

# NSE, BSE to become SME facilitators

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BOTH the main stock exchanges have set in motion a separate platform to generate more interest and more liquidity for the small and medium enterprises (SME) segment.

The Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) have both got a final go-ahead in this regard from the Securities and Exchange Board of India (Sebi), which has also relaxed some norms for the smaller companies. Both initiatives are

at an advanced stage. "The idea is to generate enough interest in the (SME) space, so that it attracts more and more good-quality companies," said a person privy to the developments. "The most common issue is lack of information and the exchanges are trying to plug that gap by acting as facilitators. The platform will be a one-stop source for SMEs, merchant bankers, private equity (PE) & venture capital (VC) funds and even law firms that would like to advise such companies."

Essentially, the exchanges would help bring together investors and companies on the same table, along with merchant bankers, who have been assigned the task of market making for three years after managing the Initial Public Offer of those which list. NSE, incidentally, sponsored an event

recently which was attended by representatives of merchant banking entities, law firms, PE/VC players and Sebi officials, including chairman U K Sinha. A directory with listings of PE/VC firms, along with merchant bankers and law firms, was also issued.

BSE has already said it will go live with its SME segment in September. Lakshman Gugulothu, chief executive officer of the proposed exchange, has said the listing and other fees would be about half of what the main exchange charged. Potential investor groups are waiting with interest for the segment's launch.

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"Finding a better exit route will always be difficult for VC players who support SMEs, as most of them

(SMEs) remain too immature to hit the market," says Mahendra Swarup, president, Indian Venture Capital Association. "But through the newly proposed platform, VC firms can make an exit through listing. Also, it will bring valuation in line with market reality."

K Srinivas, managing partner, BTS Investment Advisors, an SME-focused VC fund, has the same view. "The new initiative will help us to get out of investments quickly," he says. However, he is not sure if such initiatives would bring more VC investments into the SME space. "We will have to wait for two-three years to find how successful the initiative could be," he said.

