

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**LOK SABHA
UNSTARRED QUESTION NO. 5962
ANSWERED ON MONDAY, MARCH 30, 2026
CHAITRA 09, 1948 (SAKA)**

**REGULATORY FRAMEWORK FOR DEEP-TECH AND HARDWARE STARTUPS
QUESTION**

5962. Shri Konda Vishweshwar Reddy:

**Will the Minister of CORPORATE AFFAIRS
be pleased to state:**

(a) whether the Government has assessed the trend of Indian deep-tech and hardware startups "flipping" their holding structures to foreign jurisdictions due to rigid domestic corporate compliance requirements for raising early-stage capital, if so, the details thereof;

(b) whether there is any proposal to relax the stringent Private Placement norms under Section 42 of the Companies Act, 2013, to ease the financial and administrative burden on DPIIT-recognized startups, if so, the details thereof;

(c) whether the Government plans to amend the Companies (Acceptance of Deposits) Rules to extend the maximum maturity period of Convertible Notes beyond the current ten years to facilitate "patient capital", if so, the details thereof; and

(d) whether a tailored corporate regulatory framework is being formulated by the Government to prevent the outward migration of capital-intensive innovators, particularly from rapidly growing deep-tech and aerospace corridors in States like Telangana, if so, the details thereof?

ANSWER

**THE MINISTER OF STATE IN THE MINISTRY OF CORPORATE AFFAIRS AND
MINISTER OF STATE IN THE MINISTRY OF ROAD, TRANSPORT AND HIGHWAYS
[SHRI HARSH MALHOTRA]**

(a): The Government has been taking various initiatives including through revision in legal provision and compliance framework to facilitate ease of doing business for startups including Deep-tech startups. No such trend due to provisions of the Companies Act, 2013 for raising capital has been noticed.

(b): The provisions of private placement, as provided under section 42 of the Companies Act, 2013, already facilitate companies, including startups to raise monies from select persons without following the detailed provision and disclosures required for making public issue/public offer.

Contd.....

Pursuant to Section 42(2) of the Companies Act, 2013, the offer made to Qualified Institutional Buyers (QIBs) and employees of the company being offered securities under an Employees Stock Option Scheme (ESOS) is not counted for the maximum number of persons whom the private placement offer may be made to.

(c): At present, there is no such plan. The Ministry notified the Companies (Acceptance of Deposits) Amendment Rules, 2020 vide G.S.R. 570(E) dated 07.09.2020, whereby the maximum maturity period for Convertible Notes issued by recognised startups was increased from five years to ten years.

(d): The Companies Act, 2013 is the principal legislation for regulation of companies in the country which contains adequate provisions to facilitate ease of doing business in the country. Various initiatives taken by this Ministry to facilitate ease of doing business for various companies, including the companies in the state of Telangana are given at Annexure-A.

Annexure-A to the Lok Sabha Unstarred Q. No. 5962 part (d) to be answered on 30th March, 2026

Measures to ease corporate compliance requirements for companies, including startups

- **The Central Registration Centre (CRC) was operationalized in 2016 to provide speedy incorporation related services. An e-Form SPICe+ along with a linked form called AGILE PRO-S was introduced for providing different services at one place such as Name Reservation, Incorporation, Allotment of PAN, TAN, DIN, EPFO Registration, ESIC Registration, GST number, opening of Bank Account etc. at the time of incorporation of company to start the business immediately. Similarly, new e-Form FiLLiP (Form for incorporation of Limited Liability Partnership) was introduced for LLPs.**
- **There is no fee for incorporation of company with authorized capital up to Rs.15.00 Lakh.**
- **The Central Processing Centre (CPC) was established in February 2024 for centralized processing of 12 non-STP forms.**
- **Decriminalization of 63 offences under the Companies and LLP Acts in phased manner. While providing relief to corporates, one of the objectives of decriminalization has also been reduction of litigation burden in judicial courts and shifting the prosecution cases towards adjudication.**
- **The scope of fast-track merger was expanded in February 2021 to allow mergers of Start-ups with other Start-ups and with Small companies. The ambit has been further broadened in September 2025 to allow more classes of companies to choose this route. The rules have also been amended so that the “deemed approval” requirement is implemented more effectively for fast-track mergers.**
- **Amendment was made in rule 25A of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 in September, 2024 pursuant to which, merger of a holding company incorporated abroad with its wholly owned subsidiary incorporated in India now requires approval of Central Government (delegated to Regional Directors). Prior to this amendment, such mergers required approval of the NCLT. This is aimed at making this process speedier.**

Additionally, various relaxations from the provisions of the Companies Act, 2013 and rules made thereunder have been provided to start-up companies from time to time and the details are as under:

Sr. No.	Section/Rules under Companies Act, 2013	Subject	Provisions in the Company Act, 2013 to support Start-ups
1.	Section 2(40)	Financial Statement	Requirement of cash flow statement to be part of financial statement is optional for Start-ups.
2.	Section 73(2) clause (a) to (e)	Acceptance of deposits	Start-ups were exempted from procedural compliance at the time of accepting deposits from its members (such as issuance of a circular to its members showing the financial position of company, credit rating, depositing 20% of the maturing deposits, and certification regarding default in repayments).
3.	Section 92(1)	Annual Return	Directors of a start-up are allowed to sign annual returns of the private limited company if the Company does not have Company Secretary.
4.	Section 173(5)	Meetings of Board	Under Companies Act, 2013, Board of Directors of a company are required to meet at least once in 120 days, 4 board meetings in a year. However, Start-ups are exempted from holding quarterly board meetings and are allowed to hold two board meetings in a calendar year, i.e., once every six months.
5.	Rule 6 of Companies (Incorporation) Rules, 2014	Conversion of OPCs into Public and Private Companies	The requirement that an OPC must convert itself after its paid-up capital exceeds Rs 50 lakh and its average annual turnover exceeds Rs 2 crore was omitted. Since many start-ups are One Person Company, this allows them to retain the status as an OPC.

Sr. No.	Section/Rules under Companies Act, 2013	Subject	Provisions in the Company Act, 2013 to support Start-ups
6.	Rule 8(4) of Companies (Share Capital and Debenture) Rules, 2014)	Sweat Equity	In general, the issuance of sweat equity shares in a company shall not exceed 25% of the paid-up capital of the company at any time. However, in case of start-ups, this limit is upto 50% of its paid-up share capital.
7.	Rule 12(1)(c) of Companies (Share Capital and Debentures) Rules, 2014	Employee Stock Options (ESOPs)	In general, ESOPs are not given to employee who is a promoter or a person belonging to the promoter group and a director who either himself or through his relative or a body corporate, directly or indirectly holds more than 10% equity of the company. Start-ups are allowed to issue ESOPs to promoters and directors.
8.	Rule 2 (1)(c) (xvii) of Companies (Acceptance of Deposits) Rules, 2014	Convertible Note	Start-ups can receive an amount of Rs 25 lakh or more by way of a convertible note (convertible into equity shares or repayable within a period not exceeding ten years from the date of issue) in a single tranche, from a person, and such transactions are not considered deposit.
9.	Rule 3(3) of Companies (Acceptance of Deposits) Rules, 2014	Acceptance of deposits	Companies may ordinarily accept or renew any deposits from its members not exceeding 35% of the paid-up share capital, free reserves and securities premium account of the company. But start-ups have been permitted to accept deposits from members without any restriction on the amount.