Global Listing of Indian Companies - SEBI

Why in news?

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The Securities and Exchange Board of India (SEBI) has constituted an expert committee, which is considering allowing India-incorporated companies to list on foreign stock markets.

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What is the need?

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- For corporations with investment plans, raising finance locally had been hard in recent years.
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- Access to bank finance has become difficult as a result of Indian banks' huge bad debt.
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- The weakening rupee has made foreign borrowing a risky proposition.
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- Also, India's corporate bond market still lacks some potential.
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What are the benefits?

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- Overseas listing offers access to a wider, global pool of relatively cheap risk capital.
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- This avenue was open to Indian companies via the American Depository Receipts (ADRs), Global Depository Receipts (GDRs).
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- But the modus operandi is complicated in these modes.
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- Companies had to set up holding companies or special purpose vehicles and

intermediaries (depository participants) to avail these.
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- This makes it unworkable for mid-size and smaller companies in terms of time and cost.
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- Further, most reputed bourses have stringent norms of disclosure and transparency.
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- Direct listing in these would raise the standards for Indian companies.
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- As companies still lack global best practices, despite reforms in accountancy standards recently.
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- The gains for Indian shareholders too can be significant.
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What are the challenges?

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- SEBI has to synchronise its regulatory architecture with the leading global bourses.
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- The treatment of such inflows of foreign funds is another issue.
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- This gains significance both with monetary policy imperatives as well as economic policy.
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- This is especially true in sectors with foreign direct investment restrictions.
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- Taxation issues will be another complex issue to handle in this regard.
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- All of these suggest that direct listing will not be an innovation that SEBI will materialise any time soon.
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- However, there are significant gains to be garnered for both sets of players in such overseas listings norms.
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Source: Business Standard

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