



**Chapter 15: Redemption of Indian Depository Receipts (IDRs) into Underlying
Equity Shares**⁷³

1. In order to facilitate foreign issuers to raise funds from the Indian capital markets through IDRs and enable investors in the domestic market to have investment opportunities in the securities of major multi-national companies listed on well developed markets, a legal framework was created by the Ministry of Corporate Affairs (MCA), Reserve Bank of India (RBI) and SEBI.
2. In order to encourage more number of foreign companies to issue IDRs in the Indian market and also to enable the investors to take informed investment decision, it has been decided to provide a detailed roadmap and guidelines for the future IDR issuances as well as for the existing listed IDRs.
3. All the IDRs shall have partial two-way fungibility. The partial two-way fungibility means that the IDRs can be converted into underlying equity shares and the underlying equity shares can be converted into IDRs within the available headroom. The headroom for this purpose shall be the number of IDRs originally issued minus the number of IDRs outstanding, which is further adjusted for IDRs redeemed into underlying equity shares ("Headroom").
4. The broad guidelines for fungibility of IDR issuances are given below:
 - 4.1. IDRs shall not be redeemable into underlying equity shares before the expiry of one-year period from the date of listing of IDRs.
 - 4.2. After completion of one year period from the date of listing of IDRs, the issuer shall, provide two-way fungibility of IDRs.
 - 4.3. IDR fungibility shall be provided on a continuous basis.
 - 4.4. The issuer shall provide said fungibility to IDR holders in any of the following ways:
 - 4.4.1. converting IDRs into underlying shares; or
 - 4.4.2. converting IDRs into underlying shares and selling the underlying shares in the foreign market where the shares of the issuer are listed and providing the sale proceeds to the IDR holders; or
 - 4.4.3. both the above options may be provided to IDR holdersProvided that the option once exercised and disclosed by the issuer at the time of offering the IDRs to public cannot be changed without the specific approval of SEBI
 - 4.5. All the IDRs that have been applied for fungibility by the holder shall be transferred to IDR redemption account at the time of application. The issuer shall take necessary

⁷³ Inserted vide [SEBI circular no. CIR/CFD/DIL/6/2013 dated March 01, 2013](#); [SEBI circular No: CIR/CFD/DIL/10/2012 dated August 28, 2012](#) and [SEBI circular No: CIR/CFD/DIL/3/2011 dated June 03, 2011](#) (rescinded)



steps to provide underlying shares or sale proceeds as per the choice made under sub-clause 5.4 of this clause.

- 4.6. The Issuer may receive requests from the holders of underlying shares and convert these into IDRs subject to the Headroom available with respect to the number of IDRs originally issued subject to the guidelines prescribed by SEBI & Reserve Bank of India ("RBI") from time to time.
- 4.7. In case of option of converting the IDRs into underlying equity shares and providing the sale proceeds to the IDR holders is exercised, the issuer shall disclose the range of fixed/variable costs in percentage terms upfront and ensure that all the costs together shall not exceed 5% of the sale proceeds.
- 4.8. The issuer on a continuous basis shall disclose available Headroom and significant conversion / reconversion transactions.
- 4.9. The issuer shall lay down the detailed procedures while taking into consideration the above broad guidelines in addition to other norms specified by SEBI and RBI, from time to time.