Dipen D Shah & Associates

CHARTERED ACCOUNTANTS

FAST TRACK MERGER

A QUICK OVERVIEW

INTRODUCTION

- A Fast Track Merger is a simplified, time-efficient process under Section 233 of the Companies Act, 2013 that allows certain types of companies to merge without going through the lengthy National Company Law Tribunal (NCLT) procedure.

- As announced in the budget speech of the Hon'ble Finance Minister, it has been decided to widen the scope of such mergers.

- Accordingly, a notification proposing amendments to the companies (compromises, Arrangements and Amalgamations) Rules 2016, for inclusions of more classes of companies under section 233 of the Companies Act 2013 is to be issued. Draft for the said notification is hosted on website of MCA.

WHO CAN USE THIS ROUTE?

1

Two or more small companies

2

A holding company merging with its wholly-owned subsidiary

3

Two or more start-up companies or one or more start-up with one or more small company

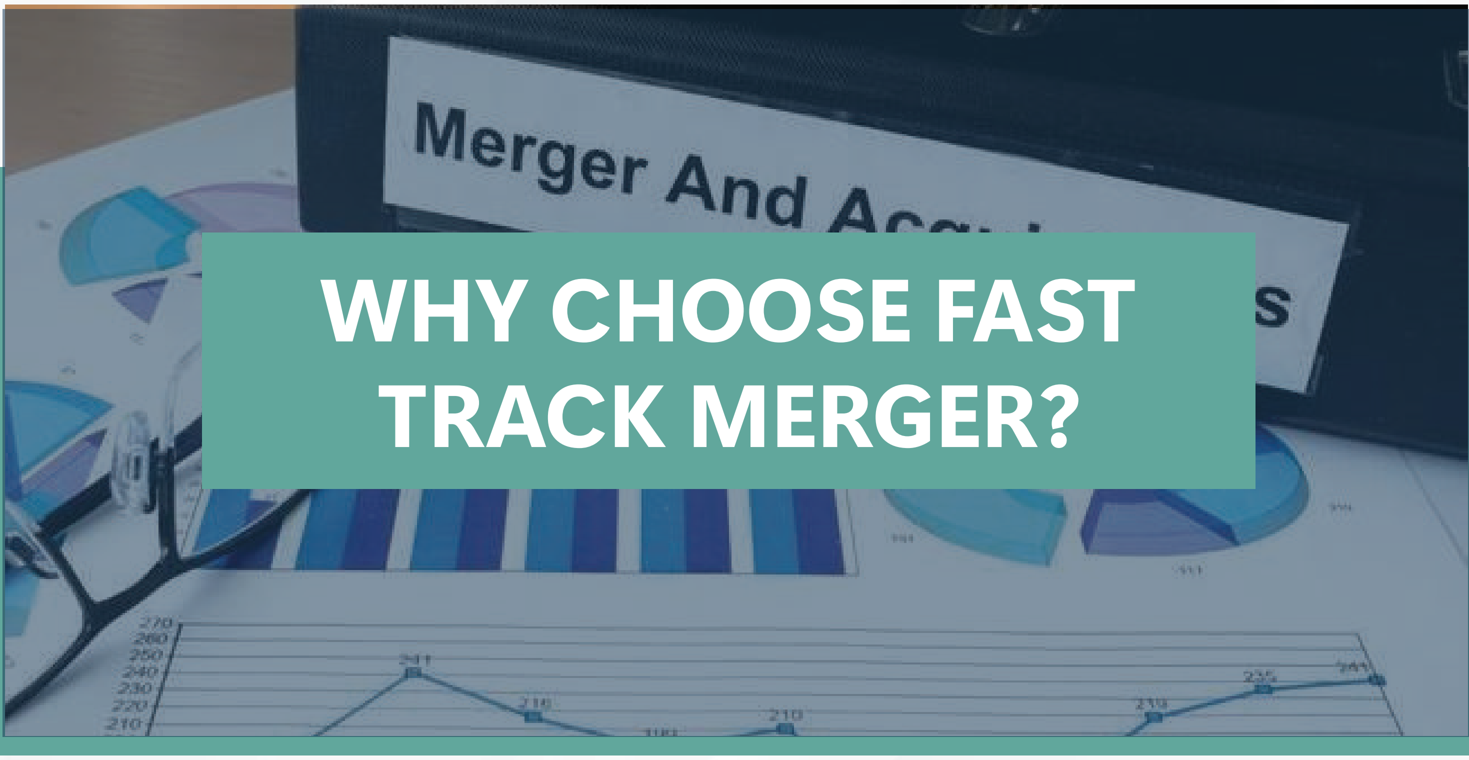
ADDITIONAL CLASS OF COMPANIES ARE BEING PROPOSED VIA MCA NOTIFICATION, THEY ARE:

One or more unlisted companies Following criteria to fulfil:

- Borrowing from banks or financial institution or any body corporate is less than 50cr
- No default in repayment of borrowings
  Auditor certificate to obtain that company meets the criteria

A holding company(listed or unlisted) with one or more unlisted subsidiary company which may not be wholly-owned subsidiary

Unlisted subsidiary company of a holding company with one or more subsidiary company of same holding



WHY CHOOSE FAST TRACK MERGER?

1

Speeds up the merger process

2

Saves time and cost by avoiding NCLT approval

3

Ensures smoother regulatory clearances

CONCLUSION

- Merger of only wholly owned subsidiary with its holding company is covered. It is proposed that a subsidiary other than wholly owned subsidiary may also be allowed to be merged with its holding company subject to such subsidiary should not be listed company.

- Merger between fellow subsidiary companies belonging to the same group (i.ehaving same holding company) is not covered under section 233. It is proposed that such mergers may also be included in section 233.

- The Fast Track Merger route is a smart move for eligible companies looking to grow or restructure efficiently, with fewer regulatory hurdles.

Thank You

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