

# Overseas listing just got a lot easier for Indian tech companies, startups

## Synopsis

The Ministry of Corporate Affairs has clarified that Indian tech companies and startups, which are eyeing an overseas listing, would not be considered as listed companies in India.



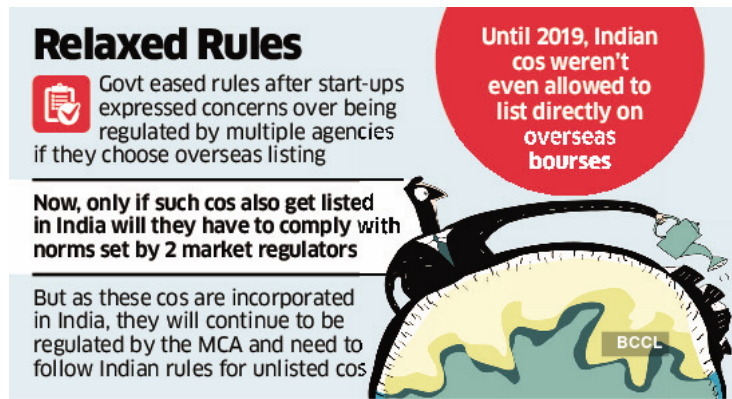
Until now, Indian tech companies and startups—despite listing overseas—would come under the purview of the Securities and Exchange Board of India (Sebi).

**Mumbai:** Indian technology companies eyeing a US listing got a fillip after the Ministry of Corporate Affairs (MCA) on Friday clarified that such firms would not be considered as [listed companies in India](#).

Until now, if a company raised capital through equity or debt from public investors, it would be categorised as a listed company and is subject to stringent disclosure and compliance norms. The Securities and Exchange Board of India (Sebi) is the watchdog for such listed companies.

Now on, such companies will be treated as unlisted in India and would not need to follow the Sebi rules. The government eased the rules after several [startups](#) expressed concerns over being regulated by multiple agencies if they choose [overseas listing](#).

With this rule, any company that lists its shares in a foreign jurisdiction would be answerable to the regulator of that country. For instance, a company that lists on the US stock exchanges would be regulated by the United States Securities Exchange Commission (SEC). Now, if such companies are also considered listed entities in India, it would mean they would have to comply with norms set by two market regulators.



All such public companies which are to get listed on overseas stock exchanges would get benefit of being regarded as unlisted companies here in India, said Harish Kumar, partner, L&L Partners. “This move would give these companies necessary relaxations from the relevant compliances under the Companies Act, which are otherwise applicable to listed companies.”

Since these companies are incorporated in India, they would continue to be regulated by the Ministry of Corporate Affairs and would need to follow the Indian rules for unlisted companies. Experts say the amendment provides significant relief to those companies who are planning on overseas listing.

“There would be adequate clarity for Indian companies about their status as unlisted companies in India,” said Gaurav Pingle, a practicing company secretary.

One of the key advantages that unlisted companies have over their listed peers are the reduced disclosure requirements. For instance, all the listed companies are required to disclose their financial results once every quarter. They are also required to meet the corporate governance rules framed by Sebi.

“This amendment is significant since Indian public companies which list their securities on a stock exchange outside India shall no longer be expected to comply with the elaborate compliances under the Sebi rules,” said Raj Bhalla, partner, MV Kini & Co. “It will enable Indian start-ups to raise money outside India and still be treated as unlisted companies, within domestic domain.”

These amendments are part of the central government’s plans to make overseas listing easier for Indian companies. Until 2019, Indian companies were not allowed to list directly on overseas bourses. Either they had to list in India first and issue depository receipts such as ADRs and GDRs or they had to simultaneously list in India and overseas.

Last year, the government passed an enabling law that allows Indian companies to list in select overseas jurisdictions. However, the finer blueprint of regulations is still pending with the MCA.

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