

REGULATORY UPDATE

**Direct listing of equity shares of
unlisted Public Companies
incorporated in India on
International Exchanges**



DIRECT LISTING OF EQUITY SHARES OF COMPANIES INCORPORATED IN INDIA ON INTERNATIONAL EXCHANGES IN IFSC

The Government of India has issued following notifications on 24th January, 2024 namely;

- Foreign Exchange Management (Non-Debt Instruments) Amendment Rules, 2024
- Companies (Listing of Equity Shares in Permissible Jurisdictions) Rules, 2024.

The aforementioned notifications enable unlisted public Indian companies as well as listed companies, to access global capital beyond the domestic exchanges through international stock exchanges set up in IFSC.

The framework allows unlisted public Indian companies to list their shares on an international exchange. The operational guidelines for listing of shares of companies listed on domestic stock exchanges in relation with listing in the stock exchange(s) in IFSC shall be laid down by SEBI

Currently, only two exchanges namely; BSE backed India International Exchange and NSE International Exchange are operational in GIFT-IFSC as international stock exchanges under the regulatory supervision of IFSCA. The aforementioned notifications have permitted listing of eligible Indian companies on these stock exchanges.

Key Points:

INVESTMENT BY PERMISSIBLE HOLDER

Permissible holders i.e. persons not resident in India may purchase or sell equity shares of public Indian companies listed or to be listed on international exchanges under the notified scheme. Holders from countries sharing a land border with India need Central Government approval.

CERTAIN COMPANIES NOT ELIGIBLE: -

- Section 8 or Nidhi company;
- company limited by guarantee and also having share capital;
- has any outstanding deposits accepted from the public;
- has a negative net worth;
- has defaulted in payment of dues to any bank or public financial institution or non-convertible debenture holder or any other secured creditor (not applicable if default was made good atleast 2 years before listing);
- has made any application for winding-up/ proceedings pending against the company for winding-up;
- has defaulted in filing of an Annual Return or Financial Statements with Registrar of Companies.
- If the public Indian company, any of its promoters, promoter group or directors or selling shareholders are debarred from accessing the capital market;
- If any of the promoters or directors of the public Indian company is a promoter or director of any other Indian company which is debarred from accessing the capital market;

- If the public Indian company or any of its promoters or directors is a wilful defaulter;
- the company is under inspection or investigation under Companies Act, 2013;
- if any of its promoters or directors is a fugitive economic offender.

CONDITIONS FOR ISSUE & LISTING:

A public Indian company may issue equity shares or offer equity shares of existing shareholders in IFSC, subject to the conditions that such issue or offer shall be -

- permitted and listed on any of the specified International Exchange;
- subject to prohibited activities, and sectoral caps as may be prescribed;

Such equity shares to be issued or offered shall be in dematerialised form and rank pari passu with equity shares listed on a recognised stock exchange in India.

Note: Prior Government approval is necessary, wherever applicable.

VOTING RIGHTS:

Companies with equity shares listed on international exchanges must ensure that voting rights are exercised directly by permissible holders or through their custodian pursuant to voting instruction only from such permissible holder.

PRICING OF EQUITY SHARES:

Pricing norms vary based on whether the equity shares are issued by a listed company, offered by existing shareholders on a recognized stock exchange in India, or issued by a public unlisted Indian company on an international exchange.

The unlisted public company shall file the prospectus in e-Form LEAP-1 within seven days of its finalization by the permitted exchange.

DISCLAIMER: - *The summary information herein is based on notifications dated 24.01.2024 by Government of India. While the information is believed to be accurate, we make no representations or warranties, express or implied, as to the accuracy or completeness of it. Readers should conduct and rely upon their own examination and analysis and are advised to seek their own professional advice. This note is not an offer, advice or solicitation. We accept no responsibility for any errors it may contain, whether caused by negligence or otherwise or for any loss, howsoever caused or sustained, by the person who relies upon it.*