
FAST-TRACK MERGERS AND SMALL COMPANY COMPLIANCE IN INDIA: A CRITICAL ANALYSIS OF THE CORPORATE LAWS (AMENDMENT) BILL, 2026

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ABSTRACT

Corporate restructuring and regulatory compliance constitute two significant dimensions of India's evolving company law framework. The introduction of the Corporate Laws (Amendment) Bill, 2026 represents a legislative attempt to simplify corporate governance requirements, facilitate business operations and rationalise regulatory obligations under the Companies Act, 2013. Among its notable proposals are the relaxation of approval thresholds for fast-track mergers under *Section 233* and the expansion of the statutory limits applicable to small companies under *Section 2(85)*. These proposals follow earlier regulatory developments, particularly the Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2025 and the enhancement of small-company thresholds in December 2025. The present article critically examines whether the proposed reforms can promote business efficiency without compromising corporate accountability, minority shareholder protection and creditor interests. Adopting a doctrinal research methodology, the article analyses the statutory framework, legislative proposals, judicial precedents and relevant regulatory developments. It argues that although simplified merger procedures and proportionate compliance obligations may facilitate corporate restructuring and reduce administrative burdens, their effectiveness depends upon adequate disclosure requirements, fair valuation mechanisms, meaningful stakeholder participation and regulatory supervision. The article concludes that business efficiency and corporate accountability should be treated as complementary objectives rather than competing considerations.

Keywords: Fast-Track Mergers, Corporate Laws (Amendment) Bill 2026, Companies Act 2013, Small Companies, Corporate Restructuring, Minority Shareholders, Corporate Governance, Ease of Doing Business.

I. Introduction

Corporate restructuring has become an important mechanism through which companies reorganise their businesses, consolidate resources, eliminate operational inefficiencies and respond to changing commercial circumstances. Mergers and amalgamations enable corporate entities to combine assets, liabilities and business operations within a unified legal structure. However, the effectiveness of corporate restructuring depends substantially upon the legal procedures governing such transactions. Excessive procedural requirements, regulatory delays and disproportionate compliance obligations may discourage otherwise commercially viable restructuring, particularly among small and medium-sized corporate enterprises. The Companies Act, 2013 establishes a comprehensive legal framework governing compromises, arrangements, mergers and amalgamations. *Sections 230 to 232* regulate the general procedure for corporate restructuring, whereas *Section 233* provides a simplified mechanism for mergers involving specified categories of companies. The latter provision was introduced to facilitate comparatively straightforward corporate combinations without requiring every eligible transaction to undergo the ordinary National Company Law Tribunal approval process.¹

The regulatory framework has undergone significant developments in recent years. In September 2025, the Ministry of Corporate Affairs expanded the categories of companies eligible to undertake fast-track mergers through amendments to the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016. Subsequently, the prescribed financial thresholds for classification as a small company were enhanced in December 2025. These measures reflected an effort to reduce compliance burdens and facilitate corporate restructuring.²

Against this background, the Corporate Laws (Amendment) Bill, 2026, introduced in the Lok Sabha on 23 March 2026, proposes further changes to the Companies Act, 2013 and the Limited Liability Partnership Act, 2008. In relation to fast-track mergers, the Bill seeks to modify the existing approval requirements by reducing the shareholder and creditor thresholds prescribed under Section 233. It also proposes increasing the statutory upper limits within which the Central Government may prescribe the financial criteria for small companies.³ These

¹ Companies Act, 2013, ss 230–233, <https://www.mca.gov.in/content/mca/global/en/acts-rules/ebooks/acts.html>

² Ministry of Corporate Affairs, ‘MCA Widens the Scope of Fast Track Mergers under the Companies Act, 2013’ (Press Information Bureau, 11 September 2025), <https://www.pib.gov.in/PressReleaseIframePage.aspx>

³ The Corporate Laws (Amendment) Bill, 2026, https://prsindia.org/files/bills_acts/bills_parliament/2026/Corporate_Laws_%28A%29_Bill_2026_Text.pdf

proposals raise important questions concerning the appropriate relationship between regulatory efficiency and corporate accountability. Although procedural simplification may reduce transaction costs and facilitate commercial decision-making, merger transactions can significantly affect minority shareholders, creditors, employees and other stakeholders. The relaxation of statutory safeguards therefore requires careful examination.

The central issue addressed in this article is whether the proposed reforms can achieve meaningful improvements in business efficiency while maintaining adequate protections against unfair corporate restructuring. The analysis proceeds on the premise that efficient corporate regulation does not necessarily require the elimination of legal safeguards; rather, it requires the development of proportionate procedures that distinguish between unnecessary administrative burdens and essential mechanisms of corporate accountability.

Research methodology

The present study adopts a doctrinal and analytical research methodology. It relies primarily upon *the Companies Act, 2013*, relevant subordinate legislation, *the Corporate Laws (Amendment) Bill, 2026*, parliamentary committee materials and judicial decisions concerning mergers and amalgamations. Secondary materials, including legal commentary and corporate law literature, are used to evaluate the broader implications of the proposed reforms.

II. Statutory Framework Governing Mergers and Amalgamations in India

A. General procedure under Sections 230–232 of the Companies Act, 2013

The Companies Act, 2013 regulates corporate restructuring primarily through *Chapter XV*, which deals with compromises, arrangements and amalgamations. Section 230 provides the legal framework for arrangements between a company and its creditors or members, while *Section 232* specifically governs mergers and amalgamations involving two or more companies. *Under Section 230(6)*, a compromise or arrangement may become binding upon the concerned parties when approved by a majority representing three-fourths in value of the creditors or members, or their respective classes, voting in accordance with the statutory requirements, and subsequently sanctioned by the National Company Law Tribunal.

Section 232 supplements this framework by prescribing requirements concerning merger schemes, transfer of assets and liabilities, continuation of legal proceedings and dissolution of

transferor companies.⁴ The Tribunal's involvement serves an important supervisory function. It enables an examination of whether the proposed arrangement complies with statutory requirements and adequately protects affected stakeholders. However, the ordinary procedure may involve substantial documentation, meetings, regulatory scrutiny and associated professional expenditure. For companies undertaking relatively uncomplicated reorganisations, particularly within the same corporate group, such procedural requirements may appear disproportionate to the complexity of the transaction. The legislature therefore introduced a separate fast-track mechanism under *Section 233*.

B. Fast-track merger mechanism under Section 233

Section 233 establishes a simplified procedure applicable to specified categories of companies, notwithstanding the general requirements contained in *Sections 230 and 232*. The statutory framework originally covered mergers between two or more small companies and between a holding company and its wholly-owned subsidiary company, together with additional categories prescribed by the Central Government.⁵

The fast-track mechanism is administered through the Central Government, with approval functions delegated to Regional Directors, rather than requiring routine approval from the NCLT. Nevertheless, it is not an unconditional exemption from regulatory scrutiny. The procedure includes notice to the Registrar of Companies and Official Liquidator, consideration of objections and suggestions, shareholder approval, creditor approval, filing of declarations of solvency and submission of the approved scheme for confirmation. Under the existing *Section 233(1)(b)*, the scheme requires approval by members holding at least ninety per cent of the total number of shares. *Section 233(1)(d)* further requires approval by a majority representing nine-tenths in value of the creditors or relevant class of creditors, either through a meeting or written approval.⁶

The statutory framework governing mergers must be understood not merely as a procedural mechanism but also as a means of ensuring lawful corporate reorganisation. A section-wise examination of the Companies Act, 2013, including the provisions governing compromises,

⁴ Companies Act, 2013, ss 230(6), 232, <https://www.mca.gov.in/content/mca/global/en/acts-rules/ebooks/acts.html>

⁵ Companies Act, 2013, s 233(1).

⁶ Companies Act, 2013, ss 233(1)(b), 233(1)(d); The Corporate Laws (Amendment) Bill, 2026, https://prsindia.org/files/bills_acts/bills_parliament/2026/Corporate_Laws_%28A%29_Bill_2026_Text.pdf

arrangements and amalgamations, is therefore essential to assessing the implications of the proposed amendments. The fast-track mechanism under *Section 233* represents a legislative departure from the ordinary merger procedure, but such procedural flexibility must operate within the broader framework of statutory compliance, stakeholder protection and regulatory supervision. Accordingly, any relaxation of approval requirements should be evaluated in light of the safeguards embedded in the existing statutory scheme.⁷ These high thresholds reflect a legislative preference for substantial stakeholder consensus in exchange for a simplified approval mechanism. However, they also create an important regulatory question: whether requiring ninety per cent approval makes the supposedly simplified route unnecessarily restrictive. The issue becomes particularly significant where a company has a dispersed shareholding structure or where a small minority is capable of preventing an otherwise commercially justified merger.

C. Expansion of eligible companies through the 2025 Rules

The scope of *Section 233* was expanded through subordinate legislation before the introduction of the *2026 Bill. The Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2025*, notified on 4 September 2025, extended fast-track eligibility to additional categories, including certain unlisted companies satisfying prescribed conditions, holding and subsidiary companies subject to specified exclusions, and two or more subsidiaries of the same holding company.⁸ The Ministry of Corporate Affairs explained that these changes were intended to facilitate corporate restructuring and reduce the time and cost associated with merger procedures.

The distinction between the 2025 Rules and the 2026 Bill is legally significant. The former expanded eligibility through delegated legislation, whereas the latter proposes changes to the approval requirements contained in the parent statute itself. Consequently, the proposed amendments should be understood as part of a continuing reform process rather than an isolated legislative development.

⁷ A Ramaiya, *Guide to the Companies Act* (19th edn, LexisNexis 2021), vol [insert volume], commentary on Section 233, <https://opac.nls.ac.in/bib/120932>

⁸ Ministry of Corporate Affairs, 'MCA Widens the Scope of Fast Track Mergers under the Companies Act, 2013' (11 September 2025), <https://www.pib.gov.in/PressReleaseIframePage.aspx>

III. Small Companies and the Evolution of Compliance Requirements

A. Definition of a small company under Section 2(85)

Section 2(85) of the Companies Act, 2013 defines a small company by reference to its paid-up share capital and turnover, subject to prescribed limits and statutory exclusions. The definition is important because the classification determines whether an eligible company may avail itself of specified regulatory relaxations. These include certain simplified reporting requirements, reduced procedural obligations and eligibility for the fast-track merger mechanism. The statutory definition does not extend to every company meeting the financial criteria. The exclusions include public companies, holding companies, subsidiary companies, companies registered under Section 8 and companies or bodies corporate governed by special Acts.⁹ This distinction prevents the small-company classification from being determined solely by financial size and recognises that certain corporate structures may require a different level of regulatory supervision.

B. Enhancement of financial thresholds in December 2025

The financial criteria applicable to small companies were substantially revised through notification *G.S.R. 880(E), dated 1 December 2025*. The prescribed thresholds were increased from ₹4 crore to ₹10 crore in paid-up share capital and from ₹40 crore to ₹100 crore in turnover.¹⁰ This development is relevant because an increase in financial thresholds enlarges the category of companies potentially eligible for small-company benefits, subject to the exclusions *under Section 2(85)*. Such classification-based relief reflects the principle of proportionality in corporate regulation. A company with relatively limited operations may not require the same compliance framework as a large listed corporation with dispersed public ownership and extensive financial exposure.

Nevertheless, the effectiveness of threshold-based regulation depends upon whether paid-up capital and turnover adequately reflect the complexity and risk profile of a company. *For example*, a company may have comparatively low paid-up capital but substantial liabilities, related-party transactions or concentrated ownership. Consequently, financial thresholds alone

⁹ Companies Act, 2013, s 2(85), <https://www.mca.gov.in/content/mca/global/en/acts-rules/ebooks/acts.html>

¹⁰ Ministry of Corporate Affairs, Notification G.S.R. 880(E), 1 December 2025, as described in <https://www.pib.gov.in/PressReleasePage.aspx>

may not provide a complete assessment of the need for corporate supervision.

C. Compliance relaxations and corporate efficiency

The Companies Act recognises several forms of differentiated treatment for small companies. *Section 92(1)*, read with the applicable rules, permits a simplified annual return framework for specified companies. *Section 134(3A)* provides for an abridged Board's report for a small company or one-person company, while *Section 173(5)* permits reduced Board meeting requirements for qualifying companies.¹¹

These relaxations seek to reduce the administrative costs associated with routine compliance. From an economic perspective, compliance obligations impose both direct and indirect costs. Direct costs include professional fees, documentation, filings and administrative expenditure. Indirect costs arise when management resources are diverted from commercial operations towards procedural requirements.

The principle of proportionate corporate regulation supports the view that compliance obligations should reflect the size, operational complexity and risk profile of the enterprise concerned. Small companies may not possess the same financial and administrative resources as large corporate entities, making identical compliance requirements disproportionately burdensome in certain circumstances. However, reduced compliance should not be equated with the removal of accountability. A balanced framework must preserve essential requirements relating to financial reporting, directors' responsibilities and shareholder information while simplifying obligations that do not materially contribute to transparency or effective governance. This approach permits regulatory flexibility without sacrificing the fundamental objectives of company law.¹²

Reducing unnecessary compliance burdens may therefore improve the ability of smaller enterprises to allocate resources towards investment, innovation and business expansion. However, compliance requirements also perform an important informational function. Corporate records, Board reports and statutory filings enable shareholders, creditors and regulators to assess the financial and operational position of a company. The appropriate

¹¹ Companies Act, 2013, ss 92(1), 134(3A), 173(5), <https://www.mca.gov.in/content/mca/global/en/acts-rules/ebooks/acts.html>

¹² Avtar Singh, *Company Law* (18th edn, Eastern Book Company 2025), ch [insert relevant chapter], https://www.ebcwebstore.com/product_info.php

objective should therefore be to eliminate duplicative or disproportionate compliance requirements without reducing the reliability of essential corporate disclosures.

IV. The Corporate Laws (Amendment) Bill, 2026: Proposed Reforms

A. Relaxation of shareholder approval requirements

One of the most significant proposals under *the Corporate Laws (Amendment) Bill, 2026* concerns the shareholder approval threshold applicable to fast-track mergers. Under the existing statutory framework, approval must be obtained from members holding at least ninety per cent of the total shares. The Bill proposes replacing this requirement with approval by a majority of members present and voting who hold at least seventy-five per cent of the shares represented by those present and voting.¹³

The proposed change is significant because it alters both the required percentage and the basis upon which approval is calculated. Under the existing framework, the threshold is connected to the total shareholding. Under the proposed framework, approval would be calculated by reference to participating members, subject to the additional requirement concerning the majority of members present and voting.

This may facilitate mergers where a substantial majority of participating shareholders support the transaction but obtaining approval from ninety per cent of the total shareholding is difficult. However, the proposal also raises concerns regarding shareholder participation. A merger could potentially be approved despite limited participation by shareholders who are entitled to vote, provided that the statutory requirements are otherwise satisfied. This creates a risk that non-participating shareholders may be bound by a transaction without having meaningfully participated in the decision. The proposed relaxation should therefore be accompanied by effective notice requirements, transparent valuation disclosures and meaningful remedies for dissenting shareholders.

B. Reduction of creditor approval thresholds

The Bill also proposes reducing the creditor approval threshold from ninety per cent to seventy-

¹³ The Corporate Laws (Amendment) Bill, 2026, proposed amendment to s 233(1)(b), https://prsindia.org/files/bills_acts/bills_parliament/2026/Corporate_Laws_%28A%29_Bill_2026_Text.pdf

five per cent in value.¹⁴ Creditors occupy a particularly important position in merger transactions because the transfer of assets and liabilities may affect their ability to recover outstanding debts. A merger may change the financial structure of the debtor, consolidate liabilities or alter the commercial circumstances in which credit was originally extended. The proposed reduction may make restructuring more feasible where a substantial majority of creditors support the scheme. However, approval by the requisite majority should not be treated as conclusive evidence that the interests of all creditors are adequately protected.

The distinction between secured and unsecured creditors, the nature of outstanding liabilities and the financial position of the transferee company may require independent consideration. Accordingly, creditor protection should remain an essential component of the fast-track mechanism.

C. Expansion of the statutory limits for small companies

The Bill proposes increasing the statutory upper ceiling for prescribed small-company thresholds from ₹10 crore to ₹20 crore in paid-up share capital and from ₹100 crore to ₹200 crore in turnover.¹⁵ An important legal distinction must be maintained here: the Bill proposes to increase the maximum limits that may be prescribed; it does not, merely by proposing these amendments, automatically classify every company within those higher figures as a small company. The actual scope of the classification depends upon the applicable statutory provisions and rules.

An enlarged small-company category could potentially extend simplified compliance benefits to a greater number of enterprises. However, the regulatory consequences would depend upon the manner in which the Central Government exercises the prescribed powers. The proposed reform therefore requires an assessment of both legislative design and subsequent rule-making.

D. Parliamentary scrutiny and minority shareholder protection

The Joint Parliamentary Committee presented its report on the *Corporate Laws (Amendment) Bill, 2026* on 3 August 2026. One of its significant recommendations concerned the proposed relaxation of shareholder approval requirements for fast-track mergers. The Committee

¹⁴ *ibid*, proposed amendment to s 233(1)(d).

¹⁵ *ibid*, proposed amendment to s 2(85); PRS Legislative Research, <https://prsindia.org/billtrack/the-corporate-laws-amendment-bill-2026>

recommended incorporating a statutory exit right for dissenting or non-voting shareholders to protect minority interests.¹⁶

This recommendation directly addresses a potential weakness in the proposed approval mechanism. Where the required majority is reduced, a minority shareholder may be bound by a merger despite objecting to the transaction or not participating in the meeting. A statutory exit mechanism could help balance the interests of companies seeking efficient restructuring with those of shareholders who do not wish to continue their investment in the reorganised entity. Nevertheless, the effectiveness of such a mechanism would depend upon the method of valuation, payment timelines, procedural accessibility and availability of remedies against unfair treatment.

V. Judicial Interpretation of Merger Schemes and Corporate Accountability

Although the proposed amendments concern the fast-track procedure *under Section 233*, judicial decisions interpreting the earlier merger provisions of *the Companies Act, 1956* remain important in understanding the principles of fairness, informed consent and public interest underlying corporate restructuring. These decisions do not directly interpret the proposed 2026 amendments. Their relevance lies in the broader principles governing the protection of stakeholders in merger transactions.

A. Miheer H. Mafatlal v. Mafatlal Industries Ltd., (1997) 1 SCC 579

In *Miheer H. Mafatlal v. Mafatlal Industries Ltd.*, the Supreme Court considered the scope of judicial scrutiny while sanctioning a scheme of amalgamation under the Companies Act, 1956. The Court explained that the sanctioning authority must examine whether the requisite statutory procedures have been followed, whether the necessary majority has approved the scheme, whether the concerned stakeholders were supplied with sufficient information and whether the arrangement is fair, reasonable and consistent with law and public policy.

At the same time, the Court recognised that the commercial wisdom of shareholders should ordinarily be respected and that the sanctioning court should not substitute its own commercial assessment for that of the concerned parties.¹⁷ The decision establishes an important distinction

¹⁶ Joint Parliamentary Committee on the Corporate Laws (Amendment) Bill, 2026, Report presented 3 August 2026, <https://prsindia.org/billtrack/prs-products/prs-jpc-report-summary>

¹⁷ *Miheer H. Mafatlal v. Mafatlal Industries Ltd.*, (1997) 1 SCC 579 (Supreme Court of

between commercial decision-making and legal supervision. The relevance of this principle to the proposed fast-track merger reforms is substantial. Reducing approval thresholds may facilitate corporate decision-making, but it should not eliminate the requirement that shareholders make informed decisions based upon adequate disclosure. The proposed mechanism should therefore preserve procedural fairness even where routine NCLT sanction is not required.

B. Hindustan Lever Employees' Union v. Hindustan Lever Ltd., 1995 Supp (1) SCC 499

In *Hindustan Lever Employees' Union v. Hindustan Lever Ltd.*, the Supreme Court examined objections arising from a merger involving Hindustan Lever Limited and Tata Oil Mills Company Limited. The case concerned, among other issues, the fairness of the merger arrangement, valuation considerations and protection of employee interests. The Court recognised the importance of commercial judgment in corporate restructuring while examining whether the transaction was contrary to public interest or unfair to affected stakeholders.¹⁸

The judgment demonstrates that merger regulation cannot be confined exclusively to the interests of shareholders. Corporate restructuring may also affect employees, creditors and other persons whose rights depend upon the continued financial and legal obligations of the participating companies. In the context of the proposed reforms, this principle suggests that procedural simplification should not permit companies to disregard existing employment obligations or other legally enforceable liabilities.

C. Sesa Industries Ltd. v. Krishna H. Bajaj, (2011) 3 SCC 218

The Supreme Court in *Sesa Industries Ltd. v. Krishna H. Bajaj* considered the importance of statutory scrutiny and the role of the Official Liquidator in proceedings involving amalgamation. The Court emphasised that *the approval of a merger by a majority of shareholders does not, by itself, establish that the scheme is fair or consistent with public interest*. It recognised the importance of examining the relevant circumstances and ensuring that statutory safeguards are properly observed.¹⁹

India), <https://indiankanoon.org/doc/1687638/>

¹⁸ *Hindustan Lever Employees' Union v. Hindustan Lever Ltd.*, 1995 Supp (1) SCC 499 (Supreme Court of India), <https://indiankanoon.org/doc/157595362/>

¹⁹ *Sesa Industries Ltd. v. Krishna H. Bajaj*, (2011) 3 SCC 218 (Supreme Court of India), <https://indiankanoon.org/doc/1737209/>

The decision is particularly relevant to the proposed reduction in approval thresholds. Where a merger is approved by a smaller proportion of shareholders or creditors, regulatory authorities must remain capable of identifying circumstances involving inadequate disclosure, unfair valuation or potential prejudice to affected stakeholders. The case therefore supports the argument that majority approval and independent regulatory supervision perform distinct functions.

D. Meghal Homes Pvt. Ltd. v. Shree Niwas Girni K.K. Samiti, (2007) 7 SCC 753

In *Meghal Homes Pvt. Ltd. v. Shree Niwas Girni K.K. Samiti*, the Supreme Court examined a proposed scheme involving a company under liquidation. The Court considered *whether the proposed arrangement genuinely fulfilled the statutory purpose of corporate revival and whether the interests of creditors and other affected persons had been adequately considered*. The decision reaffirmed the importance of substantive examination of restructuring proposals rather than reliance solely upon procedural approval.²⁰ Although the factual context differs from a routine fast-track merger, the underlying principle remains relevant: the legal character and commercial consequences of a restructuring transaction must be evaluated in substance. A simplified merger procedure should not become a mechanism through which companies circumvent legal obligations or conceal transactions prejudicial to stakeholders.

E. Marshall Sons & Co. (India) Ltd. v. Income Tax Officer, (1997) 2 SCC 302

In *Marshall Sons & Co. (India) Ltd. v. Income Tax Officer*, the Supreme Court examined the effective date of an amalgamation and its implications for taxation. The Court recognised that where a sanctioned scheme specifies a transfer date, the amalgamation may operate from that date, subject to the terms of the scheme and the sanctioning order.²¹ The decision illustrates the legal significance of clarity concerning the operative and appointed dates of a merger.

This principle is relevant to the fast-track framework because uncertainty regarding the effective date of restructuring may create complications concerning contractual obligations, tax liabilities, accounting treatment and the transfer of assets. Accordingly, *faster approval*

²⁰ *Meghal Homes Pvt. Ltd. v. Shree Niwas Girni K.K. Samiti*, (2007) 7 SCC 753 (Supreme Court of India), <https://indiankanoon.org/doc/820492/>

²¹ *Marshall Sons & Co. (India) Ltd. v. Income Tax Officer*, (1997) 2 SCC 302 (Supreme Court of India), <https://indiankanoon.org/doc/1647347/>

procedures must be supported by clear documentation and reliable statutory filings.

VI. Critical Analysis: Business Efficiency Versus Corporate Accountability

The proposed reforms present an opportunity to reconsider the extent to which corporate regulation should differentiate between companies based upon their size, ownership structure and the complexity of their transactions. The central challenge is not merely *whether the approval process can be made faster, but whether procedural simplification can be achieved without weakening substantive protections.*

A. Reduction in transaction costs and procedural delays

One of the principal advantages of the fast-track merger mechanism is *its potential to reduce the time and expenditure associated with corporate restructuring.* Under the ordinary merger procedure, companies may incur substantial professional fees and administrative costs while obtaining statutory approvals and complying with procedural requirements. For smaller companies, such costs may represent a relatively significant proportion of the economic value expected from the transaction. The expansion of fast-track eligibility in 2025 and the proposed relaxation of approval thresholds in 2026 may therefore improve access to simplified restructuring procedures.

In particular, mergers involving closely held companies or entities within the same corporate group may benefit from a process that avoids unnecessary duplication of regulatory requirements. However, the expected improvement in efficiency should not be treated as an empirically established result merely because the procedure has been simplified. A proper assessment would require data concerning the average duration of merger approvals, transaction costs, objections raised by stakeholders and the number of schemes requiring further scrutiny. Without such evidence, the proposition that the reforms will improve business efficiency remains a reasonable legislative expectation rather than a conclusively demonstrated outcome.

B. Protection of minority shareholders

The proposed relaxation of shareholder approval requirements creates one of the most significant challenges within the reform framework. The existing requirement of approval by members holding ninety per cent of the total shares provides substantial protection against

mergers opposed by significant minority interests. The proposed requirement, calculated by reference to participating members and the shares represented by them, could facilitate approval even where a larger proportion of the total shareholding does not actively support the transaction. This may be commercially advantageous where non-participation results from shareholder inactivity. However, it may also increase the vulnerability of minority shareholders in companies where ownership and managerial control are concentrated. A controlling shareholder may possess greater access to information concerning valuation, financial projections and the commercial rationale for restructuring.

Minority shareholders, by contrast, may lack the resources necessary to independently evaluate the proposed transaction. The Joint Parliamentary Committee's recommendation for a statutory exit right is therefore particularly significant. Nevertheless, an exit right would be effective only if shareholders receive fair consideration for their shares. The legislation should consequently provide an accessible mechanism for challenging valuation where credible evidence suggests unfairness or conflict of interest.

A comparative perspective further demonstrates the importance of balancing majority decision-making with the protection of minority interests. Corporate restructuring necessarily involves collective decision-making, but the commercial convenience of the majority cannot, by itself, justify the disregard of legitimate minority concerns. An effective corporate framework must distinguish between genuine commercial disagreement and conduct that unfairly prejudices shareholders who lack control over the transaction. In the Indian context, this principle supports the need for adequate disclosure, fair valuation and accessible remedies when a merger is approved under a simplified procedure. Comparative company-law scholarship can help evaluate these safeguards, although the applicable legal conclusions must ultimately be derived from Indian legislation and judicial authority.²²

C. Creditor protection and financial transparency

Creditors may face risks arising from mergers that alter the financial structure of a company. Although a merger may improve the financial strength of the combined entity, it may also consolidate liabilities or expose creditors to new commercial risks. The proposed reduction of

²² Paul L Davies and Sarah Worthington, *Gower: Principles of Modern Company Law* (12th edn, Sweet & Maxwell 2026), <https://www.sweetandmaxwell.co.uk/en-gb/products/gower-principles-of-modern-company-law-12th-edition-43544038>

the creditor approval threshold from ninety per cent to seventy-five per cent may facilitate restructuring where most creditors support the scheme.

However, the reduction should not be understood as diminishing the importance of accurate financial disclosure. The declaration of solvency required under the fast-track framework should remain a meaningful safeguard rather than a purely formal filing. Regulatory authorities should be capable of scrutinising the financial condition of participating companies, particularly where substantial liabilities, related-party arrangements or objections from creditors exist. This approach would preserve the efficiency of the simplified mechanism while maintaining protection against transactions that could prejudice creditors.

D. Risk of misuse of the small-company classification

The proposed increase in the statutory limits applicable to small companies may allow a greater number of businesses to benefit from proportionate compliance requirements. Nevertheless, classification based primarily upon paid-up share capital and turnover may not adequately reflect every form of corporate risk. A company with comparatively modest turnover may still undertake complex financial transactions or incur significant liabilities.

Similarly, the concentration of ownership within a small company may create governance risks that differ from those ordinarily associated with publicly held corporations.

Consequently, regulatory exemptions should be structured in a manner that considers both financial size and the nature of the company's operations. The legislature may also consider whether particular compliance relaxations should remain unavailable to companies exhibiting specified risk characteristics, even where they otherwise satisfy the financial thresholds.

E. Regulatory capacity and digital administration

Procedural reform can improve business efficiency only where the institutions responsible for implementing the law possess adequate administrative capacity. *Under Section 233*, Regional Directors, Registrars of Companies and Official Liquidators perform important functions in the processing and examination of merger schemes. An expansion in the number of eligible companies may increase the volume of applications handled by these authorities. Unless administrative resources and digital systems develop alongside the statutory reforms, delays may shift from one stage of the process to another.

Accordingly, regulatory modernisation should include improvements in electronic filing, standardised disclosure formats, transparent processing timelines and effective communication between statutory authorities. Digitalisation should not merely replicate complicated paper-based procedures in electronic form. Its objective should be to make the compliance process simpler, more predictable and accessible while preserving the quality of regulatory information.

VII. Findings and Recommendations

The analysis indicates that the proposed reforms have the potential to improve the efficiency of corporate restructuring, particularly for companies that currently face disproportionately high procedural and compliance costs. However, the relationship between simplified regulation and improved business performance is not automatic. The following recommendations may assist in achieving an appropriate balance between commercial flexibility and stakeholder protection.

First, the proposed relaxation of approval thresholds should be accompanied by a statutory exit mechanism for dissenting and non-voting shareholders. Such a mechanism should provide for fair valuation, clearly prescribed payment timelines and an effective procedure for challenging inadequate consideration. This would give practical effect to the recommendation of the Joint Parliamentary Committee.

Second, enhanced disclosure requirements should accompany simplified merger approvals. Companies should disclose material financial information, the commercial rationale for the proposed merger, the proposed share-exchange ratio, relevant valuation reports and any material conflicts of interest. Simplification should concern unnecessary procedural duplication rather than the elimination of information necessary for informed decision-making.

Third, creditor protection should remain a central consideration under Section 233. Where the proposed merger involves significant outstanding liabilities or credible objections from creditors, the competent authority should have sufficient powers to examine the transaction and, where legally appropriate, refer it for further scrutiny.

Fourth, the expansion of the small-company classification should be supported by a risk-sensitive compliance framework. Paid-up capital and turnover provide useful criteria for

identifying smaller enterprises, but they should not necessarily determine the extent of every regulatory obligation. The nature of business operations, financial exposure and governance risks may also be relevant.

Fifth, the effectiveness of the reforms should be assessed through measurable administrative outcomes. The Ministry of Corporate Affairs could publish periodic information concerning the number of fast-track merger applications, average processing periods, objections received, schemes referred for further examination and the proportion of applications successfully completed. Such data would enable an evidence-based assessment of whether the reforms are achieving their stated objectives.

Finally, the implementation of the proposed amendments should be accompanied by improvements in regulatory capacity and digital administration. A simplified statutory framework may have limited practical value unless the authorities responsible for administering it can process applications efficiently and consistently.

VIII. Conclusion

The Corporate Laws (Amendment) Bill, 2026 represents an important development in India's continuing efforts to modernise corporate regulation and facilitate business operations. Its proposals concerning fast-track mergers and the statutory definition of small companies seek to address procedural barriers that may discourage corporate restructuring and impose disproportionate compliance costs on smaller enterprises.

The proposed relaxation of shareholder and creditor approval thresholds under *Section 233* may make the fast-track merger mechanism more accessible, particularly where transactions involve closely held companies or relatively straightforward corporate reorganisations. Similarly, the proposed increase in the statutory limits applicable to small companies may create opportunities for a broader range of enterprises to benefit from simplified regulatory requirements. Nevertheless, these reforms raise important questions concerning minority shareholder protection, creditor rights, financial transparency and regulatory accountability.

The judicial principles established in *Miheer H. Mafatlal, Hindustan Lever Employees' Union, Sesa Industries and Meghal Homes* demonstrate that corporate restructuring must satisfy standards of fairness and legality in addition to obtaining the requisite majority approval.

The recommendation of the Joint Parliamentary Committee concerning statutory exit rights for dissenting and non-voting shareholders is particularly relevant in this context. It reflects the need to ensure that procedural simplification does not disproportionately affect persons who lack effective control over corporate decision-making.

It is therefore submitted that the success of the proposed reforms should not be measured solely by reductions in approval periods or compliance expenditure. Their effectiveness must also be evaluated in terms of transparency, stakeholder protection, administrative predictability and the continued integrity of the corporate regulatory framework.

Ultimately, the most sustainable approach to corporate law reform is one that recognises business efficiency and corporate accountability as mutually reinforcing objectives. Fast-track mergers and proportionate compliance requirements can contribute to a more responsive corporate environment, provided that procedural flexibility is accompanied by meaningful safeguards and effective regulatory supervision.

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