Merchant Banking – Lifeline For Corporates To Raise Capital

April, 2011
Company/Promoter: Profile

- Extremely entrepreneurial in nature or are technocrats
- Unaware of the intrinsic value of their businesses
- Capital raising or markets related decision making is supported by Family Chartered Accountant
- Mindset: Sharing of Equity

Decisions influenced by inadequate or inferior advice
Besides Business

- Understanding Market Dynamics
- Fund Raising
- High Interest Cost Debt
- Effective Communication to Investor Community
- Corporate Governance
- Identifying Strategic Partners
Life Cycle of the Company

Requirements of the Company

Value of the Company

- Debt
- Equity
- PE

Pre PE Stage

PE Stage

Listing

Post Listing

• Debt
• Equity
• Acquisition Advisory
• Strategic Advisory
• Market Support
Fund Requirement: Debt

Understand business model of the company and financial health of the company

Based on the needs and financial health suggest suitable fund raising structure

Preparation of IM, CMA Data, Financial Projections

Negotiation with Banks and other lending agencies

Follow-up with the bank for getting sanction letter

Fulfillment of formalities like credit rating, certifications, etc.

Assist the Company in post sanction formalities like charge creation, documentation, etc.

• Structuring of the Deal is the key aspect of the transaction
• Sourcing loans at cheaper rates is very critical
• Merchant Banker has a more established set up than a Individual Advisor
• Large Set up enables the Merchant Banker to not only source cheaper Rupee loans but also ECBs
Understanding Private Equity

Preliminary screening of investment opportunity

Preparation of IM and Financial Projections

Identify suitable investors

Deriving the optimal value

Negotiation with Investors

Conduct Marketing Roadshows

Suggest suitable structure

Assist in Pre-investment due diligence

Assist in documentation

Fund Requirement: Private Equity

Value of Company

Exit Options

Share Sale

IPO

Put Option

Buy-Back

Pre-IPO
Fund Requirement: IPO

**Process Overview**

**Due Diligence and Documentation**
- Board approval, shareholders approval
- Appointment of Lead Manager and other intermediaries
- Setting up data room for due diligence
- Capital Structuring
- Due diligence
- Preparation of restated audited financial statements not more than six months old from date of filing of Offer Document
- Corporate governance committees

**Positioning and Valuation**
- Devising strategy to effectively position the Company on its merits
- Pre-marketing of issue
- Benchmarking the valuation on the basis of the Pre-IPO Placement/anchor investment
- Appropriately place the Company within the peer group to fetch better valuation

**Marketing & Selling**
- One on One meetings with key investors
- Roadshows and launch of issue
- Finalize the issue price based on book
- Allotment of shares and listing
- On-going investor commitments and support
IPO: Merchant Banker’s Deliverables

**Before IPO**
- Help in quasi strategic decisions
- Helping in formalization of Corporate Policies and Structures keeping in mind preferences of investor community
- Advise on the optimal capital structuring of the Issue
- Profiling of the Company; preparation for IPO
- Acting as In-house Advisor to the Company

**During IPO**
- Highlight and continuously emphasize on the credibility of the Company
- Devise and implement effective marketing strategies
- Management track record to be effectively communicated
- Effectively use the distribution network to sell the equity paper
- Plant visits for Key HNI Investors and opinion leaders/brokers
Post Listing Support

Coverage: Release Research Reports

• Research reports circulated to lakhs of in-house clients
• Pan India presence through broking operations
• Regular conferences/non deal roadshows.

Communication Reach

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News Updates

• Continuous newsmaker in the investor community
• Flashing news of every positive events in the Company through Stock Exchanges:
  • Obtaining Order
  • Awards/Recognitions
  • Acquisitions, etc.

Write Ups

• Disseminate news by strategic media tie ups
• Regular write ups in newspapers about future plans
  • Expansions
  • Diversifications
  • Awards/Recognitions

Meetings/Visits

• One to One Meetings
  • Selective leading retail investors
  • Decisive brokers in the market
• Regular plant visits
  • Brokers
  • Analyst
Merchant Banker: Bridging the Gap

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