

## **Sebi notifies start up listing norms makes fund raising easier**

Making it easier for start-ups to raise funds, the Securities and Exchange Board of India (Sebi) on Friday notified a new set of listing norms for such entities, including e-commerce ventures, on a separate platform of domestic stock exchanges.

The new norms provide significant relaxations in the disclosure requirements, while Sebi has also relaxed its delisting, takeover and Alternative Investment Fund (AIF) regulations for such new-age entities engaged in information technology (IT), data analytics, intellectual property, bio-technology or nanotechnology like activities.

The extensive changes in Sebi regulations would allow such entities to get listed on the separate Institutional Trading Platform of the stock exchanges such as BSE and National Stock Exchange and are aimed to encourage the Indian start-ups and entrepreneurs to remain within the country rather than moving abroad for funds.

However, the new platform would be open to only institutional investors and high net worth individuals (HNIs), as Sebi feels small retail investors need to be safeguarded against a higher level of risks associated with this platform.

Sebi has kept the minimum trading lot and the minimum application size at Rs.10 lakh so that only sophisticated and large investors come in. The companies can, however, graduate to the main platform later and the small investors can also invest at that time.

There are expectations that a large number of startups are already looking to tap this platform and the industry estimates suggest the total funds to be raised by such entities can run into billions of dollars, as it would be mostly the large investors who would be allowed on this platform.

Sebi Chairman U K Sinha had recently said such companies might lack a profitability track record but many of them have huge potential to become highly profitable.

The relaxations include removal of caps on the money spent by such companies on publicity and advertisements as they need to spend much more for such purposes.

There is also a significant likelihood that many of these companies would eventually become eligible in a few years for listing in the main market, thus enabling even the retail investors to participate directly in their growth story, the Sebi chief had said.

Asked about his expectations for response to the new platform, Sinha said, "Their feedback is very positive... I am hopeful many of these companies, being approached by Singapore and New York exchanges earlier, would come and list here." For their listing, Sebi has also relaxed the mandatory lock-in period for promoters and other pre-listing investors to six months, as against three years for other companies.

Besides, the disclosure requirements for these companies have been relaxed.

At least 25 per cent of their pre- issue capital would need to be with institutional investors for technology startups, while this requirement would be 50 per cent for companies from other areas.

*(Business Standard)*