



INTERNATIONAL FINANCE

ADRs, GDRs and overseas listing

How a company's shares can be owned and traded abroad, through a receipt or by listing directly

Rules in force on 16 October 2026

For training and education only. Not investment advice.

A depositary receipt lets someone abroad own a company's shares via a certificate traded on a local exchange.

The shares stay in the home country with a custodian. A depositary bank issues receipts against them, in dollars or another currency, which then trade like any local share.

The four moving parts



The shares

The company's ordinary (underlying) shares, kept in its home country with a local custodian bank.



Depository bank

A bank abroad that issues receipts against the shares, held via the home custodian.



The receipt

What the investor buys and sells: an ADR in the US, a GDR elsewhere. It trades like a share.



The ratio

How many underlying shares each receipt stands for: one, several, or a fraction.

Buy the receipt and you hold a claim on the shares behind it, priced in the receipt's own currency.

Source: SEC Office of Investor Education, Investor Bulletin on American Depositary Receipts.

ADR and GDR, side by side

Feature	ADR	GDR
Full name	American Depositary Receipt.	Global Depositary Receipt.
Where it trades	A US market: NYSE, NASDAQ or over-the-counter.	Exchanges outside the US, often London or Luxembourg.
Currency	US dollars.	US dollars or euros, set by the issue.
Typical investors	Retail and institutional; often more actively traded.	Mainly institutional; often less actively traded.
Listing reach	One US market at a time.	Can be listed in more than one market at once.

Sources: SEC Investor Bulletin on ADRs; Companies Act, 2013, s.2(44) (definition of GDR); Depositary Receipts Scheme, 2014.

What an ADR is worth

ONE FOREIGN SHARE

A company's share trades at 150 units of its home currency.

The exchange rate is 75 of those units to US\$1. The depositary bundles 5 shares into one ADR.

- 1 One share in dollars: $150 \div 75 = \text{US\$}2$. A ratio can set a different price per receipt.
- 2 Bundle 5 shares into one ADR: $5 \times \text{US\$}2 = \text{US\$}10$. The ratio sets the price per ADR.
- 3 Once it is trading, the ADR's price is set by supply and demand, like any share.
- 4 If the two prices drift apart, traders buy the lower-priced and sell the higher-priced, narrowing the gap.

An ADR's underlying value = the home share price, converted to dollars, times the ratio.

Illustration with assumed figures, including an invented exchange rate. Not a quote for any company.

How a sponsored ADR is created

1

Company and bank agree

The company signs up a depositary bank abroad to run the programme and handle investor services.

2

Shares are deposited

The required shares are placed with a custodian bank in the company's home country.

3

Receipts are issued

The depositary bank issues ADRs against those shares, each standing for the agreed number of shares.

4

ADRs trade abroad

Investors buy and sell the ADRs on a US market or over-the-counter, in US dollars.

5

Dividends flow through

The bank collects dividends at home, converts them and pays ADR holders in dollars, net of its fee.

Source: SEC Office of Investor Education, Investor Bulletin on American Depositary Receipts.

Three levels of ADR programme

I



Level 1

Trades over-the-counter, not on a stock exchange. The lightest level. Cannot be used to raise new money.

II



Level 2

Listed on a US stock exchange, with fuller SEC reporting (Form 20-F). Still cannot raise new capital.

III



Level 3

Listed on a US exchange and used to raise fresh capital through a public offering. The strictest disclosure applies.

The higher the level, the wider the US access and the heavier the disclosure.

Source: SEC Office of Investor Education, Investor Bulletin on American Depositary Receipts.

A newer route: direct listing at GIFT IFSC



List shares directly

An eligible Indian public company can list its actual shares on an international exchange, with no depository receipt (listed firms await SEBI norms).



Where

On the International Exchanges at GIFT IFSC: India INX and NSE IX. IFSC is the only permitted jurisdiction so far.



The legal basis

Section 23 of the Companies Act, the Permissible Jurisdictions listing rules of 2024, and amended FEMA rules.

Shares list directly and rank with existing equity; a depository bank is not involved.

Sources: IFSCA press release, 23 Feb 2024; Companies (Listing of Equity Shares in Permissible Jurisdictions) Rules, 2024, notified 24 Jan 2024.

If you learnt this from older material

Older decks say

- ADRs and GDRs are the main way to list shares abroad.
- Depository receipts follow the 1993 framework.
- Only the company itself can set up a receipt programme.

What holds now

- 2024 rules allow direct IFSC listing; SEBI norms for listed firms due.
- Depository Receipts Scheme, 2014 applies (34 jurisdictions listed at launch).
- Unsponsored receipts, started without the company, are also allowed.

A Jan 2023 report found Indian ADR/GDR fundraising rare since 2017; direct IFSC listing is newer.

Sources: Depository Receipts Scheme, 2014 (effective 15 Dec 2014); 2024 Permissible Jurisdictions Rules; Business Standard, 24 Jan 2023 (PRIME data).

Four things people get wrong



'An ADR is a different company's stock.'

It is a claim on the same company's shares, packaged to trade on a foreign market in foreign currency.



'ADR and GDR mean the same thing.'

An ADR trades in the US; a GDR trades elsewhere, often London or Luxembourg, and can span several markets.



'The ADR price can wander off freely.'

It tracks the home share price converted to dollars, times the ratio. Trading keeps the two in line.



'Overseas listing means only ADRs or GDRs.'

Under 2024 rules, eligible public companies can also list shares directly at GIFT City; listed firms await SEBI norms.

Check yourself

Q1

A receipt bundles 4 home shares. Each share is worth US\$3 after converting from the home currency. What is the receipt's underlying value?

Q2

What is the main difference between an ADR and a GDR?

Q3

Name one way, besides an ADR or GDR, that an Indian company's shares can reach overseas investors today.

Sources and disclaimer

SOURCES FOR THE FIGURES IN THIS DECK

- What an ADR is, sponsored vs unsponsored, and the three levels (OTC; exchange-listed; capital-raising): SEC Office of Investor Education, Investor Bulletin on American Depositary Receipts.
- Definition of a Global Depositary Receipt: Companies Act, 2013, section 2(44).
- Depository Receipts Scheme, 2014: notified 21 Oct 2014, effective 15 Dec 2014; replaced the 1993 framework for DRs; allows unsponsored DRs; 34 jurisdictions at launch (RBI; DEA).
- Direct listing on GIFT IFSC exchanges (India INX, NSE IX): IFSCA, 23 Feb 2024; Permissible Jurisdictions Rules, 2024 and FEMA (NDI) Amendment Rules, 2024 (24 Jan 2024); Companies Act s.23.
- Fresh ADR/GDR capital-raising by Indian firms rare since 2017: Business Standard, 24 January 2023, citing PRIME Database.
- The ADR pricing example uses assumed figures and an invented exchange rate. It is not a quote for any company.

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