



HOLANI CONSULTANTS PRIVATE LTD.

"Creating Possibilities, Creating Value."

SEBI Regd. CAT- I Merchant Banker

Indian

SME

Capital Markets





Indian SME's Background

SME has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades.

They not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth.

SME's are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country.

Indian SME Capital Market's

SME Capital Market is a credible and efficient market place to bring about convergence of sophisticated investors and growing corporates in India. It offers opportunities to informed investors to invest in emerging businesses with exciting growth plans, innovative business models and commitment towards good governance and investor interest.

SME Capital Market has customised processes and systems which will help prospective issuers in their journey of metamorphosing into listed public companies. This platform will provide capital raising opportunities to credible and fast growing businesses with good governance standards. It will be an ideal platform to raise funds for companies on a growth path, but not large enough to list on the main board.

Contribution to GDP	17%
Share of Industrial output	45 %
Share of Exports	40 %
Total Employment: 60%	69 mn
Job creation every year	1.3 mn

More than

500

SME's listed into
Indian SME Bourse



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SME Listing - An Overview of Key Requirements & Eligibility Norms



SEBI Requirements

- Post issue paid up capital shall be maximum Rs. 25 cr
- Minimum application amount / trading lot Rs. 1 Lac
- Minimum IPO size of 25% of post issue capital with minimum 50 Investors.
- Mandatory Market Making for 3 years, with share inventory of 5% of IPO. Total buy obligation: 25% of IPO



Financial Criteria of BSE

- Max. post issue paid up capital Rs. 25 Cr.
- Net Tangible Assets : Rs. 3 Cr (as per latest audited results)
- Track record of at least 3 yrs. Or If not completed its 3 years of operations then should have been funded by banks and FI's or central or state government or its undertaking or group company should have been listed for at least 2 years
- Positive net worth
- Positive Cash accruals (EBDT) from operations



Financial Criteria of NSE

- Max Post issue paid-up capital : 25 cr.
- Track record of at least 3 years
- Positive cash accruals (EBDT) from operations for at least 2 Fy s preceding the application
- Positive Net Worth



Migration Process

- Paid up capital of Rs. 10 cr or more
- Market Capital should be at least 25 cr or more.
- 2/3rd non promoter-shareholder approval by postal ballot
- Preparation and filing of Information Memorandum
- Clean track record as per SCORES only



Benefits of SME Listing

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Functional Benefits

Easy access to capital and financing opportunities

Listing facilitates enormous financing opportunities in terms of raising equity and beneficial treatment in terms of cost at which funds can be raised.

Reduced cost of borrowing

Listing often leads to improvement in credit rating , which in turns enables raising of loans at a reduced rate of interest

Stakeholders Comfort

Listing adds to the comfort of stakeholders such as customers/lenders/creditors of the company, which in turn, results in increased order book, better negotiated business terms like credit period, margin, favorable contractual covenants etc.

Value Creation

Unlocking Value

The value is often locked or not benchmarked for unlisted companies. The companies listed on an exchange are in position to unlock their fair value. Shares become like currency that can be used for various purposes-M&A, ESOPs, Collateral etc. This is one of the significant advantages offered by capital market.

Currency Value

Listed shares, having their value established in the market, act as currency and can be used as collateral to raise funds. Listed securities act as a Viable M&A Currency.

Tax Benefits

No tax on equity infusion in the company

As per the Finance Act,2012 a company is liable to tax on equity infusion, if the equity shares are issued at premium exceeding the fair price. Such tax is not applicable in case the shares are listed.

No tax on distressed business purchase.

Acquisitions of shares of an unlisted company below net-worth attracts tax on investors such a tax incidence is mitigated if the shares are listed.

No tax on Buy back of shares

Tax @ 20% on buy back of shares is not applicable if the shares are listed.

Other Benefits

Visibility- Profile building

The companies listed on the stock exchange get recognition, as well as are followed by the investors and analysts. Listing of company provides a platform for recognition and visibility.

Increased corporate Governance

Listing help companies strengthen their internal governance systems leading to better internal control and corporate Governance.



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Steps for SME Listing



SME IPO can be completed in 60 days with Easy Processes & Norms



**Subject to receipts of Documents & Approvals*



Operating Procedures

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1 Increase in Authorization Capital & Issue of Bonus shares

2 Preparation of Restated Accounts for last 5 years & stub period by Peer Review Auditor

3 Appointment of MD, CS & CFO

4 Appointment of Independent Director

5 Resignation of Directors (Company to confirm constitution of Board)

6 Passing of IPO Resolution, Adoption of new AOA, Increase in borrowing limits

7 Decision on Promoters/ Promoter Group and Group Entities

8 Decision of Object of Issue (If Working Capital, CMA Required)

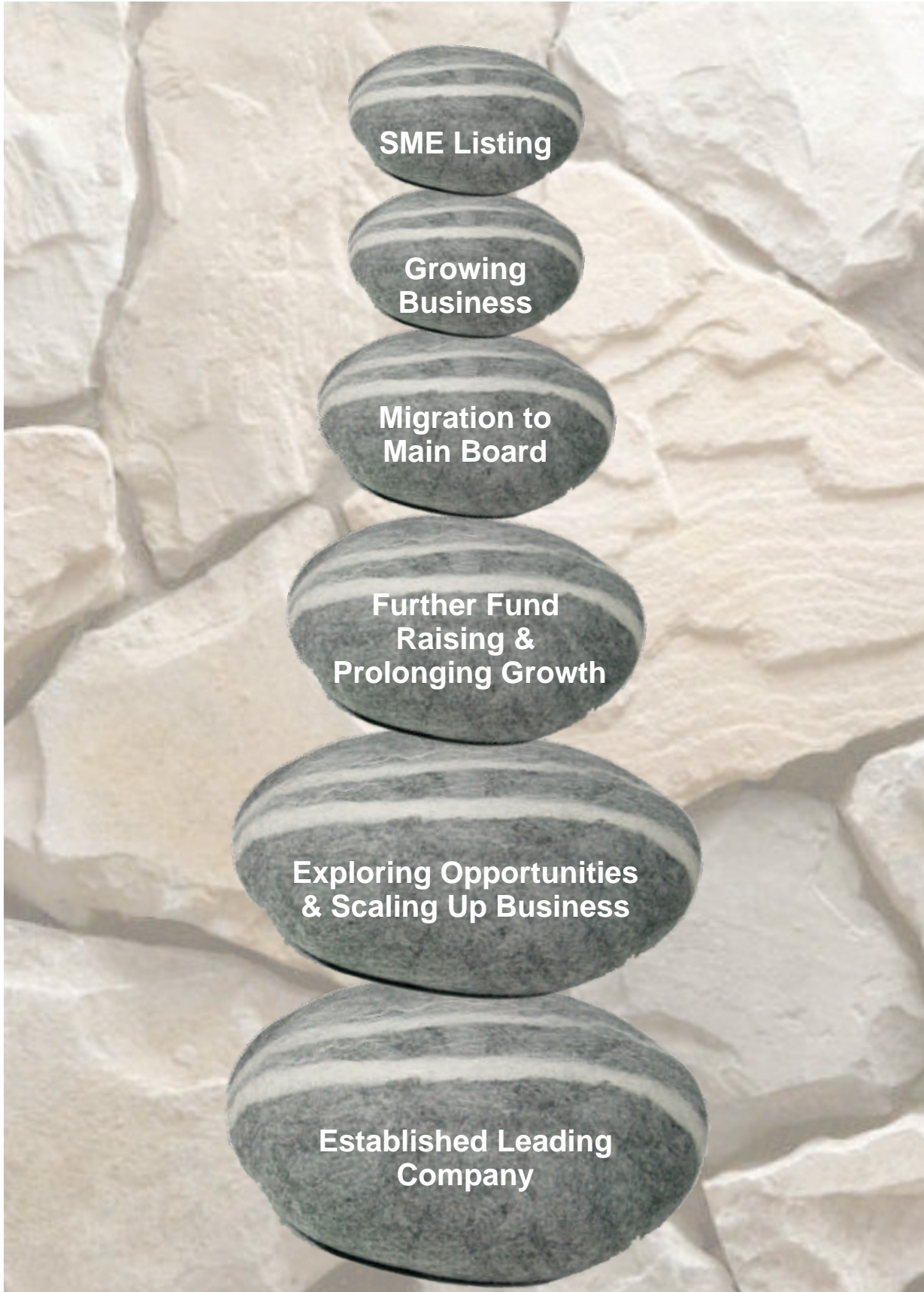
9 Obtaining NOC of Lenders for IPO

10 Gratuity Valuation

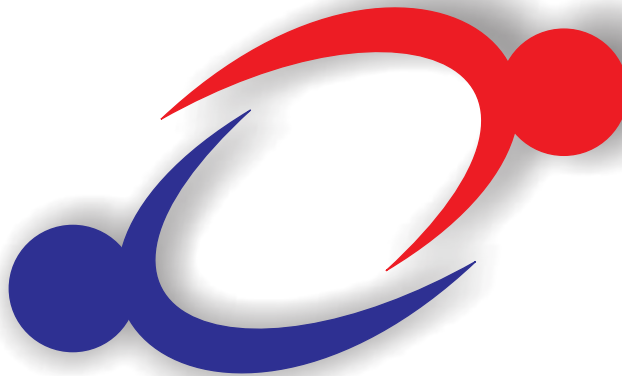
11 Constitution of Statutory Committees (After appointment of Independent Directors)

12 Application for ISIN and Demat of Shares

13 Updating of Company Website



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