

## FAQs - GSM

### Graded Surveillance Measure

#### 1. What is GSM ?

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 such as reduction in price band, periodic call auction and transfer of securities to Trade to Trade category from time to time.

“Graded Surveillance Measure” is one of such measures.

#### 2. What is the Objective of GSM?

The main objective of these measures is to -

- Alert and advise investors to be extra cautious while dealing in these securities
- Advise market participants to carry out necessary due diligence while dealing in these securities

In continuation to various surveillance measures already implemented, SEBI and Exchanges, pursuant to discussions in joint surveillance meetings, have decided that along with the aforesaid measures there shall be additional Graded Surveillance Measures on securities which witness an abnormal price rise not commensurate with financial health and fundamentals like Earnings, Book value, Fixed assets, Net-worth, P/E multiple, Market Capitalisation etc.

#### 3. What will be the criteria for inclusion & exclusion of stocks under the GSM framework?

##### Criteria 1:

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

1. Securities with latest available Net worth (Share Capital + Reserves & Surplus – debit balance in P&L) less than or equal to Rs. 10 crores; AND
2. Securities with latest available Net Fixed Assets (Tangible Assets + Capital Work in Progress) less than or equal to Rs. 25 crores; AND

3. Securities with PE greater than 2 times PE of Benchmark Index (Nifty 500 or S&P BSE 500) OR negative PE.

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 2:

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

1. Securities with full market capitalization less than Rs. 25 crore; AND
2. Securities with PE greater than 2 times PE of Benchmark Index (Nifty 500 or S&P BSE 500) OR

3. 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

**4. How often will the securities placed under the Graded Surveillance Framework be reviewed?**

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.

List shall be periodically reviewed & published by the exchanges in a coordinated manner.

The review shall be carried out based on latest available quarterly 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.

The tentative time schedule for publication of securities eligible for GSM framework is given [here](#) on NSEs website.

The list of such securities identified under GSM shall be informed to the market participants from time to time and shall be available [here](#) on the exchange's website.

**5. What are the restrictions on securities in GSM?**

All market participants dealing in identified securities have to be extra cautious and diligent as, Exchanges and SEBI may at an appropriate time subject to satisfaction of certain criteria lay additional restrictions such as;

- Placing / continuing securities in trade to trade category,
- Requirement of depositing additional amount as Surveillance Deposit, which shall be retained for an extended period.
- Once in a week trading,
- Once in a month trading and
- Freezing of price on upper side of trading in securities, as may be required.
- Any other surveillance measure as deemed fit in the interest of maintaining the market integrity

All the aforesaid actions shall be triggered based on certain criteria and shall be made effective with a very short notice.

The above surveillance actions are without prejudice to the right of Exchanges and SEBI to take any other surveillance measures, in any manner, on a case to case basis or holistically depending upon the situation and circumstances as may be warranted.

The members trading in the identified securities either on their own account or on behalf of clients shall be kept under close scrutiny by the exchange and any misconduct shall be viewed seriously.

- In addition to existing Surveillance action(s) being imposed from time to time, it may be noted that these securities shall be monitored for the price movement and based on the predetermined objective criteria shall attract following additional Graded Surveillance Measures:

Stage	Surveillance Actions
I	Transfer to Trade for Trade with 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 100% of trade value to be collected from Buyers.
III	Trading permitted once a week (Every Monday) and ASD of 100% of trade value to be deposited by the buyers.
IV	Trading permitted once a week (Every Monday) with ASD of 200% of trade value to be deposited by the buyers.
V	Trading permitted once a month (First Monday of the month) with ASD of 200% of trade value to be deposited by the buyers.
VI	Trading permitted once a month (First Monday of the month) with no upward movement in price of the security with ASD of 200% of trade value to be deposited by the buyers.

- Additional Surveillance Deposit(ASD) shall be paid only in form of cash and shall be retained till further notice

**6. Where can I find the list of securities which are a part of GSM framework?**

You can find this list of securities on [NSE & BSEs](#) website. You can also find the [consolidated list](#) of GSM & ASM on our website in the resources page.