

September 2025

## Ministry of Corporate Affairs extends the eligibility criteria for fast-track mergers

The Ministry of Corporate Affairs (“MCA”), *vide* its notification dated September 4, 2025 (“**2025 Notification**”) has amended the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 (“**CAA Rules**”). The 2025 Notification has been made in pursuance of the Company Law Committee’s report dated March 21, 2022 and the 2025-26 Union Budget announcement<sup>1</sup>.

The key amendment under the 2025 Notification is the extension of classes of companies eligible for a Fast-Track Merger (“**FTM**”), by which the scope of Section 233 (*Merger or Amalgamation of Certain Companies*) of Companies Act, 2013 (“**CA 2013**”) has been broadened. The amendments pursuant to the 2025 Notification have been published in the official gazette and have come into force.

### Extension of classes of companies eligible for an FTM

Earlier, Section 233 of CA 2013 read with Rule 25(1A) of the CAA Rules permitted a FTM only for the following classes of companies:

1. 2 (two) or more small companies;
2. a holding company and its wholly owned subsidiary (“**WOS**”);
3. 2 (two) or more start-up companies; or
4. 1 (one) or more start-up company(ies) with 1 (one) or more small company(ies).

The 2025 Notification has expanded the FTM eligibility criteria under Rule 25(1A) of the CAA Rules to now also include the following:

1. **Merger between 1 (one) or more unlisted companies:** A merger between an unlisted company (excluding not for profit companies referred under Section 8 of the CA 2013) with another unlisted company, where every company involved in the merger:
  - a) has, in aggregate, outstanding loans, debentures or deposits not exceeding INR 200,00,00,000 (Indian Rupees two hundred crores);
  - b) has not defaulted in the repayment of such borrowings;

<sup>1</sup> Para 101 states that the requirements and procedures for speedy approval of company mergers shall be rationalised and that the scope for fast-track mergers shall be widened and the process made simpler.

within 30 (thirty) days prior to the date of inviting objections from the regulatory authorities, and on the date of filing of the scheme.

A certificate from the auditor of the company (in Form No. CAA-10A), stating that the company meets the above referred conditions has to be appended to the FTM scheme.

2. **Merger of holding companies (listed or unlisted) with 1 (one) or more of its subsidiary(ies) (listed or unlisted):** A merger between a holding company (listed or unlisted) with its subsidiary companies (listed or unlisted), subject to the transferor company not being a listed company. Prior to the 2025 Notification, Section 233 of the CA 2013 only allowed a merger between a holding company and its WOS. The 2025 Notification extends the eligibility to unlisted subsidiaries as well.
3. **Merger of one or more subsidiary with another subsidiary of the same holding company:** A merger of one or more subsidiaries of the same holding company has been included under the 2025 Notification, provided that the transferor company/companies are not listed. Merger between fellow subsidiaries of the same holding company was not provided for under Section 233 of CA 2013 prior to the 2025 Notification.
4. **Merger of a holding company (transferor) incorporated outside India with its WOS in India:** A merger between a transferor foreign company incorporated outside India, being a holding company, and its WOS incorporated in India (as the transferee).<sup>2</sup>

### Ancillary amendments under the 2025 Notification

1. **Notice to the sectoral regulator:** Prior to the 2025 Notification, the notice of the proposed scheme under the CA 2013 was required to be sent only to the Registrar of Companies (“ROC”) and the official liquidator in Form CAA-9 for objections and suggestions. As per the 2025 Notification, a company regulated by a sectoral regulator such as the Reserve Bank of India, the Securities and Exchange Board of India, the Insurance Regulatory and Development Authority of India or Pension Fund Regulatory and Development Authority, must serve a notice for objections and suggestions to such sectoral regulators as well. In the case of listed companies, the notice must also be issued to the relevant stock exchanges. The regulators are required to furnish their objections within the mandated time frame of 30 (thirty) days.
2. **Filing of scheme after meetings:** Prior to the 2025 Notification, the transferee company was required to file the copy of the scheme and results of the meetings with the Central Government in Form CAA-11 (*Notice of approval of the scheme*), within 7 (seven) days of the conclusion of the meeting of members or class of members or creditors. Pursuant to the 2025 Notification, the transferee company must now file a copy of the scheme within 15 (fifteen) days of the conclusion of such meetings, along with: (a) a report of the result of each of the meetings; and (b) a report of the registered valuer, in Form CAA-11 as an attachment to form RD-1 (*Filing with Regional Director*), with the prescribed fees. Further, the objections and suggestions of the sectoral regulator, if any, must also be attached.
3. **Scheme of division or transfer:** It is clarified under the 2025 Notification that the application of FTM procedures will apply *mutatis mutandis* to cases of division or transfer of undertakings referred to in Section 232(1)(b) of CA 2013 (*Merger and amalgamation of Companies*).

### Conclusion

The proposed amendments align with the government’s ongoing efforts to reduce regulatory obstacles, as outlined in the Union Budget 2025–26. By extending the fast-track process to a wider range of companies, the 2025 Notification seeks to unburden the tribunal, declutter judicial bandwidth, mitigate procedural complexities and in turn facilitate

<sup>2</sup> These provisions were earlier referred to in sub-rule (5) of rule 25A (Merger or amalgamation of a foreign company with a company and *vice versa*). It has now been inserted under Rule 25 of the CAA Rules *vide* the 2025 Notification, thereby integrating Rule 25A into Rule 25 of the CAA Rules and consolidating FTM provisions into a single rule for clarity and ease of compliance.

quicker execution of transactions. This being said, high workload of the MCA officials on account of increased number of FTM would remain a concern.

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This Prism is prepared by:



**Rupinder Malik**  
Partner



**Varun Sriram**  
Partner



**Harshit Anand**  
Partner



**Bharkavi S**  
Senior Associate



**Sonal Tripathi**  
Associate



**Abheejit V**  
Junior Associate



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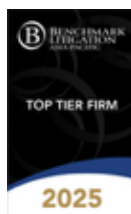
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For more details, please contact [km@jsalaw.com](mailto:km@jsalaw.com)

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