Our Views

Saptadhara: Ideas for India's Next Phase of Capital Market Reform

Earlier this week, FICCI hosted CAPAM 2026, bringing together policymakers, regulators, market participants and professionals to discuss the next phase of India's capital market journey. Several thoughtful suggestions emerged from the discussions. What struck me was how much the debate has changed. India is no longer discussing how to build a credible capital market. We have built one. The question now is how to make it more competitive, more predictable and more responsive to the needs of a rapidly changing economy.

Prime Minister Narendra Modi's reference to Saptadhara, or seven streams of national strength, provides an apt framework for thinking about India's next phase of development. The capital market must be one of the engines that powers these streams. If India wants to become a leading global economy, it needs a capital market that is not merely deep and well regulated, but also among the easiest and most efficient places in the world to raise capital, invest capital and restructure businesses.

Our foundations are strong. Market infrastructure is world class. Investor protection has improved considerably. Disclosure standards are robust and regulatory oversight is taken seriously. That strength gives us the confidence to think about the next stage of reform. The objective should not be less regulation. It should be better regulation.

There are seven areas where I believe we can make a meaningful difference

First, the primary market should have the same spirit of flexibility that increasingly characterises the secondary market.

I recently wrote about this in the context of what was described as the world's largest IPO, the SpaceX offering. The important lesson was not simply the size of the transaction. It was the speed, flexibility and efficiency with which an extraordinary transaction could move through the process. I am not suggesting every Indian IPO should be completed in ten weeks. But we should ask a fundamental question: how do we ensure that a good transaction takes only as long as is necessary to achieve the regulatory objective?

Capital markets are dynamic. Flexibility is a component of efficiency, not a compromise of it. Regulation should protect investors and ensure integrity, but it should not unintentionally turn time into another regulatory cost.

Second, we should simplify IPO disclosure requirements.

Indian companies already prepare audited financial statements under a rigorous accounting and regulatory framework. In many cases, these should form the core of IPO disclosure, supplemented by targeted reconciliation and enhanced disclosure wherever genuinely necessary. Requiring a separate, fully restated historical financial set can create significant cost and delay without necessarily giving investors proportionately greater insight.

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The objective should be more information that matters, not more paperwork. Investors need clarity, comparability and material information. They do not necessarily need multiple versions of the same financial history.

Third, pre IPO convertible securities deserve greater flexibility.

For outstanding convertible instruments, conversion timing should be brought closer to the beginning of the bookbuilding process, allowing investors to see price discovery before deciding whether to convert. At present, the structure can require conversion before investors have visibility on the price the market is actually willing to pay.

Price discovery is at the heart of a capital market. Regulation should facilitate it rather than force investors to make decisions without the benefit of that information.

Fourth, we should rethink the trigger for open offers in creeping acquisitions.

If a promoter is already in control of a listed company, does an acquisition of more than 5 percent in a year necessarily need to trigger a full open offer process when there is no change in control? Open offers have an important purpose. They protect public shareholders when control changes hands. But where control is already established, the same process may not always be proportionate to the underlying risk.

The answer is not to weaken investor protection. It is to ensure that the regulatory response is aligned with the economic reality of the transaction.

Fifth, there is considerable scope to reduce duplication in corporate restructuring approvals.

A listed company merger can be examined by the stock exchanges, reviewed by SEBI, considered by shareholders and creditors and then subjected to a separate approval process before the NCLT. There is nothing wrong with rigorous scrutiny. The issue is whether different institutions are sometimes examining substantially the same questions at different stages.

Where the substantive regulatory objective is already being addressed, processes should speak to one another rather than repeat one another. In capital markets, delay has a real economic cost. A restructuring that makes commercial sense today may lose value if market conditions change before the transaction is completed.

Sixth, India must make onboarding easier for global investors.

Indian companies today compete not only with other Indian companies but with companies listed in Singapore, London, New York and Dubai for global capital. An international investor is therefore asking two questions: Is India an attractive market? And is India an easy market in which to operate?

That distinction matters. Greater acceptance of globally recognised digital signatures, documentation and onboarding systems for foreign portfolio investors can make a meaningful difference. This is not about lowering standards. It is about removing avoidable friction while preserving compliance and investor protection.

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Seventh, we should build further on the success of REITs and InvITs.

India has done well in creating a framework that has allowed these instruments to grow while maintaining regulatory discipline. The next step should be to bring newer infrastructure models within the InvIT framework wherever appropriate and consider whether REITs and InvITs should, where their economic characteristics warrant it, operate under a framework more closely aligned with equity markets, including the takeover framework.

These seven ideas are not an argument for deregulation. They are an argument for better regulation for a more mature market.

India should continue to protect investors. It should continue to insist on market integrity, transparency and accountability. But regulation should also give businesses and investors enough flexibility to respond to changing markets, new financial structures and global competition.

The ambition should be clear. We should build one of the world's most competitive capital markets, where an Indian company can raise capital efficiently, a global investor can enter without unnecessary friction, an entrepreneur can structure a transaction intelligently and a company can restructure without unnecessary repetition.

India has built a capital market that the world respects.

The next task is to build a capital market that the world chooses.

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