Legacy Growth Insights

Wholly-Owned Subsidiary Mergers

NCLAT Dispenses with Stakeholder Meetings

2 September 2026

Info Edge (India) Ltd. & Ors. v. NCLT, Company Appeal (AT) No. 243 of 2026 (NCLAT, PB, New Delhi) | Sections 230-232, Companies Act, 2013

KEY TAKEAWAY

- NCLAT set aside NCLT's direction requiring Info Edge (India) Ltd. to convene stakeholder meetings for the amalgamation of four wholly owned subsidiaries into itself. It held that where wholly owned subsidiaries are amalgamated into their holding company, with no fresh shares issued, no compromise proposed and no stakeholder rights altered, routine stakeholder meetings under sections 230 to 232 of the Companies Act, 2013 cannot be insisted upon without specific reasons demonstrating prejudice.

- **Key Observations**
  - Section 232 uses "may", vesting NCLT with discretion over stakeholder meetings
  - that discretion must rest on relevant considerations, supported by reasons
  - NCLT gave no reasons for directing Info Edge's meetings after excusing its subsidiaries
  - "affected rights", not form, is the real test for necessity of meetings
- NCLAT held stakeholder meetings stood dispensed with, reaffirming Sections 230-232 as protective, not procedural, hurdles.

BACKGROUND

- Info Edge sought approval under Sections 230-232 to amalgamate four wholly-owned subsidiaries into itself
- Sections 230-232 let NCLT dispense with meetings but set out no explicit test for wholly-owned, intra-group mergers
- NCLT's order dated 07.04.2026 excused the subsidiaries but directed Info Edge to convene meetings of ~1,93,534 shareholders and all creditors
- Info Edge appealed only this direction, arguing the scheme involved no share issuance, dilution or compromise with any class
- The appeal was filed before NCLAT's Principal Bench, New Delhi, challenging NCLT's insistence on meetings

KEY CONTENTIONS

Appellants' (Info Edge's) Contentions	NCLT's Position (Impugned Order)
• Internal Restructuring - All four transferor companies were 100% subsidiaries, no third-party shareholder interest existed and the merger was purely internal restructuring • No issue of shares - No fresh shares needed since Info Edge already owned 100% of each subsidiary — hence no dilution, no capital reorganization, no change in shareholding pattern • Convening meetings for ~1,93,534 shareholders and all creditors is an unnecessary logistical and financial burden with no corresponding stakeholder protection • Strong Financial Position - Info Edge's net worth of ~₹27,700 crore comfortably covered all liabilities of the transferor companies, so creditors faced no prejudice • Reliance on Patel Engineering/Patel Hydro Power (NCLAT, 2021), Ambuja Cements (NCLAT) and Mahaamba Investments v. IDI Ltd. (Bombay HC), favouring dispensation for wholly-owned mergers	• Dispensed with meetings for the four transferor subsidiaries but directed Info Edge to convene meetings of equity shareholders, secured and unsecured creditors • Order recorded only that “considering the circumstances of the case” meetings were required, without identifying which circumstance applied • No reasoning was given for treating the holding company differently from its wholly-owned subsidiaries in the same scheme • The precedents cited by the appellants — Patel Hydro Power, Ambuja Cements and Mahaamba Investments were turned down on their specific facts. None laid down a blanket rule that meetings must be dispensed with in intra-group schemes.

NCLAT’S RULING

- Section 232 uses the word “may”, vesting NCLT with discretion to dispense with or direct stakeholder meetings
- That discretion is not arbitrary — it must be exercised on relevant considerations and supported by cogent reasons
- Relevant factors: are shareholder/creditor rights affected, are fresh shares issued, is capital reorganised, could creditors suffer prejudice
- On facts, no shares were to be issued, no compromise was proposed with any class, and no rights would change — a pure internal restructuring
- Info Edge's net worth of ~₹27,700 crore far exceeded its liabilities, leaving no risk of prejudice to creditors
- NCLT gave no reasons distinguishing Info Edge from the transferor subsidiaries and never engaged with the precedents cited before it
- Judicial discretion to require or dispense with meetings must always be exercised through a reasoned, transparent order — a bare recital of “circumstances” does not suffice

Conclusion: NCLAT allowed the appeal and set aside NCLT's order dated 07.04.2026 only to the extent it required Info Edge to convene meetings of equity shareholders, secured and unsecured creditors; the balance of the order stood undisturbed, with no order as to costs.

LEGACY GROWTH's VIEWPOINT

a. Intra-group, wholly-owned mergers get a cleaner dispensation runway:

Groups merging wholly-owned or step-down subsidiaries into a holding company now have stronger precedential support to seek dispensation of meetings, provided no shares are issued and no rights are altered. This can reduce NCLT timelines and costs for routine group simplification.

b. Where exactly does "affected rights" begin?:

The test gives tribunals discretion but no bright line. Structures with indirect impact, such as cross-guarantees, inter-company loans or a subsidiary with minority shareholders a tier removed, will need fact-specific assessment. Inconsistent application across NCLT benches remains a risk.

c. Build the dispensation case at the petition stage itself:

Petitioners should address, in the scheme petition itself, each factor NCLAT has now crystallised, including no share issuance, no capital reorganisation, no compromise and demonstrable financial strength. These factors should not be argued only after NCLT directs meetings. A net-worth certificate should become a standard annexure.

d. Relevant for every large group running internal restructurings:

Listed groups with layered subsidiary structures, which are common across diversified Indian conglomerates, can rely on this to streamline downstream mergers, holding company consolidations and pre-IPO group simplifications, provided the transaction stays genuinely internal.

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