Cross-Border Listings Guide - Indian Stock Exchanges

Quick Summary

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# Initial financial listing requirements

[Last updated: 1 January 2024, unless otherwise noted]

**Domestic shares**

Any domestic issuer proposing to list its shares on the National Stock Exchange of India Limited (NSE) or the BSE Limited (BSE, and, together with NSE, the Stock Exchanges) must meet all of the following criteria:

*Assets test* - Net tangible assets of at least US$0.36 million, calculated on a restated and consolidated basis, in each of the preceding three full years, of which not more than 50% must have been held in monetary assets. If more than 50% of the issuer’s net tangible assets are held in monetary assets, it must have utilised or made firm commitments to utilise the excess amount in its business or projects. This limit of 50% is not applicable where the initial public offering comprises solely of an offer for sale (OFS).

*Net worth* - Minimum US$0.12 million in each of the preceding three full years calculated on a restated and consolidated basis.

*Operating profit* - Minimum average operating profit of US$1.80 million, calculated on a restated and consolidated basis, during the preceding three years, with operating profit in each of these preceding three years.

*Revenue source* - If the issuer has changed its name within the last one year, at least 50% of the revenue for the preceding one full year, calculated on a restated and consolidated basis, must have been earned by it from the activity indicated by the new name.

*Outstanding securities* - The issuer may not have outstanding convertible instruments or any instrument that gives a right or interest to any party prior to listing (instruments of this nature must be converted before filing the RHP).

*Miscellaneous*

None of the issuer, any of its promoters, its promoter group or directors or selling shareholders of the issuer (if the initial public offering contains an OFS component) should have been debarred from accessing the capital market by the SEBI.

No promoter or director of the issuer should be a promoter or director of any other company that is debarred from accessing the capital market under any order or directions made by the SEBI.

No promoter or director of the issuer should be a willful defaulter or fraudulent borrower or a fugitive economic offender.

**IDRs**

Any issuer proposing to list its IDRs on the National Stock Exchange of India Limited (NSE) or the BSE Limited (BSE, and, together with NSE, the Stock Exchanges) must meet all of the following tests.

*Capital and reserves -*A minimum pre-issue paid-up capital and free reserves of US$50 million.

*Market capitalization -* Minimum average market capitalization during the last three years in its home country of US$100 million.

*Trading history*

Listed in the home country for at least three immediately preceding years.

Continuous trading record or history on a stock exchange in its home country for at least the three immediately preceding years.

A track record of compliance with securities market regulations in its home country.

*Income* - Track record of distributable profits (that is, profits after providing for depreciation) for at least three out of the immediately preceding five years.

*Issuance of securities* - Not having been prohibited from issuing securities by any regulatory body.

Not having any fugitive economic offender as its promoter or director.

# Other initial listing requirements

[Last updated: 1 January 2024, unless otherwise noted]

**Domestic shares**

*Share price.* The NSE and BSE do not specify any minimum price for listing of shares.

*Minimum Float*. Minimum public float of 25% of post-issue capital must be maintained, subject to certain conditions.

*Minimum number of shareholders.* At least 1,000 at the time of listing.

*Distribution.* If the eligibility criteria is satisfied:

QIBs: not more than 50% of the issue size, 5% of which must be allocated to mutual funds.

Retail individual investors: not less than 35% of the issue size.

Non-institutional investors (NIIs): not less than 15% of the issue size.

If the eligibility criteria is not satisfied:

QIBs: not less than 75% of the issue size, 5% of which must be allocated to mutual funds.

Retail individual investors: not more than 10% of the issue size.

NIIs: not more than 15% of the issue size.

*Accounting standards*. Ind AS for periods after 31 March 2020, US GAAP or IFRS. If the financial results are prepared in accordance with IFRS and then shifted to US GAAP or vice-versa, then the accounts relating to the previous period must be properly restated for comparison.

*Financial statements.* TheProspectus must include audited financial statements for three financial years immediately preceding the date of prospectus.

*Management continuity.* Any change in key management personnel or senior management personnel during the immediately preceding year must be disclosed in the offer document.

*Operating history.* Three years.

**IDRs**

*Share price.* The NSE and BSE do not specify any minimum price for listing of IDRs.

*Issue size*. The minimum issue size for the IDRs must be US$6.01 million.

*Distribution.* No single individual or single entity or group of entities in India directly or indirectly can be allotted more than 5% of the issue size, except that Qualified Institutional Buyers can be allotted up to 15% of the issue size.

*Accounting standards*. The offering documents must contain audited financial statements for the immediately preceding three years prepared in compliance with Indian GAAP or Ind AS or US GAAP or IFRS. If the financial results are prepared in accordance with IFRS and then shifted to US GAAP or vice-versa, then the accounts relating to the previous period must be properly restated for comparison.

*Financial statements*. The financial statements must be prepared in accordance with the disclosure requirements that apply to the issuer in its home country where its securities are listed. All US GAAP and IFRS financial statements must be audited by a professional accountant or certified public accountant in accordance with International Standards on Auditing and must be accompanied by a statement on the significant differences between US GAAP/IFRS and Indian GAAP and/or Ind AS.

*Management continuity.* Any change in key management personnel during the immediately preceding year must be disclosed in the offer document.

*Holders.* There is no prescribed minimum number of holders.

*Operating history.* The issuer must have been listed in its parent country with a track record of trading on the stock exchange for the preceding three years.

# Listing process

[Last updated: 1 January 2024, unless otherwise noted]

**Domestic shares**

Listings of shares requires approvals and permissions from the Securities and Exchange Board of India (SEBI) and the Stock Exchanges. The following table summarizes the standard listing process and timetable for listing shares on the NSE/BSE via an underwritten public offering:

[Link to Chart](https://resourcehub.bakermckenzie.com/en/-/media/crossborder-listings-handbook/files/2020-update-8th-edition/indiadomesticlisting-process-chart.pdf)

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# Corporate governance and reporting

[Last updated: 1 January 2024, unless otherwise noted]

**Domestic shares**

The issuer must:

Maintain a board of directors with an optimum combination of executive and non-executive directors with not less than 50% of the board comprising non-executive directors. Where the Chairman is a non-executive director, at least 1/3 of the board should comprise independent directors, rising to at least 50% if the Chairman is an executive director or a promoter of the company.

Set up an audit committee with a minimum of three directors as members. Two-thirds of the members of the audit committee must be independent directors and all members of the audit committee must be financially literate, with at least one member having accounting or related financial management expertise.

Present details of material individual transactions with related parties which are not in the normal course of business or on an arm's length basis to the audit committee.

Obtain the approval of the shareholders for all material related party transactions.

Convene board and committee meetings at least four times each year (with a maximum time gap of 120 days between any two meetings).

Include a separate section on Corporate Governance in its Annual Reports, with a detailed compliance report on Corporate Governance. Noncompliance of any mandatory requirement with reasons thereof and the extent to which the non-mandatory requirements have been adopted should be specifically highlighted.

Submit a quarterly compliance report to the stock exchanges within 15 days from the close of quarter, signed either by its Compliance Officer or the Chief Executive Officer.

**IDRs**

If the issuer’s home jurisdiction is a signatory to the Multilateral Memorandum of Understanding of the International Organization of Securities Commissions, the issuer must:

Comply with corporate governance regulations of its home country.

File a comparative analysis of the corporate governance regulations applicable in its home country and in the other jurisdictions in which its equity shares are listed along with the compliance of the same *vis-à-vis* the corporate governance provisions applicable to Indian listed companies.

# Fees

[Last updated: 1 January 2024, unless otherwise noted]

**Domestic shares**

An issuer seeking to list its shares must pay both initial listing fees and annual fees as may be specified by the NSE and BSE from time to time. An issuer must also, as a condition precedent to listing, deposit with the stock exchange an amount equivalent to 1% of the issue size by way of a refundable deposit to secure its compliance with all laws and regulations prescribed by the stock exchange.

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