

## **SME Capital Markets : Role of Intermediaries**

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The year 2015-16 has witnessed several developments in alternative capital markets. Where BSE SME platform witnessed listing of 100<sup>th</sup> company on its platform, there were important regulatory changes. It includes finalization of SEBI framework for start-up IPOs. Second, the Institutional Trading Platform (ITP) framework was revamped, in terms of which listing without IPO is now possible. When we talk about development of SME capital market, intermediaries occupy an indispensable and pivotal space.

BSE and NSE launched their platform for SMEs in the year 2012. Since then, SMEs have an option to step into the threshold of SME Platforms and foray in to the world of finance for further growth and development. Various intermediaries like merchant bankers, market makers i.e. SEBI registered stock brokers, underwriters, bankers to an issue, depositories etc. assist these SMEs to raise equity capital for their growth and expansion and thus help them blossom into full fledged companies.

In due time SMEs have an option to migrate into the Main Board of BSE or NSE as per the applicable rules and regulations of relevant times. Before talking about role of intermediaries, let us discuss the role Stock Exchanges. Recognized stock exchanges are the most essential part of development of any capital markets. BSE SME exchange, and NSE emerge, since their launch in 2012, has given the SMEs ample of opportunities for fulfilling the needs of finance, giving visibilities to emerging SMEs.

But when we talk about intermediaries, Merchant Banker can be titled as One point Contact for SME IPOs. Various merchant bankers are making great efforts to develop the SME capital markets. From spreading awareness about SME capital market to the listing of the company on stock exchanges, a Merchant Banker take care of all the aspects of SME listing. From inoculation of idea of getting listed in promoters mind to constantly guide the SMEs in their journey of growth via listing, Merchant Banker has solution for everything. A merchant banker is a SEBI registered entity, engaged in selling, buying and subscribing to securities or in advising the corporations on issue management.

Merchant banking strengthen the development of SME Capital Markets, and in a way, strengthen the economic development of the whole country, as they act as source of funds and information for corporations. Considering the way the SME capital market is growing, the role of merchant banking services is indispensable. Merchant bankers also acts as 100% underwriters to the issue, giving much needed assurance to the SMEs.

As merchant bankers shows route to SMEs for getting listed, market maker plays their role after the listing. Appointment of market maker is made compulsory by regulatory authority SEBI, for a minimum period of three years from the date of getting listed. It helps SME companies to achieve the valuation they deserve. Investors usually ignore thinly-traded stocks despite good fundamentals due to fears that they might not be able to trade more frequently in them. This is where a market maker comes into the picture. Only the members of the stock exchanges recognized by the SEBI can act as a market maker. As per the regulations of SEBI, a market maker has to compulsorily invest at least 5 percent of the issue size and provide buy & sell quotes for 75 per cent of the trading day time.

Apart from Merchant Bankers, and market makers, Registrar to the issue, Depositories i.e. NSDL and CDSL, plays important role for development of SME capital markets. Without these intermediaries, we can not imagine SME Capital Markets.