

DISCUSSION PAPER ON ALTERNATE CAPITAL RAISING PLATFORM

- SEBI issued a discussion paper on alternate capital raising platform today on 31/03/15
- The proposed alternate capital raising platform is initially for companies which are in the area of software product development, e-commerce, new-age companies having innovative business model, etc. which create new business opportunities or which serve important efficiency enhancement in existing business activities.-(**New Age Companies**)
- The proposed alternate capital raising platform is a carve out of main board primary market being combined with the Institutional trading platform
- The striking features of the proposed platform are briefly captured below :-
 1. Min offer size of Rs 50 Cr (min 500 allottees with min application size of Rs 10 lakhs each)
 2. Permitted categories of investors :-QIBs and HNI
 - a) The definition of QIB has been extended to include systematically important NBFCs as per RBI guidelines and family offices / trusts, subject to such family offices/trust registering itself as Alternate Investment Funds (AIF) under the AIF Regulations. Further, any other entity registered with SEBI subject to minimum net-worth of Rs.500 crore may also be considered as a QIB
 - b) Offer has to be subscribed compulsory by QIBs to the extent of at least 75% and balance can be through HNIs. In case of oversubscription HNI allotment shall be on proportional basis. However, QIB allocation could be on discretionary basis.
 3. Issuers shall be required to file offer document with SEBI as per SEBI regulations.
 4. Notably , only those new age companies whose promoter(along with Person Acting In Concert) shareholding is less than 25% can access the proposed alternate capital raising platform
 5. The minimum trading lot on the said platform shall be of Rs. 5 lakhs.
 6. Importantly, companies listed on the proposed platform will have the option to migrate directly to the main board after a period of 1 year from listing.
 7. In line with international capital market norms, the regulatory requirements and disclosure norms are proposed to be significantly diluted for this platform, including the following :-
 - a) No profit track record required. Even loss making companies can access the platform
 - b) Offer proceeds may be used for General Corporate Purpose
 - c) Reduced lock-in of only 6 months for Pre –Ipo shares
 - d) Flexible issue pricing justification

The proposed alternate capital raising platform is carve out of main board primary market being combined with the Institutional trading platform (ITP) in line with international practices and norms. Various key regulatory requirements are significantly diluted such as no requirement of profit record, raising of funds for general corporate purpose, reduced lock-in of 6 months etc. Even the disclosure norms are proposed to be relaxed in respect of issue pricing disclosures –remarked Mr Mahavir Lunawat, Group Managing Director-Pantomath Advisory Services Group.

He further added , easy and relaxed platform with an option to migrate to main board after 1 year aims to incentivise new age start up companies with growth potential to tap capital market to informed investors

without being subject to the regulatory rigours. Offcourse, the proposal needs to be weighed with adequate checks and balances such as merchant banking due-diligence, business plan and model as these companies would be exposed to main board seamlessly.

This is the third attempt by capital market regulator for incentivising Indian SMEs to tap capital markets after SME and ITP platforms.

Till date, 89 companies have been listed on SME Exchange of BSE (of which recently three companies got migrated to main board) and 7 listed on NSE Emerge.

Pantomath SMEX (First of its kind of SME Index of India) -increased by 188% in Calendar year 2014.