

# How to Improve Access to Finance

## *With Special Reference to SMEs*

### On Equity Capital Markets Access by SMEs

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## Capital Markets

**1. Definitions..** “ At present, a small scale industrial unit is an undertaking in which investment in plant and machinery, does not exceed Rs.1 crore, except in respect of certain specified items under hosiery, hand tools, drugs and pharmaceuticals, stationery items and sports goods, where this investment limit has been enhanced to Rs. 5 crore.”

## **2. Bombay stock exchange pioneers SME Exchange ([WWW.BSESME.COM](http://WWW.BSESME.COM))**

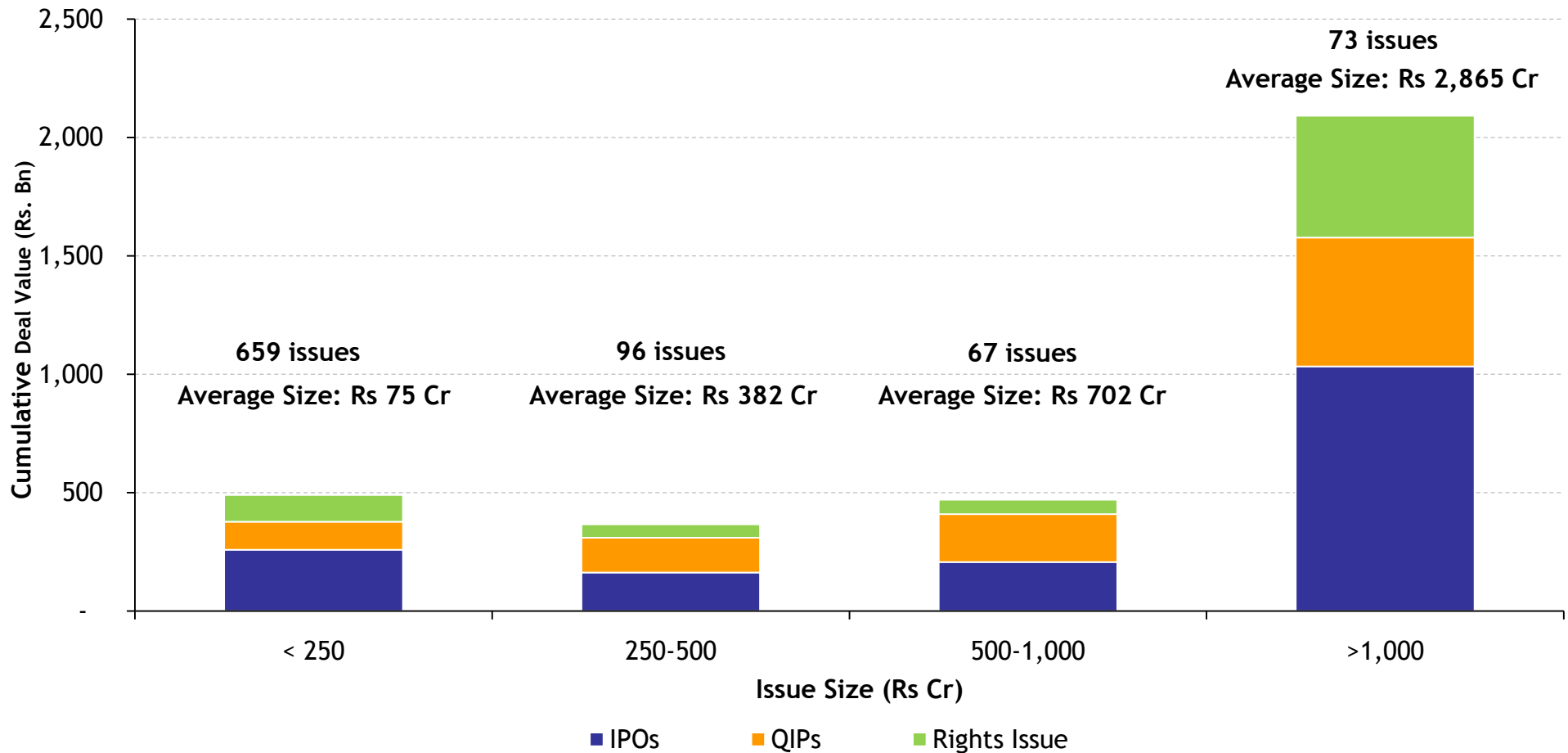
- ✓ An Issuer with post-issue face value capital between Rs.10 Crores to 25 Crores may get listed on either SME Exchange or Main Board

## Recent Relative Underperformance of Indian Equities

Annualised Returns Across Asset Classes	5 Yr	10 Yr	20 Yr
BSE Sensex	-3.5%	17.5%	9.8%
BSE Sensex (With Dividends)	-2.4%	18.6%	10.5%
BSE Sensex \$ Return	-8.3%	16.9%	6.2%
Fixed Income	8.0%	7.7%	9.9%
Gold	22.5%	18.5%	11.9%

# FY02 to FY12: ~900 Primary Issues\* Raising ~ Rs 3.5 Lakh Crore

75% of the Issues in < Rs 250 Cr Size

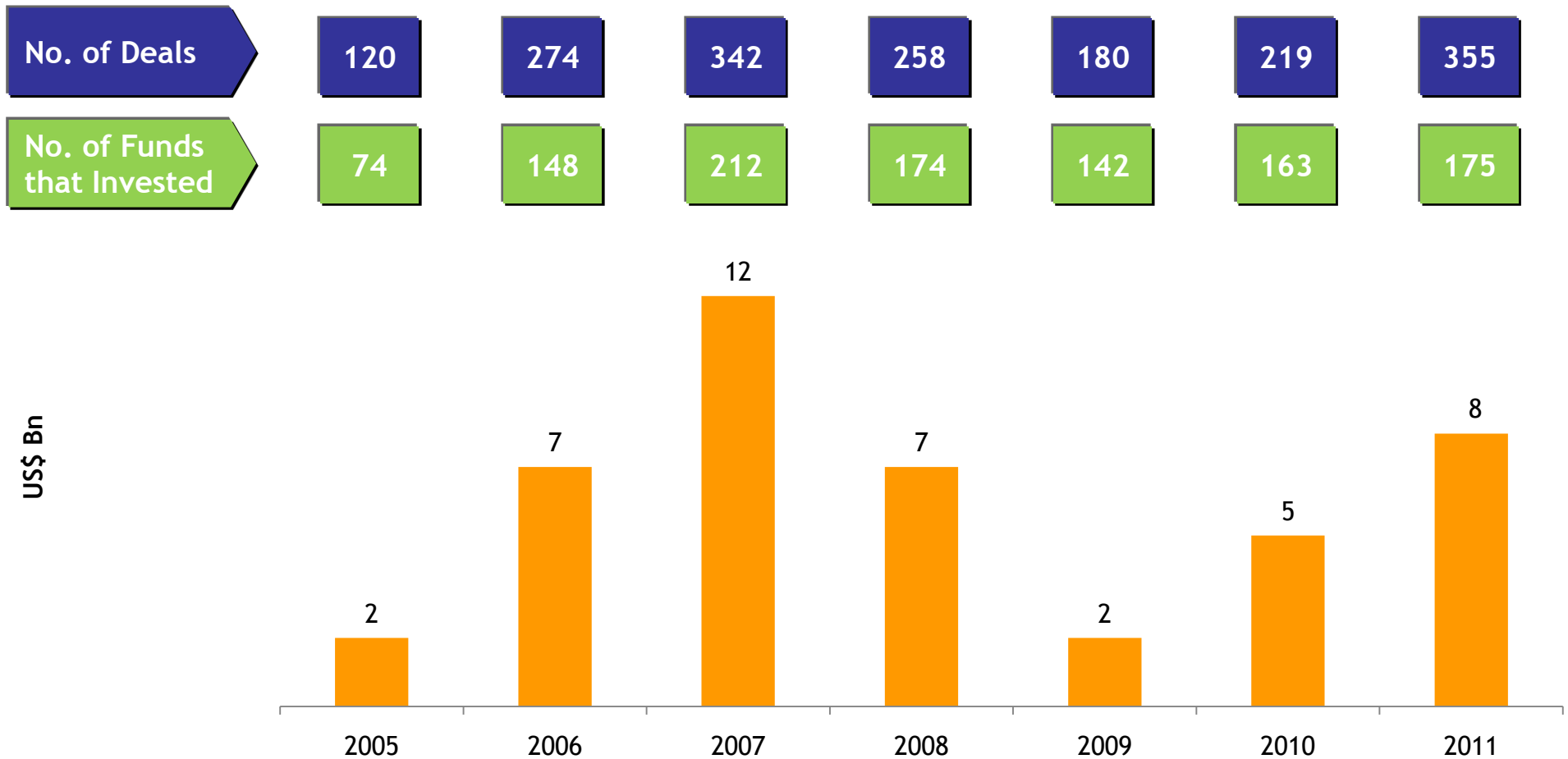




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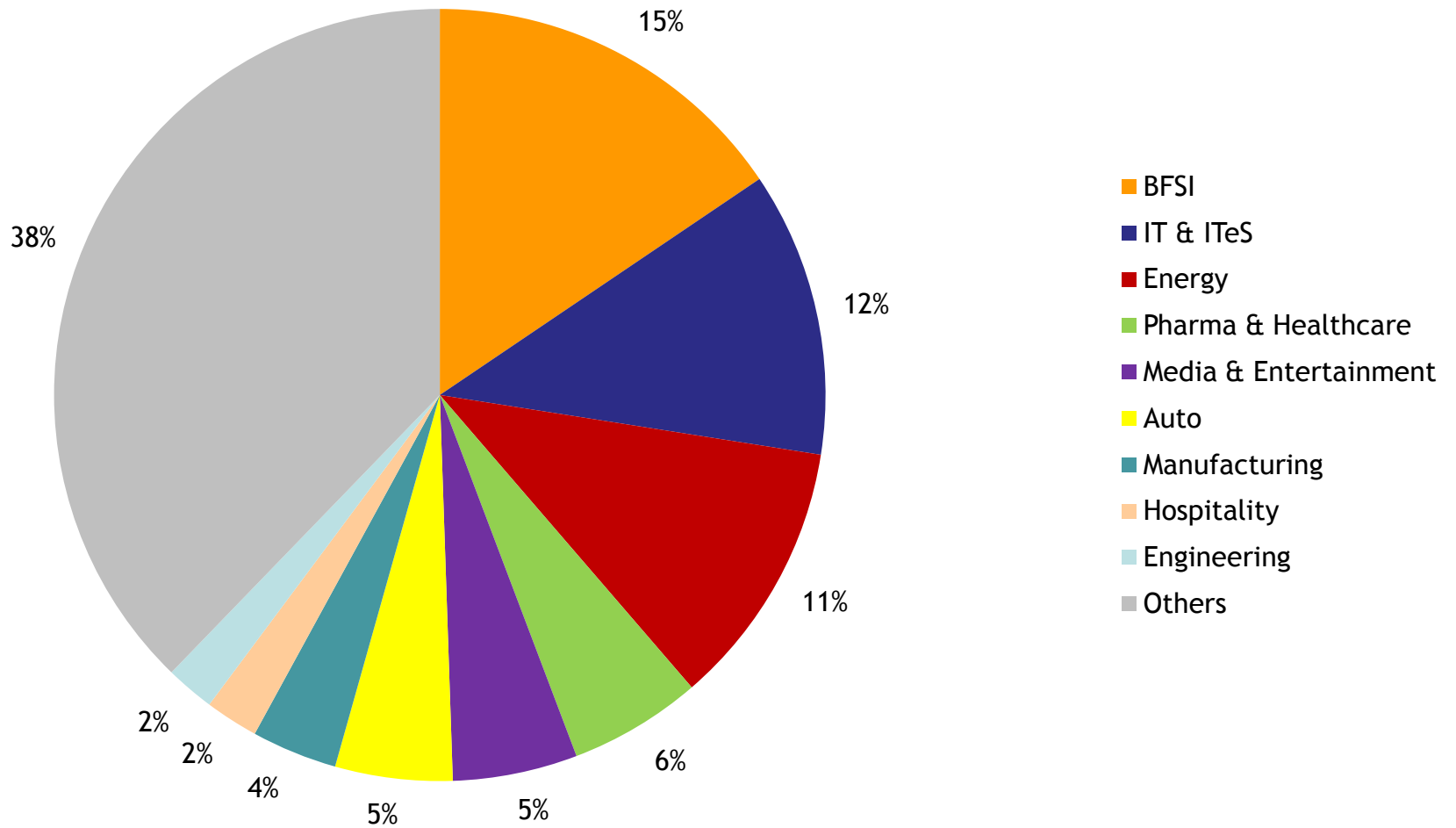
## PE / VC Investments

# ~US\$ 40 Bn PE/VC Investment in Non-Real Estate Sectors over 2005-11



*~80% of the deals in <US\$ 100 Mn range, ~40% of the deals in <US\$ 50 Mn range*

## ...Of which >26% into BFSI and Energy

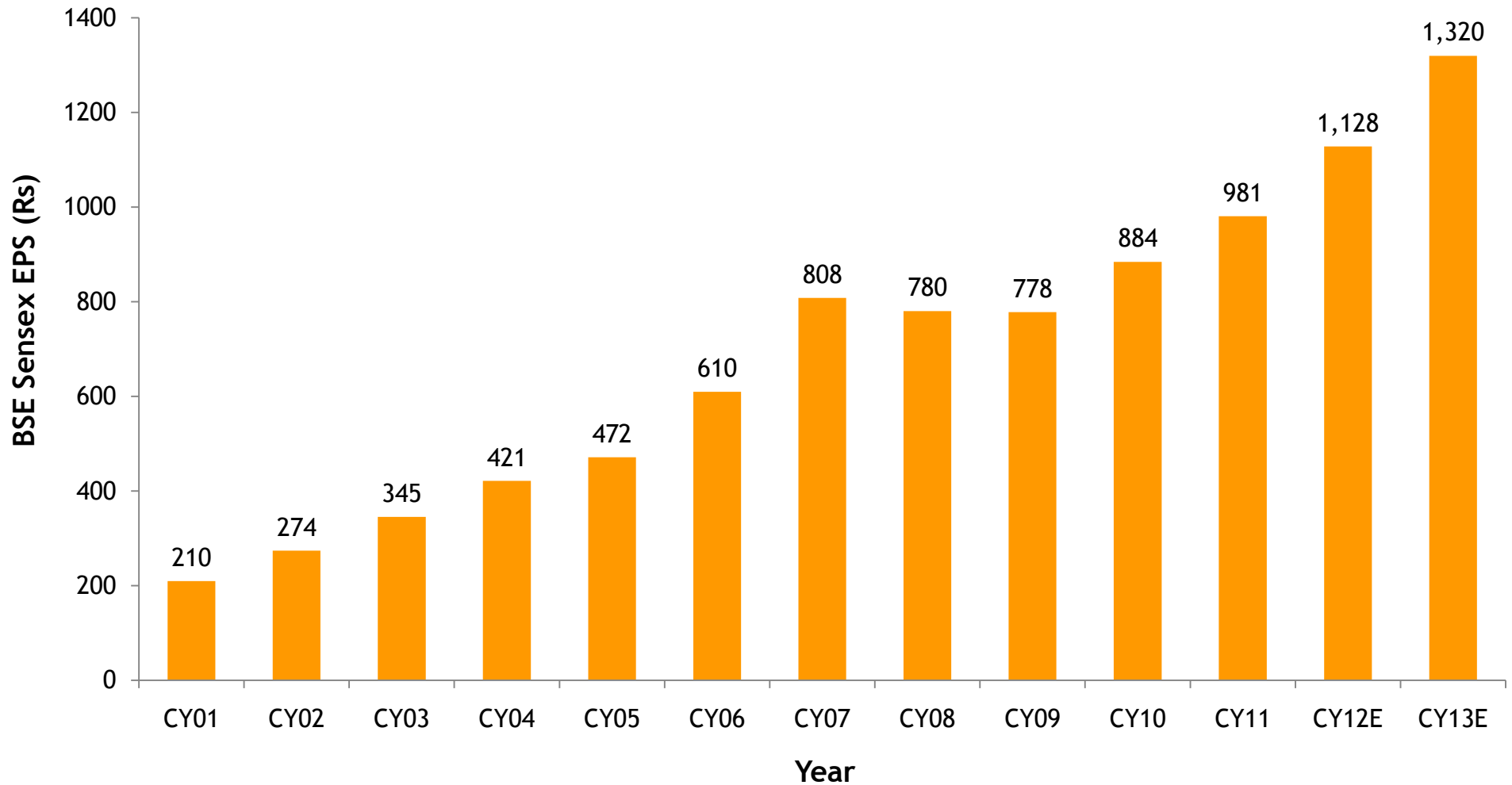




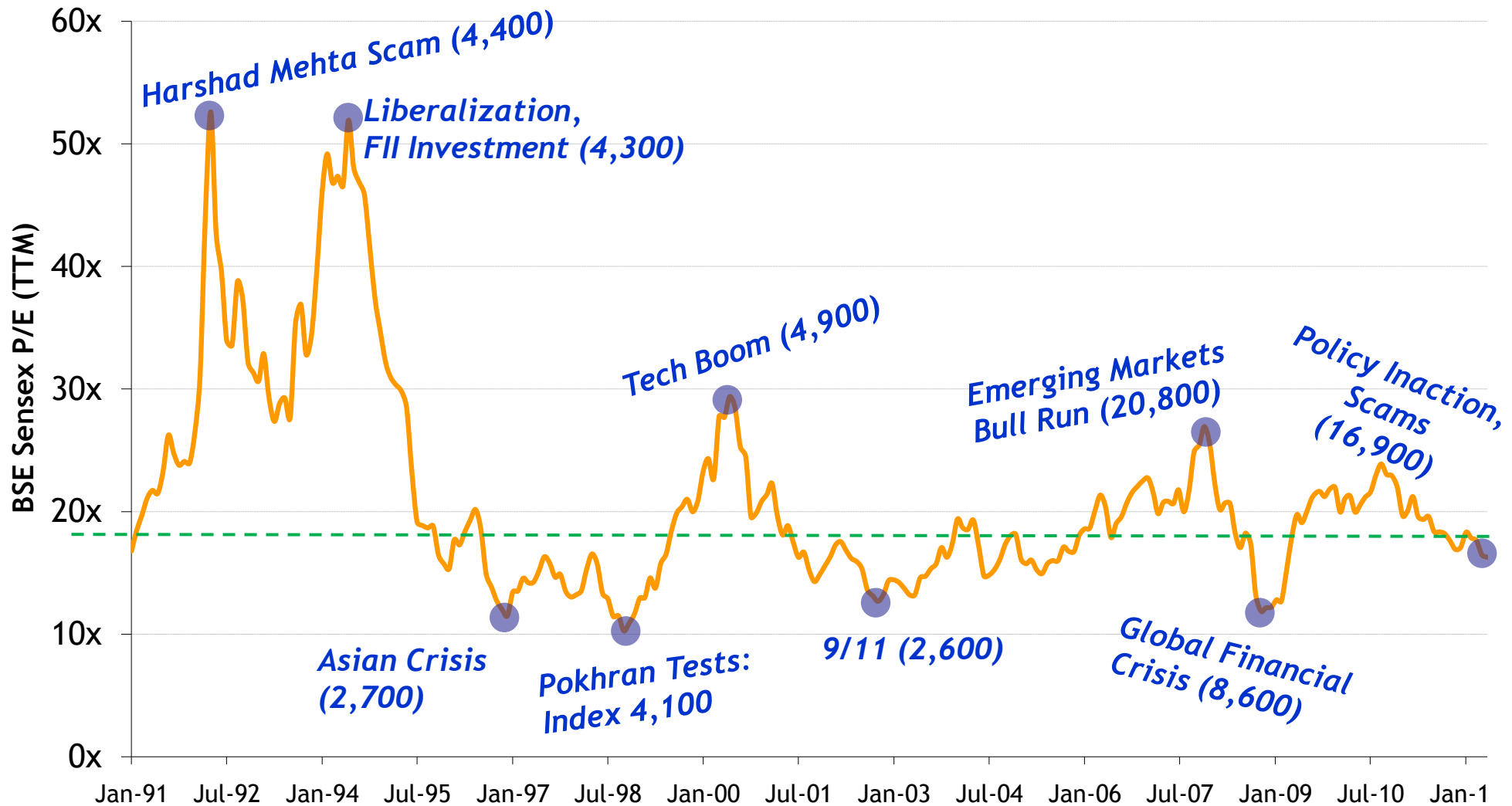
## Primary Market Fund Raising Over Last 5 Years

Rs Cr	IPO	QIP	Rights	GDR/ADR	Total
FY08	778	25,770	27,586	30,949	85,083
FY09	2,034	189	12,622	893	15,738
FY10	24,948	43,968	8,321	18,740	95,977
FY11	33,183	24,550	9,594	4,957	72,284
FY12	10,465	1,713	2,375	1,844	16,397
<b>Total</b>	<b>71,408</b>	<b>96,190</b>	<b>60,498</b>	<b>57,383</b>	<b>285,479</b>

## Sensex EPS CAGR ~7% over 2007-12



# BSE Sensex P/E - Back in the “Buy” Zone



## Net Institutional Flows into Indian Equity Markets

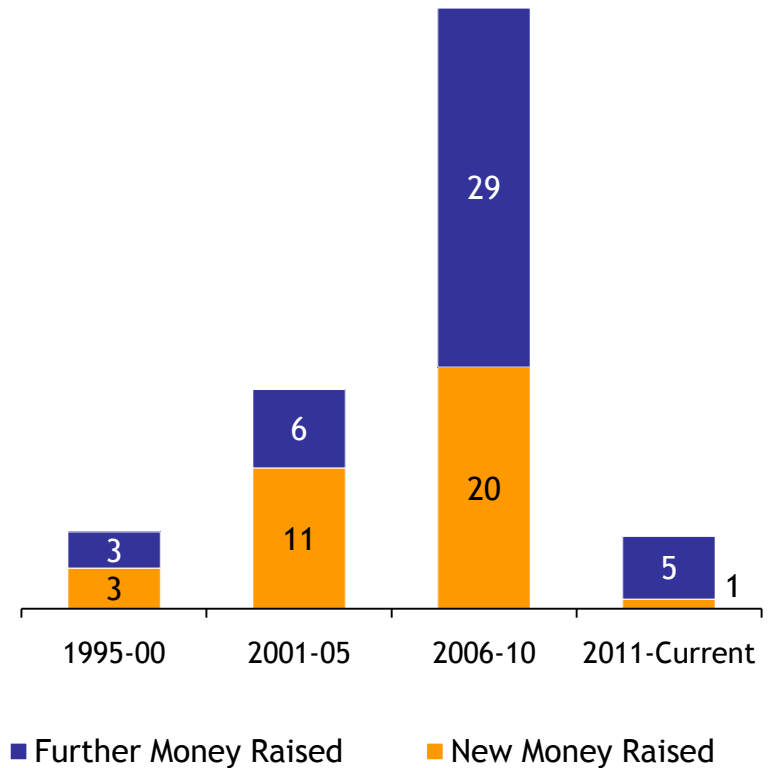
US\$ Mn	FII	MF	DII
FY01	2,138	(494)	
FY02	648	(678)	
FY03	5,439	(369)	
FY04	6,958	234	
FY05	8,425	80	
FY06	6,525	2,554	
FY07	12,765	1,618	
FY08	(9,462)	(2,912)	7,275
FY09	14,897	1,247	10,722
FY10	23,798	(1,877)	4,301
FY11	(485)	(3,567)	(3,341)
FY12	7,650	719	(880)

# Case Study: AIM...

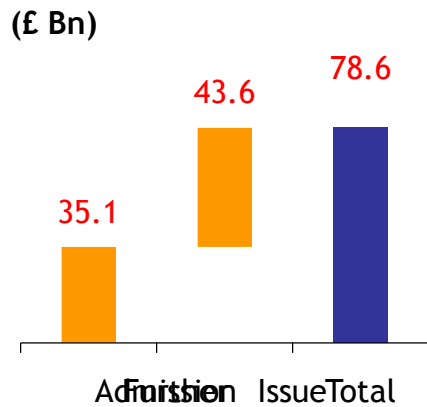
## Key Statistics - as at May 2012

Number of AIM companies	1,114
International companies	224
Aggregate market value	£64.1 Bn
Market value - International companies	£29.7 Bn

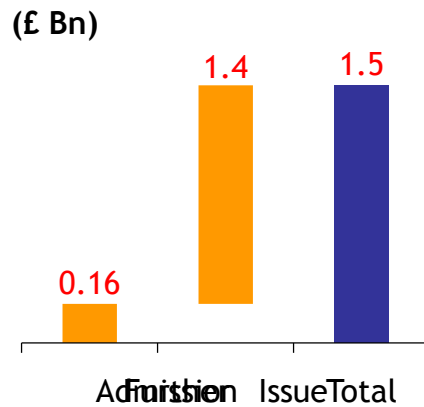
## Fund Raise & Market Value (£ Bn)



## 3,318 Admissions Since Launch

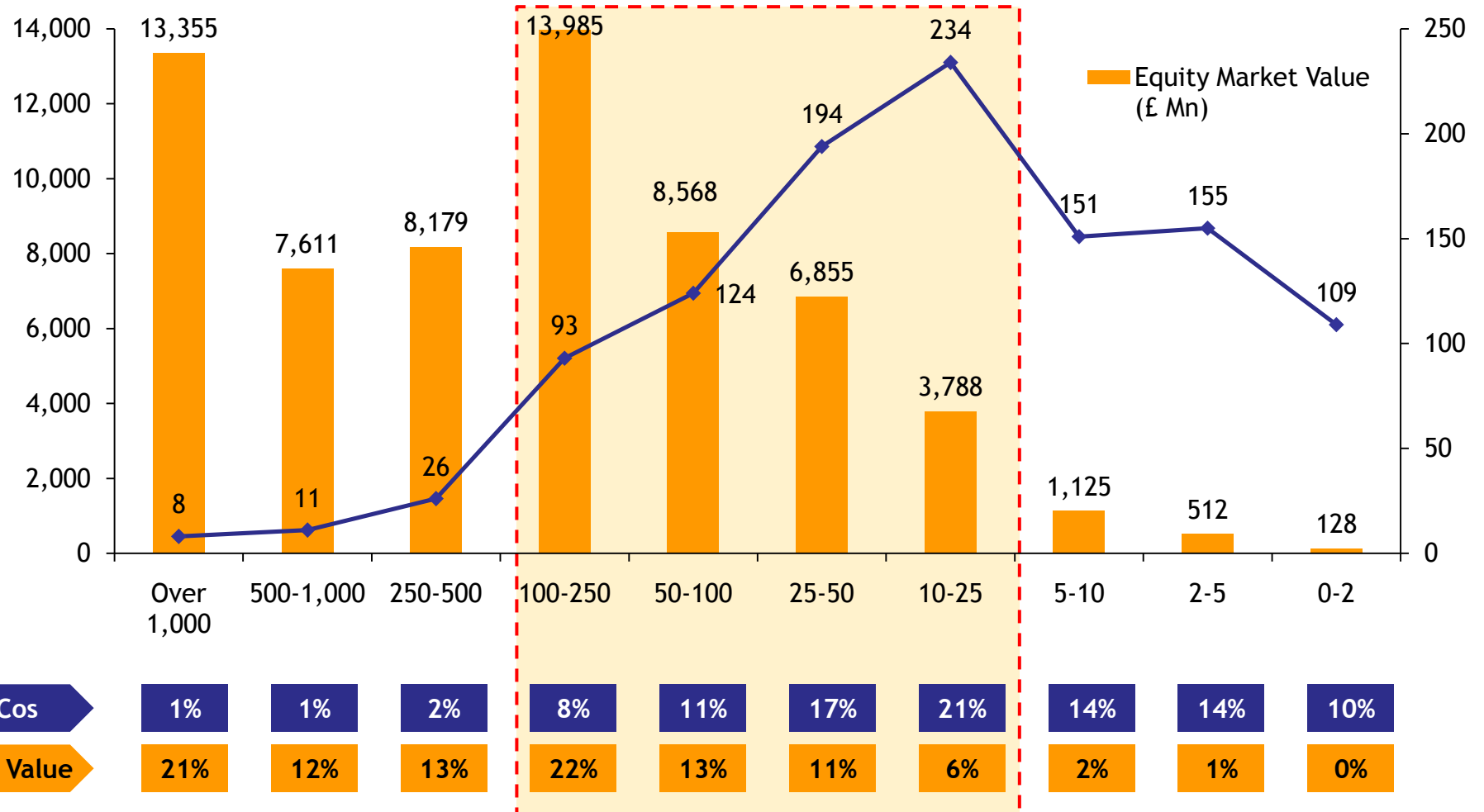


## 28 Admissions in CY2012 (Till May)



# ...Attractive Listing Option for Young Companies

~60% of Companies and ~50% of Market Value Derived from £ 10-250 Mn Companies



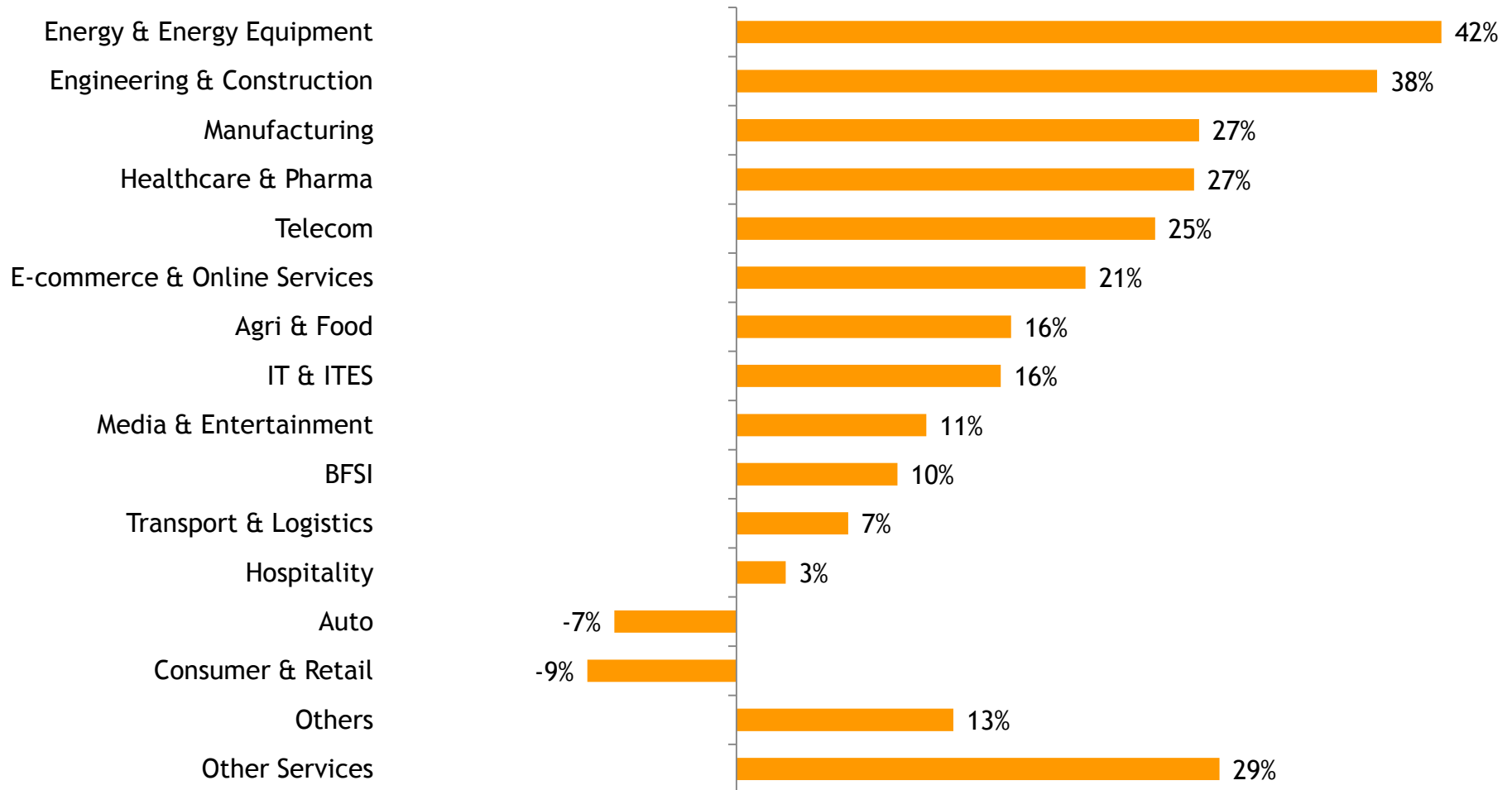


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**Thank You**

# However, Impending Sectoral Shift Given the Past Experience with Returns

## Weighted IRR\*





# Case Study: VC Activity in E-Commerce in 2011

The year witnessed a second coming of e-commerce, with PE and VC firms investing over US\$300 Mn in e-commerce companies at premium valuations.

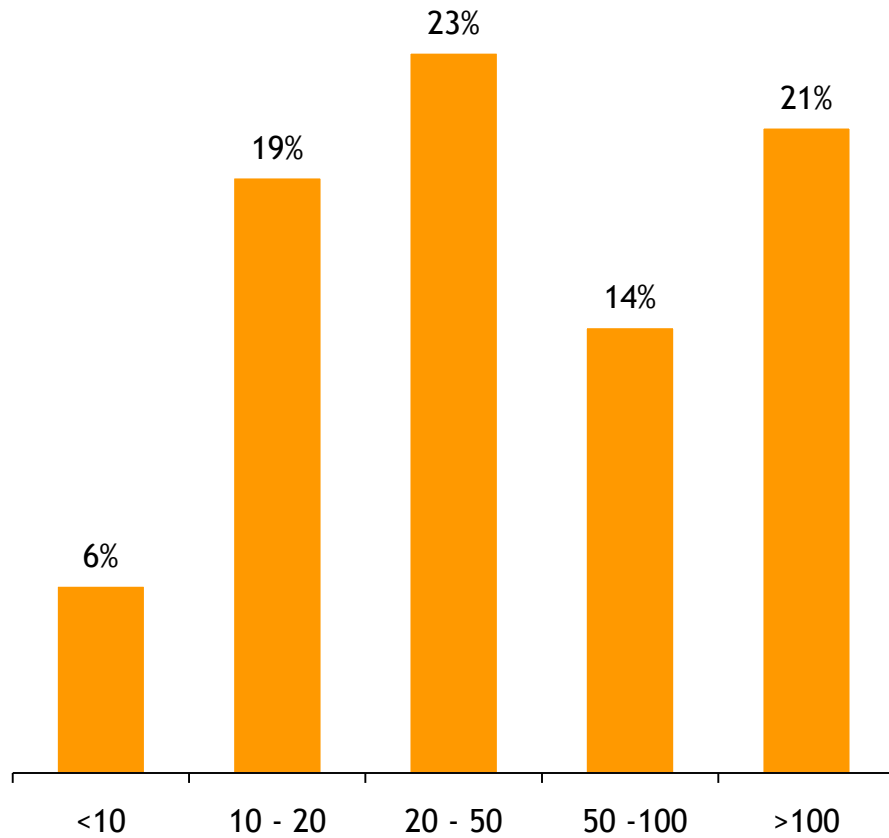


Investor	Investee	Month	US\$ Mn
Mayfield Fund, Norwest Venture Partners, Nokia Growth , Intel Capital	Dealsandyou.com	Nov	17
Norwest Venture Partners, Intel Capital, Sequoia, Nokia Growth	Fashionandyou.com	Nov	40
New Enterprise Associates	Naaptol Online	Oct	25
SAIF Partners	-iXiGO.com	Aug	13
Bessemer Venture Partners	Snapdeal.com	Jul	40
Tiger Global Management LLC, Accel Partners and Helion Ventures	Exclusively.in	Jun	16
Tiger Global Management LLC	Flipkart	Jun	20
Valiant Capital, Norwest Venture Partners and Intel Capital	Yatra Online	Apr	43
Tiger Global, IDG Ventures, Indo-US Venture Partners	Myntra.com	Mar	14
Nexus Venture Partners, IndoUS Venture Partners	Snapdeal.com	Feb	9

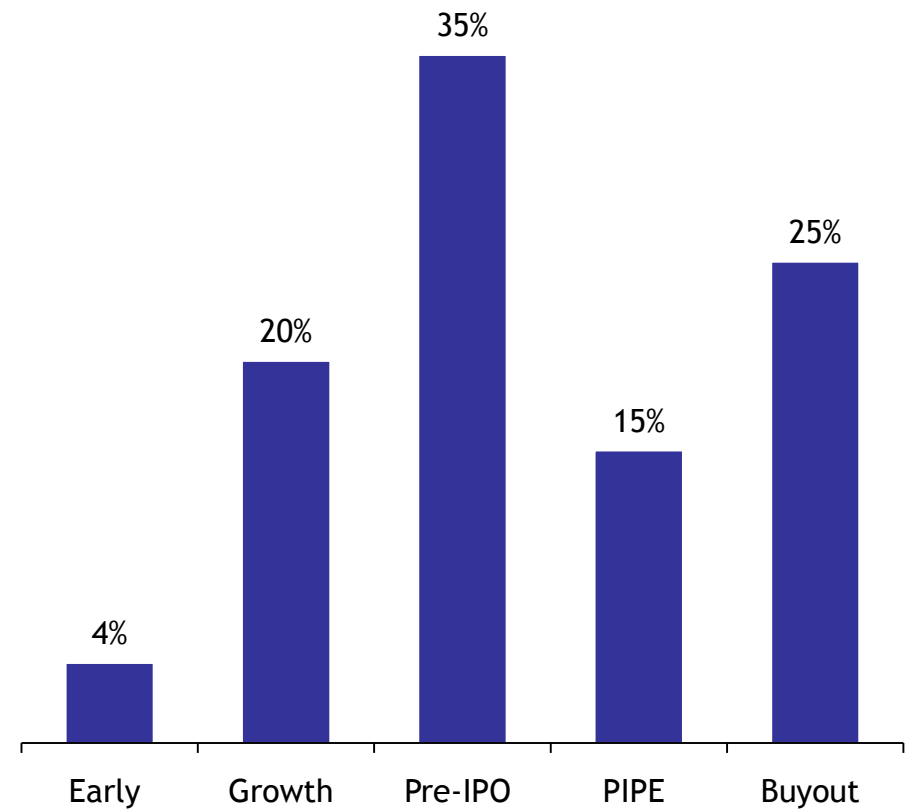
# Superior Returns on Growth/Pre-IPO Investments in Rs 100-250 Cr Size Range

## Weighted IRR\*

### By Deal Size (US\$ Mn)



### By Stage of Investing



# Valuation, Macro Economy & Competitive Environment - Key Challenges to VC/PE Investing



# Governance, Financing & Vision - Top Concerns of VC/PE Investors

