


Regulatory Alert

September 12, 2025



MCA expands scope for fast-track mergers and demergers, facilitating corporate restructuring and enhancing ease of doing business

On September 4, 2025, the Ministry of Corporate Affairs ('MCA') amended the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 ('CAA Rules') to significantly expand scope for fast-track mergers as well as demergers. These amendments are in line with the Budget 2025 announcement for rationalisation and widening the scope of fast-track mergers and a positive step towards simplification of the process of corporate restructuring and reducing the burden on National Company Law Tribunal ('NCLT').

The key highlights of these amendments are as under:

Recognition of fast-track demergers

The framework for fast-track route for approval of schemes under section 233 of the Companies Act, 2013 and the CAA Rules, prior to this amendment only provided for fast-track mergers, with no explicit mention of demergers or division / transfer of undertaking of a company as part of a scheme. While in practice, some companies proceeded with fast-track demergers under this framework,

the absence of explicit legal backing created uncertainty.

The MCA, with the recent amendment to the CAA Rules has clarified this position and provided that the framework for fast-track approval shall, mutatis mutandis, apply in respect of scheme of transfer of division or undertaking of a company (i.e. demergers).



Expansion of scope of eligible transactions under the fast-track approval route

The MCA has significantly expanded the scope of fast-track approval route to include the following:

- Mergers / demergers between unlisted companies (other than Section 8 companies¹), where each company involved has aggregate outstanding loans, debentures, or deposits not exceeding INR 200 crore, and none of the companies have any defaults in repayment of such obligations;
- Mergers / demergers between a holding company (listed / unlisted) and its subsidiary (listed / unlisted), where transferor company is not listed;
- Mergers / demergers between fellow subsidiaries, including step down subsidiaries, having a common parent company, where transferor company is not listed; and
- Cross-border merger / demerger of a foreign holding company with its wholly owned Indian subsidiary.

The expansion of scope of the fast-track approval route aligns with the Union Budget 2025 announcement, wherein the Finance Minister had stated that the requirements and procedures for speedy approval of company mergers would be rationalized, scope of fast-track mergers would be widened and the overall process shall be simplified.

Notice to sectoral regulators

In addition to the notice to Registrar and Official Liquidator or persons affected by the Scheme, a notice is required to be sent to sectoral regulators (if applicable) such as the Reserve Bank of India, Securities and Exchange Board, Insurance Regulatory and

Development Authority of India or Pension Fund, Regulatory and Development Authority as well as concerned stock exchanges inviting their objections or suggestions in the prescribed form.

Dhruva Comments

Prior to this amendment, the fast-track approval route was limited to mergers between start-up companies, small companies, start-ups and small companies or between a holding company and its wholly owned subsidiary. Now, the scope of fast-track approval route has been significantly expanded to include schemes for holding company and its subsidiary (not necessarily a wholly owned subsidiary), fellow subsidiaries, unlisted companies as well as cross-border schemes between a holding company and its wholly owned Indian subsidiary, making corporate restructuring more flexible and improving the ease of doing business.

Recognising fast-track demergers is a welcome move which brings greater clarity, legal certainty and efficiency for corporate restructuring in case of eligible demergers. We do hope that adequate certainty as regards tax neutrality, will also be eventually provided in the Income-tax Act, 2025

In light of this amendment, the burden on NCLT to sanction schemes is expected to be eased and we hope that the capacity of the Regional Director offices is appropriately increased to handle the increased volume of cases.

To further encourage the fast-track approval route for schemes, some critical challenges still need to be addressed. Section 233 of the Companies Act, 2013 requires approval by 90% of shareholders and creditors in value for fast-track approval. This threshold was

¹ Referred to in section 8 of the Companies Act, 2013



feasible for closely-held entities. However, this could pose significant hurdles for widely held companies as well as listed companies with a higher shareholder and creditor count. Considering the expanded scope of eligible transactions, reconsideration and relaxation of these thresholds should be further evaluated by the MCA.

From a stamp duty perspective, some states, such as Maharashtra have extended the concessional stamp duty on schemes of arrangements passed under section 233 of the Companies Act, 2013. However, various states have limited such benefit to tribunal order.

Since section 233 leads to a confirmation and not strictly an order, the question is whether lower stamp duty benefits are applicable.

Contributors

[Mehul Bheda \(Partner\)](#)

[Manjit Bhimajiani \(Associate Partner\)](#)

[Nehal Jain \(Principal\)](#)

[Swenee Shah \(Senior Associate\)](#)

For any queries in relation to this regulatory alert, please feel free to reach out.



ADDRESSES

Mumbai

1101, One World Centre,
11th Floor, Tower 2B,
841, Senapati Bapat Marg,
Elphinstone Road (West),
Mumbai – 400 013
Tel: +91 22 6108 1000 / 1900

Ahmedabad

402, 4th Floor, Venus Atlantis, 100
Feet Road, Prahlad Nagar,
Ahmedabad – 380 015
Tel: +91 79 6134 3434

Bengaluru

Lavelle Road, 67/1B,
4th Cross, Bengaluru,
Karnataka – 560001
Tel: +91 90510 48715

Delhi / NCR

305-307, Emaar Capital Tower-1, MG
Road, Sector 26, Gurgaon
Haryana – 122 002
Tel: +91 124 668 7000

New Delhi

1007-1008, 10th Floor, Kailash
Building,
KG Marg, Connaught Place,
New Delhi – 110001
Tel: 011 4471 9513

GIFT City

Dhruva Advisor IFSC LLP
510, 5th Floor, Pragya II,
Zone-1, GIFT SEZ, GIFT City,
Gandhinagar – 382050, Gujarat.
Tel: +91 7878577277

Pune

305, Pride Gateway,
Near D-Mart, Baner,
Pune – 411 045
Tel: +91 20 6730 1000

Kolkata

4th Floor, Unit No 403,
Camac Square,
24 Camac Street, Kolkata
West Bengal – 700016
Tel: +91 33 66371000

Singapore

Dhruva Advisors Pte. Ltd.
#16-04, 20 Collyer Quay,
Singapore – 049319
Tel: +65 9144 6415

Abu Dhabi

Dhruva Consultants
1905 Addax Tower,
City of Lights, Al Reem Island,
Abu Dhabi, UAE
Tel: +971 26780054

Dubai

Dhruva Consultants
Emaar Square Building 4, 2nd Floor,
Office 207, Downtown,
Dubai, UAE
Tel: +971 4 240 8477

Saudi Arabia

Dhruva Consultants
308, 7775 King Fahd Rd,
Al Olaya, 2970, Riyadh 12212,
Saudi Arabia

KEY CONTACTS

Dinesh Kanabar

Chief Executive Officer
dinesh.kanabar@dhruvaadvisors.com

Punit Shah (Mumbai)

punit.shah@dhruvaadvisors.com

Mehul Bheda (Ahmedabad/ GIFT City)

mehul.bheda@dhruvaadvisors.com

Aditya Hans (Bengaluru/ Kolkata)

aditya.hans@dhruvaadvisors.com

Vaibhav Gupta (Delhi/ NCR)

vaibhav.gupta@dhruvaadvisors.com

Sandeep Bhalla (Pune)

sandeep.bhalla@dhruvaadvisors.com

Nimish Goel (Middle East)

nimish.goel@dhruvaadvisors.com

Dilpreet Singh Obhan (Singapore)

dilpreet.singh@dhruvaadvisors.com

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