

Cross listing

Finance



Cross Listing – Essar Energy plc Cross Listing is a term which is used when a domestic company plans to raise equity funds from foreign investors through foreign stock exchange even having already been listed in the domestic equity market. By providing a chance to foreign investors to invest in the assets of the domestic country, the domestic country and the foreign investors, both are privileged by and large.

The domestic company finds a bigger perspective to raise funds from the outside local market which in turn allow it dilute the powers of shareholders. By issuing shares in the foreign equity markets, the company prevents itself from hostile takeovers by a certain shareholder group. The company obtains benefits by the economic activities of that foreign country especially from the financial market's ability to provide greater strength to the market value of that domestic company.

Cross listing is also one of the methods of diversifying the investors' risk profile. By investing in a company which is not a domestic company, allows much more diversification to the local investors as they are now subject to different sorts of risk exposures as compared to their other counterparts. These investors are subject to the risk of the economy of that cross listed company's country.

In short, cross listing provides another avenue of financial resources to the domestic company as well as provides a safeguard from a likely hostile takeover. It also provides a greater opportunity and flexibility to the foreign investors in managing and maintaining their portfolio of investments in a diversified manner.

Essar Energy plc is one of the best private groups of India which have substantial investments in both the oil & gas sector as well as the in the <https://assignbuster.com/cross-listing/>

power sector. Established in 1989 with petroleum sector only, the company has made remarkable achievements such that the company remained highly successful even in diversifying its operations by investing in refinery and later on, in the power generation and distribution sector.

In June 2010, the company cross listed itself in London Stock Exchange after already having a presence in the local stock exchanges in India. The company managed to raise net proceeds of around \$1.8 billion from the UK investor. This had been the largest IPO subscription in London Stock Exchange after 2007 by any company. Currently, the company is a constituent of FTSE 100 index of London Stock Exchange.

After a tremendous turnaround and interest of the foreign investors in the stakes of the Essar Energy plc, the company initiated its efforts in entering into equity markets of USA through American Depository Receipts in December, 2011. These cross listings in various parts of the world are providing more exposure to the investors of Essar Energy plc as the company successfully managed to acquire Stanlow refinery of UK just after one year having been listed into LSE.

Through ADRs, the company is going to enjoy the financial benefits of the world's largest economy by offering its shares to US investors which would eventually provide a greater market for the existing shareholders to transact their holdings in international markets as well as providing US investors an opportunity to invest in one of the fastest growing petroleum and power generation company of India.

References

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