Cross-Border Listings Guide - Indian Stock Exchanges

Principal listing and maintenance requirements and procedures

| Contents |
| --- |
| To generate table of contents, right-click here and select **Update Field.** |

# Principal listing and maintenance requirements and procedures

[Last updated: 1 January 2024, unless otherwise noted]

India is subject to exchange controls. Currently, only INR-denominated securities can list on Indian stock exchanges. On 27 March 2015, the SEBI issued the Securities and Exchange Board of India (International Financial Services Centres) Guidelines, 2015, which permits foreign companies to raise capital (in currencies other than the Indian Rupee) and to issue debt securities in an international financial services centre (IFSC), being in the nature of a special economic zone, governed by the Special Economic Zones Act, 2005. In 2015, the Indian Government notified the creation of an IFSC at Gandhinagar, Gujarat, within the Gujarat International Finance Tec-City (GIFT City) special economic zone. The SEBI permitted India International Exchange (IFSC) Limited to commence operations as a stock exchange within GIFT City in 2017 and subsequently also permitted NSE IFSC Limited to commence operations as a stock exchange within GIFT City. In September 2020, the Companies Act 2013 was amended to permit certain classes of companies to issue securities for the purpose of listing on permitted stock exchanges in permissible foreign jurisdictions. This amendment was made effective from 30 October 2023. Subsequently, in January 2024, the Ministry of Finance, Government of India has issued amendments to the Foreign Exchange Management (Non-debt Instruments) Amendment Rules 2024 to introduce the ‘Direct Listing of Equity Shares of Companies Incorporated in India on International Exchanges Scheme’ (Direct Listing Scheme). The Ministry of Corporate Affairs, Government of India has also simultaneously notified the Companies (Listing of Equity Shares in Permissible Jurisdictions) Rules 2024 under the Companies Act 2013 (Direct Listing Rules). At present, the India International Exchange and the NSE International Exchanges in GIFT City are the only notified international exchanges under the Direct Listing Scheme (International Stock Exchanges).

Issuances of securities in an IFSC by Indian companies or foreign companies, in a currency other than Indian rupees, are treated as issuances of Indian Depository Receipts (IDRs), which have to be made in compliance with the requirements of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (ICDR Regulations). Companies incorporated outside India and meeting the eligibility criteria specified in the Companies (Registration of Foreign Companies) Rules, 2014 (RFC Rules), Issue of Indian Depository Receipt Rules, 2004 (IDR Rules) and the ICDR Regulations may list INR-denominated IDRs on the Stock Exchanges in compliance with the requirements of the IDR Rules and the ICDR Regulations. Any issuance of IDRs must also comply with the terms and conditions listed in Rule 13 of the RFC Rules.

The requirements for listing IDRs are different from the requirements for listing of shares of a domestic company.

The SEBI may grant waivers from strict compliance with the requirements, and it assesses each waiver application on a case-by-case basis depending on the merits of each case.

*Direct Listing Scheme*

The Direct Listing Scheme permits the issuance of equity shares by public companies in India (whether listed or unlisted) and the listing of such equity shares on one or more International Stock Exchanges.

*Eligibility.* Eligible issuers are required (a) to be a public company in terms of the Companies Act 2013 or (b) to be existing shareholders of a public company, and (c) to ensure that the issuer, promoters, promoter group, directors or the selling shareholders are not barred from accessing capital markets by an appropriate regulator (such as the SEBI), (d) to ensure that the promoters and directors of the issuer are not promoters or directors of any other company barred from accessing capital markets, (e) to ensure that the issuer, any of its promoters or directors are not classified as a wilful defaulter (by banks or financial institutions as per the guidelines issued by the Reserve Bank of India), (f) to ensure that the issuer is not under investigation or inspection under the provisions of the Companies Act 2013, and (g) to ensure that the promoters and directors of the issuer are not classified as fugitive economic offenders (under the Fugitive Economic Offenders Act 2018).

Existing shareholders of a public Indian company may offer securities held by them subject to similar restrictions.

Additionally, not-for-profit companies registered under Section 8 of the Companies Act 2013, companies limited by guarantee but having share capital, a company which has outstanding public deposits, a company with negative net worth, a company which has defaulted in payment of dues to a bank, financial institution, or debenture holder or secured creditor (subject to a two year look back period after cession of the default), undergoing winding up or liquidation or insolvency proceedings or under default in relation to filing of annual returns or financial statements, are not eligible to issue equity shares on an International Stock Exchange under the Direct Listing Rules.

*Permissible holders.* Any non-resident, as per the Foreign Exchange Management Act, including a beneficial owner (as defined under the Prevention of Money-laundering (Maintenance of Records) Rules, 2005), is permitted to hold securities of a public Indian company listed on the International Stock Exchanges. Holding limits are as per the limits specified for foreign portfolio investments in Indian companies and subject to sectoral caps or investment restrictions as specified under the Foreign Exchange Management (Non-debt Instruments) Rules 2019.

*Pricing.* Issuances on an International Stock Exchange must be at a price not less than the price applicable to a corresponding mode of issuance of equity shares to domestic investors under applicable laws. For initial listings, price determination will be made through a book building process as permitted by the relevant International Stock Exchange, subject to a floor of fair market value as per the Foreign Exchange Management Act.

*Voting.* The permitted holder of equity shares, or a custodian acting on the advice of a permitted holder alone, is allowed to exercise voting rights on the equity shares listed on an International Stock Exchange.

*Miscellaneous.* Further clarification in respect of disclosure standards and specifications for undertaking such issuances is awaited from the SEBI and the relevant International Stock Exchange.

*Indian Depository Receipts*

*Structure.* IDRs are Indian rupee denominated depository receipts issued by a local depository and represent a proportional ownership interest in a fixed number of underlying equity shares of the issuer, as may be determined by the issuer. Equity shares underlying the IDRs are deposited with an overseas custodian, who holds the shares on behalf of the depository. IDRs thus are a medium for Indian residents to own equity interest in foreign companies and not only in their Indian operations.

IDRs are typically structured as depicted below:

[Link to Chart](https://resourcehub.bakermckenzie.com/en/-/media/crossborder-listings-handbook/files/2020-update-8th-edition/indiaprincipal-listing-and-maint-req-and-proc_1.pdf)

*Rights of the IDR holders.* An IDR holder is entitled to rights on an equitable basis *vis-à-vis* the rights of the equity shareholders of the issuer in its home country where it is listed. The key rights of IDR holders are:

Voting.

Entitlement to bonus issue.

Participation in rights issue.

Participation in sub-division and consolidation of the underlying equity shares.

Participation in other distributions and corporate actions.

*Eligibility criteria for issuers*. Any issuer proposing to list its IDRs on the Stock Exchanges should, among other things:

Have pre-issue paid-up capital and free reserves of at least US$50 million.

Have minimum average market capitalization during the last three years in its home country of at least US$100 million.

Have a track record of distributable profits (that is, profits after providing for depreciation) for at least three out of the preceding five years.

Not have been prohibited from issuing securities by any regulatory body.

Have a track record of compliance with securities market regulations in its home country.

Have a continuous trading record or history on a stock exchange in its home country for at least the three immediately preceding years from the date of application for listing.

Not have any fugitive economic offender as a promoter or director.

Fulfil such other eligibility criteria as may be laid down by the SEBI from time to time.

The minimum issue size for an IDR issuance is US$6.01 million.

*Listing Regulations.* Currently, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, (Listing Regulations) prescribe a model listing agreementfor listing of IDRs, which has to be executed by an issuer whose securities market regulator is a signatory to the Multilateral Memorandum of Understanding of the International Organization of Securities Commissions.

The Listing Regulations determine the corporate governance norms that an issuer must comply with. Specifically, issuers must maintain the same standards of corporate governance as are required under the laws of their country of origin or under any other jurisdiction in which their equity shares are listed. For details and further information, please refer to section 5 below.

*Sponsors; interviews; merchant bankers.* There is no requirement for an issuer to appoint a sponsor or to conduct interviews with the Stock Exchanges or the SEBI as part of the listing process. The issuer must appoint one or more merchant bankers registered with the SEBI as the book running lead manager(s) (BRLMs) to manage the issue and also to engage with the SEBI and the Stock Exchanges on queries that may be raised regarding the issuer.

*Security holders.* There is no requirement for an issuer to maintain a minimum number of security holders. However, no single individual or single entity or group of entities in India directly or indirectly can hold more than 5% of the issue size, except that Qualified Institutional Buyers (QIBs) can hold up to 15% of the issue size.

*Eligible investors.* The categories of investors who can invest in IDRs are:

QIBs, which include domestic institutional investors and foreign institutional investors and their sub-accounts registered with the SEBI, excluding insurance companies and venture capital funds.

Non-institutional investors (NIIs), which include corporates and high net worth individuals.

Non-resident Indians.

Retail individual investors.

Employees of the issuer or its subsidiary company or its holding company or its material associates.

*Size, allocation, and pricing.* An IDR issue must have a minimum issue size of US$6.01 million. The minimum allocation requirement for an IDR issue is as follows:

QIBs: a minimum of 50% of the issue size.

Retail individual investors: a minimum of 30% of the issue size.

NIIs and employees: the balance, up to 20%, to be apportioned among NIIs and employees at the discretion of the issuer.

Under-subscription in any of the categories other than the QIB category can be adjusted against over-subscription in other categories.

The Stock Exchanges and the SEBI allow free pricing of IDRs. The issuer, in consultation with its BRLMs, determines the price band between a minimum price (floor price) and the maximum price (the cap price). After the bids have been received and the issue closes, the final issue price of the IDRs is determined through the book-building process which elicits demand and enables the assessment of the price for determination of the quantum or value of shares or IDRs, as the case may be, in accordance with the ICDR Regulations.

*Restrictions on trading.* There are no "lock in" requirements with respect to IDRs, which can be freely traded once listed on the Stock Exchanges, except for "anchor investors" who are subject to a "lock in" for a period of 90 days for 50% of the IDRs and 30 days for 50% of the IDRs, each calculated from the date of allotment of the IDRs.

*Fungibility.* The IDRs shall be fungible into the underlying equity shares of the issuer in the manner specified by the SEBI and the Reserve Bank of India (RBI), from time to time, IDRs can be converted/redeemed into the underlying equity shares only after the expiry of one year from the date of the listing of the IDRs, subject to the compliance of the related provisions of the Foreign Exchange Management Act, 1999. Limited two-way fungibility of IDRs is also permissible, with up to 25% of the IDRs originally issued can be redeemed/converted into the underlying equity shares of the issuer and *vice versa*, within the available headroom, in a financial year.. According to the provisions of the Listing Regulations, IDRs shall have two-way fungibility in the manner specified by the SEBI from time to time.

*Shareholding.* There is no minimum public shareholding required to be maintained for an issue of IDRs.

*Registrar; settlement.* The issuer must appoint a registrar, and the two must enter into a tripartite agreement with each of the National Securities Depository Limited and the Central Depository (Services) India Limited, who (along with the registrar) will conduct the clearing and the settlement process for the issuer.

*Grievances; courts.* The issuer must engage a company secretary qualified under the laws of India and based in India to act as a compliance officer responsible for the resolution of any investor grievances. The issuer must, for the redressal of grievances of IDR holders, undertake to subject itself to the jurisdiction of the courts in India having jurisdiction over the Stock Exchanges.

*IDRs and domestic listings: differences in regulatory requirements*

The following chart summarizes the differences in the regulatory requirements for the issue of IDRs by a foreign company and a public offering of equity shares by a domestic company\*.

[Link to Table](https://resourcehub.bakermckenzie.com/en/-/media/crossborder-listings-handbook/files/2024-update-10th-edition/indian-stock-exchange---long-form---principal-listing.pdf?sc_lang=en)

\* The provisions relating to ownership requirements, eligible investors, currency denominations, appointment of compliance officer, clearing and settlement system are substantially identical. Provisions relating to corporate governance are summarized separately in section 5.

©Copyright © 2025 Baker & McKenzie. All rights reserved. **Ownership**: This documentation and content (Content) is a proprietary resource owned exclusively by Baker McKenzie (meaning Baker & McKenzie International and its member firms). The Content is protected under international copyright conventions. Use of this Content does not of itself create a contractual relationship, nor any attorney/client relationship, between Baker McKenzie and any person. **Non-reliance and exclusion**: All Content is for informational purposes only and may not reflect the most current legal and regulatory developments. All summaries of the laws, regulations and practice are subject to change. The Content is not offered as legal or professional advice for any specific matter. It is not intended to be a substitute for reference to (and compliance with) the detailed provisions of applicable laws, rules, regulations or forms. Legal advice should always be sought before taking any action or refraining from taking any action based on any Content. Baker McKenzie and the editors and the contributing authors do not guarantee the accuracy of the Content and expressly disclaim any and all liability to any person in respect of the consequences of anything done or permitted to be done or omitted to be done wholly or partly in reliance upon the whole or any part of the Content. The Content may contain links to external websites and external websites may link to the Content. Baker McKenzie is not responsible for the content or operation of any such external sites and disclaims all liability, howsoever occurring, in respect of the content or operation of any such external websites. **Attorney Advertising**: This Content may qualify as “Attorney Advertising” requiring notice in some jurisdictions. To the extent that this Content may qualify as Attorney Advertising, PRIOR RESULTS DO NOT GUARANTEE A SIMILAR OUTCOME. **Reproduction**: Reproduction or copying of the Content on this Site without express written authorization is strictly prohibited.