



Metropolitan Stock Exchange of India Limited

Department: Market Operations - Surveillance and Risk

Segment: Capital Market

Circular No: MSE/SURV/6585/2018

Date : July 23, 2018

Subject: Graded Surveillance Measure (GSM) - Update

To All Members,

This is with reference to introduction of GSM Framework vide Exchange circular nos. MSE/SURV/4942/2017 dated February 23, 2017, MSE/SURV/5681/2017 dated October 17, 2017, MSE/SURV/5940/2018 dated January 12, 2018 and MSE/SURV/6118/2018 dated March 16, 2018.

A Joint Surveillance meeting of SEBI with Exchanges was held on July 20, 2018 and it has been decided that, parameters for shortlisting of securities to be placed under GSM Framework along with the thresholds (including the applicable exemptions), shall be disseminated by the Stock Exchanges.

In accordance with the same, the detailed criteria for shortlisting & review of securities under GSM Framework is given below:

Criteria I:

The following criteria shall be made applicable for inclusion of securities under GSM Framework.

- i. Securities with latest available Net worth (Share Capital + Reserves & Surplus – debit balance in P&L) less than or equal to Rs. 10 crores; **AND**
- ii. Securities with latest available Net Fixed Assets (Tangible Assets + Capital Work in Progress) less than or equal to Rs. 25 crores; **AND**
- iii. Securities with PE greater than 2 times PE of Benchmark Index (Nifty 500 or S&P BSE 500) OR negative PE.



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The following securities shall be excluded from the process of shortlisting of securities under GSM:

1. Securities where the price discovery is yet to take place as per the provision of SEBI circulars CIR/MRD/DP/01/2012 and CIR/MRD/DP/02/2012 dated January 20, 2012.
2. Securities already under suspension;
3. Securities on which derivative products are available;
4. Securities as a part of any index (NSE or BSE);
5. Public Sector Enterprises and its subsidiaries, if available;
6. Securities listed during last 1 year through Initial Public Offering (IPO);
7. Securities which have paid dividend for each of last three preceding years;
8. Securities with Institutional holding greater than 10% only if following conditions are met:
 - If the promoter entity has not offloaded any share in the last 5 years; AND
 - The current trading price of the security is within the range of High & Low price in last 3 years of the respective security.
9. Securities listed through Scheme of Arrangement involving Merger / Demerger during last 1 year:
 - In case of demerger, the following condition shall be applicable:
 - If the parent company is under purview of GSM, the resultant demerged companies shall also attract GSM.
 - If the parent company is not under purview of GSM, the resultant demerged companies shall not be part of GSM at the time of demerger and shall be considered during the subsequent quarterly review.
 - In case of merger of companies, if any of the securities at time of merger are under the purview of GSM, then the same shall be continued on the resultant entity.

Criteria II:

The following criteria shall be made applicable for inclusion of securities directly under GSM – Stage I.

- i. Securities with full market capitalization less than Rs. 25 crore; AND
- ii. Securities with PE greater than 2 times PE of Benchmark Index (Nifty 500 or S&P BSE 500) OR
- iii. Securities with negative PE, the following should be considered:
 - P/B (Price to Book) value of scrip greater than 2 times the P/B value of Benchmark Index (Nifty 500 or S&P BSE 500) OR
 - P/B value is negative



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Securities placed under GSM Framework shall be reviewed on quarterly basis and securities not meeting the inclusion Criteria - I & II shall be moved out of the GSM framework.

Market participants may note that GSM framework shall be in conjunction with all other prevailing surveillance measures being imposed by the Exchanges from time to time.

For any clarifications kindly contact Surveillance & Risk Management Department on 022-61129061/64 or send an email to surveillance@msei.in.

**For and on behalf of
Metropolitan Stock Exchange of India Limited**

**Shailendra Singh
Sr. Manager**