

Overseas listings dry up as Indian companies eye domestic market

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The recent move to ease foreign listing for Indian companies comes even as the route has been

languishing over the past few years.

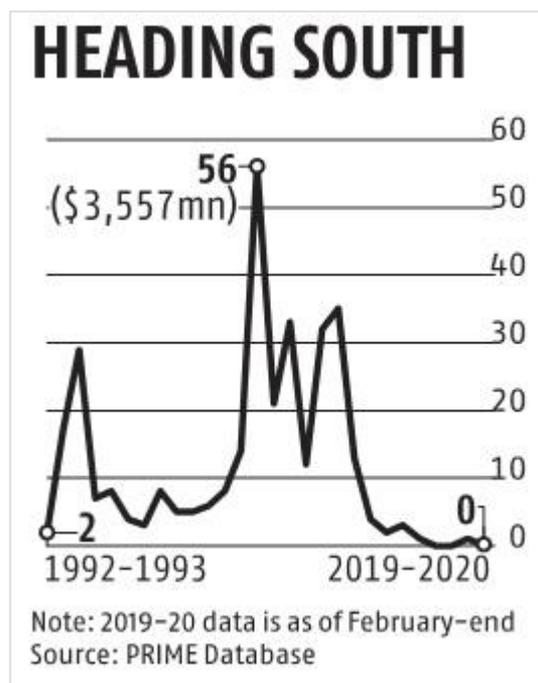
There has been only one such instance since financial year 2015-16 (FY16). HDFC Bank had raised capital through issues of depository receipts in FY19.

This is in contrast to earlier years. The largest amount raised in a single year was \$7.7 billion in FY08 though 33 issuances, shows data from market tracker Prime Database. The largest number of issuances was in FY06. A total of 56 issues raised \$3.6 billion.

The decadal average of funds raised through this route is currently at its lowest on record. An average of \$521 million was raised in the 10 years ending FY20. Prime has yearly data on such issuances going back to FY93.

There was greater incentive to look abroad earlier for access to foreign capital. This is not the case now, when more foreign investors are investing directly in India, noted Pranav Haldea, managing director at Prime

Database.



Foreign portfolio investors held Rs 30.8 trillion in equity assets as of January 2020, shows data from the National Securities Depository (NSDL).

Companies with global operations or ambitions can choose to list abroad even today, Haldea said.

“There is also a sense among certain companies that they can command a premium in an overseas markets which they may not get domestically,” he said.

Boutique investment bank RippleWave Equity Advisors partner Mehul Savla said that global investors would want to participate in equity issuances by new-age online Indian firms if they want to raise capital. “There will be appetite,” he said.

Firms may also weigh the advantages of listing locally. Domestic listing can make sense for such companies because they are consumer-facing, according to Savla. The availability of private

equity funding would also be a factor for companies looking to decide on listing, he said.

The Securities and Exchange Board of India (Sebi) has been debating the relative merits of allowing such listings.

“Equity listings by companies incorporated in India on foreign stock exchanges would allow them to access foreign capital at a lower cost. The Indian economy, in turn, will experience added growth and economic development... As a result, Sebi felt it appropriate to consider facilitating companies incorporated in India to directly list their equity shares on foreign stock exchanges and companies incorporated outside India to list on Indian stock exchanges, in view, particularly, of the ongoing evolution and internationalisation of capital markets across the globe,” said a December 2018 expert committee report.