

Retail investor interest helps SMEs make most of IPO wave

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MUMBAI

Small enterprises stormed the stock exchanges in the just-ended fiscal year, amplifying the trend of the previous years, and tempting investors seeking new investment avenues.

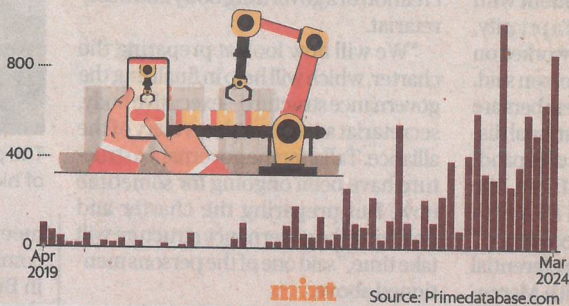
During 2023-24, a record 204 small and medium enterprises (SMEs) floated initial public offerings (IPOs) to raise ₹5,961 crore, up nearly 167% from a year ago, while the mainboard IPO mop-up rose a more sedate 20%. This follows ₹965 crore, ₹244.28 crore and ₹436 crore that SMEs raised in the three previous fiscal years.

The trend signifies the growing confidence of investors in the potential of SMEs and their ability to generate strong returns. However, around 51% of these companies that went public in 2024 were trading below issue price on Tuesday.

"SME-listed companies have emerged as outliers in the past four to five years, with a surge in high net worth individuals (HNIs) and retail investors seeking higher returns. There's growing interest in the SME space due to the introduction of new business opportunities that aren't as commonly listed on the main

Small wonders

In FY24, a record 204 SMEs floated IPOs to raise ₹5,961 crore, up nearly 167% from a year ago, while the mainboard IPO mop-up rose only 20%.
1,200 — Amount raised by SME IPOs, monthly (₹ crore)



SENSEX HITS 75K MILESTONE

The BSE Sensex shot past the 75,000-point milestone on Tuesday, scoring the last 1,000 points in a mere 24 trading sessions. The 30-share index had first crossed the 70,000 mark on 14 December. **See Page 4**

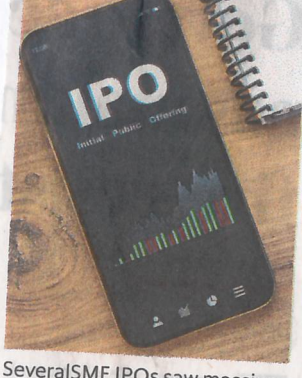
board," Abhilash Pagaria, head, Nuvama Alternative and Quantitative Research said.

In March alone, 27 SMEs raised ₹862 crore, up 35% from February, which saw 16 companies raise ₹638 crore. This is the highest number of SME IPOs since September 2023. In

March 2022, 14 companies raised ₹264.3 crore. In March 2021, nine companies (₹109.1 crore) and six in March 2020 (26.33 crore), according to data from Prime Database.

The BSE SME IPO Index returned an impressive 119% in 2023-24, against 76.3% in 2022-23. Large established firms list on the mainboards of NSE and BSE, while smaller firms with greater growth potential and higher risk list on their SME platforms.

"While the SME segment has seen some exuberance and outperforming stocks, there are also pockets with underperforming stocks. Investors interested in this segment need to be very selective. Understanding the business



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models and valuations of individual companies is crucial. This is because the SME segment is suitable only for high-risk appetite investors who understand its dynamics," Kranthi Bathini, director of equity strategy at Wealth Mills Securities Pvt. Ltd said.

In March, Madhabi Puri Buch, chairperson of the Securities and Exchange Board of India, remarked about instances of manipulation in SME IPOs, which sparked a fall in the shares of many listed SMEs. Buch said the regulator was keeping a close eye on IPOs and trading operations.

Arvinder Singh Nanda, senior vice-president at Master Capital Services Ltd, said the Reserve Bank of India's monetary policy committee expects around 7% growth for the Indian economy. "This growth is also expected to extend to the IPO market, with companies from various sectors preparing for public offerings. The favourable investor sentiment and strong economic activity are driving the growth of the IPO market," Nanda added.

"The trend of healthy investor appetite seen in 2023 is likely to continue, especially in SMEs, providing them with favourable opportunities to raise funds through IPOs. Recent regulatory reforms and a stable domestic market are supporting the firms in their IPO plans. The factors driving optimism for SME IPOs in this financial year include a conducive market environment, regulatory ease, and robust investor demand," he added.

Several recent SME IPOs saw massive interest from retail investors. Koura Fine Jewellery's ₹5.12 crore IPO saw a staggering 1,076 retail subscription, while Signoria Creation Ltd (₹8.8 crore) and Radiowalla Network Ltd (₹13.4 crore) received subscriptions of 643 times and 349 times, respectively. Pune E-Stock Broking Ltd (₹32.5 crore) and Shree Karni Fabcom (₹40.37 crore) also witnessed strong retail interest with over 300 times subscription each. The largest SME IPO, KP Green Engineering, which raised ₹180 crore, was subscribed by 19.66 times by retail investors.

"The IPO market trend of 2023 is expected to continue into 2024. There will be an increase in the size of issues and new-age companies entering the market," Nanda of Master Capital Services said.