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SME LISTING – EMPOWERING SME BUSINESS HOUSES

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SME – THE STAR OF INDIAN ECONOMY

SOME STATISTICS (BSE + NSE)

Number of companies listed on SME till date	533
Number of companies migrated to main board	119
Market Cap of BSE SME Listed Companies (Rs. Cr.)*	30100
Total funds raised through SME Listings (Rs. Cr.)*	6508

JOURNEY OF AN ENTREPRENEUR

Pre seed

- Own savings / family money
- Angel investors

Seed

- Bank or NBFC
- Private Loans

Early
growth

- Bank or NBFC
- PE or investor

Expansion

- IPO
- Institutional investors / HNIs

MAJOR FINANCING CHALLENGES

- » Inadequate capital availability
- » High borrowing cost
- » High margin and collateral requirement of banks
- » Restrictions on taking private loans under Companies Act, 2013

SME LISTING – INSIGHTS

SOME ADVANTAGES

- » Easy capital and funds availability
- » Only 10% Long term capital gains on share sale
- » Brand value in industry
- » It is an M&A currency
- » ESOP – Talent retention at lower cost
- » Easy exit option for existing minority investors
- » Getting true value of company in terms on Market Capitalisation
- » Unlocking of value on basis of future prospects & P/E multiples. Thus, greater profitability = Better valuation
- » Better Governance and compliance environment, Self Discipline

ELIGIBILITY FOR LISTING –SME

- » Post issue paid up capital, Net worth and tangible assets of Rs. 1.50 crore
- » Profit in 2 out of last 3 years.
- » No change in promoter in last 1 year
- » Company should not be referred to BIFR and there should be no winding up petition

Pre listing structuring may be required to satisfy some conditions

OTHER REQUIREMENTS

- » Offer document to be filed and approved by Exchange
- » Mandatory 100% underwriting
- » Min 3 years market making by Merchant Bankers
- » Min 50 investors at time of listing
- » Min Rs. 1 Lac application amount / trading lot

FUND RAISING OPTIONS

IPO

- Initial Public Offer
- Funds come to the Company
- Promoters do not sell shares

OFS

- Offer for sale
- Funds come to individual promoters
- No fresh funds in Company

HYBRID

- Combination of IPO and OFS
- Part funds come to company and part to Promoters

Minimum 25% shares of company need to be offered to public + about 2.5% to market maker.

ADVANTAGES OVER MAIN BOARD

1. Exchange (not SEBI) vetting of prospectus
2. Min 50 investors instead of 1000
3. Relaxed track record norms, no IPO grading required
4. Reduced IPO time and costs
5. Six monthly reporting compliances instead of quarterly. No SEBI compliances
6. Seamless migration to main board after 2 years on making a simple application

Features of SME Platform

Attributes	Platform
Trading	Order Driven- In Lots
Transparency	High
Anonymity	High
Orders	Market Makers and Investors
Order Matching	Automatic
Lot Size	Min Rs. 1,00,000/-
Settlement	Rolling, T+2
Listing and Compliance	Simplified
Presence	National
Trading System	On Line Trading

WHAT IS THE PROCESS?

- » Appointment of Merchant Banker who advises on the structure of issue
- » Financial, legal and secretarial due diligence
- » Filing of prospectus with Exchange and approval
- » Filing of prospectus with ROC
- » Public issue
- » Listing on Exchange

THE WAY FORWARD

- » Share your financials with us and we can list down the additional benefits listing can bring to the promoters and company
- » Even if the promoters decide not to go for listing, the true worth and future possibilities can be discovered.

It is difficult to imagine value of a regular SME company to be Rs. 50, 100, 150+ crore but it is common amongst listed SMEs.

CASE STUDIES

OUR EXPERIENCE WITH RECENT LISTINGS

- » A promoter wanted to invest in a new capital intensive business. The funds were raised through Offer For Sale (OFS) i.e. selling part of current holding in the IPO instead of taking costly loans
- » An existing NRI investor wanted to exit the company. However, current promoters were not able to buy the shares and valuation was also difficult. The listing provided market price of shares and ready market for selling shares

OUR EXPERIENCE WITH RECENT LISTINGS

- » A company is expecting to grow very fast in next 2-3 years and might be partnering / taking over other units. By listing, it plans to use its shares as currency during M&A. Also, promoter plan use shares as collateral to raise loans, when needed.
- » A foreign investor wanted to invest in a privately held company. SME listing provided the mutually agreeable market price of the share. The promoters got desired valuation of stake sold which was much more than mere book value.

Selected Offer for Sale IPOs in recent past

Bajaj Healthcare Limited



Incorporated in 1993, Bajaj Healthcare Ltd is a pharmaceutical company with manufacturing and marketing capabilities in Active Pharmaceutical Ingredients (APIs), Intermediates and Finished Dosage Formulations (FDFs) with focus on Vitamins, Amino Acids, Anti-Convulsants and Finished Dosage Forms (FDFs). Currently they operate five (5) manufacturing units. Company's present product portfolio consists of various APIs in the therapeutic categories of Neutraceutical (Amino Acids), Vitamins, Anti-Convulsants, Bactericidal & Bacteriostatic, Diuretic & Vasodilator, Mineral & Nutritional supplements, Bronchodilator / Anti-asthmatic and Nootropics.

Issue Dates: Apr 27, 2016 – May 2, 2016
 Issue Type: Fixed Price Issue IPO
 Issue Size: 1,817,600 Equity Shares of Rs. 10
 Issue Size: Rs. 30.90 Crore
 Issue Price: Rs. 170 Per Equity Share
 Listing At: BSE SME

Valiant Organics Limited



Incorporated in 1985, Valiant Organics is leading India based pharmaceutical company engaged in the major supplies of chloro phenols in India and abroad.

Chlorophenols are mainly used in agro-chemical industry, pharmaceutical industry, dyes industry as well as in manufacturing of cosmetics and veterinary drugs.

Issue Open: Sep 29, 2016 - Oct 4, 2016
 Issue Type: Fixed Price Issue IPO
 Issue Size: 964,800 Equity Shares of Rs. 10
 Issue Size: 21.23 Cr
 Issue Price: Rs. 220 Per Equity Share
 Listing At: BSE SME

FINAL COMMENTS..

In our opinion, the right time to list on SME exchange is BEFORE and not AFTER the company embarks on growth path. Good post listing performance gives credibility to the scrip which will help in migrating to main board.

Quantum of Turnover or Profit is not a deciding criteria for SME listing. Future vision, expansion plans and growth model are the drivers for SME listing.

*“SME listing is not for large companies.
It helps companies become large.”*

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THANK YOU

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