

High networth investors find SME firms lucrative

Bankers, wealth managers adopt 'wait and watch'

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With the new window of opportunity in the form of NSE's and BSE's SME exchanges, there is growing interest among High Networth Individuals (HNIs) to invest in small and medium enterprises at the time of listing on these exchanges. In this way, HNIs would be investing in the company directly (pre IPO) and would exit through the market in the long term.

Even in Tuesday's listed BCB Finance, according to shareholding pattern, 23 HNIs

hold 15.2 per cent stake in the company.

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"This is going to be a big game changer in India. It will compete intensively with the private equity HNI funding to these SMEs.

"This kind of funding is better for HNIs (than through PE/VC) because the company that they have invested in will get better visibility through the exchange," said Mr Chokkalingam G, ED – Chief Investment Officer, Centrum

Wealth management.

"Only equity savvy investors looking for long term investment should invest in these companies. The allocation should not be more than 10 to 20 per cent of their equity wealth," he said.

As both the SME exchanges are still in a nascent stage, merchant bankers and wealth managers have adopted a 'wait and watch' approach.

"We have been discussing this issue with some of our clients and there is growing interest among HNIs to in-

vest in SMEs. Due to the uncertainty in the market, we are waiting and watching," said Mr Sundar Rangan, Head- Merchant Banking, Arihant Capital Markets.

Another trend that Mr Praateek Pant, Head – Wealth Solutions, RBS, has seen is that, "A lot of HNIs (Rs 10-20 crore category) are looking at listing one of their smaller investee companies through the SME exchanges. It depends on the stage of their company and their requirement for funding."

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