

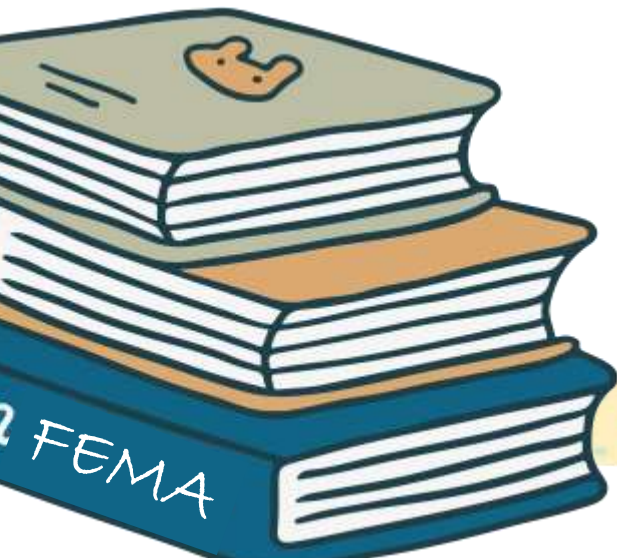
FEMA Ke Fundae

#FamiliarwithFEMA

AMERICAN
DEPOSITORY
RECEIPT

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Issue no:117





Sejal
(MD of Indian Co.)

Hello, Mr. FEMA Gyani, I am Sejal , Managing Director of an Indian Co., "My company is looking to raise funds for expansion. A friend suggested we might do this through the US money market. Is this a viable option?

Hi Sejal, Yes, he is right. Your company can raise funds from US Market through issue of American depository receipts(ADRs). It is a way for companies to raise money from U.S. investors without being directly listed on a U.S. stock exchange.



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Okay and what exactly is ADR?

An American Depository Receipt (ADR) is a financial instrument that represents shares of a foreign company's stock traded on U.S. exchanges.



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OK! Can you also brief me about the procedures which are to be followed while issuing ADR's?



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CHOOSE A DEPOSITORY BANK:

First, you need to choose a depository bank that will help you issue ADRs. This bank will manage the ADRs and work with U.S. investors.

OBTAIN FEMA

APPROVAL: As you're based in India, you'll need to get approval from the Foreign Exchange Management Act (FEMA) authorities to issue ADRs. This usually involves submitting a proposal to the Reserve Bank of India (RBI) and complying with their guidelines.

PREPARE THE PROSPECTUS:

Your company will need to prepare a detailed prospectus, which provides information about your company and the ADRs to potential investors.

APPROVAL AND

ISSUANCE: After getting all approvals, the ADRs are issued and can be listed on a U.S. stock exchange.



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Are there any conditions for issuing ADRs?



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Regulatory Approval: You must comply with both Indian and U.S. regulations. In India, this involves obtaining necessary approvals from the RBI and following FEMA rules.

Limit on Amount: There might be limitations on the amount of funds you can raise through ADRs depending on your company's financial health and the market conditions.

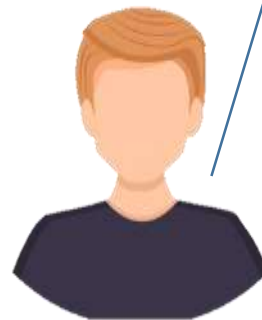
Disclosure Requirements: You need to disclose accurate financial information and other details as required by U.S. regulations.



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

Transfer: ADRs can be transferred between investors just like regular stocks. This is usually done through the depository bank that issued the ADRs.



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Redemption: Investors can redeem ADRs for the underlying shares. They need to go through the depository bank for this process.



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That makes sense. Are there any specific documents or approvals I need to prepare for this?

Yes, you'll need to prepare detailed financial statements and disclosures. You must also get approvals from the RBI and comply with all legal requirements. It's wise to consult with financial and legal experts to make sure everything is in order.



The FEMA Gyani



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Thanks for explaining everything FEMA Gyani.

You're welcome



The FEMA Gyani

Thank You



The FEMA Gyani

Comments

Feedbacks

Suggestions



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

WEBSITE

<https://jainshrimal.com/>



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