I. Introduction

IN RECENT YEARS, internationalization of financial markets has gained greater attention. Indian companies have been allowed to tap the global market through international listing (also known as cross listing or dual listing or foreign listing). International listing can be done by two ways through direct listing and depository receipts. Direct listing means that a firm meets all of the exchange’s listing requirements and generally accepted accounting principles. Depository Receipts means a negotiable instrument issued by the depository bank to the international investors against the issuer’s local currency shares. Depository Receipts (DR) can be of two different types i.e. American Depository Receipts (ADRs) and Global Depository Receipts (GDRs). ADRs are issued and/or listed only in the US market and GDRs are issued and/or listed in the European market. International listing has been rationalized due to segmentation – integration of capital markets.

Since 1991, the reforms in the Indian stock market have led to integration with the developed stock markets in the world. Depository Receipts (DRs) emerged as a vehicle to access developed stock markets for many Indian companies. Indian companies, banks, financial institutions and non-Banking Finance Companies registered with RBI were allowed to raise capital abroad through GDR. Two-way fungibility norms were finalized—re-conversion of ADR/GDRs was made possible, to extent of ADR/GDR which have been converted into equity shares and sold in local market. No specific permission of the RBI was required for the reconversion. Two-way fungibility decision was considered as a major financial sector reform for Indian stock market to take decisions to cross list abroad. The number of companies listed abroad after this reform has almost doubled.

1 The Thesis was submitted to, University of Delhi, Delhi in May 2013 for the award of Ph.D. Degree, awarded in March 2014, under the supervision of Prof. Vinita Tripathi and Prof. Jawahar Lal, Professor, Delhi School of Economics, University of Delhi, Department of Commerce, Delhi 110007 INDIA.

* Assistant Professor, Maharaja Agarsen Institute of Management Studies, PSP Area, Sector 22, Rohini, Delhi 110085, INDIA

Submitted May 2014; Accepted February 2015