

Pakistan Stock Exchange

Growth Enterprise Market (GEM) Board



Contents of the Presentation:

Section 1: Introduction

Section 2: Benefits And Relaxations

Section 3: PSX Listing Requirements

Section 4: GEM Board Listing Requirements

Section 5: Post Listing

Section 6: Estimate cost of Listing

Section 7: Listing Fee

Section 8: GEM Board vs Main Board

Section 9: GEM Listing Procedure

Section 10: De-Listing

Section 11: Resources and tools



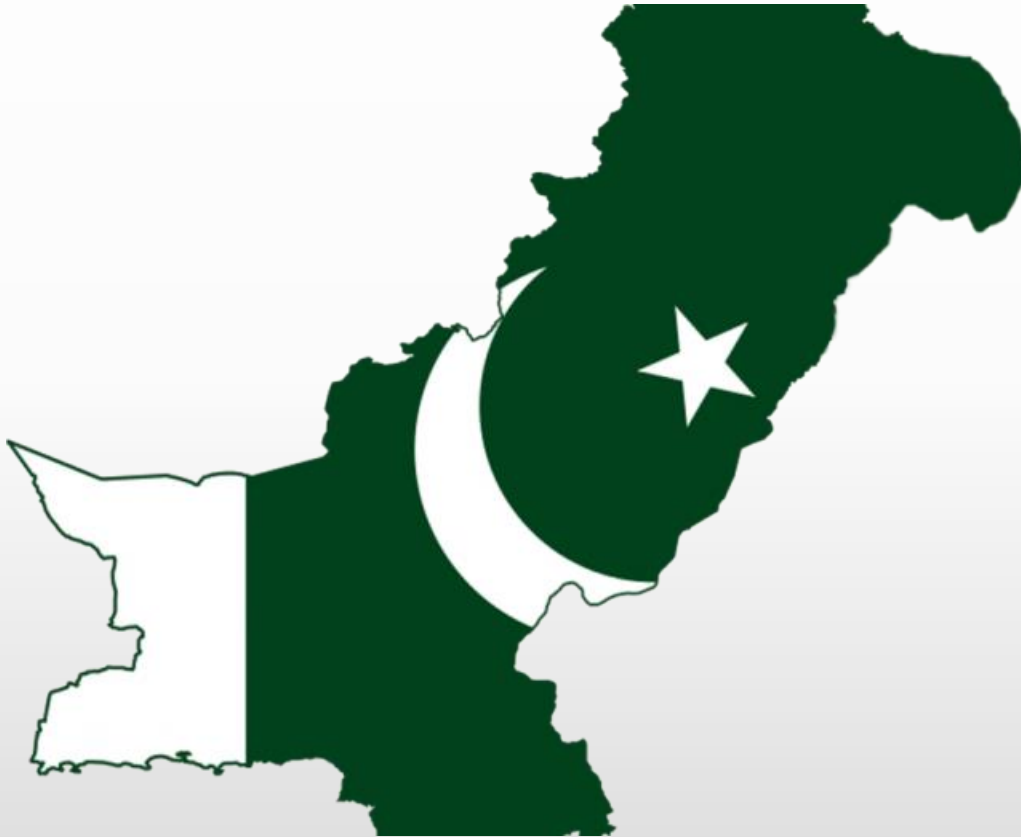
Section 1

Introduction



Importance of SMEs to Pakistan's Economy

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

SMEs employ
80% of the non-
agricultural
labor force

SME Output
contributes
25% to the
total exports.



Section 2

Benefits And Relaxations



Why should you list on PSX?

Raise Long Term Working 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?

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.



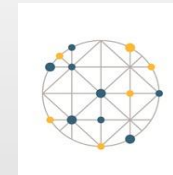
Higher Valuation

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.



Succession Planning

Handing over the business to the next generation becomes ever more efficient. Either through direct or indirect control, governance policies introduced ensure the long term success of your company by future generations.



What are the extra benefits and relaxations for the Issuer?



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 of PSX Rule Book, which applies only to Main Board.
- Within two years of listing, the company shall comply with the following Code of Corporate Governance Requirements:
 1. Audit Committee comprising independent directors
 2. Female representation on board
 3. Minimum number of independent directors as per CCG regulations.

Section 3

PSX Listing Requirements



What is the Eligibility Criteria?

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 4

GEM Board Listing Requirements



What are the GEM Board Key Features?

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

- Companies can list on the GEM board with a minimum post issue paid up capital of PKR 25 Million only. There is no upper limit cap to the amount raised.
- Only Eligible Investors are authorized to buy and sell shares of a GEM Board Listed company, which include institutional investors and individual investors registered with NCCPL having net assets of PKR 15 Million. The minimum number of subscribers shall be 5.
- An Information Memorandum (IM) will be circulated instead of the Prospectus.
- The Code of Corporate Governance will be selectively applicable on companies as approved 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?

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?



Information Memorandum (Pre Listing)

- IM shall be circulated to QIBs and HNWIIs.
- 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 5

Post Listing



What happens Post Listing?

- Trading shall take place through KATS (Karachi Automated Trading System).

- Issuer to maintain a minimum free float of 10% of post issue paid up capital.

- Sponsor will hold at least 25% of the post issue paid up capital of the issuer for a lock in period of not less than three years.

- Clearing, settlement and risk management through NCCPL



Section 5

Estimate Cost of Listing



Estimated Costs

Sr. No	Particulars	Expense
1	Consultant to the Issue & Book Runner Fee	PkR 2,500,000 or 3% of the total capital raised (whichever is higher)
2	PSX Annual Listing Fee	Fee as per Rule 5A. 19.3 of PSX Rule Book 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
3	PSX Initial Listing Fee	0.05% of its post issue paid-up capital subject to a maximum of Rs. 50,000
4	Balloting, Transfer Agent, Share Registrar	PkR 200,000 to PkR 500,000
5	E- IPO Charges	0.80% of the amount of the successful applications [Based on CDC Agreement b/w Issuer & CDC]
6	Banker to the Issue - Out of Pocket Expense	PkR 50,000 per Bank
7	Banker to the Issue - Commission	0.2% to 0.3% of the total Capital Raised through Banks
8	TREC Holders Commission	1% of the total capital raised
9	CDC Annual Fee (As per Post IPO Paid-up Capital)	-Upto Rs. 50m Rs. 85,000 p.a. -Above Rs. 50m to Rs. 200m Rs. 170,000 p.a. -Above Rs. 200m to Rs. 500m Rs. 340,000 p.a. -Above Rs. 500m to Rs. 1,000m Rs. 510,000 p.a. -Above Rs. 1,000m to Rs. 5,000m Rs. 680,000 p.a. -Above Rs. 5,000m Rs. 850,000 p.a.
10	CDC Fresh Issue Fee	0.16% of the total issue size
11	SECP IPO Application Processing Fee	Upto PkR 200,000
12	SECP Supervisory Fee	10% of PSX Annual & Initial Listing Fee
13	PSX Services fee	PkR 50,000
14	PSX Book building software charges	PkR 500,000
15	Marketing & Printing Expense	PkR 500,000 to PkR 1,000,000
16	Miscellaneous Expenses	PkR 250,000 to PkR 500,000

- Note: Estimates are based on fund raising requirements of PKR 100 Million. Actual figures might differ from the estimates mentioned above.



Section 6

Listing Fee



What is the Listing Fees?



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 7

GEM Board vs Main Board



GEM Board vs Main Board

GEM Board

Only Information Memorandum (IM) is required

Code of Corporate Governance is applicable as per approval of SECP.

Only eligible investors can participate

Initial listing fees capped at PKR 50,000

All TREC Holders can act as Advisors to the Issue

Minimum post issuance paid up capital of PKR 25 Million

Main Board

A full Prospectus is required.

Code of Corporate Governance applies

General public can invest

Initial listing fees capped at PKR 1.5 Million

Only approved TREC Holders by the SECP can act as Advisors to the Issue.

Minimum post issuance paid up capital of PKR 200 Million



Section 8

GEM Listing Procedure



Procedure to get your company listed on the Exchange?

Appoints Advisor

- Your company chooses an advisor, 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 of 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-listing 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 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 SME Board.



Section 9

De-Listing



What will be your Exit Strategy?

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.



Section 10

Resources and tools



Resources and tools

Forms and Documents

<https://www.psx.com.pk/psx/resources-and-tools/listings/forms-and-documents>

PSX Rulebook

<https://www.psx.com.pk/psx/resources-and-tools/listings/rule-book>

QCR Rated Auditors

<https://www.icap.org.pk/quality-assurance/list-of-firms-having-satisfactory-qcr-rating/>

List of Consultants to the Issue

<https://www.secp.gov.pk/data-and-statistics/capital-markets/>



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