

Alternate Financing Option for MSME-SME IPOs



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2020 is an unprecedented disruptive year. Shutdowns have been implemented by governments for periods of 15 days initially then extended then re-extended then re-re extended, we are in no less than a war zone for business continuity and survival. All what is required is MONEY and that too liquid for immediate disposal.

MSME which are backbone of Indian economy contributing significant portion to GDP, Employments, Exports, Inclusive Growth, Financial Inclusion & promoting Innovations have to again gear up to face head-on-head with covid aftermaths. One thing that is required to simplify any hurdle is availability of timely MONEY.

Government has provided stimulus to help Businesses pass this era with Banking ease, loan moratorium but MSME's in India still are having sleepless nights for future ambiguity. As businessman its high time to explore more ways of Funding apart from Bootstrapping & Banking Loan. INDIA which is now 2nd largest ecosystem in the world for startups where newer companies are raising money through selling equity, this is what older generations have to learn from this newer tech generations to grow businesses. MSME's need to actively think of finding options to raise capital through selling equity of their companies for growth, one thing what their successors already know.

SME IPO is one such Alternative Financing Options available to MSME where companies can list their shares on BSE/NSE in their growth phase on the SME Platform of both Exchanges namely BSE SME Platform of BSE & Emerge Platform of NSE. We have already seen more than 500 companies listing on both Exchanges with more than 35000 crores market cap. Broadly companies with at least 3 years of existence, 1.5 crores

of Tangible assets and capital not more than 25 crores can list on SME Platform. SME Listing will not only unlock valuation of MSME companies but also encourage better Corporate Governance, Financial Inclusion, Business Branding, Lower interest rate for loans - due to improved credit ratings on listing, simplified M&A transactions with share swapping.

Impediments in listing of MSME on SME Exchange availing newer Alternative Financing Options –

Fear of increased compliances.

MSME are often not provided with this solution by Financial Intermediaries.

MSME feels it's too early for them to list.

They are confused with their valuations.

Misconception of Public Interference in Business.

Books of Accounts not in proper order.

Government of India for the very first time has announced stimulus package of Rs. 10000 crores increasing to Rs. 50000 crores for taking equity in MSME companies opting for listing. Fine prints of the same is still awaited but this is a move by Government to encourage MSME companies to move forward and raise money on Stock Exchange Platform by selling equity in which Govt. too will participate in these companies through Funds of Fund structure.

MSME need to asses that to move forward under the New Normal, nothing will be same as earlier so has to be their thinking of being conservative of their own equity. MSME over period of time has ignored importance of equity which can help them overcome finance issues when required. We must understand that people may be willing to put money in growing companies provided that they showcase consistent growth, proper corporate governance, true profits. Trust is created with time, once MSME avail this Alternative route of Finance they need to more responsible in their business dealing and showcase highest degree of transparency.

ALTERNATE FINANCING OPTION in form of SME IPO has opened new doors of capital for MSME's and will lead to creation of 5 trillion economy with much ease. MSME should come forward with open minds to explore newer ways of raising money, SME IPO being one of them helping them unfold new chapter of growth.