

EXPRESSION OF INTEREST (EOI)

FOR

**SELECTION OF INFORMATION TECHNOLOGY /
INFORMATION TECHNOLOGY ENABLED SERVICES
COMPANIES/FIRMS FOR LISTING ON PAKISTAN
STOCK EXCHANGE GEM BOARD**

**PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED
MINISTRY OF INFORMATION TECHNOLOGY & TELECOM
GOVERNMENT OF PAKISTAN**

(LOT #1)

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1. **Introduction**

Pakistan Software Export Board (PSEB) is the apex body of the Ministry of Information Technology, Government of Pakistan, to provide an enabling environment and take measures for growth of Information Technology / Information Technology Enable Services (IT/ITeS) exports and thus support IT/ITeS industry. In this respect, PSEB is providing support to the local IT/ITeS companies in reaching out to their potential clients abroad, attracting and facilitating foreign IT/ITeS firms to establish their development facilities in Pakistan. PSEB also arranges the participation of Pakistani IT/ITeS Industry in domestic and international IT/ITeS events, provides protocol, hosting and match-making facilities for foreign delegates and investors with a purpose to accelerate the growth of IT/ITeS exports.

One of the major challenges faced by IT/ITeS companies to grow & expand is “**Access to affordable Capital**” because banks/financial institutions are reluctant to fund technology companies. Therefore, the private IT companies raise capital through selling their stocks in the secondary trading markets to qualified investors prior to go for IPO to grow at multiple levels and gain visibility through listing on private trading index of the relevant stock exchanges.

With the aim to promote and benefit Pakistan IT industry, PSEB & PSX has signed Memorandum of Understanding (MOU) to increase number of listed technology companies on PSX to raise smart capital from capital markets to grow at multiple levels and build strong brand image of Pakistan IT industry to give Pakistan IT sector global recognition and greater visibility to enhance IT exports for the economic development of Pakistan.

PSEB aims to list Forty (40) IT/ITeS companies/firms registered with PSEB on PSX GEM Board to raise capital, to whom it will extend significant financial and technical assistance. For this purpose, PSEB invite its Members IT/ITeS companies/firms for submission of “Expression of Interest” for the selection of Lot No.1 of IT/ITeS firms for GEM Board listing following two stages selection process.

2. **Introduction to GEM Board**

The small to medium sized Pakistani IT/ITeS companies find it quite cumbersome to get listed on Main Board of Pakistan Stock Exchange (PSX) to raise capital since the pre-requisites are tough and the post-listing requirements are difficult to follow. To facilitate small to medium sized growth tech companies and startups that aspire to raise capital through capital markets to fund their growth and expansion plans but could not fulfill the cumbersome conditions for listing on the Main Board, PSX has established **GEM Board** (Growth Enterprise Market) as an alternative market to the Main Board. A brief comparison of GEM Board vs Main Board is as under:

Description	GEM Board	Main Board
Post Paid up Capital Requirements	Minimum post paid up capital of Rs. 25.000 million.	Minimum post paid up capital of Rs.200.000 million
Minimum Free Float	Minimum Free Float of 10% to be maintained.	Minimum Free Float of minimum 25% of issued share

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		capital and 5 million free Float shares to be maintained
Key Marketing Document	Only “Information Memorandum” (IM) is required to be disseminated to Accredited investors.	A full Prospectus is required to be disseminated to the general public
Investors Participation	Only Accredited investors can participate	General public can also participate
Corporate Governance	Code of Corporate Governance is not applicable until 2 years and selectively applies	Code of Corporate Governance applies
Trading Post Listing	Only Accredited investors can trade the shares post listing	General public can also trade the shares post listing
Advisors to the Issue	All TREC Holders, Scheduled Banks and Accounting Firms recognized by ICAP or ICAMP can act as Advisors to the Issue	Only approved TREC Holders by the SECP can act as Advisors to the Issue
Market Maker	Market Maker can be appointed to ensure liquidity in the GEM Board	No concept of Market Maker in the Main Board
SECP Approvals	Not required	Required
Initial Listing Fee	PSX initial listing fee capped at Rs.50,000. No SECP fee.	PSX initial listing fee capped at Rs.1.500 million. SECP fee applicable

3. PSX Eligibility Criteria for Listing on GEM Board

To facilitate GEM Board listing, PSX has significantly relaxed regulations governing listing and trading of equity securities to pave the way for high growth technology companies to conveniently listed on the GEM Board. **The PSX eligibility criteria for GEM Board listing as prescribed in Chapter 5A.2 of the PSX Rules Book is attached as Annexure-1, for information, careful review, and assessment of IT/ITES companies, for submission of their EOIs for listing on GEM Board.**

The key requirements to be fulfilled for listing on GEM Board are as follow:

Particulars	Description
Company Status	Registered as a public limited company
Post Paid up Capital Requirements	Minimum post issue paid capital of Rs.25.000 million, with no upper limit.
Issue Mechanism	1. Book Building Method: <ul style="list-style-type: none"> • Issue size shall not less than 5 million shares and Rs.50 million

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	<ul style="list-style-type: none"> • Must issue at least 10% of the post issue paid up capital to Accredited investors which means that the company must have minimum post issue paid up capital of Rs.500 million to list via book building method. <p>2. Fixed Price Method:</p> <ul style="list-style-type: none"> • If the post issue paid up capital is less than Rs.500 million, then the company can issue only via fixed price method. • The Issue shall be fully underwritten in case of fixed price method.
Investors	Only Accredited investors are authorized to invest and trade shares of a GEM Board listed company which include institutional investors and individual investors registered with NCCPL having net asset of Rs.5.0 million.
Financial Statements	Audited accounts for at least two preceding years by QCR (Quality Control Review) audit firms. This requirement is not applicable for green field projects.
Company Website	<ul style="list-style-type: none"> • Must contain company basic business information including business activities, board of director, management detail, past financial performance, capital structure, shareholding details, name of group and associated companies, etc. • Must contain Information Memorandum (IM) • Half yearly progress providing status of commitments mentioned in the IM
Information Memorandum	<ul style="list-style-type: none"> • An IM will be prepared and circulated to Accredited Investors to generate interest • IM shall be placed on the website of the Issuer, PSX and Consultant to the Issue • Minimum information/disclosure required in the IM are contained in Schedule-1 of Chapter 5A of PSX Rule Book.
Confirmation by Sponsors / Issuer/Directors	<ol style="list-style-type: none"> 1. The sponsors/controlling directors are also not sponsors/controlling directors of following: <ul style="list-style-type: none"> • listed company which is in default of Listing Regulations of PSX. • Company which was delisted during last three years due to non-compliance of Listing Regulations of PSX. 2. The Issuer is not an Associate of another listed company which defaulted Listing Regulations of PSX. 3. The Issuer, sponsors, controlling directors have no overdues or default as appearing in Credit Information Bureau report.

4. Benefits of GEM Board Listing

The GEM Board offers a highly efficient financing platform for high-tech, high-growth and high-innovation enterprises during their early establishment with no profitability requirements. The resources generated through GEM listing has far-reaching impact as companies can raise capital to

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diversify products, carryout growth & expansion, enhanced capacity & operational capabilities, invest in new technologies & acquisition, enhance exports, meet working capital requirements, enjoy tax incentives and enhanced companies' profile and brand image leading to greater visibility to investors within and outside Pakistan. The recent listing of two companies at PSX named Air Link (largest IPO in terms of equity) and Octopus Digital (fastest subscribed IPO) shows the investors keen interest in the high growth tech companies. The key benefits of listing include:

- **Fund raising:** allow a company/sponsor to raise capital to fund its growth and expansion plans.
- **Access to sophisticated investors:** allow easy access to sophisticated institutional investors which cannot or not allowed to invest in private market i.e. banks, mutual funds, insurance companies etc.
- **Debt limit enhancement:** banks improve loan limits with competitive rates to listed companies with higher paid up capital/equity.
- **Higher valuations:** 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 the enterprise.
- **Brand recognition:** leading to high profile and get well known amongst investors, customers, suppliers, lenders and attract media interest. Listed IT companies are regarded as industry leaders.
- **Employees retention:** attract and retain best talent because of enhanced reputation. Also, provide company's employees with stock incentive packages ensuring they remain associated at least till the vesting period.
- **Increased shareholders trust:** due to the requisite of making financial accounts public and disclosing all price sensitive information would enhance trust levels of the stakeholders including bankers and suppliers which enable companies to develop strong longstanding business relationships.
- **Business continuity and succession planning:** listing allow hassle free transition from first generation to the next

5. Role of PSEB's Selected Advisors/Consultants to List IT/ITeS Companies on GEM Board

The Financial Advisors/Consultants to be selected by PSEB for listing of member IT/ITeS companies/firms on GEM Board will be responsible for rendering the following services:

1. Understand the IT/ITeS companies/firms requirements and objectives for raising capital through GEM listing.
2. Appointment of all related parties other than Auditors.
3. Completion of corporate actions and conducting accounting, financial, tax, legal and technical due diligence, listing methodology and pricing/valuation.
4. Preparation of Information Memorandum (IM) in consultation with the Issuer.
5. Conduct Road shows, investors presentations, teasers & one pagers of marketing and sales events to pitch the company to the investors.
6. Managed end-to-end listing process for company listing on GEM board and successfully raising the capital

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The cost related to listing on GEM Board and raising capital includes Fee to Consultant to the Issue, PSX regulatory fee, underwriter commission, auditors fee, CDC charges, bankers commission, legal counsel fee, share registrar and ballot fee, broker commission, marketing & printing costs etc.

6. Terms of Reference (EOI) & Eligibility Criteria for Selection of IT/ITeS Firms for GEM Board Listing

PSEB aims to list Forty (40) potential IT/ITeS companies/firms looking to raise capital to fund their growth and expansion plans, to whom it will extend significant financial and technical assistance. As an incentive, up to 70% of the cost of the GEM Board Listing will be borne by PSEB and the selected firm will need to bear the remaining cost. The selection of Lot#1 of IT/ITeS companies/firms shall be carried out by PSEB following two stage process of selection.

PSEB's registered member IT/ITeS companies/firms interested to enlist on PSX GEM Board for raising capital to fund their growth and expansion plans and willing to fulfill the PSX eligibility criteria for GEM Board listing as mentioned under clause #3 above (**for detail please refer to Annexure-1**) are invited to submit their "Expression of Interest" latest by December 06, 2021 at 3:00 pm, to ascertain their eligibility for participation in the second stage of selection process. The IT/ITeS companies/firms currently not registered with PSEB are highly encouraged to log onto <https://pseb.org.pk/app/> to get registered with PSEB and take full advantage of this initiative. The IT/ITeS firms qualified in the first stage of selection through this EOI will be issued "RFP" for participation in the second stage of the selection process.

6.1 Criteria for Selection of IT/ITeS Companies/Firms

1. It is mandatory for the IT/Company firm to be a registered member of PSEB.
2. It is required to provide undertaking on firm's letterhead that the company/firm is willing to fulfill the PSX eligibility criteria for listing on GEM Board, attached as Annexure-1 to this EOI.
3. Following documents shall be submitted with the EOI:
 - 3.1 Certificate of incorporation/establishment as business entity.
 - 3.2 Copy of PSEB's valid membership / registration certificate.
 - 3.3 Copy of NTN certificate.
 - 3.4 Copy of audited financial accounts for the last two preceding years by a QCR (Quality Control Review) rated audit firms.
 - 3.5 Detailed corporate profile of the company highlighting name of the group & associates companies, business activities, statement of business objectives, existing products and services portfolio, geographical presence and operating locations, major milestone achieved, capital structures, shareholding detail, and website address/details
 - 3.6 List of Board of Directors/Management Team along-with their detailed credentials.
 - 3.7 Estimated amount of capital to be raised through listing and justification of specific need for utilization of capital raised.
 - 3.8 Undertaking on Rs.100/- stamp paper that the firm/company is not blacklisted by any federal or provincial government/body.

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6.2 EOI Submission Guidelines

1. Each EOI proposal shall be submitted as One printed copy along-with one softcopy in USB drive.
2. The proposal shall be sealed in a envelop clearly marked “**EOI for Selection of IT/ITeS Companies/Firms for Listing on PSX Gem Board**”.
3. All required documents at clause #6.1(3) must be attached with the proposal and if any required document is not found with the proposal, PSEB has the right to reject the proposal at its discretion.
4. A pre-bid meeting will be held online at 3:00 pm on November 15, 2021. The companies/firms are highly encouraged to participate in this meeting via following link.

<https://us06web.zoom.us/j/83409366119?pwd=NE11b05vckRMdWp0dmFSemVpQ2I5UT09>

5. The EOI should be submitted at the following address:

Manager Administration PSEB
Pakistan Software Export Board (Guarantee) Limited
Ministry of Information Technology & Telecom
2nd Floor, Evacuee Trust Complex
F-5, Agha Khan Road, Islamabad
Phone:051-9204074
Email: rarif@pseb.org.pk

ELIGIBILITY CRITERIA FOR LISTING ON GROWTH ENTERPRISE MARKET (GEM) BOARD AS PRESCRIBED IN CHAPTER 5A.2 OF THE PSX RULE BOOK

The eligibility criteria for listing on GEM includes the following:

- a) It a public limited company;
- b) The issuer must have audited accounts for the last two preceding financial years; Provided that this condition shall not apply in case of green field project;
- c) The issuer shall have post issue paid up capital of at least Rs. 25 million;
- d) The issuer shall offer at least 10% of the post issue paid-up capital of the Company to Accredited Investor by circulation of Information Memorandum;
- e) The issuer shall offer the equity securities either through fixed price method or book building method; Provided that in case of fixed price method the issue size shall be fully underwritten;
- f) In case of Book Building, the issue size shall not be less than 5 million shares and Rs. 50 million;
- g) Book building shall be conducted in accordance with the criteria prescribed by the Exchange in Annexure-II of Chapter 5A.2 of the PSX Rule Book. In case of any ambiguity relating to book building method, procedure/criteria prescribed under Public Offering Regulations, 2017 shall prevail;
- h) The minimum number of subscribers shall not be less than 10;
- i) The issuer must have its own active/functional website for disseminating the following information:
 - (i) Business activities of the issuer;
 - (ii) Details regarding Board of Directors;
 - (iii) Past Financial Performance;
 - (iv) Management details;
 - (v) Capital structures;
 - (vi) Shareholding details;
 - (vii) Name of group and associated Companies; and
 - (viii) Half yearly progress providing the status of the commitment mentioned in the Information Memorandum etc.
- j) The equity securities shall be issued only in Book-Entry form;
- k) The Promoters/ sponsors/ controlling directors are not also promoters/sponsors/ controlling directors in other listed companies, which are default of any Listing Regulation of the Exchange. None of its promoters, sponsors, or controlling directors is sponsor/ controlling director of a company which was delisted during last three years due to non-compliance with any of the Listing Regulations. However, this will not apply to nominee directors of the Government and Financial institutions. The company shall also provide a list of Controlling Directors;
- l) The Issuer is not an associated company of any other listed company (over which it has control), which has violated the Listing Regulations of the Exchange and is still in default of any Listing

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Regulation. However, this will not apply to nominee directors of the Government and Financial Institutions;

- m) Its Chief Executive has not served or is not serving as Chief Executive of a listed company which has significantly violated and/or failed to comply with any other provision of Chapter 5 of the PSX Rule Book relating to “Listing of Companies and Securities Regulations” during his tenure as the Chief Executive;
- n) The issuer, its sponsors, promoters, substantial shareholders and directors have no over dues or defaults, irrespective of the amount, appearing in the report obtained from the Credit Information Bureau. This will not apply to the directors nominated by the Federal Government and the Financial Institutions;
- o) Its sponsors hold not less than 25% of the post issue paid up capital of the issuer for a lock-in period of not less than three years;
- p) Its sponsors retain their entire shareholding in the Issuer and subsequent right and bonus shares issued thereon for a lock-in period of not less than twelve months;
- q) For the purpose of clause (o) and (p) above, the lock-in periods shall start from the date of the issuer or from the date of commencement of commercial operation or production whichever is later, or till such additional period as may be specified by the Exchange;
- r) Subject to clauses (o) and (p) above, and with the approval of exchange, the sponsors may sell their shareholding through block-sale and shall notify to the Commission change in particulars of their shareholdings in the form and manner as specified in section 103 of the securities Act, 2015 and regulations made thereunder.