

Listing on Pakistan Stock Exchange

Small and Medium Enterprises Board

Dream Big and Make it Happen!



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Introduction



What is an IPO?



An initial public offering (IPO) is the process where a company **issues a stake of its ownership** to the public for the first time.

Investors who wish to gain ownership in a company **subscribe** to the company's shares.

Importance of SMEs to the Pakistani 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



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)



PSX Listing Requirements



What is the Eligibility Criteria?

Main Board

- Minimum post issue paid up capital of Rs.200 million



SME Board

- Post issue paid up capital between Rs.25-200 million



SME Board Listing Requirements



What are the SME Board Requirements?

PSX SME Board - a platform for SMEs to raise capital to fund growth and expansion



SME: A public company having a post issue Paid Up Capital PKR 25 -200 Million

- ✓ At least 20% of post issue paid up capital to be offered **ONLY** to QIBs and HNWI's through private placement.

QIBs (Qualified Institutional Buyers)

Financial Institutions;
Insurance Companies;
Mutual/Pension Funds

HNWIs (High Net Worth Individuals)

Investor bidding at least
Rs.1 Million

- ✓ Minimum five initial subscribers
- ✓ Minimum Bid size of each initial subscriber: PKR 1 Million

What are the mandatory requirements?

Financial Statements

- Must prepare periodic Financial statements.
- Must audit statements by QCR (Quality Control Review) rated chartered accountants.
- Must publish financial statements on the website.



SME Website

- Must contain basic business information.
- Must contain Information Memorandum
- Must post annual, half-year quarterly accounts .



What is the Listing Requirement?



Information Memorandum (Pre Listing)

- IM shall be circulated to QIBs and HNWI's.
- 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)

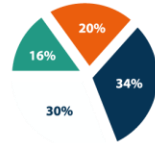
- SME required to disclose and disseminate Price Sensitive Information.
- CEO of the SME responsible for regulatory compliance: Must submit compliance report at the end of each half year.
- If SME violates any provision of SME Regulations, Exchange may take any disciplinary action such as: Imposing a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

Post Listing

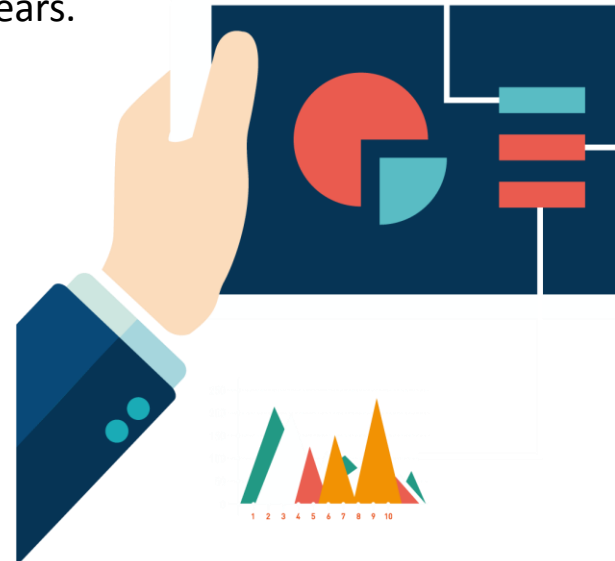


What happens Post Listing?

- ✓ Sponsor Shareholding Lock-in
100% (Entire) holding blocked for 1 year.
25% holding blocked for 3 years.



- ✓ Clearing, settlement and risk management through NCCPL.



- ✓ Trading shall take place through KATS (Karachi Automated Trading System)
- ✓ In the secondary market, the minimum order size for trading shall be PKR 100,000.
- ✓ SME to maintain a minimum free float of 20% of post issue paid up capital.

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 20,000 on Paid Up Capital up-to PKR 50 Million
- PKR 30,000 on Paid Up Capital between PKR 50-100 Million
- PKR 40,000 on Paid Up Capital exceeding PKR 100 Million

Benefits And Relaxations



Why should you list on PSX?

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?

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



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.



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 form all bankers to the issue.

Post IPO Clearance

- The bank will transfer the money from the subscriber to the issuers.
- The company's lots sizes of PKR 100,000 can be traded on the SME Board.



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