December, 2013 Edition

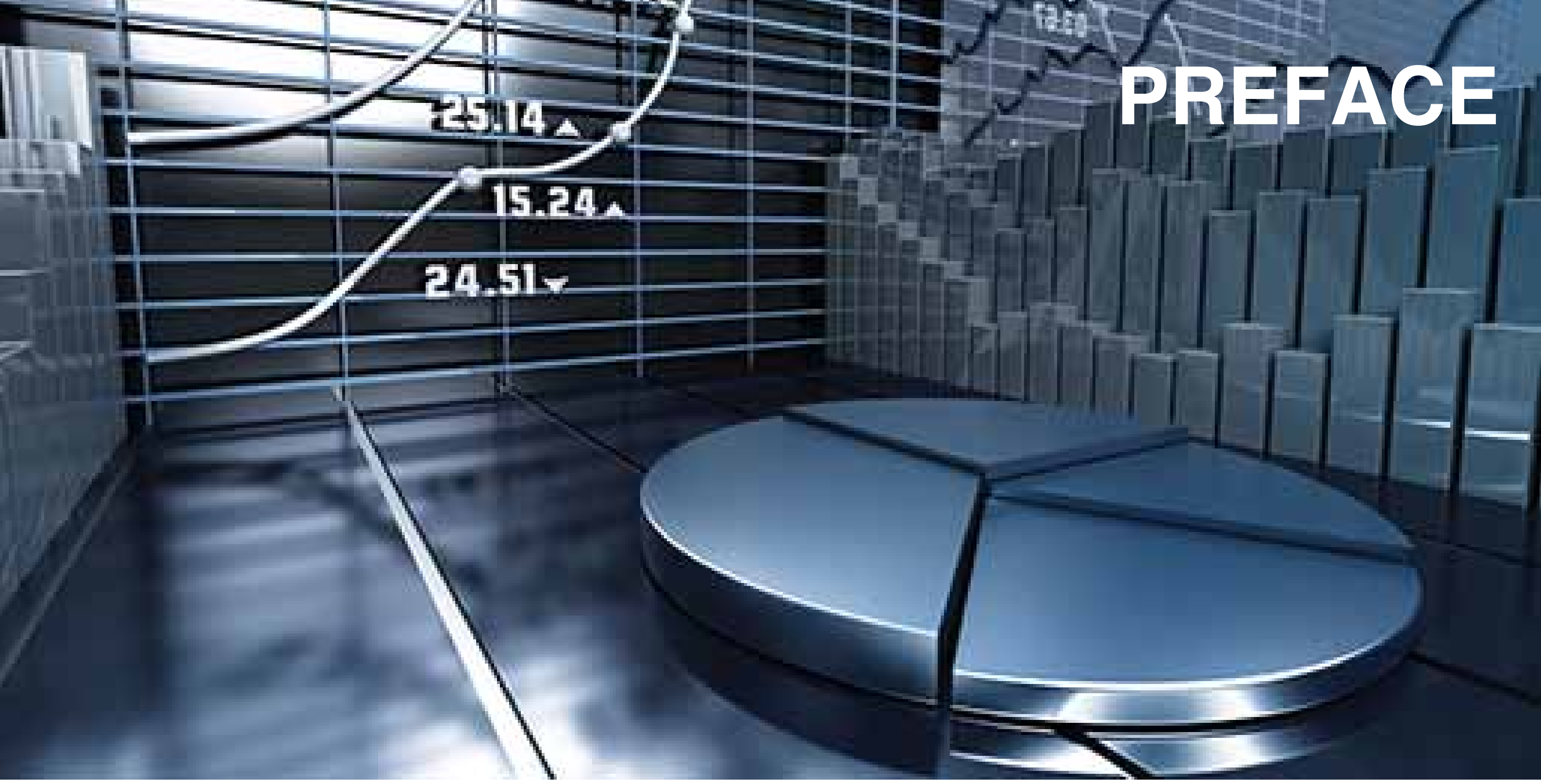
S-CAP

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 13th edition of '**S** - **C**ap' – **S**ME **Cap**ital Market Watch, an initiative of **S**arthi **Cap**ital Advisors Private Limited ('Sarthi Capital').

We are over-whelmed with the magnificent response and wide appreciation by the readers for last twelve 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 Credit Facilities for MSMEs, Direct Listing on SME Exchange & Independent Directors
- Highlights of related developments on market and other fronts
- SME Market Watch updated as on date
- Research Coverage on select listed SME companies
- Latest information and upcoming events regarding SMEs

In our endeavor to spread awareness of the SME Capital Market, we recently participated in a seminar on SME Listing organized by BSE at Chandigarh on November 22, 2013. We look forward in continuing our efforts in conducting such knowledge imparting events

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.

Team Sarthi

Sarthiangels.com

A Facilitative Platform for Creating a Vibrant Entrepreneurial Eco System In India

Salient Features

- Sarthi Angels is a section 25 non-profit organisation
- Provides a platform to connect the budding entrepreneurs with Angels
- Provides Incubation Services to entrepreneurs
- Our endeavor is to create a conducive environment for Entrepreneurs & provide value investment opportunities to Angels

BRIDGING THE GAP BETWEEN ENTREPRENEURS AND ANGELS

SME Capital Market Watch

Smelisting.net

Knowledge Portal

A One Stop Comprehensive Solution To SME Listing

Salient Features

- Comprehensive content on procedural and regulatory aspects.
- Eligibility Calculator to gauge your eligibility for SME IPO.
- Knowledge Corner that provides regulatory & market insights.
- A platform to interact with the experts on SME Listing & related topics.
- Latest happenings in SME world
- An in-depth research on listed SMEs & prospective IPOs.

& many more...

Email us at: smelisting@sarthiwm.in

Contents

CREDIT FACILITIES FOR MSMEs

The Micro Small and Medium Enterprises (MSMEs) play an integral role in fueling the progress of any country, especially in developing economies. MSMEs are also the second largest provider of employment after agriculture, and contribute to 40% of total exports directly and even more exports indirectly. In India too, the MSMEs play a pivotal role in the overall industrial economy of the country. In recent years the MSME sector has consistently registered higher growth rate compared to the overall industrial sector. With its agility and dynamism, the sector has shown admirable innovativeness and adaptability to survive the recent economic downturn and recession.

India has nearly 1.3 million MSMEs which account for almost 45% of the country's manufacturing output. They are dominant players in some of India's major export sectors, including textiles and garments; leather products; sports goods; gems and jewelry; and handicrafts, among others. They also contribute substantially in industrial goods segments in sectors such as electrical, engineering, rubber, and plastics.

Amongst the myriad problems faced by MSMEs, credit still remains the most significant issue. In most of the cases entrepreneurs find themselves stranded due to the lack of timely credit at appropriate rates of interest. While the Government has clearly identified this as an area of concern several years ago, very few initiatives have been taken to address this lacuna

Current Credit Facilities for MSME

Bank's lending to MSME engaged in the manufacture or production of goods is reckoned for priority sector advances. However, bank loans up to ₹ 5 cr per borrower / unit to Micro and Small Enterprises engaged in providing or rendering of services and defined in terms of investment in equipment under MSMED Act, 2006 are eligible to be reckoned for priority sector advances.

As per existing RBI policy, certain targets have been prescribed for banks for lending to the MSE sector. Banks have been advised to achieve a 20% year-on-year growth in credit to micro and small enterprises, a 10% annual growth in the number of micro enterprise accounts and 60% of total lending to MSE sector as on preceding March 31st to Micro enterprises.

In order to ensure that sufficient credit is available to micro enterprises within the MSE sector, banks are also required to ensure that:

(a) 40% of the total advances to MSE sector should go to micro (manufacturing) enterprises having investment in plant and machinery up to ₹ 10 lakh and micro (service) enterprises having investment in equipment up to ₹ 4 lakh;

(b) 20% of the total advances to MSE sector should go to micro (manufacturing) enterprises with investment in plant and machinery above ₹ 10 lakh and up to ₹ 25 lakh, and micro (service) enterprises with investment in equipment above ₹ 4 lakh and up to ₹ 10 lakh. Thus, 60% of MSE advances should go to the micro enterprises.

Public sector banks have been advised to open at least one specialized branch in each district. The banks have been permitted to categorize their MSME general banking branches having 60% or more of their advances to MSME sector, as specialized MSME branches for providing better service to this sector as a whole. As per the policy package announced by the Government of India for stepping up credit to MSME sector, the public sector banks will ensure specialized MSME branches in identified clusters/centres with preponderance of small enterprises to enable the entrepreneurs to have easy access to the bank credit and to equip bank personnel to develop requisite expertise. Though their core competence will be utilized for extending finance and other services to MSME sector, they will have operational flexibility to extend finance/render other services to other sectors/borrowers. As on March 2013 there were 2032 specialized MSME bank branches.

Cluster financing

Cluster based approach to lending is intended to provide a full-service approach to cater to the diverse needs of the MSE sector which may be achieved through extending banking services to recognized MSE clusters. A cluster based approach may be more beneficial (a) in dealing with well-defined and recognized groups (b) availability of appropriate information for risk assessment (c) monitoring by the lending institutions and (d) reduction in costs.

The banks have, therefore, been advised to treat it as a thrust area and increasingly adopt the same for SME financing. United Nations Industrial Development Organisation (UNIDO) has identified 388 clusters spread over 21 states in various parts of the country. The Ministry of Micro, Small and Medium Enterprises has also approved a list of clusters under the Scheme of Fund for Regeneration of Traditional Industries (SFURTI) and Micro and Small Enterprises Cluster Development Programme (MSE-CDP) located in 121 Minority Concentration Districts. Accordingly, banks have been advised to take appropriate measures to improve the credit flow to the identified clusters.

Banks have also been advised that they should open more MSE focussed branch offices at different MSE clusters which can also act as counselling centres for MSEs. Each lead bank of the district may adopt at least one cluster.

Collateral free loans from banks

The common hurdle faced in accessing credit comes from the obligation to provide a collateral security or a third party guarantee. In order to address this overbearing concern for credit the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) was set up by the Government of India and SIDBI (Small Industries Development Bank of India) in August 2000. This is the only credit guarantee institution in the country exclusively set up for the benefit of entrepreneurs in the MSE sector.

The Credit Guarantee Trust Fund promises collateral free credit for SMEs. The CGTMSE would provide cover for credit facility up to ₹ 100 lakh which have been extended by lending institutions without any collateral security and /or third party guarantees. A guarantee and annual service fee is charged by the CGTMSE to avail of the guarantee cover. Presently the guarantee fee and annual service charges are to be borne by the borrower. SMEs, both in the manufacturing and the services sector, excluding retail trade are the main beneficiaries.

Banks are mandated not to accept collateral security in the case of loans upto ₹ 10 lakh extended to units in the MSE sector. Banks may, on the basis of good track record and financial position of MSE units, increase the limit of dispensation of collateral requirement for loans up to ₹25 lakh with the approval of the appropriate authority.

With a view to facilitating credit flow to the MSME sector and enhancing the comfort-level of the lending institutions, the credit rating of MSME units done by reputed credit rating agencies should be encouraged. Banks are advised to consider these ratings as per availability and wherever appropriate structure their rates of interest depending on the ratings assigned to the borrowing SME units. Credit rating is not mandatory but it is in the interest of the MSE borrowers to get their credit rating done as it would help in credit pricing of the loans taken by them from banks.

More initiatives required

Government of India has been extremely alert and proactive. The Government's policy initiatives like enactment of the new Micro Small and Medium Enterprises Development Act, 2006, pruning of reserved SSI list, advising FIs to increase their flow of credit to the SME sector, are all initiatives towards boosting entrepreneurship, investment and growth. The schemes comprise of bank credit facilitation, Export credit Insurance, SME Credit Rating, Bill discounting schemes, Government stores purchase programme, infomediary services, facilitating marketing support, technology support and other support services.

The CGTMSE has made some progress in its 12 years of existence. However, given the size and scale of the SME sector in India, a much broader credit guarantee scheme with higher credit limits should be enabled by the Government of India to address the needs of the sector. However, given the size and scale of the SME sector in India, a much broader credit guarantee scheme with higher credit limits should be enabled by the Government of India to address the needs of the sector.

This initiative, coupled with defined mandates for banks to implement the scheme, could dramatically improve access to finance for SMEs that account for almost half of India's industrial output and exports. Japan and Korea, both with vibrant SME sectors, have outstanding SME credit guarantees in excess of 5% of their GDP, as compared to approximately ₹ 10,000 crore, accounting for less than 0.2% of GDP in India. Private sector participation of banks, insurance companies etc. in creating credit guarantee institutions can be encouraged once the business model is proved by the government-supported institutions. At the same time, RBI should actively encourage banks to give impetus to this product, in ways similar to the incentives provided to the housing finance by banks.

Bindhu Kutty

Direct Listing to SME Exchange

What does Direct Listing Mean?

Direct Listing is a process through which the shares of a company listed on the recognized stock exchange are directly listed on the other exchange without public offering. Direct Listing in India is precisely targeted at the companies listed on ailing regional stock exchanges to give them a new boost of life.

Regulatory Perspective

With the emergence of national stock exchanges having nation-wide presence (e.g. BSE, NSE), the Regional Stock Exchanges (RSEs) have been mostly defunct in recent years with either nil or negligible trading volumes. Investors in companies listed on such stock exchanges are therefore unable to find an exit route and realize fair market value of their investments. Also, such companies find it extremely difficult to raise fresh resources from the capital markets in the absence of inactive stock markets.

SEBI, on May 30, 2012 has given a clear verdict to RSEs that they should either meet the prescribed criteria such as minimum networth of INR 100 crore, else they will be compulsorily de-recognised. Since then, few RSEs have already been de-recognised and rest may follow the suit soon.

The flip side, however, is that the companies listed on RSEs would be impacted severely if they are not provided with an alternative liquid trading platform. There was a dire need to support the companies listed on the dormant RSEs. Considering the hardship being faced by RSE-listed companies and to protect investor interest, SEBI has permitted migration of RSE-listed companies on other operating stock exchanges through direct listing.

Direct listing route offers a certain path for such companies to remain listed and continue exploring the benefits of listed space through a simplified and facilitative framework put forward by the exchanges with nationwide presence.

BSE & NSE in action

With SEBI issuing guidelines in respect of the exit option to the non-operational RSEs, the option was provided to listed companies on such exchanges to migrate to any other recognized stock exchange. The move was primarily aimed at providing liquidity & visibility to such listed companies thereby giving them a new boost of life. Pursuant to SEBI guidelines, BSE and NSE released "Direct Listing Norms".

Many of the companies listed on RSEs are small and medium enterprises (SMEs). Thus, in order to offer the added benefits of SME platforms to these companies, BSE released norms for direct listing of such companies on BSE SME Exchange.

Direct Listing of RSE-listed Companies on BSE SME Exchange – Key Norms

Paid up capital	Min of ₹ 1 crs
	Max ₹ 25 crs
Profit making track record	Distributable profits for at least 2 out of 3 immediately preceding FYs
Net worth	Net worth (excluding RR) of at least ₹ 1 cr
	Net worth (excluding RR) of at least ₹ 3 cr if profit making track record not met
Public Shareholding	Compliance with the requirements of SCRA, SCRR & Listing Agreement
No. of public shareholders	Minimum 50
Trading in Demat	Minimum of 50% of the public shareholding to be held in demat
Listing Track Record	Listed on any recognized Stock Exchange
Information Memorandum	Information Memorandum as provided in Schedule II of Companies Act, 1956 as certified by the CS/ MD of the Company
Migration	Option to migrate to main board after 2 years of mandatory trading, provided it fulfills the norms of Direct Listing on the Main Board
Market Maker	To appoint a Market Maker for minimum period of 3 years from the date of listing on SME platform where Market Maker shall hold at least 5% of the issued capital of the company

Conditions to be satisfied:

- Company to be listed on a RSE
- Shareholders approval through special resolution
- Eligibility criteria laid down by the Exchange
- Compliance with public shareholding norms under SCRA, SCRR, and LA
- Shareholder's approval for delisting from all RSE
- Company should have its own website

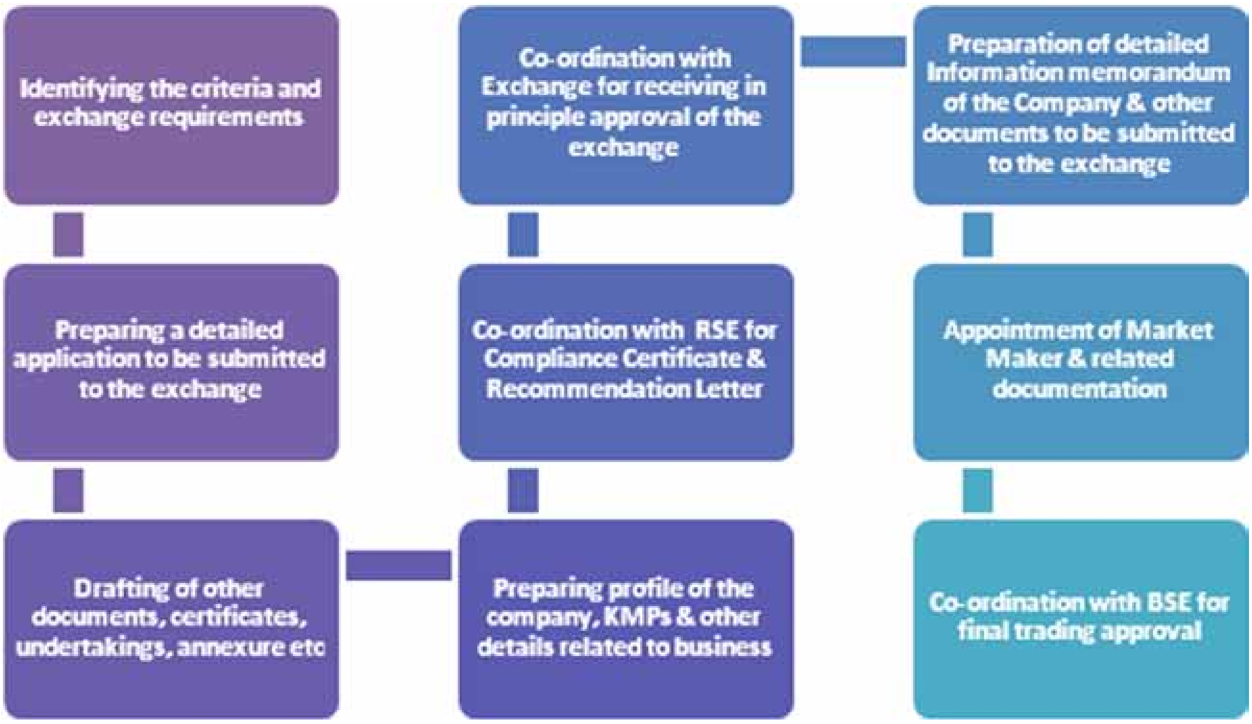
Confirmation from the RSE

- Entire issued capital of company is listed on RSE
- No pending investor complaint against the company
- Compliance with provisions of Listing Agreement, SEBI Regulations/ Circulars, SCRA & SCRR
- Not referred to BIFR
- No winding up petition against the company

Benefits of Migration to SME Exchange

- Direct listing route offers much required exit to the listed companies from illiquid RSEs. Direct listing provides access to nationwide platform of SME Exchanges with reach across the length and breadth of the country thereby offering higher visibility and profile building
- With simplified norms & eligibility criteria, it is much easier for companies to migrate to the SME Exchanges compared to Main Board and continue explore all the benefits of listed space including tax benefits
- SME Exchange offers compulsory liquidity support for 3 years through market making mechanism thereby promoting efficient price discovery and valuation benchmarking
- SME Exchange has lower listing fees, reduced compliance requirements and significant reduction in cost of recurring compliances and disclosures
- BSE SME also offers the option of migration to the Main Board upon completion of the prescribed period of two years

Direct Listing Process



Concluding Remarks

It is estimated that, out of more than 7000 companies listed on dormant RSEs, about 2000 companies have the potential to migrate to the SME Exchanges. Many of these companies listed on dying RSEs are likely to take shelter under the SME Exchanges with the newly-launched bourses permitting direct listing. Thus, with SME Exchanges having robust mechanism and fundamentally sustainable operating framework supported by SEBI, this route offers valuable opportunity and immense potential for SMEs to migrate to the nation-wide SME Exchanges and retain the benefits of listed space.

Rohit Nerurkar

Independent Directors - Role in Corporate Governance

The concept of independent directors traces its origin from the Sarbanes-Oxley Act 2002, of United States, which was passed in the wake of major corporate failures. In India, the concept of independent directors was first time given thought by Kumar Mangalam Birla Committee on Corporate Governance, which viewed the concept of corporate governance from the perspective of the investors and shareholders and intended to prepare a 'Code' to suit the Indian Corporate Environment.

In the year 2004, SEBI revised the governance norms as provided in Clause 49 of the Listing Agreement including those relating to independent directors. The concept of independent directors has found place in new Companies Act, 2013 for certain class of companies. The Companies Act, 2013 ("2013 Act"), attempts to crystallize the role of independent directors, aimed at ensuring higher standards of independence.

Who is an "Independent Director"?

Independent director means a director who is not connected or associated with the company in any manner and works only to safeguard the interest of members who individually cannot look after their interest. The concept of Independent director has been originated to drive the companies towards inculcating the concept of Corporate Governance in their Management.

As per definition given under Clause 49 of the Listing Agreement of the stock exchanges Independent Director means non – executive directors, who apart from receiving directors' sitting fee and meeting related expenses, do not have any material/ pecuniary relationship or transactions with the company, its promoters, its directors, its senior management or its holding company, its subsidiaries and associates, which in judgment of the board may affect independent judgment of such directors.

Role of Independent Director

One of the principle characteristics of efficient corporate governance is the ability of directors to independently approving the corporation's strategy and major decisions, independently hiring managers and monitoring their performance.

They are expected to be independent from the management and act as the trustees of shareholders. This implies that they are obligated to be fully aware of and question the conduct of organizations on relevant issues. An Independent Director is a person who:

- Brings an Independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct.
- Evaluates the Performance of Board and Management in meeting the agreed goals and objectives and monitor the reporting of performance.
- Balances the conflicting interests of the stakeholders.
- Safeguards the interests of all stakeholders, particularly the minority shareholders.
- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Determining appropriate level of remuneration of executive directors, KMP and senior management.

The evolution of the institution of independent directors has somewhere some link or something to do with the concept of corporate social responsibility. An independent director can counter-balance management weaknesses in a company, and ensure legal and ethical behaviour at and by the company. India has adopted a new Companies Act which has shareholder rights and democracy as its cornerstones. The Companies Act, 2013 envisages a much bigger role for independent directors as they are seen as a crucial link between promoters / management on one hand and minority shareholders / stakeholders on the other.

Key Provisions of the Companies Act, 2013 with respect to Independent Directors.

- ❖ Every listed public company must have at least one third independent directors
- ❖ In addition the draft rules provide that every other public company having paid up share capital of ₹ 100 Cr. or more; outstanding loans/ borrowings/debentures/deposits exceeding ₹ 200 Cr. also needs to comply with this provision
- ❖ Companies Act, 2013 also requires:
  - At least 1 independent director in CSR Committees (Applicable to companies with a ne profit of ≥ 5 Cr. OR net worth ≥ 500 Cr. OR turnover ≥ 1000 Cr.)
  - Majority of directors in audit committees to be independent directors (applicable to listed companies and companies prescribed by central government)
  - Half of directors in nomination and remuneration committees to be independent directors (applicable to listed companies only)

Term

- ❖ 5 years (Original term) + 5 years (additional term subject to special resolution). After expiry of term, individual ineligible for reappointment for 3 years.
- ❖ Tenure to be non-rotational

Remuneration

- ❖ Independent Directors ineligible for ESOPs under the Companies Act, 2013.
- ❖ By way of sitting fee, reimbursement of expenses for participation in meetings, profit related commission as approved by the members of the company

Liability of Independent Directors and Non-Executive Directors

- ❖ Liability of independent directors attaches when an act of omission or commission has occurred with his/her knowledge, attributable through Board processes, and with his/her consent or connivance or where he/she has not acted diligently.

Independent Directors – Code of Conduct

- ❖ Schedule IV of the New Act prescribes a Code of Conduct for independent directors
- ❖ Imposes significant duties on independent directors. For instance:

  (i) Satisfy themselves on the integrity of financial information

  (ii) Safeguard the interests of all stakeholders, particularly minority shareholders

  (iii) Report concerns of unethical behavior, fraud etc.
- ❖ Evaluation mechanism prescribed

Conclusion

Thus, it can be rightly said that an Independent Director ensures application of best management practices, compliance of law in true letter and spirit, adherence to ethical standards, distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders.

This becomes even more compelling in the context of a burgeoning Indian Economy with the unprecedented amounts of funds flowing into the companies from within and outside the country. With this growth of business interest, there is rise in expectations that Indian Companies would abide by the highest standards of corporate governance in a manner clearly demonstrable to the investors. There has been long standing demands for greater transparency in the functioning of Indian Companies which are now being met with through various proposals, amongst which is a greater role for independent director has been a welcome change.

Market Developments

- Captain Polyplast Limited engaged in the business of manufacturing and selling of quality Micro Irrigation Systems and allied products opened the issue for subscription on 26th November, 2013. The Issue was subscribed 1.40 times out of which Retail category was subscribed by 1.38 times while Non Retail Investors category was subscribed by 1.38 times.

- Jaisukh Dealers Limited engaged in the business of trading and distribution of sarees and other commodities in the textile market filed a draft prospectus for a public issue of ₹ 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.

- Currently 47 companies are listed on SME platforms of BSE and NSE as well as ITP.

Forth Coming IPOs

Name of the Company	Exchange	Issue Size (₹ crore)	Issue Price (₹ Per Share)
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
Polymac Thermoformers	BSE	7.70	35

Other Developments

Treat advances to medium units as priority sector loans: RBI

The Reserve Bank of India (RBI) said that banks could classify their incremental advances to medium enterprises, after November 13, as priority sector loans and also double the credit limit to micro and small units to ₹ 10 crore until March-end.

Both the facilities will remain in force till March 31, 2014, the RBI said. Due to the ongoing slowdown, micro, small and medium enterprises are feared to be facing a liquidity crunch.

The move by RBI would also incentivise banks, many of whom do not meet their priority sector lending targets every year, to lend to this sector and make their funds more productive.

Kerala government earmarks ₹ 500 crore for startups

In perhaps the first of its kind initiative in the country, Kerala government has set apart over ₹ 500 crore annually for providing world class ecosystem for the startups in the state.

Pointing that momentum is clearly shifting to Kerala to be the startup capital of the country, Kerala Chief Minister Oommen Chandy said there are over 1,400 product startups in Startup Village alone, which is the highest in the country for any incubator.

Companies are turning to data security startups to prevent theft of corporate info

As more employees carry their own computing devices to work, companies are turning to technology startups that provide data security and authentication services to prevent theft.

The trend known as Bring Your Own Device (BYOD) allows employees to use their personal devices such as tablets and smartphones to access company resources, including emails, databases and applications. While providing convenience, it also opens up security issues that companies have to address.

Non-corporates have an edge over corporates in MSME sector, Crisil research

CRISIL has analysed the performance of 9,200 micro, small and medium enterprises (MSMEs) based on their legal constitution during the year 2011-12 (refers to the financial year, April 1 to March 31). The analysis reveals that MSMEs operating as proprietorship concerns and partnership firms (referred to as 'firms') earn a higher return on capital employed (RoCE) then their corporate counterparts, largely private limited companies. Promoters of non-corporates largely deploy their funds in their business as unsecured debt, and therefore CRISIL has considered RoCE rather than return on equity (RoE) for this analysis.

CRISIL's analysis reveals that firms had lower operating profit (OPBDIT) margin of 6.30% during 2011-12 as against 7.91% for corporates. However, the firms registered higher RoCE of 16.94% compared with 15.04% for corporates. Firms have significantly lower average capital employed of ‘426 lakh as on March 31, 2012 as against ‘1,567 lakh for corporates, and therefore the firms generated higher rate of return on their capital.

Government sets up tool rooms to service MSME sector

The Central government has established 10 state-of-the-art tool rooms and training centres to help meet the tooling needs of manufacturing companies, especially in the MSME sector. These are a key requirement of manufacturers, and are expected to provide a fillip to MSMEs that lack these facilities in-house, says a recent issue of the CII publication, MSME Business.

The Central government is also assisting state governments to set up mini tool rooms on a cost-sharing basis. These tool rooms are highly proficient in tool and die-making technologies and promote precision as well as quality in the development and manufacture of sophisticated tools, dies and moulds.

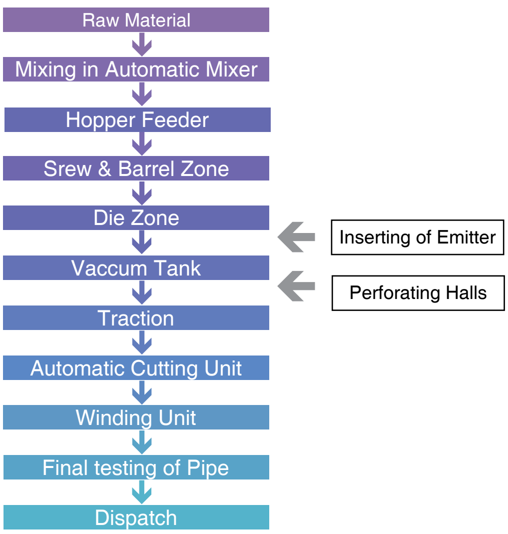
There are tool rooms supported by the MSME ministry at Hyderabad, Ludhiana, Kolkata, Jalandhar, Nagpur, Ahmedabad, Aurangabad, Indore, Jamshedpur and Bhubaneswar. In addition, there are tool rooms supported by state governments at Lucknow, Bangalore, Delhi, Mysore and Goa.

CAPTAIN POLYPLAST LIMITED (CPL)

CMP – ₹ 34.55

Captain Polyplast Limited (CPL) is engaged into business of manufacture & sale of quality Micro Irrigation Systems & allied products for more than a decade & half. Apart from manufacturing & selling of products, CPL also undertakes supply & installation of micro irrigation systems & provision of agronomical services to farmers. CPL has its own manufacturing plant located at Shapar, Rajkot-Gujarat with existing capacity of 6750 MT per year. The Product Range includes HDPE Pipes, Pipes Fittings & Irrigation Equipments including Drip Irrigation Systems, Sprinkler Irrigation Systems, Disc Filters, Screen Filters, Hydro-Cyclone Filters, Sand (Gravel) Filters, Compression Fittings, Valves (Electric & Mechanical), Fertilizer Tanks, Digital Controllers, Pressure Gauges, etc. The Company has entered into formal arrangements with 169 dealers and informal arrangements with a number of other dealers to market and sell products in 6 states viz. Gujarat, Rajasthan, Madhya Pradesh, Haryana, Punjab, and Maharashtra.

Manufacturing Process



As on September 30, 2013, CPL has 850 orders worth ₹ 489.30 lacs from Small/ Medium/ Large farmers details of which are as follows:

Types of Irrigation	Number of Orders	Amount (₹ in Lacs)
Drip Irrigation System	186	245.35
Mini Sprinkier Irrigation System	55	90.52
Sprinkier Irrigation System	609	153.47
Total	**850**	**489.30**

Key Highlights:

Diversified Product Portfolio: CPL's range of products allows existing customers to source most of their product requirements from a single vendor and also enables to expand business from existing customers, as well as address a larger base of potential new customers.

Experienced Management Team: CPL is managed by experienced & professional personnel with exposure in various aspects of Pipes & Irrigation industry. The Promoter and Founder has more than 2 decades of experience in marketing & manufacturing pipes and irrigation related products.

Strong Marketing & Distribution Network: The success of CPL depends upon strong Marketing and distribution network in Project Market where the Company directly approaches the farmers for installation of MIS after analyzing and studying their requirements.

Key Challenges:

- CPL has high working capital requirements which can have adverse effects on business, financial conditions and results of operations.
- Micro Irrigation Industry is highly dependent on subsidy policy by the central & state government. Withdrawal of Government Subsidies could adversely affect CPL's operations.

Stock Info	
Sector	Plastic Products
MCap (₹ cr)	25.79
Book value (₹ cr)	50.09
52 week High/Low	38.15/33.00
Face value (₹)	10

Issue Proceeds
To Fund Expansion Plans
General Corporate Purposes
To meet the issue expenses

Relative Valuation

Captain Polyplast has registered a topline CAGR of 22% from FY09 to FY13. CPL having lower Inventory Days as compared to its peers is an added advantage meaning the amount of inventory sitting in stock is renewed quickly. Compared to its peers, CPL is a small player but is in a better position with higher ROE and ROCE and hence considering the relative valuations of the Issue appears to be reasonably priced. Volume growth will be the key focus to company's future prospects.

Financials (₹ In Cr)

Half Yearly '13	CPL	JISL	EPC
Sales	38.2	1807.8	86.8
EBITDA%	12.6	17.2	7.5
PAT%	2.8	-	4.9
ROCE%	15	4.7	4.2
ROE%	9.1	-	3.9
Debtors days	296	300	264
Inventory days	113	500	183
Creditors days	220	230	75
Interest coverage	1.51	0.43	6.10
Debt/ Equity	1.26	1.32	0.12
EPS (Rs.)	5.01	(2.45)	1.55
P/E	6.9	-	62.6

JISL – Jain Irrigation Systems Ltd
EPC – EPC Industries Ltd

Block Deal & Bulk Deal

BLOCK DEAL

It is a single transaction of a minimum quantity of 5 lakh shares OR a minimum value of ₹ 5 crore, between two parties which are mostly institutional players. The transaction happens through a separate trading window on the exchanges. The deals happen in the beginning of trading hours for a time span of 35 minutes starting from 9:15 AM till 9:50 AM.

Block Deal Order – Attributes

- Minimum quantity of 5 lakh equity shares or minimum value of ₹ 5 crore
- All trades settled on a trade-to-trade basis. Every trade to result in delivery and such orders cannot be squared off or reversed.
- Share price should be in the range within +1% to -1% of the last traded price
- Transparent disclosure of transaction details by the broker to the exchange immediately. The exchange to furnish such information to the public markets on the same day after the closing of trading hours.
- Orders with the same price and quantity will match on time
- Allowed only in Cash segment.

Order Matching for block deal orders

Block deal order for scrip should be within range of (+/-) 1% from the ruling market price (i.e. last traded price) or the previous closing price (if there is no trade executed in the scrip before entering of the block deal order) subject to the applicable price band for the scrip.

For block deal order to get traded, the quantity and rate should be exactly the same as opposite-side block deal order. Block deal orders will be matched against the counter order with same quantity and rate on a time priority basis. Block deal order remains valid in the system for 90 seconds only, after which it gets killed if remains unexecuted.

In case of very liquid scrip if the LTP of the scrip changes in such a way as to make the already entered block deal order ineligible in terms of the +/-1% LTP criterion pending block deal order will not match with the counter block deal order although rate & quantity of both orders match with each other. The trader has to modify price of the pending block deal order to make it eligible for execution. If price is not modified within 90 seconds of order entry time, order will be killed.

Block deal is considered for displaying day high, day low, total traded quantity, value and number of trades. However, block deal transactions executed in scrip are not considered for updating of Last Traded Price (LTP), opening price & closing price.

BULK DEAL

A bulk deal is said to have happened if under a single client code and in a single or multiple transactions more than 0.5% of a company's equity shares are traded. A bulk deal can be implemented within the trading hours at any point of time. The broker, who facilitates the trade, is required to inform the stock exchange about the bulk deals on a daily basis though Data Upload Software (DUS).

The orders in a block deal are not shown to the people who trade from normal trade window. Bulk orders, on the other hand, are visible to everyone.

Bulk deal Attributes:

- The order should comprise of buying/selling of at least 0.5% of the total number of equity shares of a company, listed in a particular 'scrip' or exchange.
- The broker who manages and implements the trade transaction is solely responsible for notifying about the bulk deals on a daily basis to the particular exchange. The broker is supposed to supply the exchange with the following details and attributes of the order:

  Name of the scrip, name of the client, quantity of shares bought/sold and the traded price.

  a. If the bulk deal comprises of a single trade transaction: The broker has to notify exchange immediately.

  b. If the bulk deal comprises of multiple transactions: The broker should notify the exchange within one hour from the closure of the trading.
- The trade executed must result in delivery and shall not be squared off or reversed.
- According to SEBI, optimal trading and settlement activities, surveillance and risk regulation measures which are applicable to common trading activities are applicable and exhibited in the trading windows also.
- The exchange has to 'disseminate' or share the entire information about the bulk deal in the public market after the closing of trading hours on the same day of the implementation of the bulk deal.

Major Participants

Though institutional players such as banks, financial institutions, insurance companies, mutual funds, FIIs are the major participants in bulk and block deal segments, occasionally super HNIs also get involved in these deals.

Block & bulk deals sometimes give trading cues to investors. However, such deal does not necessarily mean that the stock price of the specific stock will go up. For a better viewpoint one must check the details of the buyer and the seller. A continuous bulk deal in any share with high volume and high pending shares indicates price appreciation in future. However, one must be cautious, as many of these shares are operator driven. Investors should study the fundamentals of the stock and its performance over the years, among other things. Investors should also understand their risk appetite before investing.

WHAT'S IN PRESS?

Various banks assure easy credit to MSMEs: KH 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 ₹ 25 lakh would be available without bank guarantees under a scheme of the UPA government, reports media.

Leading banks have assured they will facilitate easy flow of credit to small units, under schemes like Credit Guarantee Scheme, Minister of State (Independent Charge) for MSME KH Muniyappa said.

"We had a meeting with heads and representatives of various banks today and they have assured us that they will help ensure easy flow of credit to SMEs and help implementing schemes like Credit Guarantee Scheme and Prime Minister's Employment Generation Programme (PMEGP)," Muniyappa said.

Over 25 banks, including SBI, Canara Bank and United Bank were part of the meeting.

Under the PMEGP, urban and rural entrepreneurs in the general category can avail a subsidy of 15 per cent and 25 per cent on the project cost. In the case of weaker sections of society, a 25 per cent and 35 per cent subsidy is provided to urban and rural businessmen.

"Timely implementation of these schemes would help in the overall growth of the sector," Muniyappa said.

"Under PMEGP, the ministry has set a target to set up additional 5 lakh enterprises and create 40 lakh jobs in the 12th Plan," Muniyappa said, adding "We have instructed banks to achieve the year's target of 1 lakh cases before this month end, under PMEGP."

Since inception of PMEGP in 2008-09, around 2.21 lakh enterprises were set up which provided employment to 20.3 lakh people. The scheme is aimed at generating employment through setting up of micro enterprises, including rural industrial units.

While the credit guarantee scheme provides guarantee cover of up to 85 per cent on collateral free credit facility is extended by lending institutions to new and existing units for loans up to ₹ 100 lakh.

To review the progress, the ministry would convene a meeting of bankers in January, Muniyappa said.

To ensure enhanced credit flow, the Prime Minister's Task Force on MSMEs had recommended 20 per cent year-on-year growth in credit to micro and small enterprises (MSEs).

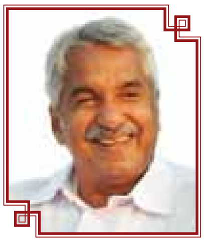
However, Micro, Small and Medium Enterprises (MSMEs) have been facing difficulties in getting easy access to loans.

The sector contributes over 8 per cent to the country's Gross Domestic Product (GDP) and accounts for 45 per cent of the manufacturing sector. There are around 3.6 crore such enterprises, employing over 8 crore people.

In the 12th Five-Year Plan, the Budget allocation for the sector has been more than doubled to ₹ 24,000 crore from ₹ 11,000 crore in the last plan period.

Source: Economic Times

QUOTES



The Kerala government has earmarked 1% of the state budget for young entrepreneurs. This comes to over ₹ 500 crore annually and will be invested to provide a world class ecosystem for our startups, including angel funding.

Oommen Chandy
Chief Minister, Kerala

We had a meeting with heads and representatives of various banks today and they have assured us that they will help ensure easy flow of credit to SMEs and help implementing schemes like Credit Guarantee Scheme and Prime Minister's Employment Generation Programme (PMEGP).

K H Muniyappa
MSME Minister

UNIDO certainly can provide technical cooperation programme and advisory services to support the country's (India's) programme like supporting SMEs, energy efficiency and renewal energy to be used for industrial development.

Li Yong
Union Minister of State of MSME

SME MARKETS STATISTICS

Sl No	Company	Closing#	%Returns*	52 Week High	52 Week Low
1.	Anshus Clothing	10.60	-60.74	18.50	10.60
2.	BCB Finance	25.20	0.80	27.50	24.50
3.	Bronze Infra	17.30	15.33	17.50	5.80
4.	Comfort Commotrade	26.80	168.00	45.95	16.00
5.	Jointeca Education	13.50	-10.00	16.00	13.50
6.	Jupiter Infomedia	28.80	44.00	29.15	23.30
7.	Max Alert	105.90	429.50	125.00	69.00
8.	Looks Health	435.00	987.50	437.00	83.00
9.	RCL Retail	37.85	278.50	42.25	7.55
10.	Sangam Advisors	22.50	2.27	25.85	19.00
11.	SRG Hsg Fin	107.00	435.00	110.00	20.95
12.	Eco Freindly	109.00	336.00	109.00	21.10
13.	Esteem Bio	101.00	304.00	104.00	25.25
14.	Sunstar Realty	67.50	237.50	67.50	21.20
15.	Kavita Fabrics	44.90	12.25	45.25	33.60
16.	Channel Nine	68.85	175.40	68.85	26.25
17.	Bothra Metals	28.50	14.00	34.20	24.85
18.	GCM Securities	280.00	1300.00	341.20	65.00
19.	Ashapura Intimates	96.15	140.38	101.00	46.40
20.	Samruddhi Realty	32.00	166.67	42.48	10.62
21.	Lakhotia Polyesters	35.90	2.57	36.60	33.85
22.	HPC Biosciences	142.80	308.00	142.80	37.25
23.	Onesource Techmedia	6.00	-57.14	13.00	3.95
24.	India Finsec	11.65	16.50	19.40	9.55
25.	eDynamics Solutions	61.60	516.00	84.85	25.40
26.	Money Masters Leasing & Finance	13.95	-7.00	19.65	13.95
27.	Alacrity Securities	7.50	-50.00	13.25	6.10
28.	GCM Commodity & Derivatives	12.00	-40.00	21.25	10.15
29.	Kushal Tradelink	35.00	0.00	49.00	34.00
30.	Siverpoint Infratech	7.20	-52.00	14.80	7.20
31.	VKJ Infradevelopers	38.05	153.67	58.90	15.55
32.	Tiger Logistics	64.45	-2.35	81.00	57.00
33.	RJ Biotech	32.85	64.25	48.75	21.00
34.	Ace Tours Worldwide	25.90	61.88	47.25	19.50
35.	VCU Data	32.50	30.00	52.20	31.10
36.	Amrapali Capital	101.00	1.00	103.00	100.00
37.	Newever	32.75	227.50	35.50	12.20
38.	Stellar Capital	12.55	-37.25	21.10	12.55
39.	Subhtex	18.15	81.50	18.35	12.00
40.	Captain Polyplast	34.55	15.17	38.15	33.00
41.	Thejo Engineering	200.00	-50.25	405.00	199.00
42.	Veto Switch Gear	59.00	18.00	60.50	50.10
43.	Opal Luxury	118.00	-9.23	135.00	97.60
44.	Mitcon Consultancy	47.40	-22.30	60.00	37.95

*Absolute returns since IPO. # Closing prices as on 13th December, 2013

GLOBAL SME MARKET

	Closing #	% Returns YTD
BSE SME IPO	450.85	227.22%
TSE MOTHERS	933.47	124.91%
CHINEXT PRICE INDEX	1,278.14	81.21%
FTSE AIM All Share Index	824.87	15.21%
TSX Venture Composite	886.09	-28.53%
Hong Kong GEM Index	464.58	21.78%

Closing Values as on 13th December, 2013

MARKET WATCH

Particulars	Bothra Metals & Alloys	Tiger Logistics	RJ Biotech	Ashapura Intimates	RCL Retail	SRG Housing	Eco-friendly	Sunstar Realty	VCU Data	Amrapali Capital
A. Valuation / Market Cap										(₹ 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*	52.77	27.24	31.10	187.18	46.59	86.46	107.98	134.53	50.38	96.98
B. Price Pattern										(₹ 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 ₹ 10)*	28.50	64.45	32.85	96.15	37.85	107.00	109.00	67.50	32.50	101.00

Particulars	Channel Nine	Max Alert	Samruddhi Realty	HPC Biosciences	Anshu Clothing	Jupiter Info	Ace Tours Worldwide	Newever Trade	Stellar Capital	Captain Polyplast
C. Valuation / Market Cap										(₹ Crore)
Pre Issue Net Worth	5.56	7.10	4.39	4.80	12.70	2.00	8.71	17.53	27.84	7.36
Issue Size	11.67	8.00	2.60	15.75	5.10	4.10	8.00	6.30	9.00	5.94
Market Capitalization*	106.78	97.42	22.40	227.05	28.99	10.05	32.82	78.42	20.78	25.79
D. Price Pattern										(₹ per Share)
Issue Price	25.00	20.00	12.00	35.00	27.00	20.00	16.00	10.00	20.00	30.00
CMP (Face Value ₹ 10)*	68.85	105.90	32.00	142.80	10.60	28.80	25.90	32.75	12.55	34.55

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										(₹ 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*	150.67	83.04	15.75	67.92	39.63	14.25	19.97	98.30	34.34	57.35
F. Price Pattern										(₹ 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 ₹ 10)*	101.00	35.00	7.50	38.05	118.00	7.20	18.15	59.00	200.00	47.40

*Closing prices as on 13th December, 2013

UPCOMING EVENTS

Name of Event	Place	Date	Organizer
Maharashtra Industry & SME Summit	Mumbai	18 January, 2014	SME Chamber of India
Rajkot Industry & SME Summit	Rajkot	24 January, 2014	SME Chamber of India
India SME Banking Conclave	Mumbai	February 2014	SME Chamber of India
Annual Flagship Activity -			
Madhya Pradesh Industry & SME Summit	Indore	February 2014	SME Chamber of India
Annual Flagship Activity -			
Gujarat Industry & SME Summit	Ahmedabad	February 2014	SME Chamber of India
Gujarat SME Excellence Awards	Ahmedabad	February 2014	SME Chamber of India
SME Finance & Investment Summit	Mumbai	March 2014	SME Chamber of India

EVENT - MEDIA COVERAGE

BSE SEMINAR ON LISTING OF SMES HELD AT CHANDIGARH ON NOVEMBER 22, 2013

SME Capital Market Watch

MR. DEEPAK SHARMAA, SARTHI GROUP MD – FEATURED INTERVIEW IN DALAL STREET INVESTMENT JOURNAL, DEC 2013 EDITION

SMALL-CAP
INTERVIEW

Facilitating SME Growth

Deepak Sharmaa, Group Managing Director at **Sarthi Advisors** in an interview with **Shailendra Lotlikar** talks about his business model and the experience of being one of the top three merchant bankers on the SME platform in the country

Please take us through your business model?

At Sarthi our focus has been only the small and medium enterprises. We believe that this is a path less travelled and we have put our business around it. We started off with investment banking and while we kept building on the investment banking side, we also did quite a few deals that involved buy outs, sell outs and raising funds through PEs. After that we added the advisory services arm and also got the license of becoming an investment banker in December 2012. We also have an angel fund that we have launched this year. We are one of the top three merchant bankers in the BSE SME segment.

There are a huge number of SMEs. You said that you are selective, so do you follow the top down approach?

The deal size of three to eight million is a very primary factor that will give us the kind of focus to work. But definitely, what we chase around is a good business model, promoters and scalable business plans.

The biggest fear about SMEs is transparency. That is where the merchant bankers come into play as you become the face of the company.

I agree with you that the merchant bankers are the brand ambassadors of the issue. However, it is not a single person or market participant's job. It is a collective process where, from the regulator to policy makers to exchanges to the merchant bankers everybody has to work together. As I told you we are a bit selective on choosing our clients and that will be the differentiator over a period of time.

So do you approach the companies that this is an avenue to raise risk free capital or are the companies becoming aware in this respect?

We have been operating in this field for quite some time and we have a set of people with whom we deal day in and day out. So there was an initial push to make them go public.

What is your take on the maturity level of the Indian Promoters to handle the pressure of being a publicly listed company?

Awareness at the promoter levels is not that strong. Definitely that is also evolving.

How fast are we evolving as a business model on taking SMEs to the markets?

We are very dedicated.

How much money have you helped raise until now?

As mentioned earlier, we have done three issues and helped raise around ₹25 crore.

After listing how co-operative have these SMEs been in continuing a relationship?

Normally the mandates are prefixed. It is not just upto the listing. The kind of action plan that we have includes post listing matters also. The idea is to create value out of the listing and make the investors benefit out of it. That is what has been keeping us busy in this kind of market too.

What is your take on the liquidity concerns?

This is a role of the market makers and the merchant bankers together. Initially there are concerns about liquidity, but as and when the awareness improves this issue will be addressed as well. ■

> We believe that this is a path less travelled and we have put our business around it. We started off with investment banking and while we kept building on the investment banking side, we also did quite a few deals that involved buy outs, sell outs and raising funds through PEs.

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SARTHI

Bridging the Gap

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