

# FEMA Ke Fundae

#FamiliarwithFEMA

Indian Depository  
Receipt (IDR)

Issue No : 94

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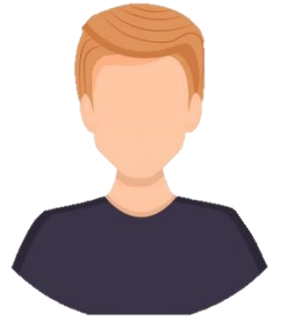




**Elon**  
[MD of Alpha Inc.]

Hello, Mr. FEMA Gyani, I am Elon, Managing Director of **ALPHA INC.**(a Company in US),My company is planning to expand its business and for this purpose we need funds. One of my friend told me that my company can raise funds from Indian Money Market. So, is he correct in saying that?

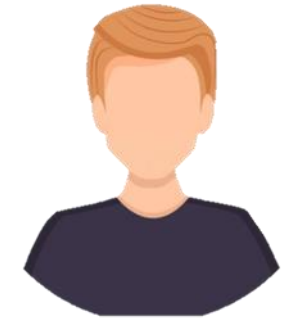
Hi Elon, Hope you are doing well! Yes, he is right. Your company can raise funds from Indian Market through issue of Indian depository receipts(IDRs).



**The FEMA Gyani**

Okay and what exactly is IDR?

**Indian Depository Receipts (IDR)** is an equity instrument through which foreign company can issue their shares in India.



**The FEMA Gyani**

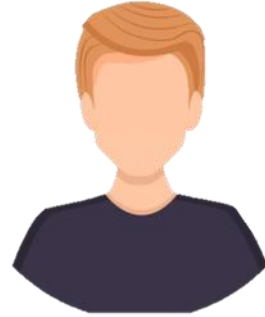


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**Elon**  
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OK! Can you also brief me about the procedures which are to be followed while issuing IDR?



**The FEMA Gyani**

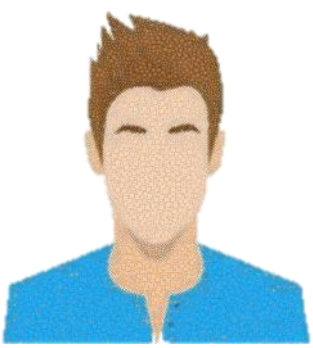
An application seeking permission shall be made to SEBI at least 90 days prior to the opening date of the issue.



The issuing company shall appoint an overseas custodian bank, a domestic depository, and merchant banker for issue of IDR and file Due diligence report with the registrar and SEBI.



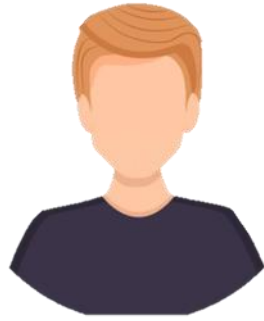
Draft prospectus shall be filed with SEBI at least 21 days prior to filing of final prospectus and final prospectus shall be filled with SEBI before issue of IDR.



Elon

[MD of Alpha Inc.]

Are there any conditions for issuing IDRs?



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IDR issued by company in any F.Y. shall not exceed **25% of post issue number of equity shares** of the company

The proceeds of issue of IDRs shall be **immediately repatriated outside India.**

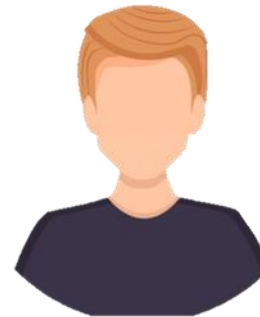
The **Pre-issue paid up capital and free reserve of company shall not be less than US\$ 50 million** and company shall be distributing profit for last three years out of last five immediately preceding years.



**Elon**  
[MD of Alpha Inc.]

Got it FEMA Gyani ! I am also curious to know , how Indian investors can **transfer and redeem** IDRs, so can you brief me about the same?

A holder of IDR may transfer the IDRs or any person may seek reissuance of IDRs by conversion of underlying shares



**The FEMA Gyani**

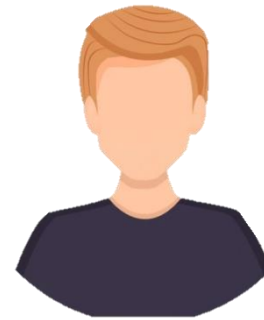
In case of redemption of shares, a holder may ask Domestic Depository to redeem this IDRs.



**Elon**  
[MD of Alpha Inc.]

I understood everything FEMA Gyani. Thank you!

# Thank You



The FEMA Gyani

Comments

Feedbacks

Suggestions



<https://in.linkedin.com/company/jscoca>

WEBSITE

<https://jainshrimal.com/>



International Tax Gyan      
WhatsApp group



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