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# Understanding Nitty Gritty of CP Scheme of Arrangement involving LISTED COMPANY

Guest Speaker



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(Manager - NSE)

Presented By



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(Founder Corporate Professional)



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(Partner and Head –  
M&A and Investment Banking)

# AGENDA

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## Introduction



## Regulatory Framework



## Procedure For Stock Exchange and SEBI Approval



## Timeline Overview



## Post - Arrangements



## Key Practical Insights & Common Pitfalls



# INTRODUCTION

*Overview of Corporate  
Restructuring Mechanisms  
for  
Listed Companies*



M & A and Transactions  
Advisory



Capital Market Services



Company Law Advisory &  
Secretarial Services



Valuation & Biz Modeling



Securities Law Advisory



ESOP Advisory and  
Management



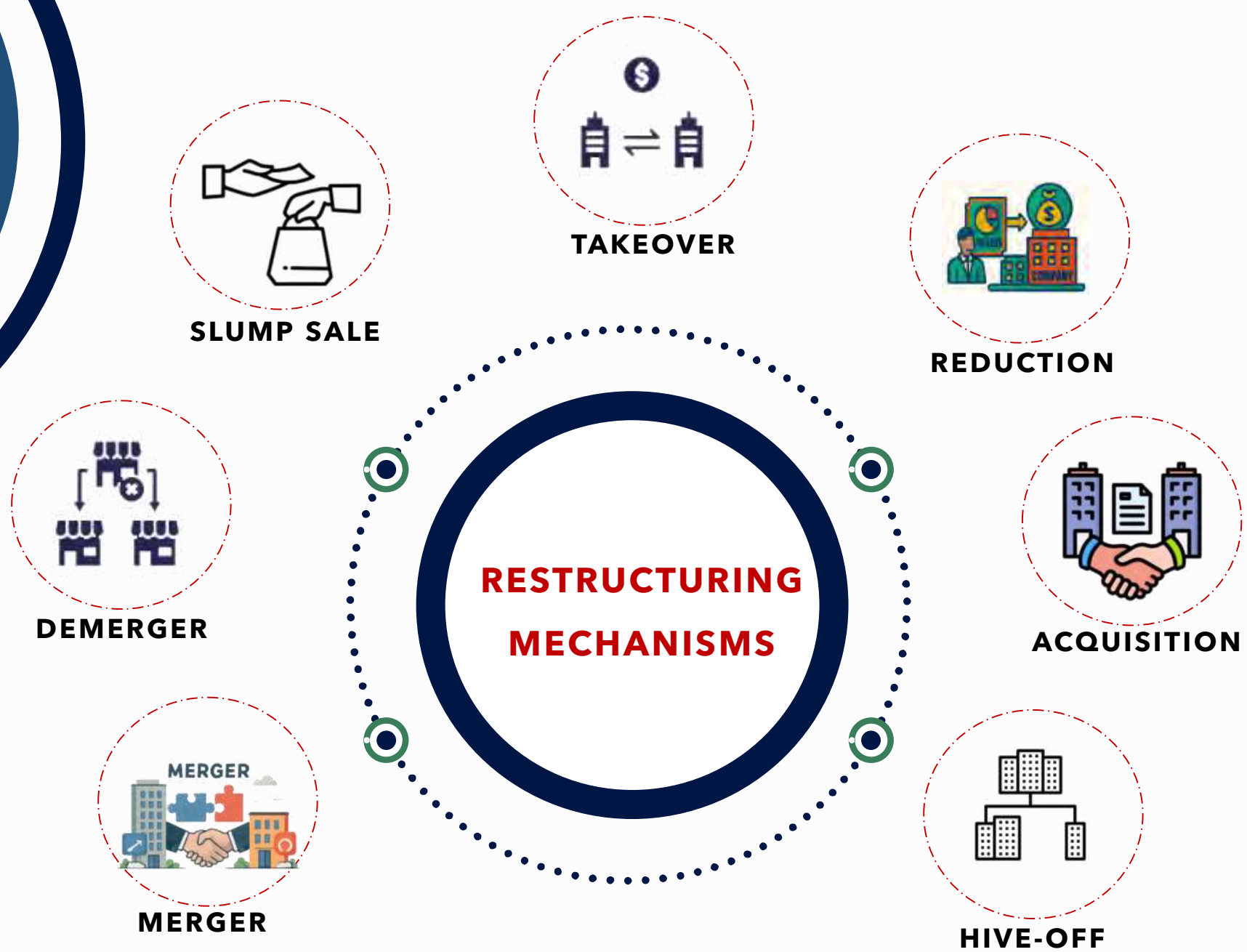
Investment Banking Services



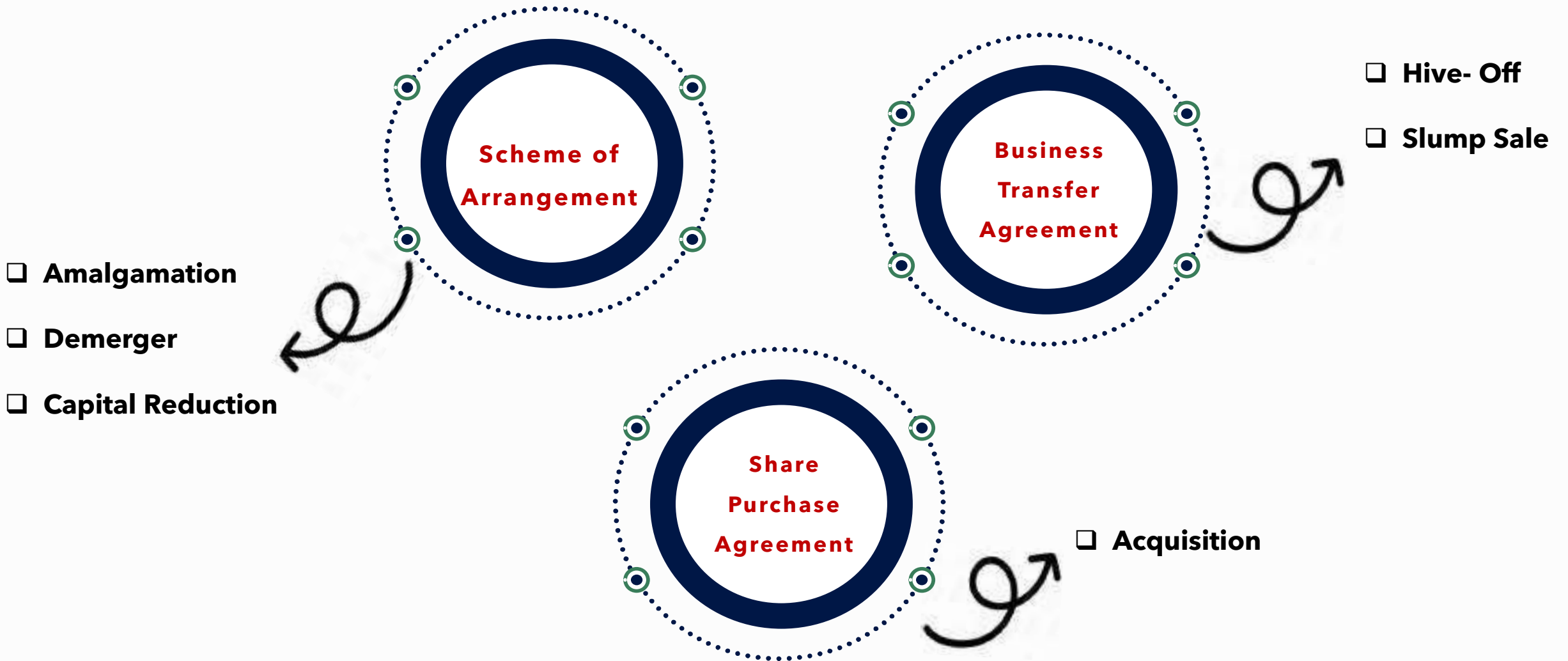
Sustainability and ESG  
Reporting Services



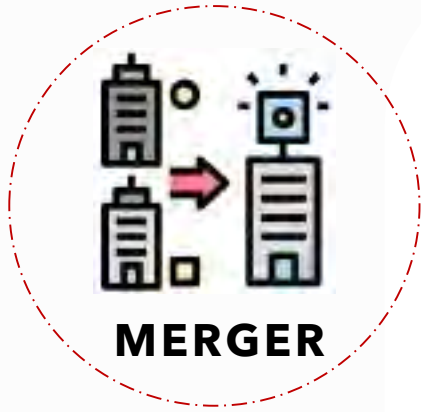
Insolvency Resolution  
Services



# GOVERNING CHARTER

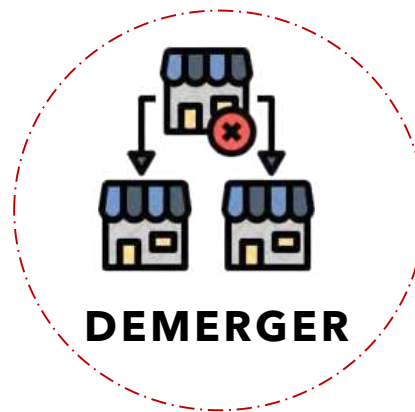


# CONCEPTUAL OVERVIEW



## MERGER

- Merger/ Amalgamation is a **combination** of two or more companies into a single entity.
- The Transferee company issues shares to the Transferor company's shareholders, if consideration is not paid in cash.



## DEMERGER

- Demerger involves transfer of a **business undertaking** from one company to another under a Scheme of Arrangement.
- The resulting company issues shares to the demerged company's shareholders, if consideration is not paid in cash.



## REDUCTION

- The reduction of issued, subscribed and paid-up capital is to be carried out as per Section 66 of Companies Act, 2013.
- Consideration to shareholders upon reduction may be in cash or other assets.
- Treated as **extinguishment of shareholder rights** to the extent of the reduced share capital.

# ROLE OF STOCK EXCHANGE(S) & SEBI



Detailed scrutiny of Scheme to ensure it complies with SEBI laws, protects public shareholders, and upholds market integrity

Post Scrutiny, forwarding the draft Scheme to SEBI for its review and comments



Issuance of Observation Letter after SEBI's review

-  
Your **Gateway** to NCLT



भारतीय प्रतिभूति और विनिमय बोर्ड  
Securities and Exchange Board of India



# REGULATORY FRAMEWORK

*Key legal and regulatory  
provisions governing  
the  
Scheme of Arrangement*



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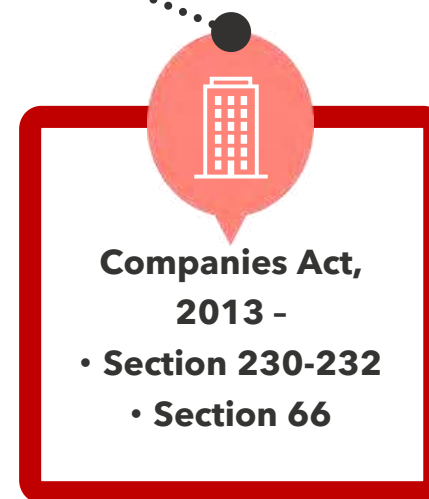
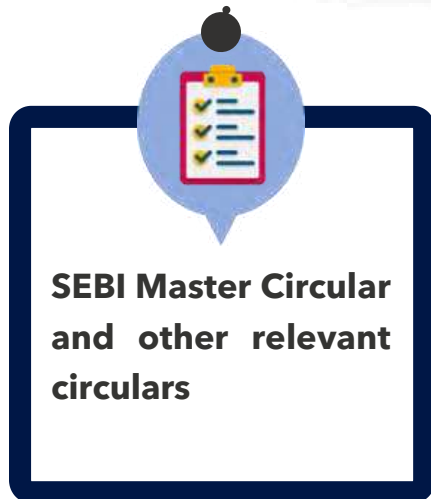
Sustainability and ESG  
Reporting Services



Insolvency Resolution  
Services



# Key REGULATORY FRAMEWORK





## APPLICATION TO STOCK EXCHANGE(S)

WITHIN 15 DAYS OF THE  
BOARD MEETING  
APPROVING THE  
SCHEME OF ARRANGEMENT



R. 59A - Company  
having its NCDs/ NCRPS  
listed



R. 37 - Company having  
its SHARES listed

Merger of  
Holding  
Company with its  
Wholly Owned  
Subsidiary  
Company

Writing off accumulated  
losses against:

- Share capital on a pro  
rata basis across all  
shareholders, or
- Reserves of the listed  
entity.



DRAFT SCHEME SHALL BE  
FILED WITH THE STOCK  
EXCHANGE(S) FOR THE  
PURPOSE  
OF DISCLOSURE.

**EXEMPT**

APPLICATION  
TO STOCK  
EXCHANGE(S)



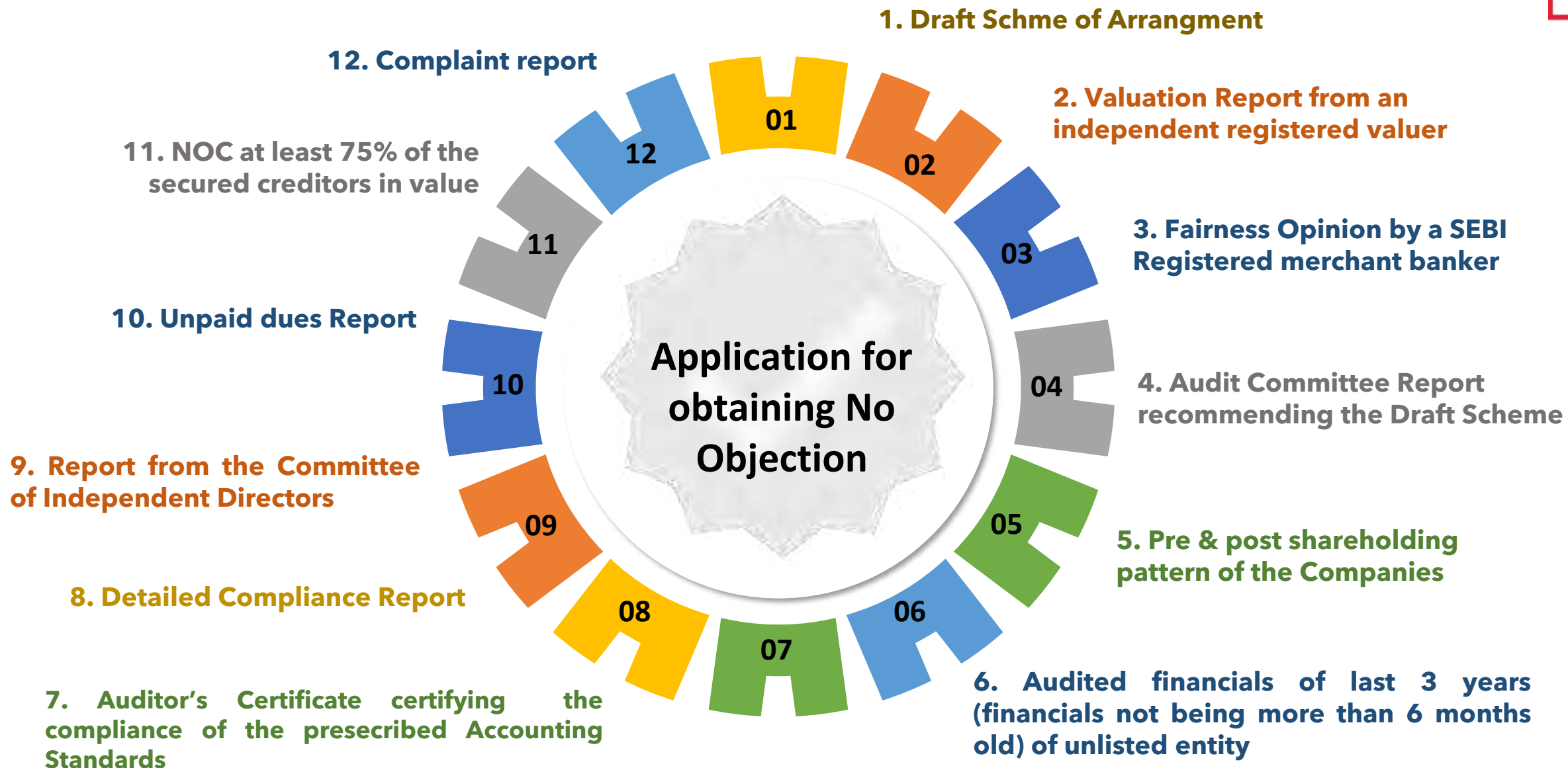
**Merger of Wholly  
Owned  
Subsidiary  
Company with  
Listed Company**

**Writing off accumulated  
losses against:**

- **Share capital on a pro rata basis across all shareholders, or**
- **Reserves of the listed entity.**

R. 59A - Company  
having its NCDs/ NCRPS  
listed

R. 37 - Company having  
its SHARES listed





## Valuation Report – Non-Applicability

**Not Required:** If there is **no change** in the shareholding **pattern** of the listed entity.

*Change in Shareholding Includes:*

- ☐ Variation in percentage holding of existing shareholders.
- ☐ Allotment of shares to a new shareholder.
- ☐ Exit of an existing shareholder under the Scheme.



## Fractional Entitlement

- ☐ Fractional entitlements to be aggregated and held by a Board-nominated trust/ trustee.
- ☐ Trust/trustee must **sell shares within 90 days** of allotment, as per draft scheme submitted to SEBI.
- ☐ Listed company must submit Audit Committee and Independent Directors' reports to the designated stock exchange within 7 days of compensating shareholders.



## Mandatory Minority Shareholders Approval



Allotment of additional shares to Promoter / Promoter Group / Related Parties / Associates / Subsidiaries of Promoter Group.



Scheme involves listed entity and any entity related to Promoter / Promoter Group.



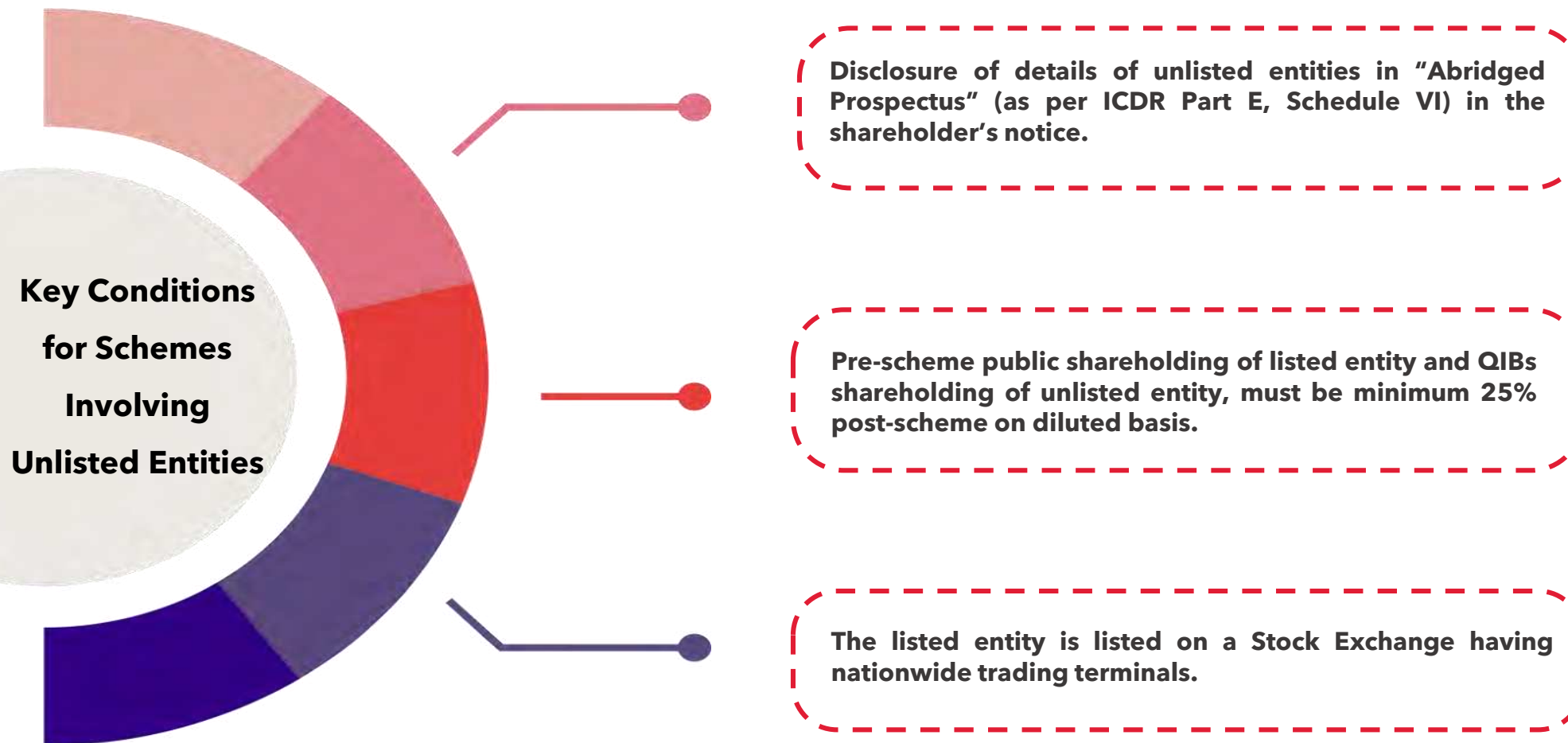
Acquisition of subsidiary shares from Promoter-related entities, followed by merger with parent listed entity.



Voting share of public shareholders reduces by more than 5% post-merger of an unlisted entity.



Transfer of whole or substantial undertaking where consideration is not in listed equity shares.





## Stock Exchange SOP - Key Requirements



### Board Consideration Timeline

The Board must approve the Scheme **within 7 working days** from the date of the valuation report.



### Valuation Requirements

Valuation report must be based on **audited financials not older than 3 months**, with detailed method-wise working.



### Financials of Unlisted Entities

**Audited financials** of the **last 3 years** (not older than 6 months) for all **unlisted companies** involved.



### Submission of Scheme

The **draft Scheme** must be submitted **within 15 working days** of Board approval. Delay **mandates fresh Board approval** with updated financials and valuation report.



### Exchange Queries & Refiling

Exchange queries must be resolved **within 7 working days**. Unsatisfactory filings **require fresh submission** of all documents along **with new processing fees**.





## MERGER / DEMERGER



### Dispensation of meeting of Creditors

- ✓ At least **90% of the creditors, by value**, agree to the scheme by way of affidavit.
- ✓ Provision does not specify criteria for dispensing meetings of members.



### Approval by creditors and shareholders - Dual Majority

- ✓ **Majority in number** (More than 50% in number).
- AND**
- ✓ Having **at least 3/4<sup>th</sup> of value**.



### Right of Objection

- ✓ **Shareholders** - holding **at least 10%** of the shares.
- ✓ **Creditors** - having outstanding debt of **at least 5%** of the total debt.



### Notice to Authorities

- ✓ Notice to statutory authorities for their observations on the Scheme, if any



### Conditions precedent for NCLT Sanction

- ✓ Auditors certificate certifying compliance under Section 133



## REDUCTION OF SHARE CAPITAL

**Extinguishment or  
Reduction of Share  
Liability**

**Eliminating losses  
- Depiction of true  
and correct  
position of the  
Company**

**Cancellation of  
Unrepresented  
Capital**

**Simplification  
of Capital  
Structure**

**Returning  
surplus capital**

**Benefits/  
modes of  
Capital  
Reduction**



### Approval by Members

- ✓ **Special Resolution** - approval of at least 75% of the members
- ✓ SR not required in the following cases:
  - Redemption of shares
  - Forfeiture of shares
  - Cancellation of unissued shares
  - Buy-back of shares



### Conditions precedent for NCLT Sanction

- ✓ creditors have consented, been paid, or secured
- AND**
- ✓ Auditors certificate certifying compliance under Section 133
- AND**
- ✓ Notice to regulatory authorities



### Restriction on reduction

- ✗ Any deposit accepted by the company (before or after the Act) remains unpaid.
- ✗ Interest on such deposits is also unpaid

Ensures priority is given to deposit repayment over capital reduction.



# PROCEDURE & TIMELINE

*Comprehensive process along  
with indicative timeline from  
drafting to completion.*



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**Filing of application** under **R.37** and/or **R.59A**, with the **Stock Exchange(s)** via BSE listing centre/ NSE NEAPS portal.

4



Y + 15



"Z"

5 Receipt of **No Objection Letter** from Stock Exchange(s)



"X"

1 Obtaining **Valuation Report** and **Fairness Opinion**

Within 7 days of the Valuation Report  
"Y"

2 **Meetings**

Convening the audit committee, independent director committee and board meeting of all the entities involved, approving the Scheme



"Y"

3 **Detailed disclosure** of the Board meeting approving the Scheme - within 30 minutes of the meeting

**Sanctioning of the Scheme** by the **Hon'ble NCLT** and **receipt of CTC** of the final order.

9



**Within 30 days of CTC**

10

**Filing** of the final NCLT order in e-form **INC 28** with the **RoC**.



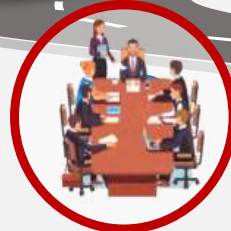
**Within 7 days of chairperson report**

8

Filing of **Second Motion Petition** before the **Hon'ble NCLT**.

7

**Convening the Meetings** of Shareholders and creditors as per the order of NCLT.



6

Filing of **First Motion Application** with **Hon'ble NCLT**.



**Within 6 months of the receipt of observation letter**

**Receipt of approval and further filing of trading application with the Exchange(s)**

14



15

**Receipt of Trading Approval.**



**Within 20 days of the Allotment**

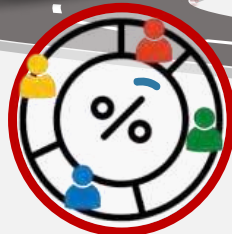


13

**Filing of further listing application with the Stock Exchange(s) and simultaneously filing of Corporate Action Application.**

12

**Allotment of shares and filing of E-form PAS 3.**



11

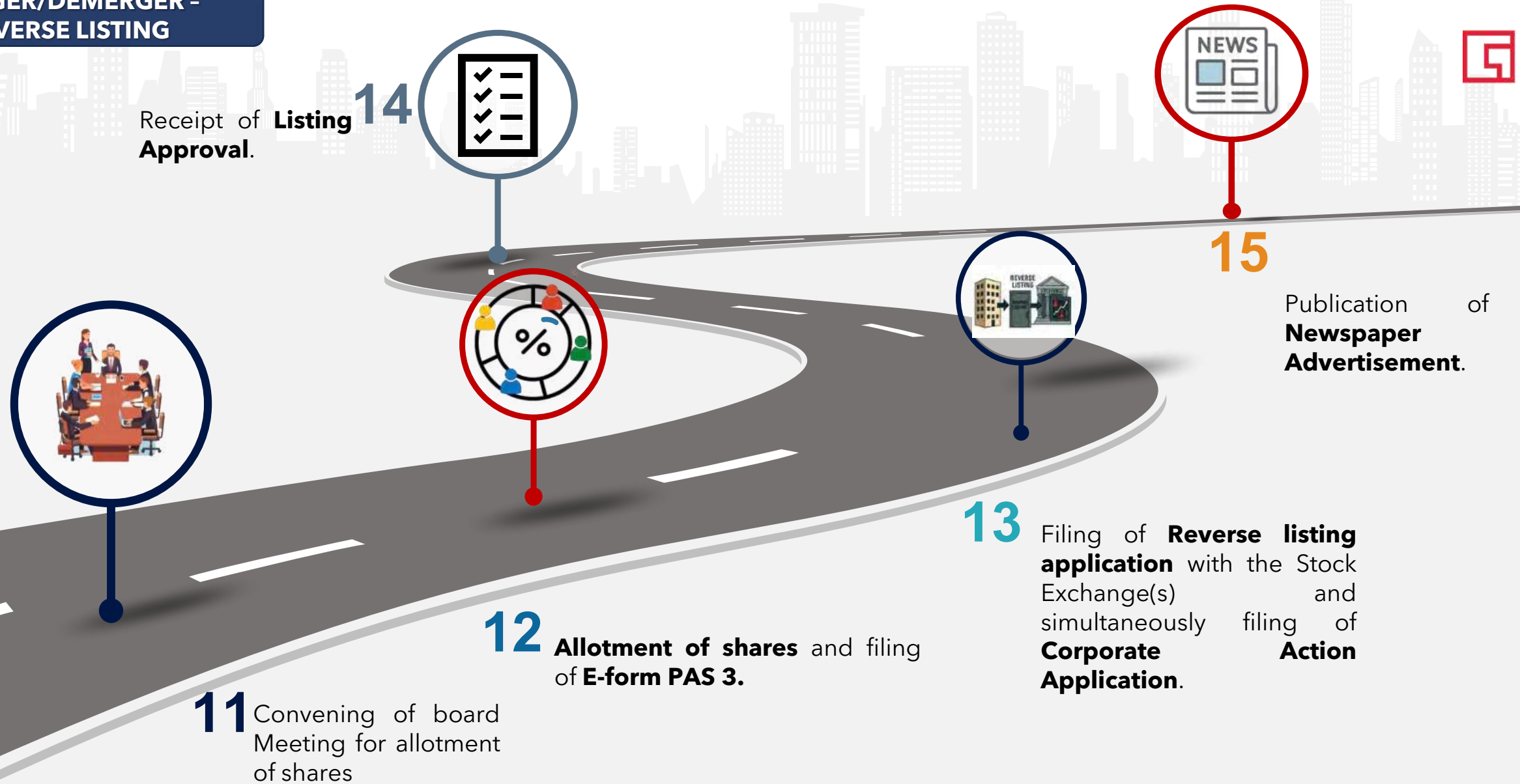
**Board Meeting for allotment of shares**





**IN CASE OF REVERSE LISTING /  
INDEPENDENT LISTING THROUGH  
DEMERGER...**







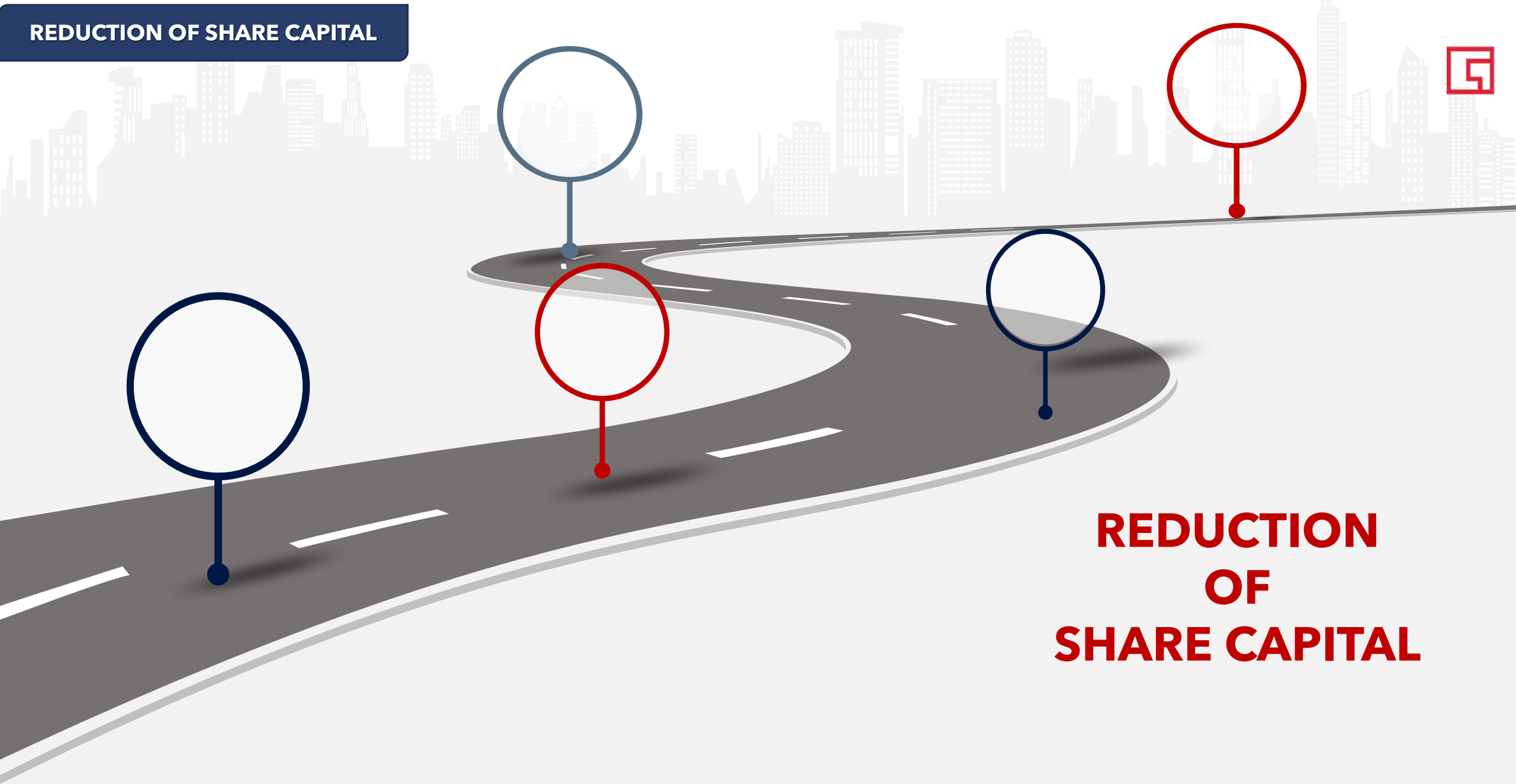


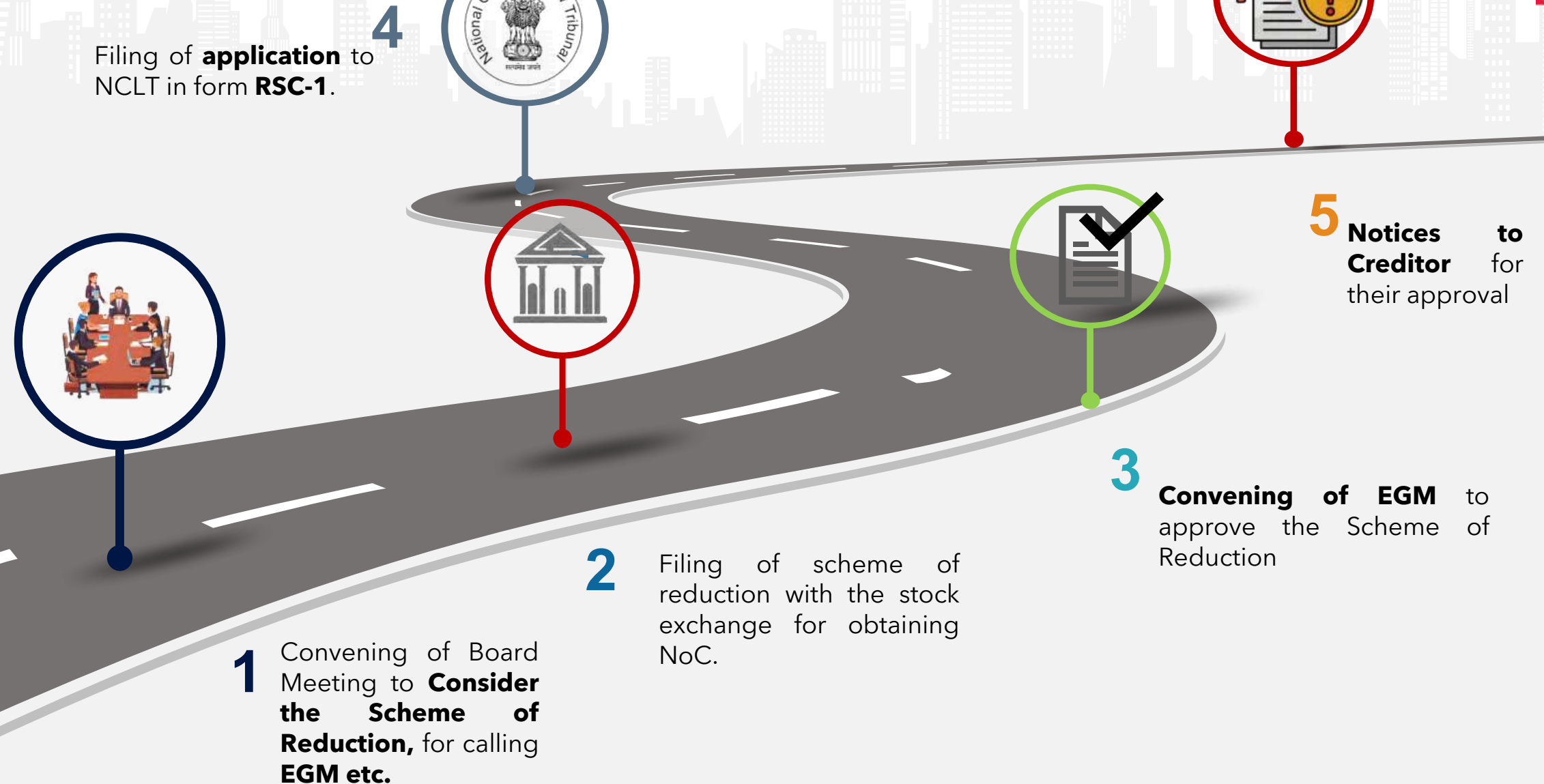
**16** Filing of **Trading application** with the Stock Exchanges



**17** Issuance of trading approval by the Stock Exchanges.

**Listing and trading of the shares must commence on the stock exchange(s) within 60 days of the receipt of the certified copy of the NCLT order.**





## REDUCTION OF SHARE CAPITAL



**6** Notice to **Statutory Authorities** i.e., ROC/RD/SEBI



**7** Submission of **NOCs of Statutory authorities to NCLT**



**Within 30 days of CTC**

**9** **Filing** of the final NCLT order in e-form **INC 28** with the **RoC**.



**8** **Sanctioning of the Scheme of Reduction** by the **Hon'ble NCLT** and **receipt of CTC** of the final order.



**10** Convening of Board Meeting for giving effect to the cancellation of shares



# POST ARRANGEMENTS

*LISTING & TRADING APPROVAL*



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### Further Listing (Post-Scheme Allotment)

New shares allotted to Transferor Company's shareholders to be listed on the stock exchange where the shares of the Transferee Company are listed.

### Listing through Demerger

Independent listing of Resulting Company post sanctioning of the Scheme of Demerger wherein the Resulting Company issues its shares to the Shareholders of listed Demerged Company in consideration of the Demerger.

### Reverse Listing

Listing of an Unlisted Company through a Scheme of Arrangement wherein a listed Company merge into an unlisted Company.



### Critical Elements



#### Time line

Application for the listing of shares is required to be made within 20 days from the date of allotment.



#### List of Allotees

List of allottees along with calculation of entitlement of each allottee as per the share exchange ratio and details of trustee in case of fractional entitlement are required to be provided to the Stock Exchanges.



#### Lock-in Details

The shares of the transferee entity issued in lieu of the locked-in shares of the transferor entity will be subject to lock-in for the remaining period.



## Critical Elements



### Minimum Public Shareholding requirement

At least **25% of post-scheme capital** must be held by public shareholders of the listed company.

#### Relaxation (if 25% not met):

- ☐ Entity valuation > ₹1,600 crore
- ☐ Public shareholding ≥ ₹400 crore
- ☐ At least 10% public shareholding, with commitment to increase to 25% within 1 year
- ☐ Undertaking to be included in the Scheme.



### No Future Share Entitlements

- ☐ As on the date of application, no person shall have any right to receive equity shares of the transferee company in the future.
- ☐ If such rights exist in the Draft Scheme, public shareholding must include potential increases from conversions or options.



### No Additional Share Issuance

The **transferee company** shall **not issue or reissue** any shares **beyond** those covered under the **sanctioned Scheme**.





## Critical Elements



### Timely Listing & Trading

**Listing and trading of the shares** must commence on the stock exchange(s) within **60 days** of the receipt of the certified copy of the NCLT order.



### Mandatory Disclosures Before Trading

- ☐ Before trading begins, **an information document** must be published on the stock exchange website.
- ☐ Additionally, an **advertisement** must be issued in **one English, one Hindi, and one regional language** newspaper.



### Lock-in Requirements

#### Mandatory Lock-in

- ☐ **Entire pre-scheme share capital** of the **unlisted transferee company** shall be subject to **lock-in** upon listing.
- ☐ **Promoter shares** up to **20% of post-merger paid-up capital**: Locked **for 3 years** from listing date.
- ☐ **Remaining shares**: **Locked for 1 year** from listing date.

#### Exemption from Additional Lock-in

- ☐ No additional lock-in applies if post-scheme shareholding pattern is identical to that of the listed transferor company.

# KEY PRACTICAL INSIGHTS



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# Critical Legal Requirements



## Minimum Public Shareholding



The statutory requirement of the Post Transaction Minimum Public Shareholding must be maintained.

## Valuation



- Audited financials considered for Valuation Report, should not be older than 3 months on the date of valuation report.
- Eg.: If the Valuation Report for a transaction is issued between July and September, the audited financial statements as of June 30, 2025, should be considered.

## Issuance of shares in Demat



- Shares can only be issued in **Demat form**, the Scheme must include appropriate provisions in accordance with the SEBI (LODR) Regulations, 2015, to **address shareholders holding shares in physical form**.
- The Transferee Company may open a **"Demat Suspense Account"** for this purpose before the allotment of Shares.



## Shareholding Pattern

- Convertible securities, if any, must be appropriately recorded in the pre- and post-transaction shareholding pattern of the companies involved.
- Cross Holding, if any, must be appropriately recorded in the pre- and post-transaction shareholding pattern of the companies involved.
- ESOP, if any, must be appropriately recorded in the pre- and post-transaction shareholding pattern of the companies involved.
- Separate Shareholding Pattern showing effect of the convertible securities must be submitted with the exchanges.

# Mandatory Must-Haves



The Scheme must clearly specify **the treatment of** the Transferor Cos. **ESOP Scheme**, including -Adoption by the Transferee Co. and Treatment of options already granted under the existing plan.

The Scheme must clearly state the **impact on all classes of securities**, including debentures and convertible instruments.

The Scheme must specify the **treatment of shares held in abeyance** by the Transferor Co.

The Scheme should clearly address **pending share transfer requests** in records of the Transferor Co.

**Treatment of Cross holding** must be appropriately recorded.

**Treatment of fractional entitlements** arising out of Sale of Net proceeds arising out of fractional shares Entitlements.

**Consistency in Share Exchange Ratio** in the valuation report and the Scheme.

## SCHEME OF ARRANGEMENT



Thank you!



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