

BSE Direct Listing

Value Unlocking Opportunity for Companies Listed Exclusively on Regional Stock Exchanges

Regional stock exchanges have lost their relevance due to aggressive expansion of BSE and NSE. There is a limited possibility of value unlocking for the Shareholders of the companies listed exclusively on regional stock exchanges.

Direct Listing can be solution.

Government had been regularly taking different measures since independence to ensure overall development of capital markets in India. One such important initiative was launch of regional stock exchanges across different states in order to increase confidence level of local investors who were scared of investing in IPOs of new companies. It was made mandatory for every company to get listed on their respective regional stock exchange while coming out with an IPO. Needless to mention, many regional stock exchanges were set up for a variety of tax and other reasons. At one point of time, India used to boast of having nearly 2 dozen active stock exchanges spread across different states of the country.

However, with the aggressive expansion by two national level exchanges i.e. Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) by spreading their terminals across the country over last few years, these regional stock exchanges have lost their relevance.

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Moreover, it is no longer compulsory for the companies to get listed on a regional stock exchange which makes the situation even more vulnerable for the regional stock exchanges. In fact, most of the regional stock exchanges have no trading for last several years and there is no possibility of having trading in the nearby future. Shareholders of the companies listed exclusively on regional stock exchanges currently do not have any exit option and hence, there is limited possibility of value unlocking for them.

SEBI issued a circular in May 2012 to make it very clear that risk mitigation is very important for all the stock exchanges and simultaneously introduced strict norms for own clearing corporation, minimum paid-up capital, shareholding pattern, restriction on brokers on holding stake, etc. SEBI has taken a strict stand and advised all the stock exchanges to comply with the basic eligibility norms if they wish to continue their operations. Alternatively, it also provided an option for them to voluntarily wind-up.

In the event of winding-up of a regional stock exchange, it would certainly be a great loss to the companies listed on them as well as their shareholders. Hence, in consultation with SEBI, the BSE has recently introduced new 'Direct Listing' mechanism for the companies listed exclusively on regional stock exchanges by prescribing basic eligibility norms. Every company which fulfils following norms can submit a formal application to BSE for getting listed on its main board along with necessary supporting documents:

S.NO	Particulars	Norms
1.	Issued and Paid up Capital	Minimum paid up capital of Rs. 3 crores and positive net worth
2.	Net worth	
3.	Profit making track record	Distributable profits in terms of sec. 205 of Companies Act, 1956 for at least 1 out of 2 immediately preceding financial years based on audited financial results. Provided further that the total period of latest 2 Financial Years should comprise a period of at least 24 months; Provided that extraordinary income shall not be considered for calculating distributable profit.
4.	Listing track record with Recognized Stock Exchange	Listed on any recognized Stock Exchange
5.	Public Shareholding	Public Shareholding should be Meeting with the requirements of SCRA, SCRR and Listing Agreement. If the company is non complaint with respect to clause 40A of the listing agreement at time of applying for direct listing, the company shall submit the undertaking from Managing Director/ person authorized by Board of Directors of the company, that the company shall comply with the clause 40A of the listing agreement as per the extend regulations and timelines stipulated by SEBI
6.	No. of public shareholders	Minimum 500
7.	Trading in Compulsory Demat	Minimum of 50% of the public shareholding should be held in demat form
8.	Information Memorandum	Information Memorandum as provided in Schedule II of Companies Act, 1956 to the extent applicable, as certified by the Company Secretary/ MD of the Company. Note: Not required if the company has been trading in the permitted securities category at BSE for a period of not less than 1 year or is listed on any Exchange with nationwide trading terminals
9.	Withdrawal/ Rejection	Companies can make a fresh application after a period of 3 months
10.	Confirmation from RSE	The company shall submit a confirmation from any one of the recognized or regional stock exchange(s) : a. Entire issued capital of the company must be listed on the recognized stock exchange b. No investor complaints pending against the company c. The securities proposed to be listed are not under suspension.
11.	Compliance Status by Company	The company shall furnish the compliance status with the critical clauses of the listing agreement viz. Clauses 15, 16, 31, 35, 40a, 41, 47, 49, 54 and Sec Audit, filings under SEBI regulations/ circulars, SCRA and SCRR for the last 1 year
12.	Action against company/ promoters/ promoter group	Where the company or the promoters or promoter group entities or the directors are have been debarred or disciplinary action taken by SEBI or a

	entities/ directors	recognized stock exchange, then a period of at least 1 year has elapsed since the expiry of the debarment period.
13.	Reference to BIFR or winding up	Company should not be referred to BIFR and no winding up order should have been passed against the company
14.	Company website	The company shall have its own website which is in compliance with Clause 54 of the Listing Agreement containing information about products, management team, annual reports for last three financial years, shareholding pattern, quarterly results, report on corporate governance, code of conduct, name of the company secretary & compliance officer and contact details, RTA - name and contact details
15.	SCORES authentication	Company should have obtained SCORES authentication from SEBI. The company shall also submit the nil Investors Complaints Report extracted from SCORES.

It is estimated that there are around 10000 listed companies in India and merely half of them are listed on BSE. 'Direct Listing' provides an interesting opportunity for remaining 5000 companies listed on regional stock exchanges to migrate to BSE and create value for all the stakeholders.

Since 'Direct Listing' is a new initiative, the process is yet to get stable. However, if all the documents are available and necessary compliances are being done by the company, the process can be over in a span of 3 to 6 months. Due to limited awareness, not many companies have come forward so far for getting listed on BSE. However, it would be recommended for companies listed on regional stock exchanges to take quick action for tapping this golden opportunity and get first-mover advantage before there is change in the eligibility criteria by the market regulators.



International Trademark Registration: Now effective in India

India acceded to the Madrid Protocol on 8th April 2013, making the same effective in India beginning 8th July 2013, as per the Information Notice No. 15/2013 dated 29th May, 2013 issued by WIPO and Public Notice issued by the Controller General of Patents, Designs and Trade Marks (CGPDTM) on 8th July 2013. A notification dated 5th July 2013, issued by the Ministry of Commerce and Industry, DIPP, also notified that the Trade Marks (Amendment) Rules, 2013 which incorporate provisions relating to international registration of trademarks as under the Madrid Protocol, and brings in some amendments to the existing law, have also come into force from the 8th of July 2013.

The accession to the Madrid Protocol comes as a major advantage to the domestic applicants of India, as it gives the applicant an ability to file international application on the basis of a pending application in a Contracting Party to the Protocol or for a registered mark in the jurisdiction of the Contracting Party. The Madrid Protocol is a treaty that provides for the international registration of trademarks, by filing of a single application in one language, for ensuring registration in several countries.

Thus, an Indian applicant can make an application for registration in as many as 89 member countries to the Protocol, apart from India through a single application. Simultaneously, this also implies that trademark owners can get their trademarks protected in the Indian jurisdiction, as well as in the jurisdiction of the 89 other member countries through a single application. A list of the Contracting Parties to the Protocol can be found at http://www.wipo.int/treaties/en/ShowResults.jsp?lang=en&treaty_id=8. Registering through the Madrid Protocol does not create an international right per se, it only creates a bunch of national rights, administered centrally.

Source: http://www.corporateprofessionals.in/Madrid_Protocol_Becomes_Effective_In_India.html