

# Corporate Affairs Ministry proposes draft rules to widen scope of fast-track mergers

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The Corporate Affairs Ministry has proposed draft rules to widen the scope of fast-track mergers. This is a follow-up of the Budget announcement to this effect. Experts feel such a move will further facilitate ease of doing business.

While presenting the Union Budget for 2025-26, Finance Minister Nirmala Sitharaman said: "Requirements and procedures for speedy approval of company mergers will be rationalised. The scope for fast-track mergers will also be widened and the process made simpler."

## **MORE CLASSES OF FIRMS**

Accordingly, a notification proposing amendments to the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, proposing inclusion of more classes of companies under Section 233 of the Companies Act 2013 has been drafted. Stakeholders can give their comments on or before May 5. Post that, the formal rule will be notified.

According to the draft, additional classes of companies are being proposed to be covered under Section 233 of Companies Act, 2013. These



**SEEKING VIEWS.** Stakeholders can give their comments on or before May 5

include one or more unlisted company (other than Section 8 company) with one or more unlisted company (other than Section 8 company).

Both of these companies will have to meet two conditions. First, the borrowing of the company from banks or financial institutions or any other body corporate is less than ₹50 crore. Second, such a company has no default in repayment of such borrowing.

"The above new class will be of those unlisted companies which have reasonable debt exposure and have no default in repayment thereto. It is proposed that section 8 companies would not be covered under this category," the draft said. It

may be noted that a section 8 Company is also known as a non-profit organisation (NPO) or non-governmental organisation (NGO), is a type of company registered under the Companies Act, 2013, primarily for promoting charitable, social welfare, educational, religious, or other non-profit objectives.

## **HOLDING COMPANY**

Another class of company will include a holding company (listed or unlisted) and its one or more unlisted subsidiary company or companies.

It also includes one or more subsidiary company of a holding company with one or more other subsidiary company of the same holding company where the trans-

feror company or companies are not listed.

Presently, merger of only wholly-owned subsidiary with its holding company is covered under section 233. It is proposed that a subsidiary other than wholly owned subsidiary may also be allowed to be merged with its holding company with the condition that such subsidiary should not be a listed company. The draft also seeks to allow merger of a transferor foreign holding company with the transferee Indian company being its wholly owned subsidiary company incorporated in India.

According to Anjali Malhotra, Partner- Regulatory at Nangia Andersen LLP, the proposed amendment is a progressive step that aligns with the Budget 2025-26 goal of simplifying corporate restructuring.

"Excluding Section 8 and defaulting companies maintains safeguards against misuse. Incorporating cross-border mergers into the same rule improves clarity. Overall, this move will encourage ease of doing business and support efficient corporate reorganisations without compromising regulatory oversight. Stakeholders should welcome this rational reform," she said.