

BSE platform for SMEs from September

Diverse listing concessions to get custom; aim to break even in first five years

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A new exchange for small and medium enterprises (SMEs), a Bombay Stock Exchange initiative, would go live in September. It will try to break even in the first five years, with a target to rope in 500 members, according to a senior BSE official.

Lakshman Gugulothu, chief executive officer of the proposed exchange, said listing and other fees would be about half of what the main board charged.

"The vision is wealth creation by the SMEs, through inclusive economic growth, unleashing valuations and, so, creating wealth for all stakeholders, besides considerable income tax benefits and the facility to exit at any point of time," he said.

Adding "The new thing about the SME Exchange is that issues will be 100 per cent underwritten. There will also

be support of three years in the secondary market through market making activity."

SMEs with paid-up capital up to ₹10 crore can come on the SME Exchange, in contrast to the minimum paid-up capital of ₹10 crore or more for the main board. The listing norms have been simplified. The issuer has to take approval of the exchange; an okay from the Securities and Exchange Board of India isn't required. A copy of the offer document will be sent to Sebi for information.

Half-yearly compliance would be required, instead of quarterly. Abridged versions of the annual reports need to be sent to investors instead of the entire one; keeping a copy of the report on the website is sufficient. A website for a member is compulsory.

SMEs with paid-up capital between Rs 10 crore and Rs 25 crore could choose to get listed at either the main board or the SME Exchange.

It may be noted that the



paid-up capital of 1,500 companies listed on the main board is less than ₹10 crore each. About 2,500 companies listed on the main board have a paid-up capital between Rs 10 crore and ₹25 crore. Altogether, 4,000-odd companies or about

83 per cent listed on the main board qualify to be listed on the BSE SME Exchange.

Sebi has also made amendments in the regulations, simplifying compliance norms for SMEs so listed. "SMEs have been exempted from the cri-

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teria of three years profit-making track record (profit in three of five years) for listing. Any company with one or two years of good track record can consider listing," said Gugulothu.

Sale of unlisted shares in the short term attracts a capital gains tax of 30 per cent and the long-term tax would be 10 per cent. In the case of listed securities, the short-term capital gains tax is 10 per cent and there is no long-term tax.

As for corporate governance for the SME segment, half a company's board would have to be independent directors, said Gugulothu.