

Initial Public Offer by Small & Medium Enterprises



Award Winning CA and Legal Technology Company

Enterslice is Award Winning Legal Technology Company that helps entrepreneurs start and manage their business in India.

Introduction

In a developing country like India, Small and Medium sized Enterprises play a very significant role as silent drivers of economic development. But, one of the major issues faced by them is access to capital and in order to grow they require capital inflow. They also wish to raise capital through listing on stock exchange but fail to meet the eligibility criteria for the recognized stock exchanges.

SME Exchanges were introduced with a view to provide listing platform to such Small and Medium level Enterprises through launching SME IPO. As compared to normal IPO, SME IPO has following benefits:

- Minimum compliances and
- Relaxation in cost

With time, such Enterprises also have an option to **migrate to main/ traditional exchange** (NSE or BSE) without much hassle.

Till last year, at least 224 SMEs got listed on SME exchanges, and out of them 44 have already migrated to the traditional exchanges. They have raised more than Rs 1,834 Crore till date.



[Know More](#)



Enterslice is a Award Winning CA and Legal Technology Company

+91-9069142028 | +91-120-4537181

Enterslice is Award Winning Legal Technology Company that helps entrepreneurs start and manage their business in India.

Noida: E 57 Sector 63 Noida U.P. 201301 Uttar Pradesh

Mumbai: 1st Floor, Kagalwala House, Plot No. 175, CST Road, BKC, Santacruz East, Mumbai Maharashtra

Ahmedabad: 1001B, Synergy, Corporate Road, Makarba, Ahmedabad Gujarat

How is a SME Exchanges different from traditional Exchanges



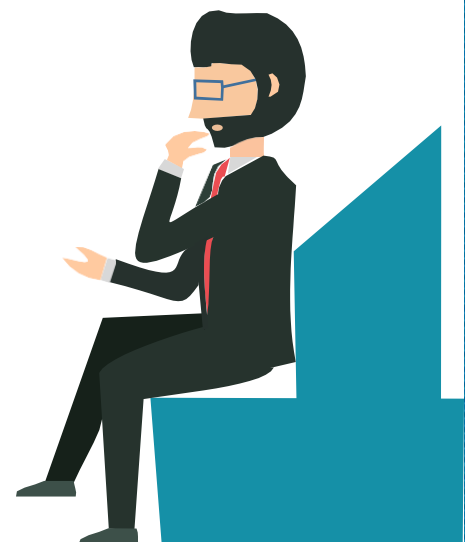
Securities Exchange Board of India first initiated the idea of SME exchange in 2008 to encourage equity capital flow in the MSME Sector. In our country these SME exchange are established and function within main recognized stock exchanges like National Stock Exchange or Bombay Stock exchange.

It was later in 2012 the SME Exchanges were launched in the following forms:

- BSE SME under Bombay Stock exchange.
- NSE Emerge under National Stock Exchange of India.

Particulars	Traditional Exchange	SME Exchange
Offer Document	Submitted to SEBI	Submitted with SME Exchange
Post-Issue Paid up Capital	Should be more than Rs.10,00,00,000	Should not be more than Rs.25,00,00,000
Underwriting	Mandatory, except if 75% allotted to QIB	100% Underwriting is mandatory
Minimum Application Value	Rs. 10,000 to Rs. 15,000	Rs. 1,00,000
Minimum Allottees	1000	50
Market Making	Not Applicable	Mandatory for 3 years

SME Exchange are launched for Small and medium enterprises, thus the pre-requisites for launching an IPO on them are not very stringent as compared to launching an IPO on the Main Board like BSE or NSE.



Eligibility criteria for SME IPO

As we have discussed, Small and Medium Enterprise can raise capital through launching an IPO on SME Exchanges. Chapter XB of SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 provides guidelines relating to SME listing. Other than that, BSE and NSE also has certain eligibility criteria and key requirements for listing securities of SMEs on BSE SME and NSE Emerge platforms.

- ☐ The post issue capital shall not exceed Rs. 25 Crore.

- ☐ Minimum No of members required for IPO is 50.

- ☐ Market making is a mandatory requirement after issue for at least 3 years.

- ☐ Minimum Application value is Rs.1,00,000.

- ☐ 100% Underwriting is mandatory, out of which minimum 15% is to be done by Merchant Banker in its own account.



Eligibility criteria for SME IPO

Bombay Stock Exchange Guidelines regarding SME Listing

Criteria	Requirement
Face Value of Post Issue Capital	<ul style="list-style-type: none">❑ It should not be less than Rs. 3 Crore.❑ It should not exceed Rs. 25 Crore.
Track Record	<ul style="list-style-type: none">❑ As per latest audited financial statements:<ul style="list-style-type: none">❑ Minimum Net Tangible Assets: ₹3 Cr❑ Net Worth (excluding revaluation reserves): ₹3 Cr❑ Either one of the following must be fulfilled:<ul style="list-style-type: none">❑ Distributable profits for at least 2 years out of preceding 3 completed FYs, OR❑ Net worth shall be at least ₹5 Cr.
Other Requirements	<ul style="list-style-type: none">❑ Company must have a corporate website.❑ Mandatory facilitation of trading in Demat securities❑ No change in company's promoter in preceding 1 year❑ Certificate from the company stating that:<ul style="list-style-type: none">❑ No winding-up petition is filed against the company.❑ It is not referred to BIFR

Eligibility criteria for SME IPO

National Stock Exchange Guidelines regarding SME Listing

Criteria	Requirement
Face Value of Post Issue Capital	<ul style="list-style-type: none">It should not exceed Rs. 25 Crore.
Track Record	<ul style="list-style-type: none">Track record of at least three years of:<ul style="list-style-type: none">The applicant orIts promoters or promoting company orThe proprietor/partnership firm later converted into applicant company.The company should have positive cash accruals (EBDT) from operations for at least 2 financial years preceding the application.Positive Net Worth
Other Requirements	<ul style="list-style-type: none">Certificate to be submitted by the applicant company stating the following:<ul style="list-style-type: none">No winding petition is filed against the company.The applicant company is not referred to BIFR.In the past three years no disciplinary or regulatory action is taken against the applicant by a stock exchange or any other regulatory authority.

Procedure and Timeline

1.	Making sure the articles of public limited company allow it, if not then amended.
2.	Appoint Registrar and Transfer Agents.
3.	In order to establish connectivity submit Master Creation forms with NSDL, CDSL.
4.	Constitute all the required committees as per SEBI Listing Obligations and Disclosure Requirements including Audit, Shareholder Grievance, Remuneration etc
5.	Make sure Company website is up and & code of conduct is published on the website.
6.	Executing a tri-Partite Agreement with NSDL & CDSL and receipt of International Securities Identification Number
7.	Appoint peer review auditors & get last 1 year financials re-audited from peer review auditors.
8.	Appoint Merchant Banker & Market Maker
9.	Prepare Project Report and Draft Red Herring Prospectus (DRHP) / Prospectus for the IPO
10.	File such Draft Red Herring Prospectus (DRHP) with SME stock exchange (& with SEBI for hosting)
11.	Stock exchange verify the draft prospectus. If the application is submitted with BSE, then its officials visit to registered office of the Company and interview the promoters.
12.	In Principle approval is granted by stock exchange
13.	File such approved Draft Red Herring Prospectus (DRHP) with ROC & get it cleared from ROC
14.	Filing of Final Prospectus with Stock exchange and SEBI
15.	Opening of the Issue
16.	Closing of the Issue
17.	Shares are allotted
18.	File application for listing with Stock exchange
19.	Approval for listing is granted by Stock exchange
20.	File corporate action form with NSDL & CDSL and credit shares in demat A/c.
21.	File application for trading with Stock exchange
22.	Approval for trading is granted by Stock exchange

BENEFITS OF SME LISTING

Financing options

- It provides an additional opportunity to small and medium level entrepreneurs and corporates to raise equity capital.
- Easy funding for new projects, expansions, diversifications and other similar projects.
- With improved financials, the Company can raise funds efficient rates.
- Listing provides recognition and better market perception among prospective investors.
- A SME IPO also opens up other ways to raise capital like right issue, preferential issue and also attracts other qualified and professionals investors.
- SME Listing provides option of easy entry and exit route for strategic investors.

Transparency & Governance

- Listing comes with liabilities of various disclosures which helps in maintaining transparency in the working. **In case of SME Listing, requirements are less stringent than Main Board Listing)**
- Once a company is listed, it can be independently valued by the market forces, **resulting in Increased participation by Venture Capital Players.**
- The SME can launch IPO on the trading platform by meeting minimum compliances **and** listing requirements. **Also adding value to companies who wish to issue ESOP's and other stock-based compensation plans.**
- Once an SME is listed on SME Exchange, with time it can easily migrate to Main Board but only after approval is taken from existing shareholders, **subject to fulfillment of minimum capital norms.**
- Listing Ensures good corporate governance and better sustainability for the organization.

Liquidity

- Equity financing reduces the debt burden, resulting in healthier Balance Sheet and lower Cost.
- Listing helps expand shareholder base and provides them with continuing liquidity.
- Listing is considered a good step and helps build up positive market perception and build strength and better financials.
- Equity financing reduces debt burden resulting in healthier Balance Sheet and cover cost.

Tax Benefits

- No Tax on Distressed Business Purchase
- No Tax on fresh Equity Infusion in the company
- In case, unlisted shares are sold.
Short term capital gain is taxed @30%
Long term capital gain is taxed @10% without indexation & @20% with indexation.
- In case, listed shares are sold.
Short term capital gain is taxed @15%
Long term capital gain will be nil if it is subject to STT.

Cost Structure

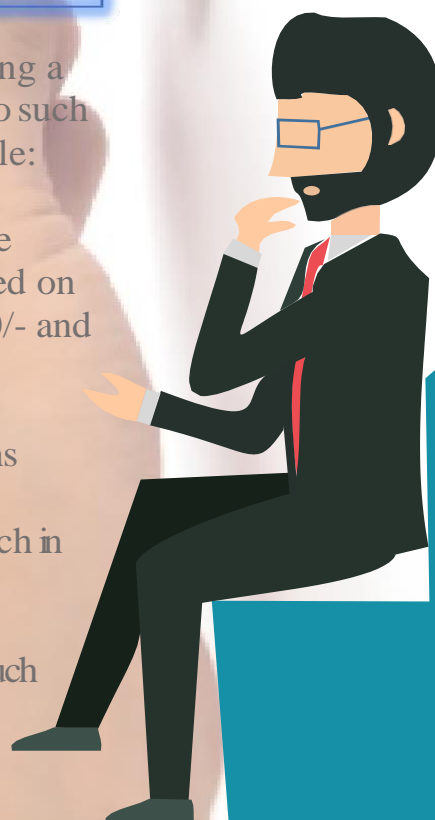
Applicable Fees

Particulars		BSE		NSE	
Processing Fees		N/A		₹ 25,000	
Initial Listing Fees		₹ 50,000		₹ 25,000	
Annual Listing Fees	Higher of the following: □ ₹ 25,000 or □ 0.01% of full market capitalization	Upto 5 Crore		₹ 10,000	
		5 Crore–10 Crore		₹ 15,000	
		10 Crore–20 Crore		₹ 25,000	
		20 Crore–25 Crore		₹ 45,000	

Relaxations granted to SME

As compared to a normal issue, while launching a SME IPO various cost relaxations are granted to such small and medium size enterprises. For Example:

- SEBI approval is not required, as a result fee payable to SEBI is waved off. Such fee is based on issue size. It should not be less than Rs. 25,000/- and cannot exceed Rs. 3,00,00,000/-
- Similar to SEBI, there are many fee relaxations granted by stock exchange. For example:
 - BSE does not charge any processing fee. Which in normal cases vary between Rs. 50,000 – Rs. 25,00,000.
 - Even the annual subscription charges are much higher in case of listing on traditional stock exchanges.



Our Top Customers

Enterslice is trusted by thousands of businesses just like yours. We are incorporating more than 300 Companies in a month. min 30 NBFC in a year.



Why Choose Enterslice ? Nine Great Reasons!



Value for Money

We understand the value of money you invest in us. We provide quality products and services through refining your ideas and business strategies, and convert it all into actual results.



No Salespeople

Deal directly with our **senior consultant** from Day One. Personalized work relationships are maintained with every client.



Avoid Costly Mistakes

We know what works, and, more importantly, what doesn't. A single mistake can ruin your idea. We hope to guide you in the right direction at the right time.



Extensive Research

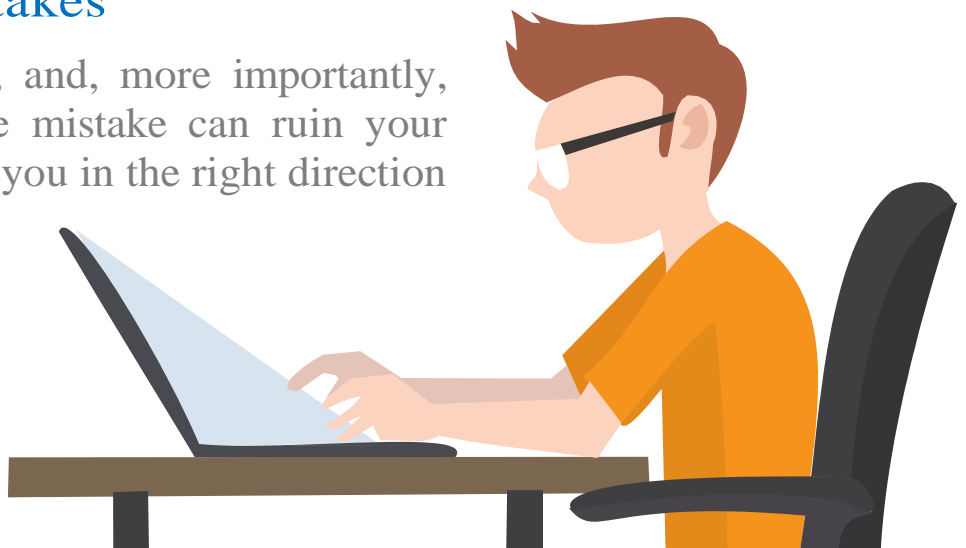
Market

It is only after extensive market research that we comment on the practical implementation of your plans and its growth prospects in the coming years



Fully Customized

Our services are fully customized as per your requirements. We understand your expectations and come up with customized solutions for them



Why Choose Enterslice ? Nine Great Reasons!



Experienced Consultants at Service

Our quality services are a result of the team of senior consultants. They have vast experience in different industries. They bring in insight knowledge and understanding of the market



Save Money - Really!

Our services are cost effective. We provide the quality services at very competitive rates. Our business plans are highly recognized in the industry and thus the cost is justified.



Develop a Winning Strategy

Most so-called business consultants take whatever you tell them and type it into software. We go much deeper and help develop a viable strategy for success.



Ongoing Support

We believe in ongoing support. We are always available to our clients even after delivering the orders. We also provide implementation advisory and support services.



PARTNER OF YOUR GROWTH!

Top 25 Consulting Firm in India
Consultants Review



Top 100 Most Innovative Companies in
Asia - RedHerring

Assurance, Startup advisory, Taxation and
Venture Capital Consulting

THANK YOU



Email: info@enterslice.com

www.enterslice.com



Enterslice is Award Winning CA and Legal Technology Company

Enterslice is Award Winning Legal Technology Company that helps entrepreneurs start and manage business in India. Whether you are starting a new business or already an established firm, Enterslice has out of the box tailor-made solutions for you. Enterslice Advisory is your partner to grow your venture to the next level. We help you define and execute key growth hacking strategies, deliver a great product/service launch experience, bring new products and services to the market, and secure VC funding. From strategy review of a Business and development to hands-on implementation, we help Entrepreneur achieve long-term growth.