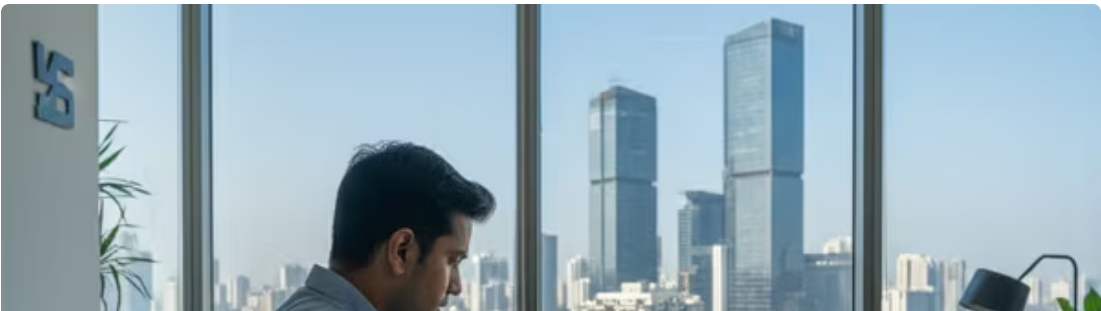


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Mint Explainer | Why MCA is making it easier for startups to return to India, but not cheaper

Sakshi Sadashiv , Neha Joshi | 6 min read | 14 Sept 2025, 07:04 pm IST



With India’s stock markets deepening and investors’ appetite for digital-first businesses surging, the pull to return home has grown stronger among Indian startups. (AI-generated image)

SUMMARY

The Ministry of Corporate Affairs has expanded India’s fast-track merger rules, easing reverse flipping for startups by bypassing NCLT approvals.

The move could accelerate redomiciliation of startup unicorns like Razorpay, Meesho, and Groww, though high tax costs remain a key hurdle.

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The Ministry of Corporate Affairs’ latest changes to India’s fast-track merger rules, notified on 11 September, redraw the playbook for startups looking to bring their parent entities to India.

By widening the scope of companies that can bypass the National Company Law Tribunal, the move trims one of the biggest hurdles in such “reverse flips”.

Mint explains what this means for founders, investors, and India’s startup ecosystem.

What is reverse flipping?

Reverse flipping, or redomiciliation, is when a domestic startup that has set up its parent company overseas—typically in Singapore, the US, or the Netherlands—moves its headquarters back to India.

For years, founders chose foreign structures to tap global venture capital and list on international exchanges. But with India’s stock markets deepening and investors’ appetite for digital-first businesses surging, the pull to return home has grown stronger.

“This trend of folding up of foreign parent companies into Indian subsidiaries seems to be gaining traction, possibly due to better valuation on Indian stock exchanges,” said Ketan Dalal, managing director at Katalyst Advisors Pvt. Ltd.

Razorpay, **Meesho**, **InMobi**, **Pine Labs**, and **Udaan** are among firms exploring or executing this shift. Zepto and Walmart-owned Flipkart moved their headquarters home earlier this year. Groww, which redomiciled in 2024, has filed a draft prospectus with the Securities and Exchange Board of India for an initial public offering of its shares.

What was once a niche and complicated process is now becoming part of the mainstream playbook for India’s startup unicorns.

Why is MCA expanding the scope of reverse flipping?

The change builds on a series of earlier reforms. About a year ago, MCA allowed certain reverse flips to go through without securing mandatory approval from the National Company Law Tribunal so long as they had secured the Reserve Bank of India’s approval. At that stage, the fast-track route was limited to startups, small companies, and wholly owned subsidiaries.

MCA’s latest notice broadens the scope to cover a wider set of unlisted firms, as well as mergers where a foreign holding company combines with its Indian subsidiary, or subsidiaries of the same parent merge, provided none of the transferor entities are listed.

By cutting tribunal dependencies and reducing compliance layers, the government is addressing one of the biggest pain points for Indian startups—uncertainty and delays in restructuring.

“In effect, the government has decongested the NCLT pipeline,” said Iqbal Khan, partner at Cyril Amarchand Mangaldas, a law firm. This creates a win-win for both as companies face fewer hurdles and NCLT’s burden is reduced, added Dalal.

The MCA’s move closely follows Sebi’s reforms aimed at making local listings more attractive. In June, the regulator cleared a proposal allowing founders to hold on to employee stock options issued a year before an IPO even after the company goes public, subject to certain conditions.

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Why is reverse flipping important?

MCA’s expanded fast-track framework removes one of the biggest procedural hurdles in redomiciling: the need for NCLT approval. For startups weighing a reverse flip, that means fewer delays and lower compliance costs.

According to Khan, timelines can drop from 9-12 months before the NCLT to 3-4 months under the fast-track route, provided creditor and shareholder approvals are secured.

Madhavan Srivatsan, senior partner at Emerald Law, elaborated that under the fast-track route, several formalities mandated in a regular merger scheme, such as issuance of public notices and court hearings, are no longer required.

"The timelines for mergers are expected to be considerably reduced as the approval process will now be overseen at the level of the Registrar of Companies (i.e., the Central Government) rather than the NCLT," he said.

The decision also dovetails with Sebi's recent changes to IPO rules, pointing to a coordinated push to keep homegrown companies within India's regulatory fold.

It is also a marker of how far India's capital markets have come. Reverse flips were once rare because local markets lacked depth. The fact that large consumer-tech firms are now choosing to move home underlines the changing calculus.

Why was NCLT approval needed in the first place?

Until recently, every reverse flip had to pass through the NCLT, which acted as a safeguard, ensuring that mergers or restructurings protected creditors, minority shareholders, and complied with all statutory requirements. But this often stretched timelines by months and added to legal costs—a poor fit for startups, which need speed and predictability.

"Assuming that creditors' interest is protected, ideally NCLT's involvement should primarily be a confirmatory role. However, in practice, NCLT tends to travel beyond its actually intended role with unintended outcomes, especially in relation to timelines," explained Dalal of Katalyst Advisors.

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Can the process be made cheaper?

The fast-track route trims the procedure but the real expense lies in taxes. Groww, Meesho, and Razorpay's flips show how cross-border tax outgo can run into hundreds of millions of dollars.

The new fast-track route under Section 233 of the Companies Act is not tax-neutral, as the Income Tax Act only provides tax benefits for demergers under the traditional Sections 230-232. "For clarity and commercial viability, it is important to align both laws and remove this clearly unintended anomaly," Dalal said.

To be clear, any transfer in the demerger of a capital asset by a demerged company to the resulting company is not to be regarded as a 'transfer'. Accordingly, there will not be any capital gains tax on demerged companies. However, the new Income Tax Act 2025 does not include demergers covered under Section 233 of the Companies Act.

“Entities covered in benefit of widened fast-track demerger are not likely to get benefit,” said Mihir Tanna, associate director of direct tax at SK Patodia & Associates LLP.

This could be a “deterrent for companies considering this otherwise simpler route”, he warned, adding that entities facing a “substantial tax impact” may not prefer the fast-track process until income tax provisions are amended.

Relief could come through transitional tax incentives, treaty clarifications, or clearer valuation rules that cut costly advisory work. For now, flipping back is quicker, but far from cheap.

What’s the fine print?

While the relaxed reverse-flipping rules could actively nudge companies to set up their headquarters in India, the shift would be far from frictionless.

“The fast-track route is a procedural shortcut, not a substantive waiver: tax consequences, stamp duty, and approvals from regulators like RBI, Sebi, Irdai, or PFRDA must still be obtained, and the scheme must preserve tax neutrality,” Khan cautioned.

For instance, the new rules come with a high bar for creditor consent. “In well-structured group reorganisations, where creditors are often common and aligned, the 90% threshold may not be insurmountable. But for companies with fragmented creditor bases, the NCLT route will still be the practical default,” he added.

Groww, for example, paid roughly \$160 million (₹1,340 crore) in taxes when it shifted its parent entity from the US to India in 2024. Meesho is projected to face a tax outgo of \$288 million (₹2,461 crore) in the US as part of its flipback process. Razorpay’s tax bill for its reverse flipping is estimated at about \$150 million (₹1,245 crore).

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