

Listing on an IFSC Exchange- Legal and Tax Considerations

Stock Exchanges in GIFT IFSC

India International Exchange (India INX) India INX is India's first international stock exchange, launched by BSE in January 2017 at the International Financial Services Centre (IFSC) in GIFT City, Gujarat. It operates 22 hours a day to align with global time zones and offers trading in a wide range of USD-denominated products, including equity derivatives, currency derivatives, commodity derivatives (notably metals and energy), index derivatives, depository receipts, and debt securities (including global securities listed via IFSC). India INX also supports primary listings through its India INX Global Securities Market platform for issuers to list debt and other instruments, aiming to provide an onshore venue for offshore capital-raising and hedging with tax and regulatory benefits available in the IFSC.

NSE International Exchange (NSE IFSC) NSE IFSC is the international exchange set up by the National Stock Exchange at GIFT City's IFSC. It facilitates trading nearly around the clock in USD-denominated products such as index derivatives (e.g., SGX Nifty's successor via NSE IFSC-SGX Connect), single-stock derivatives, currency and commodity derivatives, and debt securities. NSE IFSC has built connectivity with global intermediaries and clearing via NSE IFSC Clearing Corporation, enabling foreign and eligible Indian investors to access India-focused products in an internationally competitive regulatory and tax environment. It also provides a platform for listing and trading of depository receipts and bonds, supporting cross-border capital flows through a streamlined IFSC framework.

Current listings on India INX and NSE IFSC

At present, India INX has the following types of instruments listed on it:

- **Debt:** USD-denominated bonds listed on the India INX Global Securities Market (GSM) — masala/foreign currency bonds, sustainability/green bonds, bank AT1/Tier 2, corporate and sovereign/quasi-sovereign issues.
- **Derivatives:** Equity index futures/options (India-focused and global indices), single-stock futures/options, currency and commodity derivatives (metals, energy), and interest rate derivatives.
- **Depository receipts:** DRs of Indian/global companies.
- **ETFs/units:** Some IFSC-listed funds/ETFs and gold-related products.
- **Equity:** For the first time, an Indian company XED Limited has filed a DRHP for the listing of its equities on India INX.

The aforementioned instruments have been listed by a mix of Indian corporates, NBFCs, banks, public sector undertakings, supranationals, multilaterals, global corporates, and Indian group treasury SPVs. There are also some state-owned enterprises and green/social bond issuers.

At present, NSE IFSC has the following types of instruments listed on it:

- **Derivatives:** USD-settled index derivatives (e.g., GIFT Nifty suite via NSE IFSC-SGX Connect), single-stock derivatives, currency and commodity derivatives.
- **Debt:** USD-denominated bonds listed on NSE IFSC's debt board (corporate, bank capital, supranational).
- **Depository receipts:** NSE IFSC Receipts (NSEIFSC Receipts) on select U.S.-listed stocks via the depository receipt framework.
- **ETFs/units and fund listings:** Select IFSC ETFs/units and gold/commodity products.

The aforementioned instruments have been listed by a mix of Indian and global corporates, banks (including capital instruments), PSUs, multilateral/supranational agencies, and SPV issuers. The depository receipts have been listed by a few large-cap U.S. entities participating through the NSE IFSC Receipts program.

ICDR and IFSCA Regulations – A Comparison

SR. NO	CRITERIA	SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018 [ICDR] ¹	INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY (LISTING) REGULATIONS, 2024 [2024 IFSCA REGULATIONS] ²
1.	Eligibility to make an IPO	▪ A company can make an IPO only if (on a consolidated basis): - It has net tangible assets of at least Rupees 3 crores in each of the preceding three years; - and not more than 50% of these assets should be in monetary form. If more than 50% of the net tangible assets are monetary, the company must have used such excess monetary assets or committed to use them in its business or projects. This 50% limit does not apply if the IPO is entirely through an Offer for Sale. - It has average operating profit of at least 15 crores Rupees during the last three years, with operating profit earned in each of those years. - It has net worth of at least 1 crore Rupees in each of the preceding three years. - If the company has changed its name in the last one year, at least 50% of the revenue in that year must come from the business activity indicated by its new name. ▪ If the above conditions are not met, the company can still make an IPO only if (Book-Building Exception): - The IPO is done through the book-building process, and - at least 75% of the net offer is undertaken to be allotted to Qualified Institutional Buyers. The entire	A company can make an IPO only if it meets at least one of these conditions: ▪ It has operating revenue of at least USD 20 million (on consolidated audited accounts basis), either in the last financial year or averaged over the last three financial years. ▪ It has pre-tax profit of at least USD 1 million (on consolidated audited accounts basis), either in the last financial year or averaged over the last three financial years. ▪ Its post-issue market capitalization will be at least USD 25 million.

¹ Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 [Last amended on September 9, 2025], available at https://www.sebi.gov.in/legal/regulations/sep-2025/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-regulations-2018-last-amended-on-september-09-2025-_96753.html

² International Financial Services Centres Authority (Listing) Regulations, 2024, available at <https://ifsc.gov.in/Document/Legal/ifsc-listing-regulations-202430082024045210.pdf>. 2024 IFSCA Regulations have replaced IFSCA (Issuance and Listing of Securities) Regulations, 2021, which was clarified in the press release available at https://www.ifsc.gov.in/Document/Legal/press-release_listing-regulations30082024050144.pdf.

		subscription money must be refunded if this is not achieved.	
2.	General Conditions	▪ An issuer making an IPO must ensure are that: - all its specified securities held by various categories of security-holders are in dematerialised form prior to the filing of the draft offer document; - all its existing partly paid-up equity shares have either been fully paid-up or have been forfeited; and - the amount for general corporate purposes, as mentioned in objects of the issue in the draft offer document and the offer document shall not exceed 25% of the amount being raised by the issuer. ▪ The pre-issue capital held by non-promoters must be locked in for six months from the date of allotment in an Initial Public Offer. Exceptions: ▪ Equity shares allotted to current or former employees under an Employee Stock Option Plan (ESOP), Employee Stock Purchase Scheme (ESPS), or Stock Appreciation Rights (SAR) scheme prior to the IPO are exempt from the lock-in, provided full disclosures are made as per Part A of Schedule VI. ▪ Equity shares held by an Employee Stock Option Trust (ESOT) or transferred to employees upon exercise of options under the ESOP, ESPS, or SAR scheme are also excluded from the lock-in requirement. ▪ Equity shares held by a venture capital fund or alternative investment fund of category I or Category II or a foreign venture capital investor.	▪ An issuer making an IPO shall ensure that the securities and other permitted financial products listed or proposed to be listed on a recognised stock exchange shall be: - freely transferable and - held in dematerialised form. ▪ The pre-issue shareholding of promoters and controlling shareholders must be locked up for 180 days from the date of allotment in the Initial Public Offer. Exceptions: ▪ The lockup does not apply to securities lent to a stabilising agent for the purpose of a green shoe option, during the period from lending until their return. ▪ Locked-up securities may be pledged as collateral, but the lockup continues even after pledge invocation, and the transferee cannot transfer the securities until the lockup period ends.
3.	Lead Manager	The issuer must appoint one or more merchant bankers, which are registered with SEBI, as lead manager(s) to the issue. - If multiple lead managers are appointed, their respective rights and obligations regarding disclosures, allotment, refund, and underwriting	The issuer must appoint a lead manager(s) to the issue for the purposes of book building. The “lead manager” must be an investment banker registered with IFSCA.

		shall be predetermined and disclosed in the draft offer letter. - At least one lead manager shall not be an associate of the issuer; any associate lead manager shall disclose such association and limit its role to marketing. - The issuer shall appoint other SEBI-registered intermediaries only after the lead manager(s) has independently assessed their capability.	The issuer shall appoint other intermediaries only in consultation with the lead manager(s).
4.	Further Capital Issues	An issuer cannot make any further issue of specified securities between the date of filing the draft offer document and the listing of the specified securities offered through the offer document or refund of application monies. Exceptions: ▪ an issue made under an employee stock option scheme or a stock appreciation right scheme. ▪ full disclosures regarding the total number of specified securities or amount proposed to be raised from such further issue are made in such draft offer document or offer document,	▪ A listed entity may undertake a follow-on public offer (FPO). ▪ for an offer for sale, specified securities must be held for at least one year before filing the draft offer document. ▪ The issuer must appoint lead manager(s) and other intermediaries to the FPO in consultation with the lead manager(s). ▪ An issuer may access the fast-track route for an FPO if the following conditions are met: - The issuer's equity shares have been listed on recognised stock exchange for at least eighteen months. - The issuer has complied with all regulatory requirements of IFSCA and recognised stock exchange(s) in the past three years. - No show-cause notice is issued or pending against the issuer, its promoters, controlling shareholders, or whole-time directors by IFSCA or any financial sector regulator; - No adverse, qualified, or disclaimer of opinion by auditors exists on the financial statements of the issuer or its material subsidiaries/associates during the last three years. - No disclosure has been made of irregularities materially impacting the issuer by any director, key managerial personnel, or compliance officer.

			▪ The issuer shall, through its lead manager(s), file the offer document with IFSCA with applicable fee. The lead manager(s) shall submit a due diligence certificate. - An issuer not meeting the fast-track eligibility must file a draft offer document in the same manner as an Initial Public Offer. The provisions applicable to Initial Public Offers concerning offer timing, pricing, period, minimum subscription, anchor investors, underwriting, monitoring, allotment, listing, post-issue report, and prohibition on incentives apply with such changes as are necessary to FPOs.
5.	Offer for Sale	▪ Only fully paid-up equity shares may be offered for sale to the public, which have been held by the sellers for a period of at least one year prior to the filing of the draft offer document. ▪ For issues where the draft offer document is filed under the Book-Building Exception: - Shareholders holding more than 20% of pre-issue shareholding (individually or with persons acting in concert) may offer for sale up to 50% of their pre-issue shareholding on a fully diluted basis. - Shareholders holding less than 20% of pre-issue shareholding may offer for sale up to 10% of their pre-issue shareholding on a fully diluted basis. - For shareholders with more than 20% holding, the lock-in requirements apply, and no relaxation is allowed. ▪ Exemptions: - Equity shares allotted to employees under ESOP, ESPP, or stock appreciation rights schemes, whether or not currently employed, provided full disclosures were made in accordance with Part A of Schedule VI. - Shares held by an ESOT or transferred to employees upon exercise of options under the relevant plans, subject to lock-in provisions under SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021.	In an offer for sale, specified securities must be held by existing holders for at least one year before filing the draft offer document. For equity shares received on conversion, the combined holding period of the original convertible securities or depository receipts and the resultant shares counts toward the one-year requirement; such conversion must be completed prior to filing, with full disclosure of its terms in the draft offer document. The one-year holding period does not apply in the following cases: - Shares acquired under a merger or amalgamation in lieu of business and invested capital that existed for more than one year prior to scheme approval. - Shares issued as a bonus on securities held for at least one year prior to filing, provided that (i) they are issued from free reserves or share premium of the preceding financial year, and (ii) they are not issued using revaluation reserves or unrealised profits.

		- Shares held by venture capital funds, Category I or II AIFs, or foreign venture capital investors, which shall be locked in for at least six months from the date of purchase.	
6.	Minimum Offer Size	The minimum offer size shall be 10 crore Rupees and in compliance with minimum public shareholding requirements specified in the Securities Contracts (Regulation) Rules, 1957.	The minimum offer shall be- ▪ The minimum offer size shall be 10 crore Rupees; or ▪ at least 10% of post issue capital of the issuer, if it is a company incorporated outside India. Further, for Special Purpose Acquisition Companies, the issue size shall not be less than USD 50 million.
7.	Minimum promoters' contribution	In case the company has identifiable promoters, the promoters must hold at least 20% of the post-issue capital. Promoters must meet these contribution requirements at least one day before the opening of the Offer.	There is no threshold for promoter's exit during IPO in IFSC, however the pre-issue shareholding of the promoter (s) shall be locked-up for 180 days from date of allotment in the IPO.
8.	Rules for promoters' lock-in post IPO	The shares held by promoters shall be subject to a lock-in for the following periods: ▪ The minimum required promoter contribution shall be locked-in for: - 18 months from the date of IPO allotment; or - 3 years from the date of IPO allotment if most of the IPO proceeds (excluding Offer for Sale) are proposed to be used for capital expenditure. ▪ The promoters' holding beyond the minimum required contribution shall be locked-in for: - 6 months from the date of IPO allotment; or - 1 year from the date of IPO allotment if most of the IPO proceeds (excluding Offer for Sale) are proposed to be used for capital expenditure.	The pre-issue shareholding of the promoter(s) shall be locked-in for a period of 180 days from the date of allotment in the IPO.
9.	After listing, minimum required public shareholding	Every listed company must maintain a public shareholding of at least 25% and bring it back to at least 25% within twelve months from the date of the fall, in case at any time if it falls below 25%.	Every listed company must maintain a public shareholding of at least 25% and bring it back to at least 25% within twelve months from the date of the fall, in case at any time if it falls below 25%.

			However, if the issuer is a company incorporated outside India, the minimum offer and allotment to public is only least 10% of the post issue capital. The issuer is required to maintain a minimum public shareholding of 10%.
10.	Any other key commercial aspect that seems to be relevant	The issuer may, in consultation with the lead manager, determine the price of equity shares or the coupon rate and conversion price of convertible securities, or use the book-building process as prescribed in the ICDR. The issuer may specify a price or price band in the offer document or a floor price/ price band in a red herring prospectus and must have one price/ specific coupon rate before filing with the Registrar of Companies. The price band/ coupon rate cap must not exceed 120% and must be at least 105% of the floor price, which cannot be below face value in case of convertible debt instruments. The issuer must announce the floor price or price band at least two working days before the issue, including financial ratios and basis of issue, and disclose them on stock exchange websites.	The issuer, in consultation with the lead manager(s), may fix the price through either fixed price or the book-building process, with full disclosure in the offer document, and in case of listing of equity shares by an Indian public company, compliance with Indian foreign exchange laws is also required.
11.	Minimum Subscription/ Allotment	The minimum subscription to be received in the issue must be at least 90% of the offer through the offer document, subject to allotment of minimum number of specified securities, except in the case of an offer of sale of specified securities. In an initial public offer: ▪ The number of allottees shall be at least fifty. ▪ Allotment to institutional and non-institutional investors shall be made on a proportionate basis. ▪ Any under-subscription in the non-institutional investor category shall be made available to institutional investors.	An offer for fresh issue of specified securities shall be treated as successful only if it receives the minimum subscription as disclosed in the offer document. No minimum subscription/allotment has been provided for an offer of sale.
12.	Post-listing exit opportunity for dissenting shareholder	In cases where there are identifiable promoters or shareholders in control of the issuer, such promoters/shareholders in control of the issuer must give an exit offer to dissenting shareholders if the company brings a change in objects or alters the terms of contract related to objects referred to in the offer document as per the terms and conditions provided in the ICDR.	There is not post-listing exit opportunity for dissenting shareholders in IFSC.

Tax considerations for non-residents investing in the shares to be listed on the India INX

There are no adverse Indian tax implications for non-residents on account of subscribing to an IPO by a company listing on the India INX or the NSE IFSC.

Tax impact at the time of transfer of shares

The CBDT, via circular dated March 5, 2020, specified certain securities—including foreign currency—denominated equity shares of an entity listed on an IFSC exchange—as “notified securities.” A transfer of such notified securities is not regarded as a “transfer” under the Income-tax Act, 1961, if the consideration is paid in foreign currency. Accordingly, no capital gains tax should arise for non-residents on the transfer of such securities if the consideration is paid in a foreign currency.

If the non-resident’s investment is not in foreign currency (or the security is not a notified security), capital gains tax would apply in the year of transfer as follows:

- Long-term capital gains (holding period > 12 months): 12.5%*
- Short-term capital gains (holding period ≤ 12 months): 20%* *Plus applicable surcharge (capped at 15% for capital gains on sale of listed securities) and health and education cess at 4%.

Withholding tax on transfers

No withholding applies on transfers of notified securities.

For transfers of non-notified securities, capital gains are subject to withholding at 12.5% for long-term gains and 20% for short-term gains. Plus, a surcharge (capped at 15% for listed-securities capital gains) and cess (capped at 4%) will apply.

Dividends (upstreaming of profits)

Dividends distributed by an IFSC-incorporated entity to a non-resident shareholder are taxable in the hands of the non-resident at 10%, subject to treaty relief, if any. Plus, a surcharge (capped at 15% for dividend income) and cess (capped at 4%) will apply.

We hope you have found this information useful. For any queries/clarifications please write to us at insights@elp-in.com or write to our authors:

Vinod Joseph, Partner – Email - vinodjoseph@elp-in.com

Paridhi Jain, Associate – Email - paridhi@elp-in.com

Zaynali Badami, Associate – Email – zaynalibadami@elp-in.com

Saiyam Jain, Associate – Email – saiyamjain@elp-in.com

Vedaarth Uberoi, Associate – Email – vedaarthuberai@elp-in.com

Saloni Khaitan, Advocate – Email - salonikhaitan@elp-in.com

Disclaimer: The information provided in this update is intended for informational purposes only and does not constitute legal opinion or advice.