

SME listings set to cross 2022 numbers



SENTIMENT REGARDING SMALL and medium enterprises (SMEs)

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Institutional play, higher risk appetite spur SME listings

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THE SENTIMENT REGARDING small and medium enterprises in the market remains positive and listings this year for the category are poised to surpass the 2022 numbers.

Data shows that the previous calendar year saw 109 initial public offerings (IPOs) by SMEs — 53 on the BSE and 56 on the NSE — with a total mop-up of Rs 1,875 crore.

In comparison till June 16, a total of 64 SMEs had hit the market, raking in a cumulative Rs 1,500 crore. Of these, 35 SMEs listed on the NSE while 29 made it to the BSE. Experts say the second half could turn out to be even better in terms of listings.

“SME listings have been good this year and this has largely been on account of institutional participation in the IPOs. Market sentiment is good at the moment, and we expect 65-70 more on our platform by the end of this calendar year,” said Sameer Patil, chief business officer at the BSE.

Seven of the 64 to have listed this year have seen a mop-up of over ₹50 crore. Spectrum Talent Management, the largest of the lot, raked in ₹97.5 crore. In comparison, the largest SME listing of 2022 was of Rachana Infrastructure for ₹72.4 crore.

However, the IPO process tends to take more time nowadays, owing to regulatory requirements and due



TOP 5 SME LISTINGS

IN 2022	Opening date	Issue amt (₹ crore)	IN 2023*	Opening date	Issue amt (₹ crore)
Rachana Infrastructure	May 20	72.44	Spectrum Talent Mgmt	June 9	97.57
Pace E-commerce Ventures	Sep 29	63.11	CFF Fluid Control	May 30	81.50
Mangalam Worldwide	June 30	62.30	Proventus Agrocom	May 24	66.06
Vital Chemtech	Oct 31	61.40	Sealmatic India	Feb 17	53.41
Swastik Pipe	Sep 29	59.38	Bright Outdoor Media	Mar 14	52.65

Source: PRIME

*(up to June 16)

diligence. “The market environment is no doubt conducive for SME listings but processes take more time nowadays with stricter compliance

norms. The due diligence process and selection of companies is a time-consuming exercise because no one wants to rush with an IPO

only for it to end up being a flop,” said Jyoti Prakash Gadia, managing director of Resurgent India.

Investors, though upbeat, are also playing it safe, he pointed out. This is because those who participated in the earlier listings may first like to gauge the performance of the earlier firms before betting on more SMEs.

“We expect the remainder of the year to see 10-15% more listings by SMEs in comparison to the first half,” Gadia added. Both Gadia and Patil said merchant bankers are now focusing on quality over quantity and strive to bring the right firms to the platform.

“Regulatory changes have only helped streamline the process and this has made the drill easier for merchant bankers and companies,” said Patil. SMEs naturally show faster growth, given the businesses are at a nascent stage. Market players say that SME stocks are ‘high-beta’ compared to mid-caps and small-caps. This means that they show a 15-20% swing compared to a 10% swing in midcap stocks. Though this makes them a risky proposition, it also means higher growth opportunity.

“Investing in SME stocks is not suitable for all categories of retail investors,” said an equity strategist at a brokerage. This is because of the higher lot size and low liquidity. “These are more suited to HNIs and the wealthy, who can afford to pick up bigger lots.”