

Small company IPOs see record run in '18

133 SME offerings mobilised ₹22 bn so far this year

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Challenging market condition notwithstanding, the initial public offerings (IPOs) of small and medium enterprises (SMEs) have seen a record run in 2018.

So far this year, 133 companies have raised close to ₹22 billion through their maiden offerings on the SME platforms of the BSE and the National Stock Exchange (NSE). While the number of IPOs this year is same as last year, the amount raised is 30 per cent higher. The capital mobilised by SMEs through the stock exchange platforms is also the highest since their introduction in 2012.

On the other hand, volatility in the secondary market has taken its toll on IPOs on the main board. So far this year, 242 companies have raised around ₹310 billion — less than half the amount mopped up in the previous year. Again, 2017 was a record year for main-board IPOs, with 36 companies cumulatively raising ₹671 billion.

Market participants said a significant thrust of the gov-

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Challenging market conditions failed to slacken SME IPOs this year

Year	No. of IPOs	Amt raised (₹ bn)
2012	14	11
2013	35	3
2014	40	3
2015	43	3
2016	67	5
2017	133	17
2018*	133	22

Source: Prime Database;
Compiled by BS Research Bureau

ernment policies helped the SME ecosystem develop in the country, generate positive investor sentiment, and facilitate favourable regulatory changes. All these factors have contributed to the record funds raised under the SME segment.

The SME platform is meant for companies with paid-up capital of up to ₹100 million. Such companies, otherwise, find it difficult to access public equity, as listing on the main board has stringent regulatory requirements.

Investment bankers said a lot of handholding was involved in getting small companies to list on the SME bourses. "It is not that SMEs are immune to market condi-

tions. The reason we have seen so many SME IPOs despite tough market conditions is because work on most of them started years ago when market conditions were healthy," said an investment banker.

Market players observed that most of the SME activities this year happened in the first half. In recent months, SME activity has been hit because of adverse market conditions, they said.

"A number of external macroeconomic factors, such as the weakening of the rupee, significant correction in market indices, liquidity crisis among non-bank lenders, coupled with uncertain political outlook and scheduled state elections has left investors unwilling to invest," says Sandip Khetan, partner and national leader, EY India. Market players said recent regulatory relaxations had given a boost to SME listings. However, more can be done.

"Post-listing liquidity is still a concern. Higher lot sizes make secondary market trading a challenge," said Abhijit Diwan, vice-president, Saffron Capital Advisors.

To keep small investors away from the platform, Sebi has fixed the minimum trading size at ₹100,000.