wholly owned subsidiary.

- Hive-off/transfer of divisions or undertakings

Permits transfer of divisions or undertakings amongst the aforesaid eligible companies.

In addition to the above, to be in line with the provisions of sections 230-232 of the Companies Act the Amendment also provides:

- (a) for the companies involved in the Scheme to issue of notices to relevant sectoral regulators, such as the Reserve Bank of India, the Securities Exchange Board of India, the Insurance Regulatory and Development Authority of India or the Pension Fund Regulatory and Development Authority, to seek their objections or recommendations; and
- (b) for the Central Government, whilst passing order under Section 233 of the Companies Act, to make provisions for transfer of assets, properties, liabilities, employees, legal proceedings, etc akin to NCLT.

Additionally, the Amendment extends the period for submitting an application to the Central Government (through the office of the jurisdictional Regional Director) to 15 (fifteen) days from the earlier deadline of 7 (seven) days following the members' or creditors' meeting. The application must include a statement detailing how any comments or suggestions from sectoral regulators or stock exchanges have been considered within the scheme.

Comments

The Amendment is a welcome step by the Ministry of Corporate Affairs and marks a significant step in modernising India's corporate restructuring framework. The Amendment also aligns with the Budget Speech (2025-2026) delivered by Hon'ble Smt. Nirmala Sitharaman, the Hon'ble Minister of Finance, emphasizing the need to rationalise and accelerate the company merger approval process.

By widening the scope of the Fast Track Route, more companies can now access a quicker and streamlined merger process. The eligible companies will have an option to seek approval from the Central Government (through the Regional Director) to undertake mergers/ demergers, allowing them to bypass the traditionally cumbersome NCLT approval process. This change is expected to result in faster finalisation of merger and demerger schemes, lessen the workload of the NCLT, and reduce the overall transaction costs.

While the move is a positive development for corporate restructuring in India, and to further support the Government's agenda of promoting ease of doing business, the arrangements approved by the Central Government (through the Regional Director) under the Fast Track Route should be treated on the same footing as those sanctioned by the NCLT. Lack of such uniformity may render the Fast Track Route impractical for companies, notably from a tax perspective.

- Mehul Shah (Partner), Aman Yagnik (Partner), Jamsheed Dadachanji (Principal Associate) and Hiren Kukreja (Associate)



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