

### Gharwapsi: The Great Homecoming of Indian Startups!

In the early 2000s, a unique phenomenon swept through India's emerging startup ecosystem—a wave known as “*flipping*”. Ambitious entrepreneurs, in pursuit of global capital and operational flexibility, began incorporating their companies in foreign jurisdictions such as Singapore and the United States. This trend, rooted in the need to bypass India's regulatory and investment constraints, saw startups shifting their holding structures abroad while continuing to operate primarily from India.

However, in a remarkable reversal, a growing number of Indian startups are now moving their domiciles back to India—a trend popularly termed as “*reverse flipping*” or “*Gharwapsi*”. Marquee names like **PhonePe, Groww, Zepto, and Dream11**, among others, have already completed this shift, while several others are actively working on it. This movement reflects more than just administrative restructuring; it signals a shift in India's business climate—shaped by regulatory reforms, rising investor confidence, and a renewed sense of pride in building and scaling companies within the country's borders. More importantly, it underscores the growing strength and maturity of India's capital markets.

Flipping was initially driven by structural inefficiencies and policy constraints that made it difficult for startups to scale within the Indian regulatory framework. For many founders, moving offshore wasn't about ambition—it was about access. Restrictive Foreign Direct Investment (FDI) policies, limited domestic capital, complex regulations, and the lure of tax benefits and higher valuations abroad made foreign jurisdictions more attractive. At the time, India's investment ecosystem lacked the depth and risk appetite to support innovative or differentiated business models, pushing founders to look outward.

Fast forward to this decade—particularly the past few years—and the script has flipped. An increasing number of Indian startups are coming back home, driven by practical, strategic, and economic imperatives. Reverse flipping is not a passing phase—it reflects a structural realignment of the ecosystem, one that is reshaping how and where companies choose to build.

The Government of India has played a pivotal role in making this transition smoother. In a landmark move in September 2024, an amendment to Section 233 of the Companies Act allowed foreign holding companies to merge with their wholly owned Indian subsidiaries through a fast-track route. This significantly reduced timelines compared to the traditionally lengthy, court-driven process under the National Company Law Tribunal (NCLT). Simultaneously, the Reserve Bank of India (RBI) has introduced greater clarity and simplicity in managing inbound and outbound mergers. Together, these reforms have lowered procedural friction for startups looking to relocate back to India.

These reverse flips are now being executed primarily through two routes: mergers or share swaps—each with its own set of tax and compliance considerations. Importantly, such moves must also comply with local laws in the foreign jurisdictions where these companies are currently domiciled.

## Our Views

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India's capital markets, meanwhile, have witnessed a dramatic transformation. Retail investor participation has more than tripled—from **30 million** in 2020 to close to **110 million** currently—highlighting the democratization of equity investing. Today, Indian stock markets are seen as mature, resilient, and fully capable of supporting large-scale IPOs. Notably, they have welcomed foreign-domiciled businesses with open arms. Domestic institutional investors have also stepped in with strength, bringing stability and long-term capital to the table. Family offices and homegrown venture capital firms are ramping up investments, buoyed by a robust economy and a strong regulatory framework. As a result, the startup landscape is becoming less reliant on foreign capital, with local funding sources playing an increasingly critical role—from early-stage investments to public listings. As we noted in last week's article, this is truly the age of *Atmanirbhar* Capital Markets—with a proud *Made-in-India* label.

Ultimately, the story of flipping and reverse flipping is not just about where a company is headquartered. It's a broader narrative about evolving trust—in India's capital markets, its legal frameworks, and its long-term economic promise. Startups that once sought refuge abroad are now returning not out of compulsion, but by choice. And in doing so, they are redefining what it means to build in India—for India, and for the world. As more startups follow suit, reverse flipping may soon become the default path for high-growth Indian ventures pursuing IPOs, global expansion, and long-term resilience—all from their home turf.

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