

Our Views

Direct Listing of Indian Companies on GIFT IFSC Exchange to boost Foreign Flows – also offers several side benefits

In a significant move to boost foreign flows, Finance Minister Nirmala Sitharaman announced that Indian Companies can directly list on GIFT IFSC Exchange. The decision aims to further propel the transformation of GIFT city in Gujarat into a thriving global financial hub. This will provide access to global capital and result in better valuation for the Indian Companies.

The Indian equity market boasts an impressive market cap of over US\$ 3.8 trillion, with nearly all of it attributed to India-incorporated companies. In our article published in ET in 2022, we emphasized on encouraging foreign companies to list in India as their secondary listing destination and conversely Indian-promoted companies that are presently incorporated and listed exclusively outside India to opt for Indian exchanges as their secondary listing platform.

GIFT IFSC in Gujarat has triggered reverse flipping and companies like Phonepe have recently shifted their headquarters from Singapore to India. This move will further strengthen the case for reverse flipping. It is also expected to open doors for many companies with an overseas parent, particularly in the startup space, to establish their base in India. Though the reversal may have significant tax implications.

A company listing itself on IFSC will be comparable to listing on an international exchange like NYSE/ Nasdaq. A structure could be possible that would pave path for presently foreign listed Indian companies to move from global exchanges to GIFT IFSC which would potentially save the cost of maintaining global listing.

The proposed announcement is indeed a very welcome change for corporates with requirements of large equity pool. Several Indian companies are now globally significant in terms of size and scale. They can attract capital from global markets which have deep pockets to provide large capital funds, and value the equity according to global standards of scale and performance.

Though the main argument to list outside India has been valuation differential, which too is narrowing down significantly, and the Indian domestic markets are also now offering good depth, there was a need to provide corporates with flexibility in this regard. This move would help them realize their true intrinsic value and raise large capital for future growth.

Sunil Sanghai
Founder & CEO
NovaaOne Capital Pvt. Ltd