

**PRESS RELEASE**

Dated: 14<sup>th</sup> March, 2007

Subject: Review of Companies (Issue of Indian Depository Receipts) Rules, 2004

The Central Government (M/o Company Affairs), in exercise of powers under section 642 read with section 605A of the Companies Act, 1956 had prescribed the Companies (Issue of Indian Depository Receipts) Rules, 2004 (IDR Rules) which allowed issue of Indian Depository Receipts by foreign companies. These rules provide, inter alia, for (a) Eligibility for issue of IDRs (b) Procedure for making an issue of IDRs (c) Other conditions for the issue of IDRs (d) Registration of documents (e) Conditions for the issue of prospectus and application (f) Listing of Indian Depository Receipts (g) Procedure for transfer and redemption (h) Continuous Disclosure Requirements (i) Distribution of corporate benefits. SEBI, as capital market regulator, in view of authorization available to it under IDR Rules, have also issued a circular dated 3/4/2006 in this regard indicating other eligibility conditions for issuers.

2. Requests have been received from SEBI and other stakeholders for review of certain requirements provided in the IDR Rules. These have been examined and further changes in respect of the following are contemplated:-

- Establishing the track record/trading history and market capitalization of the issuing entity;
- A review of the existing requirements of pre-issue paid-up capital and free reserves and the turnover criteria specified in the existing rules;
- The profitability and "Debt: Equity" criteria applicable;
- The number of underlying equity shares to be allowed to be offered in a financial year through IDRs, in terms of the post-issue number of equity shares of the company;
- The nature of continuous financial disclosure requirements by the issuer;
- Other matters related or incidental to the above including procedural aspects to enable clarity in the rules concerning compliance requirements.

3. An Explanatory Memorandum and draft notification modifying these Rules has been placed on the website of this Ministry – [www.mca.gov.in](http://www.mca.gov.in). All stakeholders have been requested to give their inputs/suggestions on the matter by 28<sup>th</sup> March, 2007 to enable this Ministry to take further necessary action.

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