

FIN-0-SCOPE

Jan 27th, 2025



Image Source: <https://www.google.com/url?sa=i&url=https%3A%2F%2Fwww.financeveda.com%2Fmerger%2F&psig=AOvVaw0hFha36JJqZn5aWKIX5GI&ust=1738050571836000&source=images&cd=vfe&opi=89978449&ved=0CBQQjRxqFwoTCNCljKS2IYsDFQAAAAAAdAAAAABAE>

"Uniting Borders: A Foreign Company Merges with an Indian Entity"

INTRODUCTION -

We are pleased to share a key milestone in corporate restructuring. The National Company Law Tribunal (NCLT), Mumbai Bench, has approved the cross-border merger of Kiranakart Pte. Ltd. (Singapore) with Kiranakart Technologies Pvt. Ltd. (India). This merger marks a strategic step toward achieving operational efficiency, simplifying the corporate structure, and creating a platform for sustained growth in domestic and international markets.

“

Key Insights

- **Tax-Free Transition:** Thanks to Section 47, shareholders don't have to pay capital gains tax on this merger.
- **Amalgamation Advantage:** This merger ticks all the boxes for a tax-neutral restructuring under income tax laws.

Key Insights

- **Capital Gains Holiday:**
The exchange of shares during the merger doesn't invite any capital gains tax—lucky shareholders!
- **Compliance Prodigy:** The merger adheres to cross-border tax rules, ensuring smooth approvals.
- **No Tax Shocks:**
Shareholders can breathe easy; this merger is a tax-friendly affair.
- **Transfer of Assets:** Assets transferred between entities in this merger don't attract taxes—thank you, Section 47!
- **Carry Forward Losses:**
The merged entity may get to carry forward business losses from the predecessor entities.
- **Tax-Free Restructuring:**
The merger aligns with income tax guidelines for seamless cross-border deals.
- **No Double Taxation:**
Proper compliance ensures no tax complications between Singapore and India.

About Kiranakart Technologies Pvt. Ltd. :

The Petitioner Company operates across three primary domains:

- **Technology Development:** The creators of Zepto, a state-of-the-art mobile application, and www.zeptonow.com, which specialize in delivering innovative, quick-commerce solutions.
- **Warehouse Fulfillment Services:** Providing business-to-business (B2B) logistics solutions, including inventory management and supply chain operations.
- **Wholesale Distribution:** Managing the bulk sale of consumer goods across various categories to retailers and businesses.

Key Highlights of the Merger:

1. Purpose of the Merger:

- Rationalize the group structure by reducing the number of legal entities.
- Minimize operational costs and improve decision-making processes.
- Create a unified platform for faster fundraising and seamless growth opportunities.
- Improve operational efficiency while boosting shareholder value.

2. Compliance Overview:

- The merger complies with Sections 230-232 of the Companies Act, 2013, and the Foreign Exchange Management (Cross Border Merger) Regulations, 2018.
- Stakeholders, including creditors, were informed, and their concerns were resolved to ensure smooth approval.
- Statutory obligations, including compliance with tax and regulatory frameworks, have been fulfilled.

3. Share Exchange Details: Shareholders of Kiranakart Pte. Ltd. will be allotted equity and/or preference shares in Kiranakart Technologies Pvt. Ltd. in an equitable share ratio. Adjustments, including share splits, have been incorporated to ensure fairness and scalability.

Rationale and Benefits:

The merger is expected to deliver several advantages, including:

- **Operational Simplification:** Eliminating redundant administrative functions and optimizing resource allocation.
- **Cost Savings:** Significant reduction in overhead costs through consolidation.
- **Future Growth Opportunities:** A unified structure provides better avenues for raising capital from domestic and overseas investors.
- **Stakeholder Value Creation:** Enhanced business synergies and better alignment with regulatory standards.

Impact on Stakeholders:

- **For Shareholders:** Improved financial performance and streamlined governance.
- **For Employees:** A consolidated framework will bring more clarity and opportunities for growth.
- **For Customers and Partners:** Enhanced service delivery through more efficient operations.

Next Steps:

The merger will come into effect after necessary filings are completed with the Registrar of Companies. This strategic move is expected to strengthen Kiranakart Technologies Pvt. Ltd.'s operational capabilities, market position, and long-term growth trajectory.

Disclaimer

This newsletter is intended for private circulation only. The views expressed are those of the editorial team and are based on publicly available information and Government portal platforms. Aman Satish & Company does not accept any liability, direct or indirect, for any consequences arising from the use of the information contained herein. Reproduction of any content from this newsletter is prohibited without prior consent from Aman Satish & Company. While every effort has been made to ensure the accuracy of the information, Aman Satish & Company does not accept responsibility for any errors or omissions.

Aman Satish & Company 2025. All rights reserved.



Key Insights

- **Shareholder Benefits:** Equity shares issued post-merger keep shareholder gains tax-free.
- **GST-Neutral Merger:** Indirect taxes like GST are unaffected, thanks to smooth restructuring.
- **Balance Sheet Boost:** Tax-efficient transfers ensure a stronger, cleaner financial foundation.
- **No Tax on Share Exchange:** Share swaps during mergers fall under the tax-free umbrella of Section 47.
- **Tax-Saving Synergies:** Combining operations reduces taxable overhead and boosts net profitability.
- **SEZ Benefits:** Warehousing operations may continue to enjoy tax breaks under special economic zone regulations.
- **Cross-Border Harmony:** India-Singapore tax treaties ensure no duplication in taxation.