

November,
2013
Edition

S-CAP

SME Capital Market Watch



An initiative by **Sarthi Capital Advisors Private Limited**
SEBI Registered Category I Merchant Banker



PREFACE

Dear Readers,

It is our great pleasure to present the 12th edition of '**S - Cap**' – **SME Capital Market Watch**, an initiative of Sarthi Capital Advisors Private Limited ('**Sarthi Capital**').

We are over-whelmed with the magnificent response and wide appreciation by the readers for last eleven issues of S-Cap. Be it SME entrepreneurs, or professional fraternity or corporate executive, all stakeholders found S-Cap very useful & informative.

In this issue of S-Cap we bring to you:

- Researched articles on Emergence of Technology – Changing Phase of SMEs
- Highlights of related developments on market and other fronts
- View of eminent professional on markets & SME developments in our guest column
- SME Market Watch updated as on date

- Research Coverage on select listed SME companies
- Latest information and upcoming events regarding SMEs

We are pleased to inform that Sarthi Capital Advisors Pvt Ltd, a merchant banking arm of Sarthi Group was awarded as one of the top four performers in SME IPO category in terms of filing, by BSE. We express our sincere gratitude to BSE for conferring this honour.

We are also pleased to inform that recently we conducted a seminar on "Perspective on Institutional Trading Platform (ITP)" in collaboration with BSE for PE/VC Funds. ITP is a landmark step from the government to facilitate entry/exit of early stage investors and aims to provide all other benefits of listed space to the SMEs/start-ups without an IPO. The seminar generated positive response from the participants. We look forward to hold such knowledge sharing events in the coming future.

We trust you would find this issue of S-Cap of immense use and we do invite your suggestions/feedback to make S-Cap even more useful, going forward.

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- Latest happenings in SME world
- An in-depth research on listed SMEs & prospective IPOs.

& many more...

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Emergence of Technology – Changing Phase of SMEs

Preface

Small and Medium-scale Enterprises (SMEs) is the backbone of the Indian economy as it employs around 40% of the Indian workforce. With the sector growing at a rate of 8% per year, India has the largest number of SMEs in the world at 48 million, second only to China. Ironically, the contribution of this workforce is a huge mismatch of numbers as it contributes approximately only 17% to the GDP. SMEs are the driving force behind a large number of innovations and contribute to the growth of the national economy through employment creation, investments and exports.

Constraints faced by SMEs to adopt IT

The potential of SMEs is often not realized because of problems commonly related to size, isolation, market opportunities, standards/ quality, supply chains, logistics and technology innovation. To preserve their narrow profit margins, small-scale entrepreneurs in developing countries do not opt to innovate products and processes and resort to tactics that deters their growth in the long run.

The limitations of SMEs include low capital base, concentration of management functions in one/ two persons, inadequate exposure to international environment, inability to face impact of WTO regime, inadequate R&D and lack of professionalism. Besides these, the most formidable problem faced by the SMEs has been in accessing technology and maintaining competitiveness. SMEs in India, which constitute more than 90% of the total number of industrial enterprises and form the backbone of industrial development, continue to be in technological backwaters vis-à-vis advances in science and technology. The reasons for the inability of SMEs to identify their technology needs are:

- Poor financial situations and low levels of R&D
- Poor adaptability to changing trade trends
- Desire to avoid risk
- Non-availability of technically trained human resources
- Emphasis on production and not on production costs
- Lack of management skills
- Lack of access to technological information and consultancy services
- Isolation from technology hubs

SME-IT Trends

The latest BCG research report titled ‘Lessons on Technology and Growth from Small-Business Leaders’ says that if more SMEs adopted the latest IT tools in India they could boost revenues by \$56 billion and create more than 1.1 million jobs in the country. The research was conducted by surveying more than 4,000 SMEs in five countries—the U.S., Germany, China, India, and Brazil. It shows that technology leaders far outperform their peers in the marketplace. The leaders in technology adoption from 2010 through 2012, across all industry sectors, created jobs almost twice as fast as other small businesses. Technology leaders also increased their annual revenues 15 percentage points faster than companies with lower levels of technology adoption. Such opportunities have come along before.

Evolution of Information Technology

The initial wave of broad IT adoption, driven by the PC and the basic productivity tools that it spawned, forever changed how organizations operate by enhancing individual productivity and effectiveness. These tools are now a preliminary capability of many businesses.

The next large wave of IT adoption enabled global connectivity and ubiquitous communications. It also transformed entire industries by putting information, knowledge, and decision-making power directly into consumers’ hands. It has allowed businesses to greatly expand their reach to customers, suppliers, and employees, while a more connected workforce has given rise to global knowledge networks. The adoption of social and mobile applications and Internet-based collaboration tools is extending and intensifying this process.

The third and the recent, cloud-based wave of IT adoption—which technology-leading SMEs are riding—creates potential for even more far-reaching innovation and business growth. This is because the cloud gives companies of any size access to capabilities and services that previously were available to only the largest enterprises—at a fraction of their historical cost. Moreover, for companies that make the right moves, cloud-based IT can help them leverage an already connected community of consumers and businesses of unprecedented size.

Emerging Technology

Cloud computing is a technology which has changed the way IT solutions are being delivered. The goal of cloud computing is to allow users to take benefit from all of the technologies, without the need for deep knowledge about or expertise with each one of them. The cloud aims to cut costs, and help the users focus on their core business instead of being impeded by IT obstacles. According to Zinnov, a leading management consulting company, the cloud computing market in India is expected to reach \$4.5 billion by 2015 and the SME sector is likely to drive growth.



	Tech Laggards (%)	Tech Followers (%)	Tech Leaders (%)
Desktop Computer	64	92	97
Internet	48	97	96
Office Productivity Software	56	93	98
Smartphone	12	43	62
Internet-enabled Communications	0	52	88
Enterprise Resource Planning	6	30	79
Social Media Page	5	37	64
Online Portals for Customers	2	18	50
Mobile Websites	0	12	44
Cloud-based Services	0	0	100



Heavy User: >60%



Medium User: 30% to 59%



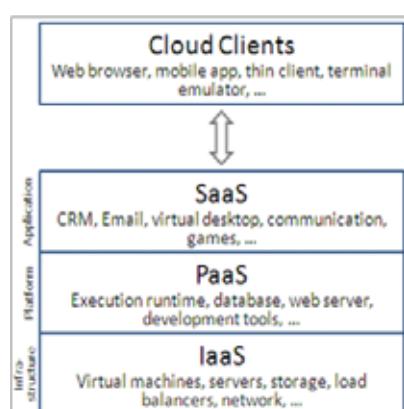
Light User: <30%

(Source: BCG Report: Lessons on Technology and Growth from Small-Business Leaders)

A recent study by CII-IMRB involving face-to-face interviews with over 8,000 respondents across 22 cities in India, (respondents being primarily IT decision makers or those responsible for the IT function in the organization) said that the overall awareness of the cloud among Indian MSMEs is only 2%, of which the share of companies adopting cloud services is just 4%. The study revealed that MSMEs look at the cloud as an innovative concept, but have concerns around data security, especially in businesses like IT/ITES and banking, financial services and insurance.

Applicability of Cloud Computing

- Cloud computing offers users the opportunity to pay only for the computing they use rather than maintaining all their computing needs and resources themselves. This is a huge positive factor for small enterprises that do not have either the material or human resources to devote to setting up and managing an in-house IT infrastructure.
- Cloud computing also allows SMEs to scale their IT capacity up or down almost instantaneously as circumstances dictate. It basically gives them the flexibility and choice to rely on the cloud for as much or as little of their IT needs as they want, whether for infrastructure, an operating system, storage, or applications. A blend of these services makes the SMEs agile and helps them evolve.
- Cloud computing helps in collaborative work among various team members in online mode. This enables SMEs to get access to new markets with better branding and prompt delivery.
- Cloud Computing offers services according to several fundamental models:
 - ◆ Infrastructure as a Service (IaaS) is the virtual delivery of computing resources in the form of hardware, networking, and storage services. It may also include the delivery of operating systems and virtualization technology to manage the resources. Rather than buying and installing the required resources in their own data center, SMEs can rent these resources as needed.
 - ◆ Software as a Service (SaaS) allows SME to set up their own software environment as it covers all the software needs of a venture and delivers a truly integrated solution in which all modules and functionalities viz. Accounting, Advertising & Marketing, CRM, Business Intelligence, Document Management, Website & Webshop engine, etc are linked.
 - ◆ Platform as a Service (PaaS) is a category of cloud computing services that include facilities for application design, application development, testing, and deployment as well as services such as team collaboration, web service integration, and marshalling, database integration, security, scalability, storage, persistence, state management, application versioning, application instrumentation, and developer community facilitation.
- Cloud ERP is an approach to enterprise resource planning (ERP) that makes use of cloud computing platforms and services that helps a business manage the important parts of its business such as purchasing and inventory management.



- Cloud-based communication tools help to connect, coordinate, and collaborate with customers, suppliers, and employees everywhere.
- The Internet gave SMEs the ability to compete with other companies regardless of location. Cloud-based capabilities enable them to go head-to-head with companies of any size by providing a host of powerful, pay-as-you-go capabilities.
- The cloud provides resiliency and built-in redundancy in case of natural disasters. Following the earthquake in Japan and the tsunami in Thailand, for example, companies with cloud capabilities such as data storage, IaaS, and SaaS were back up and running within hours, while those that relied on on-site hardware and software were devastated.
- Greater availability of cloud-based solutions and services means that SMEs also have access to an ever-expanding set of technology tools that require little upfront investment for experimentation and innovation.

Recent Initiatives

- Microsoft India along with the National Manufacturing Competitive Council (NMCC) came out with an initiative aptly called **Project Vikas** which exemplifies the success of cloud computing viz-a-viz the SMEs very well. The project is based on the premise that Project Vikas brings hosted IT solutions to create a sustainable mechanism for IT adoption for SMEs. These solutions do not require any specific IT infrastructure and the SMEs can avail of the pay-as-you go model, somewhat akin to using electricity: you only pay for the amount you use.
- A few solutions that small businesses can benefit from:
 - ◆ **Online desktop by Airtel – Nivio** (that offers the flexibility of accessing and sharing data from anywhere, the ability to manage ones PC environment, as well as a portable desktop, virtually unlimited storage and on-demand desktop applications)
 - ◆ **Hosted e-mail by GlobalOutlook** (which offers users enterprise class e-mail/collaboration solutions along with enterprise class security, providing a centralized control for managing corporate-wide email threats, protection and security along with filtering the content and attachments from virus and spam at a zero up-front investment)
 - ◆ **Unified Communications by Wipro** (that helps in streamlining communications with easy flexibility in a single interface and by enabling easy connectivity with others in different locations for customers) are seen by the small businesses as very relevant.
- Google India initiated a national campaign titled 'India, get your business online' which offers free websites and hosting to small medium business in India and announced its plan to get 50,000 SMEs in Gujarat online by end of 2014. The campaign is aimed at bringing down the barrier that prevents small medium businesses to get on the Internet. Giving a head start to this project, Google also unveiled the details of a special project wherein Google India & HostGator went to popular traditional markets in Ahmedabad, Surat, Vadodara and Rajkot and built websites for 5,000 small businesses making them accessible to the world. In addition to creating the websites, Google India also created Google maps listings and Google+ business pages for these businesses. All these 5,000 businesses can also use 24X7 customer support to manage their websites and get free online advertising credit that can be used on Google search to promote their business online.



Concluding Remarks

Globalization is increasing and with the world economy going through an almost tectonic shift, competition is more vigorous than ever. To succeed in a competitive environment and to achieve its potential, the manufacturing sector realizes it will have to adopt some best practices and embrace some new age tools. One of the key differentiators is Information Technology - and its adoption by Indian SMEs plays a significant part in enhancing their global competitiveness.

The pace of technological innovation is accelerating. SMEs need to mobilize quickly and embrace currently available technologies - from office productivity software to cloud-delivered solutions and services. They must then prepare themselves for the next wave of new technologies. SMEs that fail to do so will, at the very least, miss out on promising growth opportunities. Others may find that the only alternative to attaining leadership status is to fall out of the competition altogether.

- Sudeep Mendjoge

To see the future, you must sometimes turn to the past.

As Asia's oldest exchange and India's first, the BSE has played an important role in India's financial history. Building on that rich past, the BSE is committed to being an important part of India's future. Today, the BSE trades on a variety of market segments and offers several advanced technology services. With the technologies now in place and an innovation-driven strategy to move forward, a bright new future is just around the corner.

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• Mutual Fund Platforms • Exchange-traded Funds.

Technology Services: Internet-based Trading • Co-location Services • Mobile-based Trading
• Real-time Risk Management • Smart Order Routing.



Issued in public interest by BSE Investors' Protection Fund

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DEVELOPMENTS

Market Developments

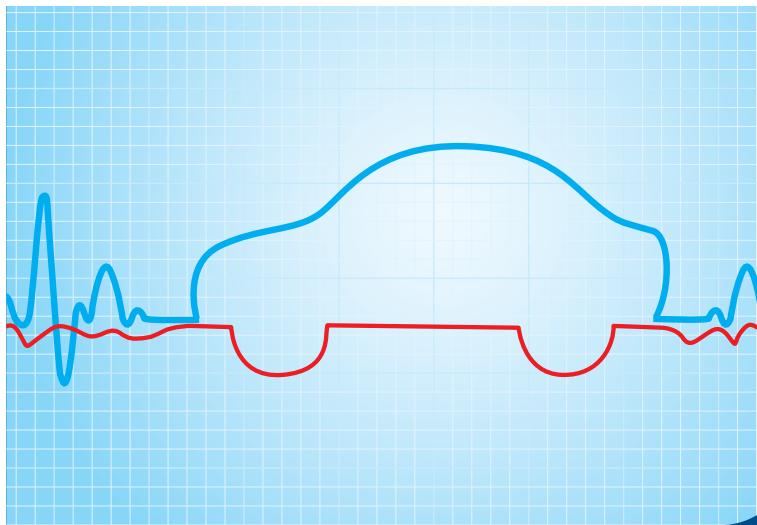
- ◆ **Mitcon Consultancy & Engineering Services Limited** engaged in the business of providing consultancy and engineering services opened the issue for subscription on 15th October, 2013. The Issue was subscribed 0.93 times out of which Retail category was subscribed by 0.13 times while Non Retail Investors category was subscribed by 1.74 times.
- ◆ **Stellar Capital Services Limited** engaged in the business of advancing loans and investing/trading in securities opened the issue for subscription on 15th October, 2013. The Issue was subscribed 1.36 times out of which Retail category was subscribed by 0.33 times while Non Retail Investors category was subscribed by 1.17 times.
- ◆ **Amrapali Capital & Financial Services Limited** engaged in the business of trading of shares, stocks, forex, arbitrage business including Brokerage business opened the issue for subscription on 15th October, 2013. The Issue was subscribed 1.34 times out of which Retail category was subscribed by 1.32 times while Non Retail Investors category was subscribed by 1.40 times.
- ◆ **S R G Securities Finance Limited** engaged in the business of providing financial assistance for purchase of infrastructure, mining and construction Equipments and Machinery, Heavy and other Transport Vehicles, Business Loans opened the issue for subscription on 7th October, 2013. The Issue was subscribed 1.28 times out of which Retail category was subscribed by 0.46 times while Non Retail Investors category was subscribed by 1.34 times.
- ◆ **VCU Data Management Limited** engaged in the business of providing Rights for one of the world's most unique Interactive Audio/Video Live Streaming hardware/software solutions for the masses at high quality and low bandwidth opened the issue for subscription on 4th October, 2013. The Issue was subscribed 1.05 times out of which Retail category was subscribed by 0.30 times while Non Retail Investors category was subscribed by 1.13 times.
- ◆ **RCI Industries and Technologies Limited** engaged in trading of all types of ferrous and Non ferrous Metals such as Copper Wires, ingot, scrap, power cables and other related items used in various electrical and industrial applications as well as exporting Indian handicrafts filed a draft prospectus for a public issue of Rs. 11.52 crore. Equity shares are proposed to be listed on the SME Platform of the BSE. The company intends to use issue proceeds for working capital requirement, general corporate purposes and issue expenses. The Issue is being Lead managed by **Sarthi Capital Advisors Private Limited** and is its fourth issue.
- ◆ **Captain Polyplast Limited** engaged in the business of manufacture and sale of quality Micro Irrigation Systems and allied products filed a draft prospectus for a public issue of Rs. 5.94 crore. Equity shares are proposed to be listed on the SME Platform of the BSE. The company intends to use issue proceeds to fund expansion plans, general corporate purposes and to meet the issue expenses.
- ◆ **Polymac Thermoformers Limited** engaged in the business of manufacturing disposable plastic products such as plastic glasses, cups, bowls filed a

draft prospectus for a public issue of Rs. 7.70 crore. Equity shares are proposed to be listed on the SME Platform of the BSE. The company intends to use issue proceeds for capital expenditure on existing manufacturing capacity, to meet the margin for working capital requirement, for brand building & general corporate purposes and to meet the issue expenses

- ◆ Currently 41 companies are listed on SME platforms of BSE and NSE.

Forth Coming IPOs

Name of the Company	Exchange	Issue Size (Rs. crore)	Issue Price (Rs. Per Share)
Polymac	BSE	7.70	35
Thermoformers			
Captain Polyplast	BSE	5.94	30
RCI Industries and Technologies	BSE	11.52	40
Tentiwal Wire Products	BSE	2.12	13
Chemtech Industrial Valves	BSE	8.00	15
Suyog Telematics	BSE	4.53	25
Satkar Finlease	BSE	13.51	18
Prabhat Telecoms (India)	BSE	26.60	80



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Other Developments

UNIDO to provide technical assistance to SME, other sectors

UNIDO, a UN agency, today said it will provide technical assistance in three major areas including small and medium enterprises (SMEs) and renewal energy, for giving a boost to India's industrial growth.

"SMEs, energy efficiency and renewal energy, these are very important areas. UNIDO is ready to support those kinds of programme...and also try to introduce the best practice from international community," United Nations Industrial Development Organisation Director General Li Yong told PTI.

One-fourth of MSMEs do not have access to banks for credit: Study

As high as three-fourth of India's Micro, Small and Medium Enterprises (MSMEs) do not have any access to banks or institutional financing channels making their businesses vulnerable, according to a study.

Only about 33 per cent of the country's MSMEs have access to banks or institutional financing channels, said a study jointly done by financial advisory firm Resurgent India and industry chamber Assocham.

MSMEs' awareness of cloud only 2%, says study

The overall awareness of the cloud among Indian micro, small and medium enterprises (MSMEs) is only 2 per cent, of which the share of companies adopting cloud services is just 4 per cent.

These are the findings of a study conducted by IMRB and the Confederation of Indian Industry (CII). The study reveals that MSMEs look at the cloud as an innovative concept, but have concerns around data security, especially in businesses like IT/ITES and banking, financial services and insurance.

The CII-IMRB study involved face-to-face interviews with over 8,000 respondents across 22 cities in India. The respondents were primarily IT decision makers or those responsible for the IT function in the organisation.

CRISIL SME tracker: The margin game

CRISIL has analysed the trends in profitability of 9,200 micro, small, and medium enterprises (MSMEs) in the manufacturing, service, and trading sectors from 2009-10 to 2011-12 (refers to financial year, April 1 to March 31). The analysis reveals that service-sector MSMEs have held on to their operating margin much more tenaciously than their counterparts in the manufacturing and trading sectors.

The operating profit before depreciation, interest, and tax (OPBDIT) margin of service enterprises actually improved to 11.34 per cent in 2011-12 from 10.84 per cent in 2010-11 and 11.04 per cent in 2009-10. In comparison, MSME profitability in the manufacturing sector declined from 8.51 per cent in 2009-10 to 8.13 per cent in 2010-11, and stagnated thereafter. Operating profit in the trading sector too remained low at 3.32 per cent in 2009-10 and 2010-11, and declined to 3.28 per cent in 2011-12.

SME loan defaults may rise to 6 %, claims association

According to The Small and Medium Business Development Chamber, the sector will witness a slowdown of 35 per cent in the next six months as a combined effect of ongoing recession and the upcoming elections next year. Also, the current loan default for the sector is 4 per cent and is set to cross 6 per cent in the next few months.

Chandrakant Salunkhe, founder president of the Chamber said that the recession has already slowed down production in the sector by 12 per cent.

MSME ministry approves schemes in 300 clusters

In the last six months, the ministry of micro, small and medium enterprises (MSMEs) has approved interventions in over 300 industrial clusters in the country, according to the minister of state for MSMEs, K H Muniyappa. The ministry has also set a target for the creation of over 100 new enterprises per district every year under the Prime Minister's Employment Generation Programme (PMEGP) in all the 650 districts in the country.

Under the cluster development programme of the government, infrastructure upgradation with assistance of up to Rs 10 crore and common facility centres with assistance of up to Rs 12 crore for SMEs are being supported, the minister said at a public function recently.

Under the Credit Guarantee Scheme so far, the government has facilitated collateral-free loans to more than 1.1 million micro and small enterprises, with the total sanctioned loan amount at Rs 54,322 crore.

Under the National Skill Development Programme in 2012-13, the MSME ministry imparted skill training to about 600,000 persons in different trades. Moreover, 15 new tool rooms and technology development centres are being set up with World Bank assistance. Rs 2,200 crore is being provided during the 12th Plan to the existing 10 tool rooms in the country.

Data security SMEs' top technology concern, says report

More than 60 per cent of SME leaders believe data security or privacy is a major concern that inhibits technology adoption, says a report commissioned by Microsoft and drafted by Boston Consulting Group (BCG).

The report, Ahead of the Curve: Lessons on Technology and Growth from Small Business Leaders, is based on primary interviews with 4,000 SMEs in five developed and emerging countries - Brazil, China, India, Germany and the US - in addition to secondary research in 19 other countries.

Among the key guidelines for policymakers to encourage tech adoption by SMEs is ensuring access to world-class infrastructure and networks. To connect, collaborate and compete, SMEs need information and communications technology (ICT) networks that are accessible, affordable and secure. Secondly, policymakers need to support policies that address data security concerns. Risks of hacking are likely to grow as more companies embrace big data and more data moves to the cloud.

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|--|--|
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| ■ (YELLOW) | Investors understand that their principal will be at medium risk |
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Lokanathan Nadar

Head - Infrastructure, ArthVeda Fund Management Pvt Ltd

Lokanathan has over 15 years of experience in the core infrastructure sector in the areas of Project Development & Construction, Conceptualization, Business Development, Marketing and Identification of New Business opportunities. His experience includes managing Alternate Investment Funds, Venture Capital Fund, Infrastructure Development, and Construction & Advisory for Infrastructure Sector

His expertise lies in delivering large Infrastructure projects as Developer & Advisor.

He is currently a member of the Executive Management Committee with responsibility to head the Infrastructure & Agriculture vertical at Arthveda Fund Management Pvt Ltd. Prior to joining Arthveda, he served as the CEO - Infrastructure & SEZ of the Wadhawan Group where he was heading both the development of Pavana Multi Product SEZ and other Infrastructure initiatives of the group.

Lokanathan's earlier stint was with Sterling SEZ & Infrastructure Ltd., as Chief Operating Officer and prior to that he worked with Infrastructure Leasing & Financial Services (IL&FS). He has also advised State Governments and corporates such as Crompton Greaves, Tata Power Corporation, Anik-Gammon-Tata housing- Mayfair consortium for their various projects,

He is a qualified Chartered Accountant and Company Secretary.

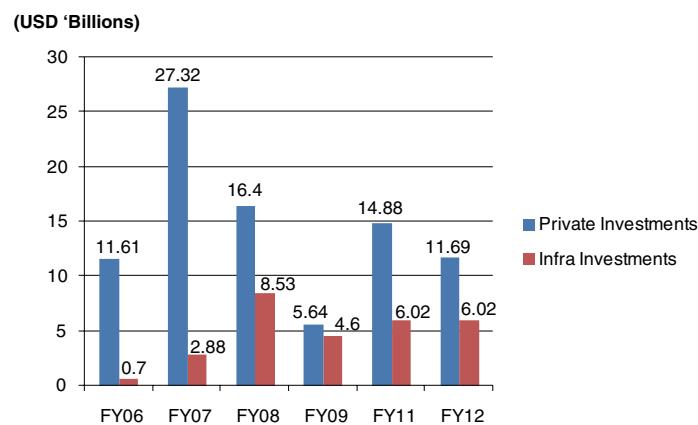
“Infrastructure – The Next Big Thing”

While the investing fraternity would be contemplating about the future of the investment industry, there “is” light at the end of the tunnel. India’s infrastructure spend is slated to reach \$ 1 Trillion in the period 2012-17 which is expected to flow into roads, seaports, airports, power, railways, water and irrigation infrastructure. Investment as a component of GDP is likely to increase from around 34% for the year 2012 to around 38% by fiscal 2015.

The issues such as changes in rules regarding forest use and other environmental clearances are expected to be put at bay with the new legislation of mining and land acquisition getting implemented.

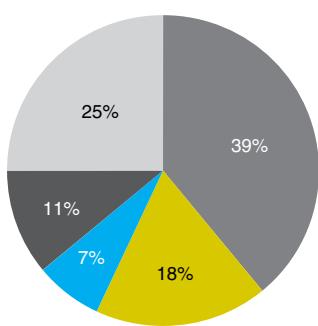
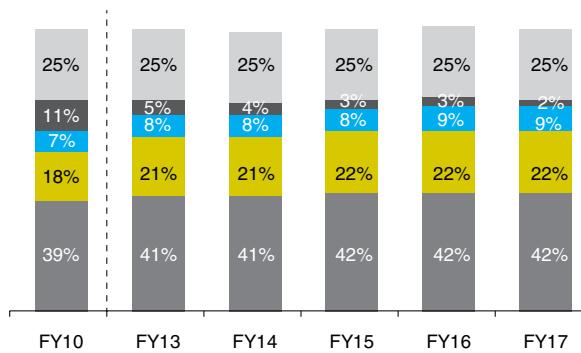
Even when we look at the trend of the infrastructure investments over the past few years, the data below shows that the investments in this space are improving year on year.

- The ratio of other sector investments to infrastructure investments has improved from around 10.5 % to around 50% over the last 5 years
- The investments in other sectors has gone down by around 42% over the past 5 years whereas the investments in infrastructure industry has increased by around 47%



Sources of investment for Infrastructure Industry :

Sources of funds for Infrastructure (FY08 - FY10)

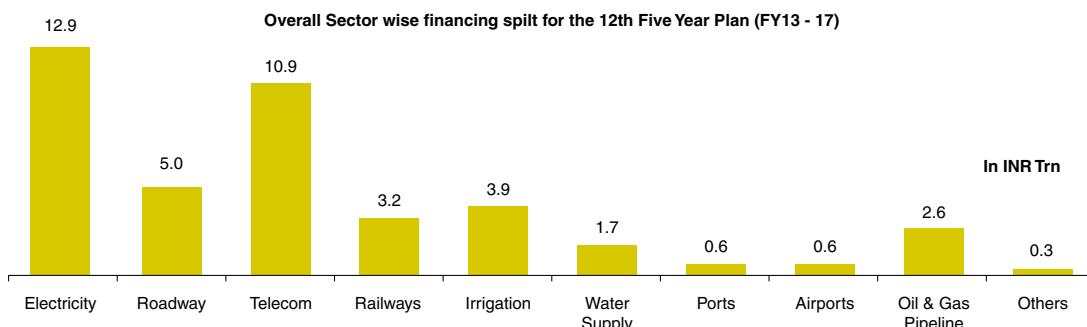
Source of funds over the 12th FYP

■ Banks ■ NBFCs ■ Insurance cos ■ ECB ■ Equity / FDI

■ Banks ■ NBFCs ■ Insurance cos ■ ECB ■ Equity / FDI

- ✓ From the private sources of funds, debt sources accounted for 75% of the funds whereas equity (private equity and FDI) accounted for the balance 25% over the 11th FYP
- ✓ Going forward over the 12th FYP, banks are expected to be the major contributors to the infrastructure sector in the form of debt whereas equity is expected to contribute ~ 25% of the total funds
- ✓ Thus the total equity requirement in the infrastructure sector is estimated to be at INR 2.9 TRN over the 12th FYP whereas the gap in funding is estimated to be at INR 9.6 TRN part of which can be addressed by new sources such as the Infrastructure debt funds

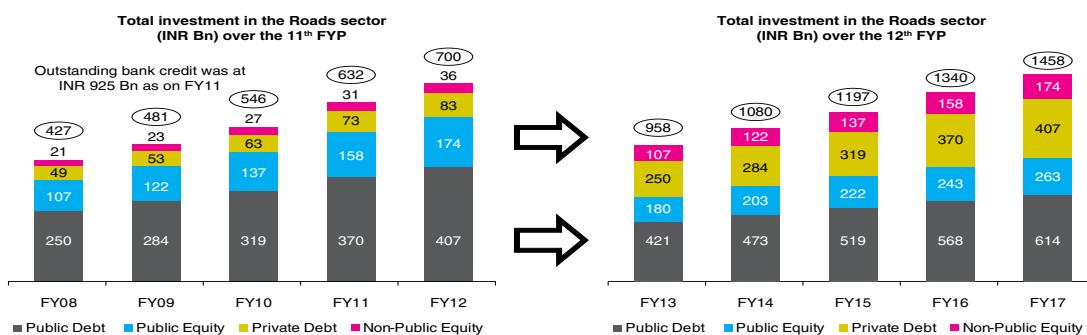
Overview of the sector wise financing in the 12th Five Year Plan :



- ✓ Investments in Power, Road and telecom form ~ 70% of the total outlay in the 12th FYP period
- ✓ Railways is another key sector for investments in the private sector
- ✓ Private sector is expected to play a key role across all sub sectors (except irrigation)

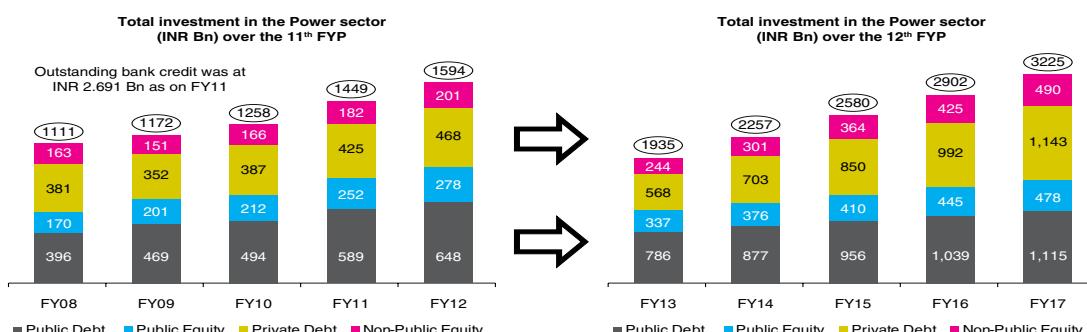
Sector wise overview :

Roads :



- ✓ Private investment in the roads sector has grown at a CAGR of over 14% over the 11th FYP
- ✓ It is further expected to increase at a higher rate of 26% going forward over the 12th FYP
- ✓ While private investment in roads constituted only 17% of the total investment in FY 12, this is expected to increase to ~ 30% by the end of 12th FYP
- ✓ Banks, NBFC and ECBs form the major sources of debt for road projects in the private sector
- ✓ Total FDI in the construction sector(including roads) was at INR 108 Bn in the FY12

Power :



- ✓ Private investment in the power sector has grown at a CAGR of over 5% over the 11th FYP and this is expected to increase at a higher rate of 19% going forward over the 12th FYP
- ✓ The private sector investment has been at 42% of the total investment and this is expected to increase to 50% going forward in the 12th FYP
- ✓ Private sector, banks, NBFCs and ECBs are the major sources of debt for the power companies
- ✓ Outstanding bank loans to the power sector were at INR 2,691 Bn in 2011 whereas the PE investments were at INR 82 Bn
- ✓ FDI in this sector was at INR 72 Bn up in FY12 from INR 58 Bn in FY11

The conclusive outlook for the years to come in the infrastructure space is still positive with focus needing to be moved from operational infrastructure to developmental infrastructure.

RCI INDUSTRIES & TECHNOLOGIES LTD (Initiating Coverage – IPO Note)

RCI Industries & Technologies Ltd (RCI) incorporated in the year 1992 and based out of Delhi is engaged in the business of trading of all types of ferrous and non ferrous metals such as copper wires, ingot, scrap, power cables and other related items used in various electrical and industrial applications. Company also exports Indian Handicrafts especially metal based. RCI operates as an important intermediary in the Metals Supply Chain whereby it imports/purchases materials from various suppliers and supply the same to customers in the Metal Business

Business Strategy:

Enhance customer base by entering new geographies to establish long-term relationships: RCI intends to cater to the increasing demand of existing customers and also to increase existing employee base which can focus in different regions and also maintain and establish relationship with customers.

Leveraging market skills and relationships: RCI aims to enhance the growth and customer satisfaction by increasing the product & geographical base, maintaining client relationship and renewing relationship with existing buyers.

Focus on quality: RCI intends to focus on adhering to the quality of offerings and to get repeat orders from the customers eventually enhancing brand value and scale of the business.

Key Highlights:

Multi-Product Portfolio: RCI's product portfolio comprises of all ferrous and non-ferrous metals such as copper wires, ingot, scrap, power cables and other related items used in various electrical and industrial applications along with handicrafts and artwares.

Experienced management and a well trained employee base: RCI believes that the knowledge and experience of promoter and management enables to outline plans for the future development of the company by identifying new opportunities, rapidly responding to market conditions, adapting to changes in the business landscape and competitive environment and enhancing the growth in the business.

Existing client relationship: RCI maintains a long term working relationship with existing customers and improve customer retention strategy which generates multiple repeat orders.

Quality Assurance and Standards: RCI generates repetitive orders from their buyers, as they are capable of meeting their quality standards, which enables it to maintain and enhance the brand image in the market.

Expertise and vast industry experience: The promoters are experienced in the line of the business and have been instrumental in the consistent growth of the company.

Innovative Ideas: RCI is focusing on exporting and expanding their existing range of products through innovative ideas.

Key Challenges:

Contribution of RCI's revenue: The top five clients contribute approximately 61.82% of revenues for the financial year ended March 31, 2013. Any decline in RCI's quality standards, growing competition and any change in the demand for products by these customers may adversely affect RCI's ability to retain them.

Delay in client payments: RCI may be subject to working capital shortages due to delays or defaults in payment by clients. If clients default in their payments to which RCI has devoted significant resources, it could have a material adverse effect on its business, financial condition and results of operations.

Exchange Rate Fluctuations: The exchange rate between the Rupee and other currencies is variable which may affect the Company to the extent of services provided in foreign currency terms since a part of its service is rendered in foreign currency.

Issue Details	
Issue Size (Rs. Cr)	11.52
No. of shares on offer (Lakhs)	28.80
Price (Rs.)	40
Face value (Rs.)	10
MCap (Rs. Cr)	43.60

Objects of the issue (Cr)	
Working Capital Requirements	9.00
General Corporate Purposes	1.97
Issue Expenses	0.55
Total	11.52

Shareholding (%)	Pre IPO	Post IPO
Promoters	99.97	73.55
Public & others	0.03	-

Relative Valuation

Currently there is no listed entity in India operating in the similar business with same size and scale. Hence a strict comparison with RCI is not possible. The company has registered a topline CAGR of 20.11% from FY11 to FY13. Increasing debtors and inventory days and reducing creditor days is a cause of concern for the company. The lowering ROE is on the back of increased reliance on debt funding over last 2 years. The firm proposes to list its shares on PE of 23 of its 3 year weighted average earnings. The volume growth will be the key focus to company's future prospects.

Relative valuation (Rs. In Cr)

Year	2013	2012	2011
Sales	277.0	258.9	192.0
EBITDA%	1.75	1.40	1.63
PAT%	0.38	0.33	0.98
ROCE%	8.95	8.05	9.50
ROE%	4.27	3.74	8.56
ROA	1.16	1.07	2.62
Debtors days	52.9	52.5	28.8
Inventory days	28.5	22.3	12.7
Debtors days	52.9	52.5	61.5
Creditors days	34.8	26.6	46.0
Interest coverage	1.30	1.33	2.66
Debt/ Equity	0.97	1.25	0.43

MANAGEMENT OF RISKS IN STOCK MARKET

Trading in stocks involves exposure to various types of risks and calculating these is an integral part of market analysis. While most crucial risks are related to the market, macro-economic factors and corporate performance, there exists another type called the counterparty risk. It stems from the possibility of a participant not honoring a commitment.

This uncertainty leading to risk is sought to be addressed by margining systems of stock markets.

Suppose an investor purchases 1000 shares of 'xyz' company at Rs.100/- on January 1, 2013. Investor has to give the purchase amount of Rs.1,00,000/- (1000×100) to his broker on or before January 2, 2013. Broker, in turn, has to give this money to stock exchange on January 3, 2013. There is always a small chance that the investor may not be able to bring the required money by required date. As an advance for buying the shares, investor is required to pay a portion of the total amount of Rs.1,00,000/- to the broker at the time of placing the buy order. Stock exchange in turn collects similar amount from the broker upon execution of the order. This initial token payment is called margin.

For every buyer there is a seller and if the buyer does not bring the money, seller may not get his / her money and vice versa. Therefore, margin is levied on the seller also to ensure that he / she gives the 100 shares sold to the broker who in turn gives it to the stock exchange. Margin payments ensure that each investor is serious about buying or selling shares.

A margin is thus a fixed percentage of the value of transaction to be paid at the time of placing the buy order. Indian equity markets use the 'T+2 day' settlement system, wherein trades initiated on day T are settled on day T+2, with margins payable on day T. Consider Mr A, who agrees to purchase 100 shares of XYZ at Rs 350 per share on 3 June. The stock attracts a 10% margin. Mr A is required to pay 10% of Rs 35,000 on 3 June even though the transaction concludes on 5 June.

Margins in the cash market segment comprise of the following three types:

- 1. VaR margin:** It is a technique used to estimate the probability of maximum loss of share value based on the statistical analysis of historical price trends and volatilities.

For example, if XYZ has a VaR of 7%, then under normal trading conditions, XYZ will not lose more than 7% of its price till the next day. VaR has two main determinants: volatility and liquidity. While volatility is measured using standard deviation, liquidity is gauged via impact cost.

VaR margin tends to be high for stocks that are volatile and have low liquidity.

- 2. Extreme Loss margin:** It covers losses that are beyond the scope of VaR margin. It provides an additional layer of security and the exchanges calculate it at the beginning of each month. This margin is determined by volatility and value of the transaction. Margin rates are available on the BSE and NSE Websites.

The margin payable upfront is the sum of VaR and extreme loss margins

The sum of VaR and extreme loss margins gives an idea of the stock's variability. The higher the stock's unpredictability, the higher is the margin.

- 3. MTM margin:** It is calculated at the end of the day, considering the difference between the market price and transaction price of the stock. It is collected before the start of trading on day T+1. MTM covers the risk of default due to change in stock prices. For e.g a buyer purchased 1000 shares @ Rs.100/- at 11 am on January 1, 2013. If close price of the shares on that day happens to be Rs.75/-, then the buyer faces a notional loss of Rs.25,000/- on his buy position. This loss is called as MTM loss and is payable by January 2, 2013 (that is next day of the trade) before the trading begins.

If the share price falls further by the end of January 2, 2013 to Rs. 70/-, then buy position would show a further loss of Rs.5,000/- This MTM loss is payable by next day.

In case, on a given day, buy and sell quantity in a share are equal, that is net quantity position is zero, but there could still be a notional loss / gain (due to difference between the buy and sell values), such notional loss also is considered for calculating the MTM payable.

$$\text{MTM Profit/Loss} = [(\text{Total Buy Qty} \times \text{Close price}) - \text{Total Buy Value}] - [\text{Total Sale Value} - (\text{Total Sale Qty} \times \text{Close price})]$$



WHAT'S IN PRESS?

Govt subsidies for rural, urban MSMEs: Muniyappa

The Minister of State (Independent Charge) for Micro, Small and Medium Enterprises (MSME), K. H. Muniyappa Sunday said that the Government subsidies would be extended to MSMEs in rural and urban areas and credit facility up to Rs 25 lakh would be available without bank guarantees under a scheme of the UPA government, reports media.

"The subsidy would be 35 percent for weaker sections in rural areas and 25 percent for others. In urban areas, it would be 25 percent for weaker sections and 15 percent for others," said Muniyappa at a seminar in Puducherry.

He claimed that one lakh entrepreneurs would be encouraged nationwide through this initiative, which would be able to provide jobs to more than eight lakh people. As much as Rs 8,000 crore would be extended under subsidy scheme under the Prime Minister's Employment Generation Programme, he said.

He said a Tool Room (Technology Training Centre) would be set up here to augment skills of young entrepreneurs, enable them carry out research and contribute to the industrial development of Puducherry,

"The tool room will be set up in the next three months in Puducherry which has good potential for industrial development. It will be able to train 3,000 youth upto international standards initially and would achieve a level of 10,000 youth in course of time," he said.

He was addressing a seminar on "catalysing growth of small and Medium Enterprises," organised by CII (Southern Region).

Muniyappa said the youth constituted a big chunk in the overall population and there was need to ensure they are brought on to the mainstream through training and R&D.

Stating that Minister of State in PMO V Narayanasamy was keen on Puducherry being given a fillip for speedy industrial development, he said the Centre was very much interested in extending full help and cooperation to Puducherry.

He took exception to the absence of Chief Minister N Rangasamy, saying he should have been present at the seminar in response to the invitation extended by the CII.

"Forget all political aspects and ensure that Puducherry progresses fast by making use of Central government's various schemes and programmes for industrial progress," he said.

Muniyappa said a team from the Micro, Small and Medium Enterprises Ministry, headed by Additional Secretary and Development Commissioner, Amarendra Sinha would camp in Puducherry to interact with local industrialists to identify the full scope for industrial development.

Leader of the opposition V Vaithilingam spoke on the importance of generating jobs for the youth in Puducherry.

Chairman of CII Puducherry State Council detailed the role of SMEs to augment job opportunities and also enhancing the economy of the country, report added.

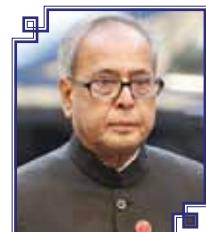
Source : SME Times

QUOTES



"For small and medium firms, we intend to facilitate Electronic Bill Factoring Exchanges whereby MSME bills against large companies can be accepted electronically and auctioned so that MSMEs are paid promptly"

Raghuram Rajan
Governor, RBI



Pranab Mukherjee
President of India



"Maharashtra and Gujarat are the states which has the most conducive environment for the sector and other states like Karnataka, Andhra Pradesh and Harayana needs to review their policies for SMEs."

Chandrakant Salunkhe
President, The Small and Medium Business Development Chamber



K H Muniyappa
MSME Minister

SME MARKET STATISTICS

SI No	Company	Closing#	%Returns*	52 Week High	52 Week Low
1.	Anshus Clothing	27.90	3.33	37.00	22.50
2.	BCB Finance	25.25	1.00	27.50	24.50
3.	Bronze Infra	11.30	-24.67	20.10	5.80
4.	Comfort Commotrade	29.90	199.00	45.95	15.75
5.	Jointeca Education	13.70	-8.67	16.00	13.70
6.	Jupiter Infomedia	28.25	41.25	28.50	23.00
7.	Max Alert	90.00	350.00	99.00	57.10
8.	Looks Health	435.00	987.50	435.00	83.00
9.	RCL Retail	37.95	279.50	41.60	7.55
10.	Sangam Advisors	22.15	0.68	25.85	19.00
11.	SRG Hsg Fin	106.50	432.50	110.00	20.95
12.	Eco Freindly	100.00	300.00	102.85	21.10
13.	Esteem Bio	101.00	304.00	104.00	25.25
14.	Sunstar Realty	42.70	113.50	42.70	21.20
15.	Kavita Fabrics	44.90	12.25	45.25	33.60
16.	Channel Nine	51.50	106.00	51.50	26.25
17.	Bothra Metals	31.30	25.20	34.20	24.85
18.	Lakhotia Polyesters	35.00	0.00	36.60	33.85
19.	GCM Securities	341.20	1606.00	341.20	65.00
20.	Ashapura Intimates	96.20	140.50	101.00	46.40
21.	Samruddhi Realty	37.00	208.33	42.48	10.62
22.	HPC Biosciences	114.00	225.71	118.35	37.25
23.	Onesource Mediatech	6.60	-52.86	13.00	3.95
24.	India Finsec	12.70	27.00	19.40	9.55
25.	eDynamics Solutions	76.90	669.00	84.85	25.40
26.	Money Masters Leasing & Finance	15.40	2.67	19.65	15.40
27.	Alacrity Securities	9.90	-34.00	13.25	6.10
28.	GCM Commodity & Derivatives	12.00	-40.00	21.25	10.15
29.	Kushal Tradelink	35.25	0.71	49.00	35.00
30.	Siverpoint Infratech	10.80	-28.00	14.80	9.50
31.	VKJ Infradevelopers	56.10	274.00	56.10	15.55
32.	Tiger Logistics	63.40	-3.94	81.00	57.00
33.	RJ Biotech	42.35	111.75	48.75	21.00
34.	Ace Tours Worldwide	40.95	155.94	40.95	19.50
35.	VCU Data	38.10	52.40	52.20	36.25
36.	Amrapali Capital	100.00	0.00	102.00	100.00
37.	Newever	25.60	156.00	25.60	12.20
38.	Stellar Capital	16.90	-15.50	21.10	16.10
39.	Subhtex	16.70	67.00	16.70	12.00
40.	Thejo Engineering	200.00	-50.25	405.00	199.00
41.	Veto Switch Gear	59.50	19.00	59.50	50.10
42.	Opal Luxury	118.00	-9.23	135.00	97.60
43.	Mitcon Consultancy	42.05	-31.07	60.00	37.95

*Absolute returns since IPO. # Closing prices as on 15th November, 2013

GLOBAL SME MARKET

	Closing #	% Returns YTD
BSE SME IPO	466.99	238.94%
TSE MOTHERS	844.27	103.42%
CHINEXT PRICE INDEX	1,269.00	79.91%
FTSE AIM All Share Index	808.38	12.90%
TSX Venture Composite	934.07	-24.66%
Hong Kong GEM Index	461.47	20.96%

Closing Values as on 15th November, 2013

MARKET WATCH

Particulars	Bothra Metals & Alloys	Tiger Logistics	RJ Biotech	Ashapura Intimates	RCL Retail	SRG Housing	Eco-friendly	Sunstar Realty	VCU Data	Ampal Capital
A. Valuation / Market Cap	(Rs. Crore)									
Pre Issue Net Worth	20.82	16.34	11.64	10.98	5.60	4.90	8.606	5.54	7.66	52.84
Issue Size	12.21	7.52	5.00	21.00	5.80	7.00	7.515	10.62	18.75	24.01
Market Capitalization*	55.55	28.49	34.75	137.73	20.87	73.49	92.27	85.10	59.06	96.02
B. Price Pattern	(Rs. per Share)									
Issue Price	25.00	66.00	20.00	40.00	10.00	20.00	25.00	20.00	25.00	100.00
CMP (Face Value Rs. 10)*	30.00	67.40	36.70	70.75	16.95	90.95	93.15	42.70	38.10	100.00
Particulars	Channel Nine	Max Alert	Samruddhi Realty	HPC Biosciences	Anshu Clothing	Jupiter Info	Money Masters Leasing & Finance	Ace Tours Worldwide	Newever Trade	Stellar Capital
C. Valuation / Market Cap	(Rs. Crore)									
Pre Issue Net Worth	5.56	7.10	4.39	4.80	12.70	2.00	6.70	8.71	17.53	27.84
Issue Size	11.67	8.00	2.60	15.75	5.10	4.10	2.00	8.00	6.30	9.00
Market Capitalization*	69.09	82.80	32.20	170.77	19.45	9.00	7.64	24.90	61.30	27.98
D. Price Pattern	(Rs. per Share)									
Issue Price	25.00	20.00	12.00	35.00	27.00	20.00	15.00	16.00	10.00	20.00
CMP (Face Value Rs. 10)*	44.55	90.00	46.00	107.40	31.20	25.80	17.00	19.65	25.60	16.90
Particulars	Esteem Bio	Kushal Tradelink	Alacrity Securities	VKJ Infra-developers	Opal Luxury	Silverpoint Infratech	Subh Tex	Veto Switch Gear	Thejo Engineering	Mitcon Consultancy
E. Valuation / Market Cap	(Rs. Crore)									
Pre Issue Net Worth	8.56	20.90	18.51	5.40	11.82	40.27	16.43	32.70	25.8	54.42
Issue Size	11.25	27.75	9.00	12.75	12.00	12.00	3.50	25.00	19.00	25.01
Market Capitalization*	130.31	84.82	18.06	37.66	37.28	26.72	18.37	87.47	68.67	50.88
F. Price Pattern	(Rs. per Share)									
Issue Price	25.00	35.00	15.00	15.00	120.00	15.00	10.00	50.00	402.00	61.00
CMP (Face Value Rs. 10)*	87.35	35.75	8.60	21.10	111.00	13.50	16.70	52.50	400.00	42.05

*Closing prices as on 15th November, 2013



UPCOMING EVENTS

Name of Event	Place	Date	Organizer
UK – India SME Summit	London, UK	18th to 19th November 2013	SME Chamber of India
Odisha - The Tourism Destination – Business Opportunities for SMEs	Bhubaneshwar	4th December 2013	ASSOCHAM
SMEs Excellence Awards	New Delhi	6th December 2013	ASSOCHAM
Mid – Size Industry Summit	Mumbai	13th December 2013	SME Chamber of India
India SME Banking Conclave	Mumbai	January 2014	SME Chamber of India
Annual Flagship Activity - Gujarat Industry & SME Summit	Ahmedabad	January 2014	SME Chamber of India

EVENT - MEDIA COVERAGE

SARTHI CAPITAL ADVISORS PVT LTD BEING AWARDED ONE OF THE TOP FOUR PERFORMERS IN SME IPO CATEGORY IN TERMS OF FILING BY BSE



BSE IN COLLABORATION WITH SARTHI HELD A SEMINAR ON INSTITUTIONAL TRADING PLATFORM FOR PE/VC FUND ON 13TH NOVEMBER 2013 AT THE BSE CONVENTION HALL, MUMBAI



DIGNITARIES



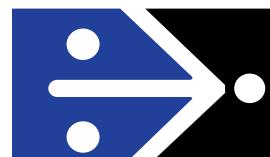
LAMP LIGHTING CEREMONY



MR. DEEPAK SHARMA, SARTHI GROUP MD GIVING PRESENTATION ON PERSPECTIVE ON ITP



MR. ASHISH CHAUHAN, MD, BSE ADDRESSING THE AUDIENCE



S A R T H I
Bridging the Gap

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