

SECRETARIAL **INSIGHTS**

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Understanding Section 230 of the Companies Act, 2013
The Legal Backbone of Corporate Mergers, Restructuring & Compromises



Dear Reader,

The Company Secretary Team at UJA is pleased to share a brief insight on Section 230 of the Companies Act, 2013, which governs compromises, arrangements and corporate restructuring.

This article highlights key procedures, regulatory requirements, the role of the Company Secretary and recent developments, including takeover offers and cross-border considerations. It also touches on the growing alignment of Indian restructuring laws with global practices.

We hope you find this update useful in navigating corporate compliance. For feedback or topic suggestions, write to us at cs@uja.in.

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► Introduction

In the evolving landscape of corporate India, restructuring, compromise and amalgamation have become strategic tools for growth, survival and simplification. At the heart of these processes lies Section 230 of the Companies Act, 2013, a cornerstone provision that facilitates court-sanctioned compromises and arrangements between companies and their stakeholders.

Section 230 offers a structured framework for companies to reorganize legally, whether to merge entities, settle debts, restructure capital or compromise with creditors. This article explores its scope, procedural roadmap, judicial approach and practical considerations.

- **Legal Coverage: What Does Section 230 Cover?**

Section 230 enables a **“compromise or arrangement”** between:

- A company and its creditors (secured / unsecured) or any class of them; or
 - A company and its members (shareholders) or any class of them,
- **Where the terms “Compromise” and “Arrangement” are defined as under:**

Compromise - It typically involves negotiated settlements between a company and its creditors or members, often in situations of financial distress or reorganization.

Arrangement - It refers to the reorganization of a company's structure or affairs, even without any dispute. It may include the reconstruction of share capital, mergers, demergers and takeover offers, it covers:

- Restructuring of debt or liabilities
- Corporate reorganizations (mergers, demergers or hiving off)
- Capital reduction or compromise with stakeholders
- Takeover offers by members or creditors (inserted in 2021 amendment)

► Key provisions under Section 230

• Application to NCLT

- Made by the company, creditor, or member under Form NCLT-1.
- An application made to the National Company Law Tribunal (NCLT) under Section 230 must be comprehensively documented and supported by the following key annexures to ensure transparency, financial integrity and regulatory scrutiny:



- **Draft Scheme of Arrangement:** Outlines the terms, objectives and process of the proposed compromise or arrangement.
- **Valuation Report:** Prepared by a registered valuer, justifying share exchange ratios or asset valuations.
- **Statement of Material Facts & Latest Financials:** Includes scheme details, impact on stakeholders, disclosures and recent audited financial statements (not older than 6 months).
- **Auditor's Certificate:** Confirms that the accounting treatment in the scheme complies with applicable Accounting Standards and fairly reflects the scheme's financial impact.

• NCLT Directions for Meetings

Upon receiving an application under Section 230, the **NCLT** may direct the convening of separate meetings of shareholders and creditors to consider the proposed scheme of arrangement or compromise. The Tribunal also specifies the mode of voting, which may include **physical presence, postal ballot or e-voting**, as deemed appropriate. In compliance with such directions, **notices of the meetings must be sent to:**

- All members and creditors of the company,
- Regulatory authorities such as SEBI, RBI, ROC and Income Tax Department (as applicable),
- The Central Government and other concerned sectoral regulators.

- **Approval Threshold**

The proposed scheme must be approved by a majority in number representing at least 75% in value of the creditors or members present and voting, either in person or through authorized modes. Such approval is required within each class of stakeholders, including secured and unsecured creditors or shareholders, as applicable.

- **Final Sanction by NCLT**

After the scheme is approved by the requisite majority of members or creditors, the NCLT considers objections and representations received from statutory authorities such as the ROC, SEBI (for listed companies), RBI (in cross-border matters) and other regulators as prescribed under Rule 8 of the Companies (CAA) Rules, 2016. Upon being satisfied that the scheme is fair and in compliance with applicable laws, the Tribunal passes an order sanctioning the scheme, which then becomes binding on the company, its members, creditors and all concerned parties. The NCLT may also provide for such other matters, including an exit offer to dissenting shareholders, if any, as it deems necessary for effectively implementing the terms of the compromise or arrangement.

- **Filing with ROC**

The order of the Tribunal sanctioning the scheme must be filed by the company with the Registrar of Companies in e-Form INC-28 within 30 days from the date of receipt of the order, in compliance with the provisions of the Companies Act 2013.

- **Dispensation of Creditor Meeting by Tribunal**

The Tribunal may dispense with convening a meeting of creditors or any class of creditors if at least 90% in value of such creditors consent to the proposed scheme of compromise or arrangement through an affidavit, thereby indicating their no-objection to the scheme.



► Developments & Insights

Section 230(11) was introduced through the Companies (Amendment) Act, 2020 to widen the scope of schemes under Section 230 of the Companies Act, 2013. This provision specifically empowers members holding at least 75% of the shareholding in a company to propose a takeover offer as part of a scheme of arrangement, aimed at acquiring the remaining shares from minority shareholders. The intent behind this amendment is to facilitate the exit of minority shareholders at a fair valuation, ensuring transparency, protecting their interests and providing a structured process for such acquisitions under the supervision of the Tribunal.

► FEMA & RBI Interface

In schemes of arrangement involving foreign shareholders or cross-border mergers (inbound or outbound), compliance with the Foreign Exchange Management Act (FEMA), 1999 becomes essential. Such transactions require prior approval from the Reserve Bank of India (RBI) to ensure that the scheme aligns with foreign exchange regulations, sectoral caps, pricing guidelines and reporting requirements. The RBI's involvement ensures that cross-border components of the scheme are lawfully executed and do not violate capital account transaction norms.



➤ Key roles and responsibilities of the Compliance Officer and Company Secretary

- Assist the Board in evaluating the need for a scheme under Section 230 and coordinate with professionals for its preparation.
- Ensure accurate drafting of the scheme and related documents and oversee certification of valuation reports, financials and auditor certificates.
- To act as a liaison with NCLT, ROC, SEBI, RBI and other regulators and facilitate necessary filings and representations under Rule 6 and Rule 8 of the CAA Rules, 2016.
- To ensure the conduct of meetings as per NCLT directions.
- Maintain transparent and timely communication with stakeholders regarding the scheme.

➤ Future Outlook and Global Integration

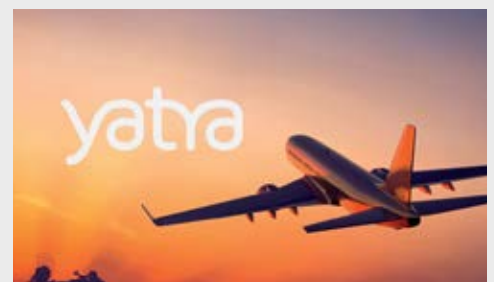
Section 230 is evolving into a globally aligned mechanism for corporate restructuring in India. Amendments like takeover offers by majority shareholders and cross-border mergers reflect efforts to match international standards and promote smoother reorganizations.

Going forward, better integration with regulators like the RBI and SEBI, clarity in valuation norms and digitization of NCLT processes are expected to enhance efficiency. Section 230 will continue to play a key role in enabling transparent and investor-friendly restructurings in a global business environment.

➤ NCLT-Sanctioned Schemes in India

- Yatra Online Ltd.

Approved by the NCLT Mumbai Bench for the amalgamation of six wholly-owned subsidiaries into the parent company, aiming to streamline operations and reduce administrative inefficiencies.



- Honasa Consumer Ltd. (Mamaearth)

Received approval for the merger of two subsidiaries into the holding company. This consolidation is intended to enhance operational clarity and investor appeal.



- **Inox Wind Group**

NCLT Chandigarh Bench sanctioned a merger between Inox Wind Energy Limited and Inox Wind Limited, consolidating its renewable energy operations under one entity for greater efficiency.



- **Tata Group Entities**

NCLT Mumbai sanctioned an internal merger: India Emerging Companies Investment Ltd. and Inshaallah Investments Ltd. merged into Niskalp Infrastructure Services Ltd. as a part of intra-group restructuring.



- **Supreme Infrastructure India Ltd.**

Financial creditors approved (with a 92% majority) a debt settlement through a comprehensive compromise and arrangement, drastically reducing debt from ₹2,200 crore to ₹464 crore. Sanction is pending before NCLT.



➤ **Conclusion**

Section 230 is a powerful enabler for companies to legally reorganize in complex business environments—whether restructuring debt, consolidating group companies or settling disputes with stakeholders. However, it requires meticulous planning, transparency, regulatory compliance and stakeholder communication.

About UJA Company Secretary Services

UJA Global Company Secretary team specializes in offering a wide range of corporate compliance and governance solutions, ensuring seamless regulatory adherence for businesses of all sizes.



UJA Global supports businesses in navigating the complexities of corporate laws, regulatory frameworks and compliance mandates across various jurisdictions. With operations spanning France, Germany, Japan, Spain and more, we help companies ensure seamless corporate governance and risk management.

Our Team

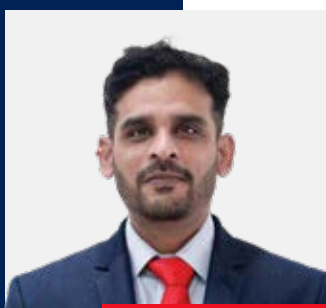


Lav Mehta

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Lav is an associate member of ICSI with 9 years of experience in Company Law, FEMA, LLP Act, and other statutory compliances. He has worked extensively in the Automotive and Real Estate sectors, and he is an expert in FDI, ECB, RBI reporting, Corporate Laws and FEMA. At UJA, his extensive knowledge enabled him to become a guiding force.



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He holds a Bachelor's degree in Commerce and a Master's degree in Personnel Management, both from Pune University. In 2013, he qualified as a Company Secretary. He has over 10 years of experience in corporate law, secretarial compliance, agreement drafting and negotiation, fundraising, CSR, due diligence and FEMA compliance.



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Completed Bachelor of Law (LL.B) from Pune University and Bachelor of Commerce (BCom) from Shivaji University. Qualified Company Secretary with 10 years of experience in corporate governance, regulatory compliance including Corporate Law, FEMA, RBI etc.



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He is a qualified professional with over 7 years of experience in Corporate Law, Government Budgeting, Internal Audit, Financial Management and Corporate Governance. He holds a Bachelor's and Master's degree in Commerce from Delhi and also a Bachelor's in Law (LL.B). Additionally, he is also a UGC-NET-qualified professional in Commerce. Further, as a Company Secretary (CS) and qualified member of the Institute of Company Secretaries of India (ICSI), he has developed a strong foundation in Corporate, Legal and Financial principles.

ASSOCIATE

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He has completed his Bachelor's degree in Commerce from SRTMU, Nanded University, and holds a Diploma in Corporate Law from Bharti Vidyapeeth deemed University. Additionally, he has earned a Company Secretary (CS) degree, and Qualified Member of the Institute of Company Secretaries of India (ICSI), equipping him with in-depth expertise in Corporate governance and a strong interest & experience in Corporate Law and Secretarial Compliance, & he is dedicated to ensuring legal and regulatory adherence in business operations.



Onkar Kadam

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She has completed her Bachelor's degree in Commerce (B.Com) and a Bachelor's in Law (LL.B) from Barkatullah University. Additionally, she completed her Company Secretary (CS) qualification in May 2022. With 4.5 years of experience in legal research, legal drafting and corporate law, she has developed expertise in regulatory compliance.



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She has completed her Bachelor's degree in Commerce (B.Com) from MDS University, Ajmer, and is currently pursuing her Master's in Business Administration (MBA) in International Business from Manipal University, Jaipur, along with a Company Secretary course. With three years of work experience, she has gained knowledge in corporate laws and legal document drafting.



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