



Frequently Asked Questions (FAQs)

on

Mergers, Amalgamations &

Winding up

September 2025

FAQs on Mergers & Amalgamations

1. What is a merger?

A merger is a combination of two or more existing companies which merge their identities to form a different company which can either be one of the existing companies or a separate new entity altogether.

Compromises, arrangements and reconstruction between a company and its creditors or any class of them, or between the company and its members or any class of them are generally termed as mergers and amalgamations and are regulated under the provisions of the Companies Act, 2017. Compromise may be entered into between a company and its creditors for settlement of claims or suits for recovery filed against a company, which may involve each party surrendering something in concession to the other.

2. What is the SECP regulatory framework governing mergers?

Mergers in Pakistan are governed by the SECP under sections 279 to 285 of the Companies Act, 2017. Further, section 282L of the Companies Ordinance, 1984 read with section 509 of the Companies Act, 2017 governs procedure for amalgamation of NBFCs with each other.

3. What is a Scheme of Arrangement?

Under section 279 to 285 of the Companies Act 2017, a Scheme of Arrangement is a legal document used by the concerned companies to restructure their affairs, which may include mergers, demergers, restructurings, or other reorganizations. It involves a formal proposal that includes the parties and the terms of the agreement, that are approved by the company's shareholders and/or creditors and sanctioned by the Court/Commission. Once approved, the scheme becomes binding on all relevant parties.

4. What are the contents of Scheme of Arrangement?

The Scheme of Arrangement should include all relevant details regarding the transferor and transferee companies and their business as well as the details regarding the terms of the merger/arrangement. There is no specific format for the scheme of arrangement but following are key points which should be included, among other information provided:

- Particulars about transferee and transferor companies
- Share capital of transferor and transferee company specifying authorized capital, issued capital and subscribed and paid up capital
- Details regarding the shareholding structure and directorship
- Rationale and benefits of the scheme
- Main terms of the scheme/arrangement
- Main terms of transfer of assets and liabilities from transferor to transferee
- Impact of the scheme on various classes of shareholders and creditors of transferee and transferor companies
- The effective date from when the scheme will be deemed to have come into effect
- Description of the proposed swap ratio
- Conditions attached to the scheme, if any
- Any or all material information in respect of the transferor and transferee company and the terms of the arrangement which is ancillary for the purpose of the scheme

5. Merger of which companies does not fall under the SECP framework?

The SECP merger framework is not applicable on the mergers and acquisitions of banking companies, which are governed under the Banking Companies Ordinance 1962, under which the State Bank of Pakistan regulates shares acquisitions of banking companies.

6. Which merger cases are to be filed in the Courts?

For any scheme of compromise, arrangement, amalgamation or reconstruction by transferor and transferee companies which are neither small sized companies (as defined in the Third Schedule to the Companies Act, 2017) nor public sector companies owned by the Federal Government, an application shall be filed under Section 279 to 283 of the Act, before the Company Bench of the High Court having jurisdiction under the Act.

7. Which merger cases are to be filed with SECP directly?

For any scheme of compromise, arrangement, amalgamation or reconstruction filed by transferor and transferee companies that are small sized companies (as defined in the Third Schedule to the Companies Act, 2017) or public sector companies (PSCs) to the extent of the Federal Government, an application is to be made to the Commission under Section 279 of the Act.

8. How much fee is required to be paid with a merger application?

The prescribed application fees is determined as per the latest amended Seventh Schedule to the Companies Act, 2017, available at www.secp.gov.pk, based on the classification of the transferee company as either a small sized company or a Public sector company directly or indirectly owned by the Federal Government.

9. What is the general process of a merger application?

- i. **Drafting the Scheme and obtaining approvals:** The applicant companies prepare the scheme with help from financial/legal advisors. The board of directors of each of the merging company is responsible to adopt the scheme and a report explaining effect of compromise or arrangement on each class of members, laying out in particular the share swap ratio, specifying any special valuation difficulties, is to be circulated for the meeting of the members or creditors in terms of section 282 of the Companies Act 2017.
- ii. **Engaging a chartered accountants' firm and/or an expert for valuation purposes:** The companies engage the firm for determination and certification

- of the share swap ratio/consideration for the scheme, and/or an expert for valuation of movable and/or immovable properties.
- iii. **Application to the Court/Commission:** Petition/Application is made to the Court/Commission containing the Scheme of Arrangement and other required documents along with request for convening a meeting of members and/or creditors.
 - iv. **Notice & Meeting:** Court/Commission orders meetings; notices are sent to all concerned parties.
 - v. **Voting:** The scheme is voted on by the members and/or creditors.
 - vi. **SECP Review:** In case of petition filed before the Court, SECP may provide its comments or objections before the final order.
 - vii. **Court/Commission Approval:** The Scheme may be sanctioned with or without any changes/conditions.
 - viii. **Implementation:** Once the scheme is sanctioned, copy of the sanctioning order duly certified by an authorized officer of the Commission is filed with the relevant registrar within seven days from the date of order, and implemented accordingly.

10. What is the role of SECP in merger cases filed in Court?

SECP is a party to the petition for every scheme of arrangement filed in Court. The Commission examines the petition and the scheme of arrangement while ensuring compliance with the following requirements:

- Approval of board of directors of transferee and transferor petitioner companies and copies of board resolutions
- Issuance of notices of members/creditors meetings by the petitioner companies to ensure that required information has been disclosed in light of the requirements of Section 281 of the Act
- Approval of three fourth in value of the creditors or members of the petitioner companies
- Availability of latest annual audited financial statements of petitioner companies; or supplementary audited financial statements

- Determination of share swap ratio, particularly considering any public interest involved
- Review of the figures and methodology used to arrive at the share swap ratio, and analysis of the ratio in line with salient judgments on the subject, to ensure that the terms of scheme are not prejudicial to any of the shareholders of petitioner companies
- Availability of report of the expert(s) with regard to asset valuation(s), if any
- Assessment of any complaint, investigation or court cases pending or concluded before the Commission or any other agency, if any, as per the record
- Availability of all other material facts relating to the petitioner companies, including pendency of investigation proceedings in relation to the petitioner companies under the Companies Act, 2017.

11. While applying to the Commission, what are the documents required to be submitted with Scheme?

For all merger cases filed with the Commission, the applicants must provide the following list of documents along with the application accompanying the Scheme of Arrangement:

- i. Original bank challan for the prescribed application fee
- ii. Copies of board resolutions of all applicant companies
- iii. Latest annual audited financial statements of all applicant companies and supplementary audited financial statements if required
- iv. List of secured creditors of applicant companies and their NOCs with respect to the scheme
- v. Auditor's certificate for swap ratio calculation by a chartered accountant firm having valid certificate of practice from the Institute of Chartered Accountants of Pakistan
- vi. Valuation report(s) (if any) by valuer registered with the Pakistan Engineering Council as a consulting engineer or an independent practicing Chartered Accountant with satisfactory QCR rating, depending on the asset being valued as specified in the Companies Regulations, 2024
- vii. Affidavits by authorized representatives of the applicant companies, duly attested by the Oath Commissioner, furnished in terms of the Companies

Regulations, 2024 in support of the application, stating that all contents of the application (including all annexed documents) are true and correct.

12. Is No Objection Certificate from the Competition Commission of Pakistan (CCP) required?

Merger applications within the scope of the Competition Act, 2010 are also required to be filed with the Competition Commission of Pakistan (CCP) by the applicants. Upon examination and review of the Scheme, CCP decides whether or not an NOC is to be granted.

13. Is Creditors' approval mandatory?

The scheme will be considered as approved if a majority in number representing three-fourths in value of the secured creditors or class of creditors may be present and voting either in person or, where proxies are allowed, by proxy at the meeting, agree to the scheme.

14. Is Members'/Shareholders' approval mandatory?

It is mandatory to obtain approval from members/shareholders of all companies involved in the Scheme. The Scheme will be considered as approved if a majority in number representing three-fourths in value of the members as the case may be, present and voting either in person or, where proxies are allowed, by proxy at the meeting, agree to the scheme.

15. When is supplemental audited financial statement required? /How recent must the audited financial statements be?

The first meeting of members for Scheme approval should be held within 180 days of the last annual audited financial statements, failing which supplemental audited financial statements must be provided.

16. What is the format of Chairperson's report?

The report to be presented to the Commission must include the following points in the prescribed manner:

- Table of Contents;
- Brief background of the companies/parties involved in the scheme;
- Brief of the Scheme of Arrangement;
- Brief of the Order issued for appointment of the Chairperson;
- Detail of notices issued for the meeting with documentary evidence;
- Pattern of shareholding of all the petitioners;
- Number of shareholders who attended the meeting in person and through proxy (list them separately and attached signed attendance sheet and proxy/ authorization forms);
- Number of shareholders who voted – lists of shareholders who voted for and against must be provided separately;
- Extract of resolution passed – attach signed resolution as annexure to the report;
- Concluding remarks.

17. What is swap ratio?

A swap ratio is the rate at which the shareholders of one company receive shares in another company during a merger or amalgamation. It determines how many shares of the new (or surviving) company will be given in exchange for each share held in the merging or transferor company.

The swap ratio is a critical part of the merger process, as it directly affects the ownership structure of the combined entity and ensures a fair exchange of value between shareholders of the merging companies.

18. Is Pakistan Stock Exchange required to be informed about the scheme of arrangement?

Listing regulations/PSX Rule Book and the Securities Act, 2015 require listed companies to communicate price-sensitive information to the stock exchange. Hence,

listed companies must intimate the stock exchange while entering into a scheme of arrangement.

19. Who can file a scheme of amalgamation under section 284?

A company and one or more other companies directly or indirectly wholly owned by it, or two or more companies, each of which is directly or indirectly wholly owned by the same person(s) may amalgamate and continue as one company without complying with Sections 279 to 282 of the Companies Act, 2017, by directly filing with the concerned registrar Form-8 along with the scheme of amalgamation in terms of Section 284 of the Companies Act, 2017 read with regulation 60 of the Companies Regulations, 2024.

20. What documents are required to be submitted with the Scheme of amalgamation under section 284?

Following documents are required to be submitted along with the Scheme:

- i. Form 8
- ii. Original bank challan for the prescribed application fee (as per the latest amended Seventh Schedule to the Act, in terms of S.R.O. 500 (I)/2023)
- iii. Copies of board resolutions of all applicant companies
- iv. Latest annual audited financial statements of all applicant companies
- v. List of secured creditors and their NOCs in respect of applicant companies
- vi. Affidavit by authorized representative of the transferee company, duly attested by the Oath Commissioner, furnished in terms of Section 284 of the Companies Act, 2017, declaring that the transferee company will be able to pay its debts as they fall due during the period of one year immediately after the date on which the amalgamation is to become effective.

FAQs on Winding up & Revival

1. What are the modes through which a company may be dissolved under the Companies Act, 2017?

A company may be dissolved through the following statutory modes:

- Winding up by the Court (Compulsory Winding Up)
- Voluntary Winding Up (by members or creditors)
- Winding Up under supervision of the Court
- Merger under section 279
- Amalgamation under section 284
- Striking off by the Registrar under Section 425
- Easy Exit application by company under Section 426.

2. What is the meaning of the term ‘Winding up’?

The term ‘winding up’ of a company may be defined as the proceedings by which a company is dissolved (i.e. the life of a company is put to an end). During this process, the assets of the company are disposed of, the debts of the company are paid off out of the realized assets in the rank provided under the Companies Act, 2017 or from the contributories and if any surplus is left, it is distributed among the members in proportion to their shareholding in the company.

3. Who can file an application to the Court for winding up of a company in Pakistan?

Under the Companies Act, 2017, following can file an application for winding of a company in the Court:

- By the Company;
- By the creditors;
- By the contributories;

- By the registrar or
- By the Commission or any person authorized by the Commission

4. If a Company is under Winding Up, does it mean it has ceased to exist?

Filing of winding up petition does not mean that the company has ceased to exist. The company exists as a corporate entity with all the rights of such entity, with only change that its management and administration is to be carried on through provisional manager/ liquidators, if appointed by the Court, till the final dissolution of the company.

5. What is the Stance of the Honourable Courts with respect to the revival of a company under winding up?

The Hon'ble Courts prefer that the Companies may be provided support to ensure they can run their business and improve their commercial viability. The Hon'ble Supreme Court of Pakistan, in the matter of **M/s Khalid Siraj Textile Mills Limited** reported as **2022 CLD 1557** emphasized that the winding up should be ordered with **extreme caution** and as a **last resort only**.

6. Can revival be sought after the Commission has sanctioned winding up?

Yes, even if the Commission has sanctioned winding up, the company may apply for revival before it is dissolved.

The company must submit a viable revival plan duly supported by majority stakeholders and/or creditors. The revival plan should clearly exhibit the expected streams of income, inflow of assets and/or restructuring of debts and credit facilities along with finalized yet contingent contractual arrangements, expected customer or export orders, contingent letters of credit from financial institutions etc. which would adequately demonstrate the efforts undertaken by the company and its management to materialize the revival plan and resume the operations of the company. The Commission may suspend or halt winding up proceedings temporarily to assess the feasibility of the revival plan if so directed by the Court.

7. Can a company under winding up initiate a revival process?

Yes. A company under winding up may initiate a revival process before the winding up is completed. The Securities and Exchange Commission of Pakistan (SECP) actively supports revival efforts in accordance with judicial guidance and relevant provisions of the Companies Act, 2017. The petition filed for winding up of a company may be withdrawn if the revival plan filed by the company is found to be robust and practicable.

8. Can a company be revived if the winding up of the Company has been ordered and liquidator appointed?

Yes, a company can be revived even if a winding up order has been passed against it and official liquidator has been appointed to liquidate its assets. In terms of section 313 of the Companies Act, 2017, the Court may at any time not later than three years after an order for winding up, make an order to stay, withdraw, cancel or revoke the proceedings of winding up. In the case titled as *M/s Saudi Pak Industries Pvt Ltd vs Chenab Limited* (C.O No.43 of 2011), the Honourable Lahore High Court recalled its winding up order on submission of scheme of arrangement by the sponsors.

9. If the Company has been dissolved, can a company approach to the Court for its revival?

Yes, the dissolution of a company may be declared void by a court under Section 414 of the Companies Act, 2017 within a period of two years of date of dissolution, upon filing an application by the liquidator or an interested person. Henceforth, it makes it possible for a dissolved company to be revived, if a viable revival plan along with other necessary documents, have been filed.

10. Is an application for revival of a Company in line with the precedents set by the Hon'ble Courts?

Yes, the Hon'ble Supreme Court of Pakistan, in the matter of *M/s Khalid Siraj Textile Mills Limited* reported as **2022 CLD 1557** stated that Winding up a business has

serious consequences both economic and social. The Hon'ble Supreme Court of Pakistan in the same judgement held that winding up should only be ordered when it is evident that the business cannot be saved. Therefore, revival of companies falls within the scope of judgments passed by the Hon'ble courts.

11. What is a revival plan and who can submit it?

A revival plan is a formal proposal that outlines how the company intends to become operational and financially viable again. It may include:

- Debt restructuring,
- Operational reorganization,
- Business plan amendments,
- Change in management or ownership.

The revival plan can be submitted by:

- The company itself,
- Creditors,
- Shareholders,
- Liquidator (with approval of the court or Commission).

A distressed company can avail different options for its restructuring or rehabilitation available under the enabling laws including the Companies Act, 2017, the Corporate Restructuring Companies Act 2016, and the Corporate Rehabilitation Act, 2018.

12. Is the SECP empowered to consider revival of companies under winding up?

Yes. Under Section 279 to 282 of the Companies Act, 2017, the SECP has powers to facilitate compromises and arrangements with creditors and members, and to enforce revival or reconstruction schemes.

The SECP can assess a revival plan even after a winding up petition has been filed or admitted, subject to legal and procedural compliance, followed by such action as deemed expedient depending upon the robustness revival plan.

13. How does the SECP evaluate a revival application?

Following are the major factors considered by the Commission while evaluating a revival plan:

- Financial feasibility of the revival plan
- Support from sponsors/creditors/shareholders
- Legal compliance status of the applicant
- Impact on public interest and stakeholders
- Judicial directions (if any) during pending litigation

14. Is court approval required for revival of a company already under court-ordered winding up?

Yes. If the company is being wound up by the Court, then revival requires Court's leave or approval. The company/liquidator would need to file the revival plan with the Court and the Court shall be at liberty to pass an order as it deems appropriate in the circumstances. Court may also order the company to file the plan directly with SECP or order SECP to comment on the viability of the plan through its comments.

15. Can the Commission halt or reverse Winding up proceedings on its own?

The Commission cannot unilaterally reverse a court-sanctioned winding up, but it can recommend or support revival efforts and facilitate stakeholder arrangements. In other cases (non-judicial winding up), it may **pause or reassess** the winding up process based on a credible revival plan.

16. How can a company apply for revival to the Commission?

To initiate the process for filing a revival application, the applicant must:

- i. Prepare a **comprehensive revival plan**
- ii. Obtain necessary approvals from the board of directors, creditors, and members

- iii. File the application with the SECP along with supporting documents (financial statements, agreements, stakeholder consents, etc.)
- iv. If applicable, notify the Court and seek its leave or stay of proceedings.

17. Is there any specific format/form for the filing of revival application before the Commission?

The Company or any person interested in a company can file an application for revival of a company without following any predefined format/specimen. However, a typical application for revival must state justifications for the same and be accompanied by the following:

- i. A comprehensive revival plan including the projected financials
- ii. Necessary approvals from the board of directors, creditors, and members
- iii. Supporting documents (financial statements, agreements, stakeholder consents)
- iv. If applicable, notify the Court and seek its leave or stay of proceedings.

18. What is the fees for the filing of revival application before the Commission?

Fee for filing of revival application has not been separately specified under the Act. However, a revival application may be accompanied by a challan evidencing application processing fee of Rs. 1,000 in case of physical filing (or Rs. 500 in case of online filing) under sub-clause (33) of clause (X) the Seventh Schedule of the Companies Act, 2017.

19. Does filing a revival application automatically stop winding up proceedings?

No. Winding up proceedings continue **unless formally stayed** by the Court (Section 313) or SECP (for Commission-initiated winding up). It is critical to **apply for a stay** along with the revival plan to prevent parallel dissolution actions.

20. Can a defunct company be dissolved without going through full winding up proceedings?

Yes. A defunct company that is not carrying on business or operation and has no assets or liabilities can be dissolved through following quicker alternatives to formal winding up processes:

- Striking off by Registrar
- Easy Exit Scheme

21. What is the process if the Registrar decides to strike off a defunct company on its own?

Under Section 425:

- Registrar issues a letter to the company inquiring whether it is carrying on business or is in operation
- If no response is received, a second letter is issued to the company
- If still no response is received or company confirms its non-operational status, a notice is published by the registrar in the newspaper that name of company will be struck off the register, unless cause is shown to the contrary
- After expiry of time mentioned in public notice, the company's name is struck off the register. Registrar shall publish notice thereof in the official Gazette.

Upon publication in the official Gazette, the company is considered to be dissolved.

22. How does a company apply for an Easy Exit under Section 426 of the Companies Act, 2017?

A company must:

- Have ceased its operations and shall not have any known assets or liabilities, as duly certified by the auditor
- Submit application to the Registrar with the prescribed fee of Rs. 5,000 in case of online filing of application and Rs. 10,000 in case of physical filing.

Upon satisfaction, the Registrar publishes a notice, and if no objection is received within 90 days, the name is struck off and the company is dissolved.

23. What if a creditor or member disagrees with the company being struck off?

They may apply to the Court for restoration of the company's name within three years from the date of publication of the notice in the Official Gazette in terms of Section 425(6) of the Companies Act, 2017.

24. What is the difference between striking off and winding up of a company?

Winding up involves formal liquidation under court supervision or voluntarily, while striking off is an administrative action by the Registrar to remove defunct companies from the register under Section 425 of the Companies Act 2017.

25. How is liquidation different from dissolution?

Liquidation is the process of settling liabilities and distributing assets, while dissolution is the final legal closure of the company's existence.

26. What is meant by restructuring of a company?

A restructuring is a privately negotiated contractual arrangement between a company and some or all of its creditors. It may involve rearrangement of a company's financial structure so as to make its finances more balanced.

27. How do you define a corporate restructuring company?

"Corporate Restructuring Company" means a public limited company licensed by the Commission under the Corporate Restructuring Companies Act 2016 to carry out the business of:-

- (a) acquisition, management, restructuring and resolution of non- performing assets of financial institutions save as otherwise provided for in section 8A of the Act; and
- (b) restructuring, reorganization, revival and liquidation of commercially or financially distressed companies and their businesses.

28. How can a company approach for rehabilitation of its distressed business?

A distressed company can file a petition before High Court under section 8 of the Corporate Rehabilitation Act, 2018 for an order of mediation, supported with plan of rehabilitation, statement of affairs and special resolution approving the plan of rehabilitation. The said law provides a framework for rehabilitating financially distressed companies with recovery potential. It allows companies to apply for a court-supervised rehabilitation plan, which outlines their financial obligations and proposes methods for managing them.

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The FAQs have been published with the intent to create an awareness of the concept of the relevant matters. However, it does not tell everything and the opinions or legal interpretations, contained in this document are circumstantial and may vary under different situations. If the reader is in doubt while dealing with any specific condition, it is recommended to refer to the laws mentioned in the FAQs or consult a professional for seeking advice.