

● IN 2024, 40% LISTED AT MORE THAN 90% GAINS

NSE crimps punter runaway in SME offers

Move could suppress speculative excesses and mitigate volatility, say experts

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THE NATIONAL STOCK Exchange's (NSE) decision to cap the issue price of small and medium enterprises' (SMEs) initial public offerings (IPOs) at 90% in the special pre-open sessions comes at a time when there has been growing concerns about the significant oversubscription and listing gains in the segment.

Sample this: In 2024, at least four SME IPOs were listed at a premium of a whopping 300-400%.

But that's not all. Oversubscription has also been hitting new records. The recent example is HOAC Foods, which was subscribed a record 1,834 times and the retail investor portion received 2,350x subscription. The manufacturer of flour and spices launched its ₹5.54-crore fixed price public issue on May 16 with an offer price of

₹48 per share. It got listed at a premium of slightly over 200%.

The surge in the number of SME issues listing with exorbitant gains has been quite eye-popping. In the first six months of 2024, 39% of 117 SME IPOs were listed with over 90% gains, according to data from *Bloomberg*. In 2023, only 16% of the SME issues achieved this milestone.

Big gainers in the SME market this year include Medicamen Organics, Maxposure Media Group India, Kay Cee Energy & Infra and Winsol Engineers which got listed at a premium of 300-400%. Overall, the BSE SME IPO index has soared 271% in the last one year to 99,134.40 points. Compared to this, the BSE Sensex has risen 22% and the BSE Smallcap index has gained 64%.

"Many investors have been looking more at past returns rather than fundamentals while subscribing to SME IPOs. Such practice could lead to creation of a bubble," said Deepak Jasani, head of retail research at HDFC Securities. "We have seen this happen earlier in smaller companies on the mainboard as well."

Tarun Singh, managing director at Highbrow Securities, which has

LISTING WITH EXORBITANT GAINS

BSE SME IPO
Index

99,134.40
July 5, 2024



SME IPOs

	No of issue	Issue size (₹ crore)
2019	51	624
2020	27	159
2021	59	746
2022	109	1,875
2023	182	4,686
2024*	117	3,641

Source: primedatabase.com

Top SME IPOs by listing gains (%)

Winsol Engineers	387
Kay Cee Energy & infra	367
Maxposure Media Group India	339
Vivo Collaboration Solutions	333
Medicamen Organics	305
GP Eco Solutions India	299
Divine Power Energy	288
Purv Flexipack	266
We Win (surevin BPO Services)	255
Esconet Technologies	245

Source: Bloomberg

worked with some of the initial SME IPOs, believes that the regulatory intervention curtails the immediate realisation of outsized returns, thereby suppressing spec-

ulative excesses and mitigating volatility. Singh added this is merely one of the initial steps in a series of necessary reforms required to ensure the sustainable

viability of SME listings.

Jasani, too, shares a similar view and said increasing the minimum issue size and/or post-issue capital size and imposing higher lock-in period on promoter holding could be some other steps that the exchanges may take on SME issues in the future.

The stricter measures are a result of the markets regulator Securities and Exchange Board of India (Sebi)'s concerns over price manipulation in some stocks in the segment. In March, Sebi chairperson Madhabi Puri Buch raised concerns over signs of price manipulation in SME issues and trading in such shares.

The NSE and BSE have introduced separate platforms for SME companies. These firms have fewer disclosure requirements and lower issue size requirement compared to mainboard IPOs.

The SME segment has seen a huge growth in the last few years. The number of issues has risen from 59 in 2021 to 182 in 2023, according to PRIME Database.

"Reflecting on the market sentiment and the underlying metrics, it is evident that a curb on the premium upon listing was a much-needed reform," Singh said.