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A critical analysis of legal and regulatory frameworks governing reverse mergers in India

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Abstract
Reverse merger refers to a state where the shares of a publicly listed companies are bought by a private company whose shares are not listed in the stock market, as an outcome of which the private company controls the company and converts into a public company by itself. This merger takes place without an initial public offering, by allowing a private company to get listed on a stock market. These types of Mergers are subjected to legal and regulatory gaps and such frameworks are ambiguous in nature. This can adversely impact the interests of the stakeholders in a private company, as an outcome of which the merger itself would lead to failure. The reason is, even the delisting regulations not applicable to Reverse mergers. The study dealing with the regulatory frameworks governing reverse mergers happening within India and the researcher will comment on the critical aspects of their existence. The Researcher delves into the concept of reverse merger and their legal and regulatory frameworks within India and to critically comment on the aspects of their existence. The Researcher aims to address this legal conundrum by grabbing attention to the loopholes in the legal and regulatory frameworks governing reverse mergers in India.

Keywords: Reverse merger, legal framework, India, the companies Act 2013 [2], the Income Tax Act, 1961, M&A, IPO

Introduction

Mergers and acquisitions (hereinafter referred to as M&A) are regarded as a corporate restructuring, and they are carried on with the intention of growth and development of the market as the foundation of market strategies. The statement "one plus one is greater than two" represents the main theory behind mergers and acquisitions. According to the Oxford dictionary, merger is defined as a "combining of two or more commercial organizations into one in order to increase efficiency and sometimes to avoid competition."

The term "Merger" is not expressly defined anywhere either in companies Act, 2013 [2] and Income Tax Act, 1961. The terms Amalgamation and merger are often used interchangeably. The difference is that, mergers, where one entity ceases to exist among the two or more entities which merge, wherein amalgamation at least three entities are involved, where all the entities merge together to form a new entity. The term amalgamation has not been defined under the Companies Act 2013 [2], however as per Section 2(1B) of the Income Tax Act 1961 [3], amalgamation indicates the merger of one or more companies with other company or the merger of two or more companies to form one company.

In the Companies Act, 1956, the provisions related to mergers and amalgamation are primarily found in Sections 391 to 394 of the Act whereas, in the Companies Act, 2013 [2], the provisions governing mergers and amalgamations are outlined in Sections 230 to 240. Corporate governance plays a critical role during restructuring events such as mergers and acquisitions in India. M&A can create value for shareholders through the synergy effect, and market advantages. However, value creation depends on how the process, from merger preparation to post-merger integration is managed. A successful M&A process can create value, but measuring the value that mergers and acquisitions create is an inaccurate science.

Mergers are classified into various types, in which one of the types if the Reverse merger. Reverse merger refers to a state where the shares of a publicly listed companies are bought by a private company whose shares are not listed in the stock market, as an outcome of which the private company controls the company and converts into a public company by itself. Further, a reverse merger happens without an initial public offering (hereinafter referred to as 'IPO') by allowing a private company to get listed on a stock market. Thus, the concept of reverse merger stands contrary to the process of IPO, which is an offering of shares made publicly available for the first time.

Reverse merger is a corporate strategy where a private company with huge operations and assets merges with a public company whose shares are traded in the securities market, however they hold only few assets and low in its operational, say like a shell company or corporation, which due to mismanagement lacks business activity or has no significant assets. Basically, in a nutshell, reverse merger has two different kinds of companies which come together i.e., one, the public shell company acts a dormant company and the other would-be private company, that actively participate in the market, by acquiring the shares of the public listed company, thus deliberating itself to be listed in the stock market, this comes under the type of direct reverse merger. On the other hand, reverse merger also takes place where a parent company merges with its subsidiary or a loss-making company with a profit-making company. The arrangement takes place between wholly-owned subsidiary and private company and the merger among the parent listed company with its wholly-owned subsidiary, are classified as triangular reverse merger.

Generally, reverse mergers are not prevalent in India while remaining common in certain developed countries like China, UK and the USA. In 2011, it was surveyed that annually, United States witnesses almost 200 cases of reverse merger, whereas India has only handful of such merger. Nonetheless, the data indicates that, India is gradually evolving with increase in come together for a reverse merger. A reverse merger is also denoted as a reverse takeover, as the private corporation acquires control over the public company which has listed its share on the

stock exchange, to get listed itself. This is also referred to as backdoor listing, where research indicates that the companies which opt to go public through this backdoor listing, their level of performance and likelihood of survival happens to be more detrimental and poorer, when compared to companies that go public through the traditional mode i.e., IPO.

1. Statement of problem

In India, Reverse Mergers are subjected to legal and regulatory gaps, such frameworks are ambiguous in nature. Firstly, there is no such provision regulating with the problem of information asymmetry, where the public company does not disclose the information, as it being a dormant (shell) company, it may undergo any legal dispute pending before the tribunal or have to pay any outstanding debt. This can adversely impact the interests of the stakeholders in a private company, as an outcome of which the merger itself would lead to failure. Even the delisting regulations not applicable to Reverse mergers. Secondly, under the companies Act, 2013, [2] section 232(2) lacks clarity in the provision, as the interests of the shareholders in a public company are jeopardized. Eventually, the risks associated with the public listed company carried on to the merged company, this can incur liability on the private company too. It is further uncertain that the company which undergoes reverse merger would have poorer transparency, accountability and reliability of financial information, as compared to those company's financial quality in reporting, that opts for the process of IPO in the primary market. Therefore, there is a need for specific regulation to address these gaps, particularly for reverse mergers. The researcher aims to address this legal conundrum by grabbing attention to the loopholes in the legal and regulatory frameworks governing reverse mergers in India.

2. Research objectives

- To analyse the origin of reverse merger in India
- To study the difference between IPO and reverse merger and their procedures.
- To interpret the legal and regulatory frameworks governing reverse mergers in India.
- To evaluate the risks associated with reverse mergers.

3. Research questions

1. How was the concept of Reverse merger originated in India? How do they differ from IPO?
2. Whether Reverse Mergers are adequately governed by the existing legal and regulatory frameworks in India?

4. Scope and limitation

The scope of the research is limited to the study of reverse mergers taking place in India. The research highlights the legal aspects of reverse merger within India. The researcher does not delve into the cross-border reverse merger i.e., reverse merger of entities between India and other jurisdictions. The study dealing with the regulatory frameworks governing reverse mergers happening within India and the researcher will comment on the critical aspects of their existence.

5. Methodology

The research study primarily adopts the Doctrinal Legal Research method, where it analyses the legislative frameworks and other regulations of reverse mergers. The researcher interprets the critically the reverse mergers take place in India. As doctrinal legal research is all about "Abstracting ideas from diverse sources, and consolidating them through synthesis, is the essence and key strength of this process". The researcher relies on the sources such as working bibliographies, statutes, consultation papers, newspapers, books, e-books, articles, law reviews, journals and other online websites. The citation used in the footnotes is ILI citation.

Origin of the Concept of Reverse Merger in India

Since 1980s reverse merger has its origin in India, even though the idea was not much prevalent those days, however regulated in a generalised manner under the common wide purview of mergers and acquisitions. This evolution is created by the number of private companies; these companies found a way to evade from the traditional IPO method considering it as a rigors method and go public by acquiring the public listed companies in its simplest version.

It is laid down in the case of Bihari Mills Ltd., In re, that prior to entering into a scheme of arrangement or compromise, the involved parties must verify whether the considered merger is in nature of reverse merger, if it satisfies the following tests:

1. As compared to the transferee company, the assets in the transferor company are greater.
2. In compliance with acquisition, the transferee company issues equity capital, which must be exceeding original issued capital.
3. The transferee company's apparent change in control makes it evident that the current arrangement is a typical instance of a reverse bid takeover.

Reverse mergers can also be traced long back in the case of "Godrej Soaps", which in 1994, underwent reverse merger with one of its subsidiaries that is an unsuccessful unit named "Gujarat Godrej Innovative Chemical" resulting in "Godrej Soaps Ltd." in this case, the company stood unsuccessful and made more loss. Prior this merger, the Godrej Soaps existing with an annual turnover of ₹437 crores and prevailed as a profit- generating company. Then subsequent to that, the merged company being a loss-making one, so the Godrej Soaps Ltd could only generate a turnover of ₹6 crores.

1. Difference Between Reverse Merger and The Ipo

Parameters	Reverse Merger	Initial Public Offering (IPO)
Meaning	It is a process where a private active company merges with the dormant public shell company.	It is the offering of the company's share to the public for the first time.
Nature of company involved	The private company without offering any share to the public i.e., not undergoing the IPO process, however merely merges with the public company, and subsequently become	The transition of private company (whose shares are traded for the first time in the issue market) to go public i.e., get listed in the stock market.

	listed.	
Process Timeline	Typically, it takes three-four months to complete the process. Therefore, it is a rapid in nature.	IPO, comparatively is bit slow in its process, where it can take nine to twelve months or more.
Costs	Generally, it costs lower than the IPO. It is viewed as a simple concept, which is quick in progress and less expensive.	The process of IPO is basically expensive in cost.
Market dependence	Reverse mergers are nor dependent on market conditions like fluctuations in share prices,	IPO is highly dependent on the market condition. Eventually, reduction in price can even lead to delay in process.
Underwriter	In reverse merger, there is no involvement of underwriters as such.	In IPO, the underwriter is present, who aids for greater survival probability.
Organisation performance	It is applicable to the organisation whose performance is low or poor in nature like less turnover.	It is not specific to organisation which has poor performance, any company can go for IPO.
Risks	In reverse merger, there is no risk involved, as the merger does not rely on the objective of raising the share capital.	It is a traditional method, as IPO is more depend on on the market conditions and the delay in process happens whenever there is a decrease in market scenario.

2. Procedural Aspects for Ipo and Reverse Merger

In case of an IPO, it takes place in the primary market, in order to raise capital. It is the primary source of fund, which is long-term or persistent. When an abundance of IPO is offered, then it signifies the thriving stock market and economy. Wherein dealing with reverse merger, the strategy used by the private companies must be comprehended, where those companies seek for a reverse merger. Wherein, when it comes to public company, they had previously had their shares traded either on the stock exchanges, say the NSE or BSE or on the over-the-counter marketplaces i.e., a market sustains directly on a computer system where shares are sold, bought rather than on a stock market. Subsequently, the majority of the shares of the shell company are bought by the private company, which is at least 51% of their value. Then the new shares of the public company which are bought are exchanged with the shares of the private company. Unlike IPO, there is no need for a reverse merger to raise capital. In this kind of merger, the shell companies become the typical target.

3. Key Compliance to Be Made in The Process of Reverse Merger

1. **Strategy:** Formulating a financial plan, funding via debt, investments and other internal finances.

2. **Letter of intent:** Approving the initial contract between the parties. Expression through letter of intent by both the parties, say the private company and the shell corporation, that they consent to fulfil the reverse merger process by making the private company go public.

3. **Due diligence:** Auditors from both the private and shell companies will be responsible for due diligence since upon the signing off of the reverse merger deal, where each party is entitled to a pro-rata ownership stake in the merged company.

4. **Non-cash assets:** Selling the remaining non-cash assets held by the shell company simultaneously with the conclusion of the deal.

Legal and Regulatory Frameworks Governing Reverse Mergers in India

1. Companies Act, 2013 [2]

In India, not only the term but also the concept of reverse merger is not governed under the Companies Act, 1956. Such concept was brought under the umbrella of the catchall provisions of mergers and acquisitions as a whole, which is classified as a broader scope of area and not specific in nature. In the Companies Act, 1956, despite has no specific provision dealing with reverse merger, whereas the scheme of arrangements is merely discussed from 394 read with sections 391 of the said Act, which requires approval from the High Courts. Yet, later the transactions were taken into account by the Companies Act, 2013 [2], that consequently laid down the section 232(3)(h), though not defined the term 'reverse merger' as such.

Section 232(3)(h) of the Companies Act, 2013 [2] impliedly deals contrary with the concept of reverse merger, but not used the term explicitly. The provision states that the transferor company i.e., the listed company: and the transferee company i.e., the unlisted company, where it remains unlisted until it gets listed on a stock market i.e., listed company. In case where the transferor company's shareholder chooses to withdraw from the transferee company, then in line with the pre-determined price formula, provision shall be made for the payment of their share value along with other benefits or upon the completion of valuation and the tribunal may make arrangements specified by these provisions. This states that the exit option of shareholders in a listed transferor company allows them to sell their shares, typically at a predetermined price upon reverse merger. Thus, the shareholders choose to liquidate their investment in the transferor company and exit if they not prefer to become shareholders of the merged entity. Proviso to section 232(3)(h) states that the payment amount or the valuation concerning the shares shall be determined by the Securities Exchange Board of India under the regulations made by the Board, which shall not be less than what has been specified by SEBI.

2. Income tax act, 1961 [3]

In India, the Income Tax Act, 1961 aims to encourage those companies which go for corporate restructuring particularly, reverse mergers by granting them with tax incentives. This concept of reverse merger is dealt by the provision under Section 72A of the Income Tax Act, 1961 [3]. The Finance Act of 2022 and IT Rules amended Section 72A as "Carry forward and set off of unabsorbed depreciation in amalgamation". The provision where the merger between sick companies with healthy companies results in potential tax relief and technically, it falls under "tax-friendly

merger". Accordingly, they benefit from carry forward of losses to the merged entity, hence leads to tax savings.

Sub-section (2) of section 72A laid down the conditions to be satisfied by the companies to meet the objectives of carry forward or set off, they are:

1. In an amalgamated company, there shall be a loss occurred or depreciation being unabsorbed for 3 years or more, during the operation of the company. Also, the company shall consistently retain, as of merger date, at least three-fourths of the book value of fixed assets, which it had two years earlier.
2. In an amalgamating company, it shall consistently retain, as of merger date, at least three-fourths of the book value of fixed assets of the amalgamating company, where it holds at least five years. The company continues to operate for a period of five years from the date of amalgamation deal. As specified, it had to satisfy such other additional requirements, which guarantees the revival of the amalgamating company or the legitimate purpose behind the amalgamation.

Sub-section (3) of section 72A states that if the conditions laid down in sub-section (2) are not complied with, then the amalgamated company's set off of loss or allowance for depreciation that was made in the previous year will be deemed to represent its income, which is subject to tax in the year where the conditions are not met.

In the Bihari case, the court held that the objective of section 72A enables to combine the sick companies with the sound one, it cannot be argued that the scheme of arrangement of merging a sick unit with a sound one is violation of the provisions of section 72 A of the Income Tax Act.

Section 72A uses the term "amalgamation" and not "merger" where Section 2(1B) defines "amalgamation in the context of companies, referring it as a merger of one or more company into another company or merger of two or more companies into a single entity". The company which merge is denoted as amalgamating company and the company with which they merge is referred to as amalgamated company. The following are the pre-requisites stated in the sub-clauses of section 2(1B) of the Income Tax Act, 1961 [3]

1. The sub-clause (1) states that even prior to amalgamation, every property belonging to the amalgamating company becomes the property of the amalgamated company.
2. The sub-clause (2) states that by way of amalgamation that too immediately earlier to such restructuring, every liability belonging to the amalgamating company becomes the liabilities of the amalgamated company.
3. The sub-clause (3) states that by virtue of amalgamation, shareholders who holds at least three-fourths of the value of the shares in the amalgamating company or companies (other than shares previously held prior to amalgamation by the nominee or by the amalgamated company or by its subsidiaries) thereby becoming shareholders of the amalgamated company or companies.

3. Sebi (listing obligation & disclosure requirement), 2015 [4]

The applicability of the regulation shall extend to the listed companies which has listed in any designated securities of a recognized stock exchange, then the company is subjected to such restrictions. According to this regulation, prior approval of the stock exchange is necessary, in case of scheme of arrangement, where an unlisted company merges with the listed company that is denoted as a surviving entity and formally speaking, it corresponds to "listing-friendly merger".

4. Sebi circulars

There is no specific provision governing these kinds of mergers concerning listed and unlisted entities. According to the Companies Act, 2013 [2], the requirement is that the stock exchange must provide in-principal approval and approval from court, when a listed company decides to opt for merger. Generally, SEBI issues a circular based on its powers and functions under the section 11 of the SEBI Act, 1992.

Terms of reverse mergers was provided by SEBI through its circular dated September 3, 2009. According to this circular, an unlisted issuer under Rule 19(7) of the Securities Contracts (Regulation) Rules, 1957 [5] (hereinafter referred to as "SCRR") may make an application before the Board for relaxation from Rule 19(2)(b) of SCRR, to list equity shares on recognized stock exchanges without initial public offerings, if they meet specific conditions as may be specified.

Later superseding the 2009 circular, SEBI has issued two other circulars, in which it mandates the prior approval of the Board in case when the listed companies enter into scheme of arrangement i.e., reverse merger in this regard, dated 4th February 2013, wherein the circular dated 21st May, 2013, where SEBI exercise its power under section 11 of the SEBI Act, 1992 to regulate the reverse merger, but as a result of insufficient disclosures and overstated values, they harm the general public and minority shareholders. Thus, stringent restrictions are inflicted on listed companies undergoing mergers by the impugned circular. Consequently, not only reverse merger but also any scheme of arrangement that takes place between listed and unlisted private entity is subjected to the investigation by SEBI.

Subsequent to that, SEBI has issued a circular dated March 10, 2017, under "Section 11 of the SEBI Act, 1992 and Regulations 11, 37 and 94 read with Regulation 101(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Rule 19(7) of Securities Contracts (Regulation) Rules, 1957" [5]. To align with the conditions relating to listing under the scheme of arrangements in conformity, such requirements are as follows:

The condition for post-merger would be amongst the paid-up share capital of the transferee company, at least 25% of shares shall be allotted to the public shareholders of the transferor company.

The proviso states that if the entity fails to fulfil the aforementioned criteria, can still meet the additional requirements:

1. According to the valuation report, the company should have more than Rs.1600 crore;
2. At least Rs.400 crore value of shareholding held by the public shareholders post-scheme of the listed entity in the transferee entity;
3. Shares granted to the public shareholders of the transferor company represent at least 10% of the post-scheme paid-up share capital of the transferor company; and

4. From the date on which the securities are listed and the scheme incorporates an undertaking to that effect, within one year, at least 25%, the entity shall increase the public shareholding.

5. Sebi delisting regulations

The process of Reverse merger is not governed by the delisting regulations of SEBI, whereas if a company which decides to delist its securities from the stock exchange. Then the details of the company are taken into account, at that time, it is no matter whether a company undergone IPO or went public through reverse merger. Therefore, the company even formed through scheme of arrangement can go for delisting under the SEBI (Delisting of Equity Shares) Regulations, 2021. The scope and applicability are stated in the Regulation 3(2)(b)(ii) of the Regulation, 2021, where under section 232(3)(h) has provided the shareholders of the transferor company with an exit opportunity, allowing them to withdraw with the merged entity at a specified price. When this situation of exit option chosen by significant number of shareholders, it may lead to reduction in public shareholding, it likely to meet the requirements of SEBI delisting regulations.

A Critical Study of The Provisions Dealing with Reverse Mergers in India

1. Critical Interpretation of Section 72a- A Tax Perspective

1. Companies may utilize the provisions of section 72A, in order to take advantage of tax incentives, at this juncture the genuine rationale is not to promote corporate restructuring or business revival in place. Thus, in most cases, section 72A is used as a tool for tax evasion.
2. In addition, uncertainty in interpretation might cause conflicts among taxpayers and authorities which could lead to prolonged legal disputes.
3. There are probabilities of companies misusing the tax incentives and thereby undermining the reliability of tax system. Furthermore, there poses a risk of compliance of the complex and burdensome nature of conditions to be met by the companies, which at times fails, leading to ineligibility to benefit from tax, causing financial repercussions. This gives clarity that section 72A has no adequate protection to prevent abuse and ensures that tax benefits are granted only to genuine instances of corporate restructuring.
4. Under sub-section (2), where the reverse mergers mandate the holding of fixed assets may hinder the flexibility in post-merger, which is more difficult for shifting market conditions and maximize the business operations. This difficulty fails to meet the objectives like promoting growth and revitalising financially distressed companies.

2. Critical Interpretation Of Section 232 (3)(H)- A Scheme Of Arrangement Perspective

1. Even though, this provision deals with the listed and unlisted companies, it does not explicitly signify the reverse merger, thus stands ambiguous in interpretation.
2. Also, section 232(3)(h) lacks clarity regarding SEBI's role in determining the share value or payment amount that might lead to vagueness and disputes over fairness in transaction of reverse merger.
3. Further, there is a risk pertaining to unfair treatment of shareholders, declining the investor's confidence, as an outcome of which there is inconsistency and non-transparency of exit option.
4. In the event of reverse mergers, there is absence of regulation dealing with determination of consideration for shareholders to be paid when they exit the company.
5. The phrase "other benefits" is not clearly defined, thus surrounding ambiguity in the transaction. Taking this as an advantage, the shareholders may demand additional benefits beyond their entitlement right, this potential risk leads to disputes lacking transparency.
6. The listing process of the resulting entity by way of reverse merger requires the clarification from the MCA, as it is not an automatic process resulting in listing except the IPO process. Therefore, the risks arise with respect to the provision being misused like deliberately cause delisting, which further needs guidance, how to make it in line with the existing delisting regulations.

3. Risks associated with reverse merger in india

a. Market Risks

Market risks refer to the conditions in the market, economic factors and such other sector-specific fluctuations in the share price. Subsequent to reverse merger, the newly formed entity i.e., the public listed company face market risk, though the fluctuations can take place irrespective of the company's performance. It has impact on the shareholder value, where shareholders of the merged company face market risk through the value of investment fluctuation. Thus, increase in shareholder value due to favourable market conditions where if there is adverse market condition, shareholder value decreases.

b. Corporate Governance Risks

Corporate governance involves the aspects of transparency, accountability and ethical standards, where failing to comply with such standards by the shareholders, then it does not result in the best interests of shareholders and eventually they may lose confidence, thereby selling their holdings. Therefore, companies must primarily disclose the liabilities or real situation through financial information to the shareholders, so that shareholders come to know about the company's financial stability. The risk arises where the company concealed or undisclosed liabilities that can lead to financial losses for shareholders and erode their trust in the management of the company.

c. Liquidity Risks

Since reverse merger do not undergo the IPO process, thus hindering the transaction as to significant generation of capital. This minimal liquidity can also undermine the shareholder value. The capital of the company to sustain growth can be impeded by the lack of capital infusion, which would reduce the shareholder liquidity and market appeal.

d. Credit Risks

In reverse mergers, credit risk represents the potential to inherit liabilities from the acquired public shell company, that could be distressed financially. This includes potential threats from the previous creditors seeking to recover funds, which might put the new organisation into a financial strain and incur legal issues. Thorough due diligence is necessary to address and mitigate these risks in a proper manner.

e. Business Risks

Business risk lies in two types of company, those with past operations say the public shell company which has a high potential risk and those clean companies which has low risks which is newly formed entity. Shell companies possess risks such as unresolved liabilities, legal disputes and unsuccessful history in business whereas clean companies are labelled as 'clean' due to the less risky features. Thus, necessitates a due diligence for both the kind of companies.

Conclusion

In conclusion, reverse merger has become world widely recognised as an efficient method for public listing. Benefits like cost and time reduction are offered to companies which under reverse mergers, which is an emerging corporate restructuring. Maximizing the benefits which requires an enabling legislative framework, robust corporate governance and trustworthy auditing firms. Additionally, tax benefits promote economic growth and help to revitalize the struggling companies. Ultimately, increasing competitiveness and promoting economic prosperity can be achieved as a result of reverse mergers. The reverse merger is advantageous to company as well as shareholders. It results in efficient use of resources available to protect the interests of many stakeholders. The company gains value from this merger, which also strengthens its sustainability in the future.

Although reverse merger is not explicitly addressed in any provisions, yet SEBI oversee and consider it pertinent by keeping an eye on these kinds of deals to make sure that they comply with transactions and protect the interests of investors. However, regulatory authorities must implement stringent guidelines to prevent the abuse of these deals to ensure transparency and accountability in the restructuring processes. In case of minority shareholders, they possess the appraisal rights which is a crucial mechanism to be protected in the reverse merger deal. According to the Companies Act, 2013 [2] and the SEBI regulations, the dissent shareholders have the option to file petition before the NCLT in order to get fair valuation of their shares. Thus, minority shareholders must be safeguarded and the evaluation process must be held in high regard. When this appraisal right is upheld, it will maintain the investor confidence in the Indian market. A viable method for listing the securities in public, the reverse merger offers unlisted companies to access the securities market, this is done without undergoing the process of IPO. Nonetheless, reverse mergers are associated with various risks, so to mitigate the potential difficulties, a thorough due diligence is required.

Recommendations

The following recommendations are put forth to address the issues and to improve investor protection in reverse mergers

1. First of all, all investors are to be provided with the information about the deal, in order to mitigate risks pre- and post- mergers. Such disclosure must ensure with comprehensive and time compliance. This can reduce the information asymmetry among investors and insiders
2. To deter the manipulation of the market and to prevent insider trading in the transaction deal, the regulatory bodies should regularly monitor and provide with adequate resources.
3. Reverse merger is not much in prevalence in India, compared to other deals of corporate restructuring, so there is need for the promotion of investors education program regarding the deal. Therefore, it would be beneficial for the investors to protect their investments by identifying the potential risks.
4. The companies must comply with the practices of corporate governance such as appointment of independent directors, thus ensuring the transparency in the reverse merger deal. Efficient board management helps in protecting the interests of the investors and promote fair treatment.
5. The companies which undergo reverse mergers must adhere to the norms by disclosing the periodic audits compliance.
6. There is a need for assimilation of provisions in place to address the risks associated with reverse mergers. If no provision is formulated to mitigate the risks, then the interests of Indian companies may pose a threat.
7. In India, the process of obtaining a NOC serves as a mechanism, yet the scope of scrutiny is still limited. So, it is recommended that a formation of a dedicated committee to review the scheme of arrangements, specifically the reverse merger deals.

In conclusion, the research study aims to recommend a proper and suitable regulatory framework for addressing all the issues with respect to reverse mergers in India, which stands as an increasing need too.

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