

India Redefines “Startup”: Understanding the DPIIT Notification of February 4, 2026

Startup India Evolution

When Startup India launched in January 2016, it marked the beginning of an entrepreneurial revolution. Today, India stands as the world’s third-largest startup hub with over 630,000 startups out of which nearly 200,000 are startups recognized by the Department for Promotion of Industry and Internal Trade (DPIIT), and 127 are unicorns, as of early 2026. The ecosystem has collectively raised over \$627 billion in venture capital and private capital funding, with startups witnessing 5,040 acquisitions and 5,585 IPOs.

Registration as a DPIIT-recognized startup paves the way for certain regulatory and financial advantages, including a 3 year tax holiday, relaxed compliances for certain labour and environmental laws, fast-track winding up, more flexibility with ESOP and sweat equity, access to government funding schemes, etc., not to mention enhanced credibility with investors.

The 2019 Definition

The legal definition of “startup” for the purpose of DPIIT registration, was first formally notified in 2019. The definition hinged on the legal form of the entity (limited to companies, LLPs, registered partnerships), a maximum tenure of 10 years post incorporation/registration, annual turnover cap of ₹100 crore, and a requirement that the entity be engaged in innovation-driven or scalable economic activity. While these limits worked reasonably well for asset-light digital businesses, they did not fit the economics of deep technology ventures in areas like semiconductors, biotechnology, quantum computing, advanced materials and aerospace, which need much longer research and development (R&D) horizon, substantial capital expenditure and long gestation period before they can generate revenue. Consequently, the definition unintentionally excluded frontier-technology businesses that were later deemed strategically essential, making it imperative to amend the definition.

The New Definition

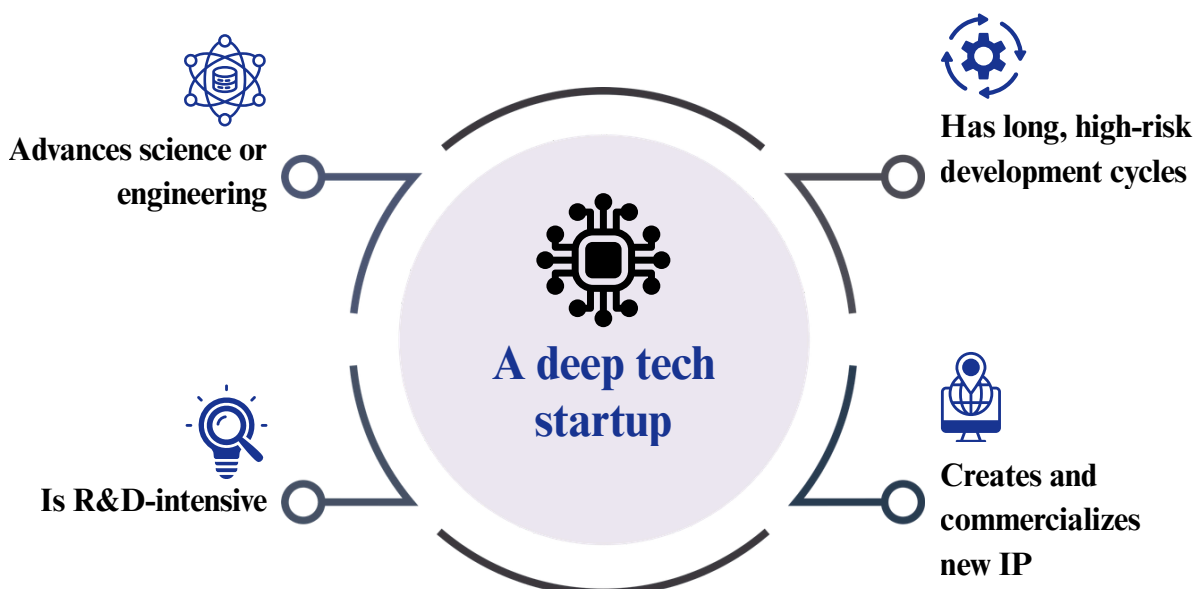
The [DPIIT notification](#) which replaces the February 2019 definition, brings three major changes:

Deep Tech Startups

In a significant move, the notification creates a new category called “Deep Tech Startup” which are eligible for substantially relaxed limits.

A startup qualifies as “deep tech”, if (a) it is working on new knowledge or advancements in science, engineering, or multiple disciplines, (b) it invests heavily in R&D, (c) it faces long development cycles, gestation periods, high capital and infrastructure requirements and substantial technical or scientific uncertainty, and (d) it owns or is in the process of creating significant new intellectual property (IP) and taking steps to commercialize such IP.

This definition focuses on creation of new knowledge, investment in R&D, building intellectual property, extent of risks borne, rather than specific sectors. It is clearly intended to benefit India’s most research-intensive, high-uncertainty ventures, businesses building the foundational technologies that can reshape entire industries, not just participate in them. The relaxations available to deep tech startups include extension of period to 20 years from incorporation and enhancement of turnover ceiling to ₹300 crore.



Turnover Ceiling

The turnover ceiling for regular start-ups has been doubled from ₹100 crore to ₹200 crore. This should provide some relaxation to entities in hardware-led and other capital-intensive businesses, which may far from profitable despite higher revenues, due to their input costs and long production cycles.

Eligible Cooperative Societies

For the first time, cooperative societies are eligible for startup recognition. This may be beneficial in promoting innovation in agriculture, rural industries, dairy, textiles, and other sectors where cooperative models are common.

Conclusion

The inclusion of deep tech startups reflects a shift in how India thinks about innovation and economic growth. India's spending on research and development has historically been less than 1% of GDP, which has limited our ability to develop cutting-edge technologies. In 2025, the Government announced a ₹1 trillion (\$12 billion) Research, Development, and Innovation (RDI) scheme focusing on energy transition, quantum computing, robotics, space technology, biotechnology, and artificial intelligence. The new framework takes it a step further and acknowledges that frontier innovation takes time and money. Deep technology doesn't follow the same timeline as a mobile app or e-commerce platform. By creating a regulatory framework that matches the reality of science-led innovation, India is positioning itself to move from being a country that adopts technology to one that creates it.

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DRN Legal. 2026