

BSE Small and Medium Enterprises (SME) Platform

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SENSEX

India's index the world tracks

Agenda for today

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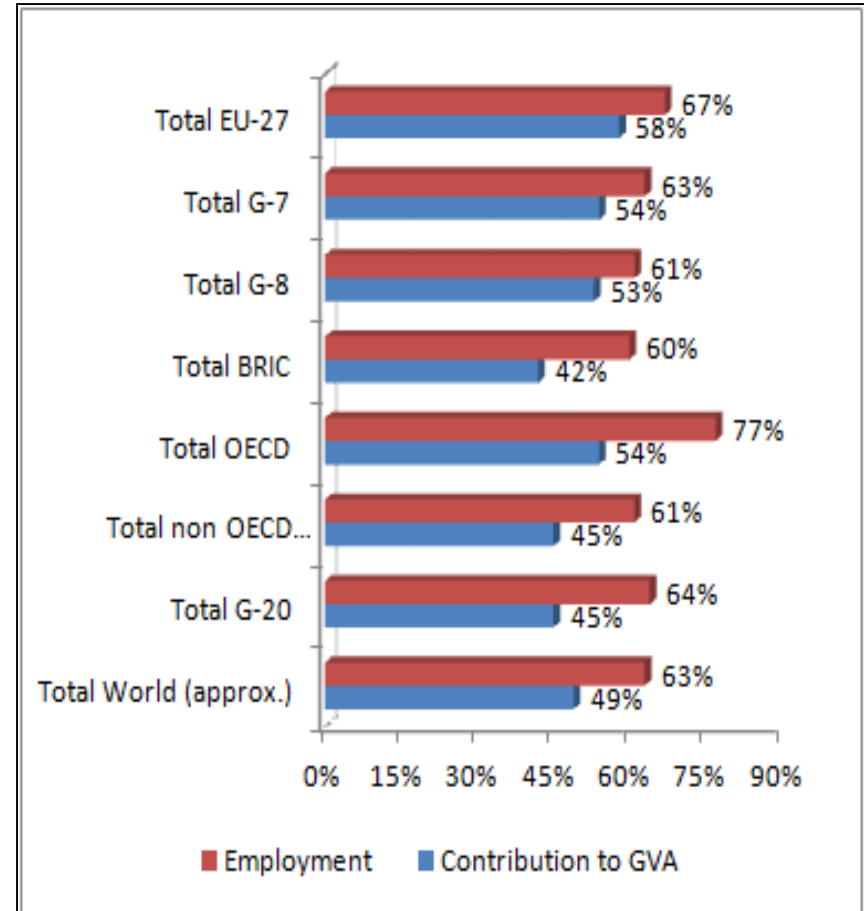
Global Statistics

SMEs represent more than 95% of enterprises and 60-70% of the jobs - Organization for Economic Cooperation and Development (OECD)

As per IFC's MSME Country Indicator, there are 125 million SMEs, in 132 of its covered economies

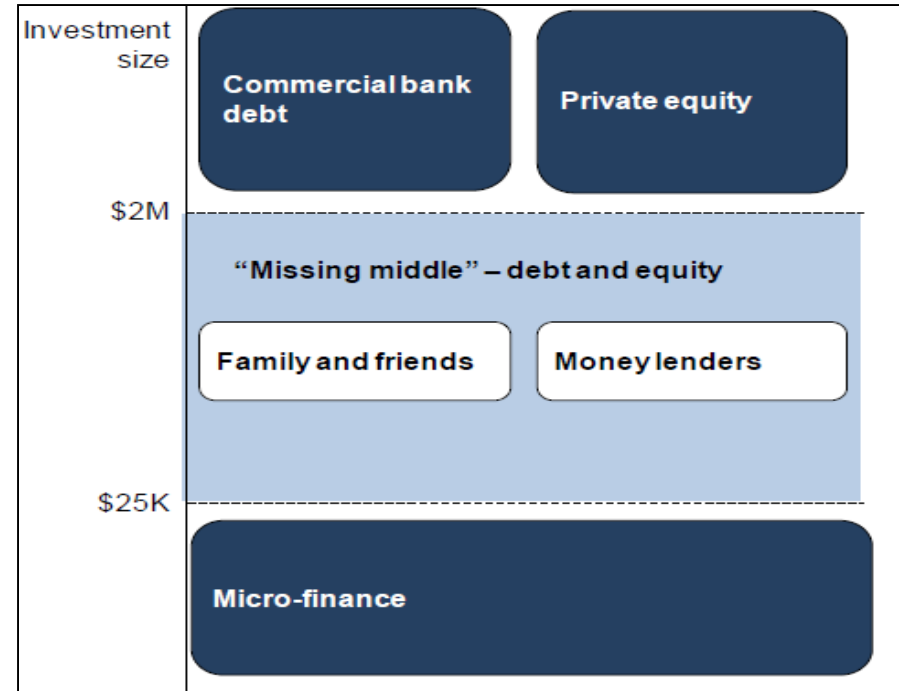
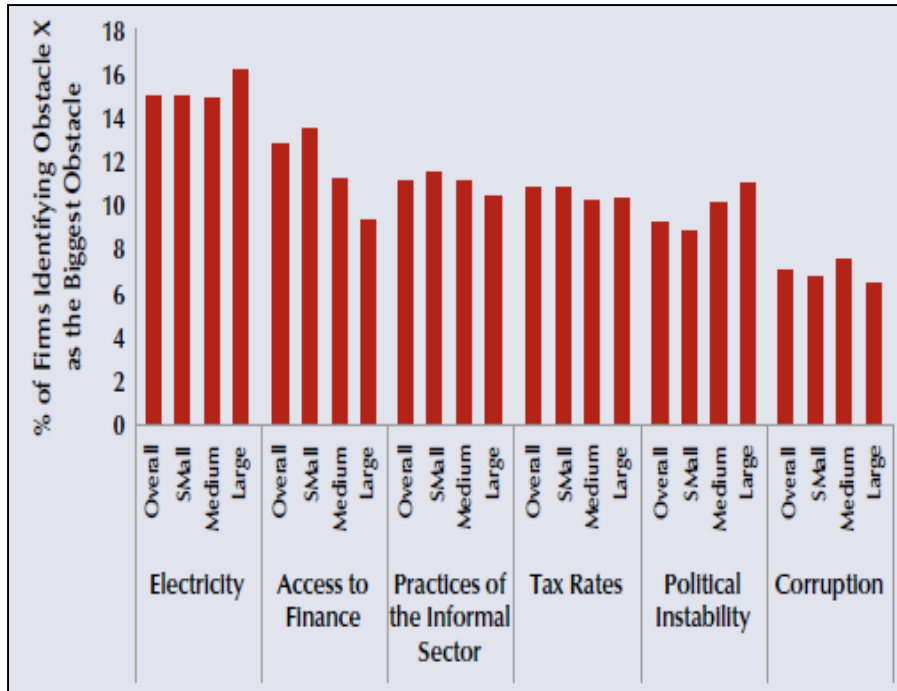
89 million SMEs are located in the developing world

SMEs contribute 60% of China's GDP, 57% of Germany's GDP, 55.3% of Japan's GDP



Source: Small business: A global agenda (ACCA) – September, 2010

Finance for SMEs a global challenge

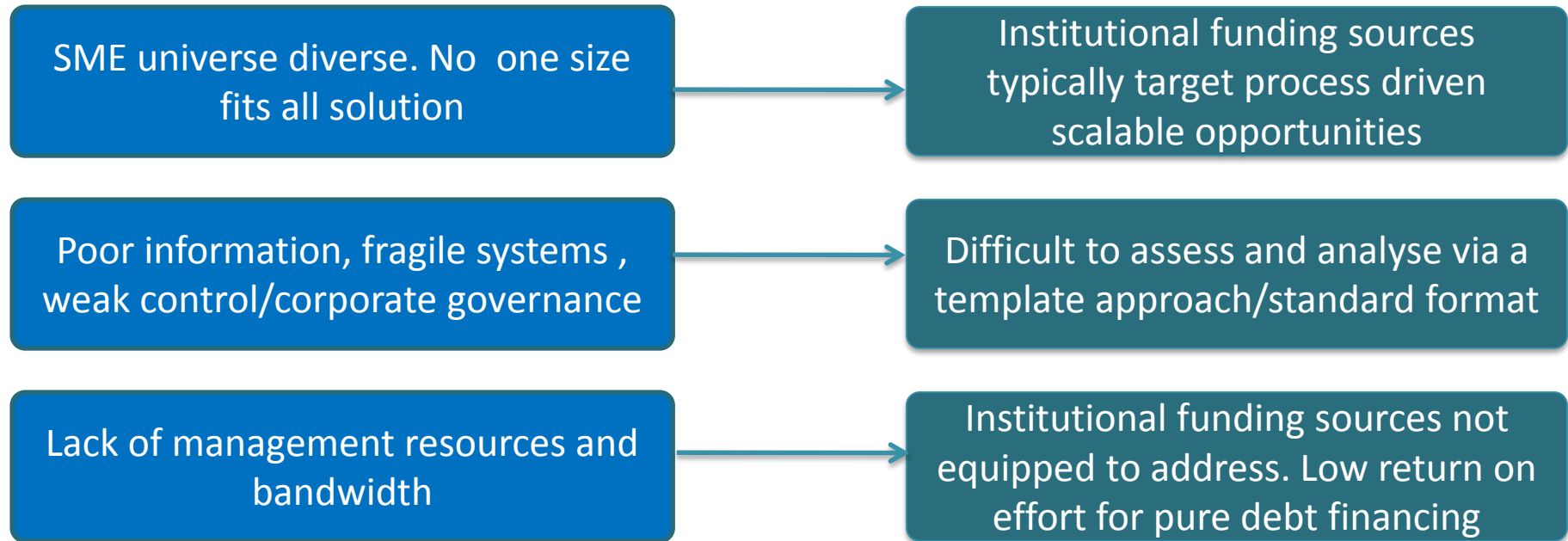


Source: Micro, Small, and Medium Enterprises Around the World: How Many Are There, and What Affects the Count?, Enterprise Surveys Dataset

Source: CFED Desktop Study: SMEs and Poverty Reduction; “Financing Pattern Around the World: Are small firms different?”, “Small and Medium Size Enterprises: Access to Finance as a Growth Constraint”, Report on Support to SMEs in Developing Countries Through Financial Intermediaries – November, 2011

Market based finance key source for raising capital

Formal SME financing - presents hosts of challenges



Consequently banking institutions gravitate towards collateral based financing

Challenges since 2008 financial crisis as SMEs are perceived by Banks to be high risk.

About Indian SME Industry

Micro, Small and Medium Enterprises (MSMEs) contribute:

- 17% of the country's GDP
- 45% of the manufactured output
- 40% of the exports

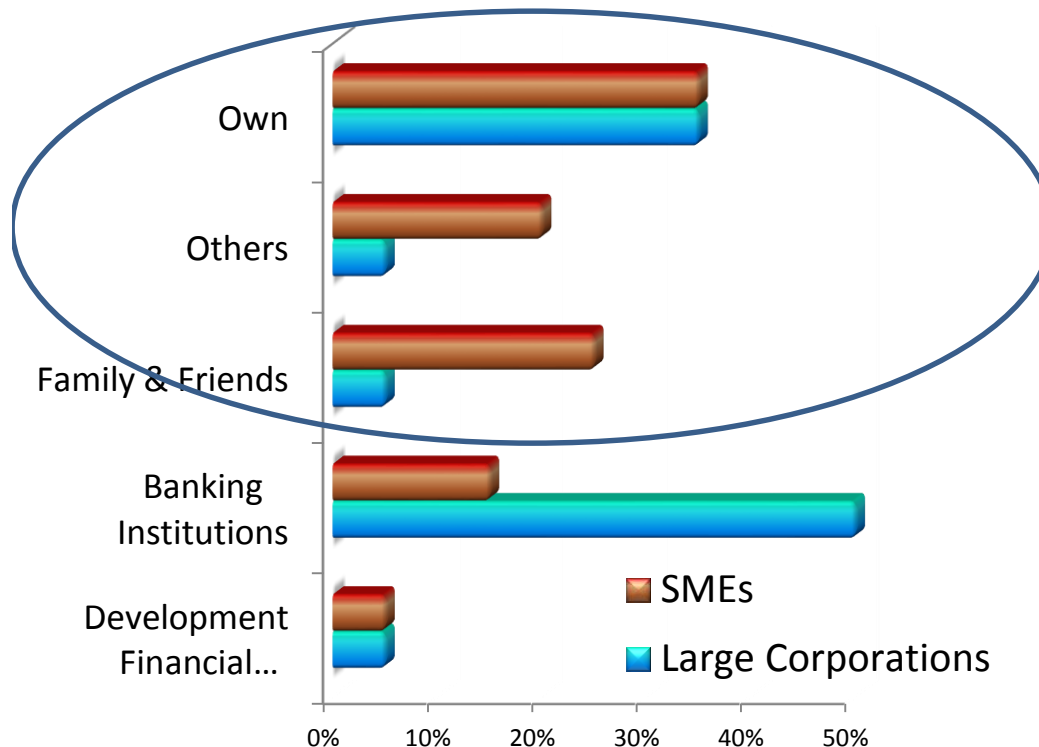
Employment to about 750 million people through 40 million enterprises

Forms the largest generator of employment in the Indian economy.

Forms major portion of the industrial activity. Produces 7,000 different products.

SMEs rely on informal sources of capital

Historically SMEs have struggled to access capital



Adequate access to finance is crucial for SMEs to survive and eventually grow beyond their SME Status

“ In India, the reality is that SMEs have poor access to finance”

“the average SME relies mostly on its own capital and/or informal borrowing from friends and family members for start-up funds and working capital”

Vision

- Wealth creation by the SMEs through inclusive economic growth

Mission

- Provide the world class Platform for SMEs and Investors to come together and raise equity capital

Benefits of Listing

Lower debt burden

Equity financing opportunities

Expand investor base

Enhanced visibility

Incentive for greater venture capital participation

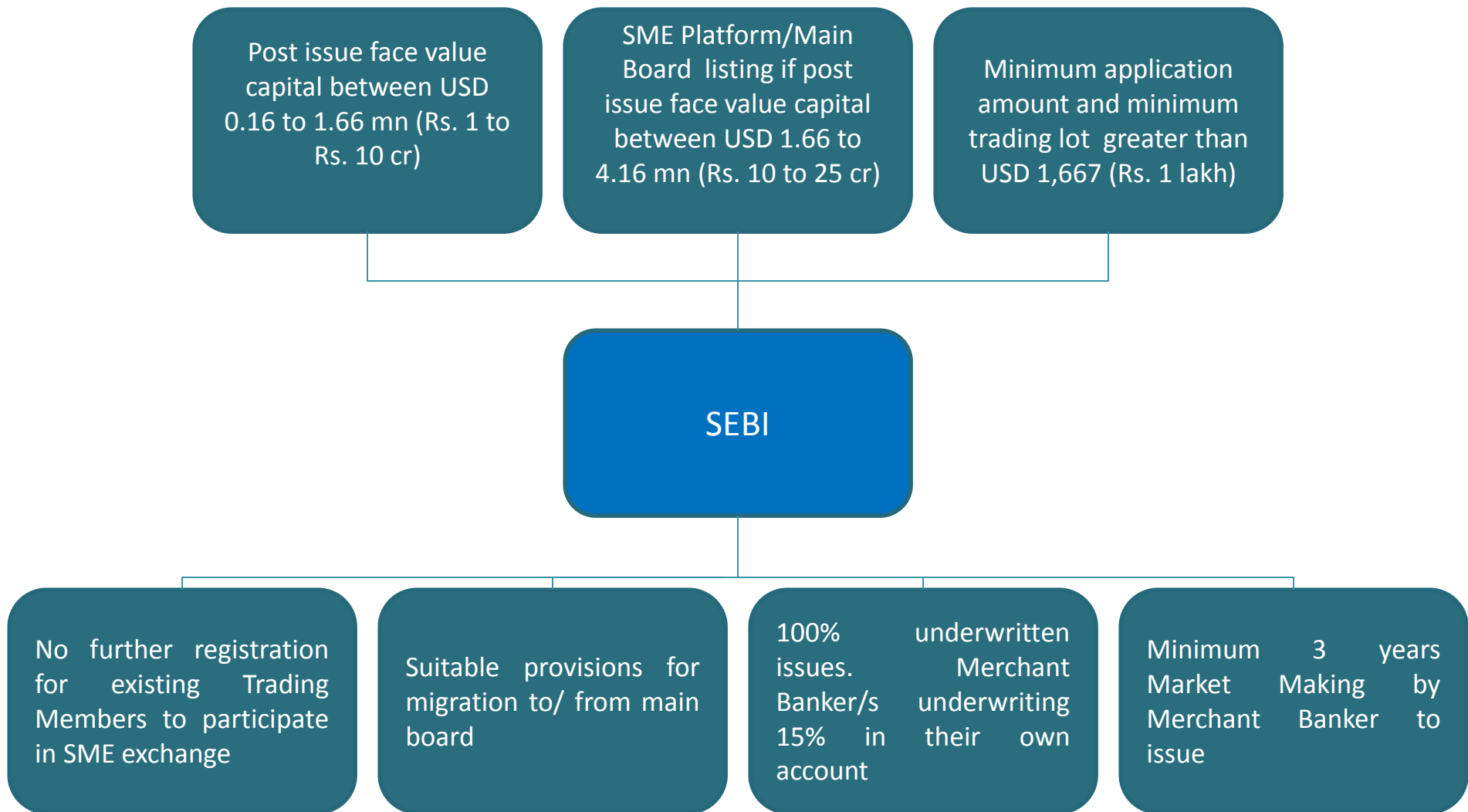
Encouraging innovation and entrepreneurial spirit

More efficient distribution of risk

Incentive for the employees

Greater credibility

SEBI's Guidelines for SME Listing



Further Guidelines for SME Listing by BSE

Net tangible assets at least USD 0.16 mn (Rs. 1 crore)

Net Worth excluding revaluation reserves at least USD 0.16 mn (Rs. 1 crore)

Distributable profits at least 2 of 3 immediately preceding financial years OR net worth greater than USD 0.5 mn (Rs.3 crore)

The post-issue paid up capital greater than USD 0.16 mn (Rs. 1 crore)

BSE

Mandatorily facilitate trading in demat securities

Agreement with both the depositories

Have a website

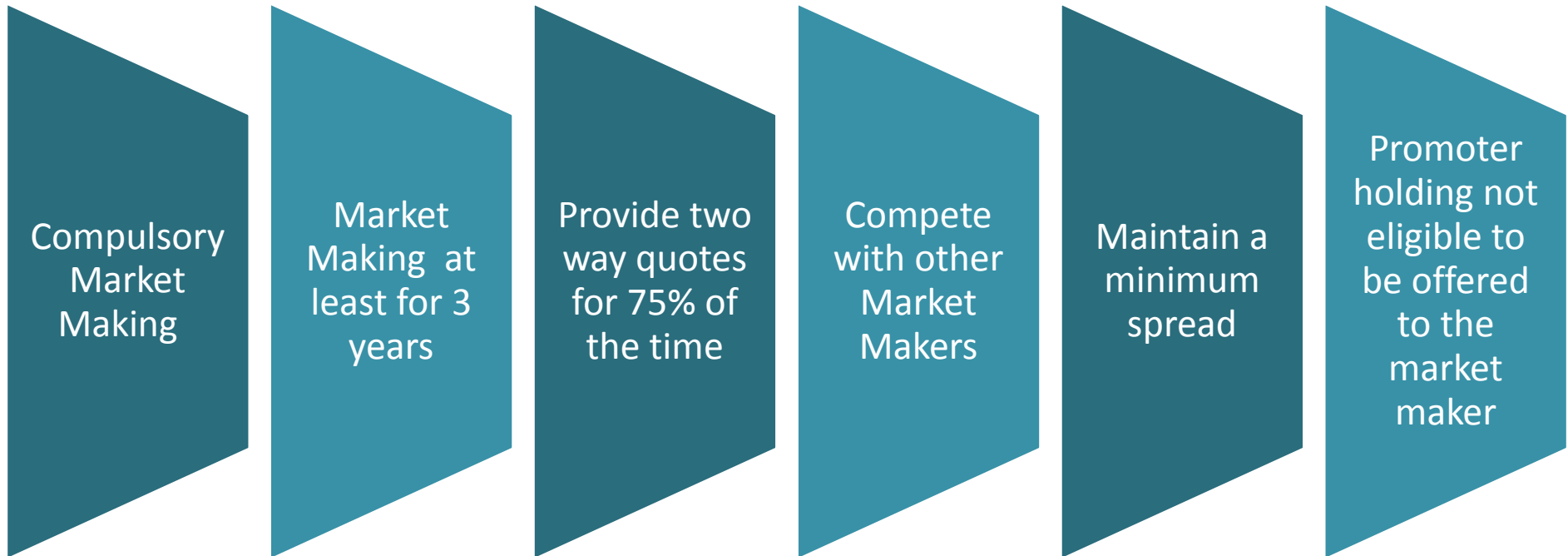
Not been referred to the Board for Industrial and Financial Reconstruction (BIFR)

No court accepted winding-up petition

Difference between Main Board and BSE SME Platform

	Main Board	SME Platform
Compliance norms	Half yearly	Quarterly
Annual report to shareholders	Complete	Abridged
Issue Expense	High	Minimal
Market Making	Not required	For 3 years
Listing Fees	High	Minimal
Underwriting	Not mandatory	100% mandatory
Approval	Regulator	Exchange
Filings and approvals for Listing	Required	Not required

Market Making



Benefits of Market Making

- Provides liquidity for existing investors to exit
- Encourages new investors to enter the market

Migration from SME Platform to Main Board

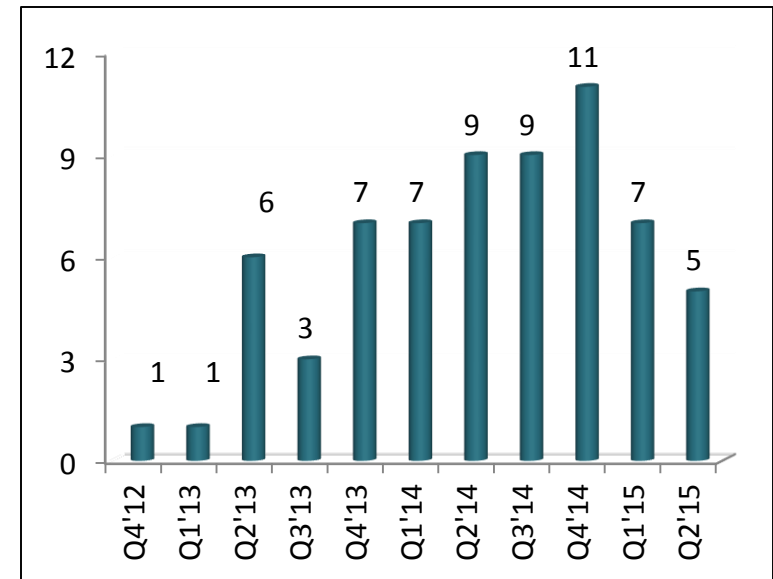
- Any SME on BSE SME Platform having a paid up capital more than USD 1.66 million (Rs. 10 crore) can move to the main board provided:
 - Special resolution is passed in the AGM in favor with at least two third of the number of votes cast by shareholders other than promoter shareholders
- The SME migrating to the main board has to comply with all the main board norms including:
 - Minimum 500 investors
 - Payment of main board listing fees
 - Quarterly compliance



Main Board

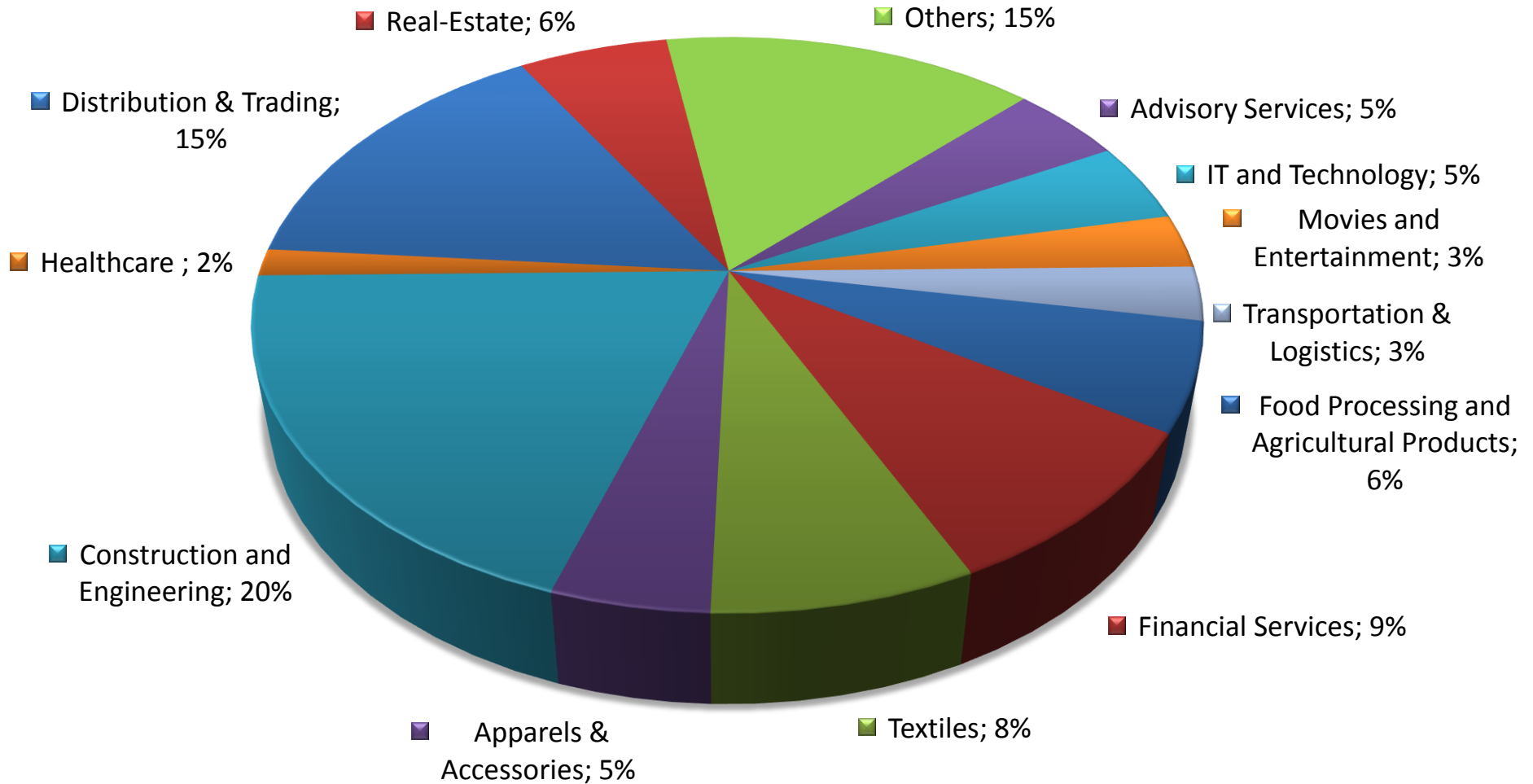
Statistics

- Number of companies listed - 66
- Listed in FY14 - 36
- No. of companies where DRHPs have been filed and waiting for approval – 9
- No. of companies where approval has been given – 11
- Total funds raised by 66 companies – USD 94.8 million (Rs. 568.80 crore)
- Total Market Capitalization – USD 1.26 billion (Rs. 7,565 crore)
- Number of Market Makers registered with BSE SME – 85
- S&P BSE SME IPO Index value 900 (Base value 100 as on 16th August, 2012)
- Research reports published once the company gets listed



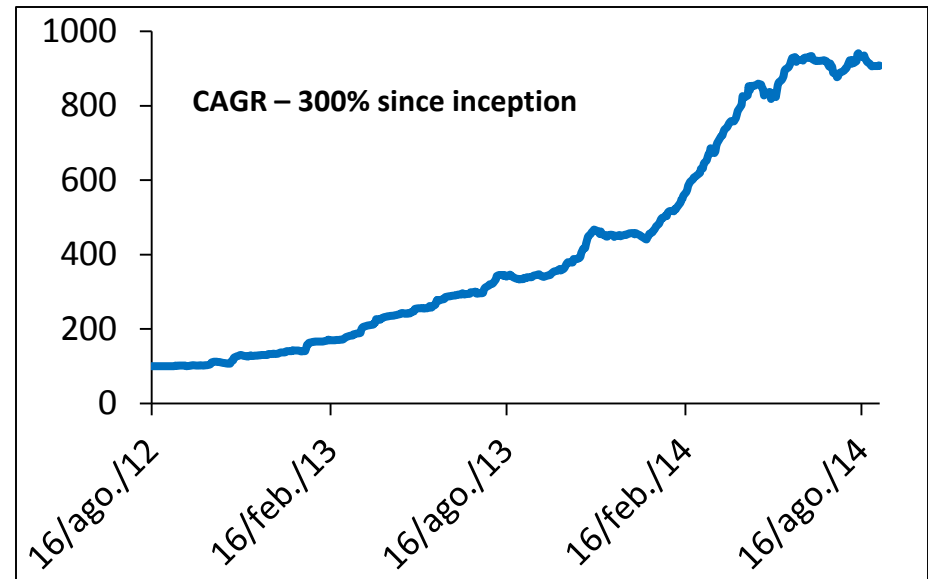
Companies listed on SME Platform

Sectoral Distribution of the Companies listed on BSE SME Platform



Investor Friendly Measures - S&P BSE SME IPO Index

- **Eligibility for inclusion on Index** - Any company seeking listing of its equity shares on the SME Platform of BSE.
- **Minimum stocks** - 10 stocks, at all times.
- **Exclusion from Index** - After completion of three years of listing.
- **Exception** - In case, there are less than 10 companies on account of possible exclusion, the exclusion of such company shall be delayed till new inclusion is made.



Index from Inception till date

Investor Friendly Measures - Research Reports

Objective

- Create and disseminate company-specific research reports in a standardized format accessible to the retail investor.

Each Company covered by reputed Research/Rating firms

Reports generated available free of cost

Research Reports cover the following:

- Industry Overview
- Company Fundamentals
- Company Business
- Key Strengths
- Key Financial Indicators

Need for an Institutional Trading Platform (ITP)

Listing without formal process of IPO. Create opportunity for exit for informed investors (ex. VCs and AFs)

Facilitate capital raising by small and medium enterprises at a lower cost

Redistribution of risk by providing mode of entry for new shareholders

Regulatory Criteria

- Company/promoter/group Company or Director not be in the defaulters list of RBI/CIBIL
- No winding up petition against the company
- Company/Group Companies/Subsidiaries not been referred to BIFR within 5 years
- No regulatory action against the company/Promoter/Director by SEBI, RBI,IRDA,MCA within last 5 years

Financial Criteria

- Not completed a period of more than 10 years after incorporation
- Revenues not exceeded USD 16.6 million (Rs. 100 crore) in any financial year
- Paid up Capital not exceeded USD 4.16 million (Rs. 25 crore) in any financial year
- At least one full year's audited financial statements

Eligibility Criteria...cont.

In addition, at least one of the following financial criteria need to be met:

Minimum Investment of USD 83.33 thousand (Rs. 50 lakh) in Equity Shares by either Alternative Investment Fund or Venture Capital Fund or other category of Investors Approved by the Board or Angel Investor

Received finance from a scheduled bank in the last 3 years and funds fully utilized.

Minimum Investment of USD 83.33 thousand (Rs. 50 lakh) in equity shares by a registered merchant banker or QIB locked in for 3 years from the date of Listing.

Invested in the equity capital by Specialized international multilateral agency or domestic agency or public financial institution

Eligibility Criteria – Exchange Criteria

Net Tangible Assets of minimum USD 0.16 million (Rs. 1 crore) OR Net income of USD 83.33 thousand (Rs. 50 lakh)

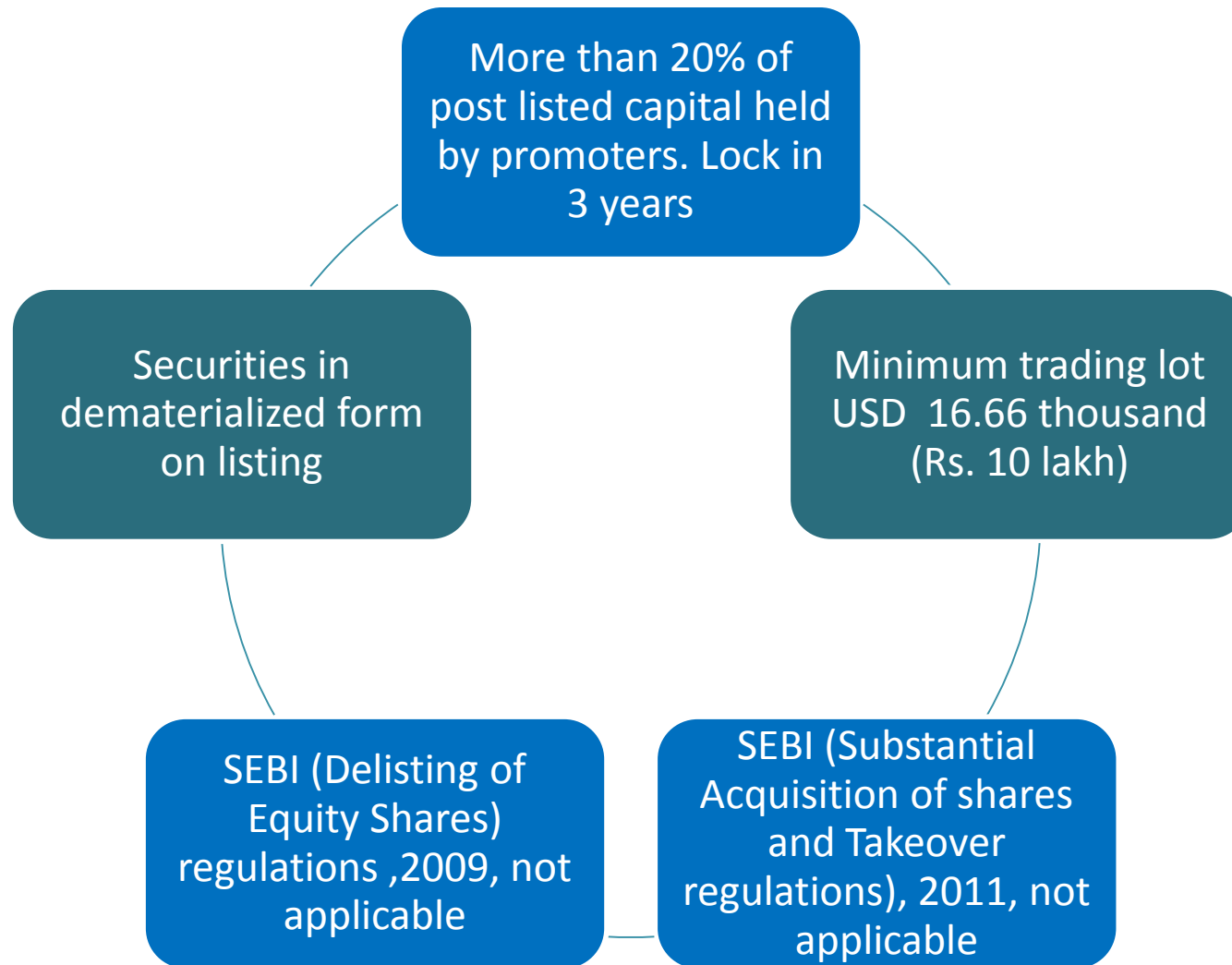
No change in the dominant shareholders (promoters) in the preceding one year from date of filing application to BSE

Mandatorily signing of tripartite agreement with both the depositories.

Mandatory site visits by BSE Officials

Interaction and interview of the senior company official by members of the Exchange's Listing Advisory Committee (LAC)

Other Guidelines for Listing and Trading



BSE's Initiatives to Strengthen ITP

Circuit filter at 10% (relaxable on specific requests)

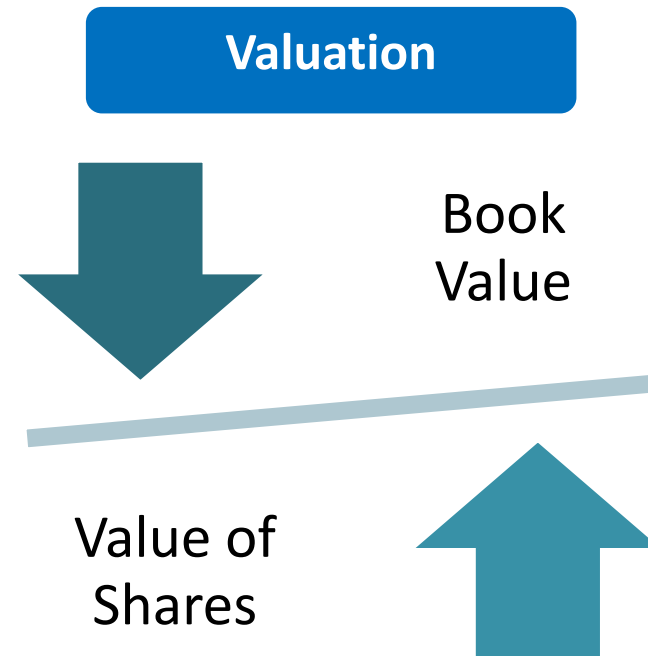
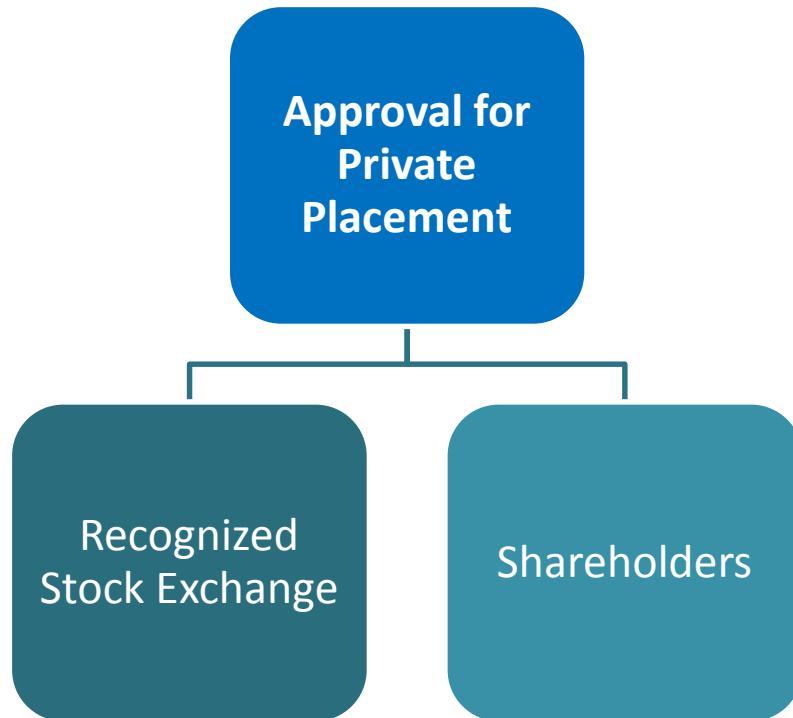
Minimum trading lot instead of trading in multiples of trading lots

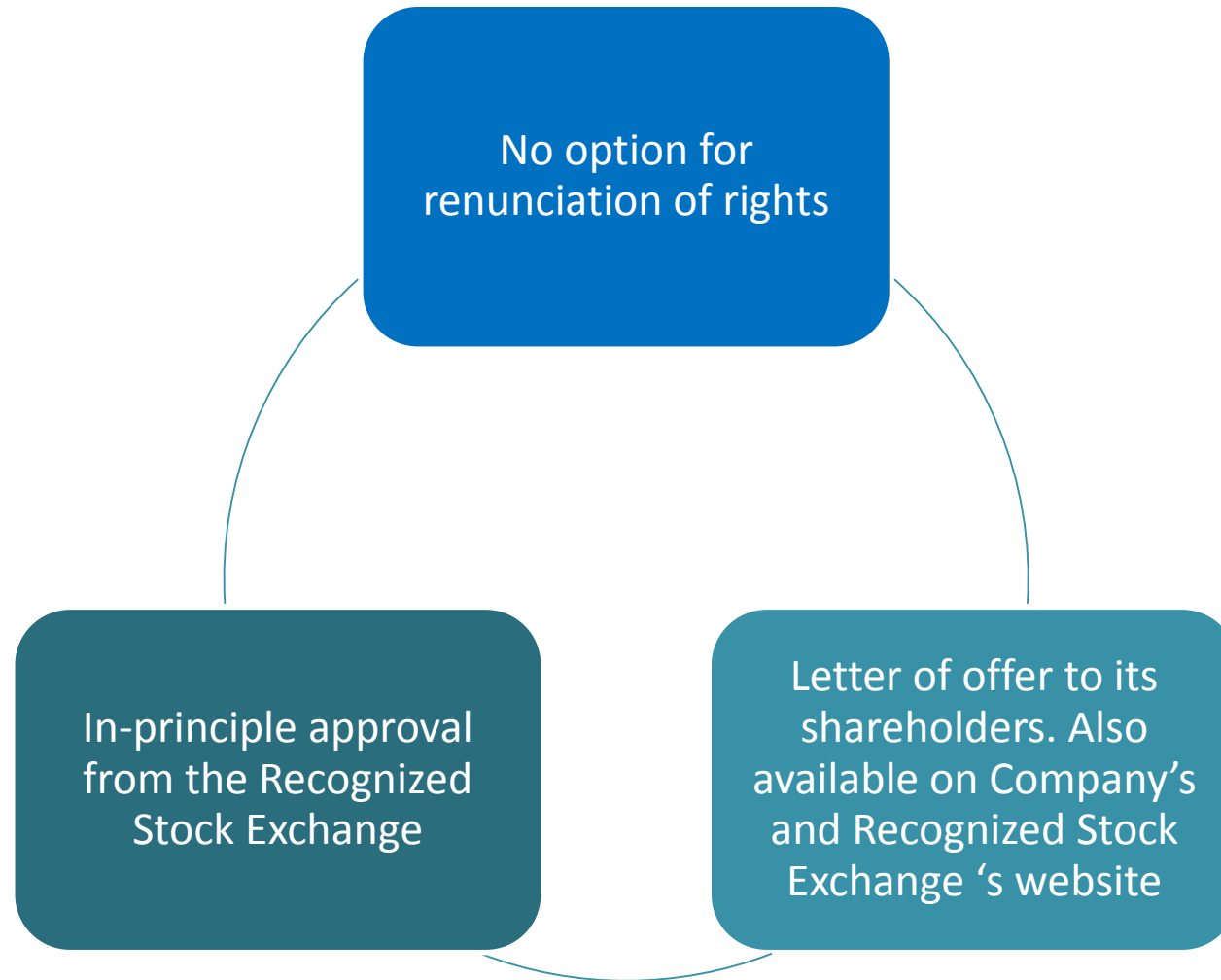
No settlement Guarantee Fund or Investor Grievances Redressal Committee facility for this platform

Transactions are margined and settled on Trade-for-Trade basis (gross basis) on a T+2 settlement cycle

Private Placement

Neither an issue of security nor public offering. May raise capital through private placement or rights issue





Exit Options

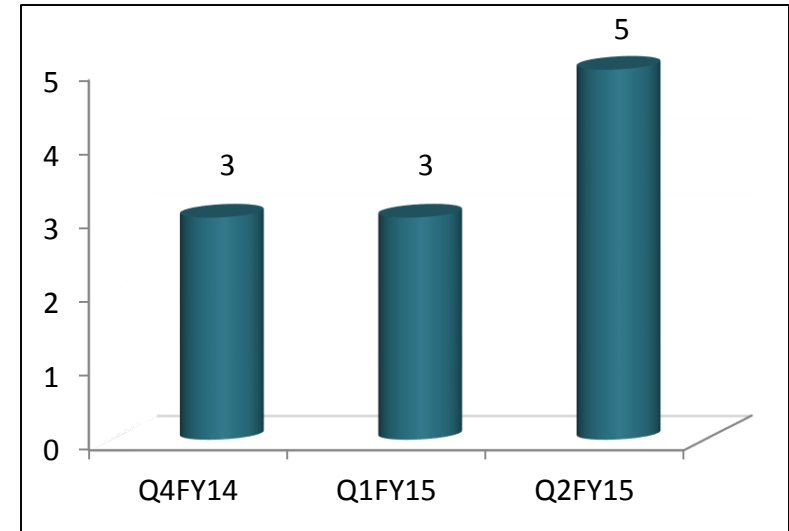
Voluntary Exit

- Approval by shareholders through postal ballot where 90% of total votes and the majority of non-promoter votes have been cast in favor of such proposal.
- Approval of the Recognized Stock Exchange where its shares are listed.

Mandatory Exit

- Specified securities have been listed on ITP for a period of ten years.
- Paid up capital of more than USD 4.16 million (Rs. 25 crore).
- Revenue of more than USD 50 million (Rs. 300 crore).
- Market Capitalization of more than USD 83.33 million (Rs. 500 crore).

- Number of companies listed - 11
- Total Market Capitalization – USD 314.4 million (Rs. 1,886 crore)
- Research reports are published once the company gets listed



Companies listed on ITP

“To believe in something, and not to live it, is dishonest.”

- Mahatma Gandhi



Thank You

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