

Foreign firms get red carpet to list in India

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The government on Friday allowed dual-fungibility of Indian Depository Receipts (IDRs), a long-pending demand of foreign institutional investors (FIIs), lifting Standard Chartered, the only IDRs on stock exchanges, by 20 per cent. Two-way fungibility will allow holders to convert IDRs into underlying shares and sell in the overseas exchanges, where the parent company is listed. Immediately after the budget announcement, Standard Chartered's IDRs hit the upper circuit (20 per cent) to Rs 94.20, a gain of Rs 15.70 from Thursday.

Announcing this in the budget, finance minister said the two-way fungibility will be allowed "subject to a ceiling with the objective of encouraging greater foreign participation in the Indian capital market".

A spokesman for Standard Chartered said that the bank was waiting for "more clarity" on the matter, especially relating to the ceiling proposed. Siddharth Shah of Nishith Desai Associates, a corporate law firm, said more foreign companies will tap the IDR market following the relaxation in the rules. "The two-way fungibility was a long-pending demand from the market, especially FIIs," he said.

Shah said FIIs felt short-changed after the Securities and Exchange Board of India (Sebi) disallowed conversion of Standard Chartered IDRs into shares, which are listed on London exchanges. "The step will help in an efficient price discovery," he added.

Daksha Bakshi, ED, Khaitan & Co, another law firm, said she expects the two-way fungibility also to allow reconversion of shares into depository receipts in India to the extent of the headroom made following conversion of depository receipts into shares, which are listed in the European or US markets just like GDRs and ADRs of Indian firms.

Shah of Nishith Desai Associates said there could be some amount of cap on the amount of shares that can be converted in a year.

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