



Government Approves Direct Overseas Listing of Indian Companies' Shares

Nikunj Ohri
@Nikunj_Ohri

Publisher on March 04 2020, 8:21 PM
Last updated on March 04 2020, 8:24 PM

The Union Cabinet has approved direct overseas listing of shares of Indian companies, enabling them to raise capital from around the world.

An enabling provision will be added for listed and unlisted public companies through amendments in the Companies Act, 2013, said Corporate Affairs Secretary Injeti Srinivas.

The tax treatment involved will be covered in the enabling provision, Srinivas told reporters in Delhi today, in a manner similar to the listing of global and American depository receipts.

The measure will fetch better valuations for Indian companies, a government official told BloombergQuint on the condition of anonymity. Details about the eligibility criteria for companies and names of foreign jurisdictions for the companies will be notified in the rules, the official said. The Reserve Bank of India, Securities and Exchange Board of India, Department of Economic Affairs and Ministry of Corporate Affairs will together work out the rules for the listing, the official said. Indian companies, at present, access foreign equity markets only through the American depository receipts and global depository receipts. Further, only listed Indian companies can list overseas.

In June 2018, the market regulator set up an expert panel to examine the direct listing of equity shares of companies incorporated in India on foreign stock exchanges and of companies incorporated outside India on exchanges in the nation. The panel had suggested permitting the listing of companies on specified stock exchanges in permissible jurisdictions like a member of Financial Action Task Force or any other jurisdiction notified by the central government in consultation with Securities and Exchange Board of India.

The exercise will need extensive deliberations between the Reserve Bank of India, SEBI and the government to come up with guidelines for the same, Vyapak Desai, a partner at Nishith Desai Associates, told BloombergQuint. "Such a proposal will need close coordination between Indian and foreign regulators to access information of those investing in the company's shares."

Indian exchange control laws don't permit free convertibility of capital, and there are certain regulatory restrictions in relation to capital account transactions, Vaibhav Kakkar, a partner at Luthra & Luthra, told BloombergQuint. "The RBI's position and views on capital convertibility would be highly crucial."