

SME IPOs still on boil despite SEBI's caution

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The SME IPO party appears unending even as the capital market regulator SEBI has expressed concern over run-away subscription, inflated listing price and subsequent rally in these stocks.

Fifty-six companies raised ₹1,633 crore through IPOs on SME exchanges in the first quarter of FY25, surpassing the previous record of ₹1,000 crore mopped up by 34 SME IPOs in Q1 of last year, per Prime Database.

Incidentally, SEBI has detected manipulation at both the trading and issuance levels in the SME space.

SEBI Chairman Madhabi Puri Buch had recently said that the regulator is working to mandate more disclosures to safeguard investors and plans to use artificial intelligence to improve document examination, besides moving towards automated supervision.

SMALL OFFER, BIG GAIN

Amid concerns of froth building up in SME stocks, the NSE had imposed a price control cap of 90 per cent on

Small is big

(₹ crore)

Company	Issue size	Subscription received
Magenta Lifecare	6.64	6,524
Greenhitech Ventures	5.97	4,597
Kay CEE Energy	14.9	11,140
Koura Fine Diamond Jewellery	5.12	3,749
Kahan Packaging	5.14	3,974

pre-open session on listing of an SME after the IPO. Yet, the ₹5.10-crore SME IPOs of Hariom Atta & Spices was subscribed 1,963 times. The scrip, issued at fixed price of ₹48 apiece, closed at ₹140 on the day of listing. The share closed at ₹152 on Friday on NSE Emerge.

An investment of ₹1.44 lakh for one lot size of 3,000 shares has delivered a profit of ₹2.76 lakh.

"Most SME issues are subscribed multiple times due to their offer size. For instance, the offer size of Magenta Lifecare was only 2 lakh shares while that of Hariom Atta was 11.55 lakh, and these shares are sold out in no time given the hype created by merchant bankers," said Sanjay

Shah, a long-time retail investor.

Tarun Singh, MD, Highbrow Securities, said given the kind of valuations and money flow into SME IPOs, investors need to be cautious.

The new NSE Emerge listing cap will temper immediate gains and prioritise long-term market health to build sustained investor confidence for a robust SME sector, he added.

ADVANTAGE SMEs

Listing on the exchange has helped many SMEs with strong business fundamentals.

For instance, Network People Services Technologies, a banking technology service provider, raised ₹14 crore by issuing shares at ₹80 a piece in August 2021. The company's shares closed at ₹2,008 on Friday with a market capitalisation of ₹4,000 crore.

Company's CEO and co-founder, Deepak Chand Thakur, said the IPO funds had helped to double the customer base, strengthen product portfolio and launch a new line of business. The company is now on a strong footing and is regarded among the top UPI and banking players and is gearing to expand operations internationally, he added.