

Tweak in Companies Act may allow Indian unlisted Firms to List Abroad

Ruchika Chitravanshi | New Delhi Last Updated at February 24, 2020 02:28 IST

Currently, Indian Companies tap foreign capital mostly through American Depository receipts or Global Depository receipts.

The Government is considering an amendment to the Companies Act to allow Unlisted Indian Companies to list Abroad, a Senior Government official told Business Standard.

The Companies Amendment Bill is expected to be tabled in the ongoing Parliament Session, with changes including decriminalization and a reduced compliance burden.

“We will specify the Jurisdictions where Indian firms can list... They will be mature and compliant with the Financial Action Task Force,” the official said. Currently, Indian Companies tap foreign capital mostly through American depository receipts (ADRs) or Global depository receipts.

Infosys was the First Indian Company to list its **ADR on NASDAQ**, one of the two major stock exchanges in the US.

“Many Companies, especially in the technology space, choose to incorporate Abroad, so that they can list directly on foreign bourses... We want to encourage them to register in India instead,” the official added. Online travel Company **Make My Trip**, listed on **NASDAQ**, took this route.

“Companies prefer foreign listing since investors are more credible on these platforms. It gives them more liquidity to their Stock,” a senior Analyst said.

He gave the example of **Oyo Hotels & Homes**, which is “**Externalizing its Structure**”, creating a separate entity in the US and moving its revenues there. “This is a long-awaited reform. At the end of the day, it will bring in foreign capital,” said Shriram Subramanian, managing director of advisory firm In Govern Research Services.

In 2018, a panel of the Securities and Exchange Board of India had recommended allowing domestic firms to list only in Jurisdictions that were treaty-bound to share information with India, and would cooperate if there was an investigation.

The **Ministry of Corporate Affairs (MOCA)** is also planning to introduce an enabling provision in the law to ensure large unlisted Companies have to file quarterly results on the **MCA21** portal.

Making Corporate India Comply

“We will define a class of Companies that will be covered under this proposed law,” the official said.

However, the ministry will decrease the Compliance burden on certain categories of private Companies that list debt securities.

All private firms are treated similar to listed Companies in terms of compliance if they list debt securities. Finance Minister Nirmala Sitharaman in her Budget speech had said the Government would amend the Companies Act to remove the criminality clause.

The ministry is planning a fresh categorization of 23 compoundable offences, to be dealt with in the in-house adjudication framework, and make penalties for them milder. Also, it seeks to impose only fines and remove imprisonment for 11 offences.

Based on the recommendations of the Companies Law Committee to improve “ease of doing business”, the Government is planning a lower time frame to hasten rights issues for fundraising by Companies and not levying penalties for delay in filing annual returns and financial statements in certain cases.

Currently, under the Act, Companies are required to give at least 15 days’ notice for offering shares.