Foreign Shareholding Cap in zomato

Case Study

#DealTalkwithNDA

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LEGAL AND TAX COUNSELING WORLDWIDE

What's cooking at Zomato?

April 18, 2025
Zomato's board approved a proposal, pending shareholder approval, to cap total foreign ownership at 49.5%.

May 19, 2025
Zomato's shareholders approved the proposed 49.5% foreign ownership cap, with 99.85% voting in favor.

But why would a food-tech listed company make such a move? Something to do with their long-term business strategy – let's find out.

Understanding the ‘IOCC’ Concept

As per the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, an IOCC is a:

- company **owned** by resident Indian citizens, and
- company **controlled** by resident Indian citizens.

Hence, Zomato currently qualifies as an IOCC.

But, if the foreign shareholding goes over 49.99%, Zomato flips to a Foreign Owned and Controlled Company (FOCC), which changes the way it operates.

Pertinently, continuing as an IOCC is linked to Zomato's future business strategy in India.

IOCC v. FOCC Conundrum: Implications for zomato & blinkit

- Zomato owns 100% of Blinkit, which currently operates under a **marketplace e-commerce model** (i.e., it does not own inventory).
- Zomato intends to transition Blinkit to an inventory-led model.
- Considering existing Indian foreign investment norms, Blinkit cannot operate an inventory-based model so long as Zomato is an FOCC.

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