

Reverse Flipping

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Reverse Flipping Latest News

The SEBI recently announced a slew of measures to ease the compliance burden in the stock market ecosystem, encourage more companies to list on the bourses after reverse flipping to India, and facilitate greater foreign fund flows into government bonds.

What is Flipping?

- **Flipping, or 'externalised structure,'** refers to the process of **transferring entire ownership of an Indian entity to an entity incorporated abroad** along with the transfer of key assets, like intellectual property, to a foreign entity **despite having most of their market, personnel, and founders in India.**
- This results in the **Indian company becoming a wholly owned subsidiary of the foreign company,** with its **day-to-day operations in India.**
- Many Indian start-ups have previously adopted the flipping strategy, primarily **because of the taxation benefits** that some of the **foreign countries offer.** These include **Singapore, the UAE, the Cayman Islands,** the United Kingdom, and the United States.

- Some other reasons why companies flip are to **access the capital markets, higher valuations, branding and reach**, and a **more protective intellectual property environment**.

About Reverse Flipping

- **Reverse flipping, or ‘internalisation,’** is the practice where a **foreign entity-owned start-up shifts its domicile back to India**.
- The primary reason for start-ups to flip back is **to potentially get listed on Indian stock exchanges, attracting interested retail investors to invest** in startup shares.
- **Some other reasons** why start-ups are considering reverse flipping to India are the **country’s robust economic policies, expanding local market, and growing investor confidence** in its startup ecosystem.
- There are **various structures for executing the reverse flip**, depending on the size, location and nature of the firm. Choosing the right structure for a reverse flip is critical for a start-up, as it impacts legal, regulatory, and tax considerations.
- **‘Inbound Merger’ and ‘Share Swap Arrangement’** are the **two most used structures** to execute a reverse flip.

Source: BS

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