

Indian Depository Receipts

Lesson Outline

- Introduction
- Advantages of IDRs
- Regulatory Framework of IDRs- An Overview
- Rule 13 of the Companies (Registration of Foreign Companies) Rules, 2014
- SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009
- Rights Issue of Indian Depository Receipts
- Compliances under SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015

Glossary

Fungibility

Fungibility of an instrument refers to inter-changeability of such instrument into another. Such fungibility may be one-way fungibility or two-way fungibility

Deposit Agreement

Agreement entered into between the issuing company and domestic depository

Home Country

The country where the issuing company is incorporated and listed

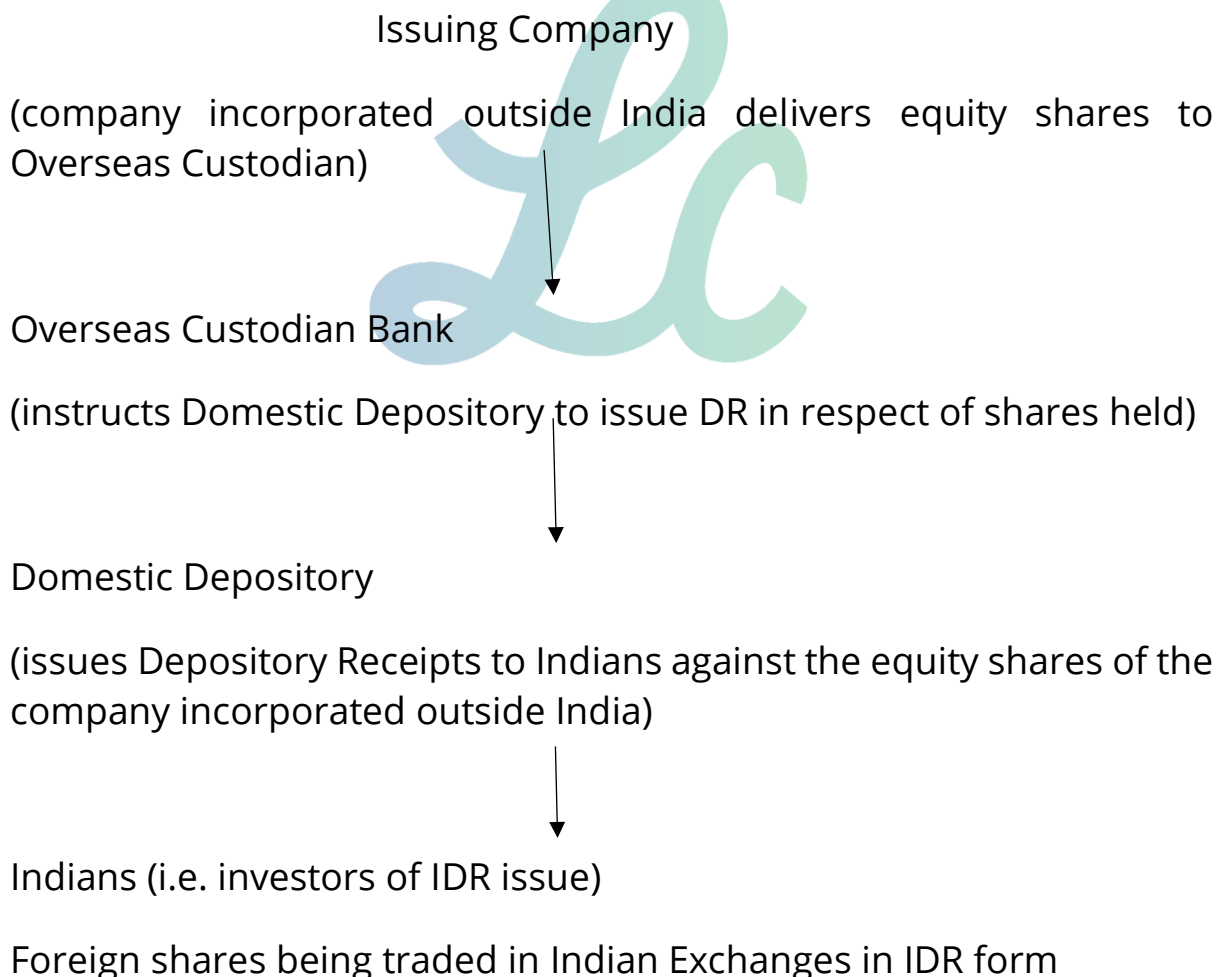
Non-Institutional Investor (NII)

All bidders that are not QIB's or Retail Individual Bidder(s) and who have Bid for IDRs for an amount of more than ₹1,00,000

Introduction

It is an Instrument in the form of a depository receipt created by Domestic Depository in India against the underlying equity shares of issuing company

Process involved in issue of India Depository Receipts (IDRs)



Advantages of IDR

Benefits to the Issuing Company

- It provides access to a large pool of capital to the issuing company
- It gives brand recognition in India to the issuing company
- It facilitates acquisitions in India
- Provides an exit route for existing shareholders

Benefits to investor

- It provides portfolio diversification to the investor
- It gives the facility of ease of investment
- There is no need to know your customer norms
- No resident Indian individual can hold more than \$200,000 worth of foreign securities purchased per year as per Indian foreign exchange regulations

Regulatory Frameworks of IDRs – an Overview

Regulatory Bodies

- The Securities and Exchange Board of India
- The Ministry of Corporate Affairs
- The Reserve Bank of India

Statutes Governing IDRs

- Section 390 of the Companies Act, 2013
- Rule 13 of the Companies (Registration of Foreign Companies) Rules, 2014

- Chapter X & XA of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 No resident Indian individual can hold more than \$200,000 worth of foreign securities purchased per year as per Indian foreign exchange regulations

Rule 13 of the Companies(Registration of Foreign Companies) Rules, 2014

Sub-rule 2	Eligibility for issue of IDRs
Sub-rule 3	Procedure for making an issue of IDRs
Sub-rule 4	Registration of documents
Sub-rule 5	Conditions for issue of prospectus and application
Sub-rule 6	Procedure for transfer and redemption
Sub-rule 7	Repatriation
Sub-rule 8	Disclosures

SEBI(Issue of Capital & Disclosure Requirements) Regulations, 2009

- Applicability
- In principle approval of recognized stock exchange(s)
- Eligibility
- Conditions for issue of IDR
- Provision related to minimum subscription
- Fungibility
- Filing of draft prospectus, due diligence certificates, payment of fees and issue advertisement for IDRs

- Display of bid data
- Display of bid data and issue of allotment letter
- Disclosures in prospectus and abridged prospectus
- Post-issue reports
- Undersubscribed issue
- Finalisation of basis of allotment
- Disclosures
- Fast Track Issue
- Other Relevant Provisions

Lesson Round up

1. Indian Depository Receipt means any instrument in the form of a depository receipt created by Domestic Depository in India against the underlying equity shares of issuing company
2. Issue of IDRs is regulated by section 390 of the Companies Act, 2013, Rule 13 of the Companies (Registration of Foreign Companies) Rules, 2014 and Chapter X of SEBI (ICDR) Regulations, 2009
3. SEBI amended the ICDR regulations by inserting a new chapter XA for governing the provisions for Rights Issue of IDRs
4. The IDRs issued should be listed on the recognized Stock Exchange(s) in India as specified and such IDRs may be purchased, possessed and freely transferred by a person resident in India
5. Issuer of an IDR has to comply with the listing conditions stated in the listing agreement for IDRs
6. Every issuer of an IDRs has to comply with the conditions prescribed under SEBI (Listing Obligation and Disclosures Requirements) Regulations, 2015