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Journalist:	Lokeshwarri S K	Page No:	12
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'We are focussed on quality, not quantity'

LOKESHWARRI SK

BL Research Bureau

ANI Integrated Services was the 100th stock to list on NSE Emerge, the SME platform of the National Stock Exchange. On this occasion, Vikram Limaye, MD & CEO of NSE, spoke to *BusinessLine* about the efforts they are making to improve awareness about this segment. *Excerpts:*

Do you think the Emerge platform can bridge the funding needs of SMEs? What is the growth you envisage for this platform?

Absolutely. As access to capital is one of the challenges that SMEs face, NSE has always been supportive of enabling access of capital to SMEs. In that context, the NSE Emerge platform has been quite successful. Today is the 100th IPO, but another 50 could list in the next few months. We are focussed on quality, not quantity.

We are staying out of some sectors consciously because we do not think they might be the right kind of sectors to be accessing public money. For instance, we routinely get requests from companies involved in proprietary trading in finance. We do not think these companies should be

using public money for trading purposes.

Should the listing process be simplified further to enable more SMEs to list on these ...

There is room for simplification but that has to be balanced with the need to ensure quality. You have to ensure that diligence is proper, the structure of the business is proper. In SME IPOs, the review and clearance of the documents is done by the exchange. In other larger IPOs, SEBI clears the documents after the exchanges clear them. So the ultimate responsibility lies with the exchanges here.

We do proper diligence with all IPOs, but with smaller companies we have to be more mindful of the governance standards, related-party transactions and all the other issues that investors will otherwise have a problem with. Compliance has so far not been a barrier for good companies. If wrong kind of companies list, everyone gets affected. You require just a few of them to blow-up before the entire landscape gets tainted. That is not in anybody's interest.

The awareness about this

platform is still rather low, going by *BusinessLine's* interaction with SMEs...

There is certainly more that can be done for awareness but a lot is already being done. We have a dedicated team that meets SMEs from all parts of the country. We adopt a cluster approach, our teams approach these SME clusters to tell them about the EMERGE platform and how they can make the most of this. We are also actively working with the SME industry associations as well as intermediaries.

There is a restriction on the minimum lot size for trading as well as IPO subscription at ₹1 lakh. Do you think that limits liquidity on the platform?

It could be, but given that these are early stages as far as SME stocks go, it is good to start in a calibrated manner. Over the years, as the platform is tested, and has more

broad-based participation with investors having positive experience with their investments, we can approach SEBI to loosen it up a bit. But for now, it may be appropriate to have this threshold.

Do you have a sectoral break-up of companies listed on the platform?

If you see the companies that have listed, 50 to 60 per cent are manufacturing companies, about 15 per cent are services companies, another 15 per cent are IT-related companies. So, a large section is manufacturing companies from across sectors such as textiles, fertilisers, chemicals, pipes and so on.

How is the participation from various categories of investors on this platform?

We are seeing increased interest. For instance, 24 months ago, institutional participation in SME IPOs was almost non-existent. Now, we are seeing FPIs

invest in a small way. Alternative Investment Funds are also investing to a small extent. This is a healthy trend as we are seeing participation beyond just HNIs.

How important is the role of merchant bankers?

It is pretty important and is working well. There are several bankers focused only on SMEs. We are spending time with them, educating them about when to approach a company, the governance standards we will like to see, the disclosures they will have to make, financial numbers, etc. They are also doing their bit in reaching out to entrepreneurs to create awareness when to list, based on these parameters.

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MD & CEO, NSE

