

MCA looks to simplify M&A rules

Seeking inputs from other ministries regarding process

TAKING STOCK

- The fast-track mechanism of merger requires no involvement of NCLT
- It can be availed for mergers between holding companies and its wholly owned arms
- Listed companies are unable to benefit from fast-track mechanism for mergers with a wholly owned subsidiary since approval of all shareholders is required



- Industry bodies are also preparing their proposals to voice their concerns around current M&A regime

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The Ministry of Corporate Affairs (MCA) is seeking inputs from various ministries to simplify procedural requirements and expanding the scope of fast track for mergers & acquisitions (M&As), a senior official said.

“We are in the process of doing a stakeholder discussion. Currently, the talks are being held with other ministries. We will finalise our proposal thereafter,” the senior official said.

Union Finance Minister Nirmala Sitharaman, in her Budget speech, had said the government would rationalise the requirements and procedures for speedy approval of mergers. She had said that the scope for fast-track mergers will also be widened and the process will be simpler.

The proposal relates to the merger and demerger of listed and unlisted companies and two listed companies.

“Many of these changes can be made through rules while some would require a change in the law,” the senior official added.

The fast-track mechanism

of merger requires no involvement of the National Companies Law Tribunal (NCLT), and can be availed by small companies, startups, and for mergers between holding companies and its wholly-owned subsidiaries.

Company law experts said that listed companies are unable to take the benefit of the fast-track mechanism for mergers with a wholly owned subsidiary since approval of all shareholders is required.

“One agency is overburdened, especially with Insolvency and Bankruptcy code cases. Benches are limited and matters relating to Companies Act take longer,” Ankit Singhi partner, Corporate Professionals, said.

As of November 30 last year, 53 applications regarding amalgamation of small companies and mergers between a wholly owned subsidiary and holding company were pending, according to MCA data. Between April 1 and November 30, 2024, 431 such applications were disposed of.

For applications which require the approval of NCLT, the MCA data showed that as of November 30 last year, 309 applications were pending.