

Listing on PSX through Growth Enterprise Market (GEM Board)

May 2021

Great opportunity for SMEs to raise capital.

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INTRODUCTION

- To ease the difficulties faced by SMEs, the Securities and Exchange Commission of Pakistan (**SECP**) has approved listing regulations of the **Growth Enterprise Market (GEM) Board** to enable and facilitate SMEs, greenfield projects, tech start-ups and other companies to conveniently get listed on PSX and raise capital.
- The GEM Board platform will encourage investors to invest in strong, growing and successful companies. By investing in **Growth Companies**, investors will get the opportunity to benefit from their growth.
- As per Small and Medium Enterprise Development Authority (**SMEDA**), there are approx. **3 million SMEs** in Pakistan contributing **40% to the annual GDP**, employing **80% of the non-agriculture labor force**, and accounting for **25% of the total exports**.

LISTING OPTIONS

OPTION 1: Main Board

- Minimum post issuance paid-up capital of **PKR 200 million**

OPTION 2: (FOR SMEs) GEM Board

- Minimum post issuance paid-up capital of **PKR 25 million**

FEATURES OF GEM BOARD

- Only **Eligible Investors** are authorized to buy and sell shares of a GEM Board Listed company.
- An **Information Memorandum (IM)** will be required to be circulated instead of the Prospectus.
- The Code of Corporate Governance will be selectively applicable on companies as prescribed by the commission.
- Minimum **annual fees ranging from PKR 50,000 to 200,000.**
- Green Field projects are eligible.
- Advisors to the issue include all Consultants to the issue and Security Brokers licensed by the SECP –
 - **Reanda Consulting Private Limited is an approved consultant as per SECP**

ADVANTAGES OF LISTING

- ✓ Capital growth through equity investment by the general public, giving a **diverse investment base**.
- ✓ Fair Valuation of the Company by the market which is generally higher than the book value.
- ✓ Easier and wider access to the national and international pool of funds.
- ✓ Enhanced visibility and public credibility.
- ✓ Improved corporate governance practices.
- ✓ **Free advertisement and marketing** through media and research.
- ✓ Ability to acquire, merge or conduct any strategic activity with other companies with higher liquidity.
- ✓ Attract better talent and resources.
- ✓ Higher bargaining power with stakeholders (banks, suppliers etc.)
- ✓ Better customer awareness, as listed companies are considered industry leaders.
- ✓ Banks **improve loan limits** with competitive interest rates to listed companies.

MANDATORY REQUIREMENTS

Must be a Public Limited Company

Financial Statements

- a) Audited accounts for last two years (*this shall not apply for a Greenfield Project*) audited by a QCR firm.
- b) Must place financial statements on the website.

Company Website

- a) Must contain basic business information
- b) Must contain IM
- c) Half yearly progress providing status of commitments mentioned in IM

Issuance Requirements

- a) Issuance of at least 10% of the post issued paid-up capital to eligible investors.
- b) Equity securities either through fixed price method or book building method.

INFORMATION MEMORANDUM (IM)

- IM shall be circulated to Qualified Institutional Buyers (QIBs) and High Net Worth Individuals (HNWIs). QIB's include
 - Financial institutions
 - Company as defined in the Companies Act
 - Insurance Company
 - Trust
 - Securities Brokers
 - Funds
 - Foreign Investors

- IM shall be placed on the website of the SME, the Exchange and the Advisor/Consultant to the Issue.

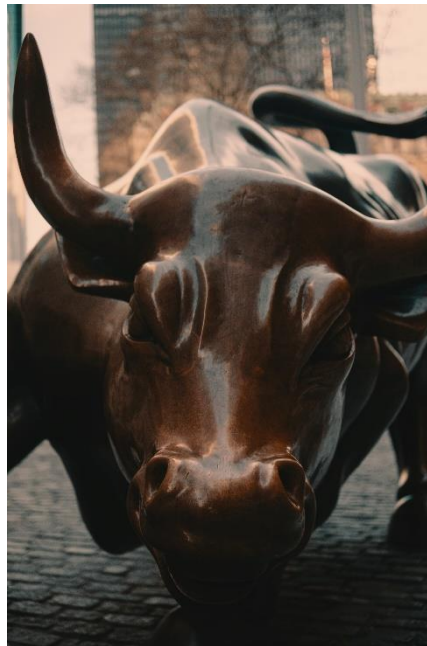
- Minimum information / disclosures required in the IM are contained in **Schedule-I of Chapter 5A of PSX Rule Book**.

OTHER MAJOR LISTING PRE-REQs

- The issuer is not an associated company of any other listed company (over which it has control), which has violated the Listing Regulations of the Exchange and is still in default of any Listing Regulation.
- The CEO has not served or is not serving as CEO of a listed company which has significantly violated and/or failed to comply with any provision of chapter 5 relating to Listing of Companies and Securities Regulations during his tenure as the CEO.
- The Issuer, its sponsors, promoters, substantial shareholders and directors have no over dues or defaults, irrespective of the amount, appearing in the report obtained from the Credit Information Bureau.
- The equity securities shall be issued only in Book-Entry form.

SIGNIFICANT POST LISTING REQUIREMENTS

- Sponsors shall hold not less than 25% of the post issue paid up capital of the issuer for a lock-in period of not less than three years.



- Trading shall take place through KATS (Karachi Automated Trading System).
- The minimum order size for trading to be notified by NCCPL

- Clearing, settlement, risk management through NCCPL.

- Maintain at all times the minimum free float of 10% of its post issue paid up capital..

- Sponsors are required to retain their entire shareholding in the issuer and subsequent right and bonus shares issued there on for a lock-in period of not less than 12 months

LISTING FEE

Initial Listing Fees

- 0.05% of Post Paid Up Capital
- Capped at PKR 50,000

Annual Listing Fees

- PKR 50,000 on Paid Up Capital up-to PKR 50 Million
- PKR 100,000 on Paid Up Capital between PKR 50-100 Million
- PKR 200,000 on Paid Up Capital exceeding PKR 100 Million

LISTING PROCEDURE

Appoints Advisor and Consultant

- Your company chooses a consultant, who does the initial due diligence in regards to financials, corporate structuring, legal and regulatory requirements etc., and formulates your company's business plan moving forward.

Business Plan evaluation

- The business case is evaluated by the consultant using different methodologies and its demand is gauged for the "Final Offer Structure" to get maximum value for the shares to be offered.

Information Memorandum and Prep for Filings

- Consultant to the issue to draft information memorandum in consultation with the client
- Underwriters or book-builders to be engaged if needed
- The Central Depository Company (CDC) checks for eligibility and induction into their virtual share depository system.

Regulatory Filings

- Submit requisite regulatory documents for PSX and SECP and obtain the necessary approvals.

LISTING PROCEDURE (contd.)

Marketing

- Conduct road-shows, investor presentations and other marketing and sales events to create awareness about the upcoming issuance.

Subscriptions and Balloting

- Share registrar and balloter collect subscription results from all bankers to the issue.

Post IPO Clearance

- The bank will transfer the money from the subscriber to the issuers.
- The company's equity securities can be traded on the GEM Board.

Source: Pakistan Stock Exchange

Sources

1) Pakistan Stock Exchange Rulebook

[https://www.psx.com.pk/psx/themes/psx/uploads/PSX-Rulebook-\(updated-as-of-January-31,2020\).pdf](https://www.psx.com.pk/psx/themes/psx/uploads/PSX-Rulebook-(updated-as-of-January-31,2020).pdf)

1) Pakistan Stock Exchange Presentation

[file:///C:/Users/HP-15/Downloads/GEM Board Presentation14 Jan 2021.pdf](file:///C:/Users/HP-15/Downloads/GEM_Board_Presentation14_Jan_2021.pdf)

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