

## Lexygen India Digest

March 2026

The March 2026 issue of Lexygen India Digest reports the clarifications issued by the Government of India regarding investments from investors from countries sharing a land border with India under Press Note 3. The regulatory section also reports a decision by the Gujarat High Court holding that the unutilised input tax credit amount that is not transferred by a transferor entity to the transferee entity in an amalgamation cannot subsequently be claimed as refund. The market updates section of this issue reports some significant private equity deals in the solar technology, space technology, financial services, biological technology, artificial intelligence, and fast-moving consumer goods sectors; fundraising by Indian venture capital funds; mergers and acquisitions in the precision manufacturing and payments sectors; and certain other important deals.

### REGULATORY UPDATES

#### A. GOI NOTIFICATIONS

**GOI clarifies criteria for determination of beneficial ownership under PN3, announces automatic approval eligibility and approval timelines**

The Government of India (“GOI”) has, *vide* press release dated March 10, 2026 (“**Press Release**”), introduced amendments and clarifications to the foreign direct investment policy under Press Note 3 (“**PN3**”) dated April 17, 2020, concerning investments from investors incorporated in or having beneficial owners who are citizens of or situated in countries sharing land borders with India under.

The GoI observed that applicability of PN3 to cases where investors had only non-strategic, non-controlling interests was adversely affecting investment flows from investors including global private equity and venture capital funds, and has therefore introduced the following key amendments.

- The GOI has clarified that definition and criteria for determination of ‘beneficial owner’ will be aligned with the framework under the Prevention of Money-Laundering (Maintenance of Records)

Rules, 2005 (“**PMLA Rules**”). As per the PMLA Rules, the following natural persons are considered as beneficial owners:

- In a company or partnership firm: Person having ownership of, or entitlement to, more than 10% of shares, capital, or profits, or exercising control.
- Unincorporated association or body of individuals: Person having more than 15% of its property, capital, or profits.
- Where no natural person is identified in the above cases: The senior managing official of the entity.
- Trust: The author, trustee, or beneficiaries with 10% or more interest, or any other individual exercising ultimate effective control.

- The criteria for determination of beneficial

owner as described above will be applied at the level of the investor entity.

- Investors with beneficial owners that are citizens of or situated in countries sharing land borders with India who are (i) non-controlling, and (ii) holding up to 10% shall be permitted to make investments under the automatic route, subject to compliance the applicable provisions of the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019. Additionally, such Indian investee companies will be required to report investments from such investors to the DPIIT.
- Proposals for investments in Indian investee companies (i) where majority shareholding and control is with Indian citizen(s) and/or Indian entity(ies) owned and controlled by Indian citizen(s) at all times, and (ii) operating in the listed sectors of manufacturing in capital goods, electronic components, polysilicon and ingot-wafer (as revised by the cabinet secretary from time to time), shall be processed within 60 days.