

## Expanded Coverage of Fast Track Merger Provisions

### Background

The Ministry of Corporate Affairs (MCA) vide Notification No. **G.S.R. 603(E)** dated 4<sup>th</sup> September 2025, has substantially broadened the coverage of companies eligible to avail the benefits under the fast-track merger process.

### Coverage

Category	Prior to Amendment	Post Amendment
Small Companies (PUSC ≤ ₹4 Cr and Turnover ≤ ₹40 Cr)	✓ Eligible	✓ No change
Holding + Wholly Owned Subsidiary (WOS)	✓ Eligible	✓ No change
Start-up Companies	✓ Two or more start-ups ✓ Start-up + Small Company	✓ No change
Unlisted Companies (other than Section 8 companies) with Low Borrowings	✗ Not eligible	✓ If Borrowings ≤ ₹200 Cr - No default in repayment - Auditor certificate required
Holding (listed or unlisted) + Unlisted Subsidiary (listed or unlisted, not wholly owned)	✗ Not eligible	✓ Excluding listed transferor company
Fellow Subsidiaries (same group)	✗ Not eligible	✓ Transferor company must be unlisted
Foreign Holding + Indian WOS	✗ Not eligible	✓ Inclusion in main Rule 25 – fast-track merger (F'TM)

### Notable Amendments

- **Inclusion of Demergers:** Fast-track provisions have been expressly extended to cover a scheme of demergers (i.e., transfer of any division / undertaking).
- **Inclusion of Reverse Flip:** The fast-track merger route is also available for the merger of a foreign holding company with its wholly owned subsidiary incorporated in India (Reverse Flip).
- **Sectoral Regulator Involvement:** Companies regulated by RBI, SEBI, Insurance Regulatory and Development Authority (IRDA), Pension Fund Regulatory and Development Authority (PFRDA), or listed companies must now issue notice to the relevant sectoral regulators and/or stock exchanges (in case where a listed company is involved in any merger /demerger) for any objections or suggestions.

▪ **Procedural Updates:**

- ▲ Within a period of 15 days after the date of the members' or creditors' meeting, the Transferee Company is required to file the approved scheme, along with meeting results and valuation report, with the Central Government in the prescribed form.
- ▲ The scheme must specify the manner of dealing with any objections or suggestions from any regulators or stock exchanges (if any).
- ▲ Forms require enhanced disclosures, including corporate information, auditor verification, financial statements, and evidence of approvals by requisite majorities of members and creditors.

**Conclusion**

- The fast-track route has been expanded in scope to cover mergers/demergers of unlisted low debt entities with borrowings of upto INR 200 crores and other subsidiary/affiliate company mergers/demergers, in addition to mergers of small companies, start-ups and holding-wholly owned subsidiary company mergers.
- These changes are expected to encourage mergers/demergers in the SME sector with a far simpler process and hopefully much reduced timelines.
- While the notification extends the ambit to encompass fast-track demergers, the tax-neutrality of fast-track demergers is uncertain.

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