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## Strong Participation of Family Offices and HNIs Drives Growth in SME IPOs



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The small and medium enterprise (SME) sector in India has seen a surge in initial public offerings (IPOs) this year, fueled by strong participation from family offices and high-net-worth individuals (HNIs), favorable market liquidity, and optimistic investor sentiment. According to data from prime database, 139 SMEs have raised Rs 3,540 crore through IPOs in 2023, surpassing the 109 companies that raised Rs 1,875 crore in the entire year of 2022.

Experts predict that the fundraising environment for SME IPOs will continue to be favorable in the coming months. The growth potential of specific sectors, market liquidity levels, investor sentiment, and potential regulatory changes are considered the primary determinants of this trend. Abhishek Jain, Head of Research at Arihant Capital Markets Ltd, stated that the robust fundraising momentum is expected to persist due to the convergence of these influential factors.

A wide range of sectors has seen IPO debuts, including IT, FMCG, automotive components, pharma, infrastructure, advertising, and hospitality. The funds mobilized through IPOs have been primarily used for expansion plans, working capital requirements, and debt repayment. The surge in SME fundraising through IPOs in 2023 can largely be attributed to the significant capital injections by family offices and HNIs into the SME market.

The favorable market conditions, upward movement in the markets, and the demand for capital have all contributed to the growth in fundraising. In addition, investors who had previously invested in these companies are considering unlocking value and exiting through the IPO route. The month of September saw the highest number of 37 SMEs entering the IPO market.

The BSE SME and NSE Emerge platforms, launched in 2012, have provided opportunities for SMEs to raise capital for growth and expansion. These platforms have played a crucial role in facilitating the IPOs of these smaller companies, enabling them to tap into the public market for funding.

Overall, the strong participation of family offices and HNIs, coupled with favorable market conditions, has driven the growth in SME IPOs in India. With the continued convergence of influential factors, the crowdfunding momentum for SMEs is expected to persist in the foreseeable future.

Sources:

- prime database.com (Data provided by)
- Arihant Capital Markets Ltd (Head of Research, Abhishek Jain)
- Himanshu Kohli, Co-founder of Client Associates



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