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## SEBI Simplified Framework for Capital Raising by technological start ups Company

As per SEBI Board meeting held on 23rd June, 2015 where SEBI has reviewed the extant regulatory framework in the primary market and noted the suggestions of market participants on making the existing avenues for capital raising amenable for accommodating a larger number of start-up companies.

After the long discussion, SEBI Board has approved the following proposal to amend the regulations concerning the ITP Platform:

1. The platform shall now be called as Institutional Trading Platform (ITP) and shall facilitate capital raising as well.
2. The said platform will be made accessible to:
    a. companies which are intensive in their use of technology, information technology, intellectual property, data analytics, bio-technology, nano-technology to provide products, services or business platforms with substantial value addition and with at least 25% of the pre-issue capital being held by QIBs (as defined in SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009), or
    b. any other company in which at least 50% of the pre-issue capital is held by QIBs.
3. No person (individually or collectively with persons acting in concert) in such a company shall hold 25% or more of the post-issue share capital.
4. Considering the nature of business of companies which may list on the said platform, disclosure may contain only broad objects of the issue and there shall be no cap on amount raised for General Corporate Purposes. Further, the lock in of the entire pre-issue capital shall be for a period of 6 months from the date of allotment uniformly for all shareholders.
5. As the standard valuation parameters such as P/E, EPS, etc. may not be relevant in case of many of such companies, the basis of issue price may include other disclosures, except projections, as deemed fit by the issuers.
6. Companies intending to list on the proposed ITP, shall be required to file draft offer document with SEBI for observations, as provided in SEBI (ICDR) Regulations, 2009.
7. Only two categories of investors, i.e.
    i. Institutional Investors (QIB as defined in SEBI (ICDR) Regulations, 2009 along with family trusts, systematically important NBFCs registered with RBI and the intermediaries registered with SEBI, all with net-worth of more than Rs. 500 crore) and
    ii. Non-Institutional Investors (NIIs) other than retail individual investors can


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access the proposed ITP.

8. In case of public offer, allotment to institutional investors may be on a discretionary basis whereas to NIIs it shall be on proportionate basis. Allocation between the said two categories shall be in the ratio of 75% and 25%, respectively.
9. In case of discretionary allotment to institutional investors, no institutional investor shall be allotted more than 10% of the issue size. All shares allotted on discretionary basis shall be locked-in in line with requirements for lock-in by Anchor Investors i.e. 30 days at present.
10. The minimum application size in case of such issues shall be Rs. 10 lakhs and the minimum trading lot shall be of Rs. 10 lakhs

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11. The number of allottees in case of a public offer shall be 200 or more.
12. The company will have the option to migrate to main board after 3 years subject to compliance with eligibility requirements of the stock exchanges.
13. For Category I and II AIFs, which are required under the SEBI (Alternative Investment Funds) Regulations, 2012 to invest a certain minimum amount in unlisted securities, investment in shares of companies listed on this platform may be treated as investment in 'unlisted securities' for the purpose of calculation of the investment limits.

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