



Guide to listing on AIM for Indian companies

The Alternative Investment Market ("AIM"), the London Stock Exchange's junior international market, provides one of the best platforms for expanding Indian companies seeking international investment.

AIM is the world's leading market for smaller international companies. Currently approximately 1130 companies are traded on AIM with a market capitalisation of over £67 billion (including, as at December 2011, 27 Indian companies with a market capitalisation of over £3.2 billion). The leading industry sectors for Indian AIM listed companies by market capitalisation are (1) energy, exploration and production, (2) business support services and (3) infrastructure, real estate holding & development, but other sectors such as broadcasting & entertainment and alternative fuels continue to grow.

Benefits and reasons for wanting to join AIM

Indian companies have been attracted to AIM for its specific key features, which are:

- No minimum admission criteria in terms of company size, prior trading record, number of shares to be in the public hands or minimum market capitalisation
- No minimum on funds raised (unless the company is an investing company - that is a company whose primary business is to invest its funds in the securities of other companies or the acquisition of a particular business - in which case it must raise at least £3 million)
- No requirement to have an office in the United Kingdom
- No restriction on the type of business or industry sector
- No securities regulator involvement in the Initial Public Offer ("IPO") process
- Ongoing regulation of AIM companies is set at a level intended to create and maintain investor confidence

Two Indian companies came to the market in 2011:

- Kolar Gold Ltd (a gold mining company)
- Nandan Cleantec Plc (an alternative fuels company)

In total there were only 23 international admissions to AIM in 2011. In addition to the two companies that came to the market, Indian companies that were already listed had an active year in 2011, including seven share placings and one takeover.

Process for joining AIM

The AIM IPO process takes from start to finish on average six months and includes some key steps:

Phase 1

Preparation (6-3 months prior to admission)

- Appoint and instruct advisory team in the UK - nominated adviser ("NOMAD"), solicitors, broker, reporting accountants, registrars and public relations company
- Agree a timetable and any structuring issues
- Legal and financial due diligence on the company
- Accounting documents:
 - > Long form accountant's report
 - > Working capital report
 - > Short form accountant's report

Phase 2

Review and marketing preparation (12-6 weeks prior to admission)

- Valuation
- Marketing presentation so potential investors can familiarise themselves with the company, its history, business, track record and prospects
- Brief research analyst for preparation of pre-IPO research note
- Finalise the admission document

Phase 3

Offering (6-1 week(s) prior to admission)

- Verification exercise – confirmation by the directors that all the statements of facts and of opinion in the admission document are correct
- Release pre-IPO research note
- Hold roadshows with institutions and other potential investors
- Set size and price range having established investors' appetite
- Finalise all documentation

Phase 4

Pricing and closing (one week before admission)

- Pricing and allocation on confirmation of the level of investors' interest
- Closing
- Formal application for AIM admission – submission to the London Stock Exchange of:
 - > Admission document in electronic form
 - > Completed application form
 - > NOMAD confirmation that the company has complied with the AIM Rules in connection with the admission application
 - > Payment of the AIM initial listing fee - £6,400 to £72,200 (INR 495,943 to INR 5,595,033 based on a conversion rate of £1= INR 77.46) depending on the market capitalisation of the company on the admission date
- AIM admission granted and trading begins

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Requirements for an AIM IPO

The role of the NOMAD is critical to the IPO process as it is for the NOMAD to determine the company's suitability for an AIM admission.

There are no specific suitability criteria for companies wishing to join AIM. Companies can be established trading businesses or at their start-up stage. In some sectors, such as IT and biotechnology, companies come to the market at the pre-profit stage to enable them to fund the necessary research and development. However, before admission to AIM, a company must comply with the following:

- > the company must be a public company (or equivalent) in order to be able to offer its shares to the public
- > the securities to be admitted to trading must be freely transferable and must be eligible for electronic settlement to enable investors to pay for and receive their securities through a paperless settlement system known as CREST in the UK
- > the company must have and must retain at all times a NOMAD and broker
- > published accounts must conform to International Accounting Standards.

The NOMAD is responsible for the company's compliance with the AIM Rules for Companies (the "AIM Rules") on and following admission. The AIM Rules are published by the London Stock Exchange and set out the rules and responsibilities that an AIM company must comply with. These are comprehensive and wide ranging in scope and include:

- > detailed factual information about the company to be included in the admission document such as financial information, a summary of the company's constitutional documents and material contracts as well as details of directors, employees, major shareholders and board practices; and
- > specific requirements for an AIM company following admission such as the maintenance of a website with up-to-date management and financial information on the company and the posting to shareholders of the company's annual accounts within six months of the financial year end.

Additional rules must be complied with by investing companies and mining, oil and gas companies wishing to join AIM. We can provide further information on the AIM Rules, as required, on a case by case basis.

Other considerations

An AIM company is required to comply with a number of ongoing obligations. The NOMAD will guide the company on its ongoing compliance with the AIM Rules. The key considerations to bear in mind are:

- > increased disclosure and reporting requirements for the company
- > impact on management time during the IPO process and afterwards in fulfilling continuing obligations and managing investor relations
- > additional responsibilities and restrictions on directors. For example, they will only be permitted to buy and sell shares at specific times
- > significant acquisitions and changes to the business may require the prior approval of shareholders after admission
- > overall, the directors must be prepared for closer scrutiny of the company and greater accountability to shareholders once it is admitted to AIM.

An AIM company must also pay an annual listing fee of £5,350 (being approximately INR 414,420 based on a conversion rate of £1= INR 77.46).

Tax considerations and structure

For tax reasons, it is often extremely beneficial to impose a UK or offshore holding company structure above the Indian company prior to the AIM admission. The chosen structure will depend on the particular circumstances of the Indian business and we will advise on each case separately.

Costs

Advisers fees (including the NOMAD's fees, solicitors' fees and public relations advisers' fees) for a straight-forward AIM IPO would normally be in the region of £400,000 - £500,000 (amounting to approximately INR 30,984,000 - 38,730,000 based on a conversion rate of £1= INR 77.46). On top of these fees, the company will need to pay the broker's fees for raising funds which may range between 3% and 6% of the funds raised and accountants' fees on the work the reporting accountants do.

Conclusion

Taylor Wessing has significant experience of advising companies, from all jurisdictions and sectors, on listing their shares on AIM. In particular, one of our partners worked on the first ever AIM listing of an Indian company (Great Eastern Energy Corporation Ltd). We have a very experienced team (one of whom has recently returned from secondment at the AIM team at the London Stock Exchange) that can answer any questions that you may have. We can also provide guidance and assistance with listing on the main list of the London Stock Exchange (as the rules and compliance obligations of the main list are different from those of

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