



CIRCULAR

CIR/MRD/DSA/33 /2013

October 24, 2013

To All Stock Exchanges

Dear Sir/Madam,

Sub: Listing of specified securities of small and medium enterprises on the Institutional Trading Platform in a SME Exchange without making an initial public offer.

1. In order to facilitate capital raising by small and medium enterprises including start-up companies which are in their early stages of growth and to provide for easier exit options for informed investors like angel investors, VCFs and PEs etc., from such companies, it has been decided to permit listing without an Initial Public Offer and trading of specified securities of small and medium enterprises(SMEs) including start-up companies on Institutional Trading Platform (ITP) in SME Exchanges.
2. The legal framework for such listing and trading of the specified securities on the ITP was laid down vide SEBI (Listing of Specified Securities on Institutional Trading Platform) Regulations, 2013(ITP Regulations) vide Gazette notification No. LAD-NRO/GN/2013-14/27/6720 dated October 08, 2013. In this regard, through said ITP Regulations, necessary amendments have been made in the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009 (ICDR Regulations) by inserting a "Chapter XC" on "Listing and Issue of Capital by Small and Medium Enterprises on Institutional Trading Platform without initial public offering". Further, vide said ITP Regulations, consequential amendments have also been made to SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and SEBI (Delisting of Equity Shares) Regulations, 2009. The full text of the Regulations is available at www.sebi.gov.in.



3. Salient features of those amendments are as under:

a. **The Institutional Trading Platform (ITP).**

- (i) The ITP shall be a platform for listing and trading of specified securities of small and medium enterprises including start-up companies in a 'SME Exchange' as defined under regulation 106N(1)(c) of ICDR Regulations;
- (ii) The ITP shall be accessible only to informed investors who are either individuals or institutions and the minimum trading lot shall be ten lakh rupees on this platform;
- (iii) Companies listed on ITP shall not make a public issue of its securities.

b. **Eligibility for listing.**

A public company seeking listing on ITP should comply with the following requirements:

- (i) the company, its promoter, group company or director does not appear in the wilful defaulters list of Reserve Bank of India as maintained by Credit Information Bureau (India) Limited;
- (ii) there is no winding up petition against the company that has been admitted by a competent court;
- (iii) the company, group companies or subsidiaries have not been referred to the Board for Industrial and Financial Reconstruction within a period of five years prior to the date of application for listing;
- (iv) no regulatory action has been taken against the company, its promoter or director by SEBI, Reserve Bank of India, Insurance Regulatory and Development Authority or Ministry of Corporate Affairs within a period of five years prior to the date of application for listing;
- (v) the company has atleast one full year's audited financial statements, for the immediately preceding financial year at the time of making listing application;
- (vi) the company has not completed a period of more than 10 years after incorporation and its revenues have not exceeded one hundred crore rupees in any of the previous financial years;
- (vii) the paid up capital of the company has not exceeded twenty five crore rupees.



(viii) In addition to the above requirements, the company should have received certain minimum investment from atleast any one of the following categories of investors as specified below in order to qualify for listing on ITP:

- (i) Atleast one alternative investment fund, venture capital fund or other category of investors/lenders approved by SEBI, has invested a minimum amount of fifty lakh rupees in the equity shares of the company.
- (ii) One or more 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 the association/group.
- (iii) 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.
- (iv) 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.
- (v) 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.
- (vi) A specialized international multilateral agency or domestic agency or a public financial institution under section 2(72) of the Companies Act, 2013 has invested in the equity capital of the company.

For the purposes of sub-clause (ii) above, investments as facilitated through the angel association/group after due process followed by such association alone shall be eligible. Investments made by the angel investor on his own individual initiative shall not be eligible.

For the purposes of sub-clause (vi) above, domestic agency means a domestic developmental institution like Small Industries Development Bank of India (SIDBI) or National Bank for Agriculture or Rural Development (NABARD).



c. Process of listing.

- (i) A company which meets the requirements of the Regulations may apply to the recognised stock exchange for listing along with the information document containing disclosures as specified under Schedule XIX A of ICDR Regulations. This Information document shall be made available to public through the website of the recognised stock exchange.
- (ii) The concerned recognised stock exchange may issue an in-principle approval to companies eligible for listing on ITP.
- (iii) A company which has received in-principle approval from a recognised stock exchange for listing of its specified securities on ITP shall be deemed to have been waived by SEBI from rule 19(2)(b) of Securities Contracts (Regulation) Rules, 1957 for the limited purpose of listing on ITP.
- (iv) Such listing shall not be accompanied by any issue of securities or capital raising from public in any manner.

d. Capital raising.

- (i) A company listed on ITP shall not make an initial public offer while being listed on the platform.
- (ii) Such a company may raise capital through private placement or through a rights issue.
- (iii) In case of a rights issue, there shall be no option for renunciation of rights and the company seeking to get listed on ITP shall agree to make necessary amendments to its articles of association to this effect.
- (iv) Such companies raising funds through private placement shall be governed by the specific requirements in this regard such as, obtaining in-principle approval of the recognised stock exchange prior to allotment, obtaining shareholders approval under section 81(1A) of the Companies Act, 1956, completing allotment within two months of such approval, disclosures to be made in explanatory statement to the notice to shareholders and pricing norms as elaborated in Chapter XC of ICDR Regulations.
- (v) the company making a rights issue shall send a letter of offer to its shareholders through registered post or speed post or electronic mode and



the same shall be made available on the website of the company and the recognised stock exchange.

e. Minimum promoter shareholding and lock-in.

Not less than twenty per cent. of the post listing capital of the company shall be held by the promoters at the time of listing and the same shall be locked-in for a period of three years from date of listing.

f. Exit from the platform.

(i) A company listed on ITP may exit the platform voluntarily after obtaining approval of its shareholders as below:

- (a) its shareholders approve such exit by passing a special resolution through postal ballot where ninety per cent. of total votes and the majority of non-promoter votes have been cast in favor of such proposal;
- (b) it shall also obtain the SME Exchange's approval.

(ii) In the event of any of the following, the company would be required to exit the platform within 18 months from the occurrence of such event:

- a. the company has been listed on ITP for a period of 10 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 in the last audited financial statement;
- d. the company has market capitalization of more than five hundred crore rupees:

For the purposes of clause (d) above, the market capitalization shall be calculated based on the average closing price of the shares for the previous three months.

(iii) A company listed on ITP shall be delisted and permanently removed from that under any of the following circumstances:

- (a) failure to file periodic filings with the recognised stock exchange for more than one year;



- (b) failure to comply with corporate governance norm(s) for more than one year;
- (c) notwithstanding (a) and (b) above, non-compliance of the condition of listing as may be specified by the recognised stock exchange.

g. Liabilities.

- (i) The draft and final information memorandum shall be approved by the board of directors of the company and shall be signed by all directors, the Chief Executive Officer, i.e., the Managing Director or Manager within the meaning of the Companies Act, 1956 and the Chief Financial Officer, i.e., the whole-time finance director or any other person heading the finance function and discharging that function.
 - (ii) The signatories shall further certify that all disclosures made in the information document are true and correct.
 - (iii) In case of 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 SEBI Act, 1992 and regulations made thereunder.
4. A company seeking listing on ITP shall enter into an agreement with the recognized stock exchange. The Model listing agreement for the said purpose is given at Annexure A. Provisions regarding minimum public shareholding do not apply to companies listed on this platform since they are not allowed to make public issues while being listed on ITP and hence the same has been excluded from this listing agreement.
5. All recognised stock exchanges are advised to:
- (i) execute a listing agreement with companies seeking listing on ITP in line with the Model listing agreement specified in Annexure B, without limiting or diluting any of the requirements thereof;
 - (ii) make necessary and consequential amendments, if any, to their bye-laws for the implementation of Regulations;



- (iii) disseminate the contents of this circular on their website for easy access to the small and medium enterprises and informed investors; and
- (iv) communicate to SEBI, the status of the implementation of the provisions of this circular in the Monthly Development Report.

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.

Yours faithfully,

Sunil Kadam
General Manager
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