

What is Direct listing?

By IASToppers | 2023-11-02 15:15:00



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The centre might release an official notification regarding the direct listing of Indian companies on foreign exchanges at the [International Financial Services Centre \(IFSC\)](#) in **Gujarat International Financial Tech (GIFT) City**.

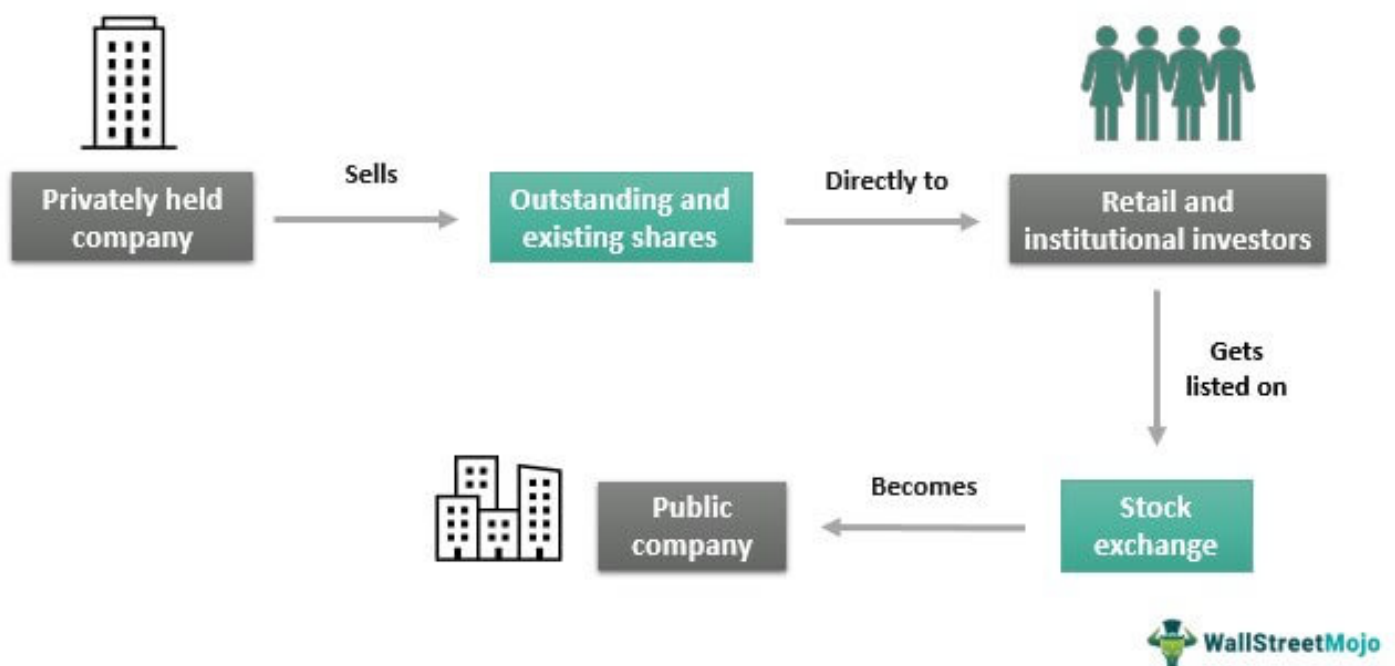


[Ref: Mint]

What is Direct listing?

- Direct listing, also known as a **Direct Public Offering (DPO)**, is a method for a company to go public and list its shares on a stock exchange without conducting a traditional **Initial Public Offering (IPO)**.

What Is Direct Listing?



[Ref: wallstreetmojo]

Advantages:

- **Cost Savings:** The company can save on underwriting fees and other costs associated with an IPO.
- **Transparency and Fairness:** The market-driven pricing can be seen as more transparent and fair.
- **Quick Access to Capital:** Companies can potentially access capital more quickly compared to the lengthy IPO process.

Disadvantages:

- **Potential for Volatility:** Without underwriters to stabilize the share price, there can be more price volatility, especially in the initial trading period.
- **Less Capital Raised:** Since the company is not issuing new shares, it may not raise as much capital as it would in an IPO.
- **Limited Marketing:** There is less opportunity for marketing and promoting the stock to potential investors.

Characteristics Of Direct Listing



[Ref: wallstreetmojo]

Direct Listing in GIFT City:

- GIFT City is emerging as a hub for financial innovation in India, and companies are exploring **direct listing on GIFT City** as a viable option.
- This presents a unique opportunity for companies to tap into a **broader investor base** and enjoy the benefits of an **international financial center**.

Direct Listing vs IPO (Initial Public Offering):

Difference between Direct Listing and IPO (Initial Public Offering):

Parameter	Direct Listing	IPO (Initial Public Offering)
Definition	A process where a company goes public by selling existing shares directly to the public without intermediaries .	A process where a company goes public by creating and selling new shares to the public with the intermediaries .
Objective	To provide liquidity to existing shareholders and take advantage of the benefits of being a public company.	To raise significant capital for the company and create public s
Share Creation	Involves existing shares of the company .	Involves the creation of new shares .
Intermediaries	No underwriters or brokers are involved.	Involves underwriters, brokers, and investment banks .
Process	Simpler and faster as it bypasses many of the traditional IPO processes .	More complex and involves v stages including underwriting, setting, and regulatory compl
Shareholder Protection	May have less shareholder protection due to the absence of underwriters.	Typically includes measures to protect shareholders , such as the involvement of long-term inve
Cost	Generally lower costs as there are no underwriter fees.	Higher costs due to underw
Liquidity and Volatility	Can provide more liquidity and volatility as shares are immediately available for trading.	May have less liquidity initial to the lockup period.
Availability of Shares	Depends on the willingness of existing shareholders to sell.	New shares are readily availa the market.
Investor Participation	Investors can only buy shares once they are listed on the stock exchange.	Investors can apply for share they are listed through the IF process.