National Stock Exchange of India

Circular

Department: SURVEILLANCE	
Download Ref No: NSE/SURV/59425	**Date:** November 17, 2023
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To All NSE Members

Sub: Graded Surveillance Measure Framework for SME Segment

This is in reference to Exchange Circular(s) NSE/SURV/34262, NSE/SURV/42135, and NSE/SURV/42790 dated February 23, 2017, September 13, 2019 and September 08, 2023.

Securities and Exchange Board of India (SEBI) and Exchanges in order to enhance market integrity and safeguard interest of investors, have been introducing various enhanced pre-emptive surveillance measures from time to time.

As per Joint Surveillance Meeting of Exchanges and SEBI, the extant Graded Surveillance Measure (GSM) Framework shall be extended to Small and Medium Enterprises (SME) stocks subject to certain changes. Accordingly, the GSM framework applicable for SME stocks shall be as per Annexure.

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.

The GSM framework for SME stocks would be made effective from the subsequent quarterly review (i.e. Quarter ended September 2023). Circular with respect to the shortlisted securities will be issued as per the schedule for Quarterly review for mainboard securities. In case of any further queries, you may write to us at surveillance@nse.co.in.

For National Stock Exchange of India Limited

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Associate Vice President
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Annexure

Graded Surveillance Measure (GSM) Framework for SME

Identification / Review of securities for Graded Surveillance Measures shall be carried out on a quarterly basis. Securities placed under GSM Framework shall be reviewed and securities not meeting the inclusion Criteria - I & II shall be moved out of the GSM framework.

The review shall be carried out based on latest available **half yearly** consolidated / standalone results filed by the companies as per preference opted by companies under the SEBI (LODR) Regulations, 2015, which are submitted within 45 days from end of quarter and in case of annual results, within 60 days from end of their financial year.

I. Criteria for GSM Quarterly:

Criteria I
Securities with latest available Net worth (Share Capital + Reserves & Surplus – debit balance in P&L) less than or equal to Rs. 5 crores; **AND** Securities with latest available Net Fixed Assets (Tangible Assets + Capital Work in Progress) less than or equal to Rs. 10 crores; **AND** Securities with PE greater than PE of Nifty 500 OR PE =< 0.

Criteria II
Securities with full market capitalization* less than Rs. 10 crores; **AND** Securities with PE greater than PE of Nifty 500; **OR** Securities with negative PE, the following should be considered: • P/B (Price to Book) value of scrip greater than P/B value of Nifty 500 **OR** • P/B value is negative.

*Average Full Market Capitalization

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Exceptions for the GSM Quarterly Review

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 a dividend for each of the last three preceding years.
8. Securities with Institutional holding greater than 10% only if the 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:

   i. 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.

   ii. 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.

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II. Review of Graded Surveillance Measures for Relaxation:

The periodic review shall be done based on the objective criteria on a monthly basis.

For example, a company in stage III of GSM can be moved back to stage II if qualified based on the said objective criteria.

III. Action on the shortlisted stocks

No change is proposed from existing framework followed for mainboard securities, it may be noted that these securities shall be monitored for the price movement and based on the pre-determined objective criteria shall attract following additional Graded Surveillance Measures:

Stage	**Surveillance Actions**
I	Applicable margin rate shall be 100% and price band of 5% or lower as applicable
II	Trade for Trade with price band of 5% or lower as applicable and Additional Surveillance Deposit (ASD) of 50% of trade value to be deposited by the Buyers
III	Trade for Trade with price band of 5% or lower as applicable and Trading permitted once a week (Every Monday / 1st trading day of the week) and ASD (100% of trade value) to be deposited by the Buyers
IV	Trade for Trade with price band of 5% or lower as applicable and Trading permitted once a week (Every Monday / 1st trading day of the week) and ASD (100% of trade value) to be deposited by the Buyers with no upward movement.

Note: - The list of securities shortlisted under any criteria shall be placed in Stage 0 upon shortlisting and shall be monitored for Stage movement based on framework.