



**To**  
**All Stock Exchanges**  
**All Depositories**  
**All Registered Merchant Bankers**  
**All Registered Registrars to an Issue/STA**  
**All Registered Custodians**

Dear Sir/Madam,

Sub: Redemption of Indian Depository Receipts (IDRs) into Underlying Equity Shares

1. SEBI, vide circular No: CIR/CFD/DIL/3/2011 dated June 03, 2011, has prescribed the framework for redemption of IDRs into underlying equity shares. The circular has, inter-alia, stated that after the completion of one year from the date of issuance of IDRs, redemption of the IDRs shall be permitted only if the IDRs are infrequently traded on the stock exchange(s) in India.
2. The Hon'ble Finance Minister in his Budget speech on March 16, 2012, has proposed, inter alia, that two-way fungibility of IDRs be permitted subject to a ceiling, with the objective of encouraging greater foreign participation in Indian capital market.
3. For implementation of the said budget proposal and to improve the attractiveness of IDRs as an instrument thereby ensuring long term sustainability of IDRs, it is decided to prescribe a framework for two-way fungibility of IDRs.
4. However, to retain the domestic liquidity, it is decided to allow partial fungibility of IDRs (i.e. redemption/conversion of IDRs into underlying equity shares) in a financial year to the extent of 25 % of the IDRs originally issued. Suitable instructions for modifying the existing legal framework governing IDRs, in order to implement the decision to allow redemption of IDRs into underlying equity shares and re-conversion of equity shares of a foreign issuer (which has already listed their IDRs) into IDRs, will be issued separately.



भारतीय प्रतिभूति और विनिमय बोर्ड  
Securities and Exchange Board of India

5. As and when the instructions for modifying the existing legal framework referred to at para 4 above are issued, this circular shall be effective and SEBI circular No: CIR/CFD/DIL/3/2011 dated June 03, 2011 would stand rescinded.
6. This circular is issued in exercise of the powers conferred under Section 11 read with Section 11A of the Securities and Exchange Board of India Act, 1992.
7. This circular is available on SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in) under the categories "*Legal Framework*" and "*Issues and Listing*".

Yours faithfully,

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