

Corporate Restructuring: Key Post-Implementation Compliance Framework

Corporate Restructuring is a tribunal driven process, aimed at operational and financial efficiency and strategic growth of business. Once the scheme becomes effective, the restructured entity must implement a comprehensive post-implementation compliance framework covering corporate filings, secretarial compliance, tax and GST alignment, transfer of assets and IPRs, labour law registrations, transfer of human assets & benefits, contractual novation, and renewal of operational licences. A structured compliance schedule and inter departmental coordination are essential to ensure continuity of business without disruption. In this phase, the Company Secretary plays a critical coordinating role in executing the scheme in line with the NCLT order, safeguarding stakeholder interests, and mitigating legal and regulatory risks.



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INTRODUCTION

Corporate Restructuring is a legal process under Sections 230–232 of the Companies Act, 2013 used to reorganize a company's structure with approval of the National Company Law Tribunal (NCLT). It is commonly used for Merger/Amalgamation, Demerger, Capital restructuring, Shareholding reorganization and Compromise with creditors or members. Corporate Restructuring helps to improve financial health, operational efficiency, enhance value for shareholders, enhance profitability and facilitate strategic growth of the Company within a framework of law and applicable regulations.

A Corporate Restructuring scheme is a court-approved, binding agreement between a company and its members or creditors, commonly used for mergers, demergers, or debt restructuring. The general process under Sections 230–232 of the Companies Act, 2013 includes following steps-

1. The Board of Directors approves the proposed scheme on basis of valuation report issued by Registered Valuer and an auditor's certificate on accounting treatment.
2. On Board Approval, Listed Company move to Stock exchange, where the Company is registered for trading, for their prior approval. Unlisted Companies and Listed Companies on receipt of stock exchange approval, file an application to the National Company Law Tribunal

(NCLT) for orders to hold meetings of shareholders and creditors.

3. Shareholders/ Creditors Meetings will be held as directed by the NCLT to approve the scheme. Approval requires a majority in number representing three-fourths (75%) in value of creditors or members.
4. Once approved by shareholders/ creditors, a petition is filed with the NCLT for final sanctioning of the scheme.
5. The NCLT hears the petition and, if satisfied, passes an order sanctioning the scheme. The Company must file a certified copy of the NCLT order with the ROC within 30 days to make the scheme effective.

After successful completion of legal process of Corporate Restructuring, the primary objective is to commence operations of the new company while preserving the legacy and goodwill of the existing business. The new company allots shares or pays cash to the shareholders of the transferor company if any, based on the approved share entitlement ratio. The new company starts a formal process for transfer of assets, properties, and liabilities from the transferor company to the transferee company that occurs on the appointed date. The new company adjust the books of account to reflect the Corporate Restructuring including writing off losses, adjustment of reserves etc. In case, listing requirement is required for new company, then the company follows trading approvals guidelines for listing securities on stock exchanges. The new company shall update all its statutory records reflecting changes in management, capital structure, allotment of shares, charges on assets etc. and comply with necessary income tax regulations.

The company must take all necessary steps to ensure continuity of operations so that there is no disruption in business activities or adverse impact on the perception of stakeholders. With a new beginning, the company is generally required to comply with key legislation including:

- the Companies Act, 2013 and the rules made thereunder;
- the Income Tax Act, 1961 and related rules;
- applicable State Registration and Stamp Duty laws;
- the Goods and Services Tax laws;

- labour and employment laws as well as relevant State laws including Professional Tax and Labour Welfare Fund regulations;
- depending on the nature of the business, the company may also be required to comply with other applicable laws such as the FEMA regulations, environmental laws, industry-specific regulations, and intellectual property laws.

Proper adherence to these compliances helps to maintain business continuity, protects stakeholder confidence, and establishes a strong legal foundation for the restructured entity.

After completion of a Corporate Restructuring, the restructured entity is required to establish and implement a structured compliance framework to ensure smooth transition, regulatory continuity, and uninterrupted business operations. A systematic post-restructuring compliance mechanism helps align statutory registrations, operational approvals, and governance processes with the new corporate structure. The broad compliance details, organized according to the nature and scope of the business, to facilitate effective implementation and ongoing regulatory adherence is as given below.

COMPANIES ACT, 2013 AND RULES MADE THEREUNDER

The company is required to file the certified copy of the NCLT Order through INC 28 with the Registrar of Companies (ROC) and take all necessary steps to give effect to the scheme. The date of filing of the prescribed e-form with the ROC shall be considered as the Effective Date of the scheme, including for the purpose of transfer and vesting of the business.

Further, the company shall allot shares in accordance with the scheme through filing PAS 3, update all statutory registers, and reconstitute the Board of Directors and committees, if required. It shall also appoint Statutory Auditor, Secretarial Auditor, Cost Auditor, Internal Auditor and Key Managerial Personnel.

The company shall ensure that all ROC filings including change in beneficial ownerships, transfer of dividend and shares to IEPF, transfer of charges, secretarial records, and statutory compliances are duly updated and aligned with the requirements applicable to the company.

INCOME TAX ACT, 1961 AND RULES

The company records transfer of assets and liabilities as per the scheme, ensure proper carry forward of losses and tax attributes where applicable, implement TDS compliance, plan advance tax payments, and prepare for filing of income tax returns in the new financial year. The company is required to update TDS/TCS records, file returns under its TAN, and compute and pay advance tax for income arising from the effective date, adjusting for any credits transferred from the Demerged/Amalgamating company. The Company ensures to file the revised return under Section 139(5) as per scheme of Corporate Restructuring of previous years or effect to be given in the return of the year in which the scheme becomes effective, supported by NCLT order and working papers. All pending litigations, proceedings, and disputes relating to the

undertaking being transferred shall continue to be the liability of the transferred company, unless expressly assumed by the company under the Corporate Restructuring scheme.

GOODS AND SERVICES TAX (GST) LAWS

The company shall obtain fresh GST registration or amend existing registration, transfer eligible input tax credit, update invoicing and accounting systems, updates e-way bill, revises GST master data of customers and vendors, filing GST ITC-02, and ensures timely filing of GST returns. Upon the effective date of the scheme, the company assume all GST-related rights, obligations, and liabilities of the transferor companies. All Input Tax Credit (ITC) relating to inward supplies received by the transferor companies, including for the period from the appointed date to the effective date, shall be deemed to have been transferred to the company under the GST transitional provisions. The company maintain proper records and reconciliations of such ITC and shall be entitled to claim the full eligible credit in its first GST return (GSTR-3B) filed post-effective date.

STATE REGISTRATION AND STAMP DUTY LAWS

Pursuant to the scheme of Corporate Restructuring, the company pays applicable stamp duty on the transfer of assets in the State where the Registered Office (RO) of the transferor company is situated, in accordance with the provisions of the relevant State Stamp Act. For that, the company submits necessary assets details along with copy of order before Collector of stamp or appropriate authority of that state, where the registered office of the company is situated. On receipt of direction from the same, the company pays stamp duty on transfer of assets and properties of the company as per scheme of restructuring. In case, if the immovable properties including land, buildings, plant and machinery is situated in other States, the company submits necessary application at respective jurisdictional Sub-Registrar of Assurances and pays additional stamp duty as per respective state laws. The company takes all necessary steps to update revenue records (7/12 extracts), mutation entries, change in ownership records at local authority level for transferring of land and other properties. The company ensures full compliance with all procedural and statutory requirements relating to stamping, registration, and transfer of title under the Corporate Restructuring scheme.

EMPLOYEE RELATED

From the date the scheme is effective, employees of the transferred business typically transfer to the new company on terms "no less favorable" than their previous employment. The company must have new registrations under different labour and Industrial laws, including Provident Fund (PF), Employees' State Insurance (ESIC), Professional Tax (PT), and Labour Welfare Fund (LWF) or other relevant labour registrations if any. The company continues to follow various compliance provisions of different Acts including Payment of Wages Act, 1936, Minimum Wages Act, 1948, Payment of Bonus Act, 1965, Equal Remuneration Act, 1976, Industrial Disputes Act, 1947, Trade Unions Act, 1926, Industrial Employment (Standing Orders) Act, 1946, Employees' Provident Funds & Miscellaneous Provisions Act, 1952, Employees' State Insurance Act, 1948, Payment of Gratuity Act, 1972,

Maternity Benefit Act, 1961, Employees' Compensation Act, 1923, Unorganised Workers Social Security Act, 2008 and Payment of Gratuity Act, 1972 (Now the Code on Wages, 2019, Industrial Relations Code, 2020, Occupational Safety, Health and Working Conditions Code, 2020 and Code on Social Security, 2020). The company updates its register and records related to such laws and regulations. The company transfers all its insurance scheme related to employee benefits like gratuity, leave encashment, and superannuation from the transferred company to the company in accordance with applicable provisions of Income Tax Act, 1961 and guidelines given by Insurance company. The company ensures to continue the existing employee insurance, welfare schemes, and benefit plans without interruption. The company communicates properly to the employees on such aspects and issue transfer letters if required to record the continuation of employment and preservation of past service benefits. The company ensure seamless transfer and uninterrupted compliance with all applicable employment and social security laws.

INTELLECTUAL PROPERTY LAWS (IPR)

As a part of continuing business of the company, it is required to transfer all intellectual property rights (IPR) relating to the transfer undertaking, including trademarks, copyrights, patents, designs, domain names, licenses, and other proprietary rights. The company shall file a deed of assignment for change in ownership of all intellectual property rights (IPR) along with supporting document of the scheme and certified copy of NCLT order before the Office of the Controller General of Patents, Designs and Trade Marks and Copyright Office of India. In case post the scheme, there is joint ownership of any intellectual property right or IPR to be used by group companies, the company shall file joint ownership application with appropriate deed of joint ownership, license, or user agreement before the Office of the Controller General of Patents, Designs and Trademarks and Copyright Office of India. The object of such application is to regularize continued usage and ownership structure. The company shall review and update all IPR-related contracts, licenses, franchise agreements, technology transfer agreements, and third-party consents, as required.

OPERATIONAL COMPLIANCE

Pursuant to the scheme of Corporate Restructuring, the company shall take all necessary steps to continue the

factory operations and business. Accordingly, the company is required to transfer, endorse, or obtain fresh factory and environments approvals in the name of the company. Such compliances shall include, inter alia, pollution control consents and environmental clearances, trade and municipal licenses, factory license, fire NOC, electric connection transfer and related approvals under the Factories Act, 1948 permissions relating to DG set installation and operation, ISO certifications, and NSIC or other industry-specific registrations, wherever applicable. The company is required to coordinate with the respective regulatory authorities to file prescribed applications, intimations, and supporting documents for effecting such transfer or revalidation.

The company also ensures timely filing of all statutory returns, renewals, and periodic compliances associated with the transferred licenses and approvals under applicable laws. The company ensures uninterrupted continuation of operations of the transferred undertaking in compliance with applicable legal and regulatory requirements.

OTHER GENERAL COMPLIANCES

Pursuant to the scheme of Corporate Restructuring, the company shall ensure compliance with all other applicable sectoral, regulatory, and statutory approvals relevant to the transferred undertaking, including obtaining or endorsing registrations and permissions under applicable environmental and pollution control laws, factory and industrial safety regulations, municipal and local authority approvals, and industry-specific regulatory frameworks governing the business of the undertaking. Where applicable, the company shall update registrations with sector regulators such as SEBI, RBI, IRDAI, TRAI, DGFT, PESO, or other competent authorities, and comply with requirements relating to import-export codes, hazardous substance handling, fire safety certifications, land use approvals, and building permissions. The parties shall also ensure compliance with applicable data protection and information security regulations, competition law requirements, and any necessary government incentives, subsidies, or industrial promotion scheme conditions linked to the undertaking. All prescribed filings, intimations, renewals, and approvals required under such laws shall be completed in a timely manner to ensure uninterrupted regulatory compliance and lawful continuation of the transferred business.

A systematic post-restructuring compliance mechanism helps to align statutory registrations, operational approvals, and governance processes with the new corporate structure.

Table 1: Compliance Tracker

Sr. No.	Act / Law	Key Compliance Actions	Suggested Timeline	Responsible Internal Department
1	Companies Act, 2013	File NCLT order with ROC, allot shares, update statutory registers, appoint auditors/KMP.	0-30 days	Secretarial
2	SEBI Regulations (applicable if listed)	Listing and Trading of Securities.	0-60 days	Secretarial
3	Income Tax Act, 1961	Update PAN/TAN, record asset transfer, start TDS compliance, plan advance tax.	0-60 days	Finance

4	GST Laws	Obtain/amend GST registration, transfer ITC, update invoicing system.	0–60 days	Finance
5	State Registration & Stamp Duty	Stamp and register asset/property transfer documents, update land records.	0–90 days	Legal/ Finance
6	Factories Act, 1948	Amend or obtain factory license and safety approvals.	0–60 days	Operations
7	Industrial/Labour Laws	Transfer employees with continuity of service and update employment records.	Immediate	HR
8	Provident Fund Act, 1952	Amend PF registration and migrate employee records.	0–30 days	HR
9	ESIC Act, 1948	Update ESIC registration and employee database.	0–30 days	HR
10	Payment of Gratuity Act, 1972	Maintain continuity of service and update employer details.	Immediate	HR
11	Employee Benefit Policies	Transfer leave encashment and other benefit records.	Immediate	HR
12	Professional Tax	Obtain/amend PT registration and start deductions.	0–30 days	HR
13	State Labour Welfare Fund	Update registration and contribution records.	0–60 days	HR
14	Contract Labour Act, 1970	Update Contractor Registrations and agreements.	0–60 days	Operations
15	Pollution Control Laws	Transfer/renew PCB consents and environmental approvals.	0–90 days	Legal
16	Environment Protection Laws	Ensure waste and environmental compliance systems.	0–90 days	Legal
17	IPR Laws	Transfer trademarks/patents/copyrights and any pending case related to IPR.	0–180 days	Legal
18	FEMA Regulations	Complete RBI reporting (if foreign investment involved).	As applicable	Finance
19	Banking Regulations	Update bank mandates and financing documents, credit facilities.	Immediate	Finance
20	Insurance Laws	Transfer insurance policies to new entity.	Immediate	Admin
21	Industry-Specific Laws	Update sector-specific approvals/licenses.	As applicable	Legal
22	Contractual Compliances	Novate Contracts and inform vendors/customers.	0–90 days	Supply Chain

ROLE OF THE COMPANY SECRETARY IN POST-DEMERGER IMPLEMENTATION

After the scheme becomes effective, the Company Secretary plays a central role in ensuring seamless implementation of the scheme and full compliance with the Companies Act, 2013 and applicable SEBI regulations. The Company Secretary plays an important role in the post-implementation phase of a scheme of Corporate Restructuring, ensuring that the legal, regulatory, and procedural requirements sanctioned by the National Company Law Tribunal (NCLT) and provisions of the scheme are fully executed. Mainly, the Company Secretary is directly responsible for share allotment and corporate actions, updating statutory registers and records, drafting and implementing necessary board and shareholder resolutions, overseeing secretarial compliances, IEPF related issues, attending the stakeholders queries related to the scheme, works related to transfer of assets and properties and to do a structured compliance calendar for all ongoing statutory filings.

The Company Secretary acts as key coordinator among different departments on regulatory requirements arising from the restructuring like accounting adjustment and income tax department related communications by finance team, employee related issues by human resources team, operations licenses, creditors and debtors related issues by operational team. The Company Secretary shall ensure adherence to the schedules and timelines stipulated under the scheme by providing necessary support through proper documentation and

addressing inter-departmental queries relating to Corporate Restructuring.

Post-implementation activities for giving effect to Corporate Restructuring are complex and require careful execution, as non-compliance may lead to penalties or legal issues. The Company Secretary ensures that all actions align with the “Effective Date” in the scheme and NCLT order while maintaining compliance. The Company Secretary shall ensure that the Corporate Restructuring is implemented without any disruption to the Company’s ongoing business operations.

REFERENCES:

Author has personally handled post-Scheme of Arrangement implementation for the following transactions:

- i. *Chembond Material Technologies Limited and Chembond Chemicals Limited*, NCLT Order dated April 7, 2025.
- ii. *Hercules Hoists Limited and Indef Manufacturing Limited*, NCLT Order dated August 2, 2024.

