

***THE MADRAS CHAMBER OF COMMERCE
AND INDUSTRY***

***COMPANY LAW AND CORPORATE MATTERS
COMMITTEE***

***MONTHLY NEWSLETTER -
SEPTEMBER 2025***

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CIRCULARS ISSUED BY SEBI DURING THE MONTH – SEPTEMBER 2025

Date	Title
Sep 30, 2025	<i>Extension of timeline for implementation of SEBI Circular dated February 04, 2025 on ‘Safer participation of retail investors in Algorithmic trading’</i>
Sep 25, 2025	<i>Compliance Guidelines for Digital Accessibility Circular ‘Rights of Persons with Disabilities Act, 2016 and rules made thereunder- mandatory compliance by all Regulated Entities’ dated July 31, 2025 (Circular No. SEBI/HQ/ITD-1/ITD_VIAP/P/CIR/2025/111)</i>
Sep 19, 2025	<i>Ease of doing investment - Smooth transmission of securities from Nominee to Legal Heir</i>
Sep 19, 2025	<i>Framework on Social Stock Exchange</i>
Sep 10, 2025	<i>Revised regulatory framework for Angel Funds under AIF Regulations</i>
Sep 10, 2025	<i>Ease of regulatory compliances for FPIs investing only in Government Securities</i>
Sep 09, 2025	<i>Framework for AIFs to make co-investment within the AIF structure under SEBI (Alternative Investment Funds) Regulations, 2012</i>
Sep 09, 2025	<i>Format of Disclosure Document for Portfolio Managers</i>
Sep 05, 2025	<i>Streamlining of the process for surrender of (Know Your Client) Registration Agency (KRA) registration</i>
Sep 01, 2025	<i>Framework for Intraday Position Limits Monitoring for Equity Index Derivatives</i>

IMPORTANT PUBLIC RELEASE BY SEBI:

PR No.60/2025

Caution to the public regarding impersonation of SEBI

SEBI is issuing this Press Release to advise investors to protect themselves from fraudsters and remain vigilant while dealing with communications fabricated to have been sent by SEBI officials and senders seeking payment on behalf of SEBI. SEBI has noted various instances of impersonation of identities of SEBI officials, various offices of SEBI and email ids of SEBI officials by fraudsters. Fraudsters are claiming to be officials of SEBI and sending a communication to entities using the letter head, logo and seal of SEBI. It is noted in certain instances that fraudsters are sending notices through Social Media Platforms and requesting for payments for compliance services, payment of penalty amounts/ fines to prevent action by SEBI. It has also been noted that SEBI's letter head is being misused by fraudsters to certify that the fraudster's account is a certified vendor/ merchant account and is

under the supervision of SEBI. The certificate on SEBI's letter head portrays a SEBI authorized bank account on which signatures of SEBI officials have been impersonated and SEBI logo has been imprinted, making investors believe that the stated fraudulent account is a genuine account.

Gullible investors are losing their hard earned money by believing these fraudsters and transferring money to these fraudulent accounts.

In view of the above, public is urged to exercise caution and note the following:

- i. Every enforcement action taken by SEBI is available on the SEBI website under the path Home > Enforcement.
- ii. Any online Order/Settlement/Recovery Payment to SEBI is to be done through
<https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html>.
- iii. Contact details of SEBI officials are available on the SEBI website under the path Home > About>SEBI Directory.
- iv. Communication from SEBI through emails is sent through official e-mail IDs of SEBI officials only. These email IDs end with domain address @sebi.gov.in.
- v. Addresses of SEBI offices are available on the SEBI website under the path Home > About> Addresses of Offices of SEBI.

Investors are advised to remain vigilant while dealing with communication being received from domain addresses that do not end with @sebi.gov.in. Investors may also remain cautious and verify the authenticity of people demanding information or payment on behalf of SEBI.

Mumbai

September 05, 2025

Reproduced below from SEBI portal the address by Chairman of SEBI on Strengthening Compliance with PIT Regulations in Listed Banks which is very informative.

**Address by Shri Tuhin Kanta Pandey, Chairman, SEBI Interaction with MD / CEOs of Listed Banks
"Strengthening Compliance with PIT Regulations in Listed Banks"**

September 03, 2025

Good Morning All,

It is a privilege to be here today to speak about a matter that is not only a regulatory requirement but also a cornerstone of good governance and ethical leadership – the SEBI Prohibition of Insider Trading Regulations (PIT Regulations) and their specific implications for listed banks.

Let me begin by briefly reflecting on why the PIT Regulations matter so deeply.

When a small group of people has access to information before the rest of the market and uses it for personal gain, it creates an uneven playing field.

Investors lose confidence, market fairness erodes, and the very integrity of the financial system comes into question.

This discussion is not about ticking boxes for compliance. It is about preserving the credibility of our institutions, the integrity of our financial markets, and the trust of stakeholders who expect the highest standards of governance.

As Managing Directors, you carry the highest responsibility for ensuring your organizations lead, not only in financial performance but also in ethical governance. Directors are at the apex of organizational governance. SEBI explicitly places responsibility on the Board of Directors, Managing Directors, and Compliance Officers to ensure compliance with PIT Regulations.

The Dual Responsibility of Listed Banks:

Allow me to begin by highlighting the unique position of listed banks under the PIT Regulations.

Unlike ordinary corporations, banks shoulder a dual responsibility:

As a listed entity, every bank is required to comply with the same regulatory framework that governs all listed companies — this includes ensuring timely disclosures, preventing insider trading, and maintaining confidentiality of price-sensitive information.

As a fiduciary, the bank frequently comes into possession of Unpublished Price Sensitive Information (UPSI) concerning other listed companies — information that could directly impact the stock market if misused or leaked.

Let us consider a few scenarios:

When a bank sanctions a major loan to a listed company, it gains access to financial information well before the market does.

During debt restructuring negotiations or repayment settlements, sensitive data on a company's liquidity position becomes available to the bank.

When participating in Committee of Creditors proceedings for stressed assets, banks often learn about strategic corporate decisions much before they are publicly disclosed.

All this information, if leaked, even unintentionally, could move markets, impact shareholder wealth, and erode investor trust. This is why your role as Managing Directors is not limited to overseeing your bank's own compliance. It extends to ensuring that information about other companies, which you hold as fiduciaries, is protected with the same rigour and confidentiality as your own organization's sensitive data.

Why Strict Internal Controls Are the Bedrock of Compliance Now, let us turn to the importance of internal controls.

A recent study by KPMG on Corporate Frauds in India highlighted that the number one detection method of frauds is tipoffs via whistle blowers or informal sources and management reviews. Weak controls are considered the prime reason for the frauds.

Insider trading risks thrive where controls are weak — where processes are unclear, responsibilities are undefined, and oversight is inconsistent. This is why SEBI has made it mandatory for listed entities to establish robust, auditable, and transparent internal control systems including a Code of Conduct for Prevention of Insider Trading

A strong internal control framework ensures that:

Every piece of UPSI is accounted for — who holds it, who shares it, and under what circumstances.

Every disclosure is timely and accurate — leaving no room for ambiguity or delay.

Every employee understands their responsibilities — through clear codes of conduct, written policies, and periodic training. And let me emphasize this: internal controls are not just about compliance. They are about building a culture of integrity — where employees at all levels understand that confidentiality, ethical conduct, and accountability are nonnegotiable.

Maintaining Absolute Confidentiality of UPSI.

UPSI must always be handled on a need-to-know basis.

If an employee does not require the information for legitimate business purposes, they should not have access to it.

Informal sharing — even casually in meetings or over emails — must be treated as a serious breach.

Remember, in today's hyper-connected world, a single leak can travel across digital networks in seconds and there is no way to undo the damage — to stock prices, to investor confidence, or to your bank's reputation. This is why strict access protocols, information walls, and secure digital systems are essential

Structured Digital Database (SDD) — The Cornerstone of Compliance

In this context, the Structured Digital Database (SDD) is a critical tool.

SEBI mandates that sharing of all unpublished price-sensitive information be recorded in a secure, time-stamped, and tamper-proof system.

For listed banks, this means maintaining two sets of SDDs

One for your own bank's internal UPSI.

Another for UPSI you hold in a fiduciary capacity for other listed companies.

SDD creates a clear, auditable trail of every instance where sensitive information changes hands. When employees and executives know that every UPSI transaction is logged and traceable, the risk of deliberate leaks or insider trading reduces significantly.

Further, when a regulatory authority comes knocking, your ability to instantly and comprehensively demonstrate who knew what, and when, will be your greatest defense. It is the SDD that demonstrates whether your bank acted with integrity, discipline, and full transparency and SEBI views SDD noncompliance with zero tolerance.

The Compliance Officer's Role.

Another important aspect in PIT Regulations is the role of Compliance Officer.

Your boards must ensure that the Compliance Officer is not a symbolic position but a fully empowered authority with the tools, training, and backing of leadership to enforce PIT regulations effectively. And above all, never bypass the Compliance Officer's oversight.

There is a specific session scheduled in the afternoon today for the Compliance Officers of your Banks wherein detailed discussions will be held on the role of Compliance Officer and industrial best practices on PIT Regulations.

Leveraging Technology for Stronger Compliance As banks grow in scale and complexity, technology can be your strongest ally in ensuring compliance.

Some key areas where technology already plays, or can play, a transformative role include:

☐ *Automated Trading Window Management: In order to ease the compliance with closure of trading window under PIT Regulations and to prevent inadvertent non-compliances of provisions of PIT Regulations, SEBI mandated the Stock Exchanges and Depositories for a system to restrict trading by DPs of listed companies and their immediate relatives during trading window closure period due to financial results.*

For other UPSIs that may trigger a trading window closure but is not yet covered by the automated system, Technology solutions may be developed and adopted for monitoring of trades during such UPSI periods thereby reducing the burden on compliance teams.

Centralized Pre-clearance & Disclosure Portals: A centralized portal to handle trading requests, obtain pre-clearances, and record disclosures ensures compliance with the code of conduct while making the process smoother and provides an audit trail.

Digital Training & Certification Platforms:

Employees can undergo regular compliance training, with certifications providing a clear record of awareness and accountability.

Closing Thoughts

Compliance with the PIT Regulations is not just a legal obligation; it is a moral responsibility.

Your dual role — as leaders of listed entities and as fiduciaries holding sensitive information of others — places on you a higher standard of care. By strengthening internal controls, ensuring absolute confidentiality of UPSI, empowering compliance officers, and leveraging technology, you can build organizations that are not only compliant but also trusted leaders in governance and ethics.

Let us aim to make our listed banks models of transparency, integrity, and ethical leadership — setting benchmarks not just for compliance, but for corporate conduct in the entire financial ecosystem.

Thank you for your time and attention.

MINISTRY OF CORPORATE AFFAIRS:

BEWARE

Holding of AGM or EGM through video conferencing or other audio visual means and passing of Ordinary and Special Resolutions was permitted only up to 30.09.2025. Hence unless there is another notification extending the time, hereinafter all AGMs and EGM shall take place as per the provisions of the Act read with the rules and regulations framed thereunder.

General Circular No. 04/2025 Dated: 29th September, 2025

F. No. 8/4/2018_CL-I(P) Government of India Ministry of Corporate Affairs 5th Floor, 'A' Wing, Shastri Bhawan, Dr. R.P. Road, New Delhi: 110001

To, The Director General of Corporate Affairs,

All Regional Directors,

All Registrars of Companies,

All Stakeholders.

Subject: Extension of time for filing e-form DIR-3-KYC and web-form DIR-3-KYC-WEB without fee upto 15.10.2025 -reg.

Sir/Madam,

The Ministry has received suggestions to extend the time beyond 30.09.2025 for filing of e-form DIR-3-KYC and web-form DIR-3-KYC-WEB without payment of filing fee. 2. The matter has been examined in the Ministry and it has been decided to allow filing of e-form DIR-3-KYC and web-form DIR-3-KYC-WEB without filing fee upto 15th October, 2025.

This issue with the approval of Competent Authority. (Chiradeep Balooni) Deputy Director, CL- I Section Tel.: 011 2307 1190 Copy to: – 1. E-Governance Section with a request to place this circular in the Ministry website. 2. Guard File

It is brought to the kind attention of the members that through MCCI we did make a representation with reference to the above and copy of the representation sent is given below for immediate reference. Special thanks to the Co-chair Ms V Vasumathy who has been instrumental in drafting the representation.

September 19, 2025

*Ministry of Corporate Affairs
Shastri Bhawan, A-Wing, 5th Floor
New Delhi -110 001.*

Subject: Representation regarding difficulties faced in filing Form DIR 3 KYC for Foreign Directors

Dear Sir / Madam,

This representation is submitted by practicing professionals to bring to your attention a persistent and recurring procedural issue faced during the filing of **Form DIR-3 KYC** and **Form DIR 3 Web KYC** for foreign directors. For the past six years, since 2019, foreign directors have always been unable to receive the required SMS One-Time Password (OTP) on their foreign mobile numbers, which is a mandatory step for form submission. This issue creates significant challenges for foreign directors and the professionals filing them.

The following response was received from MCA in respect of a complaint raised for non-receipt of SMS OTP by one of the Foreign Director:

“Your Service Request **FO_******* (Complaint number) has been resolved by MCA Service Desk.

Solution - Dear Stakeholder, If you are unable to receive the OTP required to complete your KYC, please contact our support helpdesk using the mobile number associated with your DIN at 0911204832500, available from 9:00 AM to 9:00 PM IST, Monday to Saturday (excluding Sundays). After connecting to the IVRS, please press 1 to speak with an agent and request the OTP over the call. Kindly ensure that you have the following information readily available at the time of the call Your DIN (Director Identification Number) and The FO Ticket Number created for the OTP issue. Thank you for your cooperation”

The current workaround, as detailed in the resolution provided by the MCA Service Desk, requires the foreign director to call the MCA support helpdesk to receive the SMS OTP verbally. This process presents several difficulties:

- **Time Zone Disparity:** The MCA support desk operates from 9:00 AM to 9:00 PM IST, which makes it extremely difficult for foreign directors, particularly those in different time zones, to find a suitable time to make the call.
- **Procedural Complexity:** Foreign directors are often unfamiliar with the technical and procedural aspects of the Companies Act, 2013. Requiring them to personally contact the MCA helpdesk for every KYC filing shall lead to confusion and frustration, resulting in forming of an opinion on the cumbersome procedures in India.
- **Operational Burden:** This resolution places a significant and burden on professionals, who are unnecessarily burdened to spend more time on co-ordination with foreign director(s) and MCA to adhere to the complex schedules between foreign directors and the MCA helpdesk for each filing. This consumes valuable time and resources for both professionals and their clients.

This cumbersome and time-consuming process is in direct conflict with the government's initiatives to promote the ease of doing business in India. **Regulatory procedures, which are meant to foster a healthy business environment, are instead perceived as a burden, potentially discouraging foreign investment.**

To streamline the process and align it with the goal of ease of doing business, we respectfully recommend the following solutions for consideration:

- ***Remove the SMS OTP requirement for foreign directors.*** Rely solely on email OTP verification, which is more reliable for international users.
- ***Introduce an alternative communication platform for OTP delivery.*** Allow foreign directors to receive the OTP via widely used applications like WhatsApp or other common messaging platforms, in addition to SMS.
- ***Extend MCA support helpdesk hours*** to provide round-the-clock assistance, accommodating the global time differences of foreign directors.
- ***Calls from the same foreign mobile number to MCA helpdesk should not be insisted.*** Any professional should be allowed to call MCA support helpdesk for obtaining SMS OTP while the Email OTP can be received from Foreign Director.

We believe that implementing these changes would significantly improve the efficiency of regulatory compliance for foreign directors, reduce the administrative burden on all stakeholders and ultimately contribute to a more attractive environment for foreign investment in India.

NOTIFICATIONS ISSUED BY MINISTRY OF CORPORATE AFFAIRS:

The Companies Act, 2013 regulates the incorporation, responsibilities, governance, and dissolution of companies in the country. Section 233 of the Companies Act, 2013 provides for merger or amalgamation of certain companies (Fast Track Merger) through approval of Central Government [Delegated to Regional Directors]. Section 233(1) of the Companies Act, 2013 allows mergers/demergers between (i) two or more small companies and (ii) holding company and its wholly owned subsidiary. Section 233 empowers Central Government (MCA) to prescribe, by way of rules, additional classes of companies who can avail such fast track process.

In order to facilitate ease of doing business and allow small companies and start-up companies to avail such fast track procedure, amendment was made in the year 2021 in the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 (CAA Rules) to extend the scope of fast track process for merger/demergers between (a) two or more start-up companies and (b) one or more start-up company with one or more small company. Subsequently through amendment made in CAA Rules in September, 2024, merger of a transferor foreign company incorporated outside India being a holding company with the transferee Indian company being its wholly owned subsidiary company incorporated in India (reverse flipping) has also been allowed through fast track merger procedure.

Pursuant to Para 101 of the Budget Speech (2025-2026), it was decided to further enhance the scope of such mergers. For this purpose, the CAA Rules have been amended on 4th September, 2025 after holding stakeholders consultations. Through this amendment mergers/demergers in respect of following additional classes of companies have been included in rule 25 of such rules for availing the fast track merger/demerger procedure:-

- a. Two or more unlisted companies (other than section 8 companies) which meet prescribed thresholds of outstanding loans, debentures or deposits;
- b. Holding company and subsidiary companies excluding cases where transferor company is a listed company;
- c. Two or more subsidiaries of the same holding company excluding cases where transferor company is a listed company.

MINISTRY OF CORPORATE AFFAIRS
NOTIFICATION
New Delhi, the 4th September, 2025

G.S.R. 603(E).— In exercise of the powers conferred by sub-sections (1) and (2) of [section 469](#) read with [section 233](#) of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following rules further to amend the [Companies \(Compromises, Arrangements and Amalgamations\) Rules, 2016](#) namely :-

1. Short title and commencement.- (1) These rules may be called the Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2025.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. In the [Companies \(Compromises, Arrangements and Amalgamations\) Rules, 2016](#) (hereafter referred to as “the said rules”), in rule 25:-

(a) for sub-rule (1), the following sub-rule shall be substituted, namely:-

“(1) The notice of the proposed scheme, under clause (a) of sub-section (1) of [section 233](#) of the Act, to invite objections or suggestions from the Registrar and official liquidator or persons affected by the scheme shall be in **Form No. CAA.9**:

Provided that in case of a company regulated by a sectoral regulator such as Reserve Bank of India, Securities and Exchange Board, Insurance Regulatory and Development Authority of India or Pension Fund Regulatory and Development Authority, as the case may be, the notice shall be issued to the concerned regulator and to respective stock exchanges, for listed companies, for objections or suggestions within the period specified in clause (a) of sub-section (1) of [section 233](#).”.

(b) in sub-rule (1A),-

(i) in clause (ii), for the words “small company”, the words “small company; or” shall be substituted.

(ii) after clause (ii), the following clauses shall be inserted, namely:-

“(iii) one or more unlisted company, (not being company referred to in section 8 of the Act) with one or more unlisted company, (not being company referred to in section 8 of the Act), where every company involved in the merger,-

(a) has, in aggregate, outstanding loans, debentures or deposits not exceeding two hundred crore rupees, and

(b) has no default in repayment of loans, debentures or deposits referred to in sub-clause (a),

on a day, not more than thirty days before the date of notice referred to in clause (a) of sub-section (1) of [section 233](#) of the Act and on the date of filing of scheme under sub-section (2) of [section 233](#) of the Act;

Provided that a certificate from the auditor of the company that the company meets the conditions referred to in this clause shall be filed in Form No. CAA-10A along with the copy of the approved scheme referred to in sub-section (2) of [section 233](#) of the Act;

(iv) a holding company (listed or unlisted) and a subsidiary company (listed or unlisted):

Provided that this clause shall not apply where the transferor company or companies are listed;

(v) one or more subsidiary company of a holding company with one or more other subsidiary company of the same holding company where the transferor company or companies are not listed;

Illustration:-

Company 'D' is the subsidiary of Company 'C' and Company 'C' is the subsidiary of Company 'B' and in turn Company 'B' is the wholly owned subsidiary (WOS) of Company 'A'.

In this case Company 'B' is the WOS of Company 'A'. Company 'C' and Company 'D' are subsidiaries of the same holding company i.e. Company 'A'

Subject to the condition stated in the clause, schemes of merger or amalgamation or transfer or division between Company 'A', Company 'B', Company 'C' and Company 'D' or any combination thereof would be covered under this clause.

(vi) merger of the transferor foreign company incorporated outside India being a holding company with the transferee Indian company being its wholly owned subsidiary company incorporated in India referred to in sub-rule (5) of rule 25A.”.

(c) in sub-rule (2), after the words, letters and figures “**Form No. CAA.10**”, the brackets, words, letters and figure “(as attachment to Form **GNL-1**)” shall be inserted.

(d) in sub-rule (4), for clause (a), the following clause shall be substituted, namely:-

“(a) For the purposes of sub-section (2) of [section 233](#) of the Act, the transferee company shall, within a period of fifteen days after the conclusion of the meeting of members or class of members or creditors or class of creditors, file a copy of the scheme as agreed to by the members and creditors, along with a report of the result of each of the meetings and the report of the registered valuer in **Form No. CAA.11** (as attachment to **Form RD-1**), with the Central Government, along with the fees as provided under the [Companies \(Registration Offices and Fees\) Rules, 2014](#):

Provided that in case of a company referred to in proviso to sub-rule (1), a statement about the manner in which the objections or suggestions, if any, of the sectoral Regulator or the stock exchanges, as the case may be, have been addressed in the scheme shall be attached with the scheme.”.

(e) after sub-rule (8) the following sub-rule shall be inserted, namely:-

“(9) The provisions of this rule shall, mutatis mutandis, apply in respect of a scheme of division or transfer of undertaking of a company referred to in clause (b) of sub-section (1) of [section 232](#) and while passing such order, the Central Government may make provisions of the nature specified in clauses (a) to (j) of sub-section (3) of [section 232](#) to the extent they are applicable.”.

3. In the said rules, in Annexure-A, for Forms CAA-9, CAA-10, CAA-11 and CAA-12, the following Forms shall be substituted, namely:-

Please read the notification for the details of the forms

INTERESTING FACTS:

A total number of 29,51,311 companies were registered in the country as on 31st August 2025, of which 66% (19,40,681) companies stand active. There is increase of 0.20% in the total proportion of active companies w.r.t registered companies when compared to July 2025.

In August 2025, 48,183 Director Identification Numbers were registered, out of the total number of directors registered in India in August 2025, 68% were male and the remaining 32% were female. A close analysis on Indian Directors revealed that 41% of new directors registered belongs to age 31-45 years old. Furthermore, 7% of the new director registrations were older than 60 years

NOTE: VIEWS EXPRESSED HEREUNDER ARE THAT OF THE WRITER OF THE ARTICLE AND NOT THAT OF THE COMPANY LAW AND CORPORATE MATTERS COMMITTEE OR THAT OF MCCI.

Fast Track Merger under The Companies Act, 2013

Introduction

Merger and amalgamation are forms of corporate restructuring. Companies undertake these strategies for various reasons, such as achieving economies of scale, dealing with competition, improving financial performance, or diversifying their operations. Nowadays, mergers and amalgamations have become a common part of corporate activity. However, the process involved can be complex and time-consuming.

In its effort to promote ease of doing business, the Parliament introduced Section 233 of the Companies Act, 2013, which provides for a 'Fast Track Merger' process. This is a relatively new concept that was not present in the earlier Companies Act. The set of provisions were brought into effect from 15.12.2016. The Fast Track merger is applicable only to certain companies which are specified in the Rule 25 of Companies (Compromises, Arrangements and Amalgamations) Amendment Rules.

Until now, the fast track merger was available only to merger between one or more small companies, between start-up companies or merger of holding company and their wholly owned subsidiary.

Now the MCA, with intent to further promote the ease of doing business, vide Notification dated 04.09.2025 amended the Rule 25 of Companies (Compromises, Arrangements and Amalgamations) Amendment Rules has expanded the scope to listed companies, unlisted companies and also to even cross border entities and added certain procedural requirements.

In this article, we will look into the concept of fast track merger and its compliance requirements and how it is different from the NCLT merger enumerated in section 230-232 of the Companies Act, 2013.

Fast Track Merger

As the name suggests, a fast track merger is an alternative and quicker way for restructuring companies. Under this route, companies are no longer required to approach the Tribunal or Court for approval. Instead, they can obtain necessary clearances directly from the Central Government (Regional Director). This process aims to reduce the burden on the NCLT and promote efficiency in corporate restructuring. However, it is important to note that not all companies are eligible to opt for this route.

Initially, the following entities were eligible to under this scheme;

- a. Two or more small companies;
- b. Holding and its wholly owned subsidiary;
- c. Two or more start-up companies and
- d. One or more start-up company with one or more small company

Post amendment, Rule 25(1A) has been inserted, whereby the fast-track merger route has been extended to the following categories of companies as well.

e. One or more unlisted company (excluding section 8 company) with One or more unlisted company (excluding section 8 company) where every company involved in the merger, –

(a) has, in aggregate, outstanding loans, debentures or deposits not exceeding 200 crore rupees, and

(b) has no default in repayment of loans, debentures or deposits

f. a holding company (listed or unlisted) and a subsidiary company (listed or unlisted), Provided that this clause shall not apply where the transferor company or companies are listed;.

g. one or more subsidiary company of a holding company with one or more other subsidiary company of the same holding company where the transferor company or companies are not listed;

h. merger of the transferor foreign company incorporated outside India being a holding company with the transferee Indian company being its wholly owned subsidiary company incorporated in India

Additional Changes

Companies who intend to go through fast track route shall invite any objections or suggestions from the Registrar and official liquidator or persons affected by the scheme in Form No. CAA.9. This form has been modified.

Companies are regulated by a sectoral regulator such as RBI, SEBI, IRDAI, PFRDA as the case may be, then they have to issue notice to the concerned regulator and to respective stock exchanges, for listed companies, inviting objections or suggestions within the period specified under Section 233(1)(a).

- **Impact where one or more entities are unlisted companies**

Initially, mergers under the fast-track route were permitted only between one or more small companies. The definition of a "small company" is provided under Section 2(85) of the Companies Act, 2013, which explicitly excludes public companies from its scope. As a result, even if a public company met other qualifying criteria such as limits on paid-up capital and turnover it was still not eligible to undertake a merger through the fast-track process solely because it was incorporated as a public company.

This amendment has paved the way for the unlisted public companies excluding section 8 companies i.e. Companies with charitable objects, etc. However twin conditions have to be met

1. The aggregate o/s loans, debentures and deposits for each company shall not exceed 200 crores and
2. No default in repayment of any such borrowings.

Additionally, the company is required to obtain a certificate from its auditor confirming compliance with the above twin conditions. This certificate must be furnished in Form 10A.

- **Impact of Holding company with a subsidiary company**

Prior to the amendment, only a holding company and its wholly owned subsidiary were eligible to undertake a merger under the fast track route.

However, following the amendment, the scope stands widened. Now, a holding company, whether listed or unlisted, can merge with its subsidiary company, regardless of whether the subsidiary is listed or unlisted, and irrespective of whether it is wholly owned or not, under the fast track merger route.

However, the fast track route will not be available in cases where the Transferor company is a listed company.

Impact of Companies that are under the same holding company

Two or more subsidiary companies under the same holding company are also eligible to merge under the fast track route, provided that the transferor company is unlisted.

- **Impact of Foreign Holding company and its wholly owned Indian subsidiary company**

Cross border mergers between Indian and foreign companies are permitted in India under the NCLT route with prior approval of RBI and are governed by Section 234 of the Act read with Rule 25A of the Merger Rules.

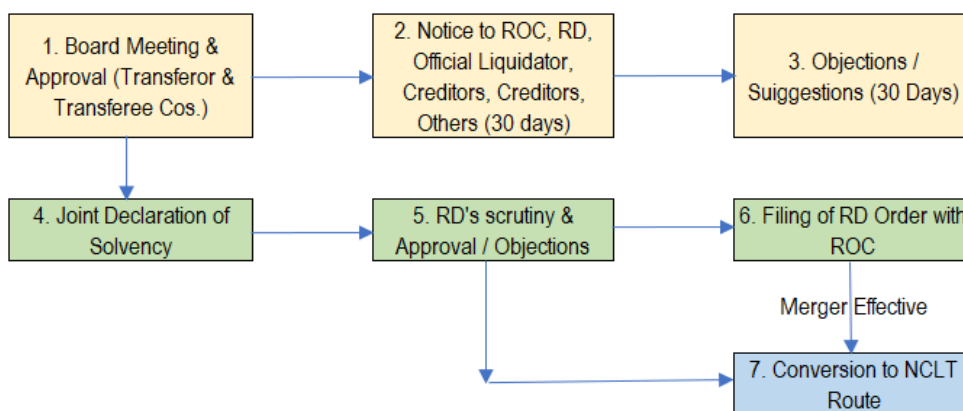
Now, Rule 25 explicitly permits the merger of a foreign holding company with its wholly owned Indian subsidiary, thereby recognizing such cross-border mergers.

Demerger

Section 233(12) would ensure applicability to de-merger which explicitly states that the provision of the section shall apply mutatis mutandis apply to section 230-232 of the company Act 2013.

Procedure under section 230-232 of the Companies Act

Section 233 outlines a list of conditions which companies proposing to enter into fast track mergers have to go through



How the procedure is different from the NCLT based merger (Section 230-232)

S.No		Section 230-232	Section 233
1.	Eligible companies	All companies	Only certain companies
2.	Who will approve	NCLT	Central Government (Regional Director)
3.	Shareholders/Creditors Approval	Three-fourth (75%) in value	Nine-tenth (90%) in value

Practical Difficulties in Fast Track Merger

1. Under Section 233 of the Companies Act, the primary difficulty lies in obtaining the approval of 90% of shareholders and creditors. While this requirement may be practical for small companies, it is more challenging for public companies with a large shareholder or creditor base, as securing their participation and consent in meetings is not always feasible.
2. The second is that when the Central Government considers the proposed merger to be against public interest. In such a case, the Government may refer the scheme to the NCLT, which may accept, reject, or direct the merger to proceed under Sections 230–232 of the Companies Act 2013. This effectively vests discretionary power in the Central Government, while the scope of what constitutes 'against public interest' remains uncertain. Moreover, referring the matter to the NCLT defeats the very objective of the fast-track merger process.
3. Unlisted companies undergoing a fast-track merger must submit an auditor's certificate in Form CAA-10A, confirming compliance. This means an additional compliance requirement specific to such mergers.

Tax Challenges in Demerger - New Income Tax Act, 2025

Section 70 deals with Transactions not regarded as Transfer. Section 70(1)(j), covers “in a demerger, of a capital asset by the demerged company to the resulting company, if the resulting company is an Indian company;”

The definition of demerger in terms of Section 2(35) of the Income Tax Act, 2025, refers only to Section 230 to 232 of the Companies Act, 2013 and does not cover Section 233.

Since Section 233 is not referred to, a demerger cleared under the Fastrack scheme will not qualify for the exemption under Section 70(1)(j). This would mean that NCLT would be the de-facto choice thereby defeating the purpose of Section 233 which is to facilitate the business.

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*I was in the fond hope that someone will based on the repeated requests made will volunteer and provide in simple terms any one of the LODR regulations under the step taken in the first newsletter “ **TO KNOW– ONE OR MORE LODR REGULATIONS – PER MONTH**”. It is sad to state that none has come forward. Be that as it may is, next newsletter onwards, whether any member comes forward or not, I will continue to do my duty in sharing the knowledge in the larger interest of the profession so long I am there in the committee. The reason for not having any regulation dealt with in this newsletter would have been understood.*

CS DR B RAVI
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