

BSE SME platform to go live today

3 more firms seek nod for listing

Our Bureau

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Both BSE and NSE will launch their SME-exchange activities on Tuesday. BSE's SME exchange will go live on Tuesday. NSE is scheduled to announce its SME platform on the same day.

The first small and medium enterprise — BCB Finance — will be listed during the launch of the BSE SME exchange. "Companies would first be listed in the 'MT' category which is the Trade-to-Trade category. After 10 days they would be moved to the 'M' group. We have already received three more companies for approval.

"They are planning to raise between Rs 5 crore and Rs 15 crore and belong to the education, healthcare and towers and security solutions sector," said Mr Lakshman Gugulothu, CEO of BSE SME Exchange. They are expecting bigger issues in the Rs 30-

50 crore range in the coming few months.

"Since the SME exchange is integrated with the existing BSE infrastructure there will be no risk as we are not building a parallel exchange. In a worst case scenario, the companies will be integrated on the main board under the 'M' group," said Mr Gugulothu.

UNSUCCESSFUL

Due to poor market participation, the previously launched SME exchanges — Over-The-Counter Exchange of India (OTCEI) and the BSE Indo-Next, were not successful.

The concept of the BSE SME exchange is similar to that of OTCEI, which was launched in 1990. However, the difference is that at BSE the listing process and compliances have been simplified. There is 100 per cent underwriting of the issue and a provision to migrate to the main BSE platform at a later stage.

The process of launching an IPO for listing on the SME exchange can be completed within 2-3 months, against the 8-9 month time frame required for the BSE. Another interesting feature of the exchange is that financial results of the companies listed on it can be submitted on a half-yearly basis instead of quarterly basis.

The merchant bankers have an additional role in the SME exchange. They have been assigned the role of market makers and have to hold the company for three years. They would have to hold five per cent of the security to be listed at the time of allotment to do the market making.

LITTLE DEPTH

Commenting on the sustainability of these exchanges, Mr Sundar Rangan, Head — Merchant Banking, Arianth Capital Markets said, "It is

difficult to predict how this exchange will fare as compared with its predecessors. Over the years, the challenges in the SME market have remained the same.

"There is little trading depth in this market, market capitalisation is low and exit is also a challenge for investors. The good provision in this exchange is that companies can shift to the main board."

Investment bankers are also of the opinion that since the issue size in the exchange would be small, it would attract only the smaller merchant bankers. On a light note, a merchant banker said, "Smaller merchant bankers will grow with the small companies on the exchanges."

The issue of BCB Finance which closed on February 27, was subscribed 1.5 times and raised Rs 8.85 crore on the BSE SME exchange.

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