

# **Listing on Pakistan Stock Exchange Growth Enterprise Market (GEM BOARD)**

Dream Big and Make it Happen!



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# Section 1

# **Introduction**



# Importance of SMEs to the Pakistani economy

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**SMEs have the potential to drive / stimulate growth provided they are given an enabling platform to flourish.**

There are  
Approximately 3 Million  
SMEs in Pakistan

SME output  
contributes 40%  
to the annual  
GDP



SME Output  
contributes 25%  
to the total  
exports.

SMEs employ 80% of the  
non-agricultural labor  
force

Source: Small and Medium Enterprise  
Development Authority (SMEDA)



Section 2

# PSX Listing Requirements



# What is the Eligibility Criteria?

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## Main Board

- Minimum post issuance paid up capital of PKR 200 Million



## GEM Board

- Minimum post issuance paid up capital of PKR 25 Million



Section 3

# **GEM Board Listing Requirements**



# What are the GEM Board Key Features?

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**PSX GEM Board - a platform for SME's and growing companies to raise capital to fund growth and expansion**



- ✓ 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
- ✓ Minimalistic annual fees ranging from PKR 50K – 200K.
- ✓ Green Field projects are eligible.
- ✓ Advisors to the issue include all Consultants to the issue and Security Brokers licensed by the SECP.



# What are the mandatory requirements?

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## Financial Statements

- Audited financial accounts for at least two preceding years.
- Financial accounts audited by QCR (Quality Control Review) rated agency.
- Must publish financial statements on the website.



## Company Website

- Must contain basic business company information.
- Must contain Information Memorandum
- Half yearly progress providing status of commitments mentioned in the IM.



## Issuance Requirements

- Must issue at least 10% of the post issue paid up capital to eligible investors.
- Securities will be offered either through book building or fixed price method.



# What is the Listing Requirement?

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## Information Memorandum (Pre Listing)

- IM shall be circulated to QIBs and HNWIs.
- 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.



## Compliance (Post Listing)

- The issuer is required to disclose and disseminate Price Sensitive Information.
- CEO of the Issuer responsible for regulatory compliance must submit compliance report at the end of each half year.
- If the issuer violates any provision of GEM Regulations, the Exchange may take any disciplinary action such as: Imposing a fine, Placing issuer in the Defaulters' Segment, Suspend trading, etc.

# Section 4

## **Post Listing**



# What happens Post Listing?

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- ✓ Sponsor will hold at least 25% of the post issue paid up capital of the issuer for a lock in period not less than three years.
- ✓ Clearing, settlement and risk management through NCCPL



- ✓ Trading shall take place through KATS (Karachi Automated Trading System).
- ✓ SME to maintain a minimum free float of 10% of post issue paid up capital.

## Section 5

# Listing Fee



# What is the Listing Fees?

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## 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

Section 6

# Benefits And Relaxations



# Why should you list on PSX?

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## Raise Long Term Low-cost Capital

- Growth and expansion needs
- Invest or carry out merger & acquisition plans
- Invest in new projects
- Enhance current capacity
- Diversify business
- Meets working capital requirements



## Inclusion in Indices

The PSX has several indices like KSE 100, a benchmark used by investors all around the world to measure Pakistan's performance. Listing will give you the chance to be included in these indices, providing you with global recognition.



## Inexpensive Financing

Money raised through offering your company's share on the bourse is relatively inexpensive, especially in a rising interest rate environment, helping organizations reduce their dependence on costly long term and short term loans.





# Why should you list on PSX?

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## Enhances Company's Public Profile

- IPOs add a level of prestige to a Company
- IPOs can be used as a branding and marketing tool as they attract media interest, attention and scrutiny
- Listed companies on the Exchange are regarded as Industry leaders in their respective sectors.



## Higher Valuation

By going public, all stakeholders involved use fair valuation of the company by the market which is generally higher than the book value, outlining the true worth of an organization.



## HR Capital

Attract and retain the best talent for your company because of enhanced reputation.



# What are the extra benefits and relaxations for SME?

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## Tax Benefits

- 20% on tax payable in the first tax year of listing
- 20% on tax payable in the subsequent tax year
- 10% on tax payable in the following two tax years respectively



## Compliance Relaxations

- Companies need not comply with the:
- Provisions of Chapter 5, “Listing of Companies and Securities Regulations” of PSX Rule Book. which applies only to Main Board.
  - Code of Corporate Governance



Section 7  
**SME Listing Procedure**



# Procedure to get your company listed on the Exchange?

## 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.

## Finalization of Underwritings

- After the terms of underwriting have been finalized. bankers to the issue and share registrar are appointed.
- The Central Depository Company (CDC) checks for eligibility and induction into their virtual share depository system.
- Finalize pre-IPO investors with the help of your consultant

## Regulatory Filings

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

## Marketing

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

## 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 SME Board.

# Section 8 **De-Listing**



# What will be your Exit Strategy?

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## Voluntary De-listing

You can delist your company through buy-back of shares by the sponsors at a price approved by the Exchange

## Involuntary De-listing

Your company can be removed from the listed companies list due to violation of PSX's Listing of Companies & Securities Regulations

## Migration to Main Board

The issuer may migrate to the Main Board after fulfilling criteria prescribed by PSX.



# Contact Information

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