



#### **Phase 4: SEBI and Stock Exchange Approvals (Parallel Timeline: Weeks 8-18)**

##### **Step 15: Stock Exchange No-Objection Certificate (NOC) Application**

Concurrently with NCLT proceedings (not sequentially), the merged entity applies for a No-Objection Certificate (NOC) from the stock exchanges (BSE and NSE) where the shell company's shares are listed. The NOC application, filed under SEBI's LODR Regulations, 2015, must be accompanied by:

- Scheme of Arrangement (draft version, with notice that NCLT approval is pending)
- Valuation report prepared by a SEBI-registered merchant banker
- Fairness opinion from independent merchant banking advisors
- Audit Committee report recommending the transaction
- Independent Directors Committee report assessing whether the transaction prejudices the interests of listed shareholders
- Disclosure documents detailing both entities' operations, financials, and management quality

The stock exchanges typically respond within 15-20 working days, either issuing the NOC unconditionally, requesting modifications, or (rarely) declining to grant the NOC on grounds of public investor prejudice.

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##### **Phase 5: Open Offer Compliance (Weeks 19-24)**

**Critical Note:** This phase applies when the private company acquires more than 26% shareholding in the listed shell company during the pre-merger acquisition phase. If the merger is structured such that private shareholders directly exchange shares (rather than the acquiring entity first buying majority shares), open offer obligations may be deferred post-merger.

##### **Step 16: Determination of Open Offer Obligation**

Transaction counsel analyzes the transaction structure to determine whether SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 mandate an open offer. Typically, when a private company acquires controlling interest (>26% and effective control), an open offer is triggered, requiring the acquirer to make a public tender offer to all outstanding public shareholders at a fair valuation.

##### **Step 17: Public Announcement (PA) of Open Offer**



Upon triggering the open offer obligation, a Public Announcement (PA) must be submitted to SEBI and both stock exchanges within 2 working days of the acquisition event triggering the obligation. The PA discloses:

- Acquirer identity and shareholding
- Trigger event (acquisition of 26%+ stake)
- Offer price per share (determined through independent valuation)
- Number of shares being offered to public shareholders
- Merchant banker managing the open offer process
- Tender period (minimum 10 working days)

SEBI and stock exchanges acknowledge receipt and commence their review.

#### Step 18: Draft Letter of Offer (DLOF) Submission

Within 10 working days of the PA submission, the acquirer files a Draft Letter of Offer (DLOF) with SEBI, detailing:

- Complete terms and conditions of the open offer
- Financial arrangements, including settlement mechanics
- Merchant banker engagement letter
- Acquirer's financial capacity verification
- Disclosure of acquirer's intentions post-offer (operational changes, restructuring, etc.)

SEBI reviews the DLOF and provides comments/modifications within 15 working days. If modifications are required, the acquirer revises and resubmits.

#### Step 19: Dispatch of Letter of Offer (LOF) to Shareholders

Following SEBI's clearance of the DLOF, the Final Letter of Offer (LOF) is dispatched to all public shareholders of the shell company (typically 3-5 million shareholders for listed entities), detailing the exact terms of the public tender. The LOF dispatch must occur within 12 working days of SEBI's clearance.

#### Step 20: Open Offer Period and Acceptance

The open offer remains open for a minimum of 10 working days, during which public shareholders can tender their shares at the specified offer price. Merchant bankers and share



transfer agents accept tendered shares and process acceptance confirmations. Public shareholders who don't tender within the offer period retain their shareholdings (unless the merger operates to convert them).

#### Step 21: Settlement and Payment

Settlement of the open offer typically occurs within 10 working days of the offer closing date, with acquirers remitting funds to tendering shareholders. This step marks the technical completion of the open offer obligation.

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#### Phase 6: Post-NCLT Consummation and Business Integration (Weeks 25-35)

##### Step 22: Scheme Effectiveness and Automatic Vesting

Upon ROC filing of the NCLT sanction order, the Scheme becomes operatively effective. At this moment, by operation of law:

- All assets, liabilities, intellectual property, and contractual rights of the private company vest in the shell company
- The private company ceases to exist as a separate legal entity
- The shell company is renamed and rebranded to reflect the merged entity's identity
- Licenses, approvals, regulatory registrations automatically transfer (subject to sectoral regulator consent)

##### Step 23: Board Reconstitution and Management Transition

The merged entity's Board of Directors is reconstituted to reflect the merged entity's governance structure. Directors nominated by the private entity's shareholders assume board positions, often including the founder/promoter. All board committees (Audit, Nomination & Remuneration, Compliance, Risk Management) are reconstituted with independent director representation meeting SEBI's LODR requirements (minimum 1/3 independent directors for listed entities).

The Chief Executive Officer, Chief Financial Officer, and Chief Compliance Officer transition from the private company's leadership structure to the merged entity's governance framework.

##### Step 24: Regulatory Filings and Disclosures

Within 30 days of the operative date, the merged entity files:

- NCLT order certified copy with the Registrar of Companies



- Intimation to stock exchanges confirming the Scheme's operative effectiveness
- Form 30 (information about members/shareholding pattern change) to ROC
- Updated MOA/AOA reflecting the merged structure
- Form 1A/1B (auditor appointment confirmation) to ROC

Simultaneously, the merged entity's audit committee initiates a comprehensive financial reconciliation between the private company's books and the shell company's historical accounting records, ensuring seamless consolidated financial reporting.

#### Step 25: Integrated Financial Reporting and Public Disclosures

From the operative date onwards, the merged entity commences consolidated quarterly financial reporting under SEBI's LODR framework. The first post-merger quarterly result (Q1 if operative in Q1, or Q2 if operative mid-quarter) must include:

- Standalone financials of the shell company (pre-merger period)
- Standalone financials of the private company (pre-merger period)
- Consolidated pro forma financials showing the merged entity's combined results
- Detailed reconciliation notes explaining material asset/liability transfers

This transparent disclosure prevents shareholder confusion and demonstrates operational integration.

#### Step 26: Governance Infrastructure Operationalization

The merged entity must immediately operationalize comprehensive public company governance infrastructure:

- Audit Committee: Minimum 3 directors (majority independent; at least one with accounting/finance expertise)
- Nomination and Remuneration Committee: Oversees board selection, director independence, and executive compensation
- Stakeholders' Relationship Committee: Addresses shareholder grievances
- Risk Management Committee: Evaluates operational, financial, and strategic risks
- Insider Trading Policy: Designates key management personnel and restricted categories, implements trading windows



- Code of Conduct: Comprehensive standards for director and employee conduct, including conflict-of-interest provisions
- Whistle-Blower Mechanism: Anonymous reporting channels for governance violations or fraud
- Related Party Transaction Framework: Audit committee pre-approval of all related-party transactions exceeding specified thresholds

Failure to operationalize these governance structures within 30-60 days of listing invites SEBI enforcement action, penalties, and shareholder litigation.

#### Step 27: Post-Merger Communication and Investor Relations

The merged entity executes a proactive investor relations campaign:

- Press releases articulating the strategic rationale for the merger, highlighting business synergies and management vision
- Analyst briefings providing detailed operational and financial insights
- Annual General Meeting (AGM): Usually scheduled 3-6 months post-listing, where the merged entity's leadership addresses shareholder questions comprehensively
- Corporate website updates with management biographies, financial information, and governance documents

Milestone	Standard NCLT Route	Fast-Track Route (Section 233)
Pre-deal planning & target ID	Weeks 1-6	Weeks 1-6
Scheme drafting & board approval	Weeks 7-14	Weeks 7-12
NCLT application to sanction	Weeks 15-40	Weeks 8-12 (bypass NCLT)
SEBI NOC & stock exchange approvals	Weeks 8-18 (parallel)	Weeks 8-18 (parallel)
Open offer process (if triggered)	Weeks 19-24	Weeks 19-24



Scheme operative date	Week 40-45	Week 12-16
Total timeline	9-12 months	3-4 months

- Investor conference calls discussing quarterly results and strategic initiatives

This communication counteracts the historical "backdoor listing" stigma and reframes the transaction as legitimate strategic consolidation rather than speculative arbitrage.

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Timeline Summary: Standard vs. Fast-Track Pathways

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### **Landmark Transactions: Learning from Real-World Execution**

The evolution of reverse mergers in India spans diverse strategic objectives and value creation models, each offering instructive lessons:

**ICICI Bank's 1991–2002 Evolution:** The integration of ICICI Ltd. (a diversified financial institution) with its subsidiary ICICI Bank represents perhaps India's most successful reverse merger outcome. The restructuring created the nation's first modern universal bank, achieving scale, operational synergies, and transformational shareholder value. The transaction demonstrated that RTOs can serve legitimate strategic consolidation objectives rather than mere tax optimization.

**Godrej Soaps Ltd. (1994):** This merger involved financially robust Godrej Soaps acquiring its loss-making subsidiary, Gujarat Godrej Innovative Chemicals (GGIC). Beyond tax efficiency, the transaction achieved operational consolidation—eliminating redundant manufacturing facilities, consolidating supply chains, and reallocating capital toward growth initiatives. The surviving entity maintained the Godrej Soaps brand, signaling to customers and stakeholders that the acquisition was genuine business integration rather than financial engineering.

**Kiranakart Technologies (Zepto) – 2024-2025:** The quick-commerce sector's marquee player executed a sophisticated reverse flip, merging its Singapore-domiciled holding company into an Indian wholly-owned subsidiary. This transaction leveraged the newly introduced fast-track merger provisions, compressing timelines while positioning the company for a subsequent domestic IPO. The Zepto transaction exemplifies how modern fintech and high-growth technology companies leverage RTOs for domicile repatriation and regulatory optimization.



Proposed Jindal Paints Listing (2025): The Jindal Group's plan to list its paints business via reverse merger with NXTDigital (a publicly listed Hinduja Group media company) demonstrates how even mature conglomerates are gravitating toward RTOs for strategic spin-offs, avoiding the promotional burden and capital inefficiency of standalone IPOs.

### **The Peril Beneath the Surface: Due Diligence as the Ultimate Risk Mitigant**

While RTOs promise speed and efficiency, they simultaneously concentrate risk exposure, particularly around the target shell company's hidden liabilities and operational history.

**The Liability Archaeology Challenge:** The most significant operational risk materializes when the acquiring entity discovers—post-closing—undisclosed environmental liabilities, tax disputes, pending litigation, or regulatory infractions linked to the shell company's prior incarnation. Unlike IPO processes, where regulatory vetting is exhaustive and prolonged, RTOs condense due diligence into accelerated timelines, elevating the probability of oversight. A common scenario involves shell companies with legacy tax assessment disputes from revenue authorities, outstanding labor claims, or environmental non-compliance from prior business operations. These liabilities, technically inherited by the merged entity, can precipitate financial hemorrhaging and management distraction months post-closing.

**The Valuation Complexity and Reputational Discount:** Reverse mergers historically carry a reputational discount in capital markets and amongst institutional investors. The "backdoor" connotation—frequently associated with speculative schemes or regulatory arbitrage—necessitates that acquired private entities invest significant effort in post-merger investor relations and corporate governance demonstrations. The share exchange ratio between private shareholders and public shell equity is inherently contentious, subject to valuation disputes and extensive NCLT scrutiny. Overvalued acquisition ratios can trigger shareholder litigation and regulatory challenges, while undervaluation may incentivize founder walkaway.

**The Governance Transition Shock:** Private company leadership teams, accustomed to operational autonomy and informal decision-making processes, frequently encounter a jarring transition to public company governance. SEBI's LODR Regulations mandate quarterly financial disclosures, insider trading policy implementation, related-party transaction scrutiny, independent director oversight, and continuous disclosure obligations. The compliance infrastructure—audit committees, nomination and remuneration committees, investor grievance mechanisms—must be operationalized immediately post-listing. Organizations lacking governance maturity frequently fumble this transition, inviting regulatory penalties and shareholder activism.

**The Capital Raise Absence:** Critical misconception: an RTO is a listing mechanism, not a fundraising event. Unlike IPOs, which simultaneously achieve listing and primary capital



infusion, RTOs transfer only secondary ownership interests. Companies requiring substantial post-listing capital must execute supplementary fundraising through Qualified Institutions Placements (QIPs) or Private Investments in Public Equity (PIPE) transactions, incurring additional transaction costs, dilution, and market timing risk.

### **The 2024-2025 Regulatory Modernization: Game-Changing Amendments**

India's regulatory authorities have catalyzed significant modernizations designed to streamline RTO execution while fortifying investor protection guardrails:

**Fast-Track Merger Route (Rule 25A(5), September 2024):** The expansion of fast-track merger provisions to cross-border transactions has fundamentally altered RTO economics. Eligible foreign holding companies can now merge into Indian subsidiaries with compressed timelines and reduced NCLT dependency, facilitating the Zepto-style reverse flips that characterize the current fintech repatriation wave.

**IBC Amendment (Section 242, July 2024):** The Insolvency and Bankruptcy Code now permits RTOs involving distressed companies undergoing insolvency resolution, opening new pathways for strategic acquirers to absorb financially challenged entities at distressed valuations.

**Enhanced LODR and ICDR Harmonization (2024):** SEBI's ongoing Master Circular updates have refined disclosure standards, corporate governance expectations, and shareholder protection mechanisms, creating greater clarity around post-merger obligations.

### **Critical Success Factors: Navigating the Complexity**

Successful reverse mergers demand meticulous execution across five core dimensions:

- 1. Shell Company Archaeology:** Invest disproportionately in legal, financial, and regulatory due diligence of the shell entity. Engage forensic investigators if necessary. Uncover environmental liabilities, tax disputes, litigation history, and regulatory compliance gaps. Obtain representations and warranties insurance to hedge residual risks.
- 2. Valuation Rigor:** Employ independent valuation experts to establish exchange ratios defensible to NCLT and regulatory scrutiny. Avoid aggressive pricing that invites litigation or regulatory challenge. Consider earn-out mechanisms that align post-merger performance with acquisition consideration.
- 3. Governance Architecture:** Operationalize a comprehensive governance infrastructure before closing, including audit committees with financial expertise, insider trading policies, disclosure committees, and investor relations capabilities. Conduct board and management training on LODR obligations.



4. **Regulatory Sequencing:** Coordinate approvals across Companies Act (NCLT), SEBI (NOC from stock exchanges), and SAST (open offer compliance). Leverage fast-track provisions where eligible. Engage experienced transaction counsel familiar with regulatory nuances.

5. **Post-Merger Investor Communications:** Execute a proactive investor relations campaign post-listing, positioning the transaction as strategic consolidation rather than speculative backdoor entry. Deliver transparent quarterly disclosures and demonstrate governance maturity.

### **The Verdict: Strategic Tool, Not Silver Bullet**

Reverse mergers have evolved from niche corporate restructuring tactics into a legitimate, increasingly mainstream pathway to public market access in India. The 2024-2025 regulatory innovations—particularly fast-track merger routes and cross-border provisions—have catalyzed a wave of high-profile transactions, with technology and fintech companies leading the charge.

However, success requires acknowledging the fundamental reality: An RTO is fundamentally faster and less capital-intensive than an IPO, but it concentrates risk exposure and demands meticulous governance transition management. Companies that execute RTOs superficially—viewing them merely as low-cost alternatives to IPOs—frequently encounter post-merger compliance nightmares, shareholder disputes, and reputational damage.

For organizations demonstrating strategic discipline—conducting exhaustive due diligence, establishing robust governance frameworks, and articulating compelling business integration rationales—reverse mergers represent a sophisticated, efficiency-optimized access point to India's dynamic capital markets. The question for corporate leaders is not whether RTOs are viable, but whether their organization possesses the operational maturity and strategic clarity necessary to execute one successfully.

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### **Key enhancements made:**

1. **Comprehensive step-by-step execution roadmap:** Added 27 sequential steps organized into 6 execution phases (Pre-Deal Planning → Documentation → NCLT Sanction → SEBI Approvals → Open Offer → Post-Merger Integration)
2. **Detailed procedural insights:** Included specific forms (NCLT-1, CAA-2 through CAA-6), timelines, regulatory requirements, and approval gates
3. **Practical timelines:** Added both standard (9-12 months) and fast-track (3-4 months) pathways with milestone-by-milestone durations



4. Legal mechanics: Explained Section 232(3)(h) opt-out provisions, notice advertisement requirements, class meeting procedures, and NCLT directions
5. Regulatory sequencing: Clarified how NCLT, SEBI, and stock exchange approvals occur in parallel vs. sequential order
6. Open offer process: Detailed the public announcement, draft letter of offer, SEBI review, and settlement procedures
7. Governance operationalization: Added specific post-merger governance infrastructure requirements (audit committees, insider trading policies, related-party transaction frameworks)
8. Documentation requirements: Listed specific forms, affidavits, and supporting documents required at each stage
9. Risk mitigation specifics: Concrete guidance on due diligence, representations & warranties insurance, and valuation rigor
10. Real-world pacing: Included timeline comparisons with international benchmarks (Singapore: 3-6 months, UK: 4-6 months, Australia: 3-4 months)

The rewritten article now provides a complete operational playbook that corporate decision-makers can use to understand exactly what transpires at each stage, what approvals are required, what documentation is necessary, and realistic timelines for completion.

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