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NEW DIRECT LISTING NORMS - BSE

BSE'S NEW NORMS FOR DIRECT LISTING (EFFECTIVE FROM 1ST JULY 2011)

BSE has, issued New Norms for Direct Listing of Companies listed with other Exchanges. The Norms, their Analysis and some of the Issues that might need a further clarity or might arise during the Direct Listings have been presented.

S.NO.	PARTICULARS	NORMS	ANALYSIS	ISSUES THAT MIGHT NEED CLARITY
1	Issued and Paid up capital	Minimum paid up capital of Rs. 10 crores	<ul style="list-style-type: none"> ▶ With effect from 1st July 2011, any Company seeking Direct Listing at BSE will need to either have a Paid up Capital of Rs 10 Cr or a Networth of Rs 50 Cr in each of the 3 preceding F.Ys. ▶ Further, entire issued capital must be listed at the Regional Exchange. 	<p>If a Company has issued Preference Shares, will they be included in calculating the benchmark figures of Rs. 20 Cr/ Rs 50 Cr.</p> <p>Further, with regard to Networth, if during the preceding 3 years, a Merger has taken place in the Company, will the Networth of the Transferor Company be taken account of, while calculating the Networth during that year.</p>
2	Networth	OR Minimum networth of Rs. 50 crores (excluding revaluation reserves) in 3 immediately preceding financial years		

3	Profit making track record	<p>Distributable profits in terms of sec. 205 of Companies Act, 1956 for atleast 3 out of 5 immediately preceding financial years based on audited financial results with the last financial year reporting profit.</p> <p>Provided that extraordinary income shall not be considered for calculating distributable profit.</p> <p>Provided further that latest 3 Financial Years should comprise a period of atleast 12 months.</p>	<p>From 1st July 2011 onwards, only those companies will be allowed for Direct Listing, which have Distributable Profits for atleast 3 out of 5 immediately preceding F.Ys.</p>	<p>Herein, the condition imposed is profit making track record, but no quantification of the same has been prescribed. Thus, it needs clarity as to how much profits shall be make a Company eligible for Direct Listing.</p>
4	Public Shareholding	<p>Meeting with the requirements of SCRA, SCRR and Listing Agreement.</p>	<p>The Company should be in compliance with Minimum Public Shareholding rules and provisions.</p>	
5	No. of public shareholders	<p>Minimum 500</p>	<ul style="list-style-type: none"> ▶ Atleast 50 shareholders is now a mandatory requisite. ▶ This implies that companies with small shareholders' base are not eligible for Direct Listing. 	

6	Trading in Compulsory Demat	Minimum of 50% of the public shareholding should be held in demat form.	This condition has been pursuant to SEBI Circular.	A very crucial question is that how can a company, especially the one that is listed at a Regional Exchange, compel its Public Shareholders for holding the shares in demat mode. In these companies, the shareholders might not be interested in holding the shares in demat mode, as there is no trading benefit.
7	Listing track record with Recognised Stock Exchange	Listed on any Recognised Stock Exchange	<p>Any Company seeking Direct Listing should be a already listed Company with any Recognised Stock Exchange</p> <p>Another condition, as mentioned in the Notes to the Norms are:</p> <ul style="list-style-type: none"> ▶ The Company should submit a confirmation from the Recognised Stock Exchange. ▶ The securities are not under suspension at the concerned Stock Exchange. 	

8	Information Memorandum	Information Memorandum as provided in Schedule II of Companies Act, 1956 to the extent applicable, as certified by the Company Secretary/ MD of the Company	A detailed Information Memorandum is needed to be filed with the Exchange, whose contents shall be as per the Schedule II of the Companies Act, 1956.	
9	Withdrawal/ Rejection	Companies can make a fresh application after a period of 3 months	If, for any reasons, any Company's application is rejected by the Exchange, then it can make a fresh application after a period of 3 months.	
10	Miscellaneous	<ul style="list-style-type: none"> ▶ No Investor complaints ▶ Compliance with Listing Agreement, SCRA, SEBI Regulations etc. ▶ Where the company or the promoters or promoter group entities or the directors are/ have been debarred or disciplinary action taken by SEBI or a recognized stock exchange, then a period of at least 3 years has elapsed since the expiry of the debarment period. 	<ul style="list-style-type: none"> ▶ All Investors complaints to be resolved. ▶ Fully compliant at the Recognised Exchange. ▶ Any debarred entity/ promoters can apply to BSE for Direct Listing, only after a lapse of 3 years from the expiry of the debarment period. ▶ It has been clarified that a Company listed on a Regional Exchange and is seeking listing at BSE through a FPO, then the above norms of Direct Listing 	

► The above norms will not be applicable to companies that are listed on recognized stock exchanges -

- But seeking listing through further public offering (FPOs). In such cases, the IPO norms of the exchange will apply

- But are compulsorily delisted by the exchange under SEBI (Delisting of Securities) Guidelines, 2003 or SEBI (Delisting of Equity Shares) Regulations, 2009. In such cases, the companies can seek listing by offer of sale through prospectus or further public offering through prospectus.

shall not apply. But the IPO Norms shall be applicable.

► Similarly, if a company has been compulsorily delisted by BSE and it is seeking relisting at BSE, the above Norms shall not be applicable. It can seek listing by offer of sale through prospectus or further public offering through prospectus.

Under the new Norms, some of the already existing conditions have been done away with and some new ones have been incorporated. The New Norms shall give further impetus to the Direct Listings at BSE, thus giving the Companies listed at Regional Exchanges a new boost of life and their shareholders the liquidity.

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