



## Newsflash - Rationalising and Widening the scope of Fast Track Mergers and Demergers in India

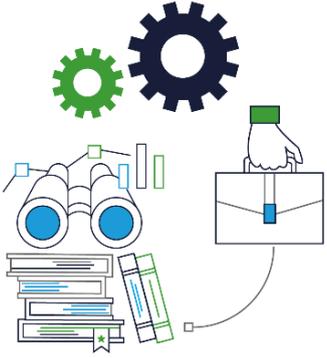
## Newsflash

# Rationalising and Widening the scope of Fast Track Mergers & Demergers in India

*For Circulation*

*1 October 2025*

### 1.0 Background

- 1.1 Compromises, Arrangements and Amalgamations in India were initially permitted only by way of approval of the High Court/ National Company Law Tribunal ('NCLT'). With the advent of time, the said statutory route was considered cumbersome and challenging (especially for transactions between small companies, holding companies and their wholly owned subsidiary(s) ('WOS'), etc.), as it encountered numerous barriers and significant delays in the process. The J.J. Irani Committee's Report on Company Law<sup>1</sup>, which dates back to May 2005, offered a glimpse of contractual / short form mergers (i.e. without court intervention) and suggested its statutory recognition in India.
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- 1.2 With an objective of promoting ease of doing business in India and recognizing the need for streamlining and expediting the merger process while also benchmarking international models, this recommendation was codified by the Ministry of Corporate Affairs ('MCA') by inclusion of the concept of Fast Track Mergers ('FTM'/ 'Mergers and Amalgamations of Certain Companies') under section 233 of the Companies Act, 2013 ('the Act'), through approval of Central Government [delegated to Regional Director (RDs)].
- 1.3 FTM, a simplified and alternate procedure enabling certain companies to merge without intervention of the NCLT, is less time-consuming, involves less legal requirements and provides a cost-effective solution. However, any company to which the FTM provisions are applicable may, at their own discretion, opt to follow the standard form merger applicable to other companies not covered under such provisions (i.e. NCLT route under sections 230-232 of the Act).

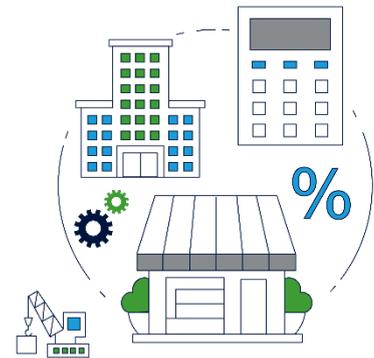
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<sup>1</sup> [JJ Irani Report-MCA.doc](#)

1.4 The legislative framework of FTM was made effective from 15 December 2016, vide **Notification dated 7 December 2016**<sup>2</sup>. To complement the FTM, the MCA also notified the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 ('CAA Rules, 2016') on 14 December 2016<sup>3</sup> (Rule 25 of the CAA Rules, 2016 in particular deals with the FTM scheme).

## 2.0 Scope of FTM (till 3 September 2025)

2.1 Initially, the FTM route was made applicable only to mergers & amalgamations between a **Holding company and its WOS**, or between **two or more small companies**<sup>4</sup>. However, post the boom in start-up space, MCA notified the Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2021 on 1 February 2021<sup>5</sup>, and included the following companies as well within FTM's ambit –



- i. **two or more start-up companies**<sup>6</sup>, or
- ii. **one of more start-up company with one or more small company.**

2.2 Subsequently, a further amendment was made by the MCA vide the Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2024 notified on 9 September 2024 (effective from 17 September 2024)<sup>7</sup>, to expand the scope of FTM to **merger or amalgamation of foreign company into its Indian WOS** (what is also commonly known as 'reverse flipping'). However, this was done in terms of Rule 25A of the CAA Rules, 2016, by providing reference to Section 233 of the Act.

2.3 However, corporate actions such as mergers between a holding company and its subsidiary company(ies) (other than WOSs), etc. were not yet permitted under the FTM regime, as was also recommended earlier by the Company Law Committee ('CLC') in its report of March 2022<sup>8</sup>.

<sup>2</sup> [Notifications](#)

<sup>3</sup> [Notifications](#)

<sup>4</sup> As defined per Section 2(85) of the Act

<sup>5</sup> [mca.gov.in/bin/ebook/dms/getdocument?doc=MTM1MDY=&docCategory=NotificationandCirculars&type=open](https://mca.gov.in/bin/ebook/dms/getdocument?doc=MTM1MDY=&docCategory=NotificationandCirculars&type=open)

<sup>6</sup> Start-up company means a private company incorporated under the Companies Act, 2013 or Companies Act, 1956 and recognised as such in accordance with notification number G.S.R. 127 (E), dated the 19th February, 2019 issued by the Department for Promotion of Industry and Internal Trade.

<sup>7</sup> [Notifications](#)

<sup>8</sup> [mca.gov.in/bin/dms/getdocument?mcs=bwsk%252FBFAFTVdpdKuv5IR5w%253D%253D&type=open](https://mca.gov.in/bin/dms/getdocument?mcs=bwsk%252FBFAFTVdpdKuv5IR5w%253D%253D&type=open)

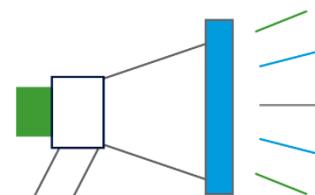
### 3.0 Budget announcement in February 2025

3.1 The Hon'ble Finance Minister, in her Union Budget Speech for the financial year 2025-26<sup>9</sup> on 1 February 2025 (Para 101), announced that the requirements and procedures for speedy approval of company mergers would be rationalized. Additionally, the scope of FTM would also be widened along with simplification of the process. Suggestions in relation to this were also sought during discussions in the Post-Budget Seminar held on 4 March 2025.

3.2 In congruity with the same, the MCA released the draft Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2025<sup>10</sup> to include a wide array of eligible companies within the FTM net. A public notice (along with an explanatory note) dated 4 April 2025<sup>11</sup> was also issued for stakeholders' consultations on such draft rules. A Press Release dated 5 April 2025<sup>12</sup> was also issued in this respect.

### 4.0 Scope of FTM expanded – MCA Notification dated 4 September 2025

4.1 In line with the intent and part of efforts to make the merger process more accessible to a broader range of corporate entities, the MCA recently notified the CAA Amendment Rules, 2025 in the Official Gazette on 4 September 2025<sup>13</sup>, and a Press Release was also issued in this regard on 11 September 2025<sup>14</sup>. Pursuant to the same, Rule 25 of the CAA Rules, 2016 stands amended and the following key amendments have been introduced:



#### 4.1.1 Expanded scope of FTM under Rule 25 of the CAA Rules, 2016

Additional companies covered	Conditions/ remarks
<b>Two or more unlisted companies (not being company referred to in section 8 of the Act)</b>	<ul style="list-style-type: none"> <li>Each company has, in Aggregate, outstanding loans, debentures or deposits not exceeding INR 200 crores</li> </ul>

<sup>9</sup> [budget\\_speech-2025.pdf](#)

<sup>10</sup> [Draft Notification](#)

<sup>11</sup> [Public Notice](#)

<sup>12</sup> [Press Release: Press Information Bureau](#)

<sup>13</sup> [mca.gov.in/bin/dms/getdocument?mcs=SYSKtbXJsx%252BNzNIhs92xwA%253D%253D&type=open](https://mca.gov.in/bin/dms/getdocument?mcs=SYSKtbXJsx%252BNzNIhs92xwA%253D%253D&type=open)

<sup>14</sup> [Press Release: Press Information Bureau](#)

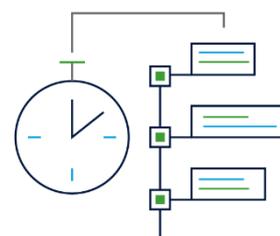
Additional companies covered	Conditions/ remarks
	<ul style="list-style-type: none"> <li>No default in repayment of loans, debentures or deposits, on a day, not more than 30 days before the date of notice under section 233(1)(a) of the Act &amp; on the date of filing of scheme under section 233(2) of the Act.</li> <li>Filing of auditor's certificate in prescribed form in relation to above</li> </ul>
<b>Holding company (listed or unlisted) and a subsidiary company (listed or unlisted)</b>	Transferor company should not be listed
<b>Two or more subsidiaries of the same holding company</b>	Transferor company should not be listed
<b>Foreign holding company with the transferee Indian WOS referred to in Rule 25A(5) of the CAA Rules, 2016</b>	While this provision was introduced earlier in year 2024 under Rule 25A, however, it has been specifically incorporated into this Rule 25 to make it self-contained.

#### 4.1.2 Explicit Clarification in relation to transfer or division of undertaking

The amended Rules have now been expressly expanded to also cover schemes of division or transfer of undertakings of a company as referred to in section 232(1)(b) of the Act (demergers).

#### 4.1.3 Other procedural refinements in Fast-Track route

- (i) Timeline for filing of application with RD has been extended from 7 days to 15 days, from the date of conclusion of meeting of shareholders and creditors.
- (ii) Expressly laid down the requirement to serve notice to the sectoral regulators and to the stock exchanges (in case of listed company), for receiving objections or suggestions to the scheme of merger.



(iii) Filing of the report of the registered valuer by transferee company along with the scheme.

(iv) New and revised versions of the prescribed forms have been notified.

## **5.0 Concluding remarks**

5.1 This welcome notification aligns with the government's objective of enhancing ease of doing business in India, creating an investor friendly environment and fostering economic growth. The amendments may likely create momentous growth in the Mergers & Acquisitions landscape, as this step aims to provide a more transparent, quicker and hassle-free framework for both domestic and cross-border restructuring transactions, and a boost to deal-making opportunities.

5.2 These changes are expected to drastically reduce procedural complexities for qualifying companies, saving in administrative costs and lengthy timelines of a traditional tribunal-driven process, thereby catalyzing the companies to restructure in a seamless and efficient manner, complete integration swiftly and expedite the realization of operational synergies.

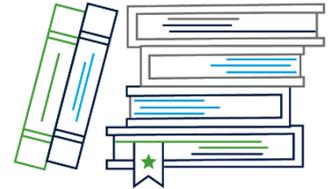
5.3 The FTM amendment would likely declog or decongest the burden of NCLT, which is already swamped with a lot of pending cases which has slowed down the corporate structuring process and increased the related costs and timelines. Further, while the amendments are a significant step towards facilitating the FTM regime, however, the efficacy of the FTM involving listed transferee is yet to be tested in view of satisfying the current mandatory requirement of obtaining approval of at least 90% shareholders and creditors. Reconsideration and relaxation of these thresholds may be evaluated, else could pose potential practical roadblocks/ hurdles and pitstops for such entities.

5.4 The anticipated surge in FTM applications pursuant to this amendment may result in resources and capacity constraints and oversight challenges for RDs. However, the same may be appropriately handled to tackle the increased volume of cases.

## **6.0 Key takeaways**

6.1 The inclusion of merger between holding and its subsidiary company (not necessarily WOS) or fellow subsidiaries of the same holding company is a very welcome move as it would streamline intra-group reorganizations, enable consolidation and capital restructuring (particularly those involving large conglomerates/ multinationals).

- 6.2 Insertion of debt caps and obligatory auditor's certificate requirement under FTM scheme may also benefit private/ public unlisted companies (having reasonable/ limited debt exposure) and keep their creditors and lenders secured.
- 6.3 While fast-track demerger schemes under this framework were permitted by RDs in practice, however, its legal backing created ambiguity. Providing statutory sanction for the hive-off/ spin-off or segregation of businesses under the new rules will bring greater clarity, legal certainty and efficiency for corporate restructuring. As regards tax neutrality for such fast-track demergers, certainty needs to be eventually provided in the Income-tax Act, 2025<sup>15</sup>.
- 6.4 From a stamp duty perspective, it would need to be seen on a state-to-state basis as to whether lower/ concessional stamp duty may be applicable to the FTM schemes or not (just like the NCLT approved scheme of arrangement), as typically sanctioning of FTM involves issuance of 'confirmation' by RD and not an 'order' per-se.
- 6.5 Considerations from Transfer Pricing, Securities Exchange Board of India (SEBI), Foreign Exchange Management Act, 1999 (FEMA), etc. and other aspects from Income tax and corporate law standpoint would also need to be evaluated in relation to the above.
- 6.6 Despite some limitations or gaps, the simplified process enhances exit flexibility and reorganization options thereby paving the way for India to become a more attractive destination for investors, could help start-ups, family businesses and corporate groups manage their operations more smoothly and is clearly evolving to create a more adaptable merger market that keeps pace with the dynamic business environment.



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<sup>15</sup> [The-Income-tax-Act-2025.pdf](#)

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This Newsflash provides a brief overview on the notification issued by the Ministry of Corporate Affairs (MCA) aimed at rationalising and expanding the scope of fast-track mergers and demergers in India. It may be noted that nothing contained in this Newsflash should be regarded as our opinion and facts of each case will need to be analyzed to ascertain thereof and appropriate professional advice should be sought for applicability of legal provisions based on specific facts. We are not responsible for any liability arising from any statements or errors contained in this Newsflash.

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