

# National Stock Exchange of India

## Circular

Department: Primary Market Relationships	
Download Ref No: NSE/SME/ 63532	Date: 22 <sup>nd</sup> August 2024
Circular Ref. No: 03 /2024	

All Participants,

### Sub: Introduction of additional eligibility criteria for listing on NSE EMERGE

SMEs desirous of listing its securities on NSE Emerge are required to fulfil the below additional eligibility criteria to be considered for in-principle approval by the Exchange.

### **Additional criteria**

In addition to existing criteria following additional criteria to be inserted.

- The company/entity should have positive Free cash flow to Equity (FCFE) for at least 2 out of 3 financial years preceding the application.

The above additional criteria will be applicable for all DRHPs filed on or after 1st September 2024. All other criteria remain unchanged. This shall be applicable till further orders.

\*The methodology for computing FCFE is furnished in Annexure hereto.

All the figures and numbers will be taken from audited balance sheets (filed with offer documents) only

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

Dr. Harish K Ahuja

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**\* Methodology for calculating FCFE**

**FCFE** = Cash flow from Operations – Purchase of Fixed Assets + Net Borrowings - Interest x (1-T)

Wherein

**Cash flow from operations will be determined as**

Cash Generated from Operating Activities – Income Tax paid (if any) i.e. Net Cash flow from Operating Activities

**Purchase of Fixed Assets will be determined as**

Purchase of Property, plant, and equipment (PPE) (including Capital Work in Progress (CWIP)) – Sale proceeds of PPE, CWIP (if any) + Capital Advances (if any)

**Net Borrowings will be determined as**

Proceeds from Long-Term Borrowings - Repayments of Long-Term Borrowings + Proceeds from Short-Term Borrowings - Repayments of Short-term Borrowings

**Interest x (1-T) will be determined as**

Interest Expense on Total (ie. Long term as well as short term) borrowings x (1 – T#)  
 # T being Effective Tax Rate for the company  
 Effective Tax Rate calculated as [1-(PAT/PBT)]

**For Example:**

FCFE (Free Cash Flow to Equity):

E.g. Followings data is available for a company in FY 23 (in Rs cr)

Net cash from operating activities – Rs 26 crs
Purchase of fixed assets – Rs 19 crs
Repayment of LT loan – Rs 7.3 crs
Proceeds from LT loan – Rs 12.4 crs
(Decrease) in Cash credit facility (ST) - Rs 2.7crs
Post tax interest expenses – Rs 4 crs
FCFE will be for FY 23 = (26-19+12.4-7.3-2.7-4) crs or Rs 5.4 crs

For any queries on the above, you may reach:

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