

## **SME IPOs : Unlocking Value in a Business**

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There are several successful companies which have been built over the years with hard work, passion, sacrifice and dedication, but today time has been changed. Specifically in SMEs, sometimes due to lack of succession, owners are forced either scale down the business or shut down the same.

The process of unlocking of value, for a business is very important. There are several instances where due to various reasons value is never unlocked. Values which are created over years, are sometimes destroyed without being unlocked. SMEs are built over the years, and mostly are lead by individual promoters, whose death or retirement can destroy the values that has been created over the years.

SME companies, has now an solution for the issue of value creation. And the solution is, listing of the same. In 2012, BSE and NSE launched their platform for SME companies. By listing, SMEs unlock their value and promoters has a huge wealth at their disposal.

Other major benefit of getting listed being, listing allows a promoter to sell the business, if and when required, or invite a strategic investor who can bring in value to the Company.

However, SME promoters always have one common concern, i.e. loss of control in the event of listing, which is a myth. It is compulsory to dilute the stake upto 75% by promoters after listing of company. Fear of hostile take over is also one of the concern of getting listed. There are around 6000 companies listed on the Main board Exchange, but over the last several years there have been no instances of hostile takeovers despite several managements running the companies with low holdings.

In fact the setting up of the SME Platform is a boon to entrepreneurs in the SME Sector as without the SME Platform, they would never have had the opportunity to list and unlock value as listing on the main board is out of the purview of the SME sector in view of the high cost and stringent entry barriers. So it becomes the best place for entrepreneurs to unlock value.

On the other hand listing on the SME Platform would cost less than 10% of the main board expenses and there are no minimum profit requirements and what is the greatest single advantage is that after two years of listing, the company listed on the SME Platform can migrate to the main board at virtually no cost. It is thus a backdoor entry to the main board at a very low cost.

Today technology and branding are playing very important role. To survive against future technology and to get branded, are two key issues. And both can be solved by proper funding. While borrowing is never so easy for SMEs from banks, SME capital market provide a feasible solution. The SME Platform which was set up in mid 2012 is a boon to entrepreneurs to take advantage off, thanks to the ease of listing as well as compliance to catapult their companies in the new technological and disruptive eco system.

Today, traditional models are getting irrelevant and in order to survive, it is necessary either to adapt to the new environment where the costs in technology would be high and listing seems to be the only answer to sustain in the market.