



The Road to the Pakistan Stock Exchange

A 12-month listing roadmap for Pakistani companies Main Board IPO, GEM Board and the reverse merger route

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1. Executive summary

Pakistan’s primary market has woken up. After a single IPO in 2023, the Pakistan Stock Exchange (PSX) saw seven listings in each of 2024 and 2025, and the SECP approved ten IPOs raising more than Rs 20 billion in the first half of 2026 alone. In June 2026 Service Long March Tyres raised Rs 7.78 billion — the largest IPO in PSX history with its book oversubscribed 16.7 times. Most 2026 deals cleared 20–50% above their floor price.

The regulators have also removed friction. Since August 2025 the public offering regime runs on a single filing through PSX’s PRIDE portal, a 14-working-day regulatory approval target, mandatory e-IPO, and a broader bidder base. In June 2026 the SECP allowed former partnerships, LLPs and carved-out divisions to count their pre-incorporation profit history — a direct invitation to family businesses.

For a well-run private company with two clean years of audited accounts, twelve months is a realistic timeline from the board’s decision to the opening bell. The real work is not the regulatory filing (that takes about three months); it is the eight or nine months of preparation before it: governance, accounts, tax hygiene, valuation and the prospectus.

The twelve-month plan at a glance

Phase	Months	What gets done	Gate to pass
0. Decide	Month 1	Board decision, route choice (Main Board, GEM or reverse merger), readiness diagnostic, budget	Board resolution and adviser shortlist
1. Prepare	Months 1–4	Appoint CTI, auditor, legal counsel; restructure group; tax and credit bureau clean-up; restate accounts if needed	Clean e-CIB; QCR-rated audit on track
2. Transform	Months 3–7	Convert to public limited company; reconstitute board; committees, policies, internal audit, ERP and reporting systems	Governance meets Code of Corporate Governance
3. Document	Months 6–9	Valuation, business plan, due diligence, draft prospectus, underwriting, pre-IPO placement	Complete filing pack
4. File and approve	Months 9–10	PRIDE filing, public comments, PSX and SECP review, approvals	PSX and SECP approval of prospectus
5. Offer	Months 10–11	Roadshows, book building, retail e-IPO, allotment, CDC credit	Fully subscribed offer; 500+ applications
6. List and comply	Months 11–12	Trading starts; first 100 days of continuous compliance	First quarterly accounts filed on time

THREE NUMBERS TO REMEMBER

Rs 200 million — minimum post-issue paid-up capital for the PSX Main Board (Rs 25 million on GEM).

Two years — of profitable, audited operations, with 51% of shares in the same hands, is the default Main Board track record.

About 4–5% of issue size — the typical all-in cost of a Main Board IPO in Pakistan (SECP average 4.45%), much cheaper than regional peers. Smaller issues cost proportionally more.

2. Why list and why now

What a listing gives a Pakistani company

- **Growth capital without repayment.** Equity carries no instalment schedule or collateral. Service Long March Tyres is using its IPO to fund part of a Rs 22.6 billion radial-tyre project; Barkat Frisian Agro is funding a new plant.
- **A market valuation.** A listed price usually values a company above book value and creates a currency for acquisitions and employee share schemes.
- **Liquidity and an exit for sponsors.** Founders can sell down over time instead of waiting for a private buyer.
- **Succession and governance.** Independent directors, committees and audited reporting turn a family enterprise into an institution that outlives its founders.
- **Credibility.** Banks, suppliers, foreign partners and talent treat a listed company differently. Several 2026 issuers cited visibility with institutions as a key reason to list.
- **Investor-side tax advantage.** Gains on listed shares are taxed at a flat 15% for active taxpayers under section 37A, against normal rates for unlisted shares – which makes listed shares more attractive to own.

The market in numbers

Year	IPOs / listings	Amount raised	Comment
2022	3	Rs 1.3 bn	Lowest in nine years
2023	1	Rs 0.4 bn	Symmetry Group only
2024	7 (5 Main, 2 GEM)	Rs 8.4 bn	Highest since 2021; KSE-100 up 84%
2025	7 (4 Main, 2 GEM, 1 migration)	Rs 4.3 bn	Every issue oversubscribed
H1 2026	10 approved by SECP	Over Rs 20 bn	Includes first SPAC and two REITs
CY 2026 to Aug	11 listings	—	Strongest run since FY21

Sources: Business Recorder, Profit, Dawn, SECP press release of 29 June 2026, Nukta (25 August 2026).

Selected 2025–2026 deals

Company	Board	Raised	Floor strike	Book cover
Barkat Frisian Agro (Feb 2025)	Main	Rs 1.23 bn	Rs 13 → Rs 18.20	16.3x
PACRA (Jun 2025)	GEM	Rs 0.40 bn	Rs 15.05	4x+
Ghani Dairies (Feb 2026)	Main	Rs 3.44 bn*	Rs 24 → Rs 33	3.1x
Sitara Petroleum (May 2026)	Main	Rs 4.83 bn*	Rs 13.50 → Rs 18.90	7x
Service Long March Tyres (Jun 2026)	Main	Rs 7.78 bn	Rs 14.25 → Rs 19.95	16.7x
Select Technologies (Jul 2026)	Main	Rs 3.02 bn	Rs 28 → Rs 34	3.2x
Tasdeeq (Aug 2026)	Main	Rs 0.61 bn*	Rs 1.90 → Rs 3.00	21.5x

* including pre-IPO placement. Sources: Mettis Global, The News, Pro Pakistani, Business Recorder.

A CAUTION FROM OCTOBER 2026

SE Fruits & Vegetable, a family business that operated as a partnership from 1998 and incorporated in 2026, withdrew its IPO application after book building on 13 October 2026 in order to refile with fuller disclosure about its conversion. Its book cleared only at the floor. **The lesson: the conversion story and the track record must be documented beyond doubt before you file.**

3. Three doors into the PSX

A private company can reach the exchange in three practical ways. The choice drives the timeline, the cost, and whether you raise fresh money.

	Main Board IPO	GEM Board listing	Reverse merger
Best for	Established, profitable companies raising Rs 250 m+	Smaller and growth companies, start-ups, tech	Operating companies that want a listing quickly and need no fresh capital now
Minimum paid-up capital	Rs 200 m post-issue	Rs 25 m post-issue	Rs 200 m for the surviving company
Track record	2 years' profit from core business (alternatives allowed)	2 years' audited accounts; no profit test; greenfield allowed	2 years of operations; no profit test
Investors	General public and institutions	Accredited investors (prospectus route opens it to public)	Existing shareholders of the shell
Approving regulators	PSX and SECP	PSX (IM route); PSX and SECP (prospectus route)	PSX classification; High Court sanctions the scheme
Fresh capital?	Yes	Yes	No — raise later through a rights issue
Free float	10% at listing (5% above Rs 10 bn), rising to 25% within 3 years for smaller companies	10% at all times	Same tiered float as Main Board, phased over 3 years
Sponsor lock-in	100% for 12 months; 25% of capital for 3 years	100% for 12 months; 25% for 3 years	Frozen 1 year; keep 25% for 3 years
Realistic timeline	10–12 months	4–6 months	10–12 months (court time drives it)
Typical cost	4–5% of issue	Higher % of a smaller issue	Shell price + public offer + legal and valuation

A FOURTH, SPECIALISED ROUTE

Companies already in a listed group can list through a scheme of arrangement (now Rule 5.4A of the PSX Regulations), for example a demerger of a division from a listed parent. Big Bird Foods used a variant in 2024 when listed MetaTech Trading was merged into it and Big Bird took over the listing. These cases are fact-specific and are treated alongside the reverse merger in Section 10.

4. Main Board eligibility

Before spending a rupee on advisers, test the company against these conditions. A single “no” in the disqualification rows is fatal until fixed.

Requirement	Rule	Source
Legal form	Public limited company	PSX Reg 5.5.1; Companies Act
Post-issue paid-up capital	At least Rs 200 million	PSX Reg 5.5.1
Minimum offer (book building)	At least 25 million shares and Rs 250 million	PO Regs 7(1)
Free float at listing (excluding premium and pre-IPO)	Up to Rs 2.5 bn: 10%, rising to 25% within 3 years Rs 2.5–5 bn: 10%, rising to 15% within 3 years Rs 5–10 bn: 10% Above Rs 10 bn: 5%	PSX Reg 5.4.1(a)
Track record	Profit from core business in the 2 preceding financial years, and 51% held by the same persons for 2 years	PO Regs 3(1)
If not yet profitable	Allowed. Sponsors keep 51% of post-issue capital until 2 consecutive profitable years; turnaround plan and cover-page warning	PO Regs 3(1)
Partnership / LLP / Carve-out history	Pre-incorporation profit history counts if restated accounts for 2 years are audited by a QCR-rated firm; 100% sponsor lock-in for 2 years	SECP relief, 4 June 2026
Audited accounts	Two years; accounts in the prospectus not older than 8 months	PSX Reg 5.5.6, Annexure I
Minimum public applications	At least 500	PSX Reg 5.5.3
Sponsor lock-in	100% for 12 months, plus 25% of post-issue capital for 3 financial years, in a CDC blocked account	PO Regs 5
Offer split	Up to 75% book building; at least 25% retail, fully underwritten; retail top-up of 5% (5–10x) or 10% (10x+)	PO Regs 7(3)
Special quotas	Up to 20% for overseas Pakistanis; up to 5% for employees	PSX Regs 5.4.2–5.4.3
Book-entry shares	Securities must be CDS-eligible with CDC	PSX Reg 5.5.5
Disqualifications	Any overdue or default in the credit bureau (e-CIB) report of the company, sponsors, substantial shareholders or directors; links to defaulter, delisted or winding-up companies; write-offs of Rs 500,000+ in 5 years must be disclosed	PSX Regs 5.2.2–5.2.3; PO Regs 3(2)
Credit rating	Not required for an equity IPO (often obtained voluntarily)	PO Regs 13(3)

The GEM Board in brief

The Growth Enterprise Market is designed for smaller and younger companies. The rules below are those published in Chapter 5A (February 2026); PSX has been consulting on reforms, so confirm the current position with the PSX listing department.

Item	GEM position
Capital	Minimum post-issue paid-up capital Rs 25 million. PSX's April 2026 presentation shows an upper band of Rs 250 million (larger companies to Main Board); a June 2026 comparison says no upper limit – confirm
Track record	Two years of audited accounts (not needed for greenfield projects); no profitability test; working website
Offer and float	At least 10% offered and 10% free float maintained at all times (consultation proposed 15%)
Investors	Accredited investors: institutions and individuals with at least Rs 5 million of assets. The prospectus route under the 2025 PO Regulations admits the general public with 50 subscribers
Document and approval	Information Memorandum approved by PSX (no SECP approval), or a prospectus approved by PSX and SECP
Adviser	Advisor to the Issue: SECP-licensed Consultant to the issue (CTI), licensed broker, scheduled bank or recognised audit firm
Governance relief	Audit committee, female director and independent directors within 2 years of listing (extendable by 1 year)
Fees	Initial fee capped at Rs 50,000; annual Rs 50,000–200,000
Moving up	Migrate to the Main Board after 1 year with paid-up capital of Rs 200 m and 500 shareholders

5. The legal framework you will work under

Instrument	What it governs for a listing
Companies Act 2017	Conversion to a public company, minimum members and directors, share capital, allotment (s.69 listing permission), related party transactions (s.208), dividends (ss.240–242), audit (ss.246–249), chairman of a listed company (s.192), share registrar (s.195), quarterly accounts (s.237), compliance with the Code (s.156)
Securities Act 2015	SECP approval of the prospectus (ss.87–88), price-sensitive information (s.96), beneficial ownership returns (ss.101–103), disclosure of 10%+ acquisitions (s.110), takeover offers (s.111), insider trading (ss.127–130)
Public Offering Regulations 2017	Eligibility, prospectus contents, valuation section, lock-in, offer size, book building, underwriting, due diligence certificate, role of the Consultant to the Issue. Overhauled by S.R.O. 1477(I)/2025 from 6 August 2025; track-record relief of 4 June 2026
PSX Rule Book, Chapter 5 (Main Board) and 5A (GEM)	Listing criteria, free float, fees, continuing obligations, price-sensitive information, Non-Compliant Segment, delisting, reverse merger (Reg 5.22) and listing through schemes (Reg 5.4A)
Listed Companies (Code of Corporate Governance) Regulations 2019	Board composition, independent and female directors, committees, internal audit, key officer qualifications, auditor requirements, ESG and DEI (2024), statement of compliance
Takeover Regulations 2017 (amended 2024)	Public offer when crossing 30% or acquiring control – critical for the reverse merger route
Income Tax Ordinance 2001 (Finance Act 2026)	Corporate rate, super tax, dividend tax, capital gains on listed shares (s.37A), amalgamation relief (ss.57A and 97A)

Converting from private to public limited

- A private company becomes public by altering its articles (s.38) to remove the private-company restrictions in s.2(49): limits on share transfers, the 50-member cap and the ban on public invitations.
- This needs a special resolution (s.2(66)): at least three-quarters of members voting, with 21 days' notice unless every member agrees to shorter notice.
- File the special resolution and the altered memorandum and articles with the registrar through SECP eServices (LEAP). Confirm the prescribed forms with your company secretary.
- A public company needs at least three members (s.14). A listed company needs at least seven directors (s.154).
- Appoint a share registrar (s.195) and make the shares CDS-eligible before listing.
- **Practical tip:** convert early (Months 3–5) so that board reconstitution, committees and the first board evaluation are in place before the prospectus is drafted.

6. Corporate governance readiness

Investors, PSX and the SECP will read your board before they read your numbers. The Code of Corporate Governance is “comply or explain”, except for the mandatory regulations (3, 6, 7, 8, 27, 32, 33 and 36) whose breach attracts penalties. Build the structure below before you file.

Area	What the law requires	Reference
Board size	At least 7 directors for a listed company	Companies Act s.154
Independent directors	At least 2, or one-third of the board, whichever is higher; each signs a declaration of independence	CCG Reg 6 (mandatory)
Female director	At least one	CCG Reg 7 (mandatory)
Executive directors	No more than one-third of the board, including the CEO	CCG Reg 8 (mandatory)
Chairman	Not the CEO; elected from non-executive directors	CCG Reg 9; Companies Act s.192
Directorship limit	No person may sit on more than 7 listed boards	CCG Reg 3 (mandatory)
Audit Committee	3+ members, all non-executive, at least one independent; chaired by an independent director (not the board chair); one member financially literate; meets at least quarterly	CCG Reg 27 (mandatory)
HR & Remuneration Committee	3+ members, majority non-executive; chaired by an independent director	CCG Reg 28
Nomination and Risk Committees	Optional, but expected by institutional investors	CCG Regs 29–30
Internal audit	Function in place, head reporting to the Audit Committee; may be outsourced but not to the external auditor	CCG Reg 31
CFO, Company Secretary, Head of Internal Audit	Prescribed professional qualifications and experience; CFO and Company Secretary must be different people	CCG Regs 22–24
External auditor	Satisfactory ICAP QCR rating and registered with the Audit Oversight Board; partner rotation every 5 years	CCG Regs 32–33 (mandatory)
Directors’ training	Certified directors’ training programme; new directors within one year	CCG Reg 19
Related parties	Audit Committee review, then board approval; general meeting if a majority of directors are interested	CCG Reg 15; Companies Act s.208
ESG, DEI and harassment	Board policies on ESG, health and safety, CSR, anti-harassment; board oversight of sustainability and DEI	CCG Regs 10, 10A (2024)
General meetings	Directors’ attendance at general meetings compulsory (2025 reforms)	SECP, March 2025
Statement of compliance	Published with the annual report and reviewed by the statutory auditor	CCG Reg 36 (mandatory)

Policies to approve before filing

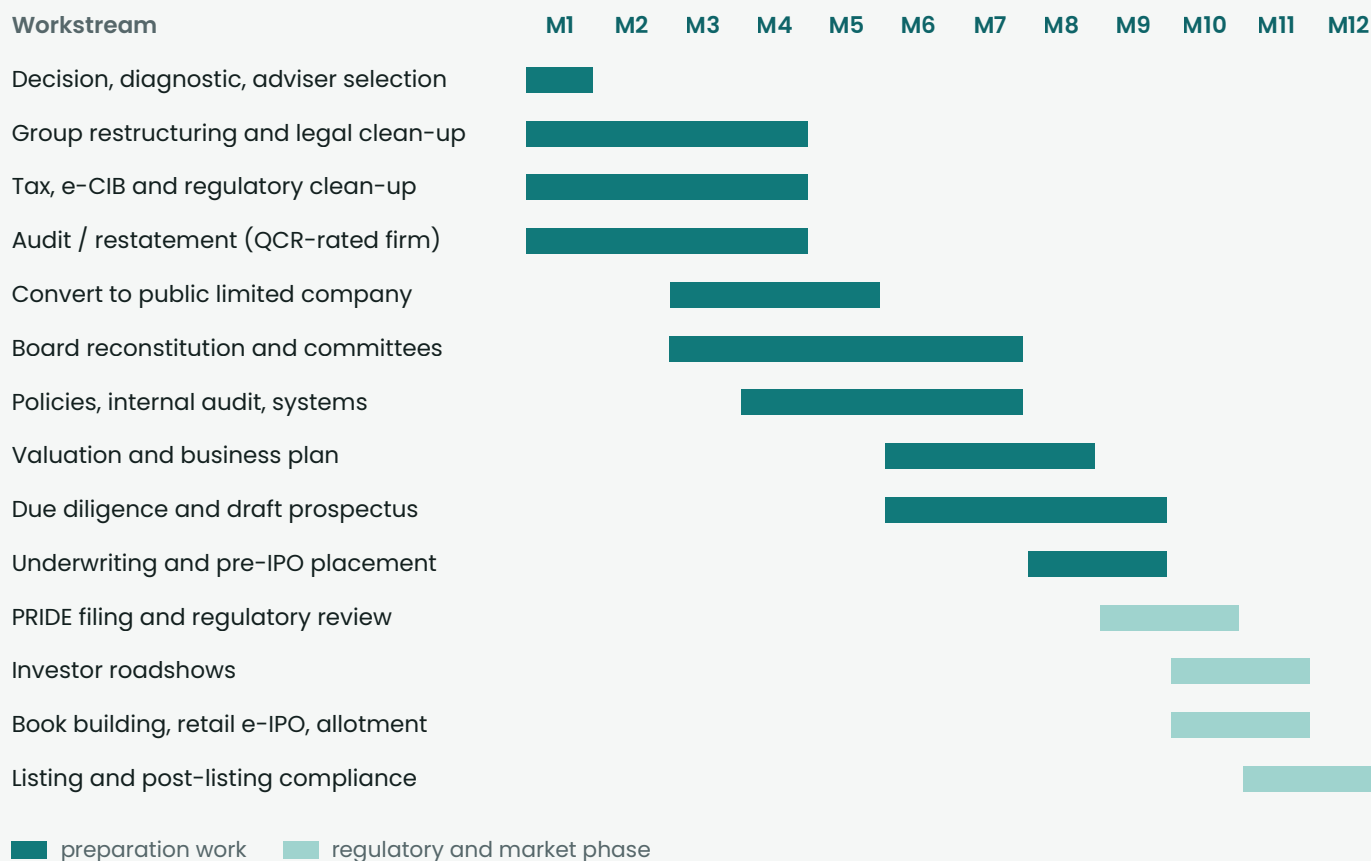
Draft and approve these through the board in Months 4–7 so that the prospectus can describe a working governance system, not a promise:

- ☐ Board charter, terms of reference for each committee, and a board evaluation process
- ☐ Code of conduct and ethics; whistle-blowing policy
- ☐ Related party transactions policy with an approval matrix
- ☐ Insider trading policy, closed-period rules and a register of insiders
- ☐ Price-sensitive information and disclosure policy, with a named disclosure officer
- ☐ Directors' and executives' remuneration policy
- ☐ Risk management framework and risk register
- ☐ ESG, diversity, equity and inclusion, and anti-harassment policies
- ☐ Dividend policy (investors look for one in the prospectus)
- ☐ Delegation of financial powers and internal control manuals

7. The 12-month roadmap

THE STARTING ASSUMPTION

The twelve months below assume the company already has, or can complete within the first quarter, two years of audited financial statements from an auditor with a satisfactory QCR rating. If the existing auditor is not QCR-rated, or the business is a partnership being converted, add a pre-phase of three to six months for re-audit and restatement — and treat this as the single biggest schedule risk.



M1 is the month the board takes the decision; for a November 2026 start, listing falls in Q4 2027.

Phase 0 Decide (Month 1)

When: Month 1 **Objective:** Take an informed decision and choose the route.

ACTIONS

- Hold a board strategy session: why list, how much capital, what the money will fund, how much dilution sponsors accept, and the timeline.
- Run a listing readiness diagnostic against Sections 4 and 6: capital, track record, ownership stability, audit quality, tax position, e-CIB status of every sponsor and director, related party exposure, and governance gaps.
- Choose the route: Main Board, GEM, or reverse merger (Section 10). Check whether the business qualifies under the June 2026 partnership and carve-out relief.
- Prepare an indicative valuation range and an IPO budget (Section 9).
- Shortlist the Consultant to the Issue (CTI), legal counsel, QCR-rated auditor, underwriters and share registrar.

DELIVERABLES AT THE GATE

- ☐ Board resolution approving the listing project and budget
- ☐ Readiness gap report with owners and dates
- ☐ Route decision memo

WATCH OUT

A sponsor or director with an overdue on the credit bureau report disqualifies the whole company. Pull e-CIB reports for every sponsor, substantial shareholder and director in Month 1, not Month 8.

Phase 1 Prepare (Months 1–4)

When: Months 1–4 **Objective:** Clean the house and build the adviser team.

ACTIONS

- Appoint the CTI (SECP-licensed; banks and DFIs may now act) through a written mandate. The CTI leads due diligence, valuation, the prospectus and the regulatory process, and provides two years of post-listing guidance.
- Appoint or confirm a QCR-rated auditor registered with the Audit Oversight Board. Start the audit or restatement of the last two years under IFRS as notified in Pakistan.
- Restructure the group: move the core business into the listing vehicle, separate non-core assets, settle sponsor loans and inter-company balances, and document land and asset titles.
- Regularise tax: confirm active taxpayer status, file and reconcile returns, sales tax and withholding statements, and close or provision for open assessments and litigation.
- Clear any bank overdues, obtain no-objection letters where needed, and resolve legacy defaults linked to sponsors.
- Map all related party transactions and put arm's-length documentation in place.
- Fix the cap table: confirm the 51% two-year ownership condition and record all transfers properly.

DELIVERABLES AT THE GATE

- ☐ Signed adviser mandates (CTI, legal counsel, auditor)
- ☐ Clean e-CIB reports for company, sponsors and directors
- ☐ Group structure chart and restructuring steps completed or scheduled
- ☐ Tax health-check report with closure plan

WATCH OUT

If your history includes a partnership, LLP or divisional carve-out, make the restated accounts and the conversion trail airtight in this phase.

Phase 2 Transform (Months 3–7)

When: Months 3–7 **Objective:** Become a public company in substance, not just on paper.

ACTIONS

- Pass the special resolution and convert to a public limited company; adopt articles suitable for a listed company.
- Increase authorised capital and, if needed, restructure share capital (bonus issue or share split) to reach the Rs 200 million post-issue threshold and a sensible offer price.
- Reconstitute the board: at least seven directors, at least two (or one-third) independent, at least one woman, executives capped at one-third, and a non-executive chairman.
- Form the Audit Committee and the HR & Remuneration Committee; hold their first meetings and minute them.
- Set up the internal audit function and appoint a qualified CFO, Company Secretary and Head of Internal Audit.
- Approve the policy set in Section 6 and enrol directors in a certified directors' training programme.
- Upgrade reporting systems so the company can close quarterly accounts within 30 days and half-yearly within 60 days. An ERP with proper controls is not optional for a listed company.
- Appoint the share registrar and apply for CDS eligibility with CDC.

DELIVERABLES AT THE GATE

- ☐ Certificate of conversion and new articles filed with SECP
- ☐ Board and committee composition compliant with the Code
- ☐ Approved policy manual and internal audit plan
- ☐ Quarterly close tested at least once

Phase 3 Document (Months 6–9)

When: Months 6–9 **Objective:** Build the prospectus and the equity story.

ACTIONS

- Prepare a five-year business plan and financial projections that tie to the use of proceeds.
- The CTI prepares the valuation section using recognised models (DCF, dividend discount, Gordon growth) and recommends the floor price and price band. The floor cannot change once SECP approves the prospectus.
- Legal, financial and tax due diligence by the CTI and counsel; resolve every red flag before filing.
- Draft the prospectus: capital structure, use of proceeds, business description, management and sponsors, risk factors, audited financials, related parties, litigation, valuation and book-building supplement.
- Agree underwriting for the retail tranche (at least 25%, fully underwritten). Recent commissions: 0.75–1% underwriting plus about 1% take-up.
- Consider a pre-IPO placement with anchor investors; it improves credibility (Ghani Dairies, Sitara and Tasdeeq all used one). Pre-IPO investors typically face a short lock-in.
- Ensure the audited accounts in the prospectus will be no more than 8 months old at filing; plan an interim audit if needed.

DELIVERABLES AT THE GATE

- ☐ Valuation report and floor price recommendation
- ☐ Due diligence reports (legal, financial, tax)
- ☐ Draft prospectus approved by the board
- ☐ Underwriting agreements and pre-IPO commitments
- ☐ Board resolution approving the offer

Phase 4 File and approve (Months 9–10)

When: Months 9–10 **Objective:** Clear PSX and SECP in about three weeks.

ACTIONS

- Submit one combined listing application (Form I with Annexure I documents and the Form II undertaking) and the draft prospectus to PSX and SECP through the PRIDE portal.
- PSX posts the draft prospectus for 5 working days of public comment.
- PSX and SECP review in parallel; the issuer answers observations and the CEO signs the due diligence certificate.
- PSX approval (target: 12 working days from a complete filing), then SECP approval under ss.87–88 of the Securities Act (target: 14 working days overall).
- PSX allocates dates; the prospectus is published 7–30 days before retail subscription.

DELIVERABLES AT THE GATE

- ☐ PSX approval letter and SECP approval of the prospectus
- ☐ Published prospectus and book-building timetable

WATCH OUT

In 2026, actual filing-to-listing times were about 9 weeks (Tasdeeq), 13 weeks (Select Technologies) and 16 weeks (Sitara Petroleum). The quality of the first filing decides which end of that range you land on.

Phase 5 Offer (Months 10–11)

When: Months 10–11 **Objective:** Price the deal and fill the book.

ACTIONS

- Run analyst briefings and investor roadshows in Karachi, Lahore and Islamabad; brief brokers' sales teams and retail platforms.
- Eligible Participants register bidders from at least 3 working days before bidding.
- Book building: at least 2 working days; minimum bid Rs 2 million; no single bid above 10% of the book; at least 40 bids; strike price by Dutch auction (Section 8).
- Strike price and allocations are published within one working day.
- Retail subscription (usually 2 days) at the strike price through PSX e-IPO (PES) or CDC's e-IPO system; physical applications ended on 1 September 2025.
- Allotment, refunds and CDC credit within 5 working days; apply for listing permission within the s.69 timelines.

DELIVERABLES AT THE GATE

- ☐ Fully subscribed offer with at least 500 applications
- ☐ Allotment completed and shares credited in CDC

Phase 6 List and comply (Months 11–12)

When: Months 11–12 **Objective:** Ring the bell and get the first 100 days right.

ACTIONS

- PSX issues the listing notice and trading begins.
- Activate the disclosure policy: price-sensitive information goes to PSX and SECP immediately, before anyone else.
- Adopt the compliance calendar in Section 11; file the first quarterly accounts within 30 days.
- Publish investor relations material on the company website; brief analysts after the first results.
- Track the free-float build-up (to 25% or 15% within three years where applicable).

DELIVERABLES AT THE GATE

- ☐ First quarterly accounts filed on time
- ☐ Compliance calendar and responsibility matrix live

Who does what

Party	Role in the listing
Board of directors	Approves the project, the offer, the prospectus and the governance framework; owns the disclosures
Consultant to the Issue (CTI)	SECP-licensed lead adviser: due diligence, valuation, prospectus, filings, price band, roadshows, post-listing guidance for two years
QCR-rated auditor	Audits or restates two years of accounts, interim audit, comfort on prospectus financials, review of the compliance statement
Legal counsel	Corporate restructuring, conversion, legal due diligence, prospectus legal sections, scheme of arrangement for reverse mergers
Underwriters	Underwrite the retail tranche (and any fixed-price offer)
Eligible Participants	Brokers, mutual funds, banks and DFIs that register and bid for investors in the book
Share registrar and balloter	Maintains the register, processes applications and allotment
CDC	Declares the shares CDS-eligible, holds sponsor shares in blocked accounts, credits allottees
PSX	Listing approval, book-building system (Designated Institution), e-IPO platform, continuing supervision
SECP	Approves the prospectus, licenses intermediaries, enforces the Securities Act and the Code

8. Book building in plain words

Book building is how the market sets your share price. Since August 2025 the rules have changed materially; this is the current mechanism.

1. **Floor price.** The company and the CTI set it, justified by a valuation model. It is printed in the prospectus and cannot change after SECP approval.
2. **Price band.** The upper limit is decided by the CTI (the old 40% cap is gone). Recent bands ran from 40% to about 58% above the floor.
3. **Bidders.** Institutions and high-net-worth individuals bid through Eligible Participants. Minimum bid Rs 2 million; no single bid above 10% of the book; bids can be revised upward only.
4. **Strike price.** After at least two days of bidding, PSX's system runs a Dutch auction: it finds the highest price at which the whole book is covered. Everyone above that price pays the strike price; bids exactly at it are filled pro rata; bids below get nothing. Fewer than 40 bids, or an uncovered book, cancels the offer.
5. **Retail tranche.** At least 25% is offered to the public at the strike price, fully underwritten. If retail is 5–10 times oversubscribed, 5% more moves from the book to retail; at 10 times or more, 10% moves.
6. **Allotment and listing.** Shares are allotted and credited within five working days, and trading starts after PSX's listing notice.

EXAMPLE

A company offers 50 million shares at a floor of Rs 20 with a band up to Rs 30. Book building offers 37.5 million shares (75%). If bids at Rs 27 and above add up to 37.5 million shares, Rs 27 becomes the strike price. Retail investors then subscribe for the remaining 12.5 million shares at Rs 27. The company raises Rs 1.35 billion.

9. What a listing cost

The SECP put the average total cost of an IPO in Pakistan at 4.45% of issue size, against about 4.9% in India, 11% in Malaysia and 19–23% in Hong Kong and Singapore (2022 comparison). Fixed costs mean smaller issues pay a higher percentage.

Cost item	Indicative amount	Basis
Consultant to the Issue	Negotiated; Rs 5 m was disclosed on a Rs 250 m SPAC in 2026	Mandate letter
Underwriting commission	0.75%–1% of underwritten amount	Recent prospectuses
Take-up commission	About 1% on shares taken up	Recent prospectuses
Brokerage / Eligible Participant commission	About 1% of amount raised through brokers	Recent prospectuses
PSX initial listing fee	0.1% of paid-up capital, capped at Rs 2.2 m (PSX website shows Rs 1.5 m – confirm)	PSX Reg 5.19.1(a)
PSX annual listing fee	Rs 100,000 to Rs 5 m by market capitalization; free for the first 12 months	PSX Reg 5.19
SECP application and supervisory fees	Modest (Rs 200,000 application on a 2026 SPAC)	SECP schedule
CDC, registrar, e-IPO charges	Roughly Rs 1.5–2 m combined on a small issue	2026 disclosures
Auditors, legal counsel, valuation	Engagement-specific; restatement work can be significant	Engagement letters
Printing, marketing and roadshows	Rs 2 m upward	2026 disclosures
Governance running costs (annual)	Independent directors' fees, internal audit, company secretary, investor relations, annual listing fee	Ongoing

GEM costs: initial PSX fee capped at Rs 50,000; annual Rs 50,000–200,000; PSX book-building software Rs 1 million where a GEM book is run.

10. The reverse merger route

A reverse merger lets an operating unlisted company obtain a listing by merging with a listed shell a company PSX classifies as having eroded equity, no or nominal operations, or no or nominal assets. The PSX has regulated this route since at least 2019; the current rules are in Regulation 5.22 of the PSX Rule Book (February 2026).

Key definitions (PSX Reg 5.1.1)

- **Listed Shell Company** a listed company classified by PSX in writing as a shell.
- **Operating Unlisted Company** an unlisted company that has carried on its principal business for at least the two preceding financial years. There is no profitability test.
- **Reverse Merger** the operating company becomes listed by merging with the shell.
- **Surviving Company** the listed company that survives once the scheme is sanctioned.

Conditions the surviving company must meet (Reg 5.22.4)

Condition	Requirement
Paid-up capital	At least Rs 200 million
Free float (from sanction)	Up to Rs 2.5 bn: 10%, rising to 25% within 3 years; Rs 2.5–5 bn: 10%, rising to 15%; Rs 5–10 bn: 10%; above Rs 10 bn: 5%
Sponsor lock-in	Sponsor shares frozen in CDS for at least 1 year
Sponsor holding	Sponsors keep at least 25% of paid-up capital for 3 years
Fit and proper	No sponsor or director linked to defaulter or delisted companies (5 years), defaulted brokers, fraud findings by SECP, SBP, an agency or court
Overdues	No overdues to banks, PSX, NCCPL or CDC (lender NOC can cure)
Book-entry	Shares credited in CDS
Undertaking	Given by the shell on non-judicial stamp paper
Relaxation	PSX may relax any requirement with recorded reasons (Reg 5.22.7) used in the Liven Pharmaceuticals case

Step by step

1. **Find the shell.** PSX invites shells to volunteer and publishes a list for consultants; the Defaulting Companies Profile Portal is another source. Prefer shells with few creditors, no winding-up petition and a clean shareholder register.
2. **Due diligence on the shell.** Creditor suits, bank overdues, tax litigation, winding-up petitions and large institutional holders. Legacy liabilities come with the shell.
3. **Take control.** Buy the sponsors' stake under a share purchase agreement. Crossing 30% of voting shares (or acquiring control) triggers a mandatory public offer under s.111 of the Securities Act, for at least 50% of the remaining shares at the highest price under the prescribed methods. A manager to the offer must confirm funding. Holdings above 10% must be disclosed within two working days.
4. **Notify PSX** as soon as the shell's board approves considering the merger (Reg 5.22.2). PSX states in writing within 15 days whether the deal is a reverse merger (Reg 5.22.3).

5. **Valuation and swap ratio.** Independent valuations of both companies by a QCR-rated chartered accountancy firm, which also verifies the swap ratio.
6. **File the PSX pack** (Annexure II, Part A) on PRIDE before the shareholder vote: board resolutions, draft scheme, valuations, 5-year business plan, proposed board and management, two years of QCR-audited accounts, an independent due diligence report, risk factors and no-overdue affidavits. Obtain PSX's compliance confirmation (Reg 5.22.5).
7. **Scheme of arrangement** under ss.279,285/- of the Companies Act: petition the High Court (listed companies go to court in practice), hold court-ordered meetings of members and creditors, and obtain approval by a majority in number holding three-fourths in value of those voting in each class.
8. **Sanction and filing.** File the certified sanction order with the registrar within 7 days; then PSX Part B documents (sanction order, return of allotment, auditor's certificate, additional listing fee).
9. **Re-brand and trade.** Change of name, principal business and trading symbol; move to the normal counter.
10. **Raise capital later.** The merger itself raises no money; most surviving companies follow with a rights issue (Beco Steel raised about Rs 3 billion this way).

Pakistani precedents

Deal	Structure	Timeline
Liven Pharmaceuticals into Landmark Spinning (now Liven Pharmaceuticals)	Formal PSX reverse merger; shell classified Nov 2021; PSX relaxation Aug 2022; Sindh High Court sanction Sep 2024	About 3 years
Big Bird Foods and MetaTech Trading	Listed company merged into the unlisted one, which took over the listing; LHC sanction Jun 2024; listed Aug 2024	About 14 months
Waves Singer appliances into Samin Textiles (now Waves Home Appliances)	Shell control bought for Rs 25 m; demerger and amalgamation; LHC sanction around Jun 2022	About 17 months
Ravi Textile Mills (now Beco Steel)	Takeover, change of business, then a Rs 3 bn capital raise	Phased
Haji Mohammad Ismail Mills and SEGO Pakistan	MoU for reverse merger reported 8 Oct 2026; High Court approval needed	Pending

Reverse merger compared with an IPO

Advantages	Disadvantages and risks
<p>No profitability test two years of operations suffice</p> <p>No prospectus, book building or underwriting</p> <p>Lower initial free float, phased over 3 years</p> <p>One-year sponsor freeze (25% kept for 3 years)</p> <p>No exposure to IPO market timing</p> <p>Possible tax losses of the shell (s.57A, subject to conditions)</p>	<p>No fresh capital at the merger</p> <p>Court timelines of 1–3 years</p> <p>Legacy liabilities, tax claims and creditor suits</p> <p>Cost of the shell plus a mandatory public offer</p> <p>Minority, institutional and SECP objections to the swap ratio</p> <p>Weaker market perception than an IPO</p>

Tax and stamp duty

- Section 97A, Income Tax Ordinance: no gain or loss on transfer of assets, or on the issue, cancellation or exchange of shares, under a scheme sanctioned by the High Court or SECP, subject to conditions on liabilities assumed. Confirm the current wording after Finance Act 2026.
- Section 57A: carry-forward of losses after an amalgamation involving a listed company, subject to the statutory definition of amalgamation and business-continuation conditions verify before relying on shell losses.
- Stamp duty: Punjab waived stamp duty on property transfers under court- or SECP-sanctioned schemes (February 2026); Islamabad companies are exempt under s.282(5) of the Companies Act. Other provinces: confirm the current position.
- Selling sponsors of the shell pay capital gains tax on the share sale.

A 12-month reverse merger plan

Months	Milestone
1–2	Route decision; shell shortlist; preliminary due diligence; QCR audit of two years of accounts of the operating company
2–3	Share purchase agreement for the sponsors' stake; public announcement of intention; manager to the offer appointed
3–5	Mandatory public offer completed; PSX notified; PSX classification as a reverse merger within 15 days
4–6	Valuations and swap ratio by QCR-rated firm; independent due diligence; business plan; Annexure II Part A filed; PSX compliance confirmation
6–9	Board approvals; petition filed in High Court; court-ordered meetings of members and creditors
9–12+	Court sanction (the main variable — can run well beyond month 12); registrar filing within 7 days; PSX Part B; name and symbol change; governance build-out; plan a rights issue

Realistic budget: 12–36 months. A pending SECP proposal would give SECP exclusive jurisdiction over schemes, which could shorten timelines if enacted — not enacted as of the latest information.

11. Life after listing: the compliance calendar

Obligation	Deadline	Reference
Price-sensitive information	Immediately, to PSX and SECP before anyone else	PSX Reg 5.6.1; Securities Act s.96
Board meeting notice (results)	At least 7 days before the meeting; closed period applies	PSX Regs 5.9.2, 5.6.4
First and third quarter accounts	Within 30 days of quarter end	Companies Act s.237
Half-yearly accounts	Within 60 days, with limited review by the auditor	Companies Act s.237
Annual audited accounts and AGM	AGM within 120 days of year end; annual report to PSX 21 days before	PSX Reg 5.7.1; s.223
Cash dividends	Credited within the statutory timeline; PSX informed immediately	PSX Reg 5.6.10; s.242
Free-float data	Quarterly within 15 days; audited certificate annually	PSX Reg 5.7.2
Related party transactions of 10%+ of assets or turnover	Disclose immediately (ordinary-course arm's length excepted)	PSX Reg 5.6.6
Substantial holdings (10%+)	Acquirer discloses within 2 working days; beneficial ownership returns	Securities Act ss.101, 103, 110
Statement of compliance with the Code	With the annual report, reviewed by the auditor	CCG Reg 36
Annual listing fee	By 30 September each year	PSX Reg 5.19

THE COST OF GETTING IT WRONG

Late or missing disclosure of price-sensitive information attracts penalties of Rs 100,000/- to Rs 1 million, with the CEO and CFO personally liable and Rs 10,000 per day thereafter. Persistent defaults no AGM, unfiled accounts, unpaid fees, adverse audit opinions — move a company to the Non-Compliant Segment, freeze sponsor and director shares, and can end in suspension, compulsory buy-back or delisting. Pakistan secured its first insider-trading conviction in June 2025.

12. Tax considerations

Item	Position under Finance Act 2026 (effective 1 July 2026)
Corporate tax rate	29% for listed and unlisted companies alike no rate advantage for listing (banks 43% for tax year 2026)
Listing tax credit (old s.65C)	Withdrawn in March 2021; no reinstatement found. PSX continues to lobby for a listing incentive
Super tax (s.4C)	Reported as removed up to Rs 500 m of income and 8% above (higher for banks and specified sectors) confirm against the Ordinance
Dividends (s.150)	15% final tax generally; 25% where the paying company pays no tax due to exemptions or losses; higher for non-active taxpayers
Capital gains on listed shares (s.37A)	15% for active taxpayers on recent acquisitions, collected through NCCPL; higher rates for non-filers
Capital gains on unlisted shares	Normal rates (29% for companies; slab rates for individuals)
Amalgamations	Sections 97A and 57A reliefs (Section 10)

Tax planning before listing matters more than the listing itself: sponsor share transfers, group restructuring and the treatment of revaluation surpluses should be settled in Phase 1, while the company is still private and the transactions are simpler.

13. Why listings stall and how to avoid it

Pitfall	What happens	Prevention
Weak track-record evidence	Regulator queries; refiling (SE Fruits, Oct 2026)	QCR-audited restated accounts; full conversion trail in the prospectus
Credit bureau defaults	Automatic disqualification	e-CIB checks on all sponsors and directors in Month 1
Tax skeletons	Prospectus risk factors that scare investors; valuation discount	Tax health-check and settlement in Phase 1
Governance on paper only	Investors discount the price; post-listing breaches	Committees meeting and minuted months before filing
Unrealistic valuation	Weak book; clearance at the floor or cancellation	Defensible models; anchor investors; listen to the CTI
Poor market timing	Approval lapses (Dalda Foods, 2023)	Keep the pack ready; choose the window with the CTI
Stale accounts	Filing rejected (accounts older than 8 months)	Plan an interim audit into the timetable
Reporting systems that cannot close fast	Late quarterly accounts; Non Compliant Segment	ERP and close process tested before listing

Myths and facts

Myth	Fact
“You need billions to list.”	The Main Board needs Rs 200 m of post-issue capital; GEM starts at Rs 25 m.
“The family loses control.”	A 10% float is enough at listing for most companies; sponsors commonly keep 75–90%.
“It takes years with the SECP.”	The regulatory window is about 14 working days; 2026 filings listed in 9–16 weeks.
“Listing means paying more tax.”	The corporate rate is the same; listed shares are taxed more favourably for investors.
“Loss-making companies cannot list.”	They can, with sponsor retention and disclosure conditions, or through GEM.

14. Master readiness checklist

Corporate and legal

- ☐ Special resolution and conversion to public limited company filed
- ☐ Articles suitable for a listed company adopted
- ☐ Authorised and paid-up capital sufficient for Rs 200 m post-issue
- ☐ Group restructuring complete; asset titles documented
- ☐ Shareholding history showing 51% stability for two years
- ☐ Share registrar appointed; CDS eligibility obtained

Financial and tax

- ☐ Two years of audited accounts by a QCR-rated auditor (restated if required)
- ☐ Interim accounts within 8 months at filing
- ☐ Five-year business plan and projections approved
- ☐ Tax returns, sales tax and withholding filings reconciled; active taxpayer status
- ☐ Clean e-CIB for company, sponsors, substantial shareholders and directors
- ☐ Related party transactions documented at arm's length

Governance

- ☐ Seven-member board with two or one-third independent directors and a woman director
- ☐ Non-executive chairman separate from the CEO
- ☐ Audit Committee and HR & Remuneration Committee constituted and meeting
- ☐ Internal audit function and qualified CFO, Company Secretary and Head of Internal Audit
- ☐ Policy manual approved (Section 6)
- ☐ Directors enrolled in certified training

Offer

- ☐ CTI mandated; valuation and floor price set
- ☐ Due diligence reports complete; red flags resolved
- ☐ Prospectus approved by the board
- ☐ Underwriting and pre-IPO commitments signed
- ☐ PRIDE filing made; PSX and SECP approvals received
- ☐ Roadshow and investor relations plan ready

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