

SMEs see 4x jump in mop-up via initial share sales in FY22

Experts say the return of risk-on sentiment aided these firms' cause

ASHLEY COUTINHO
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Collections from initial public offerings (IPOs) of small and medium enterprises (SMEs) saw a resurgence in financial year 2021-22 (FY22) after seeing a lull in the previous two years.

SMEs mopped up ₹965 crore from 70 offerings in FY22, nearly four times the amount garnered in FY21 from 28 offerings. This is still far lower than the record ₹2,213 crore raised in FY18 and ₹1,620 crore collected in FY19.

According to experts, the number of issuances dropped in FY21 as investors preferred larger companies that were deemed to be more resilient amid the pandemic, rather than risking their capital on smaller names. The return of risk-on sentiment has aided their cause.

Top gainers in FY22 include BEW Engineering (a gain of 1,520 per cent over issue price), Kotyark Industries (676 per cent), and DU Digital Technologies (410 per cent), according to primedatabase.com. Overall, 60 per cent of the SME IPOs listed this fiscal have delivered positive returns.

AA Plus Tradelink, Nidan Laboratories & Healthcare, Brandbucket Media & Technology, and Dynamic Services & Security were among the top losers, shedding between 61 per cent and 69 per cent.

Despite the possibility of high returns, experts said there was a chance of losing one's entire capital in SME stocks. Analysing these firms could be tough because they are not tracked by analysts and there is limited data available in the public domain.

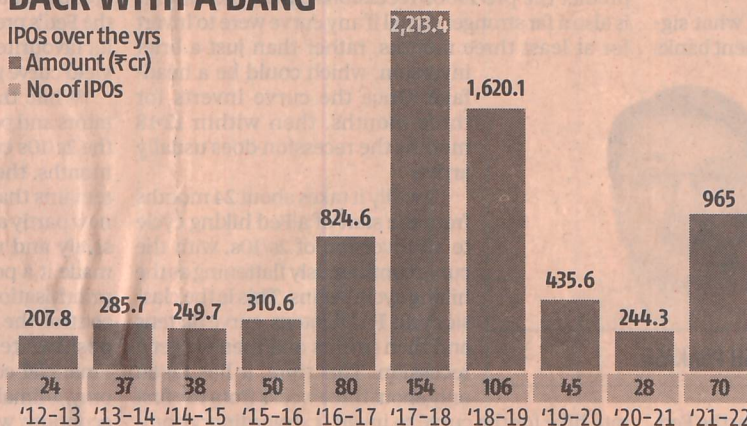
Investors have to gauge the credibility of promoters themselves. The SME segment has also been grappling with a lack of liquidity and lacklustre institutional participation.

A few months back, India's oldest bourse, the BSE, signed a memoran-



BACK WITH A BANG

IPOs over the yrs
■ Amount (₹ cr)
■ No. of IPOs



Source: primedatabase.com

dum of understanding with HBF Direct, a management consultancy that offers advisory services to SMEs, to encourage listing of MSMEs and start-ups across India.

"At a time when small businesses are slowly recovering from the economic impact of Covid-19, equity funding can be of paramount importance. By leveraging existing client base of HBF Direct, this MoU

will help us in reaching out to SMEs and start-ups across diverse sectors and shall also open up future possibilities of collaborative effort to increase the awareness around benefits of listing

amongst SMEs and Start-ups spread across India, thereby enabling more and more businesses to avail benefits of equity financing," said Ajay Thakur, head — BSE SME and start-ups.

The BSE and the NSE had launched separate SME platforms in 2012 and 2013 after the Securities and Exchange Board of India (Sebi) came up with easier listing and disclosure guidelines to help small companies tap the capital market. Besides improved transparency, an IPO route for SMEs reduces their dependence on debt financing and helps them maintain their debt-equity ratio efficiently, said experts. Listed SMEs with good ratings can get loans at interest rates that are lower than the market.

Debutant Veranda closes at ₹160 on BSE, ₹137 on NSE

BS REPORTER
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Shares of Veranda Learning Solutions, which made its stock market debut on Monday following its ₹200-crore initial public offering (IPO), ended at ₹160 apiece on the BSE and ₹131 on the NSE. The shares were issued at ₹137 in the IPO.

The 20-per-cent divergence in the closing price on the two exchanges on the first day exposed the chinks in the price discovery process, especially for smaller companies. The so-called equilibrium price, arrived at after an hour-long pre-open session, was ₹125 on the NSE and ₹157 on the BSE.

For IPOs up to ₹250 crore, a stock can move only in a 5 per cent range over the equilibrium price during the normal trading session. Also, all trades have to be compulsorily marked for delivery (known as trade-to-trade or T2T) as no intra-day trading is allowed for the first 10 days.

As a result, the stock got locked in the 5 per cent upper circuit on the NSE and it gyrated between ₹149.15 and ₹164.85 on the BSE. "The huge difference in equilibrium price between the two exchanges indicates that the price discovery process is not fair. Ideally, there should be a common price discovery. It is important that the exchanges devise a mechanism to address this issue," said Arun Kejriwal, Director, KRIS Capital.

He said it could take several days for the prices on both exchanges to converge due to the T2T norm.

For IPOs of over ₹250 crore, the circuit filter is set at 20 per cent. These rules were introduced to prevent wild swings in stock prices on listing. Veranda's IPO, which closed last month, had garnered 3.5 times subscription, it's retail portion was subscribed more than 10 times.

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