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Lexygen India Digest

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The February 2026 issue of Lexygen India Digest reports an important notification issued by the Ministry of Corporate Affairs revising the thresholds to qualify as a small company, and an important circular issued by the Securities and Exchange Board of India allowing a special one year window for the transfer and dematerialisation of physical shares purchased prior to April 1, 2019. The regulatory updates section of this issue also summarises the key proposals from the Union Budget 2026-2027. The market updates section of this issue reports some significant private equity deals in the ecommerce, technology, financial services, and consumer sectors; fundraising by Indian venture capital funds; mergers and acquisitions in the energy, hospitality, manufacturing, and business services, sectors; and certain other important deals.

REGULATORY UPDATES

A. MCA NOTIFICATIONS

MCA revises thresholds under the definition of 'small company'

The Ministry of Corporate Affairs ("**MCA**") has, *vide* notification no. G.S.R. 880(E) dated December 1, 2025, revised the thresholds prescribed for a company to qualify as a 'small company', to a paid-up share capital threshold not exceeding INR 100 million or turnover threshold not exceeding INR 1 billion.

Previously, a company qualified as a 'small company' if its paid-up share capital did not exceed INR 40 million or its turnover did not exceed INR 400 million.

This revision has resulted in ease of compliance for a larger number of companies now classified as 'small companies', as outlined below:

- Small companies are exempt from the dematerialisation requirements under rule 9B of the Companies (Prospectus and Allotment of Securities) Rules, 2014, including compliances relating to the holding, transfer or issuance of securities in dematerialised form.

- Small companies benefit from audit-related compliance exemptions, such as exemption from detailed reporting under the Companies (Auditor's Report) Order, 2020, and from mandatory auditor rotation under Section 139(2) of the Companies Act 2013 and rule 5 of the Companies (Audit and Auditors) Rules, 2014.

- Small companies are subject to reduced compliances and fees, capped penalties, relaxation in board meeting requirements, filing of abridged annual returns (MGT-7A), abridged board's reports based on standalone financials, and exemption from preparation of cash flow statements.

B. SEBI NOTIFICATIONS

SEBI notifies special window for transfer and dematerialisation of physical securities

The Securities and Exchange Board of India ("**SEBI**") has, *vide* circular no. HO/38/13/11(2)2026-MIRSD-POD/ I/3750/2026 ("**Circular**") dated January 30, 2026, announced a special window to facilitate the transfer and dematerialisation of physical securities which were sold or purchased by investors prior to April 1, 2019.

This special window shall be open for a period of one year, from February 5, 2026, to February 4, 2027, and is aimed at securing investor rights and resolving legacy issues relating to physical holdings of securities.

The Circular permits both fresh applications as well as applications that could not be processed earlier due to procedural or documentation issues.

The securities transferred pursuant to this framework shall be subject to the following conditions:

(i) such securities shall be credited to the transferee only in dematerialised form;

(ii) such securities shall be subject to a lock-in period of one year from the date of registration of transfer; and

(iii) such securities shall not be transferred, lien-marked, or pledged during the lock-in