



**Discussion Paper on :-
Alternate Capital Raising Platform and
Review of other regulatory requirements**

March 31, 2015

Discussion Paper on :- Alternate Capital Raising Platform and Review of other regulatory requirements

SEBI with a view to promote the growth of new age companies with innovative business model proposes the development of Alternate Capital Raising Platform. The proposed platform is a carve out of main board primary market being combined with the Institutional Trading Platform (ITP)

Stricter regulatory regime, need for track records, want of a better price discovery and absence of big ticket institutional investors lead various Indian companies to overseas bourses. Recently Indian e-commerce firm, Koovs, and software company, IMImobile, raised \$ 88 million through IPO on the AIM platform of London Stock Exchange. In order to provide enabling environment for enterprises to flourish so as to prevent a drive amongst Indian companies to get listed on stock exchange outside India, SEBI has proposed to simplify capital raising process. In India

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

SEBI via this initiative has taken efforts to reduce various regulatory rigours only for professionally managed companies i.e those companies whose promoter (individually or collectively with person acting in concert) shareholding is less than 25%.

This Precursor provides analysed update on the proposed capital raising platform for start up companies and also proposed changes in certain disclosures to be made in the offer document



Key Aspects of Proposed Capital Raising Platform (1 of 2)

- Min offer size of Rs 50 Cr (min 500 allottees with min application size of Rs 10 lakhs each)
- Permitted categories of investors :-QIBs and NIIs
 - 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 NIIs. In case of oversubscription NII allotment shall be on proportional basis. However, QIB allocation could be on discretionary basis.
- Issuers shall be required to file offer document with SEBI as per SEBI regulations.



Key Aspects of Proposed Capital Raising Platform (2 of 2)

- 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
- The minimum trading lot on the said platform shall be of Rs. 5 lakhs.
- 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.
- 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
- AIF Cat I & II investment in shares of companies listed on the proposed platform will be counted for the purpose of calculation of investments limits in unlisted securities



Review of Other Regulatory Terms* – Proposed (1 of 2)

QIB Definition extended

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

Disclosure with respect to Group Companies

Disclosure of only following group Companies to be given in the offer document :-

- Those covered under **AS-18**
- Material Group Companies (Policy of materiality to be disclosed in the offer document)

Disclosure of Litigation

Following litigation to be disclosed in offer document :-

- All criminal cases and regulatory actions
- Litigation with respect to taxation disputes, separate disclosures regarding claims related to direct and indirect taxes .
- Other material Litigation (Policy of materiality to be disclosed in the offer document)

*Applicable for all issuers irrespective of listing on main board or ITP

Disclosure on Creditors

- Complete details about creditors to be disclosed on the web page of Company
- Disclosure in offer document to be based upon materiality thresholds as disclosed in offer document and link of webpage of company where full details are disclosed to be included in offer document
- Only consolidated information on dues to SMEs and other creditors shall be disclosed in offer document.

Disclaimer Clause

Product advertisements of the issuer to be exempted from the requirements of 'disclaimer'



SEBI has invited public comments on the proposed policy framework before April 20, 2015.

Your comments are welcome....



Progress with Values

Corporate Office

Mumbai

108, Madhava Premises,
Bandra Kurla Complex, Bandra (East),
Mumbai - 400 051

Landline: (022) 2659 8687/91

Fax: (022) 2659 8690

Website: www.pantomathgroup.com

E-mail : mahavir.lunawat@pantomathgroup.com

Branch Office

Gandhinagar- Gujarat

312, Pratik Mall
Near City Plus Cinema, Kudasani
Gandhinagar-382421

Email: info@pantomathgroup.com

Associate Offices at

Bhopal - Madhya Pradesh
Borivali - Mumbai
Kolkata - West Bengal
Pune - Maharashtra
Rajkot - Gujarat
Surat - Gujarat
Vapi - Gujarat

Online Initiatives : www.smeipo.net | www.dobusinessinindia.in | www.pantomathangels.com

Disclaimer

All data and information is provided for informational purposes only and is not intended for any factual use. It should not be considered as binding / statutory provisions. Neither Pantomath Capital Advisors nor any of its group company, directors, or employees shall be liable for any of the data or content provided for any actions taken in reliance thereon.