

SME Roundup

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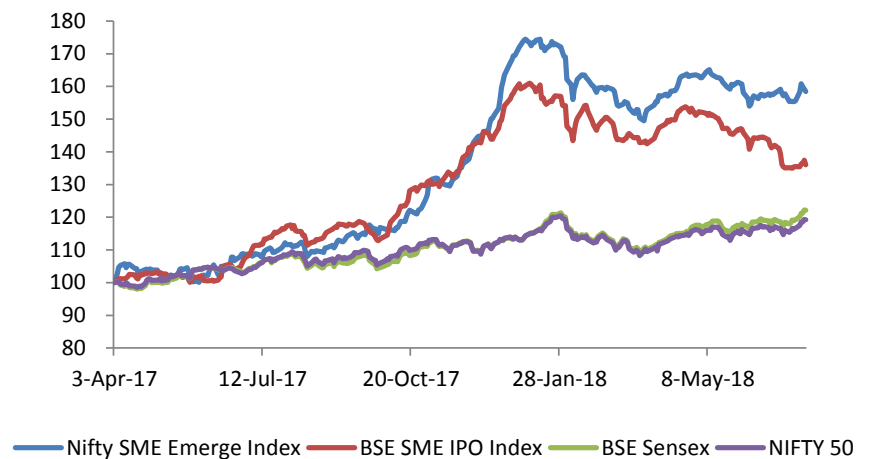
Highlights

- Over the last fortnight, the broad market indices rose at a faster pace, while the SME indices remained broadly flat.
- Even as SEBI is tweaking its SME listing rules, SME IPOs have raised significantly more money in 1QFY19 as compared to 1QFY18.
- SIDBI plans to increase its lending substantially in FY19.

1. Capital Market Movement

Index Movement

SME Index Movement



Source: NSE, BSE

Index	29/06/18	13/07/18	% change
Nifty SME Emerge	1,692.78	1,700.79	0.5
BSE SME IPO	1,758.39	1,770.90	0.7
BSE Sensex	35,423.48	36,541.63	3.2
Nifty 50	10,714.30	11,018.90	2.8

Source: NSE Emerge, BSE SME Platform

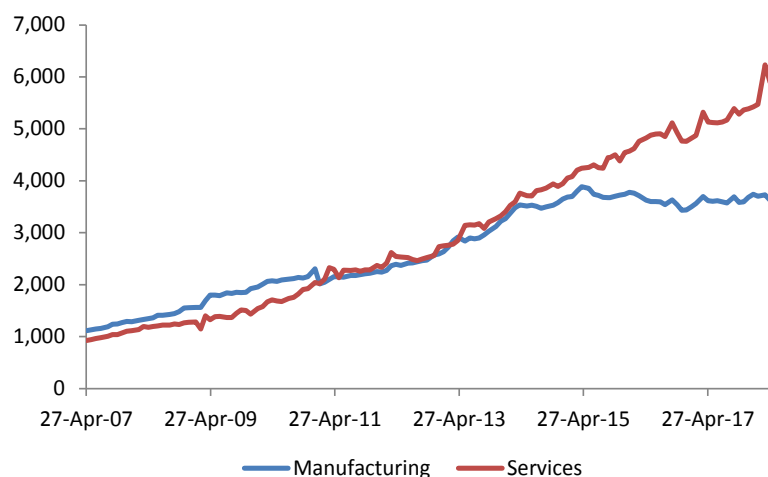
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Upcoming IPOs

No	Company Name	Start Date	End Date	Issue Size	Issue Price	Lot Size	Platform
1	Avon Moldplast Ltd.	12-Jul-18	18-Jul-18	4.51	51	2,000	NSE Emerge
2	Ganesh Films India Ltd.	16-Jul-18	18-Jul-18	8.42	80	1,600	BSE SME
3	Supershakti Metaliks Ltd.	17-Jul-18	20-Jul-18	60.01	375	300	BSE SME

2. Sectoral Deployment of Credit

Priority Sector Bank Credit to the SME Sector (in Rs. bn)



Source: RBI

Sector	Outstanding as on (Rs bn)			% Change	
	26-May-17	27-Apr-18	May. 25, 2018	FY19 till date	Y-o-Y 2018
Micro & Small Enterprises	8,728	9,526	9,503	-4.6	8.9
Manufacturing	3,605	3,629	3,613	-3.1	0.2
Services	5,123	5,897	5,890	-5.5	15.0

Source: RBI

3. Key Developments

SME IPOs may get more anchor investment as SEBI tweaks norms

SEBI has reduced the required minimum anchor allocation size from Rs. 10 crore to Rs. 2 crore to increase the participation of additional organised investors to SME IPOs and further strengthen the SME IPO space.

Impact: Any regulatory action which promotes the SMEs to participate in the equity market is welcome as it would encourage more SMEs to list and reduce dependence on bank loans for growth capital.

[SME IPOs garner Rs 825 crore in April-June quarter](#)

In 1QFY19, 47 SMEs were listed and raised Rs 825 crore compared to 24 firms which utilised the IPO route to raise Rs 310 crore in 1QFY18. The average issue size also increased to over Rs 17 crore in 1QFY19 from Rs 13 crore in 1QFY18.

Impact: The increasing number of SMEs accessing the capital market indicates the maturity and increasing depth of the SME IPO market. All activities that deepen the access to growth capital for SMEs are welcome.

[MSME registration not mandatory to avail delayed payment protection: Delhi High Court](#)

A bench of Delhi High Court has held that registration of MSMEs under MSMED Act is not mandatory to avail benefits under the act. It has opined that an entity which falls within the definition of the micro/small enterprise will be treated as a 'supplier' under Section 2(n) of the MSMED Act even if it has not filed a Memorandum as required under Section 8(1) of the MSMED Act.

Impact: It is an important judgement for companies in the SME domain as benefits due under the MSMED Act to a SME cannot be denied if the small enterprise has a PAN and Taxes registration, a bank account of its own and an identity.

[First Telangana MSME Expo in Hyderabad from 12-14 Sept, 2018](#)

The Chalk Talk in association with Ministry of MSME and the State Government is organizing the first edition of Telangana MSME Expo 2018 in Hyderabad from 12-14 September 2018 to increase business prospects and economy of Telangana. More than 200 exhibitors from different sectors such as Agro and Food Processing, Animal Husbandry, Fisheries and Co-operation and Chemicals are expected to participate in this Expo. This expo is expected to provide a platform to SMEs to connect with buyers and create business partnerships.

Impact: Any activity whether public or private which increases the opportunities available to SMEs is welcome.

[SIDBI targets to lend Rs 1.40 trillion to MSME units](#)

The Small Industries Development Bank of India (SIDBI) has stated that it is targeting a total lending of nearly Rs 1.40 trillion during FY19, which would be a more than 30% growth over FY18 lending.

Impact: Access to formal credit is always a challenge for the SME segment. Any measures, whether public or private, that improves availability of finance to SMEs is welcome as it would enable SMEs to access capital for faster growth.

[India-Korea Technology Exchange Centre Inaugurated](#)

The India-Korea Technology Exchange Centre was opened in New Delhi to create a platform for micro, small and medium enterprises of India and Korea to enable them to share management expertise, product development and technology applications for product development

Impact: Government activities to develop the SME segment and improve market access are a welcome step in the right direction. However, speed of implementation of access and favourable market access remain the key risk issues.

4. Other Updates

TReDS – More Effective & Secure with Blockchain technology

Micro, Small and Medium Enterprises (MSMEs), despite the important role played by them in the economic fabric of India, continue to face constraints in obtaining adequate working capital finance, particularly in terms of their ability to convert their trade receivables into liquid funds. To address this issue, RBI had set up TReDS (Trade Receivables Discounting System) in 2017 for facilitating the financing of trade receivables.

MSME sellers, corporate buyers and financiers – both banks and non-bank (NBFC factors) can be direct participants in the TReDS. TReDS mechanism provides the platform to bring these participants together for facilitating uploading, accepting, discounting, trading and settlement of the invoices/bills of MSMEs thus providing the necessary working capital liquidity.

Currently, there are three companies involved: Receivables Exchange of India Limited, A.TREDS Limited and Mynd Solutions Private Limited each of which is licensed to work on the RBI-sponsored TReDS. However, the fraudulent practice of double financing of invoices still persisted until the integration of blockchain technology, as earlier the TReDS platforms had no way of effectively communicating with each other in a way that could prevent double financing. Currently, MSMEs can upload the invoice to any (or all) of the three platforms on TReDS, after which financiers lodge a bid to fund the invoice. Only one bid can be successful.

Further, the technology has also addressed the concerns of some MSMEs who have been reluctant to upload their invoices on the TReDS platform, out of concern that competitors would be able to identify their suppliers. The use of blockchain allows the confidential information to be obscured, but the relevant information about party registration and whether an invoice has been financed on a participating platform is shared and cannot be altered or deleted.

Thus, with the launch of blockchain technology, TReDS has become much more effective & secure in addressing the working capital issues of MSMEs.

By Mr. Avinava Adhikary, Associate Director and Mr. Soumen Das, Manager

CARE Ratings' presence in SME related activities



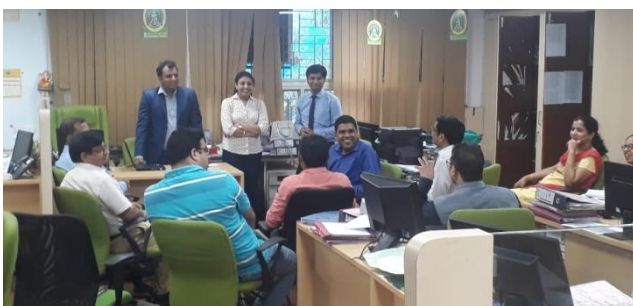
Mr. Abhishek Kumar (ASM) presented in the programme “Empowering SMEs by addressing their financing and technology needs” conducted by CII held on July 9, 2018 at Jamshedpur.

Mr. Abhishek Kumar (ASM) presented in the programme “Awareness session on Schemes and Services for MSME's” conducted jointly by NSIC and Laghu Udyog Bharti held on July 9, 2018 at Jamshedpur.



Mr. Manish Kumar (Sr. Manager), Mr. Aakash Jain (AVP) and Ms. Sravanthi VK (Analyst) presented on SME Lending and Corporate Credit Risk Assessment’ at Bank of India, Kochi Branch.

Mr. Kalpesh Patel, Associate Director presented on the process, importance of Credit Rating, documentation required and its benefits to MSME G&J units in the seminar organised by the Gem & Jewellery Export Promotion Council (GJEPC) on July 11, 2018 at Surat.



Ms. Ruchi Shroff, (Deputy Manager) and Mr. Ashish Kambli (Deputy Manager) presented on the textile industry, while Mr. Pankaj Ojha (Manager) spoke on the importance of credit rating at a session organised at OBC Bank, MSME branch, Vashi, Navi Mumbai on July 13, 2018.