

BSE SME Exchange:

Maintaining High Quality Standards



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The Micro Small and Medium Enterprise (MSME) sector forms the largest generator of employment in the Indian economy. The Prime Minister's Task Force (Jan. 2010) has recommended to set-up a dedicated Stock Exchange/ Platform for SME. SEBI has also laid down the regulation for the governance of SME Platform.

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Micro, Small and Medium Enterprises (MSMEs) companies often find it difficult to mobilize resources for their survival and growth, despite being the largest generator of employment in Indian economy. SME Exchange is a very useful mechanism offered to them for raising long term funds.

As per the directions of PMO Taskforce and SEBI Guidelines, BSE and NSE have unveiled SME Exchanges to help Small and medium sized companies access capital markets in the last fiscal year. Two companies viz. BCB Finance Limited and Monarch Health Services Limited have so far come out with a public issue on BSE SME Exchange, while Max Alert Systems Limited is in the process of launching its public issue.

Though BCB Finance is an older company with some track record since 2005, Monarch Health Services is a relatively young company which was incorporated in October 2011. Following is the comparative analysis for both the companies:

	BCB Finance			Monarch Health
Incorporation Year	2005			2011
Financial Snapshot				
Rs Lakhs	FY 2009-10	FY 2010-11	FY 2011-12#	FY 2011-12*
Sales	154.21	146.95	138.48	15.00
Net Profit	22.15	22.61	8.23	(43.84)
Share capital	159.25	159.25	796.26	312.15
Net Worth	1,073.10	1,095.72	1,103.94	306.15
Loans	365.60	278.41	276.39	0.00
Net Fixed Assets	5.54	5.90	1.44	211.75
IPO Size	# 6 Months Ended 30/09/2011			* Six months only
Market Cap	885			1200
	2881			2448
	Actual (As on 24/05/2012)			Estimated @ IPO Price

Prima facie, Monarch Health has launched its public issue without any proven business model / track record and hence, there could be risk to investors if it does not perform in future.

To avoid any misuse of liberal listing norms for SME platform in future, in addition to SEBI Guidelines, BSE SME Exchange has stipulated following **eligibility norms** for getting listed on SME Exchange Platform (Letter No. OW/WRD/DSA/ 30653/ 2011 dated 27-09-2011 of SEBI):

1. Net tangible assets of at least Rs 1 crore as per the latest audited financial results.
2. Net worth (excluding revaluation reserve) of at least Rs 1 crore as per the latest audited financial results.

3. Track record of distributable profits in terms of sec. 205 of Companies Act, 1956 for at least two years out of immediately preceding three financial years and each financial year has to be a period of at least 12 months. Extraordinary income will not be considered for the purpose of calculating distributable profits. Other wise, the net worth shall be at least Rs 3 Crores.

4. Other Requirements:

- The post-issue paid up capital of the company shall be at least Rs. 1 crore.
- The company shall compulsorily facilitate trading in demat securities and enter into an agreement with both the depositories.
- Companies must have a website.



5. Declaration from the applicant company / promoting companies that:

- The Company has not been referred to the Board for Industrial and Financial Reconstruction (BIFR). It should be noted that if the company is out of BIFR, it can get listed.
- There is no winding up petition against the company that has been accepted by a court.

6. For listing on BSE SME platform, it will be mandatory for the Promoters to attend an interview with the Listing Advisory Committee.

Further, the companies seeking migration to Main Board of BSE need to satisfy the eligibility criteria as specified in 26(1) of SEBI (ICDR) Regulations, 2009 either at the time of initial listing on SME platform or at the time of seeking migration to Main Board. However, same will not be applicable where the company had sought listing on SME platform by following the process and requirements prescribed in 26(2) (a) of SEBI (ICDR) Regulations, 2009.

Identifying high growth companies, nurturing them properly and thereafter, getting them listed in domestic capital markets can make wonders for those SME companies. It can not only make SME sector much stronger but also generate more employment. Besides generating value to all the stakeholders, it will as well add significant value to Indian economy.

BSE has always been pro-active in protecting interests of the investors. By introducing tougher eligibility norms, BSE has clearly indicated that it will allow only good companies with proven track record to get listed on its SME platform.

Needless to mention, higher the quality standards of companies, more will be the value creation for the investors.



Tips to Success by Harish Machia Kodandera

Be Excited to Learn

Referring back to the analogy of Edison, when asked about his failures by a young boy, Edison commented, “Young man, I didn’t fail 9,999 times, I discovered 9,999 ways of how not to make the light bulb.” As you work toward your specific success, always enjoy opportunities to learn, even if it takes longer than you think it should.

Be a Good Listener

To succeed, you need to learn how to listen first. Pay attention to other people who have enjoyed successes in their life, attend seminars given by people that can motivate and encourage, or be open to hearing that a particular idea is not a good one. Good listening takes time to learn but in the



end, it will be your greatest tool.

Share your Success

Although this may be more at the end of the process, it is important. When you finally do reach your success, use your experience to teach, guide, and mentor others so that they too might succeed.

Seek Input

Whatever your idea of success, conduct a “sanity check” throughout the process of reaching your goal. This should be done with someone you trust and who are themselves successful. Ask them to provide honest feedback about your success and as you move through different milestones, bounce concerns or new ideas off them to help keep you on the right track.