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The initial public offerings of small and medium enterprises (SME IPO) hit a new record in 2023. This year, 181 companies raised ₹4,643 crore through the SME IPO route, according to data sourced from Prime Database.

The previous all-time high was in 2018, when 141 companies raised ₹2,287 crore.

The record-breaking number of SME IPOs in 2023 is attributed to retail enthusiasm bolstered by strong after-listing performances. The high net-worth individuals (HNIs) and savvy investors initially shifted their focus to SME IPOs because the mainboard IPOs had dried up at the beginning of the year.

While there were no mainboard IPOs in the first two months of this year, the SME exchanges saw 21 issues during the same period. The returns delivered by SME IPOs attracted more investors.

The BSE SME IPO index, gauge tracking companies in the BSE SME platform, has risen 93 per cent on a year-to-date (YTD) basis.

According to data from Prime Database, 59 of the 181 SME IPOs are trading at 100 per cent premium of their issue prices as of Friday. And 109 are trading 20 per cent above their issue price. "If you got allotment, the chances of money doubling or tripling is very high," said Arun Kejriwal, Founder of Kejriwal Research

and Investment Services. Ambareesh Baliga, an independent equity analyst, said many SME IPOs this year have become multi-baggers.

"Those who invested in this segment had made good money in the last 12-18 months, it was natural for other investors to flock to this space," said Baliga.

To bring down speculative activity, SME stock exchanges came with graded surveillance measures (GSM) and introduced new guidelines for those seeking to move to the mainboard.

The SME platform was introduced in 2012, operates separately from the mainboard, and adheres to different rules.

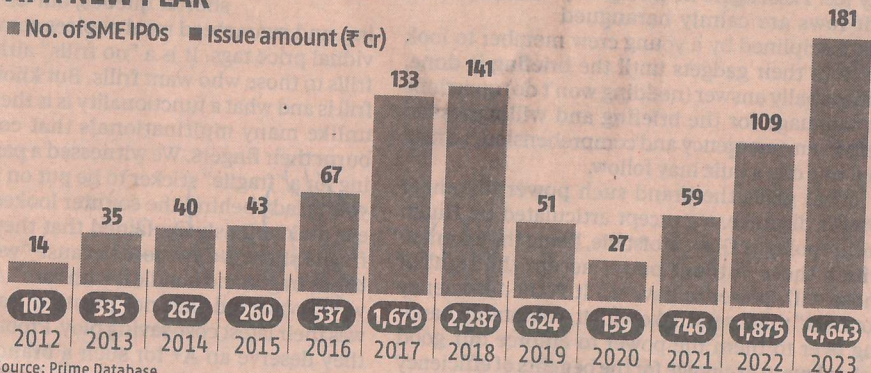
The minimum application size for SME issues is around ₹1 lakh, compared to ₹15,000 for the mainboard issues. The higher ticket size was intended to discourage retail investors, but it has ceased as a deterrent as most investors are comfortable placing bids worth ₹1 lakh or more.

"The number of people applying for SME IPOs was smaller in the past because of the minimum lot size. But it is increasingly ceasing to be a deterrent. Investors should tread this space carefully as one is doubtful how many of these companies will generate long-term wealth for investors," Baliga added.

SUNDAR SETHURAMAN

## AT A NEW PEAK

■ No. of SME IPOs ■ Issue amount (₹ cr)



Source: Prime Database