NOTE ON LISTING OF SECURITIES WITHOUT AN IPO

A. INTRODUCTION

SEBI has issued **Notification No. LAD-NRO/GN/2013-14/27/6720 Dated 8-10-2013** introducing SEBI (Listing of Specified Securities on Institutional Trading Platform) Regulations, 2013.

New chapter named "Listing and issue of capital by small and medium enterprises on institutional trading platform without initial public offering" has been introduced under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.

The Regulations allow listing of securities of small and medium enterprises (SMEs) without raising any money from the public.

The trading platform is open only to institutional investors. The move would aid price discovery and liquidity for the shares of such companies.

B. APPLICABILITY (REGULATION – 106 W)

The provisions of this Chapter shall apply to small and medium enterprises which do not have their securities listed on any recognised stock exchange and which seek listing of their specified securities exclusively on the institutional trading platform.

C. ELIGIBILITY CRITERIA (REGULATION – 106 Y)

Subject of Criteria	Detailed Criteria
Defaulter List of RBI	Name of promoter, group company or director should not appear on the wilful defaulters list of Reserve Bank of India maintained by CIBIL.
No Winding up Criteria	No winding up petition against the company admitted by a competent court.
Company, Group Company and Subsidiary should not be referred to BIFR	The company, group companies or subsidiaries have not been referred to BIFR within a period of 5 years prior to the date of application for listing;
No regulatory action by SEBI, RBI, IRDA, MCA	No regulatory action has been taken against the company, its promoter or director, by the SEBI, RBI, IRDA, MCA within a period of 5 years prior to the date of application for listing;
Period after Incorporation and Quantum of Turnover	the company has not completed a period of more than ten years after incorporation and its revenues have not exceeded one hundred crore rupees in any of the previous financial years;
Paid up Capital	The paid up capital of the company has not exceeded twenty five crore rupees in any of the previous financial years
Atleast one full year's audited financial statements	the company has atleast one full year's audited financial statements, for the immediately preceding financial year at the time of making listing application.
Any One of the Criteria to be satisfied.	a) Atleast one alternative investment fund, venture capital fund or other category of investors/lenders approved by the Board has invested a minimum amount of fifty lakh rupees in equity shares of the company, or b) At least one angel investor who is a member of an association/group of angel investors which fulfils the criteria laid down by the recognised stock exchange, has invested a minimum amount of fifty lakh rupees in the equity shares of the company through such association/group, or c) The company has received finance from a scheduled bank for its project financing or working capital requirements and a period of three years has elapsed from the date of such financing and the funds so received have

	been fully utilized, or d) A registered merchant banker has exercised due diligence and has invested not less than fifty lakh rupees in equity shares of the company which shall be locked in for a period of three years from the date of listing, or e) A qualified institutional buyer has invested not less than fifty lakh rupees in the equity shares of the company which shall be locked in for a period of three years from the date of listing, or f) A specialized international multilateral agency or domestic agency or a public financial institution as defined under section 4A of the Companies Act, 1956 has invested in the equity capital of the company.

D. PROCEDURE FOR LISTING

a) A company fulfilling above criteria may apply to a recognised stock exchange for listing after enclosing therewith an information document containing disclosures as specified in the Notification.

b) The information document shall be made public by hosting it on the website of recognised stock exchange for a period of atleast twenty one days from the date of such filing.

c) The recognised stock exchange may grant in-principle approval to the company.

d) The company which has received in-principle approval from the recognised stock exchange for listing of its specified securities on the institutional trading platform shall be deemed to have been waived by SEBI from the requirements of offering shares to public for the limited purpose of listing on institutional trading platform.

e) The recognised stock exchange on satisfying that the applicant is compliant with regulation 106Y and its bye-laws may list the securities of the company on the institutional trading platform.

E. POST ISSUE CONDITIONS FOR FUND RAISING (REGULATION 106ZA)

(1) Listing of specified securities on institutional trading platform shall not be accompanied by any issue of securities to the public in any manner.

(2) The company shall not make IPO while its specified securities are listed on institutional trading platform.

(3) The company listed on institutional trading platform may raise capital through private placement or rights issue without an option for renunciation of rights.

(4) The private placement and rights issue of securities by a company whose securities are listed on institutional trading platform shall be subject to the guidelines and procedure mentioned in the Notification.

F. MINIMUM PROMOTER SHAREHOLDING AND LOCK-IN (REGULATION - 106ZB)

At least 20 % of the post listing capital shall be held by the promoters at the time of listing which shall be locked-in for a period of three years from date of listing.

G. TRADING OF SPECIFIED SECURITIES (REGULATION - 106ZC)

(1) All specified securities of the company shall be in dematerialized for listing on institutional trading platform.

(2) The company shall have connectivity with atleast one depository at all times.

(3) The minimum trading lot on institutional trading platform shall be Rs. 10 Lakhs.

H. EXIT FROM INSTITUTIONAL TRADING PLATFORM (REGULATION - 106ZD)

(1) A company whose specified securities are listed on institutional trading platform may exit from that platform, if:

a) its 90 % shareholders and the majority of non-promoter votes have been cast in favor through postal ballot.

b) the recognised stock exchange approve such exit.

(2) A company whose securities are listed on institutional trading platform shall exit the platform within a period of 18 months upon happening of following event :

a) its specified securities have been listed on this platform for a period of ten years;

b) the company has paid up capital of more than twenty five crore rupees;

c) the company has revenue of more than three hundred crore rupees as per the last audited financial statement;

d) the company has market capitalization of more than five hundred crore rupees

(3) A company be delisted and permanently removed from the trading platform under the following circumstances

a) Failure to file periodic filings with stock exchange for more than one year; or

b) Failure to comply with corporate governance norm(s) for more than one year; or

c) non-compliance of the condition of listing as may be specified by the recognised stock exchange.

(4) In case of a company delisted under sub-regulation (3), no company promoted by promoters and directors of such delisted company shall be permitted to be listed on institutional trading platform for a period of five years from the date of such delisting:

Provided that the provisions of sub-regulation (4) shall not apply to a company promoted by the independent directors of such a delisted company.

I. LIABILITY FOR MIS-STATEMENT IN THE INFORMATION DOCUMENT (REGULATION - 106ZE)

In case of any mis-statement in the information document or any omission therein, any person who has authorized the issue of information document shall be liable in accordance with the provisions of the Act and regulations made thereunder.